

## BHG RETAIL REIT

(A real estate investment trust constituted on 18 November 2015  
under the laws of the Republic of Singapore)

### THE PROPOSED ACQUISITION OF HEFEI CHANGJIANGXILU MALL IN THE SHUSHAN DISTRICT OF HEFEI, ANHUI PROVINCE, THE PEOPLE'S REPUBLIC OF CHINA, AS AN INTERESTED PERSON TRANSACTION

#### 1. INTRODUCTION

##### 1.1 The Proposed Acquisition

BHG Retail Trust Management Pte. Ltd., as manager of BHG Retail Real Estate Investment Trust (“**BHG Retail REIT**”, and as manager of BHG Retail REIT, the “**Manager**”), is pleased to announce that DBS Trustee Limited (as trustee of BHG Retail REIT) (the “**Trustee**”) had on 5 November 2018 entered into the SG SPA (as defined herein) in connection with the acquisition of a leasehold interest in Hefei Changjiangxilu Mall in the Shushan District of Hefei, Anhui Province, the People’s Republic of China (“**Hefei Changjiangxilu Mall**”), for a transaction amount<sup>1</sup> (the “**Transaction Amount**”) of approximately RMB328.3 million (approximately S\$65.7 million<sup>2</sup>) (the “**Acquisition**”). The following table sets out certain details of Hefei Changjiangxilu Mall as at 31 August 2018 (unless otherwise stated):

<b>Location</b>	639 Changjiangxilu Road, Shushan District, Hefei, Anhui Province
<b>Year of Completion</b>	2010
<b>Term of Land Use Right</b>	30 April 2043
<b>Site Area</b>	Approximately 19,784.67 square metres (“ <b>sq m</b> ”)
<b>Gross Floor Area</b>	Approximately 48,003.09 sq m
<b>Net Lettable Area (“NLA”)</b>	Approximately 27,221.63 sq m
<b>Weighted Average Lease to Expiry (“WALE”)</b>	By gross rental income: 2.6 years By committed lettable area: 5.0 years
<b>Occupancy rate</b>	99.4%
<b>Trade Names of Major Tenants</b>	BHG Supermarket KFC Pizza Hut Watsons La Chapelle Golden Harvest Cinema

1 The transaction amount in respect of the SG SPV (as defined herein) comprises (i) S\$65.7 million that the Trustee will extend to the SG SPV via a shareholder’s loan from the Trustee and/or a subscription of shares in the capital of SG SPV and (ii) S\$100.00 for the issued share capital of the SG SPV.

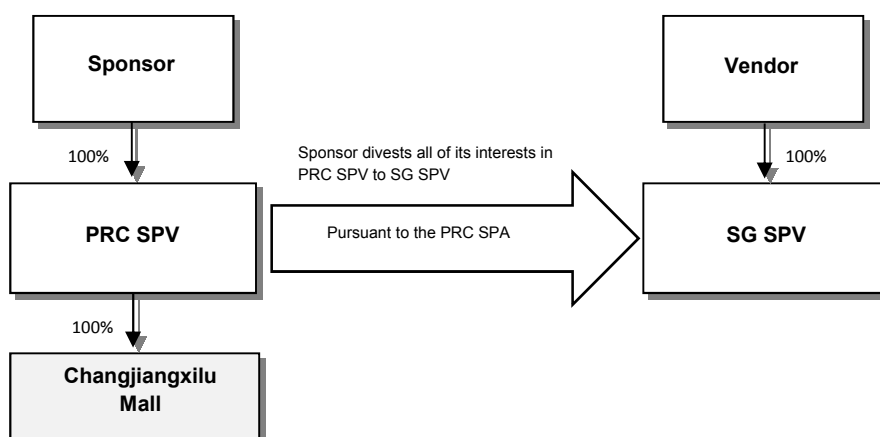
2 Unless otherwise stated, the S\$ equivalent of the RMB figures in this announcement dated 5 November 2018 (this “**Announcement**”) has been arrived at based on an assumed exchange rate of RMB5.00 : S\$1.00.

<b>FY 2017 Net Property Income<sup>(1)</sup> (RMB)</b>	17,204,140
<b>1H 2018 Net Property Income<sup>(2)</sup> (RMB)</b>	10,049,550
<b>Net Property Income Yield<sup>(3)</sup></b>	FY 2017: 5.2% 1H 2018: 6.0%

**Notes:**

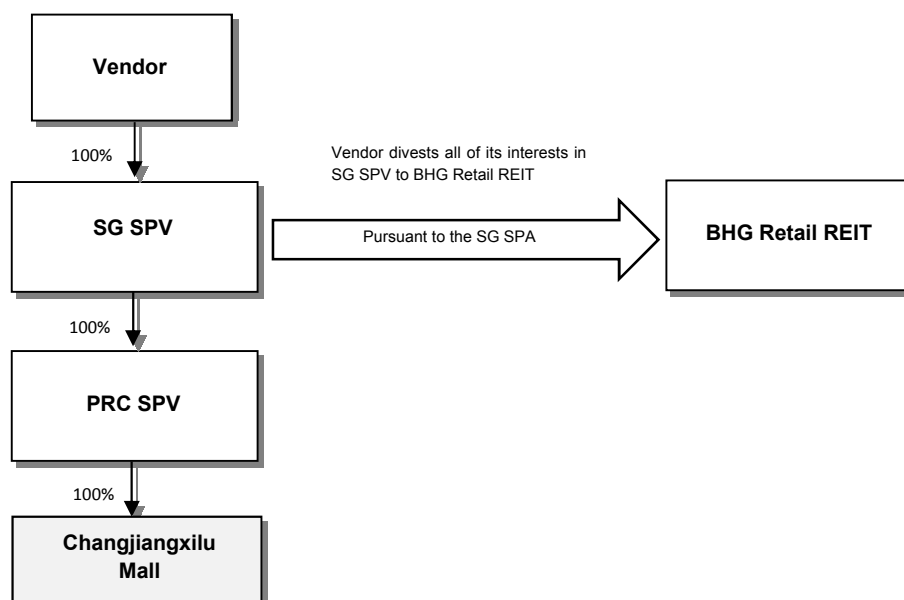
- (1) FY 2017 Net Property Income refers to the Net Property Income for the financial year from 1 January 2017 to 31 December 2017 (“FY 2017”). “Net Property Income” is computed as gross rental income less property operating expenses.
- (2) 1H 2018 Net Property Income refers to the Net Property Income for the financial period from 1 January 2018 to 30 June 2018 (“1H 2018”).
- (3) “Net Property Income Yield” was calculated by: (i) dividing the FY 2017 Net Property Income by the Agreed Changjiangxilu Value (as defined herein) and (ii) dividing the annualised 1H 2018 Net Property Income by the Agreed Changjiangxilu Value.

Hefei Changjiangxilu Mall was initially indirectly owned by Beijing Hualian Department Store Co., Ltd. (the “**Sponsor**”) through a People’s Republic of China (“**PRC**”) holding company, Hefei Hualian Ruicheng Shopping Plaza Commercial Operation Ltd. (合肥华联瑞安购物广场商业运营有限公司) (“**PRC SPV**”). A series of steps have been and will be undertaken in compliance with the relevant PRC laws and regulations in relation to the proposed Acquisition. An individual who is unrelated to the BHG Group<sup>1</sup> of companies and is neither an “interested person” of BHG Retail REIT for the purposes of the Listing Manual<sup>2</sup> nor an “interested party” of BHG Retail REIT for the purposes of the Property Funds Appendix<sup>3</sup>, Guok Chin Huat Samuel (the “**Vendor**”), had incorporated a Singapore holding company (“**SG SPV**”) to acquire from the Sponsor its equity interests in the PRC SPV pursuant to a share purchase agreement dated 25 July 2018, as amended by a supplemental agreement, both entered into between the SG SPV and the Sponsor (collectively, the “**PRC SPA**”). The following diagram summarises the first stage of the proposed Acquisition:



- 1 “**BHG Group**” refers to the BHG group, which includes, *inter alia*, Beijing Hualian Group Investment Holding Co., Ltd. (“**BHGIH**”), the Sponsor and Beijing Hualian Hypermarket Co., Ltd.
- 2 “**Listing Manual**” means the Listing Manual of the SGX-ST, as may be amended or modified from time to time.
- 3 “**Property Funds Appendix**” means Appendix 6 to the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore.

In connection with the second stage of the proposed Acquisition, the Trustee had on 5 November 2018 entered into a share purchase agreement with the Vendor (the “**SG SPA**” and together with the PRC SPA, the “**Share Purchase Agreements**”), pursuant to which it will acquire from the Vendor all the issued shares in the SG SPV. The following diagram summarises the second stage of the proposed Acquisition:



## 1.2 Interested Person Transactions and Interested Party Transactions

As at the date of this announcement (this “**Announcement**”), the Manager is a wholly-owned subsidiary of the Sponsor. Accordingly, the Sponsor is regarded as a “controlling shareholder” of the Manager for the purposes of both the Listing Manual and the Property Funds Appendix.

The Vendor acquired Hefei Changjiangxilu Mall from the Sponsor pursuant to the PRC SPA and BHG Retail REIT is proposing to acquire Hefei Changjiangxilu Mall from the Vendor pursuant to the SG SPA. As the Sponsor is an interested person of BHG Retail REIT under the Listing Manual and an interested party of BHG Retail REIT under the Property Funds Appendix, in the interest of good corporate governance, BHG Retail REIT will be obtaining approval from the unitholders of BHG Retail REIT (the “**Unitholders**”) even though the proposed Acquisition will not strictly constitute an interested person transaction under Chapter 9 of the Listing Manual (an “**Interested Person Transaction**”) and an interested party transaction under the Property Funds Appendix (an “**Interested Party Transaction**”)(a “**Related Party Transaction**”).

A circular (the “**Circular**”) will be issued to Unitholders in due course, together with a notice of an extraordinary general meeting of Unitholders, for the purpose of seeking Unitholders’ approval for the proposed Acquisition.

## 2. DETAILS OF THE PROPOSED ACQUISITION

### 2.1 Transaction Amount and Valuation

The Trustee has commissioned an independent valuer, Knight Frank Petty Limited (“**Knight Frank**”), and the Manager has commissioned an independent valuer, Cushman & Wakefield Limited (“**Cushman**”, and collectively with Knight Frank, the “**Independent Valuers**”), to value Hefei Changjiangxilu Mall.

The Independent Valuers have conducted their valuations based on the discounted cash flow method and the income capitalisation method and have valued Hefei Changjiangxilu Mall at RMB481.5 million (approximately S\$96.3 million) and RMB490.0 million (approximately S\$98.0 million) respectively.

The agreed property value of Hefei Changjiangxilu Mall, which was negotiated on a willing-buyer and willing-seller basis taking into account the independent valuations conducted by the Independent Valuers (the “**Agreed Changjiangxilu Value**”), is approximately RMB334.0 million (approximately S\$66.8 million).

The Transaction Amount in respect of the SG SPV of approximately RMB328.3 million (approximately S\$65.7 million) is based on, *inter alia*, the Agreed Changjiangxilu Value and the minimum net asset value (“**NAV**”) of the PRC SPV (based on the Agreed Changjiangxilu Value) as at the completion date. The Trustee and the Vendor have agreed that the Vendor shall indemnify the Trustee for any decrease in the NAV of the PRC SPV as reflected in the completion balance sheet of the PRC SPV as at the date of completion of the proposed Acquisition compared to the agreed NAV of the PRC SPV of RMB 239.0 million (approximately S\$47.8 million).

### 2.2 Estimated Acquisition Cost

The estimated total cost of the proposed Acquisition (the “**Acquisition Cost**”) is approximately RMB348.4 million (approximately S\$69.7 million), comprising:

- (i) the Transaction Amount of RMB328.3 million (approximately S\$65.7 million);
- (ii) the acquisition fee payable to the Manager for the proposed Acquisition pursuant to the trust deed dated 18 November 2015 (as amended and supplemented) constituting BHG Retail REIT (the “**Trust Deed**”), which amounts to approximately RMB2.5 million (approximately S\$0.5 million) (the “**Acquisition Fee**”)<sup>1</sup>; and
- (iii) the estimated professional and other fees and expenses incurred or to be incurred by BHG Retail REIT in connection with the proposed Acquisition of approximately RMB17.6 million (approximately S\$3.5 million).

Although the proposed Acquisition will not strictly constitute an Interested Party Transaction, for the purposes of good corporate governance, the Acquisition Fee will be in the form of units in BHG Retail REIT (“**Units**”, and the Units to be issued to the Manager as payment of the Acquisition Fee, the “**Acquisition Fee Units**”), which shall not be sold within one year of the date of issuance in accordance with Paragraph 5.7 of the Property Funds Appendix.

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<sup>1</sup> The acquisition fee in respect of Changjiangxilu Mall is 0.75% of the Transaction Amount, and will only be paid on completion of the proposed Acquisition in accordance with the terms of the SG SPA.

Pursuant to Clause 15.2.1 of the Trust Deed, the issue price of the Acquisition Fee Units shall be determined based on the market price at the time of the issue of the Acquisition Fee Units as determined under Clause 5.3.1 of the Trust Deed; being the volume weighted average price for a Unit for all trades on the SGX-ST, in the ordinary course of trading on the SGX-ST for the period of 10 business days or such other period as may be prescribed by the SGX-ST immediately preceding (and for the avoidance of doubt, including) the relevant business day on which the Acquisition Fee Units will be issued.

## **2.3 Certain Principal Terms of the Share Purchase Agreements**

The Vendor had, through SG SPV, entered into the PRC SPA with the Sponsor to acquire 100.0% of the total equity interests in PRC SPV, which holds the legal and beneficial ownership in Hefei Changjiangxilu Mall.

The PRC SPA contains certain representations and warranties made by the Sponsor, as well as certain indemnities provided by the Sponsor.

In connection with the proposed Acquisition, the Trustee had entered into the SG SPA with the Vendor, to acquire all the issued shares of SG SPV, which will in turn directly own equity interests in PRC SPV, which holds Hefei Changjiangxilu Mall.

The principal terms of the SG SPA include, among others, the following:

- (i) the completion of the proposed Acquisition is subject to the satisfaction of the conditions precedent set out in the SG SPA, which includes the Manager obtaining the approval of the Unitholders for the proposed Acquisition, and for the Manager to procure financing for the proposed Acquisition on terms reasonably satisfactory to the Manager; and
- (ii) certain representations and warranties made by the Vendor, as well as certain indemnities provided by the Vendor.

Please refer to the Circular to be issued in due course for further details of the Share Purchase Agreements.

## **3. RATIONALE FOR AND KEY BENEFITS OF THE PROPOSED ACQUISITION**

### **3.1 Strategic addition of a well-located property**

- (i) Serves Large Residential Catchment Area in the Shushan District

Hefei Changjiangxilu Mall is located in Shilimiao Community, Jinggang Town, Shushan District. Shushan District is one of the four central districts of Hefei, and it is also the gateway of the western part of the city. This district is a new urban area where high-technology firms are based in, and is developing into a new urban centre with high-end communities, cultural and sports centres, five-star hotels and serviced apartments.

Shilimiao Community is bounded by Yuexi Road to its east, Gaoxin District to its west, Huangshan Road to its south and Chuangye Avenue to its north. Shilimiao Community covers a total area of approximately 1.5 square kilometres (“**sq km**”) and comprises 8 micro-districts, with a population of approximately 28,000 in 2017. The catchment population within a 3 kilometre (“**km**”) radius from Hefei Changjiangxilu

Mall is approximately 200,000 which comprises about 50 local communities. The immediate neighbourhood of Hefei Changjiangxilu Mall is dominated by large-scale residential developments, such as Daxiditianyuexuan (大溪地天悦轩), Fengshenghuating (丰盛华庭), Languangyuzhoucheng (蓝光禹州城) and Tianyue Centre (天玥中心).

(ii) Strategic location and good connectivity

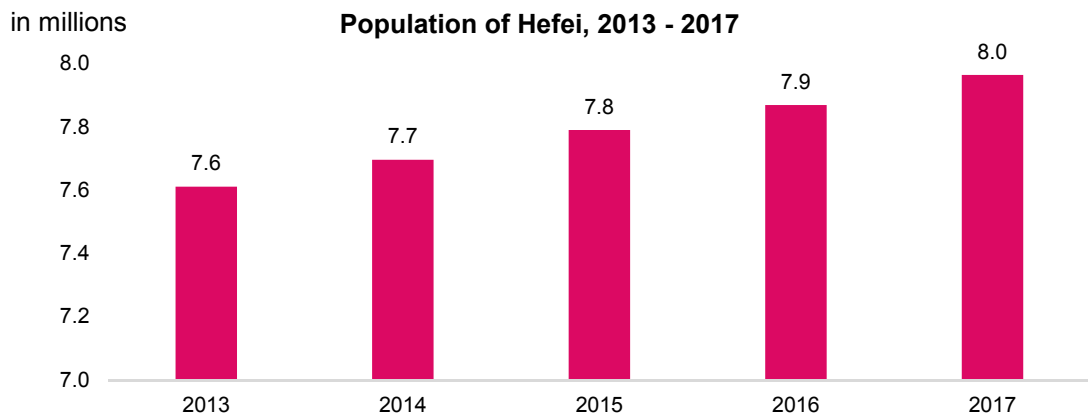
Hefei Changjiangxilu Mall is located at the junction of Huaining North Road and Changjiang West Road, the two main roads of Hefei city, and close to several public bus stations in the vicinity. It is well-connected to the Hefei Metro Line 2, which only commenced operations on 26 December 2017 and connects Shushan District with 2 other major districts in Hefei. Hefei Metro Line 2 has brought about greater shopper traffic to the area and has increased the footfall of Hefei Changjiangxilu Mall by approximately 20.0%. Hefei Changjiangxilu Mall is also situated approximately 10 km away from Hefei's central business district, 13 km away from the Zhengzhou East Railway Station, 14.5 km from Hefei South Railway Station, and 32.6 km away from Hefei Xinqiao International Airport.

(iii) Strong operational performance

As at 31 August 2018, Hefei Changjiangxilu Mall exhibits a strong occupancy rate of 99.4%, with a WALE of 2.6 years (by gross rental income) and 5.0 years (by committed lettable area).

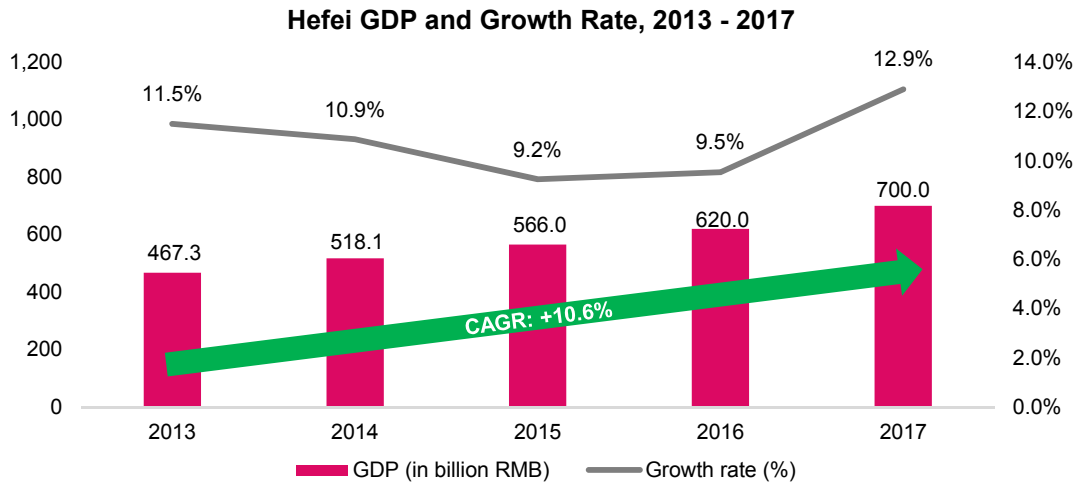
**3.2 Increasing exposure to Hefei, a growing and attractive city**

The population of Hefei exhibited stable growth over the last decade. At the end of 2017, the permanent population of the city increased to approximately 8.0 million.



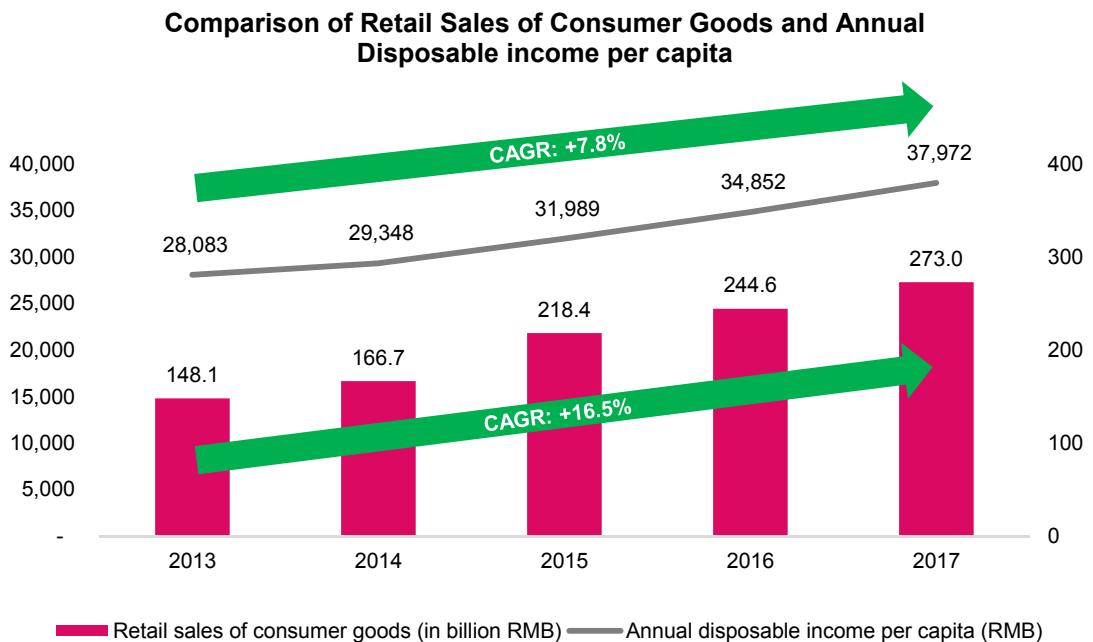
Source: Knight Frank Valuation Report

During the same period, Hefei enjoyed stable economic growth, with GDP reaching RMB700 billion in 2017, representing a compound annual growth rate (“CAGR”) of 10.6% from 2013 to 2017.



Source: Knight Frank Valuation Report

In line with Hefei’s population and economic growth, retail sales of consumer goods recorded consistent growth during the past decade and reached approximately RMB273 billion in 2017, representing a CAGR of 16.5%, while annual disposable income per capita of residents grew to RMB37,972 in 2017, representing a CAGR of 7.8%.

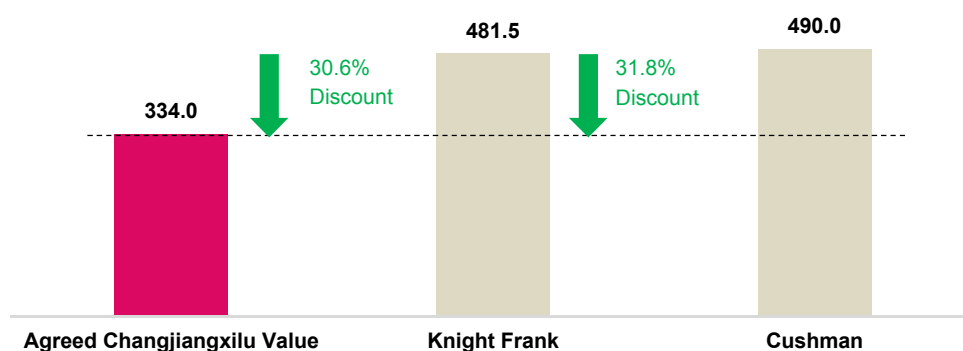


Source: Knight Frank Valuation Report

### 3.3 Attractive value proposition

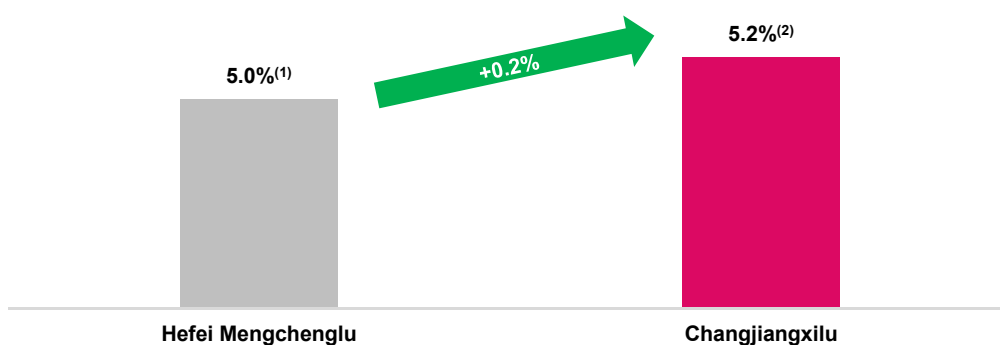
The Manager believes that Hefei Changjiangxilu Mall provides an attractive value proposition, given the discount of the Agreed Changjiangxilu Value from the independent valuations. The Agreed Changjiangxilu Value is approximately RMB334.0 million (approximately S\$66.8 million), representing a discount of approximately 30.6% to Knight Frank's independent valuation of RMB481.5 million (S\$96.3 million) and a discount of approximately 31.8% to Cushman's independent valuation of RMB490.0 million (S\$98.0 million).

**Agreed Changjiangxilu Value relative to the independent valuations  
(in RMB million)**



In addition, the Agreed Changjiangxilu Value implies a FY 2017 Net Property Income Yield of 5.2%, which is higher than the Net Property Income Yield of Hefei Mengchenglu Mall of 5.0% in FY 2017, BHG Retail REIT's existing mall in Hefei.

**Net Property Income Yield (%)**



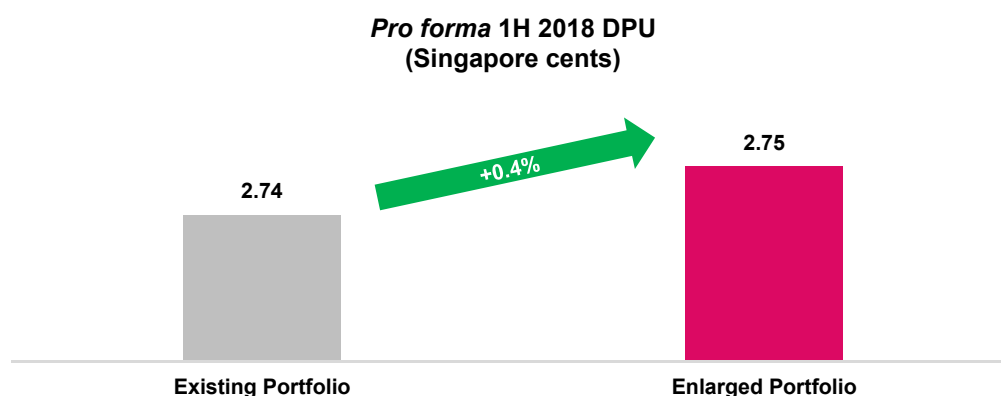
**Notes:**

- (1) Based on FY2017 Net Property Income and divided by valuation as at 31 December 2017
- (2) Based on FY2017 Net Property Income and divided by the Agreed Changjiangxilu Value.



### 3.4 Positive impact on the Enlarged Portfolio

Based on the proposed methods of financing, the proposed Acquisition is expected to increase BHG Retail REIT's distribution per Unit ("DPU"). The chart below illustrates BHG Retail REIT's pro forma DPU for 1H 2018 for the Existing Portfolio and for the Existing Portfolio together with Hefei Changjiangxilu Mall (collectively, the "Enlarged Portfolio").



## 4. PROPOSED METHOD OF FINANCING THE PROPOSED ACQUISITION

The Manager intends to finance the Acquisition Cost (excluding the Acquisition Fee) through borrowings.

## 5. CERTAIN FINANCIAL INFORMATION RELATING TO THE PROPOSED ACQUISITION

**FOR ILLUSTRATIVE PURPOSES ONLY:** The *pro forma* financial effects of the proposed Acquisition for FY 2017 and for 1H 2018 on the DPU, NAV per Unit and aggregate leverage ratio presented below are strictly for illustrative purposes only and were prepared based on:

- (i) BHG Retail REIT's latest audited financial statements for FY 2017 (the "**FY 2017 Audited Financial Statements**");
- (ii) BHG Retail REIT's results announcement for 1H 2018; and
- (iii) the audited management accounts for the PRC Co for FY 2017 and the unaudited management accounts for the PRC Co for 1H 2018 (the "**Changjiangxilu Mall Management Accounts**"),

taking into account the Acquisition Cost, and certain assumptions including (but not limited to) the following:

- (a) the transfer of certain assets and liabilities to 合肥瑞达丰源商业管理有限公司 and of Hefei Changjiangxilu Mall's capital reduction associated with the company split had occurred as at 31 December 2017;
- (b) the acquisition fee of approximately RMB2.5 million (approximately S\$0.5 million) is paid to the Manager in respect of the proposed Acquisition through the issuance of approximately 647,916 units;

- (c) the Acquisition Cost is wholly funded by borrowings at an average interest rate of 4.2%;
- (d) the Acquisition Cost is subject to adjustment for assets and liabilities to be acquired as part of the acquisition of the underlying entities, as will be set out in the Share Purchase Agreements;
- (e) the Agreed Changjiangxilu Value is approximately RMB334.0 million (approximately S\$66.8 million); and
- (f) the applicable exchange rates for the pro forma calculations are:
- |                  |   |                  |
|------------------|---|------------------|
| FY 2017          | : | RMB4.89: S\$1.00 |
| 1H 2018          | : | RMB4.80: S\$1.00 |
| 31 December 2017 | : | RMB4.86: S\$1.00 |
| 30 June 2018     | : | RMB4.86: S\$1.00 |

## 5.1 Pro Forma DPU

**FOR ILLUSTRATIVE PURPOSES ONLY:** The *pro forma* financial effects of the proposed Acquisition on the DPU for FY 2017 and 1H 2018 are strictly for illustrative purposes only, as if (a) BHG Retail REIT had completed the proposed Acquisition on 1 January 2017, and (b) Hefei Changjiangxilu Mall is or is assumed to be generating Net Property Income since 1 January 2017, based on the Hefei Changjiangxilu Mall Management Accounts, and are as follows:

	<i>Pro forma</i> effects of the proposed Acquisition <sup>(1)</sup> for FY 2017		<i>Pro forma</i> effects of the proposed Acquisition for 1H 2018	
	Before the proposed Acquisition	After the proposed Acquisition	Before the proposed Acquisition	After the proposed Acquisition
<b>Net Property Income (S\$ m)</b>	42.9	46.5	23.6	25.8
<b>Distributable Income (S\$ m)</b>	20.0	20.0	10.4	10.5
<b>No. of Units ('000)</b>	365,434	366,084 <sup>(2)</sup>	379,670	380,448 <sup>(3)</sup>
<b>DPU (Singapore cents)<sup>(4)(5)</sup></b>	5.47	5.47	2.74	2.75
<b>DPU Accretion (%)</b>	-	0.0	-	0.4

**Notes:**

- (1) For the purpose of the proposed Acquisition, the *pro forma* is prepared assuming the drawdown of approximately S\$69.2 million from loan facilities and approximately S\$0.5 million (approximately RMB2.5 million) in respect of the Acquisition Fee is paid in the Acquisition Fee Units.
- (2) The total number of Units in issue as at 31 December 2017 includes (a) a total of approximately 0.7 million Acquisition Fee Units, as well as (b) approximately 0.1 million new Units issued as payment to the Manager for the base management fee, at the illustrative issue price of S\$0.76 per Unit.

- (3) The total number of Units in issue as at 30 June 2018 includes (a) a total of approximately 0.7 million Acquisition Fee Units, (b) approximately 0.1 million new Units issued as payment to the Manager for the base management fee and (c) approximately 0.1 million new Units issued as payment to the Manager for the performance fee, at the illustrative issue price of S\$0.76 per Unit.
- (4) DPU is derived at after taking into consideration waiver from strategic investor amounting to 135.5 million Units and 123.2 million Units as at 31 December 2017 and 30 June 2018 respectively.
- (5) DPU is computed based on the volume weighted average price of S\$0.74 per Unit and S\$0.72 per Unit for FY 2017 and 1H 2018 respectively.

## 5.2 Pro Forma NAV

**FOR ILLUSTRATIVE PURPOSES ONLY:** The *pro forma* financial effects of the proposed Acquisition on the NAV per Unit as at 31 December 2017 and 30 June 2018, as if the proposed Acquisition had been completed on 31 December 2017 and 30 June 2018 respectively, are as follows:

	<i>Pro forma</i> effects of the proposed Acquisition as at 31 December 2017		<i>Pro forma</i> effects of the proposed Acquisition as at 30 June 2018	
	Before the proposed Acquisition	After the proposed Acquisition <sup>(1)</sup>	Before the proposed Acquisition	After the proposed Acquisition
NAV represented by unitholders' funds (S\$'000)	416,454	439,375	419,489	443,500
No. of Units at the end of the year ('000)	500,934	501,583 <sup>(2)</sup>	502,851	503,629 <sup>(3)</sup>
NAV per Unit (S\$)	0.83	0.88	0.83	0.88

**Notes:**

- (1) For the purposes of the proposed Acquisition, the *pro forma* is prepared assuming the drawdown of approximately S\$69.2 million from loan facilities and approximately S\$0.5 million (approximately RMB2.5 million) in respect of the Acquisition Fee is paid in the Acquisition Fee Units.
- (2) The total number of Units in issue as at 31 December 2017 includes (a) approximately 0.7 million Acquisition Fee Units and (b) approximately 0.1 million new Units issued as payment to the Manager for the base management fee, at the illustrative issue price of S\$0.76 per Unit.
- (3) The total number of Units in issue as at 30 June 2018 includes (a) a total of approximately 0.7 million Acquisition Fee Units, (b) approximately 0.1 million new Units issued as payment to the Manager for the base management fee and (c) approximately 0.1 million new Units issued as payment to the Manager for the performance fee, at the illustrative issue price of S\$0.76 per Unit.

## 5.3 Pro Forma aggregate leverage ratio

**FOR ILLUSTRATIVE PURPOSES ONLY:** The *pro forma* effects of the proposed Acquisition on the aggregate leverage ratio as at 31 December 2017 and 30 June 2018, as if BHG Retail REIT had completed the proposed Acquisition on 31 December 2017, are as follows:

	<i>Pro forma</i> effects of the proposed Acquisition as at 31 December 2017		<i>Pro forma</i> effects of the proposed Acquisition as at 30 June 2018	
	Before the proposed Acquisition	After the proposed Acquisition	Before the proposed Acquisition	After the proposed Acquisition
Aggregate leverage ratio (%)	32.2	37.0	31.8	36.2

## 6. INTERESTS OF DIRECTORS AND SUBSTANTIAL UNITHOLDERS

As at the date of this Announcement, certain directors of the Manager (“**Directors**”) collectively hold an aggregate direct and indirect interest in 1,250,000 Units. Further details of the interests in Units of the Directors and Substantial Unitholders<sup>1</sup> are set out below.

Based on the Register of Directors’ Unitholdings maintained by the Manager, the direct and deemed interests of the Directors in the Units as at 2 November 2018 are as follows:

Name of Director	Direct Interest		Deemed Interest		Total No. of Units held	%
	No. of Units held	%	No. of Units held	%		
Francis Siu Wai Keung	625,000	0.12	–	–	625,000	0.12
Ben Yeo Chee Seong	–	–	–	–	–	–
Lau Teck Sien	375,000	0.07	–	–	375,000	0.07
Yang Feng	–	–	–	–	–	–
Xiong Zhen	125,000	0.02	–	–	125,000	0.02
Peng Ge	125,000	0.02	–	–	125,000	0.02

Based on the Register of Substantial Unitholders’ Unitholdings maintained by the Manager, the Substantial Unitholders and their interests in the Units as at 2 November 2018 are as follows:

Name of Substantial Unitholder	Direct Interest		Deemed Interest		Total No. of Units held	%
	No. of Units held	%	No. of Units held	%		
Beijing Hua Lian Group (Singapore) International Trading Pte Ltd	148,310,300	29.49	–	–	148,310,300	29.49
Beijing Hualian Group Investment Holding Co. Ltd. <sup>(1)</sup>	–	–	173,470,101	34.50	173,470,101	34.50
Hainan Hong Ju Industrial Co. Ltd. <sup>(2)</sup>	–	–	173,470,101	34.50	173,470,101	34.50
Hainan Hong Ju Culture Media Group Limited <sup>(3)</sup>	–	–	173,470,101	34.50	173,470,101	34.50
China Merchants Bank Assets Management	84,475,000	16.80	–	–	84,475,000	16.80
China Citic Bank Asset Management	68,125,000	13.55	–	–	68,125,000	13.55

<sup>1</sup> “**Substantial Unitholder**” means a person with an interest in Units constituting not less than 5.0% of the total number of Units in issue

Name of Substantial Unitholder	Direct Interest		Deemed Interest		Total No. of Units held	%
	No. of Units held	%	No. of Units held	%		
Chanchai Ruayrungruang <sup>(4)</sup>	–	–	67,660,600	13.46	67,660,600	13.46
Bank of Communications	46,219,000	9.19	–	–	46,219,000	9.19

**Notes:**

(1) BHGIH wholly owns Beijing Hua Lian Group (Singapore) International Trading Pte. Ltd. (“**BHG SIT**”) and is deemed interested in the 148,310,300 Units held by BHG SIT.

BHGIH holds 29.71% of the total issued equity interest of Beijing Hualian Hypermarket Co., Ltd. which in turn wholly owns Beijing Hualian Hypermarket (Singapore) Purchasing Pte. Ltd. (“**BHH SPP**”) and is deemed interested in the 8,125,000 Units held by BHH SPP.

BHGIH holds 25.39% of the total issued equity interest of the Sponsor, which in turn wholly owns Beijing Hualian Mall (Singapore) Commercial Management Pte. Ltd. (“**BHG Singapore**”). Accordingly, BHGIH is deemed interested in the 9,111,900 Units owned by BHG Singapore.

BHG Singapore in turn wholly-owned BHG Mall (Singapore) Property Management Pte. Ltd. (the “**Singapore Property Manager**”) and the Manager. Accordingly, BHGIH is deemed interested in the 2,605,658 Units owned by the Singapore Property Manager and the 5,317,243 Units owned by the Manager. BHGIH is deemed interested in an aggregate of 173,470,101 Units, representing 34.50% of the total issued Units.

- (2) Hainan Hong Ju Industrial Co., Ltd. holds 30% of the total issued equity interest of BHGIH and is deemed interested in the Units that BHGIH is deemed interested in.
- (3) Hainan Hongju Culture Media Group Limited holds 51% of the total issued equity interest of Hainan Hong Ju Industrial Co., Ltd and is deemed interested in the Units that Hainan Hong Ju Industrial Co., Ltd is deemed interested in.
- (4) Dr Chanchai Ruayrungruang is deemed to have an interest in the 67,660,600 Units held through his nominee, DBS Private Bank.

## 7. OTHER INFORMATION

### 7.1 Directors’ Service Contracts

No person is proposed to be appointed as a director of the Manager in connection with the proposed Acquisition or any other transactions contemplated in relation to the proposed Acquisition.

### 7.2 Relative Figures Computed on the Bases Set Out in Rule 1006 of the Listing Manual

The relative figures computed on the bases set out in Rules 1006(b) and 1006(c) of the Listing Manual are as follows:

Comparison of:	The proposed Acquisition	BHG Retail REIT	Relative Figure (%)
Net Property Income (S\$ million) <sup>(1)</sup>	3.5	42.9 <sup>(2)</sup>	8.0
Transaction Amount against market capitalisation (S\$ million)	65.7	334.4 <sup>(3)</sup>	19.6

**Notes:**

- (1) In the case of a real estate investment trust, the net property income is a close proxy to the net profits attributable to its assets.
- (2) Based on BHG Retail REIT’s audited financial statements for FY 2017.

- (3) Based on the weighted average price of the Units transacted on the SGX-ST on 2 November 2018, being the market day preceding the date of signing of the SG SPA, of S\$0.665 per Unit.

The Manager is of the view that the proposed Acquisition is in the ordinary course of BHG Retail REIT's business as the acquisition of Hefei Changjiangxilu Mall through the SG SPV and the PRC SPV is within the investment policy of BHG Retail REIT and does not change the risk profile of BHG Retail REIT. As such, the proposed Acquisition should therefore not be subject to Chapter 10 of the Listing Manual. However, as the proposed Acquisition constitutes a Related Party Transaction, the proposed Acquisition will still be subject to the specific approval of Unitholders.

## **8. DOCUMENTS FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours at the registered office of the Manager<sup>1</sup> at 100 Beach Road, Shaw Tower #25-11, Singapore 189702, from the date of this Announcement up to and including the date falling three months after the date of the Circular:

- (i) the Share Purchase Agreements;
- (ii) the valuation certificates and the full valuation reports on Hefei Changjiangxilu Mall issued by the Independent Valuers; and
- (iii) the BHG Retail REIT FY 2017 Audited Financial Statements.

The Trust Deed will also be available for inspection at the registered office of the Manager, for so long as BHG Retail REIT is in existence.

## **BY ORDER OF THE BOARD**

BHG Retail Trust Management Pte. Ltd.  
(as manager of BHG Retail Real Estate Investment Trust)  
(Company Registration No. 201504222D)

Chan Iz-Lynn  
Chief Executive Officer  
6 November 2018

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<sup>1</sup> Prior appointment with the Manager (telephone number: +65 6805 8288) will be appreciated.

**IMPORTANT NOTICE**

The value of Units and the income derived from them, if any, may fall or rise. Units are not obligations of, deposits in, or guaranteed by, the Manager or any of its affiliates. An investment in Units is subject to investment risks, including the possible loss of the principal amount invested.

Investors should note that they have no right to request the Manager to redeem or purchase their Units for so long as the Units are listed on the SGX-ST. It is intended that Unitholders may only deal in their Units through trading on the SGX-ST. The listing of the Units on the SGX-ST does not guarantee a liquid market for the Units.

The past performance of BHG Retail REIT is not necessarily indicative of the future performance of BHG Retail REIT.