Operations Review

OCCUPANCY RATE

Across all five properties managed by BHG Retail REIT, occupancy continues to be resilient with a portfolio committed occupancy rate of 97.6% as at 31 December 2016.

To revitalize Beijing Wanliu Mall and to strengthen its position as a premier mall for middle and upper-middle income residents in the surrounding wealthy neighbourhood, 25 popular brands were successfully introduced in the mall. This was done by end 2015 before BHG Retail REIT's listing. The popular brands included renowned jeweller Chow Tai Fook (周大福), popular Japanese lifestyle brand Muji, America's iconic Calvin Klein Jeans, South Korea's cosmetic brand Etude House, one of China's rising culinary stars Element Fresh, and one of Taiwan's most popular restaurant chains Bellagio (鹿港小镇). Notwithstanding the tenant rejuvenation that was done, asset enhancement initiatives will continue to be carried out to keep the property fresh and enliven the atmosphere of the mall, making it an attractive destination for shoppers.

In view of the market trend towards leading a healthy and active lifestyle among the middle and upper-middle income families in Chengdu, Chengdu Konggang Mall will undergo an asset enhancement initiative ("AEI") between 1Q and 3Q 2017. Preparatory work commenced in the latter half of 2016. Under the AEI, focus will be on strengthening the mall's active lifestyle offerings with popular international and local sporting brands like Nike, Adidas, Jordan and Li Ning (李宁). Overall, this is a multi-phased AEI project that will create stronger brand value and loyalty among the mall's visitors, thereby ensuring long term sustainability for the mall.

Occupancy Rate[1]	1Q 2016	2Q 2016	3Q 2016	4Q 2016
	%	%	%	%
Beijing Wanliu	99.4	99.4	99.0	99.5
Chengdu Konggang[2]	96.9	92.7	91.4	91.3
Hefei Mengchenglu	95.9	100.0	100.0	100.0
Xining Huayuan	100.0	100.0	100.0	100.0
Dalian Jinsanjiao	100.0	100.0	100.0	100.0
Portfolio (NLA Weighted)	98.3	97.9	97.4	97.6

LEASING ACTIVITIES

Overall retention rate remained strong. The portfolio rental reversion from the three multi-tenanted malls registered healthy uplift in 2016. Most tenancy agreements have a gross turnover component in them, as well as an inbuilt rental escalation.

1. Based on committed occupancy.
2. Chengdu Konggang Mall's tenancy rejuvenation exercise from 2016.

TOP TEN TENANTS[3]

No.	Tenant Name	Brand Name	City	Trade Sector	Lease Expiry	% Gross Rental Income
1	北京华联综合超市股份有限公司	BHG Hypermarket	Beijing, Chengdu, Hefei, Xining, Dalian	Supermarket	May 2030 Dec 2033 Dec 2033 Dec 2034 Dec 2034	20.3
2	北京橙天嘉禾万贸影城有限公司	Golden Harvest Cinema	Beijing	Recreation	Aug 2020	1.3
3	成都华联影院管理有限公司	BHG Shuangliu Cinema	Chengdu	Recreation	Dec 2023	1.2
4	新派(上海)餐饮管理有限公司合肥第一分公司	Hai Di Lao (Hefei)	Hefei	Food & Beverage	Jan 2026	1.1
5	北京必胜客比萨饼有限公司	Pizza Hut	Beijing	Food & Beverage	Feb 2020	1.0
6	合肥华联影院经营管理有限公司	BHG Hefei Cinema	Hefei	Recreation	Apr 2023	1.0
7	海恩斯莫里斯(上海)商业有限公司	H&M	Beijing	Fashion	Aug 2025	0.8
8	上海拉夏贝尔休闲服饰有限公司	La Chapelle 拉夏贝尔	Chengdu	Fashion	Oct 2022	0.8
9	眉州东坡餐饮管理(北京)有限公司万柳中路分公司	Meizhou Dongpo Restaurant 眉州东坡	Beijing	Food & Beverage	May 2022	0.8
10	李治国	Legou Liangfan KTV (乐够量贩)	Chengdu	Recreation	Dec 2018	0.7
		Total				**29.0**

3. The table above sets out information about top ten tenants based on Gross Rental Income for the month of December 2016.