

# OPERATIONS REVIEW

## OCCUPANCY RATE

BHG Retail REIT recorded a portfolio committed occupancy rate of 99.7% as at 31 December 2017. Occupancy rate for each of the five properties stayed robust quarter after quarter.

Occupancy Rate <sup>1</sup>	1Q 2017	2Q 2017	3Q 2017	4Q 2017
	%	%	%	%
Beijing Wanliu	99.5	100.0	100.0	100.0
Chengdu Konggang	95.0	95.8	96.1	96.8
Hefei Mengchenglu	100.0	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)	98.6	98.9	99.0	99.7

## LEASING ACTIVITIES

Portfolio rental reversion from the three multi-tenanted malls registered healthy to strong rental uplift in 2017. Overall retention rate remained strong. Most tenancy agreements have a gross turnover component, as well as an inbuilt rental escalation. The malls' strong success in attracting new retailers while retaining quality tenants was attributed to proactive leasing activities, tenant engagement, as well as astute asset management. To stay relevant and to embrace consumers' omni-channel retailing trends, the REIT will continue to focus on the experiential segment. Average passing rents registered positive increase year-on-year in 2017.

Several new stores opened doors in Beijing Wanliu Mall during the year. They include, children apparel (Carter's and Nike Kids), fashion retailer (Lacoste) and local cuisines (江边城外 and 旺顺阁). We also successfully brought in Happy Pony 快乐小马, a 508 square metre (approximately 5,400 square feet) children's horse-riding stable and training school, which drew overwhelming response in 2H 2017. With growing aspirational demographics in Beijing, shoppers often desire better quality products and experiences. In view of these rising trends, we will remain astute in our leasing strategies, and strive to maintain the relevancy of our offerings.



1. Based on committed occupancy.

In line with the national fitness drive in China, Chengdu Konggang Mall embarked on an asset enhancement initiative in 2017 to elevate its active lifestyle offering. In light of rising demand for sports apparel and products, the cluster in basement one now houses popular international and local sporting brands including Nike, Adidas, Skechers, Jordan, and Li-Ning (李宁). The enhancement was well received by surrounding communities, and has led to strong growth in shopper traffic for the entire mall since the reopening of the cluster.

## TOP TEN TENANTS<sup>2</sup>

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	20.2
2	成都华联影院管理有限公司	BHG Shuangliu Cinema	Chengdu	Recreation	Dec 2023	2.8
3	合肥华联影院经营管理有限公司	BHG Hefei Cinema	Hefei	Recreation	Apr 2023	1.1
4	北京橙天嘉禾万贸影城有限公司	Golden Harvest Cinema	Beijing	Recreation	Aug 2020	1.1
5	北京全棉时代科技有限公司	全棉时代	Beijing	Fashion	Dec 2020	0.7
6	合肥领骋贸易有限公司	滔搏运动城	Hefei	Fashion	Jan 2018	0.7
7	北京优尔康健口腔门诊部有限公司	优尔齿科	Beijing	Service	Mar 2019	0.7
8	眉州东坡餐饮管理(北京)有限公司	眉州东坡	Beijing	Food & Beverage	May 2022	0.6
9	上海拉夏贝尔休闲服饰有限公司	La Chapelle 拉夏贝尔	Beijing	Fashion	Oct 2018	0.6
10	成都乐微服饰有限公司	La Chapelle 拉夏贝尔	Chengdu	Fashion	Oct 2022	0.6
<b>Total</b>						<b>29.1</b>

2. The table above sets out information about top ten tenants based on Gross Rental Income for the month of December 2017.