

OPERATIONS REVIEW

OCCUPANCY RATE¹

BHG Retail REIT recorded a portfolio committed occupancy rate of 93.5% as at 31 December 2020. Notwithstanding disruptions from the COVID-19, occupancy rate for each of the six properties remained healthy in 2020.

OCCUPANCY RATE (As at 31 December)	2020 (%)	2019 (%)
Multi-Tenanted		
Beijing Wanliu	92.7	96.2
Chengdu Konggang	96.4	94.7
Hefei Mengchenglu	81.7 ²	95.1
Hefei Changjiangxilu	92.4	97.6
Master-Leased		
Xining Huayuan	100.0	100.0
Dalian Jinsanjiao	100.0	100.0
Portfolio	93.5	96.7

- 1 In relation to the distributions undertaking as set out in the IPO prospectus, each of the IPO multi-tenanted malls (Beijing Wanliu, Hefei Mengchenglu and Chengdu Konggang) has met the projected annual rental growth rates consistently prior to the outbreak of COVID-19, since the REIT's listing in 2015. Lower-than-projected occupancy rates at each of the malls prior to the pandemic were mainly due to tenancy rejuvenation and asset enhancement initiatives. Notwithstanding softer operating environment in 2020 due to the pandemic, the properties in the portfolio continued to experience relatively healthy demand.
- 2 Ongoing tenancy rejuvenation.

LEASING & ASSET MANAGEMENT ACTIVITIES

Majority of the leases are on a model that takes the higher of either based rents or percentage of gross turnover component ("GTO"). For the financial year ended 31 December 2020, above 90% of our gross rental income was from fixed rental income, and less than 10% was from variable rental income. While a high proportion of our rental income is fixed in nature, we also receive an upside when our tenants do well. In addition, most leases above a year comes with an inbuilt rental escalation arrangement.

Notwithstanding the weaker operating environment amidst the COVID-19 pandemic, retention rate remained high, overall rental reversion continued to be positive. To maintain our malls' relevancy, we will continue to create new and desirable experiences, seek to revitalise our offerings, enhance our physical spaces, as well as to engage our omni-channel shoppers via multiple channels.

Several asset enhancements and initiatives were forged amid the pandemic in 2020.

BEIJING WANLIU SUPERMARKET RESIZING EXERCISE

As part of our overall leasing strategy to unlock the potential of certain spaces, the Manager completed a supermarket resizing exercise at Basement One of Beijing Wanliu in the fourth quarter of 2020. This asset enhancement initiative which reduced the supermarket's area from 7,231.8 sqm to 4,180.3 sqm, paved the way for 19 new retail and F&B tenants. This increased the mall's variety of our retail & F&B offerings, invigorated the recovered area, and gave the enhanced cluster a renewed appearance. As a result of the exercise, the original area saw a significant growth in both average rent and total rental income.

Refining Offerings. Driving Rental Growth.



Photo of Miniso @ Beijing Wanliu B1



Photo of Xian He Zhuang 贤合庄 @ Beijing Wanliu B1



Photo of Beijing Wanliu B1

Enhance Accessibility. Invigorate Community Space.



Additional stairway access from L1 to B1



Installation of additional set of escalators



New LED media panel pillar



Ancillary visual enhancements

Refreshed Tenancies & Concepts @ Beijing Wanliu



Costa Coffee's new collaboration with "RDV" (an experiential bookstore)



SKIMAN (ski simulator & training)



Starbucks Coffee



Jiu Tian Home 九田家 (料理・烧烤)

CHENGDU NIGHT MARKET

Leveraging on the success of the 2019 exterior rejuvenation and container-style F&B stores which brought increasing appeal to the exterior area Yuelai Square (悦来广场), Chengdu Konggang embarked on yet another interesting exterior concept.

In response to the Chinese government's guidance to boost its night economy, the mall launched an outdoor night market in addition to the container-style food lane. With about 120 square meters of lettable space added, the mall ushered in 13 unique tenants providing F&B eateries as well as culturally innovative products. The new concept successfully enriched the exterior's content and array of F&B selections. Further enhanced the vibrancy, visibility and appeal of the mall to surrounding community, particularly in the evening hours.



Photos of Chengdu Konggang Exterior

OPERATIONS REVIEW

Omni-Channel Initiatives

LIVE BROADCAST

One of the first initiatives rolled out following the COVID-19 outbreak was the increase use of "Live broadcast". Through these sessions (which could be singly or jointly organised by retailers and/or our malls), customers were kept apprised of latest developments including safety measures and promotional events. Our property managers proactively facilitated the conduct of live broadcasts, which encouraged interactions between retailers and customers.



Photo of Pop Mart @ Beijing Wanliu



E-COMMERCE PLATFORM

The REIT's Sponsor also launched its very own e-commerce platform amid the pandemic to widen our outreach to omni-channel shoppers. Sharing this online capability across all BHG Malls in various Chinese cities, the platform provided a respite to inconveniences caused by precautionary measures (at the peak of the outbreak); and enabled shoppers to remain on top of the malls' and retailers' offerings. The development of the platform shall widen our malls' outreach to omni-channel shoppers, at the same time provide impetus to tenants' digitalisation journey.

ALIPAY PRESENTS BEIJING WANLIU WITH "DIGITAL INNOVATION COLLABORATION AWARDS"

In December 2020, Alipay presented Beijing Wanliu with the "Digital Innovation Collaboration Awards" for the mall's efforts to establish the "Beijing Wanliu-Alipay joint membership card", which allows for joint accumulation of points and voucher redemption system. This initiative uses Alipay's live broadcast data analysis (of sales, traffic, photo analysis etc), to accurately determine customers' base profile as well as competitor malls' customers' profile comparison.



Beijing Wanliu: Digital Innovation Collaboration Awards by Alipay

TOP TEN TENANTS¹

NO.	TENANT NAME	BRAND NAME	MALL	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 Wanliu • Chengdu Konggang • Hefei Mengchenglu • Hefei Changjiangxilu • Xining Huayuan • Dalian Jinsanjiao	Supermarket	• Nov 2040 • Dec 2033 • Dec 2033 • Nov 2030 • Dec 2034 • Dec 2034	19.1%
2	绫致时装(天津)有限公司	• Only • Jack Jones • Selected • Vero Moda	• Beijing Wanliu • Chengdu Konggang • Hefei Mengchenglu	Fashion	• Oct 2021 • Jun 2021 • Apr 2022 • Jan 2021 • Apr 2021	2.6%
3	成都华联影院管理有限公司	• BHG Chengdu Shuangliu Cinema	• Chengdu Konggang	Recreation	• Dec 2023	1.2%
4	合肥华联影院经营管理有限公司	• BHG Hefei Mengchenglu Cinema	• Hefei Mengchenglu	Recreation	• Apr 2023	1.1%
5	合肥华联湖东影院管理有限公司	• BHG Hefei Changjiangxilu Cinema	• Hefei Changjiangxilu	Recreation	• Aug 2031	1.1%
6	北京华联万柳影院管理有限公司	• BHG Beijing Wanliu Cinema	• Beijing Wanliu	Recreation	• Aug 2031	1.0%
7	宝盛道吉(北京)贸易有限公司	• Adidas • Nike Kids • Skechers • UGG • YYSPO RTS • 彪马	• Beijing Wanliu	Recreation	• Sep 2021 • Sep 2022 • Nov 2021 • Nov 2022	0.8%
8	李治国	• 乐够	• Chengdu Konggang	Recreation	• Dec 2021	0.7%
9	上海宽尚服饰有限公司	• TOPFEELING	• Chengdu Konggang	Fashion	• Dec 2021	0.7%
10	赵玉兰	• 金弘川自助烤肉 • 和福顺	• Beijing Wanliu	Food & Beverage	• Mar 2022 • May 2022 • Jun 2022	0.6%
						28.9%

1 The table above sets out information about top ten tenants based on Gross Rental Income for the month of December 2020.