BHG RETAIL REIT

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

ANNUAL GENERAL MEETING TO BE HELD ON 27 APRIL 2021 RESPONSES TO QUESTIONS FROM THE SECURITIES INVESTORS ASSOCIATION (SINGAPORE)

BHG Retail Trust Management Pte. Ltd., as manager of BHG Retail REIT (the “**REIT**”, and the manager of the REIT, the “**Manager**”), wishes to thank the Securities Investors Association (Singapore) (“**SIAS**”) for submitting questions on the REIT’s annual report for the financial year ended 31 December 2020 (the “**Annual Report**”) in advance of the Annual General Meeting (“**AGM**”) to be held by way of electronic means on 27 April 2021 at 11.00 a.m. (Singapore time).

Please refer to Annex A for the list of questions from SIAS, and the Manager’s responses to these questions.

The Chief Executive Officer of the Manager, Ms Chan Iz-Lynn, will deliver a presentation to the unitholders of the REIT (the “**Unitholders**”) at the AGM. Please refer to the 2021 AGM Presentation and all AGM-related documents at: http://bhgreit.listedcompany.com/newsroom.html.

Following the conclusion of the AGM, the voting results of the AGM will be uploaded on the SGXNet and made available on the REIT’s website. The minutes of the AGM will be published on the REIT’s website on or before 26 May 2021.

By Order of the Board
BHG Retail Trust Management Pte. Ltd.
(Company Registration No.: 201504222D)
as Manager of BHG Retail REIT

Chan Iz-Lynn
Chief Executive Officer
26 April 2021

Important Notice

The past performance of BHG Retail REIT (the "**REIT**") is not indicative of future performance. The listing of the units in the REIT ("**Units**") on the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") does not guarantee a liquid market for the Units. The value of the Units and the income derived from them may fall as well as rise. Units are not obligations of, deposits in, or guaranteed by, BHG Retail Trust Management Pte. Ltd., as manager of the REIT (the "**Manager**"), or any of its affiliates. An investment in the Units is subject to investment risks, including the possible loss of the principal amount invested. Investors have no right to request that the Manager redeem or purchase their Units while the Units are listed on the SGX-ST. It is intended that holders of Units may only deal in their Units through trading on the SGX-ST.

This announcement is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for the Units.

Annex A

Question 1	
(i)	**As shown in page 42 of the Annual Report, the REIT's revenue for the financial year ended 31 December 2020 ("FY2020") decreased by 24% in local currency term, slipping to RMB303.1 million. The REIT offered relief arrangements such as rental rebate to qualifying tenants to help them tide over the COVID-19 disruption, and to reinforce the long-term partnerships.** **How did the Manager determine which tenants qualified for rental relief? What was the total amount of rental relief given to its tenants?**
	The purpose of the rental relief is to support our tenants and help them through this challenging period amidst the pandemic. The qualification for rental relief is based on a list of criteria where for example, tenants with no intention to renew or those with rental arrears are precluded from the rental relief scheme.
(ii)	**On 15 November 2020, the REIT announced that it had agreed with Beijing Hualian Hypermarket Co., Ltd. ("BHH") to terminate the existing lease agreement at Wanliu Mall and enter into a new 20-year lease agreement with a wholly-owned subsidiary of BHH, Beijing Hualian Life Supermarket Co., Ltd. (the "Announcement"). In relation to the lease of a total of about 4,180.3 square metres ("sqm") (a decrease from 7,231.8 sqm previously). As at 31 December 2020, the occupancy of Wanliu Mall decreased from 96.2% to 92.7%. In the Announcement, it was stated that the Manager expects to achieve positive rental reversion for the REIT based on the Manager's estimates of the rent which could be derived from new incoming tenants of the space returned by BHH. On page 50 of the Annual Report, the Manager has stated that the returned space has been rezoned for 19 new retail and food and beverage ("F&B") tenants.** **Can the Manager let the Unitholders know the success it has had to lease out the space returned by BHH? What is the current occupancy rate of Wanliu Mall? What was the increase in rental achieved?**
	The repurposing and parceling out of the recovered area is going as planned and the completion of which is expected to invigorate the basement one area and achieve positive rental reversion. With the progress of the aforementioned, the occupancy rate of Wanliu Mall has remained stable and Wanliu Mall has seen rental improvement which the REIT and its Unitholders will further enjoy upon the completion of the resizing exercise.
(iii)	**Hefei Mengchenglu's relatively low occupancy rate of 81.7% (down from 95.1%) has been attributed to an ongoing tenancy rejuvenation (page 50 of the Annual Report – Operations review).** **Can the Manager help the Unitholders understand the progress made in the tenancy rejuvenation efforts? When will it be completed?**

Question 1	
	In order to keep up with the changing consumer patterns of our customers, one of the leasing strategies is to look at tenant rejuvenation to further meet the demands of the consumers. In relation to the tenant rejuvenation efforts for Hefei Mengchenglu, we are adopting a phased approach that will see us improving the tenant mix with minimal disruption to mall operations where we will look to bring in more international and national F&B chains amongst others. The tenant selection will take into consideration, amongst others, consumer demand, the resilience of the tenant company, the sustainability of the tenant trade and offerings. The Manager continuously looks to undertake proactive asset management and enhancement of its assets including Hefei Mengchenglu and will update the Unitholders of changes when appropriate.
(iv)	**What is the projected rental increase?**
	As the tenancy rejuvenation efforts are still ongoing, we are not able to comment on the projected rental increase. Nevertheless, the Manager’s strategy is to bring in suitable and sustainable tenants to serve the needs of our consumers while at the same time maximizing the revenue of our space.

Question 2	
(i)	**In the Financial Review: Capital management section of the Annual Report (page 56 of the Annual Report), the REIT disclosed that it utilises an offshore secured borrowing facility of S$240.0 million ("Facility 1"), and two existing onshore secured borrowing facilities of RMB 241.0 million and RMB 61.0 million ("Facility 2" and "Facility 3", respectively). As at 31 December 2020, Facilities 1, 2, and 3 have been fully drawn down. The REIT has also obtained and drawn down from short term facilities of $6.1 million in FY2020 to finance the payment of interest expenses and working capital.** **Can the Manager help the Unitholders understand the remaining banking facilities available to the REIT?**
	The remaining available banking facilities available to the REIT are disclosed on Page 135 of the Annual Report. The Manager is actively monitoring the onshore and offshore refinancing environment and will pro-actively manage the lead time ahead of the loans' maturity date in its refinancing preparations.
(ii)	**Can the REIT provide the Unitholders with greater clarity on the unsecured SGD interest-free loan of $1.1 million?**
	The unsecured S$1.1 million loan is in connection with the loan interest payment and working capital needs. As at 31 December 2020, the REIT's aggregate leverage is 35.7%, which remains well within the regulatory leverage limit.
(iii)	**Are the REIT's cash flows and distributions sustainable given that it has drawn down short term facilities of $6.1 million to finance the payment of interest expenses and working capital? In addition to the $1.1 million unsecured interest-free SGD loan, the REIT has also drawn down $5 million in SGD secured loan with borrowing rates of 3.70-4.03%.**
	The additional drawdown of short-term facilities is to tide over the temporary disruptions arising from the COVID-19 situation. The Manager will continuously take a prudent approach in the management of the REIT's cash flow and distributions. China's gross domestic product ("**GDP**") grew 2.3% year-on-year in 2020 and 6.5% in the fourth quarter of 2020 ("**4Q 2020**"). With the pandemic largely under control, the economy experienced a strong recovery after 1Q 2020. Retail sales of consumer goods were up 4.6% year-on-year for 4Q 2020. Disposable income per capita of urban residents grew 5.7% in 4Q 2020 and 3.5% year-on-year in the financial year ended 31 December 2020 ("**FY2020**"). In line with China's commendable recovery, the REIT's gross revenue recovered 79.9% in 2H2020 compared to 2H2019. Looking ahead, we will continue to focus on our strategy to own and manage community-focused heartland malls that complement the needs of surrounding residents; leverage on high population density neighbourhoods; capitalise on the longer-term residents' income growth and consumption upgrade, so as to continue our efforts to ensure the sustainability of our cash flows and distributions.

Question 2	
(iv)	**The REIT has more than 80% of its borrowings denominated in Singapore dollars and US dollars when all of its assets are denominated in RMB and earning revenue in RMB.** **With just 20% of its borrowings denominated in RMB, how effective is the REIT's natural hedge?**
(v)	**Has the Manager considered the risks associated with the currency mismatch? The group is subject to volatility in the foreign currency translation reserve. Translation difference was a positive \$30.9 million in FY2020 reversing a negative \$(20.1) million amount recognised in the financial year ended 31 December 2019 ("FY2019").**
	The Manager actively reviews its hedging strategy with regards to foreign exchange risk on a holistic basis, weighing the costs of hedging against its benefits and closely monitors the overall macroeconomic environment and currency exchange trends. In addition, as part of the Manager's risk management practice, about 60% of offshore loans were hedged via interest rate swaps. In FY2020, foreign currency translation difference was a positive S\$30.9 million.

Question 3
As disclosed in the prospectus for the initial public offering of the REIT dated 2 December 2015 and in Note 15 (pages 139 to 141 of the Annual Report – Units in issue), Beijing Hualian Group Investment Holding Co., Ltd. (the “Strategic Investor”) has irrevocably and unconditionally waived its entitlement to distributions from the listing date to 31 December 2020. The aggregate number of units in the REIT (the “Units”) under the waiver decreased from 147.8 million (30%) to 24.6 million (5%) at the end of the waiver period. Accordingly, all the Units of the strategic investor will be entitled to distributions in the financial year ending 31 December 2021 onwards. The amount of distributions waived, attributable to the strategic investor units, for FY2020 and FY2019 amounted to approximately \$1.4 million and \$3.6 million respectively. **Can the Manager help the Unitholders understand its strategy to maintain/increase the distributions per Unit given that the distribution waiver has now expired?**
Organic growth: ▪ To continually grow our assets under management, we aim to excel in two broad areas. ▪ First, to proactively manage assets and tenancies by reinforcing the community positioning of our malls; retaining the appeal and relevancy of our offerings; improving rents while maintaining high occupancy rates; building stronger partnerships with our tenants; crafting marketing strategies; tapping on the centralised marketing, leasing and retailer network of the Sponsor Group. ▪ Second, to embark on asset enhancements initiatives from time to time. This can be done by identifying opportunities to improve the malls and to achieve better efficiency or higher rental potential. These are commonly carried out by upgrading existing facilities, reconfiguring existing spaces. ▪ With a philosophy to continually maintain our malls’ relevancy and attractiveness, Chengdu Konggang completed an exterior rejuvenation exercise in 2019. The exercise consists of a facade and exterior enhancement, and introduction of “Food Lane 食来巷”, a stretch of container-style F&B stores along its exterior walkway. The concept injected additional vibrancy along the exterior walkway, enhanced the overall visibility and appeal of the mall’s offerings. ▪ We also look to unlock the underlying potential of spaces through tenancy resizing exercises. It involves reducing the area of selected large tenants to a smaller and more efficient size. One recent example is the supermarket resizing exercise at basement one of Beijing Wanliu. This asset enhancement initiative reduced the supermarket’s area, paving the way for new retail and F&B tenants. This increases the mall’s variety of retail & F&B offerings, invigorating the recovered area, and gives the enhanced cluster a renewed appearance. *Inorganic growth:* ▪ In terms of acquisition, we will continue to explore opportunities from both internal pipeline and third-party properties. ▪ In 2019, we completed the acquisition of Hefei Changjiangxilu. Some of the key considerations for acquisitions include yield accretion, asset location, ease of access, connectivity, targeted catchment, concentration of competitors, and potential for asset enhancement.