

CIRCULAR DATED 5 APRIL 2021

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

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If you have sold or transferred all your units in BHG Retail Real Estate Investment Trust ("**BHG Retail REIT**", and the units in BHG Retail REIT, the "**Units**"), you should immediately forward this Circular, together with the Notice of Annual General Meeting and the accompanying Proxy Form to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.



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

managed by
BHG Retail Trust Management Pte. Ltd.

CIRCULAR TO UNITHOLDERS IN RELATION TO:

THE PROPOSED ENTRY INTO THE NEW MASTER PROPERTY MANAGEMENT AGREEMENT

Independent Financial Adviser to the Independent Directors, Audit and Risk Committee of BHG Retail Trust Management Pte. Ltd. and to DBS Trustee Limited (as trustee of BHG Retail REIT)

Ernst & Young Corporate Finance Pte. Ltd.

IMPORTANT DATES AND TIMES FOR UNITHOLDERS

Last date and time for lodgement of Proxy Forms :	25 April 2021 at 11.00 a.m.
Date and time of Annual General Meeting (" AGM ") : convened and held by electronic means	27 April 2021 at 11.00 a.m.

TABLE OF CONTENTS

	Page
CORPORATE INFORMATION	ii
SUMMARY	1
LETTER TO UNITHOLDERS	5
1. Approval Sought	5
2. The Proposed New Master Property Management Agreement	5
3. The Rationale for the Entry into the New Master PMA	11
4. Disclosure of Interest	13
5. Requirement for Unitholders' Approval	14
6. Opinion of the Independent Financial Adviser	15
7. Recommendation	16
8. Annual General Meeting	16
9. Abstentions from Voting	16
10. Action to be Taken by Unitholders	17
11. Directors' Responsibility Statement	19
12. Consent	19
13. Documents Available for Inspection	19
IMPORTANT NOTICE	20
GLOSSARY	21
APPENDIX A Independent Financial Adviser's Letter	24

CORPORATE INFORMATION

Directors of BHG Retail Trust Management Pte. Ltd. (the “Manager”)	Mr. Francis Siu Wai Keung (Chairman and Independent Director) Mr. Ben Yeo Chee Seong (Independent Director) Mr. Lau Teck Sien (Independent Director) Mr. Xiong Zhen (Non-Independent Non-Executive Director) Mr. Peng Ge (Non-Independent Non-Executive Director)
Registered Office of the Manager	250 North Bridge Road, Raffles City Tower #32-01 Singapore 179101
Trustee of BHG Retail REIT (the “Trustee”)	DBS Trustee Limited 12 Marina Boulevard Marina Bay Financial Centre Singapore 018982
Legal Adviser to the Manager for the proposed entry into the New Master PMA as to Singapore Law	Allen & Gledhill LLP One Marina Boulevard #28-00 Singapore 018989
Legal Adviser to the Manager for the proposed entry into the New Master PMA as to the Laws of the People’s Republic of China (the “PRC”)	Tian Yuan Law Firm 10/F, 28 Fengsheng Lane Xicheng District Beijing 100032, China
Legal Adviser to the Trustee as to Singapore Law	Dentons Rodyk & Davidson LLP 80 Raffles Place #33-00 UOB Plaza 1 Singapore 048624
Unit Registrar	Boardroom Corporate & Advisory Services Pte. Ltd. 50 Raffles Place #32-01 Singapore Land Tower Singapore 048623
Independent Financial Adviser to the Independent Directors, Audit and Risk Committee of the Manager and to the Trustee (the “IFA”)	Ernst & Young Corporate Finance Pte. Ltd. One Raffles Quay, North Tower, Level 18 Singapore 048583

SUMMARY

The following summary is qualified in its entirety by, and should be read in conjunction with, the full text of this Circular. Meanings of defined terms may be found in the Glossary on pages 21 to 23 of this Circular.

Any discrepancies in the tables included herein between the listed amounts and totals thereof are due to rounding. Accordingly, figures shown as totals in this Circular may not be an arithmetic aggregation of the figures that precede them.

SUMMARY OF APPROVAL SOUGHT

The Manager seeks approval from the unitholders of BHG Retail REIT (“**Unitholders**”) for the new master property management agreement that is proposed to be entered into on a date after the AGM and commencing on 10 May 2021 (the “**New Master PMA**”) between (i) the Manager, (ii) BHG Mall (Singapore) Property Management Pte. Ltd. (the “**Property Manager**”) (which is an indirect wholly-owned subsidiary of Beijing Hualian Department Store Co., Ltd. which is in turn the sponsor of BHG Retail REIT (the “**Sponsor**”), and (iii) the Trustee, pursuant to which the Property Manager and/or its related corporations will be appointed as the property manager for each property that is owned by BHG Retail REIT from time to time (whether directly or indirectly through special purpose vehicles (“**SPVs**”)) during the term of the New Master PMA, subject to the overall management and supervision of the Manager.

The master property management agreement which was entered into between the Manager, the Trustee and the Property Manager on 23 November 2015 in connection with the initial public offering of BHG Retail REIT had expired on the midnight of 10 December 2020 (the “**IPO Master PMA**”). Thus, the Manager, the Property Manager and the Trustee had on 27 November 2020 entered into the individual property management agreements for each of Chengdu Konggang and Hefei Mengchenglu which commenced on 11 December 2020 to be consistent with the terms of the IPO Master PMA, and these individual property management agreements will expire on the earlier of (i) midnight of 10 December 2021 and (ii) midnight of the date of termination of the relevant individual property management agreements. Further, the Manager, the Property Manager and the Trustee had also entered into the individual property management agreement for Hefei Changjiangxilu on 2 April 2019 in connection with BHG Retail REIT’s acquisition of Hefei Changjiangxilu, and this individual property management agreement will expire on the earlier of (i) midnight of 1 April 2024 and (ii) midnight of the date of termination of this agreement (the existing Chengdu Konggang, Hefei Mengchenglu and Hefei Changjiangxilu individual property management agreements are collectively referred to as the “**Existing Individual PMAs**”, and Chengdu Konggang, Hefei Mengchenglu and Hefei Changjiangxilu are collectively referred to as the “**Existing Managed Properties**”).

Consistent with the approach under the IPO Master PMA, the New Master PMA will not apply to Beijing Wanliu Mall and no individual property management agreement with the Property Manager and the onshore property manager will be entered into for Beijing Wanliu Mall. This is because Beijing Hualian Wanmao Shopping Mall Management Co., Ltd.¹ (“**Beijing Wanmao**”) has directly appointed the property manager for Beijing Wanliu Mall since the initial public offering of BHG Retail REIT, and the Trustee and the Manager are not parties to this property management

¹ Beijing Wanmao, the PRC holding company of Beijing Wanliu Mall, is a joint venture company invested by BHG Retail REIT and a third party, Beijing Wanliu Real Estate Group Co., Ltd. (北京万柳置业集团有限公司) a collective-owned enterprise, holding 60.0% and 40.0% of the entire issued equity interests respectively.

agreement as Beijing Wanliu Mall is not wholly owned by BHG Retail REIT. Therefore, the two joint venture partners of Beijing Wanmao (one of them being BHG Retail REIT which holds 60% equity interest) have customarily been in direct discussions with the property manager on the property management arrangement for Beijing Wanliu Mall. For the avoidance of doubt, the Property Manager will not be receiving any fees in respect of Beijing Wanliu Mall as it is not providing property management, lease management, project management and marketing services in respect of Beijing Wanliu Mall, and BHG Retail REIT (through its 60% stake in Beijing Wanmao) has been paying fees to the property manager appointed for Beijing Wanliu Mall (and not the Property Manager).

Further, consistent with the approach under the IPO Master PMA, the New Master PMA does not apply to Dalian Jinsanjiao and Xining Huayuan and no individual property management agreement pursuant to the New Master PMA will be entered into for Dalian Jinsanjiao and Xining Huayuan because Dalian Jinsanjiao and Xining Huayuan are operating under a master lease to Beijing Hualian Hypermarket Co., Ltd. ("**BHH**"). Therefore, no property management services are required in respect of Dalian Jinsanjiao and Xining Huayuan as BHH, as the master lessee will directly take on the property management functions. For the avoidance of doubt, the Property Manager will not be receiving any fees in respect of Dalian Jinsanjiao and Xining Huayuan as it is not providing property management, lease management, project management and marketing services in respect of Dalian Jinsanjiao and Xining Huayuan.

With the entry into the New Master PMA, the Existing Individual PMAs will be terminated such that the Manager, the Property Manager and the Trustee will enter into a deed of termination on a date after the AGM to mutually agree to terminate the Existing Individual PMAs such that each party's obligations and liabilities under the Existing Individual PMAs will cease with effect from 10 May 2021 (the "**Deed of Termination**") and, in their place, new individual property management agreements (the "**New Individual PMAs (Existing Managed Properties)**") will be entered into for each of the Existing Managed Properties pursuant to the New Master PMA. No termination fee is payable by each of the Manager, the Property Manager and the Trustee pursuant to the Deed of Termination. The New Individual PMAs (Existing Managed Properties) will be entered into by (i) the Manager, (ii) the Property Manager, (iii) Chengdu Hualian Hongshun Property Management Co., Ltd. (as the onshore property manager for Chengdu Konggang) and Chengdu Hualian Hongshun Property Management Co., Ltd. (Hefei Branch) (as the onshore property manager for Hefei Mengchenglu and Hefei Changjiangxilu), each of which is a wholly-owned onshore PRC subsidiary of the Sponsor (which is a related corporation of the Property Manager), (iv) each of the relevant onshore PRC subsidiaries of BHG Retail REIT which directly owns the Existing Managed Properties and (v) the Trustee. The New Individual PMAs (Existing Managed Properties) will be entered into on a date after the AGM and will commence on 10 May 2021. Pursuant to the terms of the New Master PMA, an individual property management agreement (the form of which is appended to the New Master PMA) (the "**Individual PMA**") will need to be entered into in respect of each PMA Property (as defined herein) and the Individual PMA contemplates the inclusion of an onshore property manager (which is a related corporation of the Property Manager) and the onshore property owner, where required. Accordingly, the New Individual PMAs (Existing Managed Properties), which will be entered into pursuant to the New Master PMA, are based on the Individual PMA and in substantially the same form as the Individual PMA.²

² For the avoidance of doubt, the Individual PMA is only a form appended to the New Master PMA and is not a separate agreement that is entered into.

Please refer to the following table which sets out whether each of the properties of BHG Retail REIT (i) was managed pursuant to the IPO Master PMA and (ii) will be managed pursuant to the New Master PMA.

	Chengdu Konggang	Hefei Mengchenglu	Hefei Changjiang xilu³	Beijing Wanliu Mall	Dalian Jinsanjiao	Xining Huayuan
<u>Subjected to the IPO Master PMA</u>	Yes	Yes	Yes	No	No	No
<u>Subject to the New Master PMA</u>	Yes	Yes	Yes	No	No	No

RATIONALE FOR THE ENTRY INTO THE NEW MASTER PMA

The Manager believes that the proposed entry into the New Master PMA will bring the following key benefits to BHG Retail REIT and its Unitholders:

- (i) the Property Manager has a proven track record of managing the Existing Managed Properties by maintaining their occupancy rates at healthy levels, and its group which also has a proven track record is a leading integrated retail group in the PRC, with more than 20 years of retail operating experience and forms an entire retail value chain which consists of the running of retail properties, supermarkets and luxury department stores;
- (ii) increased stability and certainty in the management of the Existing Managed Properties; and
- (iii) improved implementation of the Individual PMAs primarily with the relevant onshore property owner included as a party to the relevant Individual PMA, which would allow the more appropriate party to be contractually reflected as the obligor towards the property manager and the more appropriate party to be contractually reflected as the beneficiary of the services.

(See paragraph 3 of the Letter to Unitholders for further details.)

³ The Property Manager and the Trustee had entered into the individual property management agreement which was in substantially the same form as the form of the individual property management agreement appended to the IPO Master PMA for Hefei Changjiangxilu on 2 April 2019 in connection with BHG Retail REIT's acquisition of Hefei Changjiangxilu.

Interested Person Transaction

As the Manager is a wholly-owned subsidiary of Beijing Hualian Mall (Singapore) Commercial Management Pte. Ltd. ("**BHM SCM**"), BHM SCM is a "controlling shareholder" of the Manager for the purposes of the Listing Manual of the SGX-ST (the "**Listing Manual**"). As the Property Manager is also a wholly-owned subsidiary of BHM SCM, the Property Manager is an "associate" of BHM SCM (being a controlling shareholder of the Manager) and is therefore an interested person of BHG Retail REIT under the Listing Manual. Therefore, the entry into the New Master PMA will constitute an "interested person transaction" under Chapter 9 of the Listing Manual. BHM SCM is a wholly-owned subsidiary of the Sponsor.

As the aggregate value of the New Master PMA may exceed 5.0% of BHG Retail REIT's latest audited net tangible assets ("**NTA**"), the Manager is seeking the approval of unitholders of BHG Retail REIT (the "**Unitholders**"), by way of an Ordinary Resolution, for the entry into the New Master PMA. By approving the entry into the New Master PMA, the Unitholders will be deemed to have also approved the entry into the Deed of Termination.

LETTER TO UNITHOLDERS

BHG RETAIL REAL ESTATE INVESTMENT TRUST

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

MANAGED BY BHG Retail Trust Management Pte. Ltd.

Directors of the Manager

Mr. Francis Siu Wai Keung (Chairman and Independent Director)
Mr. Ben Yeo Chee Seong (Independent Director)
Mr. Lau Teck Sien (Independent Director)
Mr. Xiong Zhen (Non-Independent Non-Executive Director)
Mr. Peng Ge (Non-Independent Non-Executive Director)

Registered Office

250 North Bridge Road,
Raffles City Tower #32-01
Singapore 179101

5 April 2021

To: Unitholders of BHG Retail Real Estate Investment Trust

Dear Sir/Madam

1. APPROVAL SOUGHT

The Manager is seeking approval from the Unitholders for the proposed entry into the New Master PMA by way of an Ordinary Resolution.

2. THE PROPOSED NEW MASTER PROPERTY MANAGEMENT AGREEMENT

The Manager proposes to continue the appointment of the Property Manager and/or its related corporations as property manager for the Existing Managed Properties and any new property in which interests are acquired during the term of the New Master PMA by BHG Retail REIT which BHG Retail REIT wholly owns or the Trustee has the right to appoint or procure the appointment of the Property Manager in respect of such property that is owned by BHG Retail REIT from time to time (whether directly or indirectly through SPVs) (the "**New Properties**", the Existing Managed Properties and the New Properties are collectively referred to as the "**PMA Properties**" and each of the PMA Properties shall be referred to as the "**PMA Property**") by entering into the New Master PMA. Pursuant to the terms of the New Master PMA, an Individual PMA (the form of which is appended to the New Master PMA) will need to be entered into in respect of each PMA Property and the Individual PMA contemplates the inclusion of an onshore property manager (which is a related corporation of the Property Manager) and the onshore property owner, where required. Accordingly, the New Individual PMAs (Existing Managed Properties), which will be entered into pursuant to the New Master PMA, are based on the Individual PMA and in substantially the same form as the Individual PMA.¹

¹ For the avoidance of doubt, the Individual PMA is only a form appended to the New Master PMA and is not a separate agreement that is entered into.

The New Master PMA will be for a term of five years, and will be entered into on a date after the AGM and commencing on 10 May 2021 (the “**Commencement Date**”) and shall expire on the earlier of (i) midnight of the date immediately preceding the fifth anniversary of the Commencement Date, and (ii) midnight of the date of termination of the New Master PMA. No later than the date falling six months before the expiry of the term, the Trustee (acting on the recommendation of the Manager) and the Manager shall be entitled, at its absolute discretion, to give written notice to the Property Manager to extend the appointment of the Property Manager for a further term of five years from the expiry of the term, on the same terms and conditions as are contained in the New Master PMA save for the clause on the extension of the term. The exercise of such option to extend for the additional five-year term is subject to Rules 905 and 906 of the Listing Manual and, accordingly, to the extent the approval of the independent Unitholders is required pursuant to Rule 906, the New Master PMA will be extended for an additional five-year term only if the requisite approval has been obtained. Any renewal of the New Master PMA for an additional five-year term will not affect the term of the New Individual PMAs (Existing Managed Properties) or any other individual property management agreement entered into pursuant to the New Master PMA during its first five-year tenure.²

The entry into the New Master PMA complies with all applicable laws and regulations including Appendix 6 of the Code on Collective Investment Schemes and PRC laws and regulations.

Upon the entry into the Individual PMA, the initial term of the Individual PMA is five years from the commencement date of the Individual PMA. Three months prior to expiry of the initial term of the Individual PMA, the Trustee (acting on the recommendation of the Manager) and the Manager may, at its absolute discretion, request to extend its appointment for a further five years on the same terms and conditions as are contained in the Individual PMA save for the clause on the extension of the term. The exercise of such option to extend for the additional five-year term is subject to Rules 905 and 906 of the Listing Manual.

The Property Manager³ will be providing property management services, lease management services, general management services, marketing services and project management services to the PMA Properties. Pursuant to the Individual PMA and consistent with the approach under the Existing Individual PMAs, the relevant onshore PRC subsidiaries of BHG Retail REIT which directly owns the PMA Properties (the “**Onshore Owner**”) shall permit the staff members of the Property Manager and/or the onshore property manager to occupy reasonably equipped office space at each of the PMA Properties at BHG Retail REIT’s expense without the Property Manager or the onshore property manager being required to pay any rent, service charge or any other sums in respect thereof. The key terms of the New Master PMA and the Individual PMA (including the fees payable by BHG Retail REIT to the Property Manager and/or the onshore property manager (subject to there being no double counting in payment)) are set out below.

The material differences between the New Master PMA and the IPO Master PMA are highlighted in the following paragraphs 2.1 to 2.8 of this Circular and, save as highlighted below, the terms of the New Master PMA are substantially the same as the terms of the IPO Master PMA.

² For illustration purposes: if at the start of year 3 of the first five-year term of the New Master PMA, a new individual property management agreement is entered into for a five-year term, such new agreement will run from year 3 to year 7, and will not be affected even if the New Master PMA expires at the end of year 5. Conversely, it will also expire at the end of year 7 and will not be automatically renewed just because the New Master PMA is renewed for an additional five-year term until year 10.

³ As disclosed at page 45 of the Prospectus of BHG Retail REIT dated 2 December 2015, where a property of BHG Retail REIT is located outside of Singapore and is under the management of the Property Manager, the Property Manager may appoint and engage a local property manager to provide property management services and pay the local property manager for the provision of property management services. Any payment to such local property managers in connection with such management services will be paid by the Property Manager to such persons out of the property management fee received by the Property Manager, and not additionally out of the deposited property of BHG Retail REIT.

2.1 Property Management Services

2.1.1 Fees

In respect of the property management services provided by the Property Manager and/or the onshore property manager, the Property Manager and/or the onshore property manager shall be entitled to receive from the Trustee or the Onshore Owner (subject to there being no double counting in payment) each quarter for each of the PMA Properties, a property management fee, paid quarterly in arrears in Units and/or cash, as the Property Manager and/or the onshore property manager may determine of (a) 2.0% per annum of gross revenue of the relevant PMA Property, and (b) 2.5% per annum of the net property income of the relevant PMA Property.

Compared to the Existing Individual PMAs, the Individual PMA allows for the onshore property manager to receive the property management fee from the Onshore Owner in addition to the Trustee as per the approach under the Existing Individual PMAs (subject to there being no double counting in payment), which would improve the implementation as this provides an option for the fees to be directly settled onshore between the two onshore parties.

For the avoidance of doubt, there is no change in the above fees formula payable under the New Master PMA as compared to the IPO Master PMA.

2.1.2 Reimbursable Expenses

In respect of each of the PMA Properties, the Trustee or the Onshore Owner shall (subject to there being no double counting in payment) pay directly or, as the case may be, reimburse the Property Manager and/or the onshore property manager in full in cash if such payment has been made by the Property Manager and/or the onshore property manager, the agreed property related expenses (including but not limited to employee related expenses (excluding any employee's salary unless otherwise set out in the annual business plan and budget for that PMA Property as contemplated in the Individual PMA) paid to employees who are involved in the management of such PMA Property, as approved in the annual business plan and budget for that PMA Property, repair and maintenance expenses, utilities, property related taxes and other general administrative expenses) incurred. The direct payment or, as the case may be, reimbursement by the Trustee or the Onshore Owner shall be net of any revenue generated by the PMA Properties that is collected by the Property Manager and/or the onshore property manager on behalf of BHG Retail REIT.

Compared to the Existing Individual PMAs, the Individual PMA makes clear that the Onshore Owner (in addition to the Trustee as per the approach under the Existing Individual PMAs) may reimburse the onshore property manager (subject to there being no double counting in payment), which would improve the implementation as this provides an option for the reimbursements to be directly settled onshore between the two onshore parties.

For the avoidance of doubt, there are no additional expenses that are reimbursable under the New Master PMA as compared to the IPO Master PMA.

2.2 Lease Management Services

2.2.1 Fees

In respect of the lease management services provided by the Property Manager and/or the onshore property manager (or each of their nominee) for each of the PMA Properties, the Property Manager and/or the onshore property manager shall be entitled to receive from the Trustee or the Onshore Owner (subject to there being no double counting in payment) in the form of cash,

a one-time lease-up commission of two months of the rental income received or receivable (after adjusting for leasing incentives such as rent rebates and rent-free periods where applicable, but excluding turnover rent, which is generally calculated as a pre-determined percentage of the tenant's gross turnover) as leasing commission for securing of new tenants for a tenancy of at least three years.

For the avoidance of doubt, there is no change in the above fees formula payable under the New Master PMA as compared to the IPO Master PMA.

2.3 Project Management Services

2.3.1 Fees

In respect of the project management services to be provided by the Property Manager and/or the onshore property manager to each of the PMA Properties, the Property Manager and/or the onshore property manager shall be entitled to receive from the Trustee or the Onshore Owner (subject to there being no double counting in payment), a project management fee based on the following for any development, re-development, refurbishment, retrofitting, addition and alteration or renovation works made to any of the PMA Properties:

- (i) a fee of 3.0% of the construction costs, where the construction costs amount exceed S\$100,000 but do not exceed S\$1.0 million or the equivalent value in the relevant foreign currency for any other country;
- (ii) a fee of 2.0% of the construction costs, where the construction costs amount ranges between S\$1.0 million and S\$10.0 million or the equivalent value in the relevant foreign currency for any other country;
- (iii) provided that no fee will be collected, where the construction costs do not exceed S\$100,000 or the equivalent value in the relevant foreign currency for any other country; and
- (iv) in the event that the construction costs amount to more than S\$10.0 million or the equivalent value in the relevant foreign currency for any other country), a fee to be mutually agreed by the parties.

For the purpose of calculating the fees payable to the Property Manager and/or the onshore property manager, "construction costs" means all construction costs and expenditure valued by the quantity surveyor engaged by the Trustee for the project, excluding development charges, differential premiums, statutory payments, consultants' professional fees and all applicable taxes.

For the avoidance of doubt, there is no change in the above fees formula payable under the New Master PMA as compared to the IPO Master PMA.

2.3.2 Reimbursements

The Trustee or the Onshore Owner (subject to there being no double counting in payment) shall, at the request of the Property Manager and/or the onshore property manager, either pay directly or reimburse the Property Manager and/or the onshore property manager for the following project management expenses incurred:

- (i) costs for printing drawings, documents and other lithography expenses incurred for calling of tenders;
- (ii) costs for preparing and printing perspectives, plans, models and any materials required for marketing purposes and costs of all submissions to authorities;
- (iii) overseas and inter-state travelling (based on business class fare) and accommodation expenses and other similar disbursements in respect of the Property Manager and/or the onshore property manager acting on the instructions of the Trustee or the Onshore Owner for any purpose in connection with and/or arising out of the project;
- (iv) costs of tele-conferencing, telephone calls (including, but not limited to, mobile phone charges), video conferencing and/or project management portal in connection with and/or arising out of the project;
- (v) fees and deposits paid to various authorities on behalf of BHG Retail REIT;
- (vi) costs of leasing vehicles for use by project personnel for the project; and
- (vii) costs of constructing and setting up fully furnished site offices and engagement of office assistants for the project,

provided that such costs shall have been pre-approved by the Trustee or the Onshore Owner, and shall be supported, where available, by vouchers, receipts and other documentary evidence.

Such reimbursement of project management expenses shall be paid to (i) the Property Manager and/or the onshore property manager on a quarterly basis in arrears in respect of reimbursable costs and expenses incurred for that quarter, within 14 days after the Trustee's or the Onshore Owner's receipt of the relevant invoices from the Property Manager and/or the onshore property manager for that quarter, or (ii) directly to the consultants or the entities rendering the invoice.

For the avoidance of doubt, there are no additional project management expenses that are reimbursable under the New Master PMA as compared to the IPO Master PMA.

2.4 Provision of Office Space

Where applicable, pursuant to the Individual PMA, the Onshore Owner shall permit the staff members of the Property Manager and/or the onshore property manager to occupy reasonably equipped office space at each of the PMA Properties at BHG Retail REIT's expense without the Property Manager or the onshore property manager being required to pay any rent, service charge or any other sums in respect thereof.

2.5 Termination

The Trustee (acting on the recommendation of the Manager) may terminate the appointment of the Property Manager under the New Master PMA, and the Trustee (acting on the recommendation of the Manager) and the Onshore Owner may terminate the appointment of the Property Manager and/or the onshore property manager under the Individual PMA, in each case on the occurrence of certain specified events which include: if the Property Manager and/or the onshore property manager (in the case of the Individual PMA) is voluntarily or involuntarily dissolved or declared bankrupt, insolvent or commits an act of bankruptcy or if an order is made or resolution is passed or a notice is issued convening a meeting for the purpose of passing a resolution or any analogous proceedings are taken for the appointment of an administrator or judicial manager

of or the winding up of the Property Manager and/or the onshore property manager (in the case of the Individual PMA), other than a members' voluntary liquidation solely for the purpose of a *bona fide* amalgamation or reconstruction, or the Property Manager and/or the onshore property manager (in the case of the Individual PMA) compounds with its creditors or has a receiver appointed over all or any part of its assets or a judicial manager is appointed in respect of the Property Manager and/or the onshore property manager (in the case of the Individual PMA) or the Property Manager and/or the onshore property manager (in the case of the Individual PMA) ceases to carry on business.

In the event of a sale of the PMA Properties, the Trustee (with the prior written consent of the Manager) and the Onshore Owner may terminate the appointment of the Property Manager and the onshore property manager under the Individual PMA by giving not less than 30 days' prior written notice to the Property Manager and the onshore property manager.

In addition, in relation to the New Master PMA, if either the Trustee or the Property Manager is in material breach of any of its obligations under the New Master PMA, and within 60 days of receipt of written notice (or 120 days if remedial actions have been initiated within 60 days), fails to remedy the said breach (which is capable of remedy) of its obligations, the party who is not in breach may terminate the provision of services in respect of the relevant PMA Property on the terms of the New Master PMA upon giving 30 days' written notice to the party in breach.

In relation to the Individual PMA, if either the Trustee, the Onshore Owner, the Property Manager or the onshore property manager is in material breach of any of its obligations under the Individual PMA, and within 60 days of receipt of written notice (or 120 days if remedial actions have been initiated within 60 days), fails to cure the said breach (which is capable of remedy) of its obligations, the relevant party/parties who is/are not in breach may terminate the provision of services in respect of the relevant PMA Property on the terms of the Individual PMA upon giving 30 days' written notice to the party or parties in breach.

On the termination of the appointment of the Property Manager, the Manager shall, as soon as practicable, procure the appointment of a replacement property manager for the relevant PMA Property.

2.5.1 Termination Fees

Upon termination of the appointment of the Property Manager and/or the onshore property manager under the Individual PMA, all amounts due and owing by the relevant parties in relation to the relevant PMA Property shall become immediately due and payable and the relevant parties must effect payment to each other within 30 days commencing from such termination subject to the prevailing applicable laws and regulations. For the avoidance of doubt, the Property Manager and the onshore property manager are not entitled to any compensation in respect of any termination of the Individual PMA or the New Master PMA.

2.6 **Assignability**

In relation to the New Master PMA, none of the Trustee, the Manager, or the Property Manager may assign or transfer any of its rights, benefits or obligations under the New Master PMA except, in the case of the Trustee, with the prior written consent of the Property Manager, and in the case of the Property Manager, with the prior written consent of the Trustee (acting on the recommendation of the Manager) and the Manager, except that the Trustee and the Manager is permitted to assign the benefit of, and any of its rights under the New Master PMA without the prior written consent of the Property Manager to a successor trustee or manager (as the case may be) of BHG Retail REIT for the time being.

In relation to the Individual PMA, none of the parties to the Individual PMA may assign or transfer any of its rights, benefits or obligations under the Individual PMA except, in the case of the Trustee, the Manager or the Onshore Owner, with the prior written consent of the Property Manager and/or the onshore property manager, and in the case of the Property Manager and/or the onshore property manager, with the prior written consent of the Trustee (acting on the recommendation of the Manager), the Manager and the Onshore Owner, except that each of the Trustee and the Manager is permitted to assign the benefit of, and any of its rights under the Individual PMA without the prior written consent of the Property Manager and/or the onshore property manager to a successor trustee or manager (as the case may be) of BHG Retail REIT for the time being.

2.7 Exclusion of Liability

In the absence of fraud, negligence, wilful default or breach of the New Master PMA or the Individual PMA (as the case may be) by the Property Manager (and the onshore property manager in the case of the Individual PMA), it shall not incur any liability by reason of any error of law or any matter or thing done or suffered or omitted to be done by it in good faith under the New Master PMA or the Individual PMA, as the case may be.

In addition, under the New Master PMA, the Trustee shall indemnify and keep the Property Manager indemnified from and against any and all actions, proceedings, liabilities, claims, demands, losses, damages, charges, costs and expenses that the Property Manager may suffer or incur, save where they arise out of any breach of the New Master PMA, negligence, fraud or wilful default by the Property Manager, its employees, agents, delegates or attorneys.

Under the Individual PMA, the Onshore Owner shall indemnify and keep the Property Manager and the onshore property manager indemnified from and against any and all actions, proceedings, liabilities, claims, demands, losses, damages, charges, costs and expenses that the Property Manager and the onshore property manager may suffer or incur, save where they arise out of any breach of the Individual PMA, negligence, fraud or wilful default by the Property Manager and the onshore property manager, their employees, agents, delegates or attorneys.

2.8 No Restriction on Property Manager

Under the New Master PMA and the Individual PMA, the Property Manager (and the onshore property manager in the case of the Individual PMA) may provide services similar to those contemplated under the New Master PMA and the Individual PMA to other parties operating in the same or similar business as BHG Retail REIT, or in other businesses, save that it shall take all reasonable or necessary steps to minimise or resolve any conflicts of interests which may arise thereto.

3. THE RATIONALE FOR THE ENTRY INTO THE NEW MASTER PMA

The Manager believes that the proposed entry into the New Master PMA will bring the following key benefits to BHG Retail REIT and its Unitholders:

3.1 Proven Track Record of the Property Manager and its Group

The Property Manager has a proven track record of managing the Existing Managed Properties by maintaining their occupancy rates at healthy levels.

In addition, the Property Manager is a wholly-owned subsidiary of the Sponsor, which is an established PRC home-grown retail property operator and one of the first companies to be engaged in retail property management in the PRC, whose focus is mainly on the ownership and management of community retail properties. The Sponsor has been listed on the Shenzhen Stock Exchange since June 1998. The Sponsor has established a strong and efficient management platform supported by a dedicated and experienced management team. Together with its strong management platform, the Sponsor possesses a large network of relationships with existing and potential tenants that will benefit BHG Retail REIT. Further, both the Manager and the Property Manager are indirect wholly-owned subsidiaries of the Sponsor. Thus, to appoint the Property Manager pursuant to the New Master PMA will allow the execution of a coordinated strategy to ensure consistently high levels of operational performance. The Sponsor is also part of BHG Group, which includes, inter alia, Beijing Hualian Group Investment Holding Co., Ltd. ("BHGIH"), the Sponsor and BHH. The BHG Group is a leading integrated retail group in the PRC, with more than 20 years of retail operating experience and forms an entire retail value chain which consists of the running of retail properties, supermarkets and luxury department stores. BHG Group possesses a strong branding in the PRC, an established mall operation capability and a wide network of retail properties. By appointing the Property Manager pursuant to the New Master PMA, BHG Retail REIT can tap on the operational synergies among members of the BHG Group.

3.2 Increased stability and certainty in the management of the Existing Managed Properties

The entry into the New Master PMA and the New Individual PMAs (Existing Managed Properties) for a fresh term of five years will provide greater operational stability in relation to the management of the PMA Properties by the Property Manager. This ensures that the management of the PMA Properties continues for a longer uninterrupted period of time, and improves the stability of the property management of the Existing Managed Properties as compared to the shorter outstanding term under the Existing Individual PMAs which will expire on 10 December 2021 (for Chengdu Konggang and Hefei Mengchenglu) and 1 April 2024 (for Hefei Changjiangxilu).

3.3 Improved implementation of the Individual PMAs

Pursuant to the New Master PMA, the Individual PMAs are structured to include the relevant onshore property manager which is a related corporation of the Property Manager and the relevant onshore property owner as parties to the relevant Individual PMA to improve the implementation of the Individual PMAs. With the relevant onshore property owner included as a party to the relevant Individual PMA, this would allow the more appropriate party to be contractually reflected as the obligor towards the property manager (for example, as the party who would reimburse the property manager's expenses onshore as opposed to the Trustee under the form of the original individual property management agreement in the IPO Master PMA and the Existing Individual PMAs) and the more appropriate party to be contractually reflected as the beneficiary of the services (i.e. the onshore property owner as opposed to the Trustee under the form of the original individual property management agreement in the IPO Master PMA and the Existing Individual PMAs). With the relevant onshore property manager included as a party to the relevant Individual PMA, the relevant onshore property manager would be better placed to provide certain management services under the Individual PMA for the relevant PMA Properties. Further, the payments of cash by the relevant onshore property owner to the relevant onshore property manager (should the property manager opt for payment of its fees to be in cash rather than Units) would also be more appropriate.

The existing checks and internal controls can be similarly implemented vis-à-vis the onshore property manager and there are no additional checks or internal controls required as a result of the inclusion of the onshore property manager as contemplated under the Individual PMA, because the current checks and internal controls would apply regardless of whether the counterparty is a Singapore entity or an onshore entity.

4. DISCLOSURE OF INTEREST

4.1 Interests of Directors and Substantial Unitholders

As at the Latest Practicable Date, certain directors of the Manager ("**Directors**") collectively hold an aggregate direct and indirect interest in 625,000 Units. Further details of the interests in Units of the Directors and Substantial Unitholders⁴ 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 the Latest Practicable Date 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	-	-	-	-	-	-
Ben Yeo Chee Seong	-	-	-	-	-	-
Lau Teck Sien	375,000	0.07	-	-	375,000	0.07
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 the Latest Practicable Date are as follows:

Name of Unitholder	Direct Interest		Deemed Interest		Total No. of Units held	
	No. of Units held	%	No. of Units held	%		%
Beijing Hualian Group Investment Holding Co. Ltd. ⁽¹⁾	-	-	185,706,156	36.29	185,706,156	36.29
Beijing Hua Lian Group (Singapore) International Trading Pte. Ltd. ⁽¹⁾	148,310,300	28.98	-	-	148,310,300	28.98
Beijing Hualian Department Store Co., Ltd. ⁽²⁾	-	-	29,270,856	5.72	29,270,856	5.72
Beijing Hualian Mall (Singapore) Commercial Management Pte. Ltd. ⁽²⁾	14,899,000	2.91	14,371,856	2.81	29,270,856	5.72
Hainan Hong Ju Industrial Co. Ltd. ⁽³⁾	-	-	185,706,156	36.29	185,706,156	36.29
Hainan Hong Ju Culture Media Group Limited ⁽⁴⁾	-	-	185,706,156	36.29	185,706,156	36.29
Qianhai International Holdings Co., Limited ⁽⁵⁾	-	-	101,484,000	19.83	101,484,000	19.83
Chancai Ruayrungruang ⁽⁶⁾	-	-	67,062,900	13.11	67,062,900	13.11
Zhang Chongyu ⁽⁷⁾	-	-	60,817,140	11.88	60,817,140	11.88

⁴ "**Substantial Unitholder**" means a person with an interest in Units constituting not less than 5.0% of the total number of Units in issue.

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 29.17% of the total issued equity interest of BHH 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. Accordingly, BHGIH is deemed interested in the 29,270,856 Units deemed interested by the Sponsor.
- Accordingly, BHGIH is deemed interested in an aggregate of 185,706,156 Units.
- (2) The Sponsor wholly owns BHM SCM, which in turn wholly owns the Property Manager and the Manager. The Sponsor is deemed interested in an aggregate of 29,270,856 Units, which include 14,899,000 units held by BHM SCM, 8,400,556 Units owned by the Manager and the 5,971,300 Units owned by the Property Manager.
- (3) 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.
- (4) Hainan Hong Ju 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.
- (5) Qianhai International Holdings Co., Limited is deemed to have an interest in the 101,484,000 Units held through his nominee.
- (6) Dr Chanchai Ruayrungruang is deemed to have an interest in the 67,062,900 Units held through his nominee.
- (7) Mr Zhang Chongyu is deemed to have an interest in the 60,817,140 Units held through his nominee.

Save as disclosed above and based on information available to the Manager as at the Latest Practicable Date, none of the Directors or the Substantial Unitholders has an interest, direct or indirect, in the entry into the New Master PMA.

4.2 Directors' Service Contracts

No person is proposed to be appointed as a director of the Manager in connection with the entry into the New Master PMA or any other transactions contemplated in relation to the entry into the New Master PMA.

5. REQUIREMENT FOR UNITHOLDERS' APPROVAL**5.1 Interested Person Transaction**

Under Chapter 9 of the Listing Manual, where BHG Retail REIT proposes to enter into a transaction with an interested person (as defined in the Listing Manual) and the value of the transaction (either in itself or when aggregated with the value of other transactions, each of a value equal to or greater than S\$100,000, with the same interested person during the same financial year) is equal to or exceeds 5.0% of BHG Retail REIT's latest audited NTA, Unitholders' approval is required in respect of the transaction.

For the Unitholders' information, the total fees (including leasing commission) paid to the Property Manager over the past three financial years of BHG Retail REIT are set out below.

Financial Year	Hefei Mengchenglu	Chengdu Konggang	Hefei Changjiangxilu	Total
2018	S\$343,291	S\$417,501	-	S\$760,792
2019	S\$332,043	S\$480,780	S\$231,469	S\$1,044,292
2020	S\$170,485	S\$356,221	S\$234,104	S\$760,811

Based on BHG Retail REIT's audited consolidated financial statements for FY 2020, the latest audited NTA of BHG Retail REIT as at 31 December 2020 was approximately S\$439.3 million⁵. Accordingly, if the value of a transaction which is proposed to be entered into by the Trustee during the current financial year ending 31 December 2021 with an interested person is, either in itself or in aggregation with all other earlier transactions (each of a value equal to or greater than S\$100,000) entered into with the same interested person during the current financial year ending 31 December 2021, equal to or greater than approximately S\$22.0 million, being 5.0% or more of the latest audited NTA, such a transaction would be subject to approval from Unitholders.

As the Manager is a wholly-owned subsidiary of BHM SCM, BHM SCM is a "controlling shareholder" of the Manager for the purposes of the Listing Manual. As the Property Manager is also a wholly-owned subsidiary of BHM SCM, the Property Manager is an "associate" of BHM SCM (being a controlling shareholder of the Manager) and is therefore an interested person of BHG Retail REIT under the Listing Manual. Therefore, the entry into the New Master PMA will constitute an "interested person transaction" under Chapter 9 of the Listing Manual. BHM SCM is a wholly-owned subsidiary of the Sponsor.

As the aggregate value of the New Master PMA may exceed S\$22.0 million⁶, being 5.0% of the latest audited NTA, the Manager is seeking Unitholders' approval for the proposed entry into the New Master PMA pursuant to Rule 906(1)(a) of the Listing Manual. Should such approval be obtained, the fees payable to the Property Manager and/or its related corporations and any agreement or individual property management agreement entered into from time to time by the Manager, Property Manager, and where applicable, the relevant onshore property manager (which is a related corporation of the Property Manager) and the relevant onshore property owner, pursuant to the New Master PMA shall not be subject to future aggregation or further Unitholders' approval requirements under Rules 905 and 906 of the Listing Manual to the extent that there is no subsequent change to the rates and/or bases of the property management fees and related expenses thereunder which are adverse to BHG Retail REIT. By approving the entry into the New Master PMA, the Unitholders will be deemed to have also approved the entry into the Deed of Termination. For the avoidance of doubt, no termination fee is payable by each of the Manager, the Property Manager and the Trustee pursuant to the Deed of Termination.

6 OPINION OF THE INDEPENDENT FINANCIAL ADVISER

The Manager has appointed Ernst & Young Corporate Finance Pte. Ltd. as the IFA to advise the independent Directors (the "**Independent Directors**"), the audit and risk committee of the Manager (the "**Audit and Risk Committee**") and the Trustee in relation to the New Master PMA. A copy of the letter from the IFA to the Independent Directors, the Audit and Risk Committee and the Trustee (the "**IFA Letter**"), containing its advice in full in relation to the New Master PMA, is set out in **Appendix A** of this Circular. Unitholders are advised to read the IFA Letter in its entirety carefully.

⁵ For the avoidance of doubt, the NTA of BHG Retail REIT as at 31 December 2020 excludes net assets attributable to non-controlling interests.

⁶ For illustration purposes only, the Manager estimates that the total fees payable to the Property Manager and the relevant onshore property manager during the five-year term under the New Individual PMAs (Existing Managed Properties) is S\$5,140,436. Although this is less than 5.0% of the last audited NTA, the Manager is seeking Unitholders' approval for the proposed entry into the New Master PMA so that should such approval be obtained, it can enter into further agreements or individual property management agreements in respect of future properties of BHG Retail REIT to be managed pursuant to the New Master PMA during the term of the New Master PMA, and all such amounts payable to the Property Manager, and where applicable, the relevant onshore property manager (which is a related corporation of the Property Manager) will not be subject to future aggregation or further Unitholders' approval requirements under Rules 905 and 906 of the Listing Manual to the extent that there is no subsequent change to the rates and/or the bases of the property management fees and related expenses thereunder which are adverse to BHG Retail REIT.

Based on the considerations set out in the IFA Letter and subject to the qualifications and assumptions made in the IFA Letter, the IFA is of the opinion that the New Master PMA is on normal commercial terms and is not prejudicial to the interests of BHG Retail REIT and its minority Unitholders.

Accordingly, the IFA is of the opinion that the Independent Directors and the Audit and Risk Committee can recommend that Unitholders vote in favour of the resolution in connection with the entry into the New Master PMA to be proposed at the AGM.

7 RECOMMENDATION

Based on the opinion of the IFA (as set out in the IFA Letter in **Appendix A** of this Circular) and having regard to the rationale for and the terms of the New Master PMA, the Independent Directors and the Audit and Risk Committee are of the opinion that the terms of the New Master PMA are based on normal commercial terms and are not prejudicial to the interests of BHG Retail REIT and its minority Unitholders.

Accordingly, the Independent Directors and the Audit and Risk Committee recommend that Unitholders vote at the AGM in favour of the Resolution (by way of an Ordinary Resolution) to approve the entry into the New Master PMA.

8 ANNUAL GENERAL MEETING

The AGM will be convened and held by way of electronic means on 27 April 2021 at 11.00 a.m. for the purpose of considering and, if thought fit, passing with or without modification, the resolutions set out in the Notice of AGM. The purpose of this Circular is to provide Unitholders with relevant information about the resolution in relation to the entry into the New Master PMA. Approval by way of an Ordinary Resolution is required in respect of the Resolution.

A Depositor shall not be regarded as a Unitholder entitled to attend the AGM and to speak and vote thereat unless he is shown to have Units entered against his name in the Depository Register, as certified by The Central Depository (Pte) Limited as at 48 hours before the AGM.

9 ABSTENTIONS FROM VOTING

Rule 919 of the Listing Manual prohibits interested persons and their associates (as defined in the Listing Manual) from voting on a resolution in relation to a matter in respect of which such persons are interested at the AGM.

Given that the New Master PMA will be entered into by the Manager and the Property Manager, the Manager and the Property Manager will abstain, and will procure their associates (including BHM SCM and the Sponsor) to abstain from voting at the AGM on the Resolution. Although BHGIH⁷ and BHH⁸ are not associates of the Manager and the Property Manager under the Listing Manual, in the interests of good corporate governance, each of BHGIH and BHH will also abstain from voting at the AGM on the resolution to approve the entry into the New Master PMA. Further, in the interest of good corporate governance, Mr Xiong Zhen and Mr Peng Ge⁹ will also abstain from voting at the AGM on Resolution 4 (i.e. the resolution to approve the entry into the New Master PMA).

⁷ BHGIH holds a 25.39% interest in the Sponsor as at the Latest Practicable Date, and is therefore not a holding company of the Sponsor, BHM SCM, the Manager and the Property Manager. BHGIH is therefore not an associate of the Manager and the Property Manager.

⁸ As BHGIH holds a 29.17% interest in BHH as at the Latest Practicable Date, and the Sponsor, BHM SCM, the Manager and the Property Manager do not hold any interest in BHH, BHH is not an associate of the Manager and the Property Manager.

⁹ Mr Xiong Zhen and Mr Peng Ge are employees of the BHGIH group of companies and are therefore designated as Non-Independent Directors of the Manager.

10 ACTION TO BE TAKEN BY UNITHOLDERS

10.1 Date, Time and Conduct of AGM

Pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 which was gazetted on 13 April 2020, and the Joint Statement by Accounting and Corporate Regulatory Authority, Monetary Authority of Singapore and Singapore Exchange Regulation in relation to Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation issued on 1 October 2020 which sets out the alternative arrangements in respect of, *inter alia*, general meetings of REITs and business trusts, the AGM will be held by way of electronic means on 27 April 2021 at 11.00 a.m. (Singapore time).

The Manager's Chairman, Mr Francis Siu Wai Keung, and Chief Executive Officer, Ms Chan Iz-Lynn, will conduct the proceedings of the AGM. All substantial and relevant questions which the Unitholders have submitted in advance will be addressed prior to or during the AGM.

10.2 Notice of AGM and Proxy Form

The Notice of AGM and proxy form will be sent to Unitholders by electronic means via publication on BHG Retail REIT's corporate website at the URL <http://bhgreit.listedcompany.com/newsroom.html>, and will also be made available on the SGX-ST's website at the URL <https://www.sgx.com/securities/company-announcements>. Printed copies of these documents are not required to be sent to Unitholders.

10.3 No personal attendance at AGM

As the AGM will be convened and held by way of electronic means, a Unitholder will not be able to attend the AGM in person.

10.4 Alternative arrangements for participation at the AGM

Unitholders may participate at the AGM by:

- (i) observing and/or listening to the AGM proceedings via live audio-visual webcast or live audio-only stream;
- (ii) submitting questions in advance of the AGM; and
- (iii) appointing the Chairman of the AGM as proxy to attend, speak and vote on their behalf at the AGM.

Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions to the Chairman of the meeting in advance of the AGM, addressing of substantial and relevant questions at the AGM and voting by appointing the Chairman of the meeting as proxy at the AGM, are set out in the Notice of AGM.

10.5 Key Dates and Times

The table below sets out the key dates/deadlines for Unitholders to note:

Key dates	Actions
5 April 2021 (Monday)	<ul style="list-style-type: none">Unitholders may begin to pre-register for live audio-visual webcast or live audio-only stream of the AGM proceedings at http://bhgreit.listedcompany.com/agm2021/register.
5.00 p.m. on 15 April 2021 (Thursday)	<ul style="list-style-type: none">Deadline for Central Provident Fund ("CPF") or Supplemental Retirement Scheme ("SRS") investors who wish to appoint the Chairman of the AGM as proxy to approach their respective CPF Agent Banks or SRS Operators to submit their votes.
11.00 a.m. on 24 April 2021 (Saturday)	<ul style="list-style-type: none">Deadline for Unitholders to pre-register for live audio-visual webcast or live audio-only stream of the AGM proceedings.Deadline for Unitholders to submit questions in advance.
11.00 a.m. on 25 April 2021 (Sunday)	<ul style="list-style-type: none">Deadline for Unitholders to submit proxy forms.
11.00 a.m. on 26 April 2021 (Monday)	<ul style="list-style-type: none">Authenticated Unitholders will receive the confirmation email (which will contain user ID and password details, as well as instructions on how to access the live audio-visual webcast and a toll-free telephone number to access the live audio-only stream of the AGM proceedings.)Unitholders who do not receive the confirmation email by 11.00 a.m. on 26 April 2021, but have registered by the 24 April 2021 deadline should contact BHG Retail REIT's Unit Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at +65 6536 5355, during its operating hours from Monday to Friday at 9.00 a.m. to 5.30 p.m., or via email at AGM.TeamE@boardroomlimited.com.
11.00 a.m. on 27 April 2021 (Tuesday)	<ul style="list-style-type: none">Click on the link in the confirmation email and enter the user ID and password to access the live audio-visual webcast of the AGM proceedings; orCall the toll-free telephone number in the confirmation email to access the live audio-only stream of the AGM proceedings.

10.6 Important Reminder

Due to the constantly evolving COVID-19 situation in Singapore, the Manager may be required to change the arrangements for the AGM at short notice. Unitholders should check the Manager's website at the URL <http://bhgreit.listedcompany.com/newsroom.html> for the latest updates on the status of the AGM.

11. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the entry into the New Master PMA, BHG Retail REIT and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading.

Where information in this Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Circular in its proper form and context.

12. CONSENT

The IFA (being Ernst & Young Corporate Finance Pte. Ltd.) has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name and the IFA Letter and all references thereto, in the form and context in which they are included in this Circular.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the registered office of the Manager¹⁰ at 250 North Bridge Road, Raffles City Tower #32-01 Singapore 179101 from the date of this Circular up to and including the date falling three months after the date of this Circular:

- (i) a copy of the New Master PMA;
- (ii) a copy of the IFA Letter; and
- (iii) the written consent of the IFA as referred to in paragraph 12 of this Circular.

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.

Yours faithfully
BHG Retail Trust Management Pte. Ltd.
(as manager of BHG Retail Real Estate Investment Trust)

Mr. Francis Siu Wai Keung
Chairman and Independent Director
5 April 2021

¹⁰ Prior appointment with the Manager (telephone number: +65 6805 8288) will be appreciated.

IMPORTANT NOTICE

This Circular does not constitute or form part of an offer, invitation or solicitation of any offer to purchase or subscribe for any securities of BHG Retail REIT in Singapore or any other jurisdictions.

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, 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.

Unitholders have no right to request that the Manager redeem or purchase their Units while the Units are listed. It is intended that Unitholders may only deal in their Units through trading on Singapore Exchange Securities Trading Limited (the "**SGX-ST**"). 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. Similarly, the past performance of the Manager is not indicative of the future performance of the Manager.

This Circular may contain forward-looking statements that involve assumptions, risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from similar developments, shifts in expected levels of property rental income, changes in operating expenses (including employee wages, benefits and training costs), property expenses and governmental and public policy changes. You are cautioned not to place undue reliance on these forward-looking statements, which are based on the Manager's current view of future events.

If you have sold or transferred all your Units, you should immediately forward this Circular, together with the Notice of Annual General Meeting and the accompanying Proxy Form to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

This Circular is not for distribution, directly or indirectly, in or into the United States of America ("United States" or "U.S."). It is not an offer of securities for sale into the United States. The Units may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons (as such term is defined in Regulation S under the United States Securities Act of 1933, as amended) unless they are registered or exempt from registration. There will be no public offer of securities in the United States.

GLOSSARY

In this Circular, the following definitions apply throughout unless otherwise stated:

"AGM"	:	The annual general meeting of BHG Retail REIT for FY 2020
"Audit and Risk Committee"	:	The audit and risk committee of the Manager
"Beijing Wanmao"	:	Beijing Hualian Wanmao Shopping Mall Management Co., Ltd.
"BHG Retail REIT"	:	BHG Retail Real Estate Investment Trust
"BHG SIT"	:	Beijing Hua Lian Group (Singapore) International Trading Pte. Ltd.
"BHGIH"	:	Beijing Hualian Group Investment Holdings Co., Ltd.
"BHH"	:	Beijing Hualian Hypermarket Co., Ltd
"BHH SPP"	:	Beijing Hualian Hypermarket (Singapore) Purchasing Pte. Ltd.
"BHM SCM"	:	Beijing Hualian Mall (Singapore) Commercial Management Pte. Ltd.
"Circular"	:	Circular dated 5 April 2021 issued by the Manager to the Unitholders
"Commencement Date"	:	being 10 May 2021 where the New Master PMA will commence
"CPF"	:	Central Provident Fund
"Directors"	:	Directors of the Manager
"Deed of Termination"	:	The deed of termination that will be entered into between the Manager, the Property Manager and the Trustee on a date after the AGM to terminate the Existing Individual PMAs with effect from 10 May 2021
"Existing Individual PMAs"	:	The individual property management agreements entered into between the Trustee, the Manager and the Property Manager in respect of the Existing Managed Properties
"Existing Managed Properties"	:	Hefei Mengchenglu Mall, Chengdu Konggang Mall and Changjiangxilu Mall
"FY 2020"	:	The financial year from 1 January 2020 to 31 December 2020
"IFA"	:	Ernst & Young Corporate Finance Pte. Ltd., in its capacity as the independent financial adviser

“IFA Letter”	:	The letter from the IFA to the Independent Directors, the Audit and Risk Committee and to the Trustee containing its advice as set out in Appendix A of this Circular
“Independent Directors”	:	The independent directors of the Manager
“Individual PMA”	:	An individual property management agreement (the form of which is appended to the New Master PMA) which will need to be entered into in respect of each PMA Property pursuant to the New Master PMA
“IPO Master PMA”	:	The master property management agreement dated 23 November 2015 entered into between the Trustee, the Manager and the Property Manager in respect of properties of BHG Retail REIT
“Latest Practicable Date”	:	29 March 2021, being the latest practicable date prior to the printing of this Circular
“Listing Manual”	:	The Listing Manual of the SGX-ST, as may be amended or modified from time to time
“Manager”	:	BHG Retail Trust Management Pte. Ltd., as manager of BHG Retail REIT
“New Individual PMAs (Existing Managed Properties)”	:	The proposed individual property management agreement to be entered into between the Trustee, the Manager, the Property Manager, the relevant onshore property manager (i.e. Chengdu Hualian Hongshun Property Management Co., Ltd. (as onshore property manager for Chengdu Konggang) or Chengdu Hualian Hongshun Property Management Co., Ltd. (Hefei Branch) (as onshore property manager for Hefei Mengchenglu and Hefei Changjiangxilu)) and each of the relevant onshore PRC subsidiaries of BHG Retail REIT which directly owns the Existing Managed Properties that will commence on 10 May 2021
“New Master PMA”	:	The proposed master property management agreement to be entered into on a date after the AGM and commencing on 10 May 2021 between the Trustee, the Manager and the Property Manager in respect of properties of BHG Retail REIT
“New Properties”	:	Any new property in which interests are acquired during the term of the New Master PMA by BHG Retail REIT which BHG Retail REIT wholly owns or the Trustee has the right to appoint or procure the appointment of the Property Manager in respect of such PMA Property
“NTA”	:	Net tangible assets
“Onshore Owner”	:	Each of the relevant onshore PRC subsidiaries of BHG Retail REIT which directly owns the relevant PMA Properties

“Ordinary Resolution”	:	A resolution proposed and passed as such by a majority of votes being greater than 50.0% or more of the total number of votes cast for and against such resolution at a meeting of Unitholders convened in accordance with the provisions of the Trust Deed
“PMA Property”	:	Each of the PMA Properties
“PMA Properties”	:	The Existing Managed Properties and the New Properties
“PRC”	:	The People’s Republic of China
“Property Manager”	:	BHG Mall (Singapore) Property Management Pte. Ltd.
“S\$”	:	The lawful currency of the Republic of Singapore
“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“Sponsor”	:	Beijing Hualian Department Store Co., Ltd.
“SPVs”	:	Special purpose vehicles
“SRS”	:	Supplemental Retirement Scheme
“Substantial Unitholder”	:	A person with an interest in Units constituting not less than 5.0% of the total number of Units in issue
“Trustee”	:	DBS Trustee Limited, in its capacity as trustee of BHG Retail REIT
“Trust Deed”	:	The trust deed dated 18 November 2015 (as amended and supplemented) constituting BHG Retail REIT
“Unitholders”	:	Unitholders of BHG Retail REIT
“Units”	:	Units in BHG Retail REIT

The terms “Depositor” and “Depository Register” shall have the meanings ascribed to them respectively in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore.

Words importing the singular shall, where applicable, include the plural and vice versa and words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall include corporations.

Any reference in this Circular to any enactment is a reference to that enactment for the time being amended or re-enacted.

Any reference to a date or time of a day in this Circular shall be a reference to Singapore date and time unless otherwise stated.

APPENDIX A
INDEPENDENT FINANCIAL
ADVISER'S LETTER



**Building a better
working world**

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5 April 2021

**The Independent Directors and the Audit and Risk Committee of
BHG Retail Trust Management Pte. Ltd.**

(As Manager of BHG Retail Real Estate Investment Trust)

250 North Bridge Road
Raffles City Tower #32-01
Singapore 179101

DBS Trustee Limited

(As Trustee of BHG Retail Real Estate Investment Trust)

12 Marina Boulevard
Marina Bay Financial Centre
Singapore 018982

Dear Sirs:

THE PROPOSED ENTRY INTO THE NEW MASTER PROPERTY MANAGEMENT AGREEMENT

1 INTRODUCTION

BHG Retail Trust Management Pte. Ltd. (as the manager of BHG Retail Real Estate Investment Trust ("**BHG Retail REIT**")) (the "**Manager**") is seeking approval from the unitholders of BHG Retail REIT (the "**Unitholders**") for the new master property management agreement that is proposed to be entered into on a date after the annual general meeting of the Unitholders ("**AGM**") and commencing on 10 May 2021 (the "**New Master PMA**") between (i) the Manager, (ii) BHG Mall (Singapore) Property Management Pte. Ltd. (the "**Property Manager**") (which is an indirect wholly-owned subsidiary of Beijing Hualian Department Store Co., Ltd., which is in turn the sponsor of BHG Retail REIT (the "**Sponsor**")), and (iii) DBS Trustee Limited (as the trustee of BHG Retail REIT) (the "**Trustee**"), pursuant to which the Property Manager and/or its related corporations will be appointed as the property manager for each property that is owned by BHG Retail REIT from time to time (whether directly or indirectly through special purpose vehicles ("**SPVs**")) during the term of the New Master PMA, subject to the overall management and supervision of the Manager.

The master property management agreement which was entered into between the Manager, the Trustee and the Property Manager on 23 November 2015 in connection with the initial public offering of BHG Retail REIT had expired on the midnight of 10 December 2020 (the "**IPO Master PMA**"). Thus, the Manager, the Property Manager and the Trustee had on 27 November 2020 entered into the individual property management agreements for each of Chengdu Konggang and Hefei Mengchenglu which commenced on 11 December 2020 to be consistent with the terms of the IPO Master PMA, and these individual property management agreements will expire on the earlier of (i) midnight of 10 December 2021 and (ii) midnight of the date of termination of the relevant individual property management agreements. Further, the Manager, the Property Manager and the Trustee had also entered into the individual property management agreement for Hefei Changjiangxilu on 2 April 2019 in connection with BHG Retail REIT's acquisition of Hefei Changjiangxilu, and such individual property management agreement will expire on the earlier

of (i) midnight of 1 April 2024 and (ii) midnight of the date of termination of such agreement (the existing Chengdu Konggang, Hefei Mengchenglu and Hefei Changjiangxilu individual property management agreements are collectively referred to as the “**Existing Individual PMAs**”, and Chengdu Konggang, Hefei Mengchenglu and Hefei Changjiangxilu are collectively referred to as the “**Existing Managed Properties**”).

Consistent with the approach under the IPO Master PMA, the New Master PMA will not apply to Beijing Wanliu Mall and no individual property management agreement with the Property Manager and the onshore property manager will be entered into for Beijing Wanliu Mall. This is because Beijing Hualian Wanmao Shopping Mall Management Co., Ltd.¹ (“**Beijing Wanmao**”) has directly appointed the property manager for Beijing Wanliu Mall since the initial public offering of BHG Retail REIT, and the Trustee and the Manager are not parties to such property management agreement as Beijing Wanliu Mall is not wholly-owned by BHG Retail REIT. Therefore, the two joint venture partners of Beijing Wanmao (one of them being BHG Retail REIT which holds 60.0% equity interest) have customarily been in direct discussions with the property manager on the property management arrangement for Beijing Wanliu Mall. For the avoidance of doubt, the Property Manager will not be receiving any fees in respect of Beijing Wanliu Mall as it is not providing property management, lease management, project management and marketing services in respect of Beijing Wanliu Mall, and BHG Retail REIT (through its 60.0% stake in Beijing Wanmao) has been paying fees to the property manager appointed for Beijing Wanliu Mall (and not the Property Manager).

Further, consistent with the approach under the IPO Master PMA, the New Master PMA does not apply to Dalian Jinsanjiao and Xining Huayuan and no individual property management agreement pursuant to the New Master PMA will be entered into for Dalian Jinsanjiao and Xining Huayuan, because Dalian Jinsanjiao and Xining Huayuan are under a master lease to Beijing Hualian Hypermarket Co., Ltd. (“**BHH**”). Therefore, no property management services are required in respect of Dalian Jinsanjiao and Xining Huayuan as BHH, as the master lessee will directly take on the property management functions. For the avoidance of doubt, the Property Manager will not be receiving any fees in respect of Dalian Jinsanjiao and Xining Huayuan as it is not providing property management, lease management, project management and marketing services in respect of Dalian Jinsanjiao and Xining Huayuan.

With the entry into the New Master PMA, the Existing Individual PMAs will be terminated such that the Manager, the Property Manager and the Trustee will enter into a deed of termination on a date after the AGM to mutually agree to terminate the Existing Individual PMAs such that each party’s obligations and liabilities under the Existing Individual PMAs will cease with effect from 10 May 2021 (the “**Deed of Termination**”) and, in their place, new individual property management agreements (the “**New Individual PMAs (Existing Managed Properties)**”) will be entered into for each of the Existing Managed Properties pursuant to the New Master PMA. No termination fee is payable by each of the Manager, the Property Manager and the Trustee pursuant to the Deed of Termination. The New Individual PMAs (Existing Managed Properties) will be entered into by (i) the Manager, (ii) the Property Manager, (iii) Chengdu Hualian Hongshun Property Management Co., Ltd. (as the onshore property manager for Chengdu Konggang) and Chengdu Hualian Hongshun Property Management Co., Ltd. (Hefei Branch) (as the onshore property manager for Hefei Mengchenglu and Hefei Changjiangxilu), each of which is a wholly-owned onshore subsidiary in the People’s Republic of China (“**PRC**”) of the Sponsor (which is a related corporation of the Property Manager), (iv) each of the relevant onshore PRC subsidiaries of BHG Retail REIT which directly owns the Existing Managed Properties and (v) the Trustee.

¹ Beijing Wanmao, the PRC holding company of Beijing Wanliu, is a joint venture company invested by BHG Retail REIT and a third party, Beijing Wanliu Real Estate Group Co., Ltd. (北京万柳置业集团有限公司) a collective-owned enterprise, holding 60.0% and 40.0% of the entire issued equity interests respectively.

The New Individual PMAs (Existing Managed Properties) will be entered into on a date after the AGM and will commence on 10 May 2021. Pursuant to the terms of the New Master PMA, an individual property management agreement (the form of which is appended to the New Master PMA) (the “**Individual PMA**”) will need to be entered into in respect of each PMA Property² and the Individual PMA contemplates the inclusion of an onshore property manager (which is a related corporation of the Property Manager) and the onshore property owner, where required. Accordingly, the New Individual PMAs (Existing Managed Properties), which will be entered into pursuant to the New Master PMA, are based on the Individual PMA and in substantially the same form as the Individual PMA.³

As the Manager is a wholly-owned subsidiary of Beijing Hualian Mall (Singapore) Commercial Management Pte. Ltd. (“**BHM SCM**”), BHM SCM is a “controlling shareholder” of the Manager for the purposes of the Listing Manual of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) (the “**Listing Manual**”). As the Property Manager is also a wholly-owned subsidiary of BHM SCM, the Property Manager is an “associate” of BHM SCM (being a controlling shareholder of the Manager) and is therefore an interested person of BHG Retail REIT under the Listing Manual. Therefore, the entry into the New Master PMA will constitute an “interested person transaction” under Chapter 9 of the Listing Manual. BHM SCM is a wholly-owned subsidiary of the Sponsor.

Based on BHG Retail REIT’s audited consolidated financial statements for the financial year ended 31 December 2020 (“**FY2020**”), the latest audited net tangible assets (“**NTA**”) of BHG Retail REIT as at 31 December 2020 was approximately S\$439.3 million⁴. Accordingly, if the value of a transaction which is proposed to be entered into by the Trustee during the current financial year ending 31 December 2021 with an interested person is, either in itself or in aggregation with all other earlier transactions (each of a value equal to or greater than S\$100,000) entered into with the same interested person during the current financial year ending 31 December 2021, equal to or greater than approximately S\$22.0 million, being 5.0% or more of the latest audited NTA, such a transaction would be subject to approval from Unitholders.

As the aggregate value of the New Master PMA may exceed S\$22.0 million⁵, being 5.0% of the latest audited NTA, the Manager is seeking the Unitholders’ approval for the proposed entry into the New Master PMA pursuant to Rule 906(1)(a) of the Listing Manual. Should such approval be obtained, the fees payable to the Property Manager and/or its related corporations and any agreement or individual property management agreement entered into from time to time by the Manager, the Property Manager, and where applicable, the relevant onshore property manager (which is a related corporation of the Property Manager) and the relevant onshore property owner, pursuant to the New Master PMA shall not be subject to future aggregation or further Unitholders’ approval requirements under Rules 905 and 906 of the Listing Manual to the extent

² “**PMA Property**” is each of the “**PMA Properties**” which is defined as the Existing Managed Properties and new properties in which interests are acquired during the term of the New Master PMA by BHG Retail REIT which BHG Retail REIT wholly owns or the Trustee has the right to appoint or procure the appointment of the Property Manager.

³ For the avoidance of doubt, the Individual PMA is only a form appended to the New Master PMA and is not a separate agreement that is entered into.

⁴ For the avoidance of doubt, the NTA of BHG Retail REIT as at 31 December 2020 excludes net assets attributable to non-controlling assets.

⁵ For illustration purposes only, the Manager estimates that the total fees payable to the Property Manager and the relevant onshore property manager during the five-year term under the New Individual PMAs (Existing Managed Properties) is S\$5,140,436. Although this is less than 5.0% of the last audited NTA, the Manager is seeking Unitholders’ approval for the proposed entry into the New Master PMA so that should such approval be obtained, it can enter into further agreements or individual property management agreements in respect of future properties of BHG Retail REIT to be managed pursuant to the New Master PMA during the term of the New Master PMA, and all such amounts payable to the Property Manager, and where applicable, the relevant onshore property manager (which is a related corporation of the Property Manager) will not be subject to future aggregation or further Unitholders’ approval requirements under Rules 905 and 906 of the Listing Manual to the extent that there is no subsequent change to the rates and/or the bases of the property management fees and related expenses thereunder which are adverse to BHG Retail REIT.

that there is no subsequent change to the rates and/or bases of the property management fees and related expenses thereunder which are adverse to BHG Retail REIT. By approving the entry into the New Master PMA, the Unitholders will be deemed to have also approved the entry into the Deed of Termination. For the avoidance of doubt, no termination fee is payable by each of the Manager, the Property Manager and the Trustee pursuant to the Deed of Termination.

In accordance with the abovementioned requirements, more details of which are set out in the circular issued by the Manager in relation to the proposed entry into the New Master PMA, Ernst & Young Corporate Finance Pte Ltd ("**EYCF**") has been appointed as the independent financial adviser ("**IFA**") as required under Rule 921(4)(a) of the Listing Manual as well as to advise the independent directors of the Manager (the "**Independent Directors**"), the audit and risk committee of the Manager (the "**Audit and Risk Committee**"), and the Trustee on whether the New Master PMA is on normal commercial terms and is not prejudicial to the interests of BHG Retail REIT and its minority Unitholders.

This letter sets out, *inter alia*, our evaluation of the New Master PMA, and our opinion thereon. It forms part of the Circular which provides, *inter alia*, the details of the New Master PMA and the recommendation of the Independent Directors and the Audit and Risk Committee in respect thereof.

Unless otherwise defined or the context otherwise requires, all terms in the Circular shall have the same meaning in this letter.

2 TERMS OF REFERENCE

EYCF has been appointed as required under Rule 921(4)(a) of the Listing Manual as well as to advise the Independent Directors, the Audit and Risk Committee, and the Trustee in respect of whether the New Master PMA is on normal commercial terms and is not prejudicial to the interests of BHG Retail REIT and its minority Unitholders.

Our views as set forth in this letter are based on the prevailing market conditions, economic conditions, and financial conditions, and our evaluation of the New Master PMA, as well as information provided to us by BHG Retail REIT and the management of the Manager (the "**Management**"), as at the latest practicable date prior to the printing of the Circular, being 29 March 2021 (the "**Latest Practicable Date**"). Accordingly, we assume no responsibility to update, revise or reaffirm our opinion as a result of any subsequent development after the Latest Practicable Date. Unitholders should take note of any announcement and/or event relevant to the proposed transaction which may be released by BHG Retail REIT and/or the Manager after the Latest Practicable Date.

We are not and were not involved in any aspect of the discussions and negotiations pertaining to the New Master PMA nor were we involved in the deliberations leading up to the decision by the directors of the Manager (the "**Directors**") in connection with the New Master PMA. We have not conducted a comprehensive review of the business, operations or financial condition of BHG Retail REIT and its subsidiaries and associates. It is not within our terms of reference to assess the rationale for, legal, strategic, commercial and financial merits and/or risks of the New Master PMA, and to comment on such merits and/or risks of the New Master PMA. We have only expressed our opinion on whether the New Master PMA is on normal commercial terms and is not prejudicial to the interests of BHG Retail REIT and its minority Unitholders. The assessment of the legal, strategic, commercial and financial merits and/or risks of the New Master PMA remains the sole responsibility of the Directors, although we may draw upon their views in respect thereof (to the extent deemed necessary or appropriate by us) in arriving at the opinion set out in this letter.

It is also not within our terms of reference to compare the relative merits of the New Master PMA vis-à-vis any alternative transaction previously considered by BHG Retail REIT and/or the Manager (if any) or that BHG Retail REIT and/or the Manager may consider in the future, and as such, we do not express an opinion thereon.

In the course of our evaluation of the New Master PMA, we have held discussions with the Directors and the Management. We have also examined and relied on information in respect of BHG Retail REIT collated by us, as well as information provided and representations and assurances made to us, both written and verbal, by the Directors, the Management and/or professional advisers of BHG Retail REIT and/or the Manager, including information contained in the Circular. We have not independently verified such information or any representation or assurance, whether written or verbal, and accordingly cannot and do not warrant or accept responsibility for the accuracy or completeness of such information, representation or assurance. Nevertheless, the Directors (including those who may have delegated supervision of the Circular) and the Management have confirmed to us, after making all reasonable enquiries that, to the best of their knowledge and belief, all material information relating to BHG Retail REIT and the New Master PMA has been disclosed to us, that such information constitutes a full and true disclosure, in all material respects, of all material facts about BHG Retail REIT and the New Master PMA, and there is no material information the omission of which would make any of the information contained herein or in the Circular misleading in any material respect. The Directors have jointly and severally accepted such responsibility accordingly.

We have also made reasonable enquiries and exercised our judgement on the reasonable use of such information and have found no reason to doubt the accuracy or the reliability of such information. We have further assumed that all statements of fact, belief, opinion and intention made by the Directors in relation to the New Master PMA have been reasonably made after due and careful enquiry. We have not conducted a comprehensive review of the business, operations and financial condition of BHG Retail REIT. We have also not made an independent evaluation or appraisal of the assets and liabilities of BHG Retail REIT.

In preparing this letter, we have not had regard to the specific investment objectives, financial situation, tax position and/or unique needs and constraints of any individual Unitholder or any specific group of Unitholders. As each Unitholder would have different investment objectives and profiles, any individual Unitholder or group of Unitholders who may require specific advice in relation to his or their Units should consult his or their stockbroker, bank manager, solicitor, accountant or other professional advisers.

We were not involved and have not provided any advice, whether financial or otherwise, in the preparation, review and verification of the Circular (other than in connection with this letter). Accordingly, we do not take any responsibility for, and express no views on, whether expressed or implied, the contents of the Circular (other than in connection with this letter).

This letter and our opinion are pursuant to Rule 921(4)(a) of the Listing Manual as well as addressed for the use and benefit of the Independent Directors, the Audit and Risk Committee, and the Trustee in connection with and for the purpose of their consideration of the New Master PMA, and the recommendations made by the Independent Directors and the Audit and Risk Committee to the Unitholders shall remain the sole responsibility of the Independent Directors and the Audit and Risk Committee.

Our opinion in relation to the New Master PMA should be considered in the context of the entirety of this letter and the Circular.

3. DETAILS OF THE NEW MASTER PMA

The details of the New Master PMA are set out in the Summary section and Paragraph 2 of the Letter to Unitholders of the Circular.

The Manager proposes to continue the appointment of the Property Manager and/or its related corporations as property manager for the Existing Managed Properties and any new property in which interests are acquired during the term of the New Master PMA by BHG Retail REIT which BHG Retail REIT wholly owns or the Trustee has the right to appoint or procure the appointment of the Property Manager in respect of such property that is owned by BHG Retail REIT from time to time (whether directly or indirectly through SPVs) (the “**New Properties**”, the Existing Managed Properties and the New Properties are collectively referred to as the “**PMA Properties**” and each of the PMA Properties shall be referred to as the “**PMA Property**”) by entering into the New Master PMA. Pursuant to the terms of the New Master PMA, an Individual PMA (the form of which is appended to the New Master PMA) will need to be entered into in respect of each PMA Property and the Individual PMA contemplates the inclusion of an onshore property manager (which is a related corporation of the Property Manager) and the onshore property owner, where required. Accordingly, the New Individual PMAs (Existing Managed Properties), which will be entered into pursuant to the New Master PMA, are based on the Individual PMA and in substantially the same form as the Individual PMA.⁶

The following table sets out whether each of the properties of BHG Retail REIT (i) was managed pursuant to the IPO Master PMA, and (ii) will be managed pursuant to the New Master PMA.

	Chengdu Konggang	Hefei Mengchenglu	Hefei Changjiangxilu¹	Beijing Wanliu Mall	Dalian Jinsanjiao	Xining Huayuan
Subjected to the IPO Master PMA	Yes	Yes	Yes	No	No	No
Subjected to the New Master PMA	Yes	Yes	Yes	No	No	No

Source: Circular

Notes:

(1) The Property Manager and the Trustee had entered into the individual property management agreement which was in substantially the same form as the form of the individual property management agreement appended to the IPO Master PMA for Hefei Changjiangxilu on 2 April 2019 in connection with BHG Retail REIT’s acquisition of Hefei Changjiangxilu.

The New Master PMA will be for a term of five (5) years, and will be entered into on a date after the AGM and commencing on 10 May 2021 (the “**Commencement Date**”) and shall expire on the earlier of (i) midnight of the date immediately preceding the fifth anniversary of the Commencement Date, and (ii) midnight of the date of termination of the New Master PMA. No later than the date falling six (6) months before the expiry of the term, the Trustee (acting on the recommendation of the Manager) and the Manager shall be entitled, at its absolute discretion, to give written notice to the Property Manager to extend the appointment of the Property Manager for a further term of five (5) years from the expiry of the term, on the same terms and conditions as are contained in the New Master PMA, save for the clause on the extension of the term. The

⁶ For the avoidance of doubt, the Individual PMA is only a form appended to the New Master PMA and is not a separate agreement that is entered into.

exercise of such option to extend for the additional five-year term is subject to Rules 905 and 906 of the Listing Manual and, accordingly, to the extent the approval of the independent Unitholders is required pursuant to Rule 906, the New Master PMA will be extended for an additional five-year term only if the requisite approval has been obtained. Any renewal of the New Master PMA for an additional five-year term will not affect the term of the New Individual PMAs (Existing Managed Properties) or any other individual property management agreement entered into pursuant to the New Master PMA during its five-year tenure.⁷

The entry into the New Master PMA complies with all applicable laws and regulations including Appendix 6 of the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore (“**Appendix 6**”) and PRC laws and regulations.

Upon the entry into the Individual PMA, the initial term of the Individual PMA is five (5) years from the commencement date of the Individual PMA. Three (3) months prior to expiry of the initial term of the Individual PMA, the Trustee (acting on the recommendation of the Manager) and the Manager may, at its absolute discretion, request to extend its appointment for a further five (5) years on the same terms and conditions as are contained in the Individual PMA, save for the clause on the extension of the term. The exercise of such option to extend for the additional five-year term is subject to Rules 905 and 906 of the Listing Manual.

The Property Manager⁸ will be providing property management services, lease management services, general management services, marketing services and project management services to the PMA Properties. Pursuant to the Individual PMA and consistent with the approach under the Existing Individual PMAs, the relevant onshore PRC subsidiaries of BHG Retail REIT which directly owns the PMA Properties (the “**Onshore Owner**”) shall permit the staff members of the Property Manager and/or the onshore property manager to occupy reasonably equipped office space at each of the PMA Properties at BHG Retail REIT’s expense without the Property Manager or the onshore property manager being required to pay any rent, service charge or any other sums in respect thereof. The key terms of the New Master PMA and the Individual PMA (including the fees payable by BHG Retail REIT to the Property Manager and/or the onshore property manager (subject to there being no double counting in payment)) are set out in Paragraph 2 of the Letter to Unitholders of the Circular and below.

The material differences between the New Master PMA and the IPO Master PMA are highlighted in Paragraphs 2.1 to 2.8 of the Letter to Unitholders of the Circular and, save as highlighted in Paragraphs 2.1 to 2.8 of the Letter to Unitholders of the Circular and below, the terms of the New Master PMA are substantially the same as the terms of the IPO Master PMA.

⁷ For illustration purposes: if at the start of year 3 of the first five-year term of the New Master PMA, a new individual property management agreement is entered into for a five-year term, such new agreement will run from year 3 to year 7, and will not be affected even if the New Master PMA expires at the end of year 5. Conversely, it will also expire at the end of year 7 and will not be automatically renewed just because the New Master PMA is renewed for an additional five-year term until year 10.

⁸ As disclosed at page 45 of the Prospectus of BHG Retail REIT dated 2 December 2015, where a property of BHG Retail REIT is located outside of Singapore and is under the management of the Property Manager, the Property Manager may appoint and engage a local property manager to provide property management services and pay the local property manager for the provision of property management services. Any payment to such local property managers in connection with such management services will be paid by the Property Manager to such persons out of the property management fee received by the Property Manager, and not additionally out of the deposited property of BHG Retail REIT.

3.1 Property Management Services

Fees

In respect of the property management services provided by the Property Manager and/or the onshore property manager, the Property Manager and/or the onshore property manager shall be entitled to receive from the Trustee or the Onshore Owner (subject to there being no double counting in payment) each quarter for each of the PMA Properties, a property management fee, paid quarterly in arrears in Units and/or cash, as the Property Manager and/or the onshore property manager may determine of (a) 2.0% per annum of gross revenue of the relevant PMA Property, and (b) 2.5% per annum of the net property income of the relevant PMA Property.

Compared to the Existing Individual PMAs, the Individual PMA allows for the onshore property manager to receive the property management fee from the Onshore Owner in addition to the Trustee as per the approach under the Existing Individual PMAs (subject to there being no double counting in payment), which would improve the implementation as this provides an option for the fees to be directly settled onshore between the two onshore parties.

For the avoidance of doubt, there is no change in the fee formula payable under the New Master PMA as compared to the IPO Master PMA.

Reimbursable Expenses

In respect of each of the PMA Properties, the Trustee or the Onshore Owner shall (subject to there being no double counting in payment) pay directly or, as the case may be, reimburse the Property Manager and/or the onshore property manager in full in cash if such payment has been made by the Property Manager and/or the onshore property manager, the agreed property-related expenses (including but not limited to employee-related expenses (excluding any employee's salary unless otherwise set out in the annual business plan and budget for that PMA Property as contemplated in the Individual PMA) paid to employees who are involved in the management of such PMA Property, as approved in the annual business plan and budget for that PMA Property, repair and maintenance expenses, utilities, property-related taxes and other general administrative expenses) incurred. The direct payment or, as the case may be, reimbursement by the Trustee or the Onshore Owner shall be net of any revenue generated by the PMA Properties that is collected by the Property Manager and/or the onshore property manager on behalf of BHG Retail REIT.

Compared to the Existing Individual PMAs, the Individual PMA makes clear that the Onshore Owner (in addition to the Trustee as per the approach under the Existing Individual PMAs) may reimburse the onshore property manager (subject to there being no double counting in payment), which would improve the implementation as this provides an option for the reimbursements to be directly settled onshore between the two onshore parties.

For the avoidance of doubt, there are no additional expenses that are reimbursable under the New Master PMA as compared to the IPO Master PMA.

3.2 Lease Management Services

Fees

In respect of the lease management services provided by the Property Manager and/or the onshore property manager (or each of their nominee) for each of the PMA Properties, the Property Manager and/or the onshore property manager shall be entitled to receive from the Trustee or the Onshore Owner (subject to there being no double counting in payment) in the form of cash, a one-time lease-up commission of two months of the rental income received or receivable (after adjusting for leasing incentives such as rent rebates and rent-free periods where applicable, but excluding turnover rent, which is generally calculated as a pre-determined percentage of the tenant's gross turnover) as leasing commission for securing of new tenants for a tenancy of at least three years.

For the avoidance of doubt, there is no change in the fee formula payable under the New Master PMA as compared to the IPO Master PMA.

3.3 Project Management Services

Fees

In respect of the project management services to be provided by the Property Manager and/or the onshore property manager to each of the PMA Properties, the Property Manager and/or the onshore property manager shall be entitled to receive from the Trustee or the Onshore Owner (subject to there being no double counting in payment), a project management fee based on the following for any development, re-development, refurbishment, retrofitting, addition and alteration or renovation works made to any of the PMA Properties:

- (i) a fee of 3.0% of the construction costs, where the construction costs amount exceed S\$100,000 but do not exceed S\$1.0 million or the equivalent value in the relevant foreign currency for any other country;
- (ii) a fee of 2.0% of the construction costs, where the construction costs amount ranges between S\$1.0 million and S\$10.0 million or the equivalent value in the relevant foreign currency for any other country;
- (iii) provided that no fee will be collected, where the construction costs do not exceed S\$100,000 or the equivalent value in the relevant foreign currency for any other country; and
- (iv) (in the event that the construction costs amount to more than S\$10.0 million or the equivalent value in the relevant foreign currency for any other country), a fee to be mutually agreed by the parties.

For the purpose of calculating the fees payable to the Property Manager and/or the onshore property manager, "construction costs" means all construction costs and expenditure valued by the quantity surveyor engaged by the Trustee for the project, excluding development charges, differential premiums, statutory payments, consultants' professional fees and all applicable taxes.

For the avoidance of doubt, there is no change in the fee formula payable under the New Master PMA as compared to the IPO Master PMA.

Reimbursements

The Trustee or the Onshore Owner (subject to there being no double counting in payment) shall, at the request of the Property Manager and/or the onshore property manager, either pay directly or reimburse the Property Manager and/or the onshore property manager for the following project management expenses incurred:

- (i) costs for printing drawings, documents and other lithography expenses incurred for calling of tenders;
- (ii) costs for preparing and printing perspectives, plans, models and any materials required for marketing purposes and costs of all submissions to authorities;
- (iii) overseas and inter-state travelling (based on business class fare) and accommodation expenses and other similar disbursements in respect of the Property Manager and/or the onshore property manager acting on the instructions of the Trustee or the Onshore Owner for any purpose in connection with and/or arising out of the project;
- (iv) costs of tele-conferencing, telephone calls (including, but not limited to, mobile phone charges), video conferencing and/or project management portal in connection with and/or arising out of the project;
- (v) fees and deposits paid to various authorities on behalf of BHG Retail REIT;
- (vi) costs of leasing vehicles for use by project personnel for the project; and
- (vii) costs of constructing and setting up fully furnished site offices and engagement of office assistants for the project,

provided that such costs shall have been pre-approved by the Trustee or the Onshore Owner, and shall be supported, where available, by vouchers, receipts and other documentary evidence.

Such reimbursement of project management expenses shall be paid to (i) the Property Manager and/or the onshore property manager on a quarterly basis in arrears in respect of reimbursable costs and expenses incurred for that quarter, within 14 days after the Trustee's or the Onshore Owner's receipt of the relevant invoices from the Property Manager and/or the onshore property manager for that quarter, or (ii) directly to the consultants or the entities rendering the invoice.

For the avoidance of doubt, there are no additional project management expenses that are reimbursable under the New Master PMA as compared to the IPO Master PMA.

3.4 Provision of Office Space

Where applicable, pursuant to the Individual PMA, the Onshore Owner shall permit the staff members of the Property Manager and/or the onshore property manager to occupy reasonably equipped office space at each of the PMA Properties at BHG Retail REIT's expense without the Property Manager or the onshore property manager being required to pay any rent, service charge or any other sums in respect thereof.

3.5 Termination

The Trustee (acting on the recommendation of the Manager) may terminate the appointment of the Property Manager under the New Master PMA, and the Trustee (acting on the recommendation of the Manager) and the Onshore Owner may terminate the appointment of the Property Manager and/or the onshore property manager under the Individual PMA, in each case on the occurrence of certain specified events which include: if the Property Manager and/or the onshore property manager (in the case of the Individual PMA) is voluntarily or involuntarily dissolved or declared bankrupt, insolvent or commits an act of bankruptcy or if an order is made or resolution is passed or a notice is issued convening a meeting for the purpose of passing a resolution or any analogous proceedings are taken for the appointment of an administrator or judicial manager of or the winding up of the Property Manager and/or the onshore property manager (in the case of the Individual PMA), other than a members' voluntary liquidation solely for the purpose of a *bona fide* amalgamation or reconstruction, or the Property Manager and/or the onshore property manager (in the case of the Individual PMA) compounds with its creditors or has a receiver appointed over all or any part of its assets or a judicial manager is appointed in respect of the Property Manager and/or the onshore property manager (in the case of the Individual PMA) or the Property Manager and/or the onshore property manager (in the case of the Individual PMA) ceases to carry on business.

In the event of a sale of the PMA Properties, the Trustee (with the prior written consent of the Manager) and the Onshore Owner may terminate the appointment of the Property Manager and the onshore property manager under the Individual PMA by giving not less than 30 days' prior written notice to the Property Manager and the onshore property manager.

In addition, in relation to the New Master PMA, if either the Trustee or the Property Manager is in material breach of any of its obligations under the New Master PMA, and within 60 days of receipt of written notice (or 120 days if remedial actions have been initiated within 60 days), fails to remedy the said breach (which is capable of remedy) of its obligations, the party who is not in breach may terminate the provision of services in respect of the relevant PMA Property on the terms of the New Master PMA upon giving 30 days' written notice to the party in breach.

In relation to the Individual PMA, if either the Trustee, the Onshore Owner, the Property Manager or the onshore property manager is in material breach of any of its obligations under the Individual PMA, and within 60 days of receipt of written notice (or 120 days if remedial actions have been initiated within 60 days), fails to cure the said breach (which is capable of remedy) of its obligations, the relevant party/parties who is/are not in breach may terminate the provision of services in respect of the relevant PMA Property on the terms of the Individual PMA upon giving 30 days' written notice to the party or parties in breach.

On the termination of the appointment of the Property Manager, the Manager shall, as soon as practicable, procure the appointment of a replacement property manager for the relevant PMA Property.

Termination Fees

Upon termination of the appointment of the Property Manager and/or the onshore property manager under the Individual PMA, all amounts due and owing by the relevant parties in relation to the relevant PMA Property shall become immediately due and payable and the relevant parties must effect payment to each other within 30 days commencing from such termination subject to the prevailing applicable laws and regulations. For the avoidance of doubt, the Property Manager and the onshore property manager are not entitled to any compensation in respect of any termination of the Individual PMA or the New Master PMA.

3.6 Assignability

In relation to the New Master PMA, none of the Trustee, the Manager, or the Property Manager may assign or transfer any of its rights, benefits or obligations under the New Master PMA except, in the case of the Trustee, with the prior written consent of the Property Manager, and in the case of the Property Manager, with the prior written consent of the Trustee (acting on the recommendation of the Manager) and the Manager, except that the Trustee and the Manager is permitted to assign the benefit of, and any of its rights under the New Master PMA without the prior written consent of the Property Manager to a successor trustee or manager (as the case may be) of BHG Retail REIT for the time being.

In relation to the Individual PMA, none of the parties to the Individual PMA may assign or transfer any of its rights, benefits or obligations under the Individual PMA except, in the case of the Trustee, the Manager or the Onshore Owner, with the prior written consent of the Property Manager and/or the onshore property manager, and in the case of the Property Manager and/or the onshore property manager, with the prior written consent of the Trustee (acting on the recommendation of the Manager), the Manager and the Onshore Owner, except that each of the Trustee and the Manager is permitted to assign the benefit of, and any of its rights under the Individual PMA without the prior written consent of the Property Manager and/or the onshore property manager to a successor trustee or manager (as the case may be) of BHG Retail REIT for the time being.

3.7 Exclusion of Liability

In the absence of fraud, negligence, wilful default or breach of the New Master PMA or the Individual PMA (as the case may be) by the Property Manager (and the onshore property manager in the case of the Individual PMA), it shall not incur any liability by reason of any error of law or any matter or thing done or suffered or omitted to be done by it in good faith under the New Master PMA or the Individual PMA, as the case may be.

In addition, under the New Master PMA, the Trustee shall indemnify and keep the Property Manager indemnified from and against any and all actions, proceedings, liabilities, claims, demands, losses, damages, charges, costs and expenses that the Property Manager may suffer or incur, save where they arise out of any breach of the New Master PMA, negligence, fraud or wilful default by the Property Manager, its employees, agents, delegates or attorneys.

Under the Individual PMA, the Onshore Owner shall indemnify and keep the Property Manager and the onshore property manager indemnified from and against any and all actions, proceedings, liabilities, claims, demands, losses, damages, charges, costs and expenses that the Property Manager and the onshore property manager may suffer or incur, save where they arise out of any breach of the Individual PMA, negligence, fraud or wilful default by the Property Manager and the onshore property manager, their employees, agents, delegates or attorneys.

3.8 No Restriction on Property Manager

Under the New Master PMA and the Individual PMA, the Property Manager (and the onshore property manager in the case of the Individual PMA) may provide services similar to those contemplated under the New Master PMA and the Individual PMA to other parties operating in the same or similar business as BHG Retail REIT, or in other businesses, save that it shall take all reasonable or necessary steps to minimise or resolve any conflicts of interests which may arise thereto.

4 EVALUATION OF THE NEW MASTER PMA

In our analysis and evaluation of the New Master PMA, and our recommendation thereon, we have taken into consideration the following:

- (i) rationale for and benefits of the New Master PMA; and
- (ii) assessment of the New Master PMA and the New Individual PMA (Existing Managed Properties) (the form of which is appended to the New Master PMA).

The factors above are discussed in more detail in the following sections.

4.1 Rationale for and benefits of the New Master PMA

The detailed rationale for and benefits of the New Master PMA are set out in the Summary section and Paragraph 3 of the Letter to Unitholders of the Circular.

We note that the Manager believes that the proposed entry into the New Master PMA will bring the following key benefits to BHG Retail REIT and its Unitholders:

- (i) the Property Manager has a proven track record of managing the Existing Managed Properties by maintaining their occupancy rates at healthy levels, and its group, which also has a proven track record, is a leading integrated retail group in the PRC, with more than 20 years of retail operating experience and forms an entire retail value chain which consists of the running of retail properties, supermarkets and luxury department stores;
- (ii) increased stability and certainty in the management of the Existing Managed Properties; and
- (iii) improved implementation of the Individual PMAs primarily with the relevant onshore property owner included as a party to the relevant Individual PMA, which would allow the more appropriate party to be contractually reflected as the obligor towards the property manager and the more appropriate party to be contractually reflected as the beneficiary of the services.

We understand that the Manager believes that the entry into the New Master PMA would benefit the Unitholders, as the Property Manager and its related corporations possess in-depth experience and proven track record with the management and operations of retail assets.

4.2 Assessment of the New Master PMA

The details of the New Master PMA are set out in Paragraph 2 of the Letter to Unitholders of the Circular.

We note the following changes between the IPO Master PMA and the New Master PMA as well as the Existing Individual PMAs and the Individual PMA:

- (a) In relation to property management services, compared to the Existing Individual PMAs, the Individual PMA allows for the onshore property manager to receive the property management fee from the Onshore Owner in addition to the Trustee as per the approach under the Existing Individual PMAs (subject to there being no double counting in payment), which would improve the implementation as this provides an option for the fees to be directly settled onshore between the two onshore parties. For the avoidance of doubt, there is no change in the fee formula payable under the New Master PMA as compared to the IPO Master PMA.

- (b) In relation to reimbursable expenses for the property management services, compared to the Existing Individual PMAs, the Individual PMA makes clear that the Onshore Owner (in addition to the Trustee as per the approach under the Existing Individual PMAs) may reimburse the onshore property manager (subject to there being no double counting in payment), which would improve the implementation as this provides an option for the reimbursements to be directly settled onshore between two onshore parties. For the avoidance of doubt, there are no additional expenses that are reimburseable under the New Master PMA as compared to the IPO Master PMA.
- (c) In relation to lease management services, for the avoidance of doubt, there is no change in the fee formula payable under the New Master PMA as compared to the IPO Master PMA.
- (d) In relation to project management services, for the avoidance of doubt, there is no change in the fee formula payable under the New Master PMA as compared to the IPO Master PMA.
- (e) In relation to reimbursable expenses for the project management services, for the avoidance of doubt, there are no additional project management expenses that are reimburseable under the New Master PMA as compared to the IPO Master PMA.

4.2.1 Evaluation of fees under the New Master PMA

Based on our discussions with the Management and a search on available databases for comparable property management agreements of a real estate investment trust (“**REIT**”) and a property business trust listed on the SGX-ST with retail assets located in the PRC (the “**Comparables**”), we recognise that there is no particular property management agreement that we may consider to be directly comparable to the New Master PMA in respect of usage and positioning of property, geographic location, gross and net lettable areas, profile and composition of tenants, services and other relevant factors.

For illustrative purposes, the following are the Comparables which we have selected with retail assets located in the PRC:

REIT / Property Business Trust	Description
CapitaLand China Trust	CapitaLand China Trust (formerly CapitaLand Retail China Trust) is a China-focused REIT. In late-2020, CapitaLand China Trust diversified its portfolio and presently has 12 shopping malls and five (5) business park properties. It is established with the objective of investing on a long-term basis in a diversified portfolio or income-producing real estate located in Mainland China, Hong Kong and Macau that are used primarily for retail, office and industrial purposes (including business parks, logistics facilities, data centres and integrated developments).
Dasin Retail Trust	Dasin Retail Trust is a property business trust with the principal investment mandate to invest in, own or develop land, uncompleted developments and income-producing real estate in Greater China, used primarily for retail purposes, as well as real estate-related assets, with an initial focus on retail malls. Following its acquisition of 2 retail malls in July 2020, the portfolio of Dasin Retail Trust comprises seven retail malls.

Source: Annual reports, SGX and entity websites

For illustrative purposes, we have extracted publicly available information on certain property management and relevant agreements of the Comparables for comparison with the New Master PMA, and have summarized the key terms in the following table.

	CapitaLand China Trust¹ (For retail assets)	Dasin Retail Trust²	BHG Retail REIT (New Master PMA)
Services	1) Property management services including lease management services, property tax services and marketing co-ordination services 2) Project management agreement	1) Property management services 2) Commercial management services, including lease management services, general management services and marketing services	Refer to Paragraphs 2.1, 2.2 and 2.3 of the Letter to Unitholders of the Circular for property management services, lease management services and project management services, respectively.
Initial Term	5 years	2 or 3 years	5 years
Fees	The fees related to property management services are: <ul style="list-style-type: none"> - 2.0% of gross revenue; - 2.5% of net property income Project management services: To be agreed	The fee related to property management services is: <ul style="list-style-type: none"> - 1.0% of gross revenue The fees related to commercial management services are: <ul style="list-style-type: none"> - 1.0% of gross revenue and reimbursement of expenses - One-time lease-up commission of the first two (2) months' gross rent of each lease which has a minimum term of at least two (2) years 	The fees related to property management services are: <ul style="list-style-type: none"> - 2.0% of gross revenue; - 2.5% of net property income The fee related to lease management services is: <ul style="list-style-type: none"> - One-time lease-up commission of two (2) months of the rental income received or receivable (after adjusting for leasing incentives such as rent rebates and rent-free periods where applicable, but excluding turnover rent) as leasing commission for securing of new tenants for a tenancy of at least three (3) years. The fees related to project management services are: <ul style="list-style-type: none"> - 3.0% of construction costs, where the construction costs amount ranges between S\$100,000 and S\$1.0 million or equivalent amount in foreign currency - 2.0% of construction costs, where the construction costs amount ranges between S\$1.0 million and S\$10.0 million or equivalent amount in foreign currency - fees to be agreed for construction costs higher than S\$10.0 million

Source: Annual Report, SGX announcements, Circular, Prospectus, Management agreements

Notes:

¹ CapitaLand China Trust has separate agreements in relation to property management and project management.

² Dasin Retail Trust has separate agreements in relation to property management and commercial management.

Based on the table above, we note that:

- (a) the services to be provided by the Property Manager under the New Master PMA are generally the same as the services provided by the property managers of the Comparables;
- (b) the bases for the calculation and the applicable rates of the fees payable to the Property Manager under the New Master PMA are in line with the bases used by the Comparables, with the applicable rates for property management services being the same as the rates for the retail assets of CapitalLand China Trust;
- (c) the reimbursement arrangement under the New Master PMA are similar to the reimbursable expenses of the property managers of the Comparables, including agreed employee-related expenses paid to employees who are involved in the management of the relevant property, repair and maintenance expenses, utilities, property-related taxes, cleaning and landscaping expenses, insurance, agreed capital expenditures, and other general, administrative and marketing-related expenses; and
- (d) the term of the New Master PMA of five (5) years is the same as the term for the property management agreement for the retail assets of CapitalLand China Trust, while the terms for the property management agreements for the asset of Dasin Retail Trust are shorter.

4.2.2 Evaluation of the other terms of the New Master PMA

We note the following under the New Master PMA:

- (a) The terms of the New Master PMA are substantially the same as the terms of the IPO Master PMA. Further, the terms of the New Individual PMAs (Existing Managed Properties) (the form of which is appended to the New Master PMA) are in substantially the same form as the Existing Individual PMAs.
- (b) For each of the PMA Properties, the Property Manager will be providing (i) property management services, (ii) lease management services, (iii) general management services, (iv) marketing services and (v) project management services.
- (c) The property management services for the PMA Properties would include (i) establishing operating budgets and annual plans for the operation, management, marketing and maintenance of the relevant PMA Property, (ii) operating and maintaining the relevant PMA Property in accordance with the agreed operating budgets and annual plans, (iii) maintaining at all times certain insurance and other requirements, and (iv) maintaining books of accounts and records in respect of the operation of the relevant PMA Property.
- (d) The lease management services for the PMA Properties would include (i) recommending leasing strategy and negotiating leases, (ii) supervising and controlling all collections and receipts, payments and expenditure relating to the relevant PMA Property, and (iii) lease administration.
- (e) The Property Manager will have dedicated personnel for the PMA Properties providing expertise on leasing, technical services, tenancy co-ordination, marketing and communications, among others. We note that the Property Manager will be providing both strategic and operational support to the PMA Properties.

- (f) Pursuant to the Individual PMA and consistent with the approach under the Existing Individual PMAs, the Onshore Owner shall permit the staff members of the Property Manager and/or the onshore property manager to occupy reasonably equipped office space at each of the PMA Properties at BHG Retail REIT's expense without the Property Manager or the onshore property manager being required to pay any rent, service charge or any other sums in respect thereof.
- (g) The New Master PMA will only apply to the PMA Properties. Consistent with the approach under the IPO Master PMA, the New Master PMA will not apply to Beijing Wanliu Mall and no individual property management agreement with the Property Manager and the onshore property manager will be entered into for Beijing Wanliu Mall. This is because Beijing Wanmao has directly appointed the property manager for Beijing Wanliu Mall since the initial public offering of BHG Retail REIT, and the Trustee and the Manager are not parties to this property management agreement as Beijing Wanliu Mall is not wholly-owned by BHG Retail REIT. For the avoidance of doubt, the Property Manager will not be receiving any fees in respect of Beijing Wanliu Mall as it is not providing property management, lease management, project management and marketing services in respect of Beijing Wanliu Mall.
- (h) The New Master PMA will also not apply to Dalian Jinsanjiao and Xining Huayuan and no individual property management agreement pursuant to the New Master PMA will be entered into for Dalian Jinsanjiao and Xining Huayuan because Dalian Jinsanjiao and Xining Huayuan are under a master lease to BHH. As such, no property management services are required in respect of Dalian Jinsanjiao and Xining Huayuan as BHH, as the master lessee, will directly take on the property management functions. For the avoidance of doubt, the Property Manager will not be receiving any fees in respect of Dalian Jinsanjiao and Xining Huayuan as it is not providing property management, lease management, project management and marketing services in respect of Dalian Jinsanjiao and Xining Huayuan.
- (i) With the entry into the New Master PMA, the Existing Individual PMAs will be terminated such that the Manager, the Property Manager and the Trustee will enter into the Deed of Termination and, in their place, the New Individual PMAs (Existing Managed Properties) will be entered into for each of the Existing Managed Properties pursuant to the New Master PMA. We note that under the Deed of Termination, all rights and obligations of parties to the Existing Individual PMAs will cease. We also note that there is no termination fee payable by each of the Manager, the Property Manager and the Trustee pursuant to the Deed of Termination.
- (j) The New Master PMA will be for a term of five (5) years from the Commencement Date. The appointment of the Property Manager may be extended for a further term of five (5) years from the expiry of the term, on the same terms and conditions as are contained in the New Master PMA, save for the clause on the extension of the term. The exercise of the option to extend for the additional five-year term will be subject to Rules 905 and 906 of the Listing Manual.
- (k) The initial term of the Individual PMA is five (5) years from the commencement date of the Individual PMA. The Individual PMA may be extended for a further five (5) years on the same terms and conditions as are contained in the Individual PMA, save for the clause on the extension of the term. The exercise of the option to extend for the additional five-year term is subject to Rules 905 and 906 of the Listing Manual.

- (l) There are termination events set out in the New Master PMA, including the event of dissolution or insolvency of the Property Manager, the sale of the PMA Property, the destruction or condemnation of the PMA Property, and events of breach. The New Master PMA also sets out remedial actions to cure breaches and the consequences of termination.
- (m) The entry into the New Master PMA complies with all applicable laws and regulations including Appendix 6 and PRC laws and regulations.

5 OUR OPINION ON THE NEW MASTER PMA

In arriving at our advice to the Independent Directors, the Audit and Risk Committee, and the Trustee on the New Master PMA, we have reviewed and deliberated on the factors which we consider to be relevant and to have a significant bearing on our assessment of the New Master PMA. The factors we have considered in our evaluation, which are based on, among others, representations made by BHG Retail REIT, the Directors and the Management and discussed in detail in the earlier sections of this letter and which we have relied upon, are as follows:

- (a) rationale for and benefits of the New Master PMA;
- (b) the terms of the New Master PMA being substantially the same as the terms of the IPO Master PMA, and the terms of the New Individual PMAs (the form of which is appended to the New Master PMA) being substantially the same form as the Existing Individual PMAs;
- (c) the highlighted differences between the Existing Individual PMAs and the Individual PMA which are intended to improve the implementation as they provide an option for direct settlement of fees onshore between the two onshore parties;
- (d) the services to be provided by the Property Manager and its related corporations under the New Master PMA;
- (e) the terms of the New Master PMA, including the fees payable to the Property Manager;
- (f) no changes in the fee formula and no additional expenses that are reimburseable under the New Master PMA as compared to the IPO Master PMA;
- (g) evaluation of fees under the New Master PMA against the fees under the property management agreements of comparable REIT and property business trust listed on the SGX-ST with retail assets located in the PRC;
- (h) the New Master PMA being applied to the PMA Properties, comprising the Existing Managed Properties and New Properties, and not to Beijing Wanliu Mall (as it is not wholly-owned by BHG Retail REIT) and the properties under a master lease to BHH (being Dalian Jinsanjiao and Xining Huayuan);
- (i) with the entry into the New Master PMA, the termination of the Existing Individual PMAs by the Manager, the Property Manager and the Trustee by entering into the Deed of Termination;
- (j) the Deed of Termination providing that all rights and obligations of parties to the Existing Individual PMAs will cease and no termination fee will be payable;

- (k) the term of New Master PMA and the Individual PMA being five (5) years from the Commencement Date and the termination events set out in the New Master PMA and the Individual PMA;
- (l) the renewal of the New Master PMA and the Individual PMA for an additional five-year term being subject to Rules 905 and 906 of the Listing Manual; and
- (m) the entry into the New Master PMA complies with all applicable laws and regulations including Appendix 6 and PRC laws and regulations.

Having considered the factors and the assumptions set out in this letter, and subject to the qualifications set out herein, we are of the opinion that the New Master PMA is on normal commercial terms and is not prejudicial to the interests of BHG Retail REIT and its minority Unitholders.

Accordingly, we advise the Independent Directors and the Audit and Risk Committee to recommend that Unitholders vote in favour of the New Master PMA.

We wish to highlight that in approving the New Master PMA, Unitholders will be deemed to have also approved the entry into the Deed of Termination.

The Independent Directors, the Audit and Risk Committee, and the Trustee should note that we have arrived at our opinion based on information made available to us prior to, and including, the Latest Practicable Date. Our opinion on the New Master PMA cannot and does not take into account any subsequent developments after the Latest Practicable Date as these are governed by factors beyond the scope of our review, and would not fall within our terms of reference in connection with our evaluation of the New Master PMA.

We have prepared this letter as required under Rule 921(4)(a) of the Listing Manual, as well as for the use of the Independent Directors, the Audit and Risk Committee, and the Trustee in connection with and for the purposes of their consideration of the New Master PMA, but any recommendation made by the Independent Directors and the Audit and Risk Committee in respect of the New Master PMA shall remain their responsibility.

While a copy of this letter may be reproduced in the Circular, no other person may reproduce, disseminate or quote this letter (or any part thereof) for any purpose (other than the intended purpose in relation to the New Master PMA) at any time and in any manner without our prior written consent in each specific case. For the avoidance of doubt, nothing in this letter prevents BHG Retail REIT, the Manager, the Directors, the Trustee or the Unitholders from reproducing, disseminating or quoting this letter without our prior consent for the purpose of any matter relating to the New Master PMA. This opinion is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters stated herein and does not apply by implication to any other matter.

Yours faithfully
For and on behalf of
Ernst & Young Corporate Finance Pte Ltd

Mah Kah Loon
Chief Executive Officer

Elisa Montano
Associate Partner

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