



# BHG RETAIL REIT 北京华联商业信托

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

## CIRCULAR TO UNITHOLDERS IN RELATION TO THE PROPOSED ACQUISITION OF HEFEI CHANGJIANGXILU MALL



**MANAGED BY**  
**BHG RETAIL TRUST MANAGEMENT PTE. LTD.**

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



### IMPORTANT DATES AND TIMES FOR UNITHOLDERS

Last date and time for lodgement of Proxy Forms	Sunday, 16 December 2018 at 10.00 a.m.
Date and time of Extraordinary General Meeting	Tuesday, 18 December 2018 at 10.00 a.m.
Place of Extraordinary General Meeting	InterContinental Singapore Level 2, Ballroom 3 80 Middle Road Singapore 188966

Singapore Exchange Securities Trading Limited (the “SGX-ST”) takes no responsibility for the accuracy of any statements or opinions made, or reports contained, in this circular dated 30 November 2018 (this “Circular”). If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

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, “Units”), you should immediately forward this Circular, together with the Notice of Extraordinary General Meeting and the accompanying Proxy Form in this Circular, 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.

The highlights section 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 32 to 36 of this Circular.

## Key Highlights: Proposed Acquisition of Hefei Changjiangxilu Mall



### Key Facts

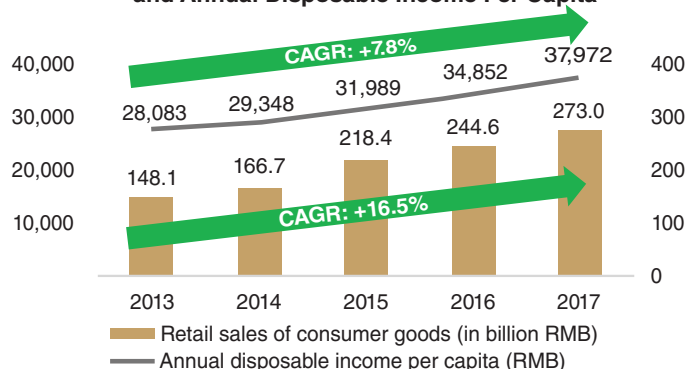
<b>Year of Completion</b> <b>2010</b>	
<b>Gross Floor Area</b> <b>48,003</b> sq m	<b>Net Lettable Area</b> <b>27,222</b> sq m
<b>Five-storeys (four-storeys and one underground storey)</b>	
<b>Occupancy Rate</b> <b>99.4%</b>	<b>Net Property Income Yield (1H 2018)</b> <b>6.0%</b>
<b>Agreed Changjiangxilu Value</b>	<b>Weighted Average Lease to Expiry</b>
Renminbi <b>334.0</b> million	By Gross Rental Income: <b>2.6</b> years
Singapore Dollars <b>66.8</b> million	By Committed Lettable Area: <b>5.0</b> years

#### Trade Names of Major Tenants:

BHG Supermarket  
KFC  
Pizza Hut  
Watsons  
La Chapelle  
Golden Harvest Cinema

### A Growing City

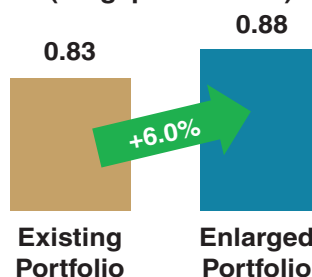
#### Comparison of Retail Sales of Consumer Goods and Annual Disposable Income Per Capita



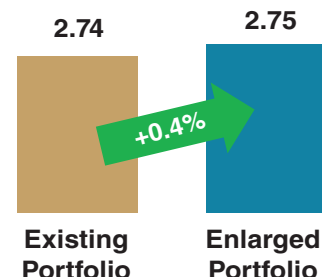
Source: Knight Frank Valuation Report

### NAV per Unit and DPU Accretive

#### Pro forma NAV per Unit as at 30 June 2018 (Singapore dollars)



#### Pro forma 1H 2018 DPU (Singapore cents)



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## CORPORATE INFORMATION

<b>Directors of BHG Retail Trust Management Pte. Ltd. (the “Manager”)</b>	Mr. Francis Siu Wai Keung (Chairman and Independent Director) Mr. Ben Yeo Chee Seong (Independent Director) Mr. Lau Teck Sien (Independent Director) Mr. Yang Feng (Non-Independent Non-Executive Director) Mr. Xiong Zhen (Non-Independent Non-Executive Director) Mr. Peng Ge (Non-Independent Non-Executive Director)
<b>Registered Office of the Manager</b>	100 Beach Road, Shaw Tower #25-11 Singapore 189702
<b>Trustee of BHG Retail REIT (the “Trustee”)</b>	DBS Trustee Limited 12 Marina Boulevard Marina Bay Financial Centre Singapore 018982
<b>Legal Adviser to the Manager in relation to the proposed Acquisition (each as defined herein)</b>	Allen & Gledhill LLP One Marina Boulevard #28-00 Singapore 018989
<b>Legal Adviser to the Manager in relation to the proposed Acquisition as to the Laws of the People’s Republic of China (the “PRC”)</b>	Tian Yuan Law Firm 10/F, 28 Fengsheng Lane Xicheng District Beijing 100032, China
<b>Legal Adviser to the Trustee as to Singapore Law</b>	Dentons Rodyk & Davidson LLP 80 Raffles Place #33-00 UOB Plaza 1 Singapore 048624
<b>Unit Registrar</b>	Boardroom Corporate & Advisory Services Pte. Ltd. 50 Raffles Place #32-01 Singapore Land Tower Singapore 048623
<b>Independent Financial Adviser to the Independent Directors, Audit and Risk Committee of the Manager and to the Trustee (the “IFA”)</b>	Ernst & Young Corporate Finance Pte. Ltd. One Raffles Quay North Tower, Level 18 Singapore 048583
<b>Tax Advisor</b>	KPMG Services Pte. Ltd. 16 Raffles Quay #22-00 Hong Leong Building Singapore 048581

**Reporting Auditors**

KPMG LLP  
16 Raffles Quay  
#22-00 Hong Leong Building  
Singapore 048581

**Independent Valuers**

Knight Frank Petty Limited ("**Knight Frank**")  
4th Floor Shui On Centre  
No. 6-8 Harbour Road  
Wan Chai, Hong Kong  
(appointed by the Trustee)

Cushman & Wakefield Limited ("**Cushman**")  
16th Floor Jardine House  
1 Connaught Place  
Central, Hong Kong  
(appointed by the Manager)

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## SUMMARY

*Unless otherwise stated, the S\$ equivalent of RMB figures in this Circular have been based on an assumed exchange rate of RMB5.00 : S\$1.00.*

*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 32 to 36 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.*

### OVERVIEW

#### Overview of BHG Retail REIT

BHG Retail REIT is Singapore's first pure-play PRC retail real estate investment trust sponsored by a leading PRC integrated retail group. BHG Retail REIT was listed on the Main Board of the SGX-ST on 11 December 2015. The principal investment strategy of BHG Retail REIT is to invest, directly or indirectly, in a diversified portfolio of income-producing real estate which is used primarily for retail purposes (whether wholly or partially), as well as real estate-related assets in relation to the foregoing, with an initial focus on the PRC.

As at 26 November 2018, being the latest practicable date prior to the printing of this Circular (the "**Latest Practicable Date**"), BHG Retail REIT has a market capitalisation of approximately S\$329.4 million. The existing portfolio of BHG Retail REIT (the "**Existing Portfolio**") comprises five retail properties, being Beijing Wanliu Mall (60%), Chengdu Konggang Mall, Hefei Mengchenglu Mall, Xining Huayuan Mall and Dalian Jinsanjiao Property located in Tier 1, Tier 2 and other cities of significant economic potential in the PRC, with an aggregate gross floor area ("**GFA**") of approximately 263,688 square metres ("**sq m**") and net lettable area ("**NLA**") as at 31 August 2018 of approximately 153,875 sq m<sup>1</sup>. The Existing Portfolio is valued at approximately RMB3,946 million<sup>1</sup> (approximately S\$811.1 million) as at 31 December 2017.

The sponsor of BHG Retail REIT is Beijing Hualian Department Store Co., Ltd. (the "**Sponsor**"), 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, which has been listed in its current form on the Shenzhen Stock Exchange since 1998.

Beijing Hualian Group Investment Holding Co., Ltd. ("**BHGIH**") is the single largest shareholder of the Sponsor, with a 25.39% interest in the Sponsor as at the Latest Practicable Date, and is one of the PRC's largest retail enterprises with more than 20 years of retail operating experience.

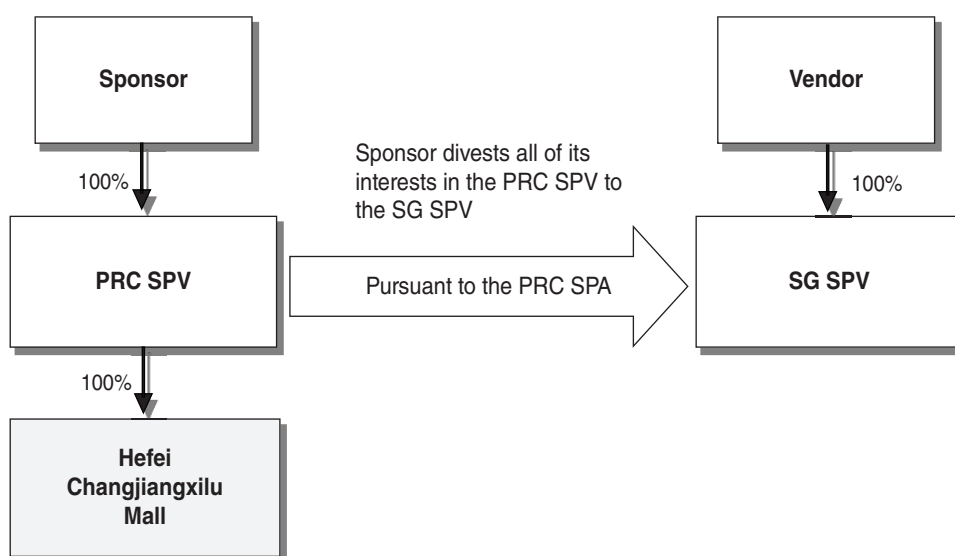
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<sup>1</sup> Based on 100% interest in Beijing Wanliu Mall.

## Overview of the Proposed Acquisition

On 6 November 2018, the Manager announced the proposed acquisition of Hefei Changjiangxilu Mall in the Shushan District of Hefei, Anhui Province, the PRC (the “**Acquisition**”) for a transaction amount<sup>1</sup> (the “**Transaction Amount**”) of RMB328.3 million (S\$65.7 million).

Hefei Changjiangxilu Mall was initially indirectly owned by the Sponsor through a PRC holding company, Hefei Hualian Ruicheng Shopping Plaza Commercial Operation Ltd. (合肥华联瑞城购物广场商业运营有限公司) (“**PRC SPV**”). A series of steps have been and will be undertaken in compliance with the relevant PRC laws and regulations<sup>2</sup> in relation to the proposed Acquisition. An individual who is unrelated to the BHG Group (as defined herein) of companies and is neither an “interested person” of BHG Retail REIT for the purposes of the Listing Manual<sup>3</sup> nor an “interested party” of BHG Retail REIT for the purposes of the Property Funds Appendix<sup>4</sup>, Guok Chin Huat Samuel (the “**Vendor**”), had incorporated a Singapore holding company, Fuchsia (China) Mall Pte. Ltd. (“**SG SPV**”), to acquire from the Sponsor its equity interests in the PRC SPV pursuant to a share purchase agreement dated 25 July 2018, as amended by a supplemental agreement dated 5 November 2018, both entered into between the SG SPV and the Sponsor (collectively, the “**PRC SPA**”). The following diagram summarises the first stage of the proposed Acquisition:



1 The Transaction Amount comprises (i) S\$65.7 million that the Trustee will extend to the SG SPV (as defined herein) via a shareholder’s loan from the Trustee and/or a subscription of shares in the capital of the SG SPV and (ii) S\$100.00 for the issued share capital of the SG SPV.

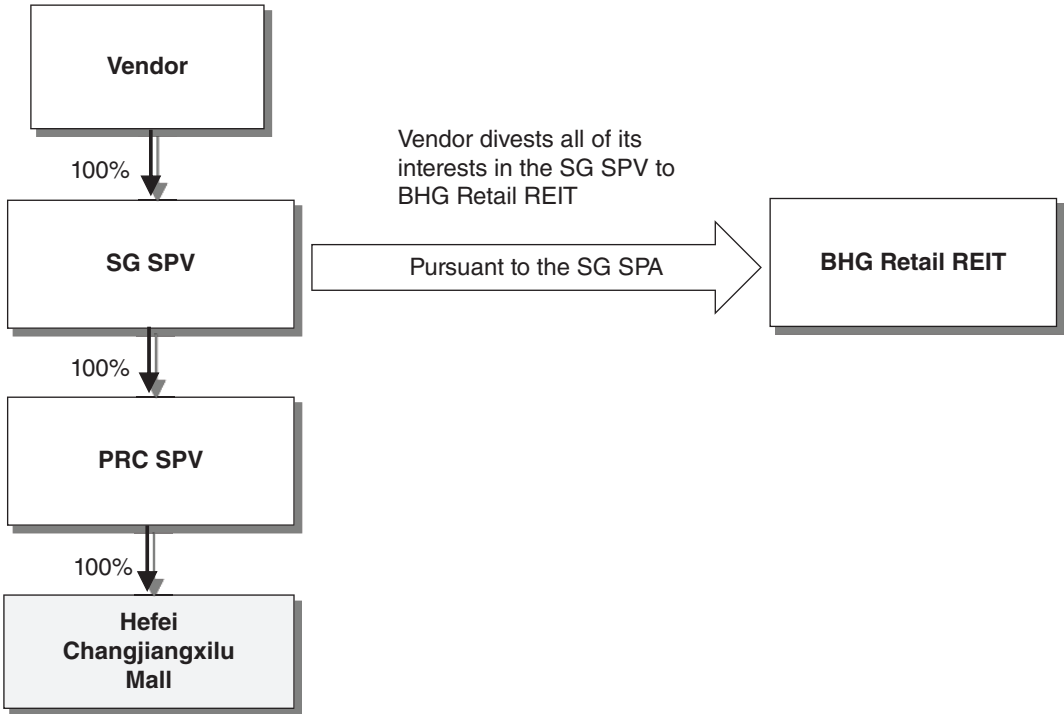
2 “Relevant PRC laws and regulations” includes (i) Corporate Law of PRC, Contract Law of PRC and Wholly Foreign-Owned Enterprises Law of PRC, (ii) obtaining all material PRC regulatory approvals for the transfer of the Sponsor’s equity interests in the PRC SPV to the SG SPV, i.e. Interim Measures for the Administration of Establishment and Modification Registration of Foreign-funded Enterprises issued by Ministry of Commerce of PRC and (iii) there being no requirements as a precondition from the Ministry of Commerce of PRC, National Development and Reform Commission of PRC nor other PRC regulatory authorities to approve, consent or rectify the sale of the shares of the SG SPV to the Trustee.

3 “Listing Manual” means the Listing Manual of the SGX-ST, as may be amended or modified from time to time.

4 “Property Funds Appendix” means Appendix 6 to the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore.



In connection with the second stage of the proposed Acquisition, the Trustee and the Vendor entered into a share purchase agreement dated 5 November 2018 (the “**SG SPA**”, and together with the PRC SPA, the “**Share Purchase Agreements**”), pursuant to which the Trustee will acquire from the Vendor all the issued shares in the SG SPV. The following diagram summarises the second stage of the proposed Acquisition:



The proposed Acquisition is intended to be wholly funded through borrowings.

**SUMMARY OF APPROVAL SOUGHT**

The Manager is convening an extraordinary general meeting (“**EGM**”) of BHG Retail REIT to seek approval from the unitholders of BHG Retail REIT (“**Unitholders**”) for the proposed acquisition of Hefei Changjiangxilu Mall as a Related Party Transaction (as defined herein).

**Description of Hefei Changjiangxilu Mall**

Hefei Changjiangxilu Mall is located at the junction of Changjiang West Road and Huaining Road, in the Shushan District of Hefei, Anhui Province. The catchment population within a 3 kilometre (“**km**”) radius from the mall is approximately 200,000, which comprises about 50 local communities.

Hefei Changjiangxilu Mall is a five-storey retail mall (which includes one underground storey) offering supermarket, recreation, food and beverage and fashion tenants. It enjoys good connectivity as it is close to several public bus stations and well-connected to the Hefei Metro Line 2, which commenced operations on 26 December 2017.

The table below sets out certain details of Hefei Changjiangxilu Mall as at 31 August 2018 (unless otherwise stated):

<b>Property</b>	Hefei Changjiangxilu Mall
<b>Location</b>	639 Changjiangxilu Road, Shushan District, Hefei, Anhui Province
<b>Year of Completion</b>	2010
<b>Expiry of Land Use Right</b>	30 April 2043
<b>Site Area</b>	19,784.67 sq m
<b>GFA</b>	48,003.09 sq m
<b>NLA</b>	27,221.63 sq m
<b>Car Park Lots</b>	243
<b>Number of Storeys</b>	Five-storeys (four-storeys + one underground storey)
<b>Valuation by Knight Frank</b>	RMB481,500,000 (S\$96,300,000)
<b>Valuation by Cushman</b>	RMB490,000,000 (S\$98,000,000)
<b>Agreed Changjiangxilu Value<sup>(1)</sup></b>	RMB334,045,005 (S\$66,809,001)
<b>Weighted Average Lease to Expiry (“WALE”)</b>	By gross rental income: 2.6 years By committed lettable area: 5.0 years
<b>Occupancy rate</b>	99.4%
<b>Trade Names of Major Tenants</b>	BHG Supermarket KFC Pizza Hut Watsons La Chapelle Golden Harvest Cinema
<b>FY 2017 Net Property Income<sup>(2)</sup> (RMB)</b>	17,204,140
<b>1H 2018 Net Property Income<sup>(3)</sup> (RMB)</b>	10,049,550
<b>Net Property Income Yield<sup>(4)</sup></b>	FY 2017: 5.2% 1H 2018: 6.0%

**Notes:**

- (1) **“Agreed Changjiangxilu Value”** means the agreed property value of Hefei Changjiangxilu Mall, which was negotiated on a willing-buyer and willing-seller basis taking into account the independent valuations conducted by the Independent Valuers (as defined herein).
- (2) FY 2017 Net Property Income refers to the Net Property Income for the financial year from 1 January 2017 to 31 December 2017 (“FY 2017”). **“Net Property Income”** is computed as gross rental income less property operating expenses.
- (3) 1H 2018 Net Property Income refers to the Net Property Income for the financial period from 1 January 2018 to 30 June 2018 (“1H 2018”).
- (4) **“Net Property Income Yield”** was calculated by: (i) dividing the FY 2017 Net Property Income by the Agreed Changjiangxilu Value and (ii) dividing the annualised 1H 2018 Net Property Income by the Agreed Changjiangxilu Value.

(See **Appendix A** of this Circular for further details about Hefei Changjiangxilu Mall.)

## Share Purchase Agreements

As set out under paragraph 2 of the Letter to Unitholders, Hefei Changjiangxilu Mall was initially indirectly owned by the Sponsor through the PRC SPV. The Vendor, who is unrelated to the BHG Group of companies and is neither an “interested person” of BHG Retail REIT for the purposes of the Listing Manual nor an “interested party” of BHG Retail REIT for the purposes of the Property Funds Appendix, had incorporated the SG SPV to acquire from the Sponsor its equity interests in the PRC SPV. The SG SPV and the Sponsor entered into the PRC SPA pursuant to which the Sponsor agreed to sell and the SG SPV agreed to acquire 100.0% of the total equity interests in the PRC SPV for a consideration of US\$47,399,600 (approximately S\$65,155,490<sup>1</sup>). The Vendor has, through SG SPV, already acquired legal and beneficial title to the Sponsor’s equity interest in the PRC SPV on 13 August 2018.

Pursuant to the SG SPA, the Vendor agreed to sell, and the Trustee on behalf of BHG Retail REIT agreed to acquire, 100.0% of the total issued shares in the SG SPV. The Transaction Amount in respect of the SG SPV of RMB328.3 million (S\$65.7 million) is based on, *inter alia*, the Agreed Changjiangxilu Value and the minimum net asset value (“NAV”) of the PRC SPV<sup>2</sup> of RMB239.0 million (approximately S\$47.8 million) as at the date of completion of the proposed Acquisition (“**Completion**”, and the date of Completion, the “**Completion Date**”). The Trustee and the Vendor have agreed that the Vendor shall indemnify the Trustee for any decrease in the NAV of the PRC SPV as reflected in the completion balance sheet of the PRC SPV as at the Completion Date compared to the agreed NAV of the PRC SPV of RMB239.0 million<sup>3</sup> (approximately S\$47.8 million).

Following Completion, the Trustee will own 100.0% of the total issued shares in the SG SPV.

(See paragraph 2.1 of the Letter to Unitholders which sets out the holding structure upon Completion.)

## Property Management Agreement

In connection with the initial public offering of BHG Retail REIT, the Singapore property manager of BHG Retail REIT, BHG Mall (Singapore) Property Management Pte. Ltd. (the “**Singapore Property Manager**”) was appointed on 23 November 2015 as the property manager in respect of certain properties of BHG Retail REIT pursuant to a master property management agreement entered into between the Trustee, the Manager and the Singapore Property Manager (the “**Master Property Management Agreement**”). In connection with the proposed Acquisition and pursuant to the terms of the Master Property Management Agreement, the Trustee, the Manager and the Singapore Property Manager will enter into an individual property management agreement upon Completion (the “**Individual Property Management Agreement**”) to appoint the Singapore Property Manager as the property manager of Hefei Changjiangxilu Mall to provide property management, lease management, project management and marketing services in respect of Hefei Changjiangxilu Mall.

The Singapore Property Manager was incorporated in the Republic of Singapore with its registered address at 100 Beach Road, Shaw Tower #25-11 Singapore 189702, and is a wholly-owned subsidiary of the Sponsor.

1 Based on an assumed exchange rate of US\$1.00 : S\$1.3746.

2 The assets and liabilities of the PRC SPV are customary assets and liabilities for a property-owning SPV, and are accrued or, as the case may be, incurred in the PRC SPV’s ordinary course of business.

3 The NAV of the PRC SPV as at 30 September 2018 is approximately RMB241.5 million.

## Transaction Amount and Valuation

The Trustee has commissioned an independent valuer, Knight Frank, and the Manager has commissioned an independent valuer, Cushman, to value Hefei Changjiangxilu Mall.

Knight Frank and Cushman (collectively, the “**Independent Valuers**”) have conducted their valuations based on the discounted cash flow method and the income capitalisation method and have valued Hefei Changjiangxilu Mall at RMB481.5 million (S\$96.3 million) and RMB490.0 million (S\$98.0 million) respectively.

The Agreed Changjiangxilu Value, which was negotiated on a willing-buyer and willing-seller basis taking into account the independent valuations conducted by the Independent Valuers, is approximately RMB334.0 million (approximately S\$66.8 million).

The Transaction Amount in respect of the SG SPV of RMB328.3 million (S\$65.7 million) is based on, *inter alia*, the Agreed Changjiangxilu Value and the minimum NAV of the PRC SPV of RMB239.0 million (approximately S\$47.8 million) as at the Completion Date. The Trustee and the Vendor have agreed that the Vendor shall indemnify the Trustee for any decrease in the NAV of the PRC SPV as reflected in the completion balance sheet of the PRC SPV as at the Completion Date compared to the agreed NAV of the PRC SPV of RMB239.0 million (approximately S\$47.8 million).

## Estimated Acquisition Cost

The estimated total cost of the proposed Acquisition (the “**Acquisition Cost**”) is approximately RMB348.4 million (approximately S\$69.7 million), comprising:

- (i) the Transaction Amount of RMB328.3 million (S\$65.7 million);
- (ii) the acquisition fee payable to the Manager for the proposed Acquisition pursuant to the trust deed dated 18 November 2015 (as amended and supplemented) constituting BHG Retail REIT (the “**Trust Deed**”), which amounts to approximately RMB2.5 million (approximately S\$0.5 million) (the “**Acquisition Fee**”)<sup>1</sup>; and
- (iii) the estimated professional and other fees and expenses incurred or to be incurred by BHG Retail REIT in connection with the proposed Acquisition of approximately RMB17.6 million (approximately S\$3.5 million).

## Payment of the Acquisition Fee in Units

The Manager shall be paid an Acquisition Fee of approximately RMB2.5 million (approximately S\$0.5 million) for the proposed Acquisition pursuant to the Trust Deed. The Acquisition Fee will be in the form of Units (the “**Acquisition Fee Units**”) which shall not be sold within one year of the date of issuance in accordance with Paragraph 5.7 of the Property Funds Appendix.

Pursuant to Clause 15.2.1 of the Trust Deed, the issue price of the Acquisition Fee Units shall be determined based on the market price at the time of the issue of the Acquisition Fee Units as determined under Clause 5.3.1 of the Trust Deed; being the volume weighted average price for a Unit for all trades on the SGX-ST, in the ordinary course of trading on the SGX-ST for the period of 10 Business Days<sup>2</sup> or such other period as may be prescribed by the SGX-ST immediately preceding (and for the avoidance of doubt, including) the relevant Business Day on which the Acquisition Fee Units will be issued (the “**Market Price**”).

<sup>1</sup> The acquisition fee in respect of Hefei Changjiangxilu Mall is 0.75% of the Transaction Amount, and will only be paid upon Completion in accordance with the terms of the SG SPA.

<sup>2</sup> “**Business Day**” means any day (other than a Saturday, Sunday or gazetted public holiday) on which commercial banks are generally open for business in Singapore and the SGX-ST is open for trading.

## Method of Financing

The Manager intends to finance the Acquisition Cost (excluding the Acquisition Fee) through borrowings.

## Related Party Transaction

As at the Latest Practicable Date, the Manager is a wholly-owned subsidiary of the Sponsor. Accordingly, the Sponsor is regarded as a “controlling shareholder” of the Manager for the purposes of both the Listing Manual and the Property Funds Appendix.

The Vendor acquired Hefei Changjiangxilu Mall from the Sponsor pursuant to the PRC SPA and BHG Retail REIT is proposing to acquire Hefei Changjiangxilu Mall from the Vendor pursuant to the SG SPA. As the Sponsor is an interested person of BHG Retail REIT under the Listing Manual and an interested party of BHG Retail REIT under the Property Funds Appendix, BHG Retail REIT will be obtaining approval from the Unitholders on the basis that the Manager regards the proposed Acquisition as an interested person transaction under Chapter 9 of the Listing Manual (an “**Interested Person Transaction**”) and an interested party transaction under the Property Funds Appendix (an “**Interested Party Transaction**”) (a “**Related Party Transaction**”).

Given that the Transaction Amount is RMB328.3 million (S\$65.7 million) (which is 15.8% of both the audited net tangible assets (“**NTA**”) and the NAV of BHG Retail REIT as at 31 December 2017), the value of the proposed Acquisition exceeds 5.0% of the NTA and the NAV of BHG Retail REIT. Accordingly, the Manager is seeking the approval of Unitholders by way of an Ordinary Resolution<sup>1</sup> of the Unitholders for the proposed Acquisition.

## RATIONALE FOR AND KEY BENEFITS OF THE PROPOSED ACQUISITION

The Manager believes that the proposed Acquisition will bring the following key benefits to the Unitholders:

- (i) strategic addition of a well-located property;
- (ii) increasing exposure to Hefei, a growing and attractive city;
- (iii) enhances portfolio diversification;
- (iv) attractive value proposition; and
- (v) positive impact on the Enlarged Portfolio (as defined herein).

(See paragraph 4 of the Letter to Unitholders for further details.)

<sup>1</sup> “**Ordinary Resolution**” means a resolution proposed and passed as such by a majority 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.

## INDICATIVE TIMETABLE

The timetable for the EGM is indicative only and is subject to change at the absolute discretion of the Manager. Any changes (including any determination of the relevant dates) to the timetable below will be announced.

The timetable for events which are scheduled to take place after the EGM is indicative only and is subject to the absolute discretion of the Manager.

<b>Event</b>	<b>Date and Time</b>
Last date and time for lodgement of Proxy Forms	: 16 December 2018 at 10.00 a.m.
Date and time of the EGM	: 18 December 2018 at 10.00 a.m.
<b>If the approval for the proposed Acquisition is obtained at the EGM:</b>	
Latest date for completion of the proposed Acquisition under the SG SPA	: To be determined (but is expected to be no later than 31 December 2018)



# 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. Yang Feng (Non-Independent Non-Executive Director)  
Mr. Xiong Zhen (Non-Independent Non-Executive Director)  
Mr. Peng Ge (Non-Independent Non-Executive Director)

### Registered Office

100 Beach Road,  
Shaw Tower #25-11  
Singapore 189702

30 November 2018

To: Unitholders of BHG Retail Real Estate Investment Trust

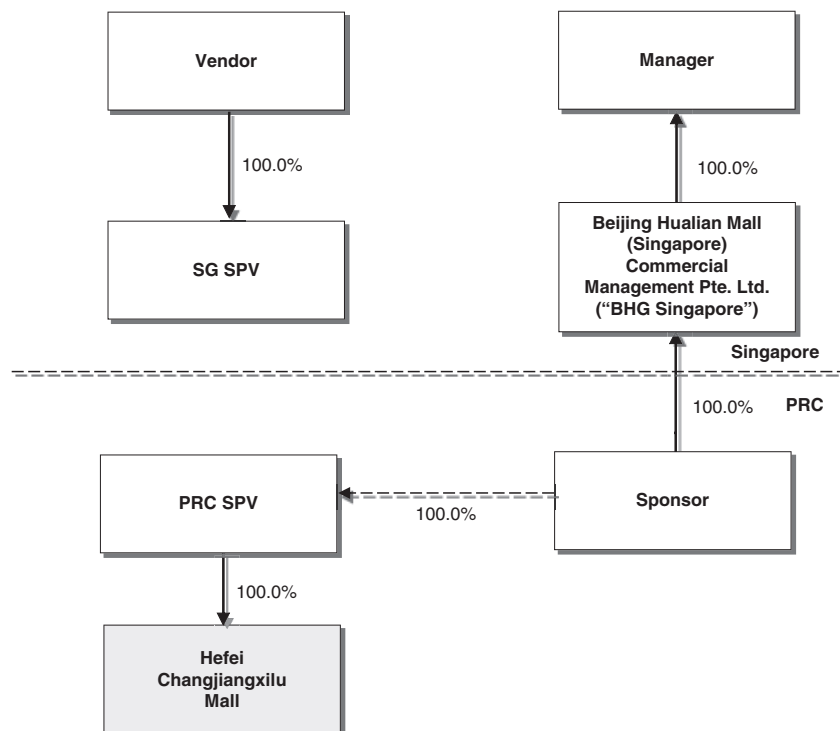
Dear Sir/Madam

### 1. SUMMARY OF APPROVAL SOUGHT

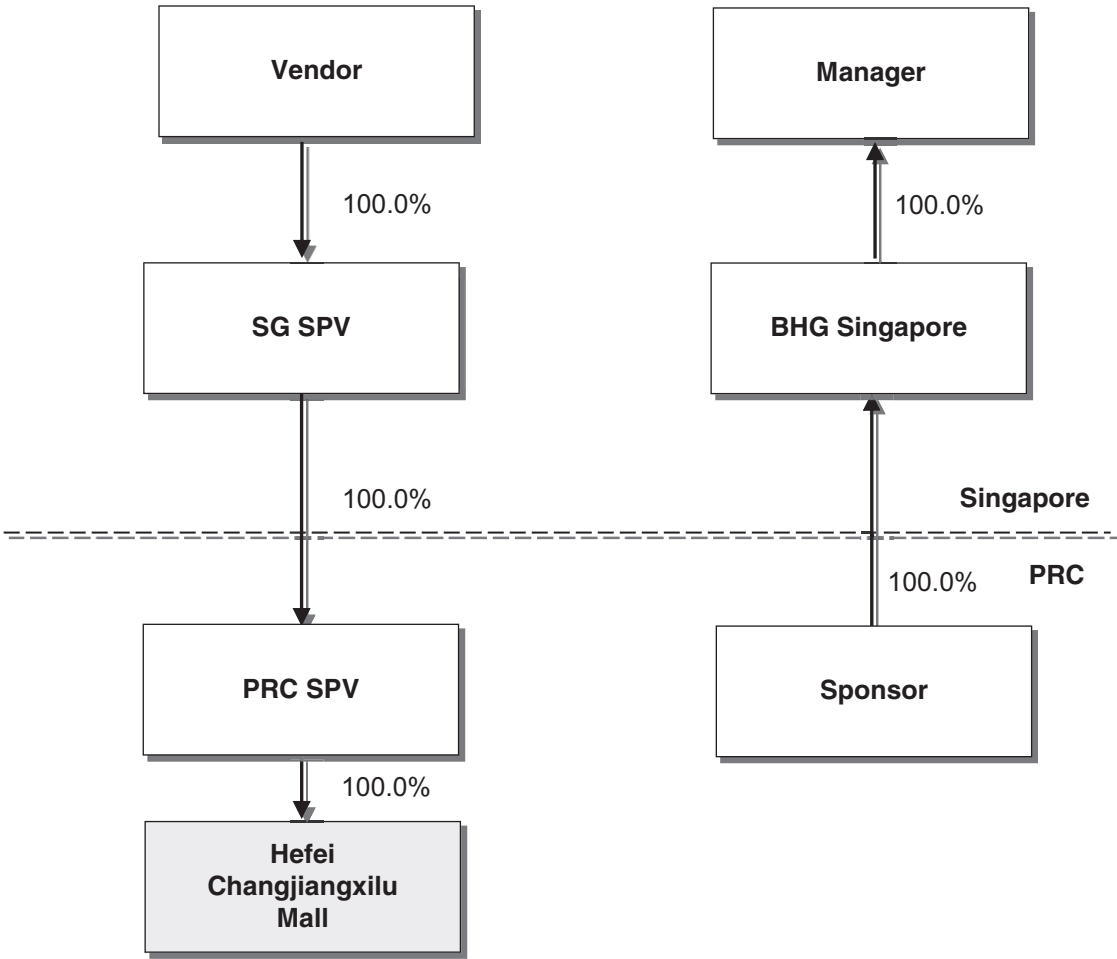
The Manager is convening an EGM of BHG Retail REIT to seek approval from Unitholders by way of Ordinary Resolution for the proposed Acquisition as a Related Party Transaction.

### 2. OVERVIEW OF THE PROPOSED ACQUISITION

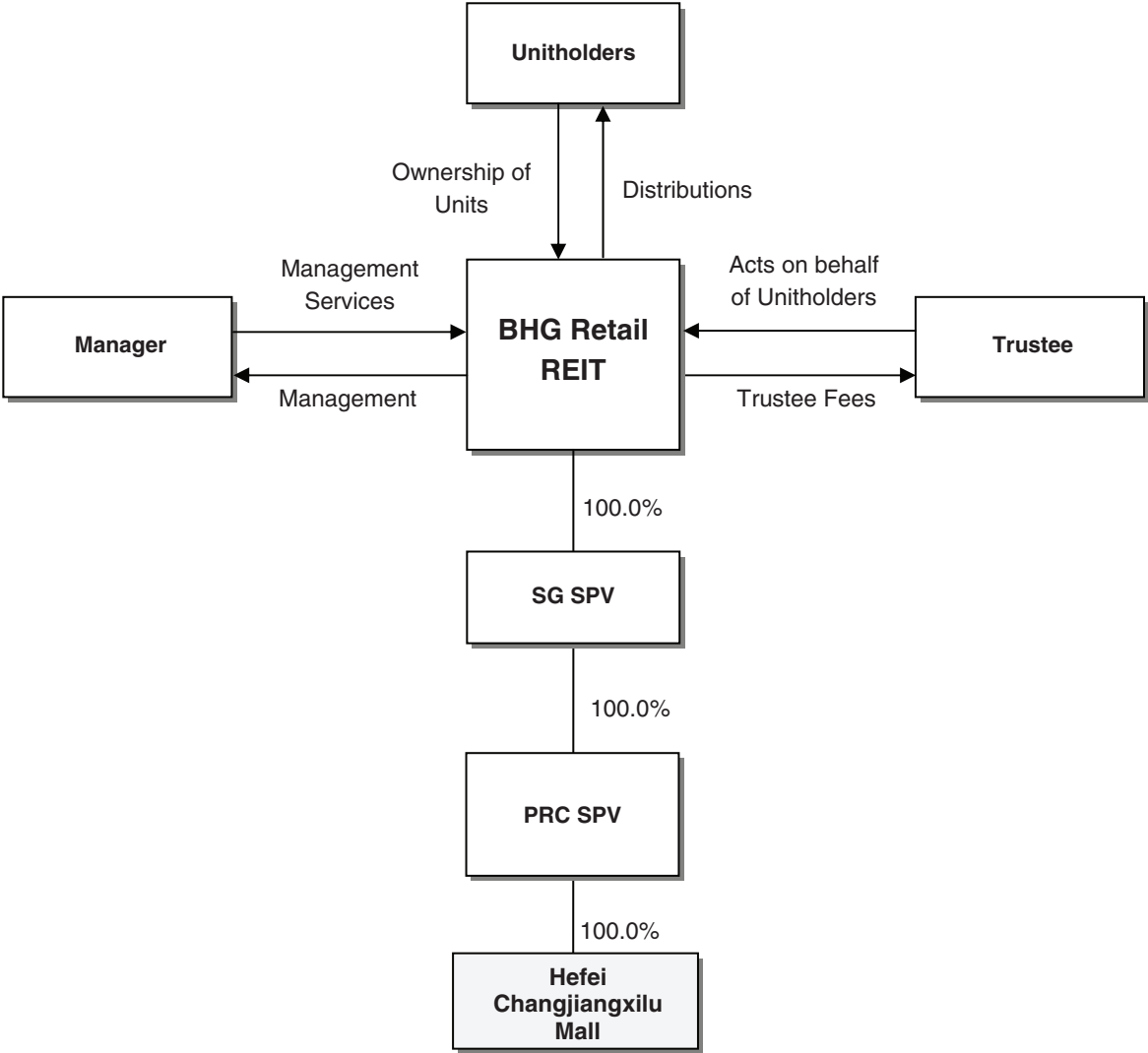
2.1 Hefei Changjiangxilu Mall was initially indirectly owned by the Sponsor through the PRC SPV. The Vendor, who is unrelated to the BHG Group of companies and is neither an “interested person” for the purposes of the Listing Manual nor an “interested party” for the purposes of the Property Funds Appendix, incorporated the SG SPV. The following diagram illustrates the foregoing structure:



The Vendor, through the SG SPV, acquired from the Sponsor its equity interest in the PRC SPV (which holds Hefei Changjiangxilu Mall) pursuant to the PRC SPA. The Vendor has, through the SG SPV, already acquired legal and beneficial title to the Sponsor's equity interest in the PRC SPV on 13 August 2018. The following diagram sets out the holding structure of Hefei Changjiangxilu Mall following the completion of the PRC SPA:



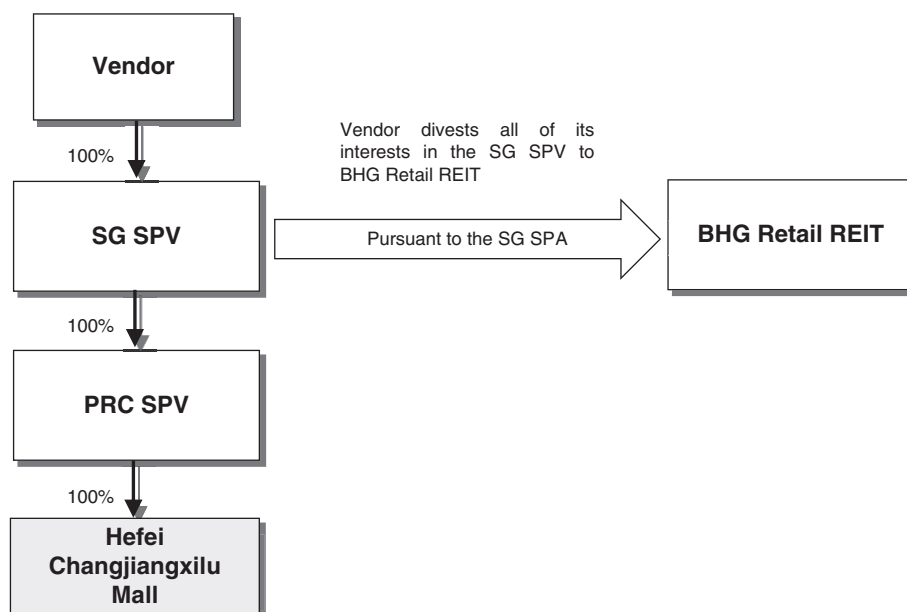
On 5 November 2018, the Trustee entered into the SG SPA with the Vendor to acquire from the Vendor its issued shares in the SG SPV. The following diagram sets out the proposed holding structure of Hefei Changjiangxilu Mall following Completion:



### 3. THE PROPOSED ACQUISITION

#### 3.1 Introduction

On 5 November 2018, the Trustee entered into the SG SPA with the Vendor to acquire from the Vendor its issued shares in the SG SPV. The following diagram illustrates the SG SPA:



#### 3.2 Description of Hefei Changjiangxilu Mall

Hefei Changjiangxilu Mall comprises a four-storey shopping mall erected over one underground storey, with a site area of approximately 19,785 sq m and a GFA of approximately 48,003 sq m and was completed in 2010. The NLA of Hefei Changjiangxilu Mall is approximately 27,222 sq m.

(See **Appendix A** of this Circular for further details about Hefei Changjiangxilu Mall.)

#### 3.3 Estimated Acquisition Cost

The estimated Acquisition Cost is approximately RMB348.4 million (approximately S\$69.7 million), comprising:

- (i) the Transaction Amount of RMB328.3 million (S\$65.7 million);
- (ii) the Acquisition Fee, which amounts to approximately RMB2.5 million (S\$0.5 million); and
- (iii) the estimated professional and other fees and expenses incurred or to be incurred by BHG Retail REIT in connection with the proposed Acquisition of approximately RMB17.6 million (approximately S\$3.5 million).

#### 3.4 Transaction Amount and Valuation

The Trustee has commissioned an independent valuer, Knight Frank, and the Manager has commissioned an independent valuer, Cushman, to respectively value Hefei Changjiangxilu Mall.

The Independent Valuers have conducted their valuations based on the discounted cash flow method and the income capitalisation method and have valued Hefei Changjiangxilu Mall as follows:

<b>Knight Frank</b>	RMB481.5 million (S\$96.3 million)
<b>Cushman</b>	RMB490.0 million (S\$98.0 million)

The Agreed Changjiangxilu Value, which was negotiated on a willing-buyer and willing-seller basis taking into account the independent valuations conducted by the Independent Valuers, is approximately RMB334.0 million (approximately S\$66.8 million), representing a discount of 30.6% and 31.8% to the independent valuations by Knight Frank and Cushman respectively:

	<b>Appraised Value</b>	<b>Agreed Changjiangxilu Value</b>	<b>Discount to Appraised Value</b>
<b>Knight Frank</b>	RMB481.5 million (S\$96.3 million)	Approximately RMB334.0 million (approximately S\$66.8 million)	30.6%
<b>Cushman</b>	RMB490.0 million (S\$98.0 million)		31.8%

The Transaction Amount in respect of the SG SPV of RMB328.3 million (S\$65.7 million) is based on, *inter alia*, the Agreed Changjiangxilu Value and the minimum NAV of the PRC SPV of RMB239.0 million (approximately S\$47.8 million) as at the Completion Date. The difference between the amount payable by the Vendor (through SG SPV) to the Sponsor of S\$65,155,490 and the Transaction Amount is S\$544,510 (approximately S\$500,000 of which will be applied to fund the financing costs incurred by SG SPV in obtaining a loan to pay part of the purchase consideration for the PRC SPV to the Sponsor, and with most of the remaining amount applied towards the costs of setting up and maintaining the SG SPV).

Furthermore, the Trustee and the Vendor have agreed that the Vendor shall indemnify the Trustee for any decrease in the NAV of the PRC SPV as reflected in the completion balance sheet of the PRC SPV as at the Completion Date compared to the agreed NAV of the PRC SPV of RMB239.0 million<sup>1</sup> (approximately S\$47.8 million).

### **3.5 Method of Financing**

The Manager intends to finance the Acquisition Cost (excluding the Acquisition Fee) through borrowings.

### **3.6 Payment of the Acquisition Fee in Units**

The Manager shall be paid an Acquisition Fee of approximately RMB2.5 million (approximately S\$0.5 million) for the proposed Acquisition pursuant to the Trust Deed. The Acquisition Fee will be in the form of the Acquisition Fee Units which shall not be sold within one year of the date of issuance in accordance with Paragraph 5.7 of the Property Funds Appendix.

The issue price of the Acquisition Fee Units shall be determined based on the Market Price.

(See details on the proposed method of financing the proposed Acquisition in paragraph 3.5 above.)

<sup>1</sup> The NAV of the PRC SPV as at 30 September 2018 is approximately RMB241.5 million.

### 3.7 Certain Principal Terms of the Share Purchase Agreements

The Vendor had, through the SG SPV, entered into the PRC SPA on 25 July 2018, as amended by a supplemental agreement dated 5 November 2018, with the Sponsor to acquire 100.0% of the total equity interests in the PRC SPV, which holds the legal and beneficial ownership in Hefei Changjiangxilu Mall, for a purchase consideration of US\$47,399,600 (approximately S\$65,155,490<sup>1</sup>). The PRC SPA provides, among others, that:

- (i) the shares shall be sold free from any claim, charge, equity pledge, lien, option, equity, power of sale, hypothecation, retention of title, right of pre-emption, right of first refusal or other third party right or security interest of any kind or an agreement, arrangement or obligation to create any of the foregoing; and
- (ii) should the relevant PRC government authorities withhold or refuse to register the transfer of the equity of the PRC SPV, the SG SPV may terminate the PRC SPA through the provision of written notice to the Sponsor and the Sponsor shall, within five business days of the receipt of such written notice, return, unconditionally, all payments (if any) made by the SG SPV and cooperate on the termination of the PRC SPA.<sup>2</sup>

In addition, under the PRC SPA, certain limited representations and warranties are made by the Sponsor. If, prior to completion, it is found that there is a material breach of warranty under the PRC SPA, the SG SPV shall be entitled to rescind the sale and purchase, without prejudice to its other rights including the right to claim damages.

The Sponsor has also agreed to be liable for:

- (a) all tax duties of the PRC SPV generated or originated for any reason before the Closing Date<sup>3</sup> (including but not limited to any unpaid tax and related overdue fines and penalties) (“**Tax Duties**”) and any and all damage and losses suffered as a result of, or based upon or arising from any Tax Duties and in relation to any dispute resolution thereof, and the Sponsor’s duty of compensation and indemnification shall be terminated only when the related statutory prescription of Tax Duties expires;
- (b) all legal duties of the PRC SPV generated or originated for any violation of laws and regulations before the Closing Date (including but not limited to any penalties, punishments and related overdue fines and forfeits) (“**Compliance Duties**”) and any and all damage and losses suffered as a result of, or based upon or arising from any Compliance Duties and in relation to any dispute resolutions thereof, and the Sponsor’s duty of compensation and indemnification shall be terminated only when the related statutory prescription of Compliance Duties expires; and

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1 Based on an assumed exchange rate of US\$1.00 : S\$1.3746.

2 The local Administration for Industry and Commerce or competent Commerce Department may disapprove or refuse to file the equity transfer upon receiving the application documents concerning the change of the PRC SPV for reasons including (i) the application documents provided are incomplete or do not conform with the legal form, (ii) the application documents are not submitted within the time limit required by laws, regulations or administrative rules, and (iii) the information in the application documents is proven to be untrue or misleading. In this case and at this stage, there is no such risk of disapproving or refusing by government authorities since the filing of the equity transfer has been completed.

3 Closing Date for the purposes of the PRC SPA means the fifth working day upon satisfaction or waiver of the conditions precedent under the PRC SPA or other date as otherwise agreed by the parties to the PRC SPA in writing prior to the closing.



- (c) all legal duties of the PRC SPV generated or originated for any breach of the other representations, warranties and covenants by the PRC SPV and/or the Sponsor before the Closing Date (including but not limited to judgments, arbitrations, settlements, levies, third party claims and fines) (“**Warranty Duties**”), and any and all damage and losses suffered as a result of, or based upon or arising from any Warranty Duties and in relation to any dispute resolution thereof.

In connection with the proposed Acquisition, the Trustee had on 5 November 2018 entered into the SG SPA with the Vendor, to acquire all the issued shares of the SG SPV, which will in turn directly own equity interests in the PRC SPV, which holds Hefei Changjiangxilu Mall.

The SG SPA provides, among others, that:

- (i) Completion is subject to the satisfaction of the conditions precedent set out in the SG SPA, which includes:
  - (a) the Manager obtaining the approval of the Unitholders for the proposed Acquisition, and for the Manager to procure financing for the proposed Acquisition on terms reasonably satisfactory to the Manager; and
  - (b) there being no breach of any clause which, in the reasonable opinion of the Trustee, acting on the recommendation of the Manager, has or is likely to have a material adverse effect on the financial condition, prospects, earnings, business, undertaking or assets of the SG SPV and its associated companies, taken as a whole;
- (ii) certain representations and warranties in relation to the SG SPV;
- (iii) a tax indemnity in favour of the Trustee, under which the Vendor will indemnify the Trustee, to the extent of the Trustee’s equity interest in the SG SPV and the PRC SPV, against any liability for taxation:
  - (a) resulting from any transaction effected or deemed to have been effected on or before the Completion Date;
  - (b) affecting the SG SPV or the PRC SPV in respect of or arising from any transaction completed after the Completion Date in pursuance of a legally binding obligation or an arrangement, in either case whether or not conditional, incurred or entered into on or before the Completion Date;
  - (c) in respect of any transaction effected or deemed to have been effected by reason of the fulfilment of any of the conditions precedent in the SG SPA; and
  - (d) any liability for, or additional exposure to, taxation up to and including the Completion Date, including but not limited to real estate tax imposed due to the assessment of real estate tax by the relevant local tax bureaus of the People’s Republic of China, despite the issuance of the tax clearance certificates for the PRC SPV; and
- (iv) an NAV indemnity in favour of the Trustee, under which the Trustee and the Vendor have agreed that the Vendor shall indemnify the Trustee for any decrease in the NAV of the PRC SPV as reflected in the completion balance sheet of the PRC SPV as at the Completion Date compared to the agreed NAV of the PRC SPV of RMB239.0 million (approximately S\$47.8 million).

There are certain limitations on the liability of the Vendor, such as being able to claim against the Vendor only in a claim where (i) written particulars have been notified to the Vendor before expiry of 48 months for taxation claims and 24 months for any claims other than taxation claims from the Completion Date and (ii) the aggregate liability of the Vendor in respect of claims shall not exceed the Transaction Amount.

### **3.8 Property Management Agreement**

In connection with the proposed Acquisition and pursuant to the terms of the Master Property Management Agreement, the Trustee, the Manager and the Singapore Property Manager will enter into the Individual Property Management Agreement to appoint the Singapore Property Manager to provide property management, lease management, project management and marketing services in respect of Hefei Changjiangxilu Mall.

## **4. RATIONALE FOR AND KEY BENEFITS OF THE PROPOSED ACQUISITION**

### **4.1 Strategic addition of a well-located property**

- (i) Serves Large Residential Catchment Area in the Shushan District

Hefei Changjiangxilu Mall is located in Shilimiao Community, Jinggang Town, Shushan District. Shushan District is one of the four central districts of Hefei, and it is also the gateway of the western part of the city. This district is a new urban area where high-technology firms are based in, and is developing into a new urban centre with high-end communities, cultural and sports centres, five-star hotels and serviced apartments.

Shilimiao Community is bounded by Yuexi Road to its east, Gaoxin District to its west, Huangshan Road to its south and Chuangye Avenue to its north. Shilimiao Community covers a total area of approximately 1.5 square kilometres and comprises 8 micro-districts, with a population of approximately 28,000 in 2017. The catchment population within a 3 km radius from Hefei Changjiangxilu Mall is approximately 200,000, which comprises about 50 local communities. The immediate neighbourhood of Hefei Changjiangxilu Mall is dominated by large-scale residential developments, such as Daxiditianyuexuan (大溪地天悦轩), Fengshenghuating (丰盛华庭), Languangyuzhoucheng (蓝光禹州城) and Tianyue Centre (天玥中心).

- (ii) Strategic location and good connectivity

Hefei Changjiangxilu Mall is located at the junction of Huaining North Road and Changjiang West Road, the two main roads of Hefei city, and close to several public bus stations in the vicinity. It is well-connected to the Hefei Metro Line 2, which only commenced operations on 26 December 2017 and connects Shushan District with 2 other major districts in Hefei. Hefei Metro Line 2 has brought about greater shopper traffic to the area and has increased the footfall of Hefei Changjiangxilu Mall by approximately 20.0%. Hefei Changjiangxilu Mall is also situated approximately 10 km away from Hefei's central business district, 13 km away from the Zhengzhou East Railway Station, 14.5 km from Hefei South Railway Station, and 32.6 km away from Hefei Xinqiao International Airport.

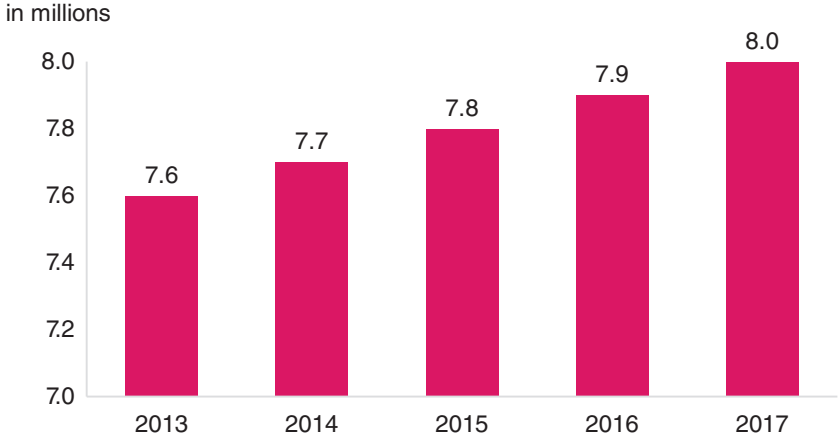
- (iii) Strong operational performance

As at 31 August 2018, Hefei Changjiangxilu Mall exhibits a strong occupancy rate of 99.4%, with a WALE of 2.6 years (by gross rental income) and 5.0 years (by committed lettable area).

**4.2 Increasing exposure to Hefei, a growing and attractive city**

The population of Hefei exhibited stable growth over the last decade. At the end of 2017, the permanent population of the city increased to approximately 8.0 million.

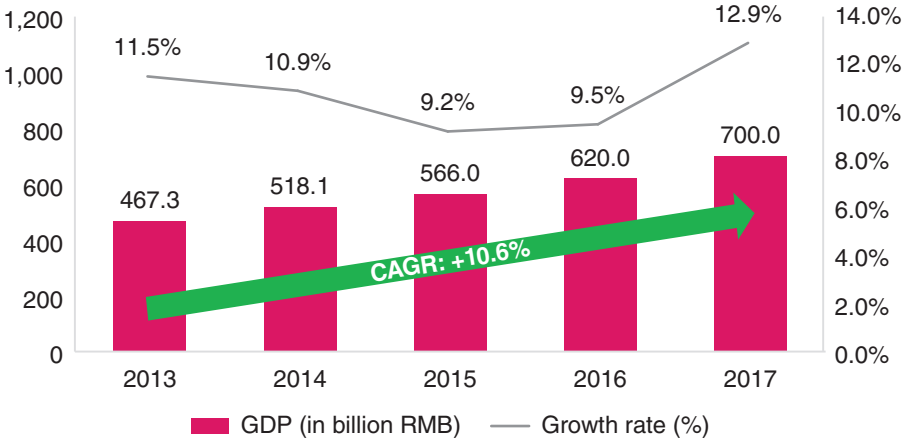
**Population of Hefei, 2013 - 2017**



Source: Knight Frank Valuation Report

During the same period, Hefei enjoyed stable economic growth, with GDP reaching RMB700 billion in 2017, representing a compound annual growth rate (“CAGR”) of 10.6% from 2013 to 2017.

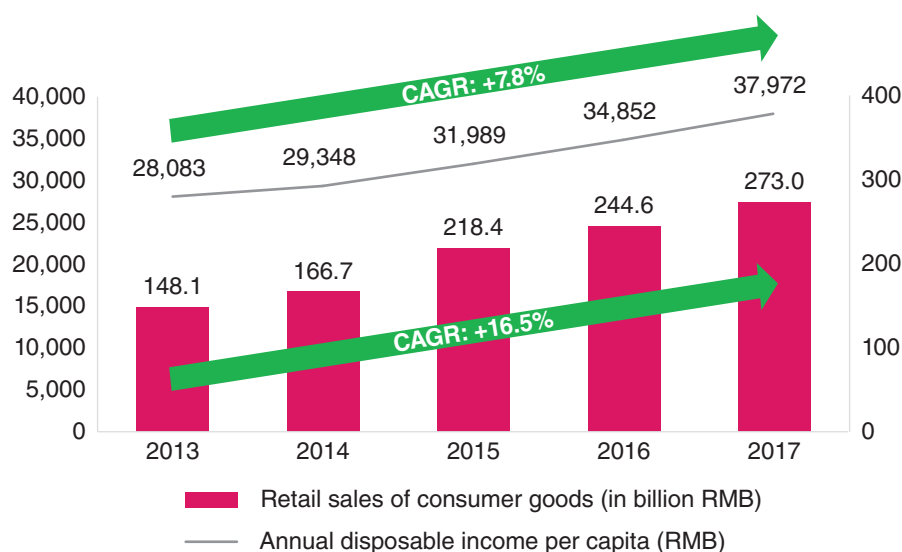
**Hefei GDP and Growth Rate, 2013 - 2017**



Source: Knight Frank Valuation Report

In line with Hefei’s population and economic growth, retail sales of consumer goods recorded consistent growth during the past decade and reached approximately RMB273 billion in 2017, representing a CAGR of 16.5%, while annual disposable income per capita of residents grew to RMB37,972 in 2017, representing a CAGR of 7.8%.

### Comparison of Retail Sales of Consumer Goods and Annual Disposable income per capita



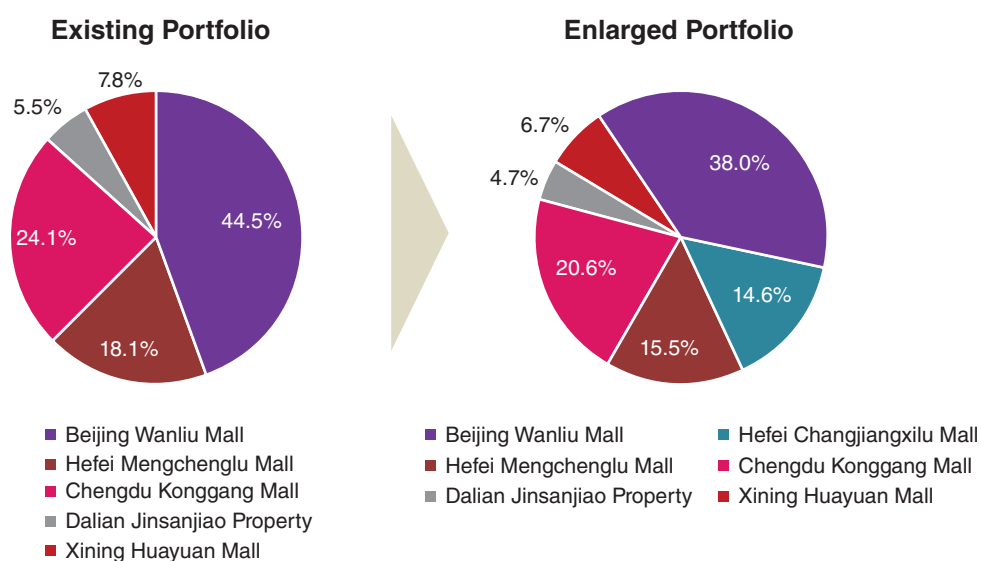
Source: Knight Frank Valuation Report

#### 4.3 Enhances portfolio diversification

##### (i) Increased diversification of gross rental income

The proposed Acquisition is expected to benefit Unitholders by improving gross rental income diversification and reducing the reliance of BHG Retail REIT's gross rental income contribution on any single property. The Manager expects that the contribution to BHG Retail REIT's gross rental income by the Beijing Wanliu Mall for the month of August 2018, on a *pro forma* basis, will decrease from approximately 44.5% to approximately 38.0% following the proposed Acquisition.

#### Contribution by Gross Rental Income<sup>(1)</sup>

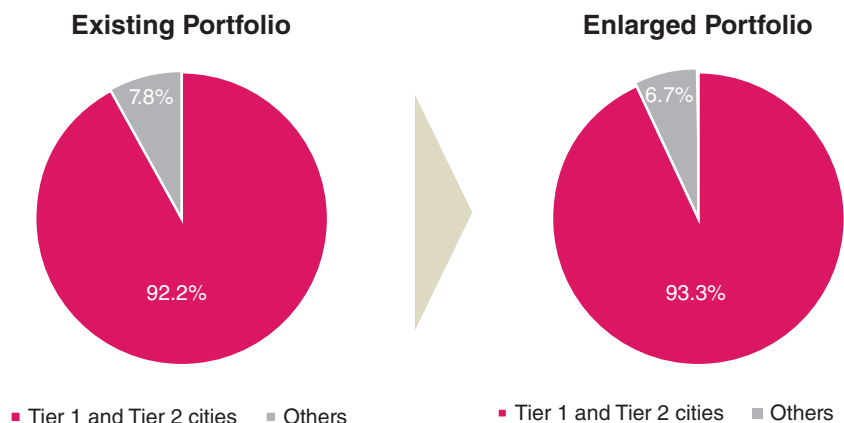


**Note:**

(1) Based on 60% interest in Beijing Wanliu Mall

In addition, the proposed Acquisition is expected to increase BHG Retail REIT's exposure to Hefei, a growing Tier 2 city that is expected to be of greater economic significance. Aggregate gross rental income contribution from Tier 1 and Tier 2 cities is expected to increase, on a *pro forma* basis, from 92.2% to 93.3% (based on the gross rental income for the month of August 2018).

### Contribution by Gross Rental Income<sup>(1)</sup>

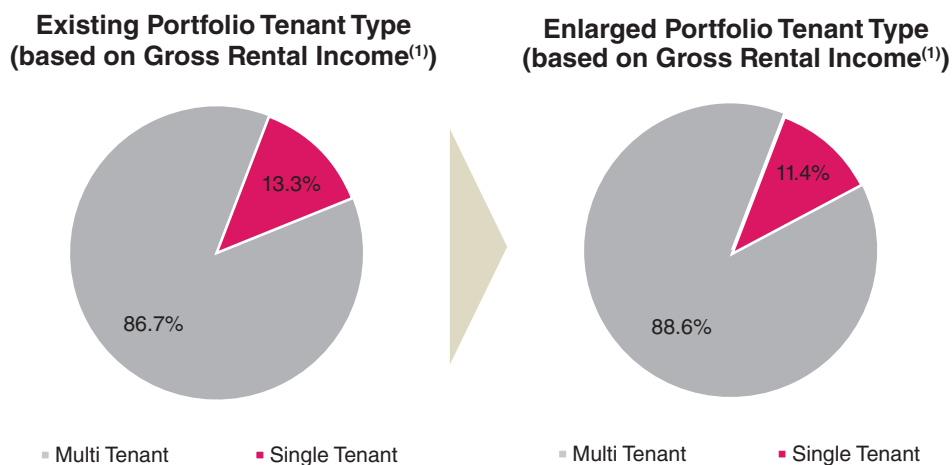


**Note:**

(1) Based on 60% interest in Beijing Wanliu Mall.

(ii) Increase in contribution to gross rental income by multi-tenanted malls

With the proposed Acquisition, the contribution of gross rental income by multi-tenanted malls in the portfolio is expected to increase, on a *pro forma* basis, from 86.7% to 88.6% (based on the gross rental income for the month of August 2018), where the Manager will be able to capitalise on its retail management strength to increase value for Unitholders.



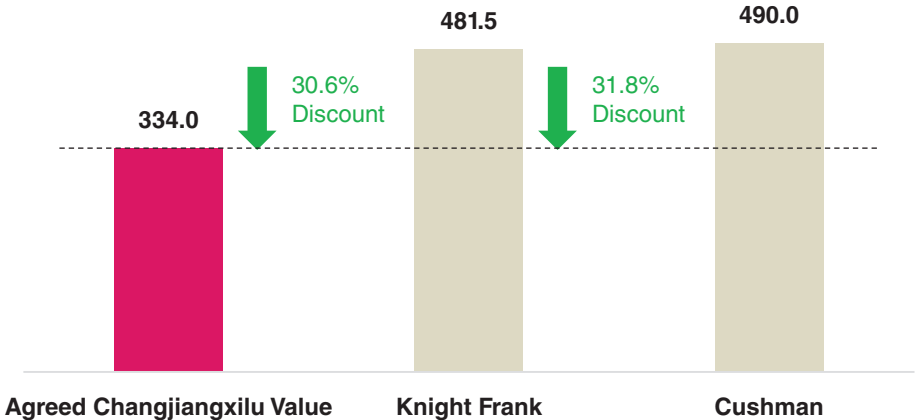
**Note:**

(1) Based on 60% interest in Beijing Wanliu Mall.

**4.4 Attractive value proposition**

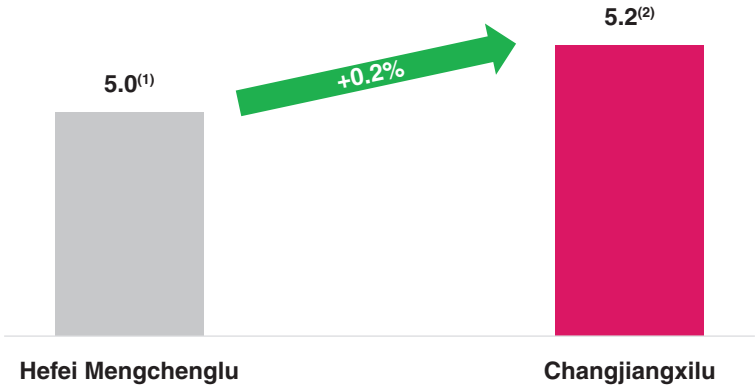
The Manager believes that Hefei Changjiangxilu Mall provides an attractive value proposition, given the discount of the Agreed Changjiangxilu Value from the independent valuations. The Agreed Changjiangxilu Value is approximately RMB334.0 million (approximately S\$66.8 million), representing a discount of approximately 30.6% to Knight Frank’s independent valuation of RMB481.5 million (S\$96.3 million) and a discount of approximately 31.8% to Cushman’s independent valuation of RMB490.0 million (S\$98.0 million).

**Agreed Changjiangxilu Value relative to the independent valuations (in RMB million)**



In addition, the Agreed Changjiangxilu Value implies an FY 2017 Net Property Income Yield of 5.2%, which is higher than the Net Property Income Yield of BHG Retail REIT’s existing mall in Hefei, Hefei Mengchenglu Mall, which was 5.0% in FY 2017.

**Net Property Income Yield (%)**



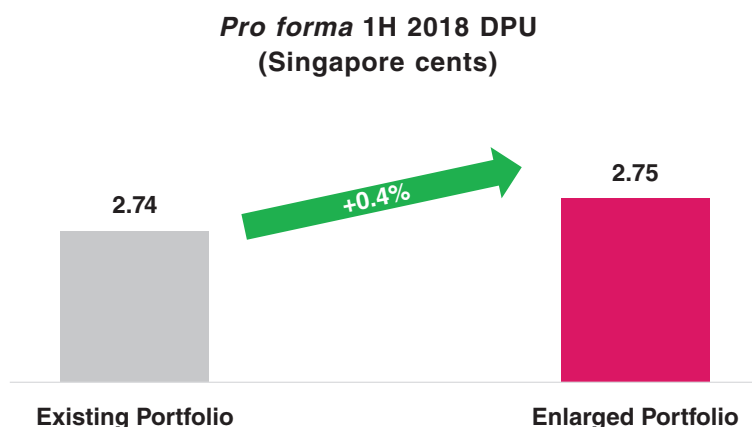
**Notes:**

- (1) Based on FY 2017 Net Property Income and divided by valuation as at 31 December 2017.
- (2) Based on FY 2017 Net Property Income and divided by the Agreed Changjiangxilu Value.



#### 4.5 Positive impact on the Enlarged Portfolio

Based on the proposed method of financing, the proposed Acquisition is expected to increase BHG Retail REIT's distribution per Unit (“DPU”). The chart below illustrates BHG Retail REIT's *pro forma* DPU for 1H 2018 for the Existing Portfolio and for the Existing Portfolio together with Hefei Changjiangxilu Mall (collectively, the “Enlarged Portfolio”).



### 5. DISCLOSURE OF INTEREST

#### 5.1 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 1,250,000 Units. Further details of the interests in Units of the Directors and Substantial Unitholders<sup>1</sup> 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	625,000	0.12	–	–	625,000	0.12
Ben Yeo Chee Seong	–	–	–	–	–	–
Lau Teck Sien	375,000	0.07	–	–	375,000	0.07
Yang Feng	–	–	–	–	–	–
Xiong Zhen	125,000	0.02	–	–	125,000	0.02
Peng Ge	125,000	0.02	–	–	125,000	0.02

<sup>1</sup> “**Substantial Unitholder**” means a person with an interest in Units constituting not less than 5.0% of the total number of Units in issue

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 Substantial Unitholder	Direct Interest		Deemed Interest		Total	
	No. of Units held	%	No. of Units held	%	No. of Units held	%
Beijing Hua Lian Group (Singapore) International Trading Pte Ltd	148,310,300	29.49	–	–	148,310,300	29.49
Beijing Hualian Group Investment Holding Co. Ltd. <sup>(1)</sup>	–	–	173,470,101	34.50	173,470,101	34.50
Hainan Hong Ju Industrial Co. Ltd. <sup>(2)</sup>	–	–	173,470,101	34.50	173,470,101	34.50
Hainan Hong Ju Culture Media Group Limited <sup>(3)</sup>	–	–	173,470,101	34.50	173,470,101	34.50
China Merchants Bank Assets Management	84,475,000	16.80	–	–	84,475,000	16.80
China Citic Bank Asset Management	68,125,000	13.55	–	–	68,125,000	13.55
Chanchai Ruayrungruang <sup>(4)</sup>	–	–	67,660,600	13.46	67,660,600	13.46
Bank of Communications	46,219,000	9.19	–	–	46,219,000	9.19

**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 29.71% of the total issued equity interest of Beijing Hualian Hypermarket Co., Ltd. (“**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, which in turn wholly owns BHG Singapore. Accordingly, BHGIH is deemed interested in the 9,111,900 Units owned by BHG Singapore.  
BHG Singapore in turn wholly-owned the Singapore Property Manager and the Manager. Accordingly, BHGIH is deemed interested in the 2,605,658 Units owned by the Singapore Property Manager and the 5,317,243 Units owned by the Manager. BHGIH is deemed interested in an aggregate of 173,470,101 Units, representing 34.50% of the total issued Units.
- (2) 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.
- (3) Hainan Hongju 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.
- (4) Dr Chanchai Ruayrungruang is deemed to have an interest in the 67,660,600 Units held through his nominee, DBS Private Bank.

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 proposed Acquisition.

## 5.2 Directors' Service Contracts

No person is proposed to be appointed as a director of the Manager in connection with the proposed Acquisition or any other transactions contemplated in relation to the proposed Acquisition.

## 6. CERTAIN FINANCIAL INFORMATION RELATING TO THE PROPOSED ACQUISITION

### 6.1 *Pro Forma* Financial Effects of the proposed Acquisition

**FOR ILLUSTRATIVE PURPOSES ONLY:** The *pro forma* financial effects of the proposed Acquisition for FY 2017 and for 1H 2018 on the DPU, NAV per Unit and aggregate leverage ratio presented below are strictly for illustrative purposes only and were prepared based on:

- (i) BHG Retail REIT's latest audited financial statements for FY 2017 (the "**FY 2017 Audited Financial Statements**");
- (ii) BHG Retail REIT's results announcement for 1H 2018; and
- (iii) the audited management accounts for the PRC SPV for FY 2017 and the unaudited management accounts for the PRC SPV for 1H 2018 (the "**Changjiangxilu Mall Management Accounts**"),

taking into account the Acquisition Cost, and certain assumptions including (but not limited to) the following:

- (a) the transfer of certain assets and liabilities to 合肥瑞达丰源商业管理有限公司 and of Hefei Changjiangxilu Mall's capital reduction associated with the company split had occurred as at 31 December 2017<sup>1</sup>;
- (b) the acquisition fee of approximately RMB2.5 million (approximately S\$0.5 million) is paid to the Manager in respect of the proposed Acquisition through the issuance of approximately 647,916 units (based on an illustrative issue price of S\$0.76 per unit);
- (c) the Acquisition Cost is wholly funded by borrowings at an average interest rate of 4.2%;
- (d) the Acquisition Cost is subject to adjustment for assets and liabilities to be acquired as part of the acquisition of the underlying entities, as set out in the Share Purchase Agreements;
- (e) the Agreed Changjiangxilu Value is approximately RMB334.0 million (approximately S\$66.8 million); and
- (f) the applicable exchange rates for the *pro forma* calculations are:

FY 2017	:	RMB4.89: S\$1.00
1H 2018	:	RMB4.80: S\$1.00
31 December 2017	:	RMB4.86: S\$1.00
30 June 2018	:	RMB4.86: S\$1.00

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1 The assets and liabilities transferred, in connection with the company split, relate mainly to intercompany balances owing from related parties, and trade payables. 合肥瑞达丰源商业管理有限公司 was a fellow subsidiary to the PRC SPV (the owner of Hefei Changjiangxilu Mall) prior to the sale of the PRC SPV to the Vendor. The intent of the company split, with the transfer of assets and liabilities, is to reduce the size of the PRC SPV's balance sheet, so as to facilitate the intended disposal of the PRC SPV.

### 6.1.2 Pro Forma DPU

**FOR ILLUSTRATIVE PURPOSES ONLY:** The *pro forma* financial effects of the proposed Acquisition on the DPU for FY 2017 and 1H 2018 are strictly for illustrative purposes only, as if (a) BHG Retail REIT had completed the proposed Acquisition on 1 January 2017, and (b) Hefei Changjiangxilu Mall is or is assumed to be generating Net Property Income since 1 January 2017, based on the Changjiangxilu Mall Management Accounts, and are as follows:

	<b>Pro forma effects of the proposed Acquisition<sup>(1)</sup> for FY 2017</b>		<b>Pro forma effects of the proposed Acquisition for 1H 2018</b>	
	<b>Before the proposed Acquisition</b>	<b>After the proposed Acquisition</b>	<b>Before the proposed Acquisition</b>	<b>After the proposed Acquisition</b>
<b>Net Property Income (S\$ m)</b>	42.9	46.5	23.6	25.8
<b>Distributable Income (S\$ m)</b>	20.0	20.0	10.4	10.5
<b>No. of Units ('000)</b>	365,434	366,084 <sup>(2)</sup>	379,670	380,448 <sup>(3)</sup>
<b>DPU (Singapore cents)<sup>(4)</sup></b>	5.47	5.47	2.74	2.75
<b>DPU Accretion (%)</b>	–	0.0	–	0.4

**Notes:**

- (1) For the purpose of the proposed Acquisition, the *pro forma* is prepared assuming the drawdown of approximately S\$69.2 million from loan facilities and approximately S\$0.5 million (approximately RMB2.5 million) in respect of the Acquisition Fee is paid in the Acquisition Fee Units.
- (2) The total number of Units in issue as at 31 December 2017 includes (a) a total of approximately 0.7 million Acquisition Fee Units, as well as (b) approximately 0.1 million new Units issued as payment to the Manager for the base management fee, at the illustrative issue price of S\$0.76 per Unit.
- (3) The total number of Units in issue as at 30 June 2018 includes (a) a total of approximately 0.7 million Acquisition Fee Units, (b) approximately 0.1 million new Units issued as payment to the Manager for the base management fee and (c) approximately 0.1 million new Units issued as payment to the Manager for the performance fee, at the illustrative issue price of S\$0.76 per Unit.
- (4) DPU is derived at after taking into consideration waiver from strategic investor amounting to 135.5 million Units and 123.2 million Units as at 31 December 2017 and 30 June 2018 respectively.

### 6.1.3 Pro Forma NAV

**FOR ILLUSTRATIVE PURPOSES ONLY:** The *pro forma* financial effects of the proposed Acquisition on the NAV per Unit as at 31 December 2017 and 30 June 2018, as if the proposed Acquisition had been completed on 31 December 2017 and 30 June 2018 respectively, are as follows:

	<i>Pro forma</i> effects of the proposed Acquisition as at 31 December 2017		<i>Pro forma</i> effects of the proposed Acquisition as at 30 June 2018	
	Before the proposed Acquisition	After the proposed Acquisition <sup>(1)</sup>	Before the proposed Acquisition	After the proposed Acquisition
<b>NAV represented by unitholders' funds (S\$'000)</b>	416,454	439,375	419,489	443,500
<b>No. of Units at the end of the year ('000)</b>	500,934	501,583 <sup>(2)</sup>	502,851	503,629 <sup>(3)</sup>
<b>NAV per Unit (S\$)</b>	0.83	0.88	0.83	0.88

**Notes:**

- (1) For the purposes of the proposed Acquisition, the *pro forma* is prepared assuming the drawdown of approximately S\$69.2 million from loan facilities and approximately S\$0.5 million (approximately RMB2.5 million) in respect of the Acquisition Fee is paid in the Acquisition Fee Units.
- (2) The total number of Units in issue as at 31 December 2017 includes (a) approximately 0.7 million Acquisition Fee Units and (b) approximately 0.1 million new Units issued as payment to the Manager for the base management fee, at the illustrative issue price of S\$0.76 per Unit.
- (3) The total number of Units in issue as at 30 June 2018 includes (a) a total of approximately 0.7 million Acquisition Fee Units, (b) approximately 0.1 million new Units issued as payment to the Manager for the base management fee and (c) approximately 0.1 million new Units issued as payment to the Manager for the performance fee, at the illustrative issue price of S\$0.76 per Unit.

### 6.1.4 Pro Forma aggregate leverage ratio

**FOR ILLUSTRATIVE PURPOSES ONLY:** The *pro forma* effects of the proposed Acquisition on the aggregate leverage ratio as at 31 December 2017 and 30 June 2018, as if BHG Retail REIT had completed the proposed Acquisition on 31 December 2017, are as follows:

	<i>Pro forma</i> effects of the proposed Acquisition as at 31 December 2017		<i>Pro forma</i> effects of the proposed Acquisition as at 30 June 2018	
	Before the proposed Acquisition	After the proposed Acquisition	Before the proposed Acquisition	After the proposed Acquisition
<b>Aggregate leverage ratio (%)</b>	32.2	37.0	31.8	36.2

## 7. REQUIREMENT FOR UNITHOLDERS' APPROVAL

### 7.1 Related Party Transaction

Under Chapter 9 of the Listing Manual, where the Trustee proposes to enter into a transaction with an interested person 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.

Based on BHG Retail REIT's latest FY 2017 Audited Financial Statements (as defined herein) as disclosed in BHG Retail REIT's 2017 annual report issued on 26 March 2018, the NTA of BHG Retail REIT as at 31 December 2017 was approximately S\$416.5 million<sup>1</sup>. 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 2018 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 2018, equal to or greater than approximately S\$20.8 million, such a transaction would be subject to approval from Unitholders.

Paragraph 5 of the Property Funds Appendix also imposes a requirement for Unitholders' approval for an Interested Party Transaction by the Trustee whose value is equal to or exceeds 5.0% of BHG Retail REIT's latest audited NAV. Based on BHG Retail REIT's latest FY 2017 Audited Financial Statements as disclosed in BHG Retail REIT's 2017 annual report issued on 26 March 2018, the NAV of BHG Retail REIT as at 31 December 2017 was approximately S\$416.5 million<sup>2</sup>. Accordingly, if the value of a transaction which is proposed to be entered into by the Trustee with an interested party during the current financial year ending 31 December 2018 is equal to or greater than approximately S\$20.8 million, such a transaction would also be subject to approval from Unitholders.

BHG Retail REIT has not entered into any Related Party Transactions with the Sponsor and its subsidiaries and associates or any other interested persons of BHG Retail REIT during the course of the current financial year ending 31 December 2018 up to the Latest Practicable Date.

As at the Latest Practicable Date, as the Manager is a wholly-owned subsidiary of the Sponsor, the Sponsor is therefore regarded as a "controlling shareholder" of the Manager under both the Listing Manual and the Property Funds Appendix.

The SG SPV acquired Hefei Changjiangxilu Mall from the Sponsor pursuant to the PRC SPA and BHG Retail REIT is proposing to indirectly acquire Hefei Changjiangxilu Mall through the proposed acquisition of the SG SPV from the Vendor pursuant to the SG SPA. As the Sponsor is an interested person of BHG Retail REIT under the Listing Manual and an interested party of BHG Retail REIT under the Property Funds Appendix, BHG Retail REIT will be obtaining approval from the Unitholders on the basis that the Manager regards the proposed Acquisition as a Related Party Transaction.

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1 For the avoidance of doubt, the NTA of BHG Retail REIT as at 31 December 2017 excludes net assets attributable to non-controlling interests.

2 For the avoidance of doubt, the NTA of BHG Retail REIT as at 31 December 2017 excludes net assets attributable to non-controlling interests.



Given that the Transaction Amount is RMB328.3 million (S\$65.7 million) (which is 15.8% of both the audited NTA and the NAV of BHG Retail REIT as at 31 December 2017), the value of the proposed Acquisition exceeds 5.0% of the NTA and the NAV of BHG Retail REIT. Accordingly, the Manager is seeking the approval of Unitholders by way of an Ordinary Resolution of the Unitholders for the proposed Acquisition.

## 7.2 Relative Figures Computed on the Bases Set Out In Rule 1006 of the Listing Manual

**7.2.1** Chapter 10 of the SGX-ST Listing Manual governs the acquisition or disposal of assets, including options to acquire or dispose of assets, by BHG Retail REIT. Such transactions are classified into the following categories:

- (i) non-discloseable transactions;
- (ii) discloseable transactions;
- (iii) major transactions; and
- (iv) very substantial acquisitions or reverse take-overs.

**7.2.2** A proposed acquisition by BHG Retail REIT may fall into any of the categories set out above depending on the size of the relative figures computed on the following bases of comparison:

- (i) the net profits attributable to the assets acquired, compared with BHG Retail REIT's net profits pursuant to Rule 1006(b) of the Listing Manual; and
- (ii) the aggregate value of the consideration given or received, compared with BHG Retail REIT's market capitalisation based on the total number of issued Units pursuant to Rule 1006(c) of the Listing Manual.

Rule 1006(d) of the Listing Manual is not applicable as BHG Retail REIT will not be issuing any units as consideration for the Proposed Acquisition.

**7.2.3** The relative figures computed on the bases set out in Rules 1006(b) and 1006(c) of the Listing Manual are as follows:

Comparison of:	The proposed Acquisition	BHG Retail REIT	Relative Figure (%)
<b>Net Property Income (S\$ million)<sup>(1)</sup></b>	3.5	42.9 <sup>(2)</sup>	8.0
<b>Transaction Amount against market capitalisation (S\$ million)</b>	65.7	334.4 <sup>(3)</sup>	19.6

**Notes:**

- (1) In the case of a real estate investment trust, the net property income is a close proxy to the net profits attributable to its assets.
- (2) Based on BHG Retail REIT's audited financial statements for FY 2017.
- (3) Based on the weighted average price of the Units transacted on the SGX-ST on 2 November 2018, being the market day preceding the date of signing of the SG SPA, of S\$0.665 per Unit.

The Manager is of the view that the proposed Acquisition is in the ordinary course of BHG Retail REIT's business as the proposed acquisition of Hefei Changjiangxilu Mall through the SG SPV and the PRC SPV is within the investment policy of BHG Retail REIT and does not change the risk profile of BHG Retail REIT. As such, the proposed Acquisition should therefore not be subject to Chapter 10 of the Listing Manual. However, as the Manager regards the proposed Acquisition as a Related Party Transaction, the proposed Acquisition will still be subject to the specific approval of Unitholders.

## 8. 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 proposed Acquisition. 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 proposed Acquisition, is set out in **Appendix B** of this Circular. Unitholders are advised to read the IFA Letter in its entirety carefully.

Having considered the factors and made the assumptions set out in the IFA Letter, and subject to the qualifications set out therein, the IFA is of the opinion that the proposed Acquisition is based on normal commercial terms and is not prejudicial to the interests of BHG Retail REIT and its minority Unitholders.

The IFA is of the opinion that the Independent Directors can recommend that Unitholders vote in favour of the resolution in connection with the proposed Acquisition to be proposed at the EGM.

## 9. RECOMMENDATION

Based on the opinion of the IFA (as set out in the IFA Letter in **Appendix B** of this Circular) and having regard to the rationale for and key benefits of the proposed Acquisition as set out in paragraph 4 above, the Independent Directors and the Audit and Risk Committee are of the opinion that the proposed Acquisition is based on normal commercial terms and is 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 EGM in favour of the resolution relating to the proposed Acquisition.

## 10. EXTRAORDINARY GENERAL MEETING

The EGM will be held on 18 December 2018 at 10.00 a.m. at InterContinental Singapore, Level 2, Ballroom 3, 80 Middle Road, Singapore 188966 for the purpose of considering and, if thought fit, passing with or without modification, the Ordinary Resolution in the Notice of Extraordinary General Meeting, which is set out on pages D-1 and D-2 of this Circular. The purpose of this Circular is to provide Unitholders with relevant information about the resolution.

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 EGM and to speak and vote 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 EGM.

## **11. ABSTENTIONS FROM VOTING**

### **11.1 Relationship Between the Sponsor and the Manager**

As at the Latest Practicable Date, the Manager is a wholly-owned subsidiary of the Sponsor.

### **11.2 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 EGM.

Each of the Sponsor and the Manager (i) will abstain, and will procure their associates (including the Singapore Property Manager and the Manager) to abstain from voting at the EGM on the resolution to approve the proposed Acquisition and (ii) will not, and will procure that their associates will not, accept appointments as proxies in relation to the resolution to approve the proposed Acquisition unless specific instructions as to voting are given.

As at the Latest Practicable Date, BHGIH holds 25.39% and 29.71% of the total issued equity interest of the Sponsor and BHH respectively. Although BHGIH<sup>1</sup> and BHH<sup>2</sup> are not associates of the Sponsor under the Listing Manual, in the interests of good corporate governance, each of BHGIH and BHH will also abstain from voting at the EGM on the resolution to approve the proposed Acquisition.

In the interest of good corporate governance, Mr. Yang Feng, Mr. Xiong Zhen and Mr. Peng Ge<sup>3</sup> will also abstain from voting at the EGM on the resolution to approve the proposed Acquisition.

## **12. ACTION TO BE TAKEN BY UNITHOLDERS**

Unitholders will find enclosed in this Circular the Notice of Extraordinary General Meeting and a Proxy Form.

If a Unitholder is unable to attend the EGM and wishes to appoint a proxy to attend and vote on his behalf, he should complete, sign and return the enclosed Proxy Form in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the company secretary of the Manager at the office of the Unit Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place, #32-01, Singapore 048623, not later than 16 December 2018 at 10.00 a.m., being 48 hours before the time fixed for the EGM. The completion and return of the Proxy Form by a Unitholder will not prevent him from attending and voting in person if he so wishes.

Persons who have an interest in the approval of the resolution must decline to accept appointment as proxies unless the Unitholder concerned has specific instructions in his Proxy Form as to the manner in which his votes are to be cast in respect of the resolution.

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1 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. BHGIH is therefore not an associate of the Sponsor.

2 As BHGIH holds a 29.71% interest in BHH as at the Latest Practicable Date, and the Sponsor does not hold any interest in BHH, BHH is not an associate of the Sponsor.

3 Mr. Yang Feng, 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.

### 13. 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 proposed Acquisition, 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.

### 14. CONSENTS

The IFA and each of the Independent Valuers have given and have not withdrawn their written consent to the issue of this Circular with the inclusion of their names and, respectively, the IFA Letter, the valuation certificates for Hefei Changjiangxilu Mall issued by the Independent Valuers (the “**Valuation Certificates**”) and all references thereto, in the form and context in which they are included in this Circular.

### 15. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the registered office of the Manager<sup>1</sup> at 100 Beach Road, Shaw Tower #25-11, Singapore 189702, from the date of this Circular up to and including the date falling three months after the date of this Circular:

- (i) the Share Purchase Agreements;
- (ii) the IFA Letter;
- (iii) the Valuation Certificates and the full valuation reports on Hefei Changjiangxilu Mall issued by the Independent Valuers;
- (iv) the BHG Retail REIT FY 2017 Audited Financial Statements;
- (v) IFA consent letter;
- (vi) Knight Frank consent letter; and
- (vii) Cushman consent letter.

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

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<sup>1</sup> Prior appointment with the Manager (telephone number: +65 6805 8288) will be appreciated.

## IMPORTANT NOTICE

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.

If you have sold or transferred all your Units, you should immediately forward this Circular, together with the Notice of Extraordinary 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:

<b>“Acquisition”</b>	:	The acquisition by BHG Retail REIT of Hefei Changjiangxilu Mall
<b>“Acquisition Cost”</b>	:	The estimated total cost of the proposed Acquisition
<b>“Acquisition Fee”</b>	:	The acquisition fee payable to the Manager for the proposed Acquisition pursuant to the Trust Deed, which amounts to approximately RMB2.5 million (approximately S\$0.5 million)
<b>“Acquisition Fee Units”</b>	:	Units to be issued to the Manager as payment of the Acquisition Fee
<b>“Agreed Changjiangxilu Value”</b>	:	The agreed property value of Hefei Changjiangxilu Mall, which was negotiated on a willing-buyer and willing-seller basis taking into account the independent valuations conducted by the Independent Valuers (as defined herein), is approximately RMB334.0 million (approximately S\$66.8 million)
<b>“Audit and Risk Committee”</b>	:	The audit and risk committee of the Manager
<b>“BHG Group”</b>	:	The BHG group, which includes, <i>inter alia</i> , BHGIH, the Sponsor and BHH.
<b>“BHG Retail REIT”</b>	:	BHG Retail Real Estate Investment Trust
<b>“BHG Singapore”</b>	:	Beijing Hualian Mall (Singapore) Commercial Management Pte. Ltd.
<b>“BHG SIT”</b>	:	Beijing Hua Lian Group (Singapore) International Trading Pte. Ltd.
<b>“BHGIH”</b>	:	Beijing Hualian Group Investment Holdings Co., Ltd.
<b>“BHH”</b>	:	Beijing Hualian Hypermarket Co., Ltd
<b>“BHH SPP”</b>	:	Beijing Hualian Hypermarket (Singapore) Purchasing Pte. Ltd.
<b>“Business Day”</b>	:	Any day (other than a Saturday, Sunday or gazetted public holiday) on which commercial banks are generally open for business in Singapore and the SGX-ST is open for trading
<b>“CAGR”</b>	:	Compound annual growth rate

<b>“Changjiangxilu Mall Management Accounts”</b>	:	The audited management accounts for the PRC SPV for FY 2017 and the unaudited management accounts for the PRC SPV for 1H 2018
<b>“Circular”</b>	:	Circular dated 30 November 2018 issued by the Manager to the Unitholders
<b>“Completion”</b>	:	The completion of the proposed Acquisition
<b>“Completion Date”</b>	:	The date of Completion
<b>“Cushman”</b>	:	Cushman & Wakefield Limited
<b>“Directors”</b>	:	Directors of the Manager
<b>“DPU”</b>	:	Distribution per Unit
<b>“EGM”</b>	:	Extraordinary general meeting
<b>“Enlarged Portfolio”</b>	:	The Existing Portfolio and Hefei Changjiangxilu Mall collectively
<b>“Existing Portfolio”</b>	:	BHG Retail REIT’s existing portfolio comprising five properties in the PRC
<b>“FY 2017”</b>	:	The financial year from 1 January 2017 to 31 December 2017
<b>“FY 2017 Audited Financial Statements”</b>	:	BHG Retail REIT’s latest audited financial statements for FY 2017
<b>“GFA”</b>	:	Gross floor area
<b>“IFA”</b>	:	Ernst & Young Corporate Finance Pte. Ltd., in its capacity as the independent financial adviser
<b>“IFA Letter”</b>	:	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 <b>Appendix B</b> of this Circular
<b>“Independent Directors”</b>	:	The independent directors of the Manager
<b>“Independent Valuers”</b>	:	Knight Frank and Cushman
<b>“Individual Property Management Agreement”</b>	:	The individual property management agreement entered into between the Trustee, the Manager and the Singapore Property Manager upon Completion
<b>“Interested Party Transaction”</b>	:	An interested party transaction under the Property Funds Appendix
<b>“Interested Person Transaction”</b>	:	An interested person transaction under Chapter 9 of the Listing Manual

<b>“km”</b>	:	Kilometre
<b>“Knight Frank”</b>	:	Knight Frank Petty Limited
<b>“Latest Practicable Date”</b>	:	26 November 2018, being the latest practicable date prior to the printing of this Circular
<b>“Listing Manual”</b>	:	The Listing Manual of the SGX-ST, as may be amended or modified from time to time
<b>“Manager”</b>	:	BHG Retail Trust Management Pte. Ltd., as manager of BHG Retail REIT
<b>“Market Price”</b>	:	As defined under Clause 5.3.1 of the Trust Deed, the volume weighted average price for a Unit for all trades on the SGX-ST, in the ordinary course of trading on the SGX-ST for the period of 10 Business Days or such other period as may be prescribed by the SGX-ST immediately preceding (and for the avoidance of doubt, including) the relevant Business Day
<b>“Master Property Management Agreement”</b>	:	The master property management agreement dated 23 November 2015 entered into between the Trustee, the Manager and the Singapore Property Manager in respect of properties of BHG Retail REIT
<b>“NAV”</b>	:	Net asset value
<b>“NLA”</b>	:	Net lettable area
<b>“Net Property Income” or “NPI”</b>	:	Gross rental income less property operating expenses
<b>“Net Property Income Yield”</b>	:	Calculated as total Net Property Income divided by the agreed property value of the respective property at the time of the transaction.
<b>“NTA”</b>	:	Net tangible assets
<b>“Ordinary Resolution”</b>	:	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
<b>“PRC”</b>	:	The People’s Republic of China
<b>“PRC SPA”</b>	:	A share purchase agreement dated 25 July 2018, as amended by a supplemental agreement dated 5 November 2018, both entered into between the SG SPV and the Sponsor, collectively



<b>“PRC SPV”</b>	:	Hefei Hualian Ruicheng Shopping Plaza Commercial Operation Ltd. (合肥华联瑞城购物广场商业运营有限公司)
<b>“Property Funds Appendix”</b>	:	Appendix 6 of the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore
<b>“Related Party Transaction”</b>	:	An Interested Person Transaction and an Interested Party Transaction
<b>“RMB”</b>	:	The lawful currency of the PRC
<b>“S\$”</b>	:	The lawful currency of the Republic of Singapore
<b>“SG SPA”</b>	:	The share purchase agreement dated 5 November 2018 entered into between the Vendor and the Trustee in respect of the SG SPV, the company which indirectly holds Hefei Changjiangxilu Mall
<b>“SG SPV”</b>	:	Fuchsia (China) Mall Pte. Ltd.
<b>“SGX-ST”</b>	:	Singapore Exchange Securities Trading Limited
<b>“Share Purchase Agreements”</b>	:	The PRC SPA and the SG SPA
<b>“Singapore Property Manager”</b>	:	BHG Mall (Singapore) Property Management Pte. Ltd.
<b>“Sponsor”</b>	:	Beijing Hualian Department Store Co., Ltd.
<b>“Sq m”</b>	:	Square metre
<b>“Substantial Unitholder”</b>	:	A person with an interest in Units constituting not less than 5.0% of the total number of Units in issue
<b>“Transaction Amount”</b>	:	The transaction amount in respect of the SG SPV, which comprises (i) S\$65.7 million that the Trustee will extend to the SG SPV via a shareholder’s loan from the Trustee and/or a subscription of shares in the capital of the SG SPV and (ii) S\$100.00 for the issued share capital of the SG SPV
<b>“Trustee”</b>	:	DBS Trustee Limited, in its capacity as trustee of BHG Retail REIT
<b>“Trust Deed”</b>	:	The trust deed dated 18 November 2015 (as amended and supplemented) constituting BHG Retail REIT
<b>“Unitholders”</b>	:	Unitholders of BHG Retail REIT
<b>“Units”</b>	:	Units in BHG Retail REIT
<b>“US\$”</b>	:	The lawful currency of the United States of America

<b>“Valuation Certificates”</b>	:	The valuation certificates for Hefei Changjiangxilu Mall issued by the Independent Valuers
<b>“Vendor”</b>	:	Guok Chin Huat Samuel
<b>“WALE”</b>	:	Weighted average lease to expiry
<b>“1H 2018”</b>	:	The financial period from 1 January 2018 to 30 June 2018

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.

## DETAILS OF HEFEI CHANGJIANGXILU MALL, THE EXISTING PORTFOLIO AND THE ENLARGED PORTFOLIO

### 1. HEFEI CHANGJIANGXILU MALL

#### 1.1 Description of Hefei Changjiangxilu Mall

Hefei Changjiangxilu Mall is located at the junction of Changjiang West Road and Huaining Road, in the Shushan District of Hefei, Anhui Province. The catchment population within a 3 km radius from the mall is approximately 200,000 which is comprises of about 50 local communities.

Hefei Changjiangxilu Mall is a five-storey retail mall (which includes one underground storey) offering supermarket, recreation, food and beverage and fashion tenants. It enjoys good connectivity as it is close to several public bus stations and well-connected to the Hefei Metro Line 2, which commenced operations on 26 December 2017.

The table below sets out certain details of Hefei Changjiangxilu Mall as at 31 August 2018 (unless otherwise stated):

<b>Property</b>	Hefei Changjiangxilu Mall
<b>Location</b>	639 Changjiangxilu Road, Shushan District, Hefei, Anhui Province
<b>Year of Completion</b>	2010
<b>Term of Land Use Right</b>	30 April 2043
<b>Site Area</b>	19,784.67 sq m
<b>GFA</b>	48,003.09 sq m
<b>NLA</b>	27,221.63 sq m
<b>Car Park Lots</b>	243
<b>Number of Storeys</b>	Five-storeys (four-storeys + one underground storey)
<b>Valuation by Knight Frank</b>	RMB481,500,000 (S\$96,300,000)
<b>Valuation by Cushman</b>	RMB490,000,000 (S\$98,000,000)
<b>Agreed Changjiangxilu Value<sup>(1)</sup></b>	RMB334,045,005 (S\$66,809,001)
<b>Weighted Average Lease to Expiry ("WALE")</b>	By gross rental income: 2.6 years By committed lettable area: 5.0 years
<b>Occupancy rate</b>	99.4%
<b>Trade Names of Major Tenants</b>	BHG Supermarket KFC Pizza Hut Watsons La Chapelle Golden Harvest Cinema
<b>FY 2017 Net Property Income<sup>(2)</sup> (RMB)</b>	17,204,140

<b>1H 2018 Net Property Income<sup>(3)</sup> (RMB)</b>	10,049,550
<b>Net Property Income Yield<sup>(4)</sup></b>	FY 2017: 5.2% 1H 2018: 6.0%

**Notes:**

- (1) “**Agreed Changjiangxilu Value**” means the agreed property value of Hefei Changjiangxilu Mall, which was negotiated on a willing-buyer and willing-seller basis taking into account the independent valuations conducted by the Independent Valuers (as defined herein).
- (2) FY 2017 Net Property Income refers to the Net Property Income for the financial year from 1 January 2017 to 31 December 2017 (“**FY 2017**”). “**Net Property Income**” is computed as gross rental income less property operating expenses.
- (3) 1H 2018 Net Property Income refers to the Net Property Income for the financial period from 1 January 2018 to 30 June 2018 (“**1H 2018**”).
- (4) “**Net Property Income Yield**” was calculated by: (i) dividing the FY 2017 Net Property Income by the Agreed Changjiangxilu Value and (ii) dividing the annualised 1H 2018 Net Property Income by the Agreed Changjiangxilu Value.

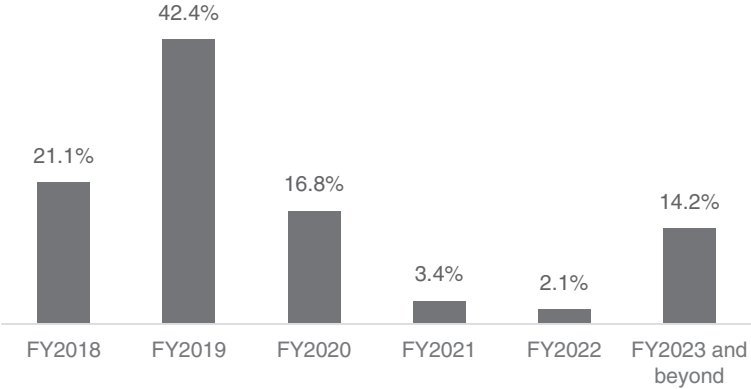
## 1.2 Top Ten Tenants of Hefei Changjiangxilu Mall

The table below sets out the top ten tenants of Hefei Changjiangxilu Mall by monthly gross rental income (based on gross rental income for the month of August 2018 and excludes gross turnover rent).

<b>No.</b>	<b>Tenant</b>	<b>Trade Sector</b>	<b>% of Gross Rental Income</b>
1	北京华联综合超市股份有限公司	Supermarket	13.5
2	合肥橙天嘉禾蜀西影城有限公司	Recreation	4.8
3	吴洋	Service	2.0
4	安徽老乡鸡餐饮有限公司	Food & Beverage	1.6
5	吴晖	Fashion	1.6
6	上海兆品实业有限公司合肥长江西路店	Fashion	1.4
7	拉夏贝尔服饰(太仓)有限公司	Fashion	1.4
8	查甜甜	Fashion	1.4
9	詹振华	Specialty stores	1.2
10	安徽植物医生化妆品有限公司	Specialty stores	1.1
<b>Top Ten Tenants</b>			<b>30.0</b>
<b>Other Tenants</b>			<b>70.0</b>
<b>Total</b>			<b>100.0</b>

**1.3 Lease Expiry Profile**

The chart below illustrates the committed lease expiry profile for Hefei Changjiangxilu Mall by percentage of monthly gross rental income as at 31 August 2018 (based on the month in which each lease expires and excludes gross turnover rent).



**1.4 Trade Sector Analysis**

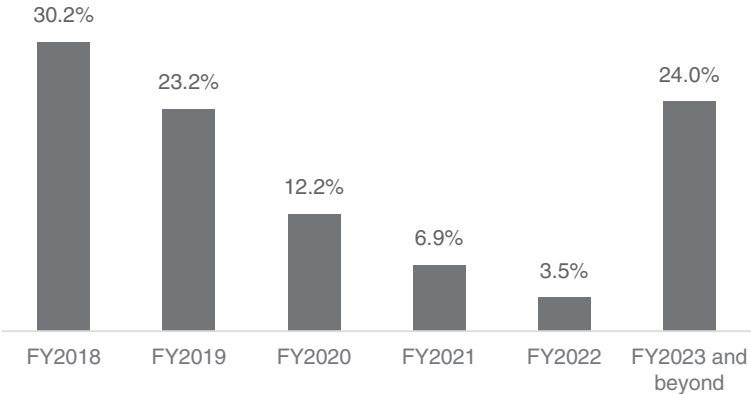
The table below provides a breakdown by the different trade sectors represented in Hefei Changjiangxilu Mall as a percentage of monthly gross rental income (based on gross rental income for the month of August 2018 and excludes gross turnover rent).

	<b>% of Gross Rental Income</b>
Fashion	50.3
Food and beverage	18.0
Supermarket	13.5
Services	8.1
Recreation	4.8
Specialty stores	3.1
Lifestyle	2.2
<b>Total</b>	<b>100.0</b>

**2. EXISTING PORTFOLIO**

**2.1 Lease Expiry Profile for the Existing Portfolio (as at 31 August 2018)**

The chart below illustrates the committed lease expiry profile of the Existing Portfolio by percentage of monthly gross rental income as at 31 August 2018 (based on the month in which each lease expires and excludes gross turnover rent).



**2.2 Trade Sector Analysis**

The table below provides a breakdown by the different trade sectors represented in the Existing Portfolio as a percentage of monthly gross rental income (based on gross rental income for the month of August 2018 and excludes gross turnover rent).

	<b>% of Gross Rental Income</b>
Fashion	34.2
Food and beverages	24.8
Supermarket	19.4
Services	11.6
Recreation	7.1
Lifestyle	2.3
Specialty stores	0.6
<b>Total</b>	<b>100.0</b>

## 2.3 Top Ten Tenants of the Existing Portfolio

The table below sets out the top ten tenants of the Existing Portfolio by monthly gross rental income (based on gross rental income for the month of August 2018 and excludes gross turnover rent).

No.	Tenant	Trade Sector	% of Gross Rental Income
1	北京华联综合超市股份有限公司	Supermarket	19.5
2	绫致时装(天津)有限公司	Fashion	1.4
3	成都华联影院管理有限公司	Recreation	1.2
4	合肥华联影院经营管理有限公司	Recreation	1.1
5	北京橙天嘉禾万贸影城有限公司	Recreation	1.0
6	拉夏贝尔服饰(太仓)有限公司	Fashion	0.9
7	宝盛道吉(北京)贸易有限公司	Fashion	0.8
8	李治国	Recreation	0.8
9	成都乐微服饰有限公司	Fashion	0.7
10	上海拉夏贝尔休闲服饰有限公司	Fashion	0.7
<b>Top Ten Tenants</b>			28.2
<b>Other Tenants</b>			71.8
<b>Total</b>			<b>100.0</b>

## 3. ENLARGED PORTFOLIO

### 3.1 Overview of the Enlarged Portfolio

The table below sets out selected information on the Enlarged Portfolio as at 31 August 2018 (unless otherwise specified).

Total/Weighted Average	Hefei Changjiangxilu Mall	Existing Portfolio <sup>(1)</sup>	Enlarged Portfolio
NLA (sq m)	27,222	153,875 <sup>(2)</sup>	181,097
Number of Tenancies	164	619	783
Committed Occupancy (%)	99.4	97.9	98.1
WALE (by Committed Lettable Area)	5.0	8.0	7.5
Valuation (RMB million)	481.5 (Knight Frank)  490.0 (Cushman)	3,946 <sup>(1)</sup>	4,431.8 <sup>(3)</sup>

**Notes:**

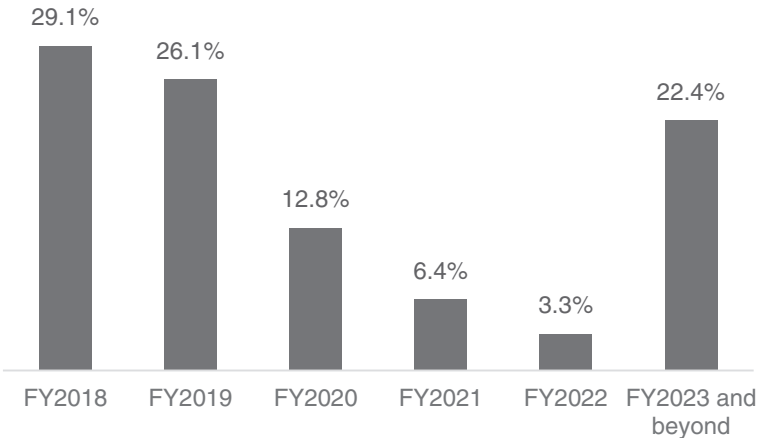
(1) Valuation as at 31 December 2017.

(2) As at 31 August 2018.

(3) Based on the aggregate of the valuation of the Existing Portfolio as at 31 December 2017 and the average of the two independent valuations of Hefei Changjiangxilu Mall.

**3.2 Lease Expiry Profile for the Enlarged Portfolio (as at 31 August 2018)**

The chart below illustrates the committed lease expiry profile of the Enlarged Portfolio by percentage of monthly gross rental income as at 31 August 2018 (based on the month in which each lease expires and excludes gross turnover rent).



**3.3 Trade Sector Analysis**

The table below provides a breakdown by the different trade sectors represented in the Enlarged Portfolio as a percentage of monthly gross rental income (based on gross rental income for the month of August 2018 and excludes gross turnover rent).

	<b>% of Gross Rental Income</b>
Fashion	36.5
Food and beverage	23.8
Supermarkets	18.6
Services	11.1
Recreation	6.8
Lifestyle	2.3
Specialty stores	1.0
<b>Total</b>	<b>100.0</b>



### 3.4 Top Ten Tenants of the Enlarged Portfolio

The table below sets out the top ten tenants of the Enlarged Portfolio by monthly gross rental income (based on gross rental income for the month of August 2018 and excludes gross turnover rent).

No.	Tenant	Trade Sector	% of Gross Rental Income
1	北京华联综合超市股份有限公司	Supermarket	18.6
2	绫致时装(天津)有限公司	Recreation	1.2
3	成都华联影院管理有限公司	Recreation	1.0
4	拉夏贝尔服饰(太仓)有限公司	Recreation	1.0
5	合肥华联影院经营管理有限公司	Recreation	0.9
6	北京橙天嘉禾万贸影城有限公司	Recreation	0.9
7	合肥橙天嘉禾蜀西影城有限公司	Fashion	0.7
8	宝盛道吉(北京)贸易有限公司	Recreation	0.7
9	李治国	Recreation	0.7
10	成都乐微服饰有限公司	Service	0.6
<b>Top Ten Tenants</b>			26.3
<b>Other Tenants</b>			73.7
<b>Total</b>			<b>100.0</b>

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## INDEPENDENT FINANCIAL ADVISER'S LETTER



Ernst & Young Corporate Finance Pte Ltd  
 One Raffles Quay  
 North Tower, Level 18  
 Singapore 048583

Mailing Address: ey.com  
 Robinson Road  
 PO Box 384  
 Singapore 900734

30 November 2018

**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)**

100 Beach Road  
 Shaw Tower #25-11  
 Singapore 189702

**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 ACQUISITION OF HEFEI CHANGJIANGXILU MALL**

**1 INTRODUCTION**

On 6 November 2018, BHG Retail Trust Management Pte. Ltd. (as the manager of BHG Retail Real Estate Investment Trust ("**BHG Retail REIT**") (the "**Manager**") announced the proposed acquisition of Hefei Changjiangxilu Mall in the Shushan District of Hefei, Anhui Province, the People's Republic of China ("**PRC**") for a transaction amount of RMB328.3 million (S\$65.7 million) (the "**Transaction Amount**") (the "**Acquisition**"). The Transaction Amount comprises (i) S\$65.7 million that DBS Trustee Limited (as the trustee of BHG Retail REIT) (the "**Trustee**") will extend to SG SPV (as defined below) via a shareholder's loan from the Trustee and/or a subscription of shares in the capital of SG SPV, and (ii) S\$100.00 for the issued share capital of SG SPV.

Hefei Changjiangxilu Mall is located at the junction of Changjiang West Road and Huaining Road, in the Shushan District of Hefei, Anhui Province. The catchment population within a 3 kilometre radius from the mall is approximately 200,000, which comprises about 50 local communities.

Hefei Changjiangxilu Mall is a five-storey retail mall (which includes one underground storey) offering supermarket, recreation, food and beverage and fashion tenants. It has good connectivity as it is close to several public bus stations and well-connected to the Hefei Metro Line 2, which commenced operations on 26 December 2017.

Hefei Changjiangxilu Mall was initially indirectly owned by Beijing Hualian Department Store Co., Ltd. (the “**Sponsor**”) through a PRC holding company, Hefei Hualian Ruicheng Shopping Plaza Commercial Operation Ltd. (合肥华联瑞城购物广场商业运营有限公司) (“**PRC SPV**”). A series of steps have been and will be undertaken in compliance with the relevant PRC laws and regulations<sup>1</sup> in relation to the proposed Acquisition. Guok Chin Huat Samuel (the “**Vendor**”) had incorporated Fuchsia (China) Mall Pte. Ltd. (“**SG SPV**”), a Singapore holding company to acquire from the Sponsor its equity interest in the PRC SPV for a purchase consideration of US\$47,399,600 (approximately S\$65,155,490)<sup>2</sup>, pursuant to a share purchase agreement dated 25 July 2018, as amended by a supplemental agreement dated 5 November 2018, both entered into between the SG SPV and the Sponsor (collectively, the “**PRC SPA**”). Guok Chin Huat Samuel is an individual who is unrelated to Beijing Hualian Group Investment Holding Co., Ltd., the Sponsor, and Beijing Hualian Hypermarket Co., Ltd. (collectively, the “**BHG Group**”) and is neither an “interested person” of BHG Retail REIT for the purposes of the Listing Manual of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) (the “**Listing Manual**”) nor an “interested party” of BHG Retail REIT for the purposes of Appendix 6 of the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore (the “**MAS**” and Appendix 6, the “**Property Funds Appendix**”). The Vendor has, through the SG SPV, already acquired legal and beneficial title to the Sponsor’s equity interest in the PRC SPV on 13 August 2018.

In the second stage of the proposed Acquisition, the Trustee and the Vendor entered into a share purchase agreement dated 5 November 2018 (the “**SG SPA**”, and together with the PRC SPA, the “**Share Purchase Agreements**”), pursuant to which the Trustee will acquire from the Vendor all the issued shares in the SG SPV.

Pursuant to the SG SPA, the Vendor agreed to sell, and the Trustee, on behalf of BHG Retail REIT, agreed to acquire, 100.0% of the total issued shares in the SG SPV. The Transaction Amount in respect of the SG SPV of RMB328.3 (S\$65.7 million) is based on, *inter alia*, the Agreed Changjiangxilu Value and the minimum net asset value (“**NAV**”) of the PRC SPV<sup>3</sup> of RMB239.0 million (approximately S\$47.8 million) as at the date of completion of the proposed Acquisition (“**Completion**”, and the date of Completion, the “**Completion Date**”). The Trustee and the Vendor have agreed that the Vendor shall indemnify the Trustee for any decrease in the NAV of the PRC SPV as reflected in the completion balance sheet of the PRC SPV as at the Completion Date compared to the agreed NAV of PRC SPV of RMB239.0 million<sup>4</sup> (approximately S\$47.8 million).

Following Completion, the Trustee will own 100.0% of the total issued shares in the SG SPV.

The proposed Acquisition is intended to be wholly funded through borrowings.

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1 “Relevant PRC laws and regulations” includes (i) Corporate Law of PRC, Contract Law of PRC and Wholly Foreign-owned Enterprises Law of PRC, (ii) obtaining all material PRC regulatory approvals for the transfer of the Sponsor’s equity interests in the PRC SPV to the SG SPV, i.e., Interim Measures for the Administration of Establishment and Modification Registration of Foreign-funded Enterprises issued by the Ministry of Commerce of PRC, and (iii) there being no requirements as a pre-condition from the Ministry of Commerce of PRC, National Development and Reform Commission of PRC nor other PRC regulatory authorities to approve, consent, or rectify the sale of the shares of the SG SPV to the Trustee.

2 Based on an assumed exchange rate of US\$1.00:S\$1.3746.

3 The assets and liabilities of the PRC SPV are customary assets and liabilities for a property-owning SPV, and are accrued or, as the case may be, incurred in the PRC SPV’s ordinary course of business.

4 The NAV of the PRC SPV as at 30 September 2018 is approximately RMB241.5 million (approximately S\$48.3 million).

As at 26 November 2018, being the latest practicable date prior to the printing of the circular (the “**Circular**”) issued by the Manager to the unitholders of BHG Retail REIT (the “**Unitholders**”) (the “**Latest Practicable Date**”), the Manager is a wholly-owned subsidiary of the Sponsor. Accordingly, the Sponsor is regarded as a “controlling shareholder” of the Manager for the purposes of both the Listing Manual and the Property Funds Appendix.

The Vendor acquired Hefei Changjiangxilu Mall from the Sponsor pursuant to the PRC SPA and BHG Retail REIT is proposing to acquire Hefei Changjiangxilu Mall from the Vendor pursuant to the SG SPA. As the Sponsor is an interested person of BHG Retail REIT under the Listing Manual and an interested party of BHG Retail REIT under the Property Funds Appendix, BHG Retail REIT will be obtaining approval from the Unitholders on the basis that the Manager regards the proposed Acquisition as an interested person transaction under Chapter 9 of the Listing Manual (an “**Interested Person Transaction**”) and an interested party transaction under the Property Funds Appendix ( an “**Interested Party Transaction**”, and together with the Interested Person Transaction, a “**Related Party Transaction**”).

Given that the Transaction Amount is RMB328.3 million (S\$65.7 million) (which is 15.8% of both the audited net tangible assets (“**NTA**”) and NAV of BHG Retail REIT as at 31 December 2017), the value of the proposed Acquisition exceeds 5.0% of the NTA and the NAV of BHG Retail REIT. Accordingly, the Manager is seeking the approval of Unitholders by way of an Ordinary Resolution of the Unitholders for the proposed Acquisition.

In accordance with the abovementioned requirements, more details of which are set out in the Circular, 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 proposed Acquisition 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 proposed Acquisition and our opinion thereon. It forms part of the Circular to be issued by the Manager which provides, *inter alia*, the details of the proposed Acquisition 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. China Renminbi (“**RMB**”) amounts are converted to Singapore Dollars (“**S\$**”) based on the illustrative exchange rate of S\$1.00:RMB5.00.

## **2 TERMS OF REFERENCE**

EYCF has been appointed as required under Rule 921(4)(a) of the Listing Manual as well as to provide opinion to the Independent Directors, the Audit and Risk Committee, and the Trustee in respect of whether the proposed Acquisition 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 proposed Acquisition, 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. 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 Acquisition 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 proposed Acquisition, nor were we involved in the deliberations leading up to the decisions by the directors of the Manager (the “**Directors**”) in connection with the proposed Acquisition. 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 proposed Acquisition, and to comment on such merits and/or risks of the proposed Acquisition. We have only expressed our opinion on whether the proposed Acquisition is on normal commercial terms and is not prejudicial to the interests of BHG Retail REIT. The assessment of the legal, strategic, commercial and financial merits and/or risks of the proposed Acquisition 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 proposed Acquisition 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 proposed Acquisition, 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, Hefei Changjiangxilu Mall, and the proposed Acquisition 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, Hefei Changjiangxilu Mall in the context of the proposed Acquisition, 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 proposed Acquisition 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 and/or Hefei Changjiangxilu Mall. We have also not made an independent evaluation or appraisal of the assets and liabilities of BHG Retail REIT and/or Hefei Changjiangxilu Mall. However, we have been furnished with the independent valuation reports of Knight Frank Petty Limited (“**Knight Frank**”) and Cushman & Wakefield Limited (“**Cushman**”, and together with Knight Frank, the “**Independent Valuers**”) commissioned by the Trustee and the Manager respectively, and issued by the Independent Valuers in connection with the open market value (the “**Market Value**”) of Hefei Changjiangxilu Mall as at 31 August 2018 (the “**Valuation Date**”, and the reports, the “**Valuation Reports**”). We are not experts and do not regard ourselves to be experts in the valuation of Hefei Changjiangxilu Mall, and we have taken into consideration the Valuation Reports prepared by the Independent Valuers.

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, we would advise the Independent Directors and the Audit and Risk Committee to recommend that 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 proposed Acquisition, and the recommendation 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 proposed Acquisition should be considered in the context of the entirety of this letter and the Circular.

### **3 SALIENT INFORMATION ON THE PROPOSED ACQUISITION**

The details of the proposed Acquisition, including details of Hefei Changjiangxilu Mall, are set out in the Summary section and in Section 3 of the Letter to Unitholders of the Circular. We recommend that the Independent Directors and the Audit and Risk Committee advise the Unitholders to read carefully the details of Hefei Changjiangxilu Mall and the proposed Acquisition which are contained in the Circular.

We set out below the salient information on Hefei Changjiangxilu Mall and the proposed Acquisition.

#### **3.1 Description of Hefei Changjiangxilu Mall**

Certain key information on Hefei Changjiangxilu Mall are set out in the Summary section and in Section 3 of the Letter to Unitholders of the Circular and in Appendix A of the Circular. We present the following information in relation to Hefei Changjiangxilu Mall.

Hefei Changjiangxilu Mall is located at the junction of Changjiang West Road and Huaining Road, in the Shushan District of Hefei, Anhui Province. The catchment population within a 3 kilometre radius from the mall is approximately 200,000, which comprises about 50 local communities.

Hefei Changjiangxilu Mall is a five-storey retail mall (which includes one underground storey) offering supermarket, recreation, food and beverage and fashion tenants. It has good connectivity as it is close to several public bus stations and well-connected to the Hefei Metro Line 2, which commenced operations on 26 December 2017.



The following table sets out a summary of selected information on Hefei Changjiangxilu Mall as at 31 August 2018 (unless otherwise stated).

<b>Property</b>	Hefei Changjiangxilu Mall
<b>Location</b>	639 Changjiangxilu Road, Shushan District, Hefei, Anhui Province
<b>Year of Completion</b>	2010
<b>Expiry of Land Use Right</b>	30 April 2043
<b>Site Area</b>	19,784.67 square metres (“sqm”)
<b>Gross Floor Area (“GFA”)</b>	48,003.09 sqm
<b>Net Lettable Area (“NLA”)</b>	27,221.63 sqm
<b>Car Park Lots</b>	243
<b>Number of Floors</b>	Five-storeys (four-storeys + one underground storey)
<b>Valuation by Knight Frank</b>	RMB481,500,000 (S\$96,300,000)
<b>Valuation by Cushman</b>	RMB490,000,000 (S\$98,000,000)
<b>Agreed Changjiangxilu Value<sup>(1)</sup></b>	RMB334,045,005 (S\$66,809,001)
<b>Weighted Average Lease to Expiry (“WALE”)</b>	By gross rental income: 2.6 years By committed lettable area: 5.0 years
<b>Occupancy Rate</b>	99.4%
<b>Trade Names of Major Tenants</b>	BHG Supermarket KFC Pizza Hut Watsons La Chapelle Golden Harvest Cinema
<b>FY2017 Net Property Income (“NPI”)<sup>(2)</sup></b>	RMB17,204,140 (approximately S\$3,440,828)
<b>1H2018<sup>(3)</sup> Net Property Income</b>	RMB10,049,550 (approximately S\$2,009,910)
<b>Net Property Income Yield<sup>(1)(3)(4)</sup></b>	FY2017: 5.2% 1H2018: 6.0%

Source: Circular

**Notes:**

- (1) “**Agreed Changjiangxilu Value**” means the agreed property value of Hefei Changjiangxilu Mall, which was negotiated on a willing-buyer and willing-seller basis taking into account the independent valuations conducted by the Independent Valuers.
- (2) “**FY2017 Net Property Income**” refers to the Net Property Income for the financial year from 1 January 2017 to 31 December 2017 (“**FY2017**”). “**Net Property Income**” is computed as gross rental income less property operating expenses.
- (3) “**1H2018 Net Property Income**” refers to the Net Property Income for the financial period from 1 January 2018 to 30 June 2018 (“**1H2018**”).
- (4) “**Net Property Income Yield**” was calculated by: (i) dividing the FY2017 Net Property Income by the Agreed Changjiangxilu Value and (ii) dividing the annualised 1H2018 Net Property Income by the Agreed Changjiangxilu Value.



### 3.2 Estimated Acquisition Cost

The estimated total cost of the proposed Acquisition (the “**Acquisition Cost**”) is approximately RMB348.4 million (approximately S\$69.7 million), comprising:

- (i) the Transaction Amount of RMB328.3 million (S\$65.7 million);
- (ii) the acquisition fee payable to the Manager for the proposed Acquisition pursuant to the trust deed dated 18 November 2018 (as amended and supplemented) constituting BHG Retail REIT (the “**Trust Deed**”) (the “**Acquisition Fee**”), which amounts to approximately RMB2.5 million (approximately S\$0.5 million). The acquisition fee in respect of Hefei Changjiangxilu Mall is 0.75% of the Transaction Amount, and will only be paid upon Completion in accordance with the terms of the SG SPA; and
- (iii) the estimated professional and other fees and expenses incurred or to be incurred by BHG Retail REIT in connection with the proposed Acquisition of approximately RMB17.6 million (approximately S\$3.5 million).

### 3.3 Transaction Amount and Valuation

The details of the valuation of Hefei Changjiangxilu Mall are set out in Section 3.4 of the Letter to Unitholders of the Circular and the summary valuation certificates of the Independent Valuers are set out as Appendix C of the Circular.

The Trustee has commissioned an independent valuer, Knight Frank, and the Manager has commissioned an independent valuer, Cushman, to respectively value Hefei Changjiangxilu Mall.

The Independent Valuers have conducted their valuations based on the discounted cash flow method and the income capitalisation method and have valued Hefei Changjiangxilu Mall at RMB481.5 million (S\$96.3 million) for Knight Frank and RMB490.0 million (S\$98.0 million) for Cushman.

The Agreed Changjiangxilu Value, which was negotiated on a willing-buyer and willing-seller basis taking into account the independent valuations conducted by the Independent Valuers, is RMB334.0 million (S\$66.8 million), representing discounts of 30.6% and 31.8% to the independent valuations by Knight Frank and Cushman, respectively.

The Transaction Amount in respect of the SG SPV of RMB328.3 (S\$65.7 million) is based on, *inter alia*, the Agreed Changjiangxilu Value and the minimum NAV of the PRC SPV of RMB239.0 million (approximately S\$47.8 million) as at the Completion Date. The difference between the amount payable by the Vendor (through SG SPV) to the Sponsor of S\$65,155,490 and the Transaction Amount is S\$544,510 (approximately S\$500,000 of which will be applied to fund the financing costs incurred by SG SPV in obtaining a loan to pay part of the purchase consideration for the PRC SPV to the Sponsor, and with most of the remaining amount applied towards the costs of setting up and maintaining the SG SPV).

Furthermore, the Trustee and the Vendor have agreed that the Vendor shall indemnify the Trustee for any decrease in the NAV of the PRC SPV as reflected in the completion balance sheet of the PRC SPV as at the Completion Date compared to the agreed NAV of PRC SPV of RMB239.0 million (approximately S\$47.8 million).

### 3.4 Method of Financing

The Manager intends to finance the Acquisition Cost (excluding the Acquisition Fee) through borrowings.

### 3.5 Payment of the Acquisition Fee in Units

The Manager shall be paid an Acquisition Fee of approximately RMB2.5 million (approximately S\$0.5 million) for the proposed Acquisition pursuant to the Trust Deed. The Acquisition Fee will be in the form of Units (the “**Acquisition Fee Units**”) which shall not be sold within one year of the date of issuance in accordance with Paragraph 5.7 of the Property Funds Appendix.

The issue price of the Acquisition Fee Units shall be determined based on the market price at the time of the issue of the Acquisition Fee Units as determined under Clause 5.3.1 of the Trust Deed; being the volume weighted average price for a Unit for all trades on the SGX-ST, in the ordinary course of trading on the SGX-ST for the period of 10 business days or such other period as may be prescribed by the SGX-ST immediately preceding (and for the avoidance of doubt, including) the relevant business day on which the Acquisition Fee Units will be issued (the “**Market Price**”).

### 3.6 Certain Principal Terms of the Share Purchase Agreements

The Vendor had, through the SG SPV, entered into the PRC SPA on 25 July 2018, as amended by a supplemental agreement dated 5 November 2018, with the Sponsor to acquire 100.0% of the total equity interests in the PRC SPV, which holds the legal and beneficial ownership in Hefei Changjiangxilu Mall.

In connection with the proposed Acquisition, the Trustee had, on 5 November 2018, entered into the SG SPA with the Vendor, to acquire all the issued shares of the SG SPV, which will in turn directly own equity interests in the PRC SPV, which holds Hefei Changjiangxilu Mall.

The principal terms of the PRC SPA and SG SPA are set out in Section 3.7 of the Letter to Unitholders of the Circular.

### 3.7 Property Management Agreement

In connection with the proposed Acquisition and pursuant to the terms of the master property management agreement dated 23 November 2015 entered into between the Trustee, the Manager and BHG Mall (Singapore) Property Management Pte. Ltd. (the “**Singapore Property Manager**”) in respect of properties of BHG Retail REIT (the “**Master Property Management Agreement**”), the Manager and the Singapore Property Manager will enter into the individual property management agreement upon Completion to appoint the Singapore Property Manager to provide property management, lease management, project management, and marketing services in respect of Hefei Changjiangxilu Mall (the “**Individual Property Management Agreement**”).

## 4 EVALUATION OF THE PROPOSED ACQUISITION

In our analysis and evaluation of the proposed Acquisition, and our opinion thereon, we have taken into consideration the following:

- (a) rationale for and key benefits of the proposed Acquisition;
- (b) valuation of Hefei Changjiangxilu Mall by the Independent Valuers;
- (c) comparison of the Net Property Income Yield of Hefei Changjiangxilu Mall with BHG Retail REIT's existing and enlarged portfolio;
- (d) comparison of Hefei Changjiangxilu Mall with selected PRC retail property portfolio transactions and selected retail property portfolio valuation of real estate investment trusts ("**REITs**") listed on the SGX-ST; and
- (e) pro-forma financial effects of the proposed Acquisition.

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

### 4.1 Rationale for and key benefits of the Proposed Acquisition

The detailed rationale for and benefits of the proposed Acquisition are set out in Section 4 of the Letter to Unitholders of the Circular. We have set out below key sections on the rationale for and key benefits of the proposed Acquisition.

- (a) Strategic addition of a well-located property
  - (i) Serves large residential catchment area in the Shushan District
  - (ii) Strategic location and good connectivity
  - (iii) Strong operational performance
- (b) Increasing exposure to Hefei, a growing and attractive city
- (c) Enhances portfolio diversification
  - (i) Increased diversification of gross rental income
  - (ii) Increase in contribution of gross rental income by multi-tenanted malls
- (d) Attractive value proposition
- (e) Positive impact on the existing portfolio of BHG Retail REIT comprising five retail properties (the "**Existing Portfolio**") together with Hefei Changjiangxilu Mall (collectively, the "**Enlarged Portfolio**")

We note that the proposed Acquisition is in line with BHG REIT's investment strategy of investing principally, directly or indirectly, in a diversified portfolio of income-producing real estate which is used primarily for retail purposes (whether wholly or partially), as well as real estate-related assets in relation to the foregoing, with an initial focus on the PRC.

## 4.2 Valuation of Hefei Changjiangxilu Mall by the Independent Valuers

The Manager and the Trustee have commissioned the Independent Valuers, namely Cushman and Knight Frank, to perform independent valuations on Hefei Changjiangxilu Mall. The valuation summaries issued by the Independent Valuers are set out in Appendix C of the Circular.

The appraised values of the Independent Valuers for Hefei Changjiangxilu Mall are as follows:

Appraised Value		Agreed Changjiangxilu Value	Discount of the Agreed Changjiangxilu Value to the Appraised Value
Cushman	Knight Frank		
RMB490.0 million (S\$98.0 million)	RMB481.5 million (S\$96.3 million)	RMB334.0 million (S\$66.8 million)	Cushman: 31.8% Knight Frank: 30.6%

Source: Cushman Valuation Report, Knight Frank Valuation Report, Circular

We have been provided the Valuation Reports of Hefei Changjiangxilu Mall and we note the following in our review:

- (a) The basis of valuation, being Market Value, is defined as “*the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion*”, the definition of which is broadly consistent between the Independent Valuers and in line with market definition;
- (b) The Independent Valuers, Cushman and Knight Frank, have both used 31 August 2018 as the Valuation Date for Hefei Changjiangxilu Mall;
- (c) The methods used by both Independent Valuers for the valuation are (i) the income capitalisation approach and (ii) discounted cash flow approach; and
- (d) The methods used by the Independent Valuers are widely accepted methods for the purpose of valuing income-producing properties, and the valuations have been prepared in accordance with the International Valuation Standards 2017 Edition published by the International Valuation Standards Council for Cushman and the Royal Institution of Chartered Surveyors (“**RICS**”) Valuation – Global Standards 2017 issued by RICS for Knight Frank.

We note that the Agreed Changjiangxilu Value is significantly lower than the appraised values of both Independent Valuers, with discounts of 31.8% to the Cushman valuation and 30.6% to the Knight Frank valuation.

### 4.3 Comparison of Net Property Income Yield of Hefei Changjiangxilu Mall with BHG Retail REIT's Existing and Enlarged Portfolio

We have compared the WALE and Net Property Income Yield of Hefei Changjiangxilu Mall with those of BHG Retail REIT's Existing Portfolio, existing mall located in No. 99 Mengcheng Road, Luyang District, Hefei (the "Existing Hefei Mall"), and the Enlarged Portfolio.

	Average WALE (by Gross Rental Income) (years)	Average WALE (by Committed Lettable Area) (years)	Net Property Income Yield (for FY2017)	Net Property Income Yield (for 1H2018)
Existing Portfolio	4.1 <sup>(1)</sup>	8.0 <sup>(1)</sup>	5.4% <sup>(2)</sup>	6.3% <sup>(3)</sup>
Existing Hefei Mall	2.9 <sup>(1)</sup>	5.5 <sup>(1)</sup>	5.0% <sup>(4)</sup>	5.2% <sup>(5)</sup>
<b>Hefei Changjiangxilu Mall</b>	<b>2.6</b>	<b>5.0</b>	<b>5.2%</b>	<b>6.0%</b>
<b>Enlarged Portfolio</b>	<b>3.8</b>	<b>7.5</b>	<b>5.3%</b>	<b>6.2%</b>

Source: Management, Annual Report, Circular

**Notes:**

- (1) As at 31 December 2017.
- (2) Based on the FY2017 Net Property Income of the Existing Portfolio divided by the valuation of the Existing Portfolio as at 31 December 2017.
- (3) Based on the annualised 1H2018 Net Property Income of the Existing Portfolio divided by the valuation of the Existing Portfolio as at 31 December 2017.
- (4) Based on the FY2017 Net Property Income of the Existing Hefei Mall divided by the valuation of the Existing Hefei Mall as at 31 December 2017.
- (5) Based on the annualised 1H2018 Net Property Income of the Existing Hefei Mall divided by the valuation of the Existing Hefei Mall as at 31 December 2017.

We note that the WALE of Hefei Changjiangxilu Mall based on gross rental income and on committed lettable area of 2.6 years and 5.0 years, respectively, are shorter than the average WALE by gross rental income and by committed lettable area of the Existing Portfolio and the Existing Hefei Mall. In terms of the Enlarged Portfolio, the resulting WALE with the proposed Acquisition of Hefei Changjiangxilu Mall is 3.8 years based on gross rental income and 7.5 years based on committed lettable area.

For the FY2017 period, we note that the Net Property Income Yield of Hefei Changjiangxilu Mall of 5.2% is lower than the Net Property Income Yield of the Existing Portfolio of 5.4%, but is higher than the Net Property Income Yield of the Existing Hefei Mall of 5.0%. On a combined basis, the estimated Net Property Income Yield of 5.3% for the Enlarged Portfolio is expected to be slightly lower than the Net Property Income Yield of the Existing Portfolio.

For the 1H2018 period, we note that the Net Property Income Yield of Hefei Changjiangxilu Mall of 6.0% is lower than the Net Property Income Yield of the Existing Portfolio of 6.3%, but is significantly higher than the Net Property Income Yield of the Existing Hefei Mall of 5.2%. On a combined basis, the estimated Net Property Income Yield of 6.2% for the Enlarged Portfolio is expected to be slightly lower than the Net Property Income Yield of the Existing Portfolio.

In evaluating the impact of the proposed Acquisition on the Net Property Income Yield of the entire BHG Retail REIT portfolio, we have taken into consideration other benefits to BHG Retail REIT such as the strong operational performance, strategic location and good connectivity of Hefei Changjiangxilu Mall, as stated in Section 4.1 of the letter.

#### **4.4 Comparison of Hefei Changjiangxilu Mall with Selected PRC Retail Property Portfolio Transactions and Selected Retail Property Portfolio Valuation of Listed REITs on the SGX-ST**

Based on our discussions with the Management and a search for comparable retail property portfolio transactions and valuations on available databases and relevant stock exchanges, we recognise that there is no particular property portfolio that we may consider to be directly comparable to Hefei Changjiangxilu Mall in the aspects of accessibility, GFA, NLA, profile and composition of tenants, usage of property, construction quality, age of building, outstanding lease tenure, market risks, track record and other relevant factors.

However, we have extracted publicly available information on certain comparable retail property portfolios and listed REITs for comparison with the metrics of Hefei Changjiangxilu Mall. Our evaluation of the proposed Acquisition included the following:

- (a) Transaction details of PRC retail properties involving certain listed REITs (the “**Selected PRC Retail Property Transactions**”); and
- (b) Valuation details of PRC retail property portfolios owned by certain SGX-ST listed REITs (the “**Selected Retail Property Portfolio Valuations of Listed REITs**”).

The Independent Directors, the Audit and Risk Committee, and the Trustee should note that any comparison made with respect to the Selected PRC Retail Property Transactions and the Selected Retail Property Portfolio Valuations of Listed REITs are for illustrative purposes only. For the analysis, we have used the available data/information as at the Latest Practicable Date. The conclusions drawn from such comparisons may not necessarily reflect the perceived or implied valuation of Hefei Changjiangxilu Mall as at the Latest Practicable Date. In addition, we wish to highlight that the Selected PRC Retail Property Transactions and the Selected Retail Property Portfolio Valuations of Listed REITs are by no means exhaustive.

##### **4.4.1 Selected PRC Retail Property Transactions**

We have considered transactions announced from 1 January 2016 up to the Latest Practicable Date involving PRC retail properties of certain listed REITs in order to compare the Net Property Income Yield implied by the Agreed Changjiangxilu Value with that of the Selected PRC Retail Property Transactions.

The Independent Directors, the Audit and Risk Committee, and the Trustee should note that any comparison made with respect to the Selected PRC Retail Property Transactions is for illustrative purposes only. For the purposes of our evaluation, we have considered the PRC retail property transactions by Spring Real Estate Investment Trust (“**Spring REIT**”) which is listed on the Stock Exchange of Hong Kong Limited (“**SEHK**”), Link Real Estate Investment Trust (“**Link REIT**”) which is listed on the SEHK, and CapitaLand Retail China Trust (“**CapitaLand Retail China**”) which is listed on the SGX-ST.

Acquirer/ Location of Property	Announcement Date	Acquisition Amount (RMB'm)	GFA (sqm)	Occupancy Rate	NPI Yield
Spring REIT (Located in Huizhou City, Guangdong Province)	19 Sep18	1,654	144,925	97.2%	7.5%
Link REIT (Located in Liwan District, Guangzhou)	7 Apr17	4,065	130,060	94.1%	4.7% <sup>(1)</sup>
CapitaLand Retail China (Located in Chengdu City, Sichuan Province)	19 Aug16	1,500	91,816	100.0%	5.4%
<b>Low</b>				<b>94.1%</b>	<b>4.7%</b>
<b>High</b>				<b>100.0%</b>	<b>7.5%</b>
<b>Median</b>				<b>97.2%</b>	<b>5.4%</b>
<b>Average</b>				<b>97.1%</b>	<b>5.9%</b>
<b>Hefei Changjiangxilu Mall – Based on the Agreed Changjiangxilu Value</b>	<b>31 Aug18</b>	<b>334.0</b>	<b>48,003</b>	<b>99.4%</b>	<b>6.0%<sup>(2)</sup></b>

Source: Announcements of listed REITs, Circular

**Notes:**

- (1) Represents gross rental yield, which is based on the annualised gross rental monthly income of the property divided by the purchase price of the property. The gross rental yield is generally estimated to be higher than the Net Property Income Yield.
- (2) Represents 1H2018 Net Income Property Yield.

Based on the table above, we note that the 1H2018 Net Property Income Yield of Hefei Changjiangxilu Mall of 6.0% is within the range of the Net Property Income Yields of the Selected PRC Retail Property Transactions, and is above the median and average Net Property Income Yields of the Selected PRC Retail Property Transactions. We also note that the occupancy rate of Hefei Changjiangxilu Mall is higher than the average and median occupancy rates of the Selected PRC Retail Property Transactions.

#### 4.4.2 Selected Retail Property Portfolio Valuation of Listed REITs

We have considered the valuations of the Selected Retail Property Portfolio Valuations of Listed REITs in order to compare the yields implied by the Agreed Changjiangxilu Value with those of the Selected Retail Property Portfolio Valuations of Listed REITs.



The Independent Directors, the Audit and Risk Committee, and the Trustee should note that any comparison made with respect to the Selected Retail Property Portfolio Valuations of Listed REITs is for illustrative purposes only. For the purposes of our evaluation, we have considered the following Selected Retail Property Portfolio Valuations of Listed REITs:

REIT	Valuation Date	Valuation <sup>(1)</sup> (RMB'm)	GFA (sqm)	WALE by NLA (years)	Net Property Income Yield <sup>(2)</sup>
CapitaLand Retail China <sup>(3)</sup>	31Dec17	11,969	720,661	5.5	6.0%
Dasin Retail Trust <sup>(3)</sup>	31Dec17	7,551	434,567	6.5	3.0%
Sasseur Retail Estate Investment Trust <sup>(4)</sup>	30Sep17	7,338	371,603	3.2	8.3%
<b>Low</b>					3.0%
<b>High</b>					8.3%
<b>Median</b>					6.0%
<b>Average</b>					5.8%
<b>Hefei Changjiangxilu Mall – Based on the Agreed Changjiangxilu Value</b>	31Aug18	334.0	48,003	5.0	6.0% <sup>(5)</sup>

Source: Annual reports, Prospectus for initial public offering and Circular

**Notes:**

- (1) Currency exchange rate as at the Latest Practicable Date of S\$1.00:RMB5.00.
- (2) Estimated Net Property Income Yield based on Net Property Income and valuation as at the latest audited financial year-ends, based on various annual reports. For Sasseur Real Estate Investment Trust, information is based on its initial public offering prospectus and entrusted management agreement rental income is reported and used instead of Net Property Income.
- (3) Information is based on financial year ended 31 December 2017, as reported in the annual report.
- (4) Information is based on financial period ended 30 September 2017, as disclosed in the initial public offering prospectus.
- (5) Represents annualised 1H2018 Net Property Income Yield.

Based on the table above, we note that the 1H2018 Net Property Income Yield of Hefei Changjiangxilu Mall of 6.0% is within the range of observed Net Property Income Yields for the Selected Retail Property Portfolio Valuations of Listed REITs, equivalent to the median Net Property Income Yield, and above the average Net Property Income Yield. We also note that the WALE based on NLA of Hefei Changjiangxilu Mall is within the range of WALEs of those of the Selected Retail Property Portfolio Valuations for Listed REITs.

#### 4.5 Pro Forma Financial Effects of the Proposed Acquisition

The details of the pro forma financial effects of the proposed Acquisition, which are shown for illustrative purposes only, are set out in Section 6 of the Letter to Unitholders of the Circular.

We note the following:

- (a) The DPU remains the same at 5.47 Singapore cents for the pro forma financial effects of the proposed Acquisition on BHG Retail REIT's DPU for FY2017 and assuming the proposed Acquisition was completed on 1 January 2017 and assuming Hefei Changjiangxilu Mall has been generating Net Property Income since 1 January 2017.



- (b) The DPU increases slightly from 2.74 Singapore cents to 2.75 Singapore cents for the pro forma financial effects of the proposed Acquisition on BHG Retail REIT's DPU for 1H2018 and assuming the proposed Acquisition was completed on 1 January 2018 and assuming Hefei Changjiangxilu Mall has been generating Net Property Income since 1 January 2018.
- (c) The pro forma NAV per Unit as at 31 December 2017 is expected to increase from S\$0.83 to S\$0.88 or by S\$0.05 (approximately 6.0%), as if the proposed Acquisition was completed on 31 December 2017.
- (d) The pro forma NAV per Unit as at 30 June 2018 is expected to increase from S\$0.83 to S\$0.88 or by S\$0.05 (approximately 6.0%), as if the proposed Acquisition was completed on 30 June 2018.
- (e) The pro forma aggregate leverage ratio is expected to increase from 32.2% to 37.0%, assuming the proposed Acquisition was completed on 31 December 2017.
- (f) The pro forma aggregate leverage ratio is expected to increase from 31.8% to 36.2%, assuming the proposed Acquisition was completed on 30 June 2018.

## **5 OUR OPINION ON THE PROPOSED ACQUISITION**

In arriving at our advice to the Independent Directors, the Audit and Risk Committee, and the Trustee on the proposed Acquisition, 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 proposed Acquisition. 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 key benefits of the proposed Acquisition;
- (b) the Agreed Changjiangxilu Value of RMB334.0 million (S\$66.8 million) being significantly lower than the market values of Hefei Changjiangxilu Mall as appraised by the Independent Valuers;
- (c) the comparison of the NPI Yields of Hefei Changjiangxilu Mall with the BHG Retail REIT existing and enlarged portfolio;
- (d) the comparison of Hefei Changjiangxilu Mall with the Selected PRC Retail Property Portfolio Transactions and Selected Retail Property Portfolio Valuation of Listed REITs;
- (e) based on the assumptions set out in the Circular, the proposed Acquisition is expected to have a neutral effect on DPU.

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 proposed Acquisition is on normal commercial terms and is not prejudicial to the interests of BHG Retail REIT and its minority Unitholders. We are also of the opinion that the Independent Directors and the Audit and Risk Committee can recommend that Unitholders vote in favour of the proposed Acquisition.

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 proposed Acquisition 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 proposed Acquisition.

We have prepared this letter pursuant to 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 proposed Acquisition, but any recommendation made by the Independent Directors and the Audit and Risk Committee in respect of the proposed Acquisition 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 proposed Acquisition) 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 proposed Acquisition. 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**

Luke Pais  
Managing Director

Elisa Montano  
Director

## VALUATION CERTIFICATES



Our Ref: CV/CLVP/AT/sn/14782/17(2)

DBS Trustee Limited  
 (in its capacity as trustee of BHG Retail REIT)  
 12 Marina Boulevard  
 Marina Bay Financial Centre  
 Singapore 018982

5 November 2018

Dear Sirs

**Hefei Changjiang West Road Mall, junction of Changjiang West Road and Huaining Road, Shushan District, Hefei, Anhui Province, The People's Republic of China**

#### Instructions

In accordance with the instructions from DBS Trustee Limited, in its capacity as trustee of BHG Retail REIT (the "Trustee", the "Client" or "you") for us to value the aforementioned property interest (hereinafter referred to as the "Property"), we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Property in its existing state as at 31 August 2018, which is a date different from the date of this report as stated above for the purpose of the proposed acquisition of the Property and the inclusion of this summary letter and valuation certificate in a circular which is to be issued by BHG Retail Trust Management Pte. Ltd. (in its capacity as manager of BHG Retail REIT) (the "Manager") to the unitholder of BHG Retail REIT in connection with the proposed acquisition of the Property. A comprehensive valuation report in relation to the Property has been prepared and is to be addressed to the Client.

#### Basis of Valuation

In arriving at our opinion of market value, we have followed "The RICS Valuation – Global Standards 2017" issued by The Royal Institution of Chartered Surveyors (the "RICS").

Our valuation is our opinion of the market value of the Property. We would define market value as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

The market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback agreements, special considerations or concessions granted by anyone associated with the sale, or any element of special value. Market value is understood as the value of an asset or liability estimated without regard to costs of sale and purchase (or transaction), and without offset for any associated taxes or potential taxes.

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In the course of our valuation, we have valued the Property on the basis that the property interest is immediately available for sale in the market subject to the existing tenancies as at the date of valuation.

#### **Title Documents and Encumbrances**

We have been provided with copies of extracts of title documents relating to the Property. However, we have not inspected the original documents to verify ownership or to verify any amendments which may not appear on the copies handed to us. In the course of our valuation, we have assumed that the Property is freely disposable and transferable in the market for its designated use for the whole of the unexpired term as granted. In addition, we have assumed that the Property can be freely disposed of, whether as a whole or on strata-title basis, to local or overseas purchasers.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the Property, nor for any expenses or taxation which may be incurred in effecting a sale. It is assumed that the Property is free from any major or material encumbrances, restrictions and outgoing of an onerous nature which could affect its value.

#### **Source of Information**

Where applicable, information such as the title particulars, ownership and land use rights term has been provided by the Manager and their professional advisers. Subject to having made reasonable enquiries, exercising our judgment on the reasonable use of such information and finding no reason to doubt the accuracy or reliability of the information, we have relied on the information provided by the Manager and their professional advisers on matters such as identification of the Property, floor areas, tenancy details, occupancy status, availability of leasable areas, building plans, completion date and all other relevant matters. Moreover, in the course of our valuation, we have assumed that all the leases are legally valid and enforceable and the Property has proper legal title, which can be freely transferred and leased in the market without being subject to any land premium or any extra charges. We have no reason to doubt the truth and accuracy of the information provided to us by the Manager and their professional advisers which is material to the valuation. All information provided to us is treated as correct and we accept no responsibility for subsequent changes in information and reserve the right to change our opinion of value if any other information provided were to materially change.

#### **Inspection and Structural Condition**

We have inspected the Property valued and the inspection was carried out by our Ocean Ruan in August 2018. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defects, we are not, however, able to report that the Property is free from rot, infestation or any other structural defects. No tests were carried out on any of the services.

### **Identity of Property to be valued**

We exercised reasonable care and skill (but will not have an absolute obligation to you) to ensure that the Property, identified by the Property address in your instructions, is the Property inspected by us and contained within our valuation report. If there is ambiguity as to the Property address, or the extent of the Property to be valued, this should be drawn to our attention in your instructions or immediately upon receipt of our report.

### **Environmental Issues**

We are not environmental specialists and therefore we have not carried out any scientific investigations of sites or buildings to establish the existence or otherwise of any environmental contamination, nor have we undertaken searches of public archives to seek evidence of past activities that might identify potential for contamination. In the absence of appropriate investigations and where there is no apparent reason to suspect potential for contamination, our valuation is prepared on the assumption that the Property is unaffected. Where contamination is suspected or confirmed, but adequate investigation has not been carried out and made available to us, then the valuation will be qualified.

### **Compliance with Relevant Ordinances and Regulations**

We have assumed that the Property was constructed, occupied and used in full compliance with, and without contravention of any Ordinances, statutory requirement and notices except only where otherwise stated. We have further assumed that, for any use of the Property upon which this report is based, any and all required licences, permits, certificates, consents, approvals and authorisation have been obtained, except only where otherwise stated. We have assumed that the design and construction of the Property are in compliance with local planning regulations and have been approved by the relevant government authorities.

### **General description**

The Property comprises a 4-storey shopping mall erected over one-level basement, with a site area of approximately 19,784.67 sq m and a total gross floor area of approximately 48,003.09 sq m and was completed in 2010. As advised by the Manager, the total lettable area of the Property is approximately 27,221.63 sq m.

According to the information provided, the Property is held under a leasehold interest with a land use rights term expiring in April 2043 for commercial use, that is approximately 24.6 years remaining from the date of valuation.

### **Occupancy Status and Tenancy Profile**

According to our recent site inspection, the Property is currently occupied as a shopping mall. In accordance with the tenancy schedule provided by the Manager (as at 31 August 2018), portion of the Property with a total lettable area of approximately 27,061.63 sq m is subject to various tenancies with the last tenancy expiring in November 2030, yielding a total monthly rental of approximately RMB2,200,000, exclusive of management fee and value-added tax (VAT).

According to the information provided by the Manager, the details of major tenants, in terms of committed lettable area are listed as below:-

Name of tenant	Floor	Lettable Area (sq m)	Rent contribution (%)	Lease Expiry
BHG 超市	B1	8,838.3	12.46%	2 November 2030
合肥橙天嘉禾蜀西影城	L4	2,100.0	5.16%	11 December 2020
查甜甜	L3	556.0	1.16%	28 February 2019
安徽蒙悅琴行有限公司	L3	530.0	0.84%	30 September 2020
吳洋	L3	494.0	1.46%	15 November 2022

According to the information provided by the Manager, the Weighted Average Lease Expiry ('WALE') by gross rental income and committed lettable area are listed below:-

Expiry period	% of total by gross rental income	% of total by committed lettable area
FY2018	23.5	15.0
FY2019	40.2	24.9
FY2020	14.7	19.4
FY2021	3.1	3.1
FY2022	1.5	1.8
FY2023 or beyond	17.0	35.8
Total	100.0	100.0

The WALE by gross rental income as at 31 August 2018 is 2.6 years, while the WALE by committed lettable area as at 31 August 2018 is 5.0 years.

### Valuation Methodology

In arriving at our opinion of value, we have considered the prevailing market conditions, especially those pertaining to the retail sectors of the property market. We have adopted Discounted Cash Flow Method (DCF) and Income Approach (fifty-fifty weighting) to arrive at our opinion of value. The DCF is relied on a set of assumptions as to income and expenses of the property and future economic conditions in the local market. Expenses include utilities, repair and maintenance, valued-added tax, marketing, general and administration fees, retail management fee and sinking fund for future capital expenditure, where appropriate. The resultant value is considered the best practice estimate, but is not to be construed as a prediction or guarantee and is fully dependent upon the accuracy of the assumptions as to income, expenses and market conditions. In the DCF, we have adopted the discount rate of 7.00% and terminal capitalization rate of 3.00% and the following parameters: 98.0% long-run occupancy rate; 1 month rent-free period and 1 month lease up period. In the Income Approach, the term capitalization rate and reversionary capitalization rate we adopted are 5.00% and 5.50% respectively.

## Remarks

Except where required by law or by any proper authority, this report is confidential to the Client for the specific purpose to which it refers. It may be disclosed to other professional advisers assisting the Client in respect of the purpose, but the Client shall not disclose the report to any other person, except with our prior written consent.

Other than as identified under "Purpose of Valuation", neither the whole or any part of the valuation report nor any reference thereto may be included in any published document, circular or statement nor published in any way whatsoever whether in hard copy or electronically (including on any web-site) without our prior written approval of the form and context in which it may appear.

In accordance with our standard practice, we must state that this valuation report is for the use only of the party to whom it is addressed and no responsibility is accepted to any third party for the whole or any part of its contents, save in accordance our terms of engagement with you dated 3 September 2018 and this summary letter.

Unless otherwise stated, all sums stated in our valuation are in Renminbi.

Our summary of values and valuation certificates are attached.

Yours faithfully  
For and on behalf of  
Knight Frank Petty Limited



**Clement W M Leung** MFin MCIREA MHKIS MRICS RPS (GP)  
RICS Registered Valuer  
Membership No. 0840379  
Executive Director, Head of China Valuation & Advisory

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### VALUATION CERTIFICATE

- Address of Property : Hefei Changjiang West Road Mall, Junction of Changjiang West Road and Huaining Road, Shushan District, Hefei, Anhui Province, The People's Republic of China
- Name of Client : DBS Trustee Limited (in its capacity as trustee of BHG Retail REIT)
- Purpose of Valuation : The proposed acquisition of the Property and the inclusion of the valuation certificate/ report in a circular which is to be issued by BHG Retail Trust Management Pte. Ltd. (in its capacity as manager of BHG Retail REIT) to unitholders of BHG Retail REIT in connection with the proposed acquisition of the Property
- Interest to Be Valued : The valuation is on the basis of a 100% interest in the Property.
- Basis of Valuation : Market value has been adopted as basis of valuation. In addition, the valuation was implemented subject to existing tenancy particulars as of 31 August 2018 provided by the Manager.
- Ownership : 合肥華聯瑞誠購物廣場商業運營有限公司
- Land Use Rights Term : Pursuant to the Land Use Rights Certificate He Guo Yong (2014) No. 432 (合國用(2014)第 432 號) dated 16 December 2014 issued by the Hefei State-owned Land Resources Bureau, the land use rights of a parcel of land with a site area of 19,784.67 sq m have been granted to 合肥華聯瑞誠購物廣場商業運營有限公司 for commercial use for a land use rights term expiring in April 2043 with a remaining land use rights term of approximately 24.6 years from the date of valuation.
- Pursuant to the Real Estate Title Certificate Fang Di Quan Zheng He Chan Zi No. 8110163158 (房地權証 合產 字第 8110163158 號) dated 29 July 2014 issued by Hefei Real Estate Title Management Bureau, 合肥華聯瑞誠購物廣場商業運營有限公司 is the legal owner of the Property with a total gross floor area of approximately 48,003.09 sq m of for commercial and ancillary facilities uses.
- The commencement date of the land use rights is not provided in the relevant title documents.
- Zoning : Pursuant to the Land Use Rights Certificate, the land use rights is for commercial uses.
- Brief Description : The Property comprises a 4-storey shopping mall erected over one basement level, with a site area of approximately 19,784.67 sq m and a total gross floor area of approximately 48,003.09 sq m and was completed in 2010.



**Tenancy Particulars** : In accordance with the tenancy schedule provided by the Manager (as at 31 August 2018), portion of the Property with a total lettable area of approximately 27,061.63 sq m is subject to various tenancies with the last tenancy expiring in November 2030, yielding a total monthly rental of approximately RMB2,200,000, exclusive of management fee and VAT.

**Details of Major Tenants** : According to the information provided by the Manager, the details of major tenants, in terms of committed lettable area are listed as below:-

Name of tenant	Floor	Lettable Area (sq m)	Rent contribution (%)	Lease Expiry
BHG 超市	B1	8,838.3	12.46%	2 November 2030
合肥橙天嘉禾蜀西影城	L4	2,100.0	5.16%	11 December 2020
查甜甜	L3	556.0	1.16%	28 February 2019
安徽蒙悅琴行有限公司	L3	530.0	0.84%	30 September 2020
吳洋	L3	494.0	1.46%	15 November 2022

**Occupancy Status** : According to our recent site inspection, the Property is currently occupied as a shopping mall. According to the information provided by the Manager, the Property has a 99.41% of occupancy rate.

**Weighted Average Lease Expiry by Income and Area** : According to the information provided by the Manager, the Weighted Average Lease Expiry (WALE) are listed below:

<u>Expiry period</u>	<u>% of total by gross rental income</u>	<u>% of total by committed lettable area</u>
FY2018	23.5	15.0
FY2019	40.2	24.9
FY2020	14.7	19.4
FY2021	3.1	3.1
FY2022	1.5	1.8
FY2023 or beyond	17.0	35.8
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

The WALE by gross rental income is 2.6 years, while the WALE by committed lettable area is 5.0 years.

**Site Area** : Approximately 19,784.67 sq m

**Gross Floor Area** : Approximately 48,003.09 sq m

**Net Lettable Area** : Approximately 27,221.63 sq m

**Year of Completion** : 2010

Date of Valuation	:	31 August 2018
Report Date	:	5 November 2018
Valuation Approaches	:	Discounted Cash Flow method and Income Approach Weighting 50: 50
Discounted Cash Flow Method	:	In the DCF, we have adopted the discount rate of 7.00% and terminal capitalization rate of 3.00% and the following parameters: 98.0% long-run occupancy rate; 1 month rent-free period and 1 month lease up period.
Income Approach	:	In the Income Approach, the term capitalization rate and reversionary capitalization rate we adopted are 5.00% and 5.50% respectively.
Market Value	:	RMB481,500,000 (approximately RMB17,700/sq m (NLA) or RMB10,000/sq m (GFA))
Assumptions, Disclaimers, Limitations and Qualifications	:	There are various assumptions and limitations in the course of our valuation. Major assumptions and limitations are summarized as follows:  (i) the property has a proper legal title; (ii) all the leases are legally valid and enforceable; (iii) all land premiums and costs of resettlement and public utilities services have been fully settled; (iv) the design and construction of the property are in compliance with the local planning regulations and have been approved by the relevant government authorities; (v) we have been provided with extracts of title documents but have not inspected the original documents. We are not in the position to verify the title to the property, which should be more properly the sphere of the Manager and their legal advisers. In the course of our valuation, we have assumed that the property can be freely disposed of to local or overseas purchasers; and (vi) subject to having made reasonable enquiries, exercising our judgment on the reasonable use of such information and finding no reason to doubt the accuracy or reliability of the information, we have relied on a number of information provided by the Manager and their professional advisers. All information provided to us is treated as complete and accurate and we accept no responsibility for subsequent changes in information and reserve the right to change our opinion of value if any other information provided were to materially change.

Market value is defined within RICS Valuation – Professional Standards / International Valuation Standards as:

“the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length

transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”

Market value is also the best price reasonably obtainable on the valuation date by the seller and the most advantageous price reasonably obtainable on the valuation date by the buyer. This estimate specially excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction), and without offset for any associated taxes or potential taxes.

We have provided our value opinion of the Property on the market value as stated above and subject to the followings:

- The Property was assessed in its existing state and subject to the existing tenancy agreements
- The Property is currently used for retail purposes. Under market situation, we considered that the existing use of the Property is its highest and best use; and
- The valuation is on the basis of 100% interest of the Property.

For the other assumptions, disclaimers, limitations and qualifications, please refer to the full valuation report.

Prepared By : For and on behalf of  
Knight Frank Petty Limited



**Clement W M Leung** MFin MCIREA MHKIS MRICS RPS (GP)  
RICS Registered Valuer  
Membership No. 0840379  
Executive Director, Head of China Valuation & Advisory

## **VALUATION REPORT**

DBS Trustee Limited  
(in its capacity as trustee of BHG Retail REIT)

BHG Retail Trust Management Pte. Ltd.  
(in its capacity as manager of BHG Retail REIT)

### **BHG CHANGJIANGXILU MALL**

No. 639 Changjiang West Road, Shushan District, Hefei,  
Anhui Province, The People's Republic of China

Valuation as at 31 August 2018

5 November 2018

DBS Trustee Limited  
(in its capacity as trustee of BHG Retail REIT)  
12 Marina Boulevard  
Marina Bay Financial Centre  
Singapore 018982

BHG Retail Trust Management Pte. Ltd.  
(in its capacity as manager of BHG Retail REIT)  
100 Beach Road  
#25-11 Shaw Tower  
Singapore 189702

Dear Sirs,

**Re: BHG CHANGJIANGXILU MALL, NO. 639 CHANGJIANG WEST ROAD, SHUSHAN DISTRICT, HEFEI, ANHUI PROVINCE, THE PEOPLE'S REPUBLIC OF CHINA**

#### **Instructions, Purpose & Valuation Date**

In accordance with the instructions from DBS Trustee Limited, in its capacity as trustee of BHG Retail REIT (the "**REIT Trustee**") and BHG Retail Trust Management Pte. Ltd., in its capacity as manager of BHG Retail REIT (the "**REIT Manager**"), and collectively with the REIT Manager, the "**Client**" or "**you**") for us to value the captioned property interest (the "**Property**") planned to be injected into BHG Retail REIT in the People's Republic of China (the "**PRC**"), we confirm that we have inspected the Property, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the value of the Property as at 31 August 2018 (the "**Valuation Date**") for the purpose of the inclusion of the valuation report in a circular to be issued by the REIT Manager to unitholders of BHG Retail REIT in connection with the proposed acquisition of the Property (the "**Purpose of Valuation**").

#### **Valuation Basis**

Our valuation of the Property represents its market value which, in accordance with the International Valuation Standards 2017 Edition published by the International Valuation Standards Council, is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

When valuing the Property, we have complied with the requirements set out in the International Valuation Standards 2017 Edition published by the International Valuation Standards Council and the Mainboard Rules issued by the Singapore Exchange Securities Trading Limited (the “SGX”) and the relevant guidance letters and practice guides or equivalent issued by the SGX and the Singapore Institute of Surveyors and Valuers.

Our valuation of the Property is on an entirety interest basis.

### **Valuation Assumptions**

Our valuation of the Property excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

In the course of our valuation, unless otherwise stated, we have assumed that the owner has an enforceable title to the Property and has free and uninterrupted rights to use, occupy or assign the Property for the whole of the respective unexpired land use term as granted and that any premium payable has already been fully paid.

The status of titles and grant of major certificates, approvals and licenses, in accordance with the information provided by you and your professional advisers are set out in the notes of the valuation report. We have assumed that all consents, approvals and licenses from relevant government authorities for the developments have been obtained without onerous conditions or delays. We have also assumed that the design and construction of the Property are in compliance with the local planning regulations and have been approved by the relevant authorities.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the Property nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of any onerous nature which could affect its value.

### **Method of Valuation**

In valuing the Property in its existing state subject to existing tenancies, we have used Income Capitalisation Method by capitalising the current rent passing derived from the existing tenancies with due provision for reversionary rental income potential that would be generated from the Property.

We have also used Discounted Cash Flow (“DCF”) Method, which involves discounting the future net cash flow after property-related capital taxes (i.e. net operating income) of the Property for a 10-year investment horizon and the anticipated net operating income receivable thereafter at a terminal growth rate until the end of the unexpired land use term to its present value by using an appropriate discount rate that reflects the rate of return required by a third party investor for an investment of this type. We have prepared the cash flow forecast with reference to the current and anticipated market conditions.

In undertaking our valuation for the Property, we have considered lettings within the Property as well as other relevant comparable rental evidences of properties of similar use type subject to appropriate adjustments including but not limited to location, accessibility, age, quality, size, transaction date and other relevant factors.

The capitalisation rates adopted in our valuation are based on our analysis of the yields of properties of similar use type after due adjustments. Such capitalisation rates are estimated with reference to the yields generally expected by the market for comparable properties of similar use type, which implicitly reflect the type and quality of the properties, the expectation of the potential future rental growth, capital appreciation and relevant risk factors. The capitalisation rates adopted are reasonable and in line with the market norm having regard to the analysed yields of transactions of the relevant use type.

The discount rate adopted in DCF Method reflects the rates of return required by a third-party investor for an investment of similar use type. In determining the discount rate which reflects the inherent risks associated with investment in the individual property segments, we take into consideration compensation for risks inherent in future cash flows, inflation, revenue growth, our understanding of the return expected by investors for similar properties as well as the level of discount rate used in valuations of similar types of properties. The discount rate adopted is reasonable and in line with the market norm having regard to the relevant analyses.

Details of our key assumptions of Income Capitalisation Method and DCF Method are set out in the valuation report of each property contained herein.

### **Source of Information**

Subject to having made reasonable enquiries, exercising our judgment on the reasonable use of such information and finding no reason to doubt the accuracy or reliability of the information, we have relied to a very considerable extent on the information given by you and your professional advisers and have accepted advice given to us on such matters as planning approvals, statutory notices, easements, tenures, identification of land and buildings, completion date of buildings, particulars of occupancy, tenancy details, operation accounts, financial projections, site and floor areas, site and floor plans, number of parking spaces and all other relevant matters.

Dimensions, measurements and areas included in the valuation report are based on the copies of documents or other information provided to us by you and your professional advisers and are therefore only approximations. No on-site measurement has been carried out. We have had no reason to doubt the truth and accuracy of the information provided to us by you and your professional advisers which is material to the valuation. We were also advised by you and your professional advisers that no material facts have been omitted from the information provided.

We would point out that the copies of documents of the Property in the PRC provided to us are mainly compiled in Chinese characters and the transliteration into English represents our understanding of the contents. We would therefore advise you to make reference to the original Chinese editions of the documents and consult your legal adviser regarding the legality and interpretation of these documents.

### **Title Investigation**

We have been provided by you and your professional advisers with extracts of documents in relation to the titles to the Property in the PRC but have not carried out any title searches. However, we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us for the Property. We are also unable to ascertain the titles of the Property in the PRC and we have therefore relied on the advice given by you and your professional advisers regarding the titles of the Property.

### **Site Inspection**

We have inspected the exterior and, whenever possible, the interior of the Property. The site inspection of the Property was carried out by David Zhu of our Shanghai Office on 13 September 2018. However, no structural survey has been made, but in the course of our inspections, we did not note any serious defects. We are, however, not able to report that the Property is free of rot, infestation or any other structural defects. No tests were carried out to any of the services. Unless otherwise stated, we have not been able to carry out detailed on-site measurements to verify the site and floor areas of the Property and we have assumed that the areas shown on the documents handed to us are correct.

### **Currency**

Unless otherwise stated, all monetary sums stated in our valuation are in Renminbi (“RMB”), the official currency of the PRC.

### **Confirmation of Independence**

Other than as disclosed in this valuation report, we, Cushman & Wakefield Limited hereby confirm that Cushman & Wakefield Limited and the valuers conducting the valuation have no pecuniary or other interests that could conflict with the proper valuation of the Property or could reasonably be regarded as being capable of affecting our ability to give an unbiased opinion. We confirm that we are independent for the purposes of paragraph 8 of Appendix 6 to the Code on Collective Investment Scheme issued by the Monetary Authority of Singapore.

### **Other Disclosure**

Cushman & Wakefield Limited conducted valuations of other properties held by in BHG Retail REIT for the purpose of its listing on the Mainboard of the SGX in December 2015, and for the preparation of the year-end accounts for BHG Retail REIT for the financial year ending in December 2017.



### **Intended Use of Report**

This valuation report is used only for the use of the REIT Manager and the REIT Trustee for the Purpose of Valuation.

We enclose herewith our valuation certificate for your attention.

Yours faithfully,  
For and on behalf of  
**Cushman & Wakefield Limited**



**Andrew K.F. Chan**  
MSc, MRICS, MHKIS, MCIREA, RPS(GP)  
*RICS Membership No.: 0085540*  
*Regional Director*  
*Valuation & Advisory Services, Greater China*

*Note: Mr. Andrew K.F. Chan has over 30 years of experience in the professional property valuation and advisory services in the Greater China region and various overseas countries. Mr. Chan has sufficient current national knowledge of the market, and the skills and understanding to undertake the valuation competently.*

## VALUATION CERTIFICATE

<b>Instructing Party</b>	<p>: DBS Trustee Limited (the “<b>REIT Trustee</b>”) (in its capacity as trustee of BHG Retail REIT)</p> <p>BHG Retail Trust Management Pte. Ltd. (the “<b>REIT Manager</b>”) (in its capacity as manager of BHG Retail REIT)</p>
<b>Property Details</b>	
Address	<p>: BHG CHANGJIANGXILU MALL, No. 639 Changjiang West Road, Shushan District, Hefei, Anhui Province, The People’s Republic of China</p>
Brief Description	<p>: The Property is developed on a parcel of land with site area of 19,784.67 sq.m.</p> <p>The Property is a 4-storey (plus a single storey basement) building with a total gross floor area and a total net lettable area of 48,003.09 sq.m. and 27,221.63 sq.m. respectively. The Property is a one-stop leisure square integrating shopping, leisure, dining and entertainment. The Property also provides parking facilities consisting of 243 car parking spaces spreading over each floor.</p> <p>The Property is constructed of reinforced concrete frame structure and was completed in 2010. The Property comprises two escalators for each floor and two lifts.</p> <p>The Property is located in Shushan District. Situated in the Shili Temple business area, the Property is 10 km away from the central business district and 13 km away from the Hefei South Railway Station, the high- speed railway station. Also, Shili Temple Underground Station is 50 m away from the Property.</p>
Gross Floor Area (GFA)	<p>: 48,003.09 sq.m</p>
Net Lettable Area (NLA)	<p>: 27,221.63 sq.m</p>
Zoning	<p>: N/A</p>
Tenure	<p>: The Property is held with land use rights for a term of 40 years due to expire on 30 April 2043 (i.e. a remaining land use term of approximately 24.6 years from the valuation date) for commercial use.</p> <p>The commencement date of the land use rights is not provided in the relevant title documents.</p>

#### Title Documents

According to Real Estate Title Certificate He Chan No. 8110163158 issued by the Hefei Real Estate Management Bureau (合肥市房地产管理局) on 29 July 2014 and the State-owned Land Use Rights Certificate He 2014 No. 432 issued by the Hefei Government on 16 December 2014, the land use rights and the building ownership of the property situated at Changjiang West Road, Shushan District with a site area of 19,784.67 sq.m. and a gross floor area of 48,003.09 sq.m. have been vested in Hefei Hualian Ruicheng Shopping Plaza Commercial Operation Ltd. (合肥华联瑞诚购物广场商业运营有限公司) for a term of 40 years due to expire on 30 April 2043 for commercial use.

According to Business Licence No. 91340100666231964C dated 17 May 2018, Hefei Hualian Ruicheng Shopping Plaza Commercial Operation Co. Ltd. (合肥华联瑞诚购物广场商业运营有限公司) has been established as a limited company with a registered capital of RMB236,932,900 for a valid operating period from 16 September 2007 to 31 December 2042.

#### Tenancy Information

##### Occupancy

: As at the valuation date, portions of the Property with a total NLA of approximately 27,061.63 sq.m. were leased to various tenants for various terms with the latest expiry on 2 November 2030. The total monthly rent was approximately RMB2,200,000, exclusive of management fee and value-added tax ("VAT"). The remainder of the Property was vacant. The occupancy rate was about 99.4%.

##### Top 3 tenants (by lettable area)

<u>Tenant</u>	<u>Unit No.</u>	<u>NLA</u>
BHG Supermarket	B1-00	8,838.33 sq.m.
Golden Harvest Cinema	F4-00	2,100.00 sq.m.
RYB Education	F3-12	556.00 sq.m.

##### Weighted Average Lease Expiry

: About 5.0 years by NLA

#### Valuation Details

##### Basis of Valuation

: Our valuation of the Property represents its market value which, in accordance with the International Valuation Standards 2017 Edition published by the International Valuation Standards Council (the "IVSC"), is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

When valuing the Property, we have complied with the requirements set out in the International Valuation Standards 2017 Edition published by the IVSC and the Mainboard Rules issued by the Singapore Exchange Securities Trading Limited (the "SGX") and the relevant guidance letters and practice guides or equivalent issued by the SGX and the Singapore Institute of Surveyors and Valuers.

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Valuation Date	: 31 August 2018
Report Date	: 5 November 2018
Valuation Purpose	: Inclusion of the valuation report in a circular to be issued by the REIT Manager to unitholders of BHG Retail REIT in connection with the proposed acquisition of the Property.
Valuation Method	: In valuing the Property in its existing state subject to existing tenancies, we have used Income Capitalisation Method by capitalising the current rent passing derived from the existing tenancies with due provision for reversionary rental income potential that would be generated from the Property.

We have also used Discounted Cash Flow (“**DCF**”) Method, which involves discounting the future net cash flow after property-related capital taxes (i.e. net operating income) of the Property for a 10-year investment horizon and the anticipated net operating income receivable thereafter at a terminal growth rate until the end of the unexpired land use term to its present value by using an appropriate discount rate that reflects the rate of return required by a third party investor for an investment of this type. We have prepared the cash flow forecast with reference to the current and anticipated market conditions.

In undertaking our valuation for the Property, we have considered lettings within the Property as well as other relevant comparable rental evidences of properties of similar use type subject to appropriate adjustments including but not limited to location, accessibility, age, quality, size, transaction date and other relevant factors.

The capitalisation rates adopted in our valuation are based on our analysis of the yields of properties of similar use type after due adjustments. Such capitalisation rates are estimated with reference to the yields generally expected by the market for comparable properties of similar use type, which implicitly reflect the type and quality of the properties, the expectation of the potential future rental growth, capital appreciation and relevant risk factors. The capitalisation rates adopted are reasonable and in line with the market norm having regard to the analysed yields of transactions of the relevant use type.

The discount rate adopted in DCF Method reflects the rates of return required by a third-party investor for an investment of similar use type. In determining the discount rate which reflect the inherent risks associated with investment in the individual property segments, we take into consideration compensation for risks inherent in future cash flows, inflation, revenue growth, our understanding of the return expected by investors for similar properties as well as the level of discount rate used in valuations of similar types of properties. The discount rate adopted is reasonable and in line with the market norm having regard to the relevant analyses.

**Valuation Assumptions** : Our valuation of the Property excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

In the course of our valuation, unless otherwise stated, we have assumed that the owner has an enforceable title to the Property and has free and uninterrupted rights to use, occupy or assign the Property for the whole of the respective unexpired land use term as granted and that any premium payable has already been fully paid.

The status of titles and grant of major certificates, approvals and licenses, in accordance with the information provided by you and your professional advisers are set out in the notes of the valuation report. We have assumed that all consents, approvals and licenses from relevant government authorities for the developments have been obtained without onerous conditions or delays. We have also assumed that the design and construction of the Property are in compliance with the local planning regulations and have been approved by the relevant authorities.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the Property nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of any onerous nature which could affect its value.

**Valuation Parameters** : Income Capitalisation  
Capitalization Rate: 4.5% to 6.5%

DCF  
Discount Rate: 8%  
Terminal Annual Growth Rate: 4%  
Implied Terminal Capitalization Rate: 4%

**Interest to be valued** : Our valuation of the Property is on an entirety interest basis.

Market Value	Method	Market Value (RMB)	Weighting
	Income Capitalisation	493,000,000	50%
	DCF	486,000,000	50%
	<b>Concluded Market Value</b>	<b>490,000,000</b>	

**Unit Rate** : RMB10,200/sq.m. (GFA)  
RMB18,000/sq.m. (NLA)

## Others

### Disclaimers, Limitations & Qualifications

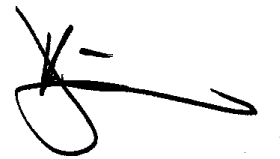
: A comprehensive valuation report has been prepared and that it is to be vested with the REIT Trustee and the REIT Manager appointed for the purpose of the acquisition of the Property by BHG Retail REIT and this valuation certificate should be made reference to the valuation report.

Other than as disclosed in this valuation report, we, Cushman & Wakefield Limited hereby confirm that Cushman & Wakefield Limited and the valuers conducting the valuation have no pecuniary or other interests that could conflict with the proper valuation of the Property or could reasonably be regarded as being capable of affecting our ability to give an unbiased opinion. We confirm that we are independent for the purposes of paragraph 8 of Appendix 6 to the Code on Collective Investment Scheme issued by the Monetary Authority of Singapore.

Cushman & Wakefield Limited conducted valuations of other properties held by in BHG Retail REIT for the purpose of its listing on the Mainboard of the SGX in December 2015, and for the preparation of the year-end accounts for BHG Retail REIT for the financial year ending in December 2017.

This valuation report is issued only for the use of the REIT Manager and the REIT Trustee for the purpose of aforesaid valuation.

Yours faithfully,  
For and on behalf of  
**Cushman & Wakefield Limited**



**Andrew K.F. Chan**  
MSc, MRICS, MHKIS, MCIREA, RPS(GP)  
RICS Membership No.: 0085540  
Regional Director  
Valuation & Advisory Services, Greater China

*Note: Mr. Andrew K.F. Chan has over 30 years of experience in the professional property valuation and advisory services in the Greater China region and various overseas countries. Mr. Chan has sufficient current national knowledge of the market, and the skills and understanding to undertake the valuations competently.*

## NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an EXTRAORDINARY GENERAL MEETING of the holders of units of BHG Retail Real Estate Investment Trust (“**BHG Retail REIT**”, and the holders of units of BHG Retail REIT, “**Unitholders**”) will be held on 18 December 2018 at 10.00 a.m. at InterContinental Singapore, Level 2, Ballroom 3, 80 Middle Road, Singapore 188966, for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution (capitalised terms not otherwise defined herein shall bear the meanings ascribed to them in the circular to Unitholders dated 30 November 2018):

### ORDINARY RESOLUTION

#### THE PROPOSED ACQUISITION OF HEFEI CHANGJIANGXILU MALL

RESOLVED that:

- (i) approval be and is hereby given for the proposed acquisition of all the issued shares in Fuchsia (China) Mall Pte. Ltd. (“**SG SPV**”), which indirectly owns Hefei Changjiangxilu Mall in the Shushan District of Hefei, Anhui Province, the People’s Republic of China (the “**Acquisition**”) from Guok Chin Huat Samuel (the “**Vendor**”) for a transaction amount<sup>1</sup> of RMB328.3 million (S\$65.7 million) on the terms and subject to the conditions set out in the share purchase agreement dated 5 November 2018 (the “**SG SPA**”) entered into between the Vendor and DBS Trustee Limited (in its capacity as trustee of BHG Retail REIT) (the “**Trustee**”);
- (ii) approval be and is hereby given for the proposed issue of new units in BHG Retail REIT for the payment of the acquisition fee to BHG Retail Trust Management Pte. Ltd., as manager of BHG Retail REIT (the “**Manager**”), for the proposed Acquisition;
- (iii) approval be and is hereby given for the payment of all fees and expenses relating to the proposed Acquisition;
- (iv) approval be and is hereby given for the entry by BHG Retail REIT (whether directly or indirectly through its subsidiaries) into all agreements and transactions in connection with the proposed Acquisition and all ancillary agreements contemplated thereby or incidental thereto, or which are necessary to give effect to the proposed Acquisition; and
- (v) the Manager, any director of the Manager (“**Director**”), the Chief Executive Officer of the Manager (the “**CEO**”) and the Trustee be and are hereby severally authorised to complete and do all such acts and things (including executing all such documents as may be required) as the Manager, such Director, the CEO or, as the case may be, the Trustee may consider expedient or necessary or in the interests of BHG Retail REIT to give effect to the proposed Acquisition, the SG SPA and all transactions in connection therewith.

#### BY ORDER OF THE BOARD

BHG Retail Trust Management Pte. Ltd.  
(as manager of BHG Retail Real Estate Investment Trust)  
(Company Registration No. 201504222D)

Chan Iz-Lynn  
Chief Executive Officer  
30 November 2018

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<sup>1</sup> The transaction amount comprises (i) S\$65.7 million that the Trustee will extend to the SG SPV via a shareholder’s loan from the Trustee and/or a subscription of shares in the capital of the SG SPV and (ii) S\$100.00 for the issued share capital of the SG SPV.

## **IMPORTANT NOTICE**

The value of Units and the income derived from them, if any, may fall or rise. Units are not obligations of, deposits in, or guaranteed by, the Manager or any of its affiliates. An investment in Units is subject to investment risks, including the possible loss of the principal amount invested.

Investors should note that they have no right to request the Manager to redeem or purchase their Units for so long as the Units are listed on the SGX-ST. It is intended that Unitholders may only deal in their Units through trading on the SGX-ST. The 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.

## **PERSONAL DATA PRIVACY:**

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Extraordinary General Meeting of BHG Retail REIT and/or any adjournment thereof, a Unitholder (i) consents to the collection, use and disclosure of the Unitholder's personal data by the Manager and the Trustee (or their agents) for the purpose of the processing and administration by the Manager and the Trustee (or their agents) of proxies and representatives appointed for the Extraordinary General Meeting of BHG Retail REIT (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Extraordinary General Meeting of BHG Retail REIT (including any adjournment thereof), and in order for the Manager and the Trustee (or their agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the Unitholder discloses the personal data of the Unitholder's proxy(ies) and/or representative(s) to the Manager and the Trustee (or their agents), the Unitholder has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Manager and the Trustee (or their agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the Unitholder will indemnify the Manager and the Trustee (or their agents) in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the Unitholder's breach of warranty.



## BHG RETAIL REIT

(A real estate investment trust constituted in the Republic of Singapore pursuant to a Trust Deed dated 18 November 2015)

### PROXY FORM EXTRAORDINARY GENERAL MEETING

#### IMPORTANT

1. For CPF/SRS investors, this Circular is forwarded to them at the request of their CPF Approved Nominees and is sent FOR INFORMATION ONLY.
2. A Relevant Intermediary may appoint more than two proxies to attend and vote at the Extraordinary General Meeting.
3. This Proxy Form is not valid for use by CPF/SRS investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
4. CPF/SRS Investors who wish to attend the Extraordinary General Meeting as observers must submit their requests through their CPF Approved Nominees within the time frame specified. If they wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.
5. PLEASE READ THE NOTES TO THE PROXY FORM.

#### Personal Data Privacy

By submitting an instrument appointing proxy or proxies and/or representative(s), a Unitholder of BHG Retail REIT accepts and agrees to the personal data privacy terms set out in the Notice of Extraordinary General Meeting dated 30 November 2018.

\*I/We \_\_\_\_\_ (Name) \_\_\_\_\_ (NRIC/Passport no.)  
of \_\_\_\_\_ (Address)  
being \*a Unitholder/Unitholders of BHG Retail REIT hereby appoint

Name	NRIC/Passport No.	Proportion of Unitholdings	
		No. of Units	%
Address:			

\*and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Unitholdings	
		No. of Units	%
Address:			

or failing \*him/her/them, the Chairman of the Extraordinary General Meeting (the "EGM") as \*my/our \*proxy/proxies to attend and vote for \*me/us on \*my/our behalf at the EGM of BHG Retail REIT to be held at InterContinental Singapore, Level 2, Ballroom 3, 80 Middle Road, Singapore 188966 on Tuesday, 18 December 2018 at 10:00 a.m. and at any adjournment thereof.

\*I/We direct \*my/our \*proxy/proxies to vote for or against the resolution to be proposed at the EGM as indicated hereunder. If no specific directions as to voting is given, the \*proxy/proxies will vote or abstain from voting at \*his/her/their discretion as \*he/she/they may on any other matter arising at the EGM.

No.	Ordinary Resolution	Number of Votes For#	Number of Votes Against#
1.	To approve the proposed acquisition of Hefei Changjiangxilu Mall.		

\* Delete accordingly

# If you wish to use all your votes "For" or "Against", please indicate with an "X" within the box provided. Otherwise, please indicate number of votes "For" or "Against" for each resolution within the box provided.

Dated this \_\_\_\_ day of \_\_\_\_\_ 2018

Total Number of Units Held

\_\_\_\_\_  
Signature(s) of Unitholder(s)  
Or, Common Seal of Corporate Unitholder



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1<sup>st</sup> fold here

**IMPORTANT: PLEASE READ THE NOTES TO PROXY FORM BELOW**

**Notes to Proxy Form:**

1. A Unitholder of BHG Retail REIT (“**Unitholder**”) who is not a Relevant Intermediary entitled to attend and vote at the Extraordinary General Meeting (“**EGM**”) is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a Unitholder. Where a Unitholder appoints more than one proxy, the appointments shall be invalid unless he/she specifies the proportion of his/her holding (expressed as a percentage of the whole) to be represented by each proxy.
2. A Unitholder who is a Relevant Intermediary entitled to attend and vote at the meeting is entitled to appoint more than two proxies to attend and vote instead of the Unitholder, but each proxy must be appointed to exercise the rights attached to a different Unit or Units held by such Unitholder. Where such Unitholder appoints more than one proxy, the appointment shall be invalid unless the Unitholder specifies the number of Units in relation to which each proxy has been appointed.  
“**Relevant Intermediary**” means:
  - (a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore or a wholly-owned subsidiary of such banking corporation, whose business includes the provision of nominee services and who holds Units in that capacity;
  - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore and who holds Units in that capacity; or
  - (c) the Central Provident Fund Board (“**CPF Board**”) established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of Units purchased under the subsidiary legislation made under the Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds those Units in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
3. A Unitholder should insert the total number of Units held in the Proxy Form. If the Unitholder has Units entered against his/her name in the Depository Register maintained by The Central Depository (Pte) Limited (“**CDP**”), he/she should insert that number of Units. If the Unitholder has Units registered in his/her name in the Register of Unitholders of BHG Retail REIT, he/she should insert that number of Units. If the Unitholder has Units entered against his/her name in the said Depository Register and registered in his/her name in the Register of Unitholders, he/she should insert the aggregate number of Units. If no number is inserted, this Proxy Form will be deemed to relate to all the Units held by the Unitholder.

2<sup>nd</sup> fold here

Affix  
Postage  
Stamp

**BHG Retail Trust Management Pte. Ltd.**  
**(As manager of BHG Retail REIT)**  
c/o Boardroom Corporate & Advisory Services Pte. Ltd.,  
50 Raffles Place,  
#32-01 Singapore Land Tower,  
Singapore 048623

3<sup>rd</sup> fold here

4. The Proxy Form must be deposited at the office of the Unit Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 not less than 48 hours before the time set for the EGM.
5. Completion and return of the Proxy Form shall not preclude a Unitholder from attending and voting at the EGM. Any appointments of a proxy or proxies shall be deemed to be revoked if a Unitholder attends the EGM in person, and in such event, the Manager reserves the right to refuse to admit any person or persons appointed under the Proxy Form, to the EGM.
6. The Proxy Form must be executed under the hand of the appointor or of his/her attorney duly authorised in writing. Where the Proxy Form is executed by a corporation, it must be executed under the common seal or under the hand of an officer or attorney so authorised. The Manager and the Trustee shall be entitled and be bound, in determining the rights to vote and other matters in respect of a completed Proxy Form submitted to it, to have regard to any instructions and/or notes set out in the Proxy Form.
7. Where the Proxy Form is signed on behalf of the appointor by an attorney or a duly authorised officer, the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of authority must (failing previous registration with the Manager) be lodged with the Proxy Form, failing which the Proxy Form may be treated as invalid.
8. The Manager and the Trustee shall have the right to reject a Proxy Form which is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the Proxy Form. In addition, in the case of Units entered in the Depository Register, each of the Trustee and the Manager may reject a Proxy Form if the Unitholder, being the appointor, is not shown to have Units entered against his/her name in the Depository Register as at 48 hours before the time appointed for holding the EGM, as certified by CDP to the Manager.
9. All Unitholders will be bound by the outcome of the EGM regardless of whether they have attended or voted at the EGM.
10. CPF Approved Nominees acting on the request of the CPF/SRS investors who wish to attend the EGM as observers are requested to submit in writing, a list with details of the CPF/SRS investors’ names, NRIC/Passport numbers, addresses and number of Units held. The list (to be signed by an authorised signatory of the CPF Approved Nominee) shall reach the office of the Unit Registrar at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 not less than 48 hours before the time set for the EGM.



**BHG Retail Trust Management Pte. Ltd.**  
(as manager of BHG Retail Real Estate Investment Trust)  
(Company Registration Number: 201504222D)

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Singapore 189702

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