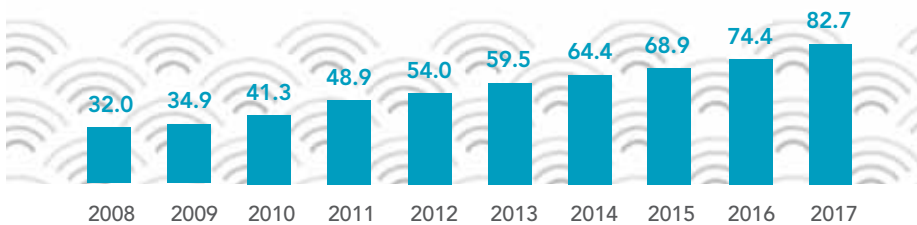


OUTLOOK ON CHINA

STEADY GROWTH MOMENTUM

China’s economy achieved a stable momentum in 2017. Gross domestic product expanded 6.9%¹ year-on-year to RMB 82.7 trillion for the full year 2017. This exceeded the government’s target of 6.5%¹ and International Monetary Fund’s (“IMF”) forecast of 6.8%³. Amidst the economy’s rebalancing and structural reforms, the China government reiterated their focus on growth quality and efficiency before pace.

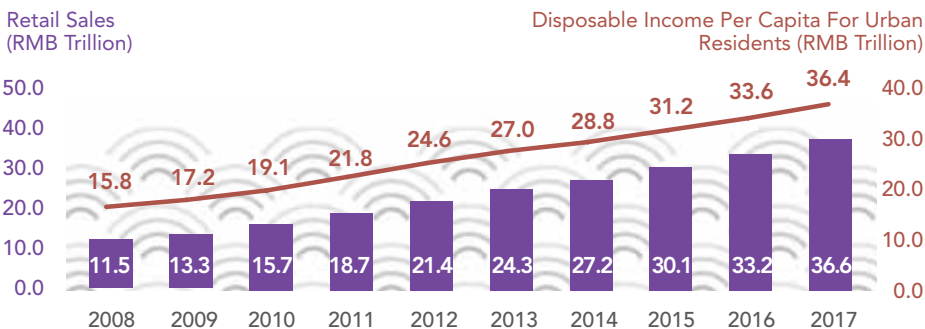
CHINA’S GROSS DOMESTIC PRODUCT¹ (RMB TRILLION)



Despite China’s economic transformation, the nation has remained the single highest contributor of the world’s GDP growth. According to World Bank, over the past five years, China’s GDP rose from RMB 54 trillion to over RMB 80 trillion, contributing more than 30 percent of global economic growth². According to growth projections from the World Bank, China’s economy is expected to contribute about 35% of the world’s GDP growth between 2017 and 2019, far exceeding the second highest contributor, United States at around 18%². China economy’s massive amount of growth relative to its peers continued to be driven by the rising domestic consumption, which was fuelled by steadily increasing residents’ income and urbanisation.

DOMESTIC CONSUMPTION EXPENDITURE AND RESIDENTS’ INCOME ON UPTREND¹

China’s domestic consumption contributed 58.8% to its nation’s GDP growth in 2017. Retail sales continued to be on an upward trajectory. For the full year 2017, total retail sales of consumer goods rose 10.2% year-on-year to RMB 36.6 trillion. China’s increasing domestic consumption remained underpinned by the sturdy rise of residents’ income. Disposable income and expenditure per capita of urban residents increased 6.5% and 5.4% year-on-year respectively in 2017.



1. Source: National Bureau of Statistics of China
 2. Source: World Bank, World Economic Forum
 3. Source: International Monetary Fund

+6.9%
 CHINA GDP GROWTH
 IN 2017¹
 (Y-O-Y)

+10.2%
 CHINA RETAIL
 SALES GROWTH
 IN 2017¹
 (Y-O-Y)

+6.5%
 DISPOSABLE INCOME
 PER CAPITA FOR
 URBAN RESIDENTS
 IN 2017¹
 (Y-O-Y)

+5.4%
 EXPENDITURE PER
 CAPITA FOR URBAN
 RESIDENTS
 IN 2017¹
 (Y-O-Y)

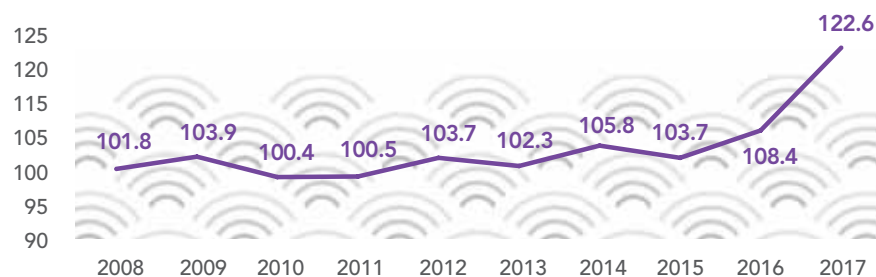
58.8%
 CONSUMPTION
 EXPENDITURE
 CONTRIBUTION TO
 CHINA GDP
 IN 2017¹

OUTLOOK ON CHINA

CONSUMER CONFIDENCE INDEX AT RECORD HIGH⁴

China's Consumer Confidence Index, which is commonly used to measure the degree of economic optimism among consumers, grew from 108.4 in December 2016 to 122.6 in December 2017. According to Vishal Bali, Managing Director of Nielsen China, China is at a critical stage of consumption upgrade. The rising consumer confidence index was due to consumers' optimistic perceptions of local job prospects, personal finances and immediate spending intentions. Households' steady growth in income will translate into a potential demand for purchase and investment. New consumption structures and growth momentum are also forming at a fast pace. As the national economy gains a steady momentum, Chinese consumers are becoming more willing to spend, with nationwide buying spree driving upgrade.

CHINA CONSUMER CONFIDENCE INDEX¹ (AS AT 31 DECEMBER)



RURAL-URBAN MIGRATION CONTINUES

The scale and pace of China's urbanisation continues at an unprecedented rate. Urbanisation rate increased from 57.3% in 2016 to 58.5% in 2017¹. If current trends hold, China's urban population will hit the one billion mark by 2030. For retailers in China, the scale of China's urbanization promises substantial new markets and investment opportunities.

"NEW RETAIL" & OMNI-CHANNEL TRENDS

For the full year 2017, China's online sales of goods amounted to RMB 5.5 trillion and accounted for 15.0% of total retail sales of consumer goods¹.

China's consumerism has evolved. Today's consumers are no longer pure offline consumers, and neither are they pure online consumers. They continue to engage with brands both online and offline. Retailers continue to adapt and to appeal to customers through one or more channels to maintain their relevancy and market share. As a result, e-commerce players and pure-clicks enterprises are increasingly expanding their offline presence; while brick-and-mortar companies are actively pursuing digital

expansion to generate more customer traffic and meet the new demands.

One area that physical stores are increasingly trending towards is "retail-tainment". According to Mckinsey's survey of China's internet users, two-thirds of Chinese consumers say that shopping is the best way to spend time with family. Malls – which combine shopping, dining, and entertainment experiences the entire family can enjoy – have benefitted most from this trend.

BHG RETAIL REIT'S PARTICIPATION IN CHINA'S GROWTH

Against this backdrop, BHG Retail REIT's current portfolio of community-focused retail properties in prudently selected locales with high population density is expected to stay robust. The REIT's multi-tenanted malls which contributed 88.1% of the entire portfolio's net property income in FY 2017, continued to see strong leasing demand, positive increase in average passing rents, and strong rental uplift during the year. This is underpinned by rising domestic consumption, higher disposable income, increasing middle-income population, rural-urban migration (urbanisation) and implementation of the two-child policy.

4. Source: Nielsen China