PRESS RELEASE

For Immediate Release
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# BHG Retail REIT

## 4Q 2017 Gross Revenue up 5.8% year-on-year
## Net property income in 4Q 2017 grew 8.1% year-on-year

- 12M 2017 Distribution per Unit of 5.47 cents, rose 2.8% year-on-year
- 12M 2017 Net property income (SGD) 6.6% higher year-on-year
- Maintains track record of high occupancy rate, at 99.7%
- Strong rental reversion

**SINGAPORE, February 23, 2018** – BHG Retail Trust Management Pte. Ltd., the Manager of BHG Retail REIT, is pleased to announce today the financial results of BHG Retail REIT for the fourth quarter ("4Q 2017") and full year ("12M 2017") ended 31 December 2017. 4Q 2017 Gross revenue and net property income ("NPI") in Singapore dollars outperformed the same quarter in the preceding year by 5.8% and 8.1%, respectively. BHG Retail REIT's commendable results were driven largely by strong rental uplifts as well as inbuilt rental step-ups.

4Q 2017 amount available for distribution of S$4.9 million translated to a 4Q 2017 distribution per Unit ("DPU") of 1.32 cents and an aggregate second half 2017 ("2H 2017") DPU of 2.73 cents. Unitholders can expect to receive the 2H 2017 DPU on 28 March 2018. Full year 2017 DPU of 5.47 cents, was 2.8% higher than the DPU for the REIT's inaugural year. Annualised distribution yield for 12M 2017 was 7.39%[1], based on a closing price of S$0.740 as at 31 December 2017.

### *Strong Operational Performance*

BHG Retail REIT maintained its track record of high occupancy, with committed occupancy rate of 99.7% as at 31 December 2017. Rents for new and renewed leases in 12M 2017 continued to achieve strong rental reversions. The multi-tenanted malls' success in drawing new retailers while retaining quality tenants, was attributed to the proactive leasing activities, tenant engagement, and astute asset management.

Footnotes:

1 Based on closing price of S$0.740 as at 31 December 2017 and 12M 2017 Distribution per Unit.

| For the period from 1 Oct to 31 Dec | 4Q 2017[2] | 4Q 2016[2,3] | Change% |
|---|---|---|---|
| Gross revenue [RMB'000] | 81,604 | 76,441 | 6.8 |
| Net property income [RMB'000] | 54,399 | 49,841 | 9.1 |
| Gross revenue [SGD'000] | 16,707 | 15,791 | 5.8 |
| Net property income [SGD'000] | 11,137 | 10,300 | 8.1 |
| Amount available for distribution [SGD'000] | 4,879 | 4,629 | 5.4 |
| Distribution per unit (cents) [SGD cents] | 1.32 | 1.31 | 0.8 |

| For the period from 1 Jan to 31 Dec | 12M 2017[2] | 12M 2016[2,3] | Change% |
|---|---|---|---|
| Gross revenue [RMB'000] | 315,760 | 300,607 | 5.0[4] |
| Net property income [RMB'000] | 210,172 | 193,407 | 8.7[4,5] |
| Gross revenue [SGD'000] | 64,519 | 62,585 | 3.1[4] |
| Net property income [SGD'000] | 42,944 | 40,286 | 6.6[4,5] |
| Amount available for distribution [SGD'000] | 20,001 | 18,604 | 7.5 |
| Distribution per unit (cents) [SGD cents] | 5.47 | 5.32 | 2.8 |

Footnotes:

2 The actual results of the Group's foreign subsidiaries were translated using the average SGD: CNY rate of 1:4.884, 1:4.844, 1:4.894 and 1:4.791 for 4Q 2017, 4Q 2016, 12M 2017 and 12M 2016, respectively.

3 The comparative figures were for the quarter from 1 October 2016 to 31 December 2016 and for twelve months from 1 January 2016 to 31 December 2016, respectively. These figures were extracted from BHG Retail REIT's results for the fourth quarter and twelve months ended 31 December 2016.

4 Prior to 1 May 2016, Business Tax was reflected under property operating expenses. With effect from 1 May 2016, Value Added Tax ("VAT") replaced Business Tax in China and this is netted off against revenue instead of being reflected in property operating expenses.

5 With effect from 1 July 2016, the Beijing State Government aligned its tax policy with the national practice of charging Property Tax based on rental income. This resulted in higher property-related tax expenses for Beijing Wanliu Mall. The change in Beijing's Property Tax is in-line with current property tax for the other four properties in the portfolio.

***Ms Chan Iz-Lynn, Chief Executive Officer of BHG Retail Trust Management Pte. Ltd.,*** said, "BHG Retail REIT turned in a set of creditable results, with 4Q 2017 and 12M 2017 NPI growth in Renminbi hitting 9.1% and 8.7% year-on-year, respectively. Our portfolio of five community-focused retail properties in high population density neighborhoods, continued to be poised for growth amid rising income and spending of Chinese residents.

In 2017, we embarked on an asset enhancement initiative in Chengdu Konggang Mall, to elevate the mall's active lifestyle offerings. This brought together a collection of popular brands including Nike, Adidas, Skechers, Jordan, and Li-Ning. The initiative was very well received by surrounding communities, and have witnessed a strong growth in footfall for the entire mall since reopening. Going forward, we will continue to proactively value-add and elevate our malls' appeal to surrounding communities.

Over at Beijing Wanliu Mall, several new concepts and stores opened doors in 2017. They include, children related brands (Carter's and Nike Kids), fashion retailer (Lacoste) and local cuisines (江边城外 and 旺顺阁). We also successfully brought in 快乐小马 Happy Pony, a 508 square metre (approximately 5,400 square feet) children horse-riding stable & training school, which drew overwhelming response in 2H 2017. With growing aspirational demographics in Beijing, shoppers often desire better quality products and experiences. In view of these rising trends, we will remain astute in our leasing strategies, and strive to maintain the relevancy of our offerings.

To lay a strong foundation for the REIT's next phase of growth, we will continue to seek potential DPU yield-accretive acquisition opportunities through both Right of First Refusal ("ROFR"), as well as third-party properties."

***Outlook***

For the full year 2017, China's gross domestic product expanded 6.9%[a] year-on-year to RMB 82.7[a] trillion. Retail sales rose 10.2%[a] year-on-year to RMB 36.6[a] trillion in 2017. China's increasing domestic consumption remained underpinned by the rise of residents' income. Disposable income and expenditure per capita of urban residents increased 6.5%[a] and 5.4%[a] year-on-year respectively in 2017. The proportion of urban population to total population (urbanisation rate) increased from 57.3%[a] in 2016 to 58.5%[a] in 2017.

a. Source: National Bureau of Statistics of China

**ABOUT BHG RETAIL REIT** (http://www.bhgreit.com)

BHG Retail REIT is the first pure-play China Retail REIT sponsored by a leading China integrated retail group. The REIT was listed on the Main Board of the Singapore Exchange Securities Trading Limited 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 either wholly or partially), as well as real estate-related assets in relation to the foregoing, with an initial focus on China.

Its portfolio comprises five retail properties, Beijing Wanliu (60%), Chengdu Konggang, Hefei Mengchenglu, Xining Huayuan, Dalian Jinsanjiao located in Tier 1, Tier 2 and other cities of significant economic potential in China. As at 31 December 2017, the portfolio gross floor area ("GFA") of about 264,000 sqm, has a committed occupancy of 99.7%. As at 31 December 2017 (date of latest valuation), total appraised value of approximately RMB 3,946 million.

Under voluntary right of first refusal agreements ("ROFR"), 14 properties may potentially be offered to BHG Retail REIT as future pipeline assets. Of these 14 ROFR properties, 10 are held by the Sponsor. Three ROFR properties, namely Tongchengjie, Libao, and Changying are held by a private fund, managed by a fund manager 50% owned by Beijing Hualian Group Investment Holding Co., Ltd.. One ROFR property, Anzhen Mall, is held by Beijing Hualian Group Investment Holding Co., Ltd. jointly with other third parties, and the consent of such third parties is required for Anzhen Mall to be offered to BHG Retail REIT.

## ABOUT THE REIT MANAGER

BHG Retail REIT is managed by BHG Retail Trust Management Pte. Ltd., an indirect wholly owned subsidiary of the Sponsor, Beijing Hualian Department Store Co., Ltd. The Manager's key financial objectives are to provide Unitholders of BHG Retail REIT with an attractive rate of return on their investment through regular and stable distributions to Unitholders and to achieve long-term sustainable growth in distribution per unit ("DPU") and net asset value ("NAV") per Unit, while maintaining an appropriate capital structure for BHG Retail REIT.

## ABOUT THE SPONSOR

BHG Retail REIT is the first retail REIT sponsored by an established PRC home-grown retail property operator, Beijing Hualian Department Store Co., Ltd. (the "Sponsor"). Established in May 1998, the Sponsor is a listed company on the Shenzhen Stock Exchange (stock code: 000882). The Sponsor is one of the first companies to be engaged in retail property management in China whose focus is mainly on the ownership and management of community retail properties. These properties are positioned as one-stop family-oriented destinations for the community in its locality, with shopping, dining, recreational and entertainment facilities to cater to an extensive variety of communal needs.

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**IMPORTANT NOTICE**

The value of units in BHG Retail REIT ("Units") and the income derived from them, if any, may fall as well as rise. Units are not obligations of, deposits in, or guaranteed by, BHG Retail Trust Management Pte. Ltd., as manager of BHG Retail REIT (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. The past performance of BHG Retail REIT is not necessarily indicative of its future performance.

Investors have no right to request the Manager to redeem their Units while the Units are listed. It is intended that unitholders of BHG Retail REIT ("Unitholders") may only deal in their Units through trading on the SGX-ST. Listing of the Units on SGX-ST does not guarantee a liquid market for the Units.

This press release may contain forward-looking statements that involve risks and uncertainties. Such forward-looking statements and/or financial information involve a number of factors, risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, the present and future business strategies, the environment in which BHG Retail REIT will operate in the future, interest rate trends, cost of capital and capital availability, competition from similar developments, shifts in expected levels of property rental income, changes in operating expenses, property expenses and governmental and public policy changes, and the continued availability of financing. The actual results, performance or achievements of BHG Retail REIT or the Manager, or industry results, may be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements and/or financial information, as these statements and financial information reflect the Manager's current views concerning future events and necessarily involve risks, uncertainties and assumptions. Prospective investors and Unitholders are cautioned not to place undue reliance on these forward-looking statements, which are based on the current view of the Manager on future events.