

LETTER TO UNITHOLDERS

2018 MARKS THE REIT'S FIRST STEP TOWARDS ENLARGING ITS PORTFOLIO. THE PROPOSED ACQUISITION OF CHANGJIANGXILU MALL, IN HEFEI CITY, THE CAPITAL CITY OF ANHUI PROVINCE, IS EXPECTED TO BE COMPLETED BY EARLY APRIL 2019 AND CONTRIBUTE POSITIVELY TO THE REIT'S PORTFOLIO PERFORMANCE IN THE YEAR AHEAD.

DEAR UNITHOLDERS,

On behalf of the Board of Directors and the management team of BHG Retail Trust Management Pte. Ltd., we are pleased to present to you BHG Retail REIT's annual report for the financial year 2018 ("FY 2018").

2018 was a year which started off with much optimism, but ended in a mix as trade tensions in key economies weighed down on global market sentiments. Despite that, China's economy continued to chalk a stable growth trajectory. Against the backdrop of rising residents' income and spending, the REIT's strategy to focus on neighborhood retail properties, in high population density neighborhoods, continued to underpin the resilience of our fundamentals.

2018 marks the REIT's first step towards enlarging its portfolio. The proposed acquisition of Changjiangxilu Mall, in Hefei city, the capital city of Anhui province, is expected to be completed by early April 2019 and contribute positively to the REIT's portfolio performance in the year ahead.

In 2018, BHG Retail REIT's gross revenue and net property income ("NPI") grew 8.0% and 6.3% respectively year-on-year, on the back of more promising underlying rental uplifts achieved for new and renewed leases, as well as in-built rental escalation for ongoing tenancies.



Based on the closing price of S\$0.715 as at 31 December 2018, and aggregated distribution per unit ("DPU") for FY 2018 of 5.16 Singapore cents, BHG Retail REIT's annual distribution yield of 7.2% continues to represent an attractive yield-play investment.

STABLE FUNDAMENTALS & ORGANIC GROWTH

Existing portfolio remained poised for further growth. Portfolio committed occupancy rate was 98.7% as at 31 December 2018. Rents for new and renewed leases continued to achieve very healthy rental reversions in FY 2018. Our malls' strong success in attracting new retailers while retaining quality tenants was attributed to the proactive leasing activities, tenant engagement, as well as astute asset management. Average passing rents registered positive increase year-on-year in FY 2018.

BHG Retail REIT's multi-tenanted malls contributed 88.6% of the entire portfolio's net property income in FY 2018. These key contributors, namely Beijing Wanliu Mall, Chengdu Konggang Mall, and Hefei Mengchenglu Mall, accounted for 61.6%, 14.3% and 12.7% respectively of FY 2018's NPI. Our multi-tenanted malls on average achieved higher year-on-year overall shopper traffic in FY 2018. This was achieved through dedicated efforts to continually enhance the quality and popularity of our malls and to entrench our malls as the mall of choice for tenants and the surrounding communities.

OPTIMISING GROWTH VIA ASSET ENHANCEMENT

In mid-2017, we completed the asset enhancement initiative ("AEI") at Chengdu Konggang Mall to rejuvenate the mall's active lifestyle offering. We continued to witness strong visitorship throughout 2018.

Notwithstanding this, the REIT is not resting on its laurels. We continued

to proactively manage our assets, and embarked on another AEI in third quarter 2018, which relates to the resizing of the supermarket space in Hefei Mengchenglu Mall. This allows us to unlock the underlying potential of the newly released space, rejuvenate the cluster, and widen the range of offerings for its customers, while retaining the supermarket's competitive mass to serve its surrounding community residents. In tandem with the resizing of the supermarket, the mall is undergoing

asset enhancement works, with the installation of an additional set of escalators underway to significantly enhance access and improve natural traffic circulation to tenants at basement two. This integrated enhancement, slated to complete around mid-2019, is expected to elevate the long-term attractiveness of the anchor tenant and new cluster, as well as to further reinforce Hefei Mengchenglu's position as the mall of choice for the Luyang district community.



Mr Francis Siu Wai Keung
Chairman

Ms Chan Iz-Lynn
Chief Executive Officer

LETTER TO UNITHOLDERS

COMMUNITY-MALL FOCUSED STRATEGY

With the mission of providing Unitholders with regular, stable distributions and sustainable growth in the long term, we endeavour to build on our resilient community-mall focused and experiential strategy, and to capitalise on the rising middle income population.

Leveraging on Beijing Hualian Group's wealth of knowledge and substantial footprint in retail mall management, luxury department store management, supermarket operation and international retail partnerships, the REIT and property managers benefit from the Group's strong understanding of Chinese consumption patterns.

Coupled with proactive engagement of the surrounding communities and strong collaboration with tenants, the REIT is able to promptly identify the fast changing demands of shoppers and communities that we serve, thereby maintaining the relevancy of our malls. In addition, Beijing Hualian Group's extensive network of retailers strengthens our ability to draw new retailers into our malls to provide an ever-refreshing retail-tainment experience.

To embrace consumers' omni-channel retailing trends, the REIT will continue to focus on the experiential segment. This segment, which typically requires consumers to visit the mall, contributed about 65% and 80% of gross rental income and net lettable area respectively of the entire portfolio as at 31 December 2018.

STEADY FINANCIAL POSITION

As at 31 December 2018, BHG Retail REIT's appraised portfolio value was RMB 4,081.1 million, representing a 3.4% appreciation from the previous valuation of RMB 3,946.0 million as at 31 December 2017.

The Manager remains prudent in its capital management strategy. As at 31 December 2018, total borrowings drawn down aggregated to S\$222.5 million, with about 70% of debt denominated in Singapore dollars and remaining approximately 30% denominated in RMB. In addition to the natural hedge provided by the RMB-denominated debt to the matching revenue stream, close to 50% of the Singapore dollars denominated debt has been hedged from a floating to fixed rate via interest rate swap instruments.

Gearing remained low at 30.7% and allows a comfortable debt headroom for future potential acquisition growth.

ACCOLADES & RECOGNITION

Over the course of the year, BHG Retail REIT received several accolades for our commitment and efforts. In August 2018, results of the Singapore Governance & Transparency Index ranking was made public. BHG Retail REIT was ranked 10th amongst 43 REITs and Real Estate Business Trust for our commitment in adhering to exemplary corporate governance practices and disclosure standards. In the same month, BHG Retail REIT also won the Platinum Award at the prestigious Asia Pacific Best of the Breeds REITs Awards 2018, under the Retail REITs (small capitalisation) category.

We are humbled and pleased to receive these recognitions as an affirmation of our efforts to pursue value for our Unitholders. These will serve as inspiration for us to remain focused on our mission to deliver sustainable returns to our Unitholders, and to be committed to good corporate governance practices.

INORGANIC GROWTH CATALYST

In November 2018, the Manager announced the proposed acquisition of the Hefei Changjiangxilu Mall, located in Shusan district, Hefei City for a total acquisition cost of approximately RMB348.4 million (approximately S\$69.7 million). The agreed Changjiangxilu value of approximately RMB334.0 million (approximately S\$66.8 million), represented a good discount compared to both independent valuations of the property commissioned by the Trustee and the Manager.

The Hefei Changjiangxilu Mall serves a large residential catchment area in the Shushan district, with a catchment population within a three kilometre radius from Hefei Changjiangxilu Mall of approximately 200,000 which comprises about 50 local communities. It is well-connected to the Hefei Metro Line 2, which commenced operations on





26 December 2017 and connects Shushan district with two 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%. As at 31 August 2018, Hefei Changjiangxilu Mall exhibits a strong occupancy rate of 99.4%, with a weighted average lease expiry of 2.6 years (by gross rental income) and 5.0 years (by committed lettable area).

The proposed transaction was approved by Unitholders at the Extraordinary General Meeting held on 18 December 2018, and is expected to be completed by early April 2019. The acquisition is expected to deliver a DPU accretion and NAV per unit accretion of 0.4% and 6.0% respectively.

OUTLOOK

China's GDP and retail sales registered 6.6% and 9.0% year-on-year growth in 2018. Disposable income and expenditure per capita of urban residents increased 7.8% and 6.8% year-on-year in 2018.

Looking ahead, we are confident that our portfolio of quality community malls will stay robust, underpinned by the upward trajectory of residents' income and expenditure, as well as spending uplift from consumption upgrade and rural-urban migration (urbanisation). We however, will remain watchful of changes in consumer preferences, developments in the economy and changes in government policies that may have an adverse impact on our business. We will continue to undertake proactive lease management and asset enhancement to enhance the value of the malls under our portfolio.

The Manager endeavours to continue an inorganic growth momentum. To lay a strong foundation for the REIT's next phase of growth, the Manager will seek potential opportunities through both Right of First Refusal as well as third-party properties. Our key acquisition considerations include being DPU-yield accretive, sustainability of operating performance, as well as potential for future organic growth.

Lastly, with prudence, expertise and commitment of the Manager, we are confident that BHG Retail REIT

will continue to poise itself as an attractive yield-play investment, and deliver long-term sustainable growth to our Unitholders.

WITH APPRECIATION

In closing, we take this opportunity to acknowledge the commitment and contributions by fellow Board members, the management team and staff in the past year. We will also like to express our appreciation to our business partners, tenants, and shoppers for their continuous support. Last but not least, we offer our sincere gratitude to our Unitholders for their unwavering support and confidence in us. Together, let us look forward to another year of commendable performance and growth.

Thank you.

Mr Francis Siu Wai Keung
Chairman

Ms Chan Iz-Lynn
Chief Executive Officer

20 March 2019

致信托单位持有人之信函

尊敬的信托单位持有人：

我们很荣幸代表北京华联商业信托管理有限公司董事会及管理层公布北京华联商业信托(以下简称“本信托”)的2018财政年度(以下简称“2018财年”)业绩报告。

2018年刚开始时,市场情绪还是比较乐观的,后来却因为主要经济体之间发生贸易摩擦而陷入低潮。尽管如此,中国经济继续沿着稳健增长的轨道前进。在居民的收入和开支双双增长的背景下,本信托将策略重点放在人口稠密居民区中的社区零售物业,持续巩固我们富有弹性的基础。

2018年也是本信托首次扩大旗下商场规模的一年。对北京华联长江西路购物中心(位于安徽省会合肥市)的收购,预计将在2019年4月初完成。在新的一年里,这个新增商场预计将会为本信托旗下商场的整体表现锦上添花。

2018年,本信托总收入和净资产收入各自同比增长8.0%和6.3%,收入来源主要是新租户、续租户和现有租户的租金增长。

基于2018年12月31日闭市价0.715新元,以及2018财年每单位派息0.0516新元,本信托的年度派息收益率为7.2%,足以说明它仍然是一个极富吸引力的收益型投资。

稳定的基础及内生增长

现有旗下商场的业绩仍将继续增长。截止2018年12月31日,旗下商场的平均入住率是98.7%。在2018财年,新租户和续租户的租金保持良好增长。我们的商场之所以能在吸引新零售租户的同时,也能保留优质租户,主要得归功于积极的租赁活动,与租户之间的良好互动,以及精明的资产管理。2018财年的平均租金也实现了同比增长。

本信托旗下的多租户商场,在2018财年旗下商场的净资产收入中占比88.6%。主要创收者为北京万柳购物中心,成都空港购物中心,及合肥蒙城路购物中心,它们在2018财年的净资产收入中各占61.6%,14.3%和12.7%。在2018财年,我们的多租户商场在客流方面实现了更高的同比增长。之所以能取得这样的好成绩,是因为我们不断提高商场的素质和知名度,让租户和周边社区居民深信这里就是他们开店和购物的不二选择。

通过资产增值实现优化增长

在2017年中期,我们完成了北京华联成都空港购物中心的资产增值计划,为商场的购物体验注入了新的活力。

尽管如此,本信托并没有踌躇满志,裹足不前。我们继续积极管理资产,并于2018年第三季启动另一项资产增值计划,即调整合肥蒙城路购物中心的超市空间。这让我们能充分释放新增空间的潜能,为租户群注入新的活力,使其能为顾客提供更大范围的购物选择,同时保留超市的竞争优势,以便更好地服务周边社区居民。在调整超市空间的同时,商场也将进行翻新工程,多安装一架自动扶梯,提高通往地下二层商铺群的便捷性,并增加自然客流。这项定于2019年中期竣工的综合翻新工程,预计将提高新老租户的长期吸引力,并进一步巩固合肥蒙城路购物中心作为庐阳区居民心目中的购物最佳选择商场的地位。

聚焦社区商场策略

基于为信托单位持有人提供定期稳定的派息及长期的可持续发展的使命,我们努力建立富有弹性的、聚焦于社区商场的体验性策略,并设法把正在增长的中等收入人口资本化。

由于善用北京华联集团在零售商场管理、豪华百货商店管理、超市运营及国际零售合伙等方面的丰富知识和雄厚根基，本信托和物业管理团队也能从集团对中国消费模式的透彻认识中获益。

再加上主动接触周边社区居民及与租户的通力合作，本信托能迅速掌握购物者和社区居民日新月异的需求变化，从而确保商场能不断地与时俱进。此外，北京华联集团在零售业界的充沛人脉也强化了我們吸引更多新零售商入驻商场，从而为购物者提供令人耳目一新的零售体验。

为了适应消费者全渠道零售的发展趋势，本信托将继续侧重于体验部分。这部分由于经常需要消费者光顾商场，在截至2018年12月31日旗下商场的总租金收入和净可出租面积中，分别占比65%和80%。

稳健的财务状况

截至2018年12月31日，本信托旗下商场总估值40.811亿人民币，比2017年12月31日上一次评估时的39.46亿人民币升值3.4%。

管理团队在资本管理策略方面继续谨慎以对。截至2018年12月31日，总借贷额降至2.225亿新元，其中约70%是新元债务，另外约30%是人民币债务。除了通过自然对冲把人民币债务导入匹配的收入流以外，有将近50%的新元债务是通过利率掉期交易工具从浮动向固定利率对冲。

负债率保持在30.7%的较低水平，这让我们今后在从事进一步的收购行动时有充裕的负债空间。

荣誉认证

在这一年里，本信托获得了好几项荣誉，这是对我们不懈努力的肯定。2018年8月，有关方面公布了新加坡治理与透明度指数的排名成绩。由于我们致力于成为公司治理与披露标准的典范，本信托在43家房地产投资信托和商业信托中排名第10。在同一个月，本信托还荣获了2018亚洲最佳房地产投资信托大奖(Asia Pacific Best of the Breeds REITs Awards)零售房地产投资(小盘股)组别的白金奖。

我们以谦虚和欣慰的心情来领奖，因为这些荣誉是对我们不断为信托单位持有人追求价值的努力的肯定。它们也将鞭策我们在继续致力于为信托单位持有人提供可持续回报的同时，不忘恪守企业治理守则。

非内生增长催化剂

2018年11月，管理团队公布了总收购价约3.484亿人民币(约6970万新元)的北京华联长江西路购物中心(位于合肥市蜀山区)收购提议。这项收购提议后来以大约3.34亿人民币(约为6680万新元)的商定价成交，比起由管理团队和托管人分别委托的第三方不同物业评估的价值，是不错的折扣。

合肥市的北京华联长江西路购物中心位于蜀山区人口稠密的繁华地带，其3公里半径内有50个社区，总人口约20万。购物中心毗邻合肥地铁2号线。2号线在2017年12月26日通车，把蜀山区和合肥市的另外两个市辖区连成一片。合肥地铁2号线给这里带来了更大的购物人流，北京华联长江西路购物中心就大约增加了20.0%。截至2018年8月31日，合肥市北京华联长江西路购物中心的入住率达到了99.4%，加权平均租赁期限以总租金收入来算是2.6年，以可出租面积来算是5.0年。

在2018年12月18日召开的特别股东大会上，这项收购提议得到了信托单位持有人的批准，并预计将于2019年4月初完成交易。合肥市北京华联长江西路购物中心收购案预计能产生0.4%的每单位派息(DPU)增值和6.0%的每单位资产净值(NAV per unit)增值。

致信托单位持有人之信函

展望

2018年,中国的国内生产总值和零售销售分别同比增长6.6%和9.0%。此外,城市居民的可支配收入和人均支出各自在2018年同比增长7.8%和6.8%。

展望未来,我们对旗下优质社区商场持续强劲增长充满信心,因为除了居民收入和开支都呈现了持续增长的势头以外,消费升级和农村人口向城市迁移(城市化)也提高了开支水平。尽管如此,我们仍然密切关注消费者偏好、经济发展和政府政策的变化,尤其是那些可能会给我们的业务构成不利影响的改变。我们将继续积极进行租赁管理和物业翻新计划,以提升旗下商场的价值。

展望未来,管理团队也将继续努力推动非内生增长。为了给本信托下一阶段的增长奠定更加牢靠的基础,管理团队会持续在拥有优先购买权(“ROFR”)以及第三方持有物业中寻找收购机会。主要的收购考虑因素包括每单位派息收益增长,经营表现的可持续性,以及未来内生增长的潜能。

最后,由于我们拥有一支精明、专业和热心奉献的管理团队,我们深信本信托将继续证明自己是物超所值的收益型投资,并将为所有的信托单位持有人提供长期的可持续增长。

鸣谢

最后,我们想趁此机会向在过去一年里为公司做出贡献的董事、管理层和员工致谢。我们也要感谢业务伙伴、租户和购物者的继续支持。此外,我们也要向所有的信托单位持有人真诚致谢,感谢他们对我们充满信心,感谢他们不遗余力地支持我们。让我们一起展望未来,希望在来年有更好的表现,取得更高的增长。

谢谢。

萧伟强

主席

陈懿璘

首席执行官

2019年3月20日