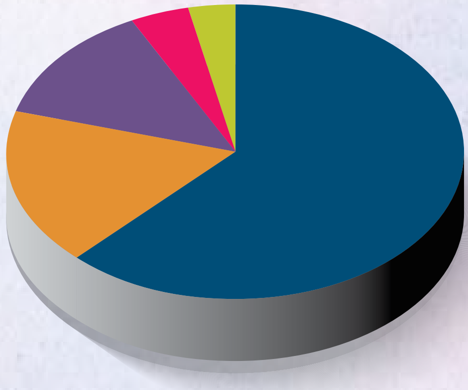
FINANCIAL REVIEW

GROSS REVENUE (FY 2018)

Gross revenue in RMB and SGD was RMB 25.5 million (8.1%) and S$5.2 million (8.0%) higher year-on-year respectively. These were due mainly to strong rental reversion for new and renewed leases.

BREAKDOWN OF GROSS REVENUE BY PROPERTY[1,2]



Beijing Wanliu	**60.9%**
Chengdu Konggang	**17.3%**
Hefei Mengchenglu	**13.6%**
Xining Huayuan	**4.8%**
Dalian Jinsanjiao	**3.4%**

1 Based on FY 2018 results.
2 Based on 100% contribution from Beijing Wanliu.

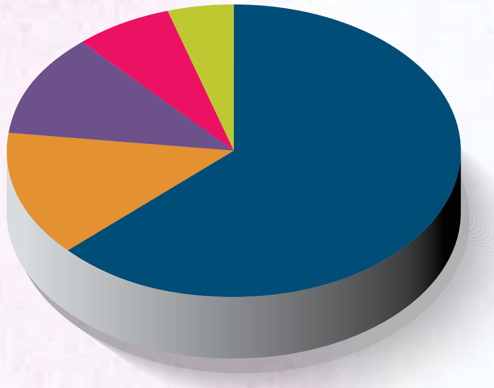
Gross Revenue	RMB '000		Change	S$'000		Change
	FY 2018	FY 2017	%	FY 2018	FY 2017	%
Multi-tenanted malls						
Beijing Wanliu	207,961	188,315	10.4	42,461	38,478	10.4
Chengdu Konggang	59,024	53,844	9.6	12,051	11,002	9.5
Hefei Mengchenglu	46,504	46,148	0.8	9,493	9,430	0.7
	313,489	288,307	8.7	64,005	58,910	8.6
Master-leased malls						
Xining Huayuan	16,303	16,141	1.0	3,330	3,298	1.0
Dalian Jinsanjiao	11,424	11,312	1.0	2,334	2,311	1.0
	27,727	27,453	1.0	5,664	5,609	1.0
Portfolio	**341,216**	**315,760**	**8.1**	**69,669**	**64,519**	**8.0**

NET PROPERTY INCOME (FY 2018)

Net property income in RMB and SGD was RMB 13.4 million (6.4%) and S$2.7 million (6.3%) higher year-on-year respectively. The higher net property income was due mainly to an increase in rental revenue, and partially offset by the higher property operating expenses.

Property operating expenses in FY 2018 was S$2.4 million (11.3%) higher than FY 2017. These were mainly due to higher property tax and property management fees (as a result of higher revenue and higher net property income), as well as staff and marketing-related expenses in FY 2018.

BREAKDOWN OF NET PROPERTY INCOME BY PROPERTY[1,2]



Beijing Wanliu	**61.6%**
Chengdu Konggang	**14.3%**
Hefei Mengchenglu	**12.7%**
Xining Huayuan	**6.7%**
Dalian Jinsanjiao	**4.7%**

1 Based on FY 2018 results.
2 Based on 100% contribution from Beijing Wanliu.

Net Property Income	RMB '000		Change	S$'000		Change
	FY 2018	FY 2017	%	FY 2018	FY 2017	%
Multi-tenanted malls						
Beijing Wanliu	137,818	124,532	10.7	28,139	25,445	10.6
Chengdu Konggang	31,917	31,271	2.1	6,516	6,390	2.0
Hefei Mengchenglu	28,368	29,407	(3.5)	5,791	6,009	(3.6)
	198,103	185,210	7.0	40,446	37,844	6.9
Master-leased malls						
Xining Huayuan	15,044	14,659	2.6	3,073	2,995	2.6
Dalian Jinsanjiao	10,418	10,303	1.1	2,128	2,105	1.1
	25,462	24,962	2.0	5,201	5,100	2.0
Portfolio	**223,565**	**210,172**	**6.4**	**45,647**	**42,944**	**6.3**

DISTRIBUTION

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 long-term yield-play investment.

DPU (cents)	FY 2018	FY 2017
First Quarter	1.39	1.39
Second Quarter	1.35	1.35
Third Quarter	1.33	1.41
Fourth Quarter	1.09	1.32
Total	**5.16**	**5.47**

Distribution per Unit

5.16

Singapore cents

Annualised Distribution Yield

7.2%

INDEPENDENT VALUATION OF INVESTMENT PROPERTIES[1]

As at 31 December 2018, BHG Retail REIT's investment properties were valued at RMB 4,081.1 million. The valuation represents an increase of RMB 135.1 million, or 3.4%, from the independent valuation as at 31 December 2017 of RMB 3,946.0 million. SGD valuation dipped 0.3% due to less favourable closing SGD:CNY rate of 1:5.049 and 1:4.865 as at 31 December 2018 and 31 December 2017, respectively.

Investment Properties	2018 RMB millions	2017 RMB millions	2018 SGD millions	2017 SGD millions
Beijing Wanliu	2,394.0	2,287.0	474.2	470.1
Chengdu Konggang	640.1	633.0	126.8	130.1
Hefei Mengchenglu	605.0	584.0	119.8	120.0
Xining Huayuan	280.0	280.0	55.4	57.6
Dalian Jinsanjiao	162.0	162.0	32.1	33.3
Portfolio	**4,081.1**	**3,946.0**	**808.3**	**811.1**

1 Based on independent valuation from Cushman & Wakefield Limited as at 31 December 2018 and 31 December 2017.

FINANCIAL REVIEW

CAPITAL MANAGEMENT

BHG Retail REIT has put in place an offshore secured borrowing facility of S$148 million ("**Facility 1**"), and two onshore secured borrowing facilities of RMB 280 million and RMB 71 million ("**Facility 2**" and "**Facility 3**", respectively). As at 31 December 2018, Facility 1 and Facility 2 were fully drawn down, while RMB 70 million was drawn down from Facility 3.

During 2018, the REIT had repaid RMB 3 million of each of Facility 2 and Facility 3, respectively in accordance with the facility agreements.

Further, a voluntary early repayment of RMB 30 million was made by an onshore subsidiary.

In addition to the above facilities, the REIT has obtained and drawn down from unsecured facilities net of S$1.2 million. The facilities were obtained mainly for the purpose of financing the payment of distribution, repayment of borrowings and interest expenses.

BHG Retail REIT adopts a prudent and proactive capital management strategy. As at 31 December 2018, borrowings drawn down of S$222.5 million represented a gearing of 30.7%. The low gearing is well below the regulator's limit of 45.0%, providing comfortable debt headroom to facilitate any potential acquisition growth. About 70% of borrowings are denominated in Singapore dollars, and of which, close to 50% are hedged via interest rate swaps. Weighted average term to maturity was 0.8 years as at 31 December 2018.

Key Financial Indicators as at 31 December 2018	
Gearing (%)	30.7
Interest cover ratio (times)	4.6
Weighted average term to maturity (years)	0.8
Average cost of debt (%)	4.3