



BHG RETAIL REIT
UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT
FIRST QUARTER ENDED 31 MARCH 2019

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**BHG RETAIL REIT
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Introduction

BHG Retail REIT (the “**REIT**”) was constituted by a trust deed dated 18 November 2015 (as amended) entered into by BHG Retail Trust Management Pte. Ltd. as Manager of BHG Retail REIT (the “**Manager**”) and DBS Trustee Limited as Trustee of BHG Retail REIT (the “**Trustee**”). BHG Retail REIT and its subsidiaries are collectively known as the “**Group**”.

The REIT was listed on the Main Board of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on 11 December 2015 (the “**Listing Date**”). 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.

The REIT’s initial portfolio comprises five retail properties, Beijing Wanliu (60%), Hefei Mengchenglu, Chengdu Konggang, Dalian Jinsanjiao and Xining Huayuan located in Tier 1, Tier 2 and other cities of significant economic potential in China:

- Beijing Wanliu is a community mall with a premium positioning in the Wanliu, Haidian District. The mall is located in close proximity to Zhongguancun retail hub, surrounded by high-end residential developments and educational institutions, and enjoys high transportation connectivity.
- Hefei Mengchenglu is a comprehensive retail mall focused on providing diversified retail services to meet demands of family-oriented residents in the Luyang District. The mall is prominently located in a densely populated mature residential area, in Hefei’s North First Ring retail hub.
- Chengdu Konggang is a community retail mall that targets and serves the needs of upper-middle class shoppers in an emerging residential area, with a large number of mature and high density residential projects. The mall is located in the Shuangliu County, and is within a 5 minutes drive to the Shuangliu International Airport.
- Dalian Jinsanjiao is a property master-leased to BHG Hypermarket, the only supermarket in the area. The property resides in Jinsanjiao area, which is surrounded by mature residential projects, and is situated in close proximity to the Huanan retail hub, a key retail area north of Dalian.
- Xining Huayuan is a retail mall master-leased to BHG Hypermarket, which caters to individuals with middle or upper-middle level income. The mall resides in Ximen-Dashizi retail hub area, the political, cultural, and business centre of Xining, with a high population density and immediate residential catchment.

The Group is presenting its financial results for the first quarter ended 31 March 2019.

For ease of reference, the following abbreviations are used in this announcement:

“1Q 2018”: For the 3-months period from 1 January 2018 to 31 March 2018; and

“1Q 2019”: For the 3-months period from 1 January 2019 to 31 March 2019.

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1(a) Consolidated Statement of Total Return and Distribution Statement

		1Q 2019 ^(a)	1Q 2018 ^(a)	Change
	Note	(S\$'000)	(S\$'000)	(%)
<u>Statement of Total Return</u>				
Gross revenue		17,874	17,429	2.6
Property operating expenses ^(b)		(6,052)	(5,793)	4.5
Net property income		11,822	11,636	1.6
Other income	(1)	13	11	18.2
Manager's base fee	(2)	(476)	(529)	(10.0)
Trustee's fee		(33)	(34)	(2.9)
Other expenses		(207)	(190)	8.9
Finance income		102	165	(38.2)
Foreign exchange gain - realised		36	-	N/M
Finance cost	(3)	(3,051)	(2,277)	34.0
Total return before unrealised foreign loss		8,206	8,782	(6.6)
Foreign exchange loss - unrealised		(553)	(19)	>100.0
Total return for the period before taxation		7,653	8,763	(12.7)
Taxation	(4)	(2,015)	(1,896)	6.3
Total return for the period after taxation		5,638	6,867	(17.9)
Attributable to:				
Unitholders		3,365	4,800	(29.9)
Non-controlling interests		2,273	2,067	10.0
Total return for the period after taxation		5,638	6,867	(17.9)
<u>Distribution Statement</u>				
Total return for the period attributable to Unitholders		3,365	4,800	(29.9)
Distribution adjustments	(5)	1,397	487	>100.0
Amount available for distribution		4,762	5,287	(9.9)

N/M: not meaningful

Footnotes:

- (a) The results of the Group's foreign subsidiaries were translated using the average SGD: CNY rate of 1:4.978 and 1:4.819 for 1Q 2019 and 1Q 2018, respectively.
- (b) Includes property management fees of S\$672,000 and S\$595,000 for 1Q 2019 and 1Q 2018, respectively.

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Notes to Consolidated Statement of Total Return and Distribution Statement:

(1) Other income

Other income mainly comprised fine and penalties from tenants, government grant and miscellaneous income.

(2) Manager's management fees

Manager's base management fee is calculated as 10.0% per annum of the Distributable Income of the Group.

Manager's performance fee is calculated as 25.0% of the difference in DPU in a financial year with the DPU in the preceding financial year (calculated before accounting for the performance fee but after accounting for the base fee in each financial year) multiplied by the weighted average number of Units in issue for such financial year.

(3) Finance cost

Finance cost comprised the following:

	1Q 2019 (S\$'000)	1Q 2018 (S\$'000)	Change (%)
Borrowing costs	2,700	2,183	23.7
Settlement of IRS contracts	6	-	N/M
Amortisation of debt establishment costs ^(a)	345	94	>100.0
	3,051	2,277	34.0

N/M: not meaningful

Footnote:

(a) Increase is due to the written off of prior year debt establishment costs after the refinancing during the period.

(4) Taxation

Taxation comprised income tax, deferred tax and withholding tax relating to the Group's foreign subsidiaries.

	1Q 2019 (S\$'000)	1Q 2018 (S\$'000)	Change (%)
Current period:			
- Income tax	1,831	1,724	6.2
- Deferred tax	184	172	7.0
	2,015	1,896	6.3

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(5) Distribution adjustments

	1Q 2019 (S\$'000)	1Q 2018 (S\$'000)	Change (%)
<u>Distribution adjustments</u>			
- Amortisation of debt establishment costs	345	94	>100.0
- Deferred tax expense ^{(a)(b)}	184	-	N/M
- Manager's management base fee payable in Units	476	529	(10.0)
- Property management fees payable in Units	200	198	1.0
- Transfer to statutory reserve ^(a)	(383)	(381)	0.5
- Foreign exchange loss - unrealised	553	19	>100.0
- Other adjustments ^(a)	22	28	(21.4)
Net distribution adjustments	1,397	487	>100.0

N/M: not meaningful

Footnote:

(a) Excludes share attributable to non-controlling interests

(b) Distribution adjustment relating to deferred tax expense for 1Q 2018 of S\$172,000 was taken up subsequently.

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1(b)(i) Statements of Financial Position

	Note	Group		REIT	
		31 Mar 2019 ^(a) S\$'000	31 Dec 2018 ^(a) S\$'000	31 Mar 2019 ^(a) S\$'000	31 Dec 2018 ^(a) S\$'000
Non-current assets					
Investment properties	(1)	830,761	808,303	-	-
Plant and equipment		620	630	-	-
Interest in subsidiaries		-	-	524,712	524,512
Trade and other receivables		25	36	-	-
Deferred tax assets		9	21	-	-
		831,415	808,990	524,712	524,512
Current assets					
Trade and other receivables	(2)	12,439	5,289	1,028	495
Cash and cash equivalents	(3)	67,453	55,590	2,866	112
		79,892	60,879	3,894	607
Total assets		911,307	869,869	528,606	525,119
Non-current liabilities					
Loans and borrowings	(4)	220,399	-	160,347	-
Loan from subsidiary	(5)	-	-	26,443	24,939
Trade and other payables		1,122	1,207	-	-
Security deposits		5,109	5,157	-	-
Deferred tax liabilities		30,941	29,952	-	-
		257,571	36,316	186,790	24,939
Current liabilities					
Loans and borrowings	(4)	17,911	222,142	16,690	162,548
Trade and other payables		24,258	17,698	1,051	1,774
Amount owing to subsidiary		-	-	902	41
Security deposits		14,171	12,830	-	-
Current tax payable		1,002	1,801	-	-
Financial derivatives	(6)	11	74	11	74
		57,353	254,545	18,654	164,437
Total liabilities		314,924	290,861	205,444	189,376
Net assets		596,383	579,008	323,162	335,743
Represented by:					
Unitholders' funds		420,556	410,423	323,162	335,743
Non-controlling interests ("NCI")		175,827	168,585	-	-
		596,383	579,008	323,162	335,743

Footnotes:

- (a) The results of the Group's foreign subsidiaries were translated using the closing SGD: CNY rate of 1:4.912 and 1:5.049 as at 31 March 2019 and 31 December 2018, respectively.

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Notes to Statements of Financial Position:

- (1) Increase in investment properties is mainly due to strengthening of RMB against SGD.
- (2) Increase in trade and other receivables is mainly due to higher receivables from tenants and prepayments. For the REIT, the increase is mainly due to higher GST receivables from loan financing related expenses.
- (3) Cash and cash equivalents include restricted cash amounting to S\$15.2 million and S\$14.4 million as at 31 March 2019 and 31 December 2018, respectively, which is used to secure bank facilities. For the REIT, the increase is mainly due to higher deposits required for the new banking facility.
- (4) Loans and borrowings are measured at amortised cost. The Group and the REIT have completed the refinancing of the existing onshore and offshore facility, secured a new borrowing facility for the proposed acquisition of Hefei Changjiangxilu and a new revolving credit facility. Movement in the current liabilities and non-current liabilities are classified and/or reclassified in accordance with respective maturity dates.
- (5) The REIT arranged a long-term interest-bearing loan from one of the subsidiaries in 2018. This is mainly used for the REIT repayment of borrowings and interest expenses.
- (6) These relate to the fair value of the interest rate swaps entered by the REIT, are designated to hedge the variable rate borrowings.

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1 (b)(ii) Aggregate Amount of Borrowings and Debt Securities for the Group

	31 Mar 2019 (S\$'000)	31 Dec 2018 (S\$'000)
Secured borrowings		
- Amount repayable within one year	16,682	221,274
- Amount repayable after one year	227,834	-
- Less: Debt establishment costs ^(a)	(7,436)	(379)
Total secured borrowings	237,080	220,895
Unsecured borrowings	1,230	1,247
Total borrowings	238,310	222,142

Footnotes:

(a) Debt establishment costs are amortised over the tenure of the respective loan facilities.

The Manager is confident that the Group will be able to obtain continuing financing from financial institutions, to enable the Group to meet its obligations as and when they fall due.

Details of any collaterals

During March 2019, the Group have completed the refinancing of existing two onshore secured facilities of RMB 241 million and RMB 61 million, respectively, and the existing offshore secured borrowing facility of S\$240 million.

As at 31 March 2019, the two onshore facilities have been fully drawn down, while partial of the offshore facility has been drawn down for approximately S\$170 million.

The onshore facilities are collectively secured by a legal mortgage over the Group's investment properties which include the Hefei Changjiangxilu mall that was acquired in early April 2019, an assignment of contracts and pledge over the receivables of the six subsidiaries in China.

The offshore facility is secured by way of a charge on 100% of the REIT's shareholding in the Singapore holding companies which include the Singapore holding company of Hefei Changjiangxilu mall that was acquired in early April 2019, an equity pledge on Petra 1 (China) Mall Pte. Ltd.'s 60% equity interest in Beijing Hualian Wanmao Shopping Mall Management Co., Ltd., and equity pledges on the remaining five Singapore holding companies' 100% equity interest in the respective subsidiaries in China.

In addition to the above facilities, the REIT obtained and drawn down from secured facilities of S\$2.0 million in 1Q 2019. The facilities were obtained mainly for the purpose of financing the payment of interest expenses and working capital.

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1 (c) Consolidated Statement of Cash Flows

	1Q 2019 (S\$'000)	1Q 2018 (S\$'000)
Operating activities		
Total return for the period	5,638	6,867
Adjustments for:		
Manager's management fee payable in Units	476	529
Property management fees payable in Units	200	198
Finance income	(102)	(165)
Finance cost	3,051	2,277
Depreciation	27	32
Foreign exchange loss - unrealized	553	19
Taxation	2,015	1,896
Operating income before working capital changes	11,858	11,653
Changes in working capital:		
Trade and other receivables	7,252	(2,458)
Trade and other payables	(7,570)	405
Cash generated from operating activities	11,540	9,600
Tax paid	(2,675)	(1,730)
Net cash from operating activities	8,865	7,870
Investing activities		
Capital expenditure on investment properties	(509)	(1,213)
Purchase of plant and equipment	-	(21)
Interest received	102	165
Net cash used in investing activities	(407)	(1,069)
Financing activities		
Distribution to unitholders	(9,232)	(9,976)
Increase in restricted cash	(400)	-
Interest paid	(3,031)	(685)
Settlement of derivative contracts	(6)	-
Proceeds from borrowings	22,270	11,195
Repayment of borrowings	(1,397)	(500)
Payment of transaction costs related to loans and borrowings	(7,232)	-
Net cash from financing activities	972	34
Net increase in cash and cash equivalents	9,430	6,835
Cash and cash equivalents at beginning of the period	41,191	43,352
Effect of exchange rate fluctuations on cash held	1,633	1,211
Cash and cash equivalents at end of the period	52,254	51,398

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Notes to Consolidated Statement of Cash Flows:

- (1) The REIT has drawdown S\$22.2 million and S\$11.2 million in 1Q 2019 and 1Q 2018 to fund refinancing and new financing related expenses, working capital and interest payments on borrowings.
- (2) This pertaining to payment of transaction costs related to the refinancing of existing and new loans and borrowings.
- (3) For purpose of the Consolidated Statement of Cash Flows, the cash and cash equivalents comprised the following:

	31 Mar 2019 (S\$'000)	31 Mar 2018 (S\$'000)
Bank and cash balances	67,453	80,599
Less: Restricted cash	(15,199)	(29,201)
Cash and cash equivalents of cash flows statement	52,254	51,398

Restricted cash relates to cash balances which are used to secure bank borrowings.

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1 (d)(i) Statements of Changes in Unitholders' Funds

	Group		REIT	
	1Q 2019 (S\$'000)	1Q 2018 (S\$'000)	1Q 2019 (S\$'000)	1Q 2018 (S\$'000)
Unitholders' funds as at beginning of the period	410,423	416,454	335,743	352,040
Change in Unitholders' funds resulting from operations before distribution	3,365	4,800	(4,088)	(2,022)
Transfer to statutory reserve	-	(381)	-	-
Net increase/(decrease) in net assets resulting from operations	3,365	4,419	(4,088)	(2,022)
Unitholders' transactions				
Issue of new Units				
- Manager's management fee paid/payable in Units	476	529	476	529
- Property management fees paid/payable in Units	200	198	200	198
Distribution to Unitholders	(9,232)	(9,976)	(9,232)	(9,976)
Net decrease in net assets resulting from Unitholders' transactions	(8,556)	(9,249)	(8,556)	(9,249)
Movements in hedging reserve				
Effective portion of changes in fair value of cash flow hedges	63	-	63	-
Movement in foreign currency translation reserve	15,261	11,243	-	-
Movement in statutory reserve	-	381	-	-
Total Unitholders' funds as at end of the period	420,556	423,248	323,162	340,769

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1 (d)(ii) Details of Any Changes in Units

	1Q 2019 (‘000)	1Q 2018 (‘000)
REIT		
Units in issue:		
As at beginning of period	503,843	499,737
Issue of new units relating to:		
- Manager’s management base fee payable in Units	585	939
- Property manager’s fee payable in Units	249	258
Issued units as at end of period	504,677	500,934
Units to be issued:		
Manager’s management base fee payable in Units	670	681
Property manager’s fee payable in Units	281	255
To be issued units as at end of period	951	936
Total issued and issuable units as at end of period	505,628	501,870

There were no convertibles, treasury units and subsidiary holdings as at 31 March 2019 and 31 March 2018.

1(d)(iii) To show the total number of issued units excluding treasury units as at the end of the current financial period, and as at the end of the immediately preceding year

Total number of issued units as at 31 March 2019 and 31 December 2018 were 504,677,000 and 503,843,000 respectively.

1(d)(iv) A statement showing all sales, transfers, cancellation and/or use of treasury units and subsidiary holdings as at the end of the current financial period reported on

Not applicable.

2 Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice

The figures have not been audited or reviewed by our auditors.

3 Where the figures have been audited or reviewed, the auditors’ report (including any qualifications or emphasis of matter)

Not applicable.

4 Whether the same accounting policies and methods of computation as in the issuer’s most recently audited annual financial statements have been applied

Except as disclosed in paragraph 5 below, the accounting policies and methods of computation adopted in the preparation of the financial statements for the current report period are consistent with those stated in the audited financial statements for the financial year ended 31 December 2018.

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5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

The Group adopted a number of new standards, amendments to standards and interpretations that are effective for annual periods beginning on or after 1 January 2019. The adoption of new standards, amendments to standards and interpretations did not result in any significant impact on the financial statements of the Group.

6 Earnings per Unit and Distribution per Unit

	1Q 2019	1Q 2018
Weighted average number of units ('000)		
Basic	504,687	500,944
Diluted	505,628	501,870
Earnings per unit (" EPU ") ^(a) (cents)		
Basic	0.67	0.96
Diluted	0.67	0.96
Number of Units entitled to distribution ('000)	431,719	378,689
Distribution per unit (" DPU ") ^(b) (cents)	1.10	1.39

Footnotes:

- (a) EPU is calculated based on total return after taxation and non-controlling interests.
(b) The reduction in Distribution per Unit is due to the increase of Units entitled to distribution as a result of the reduction of Distribution Waiver as well as the payment of management fees in Units, in lieu of cash.

7 Net Asset Value ("NAV") per Unit

	Group		REIT	
	31 Mar 2019	31 Dec 2018	31 Mar 2019	31 Dec 2018
Number of Units in issue and to be issued at end of period ('000)	505,628	504,677	505,628	504,677
Net asset value per Unit (S\$) ^(a)	0.83	0.81	0.64	0.67

Footnote:

- (a) The NAV per unit is computed based on the Units in issue and to be issued of 505,628,000 and 504,677,000 as at 31 March 2019 and 31 December 2018, respectively.

8 Review of the Performance

Gross revenue in 1Q 2019 was S\$0.4 million (2.6%) higher than in 1Q 2018. This was mainly due to strong rental reversion and higher occupancy rates.

Property Operating Expenses in 1Q 2019 was S\$0.3 million (4.5%) higher than 1Q 2018. 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 marketing-related expenses in 1Q 2019. Despite the higher operating expenses, net property income in 1Q 2019 was S\$0.2 million (1.6%) higher than 1Q 2018. This was mainly due to the increase in rental revenue.

Finance cost was S\$0.8 million (34.0%) higher than 1Q 2018. This was mainly due the higher interest rates and higher amortisation of debt establishment costs due to the early refinancing in 1Q 2019.

9. Variance from previous forecast or prospect statement

The Group has not disclosed any forecast to the market.

10 Commentary on the competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group in the next reporting period and the next 12 months

The China economy grew 6.4% year-on-year to RMB21.3 trillion in 1Q 2019. During the annual “Two Sessions” held in March 2019, the Chinese government highlighted several key focuses in 2019. These include plans to prioritise economic stability, continue high-quality development, and to facilitate a more level playing field for foreign investors. The government also reiterated plans to push domestic consumption, implement major tax cuts, create jobs, cut required reserve ratio for banks to enhance liquidity, and expand financial support for private enterprises. (Source: National Bureau of Statistics of China)

Retail sales rose 8.3% year-on-year to RMB9.8 trillion in 1Q 2019. According to CBRE, successive individual income tax reforms are expected to further boost the consumer market, with retail sales expected to maintain a growth rate of around 9%. F&B sector continued to display robust leasing demand. Online retailers continued to introduce bricks-and-mortar stores. Integration and innovation are set to remain key themes in 2019 as the adoption of new technology drives the further amalgamation of offline and online retail. (Source: National Bureau of Statistics of China, CBRE Market view 1Q 2019, CBRE Outlook 2019)

Disposable income and consumption expenditure per capita for urban residents increased 7.9% and 6.1%, respectively in 1Q 2019. Unemployment remained generally stable. (Source: National Bureau of Statistics of China)

In view of the Chinese government’s policies to prioritise economic stability and sustain domestic consumption, BHG Retail REIT’s portfolio of community malls in high population density catchments is expected to remain resilient. The fundamentals of these malls remain underpinned by the upward trajectory of residents’ income and spending, consumption upgrade, and rural-urban migration.

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11 Distribution

(a) Current financial period

Any distribution declared for the current financial period?

No.

(b) Corresponding period of the immediately preceding financial year

Any distributions declared for the corresponding period of the immediate preceding financial periods?

No.

(c) Date payable : Not applicable

(d) Book closure date : Not applicable

12 If no distribution has been declared / recommended, a statement to that effect.

BHG Retail REIT's distribution policy is to make distributions to Unitholders on a semi-annual basis, with the amount calculated as at 30 June and 31 December each year for the six-month period ending on each of the said dates. As such, no distributions have been declared for the period ended 31 March 2019.

13 If the Group has obtained a general mandate from Unitholders for interested person transactions ("IPT"), the aggregate value of such transactions are required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Group has not obtained a general mandate from Unitholders for IPT.

14 Confirmation pursuant to Rule 720(1) of the Listing Manual

The Manager confirms that it has procured undertakings from all Directors and Executive Officers (in the format set out in Appendix 7.7) pursuant to Rule 720(1) of the Listing Manual.

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15 Confirmation pursuant to Rule 705(5) of the Listing Manual

To the best of our knowledge, nothing has come to the attention of the Board of Directors of the Manager which may render the unaudited interim financial results of the Group and the REIT (comprising the statement of financial position as at 31 March 2019, statement of total return and distribution statement, statement of cash flow and statement of movements in Unitholders' funds for the quarter ended on that date), together with their accompanying notes, to be false or misleading, in any material respect.

On behalf of the Board of the Manager

Francis Siu Wai Keung
Chairman

Ben Yeo Chee Seong
Director

This release may contain forward-looking statements that involve assumptions, risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, 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 (including employee wages, benefits and training costs), property expenses and governmental, public policy changes, and the continued availability of financing. Investors are cautioned not to place undue reliance on these forward-looking statements, which are based on the Manager's current view of future events.

The value of units in the REIT ("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. The past performance of the Group is not necessarily indicative of the future performance of the Group.

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 holders of Units 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.

By Order of the Board

Ms Kiar Lee Noi
Company Secretary

BHG Retail Trust Management Pte. Ltd.
(Company registration no. 201504222D)
(as Manager of BHG Retail REIT)

10 May 2019