



BHG RETAIL REIT
UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT
FIRST QUARTER ENDED 31 MARCH 2018

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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 2018.

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

“1Q 2017”: For the 3-month period from 1 January 2017 to 31 March 2017; and

“1Q 2018”: For the 3-month period from 1 January 2018 to 31 March 2018.

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Summary of Group Results

	1Q 2018 ⁽¹⁾ (S\$'000)	1Q 2017 ⁽¹⁾⁽²⁾ (S\$'000)	Change (%)
Gross revenue	17,429	15,492	12.5
Net property income	11,636	10,371	12.2
Amount available for distribution	5,287	5,056	4.6
Distribution per Unit (" DPU ") (cents)	1.39	1.39	-

Footnotes:

- (1) The actual results of the Group's foreign subsidiaries were translated using the average SGD: CNY rate of 1:4.819 and 1:4.864 for 1Q 2018 and 1Q 2017, respectively.
- (2) Based on Closing price of S\$0.77 and S\$0.74 as at 31 March 2018 and 31 March 2017, respectively.

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

	1Q 2018^(b)	1Q 2017^{(a) (b)}	Change
Note	(S\$'000)	(S\$'000)	(%)
<u>Statement of Total Return</u>			
Gross revenue	17,429	15,492	12.5
Property operating expenses	(5,793)	(5,121)	13.1
Net property income	11,636	10,371	12.2
Other income (1)	11	238	(95.4)
Manager's base fee (2)	(529)	(506)	4.5
Trustee's fee	(34)	(34)	-
Other expenses	(190)	(184)	3.3
Finance income	165	97	70.1
Finance cost (3)	(2,277)	(2,139)	6.5
Net income	8,782	7,843	12.0
Foreign exchange gain/(loss) - unrealised	(19)	(26)	(26.9)
Total return for the period before taxation	8,763	7,817	12.1
Taxation (4)	(1,896)	(1,480)	28.1
Total return for the period after taxation	6,867	6,337	8.4
Attributable to:			
Unitholders	4,800	4,501	6.6
Non-controlling interests	2,067	1,836	12.6
Total return for the period after taxation	6,867	6,337	8.4
<u>Distribution Statement</u>			
Total return for the period attributable to Unitholders	4,800	4,501	6.6
Distribution adjustments (5)	487	555	(12.3)
Amount available for distribution	5,287	5,056	4.6

Footnotes:

- (a) The actual results of the Group's foreign subsidiaries were translated using the average SGD: CNY rate of 1:4.819 and 1:4.864 for 1Q 2018 and 1Q 2017, respectively.
- (b) Includes property management fees of S\$595,000 and S\$523,000 for 1Q 2018 and 1Q 2017, 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 fee

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 2018 (S\$'000)	1Q 2017 (S\$'000)	Change (%)
Borrowing costs	2,183	2,057	6.1
Amortisation of debt establishment costs	94	82	14.6
	2,277	2,139	6.5

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(4) Taxation

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

	1Q 2018 (S\$'000)	1Q 2017 (S\$'000)	Change (%)
Current period:			
- Income tax	1,724	1,244	38.6
- Deferred tax	172	236	(27.1)
	1,896	1,480	28.1

(5) Distribution adjustments

	1Q 2018 (S\$'000)	1Q 2017 (S\$'000)	Change (%)
<u>Distribution adjustments</u>			
- Amortisation of debt establishment costs	94	82	14.6
- Manager's management base fee payable in Units	529	506	4.5
- Property management fees payable in Units	198	173	14.5
- Transfer to statutory reserve ^(a)	(381)	(262)	45.4
- Other adjustments ^(a)	47	56	(16.1)
Net distribution adjustments	487	555	(12.3)

Footnote:

(a) Excludes share attributable to non-controlling interests.

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1(b)(i) Statements of Financial Position

	Note	Group		REIT	
		31 Mar 2018 ^(a)	31 Dec 2017 ^(a)	31 Mar 2018 ^(a)	31 Dec 2017 ^(a)
		S\$'000	S\$'000	S\$'000	S\$'000
Non-current assets					
	(1)	824,434	811,116	-	-
Investment properties				-	-
Plant and equipment		689	690	-	-
Interest in subsidiaries		-	-	525,296	525,088
Trade and other receivables		118	123	-	-
Deferred tax assets		23	22	-	-
		825,264	811,951	525,296	525,088
Current assets					
Trade and other receivables	(2)	5,482	4,160	144	189
Cash and cash equivalents	(3)	80,599	72,081	401	547
		86,081	76,241	545	736
Total assets		911,345	888,192	525,841	525,824
Non-current liabilities					
Loans and borrowings	(4)	184,706	215,500	115,727	147,690
Trade and other payables		2,050	1,843	-	-
Security deposits		5,514	4,461	-	-
Deferred tax liabilities		24,860	24,404	-	-
		217,130	246,208	115,727	147,690
Current liabilities					
Loans and borrowings	(4)	68,708	25,972	67,474	24,760
Trade and other payables		19,740	19,401	1,871	1,334
Security deposits		11,150	11,730	-	-
Current tax payable		1,857	1,832	-	-
		101,455	58,935	69,345	26,094
Total liabilities		318,585	305,143	185,072	173,784
Net assets		592,760	583,049	340,769	352,040
Represented by:					
Unitholders' funds		423,248	416,454	340,769	352,040
Non-controlling interests ("NCI")		169,512	166,595	-	-
		592,760	583,049	340,769	352,040

Footnotes:

- (a) The results of the Group's foreign subsidiaries were translated using the closing SGD: CNY rate of 1: 4.786 and 1:4.865 as at 31 March 2018 and 31 December 2017, respectively.

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 and deposits.
- (3) Cash and cash equivalents include restricted cash amounting to S\$29.2 million and S\$28.7 million as at 31 March 2018 and 31 December 2017, respectively, which is used to secure bank facilities.
- (4) Loans and borrowings are measured at amortised cost. The REIT has reclassified part of its S\$148 million facility (S\$39.0 million) from non-current liabilities to current liabilities as it is due within a year.

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

	31 Mar 2018 (S\$'000)	31 Dec 2017 (S\$'000)
Secured borrowings		
- Amount repayable within one year	57,514	26,015
- Amount repayable after one year	185,364	216,222
- Less: Debt establishment costs ^(a)	(678)	(765)
Total secured borrowings	242,200	241,472
Unsecured borrowings	11,214	-
Total borrowings	253,414	241,472

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

The Group has put in place two onshore secured borrowing facilities of RMB 280 million and RMB 71 million, and an offshore secured borrowing facility of S\$148 million. As at 31 March 2018, the RMB 280 million facility and S\$148 million facility were fully drawn down, while RMB 70 million was drawn down from the RMB 71 million onshore facility.

The onshore facilities are collectively secured by a legal mortgage over the Group's investment properties, and a pledge over the receivables of the five 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, 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 four Singapore holding companies' 100% equity interest in the respective subsidiaries in China.

In addition to the above facilities, the REIT has obtained and drew down from unsecured facilities an amount totalling S\$11.2 million in 1Q 2018. The facilities were obtained mainly for the purpose of financing the payment of distribution, and interest payment of the borrowings.

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1 (c) Consolidated Statement of Cash Flows

	1Q 2018	1Q 2017
Note	(S\$'000)	(S\$'000)
Operating activities		
Total return for the period	6,867	6,337
Adjustments for:		
Manager's management fee payable in Units	529	506
Property management fees payable in Units	198	173
Finance income	(165)	(97)
Finance cost	2,277	2,139
Depreciation	32	39
Foreign exchange (gain)/loss - unrealized	19	26
Taxation	1,896	1,480
Operating income before working capital changes	11,653	10,603
Changes in working capital:		
Trade and other receivables	(2,458)	5,624
Trade and other payables	405	(2,974)
Cash generated from operating activities	9,600	13,253
Tax paid	(1,730)	(876)
Net cash from operating activities	7,870	12,377
Investing activities		
Capital expenditure on investment properties	(1,213)	(202)
Purchase of plant and equipment	(21)	-
Interest received	165	97
Net cash used in investing activities	(1,069)	(105)
Financing activities		
Distribution to unitholders	(9,976)	(9,076)
Increase in restricted cash	-	(9,985)
Interest paid	(685)	(588)
Proceeds from borrowings	11,195	9,600
Repayment of borrowings	(500)	-
Net cash used in financing activities	34	(10,049)
Net increase in cash and cash equivalents	6,835	2,223
Cash and cash equivalents at beginning of the period	43,352	38,373
Effect of exchange rate fluctuations on cash held	1,211	(1,524)
Cash and cash equivalents at end of the period	51,398	39,072

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Notes to Consolidated Statement of Cash Flows:

- (1) Proceeds from borrowings of S\$11.2 million and S\$9.6 million in 1Q 2018 and 1Q 2017, respectively, mainly used to fund payment of distribution and interest payments of borrowings.
- (2) For purpose of the Consolidated Statement of Cash Flows, the cash and cash equivalents comprised the following:

	31 Mar 2018 (S\$'000)	31 Mar 2017 (S\$'000)
Bank and cash balances	80,599	62,353
Less: Restricted cash	(29,201)	(23,281)
Cash and cash equivalents of cash flows statement	51,398	39,072

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

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

	Group		REIT	
	1Q 2018 (S\$'000)	1Q 2017 (S\$'000)	1Q 2018 (S\$'000)	1Q 2017 (S\$'000)
Unitholders' funds as at beginning of the period	416,454	421,177	352,040	367,784
Change in Unitholders' funds resulting from operations before distribution	4,800	4,501	(2,022)	(1,842)
Transfer to statutory reserve	(381)	(262)	-	-
Net increase in net assets resulting from operations	420,873	425,416	350,018	365,942
Unitholders' transactions				
Issue of new Units				
- Manager's management fee paid/payable in Units	529	506	529	506
- Property management fees paid/payable in Units	198	173	198	173
Distribution to Unitholders	(9,976)	(9,076)	(9,976)	(9,076)
Net decrease in net assets resulting from Unitholders' transactions	(9,249)	(8,397)	(9,249)	(8,397)
Movement in foreign currency translation reserve	11,243	(8,924)	-	-
Movement in statutory reserve	381	262	-	-
Total Unitholders' funds as at end of the period	423,248	408,357	340,769	357,545

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

	1Q 2018 ('000)	1Q 2017 ('000)
REIT		
Units in issue:		
As at beginning of period	499,737	495,560
Issue of new units relating to:		
- Manager's management base fee payable in Units	939	1,046
- Property manager's fee payable in Units	258	271
Issued units as at end of period	500,934	496,877
Units to be issued:		
Manager's management base fee payable in Units	681	724
Property manager's fee payable in Units	255	248
To be issued units as at end of period	936	972
Total issued and issuable units as at end of period	501,870	497,849

There were no convertibles, treasury units and subsidiary holdings as at 31 March 2018 and 31 March 2017.

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 2018 and 31 December 2017 were 501,870,000 and 500,934,000 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.

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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 2017.

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 2018. 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 2018	1Q 2017
Weighted average number of units ('000)		
Basic	500,944	496,888
Diluted	501,870	497,849
Earnings per unit (" EPU ") ^{(a)(b)} (cents)		
Basic	0.96	0.91
Diluted	0.96	0.90
Number of Units entitled to distribution ('000)	378,689	362,347
Distribution per unit (" DPU ") ^(c) (cents)	1.39	1.39

Footnotes:

(a) EPU is calculated based on total return after taxation and non-controlling interests.

(b) The computation of the DPU is based on the number of Units entitled to distribution of 378,689,000 and 362,347,000 in 1Q 2018 and 1Q 2017, respectively. The Units entitled to distribution have excluded strategic investor's Units of 123,181,000 and 135,500,000 in 1Q 2018 and 1Q 2017 respectively, in accordance with the Distribution Waiver provided by our strategic investor.

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7 Net Asset Value (“NAV”) per Unit

	Group		REIT	
	31 Mar 2018	31 Dec 2017	31 Mar 2018	31 Dec 2017
Number of Units in issue and to be issued at end of period ('000)	501,870	500,934	501,870	500,934
Net asset value per Unit (S\$) ^(a)	0.84	0.83	0.68	0.70

Footnote:

(a) The NAV per unit is computed based on the Units in issue and to be issued of 501,870,000 and 500,934,000 as at 31 March 2018 and 31 December 2017, respectively.

8 Review of the Performance

Gross revenue in 1Q 2018 was S\$1.9 million (12.5%) higher than 1Q 2017. This was mainly due to strong rental reversion and higher occupancy rate.

Property Operating Expenses in 1Q 2018 was S\$0.7 million (13.1%) higher than 1Q 2017. This was mainly due to higher property tax and property management fees (respectively as a result of higher revenue and higher net property income), as well as staff and marketing-related expenses. Despite the higher operating expenses, net property income was S\$1.3 million (12.2%) higher than 1Q 2017. This was due mainly to the increase in rental revenue.

Finance cost in 1Q 2018 was S\$0.1 million (6.5%) higher than 1Q 2017. This was mainly due to higher loan principal recorded in 1Q 2018 as compared to 1Q 2017.

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 6.8% year-on-year to RMB19.9 trillion in 1Q 2018. In March 2018, the GDP growth target of 6.5% was announced for 2018 during the National People's Congress & Chinese People's Political Consultative Conference meeting. The Chinese government highlighted several key priorities in the year ahead, including plans to achieve a steady economy growth, maintain stability of the yuan exchange rate, and to keep financial risk under control. (Source: National Bureau of Statistics of China)

Retail sales rose 9.8% year-on-year to RMB9.0 trillion in 1Q 2018. According to CBRE, China's consumption upgrading continued, reflected by higher growth of apparel, cosmetics, sports and entertainment related goods. Cosmetics, food and beverage, and entertainment trades remained active towards expansion. Supply of retail space is forecast to ease in 2018. Demand for brick-and-mortar stores will continue, mainly driven by domestic fashion brands. (Source: National Bureau of Statistics of China, CBRE Marketview)

Disposable income and consumption expenditure per capita for urban residents increased 8.0% and 5.7%, respectively in 1Q 2018. Unemployment remained generally stable. (Source: National Bureau of Statistics of China)

BHG Retail REIT's current portfolio of five community-focused retail properties, strategically located in vicinities with high population density catchments, is well positioned to benefit from the higher Chinese residents' income, increasing domestic spending, and the middle-income consumption upgrade.

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.

No interim distribution has been declared or recommended in the current financial period.

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 2018, 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)

11 May 2018