

Financial Review

FOR THE PERIOD FROM 18 NOVEMBER 2015 (“DATE OF CONSTITUTION”) TO 31 DECEMBER 2016 (“FY 2016”)

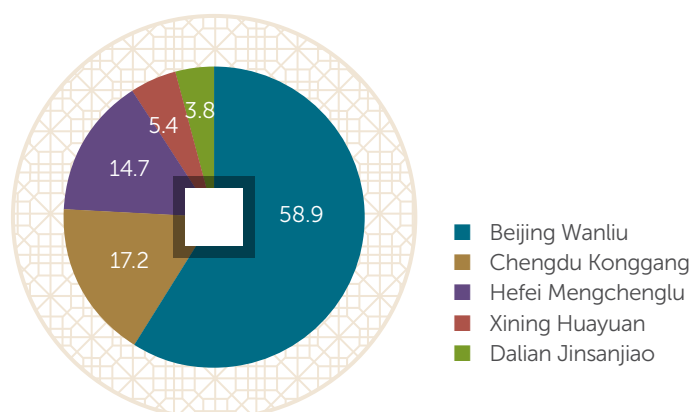
GROSS REVENUE

Gross revenue (RMB) was RMB 2.1 million or 0.7% above forecast. All five malls continued to achieve healthy rental uplift for new and renewed leases during the year.

Gross revenue (SGD) was S\$2.3 million or 3.3% lower than forecast. This was due to the reformation of China Value Added Tax (“VAT”) which commenced on 1 May 2016 and the weaker RMB against SGD. Prior to 1 May 2016, Business Tax was reflected under property operating expenses. With effect from 1 May 2016, VAT replaced Business Tax and it is net off the revenue instead of reflecting in the property operating expenses. No significant impact to the net property income is expected from the implementation of the VAT.

Gross Revenue (FY 2016)	RMB'000		Change (%)	S\$'000		Change (%)
	Actual	Forecast		Actual	Forecast	
Multi-Tenanted Malls						
Beijing Wanliu	186,821	180,168	3.7	38,993	39,167	(0.4)
Chengdu Konggang	54,792	55,463	(1.2)	11,437	12,057	(5.1)
Hefei Mengchenglu	46,547	49,475	(5.9)	9,715	10,755	(9.7)
	288,160	285,106	1.1	60,145	61,979	(3.0)
Master-Leased Malls						
Xining Huayuan	17,128	17,681	(3.1)	3,575	3,844	(7.0)
Dalian Jinsanjiao	12,046	12,423	(3.0)	2,514	2,701	(6.9)
	29,174	30,104	(3.1)	6,089	6,545	(7.0)
Portfolio	317,334	315,210	0.7	66,234	68,524	(3.3)

GROSS REVENUE (%)



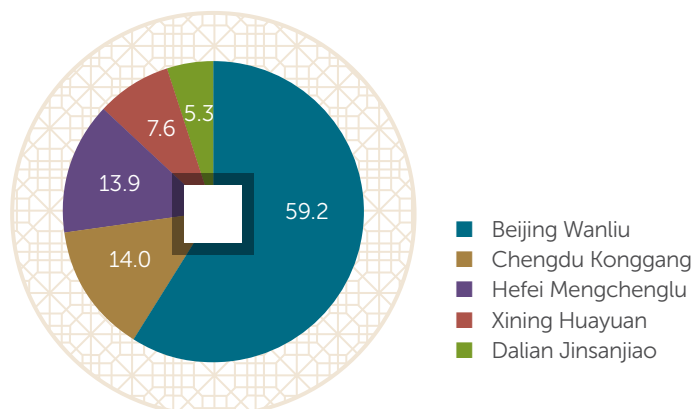
NET PROPERTY INCOME

Net property income (SGD) was in line with forecast, while net property income (RMB) exceeded forecast by RMB 8.2 million, or 4.2%.

The lower property operating expenses were partially offset by the increase in property tax as a result of the change in Beijing's property tax policy, which took effect on 1 July 2016. This is a move by the Beijing State Government to charge property tax based on revenue. This change in treatment brings Beijing's property tax policy in line with the other cities where the four other portfolio properties are situated.

Net Property Income (FY 2016)	RMB'000		Change (%)	S\$'000		Change (%)
	Actual	Forecast		Actual	Forecast	
Multi-Tenanted Malls						
Beijing Wanliu	119,748	113,459	5.5	24,994	24,665	1.3
Chengdu Konggang	28,374	26,999	5.1	5,922	5,869	0.9
Hefei Mengchenglu	28,008	27,568	1.6	5,846	5,993	(2.5)
	176,130	168,026	4.8	36,762	36,527	0.6
Master-Leased Malls						
Xining Huayuan	15,419	15,294	0.8	3,218	3,325	(3.2)
Dalian Jinsanjiao	10,619	10,647	(0.3)	2,217	2,315	(4.2)
	26,038	25,941	0.4	5,435	5,640	(3.6)
Portfolio	202,168	193,967	4.2	42,197	42,167	0.1

NET PROPERTY INCOME (%)



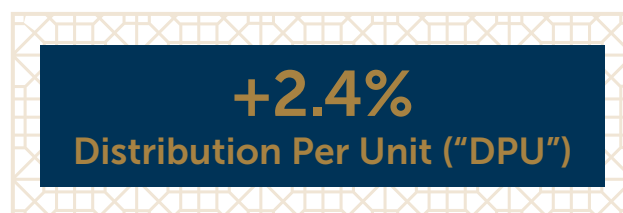
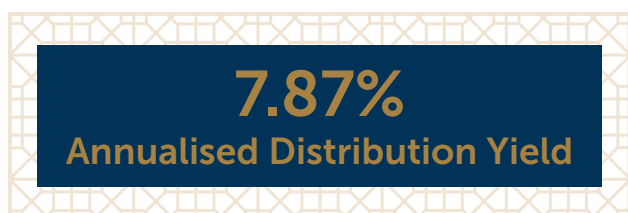
Financial Review

DISTRIBUTION

Total distribution per unit ("DPU") for FY 2016 was 5.45 cents, exceeding forecast DPU of 5.32 cents by 2.4%. The aggregate distribution per unit translated to the distribution yield of 7.87%, based on the closing price of S\$0.655 as at 30 December 2016.

DPU (cents)	Actual	Forecast	Change (%)
1Q 2016*	1.50	1.49	0.7
2Q 2016	1.35	1.30	3.8
3Q 2016	1.29	1.23	4.9
4Q 2016	1.31	1.30	0.8
Total	5.45	5.32	2.4

* For the period from 11 December 2015 ("Listing Date") to 31 March 2016.

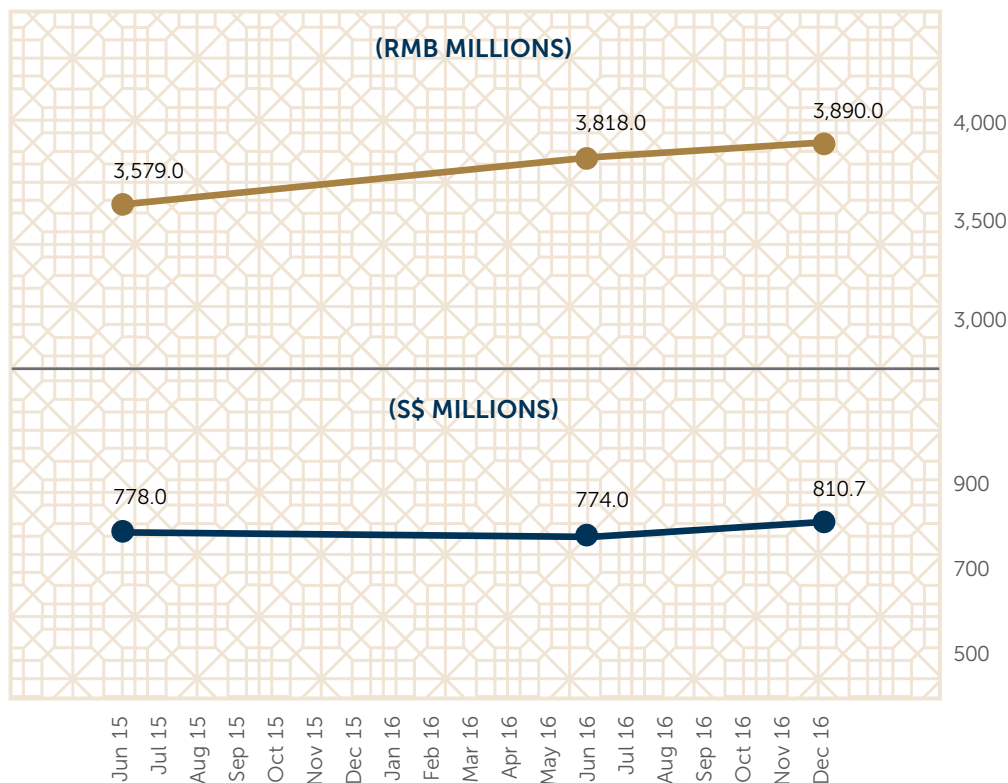


INDEPENDENT VALUATION OF INVESTMENT PROPERTIES

As at 31 December 2016, BHG Retail REIT's investment properties were valued at S\$810.7 million (RMB 3.89 billion). The valuation represents an increase of S\$32.7 million, or 4.2%, from the average independent valuation as at 30 June 2015 of S\$778.0 million.

Investment Properties	RMB millions			S\$ millions		
	As at 31 Dec 2016 ¹	As at 30 Jun 2016 ¹	As at 30 Jun 2015 ²	As at 31 Dec 2016 ¹	As at 30 Jun 2016 ¹	As at 30 Jun 2015 ²
Beijing Wanliu	2,235.0	2,175.0	1,979.5	465.8	440.9	430.3
Chengdu Konggang	631.0	627.0	604.0	131.5	127.1	131.3
Hefei Mengchenglu	584.0	576.0	560.5	121.7	116.8	121.9
Xining Huayuan	278.0	278.0	273.0	57.9	56.4	59.3
Dalian Jinsanjiao	162.0	162.0	162.0	33.8	32.8	35.2
Portfolio	3,890.0	3,818.0	3,579.0	810.7	774.0	778.0

VALUATION



1. Based on independent valuation from Knight Frank Petty Limited as at 31 December 2016.
2. Based on average of independent valuations from Knight Frank Petty Limited and DTZ Debenham Tie Leung Limited as at 30 June 2015 (as per IPO Prospectus).

Financial Review

CAPITAL MANAGEMENT

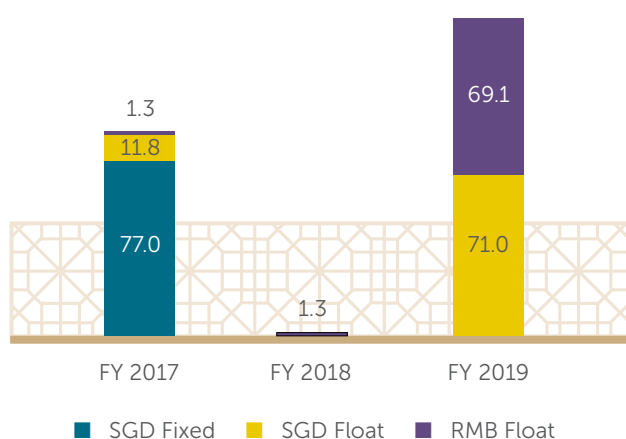
BHG Retail REIT has established an offshore secured borrowing facility of S\$148 million ("Facility 1"), and two onshore secured borrowing facilities of RMB 280 million and RMB 71 million ("Facility 2" and "Facility 3", respectively). As at 31 December 2016, Facility 1 and Facility 2 were fully drawn down, while RMB 70 million was drawn down from Facility 3.

Facility 2 and 3 have been each repaid in RMB 3.0 million during the year, in accordance to the facility agreements.

In addition to the abovementioned Facilities, BHG Retail REIT has obtained and drawn down further credit facilities of S\$11.8 million. This was used to finance the payment of first half 2016 distribution on 21 September 2016, and interest payment of the offshore borrowings on 13 December 2016, respectively.

Total borrowings drawn down as at 31 December 2016 aggregated to S\$231.5 million, with about 70% of debt denominated in SGD and 30% denominated in RMB.

DEBT MATURITY PROFILE (S\$ MILLIONS)



BHG Retail REIT adopts a prudent and proactive capital management strategy. Gearing remained low at 31.0%. Debt maturities were staggered, with the weighted average term to maturity of 2.0 years. Apart from the natural hedge from the RMB denominated borrowings, approximately 50% of the SGD denominated borrowings were on a fixed interest rate basis to mitigate exposure to interest rate fluctuations.

Key Financial Indicators as at 31 December 2016

Gearing (%)	31.0
Interest coverage ratio (times)	14.1
Weighted average term to maturity (years)	2.0
Average cost of debt (%)	3.75

NET ASSET VALUE ("NAV") PER UNIT

As at 31 December 2016, BHG Retail REIT's NAV of S\$0.85 per unit, was 3.7% higher than the NAV of S\$0.82 per unit at Listing Date.

USE OF PROCEEDS

On 11 December 2015, S\$394.2 million of gross proceeds were raised from the public offering, and issuance of units. On the same day, an offshore secured borrowing facility of S\$148 million was established with S\$116.0 million drawn down, while the remaining S\$32.0 million subsequently drawn down on 12 January 2016.

These proceeds have been applied to the acquisition of the Singapore holding companies in respect of the five properties, repayment of the Chengdu loan, payment of transaction costs in relation to the offering and borrowing. The use of proceeds was in accordance with the stated uses in the Prospectus dated 2 December 2015.