



**BHG RETAIL REIT**  
**UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT**  
**THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2016**

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DBS Bank Ltd. was the Financial Adviser, Issue Manager, Bookrunner and Underwriter for the initial public offering of BHG Retail REIT.

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**Introduction**

BHG Retail REIT (the “**REIT**”) was constituted by a trust deed dated 18 November 2015 (“**Date of Constitution**”) 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 third quarter and nine months ended 30 September 2016.

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

“3Q 2016”: For the 3 months ended 30 September 2016; and

“9M 2016”: For the period from Date of Constitution to 30 September 2016.

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**Distribution Policy**

The REIT's distribution policy is to distribute 100.0% of its amount available for distribution to Unitholders for the financial period from 11 December 2015 to 31 December 2016. Thereafter, the Manager will distribute at least 90.0% of the REIT's amount available for distribution with the actual level of distribution to be determined at the discretion of the Board of Directors of the Manager.

Distribution to Unitholders will be made semi-annually based on the half-yearly results of the REIT and will be paid no later than 90 days after the end of each distribution period.

The first distribution after the Listing Date for the period from 11 December 2015 to 30 June 2016 has been paid by the Manager on 21 September 2016.

**Summary of Group Results**

	3Q 2016			9M 2016		
	Actual <sup>(1)</sup> (S\$'000)	Forecast <sup>(2)</sup> (S\$'000)	Change (%)	Actual <sup>(1)</sup> (S\$'000)	Forecast <sup>(2)</sup> (S\$'000)	Change (%)
Gross revenue	15,383	16,366	(6.0)	50,443	51,982	(3.0)
Net property income	9,538	9,884	(3.5)	31,897	31,976	(0.2)
Amount available for distribution	4,521	4,301	5.1	14,409	13,954	3.3
Distribution per Unit ("DPU") (cents)	1.29	1.23	4.9	4.14	4.02	3.0
Annualised distribution yield (%)						
- Based on IPO price <sup>(4)</sup>	6.42	6.11 <sup>(3)</sup>	5.1	6.41	6.22 <sup>(3)</sup>	3.1
- Based on 3Q 2016 closing price <sup>(5)</sup>	7.49	7.14 <sup>(3)</sup>	4.9	7.48	7.26 <sup>(3)</sup>	3.0

Footnotes:

- (1) The actual results of the Group's foreign subsidiaries were translated using the average SGD: CNY rate of 1:4.929 and 1: 4.776 for 3Q 2016 and 9M 2016, respectively.
- (2) The forecast was prorated based on forecast and projection shown in BHG Retail REIT Prospectus dated 2 Dec 2015 (the "Prospectus") for 3Q 2016 and 9M 2016, respectively. An exchange rate of SGD: CNY 1:4.60 was adopted in the forecast.
- (3) The forecast annualised distribution yield for 3Q 2016 and 9M 2016 were prorated based on forecast 2015 of 5.7% and projection 2016 of 6.3% as shown in the Prospectus.
- (4) Based on IPO price of S\$0.80 as at 11 Dec 2015.
- (5) Based on Closing price of S\$0.685 as at 30 Sep 2016.

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

		<b>3Q 2016 <sup>(c)</sup></b>	<b>9M 2016 <sup>(a),(b),(c)</sup></b>
	<b>Note</b>	<b>(S\$'000)</b>	<b>(S\$'000)</b>
<b>Statement of Total Return</b>			
Gross revenue <sup>(d)</sup>		15,383	50,443
Property operating expenses <sup>(e)</sup>		(5,845)	(18,546)
<b>Net property income</b>		<b>9,538</b>	<b>31,897</b>
Other income	(1)	21	131
Manager's fee	(2)	(452)	(1,441)
Trustee's fee		(34)	(109)
Other expenses		(197)	(611)
Finance income		15	61
Foreign exchange (loss)/gain-realised		4	102
Finance cost	(3)	(2,230)	(7,067)
<b>Net income</b>		<b>6,665</b>	<b>22,963</b>
Net change in fair value of investment properties	(4)	-	60,026
Foreign exchange loss-unrealised		2	(85)
<b>Total return for the period before tax</b>		<b>6,667</b>	<b>82,904</b>
Tax expense	(5)	(1,143)	(19,999)
<b>Total return for the period</b>		<b>5,524</b>	<b>62,905</b>
<b>Attributable to:</b>			
Unitholders		3,875	41,558
Non-controlling interests		1,649	21,347
<b>Total return for the period</b>		<b>5,524</b>	<b>62,905</b>
<b>Distribution Statement</b>			
Total return for the period attributable to Unitholders		3,875	41,558
Distribution adjustments	(6)	646	(27,149)
<b>Amount available for distribution</b>		<b>4,521</b>	<b>14,409</b>

Footnotes:

- (a) No comparative Consolidated Statement of Total Return and Distribution Statement has been prepared as the REIT was constituted on 18 Nov 2015 and was listed on SGX-ST on 11 Dec 2015.
- (b) Although the REIT was incorporated on 18 Nov 2015, the acquisition of the assets of its Initial Portfolio were completed on 11 Dec 2015 which was the official listing date. There were no operating activities for the period prior to 11 Dec 2015.
- (c) The actual results of the Group's foreign subsidiaries were translated using the average SGD: CNY rate of 1:4.929 and 1: 4.776 for 3Q 2016 and 9M 2016, respectively.
- (d) Prior to 1 May 2016, Business Tax was reflected under property operating expenses. With effect from 1 May 2016, Value Added Tax ("VAT") replaced Business Tax in China and it is net off the revenue instead of reflecting in the property operating expenses.
- (e) Includes property management fees of S\$457,000 and S\$1,653,000 for 3Q 2016 and 9M 2016, respectively.

During the current quarter, the Beijing State Government aligned its tax policy with the national practice of charging Property Tax based on revenue from 1 July 2016. This resulted in higher property-related tax expenses for Beijing Wanliu Mall. The change in Beijing's Property Tax is in-line with current property tax for the other 4 properties in the portfolio. The change has resulted in an additional 7.0% and 2.1% in property operating expenses for 3Q 2016 and 9M 2016, respectively.

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**Notes to Consolidated Statement of Total Return and Distribution Statement:**

**(1) Other income**

Other income mainly comprised compensation on liquidated damages, 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.

For financial year 2016, given there is no preceding financial year for the Group, the difference in DPU shall be the difference between actual DPU and the forecasted DPU from the Forecast. The forecast DPU for this financial period ended 30 Sep 2016 was computed by pro-rating the full year forecasted DPU.

**(3) Finance cost**

Finance cost comprised the following:

	<b>3Q 2016 (S\$'000)</b>	<b>9M 2016 (S\$'000)</b>
Borrowing costs	2,149	6,822
Amortisation of debt establishment costs	81	245
Finance cost	<u>2,230</u>	<u>7,067</u>

**(4) Net change in fair value of investment properties**

Net change in fair value of investment properties represents the difference between acquisition cost incurred by the Group and the fair value of the investment properties at the reporting date. A full valuation was performed on 30 Jun 2015 for the purpose of initial public offering. The management is of the view that due to the passing of time, there was a need to perform a desktop valuation on 30 Jun 2016 to update the valuation of the properties. A full annual valuation will be performed at year end. This change in fair value does not affect the distribution per unit.

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**(5) Tax expense**

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

	<b>3Q 2016</b> <b>(S\$'000)</b>	<b>9M 2016</b> <b>(S\$'000)</b>
Current period:		
- Income tax	1,077	3,767
- Deferred tax	3	15,298
- Withholding tax	63	934
	<b>1,143</b>	<b>19,999</b>

Deferred tax mainly arises from net change from fair value of investment properties.

**(6) Distribution adjustments**

	<b>3Q 2016</b> <b>(S\$'000)</b>	<b>9M 2016</b> <b>(S\$'000)</b>
<u>Distribution adjustments</u>		
- Net change in fair value of investment properties <sup>(a)</sup>	-	(38,822)
- Amortisation of debt establishment costs	81	245
- Management base fee payable in Units	452	1,441
- Property management fees payable in Units	173	562
- Deferred tax expense <sup>(a)</sup>	3	9,997
- Transfer to general reserve <sup>(a)</sup>	(129)	(798)
- Other items <sup>(a)</sup>	66	226
Net distribution adjustments	<b>646</b>	<b>(27,149)</b>

Footnote:

(a) Excludes non-controlling interests' share.

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**1(b)(i) Statements of Financial Position**

	<b>Group 30 September 2016 (a),(b)</b>	<b>REIT 30 September 2016 (a)</b>
<b>Note</b>	<b>S\$'000</b>	<b>S\$'000</b>
<b>Non-current assets</b>		
Investment properties	777,412	-
Plant and equipments	676	-
Investment in subsidiaries	-	525,971
Deferred tax assets	779	-
	<b>778,867</b>	<b>525,971</b>
<b>Current assets</b>		
Trade and other receivables	7,934	1,768
Cash and cash equivalents	42,433	591
	<b>50,367</b>	<b>2,359</b>
<b>Total assets</b>	<b>829,234</b>	<b>528,330</b>
<b>Non-current liabilities</b>		
Loans and borrowings	216,608	147,630
Trade and other payables	9,398	-
Security deposits	8,173	-
Deferred tax liabilities	15,449	-
	<b>249,628</b>	<b>147,630</b>
<b>Current liabilities</b>		
Loans and borrowings	11,194	10,000
Trade and other payables	11,224	1,669
Security deposits	5,966	-
Current tax payable	2,018	-
	<b>30,402</b>	<b>11,669</b>
<b>Total liabilities</b>	<b>280,030</b>	<b>159,299</b>
<b>Net assets</b>	<b>549,204</b>	<b>369,031</b>
<b>Represented by:</b>		
Unitholders' funds	395,287	369,031
Non-controlling interests	153,917	-
	<b>549,204</b>	<b>369,031</b>

Footnotes:

- (a) No comparative Statement of Financial Position has been prepared as the REIT was constituted on 18 Nov 2015 and was listed on SGX-ST on 11 Dec 2015.
- (b) The results of the Group's foreign subsidiaries were translated using the closing SGD: CNY rate of 1:4.894 as at 30 Sep 2016.

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**Notes to Statements of Financial Position:**

- (1) Cash and Cash equivalents include non-restricted and restricted cash.
- (2) Loans and borrowings are measured at amortised cost and comprise corporate loan of S\$147.6 million and credit facilities of S\$10.0 million, Beijing Wanliu of S\$56.9 million (RMB 278.5 million) and Hefei Mengchenglu of S\$13.3 million (RMB 64.9 million), as explained under section 1(b)(ii).

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

	<b>30 Sep 2016<sup>(a)</sup> (S\$'000)</b>
Secured borrowings	
- Amount repayable within one year	11,194
- Amount repayable after one year	217,704
- Less: Debt establishment costs <sup>(b)</sup>	(1,096)
Total secured borrowings	227,802
Unsecured borrowings	-
Total borrowings	<u>227,802</u>

Footnotes:

- (a) The balances of the Group's foreign subsidiaries are translated using the closing SGD: CNY rate of 1:4.894 as at 30 Sep 2016.
- (b) Debt establishment costs are amortised over the tenure of the respective loan facilities.

**Details of any collaterals**

The Group has put in place two onshore secured borrowing facilities of RMB 280 million and RMB 71 million available for drawdown, and an offshore secured borrowing facility of S\$148 million. As at 30 Sep 2016, 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 five properties, and a pledge over the receivables of the five PRC holding companies.

The offshore facility is secured by way of a charge on 100% shareholding in the Singapore holding companies, an equity pledge on Beijing Wanliu's Singapore holding company's 60% equity interest in its PRC holding company, and equity pledges on the remaining four Singapore holding companies' 100% equity interest in the respective PRC holding companies.

On 9 Jun 2016, RMB 1.5 million has been repaid for each of the two onshore facilities.

In addition to the above facilities, the Group has also obtained credit facilities during 3Q 2016. On 19 Sep 2016, S\$10 million credit facilities were drawn down to finance the payment of 1H 2016 distribution. The credit facilities are secured by the restricted cash from the five PRC subsidiaries.



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**1 (c) Consolidated Statement of Cash Flows**

	<b>3Q 2016</b>	<b>9M 2016 <sup>(a),(b)</sup></b>
<b>Note</b>	<b>(\$'000)</b>	<b>(\$'000)</b>
<b>Operating activities</b>		
Total return for the period	5,524	62,905
Adjustments for:		
Manager's management fee payable in Units	452	1,441
Property management fees payable in Units	173	562
Finance income	(15)	(61)
Finance cost	2,230	7,067
Depreciation	106	200
Net change in fair value of investment properties	-	(60,026)
Tax expense	1,143	19,999
Operating income before working capital changes	9,613	32,087
Changes in working capital:		
Trade and other receivables	783	(3,865)
Trade and other payables	(425)	(12,889)
<b>Cash generated from operating activities</b>	<b>9,971</b>	<b>15,333</b>
Tax paid	(1,173)	(3,724)
<b>Net cash from operating activities</b>	<b>8,798</b>	<b>11,609</b>
<b>Investing activities</b>		
Acquisition of subsidiaries, net of cash acquired	-	(468,709)
Capital expenditure on investment properties	-	(5,585)
Purchase of plant and equipment	-	(42)
Interest received	11	57
<b>Net cash generated from/(used in) investing activities</b>	<b>11</b>	<b>(474,279)</b>
<b>Financing activities</b>		
Distribution to unitholders	(9,884)	(9,884)
Increase in restricted cash	(11,033)	(11,033)
Proceeds from issue of Units	-	394,180
Payment of transaction costs related to the issue of Units	-	(11,727)
Interest paid	(138)	(3,544)
Proceeds from borrowings	10,000	173,077
Repayment of borrowings	-	(33,832)
Payment of transaction costs related to loans and borrowings	-	(1,386)
<b>Net cash (used in)/generated from financing activities</b>	<b>(11,055)</b>	<b>495,851</b>
<b>Net (decrease)/ increase in cash and cash equivalents</b>	<b>(2,246)</b>	<b>33,181</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>33,793</b>	<b>-</b>
Effect of exchange rate fluctuations on cash held	(147)	(1,781)
<b>Cash and cash equivalents at end of the period</b>	<b>31,400</b>	<b>31,400</b>

Footnotes:

- (a) No comparative Consolidated Statement of Cash Flows has been prepared as the REIT was constituted on 18 Nov 2015 and was listed on SGX-ST on 11 Dec 2015.
- (b) Although the REIT was incorporated on 18 Nov 2015, the acquisition of the assets of its Initial Portfolio were completed on 11 Dec 2015 which was the official listing date. There were no operating activities for the period prior to 11 Dec 2015.

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**Notes to Consolidated Statement of Cash Flows:**

- (1) An aggregate of 492,725,000 Units amounting to S\$394.2 million were issued on Listing Date. This was utilised as partial satisfaction of the acquisition of subsidiaries, net of cash acquired, of S\$468.7 million.
- (2) Transaction costs relating to the issue of Units were paid out from the gross proceeds from the Offering.
- (3) Proceeds from borrowings of S\$173.1 million consisted of S\$163.1 million for IPO transaction and S\$10 million facility for 1H 2016 distribution.
- (4) For purpose of the Consolidated Statement of Cash Flows, the cash and cash equivalents comprised the following:

	<b>30 September 2016 (S\$'000)</b>
Bank and cash balances	42,433
Less: Restricted cash	(11,033)
Cash and cash equivalents in cashflow statement	<u>31,400</u>

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

	3Q 2016 <sup>(a)</sup>		9M 2016 <sup>(a)</sup>	
	Group (S\$'000)	REIT (S\$'000)	Group (S\$'000)	REIT (S\$'000)
<b>Unitholders' funds as at beginning of the period/ at 18 November 2015 (date of constitution) <sup>(b)</sup></b>	398,071	380,100	-	-
Change in Unitholders' funds resulting from operations before distribution	3,875	(1,810)	41,558	(5,541)
Transfer to general reserve	(129)	-	(798)	-
<b>Net increase/(decrease) in net assets resulting from operations</b>	<b>401,817</b>	<b>378,290</b>	<b>40,760</b>	<b>(5,541)</b>
<b>Unitholders' transactions</b>				
Issue of new Units				
- Initial public offering	-	-	394,180	394,180
- Manager's management fee paid/payable in Units	452	452	1,441	1,441
- Property management fees paid/payable in Units	173	173	562	562
Issue expenses	-	-	(11,727)	(11,727)
Distribution to Unitholders	(9,884)	(9,884)	(9,884)	(9,884)
<b>Net increase in net assets resulting from Unitholders' transactions</b>	<b>(9,259)</b>	<b>(9,259)</b>	<b>374,572</b>	<b>374,572</b>
<b>Movement in foreign currency translation reserve</b>	<b>2,600</b>	<b>-</b>	<b>(20,843)</b>	<b>-</b>
<b>Movement in general reserve</b>	<b>129</b>	<b>-</b>	<b>798</b>	<b>-</b>
<b>Total Unitholders' funds as at end of the period</b>	<b>395,287</b>	<b>369,031</b>	<b>395,287</b>	<b>369,031</b>

Footnote:

- (a) No comparative Statement of Changes in Unitholders' Funds has been prepared as the REIT was constituted on 18 Nov 2015 and was listed on SGX-ST on 11 Dec 2015.

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

	<b>3Q 2016</b>	<b>9M 2016 <sup>(a)</sup></b>
	('000)	('000)
<b>REIT</b>		
<b>Units in issue:</b>		
As at beginning of period	492,725	-
Issue of new units relating to:		
- Initial public offering	-	492,725
- Manager's management base fee payable in units	1,372	1,372
- Property manager's fee payable in units	537	537
Issued units as at end of period	494,634	494,634
<b>Units to be issued:</b>		
Manager's management base fee payable in Units	670	670
Property manager's fee payable in Units	256	256
To be issued units as at end of period	926	926
<b>Total issued and issuable units as at end of period</b>	<b>495,560</b>	<b>495,560</b>

Footnote

(a) No comparative Statement of Changes in Unitholders' Funds has been prepared as the REIT was constituted on 18 Nov 2015 and was listed on SGX-ST on 11 Dec 2015.

**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**

The accounting policies and methods of computation adopted in the preparation of the financial statements for the current report period are consistent with those described in the Prospectus.

In addition, the Group and the REIT have adopted revised Financial Accounting Standards ("FRS") (including its consequential amendments) and interpretations effective for the financial period beginning 1 January 2016 as follows:

FRS 1 Presentation of Financial Statements  
FRS 16 Property, Plant and Equipment  
FRS 19 Employee Benefits  
FRS 107 Financial Instruments: Disclosures  
FRS 110 Consolidated Financial Statements  
FRS 112 Disclosure of Interests in Other Entities

The Group does not expect any significant financial impact on its financial position or performance from the adoption of these amendments to FRS.

**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**

Not applicable.

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**6 Earnings per Unit and Distribution per Unit**

	<b>3Q 2016 <sup>(a)</sup></b>	<b>9M 2016 <sup>(a)</sup></b>
Weighted average number of units ('000)		
Basic	494,644	493,612
Diluted	495,560	495,560
Earnings per unit (" <b>EPU</b> ") <sup>(b)</sup> (cents)		
Basic	0.78	8.42
Diluted	0.78	8.39
Number of Units entitled to distribution ('000)	347,742	347,742
Distribution per unit (" <b>DPU</b> ") <sup>(c)</sup> (cents)	1.29	4.14

Footnotes:

- (a) No comparative for EPU and DPU have been prepared as the REIT was constituted on 18 Nov 2015 and was listed on SGX-ST on 11 Dec 2015.
- (b) EPU is calculated based on total return after taxation and non-controlling interest.
- (c) The computation of the DPU is based on the number of Units entitled to distribution of 347,742,000. This comprises:
  - (i) The number of Units in issue as at 30 Sep 2016 of 494,633,500; and
  - (ii) The Units to be issued to the Manager as satisfaction of Manager's base fee payable for the period ended 30 Sep 2016 of 670,000;
  - (iii) The Units to be issued to the property manager as satisfaction of property management fee payable for the period ended 30 Sep 2016 of 256,000; and
  - (iv) The Units to be issued excludes strategic investor's units of 147,817,500.

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**7 Net Asset Value (“NAV”) per Unit**

	<b>Group</b>	<b>REIT</b>
	<b>30 Sep 2016 <sup>(a)</sup></b>	<b>30 Sep 2016 <sup>(a)</sup></b>
Number of Units in issue and to be issued at end of period ('000)	495,560	495,560
Net asset value per Unit (S\$) <sup>(b)</sup>	0.80	0.74

Footnote:

(a) No comparative for Net Asset Value per unit has been prepared as the REIT was constituted on 18 Nov 2015 and was listed on SGX-ST on 11 Dec 2015.

(b) The NAV per unit is computed based on the Units in issue and to be issued of 495,786,000 as at 30 Sep 2016.

**8 Review of the Performance**

Please refer to section 9 on the review of actual performance against the forecast.

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**9 Variance between Actual and Forecast Results**

	3Q 2016			9M 2016		
	Actual <sup>(a),(b)</sup>	Forecast <sup>(a)</sup>	Change	Actual <sup>(a),(b)</sup>	Forecast <sup>(a)</sup>	Change
	(\$'000)	(\$'000)	(%)	(\$'000)	(\$'000)	(%)
Gross revenue	15,383	16,366	(6.0)	50,443	51,982	(3.0)
Property operating expenses	(5,845)	(6,482)	(9.8)	(18,546)	(20,006)	(7.3)
<b>Net property income</b>	<b>9,538</b>	<b>9,884</b>	<b>(3.5)</b>	<b>31,897</b>	<b>31,976</b>	<b>(0.2)</b>
Other income	21	6	>100.0	131	20	>100.0
Manager's management fee	(452)	(430)	5.1	(1,441)	(1,395)	3.3
Trustee's fee	(34)	(39)	(12.8)	(109)	(126)	(13.5)
Other expenses	(197)	(234)	(15.8)	(611)	(768)	(20.4)
Finance income	15	121	(87.6)	61	240	(74.6)
Foreign exchange (loss)/gain-realised	4	-	N/M	102	-	N/M
Finance cost	(2,230)	(2,402)	(7.2)	(7,067)	(7,600)	(7.0)
<b>Net income</b>	<b>6,665</b>	<b>6,906</b>	<b>(3.5)</b>	<b>22,963</b>	<b>22,347</b>	<b>2.8</b>
Net change in fair value of investment properties	-	-	N/M	60,026	-	N/M
Foreign exchange loss-unrealised	2	-	N/M	(85)	-	N/M
<b>Total return for the period before tax</b>	<b>6,667</b>	<b>6,906</b>	<b>(3.5)</b>	<b>82,904</b>	<b>22,347</b>	<b>&gt;100.0</b>
Tax expense	(1,143)	(1,360)	(16.0)	(19,999)	(4,391)	>100.0
<b>Total return for the period</b>	<b>5,524</b>	<b>5,546</b>	<b>(0.4)</b>	<b>62,905</b>	<b>17,956</b>	<b>&gt;100.0</b>
<b>Attributable to:</b>						
Unitholders	3,875	4,761	(18.6)	41,558	15,429	>100.0
Non-controlling interests	1,649	785	>100.0	21,347	2,527	>100.0
<b>Total return for the period</b>	<b>5,524</b>	<b>5,546</b>	<b>(0.4)</b>	<b>62,905</b>	<b>17,956</b>	<b>&gt;100.0</b>

N/M: Not meaningful, NA: Not applicable

Footnote:

- (a) The actual results of the Group's foreign subsidiaries are translated using the average SGD: CNY rate of 1:4.929 and 1:4.776 for 3Q 2016 and 9M 2016, respectively; whereas the exchange rate of 1:4.60 was adopted in the forecast.
- (b) Unitholders who have subscribed for the Units pursuant to the offering of Units in the REIT on 11 Dec 2015 will be entitled to distributions made from Listing Date.



**9 Variance between Actual and Forecast Results (cont'd)**

Review of the Performance

Gross revenue in 3Q 2016 and 9M 2016 was S\$1.0 million (6.0%) and S\$1.5 million (3.0%) lower than forecast respectively. Property Operating Expenses in 3Q 2016 and 9M 2016 were S\$0.6 million (9.8%) and S\$1.5 million (7.3%) lower than forecast respectively. This was due to the China nation-wide VAT reform with effect from 1 May 2016, weaker RMB against SGD and higher property-related taxes.

During the current quarter, the Beijing State Government aligned its tax policy with the national practice of charging property tax based on revenue from 1 July 2016. This resulted in higher property-related tax expenses for Beijing Wanliu Mall. The change in Beijing's property tax policy is in-line with the other 4 properties in the portfolio. The change has resulted in an additional 7.0% and 2.1% in property operating expenses for 3Q 2016 and 9M 2016, respectively.

Net property income in 3Q 2016 was S\$0.3 million (3.5%) below forecast. For 9M 2016, net property income was S\$0.8 million (0.2%) below forecast.

Other expenses in 3Q 2016 were in line with forecast; for 9M 2016 other expenses were S\$0.2 million (20.4%) below forecast. This was due mainly to lower professional fees and other expenses incurred.

Finance cost in 3Q 2016 and 9M 2016 was S\$0.2 million (7.2%) and S\$0.5 million (7.0%) lower than forecast respectively. It was mainly due to repayment of borrowings of S\$0.6 million (RMB 3.0 million) in June 2016.

Tax expense in 3Q 2016 was lower by S\$0.2 million than forecast. For 9M 2016, it was S\$15.6 million higher than forecast mainly due to deferred tax arising from net change in fair value of investment properties.

**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 Chinese government reiterated their commitment to deepening structural reforms, implementing new concepts of development and growth, while maintaining economic stability. Against the backdrop of a subdued global economic climate, and China's ongoing transition to a consumption driven economy, the Chinese economy managed to sustain moderate growth of 6.7% year-on-year for both the third quarter, as well as the first three quarters of 2016. (*National Bureau of Statistics of China*)

Residents' income continued to increase steadily, with growth in disposable income per capita for urban residents at 5.7% year-on-year for the first three quarters of 2016. (*National Bureau of Statistics of China*)

On 1 October 2016, the International Monetary Fund ("IMF") announced the inclusion of Chinese renminbi ("RMB") into the new Special Drawing Right ("SDR") reserve currency basket. The inclusion reflected the recognition of the Chinese authorities' efforts and progress in reforming China's monetary, foreign exchange, and financial systems.

Total retail sales increased 10.4% year-on-year to RMB 23.8 trillion in the first three quarters of 2016. (*National Bureau of Statistics of China*) According to CBRE, lifestyle and experience-oriented retailers, particularly F&B groups, continued to drive leasing demand. Retailers were focused on "retailtainment" and incorporating an F&B offering. (*CBRE Asia Pacific Retail Trends Q3 2016*)

BHG Retail REIT's current portfolio of five community-focused retail properties, strategically located in vicinities with strong surrounding catchment, is well positioned to benefit from China's economic transformation to a model with increasing emphasis on domestic demand.

**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? : Not Applicable.

**(c) Date payable** : Not Applicable.

**(d) Record 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 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 30 Sep 2016, 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.

**15 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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On behalf of the Board of the Manager

Francis Siu Wai Keung  
Chairman

Chan Iz-Lynn  
Chief Executive Officer

*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

Tan Wee Sin  
Company Secretary

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

11 November 2016