



BHG RETAIL REIT
UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT
FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 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 fourth quarter and year ended 31 December 2016.

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

“4Q 2016”: For the 3 months ended 31 December 2016; and

“FY 2016”: For the period from Date of Constitution to 31 December 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.

Summary of Group Results

	4Q 2016			FY 2016		
	Actual ⁽¹⁾ (S\$'000)	Forecast ⁽²⁾ (S\$'000)	Change (%)	Actual ⁽¹⁾ (S\$'000)	Forecast ⁽²⁾ (S\$'000)	Change (%)
Gross revenue	15,791	16,542	(4.5)	66,234	68,524	(3.3)
Net property income	10,300	10,191	1.1	42,197	42,167	0.1
Amount available for distribution	4,629	4,553	1.7	19,038	18,507	2.9
Distribution per Unit ("DPU") (cents)	1.31	1.30	0.8	5.45	5.32	2.4
Annualised distribution yield (%)						
- Based on IPO price ⁽⁴⁾	6.51	6.46 ⁽³⁾	0.8	6.44	6.29 ⁽³⁾	2.4
- Based on 4Q 2016 closing price ⁽⁵⁾	7.96	7.90 ⁽³⁾	0.8	7.87	7.68 ⁽³⁾	2.5

Footnotes:

- (1) The actual results of the Group's foreign subsidiaries were translated using the average SGD: CNY rate of 1:4.844 and 1: 4.791 for 4Q 2016 and FY 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 4Q 2016 and FY 2016, respectively. An exchange rate of SGD: CNY 1:4.60 was adopted in the forecast.
- (3) The forecast annualised distribution yield for 4Q 2016 and FY 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\$0.655 as at 31 Dec 2016.

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

	Note	4Q 2016 ^(c) (S\$'000)	FY 2016 ^{(a),(b),(c)} (S\$'000)
Statement of Total Return			
Gross revenue ^(d)		15,791	66,234
Property operating expenses ^(e)		(5,491)	(24,037)
Net property income		10,300	42,197
Other income	(1)	91	222
Manager's base fee	(2)	(463)	(1,904)
Manager's performance fee	(2)	(209)	(209)
Trustee's fee		(35)	(144)
Other expenses		(253)	(864)
Finance income		366	427
Foreign exchange gain/(loss) - realised		(102)	-
Finance cost	(3)	(2,110)	(9,177)
Net income		7,585	30,548
Change in fair value of investment properties	(4)	25,940	85,966
Foreign exchange loss - unrealised		20	(65)
Total return for the period before taxation		33,545	116,449
Taxation	(5)	(8,335)	(28,334)
Total return for the period after taxation		25,210	88,115
Attributable to:			
Unitholders		17,045	58,603
Non-controlling interests		8,165	29,512
Total return for the period after taxation		25,210	88,115
Distribution Statement			
Total return for the period attributable to Unitholders		17,045	58,603
Distribution adjustments	(6)	(12,416)	(39,565)
Amount available for distribution		4,629	19,038

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 1:4.844 and 1: 4.791 for 4Q 2016 and FY 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\$529,000 and S\$2,182,000 for 4Q 2016 and FY 2016, respectively.
With effect from 1 July 2016, the Beijing State Government aligned its tax policy with the national practice of charging Property Tax based on rental income. 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 7.7% and 3.3% in property operating expenses for 4Q 2016 and FY 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 as disclosed in the Prospectus.

(3) Finance cost

Finance cost comprised the following:

	4Q 2016 (S\$'000)	2016 (S\$'000)
Borrowing costs	2,028	8,850
Amortisation of debt establishment costs	82	327
Finance cost	2,110	9,177

(4) Change in fair value of investment properties

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 annual valuation was performed at year end. This change in fair value does not affect the distribution per Unit.

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(5) Taxation

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

	4Q 2016 (S\$'000)	FY 2016 (S\$'000)
Current period:		
- Income tax	1,334	5,101
- Deferred tax	7,001	23,121
- Withholding tax	-	112
	8,335	28,334

Deferred tax mainly arises from net change from fair value of investment properties and reversal of prior year deferred tax asset due to one of the foreign subsidiary is probable that future taxable profit will be available against which the company can utilise the benefits therefrom.

(6) Distribution adjustments

	4Q 2016 (S\$'000)	FY 2016 (S\$'000)
<u>Distribution adjustments</u>		
- Amortisation of debt establishment costs	82	327
- Change in fair value of investment properties ^(a)	(17,775)	(56,597)
- Deferred tax expense ^(a)	4,703	14,700
- Management base fee payable in Units	463	1,904
- Management performance fee payable in Units	209	209
- Property management fees payable in Units	175	737
- Transfer to statutory reserve ^(a)	(284)	(1,082)
- Other adjustments ^(a)	11	237
Net distribution adjustments	(12,416)	(39,565)

Footnote:

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

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1(b)(i) Statements of Financial Position

		Group 31 December 2016 <small>(a),(b)</small>	REIT 31 December 2016 <small>(a)</small>
	Note	S\$'000	S\$'000
Non-current assets			
Investment properties		810,692	-
Plant and equipment		733	-
Interest in subsidiaries		-	526,707
Trade and other receivables		46	-
Deferred tax assets		208	-
		811,679	526,707
Current assets			
Trade and other receivables		8,279	1,290
Cash and cash equivalents	(1)	51,669	382
		59,948	1,672
Total assets			
		871,627	528,379
Non-current liabilities			
Loans and borrowings	(2)	140,442	70,657
Trade and other payables		1,869	-
Security deposits		6,693	-
Deferred tax liabilities		22,564	-
		171,568	70,657
Current liabilities			
Loans and borrowings	(2)	90,020	88,800
Trade and other payables		19,169	1,138
Security deposits		7,991	-
Current tax payable		1,493	-
		118,673	89,938
Total liabilities			
		290,241	160,595
Net assets			
		581,386	367,784
Represented by:			
Unitholders' funds		421,177	367,784
Non-controlling interests ("NCI")		160,209	-
		581,386	367,784

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 1:4.798 as at 31 Dec 2016.

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\$11.8 million, Beijing Wanliu of S\$57.7 million (RMB 277.0 million) and Hefei Mengchenglu of S\$13.3 million (RMB 63.7 million), as explained under section 1(b)(ii).

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

	31 Dec 2016 ^(a) (S\$'000)
Secured borrowings	
- Amount repayable within one year	90,050
- Amount repayable after one year	141,441
- Less: Debt establishment costs ^(b)	(1,029)
Total secured borrowings	230,462
Unsecured borrowings	-
Total borrowings	230,462

Footnotes:

- (a) The balances of the Group's foreign subsidiaries are translated using the closing SGD: CNY rate of 1:4.798 as at 31 Dec 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 31 Dec 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 Group's investment properties, and a pledge over the receivables of the five subsidiaries in the People's Republic of China ("PRC").

The offshore facility is secured by way of a charge on 100% 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 PRC.

RMB 3.0 million has been repaid on 9 Jun 2016 and 9 Dec 2016, respectively, for each of the two onshore facilities in accordance to facility agreements.

In addition to the above facilities, the Group has also obtained credit facilities amounting to \$11.8 million. The facilities were fully drawn down to finance the payment of first half 2016 distribution and interest payment of the borrowings on 19 Sep 2016 and 13 Dec 2016, respectively. The credit facilities are secured by the restricted cash from the five subsidiaries in PRC.

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1 (c) Consolidated Statement of Cash Flows

	Note	4Q 2016 (S\$'000)	FY 2016^{(a),(b)} (S\$'000)
Operating activities			
Total return for the period		25,210	88,115
Adjustments for:			
Manager's management fee payable in Units		672	2,113
Property management fees payable in Units		175	737
Finance income		(366)	(427)
Finance cost		2,110	9,177
Depreciation		39	239
Change in fair value of investment properties		(25,940)	(85,966)
Foreign exchange loss - unrealized		(20)	65
Taxation		8,335	28,334
Operating income before working capital changes		10,215	42,387
Changes in working capital:			
Trade and other receivables		(350)	(4,215)
Trade and other payables		4,488	(8,486)
Cash generated from operating activities		14,353	29,686
Tax paid		(1,083)	(4,807)
Net cash from operating activities		13,270	24,879
Investing activities			
Acquisition of investment properties and other assets, net of cash acquired	(1)	-	(468,709)
Capital expenditure on investment properties		(452)	(6,037)
Purchase of plant and equipment		(82)	(124)
Interest received		370	427
Net cash used in investing activities		(164)	(474,443)
Financing activities			
Distribution to unitholders		-	(9,884)
Increase in restricted cash		(2,263)	(13,296)
Proceeds from issue of Units	(1)	-	394,180
Payment of transaction costs related to the issue of Units	(2)	-	(11,727)
Interest paid		(5,877)	(9,421)
Proceeds from borrowings	(3)	1,800	174,877
Repayment of borrowings		(610)	(34,442)
Payment of transaction costs related to loans and borrowings		-	(1,386)
Net cash (used in)/generated from financing activities		(6,950)	488,901
Net increase in cash and cash equivalents		6,156	39,337
Cash and cash equivalents at beginning of the period		31,400	-
Effect of exchange rate fluctuations on cash held		817	(964)
Cash and cash equivalents at end of the period	(4)	38,373	38,373

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\$174.9 million consisted of S\$163.1 million for IPO transaction, S\$10 million facility for 1H 2016 distribution and S\$1.8 million facility for interest payments of borrowings.
- (4) For purpose of the Consolidated Statement of Cash Flows, the cash and cash equivalents comprised the following:

	31 December 2016 (S\$'000)
Bank and cash balances	51,669
Less: Restricted cash	(13,296)
Cash and cash equivalents in cashflow statement	<u>38,373</u>

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

	4Q 2016 ^(a)		FY 2016 ^(a)	
	Group (S\$'000)	REIT (S\$'000)	Group (S\$'000)	REIT (S\$'000)
Unitholders' funds as at beginning of the period/ at 18 November 2015 (date of constitution)	395,287	369,031	-	-
Change in Unitholders' funds resulting from operations before distribution	17,045	(2,094)	58,603	(7,635)
Transfer to statutory reserve	(284)	-	(1,082)	-
Net increase/(decrease) in net assets resulting from operations	412,048	366,937	57,521	(7,635)
Unitholders' transactions				
Issue of new Units				
- Initial public offering	-	-	394,180	394,180
- Manager's management fee paid/payable in Units	672	672	2,113	2,113
- Property management fees paid/payable in Units	175	175	737	737
Issue expenses	-	-	(11,727)	(11,727)
Distribution to Unitholders	-	-	(9,884)	(9,884)
Net increase in net assets resulting from Unitholders' transactions	847	847	375,419	375,419
Movement in foreign currency translation reserve	7,998	-	(12,845)	-
Movement in statutory reserve	284	-	1,082	-
Total Unitholders' funds as at end of the period	421,177	367,784	421,177	367,784

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

	4Q 2016 ^(a) ('000)	FY 2016 ^(a) ('000)
REIT		
Units in issue:		
As at beginning of period	494,634	-
Issue of new units relating to:		
- Initial public offering	-	492,725
- Manager's management fee payable in units	670	2,042
- Property manager's fee payable in units	256	793
Issued units as at end of period	495,560	495,560
Units to be issued:		
Manager's management fee payable in Units	1,046	1,046
Property manager's fee payable in Units	271	271
To be issued units as at end of period	1,317	1,317
Total issued and issuable units as at end of period	496,877	496,877

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

There are no significant financial impact on the Group's 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

	4Q 2016 ^(a)	FY 2016 ^(a)
Weighted average number of units ('000)		
Basic	495,602	494,079
Diluted	496,877	496,877
Earnings per unit (" EPU ") ^(b) (cents)		
Basic	3.44	11.86
Diluted	3.43	11.79
Number of Units entitled to distribution ('000)	349,060	349,060
Distribution per unit (" DPU ") ^(c) (cents)	1.31	5.45

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 interests.
- (c) The computation of the DPU is based on the number of Units entitled to distribution of 349,060,000. This comprises:
 - (i) The number of Units in issue as at 31 Dec 2016 of 495,560,000;
 - (ii) The Units to be issued to the Manager as satisfaction of Manager's base fee payable for the period ended 31 Dec 2016 of 720,500;
 - (iii) The Units to be issued to the Manager as satisfaction of Manager's performance fee payable for the period ended 31 Dec 2016 of 326,000;
 - (iv) The Units to be issued to the property manager as satisfaction of property management fee payable for the period ended 31 Dec 2016 of 271,000; and
 - (v) 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

	Group	REIT
	31 Dec 2016 ^(a)	31 Dec 2016 ^(a)
Number of Units in issue and to be issued at end of period ('000)	496,877	496,877
Net asset value per Unit (S\$) ^(b)	0.85	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 496,877,000 as at 31 Dec 2016.

8 Review of the Performance

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

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9 Variance between Actual and Forecast Results

	4Q 2016			FY 2016		
	Actual ^(a) (S\$'000)	Forecast ^(a) (S\$'000)	Change (%)	Actual ^(a) (S\$'000)	Forecast ^(a) (S\$'000)	Change (%)
Gross revenue	15,791	16,542	(4.5)	66,234	68,524	(3.3)
Property operating expenses	(5,491)	(6,351)	(13.5)	(24,037)	(26,357)	(8.8)
Net property income	10,300	10,191	1.1	42,197	42,167	0.1
Other income	91	7	>100.0	222	27	>100.0
Manager's management base fee	(463)	(456)	1.5	(1,904)	(1,851)	2.9
Manager's management performance fee	(209)	-	N/M	(209)	-	N/M
Trustee's fee	(35)	(38)	(7.9)	(144)	(164)	(12.2)
Other expenses	(253)	(234)	8.1	(864)	(1,002)	(13.8)
Finance income	366	163	>100.0	427	403	6.0
Foreign exchange loss - realised	(102)	-	N/M	-	-	N/M
Finance cost	(2,110)	(2,397)	(12.0)	(9,177)	(9,997)	(8.2)
Net income	7,585	7,236	4.8	30,548	29,583	3.3
Change in fair value of investment properties	25,940	-	N/M	85,966	-	N/M
Foreign exchange loss - unrealised	20	-	N/M	(65)	-	N/M
Total return for the period before tax	33,545	7,236	>100.0	116,449	29,583	>100.0
Tax expense	(8,335)	(1,385)	>100.0	(28,334)	(5,776)	>100.0
Total return for the period	25,210	5,851	>100.0	88,115	23,807	>100.0
Attributable to:						
Unitholders	17,045	5,005	>100.0	58,603	20,434	>100.0
Non-controlling interests	8,165	846	>100.0	29,512	3,373	>100.0
Total return for the period	25,210	5,851	>100.0	88,115	23,807	>100.0

N/M: Not meaningful

Footnote:

- (a) The actual results of the Group's foreign subsidiaries are translated using the average SGD: CNY rate of 1:4.844 and 1:4.791 for 4Q 2016 and FY 2016, respectively; whereas the exchange rate of 1:4.60 was adopted in the forecast.

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

Review of the Performance

Gross revenue in 4Q 2016 and FY 2016 was S\$0.8 million (4.5%) and S\$2.3 million (3.3%) lower than forecast respectively. Property Operating Expenses in 4Q 2016 and 2016 were S\$0.9 million (13.5%) and S\$2.3 million (8.8%) lower than forecast respectively. This was due to the China nation-wide VAT reform which came into effect from 1 May 2016, weaker RMB against SGD and higher property-related taxes.

With effect from 1 July 2016, the Beijing State Government aligned its tax policy with the national practice of charging property tax based on revenue. 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 7.7% and 3.3% in property operating expenses for 4Q 2016 and FY 2016, respectively.

Net property income in 4Q 2016 was S\$0.1 million (1.1%) above forecast. For FY 2016, net property income was in line with forecast.

Other expenses in 4Q 2016 did not vary much from the forecast; for FY 2016 other expenses were S\$0.1 million (13.9%) below forecast. This was due mainly to lower professional fees and other expenses incurred.

Finance cost in 4Q 2016 and FY 2016 was S\$0.3 million (12.0%) and S\$0.8 million (8.2%) lower than forecast, respectively. It was mainly due to repayment of borrowings of S\$0.6 million (RMB 3.0 million) and S\$1.3 million (RMB 6.0 million) in 4Q 2016 and FY 2016, respectively. Furthermore, the borrowing costs was below forecast.

Total return for FY 2016 includes a revaluation gain of S\$86.0 million, and associated deferred tax expense of S\$21.5 million.

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

According to preliminary estimate, the China's gross domestic product grew 6.7% year-on-year to RMB74.4 trillion in 2016. The Chinese government emphasized their principle of making progress, while maintaining stability (Source: National Bureau of Statistics of China). Amidst rebalancing and structural reforms in China, coupled with uncertainties impacting global trade, the China's official think-tank (Chinese Academy of Social Science) forecasts a 6.5% growth for the China economy in 2017.

Proportion of urban population to total population (urbanization rate) increased from 56.1% in 2015 to 57.3% in 2016. Residents' income continued to increase steadily. Disposable income per capita for urban residents increased 5.6% year-on-year in 2016. Total retail sales increased 10.4% year-on-year to RMB 33.2 trillion for whole of 2016 (Source: National Bureau of Statistics of China).

According to CBRE, F&B retailers continued to be strong during the quarter, sportswear brands are also capitalising on a health and wellness trend and are implementing aggressive expansion plans. China's growing upper middle class and increasingly affluent population are driving a shift in consumption trends toward discretionary items such as entertainment and leisure. The slower growth of online retail and greater importance of physical stores is being reflected by the increasing number of online retailers investing in their offline networks. (Source: CBRE Asia Pacific Retail Trends Q4 2016)

BHG Retail REIT's current portfolio of five community-focused retail properties, strategically located in vicinities with strong surrounding catchment, will continue to benefit from China's economic transformation driven by urbanization and consumption.

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11 Distribution

(a) Current financial period

Any distribution declared for the current financial period?	Yes
Distribution period	: 1 Jul 2016 to 31 Dec 2016
Distribution rate	: 2.60 cents per unit
Distribution type	: Capital distribution
Tax rate	: Capital distribution represents a return of capital to Unitholders for Singapore income tax purpose and is therefore not subject to income tax. For Unitholders who hold the Units as trading assets, the amount of capital gain distribution will be applied to reduce the cost base of their Units for the purpose of calculating the amount of taxable trading gains arising from the disposal of the Units.
Remark	: The capital distribution from 1 Jul 2016 to 31 Dec 2016 is expected to be funded from borrowing at the REIT level.

(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 : 28 Mar 2017

(d) Record date : 17 Mar 2017

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

Not Applicable.

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.

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14 Segmental Information

14 (a) Total gross revenue

	FY 2016 Actual (S\$'000)	FY 2016 Forecast (S\$'000)	Changes (%)
<u>Multi-Tenanted Malls</u>			
Beijing Wanliu	38,993	39,167	(0.4)
Chengdu Konggang	11,437	12,057	(5.1)
Hefei Mengchenglu	9,715	10,755	(9.7)
	60,145	61,979	(3.0)
<u>Master-Leased Malls</u>			
Xining Huayuan	3,575	3,844	(7.0)
Dalian Jinsanjiao	2,514	2,701	(6.9)
	6,089	6,545	(7.0)
Total gross revenue	66,234	68,524	(3.3)

14 (b) Net property income

	FY 2016 Actual (S\$'000)	FY 2016 Forecast (S\$'000)	Changes (%)
<u>Multi-Tenanted Malls</u>			
Beijing Wanliu	24,994	24,665	1.3
Chengdu Konggang	5,922	5,869	0.9
Hefei Mengchenglu	5,846	5,993	(2.5)
	36,762	36,527	0.6
<u>Master-Leased Malls</u>			
Xining Huayuan	3,218	3,325	(3.2)
Dalian Jinsanjiao	2,217	2,315	(4.2)
	5,435	5,640	(3.6)
Total net property income	42,197	42,167	0.1

15 In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments

Please refer to paragraph 9 and 14 on the review.

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16 Breakdown of sales and net income

	FY 2016 (S\$'000)
Gross revenue reported for first half year ^{(a), (c)}	35,060
Net income after tax and NCI for first half year ^{(a), (c)}	37,683
Gross revenue reported for second half year ^{(b), (c)}	31,174
Net income after tax and NCI for second half year ^{(b), (c)}	20,920

Footnotes:

- a. The results for the first half year relates to the period from 11 Dec 2015 (listing date) to 30 Jun 2016.
- b. The results for the second half year relates to the period from 1 Jul 2016 to 31 Dec 2016.
- c. Please refer to paragraph 9 on the review.

17 Breakdown of total annual distribution

	FY 2016 (S\$'000)
For the period:	
11 Dec 2015 to 30 Jun 2016	9,884
1 Jul 2016 to 31 Dec 2016*	9,076

* For the quarter ended 31 Dec 2016, the Manager of the REIT declared a distribution per unit of 2.60 Singapore cents totaling S\$9,076,000 to the unitholders of the REIT, payable on 28 Mar 2017.

18 Confirmation pursuant to Rule 704(13) of the Listing Manual

Pursuant to Rule 704(13) of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Manager confirms that there is no person occupying a managerial position in the Manager or in any of the REIT's principal subsidiaries who is a relative of a director, chief executive officer, substantial shareholder of the Manager or substantial unitholder of the REIT.

19 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)

23 February 2017