



**BHG RETAIL REIT**  
**UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT**  
**THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2017**

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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 2017.

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

“3Q 2016”: For the 3-month period from 1 July 2016 to 30 September 2016;

“3Q 2017”: For the 3-month period from 1 July 2017 to 30 September 2017;

“9M 2016”: For the 9-month period from 1 January 2016 to 30 September 2016; and

“9M 2017”: For the 9-month period from 1 January 2017 to 30 September 2017.

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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**

	<b>3Q 2017<sup>(1)</sup></b>	<b>3Q 2016<sup>(1)(2)</sup></b>	<b>Change</b>	<b>9M 2017<sup>(1)</sup></b>	<b>9M 2016<sup>(1)(2)</sup></b>	<b>Change</b>
	<b>(S\$'000)</b>	<b>(S\$'000)</b>	<b>(%)</b>	<b>(S\$'000)</b>	<b>(S\$'000)</b>	<b>(%)</b>
Gross revenue	16,462	15,383	7.0	47,812	46,794	2.2
Net property income	10,536	9,538	10.5	31,807	29,986	6.1
Amount available for distribution	5,148	4,521	13.9	15,122	13,975	8.2
Distribution per Unit (" <b>DPU</b> ") (cents)	1.41	1.29	9.3	4.15	4.01	3.5
Annualised distribution yield (%)						
- Based on closing price <sup>(3)</sup>	7.51	7.49	0.3	7.45	7.80	(4.5)

Footnotes:

- (1) The actual results of the Group's foreign subsidiaries were translated using the average SGD: CNY rate of 1:4.900, 1:4.929, 1:4.897 and 1:4.776 for 3Q 2017, 3Q 2016, 9M 2017 and 9M 2016, respectively.
- (2) The comparative figures were for the quarter from 1 July 2016 to 30 September 2016 and for nine months from 1 January 2016 to 30 September 2016, respectively. These figures were extracted from BHG Retail REIT's results for the third quarter and nine months ended 30 September 2016.
- (3) Based on closing price of S\$0.745 and S\$0.685 as at 30 September 2017 and 30 September 2016, respectively.

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

	<b>Note</b>	<b>3Q 2017<sup>(b)</sup></b> <b>(S\$'000)</b>	<b>3Q 2016<sup>(a)(b)</sup></b> <b>(S\$'000)</b>	<b>Change</b> <b>(%)</b>	<b>9M 2017<sup>(b)</sup></b> <b>(S\$'000)</b>	<b>9M 2016<sup>(a)(b)</sup></b> <b>(S\$'000)</b>	<b>Change</b> <b>(%)</b>
<b>Statement of Total Return</b>							
Gross revenue <sup>(c)</sup>		16,462	15,383	7.0	47,812	46,794	2.2
Property operating expenses <sup>(c),(d)</sup>		(5,926)	(5,845)	1.4	(16,005)	(16,808)	(4.8)
<b>Net property income</b>		<b>10,536</b>	<b>9,538</b>	<b>10.5</b>	<b>31,807</b>	<b>29,986</b>	<b>6.1</b>
Other income	(1)	113	21	>100.0	366	40	>100.0
Manager's base fee	(2)	(515)	(452)	13.9	(1,512)	(1,398)	8.2
Manager's performance fee	(2)	(104)	-	N/M	(104)	-	N/M
Trustee's fee		(33)	(34)	(2.9)	(100)	(100)	-
Other expenses		(288)	(197)	46.2	(700)	(545)	28.4
Finance income		150	15	>100.0	397	50	>100.0
Foreign exchange (loss)/gain - realised		(16)	4	>100.0	(15)	102	>100.0
Finance cost	(3)	(2,231)	(2,230)	-	(6,598)	(6,714)	(1.7)
<b>Net income</b>		<b>7,612</b>	<b>6,665</b>	<b>14.2</b>	<b>23,541</b>	<b>21,421</b>	<b>9.9</b>
Change in fair value of investment properties	(4)	-	-	-	-	14,706	N/M
Foreign exchange gain/(loss) - unrealised		25	2	>100.0	(1)	(85)	(98.8)
<b>Total return for the period before taxation</b>		<b>7,637</b>	<b>6,667</b>	<b>14.5</b>	<b>23,540</b>	<b>36,042</b>	<b>(34.7)</b>
Taxation	(5)	(1,207)	(1,143)	5.6	(4,645)	(8,345)	(44.3)
<b>Total return for the period after taxation</b>		<b>6,430</b>	<b>5,524</b>	<b>16.4</b>	<b>18,895</b>	<b>27,697</b>	<b>(31.8)</b>
<b>Attributable to:</b>							
Unitholders		4,576	3,875	18.1	13,324	16,956	(21.4)
Non-controlling interests		1,854	1,649	12.4	5,571	10,741	(48.1)
<b>Total return for the period after taxation</b>		<b>6,430</b>	<b>5,524</b>	<b>16.4</b>	<b>18,895</b>	<b>27,697</b>	<b>(31.8)</b>
<b>Distribution Statement</b>							
Total return for the period attributable to Unitholders		4,576	3,875	18.1	13,324	16,956	(21.4)
Distribution adjustments	(6)	572	646	(11.5)	1,798	(2,981)	>100.0
Amount available for distribution		<b>5,148</b>	<b>4,521</b>	<b>13.9</b>	<b>15,122</b>	<b>13,975</b>	<b>8.2</b>

N/M: not meaningful

**Footnotes:**

- The comparative figures were for the quarter from 1 July 2016 to 30 September 2016 and for nine months from 1 January 2016 to 30 September 2016, respectively. These figures were extracted from BHG Retail REIT's results for the third quarter and nine months ended 30 September 2016.
- The actual results of the Group's foreign subsidiaries were translated using the average SGD: CNY rate of 1:4.900, 1:4.929, 1:4.897 and 1:4.776 for 3Q 2017, 3Q 2016, 9M 2017 and 9M 2016, respectively.
- 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.
- Includes property management fees of S\$551,000, S\$457,000, S\$1,612,000 and S\$1,538,000 for 3Q 2017, 3Q 2016, 9M 2017 and 9M 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 four properties in the portfolio.

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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:

	3Q 2017 (S\$'000)	3Q 2016 (S\$'000)	Change (%)	9M 2017 (S\$'000)	9M 2016 (S\$'000)	Change (%)
Borrowing costs	2,148	2,149	-	6,351	6,469	(1.8)
Amortisation of debt establishment costs	83	81	2.5	247	245	-
Finance cost	2,231	2,230	-	6,598	6,714	(1.7)

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

The Group's policy is to conduct annual valuation of its investment properties, with any changes in fair value being recorded in the statement of total return. A one-time desktop valuation was, however, conducted in June 2016 on all its properties, as the previous valuation was conducted in June 2015 for the purpose of the REIT's initial public offering.

Changes in fair value of investment properties do not affect the distribution per unit of the REIT.

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**(5) Taxation**

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

	3Q 2017 (S\$'000)	3Q 2016 (S\$'000)	Change (%)	9M 2017 (S\$'000)	9M 2016 (S\$'000)	Change (%)
Current period:						
- Income tax	1,519	1,077	41.0	4,271	3,577	19.4
- Deferred tax	(721)	66	>100.0	(35)	4,656	>100.0
- Withholding tax	409	-	N/M	409	112	>100.0
	1,207	1,143	5.6	4,645	8,345	(44.3)

N/M: not meaningful

Higher income tax in 3Q 2017 and 9M 2017 is in-line with higher operating profits, as well the fact that one of the subsidiaries in China has fully utilised its prior years' losses, hence is subject to income tax this year.

In 3Q 2017 and 9M 2017, we recognise a net write back of deferred tax liabilities of S\$0.7 million and S\$0.1 million respectively, arising from an over-provision of withholding tax in prior year, where provision for withholding tax were made based on 10% of net profits earned in the subsidiaries. With the lower withholding tax actually paid upon the repatriation of dividends from the REIT's subsidiaries, the over provision of deferred tax liabilities was written back. Higher deferred tax in 9M 2016 was mainly due to a one-time desktop valuation that was conducted in June 2016. Please refer to item 1(a) Note (4) on page 5 of this announcement.

In 3Q 2017, four subsidiaries in China have declared and repatriated dividends to its immediate holding companies in Singapore after repayment of the relevant withholding tax.

**(6) Distribution adjustments**

	3Q 2017 (S\$'000)	3Q 2016 (S\$'000)	Change (%)	9M 2017 (S\$'000)	9M 2016 (S\$'000)	Change (%)
<u>Distribution adjustments</u>						
- Amortisation of debt establishment costs	83	81	2.5	247	245	-
- Change in fair value of investment properties <sup>(a)</sup>	-	-	-	-	(6,634)	N/M
- Deferred tax expense <sup>(a)</sup>	-	3	N/M	184	2,010	(90.8)
- Manager' management base fee payable in Units	515	452	13.9	1,512	1,397	8.2
- Manager's management performance fee payable in Units	104	-	N/M	104	-	N/M
- Property management fees payable in Units	191	173	10.4	545	525	3.8
- Transfer to statutory reserve <sup>(a)</sup>	(323)	(129)	>100.0	(880)	(741)	18.8
- Other adjustments <sup>(a)</sup>	2	66	(97.0)	86	217	(60.4)
Net distribution adjustments	572	646	(11.5)	1,798	(2,981)	>100.0

N/M: not meaningful

Footnote:

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

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

	Note	Group		REIT	
		30 Sep 2017 <sup>(a)</sup>	31 Dec 2016 <sup>(a)</sup>	30 Sep 2017 <sup>(a)</sup>	31 Dec 2016 <sup>(a)</sup>
		S\$'000	S\$'000	S\$'000	S\$'000
<b>Non-current assets</b>					
Investment properties	(1)	805,689	810,692	-	-
Plant and equipment		715	733	-	-
Interest in subsidiaries		-	-	524,896	526,707
Trade and other receivables		116	46	-	-
Deferred tax assets		20	208	-	-
		806,540	811,679	524,896	526,707
<b>Current assets</b>					
Trade and other receivables	(2)	3,879	8,279	84	1,290
Cash and cash equivalents	(3)	61,510	51,669	955	382
		65,389	59,948	1,039	1,672
<b>Total assets</b>		871,929	871,627	525,935	528,379
<b>Non-current liabilities</b>					
Loans and borrowings	(4)	138,983	140,442	70,739	70,657
Trade and other payables		2,054	1,869	-	-
Security deposits		9,043	6,693	-	-
Deferred tax liabilities		21,951	22,564	-	-
		172,031	171,568	70,739	70,657
<b>Current liabilities</b>					
Loans and borrowings	(4)	101,268	90,020	100,060	88,800
Trade and other payables		17,452	19,169	1,774	1,138
Security deposits		6,004	7,991	-	-
Current tax payable		1,555	1,493	-	-
		126,279	118,673	101,834	89,938
<b>Total liabilities</b>		298,310	290,241	172,573	160,595
<b>Net assets</b>		573,619	581,386	353,362	367,784
<b>Represented by:</b>					
Unitholders' funds		412,564	421,177	353,362	367,784
Non-controlling interests ("NCI")		161,055	160,209	-	-
		573,619	581,386	353,362	367,784

Footnotes:

- (a) The results of the Group's foreign subsidiaries were translated using the closing SGD: CNY rate of 1: 4.874 and 1:4.798 as at 30 September 2017 and 31 December 2016, respectively.

**Notes to Statements of Financial Position:**

- (1) Decrease in investment properties is mainly due to movement in translation.
- (2) Decrease in trade and other receivables is mainly due to refund of deposits and collection from receivables.
- (3) Cash and cash equivalents include non-restricted and restricted cash. The Group has restricted cash amounting to S\$25.4 million and S\$13.3 million as at 30 September 2017 and 31 December 2016, respectively, which is used to secure bank facilities.
- (4) Loans and borrowings are measured at amortised cost and comprise a corporate loan of S\$147.7 million and credit facilities of S\$23.1 million, Beijing Wanliu of S\$56.5 million (RMB 275.5 million) and Hefei Mengchenglu of S\$12.9 million (RMB 63.0 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**

	30 Sep 2017 <sup>(a)</sup> (S\$'000)	31 Dec 2016 <sup>(a)</sup> (S\$'000)
Secured borrowings		
- Amount repayable within one year	101,291	90,050
- Amount repayable after one year	139,730	141,441
- Less: Debt establishment costs <sup>(b)</sup>	(770)	(1,029)
Total secured borrowings	240,251	230,462
Unsecured borrowings	-	-
Total borrowings	240,251	230,462

Footnotes:

(a) The balances of the Group's foreign subsidiaries are translated using the closing SGD: CNY rate of 1:4.874 and 1:4.798 as at 30 September 2017 and 31 December 2016, respectively.

(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, and an offshore secured borrowing facility of S\$148 million. As at 30 September 2017, 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 Group had further repaid RMB 1.5 million of each of the onshore facilities in June 2017, in accordance with the facility agreements.

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 other bank facilities an amount totalling S\$23.1 million, of which S\$21.3 million has been drawn down in 9M 2017. The facilities were obtained mainly for the purpose of financing the payment of distribution, and interest payment of the borrowings. The credit facilities are secured by the restricted cash from the five subsidiaries in China.

The REIT has repaid S\$10.0 million in September 2017 from dividends declaration and partial repayment by subsidiaries in Singapore.



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

Note	3Q 2017 (S\$'000)	3Q 2016 <sup>(a)</sup> (S\$'000)	9M 2017 (S\$'000)	9M 2016 <sup>(a)</sup> (S\$'000)
<b>Operating activities</b>				
Total return for the period	6,430	5,524	18,895	27,697
Adjustments for:				-
Manager's management fee payable in Units	619	452	1,616	1,398
Property management fees payable in Units	191	173	545	524
Finance income	(150)	(15)	(397)	(50)
Finance cost	2,231	2,230	6,598	6,714
Loss on disposal of plant and equipment	-	-	2	-
Depreciation	32	106	101	186
Change in fair value of investment properties	-	-	-	(14,706)
Foreign exchange (gain)/loss - unrealized	(25)	(2)	1	85
Taxation	1,207	1,143	4,645	8,345
Operating income before working capital changes	10,535	9,611	32,006	30,193
Changes in working capital:				
Trade and other receivables	(1,939)	783	4,253	(1,409)
Trade and other payables	(2,346)	(425)	(6,166)	(756)
<b>Cash generated from operating activities</b>	<b>6,250</b>	<b>9,969</b>	<b>30,093</b>	<b>28,028</b>
Tax paid	(1,601)	(1,173)	(4,187)	(4,411)
<b>Net cash from operating activities</b>	<b>4,649</b>	<b>8,796</b>	<b>25,906</b>	<b>23,617</b>
<b>Investing activities</b>				
Capital expenditure on investment properties	(1,848)	-	(2,191)	(5,585)
Purchase of plant and equipment	(96)	-	(96)	(43)
Interest received	150	11	397	47
<b>Net cash (used in)/from investing activities</b>	<b>(1,794)</b>	<b>11</b>	<b>(1,890)</b>	<b>(5,581)</b>
<b>Financing activities</b>				
Distribution to unitholders	(9,953)	(9,884)	(19,029)	(9,884)
Increase in restricted cash	245	(11,033)	(11,583)	(11,033)
Interest paid	(699)	(138)	(5,055)	(2,339)
Proceeds from borrowings	(1) 9,960	10,000	21,260	42,000
Repayment of borrowings	(1) (10,000)	-	(10,613)	(33,832)
Payment of transaction costs related to loans and borrowings	-	-	-	(1,394)
<b>Net cash used in financing activities</b>	<b>(10,447)</b>	<b>(11,055)</b>	<b>(25,020)</b>	<b>(16,482)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(7,592)</b>	<b>(2,248)</b>	<b>(1,004)</b>	<b>1,554</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>43,547</b>	<b>33,793</b>	<b>38,373</b>	<b>32,540</b>
Effect of exchange rate fluctuations on cash held	676	(145)	(738)	(2,694)
<b>Cash and cash equivalents at end of the period</b>	<b>(2) 36,631</b>	<b>31,400</b>	<b>36,631</b>	<b>31,400</b>

Footnotes:

- (a) The comparative figures were for the quarter from 1 July 2016 to 30 September 2016 and for nine months from 1 January 2016 to 30 September 2016, respectively. These figures were extracted from BHG Retail REIT's results for the third quarter and nine months ended 30 September 2016.

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

- (1) Proceeds from borrowings of S\$10.0 million in 3Q 2017 are for 1H 2017 distribution and S\$21.3 million in 9M 2017 are mainly used to fund interest payments of borrowings and 1H 2017 distribution. Proceed from borrowings of S\$10.0 million in 3Q 2016 was used for 1H 2016 distribution and S\$42.0 million in 9M 2016 was used for 1H 2016 distribution and repayment of the loan of S\$33.2 million in one of the subsidiaries in PRC and for 1H 2016 distribution.
- (2) For purpose of the Consolidated Statement of Cash Flows, the cash and cash equivalents comprised the following:

	<b>30 Sep 2017 (S\$'000)</b>	<b>30 Sep 2016 (S\$'000)</b>
Bank and cash balances	61,510	42,433
Less: Restricted cash	(24,879)	(11,033)
Cash and cash equivalents of cash flows statement	<u>36,631</u>	<u>31,400</u>

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

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

	Group			
	3Q 2017 (S\$'000)	3Q 2016 <sup>(a)</sup> (S\$'000)	9M 2017 (S\$'000)	9M 2016 <sup>(a)</sup> (S\$'000)
<b>Unitholders' funds as at beginning of the period</b>	413,661	398,071	421,177	404,611
Change in Unitholders' funds resulting from operations before distribution	4,576	3,875	13,324	16,956
Transfer to statutory reserve	(323)	(129)	(880)	(741)
<b>Net increase in net assets resulting from operations</b>	<b>417,914</b>	<b>401,817</b>	<b>433,621</b>	<b>420,826</b>
<b>Unitholders' transactions</b>				
Issue of new Units				
- Manager's management fee paid/payable in Units	619	452	1,616	1,398
- Property management fees paid/payable in Units	191	173	545	524
Issue expenses	-	-	-	1,378
Distribution to Unitholders	(9,953)	(9,884)	(19,029)	(9,884)
<b>Net decrease in net assets resulting from Unitholders' transactions</b>	<b>(9,143)</b>	<b>(9,259)</b>	<b>(16,868)</b>	<b>(6,584)</b>
<b>Movement in foreign currency translation reserve</b>	<b>3,470</b>	<b>2,600</b>	<b>(5,069)</b>	<b>(19,696)</b>
<b>Movement in statutory reserve</b>	<b>323</b>	<b>129</b>	<b>880</b>	<b>741</b>
<b>Total Unitholders' funds as at end of the period</b>	<b>412,564</b>	<b>395,287</b>	<b>412,564</b>	<b>395,287</b>

Footnote:

- (a) The comparative figures were for the quarter from 1 July 2016 to 30 September 2016 and for nine months from 1 January 2016 to 30 September 2016, respectively. These figures were extracted from BHG Retail REIT's results for the third quarter and nine months ended 30 September 2016.

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

	REIT			
	3Q 2017 (S\$'000)	3Q 2016 <sup>(a)</sup> (S\$'000)	9M 2017 (S\$'000)	9M 2016 <sup>(a)</sup> (S\$'000)
<b>Unitholders' funds as at beginning of the period</b>	356,323	380,100	367,784	380,909
Change in Unitholders' funds resulting from operations before distribution	6,181	(1,810)	2,446	(5,294)
<b>Net increase in net assets resulting from operations</b>	362,504	378,290	370,230	375,615
<b>Unitholders' transactions</b>				
Issue of new Units				
- Manager's management fee paid/payable in Units	620	452	1,616	1,398
- Property management fees paid/payable in Units	191	173	545	524
Issue expenses	-	-	-	1,378
Distribution to Unitholders	(9,953)	(9,884)	(19,029)	(9,884)
<b>Net decrease in net assets resulting from Unitholders' transactions</b>	(9,142)	(9,259)	(16,868)	(6,584)
<b>Total Unitholders' funds as at end of the period</b>	<b>353,362</b>	<b>369,031</b>	<b>353,362</b>	<b>369,031</b>

Footnote:

- (a) The comparative figures were for the quarter from 1 July 2016 to 30 September 2016 and for nine months from 1 January 2016 to 30 September 2016, respectively. These figures were extracted from BHG Retail REIT's results for the third quarter and nine months ended 30 September 2016.

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

	<b>3Q 2017</b> (‘000)	<b>3Q 2016</b> (‘000)	<b>9M 2017</b> (‘000)	<b>9M 2016</b> (‘000)
<b>REIT</b>				
<b>Units in issue:</b>				
As at beginning of period	497,849	492,827	495,560	492,827
Issue of new units relating to:				
- Manager’s management base fee payable in Units	680	1,318	2,450	1,318
- Property manager’s fee payable in Units	251	489	770	489
Issued units as at end of period	498,780	494,634	498,780	494,634
<b>Units to be issued:</b>				
Manager’s management base fee payable in Units	699	670	699	670
Manager’s management performance fee payable in Units	141	-	141	-
Property manager’s fee payable in Units	259	256	259	256
To be issued units as at end of period	1,099	926	1,099	926
Total issued and issuable units as at end of period	<b>499,879</b>	<b>495,560</b>	<b>499,879</b>	<b>495,560</b>

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

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

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

Not applicable.

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

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 2016, except for the adoption of revised Financial Accounting Standards (“FRS”) (including its consequential amendments) and interpretations effective for the financial period beginning 1 Jan 2017 as follows:

FRS 7            Statement of Cash Flows  
FRS 12          Income Taxes

**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**

Nil.

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

	<b>3Q 2017</b>	<b>3Q 2016</b>	<b>9M 2017</b>	<b>9M 2016</b>
Weighted average number of units ('000)				
Basic	498,789	494,644	497,853	493,680
Diluted	499,737	495,560	499,737	495,560
Earnings per unit ("EPU") <sup>(a)(b)</sup> (cents)				
Basic	0.92	0.78	2.68	3.43
Diluted	0.92	0.78	2.67	3.42
Number of Units entitled to distribution ('000)	364,379	347,742	364,379	347,742
Distribution per unit ("DPU") <sup>(c)</sup> (cents)	1.41	1.29	4.15	4.01

Footnotes:

- (a) EPU is calculated based on total return after taxation and non-controlling interests.
- (b) Higher EPU in 9M 2016 was due mainly to a one-time desktop valuation which was conducted on 30 June 2016. Please refer to item 1(a) Note 4 on page 5 of this announcement.
- (c) The computation of the DPU is based on the number of Units entitled to distribution of 364,379,000, 347,742,000, 364,379,000 and 347,742,000 in 3Q 2017, 3Q 2016, 9M 2017 and 9M 2016, respectively. The Units entitled to distribution have excluded strategic investor's Units of 135,500,000, 147,818,000, 135,500,000 and 147,818,000 in 3Q 2017, 3Q 2016, 9M 2017 and 9M 2016 respectively, in accordance with the Distribution Waiver provided by our strategic investor.

**7 Net Asset Value ("NAV") per Unit**

	<b>Group</b>		<b>REIT</b>	
	<b>30 Sep 2017</b>	<b>31 Dec 2016</b>	<b>30 Sep 2017</b>	<b>31 Dec 2016</b>
Number of Units in issue and to be issued at end of period ('000)	499,879	496,877	499,879	496,877
Net asset value per Unit (S\$) <sup>(a)</sup>	0.83	0.85	0.71	0.74

Footnote:

- (a) The NAV per unit is computed based on the Units in issue and to be issued of 499,879,000 and 496,877,000 as at 30 September 2017 and 31 December 2016, respectively.

**8 Review of the Performance**

The Group recorded S\$1.1 million (7.0%) and S\$1.0 million (2.2%) higher gross revenue in 3Q 2017 and 9M 2017, respectively. This was due mainly to higher rental reversion and increase in occupancy. The increase in revenue is partially offset by the adoption of nation-wide VAT reform in China which came into effect from 1 May 2016 where 5% VAT was netted off against gross revenue.

Property Operating Expenses in 3Q 2017 was in-line with 3Q 2016. 9M 2017 was S\$0.8 million (4.8%) lower than 9M 2016. These were due mainly to the VAT reform where Business Tax (which was previously parked under Property Operating Expenses) was replaced with VAT with effect from 1 May 2016, and the VAT is netted off against gross revenue.

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 for 9M 2017 as compared to 9M 2016. The change in Beijing's property tax policy is in line with the other four properties in the portfolio.

Despite the higher property-related tax expenses (which are included in the property operating expenses) in Beijing Wanliu Mall, net property income was S\$1.0 million (10.5%) and S\$1.8 million (6.1%) higher than 3Q 2016 and 9M 2016. This was due mainly to the increase in rental revenue.

Finance cost in 3Q 2017 was in-line with 3Q 2016. Finance cost in 9M 2017 was S\$0.1 million (1.7%) lower than 9M 2016. This was largely due to the repayment of the loan in one of the subsidiaries in PRC in 1Q 2016 but partially offset by the higher loan borrowings in other entities in the Group. The loan that was repaid had a higher interest rate compared to the new borrowings which have lower interest rates.

Taxation includes income tax, deferred tax and withholding tax. Tax expense for 3Q 2017 is in-line with 3Q 2016. Lower taxation in 9M 2017 arose mainly due to an absence of change in fair value of investment properties as compared to 9M 2016 and reversal of over provision of prior year withholding tax. Please refer to item 1(a) Note (5) on page 6 of this announcement.

**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**

China's economy achieved a stable momentum in the third quarter 2017, amidst transition towards a more sustainable growth trajectory. Gross domestic product grew 6.8% year-on-year during the quarter, in line with the International Monetary Fund's growth forecast for the full year 2017. (Source: National Bureau of Statistics of China and International Monetary Fund)

During the 19th Communist Party of China (CPC) National Congress, the Chinese government reiterated its plans to deepen reform and strive for sustainable economic growth. China also signals focus on growth quality and efficiency before pace as it enters a new development era. (Source: National Bureau of Statistics of China and Xinhua News)

Disposable income and expenditure per capita of urban residents increased 6.6% and 5.9% year-on-year respectively in the nine months period ended 30 September 2017. Retail sales rose 10.4% year-on-year to date in 2017. (Source: National Bureau of Statistics of China)

In the first three quarters of 2017, consumption contribution amounted to 64.5% of economic growth. According to CBRE, consumption continues to emerge as a new engine of economic growth in China. Consumer demand is shifting towards a wider range and higher quality of goods. Performance of bricks-and-mortar stores improved, with expansion led by food and beverage retailers and other brands providing an experience-based offering. (Source: National Bureau of Statistics of China and CBRE Market View)

The Group's current portfolio of five community focused retail properties, strategically located in vicinities with densely populated catchment, is well positioned to benefit from China economy's continual emphasis on domestic demand.



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**11 Distribution**

**(a) Current financial period**

Any distribution declared for the current financial period? No

**(b) Corresponding period of the immediately preceding financial year**

Any distribution declared for the corresponding period of the immediate preceding financial period? Not Applicable.

**(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.

**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 30 September 2017, 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.

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On behalf of the Board of the Manager

Francis Siu Wai Keung  
Director

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)

7 November 2017