



BHG RETAIL REIT
UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT
FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2018

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Introduction

BHG Retail REIT (the “**REIT**”) was constituted by a trust deed dated 18 November 2015 (as amended) entered into by BHG Retail Trust Management Pte. Ltd. as Manager of BHG Retail REIT (the “**Manager**”) and DBS Trustee Limited as Trustee of BHG Retail REIT (the “**Trustee**”). BHG Retail REIT and its subsidiaries are collectively known as the “**Group**”.

The REIT was listed on the Main Board of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on 11 December 2015 (the “**Listing Date**”). The principal investment strategy of BHG Retail REIT is to invest, directly or indirectly, in a diversified portfolio of income-producing real estate which is used primarily for retail purposes (whether either wholly or partially), as well as real estate-related assets in relation to the foregoing, with an initial focus on China.

The REIT’s initial portfolio comprises five retail properties, Beijing Wanliu (60%), Hefei Mengchenglu, Chengdu Konggang, Dalian Jinsanjiao and Xining Huayuan located in Tier 1, Tier 2 and other cities of significant economic potential in China:

- Beijing Wanliu is a community mall with a premium positioning in the Wanliu, Haidian District. The mall is located in close proximity to Zhongguancun retail hub, surrounded by high-end residential developments and educational institutions, and enjoys high transportation connectivity.
- Hefei Mengchenglu is a comprehensive retail mall focused on providing diversified retail services to meet demands of family-oriented residents in the Luyang District. The mall is prominently located in a densely populated mature residential area, in Hefei’s North First Ring retail hub.
- Chengdu Konggang is a community retail mall that targets and serves the needs of upper-middle class shoppers in an emerging residential area, with a large number of mature and high density residential projects. The mall is located in the Shuangliu County, and is within a 5 minutes drive to the Shuangliu International Airport.
- Dalian Jinsanjiao is a property master-leased to BHG Hypermarket, the only supermarket in the area. The property resides in Jinsanjiao area, which is surrounded by mature residential projects, and is situated in close proximity to the Huanan retail hub, a key retail area north of Dalian.
- Xining Huayuan is a retail mall master-leased to BHG Hypermarket, which caters to individuals with middle or upper-middle level income. The mall resides in Ximen-Dashizi retail hub area, the political, cultural, and business centre of Xining, with a high population density and immediate residential catchment.

The Group is presenting its financial results for the fourth quarter and year ended 31 December 2018.

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

“4Q 2017”: For the 3-months period from 1 October 2017 to 31 December 2017;

“4Q 2018”: For the 3-months period from 1 October 2018 to 31 December 2018;

“FY 2017”: For the 12-months period from 1 January 2017 to 31 December 2017; and

“FY 2018”: For the 12-months period from 1 January 2018 to 31 December 2018.

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Summary of Group Results

	4Q 2018 ^(a) (S\$'000)	4Q 2017 ^(a) (S\$'000)	Change (%)	FY 2018 (a) (S\$'000)	FY 2017 (a) (S\$'000)	Change (%)
Gross revenue	17,198	16,707	2.9	69,669	64,519	8.0
Net property income	11,129	11,137	(0.1)	45,647	42,944	6.3
Amount available for distribution	4,193	4,879	(14.1)	19,706	20,001	(1.5)
Distribution per Unit (" DPU ") (cents)	1.09	1.32	(17.4)	5.16	5.47	(5.7)

Footnotes:

- (a) The results of the Group's foreign subsidiaries were translated using the average SGD: CNY rate of 1:5.028, 1:4.884, 1:4.898 and 1:4.894 for 4Q 2018, 4Q 2017, FY 2018 and FY 2017, respectively.

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

	4Q 2018 ^(a)	4Q 2017 ^(a)	Change	FY 2018 ^(a)	FY 2017 ^(a)	Change
Note	(\$'000)	(\$'000)	(%)	(\$'000)	(\$'000)	(%)
Statement of Total Return						
Gross revenue	17,198	16,707	2.9	69,669	64,519	8.0
Property operating expenses ^(b)	(6,069)	(5,570)	9.0	(24,022)	(21,575)	11.3
Net property income	11,129	11,137	(0.1)	45,647	42,944	6.3
Other income (1)	161	147	9.5	309	513	(39.8)
Manager's base fee (2)	(420)	(488)	(13.9)	(1,971)	(2,000)	(1.5)
Manager's performance fee (2)	-	(178)	N/M	-	(282)	N/M
Trustee's fee	(33)	(27)	22	(135)	(127)	6.3
Other expenses	(448)	(242)	85.1	(1,249)	(942)	32.6
Finance income	219	323	(32.2)	647	720	(10.1)
Foreign exchange (loss)/gain - realised	(45)	-	N/M	261	(15)	>100.0
Finance cost (3)	(2,463)	(2,354)	4.6	(9,709)	(8,952)	8.5
Total return before changes in fair value of investment properties, financial derivative and unrealised foreign gain/(loss)	8,100	8,318	(2.6)	33,800	31,859	6.1
Change in fair value of investment properties (4)	25,664	8,298	>100.0	25,664	8,298	>100.0
Foreign exchange gain/(loss) - unrealised	100	-	N/M	73	(1)	>100.0
Total return for the period/year before taxation	33,864	16,616	>100.0	59,537	40,156	48.3
Taxation (5)	(8,745)	(4,038)	>100.0	(13,889)	(8,683)	60.0
Total return for the period/year after taxation	25,119	12,578	99.7	45,648	31,473	45.0
Attributable to:						
Unitholders	16,875	7,618	>100.0	31,157	20,942	48.8
Non-controlling interests	8,244	4,960	66.2	14,491	10,531	37.6
Total return for the period/year after taxation	25,119	12,578	99.7	45,648	31,473	45.0
Distribution Statement						
Total return for the period/year attributable to Unitholders	16,875	7,618	>100.0	31,157	20,942	48.8
Distribution adjustments (6)	(12,682)	(2,739)	>100.0	(11,451)	(941)	>100.0
Amount available for distribution	4,193	4,879	(14.1)	19,706	20,001	(1.5)

N/M: not meaningful

Footnotes:

- (a) The results of the Group's foreign subsidiaries were translated using the average SGD: CNY rate of 1:5.028, 1:4.884, 1:4.898 and 1:4.894 for 4Q 2018, 4Q 2017, FY 2018 and FY 2017, respectively.
- (b) Includes property management fees of S\$613,000, S\$567,000, S\$2,419,000 and S\$2,179,000 for 4Q 2018, 4Q 2017, FY 2018 and FY 2017, respectively.

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Notes to Consolidated Statement of Total Return and Distribution Statement:

(1) Other income

Other income mainly comprised fine and penalties from tenants, government grant and miscellaneous income.

(2) Manager's management fees

Manager's base management fee is calculated as 10.0% per annum of the Distributable Income of the Group.

Manager's performance fee is calculated as 25.0% of the difference in DPU in a financial year with the DPU in the preceding financial year (calculated before accounting for the performance fee but after accounting for the base fee in each financial year) multiplied by the weighted average number of Units in issue for such financial year.

(3) Finance cost

Finance cost comprised the following:

	4Q 2018 (S\$'000)	4Q 2017 (S\$'000)	Change (%)	FY 2018 (S\$'000)	FY 2017 (S\$'000)	Change (%)
Borrowing costs	2,262	2,271	(0.4)	9,225	8,622	7.0
Settlement of IRS contracts	108	-	N/M	108	-	N/M
Amortisation of debt establishment costs	93	83	12.0	376	330	13.9
	2,463	2,354	4.6	9,709	8,952	8.5

N/M: not meaningful

(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 full annual valuation was performed at year end.

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.

	4Q 2018 (S\$'000)	4Q 2017 (S\$'000)	Change (%)	FY 2018 (S\$'000)	FY 2017 (S\$'000)	Change (%)
Current period:						
- Income tax	1,747	1,642	6.4	6,894	5,913	16.6
- Deferred tax	6,623	2,292	>100.0	6,452	2,257	>100.0
- Withholding tax	375	104	>100.0	543	513	5.8
	8,745	4,038	>100.0	13,889	8,683	60.0

Higher income tax in 4Q 2018 and FY 2018 is in-line with higher operating profits.

Higher deferred tax in 4Q 2018 and FY 2018 mainly arises from increase in net change in fair value of investment properties as compared to 4Q 2017 and FY 2017. Please refer to item 1(a) Note (4) on page 5 of this announcement.

Higher withholding tax in FY 2018 is mainly due to higher declared and repatriated dividends from subsidiaries in China to its immediate holding companies in Singapore after the payment of the relevant withholding tax.

(6) Distribution adjustments

	4Q 2018 (S\$'000)	4Q 2017 (S\$'000)	Change (%)	FY 2018 (S\$'000)	FY 2017 (S\$'000)	Change (%)
<u>Distribution adjustments</u>						
- Amortisation of debt establishment costs	93	83	12.0	376	330	13.9
- Change in fair value of investment properties ^(a)	(17,510)	(4,369)	>100.0	(17,510)	(4,369)	>100.0
- Deferred tax expense ^(a)	4,584	1,091	>100.0	4,413	1,275	>100.0
- Manager's management base fee payable in Units	420	418	0.5	1,971	1,930	2.1
- Manager's management performance fee payable in Units	-	178	N/M	-	282	N/M
- Property management fees payable in Units	178	192	(7.3)	757	737	2.7
- Transfer to statutory reserve ^(a)	(372)	(361)	3.0	(1,492)	(1,241)	20.2
- Other adjustments ^(a)	(75)	29	>100.0	34	115	(70.4)
Net distribution adjustments	(12,682)	(2,739)	>100.0	(11,451)	(941)	>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	
		31 Dec 2018 ^(a) S\$'000	31 Dec 2017 ^(a) S\$'000	31 Dec 2018 ^(a) S\$'000	31 Dec 2017 ^(a) S\$'000
Non-current assets					
Investment properties	(1)	808,303	811,116	-	-
Plant and equipment		630	690	-	-
Interest in subsidiaries		-	-	524,512	525,088
Trade and other receivables		36	123	-	-
Deferred tax assets		21	22	-	-
		808,990	811,951	524,512	525,088
Current assets					
Trade and other receivables	(2)	5,289	4,160	495	189
Cash and cash equivalents	(3)	55,590	72,081	112	547
		60,879	76,241	607	736
Total assets		869,869	888,192	525,119	525,824
Non-current liabilities					
Loans and borrowings	(4)	-	215,500	-	147,690
Loan from subsidiary	(5)	-	-	24,939	-
Trade and other payables		1,207	1,843	-	-
Security deposits		5,157	4,461	-	-
Deferred tax liabilities		29,952	24,404	-	-
		36,316	246,208	24,939	147,690
Current liabilities					
Loans and borrowings	(4)	222,142	25,972	162,548	24,760
Trade and other payables		17,698	19,401	1,774	1,334
Amount owing to subsidiary		-	-	41	-
Security deposits		12,830	11,730	-	-
Current tax payable		1,801	1,832	-	-
Financial derivatives	(6)	74	-	74	-
		254,545	58,935	164,437	26,094
Total liabilities		290,861	305,143	189,376	173,784
Net assets		579,008	583,049	335,743	352,040
Represented by:					
Unitholders' funds		410,423	416,454	335,743	352,040
Non-controlling interests ("NCI")		168,585	166,595	-	-
		579,008	583,049	335,743	352,040

Footnotes:

(a) The results of the Group's foreign subsidiaries were translated using the closing SGD: CNY rate of 1:5.049 and 1:4.865 as at 31 December 2018 and 31 December 2017, respectively.

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Notes to Statements of Financial Position:

- (1) Decrease in investment properties is mainly due to movement in foreign currency translation. However, in terms of RMB the fair value of the investments properties has increased RMB128 million as compared to last financial year.
- (2) Increase in trade and other receivables is mainly due to higher receivables from tenants and prepayments. For the REIT, the increase is mainly due to prepayment for some of the business development costs relating to the new acquisition announced on 18 December 2018.
- (3) Cash and cash equivalents include restricted cash amounting to S\$14.4 million and S\$28.7 million as at 31 December 2018 and 31 December 2017, respectively, which is used to secure bank facilities.
- (4) Loans and borrowings are measured at amortised cost. The REIT has reclassified all the loans and borrowings from non-current liabilities to current liabilities as these are due within a year.
- (5) The REIT arranged a long-term interest-bearing loan from one of the subsidiaries in 2018. This is mainly used for the REIT repayment of borrowings and interest expenses.
- (6) These relate to the fair value of the interest rate swaps entered into by the REIT, are designated to hedge the variable rate borrowings.

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

	31 Dec 2018 (S\$'000)	31 Dec 2017 (S\$'000)
Secured borrowings		
- Amount repayable within one year	221,274	26,015
- Amount repayable after one year	-	216,222
- Less: Debt establishment costs ^(a)	(379)	(765)
Total secured borrowings	220,895	241,472
Unsecured borrowings	1,247	-
Total borrowings	222,142	241,472

Footnotes:

(a) Debt establishment costs are amortised over the tenure of the respective loan facilities.

The Manager is confident that the Group will be able to obtain continuing financing from financial institutions, to enable the Group to meet its obligations as and when they fall due.

Details of any collaterals

The Group has put in place two onshore secured borrowing facilities of RMB 280 million and RMB 71 million, and an offshore secured borrowing facility of S\$148 million. As at 31 December 2018, the RMB 280 million facility and S\$148 million facility have been fully drawn down, while RMB 70 million has been drawn down from the RMB 71 million onshore facility. During 2018, the Group had repaid RMB 3.0 million of each of the onshore facilities, in accordance with the facility agreement, and RMB 30 million of voluntarily early repayment by an onshore subsidiary.

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 drawn down from unsecured facilities net of S\$1.2 million. The facilities were obtained mainly for the purpose of financing the payment of distribution, repayment of borrowings and interest expenses.

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1 (c) Consolidated Statement of Cash Flows

	4Q 2018	4Q 2017	FY 2018	FY 2017
Note	(S\$'000)	(S\$'000)	(S\$'000)	(S\$'000)
Operating activities				
Total return for the period/year	25,119	12,578	45,648	31,473
Adjustments for:				
Manager's management fee payable in Units	420	596	1,971	2,212
Property management fees payable in Units	178	192	757	737
Finance income	(219)	(323)	(647)	(720)
Finance cost	2,463	2,354	9,709	8,952
Loss on disposal of plant and equipment	1	-	2	2
Depreciation	28	34	125	135
Change in fair value of investment properties	(25,664)	(8,298)	(25,664)	(8,298)
Foreign exchange (gain)/loss - unrealized	(100)	-	(73)	1
Taxation	8,745	4,038	13,889	8,683
Operating income before working capital changes	10,971	11,171	45,717	43,177
Changes in working capital:				
Trade and other receivables	408	(251)	(323)	4,002
Trade and other payables	5,354	3,844	(38)	1,397
Cash generated from operating activities	16,733	14,764	45,356	48,576
Tax paid	(1,872)	(1,368)	(7,400)	(5,555)
Net cash from operating activities	14,861	13,396	37,956	43,021
Investing activities				
Capital expenditure on investment properties	(300)	(1,022)	(1,127)	(3,213)
Purchase of plant and equipment	(5)	(9)	(92)	(105)
Interest received	219	323	647	720
Net cash used in investing activities	(86)	(708)	(572)	(2,598)
Financing activities				
Distribution to unitholders	-	-	(20,379)	(19,029)
Dividend paid to non-controlling interests	(4,120)	-	(4,120)	(3,719)
(Increase)/decrease in restricted cash	(119)	(3,850)	13,693	(15,433)
Interest paid	(3,778)	(3,290)	(9,246)	(8,345)
Settlement of derivative contracts	(108)	-	(108)	-
Proceeds from borrowings	(1) 2,471	3,500	37,170	24,760
Repayment of borrowings	(2) (12,139)	(2,413)	(54,379)	(13,026)
Payment of transaction costs related to loans and borrowings	-	(77)	-	(77)
Net cash used in financing activities	(17,793)	(6,130)	(37,369)	(34,869)
Net (decrease)/increase in cash and cash equivalents	(3,018)	6,558	15	5,554
Cash and cash equivalents at beginning of the period/year	44,754	36,631	43,352	38,373
Effect of exchange rate fluctuations on cash held	(545)	163	(2,176)	(575)
Cash and cash equivalents at end of the period/year	(3) 41,191	43,352	41,191	43,352

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Notes to Consolidated Statement of Cash Flows:

- (1) The REIT has drawdown S\$2.5 million and S\$3.5 million in 4Q 2018 and 4Q 2017 to fund working capital and interest payments on borrowings. On a full year basis, the REIT has drawdown S\$37.2 million and S\$24.8 million in FY 2018 and FY 2017 to fund distribution and fund interest payments of borrowings respectively.
- (2) Repayment of borrowings were S\$9.7 million and S\$41.4 million higher than 4Q 2017 and FY 2017 respectively, mainly due to repayment of the short-term facilities at the REIT level and early settlement of the partial onshore borrowings.
- (3) For purpose of the Consolidated Statement of Cash Flows, the cash and cash equivalents comprised the following:

	31 Dec 2018 (S\$'000)	31 Dec 2017 (S\$'000)
Bank and cash balances	55,590	72,081
Less: Restricted cash	(14,399)	(28,729)
Cash and cash equivalents of cash flows statement	41,191	43,352

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

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

	Group			
	4Q 2018 (S\$'000)	4Q 2017 (S\$'000)	FY 2018 (S\$'000)	FY 2017 (S\$'000)
Unitholders' funds as at beginning of the period/year	394,157	412,564	416,454	421,177
Change in Unitholders' funds resulting from operations before distribution	16,875	7,618	31,157	20,942
Transfer to statutory reserve	(372)	(361)	(1,492)	(1,241)
Net increase in net assets resulting from operations	16,503	7,257	29,665	19,701
Unitholders' transactions				
Issue of new Units				
- Manager's management fee paid/payable in Units	420	596	1,971	2,212
- Property management fees paid/payable in Units	178	192	757	737
Distribution to Unitholders	-	-	(20,379)	(19,029)
Net increase/(decrease) in net assets resulting from Unitholders' transactions	598	788	(17,651)	(16,080)
Movements in hedging reserve				
Effective portion of changes in fair value of cash flow hedges	(74)	-	(74)	-
Movement in foreign currency translation reserve	(1,133)	(4,516)	(19,463)	(9,585)
Movement in statutory reserve	372	361	1,492	1,241
Total Unitholders' funds as at end of the period/year	410,423	416,454	410,423	416,454

	REIT			
	4Q 2018 (S\$'000)	4Q 2017 (S\$'000)	FY 2018 (S\$'000)	FY 2017 (S\$'000)
Unitholders' funds as at beginning of the period/year	336,443	353,362	352,040	367,784
Change in Unitholders' funds resulting from operations before distribution	(1,224)	(2,110)	1,428	336
Net increase in net assets resulting from operations	(1,224)	(2,110)	1,428	336
Unitholders' transactions				
Issue of new Units				
- Manager's management fee paid/payable in Units	420	596	1,971	2,212
- Property management fees paid/payable in Units	178	192	757	737
Distribution to Unitholders	-	-	(20,379)	(19,029)
Net increase/(decrease) in net assets resulting from Unitholders' transactions	598	788	(17,651)	(16,080)
Movements in hedging reserve				
Effective portion of changes in fair value of cash flow hedges	(74)	-	(74)	-
Total Unitholders' funds as at end of the period/year	335,743	352,040	335,743	352,040

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

	4Q 2018 (‘000)	4Q 2017 (‘000)	FY 2018 (‘000)	FY 2017 (‘000)
REIT				
Units in issue:				
As at beginning of period/year	502,851	498,780	499,737	495,560
Issue of new units relating to:				
- Manager’s management base fee payable in Units	727	699	3,057	3,149
- Property manager’s fee payable in Units	265	258	1,049	1,028
Issued units as at end of period/year	503,843	499,737	503,843	499,737
Units to be issued:				
Manager’s management base fee payable in Units	585	561	585	561
Manager’s management performance fee payable in Units	-	378	-	378
Property manager’s fee payable in Units	249	258	249	258
To be issued units as at end of period/year	834	1,197	834	1,197
Total issued and issuable units as at end of period/year	504,677	500,934	504,677	500,934

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

1(d)(iii) To show the total number of issued units excluding treasury units as at the end of the current financial period, and as at the end of the immediately preceding year

Total number of issued units as at 31 December 2018 and 31 December 2017 were 503,843,000 and 499,737,000 respectively.

1(d)(iv) A statement showing all sales, transfers, cancellation and/or use of treasury units and subsidiary holdings as at the end of the current financial period reported on

Not applicable.

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

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

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

Not applicable.

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

Except as disclosed in paragraph 5 below, the accounting policies and methods of computation adopted in the preparation of the financial statements for the current report period are consistent with those stated in the audited financial statements for the financial year ended 31 December 2017.

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5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

The Group adopted a number of new standards, amendments to standards and interpretations that are effective for annual periods beginning on or after 1 January 2018. The adoption of new standards, amendments to standards and interpretations did not result in any significant impact on the financial statements of the Group.

6 Earnings per Unit and Distribution per Unit

	4Q 2018	4Q 2017	FY 2018	FY 2017
Weighted average number of units ('000)				
Basic	503,851	499,750	502,394	498,331
Diluted	504,677	500,934	504,677	500,934
Earnings per unit ("EPU") ^(a) (cents)				
Basic	3.35	1.52	6.20	4.20
Diluted	3.34	1.51	6.17	4.18
Number of Units entitled to distribution ('000)	381,495	365,434	381,495	365,434
Distribution per unit ("DPU") ^(b) (cents)	1.09	1.32	5.16	5.47

Footnotes:

- (a) EPU is calculated based on total return after taxation and non-controlling interests.
(b) The reduction in Distribution per Unit is due to the increase of Units entitled to distribution as a result of the reduction of Distribution Waiver as well as the payment of management fees in Units, in lieu of cash.

7 Net Asset Value ("NAV") per Unit

	Group		REIT	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Number of Units in issue and to be issued at end of period ('000)	504,677	500,934	504,677	500,934
Net asset value per Unit (S\$) ^(a)	0.81	0.83	0.67	0.70

Footnote:

- (a) The NAV per unit is computed based on the Units in issue and to be issued of 504,677,000 and 500,934,000 as at 31 December 2018 and 31 December 2017, respectively.

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8 Review of the Performance

Gross revenue in 4Q 2018 and FY 2018 was S\$0.5 million (2.9%) and S\$5.2 million (8.0%) higher than in 4Q 2017 and FY 2017 respectively. This was mainly due to strong rental reversion and higher occupancy rates.

Property Operating Expenses in 4Q 2018 was S\$0.5 million (9.0%) higher than 4Q 2017. Property Operating Expenses in FY 2018 was S\$2.4 million (11.3%) higher than FY 2017. These were mainly due to higher property tax and property management fees (as a result of higher revenue and higher net property income), as well as staff and marketing-related expenses in both 4Q 2018 and FY 2018. Despite the higher operating expenses, net property income in FY 2018 was S\$2.7 million (6.3%) higher than FY 2017. This was due mainly to the increase in rental revenue.

Finance cost was S\$0.1 million (4.6%) and S\$0.8 million (8.5%) higher than 4Q 2017 and FY 2017 respectively.

Taxation comprised income tax and deferred tax. Higher income tax in 4Q 2018 and FY 2018 as compared to 4Q 2017 and FY 2017 is due to higher operating income earned during the period. Higher deferred tax in 4Q 2018 and FY 2018 is mainly due to the increase in fair value of investment properties as compared to 4Q 2017 and FY 2017. Please refer to item 1(a) Note (5) on page 5 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 remained broadly stable in 2018, with slight easing in the latter half of 2018, amid trade tensions in key economies. China's gross domestic product expanded 6.6% year-on-year to RMB 90.0 trillion, above the government's target of around 6.5%, for the full year 2018. (Source: National Bureau of Statistics of China)

Retail sales of consumer goods rose 9.0% year-on-year to RMB 38.1 trillion for the full year 2018. According to CBRE, individual income tax reforms are expected to boost the consumer market in 2019, with retail sales expected to maintain a growth rate of 9%. CBRE expects ground floor shopping centre rents in China's 17 major cities to record steady growth in 2019. Omnichannel supermarkets were a key driver of retail leasing demand in 2018. Coffee shops and tea retailers continued to expand aggressively over the course of 2018. (Source: National Bureau of Statistics of China and CBRE Market View)

Disposable income and expenditure per capita of urban residents increased 7.8% and 6.8% year-on-year respectively in 2018. Consumption expenditure accounted for 76.2% of China's economic growth in 2018. Proportion of urban population to total population (urbanisation rate) increased from 58.5% in 2017 to 59.6% in 2018. (Source: National Bureau of Statistics of China)

Amidst uncertainties on the efficacy of the US and China trade consultations, the Chinese authorities have pledged an array of fiscal and monetary measures to boost consumption as part of the efforts to support the economy¹. Some of these efforts may include tax cuts² for both companies and individuals, stepping up infrastructure³ and property investment, encouraging consumption of automobiles³, pushing the implementation of key foreign investment projects³ (such as the new plant of US electric carmaker Tesla in Shanghai³), lowering required reserves⁴ for commercial banks to spur lending, and cutting benchmark rates⁴.

BHG Retail REIT is expected to benefit from the Chinese government continual emphasis to drive consumption growth. Against the backdrop of rising residents' income and spending, BHG Retail REIT's strategy to focus on neighbourhood retail properties, in high population density neighbourhoods, will continue to underpin the resilience of our foundations. Looking ahead, the Manager will continue to pursue inorganic growth opportunities to contribute positively to the REIT's portfolio, and remain an attractive long-term yield-plus investment to our unitholders.

Footnotes:

- 1 Bloomberg: "China Pledges More Stimulus in 2019 as Economy Seeks Bottom" (21 December 2018)
- 2 China Daily: "More major tax cuts are on the horizon" (18 December 2018)
- 3 Xinhua: "China mulls incentives to support consumption, boost investment" (9 January 2019)
- 4 Reuters: "China signals more stimulus as economic slowdown deepens" (15 January 2019)

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11 Distribution

(a) Current financial period

- Any distribution declared for the current financial period? Yes
- Distribution period : 1 July 2018 to 31 December 2018
- Distribution rate : 1.70 cents per unit capital distribution, 0.72 cents per unit tax exempt income
- Distribution type : Capital distribution/ Tax exempt income
- 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.
- Tax exempt income distribution is exempt from Singapore income tax in the hands of all Unitholders. No tax will be deducted from such distribution.
- Remark : The capital distribution/tax exempt income from 1 July 2018 to 31 December 2018 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? : Yes
- Distribution period : 1 July 2017 to 31 December 2017
- Distribution rate : 2.73 cents per unit
- Distribution type : Capital distribution/ Tax exempt income

(c) Date payable : 29 March 2019

(d) Book closure date : 8 March 2019

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

Not Applicable.

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- 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 Segmental Information

- 14 (a) Total gross revenue

	FY 2018 Actual (S\$'000)	FY 2017 Actual (S\$'000)	Changes (%)
<u>Multi-Tenanted Malls</u>			
Beijing Wanliu	42,461	38,478	10.4
Chengdu Konggang	12,051	11,002	9.5
Hefei Mengchenglu	9,493	9,430	0.7
	64,005	58,910	8.6
<u>Master-Leased Malls</u>			
Xining Huayuan	3,330	3,298	1.0
Dalian Jinsanjiao	2,334	2,311	1.0
	5,664	5,609	1.0
Total gross revenue	69,669	64,519	8.0

- 14 (b) Net property income

	FY 2018 Actual (S\$'000)	FY 2017 Actual (S\$'000)	Changes (%)
<u>Multi-Tenanted Malls</u>			
Beijing Wanliu	28,139	25,445	10.6
Chengdu Konggang	6,516	6,390	2.0
Hefei Mengchenglu	5,791	6,009	(3.6)
	40,446	37,844	6.9
<u>Master-Leased Malls</u>			
Xining Huayuan	3,073	2,995	2.6
Dalian Jinsanjiao	2,128	2,105	1.1
	5,201	5,100	2.0
Total net property income	45,647	42,944	6.3

- 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 item 8 and 14 on the review.

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16 Breakdown of Sales and Net Income

	FY 2018 (S\$'000)	FY 2017 (S\$'000)	Changes (%)
Gross revenue reported for first half year ^{(a), (c)}	35,167	31,350	12.2
Net income after tax and NCI for first half year ^{(a), (c)}	9,617	8,748	9.9
Gross revenue reported for second half year ^{(b), (c)}	34,502	33,169	4.0
Net income after tax and NCI for second half year ^{(b), (c)}	21,540	12,194	76.6

Footnotes:

- The results for the first half year relates to the period from 1 January 2018 to 30 June 2018 and 1 January 2017 to 30 June 2017, respectively.
- The results for the second half year relates to the period from 1 July 2018 to 31 December 2018 and 1 July 2017 to 31 December 2017, respectively.
- Please refer to item 8 on the review.

17 Breakdown of Total Distribution

	FY 2018 (S\$'000)	FY 2017 (S\$'000)
In respect of period:		
1 January 18 - 30 June 18	10,403	-
1 July 18 - 31 December 18	9,232	-
1 January 17 - 30 June 17	-	9,953
1 July 17 - 31 December 17	-	9,976
Annual distribution to Unitholders	19,635	19,929

* For the quarter ended 31 December 2018, the Manager of the REIT declared a distribution per unit of 2.42 Singapore cents totalling S\$9,232,000 to the unitholders of the REIT, payable on 29 March 2019.

18 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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19 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.

On behalf of the Board of the Manager

Francis Siu Wai Keung
Chairman

Ben Yeo Chee Seong
Director

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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)

26 February 2019