



**BHG RETAIL REIT**  
**UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT**  
**SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 2017**

**Table of Content**

<b>Item No.</b>	<b>Description</b>	<b>Page</b>
-	Introduction	2-3
-	Summary of Group Results	3
1(a)	Consolidated Statement of Total Return and Distribution Statement	4-6
1(b)(i)	Statements of Financial Position	7
1(b)(ii)	Aggregate Amount of Borrowings and Debt Securities	8
1(c)	Consolidated Statement of Cash Flows	9-10
1(d)(i)	Statements of Changes in Unitholders' Funds	11-12
1(d)(ii)	Details of Any Changes in Units	13
2 & 3	Audit Statement	13
4 & 5	Changes in Accounting Policies	13
6	Earnings per Unit and Distribution per Unit	14
7	Net Asset Value per Unit	14
8	Review of the Performance	15
9	Variance from Previous Forecast / Prospect Statement	15
10	Outlook and Prospects	16
11 & 12	Distribution	17
13	General Mandate relating to Interested Person Transactions	18
14	Confirmation pursuant to Rule 720(1) of the Listing Manual	18
15	Confirmation pursuant to Rule 705(5) of the Listing Manual	18

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

**BHG RETAIL REIT  
UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT  
SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 2017**

---

**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 second quarter and half year ended 30 June 2017.

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

“2Q 2016”: For the 3-month period from 1 Apr 2016 to 30 Jun 2016;

“2Q 2017”: For the 3-month period from 1 Apr 2017 to 30 Jun 2017;

“1H 2016”: For the 6-month period from 1 Jan 2016 to 30 Jun 2016; and

“1H 2017”: For the 6-month period from 1 Jan 2017 to 30 Jun 2017.

**BHG RETAIL REIT  
UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT  
SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 2017**

---

**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>2Q 2017<sup>(1)</sup></b>	<b>2Q 2016<sup>(1)(2)</sup></b>	<b>Change</b>	<b>1H 2017<sup>(1)</sup></b>	<b>1H 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	15,858	15,372	3.2	31,350	31,411	(0.2)
Net property income	10,900	10,309	5.7	21,271	20,448	4.0
Amount available for distribution	4,918	4,711	4.4	9,974	9,454	5.5
Distribution per Unit ("DPU") (cents)	1.35	1.35	0.0	2.74	2.72	0.7
Annualised distribution yield (%)						
- Based on closing price <sup>(3)</sup>	7.32	7.37	(0.7)	7.47	7.42	0.6

Footnotes:

- (1) The actual results of the Group's foreign subsidiaries were translated using the average SGD: CNY rate of 1:4.929, 1:4.810, 1:4.896 and 1:4.713 for 2Q 2017, 2Q 2016, 1H 2017 and 1H 2016, respectively.
- (2) The comparative figures were for the quarter from 1 Apr 2016 to 30 Jun 2016 and for half year from 1 Jan 2016 to 30 Jun 2016, respectively. These figures were extracted from BHG Retail REIT's results for the second quarter and half year ended 30 Jun 2016.
- (3) Based on closing price of S\$0.74 and S\$0.735 as at 30 Jun 2017 and 30 Jun 2016, respectively.

**BHG RETAIL REIT  
UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT  
SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 2017**

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

	Note	2Q 2017 <sup>(b)</sup> (S\$'000)	2Q 2016 <sup>(a),(b)</sup> (S\$'000)	Change (%)	1H 2017 <sup>(b)</sup> (S\$'000)	1H 2016 <sup>(a),(b)</sup> (S\$'000)	Change (%)
<b>Statement of Total Return</b>							
Gross revenue <sup>(c)</sup>		15,858	15,372	3.2	31,350	31,411	(0.2)
Property operating expenses <sup>(c),(d)</sup>		(4,958)	(5,063)	(2.1)	(10,079)	(10,963)	(8.1)
<b>Net property income</b>		<b>10,900</b>	<b>10,309</b>	<b>5.7</b>	<b>21,271</b>	<b>20,448</b>	<b>4.0</b>
Other income	(1)	15	-	N/M	253	19	>100.0
Manager's base fee	(2)	(491)	(471)	4.2	(997)	(946)	5.4
Manager's performance fee	(2)	-	30	N/M	-	-	N/M
Trustee's fee		(33)	(24)	37.5	(67)	(66)	1.5
Other expenses		(228)	(234)	(2.6)	(412)	(348)	18.4
Finance income		150	19	>100.0	247	35	>100.0
Foreign exchange gain - realised		1	(9)	N/M	1	98	N/M
Finance cost	(3)	(2,228)	(2,006)	11.1	(4,367)	(4,484)	(2.6)
<b>Net income</b>		<b>8,086</b>	<b>7,614</b>	<b>6.2</b>	<b>15,929</b>	<b>14,756</b>	<b>7.9</b>
Change in fair value of investment properties	(4)	-	14,706	N/M	-	14,706	N/M
Foreign exchange loss - unrealised		-	(72)	N/M	(26)	(87)	N/M
<b>Total return for the period before taxation</b>		<b>8,086</b>	<b>22,248</b>	<b>(63.7)</b>	<b>15,903</b>	<b>29,375</b>	<b>(45.9)</b>
Taxation	(5)	(1,958)	(5,536)	(64.6)	(3,438)	(7,202)	(52.3)
<b>Total return for the period after taxation</b>		<b>6,128</b>	<b>16,712</b>	<b>(63.3)</b>	<b>12,465</b>	<b>22,173</b>	<b>(43.8)</b>
<b>Attributable to:</b>							
Unitholders		4,247	8,857	(52.0)	8,748	13,081	(33.1)
Non-controlling interests		1,881	7,855	(76.1)	3,717	9,092	(59.1)
<b>Total return for the period after taxation</b>		<b>6,128</b>	<b>16,712</b>	<b>(63.3)</b>	<b>12,465</b>	<b>22,173</b>	<b>(43.8)</b>
<b>Distribution Statement</b>							
Total return for the period attributable to Unitholders		4,247	8,857	(52.0)	8,748	13,081	(33.1)
Distribution adjustments	(6)	671	(4,146)	>100.0	1,226	(3,627)	>100.0
Amount available for distribution		4,918	4,711	4.4	9,974	9,454	5.5

N/M: not meaningful

Footnotes:

- The comparative figures were for the quarter from 1 Apr 2016 to 30 Jun 2016 and for half year from 1 Jan 2016 to 30 Jun 2016, respectively. These figures were extracted from BHG Retail REIT's results for the second quarter and half year ended 30 Jun 2016.
- The actual results of the Group's foreign subsidiaries were translated using the average SGD: CNY rate of 1:4.929, 1:4.810, 1:4.896 and 1:4.713 for 2Q 2017, 2Q 2016, 1H 2017 and 1H 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\$538,000, S\$538,000, S\$1,061,000 and S\$1,081,000 for 2Q 2017, 2Q 2016, 1H 2017 and 1H 2016, respectively.  
With effect from 1 Jul 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.

**BHG RETAIL REIT  
UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT  
SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 2017**

**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:

	<b>2Q 2017 (S\$'000)</b>	<b>2Q 2016 (S\$'000)</b>	<b>Change (%)</b>	<b>1H 2017 (S\$'000)</b>	<b>1H 2016 (S\$'000)</b>	<b>Change (%)</b>
Borrowing costs	2,146	1,920	11.8	4,203	4,320	(2.7)
Amortisation of debt establishment costs	82	86	(4.7)	164	164	-
Finance cost	<u>2,228</u>	<u>2,006</u>	<u>11.1</u>	<u>4,367</u>	<u>4,484</u>	<u>(2.6)</u>

**(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 2Q 2016 on all its properties, as the previous valuation was conducted in Jun 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.

**BHG RETAIL REIT  
UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT  
SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 2017**

**(5) Taxation**

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

	<b>2Q 2017</b>	<b>2Q 2016</b>	<b>Change</b>	<b>1H 2017</b>	<b>1H 2016</b>	<b>Change</b>
	<b>(\$'000)</b>	<b>(\$'000)</b>	<b>(%)</b>	<b>(\$'000)</b>	<b>(\$'000)</b>	<b>(%)</b>
Current period:						
- Income tax	1,508	1,100	37.1	2,752	2,500	10.1
- Deferred tax	450	4,436	(89.9)	686	4,590	(85.1)
- Withholding tax	-	-	-	-	112	N/M
	<b>1,958</b>	<b>5,536</b>	<b>(64.6)</b>	<b>3,438</b>	<b>7,202</b>	<b>(52.3)</b>

N/M: not meaningful

Higher deferred tax in 2Q 2016 was mainly due to a one-time desktop valuation that was conducted in Jun 2016. Please refer to item 1(a) Note (4) on page 5 of this announcement.

**(6) Distribution adjustments**

	<b>2Q 2017</b>	<b>2Q 2016</b>	<b>Change</b>	<b>1H 2017</b>	<b>1H 2016</b>	<b>Change</b>
	<b>(\$'000)</b>	<b>(\$'000)</b>	<b>(%)</b>	<b>(\$'000)</b>	<b>(\$'000)</b>	<b>(%)</b>
<u>Distribution adjustments</u>						
- Amortisation of debt establishment costs	82	86	(4.7)	164	164	-
- Change in fair value of investment properties <sup>(a)</sup>	-	(6,634)	N/M	-	(6,634)	N/M
- Deferred tax expense <sup>(a)</sup>	184	2,007	(90.8)	184	2,007	(90.8)
- Manager' management base fee payable in Units	491	471	4.2	997	945	5.5
- Manager's management performance fee payable in Units	-	(30)	N/M	-	-	-
- Property management fees payable in Units	181	173	4.6	354	352	0.6
- Transfer to statutory reserve <sup>(a)</sup>	(295)	(339)	(13.0)	(557)	(612)	(9.0)
- Other adjustments <sup>(a)</sup>	28	120	(76.7)	84	151	(44.4)
Net distribution adjustments	<b>671</b>	<b>(4,146)</b>	<b>&gt;100.0</b>	<b>1,226</b>	<b>(3,627)</b>	<b>&gt;100.0</b>

N/M: not meaningful

Footnote:

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

**BHG RETAIL REIT  
UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT  
SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 2017**

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

	Note	Group		REIT	
		30 Jun 2017 <sup>(a)</sup>	31 Dec 2016 <sup>(a)</sup>	30 Jun 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)	799,025	810,692	-	-
Plant and equipment		643	733	-	-
Interest in subsidiaries		-	-	527,061	526,707
Trade and other receivables		118	46	-	-
Deferred tax assets		20	208	-	-
		799,806	811,679	527,061	526,707
<b>Current assets</b>					
Trade and other receivables	(2)	3,854	8,279	332	1,290
Cash and cash equivalents	(3)	68,672	51,669	679	382
		72,526	59,948	1,011	1,672
<b>Total assets</b>		872,332	871,627	528,072	528,379
<b>Non-current liabilities</b>					
Loans and borrowings	(4)	138,187	140,442	70,711	70,657
Trade and other payables		2,048	1,869	-	-
Security deposits		8,804	6,693	-	-
Deferred tax liabilities		22,479	22,564	-	-
		171,518	171,568	70,711	70,657
<b>Current liabilities</b>					
Loans and borrowings	(4)	101,292	90,020	100,100	88,800
Trade and other payables		16,139	19,169	938	1,138
Security deposits		5,929	7,991	-	-
Current tax payable		1,620	1,493	-	-
		124,980	118,673	101,038	89,938
<b>Total liabilities</b>		296,498	290,241	171,749	160,595
<b>Net assets</b>		575,834	581,386	356,323	367,784
<b>Represented by:</b>					
Unitholders' funds		413,661	421,177	356,323	367,784
Non-controlling interests ("NCI")		162,173	160,209	-	-
		575,834	581,386	356,323	367,784

Footnotes:

- (a) The results of the Group's foreign subsidiaries were translated using the closing SGD: CNY rate of 1: 4.926 and 1:4.798 as at 30 Jun 2017 and 31 Dec 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\$25.1 million and S\$13.3 million as at 30 Jun 2017 and 31 Dec 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\$55.9 million (RMB 275.5 million) and Hefei Mengchenglu of S\$12.7 million (RMB 62.7 million), as explained under section 1(b)(ii).

**BHG RETAIL REIT  
UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT  
SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 2017**

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

	30 Jun 2017 <sup>(a)</sup> (S\$'000)	31 Dec 2016 <sup>(a)</sup> (S\$'000)
Secured borrowings		
- Amount repayable within one year	101,318	90,050
- Amount repayable after one year	139,009	141,441
- Less: Debt establishment costs <sup>(b)</sup>	(848)	(1,029)
Total secured borrowings	239,479	230,462
Unsecured borrowings	-	-
Total borrowings	239,479	230,462

Footnotes:

- (a) The balances of the Group's foreign subsidiaries are translated using the closing SGD: CNY rate of 1:4.926 and 1:4.798 as at 30 Jun 2017 and 31 Dec 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 Jun 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 has repaid RMB 1.5 million of each of the onshore facilities in Jun 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 Group has obtained and drew down from other bank facilities an amount totalling S\$23.1 million, of which S\$11.3 million has been drawn down in 1H 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 PRC.



**BHG RETAIL REIT  
UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT  
SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 2017**

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

Note	2Q 2017 (S\$'000)	2Q 2016 <sup>(a)</sup> (S\$'000)	1H 2017 (S\$'000)	1H 2016 <sup>(a)</sup> (S\$'000)
<b>Operating activities</b>				
Total return for the period	6,128	16,712	12,465	22,173
Adjustments for:				
Manager's management fee payable in Units	491	441	997	946
Property management fees payable in Units	181	173	354	351
Finance income	(150)	(19)	(247)	(35)
Finance cost	2,228	2,006	4,367	4,484
Loss on disposal of plant and equipment	2	-	2	-
Depreciation	30	42	69	80
Change in fair value of investment properties	-	(14,706)	-	(14,706)
Foreign exchange loss - unrealized	-	-	26	15
Taxation	1,958	5,536	3,438	7,202
Operating income before working capital changes	10,868	10,185	21,471	20,510
Changes in working capital:				
Trade and other receivables	568	(268)	6,192	(2,192)
Trade and other payables	(846)	(7,816)	(3,820)	(331)
<b>Cash generated from operating activities</b>	<b>10,590</b>	<b>2,101</b>	<b>23,843</b>	<b>17,987</b>
Tax paid	(1,710)	(1,716)	(2,586)	(3,238)
<b>Net cash from operating activities</b>	<b>8,880</b>	<b>385</b>	<b>21,257</b>	<b>14,749</b>
<b>Investing activities</b>				
Capital expenditure on investment properties	(141)	-	(343)	(5,585)
Purchase of plant and equipment	-	-	-	(43)
Interest received	150	20	247	36
<b>Net cash from/(used in) investing activities</b>	<b>9</b>	<b>20</b>	<b>(96)</b>	<b>(5,592)</b>
<b>Financing activities</b>				
Distribution to unitholders	-	-	(9,076)	-
Increase in restricted cash	(1,843)	-	(11,828)	-
Interest paid	(3,768)	(1,937)	(4,356)	(2,201)
Proceeds from borrowings	(1)	-	11,300	32,000
Repayment of borrowings	(1)	(641)	(613)	(33,832)
Payment of transaction costs related to loans and borrowings	-	(8)	-	(1,394)
<b>Net cash used in financing activities</b>	<b>(4,524)</b>	<b>(2,586)</b>	<b>(14,573)</b>	<b>(5,427)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>4,365</b>	<b>(2,181)</b>	<b>6,588</b>	<b>3,730</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>39,072</b>	<b>36,437</b>	<b>38,373</b>	<b>32,540</b>
Effect of exchange rate fluctuations on cash held	110	(463)	(1,414)	(2,477)
<b>Cash and cash equivalents at end of the period</b>	<b>(2)</b> <b>43,547</b>	<b>33,793</b>	<b>43,547</b>	<b>33,793</b>

Footnotes:

- (a) The comparative figures were for the quarter from 1 Apr 2016 to 30 Jun 2016 and for half year from 1 Jan 2016 to 30 Jun 2016, respectively. These figures were extracted from BHG Retail REIT's results for the second quarter and half year ended 30 Jun 2016.

**BHG RETAIL REIT  
UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT  
SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 2017**

---

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

- (1) Proceeds from borrowings of S\$1.7 million and S\$11.3 million in 2Q 2017 and 1H 2017 are mainly used to fund our interest payments of borrowings and 2H 2016 distribution. Proceed from borrowings of S\$32.0 million in 1H 2016 was used for repayment of the loan of S\$33.2 million in one of the subsidiaries in PRC.
- (2) For purpose of the Consolidated Statement of Cash Flows, the cash and cash equivalents comprised the following:

	<b>30 Jun 2017 (S\$'000)</b>	<b>30 Jun 2016 (S\$'000)</b>
Bank and cash balances	68,672	33,793
Less: Restricted cash	(25,125)	-
Cash and cash equivalents of cash flows statement	<u>43,547</u>	<u>33,793</u>

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

**BHG RETAIL REIT  
UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT  
SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 2017**

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

	<b>Group</b>			
	<b>2Q 2017</b> <b>(\$'000)</b>	<b>2Q 2016 <sup>(a)</sup></b> <b>(\$'000)</b>	<b>1H 2017</b> <b>(\$'000)</b>	<b>1H 2016 <sup>(a)</sup></b> <b>(\$'000)</b>
<b>Unitholders' funds as at beginning of the period</b>	408,357	396,690	421,177	404,611
Change in Unitholders' funds resulting from operations before distribution	4,247	8,857	8,748	13,081
Transfer to statutory reserve	(295)	(339)	(557)	(612)
<b>Net increase in net assets resulting from operations</b>	<b>412,309</b>	<b>405,208</b>	<b>429,368</b>	<b>417,080</b>
<b>Unitholders' transactions</b>				
Issue of new Units				
- Manager's management fee paid/payable in Units	491	441	997	946
- Property management fees paid/payable in Units	181	173	354	351
Issue expenses	-	(8)	-	1,378
Distribution to Unitholders	-	-	(9,076)	-
<b>Net increase/(decrease) in net assets resulting from Unitholders' transactions</b>	<b>672</b>	<b>606</b>	<b>(7,725)</b>	<b>2,675</b>
<b>Movement in foreign currency translation reserve</b>	<b>385</b>	<b>(8,082)</b>	<b>(8,539)</b>	<b>(22,296)</b>
<b>Movement in statutory reserve</b>	<b>295</b>	<b>339</b>	<b>557</b>	<b>612</b>
<b>Total Unitholders' funds as at end of the period</b>	<b>413,661</b>	<b>398,071</b>	<b>413,661</b>	<b>398,071</b>

Footnote:

- (a) The comparative figures were for the quarter from 1 Apr 2016 to 30 Jun 2016 and for half year from 1 Jan 2016 to 30 Jun 2016, respectively. These figures were extracted from BHG Retail REIT's results for the second quarter and half year ended 30 Jun 2016.

**BHG RETAIL REIT  
UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT  
SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 2017**

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

	REIT			
	2Q 2017 (S\$'000)	2Q 2016 <sup>(a)</sup> (S\$'000)	1H 2017 (S\$'000)	1H 2016 <sup>(a)</sup> (S\$'000)
<b>Unitholders' funds as at beginning of the period</b>	357,545	381,212	367,784	380,909
Change in Unitholders' funds resulting from operations before distribution	(1,893)	(1,718)	(3,735)	(3,484)
<b>Net increase in net assets resulting from operations</b>	355,652	379,494	364,049	377,425
<b>Unitholders' transactions</b>				
Issue of new Units				
- Manager's management fee paid/payable in Units	490	441	996	946
- Property management fees paid/payable in Units	181	173	354	351
Issue expenses	-	(8)	-	1,378
Distribution to Unitholders	-	-	(9,076)	-
<b>Net increase/(decrease) in net assets resulting from Unitholders' transactions</b>	671	606	(7,726)	2,675
<b>Total Unitholders' funds as at end of the period</b>	<b>356,323</b>	<b>380,100</b>	<b>356,323</b>	<b>380,100</b>

Footnote:

- (a) The comparative figures were for the quarter from 1 Apr 2016 to 30 Jun 2016 and for half year from 1 Jan 2016 to 30 Jun 2016, respectively. These figures were extracted from BHG Retail REIT's results for the second quarter and half year ended 30 Jun 2016.

**BHG RETAIL REIT  
UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT  
SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 2017**

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

	<b>2Q 2017</b> (‘000)	<b>2Q 2016</b> (‘000)	<b>1H 2017</b> (‘000)	<b>1H 2016</b> (‘000)
<b>REIT</b>				
<b>Units in issue:</b>				
As at beginning of period	496,877	492,827	495,560	492,827
Issue of new units relating to:				
- Manager’s management base fee payable in Units	724	-	1,770	-
- Property manager’s fee payable in Units	248	-	519	-
Issued units as at end of period	<b>497,849</b>	<b>492,827</b>	<b>497,849</b>	<b>492,827</b>
<b>Units to be issued:</b>				
Manager’s management base fee payable in Units	680	1,319	680	1,319
Property manager’s fee payable in Units	250	490	250	490
To be issued units as at end of period	<b>930</b>	<b>1,809</b>	<b>930</b>	<b>1,809</b>
Total issued and issuable units as at end of period	<b>498,779</b>	<b>494,636</b>	<b>498,779</b>	<b>494,636</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.

**BHG RETAIL REIT  
UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT  
SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 2017**

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

	2Q 2017	2Q 2016	1H 2017	1H 2016
Weighted average number of units ('000)				
Basic	497,860	493,652	497,377	493,194
Diluted	498,779	494,636	498,779	494,636
Earnings per unit ("EPU") <sup>(a)(b)</sup> (cents)				
Basic	0.85	1.79	1.76	2.65
Diluted	0.85	1.79	1.75	2.64
Number of Units entitled to distribution ('000)	363,279	346,818	363,279	346,818
Distribution per unit ("DPU") <sup>(c)</sup> (cents)	1.35	1.35	2.74	2.72

Footnotes:

- (a) EPU is calculated based on total return after taxation and non-controlling interests.
- (b) Higher EPU in 2Q 2016 and 1H 2016 was due mainly to a one-time desktop valuation which was conducted on 30 Jun 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 363,279,000, 346,818,000, 363,279,000 and 346,818,000 in 2Q 2017, 2Q 2016, 1H 2017 and 1H 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 2Q 2017, 2Q 2016, 1H 2017 and 1H 2016 respectively, in accordance with the Distribution Waiver provided by our strategic investor.

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

	Group		REIT	
	30 Jun 2017	31 Dec 2016	30 Jun 2017	31 Dec 2016
Number of Units in issue and to be issued at end of period ('000)	498,778	496,877	498,778	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 498,778,000 and 496,877,000 as at 30 Jun 2017 and 31 Dec 2016, respectively.

**8 Review of the Performance**

The Group recorded S\$0.5 million (3.2%) higher gross revenue in 2Q 2017 compared to 2Q 2016. This is 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. Gross revenue in 1H 2017 was S\$0.1 million (0.2%) lower than 1H 2016, due primarily to the effects of the adoption of the VAT reform.

Property Operating Expenses in 2Q 2017 and 1H 2017 was S\$0.1 million (2.1%) and S\$0.9 million (8.1%) lower than 2Q 2016 and 1H 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 2Q 2017 and 1H 2017, as compared to 2Q 2016 and 1H 2016. The change in Beijing's property tax policy is in line with the other 4 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\$0.6 million (5.7%) and S\$0.8 million (4.0%) higher than 2Q 2016 and 1H 2016. This was due mainly to the increase in rental revenue.

Finance cost in 2Q 2017 were S\$0.2 million (11.1%) higher than 2Q 2016, and finance cost in 1H 2017 was S\$0.1 million (2.6%) lower than 1H 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.

**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 grew 6.9% year-on-year in the second quarter, and the first half 2017, beating the government's target of 6.5% for the full year 2017. The National Bureau of Statistics of China said the latest GDP growth reflected that China's economy had become "more stable, co-ordinated and sustainable". (Source: National Bureau of Statistics of China)

Disposable income per capita for urban residents increased by 6.5% year-on-year in the first half of 2017, while the consumption expenditure per capita for urban resident increased 5.1% year-on-year in the same period. Total retail sales of RMB 17.2 trillion billion was 10.4% higher year-on-year for the first half of 2017. (Source: National Bureau of Statistics of China)

According to CBRE, the China retail outlook remains cautiously positive amid steady demand from existing and new brands. Discretionary sectors such as entertainment and leisure will continue to see growth. By sector, F&B retailers continued to display robust leasing demand, and the Sports and Health sector continue to grow rapidly. (Source: CBRE Asia Pacific Retail Trends)

Against the backdrop of rising disposable income and domestic consumption, and urbanisation, BHG Retail REIT's portfolio of five community retail properties with strong experiential-focused trade mix and steady surrounding catchment is expected to remain resilient.



**BHG RETAIL REIT  
UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT  
SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 2017**

---

**11 Distribution**

**(a) Current financial period**

Any distribution declared for the current financial period?	Yes
Distribution period	: 1 Jan 2017 to 30 Jun 2017
Distribution rate	: 2.74 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 Jan 2017 to 30 Jun 2017 is expected to be funded from borrowing at the REIT level.

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

Any distribution declared for the current financial period?	Yes
Distribution period	: 1 Jan 2016 to 30 Jun 2016
Distribution rate	: 2.72* 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 Jan 2016 to 30 Jun 2016 was funded from borrowing at the REIT level.

\* These figures were extracted from BHG Retail REIT's results for the second quarter and half year ended 30 Jun 2016

**(c) Date payable:** 27 Sep 2017

**(d) Book closure date:** 12 Sep 2017

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

Not applicable.

**BHG RETAIL REIT  
UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT  
SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 2017**

---

- 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 Jun 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.

On behalf of the Board of the Manager

Francis Siu Wai Keung  
Director

Ben Yeo Chee Seong  
Director

**BHG RETAIL REIT  
UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT  
SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 2017**

*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)

8 August 2017