



BHG RETAIL REIT

UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2019

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**BHG RETAIL REIT
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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.
- 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.
- 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.
- 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.

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On 2 April 2019, the REIT has completed its first acquisition of retail property since listing:

- Hefei Changjiangxilu Mall is located at the junction of Changjiang West Road and Huaining Road, in the Shushan District of Hefei, Anhui Province. The catchment population within a 3 kilometre radius from the mall is approximately 200,000, which comprise about 50 local communities.

Hefei Changjiangxilu Mall is a five-storey retail mall (which includes one underground storey) offering supermarket, recreation, food and beverage and fashion tenants. It enjoys good connectivity as it is close to several public bus stations and well-connected to the Hefei Metro Line 2, which commenced operations on 26 December 2017.

The Group is presenting its financial results for the third quarter and nine months ended 30 September 2019.

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

“3Q 2018”: For the 3-month period from 1 August 2018 to 30 September 2018;

“3Q 2019”: For the 3-month period from 1 August 2019 to 30 September 2019;

“9M 2018”: For the 9-month period from 1 January 2018 to 30 September 2018; and

“9M 2019”: For the 9-month period from 1 January 2019 to 30 September 2019.

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

	3Q 2019 ^(a)	3Q 2018 ^(a)	Change	9M 2019 ^(a)	9M 2018 ^(a)	Change
Note	(\$S'000)	(\$S'000)	(%)	(\$S'000)	(\$S'000)	(%)
Statement of Total Return						
Gross revenue	20,569	17,304	18.9	58,645	52,471	11.8
Property operating expenses ^(b)	(7,736)	(6,402)	20.8	(20,594)	(17,953)	14.7
Net property income	12,833	10,902	17.7	38,051	34,518	10.2
Other income	280	126	>100.0	315	148	>100.0
Manager's base fee	(421)	(511)	(17.6)	(1,423)	(1,551)	(8.3)
Trustee's fee	(39)	(33)	18	(111)	(102)	8.8
Other expenses	(507)	(394)	28.7	(998)	(801)	24.6
Finance income	100	89	12.4	355	428	(17.1)
Foreign exchange (loss)/gain - realised	(173)	248	>100.0	(116)	306	>100.0
Finance cost	(4,063)	(2,359)	72.2	(11,132)	(7,246)	53.6
Total return before change in fair value of investment property and unrealised foreign loss	8,010	8,068	(0.7)	24,941	25,700	(3.0)
Change in fair value of investment property	-	-	N/M	32,420	-	N/M
Foreign exchange loss - unrealised	(297)	(147)	>100.0	(95)	(27)	>100.0
Total return for the period before taxation	7,713	7,921	(2.6)	57,266	25,673	>100.0
Taxation	(2,086)	(1,260)	65.6	(14,470)	(5,144)	>100.0
Total return for the period after taxation	5,627	6,661	(15.5)	42,796	20,529	>100.0
Attributable to:						
Unitholders	3,555	4,665	(23.8)	36,099	14,282	>100.0
Non-controlling interests	2,072	1,996	3.8	6,697	6,247	7.2
Total return for the period after taxation	5,627	6,661	(15.5)	42,796	20,529	>100.0
Distribution Statement						
Total return for the period attributable to Unitholders	3,555	4,665	(23.8)	36,099	14,282	>100.0
Distribution adjustments	650	444	46.4	(21,869)	1,231	>100.0
Amount available for distribution	4,205	5,109	(17.7)	14,230	15,513	(8.3)
Less: Amount retained ^(c)	(420)	-	N/M	(1,423)	-	N/M
Amount to be distributed to Unitholders	3,785	5,109	(25.9)	12,807	15,513	(17.4)

N/M: not meaningful

Footnotes:

- The results of the Group's foreign subsidiaries were translated using the average SGD:CNY rate of 1:5.100, 1:4.973, 1:5.026 and 1:4.856 for 3Q 2019, 3Q 2018, 9M 2019 and 9M 2018, respectively.
- Includes property management fees of S\$745,000, S\$593,000, S\$2,167,000 and S\$1,806,000 for 3Q 2019, 3Q 2018, 9M 2019 and 9M 2018, respectively.
- In 9M 2019, approximately S\$1.4 million of the amount available for distribution has been retained in anticipation of higher operational expenses and working capital requirements of the REIT's enlarged portfolio.

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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:

	3Q 2019 (S\$'000)	3Q 2018 (S\$'000)	Change (%)	9M 2019 (S\$'000)	9M 2018 (S\$'000)	Change (%)
Borrowing costs	3,496	2,265	54.3	9,613	6,963	38.1
Settlement of IRS contracts	(21)	-	N/M	(48)	-	N/M
Amortisation of debt establishment costs ^(a)	588	94	>100.0	1,567	283	>100.0
	4,063	2,359	72.2	11,132	7,246	53.6

N/M: not meaningful

Footnote:

(a) Increase in 3Q 2019 arose from the amortisation of higher debt origination costs. Also, includes in 9M 2019 are write off of prior year debt establishment costs after the loan refinancing in 1Q 2019.

(4) Change in fair value of investment property

The Group's policy is to conduct annual valuation of its investment properties, typically at year end, with any changes in fair value being recorded in the statement of total return.

However, due to the acquisition of Hefei Changjiangxilu mall which was completed on 2 April 2019, the fair value of the investment property was adjusted based on the last available full valuation conducted by the independent valuers.

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 2019 (S\$'000)	3Q 2018 (S\$'000)	Change (%)	9M 2019 (S\$'000)	9M 2018 (S\$'000)	Change (%)
Current period:						
- Income tax	1,966	1,609	22.2	5,911	5,147	14.8
- Deferred tax ^(a)	(521)	(517)	0.8	7,918	(171)	>100.0
- Withholding tax ^(b)	641	168	>100.0	641	168	>100.0
	2,086	1,260	65.6	14,470	5,144	>100.0

Footnote:

(a) Increase in 9M 2019 is mainly due to provision for deferred tax expenses derived from the change in fair value of the newly acquired Hefei Changjiangxilu mall on 2 April 2019.

(b) Increase in 9M 2019 withholding tax is due to all Singapore holding companies completed its dividend repatriation from respective China subsidiaries in 3Q 2019.

(6) Distribution adjustments

	3Q 2019 (S\$'000)	3Q 2018 (S\$'000)	Change (%)	9M 2019 (S\$'000)	9M 2018 (S\$'000)	Change (%)
<u>Distribution adjustments</u>						
- Amortisation of debt establishment costs	588	94	>100.0	1,567	283	>100.0
- Change in fair value of investment properties	-	-	N/M	(32,420)	-	N/M
- Deferred tax expense ^(a)	(521)	(517)	0.8	7,918	(171)	>100.0
- Manager's management base fee payable in Units	421	511	(17.6)	1,423	1,551	(8.3)
- Property management fees payable in Units	288	185	55.7	753	579	30.1
- Transfer to statutory reserve ^(a)	(447)	(350)	27.7	(1,281)	(1,120)	14.4
- Foreign exchange loss - unrealised	297	147	>100.0	95	27	>100.0
- Other adjustments ^(a)	24	374	(93.6)	76	82	(7.3)
Net distribution adjustments	650	444	46.4	(21,869)	1,231	>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 2019 ^(a) (S\$'000)	31 Dec 2018 ^(a) (S\$'000)	30 Sep 2019 ^(a) (S\$'000)	31 Dec 2018 ^(a) (S\$'000)
Non-current assets					
Investment properties	(1)	883,494	808,303	-	-
Plant and equipment		663	630	-	-
Interest in subsidiaries		-	-	591,404	524,512
Trade and other receivables		151	36	-	-
Deferred tax assets		17	21	-	-
		884,325	808,990	591,404	524,512
Current assets					
Trade and other receivables	(2)	12,044	5,289	48	495
Cash and cash equivalents	(3)	40,500	55,590	5,386	112
		52,544	60,879	5,434	607
		936,869	869,869	596,838	525,119
Total assets					
Non-current liabilities					
Loans and borrowings	(4)	276,557	-	227,958	-
Loan from subsidiaries	(5)	-	-	39,092	24,939
Trade and other payables		2,605	1,207	-	-
Security deposits		4,980	5,157	-	-
Deferred tax liabilities		36,966	29,952	-	-
Financial derivatives	(6)	518	-	518	-
		321,626	36,316	267,568	24,939
Current liabilities					
Loans and borrowings	(4)	7,905	222,142	6,745	162,548
Trade and other payables		19,624	17,698	2,470	1,774
Amount owing to subsidiary		-	-	834	41
Security deposits		16,554	12,830	-	-
Current tax payable		1,203	1,801	-	-
Financial derivatives	(6)	355	74	355	74
		45,641	254,545	10,404	164,437
		367,267	290,861	277,972	189,376
Total liabilities					
		569,602	579,008	318,866	335,743
Net assets					
Represented by:					
Unitholders' funds		403,869	410,423	318,866	335,743
Non-controlling interests ("NCI")		165,733	168,585	-	-
		569,602	579,008	318,866	335,743

Footnotes:

(a) The results of the Group's foreign subsidiaries were translated using the closing SGD:CNY rate of 1:5.169 and 1:5.049 as at 30 September 2019 and 31 December 2018, respectively.

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Notes to Statements of Financial Position:

- (1) Increase in investment properties is mainly due to the enlarged portfolio resulted from the newly acquired Hefei Changjiangxilu mall on 2 April 2019, offset by weaker RMB against SGD.
- (2) Increase in trade and other receivables is mainly due to higher receivables from tenants and prepayments.
- (3) Cash and cash equivalents include restricted cash amounting to S\$4.0 million and S\$14.4 million as at 30 September 2019 and 31 December 2018, respectively, which is used to secure bank facilities. For the REIT, the increase is mainly due to higher deposits required for the new banking facility.
- (4) Loans and borrowings are measured at amortised cost. The Group and the REIT have completed the refinancing of the existing onshore and offshore facilities, secured a new borrowing facility for the acquisition of Hefei Changjiangxilu and a new revolving credit facility. Movement in the current liabilities and non-current liabilities are classified and/or reclassified in accordance with respective maturity dates.
- (5) The REIT arranged two long-term interest-bearing loans from its subsidiaries in 3Q 2019 and 2Q 2018. These loans are mainly used for the REIT repayment of borrowings and interest expenses.
- (6) These relate to the fair value of the interest rate swaps entered 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

	30 Sep 2019 (S\$'000)	31 Dec 2018 (S\$'000)
Secured borrowings		
- Amount repayable within one year	6,661	221,274
- Amount repayable after one year	282,804	-
Total secured borrowings		
- Less: Debt establishment costs ^(a)	(6,247)	(379)
Total secured borrowings	283,218	220,895
Unsecured borrowings	1,244	1,247
Total borrowings	284,462	222,142

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

During March 2019, the Group have completed the refinancing of existing two onshore secured facilities of RMB 241 million and RMB 61 million, respectively, and the existing offshore secured borrowing facility of S\$240 million.

As at 30 September 2019, the two onshore facilities have been fully drawn down, while partial of the offshore facility has been drawn down for approximately S\$233 million.

The onshore facilities are collectively secured by a legal mortgage over the Group's investment properties which include the Hefei Changjiangxilu mall that was acquired on 2 April 2019, an assignment of contracts and pledge over the receivables of the six 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 which include the Singapore holding company of Hefei Changjiangxilu mall that was acquired on 2 April 2019, 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 five Singapore holding companies' 100% equity interest in the respective subsidiaries in China.

In addition to the above facilities, the REIT obtained and drawn down from unsecured facilities of S\$3.2 million and S\$6.4 million in 3Q 2019 and 9M 2019 respectively. The facilities were obtained mainly for the purpose of financing the payment of interest expenses and working capital.

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1 (c) Consolidated Statement of Cash Flows

	3Q 2019	3Q 2018	9M 2019	9M 2018
Note	(S\$'000)	(S\$'000)	(S\$'000)	(S\$'000)
Operating activities				
Total return for the period	5,627	6,661	42,796	20,529
Adjustments for:				
Manager's management fee payable in Units	421	511	1,423	1,551
Property management fees payable in Units	288	185	753	579
Finance income	(100)	(89)	(355)	(428)
Finance cost	4,063	2,359	11,132	7,246
Loss on disposal of plant and equipment	-	-	8	1
Depreciation	26	31	87	97
Change in fair value of investment property	-	-	(32,420)	-
Foreign exchange loss - unrealized	297	147	95	27
Taxation	2,086	1,260	14,470	5,144
Operating income before working capital changes	12,708	11,065	37,989	34,746
Changes in working capital:				
Trade and other receivables	(1,257)	(705)	(4,795)	(731)
Trade and other payables	980	(4,199)	1,836	(5,392)
Cash generated from operating activities	12,431	6,161	35,030	28,623
Tax paid	(2,494)	(1,923)	(7,421)	(5,528)
Net cash from operating activities	9,937	4,238	27,609	23,095
Investing activities				
Acquisition of subsidiaries, net of cash acquired	-	-	(63,055)	-
Capital expenditure on investment properties	(4,323)	(218)	(8,092)	(827)
Purchase of plant and equipment	(3)	(8)	(20)	(87)
Interest received	100	89	355	428
Net cash used in investing activities	(4,226)	(137)	(70,812)	(486)
Financing activities				
Distribution to unitholders	(9,018)	(10,403)	(18,250)	(20,379)
Dividend paid to non-controlling interests	(4,866)	-	(4,866)	-
Decrease in restricted cash	8,253	3,744	7,853	13,812
Interest paid	(5,324)	(906)	(8,529)	(5,468)
Settlement of derivative contracts	21	-	48	-
Proceeds from borrowings	(1)	3,221	10,324	92,338
Repayment of borrowings	(2)	(13,713)	(12,830)	(24,413)
Payment of transaction costs related to loans and borrowings	2	-	(7,438)	-
Net cash (used in)/from financing activities	(21,424)	(10,071)	36,743	(19,576)
Net (decrease)/increase in cash and cash equivalents	(15,713)	(5,970)	(6,460)	3,033
Cash and cash equivalents at beginning of the period	50,054	52,391	41,191	43,352
Effect of exchange rate fluctuations on cash held	(350)	(1,667)	(740)	(1,631)
Cash and cash equivalents at end of the period	(3)	33,991	44,754	33,991
				44,754

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Notes to Consolidated Statement of Cash Flows:

- (1) The REIT has drawdown S\$3.2 million, S\$10.3 million, S\$92.3 million and S\$34.7 million in 3Q 2019, 3Q 2018, 9M 2019 and 9M 2018 respectively, to fund the acquisition of Hefei Changjiangxilu Mall, refinancing and new financing related expenses, working capital and interest payments on borrowings.
- (2) Repayment of borrowings in 3Q 2019 mainly pertaining to settlement of the secure bank facilities with restricted cash. Repayment of borrowings was S\$17.8 million lower than 9M 2018 mainly due to lesser short-term facilities.
- (3) For purpose of the Consolidated Statement of Cash Flows, the cash and cash equivalents comprised the following:

	30 Sep 2019 (S\$'000)	30 Sep 2018 (S\$'000)
Bank and cash balances	40,500	59,223
Less: Restricted cash	(6,509)	(14,469)
Cash and cash equivalents of cash flows statement	33,991	44,754

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			
	3Q 2019 (S\$'000)	3Q 2018 (S\$'000)	9M 2019 (S\$'000)	9M 2018 (S\$'000)
Unitholders' funds as at beginning of the period	426,247	419,489	410,423	416,454
Change in Unitholders' funds resulting from operations before distribution	3,555	4,665	36,099	14,282
Transfer to statutory reserve	(447)	(350)	(1,281)	(1,120)
Net increase in net assets resulting from operations	3,108	4,315	34,818	13,162
Unitholders' transactions				
Issue of new Units				
- Manager's management fees paid/payable in Units	421	511	1,423	1,551
- Manager's acquisition fee payable in Units	-	-	489	-
- Property management fees paid/payable in Units	288	185	753	579
Distribution to Unitholders	(9,018)	(10,403)	(18,250)	(20,379)
Net decrease in net assets resulting from Unitholders' transactions	(8,309)	(9,707)	(15,585)	(18,249)
Movements in hedging reserve				
Effective portion of changes in fair value of cash flow hedges	(404)	-	(799)	-
Movement in foreign currency translation reserve	(17,220)	(20,290)	(26,269)	(18,330)
Movement in statutory reserve	447	350	1,281	1,120
Total Unitholders' funds as at end of the period	403,869	394,157	403,869	394,157

	REIT			
	3Q 2019 (S\$'000)	3Q 2018 (S\$'000)	9M 2019 (S\$'000)	9M 2018 (S\$'000)
Unitholders' funds as at beginning of the period	320,863	339,352	335,743	352,040
Change in Unitholders' funds resulting from operations before distribution	6,716	6,798	(493)	2,652
Net increase/(decrease) in net assets resulting from operations	6,716	6,798	(493)	2,652
Unitholders' transactions				
Issue of new Units				
- Manager's management fee paid/payable in Units	421	511	1,423	1,551
- Manager's acquisition fee payable in Units	-	-	489	-
- Property management fees paid/payable in Units	288	185	753	579
Distribution to Unitholders	(9,018)	(10,403)	(18,250)	(20,379)
Net decrease in net assets resulting from Unitholders' transactions	(8,309)	(9,707)	(15,585)	(18,249)
Movements in hedging reserve				
Effective portion of changes in fair value of cash flow hedges	(404)	-	(799)	-
Total Unitholders' funds as at end of the period	318,866	336,443	318,866	336,443

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

	3Q 2019 ('000)	3Q 2018 ('000)	9M 2019 ('000)	9M 2018 ('000)
REIT				
Units in issue:				
As at beginning of period	505,364	501,870	503,843	499,737
Issue of new units relating to:				
- Manager's management base fee payable in Units	1,417	710	2,002	2,330
- Manager's management acquisition fee payable in Units	-	-	687	-
- Property manager's fee payable in Units	657	271	906	784
Issued units as at end of period	507,438	502,851	507,438	502,851
Units to be issued:				
Manager's management base fee payable in Units	605	727	605	727
Property manager's fee payable in Units	415	264	415	264
To be issued units as at end of period	1,020	991	1,020	991
Total issued and issuable units as at end of period	508,458	503,842	508,458	503,842

There were no convertibles, treasury units and subsidiary holdings as at 30 September 2019 and 30 September 2018.

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 30 September 2019 and 31 December 2018 were 507,438,000 and 503,843,000 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 2018.

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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 2019. 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

	3Q 2019	3Q 2018	9M 2019	9M 2018
Weighted average number of units ('000)				
Basic	507,449	502,862	506,162	501,903
Diluted	508,458	503,842	508,458	503,842
Earnings per unit ("EPU") ^(a) (cents)				
Basic	0.70	0.93	7.13	2.85
Diluted	0.70	0.93	7.10	2.83
Number of Units entitled to distribution ('000)	434,549	380,661	434,549	380,661
Distribution per unit ("DPU") ^{(b)(c)} (cents)	0.86	1.33	2.94	4.08

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.
- (c) In 9M 2019, approximately S\$1.4 million of the amount available for distribution has been retained in anticipation of higher operational expenses and working capital requirements of the REIT's enlarged portfolio.

7 Net Asset Value ("NAV") per Unit

	Group		REIT	
	30 Sep 2019	31 Dec 2018	30 Sep 2019	31 Dec 2018
Number of Units in issue and to be issued at end of period ('000)	508,458	504,677	508,458	504,677
Net asset value per Unit (S\$) ^(a)	0.79	0.81	0.63	0.67

Footnote:

- (a) The NAV per unit is computed based on the Units in issue and to be issued of 508,458,000 and 504,677,000 as at 30 September 2019 and 31 December 2018, respectively.

8 Review of the Performance

Gross revenue in 3Q 2019 and 9M 2019 were S\$3.3 million (18.9%) and S\$6.2 million (11.8%) higher than in 3Q 2018 and 9M 2018 respectively. These were mainly due to strong rental reversion, higher occupancy rates and enlarged portfolio resulted from newly acquired Hefei Changjiangxilu mall.

Property operating expenses in 3Q 2019 and 9M 2019 were S\$1.3 million (20.8%) and S\$2.6 million (14.7%) higher than 3Q 2018 and 9M 2018 respectively. 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 marketing-related expenses in 3Q 2019. Despite the higher operating expenses, net property income in 3Q 2019 and 9M 2019 were S\$1.9 million (17.7%) and S\$3.5 million (10.2%) higher than 3Q 2018 and 9M 2018 respectively. These were mainly due to the increase in rental revenue and enlarged portfolio resulted from newly acquired Hefei Changjiangxilu mall.

Finance cost was S\$1.7 million (72.2%) and S\$3.9 million (53.6%) higher than 3Q 2018 and 9M 2018 respectively. These were mainly due the higher interest rates and higher amortisation of debt establishment costs due to the early refinancing in 1Q 2019.

Amount available for distribution for 9M 2019 was S\$1.3 million (8.3%) lower than 9M 2018 and Amount to be distributed to Unitholders was S\$2.7 million (17.4%) lower than 9M 2018 which mainly due to higher finance costs and distributable income retained. Approximately S\$1.4 million of the amount available for distribution for the 9M 2019 has been retained in anticipation of higher operational expenses and working capital requirements of the REIT's enlarged portfolio.

9. Variance from previous forecast or prospect statement

The Group has not disclosed any forecast to the market.

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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 maintained a broadly stable momentum during the quarter, amid ongoing headwinds from external trade protectionism. China's Gross domestic product¹ ("GDP") growth for 3Q 2019 and 9M 2019 were 6.0% and 6.2% year-on-year respectively.

Large-scale tax² and fee reduction program this year, have been effective in easing the burden on corporate sector, calming market expectations, encouraging firms' research and development, driving investment, and creating jobs. More importantly, the income tax cuts³ have managed to support domestic consumer demand, and sustain the strong Chinese consumer confidence.

Disposable income¹ and expenditure¹ per capita of urban residents increased 7.9% and 7.2% year-on-year respectively in 9M 2019. Consumption¹ continued to be the main driver of growth, contributing 60.5% of the economic growth during the period.

Retail sales³ of consumer goods rose 8.2% year-on-year in 9M 2019. According to CBRE⁴, several key consumption upgrading items including cosmetics, entertainment, sporting goods, gold and silver jewellery recorded their highest sales growth rate over the past 12-15 months.

Amid global uncertainties, China's domestic retail sentiment remained cautiously positive, buoyed by healthy employment rate, and steady increase in residents' income. BHG Retail REIT's existing properties supported by densely populated residential catchments are expected to remain resilient, and are well-positioned to benefit from higher residents' consumption.

Footnotes:

1. Source: National Bureau of Statistics of China

2. Source: Annual Meeting of the Boards of Governors of the World Bank Group (WBG) and the International Monetary Fund (IMF) (<https://meetings.imf.org/en/2019/Annual>)

3. Source: CNBC: China's tax cuts may be able to offset the cost of trade tariffs

4. Source: CBRE Market View

11 Distribution

(a) Current financial period

Any distribution declared for the current financial period? No

(b) Corresponding period of the immediately preceding financial year

Any distributions declared for the corresponding period of the immediate preceding financial periods? No

(c) Date payable : Not Applicable

(d) Books closure date : Not Applicable

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

BHG Retail REIT's distribution policy is to make distributions to Unitholders on a semi-annual basis, with the amount calculated as at 30 June and 31 December each year for the six-month period ending on each of the said dates. As such, no distributions have been declared for the period ended 30 September 2019.

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 2019, 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
Chairman

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)

8 November 2019