



BHG RETAIL REIT
UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT
THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2018

Table of Content

Item No.	Description	Page
-	Introduction	2
-	Summary of Group Results	3
1(a)	Consolidated Statement of Total Return and Distribution Statement	4-5
1(b)(i)	Statements of Financial Position	6-7
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
1(d)(ii)	Details of Any Changes in Units	12
1(d)(iii)	Total Number of Issued Units	12
1(d)(iv)	Sales, Transfers, Cancellation and/or Use of Treasury Units and Subsidiary Holdings	12
2 & 3	Audit Statement	12
4 & 5	Changes in Accounting Policies	12-13
6	Earnings per Unit and Distribution per Unit	13
7	Net Asset Value per Unit	13
8	Review of the Performance	14
9	Variance from Previous Forecast / Prospect Statement	14
10	Outlook and Prospects	15
11 & 12	Distribution	15
13	General Mandate relating to Interested Person Transactions	16
14	Confirmation pursuant to Rule 720(1) of the Listing Manual	16
15	Confirmation pursuant to Rule 705(5) of the Listing Manual	16

**BHG RETAIL REIT
UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT
THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2018**

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 third quarter and nine months ended 30 September 2018.

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

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

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

“9M 2017”: For the 9-months period from 1 January 2017 to 30 September 2017; and

“9M 2018”: For the 9-months period from 1 January 2018 to 30 September 2018.

**BHG RETAIL REIT
UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT
THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2018**

Summary of Group Results

	3Q 2018 ^(a) (S\$'000)	3Q 2017 ^(a) (S\$'000)	Change (%)	9M 2018 ^(a) (S\$'000)	9M 2017 ^(a) (S\$'000)	Change (%)
Gross revenue	17,304	16,462	5.1	52,471	47,812	9.7
Net property income	10,902	10,536	3.5	34,518	31,807	8.5
Amount available for distribution	5,109	5,148	(0.8)	15,513	15,122	2.6
Distribution per Unit ("DPU") (cents)	1.33	1.41	(5.7)	4.07	4.15	(1.9)

Footnotes:

- (a) The results of the Group's foreign subsidiaries were translated using the average SGD: CNY rate of 1:4.973, 1:4.900, 1:4.856 and 1:4.897 for 3Q 2018, 3Q 2017, 9M 2018 and 9M 2017, respectively.

**BHG RETAIL REIT
UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT
THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2018**

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

	3Q 2018 ^{(a) (b)}	3Q 2017 ^{(a) (b)}	Change	9M 2018 ^{(a) (b)}	9M 2017 ^{(a) (b)}	Change
Note	(\$'000)	(\$'000)	(%)	(\$'000)	(\$'000)	(%)
Statement of Total Return						
Gross revenue	17,304	16,462	5.1	52,471	47,812	9.7
Property operating expenses	(6,402)	(5,926)	8.0	(17,953)	(16,005)	12.2
Net property income	10,902	10,536	3.5	34,518	31,807	8.5
Other income	126	113	11.5	148	366	(59.6)
Manager's base fee	(511)	(515)	(0.8)	(1,551)	(1,512)	2.6
Manager's performance fee	-	(104)	N/M	-	(104)	N/M
Trustee's fee	(33)	(33)	-	(102)	(100)	2.0
Other expenses	(394)	(288)	36.8	(801)	(700)	14.4
Finance income	89	150	(40.7)	428	397	7.8
Foreign exchange gain/(loss) - realised	248	(16)	>100.0	306	(15)	>100.0
Finance cost	(2,359)	(2,231)	5.7	(7,246)	(6,598)	9.8
Net income	8,068	7,612	6.0	25,700	23,541	9.2
Foreign exchange (loss)/gain - unrealised	(147)	25	>100.0	(27)	(1)	>100.0
Total return for the period before taxation	7,921	7,637	3.7	25,673	23,540	9.1
Taxation	(1,260)	(1,207)	4.4	(5,144)	(4,645)	10.7
Total return for the period after taxation	6,661	6,430	3.6	20,529	18,895	8.6
Attributable to:						
Unitholders	4,665	4,576	1.9	14,282	13,324	7.2
Non-controlling interests	1,996	1,854	7.7	6,247	5,571	12.1
Total return for the period after taxation	6,661	6,430	3.6	20,529	18,895	8.6
Distribution Statement						
Total return for the period attributable to Unitholders	4,665	4,576	1.9	14,282	13,324	7.2
Distribution adjustments	444	572	(22.4)	1,231	1,798	(31.5)
Amount available for distribution	5,109	5,148	(0.8)	15,513	15,122	2.6

N/M: not meaningful

Footnotes:

- (a) The results of the Group's foreign subsidiaries were translated using the average SGD: CNY rate of 1:4.973, 1:4.900, 1:4.856 and 1:4.897 for 3Q 2018, 3Q 2017, 9M 2018 and 9M 2017, respectively.
- (b) Includes property management fees of S\$593,000, S\$551,000, S\$1,806,000 and S\$1,612,000 for 3Q 2018, 3Q 2017, 9M 2018 and 9M 2017, respectively.

**BHG RETAIL REIT
UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT
THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2018**

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 2018 (S\$'000)	3Q 2017 (S\$'000)	Change (%)	9M 2018 (S\$'000)	9M 2017 (S\$'000)	Change (%)
Borrowing costs	2,265	2,148	5.4	6,963	6,351	9.6
Amortisation of debt establishment costs	94	83	13.3	283	247	14.6
	2,359	2,231	5.7	7,246	6,598	9.8

(4) Taxation

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

	3Q 2018 (S\$'000)	3Q 2017 (S\$'000)	Change (%)	9M 2018 (S\$'000)	9M 2017 (S\$'000)	Change (%)
Current period:						
- Income tax	1,609	1,519	5.9	5,147	4,271	20.5
- Deferred tax	(517)	(721)	(28.3)	(171)	(35)	>100.0
- Withholding tax	168	409	(58.9)	168	409	(58.9)
	1,260	1,207	4.4	5,144	4,645	10.7

(5) Distribution adjustments

	3Q 2018 (S\$'000)	3Q 2017 (S\$'000)	Change (%)	9M 2018 (S\$'000)	9M 2017 (S\$'000)	Change (%)
<u>Distribution adjustments</u>						
- Amortisation of debt establishment costs	94	83	13.3	283	247	14.6
- Deferred tax expense ^(a)	(169)	-	N/M	(171)	184	>100.0
- Manager's management base fee payable in Units	511	515	(0.8)	1,551	1,512	2.6
- Manager's management performance fee payable in Units	-	104	N/M	-	104	N/M
- Property management fees payable in Units	185	191	(3.1)	579	545	6.2
- Transfer to statutory reserve ^(a)	(350)	(323)	8.4	(1,120)	(880)	27.3
- Other adjustments ^(a)	173	2	>100.0	109	86	26.7
Net distribution adjustments	444	572	(22.4)	1,231	1,798	(31.5)

N/M: not meaningful

Footnote:

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

**BHG RETAIL REIT
UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT
THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2018**

1(b)(i) Statements of Financial Position

Note	Group		REIT	
	30 Sep 2018 ^(a) S\$'000	31 Dec 2017 ^(a) S\$'000	30 Sep 2018 ^(a) S\$'000	31 Dec 2017 ^(a) S\$'000
Non-current assets				
(1)	785,349	811,116	-	-
	658	690	-	-
	-	-	525,174	525,088
	81	123	-	-
	24	22	-	-
	786,112	811,951	525,174	525,088
Current assets				
(2)	5,183	4,160	7,247	189
(3)	59,223	72,081	295	547
	64,406	76,241	7,542	736
	850,518	888,192	532,716	525,824
Non-current liabilities				
(4)	178,548	215,500	119,303	147,690
(5)	-	-	22,721	-
	1,938	1,843	-	-
	5,174	4,461	-	-
	24,186	24,404	-	-
	209,846	246,208	142,024	147,690
Current liabilities				
(4)	53,471	25,972	52,290	24,760
	-	-	49	-
	18,941	19,401	1,910	1,334
	11,593	11,730	-	-
	1,569	1,832	-	-
	85,574	58,935	54,249	26,094
	295,420	305,143	196,273	173,784
	555,098	583,049	336,443	352,040
Represented by:				
	394,157	416,454	336,443	352,040
	160,941	166,595	-	-
	555,098	583,049	336,443	352,040

Footnotes:

- (a) The results of the Group's foreign subsidiaries were translated using the closing SGD: CNY rate of 1:5.025 and 1:4.865 as at 30 September 2018 and 31 December 2017, respectively.

**BHG RETAIL REIT
UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT
THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2018**

Notes to Statements of Financial Position:

- (1) Decrease in investment properties is mainly due to movement in foreign currency translation.
- (2) Increase in trade and other receivables is mainly due to higher rental receivables from tenants and prepayments. For the REIT, increase is mainly due to interim dividends receivables declared by its subsidiaries.
- (3) Cash and cash equivalents include restricted cash amounting to S\$14.5 million and S\$28.7 million as at 30 September 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 S\$32 million of 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.

**BHG RETAIL REIT
UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT
THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2018**

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

	30 Sep 2018 (S\$'000)	31 Dec 2017 (S\$'000)
Secured borrowings		
- Amount repayable within one year	43,154	26,015
- Amount repayable after one year	179,008	216,222
- Less: Debt establishment costs ^(a)	(473)	(765)
Total secured borrowings	221,689	241,472
Unsecured borrowings	10,330	-
Total borrowings	232,019	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 30 September 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.

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 an amount totaling S\$10.3 million and S\$34.7 million in 3Q 2018 and 9M 2018 respectively. The facilities were obtained mainly for the purpose of financing the payment of distribution, repayment of borrowings and interest expenses.

**BHG RETAIL REIT
UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT
THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2018**

1 (c) Consolidated Statement of Cash Flows

Note	3Q 2018 (S\$'000)	3Q 2017 (S\$'000)	9M 2018 (S\$'000)	9M 2017 (S\$'000)	
Operating activities					
Total return for the period	6,661	6,430	20,529	18,895	
Adjustments for:					
Manager's management fee payable in Units	511	619	1,551	1,616	
Property management fees payable in Units	185	191	579	545	
Finance income	(89)	(150)	(428)	(397)	
Finance cost	2,359	2,231	7,246	6,598	
Loss on disposal of plant and equipment	-	-	1	2	
Depreciation	31	32	97	101	
Foreign exchange loss/(gain) - unrealized	147	(25)	27	1	
Taxation	1,260	1,207	5,144	4,645	
Operating income before working capital changes	11,065	10,535	34,746	32,006	
Changes in working capital:					
Trade and other receivables	(705)	(1,939)	(731)	4,253	
Trade and other payables	(4,199)	(2,346)	(5,392)	(6,166)	
Cash generated from operating activities	6,161	6,250	28,623	30,093	
Tax paid	(1,923)	(1,601)	(5,528)	(4,187)	
Net cash from operating activities	4,238	4,649	23,095	25,906	
Investing activities					
Capital expenditure on investment properties	(218)	(1,848)	(827)	(2,191)	
Purchase of plant and equipment	(8)	(96)	(87)	(96)	
Interest received	89	150	428	397	
Net cash used in investing activities	(137)	(1,794)	(486)	(1,890)	
Financing activities					
Distribution to unitholders	(10,403)	(9,953)	(20,379)	(19,029)	
Decrease/(increase) in restricted cash	3,744	245	13,812	(11,583)	
Interest paid	(906)	(699)	(5,468)	(5,055)	
Proceeds from borrowings	(1)	10,324	9,960	34,699	21,260
Repayment of borrowings	(2)	(12,830)	(10,000)	(42,240)	(10,613)
Net cash used in financing activities	(10,071)	(10,447)	(19,576)	(25,020)	
Net (decrease)/increase in cash and cash equivalents	(5,970)	(7,592)	3,033	(1,004)	
Cash and cash equivalents at beginning of the period	52,391	43,547	43,352	38,373	
Effect of exchange rate fluctuations on cash held	(1,667)	676	(1,631)	(738)	
Cash and cash equivalents at end of the period	(3)	44,754	36,631	44,754	36,631

**BHG RETAIL REIT
UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT
THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2018**

Notes to Consolidated Statement of Cash Flows:

- (1) Proceeds from borrowings was S\$0.4 million and S\$13.4 million higher than 3Q 2017 and 9M 2017. The increases were mainly used to fund distribution, interest payments of borrowings and repayment of borrowings.
- (2) Repayment of borrowings were S\$2.8 million and S\$31.6 million higher than 3Q 2017 and 9M 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:

	30 Sep 2018 (S\$'000)	30 Sep 2017 (S\$'000)
Bank and cash balances	59,223	61,510
Less: Restricted cash	(14,469)	(24,879)
Cash and cash equivalents of cash flows statement	44,754	36,631

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

**BHG RETAIL REIT
UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT
THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2018**

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

	Group			
	3Q 2018	3Q 2017	9M 2018	9M 2017
	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Unitholders' funds as at beginning of the period	419,489	413,661	416,454	421,177
Change in Unitholders' funds resulting from operations before distribution	4,665	4,576	14,282	13,324
Transfer to statutory reserve	(350)	(323)	(1,120)	(880)
Net increase in net assets resulting from operations	423,804	417,914	429,616	433,621
Unitholders' transactions				
Issue of new Units				
- Manager's management fee paid/payable in Units	511	619	1,551	1,616
- Property management fees paid/payable in Units	185	191	579	545
Distribution to Unitholders	(10,403)	(9,953)	(20,379)	(19,029)
Net decrease in net assets resulting from Unitholders' transactions	(9,707)	(9,143)	(18,249)	(16,868)
Movement in foreign currency translation reserve	(20,290)	3,470	(18,330)	(5,069)
Movement in statutory reserve	350	323	1,120	880
Total Unitholders' funds as at end of the period	394,157	412,564	394,157	412,564

	REIT			
	3Q 2018	3Q 2017	9M 2018	9M 2017
	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Unitholders' funds as at beginning of the period	339,352	356,323	352,040	367,784
Change in Unitholders' funds resulting from operations before distribution	6,798	6,182	2,652	2,446
Net increase in net assets resulting from operations	346,150	362,505	354,692	370,230
Unitholders' transactions				
Issue of new Units				
- Manager's management fee paid/payable in Units	511	619	1,551	1,616
- Property management fees paid/payable in Units	185	191	579	545
Distribution to Unitholders	(10,403)	(9,953)	(20,379)	(19,029)
Net decrease in net assets resulting from Unitholders' transactions	(9,707)	(9,143)	(18,249)	(16,868)
Total Unitholders' funds as at end of the period	336,443	353,362	336,443	353,362

**BHG RETAIL REIT
UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT
THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2018**

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

	3Q 2018 ('000)	3Q 2017 ('000)	9M 2018 ('000)	9M 2017 ('000)
REIT				
Units in issue:				
As at beginning of period	501,870	497,849	499,737	495,560
Issue of new units relating to:				
- Manager's management base fee payable in Units	710	680	2,330	2,450
- Property manager's fee payable in Units	271	251	784	770
Issued units as at end of period	502,851	498,780	502,851	498,780
Units to be issued:				
Manager's management base fee payable in Units	727	699	727	699
Manager's management performance fee payable in Units	-	141	-	141
Property manager's fee payable in Units	264	259	264	259
To be issued units as at end of period	991	1,099	991	1,099
Total issued and issuable units as at end of period	503,842	499,879	503,842	499,879

There were no convertibles, treasury units and subsidiary holdings as at 30 September 2018 and 30 September 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 30 September 2018 and 31 December 2017 were 502,851,000 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.

**BHG RETAIL REIT
UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT
THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2018**

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

	3Q 2018	3Q 2017	9M 2018	9M 2017
Weighted average number of units ('000)				
Basic	502,862	498,789	501,903	497,853
Diluted	503,842	499,737	503,842	499,737
Earnings per unit ("EPU") ^(a) (cents)				
Basic	0.93	0.92	2.85	2.68
Diluted	0.93	0.92	2.83	2.67
Number of Units entitled to distribution ('000)	380,661	364,379	380,661	364,379
Distribution per unit ("DPU") ^(b) (cents)	1.33	1.41	4.08	4.15

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	
	30 Sep 2018	31 Dec 2017	30 Sep 2018	31 Dec 2017
Number of Units in issue and to be issued at end of period ('000)	503,842	500,934	503,842	500,934
Net asset value per Unit (\$\$) ^(a)	0.78	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 503,842,000 and 500,934,000 as at 30 September 2018 and 31 December 2017, respectively.

8 Review of the Performance

Gross revenue in 3Q 2018 and 9M 2018 was S\$0.8 million (5.1%) and S\$4.7 million (9.7%) higher than in 3Q 2017 and 9M 2017 respectively. This was mainly due to strong rental reversion and higher occupancy rates.

Property Operating Expenses in 3Q 2018 was S\$0.5 million (8.0%) higher than 3Q 2017. Property Operating Expenses in 9M 2018 was S\$1.9 million (12.2%) higher than 9M 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 3Q 2018 and 9M 2018. Despite the higher operating expenses, net property income was S\$0.4 million (3.5%) and S\$2.7 million (8.5%) higher than 3Q 2017 and 9M 2017, respectively. This was due mainly to the increase in rental revenue.

Finance cost was S\$0.1 million (5.7%) and S\$0.6 million (9.8%) higher than 3Q 2017 and 9M 2017 respectively.

Taxation comprised income tax and deferred tax. Higher income tax in 3Q 2018 and 9M 2018 as compared to 3Q 2017 and 9M 2017 is due to higher operating income earned during the period.

In 3Q 2018 and 9M 2018, we recognised a net write back of deferred tax liabilities of S\$0.5 million and S\$0.2 million respectively, arising from an over-provision of withholding tax in prior year, where provision for withholding tax were made based on 10% of net profits earned in the subsidiaries. With the lower withholding tax actually paid upon the repatriation of dividends from the REIT's subsidiaries, the over provision of deferred tax liabilities was written back. Deferred tax is provided based on the actual withholding tax rate that was applied on the recent dividend repatriation, which is lower than the estimated rate adopted in the preceding year.

9. Variance from previous forecast or prospect statement

The Group has not disclosed any forecast to the market.

**BHG RETAIL REIT
UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT
THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2018**

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 amidst ongoing economic structural reforms and headwinds from international trade environment. Gross domestic product ("GDP") growth for 3Q 2018 and 9M 2018 was 6.5% and 6.7% year-on-year respectively. The year-to-date economic growth remains in line with 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 9.3% year-on-year to RMB 27.4 trillion in 3Q 2018. According to CBRE, international fashion brands, domestic middle range apparel brands, and cafes and restaurants continued to aggressively expand. Demand for bricks-and-mortar retail space continues to recover, backed by a range of drivers including growing investment from venture capital, the expansion of domestic apparel brands and strong demand from retailers for experience-based stores. (Source: National Bureau of Statistics of China and CBRE Market View)

Disposable income and expenditure per capita of urban residents increased 7.9% and 6.5% year-on-year respectively in 9M 2018. Consumption expenditure accounted for 78.0% of China's economic growth in 9M 2018. (Source: National Bureau of Statistics of China)

Looking ahead, BHG Retail REIT's portfolio of community-focused retail properties in prudently selected high growth cities and high population density precincts, is expected to remain resilient and stable. The newly proposed acquisition of Hefei Changjiangxilu Mall is expected to provide impetus to the REIT's growth in the years ahead. Against the backdrop of China's steadily rising residents' income and domestic spending, the Manager will continue to seek opportunities to create value and deliver long-term sustainable returns to our unitholders.

11 Distribution

(a) Current financial period

Any distribution declared for the current financial period? No.

(b) Corresponding period of the immediately preceding financial year

Any distribution declared for the corresponding period of the immediate preceding financial period? No.

(c) Date payable: Not Applicable.

(d) Book closure date: Not Applicable.

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

No interim distribution has been declared or recommended in the current financial period.

**BHG RETAIL REIT
UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT
THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2018**

- 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 2018, 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
Chairman

Ben Yeo Chee Seong
Director

**BHG RETAIL REIT
UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT
THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2018**

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 2018