



BHG RETAIL REIT
UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT
FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2017

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

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Introduction

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

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

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

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

The Group is presenting its financial results for the fourth quarter and year ended 31 December 2017.

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

“4Q 2016”: For the 3-month period from 1 October 2016 to 31 December 2016;

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

“12M 2016”: For the 12-month period from 1 January 2016 to 31 December 2016; and

“12M 2017”: For the 12-month period from 1 January 2017 to 31 December 2017.

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Distribution Policy

The REIT's distribution policy is to distribute 100.0% of its amount available for distribution to Unitholders for the financial period from 11 December 2015 to 31 December 2016. Thereafter, the Manager will distribute at least 90.0% of the REIT's amount available for distribution with the actual level of distribution to be determined at the discretion of the Board of Directors of the Manager.

Distribution to Unitholders will be made semi-annually based on the half-yearly results of the REIT and will be paid no later than 90 days after the end of each distribution period.

Summary of Group Results

	4Q 2017 ⁽¹⁾	4Q 2016 ⁽¹⁾⁽²⁾	Change	12M 2017 ⁽¹⁾	12M 2016 ⁽¹⁾⁽²⁾	Change
	(S\$'000)	(S\$'000)	(%)	(S\$'000)	(S\$'000)	(%)
Gross revenue	16,707	15,791	5.8	64,519	62,585	3.1
Net property income	11,137	10,300	8.1	42,944	40,286	6.6
Amount available for distribution	4,879	4,629	5.4	20,001	18,604	7.5
Distribution per Unit ("DPU") (cents)	1.32	1.31	0.8	5.47	5.32	2.8

Footnotes:

- (1) The actual results of the Group's foreign subsidiaries were translated using the average SGD: CNY rate of 1:4.884, 1:4.844, 1:4.894 and 1:4.791 for 4Q 2017, 4Q 2016, 12M 2017 and 12M 2016, respectively.
- (2) The comparative figures were for the quarter from 1 October 2016 to 31 December 2016 and for twelve months from 1 January 2016 to 31 December 2016, respectively. These figures were extracted from BHG Retail REIT's results for the fourth quarter and twelve months ended 31 December 2016.
- (3) Based on closing price of S\$0.740 and S\$0.655 as at 31 December 2017 and 31 December 2016, respectively.

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

	4Q 2017 ^(b)	4Q 2016 ^{(a)(b)}	Change	12M 2017 ^(b)	12M 2016 ^{(a)(b)}	Change	
Note	(S\$'000)	(S\$'000)	(%)	(S\$'000)	(S\$'000)	(%)	
Statement of Total Return							
Gross revenue ^(c)	16,707	15,791	5.8	64,519	62,585	3.1	
Property operating expenses ^{(c),(d)}	(5,570)	(5,491)	1.4	(21,575)	(22,299)	(3.2)	
Net property income	11,137	10,300	8.1	42,944	40,286	6.6	
Other income	(1)	147	91	61.5	513	131	>100.0
Manager's base fee	(2)	(488)	(463)	5.4	(2,000)	(1,861)	7.5
Manager's performance fee	(2)	(178)	(209)	(14.8)	(282)	(209)	34.9
Trustee's fee		(27)	(35)	(22.9)	(127)	(135)	(5.9)
Other expenses		(242)	(253)	(4.3)	(942)	(798)	18.0
Finance income		323	366	(11.7)	720	416	73.1
Foreign exchange (loss)/gain - realised		-	(102)	(100.0)	(15)	-	N/M
Finance cost	(3)	(2,354)	(2,110)	11.6	(8,952)	(8,824)	1.5
Net income	8,318	7,585	9.7	31,859	29,006	9.8	
Change in fair value of investment properties	(4)	8,298	25,940	(68.0)	8,298	40,646	(79.6)
Foreign exchange gain/(loss) - unrealised		-	20	(100.0)	(1)	(65)	(98.5)
Total return for the period before taxation	16,616	33,545	(50.5)	40,156	69,587	(42.3)	
Taxation	(5)	(4,038)	(8,335)	(51.6)	(8,683)	(16,680)	(47.9)
Total return for the period after taxation	12,578	25,210	(50.1)	31,473	52,907	(40.5)	
Attributable to:							
Unitholders		7,618	17,045	(55.3)	20,942	34,001	(38.4)
Non-controlling interests		4,960	8,165	(39.3)	10,531	18,906	(44.3)
Total return for the period after taxation	12,578	25,210	(50.1)	31,473	52,907	(40.5)	
Distribution Statement							
Total return for the period attributable to Unitholders		7,618	17,045	(55.3)	20,942	34,001	(38.4)
Distribution adjustments	(6)	(2,739)	(12,416)	(77.9)	(941)	(15,397)	(93.9)
Amount available for distribution		4,879	4,629	5.4	20,001	18,604	7.5

N/M: not meaningful

Footnotes:

- The comparative figures were for the quarter from 1 October 2016 to 31 December 2016 and for twelve months from 1 January 2016 to 31 December 2016, respectively. These figures were extracted from BHG Retail REIT's results for the fourth quarter and twelve months ended 31 December 2016.
- The actual results of the Group's foreign subsidiaries were translated using the average SGD: CNY rate of 1:4.884, 1:4.844, 1:4.894 and 1:4.791 for 4Q 2017, 4Q 2016, 12M 2017 and 12M 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 this is netted off against revenue instead of being reflected in property operating expenses.
- Includes property management fees of S\$567,000, S\$529,000, S\$2,179,000 and S\$2,067,000 for 4Q 2017, 4Q 2016, 12M 2017 and 12M 2016, respectively.
With effect from 1 July 2016, the Beijing State Government aligned its tax policy with the national practice of charging Property Tax based on rental income. This resulted in higher property-related tax expenses for Beijing Wanliu Mall. The change in Beijing's Property Tax is in-line with current property tax for the other four properties in the portfolio.

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Notes to Consolidated Statement of Total Return and Distribution Statement:

(1) Other income

Other income mainly comprised compensation on liquidated damages, government grant and miscellaneous income.

(2) Manager's management fee

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

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

For financial year 2016, given there is no preceding financial year for the Group, the difference in DPU shall be the difference between actual DPU and the forecasted DPU from the Forecast as disclosed in the Prospectus.

(3) Finance cost

Finance cost comprised the following:

	4Q 2017 (S\$'000)	4Q 2016 (S\$'000)	Change (%)	12M 2017 (S\$'000)	12M 2016 (S\$'000)	Change (%)
Borrowing costs	2,271	2,028	12.0	8,622	8,497	1.5
Amortisation of debt establishment costs	83	82	1.2	330	327	0.9
Finance cost	2,354	2,110	11.6	8,952	8,824	1.5

(4) Net change in fair value of investment properties

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

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

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(5) Taxation

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

	4Q 2017 (S\$'000)	4Q 2016 (S\$'000)	Change (%)	12M 2017 (S\$'000)	12M 2016 (S\$'000)	Change (%)
Current period:						
- Income tax	1,642	1,334	23.1	5,913	4,911	20.4
- Deferred tax	2,292	7,001	(67.3)	2,257	11,657	(80.6)
- Withholding tax	104	-	N/M	513	112	>100.0
	4,038	8,335	(51.6)	8,683	16,680	(47.9)

Higher income tax in 4Q 2017 and 12M 2017 is in-line with higher operating profits.

Lower deferred tax in 4Q 2017 and 12M 2017 mainly arises from lower increase in net change in fair value of investment properties as compared to 4Q 2016 and 12M 2016. Please refer to item 1(a) Note (4) on page 5 of this announcement.

Higher withholding tax in 12M 2017 is mainly due to higher declared and repatriated dividends from subsidiaries in China to its immediate holding companies in Singapore after the payment of the relevant withholding tax.

(6) Distribution adjustments

	4Q 2017 (S\$'000)	4Q 2016 (S\$'000)	Change (%)	12M 2017 (S\$'000)	12M 2016 (S\$'000)	Change (%)
<u>Distribution adjustments</u>						
- Amortisation of debt establishment costs	83	82	1.2	330	327	0.9
- Change in fair value of investment properties ^(a)	(4,369)	(17,775)	(75.4)	(4,369)	(24,409)	(82.1)
- Deferred tax expense ^(a)	1,091	4,703	(76.8)	1,275	6,713	(81.0)
- Manager' management base fee payable in Units	418	463	(9.7)	1,930	1,861	3.7
- Manager's management performance fee payable in Units	178	209	(14.8)	282	209	34.9
- Property management fees payable in Units	192	175	9.7	737	699	5.4
- Transfer to statutory reserve ^(a)	(361)	(284)	27.1	(1,241)	(1,025)	21.1
- Other adjustments ^(a)	29	11	>100.0	115	228	(49.6)
Net distribution adjustments	(2,739)	(12,416)	(77.9)	(941)	(15,397)	(93.9)

N/M: not meaningful

Footnote:

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

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1(b)(i) Statements of Financial Position

Note	Group		REIT	
	31 Dec 2017 ^(a)	31 Dec 2016 ^(a)	31 Dec 2017 ^(a)	31 Dec 2016 ^(a)
	S\$'000	S\$'000	S\$'000	S\$'000
Non-current assets				
(1)	811,116	810,692	-	-
	690	733	-	-
	-	-	525,088	526,707
	123	46	-	-
	22	208	-	-
	811,951	811,679	525,088	526,707
Current assets				
(2)	4,160	8,279	189	1,290
(3)	72,081	51,669	547	382
	76,241	59,948	736	1,672
Total assets	888,192	871,627	525,824	528,379
Non-current liabilities				
(4)	215,500	140,442	147,690	70,657
	1,843	1,869	-	-
	4,461	6,693	-	-
	24,404	22,564	-	-
	246,208	171,568	147,690	70,657
Current liabilities				
(4)	25,972	90,020	24,760	88,800
	19,401	19,169	1,334	1,138
	11,730	7,991	-	-
	1,832	1,493	-	-
	58,935	118,673	26,094	89,938
Total liabilities	305,143	290,241	173,784	160,595
Net assets	583,049	581,386	352,040	367,784
Represented by:				
	416,454	421,177	352,040	367,784
	166,595	160,209	-	-
	583,049	581,386	352,040	367,784

Footnotes:

- (a) The results of the Group's foreign subsidiaries were translated using the closing SGD: CNY rate of 1: 4.865 and 1:4.798 as at 31 December 2017 and 31 December 2016, respectively.

Notes to Statements of Financial Position:

- (1) Increase in investment properties is mainly due to the net change in fair value and translation difference.
- (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\$28.7 million and S\$13.3 million as at 31 December 2017 and 31 December 2016, respectively, which is used to secure bank facilities.
- (4) Loans and borrowings are measured at amortised cost. The REIT has refinanced part of its S\$148 million facility (S\$77.0 million) due in December 2017.

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

	31 Dec 2017 ^(a) (S\$'000)	31 Dec 2016 ^(a) (S\$'000)
Secured borrowings		
- Amount repayable within one year	26,015	90,050
- Amount repayable after one year	216,222	141,441
- Less: Debt establishment costs ^(b)	(765)	(1,029)
Total secured borrowings	241,472	230,462
Unsecured borrowings	-	-
Total borrowings	241,472	230,462

Footnotes:

(a) The balances of the Group's foreign subsidiaries are translated using the closing SGD: CNY rate of 1:4.865 and 1:4.798 as at 31 December 2017 and 31 December 2016, respectively.

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

Details of any collaterals

The Group has put in place two onshore secured borrowing facilities of RMB 280 million and RMB 71 million, and an offshore secured borrowing facility of S\$148 million. As at 31 December 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 REIT has refinanced part of its S\$148 million facility due in December 2017. During 2017, the Group had repaid RMB 3.0 million of each of the onshore facilities, in accordance with the facility agreements.

The onshore facilities are collectively secured by a legal mortgage over the Group's investment properties, and a pledge over the receivables of the five subsidiaries in China.

The offshore facility is secured by way of a charge on 100% of the REIT's shareholding in the Singapore holding companies, an equity pledge on Petra 1 (China) Mall Pte. Ltd.'s 60% equity interest in Beijing Hualian Wanmao Shopping Mall Management Co., Ltd., and equity pledges on the remaining four Singapore holding companies' 100% equity interest in the respective subsidiaries in China.

In addition to the above facilities, the REIT has obtained and drew down from other bank facilities an amount totalling S\$24.8 million in 2017. The facilities were obtained mainly for the purpose of financing the payment of distribution, and interest payment of the borrowings. The credit facilities are secured by the restricted cash from the five subsidiaries in China.

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1 (c) Consolidated Statement of Cash Flows

Note	4Q 2017 (S\$'000)	4Q 2016 ^(a) (S\$'000)	12M 2017 (S\$'000)	12M 2016 ^(a) (S\$'000)
Operating activities				
Total return for the period	12,578	25,210	31,473	52,907
Adjustments for:				
Manager's management fee payable in Units	596	672	2,212	2,070
Property management fees payable in Units	192	175	737	699
Finance income	(323)	(366)	(720)	(416)
Finance cost	2,354	2,110	8,952	8,824
Loss on disposal of plant and equipment	-	-	2	-
Depreciation	34	39	135	225
Change in fair value of investment properties	(8,298)	(25,940)	(8,298)	(40,646)
Foreign exchange (gain)/loss - unrealized	-	(20)	1	65
Taxation	4,038	8,335	8,683	16,680
Operating income before working capital changes	11,171	10,215	43,177	40,408
Changes in working capital:				
Trade and other receivables	(251)	(350)	4,002	(1,759)
Trade and other payables	3,844	4,488	(2,322)	3,732
Cash generated from operating activities	14,764	14,353	44,857	42,381
Tax paid	(1,368)	(1,083)	(5,555)	(5,494)
Net cash from operating activities	13,396	13,270	39,302	36,887
Investing activities				
Capital expenditure on investment properties	(1,022)	(452)	(3,213)	(6,037)
Purchase of plant and equipment	(9)	(82)	(105)	(125)
Interest received	323	370	720	417
Net cash used in investing activities	(708)	(164)	(2,598)	(5,745)
Financing activities				
Distribution to unitholders	-	-	(19,029)	(9,884)
Increase in restricted cash	(3,850)	(2,263)	(15,433)	(13,296)
Interest paid	(3,290)	(5,877)	(8,345)	(8,216)
Proceeds from borrowings	(1) 3,500	1,800	24,760	43,800
Repayment of borrowings	(2) (2,413)	(610)	(13,026)	(34,442)
Payment of transaction costs related to loans and borrowings	(77)	-	(77)	(1,394)
Net cash used in financing activities	(6,130)	(6,950)	(31,150)	(23,432)
Net increase in cash and cash equivalents	6,558	6,156	5,554	7,710
Cash and cash equivalents at beginning of the period	36,631	31,400	38,373	32,540
Effect of exchange rate fluctuations on cash held	163	817	(575)	(1,877)
Cash and cash equivalents at end of the period	(3) 43,352	38,373	43,352	38,373

Footnotes:

- (a) The comparative figures were for the quarter from 1 October 2016 to 31 December 2016 and for twelve months from 1 January 2016 to 31 December 2016, respectively. These figures were extracted from BHG Retail REIT's results for the fourth quarter and twelve months ended 31 December 2016.

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Notes to Consolidated Statement of Cash Flows:

- (1) The REIT has drawdown S\$3.5 million and S\$1.8 million in 4Q 2017 and 4Q 2016 to fund interest payments on borrowings. On a full year basis, the REIT has drawdown S\$24.8 million in 2017 to fund 1H 2017 distribution and fund interest payments of borrowings. Proceed from borrowings of S\$43.8 million in 12M 2016 was drew down for repayment of the loan of S\$33.2 million in one of the subsidiaries in PRC and for 1H 2016 distribution and fund interest payments of borrowings.
- (2) Repayment of borrowings of S\$2.4 million and S\$0.6 million in 4Q 2017 and 4Q 2016 are mainly for the settlement of credit facilities and to repay onshore facility in accordance with the facility agreement. Repayment of borrowings of S\$13.0 million in 12M 2017 are mainly for the settlement of credit facilities due and the repayment of borrowings of S\$34.4 million in 12M 2016 are mainly to repay the loan in one of the subsidiaries in PRC.
- (3) For purpose of the Consolidated Statement of Cash Flows, the cash and cash equivalents comprised the following:

	31 Dec 2017 (S\$'000)	31 Dec 2016 (S\$'000)
Bank and cash balances	72,081	51,669
Less: Restricted cash	(28,729)	(13,296)
Cash and cash equivalents of cash flows statement	43,352	38,373

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

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

	Group			
	4Q 2017 (S\$'000)	4Q 2016 ^(a) (S\$'000)	12M 2017 (S\$'000)	12M 2016 ^(a) (S\$'000)
Unitholders' funds as at beginning of the period	412,564	395,287	421,177	404,611
Change in Unitholders' funds resulting from operations before distribution	7,618	17,045	20,942	34,001
Transfer to statutory reserve	(361)	(284)	(1,241)	(1,025)
Net increase in net assets resulting from operations	419,821	412,048	440,878	437,587
Unitholders' transactions				
Issue of new Units				
- Manager's management fee paid/payable in Units	596	672	2,212	2,070
- Property management fees paid/payable in Units	192	175	737	699
Issue expenses	-	-	-	1,378
Distribution to Unitholders	-	-	(19,029)	(9,884)
Net decrease in net assets resulting from Unitholders' transactions	788	847	(16,080)	(5,737)
Movement in foreign currency translation reserve	(4,516)	7,998	(9,585)	(11,698)
Movement in statutory reserve	361	284	1,241	1,025
Total Unitholders' funds as at end of the period	416,454	421,177	416,454	421,177

Footnote:

- (a) The comparative figures were for the quarter from 1 October 2016 to 31 December 2016 and for twelve months from 1 January 2016 to 31 December 2016, respectively. These figures were extracted from BHG Retail REIT's results for the fourth quarter and twelve months ended 31 December 2016.

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

	REIT			
	4Q 2017 (S\$'000)	4Q 2016 ^(a) (S\$'000)	12M 2017 (S\$'000)	12M 2016 ^(a) (S\$'000)
Unitholders' funds as at beginning of the period	353,362	369,031	367,784	380,909
Change in Unitholders' funds resulting from operations before distribution	(2,110)	(2,094)	336	(7,388)
Net increase in net assets resulting from operations	351,252	366,937	368,120	373,521
Unitholders' transactions				
Issue of new Units				
- Manager's management fee paid/payable in Units	596	672	2,212	2,070
- Property management fees paid/payable in Units	192	175	737	699
Issue expenses	-	-	-	1,378
Distribution to Unitholders	-	-	(19,029)	(9,884)
Net decrease in net assets resulting from Unitholders' transactions	788	847	(16,080)	(5,737)
Total Unitholders' funds as at end of the period	352,040	367,784	352,040	367,784

Footnote:

- (a) The comparative figures were for the quarter from 1 October 2016 to 31 December 2016 and for nine months from 1 January 2016 to 31 December 2016, respectively. These figures were extracted from BHG Retail REIT's results for the fourth quarter and twelve months ended 31 December 2016.

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

	4Q 2017 (‘000)	4Q 2016 (‘000)	12M 2017 (‘000)	12M 2016 (‘000)
REIT				
Units in issue:				
As at beginning of period	498,780	494,634	495,560	492,827
Issue of new units relating to:				
- Manager’s management fee payable in Units	699	670	3,149	1,988
- Property manager’s fee payable in Units	258	256	1,028	745
Issued units as at end of period	499,737	495,560	499,737	495,560
Units to be issued:				
Manager’s management base fee payable in Units	561	720	561	720
Manager’s management performance fee payable in Units	378	326	378	326
Property manager’s fee payable in Units	258	271	258	271
To be issued units as at end of period	1,197	1,317	1,197	1,317
Total issued and issuable units as at end of period	500,934	496,877	500,934	496,877

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

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

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

Not applicable.

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

The accounting policies and methods of computation adopted in the preparation of the financial statements for the current report period are consistent with those stated in the audited financial statements for the financial year ended 31 December 2016, except for the adoption of revised Financial Accounting Standards (“FRS”) (including its consequential amendments) and interpretations effective for the financial period beginning 1 Jan 2017 as follows:

FRS 7 Statement of Cash Flows
FRS 12 Income Taxes

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

Nil.

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6 Earnings per Unit and Distribution per Unit

	4Q 2017	4Q 2016	12M 2017	12M 2016
Weighted average number of units ('000)				
Basic	499,750	495,602	498,331	494,079
Diluted	500,934	496,877	500,934	496,877
Earnings per unit ("EPU") ^{(a) (b)} (cents)				
Basic	1.52	3.44	4.20	6.88
Diluted	1.51	3.43	4.18	6.84
Number of Units entitled to distribution ('000)	365,434	349,060	365,434	349,060
Distribution per unit ("DPU") ^(c) (cents)	1.32	1.31	5.47	5.32

Footnotes:

- (a) EPU is calculated based on total return after taxation and non-controlling interests.
- (b) Higher EPU in 12M 2016 was due mainly to higher full year valuation. 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 365,434,000, 349,060,000, 365,434,000 and 349,060,000 in 4Q 2017, 4Q 2016, 12M 2017 and 12M 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 4Q 2017, 4Q 2016, 12M 2017 and 12M 2016 respectively, in accordance with the Distribution Waiver provided by our strategic investor.

7 Net Asset Value ("NAV") per Unit

	Group		REIT	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Number of Units in issue and to be issued at end of period ('000)	500,934	496,877	500,934	496,877
Net asset value per Unit (S\$) ^(a)	0.83	0.85	0.70	0.74

Footnote:

- (a) The NAV per unit is computed based on the Units in issue and to be issued of 500,934,000 and 496,877,000 as at 31 December 2017 and 31 December 2016, respectively.

8 Review of the Performance

The Group recorded S\$1.0 million (5.8%) and S\$1.9 million (3.1%) higher gross revenue in 4Q 2017 and 12M 2017, respectively. This was due mainly to higher rental reversion and increase in occupancy recorded in our three multi-tenanted malls in China. 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, where the full effect was recorded for the full year in 2017.

Property Operating Expenses in 4Q 2017 was in-line with 4Q 2016. 12M 2017 was S\$0.7 million (3.2%) lower than 12M 2016. These were due mainly to the VAT reform where Business Tax (which was previously recorded under Property Operating Expenses) was replaced with VAT with effect from 1 May 2016, and the VAT is netted off against gross revenue, against with the full effect recorded for the full year in 2017.

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 12M 2017 as compared to 12M 2016. The change in Beijing's property tax policy is in line with the other four properties in the portfolio.

Despite the higher property-related tax expenses (which are included in the property operating expenses) in Beijing Wanliu Mall, net property income was S\$0.8 million (8.1%) and S\$2.7 million (6.6%) higher than 4Q 2016 and 12M 2016, respectively. This was due mainly to the increase in rental revenue.

Finance cost in 4Q 2017 was S\$0.2 million (11.6%) higher than 4Q 2016, this was due mainly to the increase in interest rates. Finance cost in 12M 2017 was S\$0.1 million (1.5%) higher than 12M 2016. This was largely due to the higher interest rate on borrowings and partially offset by the repayment of the loan in one of the subsidiaries in PRC in 1Q 2016.

Taxation includes income tax, deferred tax and withholding tax. Tax expense for 4Q 2017 and 12M 2017 were S\$4.3 million (51.6%) and S\$8.0 million (47.9%) lower than 4Q 2016 and 12M 2016, respectively. Lower deferred tax in 4Q 2017 and 12M 2017 are mainly due to the marginal increase in fair value of investment properties as compared to 4Q 2016 and 12M 2016. Please refer to item 1(a) Note (5) on page 6 of this announcement.

9. Variance from previous forecast or prospect statement

The Group has not disclosed any forecast to the market.

10 Commentary on the competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group in the next reporting period and the next 12 months

China's economy achieved a stable momentum in 2017. Gross domestic product expanded 6.9% year-on-year to RMB 82.7 trillion for the full year 2017. This exceeded the government's target of 6.5% and International Monetary Fund's forecast of 6.8%. The China government reiterated their focus on growth quality and efficiency before pace. (Source: National Bureau of Statistics of China)

Retail sales rose 10.2% year-on-year to RMB 36.6 trillion for the full year 2017. According to CBRE, China's consumer index rose along with improving expectations among consumers. China's consumption market recorded improved performance across a number of sub-sectors including apparel, cosmetics, gyms, culture and entertainment. Sportswear retailers continued to open new stores. Non-fashion sectors like F&B and culture remained active and pop-up stores are increasingly popular among both retailers and landlords. Shopping malls remain active in attracting new entrants. (Source: National Bureau of Statistics of China, CBRE Marketview)

China's increasing domestic consumption remained underpinned by the rise of residents' income. Disposable income and expenditure per capita of urban residents increased 6.5% and 5.4% year-on-year respectively in 2017. Proportion of urban population to total population (urbanisation rate) increased from 57.3% in 2016 to 58.5% in 2017. (Source: National Bureau of Statistics of China)

Against this backdrop, the Group's current portfolio of community-focused retail properties in prudently selected locales with high population density is expected to stay robust. This is anchored by increasing domestic consumption, rising residents' income, and continuing urbanisation.

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11 Distribution

(a) Current financial period

Any distribution declared for the current financial period?	Yes
Distribution period	: 1 July 2017 to 31 December 2017
Distribution rate	: 2.01 cents per unit capital distribution, 0.72 cents per unit tax exempt income
Distribution type	: Capital distribution/ Tax exempt income
Tax rate	: Capital distribution represents a return of capital to Unitholders for Singapore income tax purpose and is therefore not subject to income tax. For Unitholders who hold the Units as trading assets, the amount of capital gain distribution will be applied to reduce the cost base of their Units for the purpose of calculating the amount of taxable trading gains arising from the disposal of the Units. Tax exempt income distribution is exempt from Singapore income tax in the hands of all Unitholders. No tax will be deducted from such distribution.
Remark	: The capital distribution/tax exempt income from 1 July 2017 to 31 December 2017 is expected to be funded from borrowing at the REIT level.

(b) Corresponding period of the immediately preceding financial year

Any distributions declared for the corresponding period of the immediate preceding financial periods?	: Yes
Distribution period	: 1 July 2016 to 31 December 2016
Distribution rate	: 2.60* cents per unit
Distribution type	: Capital distribution

* These figures were extracted from BHG Retail REIT's results for the fourth quarter and twelve months ended 31 December 2016

(c) Date payable : 28 March 2018

(d) Book closure date : 12 March 2018

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

Not Applicable.

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- 13 If the Group has obtained a general mandate from Unitholders for interested person transactions (“IPT”), the aggregate value of such transactions are required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Group has not obtained a general mandate from Unitholders for IPT.

14 **Segmental Information**

- 14 (a) Total gross revenue

	12M 2017 Actual (S\$'000)	12M 2016 Actual (S\$'000)	Changes (%)
<u>Multi-Tenanted Malls</u>			
Beijing Wanliu	38,478	36,873	4.4
Chengdu Konggang	11,002	10,805	1.8
Hefei Mengchenglu	9,430	9,164	2.9
	58,910	56,842	3.6
<u>Master-Leased Malls</u>			
Xining Huayuan	3,298	3,372	(2.2)
Dalian Jinsanjiao	2,311	2,371	(2.5)
	5,609	5,743	(2.3)
Total gross revenue	64,519	62,585	3.1

- 14 (b) Net property income

	12M 2017 Actual (S\$'000)	12M 2016 Actual (S\$'000)	Changes (%)
<u>Multi-Tenanted Malls</u>			
Beijing Wanliu	25,445	23,882	6.5
Chengdu Konggang	6,390	5,702	12.1
Hefei Mengchenglu	6,009	5,569	7.9
	37,844	35,153	7.7
<u>Master-Leased Malls</u>			
Xining Huayuan	2,995	3,040	(1.5)
Dalian Jinsanjiao	2,105	2,093	0.6
	5,100	5,133	(0.6)
Total net property income	42,944	40,286	6.6

- 15 In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments

Please refer to item 8 and 14 on the review.

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16 Breakdown of sales and net income

	12M 2017 (S\$'000)	12M 2016 (S\$'000)
Gross revenue reported for first half year ^{(a), (c)}	31,350	31,411
Net income after tax and NCI for first half year ^{(a), (c)}	8,748	13,081
Gross revenue reported for second half year ^{(b), (c)}	33,169	31,174
Net income after tax and NCI for second half year ^{(b), (c)}	12,194	20,920

Footnotes:

- a. The results for the first half year relates to the period from 1 January 2017 to 30 June 2017 and 1 January 2016 to 30 June 2016, respectively.
- b. The results for the second half year relates to the period from 1 July 2017 to 31 December 2017 and 1 July 2016 to 31 December 2016, respectively.
- c. Please refer to item 8 on the review.

17 Breakdown of total annual distribution

	12M 2017 (S\$'000)	12M 2016 (S\$'000)
In respect of period:		
1 January 17 - 30 June 17	9,953	-
1 July 17 - 31 December 17	9,976	-
1 January 16 - 30 June 16	-	9,454
1 July 16 - 31 December 16	-	9,076
Annual distribution to Unitholders	19,929	18,530

* For the quarter ended 31 December 2017, the Manager of the REIT declared a distribution per unit of 2.73 Singapore cents totaling S\$9,976,000 to the unitholders of the REIT, payable on 28 March 2018.

18 Confirmation pursuant to Rule 720(1) of the Listing Manual

The Manager confirms that it has procured undertakings from all Directors and Executive Officers (in the format set out in Appendix 7.7) pursuant to Rule 720(1) of the Listing Manual.

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19 Confirmation pursuant to Rule 704(13) of the Listing Manual

Pursuant to Rule 704(13) of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Manager confirms that there is no person occupying a managerial position in the Manager or in any of the REIT's principal subsidiaries who is a relative of a director, chief executive officer, substantial shareholder of the Manager or substantial unitholder of the REIT.

On behalf of the Board of the Manager

Francis Siu Wai Keung
Director

Ben Yeo Chee Seong
Director

This release may contain forward-looking statements that involve assumptions, risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from similar developments, shifts in expected levels of property rental income, changes in operating expenses (including employee wages, benefits and training costs), property expenses and governmental, public policy changes, and the continued availability of financing. Investors are cautioned not to place undue reliance on these forward-looking statements, which are based on the Manager's current view of future events.

The value of units in the REIT ("Units") and the income derived from them, if any, may fall or rise. Units are not obligations of, deposits in, or guaranteed by, the Manager or any of its affiliates. An investment in Units is subject to investment risks, including the possible loss of the principal amount invested. The past performance of the Group is not necessarily indicative of the future performance of the Group.

Investors should note that they have no right to request the Manager to redeem or purchase their Units for so long as the Units are listed on the SGX-ST. It is intended that holders of Units may only deal in their Units through trading on the SGX-ST. The listing of the Units on the SGX-ST does not guarantee a liquid market for the Units.

By Order of the Board

Ms Kiar Lee Noi
Company Secretary

BHG Retail Trust Management Pte. Ltd.

(Company registration no. 201504222D)
(as Manager of BHG Retail REIT)

23 February 2018