

UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT OF OUE H-TRUST AND OUE H-REIT AND ITS SUBSIDIARY (“OUE H-REIT GROUP”) FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2016

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INTRODUCTION

OUE Hospitality Trust (“**OUE H-Trust**”) is a stapled group (the “**Stapled Group**”) comprising OUE Hospitality Real Estate Investment Trust (“**OUE H-REIT**”), a real estate investment trust, and its subsidiary (the “**OUE H-REIT Group**”) and OUE Hospitality Business Trust (“**OUE H-BT**”), a business trust. OUE H-Trust was listed on Singapore Exchange Securities Trading Limited (“**SGX**”) on 25 July 2013 (the “**Listing Date**”).

The units in OUE H-REIT and OUE H-BT are stapled together as stapled securities in OUE H-Trust (“**Stapled Securities**”) under the terms of a stapling deed dated 10 July 2013 (the “**Stapling Deed**”) entered into between OUE Hospitality REIT Management Pte. Ltd. (in its capacity as the manager of OUE H-REIT) (the “**REIT Manager**”), RBC Investor Services Trust Singapore Limited (in its capacity as the trustee of OUE H-REIT) (the “**REIT Trustee**”) and OUE Hospitality Trust Management Pte. Ltd. (in its capacity as the trustee-manager of OUE H-BT) (the “**Trustee-Manager**”). Each Stapled Security in OUE H-Trust comprises one unit in OUE H-REIT and one unit in OUE H-BT and cannot be traded separately.

OUE H-REIT was constituted by a trust deed dated 10 July 2013 (the “**REIT Trust Deed**”). OUE H-REIT is a Singapore-based REIT established with the principal investment strategy of investing, directly or indirectly, in a portfolio of income-producing real estate which is used primarily for hospitality and/or hospitality-related purposes, whether wholly or partially, as well as real estate-related assets.

Post-listing, OUE H-REIT completed the acquisition of the 320-room Crowne Plaza Changi Airport (“**CPCA**”) for a purchase consideration of \$290 million on 30 January 2015 and the acquisition of the 243-room extension of CPCA (“**CPEX**”) for a purchase consideration of \$205 million on 1 August 2016. As at 31 December 2016, OUE H-REIT’s asset portfolio comprised the 1,077-room Mandarin Orchard Singapore (“**MOS**”); the adjoining Mandarin Gallery (“**MG**”); and the 563-room Crowne Plaza Changi Airport which was named the World’s Best Airport Hotel 2016.

OUE H-BT was constituted by a trust deed dated 10 July 2013. OUE H-BT is a Singapore-based business trust which is presently dormant. OUE H-BT will, however, become active if OUE H-REIT is unable to appoint a master lessee for its hospitality assets or for a newly acquired hospitality asset. In such circumstances, OUE H-BT will be appointed by OUE H-REIT as a master lessee for that hospitality asset, and OUE H-BT will in turn appoint a professional hotel manager to manage the day-to-day operations and marketing of the hospitality asset. OUE H-BT exists primarily as “a master lessee of last resort”.

Distribution Policy

OUE H-REIT will distribute at least 90.0% of its property-related income chargeable to tax under the Income Tax Act, Chapter 134 of Singapore after the deduction of allowable expenses and capital allowances, if any (“**Taxable Income**”), to holders of Stapled Securities (“**Stapled Securityholders**”), with the actual level of distribution to be determined at the REIT Manager board’s discretion after having considered OUE H-Trust’s funding requirements, other capital management considerations and the overall stability of distributions.

OUE H-REIT makes distributions on a quarterly basis in arrears for the periods ending 31 March, 30 June, 30 September and 31 December each year.

OUE H-BT may make distributions in the future when it becomes active and profitable.

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1 (a) STATEMENTS OF TOTAL RETURN

OUE H-REIT Group							
Note	4Q2016	4Q2015	Increase/ (Decrease)	FY2016	FY2015	Increase/ (Decrease)	
	\$'000	\$'000	%	\$'000	\$'000	%	
	Gross revenue	33,224	32,981	0.7	122,494	124,588	(1.7)
	Property tax	(976)	(2,037)	(52.1)	(6,919)	(7,934)	(12.8)
	Insurance	(60)	(57)	5.3	(222)	(223)	(0.4)
	Other property expenses	(2,633)	(2,046)	28.7	(7,958)	(7,325)	8.6
	Net property income	29,555	28,841	2.5	107,395	109,106	(1.6)
	Other income	1,625	-	n.m.	2,682	-	n.m.
	REIT Manager's base management fees	(1,702)	(1,588)	7.2	(6,562)	(6,290)	4.3
	REIT Manager's performance fees	(1,140)	(1,154)	(1.2)	(4,296)	(4,364)	(1.6)
	REIT Trustee's fees	(106)	(99)	7.1	(410)	(392)	4.6
	Amortisation of intangible asset	(948)	-	n.m.	(1,292)	-	n.m.
	Other trust expenses	(362)	(155)	>100	(1,251)	(1,071)	16.8
	Finance income	20	47	(57.4)	255	1,168	(78.2)
	Finance expenses	(5,659)	(6,601)	(14.3)	(25,190)	(23,371)	7.8
	Net finance expenses	(5,639)	(6,554)	(14.0)	(24,935)	(22,203)	12.3
	Net Income	21,283	19,291	10.3	71,331	74,786	(4.6)
	Net change in fair value of investment properties	(52,907)	2,924	n.m.	(53,915)	2,924	n.m.
	Total return for the period	(31,624)	22,215	n.m.	17,416	77,710	(77.6)

Stapled Group							
Note	4Q2016	4Q2015	Increase/ (Decrease)	FY2016	FY2015	Increase/ (Decrease)	
	\$'000	\$'000	%	\$'000	\$'000	%	
	Gross revenue	33,224	32,981	0.7	122,494	124,588	(1.7)
	Property tax	(976)	(2,037)	(52.1)	(6,919)	(7,934)	(12.8)
	Insurance	(60)	(57)	5.3	(222)	(223)	(0.4)
	Other property expenses	(2,633)	(2,046)	28.7	(7,958)	(7,325)	8.6
	Net property income	29,555	28,841	2.5	107,395	109,106	(1.6)
	Other income	1,625	-	n.m.	2,682	-	n.m.
	REIT Manager's base management fees	(1,702)	(1,588)	7.2	(6,562)	(6,290)	4.3
	REIT Manager's performance fees	(1,140)	(1,154)	(1.2)	(4,296)	(4,364)	(1.6)
	REIT Trustee's fees	(106)	(99)	7.1	(410)	(392)	4.6
	Amortisation of intangible asset	(948)	-	n.m.	(1,292)	-	n.m.
	Other trust expenses	(363)	(155)	>100	(1,254)	(1,074)	16.8
	Finance income	20	47	(57.4)	255	1,168	(78.2)
	Finance expenses	(5,659)	(6,601)	(14.3)	(25,190)	(23,371)	7.8
	Net finance expenses	(5,639)	(6,554)	(14.0)	(24,935)	(22,203)	12.3
	Net Income	21,282	19,291	10.3	71,328	74,783	(4.6)
	Net change in fair value of investment properties	(52,907)	2,924	n.m.	(53,915)	2,924	n.m.
	Total return for the period	(31,625)	22,215	n.m.	17,413	77,707	(77.6)

n.m.: not meaningful

NOTES TO THE STATEMENTS OF TOTAL RETURN

- Gross revenue comprises master lease income from MOS and CPCA, and rental income from MG. Please refer to section 8 for further details.
- Other property expenses comprise mainly property maintenance expenses, utilities expenses, marketing expenses, land rent expenses and property management fees.
- Other income relates to income support provided by OUE Airport Hotel Pte. Ltd. (“OUEAH”) pursuant to a Deed of Income Support which OUE H-REIT entered into with OUEAH upon its completion of the acquisition of CPEX on 1 August 2016 (the “Deed of Income Support”).

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1 (a) STATEMENTS OF TOTAL RETURN (cont’d)

NOTES TO THE STATEMENTS OF TOTAL RETURN (cont’d)

- (d) Amortisation of intangible asset relates to amortisation of income support provided by OUEAH pursuant to the Deed of Income Support. The amortisation is non-cash in nature and has no impact on income available for distribution.
- (e) Net finance expenses comprise the following:

OUE H-REIT Group and Stapled Group						
Note	4Q2016	4Q2015	Increase/ (Decrease)	FY2016	FY2015	Increase/ (Decrease)
	\$'000	\$'000	%	\$'000	\$'000	%
Interest income from fixed deposits	20	15	33.3	255	59	>100
Ineffective portion of changes in fair value of cash flow hedge	-	32	n.m.	-	1,109	n.m.
Finance income	20	47	(57.4)	255	1,168	(78.2)
Amortisation of debt-related transaction costs	(522)	(577)	(9.5)	(2,249)	(2,258)	(0.4)
Interest expense paid/payable to banks	(5,339)	(6,024)	(11.4)	(22,289)	(21,113)	5.6
Change in fair value of financial derivatives	-	-	-	(374)	-	n.m.
Ineffective portion of changes in fair value of cash flow hedge	202	-	n.m.	(278)	-	n.m.
Finance expenses	(5,659)	(6,601)	(14.3)	(25,190)	(23,371)	7.8
Net finance expenses	(5,639)	(6,554)	(14.0)	(24,935)	(22,203)	12.3

n.m.: not meaningful

- (e)(i) In FY2016, the higher interest income from fixed deposits arose from the placement of rights issue proceeds as fixed deposits while awaiting deployment of the funds.
- (e)(ii) This relates to the change in fair value of the interest rate swaps that were entered into to hedge OUE H-REIT's interest rate risk. It is a non-cash item and the gain/(loss) is adjusted to arrive at the income available for distribution (see (h) below).
- (e)(iii) In 4Q2016, the interest expense was lower as total outstanding term loan had decreased.

In FY2016, the higher interest expenses were mainly due to \$295 million term loan that was drawdown on 30 January 2015 to fund the acquisition of CPCA, hence a full 12 months of interest in FY2016 as compared to 11 months of interest in FY2015.

UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT OF OUE H-TRUST AND OUE H-REIT AND ITS SUBSIDIARY (“OUE H-REIT GROUP”) FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2016

1 (a) STATEMENTS OF TOTAL RETURN (cont’d)

NOTES TO THE STATEMENTS OF TOTAL RETURN (cont’d)

(f) **4Q2016**

The net change in fair value of investment properties relates to the decline in fair value of MOS by \$13.0 million and MG by \$42.1 million, partially offset by an increase in fair value of enlarged CPCA by \$2.2 million. The values were based on the independent full valuations of the investment properties carried out in 4Q2016. The decline in fair value of investment properties is non-cash in nature and has no impact on income available for distribution.

FY2016

The net change in fair value of investment properties relates to the decline in fair value of MOS and MG, partially offset by an increase in fair value of enlarged CPCA. The decline in fair value of investment properties is non-cash in nature and has no impact on distribution income.

(g) Total return for the period of the Stapled Group was contributed by:

OUE H-REIT Group and Stapled Group						
4Q2016	4Q2015	Increase/ (Decrease)	FY2016	FY2015	Increase/ (Decrease)	
\$'000	\$'000	%	\$'000	\$'000	%	
OUE H-REIT	(31,622)	22,217	n.m.	17,422	77,714	(77.6)
Other OUE H-REIT Group entity	(2)	(2)	-	(6)	(4)	50.0
OUE H-REIT Group	(31,624)	22,215	n.m.	17,416	77,710	(77.6)
OUE H-BT	(1)	-	n.m.	(3)	(3)	-
Stapled Group	(31,625)	22,215	n.m.	17,413	77,707	(77.6)

n.m.: not meaningful

UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT OF OUE H-TRUST AND OUE H-REIT AND ITS SUBSIDIARY (“OUE H-REIT GROUP”) FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2016

1 (a) STATEMENTS OF TOTAL RETURN (cont’d)

NOTES TO THE STATEMENTS OF TOTAL RETURN (cont’d)

(h) Income available for distribution

		OUE H-REIT Group and Stapled Group					
Note	4Q2016	4Q2015	Increase/ (Decrease)	FY2016	FY2015	Increase/ (Decrease)	
	\$'000	\$'000	%	\$'000	\$'000	%	
Total return for the period for OUE H-REIT	(31,622)	22,217	n.m.	17,422	77,714	(77.6)	
Add/(Less):							
Non-tax deductible/ (chargeable) items:							
- REIT Manager's management fees paid/payable in Stapled Securities	2,842	2,742	3.6	10,858	10,654	1.9	
- REIT Trustee's fees	106	99	7.1	410	392	4.6	
- Amortisation of intangible asset	948	-	n.m.	1,292	-	n.m.	
- Amortisation of debt-related transaction costs	522	577	(9.5)	2,249	2,258	(0.4)	
- Change in fair value of financial derivatives	-	-	-	374	-	n.m.	
- Ineffective portion of changes in fair value of cash flow hedge	(202)	(32)	>100	278	(1,109)	n.m.	
- Straight-lining of lease incentives	(1,591)	56	n.m.	(4,531)	195	n.m.	
- Net change in fair value of investment properties	52,907	(2,924)	n.m.	53,915	(2,924)	n.m.	
- Other items	87	46	89.1	237	177	33.9	
	55,619	564	>100	65,082	9,643	>100	
Income available for distribution	(h)(i) 23,997	22,781	5.3	82,504	87,357	(5.6)	

n.m.: not meaningful

- (h)(i) The distribution for the Stapled Group represents the aggregate of distributions by OUE H-REIT and OUE H-BT. The distribution of the Stapled Group for the financial period is contributed solely by OUE H-REIT as OUE H-BT was dormant during the financial period. Accordingly, only the income available for distribution of OUE H-REIT has been presented.

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1 (b)(i) STATEMENTS OF FINANCIAL POSITION

	Note	OUE H-REIT Group		OUE H-BT		Stapled Group	
		31/12/2016 \$'000	31/12/2015 \$'000	31/12/2016 \$'000	31/12/2015 \$'000	31/12/2016 \$'000	31/12/2015 \$'000
ASSETS							
Non-current assets							
Investment properties	(a)	2,208,100	2,054,000	-	-	2,208,100	2,054,000
Intangible asset	(b)	4,908	-	-	-	4,908	-
Deposit	(c)	2,295	1,501	-	-	2,295	1,501
Financial derivative assets	(d)	-	4,752	-	-	-	4,752
		2,215,303	2,060,253	-	-	2,215,303	2,060,253
Current assets							
Trade and other receivables	(e)	12,508	8,882	-	-	12,508	8,882
Financial derivative assets	(d)	-	374	-	-	-	374
Cash and cash equivalents		28,547	31,361	12	15	28,559	31,376
		41,055	40,617	12	15	41,067	40,632
Total assets		2,256,358	2,100,870	12	15	2,256,370	2,100,885
LIABILITIES							
Non-current liabilities							
Borrowings	1(b)(ii)	853,995	584,821	-	-	853,995	584,821
Financial derivative liabilities	(d)	3,176	-	-	-	3,176	-
Rental deposits		2,913	3,249	-	-	2,913	3,249
		860,084	588,070	-	-	860,084	588,070
Current liabilities							
Borrowings	1(b)(ii)	-	292,408	-	-	-	292,408
Rental deposits		1,479	2,009	-	-	1,479	2,009
Financial derivative liabilities	(d)	704	-	-	-	704	-
Trade and other payables		12,123	11,394	2	2	12,125	11,396
		14,306	305,811	2	2	14,308	305,813
Total liabilities		874,390	893,881	2	2	874,392	893,883
Net assets		1,381,968	1,206,989	10	13	1,381,978	1,207,002
Represented by:							
Unitholders' funds							
Unitholders' funds of OUE H-REIT Group		1,381,968	1,206,989	-	-	1,381,968	1,206,989
Unitholders' funds of OUE H-BT		-	-	10	13	10	13
		1,381,968	1,206,989	10	13	1,381,978	1,207,002

NOTES TO STATEMENTS OF FINANCIAL POSITION

- (a) The increase in investment properties was due to the acquisition of CPEX on 1 August 2016 and partially offset by the net change in fair value of investment properties to reflect the year end valuation.
- (b) Intangible asset arose from the recognition of income support pursuant to a Deed of Income Support. As at 31 December 2016, the intangible asset represents the unamortised portion of income support.
- (c) Deposit pertains to the security deposit placed with Changi Airport Group, the lessor of CPCA.
- (d) Financial derivative assets and liabilities relate to the fair value of interest rate swaps used to hedge OUE H-REIT Group's interest rate risk.
- (e) The increase in trade and other receivables was mainly due to higher accrued receivables relating to the master lease income receivables from the master lessees of MOS and CPCA.

UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT OF OUE H-TRUST AND OUE H-REIT AND ITS SUBSIDIARY (“OUE H-REIT GROUP”) FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2016

1 (b)(i) STATEMENTS OF FINANCIAL POSITION (cont’d)

1 (b)(ii) BORROWINGS

		OUE H-REIT Group and Stapled Group	
		31/12/2016	31/12/2015
		\$’000	\$’000
Repayable within one year			
	Secured borrowings	-	293,000
	Less: Unamortised transaction costs	-	(592)
		-	292,408
Repayable after one year			
	Secured borrowings	859,000	589,000
	Less: Unamortised transaction costs	(5,005)	(4,179)
		853,995	584,821
Total			
	Secured borrowings	859,000	882,000
	Less: Unamortised transaction costs	(5,005)	(4,771)
		853,995	877,229

Details of borrowings and collateral

Secured bank loans

		OUE H-REIT		
		As at 31/12/2016		
		Facility amount	Drawn down	Repayable
		\$’000	\$’000	
2013 Facility	5-year term loan	294,000	294,000	July 2018
2015 Facility	5-year term loan	295,000	295,000	January 2020
2016 Facility	3-year term loan	270,000	270,000	July 2019
		859,000	859,000	

OUE H-REIT has no loan refinancing requirements until July 2018.

As at 31 December 2016, the weighted average debt maturity was 2.4 years and gearing at 38.1%. The average cost of debt for 4Q2016 was 2.5% per annum, with an interest service cover of 5.2 times.

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FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2016**

1 (b)(i) STATEMENTS OF FINANCIAL POSITION (cont’d)

1 (b)(ii) BORROWINGS (cont’d)

The above bank loan facilities are secured by:

- A registered first legal mortgage over MOS and MG (collectively, the “Properties”);
- A legal assignment of all insurance taken in respect of the Properties except public liability insurance;
- An assignment of all rights, titles, benefits and interests in connection with any lease, tenancy or property management agreements, and lease or tenancy deposits/proceeds in respect of MG;
- An assignment of all rights, titles, benefits and interests in connection with any master lease, entered into by OUE H-REIT and lease or tenancy deposits/proceeds in connection with such master lease in respect of MOS; and
- A debenture incorporating a fixed and floating charge over generally all its present and future assets in connection with the Properties.

Unsecured medium term notes

In April 2014, OUE H-REIT Group, through its subsidiary, established a US\$1.0 billion Guaranteed Euro Medium Term Note Programme (“**Programme**”). Under the Programme, OUE H-REIT, through its subsidiary, may from time to time issue the notes (the “**Notes**”) in series or tranches. Each series or tranche of Notes may be issued in United States dollars or any other currency, in various amounts and tenors, and may bear interest at fixed or floating rates. All sums payable in respect of the Notes will be unconditionally and irrevocably guaranteed by the REIT Trustee.

The Notes issued will constitute direct, unconditional, unsubordinated and unsecured obligations and shall at all times rank *pari passu* and without preference among themselves, and *pari passu* with all other present and future unsecured obligations (other than subordinated obligations and priorities created by law) of the subsidiary.

As at 31 December 2016, no Notes have been issued under this Programme.

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1 (c) STATEMENTS OF CASH FLOWS

		OUE H-REIT Group			
Note	4Q2016	4Q2015	FY2016	FY2015	
	\$'000	\$'000	\$'000	\$'000	
Operating activities					
Total return for the period	(31,624)	22,215	17,416	77,710	
Adjustments for:					
Amortisation of intangible assets	948	-	1,292	-	
REIT Manager's fees paid/payable in Stapled Securities	2,842	2,742	10,858	10,654	
Finance income	(20)	(47)	(255)	(1,168)	
Finance expenses	5,659	6,601	25,190	23,371	
Net change in fair value of investment properties	52,907	(2,924)	53,915	(2,924)	
Straight-lining of lease incentives	(1,591)	56	(4,531)	195	
Operating income before working capital changes	29,121	28,643	103,885	107,838	
Changes in working capital:					
Deposit	-	-	(794)	(1,501)	
Trade and other receivables	(480)	262	(3,620)	213	
Trade and other payables	1,577	1,321	289	2,251	
Rental deposits	(312)	(727)	(867)	(396)	
Cash generated from operating activities	29,906	29,499	98,893	108,405	
Investing activities					
Interest received	5	4	249	40	
Capital expenditure on investment properties	(1,195)	(1,196)	(1,535)	(2,033)	
Acquisition of investment property	-	-	(205,070)	(290,868)	
Cash (used in)/generated from investing activities	(1,190)	(1,192)	(206,356)	(292,861)	
Financing activities					
Finance expenses paid	(5,362)	(5,570)	(23,391)	(19,156)	
Proceeds from Rights Issue	-	-	238,627	-	
Issue costs paid in relation to Rights Issue	-	-	(4,274)	-	
Repayment of loan	-	-	(293,000)	-	
Proceeds from borrowings	-	-	270,000	295,000	
Payment of transaction costs on borrowings	-	-	(2,482)	(3,140)	
Distribution to Stapled Securityholders	(22,022)	(22,969)	(80,831)	(88,186)	
Cash (used in)/generated from financing activities	(27,384)	(28,539)	104,649	184,518	
Net increase/(decrease) in cash and cash equivalents	1,332	(232)	(2,814)	62	
Cash and cash equivalents at beginning of the period	27,215	31,593	31,361	31,299	
Cash and cash equivalents at end of the period	28,547	31,361	28,547	31,361	

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1 (c) STATEMENTS OF CASH FLOWS (cont'd)

		Stapled Group			
Note		4Q2016	4Q2015	FY2016	FY2015
		\$'000	\$'000	\$'000	\$'000
	Operating activities				
	Total return for the period	(31,625)	22,215	17,413	77,707
	Adjustments for:				
	Amortisation of intangible assets	948	-	1,292	-
	REIT Manager's fees paid/payable in Stapled Securities	2,842	2,742	10,858	10,654
(a)					
	Finance income	(20)	(47)	(255)	(1,168)
	Finance expenses	5,659	6,601	25,190	23,371
	Net change in fair value of investment properties	52,907	(2,924)	53,915	(2,924)
	Straight-lining of lease incentives	(1,591)	56	(4,531)	195
	Operating income before working capital changes	29,120	28,643	103,882	107,835
	Changes in working capital:				
	Deposit	-	-	(794)	(1,501)
	Trade and other receivables	(480)	262	(3,620)	213
	Trade and other payables	1,578	1,321	289	2,251
	Rental deposits	(312)	(727)	(867)	(396)
	Cash generated from operating activities	29,906	29,499	98,890	108,402
	Investing activities				
	Interest received	5	4	249	40
	Capital expenditure on investment properties	(1,195)	(1,196)	(1,535)	(2,033)
	Acquisition of investment property	-	-	(205,070)	(290,868)
(b)					
	Cash (used in)/generated from investing activities	(1,190)	(1,192)	(206,356)	(292,861)
	Financing activities				
	Finance expenses paid	(5,362)	(5,570)	(23,391)	(19,156)
	Proceeds from Rights Issue	-	-	238,627	-
(c)					
	Issue costs paid in relation to Rights Issue	-	-	(4,274)	-
(c)					
	Repayment of loan	-	-	(293,000)	-
(d)					
	Proceeds from borrowings	-	-	270,000	295,000
(b)					
	Payment of transaction costs on borrowings	-	-	(2,482)	(3,140)
	Distribution to Stapled Securityholders	(22,022)	(22,969)	(80,831)	(88,186)
(e)					
	Cash (used in)/generated from financing activities	(27,384)	(28,539)	104,649	184,518
	Net increase/(decrease) in cash and cash equivalents	1,332	(232)	(2,817)	59
	Cash and cash equivalents at beginning of the period	27,227	31,608	31,376	31,317
	Cash and cash equivalents at end of the period	28,559	31,376	28,559	31,376

**UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT OF OUE H-TRUST AND
OUE H-REIT AND ITS SUBSIDIARY (“OUE H-REIT GROUP”)
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2016**

1 (c) STATEMENTS OF CASH FLOWS (cont'd)

NOTES TO STATEMENTS OF CASH FLOWS

(a) **4Q2016**

In 4Q2016, 2,604,108 Stapled Securities amounting to \$1,701,524 will be issued to the REIT Manager as satisfaction of REIT Manager's base management fees payable in Stapled Securities. With effect from 1 January 2016, to be compliant with Monetary Authority of Singapore's new regulations, the REIT Manager's performance management fee will only be paid once a year, after the end of the financial year. 1,744,613 Stapled Securities amounting to \$1,139,930 will be issued to the REIT Manager as satisfaction of REIT Manager's performance management fees payable in Stapled Securities on 25 January 2017.

In 4Q2015, 3,673,503 Stapled Securities amounting to \$2,742,270 had been issued to the REIT Manager as satisfaction of both base management fees and performance management fees payable in Stapled Securities.

FY2016

In FY2016, 9,868,980 Stapled Securities amounting to \$6,562,015 has been/will be issued to the REIT Manager as satisfaction of REIT Manager's base management fees payable in Stapled Securities. 6,574,532 Stapled Securities amounting to \$4,295,799 will be issued to the REIT Manager as satisfaction of REIT Manager's performance fees payable in Stapled Securities.

In FY2015, 12,602,702 Stapled Securities amounting to \$10,654,479 had been issued to the REIT Manager as satisfaction of both base management fees and performance management fees payable in Stapled Securities.

- (b) In FY2016, proceeds from borrowings were utilised to fund the purchase consideration of CPEX and its related acquisition cost.

In FY2015, proceeds from borrowings were utilised to fund the purchase consideration of CPCA and its related acquisition cost.

- (c) On 13 April 2016, new Stapled Securities of 441,901,257 were issued pursuant to the Rights Issue, raising a net rights issue proceeds of \$234.4 million.
- (d) On 30 June 2016, OUE H-REIT had utilised \$228 million proceeds from the Rights Issue to partially prepay \$293 million loan that matured in July 2016. On 8 July 2016, OUE H-REIT had drawdown \$65 million from the \$270 million loan facility to repay the remaining \$65 million loan.

(e) **4Q2016**

Distribution to Stapled Securityholders relates to the distribution paid in respect of 3Q2016. In the previous corresponding period, the distribution paid was in respect of 3Q2015.

FY2016

Distribution to Stapled Securityholders relates to the distribution paid in respect of the financial period from 1 October 2015 to 30 September 2016. In the previous corresponding period, the distribution paid was in respect of the financial period from 1 October 2014 to 30 September 2015.

UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT OF OUE H-TRUST AND OUE H-REIT AND ITS SUBSIDIARY (“OUE H-REIT GROUP”) FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2016

1 (d)(i) STATEMENTS OF MOVEMENT IN UNITHOLDERS’ FUNDS

Note	OUE H-REIT Group					OUE H-BT	Stapled Group
	Units in issue and to be issued	Issue costs	Hedging reserve	Accumulated profits/(losses)	Total	Total	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1/10/2016	1,426,291	(26,577)	(6,977)	35,287	1,428,024	11	1,428,035
Operations							
Increase/(Decrease) in net assets resulting from operations	-	-	-	(31,624)	(31,624)	(1)	(31,625)
Movement in hedging reserve							
Effective portion of changes in fair value of cash flow hedge	-	-	4,748	-	4,748	-	4,748
Unitholders’ transactions							
Distribution to Stapled Securityholders	(a)(i)	-	-	(22,022)	(22,022)	-	(22,022)
Stapled Securities to be issued as payment of REIT Manager’s management fees	(b)(i)	2,842	-	-	2,842	-	2,842
Increase/(Decrease) in net assets resulting from unitholders’ transactions		2,842	-	(22,022)	(19,180)	-	(19,180)
At 31/12/2016	1,429,133	(26,577)	(2,229)	(18,359)	1,381,968	10	1,381,978

Note	OUE H-REIT Group					OUE H-BT	Stapled Group
	Units in issue and to be issued	Issue costs	Hedging reserve	Accumulated profits/(losses)	Total	Total	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1/1/2016	1,178,110	(22,303)	6,126	45,056	1,206,989	13	1,207,002
Operations							
Increase/(Decrease) in net assets resulting from operations	-	-	-	17,416	17,416	(3)	17,413
Movement in hedging reserve							
Effective portion of changes in fair value of cash flow hedge	-	-	(8,355)	-	(8,355)	-	(8,355)
Unitholders’ transactions							
Distribution to Stapled Securityholders	(a)(ii)	-	-	(80,831)	(80,831)	-	(80,831)
Stapled Securities to be issued as payment of REIT Manager’s management fees	(b)(ii)	10,858	-	-	10,858	-	10,858
Stapled Securities issued as payment of REIT Manager’s acquisition fees	(c)(i)	1,538	-	-	1,538	-	1,538
Proceeds from rights issue		238,627	-	-	238,627	-	238,627
Issue costs paid		(4,274)	-	-	(4,274)	-	(4,274)
Increase/(Decrease) in net assets resulting from unitholders’ transactions		251,023	(4,274)	(80,831)	165,918	-	165,918
At 31/12/2016	1,429,133	(26,577)	(2,229)	(18,359)	1,381,968	10	1,381,978

UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT OF OUE H-TRUST AND OUE H-REIT AND ITS SUBSIDIARY (“OUE H-REIT GROUP”) FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2016

1 (d)(i) STATEMENTS OF MOVEMENT IN UNITHOLDERS’ FUNDS (cont’d)

OUE H-REIT Group					OUE H-BT	Stapled Group
Note	Units in issue and to be issued	Issue costs	Hedging reserve	Accumulated profits/ (losses)	Total	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1/10/2015	1,175,368	(22,303)	3,408	45,810	1,202,283	13
Operations						
Increase/(Decrease) in net assets resulting from operations	-	-	-	22,215	22,215	-
Movement in hedging reserve						
Effective portion of changes in fair value of cash flow hedge	-	-	2,718	-	2,718	-
Unitholders’ transactions						
Distribution to Stapled Securityholders	(a)(iii)	-	-	(22,969)	(22,969)	-
Stapled Securities to be issued as payment of REIT Manager’s management fees	(b)(iii)	2,742	-	-	2,742	-
Increase/(Decrease) in net assets resulting from unitholders’ transactions						
	2,742	-	-	(22,969)	(20,227)	-
At 31/12/2015	1,178,110	(22,303)	6,126	45,056	1,206,989	13

OUE H-REIT Group					OUE H-BT	Stapled Group
Note	Units in issue and to be issued	Issue costs	Hedging reserve	Accumulated profits/ (losses)	Total	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1/1/2015	1,165,281	(22,303)	(173)	55,532	1,198,337	16
Operations						
Increase/(Decrease) in net assets resulting from operations	-	-	-	77,710	77,710	(3)
Movement in hedging reserve						
Effective portion of changes in fair value of cash flow hedge	-	-	6,299	-	6,299	-
Unitholders’ transactions						
Distribution to Stapled Securityholders	(a)(iv)	-	-	(88,186)	(88,186)	-
Stapled Securities to be issued as payment of REIT Manager’s management fees	(b)(iv)	10,654	-	-	10,654	-
Stapled Securities issued as payment of REIT Manager’s acquisition fees	(c)(ii)	2,175	-	-	2,175	-
Increase/(Decrease) in net assets resulting from unitholders’ transactions						
	12,829	-	-	(88,186)	(75,357)	-
At 31/12/2015	1,178,110	(22,303)	6,126	45,056	1,206,989	13

**UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT OF OUE H-TRUST AND
OUE H-REIT AND ITS SUBSIDIARY (“OUE H-REIT GROUP”)
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2016**

1 (d)(i) STATEMENTS OF MOVEMENT IN UNITHOLDERS’ FUNDS (cont’d)

NOTES TO STATEMENTS OF MOVEMENT IN UNITHOLDERS’ FUNDS

- (a)(i) Distribution to Stapled Securityholders relates to the distribution made in respect of 3Q2016.
- (a)(ii) Distribution to Stapled Securityholders relates to the distribution made in respect of 4Q2015, 1Q2016, 2Q2016 and 3Q2016.
- (a)(iii) Distribution to Stapled Securityholders relates to the distribution made in respect of 3Q2015.
- (a)(iv) Distribution to Stapled Securityholders relates to the distribution made in respect of 4Q2014, 1Q2015, 2Q2015 and 3Q2015.
- (b)(i) This represents 4,348,721 Stapled Securities to be issued as satisfaction of the REIT Manager’s base and performance management fee in respect of 4Q2016. The Stapled Securities will be issued on 25 January 2017.
- (b)(ii) This represents Stapled Securities issued/to be issued as satisfaction of the REIT Manager’s base and performance management fee in respect of FY2016. 2,356,056 Stapled Securities, 2,319,279 Stapled Securities and 2,589,537 Stapled Securities relating to base management fee for 1Q2016, 2Q2016 and 3Q2016 have been issued on 7 June 2016, 1 August 2016 and 31 October 2016 respectively. 2,604,108 Stapled Securities relating to base management fee for 4Q2016 and 6,574,532 Stapled Securities relating to performance management fee for FY2016 will be issued on 25 January 2017.
- (b)(iii) This represents 3,673,503 Stapled Securities issued as satisfaction of the REIT Manager’s base and performance management fee in respect of 4Q2015. This has been issued on 25 January 2016.
- (b)(iv) This represents Stapled Securities issued as satisfaction of the REIT Manager’s base and performance management fee in respect of FY2015. 2,748,694 Stapled Securities, 2,769,113 Stapled Securities, 3,411,409 Stapled Securities and 3,673,503 Stapled Securities relating to base and performance management fee for 1Q2015, 2Q2015, 3Q2015 and 4Q2015 have been issued on 7 May 2015, 13 August 2015, 12 November 2015 and 25 January 2016 respectively.
- (c)(i) This represents 2,167,935 Stapled Securities issued as satisfaction of the REIT Manager’s acquisition fee in connection with OUE H-REIT’s acquisition of CPEX. This has been issued on 30 August 2016.
- (c)(ii) This represents 2,344,507 Stapled Securities issued as satisfaction of the REIT Manager’s acquisition fee in connection with OUE H-REIT’s acquisition of CPCA. This has been issued on 13 February 2015.

UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT OF OUE H-TRUST AND OUE H-REIT AND ITS SUBSIDIARY (“OUE H-REIT GROUP”) FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2016

1(d)(ii) DETAILS OF ANY CHANGES IN THE STAPLED SECURITIES

	Note	Stapled Group			
		4Q2016 '000	4Q2015 '000	FY2016 '000	FY2015 '000
Issued Stapled Securities at beginning of the period		1,787,839	1,332,010	1,339,095	1,321,441
Issuance of new Stapled Securities:					
- rights issue		-	-	441,901	-
- as payment of REIT Manager's management fees		2,590	3,411	7,265	11,635
- as payment of REIT Manager's acquisition fees		-	-	2,168	2,345
Issued Stapled Securities at the end of the period		1,790,429	1,335,421	1,790,429	1,335,421
Stapled Securities to be issued:					
- as payment of REIT Manager's management fees	(a)	9,178	3,674	9,178	3,674
Total issued and issuable Stapled Securities at end of the period		1,799,607	1,339,095	1,799,607	1,339,095

NOTE

- (a) This represents Stapled Securities issued/to be issued as satisfaction of the REIT Manager's management fee incurred for the respective quarters. This is calculated based on the volume weighted average traded price (“**VWAP**”) of a Stapled Security for the last 10 business days of the relevant period in which the management fee accrues, as provided for in the REIT Trust Deed, Supplemental Deeds and the Stapling Deed.

In respect of 4Q2016 and FY2016, it comprises both the base management fee for 4Q2016 and performance management fees for FY2016 payable in Stapled Securities of 9,178,640 and these will be issued on 25 January 2017.

In respect of 4Q2015 and FY2015, it comprises both the base management fee and performance management fees payable in Stapled Securities of 3,673,503 and these were issued on 25 January 2016.

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

The figures have not been audited nor reviewed by our auditors.

3. Where the figures have been audited or reviewed, the auditor's report (including any qualifications or emphasis of matter)

Not applicable.

4. Whether the same accounting principles and methods of computation as in the issuer's most recent audited financial statements have been applied

The accounting principles and methods of computation adopted are consistent with those applied in the audited financial statements for the financial year ended 31 December 2015.

UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT OF OUE H-TRUST AND OUE H-REIT AND ITS SUBSIDIARY (“OUE H-REIT GROUP”) FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2016

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.

There has been no change in the accounting policies and methods of computation adopted by Stapled Group.

6. EARNINGS PER STAPLED SECURITY AND DISTRIBUTION PER STAPLED SECURITY

Earnings per Stapled Security (“EPS”)

	Stapled Group		
	4Q2016	4Q2015 As restated ⁽¹⁾	4Q2015 As previously reported
Weighted average number of Stapled Securities ('000)	1,790,529	1,335,461	1,335,461
Basic EPS (cents)	(1.77)	1.54	1.66
Weighted average number of Stapled Securities ('000)	1,799,607 ⁽²⁾	1,335,461	1,335,461
Diluted EPS (cents)	(1.76)	1.54	1.66

	Stapled Group		
	FY2016	FY2015 As restated ⁽¹⁾	FY2015 As previously reported
Weighted average number of Stapled Securities ('000)	1,661,174	1,330,657	1,330,667
Basic EPS (cents)	1.05	5.41	5.84
Weighted average number of Stapled Securities ('000)	1,673,986 ⁽²⁾	1,330,657	1,330,667
Diluted EPS (cents)	1.04	5.41	5.84

⁽¹⁾ The weighted average number of Stapled Securities and EPS have been adjusted to reflect the bonus element in the new Stapled Securities issued pursuant to the Rights Issue on 13 April 2016, where 441,901,257 Stapled Securities at Rights Issue price of \$0.54 per Stapled Security were issued.

⁽²⁾ The weighted average number of Stapled Securities is adjusted to take into account the number of Stapled Securities to be issued as payment for the REIT Manager’s performance fee on 25 January 2017.

UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT OF OUE H-TRUST AND OUE H-REIT AND ITS SUBSIDIARY (“OUE H-REIT GROUP”) FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2016

6. EARNINGS PER STAPLED SECURITY AND DISTRIBUTION PER STAPLED SECURITY (cont’d)

Distribution per Stapled Security (“DPS”)

	Stapled Group		
	4Q2016	4Q2015 As restated ⁽²⁾	4Q2015 As previously reported
Number of Stapled Securities entitled to distribution ('000)	1,799,607 ⁽¹⁾	1,444,883	1,339,095
DPS (cents)	1.36	1.58	1.70

	Stapled Group		
	FY2016	FY2015 As restated ⁽²⁾	FY2015 As previously reported
Number of Stapled Securities entitled to distribution ('000)	1,799,607 ⁽¹⁾	1,444,883	1,339,095
DPS (cents)	4.61	6.07	6.55

⁽¹⁾ Includes 9,178,640 Stapled Securities to be issued as satisfaction of REIT Manager’s base management fee for 4Q2016 and performance management fee payable for FY2016.

⁽²⁾ The number of Stapled Securities entitled for distribution and DPS have been restated to reflect the effect of bonus element in the Rights Issue.

The lower DPS in 4Q2016 and FY2016 was primarily attributable to the issuance of new Stapled Securities of 441,901,257 pursuant to the Rights Issue at an issue price of \$0.54 on the basis of 33 Rights Stapled Securities for every 100 Existing Stapled Securities in April 2016.

7. NET ASSET VALUE (“NAV”) / NET TANGIBLE ASSET (“NTA”)

	OUE H-REIT Group and Stapled Group	
	31/12/2016	31/12/2015
Number of Stapled Securities ('000):		
- in issue	1,790,429	1,335,421
- issuable	9,178	3,674
	1,799,607	1,339,095
NAV per OUE H-REIT unit / Stapled Security	\$0.77	\$0.90
NTA per OUE H-REIT unit / Stapled Security	\$0.77	\$0.90

The lower NAV per OUE H-REIT unit / Stapled Security as at 31 December 2016 was primarily attributable to the issuance of new Stapled Securities of 441,901,257 pursuant to the Rights Issue at an issue price of \$0.54 on the basis of 33 Rights Stapled Securities for every 100 Existing Stapled Securities in April 2016.

**UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT OF OUE H-TRUST AND
OUE H-REIT AND ITS SUBSIDIARY (“OUE H-REIT GROUP”)
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2016**
8. REVIEW OF PERFORMANCE

		Stapled Group					
Note	4Q2016	4Q2015	Increase/ (Decrease)	FY2016	FY2015	Increase/ (Decrease)	
	\$'000	\$'000	%	\$'000	\$'000	%	
Gross revenue:							
	- Hospitality	24,482	23,797	2.9	89,919	87,874	2.3
	- Retail	8,742	9,184	(4.8)	32,575	36,714	(11.3)
(a)		33,224	32,981	0.7	122,494	124,588	(1.7)
Property expenses:							
	- Hospitality	(1,997)	(1,569)	27.3	(7,044)	(6,127)	15.0
	- Retail	(1,672)	(2,571)	(35.0)	(8,055)	(9,355)	(13.9)
(b)		(3,669)	(4,140)	(11.4)	(15,099)	(15,482)	(2.5)
Net property income:							
	- Hospitality	22,485	22,228	1.2	82,875	81,747	1.4
	- Retail	7,070	6,613	6.9	24,520	27,359	(10.4)
(c)		29,555	28,841	2.5	107,395	109,106	(1.6)
(d)	Other income	1,625	-	n.m.	2,682	-	n.m.
	REIT Manager's fees	(2,842)	(2,742)	3.6	(10,858)	(10,654)	1.9
	REIT Trustee's fees	(106)	(99)	7.1	(410)	(392)	4.6
(e)	Amortisation of intangible asset	(948)	-	n.m.	(1,292)	-	n.m.
	Other trust expenses	(363)	(155)	>100	(1,254)	(1,074)	16.8
(f)	Net finance expenses	(5,639)	(6,554)	(14.0)	(24,935)	(22,203)	12.3
	Net income	21,282	19,291	10.3	71,328	74,783	(4.6)
Net change in fair value of investment properties:							
	- Hospitality	(10,822)	2,646	n.m.	(11,830)	2,646	n.m.
	- Retail	(42,085)	278	n.m.	(42,085)	278	n.m.
(g)		(52,907)	2,924	n.m.	(53,915)	2,924	n.m.
(h)	Total return for the period	(31,625)	22,215	n.m.	17,413	77,707	(77.6)
(i)	Income available for distribution	23,997	22,781	5.3	82,504	87,357	(5.6)
(i)	DPS (cents)	1.36	1.70	(20.0)	4.61	6.55	(29.6)

4Q2016 vs 4Q2015

- (a) Gross revenue for 4Q2016 was \$0.2 million higher than 4Q2015. Hospitality segment posted higher revenue which offset the lower revenue from retail segment.

Hospitality segment pertains to the master lease income from the Mandarin Orchard Singapore hotel (“**MOS**”) and the Crowne Plaza Changi Airport hotel (“**CPCA**”) which is pegged to a percentage of the operating revenue and profit of the respective hotels, subject to minimum rent.

Retail segment pertains to rental and other income from the Mandarin Gallery (“**MG**”) shopping mall.

UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT OF OUE H-TRUST AND OUE H-REIT AND ITS SUBSIDIARY (“OUE H-REIT GROUP”) FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2016

8. REVIEW OF PERFORMANCE (cont’d)

4Q2016 vs 4Q2015 (cont’d)

	Revenue			Net property income		
	4Q2016	4Q2015	Increase/ (Decrease)	4Q2016	4Q2015	Increase/ (Decrease)
	\$'m	\$'m	%	\$'m	\$'m	%
MOS	18.9	19.8	(4.5)	18.3	18.9	(3.2)
CPCA	5.6 ⁽¹⁾	4.0	40.0	4.2 ⁽¹⁾	3.3	27.3
Hospitality portfolio	24.5	23.8	2.9	22.5	22.2	1.4

⁽¹⁾ Inclusive of CPEX (243 rooms) that was acquired and commenced operations on 1 August 2016. The enlarged CPCA has 563 rooms. Master lease income excludes income support.

Hospitality revenue was \$0.7 million higher than 4Q2015. This was a result of \$1.6 million higher master lease income from CPCA which more than offset the \$0.9 million decrease in master lease income from MOS.

Master lease income from MOS was \$0.9 million lower than 4Q2015 as MOS recorded a lower RevPAR of \$220 as compared to RevPAR of \$236 in 4Q2015. The lower RevPAR was attributed to global economic uncertainties that resulted in dampened corporate travel. The increase in rooms supply in Singapore has also created a highly competitive market environment for business in all segments. Higher sales from all of the hotel’s food and beverage outlets partially mitigated the decrease in room sales.

Master lease income from the enlarged CPCA was \$1.6 million higher than 4Q2015 due to enlarged room inventory in CPCA with the addition of CPEX’s 243 rooms which opened for business on 1 August 2016. As such, it is not meaningful to compare the RevPAR for enlarged 563-room CPCA with the RevPAR for the 320-room CPCA for 4Q2015. In addition to master lease income, OUE H-REIT also receives income support provided by OUEAH (refer to part (d) for more details).

Retail revenue for 4Q2016 was \$0.4 million lower than 4Q2015 mainly due to lower average occupancy rate at 94.1% (4Q2015: 94.8%) and lower rental rates achieved in light of the challenging retail environment. The mall recorded an effective rent per square foot per month of \$23.6 for 4Q2016 (4Q2015: \$24.6).

- (b) Property expenses were \$0.5 million lower than 4Q2015. The lower property expenses in MG by \$0.9 million were due to lower energy cost and lower property tax. The decrease was partially offset by higher property expenses in the hospitality segment due to higher land rent payable to Changi Airport Group with the commencement of CPEX operations.
- (c) Net property income (“NPI”) for 4Q2016 was \$0.7 million or 2.5% higher than 4Q2015 due to higher master lease income from the hospitality segment and lower property expenses recorded for the retail segment.
- (d) Other income relates to income support provided by OUEAH pursuant to the Deed of Income Support. With the addition of the newly acquired CPEX which forms an integral part of CPCA (collectively, the “enlarged CPCA”), the Deed of Income Support comes into effect. Subject to the enlarged CPCA not achieving agreed Target Quarterly Rent over the first twelve (12) quarters from the date of acquisition of CPEX, OUE H-REIT could drawdown the income support over (i) three years from the date of OUE H-REIT’s acquisition of CPEX; or (ii) until the income support of \$7.5 million had been fully drawdown by OUE H-REIT, whichever is earlier.
- (e) Amortisation of intangible asset of \$0.9 million in 4Q2016 relates to amortisation of income support provided by OUEAH pursuant to the Deed of Income Support. The amortisation is non-cash in nature and has no impact on income available for distribution.

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8. REVIEW OF PERFORMANCE (cont’d)

4Q2016 vs 4Q2015 (cont’d)

- (f) Net finance expenses for 4Q2016 were lower than 4Q2015 by \$0.9 million or 14.0% mainly due to lower interest expense as the total outstanding loan has decreased.
- (g) The net change in fair value of investment properties relates to the decline in fair value of MOS by \$13.0 million and MG by \$42.1 million, partially offset by an increase in fair value of enlarged CPCA by \$2.2 million. The values were based on the independent full valuations of the investment properties carried out in 4Q2016. The decline in fair value of investment properties is non-cash in nature and has no impact on income available for distribution.
- (h) Total return was \$53.8 million lower due to decline in fair value of investment properties, partially mitigated by higher net property income from both hospitality and retail segments.
- (i) Income available for distribution was \$1.2 million or 5.3% higher than 4Q2015 due to higher income from hospitality segment partially offset by lower contribution from retail segment, after straight-line adjustment. The DPS for 4Q2016 was 1.36 cents. The lower DPS in 4Q2016 was primarily due to enlarged number of Stapled Securities arising from the Rights Issue exercise on the basis of 33 Rights Stapled Securities for every 100 Existing Stapled Securities in April 2016.

FY2016 vs FY2015

- (a) Gross revenue for FY2016 was \$2.1 million lower than FY2015. Retail segment posted lower revenue, mitigated by higher revenue from the hospitality segment.

	Revenue			Net property income		
	FY2016	FY2015	Increase/ (Decrease)	FY2016	FY2015	Increase/ (Decrease)
	\$'m	\$'m	%	\$'m	\$'m	%
MOS	71.7	73.5	(2.4)	68.3	69.7	(2.0)
CPCA	18.2 ⁽²⁾	14.4 ⁽¹⁾	26.4	14.6 ⁽²⁾	12.0 ⁽¹⁾	21.7
Hospitality portfolio	89.9	87.9	2.3	82.9	81.7	1.5

⁽¹⁾ CPCA was acquired on 30 January 2015. FY2015 reflects the period from 30 January 2015 (date of acquisition) to 31 December 2015.

⁽²⁾ Inclusive of CPEX (243 rooms) that was acquired and commenced operations on 1 August 2016. The enlarged CPCA has 563 rooms. Master lease income excludes income support.

Hospitality revenue was \$2.0 million higher than FY2015. This was attributable to higher master lease income from enlarged CPCA.

Master lease income from MOS was \$1.8 million lower than FY2015, primarily attributable to lower room sales. In FY2016, room sales in MOS was lower as RevPAR was at \$217 (FY2015: \$230). The lower room sales was partially offset by higher food and beverage sales in FY2016 due to higher patronage at the food and beverage outlets.

CPCA contributed \$18.2 million master lease income in FY2016. Master lease income was \$3.8 million higher due to (i) contribution of master lease income for 12 months in FY2016 as compared to 11 months in FY2015 as CPCA was acquired on 30 January 2015; and (ii) enlarged room inventory in CPCA with addition of CPEX’s 243 rooms which opened for business on 1 August 2016. In addition to master lease income, OUE H-REIT also receives income support provided by OUEAH in relation to acquisition of CPEX.

Retail revenue for FY2016 was \$4.1 million lower than FY2015 mainly due to lower average occupancy rate at 86.3% (FY2015: 95.3%) and lower rental rates achieved in light of challenging retail environment and landlord fit-out periods for incoming tenants. The mall recorded an effective rent per square foot per month of \$24.2 (FY2015: \$24.7).

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8. REVIEW OF PERFORMANCE (cont’d)

FY2016 vs FY2015 (cont’d)

- (b) Property expenses were \$0.4 million or 2.5% lower than FY2015. The lower property expenses in MG were due to lower energy cost and lower property tax. The decrease was partially offset by higher property expenses in the hospitality segment due to higher land rent payable to Changi Airport Group with the commencement of CPEX operations.
- (c) Net property income (“NPI”) for FY2016 was \$1.7 million or 1.6% lower than FY2015 mainly due to lower revenue from the retail segment despite higher contribution from the hospitality segment.
- (d) Other income relates to income support provided by OUEAH pursuant to the Deed of Income Support.
- (e) Amortisation of intangible asset of \$1.3 million in FY2016 relates to amortisation of income support provided by OUEAH pursuant to the Deed of Income Support. The amortisation is non-cash in nature and has no impact on income available for distribution.
- (f) In FY2016, the higher finance expenses were mainly due to (i) \$295 million term loan that was drawdown on 30 January 2015 to fund the acquisition of CPCA, hence a full 12 months of interest in FY2016 as compared to 11 months of interest in FY2015; and (ii) changes in fair value of interest rate swaps. The change in fair value of interest rate swaps is non-cash in nature and has no impact on distribution income.
- (g) The net change in fair value of investment properties relates to the decline in fair value of MOS and MG, partially offset by an increase in fair value of enlarged CPCA. The decline in fair value of investment properties is non-cash in nature and has no impact on distribution income.
- (h) Total return for the period was \$60.3 million lower mainly due to decline in fair value of investment properties and lower net property income.
- (i) Income available for distribution was \$4.9 million or 5.6% lower than FY2015 mainly due to lower net property income from retail segment partially mitigated by higher net property income from hospitality segment. The DPS for FY2016 was 4.61 cents. The lower DPS in FY2016 was primarily due to enlarged number of Stapled Securities arising from the Rights Issue exercise on the basis of 33 Rights Stapled Securities for every 100 Existing Stapled Securities in April 2016.

9. VARIANCE BETWEEN ACTUAL AND FORECAST RESULTS

No forecast has been disclosed.

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

Singapore Tourism Board (“STB”) reported a 7.9%¹ year-on-year increase in international visitor arrivals in the first 11 months of 2016. Despite the higher visitor arrivals, year-to-date November RevPAR for Singapore hotels was 4.8% lower than the same period last year.²

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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 (cont’d)

With a subdued global and local economy, the tourism industry continues to face headwinds in the near term as consumers and corporates are likely to be conservative in their travel expenditures. The increased rooms supply in Singapore had created a highly competitive market environment and this would likely persist as more supply is expected in 2017 before tapering in 2018. To support the tourism industry and in an effort to boost tourism, the Singapore government has set aside \$700 million³ in a Tourism Development Fund to be invested from 2016 to 2020. Changi Airport’s Terminal 4 is expected to be operational in the second half of 2017⁴. Higher air passenger traffic through Changi Airport could potentially benefit Singapore’s hospitality sector.

The asset enhancement programme on 430 rooms of Mandarin Orchard Singapore (“MOS”) is expected to complete in 1Q2017. In addition, a programme to renovate and increase the meeting facilities in MOS has been completed. The enhancement of MOS’ meeting facilities will allow it to attract and cater to a wider range of banquet and conference demand.

The retail scene in Singapore remains challenging. To partner tenants towards success, structure of leases for some tenants feature lower base rent and higher turnover rent compared to previous leases for the same units. Although OUE H-Trust’s retail segment income is impacted in 2016 by the lower rental contributions due to longer fit-out periods by the landlord, the strategy to sign strong tenants for longer lease periods (seven years for Michael Kors and 10 years for Victoria’s Secret) will benefit OUE H-Trust through enhanced income stability in the long run. Michael Kors and Victoria’s Secret have commenced operations in 3Q2016 and 4Q2016 respectively, as such Mandarin Gallery is expected to enjoy higher average occupancy in 2017 compared to 2016.

We will continue to actively seek growth opportunities and yield accretive acquisitions from our Sponsor and third parties.

¹ Singapore Tourism Board, International Visitor Arrivals Statistics, 11 January 2017

² Singapore Tourism Board, Hotel Statistics, 11 January 2017

³ MTI News Room, Speech by Minister S Iswaran at the Tourism Industry Conference 2016

⁴ Changi Airport Group, Press Release ‘Construction of Changi Airport Terminal 4 Completed’, 16 December 2016

11. Distributions

(a) Current financial period

Any distribution declared for the current financial period?	Yes
Name of distribution	Distribution for the period from 1 October 2016 to 31 December 2016
Distribution type	Taxable income
Distribution rate per stapled security	1.36 cents
Book closure date	3 February 2017
Date payable	27 February 2017

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11. Distributions (cont’d)

(b) Corresponding period of the immediately preceding financial year

Any distribution declared for the previous corresponding period?	Yes
Name of distribution	Distribution for the period from 1 October 2015 to 31 December 2015
Distribution type	Taxable income
Distribution rate per stapled security	1.70 cents

(c) Tax rate

Taxable income distribution

Qualifying investors and individuals (other than those who held their stapled securities through a partnership) will receive pre-tax distributions. These distributions are exempted from tax in the hands of individuals unless such distributions are derived through a Singapore partnership or from the carrying on of a trade, business or profession.

Qualifying foreign non-individual investors will receive their distributions after deduction of tax at the rate of 10%.

All other investors will receive their distributions after deduction of tax at the rate of 17%.

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

Not applicable.

13. Certificate pursuant to Paragraph 7.3 of the Property Funds Appendix

The REIT Manager and the Trustee-Manager hereby certify that in relation to the distribution to the Stapled Securityholders of OUE H-TRUST for the quarter ended 31 December 2016:

- 1) OUE H-TRUST will declare a distribution (“Distribution”) in excess of its profits (defined as the Total Return for the quarter ended 31 December 2016).
- 2) The REIT Manager and the Trustee-Manager are satisfied on reasonable grounds that, immediately after making the Distribution, OUE H-TRUST will be able to fulfill, from its deposited properties, its liabilities as and when they fall due.

The distribution is computed based on the accounts of OUE H-REIT for the quarter ended 31 December 2016 and is verified by the external tax consultant of OUE H-REIT.

OUE H-REIT’s current distribution policy is to distribute at least 90.0% of its tax-exempt income (after deduction of applicable expenses). OUE H-BT is currently dormant and does not own any properties, and it may make distributions in the future when it becomes active and profitable.

14. General mandate relating to Interested Person Transactions

OUE H-Trust has not obtained a general mandate from Stapled Securityholders for Interested Person Transactions.

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15. Segment Information

	Stapled Group					
	FY2016			FY2015		
	Hospitality \$'000	Retail \$'000	Total \$'000	Hospitality \$'000	Retail \$'000	Total \$'000
Gross revenue	89,919	32,575	122,494	87,874	36,714	124,588
Property expenses	(7,044)	(8,055)	(15,099)	(6,127)	(9,355)	(15,482)
Reportable segment net property income	82,875	24,520	107,395	81,747	27,359	109,106
- Other income	2,682	-	2,682	-	-	-
- Amortisation of intangible assets	(1,292)	-	(1,292)	-	-	-
Unallocated items:						
- REIT Manager's fees			(10,858)			(10,654)
- REIT Trustee's fees			(410)			(392)
- Other trust expenses			(1,254)			(1,074)
- Finance income			255			1,168
- Finance expenses			(25,190)			(23,371)
Net income			71,328			74,783
Net change in fair value of investment properties	(11,830)	(42,085)	(53,915)	2,646	278	2,924
Total return for the year			17,413			77,707

16. Factors leading to any material changes in contributions to turnover and earnings

Please refer to Section 8 on the review of actual performance.

17. Breakdown of sales

	Stapled Group		
	FY2016	FY2015	Increase/ (Decrease)
	\$'000	\$'000	%
Gross revenue reported for first half year	57,018	58,938	(3.3)
Total return for first half year	30,004	35,557	(15.6)
Gross revenue reported for second half year	65,476	65,650	(0.3)
Total return for second half year	(12,591)	42,150	n.m.

18. Breakdown of annual distribution

	Stapled Group	
	2016	2015
	\$'000	\$'000
For the financial period:		
1 January to 31 March – paid	19,617	21,401
1 April to 30 June – paid	16,428	20,247
1 July to 30 September – paid	22,022	22,969
1 October to 31 December – payable/paid	– ⁽¹⁾	22,764

⁽¹⁾ Please refer to section 11.

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19. CONFIRMATION PURSUANT TO RULE 720(1) OF THE LISTING MANUAL

Pursuant to Rule 720(1) of the Listing Manual of SGX-ST, we, on behalf of the directors and executive officers of the REIT Manager and the Trustee-Manager confirm that we have submitted the undertakings to the Exchange.

On behalf of the Board of Directors and Executive Officers

Christopher Williams
Chairman

Chong Kee Hiong
Chief Executive Officer and
Executive Director

25 January 2017

20. CONFIRMATION PURSUANT TO RULE 704(13) OF THE LISTING MANUAL

Pursuant to Rule 704(13) of the Listing Manual of Singapore Exchange Securities Trading Limited, the REIT Manager and the Trustee-Manager confirm that there is no person occupying a managerial position in the REIT Manager or the Trustee-Manager, who are related to a director or the chief executive officer or a substantial shareholder of the REIT Manager or of the Trustee-Manager respectively or a substantial stapled security holder of OUE H-Trust.

On behalf of the Board of Directors

Christopher Williams
Chairman

Chong Kee Hiong
Chief Executive Officer and
Executive Director

25 January 2017

**UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT OF OUE H-TRUST AND
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Disclaimer

This release may contain forward-looking statements that involve 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 other companies, shifts in customer demands, customers and partners, changes in operating expenses, including employee wages, benefits and training, governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support future business. You are cautioned not to place undue reliance on these forward-looking statements, which are based on current view of management on future events.

The value of the Stapled Securities and the income derived from them may fall or rise. The Stapled Securities are not obligations, or deposits in, or guaranteed by the REIT Manager, the Trustee-Manager (together with the REIT Manager, the “Managers”) or RBC Investor Services Trust Singapore Limited (as trustee of OUE H-REIT Group) or any of their affiliates. An investment in the Stapled Securities is subject to investment risks, including the possible loss of the principal amount invested. The past performance of OUE Hospitality Trust is not necessarily indicative of the future performance of OUE Hospitality Trust.

Stapled Securityholders have no right to request that the Managers redeem or purchase their Stapled Securities while the Stapled Securities are listed. It is intended that Stapled Securityholders may only deal in their Stapled Securities through trading on the SGX-ST. Listing of the Stapled Securities on the SGX-ST does not guarantee a liquid market for the Stapled Securities.

By Order of the Board

Ng Ngai
Company Secretary
OUE Hospitality REIT Management Pte. Ltd.
(Company Registration No. 201310245G)
As manager of OUE Hospitality Real Estate Investment Trust

By Order of the Board

Ng Ngai
Company Secretary
OUE Hospitality Trust Management Pte. Ltd.
(Company Registration No. 201310246W)
As trustee-manager of OUE Hospitality Business Trust

25 January 2017