

**UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT OF OUE H-TRUST AND
OUE H-REIT AND ITS SUBSIDIARY (“OUE H-REIT GROUP”)
FOR THE SECOND QUARTER ENDED 30 JUNE 2016**

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Summary of Stapled Group’s Results

	Stapled Group					
	2Q2016 S\$'000	2Q2015 S\$'000	Increase/ (Decrease) %	1H2016 S\$'000	1H2015 S\$'000	Increase/ (Decrease) %
Revenue	26,870	29,601	-9.2	57,018	58,938	-3.3
Net Property Income	23,158	25,780	-10.2	49,451	51,495	-4.0
Total Return	13,161	17,089	-23.0	30,004	35,557	-15.6
Income available for distribution	16,555	20,188	-18.0	36,255	41,574	-12.8
Distribution Per Stapled Security (cents)	0.92 ⁽¹⁾	1.52	-39.5	2.02 ⁽¹⁾	3.13	-35.5

⁽¹⁾ Excluding the Rights Issue of 441,901,257 Stapled Securities, the Distribution per Stapled Security (“DPS”) for 2Q2016 and 1H2016 would have been 1.23 cents and 2.70 cents respectively.

On 13 April 2016, OUE H-REIT raised a gross proceeds of S\$238.6 million through the issuance of 441,901,257 Stapled Securities at a rights issue price of S\$0.54 per Stapled Security. The new Stapled Securities rank *pari passu* with the existing Stapled Securities issued and issuable, including the rights to distribution.

The Distribution per Stapled Security (“DPS”) for 2Q2016 is 0.92 cents.

UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT OF OUE H-TRUST AND OUE H-REIT AND ITS SUBSIDIARY (“OUE H-REIT GROUP”) FOR THE SECOND QUARTER ENDED 30 JUNE 2016

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.

On 30 January 2015, OUE H-REIT completed the acquisition of the 320-room Crowne Plaza Changi Airport (“**CPCA**”) for a purchase consideration of S\$290 million. As at 30 June 2016, OUE H-REIT’s asset portfolio comprised the 1,077-room Mandarin Orchard Singapore (“**MOS**”); the adjoining Mandarin Gallery (“**MG**”); and Crowne Plaza Changi Airport which was recently named the World’s Best Airport Hotel 2016.

On 1 August 2016, OUE H-REIT completed the acquisition of the 243-room extension of CPCA for a purchase consideration of S\$205 million. With the extension, the enlarged room inventory of CPCA is 563 rooms.

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	2Q2016	2Q2015	Increase/ (Decrease)	1H2016	1H2015	Increase/ (Decrease)
		S\$'000	S\$'000	%	S\$'000	S\$'000	%
Gross revenue	(a)	26,870	29,601	-9.2	57,018	58,938	-3.3
Property tax		(1,989)	(1,990)	-0.1	(3,988)	(3,907)	2.1
Insurance		(54)	(57)	-5.3	(108)	(110)	-1.8
Other property expenses	(b)	(1,669)	(1,774)	-5.9	(3,471)	(3,426)	1.3
Net property income		23,158	25,780	-10.2	49,451	51,495	-4.0
REIT Manager's base management fees		(1,563)	(1,567)	-0.3	(3,123)	(3,118)	0.2
REIT Manager's performance fees		(926)	(1,031)	-10.2	(1,978)	(2,059)	-3.9
REIT Trustee's fees		(103)	(98)	5.1	(200)	(194)	3.1
Other trust expenses		(335)	(296)	13.2	(612)	(621)	-1.4
Finance income		184	348	-47.1	206	744	-72.3
Finance expenses		(7,253)	(6,046)	20.0	(13,738)	(10,688)	28.5
Net finance expenses	(c)	(7,069)	(5,698)	24.1	(13,532)	(9,944)	36.1
Total return for the period	(d)	13,162	17,090	-23.0	30,006	35,559	-15.6

UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT OF OUE H-TRUST AND OUE H-REIT AND ITS SUBSIDIARY (“OUE H-REIT GROUP”) FOR THE SECOND QUARTER ENDED 30 JUNE 2016

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

		Stapled Group				
Note	2Q2016	2Q2015	Increase/ (Decrease)	1H2016	1H2015	Increase/ (Decrease)
	S\$’000	S\$’000	%	S\$’000	S\$’000	%
Gross revenue	(a) 26,870	29,601	-9.2	57,018	58,938	-3.3
Property tax	(1,989)	(1,990)	-0.1	(3,988)	(3,907)	2.1
Insurance	(54)	(57)	-5.3	(108)	(110)	-1.8
Other property expenses	(b) (1,669)	(1,774)	-5.9	(3,471)	(3,426)	1.3
Net property income	23,158	25,780	-10.2	49,451	51,495	-4.0
REIT Manager’s base management fees	(1,563)	(1,567)	-0.3	(3,123)	(3,118)	0.2
REIT Manager’s performance fees	(926)	(1,031)	-10.2	(1,978)	(2,059)	-3.9
REIT Trustee’s fees	(103)	(98)	5.1	(200)	(194)	3.1
Other trust expenses	(336)	(297)	13.1	(614)	(623)	-1.4
Finance income	184	348	-47.1	206	744	-72.3
Finance expenses	(7,253)	(6,046)	20.0	(13,738)	(10,688)	28.5
Net finance expenses	(c) (7,069)	(5,698)	24.1	(13,532)	(9,944)	36.1
Total return for the period	(d) 13,161	17,089	-23.0	30,004	35,557	-15.6

NOTES TO THE STATEMENTS OF TOTAL RETURN

- (a) Gross revenue comprises master lease income from MOS and CPCA, and rental income from MG. Please refer to section 8 for further details.
- (b) Other property expenses comprise mainly property maintenance expenses, utilities expenses, marketing expenses, land rent expenses and property management fees.

UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT OF OUE H-TRUST AND OUE H-REIT AND ITS SUBSIDIARY (“OUE H-REIT GROUP”) FOR THE SECOND QUARTER ENDED 30 JUNE 2016

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

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

(c) Net finance expenses comprise the following:

OUE H-REIT Group and Stapled Group							
	Note	2Q2016	2Q2015	Increase/ (Decrease)	1H2016	1H2015	Increase/ (Decrease)
		S\$’000	S\$’000	%	S\$’000	S\$’000	%
Interest income from fixed deposits	(c)(i)	184	19	>100	206	31	>100
Ineffective portion of changes in fair value of cash flow hedge	(c)(ii)	–	329	n.m	–	713	n.m
Finance income		184	348	-41.7	206	744	-72.3
Amortisation of debt-related transaction costs		(629)	(577)	9.0	(1,206)	(1,105)	9.1
Interest expense paid/payable to banks	(c)(iii)	(5,628)	(5,469)	2.9	(11,762)	(9,583)	22.7
Change in fair value of financial derivatives	(c)(ii)	(636)	–	n.m	(636)	–	n.m
Ineffective portion of changes in fair value of cash flow hedge	(c)(ii)	(360)	–	n.m	(134)	–	n.m
Finance expenses		(7,253)	(6,046)	20.0	(13,738)	(10,688)	28.5
Net finance expenses		(7,069)	(5,698)	24.1	(13,532)	(9,944)	36.1

n.m.: not meaningful

- (c)(i) The higher interest income from fixed deposits arose from the placement of rights issue proceeds as fixed deposits while awaiting deployment of the funds.
- (c)(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 for the purpose of arriving at the income available for distribution (see (e) below).
- (c)(iii) The higher interest expenses were mainly due to (i) S\$295 million term loan that was drawn down on 30 January 2015 to fund the acquisition of CPCA, hence a full 6 months of interest in 1H2016 as compared to 5 months of interest in 1H2015; and (ii) higher contracted interest rates on re-fixing of floating interest rates to fixed interest rate.

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

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

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

OUE H-REIT Group and Stapled Group						
	2Q2016	2Q2015	Increase/ (Decrease)	1H2016	1H2015	Increase/ (Decrease)
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
OUE H-REIT	13,163	17,090	-23.0	30,008	35,560	-15.6
Other OUE H-REIT Group entity	(1)	–	n.m	(2)	(1)	100.0
OUE H-REIT Group	13,162	17,090	-23.0	30,006	35,559	-15.6
OUE H-BT	(1)	(1)	–	(2)	(2)	–
Stapled Group	13,161	17,089	-23.0	30,004	35,557	-15.6

n.m.: not meaningful

(e) Income available for distribution

OUE H-REIT Group and Stapled Group						
Note	2Q2016	2Q2015	Increase/ (Decrease)	1H2016	1H2015	Increase/ (Decrease)
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Total return for the period for OUE H- REIT	(e)(i) 13,163	17,090	-23.0	30,008	35,560	-15.6
Add/(Less):						
Non-tax deductible/ (chargeable) items:						
- REIT Manager's management fees paid/payable in Stapled Securities	2,489	2,598	-4.2	5,101	5,177	-1.5
- REIT Trustee's fees	103	98	5.1	200	194	3.1
- Amortisation of debt- related transaction costs	629	577	9.0	1,206	1,105	9.1
- Change in fair value of financial derivatives	360	(329)	n.m.	134	(713)	n.m.
- Ineffective portion of changes in fair value of cash flow hedge	636	–	n.m.	636	–	n.m.
- Recognition of lease incentive on straight line basis	(916)	105	n.m.	(1,160)	159	n.m.
- Other items	91	49	85.7	130	92	41.3
	3,392	3,098	9.5	6,247	6,014	3.9
Income available for distribution	16,555	20,188	-18.0	36,255	41,574	-12.8

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- (e)(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.

1 (b)(i) STATEMENTS OF FINANCIAL POSITION

Note	OUE H-REIT Group		OUE H-BT		Stapled Group	
	30/6/2016	31/12/2015	30/6/2016	31/12/2015	30/6/2016	31/12/2015
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
ASSETS						
Non-current assets						
Investment properties	2,054,247	2,054,000	–	–	2,054,247	2,054,000
Deposit (a)	1,545	1,501	–	–	1,545	1,501
Financial derivative assets (b)	–	4,752	–	–	–	4,752
	2,055,792	2,060,253	–	–	2,055,792	2,060,253
Current assets						
Trade and other receivables (c)	11,506	8,882	–	–	11,506	8,882
Financial derivative assets (b)	–	374	–	–	–	374
Cash and cash equivalents	27,781	31,361	14	15	27,795	31,376
	39,287	40,617	14	15	39,301	40,632
Total assets	2,095,079	2,100,870	14	15	2,095,093	2,100,885
LIABILITIES						
Non-current liabilities						
Borrowings 1(b)(ii)	585,450	584,821	–	–	585,450	584,821
Financial derivative liabilities (b)	8,263	–	–	–	8,263	–
Rental deposits	3,476	3,249	–	–	3,476	3,249
	597,189	588,070	–	–	597,189	588,070
Current liabilities						
Borrowings 1(b)(ii)	64,985	292,408	–	–	64,985	292,408
Rental deposits	1,435	2,009	–	–	1,435	2,009
Financial derivative liabilities (b)	8	–	–	–	8	–
Trade and other payables (d)	9,951	11,394	3	2	9,954	11,396
	76,379	305,811	3	2	76,382	305,813
Total liabilities	673,568	893,881	3	2	673,571	893,883
Net assets	1,421,511	1,206,989	11	13	1,421,522	1,207,002
Represented by:						
Unitholders' funds						
Unitholders' funds of OUE H-REIT Group	1,421,511	1,206,989	–	–	1,421,511	1,206,989
Unitholders' funds of OUE H-BT	–	–	11	13	11	13
	1,421,511	1,206,989	11	13	1,421,522	1,207,002

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

NOTES TO STATEMENTS OF FINANCIAL POSITION

- (a) Deposit pertains to the security deposit placed to Changi Airport Group, the lessor of CPCA.
- (b) 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.
- (c) Increase in trade and other receivables was mainly due to upfront fees and related transaction costs accrued for the S\$270 million term loan facility, which will be amortised over the tenure of S\$270 million term loan facility.
- (d) Decrease in trade and other payables was mainly due to lower interest accrual of S\$1.3 million as the total outstanding term loan as at 30 June 2016 had decreased.

1 (b)(ii) BORROWINGS

	OUE H-REIT Group and Stapled Group	
	30/06/2016	31/12/2015
	S\$’000	S\$’000
Repayable within one year		
Secured borrowings	65,000	293,000
Less: Unamortised transaction costs	(15)	(592)
	64,985	292,408
Repayable after one year		
Secured borrowings	589,000	589,000
Less: Unamortised transaction costs	(3,550)	(4,179)
	585,450	584,821
Total		
Secured borrowings	654,000	882,000
Less: Unamortised transaction costs	(3,565)	(4,771)
	650,435	877,229

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1 (b)(ii) BORROWINGS (cont'd)

Details of borrowings and collateral

Secured bank loans

Facilities		OUE H-REIT As at 30/6/2016					
		Facility amount S\$'000	Drawn down S\$'000	Undrawn S\$'000	Repaid S\$'000	Outstanding Balance S\$'000	Repayable
S\$630.0 million	3-year term loan	293,000	293,000	–	(228,000)	65,000	July 2016
	5-year term loan	294,000	294,000	–	–	294,000	July 2018
	Revolving credit facilities (committed)	31,000	–	31,000	–	–	–
	Revolving credit facilities (uncommitted)	12,000	–	12,000	–	–	–
S\$295.0 million	5-year term loan	295,000	295,000	–	–	295,000	January 2020
S\$270.0 million	3-year term loan	270,000	–	270,000	–	–	July 2019
			882,000	313,000	(228,000)	654,000	

On 30 June 2016, OUE H-REIT had (i) utilised S\$228 million proceeds from the rights issue to partially prepay the term loan of S\$293 million that matured in July 2016; and (ii) secured a new S\$270 million term loan facility for acquisition of CPEX and partial refinancing of S\$293 million term loan. As at 30 June 2016, OUE H-REIT's total outstanding term loan (excluding unamortised transaction costs) was S\$654 million. The weighted average debt maturity was 2.6 years and gearing at 31.2%. The average cost of debt for 2Q2016 was 2.7% per annum, with an interest service cover of 3.6 times.

On 8 July 2016, OUE H-REIT had drawn down S\$65 million from the new S\$270 million term loan facility to prepay the outstanding balance of the S\$293 million term loan.

On 1 August 2016, OUE H-REIT had drawn down the remaining S\$205 million of the new S\$270 million term loan facility to acquire CPEX. OUE H-REIT's total outstanding term loan (excluding unamortised transaction costs) as at 1 August 2016 is S\$859 million, the weighted average debt maturity is 2.8 years and has a gearing at 37.3%.

The above bank loan facilities are secured by:

- A registered first legal mortgage over Mandarin Orchard Singapore and Mandarin Gallery (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 Mandarin Gallery;
- 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 Mandarin Orchard Singapore; and
- A debenture incorporating a fixed and floating charge over generally all its present and future assets in connection with the Properties.

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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 30 June 2016, no Notes have been issued under this Programme.

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1 (c) STATEMENTS OF CASH FLOWS

		OUE H-REIT Group			
Note	2Q2016	2Q2015	1H2016	1H2015	
	S\$'000	S\$'000	S\$'000	S\$'000	
Operating activities					
Total return for the period	13,162	17,090	30,006	35,559	
Adjustments for:					
REIT Manager's fees paid/payable in Stapled Securities	2,489	2,598	5,101	5,177	
Finance income	(184)	(348)	(206)	(744)	
Finance expenses	7,253	6,046	13,738	10,688	
Operating income before working capital changes	22,720	25,386	48,639	50,680	
Changes in working capital:					
Deposit	(44)	–	(44)	(1,501)	
Trade and other receivables	1,731	2,716	33	1,099	
Trade and other payables	(1,640)	24	(2,775)	278	
Rental deposits	(252)	655	(347)	6,973	
Cash generated from operating activities	22,515	28,781	45,506	57,529	
Investing activities					
Interest received	167	14	199	16	
Capital expenditure on investment properties	(150)	(342)	(247)	(417)	
Acquisition of investment property	–	–	–	(290,868)	
Cash (used in)/generated from investing activities	17	(328)	(48)	(291,269)	
Financing activities					
Finance expenses paid	(7,051)	(4,732)	(13,079)	(8,090)	
Proceeds from Rights Issue	238,627	–	238,627	–	
Issue costs paid in relation to Rights Issue	(4,205)	–	(4,205)	–	
Repayment of loan	(228,000)	–	(228,000)	–	
Proceeds from borrowings	–	–	–	295,000	
Payment of transaction costs on borrowings	–	–	–	(3,140)	
Distribution to Stapled Securityholders	(19,617)	(21,401)	(42,381)	(44,970)	
Cash (used in)/generated from financing activities	(20,246)	(26,133)	(49,038)	238,800	
Net increase/(decrease) in cash and cash equivalents	2,286	2,320	(3,580)	5,060	
Cash and cash equivalents at beginning of the period	25,495	34,039	31,361	31,299	
Cash and cash equivalents at end of the period	27,781	36,359	27,781	36,359	

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

		Stapled Group			
Note	2Q2016	2Q2015	1H2016	1H2015	
	S\$'000	S\$'000	S\$'000	S\$'000	
Operating activities					
Total return for the period	13,161	17,089	30,004	35,557	
Adjustments for:					
REIT Manager's fees paid/payable in Stapled Securities (a)	2,489	2,598	5,101	5,177	
Finance income	(184)	(348)	(206)	(744)	
Finance expenses	7,253	6,046	13,738	10,688	
Operating income before working capital changes	22,719	25,385	48,637	50,678	
Changes in working capital:					
Deposit	(44)	–	(44)	(1,501)	
Trade and other receivables	1,731	2,716	33	1,099	
Trade and other payables	(1,639)	25	(2,774)	279	
Rental deposits	(252)	655	(347)	6,973	
Cash generated from operating activities	22,515	28,781	45,505	57,528	
Investing activities					
Interest received	167	14	199	16	
Capital expenditure on investment properties	(150)	(342)	(247)	(417)	
Acquisition of investment property (b)	–	–	–	(290,868)	
Cash (used in)/generated from investing activities	17	(328)	(48)	(291,269)	
Financing activities					
Finance expenses paid	(7,051)	(4,732)	(13,079)	(8,090)	
Proceeds from Rights Issue (c)	238,627	–	238,627	–	
Issue costs paid in relation to Rights Issue (c)	(4,205)	–	(4,205)	–	
Repayment of loan (d)	(228,000)	–	(228,000)	–	
Proceeds from borrowings (b)	–	–	–	295,000	
Payment of transaction costs on borrowings (b)	–	–	–	(3,140)	
Distribution to Stapled Securityholders (e)	(19,617)	(21,401)	(42,381)	(44,970)	
Cash (used in)/generated from financing activities	(20,246)	(26,133)	(49,038)	238,800	
Net increase/(decrease) in cash and cash equivalents	2,286	2,320	(3,581)	5,059	
Cash and cash equivalents at beginning of the period	25,509	34,056	31,376	31,317	
Cash and cash equivalents at end of the period	27,795	36,376	27,795	36,376	

**UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT OF OUE H-TRUST AND
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1 (c) STATEMENTS OF CASH FLOWS (cont'd)

NOTES TO STATEMENTS OF CASH FLOWS

(a) 2Q2016

In 2Q2016, 2,319,279 Stapled Securities amounting to S\$1,563,000 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. A performance fee of S\$926,000 has been accrued in the current quarter, which will be settled through the issuance of Stapled Securities after year ending 31 December 2016.

In 2Q2015, 2,769,113 Stapled Securities amounting to S\$2,598,000 has been issued to the REIT Manager as satisfaction of both base management fees and performance management fees payable in Stapled Securities.

1H2016

In 1H2016, 4,675,335 Stapled Securities amounting to S\$3,123,000 has been/will be issued to the REIT Manager as satisfaction of REIT Manager's base management fees payable in Stapled Securities. A performance fee of S\$1,978,000 has been accrued, which will be settled through the issuance of Stapled Securities after year ending 31 December 2016.

In 1H2015, 5,517,807 Stapled Securities amounting to S\$5,177,000 has been issued to the REIT Manager as satisfaction of both base management fees and performance management fees payable in Stapled Securities.

- (b) In 1H2015, proceeds from borrowings were utilised to fund the purchase consideration of Crowne Plaza Changi Airport 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 S\$234.4 million.
- (d) On 30 June 2016, OUE H-REIT had utilised S\$228 million proceeds from the Rights Issue to partially prepay S\$293 million loan that matured in July 2016.
- (e) **2Q2016**
Distribution to Stapled Securityholders relates to the distribution paid in respect of 1Q2016. In the previous corresponding period, the distribution paid was in respect of 1Q2015.

1H2016

Distribution to Stapled Securityholders relates to the distribution paid in respect of the financial period from 1 October 2015 to 31 March 2016. In the previous corresponding period, the distribution paid was in respect of the financial period from 1 October 2014 to 31 March 2015.

Status on the Use of Proceeds from Underwritten and Renounceable Rights Issue

As at 1 August 2016, OUE H-REIT had fully utilised the Rights Issue gross proceeds of S\$238.6 million as follows:

- 1) S\$228 million to partially prepay a term loan on 30 June 2016 prior to the acquisition of CPEX on 1 August 2016;
- 2) Payment of Rights Issue expenses amounting to S\$4.2 million;
- 3) Payment of upfront fees and related transaction costs of S\$2.6 million for the new term loan facility; and
- 4) Working capital of S\$3.8 million used for operating expenses relating to the portfolio of properties and acquisition related cost of CPEX.

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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	Total	Total	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'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	–	–	–	16,844	16,844	(1)	16,843
Movement in hedging reserve							
Effective portion of changes in fair value of cash flow hedge	–	–	(11,585)	–	(11,585)	–	(11,585)
Unitholders’ transactions							
Distribution to Stapled Securityholders (a)(i)	–	–	–	(22,764)	(22,764)	–	(22,764)
Stapled Securities to be issued as payment of REIT Manager’s management fees (b)(i)	2,612	–	–	–	2,612	–	2,612
Increase/(Decrease) in net assets resulting from unitholders’ transactions	2,612	–	–	(22,764)	(20,152)	–	(20,152)
At 31/3/2016	1,180,722	(22,303)	(5,459)	39,136	1,192,096	12	1,192,108
Operations							
Increase/(Decrease) in net assets resulting from operations	–	–	–	13,162	13,162	(1)	13,161
Movement in hedging reserve							
Effective portion of changes in fair value of cash flow hedge	–	–	(1,041)	–	(1,041)	–	(1,041)
Unitholders’ transactions							
Distribution to Stapled Securityholders (a)(ii)	–	–	–	(19,617)	(19,617)	–	(19,617)
Stapled Securities to be issued as payment of REIT Manager’s management fees (b)(ii)	2,489	–	–	–	2,489	–	2,489
Proceeds from rights issue	238,627	–	–	–	238,627	–	238,627
Issue costs paid	–	(4,205)	–	–	(4,205)	–	(4,205)
Increase/(Decrease) in net assets resulting from unitholders’ transactions	241,116	(4,205)	–	(19,617)	217,294	–	217,294
At 30/6/2016	1,421,838	(26,508)	(6,500)	32,681	1,421,511	11	1,421,522

UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT OF OUE H-TRUST AND OUE H-REIT AND ITS SUBSIDIARY (“OUE H-REIT GROUP”) FOR THE SECOND QUARTER ENDED 30 JUNE 2016

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

	Note	OUE H-REIT Group				OUE H-BT	Stapled Group	
		Units in issue and to be issued	Issue costs	Hedging reserve	Accumulated profits	Total	Total	
		S\$’000	S\$’000	S\$’000	S\$’000	S\$’000	S\$’000	
At 1/1/2015		1,165,281	(22,303)	(173)	55,532	1,198,337	16	1,198,353
Operations								
Increase/(Decrease) in net assets resulting from operations		–	–	–	18,469	18,469	(1)	18,468
Movement in hedging reserve								
Effective portion of changes in fair value of cash flow hedge		–	–	1,941	–	1,941	–	1,941
Unitholders’ transactions								
Distribution to Stapled Securityholders	(a)(iii)	–	–	–	(23,569)	(23,569)	–	(23,569)
Stapled Securities to be issued as payment of REIT Manager’s management fees	(b)(iii)	2,579	–	–	–	2,579	–	2,579
Stapled Securities issued as payment of REIT Manager’s acquisition fees	(c)	2,175	–	–	–	2,175	–	2,175
Increase/(Decrease) in net assets resulting from unitholders’ transactions		4,754	–	–	(23,569)	(18,815)	–	(18,815)
At 31/3/2015		1,170,035	(22,303)	1,768	50,432	1,199,932	15	1,199,947
Operations								
Increase/(Decrease) in net assets resulting from operations		–	–	–	17,090	17,090	(1)	17,089
Movement in hedging reserve								
Effective portion of changes in fair value of cash flow hedge		–	–	(2,458)	–	(2,458)	–	(2,458)
Unitholders’ transactions								
Distribution to Stapled Securityholders	(a)(iv)	–	–	–	(21,401)	(21,401)	–	(21,401)
Stapled Securities to be issued as payment of REIT Manager’s management fees	(b)(iv)	2,598	–	–	–	2,598	–	2,598
Increase/(Decrease) in net assets resulting from unitholders’ transactions		2,598	–	–	(21,401)	(18,803)	–	(18,803)
At 30/6/2015		1,172,633	(22,303)	(690)	46,121	1,195,761	14	1,195,775

**UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT OF OUE H-TRUST AND
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FOR THE SECOND QUARTER ENDED 30 JUNE 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 4Q2015.
- (a)(ii) Distribution to Stapled Securityholders relates to the distribution made in respect of 1Q2016.
- (a)(iii) Distribution to Stapled Securityholders relates to the distribution made in respect of 4Q2014.
- (a)(iv) Distribution to Stapled Securityholders relates to the distribution made in respect of 1Q2015.
- (b)(i) This represents Stapled Securities to be issued as satisfaction of the REIT Manager’s base and performance management fee in respect of 1Q2016. 2,356,056 Stapled Securities relating to base management fee was issued on 6 May 2016. Stapled Securities relating to performance management fees will be issued after year ending 31 December 2016.
- (b)(ii) This represents Stapled Securities to be issued as satisfaction of the REIT Manager’s base and performance management fee in respect of 2Q2016. 2,319,279 Stapled Securities relating to base management fee will be issued on 1 August 2016. Stapled Securities relating to performance management fees will be issued after year ending 31 December 2016.
- (b)(iii) This represents 2,748,694 Stapled Securities to be issued as satisfaction of the REIT Manager’s base and performance management fee in respect of 1Q2015. This has been issued on 7 May 2015.
- (b)(iv) This represents 2,769,113 Stapled Securities to be issued as satisfaction of the REIT Manager’s base and performance management fee in respect of 2Q2015. This has been issued on 13 August 2015.
- (c) 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 SECOND QUARTER ENDED 30 JUNE 2016

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

	Note	Stapled Group			
		2Q2016 '000	2Q2015 '000	1H2016 '000	1H2015 '000
Issued Stapled Securities at beginning of the period		1,339,095	1,326,492	1,335,421	1,321,441
Issuance of new Stapled Securities:					
- rights issue		441,901	–	441,901	–
- as payment of REIT Manager’s management fees		2,356	2,749	6,030	5,455
- as payment of REIT Manager’s acquisition fees		–	–	–	2,345
Issued Stapled Securities at the end of the period		1,783,352	1,329,241	1,783,352	1,329,241
Stapled Securities to be issued:					
- as payment of REIT Manager’s management fees	(a)	5,255	2,769	5,255	2,769
Total issued and issuable Stapled Securities at end of the period		1,788,607	1,332,010	1,788,607	1,332,010

NOTE

- (a) This represents Stapled Securities 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 2Q2016, it comprises base management fee and performance management fees payable in Stapled Securities. 2,319,279 Stapled Securities will be issued on 1 August 2016 as payment of base management fees. Stapled Securities relating to performance fee will be issued after year ending 31 December 2016 based on VWAP of a Stapled Security for the last 10 business days before 31 December 2016.

In respect of 2Q2015, it comprises both the base management fee and performance management fees payable in Stapled Securities of 2,769,113 and these were issued on 13 August 2015.

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 SECOND QUARTER ENDED 30 JUNE 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		
	2Q2016	2Q2015 As restated ⁽¹⁾	2Q2015 As previously reported
Weighted average number of Stapled Securities ('000)	1,725,105	1,329,271	1,329,271
Basic EPS (cents)	0.76	1.20	1.29
Weighted average number of Stapled Securities ('000)	1,730,334 ⁽²⁾	1,329,271	1,329,271
Diluted EPS (cents)	0.76	1.20	1.29

	Stapled Group		
	1H2016	1H2015 As restated ⁽¹⁾	1H2015 As previously reported
Weighted average number of Stapled Securities ('000)	1,532,113	1,327,529	1,327,529
Basic EPS (cents)	1.96	2.49	2.68
Weighted average number of Stapled Securities ('000)	1,538,520 ⁽²⁾	1,327,529	1,327,529
Diluted EPS (cents)	1.95	2.49	2.68

⁽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.

⁽²⁾ The weighted average number of Stapled Securities is adjusted to take into account the estimated number of Stapled Securities to be issued as payment for the REIT Manager's performance fee after the year ending 31 December 2016.

UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT OF OUE H-TRUST AND OUE H-REIT AND ITS SUBSIDIARY (“OUE H-REIT GROUP”) FOR THE SECOND QUARTER ENDED 30 JUNE 2016

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

Distribution per Stapled Security (“DPS”)

	Stapled Group		
	2Q2016	2Q2015	
	As restated ⁽²⁾	As previously reported	
Number of Stapled Securities entitled to distribution ('000)	1,785,671 ⁽¹⁾	1,437,239	1,322,010
DPS (cents)	0.92	1.41	1.52

	Stapled Group		
	1H2016	1H2015	
	As restated ⁽²⁾	As previously reported	
Number of Stapled Securities entitled to distribution ('000)	1,785,671 ⁽¹⁾	1,437,239	1,322,010
DPS (cents)	2.02	2.90	3.13

⁽¹⁾ Includes 2,319,279 Stapled Securities to be issued as satisfaction of REIT Manager’s base management fee payable for 2Q2016.

⁽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.

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

	OUE H-REIT Group and Stapled Group	
	30/6/2016	31/12/2015
Number of Stapled Securities ('000):		
- in issue	1,783,352	1,335,421
- issuable	5,255	3,674
	1,788,607	1,339,095
NAV and NTA per OUE H-REIT unit / Stapled Security	\$0.79	\$0.90

UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT OF OUE H-TRUST AND OUE H-REIT AND ITS SUBSIDIARY (“OUE H-REIT GROUP”) FOR THE SECOND QUARTER ENDED 30 JUNE 2016

8. REVIEW OF PERFORMANCE

		Stapled Group				
Note	2Q2016	2Q2015	Increase/ (Decrease)	1H2016	1H2015	Increase/ (Decrease)
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Gross revenue:						
- Hospitality	19,303	20,675	-6.6	41,698	40,751	2.3
- Retail	7,567	8,926	-15.2	15,320	18,187	-15.8
(a)	26,870	29,601	-9.2	57,018	58,938	-3.3
Property expenses:						
- Hospitality	(1,533)	(1,575)	-2.7	(3,106)	(2,964)	4.8
- Retail	(2,179)	(2,246)	-3.0	(4,461)	(4,479)	-0.4
(b)	(3,712)	(3,821)	-2.9	(7,567)	(7,443)	1.7
Net property income:						
- Hospitality	17,770	19,100	-7.0	38,592	37,787	2.1
- Retail	5,388	6,680	-19.3	10,859	13,708	-20.8
(c)	23,158	25,780	-10.2	49,451	51,495	-4.0
REIT Manager's fees	(2,489)	(2,598)	-4.2	(5,101)	(5,177)	-1.5
REIT Trustee's fees	(103)	(98)	5.1	(200)	(194)	3.1
Other trust expenses	(336)	(297)	13.1	(614)	(623)	-1.4
Net finance expenses	(7,069)	(5,698)	24.1	(13,532)	(9,944)	36.1
(d)						
Total return for the period	13,161	17,089	-23.0	30,004	35,557	-15.6
Income available for distribution	16,555	20,188	-18.0	36,255	41,574	-12.8
(e)						
DPS (cents)	0.92⁽¹⁾	1.52	-39.5	2.02⁽¹⁾	3.13	-35.5
(e)						

⁽¹⁾ Excluding the Rights Issue of 441,901,257 Stapled Securities, the DPS for 2Q2016 and 1H2016 would have been 1.23 cents and 2.70 cents respectively.

UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT OF OUE H-TRUST AND OUE H-REIT AND ITS SUBSIDIARY (“OUE H-REIT GROUP”) FOR THE SECOND QUARTER ENDED 30 JUNE 2016

8. REVIEW OF PERFORMANCE (cont’d)

2Q2016 vs 2Q2015

- (a) Gross revenue for 2Q2016 was S\$2.7 million lower than 2Q2015 as a result of lower revenue from both hospitality and retail segments.

Hospitality segment pertains to the master lease income from the Mandarin Orchard Singapore hotel (“**MOS**”) and 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.

	Revenue			Net property income			RevPAR		
	2Q2016	2Q2015	Increase/ (Decrease)	2Q2016	2Q2015	Increase/ (Decrease)	2Q2016	2Q2015	Increase/ (Decrease)
	S\$m	S\$m	%	S\$m	S\$m	%	S\$	S\$	%
MOS	15.7	16.9	-7.1	14.8	16.0	-7.5	200	218	-8.3
CPCA	3.6	3.7	-2.7	3.0	3.1	-3.2	225	231	-2.6
Hospitality portfolio	19.3	20.6	-6.3	17.8	19.1	-6.8	206	221	-6.8

RevPAR: revenue per available room

Hospitality revenue was S\$1.3 million lower than 2Q2015 due to lower master lease income from both MOS and CPCA.

Master lease income from MOS was S\$1.2 million lower than 2Q2015 as MOS recorded a lower RevPAR of S\$200 as compared to RevPAR of S\$218 in 2Q2015. The lower RevPAR was attributed to global economic uncertainties resulting in dampened corporate travel. The increase in rooms supply in Singapore has also created a highly competitive market environment for business from all segments. The decrease in room sales was partially mitigated by an increase in food and beverage sales due to higher patronage at the food and beverage outlets.

Master lease income from CPCA was marginally lower than 2Q2015, as CPCA recorded RevPAR of S\$225 in 2Q2016 as compared to RevPAR of S\$231 in 2Q2015 due to lower rates. Occupancy which continued to be close to 90%, saw a slight increase.

Retail revenue for 2Q2016 was S\$1.4 million lower than 2Q2015 mainly due to lower average occupancy rate at 79.1% and landlord fit out periods for incoming tenants. The mall recorded an effective rent per square foot per month of S\$24.6 for 2Q2016 as compared to S\$24.2 for 2Q2015.

- (b) Property expenses were S\$0.1 million or 2.9% lower than 2Q2015 mainly due to lower property expenditure incurred by the retail segment.
- (c) Net property income (“**NPI**”) for 2Q2016 was S\$2.6 million or 10.2% lower than 2Q2015 due to lower contribution from both hospitality and retail segment.
- (d) Net finance expenses were S\$1.4 million or 24.1% higher than 2Q2015 mainly due to: (i) higher interest rates contracted on re-fixing of floating interest rates to fixed interest rates; and (ii) fair value loss due to unwinding of interest rate swaps on partial prepayment of S\$293 million term loan, which is non-cash in nature and has no impact on distribution income. The higher finance expense was partially offset by higher interest income from fixed deposits which arose from the placement of rights issue proceeds as fixed deposits while awaiting for deployment of the funds.

UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT OF OUE H-TRUST AND OUE H-REIT AND ITS SUBSIDIARY (“OUE H-REIT GROUP”) FOR THE SECOND QUARTER ENDED 30 JUNE 2016

8. REVIEW OF PERFORMANCE (cont’d)

2Q2016 vs 2Q2015 (cont’d)

- (e) Income available for distribution was S\$3.6 million or 18.0% lower than 2Q2015 mainly due to lower NPI from both hospitality and retail segments and higher finance expenses. The DPS for 2Q2016 is 0.92 cents. Excluding the Rights Issue of 441,901,257 Stapled Securities, the DPS for 2Q2016 would have been 1.23 cents.

1H2016 vs 1H2015

- (a) Gross revenue for 1H2016 was S\$1.9 million lower than 1H2015. Retail segment posted lower revenue, mitigated by higher revenue from the hospitality segment.

	Revenue			Net property income			RevPAR		
	1H2016	1H2015	Increase/ (Decrease)	1H2016	1H2015	Increase/ (Decrease)	1H2016	1H2015	Increase/ (Decrease)
	S\$m	S\$m	%	S\$m	S\$m	%	S\$	S\$	%
MOS	34.1	34.3	-0.6	32.3	32.4	-0.3	211	221	-4.4
CPCA	7.6	6.4 ¹	18.8	6.3	5.4 ¹	16.7	238	237 ¹	0.4
Hospitality portfolio	41.7	40.7	2.5	38.6	37.8	2.1	217	224	-3.1

¹ Relates to the period from 30 January 2015 (date of acquisition) to 30 June 2015

RevPAR: revenue per available room

Hospitality revenue was S\$1.0 million higher than 1H2015. This was attributable to higher master lease income from CPCA due to contribution of master lease income for 6 months in 1H2016 as compared to 5 months in 1H2015 as CPCA was acquired on 30 January 2015.

Master lease income from MOS was S\$0.2 million lower than 1H2015, primarily attributable to lower master lease income in 2Q2016. In 1H2016, room sales in MOS were lower as RevPAR was at S\$211 (1H2015: S\$221) mainly attributable to 2Q2016 that recorded a lower RevPAR of S\$200 (2Q2015: S\$218). The lower room sales was offset by higher food and beverage sales in 1H2016 due to higher patronage at the food and beverage outlets.

CPCA contributed S\$7.6 million master lease income in 1H2016. Master lease income was S\$1.2 million higher due to contribution for full 6 months in 1H2016 as compared to 5 months in 1H2015. CPCA’s RevPAR was marginally higher at S\$238 (1H2015: S\$237) as higher demand from the wholesale segment offset the lower demand from the transient segment.

Retail revenue for 1H2016 was S\$2.9 million lower than 1H2015 mainly due to lower average occupancy rate at 81.0% and landlord fit out periods for incoming tenants. The mall recorded an effective rent per square foot per month of S\$24.4 (1H2015: S\$24.4).

- (b) Property expenses were S\$0.1 million or 1.7% higher than 1H2015 mainly due to expenses related to CPCA for 6 months in 1H2016 as compared to 5 months in 1H2015.
- (c) Net property income (“NPI”) for 1H2016 was S\$2.0 million or 4.0% lower than 1H2015 mainly due to lower revenue from the retail segment despite higher contribution from the hospitality segment.

UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT OF OUE H-TRUST AND OUE H-REIT AND ITS SUBSIDIARY (“OUE H-REIT GROUP”) FOR THE SECOND QUARTER ENDED 30 JUNE 2016

8. REVIEW OF PERFORMANCE (cont’d)

1H2016 vs 1H2015 (cont’d)

- (d) Net finance expenses were S\$3.6 million or 36.1% higher than 1H2015 mainly due to: (i) interest expense on the S\$295 million borrowings drawn down to fund the acquisition of CPCA on 30 January 2015, hence a full 6 months of interest in 1H2016 as compared to 5 months of interest in 1H2015; (ii) higher interest rates contracted on re-fixing of floating interest rates to fixed interest rates; and (iii) fair value loss due to unwinding of interest rate swaps on partial prepayment of S\$293 million term loan, which is non-cash in nature and has no impact on distribution income. The higher finance expense was offset by higher interest income from fixed deposits which arose from the placement of rights issue proceeds as fixed deposits while awaiting for deployment of the funds.
- (e) Income available for distribution was S\$5.3 million or 12.8% lower than 1H2015 mainly due to lower retail revenue and higher finance expenses. The DPS for 1H2016 is 2.02 cents. Excluding the Rights Issue of 441,901,257 Stapled Securities, the DPS for 1H2016 would have been 2.70 cents.

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 13.3%¹ year-on-year increase in international visitor arrivals in the first five months of 2016. Despite the higher visitor arrivals, Singapore hotel year-to-date May RevPAR was 0.8% lower than the same period last year.²

Against the backdrop of 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. To support the tourism industry and in an effort to boost tourism in the short term and long term, the Singapore government has set aside \$700 million³ in a Tourism Development Fund to be invested from 2016 to 2020.

The asset enhancement programme for Mandarin Orchard Singapore will continue in 2016. More than 350 out of the 430 guest rooms to be renovated have been completed. This refurbishment is funded by the Sponsor, OUE Limited.

MOS’ Shisen Hanten by Chen Kentaro, has been awarded two stars in the inaugural Michelin Guide Singapore 2016 – Singapore’s first-ever list of Michelin hotels and restaurants. The accolade makes Shisen Hanten by Chen Kentaro the highest Michelin-rated Chinese restaurant island-wide. This is expected to increase interest in the restaurant and boost patronage.

The retail scene in Singapore remains challenging. As a result of the impact of slower lease renewals and more fit-out periods by the landlord, Mandarin Gallery is expected to record lower average occupancy in FY2016. Michael Kors and Victoria’s Secret are expected to open in 3Q2016 and 4Q2016 respectively, and both tenants account for approximately 15% of the mall’s net lettable area. 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.

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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)

On 1 August 2016, OUE H-REIT completed the acquisition of CPEX for a purchase consideration of S\$205 million. With the commencement of CPEX operation and integration into CPCA, the enlarged room inventory of CPCA is 563 rooms.

For 2H2016, enlarged CPCA and the opening of Michael Kors and Victoria’s Secret are expected to contribute positively to OUE H-Trust’s revenue and distribution income.

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, 13 July 2016

² Singapore Tourism Board, Hotel Statistics, 13 July 2016

³ MTI News Room, Speech by Minister S Iswaran at the Tourism Industry Conference 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 April 2016 to 30 June 2016
Distribution type	Taxable income
Distribution rate per stapled security	0.92 cents
Book closure date	10 August 2016
Date payable	1 September 2016

(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 April 2015 to 30 June 2015
Distribution type	Taxable income
Distribution rate per stapled security	1.52 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%.

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

Not applicable.

13. General mandate relating to Interested Person Transactions

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

14. CONFIRMATION PURSUANT TO RULE 705(5) OF THE LISTING MANUAL

Pursuant to Rule 705(5) of the Listing Manual of Singapore Exchange Securities Trading Limited (“**SGX-ST**”), we, on behalf of the directors of the REIT Manager and the Trustee-Manager confirm that, to the best of our knowledge, nothing has come to the attention of the board of directors of the REIT Manager and the Trustee-Manager which may render the unaudited financial results of Stapled Group for the quarter ended 30 June 2016 to be false or misleading in any material aspect.

On behalf of the Board of Directors

Christopher Williams
Chairman

Chong Kee Hiong
Chief Executive Officer and
Executive Director

1 August 2016

15. 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

1 August 2016

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FOR THE SECOND QUARTER ENDED 30 JUNE 2016**

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

1 August 2016