

**UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT OF OUE H-TRUST AND
OUE H-REIT AND ITS SUBSIDIARY (“OUE H-REIT GROUP”)
FOR THE FIRST QUARTER ENDED 31 MARCH 2017**

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UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT OF OUE H-TRUST AND OUE H-REIT AND ITS SUBSIDIARY ("OUE H-REIT GROUP") FOR THE FIRST QUARTER ENDED 31 MARCH 2017

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 March 2017, 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 for three consecutive years since 2015.

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

Note	OUE H-REIT Group			Stapled Group		
	1Q2017	1Q2016	Increase/ (Decrease)	1Q2017	1Q2016	Increase/ (Decrease)
	\$'000	\$'000	%	\$'000	\$'000	%
Gross revenue	32,086	30,148	6.4	32,086	30,148	6.4
Property tax	(2,319)	(1,999)	16.0	(2,319)	(1,999)	16.0
Insurance	(56)	(54)	3.7	(56)	(54)	3.7
Other property expenses	(2,278)	(1,802)	26.4	(2,278)	(1,802)	26.4
Net property income	27,433	26,293	4.3	27,433	26,293	4.3
Other income	1,625	-	n.m.	1,625	-	n.m.
Amortisation of intangible asset	(1,636)	-	n.m.	(1,636)	-	n.m.
REIT Manager's base management fees	(1,667)	(1,560)	6.9	(1,667)	(1,560)	6.9
REIT Manager's performance fees	(1,097)	(1,052)	4.3	(1,097)	(1,052)	4.3
REIT Trustee's fees	(102)	(97)	5.2	(102)	(97)	5.2
Other trust expenses	(256)	(277)	(7.6)	(257)	(278)	(7.6)
Finance income	290	248	16.9	290	248	16.9
Finance expenses	(5,875)	(6,711)	(12.5)	(5,875)	(6,711)	(12.5)
Net finance expenses	(5,585)	(6,463)	(13.6)	(5,585)	(6,463)	(13.6)
Total return for the period	18,715	16,844	11.1	18,714	16,843	11.1

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**”).
- 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.
- Net finance expenses comprise the following:

OUE H-REIT Group and Stapled Group			
Note	1Q2017	1Q2016	Increase/ (Decrease)
	\$'000	\$'000	%
Interest income from fixed deposits	17	22	(22.7)
Ineffective portion of changes in fair value of cash flow hedge	273	226	20.8
Finance income	290	248	16.9
Amortisation of debt-related transaction costs	(522)	(577)	(9.5)
Interest expense paid/payable to banks	(5,353)	(6,134)	(12.7)
Finance expenses	(5,875)	(6,711)	(12.5)
Net finance expenses	(5,585)	(6,463)	(13.6)

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

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

- (e)(i) 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 (g) below).
- (e)(ii) The interest expense was lower in 1Q2017 as total outstanding term loan had decreased as compared to 1Q2016 and lower average cost of debt.
- (f) Total return for the period of the Stapled Group was contributed by:

	1Q2017 \$'000	1Q2016 \$'000	Increase/ (Decrease) %
OUE H-REIT	18,716	16,845	11.1
Other OUE H-REIT Group entity	(1)	(1)	-
OUE H-REIT Group	18,715	16,844	11.1
OUE H-BT	(1)	(1)	-
Stapled Group	18,714	16,843	11.1

- (g) Income available for distribution

OUE H-REIT Group and Stapled Group			
Note	1Q2017 \$'000	1Q2016 \$'000	Increase/ (Decrease) %
Total return for the period for OUE H-REIT	18,716	16,845	11.1
Add/(Less):			
Non-tax deductible/(chargeable) items:			
- REIT Manager's management fees paid/payable in Stapled Securities	2,764	2,612	5.8
- REIT Trustee's fees	102	97	5.2
- Amortisation of intangible asset	1,636	-	n.m.
- Amortisation of debt-related transaction costs	522	577	(9.5)
- Ineffective portion of changes in fair value of cash flow hedge	(273)	(226)	20.8
- Straight-lining of lease incentives	(28)	(244)	(88.5)
- Other items	19	39	(51.3)
	4,742	2,855	66.1
Income available for distribution	23,458	19,700	19.1

n.m.: not meaningful

- (g)(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.

UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT OF OUE H-TRUST AND OUE H-REIT AND ITS SUBSIDIARY ("OUE H-REIT GROUP") FOR THE FIRST QUARTER ENDED 31 MARCH 2017

1 (b)(i) STATEMENTS OF FINANCIAL POSITION

	Note	OUE H-REIT Group		OUE H-BT		Stapled Group	
		31/3/2017 \$'000	31/12/2016 \$'000	31/3/2017 \$'000	31/12/2016 \$'000	31/3/2017 \$'000	31/12/2016 \$'000
ASSETS							
Non-current assets							
Investment properties		2,209,194	2,208,100	-	-	2,209,194	2,208,100
Intangible asset	(a)	-	4,908	-	-	-	4,908
Deposit	(b)	2,295	2,295	-	-	2,295	2,295
		2,211,489	2,215,303	-	-	2,211,489	2,215,303
Current assets							
Intangible asset	(a)	3,272	-			3,272	-
Trade and other receivables		12,854	12,508	-	-	12,854	12,508
Cash and cash equivalents		25,891	28,547	11	12	25,902	28,559
		42,017	41,055	11	12	42,028	41,067
Total assets		2,253,506	2,256,358	11	12	2,253,517	2,256,370
LIABILITIES							
Non-current liabilities							
Borrowings	1(b)(ii)	854,517	853,995	-	-	854,517	853,995
Financial derivative liabilities	(c)	5,555	3,176	-	-	5,555	3,176
Rental deposits		3,261	2,913	-	-	3,261	2,913
		863,333	860,084	-	-	863,333	860,084
Current liabilities							
Rental deposits		1,352	1,479	-	-	1,352	1,479
Financial derivative liabilities	(c)	601	704	-	-	601	704
Trade and other payables		11,796	12,123	2	2	11,798	12,125
		13,749	14,306	2	2	13,751	14,308
Total liabilities		877,082	874,390	2	2	877,084	874,392
Net assets		1,376,424	1,381,968	9	10	1,376,433	1,381,978
Represented by:							
Unitholders' funds							
Unitholders' funds of OUE H-REIT Group		1,376,424	1,381,968	-	-	1,376,424	1,381,968
Unitholders' funds of OUE H-BT		-	-	9	10	9	10
		1,376,424	1,381,968	9	10	1,376,433	1,381,978

NOTES TO STATEMENTS OF FINANCIAL POSITION

- (a) Intangible asset arose from the recognition of income support pursuant to a Deed of Income Support. As at 31 March 2017, the intangible asset represents the unamortised portion of income support.
- (b) Deposit pertains to the security deposit placed with Changi Airport Group, the lessor of CPCA.
- (c) Financial derivative liabilities relate to the fair value of interest rate swaps used to hedge OUE H-REIT Group's interest rate risk.

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

1 (b)(ii) BORROWINGS

Repayable within one year

Secured borrowings

Less: Unamortised transaction costs

Repayable after one year

Secured borrowings

Less: Unamortised transaction costs

Total

Secured borrowings

Less: Unamortised transaction costs

OUE H-REIT Group and Stapled Group	
31/3/2017	31/12/2016
\$'000	\$'000
-	-
-	-
-	-
859,000	859,000
(4,483)	(5,005)
854,517	853,995
859,000	859,000
(4,483)	(5,005)
854,517	853,995

Details of borrowings and collateral

Secured bank loans

		OUE H-REIT		
		As at 31/3/2017		
		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 March 2017, the weighted average debt maturity was 2.1 years and gearing at 38.1%. The average cost of debt for 1Q2017 was 2.5% per annum, with an interest cover of 4.8 times.

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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 March 2017, no Notes have been issued under this Programme.

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1 (c) STATEMENTS OF CASH FLOWS

Note	OUE H-REIT Group		Stapled Group	
	1Q2017 \$'000	1Q2016 \$'000	1Q2017 \$'000	1Q2016 \$'000
Operating activities				
Total return for the period	18,715	16,844	18,714	16,843
Adjustments for:				
Amortisation of intangible assets	1,636	-	1,636	-
REIT Manager's fees paid/payable in Stapled Securities	2,764	2,612	2,764	2,612
Finance income	(290)	(248)	(290)	(248)
Finance expenses	5,875	6,711	5,875	6,711
Straight-lining of lease incentives	(28)	244	(28)	244
Operating income before working capital changes	28,672	26,163	28,671	26,162
Changes in working capital:				
Trade and other receivables	(1,309)	(1,943)	(1,309)	(1,943)
Trade and other payables	(201)	(1,135)	(201)	(1,135)
Rental deposits	221	(95)	221	(95)
Cash generated from operating activities	27,383	22,990	27,382	22,989
Investing activities				
Interest received	32	33	32	33
Capital expenditure on investment properties	(117)	(97)	(117)	(97)
Cash (used in)/generated from investing activities	(85)	(64)	(85)	(64)
Financing activities				
Finance expenses paid	(5,479)	(6,028)	(5,479)	(6,028)
Distribution to Stapled Securityholders	(24,475)	(22,764)	(24,475)	(22,764)
Cash (used in)/generated from financing activities	(29,954)	(28,792)	(29,954)	(28,792)
Net increase/(decrease) in cash and cash equivalents	(2,656)	(5,866)	(2,657)	(5,867)
Cash and cash equivalents at beginning of the period	28,547	31,361	28,559	31,376
Cash and cash equivalents at end of the period	25,891	25,495	25,902	25,509

NOTES TO STATEMENTS OF CASH FLOWS

- (a) In 1Q2017, 2,422,592 Stapled Securities amounting to \$1,666,986 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 \$1,097,309 has been accrued in the current quarter, which will be settled through the issuance of Stapled Securities after the year ending 31 December 2017.

In 1Q2016, 2,356,056 Stapled Securities amounting to \$1,560,180 has been issued to the REIT Manager as satisfaction of REIT Manager's base management fees payable in Stapled Securities. The performance fee of \$1,051,702 has been settled through the issuance of 1,609,583 Stapled Securities on 25 January 2017.

- (b) Distribution to Stapled Securityholders relates to the distribution paid in respect of 4Q2016. In the previous corresponding period, the distribution paid was in respect of 4Q2015.

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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/ (losses)	Total	Total	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1/1/2017	1,429,133	(26,577)	(2,229)	(18,359)	1,381,968	10	1,381,978
Operations							
Increase/(Decrease) in net assets resulting from operations	-	-	-	18,715	18,715	(1)	18,714
Movement in hedging reserve							
Effective portion of changes in fair value of cash flow hedge	-	-	(2,548)	-	(2,548)	-	(2,548)
Unitholders' transactions							
Distribution to Stapled Securityholders	(a)(i)	-	-	(24,475)	(24,475)	-	(24,475)
Stapled Securities to be issued as payment of REIT Manager's management fees	(b)(i)	2,764	-	-	2,764	-	2,764
Increase/(Decrease) in net assets resulting from unitholders' transactions		2,764	-	(24,475)	(21,711)	-	(21,711)
At 31/3/2017	1,431,897	(26,577)	(4,777)	(24,119)	1,376,424	9	1,376,433

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	-	-	-	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)(ii)	-	-	(22,764)	(22,764)	-	(22,764)
Stapled Securities to be issued as payment of REIT Manager's management fees	(b)(ii)	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

NOTES TO STATEMENTS OF MOVEMENT IN UNITHOLDERS' FUNDS

(a)(i) Distribution to Stapled Securityholders relates to the distribution made in respect of 4Q2016.

(a)(ii) Distribution to Stapled Securityholders relates to the distribution made in respect of 4Q2015.

(b)(i) This represents Stapled Securities to be issued as satisfaction of the REIT Manager's base and performance management fee in respect of 1Q2017. 2,422,592 Stapled Securities relating to base management fee will be issued on 4 May 2017. Stapled Securities relating to performance management fees will be issued after year ending 31 December 2017.

(b)(ii) This represents Stapled Securities 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 for 1Q2016 have been issued on 6 May 2016. 1,609,583 Stapled Securities relating to performance management fee for 1Q2016 have been issued on 25 January 2017.

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

	Note	Stapled Group	
		1Q2017 '000	1Q2016 '000
Issued Stapled Securities at beginning of the period		1,790,428	1,335,421
Issuance of new Stapled Securities:			
- as payment of REIT Manager's management fees		9,179	3,674
Issued Stapled Securities at the end of the period		1,799,607	1,339,095
Stapled Securities to be issued:			
- as payment of REIT Manager's management fees	(a)	4,017	3,944
Total issued and issuable Stapled Securities at end of the period		1,803,624	1,343,039

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 1Q2017, it comprises base management fee and performance management fee payable in Stapled Securities. 2,422,592 Stapled Securities will be issued on 4 May 2017 as payment of base management fees. Stapled Securities relating to performance fee for 2017 will be issued after year ending 31 December 2017 based on VWAP of a Stapled Security for the last 10 business days before 31 December 2017.

In respect of 1Q2016, it comprises base management fee and performance management fee payable in Stapled Securities of 2,356,056 and 1,588,193 respectively. 2,356,056 Stapled Securities relating to the base management fee were issued on 6 May 2016. 1,588,193 Stapled Securities relating to the performance management fee was calculated based on the VWAP of a Stapled Security for the last 10 business days before 31 March 2016. In line with MAS requirements, Stapled Securities relating to performance fee for 2016 will be issued after year ended 31 December 2016 based on VWAP of a Stapled Security for the last 10 business days before 31 December 2016. On 25 January 2017, the performance management fee for 1Q2016 was settled through the issuance of 1,609,583 Stapled Securities.

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 2016.

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

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	
	1Q2017	1Q2016
Weighted average number of Stapled Securities ('000)	1,799,634	1,339,121
Basic EPS (cents)	1.04	1.26
Weighted average number of Stapled Securities ('000)	1,803,624 ⁽¹⁾	1,343,039 ⁽¹⁾
Diluted EPS (cents)	1.04	1.25

- ⁽¹⁾ 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 after the financial year end.

Distribution per Stapled Security (“DPS”)

	Stapled Group	
	1Q2017	1Q2016
Number of Stapled Securities entitled to distribution ('000)	1,802,030 ⁽¹⁾	1,783,352
DPS (cents)	1.30	1.10

- ⁽¹⁾ Includes 2,422,592 Stapled Securities to be issued as satisfaction of REIT Manager's base management fee for 1Q2017.

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

	OUE H-REIT Group and Stapled Group	
	31/3/2017	31/12/2016
Number of Stapled Securities ('000):		
- in issue	1,799,607	1,790,429
- issuable	4,017	9,178
	1,803,624	1,799,607
NAV per OUE H-REIT unit / Stapled Security	\$0.76	\$0.77
NTA per OUE H-REIT unit / Stapled Security	\$0.76	\$0.77

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8. REVIEW OF PERFORMANCE

Note	Stapled Group		
	1Q2017 \$'000	1Q2016 \$'000	Increase/ (Decrease) %
Gross revenue:			
- Hospitality	23,380	22,395	4.4
- Retail	8,706	7,753	12.3
(a)	32,086	30,148	6.4
Property expenses:			
- Hospitality	(2,381)	(1,573)	51.4
- Retail	(2,272)	(2,282)	(0.4)
(b)	(4,653)	(3,855)	20.7
Net property income:			
- Hospitality	20,999	20,822	0.9
- Retail	6,434	5,471	17.6
(c)	27,433	26,293	4.3
Other income	1,625	-	n.m.
Amortisation of intangible asset	(1,636)	-	n.m.
REIT Manager's fees	(2,764)	(2,612)	5.8
REIT Trustee's fees	(102)	(97)	5.2
Other trust expenses	(257)	(278)	(7.6)
Net finance expenses	(5,585)	(6,463)	(13.6)
(f)			
Total return for the period	(g) 18,714	16,843	11.1
Income available for distribution	(h) 23,458	19,700	19.1
DPS (cents)	(h) 1.30	1.10	18.2

n.m.: not meaningful

1Q2017 vs 1Q2016

- (a) Gross revenue for 1Q2017 was \$1.9 million higher than 1Q2016. Both hospitality and retail segments posted higher revenue in 1Q2017 as compared to 1Q2016.

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.

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8. REVIEW OF PERFORMANCE (cont'd)

1Q2017 vs 1Q2016 (cont'd)

	Revenue			Net property income		
	1Q2017	1Q2016	Increase/ (Decrease)	1Q2017	1Q2016	Increase/ (Decrease)
	\$'m	\$'m	%	\$'m	\$'m	%
MOS	17.8	18.4	(3.3)	16.9	17.5	(3.4)
CPCA	5.6 ⁽¹⁾	4.0	40.0	4.1 ⁽¹⁾	3.4	20.6
Hospitality portfolio	23.4	22.4	4.4	21.0	20.9	0.9

⁽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 \$1.0 million higher than 1Q2016. This was a result of \$1.6 million higher master lease income from CPCA which more than offset the \$0.6 million decrease in master lease income from MOS.

Master lease income from MOS was \$0.6 million lower than 1Q2016 as MOS recorded a lower RevPAR of \$217 as compared to RevPAR of \$222 in 1Q2016. Although occupancy improved in 1Q2017, RevPAR was lower due to lower average room rates achieved in the absence of biennial meetings, incentives, convention and exhibition (MICE) events such as the Singapore Airshow and a competitive market. The lower room sales were partially mitigated by higher sales from the hotel's food and beverage outlets and banquet.

Master lease income from the enlarged CPCA was \$1.6 million higher than 1Q2016 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 the enlarged 563-room CPCA with the RevPAR for the 320-room CPCA for 1Q2016. 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 1Q2017 was \$1.0 million higher than 1Q2016 mainly due to higher average occupancy rate at 94.7% (1Q2016: 82.9%). The mall recorded an effective rent per square foot per month of \$23.7 for 1Q2017 (1Q2016: \$24.4).

- (b) Higher property expenses by \$0.8 million or 20.7% were due mainly to higher land rent payable to Changi Airport Group with the commencement of CPEX operations and property tax for CPEX.
- (c) Net property income ("**NPI**") for 1Q2017 was \$1.1 million or 4.3% higher than 1Q2016 due to higher gross revenue from both hospitality and retail segments, partially offset by higher property expenses for CPCA.
- (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 draw down 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 drawn down by OUE H-REIT, whichever is earlier.
- (e) Amortisation of intangible asset of \$1.6 million in 1Q2017 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)

1Q2017 vs 1Q2016 (cont'd)

- (f) Net finance expenses for 1Q2017 were lower than 1Q2016 by \$0.9 million or 13.6% mainly due to lower interest expense as the total outstanding loan had decreased and lower average cost of debt.
- (g) Total return was \$1.9 million or 11.1% higher due to higher net property income from both hospitality and retail segments, income support from OUEAH and lower net finance expenses, partially mitigated by amortisation of intangible asset.
- (h) Income available for distribution was \$3.8 million or 19.1% higher than 1Q2016 due to higher income from both hospitality and retail segments, income support received for CPCA and lower interest expense. The DPS for 1Q2017 was 1.30 cents as compared to 1.10 cents for 1Q2016.

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 3.4%¹ year-on-year increase in international visitor arrivals in the first two months of 2017. For the full year 2017, STB has forecast 0% to 2% growth in international visitor arrivals at 16.4 million to 16.7 million.²

Though the economic outlook has improved, there are still risks to achieving sustained recovery. As such, 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. In addition, Changi Airport Group, Singapore Airlines and STB have announced that they will jointly invest \$34 million to promote Singapore as an attractive stopover and twinning destination to travellers globally.⁴ Changi Airport's Terminal 4 is expected to be operational in the second half of 2017⁵. 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**") and a programme to renovate and increase the meeting facilities in MOS have been completed. The enhancement of MOS' meeting facilities will allow it to attract and cater to a wider range of banquet and conference demand. For the enlarged CPCA, the ramping up of operations continues in a challenging market.

The retail scene in Singapore remains challenging. To partner tenants towards success, the structure of leases for some tenants feature lower base rent and higher turnover rent compared to previous leases for the same units.

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 April 2017

² Singapore Tourism Board, Year-in-Review 2016, 14 February 2017

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

⁴ Changi Airport Group, Press Release 'CAG, SIA and STB sign new joint partnership', 17 April 2017

⁵ Changi Airport Group, Press Release 'Construction of Changi Airport Terminal 4 Completed', 16 December 2016

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11. Distributions

(a) Current financial period

Any distribution declared for the current financial period?	Yes
Name of distribution	Distribution for the period from 1 January 2017 to 31 March 2017
Distribution type	Taxable income
Distribution rate per stapled security	1.30 cents
Book closure date	15 May 2017
Date payable	6 June 2017

(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 January 2016 to 31 March 2016
Distribution type	Taxable income
Distribution rate per stapled security	1.10 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.

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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 31 March 2017 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

4 May 2017

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

4 May 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

4 May 2017