Annual Report 2015

A STRONG SHOWING
A STRATEGIC VISION

OUE COMMERCIAL REAL ESTATE INVESTMENT TRUST

OUE Commercial Real Estate Investment Trust ("OUE C-REIT") is a real estate investment trust ("REIT") listed on the Singapore Exchange Securities Trading Limited ("SGX-ST"). Listed on 27 January 2014, its principal investment strategy is to invest in income-producing real estate used primarily for commercial purposes in financial and business hubs in key gateway cities.

OUE C-REIT's portfolio comprises three strategically located landmark commercial properties in Singapore and China with a combined asset value of S$3.4 billion as at 31 December 2015.

The portfolio comprises:

- OUE Bayfront, a premium Grade A commercial building located at Collyer Quay between the Marina Bay downtown and Raffles Place financial hub in Singapore's central business district ("CBD");
- One Raffles Place, an integrated commercial development comprising two Grade A office towers and a retail mall located in the heart of the Singapore's CBD at Raffles Place; and
- Lippo Plaza, a Grade A commercial building located in the business district of Huangpu, one of Shanghai's established core CBD locations.

OUE C-REIT is managed by OUE Commercial REIT Management Pte. Ltd. (the "Manager"), a wholly-owned subsidiary of OUE Limited (the "Sponsor"). OUE Limited is a diversified real estate owner, developer and operator with a real estate portfolio located in prime locations in Asia and the USA.

OUE C-REIT's mission is to deliver stable distributions and provide sustainable long-term growth in returns to holders of units in OUE C-REIT ("Unitholders").

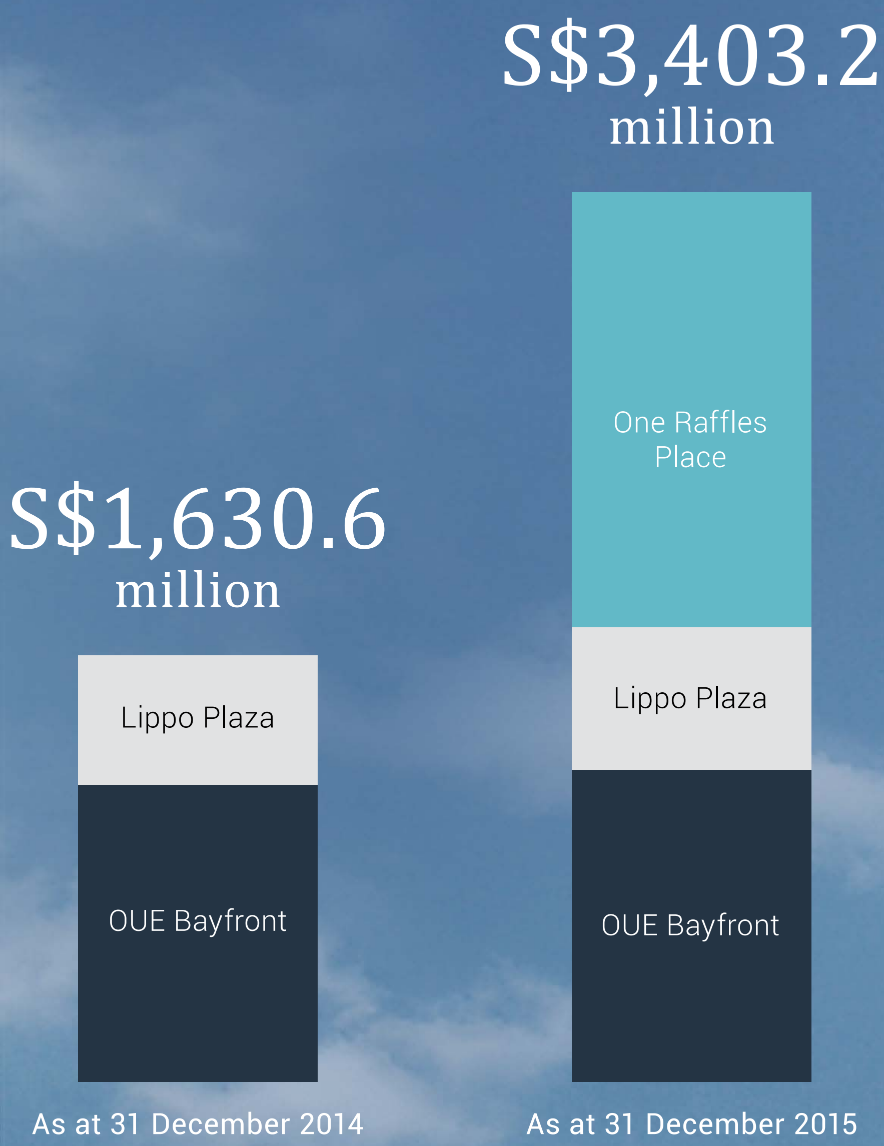
CONTENTS


oneRafflesPlace
B CAPITAL
BUILDING

A VISION FOR

TRANSFORMATION

OUE C-REIT achieved transformational growth in 2015, transcending expectations and more than doubling its assets-under-management with the acquisition of One Raffles Place. This latest acquisition enhances the diversity and resilience of OUE C-REIT's portfolio and strengthens its presence and competitive positioning in the Singapore CBD.



ASSETS-UNDER-MANAGEMENT

A VISION FOR

STABILITY

OUE C-REIT has built a resilient portfolio with premium-quality properties that yield high occupancy levels and rental rates. The Manager pro-actively manages the portfolio to achieve stable and sustainable rental revenue through strategic moves such as terming out lease expiries to mitigate the concentration of lease expiry in any year. OUE C-REIT also optimises its capital structure with disciplined and prudent capital management, including diversifying funding sources to maintain financial flexibility.

Portfolio Committed Occupancy

94.3%

As at 31 December 2015

Weighted Average Lease Expiry

2.9 YEARS

As at 31 December 2015

Net Asset Value Per Unit

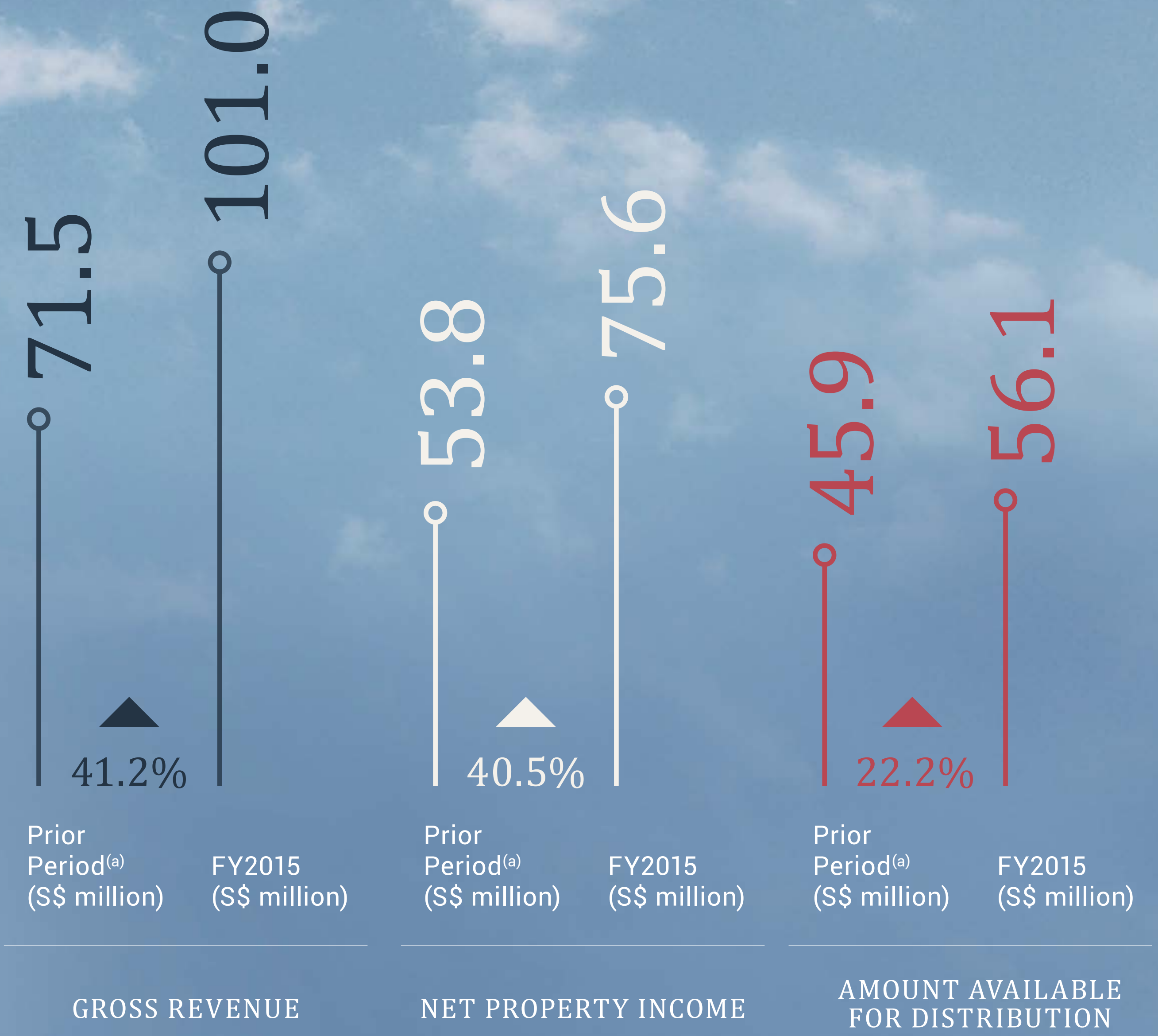
S$0.96

As at 31 December 2015


OUE

A VISION FOR GROWTH

In line with its strategy to pursue investment opportunities to enhance returns to Unitholders and provide potential income and capital growth, OUE C-REIT acquired One Raffles Place, a prominent and iconic landmark development in the heart of Singapore's rapidly growing financial district. Going forward in the medium to long term, OUE C-REIT will continue to seek sustainable growth through yield accretive acquisitions from third parties as well as from its Sponsor.



Note:
(a) Prior Period relates to the period from listing date of 27 January 2014 to 31 December 2014

KEY HIGHLIGHTS

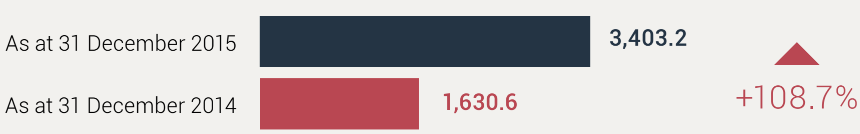
S$0.96
Net Asset Value ("NAV") Per Unit
As at 31 December 2015

40.1%
Aggregate Leverage
As at 31 December 2015

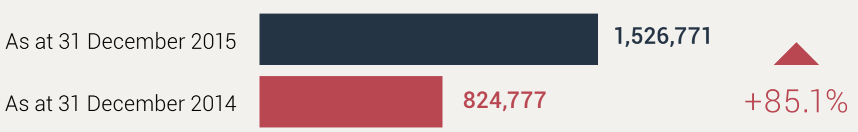
94.3%
Portfolio Committed Occupancy
As at 31 December 2015

4.38 CENTS
Distribution per Unit ("DPU")
FY2015

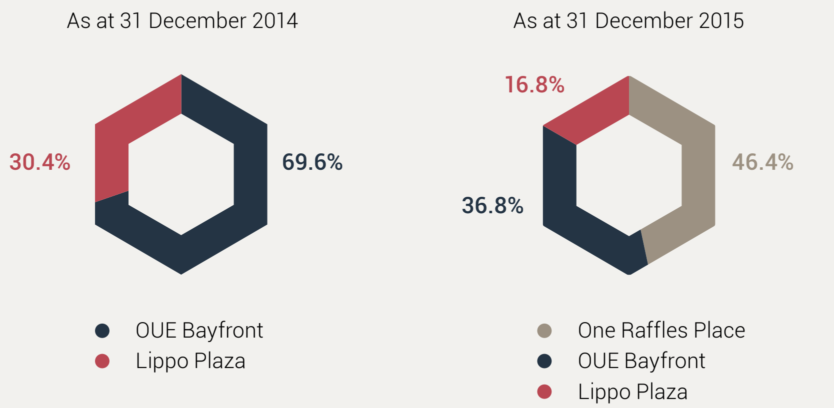
ASSETS-UNDER-MANAGEMENT (S$ MILLION)



NET LETTABLE AREA (SQ FT)



PORTFOLIO CONTRIBUTION BY PROPERTY[a]



Note:
(a) Based on OUE C-REIT's proportionate interest in One Raffles Place as at 31 December 2015

FINANCIAL HIGHLIGHTS

FY2015 vs Prior Period (S$'000)	FY2015	Prior Period[a]	Change
Gross Revenue	**101,038**	71,545	41.2%
Net Property Income	**75,639**	53,830	40.5%
Amount Available for Distribution	**56,118**	45,909	22.2%
Distribution per Unit (cents) - Actual	**4.38**[b]	5.27	-16.9%
Distribution per Unit (cents) - Restated	**4.38**[b]	3.63[c]	20.7%

Notes:
(a) Prior Period relates to the period from listing date of 27 January 2014 to 31 December 2014
(b) Includes a one-off distribution of capital return of S$1.3 million in relation to certain expenses which are non-tax deductible from a tax perspective. Excluding this one-off distribution, DPU would be 4.28 cents for FY2015
(c) Restated to include the 393,305,817 new Units issued on 4 August 2015 at an issue price of S$0.555 per Unit pursuant to the rights issue (the "Rights Issue"). This DPU is presented for comparison purposes only

4Q 2015 – Actual vs Circular Forecast[a] (S$'000)	Actual	Circular Forecast[a]	Change
Gross Revenue	**40,344**	38,731	4.2%
Net Property Income	**29,678**	27,834	6.6%
Amount Available for Distribution	**17,626**	14,560	21.1%
Distribution per Unit (cents)	**1.36**[b]	1.13	20.4%

Notes:
(a) The Manager issued a circular dated 1 July 2015 in relation to the acquisition of an indirect interest in One Raffles Place (the "Circular") with a profit forecast based on OUE C-REIT's enlarged portfolio for the period from 1 October 2015 to 31 December 2015 ("4Q 2015") (the "Circular Forecast"). The Circular Forecast was derived by pro-rating the Forecast Statement of Total Return (Scenario B) as disclosed in the Circular
(b) Includes a one-off distribution of capital return of S$1.3 million in relation to certain expenses which are non-tax deductible from a tax perspective. Excluding this one-off distribution, DPU would be 1.26 cents for 4Q 2015

SELECTED BALANCE SHEET HIGHLIGHTS

	As at 31 December 2015
Total Assets (S$'000)	3,464,122
Total Borrowings (S$'000)	1,272,237[a]
Unitholders' Funds (S$'000)	1,233,064
Market Capitalisation (S$'000)	842,198
Number of Units in Issue and to be Issued ('000)	1,289,452

Note:
(a) Includes OUE C-REIT's share of OUB Centre Limited's loan. OUE C-REIT's interest in One Raffles Place is held via its indirect interest in OUB Centre Limited

KEY FINANCIAL RATIOS

	As at 31 December 2015
NAV per Unit (S$)	0.96
Aggregate Leverage (%)	40.1
Weighted Average Cost of Debt (% per annum)	3.45
Weighted Average Term to Maturity of Debt (years)	2.3
Interest Cover Ratio (times)	3.7

PROPERTIES AT A GLANCE

OUE BAYFRONT

S$53.5M
FY2015 Gross Revenue

S$1,146.0M
Valuation
As at 31 December 2015

98.3%
Committed Occupancy
As at 31 December 2015

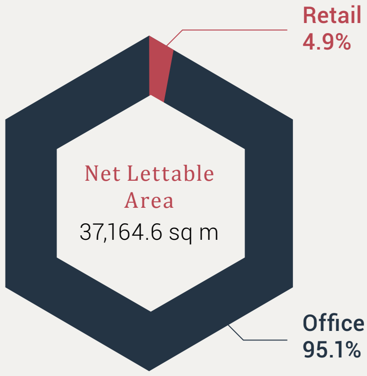
Located at Collyer Quay in Singapore's CBD, OUE Bayfront occupies a vantage position between the Marina Bay downtown and established financial hub of Raffles Place.

OUE Bayfront is a commercial building with an ancillary retail component comprising:

(i) OUE Bayfront, an 18-storey Grade A office building with a rooftop restaurant;

(ii) OUE Tower, a conserved tower building with panoramic views of the Marina Bay landscape, which is currently occupied by a fine dining restaurant; and

(iii) OUE Link, an overhead pedestrian link bridge with retail units.

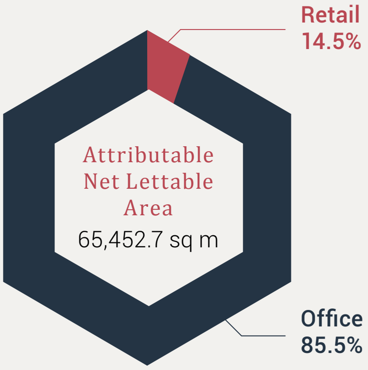


ONE RAFFLES PLACE

S$19.4M
FY2015 Gross Revenue[1]

S$1,734.0M
Valuation[2]
As at 31 December 2015

91.1%
Committed Occupancy
As at 31 December 2015



One of the tallest buildings in the Singapore CBD, One Raffles Place is an iconic commercial development strategically located in the heart of main financial district Raffles Place.

One Raffles Place is an integrated commercial development comprising:
(i) One Raffles Place Tower 1, a 62-storey Grade A office building with a rooftop restaurant and observation deck offering scenic views of the city skyline;
(ii) One Raffles Place Tower 2, a 38-storey Grade A office building; and
(iii) One Raffles Place Shopping Mall, a six-storey retail mall with a direct underground link to the Raffles Place Mass Rapid Transit ("MRT") Station. It is currently the largest purpose-built shopping mall in Raffles Place.

OUE C-REIT has an effective stake of 67.95% in One Raffles Place.

1 Gross revenue of One Raffles Place in FY2015 relates to the period from acquisition date of 8 October 2015 to 31 December 2015
2 Based on OUB Centre Limited's 81.54% interest in One Raffles Place. OUE C-REIT has an 83.33% indirect interest in OUB Centre Limited

LIPPO PLAZA

S$28.1M
FY2015 Gross Revenue

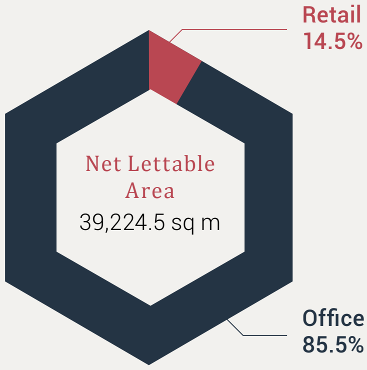
S$523.2M
Valuation
As at 31 December 2015

96.0%
Committed Occupancy
As at 31 December 2015

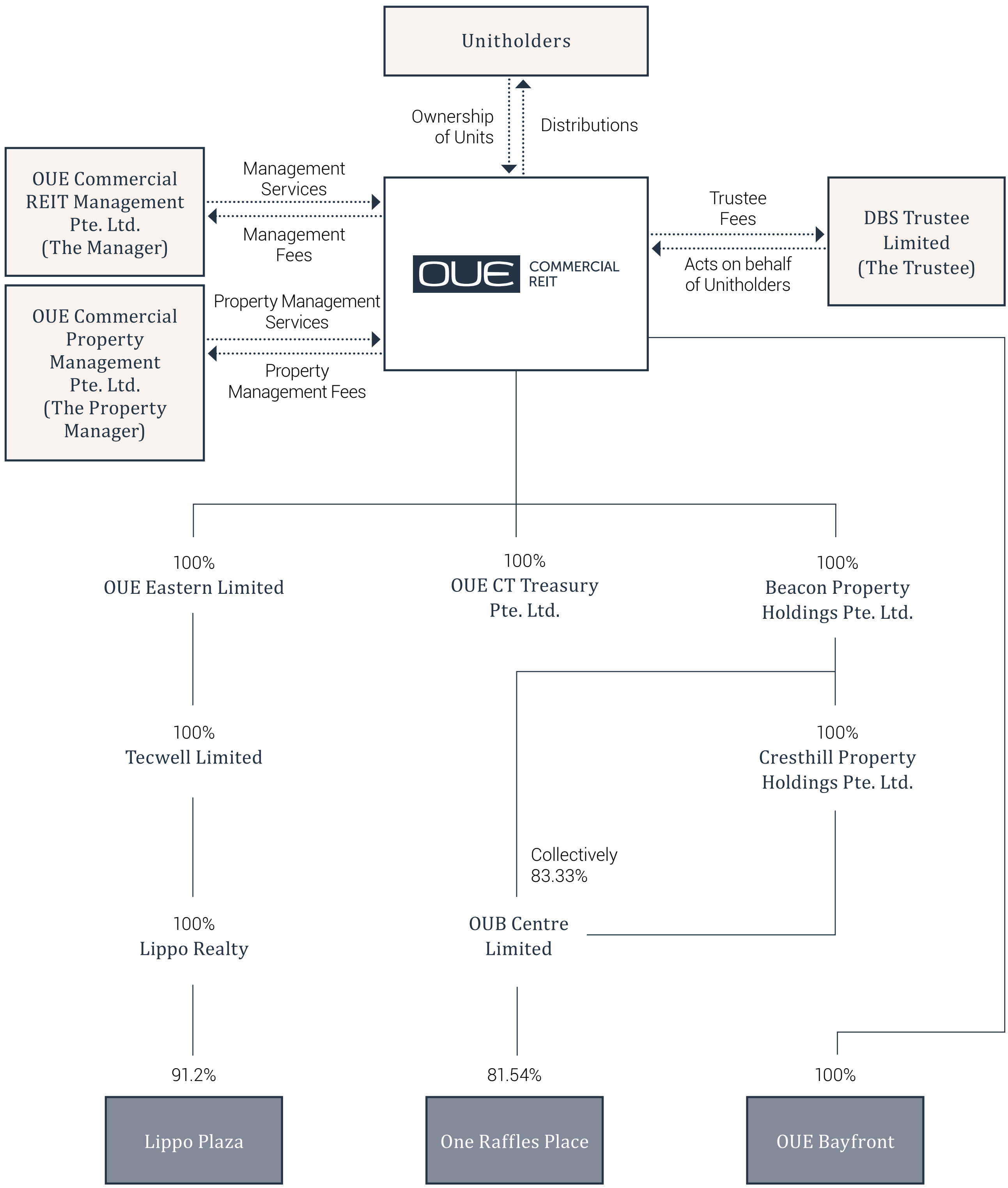
Lippo Plaza is located on Huaihai Zhong Road, within the Huangpu business district in the Puxi area of downtown Shanghai, China.

The Huangpu district is one of the oldest business districts in Shanghai, attracting multinational corporations, international financial institutions and local Chinese enterprises. The stretch of Huaihai Zhong Road contains many commercial, mixed-use developments, including high-quality offices, high-end retail, residential properties and hotels.

Lippo Plaza is a 36-storey Grade A commercial building, with a three-storey retail podium and basement carpark. OUE C-REIT has 91.2% strata ownership of Lippo Plaza.



STRUCTURE OF OUE COMMERCIAL REIT



STRATEGY

OBJECTIVE

The Manager's objective is to provide Unitholders with regular and stable distributions and to achieve long-term sustainable growth in DPU and NAV per Unit, while maintaining an appropriate capital structure.

KEY STRATEGIES

The Manager plans to achieve its objective through the following strategies:

1. Maximising Operational Performance
2. Growth Through Quality Acquisitions
3. Pro-active Capital and Risk Management

MAXIMISING OPERATIONAL PERFORMANCE

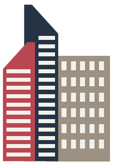
The Manager closely monitors and actively manages OUE C-REIT's property portfolio to drive organic growth and maximise income generation potential, seeking to maintain high tenant retention and occupancy levels to achieve sustainable rental growth. It also ensures that OUE C-REIT's properties are occupied by high quality and reputable tenants across diverse business sectors.

Working in partnership with the Property Manager, the Manager focuses on tenant engagement in order to better understand occupiers' requirements and to achieve early renewal commitments, facilitate expansion requirements of existing tenants and effectively market any vacant units.

To achieve stable and sustainable rental growth, the Manager aims to balance lease expiry and rent review profiles in consideration of the cyclicality of the office sector. This may involve extending longer lease tenures and incorporating contractual periodic rental step-up provisions in selected tenancy agreements. As part of revenue management, the Manager also actively monitors any rental arrears and other aspects of tenant performance to mitigate instances of default.

The Manager's asset management strategy also entails working with OUE C-REIT's service providers to reduce operating costs without comprising the quality of services and building safety. This encompasses a constant review of workflow processes to boost productivity, optimise operational costs and to improve cost control measures.

Where feasible and profitable, the Manager will identify and evaluate opportunities for property improvements to enhance the value of OUE C-REIT's property portfolio. This includes upgrading or refurbishment of existing facilities and reconfiguration of existing spaces to achieve better operational efficiency and higher rental potential.



GROWTH THROUGH QUALITY ACQUISITIONS

The Manager seeks investment opportunities that will enhance the diversification of OUE C-REIT's property portfolio by location and tenant profile, and optimise risk-adjusted returns to Unitholders. Its investment criteria includes:

Yield requirement

The Manager will seek to acquire properties that provide attractive cash flows and yields relative to OUE C-REIT's weighted average cost of capital, after taking into account political, regulatory, commercial and other relevant factors so as to optimise risk-adjusted returns to Unitholders.

Location

The Manager will assess investment opportunities based on location-specific aspects of the target properties to determine the potential for future income and capital growth. This includes ease of access, connectivity to major transportation networks and surrounding amenities.

Strong real estate fundamentals and growth potential

The Manager will seek to acquire good quality properties with potential for increasing occupancy and rental rates.

In addition to third party acquisitions, OUE C-REIT has a Right of the First Refusal ("ROFR") over its Sponsor's income-producing commercial properties. The size and quality of the ROFR properties provide a strong and visible pipeline that enhances OUE C-REIT's growth profile significantly.

PRO-ACTIVE CAPITAL AND RISK MANAGEMENT

The Manager adopts a prudent capital management strategy and strives to maintain a strong and robust balance sheet. By employing an appropriate combination of debt and equity, the Manager seeks to optimise its capital structure to deliver regular and stable distributions to Unitholders while maintaining financial flexibility in respect of asset enhancement activities or investment opportunities.

The objectives of the Manager in relation to capital and risk management are to:

- Optimise the cost of debt financing and manage potential refinancing or repayment risks;
- Adopt appropriate interest rate hedging and currency risk management strategies to mitigate exposure to market volatility; and
- Ensure diversified funding sources from financial institutions and capital markets to support OUE C-REIT's funding requirements

The Manager adopts a pro-active interest rate management policy to ensure that OUE C-REIT's on-going cost of debt remains competitive. It regularly evaluates the feasibility of utilising the appropriate level of interest rate and foreign exchange hedges, taking into account the prevailing market conditions, to optimise risk-adjusted returns to Unitholders.

In order to manage the currency risk involved in investing in assets beyond Singapore, the Manager will, to the extent possible, explore the use of foreign currency denominated borrowings to match the currency of the asset investment as a natural currency hedge.

LETTER TO UNITHOLDERS

"Overall, portfolio metrics continued to be strong with high occupancy levels and positive rental reversions, with a well-diversified exposure to trade sectors and tenants.

Dear Unitholders,
2015 was significant for OUE C-REIT in that the Manager concluded a second successful year since listing on 27 January 2014 and continued to build on our track record of delivering outperformance. For FY2015, OUE C-REIT delivered an amount available for distribution of S$56.1 million, improving on the performance of the Prior Period[1] by 22.2%. We are pleased to report that OUE C-REIT has consistently delivered results that exceeded forecast in all eight quarters since listing.

Besides achieving solid organic growth in FY2015, the Manager also paved the way for OUE C-REIT to achieve greater growth via its maiden acquisition of an indirect interest in One Raffles Place, an integrated commercial development located in the heart of the Singapore CBD, which was completed on 8 October 2015.

A Strong Showing

For FY2015, portfolio net property income of S$75.6 million was 40.5% higher than the Prior Period due to better operating performance by OUE Bayfront and Lippo Plaza, augmented by contribution from One Raffles Place. As finance costs were higher in FY2015 due to larger quantum of loan outstanding and higher interest rates during the year, the amount available for distribution was 22.2% higher compared to the Prior Period at S$56.1 million, resulting in FY2015 DPU of 4.38 cents. As the acquisition of One Raffles Place was completed during the fourth quarter of 2015, OUE C-REIT will reap the benefit of a full year's contribution from One Raffles Place in 2016.

As at 31 December 2015, OUE C-REIT's properties were valued at S$3,403.2 million, translating to an NAV per Unit of S$0.96. Excluding the valuation of One Raffles Place[2], the valuation of OUE C-REIT's initial portfolio comprising OUE Bayfront and Lippo Plaza recorded a year-on-year ("YoY") appreciation of 2.4%. The valuation increase was due primarily to improvement in rental performance.

The Manager's active management of OUE C-REIT's assets, focus on improving operational efficiency to keep costs under control, as well as disciplined and prudent capital management have enabled us to deliver yet another set of excellent results for Unitholders.

Driving Operational Performance

Overall, portfolio metrics continued to be strong with high occupancy levels and positive rental reversions, with a well-diversified exposure to trade sectors and tenants. In maximising the performance of OUE C-REIT's assets, the Manager also seeks to mitigate leasing risks and undertake asset enhancement initiatives to maintain or augment the quality of the portfolio.

Portfolio committed occupancy was a healthy 94.3% as at 31 December 2015, reflecting the resilience of the portfolio despite the challenging operating environment.

1 Prior Period relates to the period from listing date of 27 January 2014 to 31 December 2014
2 Based on OUB Centre Limited's 81.54% interest in One Raffles Place. OUE C-REIT has an 83.33% indirect interest in OUB Centre Limited

Mr Christopher James Williams,
Chairman and Non-Independent
Non-Executive Director

Ms Tan Shu Lin,
Chief Executive Officer and
Executive Director

The average office passing rent at OUE Bayfront for December 2015 was S$11.75 per square foot ("psf") per month, rising 11.1% from a year ago due to positive rental reversions, even as Grade A office rents in Singapore declined 7.1%[3] YoY. The higher passing rent was achieved on the back of a 23.4% increase in renewed and reviewed rents for leases expiring during the year compared to preceding rents.

In Shanghai, Lippo Plaza's office renewal rents saw a 10.5% uplift over preceding rates, resulting in a 3.4% YoY increase in average office passing rent to RMB9.45 per square metre ("psm") per day (S$5.84[4] psf per month) for December 2015.

In response to the fast-evolving Chinese retail landscape, the Manager has adjusted the retail trade- and brand-mix at Lippo Plaza by bringing in more services-oriented tenants as well as new-to-market concepts to remain attractive to shoppers. We are pleased to welcome the addition of Victoria's Secret's first flagship store in China to Lippo Plaza, which will open in 2016. As an internationally renowned brand with an established track record, the entry of Victoria's Secret is an endorsement of Lippo Plaza's position as a prime location for new retail concepts in Shanghai.

To maintain and enhance the prime positioning of Lippo Plaza's office component, the Manager continued with the asset enhancement programme which began with the 2013 refurbishment of the office main lobby. Upgrading works to revitalise and refresh the common areas and restrooms of the office tower commenced in 4Q 2015 and is expected to be completed by mid-2016.

A Strategic Vision

On 8 October 2015, OUE C-REIT completed the acquisition of an indirect interest in One Raffles Place, a landmark integrated development comprising two office towers and a six-storey retail mall with a direct underground link to the Raffles Place MRT station.

As one of the tallest buildings in the Singapore CBD, the 62-storey One Raffles Place Tower 1 offers expansive views of the city skyline. One Raffles Place Tower 2 is a 38-storey Grade A office building completed in 2012 with a Green Mark Platinum award by the Building and Construction Authority ("BCA") in Singapore for its environmentally sustainable design. One Raffles Place Shopping Mall is the largest purpose-built shopping mall in Raffles Place, and has undergone extensive refurbishment works which were completed in 2014.

This acquisition is in line with OUE C-REIT's strategy to pursue investment opportunities that will enhance returns to Unitholders, and provide potential for future income and capital growth. Post completion, OUE C-REIT's assets-under-management increased from approximately S$1.6 billion to S$3.4 billion as at 31 December 2015. Besides strengthening OUE C-REIT's presence in the Singapore CBD, the addition of One Raffles Place to the portfolio reduces its asset concentration risk as well as enhances the diversity and resilience of its income streams.

Prudent and Pro-active Capital Management

To diversify OUE C-REIT's sources of funding beyond bank borrowings, the Manager established a S$1.5 billion Multicurrency Debt Issuance Programme during the year to provide OUE C-REIT with the flexibility of raising funds from a wider pool of investors by tapping the debt capital markets.

As at 31 December 2015, OUE C-REIT's aggregate leverage was 40.1%. Total borrowings were S$1,272.2 million[5], with a weighted average cost of debt of 3.45% per annum. To mitigate its exposure to interest rate fluctuations, 63.8% of OUE C-REIT's interest rate exposure has been hedged into fixed rates, with a weighted average fixed debt maturity of 3.2 years as at 31 December 2015. In view of the rising interest rate environment, the Manager has entered into further interest rate swaps in 2016 and increased the proportion of fixed rate debt to about 72.3%.

The Manager will continue to maintain a strong balance sheet, by optimising the capital structure and borrowing costs of OUE C-REIT. We will monitor interest rate movements closely, and enter into further interest rate swaps to hedge the interest rate risk of OUE C-REIT where feasible to optimise risk-adjusted returns to Unitholders. To further enhance OUE C-REIT's financial flexibility, the Manager will be establishing a Distribution Reinvestment Plan ("DRP").

[3] Singapore MarketView, 4Q 2015, CBRE Pte Ltd
[4] Translated at SGD:CNY rate of 1:4.572
[5] Includes OUE C-REIT's share of OUB Centre Limited's loan. OUE C-REIT's interest in One Raffles Place is held via its 83.33% indirect interest in OUB Centre Limited

Looking Ahead

The Singapore economy grew a modest 2.0% in 2015. Taking into account the challenging global economic environment, the Ministry of Trade and Industry in Singapore expects growth of between 1.0% and 3.0% in 2016. Core CBD Grade A office rents declined by 7.1% in 2015 in an environment of sluggish demand, impacted by the slowdown in the energy and commodities sectors, as well as financial services sector. Given the significant supply of new office space expected from second half of 2016, we expect the office sector to continue to face headwinds.

China's growth is expected to continue to moderate from the 6.9% recorded in 2015 given on-going reforms to rebalance the economy, with the authorities forecasting growth of 6.5%-7.0% for 2016. While the focus on continued expansion in the tertiary industry bodes well for Shanghai's CBD Grade A office market which has been driven by growth in the financial and professional services sectors, continued supply pressure in 2016 from both the CBD and decentralised office markets may dampen the rental growth outlook.

Notwithstanding the challenging environment, we believe OUE C-REIT is well-positioned given the strategic locations and quality of its properties as well as the Manager's disciplined approach towards capital management.

The Manager remains committed to deliver stable distributions and sustainable long-term growth to Unitholders. We will continue to maximise asset performance through pro-active lease management and drive operational efficiency.

In focusing our efforts to deliver stable financial performance, the Manager has secured renewals and new leases for more than 25% of portfolio leases due in 2016. As a result, 15.1% of OUE C-REIT's gross rental income is due for renewal in 2016 as at 31 December 2015. For 2016, we will continue to pro-actively manage our lease renewals to retain tenants in view of the changing office demand dynamics in Singapore as well as the supply pressure in the Shanghai office market.

OUE C-REIT's performance in FY2016 will be underpinned by the full-year contribution from One Raffles Place, as well as the full year impact of the positive rental reversions achieved in 2015 across the portfolio, which would be able to mitigate the impact from the lacklustre outlook for office markets.

In the medium to longer term, we will continue to seek growth through yield accretive acquisitions from third parties as well as from our Sponsor.

Acknowledgements

We would like to express our appreciation to Unitholders, tenants and business partners for their continued support for OUE C-REIT. We would also like to thank our Sponsor for their commitment to the growth and prospects of OUE C-REIT.

Lastly, we would like to extend our gratitude to the directors and staff of the Manager for their contributions and dedication, without which OUE C-REIT would not have been able to achieve another stellar set of results in 2015.

CHRISTOPHER JAMES WILLIAMS
Chairman and
Non-Independent
Non-Executive Director

TAN SHU LIN
Chief Executive Officer
and Executive Director

致单位信托持有人之信函

“

整体而言，投资组合指标继续以理想的出租率和正面的租金调整保持强劲，并拥有来自多元化贸易与行业的租户。

尊敬的单位信托持有人，

2015年对华联企业商业房地产投资信托（“本信托”）而言是个极具代表性的时期。自2014年1月27日公开上市后的第二年，我们再次交出亮丽业绩，继续显示优异的表现。2015财政年度，本信托可派息金额为5610万新元，高出前期[1] 22.2%。我们很高兴地向各位汇报，本信托自上市以来，持续八个季度连续交出超越预测的业绩。

除了在2015财政年度取得扎实的内部增长，信托管理人还通过第一莱佛士坊的初项收购，为本信托在来年有望提高增长。第一莱佛士坊是个位于新加坡中央商业区的综合商业发展项目，而本信托于2015年10月8日完成收购。

强健的表现

2015财政年度的投资组合物业净收入为7560万新元，比前期超出40.5%。主要因华联海湾大厦和力宝广场营运表现优越，加上第一莱佛士坊的收入贡献。因更大的贷款余额和较高的利息，可派息金额超出前期22.2%，为5610万新元，而每单位派息额为4.38分。由于第一莱佛士坊的收购是于2015年的第四季度完成，以致本信托将可在2016年坐享这个项目的全年收入贡献。

截至2015年12月31日，本信托的物业估值为34.032亿新元，导致此期间的每单位资产净值为0.96新元。排除第一莱佛士坊的估值[2]，本信托包括华联海湾大厦和力宝广场的初始投资组合估值呈献了同比上升2.4%的业绩。估值的上扬主要原因是租赁表现有所提升。

管理人积极管理本信托的资产，并关注增进营运效率，有效控制成本，并行使规律和谨慎的资本管理，让我们能为单位持有人再度呈献辉煌的佳绩。

促进营运表现

整体而言，投资组合指标继续以理想的出租率和正面的租金调整保持强劲，并拥有来自多元化贸易与行业的租户。在优化本信托的资产的同时，管理人也力求降低租赁风险和推行资产提升计划来维持或提升投资组合的素质。

投资组合的出租率截至2015年12月31日为强健的94.3%，反映了投资组合在具挑战的营运环境中的坚韧性。

华联海湾大厦办公室每平方尺的平均月租在2015年12月为11.75新元，在新加坡甲级办公室租金同比下降7.1%的环境中，仍然取得正面的租金调整，上涨了11.1%。较高的平均月租靠2015年期间办公续租和调整的租赁相比之前的租金上调23.4%而取得。

上海力宝广场办公室的续约租金比之前的租金率超出10.5%，导致2015年12月同比的办公室日均租金增加3.4%至每平方米9.45人民币（每平方尺的平均月租5.84新元[3]）。

为了应对快速发展的中国零售景观，管理人调整力宝广场的零售贸易和品牌租赁综合，以带进更多以服务业为主的租户，以及引领市场的概念租户来吸引购物者。我们很荣幸能把Victoria’s Secret的首家旗舰店引进中国的力宝广场。店铺即将在2016年开张。做为一个口碑极佳的国际知名品牌，Victoria’s Secret的加盟无疑对力宝广场在上海做为全新零售概念的优越购物地点提供背书。

[1] 指从上市之日2014年1月27日起至2014年12月31日的前期时段
[2] 估值是根据华联中心所占第一莱佛士坊81.54%的受益权益计算。本信托占华联中心83.33%的间接权益
[3] 以1新元对4.572人民币的兑换率计算

为了维持和增进力宝广场办公室的优质定位，管理人继续推行2013年所开始的资产提升计划，其中力宝广场办公楼大厅的整修工程是最先开启的项目。翻新办公大厦公共区域和卫生设施的工程已在2015年第四季度开始进行，预计将在2016年中旬完竣。

战略性愿景

2015年10月8日，本信托完成了第一莱佛士坊的收购。第一莱佛士坊是个标志性综合发展项目，包括了两栋办公楼和一座六层楼高的购物商场，并以地下通道直通莱佛士地铁站。

做为新加坡中央商业区其中一座最高的大厦，62层楼高的第一莱佛士坊一号楼拥有壮观的城市景观。第一莱佛士坊二号楼则是座38层楼高的甲级办公楼，于2012年建竣，荣获新加坡建设局所颁的绿色标志白金奖，表扬其可持续环保的建筑设计。第一莱佛士坊购物商场是莱佛士区最大的购物商场，并已于2014年完成了大规模的整修工程。

这项收购项目与本信托的投资理念一致，于执意追求能为单位持有人提供增进回报，以及潜在未来收入和拥有资本增长潜能的投资机会。截至2015年12月31日，本信托在完成收购后的管理资产从原本的16亿增加至约34亿新元。通过增加本信托在新加坡中央商业区的物业，第一莱佛士坊的收购有助降低本信托的资产集中风险，并提高投资组合的多元化和收入来源的坚韧性。

积极谨慎的资本管理

为了使本信托的资本来源多元化，而无需单靠银行贷款，管理人于2015年，成立了一个15亿的多种货币债券发行计划。这项计划主要为本信托提供更灵活的筹款方式，通过债务资本市场向更多投资者筹募。

截至2015年12月31日，本信托的总杠杆比率为40.1%。借贷总额为12.722亿新元，平均年利率为3.45%。为了减少利率波动风险，本信托63.8%的债务已被锁定为固定利率，同时也锁定了平均固定债务期限为3.2年。鉴于利率环境上升的趋势，管理人在2016年进行利率调期，并增加固定债务利率的比例至72.3%。

我们将通过优化资本架构和借贷成本，继续保持强劲的资产负债表。管理人会积极观察利率波动，并进行更多切实的利率调期来对冲本信托的利率风险，以优化单位持有人的回报。为了促进本信托的财务灵活性，管理人将成立一个派息再投资计划。

展望未来

新加坡经济在2015年小幅增长2.0%。有鉴于全球经济环境所面临的艰巨挑战，新加坡贸工部预计2016年国内经济增长介于1.0%至3.0%。能源、商品和金融行业的发展放缓，导致办公楼租赁需求疲弱，使2015年中央商业区甲级办公楼的租金下滑7.1%。由于新办公楼的供应数量预计将从2016年下半年显著增长，我们预测办公楼租赁将继续面临挑战。

继中国2015年6.9%的经济增长，因正在进行的经济改革预计在未来持续放慢。中国政府预测2016年的增长率将在6.5%到7.0%之间。由于金融和专业服务行业的增长引领着上海的中央商业区甲级办公楼市场，关注第三产业的持续扩展对该市场的发展影响正面。纵然如此，2016年的中央商业区和非集权化市场的持续供应数量将波及租赁增长的展望。

虽然环境极具挑战，我们相信基于本信托的物业地点和素质优越，以及管理人纪律性地资本管理手法，使本信托处于绝佳定位。

管理人继续致力于为单位持有人呈献稳定的派息和可持续的长期增长。我们将继续通过积极管理租赁资产，提高营运效率，以优化资产盈利表现。

在集中交出稳健的财务表现的同时，管理人已为超过25%于2016年到期的租约争取了续租和新租约的条件。因此，本信托截至2015年12月31日将有15.1%的总租金收入于2016年有待续租。我们将继续于2016年积极管理续租合约，以在新加坡办公楼需求的变化，以及上海办公楼市场供应数量繁多的情况下，保留现有的租户。

本信托于2016财政年度的表现将享有第一莱佛士坊的全年收入贡献，以及投资组合在2015年全面的租金调整来支撑。这些发展能帮助缓和暗淡的办公市场展望所带来的影响。

中至长期间，我们将继续通过第三方以及对保荐人的物业收购，寻求增长新动力。

致谢

我们谨此感谢所有的单位持有人、租户和业务伙伴对我们的鼎力支持。我们也要感谢我们的保荐人给予本信托的增长和发展协助。

最后，我们由衷向我们的董事会和管理人职员表达谢意，感谢他们的忠实贡献和努力，让本信托在2015年再攀高峰。

CHRISTOPHER JAMES WILLIAMS
主席兼非独立非执行董事

陈淑铃
总裁兼执行董事


1


2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4


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6

BOARD OF DIRECTORS

1. MR CHRISTOPHER JAMES WILLIAMS

Chairman and Non-Independent Non-Executive Director

Mr Christopher James Williams was appointed as the Chairman and Non-Independent Non-Executive Director of the Board of the Manager on 25 October 2013. He serves as a member of the Nominating and Remuneration Committee of the Manager.

Mr Williams is a founding partner of Howse Williams Bowers, Hong Kong and was previously a partner of Richards Butler, Hong Kong from May 1994 to December 2007, a partner of Richard Butler in Association with Reed Smith from January 2008 to December 2010 and a partner of Reed Smith Richard Butler from January 2011 to December 2011. He is presently the deputy chairman of OUE Limited and was a non-executive chairman of Food Junction Holdings Limited from November 2009 to December 2013. He was appointed as the chairman and non-independent non-executive director of OUE Hospitality REIT Management Pte. Ltd. and OUE Hospitality Trust Management Pte. Ltd. in April 2013. He was also appointed as a director of OUB Centre Limited in January 2014, and OUE Lippo Limited in December 2014.

Mr Williams specialises in corporate finance, mergers and acquisitions, direct investment and corporate restructurings and reorganisations. He also advises on corporate governance and compliance. His practice encompasses Hong Kong and the Asia Pacific region, particularly Indonesia and Singapore. He has been named in the *Guide to the World's Leading Mergers and Acquisitions Lawyers* as well as the *International Who's Who of Merger and Acquisition Lawyers* as one of the world's top mergers and acquisitions lawyers.

Mr Williams qualified as a solicitor in England and Wales in 1986 and was admitted as a solicitor in Hong Kong in 1991. He holds a Bachelor of Arts (Honours) in International Relations and Economics from the University of Reading, United Kingdom.

2. MR NG LAK CHUAN

Lead Independent Director

Mr Ng Lak Chuan was appointed as an Independent Director of the Board of the Manager on 8 January 2014. He serves as Lead Independent Director, Chairman of the Audit and Risk Committee of the Manager, and is also a member of the Nominating and Remuneration Committee of the Manager.

Mr Ng is currently a private investor and was previously the founding partner of Affinity Equity Partners (HK) Limited, with overall responsibility for its investment activities in China, Taiwan and Hong Kong from 2004 to 2011. He has previously held directorships in AcrossAsia Multimedia Limited (now known as AcrossAsia Limited) (a company listed on the Hong Kong Stock Exchange ("HKEx")), and MK Electron Co., Ltd (a company listed on the Korea Exchange).

Prior to founding Affinity Equity Partners (HK) Limited, he was with UBS Capital (Hong Kong) from 2001 to 2004, where his last held position was partner and head of Portfolio Management Group, Asia Pacific. He was responsible for the review of new investment proposals, risk management of investment portfolios and active restructuring of investee companies.

From 2000 to 2001, Mr Ng was chief financial officer and executive director of AcrossAsia Multimedia Limited (Hong Kong) and was with UBS Warburg in Singapore from 1996 to 2000, where his last held position was executive director, Corporate Finance. From 1990 to 1996, he was with Baring Brothers Limited, and from 1987 to 1990 he was with the Singapore Administrative Service, with postings to the Ministry of Education and the Ministry of Home Affairs.

Mr Ng holds a Bachelor of Arts in Politics, Philosophy and Economics from the University of Oxford, United Kingdom, and has completed the Corporate Finance course with the London Business School, United Kingdom.

3. MR CARL GABRIEL FLORIAN STUBBE

Independent Director

Mr Carl Gabriel Florian Stubbe was appointed as an Independent Director of the Board of the Manager on 8 January 2014. He is the Chairman of the Nominating and Remuneration Committee of the Manager, and also serves as a member of the Audit and Risk Committee of the Manager.

Mr Stubbe is currently the chief executive officer of Peredigm Private Limited, a company involved in packaging and marketing excess capacity for asset-heavy businesses. He founded the company in April 2013 and is responsible for the overall strategic direction of the company.

Prior to founding Peredigm Private Limited, Mr Stubbe was with Bank Julius Baer Singapore, where his last held position was director. From 2009 to 2010, he was chief executive officer of the Gaia Hotels Private Ltd., and from 2006 to 2008 he was with Grove International Partners LLP, a global real estate private equity firm, where his last held position was vice president. In 2006, Mr Stubbe was with Colony Capital Asia, Ltd., a private international investment firm focusing primarily on real estate-related assets and operating companies, and from 2003 to 2005 he was with Global Hyatt Corporation in Chicago, USA, where his last held position was manager of Acquisitions and Development.

Mr Stubbe graduated from the University of Massachusetts, USA with a Bachelor of Arts degree in English, and holds a Master of Business Administration from Johnson and Wales University, USA.

4. MR LOH LIAN HUAT

Independent Director

Mr Loh Lian Huat was appointed as an Independent Director of the Board of the Manager on 8 January 2014. He serves as a member of the Audit and Risk Committee of the Manager.

Mr Loh is presently the chief executive officer of Silkrouteasia Capital Partners Pte Ltd, an investment advisory, asset management and direct real estate investments firm. He is also a non-executive director of Gemdale Properties and Investment Corporation Limited (a company listed on the HKEx). Prior to joining Silkrouteasia Capital Partners Pte Ltd in 2011, he was with MEAG Pacific Star Asset Management Pte Ltd, where his last held position was senior vice president, Asset Management. From 2000 to 2005, Mr Loh was with GIC Real Estate Pte Ltd, where his last held position was vice president, Asset Management. He is also a patron of the Bukit Timah Citizen Consultative Management Committee, a non-profit organisation.

Mr Loh holds a Bachelor of Science in Mechanical Engineering from the National Defense Academy, Japan, and a Master of Science degree in Defence Technology from the Royal Military College of Science, United Kingdom.

5. MR JONATHAN MILES FOXALL

Non-Independent Non-Executive Director

Mr Jonathan Miles Foxall was appointed as a Non-Independent Non-Executive Director of the Board of the Manager on 8 January 2014.

He is currently the general manager (Properties) of Lippo China Resources Limited ("LCR") (a company listed on the HKEx) and a director of Lippo Realty Limited. Since Mr Foxall joined the Lippo group in 1991, he has completed numerous major property acquisitions and disposals for the Lippo group and has been managing its property portfolio outside of Indonesia. Mr Foxall has held various senior executive appointments and directorships within the Lippo group. He has previously held directorships in LCR, The Hong Kong Building Loan Agency Limited and Asia Securities International Limited (now known as Dan Form Holdings Company Limited), which are companies listed on the HKEx.

Mr Foxall spearheaded the Lippo group's venture into the Singapore property market, during which he firmly established the Lippo group as a major foreign property developer and investor in Singapore.

He has more than 39 years of experience in property investment and development, sales and leasing, valuation and the structuring of property transactions in the Asia-Pacific region, as well as in the United Kingdom.

Mr Foxall holds a Bachelor of Arts in Geography from Liverpool University, United Kingdom, and he is both a Fellow of the Royal Institution of Chartered Surveyors of the United Kingdom and the Hong Kong Institute of Surveyors.

6. MS TAN SHU LIN

Chief Executive Officer and Executive Director

Ms Tan Shu Lin was appointed as Executive Director of the Board of the Manager on 31 October 2013. As Chief Executive Officer, she is responsible for the strategic management, growth and operation of OUE C-REIT. She works with the Board of Directors to determine OUE C-REIT's business strategies and plans, and with the management team to ensure that such strategies are executed accordingly.

Ms Tan has extensive experience in corporate finance, investments, mergers and acquisitions, and financial management, with more than 14 years of experience in direct real estate investments and fund management. Prior to joining the Manager, she was with Ascendas Funds Management Pte Ltd, the manager of Ascendas REIT ("A-REIT"), where as head, Singapore Portfolio and head, Capital Markets and Transactions, she had overall strategic direction, as well as operational and capital structure responsibilities for A-REIT's portfolio. She was also responsible for formulating and executing appropriate strategies to meet A-REIT's funding requirements, as well as managing investor relations.

From 2007 to 2008, Ms Tan was with the wealth management division of UBS as director, Real Estate Investment Management. Prior to that, she was with Ascendas Pte Ltd, where she held various positions engaged in sourcing and structuring potential investment opportunities, as well as exploring and evaluating property fund management opportunities. Ms Tan started her career with various banks where her responsibilities included advising companies on capital market transactions and other fund-raising exercises.

Ms Tan holds a Bachelor of Arts (First Class Honours) in Economics from the University of Portsmouth, United Kingdom, and is also a Chartered Financial Analyst.

THE REIT MANAGER

MS TAN SHU LIN

Chief Executive Officer and Executive Director

Please refer to description under the section on Board of Directors on page 25.

MS JANICA TAN

Chief Financial Officer

Ms Janica Tan is the Chief Financial Officer of the Manager and is responsible for OUE C-REIT's financial management functions. She oversees all matters relating to treasury, financial reporting and controls, tax and risk management.

Ms Tan has over 20 years of finance and accounting experience in the real estate industry. Prior to joining the Manager, she was the deputy chief financial officer of Perennial China Retail Trust Management Pte Ltd, the trustee-manager of Perennial China Retail Trust, from 2011 to 2013.

From 2008 to 2011, Ms Tan was with LaSalle Investment Management ("LIM"), where she was national director, Finance, during which she was responsible for overall financial reporting, financing, cash management, tax and other finance-related matters in respect of the investments by the core fund managed by LIM across five Asian countries. Ms Tan occupied managerial positions within the finance function of two other SGX-ST listed REITs from 2004 to 2008 prior to joining LIM. From 1998 to 2003, Ms Tan was with Ascendas Land (Singapore) Pte Ltd.

Ms Tan has an Association of Chartered Certified Accountants qualification. She is a non-practising member of the Institute of Singapore Chartered Accountants.

MR RODNEY YEO

Head, Asset and Investment Management

As Head of Asset and Investment Management, Mr Rodney Yeo is responsible for two integrated functions. With regards to asset management, he formulates and implements strategic business plans to maximise the asset performance of OUE C-REIT's property portfolio. With respect to investment management, he is responsible for identifying and evaluating potential acquisitions for OUE C-REIT.

Mr Yeo has over 15 years of experience in the real estate and finance industries of the USA, China and Singapore. Prior to joining the Manager, he was with KOP Properties Pte Ltd from 2011 to 2012, a real estate developer, as director of Investments. He was responsible for investment sourcing and screening, as well as acquisition and asset management. Previously, Mr Yeo was vice president, Investment and Asset Management with Wachovia Bank's Real Estate Asia team from 2007 to 2010 and from 2006 to 2007, he was with Kailong REI in Shanghai, as vice president, Investment and Asset Management. Prior to this, Mr Yeo had worked in the USA for about 8 years in various real estate acquisition and asset management roles.

Mr Yeo graduated from the University of Southern California, USA, with a Bachelor of Science degree in Business Administration.

MS ELAINE CHEONG

Head, Investor Relations

Ms Elaine Cheong is responsible for the investor relations function of the Manager. She is in charge of conducting effective communication, as well as building and maintaining good relations with the investment and research community.

Ms Cheong has more than 10 years of experience in real estate and finance in Singapore. Prior to joining the Manager, Ms Cheong was a senior equities research analyst with Macquarie Capital Securities from 2006 to 2012, covering the Singapore real estate sector with principal responsibility over the REITs listed on the SGX-ST. She was involved in the initial public offering and secondary equity issuances of various REITs, in addition to initiating research and recommending investment ideas in the sector to institutional investors.

From 2004 to 2006, Ms Cheong was with Jones Lang LaSalle where her last held position was financial analyst, Commercial Markets, during which she advised multi-national clients on corporate real estate strategy in terms of lease restructuring, acquisitions and disposals. She started her career with PricewaterhouseCoopers LLP Singapore as an external auditor in 2002.

Ms Cheong holds a Bachelor of Accountancy degree from Nanyang Technological University, Singapore.

MS JANICE LIM

Senior Finance Manager

Ms Janice Lim is Senior Finance Manager of the Manager, and works closely with the Chief Financial Officer on finance and accounting, budgeting, treasury and taxation matters.

Ms Lim was formerly the finance manager of the Sponsor, where she was responsible for managing all the finance-related matters of assigned companies within the Sponsor group. Prior to joining the Sponsor in 2010, she was a senior auditor with the Defence Science Technology, where she performed internal audit functions and reviewed internal processes and controls. From 2009 to 2010, she was internal audit manager with MediaCorp Pte Ltd. Ms Lim started her career with KPMG LLP Singapore as an external auditor.

Ms Lim holds a Bachelor of Accountancy degree from Nanyang Technological University, Singapore and is also a non-practising member of the Institute of Singapore Chartered Accountants.

Second row from left to right

Ms Tan Yi Qian
Finance Manager

Mr Ng Ngai
Company Secretary

Ms Lisa Mak
Senior Accounts Executive

Seated from left to right

Ms Elaine Cheong
Head, Investor Relations

Ms Tan Shu Lin
Chief Executive Officer and Executive Director

Second row from left to right

Ms Celine Kam
Executive Secretary

Mr Timothy Wu
Analyst

Mr Rodney Yeo
Head, Asset and Investment Management

Seated from left to right

Ms Janica Tan
Chief Financial Officer

Ms Janice Lim
Senior Finance Manager

MANAGER'S REPORT

HIGHLIGHTS

FY2015 Gross Revenue

S$101.0 million

41.2% higher than Prior Period[1]

FY2015 Amount Available for Distribution

S$56.1 million

22.2% higher than Prior Period[1]

Same-store organic distribution growth[2]

3.6%

Year-on-year

[1] Prior Period relates to the period from listing date of 27 January 2014 to 31 December 2014

[2] Excluding the contribution from One Raffles Place and extrapolating the Prior Period to FY2014 for a meaningful comparison of distribution growth for the initial portfolio

Pro-active Portfolio Management

- Committed office occupancy as at 31 December 2015 for OUE Bayfront and Lippo Plaza was 98.2% and 99.2% respectively. With the addition of One Raffles Place at a committed office occupancy of 90.1%, portfolio committed occupancy remained healthy at 94.3%

- FY2015 positive office rental reversions of 23.4% and 10.5% at OUE Bayfront and Lippo Plaza respectively. Year-on-year, OUE Bayfront's average office passing rent increased 11.1% to S$11.75 psf per month, while Lippo Plaza's increased by 3.4% to RMB9.45 psm per day

- Secured renewals and new leases for more than 25% of portfolio leases due in 2016, resulting in 15.1% of portfolio gross rental income due for renewal in FY2016 as at 31 December 2015

Strategic Acquisition

- Completed the acquisition of an indirect 67.95% effective interest in One Raffles Place on 8 October 2015

- Assets-under-management increased from S$1.6 billion to S$3.4 billion after the acquisition

Prudent Capital Management

- Aggregate leverage was 40.1% as at 31 December 2015, with an average term of debt of 2.3 years. OUE C-REIT has no refinancing requirement in 2016

- Weighted average cost of debt was 3.45% per annum, with 63.8% of debt hedged into fixed rates for the next 3.2 years as at 31 December 2015

- In 2016, the Manager entered into further interest rate swaps and increased the proportion of fixed rate debt to about 72.3%. Consequently, the weighted average cost of debt is expected to increase to approximately 3.48% per annum

FINANCIAL REVIEW

OUE C-REIT continued to perform well in its second year since listing on 27 January 2014 and delivered yet another set of commendable results for Unitholders for FY2015.

FY2015 gross revenue of S$101.0 million was 41.2% higher than the Prior Period, due to better performance at OUE Bayfront and Lippo Plaza, as well as contribution from the newly acquired One Raffles Place (from the acquisition completion date of 8 October 2015).

Due to the inclusion of One Raffles Place's results, property operating expenses were also higher but partially offset by lower utilities expenses at OUE Bayfront and lower maintenance costs incurred at OUE Bayfront and Lippo Plaza. This resulted in net property income of S$75.6 million which was 40.5% higher than Prior Period.

Finance costs in FY2015 compared to Prior Period were higher, due to a higher amount of loans outstanding due to the acquisition, as well as higher interest rates in 2015. The resultant amount available for distribution was S$56.1 million, 22.2% higher than Prior Period. This translated to FY2015 DPU of 4.38 cents. Excluding the income support payments received by OUE C-REIT from the Sponsor in relation to OUE Bayfront, FY2015 DPU would have been 3.81 cents.

As the acquisition of One Raffles Place was completed only during the fourth quarter of 2015, OUE C-REIT will enjoy the benefit of a full year's contribution from the acquisition in 2016.

FY2015 Financial Results

(S$'000)	FY2015	Prior Period[a]	Change
Gross Revenue	101,038	71,545	41.2%
Net Property Income	75,639	53,830	40.5%
Amount Available for Distribution	56,118	45,909	22.2%
Distribution per Unit (cents) - Actual	4.38[b]	5.27	-16.9%
Distribution per Unit (cents) - Restated	4.38[b]	3.63[c]	20.7%

Notes:
[a] Prior Period relates to the period from listing date of 27 January 2014 to 31 December 2014
[b] Includes a one-off distribution of capital return of S$1.3 million in relation to certain expenses which are non-tax deductible from a tax perspective. Excluding this one-off distribution, DPU would be 4.28 cents for FY2015
[c] Restated to include the 393,305,817 new Units issued pursuant to the Rights Issue. This DPU is presented for comparison purposes only

In relation to the acquisition of an indirect interest in One Raffles Place, the Manager issued a profit forecast based on OUE C-REIT's enlarged portfolio for the period from 1 October 2015 to 31 December 2015 ("4Q 2015") (the "Circular Forecast").

4Q 2015 Financial Results

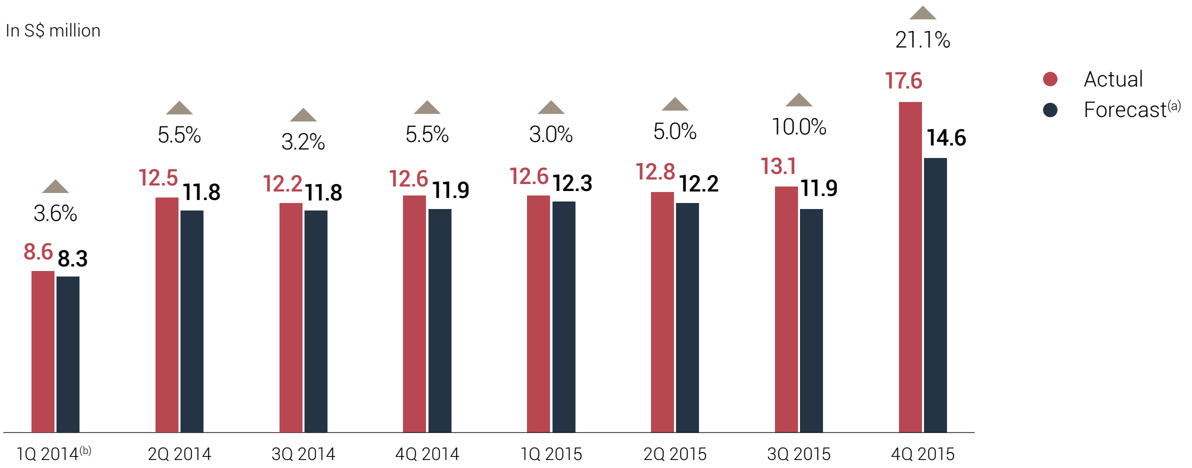
(S$'000)	Actual	Circular Forecast[a]	Change
Gross Revenue	40,344	38,731	4.2%
Net Property Income	29,678	27,834	6.6%
Amount Available for Distribution	17,626	14,560	21.1%
Distribution per Unit (cents)	1.36[b]	1.13	20.4%

Notes:
[a] The Circular Forcast was derived by pro-rating the Forecast Statement of Total Return (Scenario B) as disclosed in the Circular
[b] Includes a one-off distribution of capital return of S$1.3 million in relation to certain expenses which are non-tax deductible from a tax perspective. Excluding this one-off distribution, DPU would be 1.26 cents for 4Q 2015

Compared to the Circular Forecast, OUE C-REIT's 4Q 2015 gross revenue of S$40.3 million was 4.2% higher, due to better performance at all three properties. 4Q 2015 net property income of S$29.7 million exceeded the Circular Forecast by 6.6% due to higher gross revenue, augmented by lower utilities expenses at OUE Bayfront and One Raffles Place. Due to lower than forecasted finance costs, the amount available for distribution in 4Q 2015 was S$17.6 million, outperforming the Circular Forecast by 21.1%. The resultant DPU in 4Q 2015 of 1.36 cents was 20.4% higher than the Circular Forecast.

We are pleased to report that OUE C-REIT has consistently delivered results that exceeded forecast in all eight quarters since listing, building on our track record of delivering outperformance.

Track Record of Outperformance



Notes:

[a] For the quarterly periods from 27 January 2014 to 30 September 2015, Forecast was derived from the Forecast for 2014 and Projection for 2015 as disclosed in OUE C-REIT's Prospectus dated 17 January 2014. For 4Q 2015, Forecast was derived by pro-rating the Forecast Statement of Total Return (Scenario B) as disclosed in the Circular

[b] Period commencing from OUE C-REIT's listing date of 27 January 2014 to 31 March 2014

FY2015 Distribution History

Period	Payment Date	DPU (cents)
1 January 2015 to 30 June 2015	15 September 2015	2.00
1 July 2015 to 31 December 2015	29 February 2016	2.38
FY2015		**4.38**

OPERATIONS REVIEW

Despite the challenging operating environment, OUE C-REIT's portfolio metrics continued to be strong with high occupancy levels and positive rental reversions, reflecting the quality and resilience of the portfolio. Committed portfolio occupancy was a healthy 94.3% as at 31 December 2015, with both OUE Bayfront and Lippo Plaza enjoying committed office occupancies which are higher than their respective market occupancies. For renewals and rent reviews, positive reversions were achieved across the portfolio.

Given their respective prime and strategic locations within the Singapore and Shanghai CBDs, OUE C-REIT's portfolio has a well-diversified exposure to several trade sectors and tenants. During the year, an aggregate of approximately 320,000[3] sq ft of new office leases and renewals (including rent reviews) was signed, including the rent review for a major tenant. New leases made up about 23% of the space committed, and such new demand was supported by tenants from diverse trade sectors including Banking, Insurance & Financial Services, Legal, Energy, Commodities, Maritime & Logistics, Business Consultancy, IT, Media & Telecommunications, Pharmaceuticals & Healthcare, as well as Manufacturing & Distribution.

[3] Excluding One Raffles Place, which was acquired on 8 October 2015

OUE Bayfront

OUE Bayfront ended the year with committed office occupancy of 98.2%, above Singapore's core CBD occupancy of 95.1%[4] as at 31 December 2015. The average office passing rent at OUE Bayfront for December 2015 was S$11.75 psf per month, 11.1% higher from a year ago due to positive rental reversions, even as Grade A office rents in the CBD declined 7.1%[4] YoY. The higher passing rent was achieved on the back of a 23.4% increase in renewed and reviewed rents for leases expiring during the year as compared to preceding rents.

One Raffles Place

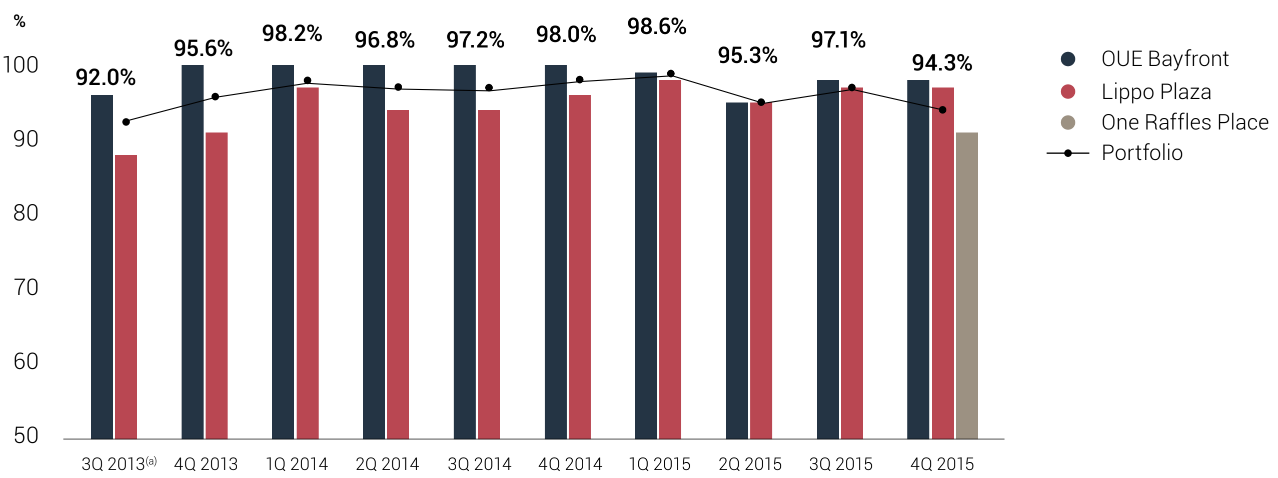
The acquisition of One Raffles Place was completed during the fourth quarter of 2015 on 8 October 2015. As at 31 December 2015, One Raffles Place's committed office occupancy was 90.1%. Office renewal rents saw an uplift of 15.7% in FY2015, with new and renewed leases ranging from S$8.50 psf per month to S$12.50 psf per month, leading to average office passing rent of S$10.26 psf per month for December 2015.

Lippo Plaza

Lippo Plaza's committed office occupancy was 99.2% as at 31 December 2015, 3.3 percentage points higher than a year ago and outperforming the overall Shanghai CBD Grade A office average occupancy rate of 95.0%[5]. Renewal rents saw a 10.5% uplift over preceding rates, resulting in 3.4% YoY increase in average office passing rent to RMB9.45 psm per day (S$5.84[6] psf per month) for December 2015.

At Lippo Plaza's retail podium, the Manager adjusted the trade- and brand-mix by bringing in more services-oriented tenants as well as new-to-market concepts to remain attractive to shoppers, in response to the evolving Chinese retail landscape. We are pleased to report that Victoria's Secret will join the stable of retail tenants at Lippo Plaza with its first flagship store in China. As an internationally renowned brand with an established track record, the entry of Victoria's Secret endorses Lippo Plaza's position as a prime location for retail concepts in Shanghai.

OUE C-REIT's Portfolio Committed Occupancy Trend



Note:
(a) Proforma committed occupancy as at 30 September 2013 as disclosed in OUE C-REIT's Prospectus dated 17 January 2014

4 Singapore MarketView, 4Q 2015, CBRE Pte Ltd
5 Shanghai Office Research & Forecast Report, 4Q 2015, Colliers International
6 Translated at an SGD:CNY exchange rate of 1: 4.572

Positive Rental Reversions for Office Leases in FY2015

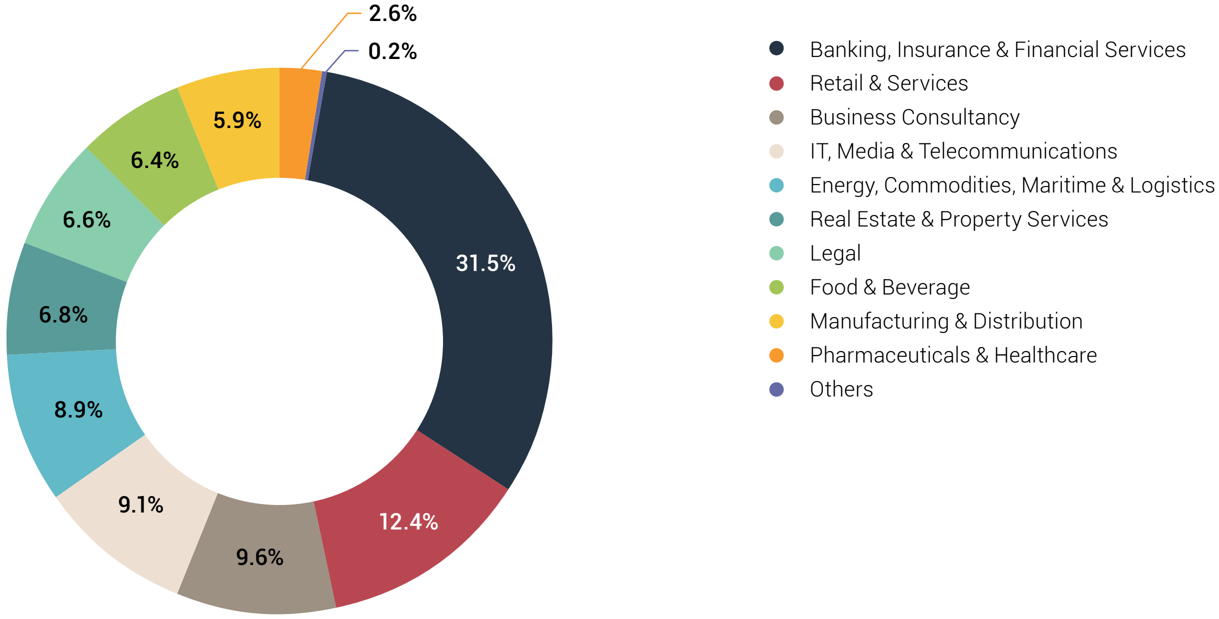
	Rental Reversions[a]	Range of Committed Rents[b]	Average Passing Rents[c]
OUE Bayfront	23.4%	S$10.00 - S$14.50 psf per month	S$11.75 psf per month
One Raffles Place	15.7%[d]	S$8.50 - S$12.50 psf per month[d]	S$10.26 psf per month
Lippo Plaza	10.5%	RMB9.00 - RMB11.30 psm per day (S$5.56 - S$6.98 psf per month)	RMB9.45 psm per day (S$5.84 psf per month)

Notes:
[a] Renewed/reviewed rates versus preceding rates
[b] Committed rents for both renewed/reviewed and new leases
[c] For the month of December 2015
[d] OUE C-REIT acquired an indirect interest in One Raffles Place on 8 October 2015. Figures for FY2015 are shown for comparison purposes

Diverse Tenant Trade Sectors

The Manager continues to maintain a diverse tenant trade sector profile so as to mitigate concentration risk from any one particular industry. For December 2015, the Banking, Insurance & Financial Services sector contributed 31.5% to OUE C-REIT's gross rental income while the Retail & Services and Business Consultancy sectors contributed 12.4% and 9.6% respectively to OUE C-REIT's gross rental income.

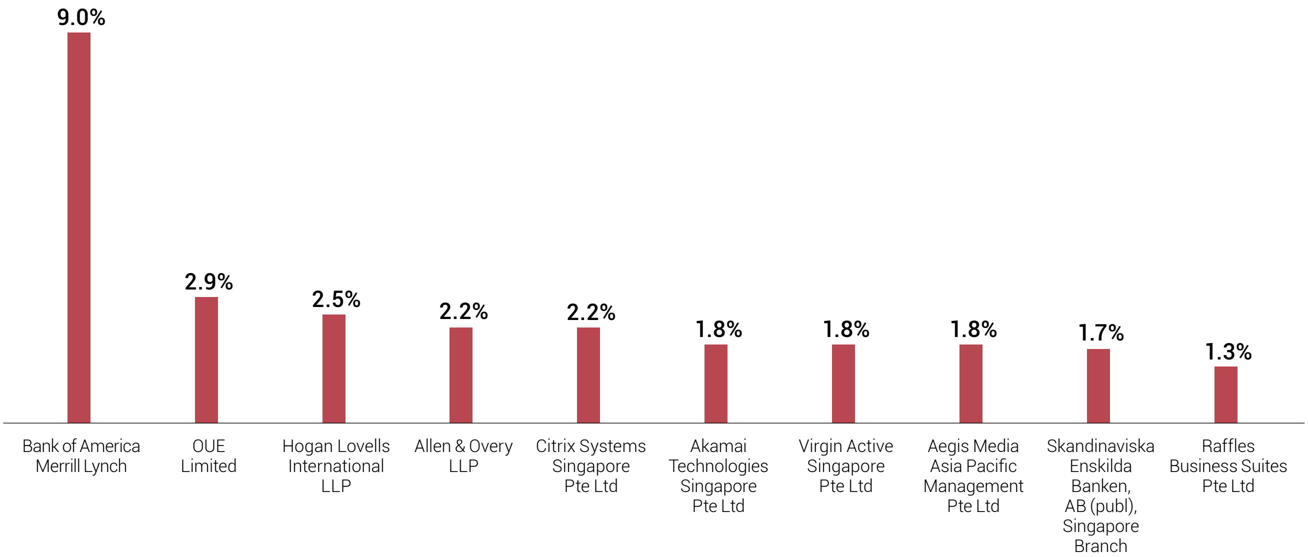
Tenant Trade Sector by Gross Rental Income
(For December 2015 and excluding retail turnover rent)



Tenant Diversification

The top ten tenants of the portfolio accounted for 27.2% of OUE C-REIT's monthly gross rental income for December 2015. This is a significant decrease from 48.1% a year ago, prior to the acquisition of One Raffles Place.

Top 10 Tenants[a] by Monthly Gross Rental Income



Note:
[a] The top ten tenants of the portfolio does not take into account one tenant who would otherwise be among the top 10 tenants by gross rental income as it has not consented to the disclosure of details of its tenancy agreement. If this tenant is taken into account, top 10 tenants of the portfolio would contribute no more than 27.3% of the total gross rental income for December 2015

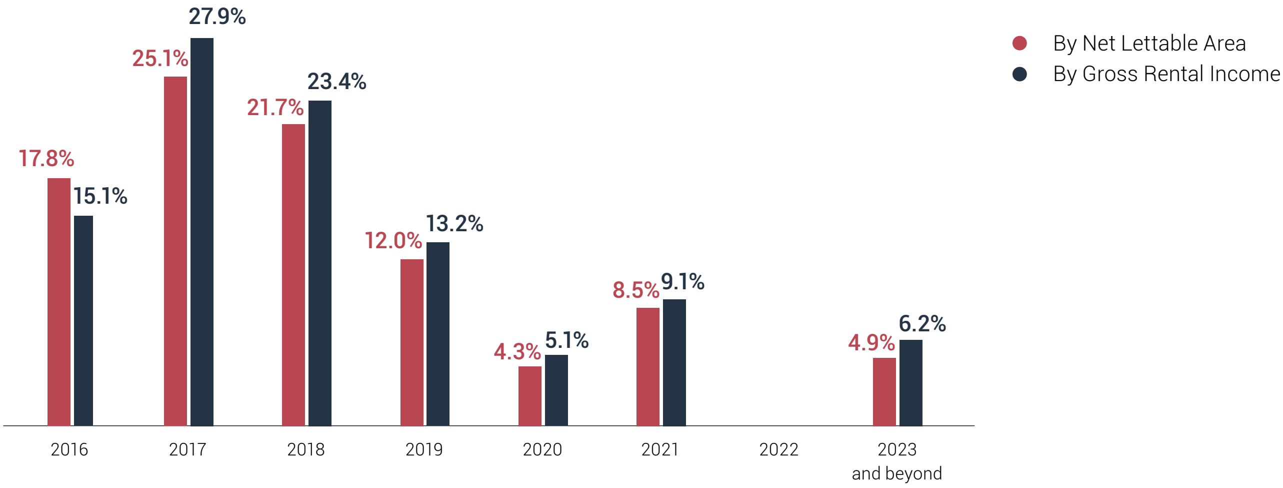
Lease Expiry Profile

The Manager pro-actively manages the lease expiry profile of each property to mitigate the concentration of lease expiries in any given year, in line with its objective to achieve stable and sustainable gross rental revenue.

At OUE Bayfront, the Manager extended the lease expiry profile such that more than 60% of gross rental income is due only in 2019 and beyond. For Lippo Plaza, the Manager secured new and renewal leases for about 30% of leases which are due to expire in 2016 by the end of December 2015. This leasing strategy was actively undertaken in view of the above-average amount of office supply coming on-stream in Singapore and Shanghai in 2016, which is expected to dampen the rental outlook. More than 25% of leases by total portfolio net lettable area expiring in 2016 were already committed by way of confirmed take-up as at 31 December 2015. Consequently, 15.1% of portfolio gross rental income is due for renewal in 2016, mitigating near-term leasing risk. Overall, the weighted average lease expiry of OUE C-REIT's portfolio by gross rental income as at 31 December 2015 is 2.9 years.

The weighted average lease expiry of new leases entered into during the year is 3.7 years, with the new leases contributing 16.9% to OUE C-REIT's committed gross rental income as at 31 December 2015.

Well Balanced Portfolio Lease Expiry Profile (As at 31 December 2015)



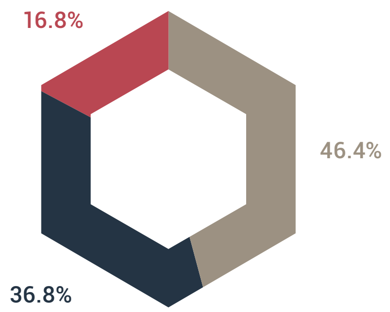
Achieving Transformational Scale

On 8 October 2015, OUE C-REIT completed the acquisition of an 83.33% indirect interest in OUB Centre Limited ("OUBC"), which owns a beneficial interest of 81.54% in One Raffles Place. One Raffles Place is a landmark integrated development comprising two office towers and a six-storey retail mall with a direct underground link to the Raffles Place MRT station.

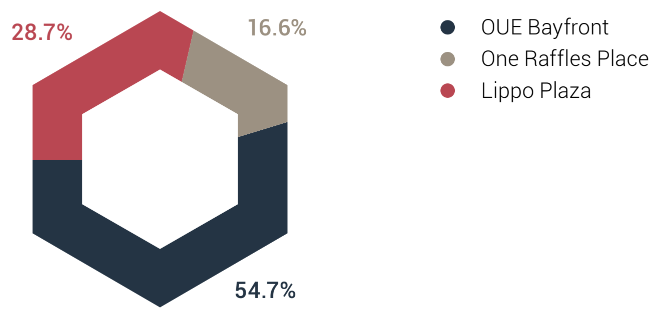
One of the tallest buildings in the Singapore CBD, One Raffles Place Tower 1 comprises a 62-storey Grade A office building with a rooftop restaurant and observation deck offering panoramic views of the city skyline. One Raffles Place Tower 2 is a 38-storey Grade A office building completed in 2012 with a Green Mark Platinum award by the BCA in Singapore for its environmentally sustainable design. Offering a diverse range of shopping, dining and leisure options catering to the needs of the working population in the CBD, One Raffles Place Shopping Mall is the largest purpose-built shopping mall in Raffles Place, and has undergone extensive refurbishment works which were completed in 2014.

With part of the development sitting on a land lease of 841 years, OUE C-REIT's portfolio weighted average land lease expiry was extended from 72 years prior to the acquisition, to approximately 258 years as at 31 December 2015. Besides strengthening OUE C-REIT's presence in the Singapore CBD, the addition of One Raffles Place to the portfolio reduces its asset concentration risk as well as enhances the diversity and resilience of its income streams.

Portfolio Contribution by Property[(a)]



FY2015 Revenue Contribution by Property[(b)]



Notes:
(a) Based on OUE C-REIT's proportionate interest in One Raffles Place
(b) Based on OUE C-REIT's attributable interest in One Raffles Place from acquisition completion date of 8 October 2015 to 31 December 2015

This acquisition is in line with OUE C-REIT's strategy to pursue investment opportunities that will enhance returns to Unitholders and provide potential future income and capital growth.

The total acquisition cost was based on an agreed value of S$1,715.0 million for OUBC's 81.54% interest in One Raffles Place. This was below the valuation of S$1,734.0 million undertaken prior to the acquisition. The total acquisition cost was funded through a combination of equity and debt, which included (i) the gross proceeds of S$218.3 million from the fully renounceable rights issue completed in July 2015, (ii) the issuance of S$550.0 million of convertible preferred perpetual units ("CPPUs") to Clifford Development Pte. Ltd. (a wholly-owned subsidiary of the vendor), (iii) the issuance of S$10.7 million of acquisition fees in Units of OUE C-REIT, and (iv) the balance in the form of debt.

The 9-for-20 fully renounceable rights issue to part-finance the acquisition of the indirect interest in One Raffles Place (the "Rights Issue") closed on 27 July 2015, with a high subscription level of 130.8%. The Rights Issue price was $0.555 per Unit, representing a 24.1% discount to the theoretical ex-rights price ("TERP") of S$0.731 in relation to the Rights Issue. The new Units from the Rights Issue were listed on 5 August 2015. As at 31 December 2015, the gross proceeds from the Rights Issue have been fully disbursed in accordance with its stated use in the Offer Information Statement dated 3 July 2015.

At acquisition completion date, S$550.0 million CPPUs with a coupon of 1.0% per annum were issued to Clifford Development Pte. Ltd. as part of the purchase consideration for the indirect interest in One Raffles Place. The CPPUs have a restriction period of four years, and only one-third of the CPPUs initially issued can be converted each year after the restriction period at a conversion price of S$0.841 per Unit. The CPPUs are classified as equity and do not increase OUE C-REIT's aggregate leverage.

Post completion, OUE C-REIT's assets-under-management increased to S$3,403.2 million as at 31 December 2015.

Asset Enhancement Initiatives

As part of its strategy to maximise operational performance, the Manager identifies and evaluates opportunities to maintain or enhance the quality of the portfolio.

To maintain and enhance the prime positioning of Lippo Plaza's office tower, the Manager continued with the asset enhancement programme which began with the refurbishment of the main office lobby in 2013. In 4Q 2015, upgrading works to revitalise and refresh the common areas and restrooms of the office tower commenced. Given the high occupancy of Lippo Plaza's office tower at 99.2%, the works will be undertaken in phases to minimise any disruption to tenants. Completion of the asset enhancement programme is expected by mid-2016.

The Manager will also be undertaking several asset enhancement initiatives at Tower 1 of One Raffles Place to sharpen its competitive edge. Plans include replacement of the chillers, upgrading of the common areas as well as lift modernisation, which will improve the quality of building specifications for the comfort of our tenants. Works are expected to commence progressively in 2016. Given the extensive nature of the works, the asset enhancement programme at One Raffles Place will be phased over a period of about three years.

Portfolio and Net Asset Value

As at 31 December 2015, OUE C-REIT's investment properties were assessed by independent valuers at S$3,403.2 million[7]. The portfolio has more than doubled from S$1,630.6 million a year ago, due to the acquisition of One Raffles Place. Excluding One Raffles Place, the initial portfolio valuation has increased 2.4% YoY, due primarily to improved rental performance. Total assets of OUE C-REIT as at 31 December 2015 was S$3,464.1 million, translating to NAV per Unit of S$0.96.

CAPITAL AND RISK MANAGEMENT

Prudent Capital Structure

The Manager adopts a prudent and pro-active approach towards capital management, and maintains a strong balance sheet by optimising the capital structure and borrowing costs of OUE C-REIT.

As at 31 December 2015, OUE C-REIT's total debt was S$1,272.2 million, inclusive of the proportionate share of OUBC's loans which translated to an aggregate leverage of 40.1%. OUE C-REIT has no refinancing requirement in 2016.

On 20 August 2015, the Manager established a S$1.5 billion Multicurrency Debt Issuance Programme to provide OUE C-REIT with the flexibility of raising funds from a wider pool of investors from the debt capital markets, diversifying OUE C-REIT's sources of funding beyond bank borrowings. To-date, OUE C-REIT has not issued any debt securities under the programme.

The Manager also actively manages OUE C-REIT's cashflow position, monitoring its expenses and potential funding requirements against working capital to ensure that adequate liquid reserves in cash and available credit facilities are in place to meet short- to medium-term obligations.

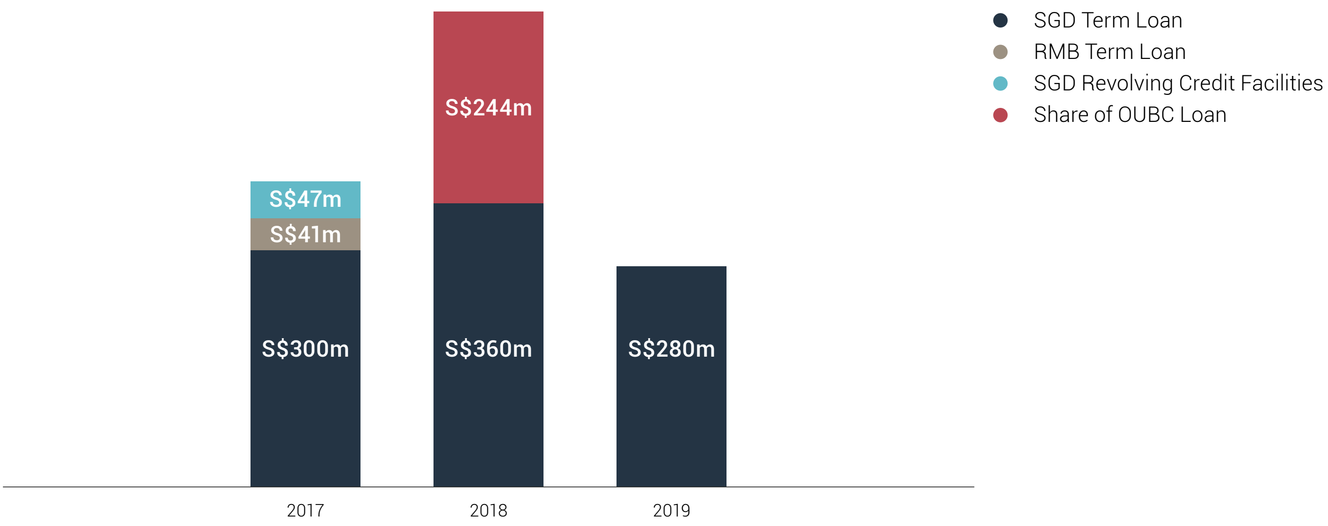
7 Based on valuations carried out by Cushman & Wakefield VHS Pte. Ltd., Savills Valuation And Professional Services (S) Pte Ltd and DTZ Debenham Tie Leung International Property Advisers (Shanghai) Co., Ltd

Key Capital Management Indicators

	As at 31 December 2015
Aggregate Leverage	40.1%
Total Borrowings (S$m)	1,272.2[a]
Fixed Debt as % of Total Debt	63.8%[b]
Weighted Average Cost of Debt (per annum)	3.45%[b]
Weighted Average Term to Maturity of Debt (years)	2.3
Weighted Average Term to Maturity of Fixed Rate Debt (years)	3.2
Interest Cover Ratio (times)	3.7

Notes:
(a) Includes OUE C-REIT's share of OUBC's loan. OUE C-REIT's interest in One Raffles Place is held via its 83.33% indirect interest in OUBC
(b) In 2016, the Manager entered into further interest rate swaps to increase the proportion of OUE C-REIT's fixed rate debt to about 72.3%. Consequently, the weighted average cost of debt is expected to increase to approximately 3.48% per annum

Debt Maturity Profile (As at 31 December 2015)



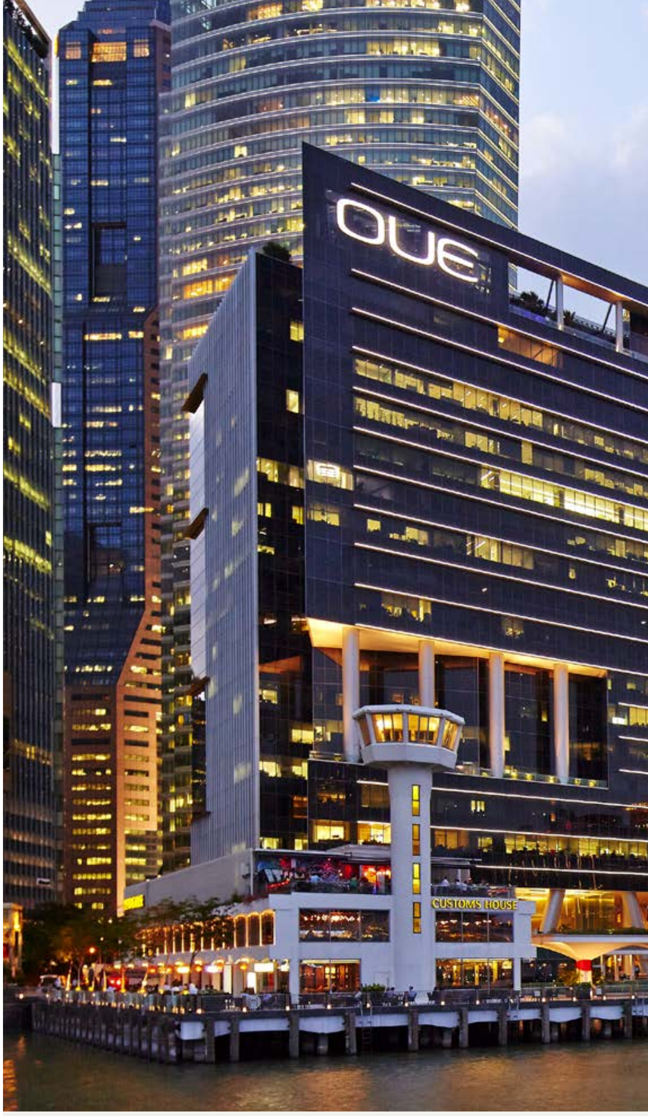
The Manager monitors interest rate movements closely and continually evaluates the feasibility of using appropriate levels of interest rate hedges to manage OUE C-REIT's interest rate exposure, especially given the current environment of rising interest rates.

In order to mitigate OUE C-REIT's exposure to interest rate volatility, about 63.8% of OUE C-REIT's interest rate exposure has been hedged as at 31 December 2015. In 2016, the Manager entered into additional interest rate swaps and increased the proportion of fixed rate debt to about 72.3%. Consequently, the weighted average cost of debt is expected to increase to approximately 3.48% per annum.

To manage the currency risk involved in investing in assets beyond Singapore, the Manager uses foreign currency denominated borrowings to match the currency of the asset investment as a natural currency hedge.

In order to further enhance OUE C-REIT's financial flexibility, the Manager will be establishing a DRP in 2016. The DRP provides Unitholders with an opportunity to elect to receive distributions in the form of fully-paid new Units, instead of cash. To the extent that Unitholders elect to receive distributions in the form of new Units, the cash which would otherwise be payable by way of cash distributions may be retained to strengthen OUE C-REIT's working capital.

PORTFOLIO OVERVIEW



OUE BAYFRONT

Singapore

50, 60 & 62 Collyer Quay,
Singapore 049321/049322/049325

A landmark commercial development strategically located between the Marina Bay financial district and the established financial hub of Raffles Place, OUE Bayfront comprises OUE Bayfront, a premium office building, and its complementary properties with retail facilities, OUE Tower and OUE Link.

Completed in 2011, OUE Bayfront is one of the latest premium office buildings in the Singapore CBD, with 18 floors of Grade A commercial space and rooftop restaurant premises, commanding panoramic views of Marina Bay.

Accorded heritage conservation status for its historic significance, OUE Tower houses one of only two waterfront revolving restaurants in Singapore and the only one in the CBD.

Across the open plaza of OUE Bayfront is OUE Link, an air-conditioned overhead pedestrian bridge with retail shops commanding double frontages, which provides convenient and sheltered access to Raffles Place. Other than easy access to Raffles Place and Telok Ayer MRT Stations, the Downtown MRT Station is also within walking distance via an underground pedestrian linkway.

OUE Bayfront is certified with the Green Mark Gold award by the BCA in Singapore.

“Completed in 2011, OUE Bayfront is one of the latest premium office buildings in the Singapore CBD, with 18 floors of Grade A commercial space and rooftop restaurant premises, commanding panoramic views of Marina Bay.

Property Description

Located at Collyer Quay in Singapore's CBD comprising:

- OUE Bayfront: 18-storey premium Grade A office building with rooftop restaurant premises
- OUE Tower: Conserved tower building with panoramic views of the Marina Bay
- OUE Link: Overhead pedestrian bridge with retail shops

Title

OUE Bayfront & OUE Tower:
99-year leasehold title commencing 12 November 2007

OUE Link:
15-year leasehold title commencing 26 March 2010

Underpass:
99-year leasehold title commencing 7 January 2002

Purchase Consideration

S$1,005.0 million

Valuation[1]

S$1,146.0 million

Gross Floor Area

46,774.6 sq m
(503,482 sq ft)

Net Lettable Area[2]

Overall:	37,164.6 sq m (400,036 sq ft)
Office:	35,334.5 sq m (380,337 sq ft)
Retail:	1,830.1 sq m (19,699 sq ft)

Committed Occupancy[2]

Overall:	98.3%
Office:	98.2%
Retail:	100.0%

FY2015 Gross Revenue

S$53.5 million

Number of Tenants[2]

52

Major Tenants

Bank of America-
Merrill Lynch
OUE Limited
Hogan & Lovells

Number of Carpark Lots

245

Weighted Average Lease Expiry[3]

3.6 years

1 Based on valuation carried out by Cushman & Wakefield VHS Pte Ltd as at 31 December 2015. Valuation was determined by Capitalisation Approach, Discounted Cashflow Method and Comparison Method
2 As at 31 December 2015
3 By monthly gross rental income for December 2015

a

Landmark Premium Office

Completed in 2011, OUE Bayfront is an office building in the Singapore CBD with 18 floors of premium Grade A commercial space. Strategically located in a vantage position between the Marina Bay downtown and established financial hub of Raffles Place, it commands panoramic views of Marina Bay.

Excellent Connectivity and Accessibility

OUE Bayfront enjoys superb connectivity and accessibility to major transport networks. It provides convenient and sheltered access to the Raffles Place MRT Station, the Telok Ayer MRT Station, as well as to the Downtown MRT Station. The property is also a short drive away to major expressways which provides easy connectivity to other parts of Singapore.

Unique Ancillary Developments

OUE Bayfront is well-complemented by its ancillary properties, OUE Tower and OUE Link. Accorded heritage conservation status for its historic significance, OUE Tower houses two storeys of food and beverage space, including a revolving restaurant. OUE Link is an important aerial connector between OUE Bayfront and Raffles Place, providing the office population with enhanced connectivity.

b

c

d

a. View of OUE Bayfront
b. OUE Bayfront office lobby
c. OUE Link
d. OUE Tower

ONE RAFFLES PLACE

Singapore

1 Raffles Place,
Singapore 048616

One Raffles Place, comprising One Raffles Place Tower 1, One Raffles Place Tower 2 and One Raffles Place Shopping Mall, is a prominent, iconic integrated commercial development with Grade A building specifications strategically located in the heart of Singapore's main financial district Raffles Place.

One of the tallest buildings in the Singapore CBD, One Raffles Place Tower 1 comprises a 62-storey Grade A office building, with a rooftop restaurant and observation deck offering scenic views of the city skyline.

One Raffles Place Tower 2 is a 38-storey Grade A office completed in 2012, awarded the Green Mark Platinum award by the BCA for its energy efficiency and environmentally sustainable design.

Offering a diverse range of shopping, dining and leisure options which cater to the needs of the working population in the CBD, One Raffles Place Shopping Mall is a six-storey retail podium that has undergone extensive refurbishment works which were completed in May 2014. It is currently the largest purpose-built shopping mall in Raffles Place.

Situated above and with a direct underground link to the Raffles Place MRT interchange station through the basement of its retail podium, One Raffles Place enjoys excellent connectivity along the North-South and East-West MRT lines, as well as easy accessibility to other developments within Raffles Place as well as Marina Bay.

“

One of the tallest buildings in the Singapore CBD, One Raffles Place Tower 1 comprises a 62-storey Grade A office building, with a rooftop restaurant and observation deck offering scenic views of the city skyline.

Property Description

Located at Raffles Place comprising:

- One Raffles Place Tower 1: 62-storey Grade A office building with rooftop restaurant and observation deck
- One Raffles Place Tower 2: 38-storey Grade A office building completed in 2012
- One Raffles Place Shopping Mall: Six-storey retail podium with direct underground link to the Raffles Place MRT Station

Title

One Raffles Place Tower 1:
841-year leasehold title commencing 1 November 1985

One Raffles Place Tower 2:
99-year leasehold title commencing 26 May 1983

One Raffles Place Shopping Mall:

- approximately 75% of the retail podium NLA is on a 99-year leasehold title commencing 1 November 1985
- the balance 25% is on the 841-year leasehold title commencing 1 November 1985

Vendor
OUE Limited

Acquisition Date
8 October 2015

Purchase Consideration[1]
S$1,148.3 million

Valuation[2]
S$1,734.0 million

Gross Floor Area
119,626.2 sq m
(1,287,644 sq ft)

Attributable Net Lettable Area[3]
Overall:	65,452.7 sq m (704,526 sq ft)
Office: (Tower 1)	28,890.7 sq m (310,977 sq ft)
Office: (Tower 2)	27,061.8 sq m (291,291 sq ft)
Retail:	9,500.2 sq m (102,259 sq ft)

Committed Occupancy[3]
Overall:	91.1%
Office:	90.1%
Retail:	96.1%

FY2015 Gross Revenue[4]
S$19.4 million

Number of Tenants[3]
222

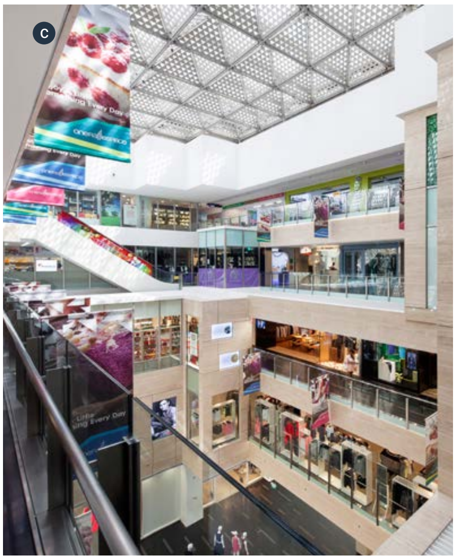
Major Tenants
Akamai Technologies Singapore Pte Ltd
Virgin Active Singapore Pte Ltd
Aegis Media Asia Pacific Management Pte Ltd

Number of Carpark Lots
326

Weighted Average Lease Expiry[5]
2.5 years

1 The purchase consideration comprises the purchase consideration of shares in Beacon Property Holdings Pte. Ltd. ("BPHPL") and the repayment of shareholder's loan extended by the vendor to BPHPL
2 Based on OUB Centre Limited's 81.54% interest in One Raffles Place and carried out by Savills Valuation And Professional Services (S) Pte Ltd as at 31 December 2015. Valuation was determined by Income Capitalisation Method, Discounted Cashflow Analysis and Direct Comparison Method. OUE C-REIT owns 83.33% of OUB Centre Limited
3 As at 31 December 2015
4 Gross revenue of One Raffles Place in FY2015 relates to the period from acquisition date of 8 October 2015 to 31 December 2015
5 By monthly gross rental income for December 2015

a



a. View of One Raffles Place
b. Main entrance of One Raffles Place Shopping Mall
c. One Raffles Place Shopping Mall
d. Office lobby at One Raffles Place

Iconic Development with Strategic Location

One Raffles Place is a prominent, iconic integrated commercial development with Grade A building specifications, strategically located in the heart of Singapore's main financial district Raffles Place. As one of the tallest buildings in the Singapore CBD, the 62-storey One Raffles Place Tower 1 has an observation deck, offering unparalleled views of the city skyline.

Accessibility and Enhanced Connectivity

Situated above and seamlessly linked to the Raffles Place MRT interchange station, One Raffles Place enjoys excellent connectivity along the North-South and East-West MRT lines, as well as enhanced accessibility to other developments within Raffles Place and Marina Bay via an extensive underground network of pedestrian walkways.

Well-complemented by Retail Facilities

Reopened in May 2014 after undergoing extensive refurbishment works, One Raffles Place Shopping Mall offers a diverse range of shopping, dining and leisure options which cater to the needs of the working population. The six-storey retail mall is currently the largest purpose-built shopping mall in Raffles Place.

LIPPO PLAZA

China

222 Huaihai Zhong Road,
Shanghai, PRC 200021

Comprising a 91.2% share of strata ownership in Lippo Plaza, Lippo Plaza is a 36-storey Grade A commercial building with retail podium located near the eastern end of Huaihai Zhong Road, within the established Huangpu business district in the Puxi area of downtown Shanghai.

The retail podium at Lippo Plaza which was refurbished and repositioned to a prime retail mall in 2010 is now home to the flagship stores of two international brand names, while the refurbishment of the office main lobby was completed in 2014.

The Huangpu district is one of the oldest business districts in Shanghai, attracting multinational corporations, international financial institutions and local Chinese enterprises.

With its unique and varied architectural styles, the Huaihai Road precinct is also an established prime retail area in Shanghai, popular with top-end international designer brands and well-known Chinese brand names.

Lippo Plaza is conveniently located within walking distance from the South Huangpi Road Metro station serving Metro Line 1, the main north-south line of the Shanghai Metro, as well as the Huaihai Zhong Road Station on Metro Line 13.

“Comprising a 91.2% share of strata ownership in Lippo Plaza, Lippo Plaza is a 36-storey Grade A commercial building with retail podium located near the eastern end of Huaihai Zhong Road, within the established Huangpu business district in the Puxi area of downtown Shanghai.

Property Description
Located in the commercial district of Huangpu in central Shanghai, comprising 91.2% share of strata ownership of a 36-storey Grade A commercial building with retail podium and carpark lots

Land Use Right Expiry
50 years commencing 2 July 1994

Purchase Consideration[1]
S$335.3 million

Valuation[2]
RMB2,401 million
(S$523.2 million)

Gross Floor Area
58,521.5 sq m
(629,925 sq ft)

Net Lettable Area[3]
Overall:	39,224.5 sq m (422,212 sq ft)
Office:	33,538.6 sq m (361,009 sq ft)
Retail:	5,685.9 sq m (61,203 sq ft)

Committed Occupancy[3]
Overall:	96.0%
Office:	99.2%
Retail:	77.7%

FY2015 Gross Revenue
S$28.1 million

Number of Tenants[3]
88

Major Tenants
Ermenegildo Zegna
Louis Vuitton
Q-Med International Trading (Shanghai) Co., Ltd.

Number of Carpark Lots
168

Weighted Average Lease Expiry[4]
2.8 years

1 The purchase consideration comprises the purchase consideration of shares in Tecwell Limited and outstanding debt facilities of Tecwell Limited and its subsidiary at acquisition completion date of 27 January 2014
2 Based on OUE C-REIT's 91.2% share of strata ownership in Lippo Plaza and carried out by DTZ Debenham Tie Leung International Property Advisers (Shanghai) Co., Ltd. Valuation was determined by Discounted Cashflow Analysis
3 As at 31 December 2015
4 By monthly gross rental income for December 2015

a

Located within an Established Commercial District

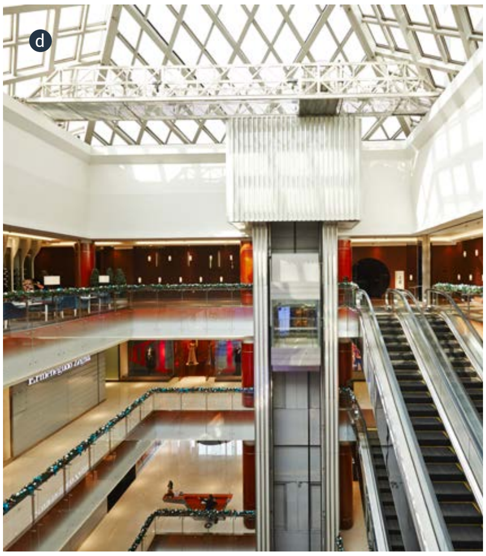
Situated near the eastern end of Huaihai Zhong Road in the Huangpu district of Shanghai, Lippo Plaza is a 36-storey Grade A commercial building located in one of the key commercial districts in the Puxi area, in downtown Shanghai.

Easy Connectivity and Accessibility

Lippo Plaza is conveniently located within a five-minute walk from the South Huangpi Road Metro station, which serves the key Metro Line 1, the main north-south line of the Shanghai Metro. The property is also accessible to other key commercial areas and transportation lines by virtue of its close proximity to major expressways.

Well-placed within a Major Retail Artery

Lippo Plaza is located along the 5.5 kilometre-long Huaihai Zhong Road, an established prime retail area in Shanghai and home to major department stores and shopping malls, as well as numerous hotels and restaurants.



a. View of Lippo Plaza office
b. Facade view of Lippo Plaza
c. Lippo Plaza office lobby
d. Lippo Plaza retail mall

INDEPENDENT MARKET REVIEW

SINGAPORE

BY DTZ DEBENHAM TIE LEUNG (SEA) PTE LTD

SOCIO-ECONOMIC OVERVIEW

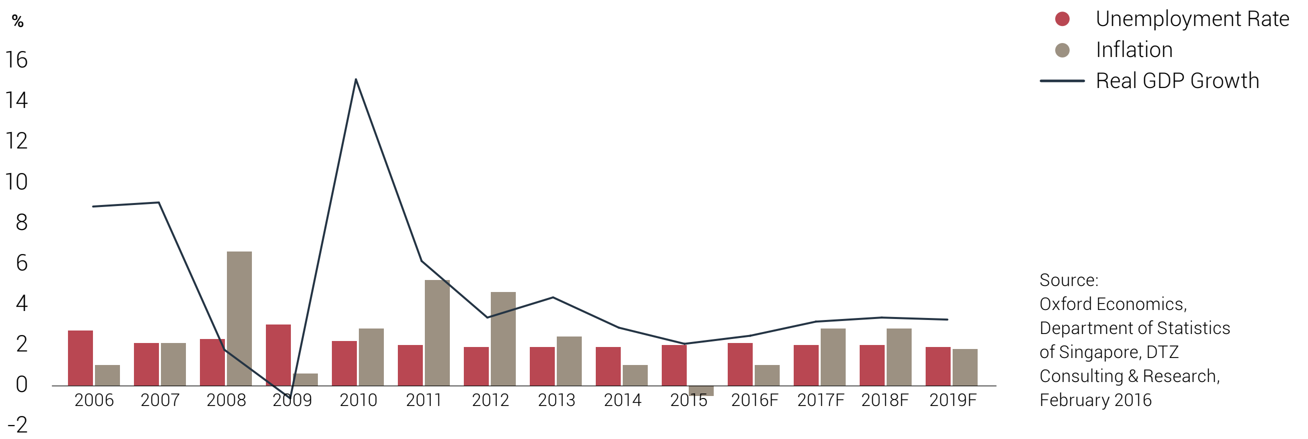
Gross Domestic Product ("GDP") Growth, Unemployment and Inflation

Global economic growth was uneven in 2015. Economic growth in the United States ("USA") was stronger than expected. Citing on-going economic recovery, the Federal Reserve raised interest rates by 0.25% in December 2015, after holding it near zero since 2006. Meanwhile, the Eurozone's economy remained lackluster. In China, the economy continued to slow, as a result of on-going economic restructuring as well as overcapacity and weaker exports.

Singapore's economy is heavily reliant on the performance of external economies. According to the Ministry of Trade and Industry ("MTI"), Singapore's economy grew modestly by 2.0% in 2015, compared with 3.3% in 2014.

Meanwhile, inflation eased since mid-2014. For 2015, inflation was -0.5%, down from 1.0% in 2014. Overall unemployment rate in 2015 of 1.9% was broadly unchanged since 2011. Although total employment continued to grow by 31,800 in 2015, it was the lowest growth since 2003.

Real GDP Growth, Inflation and Unemployment Rate



Source:
Oxford Economics,
Department of Statistics of Singapore, DTZ Consulting & Research,
February 2016

Economic Outlook

MTI expects the Singapore economy to grow by 1.0% to 3.0% in 2016. With its gradual normalisation of monetary policy, growth in the USA is expected to strengthen. Meanwhile, China is deepening its economic restructuring and bracing for deceleration in economic growth. As growth in the USA is driven by the services sector and China's growth is being structured towards in-sourcing, these external developments are expected to continue to impact the Singapore economy. Domestically, the MTI expects the labour market conditions in Singapore to continue to be tight and unemployment rate to remain low. Meanwhile, the Monetary Authority of Singapore projects core inflation to be between 0.5% and 1.5% in 2016.

OFFICE PROPERTY MARKET OVERVIEW

Net Supply

The properties in OUE C-REIT's Singapore portfolio - One Raffles Place and OUE Bayfront, are strategically located in Raffles Place, the traditional financial and business hub in Singapore. Both properties have direct access to the Raffles Place MRT interchange station on the East-West and North-South Lines.

As at Q4 2015, there was a total of 68.5 million sq ft of office space islandwide, with some 24.3 million sq ft (35%) in the CBD. There was no new completion in Raffles Place in 2015. Meanwhile, there was a reduction of supply in the CBD by 258,000 sq ft due to the termination of Equity Plaza. Equity Plaza is undergoing refurbishment and the strata-titled office building will be renamed as "GSH Plaza" upon completion in 2016.

Outside the CBD, South Beach Tower at Beach Road (500,000 sq ft) was completed in early 2015, fulfilling spillover office demand from the CBD. As at end-2015, total stock in the Fringe CBD area increased by 0.8% YoY to 19.6 million sq ft.

Demand and Occupancy

In 2015, demand in the CBD was 457,000 sq ft, forming about 85% of the 533,500 sq ft total demand islandwide.

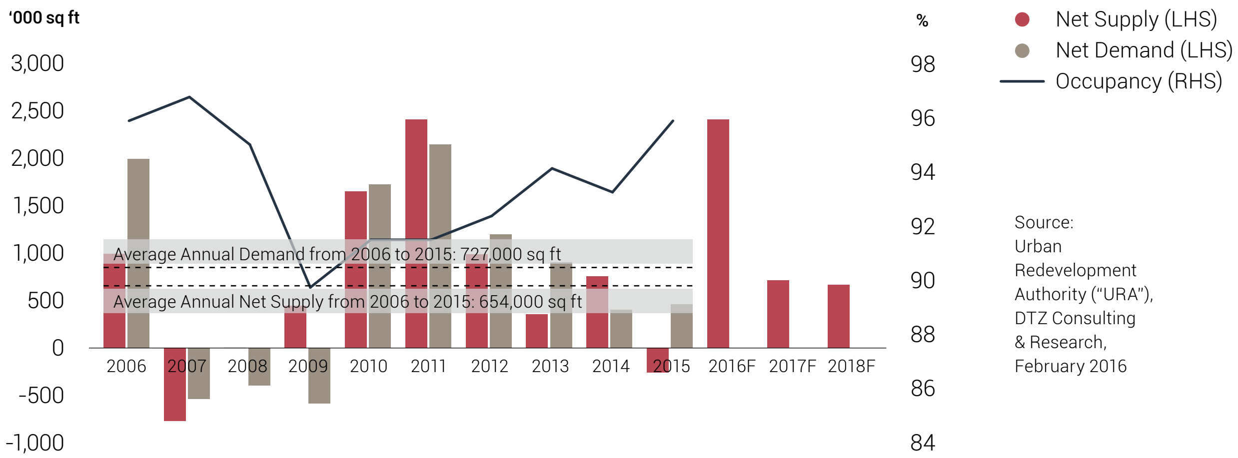
The demand for office space in the CBD has generally been healthy, with the average annual demand[1] in the past decade (727,000 sq ft) exceeding that of net supply (654,000 sq ft). As a result, occupancy in the CBD also increased by 2.8 percentage points to 95.8% as at Q4 2015. In 2015, the majority of leasing activities were in CapitaGreen, which was completed in December 2014.

While the financial and business services sector continued to form the bulk of the office demand in the CBD, there was a growing diversity of occupiers, including companies in the Energy, Commodities and Technology, Media and Telecommunications (e.g. analytics, cloud industries and social media) sectors.

Given the relatively competitive rental, accessibility to the Raffles Place MRT interchange station and variety of amenities in Raffles Place, some tenants relocated from Marina Bay to Raffles Place. The market also saw some consolidation amongst companies and relocation to better quality offices.

There was also an increased demand from serviced office operators. The well-located quality and flexible office space offered by serviced offices are increasingly popular with both multi-national corporations ("MNCs") and small and medium-sized enterprises ("SMEs"), which require flexible accommodation options.

Net Supply, Demand and Occupancy (CBD)



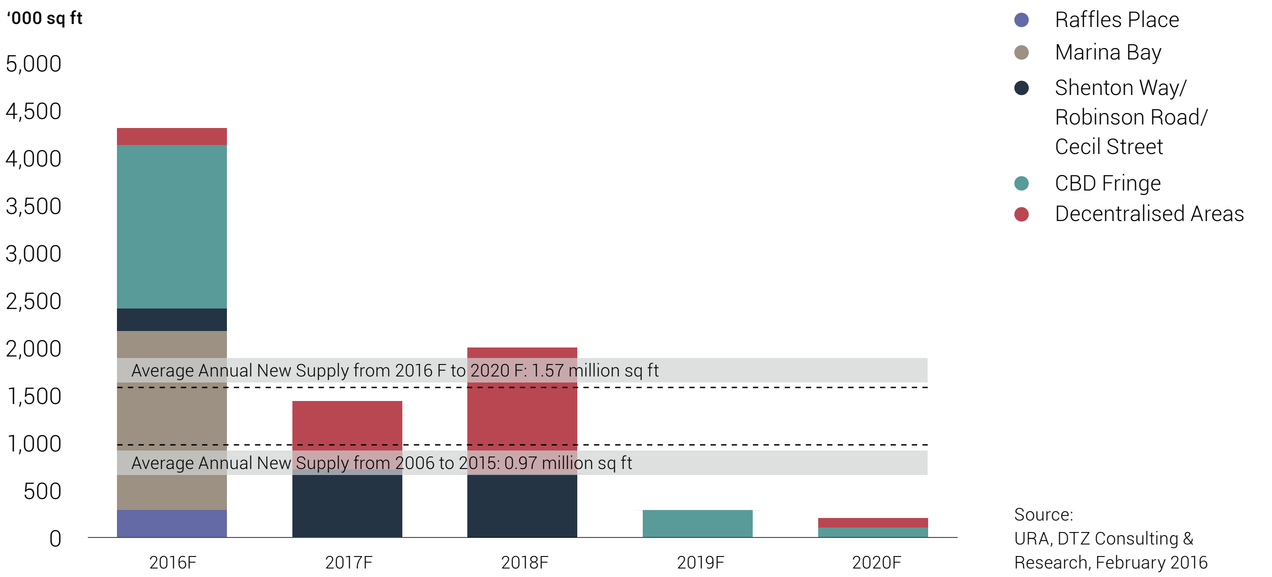
Source:
Urban Redevelopment Authority ("URA"), DTZ Consulting & Research, February 2016

Potential Supply

About 8.2 million sq ft of potential islandwide supply is expected to complete between 2016 and 2020[2]. About 46% (3.8 million sq ft) of this supply will be in the CBD, including Marina One at Marina Bay (1.9 million sq ft) and Guoco Tower at Anson Road/ Tanjong Pagar (0.9 million sq ft), which are both expected to complete in 2016. The new completions are mainly premium offices with large floor plates (20,000 sq ft and above), and are likely to add downward pressure on the office rental market in the CBD.

Following the significant supply in 2016, potential supply between 2017 and 2020 is expected to be moderate, with more developments scheduled to complete in Shenton Way/Robinson Road/Cecil Street and Decentralised Areas.

<u>Potential Supply (Islandwide)</u>



Source:
URA, DTZ Consulting & Research, February 2016

[1] Demand refers to the change in the total occupied or let floor space over a specified period of time, positive or negative. It only takes into account occupiers when they physically occupy the premises

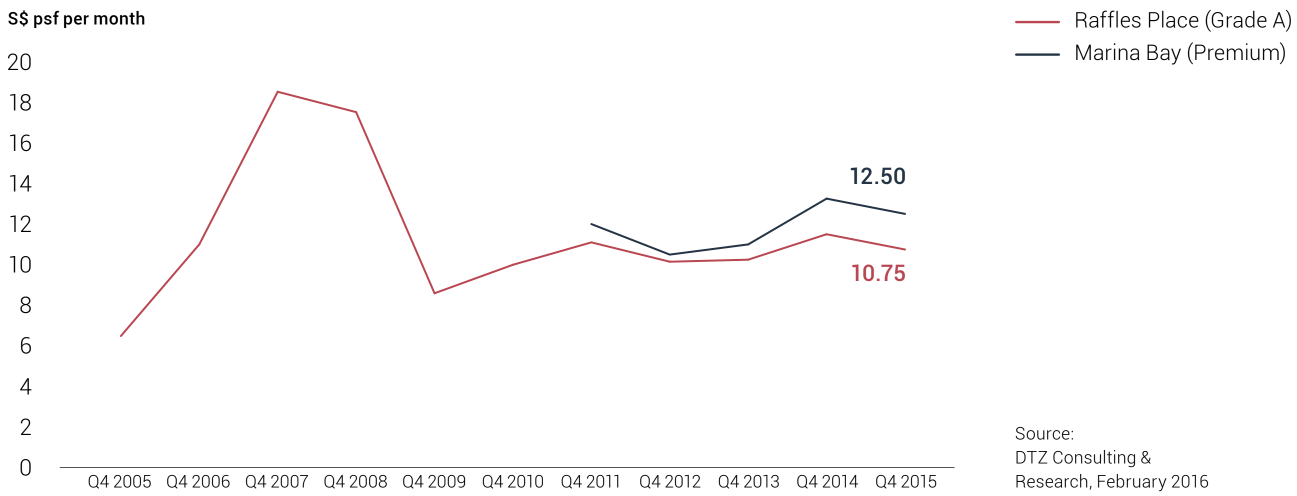
[2] Excluding projects that have not obtained Provisional Permission/Written Permission and unawarded Government Land Sales commercial/white sites

Rental Values

With sluggish leasing activity in the CBD and the weakening global economy, DTZ average monthly gross rental values of Grade A office in Raffles Place fell by 6.5% in 2015 to S$10.75 psf per month, while that of premium office in Marina Bay declined by 5.7% to S$12.50 psf per month.

Marina Bay, being an extension of Singapore's CBD, features many new and premium office buildings. Overall, office buildings in Marina Bay command higher rental than those in the Raffles Place. Nonetheless, with a rental gap of up to 14% lower than that of Marina Bay, Raffles Place remains a choice location for many companies including MNCs.

Average Monthly Gross Rental Value[3]



Source:
DTZ Consulting & Research, February 2016

Singapore Office Market Outlook

The large impending supply of office space, particularly in 2016, is expected to exert downward pressure on rents in the CBD. While overall rents for Grade A office buildings in Raffles Place are expected to fall, One Raffles Place and OUE Bayfront, which are well-located and have sheltered access to MRT stations, are expected to be relatively more resilient.

The growing diversity of occupiers in the CBD will also provide some hedge against traditional concentration of finance & insurance companies. Many companies are taking advantage of the opportunity to review their accommodation needs, including relocation to better located or quality premises given the availability of prime office space in the near future.

[3] For Raffles Place, rental values are based on a basket of Grade A offices. The contracted rents are inclusive of service or maintenance charges under standard three-year lease terms

RETAIL PROPERTY MARKET OVERVIEW

Major Retail Locations

Singapore is an established shopping haven with a variety of shopping malls catering to both residents and visitors. The retail property market is anchored by Orchard/Scotts Road, Singapore's main shopping destination and entertainment hub, while residents in the Suburban Areas are served by large regional malls. Meanwhile, retail space in the CBD is part of the Other City Areas[4].

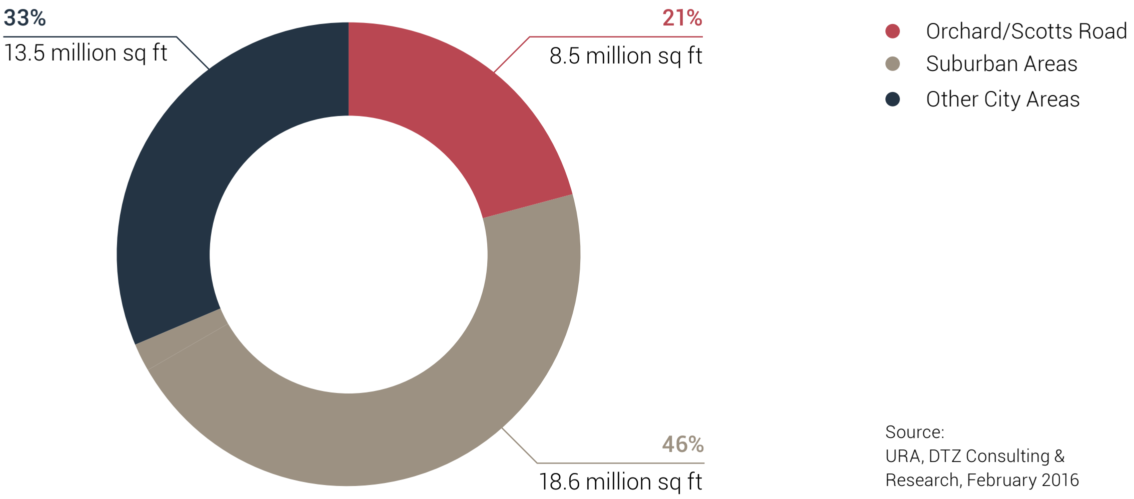
One Raffles Place Shopping Mall, which is located in One Raffles Place within the CBD, offers a diverse range of amenities including food & beverage ("F&B"), services and fashion offerings, catering mainly to the working population in the area.

Stock

As at Q4 2015, there was about 13.5 million sq ft of retail space in the Other City Areas, representing about one-third of total retail stock in Singapore.

Unlike Orchard Road or suburban malls, retail offerings in the Other City Areas mainly cater to the estimated 220,000 office workers in the CBD, as well as some business travellers and residents. As a result, a majority of the retail and service offerings mainly cater to office workers, e.g. fashion & accessories, banking, dry cleaning, tailors and salons. In addition, a large proportion of retail space in the CBD is for F&B, ranging from hawker centres and food courts, to specialty cafes and fine dining restaurants.

Breakdown of Retail Stock (Q4 2015)



Source:
URA, DTZ Consulting & Research, February 2016

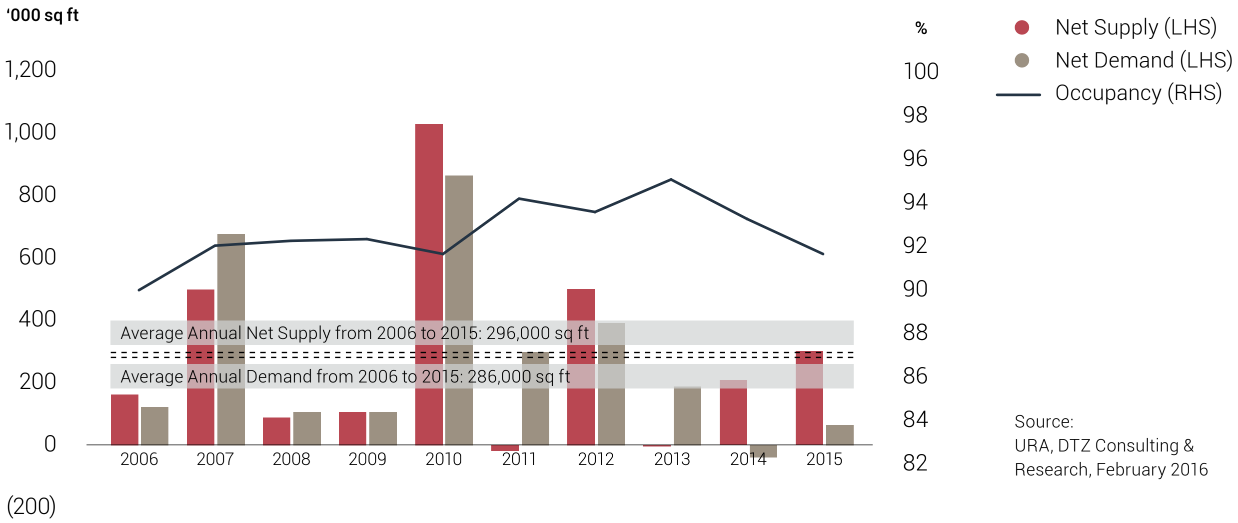
[4] Refers to areas outside the Orchard/Scotts Road corridor but within the city-limit (defined by URA as the Central Area), including the Downtown Core area, where the CBD is located. CBD includes Raffles Place, Shenton Way/Robinson Road/Cecil Street and Marina Bay

Net Supply, Demand and Occupancy

For the whole of 2015, net supply in the Other City Areas increased significantly by 45% to 299,500 sq ft. Notable completions include Capitol Piazza (140,000 sq ft) and South Beach Avenue (54,000 sq ft). To revitalize their retail offerings, Suntec City Mall and Marina Square Shopping Mall completed their asset enhancement initiatives and added 202,400 sq ft and 56,500 sq ft of retail space respectively.

As compared to a contraction of 27,300 sq ft in 2014, demand in 2015 was 37,400 sq ft but did not match up to the net supply of 276,500 sq ft. Consequently, occupancy in the Other City Areas declined by 1.6 percentage points to 91.6% in 2015, a similar decline to that of islandwide occupancy (1.6 percentage point fall to 91.9%). The fall in occupancy was also caused by a number of major tenants ceasing their operations.

Net Supply, Demand and Occupancy (Other City Areas)



The retail trends and challenges underpinning the demand dynamics in Other City Areas are summarised below:

Retail Trends

- **Pop-up stores** – In 2015, many online stores established a physical presence at retail stores to boost brand awareness.
- **Declining retail sales** - Excluding motor vehicles sales, the retail sales index has declined by 4.5%, from 100 points in 2014 to 95.5 points in October 2015. However, the retail sales index does not include e-commerce transactions on websites owned by firms registered outside of Singapore. Consequently, the index is understated.
- **Growing threat of e-commerce** - Traditional brick-and-mortar retailers are facing stiff competition from growing e-commerce. According to MasterCard in September 2015, S$303.5 million was spent online by Singapore cardholders during the Great Singapore Sale 2015, a growth of 5.6%. In addition, e-commerce transactions also increased by 9.8%.
- **Concern over labour shortage and cost** - The government has tightened foreign labour intake. While retailers are looking for ways to increase productivity, retailers are affected by the shortage of labour and the foreign worker levy.

Challenges

- **Limited retail business hours in the CBD -** As the catchment for retail and F&B is mainly office workers, retail business hours in the CBD tend to be limited to weekdays only. To address this limitation, larger shopping malls in the CBD like One Raffles Place and China Square Central which open throughout the week have special promotions, e.g. free parking after office hours and during weekends to attract shoppers. Some landlords in the CBD allow retailers to operate only during weekdays.

  On the other hand, with the completion of residential developments in the Other City Areas (e.g. Marina One, V on Shenton, DUO and Tanjong Pagar Centre in 2017), there will be more live-in residents in the Other City Areas, benefitting retail businesses in the CBD.

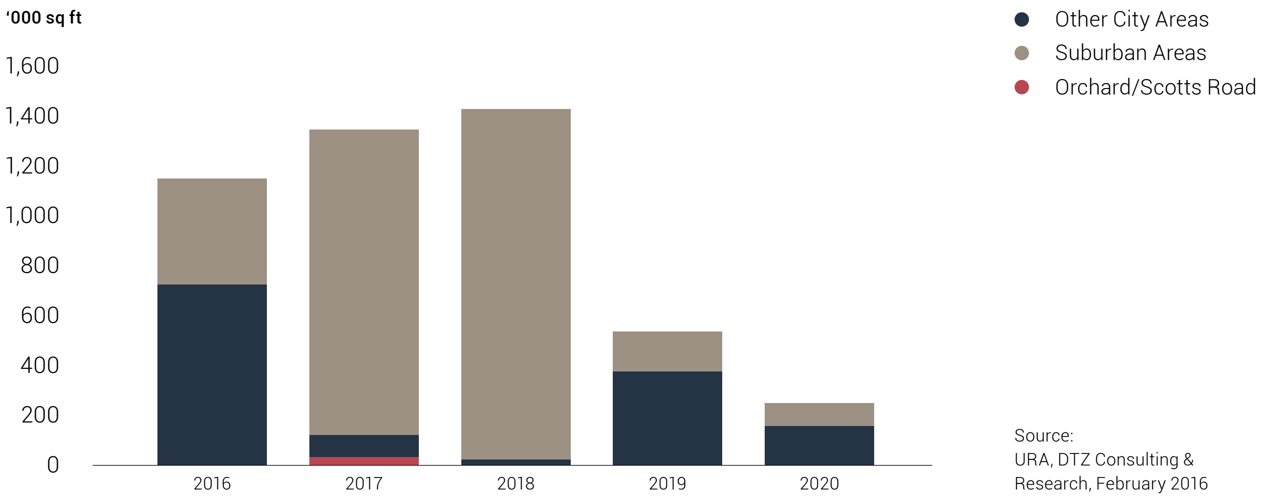
- **Intensifying competition from other areas** - Some retailers find it challenging to compete with other areas. Orchard/Scotts Road remains popular with locals and tourists alike. Meanwhile, retail offerings in Suburban Areas are increasingly similar to those available in the Other City Areas. Future developments of regional centres e.g. Tampines, Woodlands, Paya Lebar and Jurong East are expected to bring more shopping options closer to home, diluting the retail demand in the Other City Areas.

Potential Supply

An estimated 4.7 million sq ft of retail space is expected to be completed from 2016 to 2020. The majority of this potential supply (70%) will be located in the suburban areas.

About 29% (1.4 million sq ft) of the potential supply is in the Other City Areas, comprising mainly Marina One (140,000 sq ft) at Marina Bay, Downtown Galleria (176,700 sq ft) at Shenton Way and Tanjong Pagar Centre (140,000 sq ft), which are expected to complete in 2016.

Potential Supply (Islandwide)



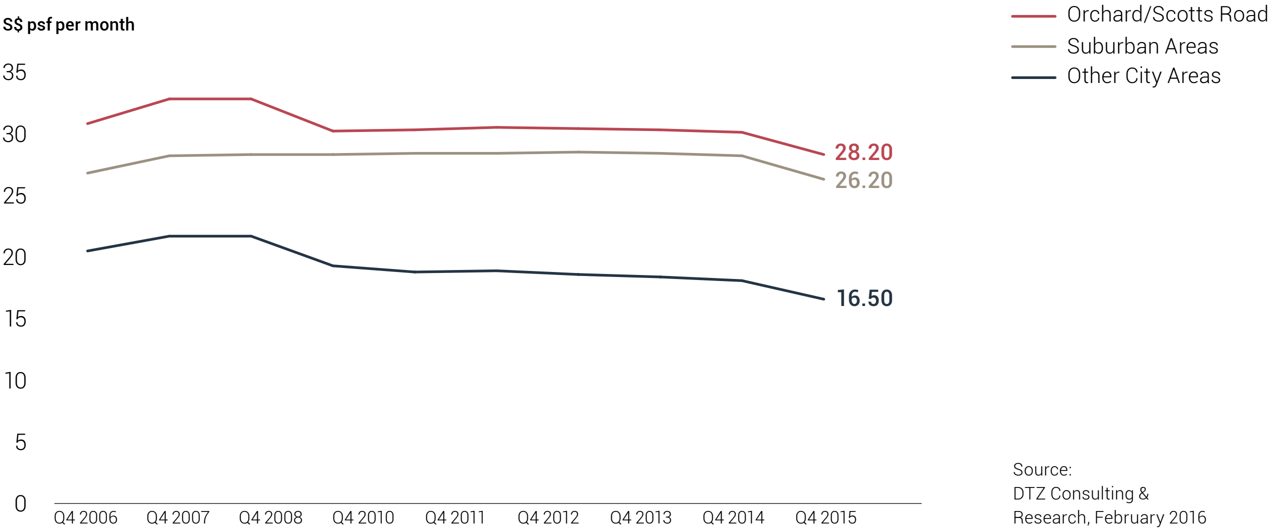
Source:
URA, DTZ Consulting & Research, February 2016

Rental Values

The retail scene in Singapore has been challenging. Concerns over rising labour cost, tightened intake of foreign labour, wide adoption of e-commerce and high operating costs were among the issues affecting retailers. Some landlords exercised greater rental flexibility to maintain a desirable tenant mix.

Due to the relatively weak retail market in the Other City Areas, retail rents in this area are lower than that in Orchard/Scotts Road and the Suburban Areas. As at Q4 2015, DTZ average monthly fixed gross rental values for the Other City Areas was down by 8.2% to S$16.50 psf per month.

Average Prime[5] Monthly Fixed Gross Retail Rental Value



Source:
DTZ Consulting & Research, February 2016

Singapore Retail Market Outlook

The retail sector will continue to grapple with escalating labour costs, increasing penetration of e-commerce and changing consumer preference among the young shoppers. The increasing affluence of Singapore residents and popularity of budget travelling has also led to a leakage of shopper dollars.

The challenging retail market will continue to weigh on retail rents. Competition in the CBD is also expected to intensify with new supply completing in 2016. Amidst the competition, landlords who are sensitive to market conditions and flexible in their rental will have an edge over the others.

While headwinds are expected to continue to affect the retail industry, they also present opportunities. In the Other City Areas, many mixed-use developments, including offices and residences are scheduled to complete in 2016 and 2017. The increase in working and live-in population will expand the retail catchment for malls in the Other City Areas including Raffles Place.

To thrive in the age of online and mobile commerce growth, landlords and retailers are expected to add value to in-store and mall visits, by enhancing the brick-and-mortar retail experience that virtual channels cannot provide. Landlords are organising more activities and bringing in pop-up stores to add dynamism in malls, while more retailers are adopting omni-retailing to harness the synergy between virtual and physical retail channels.

With its excellent location at the heart of Raffles Place, One Raffles Place Shopping Mall is one of the largest malls in the Other City Areas. One Raffles Place Shopping Mall, with its connection to Raffles Place MRT interchange station, is expected to fare better than competing malls in the area.

[5] Only rents of prime specialty retail shops, for example those with good frontage or pedestrian footage, are used to compute average gross rents


OUE

INDEPENDENT MARKET REVIEW

SHANGHAI

BY DTZ DEBENHAM TIE LEUNG (SEA) PTE LTD

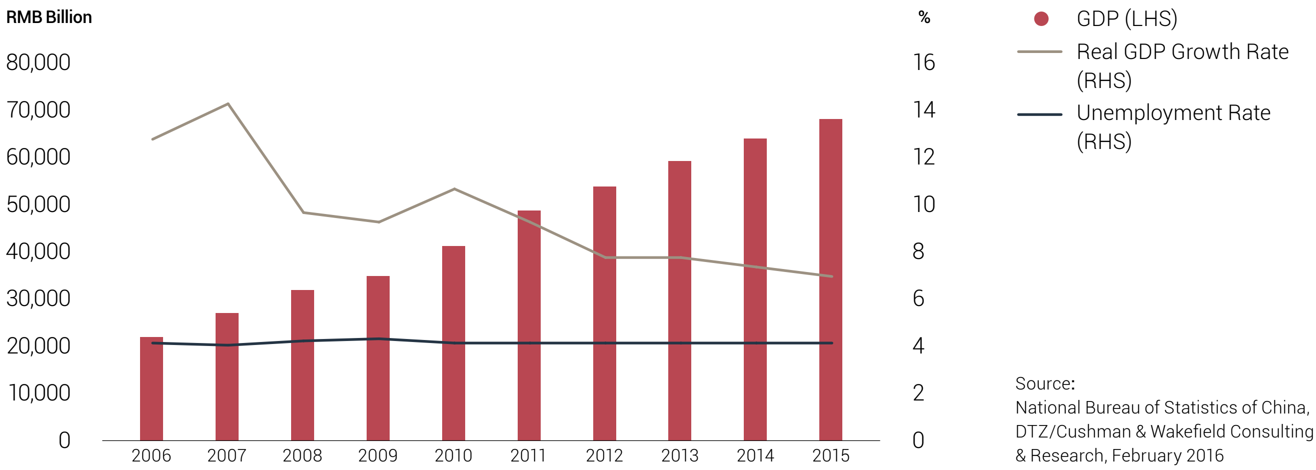
SOCIO-ECONOMIC OVERVIEW

GDP, Foreign Direct Investment and Unemployment Rate

PRC

The PRC's economy has entered a new stage of development, where slower but more sustainable growth is expected as the economic structure is optimised. In particular, real GDP growth rate fell from a peak of 12.7% in 2006 to 6.9% in 2015. By Q3 2015, the hi-tech industry's gross output increased by 10.4% YoY, 4.2 percentage points higher than that of the overall secondary industry. Growth of the tertiary industry remained robust, contributing 51% of GDP, 9 percentage points higher than in 2006. The continuous growth of the tertiary industry has helped absorb employment shifting out from the primary and secondary industries. As a result, the unemployment rate in PRC has remained stable at around 4.1% over the past decade.

GDP Growth and Unemployment Rate (PRC)



Source:
National Bureau of Statistics of China, DTZ/Cushman & Wakefield Consulting & Research, February 2016

1 Yangtze River Delta, Pearl River Delta and Beijing-Tianjin-Hebei city cluster

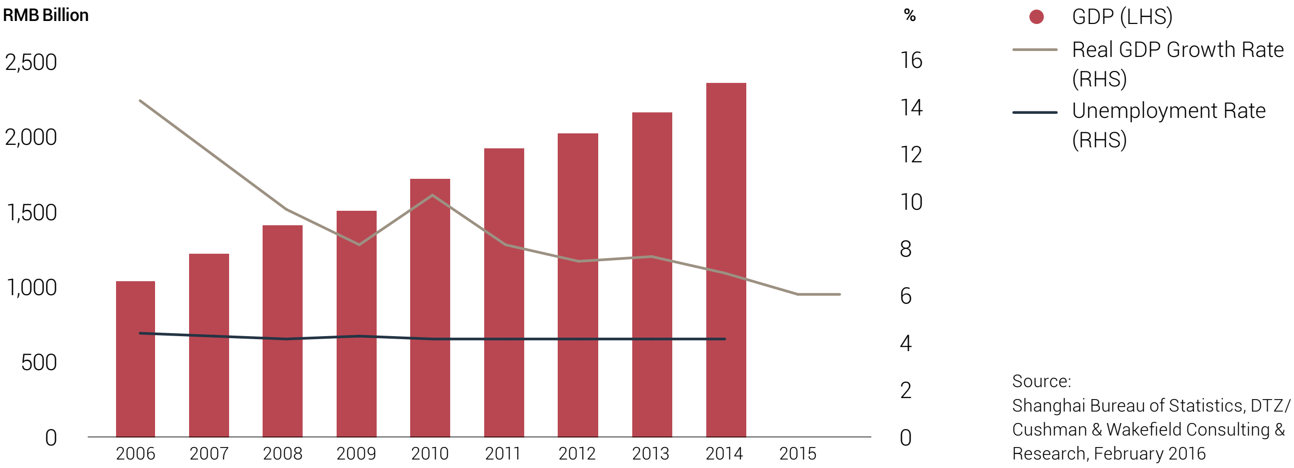
2 Shandong Peninsula, Lining Peninsula, city cluster at middle reach of Yangtze River, Central Plains city cluster, Chengdu-Chongqiang cluster, Guanzhong cluster, city cluster at the west side of Taiwan Strait (Fujian Province, Zhejiang Province, Jiangxi Province and Guangdong Province), and city cluster at the east side of Taiwan Strait (Taipei, Jilong, Xinzhu, Taihong, Tainan, and Gaoxiong)

Shanghai

The trajectory of Shanghai's GDP growth trend is similar to that of the country but at a slightly lower growth rate. The real GDP growth rate for 2015 is expected to be 6.1%, 0.9 percentage points lower than that of 2014. Shanghai's economic structure is continuously shifting towards the tertiary industry. By Q3 2015, Shanghai's tertiary industry contributed 68% of its total GDP, which was significantly higher than that of the national level (51%). In particular, in Q3 2015, the financial and real estate industries recovered significantly with 27.2% and 12.6% YoY growth rates, contributing 16.0% and 6.5% to Shanghai's GDP respectively[3].

The unemployment rate for Shanghai has remained stable at around 4.2% since 2006.

GDP Growth and Unemployment Rate (Shanghai)

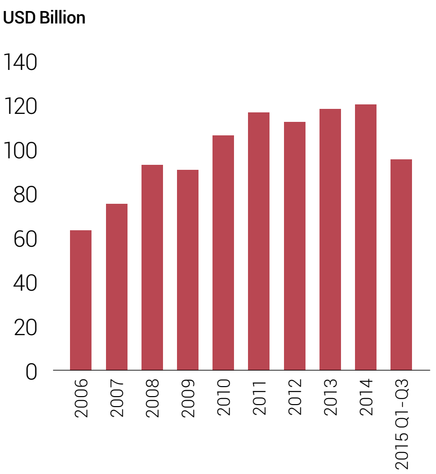


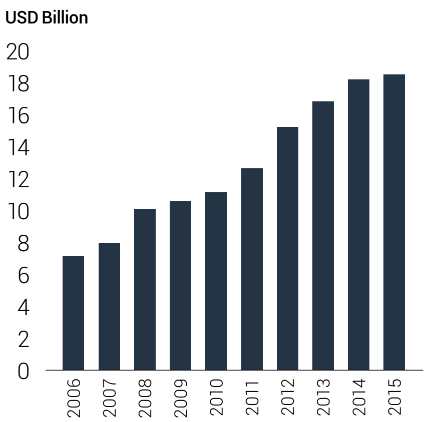
Source:
Shanghai Bureau of Statistics, DTZ/Cushman & Wakefield Consulting & Research, February 2016

Accumulated utilised foreign direct investment from 2006 to 2014 was USD890,826 million, with a 8.3% compounded annual growth rate ("CAGR"). Underpinned by the "Belt and Road" strategy, foreign direct investment reached USD94,903 million in the first three quarters of 2015, recording a 8.6% YoY increase.

Shanghai is one of the most popular destinations for foreign investment and has the highest concentration of international company headquarters in the PRC. By 2015, 535 international companies have established their territorial headquarters in the city. Moreover, Shanghai's utilised foreign direct investment grew by 12.4% CAGR between 2006 (USD7,107 million) and 2014 (USD18,166 million), 4.1 percentage points higher than the national level, and recorded another high water mark at USD18,459 million in 2015. In particular, some 85% of this investment (USD15,938 million) was in the service industry. It is also noted that there was significant growth in investment in the chemical, biopharmaceutical and electronic devices sectors.

Foreign Direct Investment (PRC and Shanghai)





Source:
National Bureau of Statistics of China, Shanghai Bureau of Statistics, Shanghai Municipal Commission of Commerce, February 2016

[3] Source: Shanghai Bureau of Statistics

GRADE A OFFICE PROPERTY MARKET OVERVIEW

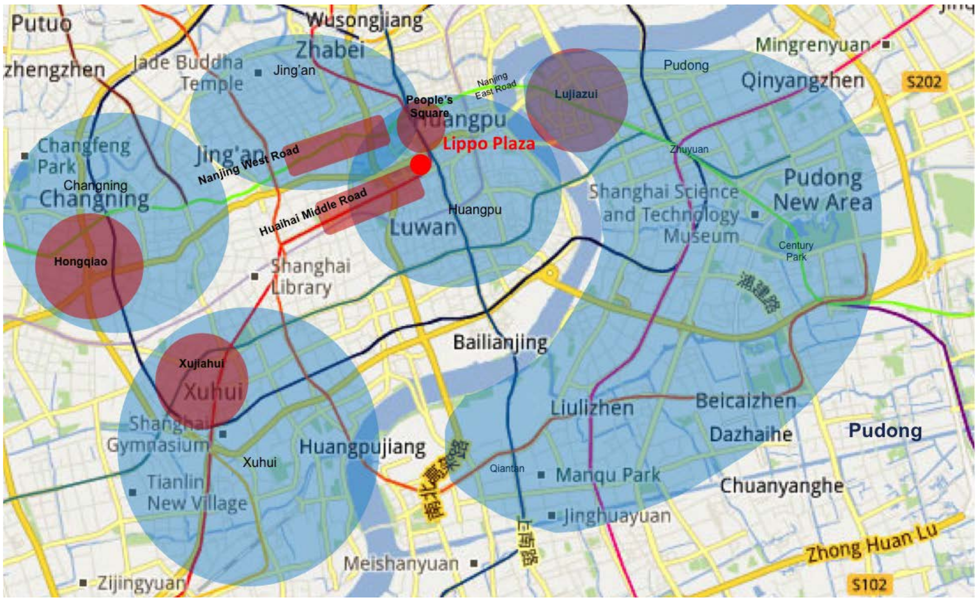
Major Business Districts in Shanghai

Shanghai can be generally divided into two regions, Puxi (west of Huangpu River) and Pudong (east of Huangpu River).

Puxi is the traditional business and commercial hub of Shanghai. It is home to many landmark commercial towers, as well as historical landmarks, such as The Bund. Major prime office towers in Puxi are concentrated at Jing'an, Huangpu, Changning and Xuhui districts. Hongqiao area of Changning, Nanjing West Road area of Jing'an, Huaihai Middle Road area and People's Square area of Huangpu, and Xujiahui area of Xuhui are known as the 5 CBDs in Puxi, Shanghai. Lippo Plaza is located in the Huangpu district.

Since the mid-1990s, Shanghai has transformed itself from a manufacturing hub into a service industry-focused economy. Demand for office space has surged along with the transformation, and the city government had actively planned for space outside the traditional downtown CBDs in Puxi to cater for future office demand. Since then, Lujiazui, located on a peninsula on the eastern bank of Huangpu River in Pudong, was formed and has become a new CBD of Shanghai with offices for over 500 domestic and international financial institutions and professional business service companies. Zhuyuan, in the Free-Trade Zone, and Century Park, southeast to Lujiazui, are two emerging business areas in Pudong.

<u>Distribution of Major Business Districts</u>

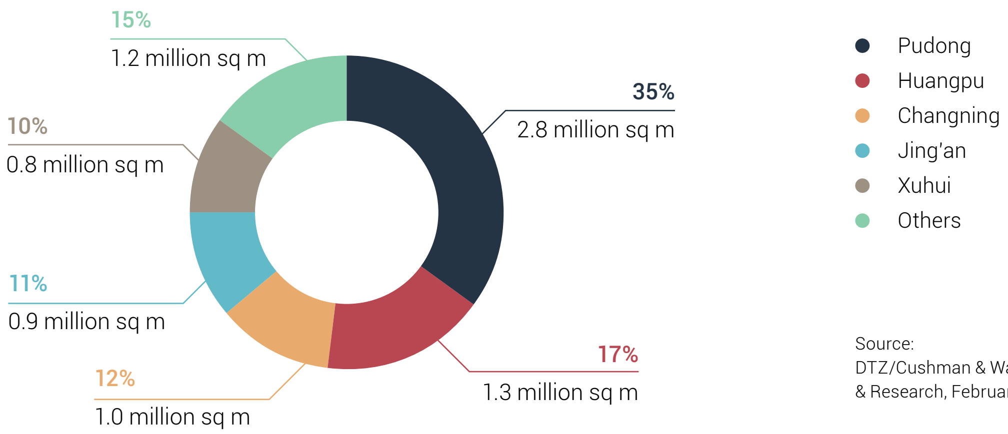


Source:
DTZ/Cushman & Wakefield Consulting & Research, February 2016

Stock

As at Q4 2015, there was approximately 8.0 million sq m[4] of Grade A office space in Shanghai. The Grade A offices are mostly concentrated in the five major business districts. The Pudong area, where the Lujiazui financial centre is located, is home to approximately 2.8 million sq m of Grade A office space, accounting for 35% of the total stock. Huangpu, Changning, Jing'an and Xuhui districts accounted for 17%, 12%, 11% and 10% of the total stock respectively. Only 15% of the Grade A office spaces were located outside the five major business districts.

Breakdown of Office Stock by Major Business District



Source:
DTZ/Cushman & Wakefield Consulting & Research, February 2016

Supply, Demand and Occupancy

18 Grade A office projects, totaling some 1.3 million sq m, were completed in 2015. Some 693,668 sq m was from the five major business districts, forming about half of total net supply. New supply at Huangpu district was 304,775 sq m, among which 65,000 sq m came from Corporate Avenue T3 at Huaihai Middle Road. As land availability is limited in the Pudong area, new developments are mostly located outside the Lujiazui CBD, concentrated at Century Park and Zhuyuan.

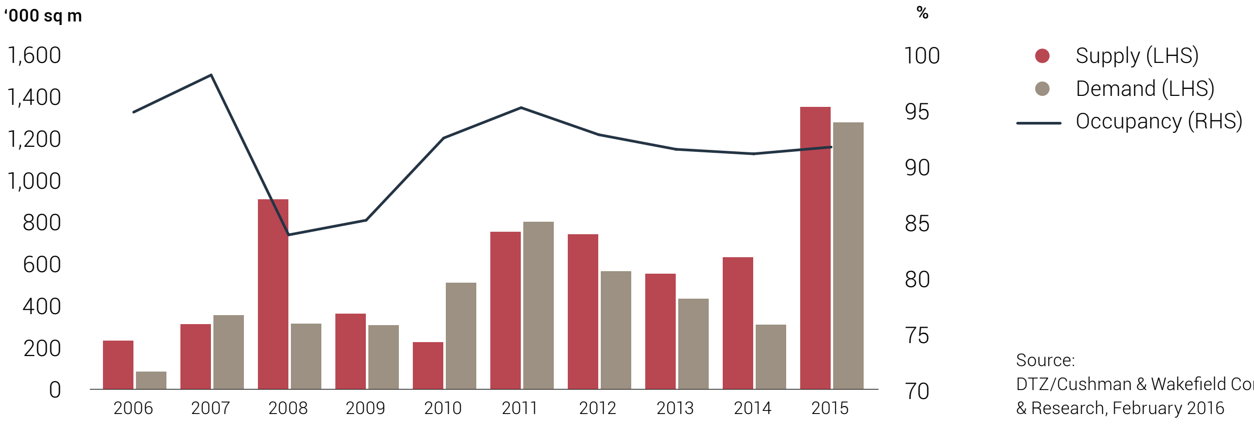
The demand for prime office space experienced a significant increase in 2015. Net absorption of prime office in Shanghai and in the Huangpu district surged by 314% and 231% YoY to 1,268,057 sq m and 198,674 sq m respectively, the highest level in the past decade. As the tertiary industry continued to expand in Shanghai, large scale financial and professional service companies remained the key demand drivers.

Attracted by the prime location, some international companies selected the Huangpu district to set up their Shanghai offices. Expansion also accounted for a large percentage of the absorption.

Despite the surge in demand, Shanghai-wide occupancy increased only slightly, by 0.6 percentage points in 2015 to 91.6% as a result of the significant supply of new prime office space. In Huangpu district however, as demand outstripped supply, occupancy increased by 1.8 percentage points in 2015 to 93.8%.

[4] All supply and demand figures are in terms of Net Floor Area, unless stated otherwise

Supply, Demand and Occupancy (Shanghai)



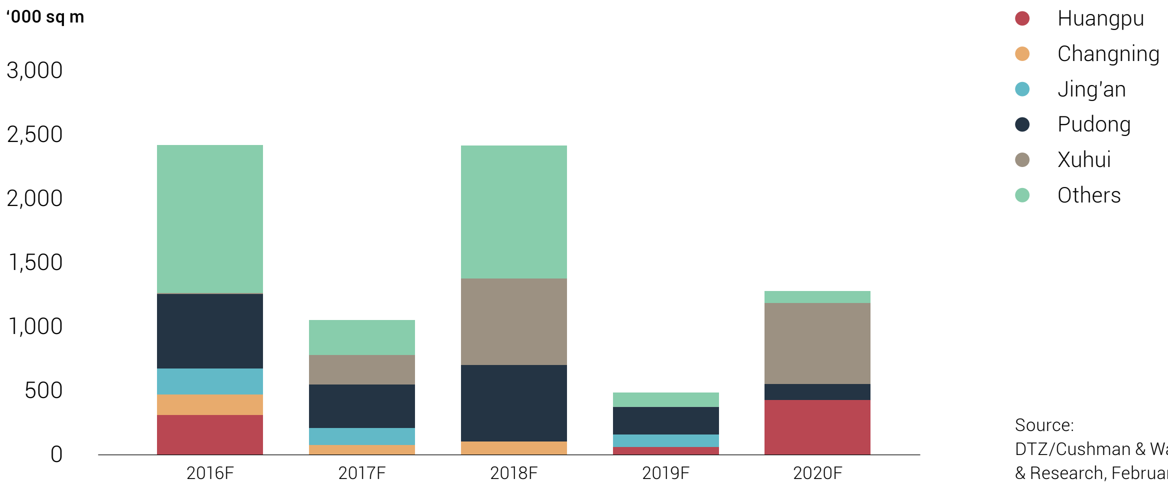
Source:
DTZ/Cushman & Wakefield Consulting & Research, February 2016

Potential Supply

About 7.6 million sq m of Grade A office space is expected to come on-stream in Shanghai between 2016 and 2020[5]. The Pudong area (1,859,372 sq m, 24%) and Xuhui (1,549,663 sq m, 20%) contribute significantly to the potential supply, while potential supply from Jing'an (443,402 sq m, 6%), Huangpu (786,792 sq m, 10%) and Changning (335,629 sq m, 4%) districts are in relatively small quantity. Given the limited available land within the traditional CBDs, most of the new developments will be in CBD fringes[6] and outside the five major business districts. More than a third (2,671,968 sq m, 35%) of the total potential supply will come from the non-prime districts[7].

The most anticipated project in 2016 is Shanghai Tower at Lujiazui, with 220,000 sq m GFA of office space and standing at 632 meters high, which will be Shanghai's tallest building upon completion. The development has shown an extremely strong pre-leasing performance, securing key tenants such as Alibaba, All Bright Law and SNR Denton. Major expected completions in 2016 in Huangpu district include Gopher Centre (59,775 sq m), BIFC S1 S2 (160,000 sq m) and Huangpu 594 North (85,000 sq m).

Potential Grade A Office Supply (Shanghai)



Source:
DTZ/Cushman & Wakefield Consulting & Research, February 2016

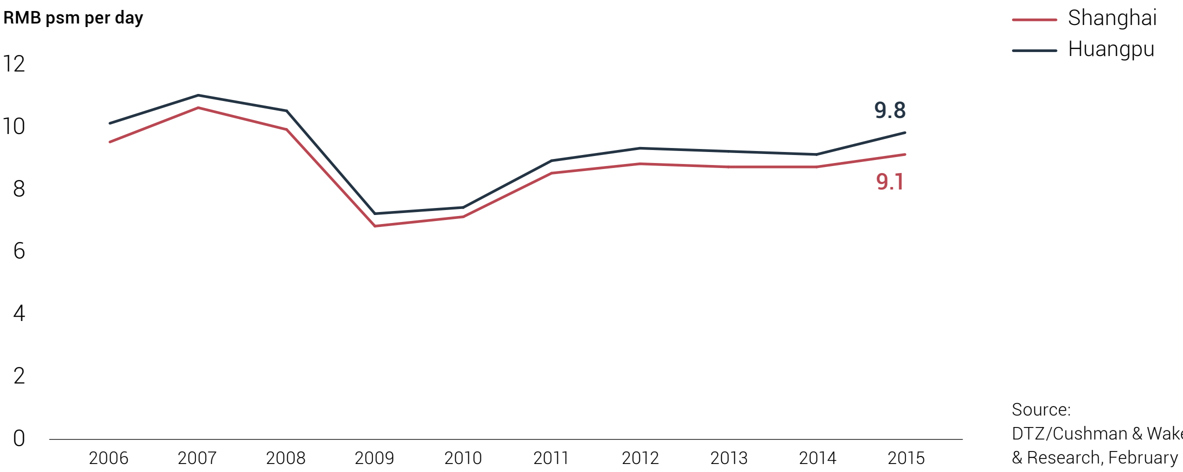
5 Some pipeline supply are subject to delay
6 Areas in the five major business areas except CBDs
7 Non-prime districts refer to the business districts except Pudong area, Jing'an, Huangpu, Changning and Xuhui

Rental Values

On the back of buoyant office demand, the overall rent in Shanghai increased 5.2% YoY to RMB9.1 psm per day in 2015. The overall rental increase was primarily driven by the increase in rent in Pudong area, as a result of the low vacancy rate, as well as new launches in Lujiazui (Central Metropolis) and Zhuyuan (Dingxiang International) in Q4 2015 achieving higher than average rents. On the other hand, rents in Puxi remained relatively stable in 2015. Net operating yield ("NOI") for Grade A offices in Shanghai is around 4.5%-5.0%, while that for Huangpu district is 4.0%-4.5%.

Nevertheless, being the city centre and a well-established CBD, Huangpu district continued to enjoy a higher than city average rent (RMB9.8 psm per day in Q4 2015).

Average Grade A Office Rental Value



Source:
DTZ/Cushman & Wakefield Consulting & Research, February 2016

Shanghai CBD Office Outlook

The economic slowdown and the large amount of supply scheduled for completion in 2016 are expected to exert some pressure on occupancy and rental value growth in 2016.

Rental rates in Puxi overall are expected to grow, but at a slower rate than the city average, due to a relatively large supply in non-prime areas. Landlords of older projects and new supply in the less prime areas of the district may need to provide more rental incentives in order to retain/attract tenants, thus dragging down overall rental growth.

Nevertheless, rental rates in Huangpu district are expected to rise modestly in 2016. Rental support will primarily come from new developments along Huangpu River, which enjoy a prime location and excellent scenic view, and are expected to see strong pre-leasing performance.

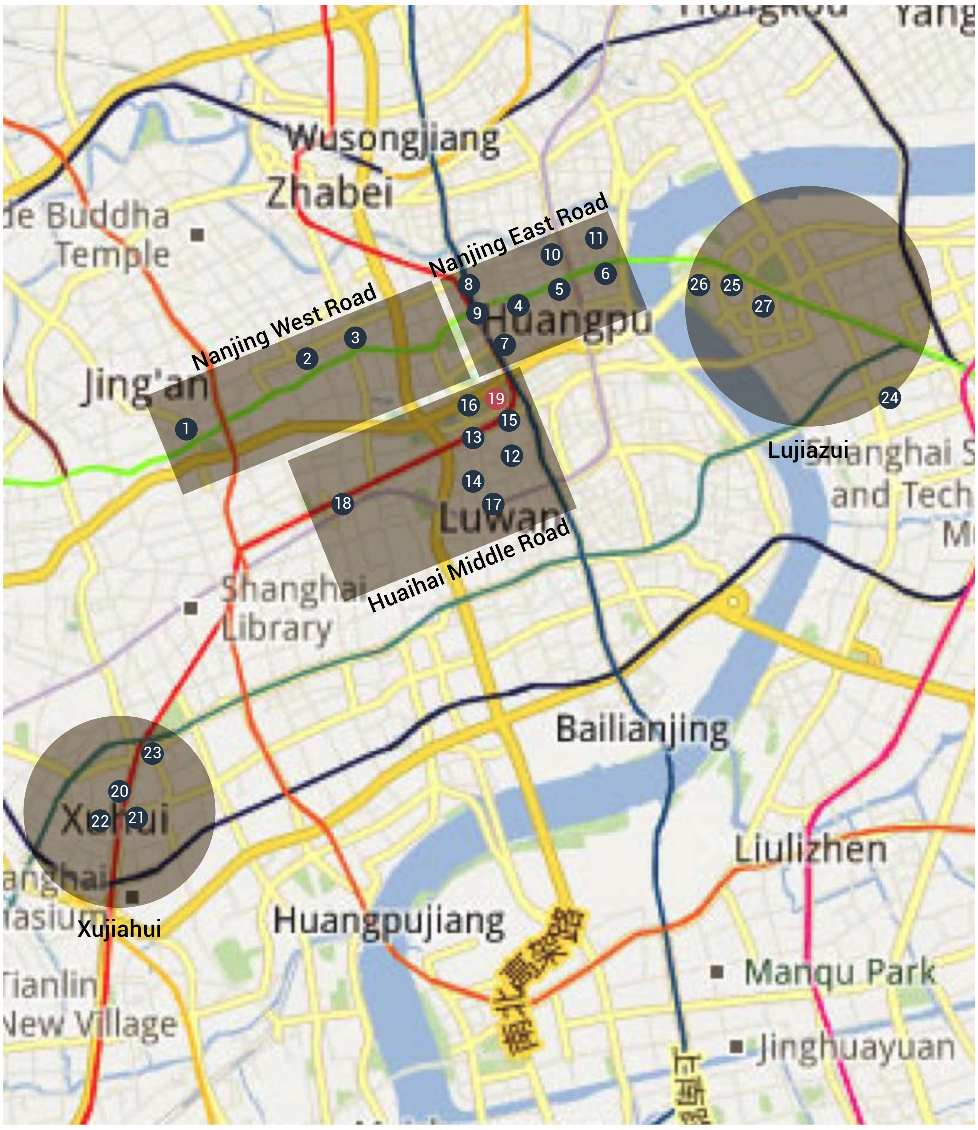
Located along Huaihai Middle Road, within less than 10 minutes' walking distance to subway Lines 1 and 8, Lippo Plaza enjoys an excellent location in the prime office building clusters. Its prestigious location and cluster effect will continue to attract large scale domestic companies and multinational companies, who are less susceptible to rental fluctuations and economic adjustment. Moreover, the vast majority of potential supply is located in non-prime locations, and are not expected to exert much pressure on the occupancy and rents of Lippo Plaza.

RETAIL PROPERTY MARKET OVERVIEW

Major Retail Areas in Shanghai

Retail properties in Shanghai are concentrated in five major retail precincts, namely Lujiazui, Nanjing West Road, Nanjing East Road, Huaihai Middle Road and Xujiahui. Nanjing East & West Road and Huaihai Middle Road are the two busiest retail hubs, catering to both international tourists and local shoppers, with a variety of retailers ranging from small local shops to international retailers and department stores. Both of these areas are located in Huangpu district.

Distribution of Retail Properties by Major Retail Precincts



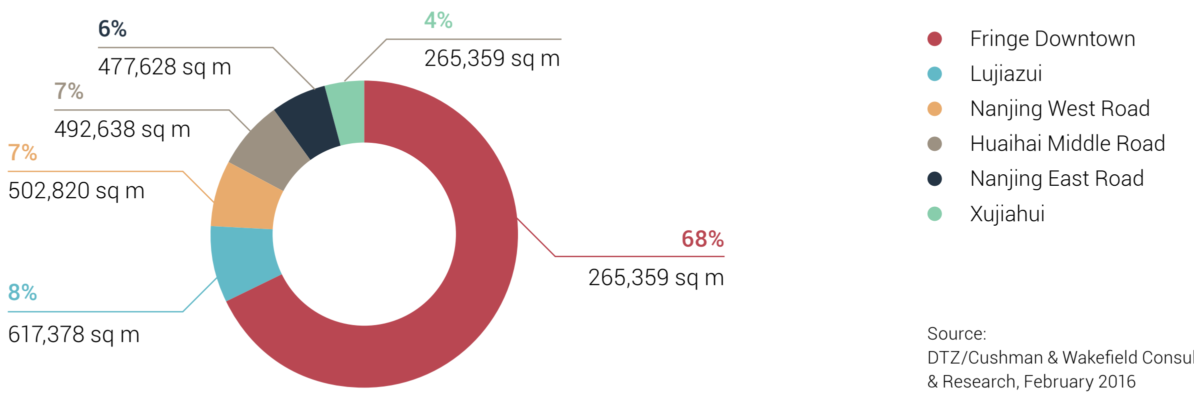
1. Jinguang
2. Hung Long Plaza 66
3. Meilongzhen Plaza
4. Landmark
5. Plaza 353
6. Yong'an
7. Raffles City
8. Shanghai No.1 Department Store
9. Brilliance Shimao International Plaza
10. Henderson Metropolitan
11. New World Daimaru
12. New World City
13. Hong Kong Plaza
14. Xintiandi
15. Time Square
16. K11
17. Xintiandi Style
18. IAPM
19. Lippo Plaza
20. Grand Gateway Plaza
21. Metro City
22. Oriental Shopping Centre
23. Huijin Department Store
24. No.1 Yaohao Nextage
25. IFC
26. Super Brand Mall
27. Shanghai World Financial Centre

Source:
DTZ/Cushman & Wakefield Consulting & Research, February 2016

Stock

As at end-2015, the five major retail precincts together supply approximately 2,355,823 sq m of retail space, accounting for 32% of Shanghai's total downtown prime retail stock (7,434,672 sq m). Lujiazui area is the major contributor of prime retail stock, with 617,378 sq m, or 8% of prime retail stock in the downtown area. Altogether, Huangpu[8] district contributes 13% of downtown retail stock.

Distribution of High-end Retail Stock in Downtown[9] Shanghai



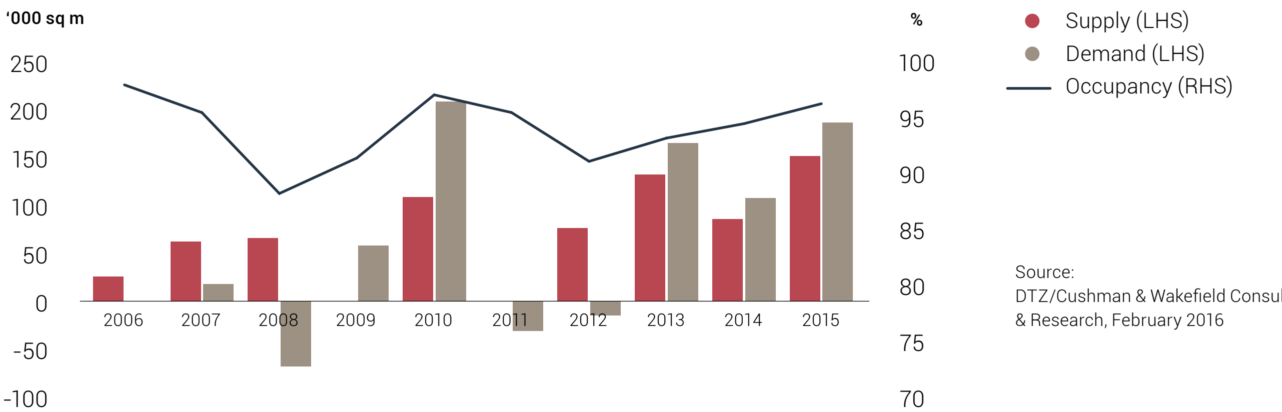
Source:
DTZ/Cushman & Wakefield Consulting & Research, February 2016

Supply, Demand and Occupancy

In 2015, three new shopping malls, totaling about 151,925 sq m, were completed, including some 78,000 sq m (51.3%) in Huangpu district.

Demand exceeded supply in the past two years, pushing up the average occupancy of the five major retail areas by 1.8 percentage points from 94.5% in 2014 to 96.3% in 2015. As for Huangpu district, the occupancy rate remained stable at around 96.0% in 2015.

Supply, Demand and Occupancy (Five Major Retail Precincts)



Source:
DTZ/Cushman & Wakefield Consulting & Research, February 2016

[8] Data for Huangpu district covers Nanjing East Road area and Huaihai Middle Road area

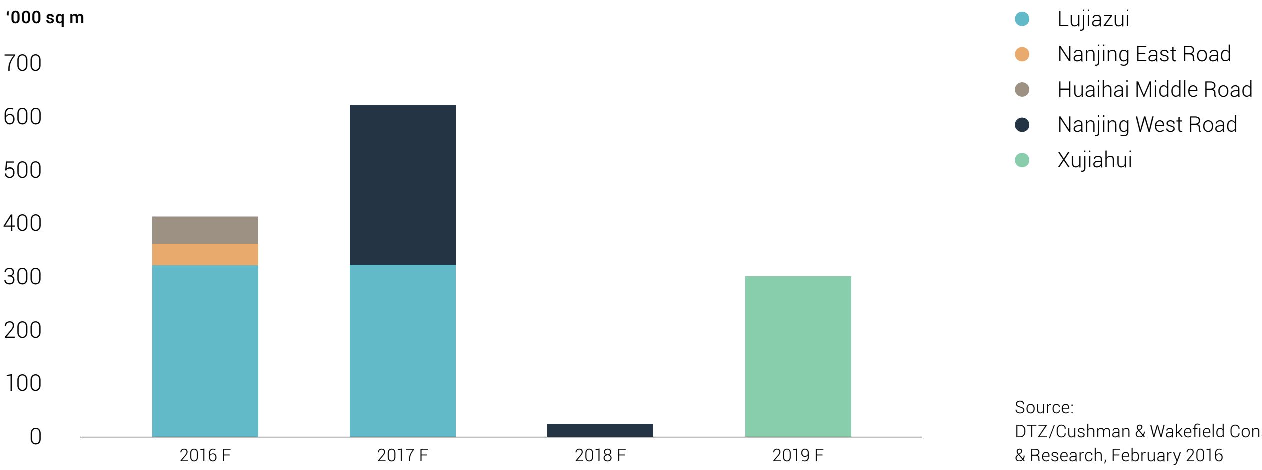
[9] Downtown refers to Jing'an, Huangpu, Zhabei, Pudong, Yangpu, Hongkou, Changning, Putuo, Xuhui and Minhang Districts. Fringe downtown refers to the areas of downtown outside the five major retail areas

Potential Supply

In the next five years, approximately 1,356,823 sq m of prime retail space is expected to enter the market. Around half of this will come from Lujiazui area (641,912 sq m, 47%), followed by Nanjing West Road area (323,911 sq m, 24%) and Xujiahui area (300,000 sq m, 22%). Only about 91,000 sq m of new retail supply is expected in the Huangpu district (comprising Nanjing East Road and Huaihai Middle Road).

Some high-quality retail supply is scheduled to enter the market in 2016. These include the Shanghai Tower at Lujiazui, Century Metropolis at Lujiazui, and The Central at Nanjing East Road. Given the high quality of these projects, it is expected that asking and achieved rents will be relatively higher, thereby pushing up the average rental of the corresponding areas.

Potential Prime Retail Supply (Shanghai)



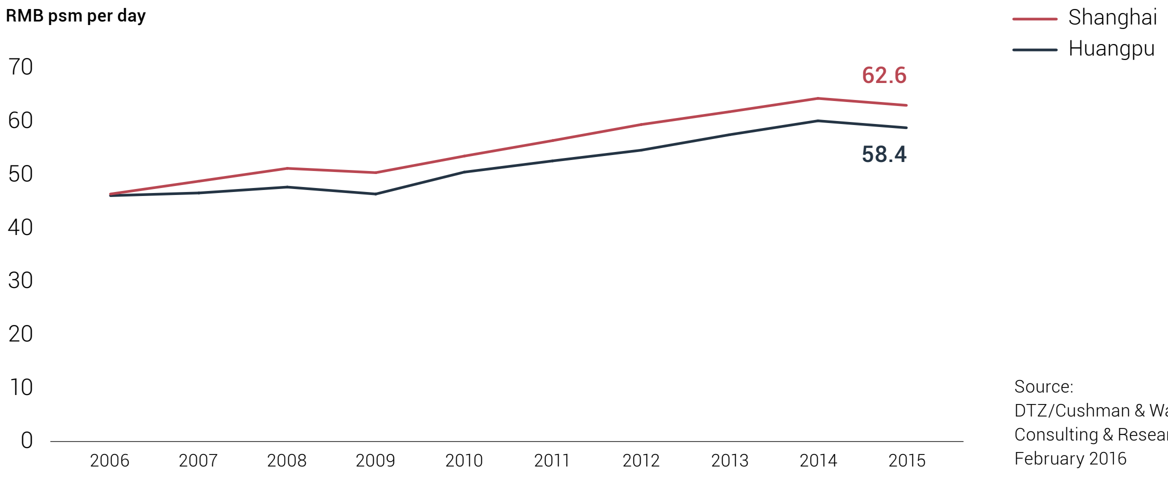
Source:
DTZ/Cushman & Wakefield Consulting & Research, February 2016

Rental Values

Both Shanghai's average rental (RMB62.6 psm per day) and that of Huangpu district (RMB58.4 psm per day) declined by around 2% in 2015. Competition from e-commerce, the general economic slowdown and retailers' consequent conservative attitude towards business expansion have led to the downward adjustment in rental values.

NOI yield is around 5.0%-5.5% for high-end retail in Shanghai, while that for Huangpu district is 4.0%-4.5%.

Average Prime Retail Rental Value



Source:
DTZ/Cushman & Wakefield Consulting & Research, February 2016

Shanghai Retail Market Outlook

Despite the market slowdown, the overall prime retail market is expected to remain stable in 2016. Due to the overall economic slowdown, some upcoming projects which are scheduled to open in H1 2016 have not achieved as strong a pre-leasing performance as anticipated. The growth rate of national private consumption is forecasted to slow from 7.6% in 2015 to 7.2% in 2016, and that for Shanghai from 8.0% in 2015 to 6.8% in 2016[10]. However, retailers and investors are generally optimistic about the longer term growth prospects in PRC, especially in Shanghai, given the growth rate is still comparatively high globally and with continued policy support from the national government. Considering the above factors, the overall citywide occupancy rate is expected to decline slightly in 2016. Nevertheless, the high-quality developments entering the market in 2016, such as Shanghai Tower, Century Metropolis and the Central, are expected to lift overall rentals.

The Huangpu district will also benefit from the opening of the subway Lines 12 & 13 in December 2015, which will facilitate accessibility between Huaihai Middle Road area and the city suburbs. Given the improved accessibility which could potentially attract a greater footfall, the occupancy and rental of shopping malls next to the interchange stations of Lines 12 & 13 with Line 1 (Shanxi South Station, Huaihai Middle Road Station) may see a promising increase next year, and consequently lift the average occupancy and rental of Huangpu district.

Limiting Conditions

Where it is stated in the report that information has been supplied to us in the preparation of this report by the sources listed, this information is believed to be reliable and we will accept no responsibility if this should be otherwise. All other information stated without being attributed directly to another party is obtained from our searches of records, examination of documents or enquiries with relevant government authorities.

The forward statements in this report are based on our expectations and forecasts for the future. These statements should be regarded as our assessment of the future, based on certain assumptions on variables which are subject to changing conditions. Changes in any of these variables may significantly affect our forecasts.

Utmost care and due diligence has been taken in the preparation of this report. We believe that the contents are accurate and our professional opinion and advice are based on prevailing market conditions as at the date of the report. As market conditions do change, we reserve the right to update our opinion and forecasts based on the latest market conditions.

DTZ gives no assurance that the forecasts and forward statements in this report will be achieved and undue reliance should not be placed on them.

[10] Source: Oxford Economics

CORPORATE SOCIAL REPONSIBILITY

COMMUNITY, PEOPLE AND ENVIRONMENT

In working towards our objective of delivering stable distributions and sustainable long-term growth to Unitholders, OUE C-REIT is committed to sustainable business practices, making a difference to the community and nurturing our people.

Community Engagement

Our belief is that strong and progressive communities are essential to the success of any business. The Manager actively supports causes that benefit underprivileged children and the elderly, especially in the areas of health and education, and we continue to care for our local community through financial contributions, in-kind donations and volunteer work in partnership with our Sponsor, OUE Limited.

Bloomberg Square Mile Relay Singapore 2015

Exercise Heartbeat 2015

On 18 November 2015, OUE Bayfront participated in the annual anti-terror threat exercise codenamed "Exercise Heartbeat", organised by the Singapore Police Force, Singapore Civil Defence Force and members of the Safety and Security Watch Group to validate the emergency preparation and joint response by various government agencies and community groups during a crisis. A terror threat scenario was simulated at One Marina Boulevard, which houses commercial and government agencies next door to OUE Bayfront, with OUE Bayfront supporting the exercise by providing the use of the drop-off and driveway area as a first-aid point.

Bloomberg Square Mile Relay Singapore 2015

In support of OUE Limited's sponsorship of the Bloomberg Square Mile Relay 2015 in Singapore, staff of the Manager formed a team of ten with colleagues from the wider OUE group to run a relay race against other corporate teams in Singapore, with the winning team receiving a cheque for S$10,000 to donate to their charity of choice. The official charity partner of the Bloomberg Square Mile Relay in Singapore is SportCares. SportsCares aims to use sport as a force for social good, to bring about personal empowerment to underprivileged beneficiaries through sports programmes and life-skills workshops.

Building Up Festive Joy with LEGO®

One Raffles Place rekindled childhood delights during the Christmas celebrations, with a one-of-a-kind LEGO® Christmas tree designed and constructed by Mr Nicholas Foo, Singapore's only LEGO® Certified Professional. The 4.3-metre tree display was constructed with more than 250,000 LEGO® bricks, and was showcased at the atrium of One Raffles Place Shopping Mall from 20 November to 31 December 2015. A Bricks World LEGO® pop-up shop, together with a host of family-friendly brick-building activities unleashed creative fun for everyone. In our efforts to spark imagination and creativity in young minds, the bricks from the LEGO® Christmas tree found new homes in the form of donations to students of Canossian School and Gracehaven when the new year began.

Stars of Christmas 2015

The Manager joined our Sponsor in its annual 'Stars of Christmas' community programme, to share some Christmas blessings with beneficiaries of non-profit organisations providing programmes and services to children with special needs and critical illnesses. For 2015, our partner organisation is Community Chest, the fund-raising and engagement arm of the National Council of Social Service of Singapore, together with the support of Chrysler Jeep Automotive of Singapore Pte Ltd, and Komoco Motorcycles Pte Ltd (sole authorised dealer of Harley-Davidson of Singapore).

The three part programme kicked off with an appeal for Christmas presents from employees of supporting organisations including OUE group, guests and visitors of Mandarin Orchard Singapore. Donors were encouraged to pick the 'stars' decorating the Christmas tree at the main lobby of the hotel, with each star bearing the name, age and gender of each of the beneficiaries, for guidance in purchasing the Christmas presents. On 10 December 2015, beneficiaries of Stars of Christmas together with their family members and caregivers were guests-of-honour at a Christmas luncheon where the children were treated to a Christmas feast at Mandarin Orchard Singapore, with an afternoon of games and entertainment.

Stars of Christmas 2015 ended on 19 December 2015 with a "Toy Run" event that saw a fleet of volunteer Harley-Davidson motorcycles and Jeeps® making for a festive spectacle as they set off from Orchard Road to deliver the donated Christmas presents to various locations. More than 800 presents were collected for Stars of Christmas 2015.

Stars of Christmas Toy Run 2015

Tenant Engagement and Appreciation

As customers, tenants of OUE C-REIT are important stakeholders and participants within our business eco-system.

The Manager seeks to provide high service standards for our tenants so as to increase tenant satisfaction and retention. Regular dialogue sessions with tenants are held to gather feedback on property management matters, so as to better understand their on-going requirements and to improve our service standards.

To show our appreciation for our tenants, OUE C-REIT partnered with Pop & Talent Hub ("PaTH") to put together a "goodie box" for the Lunar New Year with traditional goodies of the season as gifts for our tenants at OUE Bayfront. PaTH is a social enterprise initiative by Social Innovation Park ("SIP") which provides a platform for low-income women and the elderly to showcase and retail their products. This allowed tenants to share in our support for SIP's cause to empower individuals from marginalised groups to be self-reliant.

The Manager hosted its annual year-end lunch event at ME@OUE in OUE Bayfront, attended by tenants as well as staff from both the Manager and Property Manager. Other than serving as a platform for the Manager to gather feedback from tenants and an opportunity to share about events and activities at our office properties, the annual lunch is also a networking forum for tenants to meet informally. A similar event was also organised for our office tenants at Lippo Plaza, where a cocktail appreciation event hosted by the centre management team was held at the property's expansive office lobby area.

Stars of Christmas luncheon on 10 December 2015

Developing Human Capital

We believe in the importance of nurturing and developing our employees, as human capital is pivotal in contributing to the success of our business. The Manager leverages on the Sponsor's initiatives to provide training and development opportunities for employees, which are vital to talent retention. Employees are encouraged to pursue development opportunities such as certified skills training programmes, industry seminars and conferences or obtain professional qualifications. Full-time employees can apply for paid examination leave to pursue studies of their interest. As part of empowering employees to manage their personal and professional development, annual performance evaluations are conducted for employees to discuss their work performance, training plans and future aspirations with their supervisors.

Employee Engagement and Wellness

We advocate a positive workplace culture and pro-actively engage our people to establish a conducive and family-friendly work environment.

To encourage staff cohesion, the Manager participated in various social and recreational activities during the year, such as the New Year lunch and annual Dinner and Dance. The Manager also organised exercise sessions, workshops on nutrition, and other wellness-related talks to promote employee well-being and encourage employees to stay healthy and fit. Further, annual health screenings and complimentary flu vaccinations are also provided as part of the benefits scheme under the Manager's human resource policies.

Employees are also encouraged to adopt good work-life harmony practices to balance both family and work priorities. On 29 May 2015, employees were encouraged to leave the office earlier in support of the nationwide "Eat with Your Family Day" national campaign, to spend quality time with their families over dinner.

Environmental Protection

The Manager adopts green practices that reduce our impact on the environment. Energy and water efficiency measures have been implemented in our properties to reduce resource consumption. Eco-friendly building fittings such as motion-activated light controls have been installed in the restrooms at OUE Bayfront to conserve electricity when the facilities are not in use. The use of recycled water in OUE Bayfront's cooling towers helps to reduce the consumption of water. At both OUE Bayfront and Lippo Plaza, the replacement of fluorescent tubes with energy-efficient LED lighting in common areas has commenced and is on-going.

We are also pleased to report that One Raffles Place Tower 2 is certified Green Mark Platinum while OUE Bayfront has achieved the Green Mark Gold certification, as administered by the BCA in Singapore. Plans are in place for One Raffles Place Tower 1 to also pursue certification as a green-rated building.

OUE C-REIT participated in the Earth Hour campaign by the World Wide Fund for Nature (WWF Singapore) on 28 March 2015. Façade lights and all other non-essential lighting at OUE Bayfront were switched off for an hour. Notices were also sent to our tenants in advance of the event to encourage them to participate in this initiative.

Managing the Haze

Singapore was affected by severe smoke haze from September to October 2015, which resulted in the Pollutant Standards Index (PSI) exceeding 100, in the "Unhealthy" range for air quality as measured by the National Environment Agency. The Property Managers promptly deployed measures to manage the impact of the haze for tenants and staff in our buildings, so that the health and safety of occupants were not at risk.

To minimise the intake of unfiltered air, access to OUE Bayfront was restricted to just two sets of main doors for entry and exit. Air purifiers were also installed at the lobby areas of OUE Bayfront and One Raffles Place to filter the circulating air for the comfort of tenants and visitors.

At OUE Bayfront, fresh air intake to the air handling units was regulated and carbon filters inserted to minimise particulate infiltration into the air-conditioning equipment. When visibility was poor during the haze periods, building perimeter lighting was switched on.

INVESTOR RELATIONS

The Manager is committed to maintaining regular, timely and transparent communication with Unitholders, prospective investors, analysts and the media.

Financial results, announcements, press releases, presentation slides and other relevant disclosures are issued through SGXNET. These are also posted in a timely manner on OUE C-REIT's website. Unitholders and other stakeholders can subscribe to email alerts via the website to receive the latest updates on OUE C-REIT.

The Manager also maintains regular engagement with the investment community to provide updates on OUE C-REIT's development and financial performance as well as insights on its strategies and market outlook. Senior management conducts analyst briefings for half-year and full-year results, in addition to holding post-results meetings each quarter to meet with investors.

In 2015, the management team met with more than 250 investors and research analysts through analyst briefings, one-on-one and group meetings and investor conferences. The Manager has also conducted property tours to OUE C-REIT's properties for analysts and institutional investors to have a better understanding of its operations.

Analyst Coverage

As at 31 December 2015

CIMB Securities
Citi Research
CLSA
DBS Bank
OCBC Investment Research

Investor Relations Activities in 2015

1st Quarter	
Analyst Briefing for Financial Results for 4Q 2014	26 January 2015
4Q 2014 Post-results investor luncheon, Singapore	27 January 2015
Maybank Invest ASEAN 2015, Singapore	31 March – 1 April 2015
2nd Quarter	
Lasalle Investment Management Group Presentation and Site Visit	23 April 2015
First Annual General Meeting	29 April 2015
1Q 2015 Post-results investor luncheon, Singapore	7 May 2015
Macquarie Non-Deal Roadshow, Hong Kong	8 May 2015
Barclays Select Series 2015: Asia Financial and Property Conference, Hong Kong	21 May 2015
Citi ASEAN Investor Conference, Singapore	4 June 2015
3rd Quarter	
Roadshow for Acquisition of One Raffles Place, Singapore	2 – 3 July 2015
Roadshow for Acquisition of One Raffles Place, Hong Kong	6 – 7 July 2015
Extraordinary General Meeting	27 July 2015
Analyst Briefing for Financial Results for 2Q 2015	12 August 2015
2Q 2015 Post-results investor luncheon, Singapore	13 August 2015
Citi Non-Deal Roadshow, Tokyo	14 – 15 September 2015
4th Quarter	
Meet The CEO Session by UOB Kay Hian	6 November 2015
3Q 2015 Post-results investor luncheon, Singapore	12 November 2015

Financial Calendar

Financial Calendar	2015	2016 (tentative)
First Quarter Financial Results Announcement	6 May 2015	May 2016
Second Quarter Financial Results Announcement	12 August 2015	August 2016
Payment of Distribution to Unitholders	2 September 2015	September 2016
Third Quarter Financial Results Announcement	11 November 2015	November 2016
Full Year Financial Results Announcement	27 January 2016	January 2017
Payment of Distribution to Unitholders	29 February 2016	February 2017
Annual General Meeting	19 April 2016	April 2017

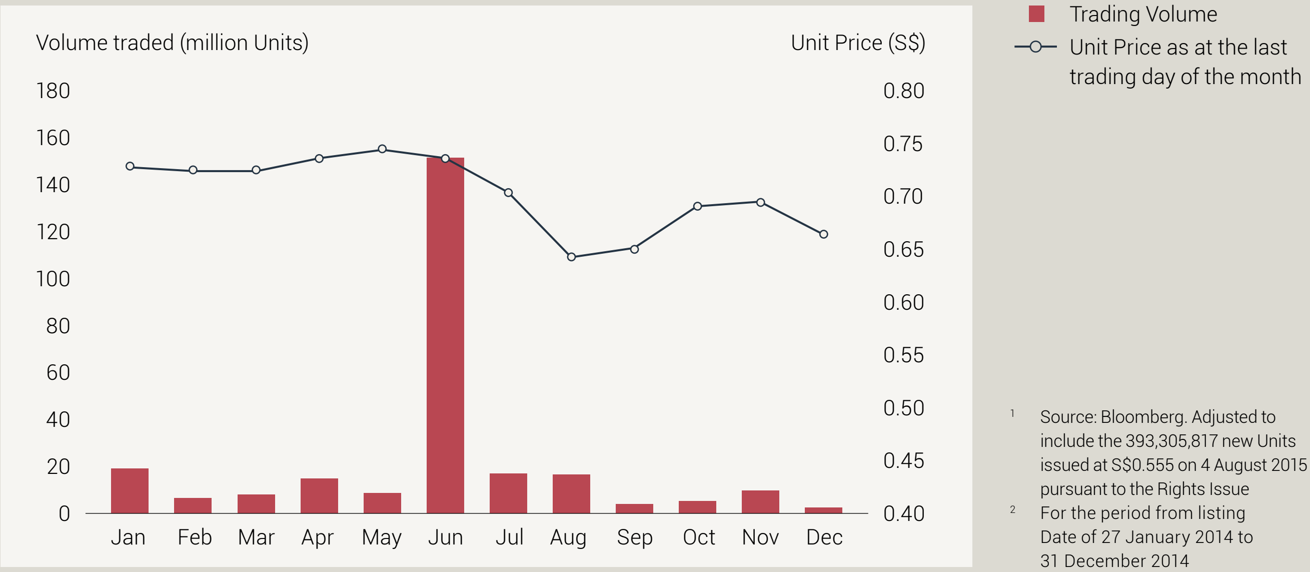
Unit Price Performance

Closing Price[1]	2015 (S$)	2014[2] (S$)
Highest	0.750	0.750
Lowest	0.565	0.705
Average	0.701	0.721
Last Done on 31 December	0.655	0.727

Trading Volume

Number of Units	2015	2014[2]
Total Volume Traded	265,867,000	151,556,000
Average Daily Trading Volume	1,080,760	650,455

2015 Trading Performance[1]



1 Source: Bloomberg. Adjusted to include the 393,305,817 new Units issued at S$0.555 on 4 August 2015 pursuant to the Rights Issue

2 For the period from listing Date of 27 January 2014 to 31 December 2014

Unitholders' Enquiries

If you have any enquiries or would like to find out more about OUE C-REIT, please contact:

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50 Collyer Quay
#04-08 OUE Bayfront
Singapore 049321
Tel: +65 6809 8700
Fax: +65 6809 8701
Email: enquiry@ouect.com
Website: www.ouect.com

Unit Registrar

Boardroom Corporate and Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623
Tel: +65 6536 5355
Fax: +65 6438 8710
Website:
www.boardroomlimited.com

Unitholder Depository

For depository-related matters, please contact:

The Central Depository (Pte) Limited
11 North Buona Vista Drive
#06-07 The Metropolis Tower 2
Singapore 138589
Tel: +65 6236 8888
Fax: +65 6535 6994
Website: www.cdp.sgx.com

CORPORATE GOVERNANCE

OUE Commercial Real Estate Investment Trust ("OUE C-REIT") is a real estate investment trust constituted by a deed of trust (the "Trust Deed") dated 10 October 2013 (as amended) and entered into between OUE Commercial REIT Management Pte. Ltd. (in its capacity as the manager of OUE C-REIT) (the "Manager") and DBS Trustee Limited (in its capacity as the trustee of OUE C-REIT) (the "Trustee").

The directors ("Directors") and management ("Management") of the Manager are committed to maintaining good standards of corporate governance as they firmly believe it is essential in protecting the interests of Unitholders, and is critical to the performance of the Manager. This report sets out OUE C-REIT's corporate governance practices for the financial year ended 31 December 2015 ("FY2015") with specific reference to guidelines set out in the Code of Corporate Governance 2012 (the "Code"). The Manager is pleased to report that they have complied in all material aspects with the principles and guidelines set out in the Code, save for deviations from the Code which are explained under the respective sections.

The Manager of OUE C-REIT

The Manager has general powers of management over the assets of OUE C-REIT. The Manager's main responsibility is to manage OUE C-REIT's assets and liabilities for the benefit of unitholders of OUE C-REIT (the "Unitholders").

The primary role of the Manager is to set the strategic business direction of OUE C-REIT and make recommendations to the Trustee on acquisitions, divestments and enhancement of the assets of OUE C-REIT in accordance with its stated investment strategy.

The Manager uses its best endeavours to carry on and conduct its business in a proper and efficient manner, and to conduct all transactions with, or for OUE C-REIT, at arm's length. The Manager is also responsible for the capital and risk management of OUE C-REIT. Other key functions and responsibilities of the Manager include:

- developing OUE C-REIT's business plans and budget so as to manage the performance of OUE C-REIT's assets;

- ensuring compliance with applicable requirements, laws and regulations, such as those contained in the Listing Rules of Singapore Exchange Securities Trading Limited (the "SGX-ST"), the Code on Collective Investment Schemes (the "CIS Code") (including the Property Funds Appendix) issued by the Monetary Authority of Singapore (the "MAS"), the Capital Markets Services Licence ("CMS Licence") for REIT management issued by the MAS, the Securities and Futures Act, Chapter 289 of Singapore ("SFA") and the Code, as well as ensuring that the Manager's obligations under the Trust Deed are properly carried out; and

- establishing a framework of prudent and effective controls which enable financial, operational and compliance risks to be assessed and managed.

OUE C-REIT, which is constituted as a trust, is externally managed by the Manager. The Manager appoints an experienced and well-qualified management team to run the day-to-day operations of OUE C-REIT. All Directors and employees of the Manager are remunerated by the Manager, and not by OUE C-REIT.

The Manager was issued a CMS Licence pursuant to the SFA on 15 January 2014.

A. BOARD MATTERS

Principle 1 : Board's Conduct of Affairs

The Manager is headed by an effective board of Directors (the "Board"), half of which comprises non-executive Directors who are independent of the Management. The Board is supported by two Board committees, namely the audit and risk committee (the "ARC") and the nominating and remuneration committee (the "NRC"). Each Board committee is governed by clear terms of reference which have been approved by the Board and set out the duties and authority of such Board committee.

The principal roles and responsibilities of the Board include:

- providing leadership, setting strategic objectives and ensuring that the necessary financial and human resources are in place for the Manager to meet its objectives;
- establishing a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding the interests of the Unitholders and OUE C-REIT's assets;
- reviewing the Management's performance;
- identifying the key stakeholder groups and recognising that their perceptions affect the reputation of the Manager and OUE C-REIT;
- setting the Manager's values and standards (including ethical standards), and ensuring that obligations to Unitholders and other stakeholders are understood and met; and
- considering sustainability issues (including environmental and social factors) as part of the Manager's overall strategy.

The Manager has adopted internal guidelines which require Board approval for investments, divestments, fund raising (equity, debt or hybrid instruments) and bank borrowings. The Manager has adopted a framework of delegated authorisation, as set out in its Limits of Authority ("LOA"). The LOA sets out the procedures and levels of authorisation required for specified transactions. It also sets out approval limits for operating and capital expenditure. The LOA also contains a schedule of matters specifically reserved for the Board's approval. These include approval of annual business plans, operating budgets, statutory accounts, declaration of distribution per Unit, and material transactions, namely, major acquisitions, joint ventures, strategic alliances, investment proposals, establishment of banking facilities and corporate restructuring.

The Board holds regular scheduled meetings on a quarterly basis, with ad hoc meetings convened as and when required. A total of seven Board meetings were held in FY2015. The report on the attendance of the Directors for Board and ARC meetings is set out below. There was no NRC meeting held in FY2015 as the NRC was only established on 11 November 2015. Directors who are unable to attend Board or Board committee meetings may convey their views to the Chairman or the company secretary of the Manager (the "Company Secretary"). The Manager's Constitution provides for participation in meetings via telephone and/or video conference where Directors are unable to be physically present at such meetings. Where required, Directors may raise questions and seek clarification through discussion forums with the Management in respect of significant matters passed via circular resolutions.

Attendance of Board Members

Name of Director	**Number of Board meetings attended in FY2015**
Christopher James Williams (Chairman)	7
Ng Lak Chuan	7
Carl Gabriel Florian Stubbe	7
Loh Lian Huat	7
Jonathan Miles Foxall	7
Tan Shu Lin	7
Number of Board meetings held in FY2015	**7**

Attendance of ARC Members

Name of Director	**Number of ARC meetings attended in FY2015**
Ng Lak Chuan (Chairman)	5
Carl Gabriel Florian Stubbe	5
Loh Lian Huat	5
Number of ARC meetings held in FY2015	**5**

Board Orientation and Training

The Manager will conduct an orientation programme for newly-appointed Directors to familiarise them with the business, operations and financial performance of OUE C-REIT. The newly-appointed Directors will also be briefed on the Manager's governance practices, including board processes, policies on disclosure of interests in securities, prohibitions on dealing in the Units and restrictions on disclosure of price-sensitive information. OUE C-REIT was listed on the Main Board of SGX-ST on 27 January 2014 (the "Listing Date") and no new directors had been appointed since the Listing Date.

Directors are at liberty to request for further explanations, briefings or informal discussions on any aspect of the Manager's operations or business issues from the Management.

The Manager will arrange for the Directors to be kept abreast of developments in the commercial real estate sector on a regular basis. To keep pace with the fast-changing laws and regulations and commercial risks, the Directors have an on-going budget to receive further relevant training of their choice in connection with their duties as directors of the Manager. They are also given unrestricted access to professionals for consultation as and when they deem necessary at the Manager's expense.

The Board is routinely updated on developments and changes in the operating environment and applicable laws and regulations, including directors' duties and responsibilities, corporate governance matters and changes in financial reporting standards, so as to enable them to discharge their duties effectively as members of the Board and where applicable, as Board committee members. The Directors may also attend other appropriate courses, conferences and seminars, at the Manager's expense. These include programmes run by the Singapore Institute of Directors.

The NRC makes recommendations to the Board on relevant matters relating to the review of training and professional development programs for the Board.

Principle 2 : Board Composition and Guidance
Principle 3 : Chairman and Chief Executive Officer

The Board assesses the independence of each of the Directors in accordance with the requirements of the Code. Under the Code, an independent director is one who has no relationship with the Manager, its related corporations, its 10% shareholders, their officers or the 10% Unitholders that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement with a view to the best interests of the Manager and OUE C-REIT.

The Board comprises six Directors with three non-executive Directors who are independent of the Management. No individual or small group of individuals dominate the Board's decision-making. In addition to the Board's annual review of the Directors' independence, each independent Director also submits an annual declaration regarding his independence.

Board Composition

Board Member	
Christopher James Williams	Chairman and Non-Independent Non-Executive Director
Ng Lak Chuan	Lead Independent Director[1]
Carl Gabriel Florian Stubbe	Independent Director
Loh Lian Huat	Independent Director
Jonathan Miles Foxall	Non-Independent Non-Executive Director
Tan Shu Lin	Chief Executive Officer and Executive Director

The integrity and professionalism of the Directors have enabled and assisted them in discharging their responsibilities with due care and diligence.

The Board is of the opinion that its current size is appropriate, taking into account the nature and scope of the Manager's role *vis-a-vis* OUE C-REIT, for effective decision-making. The Board comprises Directors who as a group have the core competencies, such as accounting or finance, business or management experience, legal, industry knowledge, strategic planning experience and customer-based experience or knowledge, required for the Board to be effective in all aspects of its roles.

Key information on the Directors' particulars and background can be found on pages 22 to 25 of the Annual Report.

[1] Mr Ng Lak Chuan was appointed as the Lead Independent Director of the Manager on 26 January 2015

The Board is chaired by Mr Christopher James Williams, who is a non-independent non-executive Director (the "Chairman"). The Chairman, in consultation with the Management, sets the agenda for Board meetings and ensures that they are held regularly and whenever necessary. He seeks to ensure that the Directors receive timely, clear and adequate information. As part of the Chairman's responsibilities, he also seeks to ensure that good standards of corporate governance are promoted and adhered to within the Manager and by all Directors.

The Code recommends that a company should appoint an independent director to be the lead independent director where, *inter alia*, the Chairman is not an independent director. In this regard, Mr Ng Lak Chuan, an Independent Director, was appointed as the Lead Independent Director on 26 January 2015. As the Lead Independent Director, Mr Ng Lak Chuan has the discretion to hold meetings with the independent Directors without the presence of the Management as he deems appropriate or necessary and to provide feedback to the Chairman after such meetings.

The non-executive Directors participate in setting and developing strategies and goals for the Management, and reviewing and assessing the Management's performance. This enables the Management to benefit from their external and objective perspective on issues that are brought before the Board.

There is a clear separation of responsibilities between the Chairman and the Chief Executive Officer (the "CEO"), so as to maintain an appropriate balance of power and authority. The Chairman and the CEO are not related to each other.

Principle 4 : Board Membership
Principle 5 : Board Performance

The NRC was established on 11 November 2015 and comprises three non-executive directors, namely Mr Carl Gabriel Florian Stubbe, Mr Ng Lak Chuan and Mr Christopher James Williams. There was no NRC meeting held in FY2015 as the NRC was only established on 11 November 2015. Mr Carl Gabriel Florian Stubbe is the chairman of the NRC.

The principal responsibilities of the NRC in performing the functions of a nominating committee include reviewing and evaluating nominations of Directors for appointment to the Board, evaluating the performance of the Directors and the Board as a whole and the Board committees, reviewing and being mindful of the independence of the Directors, reviewing and making recommendations on the training and professional development programs for the Board.

The NRC determines on an annual basis whether or not a Director is independent, taking into account the Code's guidance on what constitutes an "independent" Director, and as to relationships the existence of which would deem a Director not to be independent. A Director who has no relationship with the Manager, its related corporations, its 10% shareholders, their officers or the 10% Unitholders that could interfere, or be reasonably perceived to interfere, with the exercise of his independent business judgment with a view to the best interest of the Manager and OUE C-REIT, is considered to be independent.

In its selection, appointment and re-appointment process, the NRC reviews the composition of the Board including the mix of expertise, skills and attributes of existing Directors, so as to identify needed and/or desired competencies to supplement the Board's existing attributes. In doing so, where necessary or appropriate, the NRC may tap on its networking contacts and/or engage external professional headhunters to assist with identifying and shortlisting such candidates.

The NRC assesses the effectiveness of the Board as a whole and its Board committees and the contribution by the Chairman and each Director to the effectiveness of the Board. A formal appraisal process to assess the effectiveness of the Board and Board committees has been implemented. The Board performance evaluation process includes a questionnaire designed to assess the performance of the Board and enhance the overall effectiveness of the Directors. There is a self-performance assessment to be undertaken by each Director. The Company Secretary shall compile the Directors' responses to the questionnaire into a consolidated report, and the report shall be discussed at a NRC meeting and then shared with the entire Board. In evaluating each Director's performance and that of the Board and its Board committees, the NRC considers, *inter alia*, the Directors' attendance, contribution and participation at Board and Board Committee meetings, Directors' individual evaluations and the overall effectiveness of the Board in steering and overseeing the conduct of the Manager's business *vis-a-vis* OUE C-REIT. Based on the NRC's assessment and review, the Board and its Board Committees operate effectively and each Director has contributed to the effectiveness of the Board.

The Directors must ensure that they are able to give sufficient time and attention to the affairs of the Manager, and as part of its review process, the NRC decides whether or not a Director is able to do so and whether he has been adequately carrying out his duties as a Director of the Manager. The NRC believes that setting a maximum limit on the number of directorships a Director can hold is arbitrary, given that time requirements for each board may vary, and thus should not be prescriptive.

The Directors have opportunities for continuing education in a number of areas including directors' duties, corporate governance, financial reporting, insider trading, the Companies Act, Chapter 50 of Singapore (the "Companies Act"), the CIS Code and the listing manual of the SGX-ST (the "Listing Manual"), real estate-related matters and other areas to enhance their performance as Board and Board Committee members.

Principle 6 : Access to Information

In order to enable the Directors to make informed decisions to discharge their duties and responsibilities, the Management endeavours to provide the Board with complete and adequate information in a timely manner prior to Board meetings. Such information includes on-going reports relating to the operational and financial performance of OUE C-REIT, as well as matters requiring the Board's decision. The Management is also required to furnish any additional information, when so requested by the Board, as and when the need arises. The Directors also have separate and independent access to the Management and the Company Secretary. The function of the Company Secretary and the Management is to ensure that all Board procedures are followed and that applicable regulations and rules prescribed by the Companies Act, the Listing Manual and all other applicable laws and regulations are complied with. Under the direction of the Chairman, the responsibilities of the Company Secretary include ensuring timely information flows within the Board and its Board committees and between the Management and non-executive Directors.

The Directors may seek independent professional advice, at the Manager's expense, as and when required.

B. REMUNERATION MATTERS

Principle 7 : Procedures for Developing Remuneration Policies
Principle 8 : Level and Mix of Remuneration
Principle 9 : Disclosure on Remuneration

The principal responsibilities of the NRC in relation to the remuneration matters include (i) recommending to the Board a general framework of remuneration for Directors and key management personnel of the Manager, namely the CEO of the Manager; and (ii) developing policies for fixing of, and recommending to, the Board, the remuneration packages of individual Directors and the key management personnel of the Manager, and (iii) reviewing the remuneration policies of the Manager to ensure the policies meet its stated objectives having regard to the performance of OUE C-REIT and other considerations.

The NRC sets the remuneration policy to ensure that the compensation offered by the Manager are (i) competitive and will attract, retain and motivate Directors and key management personnel and (ii) for Directors to be good stewards of the Manager and OUE C-REIT and for key management personnel with the required experience and expertise to run the Manager successfully. In developing and reviewing the policy for the remuneration packages for Directors and the key management personnel of the Manager, the NRC would take into consideration the Manager's existing internal remuneration policy and other conditions within the REIT management industry and in comparable REIT managers. The remuneration policies of the Manager are structured to attract and retain highly qualified persons, and the Manager's overall goal is to ensure the long term sustainability and success of the Manager and OUE C-REIT.

The remuneration of the Directors and the Management is paid by the REIT Manager, and not by OUE C-REIT. The remuneration of the Directors in the form of directors' fees is paid wholly in cash and the remuneration of the Management in the form of salaries, annual bonuses and allowances is also paid wholly in cash. There is no non-monetary remuneration in the form of stock options or Units paid to the Directors or the Management.

For FY2015, the Manager did not engage any remuneration consultant with regard to the remuneration of its Directors and key management personnel of the Manager.

The structure of the Directors' fees for Non-Executive Directors comprises a base fee for serving as a Director, and additional fees for (i) serving as Chairman of the Board, or chairman of Board committees, (ii) for serving as Lead Independent Director and/or (iii) serving on Board committees as members, as the case may be. The Directors' fees take into account:

(i) the Directors' level of contribution and respective responsibilities at Board meetings and Board committee meetings; and

(ii) the industry practices and norms on remuneration including guidelines set out in the Statement of Good Practice issued by the Singapore Institute of Directors.

The remuneration framework for the key executive officers of the Manager comprises monthly salaries, annual bonuses and allowances. The Manager links executive remuneration to corporate and individual performance, based on the performance appraisal of the key executive officers, that take into account the following criteria namely (i) leadership, (ii) self-management and effectiveness, (iii) communication and interpersonal skills, (iv) quality management, (v) administration and managerial skills, (vi) human resource management and development, (vii) technical and functional skills, and (viii) customer focus. The Manager currently does not have in place long-term or short-term incentive schemes for executive Directors and key executive officers.

The Code and the Notice to All Holders of a Capital Markets Services Licence for Real Estate Investment Trust Management (issued pursuant to Section 101 of the Securities and Futures Act) require (i) the disclosure of the remuneration of each individual Director and the CEO on a named basis, and (ii) the disclosure of the remuneration of at least the top five key management personnel / top five executive officers (who are neither Directors nor the CEO) in bands of S$250,000, and in the event of non-disclosure, the Manager is required to provide reasons for such non-disclosure. After much deliberation, the Board is of the view that full disclosure of the specific remuneration of each individual Director, the CEO and the top five executive officers will not be in the best interests of the Manager, OUE C-REIT or its Unitholders. In arriving at its decision, the Board had taken into consideration, *inter alia*, the commercial sensitivity and confidential nature of remuneration matters, the competitive nature of the REIT management industry, the competitive business environment which OUE C-REIT operates in, the importance of ensuring stability and continuity of business operations with a competent and experienced management team in place and the negative impact which such disclosure may have on the Manager in attracting and retaining talent for the Manager (at the Board and Management levels) on a long-term basis. Accordingly, the Board is of the view that the non-disclosure of the specific remuneration of each individual director, the CEO and top five executive officers will not be prejudicial to the interest of the Unitholders.

There are no employees who are immediate family members of a Director or the CEO, and whose remuneration exceeds S$50,000 during FY2015. The Manager does not have any employee share scheme.

No termination, retirement or post-employment benefits were granted to Directors, the CEO or key executive officers of the Manager during FY2015.

C. ACCOUNTABILITY & AUDIT

Principle 10 : Accountability

The Board is responsible for presenting a balanced and understandable assessment of OUE C-REIT's performance, position and prospects to its Unitholders, the public and the regulators. The Management is accountable to the Board and provides the Board with quarterly and full-year results, which are then reviewed and approved by the Board for release to the SGX-ST.

Principle 12 : Audit and Risk Committee

The ARC consists of three non-executive Directors, namely Mr Ng Lak Chuan, Mr Carl Gabriel Florian Stubbe and Mr Loh Lian Huat, who are all independent Directors. Mr Ng Lak Chuan is the chairman of the ARC and is also the Lead Independent Director. All members of the ARC have many years of experience in senior management positions. The Board is of the view that the ARC members are appropriately qualified to discharge their responsibilities. A total of five ARC meetings were held in FY2015.

The ARC's responsibilities, under its terms of reference, include the following:

1. Monitoring and evaluating the effectiveness of the Manager's internal controls. Reviewing and reporting to the Board at least annually the adequacy and effectiveness of the Manager's risk management and internal control policies and systems, including financial, operational, compliance and information technology controls. Such review can be carried out internally or with the assistance of any competent third parties.

2. Reviewing the financial statements of OUE C-REIT and reviewing the quality and reliability of information prepared for inclusion in financial reports.

3. Reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of OUE C-REIT and any formal announcements relating to the financial performance of OUE C-REIT, including the quarterly and full-year financial statements of OUE C-REIT.

4. Reviewing the annual audit plans of the external and internal auditors. The ARC may suggest matters to be included for review by the external and internal auditors during their audit of OUE C-REIT.

5. Reviewing with the external and internal auditors their findings on their evaluation of the system of the internal accounting controls of OUE C-REIT and the Manager.

6. Reviewing the external audit reports to ensure that where deficiencies in internal controls have been identified, appropriate and prompt remedial action is taken by the Management.

7. Reviewing the internal audit reports at least twice a year to ascertain that the guidelines and procedures established to monitor Related Party Transactions have been complied with. Such review will include the examination of the nature of the transaction and its supporting documents or such other data deemed necessary to the ARC.

8. Monitoring the procedures established to regulate Related Party Transactions, including ensuring compliance with the provisions of the Listing Manual relating to Interested Person Transactions ("IPTs") (as defined in the Listing Manual) and the provisions of Appendix 6 to the CIS Code (the "Property Funds Appendix") relating to Interested Party Transactions (as defined in the Property Funds Appendix) (both types of transactions constituting "Related Party Transactions").

9. Reviewing the adequacy, scope and performance/results of the external audit and its cost effectiveness.

10. Reviewing the independence and objectivity of the external auditors annually and stating (a) the aggregate amount of fees paid to the external auditors for that financial year, and (b) a breakdown of the fees paid in total for audit and non-audit services respectively, or an appropriate negative statement, in OUE C-REIT's Annual Report. Where the external auditors also supply a substantial volume of non-audit services to OUE C-REIT and/or the Manager, the ARC should keep the nature and extent of such services under review, seeking to balance the maintenance of objectivity and value for money.

11. Making recommendations to the Board on the proposals to the Unitholders on the appointment, re-appointment and removal of OUE C-REIT's external auditors, and approving the remuneration and terms of engagement of the external auditors.

12. Reviewing the scope and results of the internal audit procedures, and, at least annually, reviewing the adequacy and effectiveness of the Manager's internal audit function.

13. Ensuring that the internal audit function is independent from the Management, that the internal audit function will report to the Chairman and that the internal audit function is adequately qualified to perform an effective role.

14. Ensuring that the internal audit function is adequately resourced, staffed with persons with the relevant qualifications and experience, and has appropriate standing within the Manager.

15. Ensuring that the internal auditors carry out their function according to the standards set by nationally or internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

16. Meeting with the external auditors and with the internal auditors, in each case without the presence of the management of the Manager, at least annually.

17. Monitoring the procedures implemented to ensure compliance with the applicable legislation, the Listing Manual and the Property Funds Appendix.

The results of the ARC's review are reported to the Board.

The ARC has reviewed the non-audit fees paid to the external auditors. A substantial portion of the non-audit fees relate to work carried out by the external auditors relating to the circular issued by OUE C-REIT for the acquisition of subsidiaries and related fund raising exercise during the year. The ARC has considered the nature and extent of the non-audit services provided and is satisfied that the independence and objectivity of the external auditors have not been compromised by the provision of non-audit services. The amount of non-audit fees paid to the external auditors for FY2015 was S$401,000. The ARC is satisfied that OUE C-REIT has complied with the requirements of Rule 712 and 716 of the Listing Manual in relation to the appointment of its auditing firm. Accordingly, the ARC has recommended to the Board the nomination of the external auditors, Messrs KPMG LLP, for re-appointment at the forthcoming Annual General Meeting to be held on 19 April 2016. The ARC has met with the external auditors without the presence of the Management.

The details of the remuneration of the auditors of OUE C-REIT during FY2015 are as follows:

Breakdown of Audit and Non-Audit Services	Amount (S$)
Audit Services	232,000
Non-Audit Services	401,000

The Manager has in place a whistle-blowing procedure whereby employees of the Manager may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters as well as any breach of the Manager's Code of Business Conduct and Ethics, without fear of reprisals in any form. The ARC has the responsibility of overseeing this policy which is administered with the assistance of the Head of OUE's Internal Audit Department ("OUE IA"). Under these procedures, arrangements are in place for independent investigation of such matters raised and for appropriate follow-up action to be taken. The ARC is empowered to conduct or authorise investigations into any activity within its terms of reference, and obtain independent professional advice as it deems necessary. The ARC has full access to and co-operation from the Management and full discretion to invite any Director or executive officer to attend its meetings, and has adequate resources to enable it to discharge its functions properly.

In carrying out its duties, the ARC is guided by the Guidebook for Audit Committees in Singapore. The external auditors, Messrs KPMG LLP, updated the ARC members on recent changes to financial reporting standards and regulatory developments.

Principle 11 : Risk Management and Internal Controls
Principle 13 : Internal Audit

The Manager has an established risk assessment and management framework (the "Framework") for OUE C-REIT, which has been approved by the Board. The Framework is used by the Manager to determine the nature and the extent of the significant risks in order to achieve strategic objectives. The Framework also provides internal controls as to how to address these risks.

The ownership of these risks lies with the CEO and the function heads of the Manager, with stewardship residing with the Board.

The ARC, together with the Manager, assists the Board to oversee, review and update the Framework to ensure its adequacy and effectiveness on the business, with internal controls in place to manage risks including but not limited to finance, operations, compliance and information technology. The Manager identifies these risks through a risk register with specific internal controls in place to manage or mitigate those risks. The risk register is reviewed by the Manager, the ARC and the Board quarterly (and updated as and when necessary). Internal auditors and external auditors conduct audits that involve testing the effectiveness of the material internal control systems of OUE C-REIT.

Any material non-compliance or lapses in internal controls together with corrective measures recommended by internal auditors and external auditors are reported to the ARC. The effectiveness of the measures taken by the Management in response to the recommendations made by the internal auditors and external auditors is also reviewed by the ARC. The system of risk management and internal controls is continually being refined by the Manager, the ARC and the Board.

The Board has received assurance from the CEO and the Chief Financial Officer (the "CFO") of the Manager that:

(a) the financial records of OUE C-REIT have been properly maintained and the financial statements for the year ended 31 December 2015 give a true and fair view of OUE C-REIT's operations and finances; and

(b) the Framework implemented within OUE C-REIT is adequate and effective in identifying and addressing the material risks in OUE C-REIT in its current business environment including material financial, operational, compliance and information technology risks.

Based on the Framework established and reviews conducted by OUE C-REIT's internal auditors and external auditors as well as the assurance from the CEO and the CFO, the Board opines, pursuant to Rule 1207(10) of the Listing Manual, with the concurrence of the ARC, that OUE C-REIT's system of risk management and internal controls were adequate and effective as at 31 December 2015 to address the material financial, operational, compliance and information technology risks faced by OUE C-REIT.

The Board notes that the Framework established by the Manager provides reasonable, but not absolute, assurance that OUE C-REIT will not be significantly affected by any event that can be reasonably foreseen as it strives to achieve its business objectives. However, the Board also notes that no system of risk management and internal controls can provide absolute assurance in this regard, or absolute assurance against poor judgment in decision making, human error, fraud, other irregularities and losses.

OUE IA has been appointed to undertake the internal audit function in respect of OUE C-REIT, under the direct supervision of the Board. OUE IA's primary line of reporting is to the chairman of the ARC. OUE IA is responsible for assisting the ARC in reviewing and evaluating the adequacy and effectiveness of the Manager's system of internal controls to address financial, operational and compliance risks for OUE C-REIT. It also audits the operations, regulatory compliance and risk management processes of the Manager. The scope of the internal audit reviews is carried out in accordance with the yearly plans prepared by OUE IA and approved by the ARC. All audit findings are communicated to the ARC as well as the Management.

In the course of carrying out their duties, OUE C-REIT's external auditors will highlight any material internal control weaknesses which have come to their attention in carrying out their normal audit, which is designed primarily to enable them to express their opinion on the financial statements. Such material internal control weaknesses noted during their audit, and recommendations, if any, by the external auditors are reported to the ARC.

In carrying out its functions, OUE IA has adopted the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors. The ARC is satisfied with the adequacy and effectiveness of the internal audit function and its resources.

D. COMMUNICATION WITH UNITHOLDERS

Principle 14 : Regular, Effective and Fair Communication with Unitholders
Principle 15 : Encouraging Greater Unitholder Participation
Principle 16 : Conduct of Unitholders' Meetings

Unitholders are informed of OUE C-REIT's performance and developments through press releases and the publication of its quarterly and full-year results on the SGXNET and the annual report. Unitholders are also regularly kept up-to-date on significant events and happenings through the same channels. Information on OUE C-REIT is also available on its website at http://www.ouect.com, where investors can subscribe to email alerts of all announcements and press releases issued by OUE C-REIT or submit questions at their convenience via an enquiry form on the website.

The Manager maintains regular dialogue with and solicits views of the investment community, through group/individual meetings with investors, investor conferences and non-deal investor roadshows facilitated by the Manager's Investor Relations department and attended by the CEO. The CEO, CFO and senior management are present at analyst briefings which are held least twice a year, to answer questions. More details on the Manager's investor relations activities and efforts are found on pages 74 to 75 of this Annual Report.

In addition, Unitholders will be given the opportunity to communicate their views and to raise pertinent questions to the Directors and to vote at Unitholders' meetings. The Chairman of the ARC, as well as the external auditors shall also be present at Unitholders' meetings to address relevant questions raised by the Unitholders.

E. INTERESTED PERSON TRANSACTIONS POLICY

The Manager has established procedures to monitor and review IPTs, including ensuring compliance with the provisions of the Listing Manual and the Property Funds Appendix related to IPTs. The ARC and the Board review the IPTs on a quarterly basis. Any IPTs requiring disclosure are found in the Annual Report.

F. DEALINGS IN THE UNITS

The Manager has issued guidelines on dealing in the Units. These pertain to the existence of insider trading laws and the rules and regulations with regard to dealings in the Units by the Directors and officers. The Manager sends out memoranda and e-mails to the Directors and the employees of the Manager to remind them that the Directors and employees of the Manager and their connected persons are prohibited from dealing in the Units during the following periods:

(a) two weeks before the announcement of OUE C-REIT's financial statements for each of the first three quarters of its financial year;

(b) one month before the announcement of OUE C-REIT's full year results and (where applicable) property valuations; or

(c) any time while in possession of price-sensitive information.

The Directors and the employees of the Manager are prohibited from communicating price sensitive information to any person. In addition, the Manager also discourages the Directors and employees of the Manager from dealing in the Units on short-term considerations.

FEES PAYABLE TO THE MANAGER

Pursuant to the Trust Deed dated 10 October 2013 (as amended), the Manager is entitled to receive certain fees payable by OUE C-REIT in connection with its on-going management and operation of OUE C-REIT.

The structure and rationale for each of the fees payable to the Manager under the Trust Deed is set out below.

Fee	Calculation	Rationale
Management fees	*Base fee* 0.3% per annum (or such lower percentage as may be determined by the Manager in its absolute discretion) of the value of the Deposited Property (as defined in the Trust Deed) of OUE C-REIT. Clause 15.1.1 of the Trust Deed provides for the payment of the base fee. The base fee is payable quarterly in the form of cash and/or Units as the Manager may elect.	The base fee is payable to the Manager for discharging its responsibilities in managing OUE C-REIT's assets and liabilities for the benefit of Unitholders, which includes setting the strategic direction of OUE C-REIT in accordance with its stated investment strategy, formulating business plans for the properties as well as ensuring that OUE C-REIT complies with all applicable requirements, laws and regulations of the relevant authorities. The base fee compensates the Manager for the costs incurred in managing OUE C-REIT, which includes its overheads, day-to-day operational costs, compliance costs, as well as costs incurred in monitoring and reporting on existing investments.
	Performance fee 25% per annum of the difference in DPU (as defined in the Trust Deed) in a financial year with the DPU in the preceding full financial year (calculated before accounting for the performance fee but after accounting for the performance fee in each financial year) multiplied by the weighted average number of Units in issue for such financial year. The performance fee crystallises once a year. Clause 15.1.2 of the Trust Deed provides for the payment of the performance fee. The performance fee is payable annually in the form of cash and/or Units as the Manager may elect.	The performance-based element of the management fees is payable to the Manager as an incentive for generating positive returns for Unitholders. Since Unitholders receive distributions based on the amount of Units owned in OUE C-REIT, OUE C-REIT's performance fee is based on DPU growth instead of other performance indicators. This methodology incentivises the Manager to grow DPU as it is reflective of the Manager's ability to deliver stable returns to Unitholders every year, thereby aligning the interest of the Manager with the long-term interest of Unitholders. The objective of achieving sustainability in DPU growth over the long-term will require the Manager to undertake prudent capital and risk management, pro-active asset management and well-executed asset enhancement initiatives, and avoid exposing OUE C-REIT to unnecessary risks for short-term gain.

Fee	Calculation	Rationale
Acquisition fees	0.75% of the acquisition price of an investment property for acquisitions from related parties and 1.0% of the acquisition price for all other cases. Clause 15.2.1(i) of the Trust Deed provides for the payment of the acquisition fee. Subject to the Property Funds Appendix, the acquisition fee is payable to the Manager in the form of cash and/or Units as the Manager may elect. The acquisition fee is payable as soon as practicable after completion of the acquisition.	The acquisition fee is payable to the Manager for the time, cost and effort incurred by its management team in sourcing, evaluating and executing potential opportunities to acquire new properties for the further growth of OUE C-REIT. In undertaking a proposed acquisition, the Manager is expected to expend time and effort in conducting due diligence, structuring the acquisition, negotiating transaction documentation with the vendor, liaising with the valuers and working with the professional advisers and regulatory authorities to seek the necessary approvals from the regulators and/or Unitholders (where required). The Manager's key objective in managing OUE C-REIT is to provide Unitholders with regular and stable distributions and to achieve long-term sustainable growth in DPU and NAV per Unit. In line with this objective, other than active management of the existing portfolio, the Manager seeks to grow the portfolio inorganically via strategic and/or accretive acquisitions. The acquisition fee incentivises the Manager to grow the portfolio of OUE C-REIT through quality acquisitions and thereby increase distribution income to the Unitholders. Although the acquisition fee is payable upon successful completion of an acquisition, the Manager continually explores inorganic growth opportunities for OUE C-REIT and in its investment search process may incur on-going costs, including abortive costs of transactions not completed, which are not recovered from OUE C-REIT.

Fee	Calculation	Rationale
Divestment fee	0.5% of the sale price of an investment property on all future disposals of properties. Clause 15.2.1(ii) of the Trust Deed provides for the payment of the divestment fee. Subject to the Property Funds Appendix, the divestment fee is payable to the Manager in the form of cash and/or Units as the Manager may elect. The divestment fee is payable as soon as practicable after completion of the divestment.	In line with the Manager's objective of managing OUE C-REIT for the benefit of Unitholders, the Manager continually reviews the portfolio composition to ensure the assets continue to be able to generate sustainable returns. Where the assets have limited scope for further growth or they no longer fit the investment strategy of OUE C-REIT and present opportunities for asset recycling, the Manager may explore the prospect of unlocking the value of such assets through divestments and thereafter consider deploying the divestment proceeds to acquire higher yielding assets or assets with better growth potential. The divestment fee is payable to the Manager upon successful completion of a divestment. The divestment fee compensates the Manager for the time, effort and costs incurred by its management team in evaluating and executing opportunities to rebalance OUE C-REIT's portfolio and unlock the underlying value of its existing properties through the divestment of mature properties which have limited scope for further growth. In undertaking a proposed divestment, the Manager is also expected to expend time and effort in negotiating with the prospective purchaser, structuring the divestment, liaising with the valuers and working with the legal advisers and regulatory authorities to seek the necessary approvals from regulators and/or the Unitholders (where required).
Development management fee	3.0% of the total project costs incurred in a development project undertaken on behalf of OUE C-REIT. For total project costs exceeding S$100 million, the Trustee and the Manager's independent directors will first review and approve the quantum of the development management fee, whereupon the Manager may be directed to reduce the fee. For the avoidance of doubt, in respect of the same development project, the Manager will not be entitled to concurrently receive both the development management fee as well as the acquisition fee. Where project management fees are payable to the Property Manager, there will not be any development management fee payable to the Manager and vice versa. Clause 15.6 of the Trust Deed provides for the payment of the development management fee. The development management fee is payable in equal monthly instalments over the construction period of each development project based on the Manager's best estimate of the total project costs and construction period and, if necessary, a final payment of the balance amount when the total project costs are finalised. Subject to the Property Funds Appendix, the development management fee is payable to the Manager in the form of cash and/or Units as the Manager may elect.	OUE C-REIT is allowed to undertake development activities subject to the limits under the Property Funds Appendix. Where the Manager undertakes a development project on behalf of OUE C-REIT, the development management fee is payable to the Manager for provision of services which include: a) activities from the design (pre-construction) phase, such as working with the relevant consultants in respect of the design and to finalise the details in respect of the work to be carried out, b) to the construction phase, such as monitoring the performance of the contractors, consultants and other service providers in respect of the delivery of the project, and, c) up to the completion phase, such as supervising and assisting in the finalisation of accounts with the quantity surveyors and other consultants.

CONTENTS

REPORT OF THE TRUSTEE

DBS Trustee Limited (the "Trustee") is under a duty to take into custody and hold the assets of OUE Commercial Real Estate Investment Trust (the "Trust") held by it or through its subsidiaries (collectively, the "Group") in trust for the holders of units in the Trust. In accordance with the Securities and Futures Act, Chapter 289 of Singapore, its subsidiary legislation and the Code on Collective Investment Schemes, the Trustee shall monitor the activities of OUE Commercial REIT Management Pte. Ltd. (the "Manager") for compliance with the limitations imposed on the investment and borrowing powers as set out in the trust deed dated 10 October 2013 (as amended) (the "Trust Deed") between the Manager and the Trustee in each annual accounting period and report thereon to unitholders in an annual report.

To the best knowledge of the Trustee, the Manager has, in all material respects, managed the Trust and its subsidiaries during the year covered by these financial statements set out on pages 92 to 155, in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed.

For and on behalf of the Trustee,
DBS Trustee Limited

Soh Ee Fong
Director

Singapore
26 February 2016

REPORT OF THE MANAGER

In the opinion of the directors of OUE Commercial REIT Management Pte. Ltd. (the "Manager"), the manager of OUE Commercial Real Estate Investment Trust (the "Trust"), the accompanying financial statements set out on pages 92 to 155 comprising the Statements of Financial Position, Statements of Total Return, Distribution Statements, Statements of Movements in Unitholders' Funds and Portfolio Statements of the Trust and its subsidiaries (the "Group") and of the Trust, the Consolidated Statement of Cash Flows of the Group and Notes to the Financial Statements are drawn up so as to present fairly, in all material respects, the financial position of the Group and the Trust as at 31 December 2015, the total return, distributable income, movements in unitholders' funds and cash flows of the Group and the total return, distributable income and movements in unitholders' funds of the Trust for the year ended 31 December 2015, in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants and the provisions of the Trust Deed between DBS Trustee Limited and the Manager dated 10 October 2013 (as amended). At the date of this statement, there are reasonable grounds to believe that the Group and the Trust will be able to meet the respective financial obligations as and when they materialise.

For and on behalf of the Manager,
OUE Commercial REIT Management Pte. Ltd.

Tan Shu Lin
Executive Director

Singapore
26 February 2016

INDEPENDENT AUDITORS' REPORT

Unitholders
OUE Commercial Real Estate Investment Trust

Report on the financial statements

We have audited the accompanying financial statements of OUE Commercial Real Estate Investment Trust (the "Trust") and its subsidiaries (the "Group"), which comprise the Statements of Financial Position and Portfolio Statements of the Group and the Trust as at 31 December 2015, the Statement of Total Return, Distribution Statement, Statement of Movements in Unitholders' Fund and the Statement of Cash Flows of the Group and the Statement of Total Return, Distribution Statement, Statement of Unitholders' Funds of the Trust for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 92 to 155.

Manager's responsibilities for the financial statements

OUE Commercial REIT Management Pte. Ltd., the Manager of the Trust (the "Manager"), is responsible for the preparation and fair presentation of these financial statements in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants, and for such internal control as the Manager of the Trust determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Manager, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group and the Statement of Financial Position, Statement of Total Return, Distribution Statement and Statement of Movements in Unitholders' Funds of the Trust present fairly, in all material respects, the financial positions of the Group and the Trust as at 31 December 2015 and the total return, distributable income, movements in unitholders' funds and cash flows of the Group and the total return, distributable income and movements in unitholders' funds of the Trust for the year then ended in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
26 February 2016

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

		Group		Trust	
		2015	2014	2015	2014
	Note	$'000	$'000	$'000	$'000
Non-current assets					
Plant and equipment		661	51	–	–
Investment properties	4	3,403,178	1,630,612	1,146,000	1,135,000
Intangible asset	5	13,674	12,561	13,674	12,561
Investments in subsidiaries	6	–	–	1,400,935	262,081
Trade and other receivables	7	493	–	–	–
Financial derivatives	8	6,573	1,478	6,573	1,478
		3,424,579	1,644,702	2,567,182	1,411,120
Current assets					
Trade and other receivables	7	13,600	5,195	5,862	7,003
Financial derivatives	8	30	–	30	–
Cash and cash equivalents	9	25,913	31,066	5,690	5,247
		39,543	36,261	11,582	12,250
Total assets		3,464,122	1,680,963	2,578,764	1,423,370
Non-current liabilities					
Loans and borrowings	10	1,302,184	632,730	975,011	569,121
Trade and other payables	11	39,277	16,377	14,051	11,699
Financial derivatives	8	180	973	180	973
Deferred tax liabilities	12	60,481	40,215	–	–
		1,402,122	690,295	989,242	581,793
Current liabilities					
Loans and borrowings	10	1,732	168	–	–
Trade and other payables	11	54,060	28,908	12,757	11,966
Current tax liabilities		10,954	3,807	–	–
		66,746	32,883	12,757	11,966
Total liabilities		1,468,868	723,178	1,001,999	593,759
Net assets		1,995,254	957,785	1,576,765	829,611
Represented by:					
Unitholders' funds		1,233,064	957,785	1,047,484	829,611
Convertible Perpetual Preferred Units ("CPPU") holder's funds	13	529,281	–	529,281	–
		1,762,345	957,785	1,576,765	829,611
Non-controlling interests		232,909	–	–	–
		1,995,254	957,785	1,576,765	829,611
Units in issue and to be issued ('000)	14	1,289,452	872,430	1,289,452	872,430
Net asset value per Unit ($)	15	0.96	1.10	0.81	0.95

STATEMENTS OF TOTAL RETURN

YEAR ENDED 31 DECEMBER 2015

	Note	Group Year ended 31/12/2015 $'000	Group Period from 10/10/2013 (date of constitution) to 31/12/2014 $'000	Trust Year ended 31/12/2015 $'000	Trust Period from 10/10/2013 (date of constitution) to 31/12/2014 $'000
Revenue	16	101,038	71,545	53,534	48,604
Property operating expenses	17	(25,399)	(17,715)	(12,732)	(11,469)
Net property income		75,639	53,830	40,802	37,135
Other income	18	8,347	7,863	8,347	7,863
Negative goodwill arising from acquisition of subsidiaries	26	30,629	–	–	–
Costs associated with acquisition of subsidiaries	26	(1,881)	–	–	–
Amortisation of intangible asset	5	(4,187)	(6,139)	(4,187)	(6,139)
Write-back/(Recognition) of impairment loss on intangible asset	5	5,300	(14,300)	5,300	(14,300)
Manager's management fees	19	(6,367)	(5,130)	(6,367)	(5,130)
Manager's acquisition fee	26	(10,719)	–	–	–
Trustee's fee		(389)	(295)	(389)	(295)
Other expenses		(1,456)	(1,688)	(986)	(1,509)
Finance income		1,043	368	373	2
Finance costs		(26,674)	(16,069)	(20,449)	(11,791)
Net finance costs	20	(25,631)	(15,701)	(20,076)	(11,789)
Net income		69,285	18,440	22,444	5,836
Net change in fair value of investment properties		21,825	316,585	10,235	162,922
Total return for the year/period before tax	21	91,110	335,025	32,679	168,758
Tax expense	22	(10,410)	(42,017)	–	–
Total return for the year/period		80,700	293,008	32,679	168,758
Total return attributable to:					
Unitholders and CPPU holder		79,198	293,008	32,679	168,758
Non-controlling interests		1,502	–	–	–
		80,700	293,008	32,679	168,758
Earnings per Unit (cents)					
Basic	23	7.49	30.52[1]		
Diluted	23	6.64	30.52[1]		

[1] The figures have been restated for the effect of the rights issue undertaken by the Trust in August 2015.

DISTRIBUTION STATEMENTS

YEAR ENDED 31 DECEMBER 2015

	Note	Group		Trust	
		Year ended 31/12/2015 $'000	Period from 10/10/2013 (date of constitution) to 31/12/2014 $'000	Year ended 31/12/2015 $'000	Period from 10/10/2013 (date of constitution) to 31/12/2014 $'000
Amount available for distribution to Unitholders at beginning of the year/period		24,801	–	24,801	–
Total return for the year/period attributable to Unitholders and CPPU holder		79,198	293,008	32,679	168,758
Less: Amount reserved for distribution to CPPU holder		(1,281)	–	(1,281)	–
Distribution adjustments (Note A)		(21,799)	(247,099)	24,720	(122,849)
Amount available for distribution to Unitholders for the current year/period (Note B)		56,118	45,909	56,118	45,909
Distributions to Unitholders:					
- Distribution of 2.43 cents per Unit for the period from 27/1/2014 to 30/6/2014		–	(21,108)	–	(21,108)
- Distribution of 2.84 cents per Unit for the period from 1/7/2014 to 31/12/2014		(24,777)	–	(24,777)	–
- Distribution of 2.00 cents per Unit for the period from 1/1/2015 to 30/6/2015		(25,377)	–	(25,377)	–
		(50,154)	(21,108)	(50,154)	(21,108)
Amount available for distribution to Unitholders at the end of the year/period		30,765	24,801	30,765	24,801
Distribution per Unit (DPU) (cents)	23	4.38	4.77[1]	4.38	4.77[1]

[1] The figures have been restated to reflect the bonus element in the new Units issued pursuant to the rights issue in August 2015.

DISTRIBUTION STATEMENTS

YEAR ENDED 31 DECEMBER 2015

Note A – Distribution adjustments

	Group		Trust	
	Year ended 31/12/2015 $'000	Period from 10/10/2013 (date of constitution) to 31/12/2014 $'000	Year ended 31/12/2015 $'000	Period from 10/10/2013 (date of constitution) to 31/12/2014 $'000
Net change in fair value of investment properties	(21,825)	(316,585)	(10,235)	(162,922)
Negative goodwill arising from acquisition of subsidiaries	(30,629)	–	–	–
Costs associated with acquisition of subsidiaries	1,881	–	–	–
Amortisation of intangible asset	4,187	6,139	4,187	6,139
(Write-back)/Recognition of impairment loss on intangible asset	(5,300)	14,300	(5,300)	14,300
Amortisation of debt establishment costs	5,362	3,843	4,507	3,781
Ineffective portion of changes in fair value of cash flow hedges	1,331	–	1,331	–
Manager's management fees paid/payable in Units	6,367	5,130	6,367	5,130
Acquisition fee paid to the Manager in Units	10,719	–	–	–
Trustee's fee	389	295	389	295
Foreign exchange differences	(328)	(243)	8	4
Interest expense	1,280	–	1,280	–
Net income of subsidiaries not distributed to the Trust	–	–	21,887	10,193
Deferred tax expense	4,790	39,786	–	–
Other items	(23)	236	299	231
Distribution adjustments	(21,799)	(247,099)	24,720	(122,849)

Note B – Amount available for distribution to Unitholders

	Group and Trust	
	Year ended 31/12/2015 $'000	Period from 10/10/2013 (date of constitution) to 31/12/2014 $'000
Comprises:		
- From operations	36,641	35,715
- From Unitholders' contribution	19,477	10,194
	56,118	45,909

STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS

YEAR ENDED 31 DECEMBER 2015

	Note	⟵ Attributable to ⟶ Unitholders $'000	CPPU holder $'000	Total $'000	Non-controlling interests $'000	Total $'000
Group						
Net assets attributable to owners at 1 January 2015		957,785	–	957,785	–	957,785
Operations						
Total return for the year		79,198	–	79,198	1,502	80,700
Less: Amount reserved for distribution to CPPU holder		(1,281)	1,281	–	–	–
Net increase in net assets resulting from operations		77,917	1,281	79,198	1,502	80,700
Transactions with owners						
Issue of new Units:						
- Rights issue	14	218,285	–	218,285	–	218,285
- Acquisition fee paid to Manager in Units	14	10,719	–	10,719	–	10,719
- Manager's management fees paid/payable in Units		6,367	–	6,367	–	6,367
Issue of CPPU	13	–	528,000	528,000	–	528,000
Issue costs	24	(5,991)	–	(5,991)	–	(5,991)
Distributions paid to Unitholders		(50,154)	–	(50,154)	–	(50,154)
		179,226	528,000	707,226	–	707,226
Acquisition of subsidiaries with non-controlling interests		–	–	–	231,407	231,407
Net increase in net assets resulting from transactions with owners		179,226	528,000	707,226	231,407	938,633
Movement in foreign currency translation reserve		10,887	–	10,887	–	10,887
Hedging transactions						
Effective portion of change in fair value of cash flow hedges		7,249	–	7,249	–	7,249
At 31 December 2015		1,233,064	529,281	1,762,345	232,909	1,995,254

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS

YEAR ENDED 31 DECEMBER 2015

	Note	⟵ Attributable to ⟶ Unitholders $'000	CPPU holder $'000	Total $'000	Non-controlling interests $'000	Total $'000
Group						
At 10 October 2013 (date of constitution)		–	–	–	–	–
Operations						
Total return for the period		293,008	–	293,008	–	293,008
Net increase in net assets resulting from operations		293,008	–	293,008	–	293,008
Transactions with owners						
Issue of new Units:						
- Initial public offering	14	346,400	–	346,400	–	346,400
- Units issued in partial satisfaction of the purchase consideration for an investment property acquired	14	346,400	–	346,400	–	346,400
- Manager's management fees paid/payable in Units		5,130	–	5,130	–	5,130
Issue costs	24	(16,474)	–	(16,474)	–	(16,474)
Distribution paid to Unitholders		(21,108)	–	(21,108)	–	(21,108)
Net increase in net assets resulting from transactions with owners		660,348	–	660,348	–	660,348
Movement in foreign currency translation reserve		3,924	–	3,924	–	3,924
Hedging transactions						
Effective portion of change in fair value of cash flow hedges		505	–	505	–	505
At 31 December 2014		957,785	–	957,785	–	957,785

STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS

YEAR ENDED 31 DECEMBER 2015

		← Attributable to →		
	Note	Unitholders $'000	CPPU holder $'000	Total $'000
Trust				
Net assets attributable to owners at 1 January 2015		829,611	–	829,611
Operations				
Total return for the year		32,679	–	32,679
Less: Amount reserved for distribution to CPPU holder		(1,281)	1,281	–
Net increase in net assets resulting from operations		31,398	1,281	32,679
Transactions with owners				
Issue of new Units:				
- Rights issue	14	218,285	–	218,285
- Acquisition fee paid to Manager in Units	14	10,719	–	10,719
- Manager's management fees paid/payable in Units		6,367	–	6,367
Issue of CPPU	13	–	528,000	528,000
Issue costs	24	(5,991)	–	(5,991)
Distributions paid to Unitholders		(50,154)	–	(50,154)
Net increase in net assets resulting from transactions with owners		179,226	528,000	707,226
Hedging transactions				
Effective portion of change in fair value of cash flow hedges		7,249	–	7,249
At 31 December 2015		1,047,484	529,281	1,576,765

STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS

YEAR ENDED 31 DECEMBER 2015

	Note	Attributable to Unitholders $'000	Attributable to CPPU holder $'000	Total $'000
Trust				
At 10 October 2013 (date of constitution)		–	–	–
Operations				
Total return for the period		168,758	–	168,758
Net increase in net assets resulting from operations		168,758	–	168,758
Transactions with owners				
Issue of new Units:				
- Initial public offering	14	346,400	–	346,400
- Units issued in partial satisfaction of the purchase consideration for an investment property acquired	14	346,400	–	346,400
- Manager's management fees paid/payable in Units		5,130	–	5,130
Issue costs	24	(16,474)	–	(16,474)
Distribution paid to Unitholders		(21,108)	–	(21,108)
Net increase in net assets resulting from transactions with owners		660,348	–	660,348
Hedging transactions				
Effective portion of change in fair value of cash flow hedges		505	–	505
At 31 December 2014		829,611	–	829,611

PORTFOLIO STATEMENTS

AS AT 31 DECEMBER 2015

Description of property	Leasehold tenure
Singapore	
OUE Bayfront (and adjoining properties comprising OUE Tower and OUE Link) An integrated commercial development comprising an 18-storey office building, a conserved tower building and a retail link bridge at Collyer Quay, Singapore	OUE Bayfront and OUE Tower: 99-year lease from 12 November 2007 OUE Link: 15-year lease from 26 March 2010 Underpass: 99-year lease from 7 January 2002
One Raffles Place An integrated commercial development comprising One Raffles Place Tower 1, One Raffles Place Tower 2 and One Raffles Place Shopping Mall The Group has an effective interest of 67.95% in One Raffles Place	One Raffles Place Tower 1: 841-year lease from 1 November 1985 One Raffles Place Tower 2: 99-year lease from 26 May 1983 One Raffles Place Shopping Mall: the retail podium straddles two land plots: - approximately 75% of the net lettable area (“NLA”) of the retail podium is on a 99-year lease from 1 November 1985 - the balance 25% of the NLA of the retail podium is on a 841-year lease from 1 November 1985
Shanghai	
Lippo Plaza A 36-storey commercial building with retail podium at Shanghai, China excluding: (i) Unit 2 in Basement 1, (ii) the 12th, 13th, 15th and 16th floors and (iii) 4 car park lots	50-year land use right commencing from 2 July 1994
Investment properties, at valuation	
Other assets and liabilities (net)	
Net assets of the Group	
Net assets attributable to CPPU holder	
Net assets attributable to non-controlling interests	
Unitholders' funds	

The properties are leased to third parties except as otherwise stated in Note 16. Generally, the leases contain an initial non-cancellable period of 1 to 10 years (2014: 1 to 10 years). Subsequent renewals are negotiated with the respective lessees.

PORTFOLIO STATEMENTS

AS AT 31 DECEMBER 2015

Location	Existing use	Group Carrying value at 31/12/2015 $'000	Percentage of Unitholders' funds at 31/12/2015 %	Carrying value at 31/12/2014 $'000	Percentage of Unitholders' funds at 31/12/2014 %
50 Collyer Quay, OUE Bayfront, Singapore 049321 60 Collyer Quay, OUE Tower, Singapore 049322 62 Collyer Quay, OUE Link, Singapore 049325	Commercial	1,146,000	93	1,135,000	118
1 Raffles Place, One Raffles Place, Singapore 048616	Commercial	1,734,000	141	–	–
222 Huaihai Zhong Road, Huangpu District, Shanghai, PRC 200021	Commercial	523,178	42	495,612	52
		3,403,178	276	1,630,612	170
		(1,407,924)	(114)	(672,827)	(70)
		1,995,254	162	957,785	100
		(529,281)	(43)	–	–
		(232,909)	(19)	–	–
		1,233,064	100	957,785	100

PORTFOLIO STATEMENTS

AS AT 31 DECEMBER 2015

Description of property	Leasehold tenure
Singapore	
OUE Bayfront (and adjoining properties comprising OUE Tower and OUE Link)	OUE Bayfront and OUE Tower: 99-year lease from 12 November 2007
An integrated commercial development comprising an 18-storey office building, a conserved tower building and a retail link bridge at Collyer Quay, Singapore	OUE Link: 15-year lease from 26 March 2010 Underpass: 99-year lease from 7 January 2002
Investment property, at valuation	
Other assets and liabilities (net)	
Net assets of the Trust	
Net assets attributable to CPPU holder	
Unitholders' funds	

The property is leased to third parties except as otherwise stated in Note 16. Generally, the leases contain an initial non-cancellable period of 2 to 10 years (2014: 2 to 10 years). Subsequent renewals are negotiated with the respective lessees.

PORTFOLIO STATEMENTS

AS AT 31 DECEMBER 2015

		Trust			
Location	Existing use	Carrying value at 31/12/2015 $'000	Percentage of Unitholders' funds at 31/12/2015 %	Carrying value at 31/12/2014 $'000	Percentage of Unitholders' funds at 31/12/2014 %
50 Collyer Quay, OUE Bayfront, Singapore 049321	Commercial	1,146,000	109	1,135,000	137
60 Collyer Quay, OUE Tower, Singapore 049322					
62 Collyer Quay, OUE Link, Singapore 049325					
		1,146,000	109	1,135,000	137
		430,765	41	(305,389)	(37)
		1,576,765	150	829,611	100
		(529,281)	(50)	–	–
		1,047,484	100	829,611	100

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2015

	Note	Group Year ended 31/12/2015 $'000	Period from 10/10/2013 (date of constitution) to 31/12/2014 $'000
Cash flows from operating activities			
Total return for the year/period		80,700	293,008
Adjustments for:			
Amortisation of intangible asset		4,187	6,139
(Write-back)/Recognition of impairment loss on intangible asset		(5,300)	14,300
Depreciation of plant and equipment		48	6
Loss on disposal of plant and equipment		–	5
Finance costs		26,674	16,069
Finance income		(715)	(192)
Manager's fees paid/payable in Units		17,086	5,130
Net change in fair value of investment properties		(21,825)	(316,585)
Negative goodwill arising from acquisition of subsidiaries		(30,629)	–
Costs associated with acquisition of subsidiaries		1,881	–
Tax expense		10,410	42,017
Operating income before working capital changes		82,517	59,897
Changes in working capital:			
Trade and other receivables		(1,956)	(4,890)
Trade and other payables		(1,392)	20,910
Cash generated from operating activities		79,169	75,917
Tax paid		(1,556)	(1,414)
Net cash from operating activities		77,613	74,503
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	26	(594,076)	(121,598)
Acquisition of investment property and intangible asset (see Note A)		–	(658,600)
Additions to plant and equipment		(6)	–
Payment for capital expenditure on investment properties		(1,857)	(108)
Proceeds from disposal of plant and equipment		–	4
Interest received		715	192
Net cash used in investing activities		(595,224)	(780,110)

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2015

	Note	Group Year ended 31/12/2015 $'000	Period from 10/10/2013 (date of constitution) to 31/12/2014 $'000
Cash flows from financing activities			
Distributions paid to Unitholders		(50,154)	(21,108)
Interest paid		(13,234)	(9,530)
Proceeds from issue of Units		218,285	346,400
Payment of transaction costs related to the issue of Units		(5,991)	(16,474)
Payment of transaction costs related to loans and borrowings		(6,005)	(15,624)
Proceeds from borrowings		421,000	696,379
Repayment of borrowings		(52,265)	(243,911)
Movement in restricted cash		652	(2,218)
Net cash from financing activities		512,288	733,914
Net (decrease)/increase in cash and cash equivalents		(5,323)	28,307
Cash and cash equivalents at beginning of the year/period		28,736	–
Effect of exchange rate fluctuations on cash held		736	429
Cash and cash equivalents at end of the year/period	9	24,149	28,736

Notes:

(A) Acquisition of investment property and intangible asset

	Group Period from 10/10/2013 (date of constitution) to 31/12/2014 $'000
Investment property	972,000
Intangible asset	33,000
Total assets acquired	1,005,000
Purchase consideration	1,005,000
Less: Amount satisfied through issuance of Units	(346,400)
Net cash outflow	658,600

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2015

(B) Significant non-cash transactions

Financial year ended 31 December 2015

During the year, there were the following significant non-cash transactions:

- a total of 9,052,722 Units, amounting to $6,367,000, were or would be issued to the Manager as satisfaction of the Manager's management fees for the financial year;

- 14,663,132 Units, amounting to $10,719,000, were issued as satisfaction of the acquisition fee payable to the Manager for the subsidiaries acquired during the financial year; and

- 550,000,000 CPPUs were issued to a related corporation of the Manager, as partial satisfaction for the subsidiaries acquired during the financial year (Note 26).

Financial period ended 31 December 2014

During the period, there were the following significant non-cash transactions:

- a total of 6,429,898 Units, amounting to $5,130,000, were or would be issued as satisfaction of the Manager's management fees for the financial period; and

- 432,999,999 Units, amounting to $346,399,999, were issued to the vendor of OUE Bayfront, a related corporation of the Manager, as partial satisfaction of the purchase consideration for the property.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Manager and the Trustee on 26 February 2016.

1 GENERAL

OUE Commercial Real Estate Investment Trust (the "Trust") is a Singapore-domiciled unit trust constituted pursuant to the trust deed dated 10 October 2013 (as amended) (the "Trust Deed") between OUE Commercial REIT Management Pte. Ltd. (the "Manager") and DBS Trustee Limited (the "Trustee"). The Trust Deed is governed by the laws of the Republic of Singapore. The Trustee is under a duty to take into custody and hold the assets of the Trust and its subsidiaries (the "Group") in trust for the holders ("Unitholders") of units in the Trust (the "Units").

The Trust was admitted to the Official List of Singapore Exchange Securities Trading Limited (the "SGX-ST") on 27 January 2014 (the "Listing Date").

The principal activity of the Trust is to invest, directly or indirectly, in a portfolio of income-producing real estate used primarily for commercial purposes (including real estate used primarily for office and/or retail purposes) in financial and business hubs within and outside of Singapore, as well as real estate-related assets. The principal activities of the subsidiaries are set out in Note 6.

The consolidated financial statements relate to the Trust and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

The Group is regarded as a subsidiary of OUE Limited ("OUE") for financial reporting purposes. Accordingly, the ultimate holding company of the Trust is Lippo ASM Asia Property Limited, a company incorporated in the Cayman Islands.

Several service agreements were entered into in relation to the management of the Trust and its property operations. The fee structures of these services are as follows:

(a) Manager's fees

The Manager is entitled to receive the following remuneration:

(i) a base fee of 0.3% per annum (or such lower percentage as may be determined by the Manager in its absolute discretion) of the value of the Deposited Property (as defined in the Trust Deed);

(ii) a performance fee of 25% per annum of the difference in DPU (as defined in the Trust Deed) in a financial year with the DPU in the preceding full financial year (calculated before accounting for the performance fee but after accounting for the base fee in each financial year) multiplied by the weighted average number of Units in issue for such financial year. The performance fee is payable if the DPU in any financial year exceeds the DPU in the preceding financial year, notwithstanding that the DPU in the financial year in which the performance fee is payable may be less than the DPU in the financial year prior to any preceding financial year;

(iii) an acquisition fee of 0.75% of the acquisition price of an investment property for acquisitions from related parties and 1.0% of the acquisition price for all other cases;

(iv) a divestment fee of 0.5% of the sale price of an investment property on all future disposals of properties; and

(v) a development management fee of 3.0% of the total project costs incurred in a development project undertaken by the Manager on behalf of the Trust.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

1 GENERAL (CONT'D)

(a) Manager's fees (cont'd)

For the period from Listing Date to the financial year ending 31 December 2015, 100.0% of the management fees payable to the Manager would be paid in the form of Units at the market price (as defined in the Trust Deed) prevailing at the date in which the management fees accrue. Thereafter, the management fees shall be payable in the form of cash or Units, or a combination of both, as the Manager may elect. Any portion of the management base fee payable in the form of Units is payable quarterly in arrears and any portion of the management base fee payable in cash is payable monthly in arrears.

The management performance fees are paid annually in arrears, whether in the form of cash and/or Units.

The acquisition, divestment and development management fees are payable in the form of Units and/or cash as the Manager may elect, and such proportion as may be determined by the Manager.

(b) Fees under the property management agreements

Pursuant to the property management agreement between the Trust and OUE Commercial Property Management Pte. Ltd. (the "Property Manager") in respect of OUE Bayfront, the following fees are payable:

- A property management fee of (a) 2% per annum of the gross revenue of the relevant property and (b) 2% of the gross revenue less property expenses ("Net Property Income") for the relevant property (calculated before accounting for the property management fee in that financial period); and

- A lease management fee of 0.5% of the Net Property Income for the relevant property (calculated before accounting for the property management fee in that financial period) in respect of lease management services.

The property and lease management fees are payable monthly in arrears.

The Property Manager is also entitled to a project management fee at a scale of between 1.35% to 3.0% of the construction cost or a fee to be mutually agreed in writing between the Manager, the Trustee and the Property Manager. During the financial year, no project management services were provided by the Property Manager. Where development management fees are payable to the Manager, there will not be any project management fees payable to the Property Manager and vice versa.

(c) Trustee's fee

Pursuant to the Trust Deed, the Trustee's fee shall not exceed 0.1% per annum of the value of the Deposited Property or such higher percentage as may be fixed by an extraordinary resolution of a meeting of Unitholders. The Trustee's fee is presently charged at a scaled basis of up to 0.02% per annum of the value of the Deposited Property (subject to a minimum of $15,000 per month). The Trustee's fee is payable out of the Deposited Property on a monthly basis, in arrears. The Trustee is also entitled to reimbursement of expenses incurred in the performance of its duties under the Trust Deed.

2 BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements have been prepared in accordance with the Statement of Recommended Accounting Practice ("RAP") 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants, the applicable requirements of the Code on Collective Investment Schemes (the "CIS Code") issued by the Monetary Authority of Singapore (the "MAS") and the provisions of the Trust Deed. RAP 7 requires the accounting policies to generally comply with the recognition and measurement principles of Singapore Financial Reporting Standards ("FRS").

2 BASIS OF PREPARATION (CONT'D)

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis, except as described below.

2.3 Functional and presentation currency

The financial statements are presented in Singapore dollars, which is the functional currency of the Trust. All financial information presented in Singapore dollars has been rounded to the nearest thousand, unless otherwise stated.

2.4 Use of estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods effected.

Information about assumptions and estimation uncertainties that have the most significant effect on the amounts recognised in the financial statements is described in the following notes:

- Note 4 – valuation of investment properties
- Note 5 – impairment of intangible asset
- Note 26 – fair values of identifiable assets acquired and liabilities assumed of subsidiaries acquired
- Note 27 – valuation of financial instruments

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for all significant fair value measurements, including Level 3 fair values, and reports directly to the Chief Financial Officer.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of FRS, including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuation issues are reported to the Audit and Risk Committee.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

2 BASIS OF PREPARATION (CONT'D)

2.4 Use of estimates and judgments (cont'd)

Measurement of fair values (cont'd)

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 4 – investment properties
- Note 26 – acquisition of subsidiaries
- Note 27 – financial instruments

3 SIGNIFICANT ACCOUNTING POLICIES

The Group adopted new or revised financial reporting standards and interpretations which became effective during the year. The initial adoption of these standards and interpretations did not have a material impact on the financial statements of the Group and the Trust.

The accounting policies set out below have been applied by the Group entities consistently to the periods presented in these financial statements.

3.1 Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method in accordance with FRS 103 *Business Combinations* as at the date of acquisition, which is the date on which control is transferred to the Group.

The Group measures goodwill at the date of acquisition as:
- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests ("NCI") in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree,

over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Any goodwill that arises is tested annually for impairment.

When the excess in negative, a bargain purchase gain is recognised immediately in the statement of total return.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in the statement of total return.

Any contingent consideration payable is recognised at fair value at the date of acquisition and included in the consideration transferred. If the contingent consideration that meets the definition of a financial instrument is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in the statement of total return.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of consolidation (cont'd)

(i) Business combinations (cont'd)

NCI that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured either at fair value or at the NCI's proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the date of acquisition. The measurement basis taken is elected on a transaction-by-transaction basis. All other NCI are measured at acquisition-date fair value, unless another measurement basis is required by FRSs.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners and therefore no adjustments are made to goodwill and no gain or loss is recognised in the statement of total return. Adjustments to NCI arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Investments in subsidiaries are stated at cost less accumulated impairment losses.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(iv) Subsidiaries in the financial statements of the Trust

Investments in subsidiaries are stated in the Trust's statement of financial position at cost less accumulated impairment losses.

3.2 Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Foreign currencies (cont'd)

(i) Foreign currency transactions (cont'd)

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in the statement of total return, except for differences arising from the retranslation of a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges, which are recognised in unitholders' funds.

(ii) Foreign operations

The assets and liabilities of foreign operations are translated to Singapore dollars at exchange rates prevailing at the reporting date. The income and expenses of foreign operations are translated to Singapore dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in the foreign currency translation reserve in unitholders' funds. However, if the operation is not a wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is transferred to the statement of total return as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item that is considered to form part of a net investment in a foreign operation are recognised in unitholders' funds.

3.3 Plant and equipment

(i) Recognition and measurement

Plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset.

When parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

The gain or loss on disposal of an item of plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in the statement of total return.

(ii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Plant and equipment (cont'd)

(ii) Depreciation (cont'd)

Depreciation is recognised in the statement of total return on a straight-line basis over the estimated useful lives of each component of an item of plant and equipment.

Depreciation is recognised from the date that the plant and equipment are installed and are ready for use.

The estimated useful lives for the current year and comparative period are as follows:

Furniture and fittings	- 5 years
Office equipment	- 5 years
Operating equipment	- 5 years

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

3.4 Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation or both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties are measured at cost on initial recognition and subsequently at fair value with any change therein recognised in the statement of total return.

The cost of a purchased property comprises its purchase price and any directly attributable expenditure, including transaction costs. Fair value is determined in accordance with the Trust Deed, which requires the investment properties to be valued by independent registered valuers at least once a year, in accordance with the CIS Code issued by the MAS.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in the statement of total return.

The investment properties are subject to continued maintenance and regularly revalued on the basis set out above. For income tax purposes, the Group may claim capital allowances on assets that qualify as plant and machinery under the Income Tax Act.

3.5 Intangible asset

The intangible asset represents the income support receivable by the Group and the Trust under the Deed of Income Support in relation to OUE Bayfront.

The intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses.

The intangible asset is amortised in the statement of total return on a straight-line basis over its estimated useful life of 5 years. The intangible asset is tested for impairment as described in Note 3.7.

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Financial instruments

(i) Non-derivative financial assets

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Non-derivative financial assets are classified into loans and receivables category.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise trade and other receivables (excluding prepayments) and cash and cash equivalents.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits.

(ii) Non-derivative financial liabilities

The Group initially recognises debt securities issued on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through statement of total return) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise trade and other payables (excluding advance rental received) and loans and borrowings.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Financial instruments (cont'd)

(iii) Derivative financial instruments, including hedge accounting

The Group holds derivative financial instruments to hedge its interest rate risk exposure. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through the statement of total return.

On initial designation of derivative as the hedging instrument, the Group formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk, and whether the actual results of each hedge are within a range of 80% - 125%. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect the reported total return.

Derivatives are recognised initially at fair value; any attributable transaction costs are recognised in the statement of total return when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect the statement of total return, the effective portion of changes in the fair value of the derivative is recognised in unitholders' funds. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in statement of total return.

When the hedged item is a non-financial asset, the amount accumulated in unitholders' funds is retained in unitholders' funds and is reclassified to the statement of total return in the same period or periods during which the non-financial item affects the total return. In other cases, the amount accumulated in unitholders' funds is reclassified to the statement of total return in the same period that the hedged item affects the total return. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in unitholders' funds is reclassified to the statement of total return.

Other derivative financial instruments

When a derivative financial instrument is not designated in a hedge relationship that qualifies for hedge accounting, all changes in its fair value are recognised in the statement of total return.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Impairment

(i) Non-derivative financial assets

A financial asset not carried at fair value through the statement of total return is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the group, economic conditions that correlate with defaults or the disappearance of an active market for a security.

Loans and receivables

The Group considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in the statement of total return and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through the statement of total return.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment properties, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the statement of total return.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Impairment (cont'd)

(ii) Non-financial assets (cont'd)

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.8 Unitholders' funds

Unitholders' funds are classified as equity.

Issue costs relate to expenses incurred in connection with the issue of units. The expenses are deducted directly against unitholders' funds.

3.9 Convertible perpetual preferred units

The convertible perpetual preferred units do not have a maturity date and distribution payment is optional at the discretion of the Manager of the Trust. As the Trust does not have a contractual obligation to repay the principal nor make any distributions, the convertible perpetual preferred units are classified as equity.

Any distributions made are directly debited from equity. Incremental costs directly attributable to the issue of the convertible perpetual preferred units are deducted against the proceeds from the issue.

3.10 Revenue recognition

(i) Rental income

Rental income from investment properties is recognised in the statement of total return on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Variable rent is recognised as income in the accounting period in which it is earned and can be reliably estimated.

(ii) Service fee income

Revenue from servicing and maintaining the investment property is recognised when the services are rendered and collectability is reasonably assured.

(iii) Car park income

Car park income consists of seasonal and hourly parking income. Seasonal parking income is recognised on a straight-line basis over the non-cancellable lease term. Hourly parking income is recognised on utilisation of car parking facilities.

(iv) Dividend income

Dividend income is recognised in the statement of total return on the date that the Trust's right to receive payment is established.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.11 Employee benefits

(i) Short term employee benefits

All short term employee benefits are recognised in the statement of total return in the period in which the employees render their services.

A provision is recognised for the amount expected to be paid under variable bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Defined contribution plans

Contributions to post-employment benefits under defined contribution plans are recognised as an expense in the statement of total return as incurred.

3.12 Levies

A provision for levies is recognised when the condition that triggers the payment of the levy as specified in the relevant legislation is met. If a levy obligation is subject to a minimum activity threshold so that the obligating event is reaching a minimum activity, then a provision is recognised when that minimum activity threshold is reached.

3.13 Finance income and finance costs

Finance income comprises interest income which is recognised as it accrues, using the effective interest method.

Finance costs comprise interest expense on borrowings, including amortisation of transaction costs incurred on the borrowings. Finance costs are recognised in the statement of total return using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance costs depending on whether foreign currency movements are in a net gain or net loss position.

3.14 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in the statement of total return except to the extent that it relates to items recognised directly in unitholders' funds.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; and

- temporary differences relating to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 Tax (cont'd)

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For investment property that is measured at fair value, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all the economic benefits embodied in the investment property over time, rather than through sale. In all other cases, the amount of deferred tax is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

The Inland Revenue Authority of Singapore ("IRAS") has issued the Tax Transparency Ruling and Foreign-Sourced Income Tax Exemption Ruling.

Tax Transparency Ruling

Pursuant to the Tax Transparency Ruling issued by IRAS, tax transparency treatment has been granted to the Trust in respect of certain taxable income ("Specified Taxable Income"). Subject to meeting the terms and conditions of the Tax Transparency Ruling, which includes a distribution of at least 90% of the Specified Taxable Income of the Trust, the Trust is not subject to tax on the Specified Taxable Income distributed to the Unitholders in the same year in which the Specified Taxable Income was derived. Instead, the Trustee and the Manager would undertake to deduct income tax at the prevailing corporate tax rate (currently at 17%) from distributions made to Unitholders out of such Specified Taxable Income, except:

(i) Where the beneficial owners are Qualifying Unitholders, the Trustee and the Manager will make the distributions to such Unitholders without deducting any income tax; or

(ii) Where the beneficial owners are Qualifying Foreign Non-Individual Unitholders, the Trustee and the Manager will deduct Singapore income tax at the reduced rate of 10% for distributions made up to 31 March 2020, unless the concession is extended.

A "Qualifying Unitholder" is a Unitholder who is:

- an individual;
- a company incorporated and tax resident in Singapore;
- a branch in Singapore of a company incorporated outside Singapore that has obtained IRAS' approval for distributions to be made by the Trust to it without deduction of tax; and
- a body of persons (excluding partnerships) incorporated or registered in Singapore, including:
  - (i) a charity registered under the Charities Act (Cap 37) or established by any written law;
  - (ii) a town council;
  - (iii) a statutory board;
  - (iv) a co-operative society registered under the Co-operative Societies Act (Cap 62); or
  - (v) a trade union registered under the Trade Unions Act (Cap 333).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 Tax (cont'd)

Tax Transparency Ruling (cont'd)

A Qualifying Foreign Non-Individual Unitholder is a person other than an individual who is not resident in Singapore for Singapore income tax purposes and who:
- does not have a permanent establishment in Singapore; or
- carries on an operation in Singapore through a permanent establishment, where the funds used by that person to acquire units of the Trust are not obtained from that operation in Singapore.

The Tax Transparency Ruling does not apply to gains or profits from the disposal of any properties such as immovable properties and shares that are determined by the IRAS to be revenue gains chargeable to tax and income derived by the Trust but not distributed to the Unitholders in the same year in which the income is derived. Tax on such gains or profits will be subject to tax in accordance with Section 10(1)(a) of the Income Tax Act (Cap. 134). Distribution made out of the after-tax amount will not be subject to any further tax. Where the disposal gains are regarded as capital in nature, they will not be subject to tax and the Trustee and the Manager may distribute the capital gains without tax being deducted at source.

Any distributions made by the Trust to the Unitholders out of tax-exempt income and taxed income would be exempt from Singapore income tax in the hands of all Unitholders, regardless of their corporate or residence status.

Foreign-Sourced Income Tax Exemption Ruling

Pursuant to the Foreign-Sourced Income Tax Exemption Ruling issued by the IRAS and subject to the meeting of certain conditions, the Trust will be exempt from Singapore income tax on dividends received by the Trust from its subsidiary, OUE Eastern Limited.

3.15 Earnings per Unit

The Group presents basic and diluted earnings per Unit. Basic earnings per Unit is calculated by dividing the total return attributable to the Unitholders by the weighted average number of Units outstanding during the year. Diluted earnings per Unit is determined by adjusting the total return attributable to Unitholders and the weighted average number of Units outstanding for the effects of all dilutive potential Units, which comprise the convertible perpetual preferred units issued by the Trust.

3.16 Segment reporting

An operating segment is a component of the Group that engages in business activities from which they may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the other components of the Group. All operating segments' operating results are reviewed regularly by the Board of Directors of the Manager to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Board of Directors of the Manager include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly finance income and trust expenses.

3.17 New standards and interpretations not adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these financial statements. In addition, Singapore-incorporated companies listed on the Singapore Exchange ("SGX") will apply a new financial reporting framework identical to the International Financial Reporting Standards ("IFRS") for financial year ending 31 December 2018 onwards. Singapore-incorporated companies listed on SGX will have to assess the impact of IFRS 1: *First-time adoption of IFRS* when transitioning to the new reporting framework. The REIT Manager is currently assessing the potential impact of adopting these new standards and interpretations and the new financial reporting framework, on the financial statements of the Group and the Trust.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.17 New standards and interpretations not adopted (cont'd)

The new standards include, among others, FRS 109 *Financial Instruments* which is mandatory for adoption by the Group on 1 January 2018.

FRS 109 replaces most of the existing guidance in FRS 39 *Financial Instruments: Recognition and Measurement*. It includes revised guidance on classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements.

As FRS 109, when effective, will change the existing accounting standards and guidance applied by the Group and the Trust in accounting for financial instruments, the standard is expected to be relevant. The Group does not plan to adopt the standard early.

4 INVESTMENT PROPERTIES

	Group		Trust	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
At 1 January 2015/10 October 2013	1,630,612	–	1,135,000	–
Acquisitions	1,734,000(i)	1,309,027(ii)	–	972,000(ii)
Capital expenditure capitalised	2,196	108	765	78
Lease incentives	312	–	–	–
Fair value changes recognised in the statement of total return (unrealised)	21,825	316,585	10,235	162,922
Translation differences	14,233	4,892	–	–
At 31 December	3,403,178	1,630,612	1,146,000	1,135,000

(i) This relates to the acquisition of One Raffles Place in October 2015 (Note 26).

(ii) This relates to the acquisition of OUE Bayfront (and adjoining properties comprising OUE Tower and OUE Link) and Lippo Plaza in January 2014.

As at 31 December 2015, investment properties with a carrying amount of $1,669,178,000 (2014: $1,630,612,000) are pledged as security to secure bank loans (see Note 10).

Measurement of fair value

(i) Fair value hierarchy

The investment properties are stated at fair value at the reporting date. The fair values of OUE Bayfront, Lippo Plaza and One Raffles Place as at 31 December 2015 were based on independent valuations undertaken by Cushman & Wakefield VHS Pte Ltd, DTZ Dehenham Tie Leung International Property Advisers (Shanghai) Co., Ltd. and Savills Valuation and Professional Services (S) Pte Ltd, respectively. The fair values of OUE Bayfront and Lippo Plaza as at 31 December 2014 were based on independent valuations undertaken by Colliers International Consultancy & Valuation (Singapore) Pte Ltd and Colliers International (Hong Kong) Limited, respectively. Those valuers have appropriate recognised professional qualifications and recent experience in the location and category of the properties being valued.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

4 INVESTMENT PROPERTIES (CONT'D)

(i) Fair value hierarchy (cont'd)

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The Group undertakes an independent valuation of its investment property portfolio annually.

The fair values were derived based on the discounted cash flow, capitalisation and direct comparison methods. The specific risks inherent in each of the properties are taken into consideration in arriving at the valuations. The valuation methods used in determining the fair value involve certain estimates including those relating to market rental growth rate, discount rate, terminal yield rate and capitalisation rate. In relying on the valuation reports, the Manager has exercised its judgment and is satisfied that the valuation methods and estimates used are reflective of the current market conditions.

The fair value measurement of all of the Group's investment properties has been categorised as a Level 3 fair value based on the inputs to the valuation technique used (see Note 2.4).

(ii) Valuation techniques and significant unobservable inputs

The following table shows the Group's valuation techniques used in measuring the fair value of investment properties, as well as the significant unobservable inputs used.

Valuation techniques	Significant unobservable inputs	Country: Singapore	Country: China	Inter-relationship between key unobservable inputs and fair value measurement
Discounted cash flow: The discounted cash flow method involves the estimation and projection of an income stream over a period and discounting the income stream with an internal rate of return to arrive at the market value	Expected market rental growth rate	0.5% - 13.1% (2014: 3.8% - 4.4%)	0% - 6.0% (2014: 5.0% - 8.0%)	The estimated fair value would increase/(decrease) if: • expected market rental growth rate was higher (lower); • terminal yield rate was lower (higher); • risk-adjusted discount rate was lower (higher).
	Terminal yield rate	4.0% - 5.3% (2014: 4.0% - 8.0%)	4.5% (2014: 5.0%)	
	Discount rate	7.0% - 9.0% (2014: 7.0%)	8.0% (2014: 9.0%)	
Capitalisation method: The capitalisation method capitalises an income stream into a present value using single-year capitalisation rates	Capitalisation rate	3.8% to 6.5% (2014: 3.8% to 6.0%)	Not applicable.	The estimated fair value would increase/(decrease) if the capitalisation rate was lower (higher).
Direct comparison method: The direct comparison method involves the analysis of comparable sales of similar properties, with adjustments made to differentiate the comparables in terms of location, area, quality and other relevant factors	Price per square feet (psf)	\$2,552 - \$2,910 (2014: \$2,814)	\$1,320 (2014: \$1,259)	The estimated fair value would increase/(decrease) if the price psf was higher (lower).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

5 INTANGIBLE ASSET

	Group and Trust $'000
Cost	
At 10 October 2013	–
Acquisition	33,000
At 31 December 2014	33,000
At 1 January 2015	33,000
Acquisition	–
At 31 December 2015	33,000
Amortisation and impairment loss	
At 10 October 2013	–
Amortisation for the period	6,139
Impairment loss	14,300
At 31 December 2014	20,439
At 1 January 2015	20,439
Amortisation for the year	4,187
Write-back of impairment loss	(5,300)
At 31 December 2015	19,326
Carrying amounts	
At 10 October 2013	–
At 31 December 2014	12,561
At 31 December 2015	13,674

Intangible asset represents the unamortised income support receivable by the Group and the Trust under the Deed of Income Support entered into with OUE, a related party, in relation to OUE Bayfront.

Pursuant to the terms of the Deed of Income Support, OUE will provide income support on OUE Bayfront of up to $12 million per annum, for 5 years from 27 January 2014. The Group and the Trust drew down $8,347,000 (2014: $7,863,000) under the Deed of Income Support during the financial year/period (Note 18). As at 31 December 2015, the Group and the Trust has drawn down $16,210,000 (2014: $7,863,000) under the Deed of Income Support.

Impairment test

In 2014, as OUE Bayfront achieved higher than expected rental income, the Group and the Trust were entitled to lower income support than expected from OUE. As a result, the Group and the Trust carried out an impairment assessment of its intangible asset.

The recoverable amount of the intangible asset was based on its value in use and determined by discounting the estimated future cash flows to be derived under the Deed of Income Support over the remaining income support period. The carrying amount was determined to be higher than its recoverable amount and an impairment loss of $14,300,000 was recognised in the statement of total return.

In 2015, the Group and the Trust re-assessed the recoverable amount of the intangible asset, based on the same method as described above, and taking into consideration the prevailing market conditions. The carrying amount was determined to be lower than the recoverable amount and a partial write-back of the impairment loss previously recognised on the intangible asset of $5,300,000 was recognised in the statement of total return.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

5 INTANGIBLE ASSET (CONT'D)

Impairment test (cont'd)

The key assumptions used in the estimation of the recoverable amount are set out below.

	Group and Trust	
	2015	**2014**
Average market rental growth rate	2.8% - 4.3%	3.8% - 4.4%
Discount rate	7%	7%

As the intangible asset has been impaired, the recoverable amount is equal to the carrying amount. Therefore, any adverse or favourable movement in the key assumptions would lead to a further impairment or write-back.

6 INVESTMENTS IN SUBSIDIARIES

	Trust	
	2015 $'000	**2014 $'000**
Equity investments at cost	1,400,935	262,081

The shares held by the Trust in certain subsidiaries with a carrying amount of $1,138,854,000 (2014: $Nil) are pledged as security to secure bank loans (see Note 10).

Details of the subsidiaries are as follows:

Name of subsidiaries	Principal place of business/Country of incorporation	Principal activities	Ownership interest 2015 %	Ownership interest 2014 %
Direct subsidiaries				
OUE Eastern Limited [1]	British Virgin Island	Investment holding	100	100
OUE CT Treasury Pte. Ltd.[2]	Singapore	Provision of financial services	100	–
Beacon Property Holdings Pte. Ltd.[2]	Singapore	Investment holding	100	–
Indirect subsidiaries				
Tecwell Limited [1]	British Virgin Island	Investment holding	100	100
Lippo Realty (Shanghai) Limited [3]	China	Property owner	100	100
Cresthill Property Holdings Pte. Ltd. [4]	Singapore	Investment holding	100	–
OUB Centre Limited [5]	Singapore	Property owner and investment holding	83.33	–
Ampat Industrial Pte Ltd [6]	Singapore	Property development	83.33	–
Triplan Pte Ltd [6]	Singapore	Property development and investment	83.33	–

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

6 INVESTMENTS IN SUBSIDIARIES (CONT'D)

Name of subsidiaries	Principal place of business/Country of incorporation	Principal activities	Ownership interest 2015 %	2014 %
Eyton Pte Ltd [(6)]	Singapore	Property development	83.33	–
Chilatin Pte Ltd [(6)]	Singapore	Investment holding and property management	83.33	–
Ardenis Pte Ltd [(6)]	Singapore	Investment holding	54.17	–

(1) Not required to be audited under the laws of the country in which it is incorporated.
(2) Audited by KPMG LLP, Singapore.
(3) Audited by KPMG China (a member firm of KPMG International).
(4) No audit is required in 2015 as the entity is newly incorporated.
(5) Audited by PricewaterhouseCoopers LLP, Singapore.
(6) Placed under members' voluntary liquidation.

Non-controlling interests

On 8 October 2015, the Trust acquired an 83.33% equity interest in OUB Centre Limited ("OUBC") which became a subsidiary from that date (see Note 26). Accordingly, the information relating to OUBC is only for the period from 8 October 2015 to 31 December 2015.

The non-controlling interests (NCI) relate to the following subsidiary:

Name	Principal place of business/ Country of incorporation	Ownership interest held by NCI 2015 %	2014 %
OUB Centre Limited	Singapore	16.67	–

The following summarised financial information of the above subsidiary is prepared in accordance with FRS, modified for fair value adjustments on acquisition and differences in the Group's accounting policies.

2015	OUB Centre Limited $'000
Revenue	19,442
Profit and total comprehensive income	9,026
Profit and total comprehensive income attributable to NCI	1,502
Non-current assets	1,735,124
Current assets	11,212
Non-current liabilities	(323,613)
Current liabilities	(25,408)
Net assets	1,397,315
Net assets attributable to NCI	232,909
Cash flows from operating activities	11,492
Cash flows used in investing activities	(89)
Cash flows used in financing activities	(14,193)
Net decrease in cash and cash equivalents	(2,790)

7 TRADE AND OTHER RECEIVABLES

	Group		Trust	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Current				
Trade receivables from:				
- the Manager	7	7	7	7
- other related parties	9	51	9	22
- third parties	1,625	173	75	134
	1,641	231	91	163
Less:				
Allowance for doubtful receivables				
- third parties	(7)	–	–	–
Trade receivables - net	1,634	231	91	163
Other receivables from:				
- subsidiaries	–	–	660	1,971
- other related parties	3,898	4,256	3,898	4,244
- third parties	6,681	163	656	85
	10,579	4,419	5,214	6,300
Deposits	545	517	518	517
	12,758	5,167	5,823	6,980
Prepayments	842	28	39	23
	13,600	5,195	5,862	7,003
Non-current				
Prepayments	493	–	–	–

Included in other receivables from related parties of the Group and the Trust is income support receivable on OUE Bayfront of $3,898,000 (2014: $4,244,000) (see Note 5).

Other receivables from related parties and subsidiaries are unsecured, interest-free and repayable on demand.

The ageing of trade receivables that were not impaired at the reporting date is:

	Group		Trust	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Not past due	567	199	91	160
Past due 0 – 30 days	311	2	–	2
Past due 31 – 90 days	185	14	–	–
Past due over 90 days	571	16	–	1
	1,634	231	91	163

The Group believes that the unimpaired amounts that are past due are still collectible based on historic payment behaviour and the deposits held.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

7 TRADE AND OTHER RECEIVABLES (CONT'D)

Movement in the allowance for doubtful receivables on trade receivables are as follows:

	Group		Trust	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
At 1 January 2015/10 October 2013	–	–	–	–
Allowance made	7	–	–	–
At 31 December	7	–	–	–

8 FINANCIAL DERIVATIVES

	Group		Trust	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Current				
Derivative assets				
Interest rate swaps used for hedging	30	–	30	–
Non-current				
Derivative assets				
Interest rate swaps used for hedging	6,573	1,478	6,573	1,478
Derivative liabilities				
Interest rate swaps used for hedging	(180)	(973)	(180)	(973)
	6,423	505	6,423	505
Financial derivatives as a percentage of net assets	0.32%	0.05%	0.41%	0.06%

The Group uses interest rate swaps to manage its exposure to interest rate movements on its floating rate interest-bearing bank loans by swapping the interest expense of bank loans from floating rates to fixed rates.

As at 31 December 2015, the Group and the Trust have interest rate swap contracts with a total notional amount of $880.0 million (2014: $520.0 million) and tenors of between 2 years to 5 years, of which $110.0 million (2014: $110.0 million) relate to forward start interest rate swaps which will be effective in 2016. Under the contracts, the Group and the Trust pay fixed interest rates of 0.83% to 2.55% (2014: 0.83% to 2.45%) and receive interest at the three-month Singapore Dollar swap offer rate.

Master netting or similar agreements

The Group enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting agreements. In general, under such agreements the amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a single net amount that is payable by one party to the other. In certain circumstances – e.g. when a credit event such as a default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions.

The above ISDA agreements do not meet the criteria for offsetting in the statement of financial position. This is because they create a right of set-off of recognised amounts that is enforceable only following an event of default, insolvency or bankruptcy of the Group or the counterparties. In addition, the Group and its counterparties do not intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

8 FINANCIAL DERIVATIVES (CONT'D)

Master netting or similar agreements (cont'd)

The following table sets out the carrying amounts of recognised financial instruments that are subject to the above agreements.

	Gross amounts of recognised financial instruments $'000	Gross amounts of recognised financial instruments offset in the statement of financial position $'000	Net amounts of financial instruments included in the statement of financial position $'000	Related financial instruments that are not offset $'000	Net amount $'000
Group and Trust					
31 December 2015					
Derivatives assets					
Interest rate swaps used for hedging	6,603	–	6,603	(180)	6,423
Derivatives liabilities					
Interest rate swaps used for hedging	(180)	–	(180)	180	–
31 December 2014					
Derivatives assets					
Interest rate swaps used for hedging	1,478	–	1,478	(722)	756
Derivatives liabilities					
Interest rate swaps used for hedging	(973)	–	(973)	722	(251)

9 CASH AND CASH EQUIVALENTS

	Group		Trust	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Cash at bank	14,376	15,240	5,690	5,247
Fixed deposits with financial institutions	11,537	15,826	–	–
Cash and cash equivalents in the statement of financial position	25,913	31,066	5,690	5,247
Restricted cash	(1,764)	(2,330)		
Cash and cash equivalents in the statement of cash flows	24,149	28,736		

Restricted cash represent bank balances of a subsidiary pledged as security to obtain credit facility (see Note 10).

NOTES TO THE FINANCIAL STATEMENTS

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10 LOANS AND BORROWINGS

	Group		Trust	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Secured bank loans	1,321,070	644,447	987,000	580,000
Less: Unamortised transaction costs	(17,154)	(11,549)	(11,989)	(10,879)
	1,303,916	632,898	975,011	569,121
Classified as:				
Current	1,732	168	–	–
Non-current	1,302,184	632,730	975,011	569,121
	1,303,916	632,898	975,011	569,121

The Group has put in place the following credit facilities:

(i) term loan facilities of $580.0 million (2014: $580.0 million) comprising (a) a five-year term loan facility of $280.0 million (2014: $280.0 million) and (b) a three-year term loan facility of $300.0 million (2014: $300.0 million);

(ii) a three-year revolving credit facility of $100.0 million (2014: $100.0 million);

(iii) a three-year term loan facility of $360.0 million (2014: $Nil);

(iv) a three-year term loan and revolving credit facility of $370.0 million (2014: $Nil);

(v) a three-year onshore term loan facility ("Onshore Facility") of RMB188.5 million ($41.1 million) (2014: RMB304.3 million ($64.4 million)).

The Group's secured bank loans are secured on the following:

- investment properties with a total carrying amount of $1,669,178,000 (2014: $1,630,612,000) (Note 4);
- assignment of insurance policies on the above investment properties;
- assignment of all rights, titles, benefits and interests in connection with the sale and tenancy agreements, tenancy deposits/proceeds, sales deposits/proceeds, property management agreements and the receivables of certain properties;
- assignment of all rights, titles, benefits and interests in connection with the Deed of Income Support over OUE Bayfront;
- a debenture incorporating a fixed charge over book debts, charged accounts, goodwill, intellectual property and plant and machinery in connection with OUE Bayfront and floating charge over generally all of the present and future assets of the Trust in connection with OUE Bayfront;
- first priority fixed charge over the shares of certain subsidiaries (Note 6); and
- the account control or charge over certain bank accounts of the Trust and certain subsidiaries.

In addition, in August 2015, the Trust, through its wholly-owned subsidiary, established a $1.5 billion Multicurrency Debt Issuance Programme (the "Programme"). Under the Programme, the Trust may from time to time issue notes ("Notes") and/or perpetual securities ("Perpetual") in series or tranches. As at 31 December 2015, no Notes and/or Perpetual have been issued under the Programme.

10 LOANS AND BORROWINGS (CONT'D)

Terms and debt repayment schedule

Terms and conditions of outstanding borrowings are as follows:

	Nominal interest rate %	Year of maturity	Group Face value $'000	Group Carrying amount $'000	Trust Face value $'000	Trust Carrying amount $'000
2015						
Bank loans						
- SGD	1.88 – 3.02	2017 – 2019	1,280,000	1,263,113	987,000	975,011
- Chinese Renminbi	5.23	2017	41,070	40,803	–	–
			1,321,070	1,303,916	987,000	975,011
2014						
Bank loans						
- SGD	0.89 – 1.04	2017 – 2019	580,000	569,121	580,000	569,121
- Chinese Renminbi	6.77	2017	64,447	63,777	–	–
			644,447	632,898	580,000	569,121

11 TRADE AND OTHER PAYABLES

	Group 2015 $'000	Group 2014 $'000	Trust 2015 $'000	Trust 2014 $'000
Current				
Trade payables	2,656	3,236	253	706
Other payables due to:				
- subsidiaries	–	–	157	1,777
- related parties	–	66	–	66
- third parties	9,750	910	–	864
Advance rental received	3,274	2,095	924	713
Accrued expenses	16,522	12,682	4,817	3,060
Interest payable	6,995	2,572	5,246	1,797
Rental deposits				
- related parties	155	145	155	–
- third parties	12,998	6,551	627	2,471
Other deposits	1,710	651	578	512
	54,060	28,908	12,757	11,966
Non-current				
Rental deposits				
- related parties	1,497	1,753	1,497	1,711
- third parties	37,780	14,624	12,554	9,988
	39,277	16,377	14,051	11,699

Other payables due to subsidiaries and related parties are unsecured, interest-free and repayable on demand.

Included in other payables due to third parties are payables for capital expenditure of $4.5 million (2014: $Nil).

Included in accrued expenses is property tax payable of $4.3 million (2014: $5.8 million) on a property relating to prior years. Where such amounts are not required to be paid, they will be refunded to the vendor of the property.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

12 DEFERRED TAX LIABILITIES

Deferred tax liabilities are attributable to the following:

	Group		Trust	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Investment properties	57,114	38,804	–	–
Plant and equipment	3,513	1,477	–	–
Other items	(146)	(66)	–	–
	60,481	40,215	–	–

Movements in deferred tax liabilities of the Group during the year are as follows:

	Investment properties $'000	Plant and equipment $'000	Others $'000	Total $'000
2015				
At 1 January 2015	38,804	1,477	(66)	40,215
Acquisition of subsidiaries (Note 26)	14,223	110	–	14,333
Recognised in statement of total return (Note 22)	2,978	1,889	(77)	4,790
Exchange differences	1,109	37	(3)	1,143
At 31 December 2015	57,114	3,513	(146)	60,481
2014				
At 10 October 2013	–	–	–	–
Recognised in statement of total return (Note 22)	38,416	1,435	(65)	39,786
Exchange differences	388	42	(1)	429
At 31 December 2014	38,804	1,477	(66)	40,215

13 CONVERTIBLE PERPETUAL PREFERRED UNITS

In October 2015, the Group and the Trust issued 550.0 million Convertible Perpetual Preferred Units ("CPPU") at $1 per Unit to a substantial unitholder of the Trust and a related party of the Manager, as partial satisfaction of the purchase consideration for the subsidiaries acquired (Note 26). The key terms and conditions of the CPPUs are as follows:

- the CPPU holder has the right to receive preferential non-cumulative distribution of an amount equivalent to 1.0% per annum of the issue price which may be declared by the Manager at its sole discretion;

- any preferential distribution or part thereof not due or payable shall not accumulate for the benefit of the CPPU holder or entitle the CPPU holder to any claim in respect thereof against the Trust, the Trustee and/or the Manager;

- the CPPUs rank senior to the Units in respect of the entitlement to participate in the distributions of the Trust and rank senior to the Units in respect of the entitlement to receive out of the assets of the Trust the amount equivalent to the number of CPPUs held by the CPPU holder multiplied by the issue price and outstanding preferred and special preferred distribution upon the liquidation of the Trust. The CPPUs rank junior to the claims of all other present and future creditors of the Trust;

- the CPPU holder has the sole right to convert the CPPUs into Units, provided that the number of CPPUs converted in each financial year shall not exceed one-third of the total number of CPPUs initially issued to the CPPU holder, at a conversion price of $0.841 per CPPU. The CPPUs may not be converted into Units for a period of four years commencing from the date of issuance of the CPPUs on 8 October 2015;

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13 CONVERTIBLE PERPETUAL PREFERRED UNITS (CONT'D)

- the Manager shall have the sole right to redeem any number of CPPUs for the time being issued and outstanding on a pro-rata basis at the issue price at all times;
- the Manager shall not declare distributions or pay any distributions to the Unitholders, or make any redemption, unless the Manager declares or pays distributions to the CPPU holder; and
- the CPPU holder does not have the right to attend and vote at the meetings of Unitholders except during such period as the preferred or special preferred distribution remains in arrears and unpaid for at least 12 months, or upon any resolution which varies or abrogates any right, preference or privilege of the CPPUs, or upon any resolution for the dissolution or winding up of the Trust.

During the financial year, there were no conversion or redemption of CPPUs.

The CPPUs are classified as equity instruments in the statement of financial position. The $529,281,000 presented in the statement of financial position represents the carrying value of the 550.0 million CPPUs issued and the total return attributable to the CPPU holder from the last distribution date.

14 UNITS IN ISSUE AND TO BE ISSUED

	Group and Trust	
	2015 '000	2014 '000
Units in issue		
At 1 January 2015/10 October 2013	870,197	*
Creation of Units:		
- initial public offering	–	433,000
- Units issued in partial satisfaction of the purchase consideration for an investment property acquired	–	433,000
- rights issue	393,306	–
- Manager's management fees paid in Units	7,633	4,197
- Acquisition fee paid to Manager in Units	14,663	–
At 31 December	1,285,799	870,197
Units to be issued		
Manager's management fees payable in Units	3,653	2,233
Units in issue and to be issued	1,289,452	872,430

* *Less than 1,000 units*

Financial year ended 31 December 2015

During the financial year, the following Units were issued:

- 393,305,817 Units were issued at $0.555 per Unit, amounting to $218,285,000, for cash as part of the rights issue undertaken by the Trust, wherein Unitholders were entitled to subscribe for 9 new Units for every 20 existing Units held. The proceeds raised from the rights issue were used to partially fund the acquisition of subsidiaries and the related acquisition costs during the financial year;
- 7,632,671 Units were issued at $0.64 to $0.81 per Unit, amounting to $5,751,000, as satisfaction of the Manager's management fees payable in Units; and
- 14,663,132 Units were issued at $0.731 per Unit, amounting to $10,719,000, as satisfaction of the acquisition fee payable to the Manager arising from the acquisition of subsidiaries during the financial year (Note 26).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

14 UNITS IN ISSUE AND TO BE ISSUED (CONT'D)

Financial period ended 31 December 2014

During the financial period, the following Units were issued:

- 4,196,843 Units were issued at $0.79 to $0.80 per Unit, amounting to $3,347,000, as satisfaction of the Manager's management fees payable in Units;
- 1 Unit was issued at $1 per Unit on establishment of the Trust;
- 433,000,000 Units were issued at $0.80 per Unit, amounting to $346,400,000, during the Group's initial public offering exercise; and
- 432,999,999 Units were issued at $0.80 per Unit, amounting to $346,399,999 as partial satisfaction of the purchase consideration for an investment property acquired.

Each Unit in the Trust represents an undivided interest in the Trust.

A Unitholder has no equitable or proprietary interest in the underlying asset of the Group and is not entitled to the transfer to it of any asset (or any part thereof) or of any real estate, any interests in any asset and the real estate-related assets (or any part thereof) of the Group.

A Unitholder's liability is limited to the amount paid or payable for any Units. The provisions of the Trust Deed provide that no Unitholders will be personally liable to indemnify the Trustee or any creditor of the Trustee in the event that liabilities of the Trust exceed its assets.

15 NET ASSET VALUE PER UNIT

		Group		Trust	
	Note	2015	2014	2015	2014
Net asset value per Unit is based on:					
- Net assets attributable to Unitholders ($'000)		1,233,064	957,785	1,047,484	829,611
- Units in issue and to be issued at 31 December ('000)	14	1,289,452	872,430	1,289,452	872,430

16 REVENUE

	Group		Trust	
	Year ended 31/12/2015 $'000	Period from 10/10/2013 (date of constitution) to 31/12/2014 $'000	Year ended 31/12/2015 $'000	Period from 10/10/2013 (date of constitution) to 31/12/2014 $'000
Rental income	88,038	62,733	42,644	39,274
Service fee income	7,792	5,747	6,010	5,747
Carpark income	2,126	1,688	1,462	1,414
Others	4,823	2,677	3,418	2,169
Less: Business and other taxes	(1,741)	(1,300)	–	–
	101,038	71,545	53,534	48,604

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

16 REVENUE (CONT'D)

Under the terms of the lease agreements for the properties, the Group and the Trust are generally entitled to a fixed rent component and/or a variable rent component computed based on a certain percentage of the revenue. Included in rental income is variable rent of $1,302,000 (2014: $1,053,000) and $143,000 (2014: $120,000) recognised in the statement of total return for the Group and the Trust, respectively.

Included in the gross revenue of the Group and the Trust are amounts derived from related parties of $6,964,000 (2014: $6,913,000) and $6,843,000 (2014: $6,673,000), respectively.

17 PROPERTY OPERATING EXPENSES

	Group		Trust	
	Year ended 31/12/2015 $'000	Period from 10/10/2013 (date of constitution) to 31/12/2014 $'000	Year ended 31/12/2015 $'000	Period from 10/10/2013 (date of constitution) to 31/12/2014 $'000
Property maintenance expenses	4,657	4,189	2,398	2,423
Property management fees	2,166	1,969	2,166	1,969
Property-related taxes	12,256	8,102	6,549	5,149
Insurance	129	125	85	74
Utilities	1,576	1,653	1,219	1,639
Centre management costs	2,304	1,227	–	–
Others	2,311	450	315	215
	25,399	17,715	12,732	11,469

Property operating expenses represent the direct operating expenses arising from the rental of investment properties.

	Group		Trust	
	Year ended 31/12/2015 $'000	Period from 10/10/2013 (date of constitution) to 31/12/2014 $'000	Year ended 31/12/2015 $'000	Period from 10/10/2013 (date of constitution) to 31/12/2014 $'000
Centre management costs:				
Salaries, bonuses and other costs	2,034	1,157	–	–
Contributions to defined contribution plans	270	70	–	–
	2,304	1,227	–	–

18 OTHER INCOME

		Group and Trust	
	Note	Year ended 31/12/2015 $'000	Period from 10/10/2013 (date of constitution) to 31/12/2014 $'000
Income support on OUE Bayfront	5	8,347	7,863

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

19 MANAGER'S MANAGEMENT FEES

	Group and Trust	
	Year ended 31/12/2015 $'000	Period from 10/10/2013 (date of constitution) to 31/12/2014 $'000
Base fee	6,367	4,618
Performance fee	–	512
	6,367	5,130

The Manager's management fees comprise an aggregate of 9,052,722 (2014: 6,429,898) Units, amounting to approximately $6,367,000 (2014: $5,130,000), that have been or will be issued to the Manager as satisfaction of the Manager's management fees payable in Units at $0.64 to $0.81 (2014: $0.79 to $0.80) per Unit. No performance fee is payable for the financial year ended 31 December 2015.

For financial period ended 31 December 2014, given there is no preceding financial year for the Group, for purpose of computing the performance fee, the difference in DPU is the difference between the actual DPU and the forecast DPU based on the pro-rated profit forecast which is derived for the year ended 31 December 2014 as set out in the Trust's prospectus dated 17 January 2014.

20 NET FINANCE COSTS

	Group		Trust	
	Year ended 31/12/2015 $'000	Period from 10/10/2013 (date of constitution) to 31/12/2014 $'000	Year ended 31/12/2015 $'000	Period from 10/10/2013 (date of constitution) to 31/12/2014 $'000
Finance income				
Interest income	715	192	373	2
Net foreign exchange gains	328	176	–	–
	1,043	368	373	2
Finance costs				
Amortisation of debt-related transaction costs	(5,362)	(4,071)	(4,507)	(3,781)
Interest paid/payable to banks	(19,981)	(11,998)	(14,603)	(8,006)
Ineffective portion of change in fair value of cash flow hedges	(1,331)	–	(1,331)	–
Net foreign exchange losses	–	–	(8)	(4)
	(26,674)	(16,069)	(20,449)	(11,791)
Net finance costs	(25,631)	(15,701)	(20,076)	(11,789)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

20 NET FINANCE COSTS (CONT'D)

The above finance income and expenses include the following interest income and expense in respect of assets and liabilities not at fair value through profit or loss:

	Group		Trust	
	Year ended 31/12/2015 $'000	Period from 10/10/2013 (date of constitution) to 31/12/2014 $'000	Year ended 31/12/2015 $'000	Period from 10/10/2013 (date of constitution) to 31/12/2014 $'000
Total interest income on financial assets	715	192	373	2
Total interest expense on financial liabilities	(22,506)	(13,297)	(16,340)	(9,015)

21 TOTAL RETURN FOR THE YEAR/PERIOD BEFORE TAX

Included in total return for the year/period before tax are the following:

	Group		Trust	
	Year ended 31/12/2015 $'000	Period from 10/10/2013 (date of constitution) to 31/12/2014 $'000	Year ended 31/12/2015 $'000	Period from 10/10/2013 (date of constitution) to 31/12/2014 $'000
Audit fees paid to:				
- Auditors of the Trust	182	164	182	164
- Other auditors	80	43	–	–
Non-audit fees paid to:				
- Auditors of the Trust	154	41	72	41
- Other auditors	38	–	–	–
Valuation fees	72	53	26	20

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

22 TAX EXPENSE

	Group		Trust	
	Year ended 31/12/2015 $'000	Period from 10/10/2013 (date of constitution) to 31/12/2014 $'000	Year ended 31/12/2015 $'000	Period from 10/10/2013 (date of constitution) to 31/12/2014 $'000
Current tax expense				
Current year/period	4,892	1,825	–	–
Under provision in respect of prior period	106	–	–	–
	4,998	1,825	–	–
Withholding tax	622	406	–	–
Deferred tax expense				
Origination and reversal of temporary differences	4,954	39,786	–	–
Over provision in respect of prior period	(164)	–	–	–
	4,790	39,786	–	–
	10,410	42,017	–	–
Reconciliation of effective tax rate				
Total return for the year/period before tax	91,110	335,025	32,679	168,758
Tax calculated using Singapore tax rate of 17%	15,489	56,954	5,555	28,689
Effect of tax rates in foreign jurisdictions	2,244	13,264	–	–
Non-tax deductible items	6,367	5,162	3,314	5,080
Non-taxable items	(7,977)	(27,697)	(2,640)	(27,697)
Tax exempt income	(27)	–	–	–
Tax incentives	(21)	–	–	–
Over provision in respect of prior period	(58)	–	–	–
Tax transparency (Note 3.14)	(6,229)	(6,072)	(6,229)	(6,072)
Withholding tax	622	406	–	–
	10,410	42,017	–	–

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

23 EARNINGS PER UNIT AND DISTRIBUTION PER UNIT

(i) Basic earnings per Unit

The calculation of basic earnings per Unit was based on the total return attributable to Unitholders and the weighted average number of Units outstanding, as set out below:

Total return attributable to Unitholders

	Group	
	Year ended 31/12/2015 $'000	Period from 10/10/2013 (date of constitution) to 31/12/2014 $'000
Total return for the year/period	79,198	293,008
Less: Amount reserved for distribution to CPPU holder	(1,281)	–
Total return attributable to Unitholders	77,917	293,008

Weighted average number of Units

	Group	
	Year ended 31/12/2015 '000	Period from 10/10/2013 (date of constitution) to 31/12/2014 '000 Restated [1]
Units issued or to be issued at beginning of the year/period	872,430	–
Effect of Units issued during the year/period	167,608	868,163
Effect of Units to be issued as payment of the Manager's management fees payable in Units	10	142
Adjustment for effect of rights issue	–	91,866
Weighted average number of Units during the year/period	1,040,048	960,171

[1] Restated for the effect of the rights issue undertaken by the Trust in August 2015.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

23 EARNINGS PER UNIT AND DISTRIBUTION PER UNIT (CONT'D)

(ii) Diluted earnings per Unit

The calculation of diluted earnings per Unit was based on the total return attributable to Unitholders and the weighted average number of Units outstanding, after adjustment for the effect of all dilutive potential Units, as set out below:

Total return attributable to Unitholders (diluted)

	Group	
	Year ended 31/12/2015 $'000	Period from 10/10/2013 (date of constitution) to 31/12/2014 $'000
Total return attributable to Unitholders (basic)	77,917	293,008
Add: Amount reserved for distribution to CPPU holder	1,281	–
Total return attributable to Unitholders (diluted)	79,198	293,008

Weighted average number of Units (diluted)

	Group	
	Year ended 31/12/2015 '000	Period from 10/10/2013 (date of constitution) to 31/12/2014 '000 Restated [1]
Weighted average number of Units (basic)	1,040,048	960,171
Effect of conversion of CPPUs into Units [2]	152,298	–
Weighted average number of Units (diluted)	1,192,346	960,171

[1] Restated for the effect of the rights issue undertaken by the Trust in August 2015.

[2] Assume conversion of the CPPUs at the conversion price of $0.841 per CPPU.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

23 EARNINGS PER UNIT AND DISTRIBUTION PER UNIT (CONT'D)

(iii) Distribution per Unit

	Group and Trust	
	Year ended 31/12/2015	Period from 10/10/2013 (date of constitution) to 31/12/2014
Distribution per Unit (cents) *	4.38	4.77[(1),(2)]

* The DPU relates to the distributions in respect of the relevant financial year/period. The distribution for the second half of the financial year will be made subsequent to the reporting date.

(1) The figures have been restated to reflect the bonus element in the new Units issued pursuant to the rights issue in August 2015.

(2) The DPU based on the number of Units entitled to distribution, adjusted to include the 393,305,817 new Units issued pursuant to the rights issue in August 2015, is 3.63 cents.

24 ISSUE COSTS

Issue costs comprise professional, advisory and underwriting fees and other costs related to the issue of Units.

For the financial year ended 31 December 2015, included in issue costs are fees paid to the auditors of the Trust of $192,000 for the services rendered in relation to the fund raising exercise undertaken by the Trust.

In the previous financial period ended 31 December 2014, included in issue costs were fees paid to the auditors of the Trust of $671,000 for services rendered in relation to the initial public offering of the Trust.

25 OPERATING SEGMENTS

The Group has two reportable segments, which are Singapore and China. The reporting segments operate in different countries and are managed separately because of the differences in operating and regulatory environment. For each of the reporting segments, the Board of Directors of the Manager review internal management reports on a regular basis.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment net property income, as included in the internal management reports that are reviewed by the Board of Directors of the Manager. Segment net property income is used to measure performance as management believes that such information is the most relevant in evaluating the results of its segments relative to other entities that operate within the same industry.

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25 OPERATING SEGMENTS (CONT'D)

Information about reportable segments

Group	Singapore $'000	China $'000	Total $'000
31 December 2015			
Gross revenue	72,974	28,064	101,038
Property operating expenses	(18,491)	(6,908)	(25,399)
Reportable segment net property income	54,483	21,156	75,639
Other income	8,347	–	8,347
Negative goodwill arising from acquisition of subsidiaries	30,629	–	30,629
Costs relating to acquisition of subsidiaries	(1,881)	–	(1,881)
Manager's acquisition fee	(10,719)	–	(10,719)
Depreciation and amortisation	(4,228)	(7)	(4,235)
Write-back of impairment loss on intangible asset	5,300	–	5,300
Finance income	364	260	624
Finance costs	(22,820)	(3,854)	(26,674)
Unallocated items			
- Finance income			419
- Expenses			(8,164)
Net income			69,285
Net change in fair value of investment properties	10,429	11,396	21,825
Tax expense	(2,267)	(8,143)	(10,410)
Total return for the year			80,700
31 December 2015			
Non-current assets [(1)]	2,894,798	523,208	3,418,006
Period from 10 October 2013 to 31 December 2014			
Gross revenue	48,604	22,941	71,545
Property operating expenses	(11,469)	(6,246)	(17,715)
Reportable segment net property income	37,135	16,695	53,830
Other income	7,863	–	7,863
Depreciation and amortisation	(6,139)	(6)	(6,145)
Impairment loss on intangible asset	(14,300)	–	(14,300)
Finance income	2	174	176
Finance costs	(11,787)	(4,282)	(16,069)
Unallocated items			
- Finance income			192
- Expenses			(7,107)
Net income			18,440
Net change in fair value of investment properties	162,922	153,663	316,585
Tax expense	–	(42,017)	(42,017)
Total return for the period			293,008
31 December 2014			
Non-current assets [(1)]	1,147,561	495,663	1,643,224

(1) Excluding financial assets

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

26 ACQUISITION OF SUBSIDIARIES

Financial year ended 31 December 2015

On 8 October 2015, the Trust acquired 83.33% of the shares and voting interests in OUB Centre Limited and its subsidiaries ("OUBC Group"), through the acquisition of a 100% equity interest in Beacon Property Holdings Pte. Ltd. ("Beacon") from OUE, a related party. OUBC owns an 81.54% interest in One Raffles Place.

The acquisition provides the Group with portfolio diversification and enhances the resilience of its income stream, as well as reduces its asset concentration risk.

For the period from the date of acquisition to 31 December 2015, the OUBC Group contributed revenue of $19,442,000 and total return of $9,026,000 to the Group's results. If the acquisition had occurred on 1 January 2015, the Manager estimates that the consolidated revenue would have been $165,082,000 and the consolidated total return would have been $110,433,000. In determining these amounts, the Manager has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2015.

Consideration transferred

The following table summarises the acquisition-date fair value of each major class of consideration transferred for the shares acquired in Beacon and the repayment of the shareholder's loan of $465.4 million extended by the vendor to Beacon:

	Note	$'000
Cash		598,254
Equity instruments issued (550,000,000 CPPUs)	13	528,000
Total consideration transferred		1,126,254

Equity instruments issued

The fair value of the CPPUs issued was determined using the discounted cash flows method. The valuation model considers the present value of the expected cash flows, discounted using a risk-adjusted discount rate.

Acquisition-related costs

The Group incurred acquisition-related costs of $12,600,000, including an acquisition fee of $10,719,000 paid to the Manager in Units and stamp duty, legal fees and due diligence costs of $1,881,000 (including fee paid to the Trustee of $18,000), which have been recognised in the statement of total return.

Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

	$'000
Plant and equipment	670
Investment property	1,734,000
Trade and other receivables	10,864
Inventories	51
Cash and cash equivalents	6,059
Trade and other payables	(44,800)
Loans and borrowings	(301,036)
Deferred tax liabilities	(14,333)
Current tax payable	(3,185)
Net identifiable assets and liabilities acquired	1,388,290

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

26 ACQUISITION OF SUBSIDIARIES (CONT'D)

Measurement of fair values

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

Assets acquired	Valuation technique
Investment property	*Capitalisation method and market comparison method:* The capitalisation method capitalises an income stream into a present value using a single-year capitalisation rate. The market comparison method considers the selling prices of comparable properties, with adjustments made to differentiate the comparables in terms of tenure, location, condition and other relevant factors.

The fair value of the investment property was based on independent valuation undertaken by Savills Valuation and Professional Services (S) Pte Ltd.

The trade and other receivables comprise gross contractual amounts due of $10,967,000, of which $103,000 was expected to be uncollectible at the date of acquisition.

Negative goodwill

Negative goodwill arising from the acquisition has been recognised as follows:

	$'000
Fair value of identifiable net assets	1,388,290
Less: Non-controlling interests, based on their proportionate interest in the recognised amounts of the assets and liabilities of the acquiree	(231,407)
Identifiable net assets acquired	1,156,883
Total consideration transferred [1]	1,126,254
Negative goodwill	30,629

[1] Including the repayment of the shareholder's loan extended by the vendor to Beacon.

The negative goodwill is mainly attributable to the lower consideration paid, taking into consideration the fair value of the CPPUs issued (Note 13) as part satisfaction of the purchase consideration, and the discount on the fair value of One Raffles Place.

Cash flows relating to the acquisition

	$'000
Purchase consideration	1,126,254
Acquisition costs	12,600
Less: Consideration satisfied through the issuance of CPPUs	(528,000)
Less: Acquisition costs satisfied through the issuance of Units	(10,719)
Less: Cash acquired	(6,059)
Net cash outflow	594,076

26 ACQUISITION OF SUBSIDIARIES (CONT'D)

Financial period ended 31 December 2014

On 27 January 2014, the Group acquired a 100% equity interest in Lippo Realty (Shanghai) Limited, through the acquisition of a 100% equity interest in Tecwell Limited. Lippo Realty (Shanghai) Limited owns Lippo Plaza in Shanghai.

The following table summarises the assets acquired and liabilities assumed at the date of acquisition and the cash flows relating to the acquisition.

	$'000
Plant and equipment	63
Investment property	336,635
Trade and other receivables	368
Cash and cash equivalents	16,228
Trade and other payables	(15,024)
Loans and borrowings	(191,777)
Tax payables	(2,993)
Net identifiable assets and liabilities acquired	143,500
Purchase consideration	143,500
Acquisition costs	392
Less: Amount not yet paid	(6,066)
Less: Cash acquired	(16,228)
Net cash outflow	121,598

27 FINANCIAL RISK MANAGEMENT

Risk management framework

Risk management is integral to the whole business of the Group. The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The Manager continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Board of Directors of the Manager has overall responsibility for the establishment and oversight of the risk management framework of the Group. The Audit and Risk Committee of the Manager assists the Board of Directors and oversees how the Manager monitors compliance with the risk management policies and procedures of the Group, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit and Risk Committee reports regularly to the Board of Directors on its activities.

Overview

The Group has exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the exposure of the Group to each of the above risks, its objectives, policies and processes for measuring and managing risk, and its management of capital.

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YEAR ENDED 31 DECEMBER 2015

27 FINANCIAL RISK MANAGEMENT (CONT'D)

Credit risk

Credit risk is the potential financial loss resulting from the failure of a lessee to settle its financial and contractual obligations to the Group, as and when they fall due.

Credit evaluations are performed before lease agreements are entered into with prospective tenants. Rental deposits are obtained, where appropriate, to mitigate credit risk. In addition, the Manager monitors closely the balances due from its tenants regularly.

The Group establishes an allowance for impairment, based on a specific loss component that relates to individually significant exposures, that represents its estimate of incurred losses in respect of trade and other receivables.

The allowance account in respect of trade and other receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible. At that point, the financial asset is considered irrecoverable and the amount charged to the allowance account is written off against the carrying amount of the impaired financial asset.

Cash and fixed deposits are placed with financial institutions which are regulated. Investments and transactions involving derivative financial instruments are allowed only with counterparties who have sound credit ratings. As at the reporting date, the Group and the Trust have entered into interest rate swaps with a total nominal amount of $880.0 million (2014: $520.0 million), of which $110.0 million (2014: $110.0 million) relate to forward start interest rate swaps which will be effective in 2016.

At the reporting date, there was no significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying value of each financial asset on the statement of financial position.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Manager monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate to finance the Group's operations and to mitigate the effects of fluctuations in cash flows. The Manager also monitors and observes the CIS Code issued by the MAS concerning limits on total borrowings.

In addition, the Group maintains the following lines of credit:

- A total of $940.0 million (2014: $580.0 million) term loan facilities with banks. At the reporting date, these facilities were fully drawn down (2014: $580.0 million);

- $100.0 million (2014: $100.0 million) revolving credit facilities with banks. At the reporting date, $47.0 million (2014: $Nil) was drawn down;

- $370.0 million (2014: $Nil) term loan and revolving credit facilities with banks. At the reporting date, $293.0 million (2014: $Nil) was drawn down; and

- RMB188.5 million (2014: RMB304.3 million) term loan facility with banks. At the reporting date, this facility was fully drawn down (2014: RMB304.3 million).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

27 FINANCIAL RISK MANAGEMENT (CONT'D)

Liquidity risk (cont'd)

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	Carrying amount $'000	Contractual cash flows $'000	← Cash flows Within 1 year $'000	Within 2 to 5 years $'000	→ More than 5 years $'000
Group					
2015					
Non-derivative financial liabilities					
Trade and other payables*	90,063	(90,063)	(50,786)	(35,023)	(4,254)
Loans and borrowings	1,303,916	(1,425,831)	(40,869)	(1,384,962)	–
	1,393,979	(1,515,894)	(91,655)	(1,419,985)	(4,254)
Derivative financial instruments					
Interest rate swaps used for hedging (net-settled)	(6,603)	7,073	(546)	7,619	–
Interest rate swaps used for hedging (net-settled)	180	(142)	(890)	748	–
	(6,423)	6,931	(1,436)	8,367	–
	1,387,556	(1,508,963)	(93,091)	(1,411,618)	(4,254)
2014					
Non-derivative financial liabilities					
Trade and other payables*	43,190	(43,190)	(26,813)	(12,031)	(4,346)
Loans and borrowings	632,898	(692,850)	(12,745)	(680,105)	–
	676,088	(736,040)	(39,558)	(692,136)	(4,346)
Derivative financial instruments					
Interest rate swaps used for hedging (net-settled)	(1,478)	1,644	(1,273)	2,917	–
Interest rate swaps used for hedging (net-settled)	973	(893)	(684)	(209)	–
	(505)	751	(1,957)	2,708	–
	675,583	(735,289)	(41,515)	(689,428)	(4,346)

* Excluding advance rental received

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

27 FINANCIAL RISK MANAGEMENT (CONT'D)

Liquidity risk (cont'd)

	Carrying amount $'000	Contractual cash flows $'000	Cash flows Within 1 year $'000	Within 2 to 5 years $'000	More than 5 years $'000
Trust					
2015					
Non-derivative financial liabilities					
Trade and other payables*	25,884	(25,884)	(11,833)	(10,346)	(3,705)
Loans and borrowings	975,011	(1,060,974)	(27,779)	(1,033,195)	–
	1,000,895	(1,086,858)	(39,612)	(1,043,541)	(3,705)
Derivative financial instruments					
Interest rate swaps used for hedging (net-settled)	(6,603)	7,073	(546)	7,619	–
Interest rate swaps used for hedging (net-settled)	180	(142)	(890)	748	–
	(6,423)	6,931	(1,436)	8,367	–
	994,472	(1,079,927)	(41,048)	(1,035,174)	(3,705)
2014					
Non-derivative financial liabilities					
Trade and other payables*	22,952	(22,952)	(11,253)	(7,353)	(4,346)
Loans and borrowings	569,121	(619,697)	(8,330)	(611,367)	–
	592,073	(642,649)	(19,583)	(618,720)	(4,346)
Derivative financial instruments					
Interest rate swaps used for hedging (net-settled)	(1,478)	1,644	(1,273)	2,917	–
Interest rate swaps used for hedging (net-settled)	973	(893)	(684)	(209)	–
	(505)	751	(1,957)	2,708	–
	591,568	(641,898)	(21,540)	(616,012)	(4,346)

* Excluding advance rental received

The maturity analyses show the contractual undiscounted cash flows of the Group's and the Trust's financial liabilities on the basis of their earliest possible contractual maturity. Derivative financial instruments held are normally not closed out prior to contractual maturity. The disclosure shows net cash flow amounts for derivatives that are net cash-settled.

All the derivative financial instruments are designated as cash flow hedges. The table above reflects the periods in which the cash flows associated with cash flow hedges are expected to occur and to impact the total return.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Group's total return or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

27 FINANCIAL RISK MANAGEMENT (CONT'D)

Interest rate risk

The Manager's strategy to manage the risk of potential interest rate volatility may be through the use of interest rate hedging instruments and/or fixed rate borrowings. The Manager will regularly evaluate the feasibility of putting in place the appropriate level of interest rate hedges, after taking into account the prevailing market conditions.

Derivative financial instruments are used to manage exposures to interest rate risks arising from financing activities. Derivative financial instruments are not used for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

The Group's exposure to changes in interest rates relate primarily to interest-earning financial assets and interest-bearing financial liabilities. At the reporting date, the interest rate profile of the interest-bearing financial instruments was as follows:

	Group Nominal amount		Trust Nominal amount	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Fixed rate instruments				
Cash at bank	11,537	15,826	–	–
Interest rate swaps	(770,000)	(410,000)	(770,000)	(410,000)
	(758,463)	(394,174)	(770,000)	(410,000)
Variable rate instruments				
Loans and borrowings	(1,321,070)	(644,447)	(987,000)	(580,000)
Interest rate swaps	770,000	410,000	770,000	410,000
	(551,070)	(234,447)	(217,000)	(170,000)

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for the fixed rate financial assets at fair value through profit or loss. The Group does not designate interest rate swaps as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect total return.

Sensitivity analysis for variable instruments

For the variable rate instruments, a change in 50 (2014: 10) basis points (bp) in interest rate at the reporting date would impact total return and unitholders' funds (before any tax effects) by the amounts shown below. This analysis assumes that all other variables remain constant.

	Statement of Total Return		Unitholders' funds	
	Increase in interest rate $'000	Decrease in interest rate $'000	Increase in interest rate $'000	Decrease in interest rate $'000
Group				
2015				
Variable rate instruments				
Loans and borrowings (50 bp)	(6,626)	6,626	–	–
Interest rate swaps (50 bp)	3,850	(3,850)	331	(363)
	(2,776)	2,776	331	(363)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

27 FINANCIAL RISK MANAGEMENT (CONT'D)

Interest rate risk (cont'd)

	Statement of Total Return		Unitholders' funds	
	Increase in interest rate $'000	Decrease in interest rate $'000	Increase in interest rate $'000	Decrease in interest rate $'000
Group				
2014				
Variable rate instruments				
Loans and borrowings (10 bp)	(651)	651	–	–
Interest rate swaps (10 bp)	410	(410)	(14)	(73)
	(241)	241	(14)	(73)
Trust				
2015				
Variable rate instruments				
Loans and borrowings (50 bp)	(4,935)	4,935	–	–
Interest rate swaps (50 bp)	3,850	(3,850)	331	(363)
	(1,085)	1,085	331	(363)
2014				
Variable rate instruments				
Loans and borrowings (10 bp)	(580)	580	–	–
Interest rate swaps (10 bp)	410	(410)	(14)	(73)
	(170)	170	(14)	(73)

Currency risk

In order to manage the currency risk involved in investing in assets outside Singapore, the Manager adopts the currency risk management strategies that may include:

- the use of foreign currency denominated borrowings to match the currency of the asset investment as a natural currency hedge;
- the use of cross currency swaps to swap a portion of debt in another currency into the currency of the asset investment to reduce the underlying currency exposure; and
- entering into currency forward contracts to hedge the foreign currency income received from its foreign subsidiaries, back into Singapore Dollars.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED 31 DECEMBER 2015

27 FINANCIAL RISK MANAGEMENT (CONT'D)

Currency risk (cont'd)

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	2015 HKD $'000	2014 HKD $'000
Group		
Cash and cash equivalents	1,083	1,025

Sensitivity analysis

A 5% strengthening of the HKD against the Singapore dollar at the reporting date would have increased total return before tax by the amount shown below. There is no impact on Unitholders' funds. The analysis assumes that all other variables, in particular interest rates, remain constant.

	Increase in total return $'000
2015	
HKD (5% strengthening)	54
2014	
HKD (5% strengthening)	51

A 5% weakening of the HKD against the Singapore dollar at the reporting date would have the equal but opposite effect on the above currency to the amounts shown above, on the basis that all other variables remain constant.

Fair values

Accounting classifications and fair values

The fair values of financial assets and liabilities, including their levels in the fair value hierarchy are set out below. It does not include the fair value information of financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED 31 DECEMBER 2015

27 FINANCIAL RISK MANAGEMENT (CONT'D)

Fair values (cont'd)

		Carrying amount				Fair value			
	Note	Loans and receivables $'000	Fair value – hedging instruments $'000	Other financial liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group									
2015									
Financial assets measured at fair value									
Financial derivatives	8	–	6,603	–	6,603		6,603		6,603
Financial assets not measured at fair value									
Trade and other receivables ^	7	12,758	–	–	12,758				
Cash and cash equivalents	9	25,913	–	–	25,913				
		38,671	–	–	38,671				
Financial liabilities measured at fair value									
Financial derivatives	8	–	(180)	–	(180)		(180)		(180)
Financial liabilities not measured at fair value									
Loans and borrowings	10	–	–	(1,303,916)	(1,303,916)				
Trade and other payables #	11	–	–	(90,063)	(90,063)			(87,453)	(87,453)
		–	–	(1,393,979)	(1,393,979)				
2014									
Financial assets measured at fair value									
Financial derivatives	8	–	1,478	–	1,478		1,478		1,478
Financial assets not measured at fair value									
Trade and other receivables ^	7	5,167	–	–	5,167				
Cash and cash equivalents	9	31,066	–	–	31,066				
		36,233	–	–	36,233				
Financial liabilities measured at fair value									
Financial derivatives	8	–	(973)	–	(973)		(973)		(973)
Financial liabilities not measured at fair value									
Loans and borrowings	10	–	–	(632,898)	(632,898)				
Trade and other payables #	11	–	–	(43,190)	(43,190)			(42,769)	(42,769)
		–	–	(676,088)	(676,088)				

^ Excluding prepayments
# Excluding advance rental received

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

27 FINANCIAL RISK MANAGEMENT (CONT'D)

Fair values (cont'd)

		Carrying amount				Fair value			
	Note	Loans and receivables $'000	Fair value – hedging instruments $'000	Other financial liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Trust									
2015									
Financial assets measured at fair value									
Financial derivatives	8	–	6,603	–	6,603		6,603		6,603
Financial assets not measured at fair value									
Trade and other receivables ^	7	5,823	–	–	5,823				
Cash and cash equivalents	9	5,690	–	–	5,690				
		11,513	–	–	11,513				
Financial liabilities measured at fair value									
Financial derivatives	8	–	(180)	–	(180)		(180)		(180)
Financial liabilities not measured at fair value									
Loans and borrowings	10	–	–	(975,011)	(975,011)				
Trade and other payables #	11	–	–	(25,884)	(25,884)			(24,809)	(24,809)
		–	–	(1,000,895)	(1,000,895)				
2014									
Financial assets measured at fair value									
Financial derivatives	8	–	1,478	–	1,478		1,478		1,478
Financial assets not measured at fair value									
Trade and other receivables ^	7	6,980	–	–	6,980				
Cash and cash equivalents	9	5,247	–	–	5,247				
		12,227	–	–	12,227				
Financial liabilities measured at fair value									
Financial derivatives	8	–	(973)	–	(973)		(973)		(973)
Financial liabilities not measured at fair value									
Loans and borrowings	10	–	–	(569,121)	(569,121)				
Trade and other payables #	11	–	–	(22,952)	(22,952)			(22,835)	(22,835)
		–	–	(592,073)	(592,073)				

^ Excluding prepayments
# Excluding advance rental received

27 FINANCIAL RISK MANAGEMENT (CONT'D)

Fair values (cont'd)

Valuation techniques and significant unobservable inputs

The following tables show the valuation techniques used in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used.

Financial instruments measured at fair value

Type	Valuation technique
Group and Trust	
Interest rate swaps	*Market comparison technique:* The fair values are based on broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.

Financial instruments not measured at fair value

Type	Valuation technique
Group and Trust	
Trade and other payables	*Discounted cash flows*

There were no transfers between Level 2 and 3 during the year.

Capital management

The Manager's principal objectives are to deliver regular and stable distributions to Unitholders and to achieve sustainable long-term growth in distributions and in the net asset value per Unit, while maintaining an appropriate capital structure. Capital consists of all components of equity of the Group.

The Group's capital funding objectives are to maintain a strong statement of financial position, manage the cost of debt financing, and potential refinancing or repayment risks, secure diversified funding sources and implement appropriate hedging strategies to manage interest rate volatility and foreign exchange exposure, after taking into account the prevailing market conditions.

The Group has income derived from its investments in the PRC. The conversion of the Chinese Renminbi is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

The Trust and its subsidiaries are subject to the aggregate leverage limit as defined in the Property Funds Appendix of the CIS Code issued by the MAS. The CIS Code stipulates that the total borrowings and deferred payments (together the "Aggregate Leverage") of a property fund should not exceed 35.0% of its Deposited Property except that the Aggregate Leverage of a property fund may exceed 35.0% of its Deposited Property (up to a maximum of 60.0%) if a credit rating of the property fund from Fitch Inc., Moody's or Standard and Poor's is obtained and disclosed to the public. The property fund should continue to maintain and disclose a credit rating so long as its Aggregate Leverage exceeds 35.0% of its Deposited Property. With effect from 1 January 2016, the Aggregate Leverage of a property fund shall not exceed 45%.

The Aggregate Leverage of the Group as at 31 December 2015 was 40.1% (2014: 38.3%) of its Deposited Property. The Trust has a corporate rating of Ba1 from Moody's. This complied with the Aggregate Leverage limit as described above.

There were no substantial changes in the Group's and the Trust's approach to capital management during the period.

28 COMMITMENTS

The Group and the Trust has the following commitments as at the reporting date:

(a) Capital commitments

	Group 2015 $'000	Group 2014 $'000	Trust 2015 $'000	Trust 2014 $'000
Contracted but not provided for in the financial statements:				
- Expenditure in respect of investment properties	573	–	–	–

(b) Operating lease commitments

Non-cancellable operating lease rentals are receivable as follows:

	Group 2015 $'000	Group 2014 $'000	Trust 2015 $'000	Trust 2014 $'000
Within 1 year	153,354	69,379	54,103	46,178
After 1 year but within 5 years	282,926	159,174	133,372	124,715
After 5 years	62,320	27,883	12,351	27,883
	498,600	256,436	199,826	198,776

The above operating lease receivables are based on the fixed component of the rent receivable under the lease agreements, adjusted for increases in rent where such increases have been provided for under the lease agreements.

29 RELATED PARTY TRANSACTIONS

In the normal course of the operations of the Trust, the Manager's management fee and Trustee's fee have been paid or are payable to the Manager and Trustee respectively. Property management fees are payable to the Property Manager, a related party of the Manager.

During the financial year, other than the transactions disclosed elsewhere in the financial statements, there were the following related party transactions:

	Group Year ended 31/12/2015 $'000	Group Period from 10/10/2013 (date of constitution) to 31/12/2014 $'000	Trust Year ended 31/12/2015 $'000	Trust Period from 10/10/2013 (date of constitution) to 31/12/2014 $'000
Acquisition of investment property and intangible asset from a related party	–	1,005,000	–	1,005,000
Acquisition of subsidiaries from a related party	1,148,254	143,500	1,148,254	143,500
Hotel service expenses paid/payable to related parties	55	–	55	–
Settlement of liabilities by related parties of the Manager on behalf of the Group and the Trust	249	2,100	249	2,100

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

30 FINANCIAL RATIOS

	Group		Trust	
	2015	2014	2015	2014
	%	%	%	%
Expenses to weighted average net assets [1]				
- including performance component of the Manager's fees [2]	0.66	0.77	0.74	0.85
- excluding performance component of the Manager's fees [2]	0.66	0.72	0.74	0.79
Portfolio turnover rate [3]	–	–	–	–

[1] The annualised ratios are computed in accordance with the guidelines of the Investment Management Association of Singapore. The expenses used in the computation relate to expenses of the Group and the Trust, excluding property expenses and finance expenses.

[2] Excluding acquisition fee and costs associated with the acquisition of subsidiaries.

[3] The annualised ratio is computed based on the lesser of purchases or sales of underlying investment properties of the Group and the Trust expressed as a percentage of daily average net asset value.

31 SUBSEQUENT EVENTS

There were the following events subsequent to the reporting date:

- On 27 January 2016, the Manager declared a distribution of $1,281,000 to the CPPU holder in respect of the period from 8 October 2015 (being the date of issue of the CPPUs) to 31 December 2015.

- On 27 January 2016, the Manager declared a distribution of 2.38 cents per Unit, amounting to $30,689,000, in respect of the period from 1 July 2015 to 31 December 2015.

- On 1 February 2016, the Trust issued 3,653,106 Units at $0.6568 per Unit, amounting to $2,399,000, to the Manager as payment of the management fees for the period from 1 October 2015 to 31 December 2015.

INTERESTED PERSON AND INTERESTED PARTY TRANSACTIONS

	Aggregate value of all interested person/party transactions during the financial year under review (excluding transactions less than S$100,000) S$'000
OUE Limited & its subsidiaries	
Gross rental income	2,729
Termination of leases	1,617
Carpark income	251
Utilities	223
Manager's management fee[1]	6,367
Manager's acquisition fee[2]	10,719
Property management fee[1]	2,166
Acquisition of Beacon Property Holdings Pte. Ltd.[3]	1,148,300
DBS Trustee Limited	
Trustee's fee[1]	407

Please also see Significant Related Party Transactions in Note 29 to the Financial Statements.

Saved as disclosed above, during the financial year ended 31 December 2015, there were no additional interested person/party transactions (excluding transactions less than S$100,000 each) nor any material contracts entered into by OUE C-REIT involving the interests of the CEO, each Director or controlling shareholder of the Manager or controlling Unitholder.

Notes:

1 The fees and charges payable by OUE C-REIT to the Trustee and the Manager under the Trust Deed and to the Property Manager under the Master Property Management Agreement and the Individual Property Management Agreements (each as defined in the prospectus of OUE C-REIT dated 17 January 2014 (the "Prospectus")) each of which constitutes an Interested Person Transaction, are deemed to have been specifically approved by the Unitholders upon purchase of the Units and are therefore not subject to Rule 905 and Rule 906 of the Listing Manual to the extent that there is no subsequent change to the rates and/or bases of the fees charged thereunder which will adversely affect OUE C-REIT.

Income support arrangements of approximately S$8.3 million pursuant to the Deed of Income Support (as defined in the Prospectus) has been excluded from the table above as it is deemed to have been specifically approved by the Unitholders upon purchase of the Units and is therefore not subject to Rules 905 and 906 of the Listing Manual insofar that, in respect of such agreement, there are no subsequent changes to the terms thereunder which will adversely affect OUE C-REIT.

2 Comprises acquisition fee at 0.75% of the purchase consideration paid to the Manager in connection with the acquisition of Beacon Property Holdings Pte. Ltd. (the "Acquisition") on 8 October 2015. As the Acquisition constitutes an "interested party transaction" under the Property Funds Appendix, in accordance with paragraph 5.6 of the Property Funds Appendix, the acquisition fee must be paid in the form of Units which shall not be sold within one year from their date of issue. 14,663,132 Units at S$0.731 per Unit were issued to the Manager on 8 October 2015 following the completion of the Acquisition. As stated in the circular dated 1 July 2015, the issue price of the acquisition fee is determined based on the theoretical ex-rights price in relation to the Rights Issue.

3 On 8 October 2015, OUE C-REIT completed the acquisition of Beacon Property Holdings Pte. Ltd. from OUE Limited. The Acquisition was approved by Unitholders at an extraordinary general meeting held on 27 July 2015. The purchase consideration and the repayment of shareholders' loan were satisfied by the payment of S$598.3 million in cash and the issuance of S$550.0 million convertible perpetual preferred units in OUE C-REIT to Clifford Development Pte. Ltd. (a wholly-owned subsidiary of OUE Limited).

As disclosed in the Prospectus, the Manager has elected to receive 100.0% of its management fees in the form of Units for the financial year ended 31 December 2015.

The following table sets out a summary of Units issued for payment of the management fees during or in respect of the financial year from 1 January 2015 to 31 December 2015.

For Period	Issue Date	Units issued	Issue Price (S$)*
1 January 2015 to 31 March 2015	11 May 2015	1,583,030	0.7973
1 April 2015 to 30 June 2015	17 August 2015	1,554,030	0.8106
1 July 2015 to 30 September 2015	16 November 2015	2,262,556	0.6390
1 October 2015 to 31 December 2015	1 February 2016	3,653,106	0.6568

* Based on the volume weighted average traded price for a Unit for all trades on the SGX-ST in the ordinary course of trading on the SGX-ST for the last ten business days of the relevant period in which the management fee accrues

OUE C-REIT has not obtained a general mandate from Unitholders for interested person transactions.

STATISTICS OF UNITHOLDINGS

AS AT 3 MARCH 2016

1,289,451,569 Units (one vote per Unit) in issue.
Market capitalisation of S$838,143,519.85 based on the market closing Unit price of S$0.650 on 3 March 2016.

DISTRIBUTION OF UNITHOLDINGS

Size of Unitholdings	Number of Unitholders	%	Number of Units	%
1 - 99	10	0.12	356	0.00
100 - 1,000	361	4.48	252,361	0.02
1,001 - 10,000	5,047	62.66	28,678,975	2.22
10,001 - 1,000,000	2,612	32.43	170,670,985	13.24
1,000,001 and above	25	0.31	1,089,848,892	84.52
TOTAL	**8,055**	**100.00**	**1,289,451,569**	**100.00**

TWENTY LARGEST UNITHOLDERS

No.	Name	Number of Units	%
1	CITIBANK NOMINEES SINGAPORE PTE LTD	822,095,560	63.76
2	DBS NOMINEES (PRIVATE) LIMITED	79,308,763	6.15
3	RAFFLES NOMINEES (PTE) LIMITED	57,357,479	4.45
4	OUE COMMERCIAL REIT MANAGEMENT PTE. LTD.	33,751,569	2.62
5	OCBC SECURITIES PRIVATE LIMITED	31,858,450	2.47
6	BANK OF SINGAPORE NOMINEES PTE. LTD.	20,399,800	1.58
7	DELLA SUANTIO MRS DELLA SUANTIO LEE	7,687,500	0.60
8	HSBC (SINGAPORE) NOMINEES PTE LTD	7,347,955	0.57
9	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	4,647,440	0.36
10	GOH YEW GEE	2,316,000	0.18
11	PHILLIP SECURITIES PTE LTD	2,131,920	0.17
12	QUEK SIN KONG	2,000,000	0.16
13	SAY KIN HENG	2,000,000	0.16
14	THIO GIM HOCK	2,000,000	0.16
15	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	1,860,510	0.14
16	GOH YEU TOH	1,850,000	0.14
17	LIM HOON MIN	1,466,000	0.11
18	JACK INVESTMENT PTE LTD	1,443,200	0.11
19	GOH YEO HWA	1,338,550	0.10
20	HENG SIEW ENG	1,323,700	0.10
	TOTAL	**1,084,184,396**	**84.09**

DIRECTORS' INTERESTS IN UNITS AS AT 21 JANUARY 2016

Directors	Direct Interest	%	Deemed Interest	%
Christopher James Williams	-	-	181,250	0.01
Ng Lak Chuan	362,500	0.03	-	-
Loh Lian Huat	145,000	0.01	217,500	0.02
Tan Shu Lin	362,500	0.03	-	-

STATISTICS OF UNITHOLDINGS

AS AT 3 MARCH 2016

SUBSTANTIAL UNITHOLDERS' INTERESTS AS AT 3 MARCH 2016

Name of Substantial Unitholder	Direct Interest		Deemed Interest			
	No. of Units held	%	No. of Units held	%	Total No. of Units held	%
Clifford Development Pte. Ltd. ("Clifford")	804,153,700	62.36[21]	-	-	804,153,700	62.36[21]
OUE Limited	-	-	837,905,269[1]	64.98[21]	837,905,269	64.98[21]
OUE Realty Pte. Ltd. ("OUER")	-	-	837,905,269[2]	64.98[21]	837,905,269	64.98[21]
Golden Concord Asia Limited ("GCAL")	-	-	837,905,269[3]	64.98[21]	837,905,269	64.98[21]
Fortune Code Limited ("FCL")	-	-	837,905,269[4]	64.98[21]	837,905,269	64.98[21]
Lippo ASM Asia Property Limited ("LAAPL")	-	-	837,905,269[5]	64.98[21]	837,905,269	64.98[21]
Pacific Landmark Holdings Limited ("Pacific Landmark")	-	-	837,905,269[6]	64.98[21]	837,905,269	64.98[21]
HKC Property Investment Holdings Limited ("HKC Property")	-	-	837,905,269[7]	64.98[21]	837,905,269	64.98[21]
Hongkong Chinese Limited ("HCL")	-	-	847,286,769[8]	65.71[21]	847,286,769	65.71[21]
Hennessy Holdings Limited ("HHL")	-	-	847,286,769[9]	65.71[21]	847,286,769	65.71[21]
Prime Success Limited ("PSL")	-	-	847,286,769[10]	65.71[21]	847,286,769	65.71[21]
Lippo Limited ("LL")	-	-	847,286,769[11]	65.71[21]	847,286,769	65.71[21]
Lippo Capital Limited ("LCL")	-	-	847,286,769[12]	65.71[21]	847,286,769	65.71[21]
Lanius Limited ("Lanius")	-	-	847,286,769[13]	65.71[21]	847,286,769	65.71[21]
Admiralty Station Management Limited ("Admiralty")	-	-	837,905,269[14]	64.98[21]	837,905,269	64.98[21]
ASM Asia Recovery (Master) Fund ("AARMF")	-	-	837,905,269[15]	64.98[21]	837,905,269	64.98[21]
ASM Asia Recovery Fund ("AARF")	-	-	837,905,269[16]	64.98[21]	837,905,269	64.98[21]
Argyle Street Management Limited ("ASML")	-	-	837,905,269[17]	64.98[21]	837,905,269	64.98[21]
Argyle Street Management Holdings Limited ("ASMHL")	-	-	837,905,269[18]	64.98[21]	837,905,269	64.98[21]
Kin Chan ("KC")	-	-	837,905,269[19]	64.98[21]	837,905,269	64.98[21]
V-Nee Yeh ("VY")	-	-	837,905,269[20]	64.98[21]	837,905,269	64.98[21]

STATISTICS OF UNITHOLDINGS

AS AT 3 MARCH 2016

Notes:
(1) OUE Limited is the holding company of the REIT Manager and Clifford, and has a deemed interest in the Units held by the REIT Manager and Clifford.
(2) OUER is the immediate holding company of OUE Limited and has a deemed interest in the Units in which OUE Limited has a deemed interest.
(3) GCAL has a deemed interest in the Units through the deemed interests of its wholly-owned subsidiary, OUER.
(4) FCL has a deemed interest in the Units through the deemed interests of its wholly-owned subsidiary, GCAL.
(5) LAAPL is deemed to have an interest in the Units in which its subsidiary, FCL, has a deemed interest.
(6) LAAPL is jointly held by Pacific Landmark and Admiralty. Accordingly, Pacific Landmark is deemed to have an interest in the Units in which LAAPL has a deemed interest.
(7) HKC Property is the immediate holding company of Pacific Landmark. Accordingly, HKC Property is deemed to have an interest in the Units in which Pacific Landmark has a deemed interest.
(8) HCL is an intermediate holding company of Pacific Landmark. Accordingly, HCL is deemed to have an interest in the Units in which Pacific Landmark has a deemed interest, as well as a deemed interest in the 9,381,500 Units held by Wonder Plan Holdings Limited, a wholly-owned subsidiary of HCL.
(9) HHL is the immediate holding company of HCL and an intermediate holding company of Pacific Landmark. Accordingly, HHL is deemed to have an interest in the Units in which Pacific Landmark has a deemed interest, as well as a deemed interest in the 9,381,500 Units in which HCL has a deemed interest.
(10) PSL is an intermediate holding company of HCL and Pacific Landmark. Accordingly, PSL is deemed to have an interest in the Units in which Pacific Landmark has a deemed interest, as well as a deemed interest in the 9,381,500 Units in which HCL has a deemed interest.
(11) LL is an intermediate holding company of HCL and Pacific Landmark. Accordingly, LL is deemed to have an interest in the Units in which Pacific Landmark has a deemed interest, as well as a deemed interest in the 9,381,500 Units in which HCL has a deemed interest.
(12) LCL is a holding company of HCL and Pacific Landmark. Accordingly, LCL is deemed to have an interest in the Units in which Pacific Landmark has a deemed interest, as well as a deemed interest in the 9,381,500 Units in which HCL has a deemed interest.
(13) Lanius is the holder of the entire issued shares capital of LCL, which in turn is a holding company of HCL and Pacific Landmark. Accordingly, Lanius is deemed to have an interest in the Units in which Pacific Landmark has a deemed interest, as well as a deemed interest in the 9,381,500 Units in which HCL has a deemed interest. Lanius is the trustee of a discretionary trust the beneficiaries of which include Stephen Riady and other members of his family.
(14) LAAPL is jointly held by Pacific Landmark and Admiralty. Accordingly, Admiralty is deemed to have an interest in the Units in which LAAPL has a deemed interest.
(15) AARMF is a majority shareholder of Admiralty. Accordingly, AARMF is deemed to have an interest in the Units in which Admiralty has a deemed interest.
(16) AARF is a majority shareholder of AARMF. Accordingly, AARF is deemed to have an interest in the Units in which AARMF has a deemed interest.
(17) ASML manages AARF. Accordingly, ASML is deemed to have an interest in the Units in which AARF has a deemed interest.
(18) ASMHL is the immediate holding company of ASML. Accordingly, ASMHL is deemed to have an interest in the Units in which ASML has a deemed interest.
(19) KC is the beneficial holder of more than 20% of the issued share capital of ASMHL. Accordingly, KC is deemed to have an interest in the Units in which ASMHL has a deemed interest.
(20) VY is the beneficial holder of more than 20% of the issued share capital of ASMHL. Accordingly, VY is deemed to have an interest in the Units in which ASMHL has a deemed interest.
(21) The unitholding percentage is calculated based on 1,289,451,569 issued Units as at the 3 March 2016.

PUBLIC FLOAT

Rule 723 of the Listing Manual of SGX-ST requires that at least 10% of the total number of issued units that is listed on the SGX-ST is at all times held by the public. Based on information available to the Manager as at 3 March 2016, approximately 34.01% of OUE C-REIT's Units were held in the hands of the public.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("AGM") of the holders of units ("Unitholders") of OUE Commercial Real Estate Investment Trust ("OUE C-REIT") will be held at Mandarin Orchard Singapore, Mandarin Ballroom I, II and III, 6th Floor, Main Tower, 333 Orchard Road, Singapore 238867 on Tuesday, 19 April 2016 at 2:00 p.m. to transact the following business:

(A) AS ORDINARY BUSINESS

(Ordinary Resolution 1)

1. To receive and adopt the following:

    - the Report of DBS Trustee Limited, as trustee for OUE C-REIT (the "Trustee");
    - the Report of OUE Commercial REIT Management Pte. Ltd., as manager of OUE C-REIT (the "Manager"); and
    - the Audited Financial Statements of OUE C-REIT for the financial year ended 31 December 2015, together with the Independent Auditors' Report thereon.

(Ordinary Resolution 2)

2. To re-appoint Messrs KPMG LLP as Independent Auditors of OUE C-REIT and to hold office until the conclusion of the next AGM of Unitholders and to authorise the Manager to fix their remuneration.

(B) AS SPECIAL BUSINESS

To consider and, if thought fit, to pass with or without any modifications, the following resolutions as Ordinary Resolution:

(Ordinary Resolution 3)

3. That authority be and is hereby given to the Manager, to

(a) (i) issue new units in OUE C-REIT ("Units") whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require Units to be issued, including but not limited to the creation and issue of (as well as adjustments to) securities, warrants, debentures or other instruments convertible into Units,

at any time and upon such terms and conditions and for such purposes and to such persons as the Manager may in their absolute discretion deem fit; and

(b) issue Units in pursuant of any Instrument made or granted by the Manager while this Resolution was in force (notwithstanding that the authority conferred by this Resolution may have ceased to be in force).

Provided that:

(1) the aggregate number of Units to be issued pursuant to this Resolution (including Units to be issued in pursuant of Instruments made or granted pursuant to this Resolution), shall not exceed fifty per cent (50%) of the total number of issued Units (excluding treasury Units, if any) (as calculated in accordance with sub-paragraph (2) below, of which the aggregate number of Units to be issued other than on a pro rata basis to Unitholders shall not exceed twenty per cent (20%) of the total number of issued Units (excluding treasury Units, if any) (as calculated in accordance with sub-paragraph (2) below).

(2) subject to such manner of calculation as may be prescribed by Singapore Exchange Securities Trading Limited (the "SGX-ST") for the purpose of determining the aggregate number of Units that may be issued under sub-paragraph (1) above, the total number of issued Units (excluding treasury Units, if any) shall be based on the number of issued Units (excluding treasury Units, if any) at the time this Resolution is passed, after adjusting for:

NOTICE OF ANNUAL GENERAL MEETING

(a) any new Units arising from the conversion or exercise of any Instruments which are outstanding at the time this Resolution is passed; and

(b) any subsequent bonus issue, consolidation or subdivision of Units;

(3) in exercising the authority conferred by this Resolution, the Manager shall comply with the provisions of the Listing Manual of SGX-ST for the time being in force (unless such compliance has been waived by SGX-ST), the trust deed dated 10 October 2013 constituting OUE C-REIT (as amended) (the "Trust Deed") for the time being in force (unless otherwise exempted or waived by the Monetary Authority of Singapore);

(4) (unless revoked or varied by the Unitholders in a general meeting) the authority conferred by this Resolution shall continue in force until (i) the conclusion of the next AGM of Unitholders or (ii) the date by which the next AGM of Unitholders is required by law to be held, whichever is earlier;

(5) where the terms of the issue of the Instruments provide for adjustment to the number of Instruments or Units into which the Instruments may be converted, in the event of rights, bonus or other capitalisation issues or any other events, the Manager is authorised to issue additional Instruments or Units pursuant to such adjustment notwithstanding that the authority conferred by this Resolution may have ceased to be in force at the time the Instruments are issued; and

(6) the Manager and the Trustee be and are hereby severally authorised to complete and do all such acts and things (including executing all such documents as may be required) as the Manager or the Trustee may consider expedient or necessary or in the interest of OUE C-REIT to give effect to the authority conferred by this Resolution.

(Please see Explanatory Notes.)

(Ordinary Resolution 4)

4. That authority be and is hereby given to the Manager, for the purposes of, in connection with or where contemplated by the distribution reinvestment plan established by OUE C-REIT (the "Distribution Reinvestment Plan"), to:

(a) issue from time to time, such number of Units as may be required to be issued under the Distribution Reinvestment Plan; and

(b) (notwithstanding that the authority conferred by this Resolution may have ceased to be in force at the time such Units are issued) issue such number of Units as may be required to be issued in pursuance of the application of the Distribution Reinvestment Plan to any distribution which was approved while the authority conferred by this Resolution was in force,

at any time and upon such terms and conditions and to or with such persons as the Manager may, in its absolute discretion, deem fit.

(Please see Explanatory Notes.)

By Order of the Board
Ng Ngai
Company Secretary
OUE COMMERCIAL REIT MANAGEMENT PTE. LTD.
(as manager of OUE C-REIT)
(Company Registration No. 201327018E)

30 March 2016

NOTICE OF ANNUAL GENERAL MEETING

Important Notice:

1. A Unitholder of OUE C-REIT (who is not a relevant intermediary) entitled to attend and vote at the AGM is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a Unitholder of OUE C-REIT.

2. Where a Unitholder of OUE C-REIT appoints two proxies and does not specify the proportion of his/her Unitholding to be represented by each proxy, then the Units held by the Unitholder are deemed to be equally divided between the proxies.

3. A Unitholder who is a relevant intermediary is entitled to attend and vote at the AGM and is entitled to appoint more than two proxies to attend and vote instead of the Unitholder, subject to each proxy exercising the rights attached to a different Unit or Units held by such Unitholder. Where the Unitholder's instrument appointing a proxy or proxies (the "Proxy Form") appoints more than two proxies, the number of Units in relation to each proxy must be specified in the Proxy Form.

   A "relevant intermediary" is:

   (a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds Units in that capacity;

   (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore and who holds Units in that capacity; or

   (c) the Central Provident Fund Board ("CPF Board") established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of Units purchased under the subsidiary legislation made under the Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds the Units in the capacity of an intermediary pursuant to or in accordance with the subsidiary legislation.

4. The Proxy Form must be lodged at the Unit Registrar's office at Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623 not less than 48 hours before the time appointed for the AGM.

NOTICE OF ANNUAL GENERAL MEETING

Explanatory notes:

1. Ordinary Resolution 3

   The Ordinary Resolution 3 above, if passed, will empower the Manager from the date of this AGM until the date of the next AGM of Unitholders, to issue Units and to make or grant Instruments (such as securities, warrants or debentures) convertible into Units and issue Units pursuant to such Instruments, up to a number not exceeding 50% of the total number of issued Units (excluding treasury Units, if any) of which up to 20% of the total number of issued Units (excluding treasury Units, if any) may be issued other than on a pro rata basis to Unitholders.

   The Ordinary Resolution 3 above, if passed, will also empower the Manager from the date of this AGM until the date of the next AGM of Unitholders, to issue Units as either full or partial payment of fees which the Manager is entitled to receive for its own account pursuant to the Trust Deed.

   For determining the aggregate number of Units that may be issued, the percentage of issued Units will be calculated based on the issued Units at the time the Ordinary Resolution 3 above is passed, after adjusting for new Units arising from the conversion or exercise of any Instruments which are outstanding at the time this Resolution is passed and any subsequent bonus issue, consolidation or subdivision of Units.

   Fund-raising by issuance of new Units may be required in instances of property acquisitions or debt repayments. In any event, if the approval of Unitholders is required under the Listing Manual of SGX-ST, the Trust Deed or any applicable laws and regulations in such instances, the Manager will then obtain the approval of Unitholders accordingly.

2. Ordinary Resolution 4

   Ordinary Resolution 4 above, if passed, will empower the Manager to issue Units in connection with the Distribution Reinvestment Plan.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a Unitholder (i) consents to the collection, use and disclosure of the Unitholder's personal data by the Manager and the Trustee (or their agents) for the purpose of the processing and administration by the Manager and the Trustee (or their agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Manager and the Trustee (or their agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the Unitholder discloses the personal data of the Unitholder's proxy(ies) and/or representative(s) to the Manager and the Trustee (or their agents), the Unitholder has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Manager and the Trustee (or their agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the Unitholder will indemnify the Manager and the Trustee in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the Unitholder's breach of warranty.

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CORPORATE INFORMATION

OUE COMMERCIAL REAL ESTATE INVESTMENT TRUST

Website: www.ouect.com
Email: enquiry@ouect.com
SGX Code: TS0U
Bloomberg: OUE CT SP

MANAGER OF OUE COMMERCIAL REAL ESTATE INVESTMENT TRUST

OUE Commercial REIT Management Pte. Ltd.
50 Collyer Quay
#04-08 OUE Bayfront
Singapore 049321
Tel: (65) 6809 8700
Fax: (65) 6809 8701

BOARD OF DIRECTORS

Mr Christopher James Williams
(Chairman and Non-Independent Non-Executive Director)

Mr Ng Lak Chuan
(Lead Independent Director)

Mr Carl Gabriel Florian Stubbe
(Independent Director)

Mr Loh Lian Huat
(Independent Director)

Mr Jonathan Miles Foxall
(Non-Independent Non-Executive Director)

Ms Tan Shu Lin
(Chief Executive Officer and Executive Director)

AUDIT AND RISK COMMITTEE

Mr Ng Lak Chuan
(Chairman)

Mr Carl Gabriel Florian Stubbe

Mr Loh Lian Huat

NOMINATING AND REMUNERATION COMMITTEE

Mr Carl Gabriel Florian Stubbe
(Chairman)

Mr Christopher James Williams

Mr Ng Lak Chuan

COMPANY SECRETARY

Mr Ng Ngai

TRUSTEE OF OUE COMMERCIAL REAL ESTATE INVESTMENT TRUST

DBS Trustee Limited
12 Marina Boulevard, Level 44
Marina Bay Financial Centre Tower 3
Singapore 018982
Tel: (65) 6878 8888
Fax: (65) 6878 3977

UNIT REGISTRAR

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50 Raffles Place
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Singapore 048623
Tel: (65) 6536 5355
Fax: (65) 6438 8710

AUDITOR

KPMG LLP
16 Raffles Quay
#22-00 Hong Leong Building
Singapore 048581
Tel: (65) 6231 3388
Fax: (65) 6225 0984

Partner-in-charge: Ms Lo Mun Wai
(Appointed since the financial period ended 31 December 2014)

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COMMERCIAL
REIT

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