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About OUE Hospitality Trust

OUE Hospitality Trust ("**OUE H-Trust**") is a stapled group comprising OUE Hospitality Real Estate Investment Trust ("**OUE H-REIT**") and OUE Hospitality Business Trust ("**OUE H-BT**"), listed on the Mainboard of Singapore Exchange Securities Trading Limited.

OUE H-REIT was established with the principal investment strategy of investing, directly or indirectly, in a portfolio of income-producing real estate which is used primarily for hospitality and/or hospitality-related purposes, whether wholly or partially, as well as real estate-related assets.

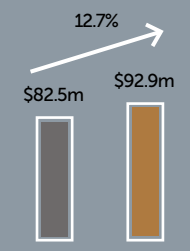
OUE H-REIT's asset portfolio comprising two hotels – the 1,077-room Mandarin Orchard Singapore and the 563-room Crowne Plaza Changi Airport, and a high-end retail mall Mandarin Gallery, has a portfolio value of approximately \$2.22 billion as at 31 December 2017.

OUE H-BT is dormant.

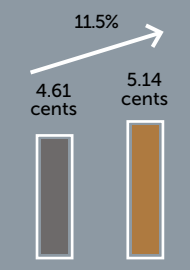
OUE H-REIT is managed by OUE Hospitality REIT Management Pte. Ltd., which is wholly-owned by OUE Limited (OUE). OUE H-BT is managed by OUE Hospitality Trust Management Pte. Ltd., which is also wholly-owned by OUE.

For more information, please visit www.oueht.com

Distributable Income



Distribution Per Stapled Security



○ 2016 ● 2017

Staying well-positioned

OUE H-Trust's properties enjoy positions in prime locations. Mandarin Orchard Singapore ("MOS") and Mandarin Gallery are situated in the heart of Orchard Road, Singapore's premium retail and lifestyle destination. Crowne Plaza Changi Airport ("CPCA") is the only international brand name hotel located at Singapore's Changi Airport, with direct access to Terminal 3 of the airport.

In 2017, MOS clinched the Best City Hotel – Singapore award at the 28th Annual TTG Travel Awards for the fifth consecutive year since 2013. CPCA has won the World's Best Airport Hotel Award for three consecutive years at the Skytrax World Airport Awards since 2015. Both hotels also received the Singapore Green Hotel Award in 2017. Mandarin Gallery is the preferred location for flagship stores of international brands and a destination for shoppers looking for differentiated and unique offerings.





BUILDING ON TRUSTED STRATEGIES

CROWNE PLAZA
CHANGI AIRPORT HAS
WON THE **WORLD'S
BEST AIRPORT HOTEL
AWARD** FOR THREE
CONSECUTIVE YEARS
AT THE SKYTRAX
WORLD AIRPORT
AWARDS SINCE 2015.

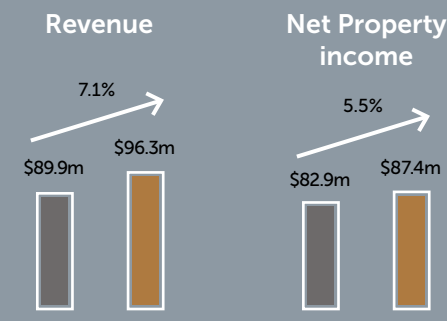
A low-angle, upward-looking photograph of the Mandarin Orchard Singapore hotel. The building is a tall, modern skyscraper with a distinctive, stepped, and curved architectural design. The facade is composed of dark, metallic panels and glass windows. The sky is a clear, pale blue. In the foreground, a curved, metallic structure with a checkered pattern is visible, supported by several thick, cylindrical columns. The overall image conveys a sense of modernity and architectural grandeur.

BUILDING ON TRUSTED STRENGTHS

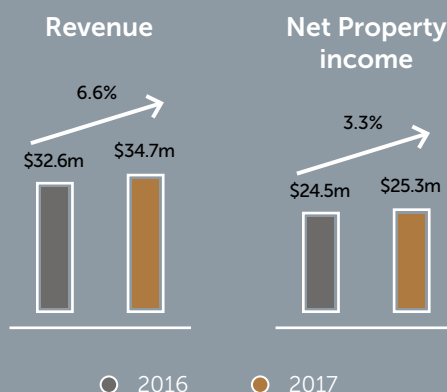
MANDARIN ORCHARD
SINGAPORE HAS
ENJOYED **HIGHER
REVENUE PER
AVAILABLE ROOM
(REVPAR) IN 2017**
AND HIGHER DEMAND
FOR ITS MEETING AND
CONVENTION SERVICES.



HOSPITALITY SEGMENT



RETAIL SEGMENT



Enhance portfolio through active asset management

Asset enhancement initiatives to renovate 430 guestrooms and the meetings facilities in Mandarin Orchard Singapore ("MOS") have recently been completed. MOS has enjoyed higher revenue per available room (RevPAR) in 2017 and higher demand for its meeting and convention services.

Mandarin Gallery enjoys a high degree of prominence given its 152-metre wide frontage along Orchard Road. Leveraging on this strength, and with a focus on enhancing income stability over a longer period compared to the usual two-to-five-year retail leases, the mall has signed longer leases of 10 years and seven years for Victoria's Secret's and Michael Kors' flagship stores respectively.

**OUE Hospitality Trust
has delivered a 12.7%
increase in distributable
income as a result
of higher income from
the hospitality and
retail segments.**

Dear Stapled Securityholders,

For FY2017, OUE Hospitality Trust (“OUE H-Trust”) has delivered a 12.7% increase in distributable income (“DI”) as a result of higher income from the hospitality and retail segments. This is the highest DI achieved in a year since listing. On 19 December 2017, OUE H-Trust successfully refinanced all of its outstanding term loans, amounting to \$859 million, well ahead of their maturity. As at 31 December 2017, OUE H-Trust’s property portfolio value stands at \$2.22 billion.

This year’s annual report has included OUE H-Trust’s first sustainability report, demonstrating our commitment to sustainable business strategies which support good environmental, social and governance practices.



Chong Kee Hiong
Chief Executive Officer and
Executive Director

Lee Yi Shyan
Chairman and Non-Independent
Non-Executive Director

FY2017 REVIEW

Singapore's economic growth picked up pace in 2017, recording a growth rate of 3.6% compared to the 2.4% registered for 2016.¹ The higher growth was mainly supported by expansion in the manufacturing and services producing industries according to the Ministry of Trade and Industry ("MTI"). Singapore continued to enjoy healthy visitor arrival growth of 6.2%² in 2017. Total visitor days also grew by 4.6%², which is higher than the 2.2% growth achieved in 2016. However, as supply of new hotel rooms continued to grow at 5.0%³ for the year, overall Singapore hotel revenue per available room ("RevPAR") showed a decrease of 1.5% at \$182.5 for 2017⁴.

Singapore's hospitality sector remained highly competitive in 2017 and the retail sector continued to be challenging. Despite the tough operating environment, OUE H-Trust achieved a higher DI of \$92.9 million in 2017 compared to \$82.5 million in 2016. Distribution per stapled security ("DPS") was also 11.5% higher at 5.14 cents. The increase in DI and DPS is attributable to higher income from the hospitality and retail segments.

OUE H-Trust's 2017 master lease income and net property income ("NPI") from the hospitality segment grew 7.1% and 5.5% respectively at \$96.3 million and \$87.4 million. The increase was due to better operating performance from Mandarin Orchard Singapore ("MOS") and full-year contribution from the enlarged 563-room Crowne Plaza Changi Airport ("CPCA") in 2017 following the acquisition of the extension on 1 August 2016. Following the addition of 243 guest rooms to its original inventory of 320 rooms, the occupancy of CPCA has ramped up from the 60% range in August 2016 to the 80% range at the end of 2017. In addition to the master lease income, OUE H-Trust also received income support⁵ in 2017 from OUE Airport Hotel Pte. Ltd., the Vendor ("OUEAH"). As the additional room

OUE H-Trust's 2017 master lease income and net property income from the hospitality segment grew 7.1% and 5.5% respectively at \$96.3 million and \$87.4 million.

inventory in the extension came on-board in a market that was weaker than expected, the operating performance of CPCA (including the extension) had taken a longer time to ramp up. Consequently, the performance was below the target quarterly rent pursuant to Deed of Income Support, hence the claim on income support from OUEAH. In FY2017, OUE H-REIT had fully drawn down the remaining balance of \$4.8 million of the entire income support of \$7.5 million. MOS has done well in a competitive market by achieving a 3% increase in RevPAR over 2016. The better performance in banquet sales and food and beverage outlets also contributed higher master lease income from MOS.

The retail segment achieved higher revenue of \$34.7 million in 2017 compared to 2016's \$32.6 million as a result of higher average occupancy of 95.5% compared to occupancy of 86.3% the year before where there were landlord works to amalgamate the units in order to bring in the new tenants who have signed longer leases. Net property income at \$25.3 million was higher than 2016's \$24.5 million, in line with higher revenue. The mall recorded an effective rent per square foot per month of \$23.30 for 2017 compared to \$24.20 in 2016 due to the impact from negative rental reversion in 2016 and 2017.

1 MTI Press Release. MTI Expects GDP Growth in 2018 to Moderate but Remain Firm. 14 February 2018

2 Singapore Tourism Board ("STB") International Visitor Arrivals Statistics for 2017. 12 February 2018

3 STB Press Release. Singapore tourism sector performance breaks record for the second year running in 2017. 12 February 2018

4 STB Hotel Statistics for 2017. 12 February 2018

5 Income support provided by OUE Airport Hotel Pte. Ltd. ("OUEAH") pursuant to the Deed of Income Support

Overall, gross revenue was 7% higher at \$131.1 million and NPI was 5% higher at \$112.7 million.

ASSET ENHANCEMENT

The asset enhancement programme for MOS which began in end-2013, funded by the Sponsor⁶, to renovate 430 guest rooms and the meeting facilities located on level 8 of the Main Tower of MOS were completed in 1Q2017. Previously, in 4Q2016, MOS completed the renovation of one floor in the Orchard Wing that comprised leased commercial space and four meeting rooms to create a brand new level of meeting and convention space comprising eight meeting rooms and a refreshment area. The renovated facilities have attracted more demand for MOS' meeting and convention services.

CAPITAL MANAGEMENT

On 19 December 2017, OUE H-Trust completed the refinancing of its total outstanding debts amounting to \$859 million ahead of their maturity, strengthening its debt profile in an environment of rising interest rates. This is in line with OUE H-Trust's pro-active and prudent approach to capital management. Following the refinancing, OUE H-Trust has no loan due until December 2020. In addition, OUE H-Trust has also secured revolving credit facilities of \$105 million which increases OUE H-Trust's financial flexibility.

As at 31 December 2017, OUE H-Trust's gearing was at 38.8%. The weighted average remaining debt maturity tenor has increased by about two years to 3.5 years following the refinancing, and 71% of debt is on fixed interest rates (via interest rate swaps) with a tenor of approximately 3.5 years. For 2017, the weighted average cost of debt was 2.5% per annum with an interest cover ratio of 4.5 times. The net asset value ("NAV") per stapled security was \$0.76 as at 31 December 2017.

On 19 December 2017, OUE H-Trust completed the refinancing of its total outstanding debts amounting to \$859 million ahead of their maturity, strengthening its debt profile in an environment of rising interest rates.

AWARDS & ACHIEVEMENTS

Following its latest win in 2017, CPCA has won the *World's Best Airport Hotel Award* for three consecutive years at the Skytrax World Airport Awards. It also received the *Singapore Green Hotel Award* in 2017.

MOS has similarly been keeping up with its green efforts and was similarly awarded the *Singapore Green Hotel Award*. In 2017, MOS clinched the *Best City Hotel – Singapore* award at the 28th Annual TTG Travel Awards for the fifth consecutive year since 2013, and picked up the *Best Upscale Hotel – Asia Pacific* award at the Travel Weekly Asia Reader's Choice Awards. We are also pleased to report that Shisen Hanten by Chen Kentaro was awarded two stars by the Michelin Guide Singapore for the second consecutive year. It continues to be the highest Michelin-rated Chinese restaurant in Singapore.

2018 OUTLOOK

According to the International Monetary Fund ("IMF"), the global upswing in economic activity has gained momentum and it has projected global growth at a

⁶ As part of the asset enhancement initiatives committed by Sponsor, OUE Limited, prior to the IPO as disclosed in the IPO Prospectus dated 18 July 2013

rate of 3.9% in 2018. However, risks to a sustained recovery remain⁷.

Against a backdrop of an improving global economy, the pace of growth of the Singapore economy in 2018 is expected to remain firm though it is projected to moderate as compared to 2017¹.

In the tourism sector, Singapore Tourism Board ("STB") has forecast a growth of 1.0% to 4.0% in international visitor arrivals in 2018 in the range of 17.6 million to 18.1 million.³

Changi Airport's Terminal 4 commenced operations on 31 October 2017 and on 18 December 2017, Changi Airport recorded its 60th million passenger within a calendar year for the first time.⁸ In 2018, the return of large biennial events, such as the Singapore Airshow and Food & Hotel Asia, are expected to increase demand for hotel accommodation. New supply in 2018 is expected to be lower but the market has to absorb the additional rooms that came on stream in second half of 2017. As such, the market environment remains competitive.

Challenges in Singapore's retail scene remain, with tenants being more cautious and taking a longer time to renew or commit to leases. Whilst we continue to explore leasing opportunities to optimise the occupancy of Mandarin Gallery, we remain committed to curating the right tenant mix to retain the mall's positioning as a destination mall.

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

APPRECIATION

We would like to thank Stapled Securityholders for your continued support. We would also like

to recognise the management and staff of MOS and CPCA, and the property manager of Mandarin Gallery for their commitment to service excellence and creating the best experience for hotel guests, tenants and shoppers.

We would like to express our appreciation to Mr Christopher Williams for his leadership as Chairman of the board of directors since listing. Though he has stepped down from his role as Chairman, we are glad that he remains on the Board and will continue to share his valuable experience with the Board and management.

Last but not least, we would like to acknowledge the continued support of our Sponsor towards the growth and prospects of OUE H-Trust.

Lee Yi Shyan

Chairman and Non-Independent
Non-Executive Director

Chong Kee Hiong

Chief Executive Officer and Executive Director

1 March 2018

⁷ International Monetary Fund. 2018. World Economic Outlook Update, January 2018

⁸ Changi Airport Group Press Release. Flying higher, Changi Airport crosses 60-million milestone in 2017. 18 December 2017

致合订证券持有人的信函

尊敬的合订证券持有人：

华联酒店信托在2017财年因得益于酒店行业和零售行业收入双增长，可供派息收入增长12.7%。这是上市以来可供派息收入最高的一年。2017年12月19日，华联酒店信托在其8.59亿新币贷款到期之前，成功地对上述贷款实施了再融资。截至2017年12月31日，华联酒店信托的物业投资组合价值为22.2亿新币。

今年的年度报告包括华联酒店信托的首份可持续发展报告，充分展示我们致力于支持良好环境、社会和治理实践的可持续业务战略。

2017财年回顾

2017年，新加坡经济加速增长，增幅达到3.6%，高于2016年的2.4%。¹据贸工部称，增长速度加快主要原因是制造业和服务生产行业的扩张。2017年，新加坡游客接待人数继续取得健康增长，增幅为6.2%²。总计游客人日数也增长了4.6%²，高于2016年的2.2%。不过，由于新增酒店客房供应持续增加5%³，2017年新加坡每间可入住客房收入（“RevPAR”）下滑1.5%至182.5新币⁴。

新加坡酒店行业2017年保持竞争激烈的市场环境，而零售行业依然面临严峻挑战。尽管经营环境艰难，华联酒店信托2017年可供派息收入仍实现了增长，达到9290万新币，高于2016年的8250万。每单位合订证券派息（“DPS”）也增长了11.5%至5.14分。可供派息收入及每单位合订证券派息的增长得益于酒店行业和零售行业收入的增长。

华联酒店信托酒店行业2017年主租赁收入及物业净收入（“NPI”）分别增长7.1%和5.5%至9630万和8740万新币。这一增长的主要原因包括新加坡文华大酒店取得较好的经营业绩以及扩建后拥有563间客房的樟宜机场皇冠假日酒店（“皇冠假日酒店”）2017年的全年贡献。2016年8月1日，华联酒店信托收购了皇冠假日酒店243间客房的扩建部分，将客房总数从原来320间增加到563间，而该酒店的入住率已从2016年8月的60%提升到2017年底的80%区间。除主租赁收入外，2017年华联酒店信托还收到华联机场酒店私人有限公司（OUE Airport Hotel Pte. Ltd.，“酒店收购之卖方”）支付的收入资助⁵。由于皇冠假日酒店扩建新增客房交付时适逢市场低迷甚于预期，皇冠假日酒店（包括扩建部分）达到运营绩效的时间也超过了预期的时程，造成租金收入低于季度目标收入。因此，根据《收入资助契约》，华联机场酒店私人有限公司支付收入资助。2017财年，华联酒店信托收到480万新币的收入资助，至此已提取了全部750万新币收入资助。新加坡文华大酒店在竞争激烈的市场环境中取得了良好的表现，RevPAR与2016年相比增长了3%。宴会销售收入以及餐饮部门的业绩也有所提升，对该酒店主租赁收入的增长也有所贡献。

零售部门租金收入在2017年达到3470万新币，相比2016年的3260万有所增长，主要原因是平均入住率从2016年的86.3%提高到2017年的95.5%。业主在2016年整并租赁单位以争取长期租约的租户而影响住率，物业净收入与租金收入保持同步增长，从2016年的2450万新币增加到2530万。因受2016

1 贸工部新闻发布。贸工部预期2018年GDP增长会有所放缓，但仍将保持稳健。2018年2月14日

2 新加坡旅游局2017年国际游客量统计数据。2018年2月12日

3 新加坡旅游局新闻发布，“2017年新加坡旅游行业绩效连续第二年突破记录”。2018年2月12日

4 新加坡旅游局2017年酒店统计数据。2018年2月12日

5 华联机场酒店私人投资有限公司按《收入资助契约》的规定支付收入补贴

年及2017年租金调整的影响,2017年,购物中心每平方英尺有效租金从2016年的24.20新币下降到23.30新币。

整体来看,总收入增长7%至1.311亿新币,物业净收入增长5%至1.127亿新币。

资产增值

自2013年末起,新加坡文华大酒店以保荐人提供的资金启动资产增值计划⁶,其中酒店文华楼(Main Tower)的430间客房和文华楼8楼的会议设施的翻新装修工程,已于2017年1季度完工。此前,新加坡文华大酒店已于2016年4季度完成乌节楼(Orchard Wing)一个楼层的改造,将之前的商业租赁空间和4间会议室改造成包括8间会议室和一个茶点区的全新会议与会展空间。新加坡乌节文华大酒店会议设施的提升,将有助于吸引和迎合更广泛的宴会和会议需求。

资本管理

2017年12月19日,华联酒店信托在其总计8.59亿新币的未偿还贷款到期之前,成功实施再融资,改善了其在加息环境下的债务状况。这符合华联酒店信托积极、稳健的资本管理模式。此次再融资后,华联酒店信托已无在2020年12月之前到期的债务。此外,华联酒店信托还获得1.05亿新币的滚动授信,以增强其财务弹性。

截至2017年12月31日,华联酒店信托的杠杆率为38.8%。再融资后,其剩余债务的加权平均期限增加

了约2年到3.5年,71%的债务为固定利率(通过利率互换),期限约为3.5年。2017年,加权平均债务成本为每年2.5%,利息盖率为4.5倍。截至2017年12月31日,合订证券单位资产净值(“NAV”)为0.76新币。

荣誉和成绩

皇冠假日酒店于2017年连续第三年荣获“Skytrax全球机场大奖”评选为“全球最佳机场酒店”。同年,该酒店并荣获“新加坡绿色酒店奖”。

新加坡文华大酒店亦落实其环保信念,斩获“新加坡绿色酒店奖”。2017年,新加坡文华大酒店在第28届TTG旅游大奖中被评选为“新加坡最佳城市酒店”。这是新加坡文华大酒店2013年以来连续第五年荣获这项殊荣。此外,新加坡文华大酒店还在2017年在《亚洲旅行周刊》读者评选大奖中荣获“亚太区最佳高端酒店奖”。我们也非常荣幸地报告,新加坡文华大酒店的知名川菜馆四川饭店(Shisen Hanten by Chen Kentaro)连续第二年获得新加坡版《米其林指南》的两星评级,继续保持新加坡米其林评级最高的中餐馆地位。

2018年展望

国际货币基金组织(“IMF”)表示,全球经济上行动力增强,并预测2018年全球增长将达到3.9%。不过,持续复苏依然可面临风险。⁷

在全球经济复苏的背景下,2018年新加坡经济预期仍将保持稳健的增长步伐,不过相比2017年有所减缓¹。

⁶ 如2013年7月18日的招股书所述,这是保荐机构在本信托上市前所承诺的资产提升计划中的一部分

⁷ 国际货币基金组织。2018年。世界经济展望更新版。2018年1月

致合订证券持有人的信函

旅游行业方面，据新加坡旅游局预测，2018年国际游客数量将增长1%到4%，达到1760万到1810万人次。³

樟宜机场4号航站楼于2017年10月31日开始运营。12月18日，樟宜机场宣布一年内旅客人数首次突破6000万人⁸。2018年，新加坡航空展、亚洲国际食品与酒店展等双年会展活动的举行预期将促成酒店住宿需求增长。2018年，新增酒店客房供应增长速度将放慢，但市场仍需消化2017年下半年上市的新增客房量。因此，市场环境依然竞争激烈。

新加坡零售行业依旧充满挑战，租户更加谨慎，需要更长时间考虑更新租约或确定租赁意向。在继续寻找租赁商机，并优化文华购物廊(Mandarin Gallery)出租率的同时，我们将持续调整租户结构，确保购物廊维持其目标购物商场的地位。

我们将继续向保荐人及第三方寻找收购有助于收益增长的资产。

致谢

我们衷心感谢合订证券持有人一如既往地给予我们大力支持。此外，我们还要感谢新加坡文华大酒店和皇冠假日酒店的管理层和员工，以及文华购物廊的物业管理人员。感谢他们坚持不懈地提供卓越服务，为酒店客人、租户和购物者创造最佳体验。

Christopher Williams先生自上市后一直担任董事会主席，我们对有幸得到他的领导深表感激。尽管他已不再担任董事会主席，但仍以董事会成员的身份，继续与董事会及管理层分享他的宝贵经验，对此我们深感欣慰。

最后，我们对保荐人在华联酒店信托的成长和发展过程中不断给予我们的支持表示感谢。

李奕贤

董事会主席、非独立非执行董事

鍾奇雄

首席执行官、执行董事

2018年3月1日

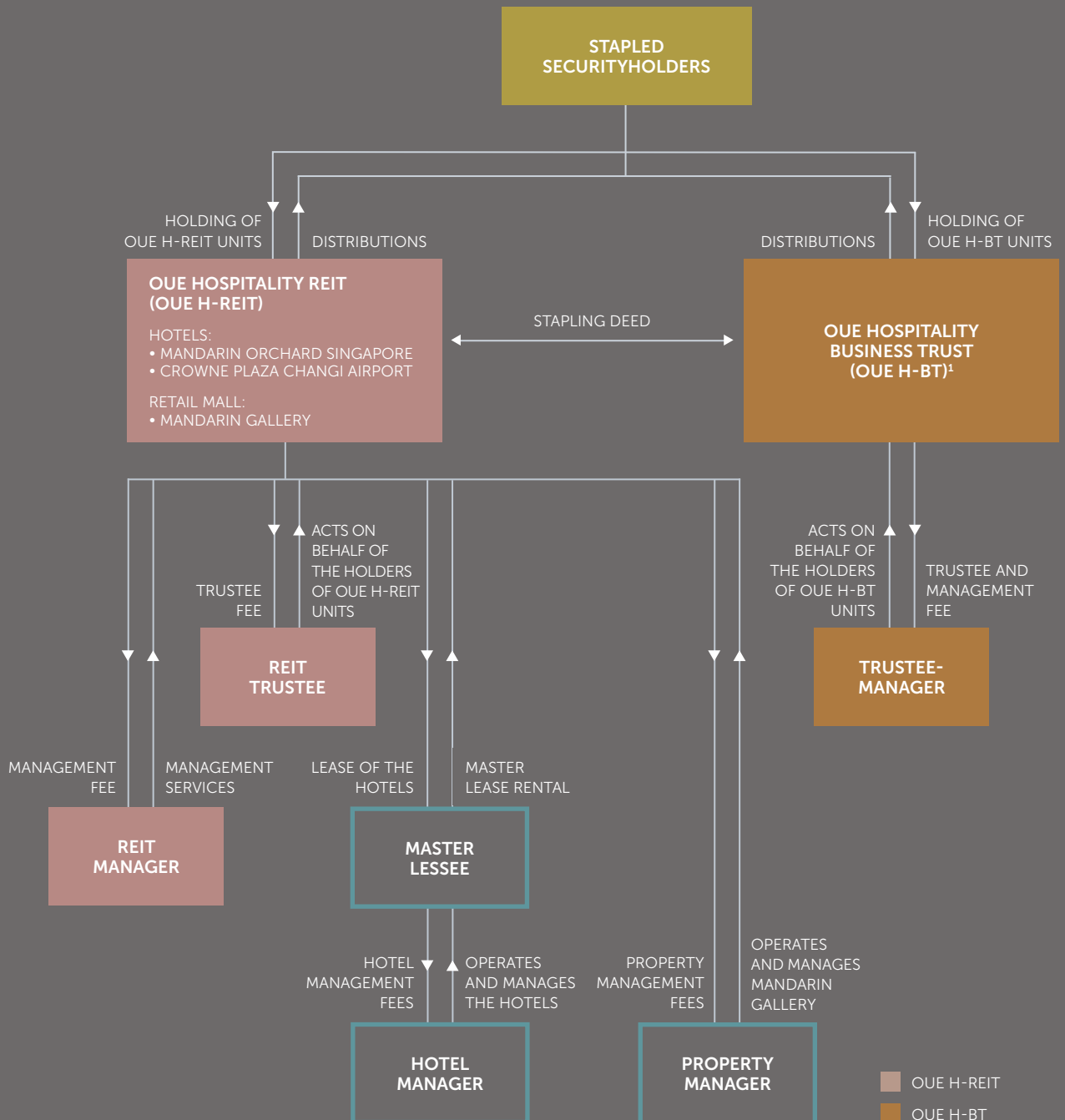
8 樟宜机场集团新闻发布。飞得更高-2017年樟宜机场客流量突破6000万大关。2017年12月18日

Financial Highlights

	25 Jul 2013 to 31 Dec 2013 ¹	FY2014	FY2015	FY2016	FY2017
Gross Revenue	\$50.6m	\$115.9m	\$124.6m	\$122.5m	\$131.1m
Net Property Income	\$44.8m	\$103.2m	\$109.1m	\$107.4m	\$112.7m
Distributable Income	\$38.2m	\$89.0m	\$87.4m	\$82.5m	\$92.9m
Distribution Per Stapled Security (DPS)	2.90 cents	6.74 cents	6.55 cents	4.61 cents	5.14 cents
Distribution Yield ²	7.57% (Annualised)	7.45%	8.51%	6.98%	6.05%
Selected Statement of Financial Position Data as at 31 December	2013	2014	2015	2016	2017
Total Assets	\$1,834.2m	\$1,796.6m	\$2,100.9m	\$2,256.4m	\$2,256.9m
Unitholders' Funds	\$1,211.6m	\$1,198.4m	\$1,207.0m	\$1,382.0m	\$1,376.1m
Total Borrowings	\$581.4m	\$583.1m	\$877.2m	\$854.0m	\$865.3m
Financial Ratios					
Gearing	32.0%	32.7%	42.0%	38.1%	38.8%
Interest Cover	6.7 times	7.1 times	4.6 times	4.4 times	4.5 times
Average Term to Maturity	3.6 years	2.6 years	2.4 years	2.4 years	3.5 years
Average Cost of Debt	2.2%	2.2%	2.5%	2.3%	2.5%
Management Expense Ratio ³	0.99%	0.92%	1.01%	1.01%	1.30%
Derivative Financial (Liabilities) / Assets ⁴ as a Percentage of Net Asset Value (NAV)	(0.47%)	(0.19%)	0.42%	(0.28%)	(0.08%)
Total operating expenses to NAV ⁵	2.1%	2.0%	2.3%	2.1%	2.6%
NAV Per Stapled Security	\$0.92	\$0.90	\$0.90	\$0.77	\$0.76
Others as at 31 December					
Market Capitalisation ²	\$1,146.8m	\$1,195.9m	\$1,031.1m	\$1,181.7m	\$1,535.5m
Number of Stapled Securities in Issue	1,310.6m	1,321.4m	1,335.4m	1,790.4m	1,806.5m

- 1 The first financial period for OUE H-Trust was from 10 July 2013 to 31 December 2013. Although OUE H-REIT and OUE H-BT were established on 10 July 2013, the acquisition of properties by OUE H-REIT was only completed on 25 July 2013 which was the official listing date of OUE H-Trust. Consequently, the actual income derived from the properties was from 25 July 2013 to 31 December 2013. OUE H-REIT was dormant as a private trust during the period from 10 July 2013 to 24 July 2013.
- 2 Based on closing price of \$0.85 per Stapled Security as at 31 December 2017 (2016: \$0.66; 2015: \$0.77; 2014: \$0.905; 2013: \$0.875).
- 3 The expenses used in the computation relate to annualised expenses of OUE H-Trust, excluding property expenses and finance expenses which amounted to \$17.8 million (2016: \$13.8 million; 2015: \$12.1 million; 2014: \$11.1 million; 2013: \$11.8 million).
- 4 Financial derivatives assets/liabilities relate to the interest rate swaps entered into.
- 5 The ratio is computed based on total annualised operating expenses of \$36.1 million (2016: \$28.9 million; 2015: \$27.6 million; 2014: \$23.8 million; 2013: \$25.0 million) as a percentage of NAV as at the end of the financial year (including all fees and charges paid/payable to the REIT Manager and interested parties for the financial year).

Structure of OUE Hospitality Trust



1 OUE H-BT is currently dormant

Strategy of the Trust

OUE Hospitality Trust (“**OUE H-Trust**”) is a stapled group comprising OUE Hospitality REIT (“**OUE H-REIT**”) and OUE Hospitality Business Trust (“**OUE H-BT**”).

OBJECTIVES

The principal objectives of the manager of OUE H-REIT (the “**REIT Manager**”) and the trustee-manager of OUE H-BT (the “**Trustee-Manager**”) are to deliver regular and stable distributions to Stapled Securityholders and to achieve long-term growth in distributions and in the NAV per Stapled Security, while maintaining an appropriate capital structure.

ABOUT OUE H-REIT

OUE H-REIT is a Singapore-based REIT. OUE H-REIT has been established with the principal investment strategy of investing, directly or indirectly, in a portfolio of income-producing real estate which is used primarily for hospitality and/ or hospitality-related purposes, whether wholly or partially, as well as real estate-related assets.

OUE H-REIT’s portfolio comprises Mandarin Orchard Singapore, Crowne Plaza Changi Airport (collectively, the “**Hotels**”) and Mandarin Gallery (the “**Mall**”).

INVESTMENT POLICY

In accordance with the requirements of the Listing Manual of Singapore Exchange Securities Trading Limited, this principal investment policy will be adhered to for at least three years following the Listing Date unless changed by Extraordinary Resolution in a meeting of holders of OUE H-REIT Units. After the expiry of the three-year period, the REIT Manager may from time to time change the principal investment policy of OUE H-REIT so long as the REIT Manager has given not less than 30 days’ prior notice of the change.

KEY STRATEGIES

The REIT Manager plans to achieve its objectives through the following strategies:

1. Optimising assets and delivering operational excellence

The REIT Manager intends to leverage its relationship with the Sponsor (OUE Limited), who has extensive experience in the hospitality and real estate industry, to actively manage the operational performance and maximise the cash flow and value of the portfolio.

- **Effective collaboration with the Master Lessees**

The hotel management agreement between the Master Lessees and the Hotel Managers allows the Master Lessees to closely monitor the performance of the Hotel Managers.

The Master Lessees will ensure that the Hotel Managers use their best efforts to optimise the performance of the Hotels. Close interaction and consultation between the REIT Manager, the Master Lessees and the Hotel Managers will ensure that OUE H-REIT’s asset management strategies are implemented.

- **Capture growth opportunities through the Sponsor’s industry insight**

The Master Lessees, in consultation with the REIT Manager, will oversee the annual budgeting process for the Hotels and be responsible for recommending strategies to increase revenue and profitability.

This will include drawing upon the Sponsor’s experience to provide strategic direction in areas such as room yield management, optimising guest mix, access to global hospitality market intelligence, and leveraging the Sponsor’s in-depth understanding of the latest hospitality industry trends to implement innovative hotel and food and beverage (“**F&B**”) concepts.

Strategy of the Trust

- **Enhance operational performance to deliver disciplined growth**

The REIT Manager will work with the Master Lessees/Hotel Managers and the Property Manager to maximise hotel and retail revenues and returns through maintaining cost discipline in its operations, while achieving optimal occupancy and average room rates and improving rentals.

- **Maximise revenues and returns through asset enhancements**

The REIT Manager will identify, evaluate and approve property improvement opportunities that will enhance the value of the portfolio and will work closely with the Master Lessees/Hotel Managers and the Property Manager to contribute to higher revenues and profitability. These opportunities include upgrading and refurbishing existing facilities, rooms or F&B outlets that could enhance pricing, or increase their service offering.

- **Optimisation of the Mall**

This may be done by improving tenant mix, reconfiguration of space to achieve higher rentals, optimising the use of the Mall for other income-generating opportunities and optimising leasing plans through a tailored approach to the marketing of space, so as to potentially improve returns to Stapled Securityholders.

- **Active Leasing Strategy**

The REIT Manager works with the Property Manager to pursue new leasing opportunities, manage lease renewals through advance negotiations with tenants whose leases are about to expire and by managing lease expiry

periods. The Property Manager will also work to foster close relationships with tenants in order to achieve optimal tenant retention.

- **Cost Management Strategy**

The REIT Manager and the Property Manager will regularly review workflow processes and assess service providers to improve efficiencies and manage the cost of operations.

2. Growth through acquisitions

In pursuing growth through acquisitions, the REIT Manager will seek third party acquisition opportunities on its own and, in addition, leverage on the Sponsor's experience, market reach and network of contacts in the hospitality and hospitality-related sectors to source potentially yield-accretive deals. The Sponsor has the capacity to support the portfolio growth of OUE H-REIT in the following ways:

- offering a right of first refusal (ROFR) to OUE H-REIT which will provide OUE H-Trust with access to future acquisition opportunities of income-producing properties which are used primarily for hospitality and hospitality-related purposes; and
- lending its industry experience, networks and expertise to the REIT Manager in assessing potential acquisition opportunities.

In addition, OUE H-REIT can seek partnership and co-operation opportunities with the Sponsor as it seeks to expand within and beyond Singapore.

The REIT Manager will pursue opportunities for acquisitions that meet its investment criteria including:

- **Yield requirements**

The REIT Manager will seek to acquire properties which are value-enhancing after taking into account regulatory, commercial, political and other relevant factors, with yields that are estimated to be above OUE H-REIT's cost of capital and are expected to maintain or enhance returns to Stapled Securityholders in the long run while balancing the various risks associated with such an investment.

- **Geography and location**

The REIT Manager will assess each property's location and the potential for business growth in its market, as well as its impact on the overall geographic diversification of its property portfolio.

- **Strong fundamentals and organic growth potential**

The REIT Manager will seek to acquire high quality properties with good potential for increasing average room rates and occupancy rates going forward.

- **Value-adding asset enhancement opportunities**

The REIT Manager may also seek to acquire properties which are under-managed and properties that have been poorly maintained but have upgrading potential. The REIT Manager would assess the potential to add value through improved hotel management, market repositioning or other enhancements.

3. Active capital and risk management

The REIT Manager intends to use a combination of debt and equity to fund future acquisitions and property enhancements such that it is within the aggregate leverage limit set out in Appendix 6 to the Code on Collective Investment Schemes (also known as the Property Funds Appendix).

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

- maintain a strong balance sheet and remain within the aggregate leverage limit set out in the Property Funds Appendix;
- manage the cost of debt financing, potential refinancing or repayment risks;
- secure diversified funding sources from both financial institutions and capital markets as OUE H-REIT grows in size and scale; and
- manage the exposure arising from adverse market movements in interest rates and foreign exchange through appropriate hedging strategies.

The REIT Manager will consider diversifying its sources of debt financing, including by way of accessing the public debt capital markets. The public debt capital markets may also provide OUE H-REIT with the ability to secure longer term funding options in a more cost efficient manner. Nevertheless, the REIT Manager intends to maintain a prudent level of borrowings while maximising returns to Stapled Securityholders.

The REIT Manager's capital and risk management strategy includes managing risk of potential interest rate and foreign exchange volatility through the use of hedging instruments. The REIT Manager will regularly evaluate the feasibility of putting in place the appropriate level of interest rate and foreign exchange hedges, after taking into account the prevailing market conditions.

In order to manage the currency risk involved in investing in assets beyond Singapore, the REIT Manager may adopt 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.

ABOUT OUE H-BT

OUE H-BT is currently dormant. It will, however, become active if any of the following occurs:

- it is appointed by OUE H-REIT, in the absence of any other suitable master lessee(s), as a master lessee of its hotel assets. It is intended that OUE H-BT will appoint a professional hotel manager to manage the hotel(s). OUE H-BT exists primarily as “a master lessee of last resort” with regard to the hotel assets so that in the event that a master lessee terminates or does not renew the master lease agreement beyond the expiry of the lease term and OUE H-REIT is unable to lease the hotel(s) to another master lessee for any reason, OUE H-BT will enter into a master lease agreement for the hotel(s) on substantially the same terms as the previous master lease agreement;
- OUE H-REIT acquires hospitality assets in the future and, if there are no other suitable master lessees, OUE H-REIT will lease these acquired hospitality assets to OUE H-BT. OUE H-BT will then become a master lessee for that acquired hospitality asset and will appoint a professional manager to manage that acquired hospitality asset; or
- it undertakes certain hospitality and hospitality-related development projects, acquisitions and investments which may not be suitable for OUE H-REIT.

In general, OUE H-BT will be considered to be active in the event that it carries on any business activity other than:

- activities which OUE H-BT is required to carry out under any applicable law, regulation, the listing rules of the SGX-ST, guidelines, rules, or directive of any agency, regulatory or supervisory body;
- the lending to any entity which OUE H-BT owns or to OUE H-REIT or use of the initial \$20,000 working capital raised from the initial public offering; or
- equity fund-raising activities and issue of new OUE H-BT Units carried out in conjunction with OUE H-REIT which are solely for the purposes of funding OUE H-REIT’s business activities.

Upon OUE H-BT becoming active, the Trustee-Manager intends where appropriate to manage the exposure arising from adverse market movements in interest rates and foreign exchange through appropriate hedging strategies. The extent of the foreign exchange exposure would depend on the jurisdictions in which OUE H-BT becomes active in and the extent of the interest rate exposure would depend on the type of facilities to be taken up by OUE H-BT.

OUE H-BT is currently dormant but when it becomes active, appropriate internal controls would be put in place. OUE H-REIT will not guarantee any debt of OUE H-BT, and vice versa. This will help shield each entity from the other’s financial obligations because each entity’s creditors will not have recourse to the other.

Board of Directors



Mr. Lee Yi Shyan

Chairman
and Non-Independent Non-Executive Director

Mr. Lee Yi Shyan was appointed as the Deputy Chairman and Non-Independent Non-Executive Director of the Board of Directors of the REIT Manager and the Trustee-Manager (collectively, the **"Managers"**) on 12 January 2016. He assumed the role as the Chairman of the Board of Directors of the Managers on 1 November 2017.

Mr. Lee joined OUE Limited as an executive adviser to chairman of OUE Limited in January 2016. He was appointed as the chairman and non-independent non-executive director of OUE Lippo Healthcare Limited on 17 July 2017. He is also the chairman and director of OUE USA Services Corp..

Mr. Lee is also an elected member of parliament for East Coast GRC. Mr. Lee has been appointed as chairman of Business China since 1 October 2016. He is also the chairman and director of ICE Futures Singapore Pte. Ltd. ("**IFSG**"), a company which operates as an approved exchange under the supervision of the Monetary Authority of Singapore ("**MAS**"), and ICE Clear Singapore Pte. Ltd., which operates as an approved clearing house under the supervision of MAS, and a director of ICE Singapore Holdings Pte. Ltd. the holding company of IFSG.

Prior to joining OUE Limited, Mr. Lee was a member of the Cabinet of the Singapore government from 2006

to 2015. As senior minister of state for the Ministry of National Development, Mr. Lee oversaw urban planning, construction productivity development and town council management. As senior minister of state for the Ministry of Trade & Industry, Mr. Lee had extensive interactions with governments and business in China, Middle East, Africa and Russia.

Prior to his political career, Mr. Lee was the chief executive officer of International Enterprise Board from 2001 to 2006, whose mission was to help Singapore businesses internationalize through its 40 offices worldwide. He was the deputy chief executive officer of SPRING Singapore from 2000 to 2001, which helped small and medium enterprises in capacity building, innovation and productivity development.

Mr. Lee was honored with the Distinguished Alumni Award by the Centre for Creative Leadership, North Carolina, USA, in 2009, and the Distinguished Engineering Alumni Award by the Faculty of Engineering, National University of Singapore, in 2013.

Mr. Lee studied Chemical Engineering in the National University of Singapore. In 1997, he completed an executive management programme at the Harvard Business School and a management programme at Tsinghua University in 2001.

Board of Directors



Mr. Chong Kee Hiong

Chief Executive Officer
and Executive Director

Mr. Chong Kee Hiong is the Chief Executive Officer of the REIT Manager. He was appointed as an Executive Director of the Board of Directors of the Managers on 11 June 2013.

Mr. Chong has more than 25 years of financial and management experience. Prior to joining the Managers, Mr. Chong was the chief executive officer of The Ascott Limited ("**Ascott**") from February 2012 to May 2013. He was the chief executive officer of Ascott Residence Trust Management Limited from 2005 to February 2012. Ascott, a wholly-owned subsidiary of CapitaLand Limited, is the world's largest international serviced residence owner-operator and it is the sponsor of Ascott Residence Trust which was listed on the SGX-ST in 2006.

From May 2001 to September 2004, he was with Raffles Holdings Limited as their chief financial officer.

Mr. Chong is currently the president of the Orchid Country Club General Committee and chairman and non-executive director of NTUC Foodfare Co-operative Ltd. He is a non-executive director of SLF Leisure Enterprises (Pte) Ltd, Pasir Ris Resort Pte Ltd and Aquamarina Hotel Private Limited. He is also the representative of Mandarin Orchard Singapore as a board member of the Singapore Hotel Association and as a corporate member of the Singapore Chinese Chamber of Commerce & Industry.

Mr. Chong is an elected member of parliament for Bishan-Toa Payoh GRC.

Mr. Chong holds a Bachelor of Accountancy degree from the National University of Singapore and completed Harvard Business School's Advanced Management Program in 2008. He is a member of the Institute of Singapore Chartered Accountants.



Mr. Sanjiv Misra
Lead Independent Director

Mr. Sanjiv Misra was appointed as an Independent Director of the Board of Directors of the Managers on 11 June 2013. He serves as Lead Independent Director, Chairman of the Audit and Risk Committee of the REIT Manager, and is also a member of the Nominating and Remuneration Committee of the REIT Manager.

Mr. Misra is the chairman of the Asia Pacific Advisory Board for Apollo Management, the global private equity and alternative asset management firm. He is the president of Phoenix Advisers Pte. Ltd., a boutique advisory and principal investing firm. Mr. Misra is an independent and non-executive director of Edelweiss Financial Services Limited (a company listed on Bombay Stock Exchange) and Olam International Limited (a company listed on SGX-ST). He is also a member of the board of EDBI Pte Ltd and Singapore Symphonia Company Limited, and a member of the International Advisory Board of the Institute of Societal Leadership at Singapore Management University ("SMU").

Mr. Misra served as a member of the board of directors of the National University Health System from 2008 to 2016, and was a member of its

executive committee. He also served as a member of the board of trustee of SMU from 2004 to 2016, and was a member of the investment committee of SMU and the SMU Enterprise Board.

Mr. Misra spent 11 years at Citigroup from February 1997 to May 2008 and was the head of the Asia Pacific Corporate Bank from June 2004 till May 2008. Prior to his appointment with the Asia Pacific Corporate Bank, Mr. Misra was the chief executive officer of Citigroup's Global Corporate and Investment Banking Group in Singapore and Brunei, Citigroup country officer for Singapore, and head of Asia Pacific Investment Banking from 1999 to 2003.

Between 1986 and 1997, Mr. Misra worked in the Investment Banking Division at Goldman Sachs & Co., in New York, Hong Kong and Singapore.

Mr. Misra holds a Bachelor of Arts degree in economics from St. Stephen's College, Delhi University, a post-graduate diploma in management from the Indian Institute of Management, Ahmedabad, and a Master of Management from the J.L. Kellogg Graduate School of Management at Northwestern University, USA.

Board of Directors



Mr. Ong Kian Min
Independent Director

Mr. Ong Kian Min was appointed as an Independent Director of the Board of Directors of the Managers on 11 June 2013. He is the Chairman of the Nominating and Remuneration Committee of the REIT Manager, and also serves as a member of the Audit and Risk Committee of the REIT Manager.

Mr. Ong is an advocate and solicitor practising as a consultant with Singapore law firm Drew & Napier LLC, which he joined in October 2000. He was called to the Bar of England and Wales in 1988 and to the Singapore Bar the following year. In his more than 25 years of legal practice, he focused on corporate and commercial law such as mergers and acquisitions, joint ventures, restructuring and corporate finance. In addition to his legal practice, he is a senior adviser of Alpha Advisory Pte. Ltd., a boutique financial and corporate advisory firm, which he joined in January 2010. He is also the founder of Kanesaka Sushi Private Limited, a company which he set up in January 2010 and now owns and operates two fine dining Japanese restaurants in Singapore.

Mr. Ong is currently an independent non-executive director of several other companies listed on the SGX-ST, namely BreadTalk Group Limited, Food Empire Holdings Limited, Penguin International

Limited and Silverlake Axis Ltd. He chairs the audit committee of four of these listed companies, namely BreadTalk Group Limited, Food Empire Holdings Limited, Penguin International Ltd and Silverlake Axis Ltd and is the lead independent director of BreadTalk Group Limited, Food Empire Holdings Limited and Penguin International Ltd. Mr. Ong was the chairman and independent non-executive director of Hupsteel Limited from 2003 to 2017, and an independent non-executive director of China Energy Limited from September 2008 until its delisting from the SGX-ST in November 2014, of GMG Global Ltd from November 1999 until January 2017 following its delisting from the SGX-ST and of Jaya Holdings Limited from December 2012 until its members' voluntary winding-up and liquidation in February 2018.

Mr. Ong was an elected member of parliament in Singapore from January 1997 to April 2011. In 1979, he was awarded the President's Scholarship and the Singapore Police Force Scholarship. He holds a Bachelor of Laws (Honours) external degree from the University of London in England and a Bachelor of Science (Honours) degree from the Imperial College of Science & Technology, England.



Mr. Liu Chee Ming
Independent Director

Mr. Liu Chee Ming was appointed as an Independent Director of the Board of Directors of the Managers on 11 June 2013. He serves as a member of the Audit and Risk Committee of the REIT Manager.

Mr. Liu has been a member of the Takeovers Appeal Committee under the Hong Kong Securities and Futures Commission since May 1995, and the deputy chairman of the Takeovers and Mergers Panel since April 2008, where his duties include reviewing mergers and acquisition cases and dealing with the relevant appeals. He is also a member of the President's Advancement Advisory Council of the National University of Singapore since March 2010. He is currently a Governor of the Singapore International School (Hong Kong) since May 2006 and was the Chairman of its Finance Committee from 2009 to 2015.

Mr. Liu is currently the managing director of Platinum Holdings Company Limited, which he established in March 1996, and oversees its stock broking, corporate finance and asset management business. He has been

an independent non-executive director of StarHub Ltd. (a company listed on the SGX-ST) since August 2004, and an independent non-executive director of Haitong Securities Co., Ltd. (a company listed on the Hong Kong and Shanghai stock exchanges) since November 2011. He has been appointed as an Independent Supervisor of the Supervisory Committee of Dalian Wanda Commercial Properties Co., Ltd. (a company which was listed on the Hong Kong Stock Exchange and privatised in September 2016) since May 2015, and an independent non-executive director of STT GDC Pte. Ltd. since October 2015.

Mr. Liu also served on the boards of Kader Holdings Company Limited (a company listed on the Hong Kong Stock Exchange) from June 1998 to June 2016, Founder BEA Trust Co., Ltd. (an associate company of The Bank of East Asia, Limited) from November 2013 to June 2016, and Japfa Ltd. (a company listed on the SGX-ST) from July 2014 to April 2016.

Mr. Liu holds a Bachelor's degree in Business Administration from the former University of Singapore.

Board of Directors



Professor Neo Boon Siong
Independent Director

Professor Neo Boon Siong was appointed as an Independent Director of the Board of Directors of the Managers on 11 June 2013. He serves as a member of the Audit and Risk Committee of the REIT Manager.

He is the Canon Endowed Chair Professor of Business and Director of the Asian Business Case Centre at Nanyang Business School. He was the Dean of Nanyang Business School of Nanyang Technological University, Singapore, from June 2016 and relinquished his role on 1 January 2018. He had previously held this position from 1998 to 2004.

After his first appointment as Dean, Prof Neo remained a Professor at the Nanyang Business School from 2004 to 2005 before accepting an appointment as the director of Asia Competitiveness Institute at the Lee Kuan Yew School of Public Policy in the National University of Singapore from 2005 to 2010.

He returned to the Nanyang Business School as Professor in 2011. During these appointments, his duties covered areas of education, research and consultancy.

Prof Neo is currently the chairman and non-executive director of k1 Ventures Limited. He also served as a non-executive director of Keppel Telecommunications & Transportation Ltd, and J. Lauritzen Singapore Pte. Ltd. He was a non-executive director of Oversea-Chinese Banking Corporation Limited from 2005 to 2013, and a non-executive director of Great Eastern Holdings Limited from 2000 to 2010.

Prof Neo holds a Bachelor of Accountancy with Honours from the National University of Singapore and a Master of Business Administration and Ph.D from University of Pittsburgh. He is a member of the Institute of Singapore Chartered Accountants.



Mr. Christopher James Williams
Non-Independent Non-Executive Director

Mr. Christopher James Williams was appointed as the Chairman and Non-Independent Non-Executive Director of the Board of Director of the Managers on 19 April 2013. He retired as Chairman of the Board of Directors of the Managers on 1 November 2017. He also serves as a member of the Nominating and Remuneration Committee of the REIT Manager.

Mr. Williams is a founding partner of Howse Williams Bowers, Hong Kong, which he co-founded in 2012 as an independent Hong Kong law firm. Mr. Williams was responsible in particular for establishing the non-contentious area of the Practice. Howse Williams Bowers has subsequently grown to become one of the leading independent law firms in Hong Kong.

Prior to co-founding Howse Williams Bowers, Mr. Williams was from 1994 a partner in Richards Butler, an international law firm which merged with the US law firm Reed Smith in 2008 and was throughout this period based in Hong Kong.

Mr. Williams is presently the deputy chairman of OUE Limited and was appointed as the chairman and non-independent non-executive director of OUE Commercial REIT Management Pte. Ltd. in

October 2013. He was also appointed as director of OUB Centre Limited in January 2014, and director of 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.

REIT Manager



Mr Chong Kee Hiong

Chief Executive Officer

Mr Chong is also the Executive Director of the Board of Directors of the Managers. Please refer to page 20 of the Annual Report for his profile under the 'Board of Directors' section.



Mr Eric Gan Chee Teik

Chief Financial Officer

Mr Gan has more than 20 years of experience in financial reporting, corporate finance, treasury management, audit, taxation and company secretarial matters.

Prior to joining the REIT Manager, Mr Gan was the Chief Financial Officer of Meritus Hotels & Resorts (Hospitality Division) of OUE Limited, the Sponsor. Mr Gan commenced his professional career with international accounting firms and later moved on to public listed companies in real estate, manufacturing and food businesses. He has held key positions such as Senior Vice President, Company Secretary and Chief Financial Officer in public listed companies, and has extensive experience in the field of financial management.

Mr Gan is a Fellow of The Association of Chartered Certified Accountants (United Kingdom) and a member of the Institute of Singapore Chartered Accountants.



Ms Goh Lilian

Senior Vice President, Investor Relations

Ms Goh has more than 15 years of experience in marketing and corporate communications and investor relations.

Prior to joining the REIT Manager, she was with The Ascott Limited for more than nine years from June 2004 to August 2013. She was part of the team that listed Ascott Residence Trust (Ascott REIT) in 2006. In her capacity as head of Investor Relations, she was a key member of the team that managed subsequent equity fund raising exercises for Ascott REIT which included overnight placements to institutional investors, preferential offers to existing unitholders and offers to the general public. Ms Goh was also responsible for managing communication of Ascott REIT's investment activities. Ms Goh was also the investor relations manager for The Ascott Group until April 2008 when it was privatised by CapitaLand Limited.

Ms Goh holds a Master of Business Administration degree and an Honours degree in Communication Studies, both from Singapore's Nanyang Technological University.



Mr Chen Yi Chung

Vice President, Investments

Mr Chen has more than 10 years of experience in the investment and consultancy industries.

Prior to joining the REIT Manager, Mr Chen was with the Sponsor from November 2008, where his last held position was Vice President, Investments. From February 2008 to October 2008, Mr Chen was with Lippo-Mapletree Indonesia Retail Trust Management Ltd, the manager for LMIR Trust, where his last held position was Manager, Projects.

Mr Chen holds a Bachelor's degree in Business Administration from Fu Jen Catholic University in Taiwan, a Master's degree in Computer Science from the University of Texas at Arlington and a Master's degree in Business Administration from the University of Chicago Booth School of Business.

Investor Relations

OUE H-Trust is committed to maintaining regular and transparent communication with its stakeholders, namely stapled securityholders, prospective investors, analysts and the media. Financial results, announcements, press releases, presentation slides and other relevant disclosures are posted on SGXNet. These are also posted in a timely manner on OUE H-Trust's website, www.oueht.com.

Management and Investor Relations conduct regular results briefings, provide updates through one-on-one and group meetings, conference calls, emails, roadshows, and the website. We also organise familiarisation visits to OUE H-REIT's properties for financial analysts and institutional investors upon request.

2017 ACTIVITIES

On 20 April 2017, OUE H-Trust held its annual general meeting ("**AGM**") of stapled securityholders. OUE H-Trust conducted two analyst and media briefings for the FY2016 and first half 2017 (1H2017) financial results, where management presented the highlights of the financial results and addressed questions from analysts and media representatives.

Every quarter, management meets institutional investors after the release of OUE H-Trust's financial results and has in the course of the year participated in the following events:

2017 Event	Location	Date
FY2016 Financial Results Briefing to Media and Analysts	Singapore	25 January
Singapore REIT Day hosted by RHB	Tokyo	15 March
Bank of Singapore Investor Forum 2017	Singapore	17 May
ShareInvestor REITs Symposium for Retail Investors	Singapore	27 May
Non-Deal Roadshow hosted by DBS	Bangkok	15 and 16 June
Non-Deal Roadshow hosted by DBS	Hong Kong	6 & 7 July
1H2017 Financial Results Briefing to Media and Analysts	Singapore	1 August
Lunch Seminar hosted by PhillipCapital	Singapore	6 September
Credit Suisse 2017 SGX-CS Real Estate Corporate Day	Singapore	3 October
Non-Deal Roadshow hosted by RHB	Tokyo	16 November

Investor Relations

Trading Performance – Closing Price (unless otherwise stated)	\$ per Stapled Security
2016 Last Done	0.660
2017 Opening Price	0.665
2017 Highest	0.860
2017 Lowest	0.670
2017 Last Done	0.850

2017 Trading Performance – Volume Traded	Stapled Security ('000)
Total Volume Traded	373,080
Average Daily Volume	1,498

Financial Calendar 2017	
Release of 2016 Full Year Results	25 January
Payment of Fourth Quarter Distribution	27 February
Annual General Meeting	20 April
Release of First Quarter Results	4 May
Payment of First Quarter Distribution	6 June
Release of Half Year Results	1 August
Payment of Second Quarter Distribution	4 September
Release of Third Quarter Results	1 November
Payment of Third Quarter Distribution	1 December

Financial Calendar 2018*	
Release of 2017 Full Year Results	30 January
Payment of Fourth Quarter Distribution	28 February
Annual General Meeting	25 April
Release of First Quarter Results	May
Payment of First Quarter Distribution	June
Release of Half Year Results	July/August
Payment of Second Quarter Distribution	August/September
Release of Third Quarter Results	November
Payment of Third Quarter Distribution	December

* Dates are tentative and may be subject to change

Sustainability Report

INTRODUCTION

[GRI 102-16] [GRI 102-18]

OUE Hospitality Trust ("**OUE H-Trust**"), sponsored by OUE Limited (the "**Sponsor**"), is a stapled group comprising OUE Hospitality Real Estate Investment Trust ("**OUE H-REIT**") and OUE Hospitality Business Trust ("**OUE H-BT**").

OUE H-REIT is managed by OUE Hospitality REIT Management Pte. Ltd. (the "**REIT Manager**"), which is wholly-owned by the Sponsor. OUE H-BT is managed by OUE Hospitality Trust Management Pte. Ltd. (the "**Trustee-Manager**"), which is also wholly-owned by the Sponsor.

OUE H-REIT's asset portfolio comprises two hotels – the 1,077-room Mandarin Orchard Singapore ("**MOS**") and the 563-room Crowne Plaza Changi Airport ("**CPCA**"), and a high-end retail mall – Mandarin Gallery.

OUE H-BT is dormant.

The principal objectives of the REIT Manager and the Trustee-Manager of OUE H-BT are to deliver regular and stable distributions to Stapled Securityholders and to achieve long-term growth in distributions and in the NAV per Stapled Security, while maintaining an appropriate capital structure.

The REIT Manager endeavours to achieve this through the key strategies of optimising assets and delivering operational excellence, growth through acquisitions, and active capital and risk management.

The REIT Manager identifies and evaluates property acquisition or improvement opportunities that will enhance the value of the portfolio. Post-listing, OUE H-Trust has acquired the 563-room CPCA. In addition, some of the asset enhancements completed include:

- Renovation of 430 guest rooms in MOS
- Creation of a brand new level of meeting and convention space in MOS' Orchard Wing
- Renovation of existing meeting facilities in MOS' Main Tower

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

The Board and senior management provide strategic direction to OUE H-Trust. The Board oversees and approves key sustainability related matters. The Board is supported by the Sustainability Steering Committee ("**SSC**") which comprises senior management from the REIT Manager as well as across the OUE Group. The SSC is responsible for guiding the implementation of OUE Group's sustainability strategies.

BOARD STATEMENT

[GRI 102-14]

The Board of Directors ("**the Board**") of the REIT Manager and the Trustee-Manager (collectively, the "**Managers**") is pleased to present our first sustainability report.

We recognise how sustainability can contribute to our objective of delivering regular and stable distributions to stapled securityholders. We believe that sustainability provides opportunities to enhance the function, practicality, effectiveness, perception and value of our assets and we look forward to exploring these opportunities further.

The Board oversees the direction of sustainability focus and strategies within OUE H-Trust, the management of sustainability related performance and development of the sustainability report.

Our sustainability report is aligned to the SGX-ST Listing Rules 711A and 711B – Sustainability Reporting Guide and makes references to the internationally recognised Global Reporting Initiative ("**GRI**") Standards (2016).

We believe that it is important for us to focus on the areas which are most relevant to us. The Board validated the results of a materiality assessment that was conducted by management to identify where we should concentrate our sustainability efforts given OUE H-Trust's structure and business priorities. In addition, we have set out how we manage our impacts in these areas as well as our performance and targets for the upcoming year.

ABOUT THIS REPORT

[GRI 102-50]

OUE H-Trust's inaugural sustainability report is published as an affirmation of its commitment to sustainability. The report addresses OUE H-Trust's material environmental, social and governance ("ESG") topics from 1 January to 31 December 2017.

Reporting Scope [GRI 102-46]

In defining the reporting scope, OUE H-Trust considered its level of operational control over the activities carried out within its real estate assets as well as the significance of any resulting economic, environmental and social impacts.

OUE H-Trust owns a portfolio of real estate assets on behalf of Stapled Securityholders. Both hotels, Mandarin Orchard Singapore and Crowne Plaza Changi Airport are on master lease arrangements and Mandarin Gallery is managed by an appointed property manager. Please refer to the diagram on page 14 which illustrates the relationship between, among others, OUE H-REIT, OUE H-BT, the REIT Manager, the REIT Trustee, the Trustee-Manager, the Master Lessees, the Hotel Managers, the Property Manager and the Stapled Securityholders.

This report focuses on the REIT Manager's policies, practices and performance in relation to the Trust's material ESG factors. Unless otherwise specified, the performance data reported pertain only to the REIT Manager. Targets set pertain only to the REIT Manager.

We have regular meetings with the Master Lessees, Hotel Managers and the Property Manager of Mandarin Gallery where we communicate our objectives and strategic direction. We support initiatives that

contribute towards building a future ready workforce with a strong pipeline of talent. We are also supportive of the community engagement projects and eco-friendly initiatives such as green campaigns and use of waste management systems undertaken at the properties. Highlights of information relating to the sustainability practices and performance of the Trust's two hotels – Mandarin Orchard Singapore and Crowne Plaza Changi Airport, and its retail mall Mandarin Gallery, are included in the section on 'Sustainability Management – Property Highlights' within the annual report.

Our data is reported in good faith and to the best of our knowledge. In the coming years, we will continue to enhance our sustainability processes by advocating transparency and accountability. These continue to be the fundamental aspects required to build trust with our stakeholders.

Reporting Standard [GRI 102-54]

This report has been prepared in accordance with the requirements of SGX-ST Listing Rules 711A and 711B. The report is with reference to the GRI Standards (2016), and includes consideration of the GRI Construction and Real Estate Sector Disclosures. We have selected the GRI Standards as our sustainability reporting framework as they are widely used by sustainability reporters globally. The GRI Index and the relevant references are presented on pages 37 to 39.

Feedback [GRI 102-53]

OUE H-Trust welcomes all feedback to help us improve our sustainability practices. Please send your questions or feedback to enquiry@oueht.com.



ASSESSING MATERIALITY WITH OUR STAKEHOLDERS IN MIND

Engaging with Our Stakeholders

[GRI 102-40][GRI 102-42][GRI 102-43]

OUE H-Trust is committed to maintaining regular and transparent communication with its stakeholders, namely stapled securityholders and prospective investors, analysts and the media, tenants (including Master Lessees), employees, Property Manager and the government and regulators. Regular stakeholder engagement enables ongoing learning within the organisation and fosters accountability between OUE H-Trust and its stakeholders.

Stakeholders	Engagement methods
Stapled Security-holders and the Investment Community 	<ul style="list-style-type: none"> • Release of financial results, announcements, press releases, presentation slides and other relevant disclosures on SGXNet and OUE H-Trust's website, www.oueht.com • Annual General Meeting • Extraordinary General Meeting, where necessary • Updates through one-on-one and group meetings, conference calls, emails and the website • Participation in investor roadshows and conferences • Familiarisation visits to OUE H-REIT's properties for financial analysts and institutional investors upon request <p>(See section on Investor Relations)</p>
Tenants 	<ul style="list-style-type: none"> • Tenant bulletins to communicate activities within the mall • Regular performance meetings with the Master Lessees, Hotel Managers and Property Manager

Stakeholders	Engagement methods
Employees 	<ul style="list-style-type: none"> • Training and development programmes • Annual performance reviews • Recreational and team building events • Staff volunteering activities
Government and Regulators 	<ul style="list-style-type: none"> • Compliance with mandatory reporting requirements • Industry networking functions • Regulatory audits

Materiality Assessment [GRI 102-47]

Insights gained from interactions with our stakeholders have been considered when determining the content of this report. OUE H-Trust, together with the OUE Group, conducted a joint materiality assessment in January 2017 to select ESG factors that shine a spotlight on opportunities to improve our business and our practices. An independent sustainability consultant was engaged to facilitate a three-step process as summarised in the table below. The assessment covered OUE H-Trust's operations, and was guided by the GRI Materiality Principle.

Stakeholders	Activities conducted
Step 1 Identify material ESG factors	<ul style="list-style-type: none"> • Market research and peer landscape/benchmarking • Pre-workshop questionnaire completed by members of the SSC, which includes C-suite representation from OUE H-Trust
Step 2 Prioritise material ESG factors	<ul style="list-style-type: none"> • Sustainability reporting workshop attended by members of the SSC, which includes C-suite representation from OUE H-Trust
Step 3 Validate material ESG factors	<ul style="list-style-type: none"> • Approval and validation by the Board






Sustainability Report

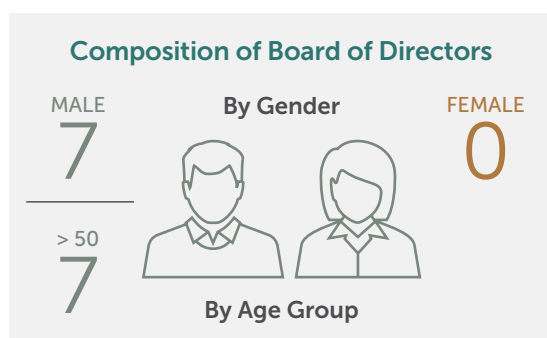
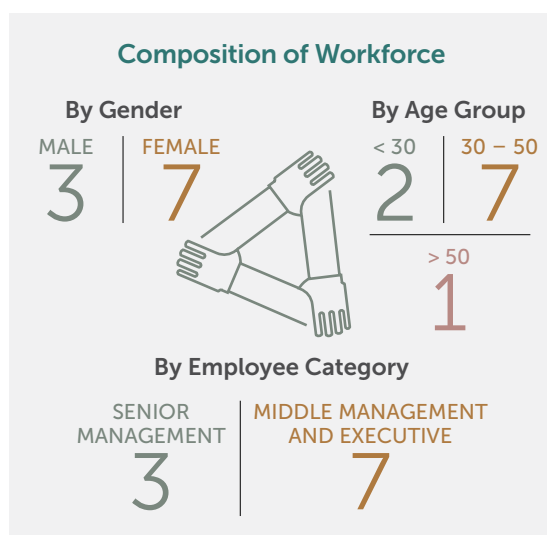
The following aspects were considered in the assessment process:

- global and local emerging sustainability trends;
- main topics and future challenges for the real estate sector, as identified by peers;
- insights gained from regular day-to-day interactions with external stakeholders; and
- key organisational strategies and risks identified in the Enterprise Risk Management ("ERM") framework.

Through the assessment and taking into account OUE H-Trust's level of operational control and low level of involvement in the day-to-day operations of the owned properties as they are mainly master-leased, there were eight factors determined to be material to the Trust.

The eight material factors in the table below form the focus of this sustainability report. For more information on OUE H-Trust's economic performance, please refer to the Letter to Stapled Securityholders on pages 6 to 12, Financial Highlights on page 13 and the Financial Statements section for more information on the financial year ended 31 December 2017.

Sustainability Focus Areas	Material ESG Factors	2017 Highlights
Economic 	<ul style="list-style-type: none"> • Economic Performance 	<ul style="list-style-type: none"> • Refer to the Letter to Stapled Securityholders, pages 6 to 12, Financial Highlights, page 13 and the Financial Statements section for more information on the financial year ended 31 December 2017
Workforce 	<ul style="list-style-type: none"> • Occupational Health and Safety • Talent Retention • Career Development 	<ul style="list-style-type: none"> • There were no work-related incidents of employee injuries or fatalities • Employee turnover rate of 20% • Employees received regular performance and career development reviews
Community 	<ul style="list-style-type: none"> • Customer Health and Safety 	<ul style="list-style-type: none"> • There were no incidents of non-compliance resulting in a fine, penalty or warning
Governance 	<ul style="list-style-type: none"> • Compliance with Local Laws and Regulations • Anti-corruption 	<ul style="list-style-type: none"> • There were no incidents of non-compliance with laws and/or regulations resulting in significant fines and non-monetary sanctions • There were no confirmed incidents of corruption
Environment 	<ul style="list-style-type: none"> • Compliance with Environmental Regulations 	<ul style="list-style-type: none"> • There were no incidents of non-compliance with environmental laws and/or regulations resulting in significant fines and non-monetary sanctions



Workplace Health & Safety [GRI 403-2]

2017 Highlights

Indicator	Performance in 2017	Target for 2018
Accident Frequency Rate ("AFR")	Zero incidents	Maintain zero incidents resulting in employee permanent disability or fatality
Accident Severity Rate ("ASR")	Zero incidents	

We are committed to ensuring the health and safety of our employees. Employers are required to conduct risk assessments and take steps to eliminate and reduce any anticipated risks in the workplace.

In 2017, there were zero work-related fatalities and zero work-related injuries amongst staff employed by the REIT Manager. We continue to strengthen our safety management practices to minimise injuries in the workplace.

Employee Wellbeing

Efforts are taken to ensure that our employees feel appreciated for their contributions. Investing in the wellbeing of our employees is part of creating a working environment which respects individuals and acknowledges achievements. Our employees are entitled to benefits such as health insurance, annual health screenings, and complimentary flu vaccinations.

¹ The scope of this section is limited to the Manager's employees. Employees under the Property Manager of Mandarin Gallery are not included as they are separately reported under OUE Group. There were no temporary employees.



Talent Retention

2017 Highlights [GRI 401-1]²

Indicator	Performance in 2017	Target for 2018
Rate of New Employee Hires	20%	Achieve employee turnover rate below national industry average
Rate of Employee Turnover	20%	

Our employees are key drivers in our pursuit to enhance overall business performance to deliver sustainable growth. We place emphasis on recruiting individuals with the necessary competencies, experience, qualifications and mind-set to make a positive contribution to the business objectives of OUE H-Trust.

We constantly endeavour to create an environment where our employees feel valued and respected. OUE H-Trust leverages on the Sponsor's human resource strategies and policies which are grounded on equal opportunities and fair employment practices. The Sponsor subscribes to the Tripartite Alliance for Fair & Progressive Employment Practices ("TAFEP") guidelines and government employment legislation in all its recruitment and selection practices. We are therefore committed to employing qualified candidates without any discrimination against age, gender, race, marital status or religion.

We understand that an engaging workplace also caters to the employees' desire to contribute to society. The REIT Manager is a keen supporter of the Sponsor's community activities, including the Stars of Christmas annual event. Our employees have also been supporting this meaningful cause on a personal basis by contributing gifts to the beneficiaries.

In 2017, the REIT Manager's workforce totalled 10 permanent employees in Singapore¹. There were no temporary employees. During the period, the rate of new employee hires was 20%. Employee turnover rate was at 20%.



Career Development

2017 Highlights [GRI 404-3]²

Indicator	Performance in 2017	Target for 2018
Percentage of employees receiving regular performance and career development reviews	100%	Continue to conduct annual performance appraisals for 100% of relevant employees

We conduct annual performance evaluation exercises. Employees receive performance feedback from their supervisors, and are encouraged to communicate and discuss their training and development goals.

The regular engagement through performance appraisals enables us to determine and recommend development opportunities to help employees achieve their full potential. In a dynamic business environment, we recognise the need to constantly train and develop our employees in order to equip them with the skills necessary for growth.

OUE H-Trust leverages on the Sponsor's training policy which focuses on enabling continuous learning and development throughout the employment cycle. In 2017, the average training hours per employee achieved was more than 40 hours.

Apart from in-house training, employees are also encouraged to pursue development opportunities to further their careers. Examples of such opportunities include industry seminars and conferences, skills certification training, courses to attain professional qualifications as well as scholarship programmes. Employees may also apply for paid examination leave to pursue studies of their interest.

We aim to maintain a continuous dialogue so as to enrich our employees' careers with us.

² The scope of this section is limited to the Manager's employees. Employees under the Property Manager of Mandarin Gallery are not included as they are separately reported under OUE Group.



Customer Health & Safety

2017 Highlights [GRI 416-2]

Indicator	Performance in 2017	Target for 2018
Non-compliance with regulations and/or voluntary codes concerning the health and safety of tenants and building users which resulted in a fine, penalty or warning	Zero non-compliance with regulations and/or voluntary codes concerning the health and safety of tenants and building users resulting in a fine, penalty or warning	Maintain zero non-compliance with regulations and/or voluntary codes concerning the health and safety of tenants and building users resulting in a fine, penalty or warning

We aim to enhance the potential of our hotels and retail mall so that they may continue to be places which attract guests, patrons, and tenants. A safe and welcoming environment is vital to an enjoyable experience. As a real estate owner, we want our tenants and building users to be safe from injury, and are therefore committed to safety laws and regulations and strive to achieve the best of industry standards. Encouraging and enabling our Master Lessees and Property Manager to provide a hazard-free and comfortable environment is of paramount importance.

The properties are subject to periodic (usually once in five years) professional review for structural safety. When reviewing the annual capital expenditure budget of the properties, approval priority is given to expenditures related to regulatory, health and safety requirements. The Hotel Managers are required to hold the relevant licences from the Hotels Licensing Board to use the premises for operation as a hotel and adhere to the licensing and regulatory requirements relating to health and safety in their operations. The REIT Manager conducts periodic review of the validity of the key licences.



Anti-Corruption

2017 Highlights [GRI 205-3]

Indicator	Performance in 2017	Target for 2018
Confirmed incidents of corruption and actions taken	Zero confirmed incidents of corruption	Maintain zero confirmed incidents of corruption

OUE H-Trust is committed to maintaining good standards of corporate governance and business conduct to safeguard the interests of its stakeholders. The REIT Manager is dedicated to upholding integrity and honesty in our operations. OUE Limited's Code of Business Conduct and Ethics sets out expectations of employees in relation to issues such as fraud, bribery, segregation of duties and anti-competitive conduct. Upon commencement of employment, all employees are required to sign a certificate of compliance to indicate their willingness to adhere to the Code. The same requirement is made of the REIT Manager's employees.

OUE H-Trust adopts the Sponsor's whistle-blowing policy to provide a channel for employees to report concerns about possible improprieties in financial reporting and other matters. Retaliation or harassment of any kind are not permitted against individuals for complaints submitted that are made in good faith. The Audit and Risk Committee ("**ARC**") of the REIT Manager has the responsibility of overseeing this policy which is administered with the Head of OUE's Internal Audit Department ("**OUE IA**"). Under these procedures, arrangements are in place for independent investigation of complaints or concerns received and for appropriate action to be taken.

The REIT Manager adopts Limits of Authority as approved by the Board for MOS and CPCA, and the Power of Attorney from the Trustee in relation to Mandarin Gallery to manage decision making. This ensures that actions to be authorised are at all times consistent with our objectives, principles, ethics as well as the relevant legal and/or regulatory requirements.



Compliance with Local Laws and Regulations

2017 Highlights [GRI 307-1] [GRI 419-1]

Indicator	Performance in 2017	Target for 2018
Non-compliance with laws and/or regulations which resulted in significant fines and non-monetary sanctions	Zero non-compliance with laws and/or regulations resulting in significant fines and non-monetary sanctions	Maintain zero non-compliance with laws and/or regulations resulting in significant fines and non-monetary sanctions
Non-compliance with environmental laws and/or regulations which resulted in significant fines and non-monetary sanctions	Zero non-compliance with environmental laws and/or regulations resulting in significant fines and non-monetary sanctions	Maintain zero non-compliance with environmental laws and/or regulations resulting in significant fines and non-monetary sanctions

OUE H-Trust's Board of Directors and management believe compliance with local laws and regulations is key to successful and sustainable financial and operating performance. The REIT Manager holds a Capital Markets Services License for Real Estate Investment Trust Management, administered under the Securities and Futures Act.

Compliance-related activities are guided by a legal and regulatory Compliance Manual and are administered by a legal and compliance team. In the event of any identified incidence of non-compliance, legal and regulatory impacts will be assessed and remedial plans will be carried out. External consultants are also engaged to review our compliance with the Monetary Authority of Singapore's Risk-Based Capital ("RBC") framework as well as implement measures to meet Anti-Money Laundering, Counter-terrorism and Financing, and Know Your Customer requirements.

The legal and compliance department monitors changes to relevant laws and regulations, and conducts regular updates and training for the REIT Manager. Where necessary, external consultants are engaged to assist with training and implementation of policies and practices to adapt to changes in regulatory requirements.

Our properties are subject to environmental laws and regulations, including the Building Control (Environmental Sustainability) Regulations administered by the Building and Construction Authority ("BCA"), as well as the Energy Conservation Act and Environment Protection and Management Act governed by the National Environment Agency ("NEA"). Properties are also subject to periodic environmental audits by the local authorities. The Hotel Managers and the Property Manager are responsible for conducting regular checks within the buildings and ensuring compliance with reporting requirements pertaining to the submission of environmental data.

GRI INDEX [GRI 102-55]

GRI Standards (2016)		Notes/Page number(s)
General Disclosures		
Organisational Profile		
102-1	Name of the organisation	OUE Hospitality Trust
102-2	Activities, brands, products, and services	Portfolio Overview, page 48 Property Profile, pages 54 to 56
102-3	Location of headquarter	Corporate Information on Inside Back Cover
102-4	Location of operations	Corporate Information on Inside Back Cover
102-5	Ownership and legal form	Structure of OUE Hospitality Trust, page 14
102-6	Markets served	Portfolio Overview, page 48 Property Profile, pages 54 to 56
102-7	Scale of the organisation	Portfolio Overview, page 48 Property Profile, pages 54 to 56
102-8	Information on employees and other workers	Workforce, Talent Retention, pages 33 to 34 There is no significant variation in employment numbers during the reporting period.
102-9	Supply chain	Supply chain is minimal and not significant to report on.
102-10	Significant changes to organisation and its supply chain	There is no significant change to the organisation and its supply chain during the reporting period.
102-11	Precautionary principle or approach	OUE H-Trust does not specifically address the principles of the precautionary approach.
102-12	External initiatives	Awards & Accolades, page 47 Tripartite Alliance for Fair and Progressive Employment Practices
102-13	Membership of associations	The REIT Manager is a member of the REIT Association of Singapore
Strategy		
102-14	Statement from senior decision-maker	Board Statement, page 29
Ethics and Integrity		
102-16	Values, principles, standards, and norms of behaviour	Introduction, page 29
Governance		
102-18	Governance structure	Introduction, page 29

GRI Standards (2016)		Notes/Page number(s)
General Disclosures		
Stakeholder Engagement		
102-40	List of stakeholder groups	Assessing Materiality with Our Stakeholders in Mind, Engaging with Our Stakeholders, page 31
102-41	Collective bargaining agreements	None of our employees are covered by collective bargaining agreements.
102-42	Identifying and selecting stakeholders	Assessing Materiality with Our Stakeholders in Mind, Engaging with Our Stakeholders, page 31
102-43	Approach to stakeholder engagement	Assessing Materiality with Our Stakeholders in Mind, Engaging with Our Stakeholders, page 31
102-44	Key topics and concerns raised	OUE H-Trust has not disclosed the key topics and concerns that have been raised through stakeholder engagement and may do so in future periods.
Reporting Practice		
102-45	Entities included in the consolidated financial statements	Financial Statements, pages 85 to 175
102-46	Defining report content and topic Boundaries	About this Report, Reporting Scope, page 30
102-47	List of material topics	Assessing Materiality with Our Stakeholders in Mind, Materiality Assessment, page 31
102-48	Restatements of information	Not applicable
102-49	Changes in reporting	Not applicable
102-50	Reporting period	1 January 2017 – 31 December 2017
102-51	Date of most recent report	Not applicable
102-52	Reporting cycle	Annual
102-53	Contact point for questions regarding the report	About this Report, Feedback, page 30
102-54	Claims of reporting in accordance with GRI Standards	About this Report, Reporting Standard, page 30
102-55	GRI content index	The GRI content index is laid out on pages 37 to 39.
102-56	External assurance	Not Applicable

GRI Standards (2016)		Notes/Page number(s)
Management Approach		
103-1	Explanation of the material topic and its boundary	Workforce, Workplace Health & Safety, page 33
103-2	The management approach and its components	Workforce, Talent Retention, page 34 Workforce, Career Development, page 34
103-3	Evaluation of the management approach	Community, Customer Health & Safety, page 35 Governance, Anti-corruption, page 35 Governance, Compliance with Local Laws and Regulations, page 36
Material Topics		
Economic Performance		
201-1	Direct economic value generated and distributed	Financial Highlights, page 13 Financial Statements, pages 85 to 175
Anti-corruption		
205-3	Confirmed incidents of corruption and actions taken	Governance, Anti-corruption, page 35
Environmental Compliance		
307-1	Non-compliance with environmental laws and regulations	Governance, Compliance with Local Laws and Regulations, page 36
Employment		
401-1	New employee hires and employee turnover	Workforce, Talent Retention, page 34
Occupational Health and Safety		
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Workforce, Workplace Health & Safety, page 33
Training and Education		
404-3	Percentage of employees receiving regular performance and career development reviews	Workforce, Career Development, page 34
Customer Health and Safety		
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Community, Customer Health & Safety, page 35
Socioeconomic Compliance		
419-1	Non-compliance with laws and regulations in the social and economic area	Governance, Compliance with Local Laws and Regulations, page 36

Sustainability Management – Property Highlights

At OUE H-Trust, we believe in being proactive in making a positive difference in the communities that are home to our customers, our associates, and our business partners.

We support programmes at our properties, in collaboration with our Sponsor, OUE Limited, and the Hotel Managers and Property Manager of the mall, which bring tangible results in supporting our workforce, and in aid of causes that support ecological sustainability and the welfare of underserved seniors, children and families especially in the areas of health and education.



Supporting Our Talent, Growing Their Potential

We fully support the training and development of staff employed at our properties. It is also important to recognise and reward good performance to continuously motivate staff and retain talent.

Mandarin Orchard Singapore ("MOS")

Service excellence is the cornerstone of MOS' delivery of the Meritus promise of Asian grace, warmth and care to guests. At MOS, staff are not only trained in the finer points of service execution but also in fundamental but important areas such as Occupational First Aid and Workplace Safety. As at the end of 2017, more than 600 MOS staff had attended at least one training programme and in aggregate accomplished a total of more than 16,000 hours of training.

In 2017, 262 employees of MOS received the Excellent Service Award ("EXSA") across the Star, Gold, and Silver categories.

A national award that recognises individuals who have delivered quality service, EXSA seeks to develop service models for staff to emulate, and to create service champions within organisations.

EXSA is managed by six industry lead bodies—the Association of Singapore Attractions, the Land

Transport Authority, the Restaurant Association of Singapore, the Singapore Hotel Association, the Singapore Retailers Association, and the Association of Banks in Singapore; and supported by SPRING Singapore.

Representing various departments within MOS, 70 staff received the Star distinction, 151 received the Gold Award, and 41 were awarded Silver. This year, Eugene Lee from the hotel's Food and Beverage department was conferred the SHA Outstanding Star Award, the highest accolade for EXSA.

In 2016, MOS received the ISO 9001:2008 Quality Management System for successfully adopting international standards of quality and service within the hospitality industry. Implementing ISO 9001:2008 enables the continuous improvement of an organisation's quality management systems and processes. In turn, this boosts profitability and improves the ability of the organisation to meet customer requirements and expectations.

MOS' ISO 9001:2008 certification is valid until September 2018.

Crowne Plaza Changi Airport ("CPCA")

CPCA places strong emphasis on growing, developing, and retaining its people by creating an inclusive culture where people are encouraged to be true to themselves.

Training programmes are available to help employees grow in their roles and develop personally and professionally. A total of more than 10,000 hours of training had been clocked by about 300 employees in areas such as service, leadership skills, new employee orientation and on-the-job training.

Consistent training helps employees develop their skills and enables the hotel to deliver exceptional guest experience and be a great hotel guests love. CPCA also provides opportunities for staff to enhance their skills and build a long-term career with the hotel. Awards such as 'Employee of the Year', 'Manager of the Year' and 'Colleague of the Year' are conferred to recognise and reward employees for their contributions and outstanding performance.

With a strong culture of employee empowerment and engagement, CPCA is proud to be a part of the Intercontinental Hotels Group (“IHG”) hotels in Singapore - named amongst the top five companies to work for in Asia in Great Place to Work’s ‘Best Workplaces in Asia 2017’ list and had achieved 2017 Aon Global Best Employer accreditation by Aon Hewitt.



A training session at Crowne Plaza Changi Airport

Some of the training and development programmes at our properties are featured below.

Type	Programmes available
General courses	<ul style="list-style-type: none"> • New Hire Orientation • On-the-job Training
Specialised training courses at Mandarin Orchard Singapore	<ul style="list-style-type: none"> • Business Excellence • Computer and IT courses • Professional Development • Security and Safety • Service Excellence • Skills for Supervisors
Specialised training courses at Crowne Plaza Changi Airport	<ul style="list-style-type: none"> • Food Safety Management System • IHG Front Line – Problem Handling • Interact with Guests • Leading Others • Personal Development Plan

Workplace Health and Safety

At our properties, emphasis is placed on the importance of having a workforce that works with a safety mindset and attitude. In order to cultivate a strong safety culture, the properties abide by occupational health and safety management frameworks which take reference from the Ministry of Manpower’s Workplace Safety and Health (“WSH”) Act.

Our properties subscribe to the bizSAFE programme administered by the Singapore WSH Council. Mandarin Orchard Singapore and Crowne Plaza Changi Airport have attained accreditation for bizSAFE Levels 4 and 3 respectively. The properties are subject to periodic audits conducted by MOM-approved WSH auditors to ensure compliance with bizSAFE standards.

All employees are required to undergo WSH training. In the day-to-day operations, employees are trained to conduct risk assessments for every work activity to identify workplace hazards and implement risk control measures. Any workplace related injuries or incidents are reported at once to the human resource department for proper management and treatment. As part of the bizSAFE programme, the properties also have in place risk and hazard management plans to anticipate and implement measures against threats to the workplace.

In 2017, there were zero work-related fatalities across the hotels. Accident frequency rate (“AFR”) and accident severity rate (“ASR”) per million man-hours worked recorded were 25 and 169 respectively.



COMMUNITY

Supporting Our Local Communities

A community-driven approach is taken to caring for our society through financial contributions, in-kind donations, and volunteer work by the different teams towards causes that alleviate hunger, poverty, and illnesses, particularly amongst children and the elderly.



Stars of Christmas 2017

Mandarin Orchard Singapore

Stars of Christmas 2017

Stars of Christmas, an annual community programme championed by OUE Limited ("OUE") together with MOS and Marina Mandarin Singapore, marked its eighth year of bringing Christmas cheer to beneficiaries of non-profit organisations providing programmes and services to underprivileged children, and those with special needs and illnesses.

Leading the cast of supporting partners for Stars of Christmas 2017 are Komoco Motorcycles Pte Ltd (Harley-Davidson of Singapore—Sole Authorised Dealer), Tridente Automobili Pte Ltd (Official Maserati Importer for Singapore), and Community Chest, the fund-raising and engagement arm of the National Council of Social Service.

Stars of Christmas 2017 is in support of Children's Cancer Foundation, Club Rainbow, KK Women's and Children's Hospital, and various other children's welfare organisations under Community Chest.

The three-part programme commenced with the ceremonial hanging of Christmas stars at the lobby of MOS, led by OUE Chief Executive Officer

and Group Managing Director, Mr Thio Gim Hock. Giant Christmas trees at MOS and Marina Mandarin Singapore were adorned with stars indicating beneficiaries' information, so members of the public and staff could pick the stars and purchase Christmas presents accordingly.

On 15 December, beneficiaries of Stars of Christmas 2017 along with their parents, siblings, and caregivers, were guests of honour at a Christmas luncheon hosted by OUE Executive Chairman, Dr Stephen Riady. The children were joined by employees of OUE and its affiliate companies for an afternoon of Christmas treats and entertainment at Mandarin Orchard Singapore, featuring a visit from Santa who helped give out Christmas presents.

Stars of Christmas 2017 ended with a highly anticipated Toy Run activity on the morning of 16 December, with volunteer riders on a fleet of Harley-Davidson motorcycles and Maserati cars making for a festive spectacle on the Orchard Road frontage of Mandarin Gallery. Children and caregivers from Thye Hwa Kwan Family Service Centre, together with employees of OUE and MOS, cheered on the riders as their convoy set off to deliver Christmas presents to various beneficiaries.



Stars of Christmas - Toy Run



Heartstrings Walk 2017

More than 1,500 beneficiaries received presents under this year's OUE Stars of Christmas community programme.

Heartstrings Walk 2017

Over 200 employees from OUE, MOS, and Marina Mandarin Singapore joined an estimated 8,000 participants on September 9, 2017 to celebrate abilities and promote inclusivity at Community Chest Heartstrings Walk 2017. Aptly themed "A walk by all, a heart for all," the charity festival was a fun-filled experience with exciting performances, games and experiential activities to signify a collective effort to build one community that shares, and a nation that cares.

Work Experience Programme for Special Needs Students

MOS continues to work with Metta School and APSN Delta Senior School for the Work Experience Programme organised by the Singapore National Employer Federation and the Special Education Branch of the Ministry of Education to offer on-the-job training opportunities for special needs students. The objective is to expose them in real-life settings and assist them in developing into self-sufficient and productive members of society. MOS, depending on the students' performance during the programme and how successfully they adapt to the work environment, then facilitates the placement of these students into full-time roles with the hotel.

Crowne Plaza Changi Airport

IHG Foundation Week

During the IHG Foundation Week, CPCA joined colleagues from IHG hotels and corporate offices around the world to pledge their support by participating in fun-filled activities to raise funds. For every activity a colleague participates in, IHG will make a donation to the IHG Shelter Fund.

CPCA organised a series of activities to raise funds for IHG Shelter in a Storm, IHG's disaster relief programme, to aid those impacted by disaster and to rebuild communities. Highlights include the sale of fresh fruit juices to employees, who placed their orders through Whatsapp and enjoyed complimentary delivery service to their desks or work areas. Employees are also encouraged to support the fund raising efforts by gifting cupcakes to fellow colleagues to say 'Thank you'.



IHG Foundation Week



ENVIRONMENT

We believe increasing operational efficiency at our properties through a greener approach makes business sense. Working to reduce the direct impact on the environment can create more sustainable ways of doing business.

Effluents and Waste

Reducing waste generation and proper waste management is increasingly a priority in Singapore. The Hotel Managers and Property Manager do not have direct control over the production of waste by guests and tenants within its buildings. Their focus therefore is on providing good waste management and recycling facilities for guests and tenants as part of their efforts to reduce overall environmental footprint. We recognise that there are opportunities for the functionality of our buildings to contribute towards a circular economy, where by-products and materials are recycled or reused.

In 2017, the total weight of non-hazardous waste generated by the hotels and Mandarin Gallery was 2,068 tonnes. Of which, waste sent for recycling amounted to 386 tonnes in 2017. Total waste sent for composting recorded 114 tonnes in 2017.

Mandarin Orchard Singapore

At MOS, the 'Meritus Loves the Earth' green campaign engages guests and employees alike to actively participate in waste reduction and energy conservation measures. The three 'Rs' (Reduce, Reuse, and Recycle) are applied where possible – from cleaning guestrooms and setting up events, to managing waste in the kitchens and installing recycling bins at back-of-the-house areas.

As a large hotel with 1,077 rooms, waste management is one of the key drivers of MOS' environmental sustainability efforts. Since 2014, MOS has embarked on a Food Recycling Programme partnering with ECO-WIZ Group Pte Ltd, one of the world's leading food waste management companies to recycle all food waste generated. In addition to the collection of used materials such as cardboards, newspapers, plastics and glass bottles for recycling, the hotel

also started its Fluorescent Lamp Recycling Programme in July 2014. The objective is to reduce the environmental risk from improper disposal of used mercury-containing lamps, including compact fluorescent lamps, fluorescent tubes, and high-intensity discharge lamps, by collecting and treating them in line with international practices.

Crowne Plaza Changi Airport

CPCA has an Environmental Management Committee which is focused on implementing effective initiatives to promote sustainability. Some of the key initiatives include the adoption of Eco-Wiz Food Digester which converts food waste into water which is then used for cleaning the bin centre. The hotel has also installed Jemflo, a water flow control system which provides sustainable long term water and energy savings.

Besides embracing environmental technology, CPCA also engages employees and guests in its green practices which include incorporating 3R initiatives widely within the hotel with readily available recycling points; involving guests by placing linen and towel reuse cards in guestrooms; providing training to employees on waste separation and reduction; and the use of environmentally-friendly cleaning products.



CPCA Earth Week Activities

CPCA also works with Sealed Air on the 'Soap for Hope' initiative to provide, sanitise and recycle used soap bars into new bars for distribution to underprivileged communities around the region. The hotel also participates in the 'Linen for Life' programme by donating linen, which can be repurposed into pillow cases, sleeping bags and simple clothing which are then sold to earn a small income for the people who made them.

Mandarin Gallery

Although the Property Manager does not have direct control over the generation of waste by tenants, the mall has in place a waste management plan in collaboration with MOS by using waste management technology to compact and automatically discharge waste. Part of the waste is also recycled with the objective of reducing waste. Working with a licensed waste/recyclables vendor, the mall pro-actively tracks the recycling of waste such as paper, metal, glass and plastic. In 2017, Mandarin Gallery participated in the National Environment Agency's inaugural 3R Awards For Shopping Malls which was launched to recognise outstanding waste reduction efforts of malls and retail tenants, and was acknowledged with a Certificate of Participation.

Energy and Emissions

Energy use and its associated greenhouse gas ("GHG") emissions is an emerging concern due to the potential threats from rising global temperatures and climate change. In 2015, Singapore was one of more than 190 nations which pledged to limit their GHG emissions through "nationally determined contributions" as part of the Paris Agreement.

As our buildings use substantial amounts of energy, energy management provides opportunities for the properties to enhance operational performance through energy efficiency initiatives as well as exploring energy efficiency innovations for future adoption. Some initiatives by the Hotel Managers and the Property Manager that were implemented to improve energy efficiency at our properties include:

- installing energy-efficient LED lighting in common areas;

Sustainability Management – Property Highlights

- installing motion-activated lighting controls in common areas;
- regular monitoring of chiller plant efficiency; and
- encouraging employees and hotel staff to practise energy-saving initiatives.

MOS, CPCA and Mandarin Gallery were awarded the Green Mark certification by the BCA of Singapore. The BCA Green Mark is a green building certification that looks into the overall environmental performance and practices of buildings as they relate to sustainable design, construction, and operations. Criteria for a Green Mark rating include energy, water and waste efficiency; environmental protection, indoor environmental quality, and green innovations.

The bulk of the properties' energy consumption is from purchased grid electricity. In 2017, electrical energy consumption¹ at the properties amounted to 37,872 megawatt hours ("MWh"). Overall building energy intensity was 252 kWh/m² in 2017.

Indirect GHG emissions² and intensity from electrical energy in 2017 attributable to the properties was approximately 16,073 tonnes of carbon dioxide equivalent ("tCO₂e") and 0.11 tCO₂e/m², respectively.

Water

Water is essential to the business operations at OUE H-Trust's properties. The guests, tenants and visitors expect to be supplied with clean potable water. Like energy, water management provides opportunities for the properties to enhance their operational performance.

Our properties are certified under the Public Utilities Board's ("PUB's") Water Efficient Building ("WEB") Certification Programme. This signifies that the buildings have been installed with approved water efficient fittings and adopted WEB recommended flow rates and flush volumes. While majority of the water supply is sourced from public utilities, the buildings also utilise water from alternative sources to reduce the reliance on potable water. Non-potable water, including NEWater, is used in cooling towers, for irrigation as well as flushing in lavatories. Pioneered by the Public Utilities Board, NEWater is high-grade reclaimed water produced from treated used water that is purified further using advanced membrane technologies.

Total building water consumption at the properties in 2017 recorded 438,063 m³. Overall building water intensity was 2.92 m³/m² in 2017.

1 Energy consumption excludes tenanted areas that are not within the operational control of the Property Manager

2 GHG emissions is derived based on the latest available Singapore's Grid Emission Factors published by the Energy Market Authority

Awards and Accolades

Mandarin Orchard Singapore

- Best City Hotel - Singapore
– 28th Annual TTG Travel Awards 2017
- Best Upscale Hotel - Asia Pacific
– Travel Weekly Asia Reader's Choice Awards 2017
- Singapore Green Hotel Award 2017
- TripAdvisor Certificate of Excellence 2017

Chatterbox

- TripAdvisor Certificate of Excellence 2017
- Meituan-Dianping.com Certificate of Popularity 2017

Shisen Hanten by Chen Kentaro

- Two Stars, The Michelin Guide Singapore 2017
- TripAdvisor Certificate of Excellence 2017
- Wine & Dine "House of Stars" Award 2017

Crowne Plaza Changi Airport

- Skytrax World Airport Awards 2017
– World's Best Airport Hotels (Ranked 1st)
– Best Airport Hotels in Asia (Ranked 1st)
- Singapore Green Hotel Award 2017

Mandarin Gallery

- National Environment Agency 3R Awards For Shopping Malls
– Certificate of Participation



Mandarin Orchard Singapore clinches Best City Hotel - Singapore at the 28th Annual TTG Travel Awards 2017



Mandarin Orchard Singapore named Best Upscale Hotel - Asia Pacific at the Travel Weekly Asia Reader's Choice Awards 2017



Crowne Plaza Changi Airport wins World's Best Airport Hotel for 3 consecutive years at the Skytrax World Airport Awards

Portfolio Overview

QUALITY ASSETS, STRATEGIC LOCATIONS

As at 31 December 2017, OUE Hospitality Trust's ("OUE H-Trust's") portfolio comprised two hotels, the 1,077-room Mandarin Orchard Singapore ("MOS") and the enlarged 563-room Crowne Plaza Changi Airport ("CPCA") and the Mandarin Gallery retail mall.

MOS is a renowned upscale hotel, located in the heart of Orchard Road, with strong brand recognition given its long history of operations in Singapore. MOS has won numerous internationally recognised awards and accolades for both its excellence in hospitality services and dining facilities.

The 563-room CPCA is connected to Changi Airport Terminal 3 on both the arrival and departure levels. CPCA has been awarded the Skytrax World's Best Airport Hotel for three consecutive years (2015 to 2017).

The Mandarin Gallery retail mall boasts a wide frontage of 152 metres along Orchard Road, providing the mall with a high degree of prominence. The mall comprises four levels of high-end boutiques, shops and restaurants.

INCOME STABILITY

OUE H-Trust enjoys income stability from the master lease rental for MOS and CPCA and retail rental income from Mandarin Gallery.

The minimum rent under the hotels' master leases will provide OUE H-Trust with downside protection while the variable rent structures allow OUE H-Trust to enjoy operational upside when the hotels perform well. The master leases for both hotels each have remaining tenors of more than 10 years with options for renewal and a weighted average of 10.5 years as at 31 December 2017.¹

For Mandarin Gallery, typical lease terms generally range from two to five years.

The weighted average lease expiry (by area) for all leases signed by OUE H-Trust in 2017 is 2.9 years.² Approximately 4.7% of OUE H-Trust's revenue for the month of December 2017 was attributed to these leases signed and for which have commenced in 2017.

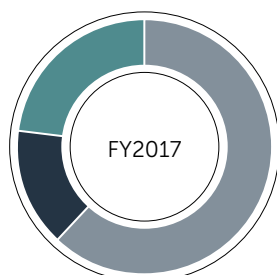
PORTFOLIO GROSS REVENUE AND NET PROPERTY INCOME

	FY2017	FY2016
Gross Revenue		
Hospitality Segment	\$96.3m	\$89.9m
Retail Segment	\$34.7m	\$32.6m
Total	\$131.1m	\$122.5m
Net Property Income		
Hospitality Segment	\$87.4m	\$82.9m
Retail Segment	\$25.3m	\$24.5m
Total	\$112.7m	\$107.4m

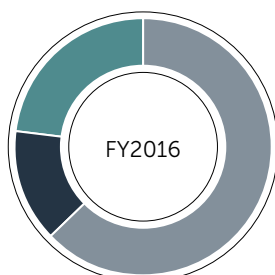
1 Weighted based on gross floor area

2 Based on new leases signed for Mandarin Gallery. No new hotel leases were entered into in FY2017

NPI contribution

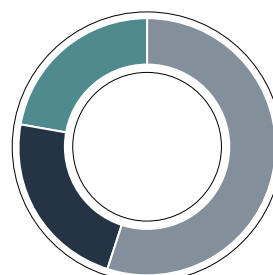


● Mandarin Orchard Singapore – \$70.4m	62%
● Crowne Plaza Changi Airport ¹ – \$17.0m	15%
● Mandarin Gallery – \$25.3m	23%



● Mandarin Orchard Singapore – \$68.3m	63%
● Crowne Plaza Changi Airport ² – \$14.6m	14%
● Mandarin Gallery – \$24.5m	23%

Breakdown by Asset Value³



● Mandarin Orchard Singapore – \$1,227.0m	55%
● Crowne Plaza Changi Airport – \$497.0m	23%
● Mandarin Gallery – \$494.0m	22%

1 Comprises NPI for the enlarged 563-room CPCA

2 Comprises NPI for the 320-room CPCA for January 2016 to July 2016 and NPI for the enlarged 563-room CPCA for August 2016 to December 2016

3 Based on independent valuations as at 31 December 2017

FY2017 TOP 10 TENANTS (BY RENTAL INCOME)

Tenant	Industry	Percentage of Total Rental Income (%)
OUE Limited	Real Estate	56.8
OUE Airport Hotel Pte. Ltd.	Hotel Investment and Operation	17.3
Luxury Ventures Pte. Ltd.	Fashion Apparel and Accessories	8.1
Kwang Sia International Pte. Ltd.	Fashion Apparel and Accessories	1.3
Ram Pacific Pte Ltd	Travel	1.2
Lawry's The Prime Rib Singapore Pte Ltd	F&B	0.9
Kwang Sia Ausway Pte. Ltd.	Fashion Apparel and Accessories	0.7
Genesis Retail Pte. Ltd.	Hair & Beauty	0.7
Bimba & Lola Singapore, Pte. Ltd.	Fashion Apparel and Accessories	0.7
Hugo Boss South East Asia Pte. Ltd.	Fashion Apparel and Accessories	0.6
		88.3

Property Performance and Highlights

OPERATING PERFORMANCE

HOSPITALITY SEGMENT

MANDARIN ORCHARD SINGAPORE

	FY2017	FY2016
Gross Revenue	\$73.8m	\$71.7m
Net Property Income	\$70.4m	\$68.3m
RevPAR	\$223	\$217

CROWNE PLAZA CHANGI AIRPORT

	FY2017	FY2016
Gross Revenue ¹	\$22.5m	\$18.2m
Net Property Income	\$17.0m	\$14.6m

Note:

As CPEX's 243 rooms opened for business and were acquired by OUE H-Trust on 1 August 2016, it is not meaningful to compare the RevPAR for 12 months of enlarged 563-room CPCA in FY2017 with the combined RevPAR for 5 months of the enlarged 563-room CPCA and 7 months of 320-room CPCA in FY2016

RETAIL SEGMENT

MANDARIN GALLERY

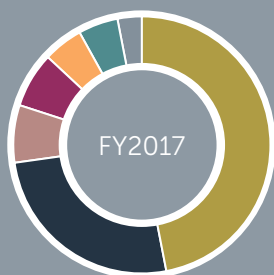
	FY2017	FY2016
Gross Revenue	\$34.7m	\$32.6m
Net Property Income	\$25.3m	\$24.5m
Average Occupancy	95.5%	86.3%
Effective Rental Per Square Foot (Per Month)	\$23.3	\$24.2

1 For FY2017 and FY2016, OUE H-REIT also received income support of \$4.8 million and \$2.7 million respectively provided by the Vendor in relation to acquisition of CPEX, in addition to the Gross Revenue derived from master lease income

HOSPITALITY SEGMENT

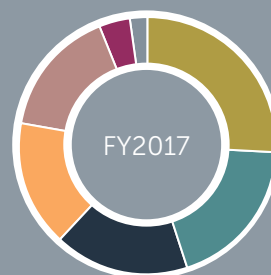
CUSTOMER PROFILE (BY GEOGRAPHY BASED ON ROOM NIGHTS OCCUPIED)

Mandarin Orchard Singapore



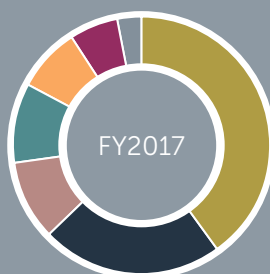
Southeast Asia	47%	North America	5%
North Asia	26%	Oceania	5%
Europe	7%	Others	3%
South Asia	7%		

Crowne Plaza Changi Airport



Southeast Asia	26%	Europe	16%
Oceania	19%	South Asia	4%
North Asia	17%	Others	2%
North America	16%		

Portfolio Customer Profile



Southeast Asia	40%	North America	8%
North Asia	23%	South Asia	6%
Europe	10%	Others	3%
Oceania	10%		

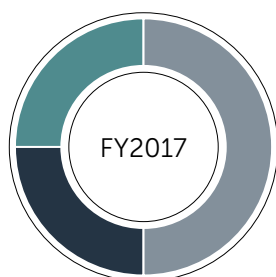
Note:
Excludes aircrew

Property Performance and Highlights

HOSPITALITY SEGMENT

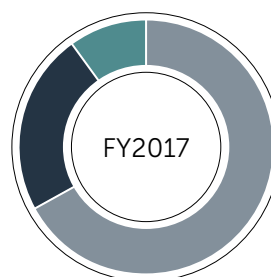
CUSTOMER PROFILE (BY SEGMENT BASED ON ROOM REVENUE)¹

Mandarin Orchard Singapore



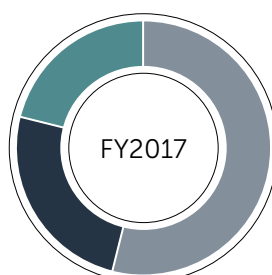
● Transient	50%
● Corporate	25%
● Wholesale	25%

Crowne Plaza Changi Airport



● Transient	67%
● Corporate	23%
● Wholesale	10%

Portfolio Customer Profile



● Transient	54%
● Corporate	25%
● Wholesale	21%

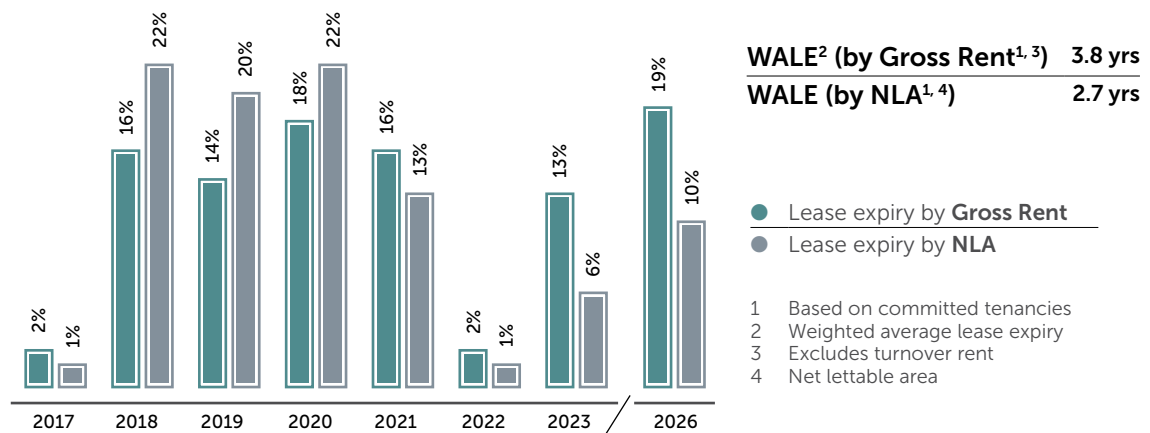
1 "Transient" refers to revenue derived from rental of rooms and suites to individuals or groups, who do not have a contract with the Hotel
"Corporate" refers to revenue derived from the rental of rooms and suites booked via a corporate or government company that has contracted annual rates with the Hotel
"Wholesale" refers to revenue derived from the rental of rooms and suites booked via a third party travel agent on a wholesale contracted rate basis

Note:
Excludes aircrew and delays

RETAIL SEGMENT

MANDARIN GALLERY – LEASE PROFILE

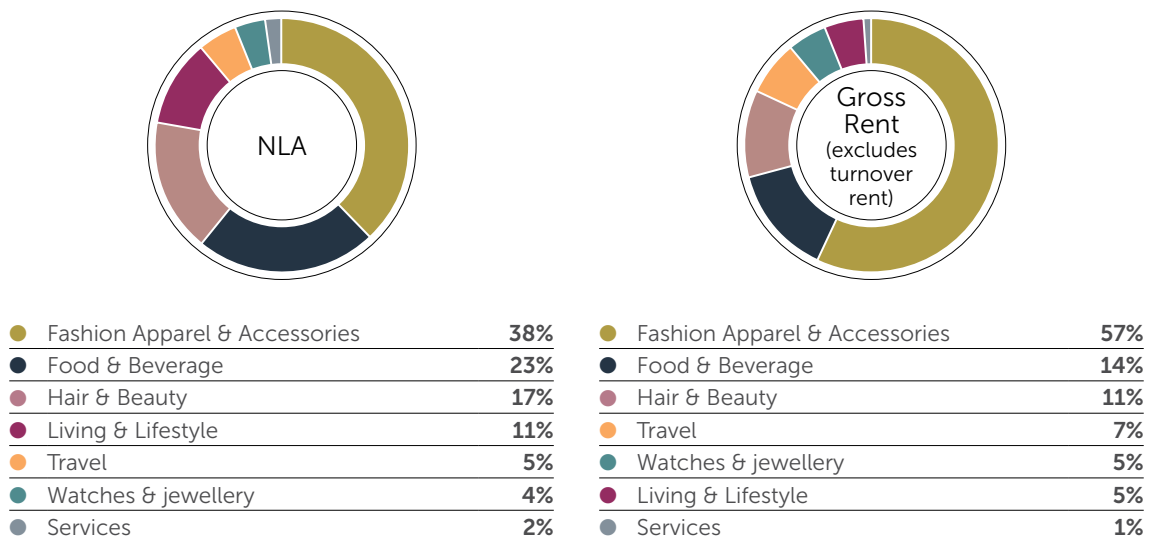
Mandarin Gallery Lease Expiry Profile as at 31 December 2017¹



Note:

Rental reversion is based on the variance between the average rental rates between the new leases and the preceding leases. New leases for space not leased for more than 12 months are excluded

Tenant Mix as at 31 December 2017¹



1 Based on committed tenancies

Property Profile

Mandarin Orchard Singapore



ABOUT THE PROPERTY

Valuation as at 31 December 2017

\$1,227 million

Remaining Term of Lease

Approximately 38.5 years as at 31 December 2017

Master Lease Details

Master Lessee: OUE Limited

Term:

Initial term of 15 years to expire in July 2028 with an option for the Master Lessee to extend for another 15 years upon expiry

Lease rental:

Variable Rent Comprising Sum of:

- (i) 33.0% of Gross Operating Revenue and;
 - (ii) 27.5% of Gross Operating Profit
- Subject to Minimum Rent of \$45 million per annum

Purchase Price in 2013

\$1,180 million

Mandarin Orchard Singapore ("MOS") is a renowned upscale hotel with strong brand recognition given its relatively long history of operations in Singapore since 1971. The hotel is strategically located in the heart of Orchard Road.

Orchard Road is located in the core central region of Singapore in close proximity to key business districts,

resulting in a strong flow of pedestrians, tourists and business travellers.

The hotel is easily accessible via public transport, with the Orchard Road area being well-served by a network of major roads and the Mass Rapid Transit ("MRT"). Popular tourist destinations such as Marina Bay Sands and Gardens by the Bay, as well as key business districts such as the central business district ("CBD") and the Marina Bay area, are approximately a 10- to 15-minute drive away.

MOS is also located next to a major medical cluster which includes leading medical facilities such as the Paragon Medical Centre and Mount Elizabeth Hospital.

The hotel has recently completed the renovation of 430 guest rooms and meeting facilities located in the Main Tower and the Orchard Wing.

The hotel features 1,077 rooms distributed across two towers, five F&B outlets, and more than 30,000 sq ft of meeting and function space.

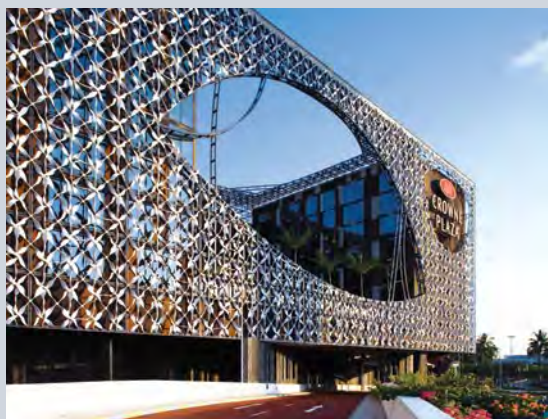
Facilities in the hotel include an outdoor swimming pool, a fitness centre and a tennis court. There is also a medical clinic located within the hotel.

The F&B outlets are popular with both local patrons and tourists. In particular the Mandarin Chicken Rice is widely recognised as a signature dish at the hotel's Chatterbox restaurant. Chatterbox was inducted into the Hall of Fame at the Singapore Prestige Brand Award 2016 for achieving the Heritage Board distinction for five consecutive years. Mandarin Orchard is also home to Sichuan restaurant, Shisen Hanten by Chen Kentaro located on level 35 of the hotel's Orchard Wing. Shisen Hanten is a highly acclaimed chain of Sichuan restaurants in Japan and Shisen Hanten by Chen Kentaro is the chain's first foray outside of Japan. Shisen Hanten by Chen Kentaro was awarded two stars in the inaugural Michelin Guide Singapore 2016 and retained the achievement in 2017. The accolade makes Shisen Hanten by Chen Kentaro the highest Michelin-rated Chinese restaurant island-wide.

- 1 The rental under the Master Lease will be the minimum rent if the amount of variable rent for that operating year is less than the amount of minimum rent.

Property Profile

Crowne Plaza Changi Airport



ABOUT THE PROPERTY

Valuation as at 31 December 2017
\$497 million

Remaining Term of Lease
Approximately 65.5 years as at
31 December 2017

Master Lease Details
Master Lessee: OUE Airport Hotel Pte. Ltd.

Term:
First term of Master Lease to expire in
May 2028 with an option for the Master
Lessee to extend for an additional two
consecutive 5-year terms

Lease rental:
Variable Rent Comprising Sum of:
(i) 4% of Hotel F&B Revenues;
(ii) 33% of Hotel Rooms and Other
Revenues not related to F&B;
(iii) 30% Hotel Gross Operating Profit; and
(iv) 80% of Gross Rental Income from
leased space;
Subject to Minimum Rent of \$22.5 million
per annum¹

Purchase Price
CPCA (in 2015) : \$290 million
CPEX (in 2016) : \$205 million

Crowne Plaza Changi Airport ("CPCA"), is a 563-room business hotel managed by the InterContinental Hotels Group. CPCA was officially opened in May 2008 with 320 guest rooms. OUE H-Trust acquired the operating 320-room CPCA in January 2015 and subsequently acquired the newly constructed 243-room Crowne Plaza Changi Airport extension when it was completed and commenced operations on 1 August 2016.

The global brand name hotel is situated within the vicinity of the passenger terminals of Changi Airport. CPCA is connected to Changi Airport Terminal 3 on both the arrival and departure levels. It is within a short distance to Changi Business Park and Singapore Expo, and is connected to the city by expressway and MRT.

Being an airport hotel, CPCA's guest rooms are designed and built to be insulated from noise from the airport runway, aircraft operations and the surrounding highway. CPCA has also integrated sustainable approaches into its design. The facade screen was conceptualised as three-dimensional lace screens resembling orchid petals that could provide shade and texture for guestrooms and public spaces, and a sense of peace and tranquility for travellers. The naturally ventilated and lit open-air walkways and the ceiling to floor glass windows in the guestrooms, which allow natural light into the room foyer and bathroom, also help to reduce energy consumption. As part of the hotel's eco-friendly DNA, re-constituted timber was used for all timber decks at the swimming pool. The timber is made from 60% recycled wood fiber and is more durable.

The hotel has four food & beverage outlets and eight meeting rooms including a ballroom. Facilities at the hotel include an outdoor landscaped swimming pool, a fitness centre, a spa and a business centre.

1 The rental under the Master Lease will be the minimum rent if the amount of variable rent for that operating year is less than the amount of minimum rent

Property Profile

Mandarin Gallery



ABOUT THE PROPERTY

Valuation as at 31 December 2017
\$494 million

Gross Floor Area
Approximately 196,336 sq ft

Net Lettable Area
Approximately 126,283 sq ft

Remaining Term of Lease
Approximately 38.5 years as at 31 December 2017

Purchase Price in 2013
\$525 million

Mandarin Gallery is a high-end retail mall situated within four levels of Mandarin Orchard Singapore ("MOS"). Mandarin Gallery features upscale international fashion, lifestyle, services and food and beverage tenants. The property is situated along Orchard Road between the intersections of Orchard Link and Grange Road, in the heart of Singapore's premier hotel, shopping and entertainment district.

Mandarin Gallery has a wide main frontage of 152 metres along Orchard Road, providing a high degree of visibility. Featuring six duplexes and six street front shop units facing Orchard Road, Mandarin Gallery is a choice location for flagship stores of international brands. Car parking spaces are located in the multi-level carpark and basement levels, and are shared with and operated by MOS.

Mandarin Gallery commenced operations in November 2009 after undergoing renovation at a cost of approximately \$200 million to transform it into a high-end shopping and lifestyle destination. It was officially opened on 28 January 2010.

As at 31 December 2017, Mandarin Gallery was 94.6% committed¹ (by NLA). The Property Manager negotiates leases individually with each tenant, using its standard set of lease terms as the starting point. Generally, the typical lease terms range from two to five years, and may incorporate periodic rent revisions and renewal option periods. Typical leases provide for payment of base rent, service charge and advertising and promotion charges. In addition, most tenancies include payment of Turnover Rent when a pre-determined level of gross sales turnover is achieved.

TENANT INFORMATION

As at 31 December 2017, Mandarin Gallery has a total of 81 tenants. Premium retail brands represented in Mandarin Gallery include Bathing Ape, Bimba Y Lola, Michael Kors, Rimowa, Victoria's Secret and Y-3.

Approximately 23.0% of Mandarin Gallery's NLA is occupied by F&B tenants, including Beni, Hashida, Ippudo Ramen, Ito-Kacho Restaurant, Wild Honey, Antoinette and Suju Japanese Restaurant. FY2017 top 10 tenants contributed 58.5% of Mandarin Gallery's retail rental income for the year. 92.0% of the leases (by NLA) have a turnover rent component as at 31 December 2017.

Mandarin Gallery's weighted average lease expiry (WALE) by gross rent is approximately 3.8 years as at 31 December 2017.

¹ Excludes pop-up stores

Financial Review

OPERATING PERFORMANCE

Gross Revenue and Net Property Income

OUE H-Trust recorded a gross revenue of \$131.1 million (FY2016: \$122.5 million), an increase of 7%, amidst a backdrop of continued increase in supply of hotel rooms in Singapore and a challenging retail landscape. Notwithstanding these challenges, both OUE H-Trust's hospitality segment and retail segment have achieved higher gross revenue with better operating performance.

The hospitality segment achieved a gross revenue of \$96.3 million (FY2016: \$89.9 million), an increase of \$6.4 million. The increase was attributable to higher master lease income contribution from both the MOS and CPCA (including CPCA extension ("CPEX")). In FY2017, the master lease income¹ from MOS and CPCA were \$73.8 million (FY2016: \$71.7 million) and \$22.5 million (FY2016: \$18.2 million) respectively.

Master lease income from MOS was \$2.1 million higher than FY2016 as MOS achieved higher room sales and higher gross operating profit ("GOP") attributable to higher RevPAR of \$223 (FY2016: \$217) as a result of higher occupancy and average room rates. Higher master lease income was also attributable to higher sales in banquet and in all food and beverage outlets. Banquet sales increased due to more meeting business with the opening of new meeting facilities, whereas food and beverage outlets had performed better due to higher patronage.

Master lease income from CPCA (including CPEX) was \$4.3 million (FY2017: \$22.5 million; FY2016:

\$18.2 million) higher than FY2016 as OUE H-Trust received master lease income for the full twelve months in FY2017 as compared to five months in FY2016. In addition to the master lease income, OUE H-Trust had also received higher income support² (see 'Other Income' for more information). CPCA's operating performance had achieved improvement since CPEX's commencement in August 2016 with occupancy in the 60% range to reach 80% range in FY2017.

For the retail segment, MG recorded a revenue³ of \$34.7 million (FY2016: \$32.6 million), an increase of \$2.1 million. The increase was mainly attributable to higher average occupancy at 95.5% (FY2016: 86.3%). In FY2016, the lower occupancy was attributable to landlord works to amalgamate units in order to bring in new tenants who have signed longer leases. MG recorded a lower effective rent per square foot per month of \$23.30 (FY2016: \$24.20) due to impact from the negative rental reversion in preceding periods.

Property expenses were \$3.2 million (FY2017: \$18.3 million; FY2016: \$15.1 million) higher mainly attributable to higher land rent payable to Changi Airport Group as the higher land rent structure took effect with the commencement of CPEX operations and improved operating performance in CPCA (including CPEX), and higher property tax for MG due to additional property tax assessment in FY2017 in relation to FY2016.

Overall, OUE H-Trust achieved a higher net property income by \$5.3 million (FY2017: \$112.7 million; FY2016: \$107.4 million) due to higher contribution from hospitality and retail segments.

1 Master lease income is pegged to a percentage of gross operating revenue and gross operating profit of hotels, subject to minimum rent. Please see 'Portfolio Overview' for more information.

2 Pursuant to the Deed of Income Support provided by OUE Airport Hotel Pte Ltd ("OUEAH"). Please see "Property Profile on CPCA" for more information.

3 Included in MG's revenue is straight-line lease incentive (FY2017: \$0.3 million; FY2016: \$4.5 million) relating to the timing difference between the recognition of lease rental income and the cash rental received. As straight-line lease incentives are non-cash in nature, it is adjusted to arrive at the income available for distribution.

Other Income and Expenses at Trust Level and Net Income

Other income comprised OUE H-Trust's claim on income support pursuant to Deed of Income Support⁴. As the additional room inventory in CPEX came on board in a market that was weaker than expected, the operating performance of CPCA (including CPEX) had taken a longer time to ramp up. Consequently, the performance was below the target quarterly rent pursuant to Deed of Income Support, hence the claim on income support from OUEAH. In FY2017, OUE H-Trust had fully drawn down the remaining balance of \$4.8 million of the entire income support of \$7.5 million (FY2016: drawn down income support of \$2.7 million).

In line with the full drawn down of the income support, OUE H-Trust had also fully amortised the intangible asset of \$4.9 million in FY2017.

OUE H-Trust recorded higher net finance expenses by \$7.0 million (FY2017: \$31.9 million; FY2016: \$24.9 million) mainly due to a one-time write-off of unamortised debt-related transaction cost of \$3.0 million and cost of unwinding the interest rate swaps ("IRS") of \$5.1 million, as a result of the refinancing of the term loans and the entering into new interest rate swaps respectively (see 'Borrowings and Fund Raising' section for more information on re-financing). Both the write-off of unamortised debt-related transaction costs and the cost of unwinding IRS have no impact on income available for distribution as the unamortised debt-related cost is non-cash in nature, and cost of unwinding IRS is capital in nature and is not deductible for tax purposes.

The interest expense has increased by \$1.0 million (FY2017: \$23.3 million; FY2016: \$22.3 million) due to higher term loan amounts with interest fixed

on longer tenor. OUE H-Trust had also recorded a lower interest income in FY2017 as the higher interest income earned in FY2016 arose from the placement of rights issue proceeds in fixed deposits, prior to the proceeds being utilised for acquisition of CPEX in August 2016.

OUE H-Trust recorded higher REIT management fees and Trustee fees in line with the increase in deposited property with the addition of CPEX in August 2016, and higher net property income achieved in FY2017.

OUE H-Trust's net income in FY2017 was \$67.8 million (FY2016: \$71.3 million), recording a decrease of \$3.5 million mainly due to one-time finance expenses, partially mitigated by the improvement in net property income.

Net Change in Fair Value of Investment Properties

At year end, an independent valuation on the investment properties was carried out. OUE H-Trust recorded a net increase in valuation of \$8.1 million (FY2016: net loss in valuation of \$53.9 million). The higher valuation in both MOS and CPCA of \$15.4 million and \$0.4 million respectively, more than offset the decline in valuation of MG by \$7.7 million. The changes in fair value of investment properties are non-cash in nature and have no impact on income available for distribution.

Total Return

As a result, OUE H-Trust recorded a higher total return of \$75.9 million (FY2016: \$17.4 million) mainly due to the net change in fair value gain on investment properties, better operating performance from both hospitality and retail segments, partially offset by higher net finance expenses.

⁴ The Deed of Income Support from OUE Airport Hotel Pte. Ltd. came into effect on 1 August 2016. Subject to the enlarged CPCA not achieving the agreed Target Quarterly Rent over the first twelve (12) quarters from the acquisition of CPEX, OUE H-REIT could draw down income support over (i) three years from the date of acquisition of CPEX; or (ii) until the income support of \$7.5 million had been fully drawdown by OUE H-REIT, whichever is earlier.

Distributions

The income available for distribution was \$92.9 million (FY2016: \$82.5 million), recording an increase of \$10.4 million. In FY2017, the distribution per stapled security ("**DPS**") was 5.14⁵ cents (FY2016: 4.61 cents), an increase of 11.5% from FY2016. The higher DPS was attributable to higher income received from hospitality and retail segments (after adjustment for non-cash straight-line lease incentives), and higher income support received for CPCA (including CPEX).

OUE H-REIT will distribute at least 90.0% of its property-related income chargeable to tax under the Income Tax Act, Chapter 134 of Singapore after the deduction of allowable expenses and capital allowances, if any, to holders of Stapled Securities, with the actual level of distribution to be determined at the REIT Manager board's discretion after having considered OUE H-Trust's funding requirements, other capital management considerations and the overall stability of distributions. In FY2017, OUE H-Trust had distributed 100% (FY2016: 100%) of the income available for distribution.

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

ASSETS

The value of the total assets of OUE H-Trust as at 31 December 2017 was \$2,256.9 million (31 December 2016: \$2,256.4 million).

The real estate assets of OUE H-Trust are valued at least once a year. Any increase or decrease in fair value is credited or charged to the Statement of Total Return. This net change in fair value has no impact on the distribution to the Stapled Securityholders.

As at 31 December 2017, an independent valuation of the real estate properties of OUE H-Trust was carried out by Savills Valuation and Professional

Services (S) Pte Ltd ("**Savills**"). In determining the fair value, Savills used the Discounted Cash Flow Analysis, Income Capitalisation Method and Direct Comparison Method. In deriving the valuation, Savills had also taken into consideration the prevailing market conditions then.

Property	Valuation as at 31 Dec 2017 \$'000	Valuation as at 31 Dec 2016 \$'000
Mandarin Orchard Singapore	1,227,000	1,210,500
Crowne Plaza Changi Airport	497,000	496,600 ⁶
Mandarin Gallery	494,000	501,000
	2,218,000	2,208,100

As at 31 December 2017, the net asset value ("**NAV**") of OUE H-Trust was \$1,376.1 million (31 December 2016: \$1,382.0 million) and the NAV per Stapled Security as at 31 December 2017 was \$0.76 (31 December 2016: \$0.77).

BORROWINGS AND FUND RAISING

On 19 December 2017, considering the environment of rising interest rates, OUE H-Trust completed the refinancing of its total outstanding debts amounting to \$859 million ahead of their maturity. Following the refinancing, OUE H-Trust's weighted average loan maturity has increased by about two years to 3.5 years as at 31 December 2017, and OUE H-Trust has no loan due until December 2020. Concurrently, OUE H-Trust entered into new IRS for about 71% of the \$875 million term loan with longer tenor for approximately 3.5 years and at lower fixed interest rates. Based on the prevailing interest rates as at 19 December 2017, the average cost of debt as a result of refinancing and IRS was about 2.4% as compared to the average cost of debt

⁵ Excluding income support of \$4.8 million (FY2016: \$2.7 million), the DPS would have been 4.85 cents (FY2016: 4.46 cents).

⁶ The valuation of \$496.6 million (without income support) and \$500.6 million (with income support) as at 31 December 2016 is on CPCA (including CPEX).

Financial Review

of 2.8% in 3Q2017. In addition, OUE H-Trust also secured revolving credit facilities of \$105 million which increases OUE H-Trust's financial flexibility.

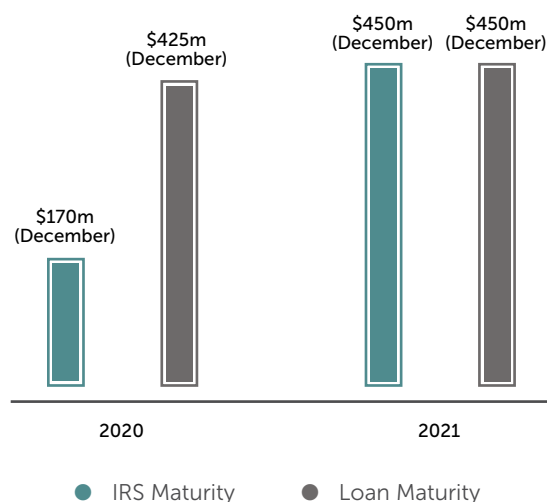
As at 31 December 2017, OUE H-Trust's total borrowings were \$875 million, comprising (i) a 3 year term loan of \$425 million that matures in December 2020; and (ii) a 4 year term loan of \$450 million that matures in December 2021. The repayment terms of these loans are bullet repayment on maturity, with the option to make prepayments without penalty. OUE H-Trust's gearing at 38.8% is within the 45% gearing limit allowed by the Monetary Authority of Singapore for real estate investment trusts.

On 2 April 2014, OUE H-REIT, through its wholly-owned subsidiary, OUE H-T Treasury Pte Ltd (collectively, "**OUE H-REIT Group**"), established a US\$1 billion Guaranteed Euro Medium Term Note Programme. Under the programme, OUE H-REIT Group may from time to time issue the notes in series or in tranches. As at 31 December 2017, no notes have been issued under this programme.

In FY2017, OUE H-Trust did not undertake any equity fund raising exercise. In FY2016, OUE H-Trust had raised gross proceeds of \$238.6 million from the Rights Issue of 441,901,257 at an issue price of

\$0.54 for each rights Stapled Security on the basis of 33 Rights Stapled Securities for every 100 Existing Stapled Securities. The gross proceeds have been utilised for the payment for the acquisition of CPEX and related costs, rights issue expenses, capital expenditure and working capital used for operating expenses relating to the portfolio of properties.

DEBT AND INTEREST MATURITY PROFILE



Corporate Governance Report

OUE Hospitality Trust ("**OUE H-Trust**") is a stapled trust which comprises OUE Hospitality Real Estate Investment Trust ("**OUE H-REIT**") and OUE Hospitality Business Trust ("**OUE H-BT**")¹. OUE Hospitality REIT Management Pte. Ltd., as manager of OUE H-REIT (the "**REIT Manager**") and OUE Hospitality Trust Management Pte. Ltd., as trustee-manager of OUE H-BT (the "**Trustee-Manager**") are committed to maintaining good standards of corporate governance with regards to OUE H-REIT and OUE H-BT respectively. This report describes the corporate governance practices of the REIT Manager and the Trustee-Manager (collectively, the "**Managers**") for the financial year ended 31 December 2017 ("**FY2017**") with specific reference to the principles of the Code of Corporate Governance 2012 (the "**Code**"). The Managers are 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.

Outlined below are the policies, processes and practices adopted by the Managers in compliance with the principles and spirit of the Code.

A. BOARD MATTERS

Principle 1: Board's Conduct of Affairs

The composition of the board of directors (the "**Board**") for each of the Managers is similar. The Managers are headed by an effective Board comprising a majority of non-executive Directors who are independent of the management of the Managers (the "**Management**"). The Board is supported by two Board committees of the REIT Manager, 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. As disclosed in OUE H-Trust's IPO prospectus dated 18 July 2013 (the "**Prospectus**"), the Trustee-Manager does not have an audit and risk committee as it has been exempted from the requirement under the Business Trusts Act, Chapter 31A of Singapore (the "**Business Trusts Act**"), to constitute an audit committee, to the extent that OUE H-BT is dormant and subject to certain conditions.²

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 Managers to meet their objectives;
- establishing a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding the interests of the holders of stapled securities in OUE H-Trust ("**Stapled Securities**", and holders of Stapled Securities, the "**Stapled Securityholders**") and OUE H-Trust's assets;
- reviewing the Management's performance;
- identifying the key stakeholder groups and recognising that their perceptions affect the reputation of the Managers and OUE H-Trust;

¹ OUE H-BT is presently dormant and it does not hold any properties.

² Please refer to pages 204, 305 and 306 of the Prospectus.

Corporate Governance Report

- setting the Managers' values and standards (including ethical standards), and ensuring that obligations to Stapled Securityholders and other stakeholders are understood and met; and
- considering sustainability issues (including environmental and social factors) as part of the Managers' overall strategy.

The Managers have adopted internal guidelines which require Board approval for investments, divestments and bank borrowings. The Managers have adopted a framework of delegated authorisation, as set out in their 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 Stapled Security, 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 five Board meetings were held in FY2017. The report on the attendance of the directors of the Managers ("**Directors**") for Board and Board committee meetings is set out below. Directors who are unable to attend Board and/or Board committee meetings may convey their views to the chairman (the "**Chairman**") or the company secretary of the Managers (the "**Company Secretary**"). The Managers' Constitutions provide for participation in meetings via telephone or video conference where Directors are unable to be physically present at such meetings. 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 and Board Committee Meetings

Name of Director	Number of meetings attended in FY2017		
	Board	ARC	NRC
Lee Yi Shyan	5	–	–
Chong Kee Hiong	5	–	–
Sanjiv Misra	5	5	1
Ong Kian Min	5	5	1
Liu Chee Ming	4	4	–
Neo Boon Siong	4	4	–
Christopher James Williams	5	–	1
Number of meetings held in FY2017	5	5	1

Board Orientation and Training

Upon their appointment to the Board, the newly-appointed Director will be given a formal letter which sets out the duties and obligations of a Director. In addition, the Managers conducts an orientation programme for newly-appointed Directors to familiarise them with the business, operations and financial performance of OUE H-Trust. The newly-appointed Directors will also be briefed on the Managers' governance practices, including board processes, policies on disclosure of interests in securities, prohibitions on dealing in the Stapled Securities and restrictions on disclosure of price-sensitive information. OUE H-Trust was listed on the Main Board of Singapore Exchange Securities Trading Limited (the "SGX-ST") on 25 July 2013 (the "Listing Date") and save for Mr Lee Yi Shyan who was appointed as Deputy Chairman and Non-Independent Non-Executive Director on 12 January 2016 (and subsequently appointed as Chairman on 1 November 2017), no new director has been appointed since the Listing Date.

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

The Managers will arrange for the Directors to be kept abreast of developments in the real estate and hospitality industries 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 Managers. They are also given unrestricted access to professionals for consultation as and when they deem it necessary at the Managers' 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 members of the Board committee. The Directors may also attend other relevant courses, conferences and seminars, at the Managers' 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 for assessing independence. Under the Code, an independent director is one who has no relationship with the Managers, their related corporations, their 10% shareholders, their officers or the 10% Stapled Securityholders that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment with a view to the best interests of the Managers and OUE H-Trust.

The Board comprises seven Directors with four non-executive Directors who are independent of the Management. No individual or small group of individuals dominates 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.

In addition to the requirements of the Code, the Board also assesses the independence of each Director in accordance with the enhanced independence requirements for REIT managers as implemented by the MAS pursuant to its Response to Feedback on Consultation on Enhancements to the Regulatory Regime Governing REITs and REIT Managers (the “**Enhanced Independence Requirements**”).

Under the Enhanced Independence Requirements, an independent director is a director who is:

- (a) independent from any management and business relationship with the REIT Manager and OUE H-REIT;
- (b) independent from any substantial shareholder of the REIT Manager and any substantial unitholder of OUE H-REIT; and
- (c) has not served on the Board of Directors of the REIT Manager for a continuous period of 9 years or longer.

For the purpose of the Enhanced Independence Requirements, the independent directors are Mr Sanjiv Misra, Mr Ong Kian Min, Mr Liu Chee Ming and Professor Neo Boon Siong. Mr Christopher James Williams is considered a non-independent director as he is also the Deputy Chairman and Non-Executive Director of OUE Limited (the “**Sponsor**”). The REIT Manager is a wholly-owned subsidiary of the Sponsor. Mr Lee Yi Shyan is considered a non-independent director as he is an Executive Adviser to the Chairman of the Sponsor. Mr Chong Kee Hiong is considered a non-independent director as he is the Chief Executive Officer of the REIT Manager.

Board Composition

Board Member

Lee Yi Shyan ³	Chairman and Non-Independent Non-Executive Director
Chong Kee Hiong	Chief Executive Officer and Executive Director
Sanjiv Misra	Lead Independent Director
Ong Kian Min	Independent Director
Liu Chee Ming	Independent Director
Neo Boon Siong	Independent Director
Christopher James Williams ⁴	Non-Independent Non-Executive Director

The integrity and professionalism of the Directors have allowed them to discharge their responsibilities with due care and diligence.

³ Mr Lee Yi Shyan was appointed as Chairman on 1 November 2017.

⁴ Mr Christopher James Williams relinquished his position as Chairman on 1 November 2017 but remains a director of the Board.

The Board is of the opinion that its current size is appropriate, taking into account the nature and scope of the Managers' role *vis-a-vis* OUE H-Trust, for effective decision making. The Board comprises Directors who as a group have the core competencies, such as accounting or finance, government administration experience, international trade experience, 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 19 to 25 of the Annual Report.

The Board is chaired by Mr Lee Yi Shyan, who is a non-independent non-executive Director. 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 Managers 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 Sanjiv Misra, an Independent Director, was appointed as the Lead Independent Director. As the Lead Independent Director, Mr Sanjiv Misra has the discretion to hold meetings with the other independent Directors without the presence of the Management as he deems appropriate or necessary and to provide feedback to the Chairman after such meeting.

There is a clear separation of responsibilities between the Chairman and the Chief Executive Officer ("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 comprises three non-executive Directors, namely Mr Ong Kian Min, Mr Christopher James Williams and Mr Sanjiv Misra. Mr Ong Kian Min is the chairman of the NRC. The NRC met once in FY2017.

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 and reviewing the endorsement or re-endorsement of Directors for approval by Stapled Securityholders at the Annual General Meeting.

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 the requisite 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 Board continues to be open and vigilant in identifying the appropriate female candidate(s) who may possess the competency level and skill sets necessary to bring greater value to OUE H-Trust and its various stakeholder constituencies. While being mindful of building on gender diversity in the boardroom, the Board is of the view that it is of equal importance that the driver of this exercise (apart from the gender criterion) be focused on identifying the right level of experience, commercial acumen and professional integrity in a potential Director.

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 compiles the Directors' responses to the questionnaire into a consolidated report, and the report will 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, ARC and NRC meetings, Directors' individual evaluations and the overall effectiveness of the Board in steering and overseeing the conduct of the Managers' business *vis-a-vis* OUE H-Trust. Based on the NRC's assessment and review, the Board and its Board committees operate effectively and each Director has contributed to the overall effectiveness of the Board.

The Directors must ensure that they are able to give sufficient time and attention to the affairs of the Managers, 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. 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 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 the existence of relationships which would deem a Director not to be independent. A Director who has no relationship with the Managers, their related corporations, their 10% shareholders, their officers or the 10% Stapled Securityholders 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 Managers and OUE H-Trust, is considered to be independent under the Code.

In relation to Mr Ong Kian Min (where Mr Ong is a consultant with Drew & Napier LLC, Corporate & Finance Department), the Board noted that notwithstanding that Drew & Napier LLC has been engaged by the REIT Manager to provide legal services to OUE H-Trust in FY2017, Mr Ong would still be regarded as an independent Director on the basis that he was not involved in the decision-making processes in respect of these transactions, and that he would be able to exercise independent judgment and demonstrate objectivity in his deliberations in the interests of OUE H-Trust.

The Directors have had 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 Business Trusts Act, the Code on Collective Investment Schemes and the Listing Manual of the SGX-ST (the "**Listing Manual**"), real estate and hospitality industry-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 H-Trust, 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 role 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 Business Trusts 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 Managers' 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) reviewing the general framework of remuneration for Directors and key management personnel of the Managers, namely the CEO of the Managers, (ii) reviewing policies for fixing of the remuneration packages of individual Directors and the key management personnel of the Managers, and (iii) reviewing the remuneration policies of the Managers to ensure that these meet its stated objectives having regard to the performance of OUE H-Trust and other considerations.

The NRC reviews the compensation policy to ensure that the compensation offered by the Managers are (i) competitive and will attract, retain and motivate Directors and key management personnel and (ii) for Directors to be good stewards of the Managers and OUE H-Trust and for key management personnel with the required experience and expertise to run the Managers successfully. In reviewing the policy for the remuneration packages for Directors and the key management personnel of the Managers, the NRC takes into consideration the remuneration policy and practices of the OUE group, which applies to all business divisions within the OUE group as well as the conditions within the REIT management industry and in comparable REIT managers. The remuneration policies are structured to attract and retain highly qualified persons, with the overall goal of ensuring the long-term sustainability and success of the Managers and OUE H-Trust. After the NRC carries out its review process, the NRC will make the appropriate recommendations to the Board of Directors.

The remuneration of the Directors and the Management is paid by the REIT Manager, and not by OUE H-Trust. 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 compensation in the form of stock options or Stapled Securities paid to the Directors or the Management.

For the financial year under review, the Managers did not engage any remuneration consultant with regard to the remuneration of its Directors and the Management.

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) 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 Managers comprises monthly salaries, annual bonuses and allowances. Executive remuneration is linked 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 Managers currently do not have in place long-term or short-term incentive schemes for their executive Directors and key executive officers.

As disclosed in the Prospectus, no compensation is payable to Directors in respect of their appointment as directors of the Trustee-Manager as OUE H-BT is dormant.

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), on a named basis, in bands of S\$250,000, and (iii) in aggregate the total remuneration paid to the top five key management personnel (who are not directors or the CEO), and in the event of non-disclosure, the REIT Manager is required to provide reasons for such non-disclosure. After much deliberation, the Board is of the view that disclosure of the remuneration of each individual Director, the CEO and the top five executive officers on a named basis, whether in exact quantum or in bands of S\$250,000, and the total remuneration paid to the top five key management personnel (who are not directors or the CEO) will not be in the best interests of the Managers, OUE H-Trust or its Stapled Securityholders. 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 and hospitality industry, the competitive business environment which OUE H-Trust 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 REIT Manager in attracting and retaining talent for the REIT 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 remuneration, whether in exact quantum or in bands of S\$250,000, of each individual Director, the CEO and top five executive officers and the total remuneration paid to the top five key management personnel will not be prejudicial to the interest of the Stapled Securityholders.

There are no employees of the Managers who are immediate family members of a Director or the CEO, and whose remuneration exceeds S\$50,000 during FY2017. The Managers do 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 Managers during FY2017.

C. ACCOUNTABILITY & AUDIT

Principle 10: Accountability

The Board is responsible for presenting a balanced and understandable assessment of OUE H-Trust's performance, position and prospects to its Stapled Securityholders, 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 four non-executive Directors, namely Mr Sanjiv Misra, Mr Ong Kian Min, Mr Liu Chee Ming and Professor Neo Boon Siong, who are all independent Directors. Mr Sanjiv Misra is the chairman of the ARC. 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 FY2017.

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

1. Monitoring the procedures established to regulate Related Party Transactions, including ensuring compliance with the provisions of the Listing Manual relating to Interested Person Transactions (as defined in the Listing Manual) and the provisions of Appendix 6 to the Code on Collective Investment Schemes (the "**Property Funds Appendix**") relating to Interested Party Transactions (as defined in the Property Funds Appendix) (both types of transactions constituting "**Related Party Transactions**").
2. Monitoring the procedures implemented to ensure compliance with the applicable legislation, the Listing Manual and the Property Funds Appendix.
3. 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 H-REIT and the REIT Manager.
4. Reviewing with the external and internal auditors their findings on their evaluation of the system of the internal accounting controls of OUE H-REIT and the REIT Manager.
5. 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 of the REIT Manager.
6. 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. If an ARC member has an interest in a transaction, he or she is to abstain from participating in the review and approval process in relation to that transaction.

7. Reviewing the scope and results of the internal audit procedures, and, at least annually, review the adequacy and effectiveness of the REIT Manager's internal audit function.
8. Reviewing the external auditors' management letter and the response from the Management.
9. Reviewing the adequacy, scope and performance/results of the external audit and its cost effectiveness, and the independence and objectivity of the external auditors.
10. Reviewing the nature and extent of non-audit services performed by the external auditors.
11. Reviewing the independence and objectivity of the external auditors annually and state (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 H-Trust's Annual Report. Where the external auditors also provide a substantial volume of non-audit services to OUE H-REIT and/or the REIT 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.
12. Reviewing the financial statements of OUE H-REIT and the REIT Manager and review the quality and reliability of information prepared for inclusion in financial reports.
13. Reviewing the significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of OUE H-REIT and the REIT Manager and any formal announcements relating to the financial performance of OUE H-REIT and the REIT Manager, including the quarterly and full-year balance sheets and profit and loss accounts of OUE H-REIT and the REIT Manager.
14. Reviewing the assistance given by Management to the ARC, external auditors and internal auditors, where applicable.
15. Making recommendations to the Board on the proposals to the unitholders of OUE H-REIT (or the shareholders of the REIT Manager, as the case may be) on the appointment, re-appointment and removal of OUE H-REIT's (or the REIT Manager's) external auditors, and approving the remuneration and terms of engagement of the external auditors.
16. Monitoring and evaluating the effectiveness of the REIT Manager's internal controls. Review and report to the Board at least annually the adequacy and effectiveness of the REIT 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.
17. Ensuring that the internal audit function is independent from the management of the REIT Manager, that the internal audit function will report to the Chairman and that the internal audit function is adequately qualified to perform an effective role.
18. Ensuring that the internal audit function is adequately resourced, staffed with persons with the relevant qualifications and experience, and has appropriate standing within the REIT Manager.

19. 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.

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 and it 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 FY2017 was \$57,500. The ARC is satisfied that OUE H-REIT has complied with the requirements of Rule 712 and 715 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 25 April 2018. The ARC has met with the external auditors as well as the internal auditors, without the presence of the Management.

The details of the remuneration of the auditors of OUE H-Trust during FY2017 are as follows:

Amount Breakdown of Audit and Non-Audit Services	(\$'000)
Audit Services	181.0
Non-Audit Services	57.5

The Managers have in place a whistle-blowing procedure whereby staff of the Managers may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters as well as any breach of the Managers' 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 REIT Manager has an established risk assessment and management framework (the “**Framework**”) for OUE H-Trust, which has been approved by the Board. The Framework is used by the REIT 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 REIT Manager, with stewardship residing with the Board.

The ARC, together with the REIT Manager, assists the Board to oversee, review and update the Framework to ensure its adequacy and effectiveness, with internal controls in place to manage risks including but not limited to finance, operations, compliance and information technology. The REIT 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 ARC, the REIT Manager 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 in OUE H-Trust.

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 REIT Manager, the ARC and the Board.

The Board has received assurance from the CEO and the Chief Financial Officer (the “**CFO**”) of the REIT Manager that:

- (a) the financial records of OUE H-Trust have been properly maintained and the financial statements for the year ended 31 December 2017 give a true and fair view of OUE H-Trust’s operations and finances; and
- (b) the Framework implemented within OUE H-Trust is adequate and effective in identifying and addressing the material risks in OUE H-Trust in its current business environment including material financial, operational, compliance and information technology risks.

Based on the Framework established and reviews conducted by OUE H-Trust’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 H-Trust’s system of risk management and internal controls were adequate and effective as at 31 December 2017 to address material financial, operational, compliance and information technology risks faced by OUE H-Trust.

The Board notes that the Framework established by the REIT Manager provides reasonable, but not absolute, assurance that OUE H-Trust 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 H-Trust, 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 REIT Manager's system of internal controls to address financial, operational and compliance risks for OUE H-Trust. It also audits the operations, regulatory compliance and risk management processes of the REIT Manager. The scope of the internal audit reviews are 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 H-Trust'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 STAPLED SECURITYHOLDERS

Principle 14 : Regular, Effective and Fair Communication with Stapled Securityholders

Principle 15 : Encouraging Greater Stapled Securityholder Participation

Principle 16 : Conduct of Stapled Securityholders' Meetings

Stapled Securityholders are informed of OUE H-Trust's performance and developments through press releases and the publication of its quarterly and full-year results on the SGXNET and the annual report. Stapled Securityholders are also regularly kept up-to-date on significant events and happenings through the same channels. Information on OUE H-Trust is also available on its website at <http://www.oueht.com>, where an enquiry form is made available for Stapled Securityholders to submit questions at their convenience. The Managers also conduct analysts' briefings and investor roadshows to maintain regular dialogue with investors and Stapled Securityholders as well as to solicit and understand the views of Stapled Securityholders. In addition, the contact details of the Managers' investor relations representative are set out in the press releases issued by the Managers. More details of the Managers' investor relations activities and efforts are found on pages 27 to 28 of this Annual Report.

In addition, Stapled Securityholders will be given the opportunity to communicate their views and to raise pertinent questions to the Board members and to vote at Stapled Securityholders' meetings. The respective chairpersons of the ARC and NRC, as well as the external auditors, shall also be present at Stapled Securityholders' meetings to address relevant questions raised by the Stapled Securityholders.

E. INTERESTED PERSON TRANSACTIONS POLICY

The Managers have established procedures to monitor and review Interested Person Transactions (“**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 set out in the Annual Report.

F. DEALINGS IN THE STAPLED SECURITIES

The Managers have issued guidelines on dealing in the Stapled Securities. These pertain to the existence of insider trading laws and the rules and regulations with regard to dealings in the Stapled Securities by the Directors and the employees of the Managers. The Managers send out memoranda and e-mails to the Directors and the employees to remind them that the Directors, the employees of the Managers and their connected persons are prohibited from dealing in the Stapled Securities during the following periods:

- (a) two weeks before the announcement of OUE H-Trust’s financial statements for each of the first three quarters of its financial year;
- (b) one month before the announcement of OUE H-Trust’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 Managers are prohibited from communicating price sensitive information to any person. In addition, the Managers also discourage the Directors and employees of the Managers from dealing in the Stapled Securities on short-term considerations.

Statement on Policies and Practices in Relation to the Management and Governance of OUE Hospitality Business Trust

OUE Hospitality Business Trust ("**OUE H-BT**") has been dormant since the listing of OUE Hospitality Trust ("**OUE H-Trust**") on the Main Board of Singapore Exchange Securities Trading Limited (the "**SGX-ST**") on 25 July 2013.

Although OUE H-BT is dormant, the board of directors of the Trustee-Manager (the "**Trustee-Manager Board**") is committed to complying with the requirements under the Listing Manual, the Business Trusts Act, Chapter 31A of Singapore (the "**BTA**") and the Business Trusts Regulations 2005 (the "**BTR**") (except where waivers had been obtained from the Monetary Authority of Singapore (the "**MAS**") and disclosed in the IPO prospectus of OUE H-Trust), the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**") as well as the trust deed dated 10 July 2013 (as amended) constituting OUE H-BT (the "**OUE H-BT Trust Deed**") and the stapling deed dated 10 July 2013 (the "**Stapling Deed**").

The Trustee-Manager has the dual responsibilities of safeguarding the interests of the holders of OUE H-BT units (the "**OUE H-BT Unitholders**"), and managing the business conducted by OUE H-BT. The Trustee-Manager has general powers of management over the business and assets of OUE H-BT and its main responsibility is to manage OUE H-BT's assets and liabilities for the benefit of the OUE H-BT Unitholders as a whole.

The Trustee-Manager, in exercising its powers and carrying out its duties as OUE H-BT's trustee-manager, is required to:

- treat the OUE H-BT Unitholders in the same class fairly and equally and OUE H-BT Unitholders who hold OUE H-BT units in different classes (if any) fairly;
- ensure that all payments out of the trust property of OUE H-BT (the "**Trust Property**") are made in accordance with the BTA, the OUE H-BT Trust Deed and the Stapling Deed;
- report to the MAS any contravention of the BTA or the Securities and Futures (Offers of Investments) (Business Trusts) (No. 2) Regulations 2005 by any other person that:
 - relates to OUE H-BT; and
 - has had, has or is likely to have, a material adverse effect on the interests of all the OUE H-BT Unitholders, or any class of OUE H-BT Unitholders, as a whole,

as soon as practicable after the Trustee-Manager becomes aware of the contravention;

- ensure that the Trust Property is properly accounted for; and
- ensure that the Trust Property is kept distinct from the property held in its own capacity.

Statement on Policies and Practices in Relation to the Management and Governance of OUE Hospitality Business Trust

The Trustee-Manager has the following duties under the BTA:

- at all times act honestly and exercise reasonable diligence in the discharge of its duties as OUE H-BT's trustee-manager in accordance with the BTA and the OUE H-BT Trust Deed;
- act in the best interests of all OUE H-BT Unitholders as a whole, and give priority to the interests of all OUE H-BT Unitholders as a whole over its own interests in the event of a conflict between the interests of all OUE H-BT Unitholders as a whole and its own interests;
- not make improper use of any information acquired by virtue of its position as OUE H-BT's trustee-manager to gain, directly or indirectly, an advantage for itself or for any other person to the detriment of the OUE H-BT Unitholders;
- hold the Trust Property on trust for all OUE H-BT Unitholders as a whole in accordance with the terms of the OUE H-BT Trust Deed;
- adhere to the business scope of OUE H-BT as set out in the OUE H-BT Trust Deed;
- review interested person transactions in relation to OUE H-BT; and
- review expense and cost allocations payable to the Trustee-Manager in its capacity as trustee-manager of OUE H-BT out of the Trust Property, and ensure that fees and expenses charged to OUE H-BT are appropriate and in accordance with the OUE H-BT Trust Deed.

The MAS has also granted the Trustee-Manager an exemption from compliance with sections 10(2)(a) and 11(1)(a) of the BTA to the extent that sections 10(2)(a) and 11(1)(a) of the BTA require the Trustee-Manager and the directors of the Trustee Manager (the "**Trustee-Manager Directors**") to act in the best interests of the OUE H-BT Unitholders only, subject to the conditions that:

- (a) the Trustee-Manager shall ensure that the units of OUE H-BT remain stapled to the units of OUE H-REIT; and
- (b) the Trustee-Manager and the Trustee-Manager Directors shall act in the best interests of all Stapled Securityholders as a whole.

TRUST PROPERTY IS PROPERLY ACCOUNTED FOR

In the event that OUE H-BT becomes active, the Trust Property shall be properly accounted for and kept distinct from the property of the Trustee-Manager in its own capacity. Different bank accounts shall be maintained for the Trustee-Manager in its personal capacity and its capacity as trustee-manager of OUE H-BT.

Statement on Policies and Practices in Relation to the Management and Governance of OUE Hospitality Business Trust

ADHERENCE TO THE BUSINESS SCOPE OF OUE H-BT

In the event that OUE H-BT becomes active, the Trustee-Manager Board shall review and approve all authorised businesses undertaken by OUE H-BT so as to ensure its adherence to the business scope as set out in the OUE H-BT Trust Deed.

Such authorised businesses refer to:

- (i) the acquisition, disposition and ownership of authorised investments and all activities, concerns, functions and matters reasonably incidental thereto;
- (ii) ownership of subsidiaries which are engaged in the acquisition, disposition and ownership of authorised investments and all activities, concerns, functions and matters reasonably incidental thereto; and
- (iii) any business, undertaking or activity associated with, incidental and/or ancillary to the carrying on of the businesses referred to in paragraphs (i) and (ii), including (without limitation) the management and leasing of the authorised investments.

FEES PAYABLE TO THE TRUSTEE-MANAGER

Management Fee

The Trustee-Manager shall be entitled under the OUE H-BT Trust Deed to a management fee calculated at a rate of 10.0% per annum of the profit of OUE H-BT before interest and tax in the relevant financial year (calculated before accounting for this management fee in that financial year), payable in the event that OUE H-BT becomes active.

Trustee Fee

Under the OUE H-BT Trust Deed, a trustee fee not exceeding the rate of 0.1% per annum of the value of the Trust Property, if any, shall be paid to the Trustee-Manager, provided that the value of the Trust Property is at least S\$50.0 million and OUE H-BT is active.

For the financial year under review, no management fee and trustee fee were paid to the Trustee-Manager as OUE H-BT remains dormant.

Expenses Charged to OUE H-BT

The Trustee-Manager Board will carry out quarterly reviews to ensure that the expenses payable to the Trustee-Manager out of the Trust Property are appropriate and in accordance with the OUE H-BT Trust Deed, in the event OUE H-BT becomes active.

For the financial year under review, no expenses were paid to the Trustee-Manager from the Trust Property as OUE H-BT remains dormant.

Statement on Policies and Practices in Relation to the Management and Governance of OUE Hospitality Business Trust

Compliance with the BTA and the Listing Manual

The Trustee-Manager will engage the services of and obtain advice from professional advisers and consultants from time to time to ensure compliance with the requirements of the BTA and the Listing Manual in the event that OUE H-BT becomes active.

Composition of the Trustee-Manager Board

Under regulation 12(1) of the BTR, the Trustee-Manager Board is required to comprise:

- at least a majority of Trustee-Manager Directors who are independent from management and business relationships with the Trustee-Manager;
- at least one-third of Trustee-Manager Directors who are independent from management and business relationships with the Trustee-Manager and from every substantial shareholder of the Trustee-Manager; and
- at least a majority of Trustee-Manager Directors who are independent from any single substantial shareholder of the Trustee-Manager.

The Trustee-Manager Board consists of seven directors, four of whom are independent directors for the purposes of the BTA.

They are:

Name	Position
Lee Yi Shyan ¹	Chairman and Non-Independent Non-Executive Director
Chong Kee Hiong	Chief Executive Officer and Executive Director
Sanjiv Misra	Lead Independent Director
Ong Kian Min	Independent Director
Liu Chee Ming	Independent Director
Neo Boon Siong	Independent Director
Christopher James Williams ²	Non-Independent Non-Executive Director

Mr Lee Yi Shyan is considered a non-independent director as he is an Executive Adviser to the Chairman of OUE Limited (the “**Sponsor**”). The Trustee-Manager is a wholly-owned subsidiary of the Sponsor. Mr Chong Kee Hiong is considered a non-independent director as he is the Chief Executive Officer of the Managers. Mr Christopher James Williams is considered a non-independent director as he is also the Deputy Chairman and Non-Executive Director of the Sponsor.

As the Trustee-Manager’s directors are also the directors of the REIT Manager, none of the Trustee-Manager’s directors would, by definition under the BTR, be independent from a substantial shareholder of the Trustee-Manager as both the Trustee-Manager and the REIT Manager are 100.0% owned by the Sponsor.

¹ Mr Lee Yi Shyan was appointed as Chairman of the Trustee-Manager Board on 1 November 2017.

² Mr Christopher James Williams relinquished his position as Chairman of the Trustee-Manager Board on 1 November 2017 but remains a director of the Trustee-Manager Board.

Statement on Policies and Practices in Relation to the Management and Governance of OUE Hospitality Business Trust

The MAS has also granted the Trustee-Manager an exemption from compliance with regulations 12(1)(a) and 12(1)(b) of the BTR to the extent that regulations 12(1)(a) and 12(1)(b) of the BTR require the Trustee-Manager Directors to be independent, subject to certain conditions.

The stapling together of OUE H-BT units and OUE H-REIT units means that the OUE H-BT Unitholders are at the same time the investors of the Stapled Securities, who stand to benefit as a whole regardless of whether the appointed Trustee-Manager Directors are independent of the Sponsor.

In addition to compliance with requirements under the BTA, the composition of the Trustee-Manager Board is determined using the following principles:

- the Chairman of the Trustee-Manager Board should be a non-executive director; and
- the Trustee-Manager Board should consist of directors with a broad range of commercial experience.

The composition of the Trustee-Manager Board will be reviewed regularly to ensure that the Trustee-Manager Board has the appropriate mix of expertise and experience.

Chairman and Chief Executive Officer

The positions of Chairman of the Trustee-Manager Board and Chief Executive Officer of the Trustee-Manager are held by two different individuals in order to ensure an appropriate balance of power, increased accountability and to maintain effective checks and balances. The Chairman of the Trustee-Manager Board is Mr Lee Yi Shyan, while the Chief Executive Officer of the Trustee-Manager is Mr Chong Kee Hiong. The Chairman is responsible for the overall management of the Trustee-Manager Board, while the Chief Executive Officer has full executive responsibilities over the business directions of the Trustee-Manager.

Access to Information

The Trustee-Manager Board has separate and independent access to the management of the Trustee-Manager (the “**Management**”) and the company secretary of the Trustee-Manager (the “**Company Secretary**”) at all times and they are entitled to request from the Management additional information as needed to make informed decisions. The Trustee-Manager Directors also have access to independent professional advice where appropriate and whenever requested.

The Company Secretary for the REIT Manager, Mr Ng Ngai, is also the Company Secretary for the Trustee-Manager.

Statement on Policies and Practices in Relation to the Management and Governance of OUE Hospitality Business Trust

The Company Secretary reports to the Chief Executive Officer of the Trustee-Manager and his duties include:

- assisting the Trustee-Manager in putting in place processes to ensure that the Trustee-Manager fulfils the compliance requirements under the Listing Manual, the BTA and the BTR (except where waivers have been obtained), the SFA as well as the OUE H-BT Trust Deed and the Stapling Deed;
- preparing returns to the MAS as required under the BTA and BTR; and
- assisting in any other matters concerning compliance with the Listing Manual, the BTA and the BTR (except where waivers have been obtained), the SFA as well as the OUE H-BT Trust Deed and the Stapling Deed.

His roles also include the following:

- ensuring that board procedures of the Trustee-Manager Board are followed;
- assisting the Trustee-Manager with corporate secretarial administration matters for the Trustee-Manager, both in its personal capacity and in its capacity as trustee-manager of OUE H-BT, including attending all board meetings; and
- assisting the Trustee-Manager in preparing the announcements and notifications to be uploaded on the SGXNET as required under the Listing Manual.

Remuneration Matters

As OUE H-BT remains dormant, no compensation is payable by the Trustee-Manager to the Trustee-Manager Directors.

Audit Committee

The MAS has granted the Trustee-Manager an exemption from compliance with section 15(1) of the BTA to the extent that section 15(1) of the BTA requires an audit committee to be constituted when OUE H-BT is active, subject to certain conditions.

External Auditor

The Trustee-Manager, on behalf of OUE H-BT, confirms that OUE H-BT has complied with Rules 712 and 715 of the Listing Manual in relation to its auditing firm.

Statement on Policies and Practices in Relation to the Management and Governance of OUE Hospitality Business Trust

Risk Management and Internal Controls

The Trustee-Manager Board will put in place appropriate internal control systems, including the following procedures to manage business risk in the event that OUE H-BT becomes active.

The Trustee-Manager Board will meet quarterly or more frequently if necessary and will review the financial performance of OUE H-BT against a previously approved budget. The Trustee-Manager Board will also review the business risks of OUE H-BT, examine liability management and will act upon any comments from both the internal and external auditors of OUE H-BT.

In assessing business risk, the Trustee-Manager Board will consider the economic environment and risks relevant to the real estate industry. It will review management reports prior to approving major transactions.

The Management will meet regularly to review the operations of the Trustee-Manager and OUE H-BT and discuss any disclosure issues.

Interested Person Transactions and Potential Conflicts of Interest

In general, transactions between:

- an entity at risk (in this case, the Trustee-Manager (acting in its capacity as the trustee-manager of OUE H-BT) or any of the subsidiaries or associated companies of OUE H-BT); and
- any of the Interested Persons (namely the Trustee-Manager (acting in its personal capacity), a related corporation or related entity of the Trustee-Manager (other than a subsidiary or subsidiary entity of OUE H-BT), an associated company or associated entity of the Trustee-Manager (other than an associated company or associated entity of OUE H-BT) (as defined in the Securities and Futures (Offers of Investments) (Business Trusts) (No. 2) Regulations 2005), a Director, Chief Executive Officer or controlling shareholder of the Trustee-Manager, a controlling Stapled Securityholder or an associate of any such Director, Chief Executive Officer, controlling shareholder or controlling Stapled Securityholder),

would constitute an Interested Person Transaction.

Since the OUE H-REIT units and OUE H-BT units are held by the same pool of investors in the same proportion, concerns and potential abuses applicable to interested person transactions will be absent in transactions between OUE H-REIT and OUE H-BT.

Statement on Policies and Practices in Relation to the Management and Governance of OUE Hospitality Business Trust

Internal Control System

In the event OUE H-BT becomes active, the Trustee-Manager will establish an internal control system to ensure that all future Interested Person Transactions:

- will be undertaken on normal commercial terms; and
- will not be prejudicial to the interests of OUE H-BT and the Stapled Securityholders

The Trustee-Manager will maintain a register to record all Interested Person Transactions which are entered into by OUE H-BT and the bases, including any quotations from unrelated parties obtained to support such bases, on which they are entered into.

The Trustee-Manager will also incorporate into its internal audit plan a review of all Interested Person Transactions entered into by OUE H-BT.

Where matters concerning OUE H-BT relate to transactions entered into or to be entered into by the Trustee-Manager for and on behalf of OUE H-BT with an Interested Person (as defined in the BTA) of the Trustee-Manager (which would include relevant associates thereof) or OUE H-BT, the Trustee-Manager will consider the terms of such transactions to satisfy itself that such transactions are conducted:

- on normal commercial terms;
- are not prejudicial to the interests of OUE H-BT and the Stapled Securityholders; and
- in accordance with all applicable requirements of the Listing Manual and the BTA relating to the transaction in question.

If the Trustee-Manager is to sign any contract with an Interested Person of the Trustee-Manager or OUE H-BT, the Trustee-Manager will review the contract to ensure that it complies with the provisions of the Listing Manual and the BTA relating to Interested Person Transactions (as may be amended from time to time) as well as such other guidelines as may from time to time be prescribed by the MAS and the SGX-ST to apply to business trusts.

The aggregate value of all Interested Person Transactions which are subject to Rules 905 and 906 of the Listing Manual in a particular financial year will be disclosed in OUE H-Trust's annual report for the relevant financial year.

Save for the Interested Person Transactions in connection with the setting up of OUE H-BT and the Exempted Agreements (as disclosed in the IPO prospectus of OUE H-Trust), OUE H-BT will comply with Rule 905 of the Listing Manual by announcing any Interested Person Transaction in accordance with the Listing Manual if such transaction, by itself or when aggregated with other Interested Person Transactions entered into with the same Interested Person (as defined in the Listing Manual) during the same financial year, is 3.0% or more of the value of OUE H-BT's latest audited net tangible assets.

Statement on Policies and Practices in Relation to the Management and Governance of OUE Hospitality Business Trust

Potential Conflicts of Interest

The Trustee-Manager has instituted the following procedures to deal with conflict of interest issues:

- all resolutions in writing of the Trustee-Manager Directors in relation to matters concerning OUE H-Trust will be approved by a majority of the Trustee-Manager Directors, including at least one independent Trustee-Manager Director;
- all executive officers will be employed by the Trustee-Manager;
- in respect of matters in which the Sponsor has an interest, direct or indirect, any nominees appointed by the Sponsor to the Trustee-Manager Board to represent its/their interests will abstain from voting. In such matters, the quorum must comprise a majority of the independent Trustee-Manager Directors and must exclude any nominee directors of the Sponsor; and
- where matters concerning OUE H-BT relate to transactions entered into or to be entered into by the Trustee-Manager for and on behalf of OUE H-BT with an Interested Person of the Trustee-Manager (which would include relevant associates thereof) or OUE H-BT, the Trustee-Manager Board is required to consider the terms of the transactions to satisfy itself that the transactions are conducted on normal commercial terms, are not prejudicial to the interests of OUE H-BT and the Stapled Securityholders and are in compliance with all applicable requirements of the Listing Manual and the BTA relating to the transaction in question. If the Trustee-Manager is to sign any contract with an Interested Person of the Trustee-Manager or OUE H-BT, the Trustee-Manager will review the contract to ensure that it complies with the provisions of the Listing Manual and the BTA relating to Interested Person Transactions (as may be amended from time to time) as well as any other guidelines as may from time to time be prescribed by the MAS and the SGX-ST that apply to business trusts.

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Report of the Trustee-Manager of OUE Hospitality Business Trust

The directors of OUE Hospitality Trust Management Pte. Ltd., the trustee-manager of OUE Hospitality Business Trust ("OUE H-BT", and the trustee-manager of OUE H-BT, the "Trustee-Manager"), are pleased to present this report to the unitholders together with the audited financial statements for the financial year ended 31 December 2017.

DIRECTORS

The directors of the Trustee-Manager in office at the date of this report are as follows:

Lee Yi Shyan (Chairman)
Chong Kee Hiong (Chief Executive Officer)
Sanjiv Misra
Liu Chee Ming
Neo Boon Siong
Ong Kian Min
Christopher James Williams

DIRECTORS' INTERESTS IN UNITS OR DEBENTURES

According to the register kept by the Trustee-Manager for the purpose of Section 76 of the Business Trusts Act, Chapter 31A of Singapore (the "Act"), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and infant children) in units in OUE H-BT are as follows:

	Direct Interest		Deemed Interest	
	Holdings at beginning of the year	Holdings at end of the year	Holdings at beginning of the year	Holdings at end of the year
Lee Yi Shyan	10,700	10,700	–	–
Chong Kee Hiong	1,341,082	1,341,082	266,000	266,000
Sanjiv Misra	532,000	532,000	–	–
Liu Chee Ming	532,000	532,000	–	–
Christopher James Williams	–	–	478,800	478,800

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in units of OUE H-BT either at the beginning of the financial year or at the end of the financial year.

There were no changes in any of the abovementioned interests in OUE H-BT between the end of the financial year and 21 January 2018.

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE UNITS AND DEBENTURES

Neither at the end of, nor at any time during the financial year, was the Trustee-Manager a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Trustee-Manager to acquire benefits by means of the acquisition of units in or debentures of OUE H-BT.

DIRECTORS' CONTRACTUAL BENEFITS

Since the end of the last financial year, no director has received or become entitled to receive a benefit by reason of a contract made by OUE H-BT or a related corporation with the director, or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest, except as disclosed in the financial statements.

OPTIONS

During the financial year, there were:

- (i) no options granted by the Trustee-Manager to any person to take up unissued units in OUE H-BT; and
- (ii) no units issued by virtue of any exercise of option to take up unissued units of OUE H-BT.

As at the end of the financial year, there were no unissued units of OUE H-BT under options.

AUDITORS

The auditors, KPMG LLP, have expressed their willingness to accept re-appointment.

STATEMENT BY THE TRUSTEE-MANAGER

In our opinion:

- (a) the financial statements of OUE H-BT set out on pages 98 to 161 are drawn up so as to give a true and fair view of the financial position of OUE H-BT as at 31 December 2017 and the financial performance, changes in unitholders' funds and cash flows of OUE H-BT for the year ended on that date in accordance with the provisions of the Act and Singapore Financial Reporting Standards; and
- (b) at the date of this statement, there are reasonable grounds to believe that OUE H-BT will be able to fulfil, out of the trust property of OUE H-BT (the "Trust Property"), the liabilities of OUE H-BT as and when they fall due.

Report of the Trustee-Manager of OUE Hospitality Business Trust

With respect to the statement of comprehensive income of OUE H-BT for the year ended 31 December 2017, we further certify that:

- fees or charges paid or payable out of the Trust Property to the Trustee-Manager are in accordance with OUE H-BT's trust deed dated 10 July 2013;
- interested person transactions are not detrimental to the interests of all the unitholders of OUE H-BT as a whole based on the circumstances at the time of the transactions; and
- the Board is not aware of any violation of duties of the Trustee-Manager which would have a materially adverse effect on the business of OUE H-BT or on the interests of all the unitholders OUE H-BT as a whole.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

**For and on behalf of the Board of Directors of the Trustee-Manager,
OUE Hospitality Trust Management Pte. Ltd.**

Lee Yi Shyan
Director

Chong Kee Hiong
Director

Singapore
27 February 2018

Statement by the Chief Executive Officer of the Trustee-Manager

In accordance with Section 86 of the Act, I certify that I am not aware of any violation of duties of the Trustee-Manager which would have a materially adverse effect on the business of OUE H-BT or on the interests of all the unitholders of OUE H-BT as a whole.

Chong Kee Hiong
Chief Executive Officer

Singapore
27 February 2018

Report of the Trustee of OUE Hospitality Real Estate Investment Trust

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

To the best knowledge of the REIT Trustee, the REIT Manager has, in all material respects, managed OUE H-REIT during the period covered by these financial statements, set out on pages 98 to 161, in accordance with the limitations imposed on the investment and borrowing powers set out in the OUE H-REIT Trust Deed.

**For and on behalf of the REIT Trustee,
RBC Investor Services Trust Singapore Limited**

Hoi Sau Kheng
Director

Singapore
27 February 2018

Report of the Manager of OUE Hospitality Real Estate Investment Trust

In the opinion of the directors of OUE Hospitality REIT Management Pte. Ltd. (the “REIT Manager”), the manager of OUE Hospitality Real Estate Investment Trust (“OUE H-REIT”), the accompanying financial statements of OUE H-REIT and its subsidiary (collectively, the “OUE H-REIT Group”), and OUE Hospitality Trust (the “Stapled Group”, comprising the OUE H-REIT Group and OUE Hospitality Business Trust (“OUE H-BT”)) set out on pages 98 to 161 comprising their statements of financial position, statements of total return, distribution statements, statements of movements in unitholders’ funds, statements of cash flows, portfolio statements and notes to the financial statements are drawn up so as to present fairly, in all material respects, the financial positions of the OUE H-REIT Group and the Stapled Group as at 31 December 2017, the total return, distributable income, movements in unitholders’ funds and cash flows of the OUE H-REIT Group and the Stapled Group 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 and the provisions of the trust deed dated 10 July 2013 (as amended) (the “OUE H-REIT Trust Deed”) between RBC Investor Services Trust Singapore Limited (the “REIT Trustee”) and the REIT Manager, and the stapling deed of OUE Hospitality Trust between the REIT Trustee, the REIT Manager and OUE Hospitality Trust Management Pte. Ltd. (the trustee-manager of OUE H-BT) dated 10 July 2013. At the date of this statement, there are reasonable grounds to believe that the OUE H-REIT Group and the Stapled Group will be able to meet their respective financial obligations as and when they materialise.

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

Chong Kee Hiong
Director

Singapore
27 February 2018

Independent Auditors' Report

Unitholders
OUE Hospitality Business Trust
(Constituted under a Trust Deed in the Republic of Singapore)
OUE Hospitality Real Estate Investment Trust
(Constituted under a Trust Deed in the Republic of Singapore)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited:

- (i) the financial statements of OUE Hospitality Business Trust ("OUE H-BT"), which comprise the statement of financial position as at 31 December 2017, the statement of comprehensive income, statement of movements in unitholders' funds and statement of cash flows of OUE H-BT for the year then ended, and notes to the financial statements, including a summary of significant accounting policies; and
- (ii) the consolidated financial statements of OUE Hospitality Real Estate Investment Trust ("OUE H-REIT") and its subsidiary (the "OUE H-REIT Group") and OUE Hospitality Trust, which comprise the statements of financial position and portfolio statements as at 31 December 2017, the statements of total return, distribution statements, statements of movements in unitholders' funds and statements of cash flows of the OUE H-REIT Group and OUE Hospitality Trust for the year then ended, and notes to the financial statements, including a summary of significant accounting policies;

as set out on pages 98 to 161. OUE Hospitality Trust, which comprises OUE H-BT and the OUE H-REIT Group, is hereinafter referred to as the "Stapled Group".

In our opinion:

- (a) the accompanying financial statements of OUE H-BT are properly drawn up in accordance with the provisions of the Business Trusts Act, Chapter 31A (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the state of affairs of OUE H-BT as at 31 December 2017 and of the financial performance, movements in unitholders' funds and cash flows of OUE H-BT for the year ended on that date; and
- (b) the accompanying consolidated financial statements of the OUE H-REIT Group and the Stapled Group present fairly, in all material respects, the financial positions and portfolio holdings of the OUE H-REIT Group and the Stapled Group as at 31 December 2017 and the financial performance, distributable income, movements in unitholders' funds and cash flows of the OUE H-REIT Group and the Stapled Group for the year ended on that date in accordance with the recommendations of Statement of Recommended Accounting Practice ("RAP") 7 *Reporting Framework for Unit Trusts* issued by the Institute of Singapore Chartered Accountants (the "ISCA").

Independent Auditors' Report

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the 'Auditors' responsibilities for the audit of the financial statements' section of our report. We are independent of OUE H-BT, the OUE H-REIT Group and the Stapled Group in accordance with the Accounting and Corporate Regulatory Authority *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of investment properties

(Refer to Note 4 to the financial statements)

Risk

The OUE H-REIT Group and the Stapled Group have investment properties in Singapore with a carrying value of \$2.2 billion as at 31 December 2017. Investment properties represent the most significant asset item on the statements of financial position.

The accounting policy of the OUE H-REIT Group and the Stapled Group is to state investment properties at fair value which are based on independent external valuations. Significant judgements and estimates are involved in determining the appropriate valuation methods and assumptions to be applied in the valuations.

Our response

We evaluated the competence and objectivity of the external valuers and held discussions with the valuers to understand their valuation approach and basis of valuation.

We considered the valuation methods used in the valuations against those applied for similar property types. We assessed the reasonableness of the key assumptions used in the valuations which included a comparison of the discount rates, terminal yield rates, capitalisation rates, price per square metre and price per room against historical trends and available market data, taking into consideration comparability and market factors.

Our findings

The valuers are members of recognised professional bodies for valuers and have considered their own independence in carrying out their work. The valuation methods used by the valuers are in line with generally accepted market practices and the key assumptions used are comparable to market data.

Independent Auditors' Report

Other information

OUE Hospitality Trust Management Pte. Ltd., the Trustee-Manager of OUE H-BT (the "Trustee-Manager") and OUE Hospitality REIT Management Pte. Ltd., the REIT Manager of OUE H-REIT (the "REIT Manager") are responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained all other information prior to the date of this auditors' report except for the Statistics of Stapled Securityholdings (the "Report"), which is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Trustee-Manager and the REIT Manager and take appropriate actions in accordance with SSAs.

Responsibilities of the Trustee-Manager for the financial statements

The Trustee-Manager is responsible for the preparation of financial statements of OUE H-BT that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets that are part of the trust property of the registered business trust are safeguarded against loss from unauthorised use or disposition; and transactions by the Trustee-Manager entered into on behalf of or purported to be entered into on behalf of the registered business trust are properly authorised and that they are recorded as necessary to permit the preparation of true and fair accounts and to maintain accountability of assets.

In preparing the financial statements, the Trustee-Manager is responsible for assessing OUE H-BT's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee-Manager either intends to terminate OUE H-BT or to cease operations of OUE H-BT, or has no realistic alternative but to do so.

The Trustee-Manager's responsibilities include overseeing OUE H-BT's financial reporting process.

Independent Auditors' Report

Responsibilities of the REIT Manager for the financial statements

The REIT Manager is responsible for the preparation and fair presentation of the consolidated financial statements of the OUE H-REIT Group and the Stapled Group in accordance with the recommendations of RAP 7 issued by the ISCA, and for such internal control as the REIT Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements of the OUE H-REIT Group and the Stapled Group, the REIT Manager is responsible for assessing the ability of the OUE H-REIT Group and the Stapled Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the REIT Manager either intends to terminate the OUE H-REIT Group and the Stapled Group or to cease operations of the OUE H-REIT Group and the Stapled Group, or has no realistic alternative but to do so.

The REIT Manager's responsibilities include overseeing the financial reporting process of the OUE H-REIT Group and the Stapled Group.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit 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 internal controls of OUE H-BT, the OUE H-REIT Group and the Stapled Group.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustee-Manager and the REIT Manager.

Independent Auditors' Report

- Conclude on the appropriateness of the Trustee-Manager's and the REIT Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of OUE H-BT, the OUE H-REIT Group and the Stapled Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause OUE H-BT, the OUE H-REIT Group and the Stapled Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the OUE H-REIT Group and the Stapled Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Trustee-Manager and the REIT Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide the Trustee-Manager and the REIT Manager with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Trustee-Manager and the REIT Manager, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless the law or regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Independent Auditors' Report

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the Trustee-Manager on behalf of OUE H-BT have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditors' report is Koh Wei Peng.

KPMG LLP

*Public Accountants and
Chartered Accountants*

Singapore

27 February 2018

Statements of Financial Position

As at 31 December 2017

	Note	OUE H-BT		OUE H-REIT Group		Stapled Group	
		2017	2016	2017	2016	2017	2016
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Non-current assets							
Investment properties	4	–	–	2,218,000	2,208,100	2,218,000	2,208,100
Intangible asset	5	–	–	–	4,908	–	4,908
Deposit		–	–	2,295	2,295	2,295	2,295
		–	–	2,220,295	2,215,303	2,220,295	2,215,303
Current assets							
Trade and other receivables	6	–	–	11,017	12,508	11,017	12,508
Cash and cash equivalents	7	11	12	25,548	28,547	25,559	28,559
		11	12	36,565	41,055	36,576	41,067
Total assets		11	12	2,256,860	2,256,358	2,256,871	2,256,370
Non-current liabilities							
Borrowings	8	–	–	865,312	853,995	865,312	853,995
Financial derivatives	9	–	–	1,046	3,176	1,046	3,176
Rental deposits		–	–	3,076	2,913	3,076	2,913
		–	–	869,434	860,084	869,434	860,084
Current liabilities							
Financial derivatives	9	–	–	–	704	–	704
Rental deposits		–	–	1,432	1,479	1,432	1,479
Trade and other payables	10	3	2	9,933	12,123	9,936	12,125
		3	2	11,365	14,306	11,368	14,308
Total liabilities		3	2	880,799	874,390	880,802	874,392
Net assets		8	10	1,376,061	1,381,968	1,376,069	1,381,978
Unitholders' funds							
Unitholders' funds of OUE H-REIT Group		–	–	1,376,061	1,381,968	1,376,061	1,381,968
Unitholders' funds of OUE H-BT		8	10	–	–	8	10
		8	10	1,376,061	1,381,968	1,376,069	1,381,978
Units/Stapled Securities in issue ('000)							
	11	1,806,518	1,790,428	1,806,518	1,790,428	1,806,518	1,790,428
Net asset value per Unit/Stapled Security (\$)							
	12	*	*	0.76	0.77	0.76	0.77

* less than \$0.01

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

Statement of Comprehensive Income of OUE H-BT

Statements of Total Return of OUE H-REIT Group and the Stapled Group

Year ended 31 December 2017

	Note	OUE H-BT		OUE H-REIT Group		Stapled Group	
		2017	2016	2017	2016	2017	2016
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Gross revenue	13	–	–	131,063	122,494	131,063	122,494
Property expenses	14	–	–	(18,318)	(15,099)	(18,318)	(15,099)
Net property income		–	–	112,745	107,395	112,745	107,395
Other income	15	–	–	4,818	2,682	4,818	2,682
Amortisation of intangible asset	5	–	–	(4,908)	(1,292)	(4,908)	(1,292)
REIT Manager's fees	16	–	–	(11,269)	(10,858)	(11,269)	(10,858)
REIT Trustee's fees		–	–	(415)	(410)	(415)	(410)
Other trust expenses	17	(2)	(3)	(1,236)	(1,251)	(1,238)	(1,254)
Finance income	18	–	–	1,718	255	1,718	255
Finance expenses	18	–	–	(33,619)	(25,190)	(33,619)	(25,190)
Net finance expenses		–	–	(31,901)	(24,935)	(31,901)	(24,935)
Net (loss)/income		(2)	(3)	67,834	71,331	67,832	71,328
Net change in fair value of investment properties		–	–	8,110	(53,915)	8,110	(53,915)
Total return for the year	19	(2)	(3)	75,944	17,416	75,942	17,413
Other comprehensive income for the year, net of tax		–	–				
Total comprehensive income for the year		(2)	(3)				
Earnings per Stapled Security (cents)							
– Basic	21					4.21	1.05
– Diluted	21					4.19	1.04

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

Distribution Statements

Year ended 31 December 2017

	Note	OUE H-REIT Group and Stapled Group	
		2017 \$'000	2016 \$'000
Income available for distribution to Stapled Securityholders at beginning of the year		24,523	22,851
Total return of OUE H-REIT	19	75,949	17,422
Net tax adjustments (Note A)		16,991	65,081
Income available for distribution for the current year		92,940	82,503
Income available for distribution to Stapled Securityholders		117,463	105,354
Distributions to Stapled Securityholders:			
– Distribution of 1.70 cents per Stapled Security for the period from 1/10/2015 to 31/12/2015		–	(22,764)
– Distribution of 1.10 cents per Stapled Security for the period from 1/1/2016 to 31/3/2016		–	(19,617)
– Distribution of 0.92 cents per Stapled Security for the period from 1/4/2016 to 30/6/2016		–	(16,428)
– Distribution of 1.23 cents per Stapled Security for the period from 1/7/2016 to 30/9/2016		–	(22,022)
– Distribution of 1.36 cents per Stapled Security for the period from 1/10/2016 to 31/12/2016		(24,475)	–
– Distribution of 1.30 cents per Stapled Security for the period from 1/1/2017 to 31/3/2017		(23,427)	–
– Distribution of 1.21 cents per Stapled Security for the period from 1/4/2017 to 30/6/2017		(21,832)	–
– Distribution of 1.36 cents per Stapled Security for the period from 1/7/2017 to 30/9/2017		(24,569)	–
		(94,303)	(80,831)
Income available for distribution to Stapled Securityholders at end of the year		23,160	24,523
Distribution per Stapled Security* (cents)		5.14	4.61

* Distribution per Stapled Security relates to the distributions in respect of the relevant financial year. The distribution for the last quarter of the financial year will be made subsequent to the reporting date.

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

Distribution Statements

Year ended 31 December 2017

	OUE H-REIT Group and Stapled Group	
	2017	2016
	\$'000	\$'000
Note A – Net tax adjustments comprise:		
Non-tax deductible/(chargeable) items:		
– Amortisation of debt-related transaction costs	2,174	2,249
– Write-off of unamortised debt-related transaction costs	3,053	–
– Cost of unwinding derivative financial instrument	5,068	–
– Amortisation of intangible asset	4,908	1,292
– Change in fair value of financial derivatives	(812)	374
– Ineffective portion of changes in fair value of cash flow hedges	(840)	278
– REIT Manager's fees paid/payable in Stapled Securities	11,269	10,858
– REIT Trustee's fees	415	410
– Straight-lining of lease incentives	(333)	(4,530)
– Net change in fair value of investment properties	(8,110)	53,915
– Other items	199	235
Net tax adjustments	<u>16,991</u>	<u>65,081</u>

Distributions of the Stapled Group represent the aggregate distributions by OUE H-REIT and OUE H-BT. The distribution of the Stapled Group for the year is contributed solely by OUE H-REIT as OUE H-BT was dormant during the year. Accordingly, only the income available for distribution of OUE H-REIT has been presented.

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

Statements of Movements in Unitholders' Funds

Year ended 31 December 2017

	Unitholders' funds of OUE H-B T		
	Units in issue \$'000	Accumulated losses \$'000	Total \$'000
At 1 January 2017	20	(10)	10
Operations			
(Decrease)/increase in net assets resulting from operations	—	(2)	(2)
Hedging reserve			
Effective portion of changes in fair value of cash flow hedges	—	—	—
Unitholders' transactions			
Distributions to Stapled Securityholders	—	—	—
Units/Stapled Securities issued/to be issued as payment of REIT Manager's management fees	—	—	—
Net increase/(decrease) in net assets resulting from unitholders' transactions	—	—	—
At 31 December 2017	20	(12)	8
At 1 January 2016	20	(7)	13
Operations			
(Decrease)/increase in net assets resulting from operations	—	(3)	(3)
Hedging reserve			
Effective portion of changes in fair value of cash flow hedges	—	—	—
Unitholders' transactions			
Distributions to Stapled Securityholders	—	—	—
Units/Stapled Securities issued as payment of REIT Manager's acquisition fees	—	—	—
Units/Stapled Securities issued/to be issued as payment of REIT Manager's management fees	—	—	—
Units/Stapled Securities issued pursuant to rights issue	—	—	—
Issue costs relating to rights issue (note 22)	—	—	—
Net increase/(decrease) in net assets resulting from unitholders' transactions	—	—	—
At 31 December 2016	20	(10)	10

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

Unitholders' funds of OUE H-REIT Group				Stapled Group	
Units in issue and to be issued \$'000	Issue costs \$'000	Hedging reserve \$'000	Accumulated profits/ (losses) \$'000	Total \$'000	Total \$'000
1,429,133	(26,577)	(2,229)	(18,359)	1,381,968	1,381,978
—	—	—	75,944	75,944	75,942
—	—	1,183	—	1,183	1,183
—	—	—	(94,303)	(94,303)	(94,303)
11,269	—	—	—	11,269	11,269
11,269	—	—	(94,303)	(83,034)	(83,034)
1,440,402	(26,577)	(1,046)	(36,718)	1,376,061	1,376,069
1,178,110	(22,303)	6,126	45,056	1,206,989	1,207,002
—	—	—	17,416	17,416	17,413
—	—	(8,355)	—	(8,355)	(8,355)
—	—	—	(80,831)	(80,831)	(80,831)
1,538	—	—	—	1,538	1,538
10,858	—	—	—	10,858	10,858
238,627	—	—	—	238,627	238,627
—	(4,274)	—	—	(4,274)	(4,274)
251,023	(4,274)	—	(80,831)	165,918	165,918
1,429,133	(26,577)	(2,229)	(18,359)	1,381,968	1,381,978

Portfolio Statements

Year ended 31 December 2017

OUE H-REIT Group

Description of Property	Leasehold tenure	Location
Investment properties Singapore		
Crowne Plaza Changi Airport and its extension	74-year lease from 1 July 2009	75 Airport Boulevard, Singapore 819664
Mandarin Orchard Singapore	99-year lease from 1 July 1957	333 Orchard Road, Singapore 238867
Mandarin Gallery	99-year lease from 1 July 1957	333A Orchard Road, Singapore 238897
Investment properties, at valuation		
Other assets and liabilities (net)		
Net assets		

Stapled Group

Description of Property	Leasehold tenure	Location
Investment properties Singapore		
Crowne Plaza Changi Airport and its extension	74-year lease from 1 July 2009	75 Airport Boulevard, Singapore 819664
Mandarin Orchard Singapore	99-year lease from 1 July 1957	333 Orchard Road, Singapore 238867
Mandarin Gallery	99-year lease from 1 July 1957	333A Orchard Road, Singapore 238897
Investment properties, at valuation		
Other assets and liabilities (net)		
Net assets		

As at 31 December 2017, Crowne Plaza Changi Airport was leased to a related party of the REIT Manager under a master lease arrangement. The initial term of the lease was from 30 January 2015 to 27 May 2028, with an option to renew for two consecutive terms of five years each. On 1 August 2016, OUE H-REIT acquired the extension to Crowne Plaza Changi Airport Hotel for a purchase consideration of \$205,000,000 (see note 4). A supplemental lease agreement was entered into to vary the master lease agreement whereby Crowne Plaza Changi Airport and its extension are leased to a related party of the REIT Manager till 27 May 2028, with an option to renew for two consecutive terms of five years each.

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

Existing use	Carrying value at 31/12/2017 \$'000	Percentage of total net assets at 31/12/2017 %	Carrying value at 31/12/2016 \$'000	Percentage of total net assets at 31/12/2016 %
Hotel	497,000	36.1	496,600	35.9
Hotel	1,227,000	89.2	1,210,500	87.6
Retail	494,000	35.9	501,000	36.3
	2,218,000	161.2	2,208,100	159.8
	(841,939)	(61.2)	(826,132)	(59.8)
	1,376,061	100.0	1,381,968	100.0

Existing use	Carrying value at 31/12/2017 \$'000	Percentage of total net assets at 31/12/2017 %	Carrying value at 31/12/2016 \$'000	Percentage of total net assets at 31/12/2016 %
Hotel	497,000	36.1	496,600	35.9
Hotel	1,227,000	89.2	1,210,500	87.6
Retail	494,000	35.9	501,000	36.3
	2,218,000	161.2	2,208,100	159.8
	(841,931)	(61.2)	(826,122)	(59.8)
	1,376,069	100.0	1,381,978	100.0

Mandarin Orchard Singapore is leased to a related party of the REIT Manager under a master lease arrangement. The lease contains an initial term of 15 years from 25 July 2013 with an option to renew for a further 15 years.

The leases for Mandarin Gallery contain an initial non-cancellable term of one to ten years. Subsequent renewals are renegotiated with the lessees.

Statements of Cash Flows

Year ended 31 December 2017

		OUE H-BT		OUE H-REIT Group		Stapled Group	
	Note	2017	2016	2017	2016	2017	2016
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities							
Total return for the year		(2)	(3)	75,944	17,416	75,942	17,413
Adjustments for:							
Amortisation of intangible asset		–	–	4,908	1,292	4,908	1,292
Finance income		–	–	(1,718)	(255)	(1,718)	(255)
Finance expenses		–	–	33,619	25,190	33,619	25,190
REIT Manager’s fees paid/ payable in Stapled Securities		–	–	11,269	10,858	11,269	10,858
Net change in fair value of investment properties		–	–	(8,110)	53,915	(8,110)	53,915
Straight-lining of lease incentives		–	–	(333)	(4,530)	(333)	(4,530)
Operating (loss)/income before working capital changes		(2)	(3)	115,579	103,886	115,577	103,883
Changes in working capital:							
Deposit		–	–	–	(794)	–	(794)
Trade and other receivables		–	–	1,303	(3,620)	1,303	(3,620)
Trade and other payables		1	–	449	287	450	287
Rental deposits		–	–	116	(866)	116	(866)
Cash (used in)/generated from operating activities		(1)	(3)	117,447	98,893	117,446	98,890
Cash flows from investing activities							
Acquisition of investment property	4	–	–	–	(205,070)	–	(205,070)
Capital expenditure on investment properties		–	–	(950)	(1,535)	(950)	(1,535)
Interest received		–	–	87	249	87	249
Net cash used in investing activities		–	–	(863)	(206,356)	(863)	(206,356)

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

Statements of Cash Flows

Year ended 31 December 2017

		OUE H-BT		OUE H-REIT Group		Stapled Group	
	Note	2017	2016	2017	2016	2017	2016
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash flows from financing activities							
Distributions to Stapled Securityholders		–	–	(94,303)	(80,831)	(94,303)	(80,831)
Proceeds from rights issue		–	–	–	238,627	–	238,627
Issue costs paid in relation to rights issue		–	–	–	(4,274)	–	(4,274)
Repayment of borrowings		–	–	(859,000)	(293,000)	(859,000)	(293,000)
Proceeds from borrowings		–	–	875,000	270,000	875,000	270,000
Payment of transaction costs on borrowings		–	–	(9,790)	(2,483)	(9,790)	(2,483)
Cost of unwinding derivative financial instruments		–	–	(5,068)	–	(5,068)	–
Finance expenses paid		–	–	(26,422)	(23,390)	(26,422)	(23,390)
Net cash (used in)/ generated from financing activities		–	–	(119,583)	104,649	(119,583)	104,649
Net decrease in cash and cash equivalents		(1)	(3)	(2,999)	(2,814)	(3,000)	(2,817)
Cash and cash equivalents at beginning of the year		12	15	28,547	31,361	28,559	31,376
Cash and cash equivalents at end of the year	7	11	12	25,548	28,547	25,559	28,559

Significant non-cash transactions

OUE H-REIT Group and Stapled Group

In 2017, a total of 14,277,047 (2016: 16,443,512) Stapled Securities amounting to \$11,268,745 (2016: \$10,857,815) were or would be issued to the REIT Manager as satisfaction of the REIT Manager's management fees for the financial year.

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

Notes to the Financial Statements

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Trustee-Manager, the REIT Manager and the REIT Trustee on 27 February 2018.

1 GENERAL

OUE Hospitality Trust is a stapled group comprising OUE Hospitality Real Estate Investment Trust ("OUE H-REIT") and its subsidiary (the "OUE H-REIT Group") and OUE Hospitality Business Trust ("OUE H-BT") (collectively, the "Stapled Group").

OUE H-REIT is a Singapore-domiciled unit trust constituted pursuant to the trust deed dated 10 July 2013 (as amended) (the "OUE H-REIT Trust Deed") between OUE Hospitality REIT Management Pte. Ltd. (the "REIT Manager") and RBC Investor Services Trust Singapore Limited (the "REIT Trustee"). The OUE H-REIT Trust Deed is governed by the laws of the Republic of Singapore. The REIT Trustee is under a duty to take into custody and hold the assets of OUE H-REIT held by it or through its subsidiary in trust for the holders of units in OUE H-REIT. OUE H-BT is a business trust constituted by a trust deed dated 10 July 2013 (as amended) (the "OUE H-BT Trust Deed") and is managed by OUE Hospitality Trust Management Pte. Ltd. (the "Trustee-Manager"). The securities in each of OUE H-REIT and OUE H-BT are stapled together under the terms of a stapling deed dated 10 July 2013 entered into between the REIT Manager, the REIT Trustee and the Trustee-Manager (the "Stapling Deed") and cannot be traded separately. Each stapled security in OUE Hospitality Trust (the "Stapled Security") comprises a unit in OUE H-REIT (the "OUE H-REIT Unit") and a unit in OUE H-BT (the "OUE H-BT Unit").

OUE Hospitality Trust was formally admitted to the Official List of Singapore Exchange Securities Trading Limited ("SGX-ST") on 25 July 2013 (the "Listing Date").

The principal activity of OUE H-REIT is to invest in income producing real estate and real estate related assets, which are used or substantially used for hospitality and hospitality related purposes, with the primary objective to deliver regular and stable distributions to the Stapled Securityholders and to achieve long-term growth in distributions and in the net asset value per Stapled Security, while maintaining an appropriate capital structure.

As at the reporting date, OUE H-BT is dormant.

The consolidated financial statements of the OUE H-REIT Group relate to OUE H-REIT and its subsidiary. The consolidated financial statements of the Stapled Group relate to OUE H-BT and the OUE H-REIT Group.

1 GENERAL (CONT'D)

Several service agreements were entered into in relation to management of OUE H-BT and OUE H-REIT and its property operations. The fee structures of these services are as follows:

(i) *Trustee-Manager's fees*

Pursuant to the OUE H-BT Trust Deed, the Trustee-Manager is entitled to the following:

- a trustee fee of not exceeding 0.1% per annum of the value of OUE H-BT's Trust Property (as defined in the OUE H-BT Trust Deed), subject to a minimum fee of \$10,000 per month, provided that the value of OUE H-BT's Trust Property is at least \$50.0 million and OUE H-BT has become active. The trustee fee is payable in arrears on a quarterly basis in the form of cash.
- a management fee of 10.0% per annum of OUE H-BT's profit before interest and tax in the relevant financial year (calculated before accounting for the management fee in that financial year).

The management fee is payable in the form of cash or Stapled Securities as Trustee-Manager may elect.

Any portion of the management fee payable in the form of Stapled Securities is payable quarterly in arrears and any portion of the management fee payable in cash is payable monthly in arrears.

- an acquisition fee at a rate of 0.75% for acquisitions from related parties and at a rate of 1.0% for all other cases (or such lower percentage as may be determined by the Trustee-Manager's absolute discretion). The acquisition fee is payable in the form of cash and/or Stapled Securities as the Trustee-Manager may elect, and in such proportion as may be determined by the Trustee-Manager.

(ii) *REIT Manager's fees*

Pursuant to the OUE H-REIT Trust Deed, the REIT Manager's management fees comprise a base fee of not exceeding 0.3% per annum of the value of OUE H-REIT's Deposited Property (as defined in the OUE H-REIT Trust Deed) and a performance fee of 4.0% per annum of OUE H-REIT's net property income (as defined in the OUE H-REIT Trust Deed).

The management fees shall be payable in the form of cash or Units (or Stapled Securities, where the Trust is part of the Stapled Group), or a combination of both, as the REIT Manager may elect. Any portion of the base fee payable in the form of Units is payable quarterly in arrears and any portion of the base fee payable in cash is payable monthly in arrears. The performance fee is paid annually in arrears, regardless of whether it is paid in the form of cash and/or Stapled Securities. For the financial years ended 31 December 2017 and 2016, 100.0% of the management fees payable to the REIT Manager were in the form of Stapled Securities.

1 GENERAL (CONT'D)

(ii) REIT Manager's fees (cont'd)

The REIT Manager is also entitled to receive an acquisition fee of 0.75% of the acquisition price for acquisitions from related parties and 1.0% for all other cases. A divestment fee of 0.5% of the sale price will also be entitled on all future disposals of properties. The acquisition or divestment fee is payable in the form of Stapled Securities and/or cash as the REIT Manager may elect, and such proportion as may be determined by the REIT Manager.

(iii) Property Manager's fee

Under the property management agreement between OUE H-REIT and OUE Property Management Pte. Ltd. (the "Property Manager") in respect of Mandarin Gallery and the certain commercial areas of Mandarin Orchard Singapore, the property management fees are payable as follows:

- 2.0% per annum of the gross revenue of Mandarin Gallery and certain commercial areas of Mandarin Orchard Singapore;
- 2.0% per annum of the net property income of Mandarin Gallery and certain commercial areas of Mandarin Orchard Singapore (calculated before accounting for the property management fee in that financial year); and
- 0.5% per annum of the net property income of Mandarin Gallery (calculated before accounting for the property management fee in that financial year), in lieu of leasing commissions otherwise payable to the property manager and/or third party agents.

The property management fees are payable monthly in arrears.

(iv) REIT Trustee's fee

Pursuant to the OUE H-REIT Trust Deed, the REIT Trustee's fee shall not exceed 0.1% per annum of the value of OUE H-REIT's Deposited Property. The REIT Trustee's fee is payable out of OUE H-REIT's Deposited Property on a monthly basis, in arrears. The REIT Trustee's fee is presently charged on a scaled basis of up to 0.02% per annum of the value of the OUE H-REIT Deposited Property (subject to a minimum of \$20,000 per month). The REIT Trustee is also entitled to reimbursement of expenses incurred in the performance of its duties under the OUE H-REIT Trust Deed.

2 BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements of OUE H-BT are prepared in accordance with the Singapore Financial Reporting Standards ("FRS").

The financial statements of the OUE H-REIT Group and the Stapled Group are 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 ("MAS") and the provisions of the OUE H-REIT Trust Deed and the Stapling Deed. RAP 7 requires the accounting policies to generally comply with the recognition and measurement principles of Singapore Financial Reporting Standards.

2.2 Basis of measurement

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

2.3 Functional and presentation currency

The financial statements are presented in Singapore dollars, which is the functional currency of OUE H-BT and OUE H-REIT. 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 the financial statements in conformity with FRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the 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 affected.

Information about critical judgments in applying assumptions and estimation uncertainties that have the most significant effect on the amounts recognised in the financial statements is described in Note 4 – valuation of investment properties.

2 BASIS OF PREPARATION (CONT'D)

2.4 Use of estimates and judgments (cont'd)

Measurement of fair values

A number of the accounting policies and disclosures of the OUE H-REIT Group and the Stapled Group require the measurement of fair values, for both financial and non-financial assets and liabilities.

The REIT Manager has an established process with respect to the measurement of fair values. The framework includes a team that regularly reviews significant unobservable inputs and reports directly to the Chief Financial Officer, who has overall responsibility for all significant fair value measurements, including Level 3 fair values.

The team regularly reviews significant unobservable inputs and valuation adjustments included in the fair value measurements. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the REIT Manager assesses 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.

When measuring the fair value of an asset or a liability, the REIT Manager 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 within 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).

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 OUE H-REIT Group and the Stapled Group recognise 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 Note 4 – valuation of investment properties.

2 BASIS OF PREPARATION (CONT'D)

2.5 Changes in accounting policy

Revised standards

The Group has applied the following amendments for the first time for the annual period beginning on 1 January 2017:

- *Disclosure Initiative (Amendments to FRS 7);*
- *Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to FRS 12); and*
- *Clarification of the scope of FRS 112 (Improvements to FRSs 2016).*

Other than the amendments to FRS 7, the adoption of these amendments did not have any impact on the current or prior period and is not likely to affect future periods.

Disclosure Initiative (Amendments to FRS 7)

From 1 January 2017, as a result of the amendments to FRS 7, the Group has provided additional disclosure in relation to the changes in liabilities arising from financing activities for the year ended 31 December 2017 (see note 8). Comparative information has not been presented.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by OUE H-BT, the OUE H-REIT Group and the Stapled Group entities.

3.1 Consolidation

Stapling

Where entities enter into a stapling arrangement, the stapling arrangement is accounted for as a business combination under the purchase method.

Subsidiary

A subsidiary is an entity controlled by the OUE H-REIT Group and the Stapled Group. The OUE H-REIT Group and the Stapled Group control an entity when they are exposed to, or have rights to, variable returns from their involvement with the entity and have the ability to affect those returns through their power over the entity. The financial statements of the subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of the subsidiary have been changed when necessary to align them with the policies of the OUE H-REIT Group and the Stapled Group.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Consolidation (cont'd)

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 of the OUE H-REIT Group and the Stapled Group.

3.2 Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the OUE H-REIT Group and the Stapled Group entities at the exchange rate at the dates of the transaction. 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.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated 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.

3.3 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 OUE H-REIT 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 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, OUE H-REIT may claim capital allowances on assets that qualify as plant and machinery under the Income Tax Act.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Investment properties (cont'd)

When a property is acquired, the OUE H-REIT Group and the Stapled Group consider whether each acquisition represents an acquisition of business or an acquisition of an asset. An acquisition is accounted for as a business combination where an integrated set of activities is acquired, in addition to the property. In determining whether an integrated set of activities is acquired, the OUE H-REIT Group and the Stapled Group consider whether significant processes, such as strategic management and operational processes, are acquired. Where significant processes are acquired, the acquisition is considered an acquisition of business. Where an acquisition does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities. The cost of acquisition is allocated to the assets and liabilities acquired and no goodwill or deferred tax is recognised.

3.4 Intangible asset

The intangible asset represents the income support receivable by the OUE H-REIT Group and the Stapled Group under the deed of income support in relation to Crowne Plaza Changi Airport.

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 14 months to 24 months. The intangible asset is tested for impairment as described in Note 3.6.

Amortisation method, useful life and residual value are reviewed at the end of each reporting period and adjusted, if appropriate.

3.5 Financial instruments

Non-derivative financial assets

The OUE H-REIT Group and the Stapled Group initially recognise 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 OUE H-REIT Group and the Stapled Group become a party to the contractual provisions of the instrument.

The OUE H-REIT Group and the Stapled Group derecognise a financial asset when the contractual rights to the cash flows from the asset expire, or they transfer 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 they neither transfer nor retain substantially all the risks and rewards of ownership and do not retain control over the transferred asset. Any interest in transferred financial assets that is created or retained by the OUE H-REIT Group and the Stapled Group is recognised as a separate asset or liability.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Financial instruments (cont'd)

Non-derivative financial assets (cont'd)

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the OUE H-REIT Group and the Stapled Group have 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 the 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 deposit, trade and other receivables, and cash and cash equivalents.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and fixed deposit.

Non-derivative financial liabilities

The OUE H-REIT Group and the Stapled Group initially recognise 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 OUE H-REIT Group and the Stapled Group become a party to the contractual provisions of the instrument.

The OUE H-REIT Group and the Stapled Group derecognise 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 OUE H-REIT Group and the Stapled Group have 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 OUE H-REIT Group and the Stapled Group classify non-derivative financial liabilities into the other financial liabilities category.

Other non-derivative financial liabilities are initially measured at fair value less 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 borrowings, trade and other payables, and rental deposits.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Financial instruments (cont'd)

Derivative financial instruments, including hedge accounting

The OUE H-REIT Group and the Stapled Group hold derivative financial instruments to hedge their 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 OUE H-REIT Group and the Stapled Group formally document 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 OUE H-REIT Group and the Stapled Group make an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of 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 are recognised in the unitholders' funds and presented in the hedging reserve. 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 reclassified to statement of total return in the same period or periods during which the non-financial item affects the total return. In other cases, as well 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Financial instruments (cont'd)

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 immediately in the statement of total return.

3.6 Impairment

Non-derivative financial assets

A financial asset not carried at fair value through the statement of total return is assessed at the end of each reporting period 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 OUE H-REIT Group and the Stapled Group on terms that the OUE H-REIT Group and the Stapled Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security.

Loans and receivables

The OUE H-REIT Group and the Stapled Group consider 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 OUE H-REIT Group and the Stapled Group use historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement 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 OUE H-REIT Group and the Stapled Group consider 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Impairment (cont'd)

Non-financial assets

The carrying amounts of the non-financial assets of the OUE H-REIT Group and the Stapled Group, 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.

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.

3.7 Unitholders' funds

Unitholders' funds of the Stapled Group comprise unitholders' funds of OUE H-BT and the OUE H-REIT Group. Unitholders' funds are classified as equity.

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

3.8 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 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.9 Revenue recognition

Rental income from operating leases

Rental income from operating leases 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 to be received. Variable rentals are recognised as income in the accounting period in which they are earned and the amount can be measured reliably.

3.10 Lease payments

Payments made under operating leases are recognised in the statement of total return on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

3.11 Finance income and finance expenses

Finance income comprises interest income and net gains on hedging instruments that are recognised in the statement of total return. Interest income is recognised as it accrues, using the effective interest method.

Finance expenses comprise interest expense on borrowings, amortisation of debt-related transaction costs, and net losses on hedging instruments that are recognised in the statement of total return. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in the statement of total return using the effective interest method.

3.12 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 year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 Tax (cont'd)

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 or loss; and
- temporary differences related to investment in subsidiary to the extent that the OUE H-REIT Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the OUE H-REIT Group and the Stapled Group expect, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For investment property that is measured at fair value, the presumption that the carrying amount of the investment property will be recovered through sale has not been rebutted. Deferred tax is measured at 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 OUE H-REIT Group and the Stapled Group take into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The OUE H-REIT Group and the Stapled Group believe 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 OUE H-REIT Group and the Stapled 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 Tax (cont'd)

The Inland Revenue Authority of Singapore ("IRAS") has issued a tax ruling on the taxation of OUE H-REIT for income earned and expenditure incurred after its listing on SGX-ST. Subject to meeting the terms and conditions of the tax ruling which includes a distribution of at least 90% of the taxable income of OUE H-REIT, OUE H-REIT will not be taxed on the portion of taxable income of OUE H-REIT that is distributed to holders of OUE H-REIT units ("Unitholders"). Any portion of the taxable income that is not distributed to Unitholders will be taxed at OUE H-REIT's level. In the event that there are subsequent adjustments to the taxable income when the actual taxable income of OUE H-REIT is finally agreed with IRAS, such adjustments are taken up as an adjustment to the taxable income for the next distribution following the agreement with IRAS.

Although OUE H-REIT is not taxed on its taxable income distributed, the REIT Trustee and the REIT Manager are required to deduct income tax at the applicable corporate tax rate from distributions of such taxable income of OUE H-REIT (i.e. which has not been taxed in the hands of the REIT Trustee) to certain Unitholders.

Qualifying Unitholders are entitled to gross distributions from OUE H-REIT. For distributions made to qualifying non-resident non-individual Unitholders during the period to 31 March 2020 the REIT Trustee is required to withhold tax at the reduced rate of 10% on distributions made. For other types of Unitholders, the REIT Trustee is required to withhold tax at the prevailing corporate tax rate on the distributions made by OUE H-REIT. Such other types of Unitholders are subject to tax on the regressed amounts of the distributions received but may claim a credit for the tax deducted at source at the prevailing corporate tax rate by the REIT Trustee.

A Qualifying Unitholder refers to a unit holder who is:

- an individual;
- a company incorporated and tax resident in Singapore;
- a Singapore branch of a company incorporated outside Singapore;
- a body of persons incorporated or registered in Singapore, including a charity registered under the Charities Act (Cap. 37) or established by any written law, a town council, a statutory board, a co-operative society registered under the Co-operative Societies Act (Cap. 62) or a trade union registered under the Trade Unions Act (Cap. 333); and
- an international organisation that is exempt from tax on such distributions by reason of an order made under the International Organisations (Immunities and Privileges) Act (Cap. 145).

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 Tax (cont'd)

A qualifying non-resident non-individual Unitholder refers to a unit holder who:

- does not have any permanent establishment in Singapore; or
- carries on any operation through a permanent establishment in Singapore, where the funds used by that person to acquire the units in OUE H-REIT are not obtained from that operation in Singapore.

The above tax transparency ruling does not apply to gains 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 OUE H-REIT 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 to Section 10(1)(a) of the Income Tax Act (Cap. 134) and collected from the REIT Trustee. 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 REIT Trustee and the REIT Manager may distribute the capital gains without tax being deducted at source.

3.13 Earnings per Stapled Security

The Stapled Group presents basic and diluted earnings per Stapled Security. Basic earnings per Stapled Security is calculated by dividing the total return attributable to Stapled Securityholders by the weighted average number of Stapled Securities outstanding during the year. Diluted earnings per Stapled Security is determined by adjusting the total return attributable to Stapled Securityholders and the weighted average number of Stapled Securities outstanding, for the effects of all dilutive potential Stapled Securities.

3.14 Segment reporting

An operating segment is a component of the OUE H-REIT Group and the Stapled 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 OUE H-REIT Group and the Stapled Group. All operating segments' operating results are reviewed regularly by the Board of Directors of the REIT 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 REIT 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, finance expenses and trust expenses.

4 INVESTMENT PROPERTIES

	Note	OUE H-REIT Group and Stapled Group	
		2017 \$'000	2016 \$'000
At 1 January		2,208,100	2,054,000
Acquisition of investment property	(i)	–	200,408
Capital expenditure incurred		1,457	3,077
Straight-lining of lease incentives		333	4,530
Changes in fair value recognised in statement of total return (unrealised)		8,110	(53,915)
At 31 December		2,218,000	2,208,100

- (i) On 1 August 2016, OUE H-REIT acquired the extension of Crowne Plaza Changi Airport for a consideration of \$205,000,000 and incurred total acquisition costs of \$1,608,000. Included in total acquisition costs is an acquisition fee of \$1,537,500 paid to the REIT Manager which was satisfied through the issuance of 2,167,935 Stapled Securities (see note 11).

As at 31 December 2017, investment properties with a carrying amount of \$1,721,000,000 (2016: \$1,711,500,000) are pledged as security to secure bank loans (see note 8).

- (ii) Measurement of fair value

(a) Fair value hierarchy

The investment properties are stated at fair value as at 31 December 2017 based on independent valuations undertaken by Savills Valuation and Professional Services (S) Pte Ltd. As at 31 December 2016, the fair values of the investment properties were based on independent valuations undertaken by HVS (SG&R Singapore Pte Ltd). The independent valuers have the appropriate professional qualifications and recent experience in the location and category of the properties being valued.

The fair values as at 31 December 2017 were derived based on direct comparison, income capitalisation and discounted cash flow methods. The valuation methods involve certain estimates including those relating to discount rate, terminal yield rate, capitalisation rate, price per room and price per square metre. The fair values as at 31 December 2016 were derived based on the discounted cash flow method. The valuation method involves certain estimates including those relating to discount rate.

The specific risks inherent in each of the properties are taken into consideration in arriving at the valuations. In relying on the valuation reports, the REIT 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 for investment properties has been categorised as a Level 3 fair value based on the inputs to the valuation techniques used.

4 INVESTMENT PROPERTIES (CONT'D)

(ii) Measurement of fair value (cont'd)

(b) Valuation techniques and significant unobservable inputs

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

Valuation techniques	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
<i>Discounted cash flow method:</i> 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	Discount rate: 7.00% (2016: 6.50% – 7.00%) Terminal yield: 5.25% – 5.50% (2016: N/A)	The estimated fair value would increase/(decrease) if the discount rates and terminal yield were lower/(higher).
<i>Income capitalisation method:</i> The income capitalisation method capitalises an income stream into a present value using single-year capitalisation rates	Capitalisation rate: 5.00% (2016: N/A)	The estimated fair value would increase/(decrease) if the capitalisation rate was lower/(higher).
<i>Direct comparison method:</i> 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 metre: \$41,900 Price per room: \$1.04 million – \$1.26 million (2016: N/A)	The estimated fair value would increase/(decrease) if the price per square metre or per room was higher/(lower).

5 INTANGIBLE ASSET

	OUE H-REIT Group and Stapled Group 2017 \$'000
Cost	
At 1 January 2016	–
Acquisition	6,200
At 31 December 2016 and 31 December 2017	<u>6,200</u>
Amortisation and impairment loss	
At 1 January 2016	–
Amortisation for the year	<u>(1,292)</u>
At 31 December 2016	(1,292)
Amortisation for the year	<u>(4,908)</u>
At 31 December 2017	<u>(6,200)</u>
Carrying amounts	
At 31 December 2016	<u>4,908</u>
At 31 December 2017	<u>–</u>

Intangible asset represents the unamortised income support receivable by the OUE H-REIT Group and the Stapled Group under the deed of income support entered into with OUE Airport Hotel Pte. Ltd., a related party of the REIT Manager, in relation to Crowne Plaza Changi Airport and its extension (the “Deed of Income Support”).

Under the terms of the Deed of Income Support, should Crowne Plaza Changi Airport and its extension not achieve an agreed target quarterly rent from 1 August 2016 to 31 July 2019, the OUE H-REIT Group and the Stapled Group will be able to draw down the income support over (i) three years from 1 August 2016; or (ii) until the income support of \$7.5 million has been fully drawn down, whichever is earlier.

The OUE H-REIT Group and the Stapled Group had drawn down \$4.8 million (2016: \$2.7 million) under the Deed of Income Support during the financial year (note 15).

In 2017, the OUE H-REIT Group and the Stapled Group reviewed the rate that the income support was being drawn down. The income support which management had previously expected to fully draw down within 24 months, has been fully drawn down in 14 months from the date of entitlement. As a result, the expected useful life of the intangible asset was reduced and the amortisation charge was accelerated. The effect of this change resulted in an increase in amortisation charge of \$1,808,000.

6 TRADE AND OTHER RECEIVABLES

	OUE H-REIT Group and Stapled Group	
	2017	2016
	\$'000	\$'000
Trade receivables from:		
– related parties of the REIT Manager	8,738	10,069
– third parties	419	391
	9,157	10,460
Other receivables	275	479
	9,432	10,939
Prepayments	1,585	1,569
	11,017	12,508

Trade receivables from related parties of the REIT Manager relate to receivables from the master lessees of Mandarin Orchard Singapore and Crowne Plaza Changi Airport. The balances are unsecured. There is no impairment loss arising from these outstanding balances.

Concentration of credit risk relating to trade receivables of Mandarin Gallery is limited due to the many varied tenants.

The ageing of trade receivables at the reporting date is:

	OUE H-REIT Group and Stapled Group	
	2017	2016
	\$'000	\$'000
Gross		
Not past due	8,738	10,069
Past due 1 – 60 days	215	314
Past due over 60 days	204	77
	9,157	10,460

The OUE H-REIT Group and the Stapled Group believe that the unimpaired amounts that are past due are still collectible based on historic payment behaviour and the deposits held.

7 CASH AND CASH EQUIVALENTS

	OUE H-BT		OUE H-REIT Group		Stapled Group	
	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash at bank	11	12	21,048	24,047	21,059	24,059
Fixed deposit with financial institutions	–	–	4,500	4,500	4,500	4,500
	11	12	25,548	28,547	25,559	28,559

8 BORROWINGS

	OUE H-REIT Group and Stapled Group	
	2017	2016
	\$'000	\$'000
Non-current		
Secured bank loans	875,000	859,000
Less: Unamortised transaction costs	(9,688)	(5,005)
	<u>865,312</u>	<u>853,995</u>

The OUE H-REIT Group and the Stapled Group have in place secured term loan facilities of \$875 million and \$105 million secured revolving credit facility. (2016: secured term loan facilities of \$859 million).

These facilities are secured by:

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

As at the reporting date, OUE H-REIT Group and Stapled Group had drawn down \$875 million (2016: \$859 million) term loan facilities and the revolving credit facilities were undrawn. The OUE H-REIT Group and Stapled Group have partially hedged the floating interest rates on these loans using interest rate swaps (see note 9).

In addition, OUE H-REIT's wholly-owned subsidiary, OUE H-T Treasury Pte. Ltd. ("OUE HTT"), has established a US\$1 billion guaranteed Euro Medium Term Note Programme (the "EMTN Programme"). Under the EMTN Programme, OUE HTT may, subject to compliance with all relevant laws, regulations and directives, from time to time issue notes in series or tranches ("EMTN Notes"). Each series or tranche of EMTN Notes may be issued in United States dollars or any other currency, in various amounts and tenors, and may bear interest at fixed or floating rates.

The EMTN Notes shall constitute direct, unconditional, unsecured and unsubordinated obligations of OUE HTT and shall at all times rank pari passu, without any preference or priority among themselves and pari passu with all other present and future unsecured obligations (other than subordinated obligations and priorities created by law) of OUE HTT. All sums payable in respect of the EMTN Notes will be unconditionally and irrevocably guaranteed by the REIT Trustee.

Notes to the Financial Statements

8 BORROWINGS (CONT'D)

As at 31 December 2017 and 2016, no EMTN Notes have been issued under the EMTN Programme.

Terms and debt repayment schedule

Terms and conditions of outstanding borrowings are as follows:

	Currency	Nominal interest rate %	Year of maturity	Face value \$'000	Carrying amount \$'000
OUE H-REIT Group and Stapled Group					
2017					
Term loans	SGD	1.88% – 1.93%	2020 – 2021	875,000	865,312
2016					
Term loans	SGD	1.28% – 1.86%	2018 – 2020	859,000	853,995

Reconciliation of movements of liabilities to cash flows arising from financing activities

	Liabilities Borrowings \$'000	Derivative liabilities Interest rate swap used for hedging \$'000	Total \$'000
Balance at 1 January 2017	853,995	3,880	857,875
Changes from financing cash flows			
Repayment of bank loans	(859,000)	–	(859,000)
Proceeds from bank loans	875,000	–	875,000
Payment of transaction costs on borrowings	(9,790)	–	(9,790)
Cost of unwinding derivative financial instruments	–	(5,068)	(5,068)
Finance expenses paid	(17,841)	(8,581)	(26,422)
Total changes from financing cash flows	(11,631)	(13,649)	(25,280)
Change in fair value	–	(2,834)	(2,834)
Other changes			
Liability-related			
Finance expense	21,336	12,283	33,619
Change in accrued interest	1,612	1,366	2,978
Total liability-related other changes	22,948	13,649	36,597
Balance at 31 December 2017	865,312	1,046	866,358

9 FINANCIAL DERIVATIVES

	OUE H-REIT Group and Stapled Group	
	2017	2016
	\$'000	\$'000
Derivative liabilities		
Interest rate swaps used for hedging		
– Non-current	1,046	3,176
– Current	–	704
	<u>1,046</u>	<u>3,880</u>
Financial derivatives as a percentage of net assets	<u>(0.08%)</u>	<u>(0.28%)</u>

The OUE H-REIT Group and the Stapled Group use interest rate swaps to manage their exposures to interest rate movements on floating rate interest-bearing bank loans by swapping the interest expense on certain of these bank loans from floating rates to fixed rates.

As at 31 December 2017, the OUE H-REIT Group and the Stapled Group have interest rate swap contracts with a total notional amount of \$620 million (2016: \$589 million). Under the contracts, the OUE H-REIT Group and the Stapled Group pay fixed interest rates of 1.61% to 1.72% (2016: 1.74% to 2.10%) and receive interest at the three-month Singapore Dollar swap offer rate ("SOR").

10 TRADE AND OTHER PAYABLES

	OUE H-BT		OUE H-REIT Group		Stapled Group	
	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trade payables to:						
– a related party of the REIT Manager	–	–	489	172	489	172
– third parties	–	–	1,633	2,933	1,633	2,933
Other payables	–	–	279	291	279	291
Accrued expenses	3	2	6,809	4,906	6,812	4,908
Interest payable	–	–	723	3,821	723	3,821
	<u>3</u>	<u>2</u>	<u>9,933</u>	<u>12,123</u>	<u>9,936</u>	<u>12,125</u>

Outstanding balances with the related party of the REIT Manager are unsecured, interest-free and repayable on demand.

11 UNITS/STAPLED SECURITIES IN ISSUE AND TO BE ISSUED

	OUE H-BT		OUE H-REIT Group		Stapled Group	
	2017	2016	2017	2016	2017	2016
	'000	'000	'000	'000	'000	'000
Units/Stapled Securities in issue:						
At 1 January	1,790,428	1,335,421	1,790,428	1,335,421	1,790,428	1,335,421
Creation of Units/Stapled Securities:						
– Rights issue	–	441,901	–	441,901	–	441,901
– REIT Manager's management fee paid in Stapled Securities	16,090	10,938	16,090	10,938	16,090	10,938
– Acquisition fee paid to REIT Manager in Stapled Securities	–	2,168	–	2,168	–	2,168
At 31 December	1,806,518	1,790,428	1,806,518	1,790,428	1,806,518	1,790,428
Units/Stapled Securities to be issued:						
– REIT Manager's management fee payable in Stapled Securities	7,366	9,179	7,366	9,179	7,366	9,179
Issued and issuable Units/Stapled Securities	1,813,884	1,799,607	1,813,884	1,799,607	1,813,884	1,799,607

Financial year ended 31 December 2017

- (i) During the financial year, 16,089,486 Stapled Securities at unit prices ranging from \$0.6534 to \$0.7815 per Stapled Security, amounting to \$11,049,731, were issued as satisfaction of the REIT Manager's management fees payable in units.
- (ii) 7,366,201 Stapled Securities at unit price \$0.8439 per Stapled Security, amounting to \$6,216,338, were issued subsequent to year end as satisfaction of the REIT Manager's base management fees for the period from 1 October 2017 to 31 December 2017 and performance management fees for the financial year ended 31 December 2017.

11 UNITS/STAPLED SECURITIES IN ISSUE AND TO BE ISSUED (CONT'D)

Financial year ended 31 December 2016

(i) During the financial year, the following Stapled Securities were issued:

- 441,901,257 Stapled Securities were issued at \$0.54 per Stapled Security, amounting to \$238,626,678, for cash pursuant to the rights issue undertaken by the OUE H-REIT Group, wherein Stapled Securityholders were entitled to subscribe for 33 new Stapled Securities for every 100 Stapled Securities held. The proceeds raised from the rights issue were used to partially fund the acquisition of the extension of Crowne Plaza Changi Airport;
- 10,938,375 Stapled Securities at unit prices ranging from \$0.6622 to \$0.7465 per Stapled Security, amounting to \$7,602,761, were issued as satisfaction of the REIT Manager's management fees payable in units; and
- 2,167,935 Stapled Securities at \$0.7092 per Stapled Security, amounting to \$1,537,500, were issued to the REIT Manager in August 2016 as satisfaction of the acquisition fee payable to the REIT Manager for the purchase of the extension of Crowne Plaza Changi Airport (see note 4).

(ii) 9,178,640 Stapled Securities at unit price \$0.6534 per Stapled Security, amounting to \$5,997,325, were issued subsequent to year end as satisfaction of the REIT Manager's base management fees for the period from 1 October 2016 to 31 December 2016 and performance management fees for the financial year ended 31 December 2016.

Each OUE H-REIT unit is stapled together with an OUE H-BT unit under the terms of a stapling deed dated 10 July 2013 entered into between the REIT Manager, the REIT Trustee and the Trustee-Manager and cannot be traded separately. Each Stapled Security represents an undivided interest in OUE H-REIT and OUE H-BT.

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

The liability of a holder of the Stapled Securities is limited to the amount paid or payable for the Stapled Securities.

Each OUE H-BT unit and OUE H-REIT unit carry the same voting rights.

11 UNITS/STAPLED SECURITIES IN ISSUE AND TO BE ISSUED (CONT'D)

Capital management

The REIT Manager's principal objectives are to deliver regular and stable distributions to Stapled Securityholders and to achieve long-term growth in distributions and in the net asset value per Stapled Security, while maintaining an appropriate capital structure. Capital consists of unitholders' funds of the Stapled Group.

OUE H-REIT's capital funding objectives are to maintain a strong financial position, manage the cost of debt financing, and potential refinancing or repayment risks, secure diversified funding sources and potentially implement hedging strategies to manage the exposure arising from adverse market movements in interest rates, after taking into account the prevailing market conditions.

OUE H-REIT is 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 45% of its Deposited Property.

The Aggregate Leverage of OUE H-REIT as at 31 December 2017 was 38.8% (2016: 38.1%) of its Deposited Property. This complied with the Aggregate Leverage limit as described above.

There were no substantial changes in the OUE H-REIT Group's and the Stapled Group's approach to capital management during the year.

Neither OUE H-BT, OUE H-REIT nor its subsidiary are subject to externally imposed capital requirement.

12 NET ASSET VALUE PER UNIT/STAPLED SECURITY

	Note	OUE H-BT		OUE H-REIT Group		Stapled Group	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Net asset value per Unit/Stapled Security is based on:							
– Net assets		8	10	1,376,061	1,381,968	1,376,069	1,381,978
		'000	'000	'000	'000	'000	'000
– Total issued and issuable Units/ Stapled Securities at 31 December	11	1,813,884	1,799,607	1,813,884	1,799,607	1,813,884	1,799,607

13 GROSS REVENUE

	OUE H-REIT Group and Stapled Group	
	2017	2016
	\$'000	\$'000
Fixed rent	100,189	92,513
Variable rent	29,849	28,972
Others	1,025	1,009
	<u>131,063</u>	<u>122,494</u>

Under the terms of lease agreements for the properties, the OUE H-REIT Group and the Stapled Group are generally entitled to a fixed rent component and/or a variable rent component computed based on a certain percentage of the revenue and/or gross operating profit of its tenants.

Included in the gross revenue of the OUE H-REIT Group and the Stapled Group is rental income from related parties of the REIT Manager of \$96,341,000 (2016: \$89,919,000), which represents 73.5% (2016: 73.4%) of the revenue of the OUE H-REIT Group and the Stapled Group and relates to the hospitality segment.

14 PROPERTY EXPENSES

	OUE H-REIT Group and Stapled Group	
	2017	2016
	\$'000	\$'000
Energy cost	894	831
Insurance	224	222
Operating lease expense:		
– Fixed component	1,000	564
– Variable component	3,248	1,912
Property management fees	1,361	1,297
Property tax	8,671	6,919
Other property expenses	2,920	3,354
	<u>18,318</u>	<u>15,099</u>

15 OTHER INCOME

Other income relates to the amount received/receivable by the OUE H-REIT Group and the Stapled Group under the Deed of Income Support in relation to Crowne Plaza Changi Airport and its extension (note 5).

Notes to the Financial Statements

16 REIT MANAGER'S FEES

	OUE H-REIT Group and Stapled Group	
	2017	2016
	\$'000	\$'000
Base fee	6,759	6,562
Performance fee	4,510	4,296
	<u>11,269</u>	<u>10,858</u>

Included in the REIT Manager's fees is an aggregate of 14,277,047 (2016: 16,443,512) Stapled Securities, amounting to \$11,268,745 (2016: \$10,857,815), that have been or will be issued to the REIT Manager as satisfaction of the REIT Manager's management fees payable in Stapled Securities at unit prices ranging from \$0.6881 to \$0.8439 (2016: \$0.6534 to \$0.6738) per Stapled Security.

17 OTHER TRUST EXPENSES

Included in other trust expenses are the following:

	OUE H-BT		OUE H-REIT Group		Stapled Group	
	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Auditors' remuneration:						
– Audit fees	–	–	181	155	181	155
– Non-audit fees	2	2	56	112	58	114
Valuation fees	–	–	49	43	49	43

18 FINANCE INCOME AND FINANCE EXPENSES

	OUE H-REIT Group and Stapled Group	
	2017	2016
	\$'000	\$'000
Finance income		
Ineffective portion of change in fair value of cash flow hedges	840	–
Change in fair value of financial derivatives	812	–
Interest income from fixed deposits	66	255
	<u>1,718</u>	<u>255</u>
Finance expenses		
Amortisation of debt-related transaction costs	(2,174)	(2,249)
Write-off of unamortised debt-related transaction costs	(3,053)	–
Interest paid/payable to banks	(23,324)	(22,289)
Change in fair value of financial derivatives	–	(374)
Ineffective portion of changes in fair value of cash flow hedge	–	(278)
Cost of unwinding derivative financial instruments	(5,068)	–
	<u>(33,619)</u>	<u>(25,190)</u>

Notes to the Financial Statements

18 FINANCE INCOME AND FINANCE EXPENSES (CONT'D)

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

	OUE H-REIT Group and Stapled Group	
	2017	2016
	\$'000	\$'000
Total interest income on financial assets	66	255
Total interest expense on financial liabilities	(21,336)	(19,433)

19 TOTAL RETURN FOR THE YEAR

	OUE H-BT		OUE H-REIT Group		Stapled Group	
	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Comprises total return of:						
– OUE H-REIT	–	–	75,949	17,422	75,949	17,422
– Other OUE H-REIT Group entity	–	–	(5)	(6)	(5)	(6)
– OUE H-BT	(2)	(3)	–	–	(2)	(3)
	(2)	(3)	75,944	17,416	75,942	17,413

20 TAX EXPENSE

	OUE H-BT		OUE H-REIT Group		Stapled Group	
	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Reconciliation of effective tax rate						
Total return for the year	(2)	(3)	75,944	17,416	75,942	17,413
Tax calculated using						
Singapore tax rate of 17% (2016: 17%)	*	(1)	12,910	2,961	12,910	2,960
Non-tax deductible items	*	1	2,946	11,834	2,946	11,835
Non-taxable items	–	–	(56)	(770)	(56)	(770)
Tax transparency (note 3.12)	–	–	(15,800)	(14,025)	(15,800)	(14,025)
	–	–	–	–	–	–

* less than \$1,000

21 EARNINGS PER STAPLED SECURITY

- (a) Basic earnings per Stapled Security is based on:

	Stapled Group	
	2017	2016
	\$'000	\$'000
Total return for the year	75,942	17,413
	Number of Stapled Securities	Number of Stapled Securities
	2017	2016
	'000	'000
Weighted average number of Stapled Securities:		
– outstanding during the year	1,803,165	1,661,149
– to be issued as payment of the REIT Manager's management fees payable in Stapled Securities	20	25
	<u>1,803,185</u>	<u>1,661,174</u>

- (b) Diluted earnings per Stapled Security

In calculating diluted earnings per Stapled Security, the total return for the year and weighted average number of Stapled Securities outstanding are adjusted for the effect of all dilutive potential Stapled Securities, as set out below:

	Stapled Group	
	2017	2016
	\$'000	\$'000
Total return for the year	75,942	17,413
	Number of Stapled Securities	Number of Stapled Securities
	2017	2016
	'000	'000
Weighted average number of Stapled Securities used in calculation of basic earnings per Stapled Security	1,803,185	1,661,174
Effect of payment of the REIT Manager's management fees payable in Stapled Securities	10,699	12,812
Weighted average number of Stapled Securities in issue (diluted)	<u>1,813,884</u>	<u>1,673,986</u>

22 ISSUE COSTS

Issue costs comprise professional, advisory and underwriting fees and other costs related to the issue of Stapled Securities.

23 OPERATING SEGMENTS

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 REIT 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.

Segment information by geographical area is not presented as all of the OUE H-REIT Group's assets are located in Singapore.

No segment information is presented for OUE H-BT as it is dormant.

Information about reportable segments

	Hospitality \$'000	Retail \$'000	Total \$'000
OUE H-REIT Group			
Year ended 31 December 2017			
Gross revenue	96,341	34,722	131,063
Property expenses	(8,924)	(9,394)	(18,318)
Reportable segment net property income	87,417	25,328	112,745
Other income	4,818	–	4,818
Amortisation of intangible asset	(4,908)	–	(4,908)
Unallocated items:			
– REIT Manager's fees			(11,269)
– REIT Trustee's fees			(415)
– Other trust expenses			(1,236)
– Finance income			1,718
– Finance expenses			(33,619)
Net income			67,834
Net change in fair value of investment properties	15,844	(7,734)	8,110
Total return for the year			75,944

23 OPERATING SEGMENTS (CONT'D)

Information about reportable segments (cont'd)

	Hospitality \$'000	Retail \$'000	Total \$'000
OUE H-REIT Group			
Year ended 31 December 2016			
Gross revenue	89,919	32,575	122,494
Property expenses	(7,044)	(8,055)	(15,099)
Reportable segment net property income	82,875	24,520	107,395
Other income	2,682	–	2,682
Amortisation of intangible asset	(1,292)	–	(1,292)
Unallocated items:			
– REIT Manager's fees			(10,858)
– REIT Trustee's fees			(410)
– Other trust expenses			(1,251)
– Finance income			255
– Finance expenses			(25,190)
Net income			71,331
Net change in fair value of investment properties	(11,830)	(42,085)	(53,915)
Total return for the year			17,416

Stapled Group

Year ended 31 December 2017

Gross revenue	96,341	34,722	131,063
Property expenses	(8,924)	(9,394)	(18,318)
Reportable segment net property income	87,417	25,328	112,745
Other income	4,818	–	4,818
Amortisation of intangible asset	(4,908)	–	(4,908)
Unallocated items:			
– REIT Manager's fees			(11,269)
– REIT Trustee's fees			(415)
– Other trust expenses			(1,238)
– Finance income			1,718
– Finance expenses			(33,619)
Net income			67,832
Net change in fair value of investment properties	15,844	(7,734)	8,110
Total return for the year			75,942

23 OPERATING SEGMENTS (CONT'D)

Information about reportable segments (cont'd)

	Hospitality \$'000	Retail \$'000	Total \$'000
Stapled Group			
Year ended 31 December 2016			
Gross revenue	89,919	32,575	122,494
Property expenses	(7,044)	(8,055)	(15,099)
Reportable segment net property income	82,875	24,520	107,395
Other income	2,682	–	2,682
Amortisation of intangible asset	(1,292)	–	(1,292)
Unallocated items:			
– REIT Manager's fees			(10,858)
– REIT Trustee's fees			(410)
– Other trust expenses			(1,254)
– Finance income			255
– Finance expenses			(25,190)
Net income			71,328
Net change in fair value of investment properties	(11,830)	(42,085)	(53,915)
Total return for the year			17,413

24 FINANCIAL INSTRUMENTS

Financial risk management

Overview

The OUE H-REIT Group and the Stapled Group have exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the exposure of the OUE H-REIT Group and the Stapled Group to each of the above risks, their objectives, policies and processes for measuring and managing risk, and their management of capital.

24 FINANCIAL INSTRUMENTS (CONT'D)

Risk management framework

Risk management is integral to the whole business of the OUE H-REIT Group and the Stapled Group. The OUE H-REIT Group and the Stapled Group have 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 Trustee-Manager and the REIT Manager continually monitor the OUE H-REIT Group's and the Stapled 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 OUE H-REIT Group's and the Stapled Group's activities.

The Board of Directors of the REIT Manager have overall responsibility for the establishment and oversight of the risk management framework of the OUE H-REIT Group. The Audit and Risk Committee of the REIT Manager assists the Board of Directors and oversees how the REIT Manager monitors compliance with the risk management policies and procedures of the OUE H-REIT Group, and reviews the adequacy of the risk management framework in relation to the risks faced by the OUE H-REIT Group. The Audit and Risk Committee reports regularly to the Board of Directors on its activities.

Credit risk

Credit risk is the risk of financial loss to the OUE H-REIT Group and the Stapled Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the receivables from customers and investment securities.

The carrying amount of financial assets in the statements of financial position represents maximum exposure of the OUE H-REIT Group and the Stapled Group to credit risk, before taking into account any collateral held. The OUE H-REIT Group and the Stapled Group do not hold any collateral in respect of their financial assets.

Trade and other receivables

Credit evaluations are performed before lease agreements are entered into with tenants. Rental deposits are received, where appropriate, to reduce credit risk. In addition, the REIT Manager monitors the balances due from its lessees and tenants on an ongoing basis.

The OUE H-REIT Group and the Stapled Group establish 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. If the OUE H-REIT Group and the Stapled Group are satisfied that no recovery of the amount owing is possible, 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.

At 31 December 2017, 95.4% (2016: 96.3%) of the trade receivables of the OUE H-REIT Group and the Stapled Group are due from related parties of the REIT Manager. Except as disclosed above, there was no significant concentration of credit risk.

24 FINANCIAL INSTRUMENTS (CONT'D)

Derivatives

Derivatives are only entered into with banks and financial counterparties with sound credit ratings.

Cash and cash equivalents

Cash and fixed deposits are placed with financial institutions which are regulated. Investments and transactions involving derivative financial instruments are allowed only with counterparties with sound credit ratings.

Liquidity risk

Liquidity risk is the risk that the OUE H-REIT Group and the Stapled Group will encounter difficulty in meeting the obligations associated with their financial liabilities that are settled by delivering cash or another financial asset. The REIT Manager monitors the liquidity risk of the OUE H-REIT Group and the Stapled Group and maintains a level of cash and cash equivalents deemed adequate to finance their operations and to mitigate the effects of fluctuations in cash flows. The REIT Manager also monitors and observes the CIS Code issued by the MAS concerning limits on total borrowings.

The OUE H-REIT Group and the Stapled Group have a total of \$980 million secured facilities comprising (i) \$875 million secured term loan facilities; (ii) \$55 million committed revolving credit facility and (iii) \$50 million uncommitted revolving credit facility (2016: \$859 million secured term loan facilities). As at 31 December 2017, OUE H-REIT Group and Stapled Group had drawn down \$875 million (2016: \$859 million) term loan facilities and the revolving credit facilities were unutilised.

In addition, the OUE H-REIT Group and the Stapled Group have a US\$1 billion (2016: US\$1 billion) EMTN Programme (note 8). As at 31 December 2017, no EMTN Notes have been issued under the EMTN Programme.

The OUE H-REIT Group and the Stapled Group have contractual commitments to incur capital expenditure (note 25).

24 FINANCIAL INSTRUMENTS (CONT'D)

Exposure to liquidity risk

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
OUE H-REIT Group					
2017					
Non-derivative financial liabilities					
Borrowings	865,312	(949,650)	(18,241)	(931,409)	–
Trade and other payables	9,933	(9,933)	(9,933)	–	–
Rental deposits	4,508	(4,508)	(1,432)	(3,076)	–
	879,753	(964,091)	(29,606)	(934,485)	–
Derivative financial instruments					
Interest rate swaps	1,046	(730)	(2,539)	1,809	–
	880,799	(964,821)	(32,145)	(932,676)	–
2016					
Non-derivative financial liabilities					
Borrowings	853,995	(911,690)	(18,510)	(893,180)	–
Trade and other payables	12,123	(12,123)	(12,123)	–	–
Rental deposits	4,392	(4,392)	(1,479)	(2,296)	(617)
	870,510	(928,205)	(32,112)	(895,476)	(617)
Derivative financial instruments					
Interest rate swaps	3,880	(3,675)	(4,219)	544	–
	874,390	(931,880)	(36,331)	(894,932)	(617)

24 FINANCIAL INSTRUMENTS (CONT'D)

Exposure to 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
Stapled Group					
2017					
Non-derivative financial liabilities					
Borrowings	865,312	(949,650)	(18,241)	(931,409)	–
Trade and other payables	9,936	(9,936)	(9,936)	–	–
Rental deposits	4,508	(4,508)	(1,432)	(3,076)	–
	879,756	(964,094)	(29,609)	(934,485)	–
Derivative financial instruments					
Interest rate swaps	1,046	(730)	(2,539)	1,809	–
	880,802	(964,824)	(32,148)	(932,676)	–
2016					
Non-derivative financial liabilities					
Borrowings	853,995	(911,690)	(18,510)	(893,180)	–
Trade and other payables	12,125	(12,125)	(12,125)	–	–
Rental deposits	4,392	(4,392)	(1,479)	(2,296)	(617)
	870,512	(928,207)	(32,114)	(895,476)	(617)
Derivative financial instruments					
Interest rate swaps	3,880	(3,675)	(4,219)	544	–
	874,392	(931,882)	(36,333)	(894,932)	(617)

The maturity analyses show the contractual undiscounted cash flows of the OUE H-REIT Group and the Stapled Group'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.

24 FINANCIAL INSTRUMENTS (CONT'D)

The interest payments on floating rate borrowings in the table above reflect market forward interest rates at the period end and these amounts may change as market interest rates changes. The future cash flows on derivative instruments may be different from the amounts in the above table as interest rates change. Except for these financial liabilities, it is not expected that the cash flows included in the maturity analysis above could occur significantly earlier, or at significantly different amounts.

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 will affect OUE H-REIT Group's and the Stapled 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.

The OUE H-REIT Group and the Stapled Group buy and sell derivatives, and also incur financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Audit and Risk Committee of the REIT Manager. Generally, the OUE H-REIT Group and the Stapled Group seek to apply hedge accounting in order to manage volatility in the statement of total return.

Interest rate risk

The REIT 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 REIT 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 exposure to interest rate risk 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.

24 FINANCIAL INSTRUMENTS (CONT'D)

Exposure to interest rate risk

The exposure of the OUE H-REIT Group and the Stapled Group 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:

	OUE H-REIT Group and Stapled Group Nominal amount	
	2017	2016
	\$'000	\$'000
Fixed rate instruments		
Fixed deposit	4,500	4,500
Interest rate swaps	(620,000)	(589,000)
	<u>(615,500)</u>	<u>(584,500)</u>
Variable rate instruments		
Borrowings	(875,000)	(859,000)
Interest rate swaps	620,000	589,000
	<u>(255,000)</u>	<u>(270,000)</u>

Fair value sensitivity analysis for fixed rate instruments

OUE H-REIT Group and the Stapled Group do not account for any fixed rate financial assets and liabilities at fair value through profit and loss. OUE H-REIT Group and the Stapled Group do 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 of 50 (2016: 50) basis points ("bp") in interest rate at the reporting date would increase/(decrease) total return and unitholders' funds (before any tax effects) by the amounts shown below. This analysis assumes that all other variables remain constant.

24 FINANCIAL INSTRUMENTS (CONT'D)

	OUE H-REIT Group and Stapled Group			
	Statement of Total Return		Unitholders' funds	
	50 bp increase \$'000	50 bp decrease \$'000	50 bp increase \$'000	50 bp decrease \$'000
Year ended 31 December 2017				
Variable rate instruments				
Borrowings	(4,375)	4,375	–	–
Interest rate swaps	3,100	(3,100)	897	(458)
	(1,275)	1,275	897	(458)
Year ended 31 December 2016				
Variable rate instruments				
Borrowings	(4,295)	4,295	–	–
Interest rate swaps	2,788	(3,013)	304	(83)
	(1,507)	1,282	304	(83)

Business risk

Mandarin Orchard Singapore and Crowne Plaza Changi Airport are each leased by OUE H-REIT to a single related party ("Master Lessee") of the REIT Manager. In return, OUE H-REIT is paid a rent by the Master Lessee comprising a fixed rent component and a variable rent component. The latter is pegged to the underlying performance of the property.

In addition, OUE H-REIT derives variable rent from the tenants of Mandarin Gallery, which is pegged to the underlying performance of the tenants. As a result, a variation in the underlying performance of these properties may have an impact on the revenue of OUE H-REIT and consequently, the distributable income of OUE H-REIT.

Sensitivity analysis

A change of 10% (2016: 10%) in gross revenue attributable to the variable rent component of gross revenue at the reporting date would increase/(decrease) total return (before any tax effects) by the amounts shown below. This analysis assumes that all other variables remain constant.

	OUE H-REIT Group and Stapled Group			
	2017		2016	
	10% increase \$'000	10% decrease \$'000	10% increase \$'000	10% decrease \$'000
Gross revenue	2,985	(2,985)	2,897	(2,897)

24 FINANCIAL INSTRUMENTS (CONT'D)

Accounting classifications and fair values

The carrying values and fair values of financial assets and liabilities, including their levels in the fair value hierarchy are set out below. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

		Carrying amount	
	Note	Loans and receivables \$'000	Fair value –hedging instruments \$'000
OUE H-REIT Group			
2017			
Financial assets not measured at fair value			
Deposit		2,295	–
Trade and other receivables*	6	9,432	–
Cash and cash equivalents	7	25,548	–
		<u>37,275</u>	<u>–</u>
Financial liabilities measured at fair value			
Financial derivatives	9	–	(1,046)
Financial liabilities not measured at fair value			
Borrowings	8	–	–
Trade and other payables	10	–	–
Rental deposits		–	–
		<u>–</u>	<u>–</u>
2016			
Financial assets not measured at fair value			
Deposit		2,295	–
Trade and other receivables*	6	10,939	–
Cash and cash equivalents	7	28,547	–
		<u>41,781</u>	<u>–</u>
Financial liabilities measured at fair value			
Financial derivatives	9	–	(3,880)
Financial liabilities not measured at fair value			
Borrowings	8	–	–
Trade and other payables	10	–	–
Rental deposits		–	–
		<u>–</u>	<u>–</u>

* Excluding prepayments

Notes to the Financial Statements

Other financial liabilities \$'000	Total \$'000	Fair value			
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
–	2,295				
–	9,432				
–	25,548				
–	37,275				
–	(1,046)	–	(1,046)	–	(1,046)
(865,312)	(865,312)				
(9,933)	(9,933)				
(4,508)	(4,508)	–	–	(4,291)	(4,291)
(879,753)	(879,753)				
–	2,295				
–	10,939				
–	28,547				
–	41,781				
–	(3,880)	–	(3,880)	–	(3,880)
(853,995)	(853,995)				
(12,123)	(12,123)				
(4,392)	(4,392)	–	–	(4,197)	(4,197)
(870,510)	(870,510)				

Notes to the Financial Statements

24 FINANCIAL INSTRUMENTS (CONT'D)

		Carrying amount	
	Note	Loans and receivables \$'000	Fair value –hedging instruments \$'000
Stapled Group			
2017			
Financial assets not measured at fair value			
Deposit		2,295	–
Trade and other receivables*	6	9,432	–
Cash and cash equivalents	7	25,559	–
		37,286	–
Financial liabilities measured at fair value			
Financial derivatives	9	–	(1,046)
Financial liabilities not measured at fair value			
Borrowings	8	–	–
Trade and other payables	10	–	–
Rental deposits		–	–
		–	–
2016			
Financial assets not measured at fair value			
Deposit		2,295	–
Trade and other receivables*	6	10,939	–
Cash and cash equivalents	7	28,559	–
		41,793	–
Financial liabilities measured at fair value			
Financial derivatives	9	–	(3,880)
Financial liabilities not measured at fair value			
Borrowings	8	–	–
Trade and other payables	10	–	–
Rental deposits		–	–
		–	–

* Excluding prepayments

Notes to the Financial Statements

Other financial liabilities \$'000	Total \$'000	Fair value				Total \$'000
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000		
–	2,295					
–	9,432					
–	25,559					
–	37,286					
–	(1,046)	–	(1,046)	–	(1,046)	
(865,312)	(865,312)					
(9,936)	(9,936)					
(4,508)	(4,508)	–	–	(4,291)	(4,291)	
(879,756)	(879,756)					
–	2,295					
–	10,939					
–	28,559					
–	41,793					
–	(3,880)	–	(3,880)	–	(3,880)	
(853,995)	(853,995)					
(12,125)	(12,125)					
(4,392)	(4,392)	–	–	(4,197)	(4,197)	
(870,512)	(870,512)					

24 FINANCIAL INSTRUMENTS (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.

OUE H-REIT Group and Stapled Group

Financial instruments measured at fair value

Type	Valuation technique
Interest rate swaps	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
Security deposits	Discounted cash flow method

There were no transfers between Level 2 and Level 3 during the year.

25 COMMITMENTS

Operating leases as lessor

Non-cancellable operating lease rentals are receivable as follows:

	OUE H-REIT Group and Stapled Group	
	2017	2016
	\$'000	\$'000
Within 1 year	97,114	97,528
After 1 year but within 5 years	333,611	335,706
After 5 years	397,356	480,735
	<u>828,081</u>	<u>913,969</u>

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.

25 COMMITMENTS (CONT'D)**Operating lease as lessee**

Non-cancellable operating lease rentals are payable as follows:

	QUE H-REIT Group and Stapled Group	
	2017	2016
	\$'000	\$'000
Within one year	1,000	1,000
Between one and five years	4,000	4,000
More than five years	60,660	61,660
	<u>65,660</u>	<u>66,660</u>

The operating lease rental payable relates to the land rent payable to Changi Airport Group in relation to the Crowne Plaza Changi Airport site. Under the terms of the lease agreement, the land rent payable comprises a fixed component and a variable component computed based on certain percentage of the hotel revenue. The above operating lease payable is based on the fixed component of the rent payable under the lease agreement.

Capital commitments

	QUE H-REIT Group and Stapled Group	
	2017	2016
	\$'000	\$'000
Capital expenditure on investment properties contracted but not provided for	<u>1,329</u>	<u>1,384</u>

26 RELATED PARTY TRANSACTIONS

The REIT Manager is a direct wholly-owned subsidiary of a substantial holder of the Stapled Securities in the Stapled Group.

In the normal course of the operations of QUE H-REIT, the REIT Manager's management fee and REIT Trustee's fees have been paid or are payable to the REIT Manager and the REIT Trustee respectively. Property management fees are payable to the Property Manager, a related party of the REIT Manager.

26 RELATED PARTY TRANSACTIONS (CONT'D)

During the financial year, other than the transactions disclosed elsewhere in the financial statements, there were the following related party transactions:

	OUE H-REIT Group and Stapled Group	
	2017	2016
	\$'000	\$'000
Received/Receivable from related parties of the REIT Manager:		
– reimbursement of expenses	2	–
Paid/Payable to related parties of the REIT Manager:		
– acquisition of investment property	–	205,000
– property management fees	1,361	1,297
– shared electricity expenses	838	773
– shared service expenses	504	503
– utilities expenses	60	61
– hotel services	52	59
– carpark services	50	49
– reimbursement of expenses	131	436

27 FINANCIAL RATIOS

	OUE H-REIT Group and Stapled Group	
	2017	2016
	%	%
Expenses to weighted average net assets ⁽¹⁾		
– including performance component of the REIT Manager's fees	1.30	1.01
– excluding performance component of the REIT Manager's fees	0.97	0.70
Portfolio turnover ratio ⁽²⁾	–	–

(1) The expense 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 OUE H-REIT Group and the Stapled Group, excluding property expenses and finance expenses.

(2) The portfolio turnover ratio is computed based on the lesser of purchases or sales of underlying investment properties of OUE H-REIT Group and the Stapled Group expressed as a percentage of daily average net asset value.

28 SUBSIDIARY

Details of the subsidiary of OUE H-REIT are as follows:

Name of subsidiary	Place of incorporation	Effective equity interest held by OUE H-REIT Group and Stapled Group	
		2017	2016
		%	%
<u>Subsidiary of OUE H-REIT</u>			
OUE H-T Treasury Pte. Ltd. ("OUE HTT") ¹	Singapore	100	100

¹ Audited by KPMG LLP.

OUE HTT's principal activity is to provide treasury services, including on-lending proceeds from issuances of notes under the EMTN Programme (see note 8) to OUE H-REIT.

29 SUBSEQUENT EVENTS

There were the following events subsequent to the reporting date:

- The Stapled Group issued 2,022,242 Stapled Securities at an issue price of \$0.8439 per Stapled Security to the REIT Manager as payment of the REIT Manager's base fee for the period from 1 October 2017 to 31 December 2017.
- The Stapled Group issued 5,343,959 Stapled Securities at an issue price of \$0.8439 per Stapled Security to the REIT Manager as payment of the REIT Manager's performance fee for the year ended 31 December 2017.
- The REIT Manager declared a distribution of 1.27 cents per Stapled Security, amounting to approximately \$23.0 million, in respect of the period from 1 October 2017 to 31 December 2017.

30 FULL CONVERGENCE WITH SINGAPORE FINANCIAL REPORTING STANDARDS (INTERNATIONAL) AND ADOPTION OF NEW STANDARDS

Applicable to 2018 financial statements

In December 2017, the Accounting Standards Council (ASC) issued the Singapore Financial Reporting Standards (International) ("SFRS(I)"). SFRS(I) comprises standards and interpretations that are equivalent to International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) at 31 December 2017 that are applicable for annual period beginning on 1 January 2018. Singapore-incorporated companies and business trusts that have issued, or are in the process of issuing, equity or debt instruments for trading in a public market in Singapore, will apply SFRS(I) with effect from annual periods beginning on or after 1 January 2018.

The OUE H-BT's financial statements for the financial year ending 31 December 2018 will be prepared in accordance with SFRS(I). As a result, this will be the last set of financial statements prepared by OUE H-BT under the current FRS.

In adopting the new framework, the OUE H-BT will be required to apply the specific transition requirements in SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*.

The OUE H-REIT Group and the Stapled Group will continue to prepare their financial statements under Recommended Accounting Practice (RAP) 7 *Reporting Framework for Unit Trusts*. RAP 7 requires the accounting policies to generally comply with the recognition and measurement principles of FRS.

In addition to the adoption of SFRS(I) framework by OUE H-BT as described above, a number of new FRSs or SFRS(I)s, amendments to and interpretations of FRS or SFRS(I) are effective from 1 January 2018. Those which are relevant to the OUE H-BT, the OUE H-REIT Group and the Stapled Group (collectively, the "Entities") are set out below:

- FRS 115 / SFRS(I) 15 *Revenue from Contracts with Customers* and Amendments to FRS 115 / SFRS(I) 15 *Clarifications to FRS 115 / SFRS(I) 15*
- FRS 109 / SFRS(I) 9 *Financial Instruments*

The OUE H-BT does not expect its initial adoption of SFRS(I) framework to have a significant impact on its financial statements. The Entities also do not expect the application of the above new standards to have a significant impact on their financial statements. The Entities are currently finalising the transition adjustments.

30 FULL CONVERGENCE WITH SINGAPORE FINANCIAL REPORTING STANDARDS (INTERNATIONAL) AND ADOPTION OF NEW STANDARDS (CONT'D)

Details of SFRS(I) 1 and the new accounting standards relevant to the OUE H-BT, the OUE H-REIT Group and the Stapled Group are set out below.

SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International)

When the OUE H-BT adopts SFRS(I) 1 in 2018, the OUE H-BT will apply SFRS(I) 1 with 1 January 2017 as the date of transition. SFRS(I) 1 generally requires that the OUE H-BT Group applies SFRS(I) 1 on a retrospective basis, as if such accounting policy had always been applied. If there are changes to accounting policies arising from new or amended standards effective in 2018, restatement of comparatives may be required because SFRS(I) 1 requires both the opening statement of financial position and comparative information to be prepared using the most current accounting policies. SFRS(I) 1 provides mandatory exceptions and optional exemptions from retrospective application, but these are often different from those specific transition provisions in individual FRSs applied to the FRS financial statements. The OUE H-BT does not expect the application of the mandatory exceptions and the optional exemptions in SFRS(I) 1 to have any significant impact on its financial statements.

FRS 115 / SFRS(I) 15 Revenue from Contracts with Customers and Amendments to FRS 115 / SFRS(I) 15 Clarifications to FRS 115 / SFRS(I) 15

FRS 115 / SFRS(I) 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met.

The Entities plan to adopt FRS 115 / SFRS(I) 15 in their financial statements for the year ending 31 December 2018, using the retrospective approach.

The Entities do not expect the application of this standard to have significant impact on the financial statements.

30 FULL CONVERGENCE WITH SINGAPORE FINANCIAL REPORTING STANDARDS (INTERNATIONAL) AND ADOPTION OF NEW STANDARDS (CONT'D)

FRS 109 / SFRS(I) 9 *Financial Instruments*

FRS 109 / SFRS(I) 9 contains new requirements for classification and measurement of financial instruments, a new expected credit loss model for calculating impairment of financial assets, and new general hedge accounting requirements.

Changes in accounting policies resulting from the adoption of FRS 109 / SFRS(I) 9 will generally be applied by the Entities retrospectively. The Entities plan to apply the exemption in SFRS(I) 1 and FRS 109 allowing them not to restate comparative information in the 2018 financial statements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of SFRS(I) 9 and FRS 109 are recognised in accumulated losses and reserves as at 1 January 2018.

- The following assessments have to be made on the basis of facts and circumstances that existed at 1 January 2018:
 - The determination of the business model within which a financial asset is held.
 - The determination of whether the contractual terms of a financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.
 - The designation and revocation of previous designations of certain financial assets and financial liabilities measured at fair value through profit or loss (FVTPL).
- New hedge accounting requirements are applied prospectively. All hedging relationships designated under FRS 39 *Financial Instruments: Recognition and Measurement* at 31 December 2017 that meet the criteria for hedge accounting under FRS 109 or SFRS(I) 9 at 1 January 2018 will be regarded as continuing hedging relationships.

30 FULL CONVERGENCE WITH SINGAPORE FINANCIAL REPORTING STANDARDS (INTERNATIONAL) AND ADOPTION OF NEW STANDARDS (CONT'D)

FRS 109 / SFRS(I) 9 *Financial Instruments* (cont'd)

The expected impact on adoption of FRS 109 / SFRS(I) 9 is described below. The information below reflects the Entities' expectation of the implications arising from changes in the accounting treatment.

(i) Classification and measurement

The Entities do not expect a significant change to the measurement basis arising from adopting the new classification and measurement model under FRS 109 / SFRS(I) 9.

For financial assets currently held at fair value, the Stapled Group expects to continue measuring these assets at FVTPL.

Loans and receivables currently accounted for at amortised cost will continue to be accounted for using amortised cost model under FRS 109 / SFRS(I) 9.

(ii) Impairment

FRS 109 / SFRS(I) 9 replaces the current 'incurred loss' model with a forward-looking expected credit loss (ECL) model.

Under FRS 109 / SFRS(I) 9, loss allowances of the Entities will be measured on either of the following bases:

- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; or
- lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

The Entities plan to apply the simplified approach and record lifetime ECL on all trade receivables and any contract assets arising from the application of FRS 115 / SFRS(I) 15. On adoption of FRS 109 / SFRS(I) 9, the Entities do not expect a significant increase in impairment loss allowance.

30 FULL CONVERGENCE WITH SINGAPORE FINANCIAL REPORTING STANDARDS (INTERNATIONAL) AND ADOPTION OF NEW STANDARDS (CONT'D)

Applicable to 2019 financial statements and thereafter

A number of new FRSs or SFRS(I)s and interpretations of FRS or SFRS(I) are effective for annual periods beginning after 1 January 2018. Those which are relevant to the Entities are set out below:

Applicable to 2019 financial statements

- FRS 116 / SFRS(I) 16 *Leases*
- IFRIC 23 *Uncertainty over Income Tax Treatments*.

FRS 116 / SFRS(I) 16 Leases

FRS 116 / SFRS(I) 16 replaces existing lease accounting guidance. FRS 116 / SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted if FRS 115 / SFRS(I) 15 is also applied. FRS 116 / SFRS(I) 16 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use (ROU) assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

The Entities plan to adopt the standard when it becomes effective in 2019 and expect to apply the standard using the modified retrospective approach. The Entities also expect the ROU assets recognised at date of initial application to be equal to their lease liabilities.

The Entities are likely to elect the practical expedient not to reassess whether a contract contains a lease at the date of initial application, 1 January 2019. Accordingly, existing lease contracts that are still effective on 1 January 2019 continue to be accounted for as lease contracts under FRS 116 / SFRS(I) 16. The Entities have performed a preliminary assessment of the impact on its financial statements based on their existing operating lease arrangements (refer to note 25).

30 FULL CONVERGENCE WITH SINGAPORE FINANCIAL REPORTING STANDARDS (INTERNATIONAL) AND ADOPTION OF NEW STANDARDS (CONT'D)

FRS 116 / SFRS(I) 16 Leases (cont'd)

i The Entities as lessee

The Entities expect their existing operating lease arrangements to be recognised as ROU assets with corresponding lease liabilities under FRS 116 / SFRS(I) 16. Under the new standard, remaining lease payments of the operating leases will be recognised at their present value discounted using appropriate discount rate. In addition, the nature of expenses related to those leases will now change as FRS 116 / SFRS(I) 16 replaces the straight-line operating lease expense with depreciation charge of ROU assets and interest expense on lease liabilities.

ii The Entities as lessor

FRS 116 / SFRS(I) 16 substantially carries forward the current existing lessor accounting requirements. Accordingly, the Entities continue to classify their leases as operating leases or finance leases, and to account for these two types of leases using the existing operating lease and finance lease accounting models respectively. However, FRS 116 / SFRS(I) 16 requires more extensive disclosures to be provided by a lessor.

OUE Hospitality Trust Management Pte. Ltd. Financial Statements

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Directors' Statement

We are pleased to submit this annual report to the member of the Company together with the audited financial statements for the financial year ended 31 December 2017.

In our opinion:

- (a) the financial statements set out on pages 168 to 175 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2017 and the financial performance and changes in equity of the Company for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards; and
- (b) at the date of this statement, there are reasonable grounds to believe that with the continuing financial support from its immediate holding company, the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

DIRECTORS

The directors in office at the date of this statement are as follows:

Lee Yi Shyan
Chong Kee Hiong
Sanjiv Misra
Liu Chee Ming
Neo Boon Siong
Ong Kian Min
Christopher James Williams

DIRECTORS' INTERESTS

According to the register kept by the Company for the purposes of Section 164 of the Act, particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and children) in shares or debentures in the Company and in related corporations (other than wholly-owned subsidiaries) are as follows:

Name of director and corporation in which interests are held	Holdings at beginning of the year	Holdings at end of the year
Chong Kee Hiong		
OUE Limited		
– ordinary shares		
– direct interests	50,000	50,000

DIRECTORS' INTERESTS (CONT'D)

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares or debentures of the Company, or of related corporations, either at the beginning of the financial year or at the end of the financial year.

Neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose object is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SHARE OPTIONS

During the financial year, there were:

- (i) no options granted by the Company to any person to take up unissued shares in the Company; and
- (ii) no shares issued by virtue of any exercise of option to take up unissued shares of the Company.

As at the end of the financial year, there were no unissued shares of the Company under options.

AUDITORS

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

Lee Yi Shyan

Director

Chong Kee Hiong

Director

27 February 2018

Independent Auditors' Report

Member of the Company
OUE Hospitality Trust Management Pte. Ltd.

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of OUE Hospitality Trust Management Pte. Ltd. (the "Company"), which comprise the statement of financial position as at 31 December 2017, the statement of comprehensive income and statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 168 to 175.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the financial position of the Company as at 31 December 2017 and of the financial performance and changes in equity of the Company for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the '*Auditors' responsibilities for the audit of the financial statements*' section of our report. We are independent of the Company in accordance with the Accounting and Corporate Regulatory Authority *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained all other information prior to the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditors' Report

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Company's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit 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 Company's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Independent Auditors' Report

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

KPMG LLP
*Public Accountants and
Chartered Accountants*

Singapore
27 February 2018

Statement of Comprehensive Income

Year ended 31 December 2017

	Note	2017 \$	2016 \$
Administrative expenses		(4,293)	(4,245)
Loss before tax		(4,293)	(4,245)
Tax expense	4	—	—
Loss for the year		(4,293)	(4,245)
Other comprehensive income, net of tax		—	—
Total comprehensive income for the year		(4,293)	(4,245)

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

Statement of Financial Position

As at 31 December 2017

	Note	2017 \$	2016 \$
Liabilities			
Current liabilities			
Other payables	5	5,000	4,000
Amount due to immediate holding company	6	15,730	12,437
Total liabilities		<u>20,730</u>	<u>16,437</u>
Net liabilities		<u>(20,730)</u>	<u>(16,437)</u>
Equity			
Share capital	7	1	1
Accumulated losses		(20,731)	(16,438)
Total equity		<u>(20,730)</u>	<u>(16,437)</u>

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

Statement of Changes in Equity

Year ended 31 December 2017

	Share capital \$	Accumulated losses \$	Total \$
At 1 January 2017	1	(16,438)	(16,437)
Total comprehensive income for the year			
Loss for the year	–	(4,293)	(4,293)
Other comprehensive income, net of tax	–	–	–
Total comprehensive income for the year	–	(4,293)	(4,293)
At 31 December 2017	1	(20,731)	(20,730)
At 1 January 2016	1	(12,193)	(12,192)
Total comprehensive income for the year			
Loss for the year	–	(4,245)	(4,245)
Other comprehensive income, net of tax	–	–	–
Total comprehensive income for the year	–	(4,245)	(4,245)
At 31 December 2016	1	(16,438)	(16,437)

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

Notes to the Financial Statements

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 27 February 2018.

1 DOMICILE AND ACTIVITIES

OUE Hospitality Trust Management Pte. Ltd. (the "Company") is incorporated in the Republic of Singapore and has its registered office at 333 Orchard Road, #33-00, Singapore 238867.

The principal activity of the Company is to act as the trustee-manager for OUE Hospitality Business Trust ("OUE H-BT"), a business trust registered under the Business Trusts Act, Chapter 31A of Singapore. The Company is the trustee-manager for OUE H-BT which is part of OUE Hospitality Trust ("OUEHT"), a stapled group comprising OUE Hospitality Real Estate Investment Trust and OUE H-BT. OUEHT is listed on Singapore Exchange Securities Trading Limited. The Company is presently dormant.

The Company's immediate holding entity is OUE Limited, a company incorporated in Singapore and the Company's ultimate holding entity is Lippo ASM Asia Property Limited, a company incorporated in the Cayman Islands.

2 BASIS OF PREPARATION

2.1 Going concern

The Company has a net capital deficiency of \$20,730 (2016: \$16,437) as at 31 December 2017. The financial statements have been prepared on the going concern basis as the immediate holding company, OUE Limited, has undertaken to provide the financial and other support as necessary to enable the Company to continue operating as a going concern for the next twelve months.

2.2 Statement of compliance

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards ("FRS").

2.3 Basis of measurement

The financial statements have been prepared on the historical cost basis.

2.4 Functional and presentation currency

The financial statements are presented in Singapore dollars, which is the Company's functional currency.

2 BASIS OF PREPARATION (CONT'D)

2.5 Use of estimates and judgments

The preparation of the financial statements in conformity with FRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the 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 affected.

2.6 Changes in accounting policies

The Company has applied the following amendments for the first time for the annual period beginning on 1 January 2017:

- *Disclosure Initiative (Amendments to FRS 7);*
- *Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to FRS 12); and*
- *Clarification of the scope of FRS 112 (Improvements to FRSs 2016).*

The adoption of these amendments did not have any impact on the current or prior period and is not likely to affect future periods.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

3.1 Financial instruments

Non-derivative financial liabilities

Financial liabilities are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company 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 Company currently has a legally enforceable right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

These financial liabilities comprise other payables and amount due to immediate holding company.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Financial instruments (cont'd)

Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are recognised as a deduction from equity, net of any tax effects.

3.2 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in the profit or loss.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

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 nor loss.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at 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.

3.3 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 2017, and have not been applied in preparing these financial statements. None of these changes are expected to have a significant effect on the financial statements of the Company. The Company does not plan to adopt these standards early.

Notes to the Financial Statements

4 TAX EXPENSE

Reconciliation of effective tax rate is as follows:

	2017 \$	2016 \$
Loss before tax	(4,293)	(4,245)
Tax calculated using Singapore tax rate of 17% (2016: 17%)	(730)	(722)
Tax losses not carried forward	730	722
	—	—

5 OTHER PAYABLES

	2017 \$	2016 \$
Accrued operating expenses	5,000	4,000

6 AMOUNT DUE TO IMMEDIATE HOLDING COMPANY

The amount due to immediate holding company is non-trade in nature, unsecured, interest-free and repayable on demand.

7 SHARE CAPITAL

	2017		2016	
	Number of shares	Amount \$	Number of shares	Amount \$
Beginning and end of financial year	1	1	1	1

All issued shares are fully paid, with no par value. All shares rank equally with regard to the Company's residual assets.

8 FINANCIAL RISK MANAGEMENT

The Company was inactive during the financial year and has limited exposure to credit, liquidity and interest rate risks. The Company obtains advances from its immediate holding company to fund its operations, where required.

The total contractual undiscounted cash flows of the Company's non-derivative financial liabilities are the same as their carrying amounts and are due within one year.

8 FINANCIAL RISK MANAGEMENT (CONT'D)**Accounting classifications and fair values**

The carrying amounts and fair values of financial liabilities are as follows:

	Carrying amount	
	Other financial liabilities	
	2017	2016
	\$	\$
<hr/>		
Financial liabilities not measured at fair value		
Amount due to immediate holding company	15,730	12,437
Other payables	5,000	4,000
	<hr/> 20,730	<hr/> 16,437

Fair value information of financial liabilities not measured at fair value has not been presented as the carrying amount is a reasonable approximation of the fair value.

9 CAPITAL MANAGEMENT

The primary objectives of the Company's capital management are to safeguard the Company's ability as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. Capital consists of total equity.

The Company's capital structure is regularly reviewed to maintain or achieve an optimal capital structure. The Company may raise funds through issuance of new shares or to obtain new financing from financial institutions or its related companies.

The Company is not subject to any externally imposed capital requirements.

10 RELATED PARTY TRANSACTIONS

Except as disclosed elsewhere in these financial statements, there were no other significant related party transactions during the financial year.

Transactions with key management personnel

The directors of the Company are employees of a related corporation of the Company and no consideration is paid to the related corporation for the services rendered by the directors.

11 STATEMENT OF CASH FLOWS

The Company did not prepare a statement of cash flows as the Company does not maintain a bank account. All expenses are paid for by the immediate holding company on the Company's behalf.

Interested Person and Interested Party Transactions

Name of Interested Person/ Interested Party	Aggregate Value of All Interested Person / Party Transactions during the Financial Year under Review (excluding transactions less than \$100,000 and transactions conducted under Stapled Securityholders' Mandate pursuant to Rule 920) \$'000	Aggregate Value of All Interested Person / Party Transactions conducted under Stapled Securityholders' Mandate pursuant to Rule 920) (excluding transactions less than \$100,000) ¹ \$'000
OUE Limited and its subsidiaries		
Rental income	96,341	–
REIT Manager's management fees ²	11,269	–
Property management fees	1,361	–
Income support	4,818	–
Shared electricity services	838	–
Shared services	504	–
Reimbursement of expense	131	–
RBC Investor Services Trust Singapore Limited (as trustee of OUE H-REIT)		
REIT Trustee's fees	415	–
TOTAL	115,677	–

Save as disclosed above, during the financial year ended 31 December 2017, there were no additional interested person transactions (excluding transactions of less than \$100,000 each) nor any material contracts entered into by OUE H-Trust involving the interests of the Chief Executive Officer, each director or controlling shareholder of the Managers, or controlling Stapled Securityholders.

(1) OUE H-Trust has not obtained a general mandate from Stapled Securityholders for interested person / party transactions.

(2) The REIT Manager's base and performance management fees for the financial year ended 31 December 2017 were paid in the form of Stapled Securities. In respect of the base management fees for the period from 1 January 2017 to 31 March 2017, 2,422,592 Stapled Securities were issued to the REIT Manager on 4 May 2017 at an issue price of \$0.6881 per Stapled Security. In respect of the base management fees for the period from 1 April 2017 to 30 June 2017, 2,309,090 Stapled Securities were issued to the REIT Manager on 1 August 2017 at an issue price of \$0.7286 per Stapled Security. In respect of the base management fees for the period from 1 July 2017 to 30 September 2017, 2,179,164 Stapled Securities were issued to the REIT Manager on 1 November 2017 at an issue price of \$0.7815 per Stapled Security. In respect of the base management fees for the period from 1 October 2017 to 31 December 2017, 2,022,242 Stapled Securities were issued to the REIT Manager on 30 January 2018 at an issue price of \$0.8439 per Stapled Security. In respect of the performance fees for the financial year ended 31 December 2017, 5,343,959 Stapled Securities were issued on 30 January 2018 at an issue price of \$0.8439 per Stapled Security.

Statistics of Stapled Securityholdings

As at 1 March 2018

There were 1,813,884,472 Stapled Securities (one vote per Stapled Security) in issue as at 1 March 2018.

Each Stapled Security comprises one unit in OUE H-REIT and one unit in OUE H-BT. There is only one class of units in each of OUE H-REIT and OUE H-BT.

DISTRIBUTION OF STAPLED SECURITYHOLDINGS

SIZE OF HOLDINGS	NO. OF STAPLED SECURITYHOLDERS	%	NO. OF STAPLED SECURITIES	%
1 – 99	169	0.67	6,684	0.00
100 – 1,000	5,334	20.98	4,132,772	0.23
1,001 – 10,000	15,013	59.06	60,352,384	3.33
10,001 – 1,000,000	4,869	19.15	237,344,730	13.08
1,000,001 AND ABOVE	35	0.14	1,512,047,902	83.36
TOTAL	25,420	100.00	1,813,884,472	100.00

TWENTY LARGEST STAPLED SECURITYHOLDERS

NO.	NAME	NO. OF STAPLED SECURITIES	%
1	RAFFLES NOMINEES (PTE) LIMITED	694,381,278	38.28
2	CITIBANK NOMINEES SINGAPORE PTE LTD	255,267,211	14.07
3	DBS NOMINEES (PRIVATE) LIMITED	230,108,264	12.69
4	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	100,185,066	5.52
5	OUE HOSPITALITY REIT MANAGEMENT PTE LTD	73,446,472	4.05
6	HSBC (SINGAPORE) NOMINEES PTE LTD	33,914,002	1.87
7	UOB KAY HIAN PRIVATE LIMITED	25,159,193	1.39
8	DBSN SERVICES PTE. LTD.	22,487,261	1.24
9	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	20,019,830	1.10
10	OCBC SECURITIES PRIVATE LIMITED	7,001,404	0.39
11	LEE SEE CHUAN @LEE CHEE CHUAN	5,160,900	0.28
12	HENG SIEW ENG	4,469,700	0.25
13	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	3,474,246	0.19
14	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	3,202,280	0.18
15	DB NOMINEES (SINGAPORE) PTE LTD	3,156,424	0.17
16	DELLA SUANTIO MRS DELLA SUANTIO LEE	2,527,000	0.14
17	BNP PARIBAS NOMINEES SINGAPORE PTE LTD	2,481,529	0.14
18	MAYBANK KIM ENG SECURITIES PTE. LTD.	2,141,214	0.12
19	WATERWORTH PTE LTD	2,000,000	0.11
20	PHILLIP SECURITIES PTE LTD	1,939,084	0.11
TOTAL		1,492,522,358	82.29

Statistics of Stapled Securityholdings

As at 1 March 2018

DIRECTORS' INTERESTS IN STAPLED SECURITIES AS AT 21 JANUARY 2018

Directors	Direct Interest	Deemed Interest
Christopher James Williams	–	478,800
Lee Yi Shyan	10,700	–
Chong Kee Hiong	1,341,082	266,000
Sanjiv Misra	532,000	–
Liu Chee Ming	532,000	–

SUBSTANTIAL STAPLED SECURITYHOLDERS' INTERESTS

Name of Substantial Stapled Securityholder	Direct Interest		Deemed Interest		Total	
	No. of Stapled Securities held	%	No. of Stapled Securities held	%	No. of Stapled Securities held	%
OUE Limited	585,775,399	32.29 ⁽²⁶⁾	73,446,472 ⁽¹⁾	4.05 ⁽²⁶⁾	659,221,871	36.34 ⁽²⁶⁾
OUE Realty Pte. Ltd. ("OUER")	19,000,000	1.05 ⁽²⁶⁾	659,221,871 ⁽²⁾	36.34 ⁽²⁶⁾	678,221,871	37.39 ⁽²⁶⁾
Golden Concord Asia Limited ("GCAL")	19,400,558	1.07 ⁽²⁶⁾	678,221,871 ⁽³⁾	37.39 ⁽²⁶⁾	697,622,429	38.46 ⁽²⁶⁾
Fortune Code Limited ("FCL")	–	–	697,622,429 ⁽⁴⁾	38.46 ⁽²⁶⁾	697,622,429	38.46 ⁽²⁶⁾
Lippo ASM Asia Property Limited ("LAAPL")	–	–	697,622,429 ⁽⁵⁾	38.46 ⁽²⁶⁾	697,622,429	38.46 ⁽²⁶⁾
Pacific Landmark Holdings Limited ("Pacific Landmark")	–	–	697,622,429 ⁽⁶⁾	38.46 ⁽²⁶⁾	697,622,429	38.46 ⁽²⁶⁾
HKC Property Investment Holdings Limited ("HKC Property")	–	–	697,622,429 ⁽⁷⁾	38.46 ⁽²⁶⁾	697,622,429	38.46 ⁽²⁶⁾
Hongkong Chinese Limited ("HCL")	–	–	697,622,429 ⁽⁸⁾	38.46 ⁽²⁶⁾	697,622,429	38.46 ⁽²⁶⁾
Hennessy Holdings Limited ("HHL")	–	–	697,622,429 ⁽⁹⁾	38.46 ⁽²⁶⁾	697,622,429	38.46 ⁽²⁶⁾
Prime Success Limited ("PSL")	–	–	697,622,429 ⁽¹⁰⁾	38.46 ⁽²⁶⁾	697,622,429	38.46 ⁽²⁶⁾
Lippo Limited ("LL")	–	–	697,622,429 ⁽¹¹⁾	38.46 ⁽²⁶⁾	697,622,429	38.46 ⁽²⁶⁾
Lippo Capital Limited ("LCL")	–	–	697,622,429 ⁽¹²⁾	38.46 ⁽²⁶⁾	697,622,429	38.46 ⁽²⁶⁾
Lippo Capital Holdings Company Limited ("LCH")	–	–	697,622,429 ⁽¹³⁾	38.46 ⁽²⁶⁾	697,622,429	38.46 ⁽²⁶⁾
Lippo Capital Group Limited ("LCG")	–	–	697,622,429 ⁽¹⁴⁾	38.46 ⁽²⁶⁾	697,622,429	38.46 ⁽²⁶⁾
Dr. Stephen Riady	–	–	697,622,429 ⁽¹⁵⁾	38.46 ⁽²⁶⁾	697,622,429	38.46 ⁽²⁶⁾
PT Trijaya Utama Mandiri ("PT Trijaya")	–	–	697,622,429 ⁽¹⁶⁾	38.46 ⁽²⁶⁾	697,622,429	38.46 ⁽²⁶⁾
Mr. James Tjahaja Riady	–	–	697,622,429 ⁽¹⁷⁾	38.46 ⁽²⁶⁾	697,622,429	38.46 ⁽²⁶⁾
Admiralty Station Management Limited ("Admiralty")	–	–	697,622,429 ⁽¹⁸⁾	38.46 ⁽²⁶⁾	697,622,429	38.46 ⁽²⁶⁾
ASM Asia Recovery (Master) Fund ("AARMF")	–	–	697,622,429 ⁽¹⁹⁾	38.46 ⁽²⁶⁾	697,622,429	38.46 ⁽²⁶⁾

Statistics of Stapled Securityholdings

As at 1 March 2018

SUBSTANTIAL STAPLED SECURITYHOLDERS' INTERESTS (CONT'D)

Name of Substantial Stapled Securityholder	Direct Interest		Deemed Interest		Total	
	No. of Stapled Securities held	%	No. of Stapled Securities held	%	No. of Stapled Securities held	%
ASM Asia Recovery Fund ("AARF")	—	—	697,622,429 ⁽²⁰⁾	38.46 ⁽²⁶⁾	697,622,429	38.46 ⁽²⁶⁾
Argyle Street Management Limited ("ASML")	—	—	697,622,429 ⁽²¹⁾	38.46 ⁽²⁶⁾	697,622,429	38.46 ⁽²⁶⁾
Argyle Street Management Holdings Limited ("ASMHL")	—	—	697,622,429 ⁽²²⁾	38.46 ⁽²⁶⁾	697,622,429	38.46 ⁽²⁶⁾
Kin Chan ("KC")	—	—	697,622,429 ⁽²³⁾	38.46 ⁽²⁶⁾	697,622,429	38.46 ⁽²⁶⁾
V-Nee Yeh ("VY")	—	—	697,622,429 ⁽²⁴⁾	38.46 ⁽²⁶⁾	697,622,429	38.46 ⁽²⁶⁾
Tang Gordon @ Tang Yigang @ Tang Gordon ("GT")	86,370,120	4.76 ⁽²⁶⁾	88,100,000 ⁽²⁵⁾	4.86 ⁽²⁶⁾	174,470,120	9.62 ⁽²⁶⁾

Notes:

- (1) OUE Limited is the holding company of the REIT Manager and has a deemed interest in the Stapled Securities held by the REIT Manager.
- (2) OUER is the immediate holding company of OUE Limited and has a deemed interest in the Stapled Securities in which OUE Limited has direct and deemed interest.
- (3) GCAL has a deemed interest in the Stapled Securities through the direct and deemed interests of its wholly-owned subsidiary, OUER.
- (4) FCL has a deemed interest in the Stapled Securities through the direct and deemed interests of its wholly-owned subsidiary, GCAL.
- (5) LAAPL is deemed to have an interest in the Stapled Securities 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 Stapled Securities 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 Stapled Securities 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 Stapled Securities in which Pacific Landmark has a deemed interest.
- (9) HHL is an intermediate holding company of Pacific Landmark. Accordingly, HHL is deemed to have an interest in the Stapled Securities in which Pacific Landmark has a deemed interest.
- (10) PSL is an intermediate holding company of Pacific Landmark. Accordingly, PSL is deemed to have an interest in the Stapled Securities in which Pacific Landmark has a deemed interest.
- (11) LL is an intermediate holding company of Pacific Landmark. Accordingly, LL is deemed to have an interest in the Stapled Securities in which Pacific Landmark has a deemed interest.
- (12) LCL is an intermediate holding company of Pacific Landmark. Accordingly, LCL is deemed to have an interest in the Stapled Securities in which Pacific Landmark has a deemed interest.
- (13) LCH is an intermediate holding company of Pacific Landmark. Accordingly, LCH is deemed to have an interest in the Stapled Securities in which Pacific Landmark has a deemed interest.
- (14) LCG is the holding company of LCH, which in turn is an intermediate holding company of Pacific Landmark. Accordingly, LCG is deemed to have an interest in the Stapled Securities in which Pacific Landmark has a deemed interest.
- (15) Dr. Stephen Riady holds all the shares in LCG, which is the holding company of LCH. LCH in turn is an intermediate holding company of Pacific Landmark. Accordingly, Dr. Stephen Riady is deemed to have an interest in the Stapled Securities in which Pacific Landmark has a deemed interest.
- (16) PT Trijaya holds more than 20% of the shares in LCL, which in turn is an intermediate holding company of Pacific Landmark. Accordingly, PT Trijaya is deemed to have an interest in the Stapled Securities in which Pacific Landmark has a deemed interest.
- (17) Mr. James Tjahaja Riady effectively holds all the shares in PT Trijaya, which holds more than 20% of the shares in LCL. LCL in turn is an intermediate holding company of Pacific Landmark. Accordingly, Mr. James Tjahaja Riady is deemed to have an interest in the Stapled Securities in which Pacific Landmark has a deemed interest.
- (18) LAAPL is jointly held by Pacific Landmark and Admiralty. Accordingly, Admiralty is deemed to have an interest in the Stapled Securities in which LAAPL has a deemed interest.
- (19) AARMF is a majority shareholder of Admiralty and TIH Limited, which is the holding company of Killian Court Pte. Ltd. ("Killian"). Accordingly, AARMF is deemed to have an interest in the Stapled Securities in which Admiralty has a deemed interest.
- (20) AARF is a majority shareholder of AARMF. Accordingly, AARF is deemed to have an interest in the Stapled Securities in which AARMF has a deemed interest.
- (21) ASML manages AARF. Accordingly, ASML is deemed to have an interest in the Stapled Securities in which AARF has a deemed interest.
- (22) ASMHL is the immediate holding company of ASML. Accordingly, ASMHL is deemed to have an interest in the Stapled Securities in which ASML has a deemed interest.
- (23) 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 Stapled Securities in which ASMHL has a deemed interest.
- (24) 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 Stapled Securities in which ASMHL has a deemed interest.
- (25) GT's deemed interest in the 88,100,000 Stapled Securities held by Gold Pot Developments Limited arises from the powers granted to him under a power of attorney executed by Gold Pot Developments Limited dated 19 October 2016.
- (26) The stapled securityholding percentage is calculated based on 1,813,884,472 issued Stapled Securities as at 1 March 2018.

Statistics of Stapled Securityholdings

As at 1 March 2018

PUBLIC FLOAT

Rule 723 of the Listing Manual of the SGX-ST requires that at least 10% of the total number of issued securities that is listed on the Exchange is at all times held by the public. OUE Hospitality Trust has complied with this requirement. Based on information available to the REIT Manager and the Trustee-Manager as at 1 March 2018, approximately 51.75% of OUE Hospitality Trust's listed securities 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 stapled securities in OUE Hospitality Trust ("**OUE H-Trust**", and holders of stapled securities in OUE H-Trust, the "**Stapled Securityholders**") will be held at Mandarin Orchard Singapore, Mandarin Ballroom I, II and III, 6th Floor, Main Tower, 333 Orchard Road, Singapore 238867 on Wednesday, 25 April 2018 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 OUE Hospitality Trust Management Pte. Ltd., as trustee-manager of OUE Hospitality Business Trust ("**OUE H-BT**") (the "**Trustee-Manager**");
 - the Report of RBC Investor Services Trust Singapore Limited, as trustee for OUE Hospitality Real Estate Investment Trust ("**OUE H-REIT**") (the "**REIT Trustee**");
 - the Report of OUE Hospitality REIT Management Pte. Ltd., as manager of OUE H-REIT (the "**REIT Manager**"); and
 - the Audited Financial Statements of OUE H-BT, OUE H-REIT and OUE H-Trust for the financial year ended 31 December 2017 and the Independent Auditors' Report thereon.

(Ordinary Resolution 2)

2. To re-appoint Messrs KPMG LLP as Independent Auditors of OUE H-Trust (comprising OUE H-BT and OUE H-REIT) to hold office until the conclusion of the next AGM of OUE H-Trust, and to authorise the Trustee-Manager and the REIT Manager (collectively, the "**Managers**") to fix their remuneration.

(B) AS SPECIAL BUSINESS

To consider and, if thought fit, to pass with or without any modifications, the following resolution:

(Ordinary Resolution 3)

3. That authority be and is hereby given to the Managers, to
 - (a)
 - (i) issue new units in OUE H-REIT ("**OUE H-REIT Units**") and new units in OUE H-BT ("**OUE H-BT Units**", together with OUE H-REIT Units, the "**Stapled Securities**") 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 Stapled Securities 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 Stapled Securities,

at any time and upon such terms and conditions and for such purposes and to such persons as the Managers may in their absolute discretion deem fit; and

- (b) issue Stapled Securities in pursuance of any Instrument made or granted by the Managers while this Resolution was in force (notwithstanding that the authority conferred by this Resolution may have ceased to be in force at the time such Stapled Securities are issued).

Provided that:

- (1) the aggregate number of Stapled Securities to be issued pursuant to this Resolution (including Stapled Securities to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed fifty per cent (50%) of the total number of issued Stapled Securities (excluding treasury OUE H-REIT Units and treasury OUE H-BT Units, if any) (as calculated in accordance with subparagraph (2) below), of which the aggregate number of Stapled Securities to be issued other than on a *pro rata* basis to Stapled Securityholders shall not exceed twenty per cent (20%) of the total number of issued Stapled Securities (excluding treasury OUE H-REIT Units and treasury OUE H-BT Units, if any) (as calculated in accordance with subparagraph (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 Stapled Securities that may be issued under subparagraph (1) above, the total number of issued Stapled Securities (excluding treasury OUE H-REIT Units and treasury OUE H-BT Units, if any) shall be based on the number of issued Stapled Securities (excluding treasury OUE H-REIT Units and treasury OUE H-BT Units, if any) at the time this Resolution is passed, after adjusting for:
 - (a) any new Stapled Securities 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 Stapled Securities;
- (3) in exercising the authority conferred by this Resolution, the Managers shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST), the Business Trusts Act, Chapter 31A of Singapore (unless otherwise exempted or waived by the Monetary Authority of Singapore), the trust deed dated 10 July 2013 (as amended) constituting OUE H-REIT (the “**OUE H-REIT Trust Deed**”) for the time being in force (unless otherwise exempted or waived by the Monetary Authority of Singapore) and the trust deed dated 10 July 2013 (as amended) constituting OUE H-BT (the “**OUE H-BT Trust Deed**”) for the time being in force (unless otherwise exempted or waived by the Monetary Authority of Singapore) and the stapling deed dated 10 July 2013 stapling OUE H-REIT and OUE H-BT (the “**Stapling Deed**”) for the time being in force (unless otherwise exempted or waived by the Monetary Authority of Singapore);

Notice of Annual General Meeting

- (4) (unless revoked or varied by the Stapled Securityholders in a general meeting) the authority conferred by this Resolution shall continue in force until (i) the conclusion of the next AGM of OUE H-Trust or (ii) the date by which the next AGM of OUE H-Trust is required by applicable laws and regulations or the OUE H-REIT Trust Deed, the OUE H-BT Trust Deed or the Stapling Deed 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 Stapled Securities into which the Instruments may be converted in the event of rights, bonus or other capitalisation issues or any other events, the Managers are authorised to issue additional instruments or Stapled Securities pursuant to such adjustment notwithstanding that the authority conferred by this Resolution may have ceased to be in force at the time the Instruments or Stapled Securities are issued; and
- (6) the REIT Manager, the REIT Trustee and the Trustee-Manager 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 REIT Manager, the REIT Trustee or, as the case may be, the Trustee-Manager may consider expedient or necessary or in the interest of OUE H-REIT and OUE H-BT to give effect to the authority conferred by this Resolution.

(Please See Explanatory Notes.)

To consider and, if thought fit, to pass with or without any modifications, the following Extraordinary Resolution:

(Extraordinary Resolution 1)

4. That:

- (a) approval be and is hereby given to amend the OUE H-REIT Trust Deed to include provisions regarding electronic communications of notices and documents to holders of units in OUE H-REIT in the manner set out in Annex A of the appendix to the Notice of AGM (the **"Appendix"**) dated 28 March 2018 (the **"Proposed OUE H-REIT Trust Deed Supplement"**);
- (b) approval be and is hereby given to amend the OUE H-BT Trust Deed to (i) include provisions regarding electronic communications of notices and documents to holders of units in OUE H-BT; (ii) include amendments to update the OUE H-BT Trust Deed for consistency with the Listing Rules; (iii) include provisions for OUE H-BT to comply with all applicable taxation matters; and (iv) include provisions for compliance with the Personal Data Protection Act 2012 (No. 26 of 2012) in the manner set out in Annex B of the Appendix (the **"Proposed OUE H-BT Trust Deed Supplement"**);
- (c) approval be and is hereby given to amend the Stapling Deed to include provisions regarding electronic communications of notices and documents to Stapled Securityholders in the manner set out in Annex C of the Appendix (the **"Proposed OUE H-Trust Stapling Deed Supplement"**); and

Notice of Annual General Meeting

- (d) the REIT Manager, the REIT Trustee and the Trustee-Manager 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 REIT Manager, the REIT Trustee or the Trustee-Manager may consider expedient or necessary or in the interests of OUE H-Trust to give effect to the Proposed OUE H-REIT Trust Deed Supplement, the Proposed OUE H-BT Trust Deed Supplement and the Proposed OUE H-Trust Stapling Deed Supplement.

(Please See Explanatory Notes.)

By Order of the Board
Ng Ngai

By Order of the Board
Ng Ngai

Company Secretary
**OUE HOSPITALITY REIT
MANAGEMENT PTE. LTD.**
(as manager of OUE H-REIT)
(Company Registration No. 201310245G)

Company Secretary
**OUE HOSPITALITY TRUST
MANAGEMENT PTE. LTD.**
(as trustee-manager of OUE H-BT)
(Company Registration No. 201310246W)

28 March 2018

Important Notice:

1. A Stapled Securityholder who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the meeting.
2. A Stapled Securityholder who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the meeting. Each proxy appointed herein must be appointed to exercise the rights attached to a different Stapled Security or Stapled Securities held by such Stapled Securityholder.

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 Stapled Securities 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 Stapled Securities 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 Stapled Securities purchased under the subsidiary legislation made under that 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 those Stapled Securities in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

Notice of Annual General Meeting

3. Where the instrument appointing a proxy or proxies (the “**Proxy Form**”) appoints more than one proxy, the proportion of the holding of Stapled Securities concerned to be represented by each proxy shall be specified in the Proxy Form. Where a Stapled Securityholder appoints two proxies and does not specify the number of Stapled Securities to be represented by each proxy, then the Stapled Securities held by the Stapled Securityholder are deemed to be equally divided between the proxies.
4. A proxy need not be a Stapled Securityholder.
5. The Proxy Form must be lodged at the Stapled Security 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.

Explanatory Notes:

1. Ordinary Resolution 3

Ordinary Resolution 3 above, if passed, will empower the Managers from the date of this AGM until the earliest of (i) the conclusion of the next AGM of OUE H-Trust or (ii) the date by which the next AGM of OUE H-Trust is required by applicable laws and regulations, the OUE H-REIT Trust Deed, the OUE H-BT Trust Deed or the Stapling Deed to be held, or (iii) the date on which such authority is revoked or varied by the Stapled Securityholders in a general meeting, to issue Stapled Securities and to make or grant Instruments (such as securities, warrants or debentures) convertible into Stapled Securities and issue Stapled Securities pursuant to such Instruments, up to a number not exceeding 50% of the total number of issued Stapled Securities (excluding treasury OUE H-REIT Units and treasury OUE H-BT Units, if any) of which up to 20% of the total number of issued Stapled Securities (excluding treasury OUE H-REIT Units and treasury OUE H-BT Units, if any) may be issued other than on a *pro rata* basis to Stapled Securityholders.

Ordinary Resolution 3 above, if passed, will also empower the Managers from the date of this AGM until the date of the next AGM of OUE H-Trust, to issue Stapled Securities as either full or partial payment of fees which the Managers are entitled to receive for their own accounts pursuant to the OUE H-REIT Trust Deed and the OUE H-BT Trust Deed respectively.

For the purpose of determining the aggregate number of Stapled Securities that may be issued, the percentage of issued Stapled Securities will be calculated based on the total number of issued Stapled Securities at the time Ordinary Resolution 3 above is passed, after adjusting for new Stapled Securities arising from the conversion or exercise of any Instruments which are outstanding at the time Ordinary Resolution 3 is passed and any subsequent bonus issue, consolidation or subdivision of Stapled Securities.

Fund-raising by issuance of new Stapled Securities may be required in instances of property acquisitions or debt repayments. In any event, if the approval of Stapled Securityholders is required under the Listing Manual of the SGX-ST, the OUE H-REIT Trust Deed, the OUE H-BT Trust Deed and the Stapling Deed or any applicable laws and regulations in such instances, the Managers will then obtain the approval of Stapled Securityholders accordingly.

2. Extraordinary Resolution 1

In connection with the amendments to the Companies Act, Chapter 50 of Singapore (the “**Companies Act**”), companies are allowed to send notices and documents electronically to their shareholders with the express, deemed or implied consent (the “**Deemed Consent Regime**” and the “**Implied Consent Regime**”, respectively) of the shareholders if the constitution of the company provides for it and the specified modes of electronic communications are set out in the constitution of the company (the “**Companies Act Electronic Communications Amendments**”). The SGX-ST has recently amended the listing rules of the SGX-ST (the “**Listing Rules**”) to align the Listing Rules with the Companies Act Electronic Communications Amendments, with issuers allowed to transmit certain types of notices and documents to shareholders (or stapled securityholders, in the case of a listed stapled group such as OUE H-Trust) electronically with the express, deemed or implied consent of shareholders.

Although OUE H-Trust is not bound by the Companies Act, it is nonetheless bound by the Listing Rules as a stapled group listed on the SGX-ST. On 21 December 2017, the Monetary Authority of Singapore also clarified in their response to the consultation paper on “Proposed Amendments to the Code on Collective Investment Schemes” that a REIT may also send its accounts and reports to its unitholders by electronic means. Accordingly, the REIT Manager, the REIT Trustee and the Trustee-Manager propose to amend the OUE H-REIT Trust Deed, the OUE H-BT Trust Deed and the Stapling Deed to adopt certain provisions of the Listing Rules to implement the Implied Consent Regime and the Deemed Consent Regime and allow for such electronic transmission of notices and documents in relation to OUE H-Trust.

In addition, the Trustee-Manager also proposes to amend the OUE H-BT Trust Deed to ensure that OUE-BT is compliant with the requirements under the Listing Rules, the United States Foreign Account Tax Compliance Act and the Personal Data Protection Act 2012 (No. 26 of 2012).

(See the Appendix in relation to the Proposed OUE H-REIT Trust Deed Supplement, the Proposed OUE H-BT Trust Deed Supplement and the Proposed OUE H-Trust Stapling Deed Supplement for further details.)

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 Stapled Securityholder (i) consents to the collection, use and disclosure of the Stapled Securityholder’s personal data by the Managers and the REIT Trustee (or their agents) for the purpose of the processing and administration by the Managers and the REIT 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 Managers and the REIT Trustee (or their agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the “**Purposes**”), (ii) warrants that where the Stapled Securityholder discloses the personal data of the Stapled Securityholder’s proxy(ies) and/or representative(s) to the Managers and the REIT Trustee (or their agents), the Stapled Securityholder has obtained the prior consent of such proxy(ies) and/ or representative(s) for the collection, use and disclosure by the Managers and the REIT Trustee (or their agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the Stapled Securityholder will indemnify the Managers and the REIT Trustee (or their agents) in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the Stapled Securityholder’s breach of warranty.

OUE HOSPITALITY REAL ESTATE INVESTMENT TRUST

(a real estate investment trust constituted on 10 July 2013 under the laws of the Republic of Singapore)

OUE HOSPITALITY BUSINESS TRUST

(a business trust constituted on 10 July 2013 under the laws of the Republic of Singapore)

Proxy Form

ANNUAL GENERAL MEETING OF OUE HOSPITALITY TRUST

IMPORTANT

1. A relevant intermediary may appoint more than two proxies to attend, speak and vote at the meeting. Please see note 3 for the definition of "relevant intermediary".
2. For CPF investors who hold Stapled Securities in OUE Hospitality Trust, the Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
3. This form of proxy is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF investors should contact their respective Agent Banks if they have any queries regarding their appointment as proxies.

Personal data privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s), the Stapled Securityholder accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 28 March 2018.

I/We _____ (Name(s) with NRIC No./Passport no./Company Registration No.)
 _____ of _____
 _____ (Address)

being a Stapled Securityholder/Stapled Securityholders of OUE Hospitality Trust ("OUE H-Trust") hereby appoint:

Name	Address	NRIC /Passport No.:	Proportion of Stapled Securityholdings	
			Number	%

and/or (delete as appropriate)

Name	Address	NRIC /Passport No.:	Proportion of Stapled Securityholdings	
			Number	%

or, both of whom failing, the Chairman of the Annual General Meeting ("AGM") as my/our proxy/proxies to attend and to vote for me/us on my/our behalf, at the AGM of OUE H-Trust to be held at Mandarin Orchard Singapore, Mandarin Ballroom I, II and III, 6th Floor, Main Tower, 333 Orchard Road, Singapore 238867 on Wednesday, 25 April 2018 at 2:00 p.m. or at any adjournment thereof.

I/We direct my/our proxy/proxies to vote for or against the resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion.

Resolutions			
	ORDINARY BUSINESS	Votes For*	Votes Against*
1.	To receive and adopt the Report of OUE Hospitality Trust Management Pte. Ltd., the Report of RBC Investor Services Trust Singapore Limited, the Report of OUE Hospitality REIT Management Pte. Ltd., and the Audited Financial Statements of OUE H-BT, OUE H-REIT and OUE H-Trust for the financial year ended 31 December 2017 and the Independent Auditors’ Report thereon		
2.	To re-appoint Messrs KPMG LLP as Independent Auditors of OUE H-Trust (comprising OUE H-BT and OUE H-REIT) and to hold office until the conclusion of the next AGM of OUE H-Trust and to authorise the Trustee-Manager and the REIT Manager to fix their remuneration		
	SPECIAL BUSINESS		
3.	To authorise the Trustee-Manager and the REIT Manager to issue Stapled Securities and to make or grant convertible instruments		
4.	To approve the Proposed OUE H-REIT Trust Deed Supplement, the Proposed OUE H-BT Trust Deed Supplement and the Proposed OUE H-Trust Stapling Deed Supplement		

* If you wish to exercise all your votes "For" or "Against", please tick (✓) within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this _____ day of _____ 2018.

 Signature(s) of Stapled Securityholder(s)/Common Seal of Corporate Stapled Securityholder

Total number of Stapled Securities held in:	Number of Stapled Securities
(a) CDP Register	
(b) Register of Stapled Securityholders	

Notes:

1. A Stapled Securityholder entitled to attend and vote at the AGM is entitled to appoint one or two proxies to attend and vote in his/her stead.
2. Where a Stapled Securityholder appoints more than one proxy, he/she must specify the proportion of his/her holding (expressed as a percentage of the whole) to be represented by each proxy. Where a Stapled Securityholder appoints two proxies and does not specify the proportion of his/her stapled securityholding to be represented by each proxy, then the Stapled Securities held by the Stapled Securityholder are deemed to be equally divided between the proxies. A proxy need not be a Stapled Securityholder.
3. (i) A Stapled Securityholder who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the meeting.
(ii) A Stapled Securityholder who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the meeting. Each proxy appointed herein must be appointed to exercise the rights attached to a different Stapled Security or Stapled Securities held by such Stapled Securityholder.
(iii) Where the instrument appointing a proxy or proxies (the "**Proxy Form**") appoints more than one proxy, the proportion of the holding of Stapled Securities concerned to be represented by each proxy shall be specified in the Proxy Form. Where a Stapled Securityholder appoints two proxies and does not specify the number of Stapled Securities to be represented by each proxy, then the Stapled Securities held by the Stapled Securityholder are deemed to be equally divided between the proxies.

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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 Stapled Securities 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 Stapled Securities 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 Stapled Securities purchased under the subsidiary legislation made under that 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 those Stapled Securities in the capacity of an intermediary pursuant to or in accordance with the subsidiary legislation.
4. A Stapled Securityholder should insert the total number of Stapled Securities held. If the Stapled Securityholder has Stapled Securities entered against his name in the Depository Register maintained by The Central Depository (Pte) Limited ("**CDP**"), he should insert that number of Stapled Securities. If the Stapled Securityholder has Stapled Securities registered in his name in the Register of Stapled Securityholders, he should insert that number of Stapled Securities. If the Stapled Securityholder has Stapled Securities entered against his name in the Depository Register and registered in his name in the Register of Stapled Securityholders, he should insert the aggregate number of Stapled Securities. If no number is inserted, this form of proxy will be deemed to relate to all the Stapled Securities held by the Stapled Securityholder.
 5. The Proxy Form must be deposited at the Stapled Security 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 set for the AGM.
 6. The Proxy Form must be signed by the appointor or of his attorney duly authorised in writing. Where the Proxy Form is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
 7. Completion and return of the Proxy Form shall not preclude a Stapled Securityholder from attending and voting at the AGM.
 8. The Managers shall be entitled to reject a Proxy Form which is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the Proxy Form. In addition, in the case of Stapled Securities entered in the Depository Register, the Managers may reject a Proxy Form if the Stapled Securityholder, being the appointor, is not shown to have Stapled Securities entered against his/her name in the Depository Register as at 48 hours before the time appointed for holding the AGM, as certified by CDP to the Managers.
 9. All Stapled Securityholders will be bound by the outcome of the AGM regardless of whether they have attended or voted at the AGM.

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BUSINESS REPLY SERVICE
PERMIT NO. 09300



**OUE HOSPITALITY REIT
MANAGEMENT PTE. LTD.**
(as manager of OUE Hospitality
Real Estate Investment Trust)

**OUE HOSPITALITY TRUST
MANAGEMENT PTE. LTD.**
(as trustee-manager of OUE
Hospitality Business Trust)

C/O BOARDROOM CORPORATE & ADVISORY SERVICES PTE. LTD.
50 RAFFLES PLACE #32-01
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SINGAPORE 048623

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Corporate Information

OUÉ HOSPITALITY TRUST

Website: www.oueht.com
Email: enquiry@oueht.com
SGX Code: SK7 (OUÉ HTrust)

BOARD OF DIRECTORS

Mr Lee Yi Shyan
(Chairman and Non-Independent
Non-Executive Director)

Mr Chong Kee Hiong
(Chief Executive Officer and
Executive Director)

Mr Sanjiv Misra
(Lead Independent Director)

Mr Ong Kian Min
(Independent Director)

Mr Liu Chee Ming
(Independent Director)

Professor Neo Boon Siong
(Independent Director)

Mr Christopher James Williams
(Non-Independent
Non-Executive Director)

AUDIT AND RISK COMMITTEE

Mr Sanjiv Misra
(Chairman)

Mr Ong Kian Min

Mr Liu Chee Ming

Professor Neo Boon Siong

NOMINATING AND REMUNERATION COMMITTEE

Mr Ong Kian Min
(Chairman)

Mr Sanjiv Misra

Mr Christopher James Williams

COMPANY SECRETARY

Mr Ng Ngai

INDEPENDENT AUDITORS

KPMG LLP
16 Raffles Quay
#22-00 Hong Leong Building
Singapore 048581
Tel: (65) 6213 3388
Fax: (65) 6225 0984
Partner-in-charge:
Mr Koh Wei Peng
(Appointed since the financial year
ended 31 December 2017)

TRUSTEE OF OUÉ HOSPITALITY REAL ESTATE INVESTMENT TRUST

**RBC Investor Services Trust
Singapore Limited**
8 Marina View
#26-01 Asia Square Tower 1
Singapore 018960
Tel: (65) 6230 1988
Fax: (65) 6532 0215

MANAGER OF OUÉ HOSPITALITY REAL ESTATE INVESTMENT TRUST

**OUÉ Hospitality REIT
Management Pte. Ltd.**
333 Orchard Road #33-00
Singapore 238867
Tel: (65) 6831 6000
Fax: (65) 6880 2422

TRUSTEE-MANAGER OF OUÉ HOSPITALITY BUSINESS TRUST

**OUÉ Hospitality Trust
Management Pte. Ltd.**
333 Orchard Road #33-00
Singapore 238867
Tel: (65) 6831 6000
Fax: (65) 6880 2422

STAPLED SECURITY REGISTRAR

**Boardroom Corporate &
Advisory Services Pte. Ltd.**
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623
Tel: (65) 6536 5355
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www.oueht.com



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BUILDING ON TRUST ONE HOSPITALITY TRUST ANNUAL REPORT 2017