

G|R|O|W|T|H



OUE HOSPITALITY TRUST
ANNUAL REPORT 2015

G | R | O | W | T | H

OUE Hospitality Trust (OUE H-Trust) paves the way forward as we continue to grow and create sustainable value for our stakeholders. Despite tougher operating conditions this year, we remained resilient and focused on refining our competitive edge to stay ahead. Building on proven strategies and the support of a strong Sponsor, we enhanced our operational performance and maximised returns through new acquisitions and asset enhancements.

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 320-room Crowne Plaza Changi Airport, and a high-end retail mall Mandarin Gallery, has a portfolio value of approximately S\$2.05 billion as at 31 December 2015.

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

CONTENTS

8	Letter to Stapled Securityholders	64	Summary of Fees Payable to the REIT Manager
14	Financial Highlights	68	Statement on Policies and Practices in Relation to the Management and Governance of OUE Hospitality Business Trust
15	Structure of OUE Hospitality Trust	76	OUE Hospitality Trust Financial Statements
16	Strategy of the Trust	140	OUE Hospitality Trust Management Pte. Ltd. Financial Statements
20	Board of Directors	154	Interested Person and Interested Party Transactions
25	REIT Manager	155	Statistics of Stapled Securityholdings
27	Corporate Information		
28	Investor Relations		
30	Corporate Social Responsibility		
37	Portfolio Overview		
42	Property Profile		
48	Financial Review		
51	Corporate Governance Report		

G|R|O|W|T|H

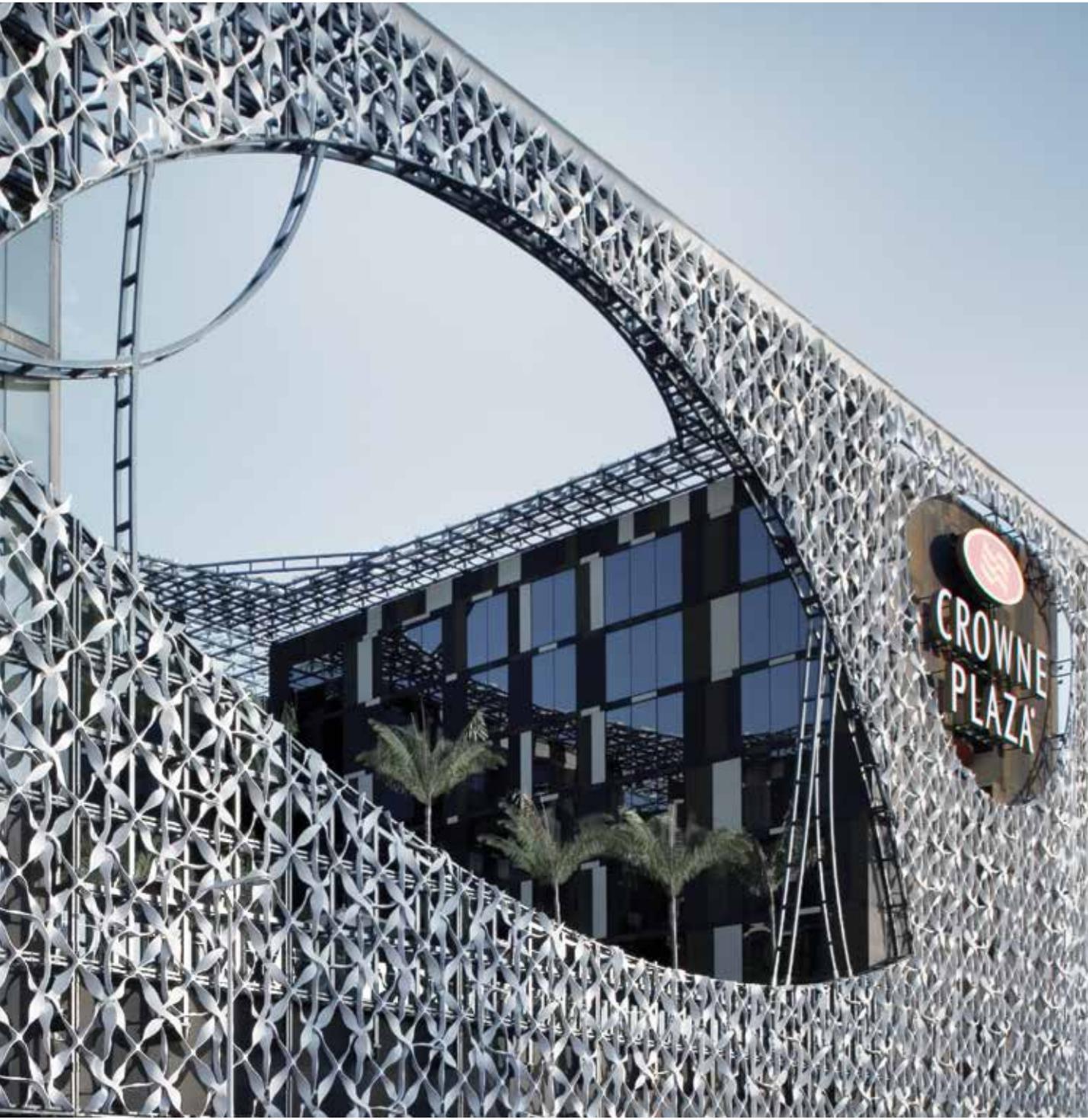
MOMENTUM



On 30 January 2015, OUE H-Trust acquired Crowne Plaza Changi Airport (CPCA), adding 320 guest rooms to its portfolio and enlarging its portfolio value to \$2.05 billion as at 31 December 2015.

The acquisition of CPCA has increased the income and enhanced the diversification of OUE H-Trust as it reduces the reliance of OUE H-Trust's income stream on any single property. Receiving a boost from CPCA, OUE H-Trust's revenue and net property income (NPI) for FY2015 were 7.5% and 5.8% respectively higher than FY2014.

In 2016, OUE H-Trust is expected to complete the acquisition of the 243-room Crowne Plaza Changi Airport extension (CPEX) when the construction is completed and CPEX obtains its temporary occupation permit. OUE H-Trust has agreed to purchase CPEX at \$205 million thus bringing the portfolio value of OUE H-Trust to approximately \$2.26 billion when the transaction is completed.



G|R|O|W|T|H

QUALITY



OUE H-Trust works closely with the master lessees, hotel managers and the retail mall's property manager on property improvement opportunities that will enhance the value of the portfolio and increase the earnings potential of the assets.

Asset enhancement works are on-going at Mandarin Orchard Singapore and the hotel is on-track with the refurbishment of 430 guest rooms in its Main Tower. This renovation programme has already added 26 new guest rooms to the hotel's room count, expanding from 1,051 guest rooms as at listing to the current 1,077 guest rooms. This is in addition to the new Meritus Club Lounge, Top of the M, which was completed in November 2013 and the new Szechwan restaurant, Shisen Hanten by Chen Kentaro located on level 35 of the hotel's Orchard Wing which was officially opened in January 2014.

Mandarin Gallery continues to focus on leveraging on its position as a high-end fashion mall and lifestyle destination to attract quality tenants and delight shoppers. In 2016, Mandarin Gallery will be welcoming the first flagship stores of premium brands Michael Kors and Victoria's Secret which will be calling Mandarin Gallery home for seven years and 10 years respectively.



G|R|O|W|T|H

SUSTAINABILITY



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.

With the expansion of OUE H-Trust's portfolio, we are proud that the footprint of positive contributions to society is similarly enlarged.

Both Mandarin Orchard Singapore and Crowne Plaza Changi Airport received the Singapore Green Hotel Award in 2015.



MANDARIN ORCHARD

LETTER TO STAPLED SECURITYHOLDERS



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

Mr. Chong Kee Hiong
Chief Executive Officer and
Executive Director

Dear Stapled Securityholders,

OUE Hospitality Trust (OUE H-Trust) successfully acquired the 320-room Crowne Plaza Changi Airport (CPCA) in 2015, thus expanding the value of its property portfolio from \$1.76 billion to \$2.05 billion. The acquisition of CPCA has improved OUE H-Trust's portfolio asset diversification as it now has two hotels in two strategic locations and one retail mall. The acquisition has also enhanced the income diversification of OUE H-Trust and reduced the reliance of OUE H-Trust's income stream on any single property.

STABLE RETURNS FROM ENLARGED PORTFOLIO

The hospitality sector faced a challenging year in 2015. Singapore welcomed an estimated 15.2 million visitors in 2015, 0.9% higher than 2014¹. This was however at the lower range of the 0% to 3% growth forecast by the Singapore Tourism Board². Amidst a 6.5%¹ year-on-year increase in hotel room supply and relatively flat international visitor arrivals, revenue per available room (RevPAR) of Singapore hotels was 5.3%¹ lower as a result of lower occupancy and average room rates.

Despite the challenging market, OUE H-Trust delivered higher distributable income for the second half of 2015 which partially mitigated the lower performance in the first half of the year. Overall, OUE H-Trust delivered a distribution per Stapled Security (DPS) of 6.55 cents for 2015 which translates to a distribution yield of 8.5% based on closing price on 31 December 2015 of \$0.77 per Stapled Security.

Gross revenue for 2015 was \$124.6 million, \$8.7 million higher than revenue for 2014 of \$115.9 million. This was mainly due to higher revenue from the hospitality segment which mitigated the lower retail revenue.

Revenue from the hospitality segment was \$9.3 million higher than last year. This was a result of

the additional \$14.4 million of master lease income contribution from the newly acquired CPCA which more than offset the decrease of \$5.1 million master lease income from Mandarin Orchard Singapore (MOS). Portfolio RevPAR at \$233 for 2015 was lower as compared to RevPAR of \$239 for 2014 as a result of lower room sales at MOS.

For the retail segment, Mandarin Gallery recorded \$0.5 million lower revenue of \$36.7 million in 2015 compared to 2014 due to lower occupancy and the fit-out periods granted for tenants arising from lease renewals.

OUE H-Trust's net property income was 5.8% higher than 2014 at \$109.1 million mainly due to the additional master lease income contributed by the newly acquired CPCA.

Distributable income achieved was \$87.4 million, 1.8% lower than in 2014.

RISING ABOVE CHALLENGES

OUE H-Trust's hotels, MOS and CPCA turned in creditable results for the year. MOS' RevPAR of \$230 for 2015 was 3.8% lower than 2014 RevPAR of \$239. This is a relatively resilient performance compared to the decline in RevPAR of Singapore hotels of 5.3%. MOS' lower RevPAR was mainly attributed to the absence of major meetings, incentives, convention and exhibition (MICE) events that were held in 2014 (and every subsequent alternate year). The drop in international visitor arrivals in the first half of 2015 also had a negative impact on demand for hotel rooms.

CPCA achieved a RevPAR of \$242 which is largely on par with the performance achieved in 2014, thus outperforming the market. Leveraging on its unique position as the only global brand name hotel situated within the vicinity of the passenger terminals of Changi Airport, CPCA continued to be a preferred accommodation choice for corporate and leisure guests with its strategic location.

1 Singapore Tourism Board, Hotel Statistics (Preliminary) & International Visitor Arrival Statistics, 29 February 2016.

2 Singapore Tourism Board, Tourism Industry Conference 2015, Speech by Mr. S Iswaran, Second Minister for Home Affairs and Trade and Industry, 7 April 2015.

LETTER TO STAPLED SECURITYHOLDERS

The retail scene in Singapore remained challenging amidst Mandarin Gallery's lease renewal cycle in 2015 as tenants adopt a more cautious view of the market. As at 31 December 2015, Mandarin Gallery was 94% committed. For 2015, leases renewed or signed, which accounted for approximately 50% of the net lettable area (NLA) of Mandarin Gallery, achieved a positive weighted average rental reversion of about 8.6%. Notwithstanding the difficult environment, Mandarin Gallery continued to attract quality tenants such as Michael Kors and Victoria's Secret which will be launching their respective new flagship stores at the mall in 2016.

CAPITAL MANAGEMENT

As at 31 December 2015, OUE H-Trust's gearing was at 42.0%. The increase in the gearing level of OUE H-Trust is due to the acquisition of CPCA which was fully debt-funded. For 2015, the average cost of debt was 2.5% per annum with a healthy interest service ratio of 4.6 times. The weighted average remaining debt maturity tenor was 2.4 years and net asset value (NAV) per stapled security was \$0.90 as at 31 December 2015.

We will continue to focus on achieving an optimal debt profile with a view to maximising returns for Stapled Securityholders.

SUSTAINABILITY

In 2015, with the expansion of OUE H-Trust's asset portfolio, we are proud that the footprint of positive contributions to society has similarly expanded.

We support selected programmes, in collaboration with our Sponsor OUE Limited and the Hotel Managers, which bring tangible results in aid of causes that support the welfare of the underprivileged and environmental sustainability.

At MOS, the annual corporate social responsibility calendar is anchored by the Stars of Christmas event

which has been held every year since 2010. Stars of Christmas is aimed at engaging the community to share in the joy of giving every Christmas by contributing presents to children with special needs and illnesses. Stars of Christmas has since become an annual tradition that has gained the generous support of a growing list of corporate partners, donors and volunteers.

Doing our part for a sustainable environment is an important consideration for our business. In our efforts to encourage environmentally responsible practices, we include not only employees but guests, tenants and business partners as well. We are proud to share that CPCA is the first hotel in Singapore to be accorded the prestigious and coveted Gold Certification by EarthCheck and recognised as an EarthCheck Benchmarked Accommodation – Business Hotel.

Most importantly, we value the employees at our hotels and fully support their training and development so that they can grow in their respective roles. Staff at both MOS and CPCA completed a total of more than 20,000 hours of training in 2015 to equip them with skills to consistently excel in their roles and boost their potential for future advancements.

More on our sustainability efforts can be found in the Corporate Social Responsibility section.

2016 OUTLOOK

In 2016, Singapore will again host major biennial events such as The Singapore Airshow and Food & Hotel Asia in the first half of the year. It will also host the World Rugby Sevens Series in April 2016. These events are expected to increase hospitality demand.

However, the global economic environment remains uncertain. According to Singapore's Ministry of Trade and Industry, the estimated growth for Singapore is expected to be in the range of 1% to 3% for 2016 after achieving a growth rate of 2.0% for 2015³.

3 MTI Press Release: 24 February 2016 – MTI Maintains 2016 GDP Growth Forecast at 1.0 to 3.0 Per Cent.

Against the backdrop of a subdued global and local economy, the tourism industry continues to face headwinds in the near term as consumers and corporates are likely to be conservative in their travel expenditures. In addition, the hospitality sector will remain competitive with the expected increase in supply of new hotel rooms.

The acquisition of CPCA has increased the income and enhanced the diversification of OUE H-Trust. OUE H-Trust expects to acquire the Crowne Plaza Changi Airport extension of 243 rooms by the second half of 2016 following the completion of the construction of the extension and upon receipt of the temporary occupation permit.

The asset enhancement programme for MOS will continue into 2016. The remaining guest rooms to be renovated will be refurbished in phases. This refurbishment is funded by the Sponsor, OUE Limited.

The retail scene in Singapore is expected to remain challenging amidst Mandarin Gallery's lease renewal cycle in 2016 as tenants adopt a more cautious view of the market. In addition, during tenancy changes as part of the lease renewal cycle, an increase in the duration of fit-out periods is expected. As a result of the impact of slower lease renewals and more fit-out periods both by the landlord in between lease periods and by the tenants, Mandarin Gallery is expected to record lower occupancy in first half of 2016.

Amongst the new leases signed in 2015 are two with Michael Kors and Victoria's Secret. These two international brands will be calling Mandarin Gallery home for seven years and 10 years respectively. The longer terms of these leases will help anchor the mall's income stability in this challenging market. The addition of these two international brands will also enhance Mandarin Gallery's street front façade.

Mandarin Gallery will continue to focus on leveraging on its position as a high-end fashion mall and lifestyle destination to attract quality tenants and delight shoppers.

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

APPRECIATION

We sincerely value the support of Stapled Securityholders. We would also like to express appreciation to our Sponsor for their commitment to the growth and prospects of OUE H-Trust.

Through a challenging year, the management and staff of Mandarin Orchard Singapore and Crowne Plaza Changi Airport and the property managers of Mandarin Gallery have put in their best to rise above the challenges. We would like to thank all of them.

On behalf of the Board, we would like to welcome Mr Lee Yi Shyan, who has been appointed Deputy Chairman and Non-Independent Non-Executive Director as at 12 January 2016.

Christopher James Williams

Chairman and Non-Independent Non-Executive Director

Chong Kee Hiong

Chief Executive Officer and Executive Director

1 March 2016

致合订证券持有人的书信

致合订证券持有人,

华联酒店信托成功于2015年收购了设有320间客房的樟宜机场皇冠假日酒店(皇冠假日酒店),从而将其物业投资组合的价值由17.6亿增加至20.5亿新元。皇冠假日酒店的收购提升了华联酒店信托的资产投资组合多元化性质,以致现拥有两家地点优越的酒店和一间零售商场。收购行动也增强了华联酒店信托的收入多元化性质,并缓和了华联酒店信托依赖任何单一物业收入来源的局面。

扩大的投资组合给予稳定的回报

酒店业于2015年面临艰巨的挑战。新加坡在去年迎接了预计1,520万名旅客,比2014年高出0.9%¹。不过,这是在新加坡旅游局0%至3%²的增长预测较低的范围内。在年比酒店供应增长6.5%¹和抵境的国际旅客人数相对持平的局势下,较低的酒店入住率和平均房价导致新加坡每间可入住房收入下滑5.3%¹。

尽管市场极具挑战,华联酒店信托2015年下半年的可分派收入有所提升,因而部分缓解了同年上半年较不理想的表现。总体而言,华联酒店信托2015财政年度的每单位合订证券派息(DPS)达6.55分。根据2015年12月31日每单位闭市价0.77新元计,此次派息收益率为8.5%。

华联酒店信托于2015财年的总收入达1.246亿新元,比2014财年的1.159亿新元多870万新元。这主要归于较高的酒店部门收入缓和了零售部门收入下滑的影响。

酒店部门收入比去年高出930万新元。这是新收购皇冠假日酒店所贡献的额外1,440万新元主租赁收入,有助抵消新加坡乌节文华大酒店下跌510万新元的主租赁收入的成效。由于新加坡乌节文华大酒店的客房收入缩减,因此投资组合在2015年的每间可入住房收入为233新元,同比2014年的239新元较低。

至于零售部门方面,文华购物廊受较低出租率和新租赁装修期影响,使其2015财年收入为3,670万新元,比2014财年少50万新元。

华联酒店信托的净物业收入为1.091亿新元,比2014年高出5.8%,主要因素为新收购的皇冠假日酒店所贡献的额外主租赁收入。

可分派收入达8,740万新元,同2014年低1.8%。

应对挑战

华联酒店信托的酒店,新加坡乌节文华大酒店和皇冠假日酒店都于2015年交出扎实的业绩。新加坡乌节文华大酒店于2015年230新元的每间可入住房收入比2014年的239新元低3.8%。纵观新加坡酒店每间可入住房收入5.3%的下滑水平,这是个相对坚稳强韧的表现。因缺乏按隔两年的时期举办(上届在2014年举行)的大型特定主题会展,导致新加坡乌节文华大酒店每间可入住房收入下滑。2015财年上半年所呈现的抵境国际旅客人数下滑趋势,也对酒店客房的需求有着负面的影响。

皇冠假日酒店取得了242新元的每间可入住房收入,于2014年的表现不相上下,可谓超越市场表现。秉持着其做为樟宜机场搭客大厦区内唯一国际酒店品牌的独特定位,皇冠假日酒店继续以其优势地点,成为商务和休闲旅客的住宿首选。

新加坡的零售业仍然面对艰巨挑战,为此文华购物廊于2015财年的续租周期呈现了租户对市场抱着谨慎的态度。截至2015年12月31日止,文华购物廊的租出单位占94%。2015财年中续租或新签的租约,占净可出租面积约50%,加权平均续租租金调升率约为8.6%。虽然经营环境困难,但是文华购物廊还是成功继续吸引优质租户,如Michael Kors和维多利亚的秘密(Victoria's Secret)将于2016年到此推出它们个别的全新旗舰店。

资金管理

截至2015年12月31日止,华联酒店信托的杠杆比率为42.0%。华联酒店信托杠杆比率的增加归于整数由债务融资的皇冠假日酒店收购。2015年的每年平均债务成本为2.5%,偿利率也处于4.6倍的良好水平。加权平均债务到期期限为2.4年,而截至2015年12月31日止,其净资产值为每合订证卷0.90新元。

我们将继续专注于把债务结构保持在最合适的水平,为合订证券持有人争取最大的回报。

可持续性

华联酒店信托于2015年的资产投资组合顺势拓展,促使我们对社会的贡献也相继扩大。

1 新加坡旅游局2016年2月29日-酒店初步统计数字,抵境国际旅客人数统计。

2 新加坡旅游局,2015年旅游行业大会,内政部兼贸工部第二部长易华仁的演讲词,2015年4月7日。

我们支持所选的指定社会项目，并与我们的保荐机构华联企业和酒店管理公司协力为社会有需要的人士和环保出一份力，伸出援手。

新加坡乌节文华大酒店的年度企业社会责任日历是以圣诞之星的活动为主，并自2010年，年度举行。圣诞之星执意带动社区一起为有特别需要和罹患疾病的儿童送上礼物，与他们分享圣诞的喜悦。圣诞之星至今已成为一个年度传统，获得了无数企业合作伙伴、捐赠者和志愿者的慷慨支持。

为环境的可持续发展尽一份力是我们在业务上的信念。我们希望通过我们的贡献来增加为环保的实际行动，因此我们的活动不但涉及职员，也邀请酒店房客、租户和商业伙伴一同参与。我们很荣幸与您分享皇冠假日酒店是新加坡首家荣获地球检查机构(EarthCheck)授予荣誉金文凭的酒店，并被认证为地球检查机构评分基准住宿--商务酒店。

更重要的是，我们珍惜酒店职员，并鼎力支持他们接受培训和栽培他们，让他们能在各自领域发挥所长。新加坡乌节文华大酒店和皇冠假日酒店的职员都于2015年，完成了多过20,000个小时的培训，提升他们的技能，提高他们在工作岗位上获得晋升的机会。

请参阅我们的企业社会责任章节，以了解更多有关我们对可持续性项目的贡献。

展望2016年

新加坡于2016年将再次主办盛大的两年一度重要活动，如在上半年主办的新加坡航展和亚洲食物与酒店展览。我国也将于2016年4月主办世界七人制橄榄球系列。这些活动预计将有助增加我国的酒店需求。

全球的经济环境将持续不明朗。根据新加坡贸工部³的预测，新加坡在2015年取得2.0%的增长率后，2016年的增长预测是1%至3%。在全球和本地经济萧条的环境中，旅游业继续在近期面临波折。消费者和企业预料将降低行程花费。除此之外，酒店业也因为新酒店房间供应的增加，而维持一定的竞争程度。

皇冠假日酒店的收购已为华联酒店信托增长收入和增强其多元化性质。随着扩展施工的完成和临时占用许可证的接收，华联酒店信托预期将在2016年下半年收购皇冠假日酒店扩建部分的243间客房。

另一方面，新加坡乌节文华大酒店的资产增值项目将继续延伸至2016年。剩余需要翻新的客房会分阶段进行。这项翻新工程将由保荐机构华联企业资助。

新加坡的零售业预计将保持艰巨，文华购物廊于2016财年的续租周期因此出现了租户对市场有所保留的态度。除此之外，在续租周期期限内，租户变动的现象预计将导致装修时期延长的局面。放缓的续租局势，以及在租赁期间业主和租户所需的更多装修时期导致文华购物廊预料将在2016财年上半年呈献较低的出租率。

2015年所签定的新租约中，有两个是著名品牌Michael Kors和维多利亚的秘密(Victoria's Secret)。这两个国际品牌将个别在文华购物廊定居7年和10年。较长的租约能帮助商场在这极具挑战的市场上取得稳固收入，也起着提升文华购物廊街道正面的可视性。

文华购物廊将继续发展做为高尚服装商场和顶尖生活方式去处的定位，以吸引更多优质租户来满足购物者的需求。

我们将继续通过保荐机构和第三方物色商机、寻求增长以及增值型收购项目。

致谢

我们由衷珍惜合订证券持有人的鼎力支持。我们也在借此答谢保荐机构对华联酒店信托的增长和发展而作出的承诺一路保持不变。

在这艰巨的一年中，新加坡乌节文华大酒店和皇冠假日酒店的管理层与职员，以及文华购物廊的产业经理都不畏艰辛，坚持到底。我们为此衷心向他们全体人员致谢。

在此，我们谨代表董事局，热烈欢迎李奕贤先生于2016年1月12日上任副主席兼非独立和非执行董事一职。

Christopher James Williams

主席兼非独立非执行董事

鍾奇雄

行政总裁兼执行董事

2016年3月1日

3 贸工部2016年2月24日新闻稿：“贸工部2016年国内生产总值增长预测保持在1.0至3.0%之间”。

FINANCIAL HIGHLIGHTS

	25 Jul 2013 to 31 Dec 2013 ¹	FY2014	FY2015
Gross Revenue	\$50.6m	\$115.9m	\$124.6m
Net Property Income	\$44.8m	\$103.2m	\$109.1m
Distributable Income	\$38.2m	\$89.0m	\$87.4m
Distribution Per Stapled Security (DPS)	2.90 S cents	6.74 S cents	6.55 S cents
Annualised DPS	6.62 S cents	–	–
Annualised Distribution Yield ²	7.57%	7.45%	8.51%
Selected Statement of Financial Position Data			
as at 31 December	2013	2014	2015
Total Assets	\$1,834.2m	\$1,796.6m	\$2,100.9m
Unitholders' Funds	\$1,211.6m	\$1,198.4m	\$1,207.0m
Total Borrowings	\$581.4m	\$583.1m	\$877.2m
Financial Ratios			
Gearing	32.0%	32.7%	42.0%
Interest Service	6.7 times	7.1 times	4.6 times
Average Term to Maturity	3.6 years	2.6 years	2.4 years
Average Cost of Debt	2.2%	2.2%	2.5%
Management Expense Ratio ³	0.99%	0.92%	1.01%
Derivative Financial (Liabilities)/Assets ⁴ as a Percentage of Net Asset Value (NAV)	(0.47%)	(0.19%)	0.42%
NAV Per Stapled Security			
As at 31 December	\$0.92	\$0.90	\$0.90
Others as at 31 December			
Market Capitalisation ²	\$1,146.8m	\$1,195.9	\$1,031.1m
Number of Stapled Securities in Issue	1,310.6m	1,321.4m	1,339.1m

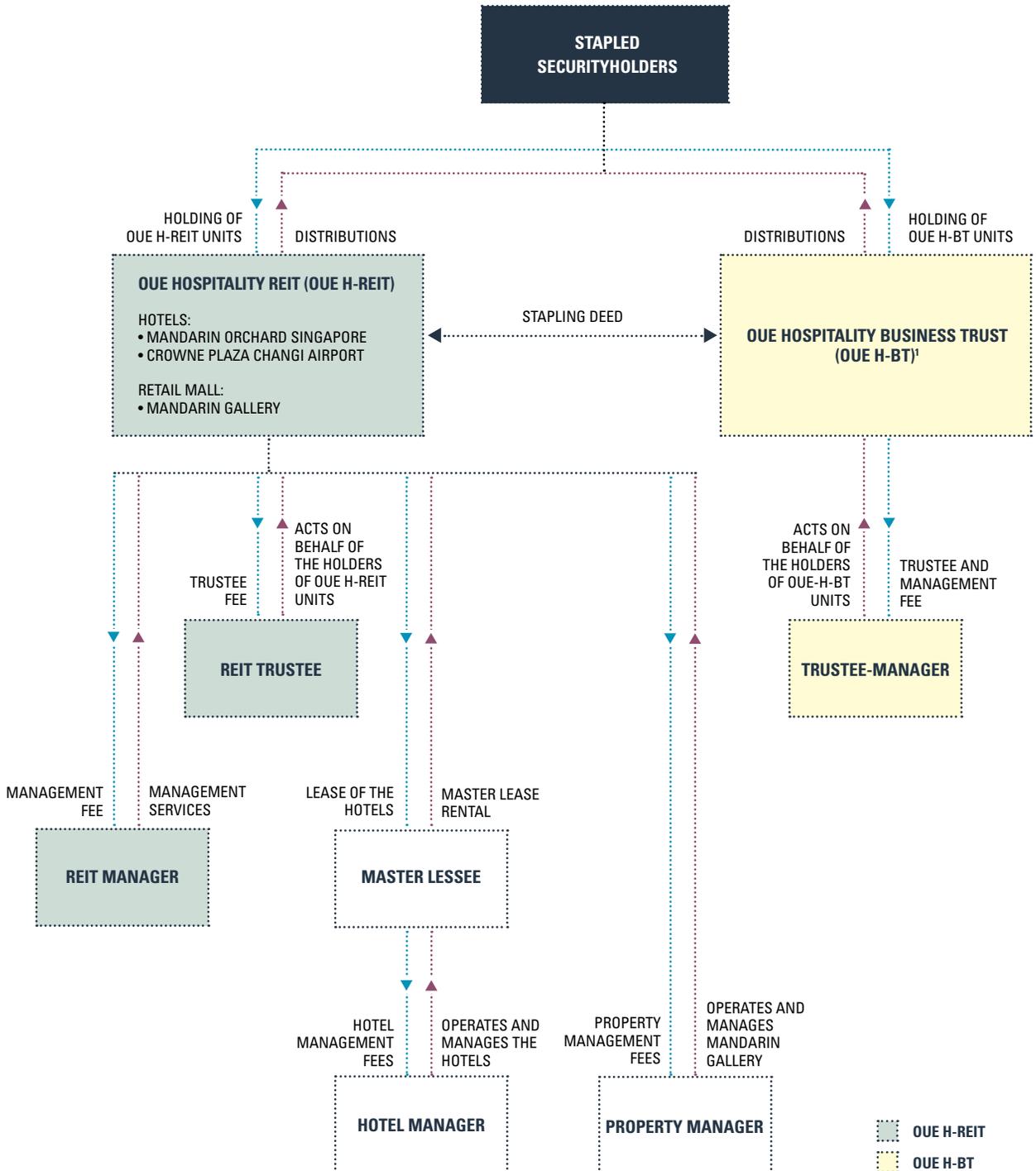
1 The first financial period for OUE H-Trust was from 10 July 2013 to 31 December 2013. Although OUE H-REIT and OUE H-BT were established on 10 July 2013, the acquisition of properties by OUE H-REIT was only completed on 25 July 2013 which was the official listing date of OUE H-Trust. Consequently, the actual income derived from the properties for the current period 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 per Stapled Security of \$0.77 as at 31 December 2015 (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 \$12.1 million (2014: \$11.1 million; 2013: \$11.8 million).

4 Derivative financial assets/liabilities refer to the interest rate swaps entered into.

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 F&B concepts.

- **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 rates, high 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 intends to actively work 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 REIT Manager and the Property Manager will also work to foster close relationships with tenants in order to achieve optimal tenant retention. The REIT Manager's leasing strategy will target new retail tenants for Mandarin Gallery, while exploring the expansion needs of existing tenants.

- **Cost Management Strategy**

The REIT Manager, together with the Property Manager, will continue to foster close partnerships with service providers to control operation cost escalation. The REIT Manager and the Property Manager will also constantly review workflow processes to improve efficiencies in order to reduce operational costs.

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.

STRATEGY OF THE TRUST

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 S\$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. CHRISTOPHER JAMES WILLIAMS

Chairman and Non-Independent Non-Executive Director

Mr. Christopher James Williams was appointed as the Chairman and Non-Independent Non-Executive Director of the Board of Directors of the REIT Manager and the Trustee-Manager (collectively, the “Managers”) on 19 April 2013. He 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 and was previously a partner of Richards Butler, Hong Kong from May 1994 to December 2007, a partner of Richards Butler in Association with Reed Smith from January 2008 to December 2010 and a partner of Reed Smith Richards Butler from January 2011 to December 2011. He is presently the deputy chairman of OUE Limited and was a non-executive chairman of Food Junction Holdings Limited from November 2009 to December 2013. He was appointed as the chairman and non-independent non-executive director of OUE Commercial REIT Management Pte. Ltd. in October 2013. He was also appointed as a director of OUB Centre Limited in January 2014, and OUE Lippo Limited in December 2014.

Mr. Williams specialises in corporate finance, mergers and acquisitions, direct investment and corporate restructurings and reorganisations. He also advises on corporate governance and compliance. His practice encompasses Hong Kong and the Asia Pacific region, particularly Indonesia and

Singapore. He has been named in the *Guide to the World’s Leading Mergers and Acquisitions Lawyers* as well as the *International Who’s Who of Merger and Acquisition Lawyers* as one of the world’s top mergers and acquisitions lawyers.

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



MR. LEE YI SHYAN

Deputy 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 Managers on 12 January 2016.

Mr. Lee joined OUE Limited as an executive adviser to the chairman of OUE Limited in January 2016. He is presently an elected member of parliament for East Coast GRC. He is also the current president of the Singapore Badminton Association and is one of the founding directors of Business China.

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 businesses 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 internationalise 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 honoured 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 at 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.



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 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 where he was responsible for determining the overall business, investment and operational strategies for Ascott. He was the chief executive officer of Ascott Residence Trust Management Limited from 2005 to February 2012. Ascott, a wholly-owned subsidiary of CapitalLand Limited, is the world's largest international serviced residence owner-operator and it is the sponsor of Ascott Residence Trust which was listed on Singapore Exchange Securities Trading Limited (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.

BOARD OF DIRECTORS



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. He is also a member of the board of directors of the National University Health System. 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.

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 until 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.



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 20 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 chief executive officer of Kanesaka Sushi Private Limited, a company which he set up in January 2010 and which owns and operates two fine-dining Japanese restaurants in Singapore.

Mr. Ong is currently the non-executive chairman of HUPSteel Limited and an independent non-executive director of several other companies listed on the SGX-ST, namely BreadTalk Group Limited, Food Empire Holdings Limited, GMG Global Ltd, Jaya Holdings Limited, Penguin International Limited and Silverlake Axis Ltd. He chairs the audit committee of five of these listed companies, namely BreadTalk Group Limited, Food Empire Holdings Limited, Jaya Holdings Limited, Penguin International Ltd and Silverlake Axis Ltd and is the lead independent director of BreadTalk Group Limited and Penguin International Ltd. Mr. Ong was an independent non-executive director of China Energy Limited from September 2008 until its delisting from the SGX-ST in November 2014.

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 was an independent non-executive director of Kader Holdings Company Limited (a company listed on the Hong Kong Stock Exchange) from June 1998 until his re-designation as a non-executive Director in December 2013. He has also been an independent non-executive director of StarHub Ltd. (a company listed on the SGX-ST) since

BOARD OF DIRECTORS

August 2004, an independent non-executive director of Haitong Securities Co., Ltd. (a company listed on the Hong Kong and Shanghai stock exchanges) since November 2011, and an independent non-executive director of Founder BEA Trust Co., Ltd. since November 2013. Founder BEA Trust Co., Ltd. is an associate company of The Bank of East Asia, Limited (a company listed on the Hong Kong Stock Exchange). He has been an independent non-executive director of Japfa Ltd. (a company listed on the SGX-ST) since July 2014. Japfa Ltd. is the holding company of PT Japfa Comfeed Indonesia Tbk (a company listed on the Indonesia Stock Exchange). He has been appointed as an Independent Supervisor of the Supervisory Committee of Dalian Wanda Commercial Properties Co., Ltd. (a company listed on the Hong Kong Stock Exchange) since May 2015. He has been an independent non-executive director of STT GDC Pte. Ltd. since October 2015.

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



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.

Professor Neo is also a Professor and formerly served as Dean of the Nanyang Business School of Nanyang Technological University, Singapore from 1998 to 2004.

After his appointment as Dean, Professor 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.

Professor Neo currently serves as a non-executive director of k1 Ventures Limited, 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.

Professor 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.

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 pg 21 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.

REIT MANAGER



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.

CORPORATE INFORMATION

QUE HOSPITALITY TRUST

Website: www.oueht.com
Email: enquiry@oueht.com
SGX Code: SK7 (OUE HTrust)

BOARD OF DIRECTORS

Mr Christopher James Williams

Chairman and Non-Independent
Non-Executive Director

Mr Lee Yi Shyan

Deputy 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

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 Christopher James Williams

Mr Sanjiv Misra

COMPANY SECRETARY

Mr Ng Ngai

INDEPENDENT AUDITOR

KPMG LLP

16 Raffles Quay
#22-00 Hong Leong Building
Singapore 048581
Tel: (65) 6213 3388
Fax: (65) 6225 0984
Partner-in-charge: Ms Lo Mun Wai
(Appointed since the financial year ended 31 December 2014)

TRUSTEE OF QUE HOSPITALITY REAL ESTATE INVESTMENT TRUST

RBC Investor Services Trust Singapore Limited

77 Robinson Road
#18-00 Robinson 77
Singapore 068896
Tel: (65) 6230 1988
Fax: (65) 6532 0215

MANAGER OF QUE HOSPITALITY REAL ESTATE INVESTMENT TRUST

QUE Hospitality REIT Management Pte. Ltd.

333 Orchard Road #33-00
Singapore 238867
Tel: (65) 6831 6000
Fax: (65) 6880 2422

TRUSTEE-MANAGER OF QUE HOSPITALITY BUSINESS TRUST

QUE 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
Fax: (65) 6438 8710

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.

2015 ACTIVITIES

OUE H-Trust held an extraordinary general meeting (EGM) on 13 January 2015. The proposed acquisition of Crowne Plaza Changi Airport (CPCA) and its future extension was approved by stapled securityholders at this meeting. OUE H-Trust subsequently acquired CPCA on 30 January 2015. The extension is under construction and is expected to be acquired after construction is complete (expected to be around mid-2016) and temporary occupation permit (TOP) is obtained. On 28 April 2015, OUE H-Trust held its annual general meeting (AGM) of stapled securityholders.

OUE H-Trust conducted two analyst and media briefings for the FY2014 and first half 2015 (1H2015) financial results, where management presented the highlights of the financial results and addressed questions from analysts and media representatives.

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

Event	Location	Date
CIMB Non-Deal Roadshow	Kuala Lumpur	9 March 2015
BNP Paribas Non-Deal Roadshow	Hong Kong Tokyo	23 March 2015 6 April 2015
DBS Vickers Pulse of Asia Conference	Singapore	7 July 2015
BNP Paribas Non-Deal Roadshow	Tokyo	16 November 2015

TRADING PERFORMANCE – CLOSING PRICE

	S\$ per Stapled Security
2014 Last done	0.905
2015 Highest	0.99
2015 Lowest	0.74
2015 Last done	0.77

FINANCIAL CALENDAR 2015

Extraordinary General Meeting	13 January
Release of 2014 Full Year Results	27 January
Payment of Distribution	27 February
Annual General Meeting	28 April
Release of First Quarter Results	7 May
Payment of First Quarter Distribution	9 June
Release of Half Year Results	13 August
Payment of Second Quarter Distribution	16 September
Release of Third Quarter Results	12 November
Payment of Third Quarter Distribution	15 December

2015 TRADING PERFORMANCE - VOLUME TRADED ('000)

	Stapled Security
Total Volume Traded	259,804
Average Daily Volume	1,047

FINANCIAL CALENDAR 2016*

Release of 2015 Full Year Results	25 January
Payment of Distribution	26 February
Annual General Meeting	20 April
Release of First Quarter Results	May
Payment of First Quarter Distribution	June
Release of Half Year Results	August
Payment of Second Quarter Distribution	September
Release of Third Quarter Results	October/ November
Payment of Third Quarter Distribution	December

* Dates may be tentative.

CORPORATE SOCIAL RESPONSIBILITY

PEOPLE, COMMUNITY AND ENVIRONMENT

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 selected programmes, in collaboration with our Sponsor OUE Limited and the Hotel Managers, which bring tangible results in aid of causes that support ecological sustainability and the welfare of underprivileged children and the elderly, especially in the areas of health and education.

We believe that strong, progressive communities are essential in the lasting success of any business.

CREATING OPPORTUNITIES FOR TALENT GROWTH

Developing talent and growing their pool remain an essential part of our long-term strategy.

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

Employees are the heart of the hotel's operations as it endeavours to deliver above-expectation service to hotel guests. In 2015, more than 95% of employees at Mandarin Orchard Singapore (MOS) attended at least one training course to upgrade their skills. Each employee averaged more than 30 hours of training for the year bringing the total number of training hours achieved to over 21,000 hours. This is a demonstration of the hotel's strong commitment to the development of its staff.

The key training that MOS employees undertake is the Meritus Difference customer service programme where they learn the Meritus signature service delivery with Asian grace, warmth, and care.

To equip them with skills to consistently excel in their roles and boost their potential for future advancements, hotel employees also attended courses which included leadership and supervision, information technology, first aid, food hygiene

courses and Community Emergency Response Team (CERT) training.

In 2015, 288 of MOS's staff were recognised by 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. It is supported by SPRING Singapore and managed by the Association of Singapore Attractions, the Land Transport Authority, the Public Service Division, the Restaurant Association of Singapore, the Singapore Hotel Association, the Singapore Retailers Association, and the Association of Banks in Singapore.



MOS training session on first aid

Crowne Plaza Changi Airport

In 2015, the hotel's employees clocked more than 1,900 hours of training in areas such as customer service, leadership skills, new employee orientation and on-the-job training. Timely and targeted training enables the hotel to constantly provide guests the best service. These are also opportunities for staff to upgrade their skills and build a long term career with the hotel.

The hotel also motivates staff through recognising their contributions. Staff who demonstrate outstanding efforts are regularly conferred these following awards:

- * Colleague of the Month
- * Supervisor of the Quarter
- * Manager of the Quarter
- * Employee of the Year
- * Supervisor of the Year
- * Manager of the Year

With a strong culture of staff empowerment and recognition, Crowne Plaza Changi Airport (CPCA), as part of the InterContinental Hotels Group (IHG) hotels in Singapore was recognised as one of the

Best Companies To Work For at the *Great Place To Work@* awards ceremony on 6 November 2015. The hotel celebrated this accolade with employees on 9 November 2015 to thank them for their efforts and for making the hotel a great place to work and a great hotel that guests love. The hotel even went the extra mile to include hotel guests and visitors at Changi Airport, Departure Hall (Level 3) in the celebration by distributing complimentary coffee and iced tea to them on the same day.



CPCA Great Place to Work@ staff event



CPCA Great Place to Work@ award celebration

CORPORATE SOCIAL RESPONSIBILITY



Participants at ComChest Heartstrings Walk 2015

SUPPORTING OUR LOCAL COMMUNITIES

We continue to take a community-driven approach to caring for our society through financial contributions, in-kind donations, and volunteer work by the different teams.

Closest to our hearts are causes that alleviate hunger, poverty, and illnesses, particularly amongst children and the elderly.

Mandarin Orchard Singapore

Community Chest Heartstrings Walk

Nearly 200 staff from OUE Limited, OUE Hospitality REIT Management, Meritus Hotels & Resorts, and Mandarin Orchard Singapore were amongst some 10,000 participants who volunteered their time on a public holiday to take part in the Community Chest Heartstrings Walk 2015 - SG50 Community Heartbeats.

Held on 7th August, the community event kick-started Singapore's Golden Jubilee weekend with a fun and meaningful four-kilometre fun walk around the Marina Bay. The event saw beneficiaries, corporate volunteers and the community at large coming together to celebrate Singapore as an inclusive and giving nation. They also participated in a special drumming activity to create rhythms that signify the heartbeat of a caring community.

The walk was flagged off by Deputy Prime Minister Teo Chee Hean and Minister for Social and Family Development Tan Chuan-Jin. Participants were greeted at the end of the fun walk by Prime Minister Lee Hsien Loong who also paid a visit to the event.

Bloomberg Square Mile Relay

Forty running enthusiasts from OUE Limited, OUE Hospitality REIT Management, Meritus Hotels & Resorts, and Mandarin Orchard Singapore competed for a cause and took part in the iconic sell-out Bloomberg Square Mile Relay 2015 sponsored by OUE Limited. The runners tackled the unique one-mile course in a bid to clock the fastest timing and win a cheque for charity in this highly anticipated corporate relay held at the Promontory @ Marina Bay on 3rd December.

Stars of Christmas

Stars of Christmas was back for the sixth year running. Started in 2010 and jointly championed by OUE Limited and Mandarin Orchard Singapore, the three-part programme is aimed at engaging the community to share in the joy of giving every Christmas by contributing presents to children with special needs and illnesses. Stars of Christmas has since become an annual tradition that has gained the generous support of a growing list of corporate partners, donors and volunteers.

Leading the cast of supporting partners were *Chrysler Jeep Automotive of Singapore Pte Ltd*, *Komoco Motorcycles Pte Ltd (Harley-Davidson of Singapore – Sole Authorised Dealer)*, and *Community Chest – the fund-raising and engagement arm of the National Council of Social Service*. 2015 also saw the added participation of *Marina Mandarin Singapore*.

Stars of Christmas 2015 commenced with the ceremonial hanging of Christmas stars at the lobby of *Mandarin Orchard Singapore*, led by OUE's Chief Executive Officer and Group Managing Director, Mr Thio Gim Hock. Giant Christmas trees at *Mandarin Orchard Singapore* and *Marina Mandarin Singapore* were adorned with stars bearing the name, age and gender of every beneficiary, for donors' useful reference when buying the presents.

On 10th December, beneficiaries of *Stars of Christmas 2015* along with their parents, siblings, and caregivers, were guests of honour at a Christmas luncheon hosted by OUE's Executive Chairman, Dr Stephen Riady. The children joined employees of OUE and its affiliate companies for an afternoon of Christmas treats and entertainment at *Mandarin Orchard Singapore*, featuring a visit from Santa and his helpers who gave out presents.



Dr Stephen Riady, OUE Limited's Executive Chairman, presenting gifts to beneficiaries of Stars of Christmas Community Drive



Mr Chong Kee Hiong, CEO of OUE Hospitality REIT Management Pte. Ltd. hanging Stars on the Christmas tree

Stars of Christmas 2015 ended on a high note at the Toy Run on the morning of 19th December. The activity saw a fleet of volunteer *Harley-Davidson* and *Chrysler Jeep* riders making their way to various locations to deliver donated Christmas presents for the beneficiaries.

The convoy set off from along the Orchard Road frontage of *Mandarin Gallery*, following a ceremonial flag-off led by Mr Thio Gim Hock, Chief Executive Officer and Group Managing Director of OUE Limited.

Upwards of 800 beneficiaries received presents under 2015's *Stars of Christmas community programme*.



Mr Thio Gim Hock, OUE Limited's Chief Executive Officer and Group Managing Director, at the Toy Run flag-off ceremony

CORPORATE SOCIAL RESPONSIBILITY

Crowne Plaza Changi Airport

CPCA as part of IHG pledged their support for the IHG Shelter in a Storm programme. Staff are encouraged to organise and participate in activities to raise funds that will be donated to the IHG Shelter Fund. As part of the programme, a series of fundraising activities took place in September 2015 including the Amazing Race, Gardens by the Bay tour with St. Luke Eldercare and a mini bazaar.

In April 2015, more than 30 staff participated in a visit to the Metta School and helped to guide over 70 students with special needs in growing seedlings in recycled water bottles. This meaningful visit gave the staff a better understanding of the needs and daily routine of these students.



IHG staff with Metta School students at a Green Day Event



Visit to Gardens by the Bay with St. Luke Eldercare residents for the IHG Shelter in the Storm Project

CARING FOR THE ENVIRONMENT

Respect for the environment is central to our business strategy. We aim to increase our operational efficiency through a greener approach – working to reduce our direct impact on the environment, and creating more sustainable ways of doing business.

As our portfolio grows and evolves, we remain dedicated to caring for our society, grooming our people, and bringing about sustainable improvements to protect Mother Earth.

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.

Mandarin Orchard Singapore embarked on a Food Recycling Programme in September 2014 partnering with ECO-WIZ Group Pte Ltd, one of the world’s leading food waste management companies to recycle all food waste generated. The system is supported by the National Environment Agency (NEA) under its 3R Fund, a co-funding scheme to encourage organisations to undertake waste minimisation and recycling projects.

Utilising the technology of ECO-WIZ’s eco-digester, the hotel aims to convert 90% of all food waste materials into liquid fertiliser or reusable non-potable water, which can be applied for multiple purposes. After the first four months that the system was installed and operated, the hotel reduced its general waste produced by 7.5%.

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 adopted EarthCheck standards as part of the hotel’s environmental policy, demonstrating its commitment to taking proactive steps towards addressing global environment issues.

EarthCheck is the world’s leading scientific benchmarking, certification and advisory group for the travel and tourism industry.

CPCA is the first hotel in Singapore to be accorded the prestigious and coveted Gold Certification by EarthCheck and recognised as an EarthCheck Benchmarked Accommodation – Business Hotel.

In line with the hotel’s environmental policy, CPCA constantly endeavours to improve environmental and social responsibility practices through compliance with regulations and by initiating sustainable actions to help the environment and society. The key focus areas for the hotel include: waste management, energy reduction, recycling, resource conservation, awareness, communication and best practices. The environmental policy is displayed on notice boards in all departments of the hotel. It is also displayed on the guest room’s TV home page to inform guests of the hotel’s environmental policy.

The hotel has put in place an Environmental Management Committee (EMC) to implement effective policies through a coordinated environmental management system, including an internal IHG Green Engage Certification. The committee champions best practices and seeks ways to innovate in order to positively impact its environmental footprint. It spearheads all environmental management initiatives and educational activities with internal and external partners to achieve its goals.

CORPORATE SOCIAL RESPONSIBILITY

CPCA also commits to initiatives that aim to change end-user behaviour for both employees and guests. Staff are educated on the importance of the 3Rs (Reduce, Reuse, Recycle) and environmental ownership through monthly townhall sessions.

There is also a communication board for employees to inform them on the green initiatives in the hotel. Staff are also encouraged to participate in green activities organised by the hotel.

From the guest rooms, used bar soap is collected and sent to Sealed Air as part of the Soap for Hope initiative. Collected bar soaps are donated to underprivileged communities where the soap is recycled, treated, repackaged, given or sold to support the community.

The hotel also works with Sealed Air on the Linen for Hope programme and donates de-commissioned linens to underprivileged communities to be repurposed into uniforms, sleeping bags and other necessities.

As part of the hotel's eco-friendly DNA, re-constituted timber is used for all timber decks at the swimming pool. The timber is made from 60% recycled wood fiber and is more durable.

LED lighting is installed in public areas for efficient energy consumption. While the LED lights are effective in cutting down on electricity consumption, energy efficiency is further optimised through the installation of motion light detectors within the hotel.

In its regular operations, CPCA uses cleaning detergents with low emission of Volatile Organic Compounds (VOC). Cleaning agents are purchased in highly concentrated forms, diluted and dispensed in smaller reusable bottles onsite. This reduces the waste from repurchasing bottles in smaller quantities which generates more packaging waste.

Food waste is put through a simple processor that converts it to grey water for appropriate reuse in the cleansing of the hotel's refuse centre.

The hotel's holistic approach to responsible environmental practices also includes a focus on the efficient usage of water through the installation of a flow control system that maintains pressure balance and stable showering temperature. This helps the hotel to lower water consumption by 40% and reduce the energy required to heat the water.

PORTFOLIO OVERVIEW

MANDARIN ORCHARD SINGAPORE



Valuation as at 31 December 2015
S\$1,221m

Number of Guest Rooms
1,077

Remaining Term of Lease
Approximately 40.5 years as at 31 December 2015

Master Lease Details

Master Lessee:
OUE Limited

Term:

Initial term of 15 years 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 S\$45m per annum¹

CROWNE PLAZA CHANGI AIRPORT



Valuation as at 31 December 2015
S\$295m

Number of Guest Rooms
320

Remaining Term of Lease
Approximately 67.5 years as at 31 December 2015

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 rental²:

Variable Rent Comprising Sum of:
(i) 1% of Hotel Food & Beverage Revenues;
(ii) 30% of Hotel Rooms and Other Revenues not related to F&B;
(iii) 30% of Hotel Gross Operating Profit; and
(iv) 77% of Gross Rental Income from leased space

Subject to Minimum Rent of S\$12.5m per annum³

MANDARIN GALLERY



Valuation as at 31 December 2015
S\$538m

Gross Floor Area
Approximately 196,336 sq ft

Net Lettable Area
Approximately 126,355 sq ft

Remaining Term of Lease

Approximately 40.5 years as at 31 December 2015

- 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.
- 2 Lease rental formula is applicable to the operating Crowne Plaza Changi Airport hotel which has been acquired. The lease rental formula for the combined Crowne Plaza Changi Airport and its extension will apply when the acquisition of the extension is completed.
- 3 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.

PORTFOLIO OVERVIEW

QUALITY ASSETS, STRATEGIC LOCATIONS

As at 31 December 2015, OUE Hospitality REIT's (OUE H-REIT's) portfolio comprised two hotels, Mandarin Orchard Singapore (MOS) and Crowne Plaza Changi Airport (CPCA) and the Mandarin Gallery retail mall, which is adjacent to MOS.

MOS is a renowned upscale hotel with strong brand recognition given its relatively 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.

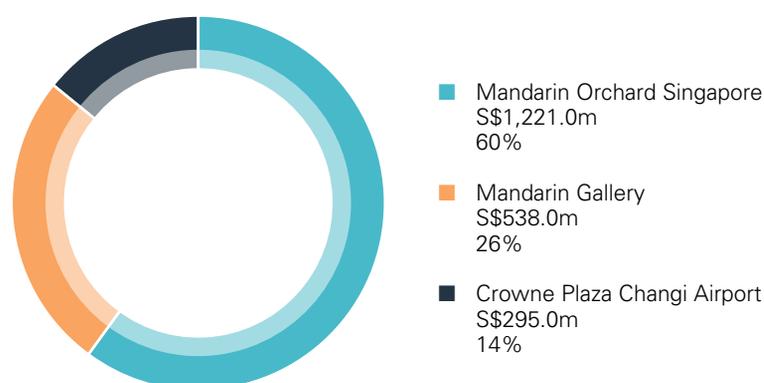
The hotel is easily accessible via public transport, with the Orchard Road area being well-served by a network of major roads. The Somerset and Orchard Mass Rapid Transit (MRT) stations are within walking distance, with both stations being two to three stops away from the key interchange stations of Dhoby Ghaut, City Hall and Newton. 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 also benefits from its close walking proximity to Paragon Medical Centre and Mount Elizabeth Hospital.

OUE H-REIT completed the acquisition of CPCA in January 2015 as part of its acquisition of the operating CPCA and its future extension. 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. The extension is currently under construction and the completion of its acquisition is intended to take place when the construction of the extension is completed (expected to be around mid-2016), and temporary occupation permit is obtained.

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.

Featuring six duplexes and six street front shop units facing Orchard Road, Mandarin Gallery is a choice location for flagship stores of international brands. The ground floor of this high-end fashion mall benefits from high street visibility due to its direct access to Orchard Road and connection to the lobby of MOS. The synergistic pairing of MOS and Mandarin Gallery also allows guests to revel in an all-encompassing hospitality and retail experience.

BREAKDOWN BY ASSET VALUE¹



¹ Based on independent valuations as at 31 December 2015. Does not include Crowne Plaza Changi Airport extension which is currently under construction and completion of the acquisition will take place when it is completed and temporary occupation permit is obtained.

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.

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 2015 is 11.2 years. Approximately 19.5% of OUE H-Trust's revenue for December 2015 was attributed to these leases signed and for which have commenced in 2015.

FY2015 REVIEW

The hospitality sector faced a challenging year in 2015. Singapore welcomed an estimated 15.2 million visitors in 2015, 0.9% higher than 2014². This was however at the lower range of the 0% to 3% growth forecast by the Singapore Tourism Board³. Amidst a 6.5%² year-on-year increase in hotel room supply and relatively flat international visitor arrivals, RevPAR of Singapore hotels was 5.3%² lower as a result of lower occupancy and average room rates.

OUE H-Trust's hotels, MOS and CPCA turned in creditable results for the year. MOS' RevPAR of \$230 for 2015 was 3.8% lower than 2014 RevPAR of \$239. This is a relatively resilient performance compared to the decline in RevPAR of Singapore hotels of 5.3%. MOS' lower RevPAR was mainly attributed to the

absence of major meetings, incentives, convention and exhibition (MICE) events that were held in 2014 (and every subsequent alternate year). The drop in international visitor arrivals in the first half of FY2015 also had a negative impact on demand for hotel rooms.

The asset enhancement programme for Mandarin Orchard Singapore will continue into 2016. The remaining guest rooms to be renovated will be refurbished in phases. This refurbishment is funded by the Sponsor, OUE Limited.

CPCA achieved a RevPAR of \$242 which is largely on par with the performance achieved in 2014, thus outperforming the market. Leveraging on its unique position as the only global brand name hotel situated within the vicinity of the passenger terminals of Changi Airport, CPCA continued to be a preferred accommodation choice for corporate and leisure guests with its strategic location.

OUE H-Trust expects to acquire the Crowne Plaza Changi Airport extension of 243 rooms by the second half of 2016 following the completion of the construction of the extension and upon receipt of the temporary occupation permit.

The retail scene in Singapore remained challenging amidst Mandarin Gallery's lease renewal cycle in FY2015 as tenants adopt a more cautious view of the market. As at 31 December 2015, Mandarin Gallery was 94% committed. For FY2015, leases renewed or signed, which accounted for approximately 50% of NLA of Mandarin Gallery, achieved a positive weighted average rental reversion of about 8.6%. Notwithstanding the difficult environment, Mandarin Gallery continued to attract quality tenants such as Michael Kors and Victoria's Secret which will be launching their respective new flagship stores at the mall in 2016.

2 Singapore Tourism Board, Hotel Statistics (Preliminary) & International Visitor Arrival Statistics, 29 February 2016.

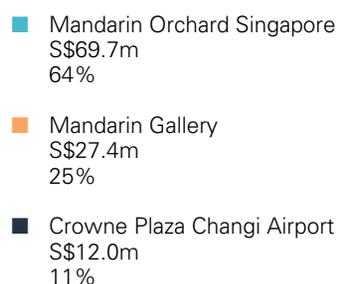
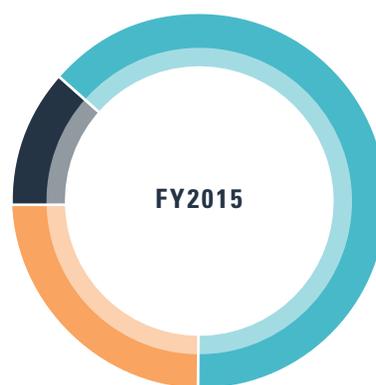
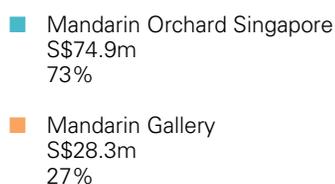
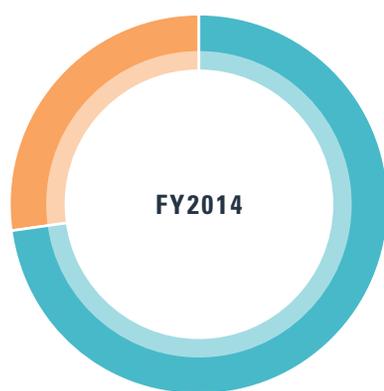
3 Singapore Tourism Board, Tourism Industry Conference 2015, Speech by Mr. S Iswaran, Second Minister for Home Affairs and Trade and Industry, 7 April 2015.

PORTFOLIO OVERVIEW

PORTFOLIO OPERATING PERFORMANCE

	FY2015	FY2014
Gross Revenue	\$124.6m	\$115.9m
Net Property Income	\$109.1m	\$103.2m
Hospitality Portfolio		
RevPAR	\$233 ¹	\$239 ²
Retail Portfolio		
Average Occupancy	95.3%	99.9%
Effective Rental Per Square Foot (Per Month)	\$24.70	\$23.70

NPI CONTRIBUTION



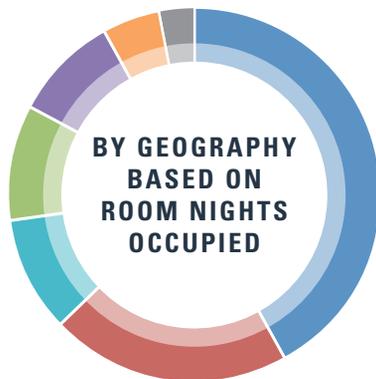
1. RevPAR for FY2015 includes the full year RevPAR performance of Mandarin Orchard Singapore and the performance of Crowne Plaza Changi Airport for the period 30 January 2015 to 31 December 2015 as Crowne Plaza Changi Airport was acquired on 30 January 2015.
2. RevPAR for FY2014 pertains only to Mandarin Orchard Singapore. FY2014 RevPAR was restated to be on the same basis as Mandarin Orchard Singapore's RevPAR for FY2015.

FY2015 TOP 10 TENANTS (BY RENTAL INCOME)

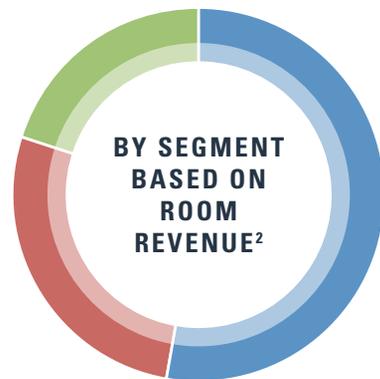
Tenant	Industry	Percentage of Total Rental Income (%)
OUE Limited	Real Estate	59.6
OUE Airport Hotel Pte. Ltd.	Hotel Investment and Operation	11.7
Club 21 Pte. Ltd.	Fashion Apparel and Accessories	6.4
Richemont Luxury (Singapore) Pte. Ltd.	Fashion Apparel and Accessories	2.1
Ram Pacific Pte Ltd	Travel	1.4
Lawry's The Prime Rib Singapore Pte Ltd	F&B	0.9
Vertu (Singapore) Pte. Ltd.	Fashion Apparel and Accessories	0.9
Bimba & Lola Singapore, Pte. Ltd.	Fashion Apparel and Accessories	0.8
Genesis Retail Pte. Ltd.	Hair & Beauty	0.8
Kwang Sia International Pte. Ltd.	Fashion Apparel and Accessories	0.7
		85.3

PORTFOLIO CUSTOMER PROFILE

FY2015¹



■ Southeast Asia	42%
■ North Asia	21%
■ North America	10%
■ Europe	10%
■ Oceania	9%
■ South Asia	5%
■ Others	3%



■ Transient	53%
■ Corporate	27%
■ Wholesale	20%

1 Acquisition of Crowne Plaza Changi Airport (CPCA) was completed on 30 January 2015. Portfolio Customer Profile comprises MOS' customer profile for FY015 and CPCA's customer profile for February to December 2015.

2 "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.

PROPERTY PROFILE

MANDARIN ORCHARD SINGAPORE

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.

MOS had undergone a major refurbishment which was completed in November 2009 which included a new façade, new food and beverage (F&B) outlets, a fitness centre, a business centre and new meeting rooms. This refurbishment programme was undertaken to complement the launch of the adjacent Mandarin Gallery to create an integrated hospitality and retail experience.

Since then, there have been further renovation works in common areas and hotel rooms including the addition of 26 new guest rooms. There is currently an on-going asset enhancement programme to renovate 430 guest rooms, which is funded by the Sponsor. About 200 guest rooms have been renovated as part of this programme and the refurbishment programme is expected to be completed by early 2017.

The hotel features 1,077 rooms distributed across two towers, five F&B outlets, and meeting and function space with a capacity of up to 1,840 people. Facilities in the hotel include an outdoor swimming pool, a fitness centre, a tennis court, a business centre and a medical clinic.

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 by Mandarin Orchard is a four-time recipient of the Heritage Brand Award at the Singapore Prestige Brand Award (SPBA). Mandarin Orchard is also home to Szechwan restaurant, Shisen Hanten by Chen Kentaro located on level 35 of the hotel's Orchard Wing. Shisen Hanten is a highly acclaimed chain of Szechwan restaurants in Japan and Shisen Hanten by Chen Kentaro is the chain's first foray outside of Japan.

AWARDS & ACCOLADES

Singapore Prestige Brand Award 2015

- **Heritage Brand - Chatterbox**

Singapore Prestige Brand Award (SPBA) encourages and celebrates excellence amongst Singapore brands. To qualify for the SPBA Heritage Brand, brands must be established for more than 30 years, demonstrate that the branding has contributed to the growth and development of the brand, and originate from Singapore. Winners are evaluated based on their brand heritage and identity, brand strategic blueprint as well as brand development and performance.

26th TTG Travel Awards 2015

- **Best City Hotel - Singapore**

TTG Travel Awards is amongst Asia-Pacific's most prestigious annual travel industry awards honouring the best organisations and individuals that have contributed to raising the industry's bar of excellence. Winners are determined by votes cast by readers of TTG Travel Trade Publishing and industry professionals across Asia-Pacific.

Excellent Service Award 2015

The Excellent Service Award (EXSA) is a national award that recognises individuals who have delivered quality service. It seeks to develop service models for staff to emulate and to create service champions.

EXSA is managed by seven industry lead bodies (the Association of Singapore Attractions, the Land Transport Authority, the Public Service Division, the Restaurant Association of Singapore, the Singapore Hotel Association, the Singapore Retailers Association, the Association of Banks in Singapore) and supported by SPRING Singapore.

Organisations with EXSA staff are committed to achieving service excellence. They seek to deliver superior service through service champions in their organisations.

Singapore Green Hotel Award 2015

- Singapore Green Hotel Award

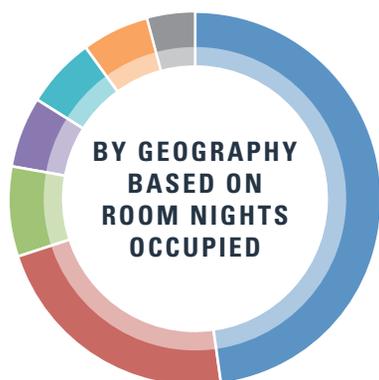
The biennial award is administered by the Singapore Hotel Association (SHA), together with the National Environment Agency (NEA), Public Utilities Board (PUB), National Water Agency, Building &

Construction Authority of Singapore (BCA) and Singapore Tourism Board. The assessment criteria cover the following key areas: Energy Efficiency; Water Efficiency; Environmental Protection; Indoor Environmental Quality; Other Green Features and Innovation.

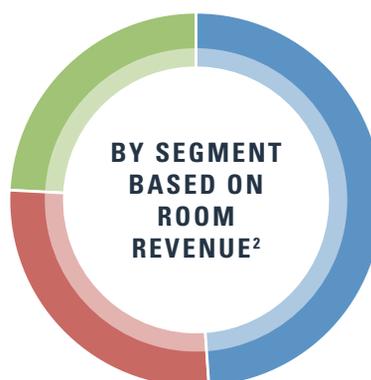
OPERATING PERFORMANCE

	FY2015	FY2014
Gross Revenue	\$73.5m	\$78.6m
Net Property Income	\$69.7m	\$74.9m
RevPAR	230	239 ¹

CUSTOMER PROFILE FY2015



■ Southeast Asia	48%
■ North Asia	22%
■ Europe	8%
■ Oceania	6%
■ North America	6%
■ South Asia	6%
■ Others	4%



■ Transient	49%
■ Corporate	27%
■ Wholesale	24%

- 1 RevPAR for FY2014 was restated to be on the same basis as FY2015. The restatement of RevPAR has no impact on the computation of the master lease income received by OUE H-REIT.
- 2 "Transient" refers to revenue derived from rental of rooms and suites to individuals or groups occupying less than 10 rooms per night, 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.

PROPERTY PROFILE

CROWNE PLAZA CHANGI AIRPORT

Crowne Plaza Changi Airport (CPCA), is a nine-storey business hotel managed by the InterContinental Hotels Group (IHG). The hotel building, which is designed by the award-winning architectural firm WOHA, contains 320 rooms, including 27 suites. 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. It also has four food & beverage outlets and eight meeting rooms (including a ballroom).

CPCA was officially opened in May 2008. 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.

A 243-room extension is currently under construction and the completion of its acquisition is intended to take place when the extension is completed (expected to be around mid-2016), and temporary occupation permit is obtained. The extension is a rooms-only extension adjacent to CPCA and it will be linked to CPCA by a link-way on the second floor of both the buildings.

AWARDS & ACCOLADES

Skytrax World Airport Awards

- [World's Best Airport Hotel Award 2015](#)
- [Best Airport Hotel in Asia Award 2015](#)

The 2015 World's Best Airport Hotel Award is based on nominations by 1.56 million airport hotel guests worldwide, spanning 65 nationalities. It evaluates 12 key performance indicators of the guest experience, including but not limited to hotel service staff standards, cleanliness and comfort of rooms and accessibility between terminal and hotel.

26th Annual TTG Travel Awards 2015

- [Best Airport Hotel](#)

TTG Travel Awards is amongst Asia-Pacific's most prestigious annual travel industry awards honouring the best organisations and individuals that have contributed to raising the industry's bar of excellence. Winners are determined by votes cast by readers of TTG Travel Trade Publishing and industry professionals across Asia-Pacific.

Singapore Green Hotel Awards 2015

- [Singapore Green Hotel Award](#)

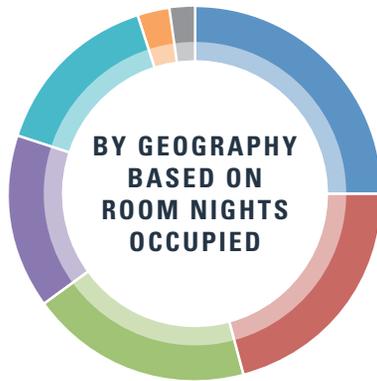
The biennial award is administered by the Singapore Hotel Association (SHA), together with the National Environment Agency (NEA), Public Utilities Board (PUB), National Water Agency, Building & Construction Authority of Singapore (BCA) and Singapore Tourism Board. The assessment criteria cover the following key areas: Energy Efficiency; Water Efficiency; Environmental Protection; Indoor Environmental Quality; Other Green Features and Innovation.

OPERATING PERFORMANCE

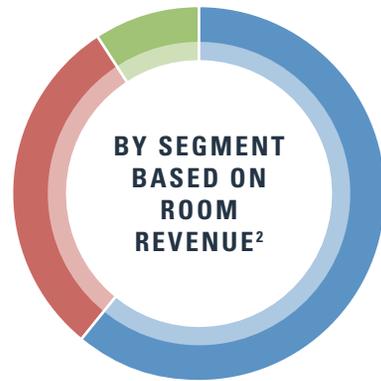
	FY2015*
Gross Revenue	\$14.4m
Net Property Income	\$12.0m
RevPAR	\$242

* Acquisition of Crowne Plaza Changi Airport was completed on 30 January 2015, the financial information is for the period from 30 January 2015 to 31 December 2015.

CUSTOMER PROFILE FY2015¹



North America	25%
Southeast Asia	21%
Oceania	19%
Europe	15%
North Asia	15%
South Asia	3%
Others	2%



Transient	61%
Corporate	30%
Wholesale	9%

- Acquisition of Crowne Plaza Changi Airport (CPCA) was completed on 30 January 2015. CPCA's customer profile for February to December 2015.
- "Transient" refers to revenue derived from rental of rooms and suites to individuals or groups occupying less than 10 rooms per night, 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.

PROPERTY PROFILE

MANDARIN GALLERY

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 comprises a total GFA of approximately 196,336 sq ft with an NLA of approximately 126,355 sq ft and has a wide main frontage of 152 metres along Orchard Road, providing a high degree of visibility. 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 S\$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 2015, Mandarin Gallery was approximately 94% committed. 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 incorporate annual 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 Dec 2015)

Of Mandarin Gallery's 87 tenants, the major tenants in Mandarin Gallery in 2015 include Club 21 Pte. Ltd., Richemont Luxury (Singapore) Pte. Ltd. and Ram Pacific Pte Ltd, amongst others. Premium retail brands represented in Mandarin Gallery include Paul Smith, Y-3, Fred Perry Laurel Wreath, Bimba Y Lola, Bathing Ape, Rimowa and Hugo BOSS.

Approximately 23% of Mandarin Gallery's NLA is occupied by F&B tenants, including Ippudo Ramen, Ito-Kacho Restaurant, Antoinette and Japanese Restaurant Suju. The top 10 tenants contributed 53% of Mandarin Gallery's retail rental income for FY2015.

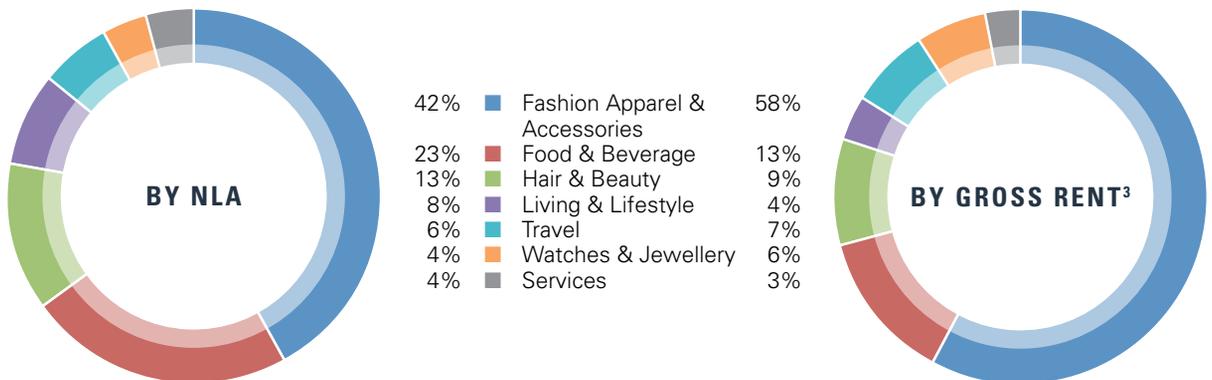
In 2016, Mandarin Gallery will be welcoming the first flagship stores of premium brands Michael Kors and Victoria's Secret which will be calling Mandarin Gallery home for seven years and 10 years respectively. The long term nature of these leases have increased Mandarin Gallery's weighted average lease expiry (by gross rent) significantly from 2.2 years as at 31 December 2014 to 4.5 years as at 31 December 2015.

OPERATING PERFORMANCE

	FY2015	FY2014
Gross Revenue	\$36.7m	\$37.2m
Net Property Income	\$27.4m	\$28.3m
Average Occupancy	95.3%	99.9%
Effective Rental Per Square Foot (Per Month)	\$24.70	\$23.70

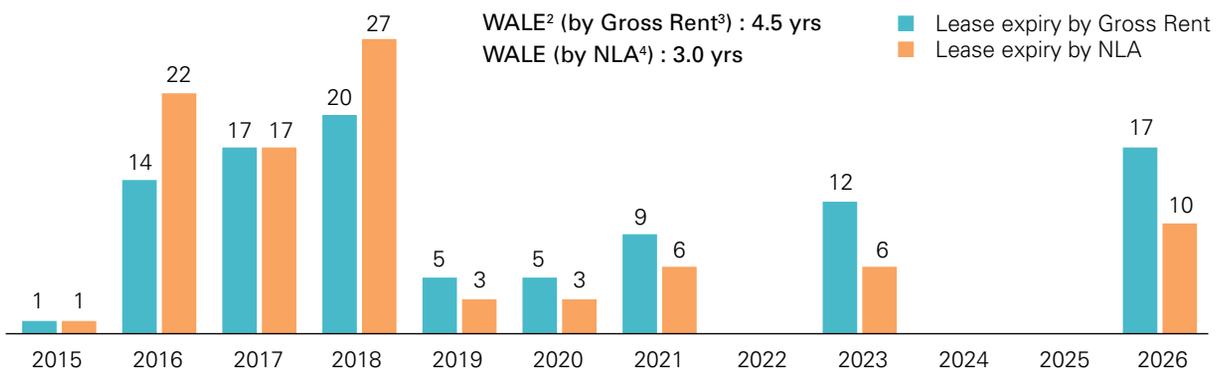
TENANT MIX

As at 31 Dec 2015¹



MANDARIN GALLERY LEASE EXPIRY PROFILE (%)

As at 31 Dec 2015¹



- 1 Based on committed tenancies
- 2 Weighted average lease expiry
- 3 Excludes turnover rent
- 4 Net lettable area

FINANCIAL REVIEW

OPERATING PERFORMANCE

Gross Revenue and Net Property Income

OUE H-Trust achieved gross revenue of S\$124.6 million (FY2014: S\$115.9 million), recording an increase of 7.5%. The increase was attributable to higher master lease income from the hospitality segment, which more than offset the marginal decline in revenue from the retail segment.

The hospitality segment comprises Mandarin Orchard Singapore (MOS) and Crowne Plaza Changi Airport (CPCA) hotel which was acquired in end January 2015. In FY2015, the hospitality segment achieved a revenue of S\$87.9 million (FY2014: S\$78.6 million), recording an increase of S\$9.3 million. The increase in revenue was attributable to the master lease income contribution from CPCA which had more than offset the decline in master lease income from MOS. In FY2015, the master lease income from MOS and CPCA were S\$73.5 million (FY2014: S\$78.6 million) and S\$14.4 million respectively. Master lease income from MOS was S\$5.1 million lower than FY2014 as a result of lower room sales and lower GOP. The lower room sales as reflected in lower RevPAR of S\$230 (FY2014: S\$239) was mainly attributed to the absence of major meetings, incentives, convention and exhibition (MICE) events that were held in 2014 (and every subsequent alternate years). The drop in international visitor arrivals in the first half of FY2015 also had a negative impact on demand for hotel rooms. The lower GOP in MOS was due to lower sales as well as higher operating expenses. At CPCA, the hotel achieved a RevPAR of S\$242 in FY2015.

For the retail segment, Mandarin Gallery recorded a revenue of S\$36.7 million (FY2014: S\$37.2 million), a marginal decline of S\$0.5 million. The decline was mainly due to lower occupancy and fit-out periods granted for tenants arising from lease renewals. The mall recorded an effective rent per square foot per month of S\$24.70 (FY2014: S\$23.70).

In line with the higher gross revenue, net property income for FY2015 was S\$109.1 million, 5.8% higher than S\$103.2 million in FY2014.

DISTRIBUTIONS

Income available for distribution for FY2015 was S\$87.4 million, 1.8% lower than S\$89.0 million in FY2014. Notwithstanding an achievement of higher net property income, the distributable income had declined as there was an increase in interest expense arising from borrowings to fund the acquisition of CPCA and higher interest rates on converting a portion of the floating rate loan into fixed rate loan. Distribution per Stapled Security was 6.55 cents, 2.8% lower than 6.74 cents in FY2014 due to lower distributable income and increase in number of Stapled Securities as a result of management fees paid in Stapled Securities as provided for in the Trust Deed.

OUE H-Trust will continue to make distributions to Stapled Securityholders on a quarterly basis in arrears for the 3-month 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 2015 was S\$2,100.9 million (2014: S\$1,796.6 million). The increase was mainly attributable to the addition of CPCA as part of the investment property portfolio.

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, as net appreciation or depreciation of the value of the real estate assets. This net change in fair value has no impact on the distribution to the Stapled Securityholders.

As at 31 December 2015, an independent valuation of the real estate properties of OUE H-Trust was carried out by HVS. In determining the fair value, HVS used the Discounted Cash Flow Analysis and/or Comparison Method, where appropriate.

Property	Valuation as at 31 Dec 2014 S\$'000	Valuation as at 31 Dec 2015 S\$'000
Mandarin Orchard Singapore	1,220,000	1,221,000
Crowne Plaza Changi Airport	N/A	295,000
Mandarin Gallery	536,000	538,000
	1,756,000	2,054,000

As at 31 December 2015, the net asset value (NAV) of OUE H-Trust was S\$1,207.0 million (2014: S\$1,198.3 million), recording a marginal increase mainly due to increase in fair value of investment properties and changes in fair value on interest rate swaps entered into to hedge interest rate risk. Notwithstanding the increase in NAV, the NAV per Stapled Security as at 31 December 2015 had remained unchanged at S\$0.90 (2014: S\$0.90) due to increase in number of Stapled Securities.

FUNDING AND BORROWINGS

As at 31 December 2015, OUE H-Trust's borrowings was S\$882 million, comprising (i) 3-year term loan of S\$293 million that matures in July 2016, (ii) a 5-year term loan of S\$294 million that matures in July 2018; (iii) a 5-year term loan of S\$295 million that matures in January 2020. The repayment terms of these loans are bullet repayment on maturity, with option to make prepayments without penalty. The re-financing of S\$293 million term loan that matures in July 2016 is in progress. As at 31 December 2015, the interest for 83% of the borrowings was fixed via interest rate swaps which has a weighted average remaining tenor of 2.4 years. The weighted average interest rate as at 31 December 2015 was 2.7% per annum. OUE H-Trust's gearing is at 42%, which is within the 45% gearing limit allowed by the Monetary Authority of Singapore for real estate investment trusts.

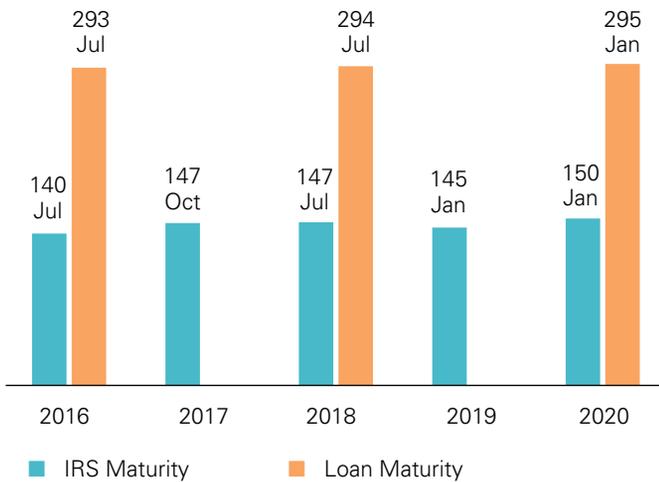
FINANCIAL REVIEW

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 2015, no notes have been issued under this programme.

In addition, OUE H-Trust has an undrawn revolving credit facility of S\$43 million as at 31 December 2015.

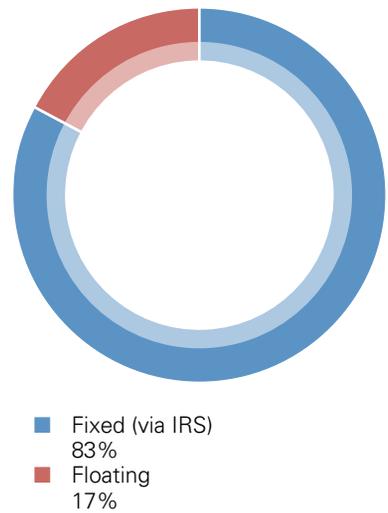
DEBT AND INTEREST RATE SWAP MATURITY PROFILE

As at 31 Dec 2015



INTEREST RATE PROFILE

As at 31 Dec 2015



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 2015 (“**FY2015**”) 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 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;
- 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.

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

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 four Board meetings were held in FY2015. The report on the attendance of the directors of the Managers ("**Directors**") for Board and ARC meetings is set out below. There was no NRC meeting held in FY2015 as the NRC was only established on 12 November 2015. Directors who are unable to attend Board or Board committee meetings may convey their views to the chairman or the company secretary of the Managers (the "**Company Secretary**"). The Managers' Articles of Association provide for participation in meetings via telephone and/or video conference where Directors are unable to be physically present at such meetings. Where required, Directors may raise questions and seek clarification through discussion forums with the Management in respect of significant matters passed via circular resolutions.

Attendance of Audit and Risk Committee Members

Name of Director	Number of ARC meetings attended in FY2015
Sanjiv Misra (Chairman)	4
Ong Kian Min	4
Liu Chee Ming	2
Neo Boon Siong	4
Number of meetings held in FY2015	4

Attendance of Board of Directors

Name of Director	Number of Board meetings attended in FY2015
Christopher James Williams (Chairman)	4
Chong Kee Hiong	4
Sanjiv Misra	4
Ong Kian Min	4
Liu Chee Ming	2
Neo Boon Siong	4
Number of meetings held in FY2015	4

CORPORATE GOVERNANCE REPORT

Board Orientation and Training

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, no other new directors had been appointed since the Listing Date.

Directors are at liberty to request for further explanations, briefings or informal discussions on any aspect of the 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 the Board members and where applicable, as the Board committee members. The Directors may also attend other appropriate 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 judgement 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 dominate the Board's decision-making. In addition to the Board's annual review of the Directors' independence, each independent Director also submits an annual declaration regarding his independence.

CORPORATE GOVERNANCE REPORT

Board Composition

Board Member

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

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

The Board is of the opinion that its current size is appropriate, taking into account the nature and scope of the 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 25 to 29 of the Annual Report.

The Board is chaired by Mr Christopher James Williams, who is a non-independent non-executive Director (the "**Chairman**"). The Chairman, in consultation with the Management, sets the agenda for Board meetings and ensures that they are held regularly and whenever necessary. He seeks to ensure that the Directors receive timely, clear and adequate information. As part of the Chairman's responsibilities, he also seeks to ensure that good standards of corporate governance are promoted and adhered to within the 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 on 27 January 2015. As the Lead Independent Director, Mr Sanjiv Misra has the discretion to hold meetings with the independent Directors without the presence of the Management as he deems appropriate or necessary and to provide feedback to the Chairman after such 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.

³ Mr Lee Yi Shyan was appointed as the Deputy Chairman and Non-Independent Non-Executive Director of the Managers on 12 January 2016.

⁴ Mr Sanjiv Misra was appointed as the Lead Independent Director of the Managers on 27 January 2015.

CORPORATE GOVERNANCE REPORT

Principle 4 : Board Membership

Principle 5 : Board Performance

The NRC was established on 12 November 2015 and comprises three non-executive Directors, namely Mr Ong Kian Min, Mr Christopher James Williams and Mr Sanjiv Misra. There was no NRC meeting held in FY2015 as the NRC was only established on 12 November 2015. Mr Ong Kian Min is the chairman of the NRC.

The principal responsibilities of the NRC in performing the functions of a nominating committee include reviewing and evaluating nominations of Directors for appointment to the Board, evaluating the performance of the Directors and the Board as a whole and the Board committees, reviewing and being mindful of the independence of the Directors, reviewing and making recommendations on the training and professional development programs for the Board 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 shall compile the Directors' responses to the questionnaire into a consolidated report, and the report shall be discussed at a NRC meeting and then shared with the entire Board. In evaluating each Director's performance and that of the Board and its Board committees, the NRC considers, *inter alia*, the Directors' attendance, contribution and participation at Board, 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 of the Managers. 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.

CORPORATE GOVERNANCE REPORT

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 to the existence of such relationship 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.

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 FY2015, 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 judgement and demonstrate objectivity in his deliberations in the interests of OUE H-Trust.

The Directors have opportunities for continuing education in a number of areas including directors' duties, corporate governance, financial reporting, insider trading, the Companies Act, Chapter 50 of Singapore (the "**Companies Act**"), the Business Trusts Act, the Code on Collective Investment Schemes and the Listing Manual of the SGX-ST (the "**Listing Manual**"), real estate and hotel 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 function of the Company Secretary and the Management is to ensure that all Board procedures are followed and that applicable regulations and rules prescribed by the Companies Act, the 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.

CORPORATE GOVERNANCE REPORT

B. REMUNERATION MATTERS

Principle 7 : Procedures for Developing Remuneration Policies

Principle 8 : Level and Mix of Remuneration

Principle 9 : Disclosure on Remuneration

The principal responsibilities of the NRC in relation to the remuneration matters include (i) recommending to the Board a general framework of remuneration for Directors and key management personnel of the Managers, namely the CEO of the Managers, (ii) developing policies for fixing of, and recommending to, the Board, 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 sets 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 developing and reviewing the policy for the remuneration packages for Directors and the key management personnel of the Managers, the NRC would take into consideration the Managers' existing internal remuneration policy and other conditions within the REIT management industry and in comparable REIT managers. The remuneration policies of the Managers are structured to attract and retain highly qualified persons, and the Managers' overall goal is to ensure the long-term sustainability and success of the Managers and OUE H-Trust.

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) for serving as Lead Independent Director and/or (iii) serving on Board committees as members, as the case may be. The Directors' fees take into account:

- (i) the Directors' level of contribution and respective responsibilities at Board meetings and Board committee meetings; and
- (ii) the industry practices and norms on remuneration including guidelines set out in the Statement of Good Practice issued by the Singapore Institute of Directors.

CORPORATE GOVERNANCE REPORT

The remuneration framework for the key executive officers of the Managers comprises monthly salaries, annual bonuses and allowances. The Managers link executive remuneration to corporate and individual performance, based on the performance appraisal of the key executive officers, that take into account the following criteria namely (i) leadership, (ii) self-management and effectiveness, (iii) communication and interpersonal skills, (iv) quality management, (v) administration and managerial skills, (vi) human resource management and development, (vii) technical and functional skills, and (viii) customer focus. The Managers currently do not have in place long-term or short-term incentive schemes for 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) in bands of S\$250,000, 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 full disclosure of the specific remuneration of each individual Director, the CEO and the top five executive officers will not be in the best interests of the 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 specific remuneration of each individual director, the CEO and top five executive officers will not be prejudicial to the interest of the Stapled Securityholders.

There are no employees who are immediate family members of a Director or the CEO, and whose remuneration exceeds S\$50,000 during FY2015. The 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 FY2015.

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.

CORPORATE GOVERNANCE REPORT

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 four ARC meetings were held in FY2015.

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 REIT Manager's 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.

CORPORATE GOVERNANCE REPORT

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 supply 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 judgements 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 the REIT Manager's officers 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 FY2015 was S\$48,000. 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 20 April 2016. The ARC has met with the external auditors without the presence of the Management.

CORPORATE GOVERNANCE REPORT

The details of the remuneration of the auditors of OUE H-Trust during FY2015 are as follows:

	Amount (S\$'000)
Breakdown of Audit and Non-Audit Services	
Audit Services	155
Non-Audit Services	48

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.

CORPORATE GOVERNANCE REPORT

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 2015 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 2015 to address material financial, operational, compliance and information technological 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.

CORPORATE GOVERNANCE REPORT

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 32 to 33 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.

SUMMARY OF FEES PAYABLE TO THE REIT MANAGER

The fees payable to the REIT Manager as discussed below are based on the provisions of the trust deed dated 10 July 2013 (as supplemented) constituting OUE H-REIT (the "**OUE H-REIT Trust Deed**").

The terms and conditions of the Trust Deed are binding on each Unitholder (and persons claiming through such Unitholder) as if such Unitholder had been a party to the Trust Deed and as if the Trust Deed contains covenants by such Unitholder to observe and be bound by the provisions of the Trust Deed, and an authorisation by each Unitholder to do all such acts and things as the Trust Deed may require the Manager and/or the Trustee to do.

The REIT Manager is bound by the OUE H-REIT Trust Deed to use its best endeavours to carry on and conduct its business in a proper and efficient manner, to ensure that OUE H-REIT is carried on and conducted in a proper and efficient manner and to conduct all transactions with or for OUE H-REIT at arm's length and on normal commercial terms.

THE REIT MANAGER'S FEES

The REIT Manager is an external management company and therefore does not charge its expenses directly to OUE H-REIT. The REIT Manager's compensation is fee-based.

MANAGEMENT FEES

The REIT Manager receives management fees that comprise a base fee and a performance fee.

Base fee of 0.3% per annum of the value of OUE H-REIT's Deposited Property

(Clause 15.1.1 of the OUE H-REIT Trust Deed provides for the payment of the base fee. The base fee is payable quarterly in the form of cash and/or Units as the REIT Manager may elect.¹⁾

The main responsibility of the REIT Manager is to manage OUE H-REIT's assets and liabilities for the benefit of the holders of OUE H-REIT Units ("**Unitholders**"). It is also tasked to formulate business plans and closely monitor the performance of OUE H-REIT's properties to achieve an optimal level of distribution to Unitholders. Another key responsibility of the REIT Manager is ensuring that OUE H-REIT complies with the applicable provisions of the Securities and Futures Act (SFA) and all other relevant legislation, the Listing Manual, the CIS Code (including the Property Funds Appendix), the OUE H-REIT Trust Deed, the Stapling Deed, the conditions of the tax rulings granted to OUE H-REIT and all relevant contracts which OUE H-REIT has entered into.

The base fee compensates the REIT Manager for the operational costs (including employment costs), compliance costs (in relation to its on-going obligations as a CMS licence holder) and other costs and expenses incurred in the provision of management services to OUE H-REIT.

A base fee linked to the value of gross assets encourages the Manager to establish a REIT of an optimal size. As OUE H-REIT grows in portfolio size, the complexity of management increases and the Manager expects to incur greater effort to fulfill its responsibilities. Therefore, the amount of base fee paid to the Manager is commensurate with the size of OUE H-REIT's portfolio.

SUMMARY OF FEES PAYABLE TO THE REIT MANAGER

Performance Fee of 4.0% per annum of the Net Property Income of OUE H-REIT in the relevant financial year (calculated before accounting for the Performance Fee in that financial year).

(Clause 15.1.2 of the OUE H-REIT Trust Deed provides for the payment of the performance fee. The performance fee is payable annually in the form of cash and/or Units as the REIT Manager may elect.¹⁾

OUE H-REIT's performance in terms of its distributions to Unitholders is primarily a result of the operating performance of its assets and a function of OUE H-REIT's capital structure.

The REIT Manager takes a prudent approach to financial and capital management so as to ensure that OUE H-REIT can fulfill its financial obligations in the long run whilst optimising returns to Unitholders.

The REIT Manager actively manages OUE H-REIT's properties so as to achieve maximum returns from such properties. To do so, the REIT Manager, in collaboration with the master lessees, works closely with the Hotel Managers of Mandarin Orchard Singapore and Crowne Plaza Changi Airport (the "Hotels") and the Property Manager of Mandarin Gallery. It reviews in detail the performance of the Hotels and Mandarin Gallery on a regular basis and assesses the strategies of the Hotel Managers and the Property Manager to maximise the performance of the properties.

A performance fee that is computed based on the Net Property Income achieved by OUE H-REIT assets aligns the interest of the REIT Manager with that of Unitholders as a better operating performance allows OUE H-REIT to fulfill its financial obligations and deliver sustainable distributions to Unitholders. The objective of delivering sustainable distributions thereby incentivises the REIT Manager to undertake prudent capital and risk management, proactive asset management and well-executed asset enhancement initiatives for the long-term benefit of its Unitholders and encourages the REIT Manager to minimise OUE H-REIT's exposure to short-term risks in its business and operations.

ACQUISITION FEE

The REIT Manager is entitled to receive 0.75% of the acquisition price for acquisitions from related parties and 1.0% for all other cases.

(Clause 15.2.1(i) of the OUE H-REIT Trust Deed provides for the payment of the acquisition fee. Subject to the Property Funds Appendix, the acquisition fee is payable to the REIT Manager in the form of cash and/or Units as the REIT Manager may elect. The acquisition fee is payable as soon as practicable after completion of the acquisition.)

Investors expect OUE H-REIT to grow over time and provide higher returns. OUE H-REIT's growth can be organic (in the form of better performance of the existing properties) or inorganic (through the acquisition of properties).

As OUE H-REIT's portfolio of properties grows through the acquisition of quality assets, Unitholders benefit from increased income from the portfolio, and a constant portfolio rejuvenation through the addition of newer properties and hence greater portfolio diversification. The REIT Manager believes that such qualities would enable OUE H-REIT to attract greater interest from the investment public (such as international institutional investors).

¹ Clause 15.1.4 of the OUE H-REIT Trust Deed provides that the management fees shall be payable in the form of cash or, at the election of the REIT Manager, in Units.

SUMMARY OF FEES PAYABLE TO THE REIT MANAGER

The REIT Manager understands that investors expect OUE H-REIT to grow over time. The REIT Manager sets long term strategic growth plans and actively assesses acquisition opportunities. For opportunities that are assessed to have higher probability of being suitable for acquisition by OUE H-REIT, the REIT Manager shortlists them for more thorough evaluation and due diligence review, before recommending the ones that most fit the investment criteria of OUE H-REIT for approval by the Board and the REIT Trustee and where applicable by Unitholders.

As OUE H-REIT has a global mandate, the REIT Manager assesses acquisition opportunities both within Singapore and overseas. Costs that are incurred for exploration of potential acquisition opportunities are not charged back to OUE H-REIT.

The acquisition fee is only payable where an acquisition has been successfully completed. This is in line with the additional steps that need to be taken by the REIT Manager to complete the acquisition including structuring the acquisition, negotiating transaction documentation with the vendor, liaising with the valuers and working with the professional advisers and regulatory authorities to seek the necessary approvals from the regulators and/or Unitholders (where required).

DIVESTMENT FEE

The REIT Manager is entitled to receive 0.5% of the sale price on all future disposals of properties

(Clause 15.2.1(ii) of the OUE H-REIT Trust Deed provides for the payment of the divestment fee. Subject to the Property Funds Appendix, the divestment fee is payable to the REIT Manager in the form of cash and/or Units as the REIT Manager may elect. The divestment fee is payable as soon as practicable after completion of the divestment.)

The REIT Manager constantly reviews OUE H-REIT's portfolio to ensure that the assets are able to continue generating sustainable returns from their operations. Over time and as OUE H-REIT's portfolio expands, assets which no longer fit into the REIT's overall growth plans will be identified as potential divestment targets.

When divestments are made, the REIT Manager will also have to assess if the divestment proceeds can be re-deployed effectively, including redeployment for the acquisition of higher yielding and better quality assets with greater growth potential.

In the divestment process, the REIT Manager has to conduct a proper process to achieve maximum value for the asset that is to be sold. It will evaluate all proposals before making a recommendation to the Board and the REIT Trustee for approval, and where required to the Unitholders for approval.

The divestment fee is only payable when a divestment has been successfully completed. This is in line with the additional steps that need to be taken by the REIT Manager to complete the divestment including negotiating transaction documentation with the purchaser, liaising with the valuers and working with the professional advisers and regulatory authorities to seek the necessary approvals from the regulators and/or Unitholders (where required).

SUMMARY OF FEES PAYABLE TO THE REIT MANAGER

DEVELOPMENT MANAGEMENT FEE

The REIT Manager is entitled to receive development management fees equivalent to 3.0% of the Total Project Costs incurred in a Development Project² undertaken by the REIT Manager on behalf of OUE H-REIT. OUE H-REIT will only undertake development activities within the limits of the Property Funds Appendix (which currently allows a REIT to commit no more than 10.0% of its deposited property to property development activities and investments in uncompleted property developments) and of which the total contract value of property development activities may exceed 10.0% of its deposited property subject to a maximum of 25.0% provided that the conditions in the Property Funds Appendix are satisfied.

For the avoidance of doubt, in respect of the same Development Project, the REIT Manager will not be entitled to concurrently receive both the Development Management Fee as well as the Acquisition Fee.

(Clause 15.6 of the OUE H-REIT Trust Deed provides for the payment of the development management fee. The development management fee is payable in equal monthly instalments over the construction period of each development project based on the REIT Manager's best estimate of the total project costs and construction period and, if necessary, a final payment of the balance amount when the total project costs are finalised. Subject to the Property Funds Appendix, the development management fee is payable to the REIT Manager in the form of cash.)

Subject to the limits of the Property Funds Appendix, OUE H-REIT may undertake a development project, either through an acquisition or the re-development of its properties.

When managing a development project, the REIT Manager is required to ensure that the project is well-executed in a timely manner so as to maximise returns for Unitholders.

A development project will have to adhere to the local building regulations. In addition, there are many advisers and service providers involved in the construction process (such as engineers, architects, surveyors and contractors), thereby requiring co-ordination and oversight by the REIT Manager.

Where it is a partial re-development of an existing property or a major refurbishment, the REIT Manager will have to ensure minimal disruption to the existing operations and ensure that development activities are well-planned and executed.

The REIT Manager shall manage the development project with a view to continue to deliver maximum returns to Unitholders, and the development management fee is payable to the REIT Manager for its efforts incurred in undertaking the role of a development manager.

² Development Project means a project involving the development of land, or buildings, or part(s) thereof on land which is acquired, held or leased by OUE H-REIT, including major development, re-development, refurbishment, retrofitting, addition and alteration and renovations works, provided always that the Property Funds Appendix shall be complied with for the purposes of such development.

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 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 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.

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;

STATEMENT ON POLICIES AND PRACTICES IN RELATION TO THE MANAGEMENT AND GOVERNANCE OF OUE HOSPITALITY BUSINESS TRUST

- 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 with 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) require the Trustee-Manager Directors to act in the best interests of the OUE H-BT Unitholders only so long as:

- (a) the Trustee-Manager ensures that the units of OUE H-BT remains stapled to the units of OUE H-REIT; and
- (b) the Trustee-Manager and its Directors shall act in the best interest of all the 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.

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 the management and leasing of the authorised investments.

STATEMENT ON POLICIES AND PRACTICES IN RELATION TO THE MANAGEMENT AND GOVERNANCE OF OUE HOSPITALITY BUSINESS TRUST

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 comprising 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, 0.1% per annum of the value of the Trust Property, if any, shall be paid to the Trustee-Manager as trustee fee, 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.

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.

STATEMENT ON POLICIES AND PRACTICES IN RELATION TO THE MANAGEMENT AND GOVERNANCE OF OUE HOSPITALITY BUSINESS TRUST

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

They are:

Name	Position
Christopher James Williams	Chairman and Non-Independent Non-Executive Director
Lee Yi Shyan ¹	Deputy 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

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 Trustee-Manager is a wholly-owned subsidiary of OUE Limited. 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 Managers.

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 as both the Trustee-Manager and the REIT Manager are 100.0% owned by OUE Limited.

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.

¹ Mr Lee Yi Shyan was appointed as Deputy Chairman and Non-Independent Non-Executive Director on 12 January 2016.

STATEMENT ON POLICIES AND PRACTICES IN RELATION TO THE MANAGEMENT AND GOVERNANCE OF OUE HOSPITALITY BUSINESS TRUST

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 Christopher James Williams, 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 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.

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 to the Directors of the Trustee-Manager.

STATEMENT ON POLICIES AND PRACTICES IN RELATION TO THE MANAGEMENT AND GOVERNANCE OF OUE HOSPITALITY BUSINESS TRUST

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) 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.

Risk Management and Internal Controls

The Trustee-Manager Board will put in place appropriate internal control systems including the following 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 property 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 OUE H-BT Unitholders.

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 have 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 OUE H-BT Unitholders 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 SGX-ST that apply to business trusts.

OUE HOSPITALITY TRUST FINANCIAL STATEMENTS

77	Report of the Trustee-Manager of OUE Hospitality Business Trust	87	Statement of Comprehensive Income of OUE H-BT
80	Statement by the Chief Executive Officer of the Trustee-Manager		Statements of Total Return of OUE H-REIT Group and the Stapled Group
81	Report of the Trustee of OUE Hospitality Real Estate Investment Trust	88	Distribution Statements
82	Report of the Manager of OUE Hospitality Real Estate Investment Trust	90	Statements of Movements in Unitholders' Funds
83	Independent Auditors' Report	92	Portfolio Statements
86	Statements of Financial Position	94	Statements of Cash Flows
		96	Notes to the Financial Statements

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 statement to the unitholders together with the audited financial statements for the financial year ended 31 December 2015.

DIRECTORS

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

Christopher James Williams (Chairman)
 Lee Yi Shyan (Deputy Chairman) (Appointed on 12 January 2016)
 Chong Kee Hiong (Chief Executive Officer)
 Sanjiv Misra
 Liu Chee Ming
 Neo Boon Siong
 Ong Kian Min

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
Christopher James Williams	–	–	360,000	360,000
Chong Kee Hiong	1,008,333	1,008,333	200,000	200,000
Sanjiv Misra	400,000	400,000	–	–
Liu Chee Ming	400,000	400,000	–	–

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 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 2016.

REPORT OF THE TRUSTEE-MANAGER OF OUE HOSPITALITY BUSINESS TRUST

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 86 to 139 are drawn up so as to give a true and fair view of the financial position of OUE H-BT as at 31 December 2015 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

STATEMENT BY THE TRUSTEE-MANAGER (CONT'D)

With respect to the statement of comprehensive income of OUE H-BT for the year ended 31 December 2015, 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.**

Christopher James Williams
Director

Chong Kee Hiong
Director

Singapore
19 February 2016

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
19 February 2016

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 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 and the Listing Manual (collectively referred to as the “laws and regulations”), 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 (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 which shall contain the matters prescribed by the laws and regulations as well as 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 OUE H-REIT Trust Deed.

To the best knowledge of the REIT Trustee, the REIT Manager has, in all material respects, managed OUE H-REIT during the year covered by these financial statements set out on pages 86 to 139, comprising OUE H-REIT Group’s statement of financial position, statement of total return, distribution statement, statement of movements in unitholders’ funds, statement of cash flows, portfolio statement and notes to the financial statements, in accordance with the limitations imposed on the investment and borrowing powers set out in the OUE H-REIT Trust Deed, laws and regulations and otherwise in accordance with the provisions of the OUE H-REIT Trust Deed.

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

Andrew Charles Allen
Managing Director

Singapore
19 February 2016

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 86 to 139 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 2015, 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 ended 31 December 2015, in accordance with the recommendations of Statement of Recommended Accounting Practice 7 “Reporting Framework for Unit Trusts” issued by the Institute of Singapore Chartered Accountants and the provisions of OUE H-REIT Trust Deed between RBC Investor Services Trust Singapore Limited (the “REIT Trustee”) and the REIT Manager dated 10 July 2013, 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
19 February 2016

INDEPENDENT AUDITORS' REPORT

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited:

- (i) the financial statements of OUE Hospitality Business Trust ("OUE H-BT") for the financial year ended 31 December 2015;
- (ii) the consolidated financial statements of OUE Hospitality Real Estate Investment Trust ("OUE H-REIT") and its subsidiary (the "OUE H-REIT Group") for the financial year ended 31 December 2015; and
- (iii) the consolidated financial statements of OUE Hospitality Trust for the year ended 31 December 2015,

as set out on pages 86 to 139. OUE Hospitality Trust, which comprises OUE H-BT and the OUE H-REIT Group, is hereinafter referred to as the "Stapled Group".

The accompanying financial statements comprise the statements of financial position of OUE H-BT, the OUE H-REIT Group and the Stapled Group and the portfolio statements of the OUE H-REIT Group and the Stapled Group as at 31 December 2015; the statement of comprehensive income, statement of movements in unitholders' funds and statement of cash flows of OUE H-BT; 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 the Stapled Group, for the year ended 31 December 2015; and a summary of significant accounting policies and other explanatory information, as set out on pages 86 to 139.

Trustee-Manager's responsibilities for the financial statements

OUE Hospitality Trust Management Pte. Ltd., the Trustee-Manager of OUE H-BT (the "Trustee-Manager"), is responsible for the preparation of financial statements of OUE H-BT that gives a true and fair view in accordance with the provisions of the Business Trusts Act, Chapter 31A of Singapore (the "Act") and Singapore Financial Reporting Standards, 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.

INDEPENDENT AUDITORS' REPORT

REIT Manager's responsibilities for the financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion:

- (a) the financial statements of OUE H-BT are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of OUE H-BT as at 31 December 2015 and the financial performance, movements in unitholders' funds and cash flows of OUE H-BT for the year then ended; and
- (b) the financial statements of the OUE H-REIT Group and the Stapled Group present fairly, in all material respects, the financial positions of the OUE H-REIT Group and the Stapled Group as at 31 December 2015 and the total return, distributable income, movements in unitholders' funds and cash flows of the OUE H-REIT Group and of 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.

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.

KPMG LLP

*Public Accountants and
Chartered Accountants*

Singapore

19 February 2016

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

	Note	OUE H-BT		OUE H-REIT Group		Stapled Group	
		2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Non-current assets							
Investment properties	4	–	–	2,054,000	1,756,000	2,054,000	1,756,000
Deposit		–	–	1,501	–	1,501	–
Financial derivatives	5	–	–	4,752	–	4,752	–
		–	–	2,060,253	1,756,000	2,060,253	1,756,000
Current assets							
Financial derivatives	5	–	–	374	–	374	–
Trade and other receivables	6	–	–	8,882	9,271	8,882	9,271
Cash and cash equivalents	7	15	18	31,361	31,299	31,376	31,317
		15	18	40,617	40,570	40,632	40,588
Total assets		15	18	2,100,870	1,796,570	2,100,885	1,796,588
Non-current liabilities							
Borrowings	8	–	–	584,821	583,111	584,821	583,111
Financial derivatives	5	–	–	–	2,027	–	2,027
Rental deposits		–	–	3,249	3,331	3,249	3,331
		–	–	588,070	588,469	588,070	588,469
Current liabilities							
Borrowings	8	–	–	292,408	–	292,408	–
Financial derivatives	5	–	–	–	255	–	255
Rental deposits		–	–	2,009	2,323	2,009	2,323
Trade and other payables	9	2	2	11,394	7,186	11,396	7,188
		2	2	305,811	9,764	305,813	9,766
Total liabilities		2	2	893,881	598,233	893,883	598,235
Net assets		13	16	1,206,989	1,198,337	1,207,002	1,198,353
Represented by:							
Unitholders' funds							
Unitholders' funds of OUE H-REIT Group		–	–	1,206,989	1,198,337	1,206,989	1,198,337
Unitholders' funds of OUE H-BT		13	16	–	–	13	16
		13	16	1,206,989	1,198,337	1,207,002	1,198,353
Units/Stapled Securities in issue ('000)							
	10	1,335,421	1,321,441	1,335,421	1,321,441	1,335,421	1,321,441
Net asset value per Unit/ Stapled Security (\$)							
	11	*	*	0.90	0.90	0.90	0.90

* 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 2015

	Note	OUE H-BT		OUE H-REIT Group		Stapled Group	
		2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Gross revenue	12	–	–	124,588	115,890	124,588	115,890
Property expenses	13	–	–	(15,482)	(12,724)	(15,482)	(12,724)
Net property income		–	–	109,106	103,166	109,106	103,166
REIT Manager's fees	14	–	–	(10,654)	(9,535)	(10,654)	(9,535)
REIT Trustee's fees		–	–	(392)	(304)	(392)	(304)
Other trust expenses	15	(3)	(2)	(1,071)	(1,234)	(1,074)	(1,236)
Finance income	16	–	–	1,168	1,345	1,168	1,345
Finance expenses	16	–	–	(23,371)	(14,721)	(23,371)	(14,721)
Net finance expenses		–	–	(22,203)	(13,376)	(22,203)	(13,376)
Net (loss)/income		(3)	(2)	74,786	78,717	74,783	78,715
Net change in fair value of investment properties		–	–	2,924	(147)	2,924	(147)
Total return for the year	17	(3)	(2)	77,710	78,570	77,707	78,568
Other comprehensive income for the year, net of tax		–	–				
Total comprehensive income for the year		(3)	(2)				
Earnings per Stapled Security (cents)							
Basic and Diluted	19					5.84	5.96

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

DISTRIBUTION STATEMENTS

YEAR ENDED 31 DECEMBER 2015

	Note	OUE H-REIT Group and Stapled Group	
		2015 \$'000	2014 \$'000
Income available for distribution to Stapled Securityholders at beginning of the year		23,680	38,188
Total return of OUE H-REIT	17	77,714	78,577
Net tax adjustments (Note A)		9,643	10,417
Income available for distribution for the current year		87,357	88,994
Income available for distribution to Stapled Securityholders		<u>111,037</u>	<u>127,182</u>
Distributions to Stapled Securityholders:			
- Distribution of 2.90 cents per Stapled Security for the period from 25/7/2013 to 31/12/2013		–	(38,088)
- Distribution of 1.68 cents per Stapled Security for the period from 1/1/2014 to 31/3/2014		–	(22,112)
- Distribution of 1.64 cents per Stapled Security for the period from 1/4/2014 to 30/6/2014		–	(21,630)
- Distribution of 1.64 cents per Stapled Security for the period from 1/7/2014 to 30/9/2014		–	(21,672)
- Distribution of 1.78 cents per Stapled Security for the period from 1/10/2014 to 31/12/2014		(23,569)	–
- Distribution of 1.61 cents per Stapled Security for the period from 1/1/2015 to 31/3/2015		(21,401)	–
- Distribution of 1.52 cents per Stapled Security for the period from 1/4/2015 to 30/6/2015		(20,247)	–
- Distribution of 1.72 cents per Stapled Security for the period from 1/7/2015 to 30/9/2015		(22,969)	–
		<u>(88,186)</u>	<u>(103,502)</u>
Income available for distribution to Stapled Securityholders at end of the year		<u>22,851</u>	<u>23,680</u>
Distribution per Stapled Security* (cents)		<u>6.55</u>	<u>6.74</u>

* 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 2015

**OUE H-REIT Group
and Stapled Group**
2015 **2014**
\$'000 **\$'000**

Note A – Net tax adjustments comprise:

Non-tax deductible/(chargeable) items:

– Amortisation of debt-related transaction costs	2,258	1,680
– Ineffective portion of changes in fair value of cash flow hedges	(1,109)	(1,320)
– REIT Manager's fees paid/payable in Stapled Securities	10,654	9,535
– REIT Trustee's fee	392	304
– Net change in fair value of investment properties	(2,924)	147
– Other items	372	71
Net tax adjustments	<u>9,643</u>	<u>10,417</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 2015

	Unitholders' funds of OUE H-BT		
	Units in issue \$'000	Accumulated profits \$'000	Total \$'000
At 1 January 2015	20	(4)	16
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	–	–	–
Net increase/(decrease) in net assets resulting from unitholders' transactions	–	–	–
At 31 December 2015	20	(7)	13
At 1 January 2014	20	(2)	18
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 2014	20	(4)	16

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 \$'000	Total \$'000	Total \$'000
	1,165,281	(22,303)	(173)	55,532	1,198,337	1,198,353
	–	–	–	77,710	77,710	77,707
	–	–	6,299	–	6,299	6,299
	–	–	–	(88,186)	(88,186)	(88,186)
	2,175	–	–	–	2,175	2,175
	10,654	–	–	–	10,654	10,654
	12,829	–	–	(88,186)	(75,357)	(75,357)
	1,178,110	(22,303)	6,126	45,056	1,206,989	1,207,002
	1,155,746	(22,303)	(2,299)	80,464	1,211,608	1,211,626
	–	–	–	78,570	78,570	78,568
	–	–	2,126	–	2,126	2,126
	–	–	–	(103,502)	(103,502)	(103,502)
	9,535	–	–	–	9,535	9,535
	9,535	–	–	(103,502)	(93,967)	(93,967)
	1,165,281	(22,303)	(173)	55,532	1,198,337	1,198,353

PORTFOLIO STATEMENTS

AS AT 31 DECEMBER 2015

OUE H-REIT Group

Description of Property	Leasehold tenure	Location
Investment properties		
Singapore		
Crowne Plaza Changi Airport	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	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		

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 generally contain an initial term of one to three years. Subsequent renewals are renegotiated with the lessees.

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

Existing use	Carrying value at 31/12/2015 \$'000	Percentage of total net assets at 31/12/2015 %	Carrying value at 31/12/2014 \$'000	Percentage of total net assets at 31/12/2014 %
Hotel	295,000	24.4	–	–
Hotel	1,221,000	101.2	1,220,000	101.8
Retail	538,000	44.6	536,000	44.7
	2,054,000	170.2	1,756,000	146.5
	(847,011)	(70.2)	(557,663)	(46.5)
	1,206,989	100.0	1,198,337	100.0

Existing use	Carrying value at 31/12/2015 \$'000	Percentage of total net assets at 31/12/2015 %	Carrying value at 31/12/2014 \$'000	Percentage of total net assets at 31/12/2014 %
Hotel	295,000	24.4	–	–
Hotel	1,221,000	101.2	1,220,000	101.8
Retail	538,000	44.6	536,000	44.7
	2,054,000	170.2	1,756,000	146.5
	(846,998)	(70.2)	(557,647)	(46.5)
	1,207,002	100.0	1,198,353	100.0

On 30 January 2015, OUE H-REIT acquired Crowne Plaza Changi Airport for a total purchase consideration of \$293,043,000 (see note 4). Crowne Plaza Changi Airport is leased to a related party of the REIT Manager under a master lease arrangement. The initial term of the lease is from 30 January 2015 to 27 May 2028, with an option to renew for two consecutive terms of five years each.

STATEMENTS OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2015

Note	OUE H-BT		OUE H-REIT Group		Stapled Group	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Cash flows from operating activities						
Total return for the year	(3)	(2)	77,710	78,570	77,707	78,568
Adjustments for:						
REIT Manager's fees paid/payable in Stapled Securities	–	–	10,654	9,535	10,654	9,535
Finance income	–	–	(1,168)	(1,345)	(1,168)	(1,345)
Finance expenses	–	–	23,371	14,721	23,371	14,721
Net change in fair value of investment properties	–	–	(2,924)	147	(2,924)	147
Operating (loss)/income before working capital changes						
	(3)	(2)	107,643	101,628	107,640	101,626
Changes in working capital:						
Deposit	–	–	(1,501)	–	(1,501)	–
Trade and other receivables	–	–	408	8,111	408	8,111
Trade and other payables	–	–	2,251	(201)	2,251	(201)
Rental deposits	–	–	(396)	(21,666)	(396)	(21,666)
Cash (used in)/generated from operating activities						
	(3)	(2)	108,405	87,872	108,402	87,870
Cash flows from investing activities						
Acquisition of investment property	4	–	(290,868)	–	(290,868)	–
Capital expenditure on investment properties	–	–	(2,033)	(147)	(2,033)	(147)
Interest received	–	–	40	25	40	25
Net cash used in investing activities						
	–	–	(292,861)	(122)	(292,861)	(122)
Cash flows from financing activities						
Issue costs paid	–	–	–	(717)	–	(717)
Distributions to Stapled Securityholders	–	–	(88,186)	(103,502)	(88,186)	(103,502)
Proceeds from borrowings	–	–	295,000	–	295,000	–
Payment of transaction costs on borrowings	–	–	(3,140)	–	(3,140)	–
Finance expenses paid	–	–	(19,156)	(13,041)	(19,156)	(13,041)
Net cash generated from/ (used in) financing activities						
	–	–	184,518	(117,260)	184,518	(117,260)

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

STATEMENTS OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2015

Note	OUE H-BT		OUE H-REIT Group		Stapled Group	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Net (decrease)/increase in cash and cash equivalents	(3)	(2)	62	(29,510)	59	(29,512)
Cash and cash equivalents at beginning of the year	18	20	31,299	60,809	31,317	60,829
Cash and cash equivalents at end of the year	7 15	18	31,361	31,299	31,376	31,317

Significant non-cash transactions

OUE H-REIT Group and Stapled Group

There were the following significant non-cash transactions during the year:

- A total of 12,602,702 (2014: 10,784,271) Stapled Securities amounting to \$10,654,000 (2014: \$9,535,000) were or would be issued to the REIT Manager as satisfaction of the REIT Manager's management fees for the financial year.
- 2,344,507 (2014: Nil) Stapled Securities, amounting to \$2,175,000 (2014: Nil), were issued to the REIT Manager as satisfaction of the acquisition fee payable to the REIT Manager for the purchase of Crowne Plaza Changi Airport during the 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 19 February 2016.

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 (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 ("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.

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:

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL (CONT'D)

(i) *Trustee-Manager's fees*

Pursuant to the OUE H-BT Trust Deed dated 10 July 2013, 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 dated 10 July 2013, 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).

For a period from Listing Date to the financial year ended 31 December 2014, 100.0% of the management fees payable to the REIT Manager would be paid in the form of Stapled Securities at the market price (as defined in the OUE H-REIT Trust Deed) prevailing at the date of the management fees accrue. Thereafter, 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 management fee payable in the form of Units is payable quarterly in arrears and any portion of the management fee payable in cash is payable monthly in arrears.

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.

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL (CONT'D)

(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 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.

NOTES TO THE FINANCIAL STATEMENTS

2 BASIS OF PREPARATION (CONT'D)

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis, except as described 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 financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

Information about critical judgments in applying accounting policies, assumptions and estimation uncertainties that have the most significant effect on the amounts recognised in the financial statements is described in the following notes:

- Note 4 – valuation of investment properties
- Note 21 – valuation of financial instruments

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.

NOTES TO THE FINANCIAL STATEMENTS

2 BASIS OF PREPARATION (CONT'D)

2.4 Use of estimates and judgments (cont'd)

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 in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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 the following notes:

- Note 4 – valuation of investment properties
- Note 21 – valuation of financial instruments

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, 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.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Consolidation (cont'd)

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.

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 date 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 retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in the statement of total return.

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.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Investment properties (cont'd)

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.

3.4 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.

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 deposits.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Financial instruments (cont'd)

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. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise borrowings, trade and other payables, and rental deposits.

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, 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.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Financial instruments (cont'd)

Derivative financial instruments, including hedge accounting (cont'd)

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 included in the carrying amount of the asset when the asset is recognised. In other cases, the amount accumulated in unitholders' funds is reclassified to the statement of total return in the same period that the hedged item affects the total return. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in unitholders' funds is reclassified to the statement of total return.

Other derivative financial instruments

Changes in the fair value of derivative financial instruments that are not designated as hedging instruments in qualifying cash flow hedges are recognised in the statement of total return.

3.5 Impairment

Non-derivative financial assets

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

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the 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 in the group, economic conditions that correlate with defaults or the disappearance of an active market for a security.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Impairment (cont'd)

Loans and receivables

The OUE H-REIT Group and the Stapled Group consider evidence of impairment for loans and receivables at 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.

Non-financial assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Impairment (cont'd)

Non-financial assets (cont'd)

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

3.6 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 issue of Stapled Securities. The expenses are deducted directly against the unitholders' funds.

3.7 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.

3.8 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.

3.9 Lease payments

Payments made under operating leases are recognised in profit or loss 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.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.10 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.

3.11 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.

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 the 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.11 Tax (cont'd)

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.

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 regrossed 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 that has obtained the IRAS' approval for distributions to be made to it by OUE H-REIT without deduction of tax; or
- 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).

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.11 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.

3.12 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.

3.13 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 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.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 New standards and interpretations not adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these financial statements. In addition, Singapore-incorporated companies listed on the Singapore Exchange ("SGX") will apply a new financial reporting framework identical to the International Financial Reporting Standards ("IFRS") for financial year ended 31 December 2018 onwards. Singapore-incorporated companies listed on SGX will have to assess the impact of IFRS1: *First-time adoption of IFRS* when transitioning to the new reporting framework. The REIT Manager is currently assessing the potential impact of adopting these new standards and interpretations and the new financial reporting framework, on the financial statements of the OUE H-REIT Group and the Stapled Group.

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

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

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

4 INVESTMENT PROPERTIES

	Note	OUE H-REIT Group and Stapled Group	
		2015 \$'000	2014 \$'000
At 1 January		1,756,000	1,756,000
Acquisition of investment property	(i)	293,043	–
Capital expenditure incurred		2,033	147
Changes in fair value recognised in statement of total return (unrealised)		2,924	(147)
At 31 December		<u>2,054,000</u>	<u>1,756,000</u>

(i) On 30 January 2015, OUE H-REIT acquired Crowne Plaza Changi Airport for a purchase consideration of \$290,000,000 and incurred total acquisition costs of \$3,043,000. Included in total acquisition costs is an acquisition fee of \$2,175,000 paid to the REIT Manager through the issuance of 2,344,507 Stapled Securities.

(ii) As at 31 December 2015, investment properties with a carrying amount of \$1,759,000,000 (2014: \$1,756,000,000) are pledged as security to secure bank loans (see note 8).

NOTES TO THE FINANCIAL STATEMENTS

4 INVESTMENT PROPERTIES (CONT'D)

(iii) Measurement of fair value

(a) Fair value hierarchy

The investment properties are stated at fair value as at 31 December 2015 and 31 December 2014 based on independent valuations undertaken by HVS (SG&R Singapore Pte Ltd) and Cushman & Wakefield VHS Pte Ltd, respectively. The independent valuers have the appropriate professional qualifications and recent experience in the location and category of the properties being valued. Valuation of the investment properties is carried out at least once a year. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

The fair values as at 31 December 2015 were derived based on the discounted cash flow and market comparable methods. The fair values as at 31 December 2014 were derived based on the discounted cash flow, capitalisation and market comparable methods. The specific risks inherent in each of the properties are taken into consideration in arriving at the valuations. The valuation methods used in determining the fair value involve certain estimates including those relating to discount rate, terminal yield, capitalisation rate, and price per square foot (retail) and price per hotel room. 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.

(b) Valuation techniques and significant unobservable inputs

The following table shows the key unobservable inputs used in the valuation models:

Valuation technique	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Discounted cash flow approach	Discount rate: 6.50% – 7.00% (2014: 7.50% – 8.50%) Terminal yield: Not applicable* (2014: 5.75% – 6.75%)	Significant increases in discount rate and terminal yield would result in a significantly lower fair value.

* No terminal yield had been assumed as the valuation has included the projected cash flows to the end of the lease term.

NOTES TO THE FINANCIAL STATEMENTS

4 INVESTMENT PROPERTIES (CONT'D)

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

(b) Valuation techniques and significant unobservable inputs (cont'd)

<u>Valuation technique</u>	<u>Key unobservable inputs</u>	<u>Inter-relationship between key unobservable inputs and fair value measurement</u>
Capitalisation approach	Capitalisation rate: 5.25% for 2014	Significant increases in capitalisation rate would result in a significantly lower fair value.
Market comparable approach	Price per square foot (retail): \$4,294 (2014: \$4,302)	Significant increases in price per square foot (retail) and price per hotel room would result in a significantly higher fair value.
	Price per hotel room: \$922,000 – \$1,134,000 (2014: \$1,159,700)	

Key unobservable inputs

Key unobservable inputs correspond to:

- Discount rate, based on the risk-free rate for 10-year bonds issued by the government in the relevant market, adjusted for a risk premium to reflect the increased risk of investing in the asset class.
- Terminal yield reflects the uncertainty, functional/economic obsolescence and the risk associated with the investment properties.
- Capitalisation rate correspond to a rate of return on investment properties based on the expected income that the property will generate.
- Price per square foot (retail) and price per hotel room are based on the available comparable sale transactions with adjustments made for differences in location, size, tenure, age, and other factors.

NOTES TO THE FINANCIAL STATEMENTS

5 FINANCIAL DERIVATIVES

	OUE H-REIT Group and Stapled Group	
	2015	2014
	\$'000	\$'000
Derivative assets/(liabilities)		
Interest rate swaps used for hedging		
– Non-current	4,752	(2,027)
– Current	374	(255)
	<u>5,126</u>	<u>(2,282)</u>
Financial derivatives as a percentage of net assets	<u>0.42%</u>	<u>(0.19%)</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 2015, the OUE H-REIT Group and the Stapled Group have interest rate swap contracts with a total notional amount of \$729 million (2014: \$587 million). Under the contracts, the OUE H-REIT Group and the Stapled Group pay fixed interest rates of 1.15% to 2.10% (2014: 0.80% to 1.85%) and receive interest at the three-month Singapore Dollar swap offer rate ("SOR").

6 TRADE AND OTHER RECEIVABLES

	OUE H-REIT Group and Stapled Group	
	2015	2014
	\$'000	\$'000
Trade receivables from:		
– related parties of the REIT Manager	7,594	7,350
– third parties	53	461
	<u>7,647</u>	<u>7,811</u>
Other receivables	456	700
	<u>8,103</u>	<u>8,511</u>
Prepayments	779	760
	<u>8,882</u>	<u>9,271</u>

Trade receivables from related parties of the REIT Manager mainly 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.

NOTES TO THE FINANCIAL STATEMENTS

6 TRADE AND OTHER RECEIVABLES (CONT'D)

The ageing of trade receivables at the reporting date is:

	Gross 2015 \$'000	Gross 2014 \$'000
OUÉ H-REIT Group and Stapled Group		
Not past due	7,471	7,384
Past due 1 – 60 days	144	353
Past due over 60 days	32	74
	<u>7,647</u>	<u>7,811</u>

Based on historical default rates, the REIT Manager believes that no impairment losses is necessary in respect of trade receivables as these receivables mainly arose from tenants that have a good track record with the OUE H-REIT Group and the Stapled Group and there are sufficient security deposits as collateral.

7 CASH AND CASH EQUIVALENTS

	OUÉ H-BT		OUÉ H-REIT Group		Stapled Group	
	2015	2014	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash at bank	15	18	26,861	26,799	26,876	26,817
Fixed deposits with financial institutions	–	–	4,500	4,500	4,500	4,500
	<u>15</u>	<u>18</u>	<u>31,361</u>	<u>31,299</u>	<u>31,376</u>	<u>31,317</u>

8 BORROWINGS

	OUÉ H-REIT Group and Stapled Group	
	2015	2014
	\$'000	\$'000
Current		
Secured bank loans	293,000	–
Less: Unamortised transaction costs	(592)	–
	<u>292,408</u>	<u>–</u>
Non-current		
Secured bank loans	589,000	587,000
Less: Unamortised transaction costs	(4,179)	(3,889)
	<u>584,821</u>	<u>583,111</u>
Total borrowings	<u>877,229</u>	<u>583,111</u>

NOTES TO THE FINANCIAL STATEMENTS

8 BORROWINGS (CONT'D)

The OUE H-REIT Group and the Stapled Group have in place credit facilities comprising term loan facilities of \$882 million (2014: \$587 million) and a revolving credit facility of \$43 million (2014: \$43 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, the term loan facilities were fully drawn down and the revolving credit facility was 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 5).

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.

As at 31 December 2015, no EMTN Notes have been issued under the EMTN Programme.

NOTES TO THE FINANCIAL STATEMENTS

8 BORROWINGS (CONT'D)

Terms and debt repayment schedule

Terms and conditions of outstanding borrowings are as follows:

Currency	Nominal interest rate %	Year of maturity	2015		2014	
			Face value \$'000	Carrying amount \$'000	Face value \$'000	Carrying amount \$'000
OUE H-REIT Group and Stapled Group						
Term loans	SGD 2.16% – 2.51 %	2016 – 2020	882,000	877,229	587,000	583,111

9 TRADE AND OTHER PAYABLES

	OUE H-BT		OUE H-REIT Group		Stapled Group	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Trade payables payable to:						
– a related party of the REIT Manager	–	–	302	–	302	–
– third parties	–	–	2,139	1,761	2,139	1,761
Other payables	–	–	285	372	285	372
Accrued expenses	2	2	3,746	2,088	3,748	2,090
Interest payable	–	–	4,922	2,965	4,922	2,965
	2	2	11,394	7,186	11,396	7,188

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

NOTES TO THE FINANCIAL STATEMENTS

10 UNITS/STAPLED SECURITIES IN ISSUE AND TO BE ISSUED

	OUE H-BT		OUE H-REIT Group		Stapled Group	
	2015 '000	2014 '000	2015 '000	2014 '000	2015 '000	2014 '000
Units/Stapled Securities in issue:						
At 1 January	1,321,441	1,310,627	1,321,441	1,310,627	1,321,441	1,310,627
Creation of Units/Stapled Securities:						
– REIT Manager's management fee paid in Stapled Securities	11,635	10,814	11,635	10,814	11,635	10,814
– Acquisition fee paid to REIT Manger in Stapled Securities	2,345	–	2,345	–	2,345	–
At 31 December	1,335,421	1,321,441	1,335,421	1,321,441	1,335,421	1,321,441
Units/Stapled Securities to be issued:						
– REIT Manager's fee payable in Stapled Securities	3,674	2,706	3,674	2,706	3,674	2,706
Issued and issuable Units/Stapled Securities	1,339,095	1,324,147	1,339,095	1,324,147	1,339,095	1,324,147

During the financial year, 11,635,325 (2014: 10,813,982) Stapled Securities at unit prices ranging from \$0.8016 to \$0.9384 (2014: \$0.8398 to \$0.9136) per Stapled Security, amounting to \$10,349,000 (2014: \$9,509,000), were issued as satisfaction of the REIT Manager's management fees payable in units.

In addition, 2,344,507 Stapled Securities at \$0.9277 per Stapled Security, amounting to \$2,175,000, were issued to the REIT Manager in February 2016 as satisfaction of the acquisition fee payable to the REIT Manager for the purchase of Crowne Plaza Changi Airport (see note 4).

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.

NOTES TO THE FINANCIAL STATEMENTS

10 UNITS/STAPLED SECURITIES IN ISSUE AND TO BE ISSUED

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 35% of its Deposited Property except that the Aggregate Leverage of a property fund may exceed 35% of its Deposited Property (up to a maximum of 60%) if a credit rating of the property fund from Fitch Inc., Moody's or Standard and Poor's is obtained and disclosed to the public. The property fund should continue to maintain and disclose a credit rating so long as its Aggregate Leverage exceeds 35% of its Deposited Property. With effect from 1 January 2016, the Aggregate Leverage of a property fund shall not exceed 45%.

As at 31 December 2015, OUE H-REIT maintained a Ba1 corporate family rating by Moody's Investors Service. The Aggregate Leverage of OUE H-REIT as at 31 December 2015 was 42.0% (2014: 32.7%) 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.

11 NET ASSET VALUE PER UNIT/STAPLED SECURITY

Note	OUE H-BT		OUE H-REIT Group		Stapled Group	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Net asset value per Unit/Stapled Security is based on:						
– Net assets	13	16	1,206,989	1,198,337	1,207,002	1,198,353
	'000	'000	'000	'000	'000	'000
– Total issued and issuable Units/Stapled Securities at 31 December	10		1,339,095	1,324,147	1,339,095	1,324,147

NOTES TO THE FINANCIAL STATEMENTS

12 GROSS REVENUE

	OUE H-REIT Group and Stapled Group	
	2015	2014
	\$'000	\$'000
Fixed rent	91,347	80,057
Variable rent	31,916	34,173
Others	1,325	1,660
	<u>124,588</u>	<u>115,890</u>

Under the terms of lease agreements for the properties, the OUE H-REIT Group is 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 \$87,874,000 (2014: \$78,647,000).

13 PROPERTY EXPENSES

	Note	OUE H-REIT Group and Stapled Group	
		2015	2014
		\$'000	\$'000
Energy cost		1,162	1,390
Insurance		223	157
Operating lease expense:	22		
- Fixed component		244	-
- Variable component		1,190	-
Property management fees		1,455	1,489
Property tax		7,934	6,823
Other property expenses		3,274	2,865
		<u>15,482</u>	<u>12,724</u>

14 REIT MANAGER'S FEES

	OUE H-REIT Group and Stapled Group	
	2015	2014
	\$'000	\$'000
Base fee	6,290	5,408
Performance fee	4,364	4,127
	<u>10,654</u>	<u>9,535</u>

Included in the REIT Manager's fees is an aggregate of 12,602,702 (2014: 10,784,271) Stapled Securities, amounting to approximately \$10,654,000 (2014: \$9,535,000), 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 \$0.7465 to \$0.9384 (2014: \$0.8398 to \$0.9136) per Stapled Security.

NOTES TO THE FINANCIAL STATEMENTS

15 OTHER TRUST EXPENSES

Included in other trust expenses are the following:

	OUE H-BT		OUE H-REIT Group		Stapled Group	
	2015	2014	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Auditors' remuneration:						
- Audit fees	–	–	155	144	155	144
- Non-audit fees	2	2	46	69	48	71
Valuation fees	–	–	39	43	39	43

16 FINANCE INCOME AND FINANCE EXPENSES

	OUE H-REIT Group and Stapled Group	
	2015	2014
	\$'000	\$'000
Finance income		
Ineffective portion of change in fair value of cash flow hedges	1,109	1,320
Interest income from fixed deposits	59	25
	<u>1,168</u>	<u>1,345</u>
Finance expenses		
Amortisation of debt-related transaction costs	(2,258)	(1,680)
Interest paid/payable to banks	(21,113)	(13,041)
	<u>(23,371)</u>	<u>(14,721)</u>

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	
	2015	2014
	\$'000	\$'000
Total interest income on financial assets	59	25
Total interest expense on financial liabilities	(19,277)	(9,275)

NOTES TO THE FINANCIAL STATEMENTS

17 TOTAL RETURN FOR THE YEAR

	OUE H-BT		OUE H-REIT Group		Stapled Group	
	2015	2014	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Comprises total return of:						
– OUE H-REIT	–	–	77,714	78,577	77,714	78,577
– Other OUE H-REIT Group entity	–	–	(4)	(7)	(4)	(7)
– OUE H-BT	(3)	(2)	–	–	(3)	(2)
	(3)	(2)	77,710	78,570	77,707	78,568

18 TAX EXPENSE

	OUE H-BT		OUE H-REIT Group		Stapled Group	
	2015	2014	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Reconciliation of effective tax rate						
Total return for the year	(3)	(2)	77,710	78,570	77,707	78,568
Tax calculated using						
– Singapore tax rate of 17%	(1)	–	13,211	13,357	13,210	13,357
– Non-tax deductible items	1	–	2,326	2,017	2,327	2,017
– Non-taxable items	–	–	(686)	(245)	(686)	(245)
– Tax transparency (note 3.11)	–	–	(14,851)	(15,129)	(14,851)	(15,129)
	–	–	–	–	–	–

19 EARNINGS PER STAPLED SECURITY

Basic earnings per Stapled Security is based on:

	Stapled Group	
	2015	2014
	\$'000	\$'000
Total return for the year	77,707	78,568

NOTES TO THE FINANCIAL STATEMENTS

19 EARNINGS PER STAPLED SECURITY (CONT'D)

	Number of Stapled Securities 2015 '000	Number of Stapled Securities 2014 '000
Weighted average number of Stapled Securities:		
– outstanding during the year	1,330,657	1,317,507
– to be issued as payment of the REIT Manager's management fees payable in Stapled Securities	10	7
	<u>1,330,667</u>	<u>1,317,514</u>

Diluted earnings per Stapled Security are the same as the basic earnings per Stapled Security as there are no dilutive instruments in issue during the year.

20 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.

NOTES TO THE FINANCIAL STATEMENTS

20 OPERATING SEGMENTS (CONT'D)

Information about reportable segments

	Hospitality \$'000	Retail \$'000	Total \$'000
OUE H-REIT Group			
Year ended 31 December 2015			
Gross revenue	87,874	36,714	124,588
Property expenses	(6,127)	(9,355)	(15,482)
Reportable segment net property income	81,747	27,359	109,106
Unallocated items:			
– REIT Manager's fees			(10,654)
– REIT Trustee's fees			(392)
– Other trust expenses			(1,071)
– Finance income			1,168
– Finance expenses			(23,371)
Net income			<u>74,786</u>
Net change in fair value of investment properties	2,646	278	2,924
Total return for the year			<u>77,710</u>
Year ended 31 December 2014			
Gross revenue	78,647	37,243	115,890
Property expenses	(3,742)	(8,982)	(12,724)
Reportable segment net property income	74,905	28,261	103,166
Unallocated items:			
– REIT Manager's fees			(9,535)
– REIT Trustee's fees			(304)
– Other trust expenses			(1,234)
– Finance income			1,345
– Finance expenses			(14,721)
Net income			<u>78,717</u>
Net change in fair value of investment properties	(17)	(130)	(147)
Total return for the year			<u>78,570</u>

NOTES TO THE FINANCIAL STATEMENTS

20 OPERATING SEGMENTS (CONT'D)

Information about reportable segments (cont'd)

	Hospitality \$'000	Retail \$'000	Total \$'000
Stapled Group			
Year ended 31 December 2015			
Gross revenue	87,874	36,714	124,588
Property expenses	(6,127)	(9,355)	(15,482)
Reportable segment net property income	81,747	27,359	109,106
Unallocated items:			
– REIT Manager's fees			(10,654)
– REIT Trustee's fees			(392)
– Other trust expenses			(1,074)
– Finance income			1,168
– Finance expenses			(23,371)
Net income			74,783
Net change in fair value of investment properties	2,646	278	2,924
Total return for the year			77,707
Year ended 31 December 2014			
Gross revenue	78,647	37,243	115,890
Property expenses	(3,742)	(8,982)	(12,724)
Reportable segment net property income	74,905	28,261	103,166
Unallocated items:			
– REIT Manager's fees			(9,535)
– REIT Trustee's fees			(304)
– Other trust expenses			(1,236)
– Finance income			1,345
– Finance expenses			(14,721)
Net income			78,715
Net change in fair value of investment properties	(17)	(130)	(147)
Total return for the year			78,568

NOTES TO THE FINANCIAL STATEMENTS

21 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.

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 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.

NOTES TO THE FINANCIAL STATEMENTS

21 FINANCIAL INSTRUMENTS (CONT'D)

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 establishes an allowance for impairment, based on a specific loss component that relates to individually significant exposures, that represents its estimate of incurred losses in respect of trade and other receivables.

The allowance account in respect of trade and other receivables is used to record impairment losses unless the OUE H-REIT Group and the Stapled Group are satisfied that no recovery of the amount owing is possible. At that point, the financial asset is considered irrecoverable and the amount charged to the allowance account is written off against the carrying amount of the impaired financial asset.

At 31 December 2015, 99.3% (2014: 94.1%) 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

21 FINANCIAL INSTRUMENTS (CONT'D)

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 maintain the following lines of credit:

- A total of \$882 million (2014: \$587 million) secured term loan facilities with a bank. At the reporting date, these facilities were fully drawn down; and
- \$43 million (2014: \$43 million) secured revolving credit facilities with a bank comprising \$31 million (2014: \$31 million) committed facility and a \$12 million (2014: \$12 million) uncommitted facility. At the reporting date, these facilities are unutilised.

In addition, the OUE H-REIT Group and the Stapled Group have a US\$1 billion (2014: US\$1 billion) EMTN Programme (note 8). At the reporting date, 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 and purchase an investment property (note 22).

NOTES TO THE FINANCIAL STATEMENTS

21 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
QUE H-REIT Group					
2015					
Non-derivative financial liabilities					
Borrowings	877,229	(952,855)	(313,434)	(639,421)	–
Trade and other payables	11,394	(11,394)	(11,394)	–	–
Rental deposits	5,258	(5,258)	(2,009)	(3,122)	(127)
	<u>893,881</u>	<u>(969,507)</u>	<u>(326,837)</u>	<u>(642,543)</u>	<u>(127)</u>
Derivative financial instruments					
Interest rate swaps	(5,126)	5,319	(1,069)	6,388	–
	<u>888,755</u>	<u>(964,188)</u>	<u>(327,906)</u>	<u>(636,155)</u>	<u>(127)</u>
2014					
Non-derivative financial liabilities					
Borrowings	583,111	(624,805)	(10,496)	(614,309)	–
Trade and other payables	7,186	(7,186)	(7,186)	–	–
Rental deposits	5,654	(5,654)	(2,323)	(2,962)	(369)
	<u>595,951</u>	<u>(637,645)</u>	<u>(20,005)</u>	<u>(617,271)</u>	<u>(369)</u>
Derivative financial instruments					
Interest rate swaps	2,282	(1,948)	(2,503)	555	–
	<u>598,233</u>	<u>(639,593)</u>	<u>(22,508)</u>	<u>(616,716)</u>	<u>(369)</u>
Stapled Group					
2015					
Non-derivative financial liabilities					
Borrowings	877,229	(952,855)	(313,434)	(639,421)	–
Trade and other payables	11,396	(11,396)	(11,396)	–	–
Rental deposits	5,258	(5,258)	(2,009)	(3,122)	(127)
	<u>893,883</u>	<u>(969,509)</u>	<u>(326,839)</u>	<u>(642,543)</u>	<u>(127)</u>
Derivative financial instruments					
Interest rate swaps	(5,126)	5,319	(1,069)	6,388	–
	<u>888,757</u>	<u>(964,190)</u>	<u>(327,908)</u>	<u>(636,155)</u>	<u>(127)</u>

NOTES TO THE FINANCIAL STATEMENTS

21 FINANCIAL INSTRUMENTS (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					
2014					
Non-derivative financial liabilities					
Borrowings	583,111	(624,805)	(10,496)	(614,309)	–
Trade and other payables	7,188	(7,188)	(7,188)	–	–
Rental deposits	5,654	(5,654)	(2,323)	(2,962)	(369)
	595,953	(637,647)	(20,007)	(617,271)	(369)
Derivative financial instruments					
Interest rate swaps	2,282	(1,948)	(2,503)	555	–
	598,235	(639,595)	(22,510)	(616,716)	(369)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

21 FINANCIAL INSTRUMENTS (CONT'D)

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.

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	
	2015	2014
	\$'000	\$'000
Fixed rate instruments		
Fixed deposits	4,500	4,500
Interest rate swaps	(729,000)	(587,000)
	<u>(724,500)</u>	<u>(582,500)</u>
Variable rate instruments		
Borrowings	(882,000)	(587,000)
Interest rate swaps	729,000	587,000
	<u>(153,000)</u>	<u>—</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 (2014: 10) 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.

NOTES TO THE FINANCIAL STATEMENTS

21 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 2015				
Variable rate instruments				
Borrowings	(4,410)	4,410	–	–
Interest rate swaps	3,652	(3,638)	43	(43)
	<u>(758)</u>	<u>772</u>	<u>43</u>	<u>(43)</u>
	10 bp increase \$'000	10 bp decrease \$'000	10 bp increase \$'000	10 bp decrease \$'000
Year ended 31 December 2014				
Variable rate instruments				
Borrowings	(587)	587	–	–
Interest rate swaps	660	(514)	232	193
	<u>73</u>	<u>73</u>	<u>232</u>	<u>193</u>

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% (2014: 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			
	2015		2014	
	10% increase \$'000	10% decrease \$'000	10% increase \$'000	10% decrease \$'000
Gross revenue	<u>3,192</u>	<u>(3,192)</u>	<u>3,417</u>	<u>(3,417)</u>

NOTES TO THE FINANCIAL STATEMENTS

21 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.

	Note	Carrying amount	
		Loans and receivables \$'000	Fair value –hedging instruments \$'000
QUE H-REIT Group			
2015			
Financial assets not measured at fair value			
Deposit		1,501	–
Trade and other receivables	6	8,103	–
Cash and cash equivalents	7	31,361	–
		<u>40,965</u>	<u>–</u>
Financial assets measured at fair value			
Financial derivatives	5	–	5,126
Financial liabilities not measured at fair value			
Borrowings	8	–	–
Trade and other payables	9	–	–
Rental deposits		–	–
		<u>–</u>	<u>–</u>
2014			
Financial assets not measured at fair value			
Trade and other receivables	6	8,511	–
Cash and cash equivalents	7	31,299	–
		<u>39,810</u>	<u>–</u>
Financial liabilities measured at fair value			
Financial derivatives	5	–	(2,282)
Financial liabilities not measured at fair value			
Borrowings	8	–	–
Trade and other payables	9	–	–
Rental deposits		–	–
		<u>–</u>	<u>–</u>

NOTES TO THE FINANCIAL STATEMENTS

Other financial liabilities \$'000	Total \$'000	Fair value				Total \$'000
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000	
–	1,501					
–	8,103					
–	31,361					
–	40,965					
–	5,126	–	5,126	–	5,126	
(877,229)	(877,229)					
(11,394)	(11,394)					
(5,258)	(5,258)	–	–	(5,037)	(5,037)	
(893,881)	(893,881)					
–	8,511					
–	31,299					
–	39,810					
–	(2,282)	–	(2,282)	–	(2,282)	
(583,111)	(583,111)					
(7,186)	(7,186)					
(5,654)	(5,654)	–	–	(5,424)	(5,424)	
(595,951)	(595,951)					

NOTES TO THE FINANCIAL STATEMENTS

21 FINANCIAL INSTRUMENTS (CONT'D)

	Note	Carrying amount	
		Loans and receivables \$'000	Fair value –hedging instruments \$'000
Stapled Group			
2015			
Financial assets not measured at fair value			
Deposit		1,501	–
Trade and other receivables	6	8,103	–
Cash and cash equivalents	7	31,376	–
		<u>40,980</u>	<u>–</u>
Financial liabilities measured at fair value			
Financial derivatives	5	–	5,126
Financial liabilities not measured at fair value			
Borrowings	8	–	–
Trade and other payables	9	–	–
Rental deposits		–	–
		<u>–</u>	<u>–</u>
2014			
Financial assets not measured at fair value			
Trade and other receivables	6	8,511	–
Cash and cash equivalents	7	31,317	–
		<u>39,828</u>	<u>–</u>
Financial liabilities measured at fair value			
Financial derivatives	5	–	(2,282)
Financial liabilities not measured at fair value			
Borrowings	8	–	–
Trade and other payables	9	–	–
Rental deposits		–	–
		<u>–</u>	<u>–</u>

NOTES TO THE FINANCIAL STATEMENTS

Other financial liabilities \$'000	Total \$'000	Fair value			
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
–	1,501				
–	8,103				
–	31,376				
–	40,980				
–	5,126	–	5,126	–	5,126
(877,229)	(877,229)				
(11,396)	(11,396)				
(5,258)	(5,258)	–	–	(5,037)	(5,037)
(893,883)	(893,883)				
–	8,511				
–	31,317				
–	39,828				
–	(2,282)	–	(2,282)	–	(2,282)
(583,111)	(583,111)				
(7,188)	(7,188)				
(5,654)	(5,654)	–	–	(5,424)	(5,424)
(595,953)	(595,953)				

NOTES TO THE FINANCIAL STATEMENTS

21 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	<i>Market comparison technique:</i> 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.

22 COMMITMENTS

Operating lease rental receivable

Non-cancellable operating lease rentals are receivable as follows:

	OUE H-REIT Group and Stapled Group	
	2015	2014
	\$'000	\$'000
Within 1 year	84,972	79,208
After 1 year but within 5 years	294,026	216,215
After 5 years	468,671	399,558
	<u>847,669</u>	<u>694,981</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.

NOTES TO THE FINANCIAL STATEMENTS

22 COMMITMENTS (CONT'D)

Operating lease rental payable

Non-cancellable operating lease rental is payable as follows:

	OUE H-REIT Group and Stapled Group	
	2015	2014
	\$'000	\$'000
Within one year	250	–
Between one and five years	1,000	–
More than five years	15,665	–
	<u>16,915</u>	<u>–</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

	OUE H-REIT Group and Stapled Group	
	2015	2014
	\$'000	\$'000
Capital expenditure on investment properties contracted but not provided for	<u>209</u>	<u>95</u>

Committed payments for acquisition of investment properties

On 28 November 2014, the REIT Trustee had entered into the following agreements with OUE Airport Hotel Pte. Ltd. ("OUEAH"), a subsidiary a substantial holder of the Stapled Securities in the Stapled Group, OUE Limited:

- (i) Sale and Purchase Agreement for the acquisition of Crowne Plaza Changi Airport ("CPCA") at a cash consideration of \$290 million;
- (ii) Sale and Purchase Agreement for the acquisition of CPCA's future extension ("CPEX") at a cash consideration of \$205 million;
- (iii) CPCA Put Option Agreement which allows OUE H-REIT to sell CPCA back to OUEAH within 18 months from the date of purchase of CPCA, subject to certain conditions ("CPCA Put Option"); and
- (iv) Combined Put Option Agreement which allows OUE H-REIT to sell CPCA and CPEX back to OUEAH within 18 months from the date of purchase of CPEX (collectively, the "Acquisition"), subject to certain conditions.

NOTES TO THE FINANCIAL STATEMENTS

22 COMMITMENTS (CONT'D)

The acquisition of CPCA was completed in January 2015. The CPCA Put Option was terminated on 20 January 2016. The completion of the acquisition of CPEX is expected to be no later than June 2016.

23 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 OUE H-REIT, the REIT Manager's management fee and REIT Trustee's fee 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.

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	
	2015	2014
	\$'000	\$'000
Paid/Payable to related parties of the REIT Manager:		
– acquisition of investment property	290,000	–
– property management fees	1,455	1,489
– shared electricity expenses	1,112	1,316
– shared service expenses	658	942
– utilities expenses	52	76
– hotel services	85	92

24 FINANCIAL RATIOS

	OUE H-REIT Group and Stapled Group	
	2015	2014
	%	%
Expenses to weighted average net assets ¹		
– including performance component of the REIT Manager's fees	1.01	0.92
– excluding performance component of the REIT Manager's fees	0.64	0.58
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.

NOTES TO THE FINANCIAL STATEMENTS

25 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	
		2015 %	2014 %
<u>Subsidiary of OUE H-REIT</u>			
OUE H-T Treasury Pte. Ltd. ⁽¹⁾	Singapore	100	100

(1) Audited by KPMG LLP.

OUE HTT was incorporated on 24 March 2014. Its principal activity is the provision of treasury services, including on-lending to OUE H-REIT proceeds from issuances of notes under the EMTN Programme (see note 8).

26 SUBSEQUENT EVENTS

There were the following events subsequent to the reporting date:

- The Stapled Group issued 3,673,503 Stapled Securities at an issue price of \$0.7465 per Stapled Security to the REIT Manager as payment of the REIT Manager's management fees for the period from 1 October 2015 to 31 December 2015.
- The REIT Manager declared a distribution of 1.70 cents per Stapled Security amounting to \$22.8 million in respect of the period from 1 October 2015 to 31 December 2015.

**OUE HOSPITALITY TRUST MANAGEMENT PTE. LTD.
FINANCIAL STATEMENTS**

141	Directors' Statement	147	Statement of Financial Position
144	Independent Auditors' Report	148	Statement of Changes in Equity
146	Statement of Comprehensive Income	149	Notes to the Financial Statements

DIRECTORS' STATEMENT

We are pleased to submit this report to the member of the Company together with the audited financial statements for the financial year ended 31 December 2015.

IN OUR OPINION:

- (a) the financial statements set out on pages 146 to 153 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2015 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 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 report are as follows:

Christopher James Williams
Lee Yi Shyan (Appointed on 12 January 2016)
Chong Kee Hiong
Sanjiv Misra
Liu Chee Ming
Neo Boon Siong
Ong Kian Min

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

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.

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, Chapter 50 (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 shares or debentures in the Company and in related corporations (other than wholly-owned subsidiaries) are as follows:

DIRECTORS' STATEMENT

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES (CONT'D)

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

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 or at the end of the financial year.

DIRECTORS' CONTRACTUAL BENEFITS

Except that the directors have received remuneration from the holding or related companies in their capacity as directors or executives of those companies, no director has received or become entitled to receive, a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

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.

DIRECTORS' STATEMENT

AUDITORS

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

On behalf of the Board of Directors

Christopher James Williams

Director

Chong Kee Hiong

Director

19 February 2016

INDEPENDENT AUDITORS' REPORT

Member of the Company
OUE Hospitality Trust Management Pte. Ltd.

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of OUE Hospitality Trust Management Pte. Ltd. (the "Company"), which comprise the statement of financial position as at 31 December 2015, the statement of comprehensive income and statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 146 to 153.

Management's responsibility 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 Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, 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.

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Company as at 31 December 2015 and the financial performance and changes in equity of the Company for the year ended on that date.

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 Company have been properly kept in accordance with the provisions of the Act.

KPMG LLP

*Public Accountants and
Chartered Accountants*

Singapore

19 February 2016

STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2015

	Note	2015 \$	2014 \$
Administrative expenses		(4,739)	(3,454)
Loss before tax		<u>(4,739)</u>	<u>(3,454)</u>
Tax expense	4	-	-
Loss for the year		<u>(4,739)</u>	<u>(3,454)</u>
Other comprehensive income, net of tax		-	-
Total comprehensive income for the year		<u>(4,739)</u>	<u>(3,454)</u>

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

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

	Note	2015 \$	2014 \$
LIABILITIES			
Current liabilities			
Other payables	5	4,200	4,000
Amount due to immediate holding company	6	7,992	3,453
Total liabilities		<u>12,192</u>	<u>7,453</u>
NET LIABILITIES		<u>(12,192)</u>	<u>(7,453)</u>
EQUITY			
Share capital	7	1	1
Accumulated losses		<u>(12,193)</u>	<u>(7,454)</u>
Total equity		<u>(12,192)</u>	<u>(7,453)</u>

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

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2015

	Share capital \$	Accumulated losses \$	Total \$
At 1 January 2014	1	(4,000)	(3,999)
Total comprehensive income for the year			
Loss for the year	–	(3,454)	(3,454)
Other comprehensive income, net of tax	–	–	–
Total comprehensive income for the year	–	(3,454)	(3,454)
At 31 December 2014	1	(7,454)	(7,453)
At 1 January 2015	1	(7,454)	(7,453)
Total comprehensive income for the year			
Loss for the year	–	(4,739)	(4,739)
Other comprehensive income, net of tax	–	–	–
Total comprehensive income for the year	–	(4,739)	(4,739)
At 31 December 2015	1	(12,193)	(12,192)

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 19 February 2016.

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 \$12,192 as at 31 December 2015. 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.

NOTES TO THE FINANCIAL STATEMENTS

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.

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

The Company initially recognises financial liabilities 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 has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial liabilities are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

Financial liabilities comprise other payables and amount due to immediate holding company.

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.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Taxes

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in the profit or loss.

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

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.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Company expects, at the end of the reporting period, 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 the 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 income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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 2015, 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:

	2015 \$	2014 \$
Loss before tax	(4,739)	(3,454)
Tax calculated using Singapore tax rate of 17%	(806)	(587)
Tax losses not carried forward	806	587
	-	-

5 OTHER PAYABLES

	2015 \$	2014 \$
Accrued operating expenses	4,200	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

	2015		2014	
	Number of shares	Amount \$	Number of shares	Amount \$
Ordinary share with no par value				
Beginning and end of financial year	1	1	1	1

NOTES TO THE FINANCIAL STATEMENTS

8 FINANCIAL RISK MANAGEMENT

As the Company was inactive during the financial year, the Company has limited exposure to credit, interest rate and foreign currency 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.

Estimating the fair values

The carrying amounts of financial liabilities with a maturity of less than one year are assumed to approximate their fair values because of the short period to maturity.

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) '000
OUE Limited and its subsidiaries	
Rental income	87,874
REIT Manager's management fees ¹	10,654
REIT Manager's acquisition fee ²	2,175
Property management fees	1,455
Shared electricity services	1,112
Shared services	658
RBC Investor Services Trust Singapore Limited (as trustee of OUE H-REIT)	
REIT Trustee's fees	392
TOTAL	104,320

Save as disclosed above, during the financial year ended 31 December 2015, there were no additional interested person transactions (excluding transactions of less than S\$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) The REIT Manager's management fees for the financial year ended 31 December 2015 were paid in the form of Stapled Securities. In respect of the period from 1 January 2015 to 31 March 2015, 2,748,694 Stapled Securities were issued to the REIT Manager on 7 May 2015 at an issue price of S\$0.9383 per Stapled Security. In respect of the period from 1 April 2015 to 30 June 2015, 2,769,113 Stapled Securities were issued to the REIT Manager on 13 August 2015 at an issue price of S\$0.9384 per Stapled Security. In respect of the period from 1 July 2015 to 30 September 2015, 3,411,392 Stapled Securities were issued to the REIT Manager on 12 November 2015 at an issue price of S\$0.8016 per Stapled Security. In respect of the period from 1 October 2015 to 31 December 2015, 3,673,503 Stapled Securities were issued to the REIT Manager on 25 January 2016 at an issue price of S\$0.7465 per Stapled Security.
- (2) This refers to the acquisition fee paid to the REIT Manager in relation to the acquisition of Crowne Plaza Changi Airport. As the acquisition constituted an "interested party transaction" under Appendix 6 of the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore, the acquisition fee was paid in the form of Stapled Securities and 2,344,507 Stapled Securities were issued to the REIT Manager on 13 February 2015 at an issue price of S\$0.9277 per Stapled Security.

STATISTICS OF STAPLED SECURITYHOLDINGS

AS AT 1 MARCH 2016

There were 1,339,094,721 Stapled Securities (one vote per Stapled Security) in issue as at 1 March 2016.

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	89	0.34	3,430	0.00
100 - 1,000	9,833	37.21	8,103,933	0.61
1,001 - 10,000	13,173	49.86	54,947,256	4.10
10,001 - 1,000,000	3,294	12.47	178,279,513	13.31
1,000,001 AND ABOVE	32	0.12	1,097,760,589	81.98
TOTAL	26,421	100.00	1,339,094,721	100.00

TWENTY LARGEST STAPLED SECURITYHOLDERS

NO.	NAME	NO. OF STAPLED SECURITIES	%
1	RAFFLES NOMINEES (PTE) LIMITED	698,945,996	52.20
2	CITIBANK NOMINEES SINGAPORE PTE LTD	108,025,953	8.07
3	DBS NOMINEES (PRIVATE) LIMITED	80,754,954	6.03
4	BANK OF SINGAPORE NOMINEES PTE. LTD.	35,675,237	2.66
5	OUE HOSPITALITY REIT MANAGEMENT PTE. LTD.	30,494,721	2.28
6	OCBC SECURITIES PRIVATE LIMITED	21,446,587	1.60
7	DBSN SERVICES PTE. LTD.	17,702,276	1.32
8	CIMB SECURITIES (SINGAPORE) PTE. LTD.	15,868,058	1.18
9	GOLDHILL DEVELOPMENTS (PTE) LIMITED	15,135,000	1.13
10	HSBC (SINGAPORE) NOMINEES PTE LTD	14,867,583	1.11
11	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	12,812,227	0.96
12	ABN AMRO NOMINEES SINGAPORE PTE LTD	5,701,666	0.43
13	LEE CHEE CHUAN	4,000,000	0.30
14	GOEI BENG YIAN MAGDELINE	3,300,000	0.25
15	HENG SIEW ENG	2,944,566	0.22
16	UOB KAY HIAN PRIVATE LIMITED	2,941,191	0.22
17	PHILLIP SECURITIES PTE LTD	2,504,548	0.19
18	MAYBANK KIM ENG SECURITIES PTE. LTD.	2,280,295	0.17
19	DB NOMINEES (SINGAPORE) PTE LTD	2,188,501	0.16
20	SUNSHINE VENTURES PTE LTD	2,076,666	0.16
TOTAL		1,079,666,025	80.64

STATISTICS OF STAPLED SECURITYHOLDINGS

AS AT 1 MARCH 2016

DIRECTORS' INTERESTS IN STAPLED SECURITIES AS AT 21 JANUARY 2016

Directors	Direct Interest	Deemed Interest
Christopher James Williams	–	360,000
Lee Yi Shyan ⁽¹⁾	8,000	–
Chong Kee Hiong	1,008,333	200,000
Sanjiv Misra	400,000	–
Liu Chee Ming	400,000	–

Save for Mr Lee Yi Shyan, there were no changes in any of the abovementioned interests in OUE Hospitality Trust between the end of the financial year and 21 January 2016.

Note:

(1) Mr Lee Yi Shyan was appointed as a Director of the Board of Directors of the Managers on 12 January 2016.

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	%	No. of Stapled Securities held	%
OUE Limited	440,432,631	32.89 ⁽²¹⁾	30,494,721 ⁽¹⁾	2.28 ⁽²¹⁾	470,927,352	35.17 ⁽²¹⁾
OUE Realty Pte. Ltd. ("OUER")	83,752,176	6.25 ⁽²¹⁾	470,927,352 ⁽²⁾	35.17 ⁽²¹⁾	554,679,528	41.42 ⁽²¹⁾
Golden Concord Asia Limited ("GCAL")	19,400,558	1.45 ⁽²¹⁾	554,679,528 ⁽³⁾	41.42 ⁽²¹⁾	574,080,086	42.87 ⁽²¹⁾
Fortune Code Limited ("FCL")	–	–	574,080,086 ⁽⁴⁾	42.87 ⁽²¹⁾	574,080,086	42.87 ⁽²¹⁾
Lippo ASM Asia Property Limited ("LAAPL")	–	–	574,080,086 ⁽⁵⁾	42.87 ⁽²¹⁾	574,080,086	42.87 ⁽²¹⁾
Pacific Landmark Holdings Limited ("Pacific Landmark")	–	–	574,080,086 ⁽⁶⁾	42.87 ⁽²¹⁾	574,080,086	42.87 ⁽²¹⁾
HKC Property Investment Holdings Limited ("HKC Property")	–	–	574,080,086 ⁽⁷⁾	42.87 ⁽²¹⁾	574,080,086	42.87 ⁽²¹⁾
Hongkong Chinese Limited ("HCL")	–	–	574,080,086 ⁽⁸⁾	42.87 ⁽²¹⁾	574,080,086	42.87 ⁽²¹⁾
Hennessy Holdings Limited ("HHL")	17,000,000	1.27 ⁽²¹⁾	574,080,086 ⁽⁹⁾	42.87 ⁽²¹⁾	591,080,086	44.14 ⁽²¹⁾
Prime Success Limited ("PSL")	–	–	591,080,086 ⁽¹⁰⁾	44.14 ⁽²¹⁾	591,080,086	44.14 ⁽²¹⁾
Lippo Limited ("LL")	–	–	591,080,086 ⁽¹¹⁾	44.14 ⁽²¹⁾	591,080,086	44.14 ⁽²¹⁾
Lippo Capital Limited ("LCL")	–	–	591,080,086 ⁽¹²⁾	44.14 ⁽²¹⁾	591,080,086	44.14 ⁽²¹⁾
Lanius Limited ("Lanius")	–	–	591,080,086 ⁽¹³⁾	44.14 ⁽²¹⁾	591,080,086	44.14 ⁽²¹⁾
Admiralty Station Management Limited ("Admiralty")	–	–	574,080,086 ⁽¹⁴⁾	42.87 ⁽²¹⁾	574,080,086	42.87 ⁽²¹⁾

STATISTICS OF STAPLED SECURITYHOLDINGS

AS AT 1 MARCH 2016

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	%	No. of Stapled Securities held	%
ASM Asia Recovery (Master Fund ("AARMF"))	–	–	574,080,086 ⁽¹⁵⁾	42.87 ⁽²¹⁾	574,080,086	42.87 ⁽²¹⁾
ASM Asia Recovery Fund ("AARF")	–	–	574,080,086 ⁽¹⁶⁾	42.87 ⁽²¹⁾	574,080,086	42.87 ⁽²¹⁾
Argyle Street Management Limited ("ASML")	–	–	574,080,086 ⁽¹⁷⁾	42.87 ⁽²¹⁾	574,080,086	42.87 ⁽²¹⁾
Argyle Street Management Holdings Limited ("ASMHL")	–	–	574,080,086 ⁽¹⁸⁾	42.87 ⁽²¹⁾	574,080,086	42.87 ⁽²¹⁾
Kin Chan ("KC")	–	–	574,080,086 ⁽¹⁹⁾	42.87 ⁽²¹⁾	574,080,086	42.87 ⁽²¹⁾
V-Nee Yeh ("VY")	–	–	574,080,086 ⁽²⁰⁾	42.87 ⁽²¹⁾	574,080,086	42.87 ⁽²¹⁾

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 interests.
- (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. In addition, PSL has a deemed interest in the 17,000,000 Stapled Securities directly held by its wholly-owned subsidiary, HHL (the "HHL Stapled Securities").
- (11) LL is an intermediate holding company of Pacific Landmark and HHL. Accordingly, LL is deemed to have an interest in the Stapled Securities in which Pacific Landmark has a deemed interest. In addition, LL has a deemed interest in the HHL Stapled Securities.
- (12) LCL is a holding company of Pacific Landmark and HHL. Accordingly, LCL is deemed to have an interest in the Stapled Securities in which Pacific Landmark has a deemed interest. In addition, LCL has a deemed interest in the HHL Stapled Securities.
- (13) Lanius is the holder of the entire issued shares capital of LCL, which in turn is a holding company of Pacific Landmark and HHL. Accordingly, Lanius is deemed to have an interest in the Stapled Securities in which Pacific Landmark has a deemed interest. In addition, Lanius has a deemed interest in the HHL Stapled Securities. Lanius is the trustee of a discretionary trust the beneficiaries of which include Stephen Riady and other members of his family.
- (14) LAAPL is jointly held by Pacific Landmark and Admiralty. Accordingly, Admiralty is deemed to have an interest in the Stapled Securities in which LAAPL has a deemed interest.
- (15) AARMF is a majority shareholder of Admiralty. Accordingly, AARMF is deemed to have an interest in the Stapled Securities in which Admiralty has a deemed interest.
- (16) AARF is a majority shareholder of AARMF. Accordingly, AARF is deemed to have an interest in the Stapled Securities in which AARMF has a deemed interest.
- (17) ASML manages AARF. Accordingly, ASML is deemed to have an interest in the Stapled Securities in which AARF has a deemed interest.
- (18) ASMHL is the immediate holding company of ASML. Accordingly, ASMHL is deemed to have an interest in the Stapled Securities in which ASML has a deemed interest.
- (19) KC is the beneficial holder of more than 20% of the issued share capital of ASMHL. Accordingly, KC is deemed to have an interest in the Stapled Securities in which ASMHL has a deemed interest.
- (20) VY is the beneficial holder of more than 20% of the issued share capital of ASMHL. Accordingly, VY is deemed to have an interest in the Stapled Securities in which ASMHL has a deemed interest.
- (21) The stapled securityholding percentage is calculated based on 1,339,094,721 issued Stapled Securities as at 1 March 2016.

STATISTICS OF STAPLED SECURITYHOLDINGS

AS AT 1 MARCH 2016

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 2016, approximately 55.68% of OUE Hospitality Trust's listed securities were held in the hands of the public.



333 Orchard Road #33-00
Singapore 238867

www.oueht.com



This annual report has been produced by a printer certified according to the standards from the Forest Stewardship Council™ (FSC™), and has been printed with soy-based ink on environmentally-friendly paper in accordance to the FSC standard.