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ABOUT OUE HOSPITALITY TRUST

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

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

OUE H-REIT's asset portfolio comprising two hotels – the 1,077-room Mandarin Orchard Singapore and the 563-room Crowne Plaza Changi Airport, and a high-end retail mall Mandarin Gallery, has a portfolio value of approximately \$2.21 billion as at 31 December 2016.

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

BUILDING ON A QUALITY PORTFOLIO

*Key assets in
prime locations*

CROWNE PLAZA CHANGI AIRPORT ("CPCA")

*is a 563-room business hotel
managed by InterContinental
Hotels Group, with connectivity
to Changi Airport's passenger
terminals and within a short
distance to Changi Business Park.*



CPCA General Manager Mr Sunshine Wong receiving the 2016 Skytrax Award for Best Airport Hotel





ACQUIRED
243-ROOM
EXTENSION TO
CPCA ON
1 AUGUST 2016

ENHANCING THROUGH ACTIVE ASSET MANAGEMENT

*Enhancing returns
through asset
optimisation*

**MANDARIN ORCHARD
SINGAPORE ("MOS")** is a
*renowned upscale hotel with strong
brand recognition given its long
history of operations in Singapore.*



New meeting room on level 6 of MOS' Orchard Wing



A photograph of the Mandarin Orchard hotel building at night. The building's facade is dark blue with numerous vertical, illuminated rectangular panels that create a rhythmic pattern of light and shadow. The entrance area is brightly lit with warm yellow light, and several people can be seen standing near the entrance. A large, circular, illuminated sign is visible on the left side of the building. The overall scene is a modern, high-rise urban environment.

CREATED A
BRAND NEW LEVEL
OF MEETING AND
CONVENTION
SPACE IN MOS'
ORCHARD WING
IN 2016

MANDARIN ORCHARD

PRUDENCE IN CAPITAL MANAGEMENT

*Focus on maintaining
financial strength and
flexibility*

MANDARIN GALLERY

*is situated along Orchard Road,
in the heart of Singapore's
premier hotel, shopping and
entertainment district. It is a high
end retail mall which boasts a
wide frontage of 152 metres
along Orchard Road, providing
the Mall with a high degree of
prominence.*



One of the six Play It Forward pianos at Mandarin Gallery during Christmas season in 2016





HEALTHY
INTEREST COVER
RATIO OF **4.4 TIMES**.
69% OF INTEREST
ON FIXED RATE
WITH NO LOAN
DUE UNTIL
JULY 2018

arin Gallery

LOLA

Mandarin Gallery

8 LETTER TO
STAPLED
SECURITYHOLDERS



Mr. Chong Kee Hiong

Chief Executive Officer and
Executive Director

Mr. Christopher James Williams

Chairman and Non-Independent
Non-Executive Director

Dear Stapled Securityholders,

2016 marked OUE Hospitality Trust's ("**OUE H-Trust's**") completion of the acquisition of the 243-room Crowne Plaza Changi Airport Extension ("**CPEX**"), thus bringing the total room count of Crowne Plaza Changi Airport ("**CPCA**") to 563 guest rooms. Following the acquisition of CPEX, OUE H-Trust's portfolio has increased from \$2.05 billion to \$2.21 billion in value.

FY2016 REVIEW

The Singapore economy grew 2.0%¹ in 2016 amidst sluggish global economic conditions, similar to the 1.9% achieved in 2015. In the hospitality sector, the revenue per available room ("**RevPAR**") declined 4.6%² in 2016 despite an increase of 7.7%³ in international arrivals in 2016 compared with 2015. The RevPAR decline could be attributed to a shorter average length of stay by visitors resulting in an increase in total visitor days of just 2.2%⁴, coupled with a 4.8%⁵ increase in hotel rooms in 2016. Global economic uncertainties have dampened corporate travel and the increase in rooms supply has created a highly competitive market environment.

Despite the challenging market conditions, OUE H-Trust's 2016 master lease income and net property income ("**NPI**") from the hospitality segment were 2.3% and 1.4% higher respectively, boosted by increased contribution from the enlarged 563-room CPCA. Mandarin Orchard Singapore's ("**MOS**") master lease income of \$71.7 million was \$1.8 million lower mainly due

to a lower 2016 RevPAR of \$217 compared with 2015's RevPAR of \$230. The lower room sales was however partially offset by higher food and beverage (F&B) sales due to higher patronage at the hotel's F&B outlets. The master lease income contribution from CPCA increased by 26.4% to \$18.2 million due to the enlarged room inventory following the acquisition of the 243-room CPEX on 1 August 2016. In addition to master lease income, CPCA also received an income support of \$2.7 million from OUEAH (OUE Airport Hotel Pte. Ltd., the Vendor).⁶ The income support was negotiated as part of the transactions at the time when the acquisition was agreed upon, as the Manager envisaged that the enlarged CPCA would take time to ramp up operations with the newly-added 243 rooms.

For the retail segment, revenue achieved in 2016 was 11.3% lower at \$32.6 million and NPI was 10.4% lower at \$24.5 million. This was mainly due to Mandarin Gallery's lower average occupancy of 86.3% in 2016 compared to 95.3% in 2015 from the impact of landlord fit-out periods to amalgamate the lease area for Victoria's Secret, and slower lease renewals. Mandarin Gallery welcomed the launch of the Michael Kors and Victoria's Secret new flagship stores in Singapore in the third quarter and fourth quarter of 2016 respectively. These two tenants together occupy approximately 15% of the mall's net lettable area ("**NLA**") with long leases of 10 years for Victoria's Secret and seven years for Michael Kors.

1 Ministry of Trade & Industry Press Release 'MTI Maintains 2017 GDP Growth Forecast at "1.0 to 3.0 per cent"', 17 February 2017

2 Singapore Tourism Board, Hotel Statistics, 14 February 2017

3 Singapore Tourism Board, International Visitor Arrivals Statistics, 14 February 2017

4 Singapore Tourism Board, Quarterly Tourism Focus-Quarter 4 2016, 14 February 2017

5 Singapore Tourism Board Press Release 'Singapore Achieves Record Tourism Sector Performance in 2016' – STB Fact sheet, 14 February 2017

6 With the addition of the newly acquired CPEX which forms an integral part of CPCA (collectively, the "enlarged CPCA"), the Deed of Income Support comes into effect. Subject to the enlarged CPCA not achieving agreed Target Quarterly Rent over the first twelve (12) quarters from the date of acquisition of CPEX, OUE H-REIT could draw down the income support over (i) three years from the date of OUE H-REIT's acquisition of CPEX; or (ii) until the income support of \$7.5 million had been fully drawn down by OUE H-REIT, whichever is earlier

This is part of the Manager's focus on active asset management as the longer leases will benefit OUE H-Trust through enhanced income stability over a longer period compared to the usual two-to-five-year leases as the retail sector continues to experience a slowdown. As at 31 December 2016, Mandarin Gallery was approximately 90% committed (by net lettable area).

With the acquisition of CPEX and the opening of new flagship stores by major tenants in Mandarin Gallery in the second half of 2016, distributable income for the second half of 2016 was \$46.2 million compared to \$36.3 million for the first half of 2016. Overall, gross revenue achieved was 1.7% lower at \$122.5 million and NPI at \$107.4m was 1.6% lower compared to 2015. Distributable income for 2016 was 5.6% lower than 2015 at \$82.5 million. Distribution per stapled security for 2016 was 4.61 cents compared to 6.55 cents in 2015 mainly due to an enlarged number of stapled securities following the rights issue completed in April 2016, which was undertaken to fund the acquisition of CPEX.

CAPITAL MANAGEMENT

On 7 March 2016, OUE H-Trust announced a rights issue to raise \$238.6 million to fund the acquisition of CPEX and to reduce its gearing so as to increase OUE H-Trust's financial flexibility. The rights issue was 139.9% subscribed and the rights stapled securities were listed on 13 April 2016. The rights issue increased the number of stapled securities in issue from 1.34 billion to 1.78 billion.

OUE H-Trust had also successfully completed its refinancing for 2016 and has no debt due until July 2018.

As at 31 December 2016, OUE H-Trust's gearing was at 38.1%, lower than the 42.0% as at 31 December 2015. The weighted average remaining debt maturity tenor was 2.4 years and 69% of debt is on fixed interest rates (via interest rate swaps). For 2016, the weighted average cost of debt was 2.3% per annum with an interest cover ratio of 4.4 times. The net asset value (NAV) per stapled security was \$0.77 as at 31 December 2016.

ASSET ENHANCEMENT

In 2016, MOS completed the renovation of one floor in the Orchard Wing previously comprising a combination of leased commercial space and four meeting rooms to create a brand new level of meeting and convention space comprising eight meeting rooms and a refreshment area. The enhancement of MOS' meeting facilities will allow it to attract and cater to a wider range of banquet and conference demand.

The asset enhancement programme which began in 2013 to renovate 430 guest rooms, which is funded by the Sponsor⁷, is expected to be completed in March 2017.

AWARDS AND ACHIEVEMENTS

During the year, efforts to be more environmentally friendly at OUE H-Trust's properties continued. These efforts were recognised as MOS achieved the Green Mark Building certification and CPCA won the ASEAN Green Hotel Award 2016.

MOS' Shisen Hanten by Chen Kentaro, was awarded two stars in the inaugural Michelin Guide Singapore 2016. The accolade makes Shisen Hanten by Chen Kentaro the highest

⁷ As part of the asset enhancement initiatives committed by Sponsor, OUE Limited, prior to the IPO as disclosed in the IPO Prospectus dated 18 July 2013

Michelin-rated Chinese restaurant island-wide. Together with Chatterbox by Mandarin Orchard, a five-time recipient of the Heritage Brand Award at the Singapore Prestige Brand Award ("SPBA"), this accolade has further enhanced the popularity of MOS' F&B outlets with tourists and locals.

We are also pleased that CPCA has won the World's Best Airport Hotel Award for two consecutive years (2016 & 2015) at the Skytrax World Airport Awards.

2017 OUTLOOK

With a subdued global and local economy, the tourism industry continues to face headwinds in the near term as consumers and corporates are likely to be conservative in their travel expenditures. The increased rooms supply in Singapore had created a highly competitive market environment and this would likely persist as more supply is expected in 2017 before tapering in 2018. To support the tourism industry and in an effort to boost tourism, the Singapore government has set aside \$700 million⁸ in a Tourism Development Fund to be invested from 2016 to 2020. Changi Airport's Terminal 4 is expected to be operational in the second half of 2017⁹. Higher air passenger traffic through Changi Airport could potentially benefit Singapore's hospitality sector.

The retail scene in Singapore remains challenging. To partner tenants towards success, the structure of leases for some tenants feature lower base rent and higher turnover rent compared to previous leases for the same units. Although OUE H-Trust's retail segment income was impacted in 2016 by the lower rental contributions due to longer landlord fit-out periods, the strategy to sign strong tenants for

longer lease periods (seven years for Michael Kors and 10 years for Victoria's Secret) will benefit OUE H-Trust through enhanced income stability in the long run. Michael Kors and Victoria's Secret have commenced operations in 3Q2016 and 4Q2016 respectively and as such, Mandarin Gallery is expected to enjoy higher average occupancy in 2017 compared to 2016.

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

APPRECIATION

We would like to thank Staped Securityholders for your continued support. We would also like to thank the management and staff of MOS and CPCA, and the property managers of Mandarin Gallery for their committed service to deliver the best experience to hotel guests, tenants and shoppers.

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

Christopher James Williams

Chairman and Non-Independent
Non-Executive Director

Chong Kee Hiong

Chief Executive Officer and Executive Director

1 March 2017

⁸ MTI News Room, Speech by Minister S Iswaran at the Tourism Industry Conference 2016

⁹ Changi Airport Group, Press Release 'Construction of Changi Airport Terminal 4 Completed', 16 December 2016

致合订证券持有人,

华联酒店信托在2016年成功完成收购皇冠假日酒店扩建的243间客房,从而将皇冠假日酒店的总客房数增加至563间。随着皇冠假日酒店扩建部分的收购,华联酒店信托投资组合的价值也从20.5亿提升至22.1亿。

2016财年概况

在全球经济萧条的2016年里,新加坡的经济增长了2.0%,与2015年1.9%的增长率相近¹。酒店业方面,纵然2016年的国际旅客同比2015年增加了7.7%²,每间可入住客房收入却在2016年下滑4.6%³。每间可入住客房收入的下滑可归因于旅客较短暂的平均逗留时期,导致总旅客日数仅增长2.2%⁴,以及2016年酒店客房供应4.8%⁵的增加。全球经济不明朗的局势影响了企业商的需求,而客房供应的增加也造成了竞争激烈的市场环境。

尽管市场环境极具挑战,华联信托2016年来自酒店部门的主租赁协议收入和净物业收入同比去年皆各高出2.3%和1.4%,主要因皇冠假日酒店扩建部分将酒店客房总数提升至563间而提升了收入贡献。另一方面,新加坡文华大酒店的主租赁协议收入下降180万新元至7,170万新元,主要是由于每间可入住房收入从2015年的230新元跌至217新元。不过,酒店餐饮部门销售因顾客数增加而提高,部分地弥补了客房销售的减少。同时期内,皇冠假日酒店的主租赁协议收入因2016年8月1日收购

的扩建部分所增添的243间客房,而增加26.4%至1,820万新元。除此之外,皇冠假日酒店也从华联机场酒店私人有限公司(酒店收购之卖方)获得一笔270万新元的收入资助⁶。信托经理预见皇冠假日酒店将需要时间来提升扩建部分新添加的243间客房的运营,所以在协议收购皇冠假日酒店时,就将收入资助列入收购交易的一部分。

零售部门于2016年所取得的收入为3,260万新元,比前年低11.3%,而净物业收入也下滑10.4%至2,450万新元。主要因素在于平均出租率由2015年的95.3%下降至2016年的86.3%。这是由于业主需要实施较长的租赁区域整并以交予Victoria's Secret,并且到期租约更新所需时间拉长所导致。Michael Kors和Victoria's Secret已分别于2016年第三和第四季度在文华购物廊为其全新的新加坡旗舰店掀开序幕。Victoria's Secret和Michael Kors共计占据整个商场净出租面积的15%,并且签有租期各为十年和七年的长期租约;比一般二至五年租期的租约较长。在新加坡零售业持续放缓的情况下信托经理专注于积极的资产管理,通过长期租约来加强华联酒店信托长期的收益稳定性。截至2016年12月31日,文华购物廊已承诺入驻的面积占可出租面积的90%。

随着皇冠假日酒店扩建部分的收购,以及文华购物廊主要租户的新旗舰店开始营业,2016年下半年的可供派息收入为4,620万新元,高于2016年上半

1 贸工部2016年2月17日新闻稿:“贸工部2017年国内生产总值增长预测保持在1.0至3.0%之间”

2 新加坡旅游局,国际旅客入境统计,2017年2月14日

3 新加坡旅游局,酒店统计,2017年2月14日

4 新加坡旅游局,季度旅游重点 - 2016年第四季度,2017年2月14日

5 新加坡旅游局新闻稿“2016年新加坡旅游业创新高” - 新加坡旅游局资料表,2017年2月14日

6 随着皇冠假日酒店扩建的收购(统称为“扩建后的皇冠假日酒店”),收入资助契约将即时生效。自扩建后的皇冠假日酒店收购日期算起,在首十二(12)个季度期间,若无法取得商定的季度租金目标,华联信托将可在符合以下条件的情况下提取收入资助:(I)本信托收购皇冠假日酒店扩建部分的3年内;或(II)直至750万新元的收入资助已完全由华联酒店信托提取,视何者为先

年的3,630万新元。总体而言,2016年的总收入为1亿2250万新元,比之2015年低1.7%,而1亿740万新元的净物业收入则较2015年1.6%。2016年8,250万新元的可供派息收入同比2015年则减少5.6%。相比2015年的6.55分,2016年的每单位合订证券派息(DPS)为4.61分,这主要是由于2016年4月所完成,用来支付皇冠假日酒店扩建部分收购价款的供股发行导致合订证券数额增加。

资金管理

华联酒店信托于2016年3月7日宣布发行供股,以筹集2亿3860万新元来支付皇冠假日酒店扩建部分的收购价款,并减少本信托的杠杆比率以增加我们的财务灵活性。这次的供股发行活动获得了139.9%认购率的热烈回响,而配售供股的合订证券也已于2016年4月13日上市。此次的供股发行活动使发行中的合订证券数额从原本的13.4亿增加至17.8亿。

在2016年度期间,华联酒店信托也成功完成了该年的融资项目,并至2018年七月前无任何到期债务。

截至2016年12月31日,华联酒店信托的杠杆比率为38.1%,低于2015年12月31日的42.0%。加权平均债务到期期限为2.4年,其中69%的债务是以固定利率(通过利率互换)偿还。2016年的每年平均债务成本则为2.3%,而利息盖率处于4.4倍。截至2016年12月31日,每单位合订证券的净资产值为0.77新元。

资产增值

新加坡乌节文华大酒店于2016年完成了乌节翼中一层楼的装修工程,将之前的商业租赁空间和4间会议室改造成包括8间会议室和一个茶点区的全新会议与会展空间。新加坡乌节文华大酒店会议设施的提升,将有助于吸引和迎合更广泛的宴会和会议需求。

于2013年启动,由保荐人出资⁷的430间客房翻新的资产增值项目,预计于2017年3月完工。

奖项与成就

在本财务报告年度期间,华联酒店信托竭力在我们的产业中推动各种环保项目。这些努力使新加坡乌节文华大酒店荣获绿色建筑的认证(Green Mark Building Certification),以及皇冠假日酒店获颁2016年亚细安绿色酒店大奖(ASEAN Green Hotel Award)。

除此之外,位于新加坡乌节文华大酒店的知名川菜餐厅四川饭店(Shisen Hanten by Chen Kentaro)在首届的2016年新加坡米其林指南的摘星名单中获颁两颗星。这项荣誉使四川饭店成为全岛获得米其林最高奖项的中餐馆。连同五度蝉联新加坡金字品牌奖中悠久品牌奖项的新加坡乌节文华大酒店中的话匣子(Chatterbox by Mandarin Orchard),这项荣誉将使本酒店的餐饮店更广受旅客和本地人的青睐。

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

我们也为皇冠假日酒店连续两年(即2016年和2015年)在Skytrax世界机场大奖中(Skytrax World Airport Awards)被评选为全球最佳机场酒店的殊荣,而倍感欣慰。

展望2017年

在全球和本地经济持续放缓的局势下,消费者和企业预计将对旅行开支持保守态度,使旅游业在近期内继续面临挑战。除此之外,新加坡的市场极具竞争,酒店房间供应的增加了的现象预计将持续于2017年,直至2018年才将有所放缓。有鉴于此,新加坡政府已拨款7亿新元⁸至一旅游业发展基金,计划在2016年至2020年之间完成投资,来支持本地的旅游业。樟宜机场的第4搭客大厦楼预计也将在2017年的下半年开始营运⁹。樟宜机场旅客流量的提高,将会对新加坡酒店业有所助益。

新加坡的零售业将持续面临挑战。为了与租户共同迈向成功的目标,我们对某些租户规划了新的租赁结构。与往年的租约相比,这些新租约有着较低的固定租金,但提高了按营业额抽取租金的比例。虽然华联酒店信托在2016年的零售部门收入受到较长的业主装修时期的影响,导致租金有所减少,但是与有实力的租户签订较长租约的策略(与Michael Kors为期七年的租约,以及和Victoria's Secret十年的租约),将为信托带来长期的稳定收入。Michael Kors和Victoria's Secret已分别于2016年第三和第四季度开始营业。有鉴于此,文华购物廊预计将能在2017年达到比2016年更高的平均出租率。

我们将继续积极通过保荐机构和第三方寻求增长的机会以及增值型收购项目。

致谢

我们真诚的感谢合订证券持有人对本信托的持续支持。同时,也要向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,对他们为酒店旅客、租户和购物者提供最优质服务的体验,表达我们的谢意。

最后,我们要诚心向保荐机构对华联酒店信托历年来的发展和展望所给予的坚定不移支持,献上由衷的感谢。

Christopher James Williams
主席兼非独立和非执行董事

鍾奇雄
行政总裁兼执行董事

2017年3月1日

⁸ 贸工部新闻室,贸工部长易华仁于2016年旅游业会议所发表的言论

⁹ 樟宜机场集团,新闻稿“樟宜机场第4搭客大厦建设工程完工”,2016年12月16日

	FY2014	FY2015	FY2016
Gross Revenue	\$115.9m	\$124.6m	\$122.5m
Net Property Income	\$103.2m	\$109.1m	\$107.4m
Distributable Income	\$89.0m	\$87.4m	\$82.5m
Distribution Per Stapled Security (DPS)	6.74 cents	6.55 cents	4.61 cents
Distribution Yield ¹	7.45%	8.51%	6.98%

Selected Statement of Financial Position Data as at 31 December

	2014	2015	2016
Total Assets	\$1,796.6m	\$2,100.9m	\$2,256.4m
Unitholders' Funds	\$1,198.4m	\$1,207.0m	\$1,382.0m
Total Borrowings	\$583.1m	\$877.2m	\$854.0m

Financial Ratios

Gearing	32.7%	42.0%	38.1%
Interest Cover	7.1 times	4.6 times	4.4 times
Average Term to Maturity	2.6 years	2.4 years	2.4 years
Average Cost of Debt	2.2%	2.5%	2.3%
Management Expense Ratio ²	0.92%	1.01%	1.01%
Derivative Financial (Liabilities)/Assets ³ as a Percentage of Net Asset Value (NAV)	(0.19%)	0.42%	(0.28%)
Total operating expenses to NAV ⁴	2.0%	2.3%	2.1%

NAV Per Stapled Security

As at 31 December	\$0.90	\$0.90	\$0.77
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Others as at 31 December

Market Capitalisation ¹	\$1,195.9m	\$1,031.1m	\$1,181.7m
Number of Stapled Securities in Issue	1,321.4m	1,335.4m	1,790.4m

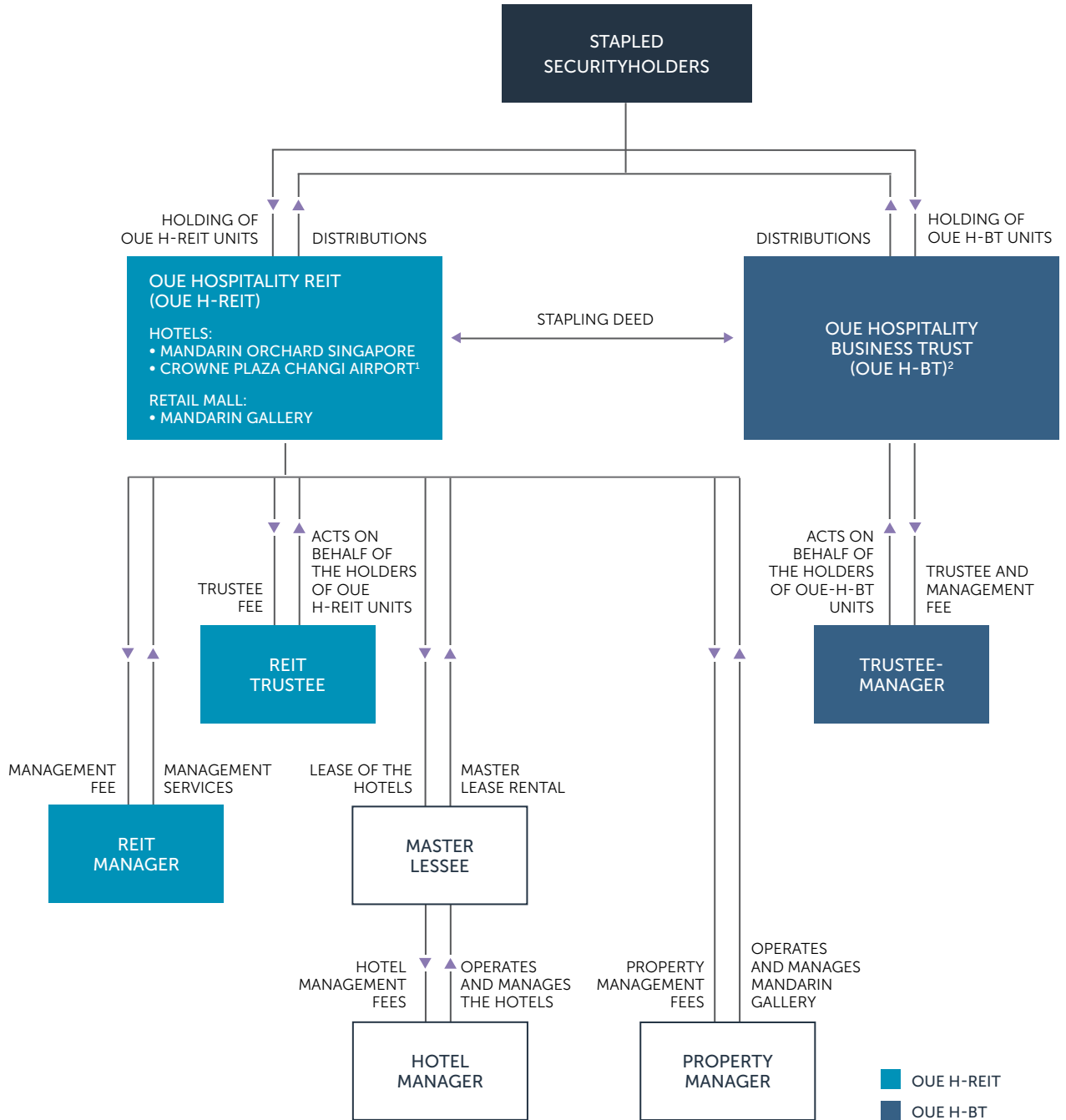
1 Based on closing price per Stapled Security of \$0.66 as at 31 December 2016 (2015: \$0.77; 2014: \$0.905)

2 The expenses used in the computation relate to expenses of OUE H-Trust, excluding property expenses and finance expenses which amounted to \$13.8 million (2015: \$12.1 million; 2014: \$11.1 million)

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

4 The ratio is computed based on total operating expenses of \$28.9 million (2015: \$27.6 million; 2014: \$23.8 million) as a percentage of NAV as at the end of the financial year (including all fees and charges paid/payable to the REIT Manager and interested parties for the financial year)

16 **STRUCTURE OF OUE HOSPITALITY TRUST**



1 Refers to the enlarged 563-room Crowne Plaza Changi Airport. The acquisition of the Crowne Plaza Changi Airport Extension was completed on 1 August 2016
 2 OUE H-BT is currently dormant

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 and average room rates and improving rentals.

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

The REIT Manager will identify, evaluate and approve property improvement opportunities that will enhance the value of the portfolio and will work closely with the Master Lessees/Hotel Managers and the Property Manager to contribute to higher revenues and profitability.

These opportunities include upgrading and refurbishing existing facilities, rooms or F&B outlets that could enhance pricing, or increase their service offering.

- **Optimisation of the Mall**

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

- **Active Leasing Strategy**

The REIT Manager 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.

2. Growth through acquisitions

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

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

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

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

- **Yield requirements**

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

- **Geography and location**

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

- **Strong fundamentals and organic growth potential**

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

- **Value-adding asset enhancement opportunities**

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

3. Active capital and risk management

The REIT Manager intends to use a combination of debt and equity to fund future acquisitions and property enhancements such that it is within the

aggregate leverage limit set out in Appendix 6 to the Code on Collective Investment Schemes (also known as the Property Funds Appendix).

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

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

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

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

In order to manage the currency risk involved in investing in assets beyond Singapore, the REIT Manager may adopt currency risk management strategies that may include the use of foreign currency denominated borrowings to match the currency of the asset investment as a natural currency hedge.

ABOUT OUE H-BT

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

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

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

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

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

OUE H-BT is currently dormant but when it becomes active, appropriate internal controls would be put in place.

OUE H-REIT will not guarantee any debt of OUE H-BT, and *vice versa*. This will help shield each entity from the other’s financial obligations because each entity’s creditors will not have recourse to the other.



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

a director of ICE Singapore Holdings Pte. Ltd., the holding company of IFSG.

Prior to joining OUE Limited, Mr. Lee was a member of the Cabinet of the Singapore government from 2006 to 2015. As senior minister of state for the Ministry of National Development, Mr. Lee oversaw urban planning, construction productivity development and town council management. As senior minister of state for the Ministry of Trade & Industry, Mr. Lee had extensive interactions with governments and business in China, Middle East, Africa and Russia.

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

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

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



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 CapitaLand Limited, is the world's largest international serviced residence owner-operator and it is the sponsor of Ascott Residence Trust which was listed on 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.



MR. SANJIV MISRA

Lead Independent Director

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

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

Mr. Misra served as a member of the board of directors of the National University Health System from 2008 to 2016, and was a member of its executive committee. He also served as a member of the board of trustee of SMU from 2004 to 2016, and was a member of the investment committee of SMU and the SMU Enterprise Board.

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

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

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



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, 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, Food Empire Holdings 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, and of GMG Global Ltd from November 1999 until January 2017 following its delisting from the SGX-ST.

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



MR. LIU CHEE MING

Independent Director

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

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

Mr. Liu is currently the managing director of Platinum Holdings Company Limited, which he established in March 1996, and oversees its stock broking, corporate finance and asset management business. He has been an independent non-executive director of StarHub Ltd. (a company listed on the SGX-ST) since August 2004, and an independent non-executive director of Haitong Securities Co., Ltd. (a company listed on the Hong Kong and Shanghai stock exchanges) since November 2011. He has been appointed as an Independent Supervisor of the Supervisory Committee of Dalian Wanda Commercial Properties Co., Ltd. (a company which was listed on the Hong Kong Stock Exchange and privatised in September 2016) since May 2015, and an independent non-executive director of STT GDC Pte. Ltd. since October 2015.

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

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



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.

Prof Neo is currently Dean of Nanyang Business School of Nanyang Technological University, Singapore, a position which he previously held from 1998 to 2004. He is also the Canon Endowed Chair Professor of Business and Director of the Asian Business Case Centre at Nanyang Business School.

After his first appointment as Dean, Prof Neo remained a Professor at the Nanyang Business School from 2004 to 2005 before accepting an appointment as the director of Asia Competitiveness Institute at the Lee Kuan Yew School of Public Policy in the National University of Singapore from 2005 to 2010. He returned to the Nanyang Business School as Professor in 2011. During these appointments, his duties covered areas of education, research and consultancy.

Prof Neo is currently the chairman and non-executive director of k1 Ventures Limited. He also served as a non-executive director of Keppel Telecommunications & Transportation Ltd, and J. Lauritzen Singapore Pte. Ltd..

He was a non-executive director of Oversea-Chinese Banking Corporation Limited from 2005 to 2013, and a non-executive director of Great Eastern Holdings Limited from 2000 to 2010.

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



MR CHONG KEE HIONG

Chief Executive Officer

Mr Chong is also the Executive Director of the Board of Directors of the Managers. Please refer to page 23 of the Annual Report for his profile under the 'Board of Directors' section.

MR ERIC GAN CHEE TEIK

Chief Financial Officer

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

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

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



MS GOH LILIAN

Senior Vice President,
Investor Relations

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

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

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.

2016 ACTIVITIES

On 20 April 2016, OUE H-Trust held its annual general meeting (AGM) of stapled securityholders. OUE H-Trust conducted three analyst and media briefings for the FY2015, first quarter 2016 (1Q2016) and first half 2016 (1H2016) 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:

2016 Event	Location	Date
DBS Non-Deal Roadshow	Hong Kong	24 & 25 February
Roadshow for Rights Issue	Singapore	16 & 17 March
DBS Non-Deal Roadshow	Bangkok	26 & 27 May
ShareInvestor REITs Symposium for retail investors	Singapore	4 June
DBS Non-Deal Roadshow	Hong Kong	5 & 6 Sep
BAML Global Real Estate Conference DBS Non-Deal Roadshow	New York	13 to 15 Sep
Daiwa Non-Deal Roadshow	Tokyo	30 Nov

Trading Performance – Closing Price	\$ per Stapled Security
2015 Last done	0.770
2016 Highest	0.730
2016 Lowest	0.635
2016 Last done	0.660

2016 Trading Performance – Volume Traded	Stapled Security ('000)
Total Volume Traded	444,459
Average Daily Volume	1,764

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	6 May
Payment of First Quarter Distribution	7 June
Release of Half Year Results	1 August
Payment of Second Quarter Distribution	1 September
Release of Third Quarter Results	31 October
Payment of Third Quarter Distribution	30 November

Financial Calendar 2017*

Release of 2016 Full Year Results	25 January
Payment of Distribution	27 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	November
Payment of Third Quarter Distribution	December

* Dates are tentative and may be subject to change

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 underserved seniors, children and families especially in the areas of health and education.

We believe that strong, progressive communities are essential in the lasting success and sustainability 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

In 2016, 94% of the employees of Mandarin Orchard Singapore ("MOS") clocked a total of more than 17,000 hours of skills training,

which allowed them to bolster their skills. Aside from OJT (On the Job Training) opportunities, employees attended courses ranging from Food & Beverage Hygiene to Occupational First Aid to enhance their operational skills.

Recognising that the use of information technology (IT) is key to driving operational efficiency, MOS also supported staff to take up courses such as email writing skills and Microsoft Office proficiency classes that were tailored to their needs, be it Beginner, Intermediate or Advanced.

Service excellence has always been the focus of MOS so as to maintain its position as a preferred hotel amongst corporate and leisure travellers. In 2016, 258 employees of MOS received the Excellence 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.

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, and the Association of Banks in Singapore), and supported by SPRING Singapore.

Representing various departments within MOS, 58 staff received the Star distinction, 142 received the Gold Award, and 58 were awarded Silver.

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

In line with the objective of cultivating an environment of service and operational excellence, MOS received the ISO 9001:2008 Quality Management System for successfully adopting international standards of quality and service within the hospitality industry.

Implementing ISO 9001:2008 enables the continuous improvement of an organisation's quality management systems and processes. In turn, this boosts profitability and improves the ability of the organisation to meet customer requirements and expectations.

ISO 9001:2008 is based on eight quality management principles:

- Customer focus
- Leadership
- Involvement of people
- Process approach
- System approach
- Continual improvement
- Fact-based decision making
- Mutually beneficial supplier relationships

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

Crowne Plaza Changi Airport

Crowne Plaza Changi Airport ("CPCA") places a strong emphasis on growing, developing and retaining its employees, and ensures training programmes are available. 2,280 hours of training were clocked in 2016 by 232 employees in areas such as service, leadership skills, new employee orientation and on-the-job training.

Consistent training helps employees develop their skills and enables the hotel to deliver exceptional guest experience and be a *Great Hotel Guests Love*. CPCA also provides opportunities for staff to enhance their skills and build a long-term career with the hotel. Awards

such as 'Employee of the Year' and 'Manager of the Year' are conferred to recognise and reward employees for their contributions and outstanding performance.

With a strong culture of employee empowerment and engagement, CPCA is part of the InterContinental Hotels Group (IHG) hotels in Singapore named one of the 'Top Three Companies To Work For' by Great Place to Work® for the second consecutive year in November 2016.

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

STARS OF CHRISTMAS 2016

For the seventh year running, MOS, in joint partnership with OUE Limited and Marina Mandarin Singapore, continued the tradition of spreading Christmas cheer to children with special needs and illnesses through Stars of Christmas 2016. The community programme also counts amongst its supporting partners 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.

Under the programme, more than 1,000 Christmas presents were solicited for



Dr Stephen Riady, Executive Chairman of OUE Limited distributing presents to beneficiaries at the Stars of Christmas Lunch event

beneficiaries of various children's aid societies and welfare organisations that included Children's Cancer Foundation, Club Rainbow, and VIVA Foundation, amongst others. Presents were also distributed to children undergoing treatments at the KK Women's and Children's Hospital.

WORK EXPERIENCE PROGRAMME FOR SPECIAL NEEDS STUDENTS

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

Crowne Plaza Changi Airport

IHG FOUNDATION WEEK

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

CPCA organised a series of activities, including a visit to Metta School where CPCA employees made mosaic craft works with the students. CPCA employees also visited elderly residents at the Society for the Aged Sick. To stress the importance of environmental stewardship, there was a 'Superhero Me' contest where participants designed Superhero costumes with recycled materials. A food sale event was also held to raise funds for IHG Shelter in a Storm, IHG's disaster relief programme, to aid those impacted by disaster and to rebuild communities.



CPCA Food Sales Event

Mandarin Gallery

KEYS TO A JOYFUL SEASON

For the first time ever, six beautifully decorated pianos made their way to Orchard Road at Mandarin Gallery in the month of December 2016, allowing shoppers a chance to play their favourite tunes, accentuating the festive mood. This was part of Mandarin Gallery's collaboration with the Play It Forward movement.

The Play It Forward movement was established by three friends, Jean Hair, Billy Soh and Lee Yan Chang. Their interactive initiative is aimed at sharing music, bringing people together and enlivening public spaces in Singapore. As of 2016, they have managed to refurbish 10 pianos and bring them to 18 different locations around Singapore. After their public showcases, the pianos are usually donated to various beneficiaries. They have set up public pianos in NUS and during the URA's Park(ing) Days but never in the Orchard Road area. Thus, this collaboration broke new ground for the movement, augmenting their impact on shoppers during the festive season where they wanted to share the beauty of music. This attraction captivated shoppers and performers of all ages to soak in the Christmas celebration, filling Orchard Road with tunes of joy, joviality and jubilation, truly a wonderful sight to behold.

This wonderful spacious set up also gave the opportunity for some local musicians to showcase their musical talent, including *pianominion*, Joel Nah and Calin Wong, prompting rapturous crowds that cheered the musicians on.

Following their 'tour' at Mandarin Gallery, the pianos were then spruced up again to be sent to their permanent homes across various charities, continuing to bring the joy of music to many more people.

ENVIRONMENT

Mandarin Orchard Singapore

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

As a large hotel with 1,077 rooms, waste management is one of the key drivers of MOS' environmental sustainability efforts. Since 2014, MOS has embarked on a Food Recycling Programme partnering with ECO-WIZ Group Pte Ltd, one of the world's leading food waste management companies to recycle all food waste generated. In addition to the collection of used materials such as cardboards, newspapers, plastics and glass bottles for recycling, the hotel also started its Fluorescent Lamp Recycling Programme in July 2014. The objective is to reduce the environmental risk from improper disposal of used mercury-containing lamps, including compact fluorescent lamps, fluorescent tubes, and high-intensity discharge lamps, by collecting and treating them in line with international practices.

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

Mandarin Orchard Singapore's Green Mark certification is valid until December 2019.

Crowne Plaza Changi Airport

CPCA is committed to taking proactive steps to protect the environment and endeavours to improve the hotel's environmental performance through compliance with regulations and by initiating sustainable actions to help our environment and community. The key focus areas include waste management, energy efficiency, recycling, awareness, communication and benchmarking.

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

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

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

CPCA participates in the Green Engage programme, which is a comprehensive sustainability system, as part of an internal audit conducted by IHG. As part of IHG Green Engage, CPCA monitors and reviews on how it can continue to be a 'green' hotel by measuring, managing and reporting on hotel energy, water and waste consumption, as well as benchmarking and creating action plans to track progress. The programme also offers solutions on how the hotel can better manage carbon footprint, engage in green culture and enhance its business.

CPCA's environmental programmes are not confined within the premises of the hotel. As part of their visit to Metta School on 25 April 2016 employees helped to guide 70 students with special needs grow seedlings in recycled water bottles.

The hotel's efforts towards building a responsible and sustainable business have been recognised through the years. It was the first hotel in Singapore to be awarded the prestigious EarthCheck Gold Certification in 2014 and had won the Singapore Green Hotel Award 2015, as well as the ASEAN Green Hotel Award 2016 and 2014. The biennial ASEAN Green Hotel Award recognises environmentally friendly hotels, which have adopted good green practices in accordance to the ASEAN Green Hotel Standards.

In October 2016, CPCA was presented the Distinction Award at the 3R Awards for Hotels. The hotel received its first Distinction Award in 2014 and its second win attests to its firm commitment towards environmental sustainability and reaffirms its position as one of the most eco-friendly hotels in Singapore.

CROWNE PLAZA CHANGI AIRPORT

- Skytrax World Airport Awards 2016
 - World’s Best Airport Hotel (Ranked 1st)
 - Best Airport Hotel in Asia (Ranked 1st)
- 27th Annual TTG Travel Awards 2016
 - Best Airport Hotel
- Travel Weekly Asia 2016 Readers’ Choice Awards
 - Best Airport Hotel
- TripAdvisor 2016
 - Certificate of Excellence
- ASEAN Tourism Forum 2016
 - ASEAN Green Hotel Award
- Singapore Hotel Association (SHA) and National Environmental Agency (NEA)
 - SHA-NEA 3R Awards for Hotels (Distinction)

MANDARIN ORCHARD SINGAPORE

- 27th Annual TTG Travel Awards 2016
 - Best City Hotel – Singapore
- TripAdvisor 2016
 - Certificate of Excellence
- Singapore Hotel Association (SHA)
 - Security Star Award
- Singapore Civil Defence Force and the National Fire and Civil Emergency Preparedness Council
 - Fire Safety Excellence Award 2016

Shisen Hanten by Chen Kentaro

- Two Stars, The Michelin Guide Singapore 2016
- La Liste – Top 1,000 Best Restaurants in the World
- Wine & Dine “House of Stars” Award

Chatterbox

- Hall of Fame – Heritage Brand, Singapore Prestige Brand Awards (SPBA) 2016
- Ctrip Top 50 Restaurants

MANDARIN ORCHARD SINGAPORE’S AWARD-WINNING RESTAURANTS

With a long history and strong reputation amongst both locals and tourists, Mandarin Orchard Singapore’s (MOS’) F&B outlets have won multiple accolades through the years. 2016 was no different as MOS’ restaurants continued to garner various awards.

At the launch of the inaugural Michelin Guide Singapore 2016, it was revealed that MOS’ Shisen Hanten by Chen Kentaro was accorded two stars. The accolade makes Shisen Hanten by Chen Kentaro the highest Michelin-rated Chinese restaurant island-wide. In addition, the restaurant has made it to the list of 1,000 best restaurants in the world by La Liste, and is one out of only seven restaurants listed in Singapore.

La Liste is a list of the 1,000 best restaurants in the world sanctioned by France’s Foreign Ministry and tourism board. Shisen Hanten by Chen Kentaro also received two stars in Singapore’s Top Restaurants 2016 - the 19th edition of the annual dining guide published by Wine & Dine.

Not to be left behind in the accolades department, MOS’ iconic Chatterbox, home of the legendary Mandarin Chicken Rice, made it to the Hall of Fame for winning the SPBA Heritage Brand distinction five years in a row. Chatterbox has also attained the inaugural 食美林 Ctrip Awards 2016/2017 under the ‘Local Delights’ category that celebrates The Top 50 Restaurants in Singapore measured by Chinese diners’ feedback on Ctrip and matched by actual tastings and reviews from a special panel setup by Ctrip. The seasoned panellists have sampled the winners in this year’s list of over 50 cities and 1,600 restaurants and outlets.

QUALITY ASSETS, STRATEGIC LOCATIONS

As at 31 December 2016, OUE Hospitality Trust's ("OUE H-Trust's") portfolio comprised two hotels, the 1,077-room Mandarin Orchard Singapore ("MOS") and the enlarged 563-room Crowne Plaza Changi Airport ("CPCA") and the Mandarin Gallery retail mall.

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



MOS' Shisen Hanten by Chen Kentaro (in photo) accorded two stars in the inaugural Michelin Guide Singapore 2016

Following the completion of the 243-room extension to CPCA which OUE H-Trust acquired on 1 August 2016, the enlarged CPCA has a total of 563 guest rooms. CPCA is connected to Changi Airport Terminal 3 on both the arrival and departure levels. CPCA has been awarded the Skytrax World's Best Airport Hotel for two consecutive years (2015 & 2016).

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.

More information on the properties is available in this report in the Property Profile section.

INCOME STABILITY

OUE Hospitality REIT 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.

In addition, following the completion of acquisition of the extension to CPCA, the Vendor (OUE Airport Hotel Pte. Ltd.) will provide an income support arrangement in relation to the enlarged CPCA from the date of completion of the acquisition of CPEX (the "Completion Date") to (i) the day immediately preceding the third anniversary date of the Completion Date or (ii) the date when the aggregate of all rental top-up payments payable by the Vendor to OUE H-REIT under the Deed of Income Support exceeds \$7.5 million, whichever is earlier.

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 2016 is 10.1 years. Approximately 18.1% of OUE H-Trust's revenue for December 2016 was attributed to these leases signed and for which have commenced in 2016.

FY2016 REVIEW

The Singapore economy grew 2.0%¹ in 2016 amidst sluggish global economic conditions, similar to the 1.9% achieved in 2015. In the hospitality sector, the revenue per available room ("**RevPAR**") declined 4.6%² in 2016 despite an increase of 7.7%³ in international arrivals in 2016 compared with 2015. The RevPAR decline could be attributed to a shorter average length of stay by visitors resulting in an increase in total visitor days of just 2.2%⁴, coupled with a 4.8%⁵ increase in hotel rooms in 2016. Global economic uncertainties have dampened corporate travel and the increase in rooms supply has created a highly competitive market environment.

Despite the challenging market conditions, OUE H-Trust's 2016 master lease income and net property income ("**NPI**") from the hospitality segment was 2.3% and 1.4% higher respectively, boosted by increased contribution from the enlarged 563-room CPCA. MOS' master lease income of \$71.7 million was \$1.8 million lower mainly due to a lower 2016 RevPAR of \$217 compared with 2015's RevPAR of \$230. The lower room sales was however partially offset by higher food and beverage (F&B) sales due to higher patronage at the hotel's F&B outlets. The master lease income contribution from CPCA increased by 26.4% to \$18.2 million due to the enlarged room inventory following the acquisition of the 243-room CPEX on 1 August 2016. In addition

to master lease income, CPCA also received an income support of \$2.7 million from OUEAH (OUE Airport Hotel Pte. Ltd., the Vendor)⁶. The income support was negotiated as part of the transaction at the time when the acquisition was agreed upon, as the Manager envisaged that the enlarged CPCA is expected to take time to ramp up operations with the newly-added 243 rooms.

For the retail segment, revenue achieved in 2016 was 11.3% lower at \$32.6 million and NPI was 10.4% lower at \$24.5 million. This was mainly due to Mandarin Gallery's lower average occupancy of 86.3% in 2016 compared to 95.3% in 2015 from the impact of landlord fit-out periods to amalgamate the lease area for Victoria's Secret, and slower lease renewals. Mandarin Gallery welcomed the launch of the Michael Kors and Victoria's Secret new flagship stores in Singapore in the third quarter and fourth quarter respectively. These two tenants together occupy approximately 15% of the mall's net lettable area (NLA) with long leases of 10 years for Victoria's Secret and seven years for Michael Kors. This is part of the Manager's focus on active asset management as the longer leases will benefit OUE H-Trust through enhanced income stability over a longer period compared to the usual two-to-five-year leases as the retail sector continues to experience a slowdown. As at 31 December 2016, Mandarin Gallery was approximately 90% committed (by net lettable area).

1 Ministry of Trade & Industry Press Release 'MTI Maintains 2017 GDP Growth Forecast at "1.0 to 3.0 per cent"', 17 February 2017

2 Singapore Tourism Board, Hotel Statistics, 14 February 2017

3 Singapore Tourism Board, International Visitor Arrivals Statistics, 14 February 2017

4 Singapore Tourism Board, Quarterly Tourism Focus-Quarter 4 2016, 14 February 2017

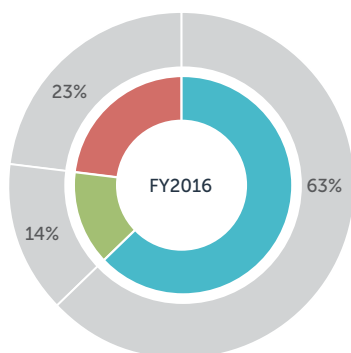
5 Singapore Tourism Board Press Release 'Singapore Achieves Record Tourism Sector Performance in 2016' – STB Fact sheet, 14 February 2017

6 With the addition of the newly acquired CPEX which forms an integral part of CPCA (collectively, the "**enlarged CPCA**"), the Deed of Income support comes into effect. Subject to the enlarged CPCA not achieving agreed Target Quarterly Rent over the first twelve (12) quarters from the date of acquisition of CPEX, OUE H-REIT could draw down the income support over (i) three years from the date of OUE H-REIT's acquisition of CPEX; or (ii) until the income support of \$7.5 million had been fully drawn down by OUE H-REIT, whichever is earlier

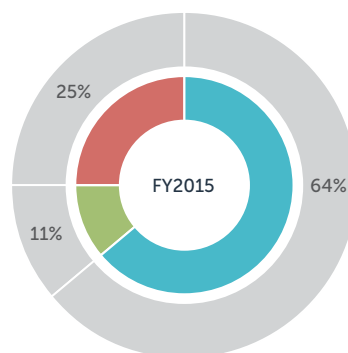
PORTFOLIO GROSS REVENUE AND NET PROPERTY INCOME

	FY2016	FY2015
Gross Revenue	\$122.5m	\$124.6m
Net Property Income	\$107.4m	\$109.1m

NPI CONTRIBUTION

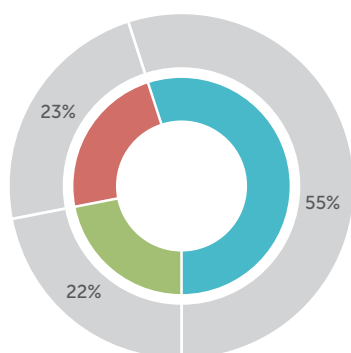


- Mandarin Orchard Singapore \$68.3m
- Crowne Plaza Changi Airport¹ \$14.6m
- Mandarin Gallery \$24.5m



- Mandarin Orchard Singapore \$69.7m
- Crowne Plaza Changi Airport² \$12.0m
- Mandarin Gallery \$27.4m

BREAKDOWN BY ASSET VALUE³



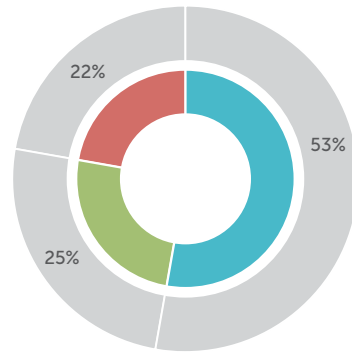
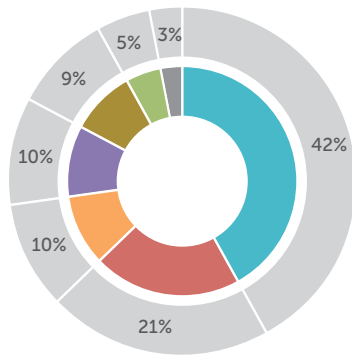
- Mandarin Orchard Singapore \$1,210.5m
- Crowne Plaza Changi Airport \$496.6m
- Mandarin Gallery \$501.0m

1 Comprises NPI for the 320-room CPCA for January 2016 to July 2016 and NPI for the 563-room enlarged CPCA for August 2016 to December 2016
 2 CPCA was acquired on 30 January 2015. FY2015 NPI is for the period from 30 January 2015 to 31 December 2015
 3 Based on independent valuations as at 31 December 2016. For CPCA, value presented is the valuation without income support. Valuation with income support was \$500.6m

FY2016 TOP 10 TENANTS (BY RENTAL INCOME)

Tenant	Industry	Percentage of Total Rental Income (%)
OUE Limited	Real Estate	59.0
OUE Airport Hotel Pte. Ltd.	Hotel Investment and Operation	15.0
Luxury Ventures Pte. Ltd.	Fashion Apparel and Accessories	2.0
Club 21 Pte. Ltd.	Fashion Apparel and Accessories	1.8
Kwang Sia International Pte. Ltd.	Fashion Apparel and Accessories	1.3
Vertu (Singapore) Pte Ltd	Fashion Apparel and Accessories	1.0
Lawry's The Prime Rib S'pore Pte Ltd	F&B	0.8
Genesis Retail Pte Ltd	Hair & Beauty	0.8
Bimba & Lola Singapore Pte Ltd	Fashion Apparel and Accessories	0.8
Ram Pacific Pte Ltd	Travel	0.7
		83.2

HOSPITALITY SEGMENT PORTFOLIO CUSTOMER PROFILE FY2016



- Southeast Asia
- North Asia
- North America
- Europe
- Oceania
- South Asia
- Others

- Transient
- Corporate
- Wholesale

Note: Excludes aircrew

3 "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

MANDARIN ORCHARD SINGAPORE



ABOUT THE PROPERTY

Valuation as at 31 December 2016
\$1,210.5 million

Remaining Term of Lease
Approximately 39.5 years as at 31 December 2016

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 \$45 million per annum¹

Purchase Price in 2013
\$1,180 million

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

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

Orchard Road is located in the core central region of Singapore in close proximity to key business districts, resulting in a strong flow of pedestrians, tourists and business travellers.

The hotel is easily accessible via public transport, with the Orchard Road area being well-served by a network of major roads. 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 is also located next to a major medical cluster which includes leading medical facilities such as the Paragon Medical Centre and Mount Elizabeth Hospital.

In 2016, the hotel completed the renovation of one floor in the Orchard Wing previously comprising a combination of leased commercial space and three meeting rooms to create a brand new level of meeting and convention space comprising six meeting rooms and a refreshment area. The asset enhancement programme which began in 2013 to renovate 430 guest rooms (which is funded by the Sponsor) is expected to be completed in March 2017.

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

Facilities in the hotel include an outdoor swimming pool, a fitness centre, a tennis court and a medical clinic.

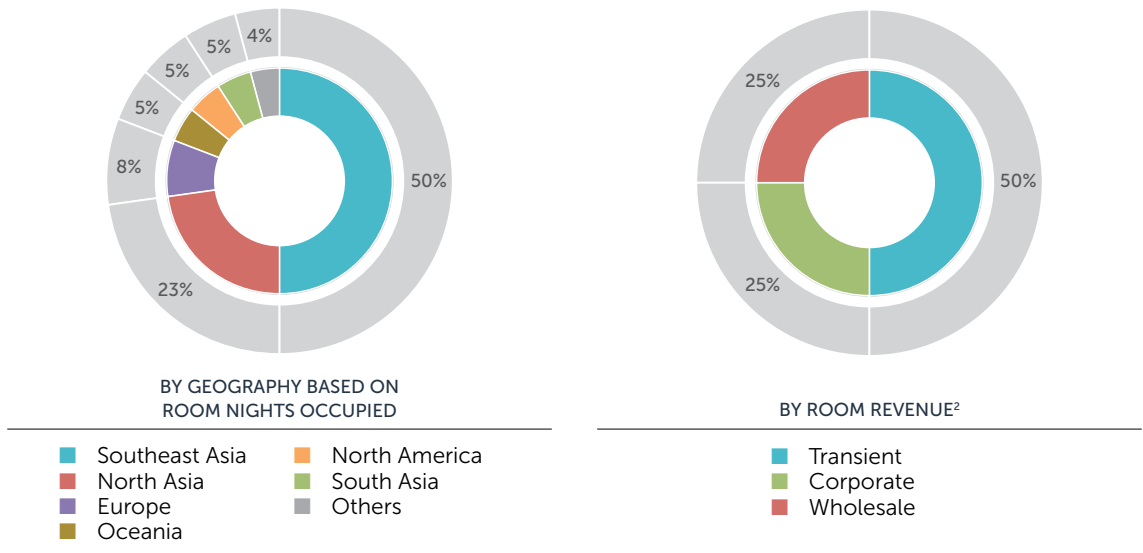
The F&B outlets are popular with both local patrons and tourists. In particular the Mandarin Chicken Rice is widely recognised as a signature dish at the hotel’s Chatterbox restaurant. Chatterbox was inducted into the Hall of Fame at the Singapore Prestige Brand Award 2016 for achieving the Heritage Board distinction for five consecutive

years. Mandarin Orchard is also home to Sichuan restaurant, Shisen Hanten by Chen Kentaro located on level 35 of the hotel’s Orchard Wing. Shisen Hanten is a highly acclaimed chain of Sichuan restaurants in Japan and Shisen Hanten by Chen Kentaro is the chain’s first foray outside of Japan. Shisen Hanten by Chen Kentaro was awarded two stars in the inaugural Michelin Guide Singapore 2016. The accolade makes Shisen Hanten by Chen Kentaro the highest Michelin-rated Chinese restaurant island-wide.

OPERATING PERFORMANCE

	FY2016	FY2015
Gross Revenue	\$71.7m	\$73.5m
Net Property Income	\$68.3m	\$69.7m
RevPAR	\$217	\$230

CUSTOMER PROFILE (FY2016)



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

CROWNE PLAZA CHANGI AIRPORT



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

ABOUT THE PROPERTY

Valuation as at 31 December 2016

\$496.6 million (without income support)
\$500.6 million (with income support)

Remaining Term of Lease

Approximately 66.5 years as at 31 December 2016

Master Lease Details

Master Lessee:

OUE Airport Hotel Pte. Ltd.

Term:

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

Lease rental:

From 30 January 2015 to 31 July 2016

Variable Rent Comprising Sum of:

- (i) 1% of Hotel F&B 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 \$12.5m

Income support

The Vendor (OUE Airport Hotel Pte. Ltd.) will provide an income support arrangement in relation to the enlarged CPCA from the date of completion of the acquisition of CPEX (the Completion Date) to (i) the day immediately preceding the third anniversary date of the Completion Date or (ii) the date when the aggregate of all rental top-up payments payable by the Vendor to OUE H-REIT under the Deed of Income Support exceeds \$7.5 million, whichever is earlier.

Purchase Price

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

With effect from 1 August 2016

Variable Rent Comprising Sum of:

- (i) 4% of Hotel F&B Revenues;
- (ii) 33% of Hotel Rooms and Other Revenues not related to F&B;
- (iii) 30% Hotel Gross Operating Profit; and
- (iv) 80% of Gross Rental Income from leased space;

subject to Minimum Rent of \$22.5 million¹

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

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. The hotel has four food & beverage outlets and eight meeting rooms including a ballroom.

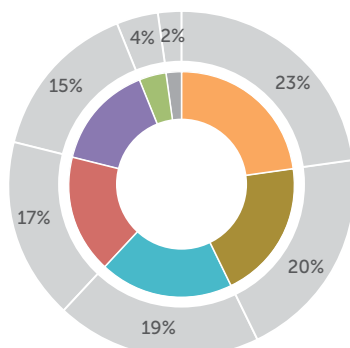
The global brand name hotel is situated within the vicinity of the passenger terminals of Changi Airport. CPCA is connected to Changi Airport Terminal 3 on both the arrival and departure levels. It is within a short distance to Changi Business Park and Singapore Expo, and is connected to the city by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

OPERATING PERFORMANCE

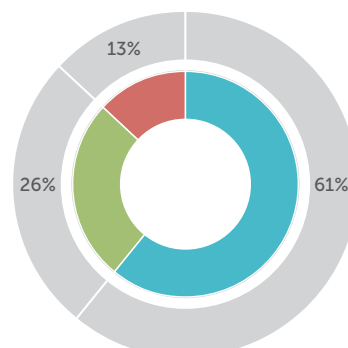
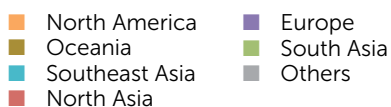
	FY2016 ²	FY2015 ³
Gross Revenue	\$18.2m ⁴	\$14.4m
Net Property Income	\$14.6m	\$12.0m

Note: As CPEX's 243 rooms opened for business and were acquired by OUE H-Trust on 1 August 2016, it is not meaningful to compare the RevPAR for enlarged 563-room CPCA with the RevPAR for the 320-room CPCA for FY2015

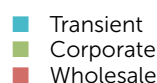
CUSTOMER PROFILE (FY2016)



BY GEOGRAPHY BASED ON ROOM NIGHTS OCCUPIED



BY ROOM REVENUE⁵



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

3 Gross Revenue/NPI for the 320-room CPCA for the period from 30 January 2015 to 31 December 2015

4 For FY2016, OUE H-REIT also received an income support of \$2.7 million provided by the Vendor in relation to acquisition of CPEX, in addition to the Gross Revenue of \$18.2 million derived from master lease income

5 "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

MANDARIN GALLERY



ABOUT THE PROPERTY

Valuation as at 31 December 2016
\$501 million

Gross Floor Area
Approximately 196,336 sq ft

Net Lettable Area
Approximately 126,301 sq ft

Remaining Term of Lease
Approximately 39.5 years as at 31 December 2016

Purchase Price in 2013
\$525 million

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

Mandarin Gallery comprises a total GFA of approximately 196,336 sq ft with an NLA of approximately 126,301 sq ft and has a wide main frontage of 152 metres along Orchard Road,

providing a high degree of visibility. Featuring six duplexes and six street front shop units facing Orchard Road, Mandarin Gallery is a choice location for flagship stores of international brands.

Car parking spaces are located in the multi-level carpark and basement levels, and are shared with and operated by MOS.

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

As at 31 December 2016, Mandarin Gallery was 90% committed¹ (by NLA). The Property Manager negotiates leases individually with each tenant, using its standard set of lease terms as the starting point. Generally, the typical lease terms range from two to five years, and 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 December 2016)

As at 31 December 2016, Mandarin Gallery has a total of 83 tenants. Premium retail brands represented in Mandarin Gallery include Bathing Ape, Bimba Y Lola, Michael Kors, Rimowa, Victoria's Secret and Y-3.

Approximately 24% of Mandarin Gallery's NLA is occupied by F&B tenants, including Beni, Hashida, Ippudo Ramen, Ito-Kacho Restaurant, Wild Honey, Antoinette and Suju Japanese Restaurant. FY2016 top 10 tenants contributed 39.7% of Mandarin Gallery's retail rental income for the year. 92% of the leases (by NLA) have a turnover rent component.

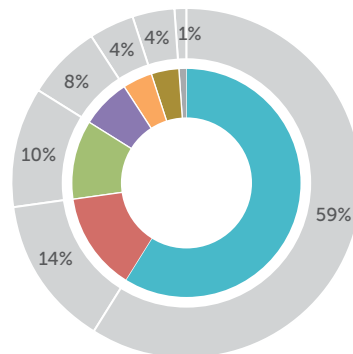
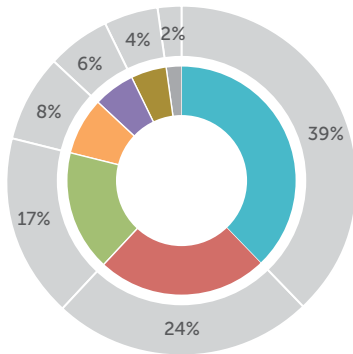
In 2016, Michael Kors and Victoria's Secret opened their flagship stores in the third quarter and fourth quarter respectively. Michael Kors will be calling Mandarin Gallery home for seven years whilst Victoria's Secret has committed for 10 years.

Mandarin Gallery's weighted average lease expiry (WALE) by gross rent is approximately 4.0 years as at 31 December 2016.

OPERATING PERFORMANCE

	FY2016	FY2015
Gross Revenue	\$32.6m	\$36.7m
Net Property Income	\$24.5m	\$27.4m
Average Occupancy ²	86.3%	95.3%
Effective Rental Per Square Foot (Per Month)	\$24.20	\$24.70

TENANT MIX AS AT 31 DECEMBER 2016³

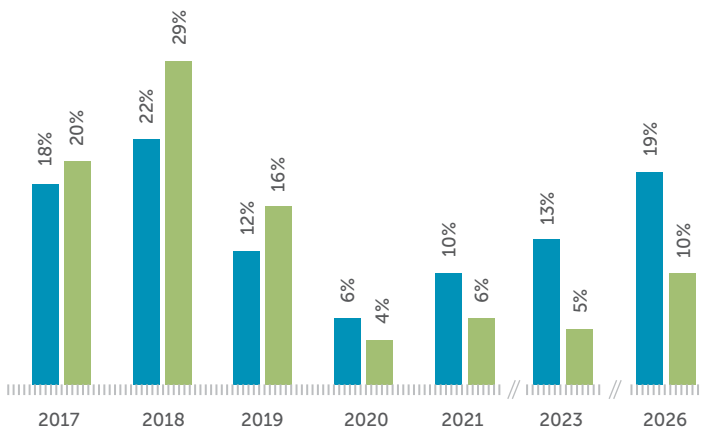


BY NLA

BY GROSS RENT (EXCLUDES TURNOVER RENT)

- Fashion Apparel & Accessories
- Food & Beverage
- Hair & Beauty
- Living & Lifestyle
- Travel
- Watches & Jewellery
- Services

MANDARIN GALLERY LEASE EXPIRY PROFILE AS AT 31 DECEMBER 2016⁴



WALE⁴ (BY GROSS RENT^{3,5}) : 4.0 YRS
 WALE (BY NLA^{3,6}) : 2.7 YRS

- Lease expiry by Gross Rent
- Lease expiry by NLA

- 1 Excludes pop-up stores
- 2 Includes pop-up stores
- 3 Based on committed tenancies
- 4 Weighted average lease expiry
- 5 Excludes turnover rent
- 6 Net lettable area

OPERATING PERFORMANCE

Gross Revenue and Net Property Income

OUE H-Trust recorded a gross revenue of \$122.5 million (FY2015: \$124.6 million), a marginal decline of 1.7%, amidst a challenging economic environment in FY2016. The hospitality segment had achieved higher gross revenue, but was offset by a decrease in gross revenue from the retail segment.

The hospitality segment achieved a gross revenue of \$89.9 million (FY2015: \$87.9 million), an increase of \$2.0 million. The increase was attributable to higher master lease income contribution from Crowne Plaza Changi Airport ("CPCA") and Crowne Plaza Changi Airport Extension ("CPEX")¹ (collectively, the "enlarged CPCA") which had more than offset the decline in master lease income from Mandarin Orchard Singapore ("MOS").

In FY2016, the master lease income² from MOS and enlarged CPCA were \$71.7 million (FY2015: \$73.5 million) and \$18.2 million (FY2015: \$14.4 million) respectively. Master lease income from MOS was \$1.8 million lower than FY2015 as a result of lower room sales and lower gross operating profit ("GOP"). The lower room sales as reflected in lower RevPAR of \$217 (FY2015: \$230) was mainly attributed to global uncertainties that resulted in dampened corporate travel. The increase in rooms supply in Singapore had also created a highly competitive market environment for business in all segments. The lower room sales was partially offset by higher food and beverage sales due to higher patronage at the food and beverage outlets. MOS had recorded a lower GOP in line with lower sales, as well as higher operating expenses. Enlarged CPCA

contributed \$18.2 million master lease income in FY2016. Master lease income was \$3.8 million higher due to (i) contribution of master lease income for 12 months in FY2016 as compared to 11 months in FY2015 as CPCA was acquired on 30 January 2015; and (ii) enlarged room inventory in CPCA with addition of CPEX's 243 rooms which opened for business on 1 August 2016. In addition to master lease income, OUE H-REIT also receives income support provided by OUE Airport Hotel Pte. Ltd ("OUEAH") in relation to acquisition of CPEX.

For the retail segment, Mandarin Gallery ("MG") recorded a revenue of \$32.6 million (FY2015: \$36.7 million), a decline of \$4.1 million. The decline was mainly attributable to lower average occupancy at 86.3% (2015: 95.3%) and lower rental rates achieved in light of the challenging retail environment, and landlord fit-out periods for incoming tenants, such as Victoria's Secret which opened its flagship store in 4Q2016. The mall recorded an effective rent per square foot per month of \$24.20 (FY2015: \$24.70).

Property expenses were \$0.4 million lower than FY2015. The lower property expenses in MG were due to lower energy cost and lower property tax. The decrease was partially offset by higher property expenses in the hospitality segment due to higher land rent payable to Changi Airport Group with the commencement of CPEX operations.

Overall, OUE H-Trust recorded a lower net property income by \$1.7 million (FY2016: \$107.4 million; FY2015: \$109.1 million) due to lower net property income contribution from retail segment despite higher contribution from the hospitality segment.

¹ OUE H-REIT acquired the extension of CPCA ("CPEX") on 1 August 2016

² Master lease income is pegged to a percentage of gross operating revenue and gross operating profit of hotels, subject to minimum rent. Please see 'Property Profile' for more information

Other Income and Expenses at Trust Level and Net Income

As the enlarged CPCA continues to ramp up its operations with its new room inventory, OUE H-Trust had recognised an income support of \$2.7 million (FY2015: Nil) under the Deed of Income Support³ in relation to the enlarged CPCA. OUE H-Trust had also earned higher interest income in FY2016 through placement of rights issue proceeds as fixed deposits while pending deployment of funds for partial repayment of \$293 million term loan and acquisition of CPEX.

With the addition of CPEX, OUE H-REIT's deposited property had consequently increased. The REIT management fees and trustee fees expenses had increased in line with higher deposited property in FY2016.

OUE H-Trust's finance expense in FY2016 had increased by \$2.7 million (FY2016: \$24.9 million; FY2015: \$22.2 million) primarily due to (i) \$295 million term loan that was drawn down on 30 January 2015 to fund the acquisition of CPCA, hence a full 12 months of interest in FY2016 as compared to 11 months of interest in FY2015; and (ii) changes in fair value of interest rate swaps. The change in fair value of interest rate swaps is non-cash in nature and has no impact on distributable income.

In FY2016, OUE H-Trust had also recorded an amortisation expense on intangible asset of \$1.3 million (FY2015: Nil) in relation to income support provided by OUEAH pursuant to the Deed of Income Support. The amortisation is non-cash in nature and has no impact on distributable income.

Consequently, the net income in FY2016 was \$71.3 million (FY2015: \$74.8 million), a decrease of \$3.5 million due to lower net property income and higher finance expenses and amortisation of intangible assets.

Net Change in Fair Value of Investment Properties

At year end, an independent valuation on the investment properties was carried out. In light of the challenging economic outlook, the fair values on investment properties were generally lower. In FY2016, OUE H-Trust recorded a decline in fair value of investment properties of \$53.9 million (2015: fair value gain of \$2.9 million). Both MOS and MG recorded a decline in fair value of \$13.0 million and \$42.1 million respectively, partially offset by an increase in fair value of enlarged CPCA by \$1.2 million. The change in fair value of investment properties is non-cash in nature and has no impact on distributable income.

Total Return

As a result, OUE H-Trust recorded a lower total return of \$17.4 million (FY2015: \$77.7 million) primarily due to the decline in fair values of investment properties, and lower net property income.

Distributions

The income available for distribution was \$82.5 million (FY2015: \$87.4 million). In FY2016, the distribution per stapled security ("DPS") was 4.61⁴ cents (FY2015: 6.55 cents), a decrease of 29.6% from FY2015. The lower DPS was mainly attributable to (i) issuance of 441,901,257 new Stapled Securities under the Rights Issue exercise

³ The Deed of Income Support from OUE Airport Hotel Pte. Ltd came into effect on 1 August 2016. Subject to the enlarged CPCA not achieving the agreed Target Quarterly Rent over the first twelve (12) quarters from the acquisition of CPEX, OUE H-REIT could draw down income support over (i) three years from the date of acquisition of CPEX; or (ii) until the income support of \$7.5 million had been fully drawdown by OUE H-REIT, whichever is earlier

⁴ Excluding income support of \$2.7 million, the DPS would have been 4.46 cents

on the basis of 33 Rights Stapled Securities for every 100 Existing Stapled Securities in April 2016; and (ii) lower distributable income.

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 2016 was \$2,256.4 million (31 December 2015: \$2,100.9 million). The increase was mainly attributable to the addition of CPEX as part of the investment property portfolio, partially offset by the net change in fair value of investment properties.

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

As at 31 December 2016, 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 approach.

Property	Valuation as at 31 Dec 2016 \$'000	Valuation as at 31 Dec 2015 \$'000
Mandarin Orchard Singapore	1,210,500	1,221,000
Crowne Plaza Changi Airport	496,600 ⁵	295,000 ⁶
Mandarin Gallery	501,000	538,000
	2,208,100	2,054,000

As at 31 December 2016, the net asset value ("NAV") of OUE H-Trust was \$1,382.0 million (31 December 2015: \$1,207.0 million), the increase was mainly due to acquisition of CPEX and a decrease in borrowings by \$23 million (FY2016: \$859 million; FY2015: \$882 million) as OUE H-Trust had utilised part of the proceeds from the Rights Issue to pare down borrowings, which would provide OUE H-Trust with more financial flexibility. Notwithstanding the increase in NAV, the NAV per Stapled Security as at 31 December 2016 had decreased to \$0.77 (31 December 2015: \$0.90) primarily due to issuance of new Stapled Securities of 441,901,257 pursuant to the Rights Issue at an issue price of \$0.54⁷ on the basis of 33 Rights Stapled Securities for every 100 Existing Stapled Securities in April 2016.

⁵ The valuation of \$496.6 million (without income support) and \$500.6 million (with income support) as at 31 December 2016 is for enlarged CPCA

⁶ The valuation of \$295.0 million as at 31 December 2015 is for CPCA

⁷ The Rights Issue price of \$0.54 was approximately 40% discount to the NAV per Stapled Security and approximately 29.4% to the closing price of \$0.765 per Stapled Security on 7 March 2016 and approximately 23.9% to the theoretical ex-rights price (TERP) of \$0.7092 per Stapled Security

FUND RAISING AND BORROWINGS

In FY2016, OUE H-Trust had raised gross proceeds of \$238.6 million from the Rights Issue of 441,901,257 new Stapled Securities at an issue price of \$0.54 for each rights Stapled Security on the basis of 33 Rights Stapled Securities for every 100 Existing Stapled Securities. While awaiting for the acquisition of CPEX, OUE H-Trust had utilised \$228 million of gross proceeds to partially prepay the term loan that matured in July 2016. The remaining gross proceeds were used to pay rights issue expenses of \$4.2 million, upfront fee and related cost of \$2.6 million for the new \$270 million term loan facility and \$3.8 million for working capital used for operating expenses relating to the portfolio of properties. As at 31 December 2016, OUE H-Trust had fully utilised the gross proceeds from the rights issue in accordance with the Offer Information Statement dated 15 March 2016.

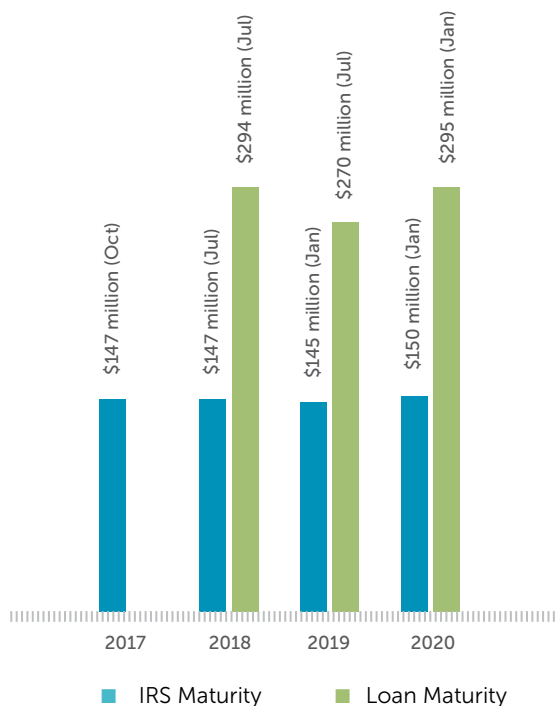
OUE H-Trust had also successfully repaid the \$293 million Term Loan that matured in July 2016, with \$65 million proceeds from new term loan of \$270 million and using part of the proceeds of the rights issue. On 1 August 2016, OUE H-Trust drew down the remaining \$205 million from the new term loan facility to pay for the acquisition of CPEX.

As at 31 December 2016, OUE H-Trust's borrowings was \$859 million, with no loans due until July 2018. The borrowings comprise (i) a 5 year term loan of \$294 million that matures in July 2018; (ii) a 3 year term loan of \$270 million that matures in July 2019; and (iii) a 5 year term loan of \$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. OUE H-Trust's gearing at 38.1% is an improvement from 42.0% (FY2015), and is within the 45% gearing limit allowed by the Monetary Authority of Singapore for real estate investment trusts.

As at 31 December 2016, the interest for 69% of the borrowings was fixed via interest rate swaps ("IRS") which has a weighted average remaining IRS tenor of 1.9 years. The weighted average cost of debt for FY2016 was 2.3% per annum and has a weighted average remaining loan tenor of 2.4 years.

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 2016, no notes have been issued under this programme.

DEBT AND INTEREST MATURITY PROFILE



CORPORATE INFORMATION

OUÉ HOSPITALITY TRUST

Website: www.oueht.com
 Email: enquiry@oueht.com
 SGX Code: SK7 (OUÉ 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 AUDITORS

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 OUÉ 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 OUÉ HOSPITALITY REAL ESTATE INVESTMENT TRUST

OUÉ Hospitality REIT Management Pte. Ltd.
 333 Orchard Road #33-00
 Singapore 238867
 Tel: (65) 6831 6000
 Fax: (65) 6880 2422

TRUSTEE-MANAGER OF OUÉ HOSPITALITY BUSINESS TRUST

OUÉ Hospitality Trust Management Pte. Ltd.
 333 Orchard Road #33-00
 Singapore 238867
 Tel: (65) 6831 6000
 Fax: (65) 6880 2422

STAPLED SECURITY REGISTRAR

Boardroom Corporate & Advisory Services Pte. Ltd.
 50 Raffles Place
 #32-01 Singapore Land Tower
 Singapore 048623
 Tel: (65) 6536 5355
 Fax: (65) 6438 8710

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 2016 ("**FY2016**") 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;

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.

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

The Managers have adopted internal guidelines which require Board approval for investments, divestments and bank borrowings. The Managers have adopted a framework of delegated authorisation, as set out in their Limits of Authority (“**LOA**”). The LOA sets out the procedures and levels of authorisation required for specified transactions. It also sets out approval limits for operating and capital expenditure. The LOA also contains a schedule of matters specifically reserved for the Board’s approval. These include approval of annual business plans, operating budgets, statutory accounts, declaration of distribution per Stapled Security, and material transactions, namely, major acquisitions, joint ventures, strategic alliances, investment proposals, establishment of banking facilities and corporate restructuring.

The Board holds regular scheduled meetings on a quarterly basis, with *ad hoc* meetings convened as and when required. A total of five Board meetings were held in FY2016. The report on the attendance of the directors of the Managers (“**Directors**”) for Board and Board committee meetings is set out below. Directors who are unable to attend Board 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 Board and Board Committee Meetings

Name of Director	Number of meetings attended in FY2016		
	Board	ARC	NRC
Christopher James Williams	5	–	1
Lee Yi Shyan	5	–	–
Chong Kee Hiong	5	–	–
Sanjiv Misra	5	5	1
Ong Kian Min	4	4	1
Liu Chee Ming	4	4	–
Neo Boon Siong	5	5	–
Number of meetings held in FY2016	5	5	1

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.

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

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

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

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

Board Composition

Board Member

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
Ong Kian Min	Independent Director
Liu Chee Ming	Independent Director
Neo Boon Siong	Independent Director

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

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

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 21 to 27 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. 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.

Principle 4: Board Membership

Principle 5: Board Performance

The NRC comprises three non-executive Directors, namely Mr Ong Kian Min, Mr Christopher James Williams and Mr Sanjiv Misra. Mr Ong Kian Min is the chairman of the NRC. The NRC met once in FY2016.

The principal responsibilities of the NRC in performing the functions of a nominating committee include reviewing and evaluating nominations of Directors for appointment to the Board, evaluating the performance of the Directors and the Board as a whole and the Board committees, reviewing and being mindful of the independence of the Directors, reviewing and making recommendations on the training and professional development programs for the Board and reviewing the endorsement or re-endorsement of Directors for approval by Stapled Securityholders at the Annual General Meeting.

In its selection, appointment and re-appointment process, the NRC reviews the composition of the Board including the mix of expertise, skills and attributes of existing Directors, so as to identify the requisite and/or desired competencies to supplement the Board's existing attributes. In doing so, where necessary or appropriate, the NRC may tap on its networking contacts and/or engage external professional headhunters to assist with identifying and shortlisting such candidates. The Board continues to be open and vigilant in identifying the appropriate female candidate(s) who may possess the competency level and skill sets necessary to bring greater value to OUE H-Trust and its various stakeholder constituencies. While being mindful of building on gender diversity in the boardroom, the Board is of the view that it is of equal importance that the driver of this exercise (apart from the gender criterion) be focused on identifying the right level of experience, commercial acumen and professional integrity in a potential Director.

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

The Directors must ensure that they are able to give sufficient time and attention to the affairs of the Managers, and as part of its review process, the NRC decides whether or not a Director is able to do so and whether he has been adequately carrying out his duties as a Director 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.

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 under the Code.

In relation to Mr Ong Kian Min (where Mr Ong is a consultant with Drew & Napier LLC, Corporate & Finance Department), the Board noted that notwithstanding that Drew & Napier LLC has been engaged by the REIT Manager to provide legal services to OUE H-Trust in FY2016, 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 had opportunities for continuing education in a number of areas including directors' duties, corporate governance, financial reporting, insider trading, the Companies Act, Chapter 50 of Singapore (the "**Companies Act**"), the Business Trusts Act, the Code on Collective Investment Schemes and the Listing Manual of the SGX-ST (the "**Listing Manual**"), real estate and 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 role of the Company Secretary and the Management is to ensure that all Board procedures are followed and that applicable regulations and rules prescribed by the Companies Act, the Business Trusts Act, the Listing Manual and all other applicable laws and regulations are complied with. Under the direction of the Chairman, the responsibilities of the Company Secretary include ensuring timely information flows within the Board and its Board committees and between the Management and non-executive Directors.

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

B. REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies

Principle 8: Level and Mix of Remuneration

Principle 9: Disclosure on Remuneration

The principal responsibilities of the NRC in relation to the remuneration matters include (i) 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 takes 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) serving as Lead Independent Director and/or (iii) serving on Board committees as members, as the case may be. The Directors' fees take into account:

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

The remuneration framework for the key executive officers of the Managers comprises monthly salaries, annual bonuses and allowances. 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 their executive Directors and key executive officers.

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

The Code and the Notice to All Holders of a Capital Markets Services Licence for Real Estate Investment Trust Management (issued pursuant to Section 101 of the Securities and Futures Act) require (i) the disclosure of the remuneration of each individual Director and the CEO on a named basis, (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 \$250,000, and (iii) in aggregate the total remuneration paid to the top five key management personnel (who are not directors or the CEO), and in the event of non-disclosure, the REIT Manager is required to provide reasons for such non-disclosure. After much deliberation, the Board is of the view that full disclosure of the specific remuneration of each individual Director, the CEO and the top five executive officers, and the total remuneration paid to the top five key management personnel (who are not directors or the CEO) will not be in the best interests of the Managers, OUE H-Trust or its Stapled Securityholders. In arriving at its decision, the Board had taken into consideration, *inter alia*, the commercial sensitivity and confidential nature of remuneration matters, the competitive nature of the REIT management and hospitality industry, the competitive business environment which OUE H-Trust operates in, the importance of ensuring stability and continuity of business operations with a competent and experienced management team in place and the negative impact which such disclosure may have on the REIT Manager in attracting and retaining talent for the REIT Manager (at the Board and Management levels) on a long-term basis. Accordingly, the Board is of the view that the non-disclosure of the specific remuneration of each individual Director, the CEO and top five executive officers and the total remuneration paid to the top five key management personnel, will not be prejudicial to the interest of the Stapled Securityholders.

There are no employees of the Managers who are immediate family members of a Director or the CEO, and whose remuneration exceeds \$50,000 during FY2016. 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 FY2016.

C. ACCOUNTABILITY & AUDIT

Principle 10: Accountability

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

Principle 12: Audit and Risk Committee

The ARC consists of four non-executive Directors, namely Mr Sanjiv Misra, Mr Ong Kian Min, Mr Liu Chee Ming and Professor Neo Boon Siong, who are all independent Directors. Mr Sanjiv Misra is the chairman of the ARC. All members of the ARC have many years of experience in senior management positions. The Board is of the view that the ARC members are appropriately qualified to discharge their responsibilities. A total of five ARC meetings were held in FY2016.

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

1. Monitoring the procedures established to regulate Related Party Transactions, including ensuring compliance with the provisions of the Listing Manual relating to Interested Person Transactions (as defined in the Listing Manual) and the provisions of Appendix 6 to the Code on Collective Investment Schemes (the "**Property Funds Appendix**") relating to Interested Party Transactions (as defined in the Property Funds Appendix) (both types of transactions constituting "**Related Party Transactions**").
2. Monitoring the procedures implemented to ensure compliance with the applicable legislation, the Listing Manual and the Property Funds Appendix.
3. Reviewing the annual audit plans of the external and internal auditors. The ARC may suggest matters to be included for review by the external and internal auditors during their audit of OUE H-REIT and the REIT Manager.
4. Reviewing with the external and internal auditors their findings on their evaluation of the system of the internal accounting controls of OUE H-REIT and the REIT Manager.
5. Reviewing the external audit reports to ensure that where deficiencies in internal controls have been identified, appropriate and prompt remedial action is taken by the management of the REIT Manager.
6. Reviewing the internal audit reports at least twice a year to ascertain that the guidelines and procedures established to monitor Related Party Transactions have been complied with. Such review will include the examination of the nature of the transaction and its supporting documents or such other data deemed necessary to the ARC. If an ARC member has an interest in a transaction, he or she is to abstain from participating in the review and approval process in relation to that transaction.

7. Reviewing the scope and results of the internal audit procedures, and, at least annually, review the adequacy and effectiveness of the REIT Manager's internal audit function.
8. Reviewing the external auditors' management letter and the response from the Management.
9. Reviewing the adequacy, scope and performance/results of the external audit and its cost effectiveness, and the independence and objectivity of the external auditors.
10. Reviewing the nature and extent of non-audit services performed by the external auditors.
11. Reviewing the independence and objectivity of the external auditors annually and state (a) the aggregate amount of fees paid to the external auditors for that financial year, and (b) a breakdown of the fees paid in total for audit and non-audit services respectively, or an appropriate negative statement, in OUE H-Trust's Annual Report. Where the external auditors also provide a substantial volume of non-audit services to OUE H-REIT and/or the REIT Manager, the ARC should keep the nature and extent of such services under review, seeking to balance the maintenance of objectivity and value for money.
12. Reviewing the financial statements of OUE H-REIT and the REIT Manager and review the quality and reliability of information prepared for inclusion in financial reports.
13. Reviewing the significant financial reporting issues and 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 Management to the ARC, external auditors and internal auditors, where applicable.
15. Making recommendations to the Board on the proposals to the unitholders of OUE H-REIT (or the shareholders of the REIT Manager, as the case may be) on the appointment, re-appointment and removal of OUE H-REIT's (or the REIT Manager's) external auditors, and approving the remuneration and terms of engagement of the external auditors.
16. Monitoring and evaluating the effectiveness of the REIT Manager's internal controls. Review and report to the Board at least annually the adequacy and effectiveness of the REIT Manager's risk management and internal control policies and systems, including financial, operational, compliance and information technology controls. Such review can be carried out internally or with the assistance of any competent third parties.

17. Ensuring that the internal audit function is independent from the management of the REIT Manager, that the internal audit function will report to the Chairman and that the internal audit function is adequately qualified to perform an effective role.
18. Ensuring that the internal audit function is adequately resourced, staffed with persons with the relevant qualifications and experience, and has appropriate standing within the REIT Manager.
19. Ensuring that the internal auditors carry out their function according to the standards set by nationally or internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

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

The ARC has reviewed the non-audit fees paid to the external auditors and it is satisfied that the independence and objectivity of the external auditors have not been compromised by the provision of non-audit services. The amount of non-audit fees paid to the external auditors for FY2016 was \$110,000. 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 2017. The ARC has met with the external auditors as well as the internal auditors, without the presence of the Management.

The details of the remuneration of the auditors of OUE H-Trust during FY2016 are as follows:

Amount	
Breakdown of Audit and Non-Audit Services	(\$'000)
Audit Services	155
Non-Audit Services	110

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

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

Principle 11: Risk Management and Internal Controls

Principle 13: Internal Audit

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

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

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

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

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

- (a) the financial records of OUE H-Trust have been properly maintained and the financial statements for the year ended 31 December 2016 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 2016 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.

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 30 to 31 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.

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

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

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

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

- treat the OUE H-BT Unitholders in the same class fairly and equally and OUE H-BT Unitholders who hold OUE H-BT units in different classes (if any) fairly;
- ensure that all payments out of the trust property of OUE H-BT (the "**Trust Property**") are made in accordance with the 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;

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

- act in the best interests of all OUE H-BT Unitholders as a whole and give priority to the interests of all OUE H-BT Unitholders as a whole over its own interests in the event of a conflict between the interests of all OUE H-BT Unitholders as a whole and its own interests;
- not make improper use of any information acquired by virtue of its position as OUE H-BT's trustee-manager to gain, directly or indirectly, an advantage for itself or for any other person to the detriment of the OUE H-BT Unitholders;
- hold the Trust Property on trust for all OUE H-BT Unitholders as a whole in accordance with the terms of the OUE H-BT Trust Deed;
- adhere 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.

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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.

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 \$50.0 million and OUE H-BT is active.

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

Expenses Charged to OUE H-BT

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

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

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

Compliance with the BTA and the Listing Manual

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

Composition of the Trustee-Manager Board

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

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

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

They are:

Name	Position
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.

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

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

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

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.

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

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 by the Trustee-Manager to the Directors of the Trustee-Manager.

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.

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

Risk Management and Internal Controls

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

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

In assessing business risk, the Trustee-Manager Board will consider the economic environment and risks relevant to the 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.

76 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

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78 REPORT OF THE TRUSTEE-MANAGER OF OUE HOSPITALITY BUSINESS TRUST

The directors of OUE Hospitality Trust Management Pte. Ltd., the trustee-manager of OUE Hospitality Business Trust ("OUE H-BT", and the trustee-manager of OUE H-BT, the "Trustee-Manager"), are pleased to present this report to the unitholders together with the audited financial statements for the financial year ended 31 December 2016.

DIRECTORS

The directors of the Trustee-Manager in office at the date of this report 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/ date of appointment	Holdings at end of the year	Holdings at beginning of the year/ date of appointment	Holdings at end of the year
Christopher James Williams	–	–	360,000	478,800
Chong Kee Hiong	1,008,333	1,341,082	200,000	266,000
Sanjiv Misra	400,000	532,000	–	–
Liu Chee Ming	400,000	532,000	–	–
Lee Yi Shyan	8,000	10,700	–	–

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in units of OUE H-BT either at the beginning of the financial year, or date of appointment, if later, 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 2017.

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 90 to 151 are drawn up so as to give a true and fair view of the financial position of OUE H-BT as at 31 December 2016 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.

80 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 2016, 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
22 February 2017

STATEMENT BY THE CHIEF EXECUTIVE OFFICER OF THE TRUSTEE-MANAGER

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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
22 February 2017

82 REPORT OF THE TRUSTEE OF OUE HOSPITALITY REAL ESTATE INVESTMENT TRUST

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

To the best knowledge of the REIT Trustee, the REIT Manager has, in all material respects, managed OUE H-REIT during the period covered by these financial statements, set out on pages 90 to 151, in accordance with the limitations imposed on the investment and borrowing powers set out in the OUE H-REIT Trust Deed.

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

Hoi Sau Kheng

Director

Singapore

22 February 2017

REPORT OF THE MANAGER OF OUE HOSPITALITY REAL ESTATE INVESTMENT TRUST

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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 90 to 151 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 2016, the total return, distributable income, movements in unitholders' funds and cash flows of the OUE H-REIT Group and the Stapled Group for the year then ended, in accordance with the recommendations of Statement of Recommended Accounting Practice 7 *Reporting Framework for Unit Trusts* issued by the Institute of Singapore Chartered Accountants and the provisions of the trust deed dated 10 July 2013 (as amended) (the "OUE H-REIT Trust Deed") between RBC Investor Services Trust Singapore Limited (the "REIT Trustee") and the REIT Manager, and the stapling deed of OUE Hospitality Trust between the REIT Trustee, the REIT Manager and OUE Hospitality Trust Management Pte. Ltd. (the trustee-manager of OUE H-BT) dated 10 July 2013. At the date of this statement, there are reasonable grounds to believe that the OUE H-REIT Group and the Stapled Group will be able to meet their respective financial obligations as and when they materialise.

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

Chong Kee Hiong
Director

Singapore
22 February 2017

Unitholders

OUE Hospitality Business Trust

(Constituted under a Trust Deed in the Republic of Singapore)

OUE Hospitality Real Estate Investment Trust

(Constituted under a Trust Deed in the Republic of Singapore)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited:

- (i) the financial statements of OUE Hospitality Business Trust ("OUE H-BT"), which comprise the statement of financial position as at 31 December 2016, the statement of comprehensive income, statement of movements in unitholders' funds and statement of cash flows of OUE H-BT for the year then ended, and notes to the financial statements, including a summary of significant accounting policies; and
- (ii) the consolidated financial statements of OUE Hospitality Real Estate Investment Trust ("OUE H-REIT") and its subsidiary (the "OUE H-REIT Group") and OUE Hospitality Trust, which comprise the statements of financial position and portfolio statements as at 31 December 2016, the statements of total return, distribution statements, statements of movements in unitholders' funds and statements of cash flows of the OUE H-REIT Group and OUE Hospitality Trust for the year then ended, and notes to the financial statements, including a summary of significant accounting policies;

as set out on pages 90 to 151. OUE Hospitality Trust, which comprises OUE H-BT and the OUE H-REIT Group, is hereinafter referred to as the "Stapled Group".

In our opinion:

- (a) the accompanying financial statements of OUE H-BT are properly drawn up in accordance with the provisions of the Business Trusts Act, Chapter 31A (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the state of affairs of OUE H-BT as at 31 December 2016 and of the financial performance, movements in unitholders' funds and cash flows of OUE H-BT for the year ended on that date; and
- (b) the accompanying consolidated financial statements of the OUE H-REIT Group and the Stapled Group present fairly, in all material respects, the financial positions and portfolio holdings of the OUE H-REIT Group and the Stapled Group as at 31 December 2016 and the financial performance, distributable income, movements in unitholders' funds and cash flows of the OUE H-REIT Group and the Stapled Group for the year ended on that date in accordance with the recommendations of Statement of Recommended Accounting Practice ("RAP") 7 *Reporting Framework for Unit Trusts* issued by the Institute of Singapore Chartered Accountants (the "ISCA").

Basis for opinion

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

Key audit matters

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

Valuation of investment properties

(Refer to Note 4 to the financial statements)

Risk

The OUE H-REIT Group and the Stapled Group have investment properties in Singapore with a carrying value of \$2.2 billion as at 31 December 2016. Investment properties represent the most significant asset item on the statements of financial position.

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

Our response

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

We considered the valuation method used in the valuations against those applied for similar property types. We assessed the reasonableness of the key assumptions used in the valuations which included a comparison of the discount rates against historical trends and available market data, taking into consideration comparability and market factors. We also considered the adequacy of the disclosures in the financial statements.

86 INDEPENDENT AUDITORS' REPORT

Our findings

The valuers are members of recognised professional bodies for valuers and have considered their own independence in carrying out their work. The valuation method used by the valuers is in line with generally accepted market practices and the key assumptions used are comparable to market data. We also found the disclosures in the financial statements to be appropriate in their description of the judgement inherent in the key assumptions used in the valuations, including the inter-relationship between the key unobservable input and the fair values.

Other information

OUE Hospitality Trust Management Pte. Ltd., the Trustee-Manager of OUE H-BT (the "Trustee-Manager") and OUE Hospitality REIT Management Pte. Ltd., the REIT Manager of OUE H-REIT (the "REIT Manager") are responsible for the other information. The other information comprises the Letter to Stapled Securityholders, Financial Highlights, Structure of OUE Hospitality Trust, Strategy of the Trust, Board of Directors, REIT Manager, Investor Relations, Corporate Social Responsibility, Awards & Accolades, Portfolio Overview, Property Profile, Financial Review, Corporate Information, Corporate Governance Report, Statement on Policies and Practices in relation to the Management and Governance of OUE Hospitality Business Trust, Report of the Trustee-Manager of OUE Hospitality Business Trust, Statement by the Chief Executive Officer of the Trustee-Manager, Report of the Trustee of OUE Hospitality Real Estate Investment Trust, Report of the Manager of OUE Hospitality Real Estate Investment Trust and Interested Person and Interested Party Transactions, which we obtained prior to the date of this auditors' report, and the Statistics of Stapled Securityholdings (the "Report") which is expected to be made available to us after that date.

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

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

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

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

Responsibilities of the Trustee-Manager for the financial statements

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

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

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

Responsibilities of the REIT Manager for the financial statements

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

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of OUE H-BT, the OUE H-REIT Group and the Stapled Group.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustee-Manager and the REIT Manager.
- Conclude on the appropriateness of the Trustee-Manager's and the REIT Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of OUE H-BT, the OUE H-REIT Group and the Stapled Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause OUE H-BT, the OUE H-REIT Group and the Stapled Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within OUE H-BT, the OUE H-REIT Group and the Stapled Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

The engagement partner on the audit resulting in this independent auditors' report is Lo Mun Wai.

KPMG LLP

*Public Accountants and
Chartered Accountants*

Singapore

22 February 2017

	Note	OUE H-BT		OUE H-REIT Group		Stapled Group	
		2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Non-current assets							
Investment properties	4	–	–	2,208,100	2,054,000	2,208,100	2,054,000
Intangible asset	5	–	–	4,908	–	4,908	–
Deposit		–	–	2,295	1,501	2,295	1,501
Financial derivatives	6	–	–	–	4,752	–	4,752
		–	–	2,215,303	2,060,253	2,215,303	2,060,253
Current assets							
Financial derivatives	6	–	–	–	374	–	374
Trade and other receivables	7	–	–	12,508	8,882	12,508	8,882
Cash and cash equivalents	8	12	15	28,547	31,361	28,559	31,376
		12	15	41,055	40,617	41,067	40,632
Total assets		12	15	2,256,358	2,100,870	2,256,370	2,100,885
Non-current liabilities							
Borrowings	9	–	–	853,995	584,821	853,995	584,821
Financial derivatives	6	–	–	3,176	–	3,176	–
Rental deposits		–	–	2,913	3,249	2,913	3,249
		–	–	860,084	588,070	860,084	588,070
Current liabilities							
Borrowings	9	–	–	–	292,408	–	292,408
Financial derivatives	6	–	–	704	–	704	–
Rental deposits		–	–	1,479	2,009	1,479	2,009
Trade and other payables	10	2	2	12,123	11,394	12,125	11,396
		2	2	14,306	305,811	14,308	305,813
Total liabilities		2	2	874,390	893,881	874,392	893,883
Net assets		10	13	1,381,968	1,206,989	1,381,978	1,207,002
Represented by:							
Unitholders' funds							
Unitholders' funds of OUE H-REIT Group		–	–	1,381,968	1,206,989	1,381,968	1,206,989
Unitholders' funds of OUE H-BT		10	13	–	–	10	13
		10	13	1,381,968	1,206,989	1,381,978	1,207,002
Units/Stapled Securities in issue ('000)							
	11	1,790,428	1,335,421	1,790,428	1,335,421	1,790,428	1,335,421
Net asset value per Unit/ Stapled Security (\$)							
	12	*	*	0.77	0.90	0.77	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 2016 91

	Note	OUE H-BT		OUE H-REIT Group		Stapled Group	
		2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Gross revenue	13	–	–	122,494	124,588	122,494	124,588
Property expenses	14	–	–	(15,099)	(15,482)	(15,099)	(15,482)
Net property income		–	–	107,395	109,106	107,395	109,106
Other income	16	–	–	2,682	–	2,682	–
Amortisation of intangible assets	5	–	–	(1,292)	–	(1,292)	–
REIT Manager's fees	15	–	–	(10,858)	(10,654)	(10,858)	(10,654)
REIT Trustee's fees		–	–	(410)	(392)	(410)	(392)
Other trust expenses	16	(3)	(3)	(1,251)	(1,071)	(1,254)	(1,074)
Finance income	17	–	–	255	1,168	255	1,168
Finance expenses	17	–	–	(25,190)	(23,371)	(25,190)	(23,371)
Net finance expenses		–	–	(24,935)	(22,203)	(24,935)	(22,203)
Net (loss)/income	16	(3)	(3)	71,331	74,786	71,328	74,783
Net change in fair value of investment properties		–	–	(53,915)	2,924	(53,915)	2,924
Total return for the year	18	(3)	(3)	17,416	77,710	17,413	77,707
Other comprehensive income for the year, net of tax		–	–				
Total comprehensive income for the year		(3)	(3)				
Earnings per Stapled Security (cents)							
– Basic	20					1.05	5.41 ⁽¹⁾
– Diluted	20					1.04	5.41 ⁽¹⁾

(1) The figures have been restated for the effect of the rights issue undertaken by OUE H-REIT in April 2016.

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

	Note	OUE H-REIT Group and Stapled Group	
		2016 \$'000	2015 \$'000
Income available for distribution to Stapled Securityholders at beginning of the year		22,851	23,680
Total return of OUE H-REIT	18	17,422	77,714
Net tax adjustments (Note A)		65,081	9,643
Income available for distribution for the current year		82,503	87,357
Income available for distribution to Stapled Securityholders		<u>105,354</u>	<u>111,037</u>
Distributions to Stapled Securityholders:			
– 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)
– Distribution of 1.70 cents per Stapled Security for the period from 1/10/2015 to 31/12/2015		(22,764)	–
– Distribution of 1.10 cents per Stapled Security for the period from 1/1/2016 to 31/3/2016		(19,617)	–
– Distribution of 0.92 cents per Stapled Security for the period from 1/4/2016 to 30/6/2016		(16,428)	–
– Distribution of 1.23 cents per Stapled Security for the period from 1/7/2016 to 30/9/2016		(22,022)	–
		<u>(80,831)</u>	<u>(88,186)</u>
Income available for distribution to Stapled Securityholders at end of the year		<u>24,523</u>	<u>22,851</u>
Distribution per Stapled Security* (cents)		<u>4.61</u>	<u>6.07⁽¹⁾</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.

(1) This figure has been restated for the effect of the rights issue undertaken by OUE H-REIT in April 2016.

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

	OUE H-REIT Group and Stapled Group	
	2016	2015
	\$'000	\$'000
Note A – Net tax adjustments comprise:		
Non-tax deductible/(chargeable) items:		
– Amortisation of debt-related transaction costs	2,249	2,258
– Amortisation of intangible asset	1,292	–
– Change in fair value of financial derivatives	374	–
– Ineffective portion of changes in fair value of cash flow hedges	278	(1,109)
– REIT Manager’s fees paid/payable in Stapled Securities	10,858	10,654
– REIT Trustee’s fees	410	392
– Straight-lining of lease incentives	(4,530)	195
– Net change in fair value of investment properties	53,915	(2,924)
– Other items	235	177
Net tax adjustments	65,081	9,643

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.

94 STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS

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

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

Units in issue and to be issued \$'000	Unitholders' funds of OUE H-REIT Group				Stapled Group	
	Issue costs \$'000	Hedging reserve \$'000	Accumulated profits/(losses) \$'000	Total \$'000	Total \$'000	
1,178,110	(22,303)	6,126	45,056	1,206,989	1,207,002	
–	–	–	17,416	17,416	17,413	
–	–	(8,355)	–	(8,355)	(8,355)	
–	–	–	(80,831)	(80,831)	(80,831)	
1,538	–	–	–	1,538	1,538	
10,858	–	–	–	10,858	10,858	
238,627	–	–	–	238,627	238,627	
–	(4,274)	–	–	(4,274)	(4,274)	
251,023	(4,274)	–	(80,831)	165,918	165,918	
1,429,133	(26,577)	(2,229)	(18,359)	1,381,968	1,381,978	
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	

OUE H-REIT Group

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

Stapled Group

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

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

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

Existing use	Carrying value at 31/12/2016 \$'000	Percentage of total net assets at 31/12/2016 %	Carrying value at 31/12/2015 \$'000	Percentage of total net assets at 31/12/2015 %
Hotel	496,600	35.9	295,000	24.4
Hotel	1,210,500	87.6	1,221,000	101.2
Retail	501,000	36.3	538,000	44.6
	2,208,100	159.8	2,054,000	170.2
	(826,132)	(59.8)	(847,011)	(70.2)
	1,381,968	100.0	1,206,989	100.0

Existing use	Carrying value at 31/12/2016 \$'000	Percentage of total net assets at 31/12/2016 %	Carrying value at 31/12/2015 \$'000	Percentage of total net assets at 31/12/2015 %
Hotel	496,600	35.9	295,000	24.4
Hotel	1,210,500	87.6	1,221,000	101.2
Retail	501,000	36.3	538,000	44.6
	2,208,100	159.8	2,054,000	170.2
	(826,122)	(59.8)	(846,998)	(70.2)
	1,381,978	100.0	1,207,002	100.0

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

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

	Note	OUE H-BT		OUE H-REIT Group		Stapled Group	
		2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Cash flows from operating activities							
Total return for the year		(3)	(3)	17,416	77,710	17,413	77,707
Adjustments for:							
Amortisation of intangible asset		–	–	1,292	–	1,292	–
Finance income		–	–	(255)	(1,168)	(255)	(1,168)
Finance expenses		–	–	25,190	23,371	25,190	23,371
REIT Manager's fees paid/ payable in Stapled Securities		–	–	10,858	10,654	10,858	10,654
Net change in fair value of investment properties		–	–	53,915	(2,924)	53,915	(2,924)
Straight-lining of lease incentives		–	–	(4,530)	195	(4,530)	195
Operating (loss)/ income before working capital changes		(3)	(3)	103,886	107,838	103,883	107,835
Changes in working capital:							
Deposit		–	–	(794)	(1,501)	(794)	(1,501)
Trade and other receivables		–	–	(3,620)	213	(3,620)	213
Trade and other payables		–	–	287	2,251	287	2,251
Rental deposits		–	–	(866)	(396)	(866)	(396)
Cash (used in)/ generated from operating activities		(3)	(3)	98,893	108,405	98,890	108,402
Cash flows from investing activities							
Acquisition of investment property	4	–	–	(205,070)	(290,868)	(205,070)	(290,868)
Capital expenditure on investment properties		–	–	(1,535)	(2,033)	(1,535)	(2,033)
Interest received		–	–	249	40	249	40
Net cash used in investing activities		–	–	(206,356)	(292,861)	(206,356)	(292,861)

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

STATEMENTS OF CASH FLOWS

As at 31 December 2016 99

	Note	OUE H-BT		OUE H-REIT Group		Stapled Group	
		2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Cash flows from financing activities							
Distributions to Stapled Securityholders		–	–	(80,831)	(88,186)	(80,831)	(88,186)
Proceeds from rights issue		–	–	238,627	–	238,627	–
Issue costs paid in relation to rights issue		–	–	(4,274)	–	(4,274)	–
Repayment of borrowings		–	–	(293,000)	–	(293,000)	–
Proceeds from borrowings		–	–	270,000	295,000	270,000	295,000
Payment of transaction costs on borrowings		–	–	(2,483)	(3,140)	(2,483)	(3,140)
Finance expenses paid		–	–	(23,390)	(19,156)	(23,390)	(19,156)
Net cash generated from financing activities		–	–	104,649	184,518	104,649	184,518
Net (decrease)/ increase in cash and cash equivalents							
Cash and cash equivalents at beginning of the year		(3)	(3)	(2,814)	62	(2,817)	59
Cash and cash equivalents at end of the year	8	12	15	28,547	31,361	28,559	31,376

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 16,443,512 (2015: 12,602,702) Stapled Securities amounting to \$10,858,000 (2015: \$10,654,000) were or would be issued to the REIT Manager as satisfaction of the REIT Manager's management fees for the financial year.
- 2,167,935 (2015: 2,344,507) Stapled Securities, amounting to \$1,538,000 (2015: \$2,175,000), were issued to the REIT Manager as satisfaction of the acquisition fee payable to the REIT Manager for the purchase of the extension of Crowne Plaza Changi Airport (2015: Crowne Plaza Changi Airport) during the year.

The accompanying notes form an integral part of these 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 22 February 2017.

1 GENERAL

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

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

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

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

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

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

1 GENERAL (CONT'D)

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

(i) *Trustee-Manager's fees*

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

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

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

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

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

(ii) *REIT Manager's fees*

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

The management fees shall be payable in the form of cash or Units (or Stapled Securities, where the Trust is part of the Stapled Group), or a combination of both, as the REIT Manager may elect. Any portion of the base fee payable in the form of Units is payable quarterly in arrears and any portion of the base fee payable in cash is payable monthly in arrears. The performance fee is paid annually in arrears, regardless of whether it is paid in the form of cash and/or Stapled Securities. For the financial years ended 31 December 2016 and 2015, 100.0% of the management fees payable to the REIT Manager were in the form of Stapled Securities.

1 GENERAL (CONT'D)

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

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

(iii) Property Manager's fee

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

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

The property management fees are payable monthly in arrears.

(iv) REIT Trustee's fee

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

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

The financial statements are presented in Singapore dollars, which is the functional currency of OUE H-BT and OUE H-REIT. All financial information presented in Singapore dollars has been rounded to the nearest thousand, unless otherwise stated.

2.4 Use of estimates and judgments

The preparation of 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 assumptions and estimation uncertainties that have the most significant effect on the amounts recognised in the financial statements is described in Note 4 – valuation of investment properties.

2 BASIS OF PREPARATION (CONT'D)

2.4 Use of estimates and judgments (cont'd)

Measurement of fair values

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

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

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

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

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

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

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

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

The OUE H-REIT Group and the Stapled Group recognise transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in Note 4 – valuation of investment properties.

3 SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Consolidation

Stapling

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

Subsidiary

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

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

Transactions eliminated on consolidation

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

3.2 Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the OUE H-REIT Group and the Stapled Group entities at the exchange rate at the dates of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation or both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties are measured at cost on initial recognition and subsequently at fair value with any change therein recognised in the statement of total return. The cost of a purchased property comprises its purchase price and any directly attributable expenditure including transaction costs. Fair value is determined in accordance with the OUE H-REIT Trust Deed, which requires the investment properties to be valued by independent registered valuers at least once a year, in accordance with the CIS Code issued by MAS.

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

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

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

3.4 Intangible asset

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

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

The intangible asset is amortised in the statement of total return on a straight-line basis over its estimated useful life of 2 years. The intangible asset is tested for impairment as described in Note 3.6.

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Financial instruments

Non-derivative financial assets

The OUE H-REIT Group and the Stapled Group initially recognise loans and receivables on the date that they are originated. All other financial assets are recognised initially on the trade date, which is the date that the OUE H-REIT Group and the Stapled Group become a party to the contractual provisions of the instrument.

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

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 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.

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. Other financial liabilities comprise borrowings, trade and other payables, and rental deposits.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Financial instruments (cont'd)

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

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

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

Cash flow hedges

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Financial instruments (cont'd)

Other derivative financial instruments

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

3.6 Impairment

Non-derivative financial assets

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

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

Loans and receivables

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Impairment (cont'd)

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Unitholders' funds

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

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

3.8 Levies

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

3.9 Revenue recognition

Rental income from operating leases

Rental income from operating leases is recognised in the statement of total return on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income to be received. Variable rentals are recognised as income in the accounting period in which they are earned and the amount can be measured reliably.

3.10 Lease payments

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

3.11 Finance income and finance expenses

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 Tax

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

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

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

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and
- temporary differences related to investment in subsidiary to the extent that the OUE H-REIT Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the OUE H-REIT Group and the Stapled Group expect, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For investment property that is measured at fair value, the presumption that the carrying amount of the investment property will be recovered through sale has not been rebutted. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 Tax (cont'd)

A Qualifying Unitholder refers to a unit holder who is:

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

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 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.13 Earnings per Stapled Security

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

3.14 Segment reporting

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

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

3.15 New standards and interpretations not adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2016 and early application is permitted; however OUE H-BT, the OUE H-REIT Group and the Stapled Group have not early applied the new or amended standards in preparing these financial statements.

For those new standards and amendments to standards that are expected to have an effect on the financial statements of OUE H-BT, the OUE H-REIT Group and the Stapled Group in future financial periods, the Trustee-Manager and the REIT Manager are assessing the transition options and the potential impact on the financial statements. OUE H-BT, the OUE H-REIT Group and the Stapled Group do not plan to adopt these standards early.

In addition, business trusts listed on SGX will apply a new financial reporting framework identical to the International Financial Reporting Standards ("IFRS") for financial year ending 31 December 2018 onwards. OUE H-BT currently does not expect the adoption of the above new financial reporting framework to have an impact on its financial statements since it is dormant.

An initial assessment of the new standards that are relevant to the OUE H-REIT Group and the Stapled Group is set out below.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

Applicable to 2018 financial statements

FRS 109 Financial instruments

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

Retrospective application of FRS 109 on adoption is generally required, except for hedge accounting. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. Restatement of comparative information is not mandatory. If comparative information is not restated, the cumulative effect is recorded in opening equity as at 1 January 2018.

Potential impact on the financial statements

Classification and measurement – The OUE H-REIT Group and the Stapled Group do not expect a significant change to the measurement basis arising from adopting the new classification and measurement model under FRS 109.

Loans and receivables currently accounted for at amortised cost will continue to be accounted for using amortised cost model under FRS 109.

For financial assets and liabilities currently held at fair value, the OUE H-REIT Group and the Stapled Group expect to continue measuring these assets and liabilities at fair value under FRS 109.

Impairment – The OUE H-REIT Group and the Stapled Group are evaluating the approach to adopt in respect of recording expected impairment losses on trade receivables. On adoption of FRS 109, the OUE H-REIT Group and the Stapled Group do not expect a significant impact to the impairment loss allowance.

Hedge accounting – The OUE H-REIT Group and the Stapled Group expect that all its existing hedges that are designated in effective hedging relationships will continue to qualify for hedge accounting under FRS 109.

Transition – The OUE H-REIT Group and the Stapled Group plan to adopt the standard when it becomes effective in 2018 without restating comparative information.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

Applicable to 2019 financial statements

FRS 116 Leases

FRS 116 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use (ROU) assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

FRS 116 substantially carries forward the lessor accounting requirements in FRS 17 *Leases*. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the FRS 17 operating lease and finance lease accounting models respectively. However, FRS 116 requires more extensive disclosures to be provided by a lessor.

When effective, FRS 116 replaces existing lease accounting guidance, including FRS 17, INT FRS 104 *Determining whether an Arrangement contains a Lease*, INT FRS 15 *Operating Leases – Incentives*, and INT FRS 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

Potential impact on the financial statements

The OUE H-REIT Group and the Stapled Group have performed an initial assessment of the new standard on its existing operating lease arrangements as a lessee (refer to Note 24). Based on the assessment, the OUE H-REIT Group and the Stapled Group expect these operating leases to be recognised as ROU assets with corresponding lease liabilities under the new standard. The operating lease commitments on an undiscounted basis are not material, relative to the consolidated total assets and consolidated total liabilities. Assuming no additional new operating leases in future years until the effective date, the OUE H-REIT Group and the Stapled Group expects the amount of ROU asset and lease liability to be lower due to discounting and as the lease terms run down.

4 INVESTMENT PROPERTIES

	Note	OUE H-REIT Group and Stapled Group	
		2016 \$'000	2015 \$'000
At 1 January		2,054,000	1,756,000
Acquisition of investment property	(i)	200,408	293,043
Capital expenditure incurred		3,077	2,033
Straight-lining of lease incentives		4,530	–
Changes in fair value recognised in statement of total return (unrealised)		(53,915)	2,924
At 31 December		<u>2,208,100</u>	<u>2,054,000</u>

- (i) On 30 January 2015, OUE H-REIT acquired Crowne Plaza Changi Airport for a 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 which was satisfied through the issuance of 2,344,507 Stapled Securities (see note 11).

On 1 August 2016, OUE H-REIT acquired the extension of Crowne Plaza Changi Airport for a consideration of \$205,000,000 and incurred total acquisition costs of \$1,608,000. Included in total acquisition costs is an acquisition fee of \$1,538,000 paid to the REIT Manager which was satisfied through the issuance of 2,167,935 Stapled Securities (see note 11).

- (ii) As at 31 December 2016, investment properties with a carrying amount of \$1,711,500,000 (2015: \$1,759,000,000) are pledged as security to secure bank loans (see note 9).

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 2016 and 31 December 2015 based on independent valuations undertaken by HVS (SG&R Singapore Pte Ltd). The independent valuers have the appropriate professional qualifications and recent experience in the location and category of the properties being valued.

The fair values as at 31 December 2016 and 31 December 2015 were derived based on the discounted cash flow approach. The specific risks inherent in each of the properties are taken into consideration in arriving at the valuations. The valuation method used in determining the fair value involve certain estimates including those relating to discount rate. 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:

<u>Valuation technique</u>	<u>Key unobservable input</u>	<u>Inter-relationship between key unobservable input and fair value measurement</u>
Discounted cash flow approach	Discount rate: 6.50% – 7.00% (2015: 6.50% – 7.00%)	The estimated fair value varies inversely against the discount rate.

Key unobservable inputs

The key unobservable input relates to discount rate which is 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.

5 INTANGIBLE ASSET

	OUE H-REIT Group and Stapled Group 2016 \$'000
Cost	
At 1 January	–
Acquisition	6,200
At 31 December	<u>6,200</u>
Amortisation and impairment loss	
At 1 January	–
Amortisation for the year	(1,292)
At 31 December	<u>(1,292)</u>
Carrying amounts	
At 1 January and 31 December 2015	–
At 31 December 2016	<u>4,908</u>

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

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

The OUE H-REIT Group and the Stapled Group drew down \$2.7 million under the Deed of Income Support during the financial year (note 16).

6 FINANCIAL DERIVATIVES

	OUE H-REIT Group and Stapled Group	
	2016	2015
	\$'000	\$'000
Derivative (liabilities)/assets		
Interest rate swaps used for hedging		
– Non-current	(3,176)	4,752
– Current	(704)	374
	<u>(3,880)</u>	<u>5,126</u>
Financial derivatives as a percentage of net assets	<u>(0.28%)</u>	<u>0.42%</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 2016, the OUE H-REIT Group and the Stapled Group have interest rate swap contracts with a total notional amount of \$589 million (2015: \$729 million). Under the contracts, the OUE H-REIT Group and the Stapled Group pay fixed interest rates of 1.74% to 2.10% (2015: 1.15% to 2.10%) and receive interest at the three-month Singapore Dollar swap offer rate ("SOR").

7 TRADE AND OTHER RECEIVABLES

	OUE H-REIT Group and Stapled Group	
	2016	2015
	\$'000	\$'000
Trade receivables from:		
– related parties of the REIT Manager	10,069	7,594
– third parties	391	53
	<u>10,460</u>	<u>7,647</u>
Other receivables	479	456
	<u>10,939</u>	<u>8,103</u>
Prepayments	1,569	779
	<u>12,508</u>	<u>8,882</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.

7 TRADE AND OTHER RECEIVABLES (CONT'D)

The ageing of trade receivables at the reporting date is:

	OUE H-REIT Group and Stapled Group	
	2016	2015
	\$'000	\$'000
Gross		
Not past due	10,069	7,471
Past due 1 – 60 days	314	144
Past due over 60 days	77	32
	<u>10,460</u>	<u>7,647</u>

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

8 CASH AND CASH EQUIVALENTS

	OUE H-BT		OUE H-REIT Group		Stapled Group	
	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash at bank	12	15	24,047	26,861	24,059	26,876
Fixed deposits with financial institutions	–	–	4,500	4,500	4,500	4,500
	<u>12</u>	<u>15</u>	<u>28,547</u>	<u>31,361</u>	<u>28,559</u>	<u>31,376</u>

9 BORROWINGS

	OUE H-REIT Group and Stapled Group	
	2016	2015
	\$'000	\$'000
Current		
Secured bank loans	–	293,000
Less: Unamortised transaction costs	–	(592)
	–	<u>292,408</u>
Non-current		
Secured bank loans	859,000	589,000
Less: Unamortised transaction costs	(5,005)	(4,179)
	<u>853,995</u>	<u>584,821</u>
Total borrowings	<u>853,995</u>	<u>877,229</u>

9 BORROWINGS (CONT'D)

The OUE H-REIT Group and the Stapled Group have in place term loan facilities of \$859 million (2015: term loan facilities of \$882 million and revolving credit facilities of \$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. The OUE H-REIT Group and Stapled Group have partially hedged the floating interest rates on these loans using interest rate swaps (see note 6).

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 2016 and 2015, no EMTN Notes have been issued under the EMTN Programme.

9 BORROWINGS (CONT'D)

Terms and debt repayment schedule

Terms and conditions of outstanding borrowings are as follows:

	Currency	Nominal interest rate %	Year of maturity	Face value \$'000	Carrying amount \$'000
OUE H-REIT Group and Stapled Group					
2016					
Term loans	SGD	1.28% – 1.86%	2018 – 2020	859,000	853,995
2015					
Term loans	SGD	2.16% – 2.51%	2016 – 2020	882,000	877,229

10 TRADE AND OTHER PAYABLES

	OUE H-BT		OUE H-REIT Group		Stapled Group	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Trade payables payable to:						
- a related party of the REIT Manager	-	-	172	302	172	302
- third parties	-	-	2,933	2,139	2,933	2,139
Other payables	-	-	291	285	291	285
Accrued expenses	2	2	4,906	3,746	4,908	3,748
Interest payable	-	-	3,821	4,922	3,821	4,922
	2	2	12,123	11,394	12,125	11,396

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

11 UNITS/STAPLED SECURITIES IN ISSUE AND TO BE ISSUED

	OUE H-BT		OUE H-REIT Group		Stapled Group	
	2016 '000	2015 '000	2016 '000	2015 '000	2016 '000	2015 '000
Units/Stapled Securities in issue:						
At 1 January	1,335,421	1,321,441	1,335,421	1,321,441	1,335,421	1,321,441
Creation of Units/Stapled Securities:						
- Rights issue	441,901	-	441,901	-	441,901	-
- REIT Manager's management fee paid in Stapled Securities	10,938	11,635	10,938	11,635	10,938	11,635
- Acquisition fee paid to REIT Manager in Stapled Securities	2,168	2,345	2,168	2,345	2,168	2,345
At 31 December	<u>1,790,428</u>	<u>1,335,421</u>	<u>1,790,428</u>	<u>1,335,421</u>	<u>1,790,428</u>	<u>1,335,421</u>
Units/Stapled Securities to be issued:						
- REIT Manager's management fee payable in Stapled Securities	<u>9,179</u>	<u>3,674</u>	<u>9,179</u>	<u>3,674</u>	<u>9,179</u>	<u>3,674</u>
Issued and issuable Units/Stapled Securities	<u>1,799,607</u>	<u>1,339,095</u>	<u>1,799,607</u>	<u>1,339,095</u>	<u>1,799,607</u>	<u>1,339,095</u>

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

Financial year ended 31 December 2016

- (i) During the financial year, the following Stapled Securities were issued:
- 441,901,257 Stapled Securities were issued at \$0.54 per Stapled Security, amounting to \$238,627,000, for cash pursuant to the rights issue undertaken by the OUE H-REIT Group, wherein Stapled Securityholders were entitled to subscribe for 33 new Stapled Securities for every 100 Stapled Securities held. The proceeds raised from the rights issue were used to partially fund the acquisition of the extension of Crowne Plaza Changi Airport;
 - 10,938,375 Stapled Securities at unit prices ranging from \$0.6622 to \$0.7465 per Stapled Security, amounting to \$7,603,000, were issued as satisfaction of the REIT Manager's management fees payable in units; and
 - 2,167,935 Stapled Securities at \$0.7092 per Stapled Security, amounting to \$1,538,000, were issued to the REIT Manager in August 2016 as satisfaction of the acquisition fee payable to the REIT Manager for the purchase of the extension of Crowne Plaza Changi Airport (see note 4).
- (ii) 9,178,640 Stapled Securities at unit price \$0.6534 per Stapled Security, amounting to \$5,997,000, were issued subsequent to year end as satisfaction of the REIT Manager's base management fees for the period from 1 October 2016 to 31 December 2016 and performance management fees for the financial year ended 31 December 2016.

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

Financial year ended 31 December 2015

- (i) During the financial year, the following Stapled Securities were issued:
- 11,635,325 Stapled Securities at unit prices ranging from \$0.8016 to \$0.9384 per Stapled Security, amounting to \$10,349,000, were issued as satisfaction of the REIT Manager's management fees payable in units; and
 - 2,344,507 Stapled Securities at \$0.9277 per Stapled Security, amounting to \$2,175,000, were issued to the REIT Manager in February 2015 as satisfaction of the acquisition fee payable to the REIT Manager for the purchase of Crowne Plaza Changi Airport (see note 4).
- (ii) 3,673,503 Stapled Securities at unit price \$0.7465 per Stapled Security, amounting to \$2,742,000, were issued subsequent to year end as satisfaction of the REIT Manager's management fees for the period from 1 October 2015 to 31 December 2015.

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.

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.

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

Capital management (cont'd)

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

OUE H-REIT is subject to the aggregate leverage limit as defined in the Property Funds Appendix of the CIS Code issued by the MAS. The CIS Code stipulates that the total borrowings and deferred payments (together the "Aggregate Leverage") of a property fund should not exceed 45% of its Deposited Property.

The Aggregate Leverage of OUE H-REIT as at 31 December 2016 was 38.1% (2015: 42.0%) of its Deposited Property. This complied with the Aggregate Leverage limit as described above.

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

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

12 NET ASSET VALUE PER UNIT/STAPLED SECURITY

	Note	OUE H-BT		OUE H-REIT Group		Stapled Group	
		2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Net asset value per Unit/Stapled Security is based on:							
– Net assets		10	13	1,381,968	1,206,989	1,381,978	1,207,002
		'000	'000	'000	'000	'000	'000
– Total issued and issuable Units/Stapled Securities at 31 December	11	1,799,607	1,339,095	1,799,607	1,339,095	1,799,607	1,339,095

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13 GROSS REVENUE

	OUE H-REIT Group and Stapled Group	
	2016	2015
	\$'000	\$'000
Fixed rent	92,513	91,347
Variable rent	28,972	31,916
Others	1,009	1,325
	<u>122,494</u>	<u>124,588</u>

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

Included in the gross revenue of the OUE H-REIT Group and the Stapled Group are rental income from related parties of the REIT Manager of \$89,919,000 (2015: \$87,874,000), which represents 73.4% (2015: 70.5%) of the revenue of the OUE H-REIT Group and the Stapled Group and relates to the hospitality segment.

14 PROPERTY EXPENSES

	OUE H-REIT Group and Stapled Group	
	2016	2015
	\$'000	\$'000
Energy cost	831	1,162
Insurance	222	223
Operating lease expense:		
– Fixed component	564	244
– Variable component	1,912	1,190
Property management fees	1,297	1,455
Property tax	6,919	7,934
Other property expenses	3,354	3,274
	<u>15,099</u>	<u>15,482</u>

15 REIT MANAGER'S FEES

	OUE H-REIT Group and Stapled Group	
	2016 \$'000	2015 \$'000
Base fee	6,562	6,290
Performance fee	4,296	4,364
	<u>10,858</u>	<u>10,654</u>

Included in the REIT Manager's fees is an aggregate of 16,443,512 (2015: 12,602,702) Stapled Securities, amounting to \$10,858,000 (2015: \$10,654,000), 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 \$0.6534 to \$0.6738 (2015: \$0.7465 to \$0.9384) per Stapled Security.

16 NET (LOSS)/INCOME

(a) Other income

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

(b) Other trust expenses

Included in other trust expenses are the following:

	OUE H-BT		OUE H-REIT Group		Stapled Group	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Auditors' remuneration:						
– Audit fees	–	–	155	155	155	155
– Non-audit fees	2	2	108	46	110	48
Valuation fees	–	–	43	39	43	39

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17 FINANCE INCOME AND FINANCE EXPENSES

	OUE H-REIT Group and Stapled Group	
	2016 \$'000	2015 \$'000
Finance income		
Ineffective portion of change in fair value of cash flow hedges	–	1,109
Interest income from fixed deposits	255	59
	<u>255</u>	<u>1,168</u>
Finance expenses		
Amortisation of debt-related transaction costs	(2,249)	(2,258)
Interest paid/payable to banks	(22,289)	(21,113)
Change in fair value of financial derivatives	(374)	–
Ineffective portion of changes in fair value of cash flow hedge	(278)	–
	<u>(25,190)</u>	<u>(23,371)</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	
	2016 \$'000	2015 \$'000
Total interest income on financial assets	255	59
Total interest expense on financial liabilities	<u>(19,433)</u>	<u>(19,277)</u>

18 TOTAL RETURN FOR THE YEAR

	OUE H-BT		OUE H-REIT Group		Stapled Group	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Comprises total return of:						
– OUE H-REIT	–	–	17,422	77,714	17,422	77,714
– Other OUE H-REIT Group entity	–	–	(6)	(4)	(6)	(4)
– OUE H-BT	(3)	(3)	–	–	(3)	(3)
	<u>(3)</u>	<u>(3)</u>	<u>17,416</u>	<u>77,710</u>	<u>17,413</u>	<u>77,707</u>

19 TAX EXPENSE

	OUE H-BT		OUE H-REIT Group		Stapled Group	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Reconciliation of effective tax rate						
Total return for the year	(3)	(3)	17,416	77,710	17,413	77,707
Tax calculated using Singapore tax rate of 17% (2015: 17%)	(1)	(1)	2,961	13,211	2,960	13,210
Non-tax deductible items	1	1	11,834	2,326	11,835	2,327
Non-taxable items	–	–	(770)	(686)	(770)	(686)
Tax transparency (note 3.12)	–	–	(14,025)	(14,851)	(14,025)	(14,851)
	–	–	–	–	–	–

20 EARNINGS PER STAPLED SECURITY

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

	Stapled Group	
	2016 \$'000	2015 \$'000
Total return for the year	17,413	77,707
	Number of Stapled Securities	Number of Stapled Securities
	2016	2015
	'000	'000⁽¹⁾
Weighted average number of Stapled Securities:		
– outstanding during the year	1,661,149	1,330,657
– to be issued as payment of the REIT Manager's management fees payable in Stapled Securities	25	10
Adjustment for effect of rights issue	–	105,123
	1,661,174	1,435,790

(1) The figures have been restated for the effect of the rights issue undertaken by OUE H-REIT in April 2016.

20 EARNINGS PER STAPLED SECURITY (CONT'D)

(b) Diluted earnings per Stapled Security

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

	Stapled Group	
	2016 \$'000	2015 \$'000
Total return for the year	17,413	77,707
	Number of Stapled Securities 2016 '000	Number of Stapled Securities 2015 '000 ⁽¹⁾
Weighted average number of Stapled Securities used in calculation of basic earnings per Stapled Security	1,661,174	1,435,790
Effect of payment of the REIT Manager's management fees payable in Stapled Securities	12,812	–
Weighted average number of Stapled Securities in issue (diluted)	1,673,986	1,435,790

(1) The figures have been restated for the effect of the rights issue undertaken by OUE H-REIT in April 2016.

21 ISSUE COSTS

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

22 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.

22 OPERATING SEGMENTS (CONT'D)

Information about reportable segments

	Hospitality \$'000	Retail \$'000	Total \$'000
OUE H-REIT Group			
Year ended 31 December 2016			
Gross revenue	89,919	32,575	122,494
Property expenses	(7,044)	(8,055)	(15,099)
Reportable segment net property income	82,875	24,520	107,395
Other income	2,682	–	2,682
Amortisation of intangible asset	(1,292)	–	(1,292)
Unallocated items:			
– REIT Manager's fees			(10,858)
– REIT Trustee's fees			(410)
– Other trust expenses			(1,251)
– Finance income			255
– Finance expenses			(25,190)
Net income			71,331
Net change in fair value of investment properties	(11,830)	(42,085)	(53,915)
Total return for the year			17,416
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			74,786
Net change in fair value of investment properties	2,646	278	2,924
Total return for the year			77,710

22 OPERATING SEGMENTS (CONT'D)

Information about reportable segments (cont'd)

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

23 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.

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

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

At 31 December 2016, 96.3% (2015: 99.3%) of the trade receivables of the OUE H-REIT Group and the Stapled Group are due from related parties of the REIT Manager. Except as disclosed above, there was no significant concentration of credit risk.

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.

23 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.

At the reporting date, the OUE H-REIT Group and the Stapled Group have a total of \$859 million (2015: \$882 million) secured term loan facilities with a bank, which were fully drawn down. As at 31 December 2015, the OUE H-REIT Group and the Stapled Group also had a \$43 million secured revolving credit facility with a bank which was unutilised.

In addition, the OUE H-REIT Group and the Stapled Group have a US\$1 billion (2015: US\$1 billion) EMTN Programme (note 9). 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 (note 24).

Exposure to liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	Carrying amount \$'000	Contractual cash flows \$'000	Cash flows		
			Within 1 year \$'000	Within 2 to 5 years \$'000	More than 5 years \$'000
OUE H-REIT Group					
2016					
Non-derivative financial liabilities					
Borrowings	853,995	(911,690)	(18,510)	(893,180)	–
Trade and other payables	12,123	(12,123)	(12,123)	–	–
Rental deposits	4,392	(4,392)	(1,479)	(2,296)	(617)
	870,510	(928,205)	(32,112)	(895,476)	(617)
Derivative financial instruments					
Interest rate swaps	3,880	(3,675)	(4,219)	544	–
	874,390	(931,880)	(36,331)	(894,932)	(617)

23 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
OUE 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)
	893,881	(969,507)	(326,837)	(642,543)	(127)
Derivative financial instruments					
Interest rate swaps	(5,126)	5,319	(1,069)	6,388	–
	888,755	(964,188)	(327,906)	(636,155)	(127)
Stapled Group					
2016					
Non-derivative financial liabilities					
Borrowings	853,995	(911,690)	(18,510)	(893,180)	–
Trade and other payables	12,125	(12,125)	(12,125)	–	–
Rental deposits	4,392	(4,392)	(1,479)	(2,296)	(617)
	870,512	(928,207)	(32,114)	(895,476)	(617)
Derivative financial instruments					
Interest rate swaps	3,880	(3,675)	(4,219)	544	–
	874,392	(931,882)	(36,333)	(894,932)	(617)
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)
	893,883	(969,509)	(326,839)	(642,543)	(127)
Derivative financial instruments					
Interest rate swaps	(5,126)	5,319	(1,069)	6,388	–
	888,757	(964,190)	(327,908)	(636,155)	(127)

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.

23 FINANCIAL INSTRUMENTS (CONT'D)

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

All the derivative financial instruments are designated as cash flow hedges. The table above reflects the periods in which the cash flows associated with cash flow hedges are expected to occur and to impact the total return.

Market risk

Market risk is the risk that changes in market prices, such as interest rates will affect OUE H-REIT Group's and the Stapled Group's total return or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

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

Interest rate risk

The REIT Manager's strategy to manage the risk of potential interest rate volatility may be through the use of interest rate hedging instruments and/or fixed rate borrowings. The REIT Manager will regularly evaluate the feasibility of putting in place the appropriate level of interest rate hedges, after taking into account the prevailing market conditions.

Derivative financial instruments are used to manage exposure to interest rate risk arising from financing activities. Derivative financial instruments are not used for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

23 FINANCIAL INSTRUMENTS (CONT'D)

Exposure to interest rate risk

The exposure of the OUE H-REIT Group and the Stapled Group to changes in interest rates relate primarily to interest-earning financial assets and interest-bearing financial liabilities. At the reporting date, the interest rate profile of the interest-bearing financial instruments was as follows:

	OUE H-REIT Group and Stapled Group Nominal amount	
	2016	2015
	\$'000	\$'000
Fixed rate instruments		
Fixed deposits	4,500	4,500
Interest rate swaps	(589,000)	(729,000)
	<u>(584,500)</u>	<u>(724,500)</u>
Variable rate instruments		
Borrowings	(859,000)	(882,000)
Interest rate swaps	589,000	729,000
	<u>(270,000)</u>	<u>(153,000)</u>

Fair value sensitivity analysis for fixed rate instruments

OUE H-REIT Group and the Stapled Group do not account for any fixed rate financial assets and liabilities at fair value through profit and loss. OUE H-REIT Group and the Stapled Group do not designate interest rate swaps as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect total return.

Sensitivity analysis for variable instruments

For the variable rate instruments, a change of 50 (2015: 50) basis points ("bp") in interest rate at the reporting date would increase/(decrease) total return and unitholders' funds (before any tax effects) by the amounts shown below. This analysis assumes that all other variables remain constant.

23 FINANCIAL INSTRUMENTS (CONT'D)

	OUE H-REIT Group and Stapled Group			
	Statement of Total Return		Unitholders' funds	
	50 bp increase	50 bp decrease	50 bp increase	50 bp decrease
	\$'000	\$'000	\$'000	\$'000
Year ended 31 December 2016				
Variable rate instruments				
Borrowings	(4,295)	4,295	–	–
Interest rate swaps	2,788	(3,013)	22	(22)
	(1,507)	1,282	22	(22)
Year ended 31 December 2015				
Variable rate instruments				
Borrowings	(4,410)	4,410	–	–
Interest rate swaps	3,652	(3,638)	43	(43)
	(758)	772	43	(43)

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% (2015: 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			
	2016		2015	
	10% increase	10% decrease	10% increase	10% decrease
	\$'000	\$'000	\$'000	\$'000
Gross revenue	2,897	(2,897)	3,192	(3,192)

23 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
OUE H-REIT Group			
2016			
Financial assets not measured at fair value			
Deposit		2,295	–
Trade and other receivables	7	10,939	–
Cash and cash equivalents	8	28,547	–
		<u>41,781</u>	<u>–</u>
Financial liabilities measured at fair value			
Financial derivatives	6	–	(3,880)
Financial liabilities not measured at fair value			
Borrowings	9	–	–
Trade and other payables	10	–	–
Rental deposits		–	–
		<u>–</u>	<u>–</u>
2015			
Financial assets not measured at fair value			
Deposit		1,501	–
Trade and other receivables	7	8,103	–
Cash and cash equivalents	8	31,361	–
		<u>40,965</u>	<u>–</u>
Financial assets measured at fair value			
Financial derivatives	6	–	5,126
Financial liabilities not measured at fair value			
Borrowings	9	–	–
Trade and other payables	10	–	–
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	
–	2,295				
–	10,939				
–	28,547				
–	41,781				
–	(3,880)	–	(3,880)	–	(3,880)
(853,995)	(853,995)				
(12,123)	(12,123)				
(4,392)	(4,392)	–	–	(4,197)	(4,197)
(870,510)	(870,510)				
–	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)				

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FINANCIAL STATEMENTS

23 FINANCIAL INSTRUMENTS (CONT'D)

	Note	Carrying amount	
		Loans and receivables \$'000	Fair value – hedging instruments \$'000
Stapled Group			
2016			
Financial assets not measured at fair value			
Deposit		2,295	–
Trade and other receivables	7	10,939	–
Cash and cash equivalents	8	28,559	–
		41,793	–
Financial liabilities measured at fair value			
Financial derivatives	6	–	(3,880)
Financial liabilities not measured at fair value			
Borrowings	9	–	–
Trade and other payables	10	–	–
Rental deposits		–	–
		–	–
2015			
Financial assets not measured at fair value			
Deposit		1,501	–
Trade and other receivables	7	8,103	–
Cash and cash equivalents	8	31,376	–
		40,980	–
Financial assets measured at fair value			
Financial derivatives	6	–	5,126
Financial liabilities not measured at fair value			
Borrowings	9	–	–
Trade and other payables	10	–	–
Rental deposits		–	–
		–	–

NOTES TO THE FINANCIAL STATEMENTS

Other financial liabilities \$'000	Total \$'000	Fair value			Total \$'000
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	
-	2,295				
-	10,939				
-	28,559				
-	41,793				
-	(3,880)	-	(3,880)	-	(3,880)
(853,995)	(853,995)				
(12,125)	(12,125)				
(4,392)	(4,392)	-	-	(4,197)	(4,197)
(870,512)	(870,512)				
-	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)				

23 FINANCIAL INSTRUMENTS (CONT'D)

Valuation techniques and significant unobservable inputs

The following tables show the valuation techniques used in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used.

OUE H-REIT Group and Stapled Group

Financial instruments measured at fair value

Type	Valuation technique
Interest rate swaps	The fair values are based on broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.

Financial instruments not measured at fair value

Type	Valuation technique
Security deposits	Discounted cash flow method

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

24 COMMITMENTS

Operating leases as lessor

Non-cancellable operating lease rentals are receivable as follows:

	OUE H-REIT Group and Stapled Group	
	2016	2015
	\$'000	\$'000
Within 1 year	97,528	84,972
After 1 year but within 5 years	335,706	294,026
After 5 years	480,735	468,671
	<u>913,969</u>	<u>847,669</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.

24 COMMITMENTS (CONT'D)

Operating lease as lessee

Non-cancellable operating lease rentals are payable as follows:

	OUE H-REIT Group and Stapled Group	
	2016	2015
	\$'000	\$'000
Within one year	1,000	250
Between one and five years	4,000	1,000
More than five years	61,660	15,665
	<u>66,660</u>	<u>16,915</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	
	2016	2015
	\$'000	\$'000
Capital expenditure on investment properties contracted but not provided for	1,384	209

25 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 fees have been paid or are payable to the REIT Manager and the REIT Trustee respectively. Property management fees are payable to the Property Manager, a related party of the REIT Manager.

25 RELATED PARTY TRANSACTIONS (CONT'D)

During the financial year, other than the transactions disclosed elsewhere in the financial statements, there were the following related party transactions:

	OUE H-REIT Group and Stapled Group	
	2016	2015
	\$'000	\$'000
<hr/>		
Paid/Payable to related parties of the REIT Manager:		
– acquisition of investment property	205,000	290,000
– property management fees	1,297	1,455
– shared electricity expenses	773	1,112
– shared service expenses	503	658
– utilities expenses	61	52
– hotel services	108	85
– reimbursement of expenses	316	–
	<hr/>	

26 FINANCIAL RATIOS

	OUE H-REIT Group and Stapled Group	
	2016	2015
	%	%
<hr/>		
Expenses to weighted average net assets ⁽¹⁾		
– including performance component of the REIT Manager's fees	1.01	1.01
– excluding performance component of the REIT Manager's fees	0.70	0.64
Portfolio turnover ratio ⁽²⁾	–	–
	<hr/>	

(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.

27 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	
		2016 %	2015 %
<u>Subsidiary of OUE H-REIT</u>			
OUE H-T Treasury Pte. Ltd. ("OUE HTT") ¹	Singapore	100	100

¹ Audited by KPMG LLP.

OUE HTT's principal activity is to provide treasury services, including on-lending proceeds from issuances of notes under the EMTN Programme (see note 9) to OUE H-REIT.

28 SUBSEQUENT EVENTS

There were the following events subsequent to the reporting date:

- The Stapled Group issued 2,604,108 Stapled Securities at an issue price of \$0.6534 per Stapled Security to the REIT Manager as payment of the REIT Manager's base fee for the period from 1 October 2016 to 31 December 2016.
- The Stapled Group issued 6,574,532 Stapled Securities at an issue price of \$0.6534 per Stapled Security to the REIT Manager as payment of the REIT Manager's performance fee for the year ended 31 December 2016.
- The REIT Manager declared a distribution of 1.36 cents per Stapled Security, amounting to approximately \$24.5 million, in respect of the period from 1 October 2016 to 31 December 2016.

QUE HOSPITALITY TRUST MANAGEMENT PTE. LTD. FINANCIAL STATEMENTS

153	Directors' Statement	160	Statement of Financial Position
156	Independent Auditors' Report	161	Statement of Changes in Equity
159	Statement of Comprehensive Income	162	Notes to the Financial Statements

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 2016.

In our opinion:

- (a) the financial statements set out on pages 159 to 167 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2016 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 statement 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:

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 of the financial year, or date of appointment if later, 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

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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

22 February 2017

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of OUE Hospitality Trust Management Pte. Ltd. (the "Company"), which comprise the statement of financial position as at 31 December 2016, the statement of comprehensive income and statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 159 to 167.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the financial position of the Company as at 31 December 2016 and of the financial performance and changes in equity of the Company for the year ended on that date.

Basis for opinion

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

Other information

Management is responsible for the other information. The other information comprises the Directors' statement.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

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

The directors' responsibilities include overseeing the Company's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

158 INDEPENDENT AUDITORS' REPORT

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

KPMG LLP

Public Accountants and
Chartered Accountants

Singapore

22 February 2017

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2016 159

	Note	2016	2015
		\$	\$
Administrative expenses		(4,245)	(4,739)
Loss before tax		(4,245)	(4,739)
Tax expense	4	–	–
Loss for the year		(4,245)	(4,739)
Other comprehensive income, net of tax		–	–
Total comprehensive income for the year		(4,245)	(4,739)

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

160 **STATEMENT OF
FINANCIAL POSITION**

As at 31 December 2016

	Note	2016 \$	2015 \$
LIABILITIES			
Current liabilities			
Other payables	5	4,000	4,200
Amount due to immediate holding company	6	12,437	7,992
Total liabilities		<u>16,437</u>	<u>12,192</u>
NET LIABILITIES		<u>(16,437)</u>	<u>(12,192)</u>
EQUITY			
Share capital	7	1	1
Accumulated losses		(16,438)	(12,193)
Total equity		<u>(16,437)</u>	<u>(12,192)</u>

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

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2016 161

	Share capital \$	Accumulated losses \$	Total \$
At 1 January 2016	1	(12,193)	(12,192)
Total comprehensive income for the year			
Loss for the year	–	(4,245)	(4,245)
Other comprehensive income, net of tax	–	–	–
Total comprehensive income for the year	–	(4,245)	(4,245)
At 31 December 2016	1	(16,438)	(16,437)
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.

162 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 22 February 2017.

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 \$16,437 as at 31 December 2016. The financial statements have been prepared on the going concern basis as the immediate holding company, OUE Limited, has undertaken to provide the financial and other support as necessary to enable the Company to continue operating as a going concern for the next twelve months.

2.2 Statement of compliance

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards ("FRS").

2.3 Basis of measurement

The financial statements have been prepared on the historical cost basis.

2.4 Functional and presentation currency

The financial statements are presented in Singapore dollars, which is the Company's functional currency.

2 BASIS OF PREPARATION (CONT'D)

2.5 Use of estimates and judgments

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

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

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

3.1 Financial instruments

Non-derivative financial liabilities

Financial liabilities are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

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

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

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Financial instruments (cont'd)

Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are recognised as a deduction from equity, net of any tax effects.

3.2 Tax

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

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 2016, 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.

4 TAX EXPENSE

Reconciliation of effective tax rate is as follows:

	2016 \$	2015 \$
Loss before tax	(4,245)	(4,739)
Tax calculated using Singapore tax rate of 17% (2015: 17%)	(722)	(806)
Tax losses not carried forward	722	806
	-	-

5 OTHER PAYABLES

	2016 \$	2015 \$
Accrued operating expenses	4,000	4,200

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

	2016		2015	
	Number of shares	Amount \$	Number of shares	Amount \$
Beginning and end of financial year	1	1	1	1

All issued shares are fully paid, with no par value. All shares rank equally with regard to the Company's residual assets.

8 FINANCIAL RISK MANAGEMENT

The Company was inactive during the financial year and has limited exposure to credit, liquidity and interest rate risks. The Company obtains advances from its immediate holding company to fund its operations, where required.

The total contractual undiscounted cash flows of the Company's non-derivative financial liabilities are the same as their carrying amounts and are due within one year.

Accounting classifications and fair values

The carrying amounts and fair values of financial liabilities are as follows:

	—— Carrying amount ——	
	Other financial liabilities	
	2016	2015
	\$	\$
<hr/>		
Financial liabilities not measured at fair value		
Amount due to immediate holding company	12,437	7,992
Other payables	4,000	4,200
	<hr/> 16,437	<hr/> 12,192

Fair value information of financial liabilities not measured at fair value has not been presented as the carrying amount is a reasonable approximation of the fair value.

9 CAPITAL MANAGEMENT

The primary objectives of the Company's capital management are to safeguard the Company's ability as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. Capital consists of total equity.

The Company's capital structure is regularly reviewed to maintain or achieve an optimal capital structure. The Company may raise funds through issuance of new shares or to obtain new financing from financial institutions or its related companies.

The Company is not subject to any externally imposed capital requirements.

10 RELATED PARTY TRANSACTIONS

Except as disclosed elsewhere in these financial statements, there were no other significant related party transactions during the financial year.

Transactions with key management personnel

The directors of the Company are employees of a related corporation of the Company and no consideration is paid to the related corporation for the services rendered by the directors.

11 STATEMENT OF CASH FLOWS

The Company did not prepare a statement of cash flows as the Company does not maintain a bank account. All expenses are paid for by the immediate holding company on the Company's behalf.

168 INTERESTED PERSON AND INTERESTED PARTY TRANSACTIONS

Name of Interested Person/ Interested Party	Aggregate Value of All Interested Person / Party Transactions during the Financial Year under Review (excluding transactions less than \$100,000 and transactions conducted under Stapled Securityholders' mandate pursuant to Rule 920)	Aggregate Value of All Interested Person / Party Transactions conducted under Stapled Securityholders' Mandate pursuant to Rule 920 (excluding transactions less than \$100,000) ¹
OUE Limited and its subsidiaries		
Rental income	89,919	–
REIT Manager's management fees ²	10,858	–
REIT Manager's acquisition fee ³	1,538	–
Property management fees	1,297	–
Income support	2,682	–
Shared electricity services	773	–
Shared services	503	–
Reimbursement of expenses	316	–
RBC Investor Services Trust Singapore Limited (as trustee of OUE H-REIT)		
REIT Trustee's fees	410	–
TOTAL	108,296	–

Save as disclosed above, during the financial year ended 31 December 2016, there were no additional interested person transactions (excluding transactions of less than \$100,000 each) nor any material contracts entered into by OUE H-Trust involving the interests of the Chief Executive Officer, each director or controlling shareholder of the Managers, or controlling Stapled Securityholders.

- (1) OUE H-Trust has not obtained a general mandate from Stapled Securityholders for interested person/party transactions.
- (2) The REIT Manager's base and performance management fees for the financial year ended 31 December 2016 were paid in the form of Stapled Securities. In respect of the base management fees for the period from 1 January 2016 to 31 March 2016, 2,356,056 Stapled Securities were issued to the REIT Manager on 6 May 2016 at an issue price of \$0.6622 per Stapled Security. In respect of the base management fees for the period from 1 April 2016 to 30 June 2016, 2,319,279 Stapled Securities were issued to the REIT Manager on 1 August 2016 at an issue price of \$0.6738 per Stapled Security. In respect of the base management fees for the period from 1 July 2016 to 30 September 2016, 2,589,537 Stapled Securities were issued to the REIT Manager on 31 October 2016 at an issue price of \$0.6710 per Stapled Security. In respect of the base management fees for the period from 1 October 2016 to 31 December 2016, 2,604,108 Stapled Securities were issued to the REIT Manager on 25 January 2017 at an issue price of \$0.6534 per Stapled Security. In respect of the performance fees for the financial year ended 31 December 2016, 6,574,532 Stapled Securities were issued to the REIT Manager on 25 January 2017 at an issue price of \$0.6534 per Stapled Security.
- (3) This refers to the acquisition fee paid to the REIT Manager in relation to the acquisition of the extension 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 2,167,935 Stapled Securities were issued to the REIT Manager on 30 August 2016 at an issue price of \$0.7092 per Stapled Security.

STATISTICS OF STAPLED SECURITYHOLDINGS

AS AT 1 MARCH 2017

There were 1,799,607,425 Stapled Securities (one vote per Stapled Security) in issue as at 1 March 2017.

Each Staples 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	109	0.41	4,275	0.00
100 – 1,000	5,542	20.71	4,298,144	0.23
1,001 – 10,000	15,767	58.93	63,132,367	3.51
10,001 – 1,000,000	5,293	19.78	260,511,776	14.48
1,000,001 AND ABOVE	44	0.17	1,471,660,863	81.78
TOTAL	26,755	100.00	1,799,607,425	100.00

TWENTY LARGEST STAPLED SECURITYHOLDERS

NO.	NAME	NO. OF STAPLED SECURITIES	%
1	RAFFLES NOMINEES (PTE) LIMITED	725,974,536	40.34
2	CITIBANK NOMINEES SINGAPORE PTE LTD	240,817,291	13.38
3	DBS NOMINEES (PRIVATE) LIMITED	132,127,465	7.34
4	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	99,256,097	5.52
5	OUE HOSPITALITY REIT MANAGEMENT PTE. LTD.	59,169,425	3.29
6	UOB KAY HIAN PRIVATE LIMITED	41,209,669	2.29
7	HSBC (SINGAPORE) NOMINEES PTE LTD	23,013,834	1.28
8	CIMB SECURITIES (SINGAPORE) PTE. LTD.	22,682,297	1.26
9	DBSN SERVICES PTE. LTD.	21,220,205	1.18
10	GOLDHILL DEVELOPMENTS (PTE) LIMITED	20,129,550	1.12
11	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	9,535,920	0.53
12	OCBC SECURITIES PRIVATE LIMITED	8,509,237	0.47
13	ABN AMRO NOMINEES SINGAPORE PTE LTD	7,614,207	0.42
14	MAYBANK KIM ENG SECURITIES PTE. LTD.	4,374,666	0.24
15	HENG SIEW ENG	4,182,700	0.23
16	LEE CHEE CHUAN	4,009,000	0.22
17	DB NOMINEES (SINGAPORE) PTE LTD	3,821,661	0.21
18	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	3,044,187	0.17
19	KILLIAN COURT PTE LTD	2,706,645	0.15
20	GOEI BENG YIAN MAGDELINE	2,670,000	0.15
	TOTAL	1,436,068,592	79.79

170 STATISTICS OF STAPLED SECURITYHOLDINGS

AS AT 1 MARCH 2017

DIRECTORS' INTERESTS IN STAPLED SECURITIES AS AT 21 JANUARY 2017

Directors	Direct Interest	Deemed Interest
Christopher James Williams	–	478,800
Lee Yi Shyan	10,700	–
Chong Kee Hiong	1,341,082	266,000
Sanjiv Misra	532,000	–
Liu Chee Ming	532,000	–

SUBSTANTIAL STAPLED SECURITYHOLDERS' INTERESTS

Name of Substantial Stapled Securityholder	Direct Interest		Deemed Interest		Total No. of Stapled Securities held	
	No. of Stapled Securities held	%	No. of Stapled Securities held	%	Securities held	%
OUE Limited	585,775,399	32.55 ⁽²²⁾	59,169,425 ⁽¹⁾	3.29 ⁽²²⁾	644,944,824	35.84 ⁽²²⁾
OUE Realty Pte. Ltd. ("OUER")	19,000,000	1.05 ⁽²²⁾	644,944,824 ⁽²⁾	35.84 ⁽²²⁾	663,944,824	36.89 ⁽²²⁾
Golden Concord Asia Limited ("GCAL")	19,400,558	1.08 ⁽²²⁾	663,944,824 ⁽³⁾	36.89 ⁽²²⁾	683,345,382	37.97 ⁽²²⁾
Fortune Code Limited ("FCL")	–	–	683,345,382 ⁽⁴⁾	37.97 ⁽²²⁾	683,345,382	37.97 ⁽²²⁾
Lippo ASM Asia Property Limited ("LAAPL")	–	–	683,345,382 ⁽⁵⁾	37.97 ⁽²²⁾	683,345,382	37.97 ⁽²²⁾
Pacific Landmark Holdings Limited ("Pacific Landmark")	–	–	683,345,382 ⁽⁶⁾	37.97 ⁽²²⁾	683,345,382	37.97 ⁽²²⁾
HKC Property Investment Holdings Limited ("HKC Property")	–	–	683,345,382 ⁽⁷⁾	37.97 ⁽²²⁾	683,345,382	37.97 ⁽²²⁾
Hongkong Chinese Limited ("HCL")	–	–	683,345,382 ⁽⁸⁾	37.97 ⁽²²⁾	683,345,382	37.97 ⁽²²⁾
Hennessy Holdings Limited ("HHL")	–	–	683,345,382 ⁽⁹⁾	37.97 ⁽²²⁾	683,345,382	37.97 ⁽²²⁾
Prime Success Limited ("PSL")	–	–	683,345,382 ⁽¹⁰⁾	37.97 ⁽²²⁾	683,345,382	37.97 ⁽²²⁾
Lippo Limited ("LL")	–	–	683,345,382 ⁽¹¹⁾	37.97 ⁽²²⁾	683,345,382	37.97 ⁽²²⁾
Lippo Capital Limited ("LCL")	–	–	683,345,382 ⁽¹²⁾	37.97 ⁽²²⁾	683,345,382	37.97 ⁽²²⁾
Lanius Limited ("Lanius")	–	–	683,345,382 ⁽¹³⁾	37.97 ⁽²²⁾	683,345,382	37.97 ⁽²²⁾
Admiralty Station Management Limited ("Admiralty")	–	–	683,345,382 ⁽¹⁴⁾	37.97 ⁽²²⁾	683,345,382	37.97 ⁽²²⁾
ASM Asia Recovery (Master) Fund ("AARMF")	–	–	686,052,027 ⁽¹⁵⁾	38.12 ⁽²²⁾	686,052,027	38.12 ⁽²²⁾
ASM Asia Recovery Fund ("AARF")	–	–	686,052,027 ⁽¹⁶⁾	38.12 ⁽²²⁾	686,052,027	38.12 ⁽²²⁾

STATISTICS OF STAPLED SECURITYHOLDINGS

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AS AT 1 MARCH 2017

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	%		%
Argyle Street Management Limited ("ASML")	–	–	686,052,027 ⁽¹⁷⁾	38.12 ⁽²²⁾	686,052,027	38.12 ⁽²²⁾
Argyle Street Management Holdings Limited ("ASMHL")	–	–	686,052,027 ⁽¹⁸⁾	38.12 ⁽²²⁾	686,052,027	38.12 ⁽²²⁾
Kin Chan ("KC")	–	–	686,052,027 ⁽¹⁹⁾	38.12 ⁽²²⁾	686,052,027	38.12 ⁽²²⁾
V-Nee Yeh ("VY")	–	–	686,052,027 ⁽²⁰⁾	38.12 ⁽²²⁾	686,052,027	38.12 ⁽²²⁾
Tang Gordon @ Tang Yigang @ Tang Gordon ("GT")	86,370,120	4.80 ⁽²²⁾	88,100,000 ⁽²¹⁾	4.89 ⁽²²⁾	174,470,120	9.69 ⁽²²⁾

Notes:

- (1) OUE Limited is the holding company of the REIT Manager and has a deemed interest in the Stapled Securities held by the REIT Manager.
- (2) OUER is the immediate holding company of OUE Limited and has a deemed interest in the Stapled Securities in which OUE Limited has direct and deemed interest.
- (3) GCAL has a deemed interest in the Stapled Securities through the direct and deemed interests of its wholly-owned subsidiary, OUER.
- (4) FCL has a deemed interest in the Stapled Securities through the direct and deemed interests of its wholly-owned subsidiary, GCAL.
- (5) LAAPL is deemed to have an interest in the Stapled Securities in which its subsidiary, FCL, has a deemed interest.
- (6) LAAPL is jointly held by Pacific Landmark and Admiralty. Accordingly, Pacific Landmark is deemed to have an interest in the Stapled Securities in which LAAPL has a deemed interest.
- (7) HKC Property is the immediate holding company of Pacific Landmark. Accordingly, HKC Property is deemed to have an interest in the Stapled Securities in which Pacific Landmark has a deemed interest.
- (8) HCL is an intermediate holding company of Pacific Landmark. Accordingly, HCL is deemed to have an interest in the Stapled Securities in which Pacific Landmark has a deemed interest.
- (9) HHL is an intermediate holding company of Pacific Landmark. Accordingly, HHL is deemed to have an interest in the Stapled Securities in which Pacific Landmark has a deemed interest.
- (10) PSL is an intermediate holding company of Pacific Landmark. Accordingly, PSL is deemed to have an interest in the Stapled Securities in which Pacific Landmark has a deemed interest.
- (11) LL is an intermediate holding company of Pacific Landmark. Accordingly, LL is deemed to have an interest in the Stapled Securities in which Pacific Landmark has a deemed interest.
- (12) LCL is a holding company of Pacific Landmark. Accordingly, LCL is deemed to have an interest in the Stapled Securities in which Pacific Landmark has a deemed interest.
- (13) Lanius is the holder of the entire issued shares capital of LCL, which in turn is a holding company of Pacific Landmark. Accordingly, Lanius is deemed to have an interest in the Stapled Securities in which Pacific Landmark has a deemed interest. Lanius is the trustee of a discretionary trust the beneficiaries of which include Stephen Riady and other members of his family.
- (14) LAAPL is jointly held by Pacific Landmark and Admiralty. Accordingly, Admiralty is deemed to have an interest in the Stapled Securities in which LAAPL has a deemed interest.
- (15) AARMF is a majority shareholder of Admiralty and TIH Limited, which is the holding company of Killian Court Pte. Ltd. ("Killian"). Accordingly, AARMF is deemed to have an interest in the Stapled Securities in which Admiralty has a deemed interest. In addition, AARMF has a deemed interest in the 2,706,645 Stapled Securities directly held by Killian.
- (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) GT's deemed interest in the 88,100,000 Stapled Securities held by Gold Pot Developments Limited arises from the powers granted to him under a power of attorney executed by Gold Pot Developments Limited dated 19 October 2016.
- (22) The stapled securityholding percentage is calculated based on 1,799,607,425 issued Stapled Securities as at 1 March 2017.

172 STATISTICS OF STAPLED SECURITYHOLDINGS

AS AT 1 MARCH 2017

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 2017, approximately 52.16% of OUE Hospitality Trust's listed securities were held in the hands of the public.

NOTICE OF ANNUAL GENERAL MEETING

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NOTICE IS HEREBY GIVEN that the Annual General Meeting (“**AGM**”) of the holders of stapled securities in OUE Hospitality Trust (“**OUE H-Trust**”, and holders of stapled securities in OUE H-Trust, the “**Stapled Securityholders**”) will be held at Mandarin Orchard Singapore, Mandarin Ballroom I, II and III, 6th Floor, Main Tower, 333 Orchard Road, Singapore 238867 on Thursday, 20 April 2017 at 2:00 p.m. to transact the following business:

(A) AS ORDINARY BUSINESS

(Ordinary Resolution 1)

1. To receive and adopt the following:
 - the Report of OUE Hospitality Trust Management Pte. Ltd., as trustee-manager of OUE Hospitality Business Trust (“**OUE H-BT**”) (the “**Trustee-Manager**”);
 - the Report of RBC Investor Services Trust Singapore Limited, as trustee for OUE Hospitality Real Estate Investment Trust (“**OUE H-REIT**”) (the “**REIT Trustee**”);
 - the Report of OUE Hospitality REIT Management Pte. Ltd., as manager of OUE H-REIT (the “**REIT Manager**”); and
 - the Audited Financial Statements of OUE H-BT, OUE H-REIT and OUE H-Trust for the financial year ended 31 December 2016 and the Independent Auditors’ Report thereon.

(Ordinary Resolution 2)

2. To re-appoint Messrs KPMG LLP as Independent Auditors of OUE H-Trust (comprising OUE H-BT and OUE H-REIT) and to hold office until the conclusion of the next AGM of OUE H-Trust and to authorise the Trustee-Manager and REIT Manager (collectively, the “**Managers**”) to fix their remuneration.

(Ordinary Resolutions 3, 4 and 5)

3. To re-endorse the appointment of the following Directors, pursuant to the undertaking dated 28 March 2014 provided by OUE Limited to the REIT Trustee and the Trustee-Manager:
 - (a) Mr Christopher James Williams (Ordinary Resolution 3)
 - (b) Mr Sanjiv Misra (Ordinary Resolution 4)
 - (c) Mr Liu Chee Ming (Ordinary Resolution 5)

(Please see Explanatory Notes.)

174 **NOTICE OF ANNUAL GENERAL MEETING**

(B) AS SPECIAL BUSINESS

To consider and, if thought fit, to pass with or without any modifications, the following resolution:

(Ordinary Resolution 6)

4. That authority be and is hereby given to the Managers, to
- (a) (i) issue new units in OUE H-REIT ("**OUE H-REIT Units**") and new units in OUE H-BT ("**OUE H-BT Units**", together with OUE H-REIT Units, the "**Stapled Securities**") whether by way of rights, bonus or otherwise; and/or
 - (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Stapled Securities to be issued, including but not limited to the creation and issue of (as well as adjustments to) securities, warrants, debentures or other instruments convertible into Stapled Securities,
- at any time and upon such terms and conditions and for such purposes and to such persons as the Managers may in their absolute discretion deem fit; and
- (b) issue Stapled Securities in pursuant of any Instrument made or granted by the Managers while this Resolution was in force (notwithstanding that the authority conferred by this Resolution may have ceased to be in force).

Provided that:

- (1) the aggregate number of Stapled Securities to be issued pursuant to this Resolution (including Stapled Securities to be issued in pursuant of Instruments made or granted pursuant to this Resolution), shall not exceed fifty per cent (50%) of the total number of issued Stapled Securities (excluding treasury OUE H-REIT Units and treasury OUE H-BT Units, if any) (as calculated in accordance with subparagraph (2) below), of which the aggregate number of Stapled Securities to be issued other than on a *pro rata* basis to Stapled Securityholders shall not exceed twenty per cent (20%) of the total number of issued Stapled Securities (excluding treasury OUE H-REIT Units and treasury OUE H-BT Units, if any) (as calculated in accordance with sub-paragraph (2) below).

- (2) subject to such manner of calculation as may be prescribed by Singapore Exchange Securities Trading Limited (the "**SGX-ST**") for the purpose of determining the aggregate number of Stapled Securities that may be issued under sub-paragraph (1) above, the total number of issued Stapled Securities (excluding treasury OUE H-REIT Units and treasury OUE H-BT Units, if any) shall be based on the number of issued Stapled Securities (excluding treasury OUE H-REIT Units and treasury OUE H-BT Units, if any) at the time this Resolution is passed, after adjusting for:
 - (a) any new Stapled Securities arising from the conversion or exercise of any Instruments which are outstanding at the time this Resolution is passed; and
 - (b) any subsequent bonus issue, consolidation or subdivision of Stapled Securities;
- (3) in exercising the authority conferred by this Resolution, the Managers shall comply with the provisions of the Listing Manual of SGX-ST for the time being in force (unless such compliance has been waived by SGX-ST), the Business Trusts Act, Chapter 31A of Singapore (unless otherwise exempted or waived by the Monetary Authority of Singapore), the OUE H-REIT Trust Deed for the time being in force (unless otherwise exempted or waived by the Monetary Authority of Singapore) and the OUE H-BT Trust Deed for the time being in force (unless otherwise exempted or waived by the Monetary Authority of Singapore) and the stapling deed dated 10 July 2013 stapling OUE H-REIT and OUE H-BT (the "**Stapling Deed**") for the time being in force (unless otherwise exempted or waived by the Monetary Authority of Singapore);
- (4) (unless revoked or varied by the Stapled Securityholders in a general meeting) the authority conferred by this Resolution shall continue in force until (i) the conclusion of the next AGM of Stapled Securityholders or (ii) the date by which the next AGM of Stapled Securityholders are required by law to be held, whichever is earlier;
- (5) where the terms of the issue of the instruments provide for adjustment to the number of instruments or Stapled Securities into which the Instruments may be converted, in the event of rights, bonus or other capitalisation issues or any other events, the Managers are authorised to issue additional instruments or Stapled Securities pursuant to such adjustment notwithstanding that the authority conferred by this Resolution may have ceased to be in force at the time the Instruments are issued; and

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- (6) the REIT Manager, the REIT Trustee and the Trustee-Manager be and are hereby severally authorised to complete and do all such acts and things (including executing all such documents as may be required) as the REIT Manager, the REIT Trustee or, as the case may be, the Trustee-Manager may consider expedient or necessary or in the interest of OUE H-REIT and OUE H-BT to give effect to the authority conferred by this Resolution.

(Please See Explanatory Notes.)

By Order of the Board

Ng Ngai

Company Secretary

**OUE HOSPITALITY REIT
MANAGEMENT PTE. LTD.**

(as manager of OUE H-REIT)

(Company Registration No. 201310245G)

By Order of the Board

Ng Ngai

Company Secretary

OUE HOSPITALITY TRUST MANAGEMENT PTE. LTD.

(as trustee-manager of OUE H-BT)

(Company Registration No. 201310246W)

28 March 2017

IMPORTANT NOTICE:

1. A Stapled Securityholder who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the meeting.
2. A Stapled Securityholder who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the meeting. Each proxy appointed herein must be appointed to exercise the rights attached to a different Stapled Security or Stapled Securities held by such Stapled Securityholder.

A "relevant intermediary" is:

- (a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds Stapled Securities in that capacity;
- (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act Chapter 289 of Singapore and who holds Stapled Securities in that capacity; or

- (c) the Central Provident Fund Board ("**CPF Board**") established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of Stapled Securities purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds those Stapled Securities in the capacity of an intermediary pursuant to or in accordance with the subsidiary legislation.
3. Where the instrument appointing a proxy or proxies (the "**Proxy Form**") appoints more than one proxy, the proportion of the holding of Stapled Securities concerned to be represented by each proxy shall be specified in the Proxy Form. Where a Stapled Securityholder appoints two proxies and does not specify the number of Stapled Securities to be represented by each proxy, then the Stapled Securities held by the Stapled Securityholder are deemed to be equally divided between the proxies.
4. A proxy need not be a Stapled Securityholder.
5. The Proxy Form must be lodged at the Stapled Security Registrar's office at Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623 not less than 48 hours before the time appointed for the AGM.

EXPLANATORY NOTES:

1. Ordinary Resolutions 3 to 5

OUE Limited had on 28 March 2014 provided an undertaking (the "**Undertaking**") to the REIT Trustee and the Trustee-Manager:

- to procure the Managers to seek Stapled Securityholders' re-endorsement for the appointment of each Director no later than every third annual general meeting of OUE H-Trust after the relevant general meeting at which such Director's appointment was last endorsed or re-endorsed, as the case may be; and
- to procure any person whose appointment as a Director has not been endorsed or re-endorsed (as the case may be) by the Stapled Securityholders at the relevant general meeting of OUE H-Trust where the endorsement or re-endorsement (as the case may be) for his appointment was sought, to resign or otherwise be removed from the Board of Directors of the Managers either (i) within 21 days from the date of the relevant general meeting or (ii) in the event that the Board of Directors of the Managers determines that a replacement Director has to be appointed, no later than the date when such replacement Director is appointed, and the regulatory approval for such appointment (if any) has been obtained.

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The endorsement or re-endorsement from Staped Securityholders of any appointment of any person as a Director shall be by way of an ordinary resolution passed at the relevant general meeting. The Undertaking shall not restrict OUE Limited or the Managers from appointing any Director from time to time in accordance with applicable laws and regulations (including any applicable rule of the SGX-ST) and the Articles of Association of the Managers.

The Undertaking shall remain in force for so long as:

- OUE Limited remains as the holding company (as defined in the Companies Act of Singapore, Chapter 50 of Singapore) of the Managers;
- OUE Hospitality REIT Management Pte. Ltd. remains as the manager of OUE H-REIT; and
- OUE Hospitality Trust Management Pte. Ltd. remains as the trustee-manager of OUE H-BT.

Detailed information on the Directors can be found in the "Board of Directors" section of OUE H-Trust's Annual Report 2016. (a) Mr Christopher James Williams will, upon re-endorsement, continue to serve as Chairman of the Board and a member of the Nominating and Remuneration Committee; (b) Mr Sanjiv Misra will, upon re-endorsement, continue to serve as the Lead Independent Director, Chairman of the Audit and Risk Committee and a member of the Nominating and Remuneration Committee; and (c) Mr Liu Chee Ming will, upon re-endorsement, continue to serve as a member of the Audit and Risk Committee. Mr Sanjiv Misra and Mr Liu Chee Ming are considered as independent Directors. Mr Christopher James Williams is considered as a non-independent Director.

The list of all current directorships of the Directors in other listed companies and details of their other principal commitments are set out within pages 21 to 27 of OUE H-Trust's Annual Report 2016.

2. Ordinary Resolution 6

The Ordinary Resolution 6 above, if passed, will empower the Managers from the date of this AGM until the date of the next AGM of Stapled Securityholders, to issue Stapled Securities and to make or grant Instruments (such as securities, warrants or debentures) convertible into Stapled Securities and issue Stapled Securities pursuant to such Instruments, up to a number not exceeding 50% of the total number of issued Stapled Securities (excluding treasury OUE H-REIT Units and treasury OUE H-BT Units, if any) of which up to 20% of the total number of issued Stapled Securities (excluding treasury OUE H-REIT Units and treasury OUE H-BT Units, if any) may be issued other than on a *pro rata* basis to Stapled Securityholders.

The Ordinary Resolution 6 above, if passed, will also empower the Managers from the date of this AGM until the date of the next AGM of Stapled Securityholders, to issue Stapled Securities as either full or partial payment of fees which the Managers are entitled to receive for their own accounts pursuant to the OUE H-REIT Trust Deed and the OUE H-BT Trust Deed respectively.

For determining the aggregate number of Stapled Securities that may be issued, the percentage of issued Stapled Securities will be calculated based on the issued Stapled Securities at the time the Ordinary Resolution 6 above is passed, after adjusting for new Stapled Securities arising from the conversion or exercise of any Instruments which are outstanding at the time this Resolution is passed and any subsequent bonus issue, consolidation or subdivision of Stapled Securities.

Fund-raising by issuance of new Stapled Securities may be required in instances of property acquisitions or debt repayments. In any event, if the approval of Stapled Securityholders is required under the Listing Manual of SGX-ST, the OUE H-REIT Trust Deed, the OUE H-BT Trust Deed and the Stapling Deed or any applicable laws and regulations in such instances, the Managers will then obtain the approval of Stapled Securityholders accordingly.

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PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a Stapled Securityholder (i) consents to the collection, use and disclosure of the Stapled Securityholder's personal data by the Managers and the REIT Trustee (or their agents) for the purpose of the processing and administration by the Managers and the REIT Trustee (or their agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Managers and the REIT Trustee (or their agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the Stapled Securityholder discloses the personal data of the Stapled Securityholder's proxy(ies) and/or representative(s) to the Managers and the REIT Trustee (or their agents), the Stapled Securityholder has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Managers and the REIT Trustee (or their agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the Stapled Securityholder will indemnify the Managers and the REIT Trustee in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the Stapled Securityholder's breach of warranty.

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OUE HOSPITALITY REAL ESTATE INVESTMENT TRUST

(a real estate investment trust constituted on 10 July 2013 under the laws of the Republic of Singapore)

OUE HOSPITALITY BUSINESS TRUST

(a business trust constituted on 10 July 2013 under the laws of the Republic of Singapore)

IMPORTANT

1. A relevant intermediary may appoint more than two proxies to attend, speak and vote at the meeting. Please see note 3 for the definition of "relevant intermediary".
2. For CPF investors who hold Stapled Securities in OUE Hospitality Trust, the Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
3. This form of proxy is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF investors should contact their respective Agent Banks if they have any queries regarding their appointment as proxies.

Personal data privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s), the Stapled Securityholder accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 28 March 2017.

PROXY FORM

ANNUAL GENERAL MEETING OF OUE HOSPITALITY TRUST

I/We _____ (Name(s) with NRIC No./Passport no./Company Registration No.)
 _____ of _____
 _____ (Address)

being a Stapled Securityholder/Stapled Securityholders of OUE Hospitality Trust ("**OUE H-Trust**") hereby appoint:

Name	Address	NRIC /Passport No.:	Proportion of Stapled Securityholdings	
			Number	%

and/or (delete as appropriate)

Name	Address	NRIC /Passport No.:	Proportion of Stapled Securityholdings	
			Number	%

or, both of whom failing, the Chairman of the Annual General Meeting ("**AGM**") as my/our proxy/proxies to attend and to vote for me/us on my/our behalf, at the AGM of OUE H-Trust to be held at Mandarin Orchard Singapore, Mandarin Ballroom I, II and III, 6th Floor, Main Tower, 333 Orchard Road, Singapore 238867 on Thursday, 20 April 2017 at 2:00 p.m. or at any adjournment thereof.

I/We direct my/our proxy/proxies to vote for or against the resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion.

Resolutions		Votes For*	Votes Against*
ORDINARY BUSINESS			
1.	To receive and adopt the Report of OUE Hospitality Trust Management Pte. Ltd., the Report of RBC Investor Services Trust Singapore Limited, the Report of OUE Hospitality REIT Management Pte. Ltd., and the Audited Financial Statements of OUE H-BT, OUE H-REIT and OUE H-Trust for the financial year ended 31 December 2016 and the Independent Auditors' Report thereon		
2.	To re-appoint Messrs KPMG LLP as Independent Auditors of OUE H-Trust (comprising OUE H-BT and OUE H-REIT) and to hold office until the conclusion of the next AGM of OUE H-Trust and to authorise the Trustee-Manager and the REIT Manager to fix their remuneration		
3.	To re-endorse the appointment of Mr Christopher James Williams		
4.	To re-endorse the appointment of Mr Sanjiv Misra		
5.	To re-endorse the appointment of Mr Liu Chee Ming		
SPECIAL BUSINESS			
6.	To authorise the Trustee-Manager and the REIT Manager to issue Stapled Securities and to make or grant convertible instruments		

* If you wish to exercise all your votes "For" or "Against", please tick (✓) within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this _____ day of _____ 2017.

 Signature(s) of Stapled Securityholder(s)/Common Seal of Corporate Stapled Securityholder

Total number of Stapled Securities held in:	Number of Stapled Securities
(a) CDP Register	
(b) Register of Stapled Securityholders	

Notes:

1. A Stapled Securityholder entitled to attend and vote at the AGM is entitled to appoint one or two proxies to attend and vote in his/her stead.
2. Where a Stapled Securityholder appoints more than one proxy, he/she must specify the proportion of his/her holding (expressed as a percentage of the whole) to be represented by each proxy. Where a Stapled Securityholder appoints two proxies and does not specify the proportion of his/her stapled securityholding to be represented by each proxy, then the Stapled Securities held by the Stapled Securityholder are deemed to be equally divided between the proxies. A proxy need not be a Stapled Securityholder.
3. (i) A Stapled Securityholder who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the meeting.
(ii) A Stapled Securityholder who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the meeting. Each proxy appointed herein must be appointed to exercise the rights attached to a different Stapled Security or Stapled Securities held by such Stapled Securityholder.
(iii) Where the instrument appointing a proxy or proxies (the "**Proxy Form**") appoints more than one proxy, the proportion of the holding of Stapled Securities concerned to be represented by each proxy shall be specified in the Proxy Form. Where a Stapled Securityholder appoints two proxies and does not specify the number of Stapled Securities to be represented by each proxy, then the Stapled Securities held by the Stapled Securityholder are deemed to be equally divided between the proxies.

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A "relevant intermediary" is:

- (a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds Stapled Securities in that capacity;
 - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act Chapter 289 of Singapore and who holds Stapled Securities in that capacity; or
 - (c) the Central Provident Fund Board ("**CPF Board**") established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of Stapled Securities purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds those Stapled Securities in the capacity of an intermediary pursuant to or in accordance with the subsidiary legislation.
4. A Stapled Securityholder should insert the total number of Stapled Securities held. If the Stapled Securityholder has Stapled Securities entered against his name in the Depository Register maintained by The Central Depository (Pte) Limited ("**CDP**"), he should insert that number of Stapled Securities. If the Stapled Securityholder has Stapled Securities registered in his name in the Register of Stapled Securityholders, he should insert that number of Stapled Securities. If the Stapled Securityholder has Stapled Securities entered against his name in the Depository Register and registered in his name in the Register of Stapled Securityholders, he should insert the aggregate number of Stapled Securities. If no number is inserted, this form of proxy will be deemed to relate to all the Stapled Securities held by the Stapled Securityholder.
 5. The Proxy Form must be deposited at the Stapled Security Registrar's office at Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, not less than 48 hours before the time set for the AGM.
 6. The Proxy Form must be signed by the appointor or of his attorney duly authorised in writing. Where the Proxy Form is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
 7. Completion and return of the Proxy Form shall not preclude a Stapled Securityholder from attending and voting at the AGM.
 8. The Managers shall be entitled to reject a Proxy Form which is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the Proxy Form. In addition, in the case of Stapled Securities entered in the Depository Register, the Managers may reject a Proxy Form if the Stapled Securityholder, being the appointor, is not shown to have Stapled Securities entered against his/her name in the Depository Register as at 48 hours before the time appointed for holding the AGM, as certified by CDP to the Managers.
 9. All Stapled Securityholders will be bound by the outcome of the AGM regardless of whether they have attended or voted at the AGM.

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BUSINESS REPLY SERVICE
PERMIT NO. 09300



**OUE HOSPITALITY REIT
MANAGEMENT PTE. LTD.**
(as manager of OUE Hospitality
Real Estate Investment Trust)

**OUE HOSPITALITY TRUST
MANAGEMENT PTE. LTD.**
(as trustee-manager of OUE
Hospitality Business Trust)

C/O BOARDROOM CORPORATE & ADVISORY SERVICES PTE. LTD.
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