

OUE COMMERCIAL REAL ESTATE INVESTMENT TRUST
Unaudited Financial Statements Announcement for the First Quarter 2019
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OUE COMMERCIAL REAL ESTATE INVESTMENT TRUST

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Introduction

OUE Commercial Real Estate Investment Trust ("OUE C-REIT") was constituted by a trust deed dated 10 October 2013 (as amended) entered into by OUE Commercial REIT Management Pte. Ltd. as the Manager of OUE C-REIT (the "Manager") and DBS Trustee Limited as the Trustee of OUE C-REIT (the "Trustee").

OUE C-REIT was listed on the Main Board of the Singapore Exchange Securities Trading Limited ("SGX-ST") on 27 January 2014. The principal investment strategy of OUE C-REIT is to invest, directly or indirectly, in a portfolio of income-producing real estate used primarily for commercial purposes (including real estate used primarily for office and/or retail purposes) in financial and business hubs within and outside of Singapore, as well as real estate-related assets.

OUE C-REIT's portfolio currently comprises four prime commercial properties located in Singapore and Shanghai:

- One Raffles Place: Integrated commercial development comprising two Grade-A office towers and a retail mall strategically located in the heart of Singapore's central business district in Raffles Place. OUE C-REIT holds One Raffles Place ("ORP") through its 83.33% interest in OUB Centre Limited ("OUBC"). As OUBC owns 81.54% of the beneficial interest in ORP, OUE C-REIT has an effective interest of 67.95% in ORP.
- OUE Bayfront: Premium Grade-A office building with ancillary retail facilities located between the new Marina Bay downtown and Raffles Place, within Singapore's central business district.
- Lippo Plaza: Grade-A commercial building located along Huai Hai Middle Road in the Huangpu district, one of Shanghai's established core commercial districts. OUE C-REIT has 91.2% strata ownership of Lippo Plaza.
- OUE Downtown Office: The Grade A office space at OUE Downtown, a recently refurbished mixed-used development with Grade A offices, a retail podium and serviced residences located at Shenton Way in Singapore.

Summary of OUE C-REIT Group Results

	1Q 2019 ⁽¹⁾ (S\$'000)	1Q 2018 ⁽¹⁾ (S\$'000)	Change (%)
Revenue	55,335	44,095	25.5
Net property income	43,568	35,277	23.5
Amount available for distribution to Unitholders	26,037	17,421	49.5
Distribution per Unit ("DPU") (cents)	0.90	0.61 ⁽²⁾	47.5

Footnote:

- (1) The results of OUE C-REIT's foreign subsidiaries are translated using the SGD:CNY rate of 1:4.973 for 1Q 2019 and 1:4.817 for 1Q 2018.
- (2) For the purpose of comparison, 1Q 2018 DPU has been restated to include the 1,288,438,981 new Units issued pursuant to the Rights Issue on 30 October 2018

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1(a) Consolidated Statement of Total Return and Distribution Statement

Statement of Total Return	Note	1Q 2019 ⁽¹⁾ (S\$'000)	1Q 2018 ⁽¹⁾ (S\$'000)	Change (%)
Revenue		55,335	44,095	25.5
Property operating expenses		(11,767)	(8,818)	33.4
Net property income		43,568	35,277	23.5
Other income	1	4,993	956	N/M
Amortisation of intangible asset		(1,548)	(1,113)	39.1
Manager's management fees	2	(3,164)	(2,424)	30.5
Trustee's fee		(178)	(141)	26.2
Other expenses		(466)	(459)	1.5
Finance income		1,540	506	N/M
Finance costs		(15,578)	(11,997)	29.8
Net finance costs	3	(14,038)	(11,491)	22.2
Foreign exchange differences		59	402	(85.3)
Total return for the period before tax		29,226	21,007	39.1
Tax expense	4	(4,572)	(4,836)	(5.5)
Total return for the period		24,654	16,171	52.5
Attributable to:				
Unitholders and Convertible Perpetual Preferred Units ("CPPU") holder		22,684	14,236	59.3
Non-controlling interests		1,970	1,935	1.8
Total return for the period		24,654	16,171	52.5
Distribution Statement				
Total return for the period attributable to Unitholders and CPPU holder		22,684	14,236	59.3
Less: Amount reserved for distribution to CPPU holder		(925)	(925)	-
Distribution adjustments	5	4,278	4,110	4.1
Amount available for distribution for the period		26,037	17,421	49.5
Comprising:				
Taxable income		16,431	6,853	N/M
Tax exempt income		5,910	6,203	(4.7)
Unitholders' contributions		3,696	4,365	(15.3)
		26,037	17,421	49.5

N/M: Not meaningful

Footnote:

- (1) The results of OUE C-REIT's foreign subsidiaries are translated using the SGD:CNY rate of 1:4.973 for 1Q 2019 and 1:4.817 for 1Q 2018.

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Notes to Consolidated Statement of Total Return and Distribution Statement:

(1) Other income

Other income comprises income support relating to the top-up payments from OUE Limited and its subsidiary (the "Sponsor Group") pursuant to the Deed of Income Support dated 9 January 2014 and 1 November 2018 (the "Deeds of Income Support"). The income support for OUE Bayfront expired on 26 January 2019.

(2) Manager's management fees

Manager's base management fee is calculated as 0.3% p.a. of the value of the deposited property of OUE C-REIT Group. The Manager has elected to pay 20% of the base management fee in cash, with the balance 80% in the form of new Units for both 1Q 2019 and 1Q 2018.

(3) Net finance costs

Net finance costs comprises the following:

	1Q 2019 (S\$'000)	1Q 2018 (S\$'000)	Change (%)
Finance income			
Interest income	274	208	31.7
Ineffective portion of changes in fair value of cash flow hedges	1,266	298	N/M
	1,540	506	N/M
Finance costs			
Borrowing costs	(14,169)	(10,432)	35.8
Amortisation of debt establishment costs	(1,085)	(1,249)	(13.1)
Change in fair value of financial derivatives	(204)	(128)	59.4
Hedging reserve transferred from unitholders' funds	(120)	(188)	(36.2)
	(15,578)	(11,997)	29.8
Net finance costs	(14,038)	(11,491)	22.2

N/M: Not meaningful

The above includes the following net fair value movements relating to financial derivatives:

	1Q 2019 (S\$'000)	1Q 2018 (S\$'000)	Change (%)
Ineffective portion of changes in fair value of cash flow hedges	1,266	298	N/M
Change in fair value of financial derivatives	(204)	(128)	59.4
Hedging reserve transferred from unitholders' funds	(120)	(188)	(36.2)
Net fair value gain/(loss)	942	(18)	N/M

N/M: Not meaningful

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(4) Tax expense

Tax expense comprises of income tax, deferred tax and withholding tax relating to OUE C-REIT's subsidiaries.

	1Q 2019 (S\$'000)	1Q 2018 (S\$'000)	Change (%)
Current tax			
- Current period	3,493	4,066	(14.1)
- Under provision in respect of prior year	428	-	N/M
Deferred tax			
- Current period	330	352	(6.3)
Withholding tax	321	418	(23.2)
	4,572	4,836	(5.5)

N/M: Not meaningful

(5) Distribution adjustments

Distribution adjustments include non-tax deductible expenses relating to the Manager's management fees payable in Units, fees paid to the Trustee, amortisation of intangible asset, debt establishment costs, rent-free incentives, and fair value movement relating to financial derivatives, and subsidiary's statutory reserves adjustments.

Please refer to Section 8 on Review of the Performance.

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(b)(i) Statements of Financial Position

	Note	Group			Trust		
		31 Mar 2019 ⁽¹⁾ (S\$'000)	31 Dec 2018 ⁽²⁾ (S\$'000)	Change (%)	31 Mar 2019 (S\$'000)	31 Dec 2018 (S\$'000)	Change (%)
Non-current assets							
Plant and equipment		350	393	(10.9)	-	-	-
Investment properties	1	4,504,701	4,494,535	0.2	2,094,847	2,093,100	0.1
Intangible asset	2	22,917	24,465	(6.3)	22,917	24,465	(6.3)
Investments in subsidiaries		-	-	-	1,368,506	1,368,506	-
Trade and other receivables		146	175	(16.6)	-	-	-
		4,528,114	4,519,568	0.2	3,486,270	3,486,071	-
Current assets							
Trade and other receivables	4	15,509	14,384	7.8	6,453	6,583	(2.0)
Cash and cash equivalents		37,744	37,074	1.8	9,748	12,725	(23.4)
Financial derivatives	3	66	116	(43.1)	66	95	(30.5)
		53,319	51,574	3.4	16,267	19,403	(16.2)
Total assets		4,581,433	4,571,142	0.2	3,502,537	3,505,474	(0.1)
Non-current liabilities							
Borrowings	5	1,716,486	1,711,330	0.3	1,235,810	1,221,467	1.2
Loan from a subsidiary		-	-	-	150,000	149,614	0.3
Trade and other payables		44,116	42,400	4.0	19,966	17,356	15.0
Financial derivatives	3	5,972	7,828	(23.7)	4,050	5,448	(25.7)
Deferred tax liabilities		88,949	87,726	1.4	-	-	-
		1,855,523	1,849,284	0.3	1,409,826	1,393,885	1.1
Current liabilities							
Borrowings	5	6,716	1,992	N/M	4,700	-	N/M
Trade and other payables		66,985	65,580	2.1	28,136	25,253	11.4
Financial derivatives	3	-	132	N/M	-	109	N/M
Current tax liabilities	6	16,600	13,429	23.6	-	-	-
		90,301	81,133	11.3	32,836	25,362	29.5
Total liabilities		1,945,824	1,930,417	0.8	1,442,662	1,419,247	1.6
Net assets		2,635,609	2,640,725	(0.2)	2,059,875	2,086,227	(1.3)
Represented by:							
Unitholders' funds	7	2,031,969	2,038,092	(0.3)	1,698,950	1,724,337	(1.5)
CPPU holder's funds	8	360,925	361,890	(0.3)	360,925	361,890	(0.3)
Non-controlling interests	9	242,715	240,743	0.8	-	-	-
		2,635,609	2,640,725	(0.2)	2,059,875	2,086,227	(1.3)

N/M: Not meaningful

Footnotes:

- (1) The statements of financial position of OUE C-REIT's foreign subsidiaries as at 31 March 2019 are translated using the SGD:CNY rate of 1:4.958.
- (2) The statements of financial position of OUE C-REIT's foreign subsidiaries as at 31 December 2018 are translated using the SGD:CNY rate of 1: 5.018.

Notes to Statements of Financial Position:

(1) Investment properties

Investment properties are carried at the latest fair market value based on independent valuations as at 31 December 2018, with additions made in 2019. The increase was due largely to appreciation of the CNY against the SGD between 31 December 2018 and 31 March 2019.

(2) Intangible asset

Intangible asset represents the unamortised income support receivable by OUE C-REIT from the Sponsor Group pursuant to the Deeds of Income Support relating to OUE Downtown Office (31 December 2018: OUE Downtown Office and OUE Bayfront) as the income support for OUE Bayfront expired in January 2019.

(3) Financial derivatives

Financial derivatives represent the fair value of the interest rate swaps ("IRS") entered to hedge the floating interest rate exposure of OUE C-REIT Group's borrowings. The movement for the financial period from 31 December 2018 to 31 March 2019 was due to net favourable changes in the fair value of the IRS during the period.

(4) Trade and other receivables – Current

At the Group level, trade and other receivables increased compared to 31 December 2018. This is mainly due to prepayments for capital expenditure and increase in lease receivables.

(5) Borrowings – Non-current and Current

The Group's and Trust's total borrowings increased slightly as compared to 31 December 2018 mainly due to additional loan drawdowns.

(6) Current tax liabilities

The increase in current tax liabilities is mainly due to tax provision for 1Q 2019.

(7) Unitholders' funds

The decrease in unitholders' funds is mainly due to distribution paid to Unitholders in March 2019. This is offset partially by profits for the financial period, net favourable movement in the fair value reserve of IRS as at 31 March 2019 and the appreciation of the CNY against the SGD from 31 December 2018 to 31 March 2019.

(8) CPPU holder's funds

On 8 October 2015, 550.0 million CPPUs amounting to S\$550.0 million were issued to Clifford Development Pte. Ltd. (a wholly-owned subsidiary of OUE Limited), the vendor of OUE C-REIT's wholly-owned subsidiary, Beacon Property Holdings Pte. Ltd., as partial satisfaction of the purchase consideration for the acquisition of ORP. The CPPU holder is entitled to a coupon distribution of 1.0% per annum.

To-date, 175.0 million CPPUs had been redeemed, with a balance of 375.0 million CPPUs remain outstanding as at 31 March 2019.

(9) Non-controlling interests

OUE C-REIT holds an 83.33% indirect interest in OUBC. Non-controlling interests represent the equity in OUBC that is not attributable to OUE C-REIT Group.

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1 (b)(ii) Aggregate Amount of Borrowings and Debt Securities for OUE C-REIT Group

The Group's borrowings comprises secured and unsecured loans of up to eight years tenors, and a three-year unsecured notes.

	31 Mar 2019 ⁽¹⁾ (S\$'000)	31 Dec 2018 ⁽²⁾ (S\$'000)
Secured borrowings		
Amount repayable within one year, or on demand	2,016	1,992
Amount repayable after one year	629,997	642,911
Total secured borrowings	632,013	644,903
Unsecured borrowings		
Amount repayable within one year, or on demand	4,700	-
Amount repayable after one year	1,086,489	1,068,419
Total unsecured borrowings	1,091,189	1,068,419
Total borrowings ⁽³⁾	1,723,202	1,713,322

Footnotes:

(1) The borrowings of OUE C-REIT's foreign subsidiaries as at 31 March 2019 are translated using the SGD:CNY rate of 1:4.958.

(2) The borrowings of OUE C-REIT's foreign subsidiaries as at 31 December 2018 are translated using the SGD:CNY rate of 1: 5.018.

(3) The borrowings are net of unamortised balance of transaction costs.

Details of any collaterals

The Group secured borrowings are collateralised by:-

- investment properties with a total carrying amount of S\$1,769.9 million;
- assignment of insurance policies on the above investment properties;
- assignment of all rights, titles, benefits and interests in connection with the sale and tenancy agreements, tenancy deposits/proceeds, sales deposits/proceeds, property management agreements and the receivables of certain properties;
- assignment of all rights, titles, benefits and interests in connection with the Deed of Income Support over OUE Bayfront;
- a debenture incorporating a fixed charge over book debts, charged accounts, goodwill, intellectual property and plant and machinery in connection with OUE Bayfront and floating charge over generally all of the present and future assets of the Trust in connection with OUE Bayfront; and
- the account control or charge over certain bank accounts of the Trust and certain subsidiaries.

Unsecured Medium Term Notes

In August 2015, OUE C-REIT, through its wholly-owned subsidiary, established a S\$1.5 billion Multicurrency Debt Issuance Programme (the "Programme"). Under the Programme, OUE C-REIT may from time to time issue notes ("Notes") and/or perpetual securities ("Perpetual") in series or tranches. On 5 September 2017, unsecured three-year notes of S\$150.0 million have been issued under the Programme.

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1 (c) Consolidated Statement of Cash Flows

	Note	1Q 2019 (S\$'000)	1Q 2018 (S\$'000)
Cash flows from operating activities			
Total return for the period		24,654	16,171
Adjustments for:			
Amortisation of intangible asset		1,548	1,113
Depreciation of plant and equipment		46	44
Manager's fees paid/payable in Units		2,531	1,939
Finance costs		15,578	11,997
Finance income		(1,540)	(506)
Tax expense		4,572	4,836
Operating income before working capital changes		47,389	35,594
Changes in working capital:			
Trade and other receivables		(1,090)	852
Trade and other payables		5,283	408
Cash generated from operating activities		51,582	36,854
Tax paid		(1,171)	(1,674)
Net cash from operating activities		50,411	35,180
Cash flow from investing activities			
Additions to plant and equipment		(2)	(25)
Payment for capital expenditure on investment properties		(5,082)	(519)
Interest received		266	208
Net cash used in investing activities		(4,818)	(336)
Cash flows from financing activities			
Distribution paid to Unitholders		(37,081)	(35,353)
Distributions paid to CPPU holder		(1,890)	(2,395)
Interest paid		(14,712)	(11,725)
Proceeds from borrowings		32,480	123,000
Redemption of CPPUs	1	-	(100,000)
Repayment of borrowings		(24,005)	(18,141)
Net cash used in financing activities		(45,208)	(44,614)
Net increase/(decrease) in cash and cash equivalents		385	(9,770)
Cash and cash equivalents at beginning of the period		37,074	40,314
Effect of exchange rate fluctuations on cash held		285	391
Cash and cash equivalents at end of the period	2	37,744	30,935

Notes to Consolidated Statement of Cash Flows:

- (1) On 2 January 2018, the redemption of 100.0 million CPPUs (amounting to S\$100.0 million) was completed.

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- (2) For purpose of the Consolidated Statement of Cash Flows, the Group's cash and cash equivalents comprise the following:

	31 Mar 2019 (S\$'000)	31 Mar 2018 (S\$'000)
Bank and cash balances	32,815	10,894
Short-term deposits	4,929	20,041
Cash and cash equivalents	37,744	30,935

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1 (d)(i) Statements of Changes in Unitholders' Funds

Group	Unitholders	CPPU	Total	Non-	Total
1Q 2019	(S\$'000)	holder	(S\$'000)	controlling	(S\$'000)
Net assets attributable to owners		(S\$'000)		interests	
at 1 January 2019				(S\$'000)	
Operations					
Total return for the period	2,038,092	361,890	2,399,982	240,743	2,640,725
Less: Amount reserved for distribution to CPPU holder	22,684	-	22,684	1,970	24,654
	(925)	925	-	-	-
Net increase in net assets resulting from operations	21,759	925	22,684	1,970	24,654
Transactions with owners					
Contributions by and distributions to owners					
Issue of new Units					
- Manager's fees paid/payable in Units	2,531	-	2,531	-	2,531
Distribution paid to Unitholders	(37,081)	-	(37,081)	-	(37,081)
Distribution paid to CPPU holder	-	(1,890)	(1,890)	-	(1,890)
Total contributions by and distributions to owners	(34,550)	(1,890)	(36,440)	-	(36,440)
Movement in foreign currency translation reserve	5,673	-	5,673	-	5,673
Hedging transactions					
Effective portion of change in fair value of cash flow hedges	1,270	-	1,270	21	1,291
Hedging reserve transferred to statement of total return	(275)	-	(275)	(19)	(294)
Net movement in hedging transactions	995	-	995	2	997
Net assets attributable to owners at 31 March 2019	2,031,969	360,925	2,392,894	242,715	2,635,609

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1 (d)(i) Statements of Changes in Unitholders' Funds (cont'd)

Trust 1Q 2019	Unitholders (S\$'000)	CPPU holder (S\$'000)	Total (S\$'000)
Net assets attributable to owners at 1 January 2019	1,724,337	361,890	2,086,227
Operations			
Total return for the period	9,100	-	9,100
Less: Amount reserved for distribution to CPPU holder	(925)	925	-
Net increase in net assets resulting from operations	8,175	925	9,100
Transactions with owners			
<i>Contributions by and distributions to owners</i>			
Issue of new Units			
- Manager's fees paid/payable in Units	2,531	-	2,531
Distribution paid to Unitholders	(37,081)	-	(37,081)
Distribution paid to CPPU Holder	-	(1,890)	(1,890)
Net decrease in net assets resulting from transactions with owners	(34,550)	(1,890)	(36,440)
Hedging transactions			
Effective portion of change in fair value of cash flow hedges	1,168	-	1,168
Hedging reserve transferred to statement of total return	(180)	-	(180)
Net movement in hedging transactions	988	-	988
Net assets attributable to owners at 31 March 2019	1,698,950	360,925	2,059,875

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1 (d)(i) Statements of Changes in Unitholders' Funds (cont'd)

Group	Unitholders	CPPU	Total	Non-	Total
1Q 2018	(S\$'000)	holder	(S\$'000)	controlling	(S\$'000)
Net assets attributable to owners		(S\$'000)		interests	
at 1 January 2018				(S\$'000)	
Operations					
Total return for the period	1,407,285	361,891	1,769,176	234,906	2,004,082
Less: Amount reserved for distribution to CPPU holder	14,236	-	14,236	1,935	16,171
	(925)	925	-	-	-
Net increase in net assets resulting from operations	13,311	925	14,236	1,935	16,171
Transactions with owners					
<i>Contributions by and distributions to owners:</i>					
Issue of new Units					
- Manager's fees paid/payable in Units	1,939	-	1,939	-	1,939
Issue costs					
Distribution paid to Unitholders	(35,421)	-	(35,421)	-	(35,421)
Distribution paid to CPPU holder	-	(1,891)	(1,891)	-	(1,891)
Net increase/(decrease) in net assets resulting from transactions with owners	(33,482)	(1,891)	(35,373)	-	(35,373)
Movement in foreign currency translation reserve	9,675	-	9,675	-	9,675
Hedging transactions					
Effective portion of change in fair value of cash flow hedges	4,050	-	4,050	33	4,083
Hedging reserve transferred to statement of total return	1,020	-	1,020	5	1,205
Net movement in hedging transactions	5,070	-	5,070	38	5,108
Net assets attributable to owners at 31 March 2018	1,401,859	360,925	1,762,784	236,879	1,999,663

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1 (d)(i) Statements of Changes in Unitholders' Funds (cont'd)

Trust 1Q 2018	Unitholders (S\$'000)	CPPU holder (S\$'000)	Total (S\$'000)
Net assets attributable to owners at 1 January 2018	1,137,760	361,891	1,499,651
Operations			
Total loss for the period	(194)	-	(194)
Less: Amount reserved for distribution to CPPU holder	(925)	925	-
Net (decrease)/increase in net assets resulting from operations	(1,119)	925	(194)
Transactions with owners			
<i>Contributions by and distributions to owners</i>			
Issue of new Units			
- Manager's fees paid/payable in Units	1,939	-	1,939
Issue costs			
Distribution paid to Unitholders	(35,421)	-	(35,421)
Distribution paid to CPPU Holder	-	(1,891)	(1,891)
Net decrease in net assets resulting from transactions with owners	(33,482)	(1,891)	(35,373)
Hedging transactions			
Effective portion of change in fair value of cash flow hedges	3,881	-	3,881
Hedging reserve transferred to statement of total return	1,003	-	1,003
Net movement in hedging transactions	4,884	-	4,884
Net assets attributable to owners at 31 March 2018	1,108,043	360,925	1,468,968

1 (d)(ii) Details of Any Changes in Units (Group and Trust)

	1Q 2019 ('000)	1Q 2018 ('000)
Units in issue:		
At the beginning of the period	2,855,978	1,544,013
Issue of new Units relating to:		
- Manager's fees paid in Units	5,611	2,756
At the end of the period	2,861,589	1,546,769
Units to be issued:		
Manager's fee payable in Units	4,996	2,727
At the end of the period	2,866,585	1,549,496

2 Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice

The financial information set out in paragraphs 1,4,5,6,7,8 of this announcement has not been audited but have been extracted from the interim financial information for the quarter ended 31 March 2019 which has been reviewed by OUE C-REIT's auditors in accordance with Singapore Standard on Review Engagements SSRE 2410 "Review of Interim Financial Information Prepared by the Independent Auditor of the Entity".

3 Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)

Please see the attached review report.

4 Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied

Except as disclosed in item 5 below, the accounting policies and methods of computation adopted in the preparation of the financial statements for the current report financial period are consistent with those described in the audited financial statements for the financial year ended 31 December 2018.

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

The Group has adopted new Financial Reporting Standards in Singapore ("FRSs") for the financial period beginning 1 January 2019 as follows:

FRS 116 Leases

FRS 116 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use ("ROU") asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

The Group recognises its existing operating lease arrangements as ROU assets with corresponding lease liabilities and measures lease liabilities by applying a single discount rate to its office leases.

The Group applied the practical expedient to recognise amounts of ROU assets equal to its lease liabilities on 1 January 2019 and recognition exemptions for short-term leases and leases of low value items in accordance with the principles of FRS116.

The nature of expenses related to such leases has changed as the principles under FRS 116 replaces the straight-line operating lease expense with depreciation charge for ROU assets and interest expense on lease liabilities.

There is no significant impact to the financial statements of the Group.

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6 Earnings per Unit and Distribution per Unit

Earnings per Unit attributable to Unitholders ("EPU")

	1Q 2019⁽¹⁾	1Q 2018	
		As restated⁽¹⁾	As previously reported
Weighted average number of Units	2,861,644,574	1,756,390,616	1,546,799,309
Basic EPU (cents)	0.76	0.76	0.86
Weighted average number of Units ⁽²⁾	3,390,767,681	2,283,635,213	1,995,393,943
Diluted EPU (cents)	0.67	0.62	0.71

Footnotes:

- (1) The weighted average number of Units and EPU have been adjusted to reflect the bonus element in the 1,288,438,981 new Units issued on 30 October 2018 at an issue price of S\$0.456 per Unit.
- (2) The weighted average number of Units includes the weighted average new Units to be issued assuming all the remaining CPPUs were converted at the conversion price of S\$0.7154 per Unit

550.0 million CPPUs were issued in October 2015 as partial satisfaction of the purchase consideration for the acquisition of ORP. The CPPUs cannot be converted for a period of four years commencing from the date of issue ("Restriction Period") save in certain limited circumstances and thereafter, not more than one-third of the CPPUs initially issued can be converted in any one year. After the Restriction Period, the CPPUs can be converted into Units at S\$0.715 per Unit and will impact the EPU upon conversion.

As at 31 March 2019, a total of 375.0 million CPPUs remain convertible. Assuming that these CPPUs are fully converted, 542,182,276 new Units will be issued.

Distribution per Unit attributable to Unitholders ("DPU")

	1Q 2019	1Q 2018	
		As restated⁽²⁾	As previously stated
No of Units entitled to distribution	2,866,585,405 ⁽¹⁾	2,837,935,183 ⁽²⁾	1,549,496,202 ⁽³⁾
Distribution per Unit (cents)	0.90	0.61 ⁽⁴⁾	1.12

Footnotes:

- (1) Comprises the Units in issue as at 31 March 2019 of 2,861,589,059 and Units to be issued to the Manager as satisfaction of Manager's base fee payable for 1Q 2019 of 4,996,346.
- (2) The number of Units entitled for distribution have been restated to include the 1,288,438,981 new Units issued pursuant to the Rights Issue on 30 October 2018.
- (3) Comprises the Units in issue as at 31 March 2018 of 1,546,769,007 and Units to be issued to the Manager as satisfaction of Manager's base fee payable for 1Q 2018 of 2,727,195.
- (4) For purpose of comparison, the restated 1Q FY2018 DPU is calculated based on 1Q FY2018 DPU adjusted for the rights units. The DPU for 1Q FY2018 based on the number of units entitled to distribution, adjusted for the bonus element in the Rights Units is 0.99 cents.

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7 Net Asset Value per Unit and Net Tangible Asset per Unit attributable to Unitholders

	Group		Trust	
	31 Mar 2019	31 Dec 2018	31 Mar 2019	31 Dec 2018
No of Units in issue and to be issued at end of period/year	2,866,585,405	2,861,589,059	2,866,585,405	2,861,589,059
Net asset value ("NAV") per Unit (S\$)	0.71	0.71	0.59	0.60
Net tangible asset ("NTA") per Unit (S\$)	0.70	0.70	0.58	0.59

The NAV per Unit and NTA per Unit are computed based on the Units in issue and to be issued as at the end of the financial period/year.

8 Review of the Performance

Statement of Total Return	1Q 2019 ⁽¹⁾ (S\$'000)	1Q 2018 ⁽¹⁾ (S\$'000)	Change (%)
Revenue	55,335	44,095	25.5
Property operating expenses	(11,767)	(8,818)	33.4
Net property income	43,568	35,277	23.5
Other income	4,993	956	N/M
Amortisation of intangible asset	(1,548)	(1,113)	39.1
Manager's management fees	(3,164)	(2,424)	30.5
Trustee's fee	(178)	(141)	26.2
Other expenses	(466)	(459)	1.5
Finance income	1,540	506	N/M
Finance costs	(15,578)	(11,997)	29.8
Net finance costs	(14,038)	(11,491)	22.2
Foreign exchange differences	59	402	(85.3)
Total return for the period before tax	29,226	21,007	39.1
Tax expense	(4,572)	(4,836)	(5.5)
Total return for the period	24,654	16,171	52.5

N/M: Not meaningful

Footnote:

(1) The results of OUE C-REIT's foreign subsidiaries are translated using the SGD:CNY rate of 1:4.973 for 1Q 2019 and 1:4.817 for 1Q 2018.

Review of OUE C-REIT Group's performance 1Q 2019 vs 1Q 2018

1Q 2019 net property income of S\$43.6 million was 23.5% higher compared to S\$35.2 million achieved in 1Q 2018. This was due mainly to the inclusion of OUE Downtown Office's income which was acquired in November 2018 and one-off income from OUE Bayfront and One Raffles Place.

Other income for current quarter increased to S\$5.0 million with the inclusion of income support in relation to OUE Downtown Office from the Sponsor Group.

The inclusion of OUE Downtown Office also resulted in higher current period base management fees, trustee fees and amortisation of intangible assets.

Net finance cost increased S\$2.5 million year-on-year mainly attributable to higher interest cost of S\$3.7 million, resulting from higher level of borrowings for the acquisition of OUE Downtown Office.

Consequently, total return for 1Q 2019 increased 52.5% to S\$24.7 million, compared to S\$16.2 million in 1Q 2018.

9 Variance between Actual and Forecast Results

OUE C-REIT has not made any forecast.

10 Commentary on the competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group in the next reporting period and the next 12 months

Singapore

Singapore's 1Q 2019 GDP growth slowed slightly to 1.3%⁽¹⁾ in 1Q 2019, based on advance estimates by the Ministry of Trade and Industry ("MTI"), from 1.9% in the previous quarter. On a quarter-on-quarter ("QoQ") seasonally adjusted annualised basis, GDP growth was 2.0%, higher than the 1.4% growth of the previous quarter. Growth in the manufacturing sector contracted 1.9% year-on-year ("YoY") in 1Q 2019, a reversal of the 5.1% YoY growth in 4Q 2018, due to output declines in the precision engineering and electronics clusters. The services sector expanded by 2.1% YoY in 1Q 2019, slightly ahead of the 1.8% YoY growth in 4Q 2018. While the overall outlook remains cautious given Singapore's small and open economy, policy stimulus from China and stable monetary policy by global central banks are expected to provide the backdrop for a pick-up in growth performance in the latter half of 2019. The official 2019 GDP growth forecast is maintained between 1.5% and 3.5%.

According to CBRE, leasing activity in the Singapore CBD was stable, driven by technology and co-working sectors, which led to higher Grade A core CBD occupancy of 95.2%⁽²⁾ as at 1Q 2019, up 0.3 ppt QoQ. Grade A CBD core office rents rose 3.2% QoQ in 1Q 2019 to S\$11.15 psf per month in the seventh consecutive quarter of growth, representing a 24.6% increase from the previous trough in 2017. Consequently, the gap between market rents and expiring rents in OUE C-REIT's Singapore properties has narrowed significantly. Given the benign medium term supply outlook, we continue to expect positive operational performance in 2019.

China

China's 1Q 2019 GDP growth was 6.4%⁽³⁾, at the same pace of growth as 4Q 2018. The economy showed recent signs of stabilisation after being impacted by weaker business and consumer sentiment on the back of the trade conflict with the US. Fixed asset investment was up 6.3% QoQ for 1Q 2019, while retail sales grew 8.3% YoY. March industrial production rose 8.5% YoY, as steel producers ramped up operations amid better prospects for demand. The stabilisation of the Chinese economy is expected to

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continue, underpinned by government-led infrastructure spending, with further stimulus measures to bolster consumption spending in the pipeline.

According to Colliers International, Shanghai CBD Grade A office occupancy declined 2.4 ppt QoQ to 87.6%⁽⁴⁾ as at 1Q 2019, as demand softened on the back of slower economic growth. With increased competition for tenants amid higher office supply, Shanghai CBD Grade A office rents edged down 0.4% QoQ to RMB10.32 psm per day as at 1Q 2019. In Puxi, Grade A office occupancy fell 2.8 ppt QoQ to 89.7% as at 1Q 2019, with rents 0.1% higher QoQ at RMB 9.55 psm per day.

With a significant amount of new office supply scheduled to enter the Shanghai market in 2019, coupled with softer demand from a slower economy, rental growth is expected to be subdued in the near-term. As supply abates in the longer term from 2020, stable demand is expected to underpin steady rental growth.

Proposed merger with OUE Hospitality Trust

On 8 April 2019, the Managers of both OUE C-REIT and OUE Hospitality Trust (“OUE H-Trust”) announced the proposed merger of C-REIT and OUE H-Trust (the “Proposed Merger”). The Proposed Merger will be effected through the acquisition by DBS Trustee Limited (in its capacity as trustee of CREIT) (the “C-REIT Trustee”) of all the issued and paid-up stapled securities in H-Trust (the “Stapled Securities”) held by the stapled securityholders of H-Trust (the “Stapled Securityholders”) by way of a trust scheme of arrangement (the “Trust Scheme”) in compliance with the Singapore Code on Take-overs and Mergers (the “Takeover Code”).

⁽¹⁾ Singapore Ministry of Trade and Industry Press Release, 12 April 2019

⁽²⁾ CBRE, Singapore MarketView 1Q 2019

⁽³⁾ National Bureau of Statistics of China Press Release, 17 April 2019

⁽⁴⁾ Colliers International, Shanghai Office Property Market Overview 1Q 2019

11 Distribution

(a) Current financial period

Any distribution declared for the current financial period?

No.

(b) Corresponding period of the immediately preceding financial year

Any distribution declared for the corresponding period of the immediate preceding financial period?

No.

12 If no distribution has been declared / recommended, a statement to that effect

Not applicable.

13 If OUE C-REIT has obtained a general mandate from Unitholders for interested person transactions, the aggregate value of such transactions are required under Rule 920(1)(a)(ii). If no interested person transactions mandate has been obtained, a statement to that effect.

OUE C-REIT did not obtain a general mandate from Unitholders for interested person transactions.

14 Confirmation pursuant to Rule 705(5) of the Listing Manual

We, on behalf of the Directors of OUE Commercial REIT Management Pte. Ltd. (as Manager of OUE C-REIT), hereby confirm that, to the best of our knowledge, nothing has come to the attention of the board of directors of the Manager which may render the unaudited financial results of OUE C-REIT Group for the period from 1 January 2019 to 31 March 2019 to be false or misleading in any material respect.

15 Confirmation pursuant to Appendix 7.7 under Rule 720(1) of the Listing Manual

We, on behalf of the Directors of OUE Commercial REIT Management Pte. Ltd. (as Manager of OUE C-REIT), hereby confirm that the undertakings from all its directors and executive officer as required in the format as set out in Appendix 7.7 under Rule 720(1) of the Listing Manual were procured.

On behalf of the Board of the Manager

Christopher Williams

Chairman and Non-Executive Director

Tan Shu Lin

Chief Executive Officer and Executive Director

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This release may contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from similar developments, shifts in expected levels of property rental income, changes in operating expenses (including employee wages, benefits and training costs), property expenses and governmental and public policy changes. You are cautioned not to place undue reliance on these forward-looking statements, which are based on the Manager's current view of future events.

The value of units in OUE C-REIT ("Units") and the income derived from them, if any, may fall or rise. Units are not obligations of, deposits in, or guaranteed by, the Manager or any of its affiliates. An investment in Units is subject to investment risks, including the possible loss of the principal amount invested. The past performance of OUE C-REIT is not necessarily indicative of the future performance of OUE C-REIT.

Investors should note that they will have no right to request the Manager to redeem or purchase their Units for so long as the Units are listed on the SGX-ST. It is intended that holders of Units may only deal in their Units through trading on the SGX-ST. The listing of the Units on the SGX-ST does not guarantee a liquid market for the Units.

By Order of the Board

Jackie Thia

Company Secretary

OUE Commercial REIT Management Pte. Ltd.

(as Manager of OUE Commercial Real Estate Investment Trust)

(Company registration no. 201327018E)

9 May 2019



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The Board of Directors
OUE Commercial REIT Management Pte. Ltd.
(in its capacity as Manager of OUE Commercial
Real Estate Investment Trust)
50 Collyer Quay
#04-08 OUE Bayfront
Singapore 049321

9 May 2019

Dear Sirs

OUE Commercial Real Estate Investment Trust

Report on review of interim financial information

Introduction

We have reviewed the accompanying interim financial information (the “Interim Financial Information”) of OUE Commercial Real Estate Investment Trust (“OUE C-REIT”) and its subsidiaries (collectively the “Group”) for the three-month period ended 31 March 2019. The Interim Financial Information consists of the following:

- Statement of financial position of the Group as at 31 March 2019;
- Statement of total return of the Group for the three-month period ended 31 March 2019;
- Statement of movements in unitholders’ funds of the Group for the period ended 31 March 2019;
- Distribution statement of the Group for the three-month period ended 31 March 2019;
- Portfolio statement of the Group as at 31 March 2019;
- Statement of cash flows of the Group for the period ended 31 March 2019; and
- Certain explanatory notes to the above Interim Financial Information.

The management of OUE Commercial REIT Management Pte. Ltd. (the “Manager” of OUE C-REIT) is responsible for the preparation and presentation of this Interim Financial Information in accordance with the recommendations of the Statement of Recommended Accounting Practice (“RAP 7 *Reporting Framework for Unit Trusts*”) relevant to interim financial information, issued by the Institute of Singapore Chartered Accountants (“ISCA”). Our responsibility is to express a conclusion on this Interim Financial Information based on our review.



Scope of review

We conducted our review in accordance with Singapore Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Singapore Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Other Matter

The Interim Financial Information for the comparative period ended 31 March 2018 have not been audited or reviewed.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim Financial Information is not presented, in all material respects, in accordance with the recommendations of RAP 7 *Reporting Framework for Unit Trusts* relevant to interim financial information issued by ISCA.

Restriction on use

Our report is provided in accordance with the terms of our engagement. Our work was undertaken so that we might report to you on the Interim Financial Information for the purpose of assisting OUE C-REIT to meet the requirement of paragraph 3 of Appendix 7.2 of the Singapore Exchange Limited Listing Manual and complying with the requirement of Rule 25 of Singapore Code of Take-Overs and Mergers and for no other purpose. Our report is included in the unaudited financial statements announcement of OUE C-REIT for the first quarter ended 31 March 2019 for the information of the unitholders and the unitholders' circular issued by OUE C-REIT in relation to the proposed merger with OUE Hospitality Trust. We do not assume responsibility to anyone other than the OUE C-REIT for our work, for our report, or for the conclusions we have reached in our report.

Yours faithfully

KPMG LLP

KPMG LLP

*Public Accountants and
Chartered Accountants*

Singapore
9 May 2019

LETTER FROM IFA ON THE UNAUDITED INTERIM FINANCIAL STATEMENTS

9 May 2019

OUE Commercial REIT Management Pte. Ltd.
(as manager of OUE Commercial Real Estate Investment Trust)
50 Collyer Quay #04-08
OUE Bayfront
Singapore 049321

Attention: The Board of Directors

Dear Sirs

THE PROPOSED MERGER OF OUE COMMERCIAL REAL ESTATE INVESTMENT TRUST ("C-REIT") AND OUE HOSPITALITY TRUST ("H-TRUST") BY WAY OF A TRUST SCHEME OF ARRANGEMENT (THE "PROPOSED MERGER")

1. On 9 May 2019, the Board of Directors of OUE Commercial REIT Management Pte. Ltd. (the "**Board of Directors**") and the manager of C-REIT, the "**C-REIT Manager**"), in its capacity as the manager of C-REIT, announced the unaudited consolidated interim financial statements of C-REIT and its subsidiaries (collectively, the "**Group**") for the three-month period ended 31 March 2019 (the "**Unaudited Interim Financial Statements**") on the Singapore Exchange Securities Trading Limited. We have examined the Unaudited Interim Financial Statements and have discussed the same with the management of the C-REIT Manager. We have also considered the report by KPMG LLP dated 9 May 2019, in its capacity as the independent auditor of the Group, in respect to their review of the Unaudited Interim Financial Statements.
2. For the purpose of this letter, we have relied on and assumed the accuracy and completeness of all information provided to, or discussed with, us by the management of the C-REIT Manager. Saved as provided in this letter, we do not express any other opinion and views on the Unaudited Interim Financial Statements. The directors of the C-REIT Manager (the "**Directors**") remain solely responsible for the Unaudited Interim Financial Statements.
3. Based on the above, we are of the opinion that the Unaudited Interim Financial Statements have been prepared by the Directors after due and careful enquiry.
4. This letter is provided to the Directors solely for the purpose of complying with Rule 25 of the Singapore Code on Take-overs and Mergers and not for any other purpose. We do not accept responsibility for any person(s), other than the Directors, in respect of, arising out of, or in connection with this letter.

Yours faithfully,

For and on behalf of
Deloitte & Touche Corporate Finance Pte Ltd



Koh Soon Bee
Executive Director