

OUE COMMERCIAL REAL ESTATE INVESTMENT TRUST
Unaudited Financial Statements Announcement for the First Quarter 2018
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Introduction

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

OUÉ 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 OUÉ 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. OUÉ C-REIT’s portfolio currently comprises three 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. OUÉ 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, OUÉ C-REIT has an effective interest of 67.95% in ORP.
- OUÉ 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. OUÉ C-REIT has 91.2% strata ownership of Lippo Plaza.

Summary of OUÉ C-REIT Group Results

	1Q 2018 ⁽¹⁾ (S\$'000)	1Q 2017 ⁽¹⁾ (S\$'000)	Change (%)
Revenue	44,095	44,816	(1.6)
Net property income	35,277	34,642	1.8
Amount available for distribution to Unitholders	17,421	16,642	4.7
Distribution per Unit (“DPU”) (cents)	1.12	1.23	(8.9)

Footnote:

- (1) The results of OUÉ C-REIT’s foreign subsidiaries are translated using the SGD:CNY rate of 1:4.817 for 1Q 2018 and 1:4.859 for 1Q 2017.

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

Statement of Total Return	Note	1Q 2018 ⁽¹⁾ (S\$'000)	1Q 2017 ⁽¹⁾ (S\$'000)	Change (%)
Revenue		44,095	44,816	(1.6)
Property operating expenses		(8,818)	(10,174)	(13.3)
Net property income		35,277	34,642	1.8
Other income	1	956	675	41.6
Amortisation of intangible asset		(1,113)	(1,113)	-
Manager's management fees	2	(2,424)	(2,339)	3.6
Trustee's fee		(141)	(138)	2.2
Other expenses		(459)	(487)	(5.7)
Finance income		506	364	39.0
Finance costs		(11,997)	(13,966)	(14.1)
Net finance costs	3	(11,491)	(13,602)	(15.5)
Foreign exchange differences		402	(221)	N/M
Total return for the period before tax		21,007	17,417	20.6
Tax expense	4	(4,836)	(4,448)	8.7
Total return for the period		16,171	12,969	24.7
Attributable to:				
Unitholders and Convertible Perpetual Preferred Units ("CPPU") holder		14,236	10,977	29.7
Non-controlling interests		1,935	1,992	(2.9)
Total return for the period		16,171	12,969	24.7
Distribution Statement				
Total return for the period attributable to Unitholders and CPPU holder		14,236	10,977	29.7
Less: Amount reserved for distribution to CPPU holder		(925)	(1,356)	(31.8)
Distribution adjustments	5	4,110	7,021	(41.5)
Amount available for distribution for the period		17,421	16,642	4.7
Comprising:				
Taxable income		6,853	6,689	2.5
Tax exempt income		6,203	6,661	(6.9)
Unitholders' contributions		4,365	3,292	32.6
		17,421	16,642	4.7

N/M: Not meaningful

Footnote:

- (1) The results of OUE C-REIT's foreign subsidiaries are translated using the SGD:CNY rate of 1:4.817 for 1Q 2018 and 1:4.859 for 1Q 2017.

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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 (the "Sponsor") pursuant to the Deed of Income Support dated 9 January 2014 (the "Deed of Income Support").

(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 2018 and 1Q 2017.

(3) Net finance costs

Net finance costs comprises the following:

	1Q 2018 (S\$'000)	1Q 2017 (S\$'000)	Change (%)
Finance income			
Interest income	208	45	N/M
Ineffective portion of changes in fair value of cash flow hedges	298	319	(6.6)
	506	364	39.0
Finance costs			
Borrowing costs	(10,432)	(9,573)	9.0
Amortisation of debt establishment costs	(1,249)	(2,159)	(42.1)
Change in fair value of financial derivatives	(128)	(2,052)	(93.8)
Hedging reserve transferred from unitholders' funds	(188)	(182)	3.3
	(11,997)	(13,966)	(14.1)
Net finance costs	(11,491)	(13,602)	(15.5)

N/M: Not meaningful

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

	1Q 2018 (S\$'000)	1Q 2017 (S\$'000)	Change (%)
Ineffective portion of changes in fair value of cash flow hedges	298	319	(6.6)
Change in fair value of financial derivatives	(128)	(2,052)	(93.8)
Hedging reserve transferred from unitholders' funds	(188)	(182)	3.3
Net fair value loss	(18)	(1,915)	(99.1)

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 2018 (S\$'000)	1Q 2017 (S\$'000)	Change (%)
Current tax			
- Current period	4,066	3,383	20.2
- Under provision in respect of prior period	-	779	N/M
Deferred tax			
- Current period	352	761	(53.7)
- Over provision in respect of prior period	-	(779)	N/M
Withholding tax	418	304	37.5
	4,836	4,448	8.7

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, amortisation of debt establishment costs, amortisation of rent-free incentives, 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 2018 ⁽¹⁾ (S\$'000)	31 Dec 2017 ⁽²⁾ (S\$'000)	Change (%)	31 Mar 2018 (S\$'000)	31 Dec 2017 (S\$'000)	Change (%)
Non-current assets						
	489	512	(4.5)	-	-	-
Plant and equipment						
1	3,527,543	3,515,148	0.4	1,153,000	1,153,000	-
Investment properties						
2	3,638	4,751	(23.4)	3,638	4,751	(23.4)
Intangible asset						
	-	-	-	1,376,992	1,376,992	-
Investments in subsidiaries						
	262	290	(9.7)	-	-	-
Trade and other receivables						
	31	-	N/M	31	-	N/M
Financial derivatives						
	3,531,963	3,520,701	0.3	2,533,661	2,534,743	(0.0)
Current assets						
	11,730	12,555	(6.6)	2,079	2,919	(28.8)
Trade and other receivables						
	30,935	40,314	(23.3)	5,459	19,948	(72.6)
Cash and cash equivalents						
	42,665	52,869	(19.3)	7,538	22,867	(67.0)
Total assets						
	3,574,628	3,573,570	0.0	2,541,199	2,557,610	(0.6)
Non-current liabilities						
	848,427	748,319	13.4	672,104	571,521	17.6
Borrowings						
	-	-	-	149,372	149,372	-
Loan from a subsidiary						
	37,413	38,489	(2.8)	11,814	12,186	(3.1)
Trade and other payables						
	5,049	10,705	(52.8)	4,756	9,754	(51.2)
Financial derivatives						
	85,972	84,152	2.2	-	-	-
Deferred tax liabilities						
	976,861	881,665	10.8	838,046	742,833	12.8
Current liabilities						
	520,637	514,016	1.3	216,913	198,783	9.1
Borrowings						
	57,390	157,268	(63.5)	16,511	116,177	(85.8)
Trade and other payables						
	1,084	487	N/M	761	166	N/M
Financial derivatives						
	18,993	16,052	18.3	-	-	-
Current tax liabilities						
	598,104	687,823	(13.0)	234,185	315,126	(25.7)
Total liabilities						
	1,574,965	1,569,488	0.3	1,072,231	1,057,959	1.3
Net assets						
	1,999,663	2,004,082	(0.2)	1,468,968	1,499,651	(2.0)
Represented by:						
	1,401,859	1,407,285	(0.4)	1,108,043	1,137,760	(2.6)
Unitholders' funds						
	360,925	361,891	(0.3)	360,925	361,891	(0.3)
CPPU holder's funds						
	236,879	234,906	0.8	-	-	-
Non-controlling interests						
	1,999,663	2,004,082	(0.2)	1,468,968	1,499,651	(2.0)

N/M: Not meaningful

Footnotes:

- (1) The statements of financial position of OUE C-REIT's foreign subsidiaries as at 31 March 2018 are translated using the SGD:CNY rate of 1:4.803.
- (2) The statements of financial position of OUE C-REIT's foreign subsidiaries as at 31 December 2017 are translated using the SGD:CNY rate of 1:4.902.

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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 2017, with additions made in 2018. The increase was due largely to appreciation of the CNY against the SGD between 31 December 2017 and 31 March 2018.

(2) Intangible asset

Intangible asset represents the unamortised income support receivable by OUE C-REIT from the Sponsor pursuant to the Deed of Income Support.

(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 year from 31 December 2017 to 31 March 2018 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 and Trust level, trade and other receivables decreased compared to 31 December 2017. This is mainly due to lower income support receivable from the Sponsor at Trust level.

(5) Borrowings – Non-current and Current

The Group's and Trust's total borrowings increased as compared to 31 December 2017 mainly due to loan drawdown for CPPU redemption in January 2018.

(6) Trade and other payables - Current

In December 2017, an irrevocable notice was issued to redeem 100.0 million CPPUs. Redemption was completed in January 2018, resulting in the decrease in the Group's trade and other payables as compared to 31 December 2017.

(7) Current tax liabilities

The increase in current tax liabilities is mainly due to higher net tax provision for 1Q 2018.

(8) Unitholders' funds

The decrease in unitholders' funds is mainly due to distribution paid to Unitholders in March 2018. This is offset partially by profits for the financial period, net favourable movement in the fair value reserve of IRS as at 31 March 2018 and the appreciation of the CNY against the SGD from 31 December 2017 to 31 March 2018.

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(9) **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 were redeemed, with a balance of 375.0 million CPPUs remain outstanding as at 31 March 2018.

(10) **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 2018 ⁽¹⁾ (S\$'000)	31 Dec 2017 ⁽²⁾ (S\$'000)
Secured borrowings		
Amount repayable within one year, or on demand	483,237	494,516
Amount repayable after one year	698,986	598,947
Total secured borrowings	1,182,223	1,093,463
Unsecured borrowings		
Amount repayable within one year, or on demand	37,400	19,500
Amount repayable after one year	149,441	149,372
Total unsecured borrowings	186,841	168,872
Total borrowings ⁽³⁾	1,369,064	1,262,335

Footnotes:

- (1) The borrowings of OUE C-REIT's foreign subsidiaries as at 31 March 2018 are translated using the SGD:CNY rate of 1:4.803.
- (2) The borrowings of OUE C-REIT's foreign subsidiaries as at 31 December 2017 are translated using the SGD:CNY rate of 1:4.902.
- (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\$1,754.1 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;
- first priority fixed charge over the shares of certain subsidiaries; 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 2018 (S\$'000)	1Q 2017 (S\$'000)
Cash flows from operating activities			
Total return for the period		16,171	12,969
Adjustments for:			
Amortisation of intangible asset		1,113	1,113
Depreciation of plant and equipment		44	49
Manager's fees paid/payable in Units		1,939	1,871
Finance costs		11,997	13,966
Finance income		(506)	(364)
Tax expense		4,836	4,448
Operating income before working capital changes		35,594	34,052
Changes in working capital:			
Trade and other receivables		852	(1,738)
Trade and other payables		408	2,131
Cash generated from operating activities		36,854	34,445
Tax paid		(1,674)	(1,528)
Net cash from operating activities		35,180	32,917
Cash flow from investing activities			
Additions to plant and equipment		(25)	-
Payment for capital expenditure on investment properties		(519)	(6,158)
Interest received		208	45
Net cash used in investing activities		(336)	(6,113)
Cash flows from financing activities			
Distribution paid to Unitholders		(35,353)	(32,565)
Distributions paid to CPPU holder		(2,395)	(2,765)
Interest paid		(11,725)	(9,019)
Proceeds from issuance of Units	1	-	150,000
Payment of transaction costs related to the issue of Units	1	-	(780)
Proceeds from borrowings		123,000	665,000
Payment of transaction costs related to borrowings		-	(10,405)
Redemption of CPPUs	2	(100,000)	-
Repayment of borrowings		(18,141)	(781,500)
Net cash used in financing activities		(44,614)	(22,034)
Net (decrease)/increase in cash and cash equivalents		(9,770)	4,770
Cash and cash equivalents at beginning of the period		40,314	29,278
Effect of exchange rate fluctuations on cash held		391	(462)
Cash and cash equivalents at end of the period	3	30,935	33,586

Notes to Consolidated Statement of Cash Flows:

- (1) Gross proceeds of S\$150.0 million was pursuant to the private placement completed in March 2017. Transaction costs relating to the issue were paid from the gross proceeds received. Net proceeds of approximately S\$148.5 million have been utilised to partially repay OUE C-REIT's secured term loan due in 2018 and revolving loan facility.
- (2) On 1 December 2017, an irrevocable redemption notice was issued to redeem 100.0 million CPPUs (amounting to S\$100.0 million), the redemption was completed on 2 January 2018.

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

	31 Mar 2018 (S\$'000)	31 Mar 2017 (S\$'000)
Bank and cash balances	10,894	19,289
Short-term deposits	20,041	14,297
Cash and cash equivalents	30,935	33,586

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

Group	Unitholders	CPPU	Total	Non-	Total
1Q 2018	(S\$'000)	holder	(S\$'000)	controlling	(S\$'000)
		(S\$'000)		interests	
			(S\$'000)	(S\$'000)	(S\$'000)
Net assets attributable to owners at 1 January 2018	1,407,285	361,891	1,769,176	234,906	2,004,082
Operations					
Total return for the period	14,236	-	14,236	1,935	16,171
Less: Amount reserved for distribution to CPPU holder	(925)	925	-	-	-
Net increase in net assets resulting from operations	13,311	925	14,236	1,935	16,171
Transactions with owners					
Contributions by and distributions to owners					
Issue of new Units					
- Manager's fees paid/payable in Units	1,939	-	1,939	-	1,939
Distribution paid to Unitholders	(35,421)	-	(35,421)	-	(35,421)
Distribution paid to CPPU holder	-	(1,891)	(1,891)	-	(1,891)
Total contributions by and distributions to 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	4,895	-	4,895	25	4,920
Hedging reserve transferred to statement of total return	175	-	175	13	188
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			
Contributions by and distributions to owners			
Issue of new Units			
- Manager's fees paid/payable in Units	1,939	-	1,939
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	4,768	-	4,768
Hedging reserve transferred to statement of total return	116	-	116
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

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

Group	Unitholders	CPPU	Total	Non-	Total
1Q 2017	(S\$'000)	holder	(S\$'000)	controlling	(S\$'000)
		(S\$'000)	(S\$'000)	interests	(S\$'000)
				(S\$'000)	
Net assets attributable to owners at 1 January 2017	1,206,751	530,765	1,737,516	231,362	1,968,878
Operations					
Total return for the period	10,977	-	10,977	1,992	12,969
Less: Amount reserved for distribution to CPPU holder	(1,356)	1,356	-	-	-
Net increase in net assets resulting from operations	9,621	1,356	10,977	1,992	12,969
Transactions with owners					
Contributions by and distributions to owners:					
Issue of new Units					
- Private placement	150,000	-	150,000	-	150,000
- Manager's fees paid/payable in Units	1,871	-	1,871	-	1,871
Issue costs	(906)	-	(906)	-	(906)
Distribution paid to Unitholders	(32,565)	-	(32,565)	-	(32,565)
Distribution paid to CPPU holder	-	(2,765)	(2,765)	-	(2,765)
Net increase/(decrease) in net assets resulting from transactions with owners	118,400	(2,765)	115,635	-	115,635
Movement in foreign currency translation reserve	(8,998)	-	(8,998)	-	(8,998)
Hedging transactions					
Effective portion of change in fair value of cash flow hedges	(3,187)	-	(3,187)	(173)	(3,360)
Hedging reserve transferred to statement of total return	170	-	170	12	182
Net movement in hedging transactions	(3,017)	-	(3,017)	(161)	(3,178)
Net assets attributable to owners at 31 March 2017	1,322,757	529,356	1,852,113	233,193	2,085,306

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

Trust 1Q 2017	Unitholders (S\$'000)	CPPU holder (S\$'000)	Total (S\$'000)
Net assets attributable to owners at 1 January 2017	1,018,353	530,765	1,549,118
Operations			
Total loss for the period	(3,045)	-	(3,045)
Less: Amount reserved for distribution to CPPU holder	(1,356)	1,356	-
Net (decrease)/increase in net assets resulting from operations	(4,401)	1,356	(3,045)
Transactions with owners			
Contributions by and distributions to owners			
Issue of new Units			
- Private placement	150,000	-	150,000
- Manager's fees paid/payable in Units	1,871	-	1,871
Issue costs	(906)	-	(906)
Distribution paid to Unitholders	(32,565)	-	(32,565)
Distribution paid to CPPU Holder	-	(2,765)	(2,765)
Net increase/(decrease) in net assets resulting from transactions with owners	118,400	(2,765)	115,635
Hedging transactions			
Effective portion of change in fair value of cash flow hedges	(2,324)	-	(2,324)
Hedging reserve transferred to statement of total return	113	-	113
Net movement in hedging transactions	(2,211)	-	(2,211)
Net assets attributable to owners at 31 March 2017	1,130,141	529,356	1,659,497

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

	1Q 2018 ('000)	1Q 2017 ('000)
Units in issue:		
At the beginning of the period	1,544,013	1,297,832
Issue of new Units relating to:		
- Manager's fees paid in Units	2,756	4,766
- Private placement	-	233,282
At the end of the period	1,546,769	1,535,880
Units to be issued:		
Manager's fee payable in Units	2,727	2,716
At the end of the period	1,549,496	1,538,596

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

The figures have not been audited or reviewed by OUE C-REIT's auditors.

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

Not applicable.

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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 2017.

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 (“FRS”) and interpretation effective for the financial period from 1 January 2018 as follows:

- i. FRS 115 *Revenue from Contracts with Customers*
- ii. FRS 109 *Financial Instruments*

FRS 115 establishes a comprehensive framework for determining whether how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specific criteria are met. FRS 109 contains new requirements for classification and measurement of financial instruments, a new expected credit loss model for calculating impairment of financial assets and new general hedge accounting requirements.

The Group does not expect a significant impact on the financial statements. Accordingly, comparative financial information presented in this set of announcement has not been restated.

6 Earnings per Unit and Distribution per Unit

Earnings per Unit attributable to Unitholders (“EPU”)

	1Q 2018	1Q 2017
Weighted average number of Units	1,546,799,309	1,341,508,615
Basic EPU (cents)	0.86	0.72
Weighted average number of Units ⁽¹⁾	1,995,393,943	1,998,178,101
Diluted EPU (cents)	0.71	0.55

Footnote:

(1) The weighted average number of Units includes the weighted average potential Units to be issued assuming all the remaining CPPUs were converted at S\$0.841 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\$0.841 per Unit and will impact the EPU upon conversion.

As at 31 March 2018, a total of 375.0 million CPPUs remain convertible. Assuming that the remaining 375.0 million CPPUs are fully converted, 445,897,741 Units will be issued.

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Distribution per Unit attributable to Unitholders ("DPU")

	1Q 2018	1Q 2017
No of Units entitled to distribution	1,549,496,202 ⁽¹⁾	1,538,595,915 ⁽²⁾
Distribution per Unit (cents)	1.12	1.23

Footnotes:

- (1) 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.
(2) Comprises the Units in issue as at 31 March 2017 of 1,535,879,600 and Units to be issued to the Manager as satisfaction of Manager's base fee payable for 1Q 2017 of 2,716,315.

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

	Group		Trust	
	31 Mar 2018	31 Dec 2017	31 Mar 2018	31 Dec 2017
No of Units in issue and to be issued at end of period/year	1,549,496,202	1,546,769,007	1,549,496,202	1,546,769,007
Net asset value ("NAV") per Unit (S\$)	0.90	0.91	0.72	0.74
Net tangible asset ("NTA") per Unit (S\$)	0.90	0.91	0.71	0.73

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

<u>Statement of Total Return</u>	1Q 2018 ⁽¹⁾ (S\$'000)	1Q 2017 ⁽²⁾ (S\$'000)	Change (%)
Revenue	44,095	44,816	(1.6)
Property operating expenses	(8,818)	(10,174)	(13.3)
Net property income	35,277	34,642	1.8
Other income	956	675	41.6
Amortisation of intangible asset	(1,113)	(1,113)	-
Manager's management fees	(2,424)	(2,339)	3.6
Trustee's fee	(141)	(138)	2.2
Other expenses	(459)	(487)	(5.7)
Finance income	506	364	39.0
Finance costs	(11,997)	(13,966)	(14.1)
Net finance costs	(11,491)	(13,602)	(15.5)
Foreign exchange differences	402	(221)	N/M
Total return for the period before tax	21,007	17,417	20.6
Tax expense	(4,836)	(4,448)	8.7
Total return for the period	16,171	12,969	24.7

N/M: Not meaningful

Footnote:

- (1) The results of OUE C-REIT's foreign subsidiaries are translated using the SGD:CNY rate of 1:4.817 for 1Q 2018 and 1:4.859 for 1Q 2017.

Review of OUE C-REIT Group's performance 1Q 2018 vs 1Q 2017

1Q 2018 net property income of S\$35.3 million was 1.8% higher compared to S\$34.6 million achieved in 1Q 2017. This was due mainly to lower maintenance expenses and utilities cost in the current reporting period.

Other income was S\$0.3 million higher in 1Q 2018 compared to 1Q 2017, due to higher income support drawdown in relation to OUE Bayfront from the Sponsor.

Net finance cost decreased S\$2.1 million year-on-year mainly attributable to lower year-on-year IRS's fair value loss and debt establishment cost. Both have no DPU impact. This is partially offset by higher interest cost of S\$0.9 million, which was a result of higher level of borrowings.

Consequently, total return for 1Q 2018 increased 24.7% to S\$16.2 million, compared to S\$13.0 million in 1Q 2017.

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

Based on advance estimates by the Ministry of Trade and Industry ("MTI"), Singapore's 1Q 2018 GDP growth was 4.3%⁽¹⁾, higher than 4Q 2017 growth of 3.6% and ahead of its forecast for 2018 GDP growth of between 1.5% to 3.5%. The manufacturing sector grew by 10.1% YoY, with the largest contribution from the electronics and precision engineering clusters. The services sector expanded by 3.8% YoY, supported by finance & insurance and wholesale & retail trade sectors.

According to CBRE, 1Q 2018 islandwide net absorption for office space was 149,444 sq ft. Core CBD office occupancy edged up 0.3 ppt QoQ to 94.1%⁽²⁾ as at 1Q 2018, with demand supported by co-working operators, oil & gas firms as well as the insurance sector. CBD Grade A office rents continued to rise, increasing 3.2% QoQ to S\$9.70 psf per month, on firmer rental expectations as pre-commitments at upcoming developments continue to be healthy.

Depending on the pace of recovery in spot rents in the Singapore CBD, negative rental reversions may potentially continue into 2018, albeit at a slower pace than that experienced in 2017. However, this is mitigated as only 5.6% of OUE Bayfront's gross rental income is due for renewal for the rest of 2018 and its rental revenue has downside protection from the income support arrangement. At One Raffles Place, its 2018 revenue base would have improved due to the notable increase in committed office occupancy achieved in 2017, thereby mitigating potential negative reversions in 2018.

China

China's economy grew 6.8%⁽³⁾ in 1Q 2018, ahead of the official target of around 6.5%, supported by strong consumer demand and robust real estate investment. Retail sales growth continued to strengthen on the back of urban wage growth, while the export sector posted strong growth ahead of the imposition of new tariffs by the US. Growth momentum is expected to slow in 2018, however, as authorities are expected to act to curb financial risks from excessive debt growth, and rein in pollution by heavy industries as the government continues to encourage more sustainable and higher quality growth.

According to Colliers International, Shanghai CBD Grade A office occupancy as at 1Q 2018 rose 0.4 ppt QoQ to 86.5%⁽⁴⁾, supported by strong demand of 239,000 sq m in the quarter. Consequently, Shanghai CBD Grade A office rents as at 1Q 2018 increased 0.4% QoQ to RMB10.26 psm per day. In Puxi, Grade A office occupancy as at 1Q 2018 improved 0.5 ppt QoQ to 86.2%, while rents increased 1.7% QoQ to RMB 9.31 psm per day.

A significant amount of new office supply is expected to enter the Shanghai market over the next two years, before easing in 2020. Nevertheless, firm economic growth is expected to continue to support healthy demand from the finance and technology sectors in Shanghai and underpin occupancy as well as rental rates.

⁽¹⁾ Singapore Ministry of Trade and Industry Press Release, 13 April 2018

⁽²⁾ CBRE, Singapore MarketView 1Q 2018

⁽³⁾ National Bureau of Statistics of China Press Release, 17 April 2018

⁽⁴⁾ Colliers International Shanghai Office Research and Forecast Report 1Q 2018

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 2018 to 31 March 2018 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

Ng Ngai

Company Secretary

OUE Commercial REIT Management Pte. Ltd.

(as Manager of OUE Commercial Real Estate Investment Trust)

(Company registration no. 201327018E)

10 May 2018