

OUE COMMERCIAL REAL ESTATE INVESTMENT TRUST
Unaudited Financial Statements Announcement for the First Quarter 2017
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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 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. 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.

Summary of OUE C-REIT Group Results

	1Q 2017 ⁽¹⁾ (S\$'000)	1Q 2016 ⁽¹⁾ (S\$'000)	Change (%)
Revenue	44,816	42,914	4.4
Net property income	34,642	33,255	4.2
Amount available for distribution to Unitholders	16,642	17,041	(2.3)
Distribution per Unit (“DPU”) (cents)	1.23	1.32	(6.8)

Footnote:

- (1) The results of OUE C-REIT’s foreign subsidiaries are translated using the SGD:CNY rate of 1:4.859 for 1Q 2017 and 1:4.658 for 1Q 2016.

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

	Note	1Q 2017 ⁽¹⁾ (S\$'000)	1Q 2016 ⁽¹⁾ (S\$'000)	Change (%)
Statement of Total Return				
Revenue		44,816	42,914	4.4
Property operating expenses		(10,174)	(9,659)	5.3
Net property income		34,642	33,255	4.2
Other income	1	675	703	(4.0)
Amortisation of intangible asset		(1,113)	(1,118)	(0.4)
Manager's base management fees	2	(2,339)	(2,345)	(0.3)
Trustee's fee		(138)	(138)	-
Other expenses		(487)	(566)	(14.0)
Finance income		364	49	N/M
Finance costs		(13,966)	(13,750)	1.6
Net finance costs	3	(13,602)	(13,701)	(0.7)
Foreign exchange differences		(221)	(396)	(44.2)
Total return for the period before tax		17,417	15,694	11.0
Tax expense	4	(4,448)	(3,911)	13.7
Total return for the period		12,969	11,783	10.1
Attributable to:				
Unitholders and CPPU holder		10,977	9,965	10.2
Non-controlling interests		1,992	1,818	9.6
Total return for the period		12,969	11,783	10.1
Distribution Statement				
Total return for the period attributable to Unitholders and CPPU holder		10,977	9,965	10.2
Less: Amount reserved for distribution to CPPU holder		(1,356)	(1,367)	(0.8)
Distribution adjustments	5	7,021	8,443	(16.8)
Amount available for distribution for the period		16,642	17,041	(2.3)
Comprising:				
Taxable income		6,689	7,680	(12.9)
Tax exempt income		6,661	-	N/M
Unitholders' contributions		3,292	9,361	(64.8)
		16,642	17,041	(2.3)

N/M: Not meaningful

Footnote:

- (1) The results of OUE C-REIT's foreign subsidiaries are translated using the SGD:CNY rate of 1:4.859 for 1Q 2017 and 1:4.658 for 1Q 2016.

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").

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(2) Manager's base 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. For 1Q 2017, the Manager has elected to pay 20% of the base management fee in cash, with the balance 80% in the form of new Units.

(3) Net finance costs

Net finance costs comprises the following:

	1Q 2017 (S\$'000)	1Q 2016 (S\$'000)	Change (%)
Finance income			
Interest income	45	49	(8.2)
Ineffective portion of changes in fair value of cash flow hedges	319	-	N/M
	364	49	N/M
Finance costs			
Borrowing costs	(9,573)	(9,525)	0.5
Amortisation of debt establishment costs	(2,159)	(1,985)	8.8
Ineffective portion of changes in fair value of cash flow hedges	-	(2,240)	N/M
Change in fair value of financial derivatives	(2,052)	-	N/M
Hedging reserve transferred from unitholders' funds	(182)	-	N/M
	(13,966)	(13,750)	1.6
Net finance costs	(13,602)	(13,701)	(0.7)

N/M: Not meaningful

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

	1Q 2017 (S\$'000)	1Q 2016 (S\$'000)	Change (%)
Ineffective portion of changes in fair value of cash flow hedges	319	(2,240)	N/M
Change in fair value of financial derivatives	(2,052)	-	N/M
Hedging reserve transferred from unitholders' funds	(182)	-	N/M
Net fair value loss	(1,915)	(2,240)	(14.5)

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 2017 (S\$'000)	1Q 2016 (S\$'000)	Change (%)
Current tax			
- Current period	3,383	3,116	8.6
- Under provision in respect of prior period	779	-	N/M
Deferred tax			
- Current period	761	568	34.0
- Over provision in respect of prior period	(779)	-	N/M
Withholding tax	304	227	33.9
	4,448	3,911	13.7

N/M: Not meaningful

(5) Distribution adjustments

Distribution adjustments include non-tax deductible expenses relating to the Manager's management fees payable in the form of 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 tax and 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 2017 ⁽¹⁾ (S\$'000)	31 Dec 2016 ⁽²⁾ (S\$'000)	Change (%)	31 Mar 2017 (S\$'000)	31 Dec 2016 (S\$'000)	Change (%)	
Non-current assets							
	437	486	(10.1)	-	-	-	
Plant and equipment							
Investment properties	1	3,397,827	3,408,535	(0.3)	1,146,000	1,146,000	-
Intangible asset	2	8,090	9,203	(12.1)	8,090	9,203	(12.1)
Investments in subsidiaries		-	-	-	1,393,472	1,400,935	(0.5)
Trade and other receivables		263	309	(14.9)	-	-	-
Financial derivatives	3	-	315	N/M	-	288	N/M
		3,406,617	3,418,848	(0.4)	2,547,562	2,556,426	(0.3)
Current assets							
Trade and other receivables	4	13,129	11,302	16.2	2,438	2,820	(13.5)
Cash and cash equivalents		33,586	29,278	14.7	12,312	3,107	N/M
		46,715	40,580	15.1	14,750	5,927	N/M
Total assets		3,453,332	3,459,428	(0.2)	2,562,312	2,562,353	N/M
Non-current liabilities							
Loans and borrowings	5	1,178,364	961,949	22.5	862,653	636,553	35.5
Trade and other payables		38,712	39,196	(1.2)	11,960	12,084	(1.0)
Financial derivatives	3	12,345	7,747	59.4	10,433	6,440	62.0
Deferred tax liabilities		65,139	66,267	(1.7)	-	-	-
		1,294,560	1,075,159	20.4	885,046	655,077	35.1
Current liabilities							
Loans and borrowings	5	-	341,796	N/M	-	341,796	N/M
Trade and other payables	6	54,463	57,590	(5.4)	17,544	16,319	7.5
Financial derivatives	3	225	43	N/M	225	43	N/M
Current tax liabilities	7	18,778	15,962	17.6	-	-	-
		73,466	415,391	(82.3)	17,769	358,158	(95.0)
Total liabilities		1,368,026	1,490,550	(8.2)	902,815	1,013,235	(10.9)
Net assets		2,085,306	1,968,878	5.9	1,659,497	1,549,118	7.1
Represented by:							
Unitholders' funds	8	1,322,757	1,206,751	9.6	1,130,141	1,018,353	11.0
CPPU holder's funds	9	529,356	530,765	(0.3)	529,356	530,765	(0.3)
Non-controlling interests	10	233,193	231,362	0.8	-	-	-
		2,085,306	1,968,878	5.9	1,659,497	1,549,118	7.1

N/M: Not meaningful

Footnotes:

- (1) The statements of financial position of OUE C-REIT's foreign subsidiaries as at 31 March 2017 are translated using the SGD:CNY rate of 1:4.919.
- (2) The statements of financial position of OUE C-REIT's foreign subsidiaries as at 31 December 2016 are translated using the SGD:CNY rate of 1:4.815.

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Notes to Statements of Financial Position:

(1) Investment properties

Investment properties are carried at the last fair market value based on independent valuations as at 31 December 2016, with additions made in 2017. The decrease was due mainly to depreciation of the CNY against the SGD between December 2016 and March 2017.

(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 period from December 2016 to March 2017 was due to net unfavourable changes in the fair value of the IRS during the period.

(4) Trade and other receivables – Current

The Group's trade and other receivables increased as compared to December 2016 due mainly to increase in prepayments relating to maintenance work. This is offset partially by lower income support receivable from the Sponsor at Trust level.

(5) Loans and borrowings – Non-current and Current

During the quarter, the Trust refinanced all the current loans due with a new 5-year loan facility, resulting in an increase in the non-current loans due. Total loan and borrowings declined post the repayment of loans with the private placement proceeds.

(6) Trade and other payables – Current

The Group's trade and other payables decreased mainly due to settlement of refurbishment work accrued as at December 2016.

(7) Current tax liabilities

The increase in current tax liabilities is mainly due to higher net tax provision for 1Q 2017 and reclassification from deferred to current tax liabilities.

(8) Unitholders' funds

The increase in unitholders' funds is mainly due to the S\$150.0 million gross private placement proceeds received from the issue of 233,281,400 Units on 17 March 2017. This is offset by the distribution paid to Unitholders in February 2017, the net unfavourable movement in the fair value reserve of the IRS as at 31 March 2017 and the depreciation of the CNY against the SGD from 31 December 2016 to 31 March 2017.

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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.

(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.

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

	31 Mar 2017 ⁽¹⁾ (S\$'000)	31 Dec 2016 ⁽²⁾ (S\$'000)
Secured borrowings		
Amount repayable within one year, or on demand	-	342,000
Amount repayable after one year	1,193,373	968,509
Less: Debt establishment costs ⁽³⁾	(15,009)	(6,764)
Total secured borrowings	1,178,364	1,303,745
Unsecured borrowings	-	-
Total borrowings	1,178,364	1,303,745

Footnotes:

- (1) The borrowings of OUE C-REIT's foreign subsidiaries as at 31 March 2017 are translated using the SGD:CNY rate of 1:4.919.
- (2) The borrowings of OUE C-REIT's foreign subsidiaries as at 31 December 2016 are translated using the SGD:CNY rate of 1:4.815.
- (3) Debt establishment costs are amortised over the tenure of the respective loan facilities.

Details of any collaterals

As at 31 March 2017, the Group's loans and borrowings outstanding amounted to S\$1,145.2 million which includes the proportionate share of loans and borrowings in OUBC.

The Group's loan and revolving credit facilities of three to eight years are secured on the following:

- investment properties with a total carrying amount of \$1,659.4 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. As at 31 March 2017, no Notes and/or Perpetual have been issued under the Programme.

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1 (c) Consolidated Statement of Cash Flows

	Note	1Q 2017 (S\$'000)	1Q 2016 (S\$'000)
Cash flows from operating activities			
Total return for the period		12,969	11,783
Adjustments for:			
Amortisation of intangible asset		1,113	1,118
Depreciation of plant and equipment		49	51
Manager's fees paid/payable in Units		1,871	1,876
Finance costs		13,966	13,750
Finance income		(364)	(49)
Tax expense		4,448	3,911
Operating income before working capital changes		34,052	32,440
Changes in working capital:			
Trade and other receivables		(1,738)	4,121
Trade and other payables		2,131	4,497
Cash generated from operating activities		34,445	41,058
Tax paid		(1,528)	(1,244)
Net cash from operating activities		32,917	39,814
Cash flow from investing activities			
Additions to plant and equipment		-	(2)
Payment for capital expenditure on investment properties		(6,158)	(117)
Interest received		45	49
Net cash used in investing activities		(6,113)	(70)
Cash flows from financing activities			
Distribution paid to Unitholders		(32,565)	(30,689)
Distribution paid to CPPU holder		(2,765)	(1,281)
Interest paid		(9,019)	(6,652)
Proceeds from issue of Units	1	150,000	-
Payment of transaction costs related to the issue of Units	1	(780)	-
Proceeds from borrowings		665,000	20,500
Payment of transaction costs related to loan and borrowings		(10,405)	-
Repayment of borrowings		(781,500)	(19,376)
Net cash used in financing activities		(22,034)	(37,498)
Net increase in cash and cash equivalents		4,770	2,246
Cash and cash equivalents at beginning of the period		29,278	24,149
Effect of exchange rate fluctuations on cash held		(462)	(651)
Cash and cash equivalents at end of the period	2	33,586	25,744

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

	31 Mar 2017 (S\$'000)	31 Dec 2016 (S\$'000)
Bank and cash balances	19,289	14,227
Fixed deposits	14,297	15,051
Cash and cash equivalents at end of the period/year	33,586	29,278

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

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			
<i>Contributions by and distributions to owners</i>			
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

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

Group	Unitholders	CPPU	Total	Non-	Total
1Q 2016	(S\$'000)	holder	(S\$'000)	controlling	(S\$'000)
				interests	
				(S\$'000)	(S\$'000)
Net assets attributable to owners at 1 January 2016	1,233,064	529,281	1,762,345	232,909	1,995,254
Operations					
Total return for the period	9,965	-	9,965	1,818	11,783
Less: Amount reserved for distribution to CPPU holder	(1,367)	1,367	-	-	-
Net increase in net assets resulting from operations	8,598	1,367	9,965	1,818	11,783
Transactions with owners					
Contributions by and distributions to owners:					
Issue of new Units					
- Manager's fees paid/payable in Units	1,876	-	1,876	-	1,876
Distribution paid to Unitholders	(30,689)	-	(30,689)	-	(30,689)
Distribution paid to CPPU Holder	-	(1,281)	(1,281)	-	(1,281)
Net decrease in net assets resulting from transactions with owners	(28,813)	(1,281)	(30,094)	-	(30,094)
Movement in foreign currency translation reserve	(15,175)	-	(15,175)	-	(15,175)
Hedging transactions					
Effective portion of change in fair value of cash flow hedges	(16,709)	-	(16,709)	(270)	(16,979)
Net assets attributable to owners at 31 March 2016	1,180,965	529,367	1,710,332	234,457	1,944,789

Trust
1Q 2016

Net assets attributable to owners at 1 January 2016

Operations

Total loss for the period

Less: Amount reserved for distribution to CPPU holder

Net (decrease)/increase in net assets resulting from operations

Transactions with owners

Contributions by and distributions to owners

Issue of new Units

- Manager's fees paid/payable in Units

Distribution paid to Unitholders

Distribution paid to CPPU holder

Net decrease in net assets resulting from transactions with owners

Hedging transactions

Effective portion of change in fair value of cash flow hedges

Net assets attributable to owners at 31 March 2016

Unitholders	CPPU	Total
(S\$'000)	holder	(S\$'000)
1,047,484	529,281	1,576,765
(2,033)	-	(2,033)
(1,367)	1,367	-
(3,400)	1,367	(2,033)
1,876	-	1,876
(30,689)	-	(30,689)
-	(1,281)	(1,281)
(28,813)	(1,281)	(30,094)
(15,359)	-	(15,359)
999,912	529,367	1,529,279

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

Units in issue:

At the beginning of the financial period

Issue of new Units relating to:

- Manager's fees paid in Units

- Private placement

At the end of the period

Units to be issued:

Manager's fee payable in Units

At the end of the period

	1Q 2017 ('000)	1Q 2016 ('000)
At the beginning of the financial period	1,297,832	1,285,799
Issue of new Units relating to:		
- Manager's fees paid in Units	4,766	3,653
- Private placement	233,282	-
At the end of the period	1,535,880	1,289,452
Units to be issued:		
Manager's fee payable in Units	2,716	2,883
At the end of the period	1,538,596	1,292,335

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.

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

The accounting policies and methods of computation adopted in the preparation of the financial statements for the current report financial year are consistent with those described in the audited financial statements for the financial year ended 31 December 2016.

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

Not applicable.

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6 Earnings per Unit and Distribution per Unit

Earnings per Unit attributable to Unitholders ("EPU")

	1Q 2017	1Q 2016
Weighted average number of Units	1,341,508,615	1,289,483,251
Basic EPU (cents)	0.72	0.67
Weighted average number of Units ⁽¹⁾	1,998,178,101	1,943,466,604
Diluted EPU (cents)	0.55	0.51

Footnote:

(1) The weighted average number of Units includes the potential Units to be issued assuming all the 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. Upon full conversion, 653,983,353 Units will be issued.

Distribution per Unit attributable to Unitholders ("DPU")

	1 Jan 2017 to 16 Mar 2017	17 Mar 2017 to 31 Mar 2017	1Q 2016
No of Units entitled to distribution	1,302,598,200 ⁽¹⁾	1,538,595,915 ⁽²⁾	1,292,334,667 ⁽³⁾
Distribution per Unit (cents)	1.00	0.23	1.32

Footnotes:

(1) Comprises the Units in issue as at the date immediately preceding the issue of the new placement Units.

(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.

(3) Comprises the Units in issue as at 31 March 2016 of 1,289,451,569 and Units to be issued to the Manager as satisfaction of Manager's base fee payable for 1Q 2016 of 2,883,098.

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

	Group		Trust	
	31 Mar 2017	31 Dec 2016	31 Mar 2017	31 Dec 2016
No of Units in issue and to be issued at end of period/year	1,538,595,915	1,302,598,200	1,538,595,915	1,302,598,200
Net asset value ("NAV") per Unit (S\$)	0.86	0.93	0.73	0.78
Net tangible asset ("NTA") per Unit (S\$)	0.85	0.92	0.73	0.77

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.

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8 Review of the Performance

Statement of Total Return	1Q 2017 ⁽¹⁾ (S\$'000)	1Q 2016 ⁽¹⁾ (S\$'000)	Change (%)
Revenue	44,816	42,914	4.4
Property operating expenses	(10,174)	(9,659)	5.3
Net property income	34,642	33,255	4.2
Other income	675	703	(4.0)
Amortisation of intangible asset	(1,113)	(1,118)	(0.4)
Manager's base management fees	(2,339)	(2,345)	(0.3)
Trustee's fee	(138)	(138)	-
Other expenses	(487)	(566)	(14.0)
Finance income	364	49	N/M
Finance costs	(13,966)	(13,750)	1.6
Net finance costs	(13,602)	(13,701)	(0.7)
Foreign exchange differences	(221)	(396)	(44.2)
Total return for the period before tax	17,417	15,694	11.0
Tax expense	(4,448)	(3,911)	13.7
Total return for the period	12,969	11,783	10.1

N/M: Not meaningful

Footnote:

(1) The results of OUE C-REIT's foreign subsidiaries are translated using the SGD:CNY rate of 1:4.859 for 1Q 2017 and 1:4.658 for for 1Q 2016.

Review of OUE C-REIT Group's performance 1Q 2017 vs 1Q 2016

1Q 2017 revenue stood at S\$44.8 million, 4.4% higher than 1Q 2016, on the back of strong performance for all three properties. Property operating expenses increased 5.3% in line with improved revenue. Accordingly, net property income increased 4.2% year-on-year to S\$34.6 million.

Other income of S\$0.7 million was 4.0% lower, mainly due to lower drawdown of income support as a result of better performance at OUE Bayfront.

Net finance costs decreased marginally from S\$13.7 million to S\$13.6 million, due mainly to lower unfavorable IRS's fair value movement. The above expenses have no impact on DPU.

Higher tax expense of S\$4.4 million, as compared to S\$3.9 million in 1Q 2016, was in line with higher taxable profits recorded at Lippo Plaza and ORP.

Consequently, total return for 1Q 2017 increased 10.1% year-on-year to S\$13.0 million.

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

According to advance estimates by the Ministry of Trade and Industry (“MTI”), Singapore’s economy expanded by 2.5%¹ in 1Q 2017, moderating from the 2.9% growth in 4Q 2016. Nonetheless, this is at the higher end of MTI’s GDP growth forecast for 2017 of 1.0% to 3.0%. Growth was supported by the electronics and precision engineering clusters within the manufacturing sector which grew 6.6% year-on-year (“YoY”) in 1Q 2017, as well as the services sector, which expanded 1.5% YoY in the same period.

Core CBD occupancy in Singapore dipped 0.2 percentage points (“ppt”) quarter-on-quarter (“QoQ”) to 95.6% with net absorption falling back to negative territory at -47,439 sq ft in 1Q 2017 according to CBRE. The rate of decline in CBD Grade A office rents continued to slow, with rents declining by 1.6% QoQ to S\$8.95² psf per month as at 1Q 2017. Leasing activity was driven by higher quality office buildings and new developments, due to more competitive rents on offer. There was some expansion in demand from the technology and media sector, as well as signs of improved interest from the financial services sector. While pre-commitment levels for projects slated to complete in 2Q 2017 continue to improve, increasing vacancy remains a concern in the coming quarters as occupiers, who are still fulfilling existing lease terms prior to relocation, vacate their existing premises.

While the decline in Singapore office rents has slowed, current market rents are still lower than that in 2014, when most of OUE C-REIT’s Singapore leases expiring in 2017 were committed. Hence, negative rental reversions for leases due for renewal in 2017 may be expected.

China

China’s 1Q 2017 GDP growth was 6.9%³, the highest in six quarters and ahead of the 6.8% growth recorded in 4Q 2016. The 2017 GDP growth target was lowered from between 6.5% to 7.0%, to around 6.5%. Growth continued to be investment-led, with higher government infrastructure spending and a housing boom driven by easy credit driving the expansion in output, offsetting the slightly weaker growth in the services sector. Additional property cooling measures as well as a tightening policy bias in recent months are expected to temper excessive credit and rising property prices, with the aim of a more sustainable economy.

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According to Colliers International, Shanghai CBD Grade A office rents softened 0.8% QoQ to RMB10.4 psm per day as at 1Q 2017. While demand was strong, occupancy nevertheless declined 2.2 ppt QoQ to 87.6%⁴ as at 1Q 2017, due to significant new office completions during the quarter which increased stock by 4.8% to 6.4 million sq m. In Puxi, Grade A office occupancy moderated by 1.3 ppt QoQ to 87.2%, with rents also declining 1.4% QoQ to RMB 9.3 psm per day.

In view of further new office supply coming on-stream in Shanghai in 2017, the overall CBD Grade A vacancy rate may continue to increase in the coming quarters and hence the rental outlook continues to be soft.

¹ Singapore Ministry of Trade and Industry Press Release, 13 April 2017

² CBRE, Singapore MarketView 1Q 2017

³ National Bureau of Statistics of China Press Release, 17 April 2017

⁴ Colliers International Shanghai Office Research & Forecast Report 1Q 2017, 21 April 2017

11 Distribution

(a) Current financial period

Any distribution declared for the current financial period? Yes

Unitholders

Name of distribution: Advanced Distribution for the financial period from 1 January 2017 to 16 March 2017

This is made pursuant to the private placement announced on 8 March 2017, and is intended to ensure that the amount available for distribution accrued by OUE C-REIT up to the day immediately preceding the date of issue of the new placement Units, i.e. 16 March 2017, is only distributed in respect of the existing Units. The next distribution thereafter will comprise OUE C-REIT's distribution for the period from 17 March 2017 to 30 June 2017. Semi-annual distributions will resume thereafter.

Distribution type: (i) Taxable income distribution
 (ii) Tax exempt income distribution
 (iii) Capital distribution

Distribution rate: 1.00 cents per Unit comprises:-
 (i) Taxable income distribution: 0.39 cents per Unit
 (ii) Tax exempt income distribution: 0.42 cents per Unit
 (iii) Capital distribution: 0.19 cents per Unit

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Tax rate: Taxable income distribution
Individuals who receive such distribution as investment income (excluding income received through partnership in Singapore or from the carrying on of a trade, business or profession) will be exempted from tax.

Qualifying corporate investors will receive pre-tax distributions and pay tax on the distributions at their respective tax rates unless otherwise exempt.

Investors using CPF funds and SRS funds will also receive pre-tax distributions. These distributions are tax exempt where the distributions received are returned to their respective CPF and SRS accounts.

Qualifying foreign non-individual investors will receive their distribution after deduction of tax at the rate of 10%.

All other investors will receive their distribution after deduction of tax at the rate of 17%.

Tax-exempt income distribution
Tax-exempt income distribution is exempt from tax in the hands of all Unitholders, regardless of their nationality, corporate identity or tax residence status.

Capital distribution
The capital distribution is treated as return of capital to Unitholders for Singapore income tax purpose and is therefore not subject to Singapore income tax. For Unitholders who are liable to Singapore income tax on profits from sales of Units, the amount of capital distribution will be applied to reduce the cost base of their Units for Singapore income tax purposes.

Book closure date: 16 March 2017

Date payable: 6 June 2017

(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 2017 to 31 March 2017 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)

5 May 2017