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

ANNUAL GENERAL MEETING ON 21 MAY 2020
RESPONSES TO THE SUBSTANTIAL AND RELEVANT QUESTIONS FROM UNITHOLDERS

OUE Commercial REIT Management Pte. Ltd., as manager of OUE Commercial Real Estate Investment Trust ("**OUE C-REIT**", and the manager of OUE C-REIT, the "**Manager**"), refers to:

(a) OUE C-REIT's notice of annual general meeting ("**AGM**") dated 29 April 2020; and

(b) the accompanying general announcement released on 29 April 2020 setting out, *inter alia*, the alternative arrangements relating to attendance at the AGM via electronic means.

The Manager wishes to inform that the responses to all substantial and relevant questions which have been submitted by unitholders shall be published in this announcement.

Please refer to **Annex A** hereto for the list of substantial and relevant questions, and the Manager's responses to these questions.

By Order of the Board
Jackie Thia
Company Secretary

OUE Commercial REIT Management Pte. Ltd.
(Registration Number: 201327018E)
(as manager of OUE Commercial Real Estate Investment Trust)

20 May 2020

ANNEX A

LIST OF SUBSTANTIAL AND RELEVANT QUESTIONS AND RESPONSES

1	**Could the Board and/or Management comment on the outlook and impact of COVID-19 on OUE C-REIT.**
	1.1 OUE C-REIT started the year on solid ground, however the COVID-19 pandemic has caused an unprecedented public health and socio-economic crisis. Businesses have been disrupted due to the various measures implemented to contain community spread. 1.2 Within the Singapore CBD office sector, both Grade A office occupancy and rents are expected to come under pressure, in view of business uncertainty in the current economic climate. OUE C-REIT's high-quality and strategically located office properties are expected to continue to achieve committed rents which are in line with or above market rents. 1.3 As expiring rents are below current market rents, operating performance of OUE C-REIT's Singapore office portfolio, which contributes 53.1% to 1Q 2020 revenue, is expected to remain resilient. 1.4 For the Singapore hospitality segment, both hotel properties saw a strong start to the year. But as strict travel restrictions were progressively imposed from end January 2020, there was significant loss of demand from tourist arrivals as well as postponement and cancellation of planned MICE and social events. For 1Q 2020, international visitor arrivals declined significantly by 43.3% to 2.7 million. 1.5 To mitigate the decline in tourism demand, OUE C-REIT's hotel properties have sought alternative sources of demand including guests on self-isolation as well as workers affected by border shutdowns. The hotel properties have also implemented various cost containment measures to mitigate the decline in performance. The Singapore Government's assistance packages such as wage and tax reliefs have also provided some support. 1.6 Overall, the minimum rent component of S$67.5 million per annum under the master lease arrangements of OUE C-REIT's hotel portfolio provides downside protection. For 1Q 2020, the hotel segment contributed 21.7% to revenue. 1.7 Capitalising on the currently weak operating environment, the re-branding exercise of Mandarin Orchard Singapore as Hilton Singapore Orchard was announced on 26 March 2020, with the addition of new income-generating spaces to create value and drive sustainable returns. 1.8 This will better position the hotel, which already enjoys a prime Orchard Road location, to benefit from the expected recovery in the Singapore hospitality sector once travel confidence resumes. The minimum rent in OUE C-REIT's hotel master lease agreements will continue to provide downside support throughout the renovation and ramping-up period.

	1.9 OUE C-REIT's Singapore retail portfolio, which contributed approximately 17.1% to 1Q 2020 revenue, has been impacted by the decline in tourist demand and safe-distancing measures in place due to COVID-19. 1.10 In Singapore, the "circuit breaker" announced by the Government ordering all non-essential trades to close temporarily, initially from 7 April 2020 until 4 May 2020, and subsequently extended until 1 June 2020, will continue to impact on retail tenants' operations. 1.11 Although prime retail rents in Orchard Road edged down modestly in 1Q 2020, the retail operating environment is expected to remain challenging given the significant business disruption brought about by COVID-19. 1.12 In the Shanghai CBD Grade A office market, office leasing momentum slowed in 1Q 2020 due to economic uncertainties posed by the COVID-19 pandemic. Given the significant office supply pipeline which only peaks after 2021, the rental outlook is expected to remain subdued in the near term. 1.13 At Lippo Plaza, which contributed 8.1% to OUE C-REIT's 1Q 2020 revenue of which the office component accounted for about 80% of the property's revenue, the Manager's priority is to retain tenants and maintain occupancy. 1.14 To help to cushion the impact on OUE C-REIT's tenants' businesses in these challenging times, the Manager has provided various relief measures to tenants, which we believe serve the long-term interests of all stakeholders. The Manager will continue to monitor the situation closely, and is prepared to introduce further initiatives to support OUE C-REIT's tenants as required. 1.15 In terms of asset management, our focus is on tenant retention to sustain occupancy. In line with the Manager's prudent approach to capital management, OUE C-REIT will focus on cost management and cash conservation, especially in the current operating environment. Non-essential capital and operating expenditure has been suspended across OUE C-REIT's properties. 1.16 As the COVID-19 situation is fluid and still evolving, the full impact on OUE C-REIT depends on several factors including the duration of the pandemic, potential for further extension of the circuit breaker or other movement control orders, as well as the trajectory of recovery when the pandemic is under control. 1.17 The Manager will continue to focus its efforts on proactive asset management, and manage our capital prudently to maintain financial flexibility, so as to preserve sustainable long term returns for Unitholders.
2	**Does management plan to retain distributions, as some of the other REITs have done, in view of this challenging period due to COVID-19?**
	2.1 The Manager will continue to focus its efforts on proactive asset management, and manage our capital prudently to maintain financial flexibility, so as to preserve sustainable long term returns for Unitholders.

	2.2 However, as the COVID-19 situation is fluid and still evolving, the full impact on OUE C-REIT depends on several factors including the duration of the pandemic, potential for further extension of the circuit breaker or other movement control orders, as well as the trajectory of recovery when the pandemic is under control. 2.3 OUE C-REIT's distribution policy is to distribute at least 90% of its taxable income, on a semi-annual basis, with the actual level of distribution to be determined at the Manager's discretion. The Manager will review OUE C-REIT's financial results for 1H 2020 to determine the actual level of distribution for 1H 2020. 2.4 In 4Q 2019, the Manager retained S$1.5 million for working capital requirements. This practice of retaining S$1.5 in each quarter is likely to continue.
3	**Income Support - What is the amount received from the Sponsor in FY2019? When will the Income Support expire? What is the impact on DPU after the income support expires?**
	3.1 In FY2019, a total of S$17.2 million of income support was drawn, comprising income support of S$16.8 million in relation to the income support at OUE Downtown Office and S$0.4 million in relation to the income support at OUE Bayfront. 3.2 FY2019 DPU was 3.31 cents. Excluding income support payments received at OUE Bayfront and OUE Downtown Office, FY2019 DPU would be 2.85 cents. 3.3 The income support agreement with OUE Bayfront has expired in January 2019. 3.4 For OUE Downtown Office, the vendor which is a wholly-owned subsidiary of the Sponsor has provided income support to OUE C-REIT up to an aggregate of S$60.0 million or for a period of five years from 1 November 2018, whichever is earlier. 3.5 As at the end of FY2019, S$40.3 million of income support remains undrawn and there is still almost 4 years before the expiry of the income support arrangement. As such, it is still too early at this juncture to determine the impact on DPU after the cessation of income support.
4	**MAS has raised the leverage limit for S-REITs to 50%, would OUE C-REIT be comfortable with stretching the aggregate leverage beyond 43%?**
	4.1 The MAS has raised the gearing limit to 50% from 45% previously, to provide real estate investment trusts listed on the Singapore Exchange (S-REITs) with greater flexibility to manage their capital structure amid a challenging operating environment due to COVID-19.

	4.2 The Manager currently has no intention to stretch OUE C-REIT's aggregate leverage beyond the optimal gearing of approximately 40%, in line with its prudent approach to capital management.
5	**There is a significant amount of debt due to expire in 2020. Does the Manager see any potential for lowering the finance costs after refinancing the debt in this low interest environment?**
	5.1 Based on OUE C-REIT's latest financial results as at 31 March 2020, S$596 million of borrowings are due in the latter part of 2020, which will be refinanced ahead of maturity. 5.2 The Manager expects total borrowing costs to remain stable after refinancing the debt. 5.3 Where appropriate, the Manager will provide refinancing updates in its future financial results or other announcements on SGXNet.
6	**Office Properties Occupancy Rates and Rental Reversions:** • **Why has the occupancy rate of Lippo Plaza been declining since 2018 and does the Manager think that it will continue to decline for 2020?** • **Why has the office occupancy rate of OUE Downtown Office and One Raffles Place underperformed the Singapore Core CBD market?** • **As OUE C-REIT's office rents are below market, is the Manager expecting positive rental reversion for 2020?**
	6.1 Prior to 1Q 2018, Lippo Plaza in Shanghai had been enjoying 100% occupancy for three straight quarters from 2Q 2017 to 4Q 2017, ahead of the wider Shanghai CBD Grade A office market occupancy level of 86-87%. 6.2 However, business confidence was weakened due to US-China trade tensions in 2018, which resulted in the imposition of the respective tariffs by US and China in July 2018. This has impacted leasing momentum, as many occupiers put on hold expansion plans and even looked to cut costs, as they were unable to plan ahead for the long-term, resulting in a decline in Lippo Plaza's committed office occupancy to 93.2% as at end-2018. The overall Shanghai CBD Grade A office market occupancy was 90.0% as at end-2018. 6.3 The impact of the trade tensions was further compounded by increased leasing competition due to a significant influx of new Grade A office supply coming onstream. Consequently, Lippo Plaza's office occupancy corrected to 89.9% as at the end of 2019. The overall Shanghai CBD Grade A office market occupancy declined to 87.6% as at end-2019. 6.4 In early 2020, the COVID-19 pandemic hit which further disrupted businesses and dampened occupier sentiment for 1Q 2020. As at 31 March 2020, Lippo Plaza's office occupancy was 85.8%, in line with the wider Shanghai CBD Grade A office market occupancy of 85.4%.

	6.5 With the relaxation of the measures put in place to stem the spread of the pandemic in China, businesses have gradually resumed operations. However, the rental outlook is expected to remain subdued, given intense leasing competition and the significant Shanghai CBD Grade A office supply pipeline which only peaks after 2021. 6.6 In Singapore, for One Raffles Place we see an occupancy level of approximately 95% as structurally full. As One Raffles Place has no anchor tenants between its two office towers which collectively house more than 100 tenants, a frictional vacancy of 5% is considered within the healthy range. Since the Manager ramped up One Raffles Place's committed office occupancy from the low of 90% at acquisition in 2015, committed office occupancy has been ahead of the Singapore Core CBD office market occupancy (according to CBRE), from 2Q 2017 to 1Q 2019. 6.7 Given the rising office market in 2019, the Manager's leasing strategy for One Raffles Place was to maximise office rents, and we were willing to forgo a certain level of occupancy to achieve that goal. At OUE Downtown Office, as rental income is underpinned by income support, the Manager pursued a similar strategy of maximising rents while optimising occupancy. 6.8 This strategy resulted in the robust level of rental reversions which we saw in the Singapore office portfolio of between 8.0% and 17.8% for FY2019. 6.9 OUE C-REIT's portfolio of high-quality and strategically located office properties are expected to continue to achieve committed rents which are in line with or above market rents. As expiring rents are below current market rents, operating performance is expected to remain resilient. For 1Q 2020, OUE C-REIT's Singapore office portfolio achieved positive rental versions of between 7.9% to 16.7%.
7	**What is the rationale for the re-branding of Mandarin Orchard Singapore to Hilton Singapore Orchard? Is Mandarin Orchard Singapore required to pay termination fees to the existing operator or partially fund the cost of the asset enhancement initiative?**
	7.1 Capitalising on the currently weak operating environment, the re-branding exercise of Mandarin Orchard Singapore as Hilton Singapore Orchard ("Re-branding Exercise") was announced on 26 March 2020. 7.2 The Manager believes the Re-branding Exercise will significantly enhance the hotel property, and drive growth in long term sustainable returns and value to the unitholders of OUE C-REIT. 7.3 Firstly, the re-branding of Mandarin Orchard Singapore to Hilton Singapore Orchard enables OUE C-REIT to tap on Hilton's strong brand recognition and marketing, enhancing the hotel property's competitive positioning alongside other upscale hotels along Orchard Road.

	7.4 Secondly, the hotel property stands to benefit from Hilton's strong global distribution network, allowing it to tap into the higher yielding luxury market for both leisure and corporate segments with the brand's pipeline of global key accounts and established partnerships with global travel companies. This complements the hotel property's current strength in serving regional guests, particularly in the leisure segment, as well as diversifies its business mix and enhancing revenue, distribution and marketing strategies. 7.5 Next, the hotel property which will be the largest Hilton hotel in Asia-Pacific when it relaunches in 2022 with 1,080 rooms, will also be able to expand its reach to more than 100 million members worldwide through the highly successful Hilton Honors guest loyalty programme, as it drives more direct booking business. 7.6 Finally, with the addition of new meeting spaces as part of the Re-branding Exercise, the hotel property will be well positioned to cater to growing demand for MICE events, as Singapore continues to grow and enhance its profile as the top Asian MICE destination for regional and global events. 7.7 Although the Singapore hospitality sector will be negatively impacted in the near term by the COVID-19 situation, the Re-branding Exercise positions the hotel property to capitalise on the expected recovery in the sector once the situation is under control and travel confidence resumes. 7.8 Major refurbishments are expected to take place from 2Q 2020 onwards with the relaunch of the hotel expected in 2022. OUE C-REIT will invest S$90.0 million over the period of phased renovation, and the expected return on investment on a stabilised basis is approximately 10%. 7.9 The operations of the hotel property are currently managed by Singapore Mandarin International Hotels Pte. Ltd. (the "Existing Operator"), an indirect wholly-owned subsidiary of OUE Limited. The existing hotel management agreement between OUE Limited and the Existing Operator in relation to the marketing, management and operations of the hotel property will be mutually terminated prior to the re-opening date. Any termination fee will be negotiated between OUE Limited and the Existing Operator. 7.10 There is no change to the terms of the existing master lease arrangement with OUE Limited. The minimum rent embedded of S$45.0 million per annum within the hotel master lease arrangement will provide downside protection throughout the phased renovation and ramping-up period.
8	**Could the Manager provide some guidance with regards to asset revaluations of the portfolio? Are unitholders to expect any downward adjustments and if so by how much in percentage terms?**
	8.1 Asset valuations are undertaken on an annual basis in line with OUE C-REIT's December financial year-end, and the next valuation will be as at 31 December 2020. As such, it is too early at this juncture to determine if there would be downward adjustments and if so, how much.

	8.2 However, the Manager has been monitoring asset valuations as at 31 March 2020 for commercial S-REITS which have a March financial year-end, and our observation is that there has been no decline. 8.3 The independent valuers utilise a combination of various methodologies, where appropriate, to assess the value of each property. This includes the Income Capitalisation method, Direct Comparison method, as well as Discounted Cash Flow analysis. The eventual valuation adopted by the valuers would depend on the valuation assessment using each of these methods, and the weightage ascribed to each of the methods. 8.4 Under the Income Capitalisation method, the estimated market net income of the subject property is capitalised at an appropriate market capitalisation rate which reflects both the risk and benefits of the subject property as an investment. The capitalisation rate adopted would reflect attributes such as the nature, location, tenure and tenancy profile of the subject property together with the prevailing property market condition. Reference will also be taken from comparable yields derived from comparable properties' transactions. 8.5 The Manager understands that most independent valuers expect capitalisation rates to remain largely stable, unless there are significant comparable property transactions in the market which would lead them to revise their assumptions. Hence, valuation assessments determined by the Income Capitalisation method may not be significantly impacted at this juncture. 8.6 With the Direct Comparison Method, a comparison is made with sales of similar properties in the subject or comparable localities. Adjustments are made for factors such as differences in location, size, tenure, age or condition, catchment and date of sale, before arriving at the value of the subject property. 8.7 Similarly, if there are no significant comparable property transactions in the market, the valuation assessment determined by the Direct Comparison Method may not experience a significant impact at this point. 8.8 Discounted Cash Flow analysis takes into account the ability of the subject property to generate income over a 10-year period based on certain assumptions. Each year's net operating income during the period is discounted to arrive at the present value of expected future cash flows. The subject property's anticipated sale value at the end of the period (i.e. its terminal value) is also discounted to its present value, and added to the discounted income stream to arrive at the total present market value of the property. 8.9 Independent valuers may lower near term income projections to account for the impact of the COVID-19 pandemic. The eventual valuation determined by Discounted Cash Flow analysis would depend on the independent valuer's assumptions of the impact of the pandemic on income projections as well as the trajectory of recovery, amongst other factors.

	8.10 As the COVID-19 situation is fluid and still evolving, the overall impact on asset valuations is dependent on several factors which cannot be determined conclusively at this point. Where appropriate, the Manager will provide further updates in its future financial results or other announcements on SGXNet.
9	**What is the likelihood of a rights issue to raise cash?**
	9.1 The General Mandate is a measure taken by the Manager in anticipation of and for the purpose of, including but not limited to, acquiring new properties, capital expenditures, or repayment of existing debt. 9.2 The Manager currently has no intention to undertake a rights issue. In the event of any intended equity raisings by OUE C-REIT, Unitholders can expect to be duly informed through announcements made on SGXNet.