



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

RESPONSES TO THE SUBSTANTIAL AND RELEVANT QUESTIONS FROM UNITHOLDERS

1. **Background.** 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) the annual report of OUE C-REIT for the financial year ended 31 December 2022 (the "**Annual Report**");
 - (b) OUE C-REIT's notice of annual general meeting ("**AGM**") issued on 29 March 2023 informing the unitholders of OUE C-REIT (the "**Unitholders**") that the AGM of the Unitholders will be convened and held by way of electronic means on Thursday, 20 April 2023 at 2.00 p.m.; and
 - (c) the accompanying announcement issued by the Manager on 29 March 2023 setting out, *inter alia*, the alternative arrangements for the AGM (the "**AGM Announcement**").
2. **Response to questions from SIAS.** The Manager has received questions from the Securities Investors Association (Singapore) ("**SIAS**") in relation to the Annual Report. Please refer to **Annex A** hereto for the list of questions and the Manager's responses to them.
3. **Response to questions from Unitholders.** As stated in the AGM Announcement, Unitholders could submit substantial and relevant questions (which are related to the resolutions to be tabled for approval at the AGM) in advance of the AGM by 2.00 p.m. on Thursday, 6 April 2023 (the "**Submission Deadline**"). In this regard, no questions were received from Unitholders before the Submission Deadline.
4. **Subsequent clarifications or substantial and relevant follow-up questions.** As stated in the AGM Announcement, the Manager will address any subsequent clarifications sought, or substantial and relevant follow-up questions (which are related to the resolutions to be tabled for approval at the AGM) received after the Submission Deadline which have not already been addressed prior to the AGM, as well as those substantial and relevant text-based questions received "live" at the AGM itself, during the AGM through the live audio-visual webcast and live audio-only stream of the AGM proceedings.

By Order of the Board
Kelvin Chua
Company Secretary

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

14 April 2023

ANNEX A

RESPONSES TO QUESTIONS FROM SIAS

1	<p>A major milestone for the REIT is the successful completion of its \$150 million asset enhancement initiative which involved the rebranding of its hotel as the Hilton Singapore Orchard. The hotel has 1,080 rooms and is now the largest Hilton property in the Asia Pacific region, as well as the flagship property in Singapore. It partially opened in February 2022 and has been fully operational since January 2023.</p> <p>(i) How is the group capitalising on the anticipated rebound in Chinese tourists since COVID-related measures were lifted in China in early 2023?</p>
	<p>According to the Singapore Tourism Board¹, international visitor arrivals in 2023 are expected to reach around 12 to 14 million visitors who will bring in approximately S\$18 to S\$21 billion in tourism receipts – around two-thirds to three-quarters of the levels in 2019. While China’s gradual reopening is expected to provide a further boost to the recovery of Singapore’s hospitality sector in 2023, uncertainties over the return trajectory of Chinese tourists as well as flight connectivity and capacity may dampen the pace of recovery.</p> <p>The re-branding to Hilton Singapore Orchard, with 1,080 refurbished rooms and suites, new and enhanced meetings, incentives, conventions and exhibitions ("MICE") facilities, as well as revamped and fresh F&B offerings, has enabled OUE C-REIT to capitalise on the resurgence in MICE activities and the return of international business and leisure travellers, including those from China.</p> <p>Hilton’s strong brand recognition and global sales and distribution network have also diversified the business mix and tourist source. Apart from drawing locals and visitors from Southeast Asia, the hotel also witnessed a significant increase in guests from North America, which will help us mitigate over-reliance on Chinese tourists.</p>
	<p>Hilton Singapore Orchard’s FY 2022 revenue per available room ("RevPAR") of \$318 has also surpassed the previous RevPAR highs of the property before its re-branding.</p> <p>(ii) What are the average daily room rate and the average occupancy rate?</p> <p>(iii) Given the positioning of Hilton Singapore Orchard, what is management’s target for the average daily room rate?</p> <p>(iv) The valuation of Hilton Singapore Orchard, which has 33 years remaining on its lease, has increased from \$1.13 billion to \$1.25 billion while the Crowne Plaza Changi Airport saw its valuation increase to \$460.2 million from \$455.2 million. Can the audit and risk committee (ARC) provide further clarification to unitholders on the rationale behind the capitalisation rates of 5.25% and 4.75% for Hilton Singapore Orchard and Crowne Plaza Changi Airport respectively?</p>
	<p>The demand and interest for rooms and meeting spaces at Hilton Singapore Orchard has been very healthy with RevPAR growing from S\$302 in 2Q 2022 to S\$397 in 4Q 2022. We are unable to provide average daily room rates and the average occupancy rate due to commercial sensitivities.</p> <p>Backed by the ongoing recovery in the hospitality sector, as well as the re-positioning of Hilton Singapore Orchard ("HSO") as one of the top hotels along Orchard Road, we believe HSO’s revenue is expected to rebound to pre-pandemic levels as the hotel has been able to charge premium room rates compared to the former Mandarin Orchard Singapore. To serve as reference, the former Mandarin Orchard Singapore reported revenue of S\$73.3 million in</p>

¹ Singapore Tourism Board, "*Singapore’s tourism sector recovers strongly in 2022, visitor numbers expected to double in 2023*", 17 January 2023

FY 2018 under OUE Hospitality Trust ("**OUE H-Trust**"). (The full-year revenue for FY 2019 is unavailable as OUE H-Trust was delisted after the merger with OUE C-REIT effective from 4 September 2019.)

The valuers have maintained the same capitalisation rates for HSO and Crowne Plaza Changi Airport ("**CPCA**") at 5.25% and 4.75%, respectively, in their independent valuations of the properties as at 31 December 2022 and 31 December 2021. The revaluation gains are due to the improved operating performance of the assets in FY 2022 after the reopening of borders globally and the consequent recovery in the hospitality sector. After the successful re-branding and asset enhancement initiative, HSO is the Hilton brand's flagship hotel in Singapore and its largest in Asia Pacific. The hotel refreshed and renewed its full inventory of 1,080 rooms and suites which has enabled it to command premium room rates. Similarly, CPCA has also benefited from the recovery in the tourism and hospitality sector.

2 Distribution per unit (DPU) decreased from 2.60 cents to 2.12 cents, a significant decline of 18.5%, even though the trust is one of the largest diversified SGX-listed REITs. The 2022 DPU was boosted by \$4.6 million in partial distribution of divestment gains from OUE Bayfront (2021: release of \$5 million in retained distribution and \$5.4 million in capital distribution from divestment of OUE Bayfront).

The REIT's portfolio of core Grade A commercial assets contributed \$173 million or 72% out of the total revenue of \$241.5 million. A summary of the average office passing rent is shown on page 32 and reproduced below:

FY 2022 COMMITTED AND AVERAGE OFFICE RENTS

	Range of committed office rents ⁶	Average office passing rents ⁷
OUE Bayfront	S\$12.20 - S\$15.50 psf per month	S\$12.64 psf per month
One Raffles Place	S\$8.00 - S\$13.00 psf per month	S\$10.05 psf per month
OUE Downtown Office	S\$7.80 - S\$9.20 psf per month	S\$7.98 psf per month
Lippo Plaza	RMB7.20 - RMB11.10 psm per day (S\$4.22 - S\$6.50 psf per month)	RMB8.78 psm per day (S\$5.14 psf per month)

Notes:

⁶ Committed rents for renewals and new leases

⁷ For the month of December 2022

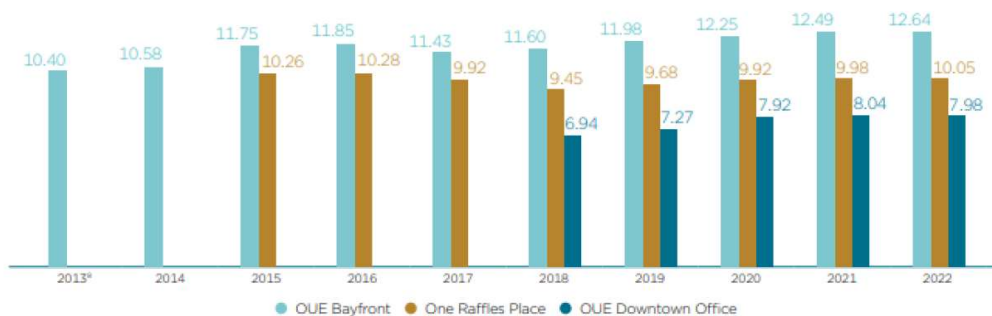
(Source: annual report)

The income support of \$60 million for OUE Downtown was fully drawn down in the second half of 2022. It does appear that the average passing rents at OUE Downtown is on the downtrend - \$8.04 in 2021 vs \$7.98 in 2022.

HISTORICAL AVERAGE PASSING RENTS

Singapore Office

(S\$ psf per month)



(Source: annual report)

	<p>(i) FY2022 revenue from OUE Downtown was \$43.1 million. Can management provide further clarification on whether this figure includes income support?</p> <p>(ii) Does this mean that OUE Downtown is still not meeting the performance projections established by management during its acquisition in 2018? With the income support fully drawn, will the expected total cash flow from OUE Downtown be significantly lower going forward?</p> <p>(iii) In addition, can the manager elaborate further on the intangible asset of \$5.4 million which was written off?</p>
	<p>The FY 2022 revenue from OUE Downtown Office of S\$43.1 million does not include income support. The income support on OUE Downtown Office is reported as "Other Income" on the Statements of Total Return and was S\$8.8 million in FY 2022.</p> <p>The COVID-19 pandemic has impacted the overall growth and performance of Singapore's office market in 2020 and 2021. According to CBRE's independent market review as at 31 December 2022 in OUE C-REIT's Annual Report 2022, Grade A CBD Core office rents declined 10.0% year-on-year ("YoY") in 2020 to S\$10.40 per square foot ("psf") per month. While office rents started to recover in 2021, Grade A CBD Core office rents recorded a smaller YoY increase of 3.8%. Leasing demand for OUE Downtown Office was similarly impacted, however the average passing rent has remained stable over the last three years and was S\$7.98 psf per month as of December 2022. OUE Downtown's operating metrics have improved significantly in 2022. The property's committed occupancy increased 4.8 percentage points ("ppt") YoY to 93.4% as at 31 December 2022 and rental reversions have turned positive starting from 3Q 2022 at 1.6% and 3.2% in 3Q and 4Q 2022, respectively.</p> <p>As stated in Note 5 on page 190 of the FY 2022 Annual Report, intangible assets represent the unamortised income support receivable by OUE C-REIT in relation to OUE Downtown Office. As the income support was fully drawn down in 2H 2022, the remaining unamortised intangible assets of S\$5,417,000 was written off during the financial year.</p>
	<p>The committed occupancy rate at Lippo Plaza declined 5.7% to 79.9% due to a "cautious leasing sentiment and competitive leasing environment". This occupancy rate is also substantially below Shanghai CBD Grade A Office occupancy rate of 89.8%.</p> <p>(iv) What is the manager doing to boost the occupancy rate?</p> <p>(v) Given that it is the REIT's only asset in China, does it make sense to divest it?</p>
	<p>The Manager's key priority in 2023 will be on sustaining occupancy at Lippo Plaza by strengthening relationships with tenants to better cater to their space requirements and optimise tenant retention.</p> <p>We work closely with leasing agents and provide appropriate incentives in line with market practices, to attract new tenants. We also exercise flexibility in lease negotiations on terms to better support our tenants' space requirements where possible, and do our best to engage tenants proactively in discussions on lease renewals.</p> <p>While Lippo Plaza's performance has been weaker than the assets in Singapore, the asset only accounted for 10.5% of FY 2022 revenue based on OUE C-REIT's proportionate interest in the respective properties.</p> <p>The Manager will continually seek to capitalise on opportunities for portfolio reconstitution where appropriate, by unlocking value from existing assets at an optimal stage of their life cycle and redeploying divestment proceeds into higher-yielding properties or other value-creating opportunities to enhance long-term returns.</p>

	<p>Separately, in an exclusive interview with REITsWeek, the REIT was reported to have "provided clues on how and where it will expand into in the coming years amid a gradual pick-up in the demand for office spaces". The CEO was also said to have "[given] clues about how this projected growth will likely be funded, amid a high interest rate environment".</p> <p>(vi) Can the manager (re)state its strategy to unitholders at the AGM? Has the board approved this new strategy?</p> <p>(vii) In light of recent macroeconomic trends, such as increased inflation, rising interest rates, and volatile foreign exchange rates, is the manager still considering Sydney, Melbourne and London as possible investment options? How does the REIT manager plan to mitigate any potential currency risks associated with these investments?</p>
	<p>As part of our ordinary course of business, OUE C-REIT has always been actively looking at investment opportunities and asset enhancement initiatives. The Manager's growth strategy for OUE C-REIT has been consistently communicated over the years to the public through press releases, announcements, quarterly business updates, half-year and full-year results, annual general meetings, as well as publications such as the annual report. Such information is first released on the SGXNet, followed by OUE C-REIT's corporate website.</p> <p>To recap, the Manager aims to pursue investment opportunities in key gateway cities with strong real estate fundamentals and growth potential, to provide attractive cash flows and yields to improve future income and capital growth to Unitholders. At the same time, OUE C-REIT will also continue to strengthen the balance sheet, extend the debt maturity profile and manage the cost of debt, to be in a stronger position to pursue DPU-accretive opportunities in the target markets including Australia and the United Kingdom ("UK").</p> <p>Besides Singapore and Shanghai which OUE C-REIT already has a presence in, Australia (Sydney, Melbourne) and the UK (London) are attractive options for OUE C-REIT as these deep, liquid markets offer high potential for growth and scalability in the long term. With clear and strong rule of law, high levels of governance and transparent legal and investment frameworks, these markets also possess strong real estate fundamentals and stable growth potential, in order to provide attractive cash flows and capital growth to Unitholders.</p> <p>While we expect that acquisitions might be limited in the current high interest rate environment in 2023, there might be interesting inorganic growth opportunities coming up over the next 9 to 12 months for OUE C-REIT due to pricing corrections and we will continue to be on the lookout for such opportunities. We will also focus on asset enhancements and capital recycling opportunities to drive value creation for the portfolio.</p> <p>In deciding the means of fundraising required by OUE C-REIT for potential acquisitions and AEs, the Board has a framework to evaluate the various funding options available, taking into consideration factors such as the costs of funds and capital, impact on aggregate leverage and returns amongst others. Unitholders can be assured that any decision made would have been deliberated by the Board taking into consideration the interests of all stakeholders. For the avoidance of doubt, OUE C-REIT has not indicated in the interview that we will be raising equity or that the Manager has identified any specific acquisition.</p> <p>To mitigate the effects of adverse foreign exchange ("forex") rate fluctuations associated with overseas investments, to the extent possible, OUE C-REIT adopts a natural hedging strategy by borrowing in the same currency as the underlying asset. To further mitigate exposures to foreign currency fluctuations, hedging instruments such as cross currency interest rate swaps and foreign currency forward contracts may be used where appropriate, considering the cost of hedging, to ensure the stability of cash flows and hedge against forex volatility on distributable income.</p>

	<p>In addition to the exclusive interview with REITsWeek, in an article in the Business Times dated 22 November 2022, the CEO was reported to have disclosed that the \$60 million of income support for OUE Downtown has been fully utilised. In addition, the CEO was quoted disclosing the average day rates of the newly opened Hilton Singapore to be \$300 when the hotel reopened, \$400 in May and \$500 in November 2022.</p> <p>(viii) Were these information announced by the REIT via SGXNET prior to the interview with BT?</p> <p>(ix) Can the manager and CEO confirm that the REIT distributes material non-public information through SGXNET? Does the manager have in place policies to minimise the risk of being perceived to be practicing selective disclosure, especially during exclusive interviews where clues on growth plans and sources of funding may be conveyed to the interviewer?</p>
	<p>The Manager has regularly disclosed in OUE C-REIT's financial results announcements and annual reports published thereafter on the amount of income support drawn down during the financial period reported as well as the cumulative amount. In Note 5 on page 192 of the FY 2021 Annual Report, it was stated that OUE C-REIT had drawn down S\$51,234,000 under the Deed of Income Support. In the interim financial information for the six-month period ended 30 June 2022 released on 25 July 2022, it was reported that income support relating to the top-up payments pursuant to the Deed of Income Support dated 1 November 2018 was S\$7,875,000 in 1H 2022. As the Manager deemed the remaining income support of S\$891,000 to be immaterial relative to OUE C-REIT's net property income of S\$48,269,000 for 3Q 2022, we did not disclose the remaining amount in our business update released on 3 November 2022. It has also been stated in Note 5 on page 190 of the FY 2022 Annual Report that OUE C-REIT has drawn down S\$60,000,000 under the Deed of Income Support.</p> <p>Similarly, we have consistently disclosed the RevPARs of HSO and CPCA in our quarterly business updates, as well as half-year and full-year financial results announcements. Being the key metric used to measure hotel performance, RevPARs are material and relevant information. The Manager does not deem the other figures quoted in the news article to be material information.</p> <p>The Manager remains committed to maintaining regular, timely and transparent communication with Unitholders, prospective investors, analysts, the media, regulators and other stakeholders. We strive to keep Unitholders and the investment community well informed and up-to-date on information pertaining to OUE C-REIT that would be relevant to their investment decisions and will continue to review our Investor Relations Policy to ensure that it is in line with best practices.</p>
<p>3.</p>	<p>To align its financing needs with the REIT's sustainability commitment, the REIT has refinanced its loans with sustainability-linked loans ("SLLs"). In August 2022, the REIT successfully obtained an unsecured \$978 million SLL to refinance existing secured borrowings.</p> <p>It has entered into "green leases" which account for just over a fifth of the REIT's net lettable area in the commercial segment in Singapore as of 31 December 2022.</p> <p>The REIT has participated in the annual Global Real Estate Sustainability Benchmark ("GRESB") assessment for the first time in 2022.</p> <p>(i) Can the manager provide unitholders with a clearer understanding of how refinancing maturing secured borrowings with SLLs will contribute to the REIT's sustainability objectives?</p> <p>(ii) In addition, can the manager explain what green leases are? How are these green leases evaluated?</p> <p>(iii) How did the REIT select the Global Real Estate Sustainability Benchmark ("GRESB") as the framework to guide and measure its sustainability efforts?</p>

OUE C-REIT's sustainability-linked loans ("**SLLs**") incorporate interest rate reductions linked to the sustainability performance targets which we have shared in our sustainability report and on the corporate website. This will allow OUE C-REIT to enjoy savings in interest costs when the targets are achieved and aligns our financing with the commitment to reduce the environmental impact of the portfolio beyond just integrating sustainable practices into our operations.

Green leases are agreements between OUE C-REIT and the tenants to align our interests on energy and environmental initiatives and acknowledge the possible synergies in cooperation. This includes monitoring tenants' waste output and consumption of energy, water and gas in relation to their premises in our buildings. Our property managers will also meet with the tenants to discuss in good faith how to reduce their energy consumption, carbon emissions and waste generation, as well as to co-operate in setting reasonable targets for the following year and other sustainability initiatives that OUE C-REIT implements.

The GRESB assessment was selected as it is one of the most internationally-recognised ESG performance rating system for the real estate and built environment industry. It is also widely participated by our peers in the S-REIT and global REIT sector. With the increased focus on ESG performance and disclosure, OUE C-REIT's participation in the leading global benchmark for the real estate sector will improve the ease of assessment by institutional investors and enhance our profile amongst industry peers. With the results of our assessment, we have also identified identify risks, areas of improvement, as well as feasible actions to be taken at the asset level.