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

RESPONSE TO SGX QUERIES

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**"), sets out its response to the queries raised by the Singapore Exchange Securities Trading Limited on 3 August 2020 in relation to OUE C-REIT's unaudited financial statements and distribution announcement for the second quarter 2020 ("**2Q 2020**") and financial period from 1 January 2020 to 30 June 2020 ("**1H 2020**") dated 23 July 2020, as follows:

Question 1:

It is noted on page 9 under Notes to Statements of Financial Position:-

> *"(1)* ***Investment Properties***
>
> *OUE C-REIT conducts property valuations on an annual basis. As such, there may be uncertainty relating to the carrying amounts of OUE C-REIT's investment properties as at 30 June 2020 as the carrying amounts are based on the independent valuations as at 31 December 2019, and have not taken into account the impact of the COVID-19 pandemic"* (emphasis added).

Our Regulator's Column of 27 July 2020 titled "What SGX RegCo expects of financial reports amid COVID-19" dated 27 July 2020 provides amongst others that:-

> "*Boards and management should carefully assess if asset values are appropriately reported in the interim financial statements. They should review whether the effects of COVID-19 present any indication that the asset values as at the previous financial year-end have changed significantly. The assessment of the impact and its associated uncertainties should be clearly explained.*
>
> *Disclosures are expected to be entity-specific, relevant and useful to investors. Issuers must eschew boilerplate disclosures, such as broad or generic statements that COVID-19 have negatively impacted the valuation measurements, without elaborating on the effects on each business segment. Disclosures must also be balanced and fair and avoid omission of important unfavourable facts.*

Financial statements should provide comparable and relevant information that adequately reflects the impact of COVID-19 on the issuer. Timely disclosure of any changed circumstances will enable investors to make an informed investment decision."

(a) Given the significant change in the economic, operating and business conditions caused by the COVID-19 pandemic which would be prevailing as at 1H 2020, please state whether and how OUE C-REIT would have disclosed all material information relating to the value of its investment properties to enable investors to make informed investment decisions;

(b) Please explain whether and how the Board of Directors has addressed its mind to the carrying amounts of OUE C-REIT's investment properties for 1H 2020 and decided if any material change is required, in view of the current COVID-19 situation;

(c) Please provide the assessment by the Board of Directors as to whether it is possible and if so, please quantify any impact on the carrying amounts of OUE C-REIT's investment properties for 1H 2020. If no, please provide the bases for the Board of Directors' view(s); and

(d) Taking into consideration the responses of OUE C-REIT to above queries (a) to (c), please clarify whether the Board of Directors has considered if the interim financial statements provide a balanced and fair view of any material factors that have affected the issuer's business conditions and financial position, including the impact of COVID-19.

Manager's Response:

(a) As stated in the financial results announcement dated 23 July 2020, "Unaudited Financial Statements and Distribution Announcement for the Second Quarter 2020 and Financial Period from 1 January 2020 to 30 June 2020", OUE C-REIT conducts property valuations on an annual basis in December. As such, OUE C-REIT will be engaging independent valuers to perform a full valuation of the Group's investment properties as at 31 December 2020, and disclosure of all material information relating to the value of OUE C-REIT's investment properties will be made subsequently. In the same announcement, the Manager has also provided a commentary and review of the industry sectors in which the REIT operates to provide investors with additional information to make informed investment decisions.

(b) The Board of Directors has considered the carrying values of OUE C-REIT's investment properties as at 1H 2020 and was of the view that it is too early to make a reliable assessment of any impact on the carrying values of the investment properties. This is because of market uncertainty resulting from the COVID-19 pandemic and the insufficient visibility to date of important valuation assumptions such as future cash flows and market transactions. The lack of reliable input data in the current environment will cause significant valuation uncertainty, unwarranted concerns about the key assumptions used in deriving the valuation commissioned, and will not be useful for investors to make informed investment decisions. More specifically:

    (i) with respect to hospitality assets which represent 25.5% of OUE C-REIT's portfolio, the immediate operating environment remains fluid and evolving given that developments on the easing of government restrictions on travel and social distancing measures are ongoing and the consequential impact on travel and business demand remains uncertain; and

(ii) with respect to commercial assets which represent 74.5% of OUE C-REIT's portfolio, recovery in terms of retail footfall and sales during the phased reopening of the economy post "Circuit Breaker" has been encouraging, though the recovery trajectory remains fluid given that government measures on social distancing and crowd control which impact on operating capacity remain uncertain as they will continue to evolve with the development of the pandemic. While office occupancy has been largely resilient owing to the long term nature of occupiers' space utilisation strategies and rental reversions in 1H 2020 for the Singapore office portfolio have been positive, office tenants are currently re-evaluating their long term business requirements, and assessing if they would require additional space due to social distancing, or that they may change their business models with part of the workforce adopting a partial work from home model, with the eventual conclusion expected to take a longer time to be reached.

The Manager will continue to closely monitor the evolving situation and OUE C-REIT will perform a valuation of its properties by the end of the financial year.

(c) Please see the responses to question (b) above.

(d) Given the rapidly evolving situation and uncertain business outlook, there is lack of visibility around demand within the commercial and hospitality segments which have fluctuated widely as a result of the COVID-19 pandemic. The Board of Directors believes that it has provided a balanced and fair view of the material factors that affect the Group's business conditions and financial position, including the impact of COVID-19. In addition to the commentary and review of the Group's business conditions in the financial results announcement dated 23 July 2020, further information on the tenant support measures, priorities and outlook due to COVID-19 has also been provided on pages 25 to 30 of OUE C-REIT's 2Q 2020 financial results presentation slides which was also released on 23 July 2020.

Question 2:

It is noted that the "Financial derivatives" financial statement line item of the Group increased from approximately S$14,560,000 as at 31 December 2019, to S$46,196,000 as at 30 June 2020.

With reference to Note 5 to the Statement of Financial Position at pg 9, it was disclosed that *"Financial derivatives represent the fair value of the interest rate swaps ("IRS") entered to hedge the floating interest rate exposure of OUE C-REIT Group's borrowings. The movement for the financial period from 31 December 2019 to 30 June 2020 was due to new IRS entered and net changes in the fair value of the IRS during the period."*

Please (i) provide a breakdown of how much of the change is attributable to the *"new IRS entered"* and "*net changes in the fair value of the IRS during the period"*; and (ii) explain the circumstance(s) which led to the *"new IRS entered"* and "*net changes in the fair value of the IRS during the period".*

Manager's Response:

The Group enters into IRS to manage and mitigate its exposure to adverse fluctuations in interest rates. As stated on page 10 of OUE C-REIT's 2Q 2020 financial results presentation slides, 80.7% of OUE C-REIT's debt are on fixed rate basis, which includes debt that have been hedged via IRS. During the financial period from 31 December 2019 to 30 June 2020, the Group entered into new IRS of S$250m. The fair value movements during the period from 31 December 2019 to 30 June 2020 relating to the new IRS and existing IRS were S$8.7m and S$25.3m respectively. The fair value movements are a result of movements in the interest rates from the time the Group entered into the respective IRS.

By Order of the Board
Tan Shu Lin
Chief Executive Officer and Executive Director

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

5 August 2020

IMPORTANT NOTICE

The value of the units in OUE C-REIT ("**Units**") and the income derived from them, if any, may fall or rise. The Units are not obligations of, deposits in, or guaranteed by, the Manager, DBS Trustee Limited (as trustee of OUE C-REIT) or any of their respective affiliates. An investment in the 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. Holders of Units ("**Unitholders**") should note that they will have no right to request that the Manager redeem or purchase their Units for so long as the Units are listed on the Singapore Exchange Securities Trading Limited ("**SGX-ST**"). It is intended that Unitholders 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.