

CIRCULAR DATED 26 DECEMBER 2014

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

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If you have sold or transferred all your ordinary shares (“**Shares**”) in the capital of OUE Limited (the “**Company**”), you should forward this Circular together with the Notice of Extraordinary General Meeting and the accompanying Proxy Form immediately to the purchaser or transferee to the stockbroker, bank or other agent through whom the sale was effected for onward transmission to the purchaser or transferee.

OUE

OUE LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number: 196400050E)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO

THE PROPOSED SALE AND LEASEBACK ARRANGEMENT OF CROWNE PLAZA CHANGI AIRPORT AND ITS FUTURE EXTENSION

Independent Financial Adviser in respect of the Proposed Transaction (as herein defined)

Deloitte.

IMPORTANT DATES AND TIMES

Last date and time for lodgement of Proxy Form : 11 January 2015 at 10.00 a.m.

Date and time of Extraordinary General Meeting : 13 January 2015 at 10.00 a.m.

Place of Extraordinary General Meeting : Mandarin Orchard Singapore
Mandarin Ballroom I
6th Floor, Main Tower
333 Orchard Road
Singapore 238867

TABLE OF CONTENTS

	Page
GLOSSARY	1
OVERVIEW	6
LETTER TO SHAREHOLDERS	
1. Introduction.....	9
2. The Proposed Sale and Leaseback of Crowne Plaza Changi Airport and its Future Extension.....	11
3. Financial Effects of the Proposed Transaction	25
4. Rationale and Key Benefits of the Proposed Transaction	28
5. Interests of Directors and Substantial Shareholders	29
6. Advice of the IFA on the Proposed Transaction	32
7. Recommendations	32
8. Extraordinary General Meeting	33
9. Abstentions from Voting	33
10. Action to be Taken by Shareholders	33
11. Directors' Responsibility Statement.....	33
12. Consents	33
13. Documents Available for Inspection	34
APPENDICES	
Appendix A Letter from Independent Financial Adviser	A-1
Appendix B Valuation Certificate	B-1
Appendix C Existing Interested Person Transactions	C-1
NOTICE OF EXTRAORDINARY GENERAL MEETING	D-1
PROXY FORM	

GLOSSARY

In the Circular, the following definitions apply throughout unless the context otherwise requires:

“Audit Committee”	:	Audit committee of the Company, comprising Mr. Kelvin Lo Kee Wai, Mr. Sin Boon Ann and Mr. Kin Chan
“Buyback Approval”	:	The approval by CAG for the buyback of CPCA by the Vendor from the REIT Trustee
“CAAS”	:	Civil Aviation Authority of Singapore
“CAG”	:	Changi Airport Group (Singapore) Pte. Ltd.
“CDP”	:	The Central Depository (Pte) Limited
“Colliers”	:	Colliers International Consultancy & Valuation (Singapore) Pte Ltd
“Combined Buyback Approval”	:	The approval by CAG for the buyback of CPCA and CPEX by the Vendor from the REIT Trustee
“Combined CPCA Lease”	:	The registered lease to the combined strata lot comprising CPCA and CPEX
“Combined Master Lease”	:	The master lease pursuant to which the Vendor will lease the whole of CPCA and CPEX for the same term as the CPCA Master Lease
“Combined Master Lease Agreement”	:	The supplemental lease agreement to be entered into between the Vendor, the REIT Trustee and the REIT Manager to vary the CPCA Master Lease Agreement
“Combined Put Option”	:	OUE H-REIT’s irrevocable right to require the Vendor to acquire CPCA and CPEX pursuant to the terms of the Combined Put Option Agreement
“Combined Put Option Agreement”	:	The put option agreement entered into between the Vendor and the REIT Trustee on 28 November 2014 in respect of CPCA and CPEX
“Combined Site”	:	The combined strata lot comprising CPCA and CPEX
“Companies Act”	:	The Companies Act, Chapter 50 of Singapore, as amended or modified from time to time
“Company”	:	OUE Limited
“Completion Date”	:	The date of completion of the acquisition of CPEX
“CPCA”	:	The hotel property known as Crowne Plaza Changi Airport, which is located at 75 Airport Boulevard, Singapore 819664
“CPCA Building Agreement”	:	The building agreement dated 13 April 2006 (as amended and supplemented by the first supplemental agreement dated 31 August 2009) entered into between CAAS (as head lessor) and LC Airport Hotel Pte. Ltd. (now known as OUE Airport Hotel Pte. Ltd. or the Vendor) and as further amended and supplemented by the second supplemental agreement dated 7 April 2011 entered into between CAG and the Vendor
“CPCA Buyback”	:	The purchase of CPCA by the Vendor from the REIT Trustee pursuant to the terms of the CPCA Put Option

GLOSSARY

“CPCA Lease”	:	The registered lease to the CPCA Site
“CPCA Master Lease”	:	The master lease pursuant to which the Vendor will lease the whole of CPCA from the date of completion of the divestment of CPCA to 27 May 2028 (inclusive of both dates), with an option given to the Vendor to renew for two consecutive terms of five years each
“CPCA Master Lease Agreement”	:	The master lease agreement to be entered into between the Vendor, the REIT Trustee and the REIT Manager in respect of CPCA
“CPCA Put Option”	:	OUE H-REIT’s irrevocable right to require the Vendor to acquire CPCA (through the assignment of the CPCA Building Agreement back to the Vendor) pursuant to the terms of the CPCA Put Option Agreement
“CPCA Put Option Agreement”	:	The put option agreement entered into between the Vendor and the REIT Trustee on 28 November 2014 in respect of CPCA
“CPCA Sale Consideration”	:	The sale consideration for CPCA
“CPCA Site”	:	The strata lot where CPCA is situated
“CPCA SPA”	:	The conditional sale and purchase agreement entered into between the Vendor and the REIT Trustee on 28 November 2014 for the divestment of CPCA
“CPEX”	:	The future extension to CPCA
“CPEX Building Agreement”	:	The building agreement in respect of CPEX dated 20 November 2014 entered into between CAG and the Vendor
“CPEX SPA”	:	The conditional sale and purchase agreement entered into between the Vendor and the REIT Trustee on 28 November 2014 for the divestment of CPEX
“CSC”	:	Certificate of Statutory Completion
“Deed of Income Support”	:	Deed of income support to be entered into between the Vendor and the REIT Trustee
“Deloitte”	:	Deloitte & Touche Corporate Finance Pte. Ltd., being the independent financial adviser to the Independent Directors and the Audit Committee in relation to the Proposed Transaction
“Directors”	:	Directors of the Company as at the date of this Circular
“EGM”	:	The extraordinary general meeting of the Company, notice of which is given on pages D-1 and D-2 of this Circular
“EPS”	:	Earnings/(loss) per share
“FF&E”	:	Furniture, fixtures and equipment
“FY2013”	:	The financial year ended 31 December 2013
“FY2013 Financial Statements”	:	The audited consolidated financial statements of the Group for the financial year ended 31 December 2013

GLOSSARY

“GFA”	:	Gross floor area
“Group”	:	The Company and its subsidiaries
“IFA”	:	Independent Financial Adviser
“IFA Letter”	:	The letter dated 26 December 2014 from the IFA to the Independent Directors and the Audit Committee setting out its advice to the Independent Directors and the Audit Committee in respect of the Proposed Transaction
“IHG”	:	InterContinental Hotels Group
“Income Support”	:	The income support arrangement in relation to CPEX
“Independent Directors”	:	The independent directors of the Company as at the date of this Circular, being Mr. Kelvin Lo Kee Wai and Mr. Sin Boon Ann
“Interested person”	:	Means: <ul style="list-style-type: none"> (a) a director, chief executive officer, or controlling shareholder of the Company; or (b) an associate of any such director, chief executive officer or controlling shareholder
“Interested Person Transaction”	:	Has the meaning ascribed to it in the Listing Manual
“Latest Practicable Date”	:	The latest practicable date prior to the printing of this Circular, being 17 December 2014
“Latest NTA”	:	The audited consolidated NTA of the Group as at 31 December 2013
“Listing Manual”	:	The Listing Manual of the SGX-ST
“Master Leases”	:	The CPCA Master Lease and the Combined Master Lease
“NAV”	:	Net asset value
“NTA”	:	Net tangible assets
“Ordinary Resolution”	:	A resolution proposed and passed as such by a majority being greater than 50.0% of the total number of votes cast for and against such resolution at a meeting of Shareholders convened in accordance with the Company’s memorandum and articles of association
“OUER”	:	OUE Realty Pte. Ltd.
“OUE H-BT”	:	OUE Hospitality Business Trust
“OUE H-REIT”	:	OUE Hospitality Real Estate Investment Trust
“OUE H-Trust”	:	OUE Hospitality Trust
“Proposed Transaction”	:	The proposed sale and leaseback arrangement of CPCA and CPEX between the Vendor and OUE H-REIT

GLOSSARY

“Register of Members”	:	The register of members and transfer books of the Company kept in accordance with Section 190 of the Companies Act including the Depository Register
“REIT Manager”	:	OUE Hospitality REIT Management Pte. Ltd. (in its capacity as manager of OUE H-REIT)
“REIT Trustee”	:	RBC Investor Services Trust Singapore Limited (in its capacity as trustee of OUE H-REIT)
“Securities Account”	:	Securities account maintained by a Depositor with the CDP but not including a securities sub-account
“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“Shareholders”	:	The registered holders of the Shares, except that where the registered holder is CDP, the term “Shareholders” shall in relation to those Shares, means the Depositors whose Securities Account are credited with those Shares
“Shares”	:	Ordinary shares in the capital of the Company
“Sponsor’s Undertaking”	:	The undertaking given by the Company in relation to the CPCA Put Option and the Combined Put Option
“sq ft”	:	Square feet
“sq m”	:	Square metre
“Stapled Securities”	:	Stapled securities of OUE H-Trust
“Stapled Securityholder”	:	Holder of Stapled Securities
“TOP”	:	Temporary occupation permit
“TQR”	:	Target quarterly rent
“Upgrading Works”	:	Works to be done for the refurbishment and renovation of the guest rooms in the CPCA building
“Vendor”	:	OUE Airport Hotel Pte. Ltd.
“per cent.” or “%”	:	Per centum or percentage
“S\$” or “SGD”	:	Singapore dollars, being the lawful currency of the Republic of Singapore

The terms **“Depositor”**, **“Depository Register”** and **“Depository Agent”** shall have the meanings ascribed to them respectively in Section 130A of the Companies Act.

The terms **“subsidiary”** and **“substantial shareholder”** shall have the meanings ascribed to them in the Companies Act and the Securities and Futures Act, Chapter 289 of Singapore.

Words importing the singular shall, where applicable, include the plural and *vice versa*. Words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. References to persons, where applicable, shall include corporations.

GLOSSARY

The headings in this Circular are inserted for convenience only and shall be ignored in construing this Circular.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act or any statutory modification thereof and not otherwise defined in the Circular shall have the same meaning assigned to it under the Companies Act or any statutory modification thereof, as the case may be.

Any reference to a time of day in this Circular is made by reference to Singapore time unless otherwise stated. Any discrepancies in the tables in this Circular between the listed amounts and the totals thereof are due to rounding.

OVERVIEW

The following overview is qualified in its entirety by, and should be read in conjunction with, the full text of this Circular. Meanings of defined items may be found in the Glossary on pages 1 to 5 of this Circular.

INFORMATION ON CROWNE PLAZA CHANGI AIRPORT AND ITS FUTURE EXTENSION

OUE Airport Hotel Pte. Ltd. (the “**Vendor**”), an indirect wholly-owned subsidiary of the Company, owns the hotel property known as Crowne Plaza Changi Airport, which is located at 75 Airport Boulevard, Singapore 819664 (“**CPCA**”). CPCA is a nine-storey business hotel managed by InterContinental Hotels Group (“**IHG**”). The hotel building, which is designed by the award-winning architectural firm WOHA, contains 320 rooms, including 27 suites, and has a total gross floor area (“**GFA**”) of approximately 336,894 square feet (“**sq ft**”). It also has four food and beverage outlets and eight meeting rooms, including a ballroom. CPCA was officially opened in May 2008. The global brand-name hotel is situated within the vicinity of the passenger terminals of Changi Airport, and was voted Best Airport Hotel (Singapore) at the Asia-Pacific Hotel Awards 2013 and one of the World’s Best Airport Hotels at the Skytrax World Airport Awards 2013 and 2014.

The future extension to CPCA (“**CPEX**”) is an adjacent rooms-only extension to CPCA and it will be linked to CPCA by a link-way on the second floor of both the CPCA and CPEX buildings. CPEX will add 243 hotel rooms to the existing 320 hotel rooms of CPCA, and the integrated complex will offer a total of 563 hotel rooms upon the expected completion of CPEX at the end of 2015 but not later than June 2016.

SUMMARY OF APPROVAL SOUGHT

The Company is seeking the approval from its shareholders (“**Shareholders**”) for the proposed sale and leaseback arrangement of CPCA and CPEX between the Vendor and OUE Hospitality Real Estate Investment Trust (“**OUE H-REIT**”) (the “**Proposed Transaction**”) which involves:

- (i) the divestment of CPCA by the Vendor to OUE H-REIT and the Vendor’s entry into a master lease agreement with RBC Investor Services Trust Singapore Limited (in its capacity as trustee of OUE H-REIT) (the “**REIT Trustee**”) and OUE Hospitality REIT Management Pte. Ltd. (in its capacity as manager of OUE H-REIT) (the “**REIT Manager**”) upon the completion of the divestment of CPCA, as well as its entry into various transactions in connection therewith; and
- (ii) the divestment of CPEX by the Vendor to OUE H-REIT and the Vendor’s entry into a supplemental master lease agreement with the REIT Trustee and the REIT Manager upon the completion of the divestment of CPEX, as well as its entry into various transactions in connection therewith.

REQUIREMENT FOR SHAREHOLDERS’ APPROVAL

Interested Person Transaction

The Proposed Transaction will constitute an “Interested Person Transaction” as defined under Chapter 9 of the Listing Manual of the SGX-ST (the “**Listing Manual**”), and will be subject to, *inter alia*, the approval of the Shareholders pursuant to Rule 906 of the Listing Manual.

Deloitte & Touche Corporate Finance Pte. Ltd. (“**Deloitte**”), in accordance with Chapter 9 of the Listing Manual, has been appointed as the Independent Financial Adviser (“**IFA**”) to advise the independent directors of the Company as at the date of this Circular, being Mr. Kelvin Lo Kee Wai and Mr. Sin Boon Ann (the “**Independent Directors**”) and the audit committee of the Company, comprising Mr. Kelvin Lo Kee Wai, Mr. Sin Boon Ann and Mr. Kin Chan (the “**Audit Committee**”), on whether the terms of the Proposed Transaction are on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders.

Based on their considerations and subject to the qualifications and assumptions set out in the IFA Letter, the IFA is of the opinion that the Proposed Transaction is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders. After taking into consideration the factors likely to affect the economics of the Proposed Transaction, including the opinion of the IFA (as set out in the IFA Letter in Appendix A to this Circular), the rationale for and key benefits of the Proposed Transaction (as set out in Section 4 of this Circular), the valuations in the summary valuation certificate (as set out in Appendix B to this Circular), and after discussion with the management of the Company and the IFA, the Independent Directors and the Audit Committee are of the view that the Proposed Transaction is based on normal commercial terms and would not be prejudicial to the interests of the Company and its minority Shareholders.

A copy of the letter dated 26 December 2014 from the IFA to the Independent Directors and the Audit Committee setting out its advice to the Independent Directors and the Audit Committee in respect of the Proposed Transaction (the “**IFA Letter**”) is set out in Appendix A to this Circular.

Please see Sections 2.6, 6 and 7 of the Letter to Shareholders and Appendix A to this Circular for further details.

Major Transaction

The Proposed Transaction will also constitute a “Major Transaction” as defined under Chapter 10 of the Listing Manual, and will be subject to the approval of the Shareholders pursuant to Rule 1014 of the Listing Manual.

Please see Section 2.7 of the Letter to Shareholders for further details.

RATIONALE AND KEY BENEFITS OF THE PROPOSED TRANSACTION

The Company believes that the Proposed Transaction will bring the following key benefits to the Company and its Shareholders:

(i) Unlock capital from the proposed divestment of CPCA and CPEX for higher growth reinvestment opportunities

The proposed divestment of CPCA and CPEX will enable the Company to unlock capital from CPCA and CPEX, thereby creating opportunities for the Company to recycle its capital as a result of release of proceeds, portions of which can be deployed towards: (a) reinvestment to pursue growth opportunities and (b) funding the Company’s future business plans. In addition, the proposed divestment of CPCA and CPEX will help to grow the Company’s fund management business in the REIT Manager as part of its overall business strategy.

The Company will also maintain the ability to operate CPCA and CPEX via the Master Leases to be entered into upon the respective completion of divestment of CPCA and CPEX, pursuant to which the Vendor (as master lessee) will be responsible for the continual management of CPCA and CPEX. The Company will, through the Master Leases, remain involved in long-term growth and development of CPCA and CPEX in tandem with the continued expansion of Changi Airport and continue to derive income from the management of the strategically-located hotel.

(ii) Facilitate the growth of an efficient REIT platform for the holding of hospitality properties

The proposed divestment of CPCA and CPEX to OUE H-REIT is in line with the Company’s commitment to OUE H-Trust at the time of its initial public offering, when the Company had granted a right of first refusal to OUE H-Trust for potential future acquisitions of hospitality and/or hospitality-related assets. The Proposed Transaction will increase the size of OUE H-REIT’s property portfolio from approximately S\$1.8 billion (as at 30 September 2014) to approximately S\$2.3 billion. As a substantial holder of stapled securities (“**Stapled Securityholder**”) of OUE Hospitality Trust (“**OUE H-Trust**”), the Company will continue to benefit from the growth of OUE H-Trust and the potential increase in the value of the Company’s holding of stapled securities of OUE H-Trust (“**Stapled Securities**”).

INDICATIVE TIMETABLE

The timetable for the events which are scheduled to take place after the extraordinary general meeting of the Company (the “**EGM**”) is indicative only and is subject to change at the Company’s absolute discretion as well as applicable regulatory requirements. Any changes (including any determination of the relevant dates) to the timetable below will be announced.

Event	Date and Time
Last date and time for lodgement of Proxy Forms	: 11 January 2015 at 10.00 a.m.
Date and time of the EGM	: 13 January 2015 at 10.00 a.m.

If the approval for the Proposed Transaction is obtained at the EGM:

Target date for completion of the proposed divestment of CPCA	: End February 2015 (or such other date as may be agreed between the REIT Trustee, the REIT Manager and the Vendor)
Target date for completion of CPEX	: By the end of 2015 but not later than June 2016

LETTER TO SHAREHOLDERS

OUÉ LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number: 196400050E)

Directors:

Dr. Stephen Riady (*Executive Chairman*)
Mr. Christopher James Williams (*Deputy Chairman*)
Mr. Thio Gim Hock (*Chief Executive Officer/Group Managing Director*)
Mr. Kelvin Lo Kee Wai (*Non-executive independent Director*)
Mr. Sin Boon Ann (*Non-executive independent Director*)
Mr. Kin Chan (*Non-executive non-independent Director*)

Registered Office:

50 Collyer Quay
#18-01/02
OUE Bayfront
Singapore 049321

26 December 2014

To: The Shareholders of OUE Limited

Dear Sir/Madam

THE PROPOSED SALE AND LEASEBACK ARRANGEMENT OF CROWNE PLAZA CHANGI AIRPORT AND ITS FUTURE EXTENSION

1. INTRODUCTION

1.1 Summary of Approval Sought

The directors of the Company (“**Directors**”) are convening the EGM to be held on 13 January 2015 to seek the approval of Shareholders for the proposed sale and leaseback arrangement of CPCA and CPEX between its indirect wholly-owned subsidiary, OUE Airport Hotel Pte. Ltd. (the “**Vendor**”) and OUE Hospitality Real Estate Investment Trust (“**OUE H-REIT**”) (the “**Proposed Transaction**”).

In connection with the Proposed Transaction, the Vendor has on 28 November 2014 entered into:

- (a) a conditional sale and purchase agreement with the REIT Trustee for the divestment of CPCA (the “**CPCA SPA**”);
- (b) a put option agreement with the REIT Trustee in respect of CPCA (the “**CPCA Put Option Agreement**”);
- (c) a conditional sale and purchase agreement with the REIT Trustee for the divestment of CPEX (the “**CPEX SPA**”); and
- (d) a put option agreement with the REIT Trustee in respect of CPCA and CPEX (the “**Combined Put Option Agreement**”).

On completion of the divestment of CPCA, the Vendor, the REIT Trustee and the REIT Manager shall enter into a master lease agreement (the “**CPCA Master Lease Agreement**”) pursuant to which the Vendor will lease the whole of CPCA from the date of completion of the divestment of CPCA to 27 May 2028 (inclusive of both dates), with an option given to the Vendor to renew for two consecutive terms of five years each (the “**CPCA Master Lease**”).

On completion of the divestment of CPEX, the Vendor, the REIT Trustee and the REIT Manager shall enter into a supplemental master lease agreement to vary the CPCA Master Lease Agreement (the “**Combined Master Lease Agreement**”), pursuant to which the Vendor will lease the whole of CPCA and CPEX for the same term as the CPCA Master Lease (the “**Combined Master Lease**”, and together with the CPCA Master Lease, the “**Master Leases**”).

LETTER TO SHAREHOLDERS

The Vendor holds (i) the right to a registered lease for a strata lot where CPCA is situated (the “**CPCA Site**”, and the registered lease to the CPCA Site, the “**CPCA Lease**”) from Changi Airport Group (Singapore) Pte. Ltd. (“**CAG**”) pursuant to the CPCA Building Agreement (as defined herein) and (ii) the right to secure the registered lease to the combined strata lot comprising CPCA and CPEX (the “**Combined Site**”, and the registered lease to the Combined Site, the “**Combined CPCA Lease**”) from CAG pursuant to the building agreement in respect of CPEX (the “**CPEX Building Agreement**”) together with the Vendor’s rights under the CPCA Lease.

1.2 Background of the Proposed Transaction

1.2.1 The Vendor has proposed to divest CPCA and CPEX to OUE H-REIT in two separate phases as CPEX is currently under construction. The completion of the divestment of CPEX will take place after the construction of CPEX is completed and CPEX has obtained its TOP. CPEX is a rooms-only extension to be integrated operationally with CPCA upon the completion of CPEX, therefore the Vendor is selling, and OUE H-REIT is acquiring, CPCA and CPEX together as a package, with the sale consideration for each of CPCA and CPEX being agreed upfront.

1.2.2 At the same time, the Vendor has also entered into (a) the CPCA Put Option Agreement with OUE H-REIT as it is possible that OUE H-REIT may only receive the formal legal title to the CPCA Lease after the completion of the divestment of CPCA under the CPCA SPA; and (b) the Combined Put Option Agreement with OUE H-REIT as it is possible that OUE H-REIT may only receive the formal legal title to the Combined CPCA Lease after the completion of the divestment of CPEX under the CPEX SPA.

1.2.3 The reason for the Vendor’s phased divestment of CPCA and CPEX, together with the benefit of the CPCA Put Option Agreement and the Combined Put Option Agreement is because the original leasehold interest in CPCA was issued earlier by the Civil Aviation Authority of Singapore (“**CAAS**”) and construction of CPCA has been completed, whereas the documentation for the CPEX leasehold interest have just been signed, with the construction of CPEX commencing thereafter. CAG is presently the lessor of the CPCA Site and the site on which CPEX shall be situated.

1.2.4 A building agreement dated 13 April 2006 (as amended and supplemented by a supplemental agreement dated 31 August 2009) (the “**CPCA Building Agreement**”) was entered into between CAAS (as head lessor) and LC Airport Hotel Pte. Ltd. (now known as OUE Airport Hotel Pte Ltd or the Vendor) and as further amended and supplemented by the second supplemental agreement dated 7 April 2011 entered into between CAG and the Vendor. Pursuant to the Civil Aviation Authority of Singapore Act 2009 and the master lease agreement dated 7 October 2009 entered into between CAAS and CAG (as amended and supplemented), the CPCA Site held by CAAS became vested in CAG on a lease, and the CPCA Building Agreement was vested in CAG. The CPCA Building Agreement was further amended and supplemented by a second supplemental agreement dated 7 April 2011 entered into between CAG and the Vendor (and all references in this Circular to the CPCA Building Agreement shall include the second supplemental agreement).

1.2.5 Under the CPCA Building Agreement, CAG is obliged to grant a lease of the CPCA Site to the Vendor (the “**CPCA Lease**”) for a term expiring on 29 August 2083. The CPCA Lease is in the process of being issued pursuant to the CPCA Building Agreement. The Combined CPCA Lease is expected to be granted by CAG within approximately 12 months from the date of temporary occupation permit (“**TOP**”) for CPEX, after completion of construction of CPEX which is expected to be at the end of 2015 but not later than June 2016.

Please see Sections 2.3 and 2.4 of this Circular for the key terms of the CPCA SPA, the CPCA Put Option Agreement, the CPEX SPA, the Combined Put Option Agreement, the CPCA Master Lease Agreement and the Combined Master Lease Agreement.

LETTER TO SHAREHOLDERS

1.3 Income Support

CPEX is currently under construction and it is expected to be completed at the end of 2015 but not later than June 2016, after which it would be divested to OUE H-REIT (assuming that Shareholders approve the Proposed Transaction at the EGM). As the income from CPEX would not have stabilised at the point of divestment of CPEX to OUE H-REIT since CPEX would only have just commenced operations and it is expected that the income from CPEX would take around three years to stabilise, the Vendor shall enter into a deed of income support with the REIT Trustee (the **“Deed of Income Support”**), pursuant to which the Vendor will agree to provide an income support arrangement in relation to CPEX (the **“Income Support”**) for the period from the date of completion of the acquisition of CPEX (the **“Completion Date”**) to (i) the day immediately preceding the third anniversary date of the Completion Date or (ii) the date when the aggregate of all rental top-up payments payable by the Vendor to OUE H-REIT under the Deed of Income Support exceeds S\$7.5 million, whichever is earlier. The grant of the Income Support is intended to provide a more stabilised level of income for CPEX for a period of three years upon the completion of divestment of CPEX to OUE H-REIT.

1.4 Requirement for Shareholders’ Approval

The Proposed Transaction will constitute (i) an “Interested Person Transaction” as defined under Chapter 9 of the Listing Manual, and (ii) a “Major Transaction” as defined under Chapter 10 of the Listing Manual, and will be subject to, *inter alia*, the approval of the Shareholders pursuant to Rule 906 and Rule 1014 of the Listing Manual respectively.

Please see Sections 2.6 and 2.7 of this Circular for further details on the requirements under Chapter 9 and Chapter 10 of the Listing Manual respectively.

1.5 Circular

The purpose of this Circular is to provide Shareholders with information relating to the Proposed Transaction and to seek the Shareholders’ approval for the Proposed Transaction at the EGM. Notice of the EGM is given on pages D-1 and D-2 of this Circular.

2. THE PROPOSED SALE AND LEASEBACK OF CROWNE PLAZA CHANGI AIRPORT AND ITS FUTURE EXTENSION

2.1 Information on CPCA and CPEX

As at the Latest Practicable Date, the Vendor holds (i) the right to the CPCA Lease pursuant to the CPCA Building Agreement and (ii) the right to secure the Combined CPCA Lease pursuant to the CPEX Building Agreement together with the Vendor’s rights under the CPCA Lease.

2.2 Description of CPCA and CPEX

CPCA, which is located at 75 Airport Boulevard, Singapore 819664, is a nine-storey business hotel managed by IHG. The hotel building, which is designed by the award-winning architectural firm WOHA, contains 320 rooms, including 27 suites and has a total GFA of approximately 336,894 sq ft. It also has four food and beverage outlets and eight meeting rooms, including a ballroom. CPCA was officially opened in May 2008. The global brand-name hotel is situated within the vicinity of the passenger terminals of Changi Airport, and was voted Best Airport Hotel (Singapore) at the Asia-Pacific Hotel Awards 2013 and one of the World’s Best Airport Hotels at the Skytrax World Airport Awards 2013 and 2014.

CPEX is an adjacent rooms-only extension to CPCA and it will be linked to CPCA by a link-way on the second floor of both the CPCA and CPEX buildings. CPEX will add 243 hotel rooms to the existing 320 hotel rooms of CPCA, and the integrated complex will offer a total of 563 hotel rooms upon the expected completion of CPEX at the end of 2015 but not later than June 2016.

CPCA is connected to Changi Airport Terminal 3 on both the arrival and departure levels and easily accessible from Changi Airport Terminals 1 and 2 by the airport Skytrain. It is within a short distance to Changi Business Park and Singapore Expo and is connected to the city by expressway and the mass rapid transit.

LETTER TO SHAREHOLDERS

The table below sets out a summary of the selected information on CPCA as at the Latest Practicable Date:

Location	75 Airport Boulevard, Singapore 819664
Leasehold Tenure	Approximately 68 years remaining, expiring on 29 August 2083
Issue of TOP	9 April 2008 / 20 May 2008 / 6 February 2009
Issue of CSC	30 September 2009
Approximate GFA	31,298.48 sq m (336,894 sq ft)
Number of Available Rooms	320
Valuation by Colliers	S\$290.0 million
Sale Consideration	S\$290.0 million
Proposed Master Lessee	Vendor
Term of Proposed Master Lease	From the date of completion of the divestment of CPCA to 27 May 2028 (inclusive of both dates), with an option given to the Vendor to renew for two consecutive terms of five years each

The table below sets out a summary of selected information on CPEX as at the Latest Practicable Date:

Location	Lot 04594L PT MK 31 Airport Boulevard
Leasehold Tenure	Approximately 68 years remaining, expiring on 29 August 2083
Estimated Issue of TOP	After completion of construction of CPEX which is expected to take place by the end of 2015 but not later than June 2016
Estimated Issue of CSC	March 2016 but not later than September 2016
Approximate GFA	9,615 sq m (103,495 sq ft)
Number of Available Rooms	243
Valuation by Colliers	S\$205.0 million
Sale Consideration	S\$205.0 million
Proposed Master Lessee	Vendor
Term of Proposed Master Lease	Same term as per the CPCA Master Lease

2.3 Key Terms of the Proposed Divestment of CPCA and CPEX

2.3.1 The CPCA SPA

(a) Sale Consideration

The sale consideration for CPCA (the “**CPCA Sale Consideration**”) is S\$290.0 million (exclusive of GST), which shall be payable by OUE H-REIT to the Vendor in cash on the date of completion of the CPCA SPA.

The CPCA Sale Consideration was arrived at on a willing-buyer and willing-seller basis, taking into account the independent valuation of Colliers International Consultancy & Valuation (Singapore) Pte Ltd (“**Colliers**”). A copy of the summary valuation certificate of CPCA is set out in Appendix B. Any applicable stamp duty will be borne by OUE H-REIT.

LETTER TO SHAREHOLDERS

The market value of CPCA as at 30 September 2014 is S\$290.0 million, and takes into account the leaseback arrangement under the CPCA Master Lease. Colliers had used the investment method, discounted cash flow analysis and direct comparison method in its valuation of CPCA.

(b) Conditions Precedent

Under the CPCA SPA, the sale of CPCA is subject to and conditional upon, among others:

- (i) the approval of CAG for, *inter alia*, the sale and leaseback of CPCA, the CPCA Put Option¹, the sale and leaseback of CPEX and the Combined Put Option², not being revoked;
- (ii) the approval of the Shareholders being obtained for the sale and leaseback of CPCA, the CPCA Master Lease Agreement, the CPCA Put Option, the sale and leaseback of CPEX, the Combined Master Lease Agreement, the Combined Put Option and the granting of the Deed of Income Support; and
- (iii) the Stapled Securityholders' approval being obtained for the purchase and lease of CPCA, the CPCA Master Lease Agreement, the CPCA Put Option, the purchase and lease of CPEX, the Combined Master Lease Agreement, the Combined Put Option and the entry into the Deed of Income Support.

(c) Other Terms

There are works to be done for the refurbishment and renovation of the guest rooms in the CPCA building (the "**Upgrading Works**") after completion of the divestment of CPCA and the Vendor has agreed to bear part of the costs of the Upgrading Works up to a maximum sum of S\$3.2 million.

2.3.2 The CPCA Put Option Agreement

In consideration of the sale and purchase of CPCA under the CPCA SPA, the Vendor agrees to grant to the REIT Trustee the CPCA Put Option.

(a) Trigger of the CPCA Put Option

If the REIT Trustee does not (or does not expect to) receive the CPCA Lease within any of the following periods:

- (i) the period of 12 months from the date of completion of the sale of CPCA to the REIT Trustee ("**12-month Period**");
- (ii) the period of 18 months from the date of completion of the sale of CPCA to the REIT Trustee ("**18-month Period**"); or
- (iii) the 6-month extension period from the expiry of the 18-month Period in subparagraph (ii) and any subsequent 6-month extension period thereafter (each a "**Further Extension Period**"),

(each a "**Relevant Period**"),

¹ "**CPCA Put Option**" refers to OUE H-REIT's irrevocable right to require the Vendor to acquire CPCA (through the assignment of the CPCA Building Agreement back to the Vendor) pursuant to the terms of the CPCA Put Option Agreement.

² "**Combined Put Option**" refers to OUE H-REIT's irrevocable right to require the Vendor to acquire CPCA and CPEX pursuant to the terms of the Combined Put Option Agreement.

LETTER TO SHAREHOLDERS

the REIT Trustee shall convene an EGM ("**Extension Approval EGM**") within two months from the expiry of the Relevant Period, where Stapled Securityholders will decide (via ordinary resolution and with the Company and its associates abstaining from voting) on whether to extend the period for receiving the CPCA Lease by six months. If the REIT Trustee obtains the extension approval ("**Stapled Securityholders' Extension Approval**"), the REIT Trustee has up to the expiry of the Relevant Period to ensure that the REIT Trustee receives the CPCA Lease.

The REIT Trustee may exercise the CPCA Put Option during the period of four months commencing from:

- (i) (in the event an Extension Approval EGM in respect of a Relevant Period is held prior to the expiry of the Relevant Period and the Stapled Securityholders' Extension Approval is not obtained at such Extension Approval EGM) the day immediately following the last day of such Relevant Period; or
- (ii) (in the event an Extension Approval EGM in respect of a Relevant Period is held after the expiry of the Relevant Period and the Stapled Securityholders' Extension Approval is not obtained at such Extension Approval EGM) the day immediately following the date of such meeting.

(b) Exercise of the CPCA Put Option

If the CPCA Put Option is exercised by the REIT Trustee in accordance with the CPCA Put Option Agreement, the Vendor shall be bound to purchase CPCA from the REIT Trustee, at a purchase price which is the higher of:

- (i) the valuation of CPCA as at the date of service of the CPCA Put Option exercise notice; and
- (ii) the purchase consideration of CPCA under the CPCA SPA.

For the purpose of determining the valuation of CPCA, each of the Vendor and the REIT Trustee shall separately appoint one independent valuer and the valuation to be utilised shall be the average of the valuations provided by the two valuers. The Vendor shall also reimburse the REIT Trustee for the transaction costs reasonably incurred by the REIT Trustee relating to its purchase of the CPCA and the Vendor's buyback of CPCA, pursuant to the terms of the CPCA Put Option Agreement.

(c) Conditions for the Exercise of the CPCA Put Option

Completion of the buyback of CPCA by the Vendor from the REIT Trustee is subject to and conditional upon the approval by CAG for the buyback of CPCA being obtained by the REIT Trustee ("**Buyback Approval**").

In this regard, the REIT Trustee shall use its best efforts to obtain the Buyback Approval and each party shall comply with the terms and conditions imposed by CAG and any relevant authorities in relation to or pursuant to the Buyback Approval.

The CPCA Master Lease Agreement shall terminate on completion of the buyback of CPCA under the CPCA Put Option Agreement without any compensation or penalty.

Pursuant to an undertaking given by the Company in relation to the CPCA Put Option and the Combined Put Option (the "**Sponsor's Undertaking**"), in the event that the REIT Trustee exercises the CPCA Put Option and the Vendor is unable to complete the purchase of CPCA pursuant to the CPCA Put Option Agreement, the Company or its nominee (which must be acceptable to the REIT Trustee) shall purchase or procure the purchase of CPCA from the REIT Trustee on the terms and conditions set out in the CPCA Put Option Agreement.

LETTER TO SHAREHOLDERS

2.3.3 The CPEX SPA

(a) Sale Consideration

The sale consideration for CPEX (the “**CPEX Sale Consideration**”) is S\$205.0 million (exclusive of GST), which shall be payable by OUE H-REIT to the Vendor in cash on the date of completion of the CPEX SPA.

The CPEX Sale Consideration was negotiated on a willing-buyer and willing-seller basis, taking into account the independent valuation of Colliers. A copy of the summary valuation certificate of CPEX is set out in Appendix B. Any applicable stamp duty will be borne by OUE H-REIT.

The market value of CPEX as at 1 January 2016 is S\$205.0 million, and takes into account the leaseback arrangement under the Combined Master Lease and the utilisation of the Income Support. Colliers had used the investment method and direct comparison method in its valuation of CPEX.

(b) Conditions Precedent

Under the CPEX SPA, the sale of CPEX is subject to and conditional upon, among others:

- (i) the approval of CAG for, *inter alia*, the sale and leaseback of CPCA, the CPCA Put Option, the sale and leaseback of CPEX and the Combined Put Option, not being revoked;
- (ii) the approval of the Shareholders being obtained for the sale and leaseback of CPCA, the CPCA Master Lease Agreement, the CPCA Put Option, the sale and leaseback of CPEX, the Combined Master Lease Agreement, the Combined Put Option and the granting of the Deed of Income Support;
- (iii) the Stapled Securityholders’ approval being obtained for the purchase and lease of CPCA, the CPCA Master Lease Agreement, the Combined Master Lease Agreement, the CPCA Put Option, the purchase and lease of CPEX, the Combined Master Lease Agreement, the Combined Put Option and the entry into the Deed of Income Support; and
- (iv) the agreements for the financing to be secured by OUE H-REIT in order to undertake the acquisition of CPEX not being terminated and are unconditional in all respects.

Under the terms of the CPEX SPA, the Vendor is required to build CPEX in a good and workmanlike manner, according to certain specifications and approved plans, and to deliver to the REIT Trustee the TOP for CPEX by a specified deadline. In the event the TOP for CPEX is not obtained by the deadline³, the REIT Trustee is entitled to rescind the CPEX SPA and sell CPCA back to the Vendor at the higher of (a) the valuation of CPCA (as at the date on which the CPEX SPA is rescinded) or (b) the purchase price of CPCA under the CPCA SPA.

For the purpose of determining the valuation of CPCA, each of the Vendor and the REIT Trustee shall separately appoint one independent valuer and the valuation to be utilised shall be the average of the valuations provided by the two valuers.

2.3.4 The Combined Put Option Agreement

In consideration of the sale and purchase of CPCA and CPEX, the Vendor agrees to grant to the REIT Trustee the Combined Put Option.

3 As at the Latest Practicable Date, CPEX is under construction and has yet to receive the TOP.

LETTER TO SHAREHOLDERS

(a) Trigger of the Combined Put Option

If the REIT Trustee does not (or does not expect to) receive the Combined CPCA Lease within any of the following periods:

- (i) the period of 12 months from the date of completion of the sale of CPEX to the REIT Trustee ("**12-month Period**");
- (ii) the period of 18 months from the date of completion of the sale of CPEX to the REIT Trustee ("**18-month Period**"); or
- (iii) the 6-month extension period from the expiry of the 18-month Period in subparagraph (ii) and any subsequent 6-month extension period thereafter (each a "**Further Extension Period**"),

(each a "**Relevant Period**"),

the REIT Trustee shall convene an EGM ("**Extension Approval EGM**") within two months from the expiry of the Relevant Period, where Stapled Securityholders will decide (via ordinary resolution and with the Company and its associates abstaining from voting) on whether to extend the period for receiving the Combined CPCA Lease by six months. If the REIT Trustee obtains the extension approval ("**Stapled Securityholders' Extension Approval**"), the REIT Trustee has up to the expiry of the Relevant Period to ensure that the REIT Trustee receives the Combined CPCA Lease.

The REIT Trustee may exercise the Combined Put Option during the period of four months commencing from:

- (i) (in the event an Extension Approval EGM in respect of a Relevant Period is held prior to the expiry of the Relevant Period and the Stapled Securityholders' Extension Approval is not obtained at such Extension Approval EGM) the day immediately following the last day of such Relevant Period; or
- (ii) (in the event an Extension Approval EGM in respect of a Relevant Period is held after the expiry of the Relevant Period and the Stapled Securityholders' Extension Approval is not obtained at such Extension Approval EGM) the day immediately following the date of such meeting.

(b) Exercise of the Combined Put Option

If the Combined Put Option is exercised by the REIT Trustee in accordance with the Combined Put Option Agreement, the Vendor shall be bound to purchase CPCA and CPEX from the REIT Trustee, at a purchase price which is the higher of:

- (i) the valuation of CPCA and CPEX as at the date of service of the Combined Put Option exercise notice; and
- (ii) the aggregate purchase consideration of CPCA and CPEX.

For the purpose of determining the valuation of CPCA and CPEX, each of the Vendor and the REIT Trustee shall separately appoint one independent valuer and the valuation to be utilised shall be the average of the valuations provided by the two valuers. The Vendor shall also reimburse the REIT Trustee for the transaction costs reasonably incurred by the REIT Trustee relating to its purchase of the CPCA and CPEX and the Vendor's buyback of CPCA and CPEX, pursuant to the terms of the Combined Put Option Agreement.

LETTER TO SHAREHOLDERS

(c) Conditions for the Exercise of the Combined Put Option

Completion of the buyback of CPCA and CPEX by the Vendor from the REIT Trustee is subject to and conditional upon the approval by CAG for such buyback being obtained by the REIT Trustee (“**Combined Buyback Approval**”).

In this regard, the REIT Trustee shall use its best efforts to obtain the Combined Buyback Approval and each party shall comply with the terms and conditions imposed by CAG and any relevant authorities in relation to or pursuant to the Combined Buyback Approval.

The Combined Master Lease Agreement shall terminate on completion under the Combined Put Option Agreement without any compensation or penalty.

Pursuant to the Sponsor’s Undertaking, in the event that the REIT Trustee exercises the Combined Put Option and the Vendor is unable to complete the purchase of CPCA and CPEX pursuant to Combined Put Option Agreement, the Company or its nominee (which must be acceptable to the REIT Trustee) shall purchase or procure the purchase of CPCA and CPEX from the REIT Trustee on the terms and conditions set out in the Combined Put Option Agreement.

2.4 Key Terms of the Proposed Master Leases

2.4.1 The CPCA Master Lease Agreement

(a) Term of the CPCA Master Lease

On completion of the divestment of CPCA, the REIT Trustee, the REIT Manager and the Vendor (in its capacity as the master lessee) shall enter into the CPCA Master Lease Agreement, pursuant to which the Vendor will lease the whole of CPCA from the date of completion of the divestment of CPCA to 27 May 2028 (inclusive of both dates), with an option given to the Vendor to renew for two consecutive terms of five years each.

(b) Rental Payment

The Vendor is required to pay rent on a monthly basis in arrears on the last day of the following month, which rent shall be the higher of:

- (i) a variable rent computed based on the sum of:

From hotel operations as managed by the hotel manager

- (A) 1.0% of gross revenue (less certain revenues and income) derived from operations managed/operated by the hotel manager at CPCA relating to the sale of food and beverages (including but not limited to the sale of wines, spirits, liquors and tobacco);
- (B) 30.0% of gross revenue (less certain revenues and income) derived from operations managed/operated by the hotel manager at CPCA not relating to the sale of food and beverages (such as from rooms, minor operating department etc);
- (C) 30.0% of gross operating profit of CPCA; and

From non-hotel operations

- (D) 77.0% of the gross rental income derived from commercial/retail space; or

- (ii) a minimum rent of S\$12.5 million per annum.

The quantum of the variable rent will be adjusted within 90 days after the end of each financial year based on the audited certificate of financial information of CPCA for such financial year.

LETTER TO SHAREHOLDERS

(c) Key Obligations of the Vendor (as Master Lessee)

(i) Security Deposit

The Vendor will provide a security deposit, by way of cash or bank guarantee, of an amount equivalent to six months of the monthly minimum rent applicable to the relevant financial year.

(ii) Furniture, Fixtures and Equipment ("FF&E")

The FF&E located in CPCA at the commencement date of the CPCA Master Lease Agreement (being the date of completion of the divestment of CPCA) and the FF&E brought onto or replaced by the Vendor during the term of the CPCA Master Lease Agreement will be the property of the Vendor, subject to the condition that the title to the FF&E items which are owned by the Vendor and still in use shall, at the option of the REIT Trustee, be transferred to the REIT Trustee at the end or earlier termination of the CPCA Master Lease Agreement for S\$1.00.

For each financial year, the Vendor is required to set aside in a capital replacement fund, an amount equivalent to a specified percentage of CPCA's gross operating revenue for such financial year to be utilised in accordance with an agreed capital replacement plan under the annual budget. Any unutilised balance in the capital replacement fund at the end of a financial year must be carried forward and made available in the next financial year. Where the total amount of expenditure by the Vendor in any financial year is in excess of the unutilised balance in the capital replacement fund, the difference shall be carried forward and debited against the capital replacement contribution in the next financial year. All unutilised amounts standing to the credit of the capital replacement fund (less any amount, if any, that is payable by the Vendor under any legally binding contract in accordance with the agreed capital replacement plan under the annual budget) at the end or earlier termination of the CPCA Master Lease Agreement, will be the property of the REIT Trustee and shall be paid in cash by the Vendor to the REIT Trustee or as otherwise directed by the REIT Trustee.

(iii) Annual Budget

The Vendor must submit to the REIT Manager prior to the commencement of a financial year, an annual budget for that financial year, which includes, *inter alia*, projections for the financial year of anticipated gross operating revenue and gross operating profit of CPCA, a budget for the purchase and replacement of FF&E. All items of capital improvement in the annual budget must first be approved by the REIT Manager.

(iv) Maintenance of CPCA and FF&E

The Vendor must, at its own cost, keep, *inter alia*, CPCA, its infrastructure, plant and equipment in good and substantial repair and working order. The Vendor must, at its cost, repair and replace all FF&E and operating equipment required for the operations of CPCA (but excluding works that are in the nature of capital improvements). The Vendor's obligations do not extend to any repairs or replacements which would be considered capital improvements and does not extend to any repairs or replacements of any latent or patent structure defects in CPCA.

(v) Licences and Permits

All necessary licences and permits must be obtained and maintained by the Vendor at its cost.

LETTER TO SHAREHOLDERS

(vi) Insurance

The Vendor must, at its cost and expense, take out and maintain public liability insurance policy, insurance relating to workers' compensation and contract works insurance in respect of any works undertaken or carried out by the Vendor.

(d) Key Obligations of the REIT Trustee (as Master Lessor)

The REIT Trustee will take out and maintain, at its cost, a property insurance insuring CPCA, the infrastructure, plant and equipment and the contents of CPCA, and business interruption insurance.

(e) Other Terms (Assignment by the REIT Trustee)

- (i) In the event the REIT Trustee purports to sell or assign its interest in CPCA at any time during the term of the CPCA Master Lease Agreement, the REIT Trustee shall give the Vendor prior written notice of the REIT Trustee's intention to do so and the Vendor shall, within 30 days of receipt of the REIT Trustee's notice, notify the REIT Trustee in writing whether the Vendor wishes to continue with the CPCA Master Lease Agreement or whether to terminate the CPCA Master Lease Agreement. If the Vendor wishes to terminate the CPCA Master Lease Agreement, the Vendor shall be entitled to do so without compensation by giving not less than 100 days' written notice to the REIT Trustee.
- (ii) The REIT Trustee may sell or assign its interest in CPCA at any time during the term of the CPCA Master Lease Agreement free and clear of the CPCA Master Lease Agreement and such sale or assignment will not be subject to the CPCA Master Lease Agreement if the REIT Trustee terminates the CPCA Master Lease Agreement with written notice to the Vendor and pays the Vendor a termination fee equal to the fair market value of the Vendor's leasehold interest in the remaining term of the CPCA Master Lease Agreement and the renewal option term. In addition to the fair market value payable by the REIT Trustee, the REIT Trustee shall pay all damages, costs and expenses payable by the Vendor to the hotel manager under the hotel management agreement and all reasonable costs and expenses incurred by the Vendor in connection with or arising from the termination of the CPCA Master Lease Agreement.
- (iii) The REIT Trustee may assign all of its rights, title and benefits under the CPCA Master Lease Agreement to any financial institution(s) or bank(s) to secure any borrowing or other financing or refinancing, provided always that all reasonable costs and expenses incurred by the Vendor in relation to such assignment, if any, shall be borne by the REIT Trustee.
- (iv) If the REIT Trustee (a) sells or assigns its interest in CPCA to OUE Hospitality Business Trust ("OUE H-BT") or assigns or novates its interest in CPCA to a replacement trustee of OUE H-REIT or (b) enters into a lease with OUE H-BT (as lessee) in respect of CPCA, at any time during the term of the CPCA Master Lease Agreement, the REIT Trustee may terminate the CPCA Master Lease Agreement without compensation to the Vendor with not less than 100 days' prior notice, provided that the hotel management agreement is assigned or novated to OUE H-BT or the replacement trustee of OUE H-REIT (as the case may be) on the date of termination of the CPCA Master Lease Agreement. If the hotel management agreement is not assigned or novated to OUE H-BT or the replacement trustee of OUE H-REIT (as the case may be) on the date of termination of the CPCA Master Lease Agreement, the REIT Trustee agrees to bear the costs and expenses payable by the Vendor to the hotel manager under the hotel management agreement and all reasonable costs and expenses incurred by the Vendor in connection with or arising from the termination of the CPCA Master Lease Agreement.

LETTER TO SHAREHOLDERS

2.4.2 The Combined Master Lease Agreement

The Combined Master Lease Agreement is a supplemental lease agreement which varies the CPCA Master Lease Agreement to provide for the inclusion of CPEX.

(a) Term of the Lease

On completion of the divestment of CPEX, the REIT Trustee, the REIT Manager and the Vendor (in its capacity as the master lessee) shall enter into the Combined Master Lease Agreement, pursuant to which the Vendor will lease the Combined Site for the remaining term of the CPCA Master Lease Agreement.

(b) Rental Payment

From the completion of the divestment of CPEX, the Vendor is required to pay rent on a monthly basis in arrears on the last day of the following month, which rent shall be the higher of:

- (i) a variable rent computed based on the sum of:

From hotel operations as managed by the hotel manager

- (A) 4.0% of gross revenue (less certain revenues and income) derived from operations managed/operated by the hotel manager at the Combined Site relating to the sale of food and beverages (including but not limited to the sale of wines, spirits, liquors and tobacco);
- (B) 33.0% of gross revenue (less certain revenues and income) derived from operations managed/operated by the hotel manager at the Combined Site not relating to the sale of food and beverages (such as from rooms, minor operating department etc);
- (C) 30.0% of gross operating profit of the Combined Site; and

From non-hotel operations

- (D) 80.0% of the gross rental income derived from commercial/retail space; or

- (ii) a minimum rent of S\$22.5 million per annum.

The quantum of the variable rent will be adjusted within 90 days after the end of each financial year based on the audited certificate of the relevant financial information of the Combined Site for such financial year.

(c) Key Obligations of the Vendor (as Master Lessee)

- (i) Security Deposit

The Vendor will provide a security deposit, by way of cash or bank guarantee, of an amount equivalent to six months of the monthly minimum rent (for the Combined Site) applicable to the relevant financial year.

- (ii) FF&E

The FF&E located in the Combined Site at the commencement date of the Combined Master Lease Agreement (being the date of completion of the divestment of CPEX) and the FF&E brought onto or replaced by the Vendor during the term of the Combined Master Lease Agreement will be the property of the Vendor, subject to the condition that the title to the FF&E items which are owned by the Vendor and still in use shall, at the option of the REIT Trustee, be transferred to the REIT Trustee at the end or earlier termination of the Combined Master Lease Agreement for S\$1.00.

LETTER TO SHAREHOLDERS

For each financial year, the Vendor is required to set aside in the capital replacement fund, an amount equivalent to a specified percentage of the Combined Site's gross operating revenue for such financial year to be utilised in accordance with an agreed capital replacement plan under the annual budget. Any unutilised balance in the capital replacement fund at the end of a financial year must be carried forward and made available in the next financial year. Where the total amount of expenditure by the Vendor in any financial year is in excess of the unutilised balance in the capital replacement fund, the difference shall be carried forward and debited against the capital replacement contribution in the next financial year. All unutilised amounts standing to the credit of the capital replacement fund (less any amount, if any, that is payable by the Vendor under any legally binding contract in accordance with the agreed capital replacement plan under the annual budget) at the end or earlier termination of the Combined Master Lease Agreement, will be the property of the REIT Trustee and shall be paid in cash by the Vendor to the REIT Trustee or as otherwise directed by the REIT Trustee.

(iii) Annual Budget

The Vendor must submit to the REIT Manager prior to the commencement of a financial year, an annual budget for that financial year, which includes, *inter alia*, projections for the financial year of anticipated gross revenue and gross operating profit of the Combined Site, a budget for the purchase and replacement of FF&E. All items of capital improvement in the annual budget must first be approved by the REIT Manager.

(iv) Maintenance of the Combined Site and the FF&E

The Vendor must, at its own cost, keep, *inter alia*, the Combined Site, its infrastructure, plant and equipment in good and substantial repair and working order. The Vendor must, at its cost, repair and replace all FF&E and operating equipment required for the operations of the Combined Site (but excluding works that are in the nature of capital improvements). The Vendor's obligations do not extend to any repairs or replacements which would be considered capital improvements and does not extend to any repairs or replacements of any latent or patent structure defects in the Combined Site.

(v) Licences and Permits

All necessary licences and permits must be obtained and maintained by the Vendor at its cost.

(vi) Insurance

The Vendor must, at its cost and expense, take out and maintain public liability insurance policy, insurance relating to workers' compensation and contract works insurance in respect of any works undertaken or carried out by the Vendor.

(d) Key Obligations of the REIT Trustee (as Master Lessor)

The REIT Trustee will take out and maintain, at its cost, a property insurance insuring the Combined Site, the infrastructure, plant and equipment and the contents of the Combined Site, and business interruption insurance.

LETTER TO SHAREHOLDERS

(e) Other Terms (Assignment by the REIT Trustee)

- (i) In the event the REIT Trustee purports to sell or assign its interest in the Combined Site at any time during the term of the Combined Master Lease Agreement, the REIT Trustee shall give the Vendor prior written notice of the REIT Trustee's intention to do so and the Vendor shall, within 30 days of receipt of the REIT Trustee's notice, notify the REIT Trustee in writing whether the Vendor wishes to continue with the Combined Master Lease Agreement or whether to terminate the Combined Master Lease Agreement. If the Vendor wishes to terminate the Combined Master Lease Agreement, the Vendor shall be entitled to do so without compensation by giving not less than 100 days' written notice to the REIT Trustee.
- (ii) The REIT Trustee may sell or assign its interest in the Combined Site at any time during the term of the Combined Master Lease Agreement free and clear of the Combined Master Lease Agreement and such sale or assignment will not be subject to the Combined Master Lease Agreement if the REIT Trustee terminates the Combined Master Lease Agreement with written notice to the Vendor and pays the Vendor a termination fee equal to the fair market value of the Vendor's leasehold interest in the remaining term of the Combined Master Lease Agreement and the renewal option term. In addition to the fair market value payable by the REIT Trustee, the REIT Trustee shall pay all damages, costs and expenses payable by the Vendor to the hotel manager under the hotel management agreement and all reasonable costs and expenses incurred by the Vendor in connection with or arising from the termination of the Combined Master Lease Agreement.
- (iii) The REIT Trustee may assign all of its rights, title and benefits under the Combined Master Lease Agreement to any financial institution(s) or bank(s) to secure any borrowing or other financing or refinancing, provided always that all reasonable costs and expenses incurred by the Vendor in relation to such assignment, if any, shall be borne by the REIT Trustee.
- (iv) If the REIT Trustee (a) sells or assigns its interest in the Combined Site to OUE H-BT or assigns or novates its interest in CPCA to a replacement trustee of OUE H-REIT or (b) enters into a lease with OUE H-BT (as lessee) in respect of the Combined Site, at any time during the term of the Combined Master Lease Agreement, the REIT Trustee may terminate the Combined Master Lease Agreement without compensation to the Vendor with not less than 100 days' prior notice, provided that the hotel management agreement is assigned or novated to OUE H-BT or the replacement trustee of OUE H-REIT (as the case may be) on the date of termination of the Combined Master Lease Agreement. If the hotel management agreement is not assigned or novated to OUE H-BT or the replacement trustee of OUE H-REIT (as the case may be) on the date of termination of the Combined Site Master Lease Agreement, the REIT Trustee agrees to bear the costs and expenses payable by the Vendor to the hotel manager under the hotel management agreement and all reasonable costs and expenses incurred by the Vendor in connection with or arising from the termination of the Combined Master Lease Agreement.

2.5 Deed of Income Support

CPEX is currently under construction and it is expected to be completed at the end of 2015 but not later than June 2016 after which it would be divested to OUE H-REIT (assuming that Shareholders approve the Proposed Transaction at the EGM). As the income from CPEX would not have stabilised at the point of divestment of CPEX to OUE H-REIT since CPEX would only have just commenced operations and it is expected that the income from CPEX would take about three years to stabilise, the Vendor shall enter into the Deed of Income Support, pursuant to which the Vendor will agree to provide the Income Support for the period from the Completion Date to (i) the day immediately preceding the third anniversary date of the Completion Date or (ii) the date when the aggregate of all rental top-up payments payable by the Vendor to OUE H-REIT under the Deed of Income Support exceeds S\$7.5 million, whichever is earlier.

LETTER TO SHAREHOLDERS

Pursuant to the Deed of Income Support, the target quarterly rent ("**TQR**") for the relevant calendar quarters shall be as follows:

Calendar Quarter	TQR
1st quarter to the 4th quarter from the Completion Date	S\$7.25 million
5th quarter to the 8th quarter from the Completion Date	S\$7.375 million
9th quarter to the 12th quarter from the Completion Date	S\$7.5 million

If the rent payable by the Vendor under the Combined Master Lease Agreement falls below the corresponding TQR for the relevant calendar quarter, the REIT Trustee shall be entitled to call on the Vendor to top up the total rent payable to the TQR of the relevant calendar quarter, up to a maximum aggregate of S\$7.5 million. The top-up amount shall be determined based on the difference between the TQR and the gross rental income of OUE H-REIT as derived from CPCA and CPEX.

The grant of the Income Support is intended to provide a more stabilised level of income for CPEX for a period of three years upon the completion of divestment of CPEX to OUE H-REIT.

2.6 Interested Person Transaction under Chapter 9 of the Listing Manual

Under Chapter 9 of the Listing Manual, where the Company proposes to enter into a transaction with an interested person and the value of the transaction (either in itself or when aggregated with the value of other transactions, each of a value equal to or greater than S\$100,000 with the same interested person during the same financial year) is equal to or exceeds 5.0% of the latest audited net tangible assets ("**NTA**") of the Company and its subsidiaries (collectively, the "**Group**"), Shareholders' approval is required in respect of the transaction.

Based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2013 ("**FY2013**"), the audited consolidated NTA of the Group as at 31 December 2013 (the "**Latest NTA**") was approximately S\$3,471.8 million. Accordingly, if the value of a transaction which is proposed to be entered into in the current financial year by the Company with an interested person is, either in itself or in aggregation with all other earlier transactions (each of a value equal to or greater than S\$100,000) entered into with the same interested person during the current financial year, equal to or is in excess of approximately S\$173.6 million (being 5.0% of the Latest NTA), such a transaction would be subject to Shareholders' approval. Based on the CPCA Sale Consideration of S\$290.0 million and CPEX Sale Consideration of S\$205.0 million, and having regard to the Company's 100.0% shareholding in the Vendor, the value of the proposed divestment of CPCA and CPEX to which the Company is considered to be at risk pursuant to Rule 909 of the Listing Manual amounted to S\$495.0 million representing approximately 14.3% of the audited NTA of the Group for FY2013. Therefore the aggregate value of the Proposed Transaction (comprising the proposed divestment of CPCA and CPEX and the Master Leases) exceeds 5.0% of the latest audited NTA of the Group.

The Proposed Transaction is considered to be an interested person transaction. The Vendor is an indirect wholly-owned subsidiary of the Company, and is regarded as an "entity at risk", as defined in Chapter 9 of the Listing Manual. As at the Latest Practicable Date, OUE Realty Pte. Ltd. ("**OUE**") is the controlling shareholder of the Company by virtue of its approximate 55.23% stake in the Company. The Company in turn has a direct interest of 33.33% in OUE H-Trust, being the stapled group comprising OUE H-REIT and OUE Hospitality Business Trust, as well as an indirect interest of 0.97% in OUE H-Trust held through the REIT Manager, the Company's wholly-owned subsidiary. OUE has a direct interest of 6.34% in OUE H-Trust and it is deemed to be interested in the Company's 34.30% interest in OUE H-Trust. As OUE has an aggregate interest of 40.64% in OUE H-Trust, OUE H-Trust is regarded as an associate of OUE and consequently an interested person (vis-à-vis the Company) under Chapter 9 of the Listing Manual. A transaction between the Vendor (an entity-at-risk) and OUE H-Trust (an Interested Person) therefore constitutes an Interested Person Transaction.

LETTER TO SHAREHOLDERS

In accordance with Chapter 9 of the Listing Manual, the Proposed Transaction is considered an Interested Person Transaction. The value of the Proposed Transaction (being the amount to which the Company is considered to be at risk as mentioned above) is more than 5.0% of the latest audited NTA of the Group, and hence subject to the approval of the Shareholders pursuant to Rule 906(1)(a) of the Listing Manual.

Deloitte has been appointed as the Independent Financial Adviser to advise the Independent Directors and the Audit Committee on whether or not the Proposed Transaction is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders.

Deloitte's letter to the Independent Directors and the Audit Committee in respect of the Proposed Transaction is set out in Appendix A of this Circular.

Details of the existing interested person transactions entered into by the Company, its subsidiaries and associates, during the course of the current financial year up to the Latest Practicable Date, which are the subject of aggregation pursuant to Rule 906 of the Listing Manual, may be found in Appendix C of the Circular.

2.7 Major Transaction under Chapter 10 of the Listing Manual

Chapter 10 of the Listing Manual governs the acquisition or disposal of assets, including options to acquire or dispose of assets, by the Company. Such transactions are classified into the following categories:

- (a) non-discloseable transactions;
- (b) discloseable transactions;
- (c) major transactions; and
- (d) very substantial acquisitions or reverse takeovers.

A proposed disposal of assets by the Company may fall into any of the categories set out above, depending on the size of the relative figures computed on the following applicable bases of comparison set out in Rule 1006 of the Listing Manual:

- (a) the net asset value (the “NAV”) of the assets to be disposed of, compared with the NAV of the Group;
- (b) the net profits attributable to the assets disposed of, compared with the Group's net profits; and
- (c) the aggregate value of the consideration given or received, compared with the Company's market capitalisation.

The relative figures in relation to the Proposed Transaction computed on the applicable bases as set out under Rule 1006(a) to (e) of the Listing Manual are as follows:

Rule 1006	Basis	CPCA and CPEX (S\$'000)	Group ⁽¹⁾ (S\$'000)	Relative Figures
(a)	Aggregate NAV of CPCA and CPEX as at 31 December 2013, compared with the Group's NAV as at 31 December 2013	273,972 ⁽²⁾	3,515,024	7.8%
(b)	Aggregate net profits attributable to CPCA and CPEX for FY2013, compared with the Group's net profits for FY2013	7,230 ⁽³⁾	14,135	51.1%

LETTER TO SHAREHOLDERS

Rule 1006	Basis	CPCA and CPEX (S\$'000)	Group ⁽¹⁾ (S\$'000)	Relative Figures
(c)	Aggregate sale consideration of CPCA and CPEX, compared with the Company's market capitalisation ⁽⁴⁾	495,000	1,810,764	27.3%
(d)	The number of equity securities issued by the Group as consideration for an acquisition, compared with the number of equity securities previously in issue	N.A.	N.A.	N.A.
(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets.	N.A.	N.A.	N.A.

Notes:

- (1) The Group's figures are based on the FY2013 Financial Statements (as defined herein).
- (2) As at 31 December 2013, NAV attributable to CPCA is S\$229.0 million (comprising mainly of CPCA net book value of \$228.1 million), and NAV attributable to CPEX is \$45.0 million (comprising of CPEX net book value of \$1.8 million and intangible asset of \$43.2 million). As at 31 December 2013, the NTA of CPCA is S\$229.0 million and CPEX is S\$1.8 million respectively.
- (3) The net profits attributable to CPCA and CPEX for FY2013 do not include the gain on the Proposed Transaction. S\$7.2 million represents the net profits recognised from CPCA for FY2013. CPEX is currently under construction and there is no contribution from CPEX.
- (4) The Company's market capitalisation is based on 909,885,860 Shares in issue (excluding treasury shares) and the weighted average price of S\$1.9901 per Share as at the Latest Practicable Date.

3. FINANCIAL EFFECTS OF THE PROPOSED TRANSACTION

3.1 Bases and Assumptions

The pro forma financial effects have been prepared for **illustrative purposes only** and are neither indicative of the actual financial effects of the Proposed Transaction on the NTA per Share and earnings/(loss) per share ("**EPS**") of the Group, nor are they reflective of the future actual financial performance of the Group.

The pro forma financial effects of the Proposed Transaction on the Group have been prepared based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2013 (the "**FY2013 Financial Statements**"), and are presented based on the following scenarios:

(a) Scenario 1 – Presentation of Financial Effects as required under the Listing Manual

For the presentation of financial effects as required under the Listing Manual ("**Scenario 1**"), OUE H-Trust is taken to have been listed on 1 January 2013 and consolidated in the FY2013 Financial Statements as a subsidiary from then. Accordingly, no disposal gain is recognised on the completion of the Proposed Transaction.

Such presentation may not be reflective of the actual transaction as OUE H-Trust is currently and will be, on completion of the Proposed Transaction, equity accounted for as an associate. In view of this, another scenario, based on OUE H-Trust being an associate from 25 July 2013 (being the date of listing of OUE H-Trust) ("**Scenario 2**") is also presented to better illustrate the financial effects of the Proposed Transaction.

LETTER TO SHAREHOLDERS

(b) **Scenario 2 – Presentation of Financial Effects based on OUE H-Trust being an associate from 25 July 2013**

The pro forma financial effects are presented by adjusting the FY2013 Financial Statements to reflect OUE H-Trust as an associate of the Group (in which the Company has an equity interest of 33.5%) from 25 July 2013 (being the date of listing of OUE H-Trust). For the pro forma effect on EPS, the Proposed Transaction is assumed to have taken place on 25 July 2013 (being the date of listing of OUE H-Trust) and the financial effects of the Proposed Transaction is presented on the basis that OUE H-Trust is equity accounted for from 25 July 2013.

Significant assumptions and bases are set out as follows:

- (a) the CPCA Sale Consideration is S\$290.0 million and the CPEX Sale Consideration is S\$205.0 million;
- (b) the Proposed Transaction had taken place on 31 December 2013 for the computation of NTA per Share;
- (c) the Proposed Transaction had taken place on 1 January 2013 under Scenario 1 and 25 July 2013 under Scenario 2 for the computation of EPS;
- (d) OUE H-Trust is (1) consolidated as a subsidiary at 45.3% (being the stapled securityholding of the Group as at 31 December 2013) and (2) equity accounted based on an equity interest of 33.5% (being the stapled securityholding of the Company as at the date it became an associate, i.e. 31 March 2014) under the respective scenarios; and
- (e) CPEX is assumed to be completed and have become operational on the date of completion of the Proposed Transaction.

3.2 **NTA per Share**

3.2.1 **Scenario 1 – Pro forma effect on NTA per Share based on the Listing Manual requirements**

Assuming the completion of the divestment of CPCA / CPCA and CPEX on 31 December 2013 (being the end of the most recently completed financial year), the financial effect of such divestment on the consolidated NTA of the Group as at 31 December 2013 would be as follows:

	Before Completion of the Divestment⁽¹⁾	After Completion of the Divestment of CPCA⁽²⁾	After Completion of the Divestment of CPCA and CPEX⁽²⁾
Number of Shares ('000)	909,886	909,886	909,886
NTA (S\$'000)	2,848,340	2,845,867	2,843,420
NTA per Share (S\$) ⁽³⁾	3.13	3.13	3.13

Notes:

- (1) Based on the FY2013 Financial Statements.
- (2) NTA is adjusted to reflect the sale of CPCA/ CPCA and CPEX to OUE H-Trust as a subsidiary of the Group. Accordingly, no gain on disposal is recognised by the Group. The slight reduction in NTA relates mainly to transaction costs estimated to be incurred on the Proposed Transaction by the Group.
- (3) NTA per share is derived based on the number of shares in issue of 909,885,860 (excluding treasury shares) as at 31 December 2013.

LETTER TO SHAREHOLDERS

3.2.2 Scenario 2 – Pro forma effect on NTA per Share adjusted based on OUE H-Trust being an associate from 25 July 2013

Assuming the completion of the divestment of CPCA / CPCA and CPEX on 31 December 2013 (being the end of the most recently completed financial year), the financial effect of such divestment on the consolidated NTA of the Group as at 31 December 2013 would be as follows:

	Before Completion of the Divestment ⁽¹⁾	After Completion of the Divestment of CPCA ⁽²⁾	After Completion of the Divestment of CPCA and CPEX ⁽³⁾
Number of Shares ('000)	909,886	909,886	909,886
NTA (S\$'000)	3,740,587	3,787,088	3,903,577
NTA per Share (S\$) ⁽⁴⁾	4.11	4.16	4.29

Notes:

- (1) Based on the FY2013 Financial Statements, and adjusting for OUE H-Trust as if it were an associate of the Group (in which the Company has an equity interest of 33.5%) from 25 July 2013 (being the date of listing of OUE H-Trust). The NTA per share of S\$4.11 takes into account the net disposal gain of Mandarin Orchard Singapore and Mandarin Gallery, being the initial properties of OUE H-Trust.
- (2) NTA is adjusted to reflect the sale of CPCA to OUE H-Trust assuming it were an associate of the Group with an equity interest of 33.5%. Accordingly, the Group would realise an estimated gain on disposal (net of tax) of about S\$44.5 million and receive net proceeds (after deducting transaction expenses estimated at S\$2.9 million) of approximately S\$287.1 million from the disposal of CPCA for FY2013.
- (3) NTA is adjusted to reflect the sale of CPCA and CPEX to OUE H-Trust assuming it were an associate of the Group in which the Company has an equity interest of 33.5%. CPEX is assumed to be completed and have become operational on 31 December 2013. Accordingly, the Group would realise an estimated gain on disposal (net of tax) of about S\$116.1 million and receive net proceeds (after deducting transaction expenses estimated at S\$5.0 million) of approximately S\$490.1 million from the disposal of CPCA and CPEX for FY2013.
- (4) NTA per share is derived based on the number of shares in issue of 909,885,860 (excluding treasury shares) as at 31 December 2013.

3.3 Earnings per Share

3.3.1 Scenario 1 – Pro forma effect on Earnings/(Loss) per Share based on the Listing Manual requirements

Assuming the completion of the divestment of CPCA / CPCA and CPEX on 1 January 2013 (assuming that OUE H-Trust was listed then), the financial effect of such divestment on the consolidated EPS of the Group for the financial year ended 31 December 2013 would be as follows:

	Before Completion of the Divestment ⁽¹⁾	After the Completion of the Divestment of CPCA ⁽²⁾	After the Completion of the Divestment of CPCA and CPEX ⁽²⁾
Number of Shares ('000)	909,886	909,886	909,886
Profit/(loss) after tax attributable to Shareholders (S\$'000)	(36,555)	(43,919)	(49,110)
EPS (S\$) ⁽³⁾	(0.04)	(0.05)	(0.05)
Diluted EPS (S\$) ⁽⁴⁾	(0.04)	(0.05)	(0.05)

Notes:

- (1) Based on the FY2013 Financial Statements.

LETTER TO SHAREHOLDERS

- (2) EPS is adjusted to reflect the sale of CPCA/ CPCA and CPEX to OUE H-Trust as a subsidiary of the Group. Accordingly, no gain on disposal is recognised by the Group. The increase in loss attributable to Shareholders relates mainly to transaction costs estimated to be incurred on the Proposed Transaction by the Group and the sharing of profit by minority interest.
- (3) EPS is derived based on the weighted average number of shares in issue of 909,885,860 (excluding treasury shares) for FY2013.
- (4) Diluted EPS is the same as basic EPS as there are no dilutive potential ordinary shares.

3.3.2 Scenario 2 – Pro forma effect on Earnings per Share adjusted based on OUE H-Trust being an associate from 25 July 2013

Assuming the completion of the divestment of CPCA / CPCA and CPEX on 25 July 2013 (being the date of listing of OUE H-Trust), the financial effect of such divestment on the consolidated EPS of the Group for the financial year ended 31 December 2013 would be as follows:

	Before Completion of the Divestment ⁽¹⁾	After the Completion of the Divestment of CPCA ⁽²⁾	After the Completion of the Divestment of CPCA and CPEX ⁽³⁾
Number of Shares ('000)	909,886	909,886	909,886
Profit after tax attributable to Shareholders (S\$'000)	986,132	1,028,135	1,099,400
EPS (S\$) ⁽⁴⁾	1.08	1.13	1.21
Diluted EPS (S\$) ⁽⁵⁾	1.08	1.13	1.21

Notes:

- (1) Based on the FY2013 Financial Statements after adjusting for OUE H-Trust as if it were an associate of the Group (in which the Company has an equity interest of 33.5%) from 25 July 2013 (being the date of listing of OUE H-Trust). The EPS of S\$1.08 takes into account the net disposal gain of Mandarin Orchard Singapore and Mandarin Gallery, being the initial properties of OUE H-Trust.
- (2) EPS is adjusted to reflect the sale of CPCA to OUE H-Trust assuming it were an associate of the Group (in which the Company has an equity interest of 33.5%) from 25 July 2013. Accordingly, the Group would realise an estimated gain on disposal (net of tax) of about S\$43.2 million and receive net proceeds (after deducting transaction expenses estimated at S\$2.9 million) of approximately S\$287.1 million from the disposal of CPCA for FY2013.
- (3) EPS is adjusted to reflect the sale of CPCA and CPEX to OUE H-Trust assuming it were an associate of the Group (in which the Company has an equity interest of 33.5%) from 25 July 2013. CPEX is assumed to be completed and have become operational on 25 July 2013. Accordingly, the Group would realise an estimated gain on disposal (net of tax) of about S\$114.8 million and receive net proceeds (after deducting transaction expenses estimated at S\$5.0 million) of approximately S\$490.1 million from the disposal of CPCA and CPEX for FY2013.
- (4) EPS is derived based on the weighted average number of shares in issue of 909,885,860 (excluding treasury shares) for FY2013.
- (5) Diluted EPS is the same as basic EPS as there are no dilutive potential ordinary shares.

4. RATIONALE AND KEY BENEFITS OF THE PROPOSED TRANSACTION

4.1 Unlock capital from the proposed divestment of CPCA and CPEX for higher growth reinvestment opportunities

The proposed divestment of CPCA and CPEX will enable the Company to unlock capital from CPCA and CPEX, thereby creating opportunities for the Company to recycle its capital as a result of release of proceeds, portions of which can be deployed towards: (a) reinvestment to pursue growth opportunities and (b) funding the Company's future business plans. In addition, the proposed divestment of CPCA and CPEX will help to grow the Company's fund management business in the REIT Manager as part of its overall business strategy.

LETTER TO SHAREHOLDERS

The Company will also maintain the ability to operate CPCA and CPEX via the Master Leases to be entered into upon the respective completion of divestment of CPCA and CPEX, pursuant to which the Vendor (as master lessee) will be responsible for the continual management of CPCA and CPEX. The Company will, through the Master Leases, remain involved in long-term growth and development of CPCA and CPEX in tandem with the continued expansion of Changi Airport and continue to derive income from the management of the strategically-located hotel.

4.2 Facilitate the growth of an efficient REIT platform for the holding of hospitality properties

The proposed divestment of CPCA and CPEX to OUE H-REIT is in line with the Company's commitment to OUE H-Trust at the time of its initial public offering, when the Company had granted a right of first refusal to OUE H-Trust for potential future acquisitions of hospitality and/or hospitality-related assets. The Proposed Transaction will increase the size of OUE H-REIT's property portfolio from approximately S\$1.8 billion (as at 30 September 2014) to approximately S\$2.3 billion. As a substantial Stapled Securityholder of OUE H-Trust, the Company will continue to benefit from the growth of OUE H-Trust and the potential increase in the value of the Company's holding of Stapled Securities.

5. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

5.1 Interests of Directors

Mr. Christopher James Williams, who is a director of the Company, is also a director of the REIT Manager.

Based on the Register of Directors' shareholdings maintained by the Company, the direct and deemed interests of the Directors in the Company as at the Latest Practicable Date are set out in the table below:

Director	Direct Interest in the Company		Deemed Interest in the Company	
	No. of Shares	(%)	No. of Shares	(%)
Stephen Riady ⁽¹⁾	—	—	—	—
Christopher James Williams	—	—	—	—
Thio Gim Hock	—	—	—	—
Kelvin Lo Kee Wai	—	—	—	—
Sin Boon Ann	—	—	—	—
Kin Chan	—	—	618,916,410 ⁽²⁾	68.02 ⁽³⁾

Notes:

- (1) Dr. Stephen Riady and his family members are the beneficiaries of a discretionary trust of which Lanius Limited is the trustee. Lanius Limited holds the entire issued share capital of Lippo Capital Limited which is deemed to have an interest in the Shares. For further details, please see Note (11) under Interests of Substantial Shareholders below.
- (2) Mr. Kin Chan is the beneficial holder of more than 20% of the issued share capital of Argyle Street Management Holdings Limited. Accordingly, Mr. Kin Chan is deemed to have an interest in the Shares in which Argyle Street Management Holdings Limited has a deemed interest. For further details, please see Note (17) under Interests of Substantial Shareholders below.
- (3) The shareholding percentage is calculated based on 909,885,860 issued Shares (excluding treasury shares) as at the Latest Practicable Date.

LETTER TO SHAREHOLDERS

The direct and deemed interests of the Directors in OUE H-Trust as at the Latest Practicable Date are set out in the table below:

Director	Direct Interest in OUE H-Trust		Deemed Interest in OUE H-Trust	
	No. of Stapled Securities	(%)	No. of Stapled Securities	(%)
Stephen Riady	–	–	35,622,000 ⁽¹⁾	2.70 ⁽⁵⁾
Christopher James Williams	–	–	360,000 ⁽²⁾	0.03 ⁽⁵⁾
Thio Gim Hock	3,000,000	0.23 ⁽⁵⁾	–	–
Kelvin Lo Kee Wai	–	–	–	–
Sin Boon Ann	–	–	300,000 ⁽³⁾	0.02 ⁽⁵⁾
Kin Chan	–	–	556,426,751 ⁽⁴⁾	42.11 ⁽⁵⁾

Notes:

- (1) Dr. Stephen Riady is deemed to be interested in the 35,622,000 Stapled Securities held by his spouse.
- (2) Mr. Christopher James Williams is deemed to be interested in the 360,000 Stapled Securities held by Idaman Investments Ltd. The entire share capital of Idaman Investments Ltd. is owned by a trust of which the beneficiaries include the wife and two children of Mr. Christopher James Williams.
- (3) Mr. Sin Boon Ann is deemed to be interested in the 300,000 Stapled Securities held by his spouse.
- (4) Mr. Kin Chan is the beneficial holder of more than 20% of the issued share capital of Argyle Street Management Holdings Limited. Accordingly, Mr. Kin Chan is deemed to have an interest in the Stapled Securities in which Argyle Street Management Holdings Limited has a deemed interest. For further details, please see Note (17) under Interests of Substantial Shareholders below.
- (5) The stapled securityholding percentage is calculated based on 1,321,441,386 Stapled Securities in issue as at the Latest Practicable Date.

Save as disclosed in this Section 5.1 and based on the information available to the Company as at the Latest Practicable Date, none of the Directors have any interest, direct or indirect, in the Proposed Transaction.

5.2 Interests of Substantial Shareholders

The interests of the Substantial Shareholders in the Shares, based on the information available to the Company and as recorded in the Register of Substantial Shareholders as at the Latest Practicable Date are set out below:

Substantial Shareholder	Direct Interest in the Company		Deemed Interest in the Company	
	No. of Shares	(%)	No. of Shares	(%)
OUE Realty Pte. Ltd. (“ OUE ”)	502,513,060	55.23 ⁽¹⁹⁾	–	–
Golden Concord Asia Limited (“ GCAL ”)	116,403,350	12.79 ⁽¹⁹⁾	502,513,060 ⁽¹⁾	55.23 ⁽¹⁹⁾
Fortune Code Limited (“ FCL ”)	–	–	618,916,410 ⁽²⁾	68.02 ⁽¹⁹⁾
Lippo ASM Asia Property Limited (“ LAAPL ”)	–	–	618,916,410 ⁽³⁾	68.02 ⁽¹⁹⁾
Pacific Landmark Holdings Limited (“ Pacific Landmark ”)	–	–	618,916,410 ⁽⁴⁾	68.02 ⁽¹⁹⁾
HKC Property Investment Holdings Limited (“ HKC Property ”)	–	–	618,916,410 ⁽⁵⁾	68.02 ⁽¹⁹⁾

LETTER TO SHAREHOLDERS

Substantial Shareholder	Direct Interest in the Company		Deemed Interest in the Company	
	No. of Shares	(%)	No. of Shares	(%)
Hongkong Chinese Limited (“HCL”)	–	–	621,844,410 ⁽⁶⁾	68.34 ⁽¹⁹⁾
Hennessy Holdings Limited (“HHL”)	–	–	621,844,410 ⁽⁷⁾	68.34 ⁽¹⁹⁾
Prime Success Limited (“PSL”)	–	–	621,844,410 ⁽⁸⁾	68.34 ⁽¹⁹⁾
Lippo Limited (“LL”)	–	–	621,844,410 ⁽⁹⁾	68.34 ⁽¹⁹⁾
Lippo Capital Limited (“LCL”)	–	–	621,844,410 ⁽¹⁰⁾	68.34 ⁽¹⁹⁾
Lanius Limited (“Lanius”)	–	–	621,844,410 ⁽¹¹⁾	68.34 ⁽¹⁹⁾
Admiralty Station Management Limited (“Admiralty”)	–	–	618,916,410 ⁽¹²⁾	68.02 ⁽¹⁹⁾
ASM Asia Recovery (Master) Fund (“AARMF”)	–	–	618,916,410 ⁽¹³⁾	68.02 ⁽¹⁹⁾
ASM Asia Recovery Fund (“AARF”)	–	–	618,916,410 ⁽¹⁴⁾	68.02 ⁽¹⁹⁾
Argyle Street Management Limited (“ASML”)	–	–	618,916,410 ⁽¹⁵⁾	68.02 ⁽¹⁹⁾
Argyle Street Management Holdings Limited (“ASMHL”)	–	–	618,916,410 ⁽¹⁶⁾	68.02 ⁽¹⁹⁾
Kin Chan (“KC”)	–	–	618,916,410 ⁽¹⁷⁾	68.02 ⁽¹⁹⁾
V-Nee Yeh (“VY”)	–	–	618,916,410 ⁽¹⁸⁾	68.02 ⁽¹⁹⁾

Notes:

- (1) GCAL is deemed to have an interest in the Shares held by OUER. OUER is a wholly-owned subsidiary of GCAL.
- (2) FCL has a deemed interest in the Shares through the direct and deemed interests of its wholly-owned subsidiary, GCAL.
- (3) LAAPL is deemed to have an interest in the Shares in which its subsidiary, FCL, has a deemed interest.
- (4) LAAPL is jointly held by Pacific Landmark and Admiralty. Accordingly, Pacific Landmark is deemed to have an interest in the Shares in which LAAPL has a deemed interest.
- (5) HKC Property is the immediate holding company of Pacific Landmark. Accordingly, HKC Property is deemed to have an interest in the Shares in which Pacific Landmark has a deemed interest.
- (6) HCL is an intermediate holding company of Pacific Landmark. Accordingly, HCL is deemed to have an interest in (i) the Shares in which Pacific Landmark has a deemed interest and (ii) the Shares held by Wonder Plan Holdings Limited, a wholly-owned subsidiary of HCL (“Wonder Plan”).
- (7) HHL is an intermediate holding company of Pacific Landmark. Accordingly, HHL is deemed to have an interest in (i) the Shares in which Pacific Landmark has a deemed interest and (ii) the Shares held by Wonder Plan.
- (8) PSL is an intermediate holding company of Pacific Landmark. Accordingly, PSL is deemed to have an interest in (i) the Shares in which Pacific Landmark has a deemed interest and (ii) the Shares held by Wonder Plan.
- (9) LL is an intermediate holding company of Pacific Landmark. Accordingly, LL is deemed to have an interest in (i) the Shares in which Pacific Landmark has a deemed interest and (ii) the Shares held by Wonder Plan.
- (10) LCL is a holding company of Pacific Landmark. Accordingly, LCL is deemed to have an interest in (i) the Shares in which Pacific Landmark has a deemed interest and (ii) the Shares held by Wonder Plan.
- (11) Lanius is the holder of the entire issued shares capital of LCL, which in turn is a holding company of Pacific Landmark. Accordingly, Lanius is deemed to have an interest in (i) the Shares in which Pacific Landmark has a deemed interest and (ii) the Shares held by Wonder Plan. Lanius is the trustee of a discretionary trust the beneficiaries of which include Dr. Stephen Riady and other members of his family. Dr. Stephen Riady is the Executive Chairman of the Company. Dr. Stephen Riady is also the Chairman of LL and HCL, both of which have a deemed interest in the Shares.
- (12) LAAPL is jointly held by Pacific Landmark and Admiralty. Accordingly, Admiralty is deemed to have an interest in the Shares in which LAAPL has a deemed interest.

LETTER TO SHAREHOLDERS

- (13) AARMF is a majority shareholder of Admiralty. Accordingly, AARMF is deemed to have an interest in the Shares in which Admiralty has a deemed interest.
- (14) AARF is a majority shareholder of AARMF. Accordingly, AARF is deemed to have an interest in the Shares in which AARMF has a deemed interest.
- (15) ASML manages AARF. Accordingly, ASML is deemed to have an interest in the Shares in which AARF has a deemed interest.
- (16) ASMHL is the immediate holding company of ASML. Accordingly, ASMHL is deemed to have an interest in the Shares in which ASML has a deemed interest.
- (17) KC is the beneficial holder of more than 20% of the issued share capital of ASMHL. Accordingly, KC is deemed to have an interest in the Shares in which ASMHL has a deemed interest.
- (18) VY is the beneficial holder of more than 20% of the issued share capital of ASMHL. Accordingly, VY is deemed to have an interest in the Shares in which ASMHL has a deemed interest.
- (19) The shareholding percentage is calculated based on 909,885,860 issued Shares (excluding treasury shares) as at the Latest Practicable Date.

Save as disclosed in this Section 5.2 and based on the information available to the Company as at the Latest Practicable Date, none of the Substantial Shareholders have any interest, direct or indirect, in the Proposed Transaction.

5.3 Directors' Service Contracts in relation to the Proposed Transaction

No new directors are proposed to be appointed to the Board in connection with the Proposed Transaction. As such, no service agreements will be entered into with any new director of the Company in connection with the Proposed Transaction.

6. ADVICE OF THE IFA ON THE PROPOSED TRANSACTION

The Company has appointed the IFA to advise the Independent Directors and the Audit Committee on whether the terms of the Proposed Transaction are on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders.

Based on their considerations and subject to the qualifications and assumptions set out in the IFA Letter, the IFA is of the opinion that the Proposed Transaction is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders.

The IFA is of the opinion that the Independent Directors can recommend that Shareholders vote in favour of the resolution for the Proposed Transaction to be proposed at the EGM.

The IFA Letter dated 26 December 2014 is reproduced and appended as Appendix A of this Circular. Shareholders are advised to read the IFA Letter carefully.

7. RECOMMENDATIONS

After taking into consideration the factors likely to affect the economics of the Proposed Transaction, including the opinion of the IFA (as set out in the IFA Letter in Appendix A to this Circular), the rationale for and key benefits of the Proposed Transaction (as set out in Section 4 of this Circular), the valuations in the summary valuation certificate (as set out in Appendix B to this Circular), and after discussion with the management of the Company and the IFA, the Independent Directors and the Audit Committee are of the view that the Proposed Transaction is based on normal commercial terms and would not be prejudicial to the interests of the Company or its minority Shareholders.

Accordingly, the Independent Directors recommend that Shareholders vote at the EGM in favour of the Ordinary Resolution to approve the Proposed Transaction.

LETTER TO SHAREHOLDERS

8. EXTRAORDINARY GENERAL MEETING

The EGM will be held on 13 January 2015 at 10.00 a.m. at Mandarin Orchard Singapore, Mandarin Ballroom I, 6th Floor, Main Tower, 333 Orchard Road, Singapore 238867, for the purpose of considering and, if thought fit, passing (with or without modification), the Ordinary Resolution set out in the Notice of EGM.

9. ABSTENTIONS FROM VOTING

Rule 919 of the Listing Manual prohibits interested persons and their associates from voting on a resolution in relation to a matter in respect of which such persons are interested in the EGM.

By virtue of its controlling interest in the Company, OUER is an Interested Person and (i) will abstain, and will procure that its associates will abstain, from voting at the EGM on the Ordinary Resolution; and (ii) will not, and will procure that its associates will not, accept appointments as proxies in relation to the Ordinary Resolution, unless specific instructions as to voting are given.

Mr Christopher James Williams is a director of the REIT Manager. Therefore, he (i) will abstain, and will procure that his associates will abstain, from voting at the EGM on the Ordinary Resolution and (ii) will not, and will procure that his associates will not, accept appointments as proxies in relation to the Ordinary Resolution, unless specific instructions as to voting are given.

10. ACTION TO BE TAKEN BY SHAREHOLDERS

10.1 Appointment of Proxies

If a Shareholder is unable to attend the EGM and wishes to appoint a proxy to attend and vote on his behalf, he should complete, sign and return the attached Proxy Form in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the registered office of the Company at 50 Collyer Quay, #18-01/02, OUE Bayfront, Singapore 049321 not later than 10.00 a.m. on 11 January 2015. The completion and return of the Proxy Form by a Shareholder will not prevent him from attending and voting in person at the EGM if he so wishes.

10.2 When Depositor is regarded as Shareholder

A Depositor shall not be regarded as a Shareholder entitled to attend the EGM and to speak and vote thereat unless his name appears on the Depository Register at least 48 hours before the EGM.

11. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Transaction and the Group, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading. Where information in this Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Circular in its proper form and context.

12. CONSENTS

12.1 Independent Financial Adviser

The IFA has given and not withdrawn its written consent to the issue of this Circular with the inclusion of its name and the IFA Letter reproduced in Appendix A and all references to its name in the form and context in which it appears in this Circular.

LETTER TO SHAREHOLDERS

12.2 Independent Valuer

Colliers has given and not withdrawn its written consent to the issue of this Circular with the inclusion of its name and the valuation certificate reproduced in Appendix B and all references to its name in the form and context in which it appears in this Circular.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected by Shareholders during normal business hours at the registered office of the Company located at 50 Collyer Quay, #18-01/02, OUE Bayfront, Singapore 049321 from the date of this Circular up to and including the date falling three months after the date of this Circular:

- (a) the memorandum and articles of association of the Company;
- (b) the Annual Report of the Company for FY2013;
- (c) the CPCA SPA (which sets out the agreed form of the CPCA Master Lease Agreement);
- (d) the CPCA Put Option Agreement;
- (e) the CPEX SPA (which sets out the agreed form of the Combined Master Lease Agreement and the Deed of Income Support);
- (f) the Combined Put Option Agreement;
- (g) the valuation report prepared by Colliers in respect of CPCA and CPEX;
- (h) the IFA Letter; and
- (i) the letters of consent from the IFA and Colliers.

Yours faithfully,
for and on behalf of the Board of Directors of
OUE Limited

Thio Gim Hock
Chief Executive Officer/Group Managing Director
26 December 2014

APPENDIX A – LETTER FROM INDEPENDENT FINANCIAL ADVISER

DELOITTE & TOUCHE CORPORATE FINANCE PTE LTD

(Incorporated in the Republic of Singapore)
Company Registration Number: 200200144N

26 December 2014

The Independent Directors and Audit Committee
OUE Limited
50 Collyer Quay #18-01/02
OUE Bayfront
Singapore 049321

Dear Sirs

THE PROPOSED SALE AND LEASEBACK ARRANGEMENT OF CROWNE PLAZA CHANGI AIRPORT AND ITS FUTURE EXTENSION

For the purpose of this letter, capitalised terms not otherwise defined shall have the meaning given to them in the circular dated 26 December 2014 to the shareholders of OUE Limited (the “Circular”).

1. INTRODUCTION

OUE Limited (the “**Company**” or “**OUE**”) is a diversified real estate owner, developer and operator listed on the Main Board of Singapore Exchange Securities Trading Limited (“**SGX-ST**”). The Company has a real estate portfolio located in prime locations in Asia and the United States of America. The Company focuses its business across the commercial, hospitality, retail and residential property sectors.

OUE Airport Hotel Pte. Ltd. (the “**Vendor**”), an indirect wholly-owned subsidiary of the Company, owns the hotel property known as Crowne Plaza Changi Airport (“**CPCA**”). The future extension to CPCA (“**CPEX**”) is an adjacent rooms-only extension to CPCA and will add 243 hotel rooms to the existing 320 hotel rooms of CPCA. The integrated CPCA and CPEX will offer a total of 563 hotel rooms upon the expected completion of CPEX at the end of 2015 but not later than June 2016.

The Company is seeking the approval from its Shareholders for the proposed sale and leaseback arrangement of CPCA and CPEX between the Vendor and OUE H-REIT (the “**Proposed Transaction**”) which involves:

(A) The Proposed Divestments

- (i) The proposed divestment of CPCA by the Vendor to OUE H-REIT; and
- (ii) The proposed divestment of CPEX by the Vendor to OUE H-REIT.

(B) The Proposed Master Leases

- (i) The Vendor’s entry into a master lease agreement with RBC Investor Services Trust Singapore Limited (in its capacity as trustee of OUE H-REIT) (the “**REIT Trustee**”) and OUE Hospitality REIT Management Pte. Ltd. (in its capacity as manager of OUE H-REIT) (the “**REIT Manager**”) upon the completion of the divestment of CPCA (the “**CPCA Master Lease Agreement**”), as well as its entry into various transactions in connection therewith; and
- (ii) The Vendor’s entry into a supplemental master lease agreement with the REIT Trustee and the REIT Manager upon the completion of the divestment of CPEX (the “**Combined Master Lease Agreement**”), as well as its entry into various transactions in connection therewith. Pursuant to the Combined Master Lease Agreement, the

APPENDIX A – LETTER FROM INDEPENDENT FINANCIAL ADVISER

Vendor will lease the whole of CPCA and CPEX for the same term as the CPCA Master Lease (the “**Combined Master Lease**”, and together with the CPCA Master Lease, the “**Master Leases**”). Upon completion of the divestment of CPEX, the Vendor shall also enter into the Deed of Income Support (as defined herein) with the REIT Trustee.

Based on the audited consolidated financial statements of the Group for FY2013, the audited consolidated NTA of the Group as at 31 December 2013 was approximately S\$3,471.8 million. Based on the CPCA Sale Consideration of S\$290.0 million and CPEX Sale Consideration of S\$205.0 million, and having regard to the Company’s 100.0% shareholding in the Vendor, the value of the proposed divestment of CPCA and CPEX to which the Company is considered to be at risk pursuant to Rule 909 of the Listing Manual amounted to S\$495.0 million representing approximately 14.3% of the audited NTA of the Group for FY2013. Therefore the aggregate value of the Proposed Transaction (comprising the proposed divestment of CPCA and CPEX and the Master Leases) exceeds 5.0% of the latest audited NTA of the Group.

As such, the Proposed Transaction is considered an interested person transaction under Chapter 9 of the Listing Manual, in respect of which Shareholders’ approval is required.

2. TERMS OF REFERENCE

We have been appointed as the independent financial adviser (“**IFA**”) to the Independent Directors and the Audit Committee to advise them as to whether the Proposed Transaction is on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders. This letter, which sets out our evaluation for the Independent Directors in respect of our engagement, is an integral part of the Circular.

We were neither a party to the negotiations entered into in relation to the Proposed Transaction, nor were we involved in the deliberations leading up to the decision on the part of the Directors to enter into the Proposed Transaction.

We do not, by this letter or otherwise, advise or form any judgement on the strategic or commercial merits or risks of the Proposed Transaction. All such evaluations, advice, judgements or comments remain the sole responsibility of the Directors and their advisors.

We have however drawn upon such evaluations, judgements and comments as we deem necessary and appropriate in arriving at our opinion.

The scope of our appointment does not require us to express, and nor do we express, a view on the future growth prospects, earnings potential or value of the Company. We do not express any view as to the price at which the Shares may trade upon completion of the Proposed Transaction nor on the future value, financial performance or condition of the Company after the Proposed Transaction.

It is also not within our terms of reference to compare the merits of the Proposed Transaction to any alternative transactions that were or may have been available to the Company. Such comparison and consideration remain the responsibility of the Directors and their advisors.

In the course of our evaluation, we have held discussions with the management of the Company and have considered the information contained in the Circular, publicly available information collated by us as well as information, both written and verbal, provided to us by the management. We have relied upon and assumed the accuracy of the relevant information, both written and verbal, provided to us by the aforesaid parties and have not independently verified such information, whether written or verbal, and accordingly cannot and do not warrant, and do not accept any responsibility for the accuracy, completeness and adequacy of such information. We have not independently verified and have assumed that all statements of fact, belief, opinion and intention made by the Directors in the Circular have been reasonably made after due and

APPENDIX A – LETTER FROM INDEPENDENT FINANCIAL ADVISER

careful enquiry. Accordingly, no representation or warranty (whether express or implied) is made and no responsibility is accepted by us concerning the accuracy, completeness or adequacy of such information. We have nonetheless made reasonable enquiries and exercised our judgement on the reasonable use of such information and have found no reason to doubt the reliability of such information.

We have not made any independent evaluation or appraisal of the assets and liabilities (including, without limitation, the real properties) of the Company or the Proposed Transaction. We have been furnished with the valuation report for CPCA and CPEX prepared by Colliers International Consultancy & Valuation (Singapore) Pte Ltd (“**Colliers**” or “**Independent Valuer**”). With respect to such reports, we are not experts and do not hold ourselves to be experts in the evaluation of the assets concerned and have relied solely upon such reports.

Our views are based on market, economic, industry, monetary and other conditions (where applicable) prevailing on, and our analysis of the information made available to us, as at the Latest Practicable Date. We assume no responsibility to update, revise or re-affirm our opinion, factors or assumptions in light of any subsequent development after the Latest Practicable Date that may affect our opinion or factors or assumptions contained herein. Shareholders should take note of any announcements relevant to their considerations of the Proposed Transaction which may be released by the Company after the Latest Practicable Date.

The Company has been separately advised by its own legal advisor in the preparation of the Circular other than this letter. We have had no role or involvement and have not provided any advice whatsoever in the preparation, review and verification of the Circular other than this letter. Accordingly, we take no responsibility for, and express no views, whether express or implied, on the contents of the Circular except for this letter.

Our opinion in relation to the Proposed Transaction should be considered in the context of the entirety of this letter and Circular. While a copy of this letter may be reproduced in the Circular, the Company may not reproduce, disseminate or quote this letter or any part thereof for any purpose, other than for the purpose stated herein, without our prior written consent in each instance.

We have not had regard to the general or specific investment objectives, financial situation, tax position, risk profiles or unique needs and constraints of any Shareholder. As Shareholders will have different investment objectives, we advise the Independent Directors to recommend that any Shareholder who may require specific advice in relation to his or her specific investment objectives or portfolio should consult his or her stockbroker, bank manager, solicitor, accountant, tax advisor or other professional advisors.

3. THE PROPOSED DIVESTMENT OF CPCA AND CPEX

3.1. Description of CPCA and CPEX

CPCA is a nine-storey business hotel managed by InterContinental Hotels Group Plc (“**IHG**”) under the brand name of “Crowne Plaza”. The hotel building contains 320 rooms, including 27 suites, and has a total GFA of approximately 336,894 sq ft. It also has four food and beverage outlets and eight meeting rooms, including a ballroom. It was officially opened in May 2008. The global brand-name hotel is situated within the vicinity of the passenger terminals of Changi Airport.

CPEX is an adjacent rooms-only extension to CPCA and it will be linked to CPCA by a link-way on the second floor of both the CPCA and CPEX buildings. CPEX will add 243 hotel rooms to the existing 320 hotel rooms of CPCA, and that the integrated complex will offer a total of 563 hotel rooms upon the expected completion of CPEX at the end of 2015 but not later than June 2016.

A detailed description of the CPCA and CPEX is set out in Section 2.2 of the Letter to Shareholders in the Circular.

APPENDIX A – LETTER FROM INDEPENDENT FINANCIAL ADVISER

The table below sets out a summary of selected information on CPCA as at the Latest Practicable Date.

Location	75 Airport Boulevard, Singapore 819664
Leasehold Tenure	Approximately 68 years remaining, expiring on 29 August 2083
Issue of TOP	9 April 2008 / 20 May 2008 / 6 February 2009
Issue of CSC	30 September 2009
Approximate GFA	31,298.48 sq m (336,894 sq ft)
Number of Available Rooms	320
Valuation by Colliers	S\$290.0 million
Sale Consideration	S\$290.0 million
Proposed Master Lessee	Vendor
Term of Proposed Master Lease	From the date of completion of the divestment of CPCA to 27 May 2028 (inclusive of both dates), with an option given to the Vendor to renew for two consecutive terms of five years each

The table below sets out a summary of selected information on CPEX as at the Latest Practicable Date.

Location	Lot 04594L PT MK 31 Airport Boulevard
Leasehold Tenure	Approximately 68 years remaining, expiring on 29 August 2083
Estimated Issue of TOP	After completion of construction of CPEX which is expected to take place by the end of 2015 but not later than June 2016
Estimated Issue of CSC	March 2016 but not later than September 2016
Approximate GFA	9,615 sq m (103,495 sq ft)
Number of Available Rooms	243
Valuation by Colliers	S\$205.0 million
Sale Consideration	S\$205.0 million
Proposed Master Lessee	Vendor
Term of Proposed Master Lease	Same term as per the CPCA Master Lease

3.2. Key Terms of the Proposed Divestment of CPCA and CPEX

3.2.1. The CPCA SPA

The CPCA Sale Consideration is S\$290.0 million (exclusive of GST), which shall be payable by OUE H-REIT to the Vendor in cash on the date of completion of the CPCA SPA.

The CPCA Sale Consideration was arrived at on a willing-buyer and willing-seller basis, taking into account the independent valuation of the Independent Valuer.

3.2.2. Conditions Precedent

Under the CPCA SPA, the sale of CPCA is subject to, *inter alia*, certain conditions set out in Section 2.3.1 (b) of the Letter to Shareholders in the Circular. Shareholders are advised to read this Section of the Letter to Shareholders carefully.

APPENDIX A – LETTER FROM INDEPENDENT FINANCIAL ADVISER

3.2.3. Other Terms

There are works to be done for the refurbishment and renovation of the guest rooms in the CPCA building (the “**Upgrading Works**”) after completion of the divestment of CPCA and the Vendor has agreed to bear part of the costs of the Upgrading Works up to a maximum sum of S\$3.2 million.

3.2.4. The CPCA Put Option Agreement

In consideration of the sale and purchase of CPCA under the CPCA SPA, the Vendor agrees to grant to the REIT Trustee the CPCA Put Option.

If the CPCA Put Option is exercised by the REIT Trustee in accordance with the CPCA Put Option Agreement, the Vendor shall be bound to purchase CPCA from the REIT Trustee, at a purchase price which is the higher of:

- (i) The valuation of CPCA as at the date of service of the CPCA Put Option exercise notice; and
- (ii) The purchase consideration of CPCA under the CPCA SPA.

The terms and conditions for the exercise of the CPCA Put Option are set out in Sections 2.3.2 (a) and (c) of the Letter to Shareholders in the Circular. Shareholders are advised to read these Sections of the Letter to Shareholders carefully.

We note from Section 1.2.5 of the Letter to Shareholders in the Circular that under the CPCA Building Agreement, CAG is obliged to grant the CPCA Lease for a term expiring on 29 August 2083. The CPCA Lease is in the process of being issued pursuant to the CPCA Building Agreement. The Combined CPCA Lease is expected to be granted by CAG within approximately 12 months from the date of TOP for CPEX, after completion of construction of CPEX which is expected to be at the end of 2015 but not later than June 2016.

3.2.5. The CPEX SPA

The sale consideration for CPEX (the “**CPEX Sale Consideration**”) is S\$205.0 million (exclusive of GST), which shall be payable by OUE H-REIT to the Vendor in cash on the date of completion of the CPEX SPA.

The CPEX Sale Consideration was negotiated on a willing-buyer and willing-seller basis, taking into account the independent valuation of the Independent Valuer. A copy of the summary valuation certificate of CPEX is set out in Appendix B. Any applicable stamp duty is to be borne by OUE H-REIT.

The conditions precedent under the CPEX SPA are set out in Section 2.3.3 (b) of the Letter to Shareholders in the Circular. Shareholders are advised to read this Section of the Letter to Shareholders carefully.

3.2.6. The Combined Put Option Agreement

In consideration of the sale and purchase of CPCA and CPEX, the Vendor agrees to grant to the REIT Trustee the Combined Put Option.

If the Combined Put Option is exercised by the REIT Trustee in accordance with the Combined Put Option Agreement, the Vendor shall be bound to purchase CPCA and CPEX from the REIT Trustee at a purchase price which is the higher of:

- (i) The valuation of CPCA and CPEX as at the date of service of the Combined Put Option exercise notice; and
- (ii) The aggregate purchase consideration of CPCA and CPEX.

APPENDIX A – LETTER FROM INDEPENDENT FINANCIAL ADVISER

The terms and conditions for the exercise of the Combined Put Option are set out in Sections 2.3.4 (a) and (c) of the Letter to Shareholders in the Circular. Shareholders are advised to read these Sections of the Letter to Shareholders carefully.

4. THE PROPOSED MASTER LEASES

4.1. The CPCA Master Lease Agreement

(a) Term of the CPCA Master Lease

On completion of the divestment of CPCA, the REIT Trustee, the REIT Manager and the Vendor (in its capacity as the master lessee) shall enter into the CPCA Master Lease Agreement, pursuant to which the Vendor will lease the whole of CPCA from the date of completion of the divestment of CPCA (the “**CPCA Divestment Completion Date**”) to 27 May 2028 (inclusive of both dates) with an option given to the Vendor to renew for two consecutive terms of five years each.

(b) Rental Payment

The Vendor is required to pay rent on a monthly basis in arrears on the last day of the following month, which rent shall be the higher of:

- (i) A variable rent computed based on the sum of:

From hotel operations as managed by the hotel manager

- (A) 1.0% of gross revenue (less certain revenues and income) derived from operations managed/operated by the hotel manager at CPCA relating to the sale of food and beverages (including but not limited to the sale of wines, spirits, liquors and tobacco);
- (B) 30.0% of gross revenue (less certain revenues and income) derived from operations managed/operated by the hotel manager at CPCA not relating to the sale of food and beverages (such as from rooms, minor operating department etc);
- (C) 30.0% of gross operating profit of CPCA; and

From non-hotel operations

- (D) 77.0% of the gross rental income derived from commercial/retail space; or

- (ii) A minimum rent of S\$12.5 million per annum.

The quantum of the variable rent will be adjusted within 90 days after the end of each financial year based on the audited certificate of financial information of CPCA for such financial year.

Details of the CPCA Master Lease Agreement, including the key obligations of the Master Lessee and Master Lessor, are set out in Section 2.4.1 of the Circular. Shareholders are advised to read Section 2.4.1 of the Letter to Shareholders carefully.

4.2. The Combined Master Lease Agreement

The Combined Master Lease Agreement is a supplemental lease agreement which varies the CPCA Master Lease Agreement to provide for the inclusion of CPEX.

(a) Term of the lease

On completion of the divestment of CPEX, the REIT Trustee, the REIT Manager and the Vendor (in its capacity as the master lessee) shall enter into the Combined Master Lease Agreement, pursuant to which the Vendor will lease the Combined Site for the remaining term of the CPCA Master Lease Agreement.

APPENDIX A – LETTER FROM INDEPENDENT FINANCIAL ADVISER

(b) Rental Payment

From the completion of the divestment of CPEX, the Vendor is required to pay rent on a monthly basis in arrears on the last day of the following month, which rent shall be the higher of:

- (i) A variable rent computed based on the sum of:

From hotel operations as managed by the hotel manager

- (A) 4.0% of gross revenue (less certain revenues and income) derived from operations managed/operated by the hotel manager at the Combined Site relating to the sale of food and beverages (including but not limited to the sale of wines, spirits, liquors and tobacco);
- (B) 33.0% of gross revenue (less certain revenues and income) derived from operations managed/operated by the hotel manager at the Combined Site not relating to the sale of food and beverages (such as from rooms, minor operating department etc);
- (C) 30.0% of gross operating profit of the Combined Site; and

From non-hotel operations

- (D) 80.0% of the gross rental income derived from commercial/retail space; or

- (ii) A minimum rent of S\$22.5 million per annum.

The quantum of the variable rent will be adjusted within 90 days after the end of each financial year based on the audited certificate of the relevant financial information of the Combined Site for such financial year.

Details of the Combined Master Lease Agreement, including the key obligations of the Master Lessee and Master Lessor, are set out in Section 2.4.2 of the Circular. Shareholders are advised to read this Section of the Letter to Shareholders carefully.

5. THE DEED OF INCOME SUPPORT

CPEX is currently under construction and it is expected to be completed at the end of 2015 but not later than June 2016 after which it would be divested to OUE H-REIT (assuming that Shareholders approve the Proposed Transaction at the EGM). As the income from CPEX would not have stabilised at the point of divestment of CPEX to OUE H-REIT since CPEX would only have just commenced operations and it is expected that the income from CPEX would take about three years to stabilise, the Vendor shall enter into the Deed of Income Support, pursuant to which the Vendor will agree to provide the Income Support for the period from the Completion Date to (i) the day immediately preceding the third anniversary date of the Completion Date or (ii) the date when the aggregate of all rental top-up payments payable by the Vendor to OUE H-REIT under the Deed of Income Support exceeds S\$7.5 million, whichever is earlier.

Pursuant to the Deed of Income Support, the target quarterly rent ("**TQR**") for the relevant calendar quarters shall be as follows:

Calendar Quarter	TQR
1st quarter to the 4th quarter from the Completion Date	S\$7.25 million
5th quarter to the 8th quarter from the Completion Date	S\$7.375 million
9th quarter to the 12th quarter from the Completion Date	S\$7.5 million

APPENDIX A – LETTER FROM INDEPENDENT FINANCIAL ADVISER

If the rent payable by the Vendor under the Combined Master Lease Agreement falls below the corresponding TQR for the relevant calendar quarter, the REIT Trustee shall be entitled to call on the Vendor to top up the total rent payable to the TQR of the relevant financial quarter, up to a maximum aggregate of S\$7.5 million. The top-up amount shall be the difference between the TQR and the gross rental income of OUE H-REIT as derived from CPCA and CPEX. The grant of the Income Support is intended to provide a more stabilised level of income for CPEX for a period of three years upon the completion of divestment of CPEX to OUE H-REIT.

6. EVALUATION OF THE PROPOSED DIVESTMENTS

In our evaluation, from a financial point of view, as to whether the terms of the Proposed Divestments are on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders, we have given due consideration to the following factors:

- (i) The rationale for and the benefits of the Proposed Divestments;
- (ii) The independent valuations of CPCA and CPEX;
- (iii) Comparison of capitalisation rates, discount rates and terminal capitalisation rates;
- (iv) Comparison with recent valuations of comparable properties in Singapore; and
- (v) Comparison with relevant past transactions in Singapore.

6.1. The Rationale for and the Benefits of the Proposed Divestments

The Company's view of the rationale for and the benefits of the Proposed Divestments is set out in Section 4 of the Letter to Shareholders in the Circular. We have reproduced below excerpts of this section in respect of the Proposed Divestments:

“4.1 Unlock capital from the proposed divestment of CPCA and CPEX for higher growth reinvestment opportunities

The proposed divestment of CPCA and CPEX will enable the Company to unlock capital from CPCA and CPEX, thereby creating opportunities for the Company to recycle its capital as a result of release of proceeds, portions of which can be deployed towards: (a) reinvestment to pursue growth opportunities and (b) funding the Company's future business plans. In addition, the proposed divestment of CPCA and CPEX will help to grow the Company's fund management business in the REIT Manager as part of its overall business strategy.

4.2 Facilitate the growth of an efficient REIT platform for the holding of hospitality properties

The proposed divestment of CPCA and CPEX to OUE H-REIT is in line with the Company's commitment to OUE H-Trust at the time of its initial public offering, where the Company had granted a right of first refusal to OUE H-Trust for potential future acquisitions of hospitality and/or hospitality-related assets. The Proposed Transaction will increase the size of OUE H-REIT's property portfolio from approximately S\$1.8 billion (as at 30 September 2014) to approximately S\$2.3 billion. As a substantial Stapled Securityholder of OUE H-Trust, the Company will continue to benefit from the growth of OUE H-Trust and the potential increase in the value of the Company's holding of Stapled Securities.”

6.2. The Independent Valuations of CPCA and CPEX

The Company has commissioned the Independent Valuer to value CPCA and CPEX. A copy of the summary valuation certificate from the Independent Valuer is set out in Appendix B of the Circular.

APPENDIX A – LETTER FROM INDEPENDENT FINANCIAL ADVISER

The appraised value ascribed by the Independent Valuer in respect of CPCA and CPEX are summarised in the table below:

Property	Independent Valuation	Sale Consideration
CPCA	S\$290.0 million	S\$290.0 million
CPEX	S\$205.0 million	S\$205.0 million

The key points we highlight in respect of the Independent Valuation prepared are as follows:

- (i) The Independent Valuer has used “Market Value” as its basis of valuation for CPCA. Market Value means the estimated amount for which a property should exchange on the date of valuation between a willing-buyer and a willing-seller in an arm’s length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion;

In relation to the CPCA:

- (i) The valuation of CPCA has been computed on an “as-is basis” with the assessment date being 30 September 2014;
- (ii) In arriving at the valuation of CPCA, the Independent Valuer has adopted the discounted cash flow (“**DCF**”) analysis and the investment method. The Independent Valuer has used the direct comparison method as a reference check;
- (iii) The DCF analysis entails comparison of all future receipts from a proposed investment with all future outgoings and the application of an appropriate discounted rate to this flow of net income to determine the net present value of this income stream. The investment method entails the estimation of annual net rental income of the property after deducting all necessary outgoings and expenses is capitalised at an appropriate rate of return to arrive at the market value;
- (iv) When arriving at its appraised value of CPCA, the Independent Valuer has taken into account the arrangements under the CPCA Master Lease;

In relation to the CPEX:

- (i) The valuation of CPEX has been computed on a “completed basis” with the assessment date being 1 January 2016 subject to satisfactory completion and issuance of TOP and CSC;
- (ii) In arriving at the valuation of CPEX, the Independent Valuer has adopted the investment method. The Independent Valuer has used the direct comparison method as a reference check;
- (iii) In its valuation of CPEX, the Independent Valuer has assumed the residual lease tenure for the Combined Hotel is to be 67.9¹ years;
- (iv) When arriving at its appraised value of CPEX, the Independent Valuer has taken into account the arrangements under the Combined Master Lease, which comes into effect from the completion of the divestment of CPEX; and
- (v) When arriving at its appraised value of CPEX, the Independent Valuer has assumed that the S\$7.5 million provided under the Deed of Income Support will be utilised.

¹ This is based on the assumption that CPEX is completed around end of 2015 and operations will commence around 1 January 2016.

APPENDIX A – LETTER FROM INDEPENDENT FINANCIAL ADVISER

The CPCA Sale Consideration of S\$290.0 million is equal to the appraised value ascribed by the Independent Valuer. The CPEX Sale Consideration of S\$205.0 million is equal to the appraised value ascribed by the Independent Valuer.

6.3. Comparison of Capitalisation Rates, Discount Rates and Terminal Capitalisation Rates

We set out below a comparison of capitalisation rates used by the Independent Valuer in its valuation of the CPCA and CPEX and the discount rates and terminal capitalisation rates used by the Independent Valuer in its valuations of CPCA with the capitalisation rates, discount rates and terminal capitalisation rates used in the latest independent valuations of the hotel properties in Singapore owned by hospitality sector focused real estate funds listed on the SGX-ST.

Name of Real Estate Trust / Property	Investment Method	DCF Analysis	
	Capitalisation Rate	Discount Rate	Terminal Capitalisation Rates
	(%)	(%)	(%)
CPCA/CPEX	5.25	7.50	5.50
Ascendas Hospitality REIT	5.00 ⁽¹⁾	N.A. ⁽²⁾	N.A. ⁽²⁾
Far East Hospitality Trust ⁽³⁾	4.00 – 6.00	7.50	N.A. ⁽²⁾
Fraser's Hospitality REIT ⁽⁴⁾	4.75	7.00	5.00
OUE Hospitality REIT ⁽⁵⁾	N.A. ⁽²⁾	8.50	7.00
SGX-ST listed hospitality real estate funds	4.00 – 6.00	5.30 – 8.50	5.00 - 7.00

Sources: REIT or company filings, circulars to unitholders or shareholders and valuation reports.

Notes:

- (1) Pro forma annualised capitalisation rate of the Park Hotel Clarke Quay for the period from 27 July 2012 to 31 March 2013 disclosed in Ascendas Hospitality REIT's circular to unitholders dated 7 May 2013.
- (2) N.A. refers to not publicly available.
- (3) Far East Hospitality Trust portfolio comprises Village Hotel Albert Court, Village Hotel Bugis, Village Hotel Changi, The Elizabeth Hotel, Oasia Hotel Singapore, Orchard Parade Hotel, The Quincy Hotel and Rendezvous Hotel Singapore.
- (4) Rates for the Intercontinental Singapore.
- (5) Rates for the Mandarin Orchard Singapore.

We note that the rates used by the Independent Valuer in its valuation of CPCA and CPEX are broadly in line with those used in the most recent valuations of Singapore hotels owned by the SGX-ST listed hospitality real estate funds set out above.

Any such comparisons can serve as an illustrative guide only and must be caveated by the knowledge that CPCA and CPEX differs from the above Singapore-based hospitality assets in many aspects, such as location, accessibility, profile, proximity to major venues and/or attractions, outstanding lease tenure and other relevant factors.

6.4. Comparison with Recent Valuations of Comparable Properties in Singapore

We have compiled information that is publicly available in respect of the recent valuations of hotels in Singapore that have a four-star or a five-star rating (the “**Comparable Hotel Properties**”) in order to provide benchmarks for the EBITDA yield and value per key implied by the CPCA Sale Consideration. EBITDA yield is computed as the earnings before interest tax and depreciation divided by the property valuation, where “EBITDA” is calculated as the gross operating revenue minus operating expenses minus property expenses. The property expenses include expenses such as property tax, land rent, insurance other property outgoings in relation to investment properties and excludes property management fee (“**Property Expenses**”). In the case of hotels that are the subject of a lease, the EBITDA is calculated as the sum of the lease and rental income minus Property Expenses. It is a common benchmark used for the purpose of the analysis of valuations of such properties.

APPENDIX A – LETTER FROM INDEPENDENT FINANCIAL ADVISER

There are few such valuations in the public domain. As such, any such benchmarking exercise can serve as an illustrative guide only and must be caveated by the knowledge that CPCA differs from the Comparable Hotel Properties in many aspects, such as location, accessibility, profile, proximity to major venues and/or attractions, outstanding lease tenure and other relevant factors.

Property Name	Location	Lease Tenure (Years to Expiry)	Market Value (\$ million)	EBITDA (\$ million)	EBITDA Yield (%)	Number of Rooms	Value per key (\$'000)
CPCA ⁽²⁾	Changi Airport	69	290.0	13.2 ⁽³⁾	4.5	320	906
Properties owned by SGX-ST listed hospitality real estate funds							
Grand Copthorne Waterfront Hotel	Havelock Road	67	358.0	21.8	6.1	574	624
Intercontinental Singapore	Middle Road	75	497.1	16.9	3.4	406	1,224
M Hotel	Anson Road	67	233.0	14.2	6.1	413	564
Mandarin Orchard Singapore	Orchard Road	42	1,220.0	75.0	6.1	1,077	1,133
Marina Mandarin Singapore	Raffles Boulevard	65	552.0	N.A. ⁽¹⁾	N.A. ⁽¹⁾	575	960
Novotel Singapore Clarke Quay	River Valley Road	62	315.0	21.5	6.8	403	782
Oasia Hotel Singapore	Sinaran Drive	91	330.0	17.4	5.3	428	771
Orchard Hotel	Orchard Road	67	455.5	23.2	5.1	656	694
Orchard Parade Hotel	Tanglin Road	48	428.0	16.4	3.8	388	1,103
Park Hotel Clarke Quay	Unity Street	91	312.0	10.2	3.3	336	929
Studio M Hotel	Nanson Road	91	163.0	8.6	5.3	360	453
The Elizabeth Hotel	Mouth Elizabeth	73	193.0	8.6	4.5	256	754
The Quincy Hotel	Mouth Elizabeth	73	86.0	3.8	4.4	108	796
Village Hotel Changi	Netheravon Road	63	255.0	11.7	4.6	380	671
Properties Owned by Hotel Properties Limited							
Hilton Singapore	Orchard Road	856	530.0	N.A. ⁽¹⁾	N.A. ⁽¹⁾	422	1,253
Four Seasons Hotel Singapore	Orchard Road	Freehold	365.0	N.A. ⁽¹⁾	N.A. ⁽¹⁾	255	1,431
Properties Owned by Pan Pacific Hotels Group Limited							
Park Royal on Pickering	Upper Pickering Street	93	325.0	N.A. ⁽¹⁾	N.A. ⁽¹⁾	367	886
Pan Pacific Orchard	Claymore Road	Freehold	182.0	N.A. ⁽¹⁾	N.A. ⁽¹⁾	206	883
Other Singapore Hotel Properties							
Concorde Hotel Singapore	Orchard Road	64	243.0	N.A. ⁽¹⁾	N.A. ⁽¹⁾	407	597
Hotel Royal @ Queens	Queen Street	Freehold	195.0	N.A. ⁽¹⁾	N.A. ⁽¹⁾	231	844
				High	6.8		1,431
				Low	3.3		453
				Average	5.0		867
				Median	5.1		844

Sources: REIT or company filings, circulars to unitholders or shareholders, hotel websites and valuation reports.

APPENDIX A – LETTER FROM INDEPENDENT FINANCIAL ADVISER

Notes:

- (1) N.A. refers to not publicly available.
- (2) Analysis does not include CPEX as value per key figures presented in the table above represent current values, while CPEX is expected to be completed at end of 2015 but not later than June 2016.
- (3) EBITDA is computed as the annualised EBITDA for the period 25 July 2013 to 31 December 2013 (“**Stub-2013 EBITDA**”), where Stub-2013 EBITDA is the rent that would be payable to OUE H-Trust assuming that the divestment of CPCA had been completed on 25 July 2013 and the CPCA Master Lease was in existence on the same date.

Based on the table above, we note the following:

- (i) The EBITDA yield of CPCA of 4.5% is lower than the average and median EBITDA yields of the Comparable Hotel Properties of 5.0% and 5.1%; and
- (ii) The value per key of CPCA of S\$0.91 million is higher than the average and median of S\$0.87 million and S\$0.84 million, respectively, of the Comparable Hotel Properties.

6.5. Comparison with relevant past transactions in Singapore

We have looked at the recent hotel transactions that took place in Singapore for the period from 1 January 2011 to the Latest Practicable Date for which information is publicly available and extracted the relevant information from similar hotel transactions in Singapore (“**Comparable Transactions**”) in order to compare the price per key of CPCA and CPEX with the Comparable Transactions.

The information in the table below is for illustration purposes only. The hotel properties which are the subjects of the Comparable Transactions differ from CPCA and CPEX in terms of building size and design, building age, location, accessibility, land title, tenure, revenue mix, market risks, future prospects, operating history, branding and other relevant criteria. There is no property under the Comparable Transactions which may be considered identical to CPCA and CPEX in terms of the abovementioned factors.

We wish to highlight that the hotel properties which are the subjects of the Comparable Transactions do not have a master lease arrangement in the same nature of CPCA and CPEX. Due to the lack of publicly available information pertaining to the operating financials of each hotel property, only price per key can be used as a meaningful comparison.

For the above reasons, while the Comparable Transactions taken as a whole may provide a broad and indicative benchmark for assessing the Proposed Divestments, care has to be taken in the selection and use of any individual data point for the same purpose.

Property Name	Location	Transaction Date	Lease Tenure (Years to Expiry)	Number of Rooms	Acquisition Price (\$ million)	Price per key (\$'000)
CPCA	Changi Airport	2014	69	320	290.0	906
CPEX	Changi Airport	Between end 2015 and June 2016	67	243	205.0	844
Park Regis Singapore	Merchant Road	Sep 2014	92	203	250.0	916
Intercontinental Singapore	Middle Road	Jul 2014	75	406	497.1	1,224
Westin Singapore	Marina View	Dec 2013	98	305	468.0	1,534
Sentosa Resort and Spa	Sentosa	Aug 2013	59	215	200.0	930
Park Hotel Clarke Quay	Unity Street	Apr 2013	91	336	300.0	893
Rendezvous Grand Hotel Singapore and Rendezvous Gallery Singapore	Bras Basah Road	Nov 2012	69	298	216.6	727

APPENDIX A – LETTER FROM INDEPENDENT FINANCIAL ADVISER

Property Name	Location	Transaction Date	Lease Tenure (Years to Expiry)	Number of Rooms	Acquisition Price (S\$ million)	Price per key (S\$'000)
Hotel Grand Pacific	Victoria Street	Oct 2012	N/A	240	210.0	875
Oasia Hotel Singapore	Sinaran Drive	Aug 2012	90	428	323.0	755
High						1,534
Low						727
Average						982
Median						905

Sources: Capital IQ and REIT or company filings.

Note:

- (1) Calculated based on total purchase consideration less purchase consideration attributable to retail space.

Based on the table above, we note the following:

- (i) The price per key of CPCA of S\$0.91 million is approximate to the median and average price per key derived from the Comparable Transactions of S\$0.91 million and S\$0.98 million respectively;
- (ii) The price per key of CPEX of S\$0.84 million is within the range of the price per key of Comparable Transactions, albeit slightly lower than the median and average price per key derived from the Comparable Transactions; and
- (iii) The price per key of CPCA of S\$0.91 million is higher than the price per key of CPEX of S\$0.84 million. We understand that this is attributable to a number of factors including CPCA having guest rooms of larger average room size as well as facilities such as meeting rooms and restaurants, whose value is embedded in the valuation of CPCA.

7. EVALUATION OF THE CPCA MASTER LEASE AGREEMENT AND THE COMBINED MASTER LEASE AGREEMENT (THE “MASTER LEASES”)

In our evaluation, from a financial point of view, as to whether the terms of the Master Leases are on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders, we have given due consideration to the following factors:

- (1) The rationale for and the benefits of the Master Leases; and
- (2) Comparison with master leases for hospitality assets in Singapore.

7.1. The Rationale for and the Benefits of the Master Leases

OUE's view of the rationale for and benefits of the Master Leases is set out in Section 4.1 of the Letter to Shareholders in the Circular. We have reproduced below an excerpt of this section in respect of the Master Leases:

“The Company will also maintain the ability to operate CPCA and CPEX via the Master Leases to be entered into upon the respective completion of divestment of CPCA and CPEX, pursuant to which the Vendor (as master lessee) will be responsible for the continual management of CPCA and CPEX. The Company will, through the Master Leases, remain involved in long-term growth and development of CPCA and CPEX in tandem with the continued expansion of Changi Airport and continue to derive income from the management of the strategically-located hotel.”

We wish to highlight that the Independent Valuer has taken into account the arrangements under the CPCA Master Lease, the Combined Master Lease and the Deed of Income Support in its appraisal of the value of CPCA and CPEX.

7.2. Comparison with Master Leases for Hospitality Assets in Singapore

The information that is in the public domain in respect of master lease agreements for hotel assets in Singapore is limited to the following information set out in the table below.

Given this limitation in available information, any such benchmarking exercise can serve as an illustrative guide only and must be caveated by the knowledge that CPCA and CPEX may differ from the properties listed below in many aspects, such as location, accessibility, profile, proximity to major venues and/or attractions, outstanding lease tenure and other relevant factors. The comparative analysis is only one of a number of factors considered by us in our evaluation.

Property Name	Lessor / Lessee	Lease Tenure (years)	Fixed lease revenue ⁽¹⁾ (\$ million)	Variable Rent (Sum of percentage of revenue and percentage of gross operating profit less the base rent)		Fixed lease revenue as a percentage of Acquisition Price	Acquisition Price (\$ million)
				Percentage of Gross Operating Revenue	Percentage of Gross Operating Profit ⁽²⁾		
CPCA	OUE H-Trust / OUE Airport Hotel Pte. Ltd.	Approximately 13 ⁽³⁾ ; plus option 5 + 5	12.5	Room and Other departments – 30% Food and Beverage department – 1%	30%	4.3%	290.0
CPCA and CPEX	OUE H-Trust / OUE Airport Hotel Pte. Ltd.	Approximately 12 ⁽⁴⁾ ; plus option 5 + 5	22.5	Room and Other departments – 33% Food and Beverage department – 4%	30%	4.6%	495.0
Mandarin Orchard Singapore	OUE H-Trust / OUE Limited	15 + 15	45.0	33%	28%	3.8%	1,180.0
Park Hotel Clarke Quay	Ascendas Hospitality / Park Hotel CQ Pte Ltd	10 + 5	11.5 ⁽⁵⁾	Note ⁽⁶⁾		3.8%	300.0
Grand Copthorne Waterfront	CDL Hospitality Trusts (“CDL H-Trust”) / Millennium & Copthorne Hotels plc (“M&C”)	20 + 20	7.2	20%	20%	3.1%	234.1
M Hotel	CDL H-Trust / M&C	20 + 20	6.1	20%	20%	3.8%	161.5
Copthorne King's Hotel	CDL H-Trust / M&C	20 + 20	2.8	20%	20%	3.3%	86.1
Studio M Hotel	CDL H-Trust / M&C	20 + 50	5.0	30%	20%	3.3%	154.0

APPENDIX A – LETTER FROM INDEPENDENT FINANCIAL ADVISER

Property Name	Lessor / Lessee	Lease Tenure (years)	Fixed lease revenue ⁽¹⁾ (\$\$ million)	Variable Rent (Sum of percentage of revenue and percentage of gross operating profit less the base rent)		Fixed lease revenue as a percentage of Acquisition Price	Acquisition Price (\$\$ million)
				Percentage of Gross Operating Revenue	Percentage of Gross Operating Profit ⁽²⁾		
Rendezvous Hotel Singapore and Rendezvous Gallery	Far East Hospitality Trust ("Far East H-Trust") / Serene Land Pte Ltd	20 + 20	6.5	33%	25%	2.5%	264.3
Village Hotel Albert Court	Far East H-Trust / First Choice Properties Pte Ltd	20 + 20	3.5	33%	25%	2.9%	120.7
Village Hotel Changi	Far East H-Trust / Far East Organization Centre Pte. Ltd.	20 + 20	7.5	33%	24%	3.1%	238.5
The Elizabeth Hotel	Far East H-Trust / Golden Development Private Limited ("GDPL")	20 + 20	5.5	33%	34%	3.0%	186.7
Village Hotel Bugis	Far East H-Trust / GDPL	20 + 20	7.0	33%	29%	3.2%	218.4
Oasia Hotel Singapore	Far East H-Trust / Transurban Properties Pte. Ltd.	20 + 20	8.0	33%	28%	2.5%	318.2
Orchard Parade Hotel	Far East H-Trust / Far East Orchard Limited	20 + 20	10.0	33%	37%	2.4%	412.5
The Quincy Hotel	Far East H-Trust / GDPL	20 + 20	2.5	33%	23%	3.0%	82.3
Intercontinental Singapore	Fraser Hospitality Trust / BCH Hotel Investment ("BCH")	20 + 20	8.0	Not Applicable	76% ⁽⁷⁾	1.6%	497.1
Orchard Hotel	Fraser Hospitality Trust / BCH	20 + 20	10.3	20%	20%	3.1%	330.1
		High	45.0	33%	76%	3.8%	
		Low	2.5	20%	20%	1.6%	
		Average	9.2	29%	29%	3.0%	
		Median	7.1	33%	25%	3.1%	

Sources: Circulars and IPO prospectuses of the SGX-ST listed hospitality sector focused real estate funds.

APPENDIX A – LETTER FROM INDEPENDENT FINANCIAL ADVISER

Notes:

- (1) Fixed lease revenue refers to fixed rent and service charge.
- (2) Gross operating profit refers to revenue less staff costs, cost of sales for food and beverages, energy and utilities, other direct expenses and other hotel expenses.
- (3) The CPCA Master Lease commences on the CPCA Divestment Completion Date and ends on 27 May 2028 (inclusive of both dates), with an option to renew for two consecutive terms of five years each. For the purpose of comparison of lease tenures in the table above, we have assumed that the divestment of the CPCA is completed in first quarter of calendar year 2015.
- (4) The Combined Master Lease commences on the CPCA Divestment Completion Date and ends on 27 May 2028 (inclusive of both dates), with option to renew for two consecutive terms of five years each. For the purpose of comparison of lease tenures in the table above, we have assumed that the divestment of the CPEX in the first quarter of calendar year 2016.
- (5) Fixed rent is structured at S\$11.5 million for the initial 12 months period, with an annual 3% escalation.
- (6) First variable rent component of 67.0% of EBITDA between the fixed rent and S\$16 million per annum and a second variable rent component of 33.0% of any EBITDA above S\$16 million per annum.
- (7) Variable rent is structured at 76.0% of gross operating profit and furniture fixture & equipment reserve.

Based on the information presented above, we note that:

In terms of variable rent:

- (i) All the leases with the exception of the lease for Intercontinental Singapore have a variable rent comprising a blended percentage of gross revenue and gross operating performance for the above properties ("**Comparison Properties**");
- (ii) The variable rent component structure under the CPCA Master Lease is broadly in line with that of the Comparison Properties; and
- (iii) The variable rent component structure under the Combined Master Lease is broadly in line with that of the Comparison Properties.

In terms of fixed lease revenue:

- (i) The fixed lease revenue component under the CPCA Master Lease equates to 4.3% of the CPCA Sale Consideration. The fixed lease revenue component under the Combined Master Lease equates to 4.6% of the aggregate CPCA Sale Consideration and the CPEX Sale Consideration. These are above the range of fixed lease revenue as a percentage of acquisition price for the Comparison Properties. This could be attributable to the fact that the lessor (or owner) needs to pay land rent, an expense not incurred by owners of Comparison Properties, which lowers the net property income to the lessor;

In terms of lease tenure:

- (i) 14 out of 16 selected Comparison Properties have an initial term of 20 years; and
- (ii) The lease tenure of the CPCA Master Lease and the Combined Master Lease with an initial term of approximately 13 and 12 years respectively and a total of 22 and 23 years is generally shorter than that of the leases for the Comparison Properties.

8. EVALUATION OF THE PRO FORMA FINANCIAL EFFECTS OF THE PROPOSED TRANSACTION

8.1. Pro Forma Financial Effects of the Proposed Transaction

The pro forma financial effects of the Proposed Transaction as a whole are set out in Section 3 of the Letter to Shareholders in the Circular. The pro forma financial effects have been computed under two scenarios:

APPENDIX A – LETTER FROM INDEPENDENT FINANCIAL ADVISER

Scenario 1 – Presentation of Financial Effects as required under the Listing Manual (“Scenario 1”)

Under the Listing Manual approach, it is assumed that OUE H-Trust was listed on 1 January 2013 and was consolidated as a subsidiary of the Company from then. Accordingly, no disposal gain is recognised on the completion of the Proposed Transaction.

Based on information set out in Section 3.1 of the Circular, we understand that Scenario 1 may not be reflective of the actual transaction as OUE H-Trust is currently and will be, on completion of the Proposed Transaction, equity accounted for as an associate. In view of this, another scenario, based on OUE H-Trust being an associate from 25 July 2013 (being the date of listing of OUE H-Trust) (“Scenario 2”) is also presented to better illustrate the financial effects of the Proposed Transaction.

Scenario 2 – Presentation of Financial Effects based on OUE H-Trust being an associate from 25 July 2013

The pro forma financial effects are adjusted based on OUE H-Trust being an associate of the Group (in which the Company has an equity interest of 33.5%) from 25 July 2013 (being the date of listing of OUE H-Trust).

Based on the information set out, we note that the pro forma financial effects are positive, as follows:

- (i) The pro forma NTA per Share under Scenario 1 remains unchanged following the completion of the Proposed Divestments;
- (ii) The pro forma NTA per Share under Scenario 2 increases by S\$0.18 (or approximately 4.4%) following the completion of the Proposed Divestments;
- (iii) The pro forma loss per Share under Scenario 1 increases by S\$0.01 (or approximately 34.3%) following the completion of the Proposed Divestments; and
- (iv) The pro forma EPS under Scenario 2 increases by S\$0.13 (or approximately 11.5%) following the completion of the Proposed Divestments.

9. OUR RECOMMENDATION ON THE PROPOSED TRANSACTION

In arriving at our recommendation, we have taken into account the following factors which we consider to have a significant bearing on our assessment of the Proposed Transaction:

In respect of the Proposed Divestments:

The rationale for and benefits of the Proposed Divestments:

- (i) The CPCA Sale Consideration is equal to the appraised value ascribed by the Independent Valuer;
- (ii) The CPEX Sale Consideration is equal to the appraised value ascribed by the Independent Valuer;
- (iii) The capitalisation rates, discount rates and terminal capitalisation rates used by the Independent Valuer in its valuations of CPCA and CPEX are broadly in line with those used in the most recent valuations of the Singapore hotels owned by the SGX-ST listed hospitality real estate funds set out in Section 6.3 of this letter;
- (iv) The EBITDA yield of CPCA of 4.5% is lower than the average and median EBITDA yields of the Comparable Hotel Properties of 5.0% and 5.1%;
- (v) The value per key of CPCA of S\$0.91 million is higher than the average and median S\$0.87 million and S\$0.84 million, respectively, of the Comparable Hotel Properties; and

APPENDIX A – LETTER FROM INDEPENDENT FINANCIAL ADVISER

- (vi) The prices per key for CPCA and CPEX of S\$0.91 million and S\$0.84 million, respectively, fall within the range of the prices per key for the Comparable Transactions.

In respect of the Master Leases:

- (i) The rationale for and the benefits of the Master Leases;
- (ii) The Independent Valuer has taken into account the arrangements under the CPCA Master Lease, the Combined Master Lease and the Deed of Income Support in its appraisal of the value of CPCA and CPEX;
- (iii) The variable rent component structures under the CPCA Master Lease and the Combined Master Lease are broadly in line with that of the Comparison Properties;
- (iv) The tenure of the Master Leases is shorter than that of the leases for the Comparison Properties; and
- (v) The option to renew the Master Leases is at the option of the Master Lessee.

The Pro Forma Financial Effects of the Proposed Transaction:

The Proposed Transaction has the following financial effects:

- (i) The Group's pro forma NTA under Scenario 1 remains unchanged;
- (ii) The Group's pro forma NTA under Scenario 2 increases by S\$0.18 (or approximately 4.4%);
- (iii) The Group's pro forma loss per Share under Scenario 1 increases by S\$0.01 (or approximately 34.3%); and
- (iv) The Group's pro forma EPS under Scenario 2 increases by S\$0.13 (or approximately 11.5%).

Having given due consideration to the above, subject to the qualifications set out herein and taking into account the prevailing conditions as at the Latest Practicable Date, we are of the opinion that the Proposed Transaction is on normal commercial terms and is not prejudicial to OUE and its minority Shareholders. Accordingly, we are of the opinion that the Independent Directors recommend that Shareholders vote in favour of the Proposed Transaction to be proposed at the Extraordinary General Meeting.

Our recommendation is addressed to the Independent Directors and the Audit Committee for their benefit in connection with and for the purpose of their consideration of the Proposed Transaction. Any recommendation made by the Independent Directors in respect of the Proposed Transaction shall remain their responsibility.

Our recommendation is governed by the laws of Singapore and is strictly limited to the matters stated herein and does not apply by implication to any other matter.

Yours faithfully

Deloitte & Touche Corporate Finance Pte Ltd

Ng Jiak See
Executive Director

APPENDIX B – VALUATION CERTIFICATE



VALUATION CERTIFICATE

Our Reference	:	2014/125												
Address of Property	:	75 Airport Boulevard CROWNE PLAZA CHANGI AIRPORT SINGAPORE Singapore 819664												
Valuation Prepared for	:	OUE Limited												
Legal Description	:	Lot 1276W (Part of Lot 4594L) Mukim 31												
Tenure	:	77-year leasehold commencing from 12 December 2006 (Balance of approximately 69.2 years un-expired term)												
Registered Proprietor	:	OUE Airport Hotel Pte Ltd												
Type	:	A 9-storey airport hotel (320 guest rooms) with an adjoining vacant redevelopment site for the proposed erection of a 10-storey extension of another 243 rooms.												
Site Area	:	8,000.0 sm or thereabouts, subject to government's final survey												
Gross Floor Area*	:	<table><tr><td>Existing Hotel</td><td>:</td><td>31,298</td><td>sm</td></tr><tr><td>Proposed Extension</td><td>:</td><td><u>9,615</u></td><td>sm</td></tr><tr><td>Total</td><td>:</td><td><u>40,913</u></td><td>sm</td></tr></table>	Existing Hotel	:	31,298	sm	Proposed Extension	:	<u>9,615</u>	sm	Total	:	<u>40,913</u>	sm
Existing Hotel	:	31,298	sm											
Proposed Extension	:	<u>9,615</u>	sm											
Total	:	<u>40,913</u>	sm											
<i>*Note: As provided by your goodselves and subject to final survey.</i>														
Year of Completion	:	We understand that the Temporary Occupation Permit for the existing hotel was issued in 2008. The new extension is expected to complete around end of 2015 and operations will commence around 1 January 2016.												
Condition of Property	:	Good (Existing)												

APPENDIX B – VALUATION CERTIFICATE



Proposed Master Lease Arrangement : The property will be leased for an initial lease term of 14 years which is expiring on 27th May 2028 followed by 2 consecutive terms of 5 years each, at the option of master lessee (OUE Airport Hotel Pte. Ltd.). The lease agreement is described below :-

Variable Rent in respect of operations managed/ operated by the Hotel Manager at the Hotel :-

For the existing hotel only, the annual rent will be pegged based on the sum of 30% of adjusted Gross Operating Revenue (GOR) and 30% of Gross Operating Profit (GOP) for the Rooms and Other Departments; and 1% of adjusted GOR and 30% of GOP for the F&B Department. The floor rent will be S\$12,500,000/-.

For the combined hotel (upon completion of new extension after 1 January 2016), the annual rent will be pegged based on the sum of 33% of the combined adjusted GOR and 30% of combined GOP for the Rooms and Other Departments; and 4% of combined adjusted GOR and 30% of combined GOP for the F&B Department. The floor rent will be S\$22,500,000/-.

Hotel Management fee and provision for furniture, fixtures and equipment (FF&E) for the hotel are borne by the master lessee (OUE Airport Hotel Pte Ltd). Land Rent, property tax and insurance will be borne by master lessor (OUE Hospitality Real Estate Investment Trust).

Variable Rent in respect of operations not managed/ operated by Hotel Manager at the Hotel

This pertains to the portion leased out to a Chinese restaurant whereby the rent is based on a monthly basic rent or Monthly Turnover Rent, whichever the higher.

Under the master lease agreement, the landlord will receive 77% of the rent of the Chinese restaurant prior to the completion of the extension wing. Upon completion of the extension wing, the rent will increase to 80%.

In the event that the Variable Rent yields a negative figure the Variable Rent will be deemed to be zero.

Income Support : There will be a provision of income support of total S\$7,500,000/- to be available over 3 years commencing from the operation of the extension wing. The income support can be drawn upon if the rental falls below the following threshold:-

Year 1 : S\$7,250,000/- per quarter (i.e. S\$29,000,000/- per annum)
Year 2 : S\$7,375,000/- per quarter (i.e. S\$29,500,000/- per annum)
Year 3 : S\$7,500,000/- per quarter (i.e. S\$30,000,000/- per annum)

APPENDIX B – VALUATION CERTIFICATE



Income Support (Cont'd) : We have assumed the worst case scenario against the floor rent of S\$22,500,000/- where all the income support are utilized within the 1st two years of operation, as follows:-

Year 1 : S\$29,000,000/- to S\$22,500,000/- = S\$6,500,000/-
Year 2 : Balance available for drawdown = S\$1,000,000/-

Land Rent : Under the terms of the agreement between the Hotel and Changi Airport Group, we understand that a ground rental is payable. We have been advised by the Client of the rent structure in place for the Existing Hotel and the change in rent structure upon the commencement of the operations of the Proposed Extension. For reasons of confidentiality, the Client has requested that we do not disclose herein material details of the lease agreement.

Annual Value (2014) : S\$8,950,000/- (Existing hotel)

Master Plan Zoning (2014 Edition) : "Port/Airport"

Basis of Valuation : Market Value subject to proposed leaseback arrangement

Methods of Valuation : Investment Method, Discounted Cashflow Analysis and Direct Comparison Method

Capitalisation Rate : 5.25%

Discount Rate : 7.50%

Terminal Cap Rate : 5.50%

Date of Valuation : 30 September 2014

APPENDIX B – VALUATION CERTIFICATE



Market Value for Existing Hotel (320 rooms)	:	S\$290,000,000/- (Singapore Dollars Two Hundred And Ninety Million Only)
Market Value of Extension Wing (243 rooms) with income support*	:	S\$205,000,000/- (Singapore Dollars Two Hundred And Five Million Only)
Market Value of Extension Wing (243 rooms) without income support**	:	S\$197,800,000/- (Singapore Dollars One Hundred Ninety-Seven Million And Eight Hundred Thousand Only)

Note :

- * Value of the new wing commencing operations in January 2016 with income capitalized over the residue 67.9 years.
** Value of the new wing without income support, assuming that the amount of S\$7,500,000/- will be drawn within first two years.

A handwritten signature in black ink, appearing to be "Colliers", followed by a horizontal line.

Colliers International Consultancy & Valuation (Singapore) Pte Ltd

CYC/CN/ds

This valuation certificate is subject to the attached Limiting Conditions.

75 Airport Boulevard
CROWNE PLAZA CHANGI AIRPORT SINGAPORE
Singapore 819664
Our Ref : 2014/125



--- LIMITING CONDITIONS

1. Values are reported in Singapore currency unless otherwise stated.
2. In our valuation it is presumed that the property as currently used is not in contravention of any planning or similar regulations. We shall not be responsible if it is otherwise.
3. For obvious reasons, we do not and cannot provide information relating to government acquisitions unless the land has already been gazetted for acquisition.
4. No requisition on road, MRT, LRT, drainage and other government proposals has been made. Such information will not be tendered unless specifically requested for and we be properly reimbursed.
5. While due care is exercised in the course of our inspection to note any serious defects, we will not (and are not qualified to) carry out a structural, geotechnical or environmental survey. We will not inspect those parts of the property that are unexposed or inaccessible. Further, we will not be able to report that the building is free from rot, infestations or other defects. The building services will not be tested but will be presumed to be in good working order. We recommend that appropriately qualified persons be engaged to undertake investigations excluded from our scope of work.
6. Neither the whole nor any part of this valuation report or any reference to it may be included in any document, circular or statement or be published in any way without our prior written consent to the form and context in which it may appear. We shall bear no responsibility for any unauthorised inclusion or publication and reserve the right to claim for any loss, liability, costs or expenses (including but not limited to professional or executive time) we may suffer or reasonably incur, directly or indirectly, as a result of a breach of this clause.
7. In accordance with our usual practice, we must state that this valuation report is restricted to the client or person to whom this valuation report is specifically addressed to and for the specific purpose stated therein and to be used within a reasonable time. We disclaim any liability should it be used by any other person or for any other purpose(s) or beyond a reasonable time.
8. Where it is stated in the valuation report that information has been supplied to us by another party, the information is presumed to be reliable and we do not accept any responsibility should it be proven otherwise. The study of possible alternative development options and the related economics are not within the scope of this report unless expressly stated.
9. Our opinion of the market value of the property is free from any influence and/or point of views of any other parties.
10. Any market projections incorporated within our services including but not limited to, income, expenditure, associated growth rates and other variables are projections only and may prove to be inaccurate. Accordingly, such market projections should be interpreted as an indicative assessment of potentialities only, as opposed to certainties.
11. No allowance will be made in our valuation report for any charges, mortgages or other claims affecting the property nor for any costs, expenses, taxation or outgoings which may be involved in any transaction of the property.
12. The title to the property is presumed to be good and marketable and, unless mentioned in this valuation report, be free from any encumbrances, restrictions and other legal impediments. We accept no responsibility for investigations into title, searches and requisitions and other such legal matters.
13. Any plans included in this report are for identification purposes only and should not be treated as certified copies of areas or other particulars contained therein.
14. All Location Plans are obtained from Streetdirectory.com. Whilst we do make every endeavour to update the maps as far as it is possible, we do not vouch for the accuracy of the maps and shall not be responsible if it is otherwise.
15. We shall not be required to give testimony or to appear in court or any other tribunal or to any government agency by reason of this valuation report or with reference to the property in question unless prior arrangements have been made and we be properly reimbursed. For the avoidance of doubt, our directors and employees shall have no liability in respect of their private assets. The amount of aggregate liability of Colliers is limited to the fee for this service.

APPENDIX C – EXISTING INTERESTED PERSON TRANSACTIONS

1. Existing Interested Person Transactions

The table below sets out details of all existing interested person transactions entered into by the Company, its subsidiaries and associates in the current financial year up to the Latest Practicable Date, which are the subject of aggregation pursuant to Rule 906 of the Listing Manual.

No.	Interested Person	Nature of Transaction	Value of Transaction (S\$)
1	OUE Commercial Real Estate Investment Trust (“ OUE C-REIT ”)	Rental of premises at OUE Bayfront by the Company	22,286,000
2	OUE C-REIT	Rental of premises at OUE Bayfront by OUE Restaurants Pte. Ltd.	2,615,000
3	OUE C-REIT	Rental of premises at OUE Bayfront by OUE Commercial REIT Management Pte. Ltd.	4,796,000
4	OUE C-REIT	Car park fees incurred by the Group in relation to season parking at OUE Bayfront	189,000
5	OUE C-REIT	Consumption of air-conditioning, chilled water and utilities by the Group in relation to OUE Bayfront	123,000
6	Auric Pacific Group Limited (“ APGL ”)	Purchase of food & beverage items by the Company (trading as Mandarin Orchard Singapore)	471,000
Total			30,480,000

The existing interested person transactions set out above have been subject to the internal control procedures established by the Company to ensure that such transactions are undertaken on normal commercial terms and are not prejudicial to the interest of Company and its minority Shareholders. These procedures include the review and approval of such transactions by the Audit Committee, as appropriate.

2. Details of the Existing Interested Person Transactions

2.1 Transactions with OUE C-REIT

OUE Restaurants Pte. Ltd. and OUE Commercial REIT Management Pte. Ltd. are wholly-owned subsidiaries of the Company. The Group had made payment to OUE C-REIT for rental of premises, car park fees and consumption of air-conditioning, chilled water and utilities in relation to OUE Bayfront.

2.2 Transactions with APGL

The Company (trading as Mandarin Orchard Singapore which is a registered business) had purchased food and beverage items from APGL.

NOTICE OF EXTRAORDINARY GENERAL MEETING

OUE LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number: 196400050E)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an **Extraordinary General Meeting** of OUE Limited (the “**Company**”) will be held at 10.00 a.m. on 13 January 2015 at Mandarin Orchard Singapore, Mandarin Ballroom I, 6th Floor, Main Tower, 333 Orchard Road, Singapore 238867 for the purpose of considering and, if thought fit, passing (with or without modification) the following Ordinary Resolution:

ORDINARY RESOLUTION – THE PROPOSED SALE AND LEASEBACK ARRANGEMENT OF CHANGI AIRPORT CROWNE PLAZA AND ITS FUTURE EXTENSION

That:

- (i) approval be and is hereby given for:
 - (a) the proposed divestment by OUE Airport Hotel Pte. Ltd. (the “**Vendor**”), a wholly-owned subsidiary of the Company, of its interest in the property known as Crowne Plaza Changi Airport which is located at 75 Airport Boulevard, Singapore 819664 (“**CPCA**”) and its future extension (“**CPEX**”) to RBC Investor Trust Services Singapore Limited (in its capacity as trustee of OUE Hospitality Real Estate Investment Trust (“**OUE H-REIT**”) (the “**REIT Trustee**”), on the terms and conditions of (i) the sale and purchase agreement dated 28 November 2014 entered into between the Vendor and the REIT Trustee in respect of CPCA (the “**CPCA SPA**”), (ii) the sale and purchase agreement dated 28 November 2014 entered into between the Vendor and the REIT Trustee in respect of CPEX (the “**CPEX SPA**”), (iii) the put option agreement dated 28 November 2014 entered into between the Vendor and the REIT Trustee in respect of CPCA (the “**CPCA Put Option Agreement**”) and (iv) the put option agreement dated 28 November 2014 entered into between the Vendor and the REIT Trustee in respect of CPCA and CPEX (the “**Combined Put Option Agreement**”);
 - (b) the proposed lease of CPCA by the Vendor (as the master lessee), on the terms and conditions of the master lease agreement to be entered into between the Vendor, the REIT Trustee and OUE Hospitality REIT Management Pte. Ltd. (in its capacity as manager of OUE H-REIT) (the “**REIT Manager**”) upon the completion of the divestment of CPCA (the “**CPCA Master Lease Agreement**”);
 - (c) the proposed lease of CPCA and CPEX by the Vendor (as the master lessee), on the terms and conditions of the CPCA Master Lease Agreement as varied by the supplemental master lease agreement to be entered into between the Vendor, the REIT Trustee and the REIT Manager upon the completion of the divestment of CPEX; and
 - (d) the proposed grant of the income support by the Vendor to OUE H-REIT on the terms and conditions of the deed of income support to be entered into between the Vendor and the REIT Trustee upon the completion of the divestment of CPEX,
- (collectively, the “**Proposed Transaction**”);
- (ii) the entry into the CPCA SPA, the CPEX SPA, the CPCA Put Option Agreement and the Combined Put Option Agreement be and is hereby approved and ratified;
- (iii) approval be and is hereby given for the payment of all fees and expenses relating to the Proposed Transaction;

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (iv) approval be and is hereby given for the entry by the Company (whether directly or indirectly through its subsidiaries) into all agreements and transactions in connection with the Proposed Transaction and all ancillary agreements contemplated thereby or incidental thereto, or which are necessary to give effect to the Proposed Transaction; and
- (v) the Company and any director of the Company be and are hereby severally authorised to do all such acts and things as they may consider necessary, desirable or expedient for the purpose of giving effect to the Proposed Transaction by the Company and/or the transactions contemplated under this resolution, including without limitation to the foregoing, to negotiate, sign, execute and deliver all documents, approve any amendments, alterations or modifications to any document (if required).

By Order of the Board

Ng Ngai
Company Secretary

26 December 2014

Notes:

- (1) A member entitled to attend and vote at the Extraordinary General Meeting is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy need not be a member of the Company.
- (2) Where a member appoints more than one proxy, he shall specify the proportion of his shareholding to be represented by each proxy. If no such proportion or number is specified, the first named proxy shall be deemed as representing 100% of the shareholding and the second named proxy shall be deemed as an alternate to the first named.
- (3) The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 50 Collyer Quay, #18-01/02, OUE Bayfront, Singapore 049321, not less than 48 hours before the time appointed for holding the Extraordinary General Meeting.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Extraordinary General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Extraordinary General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Extraordinary General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

QUE LIMITED

(Incorporated in the Republic of Singapore)
(Co. Reg. No. 196400050E)

PROXY FORM EXTRAORDINARY GENERAL MEETING

IMPORTANT

1. For investors who have used their CPF monies to buy shares in QUE Limited, this Circular to Shareholders dated 26 December 2014 is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR THEIR INFORMATION ONLY.
2. This Proxy Form is not valid for use by such CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF Investors who wish to attend the Extraordinary General Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

Personal data privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Extraordinary General Meeting dated 26 December 2014.

I/We _____ (Name)

of _____ (Address)

being a member/members of QUE Limited (the “Company”), hereby appoint:

Name	Address	NRIC/ Passport Number	Proportion of Shareholdings (%)
and/or (delete as appropriate)			

or failing him/her, or either or both of the persons, referred to above, the Chairman of the Meeting, as my/our proxy/proxies to attend and to vote for me/us on my/our behalf and, if necessary, to demand a poll at the Extraordinary General Meeting of the Company to be held at Mandarin Orchard Singapore, Mandarin Ballroom I, 6th Floor, Main Tower, 333 Orchard Road, Singapore 238867 on 13 January 2015 at 10.00 a.m., and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the resolution to be proposed at the Extraordinary General Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matters arising at the Extraordinary General Meeting.

No.	Ordinary Resolution	*For	*Against
1	To approve the Proposed Sale and Leaseback Arrangement of Crowne Plaza Changi Airport and its Future Extension		

* Indicate your vote “For” or “Against” with a “✓” within the box provided.

Dated this _____ day of _____ 2015.

Total no. of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

Signature(s) of Member(s) or Common Seal

Important: Please read note on the reverse side



Notes:

1. A member entitled to attend and vote at the Meeting is entitled to appoint one or two proxies to attend and vote in his stead. A proxy need not be a member of the Company.
2. Where a member appoints more than one proxy, he shall specify the proportion of his shareholding to be represented by each proxy. If no such proportion or number is specified, the first named proxy shall be deemed as representing 100% of the shareholding and the second named proxy shall be deemed as an alternate to the first named.
3. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the Meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy, to the Meeting.
4. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert that number of shares. If the member has shares entered against his name in the Depository Register and registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member.

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Postage
Stamp

The Company Secretary
OUE Limited
50 Collyer Quay
#18-01/02 OUE Bayfront
Singapore 049321

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5. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 50 Collyer Quay, #18-01/02, OUE Bayfront, Singapore 049321 not less than 48 hours before the time set for the Meeting.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or a duly authorised officer.
7. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
8. The Company shall be entitled to reject a Proxy Form which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the Proxy Form. In addition, in the case of shares entered in the Depository Register, the Company may reject an instrument of proxy if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

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