



(Company Registration Number: 196400050E)

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

1. INTRODUCTION

1.1 Background on the Proposed Transaction

The board of Directors (the “**Board**”) of OUE Limited (the “**Company**”) wishes to announce that OUE Airport Hotel Pte. Ltd. (an indirect wholly-owned subsidiary of the Company) (the “**Vendor**”) has on 28 November 2014 entered into the following agreements in connection with the proposed sale and leaseback arrangement of Crowne Plaza Changi Airport (“**CPCA**”) and its future extension (“**CPEX**”) between the Vendor and OUE Hospitality Real Estate Investment Trust (“**OUE H-REIT**”) (the “**Proposed Transaction**”):

- (a) a conditional sale and purchase agreement with RBC Investor Services Trust Singapore Limited (in its capacity as trustee of OUE H-REIT) (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 OUE Hospitality REIT Management Pte. Ltd. (in its capacity as manager of OUE H-REIT) (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 “**Supplemental 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**”).

1.2 The Proposed Transaction as an Interested Person Transaction

OUE H-REIT is part of OUE Hospitality Trust (“**OUE H-Trust**”), a stapled group comprising OUE H-REIT and OUE Hospitality Business Trust (“**OUE H-BT**”). OUE H-Trust is listed on the Main Board of Singapore Exchange Securities Trading Limited (the “**SGX-ST**”).

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 of the SGX-ST (the “**Listing Manual**”). As at the date of this announcement, OUE Realty Pte. Ltd. (“**OUER**”) 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, as well as an indirect interest of 0.97% in OUE H-Trust held through the REIT Manager, which is a wholly-owned subsidiary of the Company. OUER 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 OUER has an aggregate interest (direct and indirect) of 40.64% in OUE H-Trust, OUE H-Trust is regarded as an associate of OUER 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-REIT (an interested person) therefore constitutes an Interested Person Transaction.

In accordance with Chapter 9 of the Listing Manual, the Proposed Transaction is an interested person transaction, the value of which (being the amount to which the Company is considered to be at risk pursuant to Rule 909 of the Listing Manual) is more than 5.0% of the latest audited net tangible assets (“**NTA**”) of the Company and its subsidiaries (the “**Group**”), and hence subject to the approval of shareholders of the Company (“**Shareholders**”).

Deloitte & Touche Corporate Finance Pte. Ltd. has been appointed as the independent financial adviser (the “**Independent Financial Adviser**”) to advise the independent directors of the Company and the audit committee of the Company (the “**Audit Committee**”) on whether the Proposed Transaction is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders.

A circular is expected to be issued to Shareholders (the “**Circular**”) in due course, together with a notice of extraordinary general meeting, for the purpose of seeking the approval of Shareholders for the Proposed Transaction.

2. THE PROPOSED TRANSACTION

2.1 Information on CPCA and CPEX

As at the date of this announcement, the Vendor holds (i) the right to a registered lease to the strata lot where CPCA is situated (the “**CPCA Lease**”) from Changi Airport Group (Singapore) Pte. Ltd. (“**CAG**”) pursuant to the building agreement in respect of CPCA granted to the Vendor (the “**CPCA Building Agreement**”) and (ii) the right to secure the registered lease to the combined strata lot comprising CPCA and CPEX (the “**Combined Site**”, and the lease to the Combined Site, the “**Combined CPCA Lease**”) from CAG pursuant to the building agreement entered into between the Vendor and CAG in respect of CPEX (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 InterContinental Hotels Group. 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 of approximately 336,894 square feet. It also has 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 shall 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.

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**”). Any applicable stamp duty will be borne by OUE H-REIT. The market value of CPCA as at 30 September 2014 is S\$290.0 million, and takes into account the leaseback arrangements 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 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; and
- (iii) the approval of the stapled securityholders of OUE H-Trust (“**Stapled Securityholders**”) 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.

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 Option¹.

(a) Trigger of the CPCA Put Option

In the event that the CPCA Lease is not (or is not expected by the REIT Trustee to be) received by the REIT Trustee within:

- (i) the period of 12 months from the date of completion of the sale of CPCA to the REIT Trustee under the CPCA SPA (“**Twelve-Month Period**”), or
- (ii) the period of 18 months from the date of completion of the sale of CPCA to the REIT Trustee under the CPCA SPA (“**Eighteen-Month Period**”), or
- (iii) such six-month extension period from the expiry of the aforesaid 18-month period and such subsequent six-month extension periods thereafter (“**Further Extension Period**”),

(each a “**Relevant Period**”), the REIT Trustee shall convene an extraordinary meeting (“**Extension Approval EGM**”) within two months from the expiry of the Relevant Period pursuant to which the Stapled Securityholders will decide by way of an ordinary resolution (and with the Company and its associates abstaining from voting) whether to extend the period by which the CPCA Lease is to be received by the REIT Trustee (where each extension period shall be of a six-month period). If such extension approval (“**Stapled Securityholders’ Extension Approval**”) is obtained by the REIT Trustee, the REIT Trustee has up to the expiry of the Eighteen-Month Period or the Further Extension Period to ensure that the CPCA Lease is received by the REIT Trustee.

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

- (a) (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; and
- (b) (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

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.

- (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.

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 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.

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. 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 arrangements under the Combined Master Lease and the utilisation of the Income Support (as defined in Paragraph 2.5 of this announcement). 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 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 temporary occupation permit ("TOP") for CPEX by a specified deadline. In the event the TOP for CPEX is not obtained by the deadline, 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 Option².

(a) Trigger of the Combined Put Option

In the event that the Combined CPCA Lease is not (or is not expected by the REIT Trustee to be) received by the REIT Trustee within:

- (i) the period of 12 months from the date of completion of the sale of CPEX to the REIT Trustee under the CPEX SPA ("**Twelve-Month Period**"), or
- (ii) the period of 18 months from the date of completion of the sale of CPEX to the REIT Trustee under the CPEX SPA ("**Eighteen-Month Period**"), or
- (iii) such six-month extension period from the expiry of the aforesaid 18-month period and such subsequent six-month extension periods thereafter ("**Further Extension Period**"),

(each a "**Relevant Period**"), the REIT Trustee shall convene an extraordinary meeting ("**Extension Approval EGM**") within two months from the expiry of the Relevant Period pursuant to which the Stapled Securityholders will decide by way of an ordinary resolution (and with the Company and its associates abstaining from voting) whether to extend the period by which the Combined CPCA Lease is to be received by the REIT Trustee (where each extension period shall be of a six-month period). If such extension approval ("**Stapled Securityholders' Extension Approval**") is obtained by the REIT Trustee, the REIT Trustee has up to the expiry of

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.

the Eighteen-Month Period or the Further Extension Period to ensure that the Combined CPCA Lease is received by the REIT Trustee.

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; and
- (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 on the terms and conditions contained in the Combined Put Option Agreement, 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.

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

Completion of the buyback of CPCA and CPEX together 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 of the buyback of CPCA and CPEX under the Combined Put Option Agreement without any compensation or penalty. 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 the relevant financial information of CPCA for such financial year.

2.4.2 The Combined Master Lease Agreement

(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.

2.5 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 the Shareholders approve the Proposed Transaction at the extraordinary general meeting of Shareholders). 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.

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

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

3. 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:

3.1 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.

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 the 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.

3.2 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 Staped Securityholder, 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.

4. FINANCIAL EFFECTS OF THE PROPOSED TRANSACTION

4.1 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 Company and its subsidiaries (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.

(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.

4.2 NTA per Share

4.2.1 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.

4.2.2 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.

4.3 Earnings per Share

4.3.1 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.
- (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.

4.3.2 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.

5. 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:

- (i) non-discloseable transactions;
- (ii) discloseable transactions;
- (iii) major transactions; and
- (iv) 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:

- (i) the net asset value (the “NAV”) of the assets to be disposed of, compared with the NAV of the Group;
- (ii) the net profits attributable to the assets disposed of, compared with the Group’s net profits; and
- (iii) 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%
(c)	Aggregate Sale Consideration of CPCA and CPEX, compared with the Company’s market capitalisation ⁽³⁾	495,000	1,855,803	26.7%
(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.
- (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\$2.0396 per Share as at 27 November 2014, being the market day preceding the date of this announcement.

6. AUDIT COMMITTEE STATEMENT

The Audit Committee will obtain an opinion from the Independent Financial Adviser on the Proposed Transaction before forming its view, which will be disclosed in the Circular, as to whether the Proposed Transaction is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders.

7. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

As at the date of this announcement and based on information available to the Company as at the date of this announcement, save for Mr Kin Chan, a director of the Company, who holds an indirect interest in 618,916,410 Shares (approximately 68.02% of the Company), none of the directors of the Company has an interest, direct or indirect, in the Shares.

As at the date of this announcement and based on the Company's Register of Substantial Shareholders, OUER has a direct interest of 55.23% in the Company. The Company in turn has a direct interest of 33.33% in OUE H-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. OUER also has a direct interest of 6.34% in OUE H-Trust. Therefore, OUER has an aggregate interest (direct and indirect) of 40.64% in OUE H-Trust.

Mr Christopher James Williams is a director of the REIT Manager and a director of OUE Hospitality Trust Management Pte. Ltd., the trustee-manager of OUE H-BT.

Save as disclosed above, and based on the information available to the Company as at the date of this announcement, none of the Directors or controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Transaction.

8. OTHER INFORMATION

8.1 Directors' Service Contracts

No person is proposed to be appointed as a Director of the Company as a result of the Proposed Transaction or any other transactions contemplated in connection with the Proposed Transaction.

8.2 Other Interested Person Transactions

As at the date of this announcement, the value of all interested person transactions entered into by the Group with OUE H-Trust during the course of the current financial year is approximately S\$94,000.

As at the date of this announcement, the value of all interested person transactions of the Company is approximately S\$30,690,000³.

³ This figure does not include the interested person transactions entered into by OUE H-Trust and OUE Commercial Real Estate Investment Trust other than those entered into with the Group.

8.3 Documents for Inspection

Copies of the following documents are available for inspection at the registered office of the Company at 50 Collyer Quay #18-01/02 OUE Bayfront, Singapore 049321, for a period of three (3) months from the date of this announcement:

- (i) the memorandum and articles of association of the Company;
- (ii) the annual report of the Company for the financial year ended 31 December 2013;
- (iii) the CPCA SPA (which sets out the agreed form of the CPCA Master Lease Agreement);
- (iv) the CPCA Put Option Agreement;
- (v) the CPEX SPA (which sets out the agreed form of the Supplemental Master Lease Agreement and the Deed of Income Support);
- (vi) the Combined Put Option Agreement; and
- (vii) the independent valuation report of CPCA and CPEX by Colliers.

BY ORDER OF THE BOARD

Ng Ngai
Company Secretary
28 November 2014