



OUE Limited

Company Registration No. 196400050E
Incorporated in the Republic of Singapore

**RESPONSE TO QUESTIONS FROM THE SECURITIES INVESTORS ASSOCIATION
(SINGAPORE) AND SUBSTANTIAL AND RELEVANT QUESTIONS FROM SHAREHOLDERS**

1. **Background.** The Board of Directors (the "**Board**") of OUE Limited (the "**Company**") refers to:
 - (a) the annual report of the Company for the financial year ended 31 December 2019 (the "**Annual Report**");
 - (b) the notice of annual general meeting ("**AGM**") issued on 30 April 2020 informing shareholders that the Fifty-Seventh AGM of the Company will be convened and held by way of electronic means on Friday, 22 May 2020 at 2:00 p.m.; and
 - (c) the accompanying announcement issued by the Company on 30 April 2020 setting out, *inter alia*, the alternative arrangements relating to attendance at the AGM via electronic means.
2. **Response to questions from SIAS.** The Company has received certain questions from the Securities Investors Association (Singapore) ("**SIAS**") in relation to the Annual Report. Please refer to the SIAS website at <https://sias.org.sg/qa-on-annual-reports/> for the list of questions received from SIAS, and **Annex A** hereto for the Management and the Board's responses to such questions.
3. **Response to questions from shareholders.** The Company would like to thank shareholders for submitting their questions in advance of our AGM. The Company would like to inform that the responses to all substantial and relevant questions which have been submitted by shareholders shall be published in this announcement. Please refer to **Annex B** hereto for the list of substantial and relevant questions received from shareholders, and the Management and the Board's responses to these questions.

BY ORDER OF THE BOARD

Jackie Thia
Company Secretary
21 May 2020

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ANNEX A

RESPONSES TO QUESTIONS FROM SIAS

No.	Query	Response
1(i)	Can the board help shareholders understand if it had considered appointing a replacement group CEO who could then work with Dr Stephen Riady as executive chairman? This would enable the group to benefit from the full-time attention of a CEO who would oversee the group's extensive network of assets all over the world while Dr Stephen Riady would continue in his role as the executive chairman. Doing so would also be in line with Provisions 3.1 of the CG Code 2018 that provides for the chairman and the chief executive officer to be separate persons to ensure an appropriate balance of power, increased accountability, and greater capacity of the Board for independent decision making.	After a thorough evaluation, the Board assessed that Dr Stephen Riady would be the best person to take on the role of Group Chief Executive Officer ("CEO") in an expansion of his existing role as Executive Chairman. As the Executive Chairman, Dr Riady has been involved in the day to day operations and has been responsible for the strategic direction of the OUE Group. Given Dr Riady's executive position within the Group, he was considered to be the most suitable candidate to assume the role of CEO, being the most senior and important corporate officer within an organisation. As a visionary with strong commercial acumen, he has played an instrumental role in developing the business, and will continue to provide the Group with exceptional leadership and vision in his enhanced capacity as Executive Chairman and Group CEO.
1(ii)	For the benefit of new and long-standing shareholders, would the board clearly (re)state its strategic growth plans, including the capital allocation targets by business and by geography given that it is rebalancing its asset portfolio.	Strengthening the balance sheet of the Group. The realisation of the Company's investments through divestments (with total proceeds of S\$874m) from the sale of Oakwood Premier OUE Singapore, Marina Mandarin Singapore, the property development at 26A Nassim Road and a portion of the Group's interest in Gemdale Properties and Investment Corporation Limited, has helped OUE to degear. Part of the divestment proceeds of S\$874m had been used to pare down OUE's debt. In FY2018, OUE's ending net debt position was S\$1,344m and in FY2019, OUE's ending net debt position was \$769m, representing a 43% reduction in net debt. On 15 April 2020, post FY2019, OUE had also redeemed S\$300m of medium term notes to further reduce its net debt to S\$703m, representing a further 9% reduction in net debt. Developing the Group's asset management platform. To date, this has been done via the acquisition of Bowsprit Capital Corporation Limited (the manager of

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No.	Query	Response
		First Real Estate Investment Trust) as well as the merger of OUE Commercial Real Estate Investment Trust with OUE Hospitality Trust. The Group's objective is to strengthen these two real estate investment trusts to grow their assets under management in the longer term for recurring income & stability. 3. Diversification of the Group's asset portfolio by redeploying capital to provide geographical and sectoral diversification. The Group intends to target an allocation of at least 70% of Singapore properties, allowing for 30% to be allocated into ancillary business activities (e.g., healthcare and consumer businesses) and/or investments outside Singapore (e.g., United States, China and Indonesia).
2 (i)	Would the board help shareholders understand if the move into the consumer business could be scaled up profitably and become a major revenue and profit contributor to the group given that the group has total assets of \$10.7 billion as at 31 December 2019?	The consumer business is ancillary and a natural extension to OUE's core property business. The Company currently expects that the consumer business would be scaled up to profitability over five years which would provide some sectoral diversification and enhance the recurring income base for the OUE Group. The consumer business would not represent a significant share of the OUE Group's activities.
2 (ii)	In evaluating the consumer business, what was the investment hurdle rate used by management/board in the approval process?	The valuation metrics used by Management and the Board in the approval process when evaluating the consumer business include comparable price to earnings multiples and discounted cash flow. Based on these metrics, the recent investment target is to return an unlevered internal rate of return (IRR) range of between 8% and 20%.
2(iii)	Would management's time, energy and attention be diverted away from its core property business to a F&B sector that is highly competitive with low barriers of entry? With the pandemic, the food and lifestyle sector is facing strong headwinds and uncertainties.	Management is focused on the core property business of the Group. OUE's Consumer Division has a separate management team to focus on growing the consumer business line. However, in light of the COVID-19 pandemic and resulting headwinds, expansion of the Consumer Division has been scaled down to focus on reducing expenditure.

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No.	Query	Response
2 (iv)	Would management help shareholders understand how it selects and evaluates its acquisition targets?	Management focuses on consumer business opportunities that can be successfully scaled up by owning and operating brands with scalable potential and entering markets with a large consumer base.
3 (i)	Would the directors help shareholders understand if there were any extenuating circumstances (other than normal business) that led them to be absent for the 2019 annual general meeting held on 30 April 2019?	Mr Kelvin Lo and Mr Kin Chan were unable to attend the annual general meeting held on 30 April 2019 as there were exigencies arising from their respective business matters for which they had to travel overseas.
3 (ii)	Given that the company's shareholder meeting is an important platform for directors to engage with shareholders, how can the company and the directors better coordinate the scheduling of shareholder meetings to ensure that all directors attend the AGM/EGM?	While the Company uses its utmost efforts to coordinate the scheduling of shareholder meetings to ensure that all directors are able to attend, the Company regrets that there may occasionally be unforeseen circumstances or pressing matters that the directors have to attend to that prevent them from attending the shareholder meetings.
3 (iii)	Would the company ensure that all directors attend the 2020 AGM given that this would be a virtual AGM where directors and shareholders can dial in remotely and participate via the live webcast?	The Company is currently making the necessary logistical arrangements for directors to attend the annual general meeting to be held on 22 May 2020 electronically.

ANNEX B

RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS FROM SHAREHOLDERS

No.	Query	Response
1	Effect of COVID-19 to company.	Since February, the COVID-19 pandemic has started to take its toll on the Singapore and global economy. Within OUE's business segments, due to restricted international travel and the social distancing measures implemented by the Singapore government, we have naturally experienced a significant drop in demand for hospitality services; the F&B and retail tenants in our malls have reduced, or temporarily closed down, their operations, and our operating cash flow and rental income have been correspondingly affected. Several measures have been implemented to manage the capital expenditure and operating expense of our operating divisions and group companies. Fundamentally, we believe that the Company and the Group remain strong. We will continue to monitor the situation and make necessary adjustments to minimise the impact of the COVID-19 pandemic and the prolonged economic downturn on the Company, and will position the Company to capitalise on opportunities to create value for its shareholders.
2	Tourism sector hitting worse, tentatively this whole year gone, how to manage to increase occupancy rate or etc?	Management has been working with various stakeholders in the tourism and hospitality sectors, such as corporates, online travel agencies, travel agents and government agencies to smooth out the disruption from the COVID-19 pandemic. We focus on managing our revenue per available room (RevPAR) to optimise the balance between room rate and occupancy rate, and have implemented several measures to manage our operating expenses. This will allow us to deliver the best possible results under this unprecedented situation. We are also taking the opportunity to accelerate the maintenance and refurbishment works for our hotels.

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		Overall, Singapore will remain a regional and global business and transportation hub, and we believe that the hospitality sector will eventually recover over time.
3	Can you update us on the impact of the business activities for the second quarter?	In our business update for 1Q 2020 which was published on SGXNET and our corporate website on 15 May 2020 (" Business Update "), we have provided some details on the impact of the COVID-19 pandemic on our business operations and the kind of support measures adopted and mitigation steps taken by the various business divisions of the Group. Please refer to the Business Update for more information on the impact of the COVID-19 pandemic on our business activities.
4	What are the plans for the outstanding balance of CPPU that is only earning us 1%/year? With a much bigger balance sheet at the REIT level post merger, they are in a better position to raise debt to repay the CPPU. While I can understand if OUE CREIT finds it unattractive to repay, its unfair to OUE holding level to assist them with a low cost CPPU for many years now.	The convertible perpetual preferred units ("CPPUs") is part of the capital structure that enabled OUE Commercial Real Estate Investment Trust ("OUE C-REIT") to acquire One Raffles Place, which provides steady income to OUE C-REIT's unitholders. In addition to the 1% per annum coupon distribution of the CPPUs, OUE also receives distribution income through its 47.795%¹ interest in OUE C-REIT and receives 100% of the REIT management fee. The shareholders of OUE benefit from all three of the foregoing revenue streams. ¹ Group's effective interest as at 11 May 2020
5	US Bank Tower was put to sale in 2019 Jan. (a) Now is 2020 May, was there a change of plans or there was no buyer to take up (b) Please elaborate on the project to sale the said tower	We ran a sale process in 2019 for US Bank Tower; the market responses were good and we received a few offers from credible parties which were under consideration where eventually no definitive agreement was reached with any of the interested parties. Management subsequently decided to put the sale of US Bank Tower on hold to carry out further asset enhancement initiatives so as to increase the value of the property. While these asset enhancement initiatives are

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		being carried out, Management continues to engage brokers and potential buyers to identify opportunities to monetise the Company's investment in US Bank Tower. The Company will comply with the requirements of the SGX-ST Listing Manual in relation to the proposed sale of US Bank Tower and an announcement will be made at the appropriate juncture, in accordance with the requirements of the SGX-ST Listing Manual.
6	Debt to ratio are high and cash flow can cover how many months of operation cost?	Our net debt to equity ratio is 57.8% (see page 221 of the Company's Annual Report for the financial year ended 31 December 2019 (the " Annual Report 2019 ")) and net debt to total assets ratio is 32.7%. We are not amongst the highest geared companies in Singapore, and we are of the view that our gearing level can be comfortably managed as a large part (approximately 67%) of the consolidated debt is incurred by our listed REIT, OUE C-REIT.
7	Is company comfortable with the current level of borrowings? Any plan for cash call for expansion, restructuring, etc in the near future?	In relation to the first question on the current level of borrowings, please refer to our response to question 6 above. On 15 April 2020, we redeemed S\$300m of medium term notes ("MTN") at the OUE level and we are left with S\$200m MTN due in FY2022, S\$200m MTN due in FY2023 and S\$155m convertible bonds due in FY2023. The Company will consider its funding options in relation to the repayment of its loans, which may include divestment of properties to realise the value of its investments at the appropriate time where the right opportunity arises. Please also refer to our response to question 5 above.
8	Resolution 7 is to empower share issues while resolution to empower share-buy-back. These are opposites. Why do you need both as the effect will counter each other. Should you stick to just one resolution based on what are your plans so as not to give a confusing signal.	The share issue mandate strategically enhances the ability of the Company to pursue and seize investment opportunities which may present themselves during a sharp downturn and which are time-sensitive in nature, for example, by allowing the Company to issue shares as consideration for the acquisition of shares in or assets of another company or person. The share

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		issue mandate may also be used to raise cash proceeds through a rights issue to fund such opportunistic investments. These may otherwise be unnecessarily hampered and compromised by the time needed to obtain shareholders' approval to issue shares each time. On the other hand, as explained in the rationale section of the Letter to Shareholders dated 30 April 2020 (the "LTS"), it is intended for share buybacks to be undertaken to the extent that the Company has surplus funds which are in excess of its financial needs. As stated in the LTS, no buybacks will be made which would have or may have a material adverse effect on the financial condition of the Group. Share buybacks will only be undertaken where it can benefit the (i) Company; and (ii) its shareholders, for example, by improving the return on equity to increase shareholder value. If the funds can be better deployed in another manner, the Directors will not utilise the mandate to effect share buybacks. These two corporate actions are therefore not contradictory as both are designed to allow the Company to benefit from very different circumstances, as and when they arise. The Directors are not obliged to utilise part or all of the share issue mandate and/or the share purchase mandate.
9	Why OUE share price is so undervalue (P/Bv ~0.25x) as compare to other Listed Real Estate Company in SGX?	Share price is subject to many factors, including the Company's performance, market volatility and investor sentiments. However, some of these factors are beyond the Company's control, including market conditions. Generally, OUE's share price movement trend has been in line with the Straits Times Index.
10	Will there be a significant change in strategy for OUE with a new CEO in place?	Dr Stephen Riady, Executive Chairman of OUE since 2010, has assumed an expanded role as Executive Chairman and Group CEO with effect from 1 January 2020.

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No.	Query	Response
		There will not be a significant change in strategy for OUE as Dr Stephen Riady was already in a senior executive role and as such undertook a leading role in strategic decision-making, prior to assuming the additional role of Group CEO. Mr Brian Riady, who was formerly the CEO of the Group's Hospitality Division, has been promoted to Deputy CEO of the Group, and currently assists Dr Riady in setting the Group's strategic direction. Together, Management remains focused on further strengthening the Group's core businesses to pursue various avenues to maximise value for shareholders, while maintaining financial resilience to navigate the uncertainties of the year ahead.
11	Going forward, can OUE maintain a stable dividend distribution amount as the Chairman has mentioned it before during the last AGM?	OUE's dividend policy remains the same, which is to pay annual cash dividends of at least 50% of the profit after tax of the Group after adjusting out for fair value gains and after taking into account the Group's capital requirements, expansion plans and other funding requirements. There is no change in the Company's dividend policy this year and OUE will endeavour to maintain its dividend policy.
12	Gap between NAV and share prices had widen further the last few years. Any discussion/plan to address this concern?	Please refer to our response to question 9 above.
13	(1) 10 Feb 2020, OUE acquired PT Maxx Coffee Prima. Why do company proceed with this transaction during outbreak of Covid-19? Why do OUE want to pay ~S\$23.1m for negative asset value of ~-S\$15.2m. If it indeed promising, shouldn't it have positive net asset value? (2) 27 Sep 2019, the board approved loan to PT Maxx Coffee Prima. Shouldn't PT Maxx Coffee Prima approach their bankers instead OUE? Loan service is not part core business. PT Maxx Coffee Prima had negative net asset. Why did the board approve this transaction?	In response to part (1): As mentioned in our response to question 2(iv) in Annex A, Management focuses on consumer business opportunities that can be successfully scaled up by owning and operating brands with scalable potential and entering markets with a large consumer base. In addition, retail / consumer businesses are typically valued on the basis of their cash flows rather than net asset value. Given that the target company is relatively young, the Company assesses the opportunity based on future prospects rather than their current NAV.

No.	Query	Response
		In response to part (2): The entry into the loan agreement dated 27 September 2019 with PT Maxx Coffee Prima (the "Loan Agreement") was an opportunity for the Group to optimise its return on its available funds, given the low interest rate environment at the time of entry into the Loan Agreement.
14	Could the management can provide detail on Promissory notes. What is the coupon and maturity? Where is the interest payment of the notes recorded in the annual report? Why do board agreed to take up notes instead of loan repayment? How does board take the comfort that note to be repaid? Shouldn't land purchase agreement transaction complete in 2019?	• Promissory notes ("PNs") were received in consideration for the disposal of PT Alpha Sentra Prima and its subsidiaries ("Alpha Group") together with the novation of the shareholder's loan previously extended to Alpha Group, which were completed on 25 September 2018. • The PNs do not bear interest and had matured in May 2019. • Due diligence checks were conducted and the Board is satisfied as to the credit-worthiness of the issuer of the PNs. • More than 50% of the value of the PNs have been utilised or earmarked for utilisation for the acquisition of a parcel of land in South Jakarta under a conditional land sale and purchase agreement ("Conditional SPA") dated 25 September 2018. • As stated in the Company's announcement dated 25 September 2018, completion of the transaction is subject to the fulfilment or waiver (as the case may be) of the conditions precedent under the Conditional SPA. As fulfilment of the conditions precedent has been delayed due to, <i>inter alia</i>, the lockdown situation in Indonesia which arose as a result of the COVID-19 pandemic, completion of the transaction has been correspondingly delayed. The Company will release a further announcement upon completion of the transaction. As stated on pages 15 and 65 of the Company's Annual Report 2019, the development of the land parcel in South Jakarta is targeted for completion in 2026. • As disclosed on page 171 of the Company's Annual Report 2019, the remaining balance of the PNs are expected to be utilised for further land or property acquisition.