



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

RE-BRANDING OF MANDARIN ORCHARD SINGAPORE AS HILTON SINGAPORE ORCHARD

1. Introduction

OUE Commercial REIT Management Pte. Ltd., in its capacity as manager of OUE Commercial Real Estate Investment Trust ("**OUE C-REIT**", and as manager of OUE C-REIT, the "**Manager**"), wishes to announce that OUE Limited ("**OUE**") has today, with the consent of RBC Investor Services Trust Singapore Limited, as trustee of OUE Hospitality Sub-Trust (the "**Sub-Trustee**"), entered into a Branding and Management Agreement (the "**BAMA**") with Conrad International Management Services (Singapore) Pte. Ltd. ("**Hilton**") for the re-branding exercise (the "**Re-branding Exercise**") involving the hotel currently known as Mandarin Orchard Singapore located at 333 Orchard Road, Singapore 238867 (the "**Hotel Property**").

2. Description of the Hotel Property and the Re-branding Exercise

The Hotel Property, which is part of OUE C-REIT's portfolio (held under OUE Hospitality Sub-Trust), is a renowned upscale hotel which opened in 1971. Strategically located in the heart of Orchard Road, it is the largest hotel in the area. OUE is the master lessee of the Hotel Property under a master lease agreement dated 25 July 2013 entered into between OUE, the Sub-Trustee and the Manager (as amended and supplemented, the "**MLA**").

Under the BAMA, the Hotel Property, which is currently managed and operated as "Mandarin Orchard Singapore", will be re-branded as "Hilton Singapore Orchard".

The Hotel Property will undergo certain refurbishment works, including structural works and other works of capital improvement nature, to (i) align the Hotel Property to the "Hilton" brand standards and (ii) to create additional areas to cater to the growing demand for business and meetings, incentives, conferences and exhibitions ("**MICE**") facilities (collectively, the "**Re-branding Works**"). OUE Hospitality Sub-Trust will be investing capital expenditure of approximately S\$90.0 million in the Re-branding Works (the "**Re-branding Contribution**").

Upon completion of the Re-branding Works, the Hotel Property will feature 1,080 well-appointed rooms and five restaurants and bars including an all-day dining restaurant. The hotel will also enjoy meeting and function spaces spanning a total of 3,765 square metres, including three ballrooms.

The Re-branding Works, which will be conducted in phases, are scheduled to commence in 2Q 2020 to capitalise on weak operating environment due to COVID-19. Completion is expected by the end of 2021 and the Hotel Property will be re-branded as “Hilton Singapore Orchard” as soon as practicable after completion of the Re-branding Works in accordance with the terms of the BAMA.

The operations of the Hotel Property are currently managed by Singapore Mandarin International Hotels Pte. Ltd. (the “**Existing Operator**”), an indirect wholly-owned subsidiary of OUE. The existing hotel management agreement between OUE and the Existing Operator in relation to the marketing, management and operations of the Hotel Property will be mutually terminated prior to the re-opening date (the “**Opening Date**”).

A summary of the timeline for the Re-branding Works is as follows:

Indicative Commencement Date	Scope of Work
2Q 2020	<ul style="list-style-type: none"> • Phased renovation of Main Tower guestrooms • Refurbishment of Main Tower Level 1 lobby area • Creation of new meeting spaces on Level 5
4Q 2020	<ul style="list-style-type: none"> • Phased renovation of Orchard Wing guestrooms • Creation of club lounge and gym on Orchard Wing Level 6 • Creation of new spaces for food & beverage outlets and lobby facilities on Level 5

3. Rationale for the Re-branding Exercise and the Re-branding Contribution

The Manager believes the Re-branding Exercise will significantly enhance the Hotel Property and drive growth in long term sustainable returns and value to the unitholders of OUE C-REIT (the “**Unitholders**”).

The benefits of the Re-branding Exercise are as follows:

(a) **Hilton’s strong brand recognition and marketing enhances the Hotel Property’s competitive positioning**

The re-branding of “Mandarin Orchard Singapore” to “Hilton Singapore Orchard” enables OUE C-REIT to tap on Hilton’s strong brand recognition and marketing, enhancing the Hotel Property’s competitive positioning alongside other upscale hotels along Orchard Road. The Hilton brand is the flagship brand of the Hilton portfolio and has more than 570 properties across six continents¹. Based on the Brand Finance Hotels 50 2019 Report, the Hilton Hotels & Resorts brand is the world’s most valuable individual hotel brand.

1 Source: <https://newsroom.hilton.com/hilton/page/quick-facts>

(b) **Hilton's strong global distribution network and established partnerships complements the Hotel Property's existing distribution and marketing strategies**

The Hotel Property stands to benefit from Hilton's strong global distribution network, allowing it to tap into the higher yielding luxury market for both leisure and corporate segments with the brand's pipeline of global key accounts and established partnerships with global travel companies. This complements the Hotel Property's current strength in serving regional guests, particularly in the leisure segment, as well as diversifies its business mix and enhancing revenue, distribution and marketing strategies.

(c) **Opportunity to drive more direct booking business on the back of established guest loyalty programme**

The Hotel Property, which will be the largest Hilton hotel in Asia-Pacific when it relaunches in 2022 with 1,080 rooms, will also be able to expand its reach to more than 100 million members worldwide through the highly successful Hilton Honors guest loyalty programme, as it drives more direct booking business.

(d) **Positions the Hotel Property to better capitalise on long term growth drivers in the Singapore hospitality sector**

With the addition of new meeting spaces as part of the Re-branding Works, the Hotel Property will be well positioned to cater to growing demand for MICE events, as Singapore continues to grow and enhance its profile as the top Asian MICE destination for regional and global events.

Although the Singapore hospitality sector will be negatively impacted in the near term by the COVID-19 situation, the Re-branding Exercise positions the Hotel Property to capitalise on the expected recovery in the sector once the situation is under control and travel confidence resumes.

Furthermore, with increased vibrancy from the planned revitalisation of the Orchard Road shopping precinct, supported by sustained efforts by the authorities to amplify the appeal of Singapore as a top global destination to business, leisure, and MICE audiences worldwide, the longer term outlook for the Singapore hospitality sector is favourable.

4. The Branding and Management Agreement

Under the BAMA, OUE appoints Hilton with the exclusive authority to operate the Hotel Property from the Opening Date.

5. Master Lease Agreement

Under the terms of the MLA where OUE is the master lessee of the Hotel Property, the master lease shall be for an initial term of 15 years from 25 July 2013, with an option to renew for a further term of 15 years.

In conjunction with the entry into of the BAMA, OUE Hospitality Sub-Trust (as the owner of the Hotel Property) has provided an undertaking to Hilton that in the event the MLA expires or is otherwise terminated, OUE Hospitality Sub-Trust shall nominate an affiliate (failing which, OUE Hospitality Sub-Trust will assume) the obligations of OUE under the BAMA. The Manager will, when appropriate and in due course, decide and propose the appropriate course of action in such event.

Under the terms of the MLA, there is downside protection from the master lease for OUE Hospitality Sub-Trust as the MLA has a fixed minimum rent component of S\$45.0 million per annum, which will provide income assurance to Unitholders throughout the period of phased renovation and ramping-up of operations.

6. Financial Information of the Re-branding Exercise

The total cash outlay of the Re-branding Contribution is not immediate as the works are to be implemented in phases. The Manager intends to draw down on existing loan facilities to fully fund the Re-branding Contribution progressively over the renovation period. Based on the projected incremental net property income on a stabilised basis, the return on the Re-branding Contribution is expected to be approximately 10%.

The Re-branding Exercise is not expected to have any material impact on the aggregate leverage or earnings of OUE C-REIT for the financial year ending 31 December 2020.

By Order of the Board
Jackie Thia
Company Secretary

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

26 March 2020

IMPORTANT NOTICE

The value of units in OUE C-REIT ("Units") and the income derived from them, if any, may fall or rise. Units are not obligations of, deposits in, or guaranteed by, the Manager or any of its affiliates. An investment in Units is subject to investment risks, including the possible loss of the principal amount invested. The past performance of OUE C-REIT is not necessarily indicative of the future performance of OUE C-REIT.

Investors should note that they will have no right to request the Manager to redeem or purchase their Units for so long as the Units are listed on the SGX-ST. It is intended that holders of Units may only deal in their Units through trading on the SGX-ST. The listing of the Units on the SGX-ST does not guarantee a liquid market for the Units.

This announcement may contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from similar developments, shifts in expected levels of property rental income, changes in operating expenses (including employee wages, benefits and training costs), property expenses and governmental and public policy changes. You are cautioned not to place undue reliance on these forward-looking statements, which are based on the Manager's current view of future events.