



PRESS RELEASE

OUE Group to Re-brand Mandarin Orchard Singapore As Hilton Singapore Orchard

- Transformational re-branding with addition of new income-generating spaces to drive growth in sustainable returns and value
- Re-branding will allow the hotel to leverage on Hilton's strong brand recognition and global sales and distribution network
- Hotel set to become Hilton's flagship in Singapore and the largest Hilton hotel in Asia-Pacific
- Major refurbishments to take place from 2Q 2020 onwards to capitalise on weak operating environment due to COVID-19 and to position the property to benefit from the expected recovery in the Singapore hospitality sector once travel confidence resumes
- Expected re-launch of hotel in 2022

26 March 2020 – OUE Limited (“OUE”) and OUE Commercial REIT Management Pte. Ltd., in its capacity as manager (the “Manager”) of OUE Commercial Real Estate Investment Trust (“OUE C-REIT”) have collaborated to re-brand the landmark Mandarin Orchard Singapore to Hilton Singapore Orchard (“Re-branding Exercise”), following a comprehensive and strategic review.

OUE, which is the master lessee of Mandarin Orchard Singapore, has entered into a Branding and Management Agreement (the “BAMA”) with Conrad International Management Services (Singapore) Pte. Ltd. (“Hilton”) to re-brand Mandarin Orchard Singapore into Hilton's flagship in Singapore.

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Under the BAMA, Mandarin Orchard Singapore will relaunch as Hilton Singapore Orchard - Hilton's flagship in Singapore and the largest Hilton hotel in Asia-Pacific - with product and service offerings aligned with Hilton's brand standards. Hilton will have the exclusive authority to operate the property upon the opening of Hilton Singapore Orchard.

Asset enhancement works to add new meeting facilities as well as refreshed food & beverage offerings to cater to the growing demand for regional and global meetings, incentives, conference and exhibition ("MICE") events have also been planned. The planned refurbishment will be conducted in phases and will commence in 2Q 2020 to capitalise on the current challenges facing the hospitality industry due to COVID-19. The refurbishment is scheduled to be completed by end-2021. During the refurbishment period, Mandarin Orchard Singapore will continue to operate under the management of Meritus Hotels & Resorts, the hotel management company under the Hospitality Division of OUE.

Upon its relaunch in 2022, the hotel will feature 1,080 well-appointed rooms and five restaurants and bars including an all-day dining restaurant. The hotel will also boast meeting and function spaces spanning a total of 3,765 square metres, including three ballrooms.

"We are presented here with exciting opportunities to tap on the strong brand recognition, global distribution network, and industry-leading innovations that Hilton brings, as we reposition the property more strategically for the longer term within Singapore's landscape of robust tourism growth and at the same time increased competition in the hospitality industry," says Mr Brian Riady, Deputy Chief Executive Officer of OUE.

Mr Riady added, "The re-branding of Mandarin Orchard Singapore is a fitting culmination to its 50-year legacy as the benchmark of gracious Asian hospitality in Singapore, following a comprehensive and strategic review by OUE in collaboration with OUE C-REIT. For the customer, this new chapter translates to exceptional service experiences synonymous with the Hilton brand.

For our employees, being part of an international hotel chain offers tremendous opportunities for career growth and development."

Ms Tan Shu Lin, Chief Executive Officer of the Manager said, “We firmly believe in the long-term value of our landmark asset. This strategic partnership presents an attractive opportunity to strengthen the property’s position as one of the premier hotels in the prime Orchard Road segment.”

“The rejuvenation into an upper upscale hotel combined with the addition of more income-generating spaces within the property allows the Manager to create value and drive sustainable returns in line with our proactive asset management approach. The current challenges faced by the Singapore hospitality sector also present a timely opportunity for us to carry out the extensive renovations, with the re-branded hotel expected to be ready in time to take advantage of the sector’s anticipated recovery.” added Ms Tan.

Rationale for the Re-branding Exercise

Prominently located in the heart of Singapore’s premier Orchard Road shopping and entertainment belt, Mandarin Orchard Singapore, which began operations in 1971, is part of OUE C-REIT’s portfolio, under OUE Hospitality Sub-Trust. OUE and the Manager believe the Re-branding Exercise will significantly enhance the property and drive growth in long term sustainable returns and value to the Unitholders of OUE C-REIT.

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

- (a) Hilton’s strong brand recognition and marketing enhances the property’s competitive positioning

The re-branding of “Mandarin Orchard Singapore” to “Hilton Singapore Orchard” enables the property to tap on Hilton’s strong brand recognition and marketing, enhancing its competitive positioning alongside other upper 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 property's existing distribution and marketing strategies

The 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 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 property, which will be the largest Hilton hotel in Asia-Pacific when it relaunches 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 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 Exercise, the 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 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.

Master Lease Agreement (“MLA”)

OUE is the master lessee of the property under a master lease agreement entered into between OUE, the trustee of OUE Hospitality Sub-Trust and the Manager (the “MLA”). Under the terms of the MLA, 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 the BAMA, OUE Hospitality Sub-Trust (as the owner of the 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.

Key commercial terms of the MLA remain unchanged. 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 of OUE C-REIT throughout the period of phased renovation and ramping-up of operations.

Financial Impact on OUE C-REIT

OUE C-REIT expects to incur capital expenditure of approximately S\$90.0 million in the Re-branding Exercise, with a projected return on investment of approximately 10% on a stabilised basis. The Manager intends to draw down on existing loan facilities to fully fund the Re-branding Contribution progressively over the renovation period. As the capital expenditure will be expended in phases, the 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.

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About OUE Limited

OUE Limited (SGX-ST: OUE) is a diversified real estate owner, developer and operator with a real estate portfolio located in prime locations in Asia and the United States. OUE consistently grows its business by leveraging its brands and proven expertise in developing and managing landmark assets across the commercial, hospitality, retail and residential sectors.

In 2017, OUE expanded its portfolio into the healthcare sector with the acquisition of OUE Lippo Healthcare Limited, a listed integrated healthcare services and facilities provider. This was followed by the acquisition of Bowsprit Capital Corporation Limited, the manager of First REIT, Singapore's first healthcare real estate investment trust, in 2018. In 2019, OUE expanded into the consumer sector with OUE Restaurants. With its core strategy of investing in and enhancing a stable of distinctive properties, OUE is committed to developing a portfolio that has a strong recurrent income base, balanced with development profits, to enhance long-term shareholder value. OUE is the sponsor of OUE Commercial Real Estate Investment Trust.

For more information, please visit www.oue.com.sg.

About OUE Commercial Real Estate Investment Trust

OUE Commercial Real Estate Investment Trust (OUE C-REIT) is a real estate investment trust listed on the Main Board of Singapore Exchange Securities Trading Limited since 27 January 2014.

In September 2019, OUE C-REIT completed the merger with OUE Hospitality Trust to become one of the largest diversified REITs with total assets under management of S\$6.8 billion. With seven properties across the commercial and hospitality segments in Singapore and Shanghai, OUE C-REIT's property portfolio comprises approximately 2.2 million sq ft of prime office and retail space, and 1,640 upscale hotel rooms.

OUE C-REIT invests in income-producing real estate used primarily for commercial purposes (including real estate used primarily for office and/or retail purposes) in financial and business hubs, and/or hospitality and/or hospitality-related purposes, as well as real estate-related assets.

OUE C-REIT is managed by OUE Commercial REIT Management Pte. Ltd., which is a wholly-owned subsidiary of OUE Limited.

For more information, please visit www.ouect.com.

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 press release 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.