F·P·A FINANCIAL
Investment Perspectives

17 March 2022

REAL ESTATE EQUITY RESEARCH

OUE Commercial REIT

SGX: TS0U
Bloomberg: OUECT:SP
ISIN code:SG2G60000004

Country: Singapore
Industry: Real Estate, Commercial REITs

17 March 2022
RECOMMENDATION: BUY

Current price: S$0.405
Target price: S$0.516
Issued units: 5,436.60 million (31 Dec 21)
Market capitalisation: S$2,201.42 million

52-week range: S$0.365 - S$0.460

PRICE PERFORMANCE

COMPANY DESCRIPTION

OUE Commercial Real Estate Investment Trust (collectively defined herein as OUE C-REIT) is a real estate investment trust listed on the Mainboard of Singapore Exchange Limited (SGX) since 27 January 2014. It has a portfolio of seven properties across the commercial and hospitality segments in Singapore and Shanghai. OUE C-REIT's property portfolio comprises more than 2.0 million square feet of prime office and retail space and 1,640 upscale hotel rooms.

SUMMARY

For the financial year ended 31 December 2021 (FY2021) OUE C-REIT recorded revenue of S$249.9 million, a 14.4% decrease from S$292.0 million over the same period a year ago. Net property income (NPI) also decreased by 11.9% from S$231.9 million in FY2020 to S$204.2 million in FY2021. This was mainly due to the deconsolidation of OUE Bayfront's performance post the divestment of a 50% interest in the property on 31 March 2021. Meanwhile, due to the redistribution of S$5.0 million retained in FY2020 and S$5.4 million capital gain distribution from the divestment of OUE Bayfront, amount to be distributed increased by 6.9% yoy to S$142.0 million in FY2021. This led to a distribution per unit (DPU) of 2.60 cents for FY2021. For the second half of 2021 (2H2021), OUE C-REIT declared a dividend of 1.37 cents per unit to be paid on 30 March 2022. Further, the total return attributable to unitholders and CPPU holder amounted to S$38.9 million, translating to an earnings per share of 0.67 cents for FY2021.

RECOMMENDATION

Based on OUE C-REIT reported NAV of S$0.57, OUE C-REIT currently has a P/B multiple of 0.71x and is trading at a discount of approximately 29% to NAV. Our peer comparison results show that OUE C-REIT could be undervalued, given a lower P/B of 0.71x compared to its peer average P/B of 0.86x. In addition, we note that OUE C-REIT is relatively attractive in terms of dividend yield. Adopting a relative valuation approach, we estimate a target price of S$0.490 and S$0.515 based on our P/B and dividend yield peer comparison analysis. By taking the average of the estimated target price of S$0.490 and S$0.515, we derived an estimated target price of S$0.503 based on our peer comparison analysis. Further, according to our Dividend Discount Model (DDM) analysis, with a cost of equity of 5.83% and a terminal growth of 1.00%, we derived an estimated target price of S$0.528. Given the above, we estimate a target price of S$0.516, which is the average of the estimated target price from our peer comparison and DDM analysis. This target price is a 27.41% upside from the current share price of S$0.405. We believe this upside could be justified by a potential improvement in OUE C-REIT's earnings as supported by the positive outlook of Singapore's economy, potential growth in office rental and the improvement in hospitality sector. Further, the re-branding of Hilton Singapore Orchard could also underpin revenue and profit growth. Given the above, we believe a buy recommendation is warranted on OUE C-REIT.

KEY FINANCIALS Year ended Dec 31	Revenue (S$ million)	Profit [(1)] (S$ million)	EPU (cents)	P/E (x)	DPU (cents)	Dividend yield (%)	NAV per unit (S$)	P/B (x)
2020 actual	292.0	(36.3)	(0.74)	NM	2.43	6.0%	0.59	0.69
2021 actual	249.9	38.9	0.67	60.66	2.60	6.4%	0.57	0.71
2022 forecast	244.2	89.7	1.61	25.16	2.29	5.6%	-	-
2023 forecast	268.6	97.9	1.76	23.01	2.44	6.0%	-	-

NM: not meaningful

Figures have been rounded. P/E, P/B and dividend yield figures are based on current price of S$0.405

(1) Return attributable to Unitholders and CPPU holder

Source: OUE C-REIT, FPA Financial

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CONTENTS

COMPANY OVERVIEW

In this section, we will discuss OUE C-REIT's corporate profile, substantial shareholders, sponsor of OUE C-REIT, OUE C-REIT's structure, overview of its portfolio and its geographical revenue contribution.

(I) Corporate Profile

OUE C-REIT is a real estate investment trust listed on the Mainboard of Singapore Exchange Limited (SGX) since 27 January 2014.

OUE C-REIT has seven properties across the commercial and hospitality segments in Singapore and Shanghai. Its portfolio comprises approximately 2.2 million sq ft of prime office & retail space and 1,643 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 & business hubs, hospitality and/or hospitality-related purposes, as well as real estate-related assets.

On 4 September 2019, OUE C-REIT completed its merger with OUE Hospitality Trust (OUE H-Trust) (comprising OUE Hospitality Real Estate Investment Trust (OUE H-REIT) and OUE Hospitality Business Trust) by way of a trust scheme of arrangement. Following the completion of the Merger, OUE H-Trust was delisted from SGX-ST and is now an unlisted sub-trust of OUE C-REIT.

As at 31 December 2021, OUE C-REIT had approximately total assets of S$5,832.5 million and Unitholders' fund of S$3,128.0 million

(II) Substantial Shareholders

As at 21 February 2022, OUE Limited is OUE C-REIT's largest substantial shareholder with 2,628,083,085 shares representing 48.2% total interest as shown in **Exhibit 1**. According to information available to OUE C-REIT, as at 9 March 2021, approximately 35.59% of the issued ordinary shares of the Company are held by the public.

Exhibit 1: OUE C-REIT's Register of Substantial Shareholders

	Direct interest		Deemed interest		Total Interest	
Substantial shareholder	Number of shares	%(1)	Number of shares	%(1)	Number of shares	%(1)
OUE Limited	1,156,481,814	21.2%	1,471,601,271	27.0%	2,628,083,085	48.2%
Clifford Development Pte Ltd (Clifford)	1,471,601,271	27.0%	-	0.0%	1,471,601,271	27.0%
Tang Gordon @ Tang Yigang	397,213,888	7.3%	215,570,352	4.0%	612,784,240	11.2%
Celine Tang @ Chen Huaidan	353,121,062	6.5%	-	0.0%	353,121,062	6.5%
Yang Chanzhen @ Janet Yeo	268,100,000	4.9%	84,257,703	1.5%	352,357,703	6.5%

(1) Unitholding percentage is calculated based on 5,449,684,538 issued units as at 21.02.22

Source: OUE C-REIT, SGX, FPA Financial

OUE Limited, the sponsor of OUE C-REIT, has (i) a direct interest in 1,156,481,814 units, and (ii) a deemed interest of 1,471,601,271 units held by Clifford Development Pte. Ltd., a wholly-owned subsidiary of OUE, amounting to a total interest in 2,628,083,085 units.

Clifford Development Pte. Ltd. offers real estate management and development services.

Gordon Tang is a Singaporean businessman who owns a controlling stake in Singapore-listed property developer SingHaiyi. His wife is Celine Tang, who is CEO of the company and Yang Chanzhen is Gordon Tang's mother.

(III) Sponsor of OUE C-REIT

The Sponsor of OUE C-REIT is OUE Limited (Sponsor), a diversified real estate owner, developer and operator with a real estate portfolio located in prime locations in Asia. It is listed on the Singapore Stock Exchange with market capitalisation of over S$1.1 billion. The Sponsor has substantial assets in its diversified portfolio of real estate investments in South East Asia and China. The Sponsor 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. The Sponsor has total assets of approximately S$9,031.5 million as at 31 December 2021. The Sponsor also provides access to the rights of first refusal to its commercial , hospitality and/or integrated development properties.

In 2017, the Sponsor 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 October 2018. In 2019, the Sponsor expanded into the consumer sector with OUE Restaurants.

With its core strategy of investing in and enhancing a stable of distinctive properties, the Sponsor is committed to developing a portfolio that has a strong recurrent income base, balanced with development profits, to enhance long-term shareholder value

(IV) OUE C-REIT's Structure

An overview of OUE C-REIT's structure shows the roles of the individual entities within the trust structure and the relationship between these entities.

<u>Trustee of OUE C-REIT</u>

DBS Trustee Limited (Trustee) is under a duty to take into custody and hold the assets of OUE C-REIT held by it or through its subsidiaries in trust for the holders of units in OUE C-REIT. In accordance with the Securities and Futures Act, Chapter 289 of Singapore, its subsidiary legislation and the Code on Collective Investment Schemes, the Trustee shall monitor the activities of OUE Commercial REIT Management Pte. Ltd. (Manager) for compliance with the limitations imposed on the investment and borrowing powers as set out in the trust deed dated 10 October 2013 between the Manager and the Trustee in each annual accounting period and report thereon to unitholders in an annual report

<u>Manager of OUE C-REIT</u>

OUE C-REIT is managed by OUE Commercial REIT Management Pte. Ltd. (Manager), a wholly-owned subsidiary of the sponsor. The Manager has general powers of management over the assets of OUE C-REIT. The Manager's main responsibility is to manage OUE C-REIT's assets and liabilities for the benefit of Unitholders. The primary role of the Manager is to set the strategic business direction of OUE C-REIT and make recommendations to the Trustee on acquisitions, divestments and enhancement of the assets of OUE C-REIT in accordance with its stated investment strategy. The Manager uses its best endeavours to carry on and conduct its business in a proper and efficient manner, and to conduct all transactions with, or for OUE C-REIT, at arm's length.

The Manager is also responsible for the capital and risk management of OUE C-REIT. Other key functions and responsibilities of the Manager include:

- Developing OUE C-REIT's business plans and budget so as to manage the performance of OUE C-REIT's assets
- Ensuring compliance with applicable requirements, laws and regulations, as well as ensuring that the Manager's obligations under the Trust Deed are properly carried out
- Establishing a framework of prudent and effective controls which enable financial, operational, compliance and information technology risks to be assessed and managed.

The Manager's Strategy for OUE C-REIT

The Manager's objective is to provide Unitholders with regular and stable distributions and to achieve long-term sustainable growth in distribution per unit (DPU) and net asset value (NAV) per Unit, while maintaining an appropriate capital structure.

The Manager plans to achieve its objective through the following strategies:

(a) Maximizing Operational Performance

The Manager actively manages OUE C-REIT's property portfolio and strives to maintain high occupancy levels and optimise rental growth, so as to achieve sustainable revenue and net property income. For the commercial segment, the Manager is focused on working in partnership with the respective property managers that manage OUE C-REIT's property portfolio to build strong and long-lasting relationships with tenants, as well as striving to improve operational and cost efficiency to ensure optimal building performance without compromising on the safety or comfort of tenants. For the hospitality segment, the Manager collaborates effectively with the master lessees to ensure that hotel managers optimise the performance of the hotels. To support and enhance organic growth, the Manager also seeks asset enhancement opportunities where feasible.

(b) Value-Enhancing Investment Management

The Manager aims to pursue investment opportunities in key gateway cities with strong real estate fundamentals and growth potential, to provide attractive cash flows and yields to improve future income and capital growth to Unitholders. The right of first refusal over the Sponsor's income-producing commercial, hospitality and/or integrated development properties provides OUE C-REIT with access to potential future acquisition opportunities. In addition to sourcing third-party acquisitions on its own, the Manager also leverages the Sponsor's experience and network of contacts to source value-adding acquisitions.

The Manager also seeks to capitalise on opportunities for portfolio reconstitution where appropriate, by unlocking value from existing assets at an optimal stage of their life cycle and redeploying divestment proceeds into higher-yielding properties or other value-creating opportunities to enhance long-term returns.

(c) Proactive Capital and Risk Management

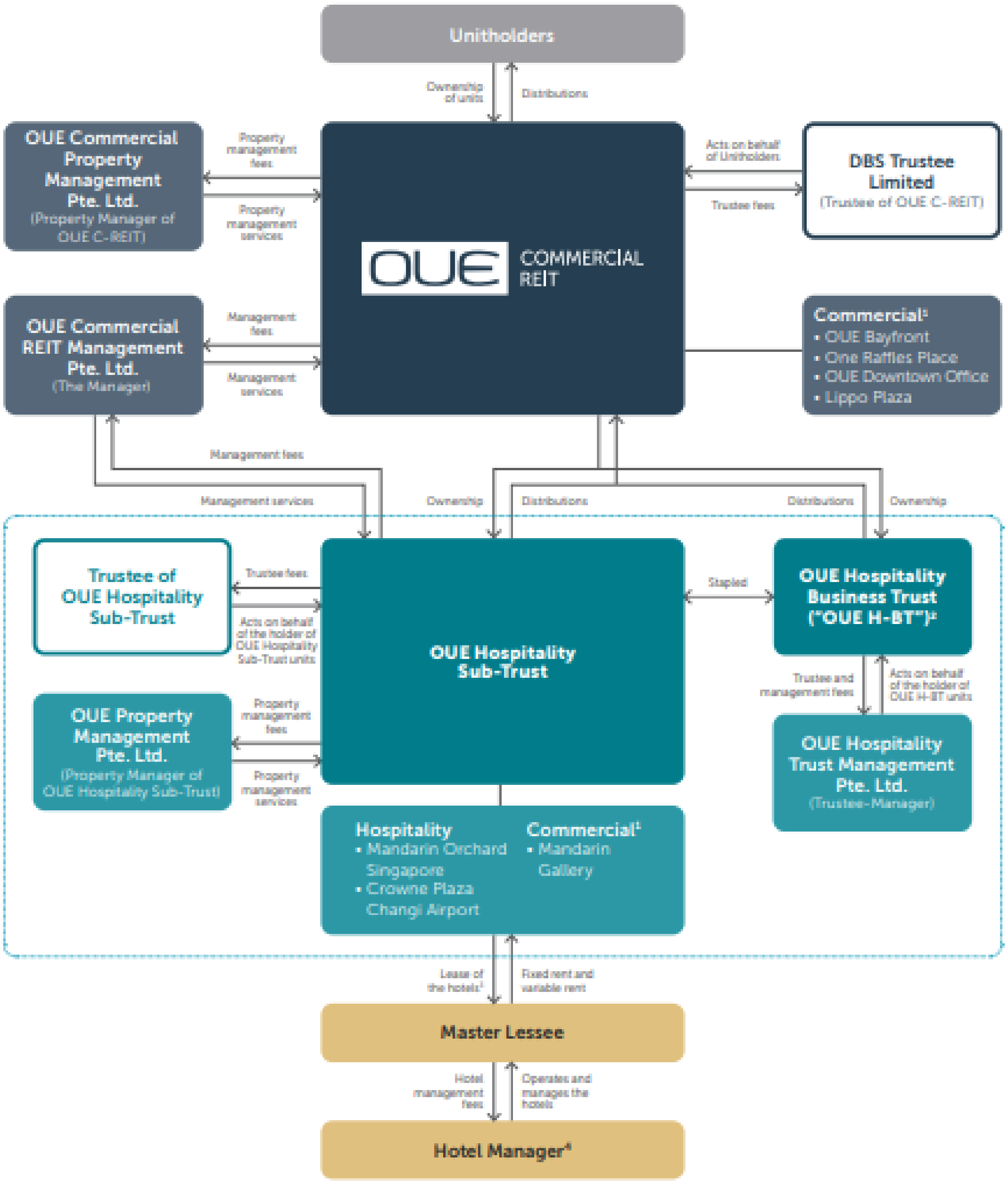
The Manager adopts a prudent capital management strategy and strives to maintain a strong balance sheet. By employing an appropriate combination of debt and equity, the Manager seeks to optimise OUE C-REIT's capital structure to deliver sustainable and stable distributions to Unitholders

Key objectives of its capital management strategy include optimising the cost of debt financing and managing potential refinancing or repayment risks, as well as ensuring OUE C-REIT has access to diversified funding sources. Appropriate hedging strategies to manage interest rate volatility and foreign exchange exposure are also adopted.

Following the completion of the merger, as noted on page 3, OUE H-Trust was delisted from SGX and became a wholly-owned sub-trust of OUE C-REIT. OUE H-REIT was renamed OUE Hospitality SubTrust (OUE H-Sub-Trust). The OUE C-REIT Manager has replaced OUE Hospitality REIT Management Pte. Ltd. as manager of OUE H-Sub-Trust.

A diagrammatic representation of the trust structure of OUE C-REIT is shown in **Exhibit 2**.

Exhibit 2: OUE C-REIT's Trust Structure



[1] Includes office and/or retail
[2] OUE H-BT is currently dormant
[3] The OUE Hospitality Sub-Trust will lease the hotel to the Master Lessee and in return the Master Lessee will pay rent in accordance with the master lease agreement to the OUE Hospitality Sub-Trust
[4] The Master Lessee will appoint the Hotel Manager to manage the day-to-day operations and marketing of the hotel leased from OUE Hospitality Sub-Trust. The Hotel Manager will typically be entitled to a payment computed as a percentage of the revenue and a percentage of the gross operating profit of the hotel comprising gross operating revenue less operating expenses under management

Source: OUE C-REIT

(V) Overview of OUE C-REIT’s Portfolio

Characteristics of the portfolio

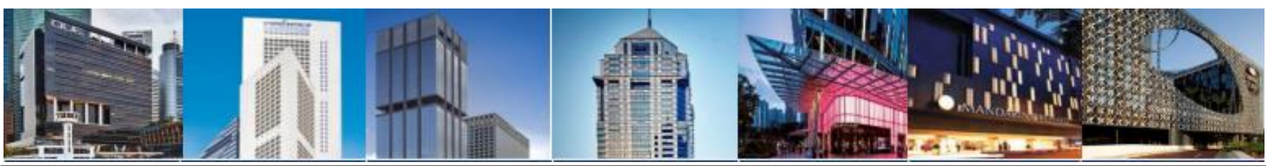
As at 31 December 2021, OUE C-REIT's property portfolio comprise seven properties across the commercial and hospitality segments in Singapore and Shanghai. With an aggregate net lettable area of more than 2.0 million square feet of prime office and retail space and 1,643 upscale hotel rooms.

It has four Grade A office properties, which consist of OUE Bayfront (50% interest), One Raffles Place (67.95% effective interest), and the office components of OUE Downtown, strategically located in Singapore's central business district; as well as Lippo Plaza (91.2% strata interest), located within the prime commercial district of Huangpu in Puxi, Shanghai. It also has two luxury hotels, comprising the 1,080-room Hilton Singapore Orchard (previously known as Mandarin Orchard Singapore) and the 563-room Crowne Plaza Changi Airport, both of which are in prime tourist catchments in Singapore - namely, the Orchard Road shopping belt and the world-renowned Changi Airport, respectively.

In addition, OUE C-REIT has one retail property, Mandarin Gallery, a high-end retail mall situated within four levels of Hilton Singapore Orchard.

A summary of the property name, description, ownership interest, net lettable area (NLA)/ number of rooms of OUE C-REIT’s portfolio is shown in **Exhibit 3**.

Exhibit 3: Overview of OUE C-REIT’s Portfolio



	OUE Bayfront	One Raffles Place	OUE Downtown Office	Lippo Plaza	Mandarin Gallery	Hilton Singapore Orchard	Crowne Plazza Changi Airport
Description	A landmark Grade A office building located at Collyer Quay between the Marina Bay downtown and Raffles Place	Iconic integrated development with two Grade A office towers and a retail mall located in Singapore CBD at Raffles Place	Grade A office space, a mixed-used development with offices, retail and serviced residences at Shenton Way	Grade A commercial building located along Huaihai Zhong Road within the established commercial district of Huangpu in Puxi, Shanghai	Prime retail landmark on Orchard Road - preferred location for flagship stores of international brands	Currently known as Mandarin Orchard Singapore. To be re-branded as Hilton Singapore Orchard, Hilton's flagship in Singapore and the largest Hilton hotel in Asia-Pacific on 1 March 2022	Award-winning hotel at Singapore Changi Airport and close to Changi Business Park with seamless connectivity to Jewel Changi Airport
Ownership Interest	50%	67.95%	100%	91.2% strata ownership	100%	100%	100%
Net Lettable Area (sq ft)/ No. of Rooms	Office: 378,801 Retail: 21,132	Office: 605,529 Retail: 99,370	Office: 529,297	Office: 361,007 Retail: 61,575	Retail: 126,283	1,080 hotel rooms	563 hotel rooms

Source: OUE C-REIT

Portfolio Valuation

As at 31 December 2021, the valuation of OUE C-REIT's properties was approximately S$6.0 billion, representing a year-on year (yoy) decrease of 7.8%, due to the divestment of 50% interest in OUE Bayfront. Excluding the divestment, the valuation of OUE C-REIT's properties was stable at S$5.4 billion. The lower valuations for the hospitality and retail segments of the portfolio were mitigated by higher valuations for the Singapore office properties which saw fair value increases ranging from 0.2% to 7.5% yoy as shown in **Exhibit 4**.

Exhibit 4: OUE C-REIT's Portfolio Valuation

Properties	Existing use	Valuers	Valuation as at 31 December (S$ million) FY2021	FY2020	Change (%)
OUE Bayfront (100%)	Commercial	Savills Valuation and Professional Services (S) Pte Ltd	1,270.0	1,181.0	7.5%
OUE Bayfront (50%)	Commercial	Savills Valuation and Professional Services (S) Pte Ltd	635.0	-	-
One Raffles Place (1)	Commercial	Cushman & Wakefield VHS Pte Ltd	1,867.7	1,799.7	3.8%
OUE Downtown Office	Commercial	Cushman & Wakefield VHS Pte Ltd	902.0	900.0	0.2%
Lippo Plaza	Commercial	Savills Real Estate Valuation (Guangzhou) Ltd Shanghai Branch	574.5 (2) (RMB 2,681.0m)	545.6 (3) (RMB 2,680.0m)	5.3%
Mandarin Gallery	Retail	Savills Valuation and Professional Services (S) Pte Ltd	453.9	473.0	-4.0%
Hilton Singapore Orchard	Hotel	Savills Valuation and Professional Services (S) Pte Ltd	1,130.0	1,157.0	-2.3%
Crowne Plaza Changi Airport	Hotel	Savills Valuation and Professional Services (S) Pte Ltd	455.2	468.5	-2.8%
Total (including attributable interest in OUE Bayfront)			**6,018.3**	**6,524.8**	**-7.8%**
Total (excluding OUE Bayfront)			**5,383.3**	**5,343.8**	**0.7%**

(1) Based on OUB Centre Limited's 81.54% Interest in One Raffles Place. OUE C-REIT has an 83.33% indirect interest in OUB Centre Limited

(2) Based on independent valuation as at 31 December 2021 and SGD:CNY exchange rate 1:4.666

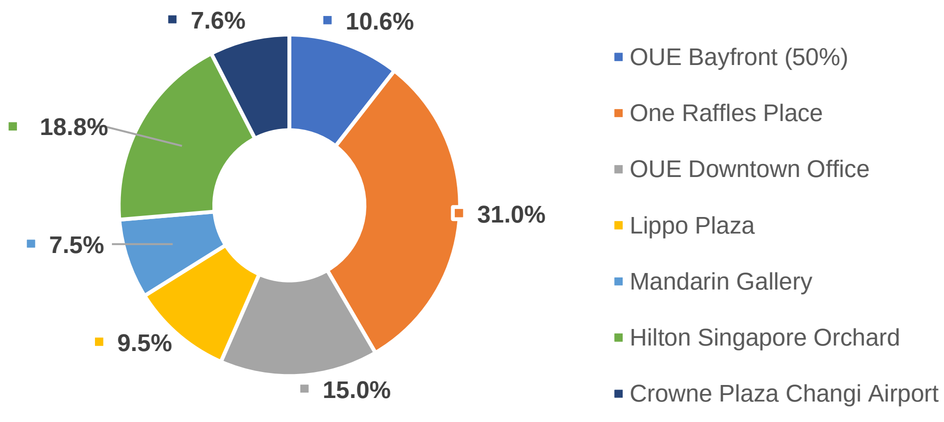
(3) Based on independent valuation as at 31 December 2020 and SGD:CNY exchange rate 1:4.912

Source: OUE C-REIT

Portfolio Composition

We also note that based on the asset value of each properties, approximately 90% of the assets under management of OUE C-REIT is in Singapore and 10% is in China (Lippo Plaza) as shown in **Exhibit 5**.

Exhibit 5: OUE C-REIT's Portfolio Composition

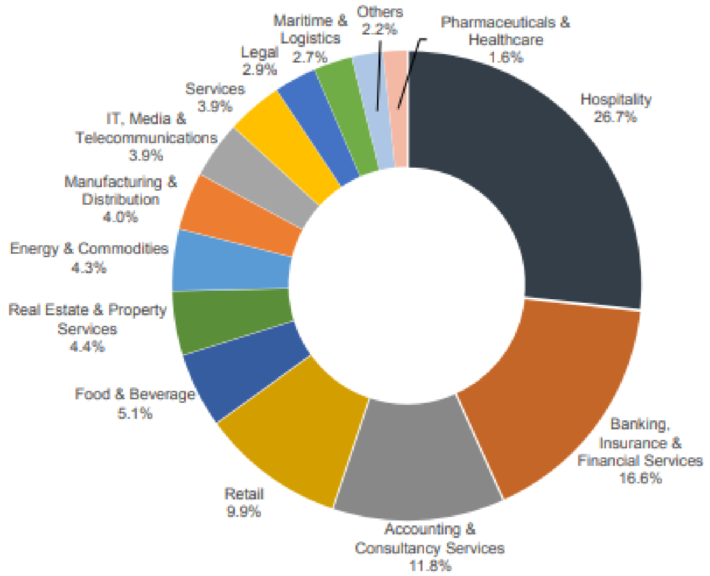


Source: OUE C-REIT, FPA Financial

Tenant Mix

The Manager maintains a diverse tenant trade sector profile for OUE C-REIT's commercial segment so as to mitigate concentration risk. Outside of the Hospitality segment which contributed 26.7% to portfolio gross rental income, the Banking, Insurance & Financial Services, Accounting & Consultancy Services and Retail sectors contributed 16.6%, 11.8% and 9.9% respectively to OUE C-REIT's portfolio gross rental income as of 31 December 2021, as shown in **Exhibit 6**.

Exhibit 6: OUE C-REIT's Tenant Trade Sectors by Gross Rental Income (1)



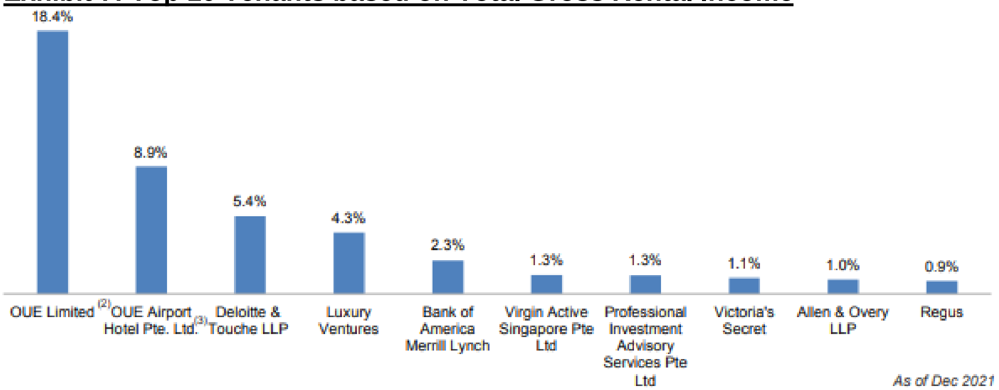
(1) Tenant by trade sector is based on gross rental income (excluding provision of rental rebates and turnover rent), and OUE C-REIT's proportionate interest in the respective properties

Source: OUE C-REIT

Top 10 Tenants

We also note that the top 10 tenants accounted for 44.9% of OUE C-REIT's total gross rental income for FY2021 as shown in **Exhibit 7**. Further, we note that the top 2 tenants, OUE Limited and OUE Airport Hotel Pte. Ltd are the master lessees of Hilton Singapore Orchard and Crowne Plaza Changi Airport respectively.

Exhibit 7: Top 10 Tenants based on Total Gross Rental Income

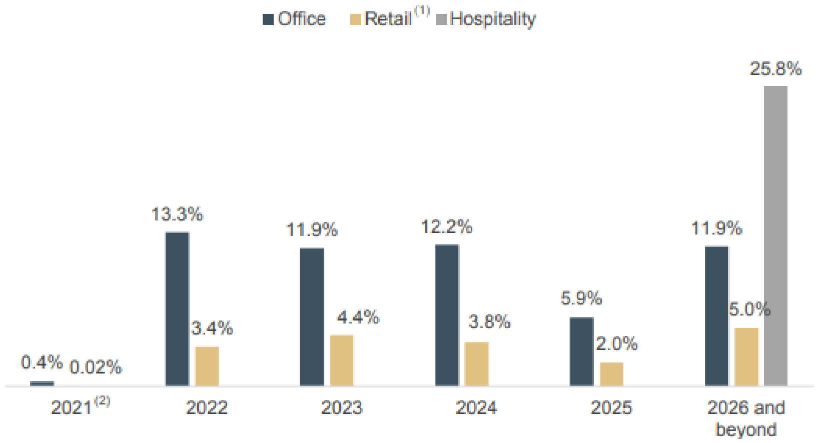


Source: OUE C-REIT

Lease Expiry Profile

To ensure stable and sustainable gross rental revenue, the Manager actively manages the lease expiry profile of each of OUE C-REIT's properties to mitigate the concentration of lease expiries in any given year. Overall, OUE C-REIT's portfolio, comprising commercial and hotel segments, has a weighted average lease term to expiry (WALE) of 3.5 years as at 31 December 2021. The breakdown of OUE C-REIT's WALE by gross rental income has been summarised in **Exhibit 8**.

Exhibit 8: OUE C-REIT's Portfolio Lease Expiry Profile



Note: Lease expiry profile is based on gross rental income (excluding provision of rental rebates and turnover rent), and OUE C-REIT's proportionate interest in the respective properties

(1) Refers to contribution from Mandarin Gallery and all other retail components within OUE C-REIT Portfolio
(2) As at 31 December 2021, lease expiring on 31 December 2021 had not been renewed
Source: OUE C-REIT

Master Lease

As mentioned on the previous page, OUE C-REIT currently has 2 master lease agreements with OUE Limited and OUE Airport Hotel Pte Ltd (OUEAH) for Hilton Singapore Orchard and Crowne Plaza Changi Airport respectively. The master lease agreements for Hilton Singapore Orchard and Crowne Plaza Changi Airport are subject to a minimum rent of S$45.0 million and S$22.5 million per annum respectively, totalling S$67.5 million per annum

We have summarized the master lessee and the lease structure of the 2 master leases in **Exhibit 9**.

Exhibit 9: OUE C-REIT's Master Lease

Property	Hilton Singapore Orchard	Crowne Plaza Changi Airport
No. of Guestrooms	1,077	563
Master Lease Rental	Variable rent comprising sum of: (i) 33.0% of GOR (1) (ii) 27.5% of GOP (2) Subject to minimum rent of S$45.0 million (3)	Variable rent comprising sum of: (i) 4% of Hotel F&B Revenues (ii) 33% of Hotel Rooms and Other Revenues not related to F&B (ii) 30% of Hotel GOP (2) (iv) 80% of Gross Rental Income from leased space Subject to minimum rent of S$22.5 million (3)
Master Lessee	OUE Limited	OUE Airport Hotel Pte Ltd
Tenure	(i) First term of 15 years to expire in July 2028 (ii) Option to renew for an additional 15 years on the same terms and conditions	(i) First term of Master lease expire in May 2028 (ii) Option to renew for an additional two consecutive 5-year terms

(1) GOR: Gross Operating Revenue
(2) GOP: Gross Operating Profit
(3) Rental under the master lease will be the minimum rent if the amount of variable rent for that operating year is less than the amount of minimum rent
Source: OUE C-REIT

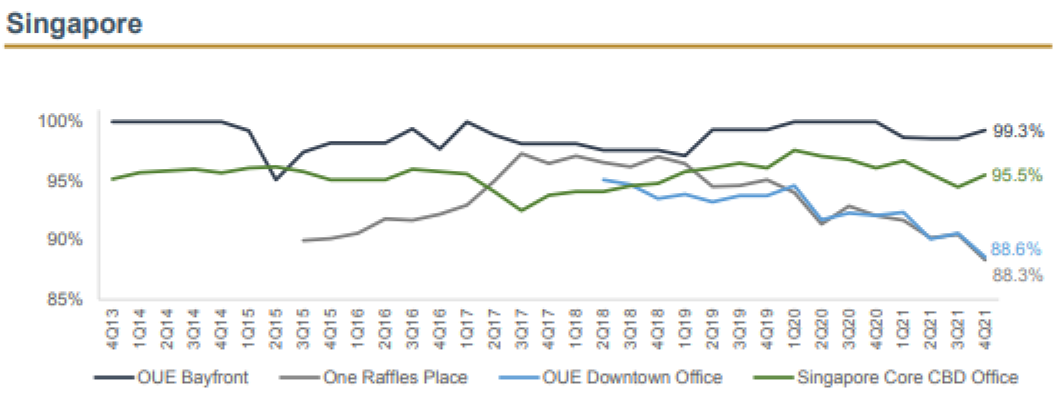
<u>Business Segments</u>

(i) Commercial Segment

OUE C-REIT's commercial segment comprise of OUE Bayfront, One Raffles Place, OUE Downtown Office, Lippo Plaza and Mandarin Gallery.

As at 31 December 2021, for the Singapore's properties, OUE Bayfront's committed office occupancy of 99.3% was ahead of the wider market. Meanwhile, the committed office occupancy of One Raffles Place and OUE Downtown Office declined to 88.3% and 88.6% respectively as leasing momentum continued to be dampened by prevailing safe management measures, as shown in **Exhibit 10**.

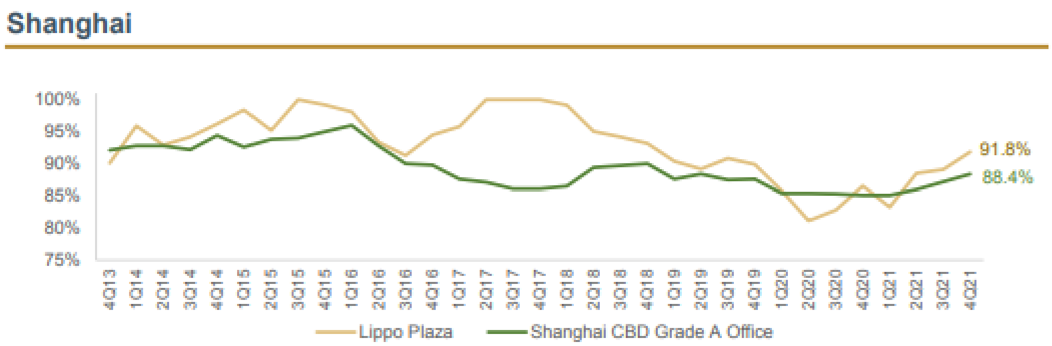
<u>Exhibit 10: OUE C-REIT Singapore Commercial Segment's Occupancy</u>



Source: OUE C-REIT

During the period, for Lippo Plaza in Shanghai, China, strong leasing demand supported Lippo Plaza's 5.3 percentage points (ppt) yoy improvement in committed office occupancy to 91.8%, ahead of the wider market of 88.4%, as shown in **Exhibit 11**.

<u>Exhibit 11: OUE C-REIT Shanghai Commercial Segment's Occupancy</u>



Source: OUE C-REIT

According to OUE C-REIT, rental reversion for its Singapore office properties in 4Q 2021 ranged from -5.0% to 9.5%. For FY2021, its Singapore office rental reversions ranged from -4.1% to 3.6%. We note from OUE C-REIT that the average expired rents for OUE Bayfront, One Raffles Place, OUE Downtown Office and Lippo Plaza were S$11.07, S$10.26, S$8.38 and RMB 9.96 respectively. The corresponding committed rents were between S$11.50 – S$15.00, S$9.30 – S$11.50, S$7.50- S$8.20 and RMB 8.10 – RMB 11.00 respectively, as shown in **Exhibit 12**.

Exhibit 12: Committed and Average Office Rents

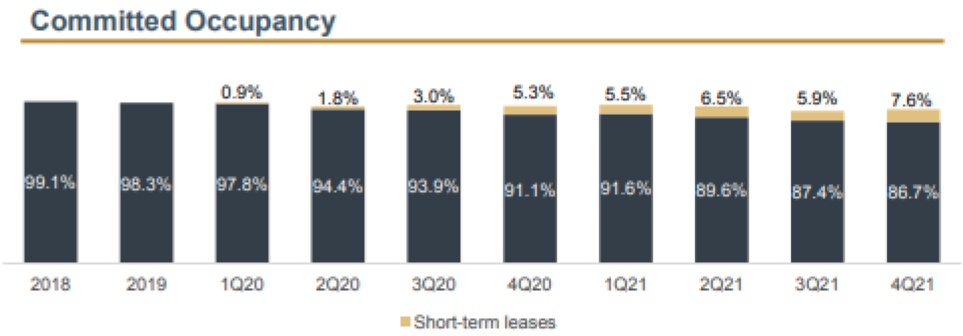
4Q 2021	Average expired rents	Committed Rents [1]	Sub-market	Comparable sub-market rents	
				Colliers	Savills
Singapore					
OUE Bayfront	S$11.07	S$11.50 - S$15.00	New Downtown/ Marina Bay	S$11.58	S$12.20
One Raffles Place	S$10.26	S$9.30 - S$11.50	Raffles Place	S$9.78	S$9.53
OUE Downtown Office	S$8.38	S$7.50 - S$8.20	Shenton Way/ Tanjong Pagar	S$10.21	S$8.47 - S$8.61
Shanghai					
Lippo Plaza	RMB 9.96	RMB 8.10 - RMB 11.00	Puxi	RMB 8.82	RMB 9.70

(1) Committed rents for renewals and new leases

Source: OUE C-REIT

In 4Q 2021, amidst the emergence of the Omicron variant, the continued cap on group sizes for dine-in and social gatherings weighed on retail leasing sentiment in Singapore. Consequently, during the period, Mandarin Gallery's committed occupancy declined 0.7 ppt quarter-on-quarter (qoq) to 86.7% from 87.4% in Q3 2021. Meanwhile, committed occupancy including short-term leases was 94.3% in 4Q 2021 compared to 93.3% in 3Q 2021, as shown in **Exhibit 13**. The vacancy increase was also partly due to ongoing repositioning of certain spaces to F&B to enhance tenant mix and strengthen appeal to shoppers. Nevertheless, supported by the year-end festive season, shopper traffic and tenant sales in December 2021 improved to approximately 75% and 65% of pre-COVID levels respectively.

Exhibit 13: Committed Occupancy of Mandarin Gallery



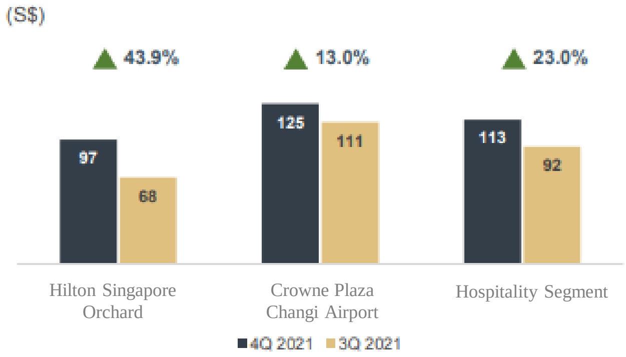
Source: OUE C-REIT

(ii) Hospitality Segment

OUE C-REIT's hospitality segment comprise of two luxury hotels, Hilton Singapore Orchard and Crowne Plaza Changi Airport.

For 4Q 2021, Hilton Singapore Orchard's RevPAR increased by 43.9% qoq to S$97 from S$68 in 3Q 2021, buoyed by local staycation demand during the year-end holiday period. Crowne Plaza Changi Airport's RevPAR recorded a 13.0% qoq increase to S$125 from S$111 in Q3 2021, due to Singapore's gradual relaxation of borders with the start of various Vaccinated Travel Lane (VTL) arrangements. Overall hospitality segment's RevPAR increased by 23.0% qoq to S$113 in 4Q 2021 from S$92 in the Q3 2021 as shown in **Exhibit 14**.

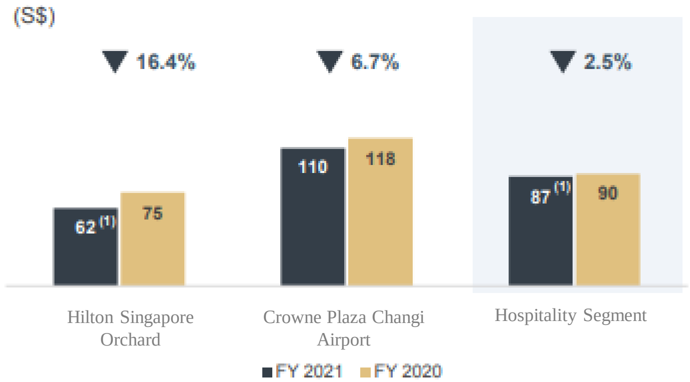
Exhibit 14: OUE C-REIT Singapore Hospitality Segment's RevPAR (qoq)



Source: OUE C-REIT

The planned refurbishments for Hilton Singapore Orchard were conducted in phases & commenced in 2Q 2020 and was completed in end-2021. With renovation works underway for the most of FY 2021, Hilton Singapore Orchard's RevPAR declined by 16.4% yoy to S$62 in FY2021 from S$75 in FY2020. RevPAR for Crowne Plaza Changi Airport declined by 6.7% yoy to S$110 in FY2021 from S$118 in FY2020, due to a temporary closure in January 2021 as a precautionary measure to facilitate investigations by the Ministry of Health. Overall hospitality RevPAR declined by 2.5% yoy to S$87 as shown in **Exhibit 15**.

Exhibit 15: OUE C-REIT Singapore Hospitality Segment's RevPAR (yoy)



Source: OUE C-REIT

Portfolio Occupancy Rate

We noted that the overall occupancy for the 4 Singapore commercial properties namely OUE Bayfront, One Raffles Place, OUE Downtown Office and Mandarin Gallery have decreased from FY2020 to FY2021 as shown in **Exhibit 16**. According to OUE C-REIT, due to the recurring recalibration of safe management measures in Singapore, including limits on the number of employees returning to office and gatherings, leasing momentum was dampened. Further, negotiations with tenants were also more protracted as tenants had leasing considerations such as timing and availability of workers for reinstatement and fit-out works, amongst others. However, OUE C-REIT highlighted that with the relaxation in January 2022 allowing for 50% of workers to return to the office, it has seen an uptick in leasing momentum. Meanwhile, OUE C-REIT's Shanghai commercial property, Lippo Plaza's overall occupancy rate increased from 86.4% in FY2020 to 92.9% in FY2021 owing to strong leasing demand as shown in **Exhibit 16**.

Exhibit 16: OUE C-REIT Portfolio Occupancy Rates

Occupancy	OUE Bayfront	One Raffles Place	OUE Downtown Office	Lippo Plaza	Mandarin Gallery	Hilton Singapore Orchard (1)	Crowne Plazza Changi Airport (1)
FY2020	Office: 100.0% Retail: 96.6% Overall: 99.8%	Office: 92.1%% Retail: 94.8% Overall: 92.5%	Office: 92.1%	Office: 86.5% Retail: 85.4%% Overall: 86.4%	Retail: 91.1%	-	-
FY2021	Office: 99.3% Retail: 96.6% Overall: 99.1%	Office: 88.3% Retail: 94.2% Overall: 89.3%	Office: 88.6%	Office: 91.8% Retail: 98.6%% Overall: 92.9%	Retail: 86.7%	-	-

(1) Not disclosed by OUE C-REIT

Source: OUE C-REIT

(VI) Geographical Revenue Contribution

OUE C-REIT has two reportable segments, which are Singapore and China. The reporting segments are managed separately because of the differences in operating and regulatory environment. As mentioned on page 8, approximately 90% of the OUE C-REIT's assets under management is in Singapore. Similarly, in FY2021, Singapore remained as OUE C-REIT's largest revenue contributor, contributing 89.9% of its total revenue while China contributed 10.1% of is total revenue as shown in **Exhibit 17**.

Exhibit 17: OUE C-REIT's Geographical Revenue Breakdown

S$'000	FY2019		FY2020		FY2021	
	Revenue	Contribution (%)	Revenue	Contribution (%)	Revenue	Contribution (%)
Singapore	226,708	88.1%	265,995	91.1%	224,741	89.9%
China	30,621	11.9%	26,012	8.9%	25,143	10.1%
Total Revenue	**257,329**	**100.0%**	**292,007**	**100.0%**	**249,884**	**100.0%**

Source: OUE C-REIT

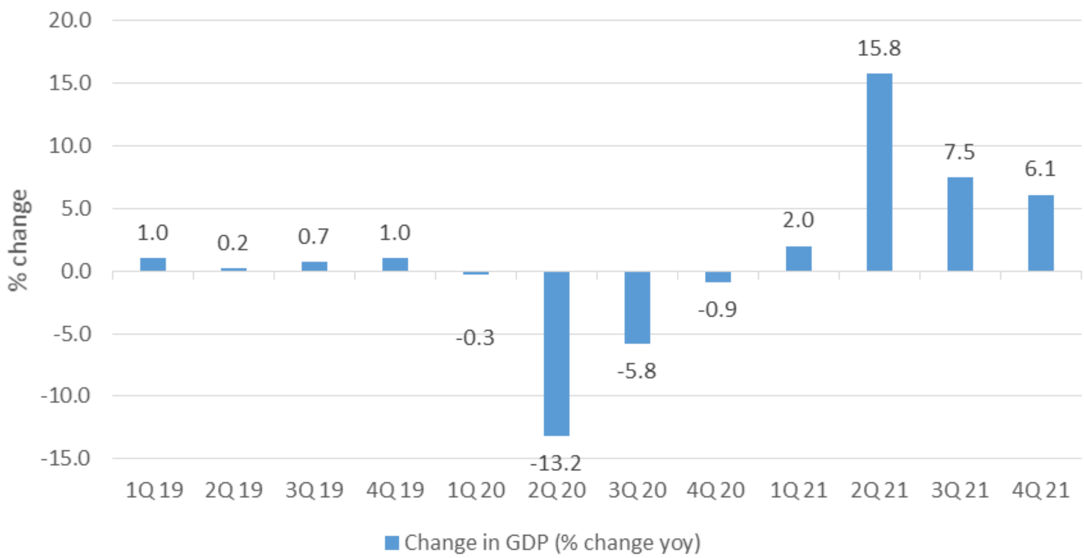
INDUSTRY OUTLOOK

(I) Singapore

Singapore's Economy

The Ministry of Trade and Industry (MTI) reported that in the fourth quarter of 2021, Singapore's economy grew by 6.1% on a year-on-year (yoy) basis, moderating from the 7.5% expansion recorded in the previous quarter as shown in **Exhibit 18**. For the whole of 2021, the economy expanded by 7.6%, rebounding from the 4.1% contraction in 2020.

Exhibit 18: Change in Singapore Quarterly GDP (%, yoy)



Source: MTI

MTI noted that since the Economic Survey of Singapore in November 2021, Singapore's external demand outlook has deteriorated slightly as the global surge in COVID-19 cases caused by the spread of the highly-transmissible Omicron variant has led to a tightening of restriction measures in many economies. Meanwhile, global supply bottlenecks remain and are expected to persist throughout the first half of 2022, thereby constraining industrial production and GDP growth in some external economies in the near term. Persistent supply bottlenecks, alongside rising energy prices due to geopolitical tensions, have also exacerbated global inflationary pressures. Domestically, Singapore's high vaccination rate and steady rollout of booster shots should facilitate further progressive easing of domestic and border restrictions. This will support the recovery of the consumer-facing sectors and alleviate labour shortages in sectors that are reliant on migrant workers. Air travel and visitor arrivals are also expected to improve with the gradual loosening of travel restrictions and expansion of Vaccinated Travel Lanes. Considering the above, MTI expects Singapore to grow by 3.0% to 5.0% in 2022.

Singapore's Office Real Estate Market

According to data from the Urban Redevelopment Authority (URA), office rentals in the Central Region rose by 0.9% qoq in 4Q 2021, compared with the 3.5% decrease in the previous quarter, as reflected by an increase in Office Rental Index to 158.4 from 157.0, as shown in **Exhibit 19**. For the whole of 2021, rentals of office space increased by 1.9%, compared with the decrease of 8.5% in 2020.

Exhibit 19: Rental Index of Office Space in Central Region

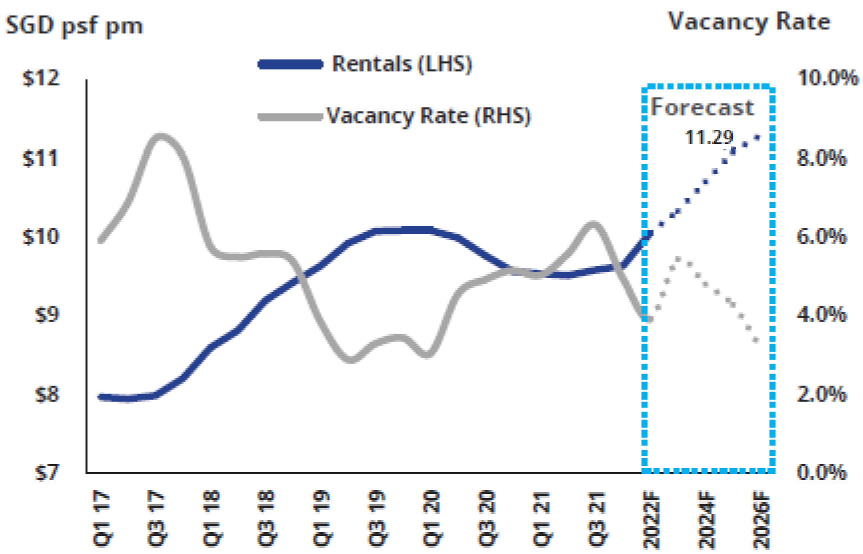
Source: Compiled data from URA

Looking at specific market segments, we note from recent reports by Colliers, CBRE and Savills that these commercial real estate services companies are positive on CBD Grade A office rents.

According to Colliers, CBD Grade A rents continued to increase in Q4 2021, amid resilient leasing demand. Colliers noted that 2021 concluded with positive market sentiments in the prime office market, with CBD Grade A office rents rising by 0.5% qoq in Q4 2021 to S$9.64 per sq foot, following the 0.7% growth in the preceding quarter. The resilient demand for CBD Grade A office spaces is mainly supported by occupiers pursuing flight to quality strategies, the continued expansion of technology and selected financial services firm as well as displaced tenants of office buildings that will be undergoing redevelopment. Further, Colliers also highlighted that business sentiment continued to pick up, with the Finance & Insurance and Information & Communications (ICT) sectors showing the most optimism for the period of Jan-Jul 2022 compared to the preceding six months. These positive trends are expected to translate to healthy growth in the ICT and Finance & Insurance industries for the year of 2022. Along with a heightened emphasis on "flight-to-quality as well as sustainability and wellness, leasing momentum for prime CBD Grade A office spaces will strengthen future in 2022.

Colliers believes that with the pick-up in CBD Grade A demand, the vacancy rate is expected to head southwards and go below 4% by the end of 2022. Together with limited new supply coming on stream, as well as the removal of ageing office stock for redevelopment, CBD Grade A office rents will see upward momentum and forecasted to grow by around 4.4% in 2022 to reach S$10.06 and 3.2% average annual growth between 2022-2026 to reach S$11.29 as shown in **Exhibit 20**, barring the emergence of downside risks that could derail economic recovery (e,g., emergence of new virus strains).

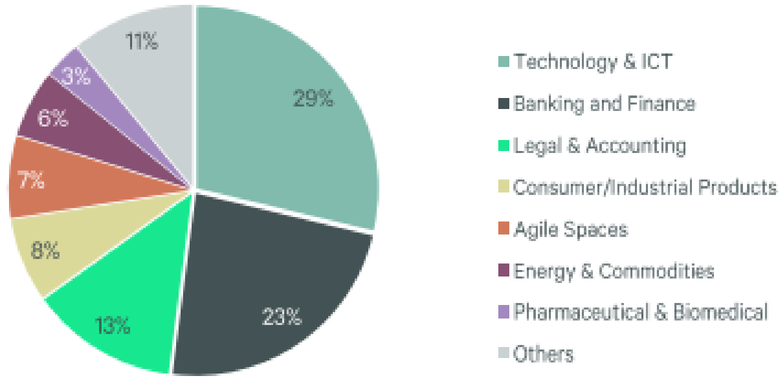
Exhibit 20: CBD Grade A Rentals and Vacancy



Source: Colliers

Similarly, CBRE noted that while there was some downsizing activity on the back of occupiers adopting hybrid working arrangements, the technology and non-banking financing sectors such as private wealth and asset managers, drove the absorption of large-scale availabilities in the core CBD. These two sectors made up the top office demand drivers in 2021, accounting for 52% of leasing volume as shown in **Exhibit 21**.

Exhibit 21: 2021 Leasing Demand by Sector

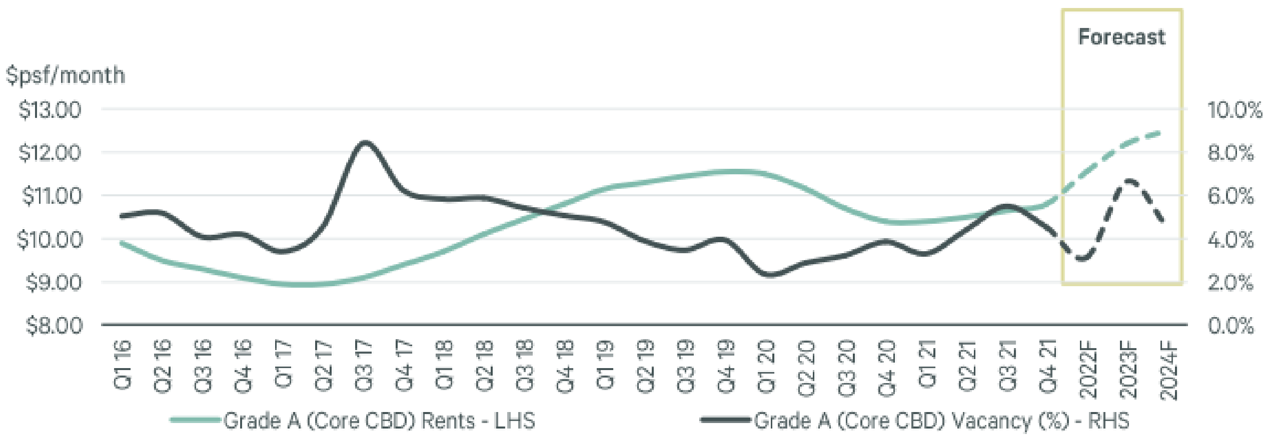


Source: CBRE Research, Dec 2021

Note: Others: Transport & Storage, Insurance, Business Services, Government & Public Administration, Manufacturing, Construction & Engineering, and Real Estate.

Over the next three years (2022-2024), CBRE estimates the total new supply to reach 3.76 million sq. ft. This is equivalent to an annual average supply of 1.25 million sq. ft., which is 13.4% lower than the historical 10-year annual average new supply of 1.45 million sq. ft. While hybrid working could keep the overall office demand footprint below pre-pandemic levels, CBRE expects further rental growth in the mid-term, supported by the rapid expansion in demand from the technology sector and limited new supply. CBRE believes this will be led by the Grade A market in Core CBD, with office rents growing 6.9% to S$11.55 psf/ month by end-2022, in a reversion to pre-Covid levels. CBRE also noted that vacancy could also tighten further before the next wave of supply in 2023 as shown in **Exhibit 22**.

Exhibit 22: CBRE's Rental and Vacancy Forecast



Source: CBRE Research, Dec 2021

Meanwhile, Savills highlighted that the longer the pandemic lasts, more tenants will see their leases expire and given heightened levels of uncertainty, many may choose to right-size for a lease cycle to watch how things unfold. However, come the next lease renewal, there is a significant chance that many who wish to bulk up again cannot do so as they had given up desks so much so that all the workers cannot return of the office. The low rate of new supply coupled with office buildings being taken off the market and secondary space being slowly absorbed by tech companies may, in 3 to 5 years' time create a severe shortage of space. This last point is perhaps of great significance because there is a real and present danger that tenants may see very sharp rental increases in a few years' time when the slack left from companies right sizing slowly gets taken up and then only to realise that new supply is not coming through when companies wish to re-expand again. Coupled with the rapidly expanding ESG and tech sectors, Savills could easily see annual double digit office rental increases as we head towards the middle of this decade. For now, these present themselves as tail risks because of global political uncertainties and the question of how to reduce the carbon footprint of office space users remains unclear. For 2022, Savills believes that CBD Grade A rents will rise by about 2%.

We have summarized the forecasted office rental growth by the various commercial real estate services companies in **Exhibit 23**.

Exhibit 23: Singapore's CBD Grade A Office Rental Growth Forecast

Company	CBD Grade A Office Rental Growth (%) (1)	
	2022	2023
Colliers	4.40%	3.2% (2)
CBRE	6.90%	-
Savills	2.00%	-

(1) According to respective companies' categorisation of CBD Grade A Office

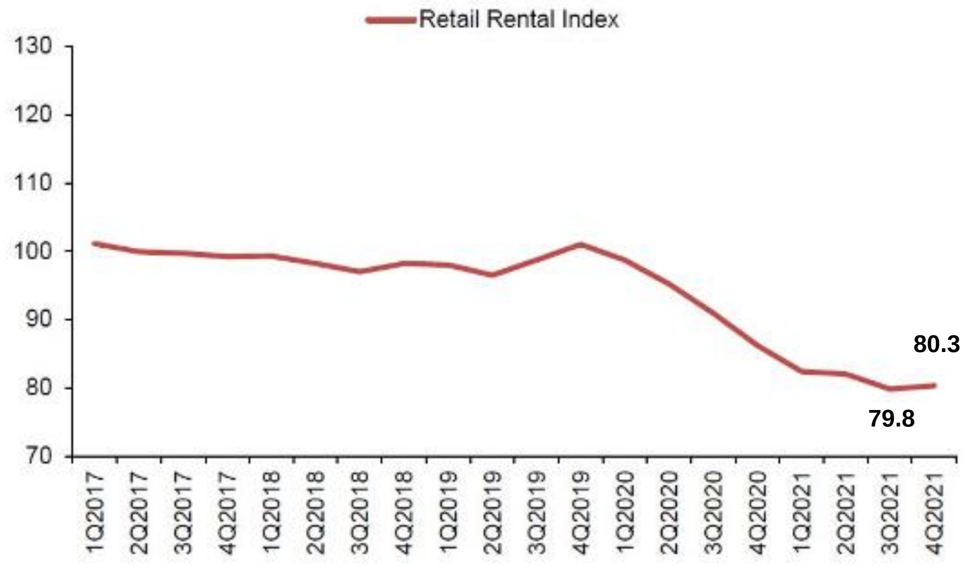
(2) Annual Average Growth (2022-2026)

Source: Respective companies

Singapore's Retail Real Estate Market

According to data from URA, rentals of retail space increased by 0.6% in 4Q 2021, following the decrease of 2.7% in the previous quarter, as reflected by an increase in Retail Rental Index to 80.3 from 79.8, as shown in **Exhibit 24**. For the whole of 2021, rentals of retail space decreased by 6.8%, compared with the decrease of 14.7% in 2020.

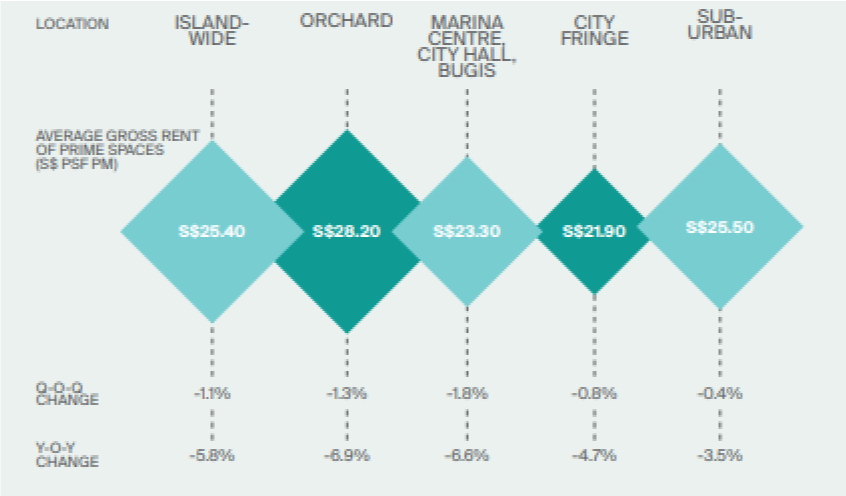
Exhibit 24: Rental Index of Office Space in Central Region



Source: Compiled data from URA

We note from Knight Frank Research's Singapore Retail Market Update Q4 2021 report that Orchard prime retail rents fell by 6.9% yoy to average S$28.20 psf pm in Q4 2021. as shown in **Exhibit 25** on the next page. Knight Frank Research highlighted that prime retail space in the central region struggled throughout much of 2021 with the constant shift back to regressive measures which often resulted in suppressed footfall. Nevertheless, as workers return to the workplace at an increased capacity of 50% starting from January 2022, retailers have cause to be hopeful as consumers resume downtown shopping activities. Footfall within the CBD area as well as the prime Orchard Road shopping belt increased towards the tail-end of 2021, and this will provide more retailers with the confidence to grow and expand in 2022. Especially so for retail spaces that have good visibility and well-located shopfronts in the city centre, given that rentals are currently soft with opportunities to ride on the long-awaited wave of recovery in the year ahead. Barring any regressive measures to contain recurrent waves of infections arising from Covid-19 variants, 2022 bodes well for retailers. Singapore's continued journey towards living with COVID-19 is expected to support recovery in the retail market and it is possible that retail rents island-wide will turn positive in the process of rebound, growing between 2% and 4% for the whole of the year.

Exhibit 25: Average Gross Rents of Prime Retail Spaces* in Q4 2021



**Prime spaces refer to rental-yielding units between 350 and 1,500 sq ft with the best frontage, connectivity, footfall and accessibility in a mall, typically located on the ground level of a retail mall and/or basement level of a retail mall that is linked to an MRT station or bus interchange.*

Source: Knight Frank

Similarly, we note from CBRE that after seven consecutive quarters of decline, prime Orchard Road retail rents stabilized in 4Q 2021 to maintain at S$34.20 psf/ month. For the whole of 2021, prime Orchard Road retail rents fell by 3.9%, moderating from the 7.9% decline in the previous year as shown in **Exhibit 26**.

Exhibit 26: CBRE's Prime Retail Rent

	Q4 21	Q-o-Q	Y-o-Y
Islandwide	$24.75	0.0%	-2.2%
Orchard Road	$34.20	0.0%	-3.9%
Suburban	$30.10	0.5%	2.0%

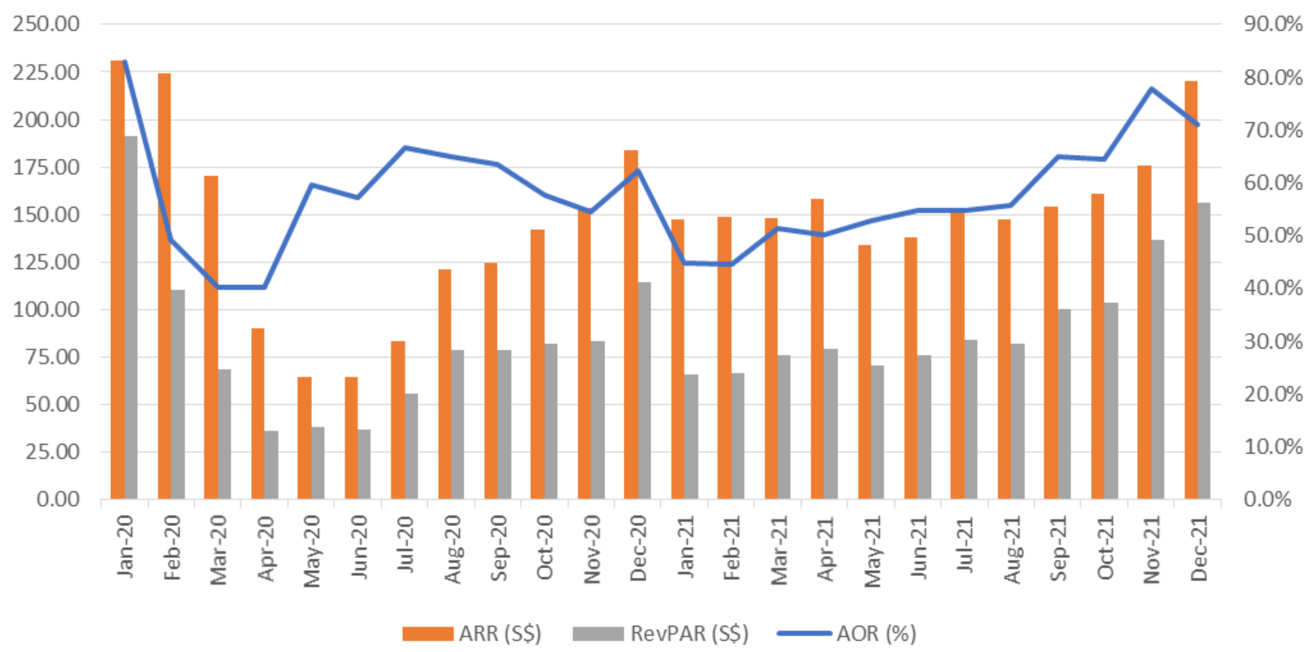
Source: CBRE Research, Q4 2021

Further, we note from CBRE that while the recovery of the retail market was still capped by restrictions on social gatherings and from work-from-home as the default, leasing activity continued to be stable. Lower rents and stronger local consumption were amongst the factors encouraging retailers to actively look for new leasing opportunities. Specifically, local fashion brands shone in the last quarter of 2021 as they increased their physical presence along prime Orchard Road to complement what they were doing online. However, the emergence of the Omicron variant has raised uncertainties and delayed further recovery of quarantine-free travel. CBRE expects retail rents in 1H 2021 to remain stable before picking up more meaningfully after 2H 2022. CBRE expects islandwide prime rent to increase 1%-2% in 2022.

Singapore's Hospitality Real Estate Market

In recent months, a moderate improvement in key hotel indicators like average occupancy rate (AOR), average room rate (ARR) and revenue per available room (RevPAR) as reflected in **Exhibit 27** suggest that Singapore's hospitality sector remained resilient despite the challenges posted by Covid-19 and is on track for a broad-based recovery in the Singapore hotel market. We believe that the drop in AOR in December 2021 could be attributable to the emergence of the highly contagious Omicron variant which has caused the spike in Covid-19 cases in Singapore.

Exhibit 27: Trend in Performance of Key Hotel Indicators in Singapore



Source: STB, FPA Financial

In 2021, the overall hotel performance showed signs of improvement, as reflected by latest data from the Singapore Tourism Board (STB). During the period, Singapore's hotel industry registered an AOR of 56.2%. This is a slight decrease of 1.1 percentage point compared to the previous year, when AOR was reinforced by strong tourism performance in the first two months of 2020. However, ARR increased by 2.7% year-on-year (yoy) to $158.3 in 2021 from $154.1 in 2020, while RevPAR increased by 0.7% yoy to $89.0 in 2021 from $88.4 in 2020 as shown in **Exhibit 28**.

Exhibit 28: AOR, ARR and RevPAR Comparison for 2020 and 2021

Performance indicator	2020	2021	y-o-y change
AOR (%)	57.4%	56.2%	-1.1% points
ARR (S$)	154.13	158.32	2.7%
RevPAR (S$)	88.43	89.02	0.7%

Source: STB

By hotel tier, the Luxury tier recorded an average RevPAR growth of 1.5% yoy in 2021. This could be due to the fact that people are more likely to stay in higher-end hotels during staycations. The lower tiers, on the other hand, continued to bear the brunt of the Covid-19 pandemic, due to low demand from budget travelers and tight border controls. During the period, the Upscale, Mid-Tier and Economy segments recorded annual average RevPAR decline of 3.6%, 18.6% and 23.1% respectively. The breakdown of the average RevPAR for 2020 and 2021 according to hotel tiers are summarized in **Exhibit 29**.

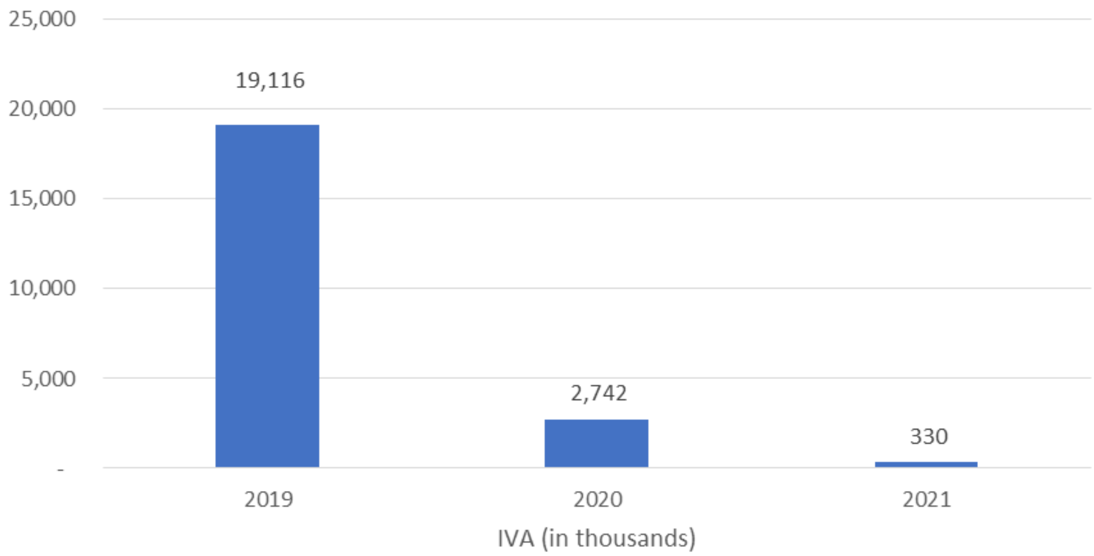
Exhibit 29: Breakdown of Average RevPAR Based on Hotel Tier

Hotel tier	Average RevPAR (S$)		y-o-y change
	2020	2021	
Luxury	171.80	174.31	1.5%
Upscale	104.31	100.55	-3.6%
Mid-Tier	70.02	57.00	-18.6%
Economy	46.91	36.06	-23.1%

Source: STB

Further, in 2021, international visitor arrivals (IVA) totalled 330,000, a 88.0% drop from the 2.7 million IVAs in 2020, according to STB data. Compared to pre-Covid times, IVA in 2021 was only 1.7% of the 19.1 million visitor arrivals recorded in 2019, as shown in **Exhibit 30**.

Exhibit 30: International Visitor Arrivals in 2019-2021 (in thousands)



Source: STB, FPA Financial

However, we note that even though Singapore's tourism sector recorded overall year-on-year declines in IVA, it was due to stronger Q1 performance in 2020. In Q1 2021, IVA decreased by 97.4% yoy to 68,700 thousands from 2.7 million in Q1 2020 as shown in **Exhibit 31**. STB attributed the decline to stronger performance in the first 2 months of 2020, before international travel was disrupted due to Covid-19.

At the same time, we note that IVA has improved year-on-year in the last 3 quarters of 2021 as Singapore recorded a yoy increase of 1,214.3%, 111.4% and 201.8% in Q2, Q3 and Q4 respectively in 2021 as shown in **Exhibit 31**.

Exhibit 31: Quarterly IVA for 2020 and 2021 (in thousands)

	International visitor arrivals (thousands)				
	Q1	Q2	Q3	Q4	Full year
2020	2,661.1	3.8	25.3	52.3	2,742.4
2021	68.7	50.0	53.4	157.9	330.0
Yoy change	-97.4%	1,214.3%	111.4%	201.8%	-88.0%

Source: STB, FPA Financial

We believe that the introduction of the new Vaccinated Travel Lanes (VTLs) scheme in September, as part of border reopening, has encouraged the gradual return of international travellers. Under the VTL, fully vaccinated travellers from VTL countries may enter Singapore without quarantine and would only need to undergo COVID-19 testing. Currently, according to Immigration and Checkpoints Authority (ICA), the active VTL (Air) Countries/ Regions include Australia, Brunei Darussalam, Cambodia, Canada, Denmark, Fiji, Finland, France, Germany, India, Indonesia, Italy, Malaysia, Maldives, the Netherlands, the Republic of Korea, Spain, Sri Lanka, Sweden, Switzerland, Thailand, Turkey, the United Kingdom and the United States.

The STB reported that there has been healthy demand from VTL markets since the introduction of VTLs. From September to December 2021, more than 100,000 Vaccinated Travel passes (VTP) have been issued for short-term entry to Singapore by air and approximately two-thirds of these applicants travelled to Singapore by 31 December 2021. India, Malaysia, Indonesia Australia and the United Kingdom were the top source markets by applications.

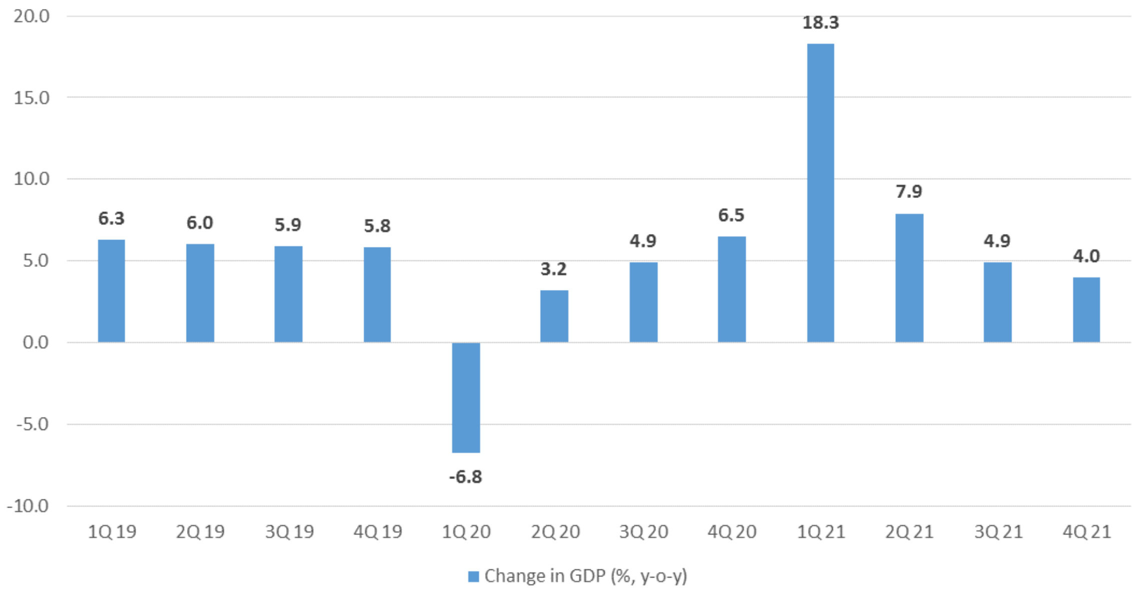
In addition, Singapore's vaccination rate has remained high which might suggest that there is a possibility that the VTLs could be further extended to more countries without comprising public health. As at 16 March 2022, 93% of the total population received at least one dose, 92% of the total population completed the full regimen and 70% of the total population received booster shots.

(II) China

China's Economy

Latest data from national Bureau of Statistics of China (NBS) showed that China's economy grew at 4.0% in 4Q 2021 from a year earlier, moderation from the 4.9% growth in 3Q 2021, as shown in **Exhibit 32**, as the property market downturn, energy shortages, and tightened measures in response to a resurgence of COVID-19 outbreaks all hampered economic momentum, affecting domestic consumption. For 2021, the full year annual growth rate of 8.1% was the highest in a decade, although this was partly due to the low base in 2020.

Exhibit 32: Change in China quarterly GDP (%, y-o-y)

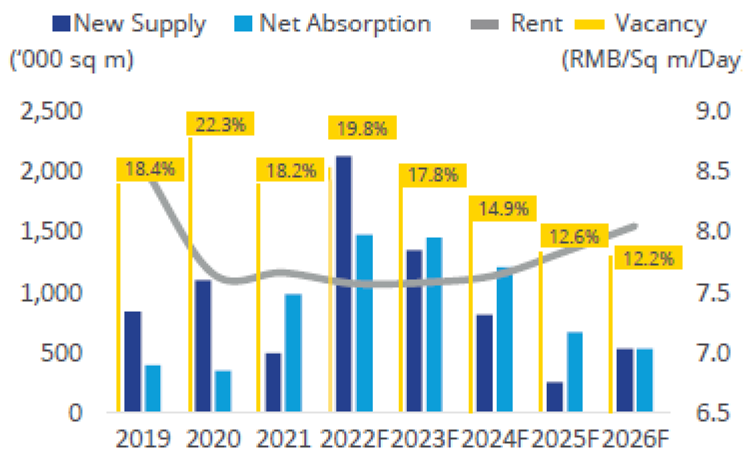


Source: National Bureau of Statistics of China

However, in its Global Economic Prospects, the World Bank revised China's 2022 GDP forecast down by 0.3 percentage points to 5.1%, amid the lingering effects of the pandemic & regulatory curbs on the property & financial sectors which have restrained consumer spending and residential investment. Further, the World Bank also noted that the possibility of a marked and prolonged downturn in the highly leveraged property sector is a notable downside risk to its outlook.

According to Colliers International, in 2021, rents in Shanghai Grade A office market bottomed out due to a surge in demand for office space, with net absorption totaling almost triple the 2020 figure, as shown in **Exhibit 33** on the next page. However, Colliers expect rental performance to diverge between the central (CBD) and decentralized (DBD) areas in 2022 and 2023. Colliers noted that CBD rents rose by 0.4% qoq to RMB 9.02 per sq m per day in 4Q 2021. Colliers expects rents to continue rising in the CBD, but to edge down temporality in the DBD in response to a supply influx.

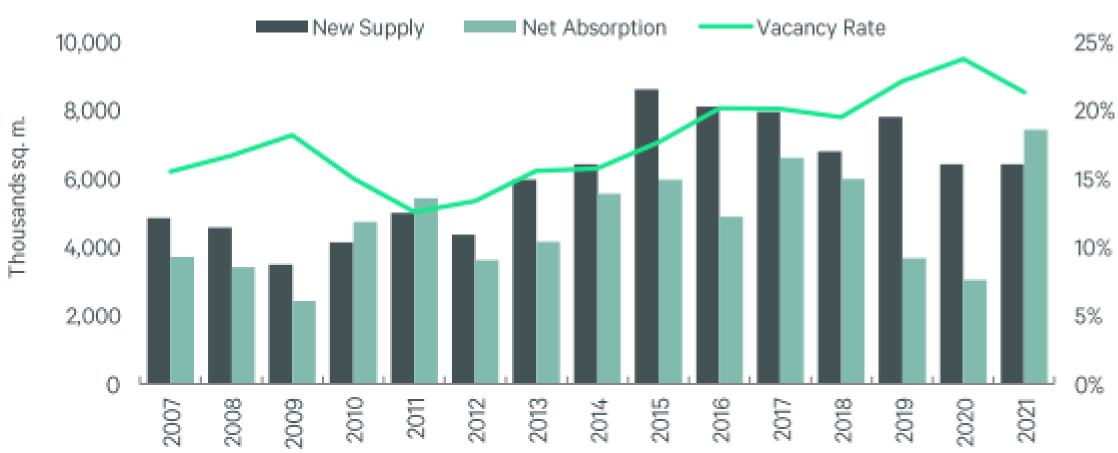
Exhibit 33: Shanghai Office Market Trends (2019-2026F)



Source: Colliers

Similarly, CBRE expects office rents in Shanghai to stabilize and continue to increase in 2022. CBRE noted that China's swift containment of the pandemic and rapid economic recovery ensured the national office market enjoyed a strong cyclical rebound in 2021. Nationwide net absorption in the 18 major cities tracked by CBRE reached 7.43 million sq.m., a record high, as shown in **Exhibit 34**. Specifically, Beijing, Shanghai and Shenzhen each recorded over 1 million sq.m. of net absorption for the first time in history

Exhibit 34: China Office New Supply, Net Absorption and Vacancy Rate

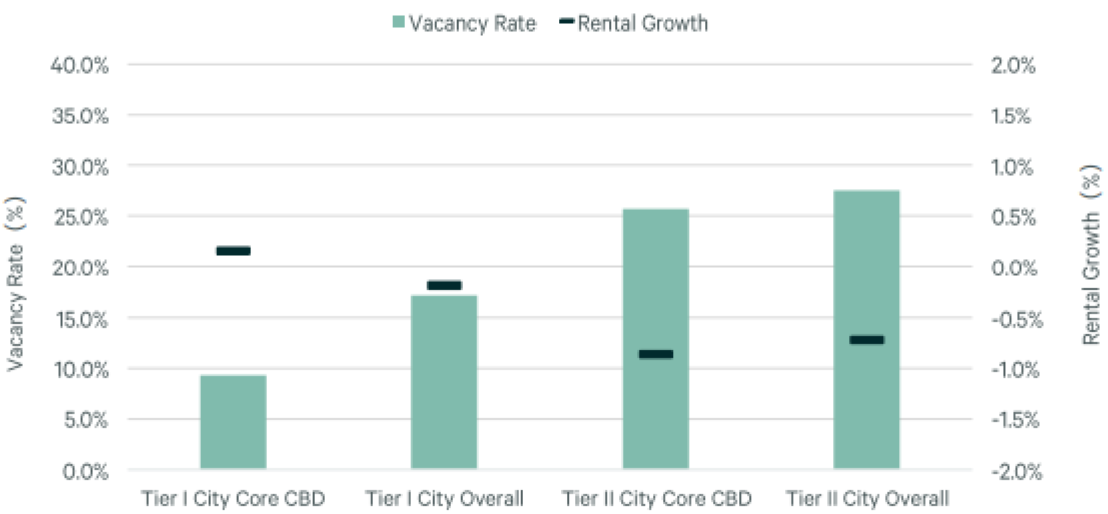


Source: CBRE Research, Q4 2021

Further, CBRE believes that Tier I cities will continue to outperform in terms of rental growth. With robust supply and demand expected to continue in Shanghai and Shenzhen, rental growth will remain stable. Core CBDs in tier I will experience rental stabilization and growth over the next 12 months. Leasing volume in Core CBDs of tier I cities surged by 123% in 2021, leading vacancy in most submarket to fall below 10%. CBRE expects rents to stabilize and continue to increase in Shanghai Nanjing West Road.

The summary of CBRE's vacancy rate and rental forecast in tier I and tier II cities is shown in **Exhibit 35**.

<u>Exhibit 35: 2022 Vacancy Rate And Rental Forecast In Tier I And Tier II Cities</u>



Source: CBRE Research, January 2022

RECENT SHARE PRICE DEVELOPMENT

In the past 1 year, OUE C-REIT's share price rose by 2.53% from S$0.395 on 18 March 2021 to S$0.405 on 17 March 2022 as shown in **Exhibit 36**.

Exhibit 36: OUE C-REIT's 1 Year Share Price Performance

Source: Yahoo Finance, FPA Financial

On 2 September 2021, the Manager announced that OUE C-REIT will be included in the FTSE EPRA Nareit Global Real Estate Index Series (Global Developed Index) with effect from 20 September 2021. The index series is a widely followed global benchmark which was jointly developed by FTSE Russell with the EPRA (European Public Real Estate Association) and the Nareit (National Association of Real Estate Investment Trusts). This would likely enhance OUE C-REIT visibility and inevitability to the investors. We note that following the announcement, OUE C-REIT's share price rose by 6.10% to S$0.435 from S$0.410 the previous day.

On 16 February 2022, OUE C-REIT posted a distribution per unit (DPU) of S$0.0137 for the second half of the fiscal year ended December 2021, which represents a 4.2% decrease in DPU compared to the S$0.0143 in the same year-ago period. The 2H 2021 distribution is expected to be paid out on 30 March 2022, after the book closure date on 24 February 2022. In the same announcement, OUE C-REIT reported that its revenue and net property income fell by 22.4% and 20.3% yoy respectively compared to 2H 2020. We note that OUE C-REIT's share price fell by 4.71% from S$0.4250 to S$0.4050 on the day of the book closure date.

FINANCIAL ANALYSIS

In this section, we will provide a review of OUE C-REIT's financial performance and capital management.

(I) Financial Review

Review of Full Year 2021 Results

Revenue

For the financial year under review from 1 January 2021 to 31 December 2021 (FY2021), revenue and net property income (NPI) decreased by 14.4% and 11.9% to S$249.9 million and S$204.2 million respectively compared to FY2020. The Commercial segment recorded lower revenue mainly due to divestment of 50% interest in OUE Bayfront on 31 March 2021 which resulted in the performance of the property being equity accounted as share of joint venture results versus being consolidated prior to the divestment. However, in FY2021, there were lower rental rebates and other support measures granted to tenants compared to FY2020, which slightly mitigated the drop in revenue and NPI.

Other income comprises income support relating to the top-up payments from OUE Limited's subsidiary pursuant to the Deed of Income Support dated 1 November 2018 and insurance claim received. Pursuant to the terms of the Deed of Income Support on OUE Downtown Office, OUE C-REIT will receive income support from Alkas Realty Pte. Ltd. (Alkas), a wholly owned subsidiary of the Sponsor, on its OUE Downtown Office of up to $60 million for a period of 5 years from 1 November 2018 or the date when the total income support payments to the Trust exceeds $60 million, whichever is earlier. Income support for FY2021 decreased by 8.0% yoy to S$15.2 million due to overall increase in OUE Downtown Office's revenue.

Manager's management fee is calculated as 0.3% p.a. of the value of the deposited properties of OUE C-REIT Group. For FY2021, the Manager's management fee decreased by 18.4% to S$16.1 million as OUE C-REIT divested 50% interest in OUE Bayfront on 31 March 2021, resulting in lower value of deposited properties. The Manager's performance fees were recognised in line with the increase in DPU in FY2021. The divestment cost of S$7.4 million in FY2021 relates to costs incurred in relation to the divestment of OUE Bayfront. Meanwhile, net finance cost decreased by 11.0% in FY2021 to S$71.8 million mainly attributable to lower interest cost, resulting from the repayment of loans.

Net fair value loss on investment properties for FY2021 was S$56.3 million as compared to S$179.7 million in the prior year. Share of joint venture results represents OUE C-REIT's 50.0% interest in BPH Propco LLP(1) upon completion of sale of OUE Bayfront on 31 March 2021.

As a result, OUE C-REIT reported a return before tax of S$70.0 million in FY2021 compared to a loss before tax of S$40.4 million in FY2020. For the period, income tax expense of S$14.1 million was recorded as compared to the income tax expense of S$345,000 a year ago. After adjusting for income tax expense, the total return after tax of S$55.9 million was recorded in FY2021. This comprised a S$38.9 million return attributable to unitholders and Convertible Perpetual Preferred Units (CPPU). Accordingly, OUE C-REIT reported an earnings per unit of 0.67 cents for FY2021

OUE C-REIT's FY2021 and FY2020 financial results are summarised in **Exhibit 37** on the next page.

(1) On 31 March 2021, OUE C-REIT completed the divestment of OUE Bayfront to BPH Propco LLP ("BPH LLP"), with DBS Trustee Limited, in its capacity as trustee of OUE C-REIT (the "Trustee"), holding 50.0% of BPH LLP and the ACRE Angsana Pte. Ltd. (the "Allianz Investor"), a special purpose vehicle managed by Allianz Real Estate Asia Pacific Pte. Ltd holding the remaining 50.0% of BPH LLP.

Exhibit 37: OUE C-REIT's FY2021 and FY2020 Financial Results

S$'000	FY2021	FY2020	y-o-y change
Revenue			
Commercial	182,384	224,507	-18.8%
Hospitality	67,500	67,500	NM
Total revenue	249,884	292,007	-14.4%
Property operating expenses	(45,679)	(60,117)	-24.0%
Net property income	**204,205**	**231,890**	**-11.9%**
Other income	15,194	16,517	-8.0%
Amortisation of intangible assets	(5,000)	(5,000)	NM
Manager's management fees	(16,075)	(19,708)	-18.4%
Manager's performance fees	(2,174)	-	NM
Divestment cost	(7,363)	-	NM
Trustee's fee	(1,304)	(1,487)	-12.3%
Other expenses	(2,674)	(2,279)	17.3%
Finance income	4,394	4,652	-5.5%
Finance cost	(76,187)	(85,330)	-10.7%
Net finance cost	(71,793)	(80,678)	-11.0%
Net income	**113,016**	**139,255**	**-18.8%**
Share of joint venture results	13,236	-	NM
Net change in fair value of investment properties	(56,284)	(179,655)	-68.7%
Total return/ (loss) for the period/year before tax	**69,968**	**(40,400)**	**NM**
Tax (expense)/ credit	(14,061)	(345)	NM
Total return/ (loss) for the period / year	**55,907**	**(40,745)**	**NM**
Attributable to:			
Unitholders and CPPU holder	38,876	(36,265)	NM
Non-controlling interests	17,031	(4,480)	NM
Earnings per unit (cents)			
Total return/ (loss) attributable to Unitholders and CPPU holder	38,876	(36,265)	NM
Less: Amount reserved for distribution to CPPU holder	(2,582)	(3,750)	-31.1%
Total (loss)/return attributable to Unitholders	36,294	(40,015)	NM
Weighted average number of Units during the period/year	5,435,597	5,408,541	0.5%
Earnings per unit (cents)	**0.67**	**(0.74)**	**NM**

NM: not meaningful
Source: OUE C-REIT, FPA Financial

Review of Historical Financials

We also reviewed OUE C-REIT's historical financial results to evaluate how it has performed prior to the Covid-19 pandemic. We note that OUE C-REIT's revenue stream has remained relatively stable in FY2017 and FY2018, maintaining at approximately S$176.0 million. However, revenue increased significantly from S$176.4 million in FY2018 to S$257.3 million in FY2019. The increase in revenue was due to the contribution from the merger with OUE Hospitality-Trust which was completed on 4 September 2019, as well as full-year contribution from OUE Downtown Office which was acquired in November 2018. Similarly, the increase in revenue in FY2020 is attributable to the full-year contribution from the 3 properties that was added from the merger with OUE Hospitality-Trust, namely Mandarin Gallery, Hilton Singapore Orchard and Crowne plaza Changi Airport. As mentioned on page 28, lower revenue in FY2021 was mainly due to divestment of 50% interest in OUE Bayfront on 31 March 2021 which resulted in the performance of the property being equity accounted as share of joint venture results versus being consolidated prior to the divestment and lease liabilities.

Meanwhile, OUE C-REIT's net property income margin remained relatively stable, maintaining between 78%-82% over the last 5 years. Further, we also note that OUE C-REIT's amount to be distributed to unitholders have also increased over the years. However, in FY2020, S$5.0 million of tax-exempt income and capital distribution was retained to preserve financial flexibility in view of the uncertainty posed by the Covid-19 situation. In FY2021, S$5.4 million capital gain distribution from divestment of OUE Bayfront and the S$5.0 million capital gain distribution that was retained in FY2020 was redistributed to unitholders. Consequently, OUE C-REIT's FY2020 and FY2021 distribution per unit were 2.43 cents and 2.60 cents respectively. Based on OUE C-REIT's closing unit price of S$0.380 and S$0.440 as at 31 December 2020 and 31 December 2021 respectively, this would translate to a dividend yield of 6.4% and 5.9% for FY2020 and FY2021 respectively.

We have summarized OUE C-REIT's historical financial figures in **Exhibit 38**.

Exhibit 38: OUE C-REIT's Historical Financial Figures (FY2017-FY2021)

S$'000	FY2017	FY2018	FY2019	FY2020	FY2021
Revenue	176,297	176,396	257,329	292,007	249,884
Net property income	138,186	138,187	204,951	231,890	204,205
Net property income margin	78%	78%	80%	79%	82%
Amount available for distribution to unitholders	69,950	71,290	124,714	137,822	131,632
Amount to be distributed to unitholders	69,950	71,290	123,214	132,822	142,032
Distribution per unit	4.67	3.48	3.31	2.43	2.60
Closing price as at 31 Dec	0.63	0.46	0.57	0.38	0.44
Dividend yield (%)	7.4%	7.6%	5.9%	6.4%	5.9%

Source: OUE C-REIT, FPA Financial

(II) Capital Management

Review of Balance Sheet

Net Asset Value

OUE C-REIT reported total assets of S$5,832.5 million as at 31 December 2021 compared to S$6,766.4 million a year ago. The decrease in total assets was largely due to the divestment of 50% interest in OUE Bayfront. At the same time, total liabilities decreased to S$2,244.0 million as at 31 December 2021 from S$2,990.7 million as at 31 December 2020 mainly due to repayment of loans from the proceeds from divestment of OUE Bayfront.

Consequently, OUE C-REIT recorded total equity or net assets of S$3,588.5 million as at 31 December 2021 compared to S$3,775.7 million a year ago. Excluding Convertible Perpetual Preferred Units (CPPU) holder's fund and non-controlling interest, net assets attributable to unitholders amounted to S$3,128.0 million as at 31 December 2021. Accordingly, OUE C-REIT's net asset value (NAV) per share stood at S0.57 based on 5,499.7 million units in issue and to be issued as at 31 December 2021.

A summary of OUE C-REIT's balance sheet as at 31 December 2021 and 31 December 2020 is shown in **Exhibit 39**.

Exhibit 39: Summary of OUE C-REIT's balance sheet as at 31 Dec 2021 and 31 Dec 2020

S$'000	31-Dec-21	31-Dec-20
Total assets	5,832,521	6,766,398
Total liability	2,244,006	2,990,736
Total equity/ net assets	3,588,515	3,775,662
Net assets attributable to Unitholders	3,127,996	3,177,982
Units in issue and to be issued	5,449,685	5,427,850
Net asset value per unit ($)	0.57	0.59

Source: OUE C-REIT

Aggregate Leverage

We note from OUE C-REIT's FY2021 Financial Statement that OUE C-REIT's total borrowings were S$1,985.4 million as at 31 December 2021. Meanwhile, total debt amounted to S$2,257 million as at 31 December 2021. This is because the total debt of S$2,257 million takes into account the proportionate share of loans from OUB Centre Limited and BPH Propco LLP for One Raffles Place and OUE Bayfront respectively. However, while OUB Centre Limited's loan is fully consolidated into the OUE C-REIT's balance sheet, BPH Propco LLP's loan is not, as it is equity accounted as investment in joint venture. Given the above, we would adopt the amount of S$2,257 million as OUE C-REIT's total debt as at 31 December 2021.

Aggregate leverage, as computed by total debt divided by total assets was 38.7%, with the weighted average cost of debt remaining at 3.2% per annum. Approximately 72.4% of total debt is on a fixed rate basis, mitigating the potential impact of interest rate fluctuations as shown in **Exhibit 40** on the next page.

Exhibit 40: OUE C-REIT's Aggregate Leverage as at 31 Dec 2021 and 31 Dec 2020

	As at 31 Dec 2021	As at 31 Dec 2020
Aggregate Leverage	38.7%	41.2%
Total debt	S$2,257m(1)	S$2,664m(2)
Weighted average cost of debt	3.2% p.a.	3.0% p.a.
Average term of debt	3.0 years	2.3 years
% fixed rate debt	72.4%	68.1%
Interest coverage ratio (ICR)(3)	2.8x	2.7x

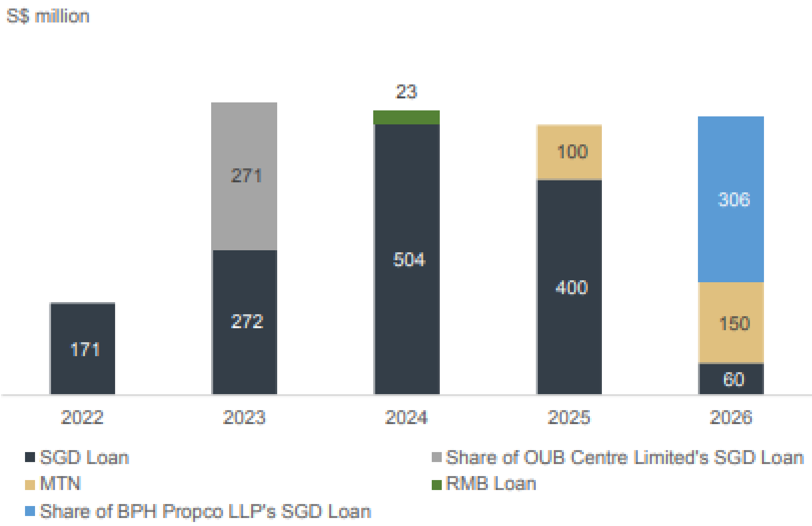
(1) Based on SGD:CNY exchange rate of 1:4.666 as at 31 December 2021 and includes OUE C-REIT's share of OUB Centre Limited's loan and BPH PropCo LLP's loan
(2) Based on SGD:CNY exchange rate of 1:4.912 as at 31 December 2020 and includes OUE C-REIT's share of OUB Centre Limited's loan
(3) As prescribed under Appendix 6 of the Monetary Authority of Singapore's Code on Collective Investment Schemes (last revised on 1 July 2021). Based on earnings before interest, tax, depreciation and amortisation (excluding effects of any fair value changes of derivatives and investment properties, and foreign exchange translation) over interest expense and borrowing-related fees, on a trailing 12-month basis.

Source: OUE C-REIT

Debt Maturity Profile

In October 2021, OUE C-REIT obtained its maiden S$540 million sustainability-linked loan for the refinancing of existing borrowings. Consequently, the average term of debt has lengthened to 3.0 years with only S$171 million or 7.6% of total debt due in December 2022. OUE C-REIT's debt maturity profile is also well-spread out with no more than 24% of debt due for refinancing in any financial year as shown in **Exhibit 41**.

Exhibit 41: OUE C-REIT's Debt Maturity Profile



Source: OUE C-REIT

POTENTIAL CATALYSTS

(I) Re-branding of Mandarin Orchard Singapore as Hilton Singapore Orchard

On 24 February 2022, OUE C-REIT announced the opening of Hilton Singapore Orchard, the Hilton brand's flagship hotel in Singapore and its largest in Asia Pacific. It was recently reported that the refurbishment and the renovation of Hilton Singapore Orchard cost approximately S$150 million. However, we note that OUE C-REIT's share of the total refurbishment cost amounted to S$90.0 million. The Manager drew down on existing loan facilities to fully fund the re-branding exercise progressively over the renovation period. The remaining refurbishment cost was borne by OUE Limited and Hilton as the master lessee and hotel manager, respectively. Following a re-branding and extensive refurbishment, the property (formerly known as Mandarin Orchard Singapore) features 1,080 guestrooms and suites, new and enhanced MICE (meetings, incentives, conferencing, and exhibitions) facilities, as well as revamped and fresh F&B offerings, which strengthen the property's position as one of the top high-end hotels in the prime Orchard Road area.

Hilton Singapore Orchard offers one of the largest event venues in the heart of Singapore's premier shopping and entertainment district with 16 modern and versatile meeting spaces totalling 2,400 square metres. This includes two pillarless ballrooms fitted with state-of-the-art LED walls, as well as lighting and sound technologies to create memorable event experiences. The addition of new income-generating spaces within the property will drive future growth in sustainable returns and value for Unitholders of OUE C-REIT when safe management measures such as capacity limits are eased and more large-scale events can be held

The hotel also features five curated dining concepts designed to cater to all tastes and occasions. In addition, an eco-friendly stay is made possible through new technologies and intelligent design which is in line with OUE C-REIT's commitment to improve the environmental performance of its properties. All 1,080 rooms and suites feature in-room motion, air-condition and light sensor technology for maximum comfort and energy efficiency. Single-use plastics are reduced with the use of wooden or digital key cards and a custom-built filtration plant which purifies and bottles drinking water on-site. With advancing sustainability at the forefront of stakeholders' minds, Hilton's focus on environmental stewardship throughout its operations builds on the brand's competitive strength.

With Hilton's strong brand recognition and global sales and distribution network, Hilton Singapore Orchard is poised to capture the nascent recovery in the hospitality sector as Singapore resumes the opening of its borders with the establishment of more quarantine-free Vaccinated Travel Lanes (VTL). Further, through the highly successful Hilton Honors guest loyalty program, which has more than 100 million members worldwide, it can also drive more direct booking business for the hotel, taking advantage of the hospitality sector's much-anticipated recovery. OUE C-REIT projects return on investment of approximately 10% on a stabilised basis.

FINANCIAL PROJECTION

In this section, we will be providing our projections for OUE C-REIT's revenue, earnings and distribution for FY2022 and FY2023

(I) Revenue Projection

(a) FY2022

Singapore Commercial Segment

As noted on page 28, for FY2021, the Commercial segment recorded lower revenue mainly due to divestment of 50% interest in OUE Bayfront on 31 March 2021 which resulted in the performance of the property being equity accounted as share of joint venture results versus being consolidated prior to the divestment. Hence, for the Singapore commercial segment's revenue projections, we would be projecting the revenue for One Raffles Place and OUE Downtown.

For FY2022, we note a positive outlook for Singapore's Office industry. As noted on page 18, various commercial real estate services companies such as Colliers, CBRE and Savills are projecting Grade A office rental growth in FY2022 and FY2023. Further, as noted on page 12, for FY2021, OUE C-REIT's Singapore office rental reversions ranged from -4.1% to 3.6% and the committed rents for One Raffles Place and OUE Downtown Office were between S$9.30 – S$11.50 and S$7.50- S$8.20 respectively.

Considering the above, we would be using the mid-point range of the properties' committed rent as a proxy for our revenue projections. In addition, with a positive outlook for Singapore Office industry, we would expect occupancy rates to recover to its FY2020's performance. Hence, taking into consideration of the rent, net lettable area (NLA) and occupancy for each properties, the projected Singapore Office revenue would be S$115.5 million as shown in **Exhibit 42**.

The revenue contribution of the respective properties would be calculated as follows:

- Office revenue contribution from One Raffles Place for FY2022 = [S$10.40 (rent/ sq ft per month) x 605,529 (NLA) x 92.10% (Occupancy) x 12 months] = S$69.6 million

- Office revenue contribution from OUE Downtown Office for FY2022 = [S$7.85 (rent/ sq ft per month) x 529,297 (NLA) x 92.10% (Occupancy) x 12 months] = S$45.9 million

Exhibit 42: Projected OUE C-REIT's Singapore Office Revenue for FY2022

Property	Office			
	Rent (S$/sq ft per month)	NLA (sq ft)	Occupancy	Revenue (S$'000)
One Raffles Place	10.40	605,529	92.10%	69,600
OUE Downtown Office	7.85	529,297	92.10%	45,921
Total				**115,521**

Source: OUE C-REIT, FPA Financial

Meanwhile, for Singapore's Retail industry, in FY2021, the recovery of retail markets was capped by the restriction on social gathering and working from home as default, according to CBRE and Knight Frank. However, they highlighted that towards the tail-end of 2021, there were signs that the prime Orchard Road was improving. In addition, workers were allowed to return to the workplace at an increased capacity of 50% starting from January 2022. With the increase in footfall, we believe this would bode well for OUE C-REIT's retail properties in FY2022.

We note from OUE C-REIT that the average passing rent for Mandarin Gallery was S$20.88 (per sq ft/ month) in Q4 2021. Considering the slightly positive outlook for the retail industry, we expect a 1.5% increase in rental for FY2022, which is the mid-point range of CBRE's growth projections for islandwide prime rent as noted on page 20. However, we do note that passing rent is the current contractual rent on the property and there could be rental rebates or other support measures to be offered to the tenants. Hence, we would be conservative in our projections and assume a 20% reduction in our projected rent. According, our projected rent for Mandarin Gallery would be S$16.95 (per sq ft/ month) = [S$20.88 (passing rent) x 101.5% (projected growth) x 80% (account for rental rebates or other support measures)].

Meanwhile, for our rental projections for One Raffles Place, we would be using Mandarin Gallery's rent of S$16.95 (per sq ft/ month) as a proxy. However, we note that Mandarin Gallery is located in the heart of Singapore's shopping belt, Orchard Road while One Raffles Place is located in Singapore's central business district at Raffles Place. Considering the above, we would allocate a 10% discount on Mandarin Gallery's rent of S$16.95 (per sq ft/ month) for our rental projections for One Raffles Place. This is to account for the premium that OUE C-REIT would be able to charge for the prime Orchard Road area. Accordingly, our projected rent (S$/ sq ft per month) for OUE Raffles place would be S$15.26 (per sq ft/ month) = [S$16.95 x 90.0%]. We would also expect occupancy rates for both Mandarin Gallery and One Raffles Place to recover to its FY2020's performance.

Given the above and taking into consideration of the rent, net lettable area (NLA) and occupancy for each properties, the projected Singapore Retail revenue would be S$40.9 million as shown in **Exhibit 43.**

The revenue contribution of the respective properties would be calculated as follows:

- Retail revenue contribution from One Raffles Place for FY2022 = [S$15.26 (rent/ sq ft per month) x 99,370 (NLA) x 94.80% (Occupancy) x 12 months] = S$17.2million

- Retail revenue contribution from Mandarin Gallery for FY2022 = [S$16.95 (rent/ sq ft per month) x 126,283 (NLA) x 92.10% (Occupancy) x 12 months] = S$23.7 million

Exhibit 43: Projected OUE C-REIT's Singapore Retail Revenue for FY2022

Property	Retail			
	Rent (S$/sq ft per month)	NLA (sq ft)	Occupancy	Revenue (S$'000)
One Raffles Place	15.26	99,370	94.80%	17,245
Mandarin Gallery	16.95	126,283	92.10%	23,663
Total				**40,908**

Source: OUE C-REIT, FPA Financial

Shanghai Commercial Segment

OUE C-REIT currently has one property in Shanghai namely Lippo Plaza. For Shanghai Office industry, for FY2022, both CBRE and Colliers believe that robust supply and demand are expected to continue and that the rents would rise in Tier 1 cities including Shanghai. Further, as noted on page 12, Lippo Plaza has a committed office rent of between RMB 8.10 and RMB 11.0. Considering the above, we would be using the mid-point range of the committed rent of RMB 9.55 = [(RMB 8.10 + RMB 11.00) / 2] as a proxy for our revenue projections. Assuming SGD:CNY exchange rate of 1:4.64, the projected office rent in SGD for Lippo Plaza would be S$2.06 (sq ft per month) = [RMB 9.55 / 4.64 (exchange rate)].

In addition, as noted on page 11, Lippo Plaza's occupancy increased by 5.3 percentage points in FY2021 due to strong leasing demand. Considering the positive outlook on Shanghai Office industry, we believe the strong leasing demand would continue and are projecting the occupancy to increase by 5.3 percentage points in FY2022. Accordingly, the occupancy for Lippo Plaza is projected to be 97.1% for FY2022.

Given the above and taking into consideration of the rent, net lettable area (NLA) and occupancy for Lippo Plaza, the projected Office revenue from Lippo Plaza would be S$8.7 million as shown in **Exhibit 44**.

- Office revenue contribution from Lippo Plaza for FY2022 = [S$2.06 (rent/ sq ft per month) x 361,007 (NLA) x 97.1% (Occupancy) x 12 months] = S$8.7 million

Exhibit 44: Projected OUE C-REIT's Shanghai Office Revenue for FY2022

Property	Office				
	Rent (RMB/sq ft per month)	Rent (1) (S$/sq ft per month)	NLA (sq ft)	Occupancy	Revenue (S$'000)
Lippo Plaza	9.55	2.06	361,007	97.10%	8,658

(1) Calculated based on the SGD:CNY exchange rate of 1:4.64

Source: OUE C-REIT, FPA Financial

According to Savills, Shanghai's first-floor retail rents grew by 0.4% qoq in Q4 2021 to an average of RMB 26.50 per square meter/ day. Hence, for the projections for Lippo Plaza's retail revenue, we would be using Savills' Shanghai first-floor retail rent of RMB 26.50 per square meter/ day as a proxy. Similarly, assuming an SGD:CNY exchange rate of 1:4.64, the projected retail rent for Lippo Plaza would be S$5.71 (sq m per day) = [RMB 26.50 / 4.64 (exchange rate)]. We would also assume for Lippo Plaza to maintain its high occupancy of 98.60% in FY2021 for FY2022.

Accordingly, taking into consideration of the rent, net lettable area (NLA) and occupancy for Lippo Plaza, the projected Retail revenue from Lippo Plaza would be S$10.6 million as shown in **Exhibit 45**.

- Retail revenue contribution from Lippo Plaza for FY2022 = [S$5.71 (rent/ sq meter per day) x 5,721 (NLA) x 98.60% (Occupancy) x 360 days] = S$11.6 million

Exhibit 45: Projected OUE C-REIT's Shanghai Retail Revenue for FY2022

Property	Retail				
	Rent (RMB/sq m per day)	Rent (1) (S$/sq m per day)	NLA (2) (sq m)	Occupancy	Revenue (S$'000)
Lippo Plaza	26.50	5.71	5,721	98.60%	11,597

(1) Calculated based on the SGD:CNY exchange rate of 1:4.64

(2)Calculated based on the reported NLA of 61,575 sq ft

Source: OUE C-REIT, FPA Financial

Consequently, our projected revenue for OUE C-REIT's commercial segment amounted to S$176.7 million for FY2022 as shown in **Exhibit 46**.

Exhibit 46: Projected OUE C-REIT's Commercial Revenue for FY2022

Property (S$'000)	Office	Retail	Total
One Raffles Place	69,600	17,245	86,845
OUE Downtown Office	45,921	-	45,921
Mandarin Gallery	-	23,663	23,663
Lippo Plaza	8,658	11,597	20,255
Total	**124,179**	**52,505**	**176,683**

Source: OUE C-REIT, FPA Financial

Singapore Hospitality Segment

As shown in **Exhibit 37** on page 29, OUE C-REIT's hospitality segment revenue for FY2020 and FY2021 were S$67.5 million, which is the minimum rent under the master lease arrangements for OUE C-REIT's hotel properties. Further, as noted on page 13 that while OUE C-REIT hospitality segment's RevPAR increased by 23.0% qoq to S$113 in Q4 2021, on a yoy basis, its hospitality segment's RevPAR fell by 2.5% in FY2021. While the VTL arrangements have supported a meaningful rebound in visitor arrivals and could help uplift the overall performance of the hotel industry, the recent spike in Covid-19 cases may derail Singapore's plans for more VTL agreements. Considering the above, we would expect OUE C-REIT's hospitality segment revenue to maintain at S$67.5 million for FY2022.

Total Revenue for FY2022

Consequently, our projected total revenue for FY2022 would amount to S$244.2 million as shown in **Exhibit 47**.

Exhibit 47: Projected Total Revenue for FY2022

S$'000	Actual		Forecast
	FY2020	FY2021	FY2022
Revenue			
Commercial	224,507	182,384	176,683
Hospitality	67,500	67,500	67,500
Total revenue	292,007	249,884	244,183

Source: OUE C-REIT, FPA Financial

(b) FY2023

Looking ahead in FY2023, we expect a stronger revenue performance amid an acceleration of the vaccination rate leading to a stabilisation of the virus. As noted on page 23, Singapore has a high vaccination rate with 92% of its total population having completed the full vaccination regimen. This could bode well for OUE C-REIT as, with higher vaccination rates, Singapore will consider relaxing its safe distancing measures and to allow 100% of the employees to return to office. This could increase the demand for office space, leading to increase in the rental rates of OUE C-REIT's commercial properties and thus rasing the revenue of OUE C-REIT. Further, as global vaccination rates improve and international travel recovers, we believe a stronger hotel market recovery is likely in FY2023 due to more flexibility in border reopening and allowing for a significant increase in visitor arrivals. A gradual return of business travel, as well as MICE tourism (meetings, incentives, conferencing, and exhibitions), could also support an increase in demand for luxury hotels.

Considering the above, we would expect OUE C-RET's commercial and hospitality revenue to increase by 10.0% yoy in FY2023. Accordingly, the projected revenue for FY2023 would be S$268.6 million as shown in **Exhibit 48**.

Exhibit 48: Projected Total Revenue for FY2022 and FY2023

S$'000	Actual		Forecast		
	FY2020	FY2021	FY2022	FY2023	yoy change
Revenue					
Commercial	224,507	182,384	176,683	194,352	10.0%
Hospitality	67,500	67,500	67,500	74,250	10.0%
Total revenue	**292,007**	**249,884**	**244,183**	**268,602**	**10.0%**

Source: OUE C-REIT, FPA Financial

We note that only the revenue contribution from OUE Bayfront in Q1 2021 was included in the reported revenue of S$249.9 million in FY2021 and the contributions from OUE Bayfront from Q2 2021 to Q4 2021 were classified under "Share of joint venture results".

(II) Earnings Projection

Given our projected revenue figures for FY2022 and FY2023, we will now estimate OUE C-REIT's earnings for these periods.

Net Property Income

For our net property income (NPI) projections, we will consider OUE C-REIT's historical NPI margins. With reference to **Exhibit 49**, we note that OUE C-REIT's NPI margins remained relatively stable between 79% and 82% over the last 3 years. For FY2022 and FY2023, we would assume the same NPI margin of 82% as in FY2021. Accordingly, the projected NPI for FY2022 and FY2023 would be S$199.5 million and S$219.5 million respectively, as shown in **Exhibit 49**.

Exhibit 49: Projected Net Property Income for FY2022 and FY2023

	Actual			Forecast	
S$'000	FY2019	FY2020	FY2021	FY2022	FY2023
Revenue	257,329	292,007	249,884	244,183	268,602
Property operating expenses	(52,378)	(60,117)	(45,679)	(44,637)	(49,101)
Net property income	**204,951**	**231,890**	**204,205**	**199,546**	**219,501**
Net property income margin	80%	79%	82%	82%	82%

Source: OUE C-REIT, FPA Financial

Other Income

As noted on page 28, other income is related to the income support on its OUE Downtown Office. Income support for FY2021 versus FY2020 decreased by 8.0% due to overall increase in OUE Downtown Office's revenue. Using the S$60 million income support as a proxy, we would subtract the income support of S$60 million by the projected revenue of OUE Downtown Office for FY2022 and FY2023 to determine the other income for the corresponding period. Accordingly, other income would amount S$14.1 million and S$9.5 million for FY2022 and FY2023 respectively as shown in **Exhibit 50**.

Exhibit 50: Projected Other Income for FY2022 and FY2023

	Forecast	
S$'000	FY2022	FY2023
OUE Downtown Office Revenue	(45,921)	(50,513)
Income support	60,000	60,000
Other income	14,079	9,487

Source: OUE C-REIT, FPA Financial

Amortisation Of Intangible Assets

With reference to **Exhibit 51**, amortisation of intangible assets remained stable at S$5.0 million for FY2020 and FY2021. Hence, we would assume amortisation of intangible assets to remain at S$5.0 million for both FY2022 and FY2023.

Exhibit 51: Projected Amortisation of Intangible Assets for FY2022 and FY2023

	Actual		Forecast	
S$'000	FY2020	FY2021	FY2022	FY2023
Amortisation of intangible assets	(5,000)	(5,000)	(5,000)	(5,000)

Source: OUE C-REIT, FPA Financial

Manager's Management and Performance Fees

The Manager's base management fee is calculated as 0.3% p.a. of the value of the deposited properties of OUE C-REIT. As OUE C-REIT has not released any plans or announcement of any potential acquisition or divestment, for FY2022 and FY2023, we will assume the deposited properties of OUE C-REIT to be S$5,832.5 million, which the total assets of OUE C-REIT as at 31 December 2021.

Given the deposited properties of OUE C-REIT to be S$5,832.5 million the projected Manager's base management fee would be as follows:

- Projected Manager's base management fee for FY2022 = 0.3% x S$5,832.5 million = S$17.5 million
- Projected Manager's base management fee for FY2023 = 0.3% x S$5,832.5 million = S$17.5 million

The Manager's performance fee is payable if the DPU in any financial year exceeds the DPU in the preceding financial year. A performance fee of 25% per annum of the difference in DPU in a financial year with the DPU in the preceding full financial year (calculated before accounting for the performance fee but after accounting for the base fee in each financial year) multiplied by the weighted average number of Units in issue for such financial year. We note from OUE C-REIT that, for the purposes of the calculation of performance fees, the DPU has been adjusted for the impact of any management fees paid in units. Considering the above, as we are projecting a lower DPU for FY2022, we would assume performance fee to be zero in FY2022. However, as we are projecting an increase in DPU in FY2023, we would assume the same Manager's performance fee of S$2.2 million in FY2021 for FY2023.

The summary of the Manager's management and performance fees is shown in **Exhibit 52**.

Exhibit 52: Projected Manager's Management and Performance Fees for FY2022 and FY2023

	Actual		Forecast	
S$'000	FY2020	FY2021	FY2022	FY2023
Manager's management fees	(19,708)	(16,075)	(17,498)	(17,498)
Manager's performance fees	-	(2,174)	-	(2,174)

Source: OUE C-REIT, FPA Financial

Divestment Cost

As shown in **Exhibit 37** on page 29, the divestment cost of S$7.4 million in FY2021 relates to costs incurred in relation to the divestment of the 50% interest in OUE Bayfront. As OUE C-REIT has not released any plans or announcements of any divestment and we are not projecting any divestment for FY2022 and FY2023, we would assume the divestment cost to be zero for FY2022 and FY2023.

Trustee's Fee

The Trustee's fee is presently charged at a scaled basis of up to 0.02% per annum of the value of the Deposited Property. Similar to the projections for Manager's fee, we will assume the deposited properties of OUE C-REIT to be S$5,832.5 million for both FY2022 and FY2023, which the total assets of OUE C-REIT as at 31 December 2021.

Accordingly, the projected Trustee's fees for FY2022 and FY2023 would be as follows:

- Projected Trustee's fee for FY2022 = 0.02% x S$5,832.5 million = S$1.2 million
- Projected Trustee's fee for FY2023 = 0.02% x S$5,832.5 million = S$1.2 million

Other Expenses

Other expenses include legal, professional & other fees associated with OUE C-REIT's operations and amounted to S$2.7 million in FY2021 compared to S$2.3 million in FY2020. For FY2022 we would assume the same other expense as in FY2021 of S$2.7 million. We will further assume this figure for FY2023 as shown in **Exhibit 53**.

Exhibit 53: Projected Other Expense for FY2022 and FY2023

	Actual		Forecast	
S$'000	FY2020	FY2021	FY2022	FY2023
Other expenses	(2,279)	(2,674)	(2,674)	(2,674)

Source: OUE C-REIT, FPA Financial

Net Finance Cost

As noted on **Exhibit 40** on page 32, as at 31 December 2021, the weighted average cost of debt was 3.2%. Over the past few months, interest rates have risen due to remarks by the Federal Reserve (Fed) Chairman Jerome Powell suggesting that the Fed would consider speeding up the wind-down of its easy-money policies in an effort to curtail inflation. It was recently reported that the Fed will raise interest rates by a quarter-percentage point rate amid high inflation, strong economic demand and a tight labor market. In addition, the Fed also penciled in six more increases by end of 2022. Hence, there is a possibility that we could expect an upward pressure on interest rates in FY2022.

According to Monetary Authority of Singapore (MAS), the average Singapore's SGS 10-year bond yield for FY2021 was 1.52% while the 10-year bond yield for FY2022 for the first 3 months of FY2022 was 1.83%. Singapore's SGS 10-year bond yield increased by 0.31% in the first 3 months of FY2022 versus the average yield for FY2021 as shown in **Exhibit 54**.

Exhibit 54: Singapore SGS 10-Year Bond Yield

FY2021	10-year bond yield (%)	FY2022	10-year bond yield (%)
Jan-21	1.00%	Jan-22	1.77%
Feb-21	1.33%	Feb-22	1.90%
Mar-21	1.74%	Mar-22 (1)	1.81%
Apr-21	1.59%		
May-21	1.48%		
Jun-21	1.58%		
Jul-21	1.30%		
Aug-21	1.41%		
Sep-21	1.59%		
Oct-21	1.84%		
Nov-21	1.70%		
Dec-21	1.67%		
Average	**1.52%**	**Average**	**1.83%**

(1) As at 7 March 2022

Source: MAS, FPA Financial

Considering that the SGS 10-year bond yield increased by 0.31% in the first 3 months of FY2022 from FY2021 and that US interest rate is expected to increase by at least 1.0% in FY2022, we believe there is a possibility that the SGS 10-year bond yield could continue to increase in FY2022. Given the above, we would assume for the 10-year bond yield to increase another 0.31% for the remainder of FY2022. Accordingly, assuming the increase in SGS 10-year bond yield in FY2022 as a proxy for the increase in average weighted cost of debt for FY2022, the weighted average cost of debt for FY2022 would be 3.82% = [3.20% (FY2021) + 0.62%]. We would also assume a further increase of 0.62% in FY2023. Thus, the weighted average cost of debt for FY2023 would be 4.44% = [3.82% (projected FY2022) +0.62%].

Further, according to OUE C-REIT, its total debt was S$2,257.0 million and approximately 72.4% of its total debt is on a fixed rate basis as at 31 December 2021. Assuming no further debt repayment or additional borrowings during these periods, the projected interest paid/ payable to banks for FY2022 and FY2023 would be S$76.1 million and S$79.9 million respectively as shown in **Exhibit 55**.

Exhibit 55: Projected Interest Paid/Payable to Banks for FY2022 and FY2023

S$'000	Total debt	Fixed rate debt (72.4%)	Float rate debt (27.6%)	Fixed cost of debt (%)	Variable cost of debt (%)	Interest paid/payable to banks		
						Fixed	Variable	Total
FY2022	2,257,000	1,634,068	622,932	3.20%	3.82%	52,290	23,796	76,086
FY2023	2,257,000	1,634,068	622,932	3.20%	4.44%	52,290	27,658	79,948

Source: OUE C-REIT, FPA Financial

Similarly, for finance income, we would assume an increase in interest rate of 0.62% in FY2022 and a further increase of 0.62% in FY2023. Accordingly, finance income for FY2022 would amount to S$4.421 million = [S$4.394 million (FY2021 actual) x 1.0062%] and S$4.449 million for FY2023 = [S$4.4421 million (FY2022 projected) x 1.0062%]. Meanwhile, we would assume the same amortisation of debt-related transaction cost, net change in fair value of derivatives, hedging reserve transferred from unitholders' funds due to discontinuation of hedge accounting and financial liability measured at amortised cost – interest expense to be the same as FY2021. Consequently, the net finance cost for FY2022 and FY2023 would be S$84.8 million and S$88.6 million respectively as shown in **Exhibit 56**.

Exhibit 56: Projected Net Finance Cost for FY2022 and FY2023

S$'000	Actual		Forecast	
	FY2020	FY2021	FY2022	FY2023
Finance income	4,652	4,394	4,421	4,449
Finance cost				
Amortisation of debt-related transaction costs	(8,959)	(10,339)	(10,339)	(10,339)
Interest paid/payable to banks	(74,223)	(63,081)	(76,086)	(79,948)
Net change in fair value of derivatives	(929)	-	-	-
Hedging reserve transferred from unitholders' funds due to discontinuation of hedge accounting	(341)	(1,892)	(1,892)	(1,892)
Financial liability measured at amortised cost – interest expense	(878)	(875)	(875)	(875)
Net finance cost	**(80,678)**	**(71,793)**	**(84,771)**	**(88,606)**

Source: OUE C-REIT, FPA Financial

Share Of Joint Venture Results

As noted on page 28, share of joint venture results of S$13.2 million represents the net income contribution from OUE Bayfront for 3 quarters based on OUE C-REIT's 50.0% interest in BPH Propco LLP upon completion of sale of 50% interest in OUE Bayfront on 31 March 2021. Hence, for our FY2022 projections, we would rebase the share of joint venture results to the full year contribution. Next, considering the positive outlook for Singapore office and retail industry, we would assume a 5.0% yoy increase in share of joint venture results for FY2022.

Further, as we are projecting a 10.0% yoy increase in total revenue for FY2023, we would also assume a 10.0% yoy increase in share of joint venture results for FY2023. Accordingly, the projected share of joint venture results for FY2022 and FY2023 would amount to S$18.5 million and S$20.4 million as follows:

- Share of joint venture results from OUE Bayfront for FY2022 = [(S$13.2 million / (3/4) (rebasing to full year contribution)) x 105.0%] = S$18.5 million
- Share of joint venture results from OUE Bayfront for FY2023 = [(S$18.5 million (projected for FY2022) x 110.0%] = S$20.4 million

The summary of the share of joint venture results for FY2022 and FY2023 is shown in **Exhibit 57**.

Exhibit 57: Projected Share of Joint Venture Results for FY2022 and FY2023

S$'000	Actual FY2020	Actual FY2021	Forecast FY2022	Forecast FY2023
Share of joint venture results	-	13,236	18,530	20,383

Source: OUE C-REIT, FPA Financial

Net Change In Fair Value Of Investment Properties

As noted on page 28, the decrease in fair value loss on investment properties in FY2021 was mainly due to lower fair value loss on investment properties. For FY2022 and FY2023, we would assume net change in fair value of investment properties to be zero.

Total Return/ (Loss) For The Period/Year Before Tax

Given the above projections, we estimate a total return before tax of S$121.0 million in FY2022 and S$132.3 million in FY2023 as shown in **Exhibit 58**.

Exhibit 58: Projected Total Return for FY2022 and FY2023 Before Tax

S$'000	Actual FY2020	Actual FY2021	Forecast FY2022	Forecast FY2023
Revenue				
Commercial	224,507	182,384	176,683	194,352
Hospitality	67,500	67,500	67,500	74,250
Total revenue	292,007	249,884	244,183	268,602
Property operating expenses	(60,117)	(45,679)	(44,637)	(49,101)
Net property income	**231,890**	**204,205**	**199,546**	**219,501**
Other income	16,517	15,194	14,079	9,487
Amortisation of intangible assets	(5,000)	(5,000)	(5,000)	(5,000)
Manager's management fees	(19,708)	(16,075)	(17,498)	(17,498)
Manager's performance fees	-	(2,174)	-	(2,174)
Divestment cost	-	(7,363)	-	-
Trustee's fee	(1,487)	(1,304)	(1,167)	(1,167)
Other expenses	(2,279)	(2,674)	(2,674)	(2,674)
Finance income	4,652	4,394	4,421	4,449
Finance cost	(85,330)	(76,187)	(89,192)	(93,054)
Net finance cost	(80,678)	(71,793)	(84,771)	(88,606)
Net income	**139,255**	**113,016**	**102,517**	**111,870**
Share of joint venture results	-	13,236	18,530	20,383
Net change in fair value of investment properties	(179,655)	(56,284)	-	-
Total return/ (loss) for the period/year before tax	**(40,400)**	**69,968**	**121,047**	**132,254**

Source: OUE C-REIT, FPA Financial

Tax Expense

We note from OUE C-REIT that the tax expense pertain only to the income from OUB Centre (the company which holds 81.54% interest in One Raffles Place), as well as tax on the income from Lippo Plaza in China. The other properties which include OUE Bayfront, OUE Downtown, Mandarin Gallery, Lippo Plaza, Hilton Singapore Orchard and Crowne Plaza Changi Airport are held under the trust/sub-trust enjoy tax transparency and are not subjected to tax.

Given the above, as we do not have sufficient information to appropriately estimate the effective tax rate, we would use the proportion of OUE C-REIT's FY2021's tax expense over its total return for the period. As we are not projecting any net change in fair value of investment properties in FY2022 and FY2023, we would also adjust FY2021's total return for the period before accounting for net change in fair value of investment properties as shown in **Exhibit 59**.

Exhibit 59: Adjusted Total Return for FY2021

	FY2021	
S$'000	**Actual**	**Adjusted**
Net income	113,016	113,016
Share of joint venture results	13,236	13,236
Net change in fair value of investment properties	(56,284)	-
Total return for the period/year before tax	**69,968**	**126,252**

Source: OUE C-REIT, FPA Financial

With reference to **Exhibit 60**, based on the adjusted total return for FY2021 of S$126.3 million and the tax expense of S$14.1 million, the effective tax rate amounted to 11.1%. Hence, we would assume the effective tax rate of 11.1% for our tax expense projections for FY2022 and FY2023. Accordingly, the projected tax expense for FY2022 and FY2023 would be S$13.5 million and S$14.7 million respectively as follows:

- Projected tax expense for FY2022 = [11.1% x S$121.0 million] = S$13.5 million
- Projected tax expense for FY2023 = [11.1% x S$132.3 million] = S$14.7 million

Exhibit 60: Projected Tax Expense for FY2022 and FY2023

	Adjusted	Forecast	
S$'000	**FY2021**	**FY2022**	**FY2023**
Total return for the period/year before tax	126,252	121,047	132,254
Tax expense	(14,061)	(13,481)	(14,729)
Effective tax rate	11.1%	11.1%	11.1%

Source: FPA Financial

Total Return/ (Loss) For The Period / Year

Adjusting for tax expense, the projected total return for the year for FY2022 and FY2023 would be S$107.6 million and S$117.5 million respectively. We note that return attributable to non-controlling interest (NCI) for FY2021 of S$17.0 million was due to the 16.67% ownership interest held by NCI of OUB Centre Limited. As we are expecting an improvement in revenue for One Raffles Place, we would assume a 5.0% and 10.0% yoy increase for FY2022 and FY2023 respectively. Hence, return attributable to non-controlling interest for FY2022 would be S$17.9 million = [S$17.0 million (FY2021 actual) x 105.0%] and S$19.7 million for FY2023 = [S$17.9 million (FY2022 projected) x 110.0%]. Accordingly, profit attributable to unitholders and CPPU holder would amount to S$89.7 million and S$97.9 million for FY2022 and FY2023 respectively, as shown in **Exhibit 61**.

Exhibit 61: Projected Total Return for the Year for FY2022 and FY2023

S$'000	Actual		Forecast	
	FY2020	FY2021	FY2022	FY2023
Revenue				
Commercial	224,507	182,384	176,683	194,352
Hospitality	67,500	67,500	67,500	74,250
Total revenue	292,007	249,884	244,183	268,602
Property operating expenses	(60,117)	(45,679)	(44,637)	(49,101)
Net property income	**231,890**	**204,205**	**199,546**	**219,501**
Other income	16,517	15,194	14,079	9,487
Amortisation of intangible assets	(5,000)	(5,000)	(5,000)	(5,000)
Manager's management fees	(19,708)	(16,075)	(17,498)	(17,498)
Manager's performance fees	-	(2,174)	-	(2,174)
Divestment cost	-	(7,363)	-	-
Trustee's fee	(1,487)	(1,304)	(1,167)	(1,167)
Other expenses	(2,279)	(2,674)	(2,674)	(2,674)
Finance income	4,652	4,394	4,421	4,449
Finance cost	(85,330)	(76,187)	(89,192)	(93,054)
Net finance cost	(80,678)	(71,793)	(84,771)	(88,606)
Net income	**139,255**	**113,016**	**102,517**	**111,870**
Share of joint venture results	-	13,236	18,530	20,383
Net change in fair value of investment properties	(179,655)	(56,284)	-	-
Total return/ (loss) for the period/year before tax	**(40,400)**	**69,968**	**121,047**	**132,254**
Tax (expense)/ credit	(345)	(14,061)	(13,481)	(14,729)
Total return/ (loss) for the period / year	**(40,745)**	**55,907**	**107,566**	**117,524**
Attributable to:				
Unitholders and CPPU holder	(36,265)	38,876	89,683	97,854
Non-controlling interests	(4,480)	17,031	17,883	19,671

Source: OUE C-REIT, FPA Financial

Earnings Per Unit

In October 2015, OUE C-REIT issued 550 million Convertible Perpetual Preferred Units (CPPU) at $1 per Unit to Clifford Development Pte. Ltd. (a subsidiary of OUE Limited), as part payment of the purchase consideration to OUE Limited for OUE C-REIT's acquisition of an 83.33% indirect interest in OUB Centre Limited which owns 81.54% of the beneficial interest in One Raffles Place. The CPPU holder has the right to receive preferential non-cumulative distribution of an amount equivalent to 1.0% per annum of the issue price which may be declared by the Manager at its sole discretion.

We note that on 2 November 2017, 2 January 2018 and 1 June 2021, there was a partial redemption of 75.0 million, 100.0 million and 155.0 million CPPUs. After the 3 redemptions of a total of 330.0 million CPPUs =[75.0 million + 100.0 million + 155.0 million], a total number of 220.0 million CPPUs remain outstanding.

Given the above, assuming that there is no further redemption of CPPUs, the amount reserved for distribution to CPPU holder would amount to S$2.2 million = [220.0 million (CPPUs) x 1.0% (preferential non-cumulative distribution)]

Accordingly, the total return attributable to unitholders for FY2022 and FY2023 would be S$87.5 million and S$95.7 million as shown in **Exhibit 62**. Assuming the latest available weighted average number of units in FY2021 for our FY2022 and FY2023 projections, taking into consideration the return attributable to unitholders, we projected an earnings per unit of 1.61 cents for FY2022 and 1.76 cents for FY2023 as shown in **Exhibit 62**.

Exhibit 62: Projected Earnings Per Unit for FY2022 and FY2023

S$'000	Actual		Forecast	
	FY2020	FY2021	FY2022	FY2023
Earnings per unit (cents)				
Total return/ (loss) attributable to Unitholders and CPPU hol	(36,265)	38,876	89,683	97,854
Less: Amount reserved for distribution to CPPU holder	(3,750)	(2,582)	(2,200)	(2,200)
Total (loss)/return attributable to Unitholders	(40,015)	36,294	87,483	95,654
Weighted average number of Units during the period/year	5,408,541	5,435,597	5,435,597	5,435,597
Earnings per unit (cents)	**(0.74)**	**0.67**	**1.61**	**1.76**

Source: OUE C-REIT, FPA Financial

(III) Distributions Projection

With our projected total return for the year after tax, we would now estimate OUE C-REIT's amount available for distribution for the current period/ year. Following the distribution adjustment as shown in **Exhibit 63**, the projected income available for distribution would be S$124.6 million and S$132.8 million for FY2022 and FY2032 respectively.

As mentioned on page 30, in FY2021, S$5.4 million capital gain distribution from divestment of OUE Bayfront and the S$5.0 million capital gain distribution that was retained in FY2020 was redistributed to unitholders. For FY2022 and FY2023, we would assume the amount released/ (retained) to be zero. Accordingly, assuming the latest available number of Units entitled to distribution in FY2021 for FY2022 and FY2023, the projected distribution per unit would be 2.29 cents and 2.44 cents respectively, as shown in **Exhibit 63**.

Exhibit 63: Projected Distribution for FY2022 and FY2023

S$'000	Actual		Forecast	
	FY2020	FY2021	FY2022	FY2023
Total (loss)/return for the period/year attributable to Unitholders and CPPU holder	**(36,265)**	**38,876**	**89,683**	**97,854**
Less: Amount reserved for distribution to CPPU holder	(3,750)	(2,582)	(2,200)	(2,200)
Less: Amount retained for working capital requirements	(6,000)	(6,000)	(6,000)	(6,000)
Distribution adjustments				
Net change in fair value of investment properties	179,655	56,284	-	-
Amortisation of intangible assets	5,000	5,000	5,000	5,000
Amortisation of debt establishment costs	8,959	10,339	10,339	10,339
Ineffective portion of changes in fair value of cash flow hedges	(3,161)	(1,364)	(1,364)	(1,364)
Net change in fair value of financial derivatives	929	(1,756)	(1,756)	(1,756)
Hedging reserve transferred from unitholders' funds due to discontinuation of hedge accounting	341	1,892	1,892	1,892
Manager's management fees paid/payable in Units	12,808	9,124	8,749	8,749
Trustee's fee	1,487	1,304	1,167	1,167
Foreign exchange differences	(698)	(230)	(230)	(230)
Deferred tax expense/(credit)	(12,347)	1,375	-	-
Straight-lining of lease incentives	2,341	2,044	2,044	2,044
Transfer to statutory reserve	(1,324)	(1,236)	(1,236)	(1,236)
Other items	(10,153)	18,562	18,562	18,562
Amount available for distribution for the current period/year	**137,822**	**131,632**	**124,649**	**132,820**
Add/(Less): Amount released/(retained)	(5,000)	10,400	-	-
Amount to be distributed to Unitholders	132,822	142,032	124,649	132,820
No of Units entitled to distribution	5,427,850,366	5,449,684,538	5,449,684,538	5,449,684,538
Distribution per Unit (cents)	**2.43**	**2.60**	**2.29**	**2.44**

Source: OUE C-REIT, FPA Financial

VALUATION ANALYSIS

(I) Peer Comparison Analysis

We performed a peer comparison analysis to review how OUE C-REIT is faring against industry peers in terms of valuation metrics. We selected peer companies that are similar to OUE C-REIT in terms of industry and business operations and did a comparison by considering the peer's P/E, P/B and dividend yield. As noted on page 7, OUE C-REIT is a REIT with exposure to both the commercial and hospitality industry. We believe that OUE C-REIT does not have any direct peer company given its portfolio of both commercial and hospitality properties. Considering the above, we selected Singapore listed REITs with similar market capitalisation and has exposure to Singapore properties in the commercial and/or hospitality industry. We have included the summary of the peer companies' corporate profile as follows:

(a) Keppel REIT

Keppel REIT is a real estate investment trusts (REITs) listed on the Singapore Exchange with a portfolio of Grade A commercial assets in key business districts pan-Asia. Keppel REIT's objective is to generate stable income and long-term growth for Unitholders by owning and investing in a portfolio of quality income-producing commercial real estate and real estate-related assets in Singapore and pan-Asia. The REIT has assets under management of approximately S$9 billion in Singapore, Australia and South Korea.

(b) Suntec Real Estate Investment

Suntec Real Estate Investment Trust (Suntec REIT) is a listed REIT in Singapore, owning income-producing real estate that is primarily used for office and/or retail purposes. Suntec REIT's portfolio comprises office and retail properties in Singapore, Australia and United Kingdom with an asset under management of approximately S$11.5 billion

(c) Landlease Global Commercial REIT

Lendlease Global Commercial REIT (LREIT) is a Singapore real estate investment trust established with the principal investment strategy of investing, directly or indirectly, in a diversified portfolio of stabilised income-producing real estate assets located globally, which are used primarily for retail and/or office purposes. LREIT's portfolio comprise of properties in Singapore and Milan. LREIT has a total assets of S$2.0 billion as at 31 December 2021.

(d) Far East Hospitality Trust

Far East H-REIT is a Singapore real estate investment trust established with the principal investment strategy of investing on a long-term basis, directly or indirectly, in a diversified portfolio of income-producing real estate, used primarily for hospitality and/or hospitality-related purposes, whether wholly or partially, as well as real estate-related assets in connection to the foregoing. Far East H-Trust's portfolio has 13 properties, comprising 9 hotels and 4 serviced residences, strategically located within close proximity to business districts, leisure attractions, MICE facilities and healthcare facilities. Far East H-REIT has a total assets of S$2.7 billion as at 31 December 2021.

The results of our peer comparison analysis are summarized in **Exhibit 64** on the next page.

Exhibit 64: Peer Comparison

Company	Stock code	Price ($) as at 17 March 2022	Market cap (S$ million)	EPU [1] (cents)	P/E (x)	DPU [1] (cents)	Dividend yield (%)	NAV per share [2] (S$)	P/B (x)
OUE Commercial REIT	TS0U	0.405	2,201.42	0.67	60.66	2.60	6.42	0.57	0.71
Peer companies:									
Keppel REIT	K71U	1.210	4,400.47	6.37	19.00	5.82	4.81	1.32	0.92
Suntec Real Estate Investment Trust	T82U	1.700	4,850.10	16.36	10.39	8.67	5.10	2.11	0.81
Lendlease Global Commercial REIT	JYEU	0.800	953.32	2.79	28.67	4.74	5.93	0.81	0.99
Far East Hospitality Trust	Q5T	0.600	1,188.62	6.65	9.02	2.63	4.38	0.83	0.72
Peer average	-	-	-	-	**16.77**	-	**5.05**	-	**0.86**

Figures have been rounded

(1) Trailing 12-month data

(2) NAV as at 31 Dec 21

Source: Respective company data, FPA Financial

(a) P/E Multiple

Based on the results in **Exhibit 64** above, we note that OUE C-REIT's P/E multiple of 60.66x is higher than the peer average P/E multiple of 16.77x. However, the earnings of real estate companies are impacted by the fair value gain/loss on their investment properties, which could inflate or deflate their earnings per share. Hence, we would focus our peer comparison valuation analysis on P/B multiple and dividend yield.

(b) P/B Multiple

Based on the results in **Exhibit 64** above, we note that OUE C-REIT is currently trading at a P/B multiple of 0.71x, which is lower than the peer average P/B of 0.86x, which may suggest that it is undervalued at the current share price of S$0.405. Adopting a relative valuation approach, we estimate a target price of S$0.490 if OUE C-REIT were to trade at the peer average P/B multiple of 0.86x as follows:

- Estimated target price = [peer average P/B] x [OUE C-REIT's NAV per share] = 0.86 x S$0.57 = S$0.490

The estimated target price of S$0.490 would imply a upside potential of 20.99% from the current price of S$0.405.

(c) Dividend Yield

Furthermore, based on the results in **Exhibit 64** above, we note that OUE C-REIT's dividend yield of 6.42% is relatively more attractive than the peer average dividend yield of 5.05%. Adopting a relative valuation approach, we estimate a target price of S$0.515 as follows:

- Estimated target price = [(OUE C-REIT's dividend yield/ peer average dividend yield) x OUE C-REIT's current price] = (6.42% / 5.05%) x S$0.405 = S$0.515

The estimated target price of S$0.515 would imply an upside potential of 27.16% from the current price of S$0.405.

(d) Estimated Target Price

Considering the above, OUE C-REIT is currently undervalued compared to its peers in terms of P/B and is relatively attractive in terms of dividend yield. Based on our estimated target price of S$0.490 and S$0.515, we derived a target price of S$0.503, which is the average of our estimated target price based on the peer average P/B and dividend yield peer comparison analysis as follows:

- Estimated target price = [(Estimated target price from P/B analysis + Estimated target price from dividend yield analysis) / 2] = (S$0.490 + S$0.515) / 2 = S$0.503

The estimated target price of S$0.503 would imply a upside potential of 24.20% from the current price of S$0.405

(II) Dividend Discount Model (DDM)

We also conducted a dividend discount model (DDM) valuation analysis to estimate the target price of OUE C-REIT based on its expected future distributions. Distributions are the cash flows that are returned to the shareholder. To value a company using the DDM, we will forecast OUE C-REIT's DPU for the next 5 years (2022-2026) then calculate OUE C-REIT's terminal value using the perpetual growth method. Next, we would discount the sum of OUE C-REIT's DPU from 2022 to 2026 and its terminal value back to the present value using a discount rate. The discount rate we would be using would be OUE C-REIT's cost of equity.

Cost of Equity

A firm's cost of equity represents the compensation that the market demands in exchange for owning the asset and bearing the risk of ownership. The formula to calculate cost of equity is:

- Cost of Equity = Risk-Free Rate of Return + (Beta × (Market Rate of Return - Risk-Free Rate of Return))

To determine OUE C-REIT's cost of equity, we will assume SGS 10-year government bond yield as our risk-free rate of return. As at 7 March 2022, the SGS 10-year government bond has a yield of 1.81%. Next, we obtained OUE C-REIT's 5-year Beta of 1.13 from Yahoo Finance. We also calculated the average STI Index annual returns of 5.37%, over the period from 2009 to 2021, as our market rate of return as shown in **Exhibit 65**.

Exhibit 65: Average STI Index Annual Returns (2009-2021)

Year	Annualised returns
2021	9.26%
2020	-12.55%
2019	6.05%
2018	-10.54%
2017	17.38%
2016	1.58%
2015	-14.47%
2014	6.00%
2013	-1.07%
2012	17.81%
2011	-18.22%
2010	10.21%
2009	58.36%
Average	**5.37%**

Source: Yahoo Finance, FPA Financial

Accordingly, the cost of equity for OUE C-REIT would be 5.83% as follows:

- Cost of Equity = 1.81% (Risk-free rate) + (1.13 (Beta) x [5.37% (Market rate of return) – 1.81% (Risk-free rate)] = 5.83%

Projected Distribution Per Unit (DPU)

The next step in our DDM valuation is to project the future DPU. As noted on our distribution projections on page 47, we are projecting a DPU of 2.29 cents and 2.44 cents for FY2022 and FY2023 respectively, representing an increase of 6.55% yoy =[(2.44 cents / 2.29 cents) - 1]. However, we would be conservative in our projections and would be projecting for the DPU between FY2024 to FY2026 to increase by half of the growth rate between FY2022 and FY2023 of 6.55%. Accordingly, the projected growth rate for FY2024 to FY2026 would be 3.28% =[6.55% / 2] as shown in **Exhibit 66**.

Exhibit 66: Projected Distribution Per Unit (2022-2026)

Cents	2022F	2023F	2024F	2025F	2026F
Distribution per Unit	2.29	2.44	2.52	2.60	2.68
yoy change		6.55%	3.28%	3.28%	3.28%

Source: OUE C-REIT, FPA Financial

Discount Factor

As we are projecting OUE C-REIT's future DPU, we have to take into account the time value of money (TVM) concept that a sum of money is worth more now than the same sum will be at a future date due to its earnings potential in the interim. Discount factor is a weighting factor that is multiplied by the future cash flow to discount it to the present value. We would estimate OUE C-REIT's present value of DPU by discounting its projected DPU by OUE C-REIT's cost of equity of 5.83%. Taking 2022 (year 1) as an example, the discount factor of 0.94 is calculated as follows:

- Discount factor for FY2022 = [1 / (100.00% + 5.83% (OUE C-REIT's cost of equity)] ^ 1 (number of years)] = 0.94

Projected Present Value of DPU

To determine the present value of DPU, we would multiply the distribution per unit for each respective years by the discount factor. Taking FY2022 as an example, the present value would be calculated as follows:

- Present value of DPU for FY2022 = 2.29 cents (DPU FY2022) x 0.94 (discount factor) = 2.16 cents

Accordingly, the projected present value of DPU for FY2022 to FY2026 is summarised in **Exhibit 67.**

Exhibit 67: Projected Present Value of DPU (FY2022 to FY2026)

Cents per unit	2020A	2021A	2022F	2023F	2024F	2025F	2026F
Distribution per Unit	2.43	2.6	2.29	2.44	2.52	2.60	2.68
Discount Factor			0.94	0.89	0.84	0.80	0.75
Present Value of DPU			2.16	2.18	2.12	2.07	2.02

Source: OUE C-REIT, FPA Financial

Terminal Value

Terminal value (TV) is the value of the company beyond the forecasted period when future distribution can be estimated. Terminal value assumes a business will grow at a set growth rate forever after the forecast period.

To determine the terminal value, we will be adopting the perpetuity growth method and assume that OUE C-REIT would grow its DPU at a steady rate forever. We will assign a conservative growth rate of 1.00% in our DDM model.

Terminal value is calculated by dividing the last distribution forecast by the difference between the discount rate and terminal growth rate. The terminal value calculation estimates the value of the company after the forecast period. Hence, the formula for terminal value is:

- Terminal Value = (DPU (Last forecasted distribution) x (100.00% + Terminal growth rate)) / (Cost of equity – Terminal growth rate)

Accordingly, Terminal Value for OUE C-REIT after 2026 would be 56.14 cents per unit = [(2.68 cents (DPU in 2026) x (100% + 1.00%)) / (5.83% -1.00%)].

Next, we would discount the terminal value by a discount factor of 0.75, which is the discount factor for FY2026, to obtain the present value of terminal value (per unit) of 42.29 cents as shown in **Exhibit 68**.

Exhibit 68: Projected Present Value of Terminal Value

Cents per unit	
Terminal year DPU (2026F)	2.68
Terminal growth rate	1.00%
Cost of equity	5.83%
Terminal value (cents)	**56.14**
Discount factor	0.75
Present value of Terminal Value	**42.29**

Source: FPA Financial

Target price (DDM)

Given the above, the sum of the present value (PV) of DPU from 2022 to 2026 and the present value of terminal value would represent the target price of OUE C-REIT. Accordingly, we estimate a target price of S$0.528 based on our DDM valuation analysis = [((2.16 cents (2022 PV DPU) + 2.18 cents (2023 PV DPU) + 2.12 cents (2024 PV DPU) + 2.07 cents (2025 PV DPU) + 2.02 cents (2026 PV DPU) + 42.29 cents (PV of terminal value)) / 100) as shown in **Exhibit 69**.

Exhibit 69: OUE C-REIT Target Price (DDM)

Cents per unit	2020A	2021A	2022F	2023F	2024F	2025F	2026F	Perpetuity
Distribution per Unit	2.43	2.60	2.29	2.44	2.52	2.60	2.68	
Discount Factor			0.94	0.89	0.84	0.80	0.75	
Present Value of DPU			2.16	2.18	2.12	2.07	2.02	
Terminal Value								56.14
Present value of Terminal Value								42.29
Target price (cents)								**52.84**
Target price (S$)								**0.528**

Source: OUE C-REIT, FPA Financial

The estimated target price of S$0.528 would imply an upside potential of 30.37% from the current price of S$0.405.

Sensitivity Analysis

We also conducted a sensitivity analysis to understand the impact of our estimated terminal growth rate and cost of equity on our target price. For terminal growth rate, we set a range between 0.40% and 1.60% and for cost of equity, we set a range between 3.83% and 7.83%. As a result, the estimated target price ranges between S$0.349 and S$1.125 as shown in **Exhibit 70**.

Exhibit 70: OUE C-REIT DDM Sensitivity Analysis

		Terminal Growth Rate						
		0.40%	0.60%	0.80%	1.00%	1.20%	1.40%	1.60%
Cost of equity	3.83%	0.763	0.805	0.852	0.906	0.968	1.040	1.125
	4.83%	0.589	0.613	0.639	0.668	0.700	0.735	0.776
	5.83%	0.479	0.495	0.511	0.528	0.548	0.568	0.591
	6.83%	0.404	0.414	0.425	0.437	0.449	0.463	0.477
	7.83%	0.349	0.356	0.364	0.372	0.381	0.390	0.400

Source: FPA Financial

(III) Valuation Summary

The result from our peer comparison analysis suggest that OUE C-REIT is currently undervalued compared to its peers in terms of P/B multiples. In addition, we also note that OUE C-REIT is relatively attractive in terms of dividend yield. Adopting a relative valuation approach, we estimate a target price of S$0.490 and S$0.515 based on our P/B and dividend yield peer comparison analysis. Hence, we derived an estimated target price of S$0.503 which is the average of our estimated target price based on the peer comparison analysis = [(S$0.490 + S$0.515) / 2].

We also conducted a DDM valuation analysis to estimate the target price of OUE C-REIT based on its expected future distribution per unit. With a cost of equity of 5.83% and a terminal growth rate of 1.00%, we estimate a target price of S$0.528.

Considering the above, OUE C-REIT is currently undervalued based on our peer comparison and DDM analysis. By taking the average of our estimated target price of S$0.503 and S$0.528 from our peer comparison and DDM analysis respectively, we derived an estimated target price of S$0.516 = [(S$0.503 (target price from peer comparison) + S$0.528 (target price from DDM)) / 2]. Accordingly, our estimated target price of S$0.516 implies a potential upside of 27.41% from the current share price of S$0.405.

SWOT AND COMPETITIVE ANALYSIS

In this section, we undertake a SWOT analysis in **Exhibit 71** to evaluate the various components of the analysis thus far.

Exhibit 71: SWOT analysis

SWOT analysis	
Strengths • Stable financial track record • Master lease structure	Weaknesses • Limited portfolio diversification
Opportunities • Relaxing of work-from-home measures • Lifting of travel bans globally • Changing consumer needs in the hospitality industry	Threats • Covid-19 resurgence • Potential over-supply of room stock

(I) Strengths

As highlighted in our review of the OUE C-REIT's historical financial performance on page 30, its profitability has broadly strengthened over the last few years. This has allowed the OUE C-REIT to provide good returns for its shareholders. Even in times of weaker financial performance, stable dividends have been paid over the last few years.

As mentioned on page 9, OUE C-REIT has 2 master lease agreement with OUE Limited and OUE Airport Hotel Pte Ltd for its Hilton Singapore Orchard and Crowne Plaza Changi Airport hotel respectively. The minimum rent component embedded in the master lease arrangements of OUE C-REIT's hotel portfolio will continue to provide significant downside protection and will provide income assurance to Unitholders of OUE C-REIT.

(II) Weaknesses

As mentioned on page 14, OUE C-REIT reported revenue of S$249.9 million and S$292.0 million for FY2021 and FY2021 respectively. However, OUE C-REIT is only exposed to Singapore and Shanghai markets. In addition, approximately 90% of its assets under management is in Singapore and Singapore contributed approximately 90% and 91% of OUE C-REIT's revenue in FY2021 and FY2020 respectively. As a result, OUE C-REIT is vulnerable to any potential risks related to Singapore's economic and social conditions. The lack of diversification may stifle OUE C- REIT's growth prospects, reduce its competitiveness, and harm its financial performance.

(III) Opportunities

Working from home has been the default since September 2021, when Singapore saw another rise in COVID-19 cases. However, from 1 January 2022, 50% of employees who can work from home will be allowed to return to the office, said the Ministry of Health (MOH). While this measure only allow employees who are fully vaccinated or who have recently recovered from COVID-19 to return to the workplace, we believe this would bode well for Singapore's office industry. Further, as mentioned on page 18, various commercial real estate services companies are also positive on the outlook of Grade A Office, projecting revenue growth of between 2.0% to 6.9% in 2022.

It was recently reported that the World Tourism Organization (UNWTO) and the World Health Organization (WHO) have called for the lifting of travel bans as they do not provide added value and continue to contribute to economic and social stress. The two UN agencies agreed to collaborate on a global trust architecture for recovery of the travel sector. According to the WHO International Health Regulations (IHR) Emergency Committee on Covid-19, all measures applied to international travellers should be based on "risk assessments - including testing, isolation and vaccinations". We believe OUE C-REIT is likely to benefit from the positive outlook for the global travel and tourism industry as its portfolio of quality assets are well positioned to capture the upside when the market recovers.

It was recently reported on Business Times (BT) that hoteliers' focus on areas like ventilation and business travel as part of asset enhancement reflects industry expectations about the changing profile of post-pandemic tourism. CBRE believes that "Consumers continue to expect technology offerings to enhance their stay or service experience," and that forward-thinking owners and operators are incorporating technology into their asset and operating plans to improve the guest experience and, as a result, increase margins by increasing revenue and reducing costs. In addition, Jones Lang LaSalle (JLL) added that with a longer average stay and a higher average spend per person, visitors would be placing a greater emphasis on hotel food and beverage offerings, as well as any other additional services. We believe that with the re-branding of Mandarin Orchard Singapore as Hilton Singapore Orchard, the enhanced MICE facilities, as well as revamped and fresh F&B offerings as mentioned on page 33, OUE C-REIT would be in a good position to meet the new consumer demands.

(IV) Threats

OUE C-REIT's FY2021 results were impacted by the Covid-19 pandemic. For its commercial segment, owing to Covid-19, occupiers remained focused on space and cost efficiencies in their lease considerations, with the majority of activity comprising flight-to-quality and downsizing requirements due to hybrid working arrangements. Consequently, as mentioned on page 14, OUE C-REIT's Singapore office properties committed occupancy fell in FY2021 compared to FY2020. Similarly, as mentioned on page 13, for its hospitality segment, RevPAR for its hotel properties fell 2.5% yoy in FY2021 as governments around the world imposed numerous measures including international and domestic border closures, lockdowns, and movement controls, in varying degrees, in combating the spread of the virus. Overall, virus uncertainty remains as many parts of the world are currently dealing with the Omicron variant, and there is also the risk of spread of new Covid-19 variants. The main concern is prolonged lockdown measures and restrictions, which could have a negative impact on rents & occupancies, and in thus the financial performance of OUE C-REIT.

It was recently reported on BT that hoteliers in Singapore are taking advantage of the downtime owing to the Covid-19 pandemic to invest in their properties and prepare for the expected return of international visitors. For example, Far East Hospitality Trust (FEHT) will finish refurbishing The Elizabeth Hotel and Regency House serviced apartments in the second half of 2022 and is also revamping the F&B offerings at Orchard Rendezvous Hotel, while Genting Singapore's Resorts World Sentosa (RWS) recently announced plans to overhaul attractions and hotels under its RWS 2.0 expansion. Meanwhile, CBRE also highlighted that more than 6,000 rooms are expected to hit the market in the next 3 years Given the above, should demand recover more slowly than expected, there is a risk of an oversupply of room stock which could negatively impact the financial performance of OUE C-REIT.

INVESTMENT RECOMMENDATION

Based on OUE C-REIT reported NAV per share of S$0.57 as at 31 December 2021, it is currently trading at a PB of 0.71x, representing a discount of approximately 29% to NAV. While we note that other comparable real estate companies are also trading at, or discount to NAV, our peer comparison results suggest that OUE C-REIT is trading at a steeper discount. OUE C-REIT's current PB of 0.71x is lower compared to the peer average PB of 0.86x. Adopting a relative valuation approach, we estimate a target price of S$0.490 if OUE C-RET were to trade at the peer average PB of 0.86x.

At the same time, our peer comparison analysis results also show that OUE C-REIT's dividend yield of 6.42% is relatively more attractive than the peer average dividend yield of 5.05%. Adopting a relative valuation approach, we estimate a target price of S$0.515.

Hence, we derived a target price of S$0.503, which is the average of our estimated target price based on the P/B and dividend yield peer comparison analysis = [(S$0.490 +S$0.515) / 2].

According to our DDM analysis, we derived the current value of OUE C-REIT based on its expected future distribution per unit. With a cost of equity of 5.83% and a terminal growth rate of 1.00%, we estimate a target price of S$0.528.

Taken together, by calculating the average of our estimated target price from our peer comparison and DDM analysis, we derived an estimated target price of S$0.516 = [(S$0.503 (target price from peer comparison) + S$0.528 (target price from DDM)) / 2].

Considering the above, we believe a buy recommendation is warranted on OUE C-REIT. Our target price of S$0.516 implies a potential upside of 27.41% from the current share price of S$0.405. However, there are still risks to our target price which we will highlight in the next section.

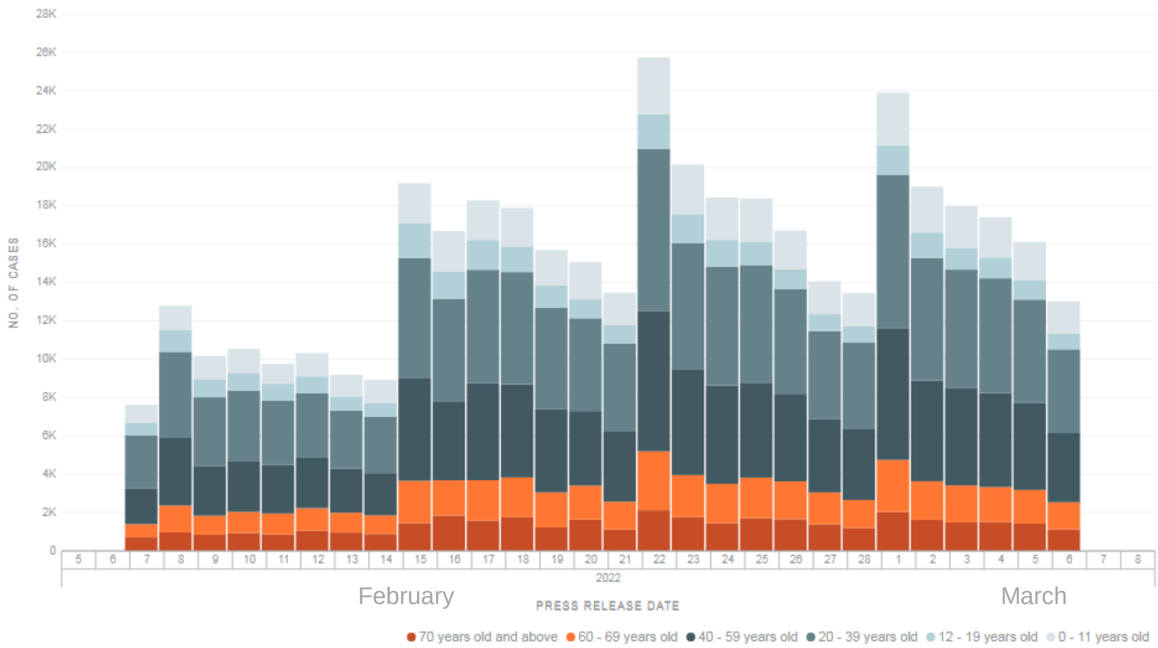
RISKS TO THE TARGET PRICE

In this section, we highlight below risk factors that may limit the potential upside to OUE C-REIT's target price.

(I) Weak Economic Recovery in Singapore

High vaccination rates, the loosening of safe management measures (SMM) and the gradual reopening of international borders have largely contributed to a gradual recovery in Singapore's economy. However, the rapid spread of Omicron variant and the threat of a new variant have increased the uncertainty about how quickly the pandemic can be overcome. According to the Ministry of Health (MOH), Singapore reported 13,158 new COVID-19 cases as at 6 March 2022 and has reported more than 10 thousands cases daily since 15 February 2022 as shown in **Exhibit 72**.

<u>Exhibit 72: Number of Local Covid-19 Cases by Age</u>



Source: Data.gov.sg

In addition, at a recent Covid-19 multi-ministry task force news conference, Health Minister Ong Ye Kung said that Singapore must brace for a "much bigger" COVID-19 infection wave from Omicron compared to that from the Delta variant. The Co-chair of the task force, Minister Lawrence Wong also mentioned that "Singapore may have no choice but to tighten measures if COVID-19 transmission is amplified by "unnecessary" risks and the healthcare system is overwhelmed". If the Singapore government were to tighten its SMM and restrict international travel to cope with the spread of the Covid-19. This could derail Singapore's economic recovery and negatively impact OUE C-REIT's financial performance.

(II) China's Covid-19 Lockdown Measures

In China, even as health officials rushed to stay ahead of a fast-moving virus spreading quickly through asymptomatic carriers, daily infection numbers in China continued to hit levels not seen since early 2020. Chinese authorities have ordered lockdowns and other restrictions across the country in response to the worsening coronavirus outbreak. Residents of northeastern Jilin province, which borders Russia and North Korea, were locked down, the first time since Covid-19 was first detected in Wuhan two years ago that such restrictions have been imposed on an entire province. Shenzhen city began a weeklong lockdown in the week starting 14 March 2022, closing public transport, nonessential businesses and schools, while companies in Shanghai began shutting down. If the Covid-19 situation continues to spread rapidly, China may continue to intensify its lockdown and other anti-Covid restrictions measures which could negatively impact the performance of Lippo Plaza and in turn, lower OUE C-REIT's financial performance.

(III) Currency Risk

We note that OUE C-REIT has exposure to foreign exchange risk with respect to its Hong Kong Dollars (HKD) and Chinese Renminbi (RMB) denominated investments, distribution income and interest income from its foreign subsidiaries. Amid the current COVID-19 situation, there is a possibility that Singapore Dollar (SGD) could strengthen due to higher vaccination rates and an increase in capital inflow as a result of its safe-haven status. This would imply a reduction in revenue when foreign currency earnings in HKD and RMB are translated to SGD. Hence, a stronger SGD could have a negative impact on OUE C-REIT's earnings due to currency exchange losses.

In order to manage the currency risk involved in investing in assets outside Singapore, OUE C-REIT adopts the currency risk management strategies that may include: the use of foreign currency denominated borrowings to match the currency of the asset investment as a natural currency hedge; and entering into currency forward contracts to hedge the foreign currency income received from its foreign subsidiaries, back into Singapore Dollars.

CORPORATE GOVERNANCE

(I) Remuneration

The nominating and remuneration committee (NRC) sets the remuneration policy (i) to ensure that the compensation offered by the Manager is competitive and will attract, retain and motivate Directors and key management personnel and (ii) for Directors to be good stewards of the Manager and OUE C-REIT and for key management personnel with the required experience and expertise to run the Manager successfully. In developing and reviewing the policy for the remuneration packages for Directors and the key management personnel of the Manager, the NRC would take into consideration the Manager's existing remuneration policy and other conditions within the REIT management industry and in comparable REIT managers.

The remuneration policy of the Manager is structured to attract and retain highly qualified persons, and the Manager's overall goal is to ensure value creation and the long-term sustainability and success of the Manager and OUE C-REIT. In relation to the remuneration policy, the Board determines value creation to be the amount of value-add contributed by the individual, including but not limited to deal introduction to OUE C-REIT, cost-savings ideas and novel initiatives which have the potential of increasing the performance of OUE C-REIT and it is measured based on the monetary benefit/cost-savings which OUE C-REIT receives as a result of the value-add contributed by the individual Director and a key management personnel.

There is a fixed and variable component to the Manager's remuneration framework. The fixed component in the Manager's remuneration framework is structured to remunerate employees for the roles they perform. It comprises the employee's base salary, fixed allowances and any statutory contribution. The base salaries and fixed allowances for key management personnel are reviewed annually by the NRC and approved by the Board. An appropriate proportion of the remuneration of key executives of the Manager comprises a variable component which is structured so as to link rewards to corporate and individual performance and incentivise sustained performance in both the short and long term. The variable incentives are measured based on quantitative and qualitative targets. Overall performance in relation to these targets is determined at the end of the year and approved by the NRC. Key executives are assessed based on an annual performance review with pre-agreed financial and non-financial KPIs. The financial KPIs include increases in net property income and distribution per unit ("DPU") as well as key capital structure parameters such as aggregate leverage. In measuring the performance of these KPIs, the NRC refers to factors such as the DPU and total Unitholder returns. Non-financial KPIs may include measures such as total Unitholder returns, corporate governance and compliance goals, as well as people development

The structure of the Directors' fees for nonexecutive Directors comprises a base fee for serving as a Director, and additional fees for (i) serving as Chairman or Deputy Chairman of the Board, or chairman of Board committees, (ii) serving as Lead Independent Director and/or (iii) serving on Board committees as members, as the case may be. The Directors' fees take into account:

I. The Directors' value creation, level of contribution and respective responsibilities at Board meetings and Board committee meetings, taking into account factors such as effort, attendance and time spent; and

II. The industry practices and norms on remuneration including guidelines set out in the Statement of Good Practice issued by the Singapore Institute of Directors.

Given the above information, a breakdown of the Directors' fees payable to each Director for FY2019 and FY2020 is shown in **Exhibit 73** and **Exhibit 74** on the next page.

Exhibit 73: Disclosure of Remuneration of Directors (FY2019)

Name of Director	Directors' Fees[1] (S$)
Lee Yi Shyan	28,767[2]
Christopher James Williams	112,500[3]
Loh Lian Huat	127,962[4]
Liu Chee Ming	30,565[5]
Ong Kian Min	30,565[6]
Usha Ranee Chandradas	68,750[7]
Tan Shu Lin	Nil[8]
Lim Boh Soon	75,865[9]
Jonathan Miles Foxall	35,616[10]

1 The framework for determining the Directors' fees in FY2019 is as follows: (i) S$50,000 for Chairman; (ii) S$50,000 for deputy chairman of the Board ("Deputy Chairman"); (iii) S$50,000 for a member of the Board; (iv) S$20,000 for Lead Independent Director; (v) S$37,500 for chairman of the ARC; (vi) S$18,750 for a member of the ARC; (vii) S$25,000 for chairman of the NRC; and (viii) S$12,500 for a member of the NRC.

2 The fees received by Mr Lee Yi Shyan comprise S$14,384 for being Chairman and S$14,384 for being a member of the Board for the period from 18 September 2019 to 31 December 2019.

3 The fees received by Mr Christopher James Williams comprise (i) S$50,000 for being a member of the Board and S$12,500 for being a member of the NRC for FY2019; (ii) S$35,616 for being Chairman for the period from 1 January 2019 to 17 September 2019; and (iii) S$14,384 for being Deputy Chairman for the period from 18 September 2019 to 31 December 2019.

4 The fees received by Mr Loh Lian Huat comprise (i) S$50,000 for being a member of the Board, S$20,000 for being the Lead Independent Director, S$18,750 for being a member of the ARC and S$12,500 for being a member of the NRC for FY2019; and (ii) S$27,712 for being the chairman of the ARC for the period from 1 January 2019 to 17 September 2019.

5 The fees received by Mr Liu Chee Ming comprise S$14,384 for being a member of the Board, S$10,788 for being chairman of the ARC and S$5,394 for being a member of the ARC for the period from 18 September 2019 to 31 December 2019.

6 The fees received by Mr Ong Kian Min comprise S$14,384 for being a member of the Board, S$5,394 for being a member of the ARC, S$7,192 for being Chairman of the NRC and S$3,596 for being a member of the NRC for the period from 18 September 2019 to 31 December 2019.

7 The fees received by Ms Usha Ranee Chandradas comprise S$50,000 for being a member of the Board and S$18,750 for being a member of the ARC for FY2019.

8 Ms Tan Shu Lin did not receive directors' fees in respect of her position as CEO and Executive Director for FY2019.

9 The fees received by Dr Lim Boh Soon comprise S$35,616 for being a member of the Board, S$13,356 for being a member of the ARC, S$17,808 for being Chairman of the NRC and S$8,904 for being a member of the NRC for the period from 1 January 2019 to 17 September 2019.

10 The fees received by Mr Jonathan Miles Foxall comprise S$35,616 for being a member of the Board for the period from 1 January 2019 to 17 September 2019.

Source: OUE C-REIT

Exhibit 74: Disclosure of Remuneration of Directors (FY2020)

Name of Director	Directors' Fees[9] (S$)
Lee Yi Shyan	100,000[10]
Loh Lian Huat	101,250[11]
Liu Chee Ming	106,250[12]
Ong Kian Min	106,250[13]
Usha Ranee Chandradas	68,750[14]
Brian Riady	20,833[15]
Tan Shu Lin	Nil[16]
Christopher James Williams	75,000[17]

9 The framework for determining the Directors' fees in FY 2020 is as follows: (i) S$50,000 each for Chairman and Deputy Chairman; (ii) S$50,000 for a member of the Board; (iii) S$20,000 for Lead Independent Director; (iv) S$37,500 for chairman of the ARC; (v) S$18,750 for a member of the ARC; (vi) S$25,000 for chairman of the NRC; and (vii) S$12,500 for a member of the NRC.

10 The fees received by Mr Lee Yi Shyan comprise S$50,000 for being Chairman and S$50,000 for being a member of the Board for FY 2020.

11 The fees received by Mr Loh Lian Huat comprise S$50,000 for being a member of the Board, S$20,000 for being the Lead Independent Director, S$18,750 for being a member of the ARC and S$12,500 for being a member of the NRC for FY 2020.

12 The fees received by Mr Liu Chee Ming comprise S$50,000 for being a member of the Board, S$37,500 for being chairman of the ARC and S$18,750 for being a member of the ARC for FY 2020.

13 The fees received by Mr Ong Kian Min comprise S$50,000 for being a member of the Board, S$18,750 for being a member of the ARC, S$25,000 for being Chairman of the NRC and S$12,500 for being a member of the NRC for FY 2020.

14 The fees received by Ms Usha Ranee Chandradas comprise S$50,000 for being a member of the Board and S$18,750 for being a member of the ARC for FY 2020.

15 The fees received by Mr Brian Riady comprise S$16,667 for being a member of the Board and S$4,167 for being a member of the NRC for the period from 1 September 2020 to 31 December 2020.

16 Ms Tan Shu Lin did not receive directors' fees in respect of her position as CEO and Executive Director for FY 2020.

17 The fees received by Mr Christopher James Williams comprise S$33,333 for being Deputy Chairman, S$33,333 for being a member of the Board and S$8,333 for being a member of the NRC for the period from 1 January 2020 to 31 August 2020.

Source: OUE C-REIT

SUSTAINABILITY INFORMATION

Sustainability Governance

A formal sustainability governance structure has been created to ensure OUE C-REIT is steered in the right direction on its sustainability journey. The Board oversees the integration of sustainability considerations into the overall strategy and is supported by the Manager's Sustainability Steering Committee (SSC) which comprises C-suite, the Investor Relations lead, and Asset Management lead. The SSC works closely with the OUE Group's SSC and is responsible for developing and reviewing OUE C-REIT's sustainability vision, mission and strategy, as well as developing and reviewing relevant sustainability policies, practices and initiatives. The Sustainability Task Force (STF), made up of representatives from various business units, facilitates the implementation of sustainability policies and initiatives and develops action plans in response to sustainability targets as shown in **Exhibit 75**. The STF, SSC and the OUE Group's SSC meet on a regular basis to monitor sustainability progress against targets and evaluate the effectiveness of sustainability implementations.

Exhibit 75: OUE C-REIT's Sustainability Governance

Source: OUE C-REIT

Stakeholder Engagement

The Manager interacts with a wide range of stakeholders to understand their concerns and needs which help to identify potential risks and business opportunities. Engagement with our key stakeholders are ongoing and on a regular basis as shown in **Exhibit 76**.

Exhibit 76: OUE C-REIT's Stakeholder Engagement

Key Stakeholders	Relevant ESG Topics	Engagement Methods
Unitholders & Prospective Investors	• Sustainable and long-term value creation • Ethical business operations • Market trends and changing customer demands • ESG integration into operations	• Earnings calls, announcements, press releases and other disclosures through SGXNET, Annual Reports and OUE C-REIT's corporate website • Email alert subscription • Annual General Meeting and Extraordinary General Meeting, where necessary • One-on-one updates, group meetings and investor conferences • Property tours for institutional investors
Employees	• Safe, healthy, and productive working environment • Opportunities for career development and growth • Competitive compensation and benefits • Equal opportunities for promotion and reward • Non-discrimination	• Training and development programmes • Annual performance reviews • Recreational and team building activities • Grievance and feedback channels • Employee townhall sessions
Analysts & the Media	• Sustainable and market comparable financial returns • ESG integration into operations	• Quarterly briefings for analysts conducted by senior management • Updates through one-on-one and group meetings • Property tours for analysts
Community	• Economic growth • Local partnership and job opportunities • Investment in the community	• Community activities
Government & Regulators	• Regulatory compliance • Ethical corporate business practices	• Industry networking functions • Annual regulatory audits • Mandatory reporting
Tenants & Guests	• Modern, high quality and cost-efficient buildings and facilities • Safety in the buildings	• Tenant engagement activities including informal gathering and networking sessions • Management circulars and notices • Green Guide for Tenants • Tenant satisfaction survey

Source: OUE C-REIT

Sustainability Framework

In FY 2020, the Manager conducted a comprehensive review of OUE C-REIT's material topics, with support from an independent external consultant. The review process involved reviewing global and local emerging sustainability trends and their impact on OUE C-REIT's business, as well as the best practices in the real estate sector. As a result of this review, the Manager reprioritised the material topics to better reflect OUE C-REIT's focus areas and ambitions in sustainability. The Manager focused specifically on material topics that are unique to OUE C-REIT's operations and business

Setting long-term ambitions helps to clarify OUE C-REIT's path to sustainability and drives commitment to these goals. An integral part of the sustainability framework are the 2030 and annual targets, as well as aspirations for each sustainability focus area, where relevant. OUE C-REIT's sustainability efforts are also linked to the United Nations' Sustainable Development Goals ("UN SDGs"). UN SDGs are a call for action to conduct business responsibly and the Manager believes every business has an important role to play in helping to achieve the UN SDGs as shown in **Exhibit 77**.

Exhibit 77: OUE C-REIT's Sustainability Framework

Focus Areas and Relevant UN SDGs	Material Topics	Risks	Opportunities
Stewarding the Environment Contributing to UN SDGs: 6, 7, 12, 13	• Climate Resilience • Water Efficiency • Waste Minimisation	Environmental risks including climate change are increasingly a concern for businesses. In the real estate sector, the effects of climate change events, including droughts, floods, heatwaves or rising sea levels, will have an increasing impact on OUE C-REIT's properties. OUE C-REIT is also facing more stringent regulatory compliance to manage environmental risks in operations.	OUE C-REIT can capitalise on the rising customer demand for high-quality, durable, as well as both energy and resource-efficient buildings. Ensuring operational efficiency of properties will also aid in managing costs in the long term.
Strengthening Social Fabric Contributing to UN SDGs: 3, 5, 8, 9, 16	• Health & Safety • Fair Employment Practices • Creating Social Ecosystems • Innovation • Service Quality	The Manager needs to work with various stakeholders and continue to learn and adapt to their changing needs. This includes increased expectations on health & safety practices and building & service quality from tenants, guests and visitors. Employees may have changing expectations and Human Resource ("HR") policies need to adapt to recruit and retain talents.	By managing stakeholders' expectations, OUE C-REIT can benefit from improvement in talent retention as well as a strong reputation among tenants and guests. Adopting innovations helps ensure that OUE C-REIT's properties remain relevant and maintain an optimal value proposition.
Building Trust Contributing to UN SDGs: 16	• Compliance • Ethical Business Practices • Cyber Security	Non-compliance with evolving regulations will result in serious financial, operational and reputational consequences for OUE C-REIT and the Manager.	Upholding ethical standards in our business strengthens stakeholders' trust and OUE C-REIT's reputation.

Source: OUE C-REIT

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