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**INJECTION OF INTEREST INTO ALPHA DC FUND PRIVATE LIMITED AND PROPOSED
TRANSFER OF ALL THE ISSUED AND PAID-UP ORDINARY SHARES IN THE SHARE CAPITAL
OF KEPPEL DC SINGAPORE 4 PTE. LTD.**

1. INTRODUCTION

The Board of Directors (the "**Board**" or the "**Directors**") of Keppel Telecommunications & Transportation Ltd (the "**Company**") and together with its subsidiaries, the "**Group**") wishes to announce the following:

(a) Subscription of 30% interest in Thorium DC Pte. Ltd.

The Company's subsidiary, Keppel Data Centres Holding Pte. Ltd. ("**KDCH**"), a 70-30 joint venture between the Company and Keppel Land Limited, has subscribed for (the "**Subscription**") 3,000 shares of Thorium DC Pte. Ltd. ("**JVCo**"), representing 30% of the total issued share capital of JVCo, for a cash consideration of S\$3,000. Alpha DC Fund Private Limited ("**ADC Fund**") has subscribed for 7,000 shares of JVCo, representing 70% of the total issued share capital of JVCo, for a cash consideration of S\$7,000. The JVCo will have a total issued share capital of S\$10,000.

Following the Subscription, JVCo will become an associated company of the Company.

The Subscription is not expected to have any material impact on the earnings per share or net tangible assets per share of the Company for the current financial year.

(b) Proposed transfer of all the issued and paid-up ordinary shares in the share capital of Keppel DC Singapore 4 Pte. Ltd. and the novation of a shareholder's loan (the "Transaction**")**

KDCH has on 18 July 2017 entered into a share purchase agreement (the "**SPA**") with JVCo pursuant to which:

- (i) one (1) ordinary share (the "**Sale Share**"), representing 100% of the issued and paid-up share capital of Keppel DC Singapore 4 Pte. Ltd. ("**KDC4**") will be transferred from KDCH to JVCo; and
- (ii) the shareholders' loan of S\$170,000,000 (the "**Transferred Loan**", together with the Sale Share, the "**Transferred Assets**") will be transferred to JVCo by way of novation of the Transferred Loan to JVCo.

2. THE TRANSACTION

2.1 Information on JVCo and KDC4

JVCo is a 70-30 joint venture between ADC Fund and KDCH. KDCH and ADC Fund have entered into a joint venture agreement to govern the relationship of KDCH and ADC Fund as shareholders of JVCo. The joint venture partners have also agreed to fund JVCo for up to S\$124,400,000, in the form of either share capital contribution or shareholder loan, in proportion to their respective shareholding.

ADC Fund is a collaboration between KDCH and Alpha Investment Partners Limited ("**Alpha**") to capture investment opportunities by riding on the growth in demand for data centres in Asia-Pacific and Europe. Alpha is a wholly-owned subsidiary of Keppel Capital Holdings Pte. Ltd. ("**KCH**"), which is in turn a wholly-owned subsidiary of Keppel Corporation Limited ("**KCL**"). For more information on ADC Fund, please refer to the Company's announcements dated 20 July 2016, 11 November 2016, 24 May 2017 and 13 July 2017.

KDC4 is the sole legal and beneficial owner of the leasehold industrial land parcel at 20 Tampines Street 92 Singapore 528875, which is currently being fitted out into a five-storey Tier III purpose-built data centre facility with an expected gross floor area of 182,093 square feet (the "**Property**"). The principal activity of KDC4 is to provide co-location services. KDCH and/or its affiliates is expected to be appointed as the operator and to provide development and management services in respect of the operation of the Property.

2.2 Information on the Transaction

Pursuant to the Transaction, the Company's interest in KDC4 will decrease by 29.3% from 70% (being its interest held through KDCH) to 40.7% (being its effective interest held through KDCH and ADC Fund).

The Board is of the view that the Transaction would allow KDCH to unlock the value of the Property and reinvest in other data centre investment opportunities that will maximise the overall return for shareholders.

By injecting KDC4 into ADC Fund while retaining an effective stake equivalent to 40.7% in the Property, the Company would be able to invest in several data centre assets at the same time, reduce asset concentration risk and continue to have a material contribution to profits after tax and minority interests.

3. SALIENT TERMS OF THE SHARE PURCHASE AGREEMENT

The total consideration for the Transaction is S\$170,000,001 (the "**Consideration**") comprising of the consideration of S\$1.00 for the Sale Share in the SPA and the novation of the Transferred Loan to JVCo. The Consideration will be satisfied fully in cash.

The consideration of S\$170,000,001 was arrived at on a willing-buyer and willing-seller basis, taking into account the valuation of the Property by an independent property valuer, Colliers International Consultancy & Valuation (Singapore) Pte Ltd ("**Colliers**"), which was commissioned by KDCH. The open market value of the Property as stated by Colliers in its desktop valuation report, which is to be read in conjunction with the full valuation report dated 20 April 2017 (together, the "**Valuation Report**") is S\$170,000,000 as of 19 June 2017. The valuation methods used by Colliers are the income approach and cost approach.

The Company intends to use the sale proceeds from the Transaction for repayment of borrowings, general corporate and working capital purposes.

4. **RELATIVE FIGURES UNDER RULE 1006 OF THE LISTING MANUAL**

Chapter 10 of the listing manual of the Singapore Exchange Securities Trading Limited (the "**Listing Manual**") governs the continuing listing obligations in respect of acquisitions and realisations. The relative figures of the Transaction using the applicable bases of comparison set out in Rule 1006 of the Listing Manual based on the unaudited financial statements of the Company for the financial period ended 31 March 2017 are as follows:

<u>Listing Rule</u>	<u>Bases</u>	<u>Relative Figures</u> <u>(%)</u>
1006(a)	The net asset value (" <u>NAV</u> ") of the Transferred Assets to be disposed of, compared with the Group's NAV. This basis is not applicable to an acquisition of assets.	10% ¹
1006(b)	The net profits ² attributable to the Sale Share disposed, compared with the Group's net profits	0% ³
1006(c)	The aggregate value of the Consideration received, compared with the Company's market capitalisation based on the total number of shares of the Company in issue (the " <u>Shares</u> ") (excluding treasury shares)	18% ⁴

Notes:

1. Based on the aggregate NAV of the Transferred Assets as at 31 March 2017 of S\$93.7 million, divided by the Group's NAV as at 31 March 2017 of S\$917.4 million.
2. Net profits refer to profit before income tax, minority interests and extraordinary items.
3. Based on the aggregate unaudited net loss attributable to the Sale Share for the three months ended 31 March 2017 of S\$0.01 million, divided by the Group's unaudited net profit for the three months ended 31 March 2017 of S\$15.3 million.
4. The Company's market capitalisation of S\$958.2 million is based upon 558,066,383 Shares and a weighted average traded price of S\$1.7170 per Share on the SGX-ST as at 17 July 2017, being the market day immediately preceding the date of the SPA.

Accordingly, the Transaction is a discloseable transaction under Chapter 10 of the Listing Manual.

5. **FINANCIAL EFFECTS**

- 5.1 The Group expects to recognise a gain on disposal, inclusive of fair value gain on the Property, of approximately S\$2,500,000 in its profit and loss account from the Transaction.
- 5.2 The pro forma financial effects analysis of the Transaction has been prepared on the following key bases and assumptions:

- (a) the financial effects of the Transaction on the net tangible asset value ("**NTA**") per Share and earnings per Share ("**EPS**") are based on the latest announced audited consolidated financial statements of the Group for the financial year ended 31 December 2016;
- (b) for the purposes of illustrating the financial effects of the Transaction on the NTA per Share, it is assumed that the Transaction had been completed on 31 December 2016;
- (c) for the purposes of illustrating the financial effects of the Transaction on the EPS of the Company, it is assumed that the Transaction had been completed on 1 January 2016;
- (d) the NTA per Share is computed based on the 557,025,168 ordinary Shares in issue as at 31 December 2016, and the EPS of the Company is computed based on the weighted average number of 556,922,261 Shares in issue as at 31 December 2016;
- (e) the financial effects of the Transaction are purely for illustrative purposes only and are neither indicative of the actual financial effects of the Transaction on the NTA per Share and EPS of the Company, nor do they represent the future financial performance and/or position of the Company immediately following completion of the SPA; and
- (f) KDCH, as a 30% shareholder of JVCo, will contribute its pro rata share of shareholders' loan to JVCo, amounting to up to S\$37,320,000. The exact amount that KDCH would contribute shall be determined later by the board of directors of JVCo, but KDCH's contribution shall not exceed S\$37,320,000.

5.3 Effect of the Transaction on the NTA per Share

On the bases and assumptions set out in paragraph 5.2 above, the pro forma effect of the Transaction on the NTA per Share is as follows:

	Before the Transaction	After the Transaction
NTA (S\$' million)	794.5	797.0
NTA per Share (S\$)	1.43	1.43

5.4 Effect of the Transaction on EPS

On the bases and assumptions set out in paragraph 5.2 above, the pro forma effect of the Transaction on the EPS of the Company is as follows:

	Before the Transaction	After the Transaction
Profit after tax and minority interests attributable to shareholders (S\$' million)	105.1	107.6
EPS (Singapore cents)	18.9	19.3

6. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS IN THE TRANSACTION AND THE SUBSCRIPTION

As at the date of this Announcement:

- (a) Mr. Loh Chin Hua, the Non-Independent and Non-Executive Chairman of the Company, is an Executive Director and the Chief Executive Officer of KCL, the Chairman of KCH and the Chairman of Alpha;
- (b) Mr. Chan Hon Chew, a Non-Independent and Non-Executive Director of the Company, is the Chief Financial Officer of KCL and a director of KCH;
- (c) Mr. Thomas Pang Thieng Hwi, a Non-Independent and Executive Director and Chief Executive Officer of the Company, is a director of KCH, KDCH and ADC Fund;
- (d) the following Directors have the following interests in ordinary shares in the capital of KCL ("**KCL Shares**"):

Director	Direct Interest	Deemed Interest	No. of KCL Shares comprised in shares options granted by KCL	Contingent Awards of KCL Shares under	
				KCL Restricted Share Plan	KCL Performance Share Plan
Loh Chin Hua	694,557	38,500	-	170,000	1,780,000
Chan Hon Chew	112,200	7,700	-	78,300	710,000
Lim Chin Leong	13,200	-	-	-	-
Lee Ai Ming	10,000	-	-	-	-
Thomas Pang Thieng Hwi	186,237	-	280,500	-	200,000

and

- (e) as previously announced by the Company on 11 November 2016, Mr. Loh Chin Hua, Mr. Thomas Pang Thieng Hwi and Mrs. Lee Ai Ming have provided capital commitments totalling US\$650,000 to ADC Fund.

Save as disclosed in this Announcement, none of the Directors, and as far as the Company is aware, none of the controlling shareholders of the Company, have any interest, direct or indirect, in the Transaction or the Subscription.

7. DIRECTORS' SERVICE CONTRACTS

No person is proposed to be appointed as a Director of the Company in connection with the Transaction. Accordingly, no service contract is proposed to be entered into by the Company in connection with the Transaction.

8. DOCUMENT AVAILABLE FOR INSPECTION

Copies of the SPA and the Valuation Report are available for inspection at the registered office of the Company at 1 HarbourFront Avenue, #18-01 Keppel Bay Tower, Singapore 098632

during normal business hours for a period of three (3) months from the date of this Announcement.

By Order of the Board

KEPPEL TELECOMMUNICATIONS & TRANSPORTATION LTD

Tan Wah Nam / Lee Lieming Kenny

Company Secretaries

18 July 2017