



(Constituted in the Republic of Singapore pursuant to a trust deed dated 28 November 2005 (as amended))

## **DIVESTMENT OF BUGIS JUNCTION TOWERS**

### **1. INTRODUCTION**

#### **1.1 Divestment of Bugis Junction Towers**

Keppel REIT Management Limited, as manager of Keppel REIT (the “**Manager**”), is pleased to announce that RBC Investor Services Trust Singapore Limited, in its capacity as trustee of Keppel REIT (the “**Trustee**”), has on 30 September 2019 entered into a property sale agreement (the “**Property Sale Agreement**”) in relation to the sale of the strata lot comprising the property known as Bugis Junction Towers located at 230 Victoria Street, Singapore 188024 (the “**Property**”) to Village Prop. Pte. Ltd., a company incorporated in Singapore (the “**Sale**”).

#### **1.2 Information on the Property**

Completed in 1994, the 15-storey Bugis Junction Towers is part of the Bugis Junction integrated mixed-use development. Bugis Junction Towers has approximately 70-year leasehold land tenure remaining and offers close to 250,000 sf of net lettable area. As at 30 June 2019, committed occupancy was 100% and weighted average lease expiry (WALE) was long at 6.2 years.

Savills Valuation and Professional Services (S) Pte Ltd (the “**Independent Valuer**”) has been commissioned by the Manager and the Trustee to value the Property for Keppel REIT. The valuation as at 8 August 2019 conducted by the Independent Valuer of the Property is S\$515.0 million. The methods used by the Independent Valuer were the income capitalisation method, the discounted cash flow analysis method and direct comparison method.

### **2. PRINCIPAL TERMS OF THE TRANSACTION**

#### **2.1 Principal terms of the Property Sale Agreement**

Completion is subject to, and conditional upon, among others, there being no material damage or compulsory acquisition of the Property on or before completion of the Sale. Completion of the Sale is expected to take place in the fourth quarter 2019.

#### **2.2 Sale consideration and valuation**

The sale price for the Property is S\$547.5 million which was negotiated on a willing-buyer and willing-seller basis after taking into account the independent valuation of the Property of S\$515.0 million as at 8 August 2019.

### **3. RATIONALE FOR THE SALE**

The Manager believes that the Sale will bring the following key benefits to unitholders of Keppel REIT (“**Unitholders**”):

#### **3.1 Attractive capital gains**

Bugis Junction Towers has been held since Keppel REIT’s listing in 2006. The sale price of S\$547.5 million (S\$2,200 psf) is S\$388.0 million (or 243.2%) above the purchase price of S\$159.5 million. The transaction will contribute capital gains of approximately S\$378.1 million, after taking into account capitalised expenditures and divestment costs.

Keppel REIT is expected to recognise an estimated accounting gain of approximately S\$18.3 million from the divestment.

#### **3.2 Unlock value of capital appreciation while maintaining exposure to Singapore CBD**

The divestment of Bugis Junction Towers is part of the Manager’s ongoing portfolio optimisation strategy that realises capital gains for Keppel REIT while continuing to maintain exposure to the Singapore office market.

Post-divestment, Keppel REIT’s portfolio will remain firmly anchored by its assets in the central business district of Singapore, which account for 81.1%<sup>1</sup> of the S\$7.9 billion portfolio.

#### **3.3 Improved financial flexibility for ongoing portfolio optimisation**

The divestment is in-line with the Manager’s strategy to continually capture opportunities to achieve long-term sustainable return for Unitholders. The divestment proceeds will increase the Manager’s financial flexibility to continue its DPU-accretive Unit buy-back programme, fund growth through reinvestments, distribute capital gains, or pare down debt.

### **4. USE OF SALE PROCEEDS AND FINANCIAL EFFECTS**

#### **4.1 Use of sale proceeds**

The proceeds from the Sale will enhance Keppel REIT’s financial flexibility for the purposes described in paragraph 3.3 of this announcement. The Manager also intends to use part of the proceeds to pay the divestment fee of S\$2.7 million (0.5% of the sale price) to the Manager in accordance with the terms of the trust deed constituting Keppel REIT.

Assuming the entire amount of proceeds from the Sale is used to pay all divestment and other transaction-related costs, as well as repay loans, Keppel REIT’s aggregate leverage will reduce by approximately 4.2 percentage points to 34.2%<sup>2</sup>.

#### **4.2 Pro forma financial effects**

**FOR ILLUSTRATIVE PURPOSES ONLY:** The pro forma financial effects of the Sale on the net asset value (“**NAV**”) per unit in Keppel REIT (“**Unit**”) and the distribution per Unit

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<sup>1</sup> Based on pro forma assets under management, assuming that the Sale was completed on 30 June 2019.

<sup>2</sup> Based on the aggregate leverage of Keppel REIT as at 30 June 2019 on a pro forma basis.

(“DPU”) of Keppel REIT presented below were prepared based on the audited financial statements of Keppel REIT for the financial year ended 31 December 2018.

#### 4.2.1 Pro forma NAV of the Sale

**FOR ILLUSTRATIVE PURPOSES ONLY:** The pro forma financial effects of the Sale on the NAV per Unit as at 31 December 2018, as if the Sale was completed on 31 December 2018, are as follows:

	Effects of the Sale	
	Before the Sale	After the Sale
NAV per Unit (S\$)	1.40	1.41
NAV per Unit excluding distributable income for 4Q 2018 (S\$)	1.39	1.40

#### 4.2.2 Pro forma DPU of the Sale

**FOR ILLUSTRATIVE PURPOSES ONLY:** The pro forma financial effects of the Sale on Keppel REIT’s DPU for the financial year ended 31 December 2018, as if Keppel REIT had completed the Sale on 1 January 2018, are as follows:

	Effects of the Sale	
	Before the Sale	After the Sale
DPU (cents) <sup>(1)</sup>	5.56	5.52

**Note:**

(1) Based on the assumption that the entire amount of proceeds from the Sale is used to pay divestment and other transaction-related costs, as well as repay loans.

## 5. INTERESTS OF DIRECTORS AND CONTROLLING UNITHOLDERS

As at the date of this announcement and based on information available to the Manager as at the date of this announcement, save for the unitholding interests in Keppel REIT held by certain directors of the Manager and the controlling Unitholders, none of the directors of the Manager or the controlling Unitholders has an interest, direct or indirect, in the Sale.

## 6. OTHER INFORMATION

### 6.1 Directors’ Service Contracts

No person is proposed to be appointed as a director of the Manager in connection with the Sale or any other transactions contemplated in relation to the Sale.

## 6.2 Disclosure under Rule 1010(13) of the Listing Manual

Chapter 10 of the Listing Manual<sup>1</sup> classifies transactions by an issuer into (i) non-discloseable transactions, (ii) discloseable transactions, (iii) major transactions and (iv) very substantial acquisitions or reverse takeovers, depending on the size of the relative figures computed on the following bases of comparison:

- (i) the NAV of the assets to be disposed of, compared with the issuer's NAV;
- (ii) the net profits attributable to the assets disposed of, compared with the issuer's net profits;
- (iii) the aggregate value of the consideration received, compared with the issuer's capitalisation; and
- (iv) the number of Units issued by the issuer as consideration for the acquisition, compared with the number of Units previously in issue.

The relative figures for the Sale using the applicable bases of comparison described above are set out in the table below:

	Sale (S\$ million)	Keppel REIT Group (S\$ million)	Percentage
<b>Rule 1006(a)</b> NAV of assets disposed compared to Keppel REIT's NAV	515.0	5,251.5	9.8%
<b>Rule 1006(b)</b> Net profits attributable to the assets disposed compared to Keppel REIT's net profits	6.6	57.8	11.4%
<b>Rule 1006(c)</b> Aggregate value of consideration to be received compared with Keppel REIT's market capitalisation <sup>(1)</sup>	547.5	4,246.4	12.9%

**Note:**

- (1) Market capitalisation is computed based on Keppel REIT's volume weighted average price on 27 September 2019, being the market day immediately prior to the date of entry into the Property Sale Agreement.

Under Rule 1010 of the Listing Manual, where any of the relative figures computed on the bases set out above exceeds 5% but does not exceed 20%, the Sale is regarded as being a discloseable transaction.

## 6.3 Documents for Inspection

Copies of the Property Sale Agreement and the valuation report of the Independent Valuer are available for inspection<sup>2</sup> during normal business hours at the registered office of the Manager at 1 HarbourFront Avenue, #18-01 Keppel Bay Tower, Singapore 098632 for a

<sup>1</sup> The Listing Manual of Singapore Exchange Securities Trading Limited (the "SGX-ST").

<sup>2</sup> Prior appointment with the Manager will be appreciated.

period of three months, commencing from the date of this announcement.

BY ORDER OF THE BOARD  
Keppel REIT Management Limited  
(Company Registration Number: 200411357K)  
as manager of Keppel REIT

Marc Tan / Kelvin Chua  
Joint Company Secretaries  
1 October 2019

### **Important Notice**

This announcement is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for Units.

This announcement may contain forward-looking statement that involves risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statement as a result of a number of risks, uncertainties and assumptions. Representations examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from other companies and venues for the sale or distribution of goods and services, shifts in customer demands, customers and partners, changes in operating expenses (including employee wages, benefits and training costs), governmental and public policy changes and the continued availability of financing the amounts and the terms necessary to support future business. Investors are cautioned not to place undue reliance on these forward-looking statements, which are based on the Manager's current view on future events. The past performance of Keppel REIT and the Manager are not necessarily indicative of the future performance of any of them.

The value of Units and the income derived from them may fall as well as rise. Units are not obligations of, deposits in, or guaranteed by, the Manager, or any of its affiliates. An investment in Units is subject to investment risks, including the possible loss of the principal amount invested.

Investors have no right to request the Manager to redeem their Units while the Units are listed. It is intended that Unitholders may only deal in their Units through trading on the SGX-ST. Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units.