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Keppel Pacific Oak US REIT

KEPPEL PACIFIC OAK US REIT MANAGEMENT PTE. LTD.

(Company Registration No.: 201719652G)

(Incorporated in the Republic of Singapore)

LAUNCH OF PRIVATE PLACEMENT TO RAISE GROSS PROCEEDS OF NO LESS THAN APPROXIMATELY US\$73.1 MILLION IN KEPPEL PACIFIC OAK US REIT

1. Introduction

Keppel Pacific Oak US REIT Management Pte. Ltd., in its capacity as manager of Keppel Pacific Oak US REIT (the “**Manager**”), wishes to announce the proposed launch of a private placement of 104,286,000 new units in Keppel Pacific Oak US REIT (“**Units**”, and the new Units to be issued pursuant to the Private Placement, the “**New Units**”) at an issue price of between US\$0.701 (the “**Minimum Issue Price**”) and US\$0.725 (the “**Maximum Issue Price**”) per New Unit (both figures inclusive) (the “**Issue Price Range**”) to raise gross proceeds of no less than approximately US\$73.1 million (based on the Minimum Issue Price) (the “**Private Placement**”).

2. Details of the Private Placement

The Manager has appointed DBS Bank Ltd. and Credit Suisse (Singapore) Limited as the joint bookrunners and underwriters in relation to the Private Placement (the “**Joint Bookrunners and Underwriters**”).

DBS Bank Ltd. was the sole financial adviser and issue manager for the initial public offering of Keppel Pacific Oak US REIT (formerly known as Keppel-KBS US REIT) (the “**Offering**”). DBS Bank Ltd., Citigroup Global Markets Singapore Pte. Ltd., Credit Suisse (Singapore) Limited and Merrill Lynch (Singapore) Pte. Ltd. were the joint bookrunners and underwriters for the Offering.

The Manager has today entered into a subscription agreement with the Joint Bookrunners and Underwriters (the “**Subscription Agreement**”), pursuant to which the Joint Bookrunners and Underwriters have been appointed to procure subscribers for the New Units at an issue price per New Unit (the “**Issue Price**”) to be determined on the terms and subject to the conditions of the Subscription Agreement.

The Private Placement shall be subject to certain conditions precedent set out in the Subscription Agreement, including the approval in-principle of Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) for the listing of and quotation for the New Units on the Main Board of the SGX-ST. The Private Placement is fully underwritten by the Joint Bookrunners and Underwriters on the terms and subject to the conditions of the Subscription Agreement.

The Issue Price Range of between US\$0.701 and US\$0.725 per New Unit (both figures inclusive) represents a discount of between:

- (i) 4.8% and 7.9% to the volume weighted average price (“**VWAP**”) of US\$0.7615 per Unit, for trades in the Units done on the SGX-ST for the preceding Market Day¹ on 16 October 2019, up to the time the Subscription Agreement was signed on 17 October 2019; and
- (ii) (for illustrative purposes only) 2.3% and 5.5% to the adjusted VWAP² of US\$0.7420 per Unit.

The Issue Price will be determined by the Manager and the Joint Bookrunners and Underwriters following a book-building process. The Manager will make an announcement via SGXNET once the Issue Price has been determined.

3. Subscription by Keppel Capital Investments Holdings Pte. Ltd. and KBS SOR Properties LLC under the Private Placement

It was announced that the Private Placement may, subject to the approval of unitholders of Keppel Pacific Oak US REIT (“**Unitholders**”), include a proposed issue and placement of up to such number of New Units in the manner described in the unitholders' circular dated 30 September 2019 issued to Unitholders (the “**Circular**”) to Keppel Capital Investments Holdings Pte. Ltd. (the “**Keppel Placement**”) as well as KBS SOR Properties LLC (the “**KBS SOR Placement**”), both of which are substantial unitholders of Keppel Pacific Oak US REIT. The Manager has obtained the approval of Unitholders at the extraordinary general meeting held on 15 October 2019 in respect of the Keppel Placement and the KBS SOR Placement.

As at the date of this announcement, Keppel Capital Investments Holdings Pte. Ltd. holds 56,979,352 Units, which is equivalent to approximately 6.89% of the total number of Units in issue. Therefore, the number of New Units under the Keppel Placement may comprise up to 7,186,000 New Units issued under the Private Placement, in order to maintain a post-placement percentage unitholding of up to 6.89%.

1 “**Market Day**” refers to a day on which the SGX-ST is open for securities trading.

2 The adjusted VWAP is computed based on the VWAP of trades in the Units done on the SGX-ST for the preceding Market Day on 16 October 2019, up to the time the Subscription Agreement was signed on 17 October 2019 and subtracting the Advanced Distribution (as defined herein) of approximately 1.95 U.S. cents per Unit (being the mid-point of the estimated Advanced Distribution Range (as defined herein)). This amount is only an estimate based on information currently available to the Manager, and the actual Advanced Distribution may differ and will be announced on a later date.

As at the date of this announcement, KBS SOR Properties LLC holds 56,979,352 Units, which is equivalent to approximately 6.89% of the total number of Units in issue. Therefore, the number of New Units under the KBS SOR Placement may comprise up to 12,858,000 New Units (but in any event at least equal to 7,186,000 New Units) issued under the Private Placement, in order to maintain a post-placement percentage unitholding of up to 7.5% (but in any event at least equal to its pre-placement percentage unitholding of 6.89%).

4. Rationale for the Private Placement

The Manager believes that the Private Placement will bring the following key benefits to the Unitholders:

4.1 Benefits of the Proposed Acquisition

The Manager intends to use the net proceeds from the Private Placement to partially fund the proposed acquisition by Keppel Pacific Oak US REIT of One Twenty Five, a Class A office complex in Dallas, Texas³ (the “**Proposed Acquisition**”). The Circular has been issued to Unitholders, together with a notice of extraordinary general meeting, for the purpose of seeking the approval of Unitholders for the Proposed Acquisition. The benefits of the Proposed Acquisition to Keppel Pacific Oak US REIT and its Unitholders has been discussed in greater detail in the Circular. A summary of these benefits is as follows:

- strengthen portfolio with addition of a quality asset in the Dallas-Fort Worth Arlington, Texas Core Based Statistical Area, the economic hub of North Central Texas;
- strong office fundamentals for continued rental growth;
- enhance portfolio diversification and income resilience; and
- create value for Unitholders through accretive acquisition.

4.2 Benefits of the Private Placement

It is intended that the Proposed Acquisition will be financed by a combination of debt and equity so as to ensure that the Proposed Acquisition will provide overall distribution per Unit accretion to Unitholders while maintaining an optimum level of gearing. The Manager believes that the Private Placement, in combination with debt financing, is an efficient and overall beneficial method of raising funds to finance the Proposed Acquisition.

The increase in the total number of Units in issue and enlarged Unitholder base is expected to enhance the trading liquidity of the Units and raise the profile of Keppel Pacific Oak US REIT among investors.

5. Eligibility to Participate in the Private Placement

The offer of New Units under the Private Placement will be made to institutional, accredited and other investors.

The New Units have not been and will not be registered under the Securities Act or the securities laws of any state or jurisdiction of the United States and may not be offered, absent

3 As described in the Circular dated 30 September 2019.

registration or an exemption from, the registration requirements under the Securities Act and applicable state or local securities laws. The New Units are being offered and sold to non U.S. persons in offshore transactions as defined in and in reliance on Regulation S under the Securities Act or pursuant to another exemption from the registration requirements of the Securities Act.

The Manager, along with the Joint Bookrunners and Underwriters, reserves the absolute discretion in determining whether to allow such participation as well as the persons who may be allowed to do so.

6. Use of Proceeds

Subject to relevant laws and regulations, the Manager intends to use the gross proceeds of approximately US\$73.1 million (being the amount of gross proceeds to be raised based on the Minimum Issue Price) from the Private Placement in the following manner:

- (i) up to approximately US\$70.4 million (which is equivalent to 96.3% of the gross proceeds of the Private Placement) to partially fund the Proposed Acquisition⁴; and
- (ii) up to approximately US\$2.7 million (which is equivalent to 3.7% of the gross proceeds of the Private Placement) to pay the estimated fees and expenses, including (i) the underwriting and placement commission and related fees and expenses payable to the Joint Bookrunners and Underwriters, and (ii) professional and other fees and expenses to be incurred by Keppel Pacific Oak US REIT in connection with the Proposed Acquisition and Private Placement,

with the balance of the gross proceeds of the Private Placement, if any, to be used for general corporate and/or working capital purposes.

Notwithstanding its current intention, in the event that the Private Placement is completed but the Proposed Acquisition does not proceed for whatever reason, the Manager may, subject to relevant laws and regulations, use the net proceeds from the Private Placement at its absolute discretion for other purposes, including, without limitation, to repay existing indebtedness and for funding capital expenditures and general working capital purposes.

Pending the deployment of the net proceeds from the Private Placement, the net proceeds may, subject to relevant laws and regulations, be deposited with banks and/or financial institutions or used to repay outstanding borrowings or for any other purpose on a short-term basis as the Manager may, in its absolute discretion, deem fit.

The Manager will make periodic announcements on the utilisation of the net proceeds of the Private Placement via SGXNET as and when such funds are materially utilised and whether such a use is in accordance with the stated use and in accordance with the percentage allocated. Where there is any material deviation from the stated use of proceeds, the Manager will announce the reasons for such deviation.

⁴ The balance of the Proposed Acquisition will be funded by debt.

7. Authority to issue Units

The issue of the New Units under the Private Placement is being carried out pursuant to a general mandate (the “**General Mandate**”) given to the Manager at the annual general meeting (“**AGM**”) held on 17 April 2019.

Pursuant to the General Mandate, the Manager may, during the period from 17 April 2019 to (i) the conclusion of the next AGM of Keppel Pacific Oak US REIT or (ii) the date by which the next AGM of Keppel Pacific Oak US REIT is required by applicable regulations to be held, whichever is earlier, issue new Units and/or securities, warrants, debentures or other instruments convertible into Units (“**Convertible Securities**”) such that the number of new Units (and/or Units into which the Convertible Securities may be converted) does not exceed 50.0% of the total number of Units in issue (excluding treasury Units, if any) as at 17 April 2019 (the “**Base Figure**”), of which the aggregate number of new Units (and/or Units into which the Convertible Securities may be converted) issued other than on a *pro rata* basis to existing Unitholders, shall not be more than 20.0% of the Base Figure.

The Base Figure, being the number of Units in issue as at 17 April 2019, was 823,489,620 Units.

The number of Units that can be issued under the General Mandate is 411,744,810 Units, of which no more than 164,697,924 Units may be issued on a non *pro rata* basis.

The Manager has issued 3,401,306 Units since 17 April 2019 on a non *pro rata* basis. The 104,286,000 million New Units to be issued pursuant to the Private Placement would constitute 12.7% of the Base Figure which is within the 20.0% limit for issue of new Units other than on a *pro rata* basis. Accordingly, the prior approval of the Unitholders is not required for the issue of the New Units under the Private Placement.

8. Status of the New Units

8.1 Entitlement to Advanced Distribution

Keppel Pacific Oak US REIT’s policy is to distribute its distributable income on a semi-annual basis to Unitholders.

In connection with the Private Placement, however, the Manager intends to declare in respect of the Units in issue on the day immediately prior to the issue of the New Units (the “**Existing Units**”), an advanced distribution for the period from 1 July 2019 to the day immediately preceding the date on which the New Units will be issued under the Private Placement (the “**Advanced Distribution**”). The Advanced Distribution is currently estimated to be between 1.91 U.S. cents and 1.99 U.S. cents (the “**Advanced Distribution Range**”) ⁵. A further announcement on the actual quantum of the Advanced Distribution will be made by the Manager in due course.

The next distribution following the Advanced Distribution will comprise Keppel Pacific Oak US REIT’s distributable income for the period from the date on which the New Units are issued under the Private Placement to 31 December 2019. Semi-annual distributions will resume

5 The Advanced Distribution Range is based on an estimate of the distributable income for the period from 1 July 2019 to the day immediately prior to the date on which the New Units will be issued pursuant to the Private Placement based on the Manager’s estimate of Keppel Pacific Oak US REIT’s revenue and expenses for the relevant period on a *pro rata* basis. This amount is only an estimate based on information currently available to the Manager, and the actual Advanced Distribution may differ.

thereafter.

The Advanced Distribution is intended to ensure that the distributable income accrued by Keppel Pacific Oak US REIT up to the day immediately prior to the date of issue of the New Units (which at this point, will be entirely attributable to the Existing Units) is only distributed in respect of the Existing Units, and is being proposed as a means to ensure fairness to holders of the Existing Units.

For the avoidance of doubt, holders of the New Units will not be entitled to participate in the distribution of any distributable income accrued by Keppel Pacific Oak US REIT prior to the date of issue of the New Units (including the Advanced Distribution). The New Units are expected to be issued and commence trading on the SGX-ST on 29 October 2019.

8.2 Status of the New Units issued pursuant to the Private Placement

The New Units issued pursuant to the Private Placement will, upon issue, rank *pari passu* in all respects with the Units in issue on the day immediately prior to the date on which the New Units are issued pursuant to the Private Placement, including the right to Keppel Pacific Oak US REIT's distributable income from the day of issuance of the New Units as well as all distributions thereafter, other than in respect of the Advanced Distribution.

9. Application to the SGX-ST for Approval-in-Principle

The Manager will make a formal application to the SGX-ST for the listing of, dealing in, and quotation of, the New Units on the Main Board of the SGX-ST. An appropriate announcement will be made upon the receipt of such in-principle approval from the SGX-ST.

By Order of the Board
Keppel Pacific Oak US REIT Management Pte. Ltd.
(Company Registration Number: 201719652G)
as manager of Keppel Pacific Oak US REIT

Kelvin Chua
Company Secretary
17 October 2019

IMPORTANT NOTICE

This announcement is for information purposes only and does not constitute or form part of an offer, invitation or solicitation of any securities of Keppel Pacific Oak US REIT in Singapore or any other jurisdiction nor should it or any part of it form the basis of, or be relied upon in connection with, any contract or commitment whatsoever.

This announcement may contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from 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 in 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 view of future events. The past performance of Keppel Pacific Oak US REIT and the Manager are not necessarily indicative of the future performance of any of them.

The value of the 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, Perpetual (Asia) Limited, in its capacity as trustee of Keppel Pacific Oak US REIT, Keppel Capital Holdings Pte. Ltd. and KBS Pacific Advisors Pte. Ltd., as the sponsors of Keppel Pacific Oak US REIT or any of their respective affiliates.

An investment in the Units is subject to investment risks, including the possible loss of the principal amount invested. Unitholders have no right to request that the Manager redeem or purchase 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.

This announcement is not to be distributed or circulated outside of Singapore. Any failure to comply with this restriction may constitute a violation of United States securities laws or the laws of any other jurisdiction.

Notification under Section 309B of the Securities and Futures Act, Chapter 289 of Singapore:

The New Units are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).