

KEPPEL LAND LIMITED

(Co. Reg. No. 189000001)

(Incorporated in Singapore)

PROPOSED DIVESTMENT OF ONE-THIRD INTEREST IN MARINA BAY FINANCIAL CENTRE TOWER 3

1. INTRODUCTION

Keppel Land Limited (“**KLL**” or the “**Company**”) wishes to announce that Bayfront Development Pte. Ltd. (“**Bayfront**”) as vendor, and Keppel Land Properties Pte Ltd (“**KLP**”) as guarantor, have today entered into a conditional share purchase agreement (the “**S&P Agreement**”) with RBC Investor Services Trust Singapore Limited (in its capacity as trustee of Keppel REIT) (the “**REIT Trustee**”) as purchaser, for the sale by Bayfront of its one-third interest in Marina Bay Financial Centre Tower 3 (the “**Property**”, and Bayfront’s one-third interest in the Property, the “**Property Interest**”) to, and the purchase of the Property Interest by, Keppel REIT (the “**Transaction**”).

Bayfront is a direct wholly-owned subsidiary of KLP, which in turn is a direct wholly-owned subsidiary of the Company. As at the date of this Announcement, the Company is interested (through a wholly-owned subsidiary) in approximately 44.93%¹ of Keppel REIT.

The owner and developer of the Property is Central Boulevard Development Pte. Ltd. (“**CBD**”). The sale of the Property Interest by Bayfront will be effected *via* the sale of the 200 fully paid-up ordinary shares held by Bayfront in the issued share capital of CBD (the “**Sale Shares**”) representing one-third of the total issued share capital of CBD. KLP will guarantee the obligations of Bayfront under the S&P Agreement.

2. INFORMATION RELATING TO THE TRANSACTION

2.1 The Property and CBD

Marina Bay Financial Centre is a landmark integrated development centrally located on prime waterfront space in Singapore’s new financial district, and enjoys close proximity to the Marina Bay Sands integrated resort, Singapore Flyer and The Esplanade – Theatres on the Bay, Gardens by the Bay and other lifestyle and entertainment amenities. Phase 1 of Marina Bay Financial Centre, which was completed in 2010, comprises two Grade A office buildings (Towers 1 and 2), luxurious apartments (Marina Bay Residences) and a subterranean retail mall (Marina Bay Link Mall).

The Property and Marina Bay Suites, which were completed in 2012 and 2013, respectively, comprise Phase 2 of Marina Bay Financial Centre.

Further information on the Property and CBD are set out below.

- (a) The Property is located on a site with a 99-year leasehold that commenced from 8 March 2007.

¹ All percentages of Keppel REIT unitholding in this Announcement are computed based on 2,806,974,946 issued Keppel REIT units as at the date of this Announcement.

The Property is a 46-storey Grade A office building with a retail podium, comprising over 1.34 million square feet of net lettable area, and is committed to tenants from various sectors, including anchor tenant DBS Bank Ltd ("**DBS**"), WongPartnership, Rio Tinto, McGraw-Hill, Booking.com, Mead Johnson and Lego.

As at 31 August 2014, the Property was approximately 94% leased.

- (b) CBD has an issued and fully paid-up share capital of S\$6 comprising 600 ordinary shares which are held in equal proportions by Bayfront and two other shareholders, Sageland Pte. Ltd. ("**Sageland**") and Heedum Pte. Ltd. ("**Heedum**"). Sageland is a subsidiary of Hongkong Land International Holdings Limited ("**Hongkong Land International**") and Heedum is a subsidiary of DBS.
- (c) Marina Bay Suites Pte. Ltd. ("**MBS**"), the sole subsidiary of CBD, is wholly owned by CBD and is the owner and the developer of Marina Bay Suites, a 221-unit luxury condominium. This condominium is 91% sold as at 31 August 2014.

MBS is excluded from the Transaction. Thus, all rights, liabilities, benefits and obligations pertaining to MBS will be retained by Bayfront notwithstanding the sale by Bayfront of the Sale Shares to Keppel REIT.

Upon the completion of the Transaction, Keppel REIT will have a one-third interest in the Property (through its holding of the Sale Shares, representing one-third of the total issued share capital of CBD) and Bayfront will continue to have a one-third effective interest in MBS.

2.2 Principal Terms of the Transaction

(a) Consideration for the Sale Shares

The consideration payable to Bayfront for the Sale Shares (the "**Sale Consideration**") was negotiated on a willing-buyer and willing-seller basis, taking into account the Agreed Value (as defined below). The Sale Consideration is subject to adjustments as described below.

The Sale Consideration shall be equal to one-third of the adjusted net tangible asset value of CBD but excluding the net tangible asset value of MBS ("**Adjusted NTA**") as at the date of the completion of the S&P Agreement (the "**Completion Date**"), and the Adjusted NTA shall be computed by reference to, among other things, the Agreed Value. For this purpose, the "**Agreed Value**" is S\$1,248 million, being the agreed market value of the Property Interest, inclusive of a rental support of up to S\$49.2 million. Further information on the rental support is at Paragraph 2.2(d)(ii) below.

Bayfront has commissioned an independent valuation of the Property Interest by Colliers International Consultancy & Valuation (Singapore) Pte Ltd ("**Colliers**"), which has valued the Property Interest as at 28 August 2014 on an open market value basis at S\$1,245 million, inclusive of a rental support of up to S\$49.2 million.

For illustration purposes, based on the Agreed Value and the unaudited Adjusted NTA of CBD as at 31 July 2014 and assuming that all outstanding shareholders' loans have been repaid from external financing obtained by CBD², the estimated Sale Consideration is approximately S\$710.1 million (subject to completion and post completion adjustments). The calculation is shown below.³

	<u>S\$ million</u>
Applicable Property Value	3,744.0
<i><u>Based on the unaudited management accounts of CBD as at 31 July 2014</u></i>	
Investment in Subsidiary	1.0
Fixed Assets	0.2
Current Assets	57.8
Current Liabilities	(77.8)
Non-Current Liabilities	(1,613.0)
Exclusions (comprising investment in subsidiary, deferred tax liabilities, rent incentives granted to tenants and remaining project development costs payable)	18.2
Adjusted NTA	<u>2,130.4</u>
Sale Consideration (one-third share of the Adjusted NTA)	<u>710.1</u>

The Sale Consideration payable upon the completion of the S&P Agreement (“**Completion**”) will be calculated based on the Completion *pro-forma* unaudited management accounts of CBD made up to the Completion Date prepared by Bayfront, and is subject to post-completion adjustments. After Completion, Bayfront will prepare Completion unaudited management accounts of CBD made up to the Completion Date which will be reviewed by the independent auditors of CBD, who shall be jointly appointed by Bayfront and the REIT Trustee in accordance with the terms of the S&P Agreement.

In the event of any difference between the provisional Sale Consideration paid by the REIT Trustee to Bayfront at Completion and the final Sale Consideration as determined by the independent auditors following its review, then (i) if the final Sale Consideration is more than the provisional Sale Consideration, the amount of the difference shall be paid by the REIT Trustee to Bayfront, and (ii) if the final Sale Consideration is less than the provisional Sale Consideration, the amount of the difference shall be paid by Bayfront to the REIT Trustee.

(b) Consideration Units

As KLL is confident of the long-term growth potential of Keppel REIT, it has agreed to receive part of the Sale Consideration in the form of Keppel REIT units. This allows the Company to continue to enjoy its share of Keppel REIT’s rental income as well as future growth in Keppel REIT’s unit price.

The Sale Consideration will be satisfied by way of issuance of S\$185 million worth of units of Keppel REIT to Bayfront or its nominee (the “**Consideration Units**”) and payment in cash for the balance of the Sale Consideration.

² Please refer to Paragraph 2.2(c)(ii) of this Announcement.

³ Based on the illustrative *pro-forma* unaudited management accounts of CBD set out in Schedule 2 of the S&P Agreement.

The Consideration Units will be issued at an issue price determined on the volume weighted average price for a Unit for all trades on the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) for the period of 10 business days commencing on the first day of “ex-dividend” trading in relation to the books closure date for the advanced distribution or, as the case may be, cumulative distribution declared by the manager of Keppel REIT (in relation to the then existing units of Keppel REIT then in issue) and ending on the business day immediately preceding the Completion Date. The number of Consideration Units issued shall be rounded downwards to the nearest board lot.

(c) Conditions Precedent

Under the S&P Agreement, the sale and purchase of the Sale Shares is subject to and conditional upon:

- (i) the approval of the unitholders of Keppel REIT having been obtained for the acquisition of the Sale Shares and the issue of the Consideration Units to Bayfront or its nominee at a general meeting of Keppel REIT;
- (ii) the completion of the drawdown of a loan facility granted by certain financial institutions to CBD for the purpose of repaying all shareholders’ loans from Sageland, Bayfront and Heedum to CBD;
- (iii) there being no resolution, proposal, scheme or order for the compulsory acquisition of the whole or any part of the Property on or before Completion;
- (iv) there being no material damage to the Property on or before Completion;
- (v) the receipt of the waiver from Securities Industry Council of the requirement by Bayfront and parties acting in concert with it to make a mandatory offer for the remaining units of Keppel REIT not owned or controlled by Bayfront and parties acting in concert with it, in the event that they incur an obligation to make a mandatory offer pursuant to Rule 14 of the Singapore Code on Take-overs and Mergers (the “**Code**”) as a result of the receipt of (i) the Consideration Units and (ii) the acquisition fee which is required to be paid to the manager of Keppel REIT (the “**Manager**”) ⁴ in units of Keppel REIT pursuant to the Property Funds Appendix in respect of Keppel REIT’s acquisition of the Property Interest (“**Acquisition Fee**”);
- (vi) the approval of unitholders of Keppel REIT for the resolution to seek approval for a waiver of their right to receive a mandatory offer from Bayfront and parties acting in concert with it for the remaining issued units of Keppel REIT not owned or controlled by Bayfront and parties acting in concert with it pursuant to Rule 14 of the Code, as a result of the receipt of (i) the Consideration Units, and (ii) the Acquisition Fee; and
- (vii) the Consideration Units having been approved in-principle for listing on the SGX-ST, there not having occurred any withdrawal of such approval and the conditions to such approval having been fulfilled.

Subject to fulfilment of the conditions precedent under the S&P Agreement, Completion is expected to take place no later than 31 December 2014.

⁴ The Manager is Keppel REIT Management Limited, which is wholly owned by KLL

(d) **Other Salient Terms**

Pursuant to the terms of the S&P Agreement, the Sale Shares shall be sold free from all encumbrances, and with all rights and advantages attaching to them as at the Completion. Other salient terms include the following:

- (i) **Remaining Project Development Costs:** Subject to Completion having occurred, Bayfront will (upon and subject to the provisions of the S&P Agreement) pay the REIT Trustee an amount equal to one-third of the remaining project development costs of the Property, that is, all costs, expenses, charges and sums to be paid after the Completion by CBD in respect of services provided, supplies rendered or works done (including defects rectification works carried out by or on behalf of CBD) prior to or after the Completion in relation to the design, construction, equipping, fitting out and/or completion of the Property, as finalised under the S&P Agreement.
- (ii) **Rental Support:** Bayfront has agreed to provide rental support (the “**Rental Support**”) to Keppel REIT, to support the lower-than-current market average rental rates of some leases and the vacant space at MBFC Tower 3. Pursuant to the Rental Support, Bayfront will pay Keppel REIT an amount for each calendar year (“**Relevant Sum**”), as described in the table below, and each Relevant Sum shall be paid by way of quarterly installments with the first quarterly installment being for the period from the Completion Date to 31 December 2014 and the last quarterly installment being for the period from the date commencing from the first day of the relevant calendar quarter in the year 2019 and ending on the date (“**End Date**”) being five calendar years after the Completion Date, provided that the aggregate total amounts of all Relevant Sums for year 2014 to year 2019 (both inclusive) shall not exceed S\$49.2 million (the “**Total Rental Support Amount**”).

Year	Relevant Sum
Year 2014 (Completion Date to 31 December 2014)	S\$2.7 million
Year 2015 (1 January to 31 December 2015)	S\$14.8 million
Year 2016 (1 January to 31 December 2016)	S\$12.8 million
Year 2017 (1 January to 31 December 2017)	S\$10.3 million
Year 2018 (1 January to 31 December 2018)	S\$8.6 million
Year 2019 (1 January 2019 to the End Date)	S\$0

On Completion, an amount of S\$49.2 million (that is, the whole of the Total Rental Support Amount) shall be deducted from the Sale Consideration and deposited into a designated interest bearing account opened and operated by the REIT Trustee solely for drawing down on and utilisation for payment of the Relevant Sums in quarterly instalments, as described above and otherwise in accordance with the terms of the S&P Agreement. Such deduction of the Total Rental Support Amount as aforesaid shall constitute a full and final discharge of Bayfront’s obligations and liabilities with respect to the provision of the Rental Support. Under the terms of the Rental Support, the REIT Trustee shall provide Bayfront with quarterly statements detailing the amounts which have been drawn down from the designated account together and copies of relevant bank statements. In the event that there is any amount remaining in the designated account as at the End Date, such amount shall be returned forthwith to Bayfront.

2.3 Other Conditions Relating to the Transaction

Other principal conditions relating to the Transaction are described below.

- (a) **MBS Undertaking Deed:** Contemporaneous with the Completion, the REIT Trustee as purchaser, Bayfront as vendor and KLP as guarantor, will enter into an undertaking deed to give effect to their intention that CBD's interest in MBS and all rights, benefits, obligations and liabilities relating to such interest shall be excluded from the Transaction.
- (b) **CBD Restated Shareholders' Agreement:** Upon the Completion taking place, the subsisting shareholders' agreement relating to their participation in, and governance of, CBD made among Bayfront, KLP, Sageland, Hongkong Land International, Heedum, DBS and CBD will be terminated, and be replaced by a restated shareholders' agreement to be made among Sageland, Hongkong Land International, Heedum, DBS, the REIT Trustee and CBD.

3. RATIONALE

The Transaction brings the following strategic and commercial advantages to KLL:

- (a) The Transaction will enable KLL to monetise its one-third interest in the Property for reinvestment to maximise overall returns for KLL and its shareholders.
- (b) As KLL has a significant unitholding interest in Keppel REIT, it can continue to enjoy a substantial share of the rental income and potential capital value upside while unlocking approximately S\$95.5 million of net divestment gain from the Transaction.
- (c) The Transaction will also help to grow KLL's fund management business in Keppel REIT as it provides recurring fee income to balance the cyclical property development earnings.
- (d) The Transaction will further strengthen Keppel REIT's position as a landlord of premium Grade A buildings in the Marina Bay and Raffles Place areas. The Transaction will increase the size of its assets under management substantially from approximately S\$7.2 billion as at the end of June 2014 to S\$8.1 billion, making it the third largest REIT in Singapore in terms of asset size. As a substantial unitholder, KLL will continue to benefit from the growth of Keppel REIT.

4. FINANCIAL EFFECTS

4.1 Share Capital of the Company

The Transaction does not involve the allotment and issue of new shares in KLL ("**Shares**"). As such, there is no effect on the share capital of the Company.

4.2 Financial Effects of the Divestment of the Sale Shares (“Divestment”) on the Company and its Subsidiaries (collectively, the “Group”)

Assuming the Divestment is effected at the estimated Sale Consideration of approximately S\$710.1 million, based on the audited consolidated financial statements of the Company for financial year ended 31 December 2013 (“FY2013”):

- (a) had the Divestment been effected on 1 January 2013, the earnings per Share of the Group for FY2013 would have increased from 57.3 cents to 62.5 cents; and
- (b) had the Divestment been effected on 31 December 2013, the net tangible assets per Share of the Group as at 31 December 2013 would have increased from S\$4.52 to S\$4.58.

On the above basis, the Group would expect to realise a net divestment gain of about S\$95.5 million and receive net proceeds (after deducting Rental Support and transaction expenses) of approximately S\$658.9 million, comprising S\$473.9 million in cash and S\$185 million in units.

4.3 Combined Financial Effects Post Divestment of Sale Shares, Keppel REIT Placement and Receipt of New Units from Keppel REIT

The Company understands that Keppel REIT will be proposing a placement to institutional investors of new Keppel REIT units (the “**Keppel REIT Placement**”) for the purpose of raising funds to partially finance its acquisition of the Sale Shares and related costs and expenses thereof (but excluding the Acquisition Fee). The Keppel REIT Placement will have a dilutive effect on the Group’s percentage unitholding in Keppel REIT. For illustrative purposes only, assuming that the Keppel REIT Placement is approximately 195,000,000 million new units at an issue price of S\$1.17 per unit (refer to Keppel REIT’s announcement dated 18 September 2014 for further details of the Keppel REIT Placement), the Group’s unitholding in Keppel REIT will be diluted to approximately 42%. Arising from this dilution, in accordance with Singapore Financial Reporting Standards, the Group expects to recognise a loss of about S\$19 million.

At Completion, the Group will receive the Acquisition Fee and Consideration Units. As a result, the Group’s unitholding in Keppel REIT will revert to approximately its percentage unitholding interest as at the date of this Announcement. Depending on the issue price for the new units and the net asset value per unit of Keppel REIT at that point in time, the receipt of such new units could result in a gain or loss for the Group.

The Keppel REIT Placement and the Group’s receipt of the new units from Keppel REIT are not expected to have a material impact on the net divestment gain mentioned in Paragraph 4.2 above.

5. CHAPTER 10 OF THE LISTING MANUAL

Under Chapter 10 of the Listing Manual (which governs acquisitions and realisations), where any of the relative figures of an asset purchase or asset sale transaction, computed on the bases in Rule 1006 of the Listing Manual exceeds 5% but is less than 20%, that transaction is classified as a “discloseable transaction” and shall be subject to announcement but is not subject to shareholders’ approval. Where any of the relative figures as computed on the bases set out in Rule 1006 exceeds 20%, the transaction is classified as a “major transaction” and must be made conditional upon shareholders’ approval at a general meeting.

The relative figures for the Transaction, respectively, computed on the bases set out in Rule 1006 of Listing Manual are set out below:

Rule 1006 ⁽⁵⁾	Bases	Relative Figures (%)
(a)	Unaudited net asset value attributable to the Sale Shares compared with the Group's unaudited net asset value as at 30 June 2014	6.8 ⁽¹⁾
(b)	Unaudited net profits attributable to the Sale Shares compared with the Group's unaudited net profits for the half-year ended 30 June 2014	4.9 ⁽²⁾
(c)	Aggregate value of the consideration for the Sale Shares compared with the market capitalisation of the Company as at 17 September 2014, being the market day preceding the date of the S&P Agreement	13.4 ⁽³⁾
(d)	Number of equity securities issued by the Company as consideration for the Transaction, compared with the number of equity securities previously in issue	Not applicable ⁽⁴⁾

Notes:

(1) Computed based on the unaudited net asset value attributable to the Sale Shares as at 30 June 2014 of approximately S\$467.2 million divided by the Group's unaudited net asset value as at 30 June 2014 of approximately S\$6,903.8 million.

(2) Computed based on the unaudited net profits attributable to the Sale Shares for the half-year ended 30 June 2014 of approximately S\$12.8 million divided by the Group's unaudited net profits for the half-year ended 30 June 2014 of approximately S\$260.3 million. These figures are stated before income tax, minority interests and extraordinary items.

(3) Computed based on the estimated Sale Consideration of approximately S\$710.1 million divided by the market capitalisation of the Company as at 17 September 2014 (based on the volume weighted average price of the Shares transacted on such date) of approximately S\$5,279.6 million.

In accordance with Rule 1003 of the Listing Manual, where the consideration is in the form of units of Keppel REIT, the value of the consideration shall be determined by reference either to the market value of such units or the net asset value represented by such units, whichever is higher. For illustrative purposes, based on Keppel REIT's volume weighted average unit price of S\$1.2375 for the 10 days immediately preceding the date of the S&P Agreement and net asset value per unit as at 30 June 2014 of S\$1.40, the aggregate value of the consideration for the Sale Shares would be approximately S\$734.4 million and the relative figure would be approximately 13.9%.

(4) There are no equity securities issued by the Company as consideration for the Transaction.

(5) Rule 1006(e) of the Listing Manual is not relevant for the Transaction.

The Transaction constitutes a “discloseable transaction” for the purposes of Chapter 10 of the Listing Manual, and is not subject to the approval of shareholders of KLL as the respective relative figure under Rule 1006(a) and Rule 1006 (c) of the Listing Manual exceeds 5% but is less than 20%.

6. DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS

Mr Ang Wee Gee, a Director and the Chief Executive Officer of KLL, is a non-executive director of, the Manager.

As at the date of this Announcement, and based on information available to the Company as the date of this Announcement, Keppel Corporation Limited (“KCL”) is interested (though a wholly-owned subsidiary) in approximately 54.59% of KLL, and Temasek Holdings (Private) Limited (“**Temasek**”) is interested (including through its interests in KCL) in approximately 54.62% of KLL.

As at the date of this Announcement, the Company understands from the Manager that based on information available to the Manager as at the date of this Announcement, KCL is interested (through a wholly-owned subsidiary) in approximately 0.21% of Keppel REIT and is deemed to be interested in KLL's indirect interest in approximately 44.93% of Keppel REIT. As at the date of this Announcement, the Company understands from the Manager that based on information available to the Manager as at the date of this Announcement, Temasek through its interests in KCL and DBS Group Holdings Limited, has a deemed interest in approximately 46.36% of Keppel REIT.

The Transaction does not constitute an "interested person transaction" under Chapter 9 of the Listing Manual for KLL as, in accordance with the exception in Rule 915(3) of the Listing Manual⁵, at the time of entry into the Transaction (that is, the S&P Agreement), the interest of the Company's interested person (as that term is defined in Chapter 9 the Listing Manual) in Keppel REIT, other than held through KLL, is less than 5%.

Save as disclosed above, and based on the information available to the Company as at the date of this Announcement, none of the Directors or controlling shareholders of the Company has any interest, direct or indirect, in the Transaction (other through their interest in the securities, if any, of the Company and Keppel REIT).

7. DOCUMENTS FOR INSPECTION

A copy each of the S&P Agreement and the valuation certificate of Colliers in respect of the Property Interest is available for inspection at the registered office of the Company during normal business hours for a period of three months from the date of this Announcement.

Dated: 18 September 2014

⁵ Rule 915(3) of the Listing Manual exempts the following transaction from the interested person transaction rules in Chapter 9 of the Listing Manual: A transaction between an entity at risk and an investee company, where the interested person's interest in the investee company, other than that held through the issuer, is less than 5%.