



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

SALE OF KEPPEL REIT'S ENTIRE 92.8% INTEREST IN PRUDENTIAL TOWER

1. INTRODUCTION

1.1 Sale

Keppel REIT Management Limited, in its capacity 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 today entered into sale and purchase agreements (collectively, the "**SPAs**") with 30 companies wholly-owned by Epic Land Pte Ltd, which is in turn a joint venture company owned by KOP Cecil Pte Ltd, Lian Beng Capital Pte Ltd, KSH Commercial Investment Pte Ltd and Centurion Cecil Pte Ltd (the "**Purchasers**")¹ for the sale of Keppel REIT's 92.8% of the aggregate strata area of Prudential Tower (the "**Sale**") for an aggregate sale consideration of S\$512.0 million.

1.2 Information on Prudential Tower

Prudential Tower is a 30-storey, Grade A office building located at the Raffles Place precinct with a leasehold term of 99 years commencing from 15 January 1996. The property is located at 30 Cecil Street, at the junction of Church Street and Cecil Street. It is also located near the Raffles Place and Telok Ayer Mass Rapid Transit stations and near major expressways. As at 31 March 2014, Prudential Tower had a 100% committed occupancy and 40 tenants.

Keppel REIT owns 92.8% of the aggregate strata area of Prudential Tower over levels one and 10 to 29 of the building except part of level 16 (together, the "**Prudential Tower Property**"). The net lettable area of the Prudential Tower Property is 221,080 square feet.

Knight Frank Pte Ltd ("**Knight Frank**") has been commissioned by the Manager to value the Prudential Tower Property for Keppel REIT. The valuation as at 28 April 2014 conducted by Knight Frank of the Prudential Tower Property is S\$490.0 million.

¹ KOP Cecil Pte Ltd, Lian Beng Capital Pte Ltd, KSH Commercial Investment Pte Ltd and Centurion Cecil Pte Ltd are wholly-owned by KOP Limited, Lian Beng Group Ltd, KSH Holdings Limited and Centurion Global Ltd respectively. The 30 special purpose companies are Epic Land (01) Pte Ltd, Epic Land (10-1) Pte Ltd, Epic Land (10-2) Pte Ltd, Epic Land (11-1) Pte Ltd, Epic Land (11-2) Pte Ltd, Epic Land (12-1) Pte Ltd, Epic Land (12-2) Pte Ltd, Epic Land (13-1) Pte Ltd, Epic Land (13-2) Pte Ltd, Epic Land (14-1) Pte Ltd, Epic Land (14-2) Pte Ltd, Epic Land (15-1) Pte Ltd, Epic Land (15-2) Pte Ltd, Epic Land (16-1) Pte Ltd, Epic Land (17-1) Pte Ltd, Epic Land (17-2) Pte Ltd, Epic Land (18-1) Pte Ltd, Epic Land (18-2) Pte Ltd, Epic Land (19-1) Pte Ltd, Epic Land (19-2) Pte Ltd, Epic Land (20) Pte Ltd, Epic Land (21) Pte Ltd, Epic Land (22) Pte Ltd, Epic Land (23) Pte Ltd, Epic Land (24) Pte Ltd, Epic Land (25) Pte Ltd, Epic Land (26) Pte Ltd, Epic Land (27) Pte Ltd, Epic Land (28) Pte Ltd and Epic Land (29) Pte Ltd.

2. PRINCIPAL TERMS OF THE SALE

2.1 Sale and Purchase

Pursuant to the SPAs, Keppel REIT will sell the Prudential Tower Property to the Purchasers for an aggregate sale consideration of S\$512.0 million. The completion of the Sale is expected to take place on 26 September 2014.

2.2 Sale Consideration and Valuation

The aggregate sale consideration (of S\$512.0 million) for the Sale was negotiated on a willing-buyer and willing-seller basis after taking into account the independent valuation (of S\$490.0 million) as at 28 April 2014. The total deposit payable by the Purchasers to Keppel REIT under the SPAs is 15.0% of the aggregate sale consideration of S\$512.0 million. Keppel REIT has received an aggregate initial deposit of S\$25.6 million from the Purchasers upon execution of the SPAs. The Purchasers will pay to Keppel REIT two further tranches of the deposit payable under each of the SPAs prior to the completion of the Sale (comprising an aggregate of S\$25.6 million payable on the date falling six weeks after the date of the SPAs and an aggregate of S\$25.6 million payable on the date falling 14 weeks after the date of the SPAs).

2.3 Principal Terms of the SPAs

The principal terms of the SPAs include, among others, the following:

- the Prudential Tower Property is sold in its present state and condition as regards access, repair, physical state, light, air, drainage, sewerage, utility services, encroachments, use and in all other respects and no warranty on the part of Keppel REIT is given or is to be implied as to correctness of description or suitability for any particular purpose or purposes or condition or state of repair or otherwise howsoever and the Purchasers shall not be entitled to make or raise any enquiry, requisition or objection whatsoever in respect thereof;
- the sale and purchase of the Prudential Tower Property is on a collective sale and purchase basis and the completion is conditional on and subject to concurrent completion of the sale and purchase of all of the Prudential Tower Property in accordance with the 30 SPAs; and
- the Purchasers reimbursing the contributions made by Keppel REIT as subsidiary proprietor of Prudential Tower (prior to the Sale) towards the costs of certain upgrading or retrofitting works carried out by the management corporation based on an agreed formula less certain agreed deductions.

3. RATIONALE FOR THE SALE

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

3.1 Capital recycling and active portfolio management

The divestment is in-line with the Manager’s strategy to regularly evaluate and rejuvenate its portfolio. The divestment will allow Keppel REIT to repay existing debt so as to provide greater financial flexibility, for general corporate and working capital purposes and/or for pursuing acquisition opportunities.

3.2 Divestment gain

Keppel REIT is expected to recognise an estimated gain on the Sale of approximately S\$9.0 million over the book value of S\$490.0 million as at 31 December 2013.

The sale price of S\$512.0 million is S\$162.9 million higher than Keppel REIT’s original purchase price of the Prudential Tower Property of S\$349.1 million.

4. USE OF SALE PROCEEDS AND FINANCIAL EFFECTS

4.1 Use of Sale Proceeds

The Manager’s current intention is to use a substantial amount of the sale proceeds to repay existing debt to provide Keppel REIT with greater financial flexibility, with the remaining amount of the sale proceeds to be used for general corporate and working capital purposes and/or for pursuing acquisition opportunities.

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**”), the distribution per Unit (“**DPU**”) and aggregate leverage of Keppel REIT presented below were prepared based on the audited financial statements of Keppel REIT for the financial year ended 31 December 2013.

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 2013, as if the Sale was completed on 31 December 2013, are as follows:

	Effects of the Sale	
	Before the Sale	After the Sale
NAV per Unit (S\$)	1.38	1.38

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 2013, as if Keppel REIT had completed the Sale on 1 January 2013, are as follows:

	Effects of the Sale	
	Before the Sale	After the Sale
DPU (cents)	7.88	7.67

4.2.3 Pro Forma Aggregate Leverage of the Sale

FOR ILLUSTRATIVE PURPOSES ONLY: The pro forma financial effects of the Sale on Keppel REIT's aggregate leverage as at 31 December 2013, as if Keppel REIT had completed the Sale on 31 December 2013, are as follows:

	Effects of the Sale	
	Before the Sale	After the Sale
Aggregate Leverage (%)	42.1	38.8 ⁽¹⁾

Note:

(1) Based on assumption that S\$425.0 million of the sale proceeds is used for repayment of borrowings.

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 Director's Service Contracts

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

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

Chapter 10 of the Listing Manual classifies transactions by Keppel REIT 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, *inter alia*, the following bases:

- (i) the net asset value of the assets to be disposed of, compared with Keppel REIT's net asset value;

- (ii) the net profits attributable to the assets acquired or disposed of, compared with Keppel REIT's net profits; and
- (iii) the aggregate value of the consideration given or received, compared with Keppel REIT's market capitalisation.

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

Comparison of:	Sale	Keppel REIT	Relative figure (%)
Net asset value (S\$'000) ⁽¹⁾	490,000	3,891,619	12.6
Net profits (S\$'000) ⁽¹⁾	4,115	42,873	9.6
Consideration against market capitalisation (S\$'million)	512	3,443 ⁽²⁾	14.9

Notes:

- (1) Based on Keppel REIT's latest announced unaudited financial results for the period ended 31 March 2014.
- (2) As at 14 May 2014 being the market day preceding the date of the SPAs.

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 SPAs and the independent valuation by Knight Frank are available for inspection during normal business hours at the registered office of the Manager at 1 HarbourFront Avenue, #18-01 Keppel Bay Tower, Singapore 098632² for a 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

Choo Chin Teck / Kelvin Chua Hua Yeow
Joint Company Secretaries
15 May 2014

² Prior appointment with the Manager will be appreciated.

Important Notice

The value of Units and the income from them may fall as well as rise. Units are not obligations of, deposits in, or guaranteed by the Company, as manager of Keppel REIT, 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 of Keppel REIT may only deal in their Units through trading on the Singapore Exchange Securities Trading Limited (“**SGX-ST**”). Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units.

The past performance of Keppel REIT is not necessarily indicative of the future performance of Keppel REIT.