



# Harnessing Strengths

Report to Unitholders 2015



# Harnessing Strengths

*The Keppel Group harnesses and synergises the distinctive strengths of its multi businesses to capture opportunities arising from the global demand for energy, sustainable urbanisation and connectivity. Our strong culture and enduring values drive our people to strive for execution excellence and operational efficiency. With financial discipline and sharp focus on optimising returns, we will seize opportunities as well as innovate solutions and services to build a long-term and competitive position and capture sustainable returns for our stakeholders.*

## Vision

To be a successful commercial real estate investment trust with a sterling portfolio of assets pan-Asia.

## Mission

Guided by our operating principles and core values, we will deliver stable and sustainable returns to Unitholders by continually enhancing our assets and expanding our portfolio.

## Operating Principles

- 1 Best value propositions to customers.
- 2 Tapping and developing best talents from our global workforce.
- 3 Cultivating a spirit of innovation and enterprise.
- 4 Executing our projects well.
- 5 Being financially disciplined to earn best risk-adjusted returns.
- 6 Clarity of focus and operating within our core competence.
- 7 Being prepared for the future.

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# Key Figures for 2015

## Assets Under Management

# \$8.4b

Grew from \$8.2 billion a year ago on higher capital values as a result of better performance and stronger rental income from properties.

## Net Property Income

# \$137.5m

Despite the absence of income from the divested Prudential Tower, net property income stood at \$137.5 million due to higher income from its properties.

## Aggregate Leverage Ratio

# 39.3%

Improved to 39.3% from 43.3% a year ago as a result of higher capital values of properties and lower borrowings.

## Net Asset Value per Unit

# \$1.42

Increased to \$1.42 as at end-2015 from \$1.40 a year ago.

## Distributable Income

# \$217.3m

Improved 5.4% year-on-year (y-o-y) despite the absence of income from the divested Prudential Tower, as well as the absence of rental support from Ocean Financial Centre and Marina Bay Financial Centre (MBFC) Phase One.

## Share of Results of Associates and Joint Ventures

# \$92.9m

Increased 31.5% y-o-y with the full-year contribution from the one-third stake in MBFC Tower 3, as well as higher contributions from 8 Chifley Square in Sydney and the office tower and its annexe on the Old Treasury Building site in Perth.

## All-in Interest Rate

# 2.5%

Maintained healthy average cost of debt at 2.5% as at end-2015.

## Distribution Yield

# 7.3%<sup>1</sup>

Based on distribution per Unit of 6.80 cents for the full year 2015, Keppel REIT continues to offer attractive yield to Unitholders.

<sup>1</sup> Based on the market closing price of \$0.93 per Unit as at 31 December 2015.

# Financial Highlights

## Actuals

for the financial year ended 31 December

	2015 \$'000	2014 \$'000	Change %
Property income	<b>170,347<sup>1</sup></b>	184,093 <sup>2</sup>	(7.5)
Net property income	<b>137,465</b>	151,436	(9.2)
Share of results of associates <sup>3</sup>	<b>75,695</b>	60,745	24.6
Share of results of joint ventures <sup>4</sup>	<b>17,163</b>	9,848	74.3
Distributable income	<b>217,268</b>	206,142	5.4

## Balance Sheet

as at 31 December

	2015 \$'000	2014 \$'000	Change %
Total assets	<b>7,425,418</b>	7,329,404	1.3
Total liabilities	<b>2,647,570</b>	2,869,932	(7.7)
Unitholders' funds	<b>4,626,021</b>	4,457,420	3.8
Perpetual securities	<b>149,719</b>	–	100.0
Total gross borrowings <sup>5</sup>	<b>3,340,755</b>	3,545,300	(5.8)
Value of deposited properties	<b>8,496,235</b>	8,184,726	3.8
Market capitalisation <sup>6</sup>	<b>2,990,996</b>	3,867,929	(22.7)
Net asset value per Unit (\$)	<b>1.44</b>	1.41	2.1
Adjusted net asset value per Unit (\$) – excluding distributable income	<b>1.42</b>	1.40	1.4

## Financial Ratios

	2015	2014	Change %
Distribution per Unit (DPU) (cents)	<b>6.80<sup>7</sup></b>	7.23 <sup>8</sup>	(5.9)
Distribution yield (%) <sup>6</sup>	<b>7.3</b>	5.9	23.7
Interest coverage ratio (times)	<b>4.4</b>	5.0	(12.0)
All-in interest rate (%)	<b>2.5</b>	2.2	13.6
Aggregate leverage (%)	<b>39.3</b>	43.3	(9.2)

<sup>1</sup> Property income in 2015 comprised property income from Bugis Junction Towers, 99.9% interest in Ocean Financial Centre (the Ocean Financial Centre Interest), 50% interest in 275 George Street (the 275 George Street Interest), 77 King Street Office Tower, 50% interest in the office building and two retail units at 8 Exhibition Street as well as 100% interest in the adjoining three retail units acquired on 12 October 2015.

<sup>2</sup> Property income in 2014 comprised property income from Bugis Junction Towers, the Ocean Financial Centre Interest, 92.8% interest in Prudential Tower for the period from 1 January 2014 to 26 September 2014, the 275 George Street Interest, 77 King Street Office Tower and 50% interest in the office building and two retail units at 8 Exhibition Street.

<sup>3</sup> Share of results of associates comprised Keppel REIT's one-third share of the respective total return after tax of One Raffles Quay Pte Ltd (ORQPL), BFC Development Limited Liability Partnership (BFCDLLP) and Central Boulevard Development Pte Ltd (CBDPL).

<sup>4</sup> Share of results of joint ventures comprised total returns after tax from Keppel REIT's 50% interests in Mirvac 8 Chifley Trust (M8CT) and Mirvac (Old Treasury) Trust (MOTT).

<sup>5</sup> Included Keppel REIT's share of deferred payments in relation to the development of Ocean Financial Centre carpark and retail podium, and share of borrowings carried at ORQPL and CBDPL.

<sup>6</sup> Based on the market closing price of \$0.93 per Unit as at 31 December 2015 for FY 2015, and \$1.22 per Unit as at 31 December 2014 for FY 2014.

<sup>7</sup> Total DPU for FY 2015 of 6.80 cents was based on 1.70 cents, 1.72 cents, 1.70 cents and 1.68 cents announced during the 1Q 2015, 2Q 2015, 3Q 2015 and 4Q 2015 results announcements respectively.

<sup>8</sup> Total DPU for FY 2014 of 7.23 cents was based on 1.97 cents, 1.90 cents, 1.85 cents and 1.51 cents announced during the 1Q 2014, 2Q 2014, 3Q 2014 and 4Q 2014 results announcements respectively.

Quarterly Results

# Quarterly Results

	Quarter 1		Quarter 2		Quarter 3		Quarter 4		Full Year
	\$'000	%	\$'000	%	\$'000	%	\$'000	%	\$'000
<b>Distributable income</b>									
<b>2015</b>	<b>54,009</b>	<b>25</b>	<b>54,820</b>	<b>25</b>	<b>54,408</b>	<b>25</b>	<b>54,031</b>	<b>25</b>	<b>217,268</b>
2014	55,047	27	53,220	26	52,027	25	45,848	22	206,142
<b>Property income</b>									
<b>2015</b>	<b>42,405</b>	<b>25</b>	<b>42,964</b>	<b>25</b>	<b>42,183</b>	<b>25</b>	<b>42,795</b>	<b>25</b>	<b>170,347</b>
2014	46,782	25	47,346	26	47,628	26	42,337	23	184,093
<b>Net property income</b>									
<b>2015</b>	<b>34,587</b>	<b>25</b>	<b>34,711</b>	<b>25</b>	<b>33,396</b>	<b>25</b>	<b>34,771</b>	<b>25</b>	<b>137,465</b>
2014	39,468	26	39,191	26	38,524	25	34,253	23	151,436
<b>Share of results of associates</b>									
<b>2015</b>	<b>20,367</b>	<b>27</b>	<b>19,953</b>	<b>26</b>	<b>18,513</b>	<b>25</b>	<b>16,862</b>	<b>22</b>	<b>75,695</b>
2014	15,985	26	14,244	23	14,401	24	16,115	27	60,745
<b>Share of results of joint ventures</b>									
<b>2015</b>	<b>4,043</b>	<b>23</b>	<b>4,056</b>	<b>24</b>	<b>3,907</b>	<b>23</b>	<b>5,157</b>	<b>30</b>	<b>17,163</b>
2014	831	9	920	9	3,969	40	4,128	42	9,848

## Corporate Profile

Keppel REIT was listed by way of an introduction on 28 April 2006. Over the last decade, Keppel REIT has grown from strength-to-strength to become one of Asia's leading REITs with the youngest and largest portfolio of premium Grade A commercial assets in Singapore's prime business and financial district.

Keppel REIT's objective is to generate stable income and long-term growth for Unitholders by investing in and owning a portfolio of quality income-producing commercial real estate and real estate-related assets pan-Asia.

As at 31 December 2015, Keppel REIT has approximately \$8.4 billion assets under management comprising interests in nine premium assets with 12 towers strategically located in the central business districts of Singapore, as well as key cities of Sydney, Melbourne, Brisbane and Perth in Australia. On 29 January 2016, the Manager divested its 100% interest in 77 King Street in Sydney.

Today, Keppel REIT's assets in Singapore are a 99.9% interest in Ocean Financial Centre, a one-third interest in Marina Bay Financial Centre (comprising office Towers 1, 2 and 3 and the subterranean mall, Marina Bay Link Mall), a one-third interest in One Raffles Quay and a 100% interest in Bugis Junction Towers.

In Australia, the assets are a 50% interest in 8 Chifley Square in Sydney, a 50% interest in the 8 Exhibition Street office building and two retail units and a 100% interest in the adjoining three retail units in Melbourne, a 50% interest in 275 George Street in Brisbane, as well as a 50% interest in the office tower and its annexe on the Old Treasury Building site in Perth.

Keppel REIT is sponsored by Keppel Land Limited (Keppel Land), one of Asia's leading property companies. Keppel REIT is currently managed by Keppel REIT Management Limited (the Manager), a wholly-owned subsidiary of Keppel Land.

Keppel Corporation Limited has announced its intention to consolidate its interests in all four of its subsidiaries in business trust management, REIT management and fund management under Keppel Capital Holdings Pte. Ltd. This includes Keppel Land's interest in the Manager. The consolidation is expected to be completed by the second half of 2016. When completed, improvements to the operational efficiency and performance of the Manager can be expected when certain non-regulated support functions are centralised. Having a larger platform will also enhance recruitment and retention of talent, as well as facilitate sharing of best practices. This will in turn benefit the Unitholders of Keppel REIT.

*01 As Keppel REIT celebrates 10 years of excellence, the Manager remains steadfast in its commitment to capture value and sustain returns over a longer term.*

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# Strategic Direction

*Keppel REIT aims to be a successful commercial real estate investment trust with a sterling portfolio of assets in Singapore and key cities pan-Asia.*

*The Manager will continue to capture value and sustain returns through:*

Maximising Performance	Enhancing Assets	Achieving Capital Efficiency	Acquiring Quality Assets	Developing Talent
<ul style="list-style-type: none"> <li>Maximising asset performances and managing costs to achieve operational efficiency</li> <li>Executing proactive marketing and leasing strategies to attract and retain a well-diversified tenant base from various business sectors</li> <li>Maintaining a well-staggered lease expiry profile</li> <li>Delivering quality property and customer services to tenants</li> <li>Seeking additional income opportunities</li> </ul>	<ul style="list-style-type: none"> <li>Undertaking asset enhancement initiatives to maintain a portfolio of premium Grade A offices that meets changing business needs</li> <li>Leveraging technology to enhance operations</li> <li>Ensuring the safety and security of all building occupants</li> <li>Implementing environmentally sustainable features and initiatives where feasible</li> <li>Strengthening asset management expertise and capabilities</li> </ul>	<ul style="list-style-type: none"> <li>Maintaining a disciplined capital management approach</li> <li>Extending the debt maturity profile to mitigate refinancing risks</li> <li>Limiting exposure to fluctuations in interest and foreign exchange rates</li> <li>Optimising capital structure</li> <li>Negotiating favourable credit facilities to fund business operations</li> </ul>	<ul style="list-style-type: none"> <li>Identifying quality assets that are aligned with Keppel REIT's investment mandate</li> <li>Conducting thorough feasibility studies and comprehensive due diligence on potential acquisitions</li> <li>Structuring investments to optimise tax efficiency and allow for repatriation of income from foreign assets</li> <li>Evaluating performance of the properties and recycling of capital, where appropriate, to optimise portfolio</li> </ul>	<ul style="list-style-type: none"> <li>Nurturing a motivated and competent team to drive further growth</li> <li>Investing in training and development to raise the competency level of its employees</li> <li>Promoting workplace wellness</li> <li>Adopting best-in-class management practices</li> <li>Leveraging technology to raise productivity and enhance workflow efficiencies</li> </ul>

### Proactive Portfolio Management

The Manager ensures that all its properties are well-leased to tenants across diverse business sectors. It strives to balance the lease expiry and rent review profiles, as well as structure leases with regular rent reviews.

The Manager is committed to manage lease renewals to minimise downtime by proactively engaging tenants to ensure tenant retention, while adopting a flexible leasing approach to meet tenants' business needs for expansion and restructuring.

Asset performances and operating costs are monitored closely to ensure that its buildings are operating at optimal levels without any compromise to the service levels, or to the safety and comfort of its occupants.

### Disciplined Capital Management Approach

The Manager adopts a disciplined approach towards capital management. The Manager leverages the strong credit standing of the Keppel Group to obtain favourable credit facilities. The Manager balances the debt expiry profile, as well as hedges its exposure to fluctuations in interest and foreign exchange rates. The Manager also proactively explores alternative sources of funding in the debt and equity capital markets.

### Sound Investment Strategy

The Manager invests in quality commercial properties strategically located within the key cities pan-Asia that offer stable income growth and capital appreciation in the mid- to long-term.

The Manager adheres to stringent criteria in its evaluation of potential assets for acquisition. This involves a thorough review of the exposures, risks and returns as well as the overall value-add of the assets to Keppel REIT's existing portfolio and future growth expectations. The Manager also evaluates the performance of the properties and considers the recycling of capital, where appropriate, to optimise its portfolio.

### Committed to Sustainability

All of Keppel REIT's buildings bear internationally-recognised green certifications. Environmentally sustainable features are thoughtfully incorporated into Keppel REIT's properties, where feasible. Keppel REIT also topped the highly-acclaimed Global Real Estate Sustainability Benchmark 2015 for the second consecutive year.

# Chairman's Statement

**Dr Chin Wei-Li,  
Audrey Marie  
Chairman**

*The strong core values and operating principles that have become our DNA will continue to guide us as we adapt to the changing business environment to capture value and deliver sustained returns.*

## Key Performances 2015

- Stronger performance from Keppel REIT's office towers in Singapore and Australia saw higher distributable income to Unitholders of \$217.3 million for FY 2015.
- To maximise and capture value for Unitholders, the Manager gained strategic control of 8 Exhibition Street with the acquisition of the three remaining prime street-fronting retail units in October 2015. In January 2016, Keppel REIT divested 77 King Street in Sydney, which will provide the REIT with greater financial flexibility.
- Proactive marketing and rigorous leasing efforts saw a total of 114 leases concluded for 2015. Tenant retention rate remained at a high of 90%, with a positive rent reversion of 13% for all new and renewed leases in Singapore.



## Dear Unitholders,

The year 2016 marks a decade of excellence for Keppel REIT as one of Asia's leading REITs with a sterling portfolio of assets.

Since listing in April 2006, Keppel REIT has grown steadily and now possesses the youngest and largest portfolio of premium Grade A commercial assets in Singapore's prime business and financial precinct.

The strong core values and operating principles that have become our DNA will continue to guide us as we adapt to the changing business environment to capture value and deliver sustained returns.

## Distributable Income

# 40%

The CAGR of Keppel REIT's distributable income to Unitholders since its listing in 2006 was approximately 40% as at end-2015.

## Delivering Resilient Returns

In 2015, global markets were weighed down by volatility and slowing growth in emerging markets. At home, the Singapore economy recorded a modest 2% growth, in line with the Government's earlier estimate for 2015.

Amidst these challenging conditions, I am pleased to report that Keppel REIT continued to deliver credible results for the financial year 2015.

Stronger performance from Keppel REIT's office towers in Singapore and Australia saw distributable income to Unitholders increase 5.4% year-on-year to \$217.3 million for FY 2015. The compounded annual growth rate (CAGR) of Keppel REIT's distributable income since its listing in 2006 is thus approximately 40% as at end-2015.

Higher distributable income was achieved in FY 2015 despite the absence of income from Prudential Tower, which was divested in September 2014, as well as the absence of rental support from Keppel REIT's stakes in Marina Bay Financial Centre (MBFC) Phase One since February 2014 and Ocean Financial Centre since January 2015.

The strategic addition of MBFC Tower 3 to Keppel REIT's portfolio from December 2014 augmented distributable income with its full-year income contribution in 2015. More importantly, it strengthens Keppel REIT's foothold in the entire MBFC development and enhances the REIT's income stability and sustainability over a longer term.

Prudent capital management saw Keppel REIT's aggregate leverage ratio improving to 39.3% as at end-2015 from 43.3% a year ago.

This is considerably lower than the Monetary Authority of Singapore's revised aggregate leverage limit of 45%<sup>1</sup>.

Despite the rising interest rate environment, the average cost of debt and interest coverage ratio remained healthy at 2.5% and 4.4 times respectively. Insulating the REIT against interest rate volatility and providing certainty of interest expenses as well as financial and operational flexibility, fixed-rate loans were maintained at a comfortable level of 70%.

Keppel REIT continued to maintain a well-staggered debt maturity profile, with its weighted average term to expiry at 3.7 years. As at end-2015, almost all of the REIT's refinancing requirements for 2016 have been completed.

In keeping with its commitment to maximise and capture value for Unitholders, the Manager acquired the three remaining prime street-fronting retail units at 8 Exhibition Street in Melbourne in October 2015. The acquisition provided Keppel REIT with strategic control over the 35-storey freehold office building and all five retail units within the development.

In January 2016, in a strategic move, the Manager divested its interest in 77 King Street in Sydney for A\$160 million, which was approximately 40% above the property's original purchase price in end-2010 and an approximate 27% premium over the property's last valuation. The divestment will provide Keppel REIT with greater financial flexibility.

## Sustaining High Occupancy

Our tenants are the cornerstone of our business. Over the years, regular interactions and proactive engagements have enabled us to forge enduring partnerships with our tenants, allowing us to better understand and meet their business needs.

During the year, the Manager's continuous efforts to retain as well as attract good and creditworthy tenants yielded encouraging results with a total of 114 leases concluded for 2015. Tenant retention rate remained at a high of 90%, with a positive rent reversion of 13% for all new and renewed leases in Singapore.

To manage the impending increase in office supply in Singapore in 2016 and 2017, the Manager has been focusing its efforts on engaging and retaining tenants with leases expiring over these two years.

<sup>1</sup> With effect from 1 January 2016.



## Chairman's Statement

*Keppel REIT topped the coveted GRESB for the second consecutive year in 2015 with accolades in various sectors. Beyond awards, the recognition is testament to our proactive efforts towards achieving excellence in sustainability.*

Meanwhile, approximately 75% of total leases is not due for renewal till 2018 and beyond, when limited new office supply is expected in Singapore.

To provide income stability and sustained returns for Unitholders over a longer term, the Manager continued to maintain a healthy weighted average lease expiry of approximately eight years and six years for Keppel REIT's top 10 tenants and overall portfolio respectively as at end-2015.

In Perth, the Government of Western Australia has commenced its 25-year lease at the newly-completed office tower on the Old Treasury Building site and will progressively move into the development from mid-2016. The lease yields a return of 7.15% and includes fixed annual rental escalations throughout its entire lease term, with options for another 25 years.

### Upholding Best Practices

The Manager remains committed to advance its efforts in sustainability and good corporate governance practices in its continued drive for excellence.

Keppel REIT had once again topped the coveted Global Real Estate Sustainability

Benchmark (GRESB) 2015 with accolades in various sectors.

This is the second consecutive year that Keppel REIT was assessed and ranked against real estate industry players in Asia and globally, and the strong recognition will continue to raise its profile among socially responsible funds. It is also the first REIT in Asia to maintain its pole position as the Regional Leader for Office Sector in Asia for two consecutive years.

The Manager's ongoing commitment towards maintaining high standards in corporate governance and disclosure won Keppel REIT the Best Investor Relations (Gold) award in the REITs and Business Trusts category at the annual Singapore Corporate Award 2015. It was also named the Most Transparent Company (Runner-Up) in the REITs and Business Trusts category at the 16<sup>th</sup> SIAS Investors' Choice Awards 2015.

### Harnessing Strengths

Looking ahead, we will leverage our strengths as we continue to strive to achieve sustainable and resilient returns for Unitholders.

The Manager will continue to focus on tenant retention and engagement, and also



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*In driving Keppel REIT's growth into the future, we remain committed to capture value and provide Unitholders with sustained returns over the long term.*

further strengthen its efforts to maintain a healthy and long lease expiry profile. On the capital management front, the Manager will continue to take a disciplined approach towards mitigating financing, interest rate and foreign exchange risks.

Keppel Corporation Limited has announced its intention to consolidate its interests in all four of its subsidiaries in business trust management, REIT management and fund management under Keppel Capital Holdings Pte. Ltd. This includes Keppel Land's interest in Keppel REIT Management Limited.

The proposed consolidation is expected to improve the operational efficiency and performance of the Manager through centralising certain non-regulated support functions and creating a larger platform that will enhance recruitment and retention of talent, as well as sharing of best practices. This will in turn benefit the Unitholders of Keppel REIT. The consolidation is

expected to be completed by the second half of 2016.

### Acknowledgements

On behalf of the Board, I would like to express our heartfelt appreciation to our Unitholders, business partners and tenants for their unwavering support throughout Keppel REIT's 10-year journey. I would also like to thank our Directors, both past and present, for their counsel and guidance, as well as our staff for their dedication and commitment.

In driving Keppel REIT's growth into the future, we remain committed to capture value and provide Unitholders with sustained returns over the long term.

Yours sincerely,

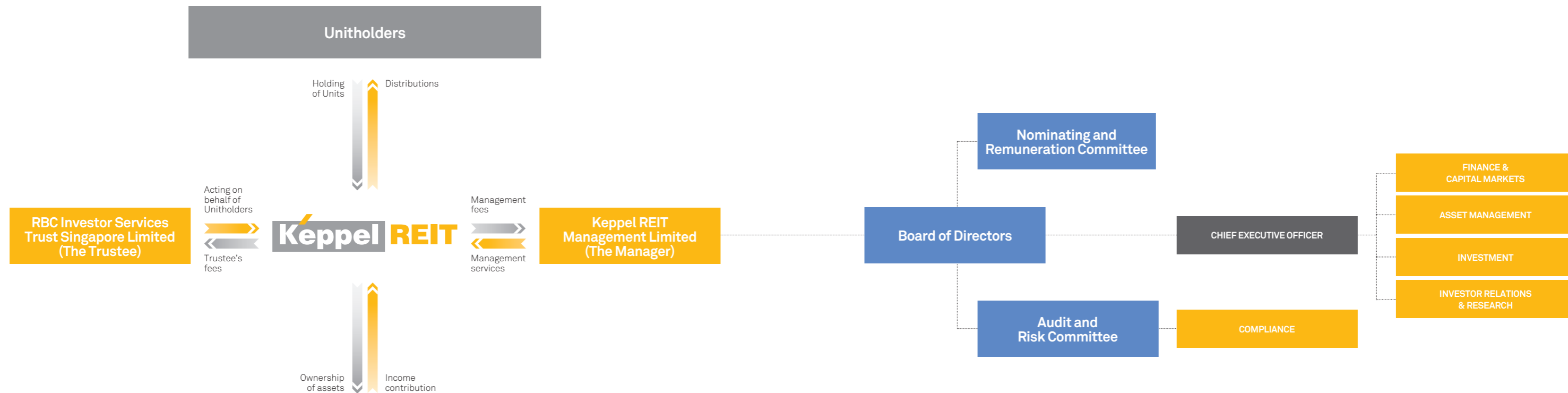
**Dr Chin Wei-Li, Audrey Marie**  
Chairman

19 February 2016










**01** Stronger performance from its properties in Singapore and Australia, as well as the strategic addition of MBFC Tower 3 saw Keppel REIT deliver higher distributable income to Unitholders in 2015.

**02** The Manager is committed to capture value and provide Unitholders with sustained returns over the long term. Pictured here is the team commemorating Singapore's Golden Jubilee in 2015 at Ocean Financial Centre's vertical green wall, which featured the iconic SG50 logo.

# Trust and Organisation Structure



## Properties

SINGAPORE				AUSTRALIA				
<b>PROPERTY MANAGERS</b> Keppel REIT Property Management Pte Ltd (for Ocean Financial Centre and Bugis Junction Towers) Raffles Quay Asset Management Pte Ltd (for Marina Bay Financial Centre and One Raffles Quay)				<b>PROPERTY MANAGERS</b> Mirvac Real Estate Pty Limited (for 8 Chifley Square and the office tower and its annexe at the Old Treasury Building site) GPT Property Management Pty Limited (for 8 Exhibition Street) Charter Hall Real Estate Management Services Pty Limited (for 275 George Street) CBRE Pty Ltd (for 77 King Street)				
<b>Ocean Financial Centre</b> 99.9% interest	<b>Bugis Junction Towers</b> 100% interest	<b>Marina Bay Financial Centre<sup>1</sup></b> 33.3% interest	<b>One Raffles Quay</b> 33.3% interest	<b>8 Chifley Square, Sydney</b> 50% interest	<b>Office tower and its annexe at the Old Treasury Building site, Perth</b> 50% interest	<b>8 Exhibition Street, Melbourne</b> 50% interest <sup>2</sup>	<b>275 George Street, Brisbane</b> 50% interest	<b>77 King Street, Sydney<sup>3</sup></b> 100% interest
								

<sup>1</sup> Marina Bay Financial Centre comprises office Towers 1, 2 and 3 as well as the subterranean mall, Marina Bay Link Mall.  
<sup>2</sup> Refers to Keppel REIT's 50% interest in the 8 Exhibition Street office building and two retail units, as well as a 100% interest in the adjoining three retail units which was acquired on 12 October 2015.  
<sup>3</sup> Keppel REIT divested its 100% interest in 77 King Street on 29 January 2016.

## Board of Directors

*In shaping the future of Keppel REIT, we leverage the Board's diverse experience and expertise to continue to deliver sustainable returns to Unitholders.*



**Dr Chin Wei-Li, Audrey Marie** age 58  
**Chairman and Non-Executive Independent Director**

**Member of Nominating and Remuneration Committee**

Dr Chin has been a non-executive independent Director of the Manager since 3 February 2005.

Dr Chin also serves as the lead independent Director on the board of NTUC Income Insurance Co-operative Singapore, where she is a member of the Investment, Nominating and Remuneration Committees. Dr Chin is concurrently Executive Chairman of Vietnam Investing Associates – Financials Singapore Private Limited.

Prior to assuming her position at Vietnam Investing Associates, Dr Chin held investment-related roles in various financial institutions and the Government of Singapore Investment Corporation.

Dr Chin graduated from Manchester University with a Bachelor of Laws (Honours), Oxford University with a Master of Science (Research Methods and Public Policy) and the Rand Graduate School with a PhD in Public Policy.



**Ms Ng Hsueh Ling** age 49  
**Chief Executive Officer and Executive Director**

Ms Ng has been the Chief Executive Officer and Executive Director of the Manager since 17 August 2009.

Ms Ng works with the Board to set the strategy for Keppel REIT and make recommendations to the Trustee of Keppel REIT. Ms Ng leads the management team of the Manager to deliver stable and sustainable returns to Unitholders by proactively optimising and enhancing the property portfolio.

With over 26 years of experience in the real estate industry, Ms Ng has been involved in the strategic sourcing, investment, asset and portfolio management, as well as the development of assets in key Asian cities. She has also extensive fund management experience in the areas of real estate fund product creation, deal origination, distribution and structuring of real estate-based financial products.

Ms Ng previously served as the Senior Vice President (Funds Business) and the Chief Executive Officer (Korea and Japan) of Ascendas Pte Ltd. She has also held senior positions at CapitalLand Commercial Ltd and CapitalLand Financial Ltd.

Ms Ng holds a Bachelor of Science Degree in Real Estate from the National University of Singapore (NUS). She is also a Licensed Appraiser for land and buildings and is a Fellow of the Singapore Institute of Surveyors and Valuers.

Ms Ng is a Director of various subsidiaries and associated companies of Keppel REIT.



**Mr Tan Chin Hwee** age 44

**Non-Executive  
Independent Director**

**Chairman of Nominating and Remuneration  
Committee and Member of Audit and  
Risk Committee**

Mr Tan has been a non-executive independent Director of the Manager since 14 September 2010.

Mr Tan was the founding partner in Asia for Apollo Global Management, a leading global alternative investment firm which is among the top three largest in the world.

He was voted by the Hedge Fund Journal as the emerging top 40 absolute return investors globally and was also named as Best Asia Credit Hedge Fund by Hong Kong-based publication, The Asset.

Mr Tan was also honoured as a World Economic Forum Young Global Leader and a World Cities Summit Young Leader. He received the Nanyang Alumni Award 2014 and was the winner of the 2013 Distinguished Financial Industry Certified Professional Award (FICP) from the Singapore Government, and is a recipient of the World Outstanding Young Chinese Entrepreneurs Award 2015.

He is currently the Chief Executive Officer for Trafigura Group Pte Ltd, Asia Pacific, a leading independent commodity trading and logistics house.

Mr Tan is active in serving the community and sits on various for-profit and not-for-profit boards; he is a member of the Advisory Panel for the Volunteer Youth Corp formed by the Ministry of Culture, Community and Youth and a board member of Singapore Press Holdings Limited.

Mr Tan is also an Adjunct Professor in a number of universities including Shanghai Jiao Tong University. He is the author of the best-selling book "Asia Financial Statement Analysis: Detecting Financial Irregularities".

Mr Tan received a Bachelor of Accountancy Degree and graduated with Second Class Upper Honours in 1995 from the Nanyang Technological University, Singapore. Mr Tan has a MBA from Yale University and completed a postgraduate course at Harvard Kennedy School.

He is a Chartered Financial Analyst (CFA) and is both an Australian registered Certified Public Accountant (CPA) and a Chartered Accountant of Singapore. He is also a non-executive Director of CFA Society Singapore.

## Board of Directors



**Mr Lee Chiang Huat** age 66  
**Non-Executive Independent Director**

### Chairman of Audit and Risk Committee

Mr Lee has been a non-executive independent Director of the Manager since 9 April 2012.

Mr Lee was the Chief Financial Officer of the Nor Offshore Limited Group from April to December 2010 and was responsible for the finance activities relating to accounting, auditing, financial planning, taxation, treasury, investor relations, human resource, administration and management information systems. Between December 1980 and March 2010, Mr Lee was employed by Singapore Petroleum Company Limited (SPC). He joined SPC as a financial analyst and was promoted to the position of Chief Financial Officer in September 2000 and was responsible for the accounting, reporting, taxation, treasury, information technology, investor relations and regulatory compliance functions. Prior to his employment with SPC, Mr Lee was a credit analyst with a major US banking corporation from December 1979 to December 1980 and was responsible for the evaluation of the creditworthiness of corporate customers.

Since 12 December 2014, Mr Lee has been an independent director and chairman of the Audit and Risk Committee of Keppel DC REIT Management Pte. Ltd., the manager of Keppel DC REIT. Mr Lee has also been a non-executive director of Channoil Asia Pte. Ltd. since July 2012 and an executive director of Icurrencies Pte. Ltd. since March 2012.

Mr Lee holds a Bachelor of Business Administration from NUS, an MBA from the University of New South Wales, as well as a Master of Social Science (Applied Economics) from NUS.



**Mr Daniel Chan Choong Seng** age 63  
**Non-Executive Independent Director**

### Member of Audit and Risk Committee

Mr Chan has been a non-executive independent Director of the Manager since 9 April 2012.

Mr Chan runs his own asset management firm, DCG Capital, a registered fund management company investing mainly in Asian equities. Prior to setting up DCG Capital in 2011, Mr Chan was the Chief Executive Officer of Lion Global Investors (Lion), the asset management subsidiary of the OCBC Group. He was instrumental in establishing Lion through the merger of Straits Lion Asset Management, a subsidiary of Great Eastern Holdings, with OCBC Asset Management in 2005. From September 2005 to September 2009, Mr Chan was also Lion's Chief Investment Officer.

Before joining the OCBC Group, Mr Chan was with the UOB Group for 26 years during which time, he helped establish UOB Asset Management (UOBAM) to be one of Singapore's largest asset managers. Between 2000 and 2004, Mr Chan also served as Chairman of the Investment Management Association of Singapore.

In 2009, Mr Chan was conferred "Distinguished Financial Industry Certified Professional" award by the Institute of Banking & Finance. Under his stewardship, both UOBAM and Lion were recognised for fund performance and garnered a large number of fund awards.

Mr Chan holds a Bachelor of Business Administration Degree from NUS.



**Mr Lor Bak Liang** age 58  
**Non-Executive Independent Director**

**Member of Audit and Risk Committee**

Mr Lor has been a non-executive independent Director of the Manager since 9 April 2012.

Mr Lor is a Director of Werone Connect Pte Ltd, a company engaged in business consultancy.

Mr Lor was Executive Vice President and Head of Asset Management (Asia) in GIC Real Estate Pte Ltd. He was with GIC Real Estate from 1993 to 2007. Prior to joining GIC Real Estate, he was with the Strategic Planning and Business Development Division of DBS Land. Mr Lor began his career as a civil engineer in the Public Works Department in 1982.

Mr Lor graduated from the University of Adelaide with a Bachelor of Engineering (Honours) and from NUS with a Master of Science (Business Administration) and a Master of Science (Civil Engineering). His professional qualifications include Professional Engineer and CFA.



**Mr Ang Wee Gee** age 54  
**Non-Executive Director**

**Member of Nominating and Remuneration Committee**

Mr Ang has been a non-executive Director of the Manager since 1 January 2013.

Mr Ang joined the Keppel Land Group in 1991 and was appointed Chief Executive Officer of Keppel Land Limited (Keppel Land) on 1 January 2013.

Prior to his appointment as Chief Executive Officer of Keppel Land, Mr Ang held senior management positions in the Keppel Land Group. He was Executive Vice Chairman of Keppel Land China Limited, a wholly-owned subsidiary of Keppel Land which owns and operates Keppel Land's businesses in China and, prior to that, Executive Director and Chief Executive Officer, International, of Keppel Land International Limited, where he was responsible for Keppel Land's overseas businesses. He was also Chairman of Keppel Philippines Properties, Inc. and Keppel Thai Properties Public Company Limited, which are listed on The Philippine Stock Exchange and The Stock Exchange of Thailand respectively. Mr Ang previously held positions in business and project development for Singapore and overseas markets, and corporate planning in Keppel Land's hospitality arm. He was also Keppel Land's country head for Vietnam and the head of Keppel Land Hospitality Management Pte Ltd, Keppel Land's hotel and serviced apartment management company.

Prior to joining the Keppel Land Group, Mr Ang acquired diverse experience in the hotel, real estate and management consulting industries in the USA, Hong Kong and Singapore.

Mr Ang holds a Master of Business Administration Degree from Imperial College, University of London. He received his Bachelor of Science Degree summa cum laude from the University of Denver, USA.

## Board of Directors



**Professor Tan Cheng Han** age 51  
**Non-Executive Independent Director**

**Member of Nominating and Remuneration Committee**

Professor Tan has been a non-executive independent Director of the Manager since 1 January 2013.

Professor Tan is Chairman, Centre for Law & Business at the Faculty of Law at NUS. He is on the panel of arbitrators for the Singapore International Arbitration Centre and the Kuala Lumpur Regional Centre for Arbitration. He is also a member of the Dispute Resolution and Compensation Arbitration Panel of the National Electricity Market of Singapore.

Professor Tan's current appointments include being a Commissioner of the Competition Commission of Singapore, a Council member of the Singapore Sports Council, a member of the Appeal Advisory Panel to the Minister for Finance, a member of the Military Court of Appeal in Singapore and a member of the Governing Board of the International Association of Law Schools in the USA. He currently holds several board directorships, including at Singapore Technologies Marine Limited, Chuan Hup Holdings Limited, Anwell Technologies Limited, NTUC First Campus Cooperative and Global Yellow Pages Limited.

Professor Tan obtained his Bachelor of Laws (Honours) Degree from NUS and Master of Laws Degree from the University of Cambridge. In 2006, he was awarded the Public Administration Medal (Silver).



**Mr Lim Kei Hin** age 58  
**Non-Executive Director**

Mr Lim has been a non-executive Director of the Manager since 10 January 2014. He is also the Chief Financial Officer of Keppel Land.

Prior to joining Keppel Land in 2007, Mr Lim was with Singapore Airlines Limited and has more than 20 years of diverse experience in different financial and general management roles in Singapore, the Philippines, Australia and the USA. His last appointment was as the Chief Financial Officer of Singapore Airport Terminal Services Limited.

Mr Lim is a Director in various subsidiaries and associated companies of Keppel Land, including Keppel Thai Properties Public Company Limited, Keppel Philippines Properties, Inc, Keppel Land China Limited, Alpha Investment Partners Limited, Keppel Land Retail Management Pte. Ltd. and EM Services Pte Ltd.

Mr Lim holds a Bachelor of Science (Economics) Degree in Accounting & Finance (Honours) from the London School of Economics & Political Science, UK.

# Present and Past Directorships

## Directors

Present (as at 1 January 2016) and past principal directorships held by the Directors over the preceding five years (from 1 January 2011 to 31 December 2015) are as follows:

### Dr Chin Wei-Li, Audrey Marie Present Directorships

*Listed companies*  
Nil

*Other principal directorships*  
NTUC Income Insurance Co-operative Singapore (Member); Vietnam Investing Associates – Financials Singapore Private Limited (Executive Chairman); and JC Trust Limited, Singapore (Member)

### Major Appointments (other than directorships)

Nil

### Past Directorships

Singapore Petroleum Company Ltd; Save the Children Singapore Limited; and Rossignol Private Limited

### Ms Ng Hsueh Ling Present Directorships

*Listed companies*  
Nil

*Other principal directorships*  
Nil

### Major Appointments (other than directorships)

Nil

### Past Directorships

The National Art Gallery, Singapore

### Mr Tan Chin Hwee Present Directorships

*Listed companies*  
Singapore Press Holdings Limited (Member)

*Other principal directorships*  
Mt Sinai Capital Pte Ltd (Member)

### Major Appointments (other than directorships)

Trafigura Group Pte Ltd (Chief Executive Officer, Asia Pacific); Lien Aid Limited (Member); KKH Health Endowment Fund (Member); Trustee of Nanyang Technological University (Member); Shanghai Advanced Institute of Finance at Shanghai Jiaotong University (Member of Advisory Board); Monetary Authority of Singapore's Finance Centre Advisory Panel (Member); and International Olympic Council, Switzerland (Advisor to the Finance and Treasury Committees)

### Past Directorships

AOI Investment; and Apollo Management Singapore Pte. Ltd.

### Mr Lee Chiang Huat Present Directorships

*Listed companies*  
Keppel DC REIT Management Pte Ltd (the manager of Keppel DC REIT) (Member)

*Other principal directorships*  
Icurrenties Pte Ltd (Member); and Channoil Asia Pte Ltd (Member)

### Major Appointments (other than directorships)

Nil

### Past Directorships

Nil

### Mr Daniel Chan Choong Seng Present Directorships

*Listed companies*  
Nil

*Other principal directorships*  
DCG Capital Pte. Ltd. (Member); DCG Asia Value Fund (Member); and DCG Asia Value Master Fund (Member)

### Major Appointments (other than directorships)

Nil

### Past Directorships

Pacific Mas Berhad

### Mr Lor Bak Liang Present Directorships

*Listed companies*  
Nil

*Other principal directorships*  
Werone Connect Pte Ltd (Member)

### Major Appointments (other than directorships)

Nil

### Past Directorships

Nil

### Mr Ang Wee Gee Present Directorships

*Listed companies*  
Nil

*Other principal directorships*  
Keppel Land Limited (Member)

### Major Appointments (other than directorships)

Nil

### Past Directorships

Various subsidiaries and associated companies of Keppel Land Limited

### Professor Tan Cheng Han Present Directorships

*Listed companies*  
Chuan Hup Holdings Limited (Chairman); Global Yellow Pages Limited (Deputy Chairman); Anwell Technologies Limited (Member); and Yamada Green Resources Limited (Member)

*Other principal directorships*  
Singapore Technologies Marine Limited (Member); Caritas Singapore

Community Council Limited (Member); NTUC First Campus Cooperative Limited (Chairman); Tokio-Marine Life Insurance Singapore Ltd (Member); Tokio-Marine Insurance Singapore Ltd (Member); Seed Institute Pte Ltd (Member); The Litte Skool-House International Pte Ltd (Member); and Bright Horizon Fund (Member)

### Major Appointments (other than directorships)

Competition Commission of Singapore (Commission Member); Singapore Sports Council (Council Member); Accounting and Corporate Regulatory Authority (Member); Public Accountants Oversight Committee (Chairman); and Consultant at TSMP Law Corporation

### Past Directorships

Centillion Environment and Recycling Ltd; NTUC Income Insurance Co-operative Singapore; and The Asian Society of International Law Ltd

### Mr Lim Kei Hin Present Directorships

*Listed companies*  
Keppel Thai Properties Public Company Limited; and Keppel Philippines Properties, Inc.

*Other principal directorships*  
Nil

### Major Appointments (other than directorships)

Nil

### Past Directorships

Various subsidiaries and associated companies of Keppel Land Limited

## Senior Management

Present (as at 1 January 2016) and past principal directorships held by senior management over the preceding five years (from 1 January 2011 to 31 December 2015) are as follows:

### Mr Kelvin Chow Chung Yip Present Directorships

Nil

### Past Directorships

Various special purpose vehicles in funds managed by Invista Real Estate Investment Management Limited

### Mr Toh Wah San Present Directorships

Nil

### Past Directorships

Remarkable Investment Pte Ltd; Victoria Square Pte Ltd; and Simple Hope Sdn Bhd

### Mr Wong Cho Wai Present Directorships

Nil

### Past Directorships

CBP 3 Pte. Ltd.



## The Manager



- |  |   |
|--|---|
| <p>1. <b>Norman Lim</b><br/>Vice President<br/>Capital Markets</p> <p>2. <b>Kelvin Chow</b><br/>Chief Financial Officer</p> <p>3. <b>Ng Hsueh Ling</b><br/>Chief Executive Officer</p> | <p>4. <b>Toh Wah San</b><br/>Executive Vice President<br/>Asset Management</p> <p>5. <b>Wong Cho Wai</b><br/>Senior Vice President<br/>Investment</p> |
|--|---|



- |   |  |
|---|--|
| <p>1. <b>Sebastian Song</b><br/>Assistant Vice President<br/>Finance</p> <p>2. <b>Dawn Lee</b><br/>Assistant Vice President<br/>Finance</p> <p>3. <b>Yap Luwei</b><br/>Assistant Vice President<br/>Finance</p> <p>4. <b>Agnes Chew</b><br/>Vice President<br/>Investment</p> | <p>5. <b>Chow Ching Sian</b><br/>Vice President<br/>Finance</p> <p>6. <b>Grace Chia</b><br/>Senior Manager<br/>Investor Relations &amp; Research</p> <p>7. <b>Cassie Ang</b><br/>Assistant Vice President<br/>Asset Management</p> |
|---|--|

## The Manager

### Keppel REIT Management Limited

#### Ng Hsueh Ling Chief Executive Officer

Please refer to the description under the Board of Directors section on page 12.

### Finance & Capital Markets

The finance team is responsible for the accounting, taxation, treasury, capital management and financial reporting functions of Keppel REIT. The team ensures that its functions are implemented in line with Keppel REIT's investment and asset management strategies.

#### Kelvin Chow Chief Financial Officer

Mr Chow has more than 21 years of experience in financial and corporate reporting, corporate financing, tax planning, compliance as well as capital and risk management. Prior to joining the Manager, he was the Chief Financial Officer of SB REIT Management Pte. Ltd. He has held senior positions at Cambridge Industrial Trust Management Limited, Invista Real Estate Investment Management Limited, Overseas Union Enterprise Limited and Allco (Singapore) Limited. He has also worked at various entities within the Ascendas Group.

Mr Chow holds a Master of Business Administration (MBA) from Universitas 21 Global. He is a Fellow of the Association of Chartered Certified Accountants.

#### Norman Lim Vice President, Capital Markets

Mr Lim has more than 19 years of experience in corporate finance, capital markets, treasury and risk management functions. Prior to joining the Manager, he was the Senior Treasury Manager of Mapletree Logistics Trust Management Ltd. He was also previously Associate Director of SingTel Group Treasury Pte Ltd and worked at various entities within the CapitaLand Group.

Mr Lim holds a Bachelor of Business Administration from the National University of Singapore (NUS).

#### Chow Ching Sian Vice President, Finance

Ms Chow has more than 15 years of experience in financial and management accounting, taxation, external audit and corporate secretarial functions. Prior to joining the Manager, she was the Group Finance Manager of HG Metal Manufacturing Limited. She was also previously a Finance Manager at Neptune Orient Lines Limited.

Ms Chow holds a Bachelor of Accountancy Degree from the Nanyang Technological University (NTU). She is a member of the Institute of Singapore Chartered Accountants (ISCA).

#### Dawn Lee Assistant Vice President, Finance

Ms Lee has been with the Keppel Land Group for over 10 years and has more than 15 years of experience in accounting and finance.

She was previously Senior Accountant with Keppel Land Limited (Keppel Land) and was part of the pioneer team in establishing Keppel REIT in 2006. Prior to joining Keppel Land, she held positions with Michelin Group including a stint in its Shanghai subsidiary, Michelin Warrior (Shanghai) Pte Ltd.

Ms Lee holds a professional qualification from the Association of Chartered Certified Accountants, UK. She is a member of ISCA.

#### Sebastian Song Assistant Vice President, Finance

Mr Song has more than 10 years of experience in external audit, financial reporting, consolidation, taxation and compliance with statutory requirements. Prior to joining the Manager, he was a Senior Audit Manager with Ernst & Young LLP. Mr Song has also been involved in auditing several Singapore-listed corporations and multinational companies across various industries including real estate, construction and shipping, as well as initial public offerings.

Mr Song holds a Bachelor of Accountancy Degree from NTU. He is a member of ISCA.

#### Yap Luwei Assistant Vice President, Finance

Ms Yap has more than 10 years of experience in financial and management accounting, taxation, treasury, asset management, corporate secretarial functions and external audit. Prior to joining the Manager, she was the Senior Finance Manager at Marina Centre Holdings Pte Ltd, a subsidiary of Singapore Land Limited. She was also previously an Audit Manager with KPMG, where she had been involved in the audits of several REITs and real estate entities.

Ms Yap holds a Bachelor of Accountancy Degree from NTU. She is a member of ISCA.

## The Manager

## Asset Management

The asset management team develops and implements business plans to maximise rental, as well as seeks additional income opportunities, while managing cost of operation to achieve optimal asset performance. The team proactively reviews Keppel REIT's portfolio profile to achieve a well-diversified tenant base with healthy and long lease expiry profiles and regular rent reviews.

The team also analyses the performance of each asset and undertakes appropriate asset enhancement initiatives to improve the buildings' competitiveness.

### Toh Wah San

#### Executive Vice President

Mr Toh has over 30 years of experience in the construction and real estate industry, particularly in areas of development and asset management. Prior to joining the Manager, Mr Toh held senior appointments at MC Asia Management, GIC Real Estate, ING Real Estate and Rodamco Asia where he was responsible for regional real estate investment and asset management across several Asian countries including Korea and Japan.

Mr Toh holds a Bachelor of Science Degree (Building) and a MBA, both from NUS.

### Cassie Ang

#### Assistant Vice President

Ms Ang has over 14 years of experience in the real estate industry. She has been involved in real estate and construction financing; real estate fund structuring and origination, acquisition and cross-border tax structuring; analysis of asset and REIT performance; as well as capital management. Prior to joining the Manager, Ms Ang was Senior Manager, Capital Markets and Transactions, at Ascendas Funds Management (S) Limited.

Ms Ang holds a Bachelor of Science Degree in Real Estate from NUS and a MBA (Banking and Finance) from NTU.

## Investment

The investment team is responsible for identifying and evaluating potential acquisitions. Besides structuring potential acquisition transactions, the team also identifies possible divestment opportunities so as to optimise Keppel REIT's property portfolio.

### Wong Cho Wai

#### Senior Vice President

Mr Wong has more than 15 years of experience in real estate investments, asset management, business development and portfolio management.

Prior to joining the Manager, he was Vice President for Real Estate Asset Management at Credit Suisse where he oversaw investment decisions, as well as asset and property management matters across key markets within the Asia Pacific region. Mr Wong started his career at Keppel Land and has held key appointments at several real estate groups.

Mr Wong holds a Bachelor of Engineering Degree (Civil Engineering) from NUS and Master of Applied Finance from Macquarie University.

### Agnes Chew

#### Vice President

Ms Chew has more than 10 years of experience in private equity and real estate investment, business development, asset management and portfolio management. Prior to joining the Manager, she was Vice President of Investment at CitySpring Infrastructure Management Limited. She was also previously Assistant Vice President at GIC Real Estate and GIC Special Investments, and Business Development Manager at Hongkong Land.

Ms Chew holds a Masters of Engineering and Business Management Degree (Honours) from Imperial College, University of London. She is a Chartered Financial Analyst.

## Investor Relations & Research

The investor relations and research team works closely with the finance, capital markets, asset management and investment teams to maintain an effective stakeholder communication. The team proactively engages the investment and research community, as well as ensures clear and timely disclosure of information. It also spearheads the Manager's efforts in Corporate Social Responsibility.

### Grace Chia

#### Senior Manager

Ms Chia has been with the Keppel Group for over 14 years. She was Senior Manager of the Group Corporate Communications division at Keppel Corporation Limited.

In her current role, Ms Chia facilitates continuous two-way communication with investors, analysts and key stakeholders, ensuring clear and timely disclosure of pertinent information, as well as conducting research and competitive analysis on the real estate industry.

Ms Chia holds a Bachelor of Commerce Degree from The University of Western Australia.

## Compliance

The compliance team develops work plans, policies and practicable guidelines that adhere to relevant legislation. This includes the applicable provisions of the Companies Act, the Securities and Futures Act, the Listing Manual of Singapore Exchange Securities Trading Limited and the Code on Collective Investment Schemes (including the Property Funds Appendix) issued by the Monetary Authority of Singapore. It works closely with the authorities, governing bodies, Keppel Group, as well as external legal counsels and staff of the Manager to implement a holistic compliance framework. The team proactively identifies applicable laws and regulatory obligations and regularly updates the representatives and Board members on the latest developments in corporate governance, compliance and risk management. The team also ensures policies and procedures are kept up to date, and adapted accordingly to the changing operating and business environment. Compliance with the policies, procedures and relevant rules and regulations is monitored on an ongoing basis. The compliance team is also responsible for ensuring implementation of the risk management framework and processes at the operational level.

# Milestones

## 2015

### January

- Achieved distributable income of \$206.1 million and DPU of 7.23 cents for FY 2014.

### February

- Completed the maiden issuance of \$50 million 3.15% fixed-rate medium term notes, which extended Keppel REIT's debt maturity profile to 2022.

### March

- Celebrated the topping-out of the office tower on the Old Treasury Building site in Perth, Western Australia, on 12 March 2015.

### April

- Achieved distributable income of \$54 million and DPU of 1.70 cents for 1Q 2015.
- Convened sixth AGM on 14 April 2015.

### May

- 8 Chifley Square in Sydney awarded top honours, including being named 'Australian Development of the Year' at the 2015 Property Council of Australia Awards. The premium Grade A property also clinched three prestigious awards at the Asia Pacific Property Awards 2015.

### July

- Conferred the Best Investor Relations (Gold) award in the REITs and Business Trusts category at the 2015 Singapore Corporate Awards.
- Achieved distributable income of \$54.8 million and DPU of 1.72 cents for 2Q 2015.



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### August

- Received Certificate of Practical Completion for the office tower on the Old Treasury Building site on 31 August 2015.

### September

- Topped the internationally-recognised Global Real Estate Sustainability Benchmark 2015 for the second consecutive year.

### October

- Achieved distributable income of \$54.4 million and DPU of 1.70 cents for 3Q 2015.
- Acquired three remaining prime street-fronting retail units at 8 Exhibition Street in Melbourne on 12 October 2015.
- Runner-Up for the Most Transparent Company (REITs and Business Trusts category) at the 16<sup>th</sup> Securities Investors Association Singapore Investors' Choice Awards.

- Ocean Financial Centre and Marina Bay Financial Centre (MBFC) were awarded the Water Efficient Building (Gold) certification by the PUB. Bugis Junction Towers received the Silver certification.

- Ocean Financial Centre was named the winner in the Large Green Building category at the ASEAN Energy Awards 2015.

### November

- 8 Chifley Square achieved the NABERS 5-star for energy and water certification.
- MBFC Phase One received the FIABCI Singapore SG50 Special Award in the Office category at the Singapore Property Awards.
- The Government of Western Australia commenced its 25-year lease at the office tower on the Old Treasury Building site on 30 November 2015.
- Maiden issuance of \$150 million perpetual securities at 4.98%.

## 2016

### January

- Achieved distributable income of \$217.3 million and DPU of 6.80 cents for FY 2015.
- Divested its 100% interest in 77 King Street on 29 January 2016.

# Investor Relations

*Proactive and ongoing engagement with the investing community is a key focus for Keppel REIT. The Manager will continue to uphold sound corporate governance and provide timely updates on Keppel REIT's business operations.*

The Manager recognises the importance of providing the investing community regular, clear and balanced overview of Keppel REIT's business operations and performance.

A shared strategic management responsibility, the Investor Relations (IR) team works closely with the finance, capital markets, asset management and investment teams to maintain well-rounded and effective stakeholder communication.

The Manager is guided by a clearly defined set of principles and practices set out in its IR policy, which is published on Keppel REIT's corporate website at [www.keppelreit.com](http://www.keppelreit.com). The policy is reviewed regularly to ensure relevance and effectiveness.

### Engaging the Investing Community

Throughout the year, the Manager proactively engages existing and potential institutional investors, retail Unitholders, buy- and sell-side analysts, as well as

other key stakeholders through various platforms. These include one-on-one meetings, results briefings and luncheons, conference calls, investor conferences and roadshows, as well as site visits.

In 2015, the Manager engaged a total of approximately 160 local and foreign investors. This comprised approximately 60 meetings, conferences, luncheons and site visits in Singapore, Hong Kong, Japan, Malaysia, the Netherlands, United Kingdom and United States of America. Apart from updating on Keppel REIT's financial performance, business operations and industry trends, these meetings served as excellent platforms for the Manager to understand and address issues that mattered to investors.

Keppel REIT publishes its financial results on a quarterly basis in January, April, July and October. During the year, the Manager also organised two media and analysts' results briefings

02



01 For its commitment to clear, timely and consistent communication with the investing community, Keppel REIT was conferred the Best Investor Relations (Gold) award in the REITs and Business Trusts category at the 2015 Singapore Corporate Awards.

02 The CEO and management team engage with members of the press and analysts at its semi-annual results briefings.

## Investor Relations



**01** For its commitment towards upholding strong corporate governance and transparency, Keppel REIT was named one of the Most Transparent Companies by SIAS.

01

for its half- and full-year results. At the briefings, management presented Keppel REIT's financial performance, business operations and the latest industry developments.

Keppel REIT's 6<sup>th</sup> Annual General Meeting took place in April 2015, immediately after the REIT's first quarter results announcement. This allowed Unitholders to effectively engage the Board of Directors on the REIT's latest performance. At the meeting, the CEO updated Unitholders on Keppel REIT's growth strategies, its operating and financial performances, as well as the market outlook. The Board of Directors also seized the opportunity to forge rapport and strengthen relations with Unitholders.

Being the largest landlord of premium Grade A office spaces in the Raffles Place and Marina Bay precinct, the Manager facilitated site visits to its properties for overseas investors. These site visits provide investors a better understanding and appreciation

of Keppel REIT's business operations as well as of the Singapore office market.

As one of the largest REITs listed on the Singapore Exchange (SGX), the Manager plays a proactive role in promoting the development of the Singapore REIT (S-REIT) industry. This includes participation in industry and educational talks, as well as investor conferences that will help drive further growth of the S-REIT sector.

### Sound Governance and Disclosures

Keppel REIT's quarterly financial results are released within one month after the end of each quarter. Included in the quarterly results are commentaries and updates on the REIT's financial performance, capital management efforts, business and portfolio operations, as well as an analysis of industry trends and market outlook.

Market sensitive news and corporate actions are filed with the SGX and are posted on Keppel

REIT's corporate website on the same day of release. This ensures that all stakeholders have timely and equal access to information.

In addition to the financial announcements, stakeholders can also access materials including investor presentations, annual reports, distribution history and property portfolio information, as well as relevant information pertaining to the Board of Directors and management team at its corporate website.

The Manager's ongoing commitment towards maintaining high standards in corporate governance and transparent disclosure has been recognised by the investing community. Keppel REIT won the Best Investor Relations (Gold) award in the REITs and Business Trusts category at the annual Singapore Corporate Award 2015. It was also named the Most Transparent Company (Runner-Up) in the REITs and Business Trusts category at the 16<sup>th</sup> Securities Investors Association Singapore (SIAS) Investors' Choice Awards 2015.

## Investor Relations Calendar

*Regular dialogues with investors allow the Manager to articulate Keppel REIT's strategy and offer a balanced overview of its performance. Such engagement also serves as an excellent platform for the Manager to understand and address investors' concerns.*



### First Quarter 2015

- Announced FY 2014 results at a joint press and analysts' briefing
- 4Q 2014 distribution payout to Unitholders
- Engaged investors at a post-FY 2014 results luncheon organised by Deutsche Bank
- Investor meetings in Kuala Lumpur, Malaysia, organised by Maybank Kim Eng
- Conducted 13 one-on-one investor meetings and site visits in Singapore



### Second Quarter 2015

- Announced 1Q 2015 results
- 1Q 2015 distribution payout to Unitholders
- Convened 6<sup>th</sup> AGM on 14 April 2015
- Engaged investors at a post-1Q 2015 results luncheon organised by JP Morgan
- Participated in two investor conferences in Singapore – Deutsche Bank Access Asia Conference and Citi ASEAN Investor Conference
- Investor meetings in Europe organised by Macquarie Capital Securities
- Conducted 14 one-on-one investor meetings and site visits in Singapore
- Participated in the inaugural REITs Symposium jointly organised by REITAS and Share Investor



### Third Quarter 2015

- Announced 1H 2015 results at a joint press and analysts' briefing
- 2Q 2015 distribution payout to Unitholders
- Engaged investors at a post-1H 2015 results luncheon organised by DBS Vickers
- Participated in three investor conferences – Citi-REITAS Singapore REITs & Sponsors Forum, Daiwa Pan-Asia REIT Conference in Tokyo and Bank of America Merrill Lynch's Global Real Estate Conference in New York
- Investor meetings in Hong Kong organised by JP Morgan
- Conducted nine one-on-one investor meetings and site visits in Singapore
- Hosted 45 students to introduce the S-REIT sector at the "Asian Cities" event



### Fourth Quarter 2015

- Announced 3Q 2015 results
- 3Q 2015 distribution payout to Unitholders
- Engaged investors at the post-3Q 2015 results luncheon organised by HSBC
- Conducted seven one-on-one investor meetings and site visits in Singapore

#### Unitholder Enquiries

For more information on Keppel REIT and its operations, please contact the IR team at:

**Telephone:**  
+65 6433 7622

**Email:**  
investor.relations@keppelreit.com

**Website:**  
www.keppelreit.com





**Keppel REIT**



The year 2016 marks Keppel REIT's 10<sup>th</sup> anniversary. As we celebrate a decade of excellence, we reflect upon the foundation on which Keppel REIT was built and chart our path in driving continual growth.

Established as K-REIT Asia in April 2006, our growth journey has been marked by transformations on many fronts.

Through it all, our focus remained constant – to capture and create value, as well as to deliver sustainable returns.

**Strategic Transformation**

It is no small feat that we are today one of Asia's leading REITs with a sterling portfolio of assets.

We began with four initial properties in Singapore which became the very foundation from which Keppel REIT would expand and grow.

Over the years, we took bold chances and seized opportunities which would prove strategic and timely.

The strategic rejuvenation of our portfolio was much-needed as we reinvented ourselves to remain relevant to the evolving business needs in an ever-changing economic landscape.

Our proactive strategy to optimise and upgrade Keppel REIT's portfolio through the years has yielded results.

# Capturing Value. Sustaining Returns.



Compounded annual growth rate of distributable income to Unitholders since 2006 was approximately 40% as at end-2015.

Topped the **Global Real Estate Sustainability Benchmark** in 2015 for the second consecutive year.



**Stronger property performances** saw the assets being valued higher at

**\$8.4b**

**Premium Grade A office space multiplied over**

**4 times**

to 3.5 million sf as at end-2015.

**Number of assets**

**12 office towers**

Grew from an initial four properties to 12 best-in-class office towers.

**Stellar line-up of tenants**

**311 tenants**

Well-diversified across different business sectors and geographies.



01

Today, Keppel REIT can lay claim to the youngest and best-in-class assets that are strategically located in key financial precincts. Our total net lettable area has multiplied over four times from only 800,000 sf of office space in 2006 to 3.5 million sf of premium Grade A office space as at end-2015.

Our distributable income to Unitholders since listing in 2006 registered a compounded annual growth rate of approximately 40% as at end-2015.

**Sustaining Returns**  
Growing into the future, we will continually harness our strengths as we push boundaries and unlock greater potential to drive further growth.

Our disciplined approach towards operational efficiency and prudent financial management will keep us focused as we work towards long-term sustainable growth.

Our people, who embrace the core values and operating

principles, will continue to be the root of our success.

We will not rest on our laurels. Our strong foundations have given us the competitive edge to continually seek and capitalise on opportunities.

We are excited about our next lap of growth as we grow beyond 10 successful years.

01 Keppel REIT's best-in-class assets define Singapore's city skyline.

02 & 03 In Australia, Keppel REIT's properties set benchmarks in architectural and sustainable excellence. Pictured here are 8 Chifley Square in Sydney (02) and the office tower on the Old Treasury Building site in Perth (03).



02



03

Celebrating 10 Years of Excellence



**2006**



- Keppel REIT (previously known as K-REIT Asia) was listed on the SGX-ST Main Board on 28 April 2006
- The REIT started with an initial property portfolio of \$630 million, comprising Bugis Junction Towers, Prudential Tower, Keppel Towers and GE Tower (KTGE), which was revalued to \$677 million in end-2006

Assets Under Management  
**\$630m**

**2007**



- Maiden acquisition of a one-third interest in One Raffles Quay in December
- Assigned a corporate rating of Baa3 with a stable outlook by Moody's

Assets Under Management  
**\$2.1b**

**2009**

- Ms Ng Hsueh Ling was appointed CEO and Executive Director on 17 August 2009
- First third-party acquisition which saw Keppel REIT increase its stake in Prudential Tower in November

Assets Under Management  
**\$2.1b**

**2010**

- First S-REIT to qualify for Australia's MIT structure, which saw Keppel REIT's overseas acquisitions of a 50% stake in Brisbane's 275 George Street in March and in Sydney's 77 King Street in December
- Inaugural AGM in April
- First strategic asset swap involving the divestment of KTGE and the acquisition of a one-third interest in MBFC Phase One in December

Assets Under Management  
**\$3.5b**



**2011**

- Acquired a 50% interest in Sydney's 8 Chifley Square in July through the REIT's first forward funding acquisition structure
- Acquired an 87.5% interest in Ocean Financial Centre through a limited liability partnership (LLP) structure in December, the first S-REIT to utilise such a structure to hold an asset

Assets Under Management  
**\$6.0b**



**2012**



- Obtained tax transparency for MBFC Phase One in June via a LLP structure
- Increased interest in Ocean Financial Centre to 99.9% in June
- Dr Chin Wei-Li, Audrey Marie was appointed non-executive Chairman on 3 July 2012
- Renamed Keppel REIT on 15 October 2012

Assets Under Management  
**\$6.5b**

**2013**



- Acquired 50% interests in the office tower at Perth's Old Treasury Building site in March and in Melbourne's 8 Exhibition Street in August
- Moody's upgraded corporate rating to Baa2 with a stable outlook
- Free float increased to 55.3% after Keppel Corporation's dividend in specie

Assets Under Management  
**\$7.2b**

**2014**

- Divested Prudential Tower in September
- Ranked first and named Regional Leader for Office Sector in Asia in the prestigious Global Real Estate Sustainability Benchmark (GRESB) 2014
- Acquired a one-third interest in MBFC Tower 3 in December
- Moody's and S&P reaffirmed corporate ratings of Baa2 and BBB respectively with a stable outlook

Assets Under Management  
**\$8.2b**

**2015 - Feb 2016**

- Maiden issuance of \$50 million 3.15% fixed-rate medium term notes, which extended Keppel REIT's debt maturity profile to 2022, as well as \$150 million perpetual securities at 4.98%
- Topped the GRESB 2015 for the second consecutive year
- Acquired the three remaining prime street-fronting retail units at Melbourne's 8 Exhibition Street in October
- The Government of Western Australia commenced its 25-year lease at the office tower on the Old Treasury Building site in Perth in November
- Divested 100% interest in 77 King Street in Sydney in January 2016 as part of ongoing efforts to maximise and capture value for Unitholders, while providing Keppel REIT with greater financial flexibility

Assets Under Management (as at end-2015)  
**\$8.4b**



# Market Review

*Despite the challenging office market environment in 2015, landlords continued to see healthy demand from firms in the technology, media, and telecommunications and insurance sectors, as well as Asian banks and financial institutions.*

## Singapore Market Review

### Economic Overview

According to the Ministry of Trade and Industry (MTI), the Singapore economy expanded by 2% in 2015, lower than the growth of 3.3% recorded in 2014.

Against this backdrop, the Government has set up the Committee on the Future Economy to develop strategies that will further strengthen Singapore's competitiveness through exploring opportunities in future growth industries and markets.

The Committee seeks to leverage Singapore's strength in facilitating collaboration across different industries and forging partnerships between the Government and industries to create growth opportunities. The Committee is also exploring the potential of Singapore as a test-bed to develop solutions to global issues and fostering an entrepreneurial mindset.

### Grade A CBD Office Market

#### Existing Stock

2015 saw only half a million square feet (sf) of Grade A office space entering the market with South Beach as the sole major development completed in the year.

As at 4Q 2015, the Grade A office stock in the Central Business District (CBD) amounted to 25.1 million sf, with the Raffles Place and Marina Bay submarkets accounting for 7.6 million sf and 7.1 million sf respectively.

#### Potential Supply

A total of 3.5 million sf of new Grade A CBD supply is slated to come onstream in 2016, contributed by Marina One, Guoco Tower, DUO Tower and SBF Center.

However, the inflow of supply will ease significantly with only

381,000 sf and 805,000 sf of office space completing in 2017 and 2018 respectively, lower than the historical 10-year annual average supply of 1 million sf. Major projects that will be completed during this period include 5 Shenton Way, Eon Shenton, Frasers Tower and Robinson Towers.

New supply remains limited post-2018, with the current pipeline consisting of the potential redevelopments of CPF Building, Park Mall and Funan Digitalife Mall. Accordingly, landlords can expect to benefit from the tightening of vacancy rates in the medium-term.

### Absorption and Vacancy

After peaking in the first quarter of 2015, leasing activity moderated from the second quarter onwards due to cautious business sentiment amidst weaker macroeconomic conditions.

The slowdown in leasing activity was also attributed to companies waiting on the sidelines in anticipation of the supply surge in 2016.

Nevertheless, landlords continued to see healthy demand from firms in the technology, media, and telecommunications (TMT) and insurance sectors, as well as Asian banks and financial institutions, which continued to increase their footprints in the CBD.

In the TMT sector, LinkedIn expanded at Marina Bay Financial Centre (MBFC), while Netflix inked a new lease at the same development in 2015. At the same time, both Facebook and Tableau expanded to South Beach.

Demand also came from Asian companies including banks and financial institutions from the region. These include Maybank and QBE Insurance, both of which took up space at One Raffles Quay, as well as China-based CM International

Market Review

**01** Keppel REIT continued to see healthy demand for office space from firms in the TMT and insurance sectors, as well as from Asian banks and financial institutions.



01

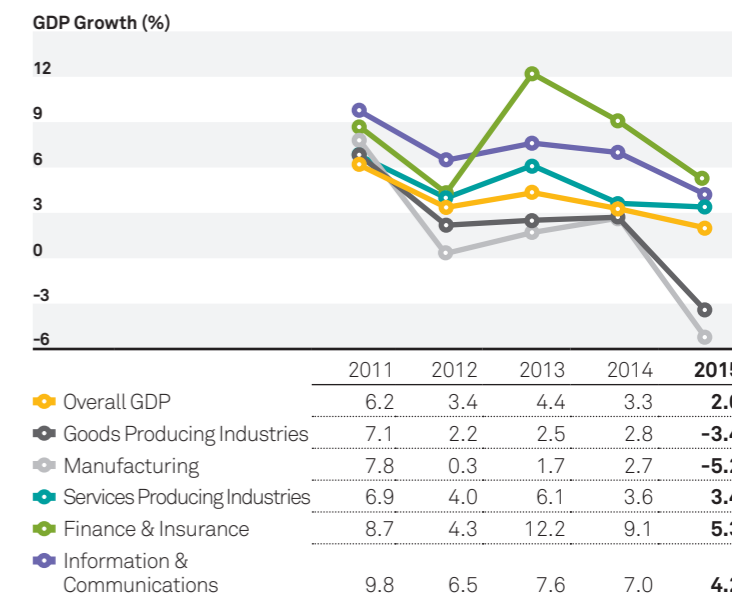
and UK-based IG Asia, which took up space at MBFC.

2015 leasing activities were also supported by a flight-to-quality trend as rents moderated and tenants found better located units at comparable rents. Japanese firm, Marubeni Corporation, inked a lease at CapitaGreen, relocating from Hong Leong Building. CFPC Singapore, a Chinese state-owned enterprise, also relocated from The Gateway to MBFC.

The year also saw a growing number of companies from the automobile and engineering industries relocate to decentralised offices, such as Daimler and Beca that moved to Westgate Tower. Firms that qualified and will be moving to business parks include Covidien and Google, both of which will be housed at Mapletree Business City II when the development is completed in mid-2016.

The total Grade A CBD office net absorption for 2015 amounted to 308,000 sf, a respectable figure considering the limited supply and volatility in the global economy. The vacancy rate for Grade A office space in the CBD stood at 4.1% in 4Q 2015.

### Singapore GDP Growth Rates



Sources: MTI and Cushman & Wakefield Research

### Rental Values

The overall Grade A CBD effective gross rent moderated by 10% year-on-year (y-o-y) to \$9.27 per square foot per month (psf/mo) in 4Q 2015, after a 9.8% gain in 2014.

As at end-2015, rents at Marina Bay and Raffles Place moderated to \$10.26 psf/mo and \$9.95 psf/mo respectively.

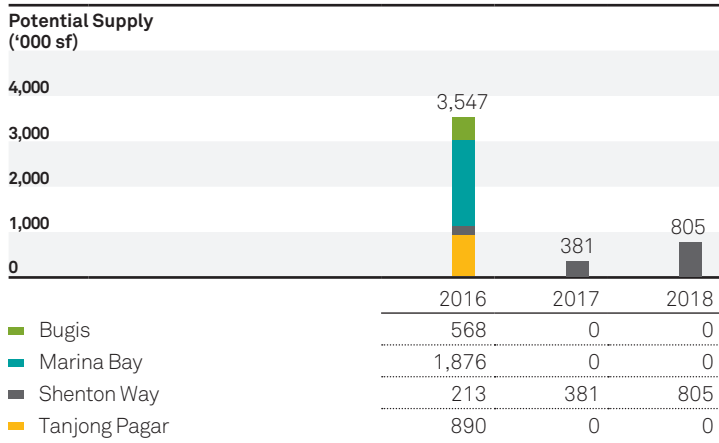
## Market Review

### Grade A CBD Office Projects Under Construction

Project	Estimated NLA (sf)	Expected Completion Date
Marina One	1,876,000	2016
Guoco Tower	890,000	2016
DUO Tower	568,000	2016
SBF Center	213,000	2016
5 Shenton Way	278,000	2017
Eon Shenton	103,000	2017
Frasers Tower	645,000	2018
Robinson Towers	160,000	2018

Source: Cushman & Wakefield Research

### Grade A CBD Office Potential Supply



Source: Cushman & Wakefield Research

### Office Investment Market and Capital Values

The full-year investment volume across all sectors decreased by 16.5% y-o-y to \$17.6 billion in 2015, of which investment sales from the office sector made up approximately 32% of total sales. The lacklustre performance was attributed to the challenging global landscape during the year.

Notable CBD office transactions in 2015 include AXA Tower (\$1.17 billion), a 67.95% stake in One Raffles Place (\$1.15 billion), CPF Building (\$550 million), 158 Cecil Street (\$240 million) and 137 Cecil Street (\$210 million).

Net yields for Grade A office remained below 4% in 4Q 2015. Transacted prices of prime buildings are expected to remain resilient due to the scarcity of such assets being available for sale, and willingness of buyers to pay a premium for well-tenanted properties with established cashflows.

01 Singapore remains an attractive destination for foreign capital investments.



Market Review

The persistent weakness in the global economy, along with the recent US Federal Reserve rate hike, may result in investment volumes staying flat in 2016.

Nevertheless, Singapore continues to remain an attractive destination for foreign capital investments.

The office sector continues to receive strong interest, with foreign investors expressing interests in Asia Square Tower 1 and One George Street.

The anticipated divestment of these two properties, along with others currently on the market, could boost office investment volumes in the coming quarters of 2016.

**2016 Office Market Outlook**

Singapore’s economic growth is expected to remain muted in 2016 with MTI pegging full-year GDP growth at between 1% and 3%.

Presently, landlords are focusing efforts on tenant retention before the record supply enters the market.

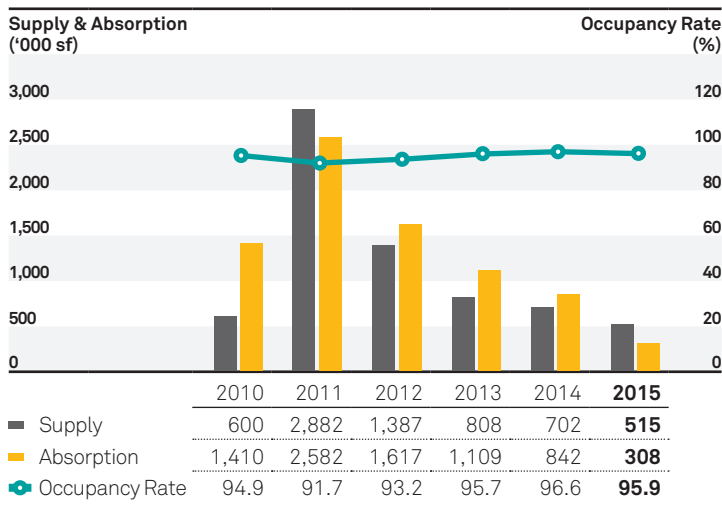
While 2015 saw cost-conscious tenants relocating to decentralised offices and business parks, we expect this trend to reverse in 2016 with a wave of flight-to-quality tenants. Firms with strong growth potential such as those in the TMT, insurance and asset management sectors are likely to drive leasing activities in 2016.

The office leasing market faces challenges in the short-term due to weak business conditions, with leasing demand impacted by headwinds in the banking, oil and commodities sectors.

The supply overhang of 3.5 million sf scheduled for completion during the year will likely lead to the Grade A CBD vacancy rate reaching double digits by end-2016.

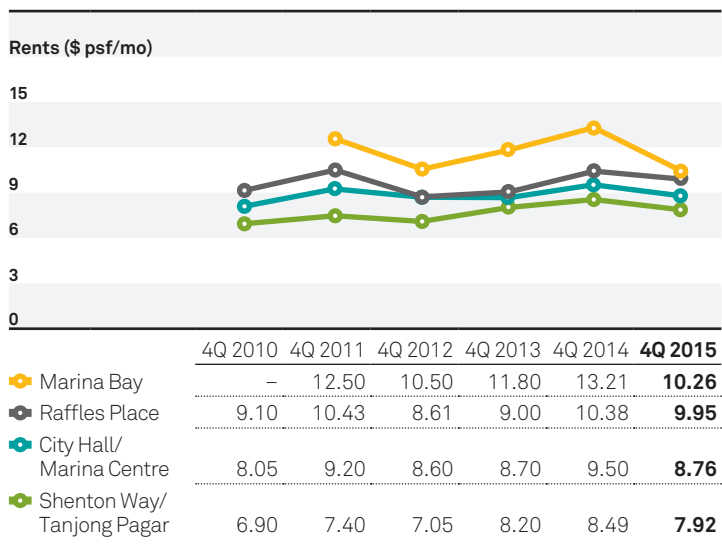
Accordingly, Grade A CBD rents are projected to moderate further in 2016, but to stabilise in subsequent years given the significantly reduced supply pipeline in 2017 and 2018.

**Island-wide Supply, Demand and Occupancy of Office Space**



Source: Cushman & Wakefield Research

**Grade A CBD Effective Gross Rents**



Source: Cushman & Wakefield Research

## Market Review

### Singapore REITs Market Overview

The Straits Times Index closed at 2,883 in December 2015, a 14.3% decline from 2014. The FTSE ST REIT Index also declined by 10.7% to 696 over the same period.

The total market capitalisation of listed S-REITs and Business Trusts amounted to approximately \$63.6 billion as at February 2016, with office S-REITs comprising \$12.8 billion or approximately 20% of the S-REIT and Business Trusts market.

On 1 January 2016, new measures were implemented by the Monetary Authority of Singapore, including the adoption of a single-tier aggregate leverage limit of 45% and the provision for an additional 15% redevelopment limit, subject to certain exceptions.

The single-tier aggregate leverage limit did not have an adverse impact as most S-REITs were already exercising financial prudence. Meanwhile, the additional redevelopment limit would enable REITs with ageing assets to rejuvenate their

properties, which would boost rental growth in the long-term.

The pace of new S-REIT listings has slowed in recent times due to the less favourable market conditions, with BHG Retail REIT being the sole REIT initial public offering (IPO) in 2015. Nonetheless, firms which have shelved IPO plans, such as Manulife, have indicated interest in reviving listing plans once market sentiments improve. Accordingly, an uptick in the number of REIT IPOs can be expected in the medium-term, alongside a recovery of the global economy. This will provide additional choices for investors and rejuvenate the S-REIT market.

*The Singapore office market review and outlook, as well as the overview of the S-REIT sector are prepared by Cushman & Wakefield.*

### Australia Market Review

In a February 2016 report by the Reserve Bank of Australia (RBA), Australia recorded a 2.5% growth for 2015, supported by healthy demand

**01** An uptick in REIT IPOs can be expected in the medium-term, which will provide additional choices for investors and rejuvenate the S-REIT market.

**02** Office leasing demand in Sydney (pictured) and Melbourne is expected to remain healthy, underpinned by rising employment levels and healthy economic growth prospects.





02

from non-mining sectors despite a contraction in mining-related investments due to declining commodity prices.

A survey among businesses also saw an improvement in employment growth, with the unemployment rate declining in the second half of 2015. The pace of lending to businesses also picked up over the same period in 2015.

In May 2015, the RBA lowered its interest rate from 2.5% to a historic low of 2% to further stimulate economic growth, in particular the housing and infrastructure sectors. To drive continued growth, RBA maintained its accommodative monetary policy approach and left interest rate unchanged at 2% in February 2016.

Looking ahead, Australia expects steady growth of between 2.5% and 3.5% for 2016. However, the RBA cautioned that the outlook for China and its

economy remained a key focus for Australia.

#### **Office Market**

According to the Property Council of Australia, demand for office space continued to increase for the fourth consecutive period.

As at end-2015, Australia's national vacancy rate reached 10.9%, a marginal increase from 10.4% a year ago.

Leasing activities were concentrated mainly in Sydney and Melbourne as positive leasing momentum over the latter part of 2014 continued its trend into 2015. As at end-2015, Sydney CBD and Melbourne CBD recorded the lowest vacancy rates among Australian cities at 6.3% and 7.7% respectively. Meanwhile, Brisbane's vacancy rate remained unchanged and Perth saw its first positive net absorption after three years of negative demand.

Across most markets, leasing demand for office space continued to be driven by firms in the TMT sector, finance and insurance industry as well as real estate services, offsetting weaker demand from the mining and commodity sectors. These sectors are expected to remain the key drivers of office demand in the short- to medium-term.

Looking ahead, office leasing demand in most markets is expected to be underpinned by rising employment levels and healthy economic growth expectations. The Sydney and Melbourne office markets are expected to continue their positive leasing momentum and are likely to outpace growth in the other markets throughout 2016.

## Property Portfolio

*Proactive marketing and rigorous leasing efforts saw a total of 114 leases concluded in 2015, equivalent to 1.6 million sf of prime office space.*

### Assets Under Management

**\$8.4b**

Improved property performance and stronger rental income saw the capital value of Keppel REIT's assets grow to \$8.4 billion as at end-2015 compared with \$8.2 billion in 2014.

### Total Net Lettable Area

**3.5m sf**

As at end-2015, Keppel REIT owned and managed a total of 3.5 million sf of prime office space in Singapore and Australia.

### Proactive Marketing Strategy

The Manager is proactive in its lease renewal and marketing strategy to retain existing tenants as well as attract new tenants. This ensures its properties are well-leased to tenants from diverse business sectors.

In keeping with this strategy and notwithstanding the challenging office market environment, the Manager concluded a total of 114 leases in 2015. This is equivalent to approximately 1.6 million sf of prime office space, or 800,000 sf in terms of attributable space.

Of the new leases signed in 2015, half were from tenants who were new to Keppel REIT's portfolio, one quarter were from tenants new to Singapore and the remaining one quarter were expansions by existing tenants. This brought Keppel REIT's overall portfolio committed occupancy rate to a high of 99.3% as at end-2015.

The Manager recognises that tenants are the heart of Keppel REIT's business. A flexible leasing approach, attention to details and regular tenant interactions are some of the Manager's ongoing efforts to ensure keen understanding of their business needs.

Such efforts have yielded results with Keppel REIT maintaining a high retention rate of 90% and achieving a 13% positive rent reversion for its new and renewed office leases in Singapore for 2015.

To manage the impending increase in office supply in Singapore in 2016 and 2017, the Manager has been engaging tenants for negotiations as early as one year or more before the lease expiry.

As a result, lease expiries in 2016 and 2017 have been significantly reduced and as at end-2015, approximately 75% of total leases is not due for renewal till 2018 and beyond, when limited new office supply in Singapore is expected.

### Capturing Value

The Manager continuously reviews its portfolio to ensure its properties remain relevant to tenants' business needs as well as to the changing economic and environmental landscapes.

On 12 October 2015, Keppel REIT acquired the three remaining prime street-fronting retail units at 8 Exhibition Street in Melbourne from Cerberos Pty Ltd for A\$8.6 million. Located along the main thoroughfares of Flinders Street and Exhibition Street, the three retail units of approximately 5,500 sf were valued at A\$9 million at the point of acquisition, based on the direct comparison method and capitalisation approach. The units are 100% leased to two popular and established F&B outlets for 10 years with options for another 30 years.

Keppel REIT already owns a 50% interest in the 8 Exhibition Street office building and two retail units. The addition of the three remaining retail units provides Keppel REIT strategic control over the 35-storey freehold office building and all five retail units at 8 Exhibition Street.

On 29 January 2016, Keppel REIT divested its 100% interest in 77 King Street in Sydney to ARE Noble Pty Ltd, a wholly-owned subsidiary of Invesco Asia Core Fund. The sale price of A\$160 million represents an approximate 40% premium over the original purchase price of A\$116 million in end-2010 and 27% above the property's last valuation of A\$126 million as at 31 July 2015, based on the discounted cash flow and capitalisation approach.

### Premium Grade Portfolio

As at end-2015, Keppel REIT's total assets under management stood at approximately \$8.4 billion. This comprised 12 office towers in nine quality premium Grade A assets in Singapore as well as in the key financial cities of Sydney, Melbourne, Brisbane and Perth in Australia.

## Capturing Value and Sustaining Returns

In 2015, the Manager continued to deliver sustainable returns to Unitholders through:

### 1 Maximising Performance

- Continued its rigorous leasing approach, which brought the overall portfolio committed occupancy rate to a high of 99.3%
- Proactively engaged tenants to renew as well as forward renew leases, such that approximately 75% of total leases is not due for renewal till 2018 and beyond, when limited new office supply in Singapore is expected
- Focused efforts on retaining existing tenants, which resulted in a high retention rate of 90% and a positive rent reversion of 13% for new and renewed office leases in Singapore

### 2 Enhancing Assets

- Enhanced the overall ambience at Ocean Financial Centre and added two new retail units at the office lobby for tenants' convenience and additional income
- Further enhanced connectivity at MBFC with the addition of a sheltered pedestrian walkway between Towers 1 and 3
- Met growing demand from tenants at 8 Exhibition Street with a new end-of-trip facility comprising more bicycle racks, lockers as well as change and shower facilities

### 3 Capturing Value

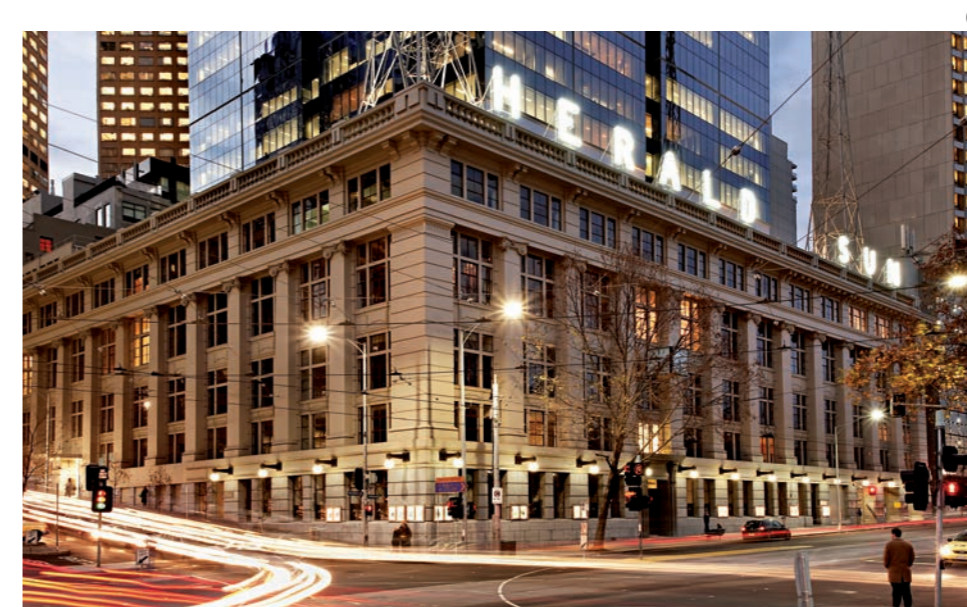
- Gained strategic control of both the office and retail components at 8 Exhibition Street through the acquisition of the three remaining prime street-fronting retail units
- Divested 100% interest in 77 King Street for A\$160 million in January 2016. The sale price is approximately 40% and 27% above the original purchase price and the property's last valuation respectively

### Property Portfolio Statistics

	As at 31 December 2015	As at 31 December 2014
Net lettable area	<b>3,489,791 sf</b>	3,319,962 sf <sup>2</sup>
Valuation	<b>324,210 sm</b>	308,432 sm
	<b>\$8.4 billion</b>	\$8.2 billion
Number of tenants <sup>1</sup>	<b>311</b>	289
Number of carpark lots	<b>3,133</b>	2,927 <sup>2</sup>
Committed occupancy	<b>99.3%</b>	99.3%
Weighted average lease expiry	<b>6 years</b>	6 years

<sup>1</sup> Tenants located in more than one property are accounted as one tenant.

<sup>2</sup> Excluded the office tower and its annexe on the Old Treasury Building site in Perth.

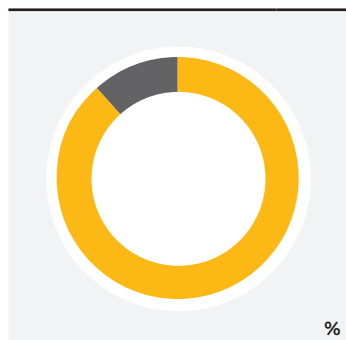


**01** In October 2015, Keppel REIT acquired the three remaining prime street-fronting retail units at 8 Exhibition Street, providing the REIT strategic control over the freehold office building and all five retail units.



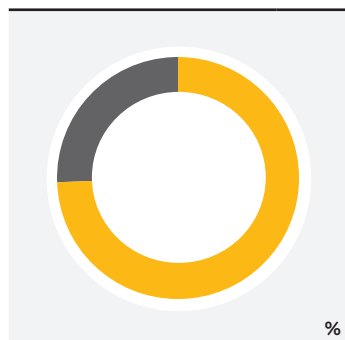
## Property Portfolio

**Portfolio Asset Distribution by Value**  
as at 31 December 2015



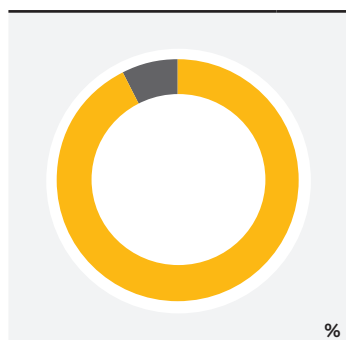
● Singapore	89
● Australia	11
<b>Total</b>	<b>100</b>

**Portfolio Asset Distribution by NLA**  
as at 31 December 2015



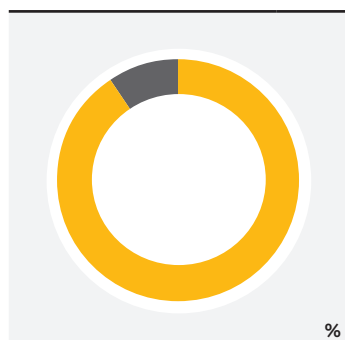
● Singapore	75
● Australia	25
<b>Total</b>	<b>100</b>

**Singapore Asset Distribution by Value**  
as at 31 December 2015



● Raffles Place & Marina Bay	93
● Bugis	7
<b>Total</b>	<b>100</b>

**Singapore Asset Distribution by NLA**  
as at 31 December 2015



● Raffles Place & Marina Bay	92
● Bugis	8
<b>Total</b>	<b>100</b>

The total premium quality office space under management was approximately 3.5 million sf as at end-2015.

Keppel REIT's four assets in Singapore, comprising seven office towers, accounted for approximately \$7.4 billion (89%) of the total portfolio value and the remaining \$1 billion (11%) comprised five assets with five office towers in Australia.

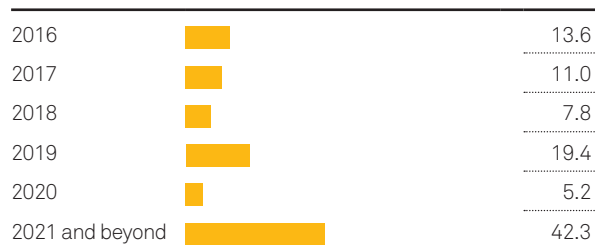
In terms of net lettable area (NLA), approximately 2.6 million sf (75%) of office space are located in Singapore and the remaining 0.9 million sf (25%) in Australia.

In Singapore, approximately 2.4 million sf (92%) of Keppel REIT's properties are in the prime Raffles Place and Marina Bay precinct. They represent approximately \$6.8 billion (93%) of Keppel REIT's total Singapore portfolio value as at end-2015.

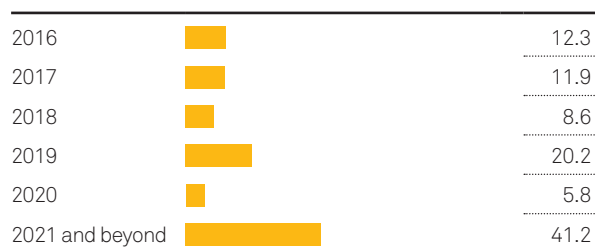
### Maintaining High Committed Occupancy

Proactive marketing and ongoing leasing efforts saw Keppel REIT achieve strong committed occupancy levels of 99.3% for its portfolio of properties in Singapore and Australia as at end-2015.

**Portfolio Lease Expiry by Committed NLA (%)**  
as at 31 December 2015



**Portfolio Lease Expiry by Committed Monthly Gross Rent (%)**  
as at 31 December 2015



**Portfolio Rent Review by Committed NLA (%)**  
as at 31 December 2015



**Portfolio Rent Review by Committed Monthly Gross Rent (%)**  
as at 31 December 2015

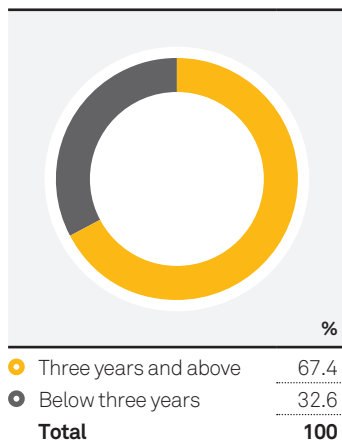


<sup>1</sup> Source: CBRE

<sup>2</sup> Source: Property Council of Australia

Property Portfolio

**Portfolio Committed NLA by Remaining Lease Term to Expiry**  
as at 31 December 2015



In Singapore, the average committed occupancy for the four properties – Ocean Financial Centre, Marina Bay Financial Centre, Bugis Junction Towers and One Raffles Quay, was 99.3% as at end-2015, higher than the core central business district (CBD) occupancy of 95.1%<sup>1</sup>.

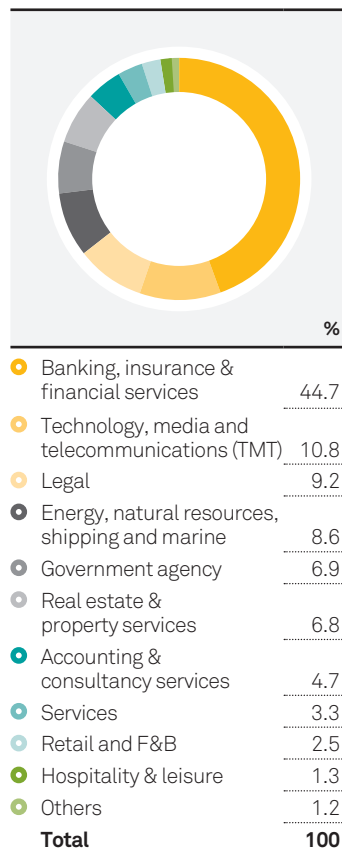
In Australia, the average committed occupancy for the five properties – 8 Chifley Square, 77 King Street, 8 Exhibition Street and its adjoining retail units, 275 George Street as well as the office tower and its annexe on the Old Treasury Building site also remained healthy at 99.2% as at end-2015, and well above Australia’s average CBD occupancy rate of 89.1%<sup>2</sup>.

**Well-Staggered Lease Expiry Profile**

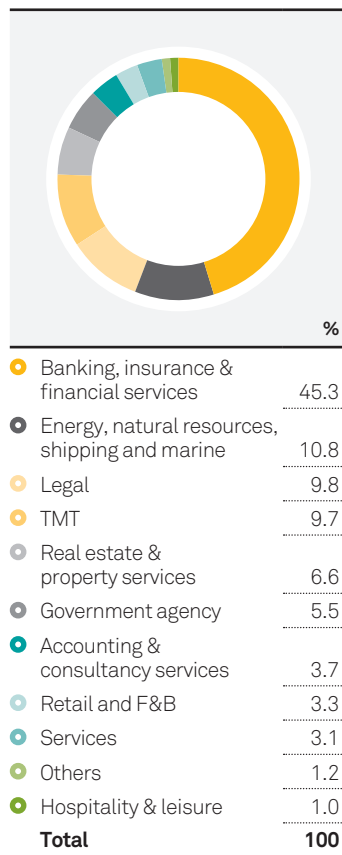
The Manager continues to ensure that the lease expiries for Keppel REIT’s overall portfolio are well-staggered with approximately 75% of total leases not due for renewal till 2018 and beyond, when limited new office supply is expected in Singapore.

As at end-2015, leases due for renewal in 2016 and 2017 account for 13.6% and 11% of Keppel REIT’s total portfolio committed NLA respectively.

**Tenant Business Sector by Committed NLA**  
as at 31 December 2015



**Tenant Business Sector by Committed Monthly Gross Rent**  
as at 31 December 2015



**Portfolio Occupancy by Committed NLA (%)**  
as at 31 December 2015

<b>Portfolio</b>	99.3
Singapore	99.3
Australia	99.2
<b>Property</b>	
Ocean Financial Centre	99.7
Marina Bay Financial Centre	98.5
One Raffles Quay	99.8
Bugis Junction Towers	100
8 Chifley Square	100
8 Exhibition Street	98.4
275 George Street	100
Office tower on the Old Treasury Building site	100
77 King Street	97.9

## Property Portfolio

In terms of committed monthly gross rental income, 12.3% and 11.9% are due for renewal in 2016 and 2017 respectively.

### Healthy Rent Review Profile

The Manager ensures that the rental rates for its properties remain competitive and are adjusted to the prevailing market rates through regular rent reviews.

Leases due for review in 2016, 2017 and 2018 account for 3.1%, 3.8% and 14.8% of the total portfolio committed NLA respectively.

In terms of committed monthly gross rental income, approximately 4.4%, 3.6% and 14.2% of leases are due for review in 2016, 2017 and 2018 respectively.

### Long Weighted Average Lease Expiry

As at end-2015, Keppel REIT's weighted average lease expiries (WALE) for its top 10 tenants and portfolio were approximately eight years and six years respectively. In terms of committed NLA, leases with remaining lease term to expiry of three years and above increased to 67.4% in end-2015 from 59.7% in end-2014.

### Weighted Average Lease Expiry by Committed NLA as at 31 December 2015

Top 10 tenants		8 years
Portfolio		6 years

In November 2015, the Government of Western Australia commenced its 25-year lease at the office tower on the Old Treasury Building site in Perth. The lease includes options for another 25 years.

This is in line with the Manager's aim to achieve a long WALE that will provide Unitholders income sustainability and resilience over a longer period.

Meanwhile, the WALE for leases committed in 2015 was six years, which is equivalent to 17.3% of Keppel REIT's total committed monthly gross rent as at end-2015.

### Well-Diversified Tenant Profile

Keppel REIT continues to maintain a well-diversified tenant profile with established corporations from diverse business sectors such as banking, insurance and financial services, TMT, legal, energy and natural resources, government agencies, as well as real estate and property services.

In 2015, more than 60% of new leasing demand came from the non-financial sectors, of which the TMT sector accounted for a healthy 30% of total space taken up.

The total number of tenants in Keppel REIT's portfolio grew to 311 as at end-2015 from 289 a year ago.

### Top Ten Tenants

Keppel REIT's top 10 tenants accounted for 38.3% of the committed monthly gross rental income. Together, these tenants occupied 42.5% of the total committed NLA as at end-2015.

The top 10 tenants are diversified across nine office towers in Singapore and Australia. These tenants are also well-diversified across various business sectors of banking, insurance and financial services; government agency; TMT and accounting and consultancy services.

### Top 10 Tenants by Total Committed Monthly Gross Rent

Building <sup>1</sup>	Tenant	% of Total Committed Monthly Gross Rent <sup>2</sup>	% of Total Committed NLA <sup>2</sup>	Business Sector	
1	OFC	BNP Paribas	5.7%	4.5%	Banking, insurance & financial services
2	MBFC	DBS Bank	5.5%	5.9%	Banking, insurance & financial services
3	OFC	Australia and New Zealand Banking Group	5.0%	6.1%	Banking, insurance & financial services
4	MBFC	Standard Chartered Bank	4.3%	4.1%	Banking, insurance & financial services
5	OTB	Government of Western Australia	3.5%	4.8%	Government agency
6	275 GS	Telstra Corporation	3.3%	4.5%	TMT
7	MBFC	Barclays	2.9%	2.9%	Banking, insurance & financial services
8	ORQ & 8 EX	Ernst & Young	2.9%	4.0%	Accounting & consultancy services
9	ORQ & 8 EX	UBS	2.6%	3.0%	Banking, insurance & financial services
10	ORQ	Deutsche Bank	2.6%	2.7%	Banking, insurance & financial services
		<b>38.3%</b>	<b>42.5%</b>		

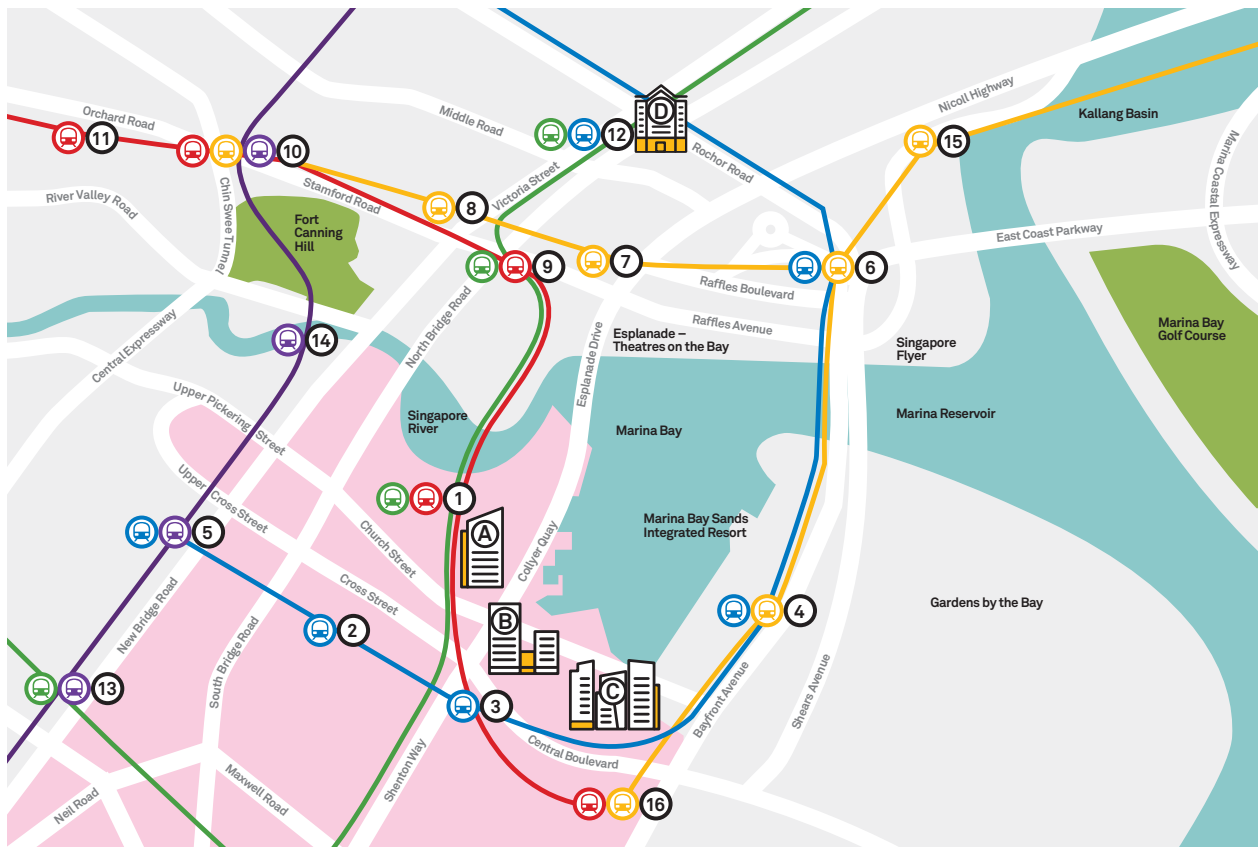
<sup>1</sup> OFC: Ocean Financial Centre; MBFC: Marina Bay Financial Centre office Towers 1, 2 and 3 and Marina Bay Link Mall; OTB: Office tower on the Old Treasury Building site in Perth; 275 GS: 275 George Street; ORQ: One Raffles Quay; 8 EX: 8 Exhibition Street.

<sup>2</sup> Based on Keppel REIT's interest in respective properties.

Property Portfolio



Location of Singapore Properties



- Core CBD
- East West Line
- North South Line
- Downtown Line
- Circle Line
- North East Line

- Offices**
- A. Ocean Financial Centre
  - B. One Raffles Quay
  - C. Marina Bay Financial Centre
  - D. Bugis Junction Towers

- MRT Stations**
- |                  |                    |
|------------------|--------------------|
| 1. Raffles Place | 9. City Hall       |
| 2. Telok Ayer    | 10. Dhoby Ghaut    |
| 3. Downtown      | 11. Somerset       |
| 4. Bayfront      | 12. Bugis          |
| 5. Chinatown     | 13. Outram Park    |
| 6. Promenade     | 14. Clarke Quay    |
| 7. Esplanade     | 15. Nicoll Highway |
| 8. Bras Basah    | 16. Marina Bay     |

## Property Portfolio

### At a Glance

#### Singapore

Property	Ocean Financial Centre <sup>2</sup>	Marina Bay Financial Centre <sup>2,5</sup>	One Raffles Quay <sup>2</sup>	Bugis Junction Towers
				
<b>Location</b>	10 Collyer Quay, Singapore 049315	8, 8A, 10 and 12 Marina Boulevard, Singapore 018981-4	1 Raffles Quay, Singapore 048583	230 Victoria Street, Singapore 188024
<b>Title</b>	Leasehold interest of 99 years expiring 13 December 2110	Leasehold estate of 99 years expiring 10 October 2104 <sup>6</sup> Leasehold estate of 99 years expiring 7 March 2106 <sup>7</sup>	Leasehold estate of 99 years expiring 12 June 2100	Leasehold estate of 99 years expiring 9 September 2089
<b>Ownership Interest</b>	99.9%	33.3%	33.3%	100%
<b>Acquisition Date</b>	14 December 2011 <sup>3</sup> 25 June 2012 <sup>3</sup>	15 December 2010 <sup>6</sup> 16 December 2014 <sup>7</sup>	10 December 2007	26 April 2006
<b>Purchase Price (on acquisition)</b>	\$2,298.8 million <sup>4</sup>	\$1,426.8 million <sup>6</sup> \$1,248 million <sup>7</sup>	\$941.5 million	\$159.5 million
<b>Valuation<sup>1</sup></b>	\$2,597 million \$2,941 psf	\$1,682 million <sup>6</sup> \$1,307 million <sup>7</sup> \$2,909 psf <sup>5</sup>	\$1,263 million \$2,846 psf	\$550 million \$2,245 psf
<b>Capitalisation Rate</b>	3.75%	3.75%	3.75%	3.75%
<b>Attributable NLA</b>	883,172 sf 82,049 sm	1,027,557 sf 95,462 sm	443,760 sf 41,226 sm	244,989 sf 22,760 sm
<b>Committed Occupancy</b>	99.7%	98.5%	99.8%	100%
<b>FY 2015 Income Contribution</b>	\$88.6 million	\$90.5 million	\$26.1 million	\$18.9 million
<b>Number of Tenants</b>	54	161	47	15
<b>Principal Tenants</b>	Australia and New Zealand Banking Group, BNP Paribas, Drew & Napier	BHP Billiton, DBS Bank, Standard Chartered Bank	Deutsche Bank, Ernst & Young, UBS	International Enterprise Singapore, InterContinental Hotels Group, Keppel Land
<b>Number of Carpark Lots</b>	224	1,054	713	648

<sup>1</sup> Valuation as at 31 December 2015 based on Keppel REIT's interest in the respective properties.

<sup>2</sup> Refers to Keppel REIT's respective interest in the development and not as a whole unless otherwise stated.

<sup>3</sup> 87.5% interest of the building was acquired on 14 December 2011 and 12.4% interest of the building was acquired on 25 June 2012.

<sup>4</sup> Based on purchase price of \$2,013.1 million as at 14 December 2011 and \$285.7 million as at 25 June 2012.


<sup>5</sup> Comprises Marina Bay Financial Centre (MBFC) office Towers 1, 2 and 3 and Marina Bay Link Mall (MBLM).

<sup>6</sup> Refers to MBFC Towers 1 and 2 and MBLM.

<sup>7</sup> Refers to MBFC Tower 3.

#### Property Portfolio – At a Glance

#### Australia

Property	8 Chifley Square <sup>3</sup>	8 Exhibition Street <sup>4</sup>	275 George Street <sup>3</sup>	Office tower and its annexe on the Old Treasury Building site <sup>3</sup>	77 King Street <sup>7</sup>
					
<b>Location</b>	8 Chifley Square, New South Wales 2000, Sydney	8 Exhibition Street, Victoria 3000, Melbourne	275 George Street, Queensland 4000, Brisbane	28 Barrack Street and 585 Hay Street, Perth 6000, Western Australia	77 King Street, New South Wales 2000, Sydney
<b>Title</b>	Leasehold estate of 99 years expiring 5 April 2105	Freehold	Freehold	Leasehold estate of 99 years expiring 30 August 2114	Freehold
<b>Ownership Interest</b>	50%	50% <sup>4</sup>	50%	50%	100%
<b>Acquisition Date</b>	28 July 2011	1 August 2013 <sup>5</sup> 12 October 2015 <sup>6</sup>	1 March 2010	28 March 2013	21 December 2010
<b>Purchase Price (on acquisition)</b>	\$197.8 million	\$192.4 million <sup>5</sup> \$8.9 million <sup>6</sup>	\$209.4 million	\$208.1 million	\$147.2 million
<b>Valuation<sup>1,2</sup></b>	\$206.6 million \$1,984 psf	\$215.5 million <sup>4</sup> \$872 psf	\$204 million \$908 psf	\$201.5 million \$1,201 psf	\$128.5 million <sup>8</sup> \$876 psf <sup>8</sup>
<b>Capitalisation Rate</b>	5.4%	5.75% <sup>5</sup>	6.75%	6%	6.5% <sup>8</sup>
<b>Attributable NLA</b>	104,138 sf 9,675 sm	247,033 sf 22,950 sm	224,688 sf 20,874 sm	167,784 sf 15,588 sm	146,670 sf 13,626 sm
<b>Committed Occupancy</b>	100%	98.4%	100%	100%	97.9%
<b>FY 2015 Income Contribution</b>	\$12.1 million	\$11.8 million	\$15.3 million	\$11.9 million	\$8.5 million
<b>Number of Tenants</b>	8	21	8	2	14
<b>Principal Tenants</b>	Corrs Chambers Westgarth, QBE Insurance Group, Quantum Group	CBRE, Ernst & Young, UBS	Telstra Corporation, Queensland Gas Company	Government of Western Australia	Apple, CEB International, Facebook
<b>Number of Carpark Lots</b>	32	–	244	206	12

<sup>1</sup> Valuation as at 31 December 2015 based on Keppel REIT's interest in the respective properties unless otherwise stated.

<sup>2</sup> Based on the exchange rate of A\$1 = S\$1.02.

<sup>3</sup> Refers to Keppel REIT's respective interest in the development and not as a whole unless otherwise stated.

<sup>4</sup> Keppel REIT owns a 50% interest in the 8 Exhibition Street office building and two retail units, as well as a 100% interest in the adjoining three retail units.

<sup>5</sup> Refers to Keppel REIT's 50% interest in the office building and two retail units.

<sup>6</sup> Refers to Keppel REIT's 100% interest in the three retail units.

<sup>7</sup> Keppel REIT divested its 100% interest in 77 King Street on 29 January 2016.

<sup>8</sup> Valuation as at 31 July 2015 for Keppel REIT's 100% interest.

Property Portfolio  
Singapore



01

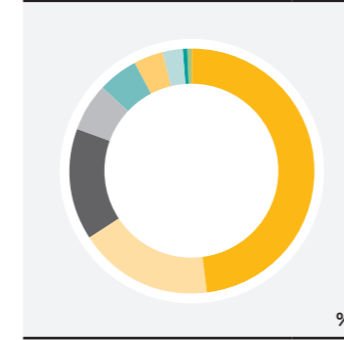
Ocean Financial Centre

Key Statistics  
as at 31 December 2015

<b>Location</b>	10 Collyer Quay, Singapore 049315
<b>Ownership Interest</b>	99.9%
<b>Attributable NLA</b>	883,172 sf   82,049 sm
<b>Title</b>	Leasehold interest of 99 years expiring 13 December 2110
<b>Committed Occupancy</b>	99.7%
<b>Acquisition Date<sup>1</sup></b>	14 December 2011 and 25 June 2012
<b>Valuation<sup>2</sup></b>	\$2,597 million
<b>Number of Tenants</b>	54
<b>Number of Carpark Lots</b>	224
<b>FY 2015 Income Contribution</b>	\$88.6 million

<sup>1</sup> The 87.5% and 12.4% interests of the building were acquired on 14 December 2011 and 25 June 2012 respectively.  
<sup>2</sup> Valuation as at 31 December 2015 based on Keppel REIT's interest in the property.

Tenant Business Sector by Committed Monthly Gross Rent as at 31 December 2015



Banking, insurance & financial services	48.1
Legal	17.9
Energy, natural resources, shipping and marine	14.6
Real estate & property services	6.6
Services	5.1
TMT	4.0
Retail and F&B	2.7
Accounting & consultancy services	0.7
Others	0.3
<b>Total</b>	<b>100</b>

Top Five Tenants  
as at 31 December 2015

Tenant	% of Total Committed Monthly Gross Rent
BNP Paribas	20.8
Australia and New Zealand Banking Group	18.1
Drew & Napier	8.9
Trafigura	6.4
The Executive Centre	4.7



02

01 Showcasing Keppel REIT's 10<sup>th</sup> anniversary logo, the green wall at Ocean Financial Centre stands out as an eco-icon in Singapore's CBD.

02 'Tales from the Ocean', a colourful hanging sculpture by Israeli artist Uri Dushy, enhances the building's overall ambience for tenants and visitors.

A state-of-the-art office building, Ocean Financial Centre is strategically located in the heart of Singapore's financial district.

With large column free floor-plates of between 20,000 sf and 25,000 sf, the premium Grade A building offers approximately 884,000 sf of office space across 43 storeys.

Ocean Financial Centre is linked directly to the Raffles Place MRT interchange station, the Downtown MRT station and the surrounding office buildings via an underground pedestrian network.

In the second quarter of 2015, Ocean Financial Centre underwent improvement works to enhance the building's overall ambience and offer tenants and visitors added convenience. Two new

retail units were introduced at the office lobby, complementing the dining outlets and ancillary services at the subterranean mall, Ocean Colours.

The building continues to be recognised for its outstanding architecture and sustainable features. In January 2016, Ocean Financial Centre was re-certified with the highest Green Mark Platinum rating by the Building and Construction Authority (BCA) of Singapore.

For its efficient energy management features, it was also named the winner in the Large Green Building Category at the ASEAN Energy Awards 2015, and received the PUB Water Efficient Building Gold Award in 2015.

Lease Expiry Profile by Committed Monthly Gross Rent (%)  
as at 31 December 2015

Year	Percentage
2016	24.7
2017	29.8
2018	9.4
2019	27.3
2020	6.4
2021 and beyond	2.4

# Property Portfolio

Singapore



01

## Marina Bay Financial Centre

### Key Statistics as at 31 December 2015

<b>Location</b>	8, 8A, 10 and 12 Marina Boulevard, Singapore 018981-4
<b>Ownership Interest</b>	33.3%
<b>Attributable NLA</b>	1,027,557 sf   95,462 sm
<b>Title</b>	Leasehold estate of 99 years expiring 10 October 2104 <sup>1</sup> Leasehold estate of 99 years expiring 7 March 2106 <sup>2</sup>
<b>Committed Occupancy</b>	98.5%
<b>Acquisition Date</b>	15 December 2010 <sup>1</sup> 16 December 2014 <sup>2</sup>
<b>Valuation<sup>3</sup></b>	\$1,682 million <sup>1</sup> \$1,307 million <sup>2</sup>
<b>Number of Tenants</b>	161
<b>Number of Carpark Lots</b>	1,054
<b>FY 2015 Income Contribution</b>	\$90.5 million

<sup>1</sup> Refers to MBFC Towers 1 and 2 and Marina Bay Link Mall (MBLM).  
<sup>2</sup> Refer to MBFC Tower 3.  
<sup>3</sup> Valuation as at 31 December 2015 based on Keppel REIT's interest in the property.



02

**01** Located in the heart of Singapore's new financial district, MBFC is well-served by a wide range of amenities and services, international and boutique hotels, luxury residences as well as a variety of dining and retail outlets.

**02** The new sheltered pedestrian walkway provides more comfortable and seamless connectivity between the office towers.

One of Singapore's largest integrated developments, MBFC comprises three premium Grade A office towers and the subterranean MBLM.

Designed to be Asia's Best Business Address™, this purpose-built financial centre offers a total of approximately 3 million sf of prime office space across the 33-storey Tower 1, 50-storey Tower 2 and 46-storey Tower 3. Tenants enjoy large column-free and symmetrical floor-plates of between 20,000 sf and 45,000 sf.

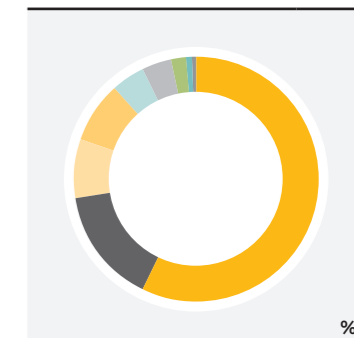
For more comfortable and seamless connectivity between the office towers, a sheltered pedestrian walkway was added between MBFC Towers 1 and 3. This adds to the other existing fully integrated underground pedestrian routes and further enhances MBFC's connection to other developments in the

Marina Bay and Raffles Place precinct, as well as the Raffles Place MRT interchange and Downtown MRT stations.

In January 2016, MBFC Tower 3 was re-certified to the highest BCA Green Mark Platinum award, an improvement from its previous Green Mark Gold<sup>Plus</sup> rating. In 2015, Tower 3 was also conferred the BCA Green Mark Pearl Award, which recognises building owners for their commitment to work with tenants to achieve environmental sustainability. MBFC office Towers 1, 2, 3 and MBLM received the PUB Water Efficient Building Gold Award.

For excellence in safety, MBFC was conferred the Safety and Health Award Recognition for Projects (SHARP) at the national Workplace Safety and Health (WSH) Awards.

### Tenant Business Sector by Committed Monthly Gross Rent as at 31 December 2015

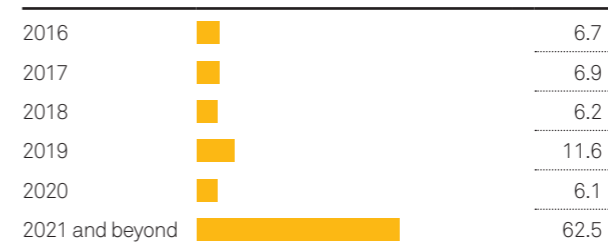


Banking, insurance & financial services	57.3
Energy, natural resources, shipping and marine	15.2
Legal	8.0
TMT	7.9
Retail and F&B	4.6
Real estate & property services	3.9
Others	2.0
Services	1.0
Government agency	0.1
<b>Total</b>	<b>100</b>

### Top Five Tenants as at 31 December 2015

Tenant	% of Total Committed Monthly Gross Rent
DBS Bank	16.6
Standard Chartered Bank	13.1
Barclays	8.9
BHP Billiton	7.5
Nomura	3.3

### Lease Expiry Profile by Committed Monthly Gross Rent (%) as at 31 December 2015



Property Portfolio  
Singapore



01

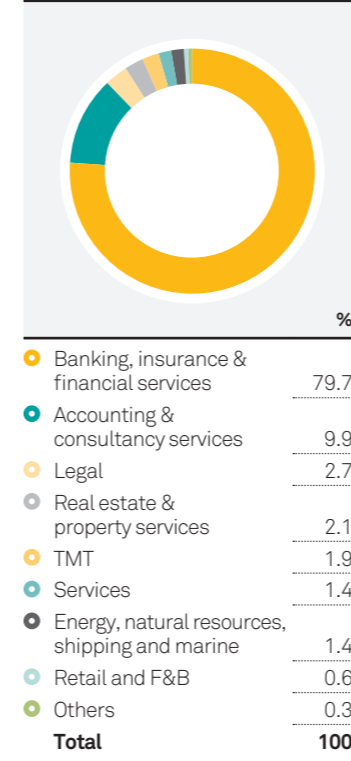
One Raffles Quay

Key Statistics  
as at 31 December 2015

<b>Location</b>	1 Raffles Quay, Singapore 048583
<b>Ownership Interest</b>	33.3%
<b>Attributable NLA</b>	443,760 sf   41,226 sm
<b>Title</b>	Leasehold estate of 99 years expiring 12 June 2100
<b>Committed Occupancy</b>	99.8%
<b>Acquisition Date</b>	10 December 2007
<b>Valuation<sup>1</sup></b>	\$1,263 million
<b>Number of Tenants</b>	47
<b>Number of Carpark Lots</b>	713
<b>FY 2015 Income Contribution</b>	\$26.1 million

<sup>1</sup> Valuation as at 31 December 2015 based on Keppel REIT's interest in the property.

Tenant Business Sector by Committed Monthly Gross Rent  
as at 31 December 2015



Top Five Tenants  
as at 31 December 2015

Tenant	% of Total Committed Monthly Gross Rent
Deutsche Bank	18.8
UBS	15.7
Royal Bank of Scotland	10.2
Ernst & Young	9.9
ABN AMRO Bank	5.1



02

Offering a total of approximately 1.3 million sf of premium Grade A office space, One Raffles Quay is a landmark commercial development in the Marina Bay financial district.

One Raffles Quay comprises two prime office buildings – the North and South Towers.

The 50-storey North Tower offers column-free floor space of approximately 18,000 sf, while South Tower offers approximately 30,000 sf of office space across 29 storeys. Both towers are connected via a spacious

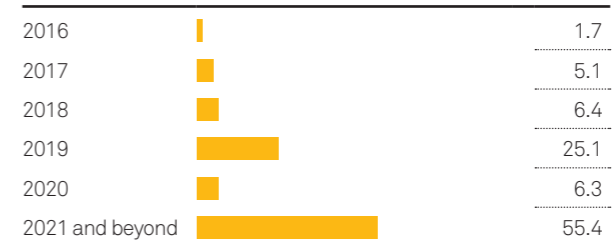
podium plaza, providing tenants and visitors a convenient meeting point.

One Raffles Quay also features retail shops and dining outlets in the underground pedestrian walkway that connects the development to the Raffles Place MRT interchange station and surrounding office buildings.

The prime office development, which won the SHARP at the national WSH Awards 2015, continues to be the preferred business address of multinational corporations and institutions.

*01 & 02 One Raffles Quay was one of the first commercial developments in the Marina Bay financial precinct.*

Lease Expiry Profile by Committed Monthly Gross Rent (%)  
as at 31 December 2015





Property Portfolio  
Singapore



01

Bugis Junction Towers

Key Statistics  
as at 31 December 2015

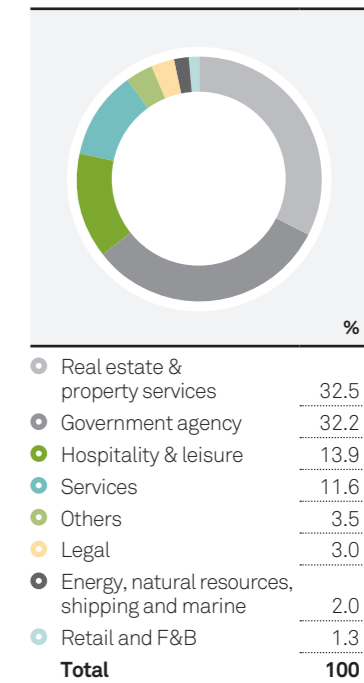
<b>Location</b>	230 Victoria Street, Singapore 188024
<b>Ownership Interest</b>	100%
<b>Attributable NLA</b>	244,989 sf   22,760 sm
<b>Title</b>	Leasehold estate of 99 years expiring 9 September 2089
<b>Committed Occupancy</b>	100%
<b>Acquisition Date</b>	26 April 2006
<b>Valuation<sup>1</sup></b>	\$550 million
<b>Number of Tenants</b>	15
<b>Number of Carpark Lots</b>	648
<b>FY 2015 Income Contribution</b>	\$18.9 million

<sup>1</sup> Valuation as at 31 December 2015 based on Keppel REIT's interest in the property.



02

Tenant Business Sector by Committed Monthly Gross Rent as at 31 December 2015



**01** Located directly above the Bugis MRT interchange station, tenants of Bugis Junction Towers enjoy excellent connectivity to different parts of Singapore.

**02** Bugis Junction Towers is fully leased to leading corporations including Keppel Land, International Enterprise Singapore and InterContinental Hotels Group.

Located along Victoria Street, Bugis Junction Towers is part of the integrated mixed-use development that includes a retail mall and a five-star hotel.

Sitting directly above the Bugis MRT interchange station that is well-served by the East-West and Downtown MRT lines, tenants enjoy excellent connectivity to different parts of Singapore.

The 15-storey building with floor-plates of approximately

20,000 sf is 100% leased to leading corporations including Keppel Land, International Enterprise Singapore and InterContinental Hotels Group.

In 2014, Bugis Junction Towers was conferred the highest Green Mark Platinum Award by the BCA. In keeping with its commitment towards sustainability, the building received the PUB Water Efficient Building Silver Award in 2015.

Top Five Tenants  
as at 31 December 2015

Tenant	% of Total Committed Monthly Gross Rent
Keppel Land	32.2
International Enterprise Singapore	29.7
InterContinental Hotels Group	11.7
JV Fitness	11.6
Shenton Holdings	2.4

Lease Expiry Profile by Committed Monthly Gross Rent (%)  
as at 31 December 2015

Year	%
2016	31.7
2017	10.1
2018	32.8
2019	2.1
2020	11.6
2021 and beyond	11.7

# Property Portfolio

Australia



01

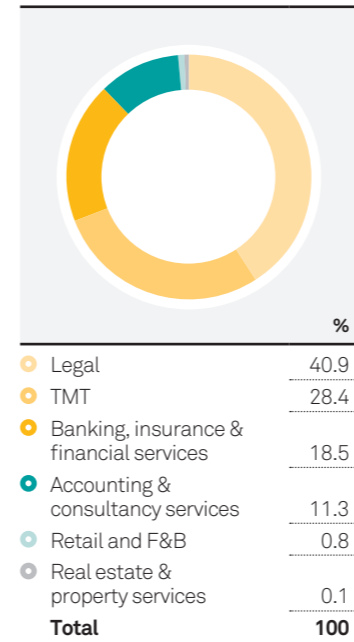
## 8 Chifley Square

### Key Statistics as at 31 December 2015

<b>Location</b>	8 Chifley Square, New South Wales 2000, Sydney
<b>Ownership Interest</b>	50%
<b>Attributable NLA</b>	104,138 sf   9,675 sm
<b>Title</b>	Leasehold estate of 99 years expiring 5 April 2105
<b>Committed Occupancy</b>	100%
<b>Acquisition Date</b>	28 July 2011
<b>Valuation<sup>1</sup></b>	\$206.6 million <sup>2</sup>
<b>Number of Tenants</b>	8
<b>Number of Carpark Lots</b>	32
<b>FY 2015 Income Contribution</b>	\$12.1 million

<sup>1</sup> Valuation as at 31 December 2015 based on Keppel REIT's interest in the property.  
<sup>2</sup> Based on the exchange rate of A\$1 = S\$1.02.

### Tenant Business Sector by Committed Monthly Gross Rent as at 31 December 2015



### Top Five Tenants as at 31 December 2015

Tenant	% of Total Committed Monthly Gross Rent
Corrs Chambers Westgarth	40.9
Quantum Group	28.4
QBE Insurance Group	16.0
PPB Advisory	11.3
Natixis	2.5



02

Sitting at the junction of Hunter Street and Elizabeth Street, 8 Chifley Square is strategically located in the heart of Sydney's CBD. The building offers approximately 210,000 sf of premium office space with excellent amenities and unobstructed views of Sydney's cityscape.

8 Chifley Square boasts a unique and revolutionary design that comprises two stacked modules of 12 and nine floors, with "vertical villages" ranging between two and four storeys. This modern design offers tenants high level of flexibility in designing their workspace environment, and creates unparalleled connectivity that fosters interaction amongst employees.

The building was the biggest winner at the 2015 Property Council of Australia Awards, clinching three top honours, namely the highly coveted Australian Development of the Year, Best Office Development, and Best Sustainable Development (New Buildings) Awards. It was conferred another three awards at the Asia Pacific Property Awards 2015 for Best Commercial High-Rise Development (Australia), Best Office Development (Australia) and Best Office Architecture (Australia).

8 Chifley Square is one of the few commercial buildings in Australia to be awarded the highest 6-Star Green Star – Office Design v2 rating by the Green Building Council of Australia in 2012. The building was also certified with a 5 star NABERS energy rating in 2015.

*01 & 02 Featuring unique and innovative workspaces that set the benchmark for future offices, the award-winning 8 Chifley Square is 100% leased to leading companies such as Corrs Chambers Westgarth, Quantum and QBE Insurance.*

### Lease Expiry Profile by Committed Monthly Gross Rent (%) as at 31 December 2015

Year	%
2016	0.0
2017	0.0
2018	0.8
2019	2.5
2020	0.0
2021 and beyond	96.7

# Property Portfolio

Australia



01

## 8 Exhibition Street

### Key Statistics as at 31 December 2015

<b>Location</b>	8 Exhibition Street, Victoria 3000, Melbourne
<b>Ownership Interest</b>	50% <sup>1</sup>
<b>Attributable NLA</b>	247,033 sf   22,950 sm
<b>Title</b>	Freehold
<b>Committed Occupancy</b>	98.4%
<b>Acquisition Date</b>	1 August 2013 <sup>2</sup> 12 October 2015 <sup>3</sup>
<b>Valuation<sup>4</sup></b>	\$215.5 million <sup>1,5</sup>
<b>Number of Tenants</b>	21
<b>Number of Carpark Lots</b>	–
<b>FY 2015 Income Contribution</b>	\$11.8 million

<sup>1</sup> Keppel REIT owns a 50% interest in the office building and two retail units, as well as a 100% interest in the adjoining three retail units.  
<sup>2</sup> Refers to Keppel REIT's 50% interest in the office building and two retail units.  
<sup>3</sup> Refers to Keppel REIT's 100% interest in the adjoining three retail units.  
<sup>4</sup> Valuation as at 31 December 2015 based on Keppel REIT's interest in the property.  
<sup>5</sup> Based on the exchange rate of A\$1 = S\$1.02.



02

**01** Standing tall in Melbourne's prime CBD, 8 Exhibition Street offers tenants panoramic views of famous landmarks including the Yarra River and Royal Botanical Gardens.

**02** To meet the growing demand from tenants, a new and better-equipped end-of-trip facility was added to 8 Exhibition Street.

Rising above the historic Herald and Weekly Times Building, 8 Exhibition Street is widely recognised as one of Melbourne city's key architectural landmarks.

Located in the prime part of Melbourne's CBD, the 35-storey freehold premium grade commercial building has a total NLA of approximately 490,000 sf, which includes the ancillary retail space on the ground floor.

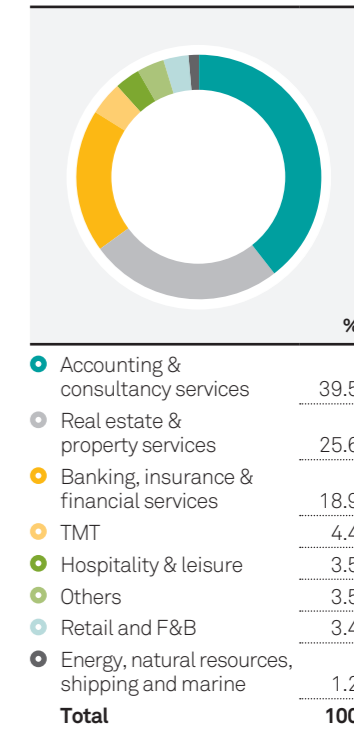
On 12 October 2015, Keppel REIT acquired the three remaining prime street-fronting retail units at 8 Exhibition Street. The addition of these retail units provides Keppel REIT strategic control over the office building and all five retail units at 8 Exhibition Street.

Tenants enjoy good connectivity to the rest of the city with the building's proximity to various public transport nodes including tram, bus and rail services such as the major Parliament and Flinders Street railway stations which are within walking distance.

To meet the growing demand from tenants, a new end-of-trip facility was added in November 2015. Featuring more bicycle racks, new locker rooms as well as enhanced change and shower facilities, 8 Exhibition Street continues to be the preferred business address for companies.

As part of its continuing effort towards environmental sustainability, 8 Exhibition Street was re-certified with a 4.5 star NABERS energy rating in 2015.

### Tenant Business Sector by Committed Monthly Gross Rent as at 31 December 2015



### Top Five Tenants as at 31 December 2015

Tenant	% of Total Committed Monthly Gross Rent
Ernst & Young	36.3
UBS	10.9
AECOM	9.8
CBRE	7.2
National Australia Bank Limited	5.4

### Lease Expiry Profile by Committed Monthly Gross Rent (%) as at 31 December 2015

Year	Percentage (%)
2016	10.5
2017	2.7
2018	12.2
2019	5.3
2020	0.0
2021 and beyond	69.3

# Property Portfolio

Australia



01

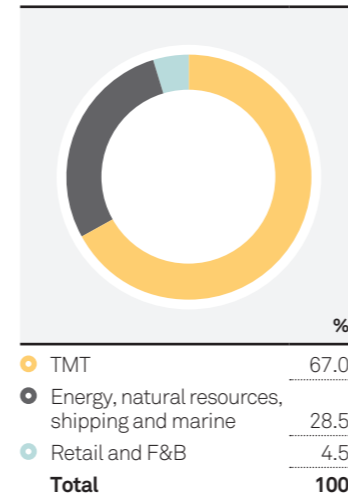
## 275 George Street

### Key Statistics as at 31 December 2015

<b>Location</b>	275 George Street, Queensland 4000, Brisbane
<b>Ownership Interest</b>	50%
<b>Attributable NLA</b>	224,688 sf   20,874 sm
<b>Title</b>	Freehold
<b>Committed Occupancy</b>	100%
<b>Acquisition Date</b>	1 March 2010
<b>Valuation<sup>1</sup></b>	\$204 million <sup>2</sup>
<b>Number of Tenants</b>	8
<b>Number of Carpark Lots</b>	244
<b>FY 2015 Income Contribution</b>	\$15.3 million

<sup>1</sup> Valuation as at 31 December 2015 based on Keppel REIT's interest in the property.  
<sup>2</sup> Based on the exchange rate of A\$1 = S\$1.02.

### Tenant Business Sector by Committed Monthly Gross Rent as at 31 December 2015



### Top Five Tenants as at 31 December 2015

Tenant	% of Total Committed Monthly Gross Rent
Telstra Corporation	67.0
Queensland Gas Company	28.5
Savilo	1.9
UBER	1.0
ASN Retail Developments & Koorunga Enterprises	0.6



02

275 George Street is a landmark 30-storey Grade A building in Brisbane's CBD with a total NLA of approximately 450,000 sf.

Strategically located between the city's two largest railway stations – Roma Street Railway Station and Central Railway Station, 275 George Street offers tenants panoramic views of the Brisbane River and cityscape.

The building is situated within Brisbane's cultural hub and is in close proximity to restaurants, entertainment venues, as well as childcare and shopping facilities.

275 George Street is 100% leased to leading corporations including Telstra Corporation and Queensland Gas Company.

The lobby features two cafes that offer tenants and visitors different dining options, and serve as alternative meeting venues outside of the office.

275 George Street has achieved both the 5-Star Green Star – Office Design and As Built v2 ratings. In 2014, the property was awarded a 5-Star NABERS Energy base building rating.

**01** 275 George Street is home to leading corporations including Telstra and Queensland Gas.

**02** The lobby cafes offer tenants and visitors alternative meeting venues outside of the office.

### Lease Expiry Profile by Committed Monthly Gross Rent (%) as at 31 December 2015

Year	%
2016	1.3
2017	0.6
2018	0.5
2019	94.0
2020	1.7
2021 and beyond	1.9

## Property Portfolio

Australia

01



### Office tower and its annexe on the Old Treasury Building site

#### Key Statistics

as at 31 December 2015

<b>Location</b>	28 Barrack Street and 585 Hay Street, Perth 6000, Western Australia
<b>Ownership Interest</b>	50%
<b>Attributable NLA</b>	167,784 sf   15,588 sm
<b>Title</b>	Leasehold estate of 99 years expiring 30 August 2114
<b>Committed Occupancy</b>	100%
<b>Acquisition Date</b>	28 March 2013
<b>Valuation<sup>1</sup></b>	\$201.5 million <sup>2</sup>
<b>Number of Tenants</b>	2
<b>Number of Carpark Lots</b>	206
<b>FY 2015 Income Contribution</b>	\$11.9 million

<sup>1</sup> Valuation as at 31 December 2015 based on Keppel REIT's interest in the property.

<sup>2</sup> Based on the exchange rate of A\$1 = S\$1.02.

**01** The new office tower on the Old Treasury Building site is the epicentre of the City of Perth's strategic plans to revitalise the eastern corridor of the CBD.

**02** Keppel REIT divested its interest in 77 King Street in Sydney as part of its aim to continually maximise and capture value for Unitholders.

Strategically located in Perth's CBD at the junction of St Georges Terrace and Barrack Street, the office tower and its annexe on the Old Treasury Building site is a new addition to the city skyline.

Following the receipt of the certificate of practical completion on 31 August 2015, the Government of Western Australia commenced its 25-year lease in

November 2015 and will be moving into the development progressively from mid-2016.

The office tower offers a total NLA of approximately 336,000 sf over 33 storeys.

The building has achieved the 5-Star Green Star v3 rating from the Green Building Council of Australia and is expected to receive a 4.5-Star NABERS energy rating.

02



## 77 King Street

### Key Statistics

as at 31 December 2015

<b>Location</b>	77 King Street, New South Wales 2000, Sydney
<b>Ownership Interest</b>	100%
<b>Attributable NLA</b>	146,670 sf   13,626 sm
<b>Title</b>	Freehold
<b>Committed Occupancy</b>	97.9%
<b>Acquisition Date</b>	21 December 2010
<b>Valuation<sup>1</sup></b>	\$128.5 million <sup>2</sup>
<b>Number of Tenants</b>	14
<b>Number of Carpark Lots</b>	12
<b>FY 2015 Income Contribution</b>	\$8.5 million

<sup>1</sup> Valuation as at 31 July 2015 based on Keppel REIT's interest in the property.

<sup>2</sup> Based on the exchange rate of A\$1 = S\$1.02.

Located in Sydney's CBD at the junction of George Street and King Street, 77 King Street offers approximately 147,000 sf over 18 levels of offices and two basement levels of retail space.

In line with its commitment to maximise and capture value, while providing the REIT

with greater financial flexibility, Keppel REIT divested its entire interest in 77 King Street on 29 January 2016 for A\$160 million. The sale price is approximately 40% above the original purchase price of A\$116 million in end-2010 and an approximate 27% premium over its last valuation of A\$126 million.

# Financial Review

*Improved performances from its properties in Singapore and Australia, as well as higher contributions from share of results of associates and joint ventures saw Keppel REIT deliver higher distributable income in FY 2015.*

## Distributable Income

# \$217.3m

Improved 5.4% to \$217.3 million for FY 2015 due to higher property income from all assets. This was despite the absence of income from the divested Prudential Tower and the rental support from Ocean Financial Centre and MBFC Phase One.

## Aggregate Leverage Ratio

# 39.3%

Improved to 39.3% as at 31 December 2015 as a result of higher capital values of properties and lower borrowings.

Keppel REIT recorded a distributable income of \$217.3 million for the financial year ended 31 December 2015 (FY 2015), a 5.4% increase from \$206.1 million for financial year ended 31 December 2014 (FY 2014). This was attributable to higher property income achieved by all properties in Singapore and Australia, as well as higher contributions from share of results of associates and joint ventures.

The increases in share of results of associates and joint ventures were due mainly to the full-year income contribution from Keppel REIT's one-third interest in Marina Bay Financial Centre (MBFC) Tower 3 and higher contributions from 8 Chifley Square in Sydney, as well as the office tower and its annexe on the Old Treasury Building site in Perth.

### Capturing Value Through Strategic Acquisitions and Divestments

On 12 October 2015, Keppel REIT acquired the three remaining prime street-fronting retail units at 8 Exhibition Street in Melbourne for an aggregate consideration of A\$8.6 million. Keppel REIT now owns a 50% interest in the 8 Exhibition Street office building and two retail units, as well as a 100% interest in the adjoining three retail units.

In line with the Manager's aim to maximise and capture value for Unitholders, while providing Keppel REIT with greater financial flexibility, Keppel REIT divested its 100% interest in the 77 King Street Office Tower in Sydney on 29 January 2016. The sale price of A\$160 million is approximately 40% above the original purchase price of A\$116 million in end-2010 and an approximate 27% premium over the property's last valuation of A\$126 million.

As at end-2015, Keppel REIT's assets under management stood at approximately \$8.4 billion. This comprises nine quality assets with 12 office towers in the key financial districts of Singapore and Australia.

The assets in Singapore are a 99.9% interest in Ocean Financial Centre (Ocean Financial Centre Interest), a one-third interest in MBFC (comprising office Towers 1, 2 and 3 and the subterranean mall, Marina Bay Link Mall), a one-third interest in One Raffles Quay and a 100% interest in Bugis Junction Towers.

The assets in Australia are a 50% interest in 8 Chifley Square (8 Chifley Square Interest) and a 100% interest in 77 King Street Office Tower, both in Sydney, a 50% interest in the office building and two retail units as well as a 100% interest in the adjoining three retail units at 8 Exhibition Street in Melbourne (8 Exhibition Street Interest), a 50% interest in 275 George Street in Brisbane (275 George Street Interest) and a 50% interest in the office tower and its annexe on the Old Treasury Building site in Perth (Old Treasury Building Interest).

The contributions from the Ocean Financial Centre Interest, Bugis Junction Towers, 77 King Street Office Tower, 8 Exhibition Street Interest and 275 George Street Interest are accounted for as property income. The contributions from Keppel REIT's respective one-third interests in MBFC and One Raffles Quay are accounted for as share of results of associates.

The contribution from the 8 Chifley Square Interest for FY 2015 is accounted for as share of results of joint ventures. For FY 2014, its contribution was accounted for as interest income up to the conversion of the convertible notes in Mirvac 8 Chifley Trust, which holds 8 Chifley Square. Contribution from the 8 Chifley Square Interest

## Financial Review



01

was accounted for as share of results of joint ventures subsequent to the conversion in June 2014.

The contribution from the Old Treasury Building Interest is accounted for as interest income

up to the conversion of the convertible notes in Mirvac (Old Treasury) Trust, which holds the office tower and its annexe on the site of the Old Treasury Building. Contribution from the Old Treasury Building Interest is accounted for as

share of results of joint ventures subsequent to the conversion in November 2015.

### Distributable Income

Keppel REIT achieved a 5.4% increase in distributable income for FY 2015 as compared to FY 2014.

**01 Stronger property performances from Keppel REIT's assets resulted in higher distributable income to Unitholders for FY 2015**

## Overview

	FY 2015 \$'000	FY 2014 \$'000	Change %
Property income	<b>170,347</b>	184,093	(7.5)
Property expenses	<b>(32,882)</b>	(32,657)	0.7
Net property income	<b>137,465</b>	151,436	(9.2)
Share of results of associates	<b>75,695</b>	60,745	24.6
Share of results of joint ventures	<b>17,163</b>	9,848	74.3
Interest income and rental support	<b>57,420<sup>1</sup></b>	87,443 <sup>2</sup>	(34.3)
Manager's management fees	<b>(49,984)</b>	(45,492)	9.9
Other expenses	<b>(88,983)</b>	(108,818)	(18.2)
Net income	<b>148,776</b>	155,162	(4.1)
Gain on divestment of investment property	–	16,179	(100.0)
Net change in fair value of investment properties	<b>218,038</b>	212,191	2.8
Income tax expense	<b>(27,966)</b>	(11,630)	140.5
Total return after tax	<b>338,848</b>	371,902	(8.9)
Attributable to:			
– Unitholders	<b>337,495</b>	371,753	(9.2)
– Perpetual securities holders	<b>1,228</b>	–	100.0
– Non-controlling interest	<b>125</b>	149	(16.1)
Distributable income	<b>217,268</b>	206,142	5.4

<sup>1</sup> Rental support in 2015 comprised rental support from vendors of the 77 King Street Office Tower; one-third interest in Central Boulevard Development Pte Ltd (CBDPL), which holds MBFC Tower 3; and the Ocean Financial Centre Interest. Interest income in 2015 included contribution from the Old Treasury Building Interest.

<sup>2</sup> Rental support in 2014 comprised rental support from vendors of the 29% interest in Prudential Tower Property; 77 King Street Office Tower; one-third interest in BFC Development Limited Liability Partnership (BFCDLLP), which holds MBFC Towers 1, 2 and the subterranean mall, Marina Bay Link Mall; and the Ocean Financial Centre Interest. Interest income in 2014 included contributions from the 8 Chifley Square Interest and the Old Treasury Building Interest.

## Financial Review

**01** The divestment of 77 King Street in Australia is in line with the Manager's aim to maximise and capture value for Unitholders, while providing Keppel REIT with greater financial flexibility.



01

Distributable income increased by \$11.2 million to \$217.3 million in FY 2015 from \$206.1 million in FY 2014.

Higher distributable income was attained despite the absence of income from Prudential Tower, which was divested on 26 September 2014, as well as the absence of rental support from the 87.5% interest in Ocean Financial Centre and MBFC Phase One from January 2015 and February 2014 respectively.

The increase in distributable income was due to higher

net property income from the Ocean Financial Centre Interest and Bugis Junction Towers, higher share of results of associates due to the full-year income contribution from the one-third interest in MBFC Tower 3 and higher share of results of joint ventures with increased contributions from the 8 Chifley Square Interest and Old Treasury Building Interest, lower amortisation expenses, lower trust expenses as well as the changes in the fair value of an interest rate swap, partly offset by lower rental support, lower

interest income, as well as higher borrowing costs and management fees.

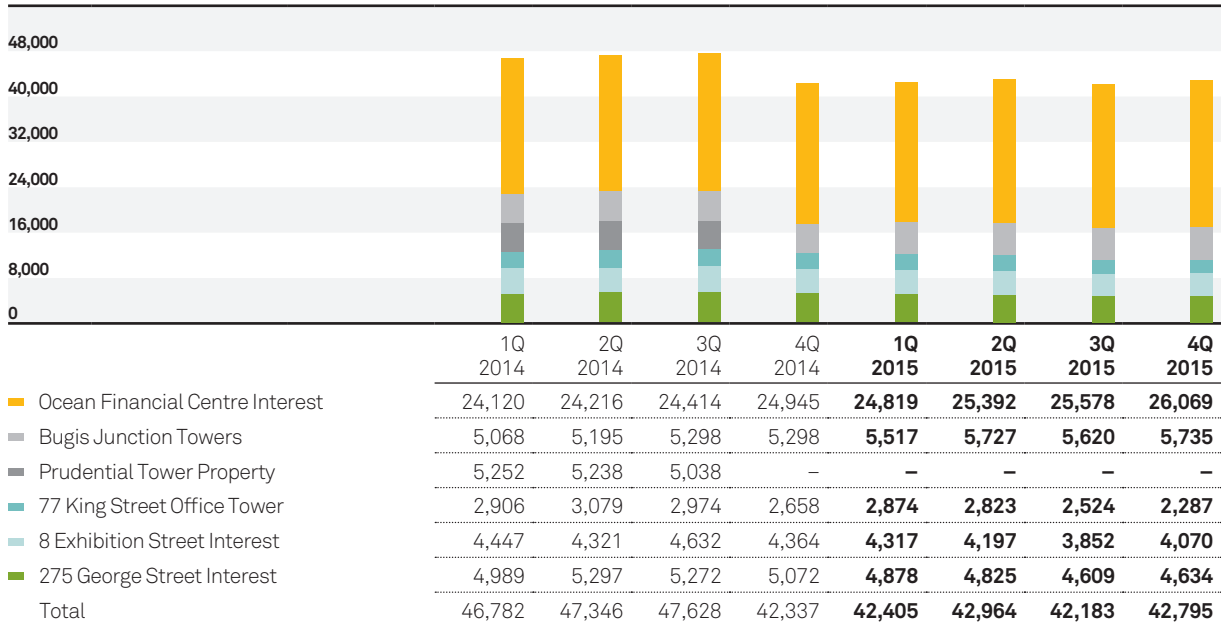
### Property Income

Property income for FY 2015 stood at \$170.3 million, compared with \$184.1 million for FY 2014 due to the absence of income from the divested Prudential Tower. Excluding the one-off impact from the divested Prudential Tower, property income increased by \$1.8 million over FY 2014. This was attributable to better performance from the Ocean Financial Centre Interest and Bugis Junction Towers.

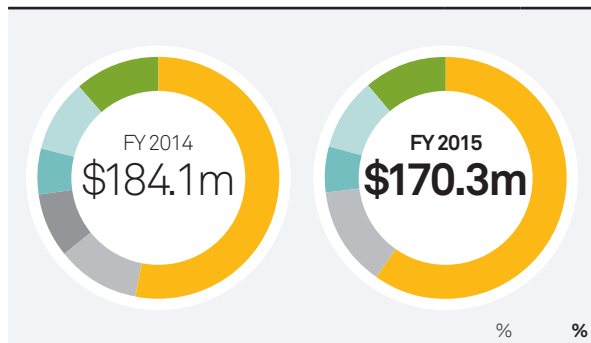


Financial Review

Property Income Contribution by Asset by Quarter (\$'000)

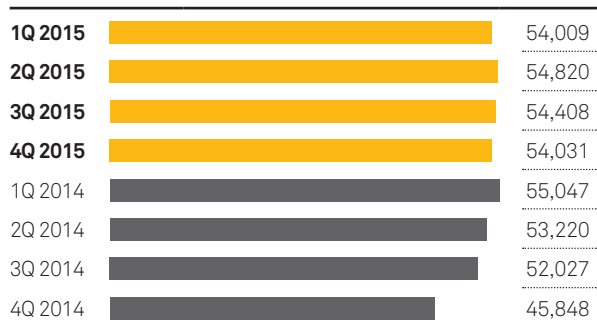


Property Income Contribution by Asset



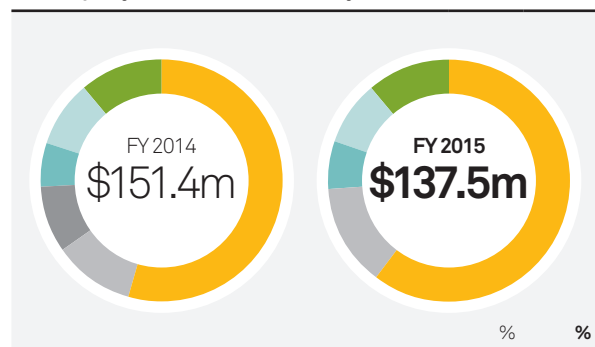
	2014	2015
Ocean Financial Centre Interest	53.1	59.8
Bugis Junction Towers	11.3	13.3
Prudential Tower Property	8.4	-
77 King Street Office Tower	6.3	6.2
8 Exhibition Street Interest	9.7	9.6
275 George Street Interest	11.2	11.1
Total	100	100

Distributable Income by Quarter (\$'000)



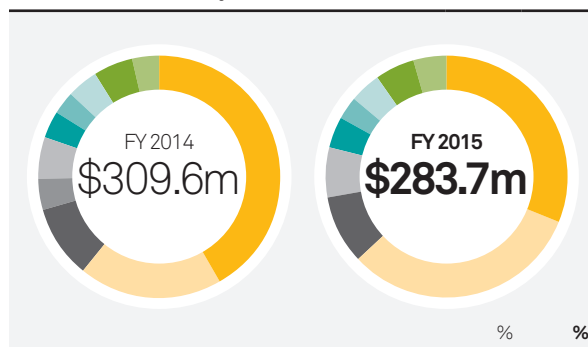
## Financial Review

### Net Property Income Contribution by Asset



	2014	2015
Ocean Financial Centre Interest	54.6	60.4
Bugis Junction Towers	10.9	13.7
Prudential Tower Property	8.7	—
77 King Street Office Tower	6.0	6.2
8 Exhibition Street Interest	8.7	8.6
275 George Street Interest	11.1	11.1
Total	100	100

### Income Contribution by Asset



	2014	2015
Ocean Financial Centre Interest <sup>1</sup>	41.8	31.2
One-third interests in BFCDLLP <sup>2</sup> and CBDPL <sup>2</sup>	19.2	31.9
One-third interest in ORQPL <sup>3</sup>	9.7	9.2
Prudential Tower Property	4.3	—
Bugis Junction Towers	5.3	6.7
8 Chifley Square Interest <sup>4</sup>	3.8	4.2
77 King Street Office Tower	2.9	3.0
8 Exhibition Street Interest	4.2	4.2
275 George Street Interest	5.4	5.4
Old Treasury Building Interest <sup>5</sup>	3.4	4.2
Total	100	100

<sup>1</sup> Comprised net property income and rental support.

<sup>2</sup> Comprised interest income and distribution/dividend income. It also included rental support for CBDPL for FY 2015 and BFCDLLP for FY 2014.

<sup>3</sup> Comprised interest income and dividend income.

<sup>4</sup> Comprised distribution income. For FY 2014, it also included coupon interest income.

<sup>5</sup> Comprised coupon interest income and distribution income.

### Net Property Income

Net property income (NPI) for FY 2015 stood at \$137.5 million, compared with \$151.4 million for FY 2014 due to the absence of income from the divested Prudential Tower. This was partly offset by better performance from the Ocean Financial Centre Interest and Bugis Junction Towers.

### Income Contribution

Income contribution comprises NPI from the Ocean Financial Centre Interest, Bugis Junction Towers, 77 King Street Office Tower, 8 Exhibition Street Interest and 275 George Street Interest; rental support; distribution income from the 8 Chifley Square Interest, distribution and interest income from the Old Treasury Building Interest; and contributions from the one-third interests in

One Raffles Quay Pte Ltd (ORQPL), BFCDLLP and CBDPL.

Keppel REIT's income contribution for FY 2015 was \$283.7 million, compared with \$309.6 million for FY 2014 due to the absence of rental support from the 87.5% interest in Ocean Financial Centre and MBFC Phase One from January 2015 and February 2014 respectively.

Excluding these rental supports, Keppel REIT's income contribution for FY 2015 was 6.3% or \$16.8 million higher compared to FY 2014. This was due mainly to higher property income from all assets, higher share of results of associates due to the full-year income contribution from the one-third interest in MBFC Tower 3, as well as higher share of results of joint ventures due to increased contributions from the 8 Chifley

Square Interest and Old Treasury Building Interest.

The total rental support received in 2015 amounted to \$27.8 million, which translates to 0.86 cents of distribution per Unit for FY 2015.

### Assets Under Management

Keppel REIT's total assets under management (AUM) as at 31 December 2015 was approximately \$8.4 billion compared with \$8.2 billion a year ago.

The 2.1% or \$170.3 million increase in AUM was attributed to the increase in the capital values of existing properties due to better performance and stronger rental income from the properties, as well as the addition of the adjoining three retail units at 8 Exhibition Street in Melbourne.

As at 31 December 2015, the valuations of the 275 George Street

Interest and 77 King Street Office Tower were \$204.0 million and \$128.5 million respectively, compared with \$213.7 million and \$139.9 million respectively as at 31 December 2014. The diminution in values was due entirely to the depreciation of the Australian dollar against the Singapore dollar.

On 29 January 2016, Keppel REIT divested its 100% interest in the 77 King Street Office Tower.

### Net Asset Value

As at 31 December 2015, Keppel REIT's net asset value excluding distributable income for 4Q 2015 was \$1.42 per Unit.

### Capital Management

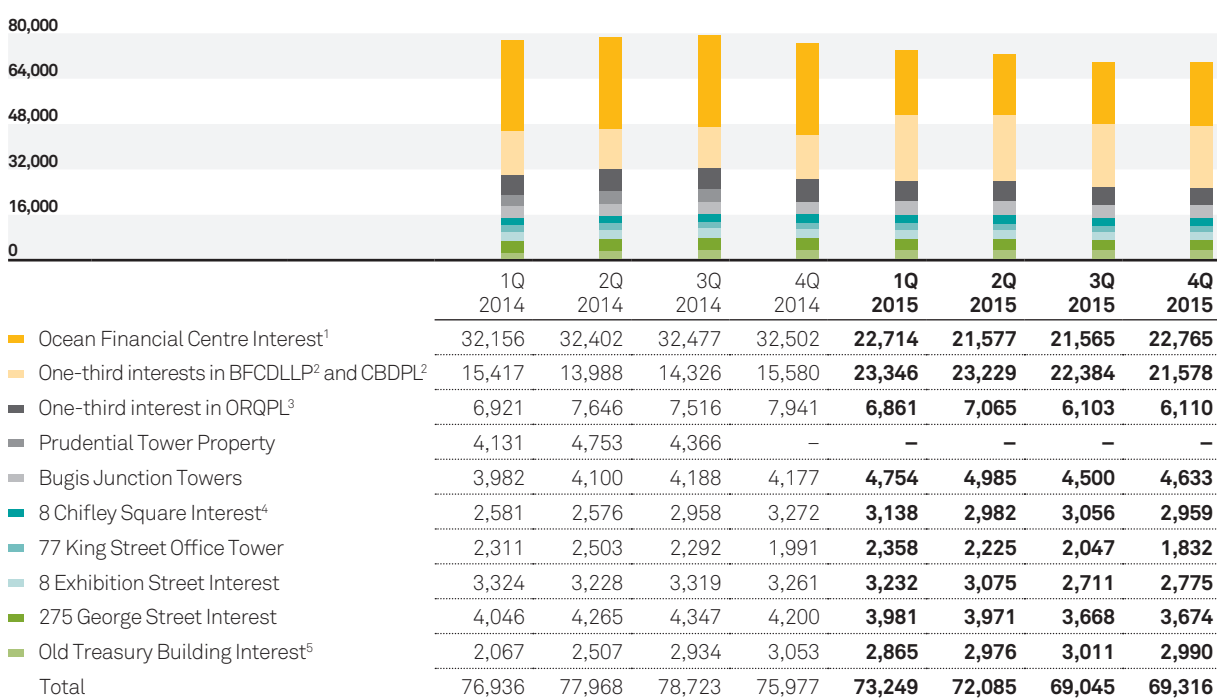
The Manager adopts a prudent approach towards cash management. It regularly assesses and forecasts Keppel REIT's expense requirements and potential funding needs. It monitors Keppel REIT's cash flow position and working capital closely to ensure that there are adequate reserves in terms of cash and available credit facilities to meet short-to-medium-term obligations.



**01** Increased contribution from the office tower on the Old Treasury Building site in Perth resulted in higher share of results of joint ventures for Keppel REIT in FY 2015.

01

### Income Contribution by Asset by Quarter (\$'000)



<sup>1</sup> Comprised net property income and rental support.

<sup>2</sup> Comprised interest income and distribution/dividend income. It also included rental support for CBDPL for FY 2015 and BFCDLLP for FY 2014.

<sup>3</sup> Comprised interest income and dividend income.

<sup>4</sup> Comprised distribution income. For FY 2014, it also included coupon interest income.

<sup>5</sup> Comprised coupon interest income and distribution income.

## Financial Review

### Funding and Borrowings

During the financial year, Keppel REIT diversified its funding sources and made two issuances out of its \$1 billion Multicurrency Debt Issuance Programme.

On 11 February 2015, Keppel REIT tapped into the debt capital market and issued seven-year \$50 million fixed-rate medium term notes (MTN) at 3.15%. This was followed by an issuance of \$150 million perpetual securities at 4.98% on 2 November 2015. Both issuances were over-subscribed, testament to Keppel REIT's ability to raise funds at favourable rates from alternative sources.

Keppel REIT is able to actively seek refinancing at competitive costs, and continues to maintain low refinancing obligations. Refinancing risk is mitigated with close to 100% of total borrowings not due for repayment till 2017. The proactive refinancing efforts helped extend Keppel REIT's weighted average debt to maturity to 3.7 years as at 31 December 2015, as compared to 3.6 years as at 31 December 2014.

As at 31 December 2015, the total borrowings of Keppel REIT was \$2,498.0 million, diversified across MTN investors and 15 lending banks. Keppel REIT has also significantly improved its aggregate leverage ratio from 43.3% as at 31 December 2014 to 39.3% as at 31 December 2015.

For the purpose of computing the aggregate leverage of 39.3% under the Property Funds Appendix of the Code on Collective Investment Schemes, Keppel REIT had also included the deferred payments of approximately \$5.6 million in relation to the development of Ocean Financial Centre's carpark and retail annexe as well as Keppel REIT's proportionate share of its associates' term loans to arrive at total gross borrowings of \$3,340.8 million. Keppel REIT will continue to assess its capital structure to keep it at an optimal level for Unitholders.

As at the end of the financial year, Keppel REIT had healthy all-in weighted average interest rate of 2.5% per annum and interest coverage ratio of 4.4 times. Approximately 70% of Keppel REIT's borrowings are on fixed rates, which safeguard against interest rate volatility and provide certainty of interest expenses. Approximately 73% of Keppel REIT's assets are unencumbered, providing for operational and financial flexibility.

In FY 2015, the Manager implemented the Distribution Reinvestment Plan (DRP) where Unitholders have the option to receive their

### Valuation of Properties

	FY 2015 Valuation <sup>1</sup> \$ million	FY 2014 Valuation <sup>3</sup> \$ million	Change %
Ocean Financial Centre Interest	2,597.0	2,560.0	1.4
One-third interest in MBFC Towers 1 and 2 and Marina Bay Link Mall	1,682.0	1,641.0	2.5
One-third interest in MBFC Tower 3	1,307.0	1,289.0	1.4
One-third interest in One Raffles Quay	1,263.0	1,228.0	2.9
Bugis Junction Towers	550.0	527.0	4.4
8 Chifley Square Interest	206.6	205.9	0.3
77 King Street Office Tower	128.5 <sup>2</sup>	139.9	(8.1)
8 Exhibition Street Interest	215.5	194.3	10.9
275 George Street Interest	204.0	213.7	(4.5)
Old Treasury Building Interest	201.5	186.0 <sup>4</sup>	8.3
Total	8,355.1	8,184.8	2.1

<sup>1</sup> Valuation as at 31 December 2015.

<sup>2</sup> Valuation as at 31 July 2015.

<sup>3</sup> Valuation as at 31 December 2014.

<sup>4</sup> Valuation as at 31 December 2014 on an "as-is" basis.

### Debt Maturity Profile (%) as at 31 December 2015

2016		0.7
2017		16.1
2018		15.5
2019		31.3
2020		22.5
2021		12.4
2022		1.5

### Key Statistics

	As at 31 Dec 2015	As at 31 Dec 2014
Aggregate leverage <sup>1</sup>	39.3%	43.3%
Interest coverage ratio	4.4 times	5.0 times
Percentage of assets unencumbered	73%	72%
All-in interest rate <sup>2</sup>	2.5%	2.2%
Weighted average term to expiry	3.7 years	3.6 years
Corporate rating (by Moody's)	Baa2	Baa2

<sup>1</sup> Aggregate leverage: Ratio of gross borrowings to value of deposited properties. Gross borrowings included Keppel REIT's share of deferred payments in relation to the development of OFC carpark and retail podium and share of borrowings carried at ORQPL and CBDPL.

<sup>2</sup> All-in interest rate included amortisation of upfront debt arrangement expenses.

## Financial Review

distribution in Units instead of cash or a combination of Units and cash. As at end-2015, a total of \$5.2 million of new Units were issued pursuant to the implementation of the DRP. The DRP provides Unitholders with the opportunity to receive Units in Keppel REIT without incurring any additional costs, while enhancing Keppel REIT's working capital reserves and improving the liquidity of the Units.

### Cash Flows and Liquidity

As at 31 December 2015, Keppel REIT's cash and bank balances (including rental support received in advance held in designated accounts amounting to \$45.8 million) stood at \$144.6 million, as compared with \$199.7 million (including rental support received in advance held in designated account amounting to \$61.9 million) as at 31 December 2014.

Net cash generated from operating activities for FY 2015 was \$114.3 million. This was an increase of \$71.7 million over the operating cash flows of \$42.6 million in the preceding financial year. The development costs for "Ocean Financial Centre had been substantially paid off during the year, thus resulting in higher operating cash flows in FY 2015.

Net cash generated from investing activities for FY 2015 was \$140.6 million. This comprised mainly \$75.8 million of dividend and distribution income received from associates, \$14.3 million of distribution income received from joint ventures, \$9.1 million of repayment of an advance and

reimbursement of development costs from an associate, \$37.9 million of interest income and \$27.8 million of rental support received for FY 2015.

This was partially offset by \$9.7 million used for the acquisition of the adjoining three retail units at 8 Exhibition Street in Melbourne, as well as \$12.0 million used for the final tranche of progressive payment for the Old Treasury Building Interest.

Net cash used in financing activities was \$292.4 million. This mainly included repayment of loans of \$683.9 million, distribution payment of \$203.9 million to Unitholders, payment of interest expense of \$62.0 million, partially offset by drawdown of loans amounting to \$461.8 million, and proceeds from issuance of MTN and perpetual securities of \$50.0 million and \$150.0 million respectively.

### Accounting Policies

The financial statements have been prepared in accordance with the Statement of Recommended Accounting Practice (RAP) 7 (Revised 2012) "Reporting Framework of Unit Trusts" issued by the Institute of Singapore Chartered Accountants and the applicable requirements of the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore and the provisions of the Trust Deed.

### Sensitivity Analysis

The rental income from Keppel REIT's properties in operation is sensitive to changes in the properties' occupancies and the

rental rates achieved for lease renewals and rent reviews.

Assuming that the current average rental rates are maintained, the impact on rental income for every 1% increase or decrease in occupancy for a financial year would be approximately \$3.6 million.

Based on leases due for renewal and rent review in 2016, the impact on rental income for every 5% increase or decrease in current average rental rates for a financial year would be approximately \$3.1 million.

Keppel REIT is also subject to interest rate fluctuations, which affect its interest-earning financial assets and interest-bearing financial liabilities. It is also subject to foreign exchange fluctuations, which affect the income generated from its Australian dollar (AUD) denominated assets.

In respect of interest rates applicable to interest-earning financial assets and interest-bearing financial liabilities, a 10 basis-point increase or decrease in the interest rates will cause a corresponding decrease or increase of \$0.4 million in Keppel REIT's total return before tax.

Keppel REIT has hedged up to 90% of its AUD income to limit exposure to fluctuations in foreign exchange rates and to provide greater certainty over future distributions.

Keppel REIT's total return before tax will decrease or increase by \$0.1 million if the Australian dollar appreciates or depreciates by 5% against the Singapore dollar.

### Change in Rental Income (\$'000)

Resulting from:	
1% increase in occupancy <sup>1</sup>	3,645
1% decrease in occupancy <sup>1</sup>	(3,645)
5% increase in current average rent rates <sup>2</sup>	3,101
5% decrease in current average rent rates <sup>2</sup>	(3,101)

### Change in Total Return Before Tax (\$'000)

Resulting from:	
0.1% increase in interest rate	(438)
0.1% decrease in interest rate	438
5% appreciation of Australian dollar against Singapore dollar	(91)
5% depreciation of Australian dollar against Singapore dollar	91

<sup>1</sup> Assuming current average rental rates are maintained.

<sup>2</sup> Based on leases due for renewal and rent review in 2016.

# Sustainability Report

*Keppel REIT is committed to deliver value through Sustaining Growth in our business, Empowering Lives of our people and Nurturing Communities wherever we operate.*

## Sustaining Growth



Our commitment to business excellence is driven by our unwavering focus on strong corporate governance and prudent risk management.

Resource efficiency is our responsibility and makes good business sense.

Innovation and delivering quality products and services sharpen our competitive edge.

➔ Pages 70 –105

## Empowering Lives



People are the cornerstone of our business.

As an employer of choice, we are committed to grow and nurture our talent pool through continuous training and development to help our people reach their full potential.

We want to instil a culture of safety so that everyone who comes to work goes home safely.

➔ Pages 106 –109

## Nurturing Communities



As a responsible corporate citizen, we believe that as communities thrive, we thrive.

We give back to communities through our multi-faceted approach towards corporate social responsibility.

Cultivating long-term relationships with our tenants help achieve sustainable growth. We also support industry programmes and initiatives to promote growth.

➔ Pages 110 –111

# Letter to Our Stakeholders



*At Keppel REIT, we embrace sustainability as a strategy and a guiding principle in all our business operations. We believe that we can achieve positive and sustainable outcomes for our business, the environment and the community at large.*

## Dear Valued Stakeholders,

Across the globe, sustainability and social responsibility have become some of the top priorities on corporate agendas. Businesses recognise that their long-term success is influenced by how they contribute to the community which they are a part of and how they preserve the environment that sustains them.

Recent reports indicate that Singapore accounted for just 0.11% of global emissions, even though it contributed 2.2% of global trade. Notwithstanding this, the Singapore Government is fully committed to reduce its emission intensity as part of international efforts to tackle climate change.

### Embracing Sustainability

According to the United Nations, buildings account for one-third of greenhouse gas emissions, 40% of global energy consumption and resources, as well as 25% of global water consumption.

As a leading landlord of prime office buildings, we recognise that Keppel REIT plays a vital role in the sustainability value chain. We embrace sustainability as a strategy and a guiding principle in all our business operations.

In our sustainability journey, we are guided by the three-pronged approach of sustaining growth in our business, empowering the lives of our people and nurturing communities wherever we operate.

Affirming Keppel's outstanding efforts in corporate governance and transparency, Keppel REIT won the Best Investor Relations (Gold) award in the REITs and Business Trusts category at the annual Singapore Corporate Award 2015. It was also Runner-Up in the Most Transparent Company Award for the REITs and Business Trusts category at the 16<sup>th</sup> SIAS Investors' Choice Awards 2015.

On the environmental front, all of Keppel REIT's office buildings bear internationally-recognised green certifications by leading industry bodies. Green buildings are vital to sustainability and we are committed to ensure that all our properties continue to be energy and water efficient, as well as provide its occupants with quality and healthy work environments.

Sustainability is a collective responsibility. We need the support of our key stakeholders, which is why we spend time engaging our employees, tenants and the community through partnerships and sharing of best practices.

Our efforts have yielded results with Keppel REIT topping the Global Real Estate Sustainability Benchmark 2015 with numerous accolades in various sectors. Keppel REIT is also the first REIT in Asia to maintain its pole position as the Regional Leader for Office Sector in Asia for two consecutive years.

Beyond awards, these accolades are testament to our commitment and proactive efforts towards achieving excellence in sustainability.

### Making a Positive Impact

As Keppel REIT celebrates 10 years of excellence, we will not rest on our laurels and will continue to make progress in our sustainability journey.

In doing so, we believe that Keppel REIT can achieve positive and sustainable outcomes for our business, the environment and the community at large.

Yours sincerely,

**Ng Hsueh Ling**  
Chief Executive Officer

19 February 2016

## Corporate Governance

*The Manager's commitment to uphold high standards of corporate governance and transparency helps ensure the sustainability of Keppel REIT's business, while safeguarding the interests of its Unitholders.*



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The board and management of Keppel REIT Management Limited, the manager of Keppel REIT (the "Manager"), are fully committed to good corporate governance as they firmly believe that it is essential in protecting the interests of the Unitholders. Good corporate governance is also critical to the performance and success of the Manager.

The Manager adopts the Code of Corporate Governance 2012<sup>1</sup> (the "2012 Code") as its benchmark for corporate governance policies and practices. The following describes the Manager's main corporate governance policies and practices, with specific reference to the 2012 Code.

### The Manager of Keppel REIT

The Manager has general powers of management over the assets of Keppel REIT. The Manager's main responsibility is to manage the assets and liabilities of Keppel REIT for the benefit of Unitholders. The Manager manages the assets of Keppel REIT with a focus on generating rental income and to enhance the returns from the investments of Keppel REIT, and ultimately the distributions and total returns to Unitholders.

The primary role of the Manager is to set the strategic direction of Keppel REIT and make recommendations to RBC Investor Services Trust Singapore Limited, as trustee of Keppel REIT (the "Trustee") on the acquisitions, divestments and enhancement of Keppel REIT's portfolio of assets, in accordance with its stated investment strategy. The research, analysis and evaluation procedures required to achieve this are carried out by the Manager. The Manager is also responsible for the risk management of Keppel REIT.

The Manager uses its best endeavours to carry on and conduct its business in a proper and efficient manner and conduct all transactions with, or for Keppel REIT, at arm's length.

Other functions and responsibilities of the Manager include:

1. developing a business plan for Keppel REIT with a view to maximise the distributable income of Keppel REIT;
2. acquiring, selling, leasing, licensing or otherwise dealing with any real estate in

furtherance of the prevailing investment policy and investment strategy that the Manager has for Keppel REIT;

3. supervising and overseeing the management of Keppel REIT's properties (including lease management, systems control, data management and business plan implementation);
4. undertaking regular individual asset performance analysis and market research analysis;
5. managing the finances of Keppel REIT, including accounts preparation, capital management, co-ordination of the budget process, forecast modelling, performance analysis and reporting, corporate treasury functions and ongoing financial market analysis;
6. ensuring compliance with the applicable provisions of the Companies Act, the Securities and Futures Act and all other relevant legislation of Singapore, the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Code on Collective Investment Schemes (including the Property Funds Appendix)

<sup>01</sup> Annual general meetings provide Unitholders the opportunity to ask the Board and management questions relating to Keppel REIT's business operations and strategy.

<sup>1</sup> The Code of Corporate Governance 2012 issued by the Monetary Authority of Singapore on 2 May 2012.

- (the "CIS Code") issued by the Monetary Authority of Singapore ("MAS"), and the tax rulings issued by the Inland Revenue Authority of Singapore on taxation of Keppel REIT and its Unitholders;
7. managing regular communication with Unitholders; and
  8. supervising the property managers which perform the day-to-day property management functions (including leasing, accounting, budgeting, marketing, promotion, property management, maintenance and administration) for Keppel REIT's properties, pursuant to the property management agreements signed for the respective properties.

Keppel REIT, constituted as a trust, is externally managed and therefore has no personnel of its own. The Manager has an experienced and well-qualified management team to run the day-to-day operations of Keppel REIT. All directors (the "Directors") and employees of the Manager are remunerated by the Manager, and not by Keppel REIT.

The Manager is appointed in accordance with the terms of the Trust Deed dated 28 November 2005 as amended by the Supplemental Trust Deed dated 2 February 2006, the Second Supplemental Trust Deed dated 17 March 2006, the Third Supplemental Deed dated 30 July 2007, the Fourth Supplemental Deed dated 17 October 2007, the Fifth Supplemental Deed dated 19 January 2009, the Sixth Supplemental Deed dated 16 April 2009, a First Amending and Restating Deed dated 19 April 2010, a Supplemental Deed dated 15 October 2012 to the First Amending and Restating Deed and a Second Amending and Restating Deed dated 23 March

2016 (collectively, the "Trust Deed"). The Trust Deed outlines certain circumstances under which the Manager can be removed by notice in writing given by the Trustee in favour of a corporation appointed by the Trustee, upon the occurrence of certain events, including if the Unitholders by a resolution duly proposed and passed by a simple majority of Unitholders present and voting at a meeting of Unitholders, with no Unitholder (including the Manager) being disenfranchised, vote to remove the Manager.

### The Board's Conduct of Affairs

#### Principle 1:

*Effective Board to lead and control the company*

The Board of Directors of the Manager (the "Board") is responsible for the overall management and the corporate governance of the Manager and Keppel REIT, including establishing goals for management and monitoring the achievement of these goals.

The principal functions of the Board are to:

1. decide on matters in relation to Keppel REIT's and the Manager's activities which are significant in nature, including decisions on strategic directions and guidelines, as well as the approval of periodic plans and major investments and divestments;
2. oversee the business and affairs of Keppel REIT and the Manager, establish, with management, the strategies and financial objectives to be implemented by management, and monitor the performance of management;
3. oversee processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance, and satisfy itself as to the adequacy of such processes; and

4. assume responsibility for corporate governance.

All Directors are expected to exercise independent judgement in the best interests of Keppel REIT, and all Directors have discharged this duty consistently well.

To assist the Board in the discharge of its oversight function, the Audit and Risk Committee ("ARC") and the Nominating and Remuneration Committee ("NRC") have been constituted with clear written terms of reference. The Board committees play an important role in ensuring good corporate governance. The terms of reference of the respective Board committees were amended following the issuance of the 2012 Code. The responsibilities of the Board committees are disclosed in the Appendix hereto.

The Board meets four times a year and as warranted by particular circumstances to discuss and review the Manager's key activities, including its business strategies and policies for Keppel REIT, proposed acquisitions and divestments, the annual budget, the performance of the business and the financial performance of Keppel REIT and the Manager. The Board also reviews and approves the release of the quarterly, half- and full-year results. In addition, the Board reviews the risks to the assets of Keppel REIT and acts upon any comments from the auditors of Keppel REIT.

The Manager's Constitution permits Board meetings to be held by way of conference via telephone or any other electronic means of communication by which all persons participating are able, contemporaneously, to hear and be heard by all other participants.

The number of Board and Board committee meetings held in



## Corporate Governance

### Board and Board Committee Meetings in FY 2015

Director	Board Meetings	Audit and Risk Committee Meetings	Nominating and Remuneration Committee Meetings
Dr Chin Wei-Li, Audrey Marie	4	4	2
Ms Ng Hsueh Ling	4	4	2
Mr Tan Chin Hwee	3	3	2
Mr Lee Chiang Huat	4	4	–
Mr Daniel Chan Choong Seng	4	4	–
Mr Lor Bak Liang	3	3	–
Mr Ang Wee Gee	4	–	2
Professor Tan Cheng Han	4	–	2
Mr Lim Kei Hin	4	–	–
<b>No. of Meetings held in FY 2015</b>	<b>4</b>	<b>4</b>	<b>2</b>

FY 2015, as well as the attendance of each Board member at these meetings, are disclosed in the table above.

If a Director is unable to attend a Board or Board committee meeting, he or she still receives all the papers and materials for discussion at that meeting. He or she will review them and will advise the Chairman of the Board or the Board committee Chairman of his or her views and comments on the matters to be discussed so that they can be conveyed to other participants present at the meeting.

The Manager has adopted a set of internal guidelines which sets out the financial authority limits for investment/business acquisition and divestment, operating/capital expenditure, capital management, leasing, disposal and write-off of assets and corporate matters that require the approval of the Board. Appropriate delegations of authority and approval sub-limits are also provided at management level to facilitate operational efficiency.

A formal letter is sent to newly-appointed Directors explaining their duties and obligations as Director. All newly-appointed Directors undergo a comprehensive orientation programme which includes management presentations on

the business and strategic plans and objectives of Keppel REIT, as well as site visits. Changes to laws, regulations, policies, accounting standards and industry-related matters are monitored closely. Where the changes have an important and significant bearing on Keppel REIT and its disclosure obligations, the Directors are briefed either during Board meetings, at specially convened sessions or via circulation of Board papers.

The Directors are also provided with continuing education in areas such as directors' duties and responsibilities, corporate governance, changes in financial reporting standards, insider trading, changes in the Companies Act and the CIS Code, and industry-related matters, so as to update and refresh them on matters that may affect or enhance their performance as Board or Board committee members. A training programme is also in place for Directors in areas such as accounting, finance and the roles and responsibilities of a director of a listed company.

#### Board Composition and Guidance

##### Principle 2:

*Strong and independent element on the Board*

The Board consists of nine members, six of whom are non-executive independent

Directors. The Chairman of the Board is Dr Chin Wei-Li, Audrey Marie, who is a non-executive independent Director. A Director who has no relationship with the Manager, its related companies, its 10% shareholders and/or Unitholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement in the best interests of Keppel REIT, is considered to be independent.

The NRC determines on an annual basis whether or not a Director is independent, bearing in mind the 2012 Code's definition of an "independent director" and guidance as to relationships, the existence of which would deem a Director not to be independent.

The NRC is of the view that, taking into account the nature and scope of Keppel REIT's operations, the present Board size is appropriate and facilitates effective decision making.

The nature of the Directors' appointments on the Board and details of their membership on the Board committees are set out in the Appendix hereto.

The NRC is satisfied that the Board and its Board committees

comprise Directors, who as a group, provide an appropriate balance and diversity of skills, experience, gender and knowledge, as well as core competencies such as accounting or finance, business or management experience, industry knowledge, strategic planning experience and customer-based experience or knowledge, required for the Board and Board committees to be effective.

The composition of the Board is also determined using the following principles:

1. the Chairman of the Board should be a non-executive Director of the Manager;
2. the Board comprises Directors with a range of commercial and financial experience including expertise in fund management and the property industry; and
3. at least half of the Board comprises independent Directors.

The composition of the Board is reviewed annually to ensure that the Board has the appropriate mix of expertise and experience.

The Board and management fully appreciate that fundamental to good corporate governance is an effective and robust Board whose members engage in open and constructive debate and challenge management on its assumptions and proposals. For this to happen, the Board, in particular, the non-executive Directors, are kept well informed of Keppel REIT's and the Manager's businesses and affairs, and are knowledgeable about the industry in which the businesses operate. For the current financial year, the non-executive Directors have constructively challenged and helped develop proposals on strategy and reviewed the performance of management. The non-executive Directors are supported by accurate, complete and timely information.

They have unrestricted access to management, and have sufficient time and resources to discharge their oversight function effectively.

**Chairman of the Board and Chief Executive Officer**

**Principle 3:**

*Clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making*

The positions of Chairman of the Board and Chief Executive Officer ("CEO") are held by two separate persons to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making. The Chairman of the Board and CEO are not immediate family members.

The Chairman of the Board leads the Board in working together with management with integrity, competency and in an effective manner to address strategy, business operations and enterprise risk issues, and facilitates the effective contribution of the non-executive Directors and the Board as a whole. With the assistance of the company secretaries, the Chairman of the Board also sets and approves the agenda of all Board meetings.

The Chairman of the Board monitors the flow of information from management to the Board to ensure that material information is provided timely to the Board. She also encourages constructive relations between the Board and management, and between the executive Director and non-executive Directors.

The Chairman of the Board ensures effective communication with Unitholders and leads discussions with them at annual general meetings and other

Unitholders' meetings. She also takes a leading role in promoting high standards of corporate governance with the full support of the Directors and management.

The CEO is responsible for working with the Board to determine the strategy for Keppel REIT. The CEO also works with the other members of the Manager's management team to ensure that Keppel REIT operates in accordance with the stated investment strategy of the Manager. She is also responsible for the strategic planning and development of Keppel REIT.

The clear separation of roles of the Chairman of the Board and CEO provides a healthy professional relationship between the Board and management with clarity of roles and robust deliberations on the business activities of Keppel REIT.

**Board Membership**

**Principle 4:**

*Formal and transparent process for the appointment of new Directors to the Board*

**Nominating and Remuneration Committee**

The Manager has established the NRC to, among other things, make recommendations to the Board on all Board appointments. The NRC comprises four Directors, the majority of whom, including the NRC Chairman, are independent, namely:

Mr Tan Chin Hwee	Chairman
Dr Chin Wei-Li, Audrey Marie	Member
Mr Ang Wee Gee	Member
Professor Tan Cheng Han	Member

The responsibilities of the NRC are disclosed in the Appendix hereto.

**Process for Appointment of New Directors and Succession Planning for the Board**

The NRC is responsible for reviewing the succession plans for the Board (in particular, the Chairman of



## Corporate Governance

the Board) and senior management (in particular, the CEO). In this regard, it has put in place a formal process for the renewal of the Board and the selection of new Directors. The NRC leads the process and makes recommendations to the Board as follows:

1. the NRC reviews annually the balance and diversity of skills, experience, gender and knowledge required by the Board and the size of the Board which would facilitate decision-making;
2. in light of such review and in consultation with management, the NRC assesses if there are any inadequate representations in respect of those attributes and if so, prepares a description of the role and the essential and desirable competencies for a particular appointment;
3. external help (for example, the Singapore Institute of Directors, search consultants or advertisements) may be used to source for potential candidates if need be. Directors and management may also make suggestions;
4. the NRC meets the shortlisted candidate(s) to assess suitability and to ensure that the candidate(s) is/are aware of the expectations and the level of commitment required; and
5. the NRC makes recommendations to the Board for approval.

The Board believes that orderly succession and renewal are achieved as a result of careful planning, where the appropriate composition of the Board is continually under review.

### Criteria for Appointment of New Directors

All new appointments are subject to the recommendation of the NRC based on the following objective criteria:

1. integrity;
2. independent mindedness;
3. diversity – possess core competencies that meet the

- current needs of Keppel REIT and the Manager and complement the skills and competencies of the existing Directors;
4. ability to commit time and effort to carry out duties and responsibilities effectively. A proposed Director should not have more than six listed company board representations and other principal commitments;
  5. track record of making good decisions;
  6. experience in high-performing corporations or property funds; and
  7. financially literate.

### Endorsement by Unitholders of Appointment of Directors

Keppel Land has on 24 March 2014 provided an undertaking to the Trustee (the “Undertaking”) to provide Unitholders with the right to endorse the appointment of each of the Directors by way of an ordinary resolution at the Annual General Meetings (“AGM”) of Unitholders. Pursuant to the Undertaking, Keppel Land undertakes to the Trustee:

1. to procure the Manager to seek Unitholders’ re-endorsement for the appointment of each Director no later than every third AGM after the relevant general meeting at which such Director’s appointment was last endorsed or re-endorsed, as the case may be;
2. (where a person is appointed as Director, either to fill a vacancy or as an addition to the existing Board, at any time) to procure the Manager to seek Unitholders’ endorsement for his or her appointment as a Director at the next AGM immediately following his or her appointment;
3. to procure any person whose appointment as a Director has not been endorsed or re-endorsed (as the case may be) by the Unitholders at the relevant general meeting where the endorsement or re-endorsement (as the case may be) for his or her appointment was sought, to

- resign or otherwise be removed from the Board either (i) within 21 days from the date of the relevant general meeting or (ii) in the event that the Board determines that a replacement Director has to be appointed, no later than the date when such replacement Director is appointed, and the regulatory approval for such appointment (if any) has been obtained; and
4. (for so long as Section 153 of the Companies Act shall remain in force) to procure the Manager to seek Unitholders’ endorsement or re-endorsement, as the case may be, for any person of or over the age of 70 years to be appointed or reappointed, as the case may be, as a Director, at each AGM.

The endorsement or re-endorsement from Unitholders of any appointment of any person as a Director shall be by way of an ordinary resolution passed at the relevant general meeting. The Undertaking shall not restrict the Manager or Keppel Land from appointing any Director from time to time in accordance with applicable laws and regulations (including any applicable rule of the SGX-ST) and the Manager’s Constitution.

The Undertaking shall remain in force for so long as:

- a. Keppel Land remains as the holding company (as defined in the Companies Act) of the Manager; and
- b. Keppel REIT Management Limited remains as the manager of Keppel REIT.

Notwithstanding that the appointments of Mr Lee Chiang Huat, Mr Daniel Chan Choong Seng and Mr Lor Bak Liang were endorsed by Unitholders on 15 April 2014 and the Undertaking requires the Manager to seek Unitholders’ re-endorsement for the appointment of each Director no later than every third AGM of Keppel REIT after the relevant general meeting at which such Director’s appointment was last endorsed, the Manager is

seeking the re-endorsement of the appointments of Mr Lee Chiang Huat, Mr Daniel Chan Choong Seng and Mr Lor Bak Liang at the AGM to be held in 2016 so that eventually at any one AGM, only one-third of the Directors will seek re-endorsement.

The NRC recommends the seeking of endorsement and re-endorsement of Directors to the Board for approval, having regard to the Director's contribution and performance (such as attendance, preparedness, participation and candour), with reference to the results of the assessment of the performance of the individual Director.

#### Review of Directors' Independence

The NRC is also charged with determining the "independence" status of the Directors annually. Please refer to page 72 on the basis of the NRC's determination as to whether a Director should or should not be deemed independent.

The NRC noted that Dr Chin Wei-Li, Audrey Marie would be deemed non-independent as she was first appointed to the Board on 3 February 2005. However, the NRC considered that Dr Chin has demonstrated independence of views and conduct at both Board meetings and Board committee meetings and was of the firm view that Dr Chin has been exercising independent judgement in the best interests of Keppel REIT. The NRC therefore considered Dr Chin should be deemed as an independent Director. Taking into account the views of the NRC, the Board concurred that Dr Chin should be deemed independent.

#### Annual Review of Directors' Time Commitments

The NRC also determines annually whether a Director with other listed company board representations and other principal commitments is able to and has been adequately

carrying out his or her duties as a Director of the Manager. The NRC took into account the results of the assessment of the effectiveness of the individual Director, and the respective Directors' actual conduct on the Board, in making this determination, and is satisfied that all the Directors have been able to and have adequately carried out their duties as Directors notwithstanding their other listed company board representations and other principal commitments.

The NRC has adopted internal guidelines addressing competing time commitments that are faced when Directors serve on multiple boards and have other principal commitments. As a guide, Directors should not have more than six listed company board representations and other principal commitments.

#### Key Information Regarding Directors

The following key information regarding the Directors is set out in the following pages of this Annual Report:

Pages 12 to 17: Academic and professional qualifications, Board committees served on (as a member or Chairman of the Board), date of first appointment as a Director, listed company and other principal directorships both present and past held over the preceding five years and other major appointments, whether appointment is executive or non-executive and whether considered by the NRC to be independent; and

Pages 183 and 184: Unitholdings in Keppel REIT as at 21 January 2016.

#### Board Performance

##### Principle 5:

*Formal assessment of the effectiveness of the Board as a whole and its Board committees and the contribution by each Director to the effectiveness of the Board*

The Board has implemented formal processes which are carried out by the NRC for assessing the effectiveness of the Board as a whole and its Board committees, and the contribution by each individual Director to the effectiveness of the Board. During the year, each Director is required to complete a board evaluation questionnaire. The completed board evaluation questionnaires are collated and sent to the NRC for its review, discussions and evaluation.

The NRC Chairman and members evaluate the returns and provide their comments and recommendations to the Board on the changes which should be made to help the Board discharge its duties more effectively.

The following performance criteria are used in the evaluation of the effectiveness of the Board as a whole and its Board committees and the contribution by each individual Director:

1. the performance criteria for the Board evaluation are in respect of the board size and composition, board independence, board processes, board information and accountability, board performance in relation to discharging its principal functions, board committee performance in relation to discharging their responsibilities set out in their respective terms of reference, and financial targets which include earnings per Unit, distribution per Unit, net asset value per Unit and Unit price performance;
2. the individual Director's performance criteria are categorised into five segments, namely,
  - a. interactive skills (under which factors as to whether the Director works well with other Directors, and participates actively are taken into account);
  - b. knowledge (under which factors as to the Director's



## Corporate Governance



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**01** To keep abreast of Keppel REIT's property developments, the Directors toured the office tower on the Old Treasury Building site in Perth during its fit-out stage.

- industry and business knowledge, functional expertise, whether he or she provides valuable inputs, his or her ability to analyse, communicate and contribute to the productivity of meetings, and his or her understanding of finance and accounts are taken into consideration);
- c. Director's duties (under which factors as to the Director's Board committee work contribution, whether the Director takes his or her role of Director seriously and works to further improve his or her own performance, whether he or she listens and discusses objectively and exercises independent judgement, and meeting preparation are taken into consideration);
  - d. availability (under which the Director's attendance at Board and Board committee meetings, whether he or she is available when needed, and his or her informal contribution via e-mail, telephone, written notes, etc. are considered); and
  - e. overall contribution, bearing in mind that each Director was appointed for his or her strength in certain areas which, taken together with the skill sets of the other Directors, provides the Board

with the required mix of skills and competencies.

Where the Board is of the view that should any changes be made to enhance the effectiveness of the Board as a whole and its Board committees or to enhance the effectiveness of individual Directors, the Board will implement the changes accordingly. Any Board member may also give his or her feedback at any time to the NRC Chairman and/or the Chairman of the Board with a view to enhancing the effectiveness of the Board and the Board committees or of the individual Directors.

The Board assessment exercise provides an opportunity to obtain constructive feedback from each Director on whether the Board's procedures and processes allowed him or her to discharge his or her duties effectively and the changes which should be made to enhance the effectiveness of the Board as a whole and the Board committees. The Board assessment exercise also helps the Directors to focus on their key responsibilities.

Based on the Board assessment exercise, the Board is of the view that it has met its performance objectives, and that each of its

members is contributing to the overall effectiveness of the Board.

### Access to Information

#### Principle 6:

*Board members to have complete, adequate and timely information*

Management provides the Board with relevant and accurate information in a timely manner relating to matters to be brought before the Board, prior to Board meetings and on an ongoing basis.

As a general rule, Board papers are required to be sent to Directors at least seven days before each Board meeting. However, sensitive matters may be tabled at the meeting itself or discussed without any papers being distributed prior to the meeting. Managers who can provide additional insight into matters at hand would be present at the relevant time during the Board meeting. The Board has separate and independent access to the Manager's senior management for further clarification if required.

The information provided to the Board includes financial results, market and business developments, as well as business and operational information. Such reports keep the Board informed, on a balanced and understandable basis, of Keppel REIT's performance, financial position and prospects. The financial results are also compared against the budgets, together with explanations given for significant variances for the reporting period.

The Manager has implemented quarterly financial reporting from the date of listing of Keppel REIT on the SGX-ST.

The Directors have separate and independent access to both company secretaries of the Manager. The company secretaries assist the Chairman of the Board in ensuring that Board procedures (including but not limited to

assisting the Chairman of the Board to ensure the timely and good information flow to the Board and the Board committees, and between senior management and the non-executive Directors) are followed and that the Manager’s Constitution and relevant rules and regulations are complied with. At least one of the two company secretaries attends all Board meetings and prepares minutes of the Board proceedings. The appointment and removal of each of the company secretaries are subject to the approval of the Board as a whole.

Subject to the approval of the Chairman of the Board, the Directors, whether as a group or individually, may seek and obtain independent professional advice in the furtherance of their duties.

**Remuneration Matters**

**Principle 7:**

*Formal and transparent procedure for developing policy on executive remuneration and for fixing remuneration packages of individual Directors*

**Principle 8:**

*Remuneration of Directors and key management personnel should be adequate but not excessive*

**Principle 9:**

*Disclosure on remuneration policies, level and mix of remuneration, and procedure for setting remuneration*

The composition of the NRC has been set out under Principle 4 on page 73. The NRC comprises entirely non-executive Directors, a majority of whom are independent Directors.

The NRC is responsible for ensuring a formal and transparent procedure for developing policy on executive remuneration and for determining the remuneration packages of individual Directors and key management personnel. The NRC assists the Board to ensure that remuneration policies and practices are sound in that they are able to attract, retain and motivate without being excessive, and thereby maximise Unitholder

value. The NRC recommends to the Board for endorsement of a framework of remuneration (which covers all aspects of remuneration including Directors’ fees, salaries, allowances, bonuses, options and benefits-in-kind) and the specific remuneration packages for each Director (including the CEO). The NRC also reviews the remuneration of the key management personnel of the Manager and administers the KRML Unit Plans (defined below). In addition, the NRC reviews the Manager’s obligations arising in the event of termination of the executive Director’s and key management personnel’s contract of service to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.

The NRC has access to expert advice from external consultants where required. In FY 2015, the NRC sought views on market practice and trends from external remuneration consultants such as Aon Hewitt. The NRC undertook a review of the independence and objectivity of the external remuneration consultants and has confirmed that the external remuneration consultants had no relationships with the Manager which would affect their independence.

**Annual Remuneration Report**

Although the remuneration of the Directors and employees of the Manager is paid by the Manager and not by Keppel REIT, the Manager is disclosing the information on the remuneration of its Directors and key executives.

**Policy in Respect of Directors’ Remuneration**

Director’s fees are established annually and the amount is dependent on their level of responsibilities on the Board and the Board committees. Each Director is paid a basic fee. In addition, Directors who perform additional services through the Board committees are paid an additional fee for such services. The Chairmen of the Board and of each Board committee are paid a higher fee compared with members of the Board and of such Board committee in view of the greater responsibility carried by that office.

The framework for determining the Directors’ fees is shown in the table below.

**Remuneration policy in respect of key management personnel and other key executives**

The Manager advocates a performance-based remuneration system that is flexible and responsive to the market and the individual employee’s performance.

In designing the compensation structure, the NRC seeks to ensure that the level and mix of remuneration is competitive, relevant and appropriate in achieving a balance between current versus long-term compensation and between cash versus equity incentive compensation. The total remuneration mix comprises three key components – annual fixed pay, annual performance incentive and long-term incentive. The annual fixed pay component comprises the annual basic salary plus any other fixed allowances which the Manager benchmarks against the

**Framework for Directors’ Fees**

Board	Chairman	S\$90,000 per annum
	Director	S\$60,000 per annum
Audit and Risk Committee	Chairman	S\$42,500 per annum
	Member	S\$25,000 per annum
Nominating and Remuneration Committee	Chairman	S\$25,000 per annum
	Member	S\$15,000 per annum

## Corporate Governance

relevant industry market median. The annual performance incentive is mainly tied to the performances of Keppel REIT and the individual employee. The long-term incentive is in the form of two Unit plans, the Restricted Unit Plan ("RUP") to retain and reward, and the Performance Unit Plan ("PUP") to motivate employees to achieve superior performance. Executives who have greater ability to influence strategic outcomes have a greater proportion of overall reward at risk. Eligible employees of the Manager are granted existing Units in Keppel REIT already owned by the Manager. Therefore, no new Units are or will be issued by Keppel REIT to satisfy the grant of the Units under the RUP and/or the PUP as the Units that are granted under these plans will be taken from the Units which are already owned by the Manager.

The NRC exercises broad discretion and independent judgement in ensuring that the amount and mix of compensation are aligned with the interests of Unitholders and promote the long-term success of Keppel REIT. The mix of fixed and variable reward is considered appropriate for the Manager and for each individual role. The NRC is of the view that the overall level of remuneration is not considered to be at a level which is likely to promote behaviour contrary to the Manager's risk profile.

The compensation structure is directly linked to corporate and individual performances, both in terms of financial and non-financial performances and the creation of wealth for Unitholders. This is achieved in the following ways:

1. by placing a significant portion of executive's remuneration at risk ("at-risk component") and in some cases, subject to a vesting schedule;
2. by incorporating appropriate key performance indicators ("KPIs") for awarding annual cash incentives:

- a. there are four scorecard areas that the Manager has identified as key to measuring its performance:
  - i. Commercial/Financial;
  - ii. Customers;
  - iii. Process; and
  - iv. People;
- b. the four scorecard areas have been chosen because they support how the Manager achieves its strategic objectives. The framework provides a link for staff in understanding how they contribute to each area of the scorecard, and therefore to the Manager's overall strategic goals;
- c. by selecting performance conditions such as distribution to Unitholders of Keppel REIT and total unitholder returns for equity awards that are aligned with Unitholders' interests;
- d. by requiring those KPIs or conditions to be met in order for the at-risk component of remuneration to be awarded or to vest; and
- e. forfeiture of the at-risk component of remuneration when those KPIs or conditions are not met at a satisfactory level.

In determining the actual quantum of the variable component of remuneration, the NRC had taken into account the extent to which the performance conditions, as set out above, have been met. The NRC is of the view that remuneration is aligned to performance during FY 2015.

In order to align the interests of the CEO and key management personnel with that of the Unitholders, the CEO and key management personnel are remunerated partially in the form of Units owned by the Manager and are encouraged to hold such Units while they remain in the employment of the Manager.

The Directors, the CEO and the key management personnel (who are not Directors or the CEO) are remunerated on an earned basis and there are no termination, retirement and post-employment benefits that are granted over and above what have been disclosed.

In order not to hamper the Manager's efforts to retain and nurture its talent pool and given the highly competitive conditions in the REIT industry where poaching of senior management is commonplace, the Manager is disclosing the remuneration of the CEO and its top five key executives (who are not Directors or the CEO) in bands of S\$250,000, and is not disclosing the aggregate total remuneration paid to the top five key executives. The Manager is of the view that such disclosure or non-disclosure (as the case may be) will not be prejudicial to the interests of Unitholders as sufficient information is provided on the Manager's remuneration framework to enable Unitholders to understand the link between the remuneration paid to the CEO and its key executives, and performance as set out on pages 77 to 78.

### Long Term Incentive Plans – KRML Unit Plans

The RUP and the PUP (the "KRML Unit Plans") are long-term incentive schemes implemented by the Manager in 2010. No employee share option schemes or share schemes have been implemented by Keppel REIT.

The KRML Unit Plans are put in place to increase the Manager's flexibility and effectiveness in its continuing efforts to reward, retain and motivate employees to achieve superior performance and to motivate them to continue to strive for long-term Unitholder value. The KRML Unit Plans also aim to strengthen the Manager's competitiveness in attracting and retaining talented key management personnel and employees. The RUP applies to a broader base of employees while the PUP applies to a selected

**The level and mix of each of the Directors' remuneration (other than the CEO) are set out below:**

Name of Director	Base/Fixed Salary	Variable or Performance-Related Income/Bonuses	Directors' Fees (S\$)	Benefits-in-Kind
Dr Chin Wei-Li, Audrey Marie	–	–	105,000	–
Mr Tan Chin Hwee	–	–	110,000	–
Mr Lee Chiang Huat	–	–	102,500	–
Mr Daniel Chan Choong Seng	–	–	85,000	–
Mr Lor Bak Liang	–	–	85,000	–
Mr Ang Wee Gee	–	–	75,000	–
Professor Tan Cheng Han	–	–	75,000	–
Mr Lim Kei Hin	–	–	60,000	–

**The level and mix of the remuneration of the CEO and each of the other top five key executives, in bands of S\$250,000, are set out below:**

Remuneration Band and Names of CEO and Top 5 Key Executives	Base/Fixed Salary	Variable or Performance-Related Income/Bonuses <sup>5</sup>	Directors' Fee	Benefits-in-Kind	Contingent Award of Units <sup>1</sup>	
					PUP	RUP
<b>Above S\$1,250,000 to S\$1,500,000</b>						
Ms Ng Hsueh Ling	41%	35%	0%	Nm <sup>6</sup>	11%	13%
<b>Above S\$500,000 to S\$750,000</b>						
Mr Toh Wah San	53%	37%	0%	Nm <sup>6</sup>	0%	10%
Mr Kelvin Chow Chung Yip <sup>2</sup>	45%	42%	0%	Nm <sup>6</sup>	6%	7%
<b>Above S\$250,000 to S\$500,000</b>						
Mr Wong Cho Wai <sup>3</sup>	50%	50%	0%	Nm <sup>6</sup>	0%	0%
Ms Chow Ching Sian	54%	39%	0%	Nm <sup>6</sup>	0%	7%
Ms Wong Man Li <sup>4</sup>	48%	42%	0%	Nm <sup>6</sup>	0%	10%

<sup>1</sup> Units awarded under the KRML PUP and KRML RUP are subject to pre-determined targets set over a three-year and a one-year performance period respectively. As at 31 March 2015 (being the grant date), the estimated fair values of Units granted in respect of the contingent awards under the KRML PUP and KRML RUP were \$0.534 and \$1.077 per Unit respectively. For KRML PUP, the figures were based on the fair values of the PUP Units at 100% of the award and the figures may not be indicative of the actual value at vesting which can range from 0% to 150% of the award.

<sup>2</sup> Mr Kelvin Chow Chung Yip joined the Manager on 2 January 2015.

<sup>3</sup> Mr Wong Cho Wai joined the Manager on 5 January 2015.

<sup>4</sup> Ms Wong Man Li was transferred to Keppel Land International Limited on 1 November 2015.

<sup>5</sup> The NRC is satisfied that the quantum of performance-related bonuses earned by the CEO and key executives of the Manager was fair and appropriate taking into account the extent to which their KPIs were met.

<sup>6</sup> Nm - Not meaningful

group of key management personnel. Generally, the performance targets set under the RUP and the PUP will be different, with the latter emphasising stretched or strategic targets aimed at sustaining longer-term growth.

The NRC has the discretion not to award variable incentives in any year if an executive is directly involved in a material restatement of financial statements or of misconduct resulting in financial losses. Outstanding incentives

under the RUP and the PUP are also subject to the NRC's discretion before further payment or vesting can occur.

### Remuneration of Employees who are Immediate Family Members of a Director or the Chief Executive Officer

No employee of the Manager was an immediate family member of a Director or the CEO and whose remuneration exceeded S\$50,000 during the financial year ended 31 December 2015. "Immediate family member" refers to the

spouse, child, adopted child, step-child, brother, sister and parent.

### Accountability and Audit

#### Principle 10:

*The Board should present a balanced and understandable assessment of the company's performance, position and prospects*

#### Principle 12:

*Establishment of Audit Committee with written terms of reference*

The Board is responsible for providing a balanced and understandable assessment





## Corporate Governance

**01** *Chairman of the Board, Dr Audrey Chin, leads and ensures effective communication with Unitholders at Annual General Meetings.*

of Keppel REIT's performance, position and prospects, including interim and other price-sensitive public reports, and reports to regulators, if required.

The Board has embraced openness and transparency in the conduct of the Manager's affairs, whilst preserving the commercial interests of Keppel REIT. Financial reports and other price-sensitive information are disseminated to Unitholders through announcements via SGXNET to the SGX-ST, media releases, and Keppel REIT's website.

Management provides all Directors with management accounts which present a balanced and understandable assessment of Keppel REIT's performance, position and prospects on a periodic basis. Such reports include financial results, market and business developments, as well as business and operational information. The financial results are compared against the budgets, together with explanations of significant variances for the reporting period.

### Audit and Risk Committee

The ARC has been appointed by the Board from among the Directors of the Manager and comprises four non-executive Directors, all of whom (including the ARC

Chairman) are independent Directors. The ARC Chairman is Mr Lee Chiang Huat and the members are Mr Tan Chin Hwee, Mr Daniel Chan Choong Seng and Mr Lor Bak Liang.

All members of the ARC have accounting or related financial management expertise or experience. Thus, the Board is of the view that all members of the ARC are suitably qualified to assist the Board in areas of internal controls, financial and accounting matters, compliance and risk management, including oversight over management in the design, implementation and monitoring of risk management and internal control systems.

The ARC's role includes assisting the Board to ensure the integrity of financial reporting and that sound internal control systems are in place. The responsibilities of the ARC are disclosed in the Appendix hereto.

The ARC has the authority to investigate any matter within its terms of reference, full access to and co-operation by management and full discretion to invite any Director or executive officer to attend its meetings and reasonable resources to enable it to discharge its functions properly. Keppel REIT and the Manager's

internal audit functions are performed by Keppel Corporation Limited's ("KCL") Group Internal Audit department ("Group Internal Audit"). Group Internal Audit, together with the external auditor, report independently their findings and recommendations to the ARC.

A total of four ARC meetings were held in 2015. In addition, the ARC met with the external auditor and internal auditor at least once during the year, without the presence of management.

During the year, the ARC performed independent reviews of the financial statements of Keppel REIT before the announcement of Keppel REIT's quarterly, mid-year and full-year results. In the process, the ARC reviewed the key areas of management judgement applied for adequate provisioning and disclosure, critical accounting policies and any significant changes made that would have a significant impact on the financials.

The ARC also reviewed and approved both the internal auditor's and the external auditor's plans to ensure that the scope of audit was sufficient for purposes of reviewing the significant internal controls of Keppel REIT and the Manager. Such significant controls comprise financial, operational, compliance and information technology controls. All audit findings and recommendations put up by the internal auditor and the external auditor were forwarded to the ARC. Significant issues were discussed at these meetings.

In addition, the ARC undertook a review of the independence and objectivity of the external auditor through discussions with the external auditor as well as reviewing the non-audit services fees paid to them, and has confirmed that the non-audit services performed by the external auditor would not affect their independence.

For FY 2015, an aggregate amount of S\$525,000, comprising non-audit

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service fees of S\$225,000 and audit service fees of S\$300,000, was paid/payable to Keppel REIT's external auditor.

Taking cognisance that the external auditor should be free from any business or other relationships with Keppel REIT that could materially interfere with its ability to act with integrity and objectivity, the ARC undertook a review of the independence of the external auditor and gave careful consideration to Keppel REIT's relationships with them during 2015. In determining the independence of the external auditor, the ARC reviewed all aspects of Keppel REIT's relationships with it including the processes, policies and safeguards adopted by Keppel REIT and the external auditor relating to audit independence. The ARC also considered the nature of the provision of the non-audit services in 2015 and the corresponding fees and ensured that the fees for such non-audit fees did not impair or threaten the audit independence. Based on the review, the ARC is of the opinion that the external auditor is, and is perceived to be, independent for the purpose of Keppel REIT's statutory financial audit.

Keppel REIT has complied with Rule 712 and Rule 715 of the SGX Listing Manual in relation to the appointment of its auditing firm.

Messrs Ernst & Young LLP ("EY") has been the statutory auditor for Keppel REIT since its commencement as a listed entity on SGX in April 2006. EY has provided Keppel REIT with sound professional audit services since its appointment. Nevertheless, in line with the Manager's commitment to uphold and practice good corporate governance, the Manager is of the view that a change in external auditors at this point would be timely. It is therefore proposed that at the forthcoming AGM, Messrs PricewaterhouseCoopers LLP ("PwC") be appointed as the external auditor of Keppel REIT

in place of EY and that the Manager be authorised to fix their remuneration. Accordingly, EY will not be seeking re-appointment at the forthcoming AGM.

The ARC has reviewed and deliberated on the proposed change of external auditor for the financial year ending 31 December 2016 and is of the view that the proposed change is timely and in line with ongoing good corporate governance. Taking into consideration (i) the resources and experience of PwC, (ii) the size, business operations and complexity of Keppel REIT and (iii) the number and the experience of PwC's supervisory and professional staff assigned to the audit of Keppel REIT, the ARC is of the view that PwC will be able to meet the audit requirements of Keppel REIT.

The ARC has therefore recommended to the Board the appointment of PwC as the new external auditor for the financial year ending 31 December 2016.

The ARC also reviewed the independence and performance of the internal audit function and was satisfied that the internal auditor was independent, adequately resourced to perform its functions, and had appropriate standing within Keppel REIT and the Manager.

The ARC reviewed the "Whistle-Blower Protection Policy" which provides the mechanisms by which employees and other persons may, in confidence, raise concerns about possible improprieties in financial reporting or other matters, and was satisfied that arrangements are in place for the independent investigation of such matters and for appropriate follow-up action. To facilitate the management of incidences of alleged fraud or other misconduct, the ARC follows a set of guidelines to ensure proper conduct of investigations and appropriate closure actions

following completion of the investigations, including administrative, disciplinary, civil and/or criminal actions, and remediation of control weaknesses that perpetrated the fraud or misconduct so as to prevent a recurrence.

In addition, the ARC reviews the Whistle-Blower Protection Policy annually to ensure that it remains current. The details of the Whistle-Blower Protection Policy are set out in pages 90 and 91 of this Annual Report.

The ARC members are kept updated whenever there are changes to the accounting standards or issues that may have an impact on the financial statements of Keppel REIT.

## **Risk Management and Internal Controls**

### **Principle 11:**

*Sound system of risk management and internal controls*

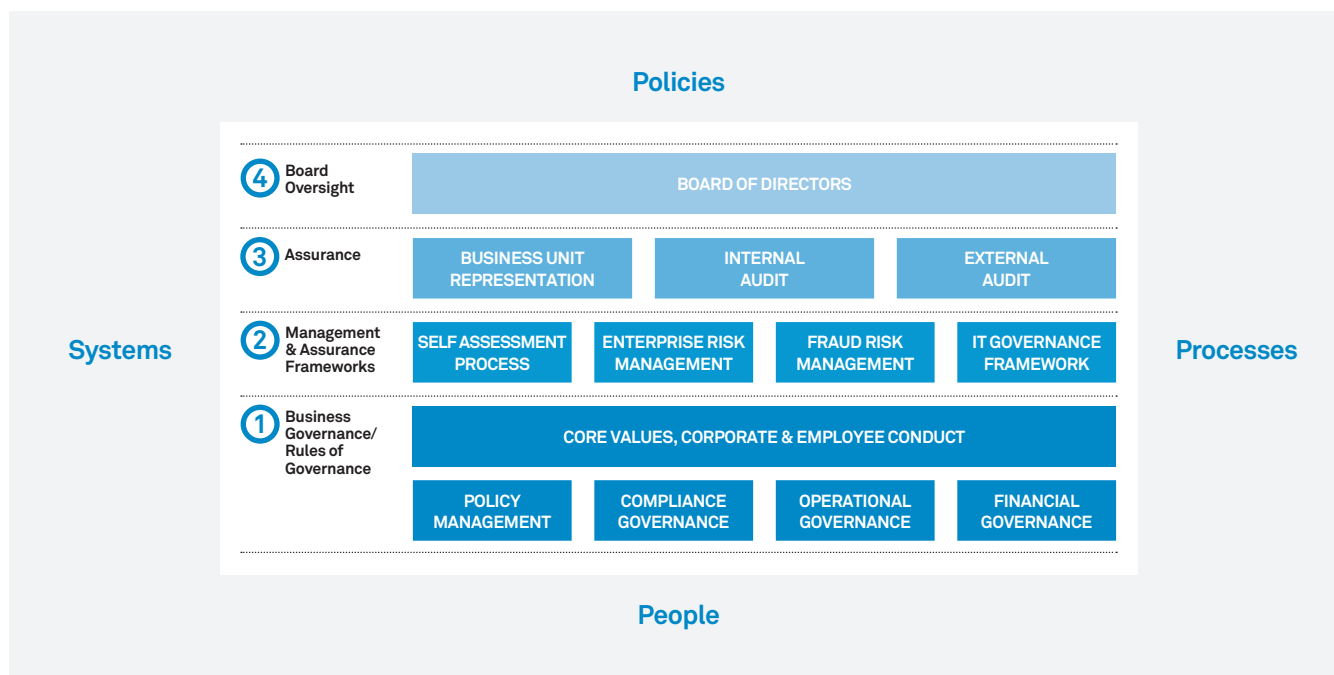
The ARC also assists the Board in examining the adequacy and effectiveness of the Manager's and Keppel REIT's risk management system to ensure that a robust risk management system is maintained. The ARC reviews and guides management in the formulation of risk policies and processes to effectively identify, evaluate and manage significant risks, to safeguard Unitholders' interests and Keppel REIT's assets. The ARC reports to the Board on material findings and recommendations in respect of significant risk matters.

### **Risk Assessment and Management of Business Risk**

Recognising and managing risk is central to the business of Keppel REIT and to protecting Unitholders' interests and value. Keppel REIT operates within overall guidelines and specific parameters set by the Board. Responsibility for managing risk lies with the Manager, working within the overall strategy outlined by the Board. The Manager has appointed experienced and well-qualified management to handle its day-to-day operations.

## Corporate Governance

### Keppel REIT's System of Management Controls Framework



The Board met four times in FY 2015. Management surfaces key risk issues for discussion and confers with the ARC and the Board regularly.

Keppel REIT's Enterprise Risk Management framework ("ERM Framework") provides the Manager and Keppel REIT with a holistic and systematic approach in risk management. In assessing business risk, the Board takes into consideration the economic environment and the risks relevant to the property industry. The Manager has implemented a systematic risk assessment process to identify business risks and mitigating actions. Details of the Manager's approach to risk management and internal control and the management of key business risks are set out in the "Risk Management" section in page 101 and 102 of this Annual Report. The Manager is guided by a set of Risk Tolerance Guiding Principles ("Guiding Principles"), details of

which are disclosed in page 101 of this Annual Report.

The Manager has in place a risk management assessment framework (the "Assessment Framework") which was established to facilitate the Board's assessment on the adequacy and effectiveness of the Manager's and Keppel REIT's risk management system. The framework lays out the governing policies, processes and systems pertaining to each of the key risk areas of the Manager and Keppel REIT, and assessments are made on the adequacy and effectiveness of the Manager's and Keppel REIT's risk management system in managing each of these key risk areas. The Guiding Principles and Assessment Framework are reviewed and updated annually.

In addition, the Manager has adopted the Whistle-Blower Protection Policy, Insider Trading Policy and Code of Practice for Safeguarding Information which

reflect management's commitment to conduct its business within a framework that fosters the highest ethical and legal standards.

#### Independent Review of Internal Controls

The Manager's and Keppel REIT's internal auditor and external auditor conduct an annual review of the adequacy and effectiveness of Keppel REIT's and the Manager's material internal controls, including financial, operational, compliance and information technology controls. Any material non-compliance or failures in internal controls and recommendations for improvements are reported to the ARC. The ARC also reviews the effectiveness of the actions taken by management on the recommendations made by the internal auditor and external auditor in this respect.

The Manager and Keppel REIT have also put in place the Keppel REIT System of Management Controls Framework (the "Framework")

outlining the Manager's and Keppel REIT's internal control and risk management processes and procedures. The Framework comprises three Lines of Defence towards ensuring the adequacy and effectiveness of the Manager's and Keppel REIT's system of internal controls and risk management.

Under the first Line of Defence, management is required to ensure good corporate governance through implementation and management of policies and procedures relevant to the Manager's and Keppel REIT's business scope and environment. Such policies and procedures govern financial, operational, information technology and compliance matters and are reviewed and updated periodically. Employees are also guided by the Manager's core values and are expected to comply strictly with the Employee Code of Conduct.

Under the second Line of Defence, the Manager and Keppel REIT are required to conduct self-assessment exercise on an annual basis. This exercise requires the Manager and Keppel REIT to assess the status of their respective internal controls and risk management via self assessment questionnaires. Action plans would then be drawn up to remedy identified control gaps. Under the ERM Framework, significant risk areas are also identified and assessed, with systems, policies and processes put in place to manage and mitigate the identified risks. Fraud risk management processes include mandatory conflict of interest declaration by employees in high-risk positions and the implementation of policies such as the Whistle-Blower Protection Policy and Employee Code of Conduct to establish a clear tone at the top with regard to employees' business and ethical conduct.

Under the third Line of Defence, the CEO and Chief Financial Officer ("CFO") are required to provide the

Manager and Keppel REIT with written assurances as to the adequacy and effectiveness of their system of internal controls and risk management. Such assurances are also sought from the internal and external auditors based on their independent assessments.

The Board, supported by the ARC, oversees the Manager's and Keppel REIT's system of internal controls and risk management. The Board has received assurances from the CEO, Ms Ng Hsueh Ling, and the CFO, Mr Kelvin Chow Chung Yip, that, amongst others:

1. the financial records of the Manager and Keppel REIT have been properly maintained and the financial statements give a true and fair view of the operations and finances of the Manager and Keppel REIT;
2. the internal controls of the Manager and Keppel REIT are adequate and effective to address the financial, operational, compliance and information technology risks which the Manager and Keppel REIT consider relevant and material to its current business scope and environment and that they are not aware of any material weakness in the system of internal controls; and
3. they are satisfied with the adequacy and effectiveness of the Manager's and Keppel REIT's risk management system.

Based on the Framework, the internal controls and risk management policies and procedures established and maintained by the Manager and Keppel REIT, and the regular audits, monitoring and reviews performed by the internal auditor and external auditor, the Board, with the concurrence of the ARC, is of the opinion that, taking into account the nature, scale and complexity of the Manager's and Keppel REIT's operations, as at 31 December 2015, the Manager's and Keppel REIT's internal controls and risk management

system are adequate and effective in addressing the financial, operational, compliance and information technology risks which the Manager and Keppel REIT consider relevant and material to its current business scope and environment.

The system of internal controls and risk management established by the Manager and Keppel REIT provides reasonable, but not absolute, assurance that the Manager and Keppel REIT will not be adversely affected by any event that can be reasonably foreseen as it strives to achieve its business objectives. However, the Board also notes that no system of internal controls and risk management can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities.

### Internal Audit

#### Principle 13:

*Adequately resourced and independent internal audit function*

The internal audit function of the Manager is performed by KCL's Group Internal Audit. Group Internal Audit was appointed as the internal auditor in February 2006.

The role of the internal auditor is to assist the ARC to ensure that Keppel REIT and the Manager maintain a sound system of internal controls by reviewing the key controls and procedures and ensuring their effectiveness, undertaking investigations as directed by the ARC and conducting regular in-depth audits of high risk areas.

Staffed by suitably qualified executives, Group Internal Audit has unrestricted direct access to the ARC and access to all the Manager's and Keppel REIT's documents, records, properties and personnel. The Head of Group Internal Audit's primary line of reporting is to the ARC Chairman.



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As a corporate member of the Singapore branch of the Institute of Internal Auditors Incorporated, USA (“IIA”), Group Internal Audit is guided by the International Standards for the Professional Practice of Internal Auditing set by the IIA. These standards consist of attribute and performance standards. External quality assessment reviews are carried out at least once every five years by qualified professionals, with the last assessment conducted in 2011, and the results re-affirmed that the internal audit activity conforms to the International Standards. The professional competence of Group Internal Audit is maintained through its continuing professional development programme for its staff which includes sending auditors to attend professional courses conducted by external accredited organisations to enhance their knowledge on auditing techniques, auditing and accounting pronouncements.

During the year, Group Internal Audit adopted a risk-based auditing approach that focuses on key internal controls, including financial, operational, compliance and information technology controls. Group Internal Audit’s reports are submitted to the ARC for deliberation with copies of

these reports extended to the relevant senior management personnel. In addition, Group Internal Audit’s summary of findings and recommendations is discussed at the ARC meetings. To ensure timely and adequate closure of audit findings, the status of the implementation of the actions agreed by management is tracked and discussed with the ARC.

### Unitholder Rights and Responsibilities, Communication with Unitholders and Conduct of Unitholder Meetings

#### Principle 14:

*Recognition, protection and facilitation of the exercise of Unitholders’ rights*

#### Principle 15:

*Regular, effective and fair communication with Unitholders*

#### Principle 16:

*Greater Unitholder participation at Annual General Meetings*

In addition to the matters mentioned above in relation to “Access to Information/Accountability”, the Manager has a dedicated Investor Relations (“IR”) team that regularly communicates with Unitholders and receives and attends to their queries and concerns. In 2015, the Manager engaged a total of approximately 160 local and

foreign investors in approximately 60 meetings, conferences, luncheons and site visits in Singapore, Hong Kong, Japan, Malaysia, the Netherlands, United Kingdom and United States of America. More details on the Manager’s IR activities and efforts are set out in pages 23 to 25 of this Annual Report.

**01** Unitholders are invited to put forth questions to the Manager at Annual General Meetings.

Material information is disclosed in a comprehensive, accurate and timely manner through the SGX-ST via SGXNET and/or media releases. The Manager ensures that unpublished price-sensitive information is not selectively disclosed, and on the rare occasion when such information is inadvertently disclosed, it is immediately released to the public through the SGX via SGXNET and/or media releases.

Unitholders are also kept abreast of the latest announcements and updates on Keppel REIT via its corporate website and email alert system. Unitholders and members of the public can also ask questions via the corporate website or email their queries and feedback to [investor.relations@keppelreit.com](mailto:investor.relations@keppelreit.com).

The Manager has in place an IR Policy which sets out the principles and practices that the Manager applies when providing Unitholders and prospective investors with information necessary to make well-informed investment decisions and to ensure a level playing field. The IR Policy is published on Keppel REIT’s website at [www.keppelreit.com](http://www.keppelreit.com). The policy is reviewed regularly to ensure relevance and effectiveness.

Unitholders are informed of Unitholders’ meetings through annual reports or circulars sent to all Unitholders and/or notices published in the newspapers. Unitholders are invited to such meetings to put forth any questions they may have on

the motions to be debated and decided upon. If any Unitholder is unable to attend, he or she is allowed to appoint up to two proxies to vote on his or her behalf at the meeting through proxy forms sent in advance. Where a Unitholder is a relevant intermediary (including but not limited to, a nominee company, a custodian bank or a CPF agent bank), such Unitholder may appoint more than one proxy to vote on its behalf at the meeting through proxy forms sent in advance, provided that each proxy must be appointed to exercise the rights attached to a different Unit or Units held by it (which number of Units and class shall be specified).

At Unitholders' meetings, each distinct issue is proposed as a separate resolution, unless the resolutions are interdependent and linked so as to form one significant proposal. Each resolution at the AGM will be voted on by way of electronic poll voting for Unitholders/proxies present at the Unitholders' meetings for all the resolutions proposed at the Unitholders' meetings. An announcement of the detailed results showing the number of votes cast for and against each resolution and the respective percentages will be made after each poll is conducted. The total number of votes cast for or against each resolution and the respective percentages are also announced in a timely manner after the Unitholders' meetings through the SGX-ST via SGXNET.

Where possible, all the Directors will attend Unitholders' meetings. In particular, the Chairman of the Board, the ARC Chairman and the NRC Chairman are required to be present to address questions at general meetings. The external auditor is also present at such meetings to assist the Directors to address Unitholders' queries, where necessary.

The Manager is not implementing absentia voting methods such as voting via mail, e-mail or fax until security, integrity and other pertinent issues are satisfactorily resolved.

The company secretaries of the Manager prepare minutes of Unitholders' meetings, which incorporate comments or queries from Unitholders and responses from the Board and management. These minutes are available to Unitholders upon request.

#### **Securities Transactions Insider Trading Policy**

The Manager has a formal Insider Trading Policy on dealings in the securities of Keppel REIT which sets out the implications of insider trading and guidance on such dealings. Such policy has been distributed to the Manager's Directors and officers. The Manager has also adopted the best practices on securities dealings issued by the SGX. In compliance with Rule 1207(19) of the SGX Listing Manual on best practices on dealing in securities, the Manager issues notices to its Directors and officers informing that the Manager and its officers must not deal in listed securities of Keppel REIT one month before the release of the full-year results and two weeks before the release of quarterly results, and if they are in possession of unpublished price-sensitive information. The Manager's officers are also informed that they should not deal in Keppel REIT's securities on short-term considerations.

#### **Conflicts of Interests**

The Manager has instituted the following procedures to deal with potential conflicts of interests issues:

1. the Manager will not manage any other real estate investment trust which invests in the same types of properties as Keppel REIT, without prior approval from the relevant authorities;
2. all executive officers will be employed by the Manager;

3. all resolutions in writing of the Directors of the Manager in relation to matters concerning Keppel REIT and its interested parties (meaning any "interested person" as defined in the SGX Listing Manual) and/or, as the case may be, an "interested party" (as defined in the Property Funds Appendix) ("Interested Party") must be approved by a majority of the Directors, including at least one independent Director and the nominees of the Interested Party on the Board shall abstain from voting;
4. at least half of the Board shall comprise independent Directors;
5. all matters relating to Interested Party transactions will follow the procedures set out in the section headed "Interested Party Transactions" of this Annual Report;
6. in respect of matters in which Keppel Land and/or KCL and/or its/their subsidiaries have an interest, direct or indirect, any nominees appointed by Keppel Land and/or KCL and/or its/their subsidiaries to the Board to represent its/their interests shall abstain from voting. In such matters, the quorum shall comprise a majority of the independent Directors of the Manager and shall exclude such nominee directors of Keppel Land and/or KCL and/or its/their subsidiaries.

It is also provided in the Trust Deed that if the Manager is required to decide whether to take any action against any person in relation to any breach of any agreement entered into by the Trustee for and on behalf of Keppel REIT with an Interested Party of the Manager, the Manager shall be obliged to consult with a reputable law firm (acceptable to the Trustee) who shall provide legal advice on the matter. If the said law firm is of the opinion that the Trustee, on behalf of Keppel REIT, has a *prima facie* case against the party allegedly in breach under such agreement, the Manager shall be obliged to take appropriate action in relation

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to such agreement. The Directors of the Manager (including its independent Directors) will have a duty to ensure that the Manager so complies.

Notwithstanding the foregoing, the Manager shall inform the Trustee as soon as it becomes aware of any breach of any agreement entered into by the Trustee for and on behalf of Keppel REIT with an Interested Party of the Manager and the Trustee may take such action as it deems necessary to protect the rights of the Unitholders and/or which is in the interests of Unitholders. Any decision by the Manager not to take action against an Interested Party of the Manager shall not constitute a waiver of the Trustee's right to take such action as it deems fit against such Interested Party.

Further, to address potential conflicts of interests in respect of overlapping investment objectives, Keppel Land will inform Keppel REIT if any completed investment property used or predominantly used for commercial purposes and which is income-producing is identified by Keppel Land as being suitable for acquisition (other than co-investment with third parties), and being suitable for investment by Keppel REIT. Further details are set out in the section headed "The Manager and Corporate Governance – Conflicts Resolution" of the Introductory Document of K-REIT Asia dated 20 March 2006.

### Employee Code of Conduct

The Manager has in place an Employee Code of Conduct which establishes a culture of high integrity, as well as reinforces ethical business practices.

This policy addresses, at the employee level, the standards of acceptable and unacceptable behaviour and personal decorum as well as issues of workplace harassment. On the business front, the policy addresses the standards of ethical business

behaviour including anti-corruption, the offering and receiving of gifts, hospitality and promotional expenditures as well as conflicts of interests. The policy also requires all Directors and employees to avoid any conflict between their own interests and the interests of the Manager in dealing with its suppliers, customers and other third parties.

The rules require business to be conducted with integrity, fairly, impartially, in an ethical and proper manner, and in compliance with all applicable laws and regulations. Relevant anti-corruption policies and measures are also set out to protect the business, resources and reputation of the Manager and Keppel REIT. Employees of the Manager must under no circumstances offer, promise, give or authorise the giving, directly, indirectly or through third parties, of any bribe, kickback, illicit payment, benefits-in-kind or any other advantage to any government official or government entity, private sector customer, supplier, contractor or any other person or entity, as an inducement or reward for an improper performance or non-performance of a function or activity. Similarly, employees of the Manager must not under any circumstances solicit or accept, directly or indirectly, any bribe, kickback, illicit payment, benefits-in-kind or any other advantage from any government official or government entity, customer, supplier, contractor or any other person or entity that is intended to induce or reward an improper performance or non-performance of a function or activity.

The Employee Code of Conduct is published on the intranet which is accessible by all employees of the Manager. New employees of the Manager are briefed on the Employee Code of Conduct when they join the Manager. Subsequently, all employees of the Manager are required to

acknowledge the Employee Code of Conduct annually to ensure awareness.

### Interested Party Transactions The Manager's Internal Control System

The Manager has established an internal control system to ensure that all Interested Party transactions will be undertaken on normal commercial terms and will not be prejudicial to the interests of Keppel REIT and the Unitholders.

As a general rule, the Manager must demonstrate to the ARC that such transactions satisfy the foregoing criteria, which may entail obtaining (where practicable) quotations from parties unrelated to the Manager. In the case of acquisition or disposal of assets undertaken with an Interested Party, the Manager and Trustee will obtain two independent valuations of each of those real estate assets (in accordance with the Property Funds Appendix), with one of the valuers commissioned independently by the Trustee. Each of those assets must be acquired from the Interested Party at a price not more than the higher of the two assessed values, or sold to the Interested Party at a price not less than the lower of the two assessed values. The ARC may further choose to appoint an independent financial adviser to provide an opinion stating that the transaction is on normal commercial terms and is not prejudicial to the interests of Keppel REIT and the Unitholders.

Further, the following procedures are undertaken:

1. transactions (either individually or as part of a series or if aggregated with other transactions involving the same Interested Party during the same financial year) equal to or exceeding S\$100,000 in value but below 3.0% of the value of Keppel REIT's net tangible assets will be subject

- to review by the ARC at regular intervals;
2. transactions (either individually or as part of a series or if aggregated with other transactions involving the same Interested Party during the same financial year) equal to or exceeding 3.0% but below 5.0% of the value of Keppel REIT's net tangible assets will be subject to the review and approval of the ARC. Such approval shall only be given if the transactions are on normal commercial terms and are consistent with similar types of transactions made by the Trustee with third parties which are unrelated to the Manager; and
  3. transactions (either individually or as part of a series or if aggregated with other transactions involving the same Interested Party during the same financial year) equal to or exceeding 5.0% of the value of Keppel REIT's net tangible assets will be reviewed and approved, on the basis described in the preceding paragraph, by the ARC which may, as it deems fit, request advice on the transaction from independent sources or advisers, including the obtaining of valuations from independent professional valuers. Further, under the rules of the SGX Listing Manual and the Property Funds Appendix, such transactions would have to be approved by the Unitholders at a meeting of Unitholders.

Where matters concerning Keppel REIT relate to transactions entered into or to be entered into by the Trustee for and on behalf of Keppel REIT with an Interested Party of the Manager of Keppel REIT, the Trustee is required to consider the terms of such transactions to satisfy itself that such transactions are conducted on normal commercial terms, are not prejudicial to the interests of Keppel REIT and the Unitholders,

and in accordance with all applicable requirements of the Property Funds Appendix and/or the SGX Listing Manual relating to the transaction in question. Further, the Trustee has the ultimate discretion under the Trust Deed to decide whether or not to enter into a transaction involving an Interested Party of the Manager or of Keppel REIT. If the Trustee is to sign any contract with an Interested Party of the Manager or of Keppel REIT, the Trustee will review the contract to ensure that it complies with the requirements relating to Interested Party transactions in the Property Funds Appendix (as may be amended from time to time) and the provisions of the SGX Listing Manual relating to interested person transactions (as may be amended from time to time) as well as such other guidelines as may from time to time be prescribed by the MAS and the SGX to apply to real estate investment trusts. If the Trustee is to sign any contract with an Interested Party of the Trustee, such review will be carried out by the ARC, not the Trustee.

Keppel REIT will, in compliance with Rule 905 of the SGX Listing Manual, announce any Interested Person transaction if such transaction, by itself or when aggregated with other interested person transactions entered into with the same interested person during the same financial year, is 3.0% or more of Keppel REIT's latest audited net tangible assets.

The aggregate value of all interested person transactions which are subject to Rules 905 and 906 of the SGX Listing Manual in a particular financial year will be disclosed in Keppel REIT's Annual Report for the relevant financial year.

#### **Role of the Audit and Risk Committee for Interested Party Transactions**

The Manager's internal control procedures are intended to ensure that Interested Party

transactions are conducted at arm's length and on normal commercial terms and are not prejudicial to Unitholders.

The Manager maintains a register to record all Interested Party transactions (and the basis, including, where practicable, the quotations obtained to support such basis on which they are entered into) which are entered into by Keppel REIT.

On a quarterly basis, management reports to the ARC the Interested Party transactions entered into by Keppel REIT. The Interested Party transactions are also reviewed by Group Internal Audit and all findings, if any, are reported during the ARC meetings.

The ARC reviews all Interested Party transactions to ensure compliance with the internal control procedures and with the relevant provisions of the SGX Listing Manual and the Property Funds Appendix. The review includes the examination of the nature of the transaction and if necessary, its supporting documents or such other data deemed necessary by the ARC. In addition, the Trustee will review such internal audit reports to ascertain that the requirements of the Property Funds Appendix have been complied with.

If a member of the ARC has an interest in a transaction, he or she is to abstain from participating in the review and approval process in relation to that transaction.

#### **Other Required Disclosures Under The Property Funds Appendix** **Justification of Fees Payable to Manager**

##### **Manager's management fees**

Pursuant to clauses 30.2 and 30.3 of the Trust Deed, the Manager is entitled to the following management fees:

1. a base fee of 0.5% per annum of the value of all the assets



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for the time being of the Trust or deemed to be held upon the Trust constituted under the Trust Deed (“Deposited Property”); and

- an annual performance fee of 3.0% per annum of the Net Property Income (“NPI”, as defined in the Trust Deed) of the Trust and any Special Purpose Vehicles (as defined in the Trust Deed) after deducting all applicable taxes payable.

Pursuant to clause 30.1 of the Trust Deed, the management fees will be paid in the form of cash and/or Units (as the Manager may elect). The management fees payable in Units will be issued at the volume weighted average price for a Unit for all trades on the SGX-ST in the ordinary course of trading on the SGX-ST for the period of 10 Business Days (as defined in the Trust Deed) immediately preceding the relevant Business Day.

Pursuant to clauses 30.2 and 30.3 of the Trust Deed, the Manager’s management fees are payable quarterly in arrears. With effect from 1 January 2016, under the Property Funds Appendix of the CIS Code, crystallisation of the annual performance fee has been revised to be no more frequent than once a year. Accordingly, with effect from 1 January 2016, the performance fee will be paid on an annual basis in arrears after the end of the applicable financial year.

Pursuant to clause 30.5 of the Trust Deed, the Manager is also entitled to receive an acquisition fee at the rate of 1.0% of acquisition price and a divestment fee of 0.5% of sale price on all acquisitions or disposals of properties respectively.

### Rationale and purpose for base and performance fees

#### 1. Base fee:

The primary role of the Manager includes managing and optimising the portfolio of properties held by the Trust

and implementing proactive measures to enhance the returns from these properties. The Manager receives a base fee of 0.5% per annum of the value of all the assets for the time being of the Trust or deemed to be held upon the Trust constituted under the Trust Deed, representing the remuneration to the Manager for executing its core responsibility. The base fee is calculated at a fixed percentage of asset value, which is an appropriate metric in determining the resources the Manager requires to cover operational and administrative expenses.

Since Keppel REIT’s listing in April 2006, the Manager has taken active steps to keep its portfolio relevant and adaptable to the changing economic and environmental landscapes. In doing so, the Managers also ensures that its properties continue to be well sought after by creditworthy and established tenants.

As at 31 December 2015, Keppel REIT’s assets under management (“AUM”) stood at \$8.4 billion, with 12 office towers in nine premium Grade A assets in the key financial districts of Singapore and Australia.

#### 2. Performance fee:

The Manager receives an annual performance fee of 3.0% per annum of the NPI of the Trust and any Special Purpose Vehicles (as defined in the Trust Deed) after deducting all applicable taxes payable.

The performance fee, which is based on NPI, is a measure of the Manager’s continuing efforts to retain existing tenants and attract new tenants to its properties, with the aim of maintaining income stability and a long lease expiry profile. This aligns the interests of the Manager

with Unitholders as the Manager is motivated and incentivised to achieve income stability by ensuring the long-term sustainability of the assets through proactive asset management strategies and asset enhancement initiatives. Therefore, to achieve sustainability in NPI, the Manager will not take on excessive short-term risks, and will strive to manage Keppel REIT in a balanced manner.

#### 3. Acquisition and divestment fees:

To continue delivering long-term sustainable income to Unitholders, the Manager regularly reviews its portfolio of properties and considers the recycling of capital, where appropriate, to optimise its portfolio. This involves a thorough review of the exposures, risks and returns as well as the overall value-add of the acquisition or divestment to Keppel REIT’s existing portfolio and future growth expectations. When completed, the Manager receives an acquisition fee of 1.0% on the acquisition price and a divestment fee of 0.5% on the sale price.

The acquisition fee is higher than the divestment fee because there is additional work required to be undertaken in terms of sourcing, evaluating and conducting due diligence for an acquisition, as compared to a divestment.

The acquisition and/or divestment fees seek to motivate and compensate the Manager for the time, effort and cost spent (in the case of an acquisition) in sourcing, evaluating and executing potential opportunities to acquire new properties that fit Keppel REIT’s portfolio and grow or, (in the case of a divestment) in rebalancing and unlocking the underlying value of existing properties. The Manager provides these services over and above

the provision of ongoing management services with the aim of enhancing long-term returns, income sustainability and achieving the investment objectives of Keppel REIT.

## Appendix

### Board Committees – Responsibilities

#### A. Audit and Risk Committee

1. Review financial statements and formal announcements relating to financial performance, and review significant financial reporting issues and judgements contained in them, for better assurance of the integrity of such statements and announcements.
2. Review and report to the Board at least annually the adequacy and effectiveness of the Manager's and Keppel REIT's internal controls, including financial, operational, compliance and information technology controls (such review can be carried out internally or with the assistance of any competent third parties).
3. Review the audit plans and reports of the external auditor and internal auditor, and consider the effectiveness of actions or policies taken by management on the recommendations and observations.
4. Review the independence and objectivity of the external auditor annually.
5. Review the nature and extent of non-audit services performed by the external auditor.
6. Meet with the external auditor and internal auditor, without the presence of management, at least annually.
7. Make recommendations to the Board on the proposals to Unitholders on the appointment, re-appointment and removal of the external auditor, and approve the remuneration and terms of engagement of the external auditor.
8. Review the adequacy and effectiveness of the Manager's and Keppel REIT's internal audit function, at least annually.
9. Ensure at least annually that the internal audit function is adequately resourced and has appropriate standing with the Manager and Keppel REIT.
10. Approve the accounting/auditing firm or corporation to which the internal audit function is outsourced.
11. Review the policy and arrangements by which employees of the Manager and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters, to ensure that arrangements are in place for such concerns to be raised and independently investigated, and for appropriate follow-up action to be taken.
12. Monitor the procedures in place to ensure compliance with applicable legislation, the Listing Manual and the CIS Code.
13. Review interested person transactions, including ensuring compliance with the provisions of the Listing Manual relating to "interested person transaction" (as defined therein) and the provisions of the Property Funds Appendix relating to "interested party transactions" (as defined therein) (both such type of transactions constituting interested party transactions).
14. Investigate any matters within the ARC's purview, whenever it deems necessary.
15. Receive, as and when appropriate, reports and recommendations from management on risk tolerance and strategy, and recommend to the Board for its determination:
  - i. the nature and extent of significant risks which the Manager and Keppel REIT may take in achieving its strategic objectives; and
  - ii. overall levels of risk tolerance and risk policies.
16. Review and discuss, as and when appropriate, with management the Manager and Keppel REIT's risk governance structure and their risk policies, risk mitigation and monitoring processes and procedures.
17. Receive and review at least quarterly reports from management on major risk exposures and the steps taken to monitor, control and mitigate such risks.
18. Review the Manager's capability to identify and manage new risk types.
19. Review and monitor management's responsiveness to the recommendations of the ARC.
20. Provide timely input to the Board on critical risk issues.
21. Report to the Board on material matters, findings and recommendations.
22. Review the ARC's terms of reference annually and recommend any proposed changes to the Board.
23. Perform such other functions as the Board may determine.
24. Sub-delegate any of its powers within its terms of reference as listed above from time to time as the ARC may deem fit.

#### B. Nominating and Remuneration Committee

1. Recommend to the Board the appointment/re-appointment of Directors.
2. Annual review of balance and diversity of skills, experience, gender and knowledge required by the Board, and the size of the Board which would facilitate decision-making.
3. Annual review of independence of each Director, and to ensure that the Board comprises at least half of independent Directors. In this connection, the NRC should conduct particularly rigorous review of the

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- independence of any Director who has served on the Board beyond nine years from the date of his or her first appointment.
4. Decide, where a Director has other listed company board representations and/or other principal commitments, whether the Director is able to and has been adequately carrying out his or her duties as Director of the Manager.
  5. Recommend to the Board the process for the evaluation of the performance of the Board, the Board committees and individual Directors, and propose objective performance criteria to assess the effectiveness of the Board as a whole and the contribution of each Director.
  6. Annual assessment of the effectiveness of the Board as a whole and individual Directors.
  7. Review the succession plans for the Board (in particular, the Chairman of the Board) and senior management (in particular, the CEO).
  8. Review talent development plans.
  9. Review the training and professional development programmes for Board members.
  10. Review and recommend to the Board a framework of remuneration for Board members and key management personnel, and the specific remuneration packages for each Director as well as key management personnel.
  11. Review the Manager's obligations arising in the event of termination of the executive Directors' and key management personnel's contracts of service to ensure that such clauses are fair and reasonable and not overly generous.
  12. Consider whether Directors should be eligible for benefits under long-term incentive schemes (including weighing

- the use of share schemes against the other types of long-term incentive scheme).
13. Administer the Manager's long-term incentive schemes in accordance with the rules of such schemes.
  14. Report to the Board on material matters and recommendations.
  15. Review the NRC's terms of reference annually and recommend any proposed changes to the Board.
  16. Perform such other functions as the Board may determine.
  17. Sub-delegate any of its powers within its terms of reference as listed above, from time to time as the NRC may deem fit.

### Keppel REIT Management Whistle-Blower Protection Policy

The Keppel Whistle-Blower Protection Policy (the "Policy") was established to encourage reporting in good faith of suspected Reportable Conduct (as defined below) by establishing clearly defined processes through which such reports may be made with confidence that employees of the Manager and other persons making such reports will be treated fairly and, to the extent possible, protected from reprisal.

Reportable Conduct refers to any act or omission by an employee of the Manager or contract worker appointed by the Manager, which occurred in the course of his or her work (whether or not the act is within the scope of his or her employment) which in the view of a Whistle-Blower acting in good faith:

1. is dishonest, including but not limited to theft or misuse of the resources owned by or under the management of the Manager;
2. is fraudulent;
3. is corrupt;
4. is illegal;
5. constitutes serious improper conduct;

6. constitutes an unsafe work practice; or
7. constitutes conduct which may cause financial or non-financial loss to the Manager or damage to the Manager's reputation.

A person who files a report or provides evidence which he or she knows to be false, or without a reasonable belief in the truth and accuracy of such information, will not be protected by the Policy and may be subject to administrative and/or disciplinary action.

Similarly, a person may be subject to administrative and/or disciplinary action if he or she subjects:

- (i) a person who has made or intends to make a report in accordance with the Policy, or
- (ii) a person who was called or who may be called as a witness, to any form of reprisal which would not have occurred if he or she did not intend to, or had not made the report or be a witness.

The General Manager (Group Internal Audit) is the Receiving Officer for the purposes of the Policy, who is responsible for the administration, implementation and overseeing ongoing compliance with the Policy, and reports directly to the ARC Chairman on all matters arising under the Policy.

### Reporting Mechanism

The Policy emphasises that the role of the Whistle-Blower is as a reporting party, and that Whistle-Blowers are not to investigate, or determine the appropriate corrective or remedial actions that may be warranted.

Employees of the Manager are encouraged to report suspected Reportable Conduct to their respective supervisors who are responsible for promptly informing the Receiving Officer, who in turn is required to promptly report to the ARC Chairman, of any such report. The supervisor

**Nature of Current Directors' Appointments and Membership on Board Committees**

Director	Board Membership	Audit and Risk Committee Membership	Nominating and Remuneration Committee Membership
Dr Chin Wei-Li, Audrey Marie	Chairman and Non-Executive Independent Director	–	Member
Ms Ng Hsueh Ling	Chief Executive Officer and Executive Director	–	–
Mr Tan Chin Hwee	Non-Executive Independent Director	Member	Chairman
Mr Lee Chiang Huat	Non-Executive Independent Director	Chairman	–
Mr Daniel Chan Choong Seng	Non-Executive Independent Director	Member	–
Mr Lor Bak Liang	Non-Executive Independent Director	Member	–
Mr Ang Wee Gee	Non-Executive Director	–	Member
Professor Tan Cheng Han	Non-Executive Independent Director	–	Member
Mr Lim Kei Hin	Non-Executive Director	–	–

must not start any investigation in any event. If any of the persons in the reporting line prefer not to disclose the matter to the supervisor and/or Receiving Officer (as the case may be), he or she may make the report directly to the Receiving Officer or the ARC Chairman.

Other Whistle-Blowers (other than employees) may report a suspected Reportable Conduct to either the Receiving Officer or the ARC Chairman.

All reports and related communications will be documented by the person first receiving the report. The information disclosed should be as precise as possible so as to allow for proper assessment of the nature, extent and urgency of preliminary investigative procedures to be undertaken. Whistle-Blowers must provide their names, phone numbers and addresses so that the Receiving Officer or ARC Chairman may, if need be, contact them for more information.

**Investigation**

The ARC Chairman will review the information disclosed, interview the Whistle-Blower(s) when required and, either exercising his own discretion or in consultation with the other members of the ARC,

determine whether the circumstances warrant an investigation and if so, the appropriate investigative process to be employed and corrective actions (if any) to take. The ARC Chairman will use his best endeavours to ensure that there is no conflict of interests on the part of any person involved in the investigations.

All employees of the Manager have a duty to cooperate with investigations initiated under the Policy. An employee may be placed on an administrative leave or an investigatory leave when it is determined by the ARC Chairman that it would be in the best interests of the employee, the Manager or both. Such leave is not to be interpreted as an accusation or a conclusion of guilt or innocence of any employee, including the employee on leave. All participants in the investigation must also refrain from discussing or disclosing the investigation or their testimony with anyone not connected to the investigation. In no circumstance should such persons discuss matters relating to the investigation with the person(s) who is/are subject(s) of the investigation ("Investigation Subject(s)").

Identities of Whistle-Blowers, participants of the investigations and the Investigation Subject(s)

will be kept confidential to the extent possible.

**No Reprisal**

No person will be subject to any reprisal for having made a report in accordance with the Policy or having participated in the investigation. A reprisal means personal disadvantage by:

- i. dismissal;
- ii. demotion;
- iii. suspension;
- iv. termination of employment/ contract;
- v. any form of harassment or threatened harassment;
- vi. discrimination; and / or
- vii. current or future bias.

Any reprisal suffered may be reported to the Receiving Officer (who shall refer the matter to the ARC Chairman) or directly to the ARC Chairman. The ARC Chairman shall review the matter and determine the appropriate actions to be taken. Any protection does not extend to situations where the Whistle-Blower or witness has committed or abetted the Reportable Conduct that is the subject of allegation. However, the ARC Chairman will take into account the fact that he or she has cooperated as a Whistle-Blower or a witness in determining the suitable disciplinary measure to be taken against him or her.



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#### Guidelines for Disclosure

Guideline	Questions	How has the Company complied?
<b>General</b>	<p>a. Has the Company complied with all the principles and guidelines of the Code? If not, please state the specific deviations and the alternative corporate governance practices adopted by the Company in lieu of the recommendations in the Code.</p> <p>b. In what respect do these alternative corporate governance practices achieve the objectives of the principles and conform to the guidelines in the Code?</p>	<p>Yes, save in respect of the guidelines on disclosure of remuneration where the Manager has disclosed the information under the Annual Remuneration Report in pages 77 to 79 of the Corporate Governance Report even though the remuneration of the Directors and employees of the Manager is paid by the Manager and not by Keppel REIT.</p> <p>The information under the Annual Remuneration Report in pages 77 to 79 of the Corporate Governance Report enables investors to understand the link between remuneration paid to Directors and key executives, and performance.</p>
<b>Board Responsibility</b> Guideline 1.5	What are the types of material transactions which require approval from the Board?	The Manager has adopted a set of internal guidelines which sets out the financial authority limits for investment/business acquisition and divestment, operating/capital expenditure, capital management, leasing, disposal and write-off of assets and corporate matters that require the approval of the Board.
<b>Members of the Board</b> Guideline 2.6	<p>a. What is the Board's policy with regard to diversity in identifying director nominees?</p> <p>b. Please state whether the current composition of the Board provides diversity on each of the following – skills, experience, gender and knowledge of the Company, and elaborate with numerical data where appropriate.</p> <p>c. What steps has the Board taken to achieve the balance and diversity necessary to maximise its effectiveness?</p>	<p>The NRC reviews annually the balance and diversity of skills, experience, gender and knowledge required by the Board and the size of the Board which would facilitate decision making. In light of such review and in consultation with management, the NRC assesses if there is any inadequate representation in respect of any of those attributes and if so, prepares a description of the role and the essential and desirable competencies for a particular appointment.</p> <p>The NRC is satisfied that the Board and Board committees comprise directors who as a group provide an appropriate balance and diversity of skills, experience, gender and knowledge, as well as core competencies such as accounting or finance, business or management experience, industry knowledge, strategic planning and customer-based experience or knowledge, required for the Board and the Board committees to be effective.</p> <p>There is a process of refreshing the Board progressively.</p> <p>See Guideline 4.6 on process for nomination of new directors and Board succession planning.</p>

Guideline	Questions	How has the Company complied?
Guideline 4.6	Please describe the board nomination process for the Company in the last financial year for (i) selecting and appointing new directors and (ii) re-electing incumbent directors.	<p><b>For new directors</b></p> <ol style="list-style-type: none"> <li>a. The NRC reviews the balance and diversity of skills, experience, gender and knowledge required by the Board and the size of the Board which would facilitate decision-making.</li> <li>b. In light of such review and in consultation with management, the NRC assesses if there is any inadequate representation in respect of those attributes and if so, prepares a description of the role and the essential and desirable competencies for a particular appointment.</li> <li>c. The NRC meets with the shortlisted candidate(s) to assess suitability and to ensure that the candidate(s) is/are aware of the expectations and the level of commitment required.</li> <li>d. The NRC makes recommendations to the Board for approval.</li> </ol> <p><b>For incumbent directors</b></p> <p>The appointment of each of the Directors is subject to endorsement and re-endorsement by Unitholders by way of an ordinary resolution at the Annual General Meetings of Unitholders. The details of the endorsement process are set out on pages 74 to 75 of the Corporate Governance Report.</p> <p>The NRC recommends the endorsement and re-endorsement of Directors to the Board for approval, having regard to the Director's contribution and performance (such as attendance, preparedness, participation and candour), with reference to the results of the assessment of the performance of the individual Director.</p>
Guideline 1.6	<ol style="list-style-type: none"> <li>a. Are new directors given formal training? If not, please explain why.</li> <li>b. What are the types of information and training provided to (i) new directors and (ii) existing directors to keep them up-to-date?</li> </ol>	<p>Yes, all new directors undergo a comprehensive orientation programme.</p> <p>All Directors are provided with continuing education in areas such as directors' duties and responsibilities, corporate governance, changes in financial reporting standards, insider trading, changes in the Companies Act and the CIS Code, and industry-related matters.</p> <p>A training programme is also in place for Directors in areas such as accounting, finance and the roles and responsibilities of a director of a listed company.</p>



## Corporate Governance

Guideline	Questions	How has the Company complied?
Guideline 4.4	<p>a. What is the maximum number of listed company board representations that the Company has prescribed for its directors? What are the reasons for this number?</p> <p>b. If a maximum number has not been determined, what are the reasons?</p> <p>c. What are the specific considerations in deciding on the capacity of directors?</p>	<p>Directors should not have more than six listed company board representations and/or other principal commitments. This serves as a guide and the NRC takes into account other factors in deciding on the capacity of director.</p> <p>N.A.</p> <p>The NRC takes into account the results of the annual assessment of the effectiveness of the individual director, and the respective directors' actual conduct on the Board, in determining whether a Director with other listed company board representations and/or other principal commitments is able to and has been adequately carrying out his duties as a Director of the Manager.</p>
<b>Board Evaluation</b> Guideline 5.1	<p>a. What was the process upon which the Board reached the conclusion on its performance for the financial year?</p> <p>b. Has the Board met its performance objectives?</p>	<p>Each Board member was required to complete a board evaluation questionnaire. The completed board evaluation questionnaires are collated and sent to the NRC for its review, discussions and evaluation.</p> <p>The NRC Chairman and members evaluate the returns and provide their comments and recommendations to the Board on the changes which should be made to help the Board discharge its duties more effectively.</p> <p>The detailed process for the conduct of the assessment is set out on pages 75 and 76 of the Corporate Governance Report.</p> <p>Yes</p>
<b>Independence of Directors</b> Guideline 2.1	Does the Company comply with the guideline on the proportion of independent directors on the Board? If not, please state the reasons for the deviation and the remedial action taken by the Company.	Yes
Guideline 2.3	<p>a. Is there any director who is deemed to be independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent? If so, please identify the director and specify the nature of such relationship.</p> <p>b. What are the Board's reasons for considering him independent? Please provide a detailed explanation.</p>	<p>No</p> <p>N.A.</p>

Guideline	Questions	How has the Company complied?
Guideline 2.4	Has any independent director served on the Board for more than nine years from the date of his first appointment? If so, please identify the director and set out the Board's reasons for considering him independent.	<p>Yes. Dr Chin Wei-Li, Audrey Marie is an independent Director who has served on the Board for more than nine years from the date of first appointment.</p> <p>The NRC considered that Dr Chin has demonstrated independent judgement at Board and Board committee meetings, and was of the firm view that Dr Chin has been exercising independent judgement in the best interests of Keppel REIT. The NRC therefore considered that Dr Chin should be deemed as an independent Director. Taking into account the views of the NRC, the Board concurred that Dr Chin should be deemed as an independent Director.</p>
<b>Disclosure on Remuneration</b> Guideline 9.2	Has the Company disclosed each director's and the CEO's remuneration as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?	<p>The Manager has disclosed the level and mix of the remuneration of the Directors, CEO and each of the other top five executives on page 79 of the Corporate Governance Report.</p> <p>In order not to hamper the Manager's efforts to retain and nurture its talent pool and given the highly competitive conditions in the REIT industry where poaching of senior management is commonplace, the Manager is disclosing the remuneration of the CEO in bands of S\$250,000, and is not disclosing the aggregate total remuneration paid to the top five key executives (who are not directors or the CEO).</p>
Guideline 9.3	<p>a. Has the Company disclosed each key management personnel's remuneration, in bands of S\$250,000 or in more detail, as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?</p> <p>b. Please disclose the aggregate remuneration paid to the top five key management personnel (who are not directors or the CEO).</p>	<p>Yes</p> <p>The level and mix of the remuneration of the CEO and each of the other top five key executives, in bands of S\$250,000, are set out on page 79 of the Corporate Governance Report.</p>
Guideline 9.4	Is there any employee who is an immediate family member of a director or the CEO, and whose remuneration exceeds S\$50,000 during the year? If so, please identify the employee and specify the relationship with the relevant director or the CEO.	No



## Corporate Governance

Guideline	Questions	How has the Company complied?
Guideline 9.6	<p>a. Please describe how the remuneration received by executive directors and key management personnel has been determined by the performance criteria.</p> <p>b. What were the performance conditions used to determine their entitlement under the short-term and long-term incentive schemes?</p> <p>c. Were all of these performance conditions met? If not, what were the reasons?</p>	<p>The compensation structure is directly linked to Keppel REIT and individual performance, both in terms of financial and non-financial performance and the creation of Unitholder wealth. This is achieved in the following ways:</p> <ol style="list-style-type: none"> <li>1. by placing a significant portion of executive's remuneration at risk ("at-risk component") and in some cases, subject to a vesting schedule;</li> <li>2. by incorporating appropriate key performance indicators ("KPIs") for awarding of annual cash incentives: <ol style="list-style-type: none"> <li>a. there are four scorecard areas that the Manager has identified as key to measuring its performance: <ol style="list-style-type: none"> <li>i. Commercial/Financial;</li> <li>ii. Customers;</li> <li>iii. Process; and</li> <li>iv. People;</li> </ol> </li> <li>b. the four scorecard areas have been chosen because they support how the Manager achieves its strategic objectives. The framework provides a link for staff in understanding how they contribute to each area of the scorecard, and therefore to the Manager's overall strategic goals;</li> <li>c. by selecting performance conditions such as Distributable Income to Unitholders of Keppel REIT and Total Unitholder Returns for equity awards that are aligned with Unitholders' interests;</li> <li>d. by requiring those KPIs or conditions to be met in order for the at-risk component of remuneration to be awarded or to vest; and</li> <li>e. forfeiture of the at-risk component of remuneration when those KPIs or conditions are not met at a satisfactory level.</li> </ol> </li> </ol> <p>In determining the actual quantum of the variable component of remuneration, the NRC had taken into account the extent to which the performance conditions, as set out above, have been met. The NRC is of the view that remuneration is aligned to performance during FY 2015.</p> <p>In order to align the interests of the CEO and key management personnel with that of the Unitholders, the CEO and key management personnel are remunerated partially in the form of Units owned by the Manager and are encouraged to hold such Units while they remain in the employment of the Manager.</p> <p>Please refer to pages 77 to 80 of the Corporate Governance Report for details.</p>

Guideline	Questions	How has the Company complied?
<p><b>Risk Management and Internal Controls</b> Guideline 6.1</p>	<p>What types of information does the Company provide to independent directors to enable them to understand its business, the business and financial environment as well as the risks faced by the Company? How frequently is the information provided?</p>	<p>Management provides the Board with relevant and accurate information in a timely manner relating to matters to be brought before the Board, prior to Board meetings and on an ongoing basis.</p> <p>As a general rule, Board papers are required to be sent to Directors at least seven days before each Board meeting. However, sensitive matters may be tabled at the Board meeting itself or discussed without any papers being distributed prior to the Board meeting. Managers who can provide additional insight into the matters at hand would be present at the relevant time during the Board meeting. The Board has separate and independent access to the Manager’s senior management for further clarification if required.</p> <p>The information provided to the Board includes financial results, market and business developments, as well as business and operational information. Such reports keep the Board informed, on a balanced and understandable basis, of Keppel REIT’s performance, financial position and prospects. The financial results are also compared against the budgets, together with explanations given for significant variances for the reporting period.</p> <p>Management also surfaces key risk issues for discussion and confers with the Audit and Risk Committee (“ARC”) and the Board regularly.</p>
<p>Guideline 13.1</p>	<p>Does the Company have an internal audit function? If not, please explain why.</p>	<p>Yes. The Manager’s internal audit functions are performed by Keppel Corporation Limited’s Group Internal Audit department.</p>
<p>Guideline 11.3</p>	<p>a. In relation to the major risks faced by the Company, including financial, operational, compliance, information technology and sustainability, please state the bases for the Board’s view on the adequacy and effectiveness of the Company’s internal controls and risk management systems.</p>	<p>The Board oversees the Manager’s and Keppel REIT’s system of internal controls and risk management with the support from the ARC.</p> <p>The Board’s view on the adequacy and effectiveness of the Manager’s and Keppel REIT’s internal controls and risk management system is based on the framework of management control, the internal control and risk management policies and procedures established and maintained by the Manager and Keppel REIT, and the regular audits, monitoring and reviews performed by the internal and external auditors. The ARC has concurred with this view.</p>



## Corporate Governance

### Code of Corporate Governance 2012

#### Guidelines for Disclosure

Guideline	Questions	How has the Company complied?
Guideline 11.3	b. In respect of the past 12 months, has the Board received assurance from the CEO and the CFO as well as the internal auditor that: (i) the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances; and (ii) the Company's risk management and internal control systems are effective? If not, how does the Board assure itself of points (i) and (ii) above?	Yes  Separate from the assurances obtained from the internal auditor and the external auditor, the Board has received assurances from the CEO and the CFO that: (i) the financial records have been properly maintained and the financial statements give a true and fair view of Keppel REIT's operations and finances; and (ii) Keppel REIT's risk management and internal control systems are effective.
Guideline 12.6	a. Please provide a breakdown of the fees paid in total to the external auditors for audit and non-audit services for the financial year.  b. If the external auditors have supplied a substantial volume of non-audit services to the Company, please state the bases for the Audit Committee's view on the independence of the external auditors.	For FY 2015, an aggregate amount of S\$525,000, comprising non-audit service fees of S\$225,000 and audit service fees of S\$300,000, was paid/payable to Keppel REIT's external auditor.  The ARC undertook a review of the independence and objectivity of the external auditor through discussions with the external auditor as well as reviewing the non-audit fees awarded to them, and has confirmed that the non-audit services performed by the external auditor would not affect their independence.  In determining the independence of the external auditor, the ARC reviewed all aspects of Keppel REIT's relationships with it including the processes, policies and safeguards adopted by Keppel REIT and the external auditor relating to audit independence. The ARC also considered the nature of the provision of the non-audit services in 2015 and the corresponding fees and ensured that such non-audit fees did not impair or threaten the audit independence. Based on the review, the ARC is of the opinion that the external auditor is, and is perceived to be, independent for the purpose of Keppel REIT's statutory financial audit.
<b>Communication with Shareholders</b> Guideline 15.4	a. Does the Company regularly communicate with shareholders and attend to their questions? How often does the Company meet with institutional and retail investors?  b. Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role?  c. How does the Company keep shareholders informed of corporate developments, apart from SGXNET announcements and the annual report?	Yes. In 2015, the Manager engaged a total of approximately 160 local and foreign investors in approximately 60 meetings, conferences, luncheons and site visits in Singapore, Hong Kong, Japan, Malaysia, the Netherlands, United Kingdom and United States of America.  Yes  Engagement with Unitholders and other key stakeholders takes several forms including half and full-year results briefings, corporate announcements, email communications, publications and content on Keppel REIT's website. In addition to Unitholder meetings, senior management also meets with investors, analysts and the media, as well as participates in conference calls, roadshows and industry conferences organised by major brokerage firms to solicit and understand the views of the investment community.
Guideline 15.5	If the Company is not paying any dividends for the financial year, please explain why.	N.A.

**Code of Corporate Governance 2012**

## Specific Principles and Guidelines for Disclosure

Relevant Principle or Guideline	Page Reference
<b>Guideline 1.3</b> Delegation of authority, by the Board to any board committee, to make decisions on certain board matters	Pages 71 to 72
<b>Guideline 1.4</b> The number of meetings of the Board and board committees held in the year, as well as the attendance of every board member at these meetings	Page 72
<b>Guideline 1.5</b> The type of material transactions that require board approval under guidelines	Pages 71 to 72
<b>Guideline 1.6</b> The induction, orientation and training provided to new and existing directors	Page 72
<b>Guideline 2.3</b> The Board should identify in the company's Annual Report each director it considers to be independent. Where the Board considers a director to be independent in spite of the existence of a relationship as stated in the Code that would otherwise deem a director not to be independent, the nature of the director's relationship and the reasons for considering him as independent should be disclosed	Pages 72 and 75
<b>Guideline 2.4</b> Where the Board considers an independent director, who has served on the Board for more than nine years from the date of his first appointment, to be independent, the reasons for considering him as independent should be disclosed	Page 75
<b>Guideline 3.1</b> Relationship between the Chairman of the Board and the CEO where they are immediate family members	Not Applicable
<b>Guideline 4.1</b> Names of the members of the NC and the key terms of reference of the NC, explaining its role and the authority delegated to it by the Board	Pages 73 and 89 to 90
<b>Guideline 4.4</b> The maximum number of listed company board representations which directors may hold should be disclosed	Page 75
<b>Guideline 4.6</b> Process for the selection, appointment and re-appointment of new directors to the Board, including the search and nomination process	Pages 73 to 75
<b>Guideline 4.7</b> Key information regarding directors, including which directors are executive, non-executive or considered by the NC to be independent	Pages 12 to 17 and 91
<b>Guideline 5.1</b> The Board should state in the company's Annual Report how assessment of the Board, its board committees and each director has been conducted. If an external facilitator has been used, the Board should disclose in the company's Annual Report whether the external facilitator has any other connection with the company or any of its directors. This assessment process should be disclosed in the company's Annual Report	Pages 75 to 76
<b>Guideline 7.1</b> Names of the members of the RC and the key terms of reference of the RC, explaining its role and the authority delegated to it by the Board	Pages 73, 77 and 89 to 90
<b>Guideline 7.3</b> Names and firms of the remuneration consultants (if any) should be disclosed in the annual remuneration report, including a statement on whether the remuneration consultants have any relationships with the company	Page 77
<b>Principle 9</b> Clear disclosure of remuneration policies, level and mix of remuneration, and procedure for setting remuneration	Pages 77 to 79
<b>Guideline 9.1</b> Remuneration of directors, the CEO and at least the top five key management personnel (who are not also directors or the CEO) of the company. The annual remuneration report should include the aggregate amount of any termination, retirement and post-employment benefits that may be granted to directors, the CEO and the top five key management personnel (who are not directors or the CEO)	Pages 77 to 79

## Corporate Governance

### Code of Corporate Governance 2012 (cont'd)

#### Specific Principles and Guidelines for Disclosure

Relevant Principle or Guideline	Page Reference
<p><b>Guideline 9.2</b> Fully disclose the remuneration of each individual director and the CEO on a named basis. There will be a breakdown (in percentage or dollar terms) of each director's and the CEO's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives</p>	Pages 77 to 79
<p><b>Guideline 9.3</b> Name and disclose the remuneration of at least the top five key management personnel (who are not directors or the CEO) in bands of S\$250,000. There will be a breakdown (in percentage or dollar terms) of each key management personnel's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives. In addition, the company should disclose in aggregate the total remuneration paid to the top five key management personnel (who are not directors or the CEO). As best practice, companies are also encouraged to fully disclose the remuneration of the said top five key management personnel</p>	Pages 77 to 79
<p><b>Guideline 9.4</b> Details of the remuneration of employees who are immediate family members of a director or the CEO, and whose remuneration exceeds S\$50,000 during the year. This will be done on a named basis with clear indication of the employee's relationship with the relevant director or the CEO. Disclosure of remuneration should be in incremental bands of S\$50,000</p>	Page 79
<p><b>Guideline 9.5</b> Details and important terms of employee share schemes</p>	Pages 77 to 79
<p><b>Guideline 9.6</b> For greater transparency, companies should disclose more information on the link between remuneration paid to the executive directors and key management personnel, and performance. The annual remuneration report should set out a description of performance conditions to which entitlement to short-term and long-term incentive schemes are subject, an explanation on why such performance conditions were chosen, and a statement of whether such performance conditions are met</p>	Pages 77 to 79
<p><b>Guideline 11.3</b> The Board should comment on the adequacy and effectiveness of the internal controls, including financial, operational, compliance and information technology controls, and risk management systems</p> <p>The commentary should include information needed by stakeholders to make an informed assessment of the company's internal control and risk management systems</p> <p>The Board should also comment on whether it has received assurance from the CEO and the CFO: (a) that the financial records have been properly maintained and the financial statements give true and fair view of the company's operations and finances; and (b) regarding the effectiveness of the company's risk management and internal control systems.</p>	Pages 81 to 83
<p><b>Guideline 12.1</b> Names of the members of the AC and the key terms of reference of the AC, explaining its role and the authority delegated to it by the Board</p>	Pages 80 to 81 and 89
<p><b>Guideline 12.6</b> Aggregate amount of fees paid to the external auditors for that financial year, and breakdown of fees paid in total for audit and non-audit services respectively, or an appropriate negative statement</p>	Page 81
<p><b>Guideline 12.7</b> The existence of a whistle-blowing policy should be disclosed in the company's Annual Report</p>	Pages 90 to 91
<p><b>Guideline 12.8</b> Summary of the AC's activities and measures taken to keep abreast of changes to accounting standards and issues which have a direct impact on financial statements</p>	Pages 80 to 81
<p><b>Guideline 15.4</b> The steps the Board has taken to solicit and understand the views of the shareholders e.g. through analyst briefings, investor roadshows or Investors' Day briefings</p>	Pages 84 to 85
<p><b>Guideline 15.5</b> Where dividends are not paid, companies should disclose their reasons.</p>	Not Applicable

# Risk Management

*A sound and robust framework with a holistic and systematic approach towards risk management ensures that the Manager is ready to meet challenges and seize opportunities.*



01

Proactive and effective risk management is a fundamental part of Keppel REIT's business strategy.

The Manager adopts a robust Enterprise Risk Management (ERM) framework, which outlines the reporting structure, monitoring mechanisms, specific risk management processes and tools, as well as Keppel REIT's policies and limits, in addressing and managing key risks identified.

### Robust Enterprise Risk Management Framework

The Manager adopts a five-step risk management process comprising risk identification, risk assessment, formulation of risk mitigating measures, communication and implementation, as well as monitoring and review.

The risk assessment takes into account both the impact and likelihood of occurrence and covers the investment, financial,

operational and reputational aspects of Keppel REIT's business. Tools such as a risk rating matrix, key risk indicators and risk register assist the Manager in its risk management process.

The Board is responsible for governing risks and ensuring that the Manager maintains a sound risk management system and internal controls to safeguard Unitholders' interests and Keppel REIT's assets. Assisted by the Audit and Risk Committee (ARC), the Board provides valuable advice to management in formulating various risk policies and guidelines. Terms of reference of the ARC are disclosed on page 89 of this Report.

The Board and Manager meet on a quarterly basis or more frequently, when necessary, to review Keppel REIT's financial performance, assess its current and future operating, financial and investment risks, as well as respond to

feedback from the compliance manager and auditors.

The Board, assisted by the ARC, has put in place three Risk Tolerance Guiding Principles for the Manager and Keppel REIT. These principles, which determine the nature and extent of the significant risks that the Board is willing to take in achieving its strategic objectives, include:

1. Risk taken should be carefully evaluated, commensurate with rewards and are in line with Keppel REIT's core strengths and strategic objectives.
2. No risk arising from a single area of operation, investment or undertaking should be so huge as to endanger Keppel REIT.
3. The Group does not condone safety breaches or lapses, non-compliance with laws and regulations, as well as acts such as fraud, bribery and corruption.

**01** Round-the-clock vigilance ensures timely response to potential safety and health risks.

### 5-Step Risk Management Process



## Risk Management

The risk management assessment framework also determines the adequacy and effectiveness of the risk management system within Keppel REIT. In 2015, the Board has assessed and deemed Keppel REIT's risk management system to be adequate and effective in addressing the key risks identified below:

### 1. Operational Risk

- All operations are aligned with Keppel REIT's strategies to ensure income sustainability and maximise distributable income growth. Measures include prompt lease renewals to reduce rental voids, monitoring of rental payments to minimise rental arrears and bad debts, as well as controlling property expenses to maximise net property income.
- Standard operating procedures are reviewed regularly and good industry practices are incorporated into daily operations.
- The Manager actively engages and fosters close relationships with tenants, as well as manages lease expiries to avoid a disproportionate amount of space expiring in any one year.
- Business continuity plans are reviewed and improved periodically to minimise operational disruptions. These plans are tested regularly to ensure the responses developed are feasible and effective. Regular external audits are conducted to ensure that safety standards and procedures are implemented and up-to-date. Key spokespersons undergo media training to equip them with the necessary communication skills in the event of a crisis.
- For assets that are co-owned, the Manager works closely with the property manager and co-owners to optimise asset performance and control property expenses. The Manager and co-owners also jointly assess and approve all new, renewal, review and restructured leases,

as well as capital expenditures. The Manager attends regular operational meetings to ensure that the assets are managed in accordance with Keppel REIT's operating plans.

- Asset enhancement works are conducted when necessary to ensure that Keppel REIT's properties remain relevant and competitive.

### 2. Financing Risk

- Liquidity and financing risks are managed in accordance with established guidelines and policies. The Manager also closely monitors its cash flow, debt maturity profile, gearing and liquidity positions. The Manager diversifies its funding sources and lengthens the tenure of borrowings to ensure a well-staggered debt maturity profile.
- Borrowings are refinanced early to reduce refinancing risk and lengthen the overall debt maturity.
- The Manager maintains a robust cash flow position and ensures that there are sufficient working capital lines to meet its financial obligations.

### 3. Exposure to Financial Markets Risk

- The Manager constantly monitors the exposure of Keppel REIT to changes in foreign exchange and interest rates. It utilises various financial instruments, where appropriate, to hedge against these risks.
- As at end-2015, approximately 70% of the borrowings are hedged on fixed rates, thereby mitigating the risk of adverse interest rate movements.
- In 2015, the Manager adhered to its policy and forward-hedged more than 90% of income from the Australian assets.

### 4. Credit Risk

- Tenants' credit worthiness are assessed prior to signing of lease agreements. They are also required to place security

deposits upon confirmation of their leases.

- Systematic rental collection procedures are implemented to ensure regular collection of rents, thereby preventing potential rental arrears.

### 5. Investment Risk

- Comprehensive due diligence procedures to assess and evaluate potential investment risks are conducted prior to any transaction. All investment proposals are evaluated objectively based on the Manager's investment criteria, as well as the target asset's specifications, location, expected returns, yield accretion, growth potential and performance sustainability, taking into account the prevailing economic climate and market conditions.
- The Board reviews and approves all transactions only after evaluating the sensitivities and risks involved.
- To manage concentration risk, the effect of each proposed transaction on the Singapore-overseas ratio is assessed before any transaction.

### 6. Compliance Risk

- The Manager, being a Capital Markets Services Licence holder, complies with applicable laws and regulations, including the SGX Listing Rules, Code on Collective Investment Schemes, Property Fund Appendix and conditions of the Capital Markets Services Licence for REIT Management issued by the Monetary Authority of Singapore under the Securities and Futures Act, as well as the tax rulings issued by the Inland Revenue Authority of Singapore.
- The Manager keeps abreast of changes in legislations and regulations, as well as new developments in its operating environment.
- Keppel REIT and the Manager undergo periodic internal and external audits to ensure that they adhere to relevant policies and processes.

# Environmental Responsibility

*The Manager recognises that sustainability makes good business sense. Through sharing of knowledge and experience, the Manager seeks to inculcate a sense of environmental responsibility among all its stakeholders.*



01

As a leading landlord of prime office buildings, the Manager seeks to conduct its business responsibly. This involves adopting a holistic and proactive approach towards environmental management and protection in all its business practices as well as operations.

The Manager also strives to continually enhance and improve the environmental performance of its properties through incorporating green features and introducing sustainable initiatives, where feasible.

### Setting Green Benchmarks

Tenants are amongst Keppel REIT's key stakeholders. The Manager firmly believes that sustainable and efficient developments provide building occupants a better working environment that will result in higher efficiency and productivity, as well as yield tangible long-term energy savings. A green building will also benefit the environment through its reduced carbon footprint.

Testament to the Manager's commitment towards maintaining high standards of sustainability and environmental protection, all of Keppel REIT's office towers bear internationally-recognised

green certifications by leading industry bodies including the Building and Construction Authority (BCA) of Singapore, the Green Building Council of Australia (GBCA) and the National Australian Built Environmental Rating System (NABERS).

In Singapore, Ocean Financial Centre was re-certified with the highest BCA Green Mark Platinum rating in January 2016, maintaining its status as an eco-icon. Ocean Financial Centre was the first office development in Singapore to attain the same rating in 2008. The premium Grade A office building was also winner in the Large Green Building category at the ASEAN Energy Awards 2015, which recognise buildings with strong efficient energy management practices.

Incorporating the latest in energy-efficient and environmentally-friendly technologies, Ocean Financial Centre features a myriad of sustainable and innovative green applications. These include the harvesting of rainwater for the irrigation of rooftop gardens, recycling of condensate water for the cooling tower, as well as the use of water-efficient tap fittings,

all of which contribute towards overall savings of 42 million litres of water annually. The building also boasts one of the world's largest vertical green walls, equivalent to the size of eight tennis courts. The green wall features an automatic drip irrigation system to ensure minimal maintenance and more importantly, more efficient use of water.

In January 2016, Marina Bay Financial Centre (MBFC) Tower 3 was re-certified with the BCA Green Mark Platinum award, an improvement from its previous Green Mark Gold<sup>Plus</sup> rating. The building was also conferred the BCA Green Mark Pearl Award in 2015, which recognises the shared commitment of building owners and tenants in working together towards achieving greater environmental sustainability. As at end-2015, more than 60% of tenants at MBFC Tower 3 have obtained the BCA Green Mark Office Interior certification.

In protecting Singapore's precious water resource, the Manager has in place a holistic water resource management system, which includes an advanced water-leak detection and monitoring system to ensure efficient water usage

**01** *The Manager believes that green and efficient buildings benefit its occupants, companies and ultimately, the environment.*



## Environmental Responsibility



01

**01** The Manager's commitment towards protecting precious water resource was recognised by PUB at the Water Efficient Building certificate presentation ceremony.

**02** To harness renewable energy, solar panels were installed atop Bugis Junction. The entire solar panel installation covers approximately 10,700 sf, making this one of the largest installations for an integrated mixed-use development in Singapore.

at its properties. Tenants are also educated on water saving measures through circulars and seminars.

For their efforts, Ocean Financial Centre and MBFC were conferred the Water Efficient Building (Gold) award by PUB in October 2015, while Bugis Junction Towers received the Silver certification.

During the year, Keppel REIT co-partnered REC, a leading provider of solar energy solutions, to retrofit the rooftop of Bugis Junction with solar panels to harness renewable energy. The installation, which is estimated to generate 200,000 kWh of energy, is sufficient to power approximately 50 four-room Housing and Development Board households each year and reduce 110 tonnes of carbon dioxide emissions. The entire development is expected to enjoy savings of approximately \$30,000 per annum for the next 25 years.

In Australia, all of Keppel REIT's assets achieved a NABERS energy rating of 4.5-Stars and above.

Recognised as one of the most environmentally advanced buildings in Australia, 8 Chifley

Square in Sydney achieved the 5-Star NABERS rating for energy and water efficiencies. It was also one of the few commercial buildings in Australia to be awarded the 6-Star Green Star – Office Design v2 rating by the GBCA in 2012.

Beyond its achievements in sustainability, 8 Chifley Square continues to raise benchmarks in architectural excellence. The building was awarded top honours at the 2015 Property Council of Australia Awards, including Australian Development of the Year, Best Office Development, and Best Sustainable Development (New Buildings). It also clinched three awards, namely the Best Commercial High-Rise Development (Australia), Best Office Development (Australia) and Best Office Architecture (Australia), at the Asia Pacific Property Awards 2015.

**Inculcating Green Mindsets**  
At Keppel REIT, the Manager recognises the importance of cultivating a green mindset among all its stakeholders.

The Manager's headquarters at Bugis Junction Towers has been re-certified as an Eco-Office by the Singapore

Environment Council for 2015-2017. A biennial certification, this is the fourth consecutive time that Keppel REIT has received the certification, which recognises the Manager's commitment and continuous efforts to incorporate and implement green practices at its office, as well as inculcate an eco-mindset among employees.

In making its stand against climate change, the Manager seeks to continually optimise energy consumption and minimise the ecological footprint of its office buildings through implementing energy efficient measures that enhance the buildings' environmental performance. To encourage the adoption of green practices at the workplace, tenants receive Green Fit-Out and Green Office Operation Guides that are customised to the specific building they are located at.

It was 'lights out' for an hour on 28 March 2015 as Keppel REIT joined millions around the world in support of the world's biggest environmental event, Earth Hour. Non-essential lightings at its properties in Singapore including façade flood lights, as well as lightings at lobbies, carparks, staircases, walkways and corridors

were switched off for an hour. Tenants were also encouraged to participate in this global initiative.

To mark World Environment Day, Keppel REIT continued its support for the Ricoh Asia Pacific Eco Action Day campaign on 5 June 2015. Roadshows were held at Keppel REIT's properties – Ocean Financial Centre, Bugis Junction Towers, One Raffles Quay and Marina Bay Link Mall, where individuals and corporates learnt about energy conservation and environmental protection, and are encouraged to play their parts to reduce energy consumption at work and at home.

The Manager also shares best practices in sustainability with industry players.

As the first REIT in Asia to maintain its pole position in the Global Real Estate Sustainability Benchmark (GRESB) for two consecutive years, Keppel REIT was invited to share best practices at a sustainability masterclass seminar.

At the event, the Manager shared Keppel REIT's approach in incorporating environmentally

sustainable initiatives at its properties, where feasible. Beyond accolades, the results are testament to the Manager's strong commitment towards achieving excellence in sustainability. The Manager is confident that greater environmental, social and governance disclosures will go a long way in supporting investors, especially socially responsible funds, in their investment decisions.



02

### Key Sustainability Accolades

Property	Award	Year
<b>Singapore</b>		
Ocean Financial Centre	BCA Green Mark Platinum	2008/2013/2016
Bugis Junction Towers	BCA Green Mark Platinum	2014
Marina Bay Financial Centre (Towers 1 & 2)	BCA Green Mark Gold	2008/2014
Marina Bay Financial Centre (Tower 3)	BCA Green Mark Platinum	2016
	BCA Green Mark Pearl	2015
One Raffles Quay	BCA Green Mark Gold	2009/2012
<b>Australia</b>		
8 Chifley Square, Sydney	NABERS 5-Stars	2015
	GBCA 6 Star Green Star – Office Design v2	2012
8 Exhibition Street, Melbourne	NABERS 4.5-Stars	2015
275 George Street, Brisbane	NABERS 5-Stars	2014
Office tower on the Old Treasury Building site, Perth	GBCA 5-Star Green Star – Office Design v3	2014
77 King Street, Sydney	NABERS 4.5-Stars	2013



### Topping the Global Sustainability Benchmark

Keppel REIT has once again topped the internationally-recognised GRESB 2015 with numerous accolades in various sectors.

It is also the first Asian REIT to maintain its pole position as the Regional Leader for Office Sector in Asia for two consecutive years.

Keppel REIT's wins at the GRESB 2015 include:

- 1<sup>st</sup> in Asia across all diversified entities and sectors
- 1<sup>st</sup> in Asia/Regional Sector Leader for Office Sector in Asia
- 1<sup>st</sup> amongst the Asia Pacific Real Estate Composite Indices
- Top 3 globally for office sector
- Top 3 globally across all diversified entities and sectors

Keppel REIT was assessed and ranked against 707 property companies and private real estate funds in Asia and globally.

It scored an overall of 92% in the GRESB 2015, a significant improvement of approximately 20% compared to a year ago.

The REIT also scored 91% in the area of sustainability implementation and measurement, as compared to the GRESB and peer averages of 53% and 74% respectively.

## Safety and Health

*Ensuring a safe workplace is of utmost importance to us. The Manager strives to instil a strong culture of safety so that everyone, including staff and tenants, go home safely everyday.*



01

The Manager advocates a strong safety culture and strives to achieve a zero-harm workplace. It encourages its employees and tenants to embrace safety as a personal and collective responsibility.

### Upholding Standards

Safety is a Keppel core value. As a member of the Keppel Group, Keppel REIT is guided by the Keppel Workplace Safety and Health (WSH) 2018 Strategy, which aims to promote good management and ownership of safety.

In keeping with its commitment towards operational and safety excellence, the Management Safety Committee meets representatives from the WSH unit and property management teams to review safety practices and resolve safety-related matters bi-monthly.

All of Keppel REIT's properties in Singapore and Australia are audited annually to ensure compliance with high safety standards. Gaps are identified and addressed, with mitigating actions taken to prevent recurrence.

In Singapore, the buildings adhere to the guidelines set out in the Occupational Health and Safety Management System (OHSAS) 18001 standard. An internationally-recognised standard, OHSAS 18001 provides

guidelines to organisations in managing, controlling and improving their occupational health and safety performance.

In recognition of its excellent health and safety performance, Marina Bay Financial Centre and One Raffles Quay were conferred the WSH Performance Awards, under the Safety and Health Award Recognition for Projects category, at the national WSH Awards held in July 2015.

Meanwhile, Keppel REIT Property Management Pte Ltd was certified bizSAFE Star and bizSAFE Partner in March 2015. As part of the bizSAFE programme, the certification aims to help companies build up their WSH capabilities. The bizSAFE Star is awarded to organisations with the highest level of safety and health standards, while the bizSAFE Partner award recognises companies that support and work with suppliers to improve their safety and health performance.

### Engaging Stakeholders

To inculcate a strong safety mindset among its employees, all new staff undergo a safety initiation course as part of their orientation programme. Employees also receive regular updates on safety-related matters such as policies, action plans and accident/incident reporting procedures.

Recognising that safety is a continuous and shared journey which requires collaboration from all stakeholders, the Keppel Group has put in place various platforms to facilitate the learning and sharing of best practices, knowledge and experiences among employees, contractors and partners. These platforms include the annual Keppel Group Safety Convention, the quarterly HSE Matters publication and an e-safety portal which facilitates the sharing of safety-related information.

As part of crisis preparedness, the Manager conducts regular fire and evacuation drills at its properties in Singapore. This ensures that all operational staff and building tenants are familiar with the building's emergency evacuation procedures.

The Manager also tests the robustness of its business continuity plans regularly.

These include pandemic simulation and bomb threat exercises, as well as chemical spillage and power outage drills. In 2015, a total of 37 drills were conducted across all the Singapore properties.

The Manager also has in place a Company Emergency Response Team (CERT) at its Singapore properties. The CERT will manage and control an emergency situation before it escalates into a disaster. CERT members undergo regular training to ensure emergency preparedness.

Exhibitions are also held at Keppel REIT's properties to promote safety awareness at the workplace and at home.

In Australia, evacuation drills are conducted once every year. All tenant evacuation warden representatives undergo biannual training sessions by accredited trainers. Under the local and state regulations, all completed buildings undergo regular

occupational safety and health audits.

**Managing Safety**

Safety is an integral aspect of Keppel REIT's business operations and the Manager will continue to engage and communicate with all its stakeholders regularly to foster a safety mindset and uphold strong WSH standards.

Stakeholders are encouraged to be more safety conscious and take necessary precautions to protect themselves as well as those around them from harm.

The Manager carries out regular reviews and evaluations of its operations and processes, as well as conducts annual audits of its properties to ensure compliance with the legislative requirements and create a safer and more conducive work environment. Meaningful and measurable targets are set to control, manage and mitigate safety and health risks.

**01 & 02** Operational resilience and high safety standards play a critical role in ensuring a safe and conducive workplace for all building occupants.

**03** Regular drills such as the chemical spillage simulation exercise at Ocean Financial Centre in March 2015 ensure that staff are crisis-ready.

02



03



## People Matter

*People are the cornerstone of its success and the Manager is committed to build a motivated workforce that will drive Keppel REIT forward.*



01

The Manager recognises that people are the cornerstone of its success and is committed to develop its employees to their full potential. In building a motivated workforce, the Manager seeks to continually engage its employees and improve their well-being.

### Developing Talent

As a member of the Keppel Group, the Manager embraces the Group's eight core values. To deepen understanding of the core values, a Values-In-Action programme is included as one of the orientation activities for all new hires. The one-day programme seeks to imbibe in employees an ownership of the core values through experiential activities. Three of the Manager's employees had participated in the programme in 2015.

In managing and nurturing its talent pool, the Manager identifies and selects high-potential employees for the Keppel Young Leaders programme, which aims to cultivate a global mindset, encourage innovative thinking and hone entrepreneurship skills. Seven employees who

are under this programme are given opportunities to participate in and champion high-impact projects and cross-border assignments beyond their regular job scope, as well as learn through peer interaction across the Keppel Group.

Executives with outstanding performance are selected for the Leadership Development (LEAD) programme, which aims to accelerate their career development. The Manager currently has six employees under the LEAD programme. These high-performing employees will progress through a structured learning roadmap, including taking on strategic assignments and job rotations to help further develop their core competencies. Each LEAD employee is guided by a mentor who will coach, share experiences, as well as provide insights and perspectives throughout the programme.

At the inaugural Global Keppelites Forum held in January 2015, CEO of Keppel Corporation and Chairman of Keppel Land Mr Loh Chin Hua shared the

Keppel Group's strategic roadmap to 2020 with over 4,000 Keppelites from around the world. The group-wide townhall meeting provided an opportunity for employees around the world to engage Mr Loh on a variety of issues regarding the Group's business strategies and outlook.

In May 2015, the Manager attended Keppel Land's Annual Staff Conference (ASC) held at Suntec Convention Centre and participated in a series of functional workshops and training programmes on topics including asset management, marketing, workplace safety and health, as well as risk management.

One of the highlights of the ASC was the Work of a Winner (WOW!) competition, which encourages the sharing of best work practices and approaches that could be replicated for improved efficiency and effectiveness.

The Manager shared its experience, challenges and lessons learnt from its portfolio transformation strategy, which

*01 The management team dressed up as characters from the movie 'Ah Boys to Men' at the annual Dinner & Dance celebration.*

*02 Employees bonded over a go-kart game in Batam.*

saw the divestment of Prudential Tower for the acquisition of a one-third interest in Marina Bay Financial Centre Tower 3. For its efforts, the team was conferred the silver award.

In 2015, the Manager's employees clocked an average of 46.6 training hours per employee. The average training investment per employee was \$1,192.

### Engaging Employees

In recognition of the dedication and diligence of its operations team, the Manager organised two appreciation lunch cum award ceremonies for approximately 200 property management staff at Bugis Junction Towers and Ocean Financial Centre in February 2015.

As part of its ongoing efforts to engage employees, the Manager held a two-day retreat to Batam, Indonesia, in August 2015. The retreat took place in conjunction with the Manager's annual management strategy meeting. During the strategy retreat, the Manager reviewed its performance and

discussed plans for the year ahead. The retreat also included team bonding activities such as go-karting.

### Promoting Wellness

At the first-ever K-Star Search, one of the Manager's employees emerged second runner-up at the Keppel Group-wide singing competition. Held at the Star Performing Arts Centre in June 2015, 11 Keppelites sang their hearts out amidst local celebrities who graced the event as judges, guest performers and programme hosts.

Employees also participated in numerous corporate activities organised by Keppel Land during the year. This included the annual Dinner & Dance, quarterly chill-out sessions, as well as the annual Lunar New Year, Mid-Autumn Festival and Christmas celebrations.

In the spirit of collaboration and camaraderie, the Manager held a joint Christmas lunch with staff of Keppel DC REIT Management to strengthen cross-unit relations and exchange ideas.



02

# Community Relations

*As a responsible corporate citizen, Keppel REIT is committed to give back to the community, as well as reach out and engage its tenants through ongoing initiatives.*



01

As a responsible corporate citizen, Keppel REIT is committed to give back to the community wherever it operates.

The Manager takes proactive efforts to foster and maintain strong relations with its tenants, encourage further growth of the REIT sector and seek to make a difference in the lives of the less privileged.

### Strengthening Tenant and Industry Relations

To celebrate another year of friendship with its tenants and business partners, the 10<sup>th</sup> Keppel REIT and 40<sup>th</sup> Ocean Financial Centre Golf Tournament 2015 was held on 18 June 2015 at the Sentosa Golf Club. About 100 golfers participated in the annual game which provided a platform for the Manager to interact and strengthen ties with tenants and other stakeholders.

On 23 May 2015, Keppel REIT participated in the inaugural REITs Symposium where it shared industry insights, as well as updated on Keppel REIT and its business operations. The event, which attracted over 1,300 investors, was jointly organised by Share Investor and REIT Association of Singapore (REITAS) to further promote the growth and development of the industry.

As one of the founding members of REITAS, Keppel REIT hosted close to 40 members to an afternoon tea session in October 2015 to forge closer ties among members in the Singapore REIT (S-REIT) community.

In educating the youth about the REIT industry, the Manager hosted 45 students in July 2015 to an introductory session on the REIT and office sectors in Singapore. The session, aimed at providing students insights on S-REITs, as well as an understanding of Keppel REIT's business operations, was part of the Asian Cities Programme by the Real Estate Academy in China.

Separately, the Manager's CEO Ms Ng Hsueh Ling addressed about 30 members from the Singapore Institute of Surveyors and Valuers at a session in July 2015 where she shared her industry knowledge and experience. Ms Ng also shared her working experience with students of West Spring Secondary School during a dialogue session at the 5<sup>th</sup> Annual Character and Citizenship Education Lecture in August 2015.

### Supporting Good Causes

The Manager continues to support and make a positive impact to the community.

In June 2015, a total of 64 Keppel REIT employees, children, parents, caregivers

and staff from the Muscular Dystrophy Association (Singapore) (MDAS) visited the Alive Museum and experienced art come to life.

On 13 November 2015, the Manager's staff joined Keppelites from across the Group and more than 6,000 participants from the finance industry and Singapore-listed companies in pounding the pavements of Singapore's central business district (CBD) in support of the SGX Bull Charge Charity Run 2015.

Keppel REIT was also a silver sponsor for the Mindset Challenge, a vertical marathon held at Marina Bay Financial Centre Tower 1 on 15 November 2015. The Manager's staff scaled 33 storeys to raise funds and awareness on mental health illness.

### Promoting the Arts

A firm supporter of the arts, the Manager continued to inject vibrancy into Singapore's business and financial district through art-related activities and performances throughout the year.

Tenants at Ocean Financial Centre and those working in the vicinity enjoyed lunchtime musical performances, courtesy of young musicians from LASALLE College of the Arts and Nanyang Academy of Fine Arts. Lunchtime jazz and Chinese ensemble performances were also held at

Ocean Financial Centre and Marina Bay Link Mall in February 2015 as part of the Lunar New Year celebrations.

In April 2015, Keppel REIT organised "An Evening of Music" to mark the final performance of its grand Steinway D-274 piano. The Manager had purchased the grand piano in 2012 to commemorate its name change from K-REIT Asia to Keppel REIT. The piano had been filling the lobby of Ocean Financial Centre with melodies, bringing music and the arts closer to tenants of Ocean Financial Centre and those working in the CBD for the past two years. The piano was donated to the School of the Arts Singapore in June 2015.

A flash mob piano performance presented by Zurich Insurance and supported by Keppel REIT also took place at Ocean Financial Centre in July 2015, creating an explosion of melodies, entertaining tenants and passers-by with their lunchtime performance. The performance was part of the Zurich Blue Piano Experience tour, a project which aims to bring Singaporeans together through music.

Rounding up the year in December 2015, the lobbies of Ocean Financial Centre and Bugis Junction Towers were filled with Christmas tunes by the Anglo Chinese Junior College choir group. Adding to the Christmas cheer, the Manager also gave away cookies from the MINDS Bakers.

01 Keppel REIT volunteers, together with the children and family members of MDAS, interact with art exhibits at the Alive Museum.

02 The Manager's staff, together with Keppelites from across the Group, joined more than 6,000 participants at the SGX Bull Charge Charity Run 2015.

03 As part of ongoing efforts to drive further growth in the REIT sector, Keppel REIT was part of the inaugural REITs Symposium, which was well attended by over 1,300 investors.



02



03

# Corporate Information

## Keppel REIT

### Registered Address

#### RBC Investor Services Trust Singapore Limited

77 Robinson Road  
#18-00 Robinson 77  
Singapore 068896  
Phone: +65 6230 1988  
Fax: +65 6532 0215  
Website: www.keppelreit.com

## Trustee

#### RBC Investor Services Trust Singapore Limited

77 Robinson Road  
#18-00 Robinson 77  
Singapore 068896  
Phone: +65 6230 1988  
Fax: +65 6532 0215

## Auditor

#### Ernst & Young LLP

One Raffles Quay  
Level 18 North Tower  
Singapore 048583  
Phone: +65 6535 7777  
Fax: +65 6532 7662  
(Partner-in-charge:  
Mr Tham Chee Soon)  
(With effect from financial year  
ended 31 December 2011)

## The Manager

### Registered Address

#### Keppel REIT Management Limited

1 HarbourFront Avenue  
#18-01 Keppel Bay Tower  
Singapore 098632  
Phone: +65 6835 7477  
Fax: +65 6835 7747  
Email: investor.relations@keppelreit.com

### Principal Business Address

230 Victoria Street  
#15-03 Bugis Junction Towers  
Singapore 188024

### Investor Relations &

#### Research contact:

Ms Grace Chia  
Senior Manager  
Phone: +65 6433 7622  
Fax: +65 6835 7747  
Email: investor.relations@keppelreit.com

## Unit Registrar and Unit Transfer Office

#### Boardroom Corporate & Advisory Services Pte. Ltd. (a member of Boardroom Limited)

50 Raffles Place  
#32-01 Singapore Land Tower  
Singapore 048623  
Phone: +65 6536 5355  
Fax: +65 6536 1360

*For updates or change of mailing  
address, please contact:*

#### The Central Depository (Pte) Limited

9 North Buona Vista Drive  
#01-19/20 The Metropolis  
Singapore 138588  
Phone: +65 6535 7511  
Fax: +65 6535 0775  
Email: asksgx@sgx.com  
Website: www.sgx.com/wps/portal/  
sgxweb/home/depositary

## Joint Company Secretaries

**Mr Daniel Law Zhi-en**

**Mr Marc Tan Weiqiang**

## Directors of The Manager

#### Dr Chin Wei-Li, Audrey Marie

Chairman and Non-Executive  
Independent Director

#### Ms Ng Hsueh Ling

Chief Executive Officer and  
Executive Director

#### Mr Tan Chin Hwee

Non-Executive Independent Director

#### Mr Lee Chiang Huat

Non-Executive Independent Director

#### Mr Daniel Chan Choong Seng

Non-Executive Independent Director

#### Mr Lor Bak Liang

Non-Executive Independent Director

#### Mr Ang Wee Gee

Non-Executive Director

#### Professor Tan Cheng Han

Non-Executive Independent Director

#### Mr Lim Kei Hin

Non-Executive Director

## Audit and Risk Committee

#### Mr Lee Chiang Huat

(Chairman)

#### Mr Tan Chin Hwee

#### Mr Daniel Chan Choong Seng

#### Mr Lor Bak Liang

## Nominating and Remuneration Committee

#### Mr Tan Chin Hwee

(Chairman)

#### Dr Chin Wei-Li, Audrey Marie

#### Mr Ang Wee Gee

#### Professor Tan Cheng Han

# Financial Statements

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# Report of the Trustee

For the financial year ended 31 December 2015

RBC Investor Services Trust Singapore Limited (the "Trustee") is under a duty to take into custody and hold the assets of Keppel REIT (the "Trust") and its subsidiaries (the "Group") in trust for the holders of units ("Unitholders") in Keppel REIT. In accordance with, inter alia, the Securities and Futures Act, Chapter 289 of Singapore, its subsidiary legislation and the Code on Collective Investment Schemes and the Listing Manual (collectively referred to as the "laws and regulations"), the Trustee shall monitor the activities of Keppel REIT Management Limited (the "Manager") for compliance with the limitations imposed on the investment and borrowing powers as set out in the trust deed dated 28 November 2005 (as amended) (the "Trust Deed") between the Manager and the Trustee in each annual accounting period and report thereon to Unitholders in an annual report which shall contain the matters prescribed by the laws and regulations as well as recommendations of Statement of Recommended Accounting Practice 7 (Revised 2012) "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants and the provisions of the Trust Deed.

To the best knowledge of the Trustee, the Manager has, in all material respects, managed Keppel REIT and its subsidiaries, during the period covered by these financial statements, set out on pages 117 to 179 comprising the Balance Sheets, Statement of Total Return, Distribution Statement, Portfolio Statement, Statements of Movements in Unitholders' Funds, Statement of Cash Flows and Notes to the Financial Statements, in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed, laws and regulations and otherwise in accordance with the provisions of the Trust Deed.

For and on behalf of the Trustee,

**RBC Investor Services Trust Singapore Limited**



**Andrew Charles Allen**  
Managing Director

Singapore, 19 February 2016



Statement by the Manager

# Statement by the Manager

For the financial year ended 31 December 2015

In the opinion of the Directors of Keppel REIT Management Limited (the “Manager”), the accompanying financial statements set out on pages 117 to 179 comprising the Balance Sheets, Statement of Total Return, Distribution Statement, Portfolio Statement, Statements of Movements in Unitholders’ Funds, Statement of Cash Flows and Notes to the Financial Statements are drawn up so as to present fairly, in all material respects, the financial positions of the Group and the Trust as at 31 December 2015, the total return, distributable income, movements in Unitholders’ funds and cash flows of the Group and the movements in Unitholders’ funds of the Trust for the year ended on that date in accordance with the recommendations of Statement of Recommended Accounting Practice 7 (Revised 2012) “Reporting Framework for Unit Trusts” issued by the Institute of Singapore Chartered Accountants and the provisions of the Trust Deed. At the date of this statement, there are reasonable grounds to believe that the Group and the Trust would be able to meet their financial obligations as and when they materialise.

For and on behalf of the Manager,  
**Keppel REIT Management Limited**



**Ng Hsueh Ling**  
Chief Executive Officer and Executive Director

Singapore, 19 February 2016

# Independent Auditor's Report to the Unitholders of Keppel REIT

For the financial year ended 31 December 2015

## To the Unitholders of Keppel REIT

We have audited the financial statements of Keppel REIT (the "Trust") and its subsidiaries (collectively, the "Group"), which comprise the Balance Sheets of the Group and the Trust and Portfolio Statement of the Group as at 31 December 2015, the Statements of Movements in Unitholders' Funds of the Group and the Trust, and the Statement of Total Return, Distribution Statement and Statement of Cash Flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 117 to 179.

### **Manager's Responsibility for the Financial Statements**

The Manager of the Trust is responsible for the preparation and fair presentation of these financial statements in accordance with the recommendations of Statement of Recommended Accounting Practice 7 (Revised 2012) "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants, and for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

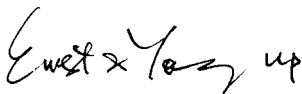
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Trust's preparation and fair presentation of financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Manager, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial positions of the Group and the Trust as at 31 December 2015 and the total return, distributable income, movements in Unitholders' funds and cash flows of the Group, and the movements in Unitholders' funds of the Trust for the year then ended in accordance with the recommendations of Statement of Recommended Accounting Practice 7 (Revised 2012) "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants.



### **ERNST & YOUNG LLP**

Public Accountants and  
Chartered Accountants

Singapore, 19 February 2016

## Balance Sheets

**Balance Sheets**

As at 31 December 2015

	Note	Group		Trust	
		2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
<b>Non-current assets</b>					
Investment properties	3	3,691,073	3,613,616	550,000	527,000
Investments in subsidiaries	4	–	–	1,837,852	1,837,852
Investments in associates	5	2,497,798	2,429,485	2,025,483	2,031,098
Advances to associates	8	608,922	613,222	608,922	613,222
Investments in joint ventures	6	408,112	288,931	–	–
Advances to a joint venture	8	–	99,853	–	–
Amounts owing by subsidiaries	7	–	–	818,836	876,886
Fixed assets		199	142	1	–
Intangible asset	9	37,823	56,607	32,600	46,623
Derivative financial instruments	13	17,542	2,081	9,965	255
		<b>7,261,469</b>	<b>7,103,937</b>	<b>5,883,659</b>	<b>5,932,936</b>
<b>Current assets</b>					
Trade and other receivables	10	18,057	25,016	27,502	37,918
Prepaid expenses		1,031	629	27	23
Cash and bank balances	11	144,601	199,689	126,501	172,729
Derivative financial instruments	13	260	133	260	133
		<b>163,949</b>	<b>225,467</b>	<b>154,290</b>	<b>210,803</b>
<b>Total assets</b>		<b>7,425,418</b>	<b>7,329,404</b>	<b>6,037,949</b>	<b>6,143,739</b>
<b>Current liabilities</b>					
Trade and other payables	12	51,208	84,469	26,285	64,022
Income received in advance	14	758	1,043	–	239
Short term borrowings (secured)	15	–	174,950	–	174,950
Short term borrowings (unsecured)	15	25,355	99,974	–	99,974
Current portion of security deposits		9,172	3,223	1,902	508
Derivative financial instruments	13	168	9,071	168	9,071
Provision for taxation		3,284	7,641	3,315	7,400
		<b>89,945</b>	<b>380,371</b>	<b>31,670</b>	<b>356,164</b>
<b>Non-current liabilities</b>					
Income received in advance	14	45,742	61,871	45,483	61,021
Long term borrowings (secured)	15	812,584	464,030	347,746	–
Long term borrowings (unsecured)	15	1,651,633	1,926,409	1,680,380	1,928,554
Derivative financial instruments	13	464	6,894	464	4,724
Non-current portion of security deposits		21,435	25,074	2,202	3,237
Deferred tax liabilities	16	25,767	5,283	–	–
		<b>2,557,625</b>	<b>2,489,561</b>	<b>2,076,275</b>	<b>1,997,536</b>
<b>Total liabilities</b>		<b>2,647,570</b>	<b>2,869,932</b>	<b>2,107,945</b>	<b>2,353,700</b>
<b>Net assets</b>		<b>4,777,848</b>	<b>4,459,472</b>	<b>3,930,004</b>	<b>3,790,039</b>
Represented by:					
Unitholders' funds		4,626,021	4,457,420	3,780,285	3,790,039
Perpetual securities	17	149,719	–	149,719	–
Non-controlling interest		2,108	2,052	–	–
		<b>4,777,848</b>	<b>4,459,472</b>	<b>3,930,004</b>	<b>3,790,039</b>
<b>Units in issue ('000)</b>	17	<b>3,216,124</b>	<b>3,170,434</b>	<b>3,216,124</b>	<b>3,170,434</b>
<b>Net asset value per Unit (\$)</b>		<b>1.44</b>	<b>1.41</b>	<b>1.18</b>	<b>1.20</b>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# Statement of Total Return

For the financial year ended 31 December 2015

	Note	Group	
		2015 \$'000	2014 \$'000
Property income	18	<b>170,347</b>	184,093
Property expenses	19	<b>(32,882)</b>	(32,657)
<b>Net property income</b>		<b>137,465</b>	151,436
Rental support	20	<b>20,480</b>	50,011
Share of results of associates	5	<b>75,695</b>	60,745
Share of results of joint ventures	6	<b>17,163</b>	9,848
Interest income		<b>36,940</b>	37,432
Amortisation expense	9	<b>(18,763)</b>	(37,364)
Trust expenses	21	<b>(56,770)</b>	(52,943)
Borrowing costs	22	<b>(67,313)</b>	(60,124)
Changes in fair value of an interest rate swap	13	<b>3,879</b>	(3,879)
<b>Net income before net change in fair value of investment properties and gain on divestment of investment property</b>		<b>148,776</b>	155,162
Gain on divestment of investment property		–	16,179
Net change in fair value of investment properties	23	<b>218,038</b>	212,191
<b>Total return before tax</b>		<b>366,814</b>	383,532
Income tax expense	24	<b>(27,966)</b>	(11,630)
<b>Total return for the year</b>		<b>338,848</b>	371,902
Attributable to:			
Unitholders		<b>337,495</b>	371,753
Perpetual securities holders		<b>1,228</b>	–
Non-controlling interest		<b>125</b>	149
		<b>338,848</b>	371,902
Basic and diluted earnings per Unit (cents) based on total return for the year	25	<b>10.58</b>	13.00
Basic and diluted earnings per Unit (cents) based on total return for the year and excluding net change in fair value of investment properties, deferred tax expense and gain on divestment of investment property	25	<b>4.40</b>	5.02

## Distribution Statement

# Distribution Statement

For the financial year ended 31 December 2015

	Group	
	2015 \$'000	2014 \$'000
<b>Income available for distribution to Unitholders at beginning of the year</b>	<b>8,480</b>	54,841
Net income before net change in fair value of investment properties and gain on divestment of investment property	<b>148,776</b>	155,162
Net income attributable to perpetual securities holders	<b>(1,228)</b>	–
Net income attributable to non-controlling interest	<b>(73)</b>	(75)
Net tax and other adjustments (Note A)	<b>97,759</b>	62,685
Income tax expense	<b>(27,966)</b>	(11,630)
	<b>217,268</b>	206,142
Income available for distribution to Unitholders	<b>225,748</b>	260,983
Distribution to Unitholders:		
Distribution of 1.97 cents per Unit for the period from 1/10/2013 to 31/12/2013	–	(54,605)
Distribution of 1.97 cents per Unit for the period from 1/1/2014 to 31/3/2014	–	(55,047)
Distribution of 1.90 cents per Unit for the period from 1/4/2014 to 30/6/2014	–	(53,220)
Distribution of 1.85 cents per Unit for the period from 1/7/2014 to 30/9/2014	–	(52,027)
Distribution of 1.25 cents per Unit for the period from 1/10/2014 to 15/12/2014	–	(37,604)
Distribution of 0.26 cents per Unit for the period from 16/12/2014 to 31/12/2014	<b>(8,243)</b>	–
Distribution of 1.70 cents per Unit for the period from 1/1/2015 to 31/3/2015	<b>(54,009)</b>	–
Distribution of 1.72 cents per Unit for the period from 1/4/2015 to 30/6/2015	<b>(52,132)</b>	–
Distribution of 1.70 cents per Unit for the period from 1/7/2015 to 30/9/2015	<b>(51,874)</b>	–
	<b>(166,258)</b>	(252,503)
Distribution in relation to the Distribution Reinvestment Plan for the period from 1/4/2015 to 30/6/2015	<b>(2,687)</b>	–
Distribution in relation to the Distribution Reinvestment Plan for the period from 1/7/2015 to 30/9/2015	<b>(2,534)</b>	–
	<b>(5,221)</b>	–
Total Unitholders' distribution (including capital return) (Note B)	<b>(171,479)</b>	(252,503)
<b>Income available for distribution to Unitholders at end of the year</b>	<b>54,269</b>	8,480
<b>Note A – Net tax and other adjustments comprise:</b>		
- Manager's management fees paid and payable in Units	<b>49,984</b>	30,729
- Trustee's fees	<b>1,229</b>	1,085
- Amortisation of intangible asset and capitalised transaction costs	<b>21,807</b>	40,182
- Share of results of associates	<b>(75,695)</b>	(60,745)
- Share of results of joint ventures	<b>(17,163)</b>	(9,848)
- Effect of recognising rental income on a straight-line basis over the lease terms	<b>(721)</b>	(1,416)
- Interest income to be received	<b>(243)</b>	(1,218)
- Changes in fair value of an interest rate swap	<b>(3,879)</b>	3,879
- Timing difference in remittance of overseas income	<b>(1,492)</b>	(14,377)
- Deferred tax expense	<b>20,967</b>	549
- Other gains distribution	<b>11,000</b>	–
- Other items	<b>1,945</b>	473
	<b>7,739</b>	(10,707)
Dividend and distribution income from associates	<b>75,762</b>	66,449
Distribution income from joint ventures	<b>14,258</b>	6,943
<b>Net tax and other adjustments</b>	<b>97,759</b>	62,685
<b>Note B – Total Unitholders' distribution</b>		
- Taxable income	<b>(113,157)</b>	(141,525)
- Tax exempt income	<b>(42,676)</b>	(88,137)
- Other gains	<b>(6,081)</b>	–
- Capital return	<b>(9,565)</b>	(22,841)
	<b>(171,479)</b>	(252,503)

# Portfolio Statement

As at 31 December 2015

## Group

Description of Property	Tenure of land	Term of lease	Remaining term of lease	Location	Existing use	Carrying value 2015 \$'000	Carrying value 2014 \$'000	Percentage of net assets 2015 %	Percentage of net assets 2014 %
<b>Investment properties in Singapore</b>									
Bugis Junction Towers	Leasehold	99 years	73.7 years	230 Victoria Street	Commercial	550,000	527,000	11.5	11.8
Ocean Financial Centre <sup>1</sup>	Leasehold interest	99 years	94.9 years	10 Collyer Quay	Commercial	2,593,027	2,538,831	54.3	56.9
<b>Investment properties in Australia</b>									
275 George Street <sup>2</sup>	Freehold <sup>3</sup>	NA	NA	Brisbane	Commercial	204,000	213,675	4.3	4.8
77 King Street office tower	Freehold <sup>3</sup>	NA	NA	Sydney	Commercial	128,520	139,860	2.7	3.1
8 Exhibition Street <sup>4</sup>	Freehold <sup>3</sup>	NA	NA	Melbourne	Commercial	215,526	194,250	4.5	4.4
<b>Investment properties, at valuation (Note 3)</b>						<b>3,691,073</b>	<b>3,613,616</b>	<b>77.3</b>	<b>81.0</b>
<b>Investments in associates and joint ventures, advances to associates and joint venture (Notes 5, 6 and 8) and intangible asset (Note 9)</b>						<b>3,552,655</b>	<b>3,488,098</b>	<b>74.4</b>	<b>78.2</b>
Properties held by joint ventures:									
8 Chifley Square <sup>5</sup>	Leasehold	99 years	89.3 years	Sydney	Commercial				
Old Treasury Building <sup>6</sup>	Leasehold	99 years	98.7 years	Perth	Commercial				
Properties held by associates:									
One Raffles Quay <sup>7</sup>	Leasehold	99 years	84.4 years	1 Raffles Quay	Commercial				
Marina Bay Financial Centre Towers 1 & 2 and Marina Bay Link Mall <sup>8</sup>	Leasehold	99 years	88.8 years	Nos. 8, 8A and 10 Marina Boulevard	Commercial				
Marina Bay Financial Centre Tower 3 <sup>9</sup>	Leasehold	99 years	90.2 years	No. 12 Marina Boulevard	Commercial				
<b>Other assets and liabilities (net)</b>						<b>(2,465,880)</b>	<b>(2,642,242)</b>	<b>(51.7)</b>	<b>(59.2)</b>
<b>Net assets</b>						<b>4,777,848</b>	<b>4,459,472</b>	<b>100.0</b>	<b>100.0</b>

1 Carrying value is based on 100.0% of Ocean Financial Centre. Keppel REIT owns approximately 99.9% (2014: 99.9%) interest in Ocean Financial Centre.

2 Comprises 50.0% (2014: 50.0%) interest in 275 George Street.

3 Also known as estate in fee simple.

4 Comprises 50.0% (2014: 50.0%) interest in 8 Exhibition Street office building and two retail units. On 12 October 2015, Keppel REIT acquired 100% interest in the adjoining three retail units.

5 Comprises 50.0% (2014: 50.0%) interest in 8 Chifley Square, held through Mirvac 8 Chifley Trust.

6 Comprises 50.0% (2014: 50.0%) interest in Old Treasury Building, held through Mirvac (Old Treasury) Trust. Old Treasury Building received its Certificate of Practical Completion on 31 August 2015.

7 Comprises one-third (2014: one-third) interest in One Raffles Quay, held through One Raffles Quay Pte Ltd.

8 Comprise one-third (2014: one-third) interest in Marina Bay Financial Centre Towers 1 and 2 and Marina Bay Link Mall, held through BFC Development LLP.

9 Comprises one-third (2014: one-third) interest in Marina Bay Financial Centre Tower 3, held through Central Boulevard Development Pte. Ltd.

**Portfolio Statement**

The carrying amounts of the Group's assets under management as at 31 December 2015 and 31 December 2014 were based on independent valuations undertaken by various independent valuers. The independent valuers have appropriate professional qualifications and experience in the location and asset class of the properties being valued. The below valuations were determined based on capitalisation approach, discounted cash flow analysis and direct comparison method, and assessed in accordance with the Group's respective interests in the properties and include rental support top-up payments, where applicable.

**FY2015**

Property	Independent valuer	Date of valuation	Valuation \$'000
Bugis Junction Towers	Colliers International Consultancy & Valuation (Singapore) Pte Ltd	31 December 2015	<b>550,000</b>
Ocean Financial Centre	Savills Valuation and Professional Services (S) Pte Ltd	31 December 2015	<b>2,597,000<sup>1</sup></b>
275 George Street	m3Property (Qld) Pty Ltd	31 December 2015	<b>204,000</b>
77 King Street office tower	Savills Valuation Pty Ltd	31 July 2015	<b>128,520</b>
8 Exhibition Street, comprising 50% interest in the office building and two retail units, and 100% interest in the adjoining three retail units	CIVAS (VIC) Pty Limited	31 December 2015	<b>215,526</b>
One Raffles Quay	Savills Valuation and Professional Services (S) Pte Ltd	31 December 2015	<b>1,263,000</b>
Marina Bay Financial Centre Towers 1 & 2 and Marina Bay Link Mall	Savills Valuation and Professional Services (S) Pte Ltd	31 December 2015	<b>1,682,000</b>
Marina Bay Financial Centre Tower 3	Cushman & Wakefield VHS Pte Ltd	31 December 2015	<b>1,307,000</b>
8 Chifley Square	CIVAS (NSW) Pty Limited	31 December 2015	<b>206,550</b>
Old Treasury Building	Savills Valuation Pty Ltd	31 December 2015	<b>201,450</b>
			<b>8,355,046</b>

## Portfolio Statement

### **FY2014**

Property	Independent valuer	Date of valuation	Valuation \$'000
Bugis Junction Towers	Savills Valuation and Professional Services (S) Pte Ltd	31 December 2014	<b>527,000</b>
Ocean Financial Centre	Colliers International Consultancy & Valuation (Singapore) Pte Ltd	31 December 2014	<b>2,560,000<sup>1</sup></b>
275 George Street	CBRE Valuations Pty Limited	31 December 2014	<b>213,675</b>
77 King Street office tower	CIVAS (NSW) Pty Limited	31 December 2014	<b>139,860</b>
8 Exhibition Street, comprising 50% interest in the office building and two retail units	m3Property (Vic) Pty Ltd	31 December 2014	<b>194,250</b>
One Raffles Quay	Knight Frank Pte Ltd	31 December 2014	<b>1,228,000</b>
Marina Bay Financial Centre Towers 1 & 2 and Marina Bay Link Mall	Knight Frank Pte Ltd	31 December 2014	<b>1,641,000</b>
Marina Bay Financial Centre Tower 3	Cushman & Wakefield VHS Pte Ltd	31 December 2014	<b>1,289,000</b>
8 Chifley Square	CBRE Valuations Pty Limited	31 December 2014	<b>205,905</b>
Old Treasury Building	m3Property (WA) Pty Ltd	31 December 2014	<b>186,036</b>
			<b>8,184,726</b>

<sup>1</sup> The carrying value based on 100.0% interest in Ocean Financial Centre, excluding rental support top-up payment, is \$2,593,027,000 (2014: \$2,538,831,000).

The investment properties comprised commercial properties that are mainly leased to third party tenants. Generally, these leases contain an initial non-cancellable period of between 2 and 25 years. Subsequent renewals are negotiated with individual lessees.



Statements of Movements in Unitholders' Funds

# Statements of Movements in Unitholders' Funds

For the financial year ended 31 December 2015

Group	Attributable to Unitholders								Total \$'000
	Units in issue \$'000	Foreign currency translation reserve \$'000	Hedging reserve \$'000	Accumulated profits \$'000	Discount on acquisition of non- controlling interest \$'000	Unitholders' funds \$'000	Perpetual securities \$'000	Non- controlling interest \$'000	
<b>At 1 January 2015</b>	<b>3,354,095</b>	<b>(123,164)</b>	<b>(11,135)</b>	<b>1,234,402</b>	<b>3,222</b>	<b>4,457,420</b>	<b>-</b>	<b>2,052</b>	<b>4,459,472</b>
<b>Operations</b>									
Total return attributable to Unitholders and non-controlling interest	-	-	-	337,495	-	337,495	-	125	337,620
Net increase in net assets resulting from operations	-	-	-	337,495	-	337,495	-	125	337,620
<b>Unitholders' transactions</b>									
Creation of Units									
- payment of management fees in Units	44,939	-	-	-	-	44,939	-	-	44,939
- Distribution Reinvestment Plan	5,221	-	-	(5,221)	-	-	-	-	-
Issue expense adjustments	142	-	-	-	-	142	-	-	142
Distributions to Unitholders	(9,565)	-	-	(156,693)	-	(166,258)	-	-	(166,258)
Net increase/(decrease) in net assets resulting from Unitholders' transactions	40,737	-	-	(161,914)	-	(121,177)	-	-	(121,177)
<b>Perpetual securities</b>									
Issue of perpetual securities	-	-	-	-	-	-	150,000	-	150,000
Issue expenses	-	-	-	-	-	-	(1,509)	-	(1,509)
Total return attributable to perpetual securities holders	-	-	-	-	-	-	1,228	-	1,228
Net increase in net assets resulting from perpetual securities holders' transactions	-	-	-	-	-	-	149,719	-	149,719
Net movement in foreign currency translation reserve	-	(76,281)	-	-	-	(76,281)	-	-	(76,281)
Net change in fair value of cash flow hedges	-	-	27,038	-	-	27,038	-	4	27,042
Share of net change in fair value of cash flow hedges of associates	-	-	1,526	-	-	1,526	-	-	1,526
Distribution of partnership profits to non-controlling interest	-	-	-	-	-	-	-	(73)	(73)
<b>At 31 December 2015</b>	<b>3,394,832</b>	<b>(199,445)</b>	<b>17,429</b>	<b>1,409,983</b>	<b>3,222</b>	<b>4,626,021</b>	<b>149,719</b>	<b>2,108</b>	<b>4,777,848</b>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements

## Statements of Movements in Unitholders' Funds

Group	Attributable to Unitholders							
	Units in issue \$'000	Foreign currency translation reserve \$'000	Hedging reserve \$'000	Accumulated profits \$'000	Discount on acquisition of non-controlling interest \$'000	Unitholders' funds \$'000	Non-controlling interest \$'000	Total \$'000
<b>At 1 January 2014</b>	2,924,291	(94,828)	(28,003)	1,092,311	3,222	3,896,993	1,978	3,898,971
<b>Operations</b>								
Total return attributable to Unitholders and non-controlling interest	-	-	-	371,753	-	371,753	149	371,902
Net increase in net assets resulting from operations	-	-	-	371,753	-	371,753	149	371,902
<b>Unitholders' transactions</b>								
Creation of Units								
- payment of management fees in Units	30,669	-	-	-	-	30,669	-	30,669
- placement of Units	228,150	-	-	-	-	228,150	-	228,150
- payment of purchase consideration in Units (Note 5)	185,000	-	-	-	-	185,000	-	185,000
- payment of acquisition fees in Units	11,988	-	-	-	-	11,988	-	11,988
Issue expenses	(3,162)	-	-	-	-	(3,162)	-	(3,162)
Distributions to Unitholders	(22,841)	-	-	(229,662)	-	(252,503)	-	(252,503)
Net increase/(decrease) in net assets resulting from Unitholders' transactions	429,804	-	-	(229,662)	-	200,142	-	200,142
Net movement in foreign currency translation reserve	-	(28,336)	-	-	-	(28,336)	-	(28,336)
Net change in fair value of cash flow hedges	-	-	15,569	-	-	15,569	(1)	15,568
Share of net change in fair value of cash flow hedges of an associate	-	-	1,299	-	-	1,299	-	1,299
Distribution of partnership profits to non-controlling interest	-	-	-	-	-	-	(74)	(74)
<b>At 31 December 2014</b>	<b>3,354,095</b>	<b>(123,164)</b>	<b>(11,135)</b>	<b>1,234,402</b>	<b>3,222</b>	<b>4,457,420</b>	<b>2,052</b>	<b>4,459,472</b>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Movements in Unitholders' Funds

<b>Trust</b>	Units in issue \$'000	Hedging reserve \$'000	Accumulated profits \$'000	Perpetual securities \$'000	Total \$'000
<b>At 1 January 2015</b>	<b>3,354,095</b>	<b>(9,528)</b>	<b>445,472</b>	<b>–</b>	<b>3,790,039</b>
<b>Operations</b>					
Total return attributable to Unitholders	–	–	<b>92,301</b>	–	<b>92,301</b>
Net increase in net assets resulting from operations	–	–	<b>92,301</b>	–	<b>92,301</b>
<b>Unitholders' transactions</b>					
Creation of Units					
- payment of management fees in Units	<b>44,939</b>	–	–	–	<b>44,939</b>
- Distribution Reinvestment Plan	<b>5,221</b>	–	<b>(5,221)</b>	–	–
Issue expense adjustments	<b>142</b>	–	–	–	<b>142</b>
Distributions to Unitholders	<b>(9,565)</b>	–	<b>(156,693)</b>	–	<b>(166,258)</b>
Net increase/(decrease) in net assets resulting from Unitholders' transactions	<b>40,737</b>	–	<b>(161,914)</b>	–	<b>(121,177)</b>
<b>Perpetual securities</b>					
Issue of perpetual securities	–	–	–	<b>150,000</b>	<b>150,000</b>
Issue expenses	–	–	–	<b>(1,509)</b>	<b>(1,509)</b>
Total return attributable to perpetual securities holders	–	–	–	<b>1,228</b>	<b>1,228</b>
Net increase in net assets resulting from perpetual securities holders' transactions	–	–	–	<b>149,719</b>	<b>149,719</b>
Net change in fair value of cash flow hedges	–	<b>19,122</b>	–	–	<b>19,122</b>
<b>At 31 December 2015</b>	<b>3,394,832</b>	<b>9,594</b>	<b>375,859</b>	<b>149,719</b>	<b>3,930,004</b>
<b>At 1 January 2014</b>	2,924,291	(26,233)	479,884	–	3,377,942
<b>Operations</b>					
Total return attributable to Unitholders	–	–	195,250	–	195,250
Net increase in net assets resulting from operations	–	–	195,250	–	195,250
<b>Unitholders' transactions</b>					
Creation of Units					
- payment of management fees in Units	30,669	–	–	–	30,669
- placement of Units	228,150	–	–	–	228,150
- payment of purchase consideration in Units (Note 5)	185,000	–	–	–	185,000
- payment of acquisition fees in Units	11,988	–	–	–	11,988
Issue expenses	(3,162)	–	–	–	(3,162)
Distributions to Unitholders	(22,841)	–	(229,662)	–	(252,503)
Net increase/(decrease) in net assets resulting from Unitholders' transactions	429,804	–	(229,662)	–	200,142
Net change in fair value of cash flow hedges	–	16,705	–	–	16,705
<b>At 31 December 2014</b>	<b>3,354,095</b>	<b>(9,528)</b>	<b>445,472</b>	<b>–</b>	<b>3,790,039</b>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# Statement of Cash Flows

For the financial year ended 31 December 2015

	Group	
	2015 \$'000	2014 \$'000
<b>Operating activities</b>		
Total return before tax	<b>366,814</b>	383,532
Adjustments for:		
Interest income	<b>(36,940)</b>	(37,432)
Amortisation expense	<b>18,763</b>	37,364
Share of results of associates	<b>(75,695)</b>	(60,745)
Share of results of joint ventures	<b>(17,163)</b>	(9,848)
Borrowing costs	<b>67,313</b>	60,124
Management fees paid and payable in Units	<b>49,984</b>	30,729
Gain on divestment of investment property	<b>–</b>	(16,179)
Changes in fair value of an interest rate swap	<b>(3,879)</b>	3,879
Net change in fair value of investment properties	<b>(218,038)</b>	(212,191)
Depreciation	<b>46</b>	42
Rental support income	<b>(20,480)</b>	(50,011)
Translation differences	<b>431</b>	1,532
<b>Operating cash flows before changes in working capital</b>	<b>131,156</b>	130,796
Increase in receivables	<b>(3,071)</b>	(7,675)
Decrease in payables	<b>(4,777)</b>	(60,490)
Increase/(Decrease) in security deposits	<b>2,310</b>	(5,813)
Cash flows from operations	<b>125,618</b>	56,818
Income taxes paid	<b>(11,337)</b>	(14,257)
<b>Net cash flows generated from operating activities</b>	<b>114,281</b>	42,561
<b>Investing activities</b>		
Purchase of investment property	<b>(9,680)</b>	–
Subsequent expenditure on investment properties	<b>(2,424)</b>	(2,118)
Purchase of fixed assets	<b>(102)</b>	(162)
Proceeds from divestment of an investment property, net of divestment costs	<b>–</b>	506,527
Interest received	<b>37,915</b>	40,815
Rental support received	<b>27,750</b>	58,902
Dividend and distribution income received from associates	<b>75,762</b>	66,449
Distribution income received from joint ventures	<b>14,258</b>	6,943
Investments in joint ventures	<b>(5,959)</b>	(63,767)
Advance to a joint venture	<b>(6,075)</b>	(36,223)
Investment in an associate (Note A)	<b>–</b>	(478,186)
Repayment of advance from/(Advance to) an associate	<b>4,300</b>	(7,000)
Reimbursement of development costs for interest in an associate	<b>4,837</b>	–
<b>Net cash flows generated from investing activities</b>	<b>140,582</b>	92,180
<b>Financing activities</b>		
Loans drawdown	<b>461,774</b>	487,334
Repayment of loans	<b>(683,883)</b>	(506,975)
Proceeds from issuance of medium term notes	<b>50,000</b>	–
Proceeds from placement of Units	<b>–</b>	228,150
Proceeds from issuance of perpetual securities	<b>150,000</b>	–
Payment of financing expenses/upfront debt arrangement costs	<b>(2,784)</b>	(1,279)
Distribution of partnership profits to non-controlling interest	<b>(66)</b>	(69)
Distributions to Unitholders (net of distribution in Units)	<b>(203,862)</b>	(214,899)
Interest paid	<b>(62,041)</b>	(56,462)
Issue expenses	<b>(1,509)</b>	(3,162)
<b>Net cash flows used in financing activities</b>	<b>(292,371)</b>	(67,362)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

## Statement of Cash Flows

	Group	
	2015 \$'000	2014 \$'000
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(37,508)</b>	67,379
<b>Cash and cash equivalents at beginning of the year</b>	<b>137,818</b>	71,140
Effect of exchange rate changes on cash and cash equivalents	<b>(1,546)</b>	(701)
<b>Cash and cash equivalents at end of the year (Note 11)</b>	<b>98,764</b>	137,818
<b>Cash and bank balances</b>	<b>144,601</b>	199,689
Less: Rental support received in advance held in designated accounts (Note B)	<b>(45,837)</b>	(61,871)
<b>Cash and cash equivalents per Statement of Cash Flows</b>	<b>98,764</b>	137,818

Note A – Net cash outflow on investment in an associate

On 16 December 2014, Keppel REIT acquired one-third of the issued share capital in Central Boulevard Development Pte. Ltd. ("CBDPL"), which holds Marina Bay Financial Centre ("MBFC") Tower 3. The net cash outflow on the investment in CBDPL is set out below:

	\$'000
Aggregate consideration paid for investment in CBDPL (Note 5)	715,129
Acquisition costs	15,603
Less:	
Rental support received in advance	(49,205)
Purchase consideration paid in Units	(185,000)
Acquisition fees paid in Units	(11,988)
Accrued acquisition costs (Note 12)	(1,768)
Pre-acquisition dividend received	(4,585)
<b>Net cash outflow on investment in an associate</b>	<b>478,186</b>

Note B – Rental support received in advance held in designated accounts

This relates to the rental support top-up payments received in advance by the Group held in designated accounts for the one-third interest in CBDPL, 12.39% interest in Ocean Properties LLP ("OPLLP") and the office tower at 77 King Street.

Note C – Significant non-cash transactions

The following were the significant non-cash transactions:

- (i) 40,679,411 (2014: 25,675,626) Units were issued as payment of management fees to the Manager, amounting to \$44,939,000 (2014: \$30,669,000); and
- (ii) 5,011,176 (2014: Nil) Units were issued under the Distribution Reinvestment Plan, amounting to \$5,221,000 (2014: \$Nil).

# Notes to the Financial Statements

For the financial year ended 31 December 2015

**These notes form an integral part of the financial statements.**

The financial statements of Keppel REIT (the "Trust") and its subsidiaries (collectively, the "Group") for the financial year ended 31 December 2015 were authorised for issue by the Manager on 19 February 2016.

## 1. General

Keppel REIT is a Singapore-domiciled real estate investment trust constituted by the Trust Deed dated 28 November 2005 (as amended) (the "Trust Deed") between Keppel REIT Management Limited (the "Manager") and RBC Investor Services Trust Singapore Limited (the "Trustee"). The Trust Deed is governed by the laws of the Republic of Singapore. The Trustee is under a duty to take into custody and hold the assets of the Trust and its subsidiaries in trust for the holders ("Unitholders") of units in the Trust (the "Units"). The address of the Trustee's registered office and principal place of business is 77 Robinson Road, #18-00 Robinson 77, Singapore 068896.

The Trust was formally admitted to the Official List of the Singapore Exchange Securities Trading Limited ("SGX-ST") on 28 April 2006 and was included in the Central Provident Fund Investment Scheme on 28 April 2006. The principal activity of the Trust is to invest in a portfolio of quality real estate and real estate-related assets which are predominantly used for commercial purposes in Singapore and Asia with the primary objective of generating stable returns to its Unitholders and achieving long-term capital growth. The principal activities of its subsidiaries, associates and joint ventures are set out in Notes 4, 5 and 6 respectively.

The Trust has entered into several service agreements in relation to the management of the Trust and its property operations. The fee structures of these services are as follows:

### (a) Property management fees

Under the property management agreement, for property management services rendered by Keppel REIT Property Management Pte Ltd (the "Property Manager"), the Trustee will pay the Property Manager property management fees of 3.0% per annum of the property income of each of the investment properties.

The Property Manager is also entitled to receive leasing commission at the rates set out as follows:

- (i) one month's Gross Rent (base rental income and tenant service charge) or licence fee, as applicable, for securing a tenancy or licence of two years or more;
- (ii) one-half month's Gross Rent (base rental income and tenant service charge) or licence fee, as applicable, for securing a tenancy or licence of less than two years but at least a year and a proportionate part thereof; and
- (iii) one-quarter month's Gross Rent (base rental income and tenant service charge) or licence fee, as applicable, for securing a renewal of tenancy or licence of a year or more and a proportionate part thereof for securing a renewal of a tenancy or licence of less than a year.

The property management fees are payable monthly in arrears.

### (b) Manager's management fees

Pursuant to the Trust Deed, the Manager is entitled to the following management fees:

- (i) a base fee of 0.5% per annum of the value of all the assets for the time being of the Trust or deemed to be held upon the Trust constituted under the Trust Deed ("Deposited Property"); and
- (ii) an annual performance fee of 3.0% per annum of the Net Property Income (as defined in the Trust Deed) of the Trust and any Special Purpose Vehicles (as defined in the Trust Deed) after deducting all applicable taxes payable.

The management fees will be paid in the form of cash and/or Units (as the Manager may elect). The management fees payable in Units will be issued at the volume weighted average price for a Unit for all trades on the SGX-ST in the ordinary course of trading on the SGX-ST for the period of 10 Business Days (as defined in the Trust Deed) immediately preceding the relevant Business Day.

The Manager's management fees are payable quarterly in arrears. With effect from 1 January 2016, under the Property Funds Appendix of the Code on Collective Investment Schemes ("CIS Code"), crystallisation of the performance fee has been revised to be no more frequent than once a year.

The Manager is also entitled to receive an acquisition fee at the rate of 1.0% of acquisition price and a divestment fee of 0.5% of sale price on all acquisitions or disposals of properties respectively.

**(c) Trustee's fees**

Under the Trust Deed, the maximum fee payable to the Trustee is 0.03% per annum of the value of the Deposited Property and shall be payable quarterly in arrears.

**2. Summary of significant accounting policies**

**(a) Basis of preparation**

The financial statements of the Group have been prepared in accordance with the recommendations of Statement of Recommended Accounting Practice 7 (Revised 2012) "Reporting Framework for Unit Trusts" ("RAP 7") issued by the Institute of Singapore Chartered Accountants. The financial statements have also been prepared in accordance with the applicable requirements of the CIS Code issued by the Monetary Authority of Singapore ("MAS") and the provisions of the Trust Deed. RAP 7 requires the accounting policies to generally comply with the principles relating to recognition and measurement under the Singapore Financial Reporting Standards ("FRS").

The financial statements, which are expressed in Singapore dollar ("SGD" or "\$") and rounded to the nearest thousand (\$'000), unless otherwise stated, are prepared on the historical cost basis, except as disclosed in the accounting policies below.

**(b) Changes in accounting policies**

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards that are effective for annual periods beginning on or after 1 January 2015. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Trust, and only affects disclosures.

## Notes to the Financial Statements

### 2. Summary of significant accounting policies (cont'd)

#### (c) Standards issued but not yet effective

The Group has not adopted the following standards that have been issued but not yet effective:

Reference	Description	Effective date (Annual periods beginning on or after)
Improvements to FRSs (November 2014):		
– FRS 34	Interim Financial Reporting	1 January 2016
– FRS 107	Financial Instruments: Disclosures	1 January 2016
Amendments to FRS 16 and FRS 38	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to FRS 27	Equity Method in Separate Financial Statements	1 January 2016
Amendments to FRS 1	Disclosure Initiative	1 January 2016
FRS 115	Revenue from Contracts with Customers	1 January 2018
FRS 109	Financial Instruments	1 January 2018

The Manager is presently assessing the impact of these standards on the financial statements and plans to adopt the new standards on the required effective date.

#### (d) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Trust and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date and use accounting policies consistent with the Trust.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- derecognises the carrying amount of any non-controlling interest;
- derecognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in the Statement of Total Return;
- re-classifies the Group's share of components previously recognised in other comprehensive income to the Statement of Total Return or retained earnings, as appropriate.



**(e) Transactions with non-controlling interest**

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to Unitholders of the Trust, and are presented separately in the Statement of Total Return and within equity in the consolidated Balance Sheet, separately from equity attributable to the Unitholders of the Trust.

Changes in the Trust's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to Unitholders of the Trust.

**(f) Functional and foreign currency****(i) Functional currency**

The Manager has determined the currency of the primary economic environment in which the Trust operates, i.e. functional currency, to be Singapore dollar. The financial statements are presented in Singapore dollar.

**(ii) Foreign currency transactions and balances**

Transactions in foreign currencies are measured in the respective functional currencies of the Trust and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in the Statement of Total Return except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised under foreign currency translation reserve in Unitholders' funds. The foreign currency translation reserve is reclassified from Unitholders' funds to the Statement of Total Return on disposal of the foreign operation.

**(iii) Consolidated financial statements**

For consolidation purpose, the assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the end of the reporting period and their total returns are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised under foreign currency translation reserve in Unitholders' funds. On disposal of a foreign operation, the foreign currency translation reserve relating to that particular foreign operation is recognised in the Statement of Total Return.

## Notes to the Financial Statements

### 2. Summary of significant accounting policies (cont'd)

#### (g) Investment properties

Investment properties are properties that are owned by the Group in order to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business. Investment properties comprise completed investment properties and properties that are being constructed or developed for future use as investment properties.

Investment properties are initially recorded at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

Subsequent to initial recognition, investment properties are measured at fair value. Gains or losses arising from changes in the fair values of investment properties are included in the Statement of Total Return in the year in which they arise.

Investment properties are derecognised when either they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in the Statement of Total Return in the year of retirement or disposal.

#### (h) Fixed assets

Fixed assets are initially recorded at cost and subsequently measured at cost less accumulated depreciation and any accumulated impairment losses.

All fixed assets are depreciated on a straight-line basis over their estimated useful lives as follows:

Computer	3 years
Machinery and equipment	5 years

The carrying values of fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The estimated useful lives, residual values and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of fixed assets is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in total return in the year the asset is derecognised.

**(i) Subsidiaries**

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Trust's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

**(j) Joint arrangements**

A joint arrangement is a contractual arrangement whereby two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint arrangement is classified either as joint operation or joint venture, based on the rights and obligations of the parties to the arrangement.

To the extent the joint arrangement provides the Group with rights to the assets and obligations for the liabilities relating to the arrangement, the arrangement is a joint operation. To the extent the joint arrangement provides the Group with rights to the net assets of the arrangement, the arrangement is a joint venture.

The Group recognises its interest in a joint venture as an investment and accounts for the investment using the equity method. The accounting policy for investment in joint venture is set out in Note 2(k).

**(k) Joint ventures and associates**

An associate is an entity over which the Group has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies.

The Group accounts for its investments in associates and joint ventures using the equity method from the date on which it becomes an associate or joint venture.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate or joint venture's total return in the period in which the investment is acquired.

Under the equity method, the investments in associates or joint ventures are carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates or joint ventures. The total return reflects the share of results of the operations of the associates or joint ventures. Distributions or dividends received from joint ventures or associates reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the associates or joint ventures, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and associate or joint venture are eliminated to the extent of the interest in the associates or joint ventures.

## Notes to the Financial Statements

### 2. Summary of significant accounting policies (cont'd)

#### (k) Joint ventures and associates (cont'd)

When the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investments in associates or joint ventures. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognises the amount in total return.

The financial statements of the associates and joint ventures are prepared as of the same reporting date as the Trust. Property held for sale is stated at the lower of cost and net realisable value. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group, and adjustments are made for the effects of significant transactions or events that occur between that date and the reporting date of the Trust.

#### (l) Intangible asset

Intangible asset, which relates to rental support top-up payments, is measured initially at cost, being the fair value as at the date of acquisition. Following initial recognition, intangible asset is measured at cost less any accumulated amortisation and any impairment losses.

Intangible asset with finite useful lives is amortised over the estimated useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible asset with finite useful life is recognised in total return.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in total return when the asset is derecognised.

**(m) Impairment of non-financial assets**

The Group assesses at each reporting date whether there is any indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses of continuing operations are recognised in total return, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in total return.

**(n) Financial instruments****Financial assets**

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

The subsequent measurement of financial assets depends on their classification as follows:

**Loans and receivables**

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in total return when the loans and receivables are derecognised or impaired, and through the amortisation process.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in total return.

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

## Notes to the Financial Statements

### 2. Summary of significant accounting policies (cont'd)

#### (n) Financial instruments (cont'd)

##### Financial liabilities

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

After initial recognition, financial liabilities are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in total return when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in total return.

#### (o) Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired.

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in total return.

When the cash flow becomes uncollectible, the carrying amount of an impaired financial asset is reduced directly or if an amount was charged to the allowance account, the amount charged to the allowance account is written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in total return.

**(p) Cash and cash equivalents**

Cash and cash equivalents comprise cash at banks and on hand, and demand deposits, and exclude amounts which are restricted for use.

**(q) Unit capital, perpetual securities and issue expenses**

Proceeds from issuance of Units are recognised as units in issue in Unitholders' funds and incidental costs directly attributable to the issuance are deducted against Unitholders' funds. Proceeds from issuance of perpetual securities are recognised in equity and incidental costs directly attributable to the issuance of perpetual securities are deducted against the proceeds from the issue.

**(r) Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

**(s) Leases – as lessor**

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. The accounting policy for rental income is set out in Note 2(t)(i). Contingent rents are recognised as revenue in the period in which they are earned.

**(t) Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

**(i) Rental income**

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over the lease term on a straight-line basis.

**(ii) Interest income**

Interest income is recognised using the effective interest method.

**(iii) Rental support, dividend income and distribution income**

Rental support, dividend income and distribution income are recognised when the Group's right to receive payment is established.

## Notes to the Financial Statements

### 2. Summary of significant accounting policies (cont'd)

#### (u) Expenses

##### (i) Trust expenses

Trust expenses are recognised on an accrual basis.

##### (ii) Property expenses

Property expenses are recognised on an accrual basis. Included in property expenses are property management fees which are based on the applicable formula stipulated in Note 1(a).

##### (iii) Manager's management fees

Manager's management fees are recognised on an accrual basis based on the applicable formula stipulated in Note 1(b).

##### (iv) Borrowing costs

Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds, and are recognised in the period they occur.

#### (v) Taxation

##### (i) Current income tax

Current income tax is the expected tax payable on the taxable income for the year, using tax rates and tax laws enacted or substantively enacted at the reporting date.

##### (ii) Deferred tax

Deferred tax is provided, using the liability method, on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year in which those assets and liabilities are expected to be realised or settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.



**(iii) Tax transparency**

The Inland Revenue Authority of Singapore (“IRAS”) has issued a tax ruling on the income tax treatment of the Trust. Subject to meeting the terms and conditions of the tax ruling which includes a distribution of at least 90% of the taxable income of the Trust, the Group will not be assessed for tax on the portion of its taxable income that is distributed to Unitholders. Any portion of the Group’s taxable income that is not distributed to Unitholders will be taxed at the prevailing corporate tax rate.

In the event that there are subsequent adjustments to the taxable income when the actual taxable income of the Group is finally agreed with the IRAS, such adjustments are taken up as an adjustment to the amount distributed for the next distribution following the agreement with the IRAS.

The distributions made by the Trust out of its taxable income are subject to tax in the hands of Unitholders, unless they are exempt from tax on the Trust’s distributions (the “tax transparency ruling”). The Trust is required to withhold tax at the prevailing corporate tax rate on the distributions made by the Trust except:

- a) where the beneficial owners are individuals or Qualifying Unitholders, the Trust will make the distributions to such Unitholders without withholding any income tax; and
- b) where the beneficial owners are foreign non-individual investors or where the Units are held by nominee Unitholders who can demonstrate that the Units are held for beneficial owners who are foreign non-individual investors, the Trust will withhold tax at a reduced rate of 10% from the distributions.

A Qualifying Unitholder is a Unitholder who is:

- a) A tax resident Singapore-incorporated company;
- b) A non-corporate Singapore constituted or registered entity (e.g. registered charities, town councils, statutory boards, registered co-operative societies and registered trade unions);
- c) A Singapore branch of a foreign company;
- d) An agent bank or a Supplementary Retirement Scheme (“SRS”) operator who acts as nominee for individuals who have purchased Units in the Trust under the CPF Investment Scheme or the SRS respectively; or
- e) A nominee who can demonstrate that the Units are held for beneficial owners who are individuals or who fall within the classes of Unitholders listed in (a) to (c) above.

The above tax transparency ruling does not apply to gains from sale of real properties. Such gains, if they are considered as trading gains, are assessable to tax on the Trust. Where the gains are capital gains, the Trust will not be assessed to tax and may distribute the capital gains to Unitholders without having to deduct tax at source.

Any distributions made by the Trust to the Unitholders out of tax-exempt income and taxed income would be exempt from Singapore income tax in the hands of all Unitholders, regardless of their corporate or residence status.

## Notes to the Financial Statements

### 2. Summary of significant accounting policies (cont'd)

#### (v) Taxation (cont'd)

##### (iv) Sales tax

Revenue, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables on the Balance Sheets.

#### (w) Portfolio reporting

For management purposes, the Group is organised into operating segments based on individual investment property within the Group's portfolio, and prepares financial information on a property by property basis. The properties are independently managed by property managers who are responsible for the performance of the property under their charge. Discrete financial information is provided to the Board on a property by property basis. The Board regularly reviews this information in order to allocate resources to each property and to assess the property's performance.

#### (x) Hedge accounting

The Group applies hedge accounting for certain hedging transactions which qualify for hedge accounting.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment (except for foreign currency risk); or
- cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment; or
- hedges of a net investment in a foreign operation.

At the inception of a hedging relationship, the Group formally designates and documents the hedging relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

**Cash flow hedges**

The effective portion of the gain or loss on the hedging instrument is recognised directly in hedging reserve in Unitholders' funds, while any ineffective portion is recognised immediately in total return.

Amounts recognised in hedging reserve in Unitholders' funds are transferred to total return when the hedge transaction affects total return, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognised in hedging reserve in Unitholders' funds is transferred to total return. If the hedging instrument has expired or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in hedging reserve in Unitholders' funds remains in Unitholders' funds until the forecast transaction or firm commitment affects total return.

The Group uses interest rate swaps to hedge its exposure to interest rate risk for bank loans with floating interest rates. Details of the interest rate swaps are disclosed in Note 13.

The Group uses forward currency contracts to hedge foreign currency risk arising from the cash flows of its foreign investment properties in Australia. Details of the forward currency contracts are disclosed in Note 13.

**(y) Related parties**

A related party is defined as follows:

- (a) A person or a close member of that person's family is related to the Group and the Trust if that person:
  - (i) has control or joint control over the Trust;
  - (ii) has significant influence over the Trust; or
  - (iii) is a member of the key management personnel of the Trust's Manager or of a parent of the Trust.
- (b) An entity is related to the Group and the Trust if any of the following conditions apply:
  - (i) The entity and the Trust are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of an entity related to the Trust. If the Trust is itself such a plan, the sponsoring employers are also related to the Trust.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a).
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

## Notes to the Financial Statements

### 2. Summary of significant accounting policies (cont'd)

#### (z) Significant accounting judgements and estimates

The preparation of the financial statements in conformity with RAP 7 requires the Manager to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income, expenses and disclosures made. The estimates and associated assumptions are based on historical experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

Estimates and underlying assumptions are reviewed on an ongoing basis. Financial impact arising from revisions to accounting estimates is recognised in the period in which the estimates are revised and in any future periods affected.

In particular, significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are as follows:

#### Valuation of investment properties

Investment properties are stated at fair value, with changes in fair values recognised in total return. The Group engaged independent professional valuers to determine fair value as at the financial year-end.

The fair value of investment properties held by the Group and through its associates and joint ventures is determined by independent real estate valuation experts using approved valuation methodologies. In determining the fair value, the valuers have used valuation methods which involve estimates and discount rates applicable to those assets. The Manager is satisfied that the valuation methods and estimates are reflective of current market conditions. The determined fair value of the investment properties is most sensitive to the estimated yield as well as the vacancy assumptions.

**3. Investment properties**

	Group		Trust	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
At 1 January	<b>3,613,616</b>	4,015,094	<b>527,000</b>	994,760
Translation differences	<b>(45,166)</b>	(11,558)	–	–
Purchase of investment property	<b>9,680</b>	–	–	–
Divestment of an investment property	–	(490,000)	–	(490,000)
Capital expenditure capitalised	<b>2,424</b>	2,118	–	749
Net change in fair value of investment properties (Note 23)	<b>110,519</b>	97,962	<b>23,000</b>	21,491
At 31 December	<b>3,691,073</b>	3,613,616	<b>550,000</b>	527,000

Investment properties are stated at fair value based on valuations performed by independent valuers. In determining the fair value, the valuers have used direct comparison method, capitalisation approach and discounted cash flows analysis which make reference to estimated market rental values and equivalent yields. The key assumptions used to determine the fair value of investment properties include market-corroborated capitalisation yields, terminal yields and discount rates. Details of valuation techniques and inputs used are disclosed in Note 29.

On 12 October 2015, Keppel REIT acquired 100% interest in three retail units at 8 Exhibition Street for A\$8.6 million.

On 26 September 2014, Keppel REIT divested its 92.8% interest in Prudential Tower, for an aggregate consideration of \$512.0 million.

The Group has mortgaged certain investment properties of up to an aggregate principal amount of \$1,450,000,000 (2014: \$1,427,000,000) as security for credit facilities granted (Note 15).

## Notes to the Financial Statements

### 4. Investments in subsidiaries

			Trust	
			2015 \$'000	2014 \$'000
Unquoted equity, at cost			<b>1,837,852</b>	1,837,852
Name	Country of incorporation/ constitution	Principal activities	Effective equity interest	
			2015 %	2014 %
<b>Held by the Trust</b>				
Keppel REIT MTN Pte. Ltd. <sup>1</sup>	Singapore	Provision of treasury services	<b>100.00</b>	100.00
Keppel REIT (Australia) Pte. Ltd. <sup>1</sup>	Singapore	Investment holding	<b>100.00</b>	100.00
Keppel REIT Fin. Company Pte. Ltd. <sup>1</sup>	Singapore	Provision of treasury services	<b>100.00</b>	100.00
Ocean Properties LLP ("OPLLP") <sup>1</sup>	Singapore	Property investment	<b>~99.90<sup>4</sup></b>	~99.90 <sup>4</sup>
<b>Held through Keppel REIT (Australia) Pte. Ltd.</b>				
Keppel REIT (Bermuda) Limited <sup>2</sup>	Bermuda	Investment holding	<b>100.00</b>	100.00
Keppel REIT (Australia) Trust <sup>3</sup>	Australia	Investment in real estate properties	<b>100.00</b>	100.00
Keppel REIT (Australia) Sub-Trust 1 <sup>3</sup>	Australia	Investment in real estate properties	<b>100.00</b>	100.00
Keppel REIT (Australia) Sub-Trust 2 <sup>3</sup>	Australia	Investment holding	<b>100.00</b>	100.00
Keppel REIT (Australia) Sub-Trust 3 <sup>3</sup>	Australia	Investment holding	<b>100.00</b>	100.00
Keppel REIT (Australia) Sub-Trust 4 <sup>3</sup>	Australia	Investment in real estate properties	<b>100.00</b>	100.00

<sup>1</sup> Audited by Ernst & Young LLP, Singapore.

<sup>2</sup> There is no statutory requirement for the financial statements of Keppel REIT (Bermuda) Limited to be audited.

<sup>3</sup> Audited by Ernst & Young LLP, Australia.

<sup>4</sup> OPLLP owns Ocean Financial Centre. For the approximate 87.51% equity interest in OPLLP which the Trust acquired on 14 December 2011 for a period of 99 years from Straits Property Investments Pte Ltd ("SPIPL"), the Trust granted a call option under an option deed to SPIPL for the right to acquire the approximate 87.51% equity interest in OPLLP for \$1.00 at the expiry of the 99-year period after the acquisition date. Under the option deed, the Trust shall not dispose of its legal or beneficial interest in OPLLP to any person unless SPIPL's right of first refusal has lapsed. In addition, if any of certain specified events occur anytime during the 99 years after the acquisition date, SPIPL has the right to procure OPLLP to take the necessary steps to carve out and transfer a leasehold title of the remaining tenure to a special purpose vehicle owned by SPIPL and the non-controlling interest.

On 25 June 2012, the Trust acquired an approximate 12.39% additional interest in OPLLP from a third party, Avan Investment Pte Ltd ("AIPL") for a period of 99 years from 14 December 2011. This acquisition increased the Group's interest in OPLLP from an approximate 87.51% to approximate 99.90%. AIPL continues to hold a remaining equity interest of approximate 0.10% in OPLLP (the "non-controlling interest"). The Trust also entered into an option deed pursuant to which AIPL shall have the right to acquire the approximate 12.39% interest in OPLLP for \$1.00, such option to be exercisable only after the expiry of a period of 99 years after 14 December 2011.

**5. Investments in associates**

	Group		Trust	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Unquoted equity, at cost	<b>2,025,483</b>	2,031,098	<b>2,025,483</b>	2,031,098
Share of post-acquisition reserves	<b>472,315</b>	398,387	–	–
	<b>2,497,798</b>	2,429,485	<b>2,025,483</b>	2,031,098

The movement in share of post-acquisition reserves is as follows:

	Group	
	2015 \$'000	2014 \$'000
At 1 January	<b>398,387</b>	290,018
Share of results of associates		
- Total return excluding net change in fair value of investment properties	<b>75,695</b>	60,745
- Net change in fair value of investment properties held by associates (Note 23)	<b>69,391</b>	102,981
- Effects of recognising rental income on a straight line basis over lease term	<b>3,078</b>	9,793
	<b>148,164</b>	173,519
Share of net change in fair value of cash flow hedges	<b>1,526</b>	1,299
Dividend and distribution income received	<b>(75,762)</b>	(66,449)
At 31 December	<b>472,315</b>	398,387

## Notes to the Financial Statements

### 5. Investments in associates (cont'd)

Details of the associates are as follows:

Name	Country of incorporation	Principal activities	Effective equity interest	
			2015 %	2014 %
One Raffles Quay Pte Ltd <sup>1</sup>	Singapore	Property development and investment	<b>33.33</b>	33.33
BFC Development LLP <sup>2</sup>	Singapore	Property development and investment	<b>33.33</b>	33.33
Central Boulevard Development Pte. Ltd. <sup>3</sup>	Singapore	Property development and investment	<b>33.33</b>	33.33

<sup>1</sup> Audited by Ernst & Young LLP, Singapore. One Raffles Quay Pte Ltd ("ORQPL") is the owner of One Raffles Quay.

<sup>2</sup> Audited by Ernst & Young LLP, Singapore. BFC Development LLP ("BFCDLLP") is the owner of MBFC Towers 1 & 2 and Marina Bay Link Mall.

<sup>3</sup> Audited by Ernst & Young LLP, Singapore. CBDPL is the owner of MBFC Tower 3.

On 16 December 2014, the Trust acquired one-third of the issued share capital of CBDPL which holds MBFC Tower 3, from Bayfront Development Pte. Ltd. (which is a wholly-owned subsidiary of Keppel Land Properties Pte Ltd, which is in turn a wholly-owned subsidiary of Keppel Land Limited) (the "Vendor"), for a total agreed value of \$1,248.0 million, which included an approximate \$49.2 million of rental support for up to five years. Excluding the net liabilities of \$532.9 million carried at CBDPL, the amount paid to the Vendor was approximately \$715.1 million.

Keppel REIT funded the acquisition through:

- (a) the issuance of 152,213,000 new Units amounting to approximately \$185.0 million as partial consideration;
- (b) net proceeds from the placement of Units of \$224.9 million;
- (c) approximately \$185.2 million of proceeds from the divestment of Prudential Tower; and
- (d) bank borrowings of \$120.0 million.

CBDPL took a secured loan facility, with Keppel REIT's proportionate share of the loan facility at \$540.0 million. This loan is mortgaged against an aggregate principal amount of up to \$833.3 million of Keppel REIT's one-third share in MBFC Tower 3.

The Group does not equity account for the results of Marina Bay Residences Pte. Ltd. ("MBRPL") (dissolved in February 2015) and Marina Bay Suites Pte. Ltd. ("MBSPL"), which are wholly-owned subsidiaries of BFCDLLP and CBDPL respectively, as the acquisitions of the respective one-third interests in BFCDLLP and CBDPL were structured to effectively exclude any significant interests in MBRPL and MBSPL respectively.

Deeds of undertaking have been signed between the Vendor and the Trust, whereby the Trust agrees not to participate in the financial and operating policy decisions in MBRPL and MBSPL and that it would exercise all voting rights and other rights and powers that it directly or indirectly has or controls in BFCDLLP, CBDPL, MBRPL and MBSPL in accordance with the written instructions of the Vendor on all matters arising from, relating to, or otherwise connected with MBRPL and MBSPL, and/or BFCDLLP's ownership of MBRPL and/or CBDPL's ownership of MBSPL.



## Notes to the Financial Statements

The summarised financial information of the associates, excluding BFCDLLP's interest in MBRPL and CBDPL's interest in MBSPL, and a reconciliation with the carrying amounts of the investments in the consolidated financial statements, are as follows:

	ORQPL		BFCDLLP		CBDPL	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
<b>Summarised Balance Sheet</b>						
Current assets (including property held for sale)	<b>1,447,990</b>	1,448,301	<b>14,638</b>	47,328	<b>39,493</b>	33,426
Non-current assets	<b>1,614,132</b>	1,605,152	<b>5,015,946</b>	4,914,133	<b>3,792,503</b>	3,708,832
Total assets	<b>3,062,122</b>	3,053,453	<b>5,030,584</b>	4,961,461	<b>3,831,996</b>	3,742,258
Current liabilities	<b>(42,688)</b>	(946,722)	<b>(38,215)</b>	(84,002)	<b>(26,605)</b>	(16,650)
Non-current liabilities	<b>(1,064,219)</b>	(163,726)	<b>(1,731,820)</b>	(1,737,850)	<b>(1,636,772)</b>	(1,628,777)
Total liabilities	<b>(1,106,907)</b>	(1,110,448)	<b>(1,770,035)</b>	(1,821,852)	<b>(1,663,377)</b>	(1,645,427)
<b>Net assets</b>	<b>1,955,215</b>	1,943,005	<b>3,260,549</b>	3,139,609	<b>2,168,619</b>	2,096,831
Proportion of the Group's ownership	<b>33.33%</b>	33.33%	<b>33.33%</b>	33.33%	<b>33.33%</b>	33.33%
Group's share of net assets	<b>651,738</b>	647,668	<b>1,086,850</b>	1,046,536	<b>722,873</b>	698,944
Adjustments:						
Acquisition fees paid in units	–	–	–	–	<b>11,988</b>	11,988
Acquisition expenses capitalised	<b>13,734</b>	13,734	<b>7,000</b>	7,000	<b>3,615</b>	3,615
<b>Carrying amount of the investment</b>	<b>665,472</b>	661,402	<b>1,093,850</b>	1,053,536	<b>738,476</b>	714,547
<b>Summarised Statement of Comprehensive Income</b>						
Property income	<b>159,992</b>	157,860	<b>215,821</b>	202,865	<b>139,482</b>	5,406
Total return for the year	<b>81,217</b>	181,585	<b>217,184</b>	231,548	<b>146,090</b>	107,423
Other comprehensive income	<b>3,357</b>	3,897	–	–	<b>1,221</b>	–
Total comprehensive income	<b>84,574</b>	185,482	<b>217,184</b>	231,548	<b>147,311</b>	107,423

As at 31 December 2015, the property income and total return for the year comprise full year results for ORQPL, BFCDLLP and CBDPL. In the prior year, the property income and total return for the year comprised full year results for ORQPL and BFCDLLP and post-acquisition results of CBDPL.

## Notes to the Financial Statements

### 6. Investments in joint ventures

	Group	
	2015 \$'000	2014 \$'000
Unquoted equity, at cost	<b>339,947</b>	257,967
Share of post-acquisition reserves	<b>68,165</b>	30,964
	<b>408,112</b>	288,931

The movement in share of post-acquisition reserves is as follows:

	Group	
	2015 \$'000	2014 \$'000
At 1 January	<b>30,964</b>	28,309
Share of results of joint ventures		
- Total return excluding net change in fair value of investment properties	<b>17,163</b>	9,848
- Net change in fair value of investment properties held by joint ventures (Note 23)	<b>38,035</b>	1,774
	<b>55,198</b>	11,622
Translation differences	<b>(2,731)</b>	(938)
Distribution received/receivable	<b>(15,266)</b>	(8,029)
At 31 December	<b>68,165</b>	30,964

Name	Country of incorporation	Principal activities	Effective equity interest	
			2015 %	2014 %
<b>Held through Keppel REIT (Bermuda) Limited</b>				
Mirvac 8 Chifley Pty Limited <sup>1</sup>	Australia	Fund administration	<b>50.00</b>	50.00
Mirvac (Old Treasury) Pty Limited <sup>1</sup>	Australia	Fund administration	<b>50.00</b>	50.00
<b>Held through Keppel REIT (Australia) Sub-Trust 2</b>				
Mirvac 8 Chifley Trust <sup>2</sup>	Australia	Investment in real estate properties	<b>50.00</b>	50.00
<b>Held through Keppel REIT (Australia) Sub-Trust 3</b>				
Mirvac (Old Treasury) Trust <sup>2</sup>	Australia	Investment in real estate properties	<b>50.00</b>	50.00

<sup>1</sup> No statutory requirement for audit.

<sup>2</sup> Audited by Ernst & Young LLP, Australia.

#### **Acquisition of 50% interest in Mirvac (Old Treasury) Trust ("MOTT")**

On 28 March 2013, the Group completed the acquisition of a 50% interest in MOTT, which had entered into a development agreement with the State of Western Australia to deliver a new office tower to be built on the Old Treasury Building site in Perth, Australia. The office tower received its Certificate of Practical Completion in August 2015.

During the financial year ended 31 December 2013, the Group paid a consideration of A\$82,500,000 for the following:

- (a) 50% of the existing units in MOTT;
- (b) 50% of the convertible notes and units issued by MOTT at completion of the sale agreement; and
- (c) 50% of the ordinary shares in the capital of Mirvac (Old Treasury) Pty Limited, the trustee of MOTT.

The Group and the other unitholder, who holds the remaining 50% interest in MOTT, also entered into a subscription agreement with MOTT pursuant to which each of them would subscribe to further issuances of five separate tranches of convertible notes and six tranches of units in MOTT.

The Group made the final subscription of units in June 2015 and a final adjustment payment of A\$252,000 in November 2015, at which point all the convertible notes were converted to units in MOTT. The aggregate consideration paid by the Group for its 50% interest in MOTT is A\$165,252,000.

## Notes to the Financial Statements

### 6. Investments in joint ventures (cont'd)

#### Acquisition of 50% interest in Mirvac 8 Chifley Trust ("M8CT")

On 28 July 2011, the Group completed the acquisition of a 50% interest in Mirvac 8 Chifley Trust ("M8CT"), which owns a property situated at 8 Chifley Square. The property received its Certificate of Practical Completion in July 2013.

Under the sale agreement, the Group acquired 50% of the following:

- (a) the existing 14.7 million units in M8CT;
- (b) the 34.3 million convertible notes issued by M8CT; and
- (c) the ordinary shares in the capital of Mirvac 8 Chifley Pty Limited, the trustee of M8CT.

The Group and the other unitholder, which holds the remaining 50% interest in M8CT, also entered into a subscription agreement with M8CT pursuant to which each of them would subscribe to further issuances of eight separate tranches of units and seven tranches of convertible notes by M8CT.

The Group made the final subscription of units on 26 June 2014, at which point all the convertible notes were converted to units in M8CT. The aggregate consideration paid by the Group for its 50% interest in M8CT is A\$166,974,000.

The summarised financial information of the joint ventures and a reconciliation with the carrying amounts of the investments in the consolidated financial statements, are as follows:

	M8CT		MOTT	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
<b>Summarised Balance Sheet</b>				
Cash and bank balances	2,163	1,697	48,339	170,356
Current assets	1,880	4,620	3,620	1,089
Non-current assets	412,999	407,636	349,616	200,617
Total assets	417,042	413,953	401,575	372,062
Current liabilities	(3,601)	(5,534)	(1,325)	(3,318)
Non-current liabilities (convertible notes)	–	–	–	(199,707)
Total liabilities	(3,601)	(5,534)	(1,325)	(203,025)
<b>Net assets</b>	413,441	408,419	400,250	169,037
Proportion of the Group's ownership	50%	50%	50%	50%
Group's share of net assets	206,721	204,210	200,125	84,519
Adjustments:				
Acquisition expenses	3,398	3,689	2,914	2,859
Effect of forward currency hedges	(10,092)	(10,092)	5,046	3,746
<b>Carrying amount of the investment</b>	200,027	197,807	208,085	91,124
<b>Summarised Statement of Total Return</b>				
Property income	31,610	26,180	3,551	–
Interest income	4	4,805	–	4,089
Interest expense	–	(10,296)	–	–
Total return for the year	62,331	16,952	48,064	6,291

**7. Amounts owing by subsidiaries (non-trade)**

	Trust	
	2015 \$'000	2014 \$'000
Interest bearing	<b>413,438</b>	435,052
Non-interest bearing	<b>405,398</b>	441,834
	<b>818,836</b>	876,886

The amounts owing by subsidiaries are unsecured, to be settled in cash and not expected to be repaid within the next 12 months. The interest bearing portions bear interest ranging from 7.0% to 9.5% (2014: 7.0% to 9.5%) per annum.

The amounts owing by subsidiaries as at 31 December 2015 and 31 December 2014 are denominated in Australian dollar.

**8. Advances****Advances to associates (non-trade)**

Advances to associates are unsecured, not expected to be repaid within the next 12 months and carry interest which is repriced every quarter at a margin above the 3-month S\$ swap-offer rate ("SOR"). They bore interest ranging from 4.04% to 4.97% (2014: 3.22% to 3.75%) per annum during the year.

**Advances to a joint venture (non-trade)**

Advances to a joint venture in the prior year pertained to the convertible notes issued by MOTT, which were unsecured and carried interest at 9.95% per annum. These were all converted to units on 30 November 2015 (Note 6).

## Notes to the Financial Statements

### 9. Intangible asset

	Group		Trust	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Cost:				
At 1 January	<b>229,207</b>	182,720	<b>76,049</b>	29,426
Addition	–	46,623	–	46,623
Write-off	<b>(29,427)</b>	–	<b>(29,427)</b>	–
Translation differences	<b>(360)</b>	(136)	–	–
At 31 December	<b>199,420</b>	229,207	<b>46,622</b>	76,049
Accumulated amortisation:				
At 1 January	<b>172,600</b>	135,364	<b>29,426</b>	28,332
Amortisation expense	<b>18,763</b>	37,364	<b>14,023</b>	1,094
Write-off	<b>(29,427)</b>	–	<b>(29,427)</b>	–
Translation differences	<b>(339)</b>	(128)	–	–
At 31 December	<b>161,597</b>	172,600	<b>14,022</b>	29,426
Net carrying amount:				
At 31 December	<b>37,823</b>	56,607	<b>32,600</b>	46,623

Intangible asset represents the unamortised aggregate rental support top-up payments receivable by the Group for its one-third interest in CBDPL and the approximate 12.39% interest in OPLL. The remaining rental support periods range from 1 to 4 years.

In the prior year, the intangible asset also included the unamortised aggregate rental support top-up payments receivable by the Group for its 100% interest in 77 King Street office tower and approximate 87.51% interest in OPLL. The remaining rental support periods ranged from 1 to 5 years.

**10. Trade and other receivables**

	Group		Trust	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Trade receivables	12,167	8,640	896	1,787
Allowance for doubtful debts	(40)	(77)	–	–
Trade receivables (net)	12,127	8,563	896	1,787
Amounts due from subsidiaries (non-trade)	–	–	21,752	21,604
Amounts due from related companies (trade)	3,700	10,787	3,700	10,787
Amounts due from joint ventures (non-trade)	996	1,893	–	–
Interest receivable	240	374	234	374
Rental support receivable	908	1,091	908	1,091
Others	86	2,308	12	2,275
	18,057	25,016	27,502	37,918

Amounts due from subsidiaries, related companies and joint ventures are unsecured, interest-free, repayable on demand and are to be settled in cash.

Trade and other receivables for the Trust, denominated in currency other than the functional currency, amounted to \$14,954,000 (2014: \$15,516,000). These balances are denominated in Australian dollar.

Receivables that are past due but not impaired

	Group		Trust	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Trade receivables past due but not impaired:				
Past due <3 months and not impaired	6,525	3,692	241	–
Past due 3 - 6 months and not impaired	93	60	–	5
Past due >6 months and not impaired	–	62	–	–
	6,618	3,814	241	5

Analysis of allowance for doubtful debts

	Group		Trust	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
At 1 January	(77)	(10)	–	–
Charge for the year	(16)	(69)	–	–
Write-off against allowance	47	–	–	–
Translation differences	6	2	–	–
At 31 December	(40)	(77)	–	–

## Notes to the Financial Statements

### 11. Cash and bank balances

	Group		Trust	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Cash and bank balances	<b>99,271</b>	116,408	<b>88,671</b>	91,948
Fixed deposits	<b>45,330</b>	83,281	<b>37,830</b>	80,781
	<b>144,601</b>	199,689	<b>126,501</b>	172,729
Less: Rental support received in advance held in designated accounts	<b>(45,837)</b>	(61,871)	<b>(45,483)</b>	(61,021)
Cash and cash equivalents	<b>98,764</b>	137,818	<b>81,018</b>	111,708

Cash at banks earn interest at floating rates based on daily bank deposit rates ranging from 0% to 2.75% (2014: 0% to 3.25%) per annum. Short-term deposits are made for varying periods of between 21 days and 365 days (2014: 14 days and 365 days) depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. The interest rates of short-term deposits range from 0.20% to 1.95% (2014: 0.13% to 1.38%) per annum.

Cash and bank balances for the Group and Trust, denominated in currencies other than the respective entities' functional currencies, amounted to \$23,664,000 (2014: \$19,069,000). These balances are denominated in Australian dollar.

### 12. Trade and other payables

	Group		Trust	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Trade payables	<b>5,933</b>	4,508	<b>402</b>	135
Accrued expenses	<b>11,769</b>	32,990	<b>4,276</b>	26,295
Other payables	<b>12,670</b>	13,725	<b>7,259</b>	8,865
Amounts due to related companies				
- trade	<b>13,795</b>	12,373	<b>12,976</b>	12,074
- non-trade	<b>35</b>	15,883	<b>658</b>	15,883
Other deposits	<b>1,682</b>	1,894	<b>21</b>	181
Interest payable	<b>5,324</b>	3,096	<b>693</b>	589
	<b>51,208</b>	84,469	<b>26,285</b>	64,022

Other payables mainly relate to (i) estimated development costs of \$4,185,000 (2014: \$4,860,000) to complete Phase 2 of Ocean Financial Centre of which the Group's proportionate share was withheld from the purchase consideration for the approximate 99.9% equity interest in OPLLP, (ii) estimated construction costs of \$7,000,000 (2014: \$7,000,000) withheld from the purchase consideration for the acquisition of one-third interest in BFCDLLP. In the prior year, other payables also included accrued acquisition costs of \$1,768,000 for the acquisition of one-third interest in CBDPL.

Included in the trade amounts due to related companies are amounts due to the Property Manager of \$880,000 (2014: \$299,000) and the Manager of \$12,915,000 (2014: \$12,074,000).

Amounts due to related companies are unsecured, interest-free and repayable on demand. These amounts are to be settled in cash except for management fees payable to the Manager which will be settled in the form of cash and/or Units (Note 1(b)).

In the prior year, included in accrued expenses and amounts due to related companies (non-trade) were amounts of \$21,758,000 and \$15,846,000 respectively, for the advance distribution accrued for the period from 1 October 2014 to 15 December 2014.

Included in other deposits is an amount of \$1,493,000 (2014: \$1,420,000) which relates to retention monies for the construction of Ocean Financial Centre.



**13. Derivative financial instruments**

		<b>Group</b>					
		<b>2015</b>			<b>2014</b>		
		<b>\$'000</b>			<b>\$'000</b>		
	Maturity	Contract/ Nominal Amount	Assets	Liabilities	Contract/ Nominal Amount	Assets	Liabilities
Forward currency contracts	2016	<b>29,854</b>	<b>260</b>	<b>(56)</b>	26,479	133	(961)
Interest rate swaps	2016 – 2020	<b>1,410,461</b>	<b>17,542</b>	<b>(576)</b>	1,622,267	2,081	(15,004)
		<b>1,440,315</b>	<b>17,802</b>	<b>(632)</b>	1,648,746	2,214	(15,965)
Percentage of derivatives to the Group's net asset value				<b>0.36%</b>			(0.31%)
		<b>Trust</b>					
		<b>2015</b>			<b>2014</b>		
		<b>\$'000</b>			<b>\$'000</b>		
	Maturity	Contract/ Nominal Amount	Assets	Liabilities	Contract/ Nominal Amount	Assets	Liabilities
Forward currency contracts	2016	<b>29,854</b>	<b>260</b>	<b>(56)</b>	26,479	133	(961)
Interest rate swaps	2016 – 2020	<b>910,461</b>	<b>9,965</b>	<b>(576)</b>	1,122,267	255	(12,834)
		<b>940,315</b>	<b>10,225</b>	<b>(632)</b>	1,148,746	388	(13,795)
Percentage of derivatives to the Trust's net asset value				<b>0.24%</b>			(0.35%)

Forward currency contracts

Forward currency contracts are used to hedge foreign currency risk arising from the cash flows of the Group's investments in Australia. In the prior year, the Group also entered into forward currency contracts to hedge its firm commitment for the progressive payments in relation to the subscription of units and convertible notes in MOTT.

The Group designates these forward currency contracts as cash flow hedges which were assessed to be highly effective. A net unrealised gain of \$204,000 (2014: net unrealised loss of \$828,000) was included in hedging reserve in Unitholders' funds in respect of these contracts.

Interest rate swaps

Interest rate swaps are used to hedge interest rate risk arising from the underlying floating interest rates of respective bank loans. Under the interest rate swaps, the Group receives floating interest equal to SOR and A\$ bank bill swap bid rate ("BBSY") at specific contracted intervals and pays fixed rates of interest ranging from 0.88% to 3.10% (2014: 0.88% to 3.10%) per annum.

The Group designates these interest rate swaps as cash flow hedges which were assessed to be highly effective. An unrealised gain of \$16,966,000 (2014: unrealised loss of \$9,044,000) was included in hedging reserve in Unitholders' funds in respect of these contracts. In the prior year, an interest rate swap was re-designated to hedge interest rate risk of other bank loans subsequent to the repayment of the hedged loan. The fair value loss of the interest rate swap of \$3,879,000 was recognised in total return. In 2015, the fair value gain of the interest rate swap of \$3,879,000 was recognised in total return.

## Notes to the Financial Statements

### 14. Income received in advance

Income received in advance comprises mainly rental and incentive supports received in advance from a third party and related party vendors for certain of the Group's investment properties.

### 15. Borrowings

	Maturity	Group		Trust	
		2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
<b>Current:</b>					
Bank loans (secured)	–	–	174,950	–	174,950
Bank loans (unsecured)	2016	<b>25,355</b>	99,974	–	99,974
		<b>25,355</b>	274,924	–	274,924
<b>Non-current:</b>					
Bank loans (secured)	2017 - 2020	<b>812,584</b>	464,030	<b>347,746</b>	–
Bank loans (unsecured)	2017 - 2021	<b>1,601,633</b>	1,695,982	<b>159,630</b>	159,520
Revolving loan facilities (unsecured)	–	–	230,427	–	–
Medium term notes (unsecured)	2022	<b>50,000</b>	–	–	–
Borrowings from subsidiaries (unsecured)	–	–	–	<b>1,520,750</b>	1,769,034
		<b>2,464,217</b>	2,390,439	<b>2,028,126</b>	1,928,554
Percentage of total borrowings to net asset value		<b>52.1%</b>	59.8%	<b>51.6%</b>	58.1%

Borrowings for the Group and the Trust denominated in currency other than the respective entities' functional currencies amounted to \$25,486,000 (2014: \$27,711,000). These balances are denominated in Australian dollar.

#### Bank loans (secured)

Bank loans amounting to \$812,584,000 (2014: \$638,980,000) are secured by mortgage over certain investment properties of the Group (Note 3). The interest rates range from 0.79% + SOR to 0.94% + SOR (2014: 0.79% + SOR to 0.94% + SOR) per annum. The loans are repayable upon maturity. The Group has entered into interest rate swaps (Note 13) to hedge \$329,707,000 (2014: \$472,526,000) of the bank loans that are on floating interest rates.

#### Bank loans (unsecured)

Bank loans amounting to \$454,002,000 (2014: \$504,138,000) are on fixed interest rates ranging from 1.85% to 2.44% (2014: 1.85% to 2.44%) per annum and are repayable upon maturity. The Group has entered into interest rate swaps (Note 13) to hedge \$1,076,094,000 (2014: \$1,144,695,000) of the bank loans that are on floating interest rates. The remaining bank loans on floating interest rates of \$96,892,000 (2014: \$147,123,000) bear interest ranging from 0.88% + SOR to 1.22% + BBSY (2014: 0.88% + SOR to 1.22% + BBSY) per annum.

#### Medium term notes (unsecured)

On 11 February 2015, Keppel REIT MTN Pte. Ltd. issued \$50 million fixed rate notes due 2022 through the multicurrency debt issuance programme, at a fixed coupon of 3.15% per annum.

Revolving loan facilities (unsecured)

In the prior year, the loans drawn down were on floating interest rates ranging from 0.86% to 1.42% per annum and were repriced every rollover period.

Borrowings from subsidiaries (unsecured)

Borrowings from subsidiaries bear interest ranging from 1.70% to 4.32% (2014: 0.86% to 4.32%) per annum during the year and are not expected to be repaid within the next 12 months.

Unutilised available facilities

As at 31 December 2015, the Group had unutilised available facilities of \$568,500,000 (2014: \$437,400,000) to meet its future obligations.

**16. Deferred tax liabilities**

The movement in the deferred tax liabilities is as follows:

	<b>Group</b>	
	<b>2015</b>	2014
	<b>\$'000</b>	\$'000
Change in fair value of investment properties		
At 1 January	<b>5,283</b>	4,753
Charged to Statement of Total Return	<b>20,967</b>	549
Translation differences	<b>(483)</b>	(19)
At 31 December	<b>25,767</b>	5,283

## Notes to the Financial Statements

### 17. Units in issue and perpetual securities

#### (a) Units in issue

	Group and Trust			
	2015		2014	
	'000	\$'000	'000	\$'000
At 1 January	<b>3,170,434</b>	<b>3,354,095</b>	2,787,682	2,924,291
Issue of Units:				
- payment of management fees in Units	<b>40,679</b>	<b>44,939</b>	25,676	30,669
- placement of Units	–	–	195,000	228,150
- payment of purchase consideration in Units (Note 5)	–	–	152,213	185,000
- payment of acquisition fees in Units	–	–	9,863	11,988
- Distribution Reinvestment Plan ("DRP")	<b>5,011</b>	<b>5,221</b>	–	–
Distributions to Unitholders	–	<b>(9,565)</b>	–	(22,841)
Issue expense adjustments/(issue expenses)	–	<b>142</b>	–	(3,162)
At 31 December	<b>3,216,124</b>	<b>3,394,832</b>	3,170,434	3,354,095

During the year, the following Units were issued:

- 40,679,411 (2014: 25,675,626) Units were issued at unit prices ranging from \$0.9542 to \$1.1981 (2014: \$1.1423 - \$1.2702) as payment of management fees to the Manager; and
- 5,011,176 (2014: Nil) Units were issued at unit prices ranging from \$0.9767 to \$1.1001 (2014: \$Nil) pursuant to the implementation of the DRP in 2015 where Unitholders have the option to receive their distribution in Units instead of cash or a combination of Units and cash.

On 16 December 2014, proceeds from the placement of 195,000,000 Units at a unit price of \$1.1700 and 152,213,000 Units issued at a unit price of \$1.2154 as partial satisfaction of the purchase consideration, were used to part finance the acquisition of the one-third interest in CBDPL. 9,863,378 Units were issued at a unit price of \$1.2154 as payment of acquisition fee to the Manager in relation to the acquisition of the one-third interest in CBDPL.

Each Unit represents undivided interest in the Trust. The rights and interests of Unitholders are contained in the Trust Deed and include the right to:

- receive income and other distributions attributable to the Units held;
- participate in the termination of the Trust by receiving a share of all net cash proceeds derived from the realisation of the assets of the Trust less liabilities, in accordance with their proportionate interests in the Trust. However, a Unitholder has no equitable or proprietary interest in the underlying assets of the Trust and is not entitled to transfer to it any assets (or part thereof) or of any estate or interest in any asset (or part thereof) of the Trust; and
- attend all Unitholders' meetings. The Trustee or the Manager may (and the Manager shall at the request in writing of not less than 50 Unitholders or Unitholders representing not less than 10% of the issued Units of the Scheme) at any time convene a meeting of Unitholders in accordance with the provisions of the Trust Deed.

The restrictions of a Unitholder include, *inter alia*, the following:

- a Unitholder's right is limited to the right to require due administration of the Trust in accordance with the provisions of the Trust Deed; and
- a Unitholder has no right to request the Manager to repurchase or redeem his Units while the Units are listed on SGX-ST.

The Trust Deed contains provisions designed to limit the liability of a Unitholder to the amount paid or payable for any Unit, and to ensure that no Unitholder, by reason alone of being a Unitholder, will be personally liable to indemnify the Trustee or any creditor of the Group in the event that the liabilities of the Group exceed its assets, if the issue price of the Units held by that Unitholder has been fully paid.

**(b) Perpetual securities**

On 2 November 2015, the Trust issued \$150.0 million of subordinated perpetual securities at a fixed rate of 4.98% per annum, with the first distribution rate reset falling on 2 November 2020 and subsequent resets occurring every five years thereafter. The perpetual securities have no fixed redemption date and redemption is at the option of the Trust in accordance with the terms of issue of the securities. The distribution will be payable semi-annually at the discretion of the Trust and will be non-cumulative.

In terms of distribution payments or in the event of winding-up of the Trust:

- These perpetual securities rank *pari passu* with the holders of preferred units (if any) and rank ahead of the Unitholders of the Trust, but junior to the claims of all other present and future creditors of the Trust.
- The Trust shall not declare or pay any distributions to the Unitholders, or make redemption, unless the Trust declares or pays any distributions to the perpetual securities holders.

These perpetual securities are classified as equity instruments and recorded in equity in the Statements of Movements in Unitholders' Funds. The \$149,719,000 presented on the Balance Sheets represent the \$150,000,000 perpetual securities issued net of issue expenses of \$1,509,000 and include total return of \$1,228,000 attributable to perpetual securities holders from issue date.

## Notes to the Financial Statements

### 18. Property income

	Group	
	2015 \$'000	2014 \$'000
Gross rent	162,978	177,667
Car park income	3,351	3,269
Others	4,018	3,157
	<b>170,347</b>	<b>184,093</b>

### 19. Property expenses

	Group	
	2015 \$'000	2014 \$'000
Property tax	11,552	9,779
Property management fee	4,283	4,499
Property management salary reimbursements	1,799	1,787
Marketing expenses	635	470
Utilities	3,375	3,335
Maintenance	9,993	11,590
Other property expenses	1,245	1,197
	<b>32,882</b>	<b>32,657</b>

### 20. Rental support

Rental support relates to top-up payments from vendors for the difference between the actual and guaranteed income amounts in respect of the Group's interests in CBDPL, 77 King Street office tower and OPLL.

In the prior year, rental support was related to top-up payments from vendors for the difference between the actual and guaranteed income amounts in respect of the Group's interests in BCDLLP, Prudential Tower, 77 King Street office tower and OPLL.

**21. Trust expenses**

	Group	
	2015 \$'000	2014 \$'000
Manager's base fees	40,951	36,171
Manager's performance fees	9,033	9,321
Trustees' fees	1,563	1,440
Valuation fees	230	115
Auditors' remuneration	300	290
Professional fees	1,710	1,800
Other trust expenses	2,983	3,806
	<b>56,770</b>	<b>52,943</b>

For the financial year ended 31 December 2015, the Manager has elected to receive in Units 100% of base fees and performance fees earned in respect of all the properties.

For the financial year ended 31 December 2014, the Manager had elected to receive in Units 100% of base fees and performance fees earned in respect of the approximate 87.51% interest in OPLLP, the 50% interest in 8 Exhibition Street and one-third interest in CBDPL as well as 50% of its base fees and performance fees earned for the approximate 12.39% interest in OPLLP and interests in other properties.

**22. Borrowing costs**

	Group	
	2015 \$'000	2014 \$'000
Interest expense		
- bank loans	61,796	55,094
- term loan from a related company	-	184
- revolving loan from a related company	-	95
- revolving loan	2,473	1,933
Amortisation of capitalised transaction costs	3,044	2,818
	<b>67,313</b>	<b>60,124</b>

**23. Net change in fair value of investment properties**

	Group	
	2015 \$'000	2014 \$'000
Investment properties held directly by the Group (Note 3)	110,519	97,962
Investment properties held by associates (Note 5)	69,391	102,981
Investment properties held by joint ventures (Note 6)	38,035	1,774
Effects of recognising rental income on a straight line basis over lease term	93	9,474
	<b>218,038</b>	<b>212,191</b>

## Notes to the Financial Statements

### 24. Income tax expense

	Group	
	2015 \$'000	2014 \$'000
Singapore current tax:		
- current year	<b>2,953</b>	7,053
Overseas deferred tax:		
- current year	<b>20,967</b>	549
Overseas withholding tax:		
- current year	<b>4,046</b>	4,028
	<b>27,966</b>	11,630
Reconciliation of effective tax:		
Total return before tax	<b>366,814</b>	383,532
Income tax using Singapore tax rate of 17% (2014: 17%)	<b>62,358</b>	65,200
Non-tax deductible items	<b>930</b>	83
Management fees paid and payable in Units	<b>8,497</b>	5,224
Amortisation expense	<b>3,190</b>	6,352
Net change in fair value of investment properties in Singapore	<b>(24,967)</b>	(35,523)
Gain on divestment of investment property	<b>-</b>	(2,750)
Share of results of associates	<b>(12,868)</b>	(10,327)
Share of results of joint ventures	<b>(2,918)</b>	(1,674)
Withholding tax	<b>4,046</b>	4,028
Tax transparency	<b>(10,302)</b>	(18,983)
Income tax expense recognised in Statement of Total Return	<b>27,966</b>	11,630



**25. Earnings per Unit**

The basic earnings per Unit is calculated by dividing total return after tax attributable to Unitholders against weighted average number of Units outstanding during the financial year.

	Group	
	2015 \$'000	2014 \$'000
Total return after tax attributable to Unitholders	<b>337,495</b>	371,753
Total return after tax and excluding net change in fair value of investment properties, deferred tax expense and gain on divestment of investment property	<b>140,476</b>	143,457
	No. of Units '000	No. of Units '000
Weighted average number of Units in issue during the financial year	<b>3,191,283</b>	2,858,883
Basic earnings per Unit based on:		
Total return after tax attributable to Unitholders	<b>10.58 cents</b>	13.00 cents
Total return after tax excluding net change in fair value of investment properties, deferred tax expense and gain on divestment of investment property	<b>4.40 cents</b>	5.02 cents

Diluted earnings per Unit is the same as the basic earnings per Unit as there are no dilutive instruments in issue during the financial year.

## Notes to the Financial Statements

### 26. Significant related party transactions

During the financial year, other than those disclosed elsewhere in the financial statements, the following significant related party transactions took place at terms agreed between the parties:

	Group	
	2015 \$'000	2014 \$'000
Acquisition fee paid to the Manager	89	11,988
Divestment fee paid to the Manager	–	2,560
Trustee's fees	1,229	1,085
Property management fees and reimbursements paid/payable to a related company	5,709	5,994
Property tax recovered from related parties	16	–
Leasing commissions paid/payable to a related company	1,453	575
Service fees paid/payable to a related company	284	228
Rental income and other related income from related companies	7,098	7,024
Interest income received/receivable from associates of the Trust	26,114	21,449
Rental support received/receivable from related companies	16,122	44,038
Coupon interest received/receivable from joint ventures	8,711	13,919
Project management fees paid to a related company	–	50
Electricity supply from a related company	3,784	4,082
Telephone and internet services provided by a related company	10	11
Aircon supply provided by a related company	660	559
Acquisition of one-third interest in CBDPL, net of pre-acquisition dividend received	–	710,544
Reimbursement of development costs for one-third interest in an associate	4,837	–

## 27. Financial risk management objectives and policies

The Group is exposed to credit, interest rate, liquidity, foreign currency and operational risks in the normal course of its business. Assessment of financial risks is carried out regularly by the Manager.

The Manager believes that good risk management practices and strong internal controls are critical components to Keppel REIT's business. As such, the Manager constantly reviews risks faced by the Group and pro-actively carries out initiatives to mitigate them. Some of the key risks that the Manager has identified are as follows:

(a) **Credit risk**

Credit risk is the potential financial loss resulting from the failure of a customer or a counterparty to settle its financial and contractual obligations to the Group as and when they fall due.

Prior to signing any major lease agreements, credit assessments on prospective tenants are carried out. This is usually done by way of evaluating information from corporate searches. Security deposits are collected from tenants, and the Group's tenant trade sector mix in its property portfolio is actively managed to avoid excessive exposure to any one potentially volatile trade sector.

The Manager has ensured that appropriate terms and/or credit controls are stipulated in the agreements to ensure that the counterparty fulfils its obligations.

**Exposure to credit risk**

At the reporting date, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the Balance Sheets.

**Credit risk concentration profile**

At the reporting date, approximately 26% (2014: 51%) of the Group's trade and other receivables were due from related companies and joint ventures. Concentration of credit risk relating to trade receivables is limited due to the Group's many varied tenants. The tenants are engaged in diversified businesses and are of good quality and strong credit standing.

**Financial assets that are neither past due nor impaired**

Trade and other receivables and advances to associates (non-trade) that are neither past due nor impaired relate to creditworthy debtors and counterparties with good payment record. Cash and bank balances are placed and derivative financial instruments are entered into with financial institutions with good credit ratings.

(b) **Interest rate risk**

The Group's exposure to changes in interest rates relates primarily to interest-earning financial assets and interest-bearing financial liabilities.

The Group constantly monitors its exposure to changes in interest rates for its interest-bearing financial liabilities. Interest rate risk is managed on an ongoing basis with the primary objective of limiting the extent to which net interest expense can be affected by adverse movements in interest rates through the use of interest rate swaps.

The Group manages interest costs using a mix of fixed and floating rate debts. The details of the interest rates relating to interest-earning financial assets and interest-bearing financial liabilities are disclosed in Notes 8, 11 and 15 respectively.

**Sensitivity analysis**

At the reporting date, if the interest rates of Singapore dollar denominated borrowings had been 0.1% per annum (2014: 0.1% per annum) higher/lower with all other variables constant, the Group's total return before tax would have been \$438,000 (2014: \$345,000) lower/higher, arising mainly as a result of higher/lower interest expense on floating rate borrowings that are not hedged, and the Group's hedging reserve would have been \$3,979,000 higher/lower (2014: \$4,014,000 lower/higher), arising mainly as a result of an increase/decrease in the fair value of interest rate swaps designated as cash flow hedges.

## Notes to the Financial Statements

### 27. Financial risk management objectives and policies (cont'd)

#### (c) Liquidity risk

The Group's cash flow position and working capital are monitored closely to ensure that there are adequate liquid reserves in terms of cash and credit facilities to meet short-term obligations. Steps have been taken to plan early for funding and expense requirements so as to manage the cash position at any point in time.

The table below summarises the maturity profile and financial liabilities of the Group and Trust at the reporting date based on contractual undiscounted repayment obligations.

Group	2015				2014			
	1 year or less \$'000	2 to 5 years \$'000	>5 years \$'000	Total \$'000	1 year or less \$'000	2 to 5 years \$'000	>5 years \$'000	Total \$'000
Trade and other payables	51,208	–	–	51,208	84,469	–	–	84,469
Derivative financial instruments:								
- Interest rate swaps (settled net)	1,758	4,985	–	6,743	16,616	25,951	–	42,567
- Forward currency contracts (gross payments)	7,065	–	–	7,065	16,927	–	–	16,927
- Forward currency contracts (gross receipts)	(6,970)	–	–	(6,970)	(16,076)	–	–	(16,076)
Security deposits	9,172	20,719	716	30,607	3,223	23,413	1,661	28,297
Borrowings	83,046	2,205,364	356,083	2,644,493	316,654	2,476,458	–	2,793,112
	<b>145,279</b>	<b>2,231,068</b>	<b>356,799</b>	<b>2,733,146</b>	421,813	2,525,822	1,661	2,949,296
<b>Trust</b>								
Trade and other payables	26,285	–	–	26,285	64,022	–	–	64,022
Derivative financial instruments:								
- Interest rate swaps (settled net)	1,758	4,985	–	6,743	15,076	21,843	–	36,919
- Forward currency contracts (gross payments)	7,065	–	–	7,065	16,927	–	–	16,927
- Forward currency contracts (gross receipts)	(6,970)	–	–	(6,970)	(16,076)	–	–	(16,076)
Security deposits	1,902	2,202	–	4,104	508	3,237	–	3,745
Borrowings	71,810	1,727,644	356,083	2,155,537	311,309	1,999,298	–	2,310,607
	<b>101,850</b>	<b>1,734,831</b>	<b>356,083</b>	<b>2,192,764</b>	391,766	2,024,378	–	2,416,144

#### (d) Foreign currency risk

Foreign currency risk arises when transactions are denominated in currencies other than the respective functional currencies of the various entities in the Group and impact the Group's total return for the year.

The Group's foreign currency risk relates mainly to its Australian dollar denominated investments. The Group monitors its foreign currency exposure on an ongoing basis and manages its exposure to adverse movements in foreign currency exchange rates through financial instruments or other suitable financial products.

The Group has outstanding forward currency contracts with notional amounts totalling \$29,854,000 (2014: \$26,479,000) (Note 13). As at the reporting date, net financial derivative assets of \$204,000 (2014: liabilities of \$828,000) were recorded on the Balance Sheets based on the net fair value of these forward exchange contracts.

#### Sensitivity analysis

At the reporting date, if the Australian dollar strengthened/weakened against the Singapore dollar by 5% (2014: 5%) with all other variables constant, the Group's total return before tax would have been \$91,000 (2014: \$432,000) lower/higher, and the Group's hedging reserve would have been \$1,483,000 (2014: \$189,000) higher/lower.

## 28. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a healthy credit rating and aggregate leverage ratio.

Under the Property Funds Appendix of the CIS Code, the aggregate leverage should not exceed 35.0% of the Group's deposited properties. The aggregate leverage may exceed 35.0% of the Group's deposited properties (up to a maximum of 60.0%) only if a credit rating of the Trust from Fitch Inc., Moody's Investor Services or Standard & Poor's is obtained and disclosed to the public. The Group has been assigned a corporate rating of "Baa2" (2014: Baa2) by Moody's Investor Services. The Group has complied with this requirement for the financial years ended 31 December 2015 and 2014. With effect from 1 January 2016, under the Property Funds Appendix of the CIS Code, the aggregate leverage of a property fund has been revised to not exceed 45.0% of the fund's deposited properties, regardless whether a credit rating from the above mentioned agencies has been obtained for the property fund.

The Group's capital is represented by its Unitholders' funds as disclosed in the Balance Sheets. The Group constantly monitors capital using the aggregate leverage ratio, which is total gross borrowings divided by the value of its deposited properties. The value of the deposited properties refers to the value of the property fund's total assets (excluding restricted cash and bank balances) based on the latest valuation. In 2014, deposited properties referred to the value of the investment properties based on the latest valuation. At the balance sheet date, the Group has gross borrowings (including deferred payments for the construction of Phase 2 of Ocean Financial Centre and the Group's respective share of borrowings carried at ORQPL and CBDPL) totalling \$3,340,755,000 (2014: \$3,545,300,000) and an aggregate leverage of 39.3% (2014: 43.3%).

## 29. Fair value of assets and liabilities

### (a) Fair value hierarchy

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction other than in a forced or liquidation sale.

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- (i) Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can assess at the measurement date;
- (ii) Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- (iii) Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in their entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

## Notes to the Financial Statements

### 29. Fair value of assets and liabilities (cont'd)

(b) Assets and liabilities measured at fair value

The following table shows an analysis of each class of assets and liabilities measured at fair value at the end of the reporting period:

	Group		Total
	2015 \$'000		
	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	
<u>Financial assets</u>			
Derivative financial instruments			
- Forward currency contracts	260	–	260
- Interest rate swaps	17,542	–	17,542
Financial assets as at 31 December 2015	<u>17,802</u>	<u>–</u>	<u>17,802</u>
<u>Financial liabilities</u>			
Derivative financial instruments			
- Forward currency contracts	(56)	–	(56)
- Interest rate swaps	(576)	–	(576)
Financial liabilities as at 31 December 2015	<u>(632)</u>	<u>–</u>	<u>(632)</u>
<u>Non-financial assets</u>			
Investment properties	–	3,691,073	3,691,073
Non-financial assets as at 31 December 2015	<u>–</u>	<u>3,691,073</u>	<u>3,691,073</u>
Group			
2014 \$'000			
	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
<u>Financial assets</u>			
Derivative financial instruments			
- Forward currency contracts	133	–	133
- Interest rate swaps	2,081	–	2,081
Financial assets as at 31 December 2014	<u>2,214</u>	<u>–</u>	<u>2,214</u>
<u>Financial liabilities</u>			
Derivative financial instruments			
- Forward currency contracts	(961)	–	(961)
- Interest rate swaps	(15,004)	–	(15,004)
Financial liabilities as at 31 December 2014	<u>(15,965)</u>	<u>–</u>	<u>(15,965)</u>
<u>Non-financial assets</u>			
Investment properties	–	3,613,616	3,613,616
Non-financial assets as at 31 December 2014	<u>–</u>	<u>3,613,616</u>	<u>3,613,616</u>

Notes to the Financial Statements

	Trust		
	2015 \$'000		
	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
<u>Financial assets</u>			
Derivative financial instruments			
- Forward currency contracts	260	-	260
- Interest rate swaps	9,965	-	9,965
Financial assets as at 31 December 2015	<b>10,225</b>	<b>-</b>	<b>10,225</b>
<u>Financial liabilities</u>			
Derivative financial instruments			
- Forward currency contracts	(56)	-	(56)
- Interest rate swaps	(576)	-	(576)
Financial liabilities as at 31 December 2015	<b>(632)</b>	<b>-</b>	<b>(632)</b>
<u>Non-financial assets</u>			
Investment properties	-	550,000	550,000
Non-financial assets as at 31 December 2015	<b>-</b>	<b>550,000</b>	<b>550,000</b>
Trust			
2014 \$'000			
	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
<u>Financial assets</u>			
Derivative financial instruments			
- Forward currency contracts	133	-	133
- Interest rate swaps	255	-	255
Financial assets as at 31 December 2014	<b>388</b>	<b>-</b>	<b>388</b>
<u>Financial liabilities</u>			
Derivative financial instruments			
- Forward currency contracts	(961)	-	(961)
- Interest rate swaps	(12,834)	-	(12,834)
Financial liabilities as at 31 December 2014	<b>(13,795)</b>	<b>-</b>	<b>(13,795)</b>
<u>Non-financial assets</u>			
Investment properties	-	527,000	527,000
Non-financial assets as at 31 December 2014	<b>-</b>	<b>527,000</b>	<b>527,000</b>

## Notes to the Financial Statements

### 29. Fair value of assets and liabilities (cont'd)

#### (c) Level 2 fair value measurements

Forward currency contracts and interest rate swaps are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, interest rate curves and forward rate curves.

#### (d) Level 3 fair value measurements

##### (i) Information about significant unobservable inputs used in Level 3 fair value measurements

The following table presents the valuation techniques and key inputs that were used to determine the fair value of investment properties categorised under Level 3 of the fair value hierarchy.

Description	Fair value as at 31 December 2015 \$'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Investment properties	3,691,073	Capitalisation approach	Capitalisation rate	3.75% - 6.75%	The higher the rate, the lower the fair value
		Discounted cash flow	Discount rate	5.75% - 8.00%	The higher the rate, the lower the fair value
Description	Fair value as at 31 December 2014 \$'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Investment properties	3,613,616	Capitalisation approach	Capitalisation rate	3.75% - 7.00%	The higher the rate, the lower the fair value
		Discounted cash flow	Discount rate	5.75% - 8.50%	The higher the rate, the lower the fair value

The investment properties categorised under Level 3 of the fair value hierarchy are generally sensitive to the various unobservable inputs tabled above. A significant movement of each input would result in a significant change to the fair value of the respective investment properties.

The Group assesses the fair value of investment properties on a yearly basis.

##### (ii) Valuation policies and procedures

The Group engages external, independent and qualified valuers to determine the fair value of the Group's investment properties at the end of every financial year.

The Manager is responsible for selecting and engaging valuation experts that possess the relevant credentials and knowledge of valuation of investment properties. In accordance to the CIS Code, the Group rotates the independent valuers every two years.

For valuation performed by external valuers, management reviews the appropriateness of the valuation methodologies and assumptions adopted.

Significant changes in fair value measurements from period to period are evaluated by management for reasonableness. Key drivers of the changes are identified and assessed for reasonableness against relevant information from independent external sources, or internal sources if necessary and appropriate. Significant valuation issues are reported to the Audit and Risk Committee.



- (e) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

The Manager has determined that the carrying amounts of cash and bank balances, trade and other receivables, trade and other payables, current portion of security deposits and short-term borrowings reasonably approximate their fair values due to their short-term nature. The carrying amounts of advances to associates and floating-rate borrowings reasonably approximate their fair values because they are floating rate instruments that are repriced to market interest rates on or near the end of the reporting period.

The fair values of long-term fixed-rate borrowings and non-current security deposits as at 31 December 2015 and 31 December 2014 are as stated below. They are estimated using discounted cash flow analyses based on current rates for similar types of borrowing arrangements.

Group	2015		2014	
	Carrying value \$'000	Fair value \$'000	Carrying value \$'000	Fair value \$'000
Long-term borrowings	<b>204,616</b>	<b>194,358</b>	504,138	497,414
Security deposits (non-current)	<b>21,435</b>	<b>18,374</b>	25,074	21,656
<b>Trust</b>				
Long-term borrowings	<b>204,616</b>	<b>194,358</b>	504,138	497,414
Security deposits (non-current)	<b>2,202</b>	<b>1,908</b>	3,237	2,891

Fair value information has not been disclosed for the Trust's amounts owing by subsidiaries that are carried at cost because their fair values cannot be measured reliably as the amounts have no fixed repayment terms.

## Notes to the Financial Statements

### 29. Fair value of assets and liabilities (cont'd)

#### (f) Classification of financial instruments

<b>Group</b>	Loans and receivables \$'000	Liabilities at amortised cost \$'000
<u>2015</u>		
<i>Assets</i>		
Advances to associates	<b>608,922</b>	–
Trade and other receivables	<b>18,057</b>	–
Cash and bank balances	<b>144,601</b>	–
Total	<b>771,580</b>	–
<i>Liabilities</i>		
Trade and other payables	–	<b>51,208</b>
Borrowings	–	<b>2,489,572</b>
Security deposits	–	<b>30,607</b>
Total	–	<b>2,571,387</b>
<u>2014</u>		
<i>Assets</i>		
Advances to associates	613,222	–
Trade and other receivables	22,741	–
Cash and bank balances	199,689	–
Total	835,652	–
<i>Liabilities</i>		
Trade and other payables	–	84,469
Borrowings	–	2,665,363
Security deposits	–	28,297
Total	–	2,778,129

## Notes to the Financial Statements

<b>Trust</b>	Loans and receivables \$'000	Liabilities at amortised cost \$'000
<b>2015</b>		
<i>Assets</i>		
Advances to associates	<b>608,922</b>	-
Trade and other receivables	<b>27,502</b>	-
Cash and bank balances	<b>126,501</b>	-
Total	<b>762,925</b>	-
<i>Liabilities</i>		
Trade and other payables	-	<b>26,285</b>
Borrowings	-	<b>2,028,126</b>
Security deposits	-	<b>4,104</b>
Total	-	<b>2,058,515</b>
<b>2014</b>		
<i>Assets</i>		
Advances to associates	613,222	-
Trade and other receivables	35,643	-
Cash and bank balances	172,729	-
Total	821,594	-
<i>Liabilities</i>		
Trade and other payables	-	64,022
Borrowings	-	2,203,478
Security deposits	-	3,745
Total	-	2,271,245

## Notes to the Financial Statements

### 30. Portfolio reporting

The Group's business is investing in real estate and real estate-related assets which are predominantly used for commercial purposes. All its existing properties are located in Singapore and Australia.

Discrete financial information is provided to the Board on a property by property basis. The information provided includes net rental (including property income and property expenses) and the value of the investment properties. The Board is of the view that the portfolio reporting is appropriate as the Group's business is in prime commercial properties located in Singapore's and Australia's financial precincts. In making this judgement, the Board considers the nature and location of these properties which are similar for the entire portfolio of the Group.

Investments in One Raffles Quay and Marina Bay Financial Centre are held through one-third interests in ORQPL, BFCDLLP and CBDPL, investments in 8 Chifley Square and Old Treasury Building are held through 50% interests in M8CT and MOTT, and the information provided below is in relation to the properties.

#### By property

Property income	Group	
	2015 \$'000	2014 \$'000
Prudential Tower <sup>1</sup>	–	15,528
Bugis Junction Towers	<b>22,599</b>	20,859
275 George Street <sup>2</sup>	<b>18,946</b>	20,630
77 King Street office tower	<b>10,508</b>	11,617
Ocean Financial Centre <sup>3</sup>	<b>101,858</b>	97,695
8 Exhibition Street <sup>4</sup>	<b>16,436</b>	17,764
Total property income	<b>170,347</b>	184,093

## Notes to the Financial Statements

	Group	
	2015 \$'000	2014 \$'000
<b>Income contribution</b>		
Prudential Tower <sup>1</sup>	–	13,250
Bugis Junction Towers	<b>18,872</b>	16,447
275 George Street <sup>2</sup>	<b>15,294</b>	16,858
77 King Street office tower	<b>8,462</b>	9,097
Ocean Financial Centre <sup>3</sup>	<b>83,044</b>	82,652
8 Exhibition Street <sup>4</sup>	<b>11,793</b>	13,132
Total net property income	<b>137,465</b>	151,436
Ocean Financial Centre <sup>3</sup> :		
– Rental support	<b>5,577</b>	46,885
One-third interest in ORQPL <sup>5</sup> :		
– Interest income	<b>2,019</b>	1,640
– Dividend income	<b>24,120</b>	28,384
Total income	<b>26,139</b>	30,024
One-third interests in BFCDLLP <sup>6</sup> and CBDPL <sup>6</sup> :		
– Rental support	<b>14,800</b>	1,437
– Interest income	<b>24,095</b>	19,809
– Dividend income	<b>51,642</b>	38,065
Total income	<b>90,537</b>	59,311
50% interest in M8CT <sup>7</sup> :		
– Interest income	–	5,157
– Distribution income	<b>12,135</b>	6,230
Total income	<b>12,135</b>	11,387
50% interest in MOTT <sup>8</sup> :		
– Interest income	<b>8,711</b>	8,762
– Distribution income	<b>3,131</b>	1,799
Total income	<b>11,842</b>	10,561
Total income contribution	<b>283,695</b>	309,604

1 Prudential Tower was divested on 26 September 2014.

2 Comprises 50.0% (2014: 50.0%) interest in 275 George Street.

3 Comprises approximately 99.9% (2014: 99.9%) interest in OPLLP which holds Ocean Financial Centre.

4 Comprises 50.0% (2014: 50.0%) interest in 8 Exhibition Street office building and two retail units, as well as 100% interest (2014: Nil) in the adjoining three retail units.

5 Comprises one-third (2014: one-third) interest in ORQPL which holds One Raffles Quay.

6 Comprise one-third (2014: one-third) interests in BFCDLLP and CBDPL which hold MBFC Towers 1, 2 and 3 and Marina Bay Link Mall.

7 Comprises 50.0% (2014: 50.0%) interest in M8CT which holds 8 Chifley Square.

8 Comprises 50.0% (2014: 50.0%) interest in MOTT which holds Old Treasury Building. The building received its Certificate of Practical Completion on 31 August 2015.

## Notes to the Financial Statements

### 30. Portfolio reporting (cont'd)

#### By property (cont'd)

Reconciliation to net income before net change in fair value of investment properties and gain on divestment of investment property per Statement of Total Return:

	Group	
	2015 \$'000	2014 \$'000
Total income contribution	283,695	309,604
Less: Dividend and distribution income	(91,028)	(74,478)
Add: Rental support for directly held investment properties	103	1,689
Add: Interest income earned from deposits placed with financial institutions	2,115	2,064
Add: Share of results of associates	75,695	60,745
Add: Share of results of joint ventures	17,163	9,848
Less: Other unallocated expenses	(138,967)	(154,310)
Net income before net change in fair value of investment properties and gain on divestment of investment property	<b>148,776</b>	155,162

	Group	
	2015 \$'000	2014 \$'000
<b>Interests in associates</b>		
<u>One-third interest in ORQPL:</u>		
Investment in associate	665,472	661,402
Advances to associate	44,946	44,946
	<b>710,418</b>	706,348
<u>One-third interest in BFCDLLP:</u>		
Investment in associate	1,093,850	1,053,536
Advances to associate	563,976	568,276
	<b>1,657,826</b>	1,621,812
<u>One-third interest in CBDPL:</u>		
Investment in associate	738,476	714,547

	Group	
	2015 \$'000	2014 \$'000
<b>Interests in joint ventures</b>		
<u>50% interest in M8CT:</u>		
Investment in joint venture	200,027	197,807
<u>50% interest in MOTT:</u>		
Investment in joint venture	208,085	91,124
Advances to a joint venture	-	99,853
	<b>208,085</b>	190,977

**By geographical area**

	Group	
	2015 \$'000	2014 \$'000
<u>Property income</u>		
- Singapore	<b>124,457</b>	134,082
- Australia	<b>45,890</b>	50,011
Total property income	<b>170,347</b>	184,093
<u>Net property income</u>		
- Singapore	<b>101,916</b>	112,349
- Australia	<b>35,549</b>	39,087
Total net property income	<b>137,465</b>	151,436
<u>Income contribution</u>		
- Singapore	<b>224,169</b>	248,569
- Australia	<b>59,526</b>	61,035
Total income contribution	<b>283,695</b>	309,604
<u>Investment properties, at valuation</u>		
- Singapore	<b>3,143,027</b>	3,065,831
- Australia	<b>548,046</b>	547,785
Total value of investment properties	<b>3,691,073</b>	3,613,616

## Notes to the Financial Statements

### 31. Commitments and contingencies

(a) Operating lease commitments – as lessor

The Group leases out its investment properties. Lease arrangements for the Group's Australia-based investment properties include rental escalation clauses. Future minimum rental receivable under non-cancellable operating leases is as follows:

	Group	
	2015 \$'000	2014 \$'000
Within 1 year	<b>147,048</b>	148,180
Between 2 and 5 years	<b>240,913</b>	283,666
After 5 years	<b>35,008</b>	25,641
	<b>422,969</b>	457,487

(b) Capital commitments

Capital expenditure contracted for as at the end of the reporting period but not recognised in the financial statements is as follows:

	Group		Trust	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Committed progressive payments for investment in a joint venture	–	<b>10,989</b>	–	–

In the prior year, the committed progressive payments for investment in a joint venture were in relation to the consideration payable by the Group for its 50% interest in MOTT (Note 6).

(c) Guarantee

The Trust has provided corporate guarantees amounting to \$1,471,500,000 (2014: \$1,770,858,000) to banks for loans taken by a subsidiary.



**32. Financial ratios**

	2015 %	2014 %
Expenses to weighted average net assets <sup>1</sup>		
- including performance component of Manager's management fees	<b>1.25</b>	1.27
- excluding performance component of Manager's management fees	<b>1.05</b>	1.04
Total operating expenses to net asset value <sup>2</sup>	<b>2.7</b>	2.7
Portfolio turnover rate <sup>3</sup>	-	12.18

1 The ratios are computed in accordance with the guidelines of the Investment Management Association of Singapore. The expenses used in the computation relate to the trust expenses, excluding property expenses, amortisation expenses, foreign exchange differences and borrowing costs for the financial year.

2 The ratio is computed based on the total property expenses, including the Group's share of property expenses incurred by its associates and joint ventures and all fees and charges paid to the Manager and related parties for the financial year and as a percentage of net asset value as at the end of the financial year.

3 The ratio is computed based on the lesser of purchases or sales of underlying investment properties of the Group expressed as a percentage of weighted average net asset value.

**33. Subsequent events**

On 18 January 2016, the Manager declared a distribution of 1.68 cents per Unit for the period from 1 October 2015 to 31 December 2015.

On 29 January 2016, the Manager completed the divestment of its 100% interest in 77 King Street office tower, Sydney, Australia, for an aggregate sale consideration of A\$160 million.

## Additional Information

### Interested person transactions

The transactions entered into with interested persons during the financial year which fall under the Listing Manual of the SGX-ST and the CIS Code are as follows:

Name of Interested Person	Aggregate value of all interested person transactions during the financial period under review (excluding transactions of less than \$100,000)	Aggregate value of all interested person transactions conducted under Unitholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000) <sup>1</sup>
	FY2015 \$'000	FY2015 \$'000
<u>Keppel Corporation Limited and its subsidiaries or associates</u>		
- Manager's management fees	49,984	Nil
- Acquisition fee	89	Nil
- Property management fees and reimbursable	5,709	Nil
- Leasing commissions	1,453	Nil
- Rental and service charge income <sup>2</sup>	128	Nil
- Rental support	16,122	Nil
- Electricity expenses <sup>2</sup>	12,400	Nil
- Reimbursement of development costs for one-third interest in an associate	4,837	Nil
<u>RBC Investor Services Trust Singapore Limited</u>		
- Trustee's fees	1,229	Nil

<sup>1</sup> Keppel REIT does not have a Unitholders' mandate.

<sup>2</sup> The aggregate value of interested person transactions refers to the total contract sum entered into during the financial year.

The payments of the Manager's management fees, payments of property management fees, reimbursements and leasing commissions to the Property Manager in respect of payroll and related expenses as well as payments of the Trustee's fees pursuant to the Trust Deed have been approved at the extraordinary general meeting of shareholders of Keppel Land held on 11 April 2006, and are therefore not subject to Rules 905 and 906 of the SGX-ST's Listing Manual. Such payments are not to be included in the aggregate value of total interested person transactions as governed by Rules 905 and 906 of the Listing Manual. In addition, certain other interested person transactions as outlined in the Introductory Document dated 25 March 2006 are deemed to have been specifically approved by the Unitholders and are therefore not subject to Rules 905 and 906 of the Listing Manual insofar, in respect of each such agreement, there is no subsequent change to the rates and/or basis of the fees charged thereunder which will adversely affect Keppel REIT.

Save as disclosed above, there were no other interested person transactions (excluding transactions of less than \$100,000 each) entered into during FY 2015 nor any material contracts entered into by Keppel REIT that involved the interests of the Chief Executive Officer, any Director or controlling Unitholder of Keppel REIT.

Please also see significant related party transactions on Note 26 in the financial statements.

### Subscription of Keppel REIT Units

During the financial year ended 31 December 2015, Keppel REIT issued 40,679,411 new Units as payment of management fees and 5,011,176 new Units pursuant to the implementation of the Distribution Reinvestment Plan in 2015.

# Unit Price Performance

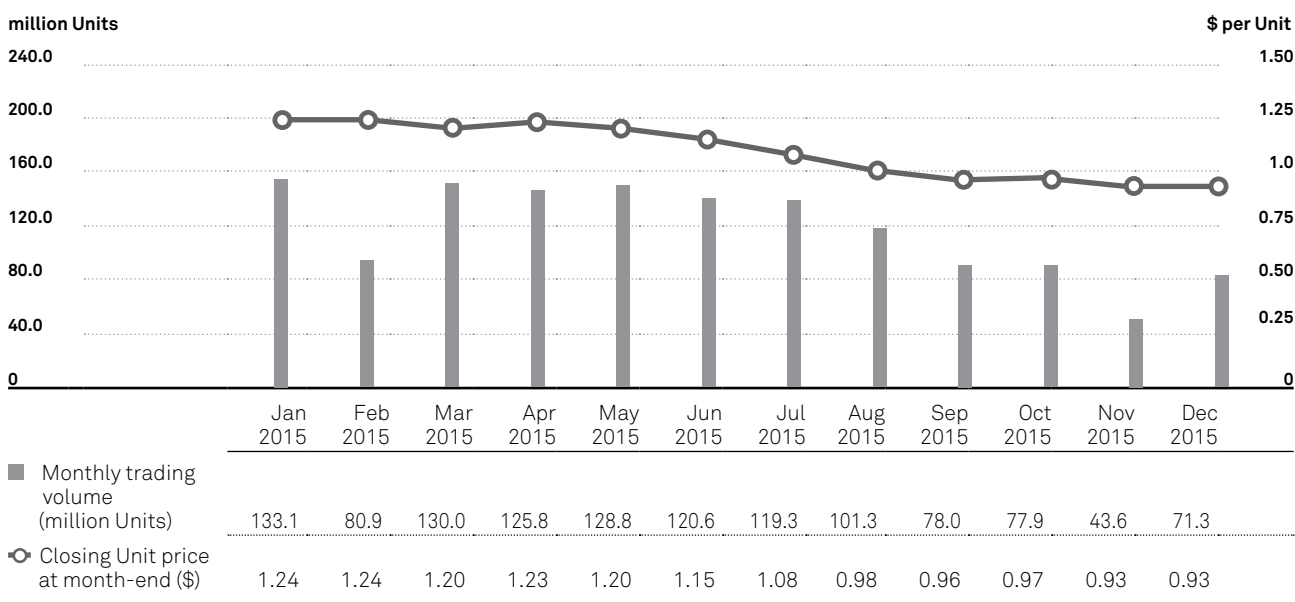
A total of over 1.2 billion Keppel REIT Units were traded in 2015. The Unit closed at \$0.93 on 31 December 2015.

Keppel REIT delivered a distribution yield of 7.3% in 2015, above that of other broader benchmarks including the Straits Times (ST), FTSE ST Real Estate (RE) and FTSE ST Real Estate investment Trust (REIT) Indices' yields of 4.2%, 4.6% and 6.4% respectively.

Keppel REIT's yield was also 470 basis points (bps), higher than the CPF Ordinary Account, 500 bps and 540 bps above the 10-year and five-year Singapore Government bonds respectively.

As at end-December 2015, the STI and FTSE REIT Indices closed at 2,882.73 and 695.93, a 14.3% and 10.7% decline over 2014 respectively. The challenging market conditions saw Keppel REIT's total shareholder return at -18% for the year.

## Unit Price Performance in 2015



## Unit Price Performance

	2015	2014
Highest closing price (\$)	<b>1.25</b>	1.31
Lowest closing price (\$)	<b>0.92</b>	1.11
Average closing price (\$)	<b>1.10</b>	1.21
Closing price as at the last trading day of the year (\$)	<b>0.93</b>	1.22
Trading volume (million Units)	<b>1,210</b>	1,180

## Unit Price Performance

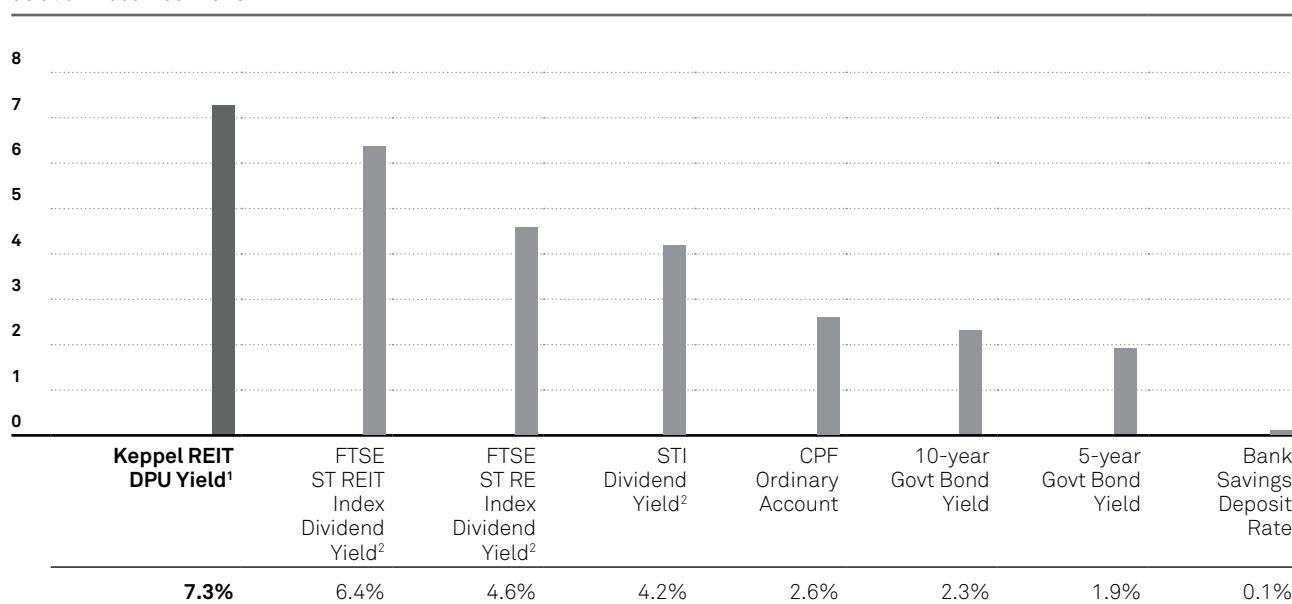
### Comparative Price Trends

Date	Keppel REIT		STI		FTSE ST RE		FTSE ST REIT	
	Closing Unit price (\$) at month-end	Change <sup>1</sup> (%)	Closing Unit price (\$) at month-end	Change <sup>1</sup> (%)	Closing Unit price (\$) at month-end	Change <sup>1</sup> (%)	Closing Unit price (\$) at month-end	Change <sup>1</sup> (%)
Dec 2014	1.22	-	3,365.15	-	755.98	-	779.50	-
Jan 2015	<b>1.24</b>	<b>1.6</b>	<b>3,391.20</b>	<b>0.8</b>	<b>789.89</b>	<b>4.5</b>	<b>796.80</b>	<b>2.2</b>
Feb 2015	<b>1.24</b>	<b>1.6</b>	<b>3,402.86</b>	<b>1.1</b>	<b>803.13</b>	<b>6.2</b>	<b>805.26</b>	<b>3.3</b>
Mar 2015	<b>1.20</b>	<b>-1.6</b>	<b>3,447.01</b>	<b>2.4</b>	<b>806.08</b>	<b>6.6</b>	<b>807.62</b>	<b>3.6</b>
Apr 2015	<b>1.23</b>	<b>0.8</b>	<b>3,487.39</b>	<b>3.6</b>	<b>819.58</b>	<b>8.4</b>	<b>802.45</b>	<b>2.9</b>
May 2015	<b>1.20</b>	<b>-1.6</b>	<b>3,392.11</b>	<b>0.8</b>	<b>818.27</b>	<b>8.2</b>	<b>795.76</b>	<b>2.1</b>
Jun 2015	<b>1.15</b>	<b>-5.7</b>	<b>3,317.33</b>	<b>-1.4</b>	<b>789.58</b>	<b>4.4</b>	<b>779.50</b>	<b>0.0</b>
Jul 2015	<b>1.08</b>	<b>-11.5</b>	<b>3,202.50</b>	<b>-4.8</b>	<b>752.43</b>	<b>-0.5</b>	<b>752.60</b>	<b>-3.5</b>
Aug 2015	<b>0.98</b>	<b>-19.7</b>	<b>2,921.44</b>	<b>-13.2</b>	<b>697.84</b>	<b>-7.7</b>	<b>700.07</b>	<b>-10.2</b>
Sep 2015	<b>0.96</b>	<b>-21.3</b>	<b>2,790.89</b>	<b>-17.1</b>	<b>675.28</b>	<b>-10.7</b>	<b>693.88</b>	<b>-11.0</b>
Oct 2015	<b>0.97</b>	<b>-20.5</b>	<b>2,998.35</b>	<b>-10.9</b>	<b>722.92</b>	<b>-4.4</b>	<b>722.93</b>	<b>-7.3</b>
Nov 2015	<b>0.93</b>	<b>-23.8</b>	<b>2,855.94</b>	<b>-15.1</b>	<b>685.29</b>	<b>-9.4</b>	<b>693.80</b>	<b>-11.0</b>
Dec 2015	<b>0.93</b>	<b>-23.8</b>	<b>2,882.73</b>	<b>-14.3</b>	<b>701.61</b>	<b>-7.2</b>	<b>695.93</b>	<b>-10.7</b>

<sup>1</sup> Based on the closing price on the last day of the preceding reporting period compared with the closing price on the last day of each month of the current period.

### Comparative Yields

as at 31 December 2015



<sup>1</sup> Based on Keppel REIT's DPU of 6.80 cents for FY 2015 and market closing price of \$0.93 per Unit as at 31 December 2015.

<sup>2</sup> Based on sum of gross dividend amounts over the prior 12 months for FTSE ST REIT, FTSE ST RE and STI Indices as at 31 December 2015.

Sources: Bloomberg, Monetary Authority of Singapore, Central Provident Fund and Singapore Government Securities

## Statistics of Unitholdings

# Statistics of Unitholdings

As at 25 February 2016

**Issued and Fully Paid Units**

3,229,844,470 Units (Voting rights : 1 vote per Unit)

There is only one class of Units in Keppel REIT.

Market capitalisation of S\$2,987,606,135 based on market closing price of S\$0.925 on 25 February 2016.

**Distribution Of Unitholdings**

Size of Unitholdings	No. of Unitholders	%	No. of Units	%
1 - 99	4,073	8.20	241,558	0.01
100 - 1,000	17,959	36.16	8,572,195	0.26
1,001 - 10,000	18,462	37.17	77,315,996	2.39
10,001 - 1,000,000	9,111	18.34	418,495,391	12.96
1,000,001 and above	64	0.13	2,725,219,330	84.38
<b>Total</b>	<b>49,669</b>	<b>100.00</b>	<b>3,229,844,470</b>	<b>100.00</b>

**Twenty Largest Unitholders**

No.	Name	No. of Units	%
1	Keppel REIT Investment Pte Ltd	1,460,069,304	45.21
2	DBS Nominees (Private) Limited	346,883,604	10.74
3	Citibank Nominees Singapore Pte Ltd	237,142,532	7.34
4	Raffles Nominees (Pte) Limited	177,932,412	5.51
5	HSBC (Singapore) Nominees Pte Ltd	89,257,806	2.76
6	Citibank Consumer Nominees Pte Ltd	65,803,354	2.04
7	DBSN Services Pte. Ltd.	45,790,442	1.42
8	United Overseas Bank Nominees (Private) Limited	33,939,094	1.05
9	BNP Paribas Securities Services Singapore Branch	26,948,251	0.83
10	Keppel REIT Management Limited	23,583,382	0.73
11	Bank of Singapore Nominees Pte. Ltd.	22,846,515	0.71
12	OCBC Securities Private Ltd	17,600,453	0.54
13	DB Nominees (Singapore) Pte Ltd	13,771,457	0.43
14	DBS Vickers Securities (Singapore) Pte Ltd	12,724,957	0.39
15	Phillip Securities Pte Ltd	11,008,933	0.34
16	Ko Woon Hong	10,960,000	0.34
17	ABN AMRO Nominees Singapore Pte Ltd	9,485,869	0.29
18	UOB Kay Hian Private Limited	9,456,798	0.29
19	OCBC Nominees Singapore Private Limited	9,133,083	0.28
20	Peh Kwee Chim	6,630,000	0.21
	<b>Total</b>	<b>2,630,968,246</b>	<b>81.45</b>

## Statistics of Unitholdings

### The Manager's Directors' Unitholdings

Based on the Register of Directors' Unitholdings maintained by the Manager, as at 21 January 2016, the direct and deemed interests of each Director in the Units<sup>1</sup> in Keppel REIT are as follows:

Name of Director	No. of Units
Chin Wei-Li, Audrey Marie	823,486 (Direct) and 1,110,226 (Deemed)
Ng Hsueh Ling	818,796 (Direct)
Tan Chin Hwee	370,000 (Deemed)
Lee Chiang Huat	Nil
Chan Choong Seng, Daniel	Nil
Lor Bak Liang	103,327 (Direct)
Ang Wee Gee	885,270 (Direct)
Prof Tan Cheng Han	Nil
Lim Kei Hin	237,000 (Direct) and 130,000 (Deemed)

<sup>1</sup> As at 21 January 2016, there are no convertible securities in Keppel REIT.

### Substantial Unitholders

Based on the Register of Substantial Unitholders' Unitholdings maintained by the Manager as at 25 February 2016, the direct and deemed interests of each Substantial Unitholders of Keppel REIT in the Units in Keppel REIT are as follows:

Name	No. of Units	%
Temasek Holdings (Private) Limited	1,509,057,314 (Deemed) <sup>1</sup>	46.72
Keppel Corporation Limited	1,489,402,440 (Deemed) <sup>2</sup>	46.11
Keppel Land Limited	1,483,652,686 (Deemed) <sup>3</sup>	45.94
Keppel REIT Investment Pte. Ltd.	1,460,069,304 (Direct)	45.21

#### Notes:

- (1) Temasek Holdings (Private) Limited's deemed interest arises from the deemed interest held by Keppel Corporation Limited and other subsidiaries and associated companies of Temasek Holdings (Private) Limited.
- (2) Keppel Corporation Limited's deemed interest arises from its shareholdings in Keppel Real Estate Investment Pte. Ltd., a wholly-owned subsidiary of Keppel Corporation Limited, and in Keppel REIT Investment Pte. Ltd. and Keppel REIT Management Limited, both of which are wholly-owned subsidiaries of Keppel Land Limited, which is in turn a subsidiary of Keppel Corporation Limited.
- (3) Keppel Land Limited's deemed interest arises from its shareholdings in Keppel REIT Investment Pte. Ltd. and Keppel REIT Management Limited, both of which are wholly-owned subsidiaries of Keppel Land Limited.

### Public Unitholders

Based on the information available to the Manager as at 25 February 2016, approximately 53% of the issued Units in Keppel REIT is held by the public and therefore, pursuant to Rules 1207 and 723 of the Listing Manual of the SGX-ST, it is confirmed that at least 10% of the issued Units in Keppel REIT is at all times held by the public.

### Treasury Units

As at 25 February 2016, there are no treasury units held by Keppel REIT or the Manager.

# Notice of Annual General Meeting



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

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting ("**AGM**") of the holders of units of Keppel REIT (the "**Unitholders**"), will be held at Raffles City Convention Centre, Stamford Ballroom (Level 4), 80 Bras Basah Road, Singapore 189560 on 15 April 2016 at 3.00 p.m. to transact the following business:

## (A) As Ordinary Business

1. To receive and adopt the Report of the Trustee of Keppel REIT issued by RBC Investor Services Trust Singapore Limited, as trustee of Keppel REIT (the "**Trustee**"), the Statement by the Manager issued by Keppel REIT Management Limited, as manager of Keppel REIT (the "**Manager**"), and the Audited Financial Statements of Keppel REIT for the financial year ended 31 December 2015 and the Auditors' Report thereon. (**Ordinary Resolution 1**)
2. To appoint Messrs PricewaterhouseCoopers LLP ("**PwC**") as the Auditor of Keppel REIT for the financial year ending 31 December 2016 in place of the retiring auditor, Messrs Ernst & Young LLP ("**EY**"), to hold office until the conclusion of the next AGM of Keppel REIT, and to authorise the Manager to fix their remuneration. (**Ordinary Resolution 2**)

(Please see Explanatory Notes).

3. To re-endorse the appointments of the following directors of the Manager (the "**Directors**"), pursuant to the undertaking dated 24 March 2014 provided by Keppel Land Limited to the Trustee:
  - (a) Mr Lee Chiang Huat (**Ordinary Resolution 3**);
  - (b) Mr Daniel Chan Choong Seng (**Ordinary Resolution 4**); and
  - (c) Mr Lor Bak Liang (**Ordinary Resolution 5**).

(Please see Explanatory Notes).

## (B) As Special Business

To consider and, if thought fit, to pass with or without any modifications, the following resolution as an Ordinary Resolution:

4. That authority be and is hereby given to the Manager, to
  - (a) (i) issue units in Keppel REIT ("**Units**") whether by way of rights, bonus or otherwise, and including any capitalisation of any sum for the time being standing to the credit of any of Keppel REIT's reserve accounts or any sum standing to the credit of the profit and loss account or otherwise available for distribution; and/or
  - (ii) make or grant offers, agreements or options that might or would require Units to be issued, including but not limited to the creation and issue of (as well as adjustments to) securities, warrants, options, debentures or other instruments convertible into Units (collectively, "**Instruments**"),

at any time and upon such terms and conditions and for such purposes and to such persons as the Manager may in its absolute discretion deem fit; and

- (b) issue Units in pursuance of any Instruments made or granted by the Manager while this Resolution was in force (notwithstanding that the authority conferred by this Resolution may have ceased to be in force),

## Notice of Annual General Meeting

provided that:

- (1) the aggregate number of Units to be issued pursuant to this Resolution (including Units to be issued in pursuance of Instruments made or granted pursuant to this Resolution and any adjustment effected under any relevant Instrument) shall not exceed fifty per cent. (50%) of the total number of issued Units (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Units to be issued other than on a pro rata basis to Unitholders (including Units to be issued in pursuance of Instruments made or granted pursuant to this Resolution and any adjustment effected under any relevant Instruments) shall not exceed twenty per cent. (20%) of the total number of issued Units (as calculated in accordance with sub-paragraph (2) below);
- (2) subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) for the purpose of determining the aggregate number of Units that may be issued under sub-paragraph (1) above, the percentage of issued Units shall be calculated based on the total number of issued Units at the time this Resolution is passed, after adjusting for:
  - (a) any new Units arising from the conversion or exercise of any Instruments which are outstanding or subsisting at the time this Resolution is passed; and
  - (b) any subsequent bonus issue, consolidation or subdivision of Units;
- (3) in exercising the authority conferred by this Resolution, the Manager shall comply with the provisions of the Listing Manual of the SGX-ST (the “**Listing Manual**”) for the time being in force (unless such compliance has been waived by the SGX-ST) and the trust deed constituting Keppel REIT (as amended) (the “**Trust Deed**”) for the time being in force (unless otherwise exempted or waived by the Monetary Authority of Singapore);
- (4) (unless revoked or varied by the Unitholders in a general meeting) the authority conferred by this Resolution shall continue in force until (i) the conclusion of the next AGM of Keppel REIT or (ii) the date on which the next AGM of Keppel REIT is required by applicable regulations to be held, whichever is earlier;
- (5) where the terms of the issue of the Instruments provide for adjustment to the number of Instruments or Units into which the Instruments may be converted, in the event of rights, bonus or other capitalisation issues or any other events, the Manager is authorised to issue additional Instruments or Units pursuant to such adjustment notwithstanding that the authority conferred by this Resolution may have ceased to be in force at the time the Instruments or Units are issued; and
- (6) the Manager and the Trustee be and are hereby severally authorised to complete and do all such acts and things (including, without limitation, executing all such documents as may be required) as the Manager or, as the case may be, the Trustee may consider necessary, expedient, incidental or in the interest of Keppel REIT to give effect to the authority contemplated and/or authorised by this Resolution. (**Ordinary Resolution 6**)

(Please see Explanatory Notes).

### (C) As Other Business

5. To transact such other business as may be transacted at an AGM.

BY ORDER OF THE BOARD  
Keppel REIT Management Limited  
(Company Registration No. 200411357K)  
As manager of Keppel REIT



**Marc Tan Weiqiang**  
Joint Company Secretaries  
Singapore  
24 March 2016



**Daniel Law**



**Explanatory notes:****1. Ordinary Resolution 2**

The Ordinary Resolution 2, if passed, will allow for the appointment of PwC as Auditor of Keppel REIT for the financial year ending 31 December 2016 in place of the retiring Auditor, EY (the "**Proposed Change of Auditor**") and to authorise the Manager to fix their remuneration. Information on PwC, the rationale of the Proposed Change of Auditor, the confirmations pursuant to Rule 1203(5) of the Listing Manual, the Audit and Risk Committee's statement in support of the Proposed Change Of Auditor pursuant to Ordinary Resolution 2 and the Directors' recommendation are set out in the Appendix to this Notice of AGM dated 24 March 2016.

**2. Ordinary Resolutions 3 to 5**

Keppel Land Limited had on 24 March 2014 provided an undertaking (the "**Undertaking**") to the Trustee:

- to procure the Manager to seek Unitholders' re-endorsement for the appointment of each Director no later than every third AGM of Keppel REIT after the relevant general meeting at which such Director's appointment was last endorsed or re-endorsed, as the case may be;
- (where a person is appointed as Director, either to fill a vacancy or as an addition to the existing Directors, at any time) to procure the Manager to seek Unitholders' endorsement for his appointment as a Director at the next AGM of Keppel REIT immediately following his appointment;
- to procure any person whose appointment as a Director has not been endorsed or re-endorsed (as the case may be) by the Unitholders at the relevant general meeting of Keppel REIT where the endorsement or re-endorsement (as the case may be) for his appointment was sought, to resign or otherwise be removed from the Board of Directors of the Manager either (i) within 21 days from the date of the relevant general meeting or (ii) in the event that the Board of Directors of the Manager determines that a replacement Director has to be appointed, no later than the date when such replacement Director is appointed, and the regulatory approval for such appointment (if any) has been obtained; and
- (for so long as Section 153 of the Companies Act, Cap. 50 of Singapore, shall remain in force) to procure the Manager to seek Unitholders' endorsement or re-endorsement, as the case may be, for any person of or over the age of 70 years to be appointed or reappointed, as the case may be, as a Director, at each AGM of Keppel REIT.

The endorsement or re-endorsement from Unitholders of any appointment of any person as a Director shall be by way of an ordinary resolution passed at the relevant general meeting. The Undertaking shall not restrict the Manager or Keppel Land Limited from appointing any Director from time to time in accordance with applicable laws and regulations (including any applicable rule of the SGX-ST) and the Articles of Association of the Manager.

The Undertaking shall remain in force for so long as:

- Keppel Land Limited remains as the holding company (as defined in the Companies Act of Singapore, Chapter 50 of Singapore) of the Manager; and
- Keppel REIT Management Limited remains as the manager of Keppel REIT.

Detailed information on Mr Lee Chiang Huat, Mr Daniel Chan Choong Seng and Mr Lor Bak Liang can be found in the "Board of Directors" section in Keppel REIT's Report to Unitholders 2015.

Mr Lee Chiang Huat will, upon re-endorsement, continue to serve as Chairman of the Audit and Risk Committee.

Mr Daniel Chan Choong Seng will, upon re-endorsement, continue to serve as a member of the Audit and Risk Committee.

Mr Lor Bak Liang will, upon re-endorsement, continue to serve as a member of the Audit and Risk Committee.

Mr Lee Chiang Huat, Mr Daniel Chan Choong Seng and Mr Lor Bak Liang are considered as independent Directors.

Notwithstanding that the appointments of Mr Lee Chiang Huat, Mr Daniel Chan Choong Seng and Mr Lor Bak Liang were endorsed by Unitholders on 15 April 2014 and the Undertaking requires the Manager to seek Unitholders' re-endorsement for the appointment of each Director no later than every third AGM of Keppel REIT after the relevant general meeting at which such Director's appointment was last endorsed, the Manager is seeking the re-endorsement of the appointments of Mr Lee Chiang Huat, Mr Daniel Chan Choong Seng and Mr Lor Bak Liang so that eventually at any one annual general meeting, only one-third of the Directors will seek re-endorsement.

The list of all current directorships in other listed companies and details of other principal commitments of the abovementioned Directors are set out on page 17 of Keppel REIT's Report to Unitholders 2015.

**3. Ordinary Resolution 6**

The Ordinary Resolution 6 above, if passed, will empower the Manager from the date of this AGM until (i) the conclusion of the next AGM of Keppel REIT; (ii) the date on which the next AGM of Keppel REIT is required by the applicable regulations to be held, or (iii) the date on which such authority is revoked or varied by the Unitholders in a general meeting, whichever is the earliest (the "**Mandated Period**"), to issue Units, to make or grant Instruments and to issue Units pursuant to such Instruments, up to a number not exceeding 50% of the total number of issued Units of which up to 20% may be issued other than on a pro rata basis to Unitholders.

The Ordinary Resolution 6 above, if passed, will empower the Manager to issue Units, during the Mandated Period, as either full or partial payment of fees which the Manager is entitled to receive for its own account pursuant to the Trust Deed.

To determine the aggregate number of Units that may be issued, the percentage of issued Units will be calculated based on the total number of issued Units at the time the Ordinary Resolution 6 above is passed, after adjusting for new Units arising from the conversion or exercise of any Instruments which are outstanding or subsisting at the time the Ordinary Resolution 6 is passed and any subsequent bonus issue, consolidation or subdivision of Units.

Fund raising by issuance of new Units may be required in instances of property acquisitions or debt repayments.

In any event, if the approval of Unitholders is required under the Listing Manual and the Trust Deed or any applicable laws and regulations in such instances, the Manager will then obtain the approval of Unitholders accordingly.

# Notice of Annual General Meeting

## Important Notice:

1. A Unitholder who is not a relevant intermediary entitled to attend and vote at the AGM is entitled to appoint one or two proxies to attend and vote in his or her stead. A proxy need not be a Unitholder. Where a Unitholder appoints more than one proxy, the appointments shall be invalid unless he or she specifies the proportion of his or her holding (expressed as a percentage of the whole) to be represented by each proxy.
2. A Unitholder who is a relevant intermediary entitled to attend and vote at the AGM is entitled to appoint more than one proxy to attend and vote instead of the Unitholder, but each proxy must be appointed to exercise the rights attached to a different Unit or Units held by such Unitholder. Where such Unitholder appoints more than one proxy, the appointments shall be invalid unless the Unitholder specifies the number of Units in relation to which each proxy has been appointed in the Proxy Form (defined below).

### "Relevant intermediary" means:

- (a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore, or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds Units in that capacity;
  - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore, and who holds Units in that capacity; or
  - (c) the Central Provident Fund Board ("**CPF Board**") established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of Units purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds those Units in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
3. The instrument appointing a proxy or proxies (the "**Proxy Form**") must be deposited at the Manager's registered office at 1 HarbourFront Avenue, #18-01 Keppel Bay Tower, Singapore 098632 not later than 12 April 2016 at 3.00 p.m., being 72 hours before the time fixed for the AGM.

## Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a Unitholder (i) consents to the collection, use and disclosure of the Unitholder's personal data by the Manager and the Trustee (or their agents) for the purpose of the processing and administration by the Manager and the Trustee (or their agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Manager and the Trustee (or their agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the Unitholder discloses the personal data of the Unitholder's proxy(ies) and/or representative(s) to the Manager and the Trustee (or their agents), the Unitholder has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Manager and the Trustee (or their agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the Unitholder will indemnify the Manager and the Trustee in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the Unitholder's breach of warranty.

# Proxy Form

## Keppel REIT

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

### IMPORTANT:

1. A relevant Intermediary may appoint more than one proxy to attend and vote at the Annual General Meeting (please see Note 2 for the definition of "Relevant Intermediary").
2. For CPF/SRS investors who have used their CPF monies to buy Units in Keppel REIT, this Report to Unitholders is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
3. This Proxy Form is not valid for use by CPF/SRS investors and shall be ineffective for all intents and purposes if used or is purported to be used by them.
4. **PLEASE READ THE NOTES TO THE PROXY FORM.**

### Personal data privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s), the Unitholder accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 24 March 2016.

## Annual General Meeting

I/We \_\_\_\_\_  
(Name(s) and NRIC Number(s)/Passport Number(s)/Company Registration Number)  
of \_\_\_\_\_ (Address)  
being a Unitholder/Unitholders of Keppel REIT, hereby appoint:

Name	Address	NRIC/ Passport Number	Proportion of Unitholdings	
			No. of Units	%

and/or (delete as appropriate)

Name	Address	NRIC/ Passport Number	Proportion of Unitholdings	
			No. of Units	%

as my/our proxy/proxies to attend and to vote for me/us on my/our behalf and if necessary, to demand a poll, at the Annual General Meeting of Keppel REIT to be held at Raffles City Convention Centre, Stamford Ballroom (Level 4), 80 Bras Basah Road, Singapore 189560 on 15 April 2016 at 3.00 p.m., and any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the resolutions to be proposed at the Annual General Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the Annual General Meeting.

No.	Resolution	Number of Votes For*	Number of Votes Against*
<b>Ordinary Business</b>			
1.	To receive and adopt the Trustee's Report, the Manager's Statement, the Audited Financial Statements of Keppel REIT for the year ended 31 December 2015 and the Auditor's Report thereon		
2.	To appoint Messrs PricewaterhouseCoopers LLP as the Auditor of Keppel REIT for the financial year ending 31 December 2016 in place of the retiring auditor, Messrs Ernst & Young LLP, and authorise the Manager to fix the Auditor's remuneration		
3.	To re-endorse the appointment of Mr Lee Chiang Huat as Director		
4.	To re-endorse the appointment of Mr Daniel Chan Choong Seng as Director		
5.	To re-endorse the appointment of Mr Lor Bak Liang as Director		
<b>Special Business</b>			
6.	To authorise the Manager to issue Units and to make or grant convertible instruments		
<b>Other Business</b>			
7.	To transact such other business as may be transacted at an Annual General Meeting		

\* If you wish to exercise all your votes "For" or "Against" the relevant Resolution, please mark with an "X" within the relevant box provided. Alternatively, if you wish to exercise your votes for both "For" and "Against" the relevant Resolution, please indicate the number of Units in the boxes provided.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2016

\_\_\_\_\_  
Signature(s) of Unitholder(s) / Common Seal of Corporate Unitholder

**Total Number of Units Held**

**IMPORTANT : Please read the notes overleaf before completing this Proxy Form**

Fold and glue all sides firmly

Fold and glue all sides firmly

Fold and glue all sides firmly

## Notes to the Proxy Form

1. A Unitholder of Keppel REIT ("**Unitholder**") who is not a relevant intermediary entitled to attend and vote at the Annual General Meeting ("**AGM**") is entitled to appoint one or two proxies to attend and vote in his or her stead. A proxy need not be a Unitholder. Where a Unitholder appoints more than one proxy, the appointments shall be invalid unless he or she specifies the proportion of his or her holding (expressed as a percentage of the whole) to be represented by each proxy.
2. A Unitholder who is a relevant intermediary entitled to attend and vote at the AGM is entitled to appoint more than one proxy to attend and vote instead of the Unitholder, but each proxy must be appointed to exercise the rights attached to a different Unit or Units held by such Unitholder. Where such Unitholder appoints more than one proxy, the appointments shall be invalid unless the Unitholder specifies the number of Units in relation to which each proxy has been appointed in the Proxy Form (defined below).  
**"Relevant intermediary"** means:
  - (a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore, or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds Units in that capacity;
  - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act Chapter 289 of Singapore, and who holds Units in that capacity; or
  - (c) the Central Provident Fund Board ("**CPF Board**") established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of Units purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds those Units in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
3. A Unitholder should insert the total number of Units held in the Proxy Form (defined below). If the Unitholder has Units entered against his or her name in the Depository Register maintained by The Central Depository (Pte) Limited ("**CDP**"), he or she should insert that number of Units. If the Unitholder has Units registered in his or her name in the Register of Unitholders of Keppel REIT, he or her should insert that number of Units. If the Unitholder has Units entered against his or her name in the said Depository Register and registered in his or her name in the Register of Unitholders, he or she should insert the aggregate number of Units. If no number is inserted, the Proxy Form will be deemed to relate to all the Units held by the Unitholder.
4. The instrument appointing a proxy or proxies (the "**Proxy Form**") must be deposited at the Manager's registered office at 1 HarbourFront Avenue, #18-01 Keppel Bay Tower, Singapore 098632, not less than 72 hours before the time set for the AGM.
5. The Proxy Form must be executed under the hand of the appointor or of his or her attorney duly authorised in writing. Where the Proxy Form is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.

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**Keppel REIT**

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The Company Secretary  
**Keppel REIT Management Limited**  
(as Manager of Keppel REIT)  
1 HarbourFront Avenue  
#18-01 Keppel Bay Tower  
Singapore 098632

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6. Where the Proxy Form is signed on behalf of the appointor by an attorney or a duly authorised officer, the power of attorney or other authority (if any) under which it is signed, or a duly certified copy of such power of attorney must (failing previous registration with the Manager) be lodged with the Proxy Form, failing which the Proxy Form may be treated as invalid.
7. The Manager and the Trustee shall have the right to reject any Proxy Form which is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the Proxy Form. In addition, in the case of Units entered in the Depository Register, the Manager: (a) may reject any Proxy Form if the Unitholder, being the appointor, is not shown to have Units entered against his or her name in the Depository Register as at 72 hours before the time appointed for holding the AGM, as certified by CDP to the Manager; and (b) shall be entitled and bound to accept as accurate the number of Units entered against the name of that Unitholder as shown in the Depository Register as at a time not earlier than 72 hours prior to the time of the AGM, supplied by CDP to the Trustee and to accept as the maximum number of votes which in aggregate that Unitholder and his proxy/ies (if any) are able to cast on poll a number which is the number of Units entered against the name of that Unitholder as shown in the Depository Register, whether that number is greater or smaller than that specified by the Unitholder or in the Proxy Form.
8. All Unitholders will be bound by the outcome of the AGM regardless of whether they have attended or voted at the AGM.
9. On a poll, every Unitholder who is present in person or by proxy shall have one vote for every Unit of which he or she is the Unitholder. There shall be no division of votes between a Unitholder who is present in person and voting at the AGM and his or her proxy(ies). A person entitled to more than one vote need not use all his or her votes or cast them the same way.
10. CPF Approved Nominees acting on the request of the CPF/SRS investors who wish to attend the AGM are requested to submit in writing, a list with details of the CPF/SRS investors' names, NRIC/Passport numbers, addresses and number of Units held. The list (to be signed by an authorised signatory of the CPF Approved Nominee) should reach Keppel REIT's Unit Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 not later than 12 April 2016 at 3.00pm., being 72 hours before the time fixed for the AGM.

