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DIVESTMENT OF ENTIRE SHAREHOLDING INTEREST IN KEPPEL BAY TOWER PTE. LTD.

1. INTRODUCTION

1.1 Keppel Corporation Limited (the "**Company**" and together with its subsidiaries, the "**Group**") wishes to announce that its wholly-owned subsidiaries, Agathese Pte. Ltd. ("**Vendor**") and Keppel Land (Singapore) Pte. Ltd. ("**KLS**") have entered into a sale and purchase agreement ("**SPA**") with RBC Investor Services Trust Singapore Limited (acting in its capacity as trustee of Keppel Real Estate Investment Trust ("**Keppel REIT**")) ("**Purchaser**" and together with the Vendor and KLS, the "**Parties**") for the sale of 100% of the issued and paid-up share capital, comprising of 84,567,600 ordinary shares ("**Sale Shares**"), in Keppel Bay Tower Pte. Ltd. ("**KBTPL**") to the Purchaser ("**Proposed Divestment**"). As the Vendor is a wholly-owned subsidiary of KLS, KLS has agreed to guarantee and undertakes to the Purchaser the due and punctual payment to the Purchaser, its nominees and/or KBTPL of all sums which are payable by the Vendor to the Purchaser, its nominees and/or KBTPL under the SPA.

1.2. KBTPL is wholly owned by the Vendor. Upon completion of the Proposed Divestment ("**Completion**"), the Vendor would have disposed of its entire shareholding interest in KBTPL, and KBTPL will cease to be a subsidiary of the Vendor. Following Completion, the Purchaser intends to convert KBTPL into a limited liability partnership ("**KBT LLP**") pursuant to Section 21 of the Limited Liability Partnerships Act (Chapter 163A of Singapore) (the "**Conversion**").

1.3. The Proposed Divestment constitutes a "discloseable transaction" under Rules 1007 and 1010 in Chapter 10 of the listing manual (the "**Listing Manual**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), and is not subject to the approval of the shareholders of the Company being obtained at an extraordinary general meeting ("**EGM**"). For further details on the relative figures in respect of the Proposed Divestment computed on the bases set out in Rule 1006 of the Listing Manual, please refer to paragraph 4 of this announcement.

1.4. Based on the representations and confirmations by Keppel REIT to the Company in accordance with the shareholding interests as at the latest practicable date, being 30 November 2020 ("**Latest Practicable Date**") no interested person's interest in Keppel REIT, other than that held through the Company, amounts to 5% or more. Accordingly, the exemption under Rule 915(3) in Chapter 9 of the Listing Manual applies, and the Company is not required to obtain shareholders' approval for the Proposed Divestment. For further details on the shareholding interests, please refer to paragraph 9 of this announcement.

2. INFORMATION ON THE VENDOR, KBTPL AND KEPPEL REIT

2.1 The Vendor

The Vendor was incorporated in the Republic of Singapore on 21 January 2011. The Vendor is an investment holding company and is indirectly wholly owned by the Company.

2.2 KBTPL

KBTPL was incorporated in the Republic of Singapore on 6 July 1999. The principal activity of KBTPL is property owner and development of properties for investments. KBTPL fully owns Keppel Bay Tower ("**Property**"), which is an 18-storey office building located at 1 Harbourfront Avenue Singapore 098632 and was developed in 2002. It is located in proximity to a wide range of amenities, including entertainment and retail centres, corporate residences and hotels.

2.3 Keppel REIT

Keppel REIT is one (1) of the largest real estate investment trusts ("**REITs**") listed on the SGX-ST. Listed by way of an introduction on 28 April 2006 on the Main Board of the SGX-ST, Keppel REIT's objective is to deliver stable and sustainable returns as well as long-term growth for unitholders of Keppel REIT ("**Unitholders**") by owning and investing in a portfolio of quality income-producing commercial real estate and real estate-related assets in Singapore and pan-Asia.

Keppel REIT has assets under management of approximately $8.4 billion comprising 10 premium Grade A commercial assets which are strategically located in the key business districts of Singapore, Sydney, Melbourne, Brisbane and Perth in Australia, as well as Seoul in South Korea[1].

Keppel REIT is sponsored by Keppel Land Limited. It is managed by Keppel REIT Management Limited ("**Manager**"), a wholly-owned subsidiary of Keppel Capital Holdings Pte. Ltd. ("**Keppel Capital**"). Keppel Capital is a premier asset manager in Asia with a diversified portfolio in real estate, infrastructure and data centre properties in key global markets.

All information in respect of Keppel REIT are based solely on information and representations made and provided by Keppel REIT to the Company. In respect of such information, the Company has not independently verified the accuracy and correctness of the same and the Company's responsibility is limited to ensuring that such information has been accurately and correctly extracted and reproduced in this announcement in its proper form and context.

3. MATERIAL TERMS OF THE PROPOSED DIVESTMENT

3.1 Consideration

The consideration for the purchase of the Sale Shares (the "**Consideration**") under the SPA, subject to the adjustments set out below, is estimated to be approximately S$601 million.

3.2 Determination of Consideration

The Consideration was arrived at after arm's length negotiations between the Vendor and the Purchaser and on a willing-buyer and willing-seller basis, which will be based on the Adjusted NAV (as defined below) taking into account, *inter alia*, the rationale for and benefits to the

[1] Including Pinnacle Office Park in Sydney, the acquisition of which was announced on 13 September 2020, with completion of the acquisition targeted to take place in the fourth quarter of 2020.

Group arising from the Proposed Divestment, details of which are set out in paragraph 5 of this announcement.

The Consideration was determined based on the following formula ("**Adjusted NAV**"): aggregate assets less aggregate liabilities of KBTPL as at the date of Completion ("**Completion Date**"), which is based on an assumption that the value of the Property is fixed at the agreed property value, being S$657,200,000 ("**Agreed Property Value**"), and is subject to adjustments based on the completion accounts of KBTPL as at the Completion Date.

3.3 Conditions

Completion is subject to certain conditions ("**Conditions**") being fulfilled or waived by notice in writing (if permitted), which include, amongst others, the following Conditions, by the date falling six (6) months after the EGM of the Unitholders of Keppel REIT to be convened for the purposes of approving the acquisition of the Sale Shares or 30 September 2021, whichever is later (or such other date as the Parties may agree in writing):

(a) in respect of the lease relating to the Property, the approval of the President of the Republic of Singapore and his successors-in-office for the transfer of the Property to KBT LLP and if such approval is given subject to conditions, such conditions being acceptable to the Vendor and Purchaser acting reasonably. Only the Purchaser shall be entitled to waive and, upon the non-fulfilment of this Condition, terminate the SPA by written notice;

(b) the approval of the Unitholders of Keppel REIT at the EGM to be convened to approve, *inter alia*, the acquisition of the Sale Shares. Upon the non-fulfilment of the Condition, either the Purchaser or Vendor shall be entitled to terminate the SPA by written notice;

(c) the receipt of an in-principle approval from the Inland Revenue Authority of Singapore ("**IRAS**") to grant relief from stamp duties for the transfer of assets under Section 15(1A) of the Stamp Duties Act arising from the Conversion and there not having occurred any withdrawal of such in-principle approval and, if applicable, the conditions to such in-principle approval having been fulfilled. In addition, the receipt of a positive income tax advance ruling from the IRAS in relation to certain income tax matters associated with the Conversion. Only the Purchaser shall be entitled to waive and, upon the non-fulfilment of this Condition, terminate the SPA by notice in writing;

(d) the receipt of approval-in-principle of the SGX-ST for the listing and quotation of the new Keppel REIT units to be issued pursuant to an equity fund raising on terms satisfactory to the Purchaser (the "**Equity Fund Raising**"), and there not having occurred any revocation or withdrawal of such approval. Only the Purchaser shall be entitled to waive and, upon the non-fulfilment of this Condition, terminate the SPA by notice in writing;

(e) the listing and commencement of trading of the new Keppel REIT units to be issued pursuant to the Equity Fund Raising. Only the Purchaser shall be entitled to waive and, upon the non-fulfilment of this Condition, terminate the SPA by notice in writing; and

(f) the receipt by the Purchaser of the proceeds of the Equity Fund Raising, to partially fund the acquisition of the Sale Shares. Only the Purchaser shall be entitled to waive and, upon the non-fulfilment of this Condition, terminate the SPA by notice in writing.

3.4 Salient Terms of the SPA

In addition to what has been disclosed above, other material terms of the SPA include, *inter alia*:

(a) Settlement of Kephinance Loan

On Completion, the Purchaser shall, save for any waiver by notice in writing by the Vendor, pay Kephinance Investment Pte Ltd the amount payable by KBTPL on the Completion Date to fully repay the interest-bearing intercompany loan owing by KBTPL to Kephinance Investment Pte Ltd in the principal amount of S$50,500,000 as at the date of the SPA (but excluding prepayment fees and break fees, if any) as full settlement of the aforementioned loan.

(b) State and Condition of the Property, Damage to Property

If, at any time after the date of the SPA and prior to Completion, there is damage or destruction to the Property and/or the plant, machinery, equipment and all components parts in the Property which belong to KBTPL ("**Plant and Equipment**") resulting in a Material Adverse Change (as defined below), then either the Vendor or the Purchaser may elect by notice in writing to the other Parties to terminate the SPA and in which case no Party shall have any claim against another Party for costs, damages, compensation or otherwise. If, however, neither Party elects to terminate the SPA, then the Vendor shall procure KBTPL to reinstate the Property and/or the Plant and Equipment to its state and condition before the event of damage prior to Completion. For the purpose of this Announcement, "**Material Adverse Change**" means any circumstance or event, whether individually or in aggregate, occurring from the date of the SPA, affecting the business, operations, assets, earnings, undertaking, financial condition or prospects of KBTPL which has a negative financial impact equivalent to more than S$65,720,000, being 10% of the Agreed Property Value.

In the event that the reinstatement works are not completed prior to the Completion Date:

(a) the Parties shall discuss in good faith on the postponement (if applicable) of the Completion Date to such date as may be reasonably necessary to complete the works; or

(b) (where Completion proceeds without delay) the Purchaser shall, and shall procure that KBTPL shall, (i) provide to the Vendor all approvals and reasonable access as may be required by the Vendor and the appointed contractors undertaking the works in order for the Vendor to complete the Works and (ii) comply with the reasonable directions of the Vendor to enable the Vendor to fulfil its obligations under the SPA, and where the appointed contractors are appointed by KBTPL, the Purchaser shall procure that KBTPL instructs the appointed contractors to comply with the reasonable directions of the Vendor in respect of the works.

4. RELATIVE FIGURES UNDER CHAPTER 10 OF THE LISTING MANUAL IN RELATION TO THE PROPOSED DIVESTMENT

4.1 For the purposes of Chapter 10 of the Listing Manual, the relative figures computed on the bases set out in Rule 1006 of the Listing Manual based on the latest announced unaudited consolidated financial statements of the Group for the financial period ended 30 June 2020 ("**1H2020**") are set out below:

BASE OF CALCULATION		RELATIVE FIGURES (%)
(a)	Net asset value ("**NAV**") of the Sale Shares to be disposed of, compared with the Group's NAV	5.3% (1)
(b)	Net profits(2) attributable to the Sale Shares to be disposed of, compared with the Group's net profits	-5.2%(3)
(c)	Aggregate value of the Consideration received(6), compared with the Company's market capitalisation(4) of S$9,631 million(5) based on the total number of issued shares excluding treasury shares	6.2%
(d)	Number of equity securities to be issued by the Company as consideration for an acquisition, compared with the number of equity securities of the Company previously in issue	Not applicable
(e)	Aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil or gas company, but not to an acquisition of such assets	Not applicable

Notes:

(1) Based on the NAV of the Sale Shares, being approximately S$572 million as at 30 June 2020, compared with the Group's NAV, being approximately S$10,813 million as at 30 June 2020, based on the latest announced unaudited consolidated accounts of the Group for 1H2020.

(2) Under Rule 1002(3)(b) of the Listing Manual, "**net profits**" means profit or loss including discontinued operations that have not been disposed and before income tax and non-controlling interests.

(3) The net profits attributable to the Sale Shares for the purposes of this calculation is approximately S$19 million, computed based on the unaudited net profits of KBTPL for 1H2020. The Group's unaudited net loss for 1H2020 was S$357 million.

(4) Under Rule 1002(5) of the Listing Manual, "**market capitalisation**" is determined by multiplying the number of shares in issue by the weighted average price of shares transacted on the market day preceding the date of the SPA.

(5) The Company's market capitalisation is computed based on the number of issued shares (excluding treasury shares) on 22 December 2020 of 1,817,506,293 shares, and the weighted average price of shares transacted on 22 December 2020 of S$5.299 per share.

(6) Based on the Consideration of approximately S$601 million.

4.2 As:

(a) the relative figure under Rule 1006(b) is a negative figure with an absolute value exceeding 5% but not exceeding 20%, and the Proposed Divestment falls within the scenario in paragraph 4.4(d) of Practice Note 10.1 in Chapter 10 of the Listing Manual; and

(b) the relative figures set out under Rule 1006(a) and Rule 1006(c) of the Listing Manual exceeds 5% but does not exceed 20%,

pursuant to Rules 1007 and 1010 of the Listing Manual, the Proposed Divestment constitutes a "discloseable transaction" and is therefore not subject to shareholders' approval in an EGM.

5. RATIONALE AND BENEFITS OF THE PROPOSED DIVESTMENT

The Proposed Divestment was made pursuant to an offer to purchase received by the Group from the Purchaser. The Proposed Divestment presents a good opportunity for the Group to realise cash flow to re-allocate capital to other higher yielding investments, maximizing overall returns to the shareholders. Further, as at the Latest Practicable Date, the Company has (through its wholly-owned subsidiaries) deemed interest in approximately 49.056% of the total number of issued units of Keppel REIT. As such, it can continue to enjoy a substantial share of the rental income and potential capital value appreciation. The Proposed Divestment will help to grow Keppel REIT's portfolio of Grade-A commercial assets, and the Company will continue to benefit from the growth of Keppel REIT and the potential share price appreciation.

The Proposed Divestment is in line with the Company's plan to monetise identified assets and apply the balance sheet space that is released for new growth opportunities under its Vision 2030.

6. INTENDED USE OF PROCEEDS FROM THE PROPOSED DIVESTMENT

The Company expects to receive net proceeds of approximately S$597 million (after deducting all costs and expenses) from the Proposed Divestment.

The net proceeds will be used for working capital and/or business expansions of the Group as the Group may deem fit in its absolute discretion.

7. FINANCIAL INFORMATION

7.1 Value Attributable to the Sale Shares

(a) Book Value

Based on the Group's unaudited consolidated financial statements for 1H2020, the book value attributable to the Sale Shares as at 30 June 2020 is approximately S$572 million.

(b) Net Tangible Assets ("**NTA**")

Based on the Group's unaudited consolidated financial statements for 1H2020, the NTA attributable to the Sale Shares as at 30 June 2020 is approximately S$572 million.

(c) Latest Available Open Market Value

The open market value of the Sale Shares is not available as the Sale Shares are not listed or traded on any securities exchange. No valuation of the Sale Shares was commissioned for the purpose of the Proposed Divestment.

7.2 Excess of Proceeds over the Book Value

The expected gain arising from the Proposed Divestment will be approximately S$14.6 million, including fair value adjustments to be recognised in second half of the financial year ending 2020. The S$14.6 million approximates the excess of proceeds over book value (after deducting all costs and expenses), based on the Group's unaudited consolidated financial statements for 1H2020.

8. FINANCIAL EFFECTS OF THE PROPOSED DIVESTMENT

The financial effects of the Proposed Divestment on the Group are set out below. The financial effects are shown for illustrative purposes only and they do not necessarily reflect the exact future financial position and performance of the Group immediately after Completion. The financial effects set out below have been calculated using the latest audited consolidated financial statements of the Group for the financial year ended 31 December 2019 ("**FY2019**"). The financial effects have been computed before taking into account any effect pursuant to the Equity Fund Raising.

Share Capital

As the Proposed Divestment does not involve the issue and allotment of any new shares, the Proposed Divestment will not have any impact on the share capital of the Company.

NTA

Assuming that the Proposed Divestment had been completed on 31 December 2019, the effect of the Proposed Divestment on the NTA per share of the Company as at 31 December 2019 is as follows:

	Before the Proposed Divestment	After the Proposed Divestment
NTA (S$'000)	9,527,872	9,551,951
Number of shares ('000)	1,816,379	1,816,379
NTA per share (S$ cents)	5.25	5.26

Earnings per Share ("**EPS**")

Assuming that the Proposed Divestment had been completed on 1 January 2019, the effect of the Proposed Divestment on the EPS of the Company for FY2019 is as follows:

	Before the Proposed Divestment	After the Proposed Divestment
Profit attributable to Shareholders (S$'000)	706,975	731,054
Weighted average number of shares (excluding treasury shares) ('000)	1,815,701	1,815,701
EPS (S$ cents)	38.9	40.3

9. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

9.1 As at the Latest Practicable Date, the Company has (through its wholly owned subsidiaries) deemed interest in approximately 49.056% of the total number of issued units of Keppel REIT.

9.2 Temasek Holdings (Private) Limited ("**Temasek**") is a controlling shareholder of the Company, and has a deemed interest in approximately 49.70% of the total number of issued units of Keppel REIT (which include deemed interest held through the Company). Accordingly, Keppel REIT would be considered an associate of Temasek. Please refer to the Group corporate structure chart in the Appendix of this announcement for a diagrammatic illustration of the shareholding interests prior to the Proposed Divestment.

9.3 Rule 915(3) of the Listing Manual provides an exception from Rules 905, 906 and 907 of the Listing Manual in respect of a transaction between an entity at risk (in this case, the Vendor and KLS) and an investee company (in this case, Keppel REIT), where the interested person's interest in the investee company, other than held through the issuer (in this case, the Company), is less than 5%.

9.4 Based on representations and confirmations by Keppel REIT to the Company in accordance with the latest shareholding figures as at the Latest Practicable Date, no interested person's interest in Keppel REIT, other than that held through the Company, amounts to 5% or more. Accordingly, the exemption in Rule 915(3) of the Listing Manual will apply to the Proposed Divestment, and the Company is not required to obtain shareholders' approval under Chapter 9 of the Listing Manual for the Proposed Divestment.

9.5 As at the date of this announcement

(a) none of the Directors hold any interest (deemed or direct) exceeding 0.1% of the total number of issued units of Keppel REIT; and

(b) Mrs Penny Goh who is a non-executive and independent director of the Company, is also a director of the Manager.

Save as disclosed herein, none of the Directors nor, to the best of the Directors' knowledge, any of the controlling shareholders of the Company, has any interest, whether direct or indirect, in the Proposed Divestment, save for through their respective directorships and shareholdings in the Company (if any).

10. SERVICE CONTRACTS

No person is proposed to be appointed as a Director of the Company in connection with the Proposed Divestment. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

11. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the SPA is available for inspection at the Company's registered office at 1 Harbourfront Avenue, #18-01, Keppel Bay Tower, Singapore 098632 during normal business hours for a period of three (3) months from the date of this announcement.

In light of the prevailing safe distancing measures due to the Covid-19 situation, shareholders should provide their names, contact number, proposed date and time of inspection to investor.relations@kepcorp.com at least three (3) working days in advance to make a prior appointment to attend at the registered office of the Company to inspect the documents.

12. CAUTIONARY STATEMENT

Shareholders and potential investors are advised to exercise caution when dealing or trading in their shares. Completion is subject to certain conditions. There is no certainty or assurance as at the date of this announcement that the Proposed Divestment will be completed or that no changes will be made to the terms thereof.

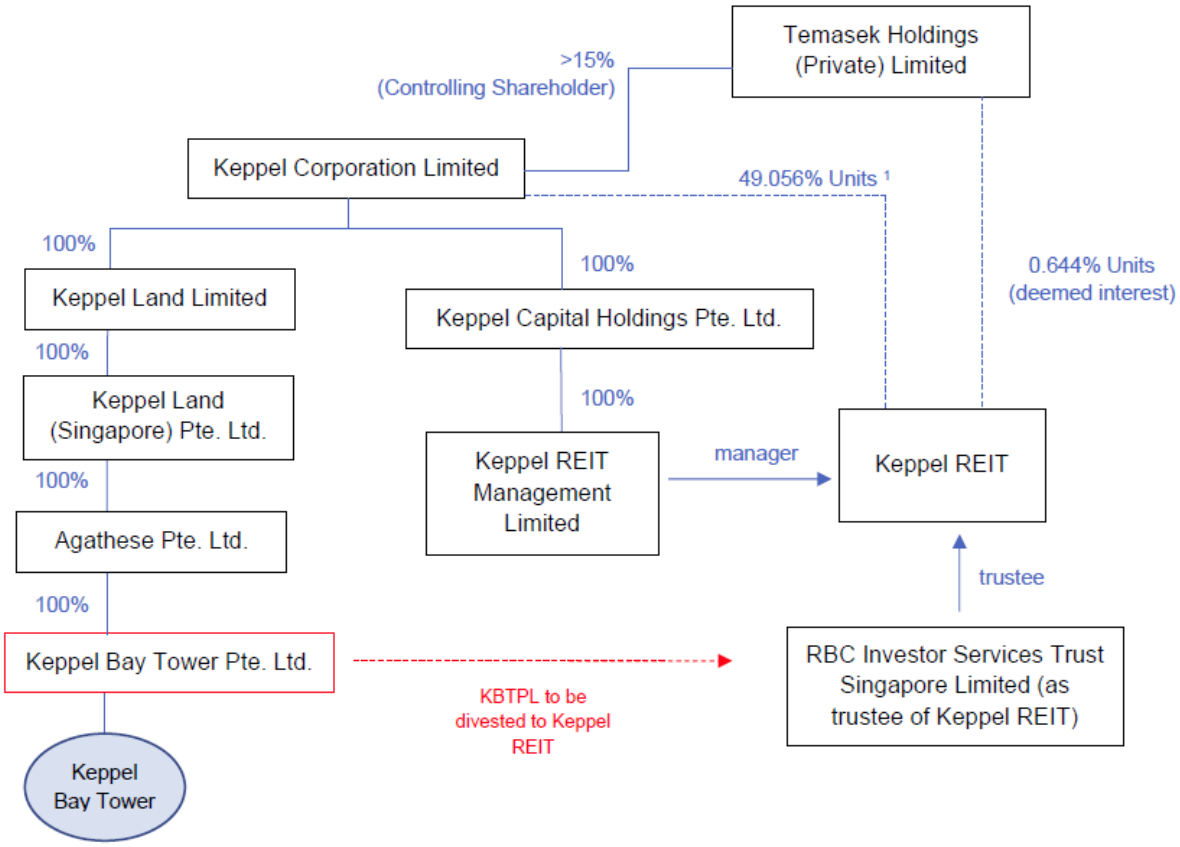
The Company will make the necessary announcements when there are further material developments in relation thereto. Shareholders and potential investors are advised to read this announcement and any further announcements by the Company carefully. Shareholders and potential advisers should consult their stock brokers, bank managers, solicitors, accountants, tax advisers or other professional advisors if they have any doubt about the actions they should take.

By Order of the Board of
Keppel Corporation Limited

Caroline Chang / Kenny Lee
Company Secretaries
23 December 2020

Appendix

Group Corporate Structure Chart Prior to Proposed Divestment



[1] Keppel Corporation Limited's deemed interest arises from its shareholdings in (i) Keppel Capital Investment Holdings Pte. Ltd. and Keppel REIT Management Limited, both of which are wholly-owned subsidiaries of Keppel Corporation Limited held through Keppel Capital Holdings Pte. Ltd. and (ii) Keppel REIT Investment Pte. Ltd., a wholly-owned subsidiary of Keppel Corporation Limited held through Keppel Land (Singapore) Pte. Ltd. and Keppel Land Limited.