

Keppel Telecommunications & Transportation Ltd

(Incorporated in the Republic of Singapore)

(Company Registration No. 196500115G)

**ENTRY INTO OPTION AGREEMENT
FOR THE SALE AND PURCHASE OF SHARES IN THE CAPITAL OF JUVENTAS DC PTE. LTD.**

1. INTRODUCTION

The Board of Directors of Keppel Telecommunications & Transportation Ltd (the “**Company**”) wishes to announce that Keppel Data Centres Holding Pte. Ltd. (“**KDCH**”), an indirect subsidiary of the Company, has entered into an option agreement (the “**Option Agreement**”) with Causeway DC Pte. Ltd. (“**CDCPL**” and together with KDCH, the “**Parties**”), under which KDCH has granted CDCPL a put option (the “**Put Option**”) to require KDCH to purchase from CDCPL all of the shares in the capital of Juventas DC Pte. Ltd. (“**JPL**”) held by CDCPL as at the date of a Put Option Notice (as defined below) on the terms and subject to the conditions of the Option Agreement (such shares, the “**Put Option Shares**” and such sale and purchase of the Put Option Shares pursuant to the exercise of the Put Option, the “**Proposed Transaction**”).

2. THE PROPOSED TRANSACTION

2.1 Information on the Parties

2.1.1 KDCH

KDCH is an indirect 70-30 joint venture between the Company and Keppel Land Limited, which is, in turn, a wholly owned subsidiary of Keppel Corporation Limited (“**KCL**”). KCL is the parent company of the Company.

The principal activities of KDCH are (1) the provision of co-location services to the telecommunications and information technology industry; and (2) investment holding. The directors of KDCH as at the date of this Announcement are Ms Tan Eng Hwa, Mr Ng Ooi Hooi, Mr Thomas Pang Thieng Hwi, Mr Wong Wai Meng and Ms Tan Boon Ping. Mr Thomas Pang Thieng Hwi is also a director of the Company.

2.1.2 CDCPL

CDCPL is a special purpose vehicle set up by Alpha DC Fund Private Limited (“**ADCF**”), and is a Singapore-incorporated private company.

As at the date of this Announcement, KDCH is an approximately 65.3 per cent. investor in ADCF, with the remaining 34.7 per cent. being held by third parties who are otherwise unrelated to the Company, KCL and their respective subsidiaries. ADCF is a collaboration between KDCH and Alpha Investment Partners Limited (“**Alpha**”) to capture investment opportunities by riding on the growth in demand for data centres in Asia-Pacific and Europe. Alpha is a wholly-owned subsidiary of Keppel Capital Holdings Pte. Ltd. (“**KCH**”), which is in turn a wholly-owned subsidiary of KCL. For more

information on ADCF, please refer to the Company's announcements dated 20 July 2016, 11 November 2016, 24 May 2017, 13 July 2017, 18 July 2017 and 1 August 2017.

The principal activities of CDCPL are investment holding and property investment.

2.1.3 JPL

JPL is a wholly owned subsidiary of CDCPL and currently holds all the shares in the capital of the Project Company (as defined below).

The principal activities of JPL are investment holding and property investment.

2.2 Background of the Proposed Transaction

2.2.1 Keppel DC Malaysia 1 Sdn. Bhd. (the "**Project Company**"), a wholly owned subsidiary of JPL, will construct and operate a data centre (the "**Data Centre**") for a third party (the "**Third Party Customer**") and such transaction, the "**Data Centre Transaction**"). As part of the Data Centre Transaction, the Project Company has entered into the following agreements with the Third Party Customer:

- (i) a sub-lease agreement between the Project Company, as sub-lessee, and the Third Party Customer, as sub-lessor, in respect of the sub-lease of the relevant site (the "**Relevant Site**"), which sub-lease is subject to the fulfilment of certain conditions precedent, including, but not limited to, the receipt of necessary approvals from the relevant authorities in respect of the grant of the sub-lease and in respect of the planning permissions and building plans relating to the development of the Relevant Site (the "**Sub-Lease Agreement**"); and
- (ii) a data centre tenancy agreement between the Project Company, as the landlord, and the Third Party Customer, as the tenant, in respect of the development of the Relevant Site and the lease and operation of the Data Centre erected or to be erected on the Relevant Site (the "**DCTA**").

For the avoidance of doubt, the Data Centre has not been constructed as at the date of this Announcement.

2.2.2 As part of the Data Centre Transaction, the Project Company has entered into or will be entering into certain operational agreements with KDCH and/or its affiliates, in respect of the provision of certain operator services and project development management services to the Project Company in relation to the Data Centre (the "**Service Agreements**").

2.2.3 As at the date of this Announcement, the Company has an effective interest of approximately 45.7 per cent. in each of JPL and the Project Company (through its interest held through KDCH and ADCF as described above). Upon completion of the Proposed Transaction, the Company's effective interest in each of JPL and the Project Company will increase to 70 per cent. (through its interest held through KDCH).

2.3 Rationale of the Proposed Transaction

The Proposed Transaction enables the Company to land the first data centre deal with the Third Party Customer, which strategically opens doors to develop and operate other potential projects for the Third Party Customer in Asia Pacific and Europe. The Proposed Transaction will also stand to provide KDCH with a return as part of its investment in ADCF, which can fund its operations and innovation projects that will strengthen its engineering capabilities.

3. PRINCIPAL TERMS OF THE OPTION AGREEMENT

3.1 Put Option

CDCPL has, during the Put Option Exercise Period (as defined below), the option to require KDCH to purchase from CDCPL, the Put Option Shares free from all encumbrances (other than certain permitted encumbrances as agreed between the Parties in the Option Agreement (the “**Permitted Encumbrances**”)) and with all rights attaching thereto at the Put Option Price (as defined below), on the terms and subject to the conditions of the Option Agreement.

3.2 Put Option Shares

The number of Put Option Shares shall be all of the shares in the capital of JPL held by CDCPL as at the date of a Put Option Notice. As at the date of this Announcement, as mentioned in paragraph 2.1 of this Announcement, CDCPL holds all the shares in the capital of JPL.

3.3 Put Option Price

3.3.1 The purchase price for the Put Option Shares (the “**Put Option Price**”) shall be an amount in cash determined in accordance with the following formula:

$$[\text{NAV} - \text{RE} + \text{APV}]$$

Where:

NAV = Consolidated net asset value of JPL and the Project Company (the “**Group Companies**”), being the difference between total assets and total liabilities of the Group Companies;

RE = Carrying value of the Data Centre and its associated facilities and/or other structures built or to be built in accordance with the terms of the DCTA (collectively, the “**Investment Property**”) (on an “as is where is” basis); and

APV = Agreed property value, being the average of the valuations of the Investment Property set out in the certificates delivered to CDCPL by two independent valuers appointed by each of the Parties to determine the value of the Investment Property as at the date of the Put Option Notice (on an “as is where is” basis),

Provided however that the Put Option Price derived from the application of the formula above shall not be an amount that is less than or exceeds a range to be determined based on the Internal Rate of Return (as determined in accordance with the methodology set out in the Option Agreement) to CDCPL.

The Put Option Price to be paid on completion of the sale and purchase of the Put Option Shares (the **"Put Option Completion"**) shall be determined by applying the formula above with reference to the pro-forma management accounts of the Group Companies. Following the Put Option Completion, the Put Option Price shall be determined by applying the formula above with reference to the audited accounts of the Group Companies as determined by an independent auditor jointly appointed by the Parties and any differences thereto shall be paid or repaid by the relevant Party to the other Party.

3.3.2 It is intended that the Put Option Price will be paid fully in cash using internal resources and/or external borrowings.

3.3.3 The method for determining the Put Option Price set out above is arrived at on a negotiated, willing-buyer-willing-seller basis after arms' length negotiations between KDCH and CDCPL and after taking into account, amongst others, the valuation of the Investment Property, rent levels agreed with the Third Party Customer, operating budgets of the Group Companies and appropriate discount rate.

3.4 Put Option Exercise Period

3.4.1 The Put Option may be exercised by CDCPL by CDCPL serving on KDCH a written notice in specified form (a **"Put Option Notice"**) at any time during the period commencing on the date on which the term of the sub-lease granted under the Sub-Lease Agreement commences (the **"Sub-Lease Commencement Date"**) and ending on the date falling 30 months after the Sub-Lease Commencement Date, unless extended in the circumstances set out in paragraphs 3.4.2 or 3.5.2 of this Announcement or extended for such period as may be agreed in writing between the Parties (the **"Put Option Exercise Period"**).

3.4.2 In the event that the actual date on which the first Phase (as defined in the DCTA) of the Data Centre is ready for service in accordance with the terms and conditions of the DCTA (the **"Ready for Service Date"**) falls after the date specified in the corresponding project milestone in the DCTA as the date by which the Ready for Service Date is to be achieved, as a result of any extension(s) of time permitted under the terms of the DCTA, the date of the expiry of the Put Option Exercise Period shall be extended by a period equal to the duration of such permitted extension(s) of time.

3.5 Obligations prior to Put Option Completion

3.5.1 Following the service of a Put Option Notice by CDCPL, the Parties shall be required to comply with certain obligations prior to the Put Option Completion occurring, including the following:

- (i) each Party shall obtain (or procure the obtaining of) all antitrust and/or regulatory approvals required under applicable law for any of the transactions contemplated under the Option Agreement (the “**Regulatory Approvals**”); and
- (ii) where the Company has determined that the approval of the shareholders of the Company, as the holding company of KDCH, for the transactions contemplated under the Option Agreement is required pursuant to the requirements of the Listing Manual of the Singapore Exchange Securities Trading Limited (the “**Shareholder Approval**”), KDCH shall use reasonable endeavours to procure that the Shareholder Approval is obtained at a general meeting of the Company’s shareholders, in accordance with the requirements of the Listing Manual of the Singapore Exchange Securities Trading Limited.

3.5.2 In the event that:

- (i) any of the Regulatory Approvals have not been obtained by the date falling four months following the date of the Put Option Notice (or such other date as may be extended by the Parties pursuant to the Option Agreement) (the “**Regulatory Approval Date**”);
- (ii) the Shareholder Approval (if required) has not been obtained by the date falling two months following the date of the Put Option Notice (or such other date as may be extended by the Parties pursuant to the Option Agreement) (the “**Shareholder Approval Date**”); or
- (iii) any of the Service Agreements are terminated by the Project Company without cause and in accordance with certain terms thereof, and KDCH has identified certain material issues in the course of the due diligence exercise conducted by KDCH on JPL and the Project Company pursuant to and in the manner contemplated under the Option Agreement, and such issue(s) cannot be remedied by the Regulatory Approval Date notwithstanding the use by each Party of reasonable endeavours to do so,

then the Parties shall discuss in good faith for a specified period (or such longer period as the Parties may agree in writing) and agree to either:

- (a) extend the Regulatory Approval Date and/or the Shareholder Approval Date (as the case may be) and on a revised Put Option Completion Date (which revised date shall be subject to the obtaining of the relevant Regulatory Approval and/or the Shareholder Approval, as the case may be); or
- (b) not proceed with the Put Option Completion, in which case CDCPL shall be entitled to exercise the Put Option at a subsequent time during the Put Option Exercise Period as CDCPL may consider fit (and for the avoidance of doubt, the foregoing provisions shall apply to any such subsequent exercise), and the expiry of the Put Option Exercise Period shall be extended by a period equal to the duration of the period commencing from the date of service of the Put Option Notice by CDCPL to the date of such agreement between the Parties that the Put Option Completion shall not proceed (both dates included).

3.6 Assignment of Outstanding Shareholder Loans

As part of the Put Option Completion, CDCPL shall transfer and assign to KDCH all of CDCPL's rights, benefits and interest in any and all shareholder loans extended by CDCPL to JPL which remain unpaid and outstanding as at the Put Option Completion (the "**Outstanding Shareholder Loans**") for a consideration equal to the principal and accrued interest (if any) of all Outstanding Shareholder Loans so transferred and assigned.

3.7 Discharge of Permitted Encumbrances

KDCH shall be entitled (but shall not be obliged) to discharge or otherwise dispose of any or all of the Permitted Encumbrances immediately following the Put Option Completion.

3.8 Moratorium Period

Save for KDCH's right to discharge or otherwise dispose of the Permitted Encumbrances immediately following Put Option Completion, KDCH undertakes that it shall not, for a period of 24 months after the Put Option Completion, sell, transfer, dispose of or create any encumbrance in respect of any of the Put Option Shares, without the prior written approval of CDCPL. Such undertaking shall cease to apply with immediate effect upon the rescission or termination of the DCTA or the Sub-Lease Agreement.

3.9 Termination

If the DCTA or the Sub-Lease Agreement is terminated for any reason prior to or during the Put Option Exercise Period, the Option Agreement shall automatically terminate with immediate effect (without any requirement for written notice).

4. ILLUSTRATIVE PUT OPTION PRICE

4.1 As set out in paragraph 3 of this Announcement, the Put Option Price will be calculated based on the formula set out in the Option Agreement, which the Company will only be able to determine following the exercise of the Put Option.

4.2 Purely as an illustration only, based on the following assumptions:

- 4.2.1** assuming the Data Centre has been constructed in accordance with the terms currently agreed with the Third Party Customer;
- 4.2.2** the valuation of the Investment Property is calculated based on discounted cash flow approach, using a discount rate of 9.5%, on a fully let basis; and
- 4.2.3** the Put Option Price is based on the expected consolidated NAV of the Group Companies based on a cash-free, debt-free basis,

the Put Option Price will amount to approximately S\$80 million (the "**Illustrative Put Option Price**").

4.3 For the purposes of this Announcement, (a) the relative figures for the Proposed Transaction computed on the applicable bases set out in Rule 1006 of the Listing Manual as set out in paragraph 5 of this Announcement, and (b) the financial effects of the Proposed Transaction on the Group, as set out in paragraph 7 of this Announcement, have been calculated based on the Illustrative Put Option Price.

4.4 Following the exercise of the Put Option, the Company will make all relevant announcements in relation thereto and (if required) obtain shareholders' approval in accordance with the Listing Manual.

5. DISCLOSEABLE TRANSACTION

5.1 Relative Figures under Chapter 10 of the Listing Manual

Chapter 10 of the Listing Manual governs the continuing listing obligations of listed companies in respect of acquisitions and disposals. Assuming that the Put Option is exercised in accordance with the Option Agreement and based on the Illustrative Put Option Price (as referred to in paragraph 4 of this Announcement), the relative figures for the Proposed Transaction computed on the applicable bases set out in Rule 1006 of the Listing Manual are set out below:

Rule 1006	Bases	Relative Figures (%)
(a)	Net asset value (" NAV ") of the assets to be disposed of, compared with the Group's NAV	N.A.
(b)	Net profits attributable to the Put Option Shares, compared with the Group's net profits ⁽¹⁾	10.6
(c)	Aggregate value of the consideration payable for the Put Option shares ⁽²⁾ , compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares ⁽³⁾	7.7
(d)	Number of equity securities issued by the Company as consideration for the Proposed Transaction, compared with the number of equity securities previously in issue	N.A.
(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	N.A.

Notes:

- (1) Under Rule 1002(3)(b) of the Listing Manual, "net profits" means profit before income tax, minority interests and extraordinary items. Based on the unaudited net profit before tax of the Group for the nine months ended 30 September 2018.
- (2) Based on the Illustrative Put Option Price, being S\$80 million. Please refer to paragraph 4 of this Announcement for information on the Illustrative Put Option Price.
- (3) The market capitalisation of the Company is based upon 559,112,660 ordinary shares in the capital of the Company (the "**Shares**") in issue and a weighted average market price of approximately S\$1.8510 per Share on the SGX-ST as at 22 November 2018, being the market day immediately preceding the date of the Option Agreement.

5.2 Discloseable Transaction

As the relative figures computed on the bases set out in Rule 1006(b) and Rule 1006(c) of the Listing Manual exceed five per cent. but the relative figures computed on all the bases set out in Rule 1006 of the Listing Manual do not exceed 20 per cent., the Proposed Transaction constitutes a disclosable transaction as defined in Chapter 10 of the Listing Manual.

6. FINANCIAL INFORMATION

6.1 Book Value

Based on the 3QFY2018 Results, the book value of the Put Option Shares is approximately negative US\$25,000.

6.2 Net Tangible Asset / Liability Value

Based on the 3QFY2018 Results, the net tangible liability value attributable to the Put Option Shares is approximately US\$25,000.

6.3 Net Losses

Based on the 3QFY2018 Results, the net losses attributable to the Put Option Shares is approximately US\$25,000.

7. FINANCIAL EFFECTS OF THE PROPOSED TRANSACTION

7.1 Bases and Assumptions

FOR ILLUSTRATIVE PURPOSES ONLY: The *pro forma* financial effects of the Proposed Transaction on the net tangible asset (“NTA”) per Share and earnings per Share (“EPS”) of the Group presented below are strictly for **illustrative purposes** and do not reflect the future actual financial position and/or results of the Group after the completion of the Proposed Transaction.

The *pro forma* financial effects were prepared based on (i) the audited consolidated financial statements of the Group for the financial year ended 31 December 2017 (“FY2017”) and (ii) the Illustrative Put Option Price (as referred to in paragraph 4 of this Announcement).

7.2 NTA per Share

FOR ILLUSTRATIVE PURPOSES ONLY: Assuming that the Proposed Transaction had been completed on 31 December 2017, the *pro forma* financial effects on the consolidated NTA of the Group as at 31 December 2017 are as follows:

	Before the Proposed Transaction	After the Proposed Transaction
NTA (S\$' million)	832.7	832.7
Issued Shares (' million)	558.1	558.1
NTA per Share (S\$)	1.49	1.49

7.3 Earnings per Share

FOR ILLUSTRATIVE PURPOSES ONLY: Assuming that the Proposed Transaction had been completed on 1 January 2017, the *pro forma* financial effects of the Proposed Transaction on the consolidated EPS of the Group for FY2017 are as follows:

	Before the Proposed Transaction	After the Proposed Transaction
Profits after tax attributable to Shareholders (S\$' million)	51.8	56.8
Weighted average number of Shares (' million)	558.0	558.0
EPS (S¢)	9.3	10.2

7.4 Share Capital

The Proposed Transaction will not have any impact on the issued and paid-up share capital of the Company.

8. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

8.1 In addition to the disclosures in this Announcement (including in paragraph 2.1), as at the date of this Announcement:

- (i) Mr. Loh Chin Hua, the Non-Independent and Non-Executive Chairman of the Company, is an Executive Director and the Chief Executive Officer of KCL, the Chairman of KCH and the Chairman of Alpha;
- (ii) Mr. Chan Hon Chew, a Non-Independent and Non-Executive Director of the Company, is the Chief Financial Officer of KCL and a director of KCH;
- (iii) Mr. Thomas Pang Thieng Hwi, a Non-Independent and Executive Director and Chief Executive Officer of the Company, is a director of KCH, KDCH and ADCF;

- (iv) the following Directors have the following interests in ordinary shares in the capital of KCL:

Director	Direct Interest	Deemed Interest	No. of KCL Shares comprised in shares options granted by KCL	Contingent Awards of KCL Shares under	
				KCL Restricted Share Plan	KCL Performance Share Plan
Loh Chin Hua	895,341	38,500	-	241,568	1,700,000
Chan Hon Chew	202,233	7,770	-	108,667	740,000
Lim Chin Leong	13,200	-	-	-	-
Lee Ai Ming	30,000	-	-	-	-
Thomas Pang Thieng Hwi	185,737	-	49,500	-	200,000

and

- (v) as previously announced by the Company on 11 November 2016, Mr Loh Chin Hua, Mr Thomas Pang Thieng Hwi and Mrs Lee Ai Ming have provided capital commitments totalling US\$650,000 to ADCF.

8.2 Save in respect of his/its shareholding (if any) in the Company and as disclosed in this Announcement, none of the Directors of the Company, and as far as the Company is aware, none of the controlling Shareholders of the Company, has any interest, direct or indirect, in the Proposed Transaction.

9. DIRECTORS' SERVICE CONTRACTS

No person is proposed to be appointed as a Director of the Company in connection with the Proposed Transaction. Accordingly, no service contract is proposed to be entered into by the Company in connection with the Proposed Transaction.

10. DOCUMENTS FOR INSPECTION

A copy of the Option Agreement is available for inspection during normal business hours at the registered office of the Company at 1 HarbourFront Avenue, #18-01 Keppel Bay Tower, Singapore 098632, for a period of three months commencing from the date of this Announcement.

BY ORDER OF THE BOARD

Keppel Telecommunications & Transportation Ltd

Kenny Lee
Company Secretary
26 November 2018