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DISPOSAL OF 50% INTEREST IN KEPPEL DC REIT MANAGEMENT PTE. LTD.

1. INTRODUCTION

The Board of Directors (the "**Board**" or the "**Directors**") of Keppel Telecommunications & Transportation Ltd (the "**Company**" and together with its subsidiaries, the "**Group**") wishes to announce that Keppel Data Centres Pte. Ltd. ("**KDC**"), a wholly-owned subsidiary of the Company, has on 1 July 2016 entered into a sale and purchase agreement ("**SPA**") with Keppel Capital Holdings Pte. Ltd. ("**KCH**"), a wholly-owned subsidiary of Keppel Corporation Limited ("**KCL**"), in relation to the sale (the "**Disposal**") by KDC of 3,000,000 ordinary shares (the "**Sale Shares**"), representing 50% of the issued and paid-up share capital of Keppel DC REIT Management Pte. Ltd. ("**KDCRM**"), the manager of Keppel DC REIT.

In connection with the Disposal:

- (a) KDC has entered into a shareholders' agreement with KCH to regulate their respective rights and obligations in respect of KDCRM; and
- (b) the Company and KCH have provided an undertaking (the "**Undertaking**") to Perpetual (Asia) Limited (in its capacity as trustee of Keppel DC REIT) (the "**Trustee**") to provide unitholders of Keppel DC REIT with the right to endorse the appointment of each of the directors of KDCRM by way of an ordinary resolution at the annual general meetings of such unitholders. As both the Company (through KDC) and KCH each holds 50% of the issued and paid-up share capital of KDCRM, the Undertaking is in replacement of the previous undertaking provided by the Company to the Trustee on 25 November 2014 in respect of the same subject matter.

The Disposal was completed on 1 July 2016. Following completion of the Disposal, KDCRM and its wholly-owned subsidiary, Securus Partners Pte. Ltd. are no longer subsidiaries of the Company. KDCRM remains an associated company of the Company.

2. INFORMATION ON THE DISPOSAL

2.1 Information on KCH and KDCRM

KCH, a private limited company incorporated in Singapore, is a wholly-owned subsidiary of KCL.

KDCRM, a private limited company incorporated in Singapore, is the manager of Keppel DC REIT, a real estate investment trust listed on the Main Board of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), which invests in real estate assets used primarily for data centre purposes, as well as real estate related assets, in the Asia Pacific region and in Europe.

2.2 Rationale for and Benefit of the Disposal

As announced on 25 January 2016, the Board was notified of KCL's intention to consolidate its interests in its business trust management, real estate investment trust management and fund management subsidiaries (including KDCRM) (collectively, the "**Asset Management Subsidiaries**") under KCH.

The Board has reviewed KCL's proposal and is of the view that the Disposal is beneficial to the Company as it will unlock capital for other investments, and is expected to improve returns to the Company from its holdings in KDCRM and Keppel DC REIT for the following reasons:

- (a) **Improve performance:** The consolidation of the Asset Management Subsidiaries under KCH will enable the adoption of best practices and allow KCH to capture synergies across the different vehicles held by it, particularly in terms of investments and deal sourcing. With such synergies, KDCRM will be in a better position to source for deals that are accretive to the portfolio managed by KDCRM.
- (b) **Provide stronger capital support:** Development projects and real estate investments are typically capital intensive. This transaction will enable KDCRM to reach out to a larger pool of institutional and accredited investors through KCH.
- (c) **Strengthen talent management:** The creation of a larger asset management unit under KCH will provide more flexibility and greater opportunities for career development and in turn, will enhance KDCRM's ability to attract and retain talent.
- (d) **Optimise operational efficiency:** This transaction provides an opportunity for KDCRM to tap on a wider pool of resources and allows it to focus on its key duties through the streamlining of support functions under KCH, which is expected to provide cost savings and allow KDCRM to grow its operations more efficiently.

2.3 Consideration Paid for the Disposal

The total consideration for the Disposal was S\$38,000,000 (the "**Consideration**").

The Consideration was arrived at after arm's length negotiations between KDC and KCH on a willing-buyer and willing-seller basis after taking into account: (i) the book value and net tangible asset ("**NTA**") value attributable to the Sale Shares, which at 31 March 2016 were S\$9,900,000 and S\$1,500,000 respectively; (ii) the benefits of the Disposal as set out in paragraph 2.2 of this Announcement; and (iii) other factors such as the potential gain on disposal as set out in paragraph 4 of this Announcement.

3. **RELATIVE FIGURES UNDER RULE 1006 OF THE LISTING MANUAL**

Chapter 10 of the listing manual of the SGX-ST ("**Listing Manual**") governs the continuing listing obligations in respect of acquisitions and realisations. The relative figures of the Disposal using the applicable bases of comparison set out in Rule 1006 of the Listing Manual are all less than 5%. Accordingly, the Sale is a "non-discloseable" transaction under Chapter 10 of the Listing Manual.

4. FINANCIAL EFFECTS

The Group expects to recognise a gain on disposal of approximately S\$56,000,000 in its profit and loss account from the Disposal.

Based on the latest audited financial statements of the Group for the financial year ended 31 December 2015 and assuming the Disposal had been completed on 31 December 2015, the NTA per share as at 31 December 2015 would have increased from S\$1.27 (before the Disposal) to S\$1.40 (after the Disposal).

Based on the latest audited financial statements of the Group for the financial year ended 31 December 2015 and assuming the Disposal had been completed on 1 January 2015, the earnings per share as at 31 December 2015 would have increased from 16.5 cents (before the Disposal) to 26.9 cents (after the Disposal).

5. INTERESTED PERSON TRANSACTION

5.1 Application of the Rules Relating to Interested Person Transactions under the Listing Manual

Under Chapter 9 of the Listing Manual, where an entity at risk (as defined in the Listing Manual) proposes to enter into a transaction with an interested person (as defined in the Listing Manual) and the value of the transaction (either in itself or when aggregated with the value of other transactions, each of a value equal to or greater than S\$100,000, with the same interested person during the same financial year) is equal to or exceeds 3%, but is less than 5%, of the Group's latest audited NTA, an immediate announcement of the transaction must be made.

In respect of the Disposal:

- (a) KDC, being a subsidiary of the Company which is not listed on any stock exchange, is the "entity at risk" for the purposes of Chapter 9 of the Listing Manual; and
- (b) KCH is a wholly-owned subsidiary of KCL, which is a controlling shareholder of the Company. Accordingly, KCH is an associate (as defined in the Listing Manual) of KCL and an "interested person" of the Company for the purposes of Chapter 9 of the Listing Manual.

The value of the Consideration, after aggregation with the value of all other transactions (each of a value equal to or greater than S\$100,000) with KCL and/or its associates for the current financial year (but excluding transactions conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual) is approximately S\$38,237,000, which represents approximately 4.7% of the latest audited consolidated NTA of the Group as at 31 December 2015.

In accordance with Chapter 9 of the Listing Manual, the Disposal therefore constitutes an "interested person transaction" within the meaning of Chapter 9 of the Listing Manual, the value of which is more than 3% but less than 5% of the latest audited NTA of the Group. The Company is therefore making this Announcement in compliance with the requirements of Rule 905 of the Listing Manual.

5.2 Audit Committee Statement

The Audit Committee of the Company has reviewed the terms of the Disposal, and is of the view that the Disposal has been carried out on normal commercial terms and is not prejudicial to the interests of the Company and its minority shareholders.

5.3 Total Value of All Interested Person Transactions

The total value of all interested person transactions, excluding transactions which are less than S\$100,000, with (a) KCH and its associates, and (b) all interested persons of the Company, for the current financial year up to 30 June 2016 are as follows:

	Before the Disposal	After the Disposal
	Amount (S\$'000)	Amount (S\$'000)
Total value of all transactions with KCH and its associates	85,286	123,286
- Value of transactions conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual (the " <u>IPT Mandate</u> ")	85,049	85,049
- Value of transactions not covered under the IPT Mandate	237	38,237
Total value of all transactions with all interested persons of the Company	90,201	128,201
- Value of transactions conducted under the IPT Mandate	89,964	89,964
- Value of transactions not covered under the IPT Mandate	237	38,237

6. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

As at the date of this Announcement:

- (a) Temasek Holdings (Private) Limited, a controlling shareholder of the Company, is also a controlling shareholder of KCL;
- (b) 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, and a director of KCH;
- (c) 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;

- (d) Mr. Thomas Pang Thieng Hwi, a Non-Independent and Executive Director and Chief Executive Officer of the Company, is a director of KCH; and
- (e) the following directors have the following interests in ordinary shares in the capital of KCL ("**KCL Shares**"):

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	534,557	38,500	-	330,000	1,450,000
Chan Hon Chew	50,600	7,700	-	139,900	560,000
Lim Chin Leong	13,200	-	-	-	-
Lee Ai Ming	10,000	-	-	-	-
Thomas Pang Thien Hwi	179,637	-	313,500	6,600	175,000

Save as set out above or elsewhere in this Announcement, none of the Directors or controlling shareholders of the Company has any interest, direct or indirect, in the Disposal.

7. **GENERAL**

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

By Order of the Board

KEPPEL TELECOMMUNICATIONS & TRANSPORTATION LTD

Lee Lieming Kenny
Company Secretary
1 July 2016