

**KEPPEL REIT  
FULL YEAR 2016 FINANCIAL STATEMENTS ANNOUNCEMENT****UNAUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016****TABLE OF CONTENTS**

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## INTRODUCTION

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 districts.

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

As at 31 December 2016, Keppel REIT had assets under management of approximately \$8.4 billion comprising interests in eight premium office assets with 11 office towers strategically located in the central business districts of Singapore, as well as key cities of Sydney, Melbourne, Brisbane and Perth in Australia.

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

The assets in Australia are 8 Chifley Square (50% interest) in Sydney, 8 Exhibition Street in Melbourne (50% interest in the office building and two retail units, as well as a 100% interest in another three retail units), 275 George Street in Brisbane (50% interest), as well as the David Malcolm Justice Centre (50% interest).

Keppel REIT is sponsored by Keppel Land Limited ("Keppel Land"), one of Asia's leading property companies, and is managed by Keppel REIT Management Limited, a wholly-owned subsidiary of Keppel Capital Holdings Pte Ltd.

## SUMMARY OF KEPPEL REIT RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

	GROUP			
	4Q2016 \$'000	4Q2015 \$'000	FY2016 \$'000	FY2015 \$'000
Property income	40,001	42,795	161,252	170,347
Net property income	31,422	34,771	128,370	137,465
Share of results of associates	19,907	16,862	83,460	75,695
Share of results of joint ventures	7,746	5,157	30,789	17,163
Income available for distribution <sup>1</sup>	48,716	54,031	208,123	217,268
Distribution to Unitholders <sup>2</sup>	48,716	54,031	208,123	217,268
Distribution per Unit ("DPU") (cents) for the period/year	1.48 <sup>3</sup>	1.68 <sup>4</sup>	6.37	6.80
Distribution yield %			6.2% <sup>5</sup>	7.3% <sup>6</sup>

### Notes:

- (1) Income contribution from 77 King Street was from 1 January 2016 up to the date of divestment on 29 January 2016.
- (2) Distribution to Unitholders was based on 100% of the taxable income available for distribution.
- (3) There was no distribution from other gains for the fourth quarter ended 31 December 2016.
- (4) There was a distribution from other gains of 0.16 cents for the fourth quarter ended 31 December 2015.
- (5) The yield was based on the market closing price per unit of \$1.02 as at the last trading day, 31 December 2016.
- (6) The yield was based on the market closing price per unit of \$0.93 as at the last trading day, 31 December 2015.

## 1. UNAUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

The Directors of Keppel REIT Management Limited, as manager of Keppel REIT, announce the following unaudited results of Keppel REIT for the year ended 31 December 2016:

### 1(a)(i) Statement of total return and distribution statement, together with a comparative statement for the corresponding period of the immediately preceding financial year

#### Statement of Total Return

	Note	4Q2016		4Q2015		Group	
		\$'000	\$'000	+ / (-)	FY2016	FY2015	+ / (-)
				%	\$'000	\$'000	%
Gross rent		38,106	40,945	(6.9)	154,508	162,978	(5.2)
Car park income		849	867	(2.1)	3,355	3,351	0.1
Other income		1,046	983	6.4	3,389	4,018	(15.7)
<b>Property income</b>		<b>40,001</b>	<b>42,795</b>	<b>(6.5)</b>	<b>161,252</b>	<b>170,347</b>	<b>(5.3)</b>
Property tax		(2,737)	(2,296)	19.2	(11,004)	(11,552)	(4.7)
Other property expenses	1	(4,682)	(4,461)	5.0	(17,287)	(17,068)	1.3
Property management fee		(1,006)	(1,113)	(9.6)	(4,139)	(4,283)	(3.4)
Maintenance and sinking fund contributions		(154)	(154)	-	(452)	21	NM
<b>Property expenses</b>		<b>(8,579)</b>	<b>(8,024)</b>	<b>6.9</b>	<b>(32,882)</b>	<b>(32,882)</b>	<b>-</b>
<b>Net property income</b>		<b>31,422</b>	<b>34,771</b>	<b>(9.6)</b>	<b>128,370</b>	<b>137,465</b>	<b>(6.6)</b>
Rental support	2	4,223	4,633	(8.8)	16,746	20,480	(18.2)
Interest income	3	5,567	9,169	(39.3)	27,459	36,940	(25.7)
Share of results of associates	4	19,907	16,862	18.1	83,460	75,695	10.3
Share of results of joint ventures	5	7,746	5,157	50.2	30,789	17,163	79.4
Amortisation expense	6	(3,857)	(4,312)	(10.6)	(15,312)	(18,763)	(18.4)
Borrowing costs	7	(15,563)	(17,159)	(9.3)	(64,049)	(67,313)	(4.8)
Manager's management fees	8	(12,659)	(12,774)	(0.9)	(50,515)	(49,984)	1.1
Trust expenses		(403)	(640)	(37.0)	(6,343)	(6,786)	(6.5)
Net change in fair value of derivatives		5,498	997	451.5	9,018	3,879	132.5
<b>Net income before divestment gain and net change in fair value of investment properties</b>		<b>41,881</b>	<b>36,704</b>	<b>14.1</b>	<b>159,623</b>	<b>148,776</b>	<b>7.3</b>
Gain on divestment of investment property	9	-	-	-	28,299	-	100.0
Net change in fair value of investment properties	10	29,149	197,178	(85.2)	91,171	218,038	(58.2)
<b>Total return before tax</b>		<b>71,030</b>	<b>233,882</b>	<b>(69.6)</b>	<b>279,093</b>	<b>366,814</b>	<b>(23.9)</b>
Income tax expense	11	(9,538)	(19,789)	(51.8)	(21,306)	(27,966)	(23.8)
<b>Total return after tax</b>		<b>61,492</b>	<b>214,093</b>	<b>(71.3)</b>	<b>257,787</b>	<b>338,848</b>	<b>(23.9)</b>
<b>Attributable to:</b>							
Unitholders		59,590	212,794	(72.0)	250,191	337,495	(25.9)
Perpetual securities holders	12	1,882	1,228	53.3	7,490	1,228	>500
Non-controlling interest		20	71	(71.8)	106	125	(15.2)
		<b>61,492</b>	<b>214,093</b>	<b>(71.3)</b>	<b>257,787</b>	<b>338,848</b>	<b>(23.9)</b>

#### Distribution Statement

<b>Total return for the period/year attributable to Unitholders</b>		<b>59,590</b>	<b>212,794</b>	<b>(72.0)</b>	<b>250,191</b>	<b>337,495</b>	<b>(25.9)</b>
Net tax and other adjustments	13	(10,874)	(158,763)	(93.2)	(42,068)	(120,227)	(65.0)
<b>Income available for distribution</b>		<b>48,716</b>	<b>54,031</b>	<b>(9.8)</b>	<b>208,123</b>	<b>217,268</b>	<b>(4.2)</b>
<b>Distribution to Unitholders</b>	14	<b>48,716</b>	<b>54,031</b>	<b>(9.8)</b>	<b>208,123</b>	<b>217,268</b>	<b>(4.2)</b>
<b>Distribution per Unit (cents) for the period/year</b>		<b>1.48</b>	<b>1.68</b>	<b>(11.9)</b>	<b>6.37</b>	<b>6.80</b>	<b>(6.3)</b>

NM – Not meaningful

**Notes:**

- (1) Included in other property expenses are the following:

	<u>Group</u>			
	<b>4Q2016</b>	<b>4Q2015</b>	<b>FY2016</b>	<b>FY2015</b>
	\$'000	\$'000	\$'000	\$'000
Marketing expenses	592	206	1,386	635
Utilities	739	893	3,190	3,375
Repair and maintenance	2,400	2,619	9,384	10,014
Property management reimbursements	487	450	1,894	1,799
Other property expenses	464	293	1,433	1,245
	<b>4,682</b>	<b>4,461</b>	<b>17,287</b>	<b>17,068</b>

- (2) For the current periods, this relates to the rental support top-up payments received by Keppel REIT for the approximate 12.4% interest in Ocean Properties LLP ("OPLLP") which holds Ocean Financial Centre ("OFC") and the one-third interest in Central Boulevard Development Pte. Ltd. ("CBDPL") which holds Marina Bay Financial Centre ("MBFC") Tower 3. For FY2015, the rental support top-up payments received by Keppel REIT also included 77 King Street Office Tower, Sydney and the approximate 87.5% interest in OPLLP. The rental support drawn down for OFC and MBFC Tower 3 for FY2016 are \$3,946,000 and \$12,800,000 respectively.

- (3) Interest income comprises the following:

	<u>Group</u>			
	<b>4Q2016</b>	<b>4Q2015</b>	<b>FY2016</b>	<b>FY2015</b>
	\$'000	\$'000	\$'000	\$'000
Interest income from fixed deposits and current accounts	1,027	474	4,368	2,115
Interest income from shareholders' loans to One Raffles Quay Pte Ltd ("ORQPL") and BFC Development LLP ("BFCDLLP")	4,540	7,130	23,091	26,114
Interest income from convertible notes in Mirvac (Old Treasury) Trust	-	1,565	-	8,711
	<b>5,567</b>	<b>9,169</b>	<b>27,459</b>	<b>36,940</b>

The convertible notes in Mirvac (Old Treasury) Trust ("MOTT") have been fully converted to units on 30 November 2015 and Keppel REIT ceased receiving coupon interest income from MOTT and started receiving distribution income subsequent to the conversion.

- (4) Share of results of associates relates to Keppel REIT's one-third interests in (i) ORQPL's and CBDPL's respective net profit after tax and before net change in fair value of investment properties, and (ii) BFCDLLP's partnership profit before net change in fair value of investment property.
- (5) Share of results of joint ventures relates to Keppel REIT's 50% interests in Mirvac 8 Chifley Trust's ("M8CT") and MOTT's respective net profit after tax before net change in fair value of investment properties.
- (6) Amortisation expense represents the amortisation of intangible asset as explained in paragraph 1(b)(i), note 4.
- (7) Borrowing costs comprise the following:

	<u>Group</u>			
	<b>4Q2016</b>	<b>4Q2015</b>	<b>FY2016</b>	<b>FY2015</b>
	\$'000	\$'000	\$'000	\$'000
Interest expense on term loans	14,453	15,726	59,420	61,796
Interest expense on revolving loans	588	249	798	2,473
Amortisation of capitalised transaction costs	522	1,184	3,831	3,044
	<b>15,563</b>	<b>17,159</b>	<b>64,049</b>	<b>67,313</b>

- (8) The Manager has elected to receive 100% of its management fees earned in respect of all the properties in units of Keppel REIT.
- (9) This relates to the gain on divestment of Keppel REIT's 100% interest in 77 King Street in Sydney.

(10) The net change in fair value of the investment properties is as follows:

	<u>Group</u>			
	<b>4Q2016</b>	<b>4Q2015</b>	<b>FY2016</b>	<b>FY2015</b>
	\$'000	\$'000	\$'000	\$'000
Investment properties held directly by the Group	3,155	110,519	36,427	110,519
Investment properties held directly by associates	6,696	69,391	34,079	69,391
Investment properties held directly by joint ventures	30,750	17,175	30,750	38,035
Effects of recognising rental income on a straight line basis over the lease term	(11,452)	93	(10,085)	93
	<b>29,149</b>	<b>197,178</b>	<b>91,171</b>	<b>218,038</b>

(11) Income tax expense comprises (i) tax of 17% on the rental support top-up payments received by Keppel REIT for its interests in CBDPL and OPLLP, net of deductible interest expense, and (ii) withholding tax expense in relation to the income from the Group's investments in Australia and (iii) deferred tax on valuation gains of Australian investment properties.

(12) Please refer to paragraph 1(b)(i), note 7.

(13) Included in the net tax and other adjustments are the following:

	<u>Group</u>			
	<b>4Q2016</b>	<b>4Q2015</b>	<b>FY2016</b>	<b>FY2015</b>
	\$'000	\$'000	\$'000	\$'000
Management fees paid and/or payable in units	12,659	12,774	50,515	49,984
Trustee's fees	316	316	1,248	1,229
Net change in fair value of investment properties (net of non-controlling interest)	(29,148)	(197,125)	(91,137)	(217,986)
Amortisation of intangible asset and capitalised transaction costs	4,379	5,496	19,143	21,807
Temporary differences and other adjustments	920	14,776	(32,837)	13,739
Other gains distribution	-	5,000	11,000	11,000
	<b>(10,874)</b>	<b>(158,763)</b>	<b>(42,068)</b>	<b>(120,227)</b>

Included in temporary differences and other adjustments for the current and prior periods/years were share of results of associates and joint ventures, dividend and distribution income, effect of recognising rental income on a straight line basis over the lease terms, non-taxable income and non-deductible expenses. For FY2016, temporary differences and other adjustments also included the gain on divestment of investment property.

Other gains distribution relates to distribution of gains from Keppel REIT's divested properties.

(14) Keppel REIT has been distributing 100% of its taxable income available for distribution to Unitholders. The distribution to Unitholders is based on 100% of the taxable income available for distribution to Unitholders.

**1(a)(ii) Statement of comprehensive income together with a comparative statement for the corresponding period of the immediately preceding financial year**

**Statement of Comprehensive Income**

	<u>Group</u>					
	4Q2016 \$'000	4Q2015 \$'000	+ / (-) %	FY2016 \$'000	FY2015 \$'000	+ / (-) %
<b>Total return after tax</b>	<b>61,492</b>	<b>214,093</b>	<b>(71.3)</b>	<b>257,787</b>	<b>338,848</b>	<b>(23.9)</b>
<b>Other comprehensive income:</b>						
Foreign currency translation	33,567	13,382	150.8	32,143	(76,281)	NM
<u>Cash flow hedges:</u>						
Net change in fair value of cash flow hedges	18,208	(2,520)	NM	(16,727)	27,042	NM
Share of net change in fair value of cash flow hedges of associates	3,156	(1,836)	NM	(6,199)	1,526	NM
<b>Other comprehensive income for the period/year</b>	<b>54,931</b>	<b>9,026</b>	<b>&gt;500</b>	<b>9,217</b>	<b>(47,713)</b>	<b>NM</b>
<b>Total comprehensive income for the period/year</b>	<b>116,423</b>	<b>223,119</b>	<b>(47.8)</b>	<b>267,004</b>	<b>291,135</b>	<b>(8.3)</b>
<b>Attributable to:</b>						
Unitholders	114,513	221,799	(48.4)	259,411	289,778	(10.5)
Perpetual securities holders	1,882	1,228	53.3	7,490	1,228	>500
Non-controlling interest	28	92	(69.6)	103	129	(20.2)
	<b>116,423</b>	<b>223,119</b>	<b>(47.8)</b>	<b>267,004</b>	<b>291,135</b>	<b>(8.3)</b>

NM –Not meaningful

**1(b)(i) Balance sheets, together with a comparative statement as at the end of the immediately preceding financial year**

**Balance Sheets**

	Note	Group			Trust		
		31/12/2016	31/12/2015	+ / (-)	31/12/2016	31/12/2015	+ / (-)
		\$'000	\$'000	%	\$'000	\$'000	%
<b>Non-current assets</b>							
Investment properties	1	3,618,097	3,691,073	(2.0)	540,000	550,000	(1.8)
Investments in subsidiaries		-	-	-	1,837,110	1,837,852	(0.04)
Investments in associates	2	2,525,112	2,497,798	1.1	2,025,483	2,025,483	-
Advances to associates		610,922	608,922	0.3	610,922	608,922	0.3
Investments in joint ventures	3	450,284	408,112	10.3	-	-	-
Amounts owing by subsidiaries		-	-	-	852,650	818,836	4.1
Fixed assets		190	199	(4.5)	31	1	>500
Intangible asset	4	22,511	37,823	(40.5)	20,471	32,600	(37.2)
Derivative financial instruments	5	18,016	17,542	2.7	16,354	9,965	64.1
<b>Total non-current assets</b>		<b>7,245,132</b>	<b>7,261,469</b>	<b>(0.2)</b>	<b>5,903,021</b>	<b>5,883,659</b>	<b>0.3</b>
<b>Current assets</b>							
Trade and other receivables	6	10,662	18,057	(41.0)	7,721	27,502	(71.9)
Prepaid expenses		604	1,031	(41.4)	11	27	(59.3)
Cash and bank balances		278,682	144,601	92.7	141,948	126,501	12.2
Derivative financial instruments	5	245	260	(5.8)	99	260	(61.9)
<b>Total current assets</b>		<b>290,193</b>	<b>163,949</b>	<b>77.0</b>	<b>149,779</b>	<b>154,290</b>	<b>(2.9)</b>
<b>Total assets</b>		<b>7,535,325</b>	<b>7,425,418</b>	<b>1.5</b>	<b>6,052,800</b>	<b>6,037,949</b>	<b>0.2</b>
<b>Current liabilities</b>							
Trade and other payables		51,828	51,208	1.2	34,640	26,285	31.8
Income received in advance		278	758	(63.3)	-	-	-
Borrowings		-	25,355	(100.0)	-	-	-
Security deposits		3,545	9,172	(61.3)	431	1,902	(77.3)
Derivative financial instruments	5	1,483	168	>500	1,281	168	>500
Provision for taxation		2,735	3,284	(16.7)	2,735	3,315	(17.5)
<b>Total current liabilities</b>		<b>59,869</b>	<b>89,945</b>	<b>(33.4)</b>	<b>39,087</b>	<b>31,670</b>	<b>23.4</b>
<b>Non-current liabilities</b>							
Income received in advance		25,152	45,742	(45.0)	25,152	45,483	(44.7)
Borrowings		2,481,754	2,464,217	0.7	2,015,901	2,028,126	(0.6)
Derivative financial instruments	5	7,315	464	>500	6,287	464	>500
Security deposits		27,869	21,435	30.0	2,976	2,202	35.1
Deferred tax liabilities		34,808	25,767	35.1	-	-	-
<b>Total non-current liabilities</b>		<b>2,576,898</b>	<b>2,557,625</b>	<b>0.8</b>	<b>2,050,316</b>	<b>2,076,275</b>	<b>(1.3)</b>
<b>Total liabilities</b>		<b>2,636,767</b>	<b>2,647,570</b>	<b>(0.4)</b>	<b>2,089,403</b>	<b>2,107,945</b>	<b>(0.9)</b>
<b>Net assets</b>		<b>4,898,558</b>	<b>4,777,848</b>	<b>2.5</b>	<b>3,963,397</b>	<b>3,930,004</b>	<b>0.8</b>
Represented by:							
<b>Unitholders' funds</b>		<b>4,746,717</b>	<b>4,626,021</b>	<b>2.6</b>	<b>3,813,696</b>	<b>3,780,285</b>	<b>0.9</b>
<b>Perpetual securities</b>	7	<b>149,701</b>	<b>149,719</b>	<b>(0.01)</b>	<b>149,701</b>	<b>149,719</b>	<b>(0.01)</b>
<b>Non-controlling interest</b>		<b>2,140</b>	<b>2,108</b>	<b>1.5</b>	<b>-</b>	<b>-</b>	<b>-</b>
		<b>4,898,558</b>	<b>4,777,848</b>	<b>2.5</b>	<b>3,963,397</b>	<b>3,930,004</b>	<b>0.8</b>
Net asset value per unit (\$)		1.44	1.44		1.16	1.18	

**Notes:**

- (1) The decrease in investment properties is mainly due to the divestment of 77 King Street in Sydney, offset by the net change in fair value of investment properties recognised for the current year.
- (2) This relates to the one-third equity interests in ORQPL, BFCDLLP and CBDPL, and the Group's share of post-acquisition results of these associates.
- (3) This relates to the 50% interests in M8CT and Mirvac 8 Chifley Pty Limited, and 50% interests in MOTT and Mirvac (Old Treasury) Pty Limited. The properties held through M8CT and MOTT are 8 Chifley Square and the David Malcolm Justice Centre respectively.
- (4) This relates to the unamortised aggregate rental support top-up payments receivable by the Group for the approximate 12.4% interest in OPLLP and the one-third interest in CBDPL which holds MBFC Tower 3.
- (5) This relates to the fair value of the foreign currency forward contracts entered into in relation to the income from the Australian investments, and the fair value of interest rate and cross currency swaps entered into by the Group.
- (6) Included in the balances are dividend receivables from joint ventures of \$2.1 million (31 December 2015: \$1.0 million) and receivables for rental support top-up payments of \$1.0 million (31 December 2015: \$4.6 million).
- (7) On 2 November 2015, Keppel REIT issued \$150.0 million of subordinated perpetual securities at a fixed rate per annum. These perpetual securities are classified as equity instruments and recorded as equity in the Statements of Movement in Unitholders' funds.



**1(b)(ii) Aggregate Amount of Borrowings and Debt Securities**

	<b>Group</b>	
	<b>As at 31/12/2016</b>	<b>As at 31/12/2015</b>
	\$'000	\$'000
<b>Secured borrowings</b>		
Amount repayable within one year	-	-
Amount repayable after one year	350,000	816,454
Less: Unamortised portion of fees	(1,799)	(3,870)
	<b>348,201</b>	<b>812,584</b>
<b>Unsecured borrowings</b>		
Amount repayable within one year	-	25,500
Amount repayable after one year	2,138,461	1,656,000
Less: Unamortised portion of fees	(4,908)	(4,512)
	<b>2,133,553</b>	<b>1,676,988</b>
<b>Total borrowings</b>	<b>2,481,754</b>	<b>2,489,572</b>

**Details of Collaterals**

As security for the 5-year revolving loan facility of \$350.0 million, the Group mortgaged its Bugis Junction Towers.

As at 31 December 2016, the Group had total borrowings of approximately \$2,488.5 million and unutilised facilities of \$683.2 million available to meet its future obligations. The all-in interest rate was 2.51% for the year ended 31 December 2016.

## 1(c) Consolidated Statement of Cash Flows

	<u>Group</u>			
	4Q2016	4Q2015	FY2016	FY2015
Note	\$'000	\$'000	\$'000	\$'000
<b>Operating activities</b>				
Total return before tax	71,030	233,882	279,093	366,814
Adjustments for:				
Interest income	(5,567)	(9,169)	(27,459)	(36,940)
Amortisation expense	3,857	4,312	15,312	18,763
Share of results of associates	(19,907)	(16,862)	(83,460)	(75,695)
Share of results of joint ventures	(7,746)	(5,157)	(30,789)	(17,163)
Borrowing costs	15,563	17,159	64,049	67,313
Management fees paid and/or payable in units	12,659	12,774	50,515	49,984
Net change in fair value of investment properties	(29,149)	(197,178)	(91,171)	(218,038)
Gain on divestment of investment property	-	-	(28,299)	-
Changes in fair value of derivatives	(5,498)	(997)	(9,018)	(3,879)
Depreciation	10	12	44	46
Rental support income	(4,223)	(4,633)	(16,746)	(20,480)
Translation differences	(309)	(217)	809	431
<b>Operating cash flows before changes in working capital</b>	<b>30,720</b>	<b>33,926</b>	<b>122,880</b>	<b>131,156</b>
(Increase)/Decrease in receivables	(945)	(578)	4,619	(3,071)
Decrease in payables	(2,832)	(2,656)	(6,073)	(4,777)
Increase in security deposits	228	56	807	2,310
Cash flows from operations	27,171	30,748	122,233	125,618
Income taxes paid	(2,306)	(1,918)	(14,054)	(11,337)
<b>Net cash flows provided by operating activities</b>	<b>24,865</b>	<b>28,830</b>	<b>108,179</b>	<b>114,281</b>
<b>Investing activities</b>				
Purchase of investment property	-	(9,680)	-	(9,680)
Subsequent expenditure on investment properties	(1,032)	(1,422)	(2,212)	(2,424)
Proceeds from divestment of investment property, net of divestment costs	-	-	157,233	-
Purchase of fixed assets	(31)	(80)	(35)	(102)
Interest received	5,273	9,356	27,085	37,915
Rental support received	4,159	4,820	20,331	27,750
Investment in a joint venture	-	(260)	-	(5,959)
Advance to a joint venture	-	-	-	(6,075)
(Advance to)/Repayment of advance from an associate	(2,000)	(2,700)	(2,000)	4,300
Reimbursement of development costs for the interest in an associate	-	-	-	4,837
Distribution income received from joint ventures	6,001	3,316	23,173	14,258
Dividend and distribution income received from associates	46,056	35,370	86,453	75,762
<b>Net cash flows provided by investing activities</b>	<b>58,426</b>	<b>38,720</b>	<b>310,028</b>	<b>140,582</b>
<b>Financing activities</b>				
Distribution to Unitholders (net of distribution in Units)	1	(48,318)	(51,873)	(182,563)
Distribution to perpetual securities holders	-	(3,765)	-	(7,490)
Proceeds from issuance of medium term notes	-	-	-	50,000
Proceeds from issuance of perpetual securities	-	150,000	-	150,000
Loans drawdown	1,750	350,000	640,450	461,774
Repayment of loans	-	(533,883)	(656,744)	(683,883)
Payment of financing expenses/upfront debt arrangement costs	-	(1,177)	(2,157)	(2,784)
Partnership distribution to non-controlling interest	-	(25)	(18)	(71)
Interest paid	(15,094)	(21,734)	(60,737)	(62,041)
Issue expenses	-	(1,509)	(18)	(1,509)
<b>Net cash flows used in financing activities</b>	<b>(65,452)</b>	<b>(110,194)</b>	<b>(269,330)</b>	<b>(292,371)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>17,839</b>	<b>(42,644)</b>	<b>148,877</b>	<b>(37,508)</b>
Cash and cash equivalents at the beginning of period/year	229,779	141,133	98,764	137,818
Effect of exchange rate changes on cash and cash equivalents	5,601	275	5,578	(1,546)
<b>Cash and cash equivalents at the end of period/year</b>	<b>253,219</b>	<b>98,764</b>	<b>253,219</b>	<b>98,764</b>
<b>Comprising:</b>				
Cash and bank balances	278,682	144,601	278,682	144,601
Less: Rental support received in advance held in designated accounts	2	(25,463)	(45,837)	(25,463)
<b>Cash and cash equivalents per Consolidated Statement of Cash Flows</b>	<b>253,219</b>	<b>98,764</b>	<b>253,219</b>	<b>98,764</b>

### Notes:

(1) Distribution for FY2016 is for the period of 1 October 2015 to 31 December 2015, paid on 26 February 2016, 1 January 2016 to 31 March 2016, paid on 27 May 2016, 1 April 2016 to 30 June 2016, paid on 26 August 2016, and 1 July 2016 to 30 September 2016 paid on 25 November 2016.

Distribution for FY2015 is for the period of 1 October 2014 to 15 December 2014, paid on 21 January 2015, 16 December 2014 to 31 December 2014, paid on 27 February 2015, 1 January 2015 to 31 March 2015, paid on 28 May 2015, 1 April 2015 to 30 June 2015, paid on 28 August 2015, and 1 July 2015 to 30 September 2015 paid on 27 November 2015.

(2) This relates to the rental support top-up payments received in advance by Keppel REIT held in designated accounts for the approximate 12.4% interest in OPLLP and the one-third interest in MBFC Tower 3. In the prior period/year, the rental support top-up payments received in advance by Keppel REIT held in designated accounts was also for the office tower at 77 King Street.

1(d)(i) Statements of Movements in Unitholders' Funds

Group	Note	Units in Issue	Accumulated Profits	Foreign Currency Translation Reserve	Hedging Reserve	Discount on Acquisition of Non-Controlling Interest	Unitholders' Funds	Perpetual Securities	Non-Controlling Interest	Total
<b>At 1 January 2016</b>		<b>3,394,832</b>	<b>1,409,983</b>	<b>(199,445)</b>	<b>17,429</b>	<b>3,222</b>	<b>4,626,021</b>	<b>149,719</b>	<b>2,108</b>	<b>4,777,848</b>
Return for the year		-	250,191	-	-	-	250,191	7,490	106	257,787
Other comprehensive income	1	-	-	32,143	(22,923)	-	9,220	-	(3)	9,217
Total comprehensive income		-	250,191	32,143	(22,923)	-	259,411	7,490	103	267,004
Issue of units for payment of management fees	2	43,848	-	-	-	-	43,848	-	-	43,848
Issue expenses		-	-	-	-	-	-	(18)	-	(18)
Distribution Reinvestment Plan		30,875	(30,875)	-	-	-	-	-	-	-
Distribution to Unitholders		(12,998)	(169,565)	-	-	-	(182,563)	-	-	(182,563)
Distribution to perpetual securities holders		-	-	-	-	-	-	(7,490)	-	(7,490)
Distribution of partnership profits to non-controlling interest		-	-	-	-	-	-	-	(71)	(71)
<b>At 31 December 2016</b>		<b>3,456,557</b>	<b>1,459,734</b>	<b>(167,302)</b>	<b>(5,494)</b>	<b>3,222</b>	<b>4,746,717</b>	<b>149,701</b>	<b>2,140</b>	<b>4,898,558</b>

  

Group	Note	Units in Issue	Accumulated Profits	Foreign Currency Translation Reserve	Hedging Reserve	Discount on Acquisition of Non-Controlling Interest	Unitholders' funds	Perpetual Securities	Non-Controlling Interest	Total
<b>At 1 January 2015</b>		<b>3,354,095</b>	<b>1,234,402</b>	<b>(123,164)</b>	<b>(11,135)</b>	<b>3,222</b>	<b>4,457,420</b>	<b>-</b>	<b>2,052</b>	<b>4,459,472</b>
Return for the year		-	337,495	-	-	-	337,495	1,228	125	338,848
Other comprehensive income	1	-	-	(76,281)	28,564	-	(47,717)	-	4	(47,713)
Total comprehensive income		-	337,495	(76,281)	28,564	-	289,778	1,228	129	291,135
Issue of Perpetual Securities		-	-	-	-	-	-	150,000	-	150,000
Issue of units for payment of management fees	3	44,939	-	-	-	-	44,939	-	-	44,939
Issue expense adjustments/ (issue expenses)	4	142	-	-	-	-	142	(1,509)	-	(1,367)
Distribution Reinvestment Plan		5,221	(5,221)	-	-	-	-	-	-	-
Distribution to Unitholders		(9,565)	(156,693)	-	-	-	(166,258)	-	-	(166,258)
Distribution of partnership profits to non-controlling interest		-	-	-	-	-	-	-	(73)	(73)
<b>At 31 December 2015</b>		<b>3,394,832</b>	<b>1,409,983</b>	<b>(199,445)</b>	<b>17,429</b>	<b>3,222</b>	<b>4,626,021</b>	<b>149,719</b>	<b>2,108</b>	<b>4,777,848</b>

### 1(d)(i) Statements of Movements in Unitholders' Funds (cont'd)

**Notes:**

- (1) Other comprehensive income relates to the movement in foreign currency translation reserve arising from the translation of foreign entities and intercompany loans that form part of the Group's net investment in foreign entities, fair value changes of the cash flow hedges as a result of interest rate swaps and foreign currency forward contracts entered into by the Group and share of hedging reserves of associates.
- (2) This represents 43,763,613 units issued in FY2016 as payment of management fees in units.
- (3) This represents 40,679,411 units issued in FY2015 as payment of management fees in units.
- (4) The issue expense adjustments were in relation to the placement of 195 million units at an issue price of \$1.17 per unit in FY2014. The net proceeds were used for the acquisition of the one-third interest in MBFC Tower 3.

The issue expenses were in relation to the issuance of \$150.0 million of subordinated perpetual securities at a fixed rate per annum on 2 November 2015.

<u>Trust</u>	Note	<u>Units in Issue</u> \$'000	<u>Accumulated Profits</u> \$'000	<u>Hedging Reserve</u> \$'000	<u>Unitholders' Funds</u> \$'000	<u>Perpetual Securities</u> \$'000	<u>Total</u> \$'000
<b>At 1 January 2016</b>		<b>3,394,832</b>	<b>375,860</b>	<b>9,593</b>	<b>3,780,285</b>	<b>149,719</b>	<b>3,930,004</b>
Return for the year		-	181,852	-	181,852	7,490	189,342
Other comprehensive income	1	-	-	(9,726)	(9,726)	-	(9,726)
Total comprehensive income		-	181,852	(9,726)	172,126	7,490	179,616
Issue of units for payment of management fees	2	43,848	-	-	43,848	-	43,848
Issue expenses		-	-	-	-	(18)	(18)
Distribution Reinvestment Plan		30,875	(30,875)	-	-	-	-
Distribution to Unitholders		(12,998)	(169,565)	-	(182,563)	-	(182,563)
Distribution to perpetual securities holders		-	-	-	-	(7,490)	(7,490)
<b>At 31 December 2016</b>		<b>3,456,557</b>	<b>357,272</b>	<b>(133)</b>	<b>3,813,696</b>	<b>149,701</b>	<b>3,963,397</b>

<u>Trust</u>	Note	<u>Units in Issue</u> \$'000	<u>Accumulated Profits</u> \$'000	<u>Hedging Reserve</u> \$'000	<u>Unitholders' Funds</u> \$'000	<u>Perpetual Securities</u> \$'000	<u>Total</u> \$'000
<b>At 1 January 2015</b>		<b>3,354,095</b>	<b>445,473</b>	<b>(9,529)</b>	<b>3,790,039</b>	<b>-</b>	<b>3,790,039</b>
Return for the year		-	92,301	-	92,301	1,228	93,529
Other comprehensive income	1	-	-	19,122	19,122	-	19,122
Total comprehensive income		-	92,301	19,122	111,423	1,228	112,651
Issue of Perpetual Securities		-	-	-	-	150,000	150,000
Issue of units for payment of management fees	3	44,939	-	-	44,939	-	44,939
Issue expense adjustments/ (issue expenses)	4	142	-	-	142	(1,509)	(1,367)
Distribution Reinvestment Plan		5,221	(5,221)	-	-	-	-
Distribution to Unitholders		(9,565)	(156,693)	-	(166,258)	-	(166,258)
<b>At 31 December 2015</b>		<b>3,394,832</b>	<b>375,860</b>	<b>9,593</b>	<b>3,780,285</b>	<b>149,719</b>	<b>3,930,004</b>

**Notes:**

- (1) This relates to fair value changes of the cash flow hedges as a result of interest rate swaps and foreign currency forward contracts entered into by the Trust.
- (2) This represents 43,763,613 units issued in FY2016 as payment of management fees in units.
- (3) This represents 40,679,411 units issued in FY2015 as payment of management fees in units.
- (4) The issue expense adjustments were in relation to the placement of 195 million units at an issue price of \$1.17 per unit in FY2014. The net proceeds were used for the acquisition of the one-third interest in MBFC Tower 3.

The issue expenses were in relation to the issuance of \$150.0 million of subordinated perpetual securities at a fixed rate per annum on 2 November 2015.

**1(d)(ii) Details of Changes in the Units**

	<b>Group and Trust</b>	
	<b>2016</b>	<b>2015</b>
	<b>Units</b>	<b>Units</b>
<b>Issued units as at 1 January</b>	<b>3,216,124,466</b>	<b>3,170,433,879</b>
Issue of new units:		
- Payment of management fees	34,152,106	27,619,548
- Distribution Reinvestment Plan	27,937,368	2,431,820
<b>Issued units as at 30 September</b>	<b>3,278,213,940</b>	<b>3,200,485,247</b>
Issue of new units:		
- Payment of management fees	9,611,507	13,059,863
- Distribution Reinvestment Plan	3,790,722	2,579,356
<b>Issued units as at 31 December</b>	<b>3,291,616,169</b>	<b>3,216,124,466</b>

**1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period, and as at the end of the immediately preceding year.**

Keppel REIT did not hold any treasury units as at 31 December 2016 and 31 December 2015.

Total number of issued units in Keppel REIT as at 31 December 2016 and 31 December 2015 are as disclosed in paragraph 1(d)(ii).

**1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

Not applicable.

**2. AUDIT**

The figures have neither been audited nor reviewed by the auditors.

**3. AUDITORS' REPORT**

Not applicable.

**4. ACCOUNTING POLICIES**

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Group has adopted all the new and revised standards and Interpretations of FRS ("INT FRS") that are effective for annual period beginning on 1 January 2016.

**5. CHANGES IN ACCOUNTING POLICIES**

Not applicable.

## 6. CONSOLIDATED EARNINGS PER UNIT (“EPU”) AND DISTRIBUTION PER UNIT (“DPU”)

	<u>Group</u>			
	4Q2016	4Q2015	FY2016	FY2015
<b>EPU</b>				
(based on weighted average number of units as at the end of the period/year)				
Based on total return before divestment gain and fair value change of investment properties	1.16 cents	1.06 cents	4.40 cents	4.40 cents
Based on total return after divestment gain and fair value change of investment properties	1.81 cents	6.63 cents	7.67 cents	10.58 cents
- Weighted average number of units as at the end of the period/year	3,286,529,208	3,209,675,749	3,259,942,300	3,191,283,102
<b>DPU</b>				
(based on the number of units as at the end of the period/year)				
- Number of units in issue as at the end of the period/year	3,291,616,169	3,216,124,466	3,291,616,169	3,216,124,466

The diluted EPU is the same as the basic EPU as there are no dilutive instruments in issue during the periods/years.

## 7. NET ASSET VALUE (“NAV”) AND NET TANGIBLE ASSET (“NTA”) PER UNIT

	<u>Group</u>		<u>Trust</u>	
	As at 31/12/2016	As at 31/12/2015	As at 31/12/2016	As at 31/12/2015
NAV <sup>1</sup> per unit (\$)	1.44	1.44	1.16	1.18
NTA <sup>1</sup> per unit (\$)	1.44	1.43	1.15	1.17
based on issued units at the end of the year				
Adjusted NAV <sup>1</sup> per unit (\$)	1.43	1.42	1.14	1.16
Adjusted NTA <sup>1</sup> per unit (\$)	1.42	1.41	1.14	1.15
based on issued units at the end of the year (excluding the distributable income)				

### Note:

- (1) These excluded non-controlling interest’s and perpetual securities holders’ share of net asset value and net tangible asset.

## 8. REVIEW OF PERFORMANCE

### 8(i) Property Income Contribution of Directly Held Properties (excluding property income contribution from associates and joint ventures)

	<u>Group</u>					
	4Q2016	4Q2015	+(-)	FY2016	FY2015	+(-)
	\$'000	\$'000	%	\$'000	\$'000	%
<b>Property</b>						
Bugis Junction Towers	4,858	5,735	(15.3)	21,259	22,599	(5.9)
Ocean Financial Centre	26,512	26,069	1.7	104,863	101,858	3.0
275 George Street	4,681	4,634	1.0	18,311	18,946	(3.4)
77 King Street <sup>1</sup>	-	2,287	(100.0)	669	10,508	(93.6)
8 Exhibition Street <sup>2</sup>	3,950	4,070	(2.9)	16,150	16,436	(1.7)
<b>Total property income of directly held properties (excluding property income contribution from associates and joint ventures)</b>	<b>40,001</b>	<b>42,795</b>	<b>(6.5)</b>	<b>161,252</b>	<b>170,347</b>	<b>(5.3)</b>

### 8(ii) Income Contribution of the Portfolio

	<u>Group</u>					
	4Q2016	4Q2015	+(-)	FY2016	FY2015	+(-)
	\$'000	\$'000	%	\$'000	\$'000	%
<b>Property</b>						
Bugis Junction Towers	3,805	4,633	(17.9)	16,773	18,872	(11.1)
Ocean Financial Centre	21,021	21,857	(3.8)	84,925	83,044	2.3
275 George Street	3,795	3,674	3.3	14,978	15,294	(2.1)
77 King Street <sup>1</sup>	-	1,832	(100.0)	524	8,462	(93.8)
8 Exhibition Street <sup>2</sup>	2,801	2,775	0.9	11,170	11,793	(5.3)
<b>Total net property income of directly held properties</b>	<b>31,422</b>	<b>34,771</b>	<b>(9.6)</b>	<b>128,370</b>	<b>137,465</b>	<b>(6.6)</b>
One-third interest in ORQPL <sup>3</sup> :						
- Interest income	472	550	(14.2)	2,019	2,019	-
- Dividend income	6,102	5,560	9.7	27,136	24,120	12.5
<b>Total income</b>	<b>6,574</b>	<b>6,110</b>	<b>7.6</b>	<b>29,155</b>	<b>26,139</b>	<b>11.5</b>
One-third interests in BFCDLLP <sup>4</sup> and CBDPL <sup>4</sup> :						
- Rental support	3,200	3,700	(13.5)	12,800	14,800	(13.5)
- Interest income	4,068	6,580	(38.2)	21,072	24,095	(12.5)
- Dividend income	14,544	11,298	28.7	59,317	51,642	14.9
<b>Total income</b>	<b>21,812</b>	<b>21,578</b>	<b>1.1</b>	<b>93,189</b>	<b>90,537</b>	<b>2.9</b>
50% interest in M8CT <sup>5</sup> :						
- Distribution income	3,067	2,959	3.6	12,206	12,135	0.6
50% interest in MOTT <sup>6</sup> :						
- Interest income	-	1,565	(100.0)	-	8,711	(100.0)
- Distribution income	3,085	1,425	116.5	11,956	3,131	281.9
<b>Total income</b>	<b>3,085</b>	<b>2,990</b>	<b>3.2</b>	<b>11,956</b>	<b>11,842</b>	<b>1.0</b>

#### Notes:

- (1) 77 King Street was divested on 29 January 2016.
- (2) Comprises 50% interest in the office building and two retail units, and a 100% interest in another three retail units.
- (3) Comprises one-third interest in ORQPL which holds One Raffles Quay.
- (4) Comprise one-third interests in BFCDLLP and CBDPL which hold Marina Bay Financial Centre Towers 1, 2 and 3 and Marina Bay Link Mall.
- (5) Comprises 50% interest in M8CT which holds 8 Chifley Square.
- (6) Comprises 50% interest in MOTT which holds the David Malcolm Justice Centre. The David Malcolm Justice Centre received its Certificate of Practical Completion on 31 August 2015. The convertible notes in MOTT were converted to units on 30 November 2015.

## 8. REVIEW OF PERFORMANCE (CONT'D)

### Review of Performance for FY2016 vs FY2015

Property income and net property income for FY2016 were \$161.3 million and \$128.4 million respectively, compared to the property income and net property income of \$170.3 million and \$137.5 million respectively for FY2015. The variances were mainly attributable to the absence of income contribution from 77 King Street which was divested on 29 January 2016 and lower property income and net property income from Bugis Junction Towers. These were partially offset by higher property income and net property income from OFC.

The Group's total return before tax for FY2016 was \$279.1 million, compared to \$366.8 million for FY2015. The variance was mainly attributable to lower rental support, lower interest income and lower fair value gain on investment properties. These were partially offset by higher one-off income received, higher share of results of joint ventures, lower amortisation expense, lower borrowing costs, changes in fair value of derivatives and gain on divestment of 77 King Street.

### Review of Performance for 4Q2016 vs 4Q2015

Property income and net property income for 4Q2016 were \$40.0 million, and \$31.4 million respectively, compared to the property income and net property income of \$42.8 million and \$34.8 million respectively for 4Q2015. The variances were mainly attributable to the absence of income contribution from 77 King Street and lower property income and net property income from Bugis Junction Towers. These were partially offset by higher property income from OFC.

The Group's total return before tax for 4Q2016 was \$71.0 million, compared to \$233.9 million for 4Q2015. The variance was mainly attributable to lower rental support, lower interest income and lower fair value gain on investment properties. These were partially offset by higher share of results of associates and joint ventures, lower amortisation expense, lower borrowing costs and changes in fair value of derivatives.

## 9. VARIANCE FROM FORECAST STATEMENT

Not applicable.



## 10. PROSPECTS

Advance estimates from the Ministry of Trade and Industry (MTI) indicate that the Singapore economy recorded a 1.8% year-on-year (yoy) growth in 4Q2016, bringing full-year growth to 1.8%. Growth forecast for 2017 is estimated at between 1% and 3%.

On the Singapore office market, CBRE opined that weaker economic growth and cautious sentiments weighed in on the office sector in 2016. According to CBRE, occupancy for Singapore's core CBD office market was 95.8%, while average Grade A rents eased further to \$9.10 psf in 4Q 2016. New office demand was driven mainly by tenants in the fin-tech, technology and co-working sectors. Meanwhile, firms in the banking and energy sectors were faced with a challenging operating environment in 2016.

In Australia, the economy saw a moderate growth of 1.8% yoy in 3Q2016. Full-year growth for 2016 is estimated at between 2.5% and 3.5%, with a similar forecast for 2017. According to Jones Lang LaSalle, Australia's national CBD office market occupancy remained steady at 88% in 3Q2016.

Looking ahead, the challenging global economic environment is expected to have a continued dampening effect on the Singapore office leasing market especially in 2017. While Keppel REIT's portfolio of quality assets and its high committed occupancy as at end-2016 will help the REIT weather the supply and demand imbalance in the office sector, Keppel REIT's rental income is not immune to the general decline in rents in the Singapore office market.

On the capital management front, the rising interest rate environment will see borrowing costs gradually increase as the US Federal Reserve seeks rate normalisation in the longer term. At its December 2016 meeting, interest rates were raised by 25 basis points, with more rate hikes anticipated in 2017. To manage volatility in interest rates, the Manager continued its prudent approach, with fixed-rate loans at 75% of total borrowings as at end-2016.

The Manager maintains its strategy of adding value to its portfolio through selective acquisitions that are aligned with the REIT's investment mandate.

The consolidation of the shareholding interest in Keppel REIT Management under Keppel Capital was completed in July 2016. As a member of Keppel Capital, the Manager can leverage and grow Keppel REIT further with the increased scale, larger investor base, wider geographical coverage and greater resources.

## 11. RISK FACTORS AND RISK MANAGEMENT

The Manager ascribes importance to risk management and constantly takes initiatives to systematically review the risks it faces and mitigates them. Some of the key risks that the Manager has identified are as follows:

### **Interest rate risk**

The Manager constantly monitors its exposure to changes in interest rates for its interest-bearing financial liabilities. Interest rate risk is managed on an on-going basis with the primary objective of limiting the extent to which net interest expense can be affected by adverse movements in interest rates through financial instruments or other suitable financial products.

### **Liquidity risk**

The Manager monitors and maintains Keppel REIT's cash flow position and working capital 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 for funding and expense requirements so as to manage the cash position at any point of time.

### **Credit risk**

Credit risk assessments of tenants are carried out by way of evaluation of information from corporate searches conducted prior to the signing of lease agreements. Tenants are required to pay a security deposit as a multiple of monthly rents and maintain sufficient deposits in their accounts. In addition, the Manager also monitors the tenant mix.

### **Currency risk**

The Group's foreign currency risk relates mainly to its exposure from its investments in Australia, and the regular distributable income and interest income from these investments. The Manager monitors the Group's foreign currency exposure on an on-going basis and will manage its exposure to adverse movements in foreign currency exchange rates through financial instruments or other suitable financial products.

### **Operational risk**

Measures have been put in place to manage expenses, actively monitor rental payments from tenants and continuously evaluate the Group's counter-parties. In addition, the Manager also performs an annual review of the adequacy and appropriateness of insurance coverage, continuously reviews disaster and pandemic business continuity plans, and updates and modifies them regularly.

## 12. DISTRIBUTIONS

### (a) Current Financial Period Reported on

Name of Distribution	1 October 2016 to 31 December 2016
Distribution type	(a) Taxable income (b) Tax-exempt income (c) Capital distribution
Distribution rate	(a) Taxable income distribution - 1.00 cents per unit (b) Tax-exempt income distribution - 0.38 cents per unit (c) Capital distribution - 0.10 cents per unit
Tax rate	<p><u>Taxable income distribution</u></p> <p>Individuals who receive such distribution as investment income will be exempted from tax.</p> <p>Qualifying Unitholders will receive pre-tax distributions and pay tax on the distributions at their own marginal rates subsequently.</p> <p>Investors using CPF funds and SRS funds will also receive pre-tax distributions. These distributions are tax-exempt.</p> <p>Subject to meeting certain conditions, foreign non-individual unitholders will receive their distributions after deduction of tax at the rate of 10%.</p> <p>All other investors will receive their distributions after deduction of tax at the rate of 17%.</p> <p><u>Tax-exempt income distribution</u></p> <p>Tax-exempt income distribution is exempt from tax in the hands of all Unitholders. Tax-exempt income relates to net taxed income and one-tier dividend income received by Keppel REIT.</p> <p><u>Capital distribution</u></p> <p>Capital distribution represents a return of capital to Unitholders for Singapore income tax purposes and is therefore not subject to income tax. For Unitholders who are liable to Singapore income tax on profits from sale of Keppel REIT units, the amount of capital distribution will be applied to reduce the cost base of their Keppel REIT units for Singapore income tax purposes.</p>

**12. DISTRIBUTIONS (CONT'D)**

**(b) Corresponding Period of the Immediately Preceding Financial Year**

Name of Distribution	1 October 2015 to 31 December 2015
Distribution type	(a) Taxable income (b) Tax-exempt income (c) Other gains distribution (d) Capital distribution
Distribution rate	(a) Taxable income distribution - 1.15 cents per unit (b) Tax-exempt income distribution - 0.27 cents per unit (c) Other gains distribution - 0.16 cents per unit (d) Capital distribution - 0.10 cents per unit
Tax rate	<p><u>Taxable income distribution</u> Individuals who receive such distribution as investment income will be exempted from tax.</p> <p>Qualifying Unitholders will receive pre-tax distributions and pay tax on the distributions at their own marginal rates subsequently.</p> <p>Investors using CPF funds and SRS funds will also receive pre-tax distributions. These distributions are tax-exempt.</p> <p>Subject to meeting certain conditions, foreign non-individual unitholders will receive their distributions after deduction of tax at the rate of 10%.</p> <p>All other investors will receive their distributions after deduction of tax at the rate of 17%.</p> <p><u>Tax-exempt income distribution</u> Tax-exempt income distribution is exempt from tax in the hands of all Unitholders. Tax-exempt income relates to net taxed income and one-tier dividend income received by Keppel REIT.</p> <p><u>Other gains distribution</u> Other gains distribution is not taxable in the hands of all Unitholders.</p> <p><u>Capital distribution</u> Capital distribution represents a return of capital to Unitholders for Singapore income tax purposes and is therefore not subject to income tax. For Unitholders who are liable to Singapore income tax on profits from sale of Keppel REIT units, the amount of capital distribution will be applied to reduce the cost base of their Keppel REIT units for Singapore income tax purposes.</p>

**(c) Books Closure Date**

2 February 2017

**(d) Date Payable**

28 February 2017

### 13. DISTRIBUTION STATEMENT

Other than as disclosed in paragraph 12(a), no distribution has been declared/recommended.

### 14. SEGMENTAL INFORMATION

	<u>Group</u>		+ / (-) %
	FY2016 \$'000	FY2015 \$'000	
<b><u>Property</u></b>			
Bugis Junction Towers	16,773	18,872	(11.1)
Ocean Financial Centre	84,925	83,044	2.3
275 George Street	14,978	15,294	(2.1)
77 King Street <sup>1</sup>	524	8,462	(93.8)
8 Exhibition Street <sup>2</sup>	11,170	11,793	(5.3)
<b>Total net property income of directly held properties</b>	<b>128,370</b>	<b>137,465</b>	<b>(6.6)</b>
Ocean Financial Centre			
- Rental support	3,946	5,577	(29.2)
One-third interest in ORQPL <sup>3</sup> :			
- Interest income	2,019	2,019	-
- Dividend income	27,136	24,120	12.5
<b>Total income</b>	<b>29,155</b>	<b>26,139</b>	<b>11.5</b>
One-third interests in BFCDLLP <sup>4</sup> and CBDPL <sup>4</sup> :			
- Rental support	12,800	14,800	(13.5)
- Interest income	21,072	24,095	(12.5)
- Dividend income	59,317	51,642	14.9
<b>Total income</b>	<b>93,189</b>	<b>90,537</b>	<b>2.9</b>
50% interest in M8CT <sup>5</sup>			
- Distribution income	12,206	12,135	0.6
50% interest in MOTT <sup>6</sup>			
- Interest income	-	8,711	(100.0)
- Distribution income	11,956	3,131	281.9
<b>Total income</b>	<b>11,956</b>	<b>11,842</b>	<b>1.0</b>
<b>Total income contribution of the portfolio</b>	<b>278,822</b>	<b>283,695</b>	<b>(1.7)</b>

**Notes:**

- (1) 77 King Street was divested on 29 January 2016.
- (2) Comprises 50% interest in the office building and two retail units, and a 100% interest in another three retail units.
- (3) Comprises one-third interest in ORQPL which holds One Raffles Quay.
- (4) Comprise one-third interests in BFCDLLP and CBDPL which hold Marina Bay Financial Centre Towers 1, 2 and 3 and Marina Bay Link Mall.
- (5) Comprises 50% interest in M8CT which holds 8 Chifley Square.
- (6) Comprises 50% interest in MOTT which holds the David Malcolm Justice Centre. The David Malcolm Justice Centre received its Certificate of Practical Completion on 31 August 2015. The convertible notes in MOTT were converted to units on 30 November 2015.

### 15. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

Please refer to paragraph 8 on the review of performance.

## 16. BREAKDOWN OF SALES

	<u>Group</u>		+ / (-) %
	FY2016 \$'000	FY2015 \$'000	
Property income reported for first half year	81,719	85,369	(4.3)
Total return after tax for first half year <sup>1</sup>	156,316	73,750	112.0
Property income reported for second half year	79,533	84,978	(6.4)
Total return after tax for second half year <sup>1</sup>	101,471	265,098	(61.7)

**Note:**

- (1) The total return after tax for first half year FY2016 includes net change in fair value of investment properties in Singapore amounting to approximately \$62.0 million and the gain on divestment of 77 King Street. The total return after tax for second half year FY2016 and FY2015 includes net change in fair value of investment properties amounting to approximately \$29.2 million and \$218.0 million respectively. The net change in fair value of investment properties and the gain on divestment of investment property are non-taxable items and have no impact on the distributable income to Unitholders.

## 17. INTERESTED PERSON TRANSACTIONS (“IPTs”)

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions of less than \$100,000)	
	FY2016 \$'000	FY2015 \$'000
<u>Keppel Corporation Limited and its subsidiaries or associates</u>		
- Manager's management fees	50,515	49,984
- Acquisition fee	-	89
- Divestment fee	810	-
- Property management fees and reimbursable	5,854	5,709
- Leasing commissions	1,211	1,453
- Rental and service charge income <sup>1</sup>	36,476	128
- Rental support	12,800	16,122
- Electricity expenses <sup>1</sup>	17,810	12,400
- Reimbursement of development costs for one-third interest in an associate	-	4,837
<u>RBC Investor Services Trust Singapore Limited</u>		
- Trustee's fees	1,248	1,229

No IPT mandate has been obtained by Keppel REIT for the financial year under review.

**Note:**

- (1) The aggregate value of interested person transactions refers to the total contract sum entered into during the financial year.

**18. BREAKDOWN OF TOTAL ANNUAL DISTRIBUTION**

	<b>FY2016</b>	<b>FY2015</b>
	\$'000	\$'000
1 January 2015 to 31 March 2015 (paid)	-	54,009
1 April 2015 to 30 June 2015 (paid)	-	54,820
1 July 2015 to 30 September 2015 (paid)	-	54,408
1 October 2015 to 31 December 2015 (paid)	-	54,031
1 January 2016 to 31 March 2016 (paid)	54,438	-
1 April 2016 to 30 June 2016 (paid)	52,517	-
1 July 2016 to 30 September 2016 (paid)	52,452	-
1 October 2016 to 31 December 2016 (to be paid) <sup>1</sup>	48,716	-
	<u>208,123</u>	<u>217,268</u>

**Note:**

(1) Please refer to paragraph 12(a) on page 19.

**19. DISCLOSURE OF PERSON OCCUPYING A MANAGERIAL POSITION**

Pursuant to Rule 704(13) of the Listing Manual of the Singapore Exchange Securities Trading Limited, we confirm that none of the persons occupying managerial positions in the Company or any of its principal subsidiaries is a relative of a director or chief executive officer or substantial shareholder of the Company.

**20. CONFIRMATION THAT THE ISSUER HAS PROCURED UNDERTAKINGS FROM ALL OF ITS DIRECTORS AND EXECUTIVE OFFICERS (IN THE FORMAT SET OUT IN APPENDIX 7.7) UNDER RULE 720(1)**

The Company confirms that it has procured undertakings from all of its directors and executive officers in the format set out in Appendix 7.7 of the Listing Manual.

**By Order of the Board**  
**Keppel REIT Management Limited**  
**(Company Registration Number: 200411357K)**  
**As Manager of Keppel REIT**

CHUA HUA YEOW KELVIN / TAN WEIQIANG MARC  
 Joint Company Secretaries  
 24 January 2017