Keppel REIT

(Constituted in the Republic of Singapore pursuant to a trust deed dated 28 November 2005 (as amended))

S$200.0 million
1.90 per cent. Convertible Bonds due 2024

MANAGED BY

KEPPEL REIT MANAGEMENT LIMITED

Issue Price: 100.00 per cent.

The 1.90 per cent. Convertible Bonds due 2024 in the aggregate principal amount of S$200.0 million (the "**Bonds**") are being offered and will be issued by Keppel REIT, acting through RBC Investor Services Trust Singapore Limited, in its capacity as the trustee of Keppel REIT (the "**REIT Trustee**" or the "**Issuer**"). Keppel REIT is managed by Keppel REIT Management Limited (the "**REIT Manager**"). The issue price will be 100.0 per cent. of the aggregate principal amount of the Bonds.

The holder of a Bond (a "**Bondholder**") has the right to convert all or some only of the Bonds held by such Bondholder into fully paid units representing undivided interests in Keppel REIT (the "**Units**") at any time during the Conversion Period (as defined in the terms and conditions of the Bonds, the "**Terms and Conditions**" or "**Conditions**"), subject to the Issuer's option to cash settle the Bonds in whole or in part, at an initial conversion price of S$1.4625 per Unit (the "**Conversion Price**"). Further, a Bondholder has the right to exercise conversion rights upon the occurrence of a Change of Control Event (as defined in the Terms and Conditions). The Conversion Price is subject to adjustment in the circumstances described under the "Terms and Conditions – Adjustments to Conversion Price", as well as upon a Change of Control Event pursuant to the "Terms and Conditions – Conversion for Change of Control". The Units are listed on the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"). The closing price of the Units on the SGX-ST on 2 April 2019 was S$1.30 per Unit.

The Bonds will bear interest at the rate of 1.90 per cent. per annum, payable semi-annually in arrear on 10 April and 10 October of each year, with the first interest payment date falling on 10 October 2019. See "Terms and Conditions – Interest". Unless previously redeemed, converted or purchased and cancelled, the Bonds will be redeemed at 100.00 per cent. of their principal amount on 10 April 2024 (the "**Maturity Date**") plus interest accrued (if any) calculated in accordance with the Terms and Conditions. On or at any time after 10 April 2022 but not less than seven Business Days (as defined in the Terms and Conditions) prior to the Maturity Date, the Issuer may, having given not less than 30 nor more than 60 days' notice to the Bondholders, the Bond Trustee and the Principal Paying Agent (each defined in the Terms and Conditions) (which notice will be irrevocable), redeem all of the Bonds, or some only (subject to the Terms and Conditions – Redemption at the Option of the Issuer being S$250,000 in principal amount, provided that no such redemption may be made unless the closing price of the Units on each of the 20 consecutive Trading Days (as defined in the Terms and Conditions), the last day of which period occurs no more than 20 Trading Days prior to the date on which notice of such redemption is given pursuant to Terms and Conditions – Notices, was at least 130.0 per cent. of the Conversion Price in effect on each such Trading Day. The Issuer may also redeem all, but not some, of the Bonds at 100.00 per cent. of their principal amount together with accrued interest (calculated up to but excluding the date of redemption) at the date fixed for redemption, in the event of certain changes in the laws and regulations relating to taxation in Singapore. The Issuer will, at the option of a Bondholder, redeem all or some of that Bondholder's Bonds on 10 April 2022 at 100.00 per cent. of their principal amount together with accrued interest (calculated up to but excluding the date of redemption), provided that the Bondholder completes, signs and deposits at the specified office of any Paying Agent a duly completed and signed notice of redemption in the relevant form. During the Change of Control Period (as defined in the Terms and Conditions), the Issuer shall, at the option of a Bondholder, redeem in whole but not in part such Bondholder's Bonds on the Change of Control Redemption Date (as defined in the Terms and Conditions) at 100.00 per cent. of their principal amount together with accrued interest (calculated up to but excluding the date of redemption) at the date fixed for such redemption. In the event the Units cease to be listed or admitted to trading or are suspended for a period equal to or exceeding 30 consecutive Trading Days on the SGX-ST, or if applicable, the Alternative Stock Exchange (as defined in the Terms and Conditions) (a "**Relevant Event**"), the Issuer will, at the option of a Bondholder, redeem all (but not less than all) the such Bondholder's Bonds on the 20th Business Day (as defined in the Terms and Conditions) after notice has been given to Bondholders regarding the Relevant Event at 100.00 per cent. of their principal amount together with accrued interest to such date. See "Terms and Conditions of the Bonds – Redemption, Purchase and Cancellation".

Approval-in-principle has been obtained for the listing of the Bonds and the new Units to be issued on conversion of the Bonds on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, reports contained or options expressed in this Offering Circular. Approval in-principle for the listing and the quotation of the Bonds and the Units issuable upon conversion of the Bonds is not to be taken as an indication of the merits of the proposed Bonds issue, Keppel REIT and/or its subsidiaries.

Investing in the Bonds and the Units involves certain risks. See "Risk Factors".

The Bonds will be represented by beneficial interests in a global certificate (the "**Global Certificate**") in registered form in the denomination of S$250,000.00 each or integral multiples thereof, which will be deposited with, and registered in the name of Bank of New York Mellon, London Branch, being a nominee of the common depositary for, Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**"), on or about 10 April 2019 (the "**Closing Date**"). Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described herein, certificates for Bonds will not be issued in exchange for interests in the Global Certificate.

This Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore (the "MAS"). Accordingly, this Offering Circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds or the Units may not be circulated or distributed, nor may the Bonds or the Units be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than to an institutional investor (as defined in the Securities and Futures Act, Chapter 289 of Singapore ("SFA")) pursuant to Section 274 or 304 of the SFA (as the case may be), or otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

The Bonds and the Units issuable upon conversion of the Bonds have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") and may not be offered or sold within the United States, except pursuant to an exemption from, or in transactions not subject to, the registration requirements of the Securities Act. Accordingly, the Bonds and the new Units to be issued upon conversion of the Bonds are being offered or sold only outside the United States, or to non-U.S. persons (as defined in Regulation S under the Securities Act), in compliance with Regulation S under the Securities Act and the applicable laws of the jurisdiction in which those offers and sales occur. The Bonds are not transferable except in accordance with the restrictions described under "Subscription and Sale".

Joint Lead Managers

BNP PARIBAS   CREDIT SUISSE

The date of this Offering Circular is 8 April 2019

IMPORTANT INFORMATION

The REIT Manager, having made all reasonable enquiries, confirms that to the best of its knowledge and belief (i) this Offering Circular contains all information with respect to Keppel REIT, and the issue of the Bonds and the Units, which is material in the context of the issue and offering of the Bonds; (ii) the statements contained in this Offering Circular relating to Keppel REIT, its associates and related parties, the Bonds and the Units, are in every material respect true and accurate and not misleading; (iii) the opinions and intentions expressed in this Offering Circular with regard to Keppel REIT are honestly held, have been reached after considering all relevant circumstances and are based on assumptions that are fair and reasonable; (iv) there are no other facts in relation to Keppel REIT, its associates and related parties, the Bonds or the Units, the omission of which would, in the context of the issue and offering of the Bonds, make any statement in this Offering Circular misleading in any material respect; and (v) all reasonable enquiries have been made by the REIT Manager to ascertain such facts and to verify the accuracy of all such information and statements. In addition, the REIT Manager accepts full responsibility for the information contained in this Offering Circular.

No person has been or is authorised to give any information or to make any representation concerning Keppel REIT, the Bonds or the Units other than as contained herein and, if given or made, any such other information or representation must not be relied upon as having been authorised by the Issuer, the REIT Manager, the Joint Lead Managers, the Bond Trustee (as defined herein) or the Agents (as defined herein) or any of their respective affiliates, advisers or representatives thereof. Neither the delivery of this Offering Circular nor any offering, sale or delivery made in connection with the issue of the Bonds shall, under any circumstances, constitute a representation or imply that the information contained herein is correct as of any date subsequent to the date hereof. No representation or warranty, express or implied, is made or given by the REIT Trustee, the Joint Lead Managers, the Bond Trustee or the Agents or any member, employee, counsel, officer, director, representative, agent or affiliate of the foregoing as to the accuracy, completeness or sufficiency of the information contained in this Offering Circular, and nothing contained in this Offering Circular is, or shall be relied upon as a promise, representation or warranty by the REIT Trustee, the Joint Lead Managers, the Bond Trustee, or the Agents. To the extent permitted by applicable law, each of the REIT Trustee, the Joint Lead Managers, the Bond Trustee and the Agents, expressly disclaims any and all liability that may be based on such information, errors therein or omissions therefrom. Each person receiving this Offering Circular acknowledges that such person has not relied on the Joint Lead Managers or any person affiliated with them in connection with its investigation of the accuracy of such information or its investment decision.

This Offering Circular has been prepared by the REIT Manager solely for use in connection with the proposed offering of the Bonds described in this Offering Circular. This Offering Circular is not intended to invite offers to subscribe for or purchase Units. The distribution of this Offering Circular and the offering of the Bonds in certain jurisdictions may be restricted by law. None of the REIT Trustee, the REIT Manager, the Joint Lead Managers, the Bond Trustee or the Agents, represents that this Offering Circular may be lawfully distributed, or that the Bonds will be lawfully offered in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to an exemption available thereunder. Persons who come into possession of this Offering Circular are required by the REIT Manager and the Joint Lead Managers, to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Bonds or the Units issuable upon conversion of the Bonds or the distribution of this Offering Circular in any jurisdiction where action would be required for such purposes.

There are restrictions on the offer and sale of the Bonds and the Units deliverable on conversion or redemption of the Bonds, and the circulation of documents relating thereto, in certain jurisdictions including the United States, Hong Kong and Singapore and to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Bonds and distribution of this Offering Circular, see "Subscription and Sale".

The information on the website of the Issuer or the Joint Lead Managers or any other website, is not part of nor shall it be deemed to be incorporated by reference into this Offering Circular.

Neither this Offering Circular nor any other information supplied in connection with the offering of the Bonds (a) is intended to provide the basis of any credit evaluation, or (b) should be construed as legal, tax or investment advice, or (c) should be considered as a recommendation by the Issuer, the Joint Lead Managers, the REIT Manager or the Bond Trustee that any recipient of this Offering Circular should purchase any Bonds. Each investor contemplating purchasing any Bonds should make its own independent investigation of the financial condition and affairs, and its own appraisal of the Issuer, including the merits and risks involved.

See "Risk Factors" for a discussion of certain factors to be considered in connection with an investment in the Bonds.

In this Offering Circular, certain amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding. References to information in billions of units are to the equivalent of one thousand million units.

In this Offering Circular, unless otherwise specified or the context otherwise requires, all reference to **Singapore** are references to the Republic of Singapore and all references to the **U.S**. and **United States** are references to the United States of America. All references to "**sq m**" herein are to square metres and all reference to "**sq ft**" are to square feet. All references to the **Government** herein are references to the government of the Republic of Singapore. References herein to **Singapore dollars** and **S$** are to the lawful currency of Singapore.

All references to "**Joint Lead Managers**" herein are references to BNP Paribas and Credit Suisse (Singapore) Limited.

Market data and certain industry forecasts used throughout this Offering Circular have been obtained from internal surveys, market research, publicly available information and industry publications. Industry publications generally state that the information that they contain has been obtained from sources believed to be reliable but that the accuracy and completeness of that information is not guaranteed. Similarly, internal surveys, industry forecasts and market research, while believed to be reliable, have not been independently verified, and none of the REIT Trustee, the REIT Manager or the Joint Lead Managers makes any representation as to the accuracy of such information.

Notification under Section 309B of the Securities and Futures Act, Chapter 289 of Singapore: The Bonds are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

FORWARD-LOOKING STATEMENTS

The Issuer has included certain statements in this Offering Circular or documents incorporated by reference herein which contain words or phrases such as "will", "would", "aim", "aimed", "will likely result", "is likely", "are likely", "believe", "expect", "expected to", "will continue", "will achieve", "anticipate", "estimate", "estimating", "intend", "plan", "contemplate", "seek to", "seeking to", "trying to", "target", "propose to", "future", "objective", "goal", "project", "should", "can", "could", "may", "will pursue", "the Issuer's judgment" and similar expressions or variations of such expressions, that are "forward-looking statements". Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Keppel REIT, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Issuer's present and future business strategies and the environment in which Keppel REIT will operate in the future. Among the important factors that could cause Keppel REIT's actual results, performance or achievements to differ materially from those in the forward-looking statements include, among others, the condition of and changes in the local, regional or global economy that may adversely affect the property market or result in a reduction of the requirement for real estate in Singapore and elsewhere, and competition in the real estate industry. Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "Risk Factors" and "Business". These forward-looking statements speak only as of the date of this Offering Circular.

Each of Keppel REIT, the REIT Trustee and the REIT Manager expressly disclaims any obligation or responsibility to amend, modify or revise any forward-looking statements, on the basis of any subsequent developments, information or events, or otherwise, subject to compliance with all applicable laws and regulations and/or the rules of the SGX-ST and/or any other regulatory or supervisory body or agency.

TABLE OF CONTENTS

SUMMARY

The summary below is intended only to provide a limited overview of information described in more detail elsewhere in this Offering Circular. As it is a summary, it does not contain all the information that may be important to investors. The Issuer recommends reading this entire Offering Circular carefully, including the financial statements and related notes appearing elsewhere in this Offering Circular and the section "Risk Factors". Terms defined elsewhere in this Offering Circular shall have the same meanings when used in this summary.

Keppel REIT

Keppel REIT is a real estate investment trust ("**REIT**") constituted by a trust deed entered into on 28 November 2005 between the REIT Manager and the REIT Trustee, as amended by the Supplemental Deed dated 2 February 2006, the Second Supplemental Deed dated 17 March 2006, the Third Supplemental Deed dated 30 July 2007, the Fourth Supplemental Deed dated 17 October 2007, the Fifth Supplemental Deed dated 19 January 2009, the Sixth Supplemental Deed dated 16 April 2009, the First Amending and Restating Deed dated 19 April 2010, the Supplemental Deed dated 15 October 2012 to the First Amending and Restating Deed, the Second Amending and Restating Deed dated 23 March 2016 and the Tenth Supplemental Deed dated 20 April 2018 (collective, the "**REIT Trust Deed**"). Keppel REIT was listed on the SGX-ST on 28 April 2006 (the "**Listing Date**"). The terms and conditions of the REIT Trust Deed are binding on each Unitholder (and persons claiming through such Unitholder) as if such Unitholder had been party to the REIT Trust Deed.

Keppel REIT was established with the principal investment strategy of owning and investing in a portfolio of quality income-producing commercial real estate and real estate-related assets pan-Asia, which are used or substantially used for commercial purposes. The REIT Manager is focused on delivering regular and stable distributions to Unitholders, and to achieve long-term growth in the net asset value ("**NAV**") per Unit of Keppel REIT, so as to provide Unitholders with a competitive rate of return on their investment.

The REIT Manager is a wholly-owned subsidiary of Keppel Capital Holdings Pte Ltd, a premier asset manager in Asia with a diversified portfolio that includes real estate, infrastructure and data centre properties in key global markets. The REIT Manager is staffed by experienced professionals with a track record of successfully investing in and effectively managing quality property assets across Asia for the benefit of the holders ("**Unitholders**") of Units.

As at 31 December 2018, Keppel REIT had assets under management of approximately S$8.1 billion comprising interests in nine premium office assets (completed and under development) strategically located in the central business districts of Singapore, as well as in key Australian cities of Sydney, Melbourne, Brisbane and Perth.

In Singapore, Keppel REIT owns (1) a 79.9% interest in Ocean Financial Centre, (2) a one-third interest in Marina Bay Financial Centre ("**MBFC**") office Towers 1, 2 and 3 and the subterranean mall, Marina Bay Link Mall, (3) a one-third interest in One Raffles Quay, and (4) a 100.0% interest in Bugis Junction Towers. In Australia, Keppel REIT owns (1) a 50.0% interest in 8 Chifley Square, Sydney, (2) a 50.0% interest (as a tenant-in-common) in the office development and two retail units, as well as a 100.0% interest in the three retail units at 8 Exhibition Street, Melbourne, (3) a 50.0% interest (as a tenant-in-common) in 275 George Street, Brisbane, (4) a 50.0% interest in the David Malcolm Justice Centre, Perth, and (5) a 50.0% interest in a premium office tower which is under construction at 311 Spencer Street, Melbourne.

As at 31 December 2018, Keppel REIT's market capitalisation was approximately S$3.9 billion (based on the closing price of S$1.14 per Unit).

Keppel REIT's financial results for the financial years ended 31 December 2016 ("**FY 2016**"), 31 December 2017 ("**FY 2017**") and 31 December 2018 ("**FY 2018**") were as follows:

	FY 2018	FY 2017	FY 2016
Property income (S$'000)	165,858	164,516	161,252
Net property income (S$'000)	133,155	131,200	128,370
Share of results of associates (S$'000)	73,720	83,795	83,460
Share of results of joint ventures (S$'000)	30,170	31,959	30,789
Income available for distribution (S$'000)	189,045	190,730	208,123
Distributable income (S$'000)	189,045	190,730	208,123
Distribution per Unit ("DPU") (cents)	5.56	5.70	6.37
Distribution yield (%)[(1)]	4.9%	4.5%	6.2%

Note:

(1) Based on the market closing price per unit of $1.14 as at 31 December 2018, $1.26 as at 31 December 2017, and S$1.02 as at 31 December 2016.

As at 31 December 2018, Keppel REIT had total Unitholders' funds of approximately S$4,757 million, total assets of S$7,784 million and adjusted NAV per Unit of S$1.39 (excluding the distributions subsequently paid in February 2019).

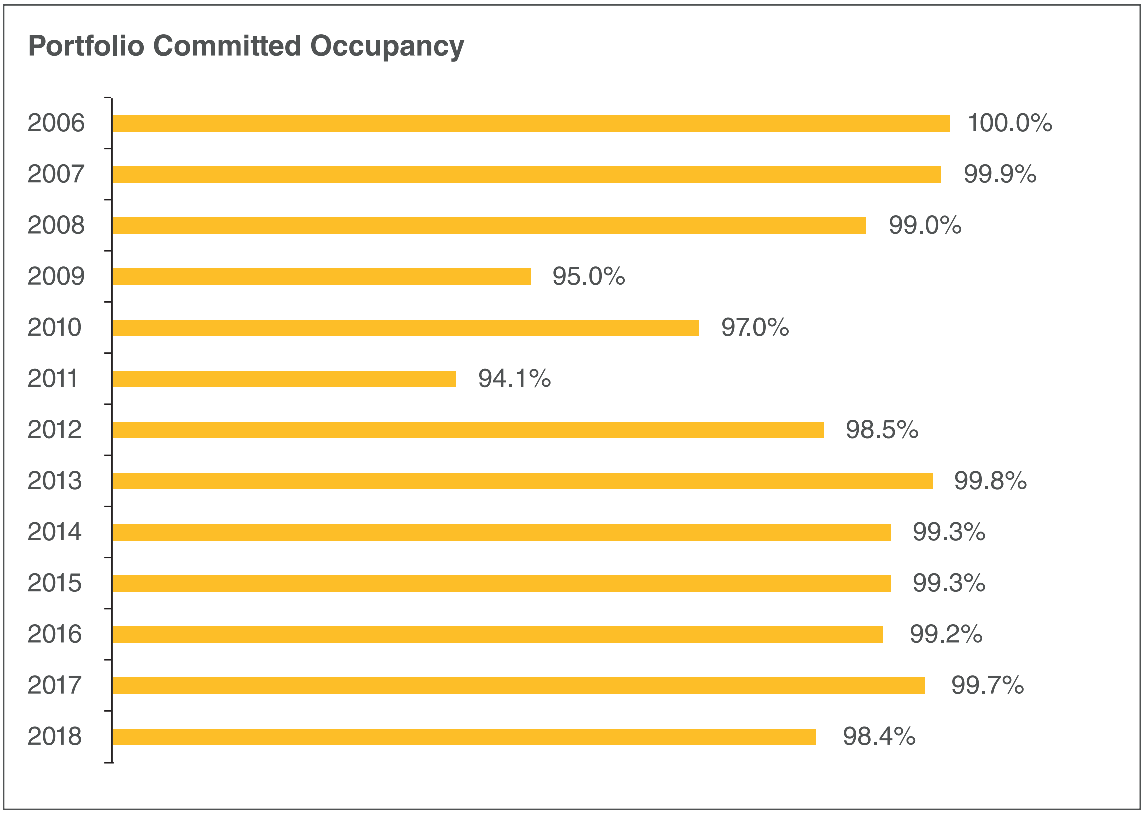
Competitive Strengths

The REIT Manager believes that Keppel REIT has the following competitive strengths:

- *High Quality and Sustainable Assets in the Key Financial Districts of Singapore and Australia*: Keppel REIT has a young and large portfolio of premium Grade A commercial assets strategically located in Singapore's prime business and financial districts, as well as key gateway cities of Sydney, Melbourne, Brisbane and Perth in Australia.

  In Singapore, Keppel REIT is the only Singapore office REIT that has all its Singapore assets certified the highest Green Mark Platinum Award by the Building and Construction Authority. In Australia, most of Keppel REIT's operational buildings have achieved 5 Stars NABERS (National Australian Built Environmental Rating System) Energy rating.

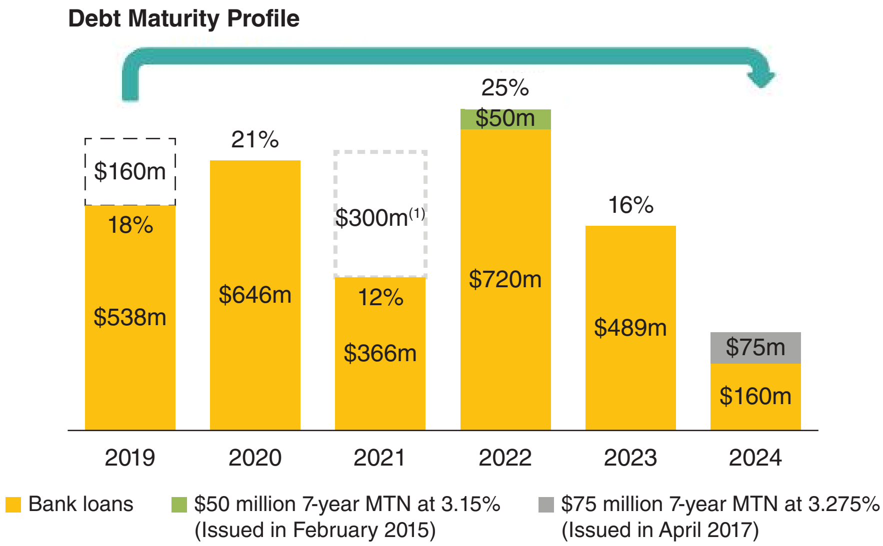
- *Resilient Portfolio with High Committed Occupancy*: Keppel REIT has a track record of maintaining high committed portfolio occupancy rates, as shown below.



- *Long Weighted Average Lease Expiry ("**WALE**")*: A key value proposition for Keppel REIT is its long WALE of approximately 8.2 years and 5.9 years for its top 10 tenants and portfolio respectively. This ensures income stability for Keppel REIT over the long term. At the same time, the REIT Manager seeks to maintain a well-staggered lease expiry profile. As at end-2018, not more than 20% of the portfolio's total committed leases was due for expiry in any one year over the next five years.

- *Well-Diversified Tenant Base*: Keppel REIT's leases span across a well-diversified tenant profile, many of which are established corporations. Its tenants are from various industries including the banking, insurance and financial services; government agencies; technology, media and telecommunications sector; energy, natural resources, shipping and marine; and legal sectors. See "Business Description of Keppel REIT – The Keppel REIT Portfolio".

- *Disciplined Capital Management*: As at 31 December 2018, Keppel REIT has total gross borrowings (including deferred payments as well as its proportionate share of external borrowings carried at its associates) of approximately S$3,043.8 million diversified across medium-term notes investors and approximately 13 lending banks. The REIT Manager actively seeks refinancing at competitive costs and continues to maintain low refinancing obligations. Consequently, the aggregate leverage of Keppel REIT, which is the total gross borrowings divided by the value of its deposited property, was lowered to 36.3% as at 31 December 2018 primarily due to lower gross borrowings after repayment of loans with part of the proceeds from the divestment of a 20% stake in Ocean Financial Centre. As at 31 December 2018, Keppel REIT's weighted average term to maturity is 2.8 years (taking into account commitments received to refinance certain loans amounting to S$160 million that are due in 2019). For FY 2018, Keppel REIT recorded an all-in weighted average interest rate of 2.81% per annum and interest coverage ratio of 3.9 times. Please refer to the graph below for Keppel REIT's debt maturity profile as at 31 December 2018:



(1) $300.0 million loan was repaid with part of divestment proceeds received in 4Q2018.

As at 31 December 2018, approximately 85% of Keppel REIT's borrowings are fixed-rate borrowings and 83% of its assets are unencumbered.

- *Experienced and Professional Management Teams:* The Board of Directors of the REIT Manager comprises experienced personnel with expertise across different fields. The REIT Manager is staffed with experienced professionals, with a track record of successfully investing in and managing quality real estate and real estate-related assets in Singapore and pan-Asia.

- *Ability to Leverage Strengths of Reputable Sponsors*: Keppel REIT is sponsored by Keppel Land Limited, one of Asia's leading property companies ("**Keppel Land**"). At the same time, the REIT Manager is a wholly-owned subsidiary of Keppel Capital Holdings Pte. Ltd. ("**Keppel Capital**"). With the Keppel Group's support, Keppel REIT is able to leverage Keppel Land's extensive network, as well as property development and management expertise, while harnessing synergies from Keppel Capital's management platforms to deliver long-term sustainable distributions and total returns to Unitholders.

Strategy

Keppel REIT aims to be the leading commercial REIT with a portfolio of quality assets pan-Asia. The REIT Manager seeks to deliver sustainable total-returns, create long term value and achieve operational excellence through:

- *Driving Asset Performance*: (a) Adopting a tenant-centric asset management approach to provide quality office spaces that meet tenants' evolving business needs; (b) Driving asset performance, exercise prudent cost management and enhance efficiency with environmentally sustainable initiatives where feasible; and (c) Executing proactive marketing and leasing strategies to attract and retain quality tenants across different business sectors.

- *Optimising Capital Efficiency:* (a) Optimising capital structure to maximise returns for Unitholders; (b) Extending debt maturity profile to manage refinancing risks, as well as explore alternative funding sources in the debt and equity markets to minimise costs; and (c) Managing exposure to fluctuations in interest and foreign exchange rates for income stability.

- *Executing Sound Investment Strategy*: (a) Seeking strategic acquisitions that offer sustainable income and capital appreciation; (b) Structuring investments to optimise tax efficiency and allow for repatriation of income from overseas assets; and (c) Evaluating property performance and recycle capital, where appropriate, to optimise portfolio.

- *Nurturing Talent:* (a) Developing a motivated and capable team to drive growth; (b) Investing in training and development to raise the competency levels of employees; and (c) Promoting wellness and foster a healthy workforce.

SUMMARY FINANCIAL INFORMATION

The following tables set forth selected audited financial information of Keppel REIT as of 31 December 2016, 2017 and 2018, and for each of the years then ended.

The audited financial statements of Keppel REIT for FY 2016 and FY 2017 have been prepared in accordance with the Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants.

The audited financial statements of Keppel REIT for FY 2018 have been prepared in accordance with the Singapore Financial Reporting Standards (International), applicable requirements of the CIS Code and the provisions of the REIT Trust Deed.

The summary financial information in the table below should be read in conjunction with Keppel REIT's audited financial statements for FY 2016, FY 2017 and FY 2018 which have been included in this Offering Circular. See "Index to the Financial Statements".

Consolidated Balance Sheets

	31/12/18 S$'000	As at 31/12/17 S$'000	31/12/16 S$'000
Non-current assets			
Investment properties	3,879,956	3,774,870	3,618,097
Investments in associates	2,538,663	2,527,842	2,525,112
Advances to associates	615,622	613,122	610,922
Investments in joint ventures	471,691	465,096	450,284
Fixed assets	112	149	190
Intangible asset	2,549	10,712	22,511
Derivative financial instruments	1,329	4,190	18,016
	7,509,922	7,395,981	7,245,132
Current assets			
Trade and other receivables	15,056	8,619	10,662
Prepaid expenses	343	333	604
Cash and bank balances	258,924	198,158	278,682
Derivative financial instruments	206	1,197	245
	274,529	208,307	290,193
Total assets	7,784,451	7,604,288	7,535,325
Current liabilities			
Trade and other payables	64,757	56,451	51,828
Income received in advance	2,879	4,209	278
Borrowings	59,943	425,039	–
Security deposits	4,933	3,159	3,545
Derivative financial instruments	230	1,748	1,483
Provision for taxation	1,414	2,259	2,735
	134,156	492,865	59,869
Non-current liabilities			
Income received in advance	–	11,305	25,152
Borrowings	2,225,761	2,097,142	2,481,754
Derivative financial instruments	11,585	16,017	7,315
Security deposits	27,315	27,675	27,869
Deferred tax liabilities	50,038	44,026	34,808
	2,314,699	2,196,165	2,576,898
Total liabilities	2,448,855	2,689,030	2,636,767
Net assets	5,335,596	4,915,258	4,898,558
Represented by:			
Unitholders' funds	4,757,285	4,763,424	4,746,717
Perpetual securities	149,701	149,701	149,701
Non-controlling interests	428,610	2,133	2,140
Total Equity	5,335,596	4,915,258	4,898,558
Total Units in issue ('000)	3,393,399	3,370,734	3,291,616
Net asset value per Unit (S$)	1.40	1.41	1.44

Consolidated Statement of Profit or Loss

	For the financial year ended		
	31/12/18	**31/12/17**	**31/12/16**
	S$'000	**S$'000**	**S$'000**
Property income	165,858	164,516	161,252
Property expenses	(32,703)	(33,316)	(32,882)
Net property income	133,155	131,200	128,370
Rental support	8,615	12,825	16,746
Interest income	25,075	22,975	27,459
Share of results of associates	73,720	83,795	83,460
Share of results of joint ventures	30,170	31,959	30,789
Amortisation expense	(8,163)	(11,799)	(15,312)
Borrowing costs	(69,084)	(65,256)	(64,049)
Trust expenses	(54,377)	(56,458)	(57,493)
Net foreign exchange differences	623	(2,060)	635
Net change in fair value of derivatives	(8,077)	(1,598)	9,018
Profit before gain on divestment of investment property and net change in fair value of investment properties	131,657	145,583	159,623
Gain on divestment of investment property	–	–	28,299
Net change in fair value of investment properties	33,167	51,727	91,171
Profit before tax	164,824	197,310	279,093
Income tax expense	(10,236)	(17,156)	(21,306)
Profit for the year	154,588	180,154	257,787
Attributable to:			
Unitholders	146,160	172,608	250,191
Perpetual securities holders	7,470	7,470	7,490
Non-controlling interests	958	76	106
	154,588	180,154	257,787

Distribution Statement

	Group 31/12/18 S$'000	Group 31/12/17 S$'000	Group 31/12/16 S$'000
Income available for distribution to Unitholders at beginning of the year	48,439	48,954	54,269
Profit before gain on divestment of investment property and net change in fair value of investment properties	131,657	145,583	159,623
Profit attributable to perpetual securities holders	(7,470)	(7,470)	(7,490)
Profit before net change in fair value of investment property attributable to non-controlling interests	(882)	(78)	(72)
Net tax and other adjustments (Note A)	75,976	69,851	77,368
Income tax expense	(10,236)	(17,156)	(21,306)
	189,045	190,730	208,123
Income available for distribution to Unitholders	237,484	239,684	262,392
Distribution to Unitholders:			
Distribution of 1.68 cents per Unit for the period from 1/10/2015 to 31/12/2015	–	–	(44,871)
Distribution of 1.68 cents per Unit for the period from 1/1/2016 to 31/3/2016	–	–	(43,526)
Distribution of 1.61 cents per Unit for the period from 1/4/2016 to 30/6/2016	–	–	(45,848)
Distribution of 1.60 cents per Unit for the period from 1/7/2016 to 30/9/2016	–	–	(48,318)
Distribution of 1.48 cents per Unit for the period from 1/10/2016 to 31/12/2016	–	(40,761)	–
Distribution of 1.45 cents per Unit for the period from 1/1/2017 to 31/3/2017	–	(38,061)	–
Distribution of 1.42 cents per Unit for the period from 1/4/2017 to 30/6/2017	–	(38,998)	–
Distribution of 1.40 cents per Unit for the period from 1/7/2017 to 30/9/2017	–	(39,118)	–
Distribution of 1.43 cents per Unit for the period from 1/10/2017 to 31/12/2017	(44,325)	–	–
Distribution of 1.42 cents per Unit for the period from 1/1/2018 to 31/3/2018	(42,401)	–	–
Distribution of 1.42 cents per Unit for the period from 1/4/2018 to 30/6/2018	(48,323)	–	–
Distribution of 1.36 cents per Unit for the period from 1/7/2018 to 30/9/2018	(46,340)	–	–
	(181,389)	(156,938)	(182,563)

	Group 31/12/18 S$'000	31/12/17 S$'000	31/12/16 S$'000
Distribution in relation to the Distribution Reinvestment Plan for the period from 1/10/2015 to 31/12/2015	–	–	(9,160)
Distribution in relation to the Distribution Reinvestment Plan for the period from 1/1/2016 to 31/3/2016	–	–	(10,912)
Distribution in relation to the Distribution Reinvestment Plan for the period from 1/4/2016 to 30/6/2016	–	–	(6,669)
Distribution in relation to the Distribution Reinvestment Plan for the period from 1/7/2016 to 30/9/2016	–	–	(4,134)
Distribution in relation to the Distribution Reinvestment Plan for the period from 1/10/2016 to 31/12/2016	–	(7,954)	–
Distribution in relation to the Distribution Reinvestment Plan for the period from 1/1/2017 to 31/3/2017	–	(10,061)	–
Distribution in relation to the Distribution Reinvestment Plan for the period from 1/4/2017 to 30/6/2017	–	(8,408)	–
Distribution in relation to the Distribution Reinvestment Plan for the period from 1/7/2017 to 30/9/2017	–	(7,884)	–
Distribution in relation to the Distribution Reinvestment Plan for the period from 1/10/2017 to 31/12/2017	(3,876)	–	–
Distribution in relation to the Distribution Reinvestment Plan for the period from 1/1/2018 to 31/3/2018	(5,831)	–	–
	(9,707)	(34,307)	(30,875)
Total Unitholders' distribution (including capital return) (Note B)	(191,096)	(191,245)	(213,438)
Income available for distribution to Unitholders at end of the year	46,388	48,439	48,954

	Group 31/12/18 S$'000	31/12/17 S$'000	31/12/16 S$'000
Note A – Net tax and other adjustments comprise:			
– Manager's management fees paid and payable in Units	51,263	50,989	50,515
– Trustee's fees	1,278	1,263	1,248
– Amortisation of intangible asset and capitalised transaction costs	10,568	13,870	19,143
– Share of results of associates	(73,720)	(83,795)	(83,460)
– Share of results of joint ventures	(30,170)	(31,959)	(30,789)
– Effects of recognising rental income on a straight-line basis over the lease terms	1,165	1,330	279
– Interest income to be received	(160)	(197)	(614)
– Net change in fair value of derivative financial instruments	8,077	1,598	(9,018)
– Deferred tax expense	6,591	10,955	7,776
– Capital gains distribution	3,000	–	11,000
– Other items	(2,146)	(14,348)	1,662
	(24,254)	(50,294)	(32,258)
Dividend and distribution income from associates	73,993	93,809	86,453
Distribution income from joint ventures	26,237	26,336	23,173
Net tax and other adjustments	75,976	69,851	77,368
Note B – Total Unitholders' distribution			
– Taxable income	(154,117)	(135,069)	(143,551)
– Tax exempt income	(35,631)	(45,222)	(40,984)
– Capital gains	–	–	(15,905)
– Capital return	(1,348)	(10,954)	(12,998)
	(191,096)	(191,245)	(213,438)

Statements of Movements in Unitholders' Funds

For the financial year ended 31 December 2016

	Attributable to Unitholders								
Group	**Units in issue $'000**	**Foreign currency translation reserve $'000**	**Hedging reserve $'000**	**Accumulated profits $'000**	**Discount on acquisition of non-controlling interest $'000**	**Unitholders' funds $'000**	**Perpetual securities $'000**	**Non-controlling interest $'000**	**Total $'000**
At 1 January 2016	**3,394,832**	**(199,445)**	**17,429**	**1,409,983**	**3,222**	**4,626,021**	**149,719**	**2,108**	**4,777,848**
Operations									
Total return attributable to Unitholders and non-controlling interest	–	–	–	250,191	–	250,191	–	106	250,297
Net increase in net assets resulting from operations	–	–	–	250,191	–	250,191	–	106	250,297
Unitholders' transactions									
Creation of Units									
– payment of management fees in Units	43,848	–	–	–	–	43,848	–	–	43,848
– Distribution Reinvestment Plan	30,875	–	–	(30,875)	–	–	–	–	–
Distribution to Unitholders	(12,998)	–	–	(169,565)	–	(182,563)	–	–	(182,563)
Net increase/(decrease) in net assets resulting from Unitholders' transactions	61,725	–	–	(200,440)	–	(138,715)	–	–	(138,715)
Perpetual securities									
Issue expenses	–	–	–	–	–	–	(18)	–	(18)
Total return attributable to perpetual securities holders	–	–	–	–	–	–	7,490	–	7,490
Distribution to perpetual securities holders	–	–	–	–	–	–	(7,490)	–	(7,490)
Net decrease in net assets resulting from perpetual securities holders' transactions	–	–	–	–	–	–	(18)	–	(18)
Net movement in foreign currency translation reserve	–	32,143	–	–	–	32,143	–	–	32,143
Net change in fair value of cash flow hedges	–	–	(16,724)	–	–	(16,724)	–	(3)	(16,727)
Share of net change in fair value of cash flow hedges of associates	–	–	(6,199)	–	–	(6,199)	–	–	(6,199)
Distribution of partnership profits to non-controlling interest	–	–	–	–	–	–	–	(71)	(71)
At 31 December 2016	**3,456,557**	**(167,302)**	**(5,494)**	**1,459,734**	**3,222**	**4,746,717**	**149,701**	**2,140**	**4,898,558**

For the financial year ended 31 December 2017

Group	Units in issue $'000	Foreign currency translation reserve $'000	Hedging reserve $'000	Accumulated profits $'000	Discount on acquisition of non-controlling interest $'000	Unitholders' funds $'000	Perpetual securities $'000	Non-controlling interest $'000	Total $'000
	Attributable to Unitholders								
At 1 January 2017	**3,456,557**	**(167,302)**	**(5,494)**	**1,459,734**	**3,222**	**4,746,717**	**149,701**	**2,140**	**4,898,558**
Operations									
Total return attributable to Unitholders and non-controlling interest	–	–	–	172,608	–	172,608	–	76	172,684
Net increase in net assets resulting from operations	–	–	–	172,608	–	172,608	–	76	172,684
Unitholders' transactions									
Creation of Units									
– Payment of management fees in Units	50,822	–	–	–	–	50,822	–	–	50,822
– Distribution Reinvestment Plan	34,307	–	–	(34,307)	–	–	–	–	–
Distribution to Unitholders	(10,954)	–	–	(145,984)	–	(156,938)	–	–	(156,938)
Net increase/(decrease) in net assets resulting from Unitholders' transactions	74,175	–	–	(180,291)	–	(106,116)	–	–	(106,116)
Perpetual securities									
Total return attributable to perpetual securities holders	–	–	–	–	–	–	7,470	–	7,470
Distribution to perpetual securities holders	–	–	–	–	–	–	(7,470)	–	(7,470)
Net movement in net assets resulting from perpetual securities holders' transactions	–	–	–	–	–	–	–	–	–
Net movement in foreign currency translation reserve	–	(34,808)	–	–	–	(34,808)	–	–	(34,808)
Net change in fair value of cash flow hedges	–	–	(15,191)	–	–	(15,191)	–	(4)	(15,195)
Share of net change in fair value of cash flow hedges of associates	–	–	214	–	–	214	–	–	214
Distribution of partnership profits to non-controlling interest	–	–	–	–	–	–	–	(79)	(79)
At 31 December 2017	**3,530,732**	**(202,110)**	**(20,471)**	**1,452,051**	**3,222**	**4,763,424**	**149,701**	**2,133**	**4,915,258**

Note:

Foreign currency translation reserve as at 1 January 2017 has been restated in the audited financial statements for FY2018, following the adoption of Singapore Financial Reporting Standards (International) on 1 January 2018. See "Index to the Financial Statements" for the effects of the restatement.

For the financial year ended 31 December 2018

Group	Units in issue $'000	Treasury units $'000	Foreign currency translation reserve $'000	Hedging reserve $'000	Accumulated profits $'000	Discount on acquisition of non-controlling interest $'000	Unitholders' funds $'000	Perpetual securities $'000	Non-controlling interests $'000	Total $'000
	Attributable to Unitholders									
At 1 January 2018	**3,530,732**	**–**	**(202,110)**	**(20,471)**	**1,452,051**	**3,222**	**4,763,424**	**149,701**	**2,133**	**4,915,258**
Adoption of SFRS(I)	–	–	167,302	–	(167,302)	–	–	–	–	–
At 1 January 2018 (restated)	3,530,732	–	(34,808)	(20,471)	1,284,749	3,222	4,763,424	149,701	2,133	4,915,258
Operations										
Profit attributable to Unitholders and non-controlling interests	–	–	–	–	146,160	–	146,160	–	958	147,118
Net increase in net assets resulting from operations	–	–	–	–	146,160	–	146,160	–	958	147,118
Unitholders' transactions										
Creation of Units										
– Payment of management fees in Units	51,498	–	–	–	–	–	51,498	–	–	51,498–
– Distribution Reinvestment Plan	9,707	–	–	–	(9,707)	–	–	–	–	–
Purchase of Units	–	(32,822)	–	–	–	–	(32,822)	–	–	(32,822)
Cancellation of treasury units	(32,822)	32,822	–	–	–	–	–	–	–	–
Distribution to Unitholders	(1,348)	–	–	–	(180,041)	–	(181,389)	–	–	(181,389)
Divestment of partial interest in a subsidiary	–	–	–	–	7,388	–	7,388	–	426,399	433,787
Net increase/(decrease) in net assets resulting from Unitholders' transactions	27,035	–	–	–	(182,360)	–	(155,325)	–	426,399	271,074
Perpetual securities										
Profit attributable to perpetual securities holders	–	–	–	–	–	–	–	7,470	–	7,470
Distribution to perpetual securities holders	–	–	–	–	–	–	–	(7,470)	–	(7,470)
Net movement in net assets resulting from perpetual securities holders' transactions	–	–	–	–	–	–	–	–	–	–
Net movement in foreign currency translation reserve	–	–	(11,610)	–	–	–	(11,610)	–	–	(11,610)
Net change in fair value of cash flow hedges	–	–	–	10,174	–	–	10,174	–	2	10,176
Share of net change in fair value of cash flow hedges of associates	–	–	–	4,462	–	–	4,462	–	–	4,462
Distribution of partnership profits to non-controlling interests	–	–	–	–	–	–	–	–	(882)	(882)
At 31 December 2018	**3,557,767**	**–**	**(46,418)**	**(5,835)**	**1,248,549**	**3,222**	**4,757,285**	**149,701**	**428,610**	**5,335,596**

SUMMARY OF THE OFFERING

*The following is a general summary of the offering of the Bonds. This summary is partly derived from and should be read in conjunction with the full text of the Terms and Conditions, the trust deed constituting the Bonds (the "**Bond Trust Deed**") and the paying, transfer and conversion agency agreement to be entered into between the Issuer, the Bond Trustee, the principal paying and conversion agent and the registrar and transfer agent for the Bonds and the registrar relating to the Bonds (the "**Agency Agreement**") relating to the Bonds. The Terms and Conditions, the Bond Trust Deed and the Agency Agreement will prevail to the extent of any inconsistency with the terms set out in this summary.*

Capitalised terms used herein and not otherwise defined have the respective meanings given to such terms in the Terms and Conditions.

Issuer	:	Keppel REIT, acting through RBC Investor Services Trust Singapore Limited, in its capacity as the trustee of Keppel REIT.
Issue	:	S$200.0 million in aggregate principle amount of 1.90 per cent. Bonds due 2024.
Issue Price	:	100.0 per cent. of the principal amount of the Bonds.
Issue Date	:	10 April 2019
Maturity Date	:	10 April 2024
Rate of Interest	:	The Bonds will bear interest at the rate of 1.90 per cent. per annum.
Interest Payment Dates	:	Interest will be payable semi-annually in arrear on 10 April and 10 October of each year, with the first interest payment date falling on 10 October 2019.
Status of the Bonds	:	The Bonds constitute direct, unsubordinated, unconditional and unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by mandatory provisions of applicable law, at all times rank at least equally with all of the Issuer's other present and future direct, unsubordinated, unconditional and unsecured obligations.
Conversion Right	:	The Bonds are convertible by holders into Units at any time during the Conversion Period (at the place the certificate evidencing the Bond is deposited for conversion), unless previously redeemed, converted, or purchased and cancelled.

Conversion Period	:	Convertible at the option of the holder of the Bonds (each, a "**Bondholder**"), at any time on or after 9.00 a.m. on or about 21 May 2019 up to the close of business on the date falling (i) 31 March 2024 or (ii) if such Bond shall have been called for redemption before 31 March 2024, no later than seven business days prior to the date fixed for redemption, (as the case may be), subject to customary closed periods and the Terms and Conditions.
Conversion Price	:	The price at which Units will be issued on conversion, as adjusted from time to time, will initially be S$1.4625 per Unit but will be subject to adjustment in the manner provided in the Terms and Conditions.
Adjustments to Conversion Price	:	The Conversion Price will be subject to adjustment in certain events including: consolidation, subdivision or reclassification of the Units; consolidation, subdivision or reclassification; capitalisation of profits or reserves; extraordinary distribution; rights issues of Units or options over Units; rights issues of other securities; issues at less than current market price; other issues at less than current market price; modification of rights of conversion; other offers to Unitholders and other events. See "Terms and Conditions – Conversion – Adjustments to Conversion Price".
Conversion for Change of Control	:	Following the occurrence of a Change of Control Event, the holder of each Bond will have the right, at such Bondholder's option, to exercise such Bondholder's Conversion Right where the Conversion Date falls within the Change of Control Period to convert the Bonds into Units pursuant to these Conditions at a Conversion Price determined in accordance with the following formula: NCP = OCP/(1+(CP x c/t)) where: "**NCP**" means the Conversion Price for the purpose of this provision; "**OCP**" means the Conversion Price in force on the relevant Conversion Date immediately before application of the above formula; "**CP**" means Conversion Premium of 12.50 per cent., expressed as a fraction; "**c**" means number of days from and including the first day of the Change of Control Period to, but excluding, the Maturity Date; and

"**t**" means the number of days from and including 10 April 2019 to, but excluding, the Maturity Date.

See "Terms and Conditions – Redemption, Purchase and Cancellation – Conversion for Change of Control".

Conditional Automatic Cash Settlement : In the event that conversion rights are exercised and the Issuer has not obtained the necessary approval from the SGX-ST for the admission to the Official List of the SGX-ST for the Units to be issued and delivered upon conversion of the Bonds (in order to satisfy the conversion right in respect of a conversion notice), the exercise of the conversion rights shall be satisfied by the payment by the Issuer of the cash settlement amount as specified in the Terms and Conditions to the relevant Bondholder in order to satisfy such conversion right.

Negative Pledge : So long as any Bond remains outstanding (as defined in the Bond Trust Deed), the Issuer will not create or permit to subsist, and the Issuer will procure that none of its Subsidiaries (as defined in the Terms and Conditions) will, create or permit to subsist any mortgage, charge, pledge, lien or other form of encumbrance or security interest ("**Security**") upon the whole or any part of its undertaking, assets or revenues, present or future, to secure any International Investment Securities (as defined in the Terms and Conditions) or to secure any guarantee of or indemnity in respect of, any International Investment Securities unless, at the same time or prior thereto, the Issuer's obligations under the Bonds and the Bond Trust Deed (i) are secured equally and rateably therewith, or (ii) have the benefit of such other security, guarantee, indemnity or other arrangement as the trustee of the Bonds in its absolute discretion shall deem to be not materially less beneficial to the Bondholders or (iii) as shall be approved by an Extraordinary Resolution (as defined in the Bond Trust Deed) of the Bondholders.

Nothing in the above paragraph:

(i) shall prohibit or restrict the creation Issuer or any of its Subsidiaries of any Security over any property or assets (or of any entity) acquired, purchased or owned, or to be acquired, purchased or owned by the Issuer or any of its Subsidiaries, for the purpose of securing the payment of any sum due in respect of the International Investment Securities or any payment under any guarantee of, or indemnity or other like obligation relating to the International Investment Securities, the proceeds of which are to be applied towards financing or refinancing the cost of the acquisition, purchase, development, construction, redevelopment and ownership of such property or assets; or

(ii) shall prohibit or restrict the Issuer or any of its Subsidiaries from securing any indebtedness evidenced by International Investment Securities where the Security is existing on any property or asset or interest in any entity or asset at the time it is acquired; or

(iii) shall extend to any Security of the Issuer or any of its Subsidiaries existing as at the date hereof, or any refinancing thereof; or

(iv) shall apply to any Security arising through mandatory operation of law.

"**International Investment Securities**" means any present or future indebtedness in the form of, or represented by, bonds, debentures, notes or other debt securities which are for the time being, or are intended to be or capable of being, quoted, listed, ordinarily dealt in or traded on any stock exchange or over the counter or other securities market and having an original maturity of more than 365 days from its date of issue.

Final Redemption	:	Unless previously redeemed, converted or purchased and cancelled in the circumstances described in the Terms and Conditions, the Issuer will redeem each Bond at 100.0 per cent. of its principal amount on the Maturity Date together with accrued interest up to (but excluding the Maturity Date).
Redemption at the Option of the Issuer	:	On or at any time after 10 April 2022 but not less than seven Business Days prior to the Maturity Date, the Issuer may, having given not less than 30 nor more than 60 days' notice to the Bondholders, the Bond Trustee and the Principal Paying Agent (which notice will be irrevocable), redeem all of the Bonds or some only (being S$250,000 in principal amount, in the manner required in the Terms and Conditions), provided that no such redemption may be made unless the closing price of the Units for each of 20 consecutive Trading Days, the last day of which period occurs no more than 20 Trading Days prior to the date on which notice of such redemption is given was at least 130.00 per cent. of the Conversion Price in effect on such Trading Day. If there shall occur an event giving rise to a change in the Conversion Price during any such 20 consecutive Trading Day period, appropriate adjustments shall be made for the purpose of calculating the closing price for the relevant days.

		On the expiry of any such notice, the Issuer will be bound to redeem such Bonds at 100.00 per cent. of their principal amount together with accrued interest (calculated up to but excluding the date of redemption) at the date fixed for such redemption. The Issuer may redeem the Bonds in whole but not in part at any time if the aggregate principal amount of the Bonds outstanding is less than 10.00 per cent. of the aggregate principal amount originally issued (including any Bonds issued in accordance with the Terms and Conditions), at 100.00 per cent. of their principal amount together with accrued interest (calculated up to but excluding the date of redemption) at the date fixed for such redemption. The Issuer will give at least 30 days' but not more than 60 days' prior notice to the holders for such redemption. See "Terms and Conditions – Redemption, Purchase and Cancellation – Redemption at the Option of the Issuer".
Redemption for Change of Control	:	During the Change of Control Period, the holder of each Bond shall have the right, at such holder's option, to require the Issuer to redeem all but not in part such holder's Bonds on the Change of Control Redemption Date at 100.00 per cent. of their principal amount together with accrued interest (calculated up to but excluding the date of redemption) at the date fixed for such redemption. See "Terms and Conditions – Redemption, Purchase and Cancellation – Redemption for Change of Control".
Redemption for Delisting of the Units	:	In the event the Units cease to be listed or admitted to trading on the SGX-ST, or, if applicable, the Alternative Stock Exchange (as defined in the Terms and Conditions), or are suspended from trading on the SGX-ST or, if applicable, the Alternative Stock Exchange for a period of more than 30 consecutive Trading Days, each Bondholder shall have the right, at such Bondholder's option, to require the Issuer to redeem in whole but not in part such Bondholder's Bonds at 100.00 per cent. of their principal amount together with accrued interest to such date. See "Terms and Conditions – Redemption, Purchase and Cancellation – Delisting and Suspension of Trading Put Right".

Redemption for Taxation Reasons	:	At any time the Issuer may, having given not less than 30 nor more than 60 days' notice to the Bondholders (which notice shall be irrevocable) redeem all, but not some, of the Bonds at 100.00 per cent. of their principal amount together with accrued interest (calculated up to but excluding the date of redemption) at the date fixed for redemption, if (i) the Issuer satisfies the Bond Trustee immediately prior to the giving of such notice that the Issuer has or will become obliged to pay additional amounts as a result of any change in, or amendment to, the laws or regulations of Singapore or any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Closing Date; and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts in respect of the Bonds then due. See "Terms and Conditions – Redemption, Purchase and Cancellation – Redemption for Taxation Reasons".
Early Redemption at the Option of the Bondholders	:	On 10 April 2022, the holder of any Bond will have the option to require the Issuer to redeem all or some of the Bonds at 100.00 per cent. of their principal amount together with accrued interest (calculated up to but excluding the date of redemption). See "Terms and Conditions – Redemption, Purchase and Cancellation – Redemption at the Option of the Bondholders".
Form and Denomination of the Bonds	:	The Bonds will be issued in registered form in the denomination of S$250,000 each. The Bonds will be represented by a Global Certificate deposited with, and registered in the name of Bank of New York Mellon, London Branch, being a nominee of Euroclear and Clearstream.
Further Issues	:	The Issuer may from time to time, without the consent of the Bondholders, create and issue further bonds having the same terms and conditions as the Bonds in all respects (except for the first payment of interest, the first date conversion rights may be exercised and the date of issue) and so that such further issue shall be consolidated and form a single series with the Bonds. Such further bonds may, with the consent of the Bond Trustee, be constituted by a deed supplemental to the Bond Trust Deed.

Clearance	:	The Bonds will be cleared through the Clearing Systems. Each of the Clearing Systems holds securities for their customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between their respective accountholders.
Global Certificate	:	For as long as the Bonds are represented by the Global Certificate and the Global Certificate is held by a nominee for the Clearing Systems, payments of principal and interest in respect of the Bonds represented by the Global Certificate will be made without presentation or, if no further payment falls to be made in respect of the Bonds, against presentation and surrender of the Global Certificate to or to the order of the Principal Agent for such purpose. The Bonds which are represented by the Global Certificate will be transferable only in accordance with the rules and procedures for the time being of the relevant Clearing System. See "The Global Certificate".
Cross Default	:	The Bonds may be accelerated in the event of a default relating to the Issuer or any of its principal subsidiaries in respect of indebtedness which equals or exceeds S$50.0 million or its equivalent in aggregate.
Other Events of Default	:	For a description of certain other events that may result in acceleration of repayment of principal and accrued interest of the Bonds, see "Terms and Conditions – Events of Default".
Taxation	:	All payments of principal and interest made by the Issuer under or in respect of the Bond Trust Deed or the Bonds will be made free from any restriction or condition and will be made without deduction or withholding for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Singapore or any authority thereof or therein having power to tax, unless deduction or withholding of such taxes, duties, assessments or governmental charges is compelled by law. In such event, the Issuer will pay such additional amounts as will result in the receipt by the Bondholders of the net amounts after such deduction or withholding equal to the amounts which would otherwise have been receivable by them had no deduction or withholding been required, except in the circumstances specified in "Terms and Conditions of the Bonds – Taxation".
Selling Restrictions	:	For a description of the selling restrictions on offers, sales and deliveries of the Bonds, see "Subscription and Sale" in this Offering Circular.

Meetings of Bondholders	:	The Bond Trust Deed contains provisions for convening meetings of Bondholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Bonds or the provisions of the Bond Trust Deed. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing over 50.00 per cent. in principal amount of the Bonds for the time being outstanding or, at any adjourned such meeting, two or more persons being or representing Bondholders whatever the principal amount of the Bonds so held or represented unless the business of such meeting includes consideration of proposals, *inter alia*: (a) to modify the due date for any payment in respect of the Bonds; (b) to reduce or cancel the amount of principal, premium (if any), Equivalent Amount or the rate of interest payable in respect of the Bonds; (c) to change the currency of payment of the Bonds or the put options specified in the Terms and Conditions-Redemption, Purchase and Cancellation; (d) to modify (except by a unilateral and unconditional reduction in the Conversion Price) or cancel the Conversion Rights; or (e) to modify the provisions concerning the quorum required at any meeting of the Bondholders or the majority required to pass an Extraordinary Resolution or sign a resolution in writing, in which case the necessary quorum for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 75.00 per cent., or at any adjourned such meeting not less than 25.00 per cent., in principal amount of the Bonds for the time being outstanding. An Extraordinary Resolution passed at any meeting of Bondholders will be binding on all Bondholders, whether or not they are present at the meeting. The Bond Trust Deed provides that a written resolution signed by or on behalf of the holders of not less than 75.00 per cent. of the aggregate principal amount of Bonds outstanding shall be as valid and effective as a duly passed Extraordinary Resolution.
Listing and Trading of the Bonds	:	Approval-in-principle has been obtained for the listing of the Bonds on the SGX-ST. The Bonds will be traded on the SGX-ST in a minimum board lot size of S$250,000 for so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require.

Bond Trustee	:	The Bank of New York Mellon, London Branch
Principal Agent, Paying Agent and Conversion Agent	:	The Bank of New York Mellon, London Branch
Registrar and Transfer Agent	:	The Bank of New York Mellon SA/NV, Luxembourg Branch
Governing Law	:	The Bonds, the Bond Trust Deed, the Agency Agreement and any non-contractual obligations arising out of them are governed by, and shall be construed in accordance with, the laws of England and Wales.
Lock-Up	:	Subject to certain exceptions, the Issuer has agreed to a lock-up in relation to issuance of new Units for a period of 90 days after the Closing Date. See "Subscription and Sale" in this Offering Circular.
Use of Proceeds	:	The net proceeds from the issue of the Bonds (after deduction of fees, commissions and expenses) are expected to be approximately S$197.45 million. The Issuer expects to use the net proceeds from the issue of the Bonds to re-finance existing debt and/or fund any potential acquisition and the balance of the net proceeds, if any, to be used for general corporate and/or working capital purposes. See the "Use of Proceeds" section of this Offering Circular.
Risk Factors	:	Investment in the Bonds involves risks which are observed and described below under the "Risk Factors" section of this Offering Circular.

RISK FACTORS

The risks described below should be carefully considered before making an investment decision. The risks described below are not the only ones relevant to Keppel REIT, the Issuer, the REIT Manager, the Bonds or the Units. Many of these risk factors are contingencies which may or may not occur, and are largely beyond the control of Keppel REIT, the Issuer, the REIT Manager, the Bonds or the Units, although potential mitigating strategies may be employed by the REIT Manager.

Additional risks not presently known to the Issuer and/or the REIT Manager or that it/they currently deem(s) immaterial may also impair the business operations of Keppel REIT. Keppel REIT's financial condition or results of operations, business and prospects could be materially and adversely affected by any of these risks, which may, as a result, affect Keppel REIT's ability to pay interest on, and repay the principal of, the Bonds.

This Offering Circular also contains forward-looking statements that involve risks and uncertainties. Keppel REIT's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the considerations described below and elsewhere in this Offering Circular.

RISKS RELATING TO KEPPEL REIT'S BUSINESS

Keppel REIT is exposed to economic and real estate market conditions, as well as changes in regulatory, fiscal and other governmental policies in Singapore and Australia.

Keppel REIT's properties (the "**Properties**" or the "**Keppel REIT Portfolio**") are located in Singapore and Australia. An economic decline in Singapore and/or Australia could adversely affect Keppel REIT's results of operations and future growth. The global credit markets have experienced, and may continue to experience, volatility and liquidity disruptions, which have resulted in the consolidation, failure or near failure of a number of institutions in the banking and insurance industries. These events could adversely affect Keppel REIT insofar as they result in:

- a negative impact on the ability of the tenants to pay their rents in a timely manner or continuing their leases, thus reducing Keppel REIT's cash flow;
- decreases in valuations of the Properties resulting from deteriorating operating cash flow and/or widening capitalisation rates;
- decreases in rental and/or occupancy rates;
- the insolvency of contractors resulting in construction delays in the Properties;
- an adverse effect on the cost of funding Keppel REIT's business;
- an increase in counterparty risk;
- negative foreign exchange impacts as compared to the Singapore Dollar, at the time of consolidating the financial performance of the subsidiaries; and/or
- a likelihood that one or more of Keppel REIT's banking syndicates or insurers may be unable to honour their commitments to Keppel REIT.

Uncertainties and potential downturn in the global economy could also impact the economies of Singapore and Australia.

Other real estate market conditions may also adversely affect the performance of Keppel REIT include the attractiveness of competing commercial-related assets or an oversupply or reduced demand for such commercial-related assets.

Further, Keppel REIT will be subject to foreign real estate laws, regulations and policies as a result of its property investments in Australia. Measures and policies adopted by the Australian government and regulatory authorities at national, provincial or local levels, such as government control over property investments or foreign exchange regulations, might negatively impact the Properties.

Keppel REIT operates in a capital intensive industry that relies on the availability of sizeable amounts of capital.

Keppel REIT may require additional financing to fund working capital requirements, support the future growth of its business and/or refinance its existing debt obligations. There can be no assurance that financing, either on a short-term or long-term basis, will be made available or, if available, that such financing will be obtained on commercially reasonable terms. Factors that could affect Keppel REIT's ability to procure financing include the property market's cyclical nature, any impairment of financial systems in the event of a downturn in financial markets, market disruption risks and lending curbs due to central bank tightening which could adversely affect the liquidity, interest rates and availability of any third-party capital funding sources.

The loss of anchor tenants or a significant number of tenants of any of the Properties, or a downturn in the businesses of anchor tenants or a significant number of tenants could have an adverse impact on the business, financial condition and results of operations of Keppel REIT.

Keppel REIT's financial condition, results of operation and capital growth may be adversely affected by the bankruptcy, insolvency or downturn in the businesses of one or more anchor tenants or a significant number of tenants of any of the Properties, resulting in failure of obtaining timely rental payments or tenants defaulting on tenancies with Keppel REIT as well as the decision by one or more of these tenants not to renew its lease or to terminate its lease before it expires. If any tenant defaults or fails to make timely rental payments, Keppel REIT may experience delays in enforcing its rights as landlord and incur time and expenses relating to any eviction proceedings, which may be substantial in the case of anchor tenants. If an anchor tenant or a significant number of tenants terminate their leases or do not renew their leases at expiry, it may be difficult to secure replacement tenants at short notice. In addition, the amount of rent and the terms on which lease renewals and new leases are agreed may be less favourable than the current leases.

The loss of anchor tenants or a significant number of tenants in any one of the Properties or future acquisitions could result in periods of vacancy, which could adversely affect the revenue and financial conditions of the relevant Property and consequently the property income of Keppel REIT.

Planned amenities and transportation infrastructure near the Properties may not be implemented as planned, or may be closed, relocated, terminated, delayed or not completed.

There is no assurance that amenities, transportation infrastructure and public transport services near the Properties will be implemented as planned or will not be closed, relocated, terminated, delayed or completed. If such an event were to occur, it will adversely impact the accessibility of the relevant Property and the attractiveness and marketability of the relevant Property to tenants. This may then have an adverse effect on the demand and the rental rates for the relevant Property and adversely affect the business, financial condition and results of operations of Keppel REIT.

The outbreak of an infectious disease or any other serious public health concerns in Asia, Australia and elsewhere could adversely impact the business, financial condition and results of operations of Keppel REIT.

Epidemics that are beyond Keppel REIT's control may adversely affect the economies of Singapore and Australia. These countries face threats of epidemics such as Severe Acute Respiratory Syndrome ("**SARS**"), H5N1 avian flu or swine flu ("**Influenza A (H1N1)**"). Cases of the Middle East respiratory syndrome coronavirus ("**MERS-CoV**") have been reported in several countries, including certain countries in the Middle East, the United Kingdom, the United States, South Korea and Thailand.

The outbreak of an infectious disease such as Influenza A (H1N1), H5N1 avian flu, SARS or MERS-CoV in Asia, Australia and elsewhere, together with any resulting restrictions on travel and/or imposition of quarantines, could have a negative impact on the economy and business activities in Asia, Australia and globally and could thereby adversely impact the revenues and results of Keppel REIT. There can be no assurance that any precautionary measures taken against infectious diseases would be effective. A future outbreak of an infectious disease or any other serious public health concerns in Asia and/or Australia could have an adverse effect on the business, financial condition and results of operations of Keppel REIT.

The performance of the Properties might be adversely affected if the REIT Manager and/or any of the Property Managers do not provide adequate management and maintenance to the Properties.

Should the REIT Manager and/or any of the property managers of the Properties (collectively, the "**Property Managers**") fail to provide adequate management and maintenance to the Properties, the value of the Properties might be adversely affected and this may result in a loss of tenants, which will adversely affect distributions to Unitholders.

Most of the Properties are jointly owned with third parties, which may have an impact on the liquidity, value and management of the relevant Properties.

Keppel REIT is exposed to the ordinary risks relating to the partial and joint ownership of assets in relation to its (i) 79.9% interest in Ocean Financial Centre, (ii) one-third interest in MBFC (comprising office Towers 1, 2 and 3 and the subterranean mall, Marina Bay Link Mall), (iii) one-third interest in One Raffles Quay, (iv) 100.0% interest in Bugis Junction Towers, (v) 50.0% interest in 8 Chifley Square in Sydney, (vi) 50.0% interest (as a tenant-in-common) in the office development and two retail units, as well as a 100.0% interest in the three retail units at 8 Exhibition Street in Melbourne, (vii) 50.0% interest (as a tenant-in-common) in 275 George Street in Brisbane, (viii) 50.0% interest in the David Malcolm Justice Centre in Perth, and (ix) 50.0% interest in a premium office tower which is under construction at 311 Spencer Street in Melbourne.

Accordingly, the REIT Trustee does not have sole discretion to manage these Properties through the partnership/property holding companies/trust/jointly owned properties. Under the relevant shareholders' agreements, partnership agreements, joint venture/owners agreements (as the case may be) relating to the partnership/property holding companies/trust/jointly owned properties that are not wholly-owned by Keppel REIT, certain matters, such as amending the joint venture agreements, trust deed, changing the business or equity structure, issuing securities, use of funds, borrowings and other credit activities, replacing the property manager and appointment of key personnel, may require a unanimous or majority shareholders'/partners' approval of the relevant property companies.

There is no assurance that such unanimous or majority approval from the shareholders/partners of the Properties can be obtained. Should the relevant resolutions not be passed, certain matters relating to the Properties, such as those relating to the operation of the Properties and the level of dividends to be declared by the Properties, may not be carried out and this may adversely affect Keppel REIT's financial condition and results of operations.

In addition, if the other shareholders/partners of the Properties or the holding company of the Properties are obliged to contribute additional capital or funds to the Properties, but lack financial resources at the relevant time to meet these obligations, necessary capital or funds required for development or operations may be delayed or cancelled. This adds to the uncertainty of such collaborations and may adversely affect Keppel REIT's financial condition and results of operations.

Keppel REIT may suffer material losses in excess of insurance proceeds.

The Properties face the risk of suffering physical damage caused by fire, terrorism, acts of God such as natural disasters or other causes, as well as potential public liability claims, including claims arising from the operations of the Properties.

In addition, certain types of risks (such as war risk, acts of terrorism and losses caused by the outbreak of contagious diseases, contamination or other environmental breaches) may be uninsurable or the cost of insurance may be prohibitive when compared to the risk. Currently, Keppel REIT's insurance policies for the Properties cover risks which are commonly insured in the Singapore and Australia markets.

Should an uninsured loss or a loss in excess of insured limits occur, Keppel REIT could suffer financial losses and/or lose capital invested in the affected property as well as anticipated future revenue from that property as it may not be able to rent out or sell the affected property. Keppel REIT will also be liable for any debt or other financial obligation related to that property. No assurance can be given that material losses in excess of insurance proceeds will not occur.

Renovation or redevelopment works or physical damage to the Properties may disrupt the operations of the Properties and collection of rental income or otherwise result in adverse impact on the financial condition of Keppel REIT.

The quality and design of the Properties have a direct influence over the demand for space in, and the rental rates of, the Properties. The Properties may need to undergo renovation or redevelopment works from time to time to retain their competitiveness and may also require unforeseen *ad hoc* maintenance or repairs in respect of faults or problems that may develop or because of new planning laws or regulations. The costs of maintaining commercial properties and the risk of unforeseen maintenance or repair requirements tend to increase over time as the building ages. The business and operations of the Properties may suffer some disruption and it may not be possible to collect the full or any rental income on space affected by such renovation or redevelopment works.

In addition, physical damage to the Properties resulting from fire or other causes may lead to a significant disruption to the business and operation of the Properties and, together with the foregoing, may impose unbudgeted costs on Keppel REIT and result in an adverse impact on the financial condition and results of operations of Keppel REIT and its ability to make distributions.

Keppel REIT could incur significant costs or liability related to environmental matters.

Keppel REIT's operations are subject to various environmental laws, including those relating to air pollution control, water pollution control, waste disposal, noise pollution control and the storage of dangerous goods. Under these laws, an owner or operator of real property may be subject to liability, including a fine or imprisonment, for air pollution, noise pollution or the presence or discharge of hazardous or toxic chemicals at that property. In addition, Keppel REIT may be required to make capital expenditures to comply with these environmental laws. The presence of contamination, air pollution, noise pollution or dangerous goods without a valid licence or the failure to remediate contamination, air pollution, noise pollution or dangerous goods may expose Keppel REIT to liability or materially adversely affect its ability to sell or lease the real property or to borrow using the real property as collateral. Accordingly, if the Properties are affected by contamination or other environmental effects not previously identified and/or rectified Keppel REIT risks prosecution by environmental authorities and may be required to incur unbudgeted capital expenditure to remedy such issue and the financial position of tenants may be adversely impacted, affecting their ability to trade and to meet their tenancy obligations.

The due diligence exercise on the Properties, tenancies, buildings and equipment may not have identified all defects, breaches of laws and regulations and other deficiencies.

The REIT Manager believes that reasonable due diligence investigations with respect to the Properties have been conducted prior to their acquisitions. However, there is no assurance that the Properties will not have defects or deficiencies requiring repair or maintenance (including design, construction or other latent property or equipment defects in the Properties which may require additional capital expenditure, special repair or maintenance expenses) or be affected by breaches of laws and regulations. Such defects or deficiencies may require significant capital expenditures or obligations to third parties and involve significant and unpredictable patterns and levels of expenditure which may have a material adverse effect on Keppel REIT's earnings and cash flows.

Losses or liabilities from latent property or equipment defects may adversely affect earnings and cash flow.

Design, construction or other latent property or equipment defects in the Properties may require additional capital expenditure, special repair, maintenance expenses or the payment of damages or other obligations to third parties.

Costs or liabilities arising from such property or equipment defects may involve significant and potentially unpredictable patterns and levels of expenditure which may have a material adverse effect on Keppel REIT's earnings and cash flows.

Statutory or contractual representations, warranties and indemnities given by any seller of commercial properties are unlikely to afford satisfactory protection from costs or liabilities arising from such property or equipment defects.

The Properties may face increased competition from other properties.

The Properties are located in areas where other competing properties are present and new properties may be developed which may compete with the Properties.

The income from and the market value of the Properties will be dependent on the ability of the Properties to compete against other properties for tenants. If competing properties are more successful in attracting and retaining tenants, the income from the Properties could be reduced, thereby adversely affecting Keppel REIT's cash flow and the amount of funds available for distribution to Unitholders will be adversely affected. The increased competition may result in Keppel REIT having to lower its rental rates, suffer a decline in occupancy levels or incur additional capital improvements to improve the Properties. This would have an adverse effect on the financial condition and results of operations of Keppel REIT.

The Properties may be revalued downwards.

There can be no assurance that Keppel REIT will not be required to make downward revaluation of the properties held by Keppel REIT in the future. Any fall in the gross revenue or net property income earned from the Properties may result in downward revaluation of the properties held by Keppel REIT.

In addition, Keppel REIT is required to measure investment properties at fair value at each balance sheet date and any change in the fair value of the investment properties is recognised in the statements of total return. The changes in fair value may have an adverse effect on Keppel REIT's financial results in the financial years where there is a significant decrease in the valuation of Keppel REIT's investment properties which will result in revaluation losses that will be charged to its statements of total return. However, such revaluation losses should not have an impact on distributions to Unitholders.

RISKS RELATING TO KEPPEL REIT'S OPERATIONS

Keppel REIT's business is concentrated in Singapore with all its properties in the same general location, which may result in a higher level of risk compared to some other REITs that have properties spread over diverse locations.

Properties held by Keppel REIT are principally located in Singapore. A high concentration of its Properties in Singapore may entail a higher level of risk as compared to some other REITs which have properties spread over different countries or have a more diverse range of investments. Moreover, Keppel REIT's Singapore properties are located in Singapore's central area, with a majority located in the city's downtown core area. This concentration may entail a higher level of risk as compared to some other REITs that have properties spread over several different locations. A substantial portion of Keppel REIT's earnings depends on the continued strength of Singapore's office property market, which is in turn affected by general economic and business conditions. This exposes Keppel REIT to the risk of a downturn in economic and real estate conditions in Singapore. The value of Keppel REIT's properties and the rental revenue collected may also be adversely affected by local real estate conditions. Any circumstance which adversely affects the operations or business of any of Keppel REIT's Singapore properties or their attractiveness to tenants, may in effect affect all of Keppel REIT's Singapore properties. Should this happen, Keppel REIT may not have sufficient income from Keppel REIT's other properties (or interests in other properties) to mitigate any ensuing loss of income arising from such circumstance.

Keppel REIT operates substantially though property holding partnerships and/or companies and its ability to make payments to Unitholders is dependent on the financial position of these partnerships and/or companies.

The ability of Keppel REIT to make payments to the Unitholders is dependent on payments or other distributions from the partnerships and/or companies holding the Properties. There can be no assurance that the partnerships and/or companies will have sufficient distributable or realized profits or surplus in any future period to pay dividends or make advances to Keppel REIT. The ability of these partnerships/companies to make such payments or distribution may be restricted by, among other things, their respective businesses and financial positions, the availability of distributable profits, applicable laws and regulations (which may restrict the payment of their dividends) or the terms of agreements to which they are, or may become, a party to.

A controlling Unitholder, such as Keppel Corporation Limited (the "KCL"), and will be able to exercise influence over certain activities of Keppel REIT.

As at 4 March 2019, KCL is deemed to be interested in approximately 47.74% of the total number of Units in issue. KCL will therefore be in a position to exercise influence in matters which require the approval of Unitholders.

There may be potential conflicts of interest between Keppel REIT, KRPMPL and KCL.

KCL, its subsidiaries, related corporations and associates are engaged in, among others, the investment in, and the development and management of, commercial real estate pan-Asia.

KCL may exercise influence over the activities of Keppel REIT. These include matters which require Unitholders' approval. Moreover, KCL may in the future sponsor, manage or invest in other REITs or other vehicles. There can be no assurance that conflicts of interest will not arise between Keppel REIT and KCL in the future.

Furthermore, Keppel REIT Property Management Pte. Ltd. ("**KRPMPL**"), which is a subsidiary of KCL, is the property manager for Ocean Financial Centre and Bugis Junction Towers, and may be appointed to manage future properties to be acquired by Keppel REIT. If KRPMPL were to manage a property which competes with the Properties, there can be no assurance that KRPMPL will not favour properties that KCL has in its own property portfolio over those owned by Keppel REIT when providing leasing services to Keppel REIT, which could lead to lower occupancy rates and/or lower rental income for the properties owned by Keppel REIT as a whole and this could adversely affect distributions to Unitholders.

Any breach by the major tenants of their obligations under the lease agreements or a downturn in their businesses may have an adverse effect on Keppel REIT.

In the event that any major tenants of Keppel REIT are unable to pay their rent or breach their obligations under the lease agreements, the level of distributable income may be adversely affected. The performance of the major tenants' other businesses could also have an impact on their ability to make rental payments to Keppel REIT.

Factors that affect the ability of such major tenants to meet their obligations include, but are not limited to:

- their financial position;
- the local economies in which they have business operations;
- the ability of such major tenants to compete with its competitors;
- in the instance where such major tenants have sub-leased the Properties, the failure of the sub-tenants to pay rent; and
- material losses in excess of insurance proceeds.

If a large number of tenants do not renew their leases, this may affect the operations of Keppel REIT.

A substantial number of the tenancies for the Properties are for periods of over five years, compared to a typical office lease in Singapore which ranges between two to three years. Notwithstanding this, vacancies following the non-renewal of leases may lead to reduced occupancy rates. If a large number of tenants do not renew their leases in a year in which a substantial number of leases expire, this could adversely affect the business, financial conditions and results of operations of Keppel REIT.

The amount Keppel REIT may borrow is limited, which may affect the operations of Keppel REIT.

The Property Funds Appendix provides that the aggregate leverage of a REIT should not exceed 45.0% of the value of all of the assets for the time being of Keppel REIT or deemed to be held upon the trust constituted under the REIT Trust Deed (the "**Deposited Property**"). A decline in the value of Keppel REIT's Deposited Property may affect Keppel REIT's ability to borrow further.

Adverse business consequences as a result of this limitation on future borrowings may include:

- an inability to fund capital expenditure requirements in relation to Keppel REIT's existing asset portfolio;
- an inability to fund acquisitions of properties; and
- cash flow shortages (including with respect to distributions) which Keppel REIT might otherwise be able to resolve by borrowing funds.

A downward revaluation of any of the Properties or investments may result in a breach of the borrowing limit under the Property Funds Appendix. In the event of such a breach, Keppel REIT would not be able to incur further indebtedness. In such circumstances, while Keppel REIT may not be required to dispose of its assets to reduce its indebtedness, the inability to incur further indebtedness may constrain its operational flexibility.

In addition, a severe downward revaluation of any of the properties in the Keppel REIT Portfolio may result in a breach of certain financial covenants under any of debt financing arrangements of Keppel REIT or the Group (as defined below).

Keppel REIT may experience limited availability of funds and face risks associated with debt financing and refinancing.

Keppel REIT may, from time to time, require additional debt financing to fund working capital requirements, to support the future growth of its business and/or to refinance existing debt obligations. In addition, Keppel REIT's indebtedness means that a material portion of its expected cash flow may be required to be dedicated to the payment of interest on its indebtedness, thereby reducing the funds available to Keppel REIT for use in its general business operations. Keppel REIT's indebtedness may also restrict its ability to obtain additional financing for capital expenditure, acquisitions or general corporate purposes and may cause it to be particularly vulnerable in the event of a general economic downturn. Investors in Keppel REIT should note that the willingness of financial institutions to make capital commitments by way of investing in debt or equity instruments may for an indeterminate period be adversely affected by market volatility.

Keppel REIT may also become a party to future indebtedness which is secured by a lien on certain of its properties. In the event of a default on the Bonds or under any other indebtedness or upon Keppel REIT's bankruptcy, liquidation or reorganisation, any secured indebtedness of third party creditors to the Keppel REIT Portfolio would effectively be senior to the Bonds to the extent of the value of the Keppel REIT Portfolio securing their indebtedness. The holders of the Bonds would only have a senior unsecured claim against those assets to the extent any remain after satisfying the obligations under secured indebtedness.

Keppel REIT will also be subject to the risk that it may not be able to refinance its existing and/or future borrowings or that the terms of such refinancing will not be as favourable as the terms of its existing borrowings. In addition, Keppel REIT may be subject to certain covenants in connection with any future borrowings that may limit or otherwise adversely affect its operations and Keppel REIT's ability to make distributions to Unitholders. Such covenants may also restrict Keppel REIT's ability to acquire properties or undertake other capital expenditure or may require it to set aside funds for maintenance or repayment of security deposits. Furthermore, if prevailing interest rates or other factors at the time of refinancing (such as the possible reluctance of lenders to make real estate loans) result in higher interest rates upon refinancing, the interest expense relating to such refinanced indebtedness would increase, which would adversely affect Keppel REIT's cash flow and the amount of distributions Keppel REIT could make to Unitholders.

Keppel REIT is exposed to interest rate fluctuations.

As at 31 December 2018, Keppel REIT and its subsidiaries (collectively, the "**Group**") have a consolidated debt of approximately S$2.29 billion.

A substantial percentage of the debt bears fixed interest rates and the balance bears floating interest rates. Consequently, the interest cost to the Group for the floating interest rate debt will be subject to fluctuations in interest rates. The Group has entered into some hedging transactions to partially mitigate the risk of interest rate fluctuations. However, its hedging policy may not adequately cover the Group's exposure to interest rate fluctuations. As a result, its operations, financial condition and/or DPU could potentially be adversely affected by interest rate fluctuations.

Keppel REIT has entered into some hedging transactions to partially mitigate the risk of interest rate fluctuations and manage the currency risks associated with cash flows generated by the Properties outside Singapore. However, there can be no assurance as to the extent or efficacy of any such hedging arrangements. Hedging activities may not have the desired beneficial impact and involves risks and typically involves costs, including transaction costs, which may reduce the overall returns of Keppel REIT. The REIT Manager will regularly monitor the feasibility of engaging in such hedging transactions while taking into account the cost of such transactions. These costs will increase as the period covered by the hedging increases and during periods of rising and volatile interest rates and/or foreign exchange rates.

Interest rate hedging could fail to protect Keppel REIT or adversely affect Keppel REIT for reasons, *inter alia*, such as:

- available interest rate hedging may not correspond directly with the interest rate risk for which protections are sought;

- the party owing money in the hedging transaction may default on its own obligation to pay;

- the credit quality of the counterparty owning money on the hedge may deteriorate to such an extent that it impairs Keppel REIT's ability to sell or assign its side of the hedging transaction; and

- the value of the derivatives used for hedging may be adjusted from time to time in accordance with accounting rules to reflect changes in fair value.

Such changes, although unrealised, would reduce the NAV of Keppel REIT if it is due to downward adjustments.

Keppel REIT faces exchange rate fluctuation risk

The income and profit of Keppel REIT from its assets are denominated in the local currency of the countries in which such assets may be located, while the reporting currency of Keppel REIT for the purposes of its financial statements is in Singapore dollars. Keppel REIT recognises foreign currency gains or losses arising from its operations in the period incurred. As a result, currency fluctuations between the Singapore dollar and the non-Singapore dollar currencies will cause Keppel REIT to incur foreign currency translation gains and losses. Keppel REIT cannot predict the effects of exchange rate fluctuations upon its future operating results because of the variability of currency exposure and the potential volatility of foreign exchange rates. Significant fluctuations in the exchange rates between such currencies will also, among others, affect Keppel REIT's net asset value.

If the REIT Manager's capital market services licence for REIT management ("CMS Licence") is cancelled or the authorisation of Keppel REIT as a collective investment scheme under Section 286 of the SFA is suspended, revoked or withdrawn, the operations of Keppel REIT will be adversely affected.

The CMS Licence issued to the REIT Manager is subject to conditions unless otherwise cancelled. If the CMS Licence of the REIT Manager is cancelled by the MAS, the operations of Keppel REIT will be adversely affected, as the REIT Manager would no longer be able to act as the manager of Keppel REIT.

Keppel REIT is an authorised collective investment scheme under the SFA and must comply with the requirements under the SFA and the Property Funds Appendix. In the event that the authorisation of Keppel REIT is suspended, revoked or withdrawn, its operations will also be adversely affected.

Regulatory issues and changes in law may have an adverse impact on Keppel REIT's business.

Keppel REIT is subject to the usual business risks that there may be changes in laws that reduce its income or increase its costs. For example, there could be changes in tenancy laws that limit Keppel REIT's recovery of certain property operating expenses, changes or increases in real estate taxes that cannot be recovered from Keppel REIT's tenants or changes in environmental laws that require significant capital expenditure.

Additionally, new and revised accounting standards and pronouncements may be issued from time to time. These changes could adversely affect Keppel REIT's reported financial results and positions and adversely affect the comparability of Keppel REIT's future financial statements with those relating to prior periods.

The REIT Manager may change Keppel REIT's investment strategy.

Keppel REIT's policies with respect to certain activities, including investments and acquisitions, will be determined by the REIT Manager, subject to applicable laws and regulations. Under the REIT Trust Deed, the REIT Manager has wide powers to invest in other types of assets, including any real estate, real estate-related assets as well as listed and unlisted securities in Singapore and other jurisdictions. The REIT Manager has stated its intention to restrict investments to real estate which is used, or primarily used, for commercial purposes. Notwithstanding the REIT Trust Deed granting the REIT Manager such powers, there may be additional restrictions imposed on the REIT Manager in respect of changes being made to Keppel REIT's investment strategy following future amendments to the Listing Manual of the SGX-ST (the "**Listing Manual**") from time to time.

The REIT Manager may not be able to successfully implement its investment strategy for Keppel REIT and acquisitions may not yield the returns expected.

There is no assurance that the REIT Manager will be able to implement its investment strategy successfully or that it will be able to expand Keppel REIT's portfolio at any specified rate or to any specified size. The REIT Manager may not be able to make investments or acquisitions on favourable terms or within a desired time frame.

Keppel REIT faces active competition in acquiring suitable properties. Keppel REIT's ability to make new property acquisitions under its acquisition growth strategy may be adversely affected. Even if Keppel REIT were able to successfully acquire property or investments, there is no assurance that Keppel REIT will achieve its intended return on such acquisitions or investments.

Since the amount of borrowings that Keppel REIT can incur to finance acquisitions is limited by the Property Funds Appendix, such acquisitions are likely to be largely dependent on Keppel REIT's ability to raise equity capital. This may result in a dilution of Unitholders' holdings.

Additionally, Keppel REIT's external growth strategy and its asset selection process may not be successful and may not provide positive returns to Unitholders.

The REIT Manager's strategy to initiate asset enhancement on some of the Properties from time to time may not materialise.

The REIT Manager may from time to time initiate asset enhancement on some of the Properties. The proposed asset enhancement initiatives are subjected to Keppel REIT obtaining the approvals of the relevant authorities. There is no assurance that such plans for asset enhancement will materialise, or in the event that they do materialise, they may not achieve their desired results or may incur significant costs. Furthermore, the REIT Manager may not be able to carry out the proposed asset enhancement initiatives within a desired timeframe, and any benefit or return which may arise from such asset enhancement initiatives may be reduced or lost.

Keppel REIT depends on certain key personnel and the loss of any key personnel may adversely affect its operations.

Keppel REIT's success and performance depends, in part, upon the continued service and performance of the executive officers of the REIT Manager. These key personnel may leave the employment of the REIT Manager. If this were to occur, the REIT Manager will need to spend time searching for a replacement and the duties which such executive officers are responsible for may be affected. The loss of any of these key personnel could have a material adverse effect on Keppel REIT's results of operations and financial condition.

Keppel REIT may be involved in legal and other proceedings from time to time.

Keppel REIT may be involved from time to time in disputes with various parties such as contractors, sub-contractors, consultants, suppliers, construction companies, purchasers and other partners involved in the asset enhancement, operation and purchase of its properties. These disputes may lead to legal and other proceedings, and may cause Keppel REIT to suffer additional costs and delays. In addition, Keppel REIT may have disagreements with regulatory bodies in the course of its operations, which may subject it to administrative proceedings and unfavourable orders, directives or decrees that result in financial losses and delay the construction or completion of its projects.

Occurrence of any acts of God, natural disasters, severe environmental pollution, war and terrorist attacks may adversely and materially affect the business and operations of the Properties.

Acts of God, such as natural disasters, and severe environmental pollution (including severe smog) are beyond the control of Keppel REIT or the REIT Manager. These may materially and adversely affect the economy, infrastructure and livelihood of the local population. Keppel REIT's business and income available for distribution may be adversely affected should such acts of God occur. There is no assurance that any war, terrorist attack or other hostilities in any part of the world, potential, threatened or otherwise, will not, directly or indirectly, have an adverse effect on the operations of the Properties and hence Keppel REIT's income available for distribution.

In addition, physical damage to the Properties resulting from fire, earthquakes or other acts of God may lead to a significant disruption to the business and operation of the Properties. This may then result in an adverse impact on the business, financial condition, results of operations and capital growth of Keppel REIT.

Keppel REIT is exposed to general risks associated with relying on third-party contractors to provide various services in respect of its properties.

Keppel REIT may engage third-party contractors to provide various services in respect of its properties, including property management, construction, piling and foundation, building and property fitting-out works, alterations and additions, interior decoration, installation and maintenance of air-conditioning units and lifts, and gardening and landscaping works. Keppel REIT is exposed to the risk that a third-party contractor may incur costs in excess of project estimates, which may have to be borne by Keppel REIT in order to complete the project. Furthermore, major third-party contractors may experience financial or other difficulties which may affect their ability to carry out construction works, thus delaying the completion of development projects or resulting in additional costs to Keppel REIT. There can also be no assurance that the services rendered by the third-party contractors will always be satisfactory or match Keppel REIT's targeted quality levels. All of these factors could have an adverse effect on the business, financial condition and results of operations of Keppel REIT.

Keppel REIT may not be able to make distributions or the level of distributions may fall, and as a condition for tax transparency treatment, Keppel REIT is required to distribute at least 90% of its taxable income.

The income which Keppel REIT earns from its real estate investments depends on, among other factors, its debt-servicing requirements, the amount of rental income received, and the level of property expenses and other operating expenses incurred. If properties owned by Keppel REIT do not generate sufficient income, Keppel REIT's cash flow and ability to make distributions will be adversely affected. No assurance can be given as to the Issuer's ability to pay or maintain distributions. Neither is there any assurance that the level of distributions will increase over time, that there will be contractual increases in rent under the leases of the Keppel REIT Portfolio properties or that the receipt of rental revenue in connection with any enhancement of the Keppel REIT Portfolio properties or future acquisitions of properties will increase Keppel REIT's distributable income to Unitholders.

As a condition for tax transparency treatment, Keppel REIT is required to distribute at least 90% of its taxable income to Unitholders, failing which Keppel REIT would be liable to pay tax on its taxable income (after deduction of applicable expenses). If Keppel REIT's taxable income (after deduction of applicable expenses) is greater than its cashflow from operations, it may have to borrow funds to meet ongoing cashflow requirements in order to distribute at least 90.0% of its taxable income to Unitholders (after deduction of applicable expenses) since it may not have any reserves to draw on. Keppel REIT's ability to borrow is, however, limited by the Property Funds Appendix. Failure to make such distributions to Unitholders would put Keppel REIT in breach of the terms for tax transparency treatment and Keppel REIT would be liable to pay income tax. This may in turn have an adverse effect on the financial condition and results of operations of Keppel REIT.

RISKS RELATING TO INVESTING IN REAL ESTATE

Keppel REIT's property investments are relatively illiquid.

Keppel REIT invests primarily in real estate which entails a higher level of risk as compared to a portfolio which has a diverse range of investments. Real estate investments, particularly investments in high value properties such as those in which Keppel REIT has invested in and/or intends to invest in, are relatively illiquid. Such illiquidity may affect Keppel REIT's ability to vary its investment portfolio or liquidate part of its assets in response to changes in economic, real estate market or other conditions. For instance, Keppel REIT may be unable to liquidate its properties on short notice or may be forced to give a substantial reduction in the price that may otherwise be sought for such properties, to ensure a quick sale. Moreover, Keppel REIT may face difficulties in securing timely and commercially favourable financing in asset-based lending transactions secured by real estate due to the illiquid nature of such properties. These factors could have an adverse effect on Keppel REIT's financial condition and results of operations, with a consequential adverse effect on Keppel REIT's ability to make expected distributions to Unitholders.

In addition, if Keppel REIT defaults on its payment obligations in respect of any financing facility secured by its properties, mortgagees to any of the affected properties could foreclose or require a forced sale of any of the affected properties resulting in a consequent loss of income and asset value to Keppel REIT. The amount to be received upon a foreclosure or sale of any affected property would be dependent on numerous factors, including the actual fair market valuation of the relevant property at the time of such sale, the timing and manner of the sale and the availability of buyers. Each of the Properties is illiquid and there can be no assurance that any of the Properties can or will be liquidated in a short period of time. For all these reasons, there can be no assurance that the proceeds from any foreclosure or sale will be sufficient for Keppel REIT to meet its obligations pursuant to its borrowings.

Keppel REIT is exposed to general risks associated with the ownership and management of real estate.

Keppel REIT invests primarily in real estate which entails a higher level of risk as compared to a portfolio which has a diverse range of investments. Keppel REIT's real estate investments are subject to risks incidental to the ownership and management of commercial properties including, among others, competition for tenants, changes in market rents, inability to renew leases or re-let space as existing leases expire, inability to collect rent from tenants due to bankruptcy or insolvency of tenants or otherwise, inability to dispose of major investment properties for the values at which they are recorded in Keppel REIT's financial statements, increased operating costs, the need to renovate, repair and re-let space periodically and to pay the associated costs, wars, terrorist attacks, sabotage, property damage, riots, civil commotions, natural disasters, acts of God, disruption to utilities and other events beyond Keppel REIT's control. Keppel REIT's activities may also be impacted by changes in laws and governmental regulations in relation to real estate, including those governing usage, zoning, taxes and government charges. Such revisions may lead to an increase in management expenses or unforeseen capital expenditure to ensure compliance. Rights related to the relevant properties may also be restricted by legislative actions, such as revisions to the laws relating to building standards or town planning laws, or the enactment of new laws relating to government appropriation, condemnation and redevelopment.

Keppel REIT is exposed to real estate development risks in respect of future development property.

Keppel REIT's principal investment strategy is to own and invest in quality income-producing commercial real estate and real estate-related assets pan-Asia. However, it may undertake development of real estate when the REIT Manager considers it to be in the interests of Keppel REIT and provided that Keppel REIT's investments in such development activities do not exceed such limits required under the Property Funds Appendix.

Undertaking real estate development involves various risks, including but not limited to regulatory, construction and financing risks. For instance, various permits and approvals would have to be obtained from the relevant government agencies which may not be forthcoming, costs of construction may overrun as a result of unanticipated cost increases or delays, and external financing may not be available on acceptable terms or at all in order to fund the capital investment required for the development. The REIT Manager does not possess any track record in real estate development and it may have to rely on its joint venture partners in respect of development activities undertaken by Keppel REIT.

The properties owned by Keppel REIT or a part of them may be acquired compulsorily by the respective governments in the countries in which such properties are located.

The Properties are currently located in Singapore and Australia. Under the laws and regulations of each country, there are various circumstances under which the respective governments of each country are empowered to acquire some of the Properties.

In the event that the compensation paid for the compulsory acquisition of the Property is less than the market value of the Property, such compulsory acquisitions would have an adverse effect on the gross revenue of Keppel REIT and the value of its asset portfolio.

Keppel REIT may in future acquire commercial and commercial-related assets located in other countries. The laws of these countries may also provide for a right by the governments of these countries to compulsorily acquire any land or property with no compensation to the owner, or for compensation below market value. Such compulsory acquisitions would have an adverse effect on the revenue, results of operations and value of Keppel REIT's asset portfolio.

The properties held by Keppel REIT may be subject to increases in property expenses and other operating expenses.

Keppel REIT's ability to make distributions to Unitholders could be adversely affected if property expenses and other operating expenses increase without a corresponding increase in revenue.

Factors which could increase property expenses and operating expenses include any:

- increase in property taxes and other statutory charges;
- change in statutory laws, regulations or government policies which increase the cost of compliance with such laws, regulations or policies. Rights relating to Keppel REIT Properties may also be restricted by legislative actions, such as revisions to the laws relating to building standards or town planning laws, or the enactment of new laws relating to condemnation and redevelopment;
- change in direct or indirect tax policies;
- increase in sub-contracted service costs;

- increase in labour costs;
- increase in repair and maintenance costs;
- increase in insurance premiums;
- increase in the rate of inflation;
- defects affecting, or environmental pollution in connection with, the Properties that need to be rectified, leading to unforeseen capital expenditure;
- increase in cost of utilities;
- Cost arising from litigation claims; and
- Increased in amount of maintenance charges for any affected Keppel REIT Properties.

The gross revenue earned from the Properties and the value of the Properties may be adversely affected by a number of factors.

The gross revenue earned from the Properties and the value of the Properties may be adversely affected by a number of factors, including, but not limited to:

- vacancies following the expiry or termination of tenancies that lead to reduced occupancy rates which reduce Keppel REIT's gross revenue and its ability to recover certain operating costs through service charges;
- the ability of the property managers of Keppel REIT to collect rent from tenants on a timely basis or at all;
- the extent of granting of rental rebates to tenants of Keppel REIT due to market competitive pressure or economic downturn;
- tenants requesting waiver of interest on late payment of rent;
- events affecting the properties in Keppel REIT's portfolio which could result in the inability of the relevant tenants to operate on such properties and thereby resulting in the inability of such tenants to make timely payments of rent;
- tenants seeking the protection of bankruptcy laws which could result in delays in the receipt of rent payments, inability to collect rental income at all, or delays in the termination of the tenant's lease, or which could hinder or delay the re-letting of the space in question;
- the amount of rent payable by tenants and other terms on which tenancy renewals and new tenancies are agreed being less favourable than those under current tenancies;
- the local and international economic climate and real estate market conditions (such as oversupply of, or reduced demand for, commercial space, changes in market rental rates and operating expenses for the Properties);
- the REIT Manager's ability to provide adequate management and maintenance or to purchase or put in place adequate insurance;
- competition for tenants from other similar properties which may affect rental income or occupancy levels at the Properties;

- changes in laws and governmental regulations in relation to real estate, including those governing usage, zoning, taxes and government charges. Such revisions may lead to an increase in management expenses or unforeseen capital expenditure needed to ensure compliance. Rights related to the relevant properties may also be restricted by legislative actions, such as revisions to the laws relating to building standards or town planning laws, or the enactment of new laws related to condemnation and redevelopment; and

- natural disasters, acts of God, wars, terrorist attacks, riots, civil commotions, widespread communicable diseases and other events beyond the control of the REIT Manager.

The rate of increase in rentals (if any) of the Properties may be less than the inflation rate.

The rate of increase in rentals (if any) of the Properties may be less than the inflation rate and therefore an investment in Keppel REIT may not provide an effective hedge against inflation.

RISKS RELATING TO AUSTRALIA

Investment in the Units may be subject to Australia's foreign investment regime.

By holding certain Australian assets, Australia's foreign investment regime may apply to an investment in Keppel REIT and investors who acquire Units will need to have regard to certain investment thresholds and notification obligations.

Investments by Keppel REIT may be subject to Australia's foreign investment regime.

The investments in Australia by Keppel REIT (including acquisitions of Australian land and some acquisitions in Australian corporations) may be subject to notice or approval requirements under Australia's foreign investment regime. If such approval is required and not given in relation to an investment, Keppel REIT may not be able to proceed with that investment.

Although Keppel REIT has obtained the relevant approval for its acquisition of the Australian properties, there can be no assurance that Keppel REIT will be able to obtain or renew the required government approvals, permits and licences for its activities in Australia as investments by Keppel REIT are subject to Australia's foreign investment regime. In the event that the requisite approvals are not obtained or renewed, there may be an adverse effect on the business, financial condition, results of operations and prospects of Keppel REIT.

Keppel REIT is exposed to the risks relating to the uncertainties and changes in the Australian taxation regime.

Keppel REIT is exposed to the risks relating to the uncertainties and changes in the Australian taxation regime, and in the event that there are new developments which affect its holding structure of the Properties in Australia, there may be an adverse effect on the business, financial condition, results of operations and prospects of Keppel REIT. In addition, certain areas of the Australian taxation regime are the subject of on-going consultation and review. It is possible that new legislation may be introduced, and any potential change may impact Keppel REIT.

OTHER RISKS

Uncertainties and instability in global financial, credit and currency markets could adversely affect Keppel REIT's business, financial condition and results of operations as well as the value of the Bonds.

The global credit markets have experienced, and may continue to experience, volatility and liquidity disruptions, which have resulted in the consolidation, failure or near failure of a number of institutions in the banking and insurance industries.

Such events have had a significant impact on the global capital markets associated not only with asset-backed securities but also with the global credit and financial markets as a whole. Global credit markets have experienced substantial dislocations, liquidity disruptions and market corrections of which the scope, duration, severity and economic effect remain uncertain. These events could adversely affect Keppel REIT, including:

- a negative impact on the ability of the tenants of Keppel REIT to pay their rents in a timely manner or continuing their leases, thus reducing Keppel REIT's cash flow;

- an adverse effect on the cost of funding Keppel REIT's business, thus limiting Keppel REIT's growth opportunities; and

- an adverse impact on the ability of Keppel REIT to obtain funds for expansion or refinance its existing debt obligations on the same or more favourable terms than its existing debt obligations, if at all.

Although Keppel REIT has relied primarily on local sources of funding, which have experienced less of an impact due to the lack of liquidity in the global capital markets, reduced liquidity in the global capital markets could nonetheless have an adverse impact on the Singapore market and limit Keppel REIT's ability to diversify its funding sources. Increased funding costs or greater difficulty in diversifying funding sources would have an adverse effect on its business, financial conditions and results of operations.

The liquidity and the value of the Bonds are sensitive to the volatility of the credit markets and may be adversely affected by future developments. To the extent that turmoil in the credit market continues and/or intensifies, it may have the potential to materially affect the liquidity and the value of the Bonds.

The United Kingdom's vote to leave the European Union may adversely affect Keppel REIT and the REIT Manager.

In an advisory referendum held in June 2016, the United Kingdom electorate voted to leave the European Union. On 29 March 2017, the Government of the United Kingdom formally notified the European Union that it will leave the European Union. The future economic and political relationship between the United Kingdom and the European Union (and between the United Kingdom and other countries by agreement) is uncertain, and a period of economic and political uncertainty is expected in the United Kingdom, in the rest of the European Union and globally. The result of the United Kingdom's referendum has caused severe currency movements and volatility in global markets, and is likely to continue to do so as events develop. The ultimate nature and extent of the impact of these events on Keppel REIT and the REIT Manager are uncertain, but may be significant.

Other Member States of the European Union may also reconsider their European Union membership. This could result in one or more other countries leaving the European Union, or in major reforms or other changes being made to the European Union or to the Eurozone. The nature and extent of the impact of any such changes on Keppel REIT and the REIT Manager are uncertain.

RISKS RELATING TO AN INVESTMENT IN THE BONDS AND THE UNITS

Securities law restrictions on the resale and conversion of the Bonds and the resale of Units issuable upon their conversion may impact Bondholders' ability to sell the Bonds and such Units in the United States.

The Bonds and the Units into which the Bonds are convertible have not been registered under the Securities Act, any securities laws of any state of the United States or the securities laws of any other jurisdiction. Unless and until they are registered, the Bonds and the Units issuable upon conversion may not be offered, sold or resold in the United States except pursuant to an exemption from registration under the Securities Act and applicable state laws or in a transaction not subject to such laws. The Bonds are being offered and sold only outside the United States in reliance on Regulation S under the Securities Act. Keppel REIT is not required to register the Bonds and the Units into which the Bonds are convertible under the terms of the Bonds. Hence, future resales of the Bonds and the Units into which the Bonds are convertible may only be made pursuant to an exemption from registration under the Securities Act and applicable state laws or in a transaction not subject to such laws.

The Issuer may be unable to redeem the Bonds at maturity in certain circumstances.

The Issuer may be unable to redeem all or a portion of the Bonds in certain circumstances, including (i) on the Maturity Date of the Bonds (as defined in the Terms and Conditions), (ii) a Change of Control Event (as defined in the Terms and Conditions) or (iii) a Delisting or Suspension of the Units (as defined in the Terms and Conditions); and (iv) at the Option of the Bondholders (as described in the Terms and Conditions). If such an event were to occur, Keppel REIT, like other REITs (which generally have policy of distributing all income), may not have sufficient cash reserves and may not be able to arrange financing to redeem the Bonds in the specified timeframe, or on acceptable terms, or at all. The ability of the Issuer to redeem the Bonds in such event may also be limited by the terms of other debt instruments. Failure by the Issuer to repay, repurchase or redeem tendered Bonds would constitute an event of default under the Bonds, which may also constitute a default under the terms of other indebtedness of Keppel REIT. Keppel REIT has, and may in the future have, credit agreements or other agreements relating to its indebtedness that contain provisions that provide that a change in control constitutes an event of default or accelerates its payment obligations under that agreement. If such an event were to occur, no assurance can be given that Keppel REIT will have sufficient funds to or be able to raise sufficient financing to meet its payment obligations under those agreements.

Holders of the Bonds may be exposed to tax in Singapore and other jurisdictions.

The Bonds are intended to be "qualifying debt securities" for the purposes of the Income Tax Act, Chapter 134 of Singapore ("**SITA**"), subject to the fulfilment of certain conditions more particularly described in the "Taxation" section under this Offering Circular.

However, there is no assurance that the Bonds will continue to be "qualifying debt securities" or that the tax concessions in connection therewith will apply throughout the tenure of the Bonds should the relevant tax laws be amended or revoked at any time, or if any of the conditions are not met.

Prospective purchasers of the Bonds are advised to consult their own tax advisers concerning the overall tax consequences (in Singapore and other jurisdictions) of the acquisition, ownership or disposition (including upon conversion of the Bonds) of the Bonds or the Units.

The trading price of the Units has been, and may continue to be, volatile.

The trading price of the Units has been, and may continue to be, subject to large fluctuations. The price of the Units may increase or decrease in response to a number of events and factors, including:

- quarterly variations in operating results;
- changes in financial estimates and recommendations by securities analysts;
- the operating and stock price performance of other companies in the real estate industry;
- developments affecting Keppel REIT, its customers or its competitors;
- valuations of the Keppel REIT Portfolio;
- changes in government regulation;
- changes in general economic conditions;
- changes in accounting policies; and
- other events or factors described in this Offering Circular.

This volatility may adversely affect the price of the Units regardless of Keppel REIT's operating performance.

The SFA, the Singapore Code on Take-overs and Mergers and the Competition Act may discourage or prevent certain types of transactions.

The SFA and the Singapore Code on Take-overs and Mergers (the "**Take-over Code**") contains certain provisions that may delay, deter or prevent a future take-over or change in control of Keppel REIT. Parties intending to (i) acquire 30 per cent. or more of the total units of a REIT; or (ii) when holding not less than 30 per cent. but not more than 50 per cent. of the total units of a REIT, acquire more than one per cent. of the total units of the REIT in any six-month period, should make a general offer for Keppel REIT. These provisions may discourage or prevent certain types of transactions involving an actual or threatened change of control of Keppel REIT. Some of the Unitholders may, therefore, be disadvantaged as a transaction of that kind might have allowed the sale of Units at a price above the prevailing market price.

Similarly, the Competition Act, Chapter 50B of Singapore (the "**Competition Act**") prohibits mergers that result in a substantial lessening of competition within any market for goods and services in Singapore. The Competition Act allows the Competition Commission of Singapore to review and regulate mergers that have anti-competitive effects in Singapore.

These provisions may discourage or prevent certain types of transactions involving an actual or threatened change of control of Keppel REIT. Some of the Unitholders may, therefore, be disadvantaged as a transaction of that kind might have allowed the sale of Units at a price above the prevailing market price.

Lack of public market for the Bonds.

The Bonds are a new issue of securities for which there is currently no trading market. Approval-in-principle from the SGX-ST will be sought for the listing of the Bonds on the SGX-ST. However, no assurance can be given that an active trading market for the Bonds will develop or as to the liquidity or sustainability of any such market, the ability of Bondholders to sell their Bonds or the price at which Bondholders will be able to sell their Bonds. If an active market for the Bonds fails to develop or be sustained, the trading price of the Bonds could fall. The Joint Lead Managers are not obliged to make a market in the Bonds and any such market making, if commenced, may be discontinued at any time at the sole discretion of the Joint Lead Managers.

If an active trading market were to develop, the Bonds could trade at prices that may be lower than their initial offering price. Whether or not the Bonds will trade at lower prices depends on many factors, including:

- prevailing interest rates and the markets for similar securities;
- the price of the Units;
- general economic conditions and the conditions of the real estate industry; and
- Keppel REIT's financial condition and historical financial performance and future prospects.

Conversion of the Bonds will dilute the ownership interest of existing Unitholders and could adversely affect the market price of the Units.

Any sales in the public market of the Units issuable upon conversion of the Bonds could adversely affect prevailing market prices for the Units. In addition, the exercise of the conversion right under the Bonds may encourage short-selling of the Units by market participants.

Future issues, offers or sales of Units may adversely affect the value of the Bonds.

The market price of the Bonds is expected to be affected, amongst other things, by fluctuations in the market price of the Units. The future issue of Units or the disposal of Units by any of the significant holders of Units or the perception that such issues or sales may occur may significantly affect the trading price of the Bonds and the Units.

Bondholders will have no rights as holders of the Units until the conversion of the Bonds.

Unless and until Bondholders acquire the Units upon conversion of the Bonds, the Bondholders will have no rights with respect to the Units, including any voting rights or rights to receive any regular dividends or other distributions with respect to the Units. Upon conversion of the Bonds, these Bondholders will be entitled to exercise the rights of holders of the Units only as to actions for which the applicable record date occurs after the date of conversion.

Under the REIT Trust Deed, the REIT Manager, rather than the Issuer, is empowered to issue Units of Keppel REIT. The instrument under which the Issuer will issue or cause the issuance of Units upon conversion of the Bonds is the Bond Trust Deed. The REIT Manager will not be a party to the Bond Trust Deed and as such Bondholders will only have direct recourse against the Issuer for the performance of obligations by the Issuer under the Bond Trust Deed, including the issuance of Units upon conversion of the Bonds. In this regard, Bondholders would have to rely on the Issuer, subject to the terms of the REIT Trust Deed and such other arrangements as may be entered into between the Issuer and the REIT Manager, to require the REIT Manager to issue these Units.

FACTORS WHICH ARE MATERIAL FOR THE PURPOSE OF ASSESSING THE MARKET RISKS ASSOCIATED WITH THE BONDS

The Bonds may not be a suitable investment for all investors.

Each potential investor in the Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;

- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact the Bonds will have on its overall investment portfolio;

- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, including where the currency for principal or interest payments is different from the potential investor's currency;

- understand thoroughly the terms of the Bonds and be familiar with the behaviour of any relevant indices and financial markets; and

- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Bonds are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Bonds unless it has the expertise (either alone or with a financial adviser) to evaluate how the Bonds will perform under changing conditions, the resulting effects on the value of the Bonds and the impact this investment will have on the potential investor's overall investment portfolio.

The Bonds are subject to optional redemption by the Issuer.

The Bonds contain an optional redemption feature, which is likely to limit their market value. During any period when the Issuer may elect to redeem the Bonds, the market value of the Bonds generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

RISKS RELATING TO THE BONDS GENERALLY

Set out below is a brief description of certain risks relating to the Bonds generally:

Modification and waivers

The Terms and Conditions contain provisions for calling meetings of Bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Bondholders, including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority.

The Terms and Conditions also provide that the Bond Trustee may, without the consent of Bondholders, agree to (i) any modification to, or the waiver or authorisation of any breach or proposed breach of, the Bonds, the Agency Agreement or the Bond Trust Deed which is not, in the opinion of the Bond Trustee, materially prejudicial to the interests of the Bondholders or (ii) any modification to the Bonds, the Agency Agreement or the Bond Trust Deed which, in the Bond Trustee's opinion, is of a formal, minor or technical nature or to correct a manifest error or to comply with mandatory provisions of law, in the circumstances described in the Terms and Conditions – Meeting of Bondholders, Modification, Waiver and Substitution.

A significant holder of the Bonds may be able to exercise influence in matters requiring the approval of the Bondholders and may reduce the liquidity of the Bonds.

Any significant holder of the Bonds may be able to influence matters which require the approval of the Bondholders. This may result the liquidity of the Bonds in the secondary trading market.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Bonds in Singapore Dollars. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than Singapore Dollars. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Singapore Dollars or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to Singapore Dollars would decrease (1) the Investor's Currency-equivalent yield on the Bonds, (2) the Investor's Currency-equivalent value of the principal payable on the Bonds and (3) the Investor's Currency-equivalent market value of the Bonds.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest rate risk

The Bondholders may suffer unforeseen losses due to fluctuations in interest rates. Generally, a rise in interest rates may cause a fall in the prices of the Bonds, resulting in a capital loss for the Bondholders. However, the Bondholders may reinvest the interest payments at higher prevailing interest rates. Conversely, when interest rates fall, the prices of the Bonds may rise. The Bondholders may enjoy a capital gain but interest payments received may be reinvested at lower prevailing interest rates.

Inflation risk

The Bondholders may suffer erosion on the return of their investments due to inflation. The Bondholders would have an anticipated rate of return based on expected inflation rates on the purchase of the Bonds. An unexpected increase in inflation could reduce the actual returns.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Bonds are legal investments for it, (2) the Bonds can be used as collateral for various types of borrowing, and (3) other restrictions apply to its purchase or pledge of the Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Bonds under any applicable risk-based capital or similar rules.

USE OF PROCEEDS

The net proceeds from the issue of the Bonds (after the deduction of fees, commissions and expenses) are expected to be approximately S$197.45 million. The Issuer expects to use the net proceeds from the issue of the Bonds to re-finance existing debt and/or fund any potential acquisition[1], with the balance of the net proceeds, if any, to be used for general corporate and/or working capital purposes.

Notwithstanding its current intention, the REIT Manager may, subject to relevant laws and regulations, use the proceeds from the Issue at its absolute discretion for other purposes.

Pending the deployment of the net proceeds from the Issue, the net proceeds may, subject to relevant laws and regulations, be deposited with banks and/or financial institutions, or be used to repay outstanding borrowings of the Issuer or for any other purpose on a short-term basis as the REIT Manager may, in its absolute discretion, deem fit.

1 The REIT Manager is currently in the process of conducting due diligence for a potential acquisition. There is no assurance that the acquisition would proceed. The REIT Manager will make further announcement(s) if and when the acquisition materialises.

INFORMATION CONCERNING THE UNITS

Market Price of the Units

The Units have been listed on the SGX-ST since 28 April 2006. The table below sets forth, for the periods indicated, the high and low prices and the average daily trading volume of the Units on the SGX-ST:

Financial Quarter	Price Range (S$ per Unit)		
	Minimum Price[(1)]	Maximum Price[(1)]	Average Daily Volume Traded (Units)
2015			
First Quarter	1.190	1.250	5,638,598
Second Quarter	1.135	1.240	6,050,585
Third Quarter	0.925	1.150	4,895,703
Fourth Quarter	0.920	1.000	3,011,608
2016			
First Quarter	0.855	1.000	4,571,910
Second Quarter	0.975	1.060	3,419,797
Third Quarter	1.045	1.135	3,276,507
Fourth Quarter	0.995	1.135	4,252,368
2017			
First Quarter	1.005	1.075	4,844,119
Second Quarter	1.050	1.155	6,209,362
Third Quarter	1.140	1.185	5,460,167
Fourth Quarter	1.165	1.270	4,327,470
2018			
First Quarter	1.170	1.330	4,938,484
Second Quarter	1.100	1.240	4,862,295
Third Quarter	1.100	1.210	5,014,000
Fourth Quarter	1.110	1.200	4,627,858
2019			
First Quarter	1.150	1.290	7,792,099

Source: Bloomberg.

Note:

(1) Based on last traded price. No adjustments were made for distributions made in respect of the Units.

Distribution Policy

Keppel REIT has made distributions in respect of its Units for each of the distribution periods since the Listing Date. The following table sets forth the aggregate number of outstanding Units entitled to distributions, as well as the cash distributions paid on, or in respect of the relevant distribution periods, declared in respect of, the Units during each of the financial periods indicated.

Period	Ordinary Units	DPU (cents per Unit)	Net Distribution Paid (S$'000)
1 January 2015 – 31 March 2015	3,176,908,683	1.70	54,009
1 April 2015 – 30 June 2015	3,187,211,306	1.72	54,820
1 July 2015 – 30 September 2015	3,200,485,247	1.70	54,408
1 October 2015 – 31 December 2015	3,216,124,466	1.68	54,031
1 January 2016 – 31 March 2016	3,240,361,853	1.68	54,438
1 April 2016 – 30 June 2016	3,261,871,817	1.61	52,517
1 July 2016 – 30 September 2016	3,278,213,940	1.60	52,452
1 October 2016 – 31 December 2016	3,291,616,169	1.48	48,716
1 January 2017 – 31 March 2017	3,318,701,221	1.45	48,121
1 April 2017 – 30 June 2017	3,338,418,614	1.42	47,406
1 July 2017 – 30 September 2017	3,354,869,247	1.40	47,002
1 October 2017 – 31 December 2017	3,370,734,208	1.43	48,201
1 January 2018 – 31 March 2018	3,389,467,324	1.42	48,232
1 April 2018 – 30 June 2018	3,403,031,812	1.42	48,323
1 July 2018 – 30 September 2018	3,407,347,218	1.36	46,340
1 October 2018 – 31 December 2018	3,393,398,818	1.36	46,150

The form, frequency and amount of future distributions in respect of the Units will depend upon Keppel REIT's earnings, cash flows, financial condition and other factors and shall be at the discretion of the Board of Directors of the REIT Manager (the "**Directors**").

Keppel REIT's current distribution policy is to distribute at least 90.0 per cent. of its distributable income to Unitholders, after adjustments for non-tax deductible expenses and non-chargeable income.

For information relating to taxes payable on distributions, see "Taxation – Units".

CAPITALISATION AND INDEBTEDNESS

The following table sets forth the consolidated capitalisation and indebtedness of Keppel REIT as at 31 December 2018, adjusted to give effect to the issue of the Bonds.

	As at 31 December 2018	
	Actual (S$'000)	**Adjusted (S$'000)**
Total short-term borrowings	59,943	59,943
Total long-term borrowings	2,225,761	2,412,251
Total borrowings	2,285,704	2,472,194
Total Unitholders' funds	4,757,285	4,768,245
Market capitalisation(1)	3,868,475	3,868,475

Note:

(1) Based on the market closing price of $1.14 per Unit as at 31 December 2018.

BUSINESS DESCRIPTION OF KEPPEL REIT

Keppel REIT is a REIT constituted by the REIT Trust Deed dated 28 November 2005 which was entered into between the REIT Manager and REIT Trustee, as amended, supplemented and/or restated from time to time. Keppel REIT was listed on the SGX-ST on 28 April 2006. The terms and conditions of the REIT Trust Deed are binding on each Unitholder (and persons claiming through such Unitholder) as if such Unitholder had been party to the REIT Trust Deed.

Keppel REIT was established with the principal investment strategy of owning and investing in a portfolio of quality income-producing commercial real estate and real estate-related assets pan-Asia, which are used or substantially used for commercial purposes. The REIT Manager is focused on delivering regular and stable distributions to Unitholders, and to achieve long-term growth in the NAV per Unit of Keppel REIT, so as to provide Unitholders with a competitive rate of return on their investment.

The REIT Manager is a wholly-owned subsidiary of Keppel Capital Holdings Pte Ltd, a premier asset manager in Asia with a diversified portfolio that includes real estate, infrastructure and data centre properties in key global markets. The REIT Manager is staffed by experienced professionals with a track record of successfully investing in and effectively managing quality property assets across Asia for the benefit of the Unitholders.

As at 31 December 2018, Keppel REIT had assets under management of approximately $8.1 billion comprising interests in nine premium office assets (completed and under development) strategically located in the central business districts of Singapore, as well as key Australian cities of Sydney, Melbourne, Brisbane and Perth.

In Singapore, Keppel REIT owns (1) a 79.9% interest in Ocean Financial Centre, (2) a one-third interest in MBFC office Towers 1, 2 and 3 and the subterranean mall, Marina Bay Link Mall, (3) a one-third interest in One Raffles Quay, and (4) a 100.0% interest in Bugis Junction Towers. In Australia, Keppel REIT owns (1) a 50.0% interest in 8 Chifley Square, Sydney, (2) a 50.0% interest (as a tenant-in-common) in the office development and two retail units, as well as a 100.0% interest in the three retail units at 8 Exhibition Street, Melbourne, (3) a 50.0% interest (as a tenant-in-common) in 275 George Street, Brisbane, (4) a 50.0% interest in the David Malcolm Justice Centre, Perth, and (5) a 50.0% interest in a premium office tower which is under construction at 311 Spencer Street, Melbourne.

As at 31 December 2018, Keppel REIT's market capitalisation was approximately S$3.9 billion (based on the closing price of S$1.14 per Unit).

Keppel REIT's financial results for the financial years ended 31 December 2016, 31 December 2017 and 31 December 2018 were as follows:

	FY 2018	FY 2017	FY 2016
Property income (S$'000)	165,858	164,516	161,252
Net property income (S$'000)	133,155	131,200	128,370
Share of results of associates (S$'000)	73,720	83,795	83,460
Share of results of joint ventures (S$'000)	30,170	31,959	30,789
Income available for distribution (S$'000)	189,045	190,730	208,123
Distributable income (S$'000)	189,045	190,730	208,123
Distribution per Unit (cents)	5.56	5.70	6.37
Distribution yield (%)(1)	4.9%	4.5%	6.2%

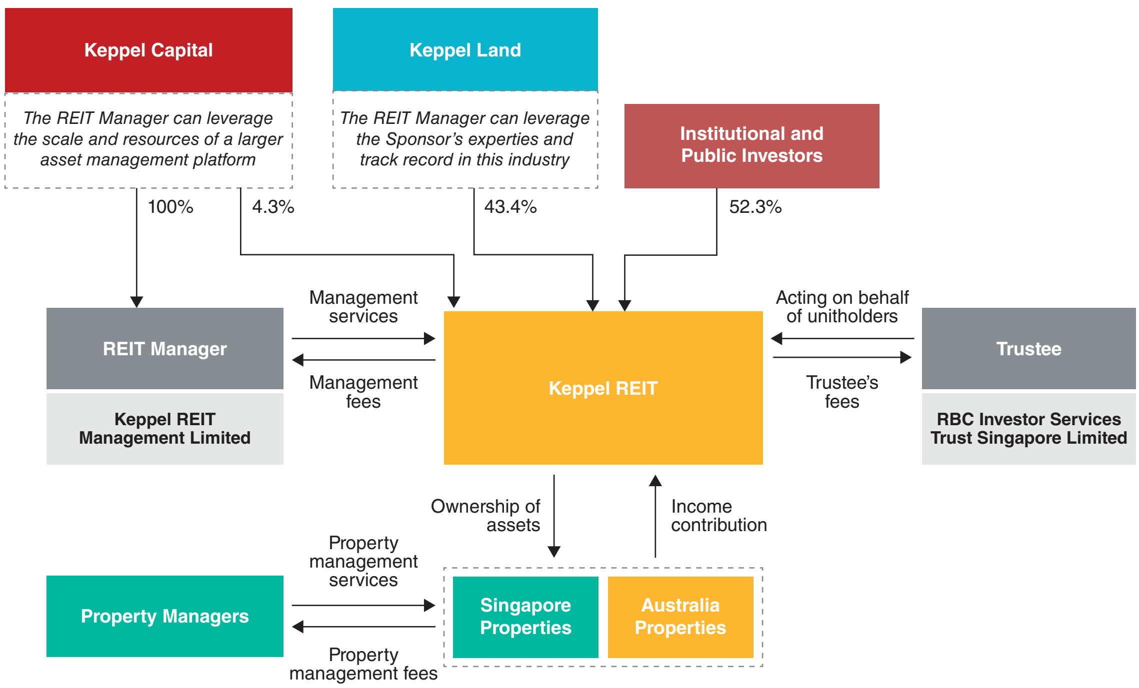
Note:

(1) Based on the market closing price per unit of $1.14 as at 31 December 2018, $1.26 as at 31 December 2017, and S$1.02 as at 31 December 2016.

As at 31 December 2018, Keppel REIT had total Unitholders' funds of approximately S$4,757 million, total assets of S$7,784 million and adjusted NAV per Unit of S$1.39 (excluding the distributions subsequently paid in February 2019).

Keppel REIT aims to generate returns for its Unitholders by owning, buying, selling and actively managing such properties in line with its investment strategy. Subject to the restrictions and requirements in the Property Funds Appendix, the Listing Manual and the Tax Ruling (as defined below), the REIT Manager is also authorised under the REIT Trust Deed to invest in investments which need not be real estate. Further details of the investment objectives and policies of the REIT Manager can be found in the REIT Trust Deed.

The following chart sets out the structure of Keppel REIT, and the roles and responsibilities carried out by each party:



Recent Developments

In March 2019, Keppel REIT Fin. Company Pte. Ltd. ("**KRFC**"), a wholly-owned subsidiary of Keppel REIT, obtained a S$70,000,000 Revolving Credit Facility, secured with a corporate guarantee by the REIT Trustee.

In January 2019, Keppel REIT issued 16,565,482 new Units in Keppel REIT at a price of S$1.1695 per Unit as payment for the REIT Manager's management fee comprising the base fee component, for the period from 1 October 2018 to 31 December 2018, and the performance fee component, for the period from 1 January 2018 to 31 December 2018.

In January 2019, Keppel REIT gave notice that the Transfer Books and Register of Unitholders of Keppel REIT will be closed at 5.00 p.m. on 29 January 2019 to determine Unitholders' entitlements to Keppel REIT's distribution. Keppel REIT also announced a distribution of 1.36 cents per Unit for the period from 1 October 2018 to 31 December 2018, comprising a taxable income component of 0.98 cents per Unit, a tax-exempt income component of 0.29 cents per Unit and a capital gains component of 0.09 cents per Unit.

In December 2018, KRFC obtained a S$100 million Revolving Credit Facility, secured with a corporate guarantee by the REIT Trustee.

In December 2018, Keppel REIT, through the REIT Trustee, completed the divestment of a 20% interest in its subsidiary, Ocean Properties LLP, which holds Ocean Financial Centre, to Allianz Real Estate at the agreed property value of S$537.3 million.

In October 2018, the Keppel REIT announced the appointment of Mr Tham Wei Hsing Paul as Chief Executive Officer of the REIT Manager with effect from 1 January 2019.

In October 2018, Keppel REIT obtained a S$64 million Term Loan Facility.

In September 2018 Keppel REIT has maintained its Green Star Status in the Global Real Estate Sustainability Benchmark (GRESB) 2018.

In April 2018, KRFC obtained a S$75 million Revolving Credit Facility, secured with a corporate guarantee by the REIT Trustee.

In February 2018, KRFC obtained a S$350 million Term Loan Facility, secured with a corporate guarantee by the REIT Trustee.

As part of its proactive capital management strategy and following the mandate obtained at Keppel REIT's 2018 annual general meeting, the REIT Manager purchased and cancelled approximately 28.3 million Units in 2018 and approximately 5.7 million Units in 2019.

The REIT Manager

The REIT Manager is a wholly-owned subsidiary of Keppel Capital Holdings Pte Ltd ("**Keppel Capital**").

The REIT Manager was incorporated in Singapore under the Companies Act of Singapore, Chapter 50 on 6 September 2004. It has a paid-up capital of S$1,000,000, and its registered office is located at 1 HarbourFront Avenue, #18-01 Keppel Bay Tower, Singapore 098632. It has its principal place of business at 1 HarbourFront Avenue, Level 2, Keppel Bay Tower, Singapore 098632 and its telephone number is (65) 6803 1818.

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

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

The REIT Manager uses its best endeavours to carry on and conduct its business in a proper and efficient manner, and conduct all transactions with, or for Keppel REIT, at arm's length. The REIT Manager manages the finances of Keppel REIT, including accounts preparation, capital management, coordination of the budget process, forecast modelling, performance analysis and reporting, corporate treasury functions and ongoing financial market analysis. The REIT Manager is responsible for ensuring compliance with the applicable provisions of the Companies Act, the SFA and all other relevant legislation, the Listing Manual, The Code on Collective Investment Schemes (the "**CIS Code**") issued by the MAS (including the Property Funds Appendix (and all amendments thereto)), the REIT Trust Deed, the Tax Ruling dated 10 November 2005 (the "**Tax Ruling**") issued by the Inland Revenue Authority of Singapore ("**IRAS**") on the taxation of Keppel REIT and its Unitholders, and all relevant contracts.

The REIT Manager may require the REIT Trustee to borrow on behalf of Keppel REIT, upon such terms and conditions as the REIT Manager deems necessary, whenever the REIT Manager considers that such borrowings are necessary or desirable in order to enable Keppel REIT to meet any liabilities or to finance the acquisition of any property.

However, in accordance with the Property Funds Appendix, the REIT Manager must not direct the REIT Trustee to incur a borrowing, if to do so, would mean that Keppel REIT's total borrowings exceed the Aggregate Leverage limit of 45.0% of the value of the Deposited Property at the time the borrowing is incurred.

See "Management and Corporate Governance of Keppel REIT – Roles and Responsibilities of the REIT Manager".

Strategy

Keppel REIT aims to be the leading commercial REIT with a portfolio of quality assets pan-Asia. The REIT Manager seeks to deliver sustainable total-returns, create long term value and achieve operational excellence through:

- *Driving Asset Performance:* (a) Adopting a tenant-centric asset management approach to provide quality office spaces that meet tenants' evolving business needs; (b) Driving asset performance, exercise prudent cost management and enhance efficiency with environmentally sustainable initiatives where feasible; and (c) Executing proactive marketing and leasing strategies to attract and retain quality tenants across different business sectors.

- *Optimising Capital Efficiency:* (a) Optimising capital structure to maximise returns for Unitholders; (b) Extending debt maturity profile to manage refinancing risks, as well as explore alternative funding sources in the debt and equity markets to minimise costs; and (c) Managing exposure to fluctuations in interest and foreign exchange rates for income stability.

- *Executing Sound Investment Strategy:* (a) Seeking strategic acquisitions that offer sustainable income and capital appreciation; (b) Structuring investments to optimise tax efficiency and allow for repatriation of income from overseas assets; and (c) Evaluating property performance and recycle capital, where appropriate, to optimise portfolio.

- *Nurturing Talent:* (a) Developing a motivated and capable team to drive growth; (b) Investing in training and development to raise the competency levels of employees; and (c) Promoting wellness and foster a healthy workforce.

The Keppel REIT Portfolio

Overview of the Keppel REIT Portfolio

The Keppel REIT Portfolio comprises (1) a 79.9% interest in Ocean Financial Centre, (2) a one-third interest in MBFC office Towers 1, 2 and 3 and the subterranean mall, Marina Bay Link Mall, (3) a one-third interest in One Raffles Quay, (4) a 100.0% interest in Bugis Junction Towers, (5) a 50.0% interest in 8 Chifley Square, Sydney, (6) a 50.0% interest (as a tenant-in-common) in the office development and two retail units, as well as a 100.0% interest in the three retail units at 8 Exhibition Street, Melbourne, (7) a 50.0% interest (as a tenant-in-common) in 275 George Street, Brisbane, (8) a 50.0% interest in the David Malcolm Justice Centre, Perth, and (9) a 50.0% interest in a premium office tower which is under construction at 311 Spencer Street, Melbourne, as at 31 December 2018. As at 31 December 2018, the aggregate gross valuation of the properties under management was S$8.1 billion (including the valuation of the office tower under development at 311 Spencer Street).

The following table sets forth selected information in respect of the Keppel REIT Portfolio as at 31 December 2018:

	Ocean Financial Centre[3]	**Marina Bay Financial Centre**[5]	**One Raffles Quay**	**Bugis Junction Towers**	**8 Chifley Square, Sydney**	**8 Exhibition Street, Melbourne**[8]	**275 George Street, Brisbane**	**David Malcolm Justice Centre, Perth**	**311 Spencer Street, Melbourne (Under construction)**
Net Lettable Area (sq ft)	701,011	1,025,522	442,576	248,853	104,070	245,651	224,693	167,784	358,683
Ownership (%)	79.9	33.3	33.3	100.0	50.0	50.0	50.0	50.0	50.0
Principal tenants[1]	BNP Paribas, ANZ, Drew & Napier	DBS Bank, Standard Chartered Bank, Barclays	Deutsche Bank, UBS, Ernst & Young	Enterprise Singapore, InterContinental Hotels Group, UCommune	Corrs Chambers Westgarth, Quantium Group, QBE Insurance Group	Ernst & Young, Minister for Finance – State of Victoria, UBS	Telstra Corporation, Queensland Gas Company, The State of Queensland[11]	Minister for Works – Government of Western Australia	Minister for Finance – State of Victoria
Tenure	99 years expiring 13 Dec 2110	99 years expiring 10 Oct 2104[6] and 7 Mar 2106[7]	99 years expiring 12 Jun 2100	99 years expiring 9 Sep 2089	99 years expiring 5 Apr 2105	Freehold	Freehold	99 years expiring 30 Aug 2114	Freehold
Purchase Price (on acquisition) (S$ million)	1,838.6[4]	1,426.8[6] 1,248.0[7]	941.5	159.5	197.8	201.3[8]	209.4	208.1	362.4[12]
Valuation[2] **(S$ million)**	2,099.0	1,695.3[6] 1,297.0[7]	1,275.6	515.0	249.3	271.9[8]	232.2	221.6	233.8[13]
Capitalisation rates (%)	3.60	3.65[6] 3.63[7]	3.65	3.65	4.88	5.00[9] 4.50[10]	5.25	5.50	4.50

Notes:

(1) On committed basis.

(2) Valuation as at 31 December 2018 based on Keppel REIT's interest in the respective properties.

(3) Based on Keppel REIT's 79.9% interest following the divestment of a 20% stake on 11 December 2018.

(4) Based on Keppel REIT's 79.9% of the historical purchase price.

(5) Comprises MBFC office Towers 1, 2 and 3 and Marina Bay Link Mall (MBLM).

(6) Refers to MBFC Towers 1 and 2 and MBLM.

(7) Refers to MBFC Tower 3.

(8) Keppel REIT owns a 50% interest in the 8 Exhibition Street office building and a 100% interest in the three adjacent retail units.

(9) Refers to Keppel REIT's 50% interest in the office building.

(10) Refers to Keppel REIT's 100% interest in the three retail units.

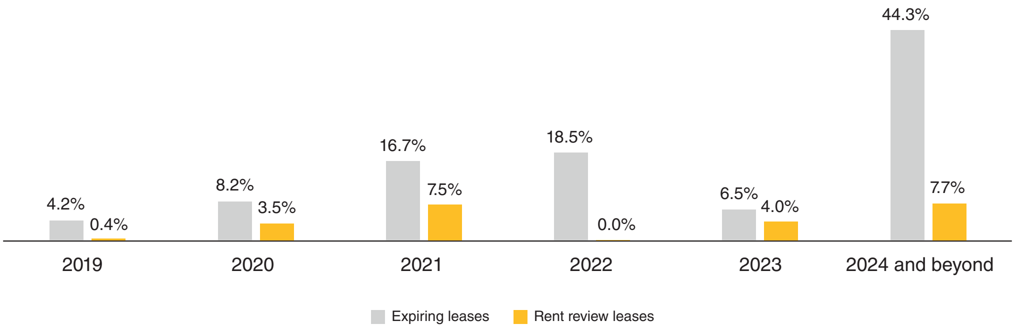
(11) Refers to the Department of Housing and Public Works – The State of Queensland.

(12) Based on the aggregate consideration paid-to-date and to be paid, including development costs of the building, at the exchange rate of A$1=S$1.042 as disclosed in the announcement dated 29 June 2017.

(13) Based on "as is" valuation as at 31 December 2018.

The diagram below illustrates the committed lease expiry profile of the Keppel REIT Portfolio properties by attributable Net Lettable Area (as percentage of total Net Lettable Area) as at 31 December 2018.

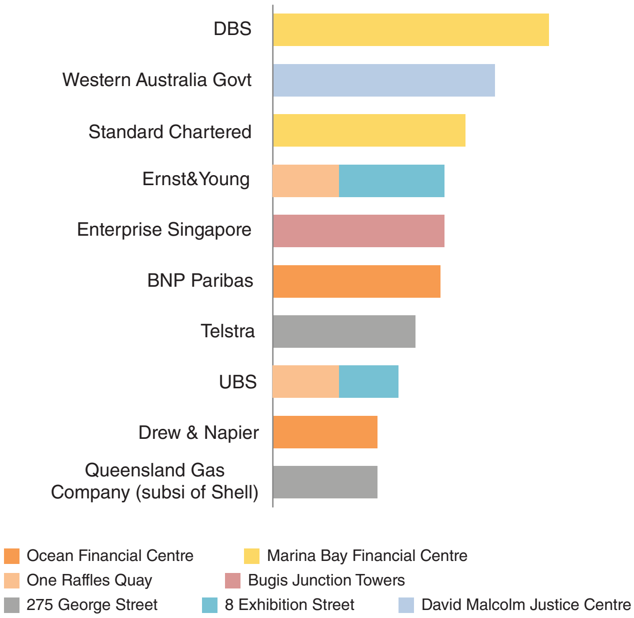
Portfolio Lease Expiry Profile
(by attributable area)



The diagram below illustrates the diversified tenant base in the Keppel REIT Portfolio properties as at 31 December 2018.

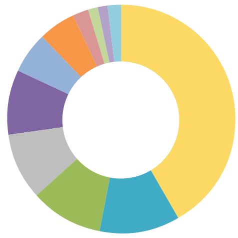
Top 10 Tenants[1,2]

Occupies 40.1% of portfolio NLA
Contributes 37.8% of gross rental income



Profile of Tenant Base[1,2]

Number of Tenants: 336[3]



Banking, insurance and financial services	41.7%
Government agency	11.5%
TMT	10.2
Legal	9.5%
Energy, natural resources, shipping and marine	9.2%
Accounting & consultancy services	5.8%
Real estate & property services	5.4%
Retail and F&B	2.0%
Services	1.6%
Hospitality & leisure	1.3%
Others	1.8%
Total	100.0%

(1) All data as at 31 December 2018 and based on portfolio committed NLA.

(2) Based on Keppel REIT's 79.9% attributable share of tenants in Ocean Financial Centre following the divestment of a 20% stake.

(3) Tenants with multiple leases were accounted as one tenant.

Ocean Financial Centre

Keppel REIT currently owns a 79.9% interest in Ocean Properties LLP, which holds Ocean Financial Centre. Keppel REIT acquired 87.5% and 12.4% interests in Ocean Financial Centre on 14 December 2011 and 25 June 2012, respectively. On 11 December 2018, Keppel REIT divested a 20% interest in the property to Allianz Real Estate.

Ocean Financial Centre is a 43-storey premium Grade A office tower located in the heart of Singapore's financial centre, at the intersection of the Raffles Place and Marina Bay financial precincts. An underground pedestrian network connects Ocean Financial Centre to the Raffles Place MRT interchange and the Marina Bay precinct. The property offers over 877,000 sq ft of quality office space with column-free floor plates of up to 25,000 sf. There are various dining options and amenities at Ocean Colours, the retail component located on the ground and basement levels.

Marina Bay Financial Centre ("MBFC")

Keppel REIT acquired a one-third interest in MBFC Phase One (comprising MBFC Towers 1 and 2 and Marina Bay Link Mall) on 15 December 2010 and MBFC Phase Two (comprising MBFC Tower 3) on 16 December 2014.

Located in downtown Marina Bay, MBFC is an integrated development, comprising three premium Grade A office towers and the subterranean mall, Marina Bay Link Mall. An underground pedestrian network connects MBFC to Downtown and Raffles Place MRT stations and other surrounding office buildings.

Positioned as Asia's Best Business Address, the office towers offer over three million sq ft of premium office space with large column-free floor plates of between 20,000 sq ft and 45,000 sq ft.

One Raffles Quay

Keppel REIT acquired a one-third interest in One Raffles Quay on 10 December 2007.

A landmark commercial development located in the Marina Bay precinct, One Raffles Quay comprises the 50-storey North Tower and 29-storey South Tower, both offering a total of over 1.3 million sq ft of premium Grade A office space with column-free floor plates of 18,000 sq ft and 30,000 sq ft respectively. It is connected to surrounding office buildings and the Raffles Place and Downtown MRT stations via an underground pedestrian walkway.

Bugis Junction Towers

Bugis Junction Towers was amongst the seed asset for Keppel REIT when it listed on 28 April 2006.

The 15-storey Bugis Junction Towers is part of the Bugis Junction integrated mixed-use development. It offers close to 250,000 sq ft of quality office space and floor plates of approximately 20,000 sf. The office tower is directly linked to the retail mall and a five-star hotel, as well as the Bugis MRT station, which serves both the East West and Downtown Lines.

8 Chifley Square, Sydney

Keppel REIT acquired a 50% interest in 8 Chifley Square on 28 July 2011.

Located at the junction of Hunter Street and Elizabeth Street in Sydney's CBD, the 30-storey 8 Chifley Square is a premium grade office building with modern specifications. Its distinctive interlinked "vertical village" concept provides tenants flexibility in designing collaborative and connected workspace environments to enhance interaction amongst employees.

8 Exhibition Street, Melbourne

Keppel REIT acquired a 50% interest in the office building of 8 Exhibition Street on 1 August 2013, and acquired a 100.0% interest in 3 retail units of 8 Exhibition Street on 12 October 2015.

8 Exhibition Street is a freehold premium grade commercial building in the prime part of Melbourne's CBD with a NLA of approximately 490,000 sf, including ancillary retail space on the ground floor. It is located within close proximity to public transportation nodes and is within walking distance to the major Parliament and Flinders Street railway stations. Standing at 35 storeys, it offers tenants a panoramic view of famous landmarks such as the Yarra River and Royal Botanical Gardens.

275 George Street, Brisbane

On 1 March 2010, Keppel REIT completed the acquisition of a 50% interest in 275 George Street, Brisbane.

275 George Street is a premium freehold Grade A building in Brisbane's CBD with over 449,000 sq ft of quality office space. Located between the city's two largest railway stations – Roma Street and Central Railway Stations, the 31-storey building offers tenants unparalleled connectivity and panoramic views of the cityscape.

David Malcolm Justice Centre, Perth

Keppel REIT completed the acquisition of a 50% interest in David Malcolm Justice Centre, Perth on 28 March 2013.

Strategically located in Perth's CBD at the junction of Barrack Street and St Georges Terrace, the 33-storey David Malcolm Justice Centre and its annexe offer a total lettable area of approximately 336,000 sf. It was built on the historic site of the Old Treasury Building and houses the Supreme Court's civil functions, judicial chambers, as well as the departments of Treasury and Justice.

311 Spencer Street, Melbourne

On 31 July 2017, Keppel REIT completed the acquisition of a 50% interest in a premium office tower to be developed at 311 Spencer Street, Melbourne.

The Grade A office tower, which is under construction, will have an estimated total NLA of 717,000 sq ft when completed in the first half of 2020. It is strategically located between Melbourne's CBD and the new Docklands precinct. It is also within walking distance to the Southern Cross Station, the city's major railway and transportation hub. The 42-storey office tower is fully leased to the Minister for Finance – State of Victoria and will be the headquarters for the Victoria Police.

Environmental Matters and Compliance

Keppel REIT's operations are subject to regulatory requirements and potential liabilities arising under applicable environmental laws and regulations.

The REIT Manager believes it is in compliance in all material respects with applicable environmental regulations in Singapore and Australia in which it operates. The REIT Manager is not aware of any environmental proceedings or investigations to which it is, or might become, a party.

Legal Proceedings

Neither the REIT Trustee nor the REIT Manager is party to any litigation, arbitration or administrative proceedings which Keppel REIT believes would, individually or taken as a whole, have a material adverse effect on its business, financial condition or results of operations, and, so far as it is aware, no such litigation, arbitration or administrative proceedings are pending or threatened.

MANAGEMENT AND CORPORATE GOVERNANCE OF KEPPEL REIT

The REIT Manager

The members of the Board of Directors of the REIT Manager are set out below:

Name	Position
Penny Goh	Chairman and Independent Director
Lee Chiang Huat	Independent Director
Lor Bak Liang	Independent Director
Christina Tan	Non-Executive Director
Tan Swee Yiow	Non-Executive Director
Alan Rupert Nisbet	Independent Director

The profiles of the Board of Directors of the REIT Manager are set out below:

Penny Goh, Chairman and Independent Director

Mrs Goh has been a Director of the REIT Manager since 5 October 2016.

Mrs Goh is also Co-Chairman and Senior Partner of Allen & Gledhill LLP, a leading law firm in Singapore, where she has for many years headed the firm's corporate real estate practice. She advises listed corporations, private equity property funds, sovereign wealth funds and REITs and she has extensive experience in a broad range of corporate real estate transactions for commercial, industrial and logistics projects in Singapore and Asia Pacific, involving investment, joint development and profit participation structures.

She serves as an Honorary Legal Advisor to the Real Estate Developers' Association of Singapore.

In addition, she is a member of the Advisory Board for Real Estate Programme, Singapore Management University and a member of the Advisory Committee for the School of Design and Environment, National University of Singapore.

She is also the Lead Independent Director of Mapletree Logistics Trust Management Ltd, the manager of Mapletree Logistics Trust, where she also chairs its Nominating and Remuneration Committee.

Mrs Goh holds a Bachelor of Law (Honours) degree from the National University of Singapore and is a member of the Singapore Bar. She is consistently recommended as a leading specialist in corporate real estate practice by several legal publications including Chambers Asia-Pacific, IFLR 1000, The Legal 500 Asia Pacific, Best Lawyers and The International Who's Who of Real Estate Lawyers.

Lee Chiang Huat, Independent Director

Mr Lee has been a Director of the REIT Manager since 9 April 2012.

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

Since 12 December 2014, Mr Lee has been an independent director and chairman of the Audit and Risk Committee of Keppel DC REIT Management Pte. Ltd., the manager of Keppel DC REIT.

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

Lor Bak Liang, Independent Director

Mr Lor has been a Director of the REIT Manager since 9 April 2012.

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

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

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

Christina Tan, Non-Executive Director

Ms Tan has been a Director of the REIT Manager since 15 September 2016.

Ms Tan is the CEO of Keppel Capital Holdings Pte Ltd (Keppel Capital), Chairman of Keppel DC REIT Management Pte Ltd (the manager of Keppel DC REIT) and Deputy Chairman of Alpha Investment Partners Limited (Alpha).

Ms Tan has more than 20 years of experience and expertise in investing and fund management across the US, Europe and Asia. She previously served as the Chief Financial Officer of GRA (Singapore) Private Limited, the Asian real estate fund management arm of the Prudential Insurance Company of America, managing more than US$1 billion in real estate funds. Prior to that, she was the Treasury Manager with Chartered Industries of Singapore, managing the group's cash positions and investments. Ms Tan started her career with Ernst & Young before joining the Government of Singapore Investment Corporation (GIC).

Ms Tan's principal directorships include Keppel Capital, as well as the listed REITs and Business Trust – Keppel REIT Management Limited, Keppel Infrastructure Fund Management Pte Ltd and Keppel DC REIT Management Pte Ltd, as well as the private funds. She also sits on the Investment Committee for the private funds and is instrumental in developing as well as implementing the funds' portfolio strategy.

Ms Tan holds a Bachelor of Accountancy (Honours) from NUS and is a CFA® charterholder.

Tan Swee Yiow, Non-Executive Director

Mr Tan has been a Director of the REIT Manager since 20 March 2017.

Mr Tan was the Chief Executive Officer and Executive Director of the REIT Manager up to 31 December 2018.

Mr Tan joined the Keppel Land Group in 1990 and is currently the Chief Executive Officer of Keppel Land.

Mr Tan is also the President of the Singapore Green Building Council and a Director of the World Green Building Council Board. He also serves as Deputy Chairman of the Workplace Safety and Health Council (Construction and Landscape Committee) and is the second Vice-President on the Management Council of Real Estate Developers' Association of Singapore (REDAS).

Mr Tan holds a Bachelor of Science (First Class Honours) in Estate Management from the National University of Singapore and a Master of Business Administration in Accountancy from the Nanyang Technological University.

Alan Rupert Nisbet, Independent Director

Mr Nisbet was appointed the Director of the REIT Manager with effect from 1 October 2017.

Mr Nisbet is the Principal of Kanni Advisory, a consultancy specialising in financial and business advisory services. Prior to his retirement from Deloitte in 2011 after a successful career of 38 years, Mr Nisbet was the leader of Audit and Assurance Services for Deloitte Southeast Asia and Singapore, where he was responsible for overall audit and assurance operations, business development and quality control. He also established the Deloitte Enterprise Risk Service function in Singapore and led that practice division for four years, where he provided corporate governance, risk management, internal audit and IT security services to clients. Mr Nisbet has vast experience working in the United States and the Asia Pacific region across multiple industries, including real estate, marine and shipping, aviation and transportation services, manufacturing as well as retail/consumer products and services.

Mr Nisbet is a Board Member and Audit Committee Chairman of several private and public companies in Singapore including Standard Chartered Bank (Singapore) Limited, Halcyon Agri Corporation Limited as well as Ascendas Property Fund Trustee Pte Ltd, the Trustee-Manager of Ascendas India Trust.

Mr Nisbet holds a Diploma of Business Studies, Accounting from the Caulfield Institute of Technology in Melbourne, Australia. He is also Fellow of the Institute of Singapore Chartered Accountants and was formerly a Practising Associate of the Institute of Chartered Accountants in Australia.

Management Team of the REIT Manager

The members of the management team of the REIT Manager are set out below:

Name	Position
Paul Tham	Chief Executive Officer
Kang Leng Hui	Chief Financial Officer
Toh Wah San	Head, Asset Management
Shirley Ng	Head, Investment

The profiles of the management team of the REIT Manager are set out below:

Paul Tham, Chief Executive Officer

Mr Tham was appointed the Chief Executive Officer of the REIT Manager with effect from 1 January 2019, after having served as its Deputy Chief Executive Officer since 1 February 2018.

Before his current appointment, Mr Tham was the Chief Financial Officer of Keppel Capital, the asset management arm of Keppel Corporation Limited, overseeing finance, compliance, legal, and investor relations functions. Prior to that, Mr Tham was part of Keppel Corporation's Group Strategy & Development department, where he played a key role in the formation of Keppel Capital.

Before Keppel, Mr Tham served as a management consultant for Bain & Company working with leading global companies in Asia Pacific across a range of topics including financial performance management and growth strategy.

Mr Tham started his career as a structural engineer in New York and has experience with building developments and infrastructure. He has a Bachelor of Science degree in Civil & Environmental Engineering from Cornell University and a Masters in Business Administration from Singapore Management University.

Kang Leng Hui, Chief Financial Officer

Ms Kang has more than 18 years of experience in financial and corporate reporting, tax planning, management accounting and audit. Prior to joining the REIT Manager, Ms Kang was the Financial Controller of Keppel Capital, the asset management arm of Keppel Corporation. She was also previously the Chief Financial Officer of Keppel Infrastructure Fund Management, the Trustee-Manager of Keppel Infrastructure Trust (previously K-Green Trust) between June 2010 and May 2013. She also held other senior positions in both Keppel Land Limited and Keppel Corporation Limited where she was responsible for the financial and reporting functions, and also participated in various corporate finance exercises. Ms Kang started her career as an auditor with PricewaterhouseCoopers Singapore before joining Keppel Group in 2005.

Ms Kang holds a Bachelor of Accountancy Degree (Honours) from the Nanyang Technological University of Singapore. She is a Chartered Accountant (Singapore) and is a member of the Institute of Singapore Chartered Accountants.

Toh Wah San, Head, Asset Management

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

Mr Toh holds a Bachelor of Science Degree (Building) and a Masters in Business Administration, both from the National University of Singapore.

Shirley Ng, Head, Investment

Ms Ng has over 10 years of experience in real estate fund management. Prior to joining the Manager, she was a Senior Vice President at Alpha Investment Partners Limited (Alpha). She joined Alpha in June 2008 and was involved in various areas including portfolio management, asset management, as well as investment acquisitions in various markets such as China and the United States. She worked closely with institutional investors and managed funds with gross asset value of more than USD4 billion, comprising assets in different sectors including offices, retail malls, hotels, serviced apartments and residential apartments.

Before joining Alpha, Ms Ng was with the Monetary Authority of Singapore where she was involved in the risk management and regulatory functions.

Ms Ng holds a Bachelor of Accountancy (Honours) from Nanyang Technological University and a Master of Science (Financial Engineering) from National University of Singapore. She is a CFA® Charterholder.

Roles and Responsibilities of the REIT Manager

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

The primary role of the REIT Manager will set the strategic direction of Keppel REIT and make recommendations to the REIT Trustee on the acquisitions, divestments and enhancement of Keppel REIT's portfolio of assets, in accordance with its investment strategy. The research, analysis and evaluation procedures required to achieve this are carried out by the REIT Manager. The REIT Manager is also responsible for the risk management of Keppel REIT.

The REIT Manager has covenanted in the REIT Trust Deed to use its best endeavours to carry on and conduct its business in a proper and efficient manner and to ensure that Keppel REIT is carried on and conducted in a proper and efficient manner and to conduct all transactions with or for Keppel REIT on an arm's length basis and on normal commercial terms.

Further, the REIT Manager is responsible for developing a business plan for Keppel REIT with a view to optimising the distributable income of Keppel REIT.

The REIT Manager is responsible for ensuring compliance with the applicable provisions of the SFA and all other relevant legislation, the Listing Manual, the CIS Code (including the Property Funds Appendix (and all amendments thereto)), the REIT Trust Deed, the Tax Ruling issued by the IRAS on the taxation of Keppel REIT and its Unitholders, and all relevant contracts.

The REIT Manager is also responsible for all regular communications with Unitholders, and supervision of the property managers which perform the day-to-day property management functions (including leasing, accounting, budgeting, marketing, promotion, property management, maintenance and administration) for Keppel REIT's properties, pursuant to the property management agreements signed for the respective properties.

The REIT Manager is responsible for acquiring, selling, leasing, licensing or otherwise dealing with any real estate in furtherance of the prevailing investment policy and investment strategy that the REIT Manager has for Keppel REIT, and managing the finances of Keppel REIT, including accounts preparation, capital management, coordination of the budget process, forecast modelling, performance analysis and reporting, corporate treasury functions and ongoing financial market analysis. The REIT Manager may require the REIT Trustee to borrow on behalf of Keppel REIT (upon such terms and conditions as the REIT Manager deems fit, including the charging or mortgaging of all or any part of the Deposited Property) whenever the REIT Manager considers, among other things, that such borrowings are necessary or desirable in order to enable Keppel REIT to meet any liabilities or to finance the acquisition of any property. Under the Property Funds Appendix, the Aggregate Leverage of Keppel REIT should not exceed 45.0 per cent. of the value of Keppel REIT's Deposited Property.

In the absence of fraud, negligence, wilful default or breach of the REIT Trust Deed by the REIT Manager, it shall not incur any liability by reason of any error of law or any matter or thing done or suffered to be done or omitted to be done by it in good faith under the REIT Trust Deed. In addition, the REIT Manager shall be entitled, for the purpose of indemnity against any actions, costs, claims, damages, expenses or demands to which it may be put as REIT Manager, to have recourse to the Deposited Property or any part thereof save where such action, cost, claim, damage, expense or demand is occasioned by the fraud, negligence, wilful default or breach of the REIT Trust Deed by the REIT Manager. The REIT Manager may, in managing Keppel REIT and in carrying out and performing its duties and obligations under the REIT Trust Deed, with the written consent of the REIT Trustee, appoint such person(s) to exercise any or all of its powers and discretions and to perform all or any of its obligations under the REIT Trust Deed, provided always that the REIT Manager shall be liable for all acts and omissions of such persons as if such acts and omissions were its own.

The REIT Manager's Management Fees

The REIT Manager is entitled to the following management fees:

(a) a base fee of 0.5 per cent. per annum of the value of the Deposited Property; and

(b) an annual performance fee of 3.0 per cent. per annum of the Net Property Income (as defined in the REIT Trust Deed) of Keppel REIT and any special purposes vehicles after deducting all applicable taxes payable.

The management fees will be paid in the form of cash and/or Units (as the REIT Manager may elect). The management fees payable in Units will be issued at the volume weighted average price for a Unit for all trades on the SGX-ST in the ordinary course of trading on the SGX-ST for the period of 10 Business Days (as defined in the REIT Trust Deed) immediately preceding the relevant Business Day.

The base fee component of the REIT Manager's management fees is payable quarterly in arrears. The performance fee component of the REIT Manager's management fees will be paid on an annual basis in arrears, subsequent to the applicable financial year.

The REIT Manager is also entitled to receive an acquisition fee at the rate of 1.0 per cent. of acquisition price and a divestment fee of 0.5 per cent. of sale price on all acquisitions or disposals of properties respectively.

Retirement or Removal of the REIT Manager

The REIT Manager shall have the power to retire in favour of a corporation approved by the REIT Trustee to act as the manager of Keppel REIT.

In addition, the REIT Manager may be removed by notice given in writing by the REIT Trustee if:

(1) the REIT Manager goes into liquidation (except a voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously approved in writing by the REIT Trustee) or a receiver is appointed over its assets or a judicial manager is appointed in respect of the REIT Manager;

(2) the REIT Manager ceases to carry on business;

(3) the REIT Manager fails or neglects after reasonable notice from the REIT Trustee to carry out or satisfy any material obligation imposed on the REIT Manager by the REIT Trust Deed;

(4) the Unitholders, by a resolution passed by a simple majority of Unitholders present and voting (with no Unitholders being disenfranchised) at a meeting of Unitholders duly convened and held in accordance with the provisions of the REIT Trust Deed, shall so decide to remove the REIT Manager;

(5) for good and sufficient reason, the REIT Trustee is of the opinion, and so states in writing, that a change of the REIT Manager is desirable in the interests of the Unitholders; or

(6) the MAS directs the REIT Trustee to remove the REIT Manager.

Where the REIT Manager is removed under sub-paragraph (5) above, the REIT Manager has a right under the REIT Trust Deed to refer the matter to arbitration within one month of such writing by the REIT Trustee. Any decision made pursuant to such arbitration proceedings is binding upon the REIT Manager, the REIT Trustee and all Unitholders.

Where the REIT Manager is removed, the REIT Trustee shall appoint some other corporation to secure the due performance of its duties as manager of Keppel REIT, and the deed to be entered into between the REIT Trustee and the new manager shall if so required by the REIT Manager provide that the words "K" or "Keppel" shall not thereafter form part of the name of the unit trust scheme presently constituted as Keppel REIT.

Related Party Transactions[1]

As a REIT, Keppel REIT is regulated by the Property Funds Appendix and the Listing Manual. The Property Funds Appendix regulates, among other things, transactions entered into by the REIT Trustee (for and on behalf of Keppel REIT) with an interested party relating to the Issuer's acquisition of assets from or sale of assets to an interested party, Keppel REIT's investment in securities of or issued by an interested party and the engagement of an interested party as property management agent or marketing agent for the Keppel REIT Portfolio properties.

Depending on the materiality of transactions entered into by Keppel REIT for the acquisition of assets from, the sale of assets to or the investment in securities of or issued by, an interested party, the Property Funds Appendix may require that an immediate announcement to the SGX-ST be made, and may also require that the approval of Unitholders be obtained.

1 "**Related Party Transactions**" refers to an interested person transaction under Chapter 9 of the Listing Manual and/or, as the case may be, an "interested party transaction" under the Property Funds Appendix.

The REIT Trust Deed requires the REIT Trustee and the REIT Manager to comply with the provisions of the Listing Manual relating to interested person transactions as may be prescribed by the SGX-ST to apply to REITs.

The REIT Manager may at any time in the future seek a General Mandate from Unitholders for recurrent transactions as part of its day-to-day operations.

Both the Property Funds Appendix and the Listing Manual are required to be complied with in respect of a proposed transaction which is *prima facie* governed by both sets of rules. In such circumstances, the REIT Trustee is required to ensure that such transactions are conducted in accordance with applicable requirements of the Property Funds Appendix and/or the Listing Manual relating to the transaction in question.

The REIT Manager is not prohibited by either the Property Funds Appendix or the Listing Manual from contracting or entering into any financial, banking or any other type of transaction with the REIT Trustee (when acting other than in its capacity as trustee of Keppel REIT) or from being interested in any such transaction, provided that such transaction shall be on normal commercial terms and is not prejudicial to the REIT Trustee or to the Unitholders.

INTERESTS OF UNITHOLDERS AND DIRECTORS OF KEPPEL REIT

The following tables set forth details about the interests of the Unitholders who hold interests of at least 5.0 per cent. or more in Keppel REIT (as shown in the Register of Substantial Unitholders) and the interests held by the Directors of the REIT Manager (as shown in the Register of Directors' Unitholdings) as at 4 March 2019.

(i) Interests of Unitholders

Name of Substantial Unitholder	Direct Interest		Deemed Interest		Total No. of Units held	%[1]
	No. of Units	%[1]	No. of Units	%[1]		
Temasek Holdings (Private) Limited[3]	–	–	1,640,299,584	48.18	1,640,299,584	48.18
Keppel Corporation Limited[4]	200	n.m[2]	1,625,300,079	47.74	1,625,300,279	47.74
Keppel Land Limited[5]	–	–	1,476,216,367	43.36	1,476,216,367	43.36
Keppel Land (Singapore) Pte. Ltd.[6]	–	–	1,476,216,367	43.36	1,476,216,367	43.36
Keppel REIT Investment Pte. Ltd.	1,476,216,367	43.36	–	–	1,476,216,367	43.36

Notes:

(1) The percentage level is calculated based on 3,404,214,300 issued Units as at 4 March 2019.

(2) Not meaningful.

(3) Temasek Holdings (Private) Limited's deemed interest arises from the deemed interest held by Keppel Corporation Limited and other associated companies of Temasek Holdings (Private) Limited.

(4) 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.

(5) Keppel Land Limited's deemed interest arises from its shareholdings in Keppel REIT Investment Pte. Ltd., a wholly owned subsidiary of Keppel Land (Singapore) Pte. Ltd. which is in turn a subsidiary of Keppel Land Limited.

(6) Keppel Land (Singapore) Pte. Ltd.'s deemed interest arises from its shareholdings in Keppel REIT Investment Pte. Ltd., a wholly-owned subsidiary of Keppel Land (Singapore) Pte. Ltd.

(ii) Interests of Directors

Name of Director	Direct Interest		Deemed Interest		Total No. of Units held	%[1]	Contingent Awards of Units under the Manager	
	No. of Units	%[1]	No. of Units	%[1]			Performance Unit Plan	Restricted Unit Plan
Penny Goh	151,008	0.004	–	–	151,008	0.004	–	–
Lee Chiang Huat	8,400	n.m[2]	–	–	8,400	n.m[2]	–	–
Lor Bak Liang	119,991	0.004	–	–	119,991	0.004	–	–
Christina Tan Hua Mui	2,000	n.m[2]	–	–	2,000	n.m[2]	–	–
Tan Swee Yiow	1,238,458	0.036	–	–	1,238,458	0.036	568,710[3]	95,570[4]
Alan Rupert Nisbet	–	–	1,200[5]	n.m[2]	1,200	n.m[2]	–	–

Notes:

(1) The percentage level is calculated based on 3,404,214,300 issued Units as at 4 March 2019.

(2) Not meaningful.

(3) Refers to the number of Units which are the subject of contingent awards granted but not released under the REIT Manager's Performance Unit Plan. Based on the achievement factor, the actual release of awards could range from zero to a maximum of 150% under the REIT Manager's Performance Unit Plan.

(4) Refers to the number of Units which are the subject of awards granted which have been released under the REIT Manager's Restricted Unit Plan on satisfaction of performance conditions being met, but not vested.

(5) Mr Nisbet has a deemed interest in Units held by his spouse.

TERMS AND CONDITIONS OF THE BONDS

The following, other than the words in italics, is the text of the Terms and Conditions of the Bonds, substantially as it will appear on the reverse of each of the definitive certificates evidencing the Bonds.

The issue of S$200,000,000 in aggregate principal amount of 1.90 per cent. Convertible Bonds due 2024 (the "**Bonds**", which term shall include, unless the context requires otherwise any further bonds issued pursuant to and in accordance with Condition 15 (*Further Issues*) and consolidated and forming a single series therewith) by Keppel Real Estate Investment Trust ("**Keppel REIT**") acting through RBC Investor Services Trust Singapore Limited in its capacity as trustee of Keppel REIT (the "**REIT Trustee**" or the "**Issuer**", which term shall include, where the context so permits, all other persons for the time being acting as trustee or trustees under the REIT Trust Deed (as defined below)) and the Conversion Right (as defined herein) and the issue of any Units (as defined herein) on conversion of the Bonds were authorised by resolutions of the Board of Directors of Keppel REIT Management Pte. Ltd. in its capacity as manager of Keppel REIT on 26 March 2019 and 5 April 2019. The Bonds are constituted by a trust deed (as amended or supplemented from time to time) (the "**Bond Trust Deed**") dated on or about 10 April 2019 and made between the Issuer and The Bank of New York Mellon, London Branch, as trustee for the holders of the Bonds (the "**Bond Trustee**", which term shall, where the context so permits, include all other persons or companies for the time being acting as trustee or trustees under the Bond Trust Deed). The Issuer has entered into a paying, transfer and conversion agency agreement (as amended or supplemented from time to time) (the "**Agency Agreement**") dated on or about 10 April 2019 with the Bond Trustee, The Bank of New York Mellon SA/NV, Luxembourg Branch as registrar (the "**Registrar**") and transfer agent (the "**Transfer Agent**"), The Bank of New York Mellon, London Branch as principal paying and conversion agent (the "**Principal Paying Agent**") and the other paying, transfer and conversion agents appointed under it (each a "**Paying Agent**" and "**Conversion Agent**" and, together with the Registrar, Transfer Agent and the Principal Paying Agent, the "**Agents**") relating to the Bonds. References to the "**Principal Paying Agent**", "**Registrar**" and "**Agents**" below are references to the Principal Paying Agent, registrar and agents for the time being for the Bonds. The statements in these terms and conditions (these "**Conditions**") include summaries of, and are subject to, the detailed provisions of the Bond Trust Deed, which includes the form of the Bonds, and the Agency Agreement. Unless otherwise defined, terms used in these Conditions have the meaning specified in the Bond Trust Deed. Copies of the Bond Trust Deed and of the Agency Agreement are available for inspection by the Bondholders following prior written request and satisfactory proof of holding during normal business hours at the registered office of the Bond Trustee being, at the date hereof, at One Canada Square, London E14 5AL, United Kingdom and at the specified office of the Principal Paying Agent. The Bondholders are entitled to the benefit of the Bond Trust Deed and are bound by, and are deemed to have notice of, all the provisions of the Bond Trust Deed and the Agency Agreement applicable to them.

1. STATUS

The Bonds constitute direct, unsubordinated, unconditional and unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by mandatory provisions of applicable law, at all times rank at least equally with all of the Issuer's other present and future direct, unsubordinated, unconditional and unsecured obligations.

2. FORM, DENOMINATION AND TITLE

2.1 Form and denomination

The Bonds are issued in registered form in the denomination of S$250,000 each. A bond certificate (each a "**Certificate**") will be issued to each Bondholder in respect of its registered holding of Bonds. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register of Bondholders which the Issuer will procure to be kept by the Registrar.

*On issue, the Bonds will be represented by a Global Certificate deposited with a common depositary for, and registered in the name of a nominee of, Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**"). The Conditions are modified by certain provisions contained in the Global Certificate.*

2.2 Title

Title to the Bonds passes only by transfer and registration in the register of Bondholders as described in Condition 3 (*Transfers of Bonds; Issue of Certificates*). The holder of any Bond will (except as ordered by a court of competent jurisdiction or as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it or any writing on, or the theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the holder. In these Conditions, "**Bondholder**" and (in relation to a Bond) "**holder**" means the person in whose name a Bond is registered.

3. TRANSFERS OF BONDS; ISSUE OF CERTIFICATES

3.1 Register

The Issuer will cause to be kept at the specified office of the Registrar outside the United Kingdom and in accordance with the terms of the Agency Agreement, a register on which shall be entered the names and addresses of the holders of the Bonds and the particulars of the Bonds held by them and of all transfers and any other evidence as the Registrar or such Transfer Agent may require to prove the title of the transferor and the authority of the individuals who have executed such form of transfer, redemptions and conversions of the Bonds (the "**Register**"). Each Bondholder shall be entitled to receive only one Certificate in respect of its entire holding of Bonds.

3.2 Transfers

Subject to Condition 3.5 (*Closed Periods*) and Condition 3.6 (*Regulations*) and the Agency Agreement, a Bond may be transferred by delivery of the Certificate issued in respect of that Bond, with the form of transfer on the back duly completed and signed by the holder or his attorney duly authorised in writing, to the specified office of the Registrar or any of the Transfer Agents. No transfer of title to a Bond will be valid unless and until entered into the Register.

Transfers of interests in the Bonds evidenced by the Global Certificate will be effected in accordance with the rules of the relevant clearing systems.

3.3 Delivery of New Certificates

(a) Each new Certificate to be issued on a transfer or conversion of Bonds will, within seven Business Days of receipt by the Registrar or, as the case may be, any other relevant Transfer Agent of the original certificate and the form of transfer duly completed and signed, be made available for collection at the specified office of the Registrar or such other relevant Transfer Agent or, if so requested in the form of transfer, be mailed by uninsured mail at the risk of the holder entitled to the Bonds (but free of charge to the holder and at the Issuer's expense) to the address specified in the form of transfer. The form of transfer is available at the specified office of the Principal Paying Agent.

Except in the limited circumstances described in the Global Certificate, owners of interests in the Bonds represented by the Global Certificate will not be entitled to receive physical delivery of Certificates in respect of their individual holdings of Bonds. The Bonds are not issuable in bearer form.

(b) Where only part of a principal amount of the Bonds (being that of one or more Bonds) in respect of which a Certificate is issued is to be transferred or converted, a new Certificate in respect of the Bonds not so transferred or converted will, within seven Business Days of delivery of the original Certificate to the Registrar or other relevant Agent, be made available for collection at the specified office of the Registrar or such other relevant Agent or, if so requested in the form of transfer, be mailed by uninsured mail at the risk of the holder of the Bonds not so transferred or converted (but free of charge to the holder and at the Issuer's expense) to the address of such holder appearing on the Register.

(c) For the purposes of these Conditions (except for Conditions 7 (*Payments*) and 8 (*Redemption, Purchase and Cancellation*)), "**Business Day**" shall mean a day other than a Saturday or Sunday or a public holiday on which banks are open for business in Singapore, London and the city in which the specified office of the Registrar and Transfer Agent (if a Certificate is deposited with it in connection with a transfer or conversion) or the Conversion Agent with whom a Certificate is deposited in connection with a transfer or conversion, is located.

3.4 Formalities Free of Charge

Registration of a transfer of Bonds and issuance of new Certificates will be effected without charge by or on behalf of the Issuer or any of the Agents, but on (a) payment (or the giving of such indemnity and/or security as the Issuer or any of the Agents may require) in respect of any tax or other governmental charges which may be imposed in relation to such transfer; (b) the Issuer and the relevant Transfer Agent being satisfied that the regulations concerning the transfer of Bonds have been complied with; and (c) receipt by the relevant Agent of such evidence as it may reasonably require (including evidence as to the due execution of the form of transfer).

3.5 Closed Periods

No Bondholder may require the transfer of a Bond to be registered (a) during the period of 14 days ending on (and including) the dates for redemption pursuant to Condition 8.2 (*Redemption at the Option of the Issuer*) or Condition 8.3 (*Redemption for Taxation reasons*), (b) after a Conversion Notice (as defined in Condition 6.2 (*Conversion procedure*)), after a Put Option Notice (as defined in Condition 8.4 (*Redemption at the option of the Bondholders*)), after a Relevant Event Put Notice (as defined in Condition 8.5 (*Delisting and Suspension of Trading Put Right*)), after a Change of Control Exercise Notice (as defined in Condition 8.6(b) (*Conversion for Change of Control*)), or after a Change in Control Redemption Notice (as defined in Condition 8.7 (*Redemption for Change of Control*)) has been delivered with respect thereto, or (c) during the period of 15 days ending on (and including) any Interest Payment Date (as defined in Condition 5.1 (*Interest*)), each such period being a "**Closed Period**".

3.6 **Regulations**

All transfers of Bonds and entries on the Register will be made subject to the detailed regulations concerning the transfer of Bonds scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Bond Trustee and the Registrar, and/or by the Registrar, with the prior written approval of the Bond Trustee. A copy of the current regulations will be made available for inspection by the Registrar to any Bondholder on prior written request and satisfactory proof of holding.

4. NEGATIVE PLEDGE

(a) So long as any Bond remains outstanding (as defined in the Bond Trust Deed), the Issuer will not create or permit to subsist, and the Issuer will procure that none of its Subsidiaries will, create or permit to subsist any mortgage, charge, pledge, lien or other form of encumbrance or security interest ("**Security**") upon the whole or any part of its undertaking, assets or revenues, present or future, to secure any International Investment Securities (as defined below) or to secure any guarantee of or indemnity in respect of, any International Investment Securities unless, at the same time or prior thereto, the Issuer's obligations under the Bonds and the Bond Trust Deed (i) are secured equally and rateably therewith, or (ii) have the benefit of such other security, guarantee, indemnity or other arrangement as the Bond Trustee may in its absolute discretion deem to be not materially less beneficial to the Bondholders or (iii) is approved by an Extraordinary Resolution (as defined in the Bond Trust Deed) of the Bondholders.

(b) Nothing in this Condition:

(i) shall prohibit or restrict the creation by the Issuer or any of its Subsidiaries of any Security over:

(A) any property or assets (including, without limitation, shares, interests or units in funds or trusts or any kind of economic or participating interests) acquired, purchased or owned or to be acquired, purchased or owned by the Issuer or any of its Subsidiaries; or

(B) any property or assets (including, without limitation, shares, interests or units in funds or trusts or any kind of economic or participating interests) of any entity acquired, purchased or owned or to be acquired, purchased or owned by the Issuer or any of its Subsidiaries, for the purpose of securing the payment of any sum due in respect of the International Investment Securities or any payment under any guarantee of, or indemnity or other like obligation relating to the International Investment Securities, the proceeds of which are to be applied towards financing or refinancing the cost of the acquisition, purchase, development, construction, redevelopment and ownership of such property or assets (including, without limitation, the equipping, alteration or improvement of such property or assets following their redevelopment, development or construction); or

(ii) shall prohibit or restrict the Issuer or any of its Subsidiaries from securing any indebtedness evidenced by International Investment Securities where the Security is existing on (1) any property or asset (including, without limitation, shares, interests or units in funds or trusts or any kind of economic or participating interests) of, or any interests in, any entity or asset at the time the Issuer or any of its Subsidiaries acquires such entity or asset after 10 April 2019 or (2) any property or asset (including, without limitation, shares, interests or units in funds or trusts or any kind of economic or participating interests) at the time it is acquired by the Issuer or any of its Subsidiaries after 10 April 2019; or

(iii) shall extend to any Security of the Issuer or any of its Subsidiaries existing as at the date hereof, or any refinancing thereof; or

(iv) shall apply to any Security arising through mandatory operation of law.

(c) For the purposes of these Conditions:

(i) "**International Investment Securities**" means any present or future indebtedness in the form of, or represented by, bonds, debentures, notes or other debt securities which are for the time being, or are intended to be or capable of being, quoted, listed, ordinarily dealt in or traded on any stock exchange or over the counter or other securities market and having an original maturity of more than 365 days from its date of issue.

(ii) "**Subsidiary**" or "**Subsidiaries**" has the meaning given to "subsidiary" in Section 5 of the Companies Act, Chapter 50 of Singapore.

5. INTEREST

5.1 The Bonds bear interest from and including 10 April 2019 (the "**Closing Date**") at the rate of 1.90 per cent. per annum on the principal amount of the Bonds payable semi-annually in arrear on 10 October and 10 April in each year (each an "**Interest Payment Date**") commencing 10 October 2019.

5.2 Each Bond will cease to bear interest:

(i) subject to Condition 6.2(d) (*Interest Accrual*), from and including the Interest Payment Date last preceding its Conversion Date (as defined below) or, if none, the Closing Date, subject to conversion of the relevant Bond in accordance with the provisions of Condition 6.2 (*Conversion Procedure*); or

(ii) from the due date for redemption or repayment thereof unless, on surrender in accordance with Condition 8 (*Redemption, Purchase and Cancellation*) or Condition 10 (*Events of Default*), payment of the full amount due is improperly withheld or refused or default is otherwise made in respect of any such payment. In such event, interest will accrue on the overdue sum at the rate aforesaid from and including the due date (after as well as before any judgment) up to but excluding the earlier of (x) the date on which all sums due in respect of any Bond are received by or on behalf of the relevant holder and (y) the day seven days after the Bond Trustee or the Principal Paying Agent has notified Bondholders of receipt of all sums due in respect of all the Bonds up to that seventh date (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

5.3 Interest in respect of any interest period shall be calculated on the basis of a 365-day year and the actual number of days elapsed.

5.4 Save as provided in Condition 6.2(d) (*Interest Accrual*), no payment or adjustment will be made on conversion for any interest accrued on converted Bonds since the Interest Payment Date last preceding the relevant Conversion Date or, if the Bonds are converted on or before the first Interest Payment Date, since the Closing Date.

6. CONVERSION

6.1 Conversion Right

(a) *Conversion Period:* Subject as hereinafter provided, Bondholders have the right to convert their Bonds into Units at any time during the Conversion Period referred to below.

(i) The right of a Bondholder to convert any Bond into Units is called the "**Conversion Right**". Subject to and on compliance with the provisions of this Condition, the Conversion Right attaching to any Bond may be exercised, at the option of the holder thereof, at any time on or after 21 May 2019 up to the close of business (at the place where the Certificate evidencing such Bond is deposited for conversion) on the 31 March 2024 (both days inclusive) (the "**Expiration Date**") (but, subject to Condition 6.1(d) (*Revival and/or survival after Default*), in no event thereafter) or if such Bond shall have been called for redemption on a date no later than 10 Business Days prior to the date fixed for redemption thereof, then up to the close of business (at the place aforesaid) on a date no later than seven business days (at the place aforesaid) prior to the date fixed for redemption thereof (the "**Conversion Period**"), provided that the Conversion Right during any Closed Period shall be suspended and the Conversion Period shall not include any such Closed Period. Notwithstanding the foregoing, if the final date on which the Conversion Right may be exercised is not a business day at the place aforesaid, then the period for the exercise of the Conversion Right by Bondholders shall end on the immediately preceding business day at the place aforesaid. The Issuer shall, at least one month before the end of the Conversion Period, give notice to the Bondholders in accordance with Condition 16 (*Notices*) of the last date of the Conversion Period and shall make such announcement of such last date of the Conversion Period as may be required under any applicable laws, regulations or rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") or the Alternative Stock Exchange, as the case may be.

(ii) Notwithstanding the foregoing, if the Conversion Date in respect of a Bond would otherwise fall during a period in which the register of Unitholders of Keppel REIT is closed generally or for the purpose of establishing entitlement to any distribution or other rights attaching to the Units (a "**Book Closure Period**"), such Conversion Date shall be postponed to the first Stock Exchange Business Day (as defined in Condition 6.2(a)(ii)) after the expiry of such Book Closure Period. Any exercise of a Conversion Right shall be deemed to be ineffective and, subject to Condition 6.1(d) (*Revival and/or survival after Default*), shall be deemed to have expired if, as a result of any postponement pursuant to this Condition 6 (*Conversion*), the Conversion Date would fall on a day after expiry of the Conversion Period or, in the case of the exercise of such rights as aforesaid, after the relevant redemption date. The Issuer undertakes to ensure that the Book Closure Period is as short a period as is reasonably practicable, having regard to applicable Singapore laws and regulations and the listing rules of the SGX-ST or the Alternative Stock Exchange. The Issuer will give written notice of any Book Closure Period to the Bond Trustee, the Bondholders and the Conversion Agent five business days prior to the beginning of each such Book Closure Period.

(iii) The number of Units to be issued on conversion of a Bond will be determined by dividing the principal amount of the Bond to be converted by the Conversion Price in effect at the Conversion Date (both as hereinafter defined). Following conversion in accordance with these Conditions, the right of the converting Bondholder to repayment of the principal amount of the Bond (and, subject as provided in Condition 6.2(d) (*Interest Accrual*), accrued interest thereon) shall be extinguished and released, and in consideration and in exchange therefor, the Issuer shall allot and issue Units credited as paid-up in full as provided in this Condition 6 (*Conversion*). A Conversion Right may only be exercised in respect of one or more Bonds. If more than one Bond held by the same holder is converted at any one time by the same holder, the number of Units to be issued on such conversion will be calculated on the basis of the aggregate principal amount of the Bonds to be converted.

(b) *Fractions of Units:* Fractions of Units will not be issued on conversion and no cash adjustments will be made in respect thereof. However, if the Conversion Right in respect of more than one Bond is exercised at any one time such that Units to be issued on conversion are to be registered in the same name, the number of such Units to be issued in respect thereof shall be calculated on the basis of the aggregate principal amount of such Bonds being so converted and rounded down to the nearest whole number of Units. Notwithstanding the foregoing, in the event of a consolidation or re-classification of Units by operation of law or otherwise occurring after 10 April 2019 which reduces the number of Units outstanding, the Issuer will on conversion of the Bonds pay in cash (in Singapore dollars) a sum equal to such portion of the principal amount of the Bond or Bonds evidenced by the Certificate deposited in connection with the exercise of Conversion Rights as corresponds to any fraction of a Unit not issued as a result of such consolidation or re-classification aforesaid if such sum exceeds S$10. Any such sum shall be paid no later than five Stock Exchange Business Days (as defined below) after the relevant Conversion Date by transfer to a Singapore dollar account with a bank in Singapore.

(c) *Conversion Price:* The price at which Units will be issued on conversion, as adjusted from time to time (the "**Conversion Price**") will initially be S$1.4625 per Unit but will be subject to adjustment in the manner provided in Condition 6.3 (*Adjustments to Conversion Price*) or under the circumstances provided in Condition 8.6 (*Conversion for Change of Control*).

(d) *Revival and/or survival after Default:* Notwithstanding the provisions of Condition 6.1(a) (*Conversion Right*), if:

(i) the Issuer shall default in making payment in full in respect of any Bond which shall have been called for redemption on the date fixed for redemption thereof;

(ii) any Bond has become due and payable prior to the Maturity Date (as defined in Condition 8.1 (*Maturity*)) by reason of the occurrence of any of the events under Condition 10 (*Events of Default*); or

(iii) any Bond is not redeemed on the Maturity Date in accordance with Condition 8.1 (*Maturity*),

the Conversion Right attaching to such Bond will revive and/or will continue to be exercisable up to, and including, the close of business (at the place where the Certificate evidencing such Bond is deposited for conversion) on the date on which the full amount of the moneys payable in respect of such Bond has been duly received by the Principal Paying Agent or the Bond Trustee and notice of such receipt has been duly given to the Bond Trustee and the Bondholders and, notwithstanding the provisions of Condition 6.1(a) (*Conversion Right*), any Bond in respect of which the Certificate and Conversion Notice are deposited for conversion prior to such date shall be converted on the relevant Conversion Date notwithstanding that the full amount of the moneys payable in respect of such Bond shall have been received by the Principal Paying Agent or Bond Trustee before such Conversion Date or that the Conversion Period or Change of Control Period (as defined in Condition 8.6 (*Conversion for Change of Control*)), as the case may be, may have expired before such Conversion Date.

(e) *Meaning of Units and Unitholders:* As used in these Conditions, the expression:

(i) "**Units**" means units representing undivided interests in Keppel REIT or units of any class or classes resulting from any subdivision, consolidation or reclassification of those units, which as between themselves and rank equally have no preference in respect of distributions or of amounts payable in the event of any winding up, liquidation, dissolution or termination of Keppel REIT; and

(ii) "**Unitholders**" means any persons in whose name Units are registered in Keppel REIT's register of holders.

6.2 **Conversion procedure**

(a) *Conversion Notice:*

(i) To exercise the Conversion Right attaching to any Bond, the holder thereof must complete, execute and deposit at his own expense during normal business hours (being 9:00 a.m. to 3:00 p.m., Monday to Friday on which commercial banks are open for business in the city of the Conversion Agent) at the specified office of any Conversion Agent, during the Conversion Period, a duly completed notice of conversion (a "**Conversion Notice**") in the form (for the time being current) obtainable from the specified office of the Conversion Agent, together with the relevant Certificate. For purposes of these Conditions, a reference to Conversion Notice shall also include a Change of Control Exercise Notice (as defined in Condition 8.6 (*Conversion for Change of Control*)). Conversion Rights shall be exercised subject to any applicable fiscal or other laws or regulations applicable in the jurisdiction in which the specified office of the Conversion Agent to whom the relevant Conversion Notice is delivered is located.

If such delivery is made after the end of normal business hours (being 9:00 a.m. to 3:00 p.m.) or on a day which is not a business day in the place of the specified office of the Conversion Agent, such delivery shall be deemed for all purposes of these Conditions to have been made on the next business day following such business day.

Any determination as to whether any Conversion Notice has been duly completed and properly delivered shall be made by the Conversion Agent and shall, save in the case of manifest error, be conclusive and binding on the Issuer, the Trustee, the Conversion Agent and the relevant Bondholder.

(ii) The conversion date in respect of a Bond (the "**Conversion Date**") must fall at a time when the Conversion Right attaching to that Bond is expressed in these Conditions to be exercisable (subject to the provisions of Condition 6.1(d) (*Revival and/or survival after Default*) above) and will be deemed to be (A) the Stock Exchange Business Day (as defined below) immediately following the date of the surrender of the Certificate in respect of such Bond and receipt of such Conversion Notice or (B) under the circumstances provided in Condition 8.6 (*Conversion for Change of Control*), the Change of Control Conversion Date, in each case, if applicable, any payment to be made or indemnity given under these Conditions in connection with the exercise of such Conversion Right. A Conversion Notice once received shall be irrevocable and may only be withdrawn with the written consent of the Issuer. The Issuer may reject any Conversion Notice which is, in its opinion, incorrect or incomplete in any material respect. All costs and expenses incurred or caused by a Conversion Notice which is, in the opinion of the Issuer, incorrect or incomplete in any material respect shall be for the account of the relevant Bondholder. "**Stock Exchange Business Day**" means any day (other than a Saturday or Sunday or a public holiday) on which the SGX-ST or the Alternative Stock Exchange (as defined in Condition 6.4 (*Definitions and Interpretations*) below), as the case may be, is open for securities trading.

On exercise of a Conversion Right, a Bondholder converting a Bond shall be required to represent and agree, in the Conversion Notice, certain matters with respect to the beneficial ownership of the Bonds and the Units.

(b) *Stamp Duty etc.:* A Bondholder exercising a Conversion Right in accordance with Condition 6.1(a)(i) (*Conversion Right*) must pay directly to the relevant tax authorities any taxes and capital, stamp, issue and registration duties arising on conversion (other than any taxes or capital or stamp duties payable in Singapore and, if relevant, in the place of the Alternative Stock Exchange, by the Issuer and/or Keppel REIT in respect of the allotment and issue of Units and listing of the Units on the SGX-ST or Alternative Stock Exchange on conversion) (the "**Taxes**") and such Bondholder must pay all, if any, Taxes arising by reference to any disposal or deemed disposal of a Bond in connection with such conversion. The relevant Bondholder shall provide a written confirmation as to the payment of such Taxes in the Conversion Notice, as set out in the Agency Agreement. The Issuer will pay all other expenses arising from the issue of Units on conversion of Bonds. None of the Issuer, Keppel REIT, the Agents or the Bond Trustee are under any obligation to determine whether a Bondholder is liable to pay, or shall be responsible or liable for any failure or omission by any Bondholder to pay, any taxes and capital, stamp, issue and registration or similar taxes and duties in connection with this Condition 6.2(b), or to determine the amount of any such taxes or duties. Neither the Issuer, the Bond Trustee nor the Agents shall be responsible or liable in any way to anyone for any failure or omission by the Bondholders to pay any such taxes or duties.

(c) *Registration*

(i) As soon as practicable, and in any event not later than 21 days after the Conversion Date (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), the Issuer will, in the case of Bonds converted on exercise of the Conversion Right and in respect of which a duly completed Conversion Notice has been delivered and the relevant Certificate and amounts payable by the relevant Bondholder has been deposited and paid as required by Conditions 6.2(a) (*Conversion Notice*) and 6.2(b) (*Stamp Duty etc.*), procure that the relevant number of Units to be issued on conversion of the Bonds are allotted to and registered in the name of The Central Depository (Pte) Limited ("**CDP**") for credit to the securities account designated for the purpose in the Conversion Notice for so long as the Units are listed on the SGX-ST; or if the Units are not listed on the SGX-ST, register the person or persons designated for the purpose in the Conversion Notice as holder(s) of the relevant number of Units in Keppel REIT's register of Unitholders and will issue or cause to be issued to the person or persons designated for the purpose in the Conversion Notice a confirmation note confirming the allotment of Units in accordance with the REIT Trust Deed, together (in either case) with any other securities, property or cash required to be delivered on conversion and such assignments and other documents (if any) as may be required by law to effect the transfer thereof.

(ii) If the Registration Date (as defined below) in relation to any Bond shall be on or after a date with effect from which an adjustment to the Conversion Price takes retroactive effect pursuant to any of the provisions referred to in Condition 6.3 (*Adjustments to Conversion Price*) or Condition 8.6 (*Conversion for Change of Control*), and the relevant Conversion Date falls on a date when the relevant adjustment has not yet been reflected in the then current Conversion Price (such adjustment, a "**retroactive adjustment**"), the provisions of this Condition 6.2(c) (*Registration*) shall be applied *mutatis mutandis* to such number of Units ("**Additional Units**") as is equal to the excess of the number of Units which would have been required to be issued on conversion of such Bond if the relevant retroactive adjustment had been effected as at the said Conversion Date over the number of Units previously issued (or which the Issuer was previously bound to issue) pursuant to such conversion, *provided that* if the converting Bondholder shall be entitled to receive any distribution in respect of the Units to be issued or delivered to it pursuant to Condition 6.2(c)(iv), then no such retroactive adjustment shall be made in relation to such dividend or distribution and the converting Bondholder shall not be entitled to receive Additional Units in relation thereto.

(iii) The person or persons designated in the Conversion Notice will become the holder of record of the number of Units issuable on conversion with effect from the date the relevant Units are credited to their respective accounts with the CDP or they are registered as such in Keppel REIT's register of members (the "**Registration Date**"). The Units issued on conversion of the Bonds will in all respects rank *pari passu* with the Units in issue on the relevant Registration Date. Save as set out in these Conditions, a holder of Units issued on conversion of the Bonds shall not be entitled to any rights the Record Date (as defined below) for which precedes the relevant Registration Date. Bonds which are duly converted will be cancelled by removal of the Bondholder's name from the Register in respect of such Bonds on the relevant Registration Date or at the time the Cash Settlement Amount is paid in accordance with Condition 6.2(e) (*Conditional Automatic Cash Settlement*).

(iv) If the Record Date for the payment of any distribution in respect of the Units is on or after the Conversion Date in respect of any Bond, but before the Registration Date (other than and to the extent that it results in an adjustment (retroactive or otherwise) to the number of Units to which the converting Bondholder is entitled under Condition 6.2(c)(ii), the Issuer will pay to the converting Bondholder or his designee an amount (the "**Equivalent Amount**") in Singapore dollars equal to the Fair Market Value (as defined in Condition 6.4 (*Definitions and Interpretation*) below) of any such distribution to which such Bondholder would have been entitled had such Bondholder on that Record Date been such a Unitholder of record and will make the payment at the same time as it makes payment of the distribution, or as soon as practicable thereafter, but, in any event, not later than seven days thereafter. The Equivalent Amount shall be paid by means of a transfer to the registered account of the Bondholder specified in the relevant Conversion Notice.

(d) *Interest Accrual*

If any notice requiring the redemption of any Bonds is given pursuant to Condition 8.2 (*Redemption at the Option of the Issuer*) during the period beginning on the fifteenth day prior to the Record Date in respect of any distribution payable in respect of the Units and ending on the Interest Payment Date next following such Record Date, where such notice specifies a date for redemption falling on or prior to the date which is 14 days after such next following Interest Payment Date, interest shall (subject as hereinafter provided) accrue on Bonds the Certificates for which shall have been delivered for conversion and in respect of which the Conversion Date falls after such Record Date and on or prior to the Interest Payment Date next following such Record Date, in each case from the preceding Interest Payment Date to, but excluding, the relevant Conversion Date; *provided that* no such interest shall accrue on any Bond in the event that the Units issued on conversion thereof shall carry an entitlement to receive such dividend or in the event the Bond carries an entitlement to receive an Equivalent Amount.

Any such interest payable pursuant to this Condition 6.2(d) (*Interest Accrual*) shall be paid not later than 14 days after the relevant Conversion Date by transfer to a Singapore dollar account maintained by the payee with, a bank in Singapore, in accordance with instructions given by the relevant Bondholder.

(e) *Conditional Automatic Cash Settlement*

In the event that Conversion Rights are exercised and the Issuer has not obtained the necessary approval from the SGX-ST for the admission to the Official List of the SGX-ST for the Units to be issued and delivered upon conversion of the Bonds (in order to satisfy the Conversion Right in respect of a Conversion Notice), the exercise of the Conversion Rights shall be satisfied by the payment by the Issuer of the Cash Settlement Amount (as defined below) to the relevant Bondholder in order to satisfy such Conversion Right (the "**Automatic Cash Settlement**"). The Issuer shall provide notice of the Automatic Cash Settlement (the "**Cash Settlement Notice**") to the relevant Bondholder, the Trustee and the Agents as soon as practicable but no later than the third Business Day following the date of delivery of the Conversion Notice (the "**Cash Settlement Notice Date**"). The Issuer shall pay the Cash Settlement Amount on a Business Day falling no later than 12 Business Days following the Cash Settlement Notice Date.

For the purpose of this Condition 6.2(e):

"**Cash Settlement Amount**" means the product of (i) the number of Units otherwise deliverable upon exercise of the Conversion Right in respect of the Bonds to which the Conversion Notice applies, and in respect of which the Automatic Cash Settlement applies; and (ii) the average of the daily Volume Weighted Average Price (as defined below) of the Units on the SGX-ST for each respective day during the 10 Trading Days immediately following the Cash Settlement Notice Date. The Issuer shall provide notice of the calculation of the Cash Settlement Amount to the Bondholders, the Trustee and the Agents no later than the first Trading Day after the 10 Trading Day period used to determine the Cash Settlement Amount following the Cash Settlement Notice Date; and

"**Volume Weighted Average Price**" means, on any Trading Day, the volume weighted average price of a Unit published by or derived from Bloomberg (or any successor services) page "KREIT SP <EQUITY> VWAP" (or any successor to or replacement of such page) or such other source as shall be determined to be appropriate by an

Independent Bank on such Trading Day, *provided that* if on any such Trading Day such price is not available or cannot otherwise be determined as provided above, the volume weighted average price of a Unit in respect of such Trading Day shall be the volume weighted average price, determined as provided above, on the immediately preceding Trading Day on which the same can be so determined.

6.3 **Adjustments to Conversion Price**

(a) The Conversion Price will be subject to adjustment in the following events (save and except that no adjustments will be made to the Conversion Price by virtue of the issue of any further bonds in accordance with Condition 15 (*Further Issues*)):

(i) *Consolidation, Subdivision or Reclassification*: Any alteration to the number of issued Units as a result of consolidation, subdivision, or reclassification.

If and whenever there shall be an alteration to the number of issued Units as a result of consolidation, subdivision or reclassification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such alteration by the following fraction:

$$\frac{A}{B}$$

where

A = is the aggregate number of issued Units immediately before such alteration; and

B = is the aggregate number of issued Units immediately after such alteration.

Such adjustment shall become effective on the date the alteration takes effect.

(ii) *Capitalisation of Profits or Reserves*:

(A) The issue of Units credited as fully paid to any Unitholders, by way of capitalisation of profits or reserves, including a free distribution or bonus issue of Units, other than an issue of Units paid-up out of profits or reserves and issued in lieu of the whole or any part of a specifically declared distribution in cash (a "**Relevant Cash Distribution**"), being a distribution which the Unitholders concerned would or could otherwise have received (a "**Scrip Distribution**"), and which would not have constituted a Relevant Distribution (as defined in Condition 6.4 (*Definitions and Interpretation*) below).

In such an event, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A}{B}$$

where

A = is the aggregate number of issued Units immediately before such issue; and

B = is the aggregate number of issued Units immediately after such issue.

Such adjustment shall become effective on the date of issue of such Units or, where a Record Date is set, immediately after such Record Date.

(B) In the case of an issue of Units by way of a Scrip Distribution where the Current Market Price (as defined below) on the last Trading Day before the date on which the final terms of such Scrip Distribution is first publicly announced of such Units exceeds 110 per cent. of the amount of the Relevant Cash Distribution or the relevant part thereof and which would not have constituted an Extraordinary Distribution, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the issue of such Units by the following fraction:

$$\frac{A + B}{A + C}$$

where

A = is the aggregate number of issued Units immediately before such issue; and

B = the aggregate number of Units issued by way of such Scrip Distribution multiplied by a fraction of which (i) the numerator is the amount of the whole, or the relevant part, of the Relevant Cash Distribution and (ii) the denominator is the Current Market Price on the last Trading Day before the date on which the Scrip Distribution is publicly announced, issued by way of Scrip Distribution in respect of each existing Unit in lieu of the whole, or the relevant part, of the Relevant Cash Distribution; and

C = the aggregate number of Units issued by way of Scrip Distribution,

or by making such other adjustment as an Independent Bank (as defined below), shall certify to the Bond Trustee is fair and reasonable.

Such adjustment shall become effective on the date of issue of such Units or if a Record Date is fixed therefor, the day immediately after such Record Date. Notwithstanding anything in these Conditions, for the purposes of the formulae set out in this Condition 6.3(a)(ii), no regard shall be given to any portion of any issue of Units which constitutes or comprises an Excess Portion (as defined in Condition 6.3(a)(iii) (*Extraordinary Distribution*)) below) (the "**Disregarded Portion**"). Any adjustment to the Conversion Price in relation to the Disregarded Portion shall only be made pursuant to Condition 6.3(a)(iii) (*Extraordinary Distribution*).

(iii) *Extraordinary Distribution*: If and whenever the Issuer shall pay or make any Relevant Distribution to its Unitholders (i) which results in the Distribution Threshold (as defined below) being exceeded or breached or (ii) whilst the Distribution Threshold is so exceeded or breached, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such Relevant Distribution is paid or made by the following fraction:

$$\frac{A - B}{A}$$

where:

A = is the Current Market Price of one Unit on the last Trading Day preceding the date on which the Relevant Distribution is first publicly announced; and

B = is the Fair Market Value on the date of such announcement of the Relevant Distribution attributable to one Unit.

Such adjustment shall become effective on the date that such Relevant Distribution is paid or made. Any adjustment pursuant to this Condition 6.3(a)(iii) shall only be made with respect to the portion of such Relevant Distribution in cash which exceeds the Distribution Threshold (the "**Excess Portion**") and only the Excess Portion shall be taken into account in the determination of the amount of cash distributed applicable to one Unit.

(iv) *Rights Issues of Units or Options over Units*: The issue of Units to all or substantially all Unitholders as a class by the Issuer by way of rights, or issue or grant to all or substantially all Unitholders as a class, by way of rights of options, warrants or other rights to subscribe for or purchase any Units, in each case at less than 90.00 per cent. of the Current Market Price (as defined below) per Unit on the last Trading Day preceding the date of the announcement of the final terms of such issue or grant.

In such an event, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A = is the number of Units in issue immediately before such announcement;

B = is the number of Units which the aggregate amount (if any) payable for the Units issued by way of rights or for the options or warrants or other rights issued by way of rights and for the total number of Units comprised therein would purchase at such Current Market Price per Unit; and

C = is the aggregate number of Units issued or, as the case may be, comprised in the issue or grant.

Such adjustment shall become effective on the date of issue of such Units or issue or grant of such options, warrants or other rights (as the case may be or, where a Record Date is set, the day immediately after such Record Date.

(v) *Rights Issues of Other Securities*: The issue of any securities (other than Units or options, warrants or other rights to subscribe or purchase Units) to all or substantially all Unitholders as a class by the Issuer by way of rights, or the grant to all or substantially all Unitholders as a class by way of rights, any options, warrants or other rights to subscribe for or purchase, any securities (other than Units or options, warrants or other rights to subscribe or purchase Units).

In such an event, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{A - B}{A}$$

where:

A = is the Current Market Price of one Unit on the last Trading Date preceding the date on which the final terms of such issue or grant is first publicly announced; and

B = is the Fair Market Value on the date of such announcement, as determined in good faith by an Independent Bank, of the portion of the rights attributable to one Unit.

Such adjustment shall become effective on the date of issue of the securities or grant of such rights, options or warrants (as the case may be) or, where a Record Date is set, the day immediately after such Record Date.

(vi) *Issues at less than Current Market Price*: The issue (otherwise than as mentioned in Condition 6.3(a)(iv) (*Rights Issues of Units or Options over Units*) above) by the Issuer wholly for cash of any Units (other than Units issued on the exercise of Conversion Rights or on the exercise of any other rights of conversion into, or exchange or subscription for, Units) or the issue or grant of (otherwise than as mentioned in Condition 6.3(a)(iv) (*Rights Issues of Units or Options over Units*) above) options, warrants or other rights to subscribe or purchase Units (other than the Bonds, which term for this purpose includes any further bonds) in each case at a price per Unit which is less than 90.00 per cent. of the Current Market Price on the date on the last Trading Day preceding the date on which the final terms of such issue is first publicly announced.

In such an event, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A + B}{C}$$

where:

A = is the number of Units in issue immediately before the issue of such additional Units or the grant of such options, warrants or other rights to subscribe for or purchase any Units;

B = is the number of Units which the aggregate consideration receivable for the issue of such additional Units would purchase at such Current Market Price per Unit; and

C = is the number of Units in issue immediately after the issue of such additional Units.

References to additional Units in the above formula shall, in the case of an issue by the Issuer of options, warrants or other rights to subscribe or purchase Units, mean such Units to be issued assuming that such options, warrants or other rights are exercised in full at the initial exercise price on the date of issue of such options, warrants or other rights.

Such adjustment shall become effective on the date of issue of such additional Units or, as the case may be, the grant or issue of such options, warrants or other rights or, if a Record Date is set, the day immediately after such Record Date.

(vii) *Other Issues at less than Current Market Price*: Save in the case of an issue of securities arising from a conversion or exchange of other securities in accordance with the terms applicable to such securities themselves falling within the provisions of this Condition 6.3(a)(vii) (*Other Issues at less than Current Market Price*), the issue wholly for cash by Keppel REIT or any Subsidiary of Keppel REIT (otherwise than as mentioned in Condition 6.3(a)(iv) (*Rights Issues of Units or Options over Units*), Condition 6.3(a)(v) (*Rights Issues of Other Securities*) or Condition 6.3(a)(vi) (*Issues at less than Current Market Price*) above) or (at the direction or request of or pursuant to any arrangements with the REIT Manager or any Subsidiary of Keppel REIT) any other company, person or entity (other than the Bonds, which term for this purpose shall exclude any further bonds issued in accordance with Condition 15 *(Further Issues)*) of any securities which by their terms of issue carry rights of conversion into, or exchange or subscription for, Units to be issued upon conversion, exchange or subscription at a consideration per Unit which is less than 90.00 per cent. of the Current Market Price on the last Trading Day preceding the date on which the final terms of issue of such securities is first publicly announced.

In such an event, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

where:

$$\frac{A + B}{A + C}$$

A = is the number of Units in issue immediately before such issue;

B = is the number of Units which the aggregate consideration receivable by the Issuer for the Units to be issued on conversion or exchange or on exercise of the right of subscription attached to such securities would purchase at such Current Market Price per Unit; and

C = is the maximum number of Units to be issued on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the initial conversion, exchange or subscription price or rate.

Such adjustment shall become effective on the date of issue of such securities. or, if a Record Date is set, the day immediately after such Record Date.

(viii) *Modification of Rights of Conversion, etc.*: Any modification of the rights of conversion, exchange or subscription attaching to any such securities (other than the Bonds) as are mentioned in Condition 6.3(a)(vii) (*Other Issues at less than Current Market Price*) above (other than in accordance with the terms applicable to such securities) so that the consideration per Unit (for the number of Units available on conversion, exchange or subscription following the modification) is less than 90.00 per cent. of the Current Market Price on the last Trading Day preceding the date on which the final terms of the proposals for such modification is first publicly announced.

In such an event, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such modification by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A = is the number of Units in issue immediately before such modification;

B = is the number of Units which the aggregate consideration receivable by the Issuer for the Units to be issued on conversion or exchange or on exercise of the right of subscription attached to the securities, in each case so modified, would purchase at such Current Market Price per Unit or, if lower, the existing conversion, exchange or subscription price of such securities; and

C = is the maximum number of Units to be issued on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the modified conversion, exchange or subscription price or rate but giving credit in such manner as an Independent Bank considers appropriate (if at all) for any previous adjustment under this Condition 6.3(a)(viii) (*Modification of Rights of Conversions etc.*) or Condition 6.3(a)(vii) (*Other Issues at less than Current Market Price*) above.

Such adjustment shall become effective on the date of modification of the rights of conversion, exchange or subscription attaching to such securities.

(ix) *Other Offers to Unitholders*: The issue, sale or distribution by or on behalf of the Issuer or any Subsidiary of the Issuer or (at the direction or request of or pursuant to any arrangements with the REIT Manager or any Subsidiary of Keppel REIT) any other company, person or entity of any securities in connection with an offer by or on behalf of the Issuer or any Subsidiary of the Issuer or such other company, person or entity pursuant to which offer the Unitholders generally are entitled to participate in arrangements whereby such securities may be acquired by them (except where the Conversion Price falls to be adjusted under Condition 6.3(a)(iv) (*Rights Issues of Units or Options over Units*), Condition 6.3(a)(v) (*Rights Issues of Other Securities*), Condition 6.3(a)(vi) (*Issues at less than Current Market Price*) and Condition 6.3(a)(vii) (*Other Issues at less than Current Market Price*) above).

In such an event, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A - B}{A}$$

where:

A = is the Current Market Price of one Unit on the last Trading Day preceding the date on which the final terms of such issue is first publicly announced; and

B = is the Fair Market Value on the date of such announcement, as determined in good faith by an Independent Bank, of the portion of the rights attributable to one Unit.

Such adjustment shall become effective on the date of issue of the securities or, if a Record Date is set, the day immediately after such Record Date.

(x) *Other Events*: If the Issuer determines that an adjustment should be made to the Conversion Price as a result of one or more events or circumstances not referred to in this Condition 6.3 or in Condition 8.6 (*Conversion for Change of Control*), the Issuer shall at its own expense request a leading independent investment bank of international repute (acting as expert), selected by the Issuer and notified in writing to the Bond Trustee (an "**Independent Bank**") to determine as soon as practicable what adjustment to the Conversion Price is fair and reasonable to take account thereof, if the adjustment would result in a reduction in the Conversion Price, and the date on which such adjustment should take effect and upon such determination such adjustment (if any) shall be made and shall take effect in accordance with such determination, *provided that* where the circumstances giving rise to any adjustment pursuant to this Condition 6.3 or Condition 8.6 (*Conversion for Change of Control*) have already resulted or will result in an adjustment to the Conversion Price or where the circumstances giving rise to any adjustment arise by virtue of circumstances which have already given rise or will give rise to an adjustment to the Conversion Price, such modification (if any) shall be made to the operation of the provisions of this Condition 6.3 Condition 8.6 (*Conversion for Change of Control*) as may be advised by an Independent Bank to be in its opinion appropriate to give the intended result.

6.4 **Definitions and Interpretation**

For the purposes of these Conditions:

(a) "**Alternative Stock Exchange**" means at any time, in the case of the Units, if they are not at that time listed and traded on the SGX-ST, the principal stock exchange or securities market on which the Units are then listed or quoted or dealt in.

(b) "**closing price**" for the Units for any Trading Day shall be the closing market price quoted on the SGX-ST or, as the case may be, as quoted by an Alternative Stock Exchange for such Trading Day.

(c) "**Current Market Price**" means, in respect of a Unit at a particular time on a particular date, the average of the closing prices quoted on the SGX-ST or an Alternative Stock Exchange for one Unit (being a Unit carrying full entitlement to Dividend) for the 20 consecutive Trading Days ending on the Trading Day immediately preceding such date.

Provided that if at any time during the said 20 Trading Days period, the Units shall have been quoted ex-distribution (or ex-any other entitlement) and during some other part of that period, the Units shall have been quoted cum-distribution (or cum-any other entitlement) then:

(i) if the Units to be issued in such circumstances do not rank for the distribution in question, the quotations on the dates on which the Units shall have been quoted cum-distribution (or cum-any other entitlement) shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of that distribution (or entitlement) per Unit as at the date of first public announcement of such Dividend or entitlement; or

(ii) if the Units to be issued in such circumstances rank for the distribution (or entitlement) in question, the quotations on the dates on which the Units shall have been quoted ex-distribution (or ex-any other entitlement) shall for the purpose of this definition be deemed to be the amount thereof increased by such amount equal to the Fair Market Value of that distribution (or entitlement) per Unit as at the date of first public announcement of such Dividend or entitlement,

and *provided further that* if the Units on each of the said 20 Trading Days have been quoted cum-distribution (or cum-any other entitlement) in respect of a distribution (or entitlement) which has been declared or announced but the Units to be issued do not rank for that distribution (or entitlement), the quotations on each of such dates shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of that distribution (or entitlement) per Unit as at the date of the first public announcement of such distribution or entitlement, and *provided further that*, if the closing price of a Unit is not available on one or more of the said 20 Trading Days, then the average of such closing prices which are available in that 20-Trading-Day period shall be used (subject to a minimum of two such prices) and if only one, or no, such closing price is available in the relevant period the Current Market Price shall be determined in good faith by an Independent Bank.

(d) "**Distribution Threshold**" is the amount of Relevant Distribution in any financial year of the Issuer (the "Relevant Year"), to the extent that:

(i) in the event that only one Relevant Distribution in cash is paid or made in that Relevant Year, that Relevant Distribution in cash attributable to one Unit; or

(ii) in the event that more than one Relevant Distribution in cash is paid or made in that Relevant Year, the aggregate of each Relevant Distribution in cash attributable to one Unit,

does not exceed S$0.026 (subject to such other adjustments to such threshold as an Independent Bank considers appropriate to reflect any consolidation or subdivisions of the Units or the issue of Units by way of capitalisation of profits or reserves or any similar or like event or any adjustment to the Conversion Price).

(e) "**Fair Market Value**" means, with respect to any assets, security, option, warrants or other right on any date, the fair market value of that asset, security, option, warrant or other right as determined by an Independent Bank, *provided that* (i) the Fair Market Value of a cash distribution paid or to be paid per Unit shall be the amount of such cash distribution per Unit determined by the Issuer as at the date of announcement of such distribution; (ii) the fair market value of any other cash amount shall be the amount of such cash; (iii) where options, warrants or other rights are publicly traded in a market of adequate liquidity (as determined by such investment bank) the fair market value of such options, warrants or other rights shall equal the arithmetic mean of the daily closing prices of such options, warrants or other rights during the period of five Trading Days on the relevant market commencing on such date (or, if later, the first such Trading Day such options, warrants or other rights are publicly traded) or such shorter period as such options, warrants or other rights are publicly traded; and (iv) where options, warrants or other rights are not publicly traded (as aforesaid), the fair market value of such options, warrants or other rights shall be determined in good faith by an Independent Bank, on the basis of a commonly accepted market valuation method and taking account of such factors as it considers appropriate, including the market price per Unit, the yield of an Unit, the volatility of such market price, prevailing interest rates and the terms of such options, warrants or other rights, including as to the expiry date and exercise price (if any) thereof.

(f) "**Group**" means Keppel REIT and its Subsidiaries.

(g) "**Principal Subsidiary**" means any Subsidiary of Keppel REIT whose total assets, as shown by the accounts of such Subsidiary (consolidated in the case of a company which itself has Subsidiaries), based upon which the latest audited consolidated accounts of the Group have been prepared, is at least 20 per cent. of the total assets of the Group as shown by such audited consolidated accounts, provided that if any such Subsidiary (the "**transferor**") shall at any time transfer the whole or a substantial part of its business, undertaking or assets to another Subsidiary of Keppel REIT (the "**transferee**") then:

(i) if the whole of the business, undertaking and assets of the transferor shall be so transferred, the transferor shall thereupon cease to be a Principal Subsidiary and the transferee (unless it is Keppel REIT) shall thereupon become a Principal Subsidiary; and

(ii) if a substantial part only of the business, undertaking and assets of the transferor shall be so transferred, the transferor shall remain a Principal Subsidiary and the transferee (unless it is Keppel REIT) shall thereupon become a Principal Subsidiary.

Any Subsidiary which becomes a Principal Subsidiary by virtue of (i) above or which remains or becomes a Principal Subsidiary by virtue of (ii) above shall continue to be a Principal Subsidiary until the date of issue of the first audited consolidated accounts of the Group prepared as at a date later than the date of the relevant transfer which show the total assets as shown by the accounts of such subsidiary or the date of issue of a report by the Group's auditors described below (whichever is earlier), based upon which such audited consolidated accounts or, as the case may be, Group auditor's report have been prepared, to be less than 20.0 per cent. of the total assets of the Group, as shown by such audited consolidated accounts or, as the case may be, Group auditor's report. A report by the Group auditors, who shall also be responsible for producing any pro-forma accounts required for the above purposes, that in their opinion a subsidiary is or is not a Principal Subsidiary shall, in the absence of manifest error, be conclusive.

(h) "**Record Date**" means in relation to any distributions, grant, rights or allotments, the date on which Unitholders must be registered in order to participate in such dividends, rights or allotment.

(i) "**REIT Trust Deed**" means the trust deed dated 28 November 2005 constituting Keppel REIT, as supplemented from time to time.

(j) "**Relevant Distribution**" means:

(i) any distribution of assets in specie by the Issuer for any Financial Year whenever paid or made and however described (and for these purposes a distribution of assets in specie includes, without limitation, an issue of Units or other securities credited as fully or partly paid (other than Units credited as fully paid to the extent an adjustment to the Conversion Price is made in respect thereof under Condition 6.3(a)(ii) *(Capitalisation of Profits or Reserves)*) by way of capitalisation of reserves); and

(ii) any cash distribution or distribution of any kind by the Issuer for any Financial Year (whenever paid and however described),

but excluding any distributions declared by the REIT Manager prior to the Closing Date.

(k) "**Singapore dollars**" or "**S$**" means the lawful currency from time to time of the Republic of Singapore.

(l) "**Subsidiary**" means any company, corporation, trust, fund or other entity (whether or not a body corporate):

(i) which is controlled, directly or indirectly, by Keppel REIT (through its trustee); or

(ii) more than half the issued share capital of which is beneficially owned, directly or indirectly, by Keppel REIT (through its trustee); or

(iii) which is a subsidiary of any company, corporation, trust, fund or other entity (whether or not a body corporate) to which paragraph (i) or (ii) above applies, and for these purposes, any company, corporation, trust, fund or other entity (whether or not a body corporate) shall be treated as being controlled by Keppel REIT if Keppel REIT (whether through its trustee or otherwise) is able to direct its affairs and/or to control the composition of its board of directors or equivalent body.

(m) "**Trading Day**" means a day when the SGX-ST or, as the case may be, an Alternative Stock Exchange is open for dealing business, provided that if no closing price is reported in respect of the relevant Units on the SGX-ST or, as the case may be, the Alternative Stock Exchange for one or more consecutive dealing days, such day or days will be disregarded in any relevant calculation and shall be deemed not to have existed when ascertaining any period of dealing days.

(n) "**Units**" means fully paid units representing undivided interests in Keppel REIT.

(o) On any adjustment, the relevant Conversion Price shall be rounded down to the nearest S$0.0001. No adjustment shall be made to the Conversion Price where such adjustment (rounded down if applicable) would be less than one per cent. of the Conversion Price then in effect, unless the Issuer deems it necessary. Any adjustment not required to be made, and any amount by which the Conversion Price has not been rounded down, shall be carried forward and taken into account in any subsequent adjustment. Notice of any adjustment shall be given by the Issuer to Bondholders (with a copy to the Bond Trustee and the Conversion Agent) in accordance with Condition 16 (*Notices*) as soon as practicable after the determination thereof.

(p) Where more than one event which gives or may give rise to an adjustment to the Conversion Price occurs within such a short period of time that in the opinion of an Independent Bank the foregoing provisions would need to be operated subject to some modification in order to give the intended result, such modification shall be made to the operation of the foregoing provisions as may be advised by an Independent Bank to be in its opinion appropriate in order to give such intended result.

(q) No adjustment will be made to the Conversion Price when Units or other securities (including rights or options) are issued, offered or granted to employees (including directors) of the Issuer or any Subsidiary of the Issuer pursuant to any existing employee share scheme (and which employee share scheme is in compliance with the listing rules of the SGX-ST or, if applicable, those of an Alternative Stock Exchange).

(r) No adjustment involving an increase in the Conversion Price will be made, except in the case of a consolidation of the Units as referred to in Condition 6.3(a)(i) (*Consolidation, Subdivision or Reclassification*) above.

(s) No adjustment shall be made to the Conversion Price pursuant to Condition 6.3 (*Adjustments to Conversion Price*) in respect of the issue of Units to the Manager as payment of its fees in accordance with the REIT Trust Deed.

(t) If any doubt shall arise as to any appropriate adjustment to the Conversion Price in accordance with the provisions of these Conditions, the Issuer may, but shall have no obligation to, procure that the appropriate adjustment be determined by an Independent Bank. Any such determination and opinion or advice of such Independent Bank procured under these Conditions as to the appropriate adjustment to the Conversion Price or otherwise shall, in the absence of manifest error, be conclusive and binding on all concerned.

6.5 **Undertakings**

(a) The Issuer has undertaken in the Bond Trust Deed, *inter alia,* that so long as any Bond remains outstanding, save with the approval of an Extraordinary Resolution (as defined in the Bond Trust Deed) of the Bondholders or with the approval of the Trustee where, in the opinion of the Trustee, it is not materially prejudicial to the interests of Bondholders to give such approval:

(i) it will use all reasonable endeavours:

(A) to maintain a listing for all the issued Units on the SGX-ST;

(B) to obtain and maintain a listing for all the Units issued on the exercise of the Conversion Rights attaching to the Bonds on the SGX-ST; and

(C) if the Issuer is unable to obtain or maintain such listing, or the maintenance of such listing is unduly onerous, to obtain and maintain a listing for all the Units issued on the exercise of the Conversion Rights on an Alternative Stock Exchange as the Issuer may from time to time (with the approval of the Bond Trustee) determine and will forthwith give notice to the Bondholders in accordance with Condition 16 (*Notices*) below of the listing or delisting of the Units (as a class) by any of such stock exchanges;

(ii) it will pay the expenses of the issue of, and all expenses of obtaining listing for, Units arising on conversion of the Bonds; and

(iii) it will use all reasonable endeavours to maintain the listing of the Bonds on the SGX-ST.

(a) In the Bond Trust Deed, the Issuer has undertaken with the Bond Trustee that so long as any Bond remains outstanding, it will procure to keep available, free from any pre-emptive or other similar rights, such number of Units as would be required to be issued on conversion of the Bonds from time to time remaining outstanding and shall ensure that prior to the issue of any Units on conversion the issuer of the Units shall have sufficient authority from Unitholders for such issue and that all Units delivered on conversion of the Bonds will be duly and validly issued as fully-paid.

(b) The Issuer has also given certain other undertakings in the Bond Trust Deed for the protection of the Conversion Rights.

6.6 **Notice of change in Conversion Price**

Except as otherwise provided in Condition 8.6 (*Conversion for Change of Control*), the Issuer shall give notice to the Bondholders in accordance with Condition 16 (*Notices*) and to the Bond Trustee and the Conversion Agent in writing of any change in the Conversion Price. Any such notice relating to a change in the Conversion Price shall set forth the event giving rise to the adjustment or reset (as the case may be), the Conversion Price prior to such adjustment or reset (as the case may be), the adjusted or reset (as the case may be) Conversion Price and the effective date of such adjustment or reset (as the case may be).

6.7 **Bond Trustee and the Agents not obliged to monitor**

The Bond Trustee and the Agents shall not be under any duty or obligation to monitor whether any event or circumstances has happened or exists pursuant to Condition 6 *(Conversion),* Condition 8 *(Redemption, Purchase and Cancellation)* and Condition 10

(Events of Default) and may assume until they have actual knowledge by way of notice in writing from the Issuer to the contrary addressed to each of them, that no such event has occurred and neither the Bond Trustee nor the Agents will be responsible or liable to the Bondholders or any other person for any loss arising from any such assumption or failure by it to monitor so.

6.8 **No obligation for Issuer's failure**

Neither the Bond Trustee nor the Agents shall be responsible or liable to the Bondholders or any person for any failure of the Issuer (i) to make any payments or (ii) to issue or cause to be issued, transfer or cause to be transferred or deliver or cause to be delivered any Units or other securities or property upon the surrender of any Bond for the purposes of conversion or any failure by the Issuer to comply with any of its covenants set out in these Conditions.

6.9 **Calculations**

All calculations under this Condition 6, the Bond Trust Deed and the Agency Agreement shall be performed by the Issuer or any other person nominated or authorised by the Issuer. Neither the Bond Trustee nor the Agents shall be responsible for calculating or verifying such calculations or liable in any respect for the accuracy or inaccuracy in any mathematical calculation or formula under these Conditions, the Agency Agreement or the Bond Trust Deed, whether by the Issuer or any other person so nominated or authorised by the Issuer for the purposes of these Conditions, the Agency Agreement or the Bond Trust Deed.

7. PAYMENTS

7.1 **Principal and interest**

(a) Payment of principal and interest due other than on an Interest Payment Date, will be made by transfer to the registered account of the Bondholder. Payment of principal will only be made after surrender of the relevant Certificate at the specified office of any of the Agents.

(b) Interest on the Bonds due on an Interest Payment Date will be paid on the due date for the payment of interest to the holder shown on the Register at the close of business on the 15th day before the due date for the payment of interest (the "**Interest Record Date**"). Payments of interest on each Bond will be made by transfer to the registered account of the Bondholder.

So long as the Bonds are represented by the Global Certificate, each payment will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date of payment, where "Clearing System Business Day" means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.

7.2 **Registered accounts**

For the purposes of this Condition, a Bondholder's registered account means the Singapore dollar account maintained by or on behalf of it with a bank in Singapore, details of which appear on the Register at the close of business on the second Business Day (as defined below) before the due date for payment.

7.3 **Fiscal laws**

All payments are subject in all cases to (i) any applicable laws and regulations, but without prejudice to the provisions of Condition 9 (*Taxation*); and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provision of Condition 9 (*Taxation*) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Bondholders in respect of such payments.

7.4 **Payment initiation**

Where payment is to be made by transfer to a registered account, payment instructions (for value on the due date or, if that is not a Business Day (as defined below), for value on the first following day which is a Business Day) will be initiated on the due date for payment (or, if it is not a Business Day, the immediately following Business Day) or, in the case of a payment of principal, if later, on the Business Day on which the relevant Certificate is surrendered at the specified office of an Agent.

7.5 **Delay in payment**

Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due if the due date is not a Business Day (as defined below) or if the Bondholder is late in surrendering his Certificate (if required to do so).

7.6 **Business day**

In this Condition 7 (*Payments*), "**Business Day**" means a day other than a Saturday or Sunday or a public holiday on which commercial banks are open for business in London and Singapore and, in the case of the surrender of a Certificate, in the place where the Certificate is surrendered. If an amount which is due on the Bonds is not paid in full, the Registrar will annotate the Register with a record of the amount (if any) in fact paid.

7.7 **Rounding**

When making payments to Bondholders, fractions of one Singapore cent. will be rounded down to the nearest Singapore cent.

8. REDEMPTION, PURCHASE AND CANCELLATION

8.1 **Maturity**

Unless previously redeemed, converted or purchased and cancelled as provided herein, the Issuer will redeem each Bond at 100.00 per cent. of its principal amount on 10 April 2024 (the "**Maturity Date**"), together with accrued interest thereon, if any, (calculated in accordance with Condition 4 (*Interest*)). The Issuer may not redeem the Bonds at its option prior to that date except as provided in Condition 8.2 (*Redemption at the Option of the Issuer*) or Condition 8.3 (*Redemption for Taxation Reasons*) below (but without prejudice to Condition 10 (*Events of Default*)).

8.2 **Redemption at the Option of the Issuer**

(a) On or at any time after 10 April 2022 but not less than seven business days (as defined below) prior to the Maturity Date, the Issuer may, having given not less than 30 nor more than 60 days' notice to the Bondholders, the Bond Trustee and the Principal Paying Agent (which notice will be irrevocable), redeem all of the Bonds or, subject as provided in Condition 8.2(d) (*Redemption at the Option of the Issuer*) below, some only (being S$250,000 in principal amount), *provided that* no such redemption may be made unless the closing price of the Units for each of 20 consecutive Trading Days, the last day of which period occurs no more than 20 Trading Days prior to the date on which notice of such redemption is given pursuant to Condition 16 (*Notices*), was at least 130.00 per cent. of the Conversion Price in effect on such Trading Day. If there shall occur an event giving rise to a change in the Conversion Price during any such 20 consecutive Trading Day period, appropriate adjustments shall be made for the purpose of calculating the closing price for the relevant days.

(b) On the expiry of any such notice, the Issuer will be bound to redeem such Bonds at 100.00 per cent. of their principal amount together with accrued interest (calculated up to but excluding the date of redemption) at the date fixed for such redemption.

(c) If at any time the aggregate principal amount of the Bonds outstanding is less than 10.00 per cent. of the aggregate principal amount originally issued (including any Bonds issued pursuant to Condition 15 (*Further Issues*)), the Issuer shall have the option to redeem such outstanding Bonds in whole but not in part at 100.00 per cent. of their principal amount together with accrued interest (calculated up to but excluding the date of redemption) at the date fixed for such redemption. The Issuer will give at least 30 days' but not more than 60 days' prior notice to the holders for such redemption.

(d) If less than all of the Bonds are to be redeemed at any time, selection of such Bonds for redemption will be made in compliance with the rules, if any, of any stock exchange on which the Bonds are listed or, if such Bonds are not then listed or there are no such applicable rules, on a *pro rata* basis, provided that no Bonds will be redeemed in part. Notice of any such selection will be given not less than 15 days before the date fixed for redemption. Each notice will specify the date fixed for redemption and the aggregate principal amount of the Bonds to be redeemed, the serial numbers of the Bonds called for redemption, the serial numbers of Bonds previously called for redemption and not presented for payment and the aggregate principal amount of the Bonds which will be outstanding after the partial redemption.

8.3 **Redemption for Taxation Reasons**

(a) At any time the Issuer may, having given not less than 30 nor more than 60 days' notice to the Bondholders (which notice shall be irrevocable) redeem all, but not some, of the Bonds at 100.00 per cent. of their principal amount together with accrued interest (calculated up to but excluding the date of redemption) at the date fixed for redemption, if the Issuer satisfies the Trustee immediately prior to the giving of such notice that:

(i) the Issuer has or will become obliged to pay additional amounts as referred to in Condition 9 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of Singapore or any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Closing Date; and

(ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts in respect of the Bonds then due.

(b) Prior to the publication of any notice of redemption pursuant to this Condition 8.3, the Issuer shall deliver to the Bond Trustee:

(i) a certificate signed by two directors of the REIT Manager stating that the obligation referred to in Condition 8.3(a)(i) above cannot be avoided by the Issuer (taking reasonable measures available to it); and

(ii) an opinion of independent legal or tax advisers of recognised standing to the effect that such change or amendment has occurred (irrespective of whether such amendment or change is then effective),

and the Bond Trustee shall be entitled to accept and rely upon such certificate and opinion as sufficient evidence thereof in which event it shall be conclusive and binding on the Bondholders and the Bond Trustee shall be protected and incur no liability to any Bondholder for or in respect of any action taken, omitted or suffered in reliance upon such certificate and opinion.

(c) On the date fixed for redemption in the notice referred to in Condition 8.3(a) above, the Issuer will be bound to redeem the Bonds at 100.00 per cent. of their principal amount together with accrued interest (calculated up to but excluding the date of redemption).

(d) Notwithstanding the foregoing, if the Issuer gives a notice of its intention to redeem the Bonds pursuant to this Condition 8.3, each Bondholder will have the right to elect that its Bond(s) shall not be redeemed and that the provisions of Condition 9 (*Taxation*) shall not apply in respect of any payment of principal or interest to be made in respect of such Bond(s) which falls due after the relevant date fixed for redemption whereupon no additional amounts shall be payable in respect thereof pursuant to Condition 9 (*Taxation*) and payment of all amounts shall be made subject to the deduction or withholding of any tax required to be deducted or withheld. To exercise a right pursuant to this Condition 8.3(d), the holder of the relevant Bond must complete, sign and deposit at the specified office of any Paying Agent a duly completed and signed irrevocable notice of exercise, in the form for the time being current, obtainable from the specified office of any Paying Agent (the "**Tax Option Exercise Notice**"), together with the Certificate evidencing the Bonds on or before the day falling 10 days prior to the date otherwise fixed for redemption.

8.4 **Redemption at the option of the Bondholders**

(a) The Issuer will, at the option of the holder of any Bond, redeem all or some of that holder's Bonds on 10 April 2022 (the "**Early Redemption Date**") at 100.00 per cent. of their principal amount together with accrued interest (calculated up to but excluding the date of redemption). To exercise such right, the holder of the relevant Bond must, no less than 30 days and no more that 60 days before the Early Redemption Date, complete, sign and deposit at the specified office of any Paying Agent a duly completed and signed notice of redemption in the form (for the time being current) obtainable from the specified office of any Paying Agent (the "**Put Option Notice**") together with the Certificate evidencing the Bonds to be redeemed. Subject to Condition 8.9 (*Purchases*), the Put Option Notice must specify the number of Bonds in respect of which the Bondholder opts for redemption and the Early Redemption Date.

(b) A Put Option Notice, once delivered, shall be irrevocable (and may not be withdrawn unless the Issuer consents to such withdrawal) and the Issuer shall redeem the Bonds on the date fixed for the redemption as set out in the Put Option Notice.

8.5 **Delisting and Suspension of Trading Put Right**

(a) In the event the Units cease to be listed or admitted to trading or are suspended for a period equal to or exceeding 30 consecutive Trading Days on the SGX-ST, or, if applicable, the Alternative Stock Exchange (a "**Relevant Event**"), each Bondholder shall have the right (the "**Relevant Event Put Right**"), at such Bondholder's option, to require the Issuer to redeem all (but not less than all) of such Bondholder's Bonds on the 20th business day (as defined below) after notice has been given to Bondholders regarding the Relevant Event referred to under Condition 8.5(b) below (the "**Relevant Event Put Date**") at 100.00 per cent. of their principal amount together with accrued interest to such date (the "**Relevant Event Put Price**").

(b) Promptly after becoming aware of a Relevant Event, the Issuer shall procure that notice regarding the Relevant Event Put Right shall be given to Bondholders, with a copy to the Bond Trustee and the Principal Paying Agent, (in accordance with Condition 16 (*Notices*)) and the SGX-ST stating:

(i) the Relevant Event Put Date;

(ii) the date of such Relevant Event and, briefly, the events causing such Relevant Event;

(iii) the date by which the Relevant Event Put Notice (as defined below) must be given;

(iv) the Relevant Event Put Price and the method by which such amount will be paid;

(v) the names and addresses of all Paying Agents;

(vi) briefly, the Conversion Right and the then current Conversion Price;

(vii) the procedures that Bondholders must follow and the requirements that Bondholders must satisfy in order to exercise the Relevant Event Put Right; and

(viii) that a Relevant Event Put Notice, once validly given, may not be withdrawn.

(c) To exercise its rights to require the Issuer to redeem its Bonds, the Bondholder must deliver a written irrevocable notice of the exercise of such right (a "**Relevant Event Put Notice**"), in the then current form obtainable from the specified office of any Paying Agent, together with the Certificate evidencing the Bonds, to any Paying Agent on any business day prior to the close of business at the location of such Paying Agent on such day and which day is not less than 10 business days prior to the Relevant Event Put Date.

(d) A Relevant Event Put Notice, once delivered, shall be irrevocable and may not be withdrawn without the Issuer's consent, and the Issuer shall redeem the Bonds which form the subject of the Relevant Event Put Notices delivered as aforesaid on the Relevant Event Put Date.

(e) Neither the Bond Trustee nor the Agents shall be required to take any steps to ascertain whether a Relevant Event or any event which could lead to the occurrence of a Relevant Event has occurred or may occur and shall be entitled to assume that no such event has occurred until they have received written notice to the contrary from the Issuer and shall not be liable to the Bondholders or any other person for not doing so. None of the Bond Trustee or the Agents shall be under any duty to determine, calculate or verify the redemption amount payable under this Condition 8.5 and will not be responsible to Bondholders for any loss arising from any failure by it to do so.

(f) For the purposes of this Condition 8, "**business day**" shall mean a day, other than a Saturday or a Sunday, on which commercial banks are open for business in London and Singapore.

8.6 **Conversion for Change of Control**

(a) Following the occurrence of a Change of Control Event (as defined below), subject to and upon compliance with Condition 6 (*Conversion*), the holder of each Bond will have the right, at such Bondholder's option, to exercise such Bondholder's Conversion Right where the Conversion Date falls within the Change of Control Period to convert the Bonds into Units pursuant to these Conditions at a Conversion Price determined in accordance with the following formula:

$$NCP = OCP/(1+(CP \times c/t))$$

where:

"**NCP**" means the Conversion Price for the purposes of this Condition 8.6;

"**OCP**" means the Conversion Price in force on the relevant Conversion Date immediately before application of the above formula;

"**CP**" means the Conversion Premium of 12.50 per cent., expressed as a fraction;

"**c**" means the number of days from and including the first day of the Change of Control Period (as defined below) to but excluding the Maturity Date; and

"**t**" means the number of days from and including 10 April 2019 to but excluding the Maturity Date.

(b) To exercise a Conversion Right attaching to a Bond on the occurrence of a Change of Control Event, the holder thereof must complete, sign and deposit at its own expense at any time from 9:00 am to 3:00 pm (local time in the place of deposit) on a business day in London at the specified office of any Conversion Agent a notice (a "**Change of Control Exercise Notice**") in the form (for the time being current) obtainable from the specified office of any Agent together with the relevant Certificate evidencing the Bonds to be converted. Such Change of Control Exercise Notice shall be deposited during the period (the "**Change of Control Period**") from the date the Change of Control Event occurred and ending on the later of (i) 30 calendar days after the date the Change of Control Event occurred and (ii) if such notice is given, 30 calendar days following the date upon which notice of the occurrence of the Change of Control Event is given to Bondholders by the Issuer in accordance with Condition 8.6(d). The "**Change of Control Conversion Date**" shall be the 14th calendar day after the expiry of the Change of Control Period.

(c) A Change of Control Exercise Notice, once delivered, shall be irrevocable and may not be withdrawn without the Issuer's consent, and the Issuer shall convert the Bonds (in whole but not in part) which form the subject of the Change of Control Exercise Notice and the Issuer shall cause to be issued Units for the Bonds which are converted in accordance with these Conditions.

(d) Not later than 14 days after becoming aware of a Change of Control Event, the Issuer shall procure that notice regarding the Change of Control Event be delivered to the Bond Trustee, the Paying Agent and Bondholders (in accordance with Condition 16 (*Notices*) stating:

(i) that Bondholders have the option of exercising their Conversion Rights under Condition 8.6 (*Conversion for Change of Control*) or require the Issuer to redeem their Bonds under Condition 8.7 (*Redemption for Change of Control*);

(ii) the date of such Change of Control Event and, briefly, the events causing such Change of Control Event;

(iii) that the Change of Control Exercise Notice pursuant to Condition 8.6 (*Conversion for Change of Control*) or the Change of Control Redemption Notice pursuant to Condition 8.7 (*Redemption for Change of Control*), as the case may be, must be given within the Change of Control Period;

(iv) the last day of the Change of Control Period;

(v) the names and addresses of all relevant Paying Agents;

(vi) the Conversion Price immediately prior to the occurrence of the Change of Control Event and the Conversion Price as a consequence of the Change of Control Event pursuant to Condition 8.6 (*Conversion for Change of Control*), as adjusted, where appropriate;

(vii) the closing price of the Units as quoted by the SGX-ST as at the latest practicable date prior to the application of such notice;

(viii) such other information relating to the Change of Control Event as the Bond Trustee may require; and

(ix) that the Change of Control Exercise Notice pursuant to Condition 8.6 (*Conversion for Change of Control*) or the Change of Control Redemption Notice pursuant to Condition 8.7 (*Redemption for Change of Control*), as the case may be, once validly given, may not be withdrawn without the Issuer's consent.

(e) For the purposes of this Condition 8.6 (*Conversion for Change of Control*):

(i) "**Control**" means the acquisition or control of more than 50.00 per cent. of the Voting Rights of, the issued capital of Keppel REIT or the right to appoint and/or remove all or the majority of the members of the Board of Directors or other governing body of the REIT Manager; and

(ii) a "**Change of Control Event**" occurs when:

(A) any Person or Persons acting together (other than for Keppel Corporation Limited and/or any of its Subsidiaries) acquires Control of Keppel REIT if such Person or Persons does not or do not have, and would not be deemed to have, Control of Keppel REIT on the Closing Date; or

(B) Keppel REIT consolidates with or merges into or leases, sells or transfers, conveys or makes any other disposition, in one or a series of related transactions, of all or substantially all of the assets of Keppel REIT to any other Person (other than for Keppel Corporation Limited and/or any of its Subsidiaries), unless (a) the consolidation, merger, lease, sale, transfer, conveyance or disposition will not result in the other Person or Persons acquiring Control over Keppel REIT or the successor entity or (b) following the consolidation, merger, lease, sale, transfer, conveyance or disposition, Keppel Corporation Limited and/or any of its Subsidiaries remains as the largest unitholder/shareholder of the merged or new entity;

(iii) a "**Person**" includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state (in each case whether or not being a separate legal entity); and

(iv) "**Voting Rights**" means the right generally to vote at general meetings of shareholders/unitholders of the relevant company/Keppel REIT (irrespective of whether or not, at the time, stock/units of any other class or classes shall have, or might have, voting power by reason of the happening of any contingency).

8.7 **Redemption for Change of Control**

(a) During the Change of Control Period, the holder of each Bond shall have the right, at such holder's option, to require the Issuer to redeem in whole but not in part such holder's Bonds on the Change of Control Redemption Date (as defined below) at 100.00 per cent. of their principal amount together with accrued interest (calculated up to but excluding the date of redemption) at the date fixed for such redemption. Following the occurrence of a Change of Control Event, the Issuer shall give notice thereof to the Bond Trustee, the Principal Paying Agent and the Bondholders pursuant to Condition 8.6(d) (*Conversion for Change of Control*).

(b) To exercise such right attaching to a Bond on the occurrence of a Change of Control Event, the holder thereof must complete, sign and deposit at its own expense at any time from 9:00 am to 3:00 pm (local time in the place of deposit) on any business day at the specified office of any Paying Agent a notice (a "**Change of Control Redemption Notice**") in the form (for the time being current) obtainable from the specified office of any Paying Agent together with the relevant Certificate evidencing the Bonds to be redeemed. Such Change of Control Redemption Notice shall be deposited during the Change of Control Period (as defined in Condition 8.6(e) (*Conversion for Change of Control*) above). In respect of any Change of Control Redemption Notice, the Change of Control Redemption Date shall be the 14th calendar day after the Change of Control Period following the deposit by the relevant Bondholder of the Change of Control Redemption Notice.

(c) A Change of Control Redemption Notice, once delivered, shall be irrevocable and may not be withdrawn without the Issuer's consent, and the Issuer shall redeem the Bonds (in whole but not in part) which form the subject of the Change of Control Redemption Notice on the Change of Control Redemption Date.

(d) The Bond Trustee shall not be required to take any steps to ascertain whether a Change of Control or any event which could lead to the occurrence of a Change of Control has occurred and shall not be responsible or liable to Bondholders for any loss arising from any failure to do so.

8.8 Redemption following exercise of a Put Option/Relevant Event/Change of Control Put Right

Upon the exercise of any put option specified in Conditions 8.4 (*Redemption at the option of the Bondholders*), 8.5 (*Delisting and Suspension of Trading Put Right*) or 8.7 (*Redemption for Change of Control*) payment of the applicable redemption amount shall be conditional upon delivery of the Bondholder's Certificate (together with any necessary endorsements) to any Paying Agent on any Business Day together with the delivery of any other document(s) required by these Conditions, and will be made promptly following the later of the date set for redemption and the time of delivery of such Certificate. Following payment in accordance with the Bond Trust Deed of the applicable redemption amount to the Bondholders of Bonds for which notices have been delivered in accordance with the provisions hereof upon exercise of such right, then, whether or not such Certificate is delivered to the Paying Agent, on and after such Put Date, (a) such Bond will cease to be outstanding; (b) such Bond will be deemed paid; and (c) all other rights of the Bondholder shall terminate (other than the right to receive the applicable redemption monies). "**Put Date**" shall mean the date on which the relevant Bond falls to be redeemed by the Issuer pursuant to Conditions 8.4 (*Redemption at the option of the Bondholders*), 8.5 (*Delisting and Suspension of Trading Put Right*) or 8.7 (*Redemption for Change of Control*).

8.9 Purchases

The Issuer or any of its Subsidiaries may at any time and from time to time purchase Bonds at any price in the open market or otherwise. The Bonds so acquired, while held on behalf of the Issuer, shall not entitle the holders thereof to convert the Bonds in accordance with these Conditions nor exercise any voting rights with respect to such Bonds.

8.10 Cancellation

All Bonds which are redeemed, purchased or converted by the Issuer or any of its Subsidiaries, will forthwith be cancelled. Certificates in respect of all Bonds cancelled will be forwarded to or to the order of the Registrar and such Bonds may not be reissued or resold.

8.11 Redemption notices

Except as otherwise specified in Condition 8.6 (*Conversion for Change of Control*), all notices to Bondholders given by or on behalf of the Issuer pursuant to this Condition 8 will specify the Conversion Price as at the date of the relevant notice, the closing price of the Units (as quoted on the SGX-ST) as at the latest practicable date prior to the publication of the notice, the date for redemption, the manner in which redemption will be effected and the aggregate principal amount of the Bonds outstanding as at the latest practicable date prior to the publication of the notice.

If more than one notice of redemption (which shall include any notice given by the Issuer pursuant to Condition 8.3 (*Redemption for Taxation Reasons*) and any notice given by a Bondholder pursuant to Conditions 8.4 (*Redemption at the option of the Bondholders*), 8.5 (*Delisting and Suspension of Trading Put Right*) or 8.7 (*Redemption for Change of Control*) is given pursuant to this Condition 8.11 (*Redemption Notices*), the first of such notices shall prevail. Neither the Bond Trustee nor the Agents shall be responsible for calculating or verifying any calculations of any amounts payable under these Conditions.

9. TAXATION

(a) All payments made by or on behalf of the Issuer under or in respect of the Bond Trust Deed or Bonds (including, for the avoidance of doubt, payments of principal and/or interest) will be made free from any restriction or condition and be made without deduction or withholding for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Singapore or any authority thereof or therein having power to tax, unless deduction or withholding of such taxes, duties, assessments or governmental charges is compelled by law. In such event, the Issuer will pay such additional amounts as will result in the receipt by the Bondholders of the net amounts after such deduction or withholding equal to the amounts which would otherwise have been receivable by them had no such deduction or withholding been required except that no such additional amount shall be payable in respect of any Bond:

(i) to a holder (or to a third party on behalf of a holder) who is subject to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his having some connection with Singapore otherwise than merely by holding the Bond or by the receipt of amounts in respect of the Bond or where the withholding or deduction could be avoided by the holder making a declaration of non-residence or other similar claim for exemption to the appropriate authority which such holder is legally capable and competent of making but fails to do so; or

(ii) (in the case of a payment of principal) if the Certificate in respect of such Bond is surrendered more than 30 days after the relevant date except to the extent that the holder would have been entitled to such additional amount on surrendering the relevant Certificate for payment on the last day of such period of 30 days; or

(iii) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Bond to another Paying Agent or Conversion Agent in a Member State of the European Union.

(b) For the purposes hereof "**relevant date**" means the date on which such payment first becomes due except that if the full amount payable has not been received by the Bond Trustee or the Principal Paying Agent on or prior to such due date, the date on which, the full amount having been so received, notice to that effect shall have been given to the Bondholders and cheques despatched or payment made.

(c) References in these Conditions to principal and premium (if any) shall be deemed also to refer to any additional amounts which may be payable under this Condition 9 or any undertaking or covenant given in addition thereto or in substitution therefor pursuant to the Bond Trust Deed.

(d) Neither the Bond Trustee nor any Agent shall be responsible for paying any tax, duty, charges, withholding or other payment referred to in this Condition 8 or for determining whether such amounts are payable or the amount thereof, and none of them shall be responsible or liable for any failure by the Issuer, any Bondholder or any third party to pay such tax, duty, charges, withholding or other payment in any jurisdiction or to provide any notice or information to the Bond Trustee or any Agent that would permit, enable or facilitate the payment of any principal, premium (if any), interest or other amount under or in respect of the Bonds without deduction or withholding for or on account of any tax, duty, charge, withholding or other payment imposed by or in any jurisdiction.

10. EVENTS OF DEFAULT

If any of the following events ("**Events of Default**") occurs the Trustee at its discretion may, and if so requested in writing by the holders of at least 30 per cent. in principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution shall, give written notice to the Issuer that the Bonds are immediately repayable, whereupon the Bonds are, and they shall accordingly thereby become, immediately due and repayable at –

(i) 100.00 per cent. of their principal amount at such date; or

(ii) in the case of a default in payment of any Cash Settlement Amount due in respect of the Bonds or as specified in Condition 10(b) below, at the higher of their principal amount as at such date and the applicable Cash Settlement Amount (subject as provided below and without prejudice to the right of Bondholders to exercise the Conversion Right in respect of their Bonds in accordance with Condition 6 (*Conversion*),

plus accrued interest:

(a) the Issuer does not pay any sum payable by it under any of the Bond Trust Deed or the Bonds when due and such default continues for a period of (i) three (3) Business Days after the due date in respect of any principal amount payable or (ii) five (5) Business Days after the due date in respect any other amount payable;

(b) any failure by the Issuer to deliver any Units as and when the Units are required to be delivered following conversion of Bonds and such failure continues for more than five days;

(c) the Issuer fails to perform or observe any of its other obligations under the Conditions and the Bond Trust Deed (other than the payment obligation referred to in sub-paragraph (a)) unless otherwise waived by the Bond Trustee, and where such waiver was not granted, if that default is capable of remedy, it is not remedied within 30 days from the date of notice of such default by the Bond Trustee; and

(d)

(i) any other present or future indebtedness of the Issuer, Keppel REIT or any Principal Subsidiary in respect of borrowed money is or is declared to be or is capable of being rendered due and payable before its stated maturity by reason of any event of default or the like (however described) or is not paid when due, or as the case may be, within any applicable grace period;

(ii) the Issuer, Keppel REIT or any of the Principal Subsidiaries fails to pay when properly called upon to do so any present or future guarantee of indebtedness for, or indemnity in respect of, any moneys borrowed or raised,

however, no Event of Default will occur under this paragraph (c)(i) or (c)(ii) unless and until the aggregate amount of the indebtedness in respect of which one or more of the events mentioned above in this paragraph (c) has/have occurred equals or exceeds S$50,000,000;

(e) the Issuer, Keppel REIT or any Principal Subsidiary shall cease or threaten to cease to carry on all or material part of its business, operations and undertakings as carried on at the date hereof (except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation, (i) on terms approved by the

Bond Trustee or by an Extraordinary Resolution of Bondholders or (ii) in the case of a Principal Subsidiary, not involving insolvency, or (iii) which does not materially and adversely affect the ability of the Issuer to perform or observe its obligations under the Bonds or the Bond Trust Deed or (otherwise than in the ordinary course of its business) disposes or threatens to dispose of the whole or any part of its property or assets (other than permitted pursuant to the Bond Trust Deed);

(f) an order is made or an effective resolution passed for the winding-up, dissolution, judicial management or administration of Keppel REIT or any of its Principal Subsidiaries or Keppel REIT or any of its Principal Subsidiaries ceases or threatens to cease to carry on all or substantially all of its business or operations, except for (i) the purpose of, and followed by, a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by an Extraordinary Resolution of the Bondholders or (ii) in the case of a Principal Subsidiary, whereby the undertaking and assets of such Principal Subsidiary are transferred to or otherwise vested in the Issuer or any of its other Subsidiaries;

(g) the Issuer, Keppel REIT or any Principal Subsidiary is (or is deemed by law or a court to be) insolvent, or proposes or makes a general assignment or an arrangement or scheme or composition with or for the benefit of the creditors of the Issuer, Keppel REIT or any Principal Subsidiary, or a moratorium is agreed or declared in respect of or affecting all or a material part of the indebtedness of the Issuer, Keppel REIT or any Principal Subsidiary;

(h) a distress, attachment or execution or other legal process is levied, enforced or sued out upon or against all or a material part of the properties or assets of the Issuer, Keppel REIT or any Principal Subsidiary and is not discharged or stayed within 45 days;

(i) any security on or over the whole or any material part of the assets of the Issuer, Keppel REIT or any Principal Subsidiary becomes enforceable;

(j) any step is taken by any person with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or a substantial part of the assets of the Issuer, Keppel REIT or any Principal Subsidiary;

(k) any event occurs which, under the laws of any relevant jurisdiction, has in the Bond Trustee's opinion, an analogous effect to any of the events referred to in paragraphs (f) to (j) above;

(l) it is or will become unlawful or illegal for the Issuer to observe, perform or comply with any one or more of its payment or other material obligations under the Bonds or any other Transaction Document to which it is a party;

(m) the REIT Manager is removed pursuant to the terms of the REIT Trust Deed, and the replacement or substitute manager is not appointed in accordance with the terms of the REIT Trust Deed; or

(n) any of the Subsidiaries of Keppel REIT is declared by the Minister of Finance to be a declared company under the provisions of Part IX of the Companies Act, Chapter 50 of Singapore.

The Bond Trustee and the Agents shall not be required to take any steps to ascertain whether an Event of Default or any event which could lead to the occurrence of an Event of Default has occurred and shall be entitled to assume that no such event has occurred until they have received written notice to the contrary from the Issuer, and shall not be responsible or liable to the Bondholders, the Issuer or any other person for any loss arising from any failure to do so.

11. PRESCRIPTION

Claims in respect of amounts due in respect of the Bonds will become prescribed unless made within 10 years (in the case of principal and premium (if any)) and five years (in the case of interest) from the relevant date (as defined in Condition 9 (*Taxation*)) in respect thereof.

12. ENFORCEMENT

At any time after the Bonds have become due and repayable, the Bond Trustee may, at its discretion and without further notice, take such proceedings against the Issuer as it may think fit to enforce repayment of the Bonds and to enforce the provisions of the Bond Trust Deed, but it will not be bound to take any such proceedings unless (i) it shall have been so requested in writing by the holders of not less than 30.00 per cent. in principal amount of the Bonds then outstanding or shall have been so directed by an Extraordinary Resolution of the Bondholders and (ii) it shall have been indemnified and/or pre-funded and/or secured to its satisfaction. No Bondholder will be entitled to proceed directly against the Issuer unless the Bond Trustee, having become bound to do so, fails to do so within a reasonable period and such failure shall be continuing.

13. MEETINGS OF BONDHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION

13.1 Meetings

The Bond Trust Deed contains provisions for convening meetings of Bondholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Bonds or the provisions of the Bond Trust Deed. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing over 50.00 per cent. in principal amount of the Bonds for the time being outstanding or, at any adjourned such meeting, two or more persons being or representing Bondholders whatever the principal amount of the Bonds so held or represented unless the business of such meeting includes consideration of proposals, *inter alia*:

(a) to modify the due date for any payment in respect of the Bonds;

(b) to reduce or cancel the amount of principal, premium (if any) (including any Cash Settlement Amount), Equivalent Amount or the rate of interest payable in respect of the Bonds or changing the method of calculation of the Cash Settlement Amount;

(c) to change the currency of payment of the Bonds or the put options specified in Condition 8 (*Redemption, Purchase and Cancellation*);

(d) to modify (except by a unilateral and unconditional reduction in the Conversion Price) or cancel the Conversion Rights; or

(e) to modify the provisions concerning the quorum required at any meeting of the Bondholders or the majority required to pass an Extraordinary Resolution or sign a resolution in writing,

in which case the necessary quorum for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 75.00 per cent., or at any adjourned such meeting not less than 25.00 per cent., in principal amount of the Bonds for the time being outstanding. An Extraordinary Resolution passed at any meeting of Bondholders will be binding on all Bondholders, whether or not they are present at the meeting. The Bond Trust Deed provides that a written resolution signed by or on behalf of the holders of not less than 75.00 per cent. of the aggregate principal amount of Bonds outstanding shall be as valid and effective as a duly passed Extraordinary Resolution.

So long as the Bonds are represented by the Global Certificate, Extraordinary Resolution includes a consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Trustee) by or on behalf of all the Holders of not less than 75.00 per cent. in aggregate principal amount of the Bonds for the time being outstanding.

13.2 **Modification and waiver**

The Bond Trustee may agree, without the consent of the Bondholders, to (i) any modification (except as mentioned in Condition 13.1 (*Meetings*) above) to, or the waiver or authorisation of any breach or proposed breach of, the Bonds, the Agency Agreement or the Bond Trust Deed which is not, in the opinion of the Bond Trustee, materially prejudicial to the interests of the Bondholders or (ii) any modification to the Bonds, the Agency Agreement or the Bond Trust Deed which, in the Bond Trustee's opinion, is of a formal, minor or technical nature or to correct a manifest or proven error or to comply with mandatory provisions of law. Any such modification, waiver or authorisation will be binding on the Bondholders and, unless the Bond Trustee agrees otherwise, any such modifications, waiver or authorisation will be notified by the Issuer to the Bondholders as soon as practicable thereafter.

To the extent required by the SGX-ST from time to time, any material modification to the terms of the Bonds which is for the benefit of the Bondholders but is materially prejudicial to the interests of the unitholders of Keppel REIT shall not be effected without the prior approval of the Unitholders of Keppel REIT at a general meeting of the Unitholders, unless such modification is made pursuant to the terms of the Bonds.

13.3 **Interests of Bondholders**

In connection with the exercise of its functions (including but not limited to those in relation to any proposed modification, authorisation, waiver or substitution) the Trustee shall have regard to the interests of the Bondholders as a class and shall not have regard to the consequences of such exercise for individual Bondholders and the Trustee shall not be entitled to require, nor shall any Bondholder be entitled to claim, from the Issuer, the REIT Manager or the Trustee, any indemnification or payment in respect of any tax consequences of any such exercise on individual Bondholder except to the extent provided for in Condition 9 (*Taxation*) and/or any undertakings given in addition thereto or in substitution therefor pursuant to the Bond Trust Deed.

14. REPLACEMENT OF CERTIFICATES

If any Certificate is mutilated, defaced, destroyed, stolen or lost, it may be replaced at the specified office of the Registrar or any Agent on payment by the claimant of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer and such Agent may reasonably require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

15. FURTHER ISSUES

The Issuer may from time to time, without the consent of the Bondholders, create and issue further bonds having the same terms and conditions as the Bonds in all respects (except for the first payment of interest, the first date conversion rights may be exercised and the date of issue) and so that such further issue shall be consolidated and form a single series with the Bonds. The Issuer may from time to time create and issue other series of bonds having the benefit of the Bond Trust Deed, provided that such supplemental documents are executed and further opinions are obtained as the Bond Trustee may require, as further set out in the Bond Trust Deed.

16. NOTICES

All notices to Bondholders shall be validly given if mailed to them at their respective addresses in the Register or published in a leading newspaper having general circulation in Asia (which is expected to be the *Asian Wall Street Journal*) and, so long as the Bonds are listed on the SGX-ST and the rules of that exchange so require, published in a leading English language newspaper having general circulation in Singapore (which is expected to be *The Business Times*) or otherwise as required by the rules of the SGX-ST. Such notices shall be deemed to have been given on the later of the date of such publication and the seventh day after being so mailed, as the case may be.

The REIT Manager shall, not later than one month before the Expiration Date, announce the Expiration Date on the website of the SGX-ST and take reasonable steps to give notice to the Bondholders in writing of the Expiration Date.

So long as the Bonds are represented by a Global Certificate held on behalf of Euroclear or Clearstream (as the case may be), notices required to be given to the Bondholders may be given by their delivery to Euroclear or Clearstream (as the case may be), rather than by mail or publication as aforesaid.

17. AGENTS

17.1 Initial Agents and changes to Agents and Registrar

The Issuer reserves the right, subject to the prior written approval of the Bond Trustee, at any time to vary or terminate the appointment of any Agent or the Registrar and to appoint additional or other Agents or a replacement Registrar, provided that there will at all times be:

(a) a Principal Paying Agent;

(b) a Registrar outside the United Kingdom which will maintain the register of Bondholders; and

(c) an Agent having a specified office in a major financial centre in Europe.

Notice of any such termination or appointment and of any changes in the specified offices of any Agent or the Registrar will be given promptly by the Issuer to the Bondholders in accordance with Condition 16 (*Notices*).

18. INDEMNIFICATION

The Bond Trust Deed contains provisions for the indemnification of the Bond Trustee and for its relief from responsibility, including provisions relieving it from taking proceedings to enforce repayment unless indemnified and/or secured and/or pre-funded to its satisfaction. The Bond Trust Deed also contains provisions pursuant to which the Bond Trustee is entitled to enter into business transactions with the Issuer, the REIT Manager and any entity related to Keppel REIT without accounting for any profit.

19. LIABILITY OF THE KEPPEL REIT TRUSTEE

19.1 Notwithstanding any provision to the contrary in the Conditions, the Bond Trust Deed or the Bonds, it is hereby acknowledged that RBC Investor Services Trust Singapore Limited has entered into the Bond Trust Deed only in its capacity as trustee of Keppel REIT and not in its personal capacity and all references to (i) the "REIT Trustee" and (ii) (in the case where the REIT Trustee is the Issuer), the "Issuer" in the Bond Trust Deed and the Bonds shall be construed accordingly. As such, notwithstanding any provision to the contrary in the Conditions, the Bond Trust Deed and the Bonds, RBC Investor Services Trust Singapore Limited has assumed all obligations under the Conditions, the Bond Trust Deed and the Bonds only in its capacity as trustee of Keppel REIT and not in its personal capacity and (i) any liability of or indemnity, covenant, undertaking, representation and/or warranty given or to be given by RBC Investor Services Trust Singapore Limited under the Conditions, the Bond Trust Deed or the Bonds is given in its capacity as trustee of Keppel REIT and not in its personal capacity and (ii) any power and right conferred on any receiver, attorney, agent and/or delegate, shall in each case be limited to the assets of Keppel REIT over which RBC Investor Services Trust Singapore Limited in its capacity as trustee has recourse and shall not extend to any personal assets of RBC Investor Services Trust Singapore Limited or any assets held by it in its capacity as trustee of any other trust (other than Keppel REIT) or in any other matter. Any obligation, matter, act, action or thing required to be done, performed or undertaken or any covenant, representation, warranty or undertaking given or to be given by RBC Investor Services Trust Singapore Limited under this Agreement shall only be understood to be in the context of RBC Investor Services Trust Singapore Limited acting as trustee of Keppel REIT in connection with matters relating to Keppel REIT and shall not extend to the obligations of RBC Investor Services Trust Singapore Limited in respect of any other trust or real estate investment trust of which it is a trustee.

19.2 Notwithstanding any provision to the contrary in the Conditions, the Bond Trust Deed and the Bonds, it is hereby agreed that RBC Investor Services Trust Singapore Limited's obligations under the Conditions, the Bond Trust Deed and the Bonds will be solely the corporate obligations of RBC Investor Services Trust Singapore Limited and that the Trustee and the Bondholders shall not have any recourse against the shareholders, directors, officers or employees of RBC Investor Services Trust Singapore Limited for any claims, losses, damages, liabilities or other obligations whatsoever in connection with any of the transactions contemplated by the provisions of the Bond Trust Deed and the Bonds and the Coupons.

19.3 For the avoidance of doubt, any legal action or proceedings commenced against the REIT Trustee whether in England and Wales or elsewhere pursuant to the Conditions, Bond Trust Deed and the Bonds shall be brought against RBC Investor Services Trust Singapore Limited only in its capacity as trustee for Keppel REIT and not in its personal capacity.

19.4 The provisions of this Condition 19 shall apply, *mutatis mutandis*, to any notices, certificates or other documents which the Keppel REIT Trustee or the Issuer issues under or pursuant to the Bonds and any documents in connection therewith as if expressly set out in such notice, certificate or document and survive the termination or rescission of the Bond Trust Deed, any supplemental trust deeds (if any) or the Bonds.

20. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of this Bond under the Contracts (Rights of Third Parties) Act 1999.

21. GOVERNING LAW

The Bonds, the Bond Trust Deed, the Agency Agreement and any non-contractual obligations arising out of them are governed by, and shall be construed in accordance with, the laws of England and Wales. In relation to any legal action or proceedings arising out of or in connection with the Bond Trust Deed or the Bonds, the Issuer has in the Bond Trust Deed irrevocably submitted to the jurisdiction of the courts of England and in relation thereto has appointed process agent as its agent for service of process in England.

THE GLOBAL CERTIFICATE

The Global Certificate will contain provisions which apply to the Bonds in respect of which the Global Certificate is issued, some of which modify the effect of the Terms and Conditions set out in this Offering Circular. Terms defined in the Terms and Conditions have the same meaning in the paragraphs below. The following is a summary of those provisions.

1. INTRODUCTION

1.1 The Bonds

This Global Certificate is issued in respect of the bonds (the "**Bonds**") of RBC Investor Services Trust Singapore Limited (in its capacity as trustee of Keppel REIT) (the "**Issuer**"). The Bonds:

1.1.1 *Trust Deed*: are subject to, and have the benefit of, a trust deed dated 10 April 2019 (as amended or supplemented from time to time, the "**Trust Deed**") made between the Issuer and The Bank of New York Mellon, London Branch as trustee (the "**Trustee**", which expression includes all persons for the time being appointed trustee or trustees under the Trust Deed); and

1.1.2 *Agency Agreement*: are the subject of an issue and paying agency agreement dated 10 April 2019 (as amended or supplemented from time to time, the "**Agency Agreement**") made between the Issuer, The Bank of New York Mellon, London Branch as principal paying agent (the "**Principal Agent**", which expression includes any successor principal paying agent appointed from time to time in connection with the Bonds), the other agents named therein (together with the Principal Agent, the "**Agents**", which expression includes any successor or additional agents appointed from time to time in connection with the Bonds) and the Trustee.

1.2 Construction

All references in this Global Certificate to an agreement, instrument or other document (including the Agency Agreement and the Trust Deed) shall be construed as a reference to that agreement, instrument or other document as the same may be amended, supplemented, replaced or novated from time to time *provided that*, in the case of any amendment, supplement, replacement or novation made after the date hereof, it is made in accordance with the Conditions. Headings and sub-headings are for ease of reference only and shall not affect the construction of this Global Certificate.

1.3 References to Conditions

Any reference herein to the "**Conditions**" is to the Terms and Conditions of the Bonds set out in (*Terms and Conditions of the Bonds*) herein, and any reference to a numbered "**Condition**" is to the correspondingly numbered provision thereof. Words and expressions defined in the Conditions shall have the same meanings when used in this Global Certificate.

2. **REGISTERED HOLDER**

This is to certify that:

THE BANK OF NEW YORK DEPOSITORY (NOMINEES) LIMITED

is the person registered in the register maintained by the Registrar in relation to the Bonds (the "**Register**") as the duly registered Holder (the "**Holder**") of:

S$200.0 million

(200.0 MILLION SINGAPORE DOLLARS)

in aggregate principal amount of Bonds.

3. **PROMISE TO PAY**

The Issuer, for value received, promises to pay to the Holder, in respect of each Bond represented by this Global Certificate, the redemption amount on the Maturity Date or on such earlier date or dates as the same may become payable in accordance with the Conditions, and to pay interest on each such Bond on the dates and in the manner specified in the Conditions, all subject to and in accordance with the Conditions.

4. **PAYMENT CONDITIONS**

4.1 *Payment Business Day*: any day which is a day on which dealings in Singapore dollars may be carried on in London and Singapore.

4.2 *Payment Record Date*: Each payment made in respect of this Global Certificate will be made to the person shown as the Holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the "**Record Date**") where "**Clearing System Business Day**" means Monday to Friday inclusive except 25 December and 1 January/a day on which the relevant clearing system for which this Global Certificate is being held is open for business.

4.3 *Payments*: All payments in respect of this Global Certificate shall be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of this Global Certificate at the Specified Office of any Paying Agent, and, shall be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Bonds.

5. **EXCHANGE FOR INDIVIDUAL CERTIFICATES**

The Global Certificate will be exchanged in whole (but not in part) for duly authenticated and completed Individual Certificates (which expression has the meaning given in the Trust Deed) in accordance with the Agency Agreement if either of the following events occurs:

5.1 *Closure of clearing systems:* Euroclear Bank SA/NV ("**Euroclear**") or Clearstream Banking S.A. ("**Clearstream, Luxembourg**") or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; or

5.2 *Event of Default*: any of the circumstances described in Condition 10 (*Events of Default*) occurs.

6. **DELIVERY OF INDIVIDUAL CERTIFICATES**

Whenever this Global Certificate is to be exchanged for Individual Certificates, such Individual Certificates shall be issued in an aggregate principal amount equal to the principal amount of this Global Certificate within five business days of the delivery, by or on behalf of the Holder, Euroclear and/or Clearstream, Luxembourg, to the Registrar of such information as is required to complete and deliver such Individual Certificates (including, without limitation, the names and addresses of the persons in whose names the Individual Certificates are to be registered and the principal amount of each such person's holding) against the surrender of this Global Certificate at the Specified Office of the Registrar. Such exchange shall be effected in accordance with the provisions of the Agency Agreement and the regulations concerning the transfer and registration of Bonds scheduled thereto and, in particular, shall be effected without charge to any Holder or the Trustee, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange. In this paragraph, "**business day**" means a day on which commercial banks are open for business (including dealings in foreign currencies) in the city in which the Registrar has its Specified Office.

7. **CONDITIONS APPLY**

Save as otherwise provided herein, the Holder of this Global Certificate shall have the benefit of, and be subject to, the Conditions and, for the purposes of this Global Certificate, any reference in the Conditions to "**Bond Certificate**" or "**Bond Certificates**" shall, except where the context otherwise requires, be construed so as to include this Global Certificate.

8. **EXERCISE OF PUT OPTION**

In order to exercise the option contained in Condition 8.4 (*Redemption at the Option of the Bondholders*), 8.5 (*Delisting and Suspension of Trading Put right*) or 8.7 (*Redemption for Change of Control*) (each, a "**Put Option**"), the Holder must, within the period specified in the Conditions for the deposit of the relevant Bond Certificate and Put Option Notice (as such expression is defined in the Agency Agreement), give written notice of such exercise to the Principal Agent specifying the principal amount of Bonds in respect of which the relevant Put Option is being exercised. Any such notice shall be irrevocable and may not be withdrawn.

9. **NOTICES**

Notwithstanding Condition 16 (*Notices*), so long as this Global Certificate is held on behalf of Euroclear, Clearstream, Luxembourg or any other clearing system (an "**Alternative Clearing System**"), notices to Holders of Bonds represented by this Global Certificate may be given by delivery of the relevant notice to Euroclear, Clearstream, Luxembourg or (as the case may be) such Alternative Clearing System.

10. **DETERMINATION OF ENTITLEMENT**

This Global Certificate is evidence of entitlement only and is not a document of title. Entitlements are determined by the Register and only the Holder is entitled to payment in respect of this Global Certificate.

11. **AUTHENTICATION**

This Global Certificate shall not be valid for any purpose until it has been authenticated for and on behalf of The Bank of New York Mellon SA/NV, Luxembourg Branch as Registrar.

12. **GOVERNING LAW**

This Global Certificate and any non-contractual obligations arising out of or in connection with it are governed by English law.

THE STRUCTURE OF KEPPEL REIT AND THE UNITS

The REIT Trust Deed is a complex document and the following is a summary only. Investors should refer to the REIT Trust Deed itself to confirm specific information or for a detailed understanding of Keppel REIT. The REIT Trust Deed is available for inspection at the registered office of the REIT Manager at 1 HarbourFront Avenue, #18-01, Keppel Bay Tower, Singapore 098632.

The REIT Trust Deed

Keppel REIT is a REIT constituted in the Republic of Singapore pursuant to the REIT Trust Deed dated 28 November 2005, as amended by the Supplemental Deed dated 2 February 2006, the Second Supplemental Deed dated 17 March 2006, the Third Supplemental Deed dated 30 July 2007, the Fourth Supplemental Deed dated 17 October 2007, the Fifth Supplemental Deed dated 19 January 2009, the Sixth Supplemental Deed dated 16 April 2009, the First Amending and Restating Deed dated 19 April 2010, the Supplemental Deed dated 15 October 2012 to the First Amending and Restating Deed, the Second Amending and Restating Deed dated 23 March 2016 and the Tenth Supplemental Deed dated 20 April 2018, made between the REIT Manager, as the manager of Keppel REIT, and the REIT Trustee as the trustee for Keppel REIT, as amended, varied, or supplemented from time to time, and is principally regulated by the SFA and the CIS Code (including the Property Funds Appendix).

The terms and conditions of the REIT Trust Deed is binding on each Unitholder (and persons claiming through such Unitholder) as if such Unitholder had been a party to the REIT Trust Deed and as if the REIT Trust Deed contains covenants by such Unitholder to observe and be bound by the provisions of the REIT Trust Deed and an authorisation by each Unitholder to do all such acts and things as the REIT Trust Deed may require the REIT Manager and/or the REIT Trustee to do.

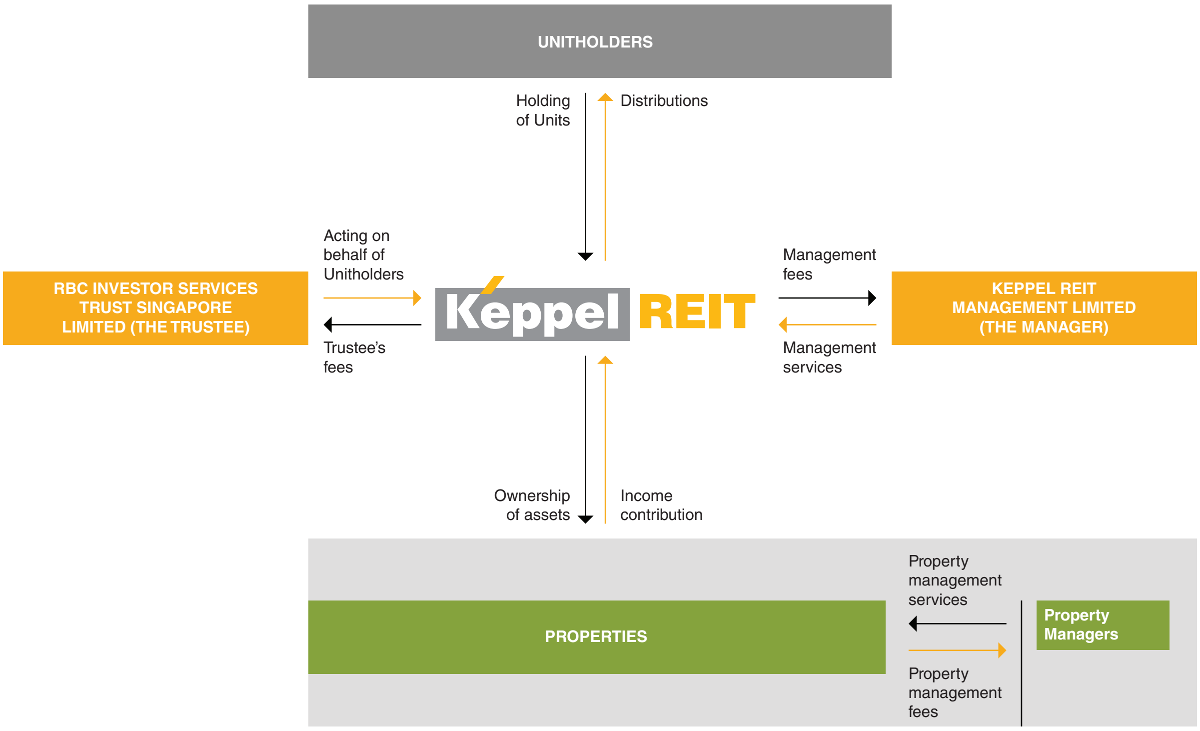
The provisions of the SFA and the CIS Code (including the Property Funds Appendix) prescribe certain terms of the REIT Trust Deed and certain rights, duties and obligations of the REIT Manager, the REIT Trustee and the Unitholders under the REIT Trust Deed. The Property Funds Appendix also imposes certain restrictions on REITs in Singapore, including a restriction on the types of investments which REITs in Singapore may hold, and certain restrictions with respect to interested party transactions.

Under the Property Funds Appendix, the Aggregate Leverage of Keppel REIT should not exceed 45.0 per cent. of the value of Keppel REIT's Deposited Property.

Operational Structure

Keppel REIT was established with a principal investment policy to invest in real estate and real estate-related assets and the REIT Manager must manage Keppel REIT so that the principal investments of Keppel REIT are real estate and real estate-related assets (including shares in companies whose primary purpose is to hold or own real estate and real estate-related assets). The current investment strategy of Keppel REIT is to invest in quality income-producing commercial properties and real estate-related assets pan-Asia.

Keppel REIT aims to generate returns for its Unitholders by owning, buying, selling and actively managing such properties in line with its investment strategy. Subject to the restrictions and requirements in the Property Funds Appendix and the listing rules for the time being applicable to the listing of Keppel REIT as an investment fund on the SGX-ST as the same may be modified, amended, supplemented, revised or replaced from time to time (the "**Listing Rules**"), the REIT Manager is also authorised under the REIT Trust Deed to invest in investments which need not be real estate. Although the REIT Manager may use certain financial instruments for hedging purposes, it presently does not have any intention to invest in options, warrants, commodities, futures contracts, unlisted securities and precious metals.



The Units and Unitholders

The rights and interests of Unitholders are contained in the REIT Trust Deed. Under the REIT Trust Deed, these rights and interests are safeguarded by the REIT Trustee.

Each Unit represents an undivided interest in Keppel REIT. A Unitholder has no equitable or proprietary interest in the underlying assets of Keppel REIT and is not entitled to the transfer to it of any asset (or any part thereof) or of any real estate, any interest in any asset and real estate-related assets (or any part thereof) of Keppel REIT. A Unitholder's right is limited to the right to require due administration of Keppel REIT in accordance with the provisions of the REIT Trust Deed, including, without limitation, by suit against the REIT Trustee or the REIT Manager.

Under the REIT Trust Deed, each Unitholder acknowledges and agrees that it will not commence or pursue any action against the REIT Trustee or the REIT Manager seeking an order for specific performance or for injunctive relief in respect of the assets of Keppel REIT (or any part thereof), including any part of the assets of Keppel REIT, and waives any rights it may otherwise have to such relief. If the REIT Trustee or the REIT Manager breaches or threatens to breach its duties or obligations to the Unitholder under the REIT Trust Deed, the Unitholder's recourse against the REIT Trustee or the REIT Manager is limited to a right to recover damages or compensation from the REIT Trustee or the REIT Manager in a court of competent jurisdiction, and the Unitholder acknowledges and agrees that damages or compensation is an adequate remedy for such breach or threatened breach.

Further, unless otherwise expressly provided in the REIT Trust Deed, a Unitholder may not interfere or seek to interfere with the rights, powers, authority or discretion of the REIT Manager or the REIT Trustee, exercise any right in respect of the assets of Keppel REIT or any part thereof or lodge any caveat or other notice affecting the real estate assets and real estate-related assets of Keppel REIT (or any part thereof), or require that any Authorised Investments (as defined in the Trust Deed) forming part of the assets of Keppel REIT be transferred to such Unitholder.

No certificate shall be issued to Unitholders by either the REIT Manager or the REIT Trustee in respect of Units issued to Unitholders. For so long as Keppel REIT is listed, quoted and traded on the SGX-ST and/or any other stock exchange of repute in any part of the world (a "**Recognised Stock Exchange**") and the Units have not been suspended from such listing, quotation and trading for more than 60 consecutive calendar days or delisted permanently, the REIT Manager shall pursuant to the Depository Services Agreement (as defined below) appoint the Central Depository (Pte) Limited ("**CDP**") as the Unit depository for Keppel REIT, and all Units issued will be represented by entries in the register of Unitholders kept by the REIT Trustee or the agent appointed by the REIT Trustee in the name of, and deposited with, CDP as the registered holder of such Units. The REIT Manager or the agent appointed by the REIT Manager shall issue to CDP not more than 10 Business Days after the issue of Units a confirmation note confirming the date of issue and the number of Units so issued and, if applicable, also stating that the Units are issued under a lock-up and the expiry date of such lock-up and for the purposes of the REIT Trust Deed, such confirmation note shall be deemed to be a certificate evidencing title to the Units issued. For such purposes, the "**Depository Services Agreement**" means the depository services agreement dated entered into between CDP, the REIT Manager and the REIT Trustee for, among other things, the deposit of Units in CDP and for the Units to be traded through CDP's book entry (that is, scripless), clearance and settlement system.

There are no restrictions under the REIT Trust Deed or Singapore law on a person's right to subscribe for (or purchase) Units and to own Units.

Issue of Units

The following is a summary of the provisions of the REIT Trust Deed relating to the issue of Units in Keppel REIT.

Units, when listed on the SGX-ST, may be traded on the SGX-ST and settled through CDP. For so long as Keppel REIT is listed on the SGX-ST, the REIT Manager may, subject to the provisions of the Listing Manual and the REIT Trust Deed, issue further Units at Issue Prices to be determined in accordance with the following provisions:

(1) The REIT Manager shall not issue any Units in numbers exceeding the limit (if any), set out in any applicable laws, regulations and the Listing Rules, relating to the issue of Units unless the Unitholders approve the issue of Units exceeding the aforesaid limit by extraordinary resolution in a general meeting.

(2) Units may be issued on a Business Day at the "market price" per Unit, which is the volume weighted average price per Unit for all trades on the SGX-ST, in the ordinary course of trading on the SGX-ST, for the period of 10 Business Days immediately preceding the relevant Business Day or, where the REIT Manager believes that such market price is not a fair reflection of the market price of a Unit, such amount as determined by the REIT Manager and the REIT Trustee (after consultation with a stockbroker approved by the REIT Trustee), as being the fair market price of a Unit.

(3) The REIT Manager may issue Units at an Issue Price other than as calculated in paragraph (2) above without prior approval of Unitholders in a meeting, provided that the REIT Manager complies with the Listing Rules in determining the issue price of a Unit, including the issue price of a Unit for a rights issue offered on a pro rata basis to all existing Unitholders, the issue price of a Unit issued other than by way of a rights issue offered on a pro rata basis to all existing Unitholders, and the issue price of a Unit for any reinvestment of distribution arrangement.

(4) Where the Units are issued as full or partial consideration for the acquisition of an Authorised Investment by the REIT Trustee in conjunction with an issue of Units to raise cash for the balance of the consideration for the said Authorised Investment (or part thereof) or to acquire other Authorised Investments in conjunction with the said Authorised Investment, the REIT Manager shall have the discretion to determine that the issue price of a Unit so issued as partial consideration shall be the same as the Issue Price for the Units issued in conjunction with an issue of Units to raise cash for the aforesaid purposes.

If in connection with an issue of a Unit, any requisite payment of the issue price for such Unit has not been received by the REIT Trustee before the seventh Business Day after the date on which the Unit was agreed to be issued (or such other date as the REIT Manager and the REIT Trustee may agree), the REIT Manager may cancel its agreement to issue such Unit and upon notice being given to the REIT Trustee, such Unit will be deemed never to have been issued or agreed to be issued and the investor shall have no right or claim in respect thereof against the REIT Manager or the REIT Trustee provided that no previous valuation of Keppel REIT shall be re-opened or invalidated as a result of the cancellation of such Units. In such an event, the REIT Manager may, at its discretion, charge the investor (and retain the same for its own account) (i) a cancellation fee of such amount as the REIT Manager may from time to time determine to represent the administrative costs involved in processing the application for such Unit and (ii) an amount (if any) by which the issue price of such Unit exceeds the repurchase price applicable if such Unit was requested to have been repurchased or redeemed on the same day.

Suspension of Issue of Units

The REIT Manager or the REIT Trustee may, *inter alia*, with the prior written approval of the other and subject to the Listing Manual, suspend the issue of Units during:

- any period when the SGX-ST or any other relevant Recognised Stock Exchange is closed (otherwise than for public holidays) or during which dealings are restricted or suspended;

- the existence of any state of affairs which, in the opinion of the REIT Manager or the REIT Trustee (as the case may be) might seriously prejudice the interests of the Unitholders as a whole or of the Deposited Property;

- any breakdown in the means of communication normally employed in determining the price of any such Investments or the current price thereof on the SGX-ST or any other relevant Recognised Stock Exchange, or when for any reason the prices of any such Investments cannot be promptly and accurately ascertained;

- any period when remittance of money which will or may be involved in the realisation of any such Investments or in the payment for such Investments cannot, in the opinion of the REIT Manager, be carried out at normal rates of exchange;

- any period where the issuance of Units is suspended pursuant to any order or direction issued by the MAS; or

- when the business operations of the REIT Manager or the REIT Trustee in relation to Keppel REIT are substantially interrupted or closed as a result of, or arising from, pestilence, acts of war terrorism, insurrection, revolution, civil unrest, riots, strikes or acts of God

Such suspension shall take effect forthwith upon the declaration in writing thereof by the REIT Manager or the REIT Trustee (as the case may be) and shall terminate on the day following the first Business Day on which the condition giving rise to the suspension ceases to exist and no other conditions under which suspension is authorised (as set out above) exists, upon the declaration in writing thereof by the REIT Manager or the REIT Trustee (as the case may be).

In the event of any suspension while Keppel REIT is listed on the SGX-ST, the REIT Manager shall ensure that immediate announcement of such suspension is made through the SGX-ST.

Redemption of Units

When Units are Listed on the SGX-ST

Unitholders have no right to request the REIT Manager to repurchase or redeem their Units while the Units are listed on the SGX-ST. It is intended that Unitholders may only deal in their listed Units through trading on the SGX-ST. However, under the REIT Trust Deed, the REIT Manager may decide to make any offer to repurchase or redeem Units (in which case the repurchase price shall be the Current Unit Value per Unit (as defined in the REIT Trust Deed)). In the event the REIT Manager so decides, such repurchase or redemption must comply with the Property Funds Appendix and the Listing Rules. Any offer of repurchase or redemption of Units shall be offered on *a pro rata* basis to all Unitholders.

The REIT Manager may also, subject to the Listing Rules, suspend the repurchase or redemption of Units for any period when the issue of Units is suspended pursuant to the terms and conditions of the REIT Trust Deed (see "The Formation and Structure of Keppel REIT – Suspension of Issue of Units").

When Listed Units are Suspended or Delisted

If the listed Units have been suspended from trading for at least 60 consecutive calendar days or delisted from the SGX-ST, the REIT Manager is required to offer to repurchase or redeem the Units within 30 calendar days from (i) the end of the 60 consecutive calendar days of such suspension or (ii) de-listing. In offering such redemption, the REIT Manager is required to offer to repurchase or redeem Units representing in value at least 10.0 per cent. of the Deposited Property.

Should a trading suspension be lifted within 30 calendar days after the suspension, the REIT Manager has the option to withdraw any repurchase or redemption offer made. Should the trading suspension be lifted after the repurchase or redemption offer period has commenced, the REIT Manager is required to satisfy all repurchase or redemption requests which have been received prior to the date the trading suspension is lifted. The REIT Manager will not be obliged to satisfy those repurchase or redemption requests received after the date the trading suspension is lifted.

When Units are Suspended Indefinitely or Permanently Delisted

If Keppel REIT continues to be suspended indefinitely or has been permanently delisted from the SGX-ST, the REIT Manager is required to offer to repurchase or redeem Units at least once a year after the first offer to repurchase or redeem Units on a suspension or de-listing as explained above has closed. In other words, Keppel REIT will then be treated as an unlisted property fund.

Rights and Liabilities of Unitholders

The key rights of Unitholders include rights to:

- receive income and other distributions attributable to the Units held;
- receive audited accounts and the annual reports of Keppel REIT; and
- participate in the termination of Keppel REIT by receiving a share of all net cash proceeds derived from the realisation of the assets of Keppel REIT less any liabilities, in accordance with their proportionate interests in Keppel REIT.

No Unitholder has a right to require that any asset of Keppel REIT be transferred to it.

Further, Unitholders cannot give any directions to the REIT Trustee or the REIT Manager (whether at a meeting of Unitholders or otherwise) if it would require the REIT Trustee or the REIT Manager to do or omit doing anything which might result in:

- Keppel REIT ceasing to comply with applicable laws and regulations; or
- the exercise of any discretion expressly conferred on the REIT Trustee or the REIT Manager by the REIT Trust Deed or the determination of any matter which, under the REIT Trust Deed, requires the agreement of either or both of the REIT Trustee and the REIT Manager.

The REIT Trust Deed contains provisions that are designed to limit the liability of a Unitholder to the amount paid or payable for any Unit. The provisions seek to ensure that if the issue price of the Units held by a Unitholder has been fully paid, no such Unitholder, by reason alone of being a Unitholder, will be personally liable to indemnify the REIT Trustee or any creditor of Keppel REIT in the event that the liabilities of Keppel REIT exceed its assets.

Under the REIT Trust Deed, every Unit carries the same voting rights.

Amendment of the REIT Trust Deed

Subject to the third paragraph below, save where an amendment to the REIT Trust Deed has been approved by an extraordinary resolution passed at a meeting of Unitholders duly convened and held in accordance with the provisions of the REIT Trust Deed, no amendment may be made to the provisions of the REIT Trust Deed unless the REIT Trustee certifies, in its opinion, that such amendment:

(1) does not materially prejudice the interests of Unitholders and does not operate to release to any material extent the REIT Trustee or the REIT Manager from any responsibility to the Unitholders;

(2) is necessary in order to comply with applicable fiscal, statutory or official requirements (whether or not having the force of law); or

(3) is made to correct a manifest error.

No such amendment shall impose upon any Unitholder any obligation to make any further payments in respect of its Units or to accept any liability in respect thereof.

Meeting of Unitholders

Under applicable law and the provisions of the REIT Trust Deed, the REIT Trustee or the REIT Manager may (and the REIT Manager shall at the request in writing of not less than 50 Unitholders, representing not less than 10.0 per cent of the issued Units of Keppel REIT), at any time convene a meeting of Unitholders.

A meeting of Unitholders when convened and held in accordance with the REIT Trust Deed may:

(1) by Extraordinary Resolution and in accordance with the REIT Trust Deed, sanction any modification, alteration or addition to the REIT Trust Deed which shall be agreed by the REIT Trustee and the REIT Manager as provided in the REIT Trust Deed;

(2) by Extraordinary Resolution and in accordance with the REIT Trust Deed, sanction a supplemental deed increasing the maximum permitted limit or any change in the structure of the REIT Manager's management fees, acquisition fee and divestment fee and the REIT Trustee's fee;

(3) by Extraordinary Resolution and in accordance with the REIT Trust Deed, sanction any issue of Units by the REIT Manager (an issue of Units as described in sub-paragraph (1) of "The Formation and Structure of Keppel REIT – Issue of Units");

(4) by Extraordinary Resolution and in accordance with the REIT Trust Deed, remove the auditors;

(5) by Ordinary Resolution and in accordance with the REIT Trust Deed, remove the REIT Trustee;

(6) by a resolution passed by a simple majority of Unitholders present and voting at a general meeting, with no Unitholder being disenfranchised, to remove the REIT Manager; and

(7) by Extraordinary Resolution and in accordance with the REIT Trust Deed, direct the REIT Trustee to take any action pursuant to Section 295 of the SFA.

Any decision to be made by resolution of Unitholders other than the above shall be made by Ordinary Resolution, unless an Extraordinary Resolution is required by the SFA, the CIS Code or the Listing Manual.

Except as otherwise provided for in the REIT Trust Deed, at least 14 days' notice (not inclusive of the day on which the notice is served or deemed to be served and of the day for which the notice is given) of every meeting shall be given to the Unitholders in the manner provided in the REIT Trust Deed. The quorum at a meeting shall not be less than two Unitholders present in person or by proxy of one-tenth in value of all the Units for the time being in issue. Each notice shall specify the place, day and hour of the meeting, and the terms of the resolutions to be proposed.

Voting at a meeting shall, subject to the requirements of the prevailing relevant laws, regulations and guidelines, be decided on a poll. On a poll, every Unitholder has one vote for each Unit of which it is the Unitholder. The REIT Trust Deed does not contain any limitation on non-Singapore resident or foreign Unitholders holding Units or exercising the voting rights with respect to their unitholdings.

Neither the REIT Manager nor any of its Associates (as defined in the Listing Manual) shall be entitled to be counted in the quorum for or vote at a meeting convened to consider a matter in respect of which the REIT Manager or its and/or any of its Associates has a material interest, save for a resolution to remove the REIT Manager.

Substantial Holdings

Pursuant to Sections 135 to 137B of the SFA (read with Section 137U of the SFA), each Unitholder with an interest in one or more Units constituting not less than 5.0 per cent. of all Units in issue (a "**Substantial Unitholder**") is required to notify the REIT Manager and the REIT Trustee within two Business Days after becoming aware of his/her becoming a Substantial Unitholder, any subsequent change in the percentage level of his/her interest(s) in Units (rounded down to the next whole number) or his/her ceasing to be a Substantial Unitholder.

Directors' and Chief Executive Officer Declaration of Unitholdings

Pursuant to Section 137Y of the SFA and the REIT Trust Deed, directors and chief executive officers of the REIT Manager are required to, within two business days, notify the REIT Manager of their acquisition of interest in Units or of changes to the number of Units which they hold or in which they have an interest.

A director or chief executive officer of the REIT Manager is deemed to have an interest in Units in the following circumstances:

(1) Where the director is the beneficial owner of a Unit (whether directly through a direct securities account held with CDP, or indirectly through a depository agent or otherwise), he is deemed to have an interest in that Unit.

(2) Where a body corporate is the beneficial owner of a Unit and the director is entitled to exercise or control the exercise of not less than 20.0 per cent. of the votes attached to the voting shares in the body corporate, he is deemed to have an interest in that Unit.

(3) Where the director's spouse or infant child (including step-child or adopted child) has any interest in a Unit, he is deemed to have an interest in that Unit.

(4) Where the director, his spouse or infant child (including step-child or adopted child):

   (i) has entered into a contract to purchase a Unit;

   (ii) has a right to have a Unit transferred to any of them or to their order, whether the right is exercisable presently or in the future and whether on the fulfilment of a condition or not;

   (iii) has the right to acquire a Unit under an option, whether the right is exercisable presently or in the future and whether on the fulfilment of a condition or not; or

   (iv) is entitled (otherwise than by reason of any of them having been appointed a proxy or representative to vote at a meeting of Unitholders) to exercise or control the exercise of a right attached to a Unit, not being a Unit of which any of them is the holder,

   the director is deemed to have an interest in that Unit.

(5) Where the property subject to a trust consists of or includes a Unit and the director knows or has reasonable grounds for believing that he has an interest under the trust and the property subject to the trust consists of or includes such Unit, he is deemed to have an interest in that Unit.

The REIT Trustee

The REIT Trustee of Keppel REIT is RBC Investor Services Trust Singapore Limited. The REIT Trustee is a company incorporated in Singapore and registered as a trust company under the Trust Companies Act, Chapter 336 of Singapore. It is approved to act as a REIT Trustee for authorised collective investment schemes under the SFA. The REIT Trustee has a paid-up capital of S$6,000,000. The REIT Trustee has a place of business in Singapore at 8 Marina View, #26-01 Asia Square Tower 1, Singapore 018960.

Powers, Duties and Obligations of the REIT Trustee

The powers, duties and obligations of the REIT Trustee are set out in the REIT Trust Deed. Subject to the REIT Trust Deed, the REIT Trustee has all the powers of a natural person acting in his or her personal capacity. These powers include, without limitation, the powers of the Keppel REIT Trustee to deal with Investments (as defined in the REIT Trust Deed), grant indemnities and enter into joint venture arrangements. The REIT Trustee has covenanted in the REIT Trust Deed that it will exercise all due care and diligence in discharging its functions and duties, and in safeguarding the rights and interests of Unitholders.

In the exercise of its powers, the REIT Trustee may (on the recommendation of the REIT Manager) and subject to the provisions of the REIT Trust Deed, acquire or dispose of any real or personal property, borrow and encumber any asset.

The REIT Trustee may exercise its powers only as directed by the REIT Manager provided always that the REIT Trustee is empowered under the REIT Trust Deed to exercise its powers without such directions, or contrary to such directions, where the REIT Trustee, in its absolute discretion, considers it necessary to do so, by reason of the provisions of the SFA, the CIS Code (including the Property Funds Appendix) and at law or otherwise in the protection of the best interests of the Unitholders.

The REIT Trustee must execute all proxies, powers of attorney and other instruments as directed by the REIT Manager in exercise of the obligations and powers of the REIT Manager under the REIT Trust Deed provided always that the REIT Trustee is hereby empowered to exercise its powers without such directions where the REIT Trustee, in its absolute discretion, considers it necessary to do so, by reason of the provisions of the SFA, the CIS Code (including the Property Funds Appendix) and at law or otherwise in the protection of the best interests of the Unitholders.

Although the REIT Trustee may borrow money and obtain other financial accommodation for the purposes of Keppel REIT, both on a secured and unsecured basis, the REIT Manager must not direct the REIT Trustee to incur a liability if to do so would mean that the aggregate leverage of Keppel REIT exceeds 45.0% (or such other limit as may be stipulated by the MAS) of the value of its Deposited Property in accordance with the provisions of the Property Funds Appendix.

The REIT Trustee must carry out its functions and duties and comply with all the obligations imposed on it and set out in the REIT Trust Deed, the Listing Manual, the SFA, the CIS Code (including the Property Funds Appendix), the Tax Ruling and all other relevant laws and regulations. It is responsible for safe custody of Keppel REIT's assets and must cause Keppel REIT's accounts to be audited. It can also appoint valuers to value the real estate assets and real estate-related assets of Keppel REIT.

The REIT Trustee is not personally liable to a Unitholder in connection with the office of the REIT Trustee except in respect of its own fraud, negligence, wilful default, breach of the REIT Trust Deed or breach of trust. Any liability incurred and any indemnity to be given by the REIT Trustee shall be limited to the assets of Keppel REIT over which the REIT Trustee has recourse, provided that the REIT Trustee has acted without fraud, negligence, wilful default, breach of trust or breach of the REIT Trust Deed. The REIT Trust Deed contains certain indemnities in favour of the REIT Trustee under which it will be indemnified out of the assets of Keppel REIT for liability arising in connection with certain acts or omissions. These indemnities are subject to any applicable laws.

Retirement and Replacement of the REIT Trustee

The REIT Trustee may retire or be replaced under the following circumstances:

(1) The REIT Trustee shall not be entitled to retire voluntarily except upon the appointment of a new REIT Trustee (such appointment to be made in accordance with the provisions of the REIT Trust Deed).

(2) The REIT Trustee may be removed by notice in writing to the REIT Trustee by the REIT Manager:

  (i) if the REIT Trustee goes into liquidation (except a voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously approved in writing by the REIT Manager) or if a receiver is appointed over any of its assets or if a judicial manager is appointed in respect of the REIT Trustee;

  (ii) if the REIT Trustee ceases to carry on business;

  (iii) if the REIT Trustee fails or neglects after reasonable notice from the REIT Manager to carry out or satisfy any material obligation imposed on the REIT Trustee by the REIT Trust Deed;

  (iv) if the Unitholders by an Ordinary Resolution duly passed at a meeting of Unitholders held in accordance with the provisions of the REIT Trust Deed shall so decide; or

  (v) if the MAS directs that the REIT Trustee be removed.

REIT Trustee's Fee

Under the REIT Trust Deed, the maximum fee payable to the REIT Trustee is 0.03 per cent. per annum of the value of the Deposited Property, in addition to all costs, charges, expenses (including legal expenses) and liabilities which the REIT Trustee may properly incur in relation to the performance of its duties under the REIT Trust Deed and the relevant Supplemental REIT Trust Deed (if any), and shall be payable quarterly in arrears. The actual fee payable to the REIT Trustee will be agreed in writing between the REIT Manager and the REIT Trustee from time to time.

Any increase in the maximum permitted amount or any change in the structure of the REIT Trustee's fee must be passed by an Extraordinary Resolution of Unitholders at a Unitholders' meeting convened and held in accordance with the provisions of the REIT Trust Deed.

Termination of Keppel REIT

Under the provisions of the REIT Trust Deed, Keppel REIT shall end on the earliest of:

(1) the 100th anniversary of the date of the REIT Trust Deed or such other date deemed to terminate by operation of law;

(2) the date on which Keppel REIT is terminated by the REIT Manager in such circumstances as set out under the provisions of the REIT Trust Deed, as described below; or

(3) the date on which Keppel REIT is terminated by the REIT Trustee in such circumstances as set out under the provisions of the REIT Trust Deed, as described below.

The REIT Manager may in its absolute discretion terminate Keppel REIT by giving notice in writing to all Unitholders or where the Units are listed, CDP and the REIT Trustee not less than three months in advance and to the MAS not less than seven days before the termination in any of the following circumstances:

(1) if any law shall be passed which renders it illegal or in the opinion of the REIT Manager impracticable or inadvisable for Keppel REIT to continue to exist;

(2) if the NAV of the Deposited Property shall be less than S$50,000,000 after the end of the first anniversary of the date of the REIT Trust Deed or any time thereafter; and

(3) if at any time Keppel REIT becomes unlisted after it has been listed.

Subject to the SFA and any other applicable law or regulation, Keppel REIT may be terminated by the REIT Trustee by notice in writing in any of the following events, namely:

(1) if the REIT Manager shall go into liquidation (except a voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously approved in writing by the REIT Trustee) or if a receiver is appointed over any of its assets or if a judicial manager is appointed in respect of the REIT Manager or if any encumbrancer shall take possession of any of its assets or if it shall cease business and the REIT Trustee fails to appoint a successor manager for Keppel REIT in accordance with the provisions of the REIT Trust Deed;

(2) if any law shall be passed which renders it illegal or in the opinion of the REIT Trustee impracticable or inadvisable for Keppel REIT to continue to exist; and

(3) if within the period of three months from the date of the REIT Trustee expressing in writing to the REIT Manager the desire to retire the REIT Manager shall have failed to appoint a new REIT Trustee in accordance with the provisions of the REIT Trust Deed.

The decision of the REIT Trustee in any of the events specified above shall be final and binding upon all the parties concerned but the REIT Trustee shall be under no liability on account of any failure to terminate Keppel REIT pursuant to the paragraphs above or otherwise. The REIT Manager shall accept the decision of the REIT Trustee and relieve the REIT Trustee of any liability to it therefor and hold it harmless from any claims whatsoever on its part for damages or for any other relief.

Generally, upon the termination of Keppel REIT, the REIT Trustee shall, subject to any authorisations or directions given to it by the REIT Manager or the Unitholders pursuant to the REIT Trust Deed, sell the Deposited Property and repay any borrowings incurred on behalf of Keppel REIT in accordance with the REIT Trust Deed (together with any interest accrued but remaining unpaid) as well as all other debts and liabilities in respect of Keppel REIT before applying the balance of the Deposited Property to the Unitholders in accordance with their proportionate interests in Keppel REIT.

TAXATION

The statements below are general in nature and are based on certain aspects of current tax laws in Singapore and administrative guidelines and circulars issued by the MAS and the IRAS in force as of the date of this document and are subject to any changes in such laws, administrative guidelines or circulars, or the interpretation of those laws, guidelines or circulars, occurring after such date, which changes could be made on a retroactive basis. These laws, guidelines and circulars are also subject to various interpretations and the relevant tax authorities or the courts could later disagree with the explanations or conclusions set out below. Neither these statements nor any other statements in this document are intended or are to be regarded as advice on the tax position of any holder of the Bonds, the Units acquired upon conversion of the Bonds pursuant to the terms of the issue of the Bonds or of any person acquiring, selling, converting or otherwise dealing with the Bonds, the Units or on any tax implications arising from the acquisition, sale, conversion or other dealings in respect of the Bonds or the Units. The statements made herein do not purport to be a comprehensive or exhaustive description of all the tax considerations that may be relevant to a decision to subscribe for, purchase, own, convert or dispose of the Bonds or the Units and do not purport to deal with all of the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or financial institutions in Singapore which have been granted the relevant Financial Sector Incentive(s)) may be subject to special rules or tax rates. Prospective Bondholders are advised to consult their own tax advisers as to the Singapore or other tax consequences of the acquisition, ownership of, conversion or disposal of the Bonds or the Units, including, in particular, the effect of any foreign, state or local tax laws to which they are subject. It is emphasised that neither the Issuer nor any other persons involved in this document accepts responsibility for any tax effects or liabilities resulting from the subscription for, purchase, holding, conversion or disposal of the Bonds.

General

Individual taxpayers

An individual is regarded as tax resident in Singapore if the individual is physically present in Singapore or exercised employment in Singapore (other than as a director of a company) for 183 days or more in the calendar year preceding the year of assessment, or if the individual ordinarily resides in Singapore.

Individual taxpayers who are Singapore tax residents are subject to Singapore income tax on income accruing in or derived from Singapore. All foreign-sourced income received in Singapore on or after 1 January 2004 by a Singapore tax resident individual (except for income received through a partnership in Singapore) is exempt from Singapore income tax if the Comptroller of Income Tax in Singapore (the "**Comptroller**") is satisfied that the tax exemption would be beneficial to the individual.

A Singapore tax resident individual is taxed at progressive rates of up to 22%. Non-tax resident individuals, subject to certain exceptions and conditions, are subject to Singapore income tax on income accruing in or derived from Singapore at the rate of 22%.

Corporate taxpayers

A corporate entity is regarded as tax resident in Singapore if its business is controlled and managed in Singapore (for example, if the board of directors meets and conducts the company's business in Singapore).

Singapore tax resident corporate taxpayers are subject to Singapore income tax on income accruing in or derived from Singapore and, subject to certain exceptions, on foreign-sourced income received or deemed received in Singapore.

However, foreign-sourced income in the form of dividends, branch profits and service income ("**specified foreign income**") received or deemed received in Singapore on or after 1 June 2003 by a Singapore tax resident corporate taxpayer is exempt from tax, provided certain prescribed conditions are met, including the following:

(a) such income is subject to tax of a similar character to income tax (by whatever name called) under the law of the territory from which such income is received;

(b) at the time the income is received in Singapore, the highest rate of tax of a similar character to income tax (by whatever name called) levied under the law of the territory from which the income is received on any gains or profits from any trade or business carried on by any company in that territory at that time is not less than 15%; and

(c) the Comptroller is satisfied that the tax exemption would be beneficial to the person tax resident in Singapore.

Certain concessions and clarifications have also been announced by the IRAS with respect to the above conditions.

The corporate tax rate in Singapore is currently 17%. In addition, from year of assessment 2020 onwards, three-quarters of up to the first S$10,000 of a company's chargeable income, and one-half of up to the next S$190,000, will be exempt from corporate tax. The remaining chargeable income (after the tax exemption) will be taxed at the prevailing corporate tax rate.

The Bonds

Interest and Other Payments

Subject to the following paragraphs, under Section 12(6) of the SITA, the following payments are deemed to be derived from Singapore:

(a) any interest, commission, fee or any other payment in connection with any loan or indebtedness or with any arrangement, management, guarantee, or service relating to any loan or indebtedness which is (i) borne, directly or indirectly, by a person tax resident in Singapore or a permanent establishment in Singapore (except in respect of any business carried on outside Singapore through a permanent establishment outside Singapore or any immovable property situated outside Singapore) or (ii) deductible against any income accruing in or derived from Singapore; or

(b) any income derived from loans where the funds provided by such loans are brought into or used in Singapore.

Such payments, where made to a person not known to the paying party to be a tax resident in Singapore, are generally subject to withholding tax in Singapore. The rate at which tax is to be withheld for such payments (other than those subject to the 15% final withholding tax described below) to non-tax resident persons (other than non-tax resident individuals) is currently 17%. The applicable rate for non-tax resident individuals is currently 22%. However, if the payment is derived by a person not tax resident in Singapore otherwise than from any trade, business, profession or vocation carried on or exercised by such person in Singapore and is not effectively connected with any permanent establishment in Singapore of that person, the payment is subject to a final withholding tax of 15%. The rate of 15% may be reduced by applicable tax treaties.

However, certain Singapore-sourced investment income derived by individuals from financial instruments is exempt from tax, including:

(a) interest from debt securities derived on or after 1 January 2004;

(b) discount income (not including discount income arising from secondary trading) from debt securities derived on or after 17 February 2006; and

(c) prepayment fee, redemption premium and break cost from debt securities derived on or after 15 February 2007,

except where such income is derived through a partnership in Singapore or is derived from the carrying on of a trade, business or profession.

In addition, as the issue of the Bonds is joint lead-managed by BNP Paribas and Credit Suisse (Singapore) Limited, each of whom is a Financial Sector Incentive (Standard Tier) Company (as defined in the SITA) at such time, and the Bonds are issued as debt securities before 31 December 2023, the Bonds would be qualifying debt securities ("**QDS**") for the purposes of the SITA, to which the following treatment shall apply:

(a) subject to certain prescribed conditions having been fulfilled (including but not limited to the furnishing by the Issuer, or such other person as the MAS may direct, to the MAS of a return on debt securities for the Bonds in the prescribed format within such period as the MAS may specify and such other particulars in connection with the Bonds as the MAS may require, the Bonds are not issued to any person who is not a tax resident of Singapore in connection with or for the purposes of enabling that non-tax resident person to issue securities, directly or indirectly, to investors, and the inclusion by the Issuer in all offering documents relating to the Bonds of a statement to the effect that where interest, discount income, prepayment fee, redemption premium or break cost from the Bonds is derived by a person who is not tax resident in Singapore and who carries on any operation in Singapore through a permanent establishment in Singapore, the tax exemption for qualifying debt securities shall not apply if the non-tax resident person acquires the Bonds using the funds and profits of such person's operations through the Singapore permanent establishment), interest, discount income (not including discount income arising from secondary trading), prepayment fee, redemption premium and break cost (collectively, the "**Qualifying Income**") from the Bonds paid by the Issuer and derived by a holder who is not tax resident in Singapore and who (aa) does not have any permanent establishment in Singapore or (bb) carries on any operation in Singapore through a permanent establishment in Singapore but the funds used by that person to acquire the Bonds are not obtained from such person's operation through a permanent establishment in Singapore, are exempt from Singapore tax;

(b) subject to certain conditions having been fulfilled (including but not limited to the above and the furnishing by the Issuer, or such other person as the MAS may direct, to the MAS of a return on debt securities for the Bonds in the prescribed format within such period as the MAS may specify and such other particulars in connection with the Bonds as the MAS may require), Qualifying Income from the Bonds paid by the Issuer and derived by any company or body of persons (as defined in the SITA) in Singapore is subject to tax at a concessionary rate of 10% (except for holders of the relevant Financial Sector Incentive(s) who may be taxed at different rates); and

(c) subject to:

   (i) the Issuer including in all offering documents relating to the Bonds a statement to the effect that any person whose interest, discount income, prepayment fee, redemption premium or break cost derived from the Bonds is not exempt from tax shall include such income in a return of income made under the SITA; and

   (ii) the furnishing by the Issuer, or such other person as the MAS may direct, to the MAS of a return on debt securities for the Bonds in the prescribed format within such period as the MAS may specify and such other particulars in connection with the Bonds as the MAS may require,

   payments of Qualifying Income derived from the Bonds and made by the Issuer are not subject to withholding of tax by the Issuer.

Notwithstanding the foregoing:

(a) if during the primary launch of the Bonds, the Bonds are issued to fewer than four persons and 50% or more of the issue of the Bonds is beneficially held or funded, directly or indirectly, by related parties of the Issuer, such Bonds would not qualify as QDS; and

(b) even though the Bonds are QDS, if, at any time during the tenure of the Bonds, 50% or more of the Bonds which are outstanding at any time during the life of their issue is beneficially held or funded, directly or indirectly, by any related party(ies) of the Issuer,

then Qualifying Income derived from such Bonds held by:

(i) any related party of the Issuer; or

(ii) any other person where the funds used by such person to acquire such Bonds are obtained, directly or indirectly, from any related party of the Issuer,

shall not be eligible for the tax exemption or concessionary rate of tax as described above.

The term "**related party**", in relation to a person, means any other person who, directly or indirectly, controls that person, or is controlled, directly or indirectly, by that person, or where he and that other person, directly or indirectly, are under the control of a common person.

The terms "**break cost**", "**prepayment fee**" and "**redemption premium**" are defined in the SITA as follows:

"break cost", in relation to debt securities and qualifying debt securities, means any fee payable by the issuer of the securities on the early redemption of the securities, the amount of which is determined by any loss or liability incurred by the holder of the securities in connection with such redemption;

"prepayment fee", in relation to debt securities and qualifying debt securities, means any fee payable by the issuer of the securities on the early redemption of the securities, the amount of which is determined by the terms of the issuance of the securities; and

"redemption premium", in relation to debt securities and qualifying debt securities, means any premium payable by the issuer of the securities on the redemption of the securities upon their maturity.

References to "break cost", "prepayment fee" and "redemption premium" in this Singapore tax disclosure have the same meaning as defined in the SITA.

Where interest, discount income, prepayment fee, redemption premium or break cost (i.e. the Qualifying Income) is derived from the Bonds by any person who is not tax resident in Singapore and who carries on any operations in Singapore through a permanent establishment in Singapore, the tax exemption available for QDS under the SITA (as mentioned above) shall not apply if such person acquires such Bonds using the funds and profits of such person's operations through a permanent establishment in Singapore. Any person whose interest, discount income, prepayment fee, redemption premium or break cost (i.e. the Qualifying Income) derived from the Bonds is not exempt from tax is required to include such income in a return of income made under the SITA.

Gains on Disposal (including by way of conversion of the Bonds)

Singapore does not impose tax on capital gains. However, there are no specific laws or regulations which deal with the characterisation of capital gains, and hence, gains arising from the disposal of the Bonds may be construed to be of an income nature and subject to income tax, especially if they arise from activities which the Comptroller would regard as the carrying on of a trade or business in Singapore.

A conversion of the Bonds into the Units may be regarded as a disposal of the Bonds for Singapore income tax purposes and a Bondholder may consequently need to recognise a gain or loss. Such gain or loss may be income or capital in nature depending on the circumstances of the holder (e.g. whether they arise from activities which the Comptroller would regard as the carrying on of a trade or business in Singapore) and may or may not be taxable or deductible accordingly. Investors are advised to seek their own tax advice on the tax consequences to them of a conversion of the Bonds into the Units.

In addition, Bondholders who apply or are required to apply Financial Reporting Standard ("**FRS**") 109 or Singapore Financial Reporting Standard (International) 9 (Financial Instruments) ("**SFRS(I) 9**") for Singapore income tax purposes may be required to recognise gains or losses on the Bonds, irrespective of disposal, in accordance with FRS 109 or SFRS(I) 9, even though no sale, disposal or conversion is made. Please see the section below on "*Adoption of FRS 109 or SFRS(I) 9 for Singapore Income Tax Purposes*".

Adoption of FRS 109 or SFRS(I) 9 for Singapore Income Tax Purposes

FRS 109 or SFRS(I) 9 (as the case may be) is mandatorily effective for annual periods beginning on or after 1 January 2018. Section 34AA of the SITA requires taxpayers who comply or who are required to comply with FRS 109 or SFRS(I) 9 for financial reporting purposes to calculate their profit, loss or expense for Singapore income tax purposes in respect of financial instruments in accordance with FRS 109 or SFRS(I) 9 (as the case may be), subject to certain exceptions. The IRAS has also issued a circular entitled "*Income Tax: Income Tax Treatment Arising from Adoption of FRS 109 – Financial Instruments*".

Holders of the Bonds or the Units who may be subject to the tax treatment under Section 34AA of the SITA should consult their own accounting and tax advisers regarding the Singapore income tax consequences of their acquisition, holding, conversion or disposal of the Bonds or the Units.

SUBSCRIPTION AND SALE

The Joint Lead Managers are BNP Paribas and Credit Suisse (Singapore) Limited.

The Joint Lead Managers have, pursuant to a subscription agreement (the "**Subscription Agreement**") dated 2 April 2019, agreed with the REIT Trustee, acting on behalf of Keppel REIT and the REIT Manager, subject to the satisfaction of certain conditions, to procure subscribers for the Bonds at the issue price of 100.00 per cent. of the principal amount of the Bonds less a combined management and underwriting commission (plus any applicable goods and services tax or value added tax).

Pursuant to and in accordance with the terms of the Subscription Agreement, the Joint Lead Managers have agreed with the Issuer to procure subscribers to subscribe for the Bonds. The Subscription Agreement entitles the Joint Lead Managers to terminate it in certain circumstances at any time prior to payment of the net subscription monies for the Bonds to the REIT Trustee, acting in its capacity as trustee of Keppel REIT. Subject to certain conditions, the REIT Trustee, acting on behalf of Keppel REIT, and the REIT Manager have agreed to indemnify the Joint Lead Managers against certain liabilities incurred in connection with the offering of the Bonds.

The REIT Manager will not issue any new Units without the prior written approval of the Joint Lead Managers (save in each case to the extent contemplated by the Offering) and not, at any time in the period from the date hereof up to 90 days after the Closing Date, directly or indirectly:

(a) offer, issue, sell, contract to issue or sell, grant any option to purchase any new Units (or any securities convertible into or exchangeable for Units or which carry rights to subscribe for or purchase Units);

(b) enter into a transaction (including a derivative transaction) with a similar economic effect to the foregoing, or

(c) enter into a transaction which is designed or which may reasonably be expected to result in any of the above, or publicly announce any intention to do any of the above, in each case, without the prior written consent of the Joint Lead Managers (such consent not to be unreasonable withheld).

For the avoidance of doubt, the restrictions as set out above shall not apply to (i) the Units which may be issued to the REIT Manager in full or part payment of the REIT Manager's management fees (including any base fees, performance fees, acquisition fees and divestment fees) payable in accordance with the trust deed constituting Keppel REIT, (ii) any Units which may be issued by the REIT Manager in full or part consideration for any acquisition by Keppel REIT and (iii) any Units which may be issued by the REIT Manager as part of a distribution reinvestment plan.

Each of the REIT Trustee and the REIT Manager acknowledges that, to the extent permitted under all applicable laws and jurisdictions, (i) the Joint Lead Managers may provide services hereunder through one or more of their respective affiliates, as they deem appropriate, (ii) the Joint Lead Managers may offer and sell the Bonds to or through any of their respective affiliates and that any such affiliate may offer and sell the Bonds purchased by it to or through the Joint Lead Managers, and (iii) the Joint Lead Managers or any of their respective affiliates may purchase the Bonds and be allocated the Bonds for asset management and/or proprietary purposes and not with a view to distribution.

In connection with the offering of the Bonds, the Joint Lead Managers (or its affiliates) may, for its own accounts, enter into asset swaps, credit derivatives or other derivative transactions relating to the Bonds or the Units at the same time as the offer and sale of the Bonds or in secondary market transactions. As a result of such transactions, the Joint Lead Managers may hold long or short positions in such Bonds or derivatives or in the underlying Units. These transactions may comprise a substantial portion of the Bonds offering and no disclosure will be made of such positions.

The distribution of this Offering Circular or any offering material and the offering, sale or delivery of the Bonds is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Offering Circular or any offering material are advised to consult with their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This Offering Circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

The Issuer estimates that the total expenses of this Offering will be approximately S$2.55 million (approximately 1.275 per cent. of the total proceeds of this Offering).

The Issuer expects to deliver the Bonds against payment on or about the 10 April 2019. Payments for the Bonds are to be made by investors in Singapore dollars on the Issue Date, and shall be effected by the Joint Lead Managers, pursuant to and in accordance with the terms of the Subscription Agreement.

The Joint Lead Managers and certain of its subsidiaries or affiliates have performed and/or may perform certain investment banking, commercial banking and advisory services for the Issuer, the REIT Manager, Keppel REIT and/or their respective affiliates from time to time for which they have received customary fees and expenses. The Joint Lead Managers and certain of their subsidiaries or affiliates may, from time to time, engage in transactions with and perform services for the Issuer, the REIT Manager, Keppel REIT and/or their respective affiliates in the ordinary course of their business.

General

No action has been or will be taken by the REIT Trustee or the Joint Lead Managers that would permit a public offering of the Bonds, or possession or distribution of this Offering Circular or any offering or publicity material relating to the Bonds, in any country or jurisdiction where action for that purpose is required. No offers, sales or deliveries of any Bonds, or distribution or publication of any offering material relating to the Bonds, may be made in or from any jurisdiction except in circumstances which will result in compliance with any applicable laws and regulations and will not impose any obligations on the REIT Trustee (acting in its capacity as trustee of Keppel REIT) or the Joint Lead Managers.

Singapore

This Offering Circular has not been registered as a prospectus with the MAS. Accordingly, this Offering Circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds or the Units may not be circulated or distributed, nor may the Bonds or the Units be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than to an institutional investor (as defined in the SFA) pursuant to Section 274 or 304 of the SFA (as the case may be), or otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

United States

The Bonds have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Securities are being offered and sold only outside the United States in reliance on Regulation S under the Securities Act.

United Kingdom

Any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**") in connection with the issue or sale of any bonds will only be communicated or cause to be communicated in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer and anything done by the Joint Lead Managers in relation to the bonds in, from or otherwise involving the United Kingdom will comply with all applicable provisions of the FSMA.

Switzerland

Keppel REIT has not been licensed for distribution to non-qualified investors by the Swiss Financial Market Supervisory Authority FINMA ("**FINMA**") as a foreign collective investment scheme pursuant to article 120 para. 1 of the Swiss Federal Act on Collective Investment Schemes of June 23, 2006, as amended ("**CISA**"), and no representative or paying agent in Switzerland has been appointed pursuant to article 120 para. 4 CISA. Accordingly, the Convertible Bonds and/or the units of Keppel REIT may only be offered, advertised or otherwise marketed, directly or indirectly, in or from Switzerland and this document and any other marketing or offering documents relating to Keppel REIT may only be made available in or from Switzerland (A) to financial institutions that are subject to prudential supervision by the FINMA as defined in article 10 para. 3 lit. a CISA or insurance institutions that are subject to prudential supervision by the FINMA as defined in article 10 para. 3 lit. b CISA and/or (B) in any other manner that does not constitute a distribution (*Vertrieb/distribution/distribuzione*) within the meaning of article 3 CISA, its implementing ordinance and guidelines. Investors in the Convertible Bonds and/or the units of Keppel REIT do not benefit from the specific investor protection provided by the CISA and the supervision by the FINMA in connection with the licensing for distribution or the appointment of a representative or a paying agent in Switzerland.

Prohibition of Sales to EEA Retail Investors

This Offering Circular is not for distribution, directly or indirectly, in or into the European Economic Area (the "**EEA**"). The Convertible Bonds are not being offered or sold, and may not be offered or sold, directly or indirectly, to or into the EEA. The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of article 4(1) of Directive 2014/65/EU, as amended ("**MIFID II**"); and (ii) a customer within the meaning of Directive 2002/92/EC, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MIFID II. Consequently, no key information document required by Regulation (EU) no 1286/2014, as amended (the "**PRIIPS Regulation**") for offering or selling the bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS regulation.

Alternative Investment Fund Managers Directive

This Offering Circular is not intended to be an offer or placement for the purposes of the Alternative Investment Fund Managers Directive ("**AIFMD**"), and any "marketing" as defined under AIFMD will take place in accordance with the national private placement regimes of the applicable European Economic Area jurisdictions in which the Bonds shall be offered or on a reverse-enquiry basis.

GENERAL INFORMATION

(1) The terms of this offering and the issue of the Bonds were approved by resolutions of the Board of Directors of the REIT Manager passed on 26 March 2019 and 5 April 2019.

(2) Approval-in-principle has been obtained for the listing of the Bonds on the SGX-ST.

(3) For a period of 12 months following the date of this Offering Circular, copies of the REIT Trust Deed, the Bond Trust Deed and the Agency Agreement and the audited annual financial statements of Keppel REIT will be available for inspection during usual business hours on any weekday (except Saturdays, Sundays and public holidays) at the REIT Manager's registered office for so long as any of the Bonds are outstanding.

(4) The Bonds have been accepted for clearance through Euroclear and Clearstream, or ISIN, Luxembourg, with a Common Code of 197820683. The International Securities Identification Number for the Bonds is XS1978206834.

(5) The Issuer has obtained all consents, approvals and authorisations in Singapore required in connection with the issue and performance of the Bonds.

(6) Except as disclosed in this Offering Circular up to date hereof and save as has been announced, there has been no significant change in the financial position of Keppel REIT since 31 December 2018 and no material adverse change in the financial position of Keppel REIT since 31 December 2018.

(7) Except as disclosed in this Offering Circular up to date hereof, neither the Issuer nor the REIT Manager is involved in any litigation or arbitration proceedings or any regulatory investigations relating to claims or amounts which are material in the context of the issue of the Bonds nor, so far as the REIT Manager is aware, is any such litigation or arbitration pending or threatened.

(8) The Bond Trustee is entitled under the Bond Trust Deed to rely, without liability to the Bondholders, on certificates prepared by the Directors of the REIT Manager and any certificate or report of Keppel REIT's auditors or any other expert appointed pursuant to the Terms and Conditions and/or the Bond Trust Deed, whether or not addressed to the Bond Trustee and whether or not the liability of such auditors or expert in respect thereof is limited by a monetary cap or otherwise limited or excluded.

(9) PricewaterhouseCoopers LLP, the independent auditor of Keppel REIT, has given and has not withdrawn their consent to the issue of this document with the inclusion herein of their audit reports on the consolidated financial statements of Keppel REIT for FY 2016, FY 2017 and FY 2018 in the form and context in which they are respectively included and, where relevant, references to their name and their reports in the form and context in which they are included.

(10) Submission by the Issuer to the jurisdiction of the English courts and the appointment of an agent for service of process, are valid and binding under Singapore law. The choice of English laws as the governing laws for the Bond Trust Deed, Agency Agreement, and the Bonds, under the laws of Singapore, is a valid choice of law and should be honoured by the courts of Singapore, subject to proof thereof and considerations of public policy.

(11) Each of the REIT Trustee and/or the REIT Manager does not intend to provide any post-issuance information in relation to the issue of the Bonds.

(12) The Joint Lead Managers and certain of its subsidiaries or affiliates have performed and/or may perfom certain investment banking, commercial banking and advisory services for the Issuer, the REIT Manager, Keppel REIT and/or their respective affiliates from time to time for which they have received customary fees and expenses. The Joint Lead Managers and certain of its subsidiaries or affiliates may, from time to time, engage in transactions with and perform services for the Issuer, the REIT Manager, Keppel REIT and/or their respective affiliates in the ordinary course of their business.

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INDEX TO THE FINANCIAL STATEMENTS

The audited consolidated financial statements for the years ended 31 December 2016, 2017 and 2018 set forth herein are reproduced from Keppel REIT's annual reports for the years ended 31 December 2016, 2017 and 2018 (and page references are references to pages set forth in such annual reports). The audited consolidated financial statements were not prepared for the purposes of this offering circular.

KEPPEL REIT
(Constituted under a Trust Deed in the Republic of Singapore)
AND ITS SUBSIDIARIES

ANNUAL REPORT
For the financial year ended 31 December 2016

KEPPEL REIT
(Constituted under a Trust Deed in the Republic of Singapore)
AND ITS SUBSIDIARIES

ANNUAL REPORT
For the financial year ended 31 December 2016

Contents

RBC Investor Services Trust Singapore Limited (the "Trustee") is under a duty to take into custody and hold the assets of Keppel REIT and its subsidiaries in trust for the holders of units ("Unitholders") in Keppel REIT. In accordance with the Securities and Futures Act, Chapter 289 of Singapore, its subsidiary legislation and the Code on Collective Investment Schemes, the Trustee shall monitor the activities of Keppel REIT Management Limited (the "Manager") for compliance with the limitations imposed on the investment and borrowing powers as set out in the trust deed dated 28 November 2005 (as amended) (the "Trust Deed") between the Manager and the Trustee in each annual accounting period and report thereon to Unitholders in an annual report.

To the best knowledge of the Trustee, the Manager has, in all material respects, managed Keppel REIT and its subsidiaries during the period covered by these financial statements, set out on pages 7 to 65 in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed.

For and on behalf of the Trustee,
RBC Investor Services Trust Singapore Limited

Hoi Sau Kheng
Director
Singapore, 17 February 2017

In the opinion of the Directors of Keppel REIT Management Limited (the "Manager"), the accompanying financial statements set out on pages 7 to 65 comprising the Balance Sheets, Statement of Total Return, Distribution Statement, Portfolio Statement, Statements of Movements in Unitholders' Funds, Statement of Cash Flows and Notes to the Financial Statements are drawn up so as to present fairly, in all material respects, the financial positions of the Group and the Trust as at 31 December 2016, the total return, distributable income, movements in Unitholders' funds and cash flows of the Group and the movements in Unitholders' funds of the Trust for the year ended on that date in accordance with the recommendations of Statement of Recommended Accounting Practice 7 (Revised 2012) "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants and the provisions of the Trust Deed. At the date of this statement, there are reasonable grounds to believe that the Group and the Trust would be able to meet their financial obligations as and when they materialise.

For and on behalf of the Manager,
Keppel REIT Management Limited

Lee Chiang Huat
Director

Singapore, 17 February 2017

To the Unitholders of Keppel REIT

Our opinion

In our opinion, the accompanying consolidated financial statements of Keppel REIT (the "Trust") and its subsidiaries (the "Group") are properly drawn up in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants, so as to present fairly, in all material respects, the financial position of the Trust and the Group as at 31 December 2016, the total return, amount distributable, portfolio statement, and consolidated cash flows of the Group, and the movement in Unitholders' funds of the Trust and the Group for the financial year then ended.

What we have audited

The financial statements of the Trust and the Group comprise:
- Balance Sheets as at 31 December 2016 of the Trust and the Group;
- Statement of Total Return for the financial year ended 31 December 2016 of the Group;
- Distribution Statement for the financial year ended 31 December 2016 of the Group;
- Portfolio Statement as at 31 December 2016 of the Group;
- Statement of Cash Flows for the financial year ended 31 December 2016 of the Group;
- Statements of Movements in Unitholders' Funds for the financial year ended 31 December 2016 of the Trust and the Group; and
- Notes to the Financial Statements, which include a summary of significant accounting policies and other explanatory information

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year ended 31 December 2016. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties The Group owns a portfolio of investment properties stated at their fair values based on independent external valuations. Information relating to these investment properties are disclosed in Note 3 to the financial statements. The valuation of investment properties involve significant judgements regarding the assumptions used in the valuation methods. These assumptions include comparable market transactions for the properties and future market conditions which impact the capitalisation rates and discount rates used in the valuation methods. As small changes in these rates can result in material impact to the values of the properties, we considered this as a key audit matter.	We assessed the competence, capabilities and objectivity of the external valuers engaged by the Manager and the Trustee to estimate the value of the Group's properties. We evaluated the appropriateness of the valuation methods adopted by the external valuers and found their use to be in accordance with the relevant valuation standards. The valuation methods are listed in Note 3 to the financial statements. To ascertain the appropriateness of the key inputs and assumptions used in the valuation, we tested the integrity of inputs of the projected cash flows used in the valuation to supporting documentation and assessed the reasonableness of these cash flows by comparing them against current year actual results and historical growth rates. We compared the capitalisation rate and discount rate against those used for similar type of properties and in prior year, and assessed the appropriateness of the comparable transactions, taking into account the nature, location and size of the property. We reviewed the adjustments made to the pre-adjusted sales price in arriving at the final property valuation. We have also assessed the adequacy of the disclosures relating to the assumptions, as we consider them as likely to be significant to users of the financial statements given the estimation uncertainty and sensitivity of the valuations. The valuers are members of recognised professional bodies for external valuers. We found that the valuation methodologies used were in line with generally accepted market practices and the key assumptions used were within the range of market data. We also found the disclosures in the financial statements to be appropriate.

Other information

The Manager and Trustee are responsible for the other information. The other information comprises the information included in the Report of the Trustee and Statement by the Manager, but does not include the financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and other sections of the Keppel REIT Report to Unitholders 2016 ("Other Sections"), which are expected to be made available to us after that date.

Other information (continued)

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Other Sections, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with SSAs.

Responsibilities of the Manager and those charged with governance for the financial statements

The Manager is responsible for the preparation and fair presentation of these financial statements in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants and for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Manager is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to terminate the Group or to cease the Group's operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.

Auditor's responsibilities for the audit of the financial statements (continued)

- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Manager with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Manager, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Yeow Chee Keong.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants

Singapore, 17 February 2017

KEPPEL REIT AND ITS SUBSIDIARIES
(Constituted under a Trust Deed in the Republic of Singapore)

BALANCE SHEETS
As at 31 December 2016

	Note	Group 2016 $'000	Group 2015 $'000	Trust 2016 $'000	Trust 2015 $'000
Non-current assets					
Investment properties	3	**3,618,097**	3,691,073	**540,000**	550,000
Investments in subsidiaries	4	**–**	–	**1,837,110**	1,837,852
Investments in associates	5	**2,525,112**	2,497,798	**2,025,483**	2,025,483
Advances to associates	8	**610,922**	608,922	**610,922**	608,922
Investments in joint ventures	6	**450,284**	408,112	**–**	–
Amounts owing by subsidiaries	7	**–**	–	**852,650**	818,836
Fixed assets		**190**	199	**31**	1
Intangible asset	9	**22,511**	37,823	**20,471**	32,600
Derivative financial instruments	13	**18,016**	17,542	**16,354**	9,965
		7,245,132	7,261,469	**5,903,021**	5,883,659
Current assets					
Trade and other receivables	10	**10,662**	18,057	**7,721**	27,502
Prepaid expenses		**604**	1,031	**11**	27
Cash and bank balances	11	**278,682**	144,601	**141,948**	126,501
Derivative financial instruments	13	**245**	260	**99**	260
		290,193	163,949	**149,779**	154,290
Total assets		**7,535,325**	7,425,418	**6,052,800**	6,037,949
Current liabilities					
Trade and other payables	12	**51,828**	51,208	**34,640**	26,285
Income received in advance	14	**278**	758	**–**	–
Borrowings (unsecured)	15	**–**	25,355	**–**	–
Security deposits		**3,545**	9,172	**431**	1,902
Derivative financial instruments	13	**1,483**	168	**1,281**	168
Provision for taxation		**2,735**	3,284	**2,735**	3,315
		59,869	89,945	**39,087**	31,670
Non-current liabilities					
Income received in advance	14	**25,152**	45,742	**25,152**	45,483
Borrowings (secured)	15	**348,201**	812,584	**348,201**	347,746
Borrowings (unsecured)	15	**2,133,553**	1,651,633	**1,667,700**	1,680,380
Derivative financial instruments	13	**7,315**	464	**6,287**	464
Security deposits		**27,869**	21,435	**2,976**	2,202
Deferred tax liabilities	16	**34,808**	25,767	**–**	–
		2,576,898	2,557,625	**2,050,316**	2,076,275
Total liabilities		**2,636,767**	2,647,570	**2,089,403**	2,107,945
Net assets		**4,898,558**	4,777,848	**3,963,397**	3,930,004
Represented by:					
Unitholders' funds		**4,746,717**	4,626,021	**3,813,696**	3,780,285
Perpetual securities	17	**149,701**	149,719	**149,701**	149,719
Non-controlling interest		**2,140**	2,108	**–**	–
		4,898,558	4,777,848	**3,963,397**	3,930,004
Units in issue ('000)	17	**3,291,616**	3,216,124	**3,291,616**	3,216,124
Net asset value per Unit ($)		**1.44**	1.44	**1.16**	1.18

The accompanying notes form an integral part of these financial statements.

STATEMENT OF TOTAL RETURN
For the financial year ended 31 December 2016

	Note	Group 2016 $'000	2015 $'000
Property income	18	**161,252**	170,347
Property expenses	19	**(32,882)**	(32,882)
Net property income		**128,370**	137,465
Rental support	20	**16,746**	20,480
Share of results of associates	5	**83,460**	75,695
Share of results of joint ventures	6	**30,789**	17,163
Interest income		**27,459**	36,940
Amortisation expense	9	**(15,312)**	(18,763)
Trust expenses	21	**(56,858)**	(56,770)
Borrowing costs	22	**(64,049)**	(67,313)
Net change in fair value of derivative financial instruments	13	**9,018**	3,879
Net income before gain on divestment of investment property and net change in fair value of investment properties		**159,623**	148,776
Gain on divestment of investment property	3	**28,299**	–
Net change in fair value of investment properties	23	**91,171**	218,038
Total return before tax		**279,093**	366,814
Income tax expense	24	**(21,306)**	(27,966)
Total return for the year		**257,787**	338,848
Attributable to:			
Unitholders		**250,191**	337,495
Perpetual securities holders		**7,490**	1,228
Non-controlling interest		**106**	125
		257,787	338,848
Basic and diluted earnings per Unit (cents) based on total return for the year	25	**7.67**	10.58
Basic and diluted earnings per Unit (cents) based on total return for the year and excluding gain on divestment of investment property, net change in fair value of investment properties and related tax expenses	25	**4.40**	4.40

The accompanying notes form an integral part of these financial statements.

KEPPEL REIT & ITS SUBSIDIARIES
DISTRIBUTION STATEMENT
For the financial year ended 31 December 2016

	Group	
	2016	2015
	$'000	$'000
Income available for distribution to Unitholders at beginning of the year	**54,269**	8,480
Net income before gain on divestment of investment property and net change in fair value of investment properties	**159,623**	148,776
Net income attributable to perpetual securities holders	**(7,490)**	(1,228)
Net income before net change in fair value of investment property attributable to non-controlling interest	**(72)**	(73)
Net tax and other adjustments (Note A)	**77,368**	97,759
Income tax expense	**(21,306)**	(27,966)
	208,123	217,268
Income available for distribution to Unitholders	**262,392**	225,748
Distribution to Unitholders:		
Distribution of 0.26 cents per Unit for the period from 16/12/2014 to 31/12/2014	**–**	(8,243)
Distribution of 1.70 cents per Unit for the period from 1/1/2015 to 31/3/2015	**–**	(54,009)
Distribution of 1.72 cents per Unit for the period from 1/4/2015 to 30/6/2015	**–**	(52,132)
Distribution of 1.70 cents per Unit for the period from 1/7/2015 to 30/9/2015	**–**	(51,874)
Distribution of 1.68 cents per Unit for the period from 1/10/2015 to 31/12/2015	**(44,871)**	–
Distribution of 1.68 cents per Unit for the period from 1/1/2016 to 31/3/2016	**(43,526)**	–
Distribution of 1.61 cents per Unit for the period from 1/4/2016 to 30/6/2016	**(45,848)**	–
Distribution of 1.60 cents per Unit for the period from 1/7/2016 to 30/9/2016	**(48,318)**	–
	(182,563)	(166,258)
Distribution in relation to the Distribution Reinvestment Plan for the period from 1/4/2015 to 30/6/2015	**–**	(2,687)
Distribution in relation to the Distribution Reinvestment Plan for the period from 1/7/2015 to 30/9/2015	**–**	(2,534)
Distribution in relation to the Distribution Reinvestment Plan for the period from 1/10/2015 to 31/12/2015	**(9,160)**	–
Distribution in relation to the Distribution Reinvestment Plan for the period from 1/1/2016 to 31/3/2016	**(10,912)**	–
Distribution in relation to the Distribution Reinvestment Plan for the period from 1/4/2016 to 30/6/2016	**(6,669)**	–
Distribution in relation to the Distribution Reinvestment Plan for the period from 1/7/2016 to 30/9/2016	**(4,134)**	–
	(30,875)	(5,221)
Total Unitholders' distribution (including capital return) (Note B)	**(213,438)**	(171,479)
Income available for distribution to Unitholders at end of the year	**48,954**	54,269

Note A – Net tax and other adjustments comprise:

- Manager's management fees paid and payable in Units	**50,515**	49,984
- Trustee's fees	**1,248**	1,229
- Amortisation of intangible asset and capitalised transaction costs	**19,143**	21,807
- Share of results of associates	**(83,460)**	(75,695)
- Share of results of joint ventures	**(30,789)**	(17,163)
- Effect of recognising rental income on a straight-line basis over the lease terms	**279**	(721)
- Interest income to be received	**(614)**	(243)
- Net change in fair value of derivative financial instruments	**(9,018)**	(3,879)
- Deferred tax expense	**7,776**	20,967
- Other gains distribution	**11,000**	11,000
- Other items	**1,662**	453
	(32,258)	7,739
Dividend and distribution income from associates	**86,453**	75,762
Distribution income from joint ventures	**23,173**	14,258
Net tax and other adjustments	**77,368**	97,759

Note B – Total Unitholders' distribution

- Taxable income	**(143,551)**	(113,157)
- Tax exempt income	**(40,984)**	(42,676)
- Other gains	**(15,905)**	(6,081)
- Capital return	**(12,998)**	(9,565)
	(213,438)	(171,479)

The accompanying notes form an integral part of these financial statements.

Group

Description of Property	Tenure of land	Term of lease	Remaining term of lease	Location	Existing use	Carrying value 2016 $'000	Carrying value 2015 $'000	Percentage of net assets 2016 %	Percentage of net assets 2015 %
Investment properties in Singapore:									
Bugis Junction Towers	Leasehold	99 years	72.7 years	230 Victoria Street	Commercial	540,000	550,000	11.0	11.5
Ocean Financial Centre[1]	Leasehold interest	99 years	93.9 years	10 Collyer Quay	Commercial	2,627,332	2,593,027	53.6	54.3
Investment properties in Australia:									
275 George Street[2]	Freehold[3]	NA	NA	Brisbane	Commercial	213,855	204,000	4.4	4.3
77 King Street office tower[10]	Freehold[3]	NA	NA	Sydney	Commercial	–	128,520	–	2.7
8 Exhibition Street[4]	Freehold[3]	NA	NA	Melbourne	Commercial	236,910	215,526	4.8	4.5
Investment properties, at valuation (Note 3)						3,618,097	3,691,073	73.8	77.3
Investments in associates and joint ventures, advances to associates (Notes 5, 6 and 8) and intangible asset (Note 9)						3,608,829	3,552,655	73.7	74.4
Investment properties held by joint ventures:									
8 Chifley Square[5]	Leasehold	99 years	88.3 years	Sydney	Commercial				
David Malcolm Justice Centre[6]	Leasehold	99 years	97.7 years	Perth	Commercial				
Investment properties held by associates:									
One Raffles Quay[7]	Leasehold	99 years	83.4 years	1 Raffles Quay	Commercial				
Marina Bay Financial Centre Towers 1 & 2 and Marina Bay Link Mall[8]	Leasehold	99 years	87.8 years	Nos. 8, 8A and 10 Marina Boulevard	Commercial				
Marina Bay Financial Centre Tower 3[9]	Leasehold	99 years	89.2 years	No. 12 Marina Boulevard	Commercial				
Other assets and liabilities (net)						(2,328,368)	(2,465,880)	(47.5)	(51.7)
Net assets						4,898,558	4,777,848	100.0	100.0

[1] Carrying value is based on 100.0% of Ocean Financial Centre. Keppel REIT owns approximately 99.9% (2015: 99.9%) interest in Ocean Financial Centre.
[2] Comprises 50.0% (2015: 50.0%) interest in 275 George Street.
[3] Also known as estate in fee simple.
[4] Comprises 50.0% (2015: 50.0%) interest in 8 Exhibition Street office building and two retail units. On 12 October 2015, Keppel REIT acquired 100.0% interest in the three adjoining retail units.
[5] Comprises 50.0% (2015: 50.0%) interest in 8 Chifley Square, held through Mirvac 8 Chifley Trust.
[6] Comprises 50.0% (2015: 50.0%) interest in David Malcolm Justice Centre (formerly known as Old Treasury Building), held through Mirvac (Old Treasury) Trust. David Malcolm Justice Centre received its Certificate of Practical Completion on 31 August 2015.
[7] Comprises one-third (2015: one-third) interest in One Raffles Quay, held through One Raffles Quay Pte Ltd.
[8] Comprise one-third (2015: one-third) interest in Marina Bay Financial Centre Towers 1 & 2 and Marina Bay Link Mall, held through BFC Development LLP.
[9] Comprises one-third (2015: one-third) interest in Marina Bay Financial Centre Tower 3, held through Central Boulevard Development Pte. Ltd.
[10] On 29 January 2016, Keppel REIT divested its entire interest in 77 King Street office tower.

The accompanying notes form an integral part of these financial statements.

The carrying amounts of the Group's assets under management as at 31 December 2016 and 31 December 2015 were based on valuations undertaken by various independent valuers. The independent valuers have appropriate professional qualifications and experience in the location and asset class of the properties being valued. The below valuations were determined based on the capitalisation approach, discounted cash flows analysis and direct comparison method, and assessed in accordance with the Group's respective interests in the properties and include rental support top-up payments, where applicable.

FY2016

Property	Independent valuer	Date of valuation	Valuation $'000
Investment properties in Singapore:			
Bugis Junction Towers	Colliers International Consultancy & Valuation (Singapore) Pte Ltd	31 December 2016	540,000
Ocean Financial Centre	Savills Valuation and Professional Services (S) Pte Ltd	31 December 2016	2,627,000[1]
Investment properties in Australia:			
275 George Street	m3Property (Qld) Pty Ltd	31 December 2016	213,855
8 Exhibition Street, comprising 50% interest in the office building and two retail units, and 100% interest in the three adjoining retail units	CIVAS (VIC) Pty Limited	31 December 2016	236,910
Investment properties held by associates:			
One Raffles Quay	Savills Valuation and Professional Services (S) Pte Ltd	31 December 2016	1,273,000
Marina Bay Financial Centre Towers 1 & 2 and Marina Bay Link Mall	Savills Valuation and Professional Services (S) Pte Ltd	31 December 2016	1,693,000
Marina Bay Financial Centre Tower 3	Colliers International Consultancy & Valuation (Singapore) Pte Ltd	31 December 2016	1,316,000
Investment properties held by joint ventures:			
8 Chifley Square	CIVAS (NSW) Pty Limited	31 December 2016	235,850
David Malcolm Justice Centre [2]	Colliers International (WA) Pty Ltd	31 December 2016	219,950
			8,355,565

FY2015

Property	Independent valuer	Date of valuation	Valuation $'000
Investment properties in Singapore:			
Bugis Junction Towers	Colliers International Consultancy & Valuation (Singapore) Pte Ltd	31 December 2015	550,000
Ocean Financial Centre	Savills Valuation and Professional Services (S) Pte Ltd	31 December 2015	2,597,000[1]
Investment properties in Australia:			
275 George Street	m3Property (Qld) Pty Ltd	31 December 2015	204,000
77 King Street office tower	Savills Valuation Pty Ltd	31 July 2015	128,520
8 Exhibition Street, comprising 50% interest in the office building and two retail units, and 100% interest in the three adjoining retail units	CIVAS (VIC) Pty Limited	31 December 2015	215,526
Investment properties held by associates:			
One Raffles Quay	Savills Valuation and Professional Services (S) Pte Ltd	31 December 2015	1,263,000
Marina Bay Financial Centre Towers 1 & 2 and Marina Bay Link Mall	Savills Valuation and Professional Services (S) Pte Ltd	31 December 2015	1,682,000
Marina Bay Financial Centre Tower 3	Cushman & Wakefield VHS Pte Ltd	31 December 2015	1,307,000
Investment properties held by joint ventures:			
8 Chifley Square	CIVAS (NSW) Pty Limited	31 December 2015	206,550
David Malcolm Justice Centre [2]	Savills Valuation Pty Ltd	31 December 2015	201,450
			8,355,046

[1] The carrying value based on 100.0% interest in Ocean Financial Centre, excluding rental support top-up payment, is $2,627,332,000 (2015: $2,593,027,000).

[2] Formerly known as Old Treasury Building.

The investment properties comprise commercial properties that are mainly leased to third party tenants. Generally, these leases contain an initial non-cancellable period of between 2 and 25 years. Subsequent renewals are negotiated with individual lessees.

KEPPEL REIT & ITS SUBSIDIARIES
STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS
For the financial year ended 31 December 2016

	Attributable to Unitholders								
Group	Units in Issue $'000	Foreign currency translation reserve $'000	Hedging reserve $'000	Accumulated profits $'000	Discount on acquisition of non-controlling interest $'000	Unitholders' funds $'000	Perpetual securities $'000	Non-controlling interest $'000	Total $'000
At 1 January 2016	**3,394,832**	**(199,445)**	**17,429**	**1,409,983**	**3,222**	**4,626,021**	**149,719**	**2,108**	**4,777,848**
Operations									
Total return attributable to Unitholders and non-controlling interest	–	–	–	250,191	–	250,191	–	106	250,297
Net increase in net assets resulting from operations	–	–	–	250,191	–	250,191	–	106	250,297
Unitholders' transactions									
Creation of Units									
- payment of management fees in Units	43,848	–	–	–	–	43,848	–	–	43,848
- Distribution Reinvestment Plan	30,875	–	–	(30,875)	–	–	–	–	–
Distribution to Unitholders	(12,998)	–	–	(169,565)	–	(182,563)	–	–	(182,563)
Net increase/(decrease) in net assets resulting from Unitholders' transactions	61,725	–	–	(200,440)	–	(138,715)	–	–	(138,715)
Perpetual securities									
Issue expenses	–	–	–	–	–	–	(18)	–	(18)
Total return attributable to perpetual securities holders	–	–	–	–	–	–	7,490	–	7,490
Distribution to perpetual securities holders	–	–	–	–	–	–	(7,490)	–	(7,490)
Net decrease in net assets resulting from perpetual securities holders' transactions	–	–	–	–	–	–	(18)	–	(18)
Net movement in foreign currency translation reserve	–	32,143	–	–	–	32,143	–	–	32,143
Net change in fair value of cash flow hedges	–	–	(16,724)	–	–	(16,724)	–	(3)	(16,727)
Share of net change in fair value of cash flow hedges of associates	–	–	(6,199)	–	–	(6,199)	–	–	(6,199)
Distribution of partnership profits to non-controlling interest	–	–	–	–	–	–	–	(71)	(71)
At 31 December 2016	**3,456,557**	**(167,302)**	**(5,494)**	**1,459,734**	**3,222**	**4,746,717**	**149,701**	**2,140**	**4,898,558**

The accompanying notes form an integral part of these financial statements.

KEPPEL REIT & ITS SUBSIDIARIES
STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS
For the financial year ended 31 December 2016

	Attributable to Unitholders								
Group	Units in issue $'000	Foreign currency translation reserve $'000	Hedging reserve $'000	Accumulated profits $'000	Discount on acquisition of non-controlling interest $'000	Unitholders' funds $'000	Perpetual securities $'000	Non-controlling interest $'000	Total $'000
At 1 January 2015	**3,354,095**	**(123,164)**	**(11,135)**	**1,234,402**	**3,222**	**4,457,420**	–	**2,052**	**4,459,472**
Operations									
Total return attributable to Unitholders and non-controlling interest	–	–	–	337,495	–	337,495	–	125	337,620
Net increase in net assets resulting from operations	–	–	–	337,495	–	337,495	–	125	337,620
Unitholders' transactions									
Creation of Units									
- payment of management fees in Units	44,939	–	–	–	–	44,939	–	–	44,939
- Distribution Reinvestment Plan	5,221	–	–	(5,221)	–	–	–	–	–
Issue expense adjustments	142	–	–	–	–	142	–	–	142
Distribution to Unitholders	(9,565)	–	–	(156,693)	–	(166,258)	–	–	(166,258)
Net increase/(decrease) in net assets resulting from Unitholders' transactions	40,737	–	–	(161,914)	–	(121,177)	–	–	(121,177)
Perpetual securities									
Issue of perpetual securities	–	–	–	–	–	–	150,000	–	150,000
Issue expenses	–	–	–	–	–	–	(1,509)	–	(1,509)
Total return attributable to perpetual securities holders	–	–	–	–	–	–	1,228	–	1,228
Net increase in net assets resulting from perpetual securities holders' transactions	–	–	–	–	–	–	149,719	–	149,719
Net movement in foreign currency translation reserve	–	(76,281)	–	–	–	(76,281)	–	–	(76,281)
Net change in fair value of cash flow hedges	–	–	27,038	–	–	27,038	–	4	27,042
Share of net change in fair value of cash flow hedges of associates	–	–	1,526	–	–	1,526	–	–	1,526
Distribution of partnership profits to non-controlling interest	–	–	–	–	–	–	–	(73)	(73)
At 31 December 2015	**3,394,832**	**(199,445)**	**17,429**	**1,409,983**	**3,222**	**4,626,021**	**149,719**	**2,108**	**4,777,848**

The accompanying notes form an integral part of these financial statements.

KEPPEL REIT & ITS SUBSIDIARIES
STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS
For the financial year ended 31 December 2016

	Attributable to Unitholders				
	Units in issue $'000	Hedging reserve $'000	Accumulated profits $'000	Perpetual securities $'000	Total $'000
Trust					
At 1 January 2016	**3,394,832**	**9,594**	**375,859**	**149,719**	**3,930,004**
Operations					
Total return attributable to Unitholders	–	–	181,852	–	181,852
Net increase in net assets resulting from operations	–	–	181,852	–	181,852
Unitholders' transactions					
Creation of Units					
- payment of management fees in Units	43,848	–	–	–	43,848
- Distribution Reinvestment Plan	30,875	–	(30,875)	–	–
Distribution to Unitholders	(12,998)	–	(169,565)	–	(182,563)
Net increase/(decrease) in net assets resulting from Unitholders' transactions	61,725	–	(200,440)	–	(138,715)
Perpetual securities					
Issue expenses	–	–	–	(18)	(18)
Total return attributable to perpetual securities holders	–	–	–	7,490	7,490
Distribution to perpetual securities holders	–	–	–	(7,490)	(7,490)
Net decrease in net assets resulting from perpetual securities holders' transactions	–	–	–	(18)	(18)
Net change in fair value of cash flow hedges	–	(9,726)	–	–	(9,726)
At 31 December 2016	**3,456,557**	**(132)**	**357,271**	**149,701**	**3,963,397**
At 1 January 2015	**3,354,095**	**(9,528)**	**445,472**	–	**3,790,039**
Operations					
Total return attributable to Unitholders	–	–	92,301	–	92,301
Net increase in net assets resulting from operations	–	–	92,301	–	92,301
Unitholders' transactions					
Creation of Units					
- payment of management fees in Units	44,939	–	–	–	44,939
- Distribution Reinvestment Plan	5,221	–	(5,221)	–	–
Issue expense adjustments	142	–	–	–	142
Distribution to Unitholders	(9,565)	–	(156,693)	–	(166,258)
Net increase/(decrease) in net assets resulting from Unitholders' transactions	40,737	–	(161,914)	–	(121,177)
Perpetual securities					
Issue of perpetual securities	–	–	–	150,000	150,000
Issue expenses	–	–	–	(1,509)	(1,509)
Total return attributable to perpetual securities holders	–	–	–	1,228	1,228
Net increase in net assets resulting from perpetual securities holders' transactions	–	–	–	149,719	149,719
Net change in fair value of cash flow hedges	–	19,122	–	–	19,122
At 31 December 2015	**3,394,832**	**9,594**	**375,859**	**149,719**	**3,930,004**

The accompanying notes form an integral part of these financial statements.

KEPPEL REIT & ITS SUBSIDIARIES
STATEMENT OF CASH FLOWS
For the financial year ended 31 December 2016

	Group	
	2016	2015
	$'000	$'000
Operating activities		
Total return before tax	**279,093**	366,814
Adjustments for:		
Interest income	**(27,459)**	(36,940)
Amortisation expense	**15,312**	18,763
Share of results of associates	**(83,460)**	(75,695)
Share of results of joint ventures	**(30,789)**	(17,163)
Borrowing costs	**64,049**	67,313
Management fees paid and payable in Units	**50,515**	49,984
Gain on divestment of investment property	**(28,299)**	–
Net change in fair value of derivative financial instruments	**(9,018)**	(3,879)
Net change in fair value of investment properties	**(91,171)**	(218,038)
Depreciation	**44**	46
Rental support	**(16,746)**	(20,480)
Unrealised translation differences	**809**	431
Operating cash flows before changes in working capital	**122,880**	131,156
Decrease/(increase) in receivables	**4,619**	(3,071)
Decrease in payables	**(6,073)**	(4,777)
Increase in security deposits	**807**	2,310
Cash flows from operations	**122,233**	125,618
Income taxes paid	**(14,054)**	(11,337)
Net cash flows provided by operating activities	**108,179**	114,281
Investing activities		
Purchase of investment property	**–**	(9,680)
Subsequent expenditure on investment properties	**(2,212)**	(2,424)
Purchase of fixed assets	**(35)**	(102)
Proceeds from divestment of investment property, net of divestment costs	**157,233**	–
Interest received	**27,085**	37,915
Rental support received	**20,331**	27,750
Dividend and distribution income received from associates	**86,453**	75,762
Distribution income received from joint ventures	**23,173**	14,258
Investment in a joint venture	**–**	(5,959)
Advance to a joint venture	**–**	(6,075)
(Advance to)/repayment of advance from an associate	**(2,000)**	4,300
Reimbursement of development costs for interest in an associate	**–**	4,837
Net cash flows provided by investing activities	**310,028**	140,582
Financing activities		
Loans drawdown	**640,450**	461,774
Repayment of loans	**(656,744)**	(683,883)
Proceeds from issuance of medium term notes	**–**	50,000
Proceeds from issuance of perpetual securities	**–**	150,000
Payment of financing expenses/upfront debt arrangement costs	**(2,157)**	(2,784)
Distribution of partnership profits to non-controlling interest	**(71)**	(66)
Distribution to Unitholders (net of distribution in Units)	**(182,563)**	(203,862)
Distribution to perpetual securities holders	**(7,490)**	–
Interest paid	**(60,737)**	(62,041)
Issue expenses	**(18)**	(1,509)
Net cash flows used in financing activities	**(269,330)**	(292,371)

The accompanying notes form an integral part of these financial statements.

	Group 2016 $'000	2015 $'000
Net increase/(decrease) in cash and cash equivalents	**148,877**	(37,508)
Cash and cash equivalents at beginning of the year	**98,764**	137,818
Effect of exchange rate changes on cash and cash equivalents	**5,578**	(1,546)
Cash and cash equivalents at end of the year (Note 11)	**253,219**	98,764
Cash and bank balances	**278,682**	144,601
Less: Rental support received in advance held in designated accounts (Note A)	**(25,463)**	(45,837)
Cash and cash equivalents per Statement of Cash Flows	**253,219**	98,764

Note A – Rental support received in advance held in designated accounts

This relates to the rental support top-up payments received in advance by the Group held in designated accounts for the one-third interest in Central Boulevard Development Pte. Ltd. ("CBDPL") and 12.39% interest in Ocean Properties LLP ("OPLLP") (2015: one-third interest in CBDPL, 12.39% interest in OPLLP and the office tower at 77 King Street).

Note B – Significant non-cash transactions

The following were the significant non-cash transactions:

(i) 43,763,613 (2015: 40,679,411) Units were issued as payment of management fees to the Manager, amounting to $43,848,000 (2015: $44,939,000); and

(ii) 31,728,090 (2015: 5,011,176) Units were issued under the Distribution Reinvestment Plan, amounting to $30,875,000 (2015: $5,221,000).

The accompanying notes form an integral part of these financial statements.

These notes form an integral part of the financial statements.

The financial statements of Keppel REIT (the "Trust") and its subsidiaries (the "Group") for the financial year ended 31 December 2016 were authorised for issue by the Manager on 17 February 2017.

1. General

Keppel REIT is a Singapore-domiciled real estate investment trust constituted by the Trust Deed dated 28 November 2005 (as amended) (the "Trust Deed") between Keppel REIT Management Limited (the "Manager") and RBC Investor Services Trust Singapore Limited (the "Trustee"). The Trust Deed is governed by the laws of the Republic of Singapore. The Trustee is under a duty to take into custody and hold the assets of the Trust and its subsidiaries in trust for the holders ("Unitholders") of units in the Trust (the "Units"). The address of the Trustee's registered office and principal place of business is 77 Robinson Road, #18-00 Robinson 77, Singapore 068896.

The Trust was formally admitted to the Official List of the Singapore Exchange Securities Trading Limited ("SGX-ST") on 28 April 2006 and was included in the Central Provident Fund Investment Scheme on 28 April 2006. The principal activity of the Trust is to invest in a portfolio of quality real estate and real estate-related assets which are predominantly used for commercial purposes in Singapore and Asia with the primary objective of generating stable returns to its Unitholders and achieving long-term capital growth. The principal activities of its subsidiaries, associates and joint ventures are set out in Notes 4, 5 and 6 respectively.

The Trust has entered into several service agreements in relation to the management of the Trust and its property operations. The fee structures of these services are as follows:

(a) Property management fees

Under the property management agreement, for property management services rendered by Keppel REIT Property Management Pte Ltd (the "Property Manager"), the Trustee will pay the Property Manager property management fees of 3.0% per annum of the property income of each of the investment properties.

The Property Manager is also entitled to receive leasing commission at the rates set out as follows:

(i) one month's Gross Rent (base rental income and tenant service charge) or licence fee, as applicable, for securing a tenancy or licence of two years or more;
(ii) one-half month's Gross Rent (base rental income and tenant service charge) or licence fee, as applicable, for securing a tenancy or licence of less than two years but at least a year and a proportionate part thereof; and
(iii) one-quarter month's Gross Rent (base rental income and tenant service charge) or licence fee, as applicable, for securing a renewal of tenancy or licence of a year or more and a proportionate part thereof for securing a renewal of a tenancy or licence of less than a year.

The property management fees are payable monthly in arrears.

1. General (continued)

(b) Manager's management fees

Pursuant to the Trust Deed, the Manager is entitled to the following management fees:

(i) a base fee of 0.5% per annum of the value of all the assets for the time being of the Trust or deemed to be held upon the Trust constituted under the Trust Deed ("Deposited Property"); and
(ii) an annual performance fee of 3.0% per annum of the Net Property Income (as defined in the Trust Deed) of the Trust and any Special Purpose Vehicles (as defined in the Trust Deed) after deducting all applicable taxes payable.

The management fees will be paid in the form of cash and/or Units (as the Manager may elect). The management fees payable in Units will be issued at the volume weighted average price for a Unit for all trades on the SGX-ST in the ordinary course of trading on the SGX-ST for the period of 10 Business Days (as defined in the Trust Deed) immediately preceding the relevant Business Day.

The base fee component of the Manager's management fees is payable quarterly in arrears. With effect from 1 January 2016, under the Property Funds Appendix of the Code on Collective Investment Schemes ("CIS Code"), crystallisation of the performance fee has been revised to be no more frequent than once a year. Accordingly, the performance fee component of the Manager's management fees will be paid on an annual basis in arrears, subsequent to the applicable financial year.

The Manager is also entitled to receive an acquisition fee at the rate of 1.0% of acquisition price and a divestment fee of 0.5% of sale price on all acquisitions or disposals of properties respectively.

(c) Trustee's fees

Under the Trust Deed, the maximum fee payable to the Trustee is 0.03% per annum of the value of the Deposited Property and shall be payable quarterly in arrears.

2. Summary of significant accounting policies

(a) Basis of preparation

The financial statements of the Group have been prepared in accordance with the recommendations of Statement of Recommended Accounting Practice 7 (Revised 2012) "Reporting Framework for Unit Trusts" ("RAP 7") issued by the Institute of Singapore Chartered Accountants. The financial statements have also been prepared in accordance with the applicable requirements of the CIS Code issued by the Monetary Authority of Singapore ("MAS") and the provisions of the Trust Deed. RAP 7 requires the accounting policies to generally comply with the principles relating to recognition and measurement under the Singapore Financial Reporting Standards ("FRS").

The financial statements, which are expressed in Singapore dollar ("SGD" or "$") and rounded to the nearest thousand ($'000), unless otherwise stated, are prepared on the historical cost basis, except as disclosed in the accounting policies below.

2. Summary of significant accounting policies (continued)

(b) Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards that are effective for annual periods beginning on or after 1 January 2016. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Trust.

(c) Standards issued but not yet effective

The Group has not adopted the following standards that have been issued but not yet effective:

Reference	Description	Effective date (Annual periods beginning on or after)
Amendments to FRS 7	Statement of cash flows	1 January 2017
Amendments to FRS 112	Clarification on scope of Disclosure of Interests in Other Entities	1 January 2017
Amendments to FRS 40	Transfers of Investment Property	1 January 2018
FRS 109	Financial Instruments	1 January 2018
FRS 115	Revenue from Contracts with Customers	1 January 2018
FRS 116	Leases	1 January 2019

The Manager is presently assessing the impact of these standards on the financial statements and plans to adopt the new standards on the required effective date.

(d) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Trust and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date and use accounting policies consistent with the Trust.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

2. Summary of significant accounting policies (continued)

(d) *Basis of consolidation (continued)*

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- derecognises the carrying amount of any non-controlling interest;
- derecognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in the Statement of Total Return;
- re-classifies the Group's share of components previously recognised in other comprehensive income to the Statement of Total Return or retained earnings, as appropriate.

(e) *Transactions with non-controlling interest*

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to Unitholders of the Trust, and is presented separately in the Statement of Total Return and within equity in the consolidated Balance Sheet, separately from equity attributable to the Unitholders of the Trust.

Changes in the Trust's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to Unitholders of the Trust.

(f) *Functional and foreign currency*

(i) Functional currency

The Manager has determined the currency of the primary economic environment in which the Trust operates, i.e. functional currency, to be Singapore dollar. The financial statements are presented in Singapore dollar.

(ii) Foreign currency transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Trust and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

2. Summary of significant accounting policies (continued)

(f) Functional and foreign currency (continued)

(ii) Foreign currency transactions and balances (continued)

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in the Statement of Total Return except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised under foreign currency translation reserve in Unitholders' funds. The foreign currency translation reserve is reclassified from Unitholders' funds to the Statement of Total Return on disposal of the foreign operation.

(iii) Consolidated financial statements

For consolidation purposes, the assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the end of the reporting period and their total returns are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised under foreign currency translation reserve in Unitholders' funds. On disposal of a foreign operation, the foreign currency translation reserve relating to that particular foreign operation is recognised in the Statement of Total Return.

(g) Investment properties

Investment properties are properties that are owned by the Group in order to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business. Investment properties comprise completed investment properties and properties that are being constructed or developed for future use as investment properties.

Investment properties are initially recorded at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

Subsequent to initial recognition, investment properties are measured at fair value. Gains or losses arising from changes in the fair values of investment properties are included in the Statement of Total Return in the year in which they arise.

Investment properties are derecognised when either they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in the Statement of Total Return in the year of retirement or disposal.

(h) Fixed assets

Fixed assets are initially recorded at cost and subsequently measured at cost less accumulated depreciation and any accumulated impairment losses.

2. Summary of significant accounting policies (continued)

(h) Fixed assets (continued)

All fixed assets are depreciated on a straight-line basis over their estimated useful lives as follows:

Computer	3 years
Machinery and equipment	5 years

The carrying values of fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The estimated useful lives, residual values and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of fixed assets is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in total return in the year the asset is derecognised.

(i) Subsidiaries

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Trust's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

(j) Joint arrangements

A joint arrangement is a contractual arrangement whereby two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint arrangement is classified either as joint operation or joint venture, based on the rights and obligations of the parties to the arrangement.

To the extent the joint arrangement provides the Group with rights to the assets and obligations for the liabilities relating to the arrangement, the arrangement is a joint operation. To the extent the joint arrangement provides the Group with rights to the net assets of the arrangement, the arrangement is a joint venture.

The Group recognises its interest in a joint venture as an investment and accounts for the investment using the equity method. The accounting policy for investment in joint venture is set out in Note 2(k).

2. Summary of significant accounting policies (continued)

(k) Joint ventures and associates

An associate is an entity over which the Group has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies.

The Group accounts for its investments in associates and joint ventures using the equity method from the date on which the investment becomes an associate or joint venture.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate's or joint venture's total return in the period in which the investment is acquired.

Under the equity method, the investments in associates or joint ventures are carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates or joint ventures. The total return reflects the share of results of the operations of the associates or joint ventures. Distributions or dividends received from joint ventures or associates reduce the carrying amounts of the investments. Where there has been a change recognised in other comprehensive income by the associates or joint ventures, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and associates or joint ventures are eliminated to the extent of the interest in the associates or joint ventures.

When the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless it has incurred legal and constructive obligations to make or has made payments on behalf of the associate or joint venture.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investments in associates or joint ventures. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognises the amount in total return.

The financial statements of the associates and joint ventures are prepared as of the same reporting date as the Trust. Property held for sale is stated at the lower of cost and net realisable value. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group, and adjustments are made for the effects of significant transactions or events that occur between that date and the reporting date of the Trust.

(l) Intangible asset

Intangible asset, which relates to rental support top-up payments, is measured initially at cost, being the fair value as at the date of acquisition. Following initial recognition, intangible asset is measured at cost less any accumulated amortisation and any impairment losses.

2. Summary of significant accounting policies (continued)

(l) Intangible asset (continued)

Intangible asset with a finite useful life is amortised over the estimated useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible asset with finite useful life is recognised in total return.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in total return when the asset is derecognised.

(m) Impairment of non-financial assets

The Group assesses at each reporting date whether there is any indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses of continuing operations are recognised in total return, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised previously. Such reversal is recognised in total return.

(n) Financial instruments

Financial assets

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets through profit or loss are recognised immediately as expenses.

2. Summary of significant accounting policies (continued)

(n) Financial instruments (continued)

Financial assets (continued)

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Gains and losses are recognised in total return when the loans and receivables are derecognised or impaired, and through the amortisation process.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in total return.

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

Financial liabilities

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

After initial recognition, financial liabilities are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in total return when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in total return.

2. Summary of significant accounting policies (continued)

(o) Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired.

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in total return.

When the cash flow becomes uncollectible, the carrying amount of an impaired financial asset is reduced directly or if an amount was charged to the allowance account, the amount charged to the allowance account is written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in total return.

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand, and demand deposits, and exclude amounts which are restricted for use.

(q) Unit capital, perpetual securities and issue expenses

Proceeds from issuance of Units are recognised as units in issue in Unitholders' funds and incidental costs directly attributable to the issuance are deducted against Unitholders' funds.

Proceeds from issuance of perpetual securities are recognised in equity and incidental costs directly attributable to the issuance of perpetual securities are deducted against the proceeds from the issue.

2. Summary of significant accounting policies (continued)

(r) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(s) Leases – as lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. The accounting policy for rental income is set out in Note 2(t)(i). Contingent rents are recognised as revenue in the period in which they are earned.

(t) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

(i) Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over the lease term on a straight-line basis.

(ii) Interest income

Interest income is recognised using the effective interest method.

(iii) Rental support, dividend income and distribution income

Rental support, dividend income and distribution income are recognised when the Group's right to receive payment is established.

(u) Expenses

(i) Trust expenses

Trust expenses are recognised on an accrual basis.

(ii) Property expenses

Property expenses are recognised on an accrual basis. Included in property expenses are property management fees which are based on the applicable formula stipulated in Note 1(a).

2. Summary of significant accounting policies (continued)

(u) Expenses (continued)

(iii) Manager's management fees

Manager's management fees are recognised on an accrual basis based on the applicable formula stipulated in Note 1(b).

(iv) Borrowing costs

Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds, and are recognised in the period they occur.

(v) Taxation

(i) Current income tax

Current income tax is the expected tax payable on the taxable income for the year, using tax rates and tax laws enacted or substantively enacted at the reporting date.

Current income tax is recognised as an expense or income in total return, except when it relates to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination.

(ii) Deferred tax

Deferred tax is provided, using the liability method, on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year in which those assets and liabilities are expected to be realised or settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is measured based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities except for investment properties. Investment property measured at fair value is presumed to be recovered entirely through sale.

Deferred tax is recognised as an expense or income in total return, except when it relates to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination.

(iii) Tax transparency

Pursuant to the Tax Transparency Ruling issued by the Inland Revenue Authority of Singapore ("IRAS"), tax transparency treatment has been granted to the Trust in respect of certain taxable income ("Specified Taxable Income"). Subject to meeting the terms and conditions of the tax ruling which include a distribution of at least 90% of the taxable income of the Trust, the Trust will not be assessed for tax on the portion of its taxable income that is distributed to Unitholders. Any portion of the Trust's taxable income that is not distributed to Unitholders will be taxed at the prevailing corporate tax rate.

2. Summary of significant accounting policies (continued)

(v) Taxation (continued)

(iii) Tax transparency (continued)

In the event that there are subsequent adjustments to the taxable income when the actual taxable income of the Trust is finally agreed with the IRAS, such adjustments are taken up as adjustments to the amount to be distributed for the next distribution following the agreement with the IRAS.

Subject to the terms and conditions of the Tax Transparency Ruling, the Trust will not be taxed on Specified Taxable Income distributed to the Unitholders in the year in which the income was derived. Instead, the Trust will undertake to deduct income tax at the prevailing corporate tax rate on the distributions made to the Unitholders out of such Specified Taxable Income except:

a) where the beneficial owner is a Qualifying Unitholder (as defined herein), distributions will be made to such Unitholder without deducting any income tax; and

b) where the beneficial owner is a Qualifying Foreign Non-Individual Unitholder (as defined herein), income tax will be deducted at a reduced rate of 10% from the distributions made up to 31 March 2020, unless otherwise extended.

A Qualifying Unitholder is a Unitholder who is:

a) an individual; or

b) a company incorporated and tax resident in Singapore;

c) a Singapore branch of a company incorporated outside Singapore;

d) a non-corporate entity (excluding partnerships) constituted or registered in Singapore including:

- institutions, authorities, persons or funds specified in the First Schedule to the Income Tax Act, Chapter 134 of Singapore;
- co-operative societies registered under the Co-operative Societies Act, Chapter 62 of Singapore;
- trade unions registered under the Trade Unions Act, Chapter 333 of Singapore;
- charities registered under the Charities Act, Chapter 37 of Singapore or established by an Act of Parliament; and
- town councils; or

e) an international organisation that is exempt from tax on such distributions by reason of an order made under the International Organisations (Immunities and Privileges) Act (Cap. 145).

2. Summary of significant accounting policies (continued)

(v) Taxation (continued)

(iii) Tax transparency (continued)

A Qualifying Foreign Non-Individual Unitholder is a person other than an individual not resident in Singapore for Singapore income tax purposes and:

a) who does not have a permanent establishment in Singapore; or

b) who carries on an operation in Singapore through a permanent establishment in Singapore, where the funds used by that person to acquire the units are not obtained from that operation.

The above tax transparency ruling does not apply to gains from sale of real properties. Such gains, if they are considered as trading gains, are assessable to tax on the Trust. Where the gains are capital gains, the Trust will not be assessed to tax and may distribute the capital gains to Unitholders without having to deduct tax at source.

Any distributions made by the Trust to the Unitholders out of tax-exempt income and taxed income would be exempt from Singapore income tax in the hands of all Unitholders, regardless of their corporate or residence status.

(iv) Sales tax

Revenue, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables on the Balance Sheets.

(w) Portfolio reporting

For management purposes, the Group is organised into operating segments based on individual investment property within the Group's portfolio, and prepares financial information on a property by property basis. The properties are independently managed by property managers who are responsible for the performance of the property under their charge. Discrete financial information is provided to the Board on a property by property basis. The Board regularly reviews this information in order to allocate resources to each property and to assess the property's performance.

(x) Derivative financial instruments and hedge accounting

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at fair value. Derivative financial instruments are carried as assets when the fair value is positive and as liabilities when fair value is negative.

Gains or losses arising from the changes in fair value of derivative financial instruments that do not qualify for hedge accounting are taken to total return.

2. Summary of significant accounting policies (continued)

(x) Derivative financial instruments and hedge accounting (continued)

The Group applies hedge accounting for certain hedging transactions which qualify for hedge accounting.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment (except for foreign currency risk); or
- cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment; or
- hedges of a net investment in a foreign operation.

At the inception of a hedging relationship, the Group formally designates and documents the hedging relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an on-going basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

<u>Cash flow hedges</u>

The effective portion of the gain or loss on the hedging instrument is recognised directly in hedging reserve in Unitholders' funds, while any ineffective portion is recognised immediately in total return.

Amounts recognised in hedging reserve in Unitholders' funds are transferred to total return when the hedge transaction affects total return, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognised in hedging reserve in Unitholders' funds is transferred to total return. If the hedging instrument has expired or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in hedging reserve in Unitholders' funds remains in Unitholders' funds until the forecast transaction or firm commitment affects total return.

The Group uses interest rate swaps to hedge its exposure to interest rate risk for bank loans with floating interest rates. Details of the interest rate swaps are disclosed in Note 13.

The Group uses forward currency contracts to hedge foreign currency risk arising from the cash flows of its investment properties in Australia. Details of the forward currency contracts are disclosed in Note 13.

2. Summary of significant accounting policies (continued)

(y) Significant accounting judgements and estimates

The preparation of the financial statements in conformity with RAP 7 requires the Manager to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income, expenses and disclosures made. The estimates and associated assumptions are based on historical experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

Estimates and underlying assumptions are reviewed on an on-going basis. Financial impact arising from revisions to accounting estimates is recognised in the period in which the estimates are revised and in any future periods affected.

In particular, significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are as follows:

Valuation of investment properties

Investment properties are stated at fair value, with changes in fair value recognised in total return. The Group engaged independent professional valuers to determine fair value as at the financial year-end.

The fair value of investment properties held by the Group and through its associates and joint ventures is determined by independent real estate valuation experts using approved valuation methodologies. In determining the fair value, the valuers have used valuation methods which involve estimates and discount rates applicable to those assets. The Manager is satisfied that the valuation methods and estimates are reflective of current market conditions. The determined fair value of the investment properties is most sensitive to the estimated yield as well as the vacancy assumptions.

3. Investment properties

	Group		Trust	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
At 1 January	**3,691,073**	3,613,616	**550,000**	527,000
Translation differences	**16,905**	(45,166)	–	–
Purchase of investment property	–	9,680	–	–
Divestment of investment property	**(128,520)**	–	–	–
Capital expenditure capitalised	**2,212**	2,424	**706**	–
Net change in fair value of investment properties (Note 23)	**36,427**	110,519	**(10,706)**	23,000
At 31 December	**3,618,097**	3,691,073	**540,000**	550,000

3. Investment properties (continued)

Investment properties are stated at fair value based on valuations performed by independent valuers. In determining the fair value, the valuers have used the direct comparison method, capitalisation approach and discounted cash flows analysis which make reference to estimated market rental values and equivalent yields. The key assumptions used to determine the fair value of investment properties include, amongst others, market-corroborated capitalisation yields, discount rates and transacted prices of comparable properties. Details of valuation techniques and inputs used are disclosed in Note 29.

On 29 January 2016, the Group divested its interest in 77 King Street office tower for an aggregate consideration of approximately $163,200,000. The Group recognised a gain on divestment of $28,299,000.

On 12 October 2015, the Group acquired 100% interest in three retail units at 8 Exhibition Street for approximately $9,680,000.

The Group has mortgaged certain investment properties of up to an aggregate principal amount of $540,000,000 (2015: $1,450,000,000) as security for credit facilities granted (Note 15).

4. Investments in subsidiaries

	Trust	
	2016	2015
	$'000	$'000
Unquoted equity, at cost	**1,837,110**	1,837,852

Name	Country of incorporation/ constitution	Principal activities	Effective equity interest	
			2016	2015
			%	%
Held by the Trust				
Keppel REIT MTN Pte. Ltd.[1]	Singapore	Provision of treasury services	**100.00**	100.00
Keppel REIT (Australia) Pte. Ltd.[1]	Singapore	Investment holding	**100.00**	100.00
Keppel REIT Fin. Company Pte. Ltd.[1]	Singapore	Provision of treasury services	**100.00**	100.00
Ocean Properties LLP ("OPLLP") [1, 4]	Singapore	Property investment	**~99.90 [4]**	~99.90 [4]

4. Investments in subsidiaries (continued)

Name	Country of incorporation/ constitution	Principal activities	Effective equity interest 2016 %	2015 %
Held through Keppel REIT (Australia) Pte. Ltd.				
Keppel REIT (S) Limited [2]	Bermuda	Investment holding	**100.00**	100.00
Keppel REIT (Australia) Trust [3]	Australia	Property investment	**100.00**	100.00
Keppel REIT (Australia) Sub-Trust 1 [3]	Australia	Property investment	**100.00**	100.00
Keppel REIT (Australia) Sub-Trust 2 [3]	Australia	Investment holding	**100.00**	100.00
Keppel REIT (Australia) Sub-Trust 3 [3]	Australia	Investment holding	**100.00**	100.00
Keppel REIT (Australia) Sub-Trust 4 [3]	Australia	Property investment	**100.00**	100.00
Keppel REIT (Australia) Sub-Trust 5 [3]	Australia	Property investment	**100.00**	–

1 Audited by PricewaterhouseCoopers LLP, Singapore.

2 There is no statutory requirement for the financial statements of Keppel REIT (S) Limited (formerly known as Keppel REIT (Bermuda) Limited) to be audited.

3 Audited by PricewaterhouseCoopers, Australia.

4 OPLLP owns Ocean Financial Centre. For the approximate 87.51% equity interest in OPLLP which the Trust acquired on 14 December 2011 for a period of 99 years from Straits Property Investments Pte Ltd ("SPIPL"), the Trust granted a call option under an option deed to SPIPL for the right to acquire the approximate 87.51% equity interest in OPLLP for $1.00 at the expiry of the 99-year period after the acquisition date. Under the option deed, the Trust shall not dispose of its legal or beneficial interest in OPLLP to any person unless SPIPL's right of first refusal has lapsed. In addition, if any of certain specified events occur anytime during the 99 years after the acquisition date, SPIPL has the right to procure OPLLP to take the necessary steps to carve out and transfer a leasehold title of the remaining tenure to a special purpose vehicle owned by SPIPL and the non-controlling interest.

On 25 June 2012, the Trust acquired an approximate 12.39% additional interest in OPLLP from a third party, Avan Investment Pte Ltd ("AIPL") for a period of 99 years from 14 December 2011. This acquisition increased the Group's interest in OPLLP from an approximate 87.51% to an approximate 99.90%. AIPL continues to hold a remaining equity interest of approximate 0.10% in OPLLP (the "non-controlling interest"). The Trust also entered into an option deed pursuant to which AIPL shall have the right to acquire the approximate 12.39% interest in OPLLP for $1.00, such option to be exercisable only after the expiry of a period of 99 years after 14 December 2011.

5. Investments in associates

	Group 2016 $'000	Group 2015 $'000	Trust 2016 $'000	Trust 2015 $'000
Unquoted equity, at cost	**2,025,483**	2,025,483	**2,025,483**	2,025,483
Share of post-acquisition reserves	**499,629**	472,315	**–**	–
	2,525,112	2,497,798	**2,025,483**	2,025,483

The movement in share of post-acquisition reserves is as follows:

	Group 2016 $'000	Group 2015 $'000
At 1 January	**472,315**	398,387
Share of results of associates		
- Total return excluding net change in fair value of investment properties	**83,460**	75,695
- Net change in fair value of investment properties held by associates (Note 23)	**34,079**	69,391
- Effects of recognising rental income on a straight-line basis over the lease terms	**2,427**	3,078
	119,966	148,164
Share of net change in fair value of cash flow hedges	**(6,199)**	1,526
Dividend and distribution income received	**(86,453)**	(75,762)
At 31 December	**499,629**	472,315

Details of the associates are as follows:

Name	Country of incorporation	Principal activities	Effective equity interest 2016 %	Effective equity interest 2015 %
One Raffles Quay Pte Ltd [1]	Singapore	Property development and investment	**33.33**	33.33
BFC Development LLP [2]	Singapore	Property development and investment	**33.33**	33.33
Central Boulevard Development Pte. Ltd. [3]	Singapore	Property development and investment	**33.33**	33.33

[1] Audited by Ernst & Young LLP, Singapore.
One Raffles Quay Pte Ltd ("ORQPL") is the owner of One Raffles Quay.

[2] Audited by Ernst & Young LLP, Singapore.
BFC Development LLP ("BFCDLLP") is the owner of Marina Bay Financial Centre Towers 1 & 2 and Marina Bay Link Mall.

[3] Audited by Ernst & Young LLP, Singapore.
CBDPL is the owner of Marina Bay Financial Centre Tower 3.

5. Investments in associates (continued)

The Group does not equity account for the results of Marina Bay Residences Pte. Ltd. ("MBRPL") (dissolved in February 2015) and Marina Bay Suites Pte. Ltd. ("MBSPL"), which are wholly-owned subsidiaries of BFCDLLP and CBDPL respectively, as the acquisitions of the respective one-third interests in BFCDLLP and CBDPL were structured to effectively exclude any interests in MBRPL and MBSPL respectively.

Deeds of undertaking were signed between Bayfront Development Pte. Ltd. (the "Vendor") and the Trust, whereby the Trust agrees not to participate in the financial and operating policy decisions in MBRPL and MBSPL and that it would exercise all voting rights and other rights and powers that it directly or indirectly has or controls in BFCDLLP, CBDPL, MBRPL and MBSPL in accordance with the written instructions of the Vendor on all matters arising from, relating to, or otherwise connected with MBRPL and MBSPL, and/or BFCDLLP's ownership of MBRPL and/or CBDPL's ownership of MBSPL.

The summarised financial information of the associates, excluding BFCDLLP's interest in MBRPL and CBDPL's interest in MBSPL, and a reconciliation with the carrying amounts of the investments in the consolidated financial statements, are as follows:

	ORQPL		BFCDLLP		CBDPL	
	2016	2015	**2016**	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Summarised Balance Sheet						
Current assets (including property held for sale)	**1,455,356**	1,447,990	**17,478**	14,638	**42,721**	39,493
Non-current assets	**1,627,305**	1,614,132	**5,048,195**	5,015,946	**3,849,040**	3,792,503
Total assets	**3,082,661**	3,062,122	**5,065,673**	5,030,584	**3,891,761**	3,831,996
Current liabilities	**(43,299)**	(42,688)	**(36,600)**	(38,215)	**(33,039)**	(26,605)
Non-current liabilities	**(1,076,512)**	(1,064,219)	**(1,735,115)**	(1,731,820)	**(1,649,204)**	(1,636,772)
Total liabilities	**(1,119,811)**	(1,106,907)	**(1,771,715)**	(1,770,035)	**(1,682,243)**	(1,663,377)
Net assets	**1,962,850**	1,955,215	**3,293,958**	3,260,549	**2,209,518**	2,168,619
Proportion of the Group's ownership	**33.33%**	33.33%	**33.33%**	33.33%	**33.33%**	33.33%
Group's share of net assets	**654,283**	651,738	**1,097,986**	1,086,850	**736,506**	722,873
Other adjustments	**13,734**	13,734	**7,000**	7,000	**15,603**	15,603
Carrying amount of the investment	**668,017**	665,472	**1,104,986**	1,093,850	**752,109**	738,476
Summarised Statement of Comprehensive Income						
Property income	**162,344**	159,992	**227,443**	215,821	**143,958**	139,482
Total return for the year	**94,934**	81,217	**146,152**	217,184	**118,813**	146,090
Other comprehensive income	**(5,892)**	3,357	**–**	–	**(12,705)**	1,221
Total comprehensive income	**89,042**	84,574	**146,152**	217,184	**106,108**	147,311

6. Investments in joint ventures

	Group 2016 $'000	Group 2015 $'000
Unquoted equity, at cost	**353,477**	339,947
Share of post-acquisition reserves	**96,807**	68,165
	450,284	408,112

The movement in share of post-acquisition reserves is as follows:

	Group 2016 $'000	Group 2015 $'000
At 1 January	**68,165**	30,964
Share of results of joint ventures		
- Total return excluding net change in fair value of investment properties	**30,789**	17,163
- Net change in fair value of investment properties held by joint ventures (Note 23)	**30,750**	38,035
- Effects of recognising rental income on a straight-line basis over the lease terms	**(12,018)**	–
	49,521	55,198
Translation differences	**3,283**	(2,731)
Distribution received/receivable	**(24,162)**	(15,266)
At 31 December	**96,807**	68,165

Details of the joint ventures are as follows:

Name	Country of incorporation	Principal activities	Effective equity interest 2016 %	Effective equity interest 2015 %
Held through Keppel REIT (S) Limited				
Mirvac 8 Chifley Pty Limited [1]	Australia	Fund administration	**50.00**	50.00
Mirvac (Old Treasury) Pty Limited [1]	Australia	Fund administration	**50.00**	50.00
Held through Keppel REIT (Australia) Sub-Trust 2				
Mirvac 8 Chifley Trust ("M8CT") [2]	Australia	Investment in real estate properties	**50.00**	50.00
Held through Keppel REIT (Australia) Sub-Trust 3				
Mirvac (Old Treasury) Trust ("MOTT") [2]	Australia	Investment in real estate properties	**50.00**	50.00

1 There is no statutory requirement for the financial statements to be audited.
2 Audited by PricewaterhouseCoopers, Australia.

6. Investments in joint ventures (continued)

The summarised financial information of the joint ventures and a reconciliation with the carrying amounts of the investments in the consolidated financial statements, are as follows:

	M8CT		MOTT	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Summarised Balance Sheet				
Cash and bank balances	**1,036**	2,163	**5,031**	48,339
Current assets	**3,065**	1,880	**3,540**	3,620
Non-current assets	**464,635**	412,999	**433,844**	349,616
Total assets	**468,736**	417,042	**442,415**	401,575
Current liabilities	**(3,803)**	(3,601)	**(9,805)**	(1,325)
Total liabilities	**(3,803)**	(3,601)	**(9,805)**	(1,325)
Net assets	**464,933**	413,441	**432,610**	400,250
Proportion of the Group's ownership	**50%**	50%	**50%**	50%
Group's share of net assets	**232,467**	206,721	**216,305**	200,125
Other adjustments	**(6,562)**	(6,694)	**8,074**	7,960
Carrying amount of the investment	**225,905**	200,027	**224,379**	208,085
Summarised Statement of Total Return				
Property income	**32,142**	31,610	**40,208**	3,551
Interest income	**3**	4	**75**	–
Total return for the year	**58,772**	62,331	**40,269**	48,064

7. Amounts owing by subsidiaries (non-trade)

	Trust	
	2016	2015
	$'000	$'000
Interest bearing	**525,505**	413,438
Non-interest bearing	**327,145**	405,398
	852,650	818,836

The amounts owing by subsidiaries are unsecured, to be settled in cash and not expected to be repaid within the next 12 months. The interest bearing portions bear interest ranging from 7.0% to 9.5% (2015: 7.0% to 9.5%) per annum.

The amounts owing by subsidiaries as at 31 December 2016 and 31 December 2015 are denominated in Australian dollar.

The non-interest bearing amounts owing by subsidiaries are considered part of the Trust's net investment in these subsidiaries and are accordingly accounted for in accordance with Note 2(i).

8. Advances to associates

Advances to associates are unsecured, not expected to be repaid within the next 12 months and carry interest which is repriced every quarter at a margin above the 3-month S$ swap-offer rate ("SOR"). They bore interest ranging from 2.86% to 5.18% (2015: 4.04% to 4.97%) per annum during the year.

The advances to associates are denominated in Singapore dollar.

9. Intangible asset

	Group		Trust	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Cost:				
At 1 January	**199,420**	229,207	**46,622**	76,049
Write-off	**(133,327)**	(29,427)	**–**	(29,427)
Translation differences	**–**	(360)	**–**	–
At 31 December	**66,093**	199,420	**46,622**	46,622
Accumulated amortisation:				
At 1 January	**161,597**	172,600	**14,022**	29,426
Amortisation expense	**15,312**	18,763	**12,129**	14,023
Write-off	**(133,327)**	(29,427)	**–**	(29,427)
Translation differences	**–**	(339)	**–**	–
At 31 December	**43,582**	161,597	**26,151**	14,022
Net carrying amount:				
At 31 December	**22,511**	37,823	**20,471**	32,600

Intangible asset represents the unamortised aggregate rental support top-up payments receivable by the Group for its one-third interest in CBDPL and the approximate 12.39% interest in OPLLP (2015: one-third interest in CBDPL and the approximate 12.39% interest in OPLLP). The remaining rental support periods range from 1 to 3 years (2015: 1 to 4 years).

10. Trade and other receivables

	Group		Trust	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Trade receivables	**6,916**	12,167	**651**	896
Allowance for doubtful debts	**–**	(40)	**–**	–
Trade receivables (net)	**6,916**	12,127	**651**	896
Amounts due from subsidiaries (non-trade)	**–**	–	**5,963**	21,752
Amounts due from related companies (trade)	**–**	3,700	**–**	3,700
Amounts due from joint ventures (non-trade)	**2,065**	996	**–**	–
Interest receivable	**614**	240	**84**	234
Rental support receivable	**1,023**	908	**1,023**	908
Others	**44**	86	**–**	12
	10,662	18,057	**7,721**	27,502

Amounts due from subsidiaries, related companies and joint ventures are unsecured, interest-free, repayable on demand and are to be settled in cash.

As at 31 December 2016, there are no trade and other receivables for both the Group and the Trust denominated in currencies other than the respective entities' functional currencies. As at 31 December 2015, trade and other receivables for both the Group and the Trust, denominated in currencies other than the respective entities' functional currencies, amounted to $14,954,000. These balances were denominated in Australian dollar.

Receivables that are past due but not impaired

	Group		Trust	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Trade receivables past due but not impaired:				
Past due < 3 months	**2,268**	6,525	**–**	241
Past due 3 - 6 months	**70**	93	**–**	–
Past due > 6 months	**105**	–	**–**	–
	2,443	6,618	**–**	241

Analysis of allowance for doubtful debts

	Group		Trust	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
At 1 January	**(40)**	(77)	**–**	–
Charge for the year	**(2)**	(16)	**–**	–
Write-off against allowance	**42**	47	**–**	–
Translation differences	**–**	6	**–**	–
At 31 December	**–**	(40)	**–**	–

11. Cash and bank balances

	Group 2016 $'000	Group 2015 $'000	Trust 2016 $'000	Trust 2015 $'000
Cash and bank balances	**83,270**	99,271	**68,796**	88,671
Fixed deposits	**195,412**	45,330	**73,152**	37,830
	278,682	144,601	**141,948**	126,501
Less: Rental support received in advance held in designated accounts	**(25,463)**	(45,837)	**(25,463)**	(45,483)
Cash and cash equivalents	**253,219**	98,764	**116,485**	81,018

Cash at banks earned interest at floating rates based on daily bank deposit rates ranging from 0% to 2.25% (2015: 0% to 2.75%) per annum. Short-term deposits were made for varying periods of between 25 days and 182 days (2015: 21 days and 365 days) depending on the cash requirements of the Group, and earned interest at the respective short-term deposit rates. The interest rates of short-term deposits ranged from 0.15% to 2.90% (2015: 0.20% to 1.95%) per annum.

Cash and bank balances for both the Group and the Trust, denominated in currencies other than the respective entities' functional currencies, amounted to $40,272,000 (2015: $23,664,000). These balances are denominated in Australian dollar.

12. Trade and other payables

	Group 2016 $'000	Group 2015 $'000	Trust 2016 $'000	Trust 2015 $'000
Trade payables	**4,373**	5,933	**1,779**	402
Accrued expenses	**10,246**	11,769	**3,894**	4,276
Other payables	**11,959**	12,670	**7,000**	7,259
Amounts due to related companies				
- trade	**20,015**	13,795	**19,633**	12,976
- non-trade	**18**	35	**1,588**	658
Other deposits	**412**	1,682	**44**	21
Interest payable	**4,805**	5,324	**702**	693
	51,828	51,208	**34,640**	26,285

Other payables mainly relate to (i) estimated development costs of $3,751,000 (2015: $4,185,000) to complete Phase 2 of Ocean Financial Centre of which the Group's proportionate share was withheld from the purchase consideration for the approximate 99.9% equity interest in OPLLP, (ii) estimated construction costs of $7,000,000 (2015: $7,000,000) withheld from the purchase consideration for the acquisition of one-third interest in BFCDLLP.

Included in the trade amounts due to related companies are amounts due to the Property Manager of $484,000 (2015: $880,000) and the Manager of $19,531,000 (2015: $12,915,000).

12. Trade and other payables (continued)

Amounts due to related companies are unsecured, interest-free and repayable on demand. These amounts are to be settled in cash except for management fees payable to the Manager which will be settled in the form of cash and/or Units (Note 1(b)).

Included in other deposits is an amount of $46,000 (2015: $1,493,000) which relates to retention monies for the construction of Ocean Financial Centre.

As at 31 December 2016 and 2015, there are no trade and other payables for both the Group and the Trust denominated in currencies other than the respective entities' functional currencies.

13. Derivative financial instruments

		Group					
		2016 $'000			2015 $'000		
	Maturity	Contract/ Nominal Amount	Assets	Liabilities	Contract/ Nominal Amount	Assets	Liabilities
Forward currency contracts	2017	35,226	99	(977)	29,854	260	(56)
Interest rate swaps	2017 – 2023	2,037,000	9,727	(7,821)	1,410,461	17,542	(576)
Cross currency swap	2021	99,790	8,435	–	–	–	–
		2,172,016	18,261	(8,798)	1,440,315	17,802	(632)
Less: Current portion		(495,226)	(245)	1,483	(50,315)	(260)	168
Non-current portion		1,676,790	18,016	(7,315)	1,390,000	17,542	(464)
Percentage of derivative financial instruments to the Group's net asset value				0.19%			0.36%

		Trust					
		2016 $'000			2015 $'000		
	Maturity	Contract/ Nominal Amount	Assets	Liabilities	Contract/ Nominal Amount	Assets	Liabilities
Forward currency contracts	2017	35,226	99	(977)	29,854	260	(56)
Interest rate swaps	2017 – 2023	1,560,000	7,919	(6,591)	910,461	9,965	(576)
Cross currency swap	2021	99,790	8,435	–	–	–	–
		1,695,016	16,453	(7,568)	940,315	10,225	(632)
Less: Current portion		(195,226)	(99)	1,281	(50,315)	(260)	168
Non-current portion		1,499,790	16,354	(6,287)	890,000	9,965	(464)
Percentage of derivative financial instruments to the Trust's net asset value				0.22%			0.24%

13. Derivative financial instruments (continued)

Forward currency contracts

Forward currency contracts are used to hedge foreign currency risk arising from the cash flows of the Group's investments in Australia.

The Group designates these forward currency contracts as cash flow hedges which were assessed to be highly effective. A net unrealised loss of $878,000 (2015: net unrealised gain of $204,000) was included in hedging reserve in Unitholders' funds in respect of these contracts.

Interest rate swaps

Interest rate swaps are used to hedge interest rate risk arising from the underlying floating interest rates of the respective bank loans. Under the interest rate swaps, the Group receives floating interest equal to SOR and A$ bank bill swap bid rate ("BBSY") at specific contracted intervals and pays fixed rates of interest ranging from 0.88% to 2.48% (2015: 0.88% to 3.10%) per annum.

The Group designates most interest rate swaps as cash flow hedges which were assessed to be highly effective. An unrealised gain of $1,323,000 (2015: unrealised gain of $16,966,000) was included in hedging reserve in Unitholders' funds in respect of these contracts. A fair value gain of $583,000 (2015: fair value gain of $3,879,000) was recognised in total return as the interest rate swap was not designated as a hedging instrument.

Cross currency swap

Cross currency swap is used to hedge foreign currency risk arising from cash flow payments for an Australian dollar denominated loan. Under the cross currency swap, the Group receives a fixed S$ amount and pays a fixed A$ amount at inception of the loan, and vice versa upon maturity of the loan. The Group receives floating interest equal to A$ bank bill swap rate ("BBSW") at specific contract intervals and pays floating interest equal to SOR. A fair value gain of $8,435,000 (2015: nil) was recognised in total return as the cross currency swap was not designated as a hedging instrument.

14. Income received in advance

Income received in advance comprises mainly rental and incentive supports received in advance for certain of the Group's investment properties.

15. Borrowings

		Group		Trust	
	Maturity	**2016 $'000**	2015 $'000	**2016 $'000**	2015 $'000
Current:					
Bank loans (unsecured)	2016	–	25,355	–	–
		–	25,355	–	–

15. Borrowings (continued)

		Group		Trust	
	Maturity	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Non-current:					
Bank loans (secured)	2020	–	812,584	–	347,746
Revolving loans (secured)	2020	348,201	–	348,201	–
Borrowings (secured)		348,201	812,584	348,201	347,746
Bank loans (unsecured)	2018 - 2022	2,080,312	1,601,633	159,740	159,630
Revolving loans (unsecured)	2022	3,241	–	–	–
Medium term notes (unsecured)	2022	50,000	50,000	–	–
Borrowings from subsidiaries (unsecured)		–	–	1,507,960	1,520,750
Borrowings (unsecured)		2,133,553	1,651,633	1,667,700	1,680,380
Total borrowings		2,481,754	2,489,572	2,015,901	2,028,126
Percentage of total borrowings to net asset value		50.7%	52.1%	50.9%	51.6%

Borrowings for both the Group and the Trust denominated in currencies other than the respective entities' functional currencies amounted to $132,084,000 (2015: $25,486,000). These balances are denominated in Australian dollar.

Bank loans (secured)

In the prior year, bank loans amounting to $812,584,000 were secured by mortgage over certain investment properties of the Group (Note 3). The interest rates ranged from 0.79% + SOR to 0.94% + SOR per annum. The Group entered into interest rate swaps (Note 13) to hedge $329,707,000 of the bank loans that were on floating rates. During the current year, these loans have been re-financed and $464,838,000 of these refinanced loans have been unsecuritised.

Revolving loans (secured)

Revolving loans amounting to $348,201,000 are secured by mortgage over certain investment properties of the Group (Note 3). The interest rate is at 0.80% + SOR per annum. The loans are repayable upon maturity. The Group has entered into interest rate swaps (Note 13) to hedge $239,761,000 of the bank loans that are on floating interest rates.

Bank loans (unsecured)

Bank loans amounting to $154,770,000 (2015: $454,002,000) are on a fixed interest rate of 1.85% (2015: 1.85% to 2.44%) per annum and are repayable upon maturity. The Group has entered into interest rate swaps (Note 13) to hedge $1,632,198,000 (2015: $1,076,094,000) of the bank loans that are on floating interest rates. The remaining bank loans on floating interest rates of $293,344,000 (2015: $96,892,000) bear interest ranging from 0.64% + SOR to 1.02% + BBSW (2015: 0.88% + SOR to 1.22% + BBSY) per annum.

Revolving loans (unsecured)

Revolving loans are on floating interest rate of 0.99% + SOR per annum.

15. Borrowings (continued)

Medium term notes (unsecured)

On 11 February 2015, Keppel REIT MTN Pte. Ltd. issued $50,000,000 fixed rate notes due in 2022 through the multicurrency debt issuance programme, at a fixed coupon of 3.15% per annum.

Borrowings from subsidiaries (unsecured)

Borrowings from subsidiaries bear interest ranging from 1.09% to 3.36% (2015: 1.70% to 4.32%) per annum and are not due for repayment within the next 12 months.

Unutilised available facilities

As at 31 December 2016, the Group had unutilised available facilities of $683,239,000 (2015: $568,500,000) to meet its future obligations.

16. Deferred tax liabilities

Movement in deferred tax liabilities is as follows:

	Group		Trust	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Investment properties				
At 1 January	**25,767**	5,283	–	–
Translation differences	**1,265**	(483)	–	–
Tax charged to Statement of Total Return	**7,776**	20,967	–	–
At 31 December	**34,808**	25,767	–	–

Deferred tax liabilities are expected to be settled after one year from the balance sheet date.

17. Units in issue and perpetual securities

(a) Units in issue

	Group and Trust			
	2016		2015	
	'000	**$'000**	'000	$'000
At 1 January	**3,216,124**	**3,394,832**	3,170,434	3,354,095
Issue of Units:				
- payment of management fees in Units	**43,764**	**43,848**	40,679	44,939
- Distribution Reinvestment Plan ("DRP")	**31,728**	**30,875**	5,011	5,221
Distribution to Unitholders	–	**(12,998)**	–	(9,565)
Issue expense adjustments	–	–	–	142
At 31 December	**3,291,616**	**3,456,557**	3,216,124	3,394,832

17. Units in issue and perpetual securities (continued)

(a) Units in issue (continued)

During the year, the following Units were issued:

- 43,763,613 (2015: 40,679,411) Units were issued at unit prices ranging from \$0.9309 to \$1.0866 (2015: \$0.9542 to \$1.1981) as payment of management fees to the Manager; and

- 31,728,090 (2015: 5,011,176) Units were issued at unit prices ranging from \$0.8695 to \$1.0859 (2015: \$0.9767 to \$1.1001) pursuant to the DRP where Unitholders have the option to receive their distribution in Units instead of cash or a combination of Units and cash.

Each Unit represents an undivided interest in the Trust. The rights and interests of Unitholders are contained in the Trust Deed and include the right to:

- receive income and other distributions attributable to the Units held;

- participate in the termination of the Trust by receiving a share of all net cash proceeds derived from the realisation of the assets of the Trust less liabilities, in accordance with their proportionate interests in the Trust. However, a Unitholder has no equitable or proprietary interest in the underlying assets of the Trust and is not entitled to transfer to it any assets (or part thereof) or of any estate or interest in any asset (or part thereof) of the Trust; and

- attend all Unitholders' meetings. The Trustee or the Manager may (and the Manager shall at the request in writing of not less than 50 Unitholders or Unitholders representing not less than 10% of the issued Units of the Scheme) at any time convene a meeting of Unitholders in accordance with the provisions of the Trust Deed.

The restrictions of a Unitholder include, *inter alia*, the following:

- a Unitholder's right is limited to the right to require due administration of the Trust in accordance with the provisions of the Trust Deed; and

- a Unitholder has no right to request the Manager to repurchase or redeem his or her Units while the Units are listed on SGX-ST.

The Trust Deed contains provisions designed to limit the liability of a Unitholder to the amount paid or payable for any Unit, and to ensure that no Unitholder, by reason alone of being a Unitholder, will be personally liable to indemnify the Trustee or any creditor of the Group in the event that the liabilities of the Group exceed its assets, if the issue price of the Units held by that Unitholder has been fully paid.

17. Units in issue and perpetual securities (continued)

(b) Perpetual securities

On 2 November 2015, the Trust issued $150,000,000 of subordinated perpetual securities at a fixed rate of 4.98% per annum, with the first distribution rate reset falling on 2 November 2020 and subsequent resets occurring every five years thereafter. The perpetual securities have no fixed redemption date and redemption is at the option of the Trust in accordance with the terms of issue of the securities. The distribution is payable semi-annually at the discretion of the Trust and is non-cumulative.

In terms of distribution payments or in the event of winding-up of the Trust:

- These perpetual securities rank pari passu with the holders of preferred units (if any) and rank ahead of the Unitholders of the Trust, but junior to the claims of all other present and future creditors of the Trust.
- The Trust shall not declare or pay any distribution to the Unitholders, or make redemption, unless the Trust declares or pays any distribution to the perpetual securities holders.

These perpetual securities are classified as equity instruments and recorded in equity in the Statements of Movements in Unitholders' Funds. The $149,701,000 (2015: $149,719,000) presented on the Balance Sheets represent the $150,000,000 (2015: $150,000,000) perpetual securities issued net of issue expenses, and include the total return attributable to perpetual securities holders from the last distribution date.

18. Property income

	Group	
	2016	2015
	$'000	$'000
Gross rent	**154,508**	162,978
Car park income	**3,355**	3,351
Others	**3,389**	4,018
	161,252	170,347

19. Property expenses

	Group	
	2016	2015
	$'000	$'000
Property tax	**11,004**	11,552
Property management fee	**4,139**	4,283
Property management salary reimbursements	**1,894**	1,799
Marketing expenses	**1,386**	635
Utilities	**3,190**	3,375
Maintenance	**9,836**	9,993
Other property expenses	**1,433**	1,245
	32,882	32,882

20. Rental support

Rental support relates to top-up payments from vendors for the difference between the actual and guaranteed income amounts in respect of the Group's interests in CBDPL and OPLLP.

In the prior year, rental support was related to top-up payments from vendors for the difference between the actual and guaranteed income amounts in respect of the Group's interests in CBDPL, OPLLP and 77 King Street office tower.

21. Trust expenses

	Group	
	2016	2015
	$'000	$'000
Manager's base fees	**41,605**	40,951
Manager's performance fees	**8,910**	9,033
Trustees' fees	**1,570**	1,563
Valuation fees	**234**	230
Auditor's remuneration	**266**	300
Professional fees	**1,584**	1,710
Other trust expenses	**2,689**	2,983
	56,858	56,770

For the financial years ended 31 December 2016 and 2015, the Manager has elected to receive in Units 100% of base fees and performance fees earned.

22. Borrowing costs

	Group	
	2016	2015
	$'000	$'000
Interest expense on:		
- bank loans	**59,420**	61,796
- revolving loans	**798**	2,473
Amortisation of capitalised transaction costs	**3,831**	3,044
	64,049	67,313

23. Net change in fair value of investment properties

	Group	
	2016	2015
	$'000	$'000
Investment properties held directly by the Group (Note 3)	**36,427**	110,519
Investment properties held by associates (Note 5)	**34,079**	69,391
Investment properties held by joint ventures (Note 6)	**30,750**	38,035
Effects of recognising rental income on a straight-line basis over the lease terms	**(10,085)**	93
	91,171	218,038

24. Income tax expense

	Group 2016 $'000	2015 $'000
Singapore current tax:		
- current year	**2,423**	2,953
- under provision in respect of previous financial years	**1,627**	–
Overseas deferred tax:		
- current year	**7,776**	20,967
Overseas withholding tax:		
- current year	**9,480**	4,046
	21,306	27,966
Reconciliation of effective tax:		
Total return before tax	**279,093**	366,814
Income tax using Singapore tax rate of 17% (2015: 17%)	**47,446**	62,358
Effects of:		
- expenses not deductible for tax purposes	**12,281**	12,617
- income not subject to tax	**(36,095)**	(40,753)
- effects of tax rates in foreign jurisdiction	**2,699**	8,867
- tax transparency	**(16,132)**	(19,169)
- under provision in respect of previous financial years	**1,627**	–
- withholding tax	**9,480**	4,046
Income tax expense recognised in Statement of Total Return	**21,306**	27,966

25. Earnings per unit

The basic earnings per Unit is calculated by dividing total return after tax attributable to Unitholders against the weighted average number of Units in issue during the financial year.

	Group 2016 $'000	2015 $'000
Total return after tax attributable to Unitholders	**250,191**	337,495
Total return after tax and excluding gain on divestment of investment property, net change in fair value of investment properties and related tax expenses	**143,584**	140,476
	No. of Units '000	**No. of Units '000**
Weighted average number of Units in issue during the financial year	**3,259,942**	3,191,283
Basic earnings per Unit based on:		
Total return after tax attributable to Unitholders	**7.67 cents**	10.58 cents
Total return after tax and excluding gain on divestment of investment property, net change in fair value of investment properties and related tax expenses	**4.40 cents**	4.40 cents

Diluted earnings per Unit is the same as the basic earnings per Unit as there are no dilutive instruments in issue during the financial year.

26. Significant related party transactions

During the financial year, other than those disclosed elsewhere in the financial statements, the following significant related party transactions took place at terms agreed between the parties:

	Group	
	2016	2015
	$'000	$'000
Acquisition fee paid to the Manager	**–**	89
Divestment fee paid to the Manager	**810**	–
Trustee's fees	**1,248**	1,229
Property management fees and reimbursements paid/payable to a related company	**5,854**	5,709
Property tax recovered from related parties	**64**	16
Leasing commissions paid/payable to a related company	**1,211**	1,453
Service fees paid/payable to a related company	**260**	284
Rental income and other related income from related companies	**6,885**	7,098
Interest income received/receivable from associates	**23,091**	26,114
Rental support received/receivable from related companies	**12,800**	16,122
Coupon interest received/receivable from joint ventures	**–**	8,711
Electricity supply provided by a related company	**3,621**	3,784
Telephone and internet services provided by a related company	**11**	10
Aircon supply provided by a related company	**547**	660
Reimbursement of development costs for one-third interest in an associate	**–**	4,837

27. Financial risk management objectives and policies

The Group is exposed to credit, interest rate, liquidity, foreign currency and operational risks in the normal course of its business. Assessment of financial risks is carried out regularly by the Manager.

The Manager 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:

(a) Credit risk

Credit risk is the potential financial loss resulting from the failure of a customer or a counterparty to settle its financial and contractual obligations to the Group as and when they fall due.

Prior to signing any major lease agreements, credit assessments on prospective tenants are carried out. This is usually done by way of evaluating information from corporate searches. Security deposits are collected from tenants, and the Group's tenant trade sector mix in its property portfolio is actively managed to avoid excessive exposure to any one potentially volatile trade sector.

The Manager has ensured that appropriate terms and/or credit controls are stipulated in the agreements to ensure that the counterparty fulfils its obligations.

Exposure to credit risk

At the reporting date, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the Balance Sheets.

27. Financial risk management objectives and policies (continued)

(a) Credit risk (continued)

Credit risk concentration profile

At the reporting date, approximately 19% (2015: 26%) of the Group's trade and other receivables were due from related companies and joint ventures. Concentration of credit risk relating to trade receivables is limited due to the Group's many and varied tenants. The tenants are engaged in diversified businesses and are of good quality and strong credit standing.

Financial assets that are neither past due nor impaired

Trade and other receivables and advances to associates that are neither past due nor impaired relate to creditworthy debtors and counterparties with good payment record. Cash and bank balances are placed and derivative financial instruments are entered into with financial institutions with good credit ratings.

(b) Interest rate risk

The Group's exposure to changes in interest rates relates primarily to interest-earning financial assets and interest-bearing financial liabilities.

The Group constantly monitors its exposure to changes in interest rates for its interest-bearing financial liabilities. Interest rate risk is managed on an 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 the use of financial instruments or other financial products.

The Group manages interest costs using a mix of fixed and floating rate debts. The details of the interest rates relating to interest-earning financial assets and interest-bearing financial liabilities are disclosed in Notes 8, 11 and 15 respectively.

Sensitivity analysis

At the reporting date, if the interest rates of borrowings had been 0.1% per annum (2015: 0.1% per annum) higher/lower with all other variables constant, the Group's total return before tax would have been $128,000 (2015: $438,000) lower/higher, arising mainly as a result of higher/lower interest expense on floating rate borrowings that are not hedged, and the Group's hedging reserve would have been $4,524,000 lower/higher (2015: $3,979,000 higher/lower), arising mainly as a result of an increase/decrease in the fair value of interest rate swaps designated as cash flow hedges.

(c) Liquidity risk

The Manager monitors and maintains the Group'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.

27. Financial risk management objectives and policies (continued)

(c) Liquidity risk (continued)

The table below summarises the financial liabilities of the Group and the Trust and their maturity profile at the reporting date based on contractual undiscounted repayment obligations.

Group	2016				2015			
	1 year or less	> 1 year to 5 years	> 5 years	Total	1 year or less	> 1 year to 5 years	> 5 years	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Trade and other payables	51,828	–	–	51,828	51,208	–	–	51,208
Derivative financial instruments:								
– Interest rate swaps (settled net)	9,520	12,368	–	21,888	1,758	4,985	–	6,743
– Forward currency contracts (gross payments)	26,460	–	–	26,460	7,065	–	–	7,065
– Forward currency contracts (gross receipts)	(25,430)	–	–	(25,430)	(6,970)	–	–	(6,970)
Security deposits	3,545	16,439	11,430	31,414	9,172	20,719	716	30,607
Borrowings	43,252	2,056,627	520,700	2,620,579	83,046	2,205,364	356,083	2,644,493
	109,175	2,085,434	532,130	2,726,739	145,279	2,231,068	356,799	2,733,146

Trust	2016				2015			
	1 year or less	> 1 year to 5 years	> 5 years	Total	1 year or less	> 1 year to 5 years	> 5 years	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Trade and other payables	34,640	–	–	34,640	26,285	–	–	26,285
Derivative financial instruments:								
– Interest rate swaps (settled net)	8,064	11,553	–	19,617	1,758	4,985	–	6,743
– Forward currency contracts (gross payments)	26,460	–	–	26,460	7,065	–	–	7,065
– Forward currency contracts (gross receipts)	(25,430)	–	–	(25,430)	(6,970)	–	–	(6,970)
Security deposits	431	1,348	1,628	3,407	1,902	2,202	–	4,104
Borrowings	34,528	2,021,729	50,186	2,106,443	71,810	1,727,644	356,083	2,155,537
	78,693	2,034,630	51,814	2,165,137	101,850	1,734,831	356,083	2,192,764

27. Financial risk management objectives and policies (continued)

(d) Foreign currency risk

Foreign currency risk arises when transactions are denominated in currencies other than the respective functional currencies of the various entities in the Group and impact the Group's total return for the year.

The Group's foreign currency risk relates mainly to its exposure from its investments in Australia, and the 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.

The Group has outstanding forward currency contracts with notional amounts totalling $35,226,000 (2015: $29,854,000) (Note 13). As at the reporting date, net financial derivative liabilities of $878,000 (2015: assets of $204,000) were recorded on the Balance Sheets based on the net fair value of these forward exchange contracts.

The Group has an outstanding cross currency swap with notional amount of $99,790,000 (2015: nil) (Note 13). As at the reporting date, a derivative asset of $8,435,000 (2015: nil) was recorded on the Balance Sheets based on the net fair value of the cross currency swap.

<u>Sensitivity analysis</u>

At the reporting date, if the Australian dollar strengthened/weakened against the Singapore dollar by 5% (2015: 5%) with all other variables constant, the Group's total return before tax would have been $4,611,000 (2015: $91,000) lower/higher, and the Group's hedging reserve would have been $1,805,000 lower/higher (2015: $1,483,000 higher/lower).

28. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a healthy credit rating and aggregate leverage.

Under the Property Funds Appendix of the CIS Code, the aggregate leverage should not exceed 45.0% of the Group's deposited properties, regardless whether a credit rating from Fitch Inc., Moody's Investor Services or Standard & Poor's has been obtained for the property fund.

The Group's capital is represented by its Unitholders' funds as disclosed in the Balance Sheets. The Group constantly monitors capital using the aggregate leverage, which is total gross borrowings divided by the value of its deposited properties. The value of the deposited properties refers to the value of the property fund's total assets (excluding restricted cash and bank balances) based on the latest valuation. At the balance sheet date, the Group has gross borrowings (including deferred payments for the construction of Phase 2 of Ocean Financial Centre and the Group's respective share of borrowings carried at ORQPL and CBDPL) totalling $3,329,450,000 (2015: $3,340,755,000) and an aggregate leverage of 38.5% (2015: 39.3%).

29. Fair value of assets and liabilities

(a) Fair value hierarchy

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction other than in a forced or liquidation sale.

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

(i) Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can assess at the measurement date;
(ii) Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
(iii) Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in their entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

(b) Assets and liabilities measured at fair value

The following table shows an analysis of each class of assets and liabilities measured at fair value at the end of the reporting period:

	Group 2016 $'000		
	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
Financial assets			
Derivative financial instruments			
- Forward currency contracts	99	–	99
- Interest rate swaps	9,727	–	9,727
- Cross currency swap	8,435	–	8,435
Financial assets as at 31 December 2016	18,261	–	18,261
Financial liabilities			
Derivative financial instruments			
- Forward currency contracts	(977)	–	(977)
- Interest rate swaps	(7,821)	–	(7,821)
Financial liabilities as at 31 December 2016	(8,798)	–	(8,798)
Non-financial assets			
Investment properties	–	3,618,097	3,618,097
Non-financial assets as at 31 December 2016	–	3,618,097	3,618,097

29. Fair value of assets and liabilities (continued)

(b) Assets and liabilities measured at fair value (continued)

	Group 2015 $'000 Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
Financial assets			
Derivative financial instruments			
- Forward currency contracts	260	–	260
- Interest rate swaps	17,542	–	17,542
Financial assets as at 31 December 2015	17,802	–	17,802
Financial liabilities			
Derivative financial instruments			
- Forward currency contracts	(56)	–	(56)
- Interest rate swaps	(576)	–	(576)
Financial liabilities as at 31 December 2015	(632)	–	(632)
Non-financial assets			
Investment properties	–	3,691,073	3,691,073
Non-financial assets as at 31 December 2015	–	3,691,073	3,691,073

	Trust 2016 $'000 Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
Financial assets			
Derivative financial instruments			
- Forward currency contracts	99	–	99
- Interest rate swaps	7,919	–	7,919
- Cross currency swap	8,435	–	8,435
Financial assets as at 31 December 2016	16,453	–	16,453
Financial liabilities			
Derivative financial instruments			
- Forward currency contracts	(977)	–	(977)
- Interest rate swaps	(6,591)	–	(6,591)
Financial liabilities as at 31 December 2016	(7,568)	–	(7,568)
Non-financial assets			
Investment properties	–	540,000	540,000
Non-financial assets as at 31 December 2016	–	540,000	540,000

29. Fair value of assets and liabilities (continued)

(b) Assets and liabilities measured at fair value (continued)

	Trust		
	2015 $'000		
	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
Financial assets			
Derivative financial instruments			
- Forward currency contracts	260	–	260
- Interest rate swaps	9,965	–	9,965
Financial assets as at 31 December 2015	10,225	–	10,225
Financial liabilities			
Derivative financial instruments			
- Forward currency contracts	(56)	–	(56)
- Interest rate swaps	(576)	–	(576)
Financial liabilities as at 31 December 2015	(632)	–	(632)
Non-financial assets			
Investment properties	–	550,000	550,000
Non-financial assets as at 31 December 2015	–	550,000	550,000

(c) Level 2 fair value measurements

Forward currency contracts, interest rate swaps and cross currency swap are valued using valuation techniques with market observable inputs. The most frequently applied valuation technique includes forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, interest rate curves and forward rate curves.

(d) Level 3 fair value measurements

(i) Information about significant unobservable inputs used in Level 3 fair value measurements

The following table presents the valuation techniques and key inputs that were used to determine the fair value of investment properties categorised under Level 3 of the fair value hierarchy.

29. Fair value of assets and liabilities (continued)

(d) Level 3 fair value measurements (continued)

(i) Information about significant unobservable inputs used in Level 3 fair value measurements (continued)

Description	Fair value as at 31 December 2016 $'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Investment properties	3,618,097	Capitalisation approach	Capitalisation rate	3.75% - 6.25%	The higher the rate, the lower the fair value
		Discounted cash flows analysis	Discount rate	6.00% - 7.50%	The higher the rate, the lower the fair value
		Direct comparison method	Transacted prices of comparable properties	$600/sf - $3,500/sf	The higher the rate, the higher the fair value

Description	Fair value as at 31 December 2015 $'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Investment properties	3,691,073	Capitalisation approach	Capitalisation rate	3.75% - 6.75%	The higher the rate, the lower the fair value
		Discounted cash flows analysis	Discount rate	5.75% - 8.00%	The higher the rate, the lower the fair value
		Direct comparison method	Transacted prices of comparable properties	$500/sf - $3,100/sf	The higher the rate, the higher the fair value

The investment properties categorised under Level 3 of the fair value hierarchy are generally sensitive to the various unobservable inputs tabled above. A significant movement of each input would result in a significant change to the fair value of the respective investment properties.

The Group assesses the fair value of investment properties on a yearly basis.

(ii) Valuation policies and procedures

The Group engages external, independent and qualified valuers to determine the fair value of the Group's investment properties at the end of every financial year.

The Manager is responsible for selecting and engaging valuation experts that possess the relevant credentials and knowledge of valuation of investment properties. In accordance to the CIS Code, the Group rotates the independent valuers every two years.

29. Fair value of assets and liabilities (continued)

(d) Level 3 fair value measurements (continued)

(ii) Valuation policies and procedures (continued)

Management reviews the appropriateness of the valuation methodologies and assumptions adopted by the external valuers.

Significant changes in fair value measurements from period to period are evaluated by management for reasonableness. Key drivers of the changes are identified and assessed for reasonableness against relevant information from independent external sources, or internal sources if necessary and appropriate. Significant valuation issues are reported to the Audit and Risk Committee.

(e) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

The Manager has determined that the carrying amounts of cash and bank balances, trade and other receivables, trade and other payables, security deposits and current borrowings reasonably approximate their fair values. The carrying amounts of advances to associates and floating rate borrowings reasonably approximate their fair values because they are floating rate instruments that are repriced to market interest rates on or near the end of the reporting period.

The fair values of non-current fixed-rate borrowings as at 31 December 2016 and 31 December 2015 are as stated below. They are estimated using discounted cash flows analyses based on current rates for similar types of borrowing arrangements.

	2016		2015	
	Carrying value	**Fair value**	Carrying value	Fair value
Group	**$'000**	**$'000**	$'000	$'000
Borrowings (non-current)	**204,770**	**199,396**	204,616	194,358
Trust				
Borrowings (non-current)	**204,770**	**199,396**	204,616	194,358

Fair value information has not been disclosed for the Trust's interest bearing amounts owing by subsidiaries that are carried at cost because their fair values cannot be measured reliably as the amounts have no fixed repayment terms.

29. Fair value of assets and liabilities (continued)

(f) Classification of financial instruments

Group	Loans and receivables $'000	Liabilities at amortised cost $'000
2016		
Assets		
Advances to associates	610,922	–
Trade and other receivables	10,662	–
Cash and bank balances	278,682	–
Total	900,266	–
Liabilities		
Trade and other payables	–	51,828
Borrowings	–	2,481,754
Security deposits	–	31,414
Total	–	2,564,996

Group	Loans and receivables $'000	Liabilities at amortised cost $'000
2015		
Assets		
Advances to associates	608,922	–
Trade and other receivables	18,057	–
Cash and bank balances	144,601	–
Total	771,580	–
Liabilities		
Trade and other payables	–	51,208
Borrowings	–	2,489,572
Security deposits	–	30,607
Total	–	2,571,387

Trust	Loans and receivables $'000	Liabilities at amortised cost $'000
2016		
Assets		
Advances to associates	610,922	–
Trade and other receivables	7,721	–
Cash and bank balances	141,948	–
Total	760,591	–
Liabilities		
Trade and other payables	–	34,640
Borrowings	–	2,015,901
Security deposits	–	3,407
Total	–	2,053,948

29. Fair value of assets and liabilities (continued)

(f) Classification of financial instruments (continued)

Trust	Loans and receivables $'000	Liabilities at amortised cost $'000
2015		
Assets		
Advances to associates	608,922	–
Trade and other receivables	27,502	–
Cash and bank balances	126,501	–
Total	762,925	–
Liabilities		
Trade and other payables	–	26,285
Borrowings	–	2,028,126
Security deposits	–	4,104
Total	–	2,058,515

As at 31 December 2016, both the Group and the Trust have financial assets at fair value through profit or loss amounting to $9,018,000 (2015: nil).

30. Portfolio reporting

The Group's business is investing in real estate and real estate-related assets which are predominantly used for commercial purposes. All its existing properties are located in Singapore and Australia.

Discrete financial information is provided to the Board on a property by property basis. The information provided includes net rental (including property income and property expenses) and the value of the investment properties. The Board is of the view that the portfolio reporting is appropriate as the Group's business is in prime commercial properties located in Singapore's and Australia's financial precincts. In making this judgement, the Board considers the nature and location of these properties which are similar for the entire portfolio of the Group.

Investments in One Raffles Quay and Marina Bay Financial Centre are held through one-third interests in ORQPL, BFCDLLP and CBDPL, investments in 8 Chifley Square and David Malcolm Justice Centre are held through 50% interests in M8CT and MOTT, and the information provided below is in relation to the properties.

By property

	Group	
	2016 $'000	2015 $'000
Property income		
Bugis Junction Towers	**21,259**	22,599
Ocean Financial Centre[1]	**104,863**	101,858
275 George Street[2]	**18,311**	18,946
8 Exhibition Street[3]	**16,150**	16,436
77 King Street office tower[4]	**669**	10,508
Total property income	**161,252**	170,347

30. Portfolio reporting (continued)

By property (continued)

	Group 2016 $'000	Group 2015 $'000
Income contribution		
Bugis Junction Towers	**16,773**	18,872
Ocean Financial Centre[1]	**84,925**	83,044
275 George Street[2]	**14,978**	15,294
8 Exhibition Street[3]	**11,170**	11,793
77 King Street office tower[4]	**524**	8,462
Total net property income	**128,370**	137,465
Ocean Financial Centre[1]:		
– Rental support	**3,946**	5,577
One-third interest in ORQPL[5]:		
– Interest income	**2,019**	2,019
– Dividend income	**27,136**	24,120
Total income	**29,155**	26,139
One-third interests in BFCDLLP[6] and CBDPL[6]:		
– Rental support	**12,800**	14,800
– Interest income	**21,072**	24,095
– Dividend and distribution income	**59,317**	51,642
Total income	**93,189**	90,537
50% interest in M8CT[7]:		
– Distribution income	**12,206**	12,135
50% interest in MOTT[8]:		
– Interest income	**–**	8,711
– Distribution income	**11,956**	3,131
Total income	**11,956**	11,842
Total income contribution	**278,822**	283,695

[1] Comprises approximately 99.9% (2015: 99.9%) interest in OPLLP which holds Ocean Financial Centre.
[2] Comprises 50.0% (2015: 50.0%) interest in 275 George Street.
[3] Comprises 50.0% (2015: 50.0%) interest in 8 Exhibition Street office building and two retail units, as well as 100% (2015: 100%) interest in the three adjoining retail units.
[4] 77 King Street office tower was divested on 29 January 2016.
[5] Comprises one-third (2015: one-third) interest in ORQPL which holds One Raffles Quay.
[6] Comprise one-third (2015: one-third) interests in BFCDLLP and CBDPL which hold Marina Bay Financial Centre Towers 1, 2 and 3 and Marina Bay Link Mall.
[7] Comprises 50.0% (2015: 50.0%) interest in M8CT which holds 8 Chifley Square.
[8] Comprises 50.0% (2015: 50.0%) interest in MOTT which holds David Malcolm Justice Centre (formerly known as Old Treasury Building). The David Malcolm Justice Centre received its Certificate of Practical Completion on 31 August 2015.

30. Portfolio reporting (continued)

Reconciliation to net income before gain on divestment of investment property and net change in fair value of investment properties per Statement of Total Return:

	Group 2016 $'000	Group 2015 $'000
Total income contribution	**278,822**	283,695
Less: Dividend and distribution income	**(110,615)**	(91,028)
Add: Rental support for directly held investment properties	**–**	103
Add: Interest income earned from deposits placed with financial institutions	**4,368**	2,115
Add: Share of results of associates	**83,460**	75,695
Add: Share of results of joint ventures	**30,789**	17,163
Less: Other unallocated expenses	**(127,201)**	(138,967)
Net income before gain on divestment of investment property and net change in fair value of investment properties	**159,623**	148,776

	Group 2016 $'000	Group 2015 $'000
Interests in associates		
One-third interest in ORQPL:		
Investment in associate	**668,017**	665,472
Advances to associate	**44,946**	44,946
	712,963	710,418
One-third interest in BFCDLLP:		
Investment in associate	**1,104,986**	1,093,850
Advances to associate	**565,976**	563,976
	1,670,962	1,657,826
One-third interest in CBDPL:		
Investment in associate	**752,109**	738,476

	Group 2016 $'000	Group 2015 $'000
Interests in joint ventures		
50% interest in M8CT:		
Investment in joint venture	**225,905**	200,027
50% interest in MOTT:		
Investment in joint venture	**224,379**	208,085

30. Portfolio reporting (continued)

By geographical area

	Group 2016 $'000	Group 2015 $'000
Property income		
- Singapore	**126,122**	124,457
- Australia	**35,130**	45,890
Total property income	**161,252**	170,347
Net property income		
- Singapore	**101,698**	101,916
- Australia	**26,672**	35,549
Total net property income	**128,370**	137,465
Income contribution		
- Singapore	**227,988**	224,169
- Australia	**50,834**	59,526
Total income contribution	**278,822**	283,695
Investment properties, at valuation		
- Singapore	**3,167,332**	3,143,027
- Australia	**450,765**	548,046
Total value of investment properties	**3,618,097**	3,691,073

31. Commitments and contingencies

(a) Operating lease commitments – as lessor

The Group leases out its investment properties. Lease arrangements for the Group's Australia-based investment properties include rental escalation clauses. Future minimum rental receivable under non-cancellable operating leases is as follows:

	Group 2016 $'000	Group 2015 $'000
Within 1 year	**131,587**	147,048
Between 2 and 5 years	**358,816**	240,913
After 5 years	**149,211**	35,008
	639,614	422,969

(b) Guarantee

The Trust has provided corporate guarantees amounting to $1,458,711,000 (2015: $1,471,500,000) and $50,000,000 (2015: $50,000,000) to banks for loans taken by a subsidiary and medium term notes issued by a subsidiary respectively.

32. Financial ratios

	2016 %	2015 %
Expenses to weighted average net assets [1]		
- including performance component of Manager's management fees	**1.22**	1.25
- excluding performance component of Manager's management fees	**1.03**	1.05
Total operating expenses to net asset value [2]	**2.7**	2.7
Portfolio turnover rate [3]	**–**	–

[1] The ratios are computed in accordance with the guidelines of the Investment Management Association of Singapore. The expenses used in the computation relate to the trust expenses, excluding property expenses, amortisation expenses, foreign exchange differences and borrowing costs for the financial year.

[2] The ratio is computed based on the total property expenses, including the Group's share of property expenses incurred by its associates and joint ventures and all fees and charges paid to the Manager and related parties for the financial year and as a percentage of net asset value as at the end of the financial year.

[3] The ratio is computed based on the lesser of purchases or sales of underlying investment properties of the Group expressed as a percentage of weighted average net asset value.

33. Subsequent events

On 24 January 2017, the Manager declared a distribution of 1.48 cents per Unit for the period from 1 October 2016 to 31 December 2016.

KEPPEL REIT
(Constituted under a Trust Deed in the Republic of Singapore)
AND ITS SUBSIDIARIES

ANNUAL REPORT
For the financial year ended 31 December 2017

KEPPEL REIT
(Constituted under a Trust Deed in the Republic of Singapore)
AND ITS SUBSIDIARIES

ANNUAL REPORT
For the financial year ended 31 December 2017

Contents

RBC Investor Services Trust Singapore Limited (the "Trustee") is under a duty to take into custody and hold the assets of Keppel REIT and its subsidiaries in trust for the holders of units ("Unitholders") in Keppel REIT. In accordance with the Securities and Futures Act, Chapter 289 of Singapore, its subsidiary legislation and the Code on Collective Investment Schemes, the Trustee shall monitor the activities of Keppel REIT Management Limited (the "Manager") for compliance with the limitations imposed on the investment and borrowing powers as set out in the trust deed dated 28 November 2005 (as amended) (the "Trust Deed") between the Manager and the Trustee in each annual accounting period and report thereon to Unitholders in an annual report.

To the best knowledge of the Trustee, the Manager has, in all material respects, managed Keppel REIT and its subsidiaries during the period covered by these financial statements, set out on pages 8 to 69 in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed.

For and on behalf of the Trustee,
RBC Investor Services Trust Singapore Limited

Hoi Sau Kheng
Director

Singapore, 20 February 2018

In the opinion of the Directors of Keppel REIT Management Limited (the "Manager"), the accompanying financial statements set out on pages 8 to 69 comprising the Balance Sheets, Consolidated Statement of Total Return, Distribution Statement, Portfolio Statement, Statements of Movements in Unitholders' Funds, Consolidated Statement of Cash Flows and Notes to the Financial Statements are drawn up so as to present fairly, in all material respects, the financial positions of the Group and the Trust as at 31 December 2017, the total return, distributable income, movements in Unitholders' funds and cash flows of the Group and the movements in Unitholders' funds of the Trust for the year ended on that date in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants and the provisions of the Trust Deed. At the date of this statement, there are reasonable grounds to believe that the Group and the Trust would be able to meet their financial obligations as and when they materialise.

For and on behalf of the Manager,
Keppel REIT Management Limited

Tan Swee Yiow
Chief Executive Officer and Executive Director

Singapore, 20 February 2018

Our opinion

In our opinion, the accompanying consolidated financial statements and Portfolio Statement of Keppel REIT (the "Trust") and its subsidiaries (the "Group") and the Balance Sheet and Statement of Movements in Unitholders' Funds of the Trust are properly drawn up in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants ("RAP 7"), so as to present fairly, in all material respects, the consolidated financial position of the Group and the financial position of the Trust and the consolidated portfolio statement of the Group as at 31 December 2017 and the consolidated financial performance of the Group, the consolidated amount distributable of the Group, the consolidated movements in unitholders' funds of the Group and movements in unitholders' funds of the Trust, and the consolidated cash flows of the Group for the financial year ended on that date.

What we have audited

The financial statements of the Group and Trust comprise:

- the balance sheets of the Group and the Trust as at 31 December 2017;
- the consolidated statement of total return of the Group for the financial year ended 31 December 2017;
- the distribution statement of the Group for the financial year then ended;
- the portfolio statement of the Group as at 31 December 2017;
- the statements of movements in unitholders' funds of the Group and the Trust for the financial year then ended;
- the consolidated statement of cash flows of the Group for the financial year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

Our Audit Approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the accompanying financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties Refer to *Note 3 (Investment properties)* The Group owns a portfolio of investment properties stated at their fair values based on independent external valuations. Information relating to these investment properties are disclosed in Note 3 to the financial statements. As at 31 December 2017, the carrying value of the Group's investment properties of $3.8 billion accounted for 49.6% of the Group's total assets. The valuation of the investment properties was a key audit matter due to the significant judgement in the key inputs used in the valuation techniques. These key inputs include capitalisation rates and discount rates and are dependent on the nature of each investment property and the prevailing market conditions. The key inputs are disclosed in Note 29(d) to the accompanying financial statements.	Our audit procedures included the following: • assessed the competence, capabilities and objectivity of the external valuers engaged by the Group; • obtained an understanding of the techniques used by the external valuers in determining the valuations of individual investment properties; • discussed the critical assumptions made by the external valuers for the key inputs used in valuation in the valuation techniques; • tested the integrity of information, including underlying lease and financial information provided to the external valuers; and • assessed the reasonableness of the capitalisation rates and discount rates by benchmarking these against those of comparable properties and prior year inputs. We have also assessed the adequacy of disclosures relating to the assumptions, as we consider them as likely to be significant to the users of the financial statements given the estimation uncertainty and sensitivity of the valuations. We found the external valuers to be members of recognised bodies for professional valuers. We also found that the valuation techniques used were appropriate in the context of the Group's investment properties and the critical assumptions used for the key inputs were within the range of market data.

Other Information

The Manager is responsible for the other information. The other information comprises the information included in the Report of the Trustee, and Statement by the Manager (but does not include the financial statements and our auditor's report thereon) which we obtained prior to the date of this auditor's report, and other sections of the Trust's annual report ("Other Sections"), which are expected to be made available to us after that date.

Other Information (continued)

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Other Sections, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with SSAs.

Responsibilities of the Manager for the Financial Statements

The Manager is responsible for the preparation and fair presentation of these financial statements in accordance with the recommendations of RAP 7 and for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Manager is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to terminate the Group or to cease the Group's operations, or has no realistic alternative but to do so.

The Manager's responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Manager with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Manager, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

The engagement partner on the audit resulting in this independent auditor's report is Yeow Chee Keong.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants

Singapore, 20 February 2018

KEPPEL REIT AND ITS SUBSIDIARIES
BALANCE SHEETS
As at 31 December 2017

		Group		Trust	
	Note	**2017**	2016	**2017**	2016
		$'000	$'000	**$'000**	$'000
Non-current assets					
Investment properties	3	**3,774,870**	3,618,097	**525,000**	540,000
Investments in subsidiaries	4	**–**	–	**1,837,110**	1,837,110
Investments in associates	5	**2,527,842**	2,525,112	**2,025,559**	2,025,483
Advances to associates	8	**613,122**	610,922	**613,122**	610,922
Investments in joint ventures	6	**465,096**	450,284	**–**	–
Amounts owing by subsidiaries	7	**–**	–	**877,973**	852,650
Fixed assets		**149**	190	**31**	31
Intangible asset	9	**10,712**	22,511	**10,712**	20,471
Derivative financial instruments	13	**4,190**	18,016	**4,190**	16,354
		7,395,981	7,245,132	**5,893,697**	5,903,021
Current assets					
Trade and other receivables	10	**8,619**	10,662	**12,120**	7,721
Prepaid expenses		**333**	604	**11**	11
Cash and bank balances	11	**198,158**	278,682	**155,823**	141,948
Derivative financial instruments	13	**1,197**	245	**1,175**	99
		208,307	290,193	**169,129**	149,779
Total assets		**7,604,288**	7,535,325	**6,062,826**	6,052,800
Current liabilities					
Trade and other payables	12	**56,451**	51,828	**34,905**	34,640
Income received in advance	14	**4,209**	278	**–**	–
Borrowings (unsecured)	15	**425,039**	–	**99,967**	–
Security deposits		**3,159**	3,545	**116**	431
Derivative financial instruments	13	**1,748**	1,483	**1,134**	1,281
Provision for taxation		**2,259**	2,735	**2,138**	2,735
		492,865	59,869	**138,260**	39,087
Non-current liabilities					
Income received in advance	14	**11,305**	25,152	**11,305**	25,152
Borrowings (secured)	15	**194,656**	348,201	**194,656**	348,201
Borrowings (unsecured)	15	**1,902,486**	2,133,553	**1,762,265**	1,667,700
Derivative financial instruments	13	**16,017**	7,315	**14,411**	6,287
Security deposits		**27,675**	27,869	**3,982**	2,976
Deferred tax liabilities	16	**44,026**	34,808	**–**	–
		2,196,165	2,576,898	**1,986,619**	2,050,316
Total liabilities		**2,689,030**	2,636,767	**2,124,879**	2,089,403
Net assets		**4,915,258**	4,898,558	**3,937,947**	3,963,397
Represented by:					
Unitholders' funds		**4,763,424**	4,746,717	**3,788,246**	3,813,696
Perpetual securities	17	**149,701**	149,701	**149,701**	149,701
Non-controlling interest		**2,133**	2,140	**–**	–
		4,915,258	4,898,558	**3,937,947**	3,963,397
Units in issue ('000)	17	**3,370,734**	3,291,616	**3,370,734**	3,291,616
Net asset value per Unit ($)		**1.41**	1.44	**1.12**	1.16

The accompanying notes form an integral part of these financial statements.

	Note	Group 2017 $'000	Group 2016 $'000
Property income	18	**164,516**	161,252
Property expenses	19	**(33,316)**	(32,882)
Net property income		**131,200**	128,370
Rental support	20	**12,825**	16,746
Share of results of associates	5	**83,795**	83,460
Share of results of joint ventures	6	**31,959**	30,789
Interest income		**22,975**	27,459
Amortisation expense	9	**(11,799)**	(15,312)
Trust expenses	21	**(56,458)**	(57,493)
Borrowing costs	22	**(65,256)**	(64,049)
Net foreign exchange differences		**(2,060)**	635
Net change in fair value of derivative financial instruments		**(1,598)**	9,018
Net income before gain on divestment of investment property and net change in fair value of investment properties		**145,583**	159,623
Gain on divestment of investment property	3	**–**	28,299
Net change in fair value of investment properties	23	**51,727**	91,171
Total return before tax		**197,310**	279,093
Income tax expense	24	**(17,156)**	(21,306)
Total return for the year		**180,154**	257,787
Attributable to:			
Unitholders		**172,608**	250,191
Perpetual securities holders		**7,470**	7,490
Non-controlling interest		**76**	106
		180,154	257,787
Basic and diluted earnings per Unit (cents) based on total return for the year	25	**5.17**	7.67
Basic and diluted earnings per Unit (cents) based on total return for the year and excluding gain on divestment of investment property, net change in fair value of investment properties and related tax expenses	25	**3.95**	4.40

The accompanying notes form an integral part of these financial statements.

	Group 2017 $'000	Group 2016 $'000
Income available for distribution to Unitholders at beginning of the year	**48,954**	54,269
Net income before gain on divestment of investment property and net change in fair value of investment properties	**145,583**	159,623
Net income attributable to perpetual securities holders	**(7,470)**	(7,490)
Net income before net change in fair value of investment property attributable to non-controlling interest	**(78)**	(72)
Net tax and other adjustments (Note A)	**69,851**	77,368
Income tax expense	**(17,156)**	(21,306)
	190,730	208,123
Income available for distribution to Unitholders	**239,684**	262,392
Distribution to Unitholders:		
Distribution of 1.68 cents per Unit for the period from 1/10/2015 to 31/12/2015	**–**	(44,871)
Distribution of 1.68 cents per Unit for the period from 1/1/2016 to 31/3/2016	**–**	(43,526)
Distribution of 1.61 cents per Unit for the period from 1/4/2016 to 30/6/2016	**–**	(45,848)
Distribution of 1.60 cents per Unit for the period from 1/7/2016 to 30/9/2016	**–**	(48,318)
Distribution of 1.48 cents per Unit for the period from 1/10/2016 to 31/12/2016	**(40,761)**	–
Distribution of 1.45 cents per Unit for the period from 1/1/2017 to 31/3/2017	**(38,061)**	–
Distribution of 1.42 cents per Unit for the period from 1/4/2017 to 30/6/2017	**(38,998)**	–
Distribution of 1.40 cents per Unit for the period from 1/7/2017 to 30/9/2017	**(39,118)**	–
	(156,938)	(182,563)
Distribution in relation to the Distribution Reinvestment Plan for the period from 1/10/2015 to 31/12/2015	**–**	(9,160)
Distribution in relation to the Distribution Reinvestment Plan for the period from 1/1/2016 to 31/3/2016	**–**	(10,912)
Distribution in relation to the Distribution Reinvestment Plan for the period from 1/4/2016 to 30/6/2016	**–**	(6,669)
Distribution in relation to the Distribution Reinvestment Plan for the period from 1/7/2016 to 30/9/2016	**–**	(4,134)
Distribution in relation to the Distribution Reinvestment Plan for the period from 1/10/2016 to 31/12/2016	**(7,954)**	–
Distribution in relation to the Distribution Reinvestment Plan for the period from 1/1/2017 to 31/3/2017	**(10,061)**	–
Distribution in relation to the Distribution Reinvestment Plan for the period from 1/4/2017 to 30/6/2017	**(8,408)**	–
Distribution in relation to the Distribution Reinvestment Plan for the period from 1/7/2017 to 30/9/2017	**(7,884)**	–
	(34,307)	(30,875)
Total Unitholders' distribution (including capital return) (Note B)	**(191,245)**	(213,438)
Income available for distribution to Unitholders at end of the year	**48,439**	48,954

Note A – Net tax and other adjustments comprise:

	2017	2016
- Manager's management fees paid and payable in Units	**50,989**	50,515
- Trustee's fees	**1,263**	1,248
- Amortisation of intangible asset and capitalised transaction costs	**13,870**	19,143
- Share of results of associates	**(83,795)**	(83,460)
- Share of results of joint ventures	**(31,959)**	(30,789)
- Effects of recognising rental income on a straight-line basis over the lease terms	**1,330**	279
- Interest income to be received	**(197)**	(614)
- Net change in fair value of derivative financial instruments	**1,598**	(9,018)
- Deferred tax expense	**10,955**	7,776
- Other gains distribution	**–**	11,000
- Other items	**(14,348)**	1,662
	(50,294)	(32,258)
Dividend and distribution income from associates	**93,809**	86,453
Distribution income from joint ventures	**26,336**	23,173
Net tax and other adjustments	**69,851**	77,368

Note B – Total Unitholders' distribution

	2017	2016
- Taxable income	**(135,069)**	(143,551)
- Tax exempt income	**(45,222)**	(40,984)
- Other gains	**–**	(15,905)
- Capital return	**(10,954)**	(12,998)
	(191,245)	(213,438)

The accompanying notes form an integral part of these financial statements.

Group

Description of Property	Tenure of land	Term of lease	Remaining term of lease	Location	Existing use	Carrying value 2017 $'000	Carrying value 2016 $'000	Percentage of net assets 2017 %	Percentage of net assets 2016 %
Investment properties in Singapore:									
Bugis Junction Towers	Leasehold	99 years	71.7 years	230 Victoria Street	Commercial	525,000	540,000	10.7	11.0
Ocean Financial Centre[1]	Leasehold interest	99 years	92.9 years	10 Collyer Quay	Commercial	2,625,630	2,627,332	53.4	53.6
Investment properties in Australia:									
275 George Street[2]	Freehold[3]	NA	NA	Brisbane	Commercial	219,300	213,855	4.5	4.4
8 Exhibition Street[4]	Freehold[3]	NA	NA	Melbourne	Commercial	256,020	236,910	5.2	4.8
311 Spencer Street[5]	Freehold[3]	NA	NA	Melbourne	Under development	148,920	–	3.0	–
Investment properties, at valuation (Note 3)						**3,774,870**	**3,618,097**	**76.8**	**73.8**
Investments in associates and joint ventures, advances to associates (Notes 5, 6 and 8) and intangible asset (Note 9)						**3,616,772**	**3,608,829**	**73.6**	**73.7**
Investment properties held by joint ventures:									
8 Chifley Square[6]	Leasehold	99 years	87.3 years	Sydney	Commercial				
David Malcolm Justice Centre[7]	Leasehold	99 years	96.7 years	Perth	Commercial				
Investment properties held by associates:									
One Raffles Quay[8]	Leasehold	99 years	82.4 years	1 Raffles Quay	Commercial				
Marina Bay Financial Centre Towers 1 & 2 and Marina Bay Link Mall[9]	Leasehold	99 years	86.8 years	Nos. 8, 8A and 10 Marina Boulevard	Commercial				
Marina Bay Financial Centre Tower 3[10]	Leasehold	99 years	88.2 years	No. 12 Marina Boulevard	Commercial				
Other assets and liabilities (net)						(2,476,384)	(2,328,368)	(50.4)	(47.5)
Net assets						**4,915,258**	**4,898,558**	**100.0**	**100.0**

[1] Carrying value is based on 100.0% of Ocean Financial Centre. Keppel REIT owns approximately 99.9% (2016: 99.9%) interest in Ocean Financial Centre.
[2] Comprises 50.0% (2016: 50.0%) interest in 275 George Street.
[3] Also known as estate in fee simple.
[4] Comprises 50.0% (2016: 50.0%) interest in 8 Exhibition Street office building and a 100.0% (2016: 100.0%) interest in another three retail units.
[5] Comprises 50.0% (2016: Nil) interest in 311 Spencer Street.
[6] Comprises 50.0% (2016: 50.0%) interest in 8 Chifley Square, held through Mirvac 8 Chifley Trust.
[7] Comprises 50.0% (2016: 50.0%) interest in David Malcolm Justice Centre, held through Mirvac (Old Treasury) Trust.
[8] Comprises one-third (2016: one-third) interest in One Raffles Quay, held through One Raffles Quay Pte Ltd.
[9] Comprise one-third (2016: one-third) interest in Marina Bay Financial Centre Towers 1 & 2 and Marina Bay Link Mall, held through BFC Development LLP.
[10] Comprises one-third (2016: one-third) interest in Marina Bay Financial Centre Tower 3, held through Central Boulevard Development Pte. Ltd.

The accompanying notes form an integral part of these financial statements.

The carrying values of the Group's assets under management as at 31 December 2017 and 31 December 2016 are based on valuations undertaken by various independent valuers. The independent valuers have appropriate professional qualifications and experience in the location and asset class of the properties being valued. The following valuations are determined based on the capitalisation approach, discounted cash flows analysis and direct comparison method, and assessed in accordance with the Group's respective interests in the properties and include rental support top-up payments, where applicable.

FY2017

Property	Independent valuer	Date of valuation	Valuation $'000
Investment properties in Singapore:			
Bugis Junction Towers	Knight Frank Pte Ltd	31 December 2017	525,000
Ocean Financial Centre	Cushman & Wakefield VHS Pte Ltd	31 December 2017	2,623,000[1]
Investment properties in Australia:			
275 George Street	CBRE Valuations Pty Limited	31 December 2017	219,300
8 Exhibition Street, comprising 50% interest in the office building and a 100% interest in another three retail units	m3property (Vic) Pty Ltd	31 December 2017	256,020
311 Spencer Street	CIVAS (VIC) Pty Limited	31 December 2017	148,920[2]
Investment properties held by associates:			
One Raffles Quay	Colliers International Consultancy & Valuation (Singapore) Pte Ltd	31 December 2017	1,273,000
Marina Bay Financial Centre Towers 1 & 2 and Marina Bay Link Mall	Colliers International Consultancy & Valuation (Singapore) Pte Ltd	31 December 2017	1,693,000
Marina Bay Financial Centre Tower 3	Savills Valuation and Professional Services (S) Pte Ltd	31 December 2017	1,300,300
Investment properties held by joint ventures:			
8 Chifley Square	CBRE Valuations Pty Limited	31 December 2017	247,350
David Malcolm Justice Centre	Colliers International (WA) Pty Ltd	31 December 2017	216,750
			8,502,640

FY2016

Property	Independent valuer	Date of valuation	Valuation $'000
Investment properties in Singapore:			
Bugis Junction Towers	Colliers International Consultancy & Valuation (Singapore) Pte Ltd	31 December 2016	540,000
Ocean Financial Centre	Savills Valuation and Professional Services (S) Pte Ltd	31 December 2016	2,627,000[1]
Investment properties in Australia:			
275 George Street	m3property (Qld) Pty Ltd	31 December 2016	213,855
8 Exhibition Street, comprising 50% interest in the office building and a 100% interest in another three retail units	CIVAS (VIC) Pty Limited	31 December 2016	236,910
Investment properties held by associates:			
One Raffles Quay	Savills Valuation and Professional Services (S) Pte Ltd	31 December 2016	1,273,000
Marina Bay Financial Centre Towers 1 & 2 and Marina Bay Link Mall	Savills Valuation and Professional Services (S) Pte Ltd	31 December 2016	1,693,000
Marina Bay Financial Centre Tower 3	Colliers International Consultancy & Valuation (Singapore) Pte Ltd	31 December 2016	1,316,000
Investment properties held by joint ventures:			
8 Chifley Square	CIVAS (NSW) Pty Limited	31 December 2016	235,850
David Malcolm Justice Centre	Colliers International (WA) Pty Ltd	31 December 2016	219,950
			8,355,565

[1] The carrying value based on 100.0% interest in Ocean Financial Centre is $2,625,630,000. As at 31 December 2016, the carrying value based on 100.0% interest in Ocean Financial Centre, excluding rental support top-up payment, was $2,627,332,000.

[2] The valuation of the property is derived on an "as is" basis.

The investment properties comprise commercial properties that are mainly leased to third party tenants. Generally, these leases contain an initial non-cancellable period of between 2 and 30 years. Subsequent renewals are negotiated with individual lessees.

KEPPEL REIT AND ITS SUBSIDIARIES
STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS
For the financial year ended 31 December 2017

	Attributable to Unitholders								
Group	Units in issue $'000	Foreign currency translation reserve $'000	Hedging reserve $'000	Accumulated profits $'000	Discount on acquisition of non-controlling interest $'000	Unitholders' funds $'000	Perpetual securities $'000	Non-controlling interest $'000	Total $'000
At 1 January 2017	**3,456,557**	**(167,302)**	**(5,494)**	**1,459,734**	**3,222**	**4,746,717**	**149,701**	**2,140**	**4,898,558**
Operations									
Total return attributable to Unitholders and non-controlling interest	–	–	–	172,608	–	172,608	–	76	172,684
Net increase in net assets resulting from operations	–	–	–	172,608	–	172,608	–	76	172,684
Unitholders' transactions									
Creation of Units									
- Payment of management fees in Units	50,822	–	–	–	–	50,822	–	–	50,822
- Distribution Reinvestment Plan	34,307	–	–	(34,307)	–	–	–	–	–
Distribution to Unitholders	(10,954)	–	–	(145,984)	–	(156,938)	–	–	(156,938)
Net increase/(decrease) in net assets resulting from Unitholders' transactions	74,175	–	–	(180,291)	–	(106,116)	–	–	(106,116)
Perpetual securities									
Total return attributable to perpetual securities holders	–	–	–	–	–	–	7,470	–	7,470
Distribution to perpetual securities holders	–	–	–	–	–	–	(7,470)	–	(7,470)
Net movement in net assets resulting from perpetual securities holders' transactions	–	–	–	–	–	–	–	–	–
Net movement in foreign currency translation reserve	–	(34,808)	–	–	–	(34,808)	–	–	(34,808)
Net change in fair value of cash flow hedges	–	–	(15,191)	–	–	(15,191)	–	(4)	(15,195)
Share of net change in fair value of cash flow hedges of associates	–	–	214	–	–	214	–	–	214
Distribution of partnership profits to non-controlling interest	–	–	–	–	–	–	–	(79)	(79)
At 31 December 2017	**3,530,732**	**(202,110)**	**(20,471)**	**1,452,051**	**3,222**	**4,763,424**	**149,701**	**2,133**	**4,915,258**

The accompanying notes form an integral part of these financial statements.

	Attributable to Unitholders								
Group	Units in issue $'000	Foreign currency translation reserve $'000	Hedging reserve $'000	Accumulated profits $'000	Discount on acquisition of non-controlling interest $'000	Unitholders' funds $'000	Perpetual securities $'000	Non-controlling interest $'000	Total $'000
At 1 January 2016	**3,394,832**	**(199,445)**	**17,429**	**1,409,983**	**3,222**	**4,626,021**	**149,719**	**2,108**	**4,777,848**
Operations									
Total return attributable to Unitholders and non-controlling interest	–	–	–	250,191	–	250,191	–	106	250,297
Net increase in net assets resulting from operations	–	–	–	250,191	–	250,191	–	106	250,297
Unitholders' transactions									
Creation of Units									
- Payment of management fees in Units	43,848	–	–	–	–	43,848	–	–	43,848
- Distribution Reinvestment Plan	30,875	–	–	(30,875)	–	–	–	–	–
Distribution to Unitholders	(12,998)	–	–	(169,565)	–	(182,563)	–	–	(182,563)
Net increase/(decrease) in net assets resulting from Unitholders' transactions	61,725	–	–	(200,440)	–	(138,715)	–	–	(138,715)
Perpetual securities									
Issue expenses	–	–	–	–	–	–	(18)	–	(18)
Total return attributable to perpetual securities holders	–	–	–	–	–	–	7,490	–	7,490
Distribution to perpetual securities holders	–	–	–	–	–	–	(7,490)	–	(7,490)
Net decrease in net assets resulting from perpetual securities holders' transactions	–	–	–	–	–	–	(18)	–	(18)
Net movement in foreign currency translation reserve	–	32,143	–	–	–	32,143	–	–	32,143
Net change in fair value of cash flow hedges	–	–	(16,724)	–	–	(16,724)	–	(3)	(16,727)
Share of net change in fair value of cash flow hedges of associates	–	–	(6,199)	–	–	(6,199)	–	–	(6,199)
Distribution of partnership profits to non-controlling interest	–	–	–	–	–	–	–	(71)	(71)
At 31 December 2016	**3,456,557**	**(167,302)**	**(5,494)**	**1,459,734**	**3,222**	**4,746,717**	**149,701**	**2,140**	**4,898,558**

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS
For the financial year ended 31 December 2017

	Attributable to Unitholders				
	Units in issue $'000	Hedging reserve $'000	Accumulated profits $'000	Perpetual securities $'000	Total $'000
Trust					
At 1 January 2017	**3,456,557**	**(132)**	**357,271**	**149,701**	**3,963,397**
Operations					
Total return attributable to Unitholders	–	–	93,088	–	93,088
Net increase in net assets resulting from operations	–	–	93,088	–	93,088
Unitholders' transactions					
Creation of Units					
- Payment of management fees in Units	50,822	–	–	–	50,822
- Distribution Reinvestment Plan	34,307	–	(34,307)	–	–
Distribution to Unitholders	(10,954)	–	(145,984)	–	(156,938)
Net increase/(decrease) in net assets resulting from Unitholders' transactions	74,175	–	(180,291)	–	(106,116)
Perpetual securities					
Total return attributable to perpetual securities holders	–	–	–	7,470	7,470
Distribution to perpetual securities holders	–	–	–	(7,470)	(7,470)
Net movement in net assets resulting from perpetual securities holders' transactions	–	–	–	–	–
Net change in fair value of cash flow hedges	–	(12,422)	–	–	(12,422)
At 31 December 2017	**3,530,732**	**(12,554)**	**270,068**	**149,701**	**3,937,947**
At 1 January 2016	**3,394,832**	**9,594**	**375,859**	**149,719**	**3,930,004**
Operations					
Total return attributable to Unitholders	–	–	181,852	–	181,852
Net increase in net assets resulting from operations	–	–	181,852	–	181,852
Unitholders' transactions					
Creation of Units					
- Payment of management fees in Units	43,848	–	–	–	43,848
- Distribution Reinvestment Plan	30,875	–	(30,875)	–	–
Distribution to Unitholders	(12,998)	–	(169,565)	–	(182,563)
Net increase/(decrease) in net assets resulting from Unitholders' transactions	61,725	–	(200,440)	–	(138,715)
Perpetual securities					
Issue expenses	–	–	–	(18)	(18)
Total return attributable to perpetual securities holders	–	–	–	7,490	7,490
Distribution to perpetual securities holders	–	–	–	(7,490)	(7,490)
Net decrease in net assets resulting from perpetual securities holders' transactions	–	–	–	(18)	(18)
Net change in fair value of cash flow hedges	–	(9,726)	–	–	(9,726)
At 31 December 2016	**3,456,557**	**(132)**	**357,271**	**149,701**	**3,963,397**

The accompanying notes form an integral part of these financial statements.

KEPPEL REIT AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
For the financial year ended 31 December 2017

	Group	
	2017	2016
	$'000	$'000
Operating activities		
Total return before tax	**197,310**	279,093
Adjustments for:		
Interest income	**(22,975)**	(27,459)
Amortisation expense	**11,799**	15,312
Share of results of associates	**(83,795)**	(83,460)
Share of results of joint ventures	**(31,959)**	(30,789)
Borrowing costs	**65,256**	64,049
Management fees paid and payable in Units	**50,989**	50,515
Gain on divestment of investment property	**–**	(28,299)
Net change in fair value of derivative financial instruments	**1,598**	(9,018)
Net change in fair value of investment properties	**(51,727)**	(91,171)
Depreciation	**41**	44
Rental support	**(12,825)**	(16,746)
Unrealised currency translation differences	**1,919**	809
Operating cash flows before changes in working capital	**125,631**	122,880
(Increase)/decrease in receivables	**(5,576)**	4,619
Increase/(decrease) in payables	**7,161**	(6,073)
(Decrease)/increase in security deposits	**(580)**	807
Cash flows from operations	**126,636**	122,233
Income taxes paid	**(6,671)**	(14,054)
Net cash flows provided by operating activities	**119,965**	108,179
Investing activities		
Purchase of investment property under development	**(133,953)**	–
Progress payments on investment property under development	**(9,409)**	–
Subsequent expenditure on investment properties	**(14,427)**	(2,212)
Purchase of fixed assets	**–**	(35)
Proceeds from divestment of investment property, net of divestment costs	**–**	157,233
Interest received	**23,392**	27,085
Rental support received	**13,848**	20,331
Dividend and distribution income received from associates	**93,809**	86,453
Distribution income received from joint ventures	**26,336**	23,173
Advance to an associate	**(2,200)**	(2,000)
Net cash flows (used in)/provided by investing activities	**(2,604)**	310,028
Financing activities		
Loans drawdown	**306,168**	640,450
Repayment of loans	**(334,298)**	(656,744)
Proceeds from issuance of medium term notes	**75,000**	–
Payment of financing expenses/upfront debt arrangement costs	**(1,315)**	(2,157)
Distribution of partnership profits to non-controlling interest	**(79)**	(71)
Distribution to Unitholders (net of distribution in Units)	**(156,938)**	(182,563)
Distribution to perpetual securities holders	**(7,470)**	(7,490)
Interest paid	**(62,468)**	(60,737)
Issue expenses	**–**	(18)
Net cash flows used in financing activities	**(181,400)**	(269,330)

The accompanying notes form an integral part of these financial statements.

	Group 2017 $'000	Group 2016 $'000
Net (decrease)/increase in cash and cash equivalents	**(64,039)**	148,877
Cash and cash equivalents at beginning of the year	**253,219**	98,764
Effect of exchange rate changes on cash and cash equivalents	**(2,718)**	5,578
Cash and cash equivalents at end of the year (Note 11)	**186,462**	253,219
Cash and bank balances	**198,158**	278,682
Less: Rental support received in advance held in designated accounts (Note A)	**(11,696)**	(25,463)
Cash and cash equivalents per Consolidated Statement of Cash Flows	**186,462**	253,219

Reconciliation of liabilities arising from financing activities

	As at 1 January 2017 $'000	Net principal drawdown and financing expenses/upfront debt arrangement costs $'000	Non-cash changes: Amortisation of capitalised transaction costs $'000	Non-cash changes: Foreign exchange movement $'000	As at 31 December 2017 $'000
Borrowings	2,481,754	45,555	2,071	(7,199)	2,522,181

<u>Note A – Rental support received in advance held in designated accounts</u>

As at 31 December 2017, this relates to the rental support top-up payments received in advance by the Group held in designated accounts for the one-third interest in Central Boulevard Development Pte. Ltd. ("CBDPL") which holds MBFC Tower 3. As at 31 December 2016, this also included rental support top-up payments received in advance by the Group held in designated accounts for the approximate 12.39% interest in OPLLP which holds OFC.

<u>Note B – Significant non-cash transactions</u>

The following were the significant non-cash transactions:

(i) 47,360,865 (2016: 43,763,613) Units were issued as payment of management fees to the Manager, amounting to $50,822,000 (2016: $43,848,000); and

(ii) 31,757,174 (2016: 31,728,090) Units were issued pursuant to the Distribution Reinvestment Plan, amounting to $34,307,000 (2016: $30,875,000).

These notes form an integral part of the financial statements.

The financial statements of Keppel REIT (the "Trust") and its subsidiaries (the "Group") for the financial year ended 31 December 2017 were authorised for issue by the Manager on 20 February 2018.

1. General

Keppel REIT is a Singapore-domiciled real estate investment trust constituted by the Trust Deed dated 28 November 2005 (as amended) (the "Trust Deed") between Keppel REIT Management Limited (the "Manager") and RBC Investor Services Trust Singapore Limited (the "Trustee"). The Trust Deed is governed by the laws of the Republic of Singapore. The Trustee is under a duty to take into custody and hold the assets of the Trust and its subsidiaries in trust for the holders ("Unitholders") of units in the Trust (the "Units"). The address of the Trustee's registered office and principal place of business is 8 Marina View, #26-01 Asia Square Tower 1, Singapore 018960.

The Trust was formally admitted to the Official List of the Singapore Exchange Securities Trading Limited ("SGX-ST") on 28 April 2006 and was included in the Central Provident Fund Investment Scheme on 28 April 2006. The principal activity of the Trust is to invest in a portfolio of quality real estate and real estate-related assets which are predominantly used for commercial purposes in Singapore and Asia with the primary objective of generating stable returns to its Unitholders and achieving long-term capital growth. The principal activities of its subsidiaries, associates and joint ventures are set out in Notes 4, 5 and 6 respectively.

The Trust has entered into several service agreements in relation to the management of the Trust and its property operations. The fee structures of these services are as follows:

(a) Property management fees

Under the property management agreement, for property management services rendered by Keppel REIT Property Management Pte Ltd (the "Property Manager"), the Trustee will pay the Property Manager property management fees of 3.0% per annum of the property income of each of the investment properties.

The Property Manager is also entitled to receive leasing commission at the rates set out as follows:

(i) one month's Gross Rent (base rental income and tenant service charge) or licence fee, as applicable, for securing a tenancy or licence of two years or more;
(ii) one-half month's Gross Rent (base rental income and tenant service charge) or licence fee, as applicable, for securing a tenancy or licence of less than two years but at least a year and a proportionate part thereof; and
(iii) one-quarter month's Gross Rent (base rental income and tenant service charge) or licence fee, as applicable, for securing a renewal of tenancy or licence of a year or more and a proportionate part thereof for securing a renewal of a tenancy or licence of less than a year.

The property management fees are payable monthly in arrears.

1. General (continued)

(b) Manager's management fees

Pursuant to the Trust Deed, the Manager is entitled to the following management fees:

(i) a base fee of 0.5% per annum of the value of all the assets for the time being of the Trust or deemed to be held upon the Trust constituted under the Trust Deed ("Deposited Property"); and

(ii) an annual performance fee of 3.0% per annum of the Net Property Income (as defined in the Trust Deed) of the Trust and any Special Purpose Vehicles (as defined in the Trust Deed) after deducting all applicable taxes payable.

The management fees will be paid in the form of cash and/or Units (as the Manager may elect). The management fees payable in Units will be issued at the volume weighted average price for a Unit for all trades on the SGX-ST in the ordinary course of trading on the SGX-ST for the period of 10 Business Days (as defined in the Trust Deed) immediately preceding the relevant Business Day.

The base fee component of the Manager's management fees is payable quarterly in arrears. The performance fee component of the Manager's management fees will be paid on an annual basis in arrears, subsequent to the applicable financial year.

The Manager is also entitled to receive an acquisition fee at the rate of 1.0% of acquisition price and a divestment fee of 0.5% of sale price on all acquisitions or disposals of properties respectively.

(c) Trustee's fees

Under the Trust Deed, the maximum fee payable to the Trustee is 0.03% per annum of the value of the Deposited Property and shall be payable quarterly in arrears.

2. Summary of significant accounting policies

(a) Basis of preparation

The financial statements of the Group have been prepared in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" ("RAP 7") issued by the Institute of Singapore Chartered Accountants. The financial statements have also been prepared in accordance with the applicable requirements of the CIS Code issued by the Monetary Authority of Singapore ("MAS") and the provisions of the Trust Deed. RAP 7 requires the accounting policies to generally comply with the principles relating to recognition and measurement under the Singapore Financial Reporting Standards ("FRS").

The financial statements, which are expressed in Singapore dollar ("SGD" or "$") and rounded to the nearest thousand ($'000), unless otherwise stated, are prepared on the historical cost basis, except as disclosed in the accounting policies below.

2. Summary of significant accounting policies (continued)

(b) Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards that are effective for annual periods beginning on or after 1 January 2017. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Trust, except for the following:

Amendments to FRS 7 *Statement of cash flows*
The amendments to FRS 7 *Statement of cash flows (Disclosure initiative)* set out required disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group has included the additional required disclosures in the Consolidated Statement of Cash Flows to the financial statements.

(c) Standards issued but not yet effective

Full convergence with International Financial Reporting Standards ("IFRS") and adoption of new standards

The Accounting Standards Council (Singapore) has introduced a new financial reporting framework, Singapore Financial Reporting Standards (International) ("SFRS(I)"), that is identical to the International Financial Reporting Standards issued by the International Accounting Standards Board, for the financial year beginning on or after 1 January 2018. The Monetary Authority of Singapore has granted the Group a waiver from compliance with the requirement under Paragraph 4.3 of Appendix 6 to the Code on Collective Investment Schemes to prepare its financial statements in accordance with the Singapore Financial Reporting Standards.

The Group has adopted SFRS(I) on 1 January 2018 and as a result, the Group's financial statements for the financial year ending 31 December 2018 will be prepared in accordance with SFRS(I).

In adopting SFRS(I), the Group is required to apply all of the specific transition requirements in SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*. The Group expects that the adoption of SFRS(I) will have no material impact on the financial statements in the year of initial application, other than the election of optional exemption to reset its cumulative foreign currency translation differences for all foreign operations to nil at the date of transition on 1 January 2017. As a result, the Group expects to reclassify cumulative foreign currency translation losses of $167,302,000 from foreign currency translation reserve to accumulated profits as at 1 January 2017. After the date of transition, any gain or loss on disposal of any foreign operations will exclude translation differences that arose before the date of transition.

In addition to the adoption of SFRS(I), the following SFRS(I) that are relevant to the Group and the Trust are effective on or after the same date.

- SFRS(I) 15 *Revenue from Contracts with Customers*
- SFRS(I) 9 *Financial Instruments*
- SFRS(I) 16 *Leases*

2. Summary of significant accounting policies (continued)

(c) Standards issued but not yet effective (continued)

(i) SFRS(I) 15 *Revenue from Contracts with Customers*

SFRS(I) 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers.

The core principle of SFRS(I) 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under SFRS(I) 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. More prescriptive guidance has been added in SFRS(I) 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by SFRS(I) 15.

SFRS(I) 15 will take effect from financial years beginning on or after 1 January 2018. In accordance with the requirements of SFRS(I) 1, the Group will adopt SFRS(I) 15 retrospectively.

The Manager anticipates that the adoption of SFRS(I) 15 in future periods will not have a material impact on the financial statements of the Group and of the Trust in the period of their initial adoption.

(ii) SFRS(I) 9 *Financial Instruments*

SFRS(I) 9 introduces new requirements for classification and measurement of financial instruments, impairment of financial assets, and hedge accounting. SFRS(I) 9 also introduces expanded disclosure requirements and changes in presentation. The adoption of SFRS(I) 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities.

SFRS(I) 9 will take effect from financial years beginning on or after 1 January 2018. The Group plans to elect to apply the short-term exemption under SFRS(I) 1, which exempts the Group from applying SFRS(I) 9 to comparative information.

The Manager anticipates that the adoption of SFRS(I) 9 in future periods will not have a material impact on the financial statements of the Group and of the Trust in the period of their initial adoption.

2. Summary of significant accounting policies (continued)

(c) Standards issued but not yet effective (continued)

(iii) SFRS(I) 16 *Leases*

SFRS(I) 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not change significantly.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under SFRS(I) 16.

The standard also introduces expanded disclosure requirements and changes in presentation.

SFRS(I) 16 will take effect from financial years beginning on or after 1 January 2019.

The Manager anticipates that the adoption of SFRS(I) 16 in future periods will not have a material impact on the financial statements of the Group and of the Trust in the period of their initial adoption.

(d) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Trust and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date and use accounting policies consistent with the Trust.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- derecognises the carrying amount of any non-controlling interest;
- derecognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in the Consolidated Statement of Total Return; and
- re-classifies the Group's share of components previously recognised in other comprehensive income to the Consolidated Statement of Total Return or accumulated profits, as appropriate.

2. Summary of significant accounting policies (continued)

(e) Transactions with non-controlling interest

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to Unitholders of the Trust, and is presented separately in the Consolidated Statement of Total Return and within equity in the consolidated Balance Sheet, separately from equity attributable to the Unitholders of the Trust.

Changes in the Trust's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to Unitholders of the Trust.

(f) Functional and foreign currency

(i) Functional currency

The Manager has determined the currency of the primary economic environment in which the Trust operates, i.e. functional currency, to be Singapore dollar. The financial statements are presented in Singapore dollar.

(ii) Foreign currency transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Trust and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in the Consolidated Statement of Total Return except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised under foreign currency translation reserve in Unitholders' funds. The foreign currency translation reserve is reclassified from Unitholders' funds to the Consolidated Statement of Total Return on disposal of the foreign operation.

(iii) Consolidated financial statements

For consolidation purposes, the assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the end of the reporting period and their total returns are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised under foreign currency translation reserve in Unitholders' funds. On disposal of a foreign operation, the foreign currency translation reserve relating to that particular foreign operation is recognised in the Consolidated Statement of Total Return.

2. Summary of significant accounting policies (continued)

(g) Investment properties

Investment properties are properties that are owned by the Group in order to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business. Investment properties comprise completed investment properties and properties that are being constructed or developed for future use as investment properties.

Investment properties are initially recorded at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met. The cost of investment property under development includes the cost of materials and direct labour, and any other costs directly attributable to bringing the investment property to a working condition for its intended use and capitalised borrowing costs.

Subsequent to initial recognition, investment properties are measured at fair value. Gains or losses arising from changes in the fair values of investment properties are included in the Consolidated Statement of Total Return in the year in which they arise.

Investment properties are derecognised when either they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in the Consolidated Statement of Total Return in the year of retirement or disposal.

(h) Fixed assets

Fixed assets are initially recorded at cost and subsequently measured at cost less accumulated depreciation and any accumulated impairment losses.

Included within fixed assets are artwork and sculpture that are considered inexhaustible, in that their values do not diminish over time. These artwork and sculpture are not depreciated but their carrying values are reviewed for impairment at the level of the respective cash-generating units to which they relate when events or changes in circumstances indicate that the carrying values may not be recoverable.

All other fixed assets are depreciated on a straight-line basis over their estimated useful lives as follows:

Computer	3 years
Machinery and equipment	5 years

The carrying values of fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The estimated useful lives, residual values and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of fixed assets is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in total return in the year the asset is derecognised.

2. Summary of significant accounting policies (continued)

(i) Subsidiaries

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Trust's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

(j) Joint arrangements

A joint arrangement is a contractual arrangement whereby two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint arrangement is classified either as joint operation or joint venture, based on the rights and obligations of the parties to the arrangement.

To the extent the joint arrangement provides the Group with rights to the assets and obligations for the liabilities relating to the arrangement, the arrangement is a joint operation. To the extent the joint arrangement provides the Group with rights to the net assets of the arrangement, the arrangement is a joint venture.

The Group recognises its interest in a joint venture as an investment and accounts for the investment using the equity method. The accounting policy for investment in joint venture is set out in Note 2(k).

(k) Associates and joint ventures

An associate is an entity over which the Group has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies.

The Group accounts for its investments in associates and joint ventures using the equity method from the date on which the investment becomes an associate or joint venture.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate's or joint venture's total return in the period in which the investment is acquired.

Under the equity method, the investments in associates or joint ventures are carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates or joint ventures. The total return reflects the share of results of the operations of the associates or joint ventures. Distributions or dividends received from associates or joint ventures reduce the carrying amounts of the investments. Where there has been a change recognised in other comprehensive income by the associates or joint ventures, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and associates or joint ventures are eliminated to the extent of the interest in the associates or joint ventures.

2. Summary of significant accounting policies (continued)

(k) Associates and joint ventures (continued)

When the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless it has incurred legal and constructive obligations to make or has made payments on behalf of the associate or joint venture.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investments in associates or joint ventures. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognises the amount in total return.

The financial statements of the associates and joint ventures are prepared as of the same reporting date as the Trust. Property held for sale is stated at the lower of cost and net realisable value. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group, and adjustments are made for the effects of significant transactions or events that occur between that date and the reporting date of the Trust.

(l) Intangible asset

Intangible asset, which relates to rental support top-up payments, is measured initially at cost, being the fair value as at the date of acquisition. Following initial recognition, intangible asset is measured at cost less any accumulated amortisation and any impairment losses.

Intangible asset with a finite useful life is amortised over the estimated useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible asset with finite useful life is recognised in total return.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in total return when the asset is derecognised.

(m) Impairment of non-financial assets

The Group assesses at each reporting date whether there is any indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

2. Summary of significant accounting policies (continued)

(m) Impairment of non-financial assets (continued)

Impairment losses of continuing operations are recognised in total return, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment losses are also recognised in other comprehensive income up to the amount of any previous revaluation.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised previously. Such reversal is recognised in total return.

(n) Financial instruments

Financial assets

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets through profit or loss are recognised immediately as expenses.

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Gains and losses are recognised in total return when the loans and receivables are derecognised or impaired, and through the amortisation process.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in total return.

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

Financial liabilities

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

After initial recognition, financial liabilities are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in total return when the liabilities are derecognised, and through the amortisation process.

2. Summary of significant accounting policies (continued)

(n) Financial instruments (continued)

Financial liabilities (continued)

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in total return.

(o) Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired.

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in total return.

When the cash flow becomes uncollectible, the carrying amount of an impaired financial asset is reduced directly or if an amount was charged to the allowance account, the amount charged to the allowance account is written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in total return.

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand, and demand deposits, and exclude amounts which are restricted for use.

2. Summary of significant accounting policies (continued)

(q) Unit capital, perpetual securities and issue expenses

Proceeds from issuance of Units are recognised as units in issue in Unitholders' funds and incidental costs directly attributable to the issuance are deducted against Unitholders' funds.

Proceeds from issuance of perpetual securities are recognised in equity and incidental costs directly attributable to the issuance of perpetual securities are deducted against the proceeds from the issue.

(r) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(s) Leases – as lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. The accounting policy for rental income is set out in Note 2(t)(i). Contingent rents are recognised as revenue in the period in which they are earned.

(t) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

(i) Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over the lease term on a straight-line basis.

(ii) Interest income

Interest income is recognised using the effective interest method.

(iii) Rental support, dividend income and distribution income

Rental support, dividend income and distribution income are recognised when the Group's right to receive payment is established.

2. Summary of significant accounting policies (continued)

(u) Expenses

(i) Trust expenses

Trust expenses are recognised on an accrual basis.

(ii) Property expenses

Property expenses are recognised on an accrual basis. Included in property expenses are property management fees which are based on the applicable formula stipulated in Note 1(a).

(iii) Manager's management fees

Manager's management fees are recognised on an accrual basis based on the applicable formula stipulated in Note 1(b).

(v) Borrowing costs

Borrowing costs are recognised in the Consolidated Statement of Total Return using the effective interest method except for those costs that are directly attributable to the development of investment properties. These include costs on borrowings acquired specifically for the development of investment properties.

The actual borrowing costs incurred during the period up to the issuance of the temporary occupation permit of the investment property under development less any investment income on temporary investment of these borrowings, are capitalised in the cost of the investment property under development.

(w) Taxation

(i) Current income tax

Current income tax is the expected tax payable on the taxable income for the year, using tax rates and tax laws enacted or substantively enacted at the reporting date.

Current income tax is recognised as an expense or income in total return, except when it relates to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination.

(ii) Deferred tax

Deferred tax is provided, using the liability method, on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year in which those assets and liabilities are expected to be realised or settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

2. Summary of significant accounting policies (continued)

(w) Taxation (continued)

(ii) Deferred tax *(continued)*

Deferred tax is measured based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities except for investment properties. Investment property measured at fair value is presumed to be recovered entirely through sale.

Deferred tax is recognised as an expense or income in total return, except when it relates to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination.

(iii) Tax transparency

Pursuant to the Tax Transparency Ruling issued by the Inland Revenue Authority of Singapore ("IRAS"), tax transparency treatment has been granted to the Trust in respect of certain taxable income ("Specified Taxable Income"). Subject to meeting the terms and conditions of the tax ruling which include a distribution of at least 90% of the taxable income of the Trust, the Trust will not be assessed for tax on the portion of its taxable income that is distributed to Unitholders. Any portion of the Trust's taxable income that is not distributed to Unitholders will be taxed at the prevailing corporate tax rate.

In the event that there are subsequent adjustments to the taxable income when the actual taxable income of the Trust is finally agreed with the IRAS, such adjustments are taken up as adjustments to the amount to be distributed for the next distribution following the agreement with the IRAS.

Subject to the terms and conditions of the Tax Transparency Ruling, the Trust will not be taxed on Specified Taxable Income distributed to the Unitholders in the year in which the income was derived. Instead, the Trust will undertake to deduct income tax at the prevailing corporate tax rate on the distributions made to the Unitholders out of such Specified Taxable Income except:

a) where the beneficial owner is a Qualifying Unitholder (as defined herein), distributions will be made to such Unitholder without deducting any income tax; and

b) where the beneficial owner is a Qualifying Foreign Non-Individual Unitholder (as defined herein), income tax will be deducted at a reduced rate of 10% from the distributions made up to 31 March 2020, unless otherwise extended.

A Qualifying Unitholder is a Unitholder who is:

a) an individual; or

b) a company incorporated and tax resident in Singapore;

c) a Singapore branch of a company incorporated outside Singapore;

2. Summary of significant accounting policies (continued)

(w) Taxation (continued)

(iii) Tax transparency (continued)

d) a non-corporate entity (excluding partnerships) constituted or registered in Singapore including:

- institutions, authorities, persons or funds specified in the First Schedule to the Income Tax Act, Chapter 134 of Singapore;
- co-operative societies registered under the Co-operative Societies Act, Chapter 62 of Singapore;
- trade unions registered under the Trade Unions Act, Chapter 333 of Singapore;
- charities registered under the Charities Act, Chapter 37 of Singapore or established by an Act of Parliament; and
- town councils; or

e) an international organisation that is exempt from tax on such distributions by reason of an order made under the International Organisations (Immunities and Privileges) Act (Cap. 145).

A Qualifying Foreign Non-Individual Unitholder is a person other than an individual not resident in Singapore for Singapore income tax purposes and:

a) who does not have a permanent establishment in Singapore; or

b) who carries on an operation in Singapore through a permanent establishment in Singapore, where the funds used by that person to acquire the units are not obtained from that operation.

The above tax transparency ruling does not apply to gains from sale of real estate properties. Such gains, if they are considered as trading gains, are assessable to tax on the Trust. Where the gains are capital gains, the Trust will not be assessed to tax and may distribute the capital gains to Unitholders without having to deduct tax at source.

Any distributions made by the Trust to the Unitholders out of tax-exempt income and taxed income would be exempt from Singapore income tax in the hands of all Unitholders, regardless of their corporate or residence status.

2. Summary of significant accounting policies (continued)

(w) Taxation (continued)

(iv) Sales tax

Revenue, expenses and assets are recognised net of the amount of sales tax except:

a) Where the sales tax incurred on a purchase of asset or service is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

b) Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables on the Balance Sheets.

(x) Portfolio reporting

For management purposes, the Group is organised into operating segments based on individual investment property within the Group's portfolio, and prepares financial information on a property by property basis. The properties are independently managed by property managers who are responsible for the performance of the property under their charge. Discrete financial information is provided to the Board on a property by property basis. The Board regularly reviews this information in order to allocate resources to each property and to assess the property's performance.

(y) Derivative financial instruments and hedge accounting

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at fair value. Derivative financial instruments are carried as assets when the fair value is positive and as liabilities when fair value is negative.

Gains or losses arising from the changes in fair value of derivative financial instruments that do not qualify for hedge accounting are taken to total return.

The Group applies hedge accounting for certain hedging transactions which qualify for hedge accounting.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment (except for foreign currency risk); or

- cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment; or

- hedges of a net investment in a foreign operation.

2. Summary of significant accounting policies (continued)

(y) Derivative financial instruments and hedge accounting (continued)

At the inception of a hedging relationship, the Group formally designates and documents the hedging relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an on-going basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in hedging reserve in Unitholders' funds, while any ineffective portion is recognised immediately in total return.

Amounts recognised in hedging reserve in Unitholders' funds are transferred to total return when the hedge transaction affects total return, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognised in hedging reserve in Unitholders' funds is transferred to total return. If the hedging instrument has expired or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in hedging reserve in Unitholders' funds remains in Unitholders' funds until the forecast transaction or firm commitment affects total return.

The Group uses interest rate swaps to hedge its exposure to interest rate risk for bank loans with floating interest rates. Details of the interest rate swaps are disclosed in Note 13.

The Group uses forward currency contracts to hedge foreign currency risk arising from the cash flows of its investment properties in Australia. Details of the forward currency contracts are disclosed in Note 13.

2. Summary of significant accounting policies (continued)

(z) Significant accounting judgements and estimates

The preparation of the financial statements in conformity with RAP 7 requires the Manager to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income, expenses and disclosures made. The estimates and associated assumptions are based on historical experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

Estimates and underlying assumptions are reviewed on an on-going basis. Financial impact arising from revisions to accounting estimates is recognised in the period in which the estimates are revised and in any future periods affected.

In particular, significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are as follows:

<u>Valuation of investment properties</u>

Investment properties are stated at fair value, with changes in fair value recognised in total return. The Group engaged independent professional valuers to determine fair value as at the financial year-end.

The fair value of investment properties held by the Group and through its associates and joint ventures is determined by independent real estate valuation experts using approved valuation methodologies. In determining the fair value, the valuers have used valuation methods which involve estimates and discount rates applicable to those assets. The Manager is satisfied that the valuation methods and estimates are reflective of current market conditions. The determined fair value of the investment properties is most sensitive to the estimated yield as well as the vacancy assumptions. Specific assumptions and estimates are disclosed in Note 29.

3. Investment properties

	Completed investment properties $'000	Investment property under development $'000	Total $'000
Group			
2017			
At 1 January	3,618,097	–	3,618,097
Translation differences	(18,694)	(5,926)	(24,620)
Purchase of investment property	–	133,953	133,953
Progress payments on investment property under development	–	9,409	9,409
Capitalised expenditure	2,794	11,633	14,427
Net change in fair value of investment properties (Note 23)	23,753	(149)	23,604
At 31 December	3,625,950	148,920	3,774,870
2016			
At 1 January	3,691,073	–	3,691,073
Translation differences	16,905	–	16,905
Divestment of investment property	(128,520)	–	(128,520)
Capitalised expenditure	2,212	–	2,212
Net change in fair value of investment properties (Note 23)	36,427	–	36,427
At 31 December	3,618,097	–	3,618,097
Trust			
2017			
At 1 January	540,000	–	540,000
Capitalised expenditure	351	–	351
Net change in fair value of investment properties	(15,351)	–	(15,351)
At 31 December	525,000	–	525,000
2016			
At 1 January	550,000	–	550,000
Capitalised expenditure	706	–	706
Net change in fair value of investment properties	(10,706)	–	(10,706)
At 31 December	540,000	–	540,000

3. Investment properties (continued)

Investment properties are stated at fair value based on valuations performed by independent valuers. In determining the fair value, the valuers have used the direct comparison method, capitalisation approach and discounted cash flows analysis which make reference to estimated market rental values and equivalent yields. The key assumptions used to determine the fair value of investment properties include, amongst others, market-corroborated capitalisation yields, discount rates and transacted prices of comparable properties. Details of valuation techniques and inputs used are disclosed in Note 29.

Included in capitalised expenditure for investment property under development are capitalised borrowing costs amounting to $564,000 (2016: nil).

On 31 July 2017, the Group acquired a 50% interest in an office tower under development at 311 Spencer Street for an aggregate consideration of approximately $362,400,000.

On 29 January 2016, the Group divested its interest in 77 King Street office tower for an aggregate consideration of approximately $163,200,000. The Group recognised a gain on divestment of $28,299,000.

The Group has mortgaged certain investment properties of up to an aggregate principal amount of $525,000,000 (2016: $540,000,000) as security for credit facilities granted (Note 15).

4. Investments in subsidiaries

	Trust	
	2017	2016
	$'000	$'000
Unquoted equity, at cost	**1,837,110**	1,837,110

Name	Country of incorporation/ constitution	Principal activities	Effective equity interest 2017 %	Effective equity interest 2016 %
Held by the Trust				
Keppel REIT MTN Pte. Ltd.[1]	Singapore	Provision of treasury services	**100.00**	100.00
Keppel REIT (Australia) Pte. Ltd.[1]	Singapore	Investment holding	**100.00**	100.00
Keppel REIT Fin. Company Pte. Ltd.[1]	Singapore	Provision of treasury services	**100.00**	100.00
Ocean Properties LLP ("OPLLP") [1, 4]	Singapore	Property investment	**~99.90 [4]**	~99.90 [4]

4. Investments in subsidiaries (continued)

Name	Country of incorporation/ constitution	Principal activities	Effective equity interest 2017 %	2016 %
Held through Keppel REIT (Australia) Pte. Ltd.				
Keppel REIT (S) Limited [2]	Bermuda	Investment holding	**100.00**	100.00
Keppel REIT (Australia) Trust [3]	Australia	Property investment	**100.00**	100.00
Keppel REIT (Australia) Sub-Trust 1 [3]	Australia	Property investment	**100.00**	100.00
Keppel REIT (Australia) Sub-Trust 2 [3]	Australia	Investment holding	**100.00**	100.00
Keppel REIT (Australia) Sub-Trust 3 [3]	Australia	Investment holding	**100.00**	100.00
Keppel REIT (Australia) Sub-Trust 4 [3]	Australia	Property investment	**100.00**	100.00
Keppel REIT (Australia) Sub-Trust 5 [3]	Australia	Property investment	**100.00**	100.00

1 Audited by PricewaterhouseCoopers LLP, Singapore.

2 There is no statutory requirement for the financial statements of Keppel REIT (S) Limited to be audited.

3 Audited by PricewaterhouseCoopers, Australia.

4 OPLLP owns Ocean Financial Centre. For the approximate 87.51% equity interest in OPLLP which the Trust acquired on 14 December 2011 for a period of 99 years from Straits Property Investments Pte Ltd ("SPIPL"), the Trust granted a call option under an option deed to SPIPL for the right to acquire the approximate 87.51% equity interest in OPLLP for $1.00 at the expiry of the 99-year period after the acquisition date. Under the option deed, the Trust shall not dispose of its legal or beneficial interest in OPLLP to any person unless SPIPL's right of first refusal has lapsed. In addition, if any of certain specified events occur anytime during the 99 years after the acquisition date, SPIPL has the right to procure OPLLP to take the necessary steps to carve out and transfer a leasehold title of the remaining tenure to a special purpose vehicle owned by SPIPL and the non-controlling interest.

On 25 June 2012, the Trust acquired an additional equity interest in OPLLP of approximately 12.39% from a third party, Avan Investment Pte Ltd ("AIPL") for a period of 99 years from 14 December 2011. This acquisition increased the Group's interest in OPLLP from an approximate 87.51% to an approximate 99.90%. AIPL continues to hold a remaining equity interest of approximate 0.10% in OPLLP (the "non-controlling interest"). The Trust also entered into an option deed pursuant to which AIPL shall have the right to acquire the approximate 12.39% interest in OPLLP for $1.00, such option to be exercisable only after the expiry of a period of 99 years after 14 December 2011.

5. Investments in associates

	Group		Trust	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Unquoted equity, at cost	**2,025,559**	2,025,483	**2,025,559**	2,025,483
Share of post-acquisition reserves	**502,283**	499,629	**–**	–
	2,527,842	2,525,112	**2,025,559**	2,025,483

The movement in share of post-acquisition reserves is as follows:

	Group	
	2017	2016
	$'000	$'000
At 1 January	**499,629**	472,315
Share of results of associates		
- Total return excluding net change in fair value of investment properties	**83,795**	83,460
- Net change in fair value of investment properties (Note 23)	**10,627**	34,079
- Effects of recognising rental income on a straight-line basis over the lease terms	**1,827**	2,427
	96,249	119,966
Share of net change in fair value of cash flow hedges	**214**	(6,199)
Dividend and distribution income received	**(93,809)**	(86,453)
At 31 December	**502,283**	499,629

Details of the associates are as follows:

Name	**Country of incorporation**	**Principal activities**	**Effective equity interest**	
			2017	2016
			%	%
One Raffles Quay Pte Ltd [1]	Singapore	Property development and investment	**33.33**	33.33
BFC Development LLP [2]	Singapore	Property development and investment	**33.33**	33.33
Central Boulevard Development Pte. Ltd. [3]	Singapore	Property development and investment	**33.33**	33.33

1 Audited by Ernst & Young LLP, Singapore.
One Raffles Quay Pte Ltd ("ORQPL") is the owner of One Raffles Quay.

2 Audited by Ernst & Young LLP, Singapore.
BFC Development LLP ("BFCDLLP") is the owner of Marina Bay Financial Centre Towers 1 & 2 and Marina Bay Link Mall.

3 Audited by Ernst & Young LLP, Singapore.
Central Boulevard Development Pte. Ltd. ("CBDPL") is the owner of Marina Bay Financial Centre Tower 3.

5. Investments in associates (continued)

The Group does not equity account for the results of Marina Bay Suites Pte. Ltd. ("MBSPL"), which is a wholly-owned subsidiary of CBDPL, as the acquisition of the one-third interest in CBDPL was structured to effectively exclude any interest in MBSPL.

A deed of undertaking was signed between Bayfront Development Pte. Ltd. (the "Vendor") and the Trust, whereby the Trust agrees not to participate in the financial and operating policy decisions in MBSPL and that it would exercise all voting rights and other rights and powers that it directly or indirectly has or controls in CBDPL and MBSPL in accordance with the written instructions of the Vendor on all matters arising from, relating to, or otherwise connected with MBSPL, and/or CBDPL's ownership of MBSPL.

The summarised financial information of the associates, excluding CBDPL's interest in MBSPL, and a reconciliation with the carrying amounts of the investments in the consolidated financial statements, are as follows:

	ORQPL		BFCDLLP		CBDPL	
	2017	2016	**2017**	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Summarised Balance Sheet						
Current assets (including property held for sale)	**1,450,453**	1,455,356	**18,446**	17,478	**21,669**	42,721
Non-current assets	**1,689,104**	1,627,305	**5,048,188**	5,048,195	**3,820,122**	3,849,040
Total assets	**3,139,557**	3,082,661	**5,066,634**	5,065,673	**3,841,791**	3,891,761
Current liabilities	**(44,998)**	(43,299)	**(30,064)**	(36,600)	**(31,830)**	(33,039)
Non-current liabilities	**(1,073,217)**	(1,076,512)	**(1,740,733)**	(1,735,115)	**(1,652,853)**	(1,649,204)
Total liabilities	**(1,118,215)**	(1,119,811)	**(1,770,797)**	(1,771,715)	**(1,684,683)**	(1,682,243)
Net assets	**2,021,342**	1,962,850	**3,295,837**	3,293,958	**2,157,108**	2,209,518
Proportion of the Group's ownership	**33.33%**	33.33%	**33.33%**	33.33%	**33.33%**	33.33%
Group's share of net assets	**673,781**	654,283	**1,098,612**	1,097,986	**719,036**	736,506
Other adjustments	**13,734**	13,734	**7,000**	7,000	**15,679**	15,603
Carrying amount of the investment	**687,515**	668,017	**1,105,612**	1,104,986	**734,715**	752,109
Summarised Statement of Comprehensive Income						
Property income	**158,146**	162,344	**202,804**	227,443	**148,071**	143,958
Total return for the year	**139,816**	94,934	**109,697**	146,152	**39,234**	118,813
Other comprehensive income	**(846)**	(5,892)	**–**	–	**1,488**	(12,705)
Total comprehensive income	**138,970**	89,042	**109,697**	146,152	**40,722**	106,108

6. Investments in joint ventures

	Group 2017 $'000	Group 2016 $'000
Unquoted equity, at cost	**345,286**	353,477
Share of post-acquisition reserves	**119,810**	96,807
	465,096	450,284

The movement in share of post-acquisition reserves is as follows:

	Group 2017 $'000	Group 2016 $'000
At 1 January	**96,807**	68,165
Share of results of joint ventures		
- Total return excluding net change in fair value of investment properties	**31,959**	30,789
- Net change in fair value of investment properties (Note 23)	**26,462**	30,750
- Effects of recognising rental income on a straight-line basis over the lease terms	**(4,219)**	(12,018)
	54,202	49,521
Translation differences	**(4,634)**	3,283
Distribution received/receivable	**(26,565)**	(24,162)
At 31 December	**119,810**	96,807

Details of the joint ventures are as follows:

Name	Country of incorporation	Principal activities	Effective equity interest 2017 %	Effective equity interest 2016 %
Held through Keppel REIT (S) Limited				
Mirvac 8 Chifley Pty Limited [1]	Australia	Fund administration	**50.00**	50.00
Mirvac (Old Treasury) Pty Limited [1]	Australia	Fund administration	**50.00**	50.00
Held through Keppel REIT (Australia) Sub-Trust 2				
Mirvac 8 Chifley Trust ("M8CT") [2]	Australia	Investment in real estate properties	**50.00**	50.00
Held through Keppel REIT (Australia) Sub-Trust 3				
Mirvac (Old Treasury) Trust ("MOTT") [2]	Australia	Investment in real estate properties	**50.00**	50.00

1 There is no statutory requirement for the financial statements to be audited.
2 Audited by PricewaterhouseCoopers, Australia.

6. Investments in joint ventures (continued)

The summarised financial information of the joint ventures and a reconciliation with the carrying amounts of the investments in the consolidated financial statements, are as follows:

	M8CT		MOTT	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Summarised Balance Sheet				
Cash and bank balances	**2,678**	1,036	**5,420**	5,031
Other current assets	**3,559**	3,065	**6,197**	3,540
Non-current assets	**487,904**	464,635	**428,055**	433,844
Total assets	**494,141**	468,736	**439,672**	442,415
Current liabilities	**(5,985)**	(3,803)	**(9,878)**	(9,805)
Total liabilities	**(5,985)**	(3,803)	**(9,878)**	(9,805)
Net assets	**488,156**	464,933	**429,794**	432,610
Proportion of the Group's ownership	**50.00%**	50.00%	**50.00%**	50.00%
Group's share of net assets	**244,078**	232,467	**214,897**	216,305
Other adjustments	**3,399**	(6,562)	**2,722**	8,074
Carrying amount of the investment	**247,477**	225,905	**217,619**	224,379
Summarised Statement of Total Return				
Property income	**32,916**	32,142	**42,247**	40,208
Interest income	**–**	3	**52**	75
Total return for the year	**68,388**	58,772	**40,016**	40,269

7. Amounts owing by subsidiaries (non-trade)

	Trust	
	2017	2016
	$'000	$'000
Interest bearing	**563,458**	525,505
Non-interest bearing	**314,515**	327,145
	877,973	852,650

The amounts owing by subsidiaries are unsecured, to be settled in cash and not expected to be repaid within the next 12 months. The interest bearing portions bear interest ranging from 5.2% to 9.5% (2016: 7.0% to 9.5%) per annum.

The amounts owing by subsidiaries as at 31 December 2017 and 31 December 2016 are denominated in Australian dollar.

The non-interest bearing amounts owing by subsidiaries are considered part of the Trust's net investment in these subsidiaries and are accordingly accounted for in accordance with Note 2(i).

8. Advances to associates

Advances to associates are unsecured, not expected to be repaid within the next 12 months and carry interest which is repriced every quarter at a margin above the 3-month S$ swap-offer rate ("SOR"). They bore interest ranging from 3.00% to 4.54% (2016: 2.86% to 5.18%) per annum during the year.

The advances to associates are denominated in Singapore dollar.

9. Intangible asset

	Group		Trust	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Cost:				
At 1 January	**66,093**	199,420	**46,622**	46,622
Write-off	**(19,471)**	(133,327)	**–**	–
At 31 December	**46,622**	66,093	**46,622**	46,622
Accumulated amortisation:				
At 1 January	**43,582**	161,597	**26,151**	14,022
Amortisation expense	**11,799**	15,312	**9,759**	12,129
Write-off	**(19,471)**	(133,327)	**–**	–
At 31 December	**35,910**	43,582	**35,910**	26,151
Net carrying amount:				
At 31 December	**10,712**	22,511	**10,712**	20,471

Intangible asset represents the unamortised aggregate rental support top-up payments receivable by the Group for its one-third interest in CBDPL (2016: one-third interest in CBDPL and the approximate 12.39% interest in OPLLP). The remaining rental support period is approximately 2 years (2016: range from 1 to 3 years). The write-off of intangible asset pertained to fully amortised rental support top-up payments.

10. Trade and other receivables

	Group		Trust	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Trade receivables	**5,838**	6,916	**576**	651
Amounts due from subsidiaries (non-trade)	**–**	–	**10,927**	5,963
Amounts due from related companies (trade)	**174**	–	**174**	–
Amounts due from joint ventures (non-trade)	**2,138**	2,065	**–**	–
Interest receivable	**197**	614	**184**	84
Rental support receivable	**–**	1,023	**–**	1,023
Others	**272**	44	**259**	–
	8,619	10,662	**12,120**	7,721

Amounts due from subsidiaries, related companies and joint ventures are unsecured, interest-free, repayable on demand and are to be settled in cash.

Trade and other receivables for the Group and the Trust, denominated in currencies other than the respective entities' functional currencies, amounted to $28,000 (2016: nil) and $1,119,000 (2016: nil) respectively. These balances are denominated in Australian dollar.

Receivables that are past due but not impaired

	Group		Trust	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Trade receivables past due but not impaired:				
Past due < 3 months	**2,058**	2,268	**–**	–
Past due 3 - 6 months	**28**	70	**–**	–
Past due > 6 months	**59**	105	**–**	–
	2,145	2,443	**–**	–

Analysis of allowance for doubtful debts

	Group		Trust	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
At 1 January	**–**	(40)	**–**	–
Charge for the year	**–**	(2)	**–**	–
Write-off against allowance	**–**	42	**–**	–
At 31 December	**–**	–	**–**	–

11. Cash and bank balances

	Group		Trust	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Cash and bank balances	**98,647**	83,270	**64,312**	68,796
Fixed deposits	**99,511**	195,412	**91,511**	73,152
	198,158	278,682	**155,823**	141,948
Less: Rental support received in advance held in designated accounts	**(11,696)**	(25,463)	**(11,696)**	(25,463)
Cash and cash equivalents	**186,462**	253,219	**144,127**	116,485

Cash at banks earned interest at floating rates based on daily bank deposit rates ranging from 0% to 1.60% (2016: 0% to 2.25%) per annum. Short-term deposits were made for varying periods of between 32 days and 181 days (2016: 25 days and 182 days) depending on the cash requirements of the Group, and earned interest at the respective short-term deposit rates. The interest rates of short-term deposits ranged from 1.10% to 1.70% (2016: 0.15% to 2.90%) per annum.

Cash and bank balances for both the Group and the Trust, denominated in currencies other than the respective entities' functional currencies, amounted to $45,584,000 (2016: $40,272,000). These balances are denominated in Australian dollar.

12. Trade and other payables

	Group		Trust	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Trade payables	**3,278**	4,373	**1,379**	1,779
Accrued expenses	**14,506**	10,246	**4,613**	3,894
Other payables	**12,565**	11,959	**7,000**	7,000
Amounts due to related companies:				
- trade	**20,129**	20,015	**19,739**	19,633
- non-trade	**–**	18	**1,454**	1,588
Other deposits	**451**	412	**55**	44
Interest payable	**5,522**	4,805	**665**	702
	56,451	51,828	**34,905**	34,640

Other payables mainly relate to (i) estimated development costs of $3,751,000 (2016: $3,751,000) to complete Phase 2 of Ocean Financial Centre of which the Group's proportionate share was withheld from the purchase consideration for the approximate 99.9% equity interest in OPLLP, (ii) estimated construction costs of $7,000,000 (2016: $7,000,000) withheld from the purchase consideration for the acquisition of the one-third interest in BFCDLLP.

Included in the trade amounts due to related companies are amounts due to the Property Manager of $390,000 (2016: $484,000) and the Manager of $19,738,000 (2016: $19,531,000).

12. Trade and other payables (continued)

Amounts due to related companies are unsecured, interest-free and repayable on demand. These amounts are to be settled in cash except for management fees payable to the Manager which will be settled in the form of cash and/or Units (Note 1(b)).

Trade and other payables for both the Group and the Trust, denominated in currencies other than the respective entities' functional currencies, amounted to $351,000 (2016: nil). These balances are denominated in Australian dollar.

13. Derivative financial instruments

		Group					
		2017 $'000			**2016 $'000**		
	Maturity	**Contract/ Nominal Amount**	**Assets**	**Liabilities**	Contract/ Nominal Amount	Assets	Liabilities
Forward currency contracts	2018	**21,865**	**1,175**	**–**	35,226	99	(977)
Interest rate swaps	2018 – 2023	**2,727,000**	**22**	**(17,765)**	2,037,000	9,727	(7,821)
Cross currency swap	2021	**99,790**	**4,190**	**–**	99,790	8,435	–
		2,848,655	**5,387**	**(17,765)**	2,172,016	18,261	(8,798)
Less: Current portion		**(716,865)**	**(1,197)**	**1,748**	(495,226)	(245)	1,483
Non-current portion		**2,131,790**	**4,190**	**(16,017)**	1,676,790	18,016	(7,315)
Percentage of derivative financial instruments to the Group's net asset value				**(0.25%)**			0.19%

		Trust					
		2017 $'000			**2016 $'000**		
	Maturity	**Contract/ Nominal Amount**	**Assets**	**Liabilities**	Contract/ Nominal Amount	Assets	Liabilities
Forward currency contracts	2018	**21,865**	**1,175**	**–**	35,226	99	(977)
Interest rate swaps	2018 – 2023	**1,950,000**	**–**	**(15,545)**	1,560,000	7,919	(6,591)
Cross currency swap	2021	**99,790**	**4,190**	**–**	99,790	8,435	–
		2,071,655	**5,365**	**(15,545)**	1,695,016	16,453	(7,568)
Less: Current portion		**(316,865)**	**(1,175)**	**1,134**	(195,226)	(99)	1,281
Non-current portion		**1,754,790**	**4,190**	**(14,411)**	1,499,790	16,354	(6,287)
Percentage of derivative financial instruments to the Trust's net asset value				**(0.26%)**			0.22%

13. Derivative financial instruments (continued)

Forward currency contracts

Forward currency contracts are used to hedge foreign currency risk arising from the cash flows of the Group's investments in Australia.

The Group designates these forward currency contracts as cash flow hedges which were assessed to be highly effective. A net unrealised gain of $2,053,000 (2016: net unrealised loss of $1,082,000) was included in hedging reserve in Unitholders' funds in respect of these contracts.

Interest rate swaps

Interest rate swaps are used to hedge interest rate risk arising from the underlying floating interest rates of the respective bank loans. Under the interest rate swaps, the Group receives floating interest equal to SOR and A$ bank bill swap bid rate ("BBSY") at specific contracted intervals and pays fixed rates of interest ranging from 0.88% to 2.48% (2016: 0.88% to 2.48%) per annum.

The Group designates most interest rate swaps as cash flow hedges which were assessed to be highly effective. A net unrealised loss of $17,244,000 (2016: net unrealised loss of $15,642,000) was included in hedging reserve in Unitholders' funds in respect of these contracts. A fair value loss of $2,399,000 (2016: fair value gain of $583,000) was recognised in total return as the interest rate swap was not designated as a hedging instrument.

Cross currency swap

Cross currency swap is used to hedge foreign currency risk arising from cash flow payments for an Australian dollar denominated loan. Under the cross currency swap, the Group receives a fixed S$ amount and pays a fixed A$ amount at inception of the loan, and vice versa upon maturity of the loan. The Group receives floating interest equal to A$ bank bill swap rate ("BBSW") at specific contract intervals and pays floating interest equal to SOR. A fair value loss of $4,245,000 (2016: gain of $8,435,000) was recognised in total return as the cross currency swap was not designated as a hedging instrument.

14. Income received in advance

Income received in advance comprises mainly rental support and rental income received in advance for certain of the Group's investment properties.

15. Borrowings

		Group		Trust	
		2017	2016	**2017**	2016
	Maturity	**$'000**	$'000	**$'000**	$'000
Current:					
Bank loans (unsecured)	2018	**425,039**	–	**99,967**	–

15. Borrowings (continued)

		Group		Trust	
		2017	2016	**2017**	2016
	Maturity	**$'000**	$'000	**$'000**	$'000
Non-current:					
Revolving loans (secured)	2020	**194,656**	348,201	**194,656**	348,201
Borrowings (secured)		**194,656**	348,201	**194,656**	348,201
Bank loans (unsecured)	2019 - 2022	**1,349,948**	2,080,312	**59,883**	159,740
Revolving loans (unsecured)	2022	**427,538**	3,241	–	–
Medium term notes (unsecured)	2022 - 2024	**125,000**	50,000	–	–
Borrowings from subsidiaries (unsecured)		–	–	**1,702,382**	1,507,960
Borrowings (unsecured)		**1,902,486**	2,133,553	**1,762,265**	1,667,700
Total borrowings		**2,522,181**	2,481,754	**2,056,888**	2,015,901
Percentage of total borrowings to net asset value		**51.3%**	50.7%	**52.2%**	50.9%

Borrowings for both the Group and the Trust denominated in currencies other than the respective entities' functional currencies amounted to $181,651,000 (2016: $132,084,000). These balances are denominated in Australian dollar.

For the current portion of borrowings, the Group has received commitments from banks to refinance these borrowings when they fall due.

Revolving loans (secured)

Revolving loans amounting to $194,656,000 (2016: $348,201,000) are secured by mortgage over certain investment properties of the Group (Note 3). The interest rate is at 0.80% + SOR (2016: 0.80% + SOR) per annum. The loans are repayable upon maturity. The Group has entered into interest rate swaps (Note 13) to hedge $194,656,000 (2016: $239,761,000) of the bank loans that are on floating interest rates.

Bank loans (unsecured)

Bank loans amounting to $154,925,000 (2016: $154,770,000) are on a fixed interest rate of 1.85% (2016: 1.85%) per annum and are repayable upon maturity. The Group has entered into interest rate swaps (Note 13) to hedge $1,403,600,000 (2016: $1,632,198,000) of the bank loans that are on floating interest rates. The remaining bank loans of $216,462,000 (2016: $293,344,000) are on floating interest rates and bear interest ranging from 0.64% + SOR to 1.02% + BBSW (2016: 0.64% + SOR to 1.02% + BBSW) per annum.

Revolving loans (unsecured)

Revolving loans bear interest ranging from 0.88% + SOR to 1.20% + BBSW (2016: 0.99% + SOR) per annum. The Group has entered into interest rate swaps (Note 13) to hedge $273,990,000 (2016: nil) of the revolving loans that are on floating interest rates.

15. Borrowings (continued)

Medium term notes (unsecured)

On 11 February 2015, Keppel REIT MTN Pte. Ltd. issued $50,000,000 of medium term notes due in 2022 through the multicurrency debt issuance programme, at a fixed coupon rate of 3.15% per annum.

On 6 April 2017, Keppel REIT MTN Pte. Ltd. issued $75,000,000 of medium term notes due in 2024 through the multicurrency debt issuance programme, at a fixed coupon rate of 3.275% per annum.

Borrowings from subsidiaries (unsecured)

Borrowings from subsidiaries bear interest ranging from 1.36% to 3.36% (2016: 1.09% to 3.36%) per annum and are not due for repayment within the next 12 months.

Unutilised available facilities

As at 31 December 2017, the Group had unutilised facilities of $871,368,000 (2016: $683,239,000) available to meet its future obligations.

16. Deferred tax liabilities

Movement in deferred tax liabilities is as follows:

	Group		Trust	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Investment properties				
At 1 January	**34,808**	25,767	**–**	–
Translation differences	**(1,737)**	1,265	**–**	–
Tax charged to Consolidated Statement of Total Return	**10,955**	7,776	**–**	–
At 31 December	**44,026**	34,808	**–**	–

Deferred tax liabilities are expected to be settled after one year from the balance sheet date.

17. Units in issue and perpetual securities

(a) Units in issue

	Group and Trust			
	2017		2016	
	'000	**$'000**	'000	$'000
At 1 January	**3,291,616**	**3,456,557**	3,216,124	3,394,832
Issue of Units:				
- Payment of management fees in Units	**47,361**	**50,822**	43,764	43,848
- Distribution Reinvestment Plan ("DRP")	**31,757**	**34,307**	31,728	30,875
Distribution to Unitholders	**–**	**(10,954)**	–	(12,998)
At 31 December	**3,370,734**	**3,530,732**	3,291,616	3,456,557

17. Units in issue and perpetual securities (continued)

(a) Units in issue (continued)

During the year, the following Units were issued:

- 47,360,865 (2016: 43,763,613) Units were issued at unit prices ranging from \$1.0152 to \$1.1723 (2016: \$0.9309 to \$1.0866) as payment of management fees to the Manager; and
- 31,757,174 (2016: 31,728,090) Units were issued at unit prices ranging from \$1.0004 to \$1.1635 (2016: \$0.8695 to \$1.0859) pursuant to the DRP where Unitholders have the option to receive their distribution in Units instead of cash or a combination of Units and cash.

Each Unit represents an undivided interest in the Trust. The rights and interests of Unitholders are contained in the Trust Deed and include the right to:

- receive income and other distributions attributable to the Units held;
- participate in the termination of the Trust by receiving a share of all net cash proceeds derived from the realisation of the assets of the Trust less liabilities, in accordance with their proportionate interests in the Trust. However, a Unitholder has no equitable or proprietary interest in the underlying assets of the Trust and is not entitled to transfer to it any assets (or part thereof) or of any estate or interest in any asset (or part thereof) of the Trust; and
- attend all Unitholders' meetings. The Trustee or the Manager may (and the Manager shall at the request in writing of not less than 50 Unitholders or Unitholders representing not less than 10% of the issued Units of the Scheme) at any time convene a meeting of Unitholders in accordance with the provisions of the Trust Deed.

The restrictions of a Unitholder include, *inter alia*, the following:

- a Unitholder's right is limited to the right to require due administration of the Trust in accordance with the provisions of the Trust Deed; and
- a Unitholder has no right to request the Manager to repurchase or redeem his or her Units while the Units are listed on SGX-ST.

The Trust Deed contains provisions designed to limit the liability of a Unitholder to the amount paid or payable for any Unit, and to ensure that no Unitholder, by reason alone of being a Unitholder, will be personally liable to indemnify the Trustee or any creditor of the Group in the event that the liabilities of the Group exceed its assets, if the issue price of the Units held by that Unitholder has been fully paid.

17. Units in issue and perpetual securities (continued)

(b) Perpetual securities

On 2 November 2015, the Trust issued $150,000,000 of subordinated perpetual securities at a fixed rate of 4.98% per annum, with the first distribution rate reset falling on 2 November 2020 and subsequent resets occurring every five years thereafter. The perpetual securities have no fixed redemption date and redemption is at the option of the Trust in accordance with the terms of issue of the securities. The distribution is payable semi-annually at the discretion of the Trust and is non-cumulative.

In terms of distribution payments or in the event of winding-up of the Trust:

- These perpetual securities rank pari passu with the holders of preferred units (if any) and rank ahead of the Unitholders of the Trust, but junior to the claims of all other present and future creditors of the Trust.
- The Trust shall not declare or pay any distribution to the Unitholders, or make redemption, unless the Trust declares or pays any distribution to the perpetual securities holders.

These perpetual securities are classified as equity instruments and recorded in equity in the Statements of Movements in Unitholders' Funds. The $149,701,000 (2016: $149,701,000) presented on the Balance Sheets represent the $150,000,000 (2016: $150,000,000) perpetual securities issued net of issue expenses, and include the total return attributable to perpetual securities holders from the last distribution date.

18. Property income

	Group	
	2017	2016
	$'000	$'000
Gross rent	**152,864**	154,508
Car park income	**3,849**	3,355
Others	**7,803**	3,389
	164,516	161,252

19. Property expenses

	Group	
	2017	2016
	$'000	$'000
Property tax	**11,057**	11,004
Property management fee	**4,157**	4,139
Property management reimbursements	**1,898**	1,894
Marketing expenses	**1,447**	1,386
Utilities	**2,859**	3,190
Maintenance	**10,690**	9,836
Other property expenses	**1,208**	1,433
	33,316	32,882

20. Rental support

Rental support relates to top-up payments from vendors in respect of the Group's one-third interest in CBDPL, which holds MBFC Tower 3, and the approximate 12.39% interest in OPLLP, which holds OFC.

21. Trust expenses

	Group	
	2017	2016
	$'000	$'000
Manager's base fees	**42,097**	41,605
Manager's performance fees	**8,892**	8,910
Trustees' fees	**1,647**	1,570
Valuation fees	**344**	234
Auditor's remuneration	**275**	266
Professional fees	**781**	1,584
Other trust expenses	**2,422**	3,324
	56,458	57,493

For the financial years ended 31 December 2017 and 2016, the Manager has elected to receive 100% of base fees and performance fees earned in Units.

22. Borrowing costs

	Group	
	2017	2016
	$'000	$'000
Interest expense on:		
- bank loans	**51,099**	59,420
- revolving loans	**12,086**	798
Amortisation of capitalised transaction costs	**2,071**	3,831
	65,256	64,049

23. Net change in fair value of investment properties

	Group	
	2017	2016
	$'000	$'000
Investment properties held directly by the Group (Note 3)	**23,604**	36,427
Investment properties held by associates (Note 5)	**10,627**	34,079
Investment properties held by joint ventures (Note 6)	**26,462**	30,750
Effects of recognising rental income on a straight-line basis over the lease terms	**(8,966)**	(10,085)
	51,727	91,171

24. Income tax expense

	Group 2017 $'000	Group 2016 $'000
Singapore current tax:		
- current year	**1,899**	2,423
- (over)/under provision in respect of previous financial years	**(80)**	1,627
Overseas deferred tax:		
- current year	**10,955**	7,776
Overseas withholding tax:		
- current year	**4,382**	9,480
	17,156	21,306
Reconciliation of effective tax:		
Total return before tax	**197,310**	279,093
Income tax using Singapore tax rate of 17% (2016: 17%)	**33,543**	47,446
Effects of:		
- expenses not deductible for tax purposes	**12,552**	12,281
- income not subject to tax	**(19,678)**	(36,095)
- effects of tax rates in foreign jurisdiction	**1,063**	2,699
- tax transparency	**(14,626)**	(16,132)
- (over)/under provision in respect of previous financial years	**(80)**	1,627
- withholding tax	**4,382**	9,480
Income tax expense recognised in Consolidated Statement of Total Return	**17,156**	21,306

25. Earnings per unit

The basic earnings per Unit is calculated by dividing total return after tax attributable to Unitholders against the weighted average number of Units in issue during the financial year.

	Group 2017 $'000	Group 2016 $'000
Total return after tax attributable to Unitholders	**172,608**	250,191
Total return after tax attributable to Unitholders and excluding gain on divestment of investment property, net change in fair value of investment properties and related tax expenses	**131,834**	143,584
	No. of Units '000	No. of Units '000
Weighted average number of Units in issue during the financial year	**3,336,887**	3,259,942
Basic earnings per Unit based on:		
Total return after tax attributable to Unitholders	**5.17 cents**	7.67 cents
Total return after tax attributable to Unitholders and excluding gain on divestment of investment property, net change in fair value of investment properties and related tax expenses	**3.95 cents**	4.40 cents

The diluted earnings per Unit is the same as the basic earnings per Unit as there are no dilutive instruments in issue during the financial year.

26. Significant related party transactions

During the financial year, other than those disclosed elsewhere in the financial statements, the following significant related party transactions took place at terms agreed between the parties:

	Group	
	2017	2016
	$'000	$'000
Acquisition fee paid to the Manager	**3,772**	–
Divestment fee paid to the Manager	**–**	810
Trustee's fees	**1,263**	1,248
Property management fees and reimbursements paid/payable to a related company	**5,875**	5,854
Property tax recovered/recoverable from related parties	**69**	64
Leasing commissions paid/payable to a related company	**4,259**	1,211
Service fees paid/payable to a related company	**217**	260
Rental income and other related income from related companies	**7,268**	6,885
Interest income received from associates	**19,661**	23,091
Rental support received from a related company	**10,300**	12,800
Electricity supply provided by a related company	**3,480**	3,621
Telephone and internet services provided by a related company	**9**	11
Aircon supply provided by a related company	**553**	547

27. Financial risk management objectives and policies

The Group is exposed to credit, interest rate, liquidity, foreign currency and operational risks in the normal course of its business. Assessment of financial risks is carried out regularly by the Manager.

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

(a) Credit risk

Credit risk is the potential financial loss resulting from the failure of a customer or a counterparty to settle its financial and contractual obligations to the Group as and when they fall due.

Credit assessments on prospective tenants are carried out by way of evaluation of information from corporate searches and conducted prior to the signing of lease agreements. Security deposits are collected from tenants, and the Group's tenant trade sector mix in its property portfolio is actively monitored and managed to avoid excessive exposure to any one potentially volatile trade sector.

The Manager has ensured that appropriate terms and/or credit controls are stipulated in the agreements to ensure that the counterparty fulfils its obligations.

Exposure to credit risk

At the reporting date, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the Balance Sheets.

27. Financial risk management objectives and policies (continued)

(a) Credit risk (continued)

Credit risk concentration profile

At the reporting date, approximately 27% (2016: 19%) of the Group's trade and other receivables were due from related companies and joint ventures. Concentration of credit risk relating to trade receivables is limited due to the Group's many and varied tenants. The tenants are engaged in diversified businesses and are of good quality and strong credit standing.

Financial assets that are neither past due nor impaired

Trade and other receivables and advances to associates that are neither past due nor impaired relate to creditworthy debtors and counterparties with good payment record. Cash and bank balances are placed and derivative financial instruments are entered into with financial institutions with good credit ratings.

(b) Interest rate risk

The Group's exposure to changes in interest rates arises primarily from its interest earning financial assets and interest bearing financial liabilities.

The Group constantly monitors its exposure to changes in interest rates of 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 the use of financial instruments or other suitable financial products.

The Group manages interest costs using a mix of fixed and floating rate debts. The details of the interest rates relating to interest earning financial assets and interest bearing financial liabilities are disclosed in Notes 8, 11 and 15 respectively.

Sensitivity analysis

At the reporting date, if the interest rates of borrowings had been 0.1% per annum (2016: 0.1% per annum) higher/lower with all other variables constant, the Group's total return before tax would have been $173,000 (2016: $128,000) lower/higher, arising mainly as a result of higher/lower interest expense on floating rate borrowings that are not hedged, and the Group's hedging reserve would have been $5,534,000 (2016: $4,524,000) lower/higher, arising mainly as a result of an increase/decrease in the fair value of interest rate swaps designated as cash flow hedges.

(c) Liquidity risk

The Manager monitors and maintains the Group'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.

27. Financial risk management objectives and policies (continued)

(c) Liquidity risk (continued)

The table below summarises the financial liabilities of the Group and the Trust and their maturity profile at the reporting date based on contractual undiscounted repayment obligations.

Group	2017				2016			
	1 year or less	> 1 year to 5 years	> 5 years	Total	1 year or less	> 1 year to 5 years	> 5 years	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Trade and other payables	56,451	–	–	56,451	51,828	–	–	51,828
Derivative financial instruments:								
– Interest rate swaps (settled net)	14,808	30,638	636	46,082	9,520	12,368	–	21,888
– Forward currency contracts (gross payments)	20,706	–	–	20,706	26,460	–	–	26,460
– Forward currency contracts (gross receipts)	(21,865)	–	–	(21,865)	(25,430)	–	–	(25,430)
Security deposits	3,159	20,222	7,453	30,834	3,545	16,439	11,430	31,414
Borrowings	474,633	2,140,517	78,129	2,693,279	43,252	2,056,627	520,700	2,620,579
	547,892	2,191,377	86,218	2,825,487	109,175	2,085,434	532,130	2,726,739

Trust	2017				2016			
	1 year or less	> 1 year to 5 years	> 5 years	Total	1 year or less	> 1 year to 5 years	> 5 years	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Trade and other payables	34,905	–	–	34,905	34,640	–	–	34,640
Derivative financial instruments:								
– Interest rate swaps (settled net)	12,263	25,378	636	38,277	8,064	11,553	–	19,617
– Forward currency contracts (gross payments)	20,706	–	–	20,706	26,460	–	–	26,460
– Forward currency contracts (gross receipts)	(21,865)	–	–	(21,865)	(25,430)	–	–	(25,430)
Security deposits	116	3,982	–	4,098	431	1,348	1,628	3,407
Borrowings	464,932	1,640,813	78,129	2,183,874	34,528	2,021,729	50,186	2,106,443
	511,057	1,670,173	78,765	2,259,995	78,693	2,034,630	51,814	2,165,137

27. Financial risk management objectives and policies (continued)

(d) Foreign currency risk

Foreign currency risk arises when transactions are denominated in currencies other than the respective functional currencies of the various entities in the Group and impact the Group's net assets and total return for the year.

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.

The Group has outstanding forward currency contracts with notional amounts totalling $21,865,000 (2016: $35,226,000) (Note 13). As at the reporting date, net financial derivative assets of $1,175,000 (2016: liabilities of $878,000) were recorded on the Balance Sheets based on the net fair value of these forward exchange contracts.

The Group has an outstanding cross currency swap with a notional amount of $99,790,000 (2016: $99,790,000) (Note 13). As at the reporting date, a derivative asset of $4,190,000 (2016: $8,435,000) was recorded on the Balance Sheets based on the net fair value of the cross currency swap.

Sensitivity analysis

At the reporting date, if the Australian dollar strengthened/weakened against the Singapore dollar by 5% (2016: 5%) with all other variables constant, the Group's total return before tax would have been $6,820,000 (2016: $4,611,000) lower/higher, and the Group's hedging reserve would have been $1,035,000 (2016: $1,805,000) lower/higher.

28. Capital management

The primary objective of the Group's capital management is to optimise the Group's funding structure and ensure that it maintains a healthy aggregate leverage.

Under the Property Funds Appendix of the CIS Code, the aggregate leverage should not exceed 45.0% of the Group's deposited properties, regardless whether a credit rating from Fitch Inc., Moody's Investor Services or Standard & Poor's has been obtained for the property fund.

The Group's capital is represented by its Unitholders' funds as disclosed in the Balance Sheets. The Group constantly monitors capital using the aggregate leverage, which is total gross borrowings divided by the value of its deposited properties. The value of the deposited properties refers to the value of the property fund's total assets (excluding restricted cash and bank balances) based on the latest valuation. At the balance sheet date, the Group has gross borrowings (including deferred payments for the construction of Phase 2 of Ocean Financial Centre, Phase 1 of Marina Bay Financial Centre and the Group's respective share of borrowings carried at ORQPL and CBDPL) totalling $3,374,565,000 (2016: $3,329,450,000) and an aggregate leverage of 38.7% (2016: 38.5%).

29. Fair value of assets and liabilities

(a) Fair value hierarchy

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction other than in a forced or liquidation sale.

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

(i) Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can assess at the measurement date;
(ii) Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
(iii) Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in their entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

(b) Assets and liabilities measured at fair value

The following table shows an analysis of each class of assets and liabilities measured at fair value at the end of the reporting period:

	Group 2017 $'000		
	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
Financial assets			
Derivative financial instruments:			
- Forward currency contracts	1,175	–	1,175
- Interest rate swaps	22	–	22
- Cross currency swap	4,190	–	4,190
Financial assets as at 31 December 2017	5,387	–	5,387
Financial liabilities			
Derivative financial instruments:			
- Interest rate swaps	(17,765)	–	(17,765)
Financial liabilities as at 31 December 2017	(17,765)	–	(17,765)
Non-financial assets			
Investment properties	–	3,774,870	3,774,870
Non-financial assets as at 31 December 2017	–	3,774,870	3,774,870

29. Fair value of assets and liabilities (continued)

(b) Assets and liabilities measured at fair value (continued)

	Group 2016 $'000		
	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
Financial assets			
Derivative financial instruments:			
- Forward currency contracts	99	–	99
- Interest rate swaps	9,727	–	9,727
- Cross currency swap	8,435	–	8,435
Financial assets as at 31 December 2016	18,261	–	18,261
Financial liabilities			
Derivative financial instruments:			
- Forward currency contracts	(977)	–	(977)
- Interest rate swaps	(7,821)	–	(7,821)
Financial liabilities as at 31 December 2016	(8,798)	–	(8,798)
Non-financial assets			
Investment properties	–	3,618,097	3,618,097
Non-financial assets as at 31 December 2016	–	3,618,097	3,618,097

	Trust 2017 $'000		
	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
Financial assets			
Derivative financial instruments:			
- Forward currency contracts	1,175	–	1,175
- Cross currency swap	4,190	–	4,190
Financial assets as at 31 December 2017	5,365	–	5,365
Financial liabilities			
Derivative financial instruments:			
- Interest rate swaps	(15,545)	–	(15,545)
Financial liabilities as at 31 December 2017	(15,545)	–	(15,545)
Non-financial assets			
Investment properties	–	525,000	525,000
Non-financial assets as at 31 December 2017	–	525,000	525,000

29. Fair value of assets and liabilities (continued)

(b) Assets and liabilities measured at fair value (continued)

	Trust		
	2016 $'000		
	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
Financial assets			
Derivative financial instruments:			
- Forward currency contracts	99	–	99
- Interest rate swaps	7,919	–	7,919
- Cross currency swap	8,435	–	8,435
Financial assets as at 31 December 2016	16,453	–	16,453
Financial liabilities			
Derivative financial instruments:			
- Forward currency contracts	(977)	–	(977)
- Interest rate swaps	(6,591)	–	(6,591)
Financial liabilities as at 31 December 2016	(7,568)	–	(7,568)
Non-financial assets			
Investment properties	–	540,000	540,000
Non-financial assets as at 31 December 2016	–	540,000	540,000

(c) Level 2 fair value measurements

Forward currency contracts, interest rate swaps and cross currency swap are valued using valuation techniques with market observable inputs. The most frequently applied valuation technique includes forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, interest rate curves and forward rate curves.

(d) Level 3 fair value measurements

(i) Information about significant unobservable inputs used in Level 3 fair value measurements

The following table presents the valuation techniques and key inputs that were used to determine the fair value of investment properties categorised under Level 3 of the fair value hierarchy.

29. Fair value of assets and liabilities (continued)

(d) Level 3 fair value measurements (continued)

(i) Information about significant unobservable inputs used in Level 3 fair value measurements (continued)

Description	Fair value as at 31 December 2017 $'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Investment properties	3,774,870	Capitalisation approach	Capitalisation rate	3.75% - 5.63%	The higher the rate, the lower the fair value
		Discounted cash flows analysis	Discount rate	6.25% - 7.00%	The higher the rate, the lower the fair value
		Direct comparison method	Transacted prices of comparable properties	$600/sf - $8,600/sf	The higher the price, the higher the fair value

Description	Fair value as at 31 December 2016 $'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Investment properties	3,618,097	Capitalisation approach	Capitalisation rate	3.75% - 6.25%	The higher the rate, the lower the fair value
		Discounted cash flows analysis	Discount rate	6.00% - 7.50%	The higher the rate, the lower the fair value
		Direct comparison method	Transacted prices of comparable properties	$600/sf - $8,800/sf	The higher the price, the higher the fair value

The investment properties categorised under Level 3 of the fair value hierarchy are generally sensitive to the various unobservable inputs tabled above. A significant movement of each input would result in a significant change to the fair value of the respective investment properties.

The Group assesses the fair value of investment properties on a yearly basis.

(ii) Valuation policies and procedures

The Group engages external, independent and qualified valuers to determine the fair value of the Group's investment properties at the end of every financial year.

The Manager is responsible for selecting and engaging valuation experts that possess the relevant credentials and knowledge of valuation of investment properties. In accordance to the CIS Code, the Group rotates the independent valuers every two years.

29. Fair value of assets and liabilities (continued)

(d) Level 3 fair value measurements (continued)

(ii) Valuation policies and procedures (continued)

Management reviews the appropriateness of the valuation methodologies and assumptions adopted by the external valuers.

Significant changes in fair value measurements from period to period are evaluated by management for reasonableness. Key drivers of the changes are identified and assessed for reasonableness against relevant information from independent external sources, or internal sources if necessary and appropriate. Significant valuation issues are reported to the Audit and Risk Committee.

(e) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

The Manager has determined that the carrying amounts of cash and bank balances, trade and other receivables, trade and other payables, security deposits and current borrowings reasonably approximate their fair values. The carrying amounts of advances to associates and floating rate borrowings reasonably approximate their fair values because they are floating rate instruments that are repriced to market interest rates on or near the end of the reporting period.

The fair values of non-current fixed-rate borrowings as at 31 December 2017 and 31 December 2016 are as stated below. They are estimated using discounted cash flows analyses based on current rates for similar types of borrowing arrangements.

	2017		2016	
	Carrying value	**Fair value**	Carrying value	Fair value
Group	**$'000**	**$'000**	$'000	$'000
Borrowings (non-current)	**125,000**	**126,829**	204,770	199,396
Trust				
Borrowings (non-current)	**125,000**	**126,829**	204,770	199,396

Fair value information has not been disclosed for the Trust's interest bearing amounts owing by subsidiaries that are carried at cost because their fair values cannot be measured reliably as the amounts have no fixed repayment terms.

29. Fair value of assets and liabilities (continued)

(f) Classification of financial instruments

Group	Loans and receivables $'000	Liabilities at amortised cost $'000
2017		
Assets		
Advances to associates	613,122	–
Trade and other receivables	8,619	–
Cash and bank balances	198,158	–
Total	819,899	–
Liabilities		
Trade and other payables	–	56,451
Borrowings	–	2,522,181
Security deposits	–	30,834
Total	–	2,609,466
2016		
Assets		
Advances to associates	610,922	–
Trade and other receivables	10,662	–
Cash and bank balances	278,682	–
Total	900,266	–
Liabilities		
Trade and other payables	–	51,828
Borrowings	–	2,481,754
Security deposits	–	31,414
Total	–	2,564,996

Trust	Loans and receivables $'000	Liabilities at amortised cost $'000
2017		
Assets		
Advances to associates	613,122	–
Trade and other receivables	12,120	–
Cash and bank balances	155,823	–
Total	781,065	–
Liabilities		
Trade and other payables	–	34,905
Borrowings	–	2,056,888
Security deposits	–	4,098
Total	–	2,095,891

29. Fair value of assets and liabilities (continued)

(f) Classification of financial instruments (continued)

Trust	Loans and receivables $'000	Liabilities at amortised cost $'000
2016		
Assets		
Advances to associates	610,922	–
Trade and other receivables	7,721	–
Cash and bank balances	141,948	–
Total	760,591	–
Liabilities		
Trade and other payables	–	34,640
Borrowings	–	2,015,901
Security deposits	–	3,407
Total	–	2,053,948

The Group and the Trust have financial assets at fair value through profit or loss amounting to $4,190,000 (2016: $9,018,000), and financial liabilities at fair value through profit or loss amounting to $1,816,000 (2016: nil).

30. Portfolio reporting

The Group's business is investing in real estate and real estate-related assets which are predominantly used for commercial purposes. All its existing properties are located in Singapore and Australia.

Discrete financial information is provided to the Board on a property by property basis. The information provided includes net rental (including property income and property expenses) and the value of the investment properties. The Board is of the view that the portfolio reporting is appropriate as the Group's business is in prime commercial properties located in Singapore's and Australia's financial precincts. In making this judgement, the Board considers the nature and location of these properties which are similar for the entire portfolio of the Group.

Investments in One Raffles Quay and Marina Bay Financial Centre are held through one-third interests in ORQPL, BFCDLLP and CBDPL, investments in 8 Chifley Square and David Malcolm Justice Centre are held through 50% interests in M8CT and MOTT, and the information provided below is in relation to the properties.

By property	Group 2017 $'000	Group 2016 $'000
Property income		
Bugis Junction Towers	**19,446**	21,259
Ocean Financial Centre	**107,952**	104,863
275 George Street[1]	**19,219**	18,311
8 Exhibition Street[2]	**17,899**	16,150
77 King Street office tower[3]	**–**	669
Total property income	**164,516**	161,252

30. Portfolio reporting (continued)

By property (continued)

	Group 2017 $'000	2016 $'000
Income contribution		
Bugis Junction Towers	**15,111**	16,773
Ocean Financial Centre	**89,120**	84,925
275 George Street[1]	**15,455**	14,978
8 Exhibition Street[2]	**11,514**	11,170
77 King Street office tower[3]	**–**	524
Total net property income	**131,200**	128,370
Ocean Financial Centre:		
– Rental support	**2,525**	3,946
One-third interest in ORQPL[4]:		
– Interest income	**1,988**	2,019
– Dividend income	**26,827**	27,136
Total income	**28,815**	29,155
One-third interests in BFCDLLP[5] and CBDPL[5]:		
– Rental support	**10,300**	12,800
– Interest income	**17,673**	21,072
– Dividend and distribution income	**66,982**	59,317
Total income	**94,955**	93,189
50% interest in M8CT[6]:		
– Distribution income	**13,271**	12,206
50% interest in MOTT[7]:		
– Distribution income	**13,294**	11,956
Total income contribution	**284,060**	278,822

[1] Comprises 50.0% (2016: 50.0%) interest in 275 George Street.
[2] Comprises 50.0% (2016: 50.0%) interest in 8 Exhibition Street office building and a 100% (2016: 100%) interest in another three retail units.
[3] 77 King Street office tower was divested on 29 January 2016.
[4] Comprises one-third (2016: one-third) interest in ORQPL which holds One Raffles Quay.
[5] Comprise one-third (2016: one-third) interests in BFCDLLP and CBDPL which hold Marina Bay Financial Centre Towers 1, 2 and 3 and Marina Bay Link Mall.
[6] Comprises 50.0% (2016: 50.0%) interest in M8CT which holds 8 Chifley Square.
[7] Comprises 50.0% (2016: 50.0%) interest in MOTT which holds David Malcolm Justice Centre.

30. Portfolio reporting (continued)

By property (continued)

Reconciliation to net income before gain on divestment of investment property and net change in fair value of investment properties per Consolidated Statement of Total Return:

	Group 2017 $'000	Group 2016 $'000
Total income contribution	**284,060**	278,822
Less: Dividend and distribution income	**(120,374)**	(110,615)
Add: Interest income earned from deposits placed with financial institutions	**3,314**	4,368
Add: Share of results of associates	**83,795**	83,460
Add: Share of results of joint ventures	**31,959**	30,789
Less: Other unallocated expenses	**(137,171)**	(127,201)
Net income before gain on divestment of investment property and net change in fair value of investment properties	**145,583**	159,623

	Group 2017 $'000	Group 2016 $'000
Interests in associates		
One-third interest in ORQPL:		
Investment in associate	**687,515**	668,017
Advances to associate	**44,946**	44,946
	732,461	712,963
One-third interest in BFCDLLP:		
Investment in associate	**1,105,612**	1,104,986
Advances to associate	**568,176**	565,976
	1,673,788	1,670,962
One-third interest in CBDPL:		
Investment in associate	**734,715**	752,109

	Group 2017 $'000	Group 2016 $'000
Interests in joint ventures		
50% interest in M8CT:		
Investment in joint venture	**247,477**	225,905
50% interest in MOTT:		
Investment in joint venture	**217,619**	224,379

30. Portfolio reporting (continued)

By geographical area	Group 2017 $'000	Group 2016 $'000
Property income		
- Singapore	**127,398**	126,122
- Australia	**37,118**	35,130
Total property income	**164,516**	161,252
Net property income		
- Singapore	**104,231**	101,698
- Australia	**26,969**	26,672
Total net property income	**131,200**	128,370
Income contribution		
- Singapore	**230,526**	227,988
- Australia	**53,534**	50,834
Total income contribution	**284,060**	278,822
Investment properties, at valuation		
- Singapore	**3,150,630**	3,167,332
- Australia	**624,240**	450,765
Total value of investment properties	**3,774,870**	3,618,097

31. Commitments and contingencies

(a) Operating lease commitments – as lessor

The Group leases out its investment properties. Lease arrangements for the Group's Australia-based investment properties include rental escalation clauses. Future minimum rental receivable under non-cancellable operating leases is as follows:

	Group 2017 $'000	Group 2016 $'000
Within 1 year	**145,213**	131,587
Between 2 and 5 years	**460,459**	358,816
After 5 years	**965,811**	149,211
	1,571,483	639,614

(b) Capital commitments

Capital expenditure contracted for as at the end of the reporting period but not recognised in the financial statements is as follows:

	Group 2017 $'000	Group 2016 $'000	Trust 2017 $'000	Trust 2016 $'000
Committed progress payments for investment property under development	**216,857**	–	–	–

31. Commitments and contingencies (continued)

(c) Guarantee

The Trust has provided corporate guarantees amounting to $1,577,382,000 (2016: $1,458,711,000) and $125,000,000 (2016: $50,000,000) to banks for loans taken by a subsidiary and medium term notes issued by a subsidiary respectively.

32. Financial ratios

	2017	2016
	%	%
Expenses to weighted average net assets [1]		
- including performance component of Manager's management fees	**1.19**	1.22
- excluding performance component of Manager's management fees	**1.00**	1.03
Total operating expenses to net asset value [2]	**2.8**	2.7
Portfolio turnover rate [3]	**–**	–

[1] The ratios are computed in accordance with the guidelines of the Investment Management Association of Singapore. The expenses used in the computation relate to the trust expenses, excluding property expenses, amortisation expense, foreign exchange differences and borrowing costs for the financial year.

[2] The ratio is computed based on the total property expenses as a percentage of net asset value as at the end of the financial year. Total property expenses include the Group's share of property expenses incurred by its associates and joint ventures, and all fees and charges paid to the Manager and related parties for the financial year.

[3] The ratio is computed based on the lesser of purchases or sales of underlying investment properties of the Group expressed as a percentage of weighted average net asset value.

33. Subsequent events

On 23 January 2018, the Manager declared a distribution of 1.43 cents per Unit for the period from 1 October 2017 to 31 December 2017.

KEPPEL REIT
(Constituted under a Trust Deed in the Republic of Singapore)
AND ITS SUBSIDIARIES

ANNUAL REPORT
For the financial year ended 31 December 2018

KEPPEL REIT
(Constituted under a Trust Deed in the Republic of Singapore)
AND ITS SUBSIDIARIES

ANNUAL REPORT
For the financial year ended 31 December 2018

Contents

RBC Investor Services Trust Singapore Limited (the "Trustee") is under a duty to take into custody and hold the assets of Keppel REIT and its subsidiaries in trust for the holders of units ("Unitholders") in Keppel REIT. In accordance with the Securities and Futures Act, Chapter 289 of Singapore, its subsidiary legislation and the Code on Collective Investment Schemes, the Trustee shall monitor the activities of Keppel REIT Management Limited (the "Manager") for compliance with the limitations imposed on the investment and borrowing powers as set out in the trust deed dated 28 November 2005 (as amended) (the "Trust Deed") between the Manager and the Trustee in each annual accounting period and report thereon to Unitholders in an annual report.

To the best knowledge of the Trustee, the Manager has, in all material respects, managed Keppel REIT and its subsidiaries during the period covered by these financial statements, set out on pages 8 to 82 in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed.

For and on behalf of the Trustee,
RBC Investor Services Trust Singapore Limited

Hoi Sau Kheng	**Farrah Begum Binte Abdul Salam**
Director	Senior Manager

Singapore, 20 February 2019

In the opinion of the Directors of Keppel REIT Management Limited (the "Manager"), the accompanying financial statements set out on pages 8 to 82 comprising the Balance Sheets, Consolidated Statement of Profit or Loss, Consolidated Statement of Comprehensive Income, Distribution Statement, Portfolio Statement, Statements of Movements in Unitholders' Funds, Consolidated Statement of Cash Flows and Notes to the Financial Statements are drawn up so as to present fairly, in all material respects, the financial positions of the Group and the Trust as at 31 December 2018, the profit or loss and other comprehensive income, distributable income, movements in Unitholders' funds and cash flows of the Group and the movements in Unitholders' funds of the Trust for the year ended on that date in accordance with the Singapore Financial Reporting Standards (International) ("SFRS(I)") and applicable requirements of the Code on Collective Investment Schemes relating to financial reporting. At the date of this statement, there are reasonable grounds to believe that the Group and the Trust would be able to meet their financial obligations as and when they materialise.

For and on behalf of the Manager,
Keppel REIT Management Limited

Tan Swee Yiow
Director

Singapore, 20 February 2019

Our opinion

In our opinion, the accompanying consolidated financial statements of Keppel REIT (the "Trust") and its subsidiaries (the "Group") and the balance sheet and statement of movements in unitholders' funds of the Trust are properly drawn up in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)") and applicable requirements of the Code on Collective Investment Schemes relating to financial reporting (the "CIS Code") so as to present fairly, in all material respects, the consolidated financial position of the Group and the financial position of the Trust and the consolidated portfolio statement of the Group as at 31 December 2018 and the consolidated financial performance of the Group, the consolidated amount distributable of the Group, the consolidated movements in unitholders' funds of the Group and movements in unitholders' funds of the Trust, and the consolidated cash flows of the Group for the financial year ended on that date.

What we have audited

The financial statements of the Group and Trust comprise:

- the balance sheets of the Group and the Trust as at 31 December 2018;
- the consolidated statement of profit or loss of the Group for the financial year ended 31 December 2018;
- the consolidated statement of comprehensive income of the Group for the financial year ended 31 December 2018;
- the distribution statement of the Group for the financial year then ended;
- the portfolio statement of the Group as at 31 December 2018;
- the statements of movements in unitholders' funds of the Group and the Trust for the financial year then ended;
- the consolidated statement of cash flows of the Group for the financial year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

Our Audit Approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the accompanying financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year ended 31 December 2018. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed the Key Audit Matter</th></tr>
<tr><td>Valuation of investment properties

Refer to Note 3 (Investment properties)

The Group owns a portfolio of investment properties stated at their fair values based on independent external valuations. Information relating to these investment properties are disclosed in Note 3 to the financial statements.

As at 31 December 2018, the carrying value of the Group's investment properties of $3.9 billion accounted for 49.8% of the Group's total assets.

The valuation of the investment properties was a key audit matter due to the significant judgement in the key inputs used in the valuation techniques. These key inputs include capitalisation rates and discount rates and are dependent on the nature of each investment property and the prevailing market conditions.

The key inputs are disclosed in Note 31(d) to the accompanying financial statements.</td><td>Our audit procedures included the following:
• assessed the competence, capabilities and objectivity of the external valuers engaged by the Group;

• obtained an understanding of the techniques used by the external valuers in determining the valuations of individual investment properties;

• discussed the significant judgements made by the external valuers for the key inputs used in valuation in the valuation techniques;

• tested the integrity of information, including underlying lease and financial information provided to the external valuers; and

• assessed the reasonableness of the capitalisation rates and discount rates by benchmarking these against those of comparable properties and prior year inputs.

We have also assessed the adequacy of disclosures relating to the assumptions, as we consider them as likely to be significant to the users of the financial statements given the estimation uncertainty and sensitivity of the valuations.

We found the external valuers to be members of recognised bodies for professional valuers. We also found that the valuation techniques used were appropriate in the context of the Group's investment properties and the critical assumptions used for the key inputs were within the range of market data.</td></tr>
</table>

Other Information

The Manager is responsible for the other information. The other information comprises the information included in the Report of the Trustee, and Statement by the Manager (but does not include the financial statements and our auditor's report thereon) which we obtained prior to the date of this auditor's report, and other sections of the Trust's annual report ("Other Sections"), which are expected to be made available to us after that date.

Other Information (continued)

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Other Sections, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with SSAs.

Responsibilities of the Manager for the Financial Statements

The Manager is responsible for the preparation and fair presentation of these financial statements in accordance with SFRS(I) and applicable requirements of the CIS Code, and for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Manager is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to terminate the Group or to cease the Group's operations, or has no realistic alternative but to do so.

The Manager's responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Manager with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Manager, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

The engagement partner on the audit resulting in this independent auditor's report is Yeow Chee Keong.

PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants

Singapore, 20 February 2019

KEEPPEL REIT AND ITS SUBSIDIARIES
BALANCE SHEETS
As at 31 December 2018

	Note	Group 31 December 2018 $'000	 31 December 2017 $'000	 1 January 2017 $'000
Non-current assets				
Investment properties	3	**3,879,956**	3,774,870	3,618,097
Investments in associates	5	**2,538,663**	2,527,842	2,525,112
Advances to associates	8	**615,622**	613,122	610,922
Investments in joint ventures	6	**471,691**	465,096	450,284
Fixed assets		**112**	149	190
Intangible asset	9	**2,549**	10,712	22,511
Derivative financial instruments	13	**1,329**	4,190	18,016
		7,509,922	7,395,981	7,245,132
Current assets				
Trade and other receivables	10	**15,056**	8,619	10,662
Prepaid expenses		**343**	333	604
Cash and bank balances	11	**258,924**	198,158	278,682
Derivative financial instruments	13	**206**	1,197	245
		274,529	208,307	290,193
Total assets		**7,784,451**	7,604,288	7,535,325
Current liabilities				
Trade and other payables	12	**64,757**	56,451	51,828
Income received in advance	14	**2,879**	4,209	278
Borrowings (unsecured)	15	**59,943**	425,039	–
Security deposits		**4,933**	3,159	3,545
Derivative financial instruments	13	**230**	1,748	1,483
Provision for taxation		**1,414**	2,259	2,735
		134,156	492,865	59,869
Non-current liabilities				
Income received in advance	14	**–**	11,305	25,152
Borrowings (secured)	15	**245,111**	194,656	348,201
Borrowings (unsecured)	15	**1,980,650**	1,902,486	2,133,553
Derivative financial instruments	13	**11,585**	16,017	7,315
Security deposits		**27,315**	27,675	27,869
Deferred tax liabilities	16	**50,038**	44,026	34,808
		2,314,699	2,196,165	2,576,898
Total liabilities		**2,448,855**	2,689,030	2,636,767
Net assets		**5,335,596**	4,915,258	4,898,558
Represented by:				
Unitholders' funds		**4,757,285**	4,763,424	4,746,717
Perpetual securities	17	**149,701**	149,701	149,701
Non-controlling interests	18	**428,610**	2,133	2,140
		5,335,596	4,915,258	4,898,558
Units in issue ('000)	17	**3,393,399**	3,370,734	3,291,616
Net asset value per Unit ($)		**1.40**	1.41	1.44

The accompanying notes form an integral part of these financial statements.

	Note	Trust 31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Non-current assets				
Investment properties	3	**515,000**	525,000	540,000
Investments in subsidiaries	4	**1,473,781**	1,837,110	1,837,110
Investments in associates	5	**2,025,135**	2,025,559	2,025,483
Advances to associates	8	**615,622**	613,122	610,922
Amounts owing by subsidiaries	7	**955,086**	877,973	852,650
Fixed assets		**30**	31	31
Intangible asset	9	**2,549**	10,712	20,471
Derivative financial instruments	13	**692**	4,190	16,354
		5,587,895	5,893,697	5,903,021
Current assets				
Trade and other receivables	10	**11,269**	12,120	7,721
Prepaid expenses		**12**	11	11
Cash and bank balances	11	**231,455**	155,823	141,948
Derivative financial instruments	13	**206**	1,175	99
		242,942	169,129	149,779
Total assets		**5,830,837**	6,062,826	6,052,800
Current liabilities				
Trade and other payables	12	**43,457**	34,905	34,640
Income received in advance	14	**2,829**	–	–
Borrowings (unsecured)	15	**59,943**	99,967	–
Security deposits		**1,616**	116	431
Derivative financial instruments	13	**230**	1,134	1,281
Provision for taxation		**1,414**	2,138	2,735
		109,489	138,260	39,087
Non-current liabilities				
Income received in advance	14	**–**	11,305	25,152
Borrowings (secured)	15	**245,111**	194,656	348,201
Borrowings (unsecured)	15	**1,514,722**	1,762,265	1,667,700
Derivative financial instruments	13	**11,333**	14,411	6,287
Security deposits		**4,208**	3,982	2,976
		1,775,374	1,986,619	2,050,316
Total liabilities		**1,884,863**	2,124,879	2,089,403
Net assets		**3,945,974**	3,937,947	3,963,397
Represented by:				
Unitholders' funds		**3,796,273**	3,788,246	3,813,696
Perpetual securities	17	**149,701**	149,701	149,701
		3,945,974	3,937,947	3,963,397
Units in issue ('000)	17	**3,393,399**	3,370,734	3,291,616
Net asset value per Unit ($)		**1.12**	1.12	1.16

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the financial year ended 31 December 2018

		Group	
	Note	**2018** **$'000**	2017 $'000
Property income	20	**165,858**	164,516
Property expenses	21	**(32,703)**	(33,316)
Net property income		**133,155**	131,200
Rental support	22	**8,615**	12,825
Share of results of associates	5	**73,720**	83,795
Share of results of joint ventures	6	**30,170**	31,959
Interest income		**25,075**	22,975
Amortisation expense	9	**(8,163)**	(11,799)
Trust expenses	23	**(54,377)**	(56,458)
Borrowing costs	24	**(69,084)**	(65,256)
Net foreign exchange differences		**623**	(2,060)
Net change in fair value of derivative financial instruments		**(8,077)**	(1,598)
Profit before net change in fair value of investment properties		**131,657**	145,583
Net change in fair value of investment properties	25	**33,167**	51,727
Profit before tax		**164,824**	197,310
Income tax expense	26	**(10,236)**	(17,156)
Profit for the year		**154,588**	180,154
Attributable to:			
Unitholders		**146,160**	172,608
Perpetual securities holders		**7,470**	7,470
Non-controlling interests		**958**	76
		154,588	180,154
Basic and diluted earnings per Unit (cents) based on profit for the year	27	**4.30**	5.17
Basic and diluted earnings per Unit (cents) based on profit for the year and excluding net change in fair value of investment properties and related tax expense	27	**3.46**	3.95

The accompanying notes form an integral part of these financial statements.

		Group	
	Note	**2018** **$'000**	2017 $'000
Profit for the year		**154,588**	180,154
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges			
- Fair value changes arising during the year	19	**3,670**	(31,761)
- Realised and transferred to profit or loss	19	**6,506**	16,566
Foreign currency translation			
- Exchange difference arising during the year	19	**(11,610)**	(34,808)
Share of other comprehensive income of associates			
- Cash flow hedges	19	**4,462**	214
Other comprehensive income for the year, net of tax		**3,028**	(49,789)
Total comprehensive income for the year		**157,616**	130,365
Attributable to:			
Unitholders		**149,186**	122,823
Perpetual securities holders		**7,470**	7,470
Non-controlling interests		**960**	72
		157,616	130,365

The accompanying notes form an integral part of these financial statements.

DISTRIBUTION STATEMENT
For the financial year ended 31 December 2018

	Group 2018 $'000	Group 2017 $'000
Income available for distribution to Unitholders at beginning of the year	**48,439**	48,954
Profit before net change in fair value of investment properties	**131,657**	145,583
Profit attributable to perpetual securities holders	**(7,470)**	(7,470)
Profit before net change in fair value of investment property attributable to non-controlling interests	**(882)**	(78)
Net tax and other adjustments (Note A)	**75,976**	69,851
Income tax expense	**(10,236)**	(17,156)
	189,045	190,730
Income available for distribution to Unitholders	**237,484**	239,684
Distribution to Unitholders:		
Distribution of 1.48 cents per Unit for the period from 1/10/2016 to 31/12/2016	**–**	(40,761)
Distribution of 1.45 cents per Unit for the period from 1/1/2017 to 31/3/2017	**–**	(38,061)
Distribution of 1.42 cents per Unit for the period from 1/4/2017 to 30/6/2017	**–**	(38,998)
Distribution of 1.40 cents per Unit for the period from 1/7/2017 to 30/9/2017	**–**	(39,118)
Distribution of 1.43 cents per Unit for the period from 1/10/2017 to 31/12/2017	**(44,325)**	–
Distribution of 1.42 cents per Unit for the period from 1/1/2018 to 31/3/2018	**(42,401)**	–
Distribution of 1.42 cents per Unit for the period from 1/4/2018 to 30/6/2018	**(48,323)**	–
Distribution of 1.36 cents per Unit for the period from 1/7/2018 to 30/9/2018	**(46,340)**	–
	(181,389)	(156,938)
Distribution in relation to the Distribution Reinvestment Plan for the period from 1/10/2016 to 31/12/2016	**–**	(7,954)
Distribution in relation to the Distribution Reinvestment Plan for the period from 1/1/2017 to 31/3/2017	**–**	(10,061)
Distribution in relation to the Distribution Reinvestment Plan for the period from 1/4/2017 to 30/6/2017	**–**	(8,408)
Distribution in relation to the Distribution Reinvestment Plan for the period from 1/7/2017 to 30/9/2017	**–**	(7,884)
Distribution in relation to the Distribution Reinvestment Plan for the period from 1/10/2017 to 31/12/2017	**(3,876)**	–
Distribution in relation to the Distribution Reinvestment Plan for the period from 1/1/2018 to 31/3/2018	**(5,831)**	–
	(9,707)	(34,307)
Total Unitholders' distribution (including capital return) (Note B)	**(191,096)**	(191,245)
Income available for distribution to Unitholders at end of the year	**46,388**	48,439

Note A – Net tax and other adjustments comprise:

	2018	2017
- Manager's management fees paid and payable in Units	**51,263**	50,989
- Trustee's fees	**1,278**	1,263
- Amortisation of intangible asset and capitalised transaction costs	**10,568**	13,870
- Share of results of associates	**(73,720)**	(83,795)
- Share of results of joint ventures	**(30,170)**	(31,959)
- Effects of recognising rental income on a straight-line basis over the lease terms	**1,165**	1,330
- Interest income to be received	**(160)**	(197)
- Net change in fair value of derivative financial instruments	**8,077**	1,598
- Deferred tax expense	**6,591**	10,955
- Capital gains distribution	**3,000**	–
- Other items	**(2,146)**	(14,348)
	(24,254)	(50,294)
Dividend and distribution income from associates	**73,993**	93,809
Distribution income from joint ventures	**26,237**	26,336
Net tax and other adjustments	**75,976**	69,851

Note B – Total Unitholders' distribution

	2018	2017
- Taxable income	**(154,117)**	(135,069)
- Tax exempt income	**(35,631)**	(45,222)
- Capital return	**(1,348)**	(10,954)
	(191,096)	(191,245)

The accompanying notes form an integral part of these financial statements.

KEPPEL REIT AND ITS SUBSIDIARIES
PORTFOLIO STATEMENT
As at 31 December 2018

Group

Description of property	Tenure of land	Term of lease	Remaining term of lease	Location	Existing use	Carrying value 2018 $'000	Carrying value 2017 $'000	Percentage of net assets 2018 %	Percentage of net assets 2017 %
Investment properties in Singapore:									
Bugis Junction Towers	Leasehold	99 years	70.7 years	230 Victoria Street	Commercial	**515,000**	525,000	**9.7**	10.7
Ocean Financial Centre[1]	Leasehold interest	99 years	91.9 years	10 Collyer Quay	Commercial	**2,627,000**	2,625,630	**49.2**	53.4
Investment properties in Australia:									
275 George Street[2]	Freehold[3]	NA	NA	Brisbane	Commercial	**232,188**	219,300	**4.3**	4.5
8 Exhibition Street[4]	Freehold[3]	NA	NA	Melbourne	Commercial	**271,918**	256,020	**5.1**	5.2
311 Spencer Street[5]	Freehold[3]	NA	NA	Melbourne	Under development	**233,850**	148,920	**4.4**	3.0
Investment properties, at valuation (Note 3)						**3,879,956**	3,774,870	**72.7**	76.8
Investments in associates and joint ventures, advances to associates (Notes 5, 6 and 8) and intangible asset (Note 9)						**3,628,525**	3,616,772	**68.0**	73.6
Investment properties held by joint ventures:									
8 Chifley Square[6]	Leasehold	99 years	86.3 years	Sydney	Commercial				
David Malcolm Justice Centre[7]	Leasehold	99 years	95.7 years	Perth	Commercial				
Investment properties held by associates:									
One Raffles Quay[8]	Leasehold	99 years	81.4 years	1 Raffles Quay	Commercial				
Marina Bay Financial Centre Towers 1 & 2 and Marina Bay Link Mall[9]	Leasehold	99 years	85.8 years	Nos. 8, 8A and 10 Marina Boulevard	Commercial				
Marina Bay Financial Centre Tower 3[10]	Leasehold	99 years	87.2 years	No. 12 Marina Boulevard	Commercial				
Other assets and liabilities (net)						**(2,172,885)**	(2,476,384)	**(40.7)**	(50.4)
Net assets						**5,335,596**	4,915,258	**100.0**	100.0

[1] Carrying value is based on 100.0% of Ocean Financial Centre. Keppel REIT owns approximately 79.9% (2017: 99.9%) interest in Ocean Financial Centre.
[2] Comprises 50.0% (2017: 50.0%) interest in 275 George Street.
[3] Also known as estate in fee simple.
[4] Comprises 50.0% (2017: 50.0%) interest in 8 Exhibition Street office building and a 100.0% (2017: 100.0%) interest in three adjacent retail units.
[5] Comprises 50.0% (2017: 50.0%) interest in 311 Spencer Street.
[6] Comprises 50.0% (2017: 50.0%) interest in 8 Chifley Square, held through Mirvac 8 Chifley Trust.
[7] Comprises 50.0% (2017: 50.0%) interest in David Malcolm Justice Centre, held through Mirvac (Old Treasury) Trust.
[8] Comprises one-third (2017: one-third) interest in One Raffles Quay, held through One Raffles Quay Pte Ltd.
[9] Comprise one-third (2017: one-third) interest in Marina Bay Financial Centre Towers 1 & 2 and Marina Bay Link Mall, held through BFC Development LLP
[10] Comprises one-third (2017: one-third) interest in Marina Bay Financial Centre Tower 3, held through Central Boulevard Development Pte. Ltd.

The carrying values of the Group's assets under management as at 31 December 2018 and 31 December 2017 are based on valuations undertaken by various independent valuers. The independent valuers have appropriate professional qualifications and experience in the location and asset class of the properties being valued. The following valuations are determined based on the capitalisation approach, discounted cash flows analysis and direct comparison method, and assessed in accordance with the Group's respective interests in the properties and include rental support top-up payments, where applicable.

FY2018

Property	Independent valuer	Date of valuation	Valuation $'000
Investment properties in Singapore:			
Bugis Junction Towers	Knight Frank Pte Ltd	31 December 2018	515,000
Ocean Financial Centre	Cushman & Wakefield VHS Pte Ltd	31 December 2018	2,098,973[1]
Investment properties in Australia:			
275 George Street	CBRE Valuations Pty Limited	31 December 2018	232,188
8 Exhibition Street, comprising 50% interest in the office building and a 100% interest in three adjacent retail units	m3property (Vic) Pty Ltd	31 December 2018	271,918
311 Spencer Street	m3property (Vic) Pty Ltd	31 December 2018	233,850[2]
Investment properties held by associates:			
One Raffles Quay	Colliers International Consultancy & Valuation (Singapore) Pte Ltd	31 December 2018	1,275,600
Marina Bay Financial Centre Towers 1 & 2 and Marina Bay Link Mall	Colliers International Consultancy & Valuation (Singapore) Pte Ltd	31 December 2018	1,695,300
Marina Bay Financial Centre Tower 3	Savills Valuation and Professional Services (S) Pte Ltd	31 December 2018	1,297,000
Investment properties held by joint ventures:			
8 Chifley Square	CBRE Valuations Pty Limited	31 December 2018	249,257
David Malcolm Justice Centre	Savills Valuations Pty Ltd	31 December 2018	221,562
			8,090,648

FY2017

Property	Independent valuer	Date of valuation	Valuation $'000
Investment properties in Singapore:			
Bugis Junction Towers	Knight Frank Pte Ltd	31 December 2017	525,000
Ocean Financial Centre	Cushman & Wakefield VHS Pte Ltd	31 December 2017	2,623,000[1]
Investment properties in Australia:			
275 George Street	CBRE Valuations Pty Limited	31 December 2017	219,300
8 Exhibition Street, comprising 50% interest in the office building and a 100% interest in three adjacent retail units	m3property (Vic) Pty Ltd	31 December 2017	256,020
311 Spencer Street	CIVAS (VIC) Pty Limited	31 December 2017	148,920[2]
Investment properties held by associates:			
One Raffles Quay	Colliers International Consultancy & Valuation (Singapore) Pte Ltd	31 December 2017	1,273,000
Marina Bay Financial Centre Towers 1 & 2 and Marina Bay Link Mall	Colliers International Consultancy & Valuation (Singapore) Pte Ltd	31 December 2017	1,693,000
Marina Bay Financial Centre Tower 3	Savills Valuation and Professional Services (S) Pte Ltd	31 December 2017	1,300,300
Investment properties held by joint ventures:			
8 Chifley Square	CBRE Valuations Pty Limited	31 December 2017	247,350
David Malcolm Justice Centre	Colliers International (WA) Pty Ltd	31 December 2017	216,750
			8,502,640

[1] The carrying value based on 100.0% interest in Ocean Financial Centre is $2,627,000,000 (2017: $2,625,630,000).

[2] The valuation of the property is derived on an "as is" basis.

The investment properties comprise commercial properties that are mainly leased to third party tenants. Generally, these leases contain an initial non-cancellable period of between 1 and 30 years. Subsequent renewals are negotiated with individual lessees.

Group	Units in issue $'000	Treasury units $'000	Foreign currency translation reserve $'000	Hedging reserve $'000	Accumulated profits $'000	Discount on acquisition of non-controlling interest $'000	Unitholders' funds $'000	Perpetual securities $'000	Non-controlling interests $'000	Total $'000
	Attributable to Unitholders									
At 1 January 2018	**3,530,732**	**–**	**(202,110)**	**(20,471)**	**1,452,051**	**3,222**	**4,763,424**	**149,701**	**2,133**	**4,915,258**
Adoption of SFRS(I)	–	–	167,302	–	(167,302)	–	–	–	–	–
At 1 January 2018 (restated)	**3,530,732**	**–**	**(34,808)**	**(20,471)**	**1,284,749**	**3,222**	**4,763,424**	**149,701**	**2,133**	**4,915,258**
Operations										
Profit attributable to Unitholders and non-controlling interests	–	–	–	–	146,160	–	146,160	–	958	147,118
Net increase in net assets resulting from operations	–	–	–	–	146,160	–	146,160	–	958	147,118
Unitholders' transactions										
Creation of Units										
- Payment of management fees in Units	51,498	–	–	–	–	–	51,498	–	–	51,498
- Distribution Reinvestment Plan	9,707	–	–	–	(9,707)	–	–	–	–	–
Purchase of Units	–	(32,822)	–	–	–	–	(32,822)	–	–	(32,822)
Cancellation of treasury units	(32,822)	32,822	–	–	–	–	–	–	–	–
Distribution to Unitholders	(1,348)	–	–	–	(180,041)	–	(181,389)	–	–	(181,389)
Divestment of partial interest in a subsidiary	–	–	–	–	7,388	–	7,388	–	426,399	433,787
Net increase/(decrease) in net assets resulting from Unitholders' transactions	27,035	–	–	–	(182,360)	–	(155,325)	–	426,399	271,074
Perpetual securities										
Profit attributable to perpetual securities holders	–	–	–	–	–	–	–	7,470	–	7,470
Distribution to perpetual securities holders	–	–	–	–	–	–	–	(7,470)	–	(7,470)
Net movement in net assets resulting from perpetual securities holders' transactions	–	–	–	–	–	–	–	–	–	–
Net movement in foreign currency translation reserve	–	–	(11,610)	–	–	–	(11,610)	–	–	(11,610)
Net change in fair value of cash flow hedges	–	–	–	10,174	–	–	10,174	–	2	10,176
Share of net change in fair value of cash flow hedges of associates	–	–	–	4,462	–	–	4,462	–	–	4,462
Distribution of partnership profits to non-controlling interests	–	–	–	–	–	–	–	–	(882)	(882)
At 31 December 2018	**3,557,767**	**–**	**(46,418)**	**(5,835)**	**1,248,549**	**3,222**	**4,757,285**	**149,701**	**428,610**	**5,335,596**

The accompanying notes form an integral part of these financial statements.

KEPPEL REIT AND ITS SUBSIDIARIES
STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS
For the financial year ended 31 December 2018

	Attributable to Unitholders								
Group	**Units in issue $'000**	**Foreign currency translation reserve $'000**	**Hedging reserve $'000**	**Accumulated profits $'000**	**Discount on acquisition of non-controlling interest $'000**	**Unitholders' funds $'000**	**Perpetual securities $'000**	**Non-controlling interest $'000**	**Total $'000**
At 1 January 2017	**3,456,557**	**(167,302)**	**(5,494)**	**1,459,734**	**3,222**	**4,746,717**	**149,701**	**2,140**	**4,898,558**
Adoption of SFRS(I)	–	167,302	–	(167,302)	–	–	–	–	–
At 1 January 2017 (restated)	**3,456,557**	–	**(5,494)**	**1,292,432**	**3,222**	**4,746,717**	**149,701**	**2,140**	**4,898,558**
Operations									
Profit attributable to Unitholders and non-controlling interest	–	–	–	172,608	–	172,608	–	76	172,684
Net increase in net assets resulting from operations	–	–	–	172,608	–	172,608	–	76	172,684
Unitholders' transactions									
Creation of Units									
- Payment of management fees in Units	50,822	–	–	–	–	50,822	–	–	50,822
- Distribution Reinvestment Plan	34,307	–	–	(34,307)	–	–	–	–	–
Distribution to Unitholders	(10,954)	–	–	(145,984)	–	(156,938)	–	–	(156,938)
Net increase/(decrease) in net assets resulting from Unitholders' transactions	74,175	–	–	(180,291)	–	(106,116)	–	–	(106,116)
Perpetual securities									
Profit attributable to perpetual securities holders	–	–	–	–	–	–	7,470	–	7,470
Distribution to perpetual securities holders	–	–	–	–	–	–	(7,470)	–	(7,470)
Net movement in net assets resulting from perpetual securities holders' transactions	–	–	–	–	–	–	–	–	–
Net movement in foreign currency translation reserve	–	(34,808)	–	–	–	(34,808)	–	–	(34,808)
Net change in fair value of cash flow hedges	–	–	(15,191)	–	–	(15,191)	–	(4)	(15,195)
Share of net change in fair value of cash flow hedges of associates	–	–	214	–	–	214	–	–	214
Distribution of partnership profits to non-controlling interest	–	–	–	–	–	–	–	(79)	(79)
At 31 December 2017	**3,530,732**	**(34,808)**	**(20,471)**	**1,284,749**	**3,222**	**4,763,424**	**149,701**	**2,133**	**4,915,258**

The accompanying notes form an integral part of these financial statements.

KEPPEL REIT AND ITS SUBSIDIARIES
STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS
For the financial year ended 31 December 2018

	Attributable to Unitholders					
	Units in issue $'000	**Treasury units $'000**	**Hedging reserve $'000**	**Accumulated profits $'000**	**Perpetual securities $'000**	**Total $'000**
Trust						
At 1 January 2018	**3,530,732**	**–**	**(12,554)**	**270,068**	**149,701**	**3,937,947**
Operations						
Profit attributable to Unitholders	–	–	–	163,147	–	163,147
Net increase in net assets resulting from operations	–	–	–	163,147	–	163,147
Unitholders' transactions						
Creation of Units						
- Payment of management fees in Units	51,498	–	–	–	–	51,498
- Distribution Reinvestment Plan	9,707	–	–	(9,707)	–	–
Purchase of Units	–	(32,822)	–	–	–	(32,822)
Cancellation of treasury units	(32,822)	32,822	–	–	–	–
Distribution to Unitholders	(1,348)	–	–	(180,041)	–	(181,389)
Net increase/(decrease) in net assets resulting from Unitholders' transactions	27,035	–	–	(189,748)	–	(162,713)
Perpetual securities						
Profit attributable to perpetual securities holders	–	–	–	–	7,470	7,470
Distribution to perpetual securities holders	–	–	–	–	(7,470)	(7,470)
Net movement in net assets resulting from perpetual securities holders' transactions	–	–	–	–	–	–
Net change in fair value of cash flow hedges	–	–	7,593	–	–	7,593
At 31 December 2018	**3,557,767**	**–**	**(4,961)**	**243,467**	**149,701**	**3,945,974**
At 1 January 2017	**3,456,557**	**–**	**(132)**	**357,271**	**149,701**	**3,963,397**
Operations						
Profit attributable to Unitholders	–	–	–	93,088	–	93,088
Net increase in net assets resulting from operations	–	–	–	93,088	–	93,088
Unitholders' transactions						
Creation of Units						
- Payment of management fees in Units	50,822	–	–	–	–	50,822
- Distribution Reinvestment Plan	34,307	–	–	(34,307)	–	–
Distribution to Unitholders	(10,954)	–	–	(145,984)	–	(156,938)
Net increase/(decrease) in net assets resulting from Unitholders' transactions	74,175	–	–	(180,291)	–	(106,116)
Perpetual securities						
Profit attributable to perpetual securities holders	–	–	–	–	7,470	7,470
Distribution to perpetual securities holders	–	–	–	–	(7,470)	(7,470)
Net movement in net assets resulting from perpetual securities holders' transactions	–	–	–	–	–	–
Net change in fair value of cash flow hedges	–	–	(12,422)	–	–	(12,422)
At 31 December 2017	**3,530,732**	**–**	**(12,554)**	**270,068**	**149,701**	**3,937,947**

The accompanying notes form an integral part of these financial statements.

KEPPEL REIT AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
For the financial year ended 31 December 2018

	Group	
	2018	2017
	$'000	$'000
Operating activities		
Profit before tax	**164,824**	197,310
Adjustments for:		
Interest income	**(25,075)**	(22,975)
Amortisation expense	**8,163**	11,799
Share of results of associates	**(73,720)**	(83,795)
Share of results of joint ventures	**(30,170)**	(31,959)
Borrowing costs	**69,084**	65,256
Management fees paid and payable in Units	**51,263**	50,989
Net change in fair value of derivative financial instruments	**8,077**	1,598
Net change in fair value of investment properties	**(33,167)**	(51,727)
Depreciation	**43**	41
Rental support	**(8,615)**	(12,825)
Unrealised currency translation differences	**546**	1,919
Operating cash flows before changes in working capital	**131,253**	125,631
Increase in receivables	**(11,507)**	(5,576)
Increase in payables	**402**	7,161
Increase/(decrease) in security deposits	**1,414**	(580)
Cash flows from operations	**121,562**	126,636
Income taxes paid	**(4,490)**	(6,671)
Net cash flows provided by operating activities	**117,072**	119,965
Investing activities		
Purchase of investment property under development	**–**	(133,953)
Progress payments on investment property under development	**(81,280)**	(9,409)
Subsequent expenditure on investment properties	**(9,438)**	(14,427)
Purchase of fixed assets	**(6)**	–
Interest received	**25,112**	23,392
Rental support received	**8,615**	13,848
Payment on adjustment to investment in an associate	**(333)**	–
Dividend and distribution income received from associates	**73,993**	93,809
Distribution income received from joint ventures	**26,237**	26,336
Advance to an associate	**(2,500)**	(2,200)
Net proceeds from divestment of partial interest in a subsidiary	**439,272**	–
Net cash flows provided by/(used in) by investing activities	**479,672**	(2,604)
Financing activities		
Loans drawdown	**783,922**	306,168
Repayment of loans	**(1,018,503)**	(334,298)
Proceeds from issuance of medium term notes	**–**	75,000
Payment of financing expenses/upfront debt arrangement costs	**(1,223)**	(1,315)
Distribution of partnership profits to non-controlling interests	**(882)**	(79)
Distribution to Unitholders (net of distribution in Units)	**(181,389)**	(156,938)
Distribution to perpetual securities holders	**(7,470)**	(7,470)
Interest paid	**(68,231)**	(62,468)
Purchase of Units	**(32,822)**	–
Net cash flows used in financing activities	**(526,598)**	(181,400)

The accompanying notes form an integral part of these financial statements.

	Group 2018 $'000	2017 $'000
Net increase/(decrease) in cash and cash equivalents	**70,146**	(64,039)
Cash and cash equivalents at beginning of the year	**186,462**	253,219
Effect of exchange rate changes on cash and cash equivalents	**(801)**	(2,718)
Cash and cash equivalents at end of the year (Note 11)	**255,807**	186,462
Cash and bank balances	**258,924**	198,158
Less: Rental support received in advance held in designated accounts (Note A)	**(3,117)**	(11,696)
Cash and cash equivalents per Consolidated Statement of Cash Flows	**255,807**	186,462

Reconciliation of liabilities arising from financing activities

	As at 1 January 2018 $'000	Net principal repayment and financing expenses/upfront debt arrangement costs $'000	Non-cash changes: Amortisation of capitalised transaction costs $'000	Non-cash changes: Foreign exchange movement $'000	As at 31 December 2018 $'000
Borrowings	2,522,181	(235,804)	2,405	(3,078)	2,285,704

	As at 1 January 2017 $'000	Net principal drawdown and financing expenses/upfront debt arrangement costs $'000	Non-cash changes: Amortisation of capitalised transaction costs $'000	Non-cash changes: Foreign exchange movement $'000	As at 31 December 2017 $'000
Borrowings	2,481,754	45,555	2,071	(7,199)	2,522,181

Note A – Rental support received in advance held in designated accounts

This relates to the rental support top-up payments received in advance by the Group held in designated accounts for the one-third interest in Central Boulevard Development Pte. Ltd. ("CBDPL") which holds MBFC Tower 3.

Note B – Significant non-cash transactions

The following were the significant non-cash transactions:

(i) 42,986,667 (2017: 47,360,865) Units were issued as payment of management fees to the Manager, amounting to $51,498,000 (2017: $50,822,000); and

(ii) 7,955,743 (2017: 31,757,174) Units were issued pursuant to the Distribution Reinvestment Plan, amounting to $9,707,000 (2017: $34,307,000).

These notes form an integral part of the financial statements.

The financial statements of Keppel REIT (the "Trust") and its subsidiaries (the "Group") for the financial year ended 31 December 2018 were authorised for issue by the Manager on 20 February 2019.

1. General

Keppel REIT is a Singapore-domiciled real estate investment trust constituted by the Trust Deed dated 28 November 2005 (as amended) (the "Trust Deed") between Keppel REIT Management Limited (the "Manager") and RBC Investor Services Trust Singapore Limited (the "Trustee"). The Trust Deed is governed by the laws of the Republic of Singapore. The Trustee is under a duty to take into custody and hold the assets of the Trust and its subsidiaries in trust for the holders ("Unitholders") of units in the Trust (the "Units"). The address of the Trustee's registered office and principal place of business is 8 Marina View, #26-01 Asia Square Tower 1, Singapore 018960.

The Trust was formally admitted to the Official List of the Singapore Exchange Securities Trading Limited ("SGX-ST") on 28 April 2006 and was included in the Central Provident Fund Investment Scheme on 28 April 2006. The principal activity of the Trust is to invest in a portfolio of quality real estate and real estate-related assets which are predominantly used for commercial purposes in Singapore and Asia with the primary objective of generating stable returns to its Unitholders and achieving long-term capital growth. The principal activities of its subsidiaries, associates and joint ventures are set out in Notes 4, 5 and 6 respectively.

The Trust has entered into several service agreements in relation to the management of the Trust and its property operations. The fee structures of these services are as follows:

(a) Property management fees

Under the property management agreement, for property management services rendered by Keppel REIT Property Management Pte Ltd (the "Property Manager"), the Trustee will pay the Property Manager property management fees of 3.0% per annum of the property income of each of the investment properties.

The Property Manager is also entitled to receive leasing commission at the rates set out as follows:

(i) one month's Gross Rent (base rental income and tenant service charge) or licence fee, as applicable, for securing a tenancy or licence of two years or more;
(ii) one-half month's Gross Rent (base rental income and tenant service charge) or licence fee, as applicable, for securing a tenancy or licence of less than two years but at least a year and a proportionate part thereof; and
(iii) one-quarter month's Gross Rent (base rental income and tenant service charge) or licence fee, as applicable, for securing a renewal of tenancy or licence of a year or more and a proportionate part thereof for securing a renewal of a tenancy or licence of less than a year.

The property management fees are payable monthly in arrears.

1. General (continued)

(b) Manager's management fees

Pursuant to the Trust Deed, the Manager is entitled to the following management fees:

(i) a base fee of 0.5% per annum of the value of all the assets for the time being of the Trust or deemed to be held upon the Trust constituted under the Trust Deed ("Deposited Property"); and

(ii) an annual performance fee of 3.0% per annum of the Net Property Income (as defined in the Trust Deed) of the Trust and any Special Purpose Vehicles (as defined in the Trust Deed) after deducting all applicable taxes payable.

The management fees will be paid in the form of cash and/or Units (as the Manager may elect). The management fees payable in Units will be issued at the volume weighted average price for a Unit for all trades on the SGX-ST in the ordinary course of trading on the SGX-ST for the period of 10 Business Days (as defined in the Trust Deed) immediately preceding the relevant Business Day.

The base fee component of the Manager's management fees is payable quarterly in arrears. The performance fee component of the Manager's management fees will be paid on an annual basis in arrears, subsequent to the applicable financial year.

The Manager is also entitled to receive an acquisition fee at the rate of 1.0% of acquisition price and a divestment fee of 0.5% of sale price on all acquisitions or disposals of properties respectively.

(c) Trustee's fees

Under the Trust Deed, the maximum fee payable to the Trustee is 0.03% per annum of the value of the Deposited Property and shall be payable quarterly in arrears.

2. Summary of significant accounting policies

(a) Basis of preparation

The Accounting Standards Council (Singapore) has introduced a new financial reporting framework, Singapore Financial Reporting Standards (International) ("SFRS(I)"), that is identical to the International Financial Reporting Standards issued by the International Accounting Standards Board, for the financial year beginning on or after 1 January 2018.

On 3 January 2018, the Monetary Authority of Singapore ("MAS") granted Keppel REIT a waiver from compliance with the requirement under Paragraph 4.3 of Appendix 6 to the Code on Collective Investment Schemes (the "CIS Code") to prepare its financial statements in accordance with the Singapore Financial Reporting Standards. The Group has adopted SFRS(I) for the financial year beginning 1 January 2018 and the financial statements of the Group have been prepared in accordance with SFRS(I).

The financial statements have also been prepared in accordance with the applicable requirements of the CIS Code issued by the MAS and the provisions of the Trust Deed.

The financial statements, which are expressed in Singapore dollar ("SGD" or "$") and rounded to the nearest thousand ($'000), unless otherwise stated, are prepared on the historical cost basis, except as disclosed in the accounting policies below.

2. Summary of significant accounting policies (continued)

(b) Changes in accounting policies

Except as disclosed in Note 2(c), the Group has applied the same accounting policies and methods of computation in the financial statements for the current financial year compared with those of the audited financial statements for the year ended 31 December 2017.

(c) Adoption of SFRS(I)

These financial statements for the year ended 31 December 2018 are the first set of financial statements the Group prepared in accordance with SFRS(I). The Group's previously issued financial statements for periods up to and including the financial year ended 31 December 2017 were prepared in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" ("RAP 7") issued by the Institute of Singapore Chartered Accountants.

In adopting SFRS(I) on 1 January 2018, the Group is required to apply all of the specific transition requirements in SFRS(I) 1 *First-time Adoption of SFRS(I).*

Under SFRS(I) 1, these financial statements are required to be prepared using accounting policies that comply with SFRS(I) effective as at 31 December 2018. The same accounting policies are applied throughout all periods presented in these financial statements, subject to the mandatory exceptions and optional exemptions under SFRS(I) 1.

The Group's opening balance sheet has been prepared as at 1 January 2017, which is the Group's date of transition to SFRS(I) ("date of transition").

Optional exemptions applied
SFRS(I) 1 allows the exemption from application of certain requirements under SFRS(I) on a retrospective basis. The Group has applied the following exemptions in preparing this first set of financial statements in accordance with SFRS(I):

(i) Cumulative translation differences

The Group has elected to deem the cumulative translation differences for all foreign operations to be zero as at the date of transition to SFRS(I) on 1 January 2017. As a result, the Group reclassified cumulative foreign currency translation losses of $167,302,000 from foreign currency translation reserve to accumulated profits as at 1 January 2017. After 1 January 2017, any gain or loss on disposal of any foreign operation will exclude translation differences that arose before the date of transition.

(ii) Short-term exemption on adoption of SFRS(I) 9 *Financial Instruments*

The Group has elected to apply the short-term exemption to adopt SFRS(I) 9 on 1 January 2018. Accordingly, the requirements of SFRS 39 *Financial Instruments: Recognition and Measurement* are applied to financial instruments up to the financial year ended 31 December 2017. The Group is also exempted from complying with SFRS(I) 7 *Financial Instruments: Disclosure* to the extent that the disclosures required by SFRS(I) 7 relate to the items within scope of SFRS(I) 9.

2. Summary of significant accounting policies (continued)

(c) Adoption of SFRS(I) (continued)

Except for the effects of the optional exemption applied as described in Note 2(c)(i) and as disclosed in the Group's Statements of Movements in Unitholders' Funds, there were no adjustments to the Group's Consolidated Statement of Profit or Loss, Balance Sheet and Consolidated Statement of Cash Flows arising from the transition from SFRS to SFRS(I). For notes to the financial statements relating to the balance sheets, comparative information as at 1 January 2017, where applicable, has been included.

(d) Standards issued but not yet effective

SFRS(I) 16 *Leases*
SFRS(I) 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not change significantly.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under SFRS(I) 16.

The standard also introduces expanded disclosure requirements and changes in presentation.

SFRS(I) 16 will take effect from financial years beginning on or after 1 January 2019.

The Manager anticipates that the adoption of SFRS(I) 16 in future periods will not have a material impact on the financial statements of the Group and of the Trust in the period of their initial adoption.

(e) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Trust and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date and use accounting policies consistent with the Trust.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

2. Summary of significant accounting policies (continued)

(e) Basis of consolidation (continued)

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- derecognises the carrying amount of any non-controlling interests;
- derecognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in the Consolidated Statement of Profit or Loss; and
- re-classifies the Group's share of components previously recognised in other comprehensive income to the Consolidated Statement of Profit or Loss or accumulated profits, as appropriate.

(f) Transactions with non-controlling interests

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to Unitholders of the Trust, and are presented separately in the Consolidated Statement of Profit or Loss and within equity in the consolidated Balance Sheet, separately from equity attributable to the Unitholders of the Trust.

Changes in the Trust's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to Unitholders of the Trust.

(g) Functional and foreign currency

(i) Functional currency

The Manager has determined the currency of the primary economic environment in which the Trust operates, i.e. functional currency, to be Singapore dollar. The financial statements are presented in Singapore dollar.

(ii) Foreign currency transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Trust and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

2. Summary of significant accounting policies (continued)

(g) Functional and foreign currency (continued)

(ii) Foreign currency transactions and balances (continued)

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in the Consolidated Statement of Profit or Loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised under foreign currency translation reserve in Unitholders' funds. The foreign currency translation reserve is reclassified from Unitholders' funds to the Consolidated Statement of Profit or Loss on disposal of the foreign operation.

(iii) Consolidated financial statements

For consolidation purposes, the assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the end of the reporting period and their profits are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised under foreign currency translation reserve in Unitholders' funds. On disposal of a foreign operation, the foreign currency translation reserve relating to that particular foreign operation is recognised in the Consolidated Statement of Profit or Loss.

(h) Investment properties

Investment properties are properties that are owned by the Group in order to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business. Investment properties comprise completed investment properties and properties that are being constructed or developed for future use as investment properties.

Investment properties are initially recorded at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met. The cost of investment property under development includes the cost of materials and direct labour, and any other costs directly attributable to bringing the investment property to a working condition for its intended use and capitalised borrowing costs.

Subsequent to initial recognition, investment properties are measured at fair value. Gains or losses arising from changes in the fair values of investment properties are included in the Consolidated Statement of Profit or Loss in the year in which they arise.

Investment properties are derecognised when either they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in the Consolidated Statement of Profit or Loss in the year of retirement or disposal.

2. Summary of significant accounting policies (continued)

(i) Fixed assets

Fixed assets are initially recorded at cost and subsequently measured at cost less accumulated depreciation and any accumulated impairment losses.

The cost of an item of fixed asset initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Included within fixed assets are artwork and sculpture that are considered inexhaustible, in that their values do not diminish over time. These artwork and sculpture are not depreciated but their carrying values are reviewed for impairment at the level of the respective cash-generating units to which they relate when events or changes in circumstances indicate that the carrying values may not be recoverable.

All other fixed assets are depreciated on a straight-line basis over their estimated useful lives as follows:

Computer	3 years
Machinery and equipment	5 years

The carrying values of fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The estimated useful lives, residual values and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of fixed assets is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in profit or loss in the year the asset is derecognised.

(j) Subsidiaries

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Trust's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

2. Summary of significant accounting policies (continued)

(k) Joint arrangements

A joint arrangement is a contractual arrangement whereby two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint arrangement is classified either as joint operation or joint venture, based on the rights and obligations of the parties to the arrangement.

To the extent the joint arrangement provides the Group with rights to the assets and obligations for the liabilities relating to the arrangement, the arrangement is a joint operation. To the extent the joint arrangement provides the Group with rights to the net assets of the arrangement, the arrangement is a joint venture.

The Group recognises its interest in a joint venture as an investment and accounts for the investment using the equity method. The accounting policy for investment in joint venture is set out in Note 2(l).

(l) Associates and joint ventures

An associate is an entity over which the Group has significant influence, but not control over the financial and operating policy decisions of the investee.

Joint ventures are entities over which the Group has joint control as a result of contractual arrangements, and rights to the net assets of the entities.

The Group accounts for its investments in associates and joint ventures using the equity method less impairment losses, if any, from the date on which the investment becomes an associate or joint venture.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate's or joint venture's profit or loss in the period in which the investment is acquired.

2. Summary of significant accounting policies (continued)

(l) Associates and joint ventures (continued)

Under the equity method, the investments in associates or joint ventures are carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates or joint ventures. The profit or loss reflects the share of results of the operations of the associates or joint ventures. Distributions or dividends received from associates or joint ventures reduce the carrying amounts of the investments. Where there has been a change recognised in other comprehensive income by the associates or joint ventures, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and associates or joint ventures are eliminated to the extent of the interest in the associates or joint ventures.

When the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless it has incurred legal and constructive obligations to make or has made payments on behalf of the associate or joint venture.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investments in associates or joint ventures. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognises the amount in profit or loss.

The financial statements of the associates and joint ventures are prepared as of the same reporting date as the Trust. Property held for sale is stated at the lower of cost and net realisable value. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group, and adjustments are made for the effects of significant transactions or events that occur between that date and the reporting date of the Trust.

(m) Intangible asset

Intangible asset, which relates to rental support top-up payments, is measured initially at cost, being the fair value as at the date of acquisition. Following initial recognition, intangible asset is measured at cost less any accumulated amortisation and any impairment losses.

Intangible asset with a finite useful life is amortised over the estimated useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible asset with finite useful life is recognised in profit or loss.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

(n) Impairment of non-financial assets

The Group assesses at each reporting date whether there is any indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

2. Summary of significant accounting policies (continued)

(n) Impairment of non-financial assets (continued)

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. If that is the case, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses of continuing operations are recognised in profit or loss, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment losses are also recognised in other comprehensive income up to the amount of any previous revaluation.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

(o) Financial instruments

Financial assets

The accounting for financial assets before 1 January 2018 is as follows:

(i) Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the assets were acquired and is determined at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the balance sheet date which are presented as non-current assets.

(ii) Recognition and derecognition

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in profit or loss.

2. Summary of significant accounting policies (continued)

(o) Financial instruments (continued)

Financial assets (continued)

(ii) Recognition and derecognition (continued)

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

(iii) Initial and subsequent measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately as expenses.

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Gains or losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

The accounting for financial assets from 1 January 2018 is as follows:

(iv) Classification and measurement

The Group classifies its financial assets in the following measurement categories:
- Amortised cost;
- Fair value through profit or loss

The classification depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

(v) At initial recognition

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

2. Summary of significant accounting policies (continued)

(o) Financial instruments (continued)

Financial assets (continued)

(vi) At subsequent measurement

Debt instruments mainly comprise cash and cash equivalents, advances to associates, trade and other receivables and derivative financial instruments. Depending on the Group's business model for managing the asset and the cash flow characteristics of the asset, the Group uses the following measurement categories:

- Amortised cost: Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in interest income using the effective interest rate method.

- Fair value through profit or loss: Debt instruments that do not meet the criteria for classification as amortised cost or fair value through other comprehensive income are classified as fair value through profit or loss. Movement in fair values is recognised in profit or loss in the period which it arises.

(vii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

On disposal of a debt instrument, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

Financial liabilities

(i) Recognition and derecognition

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2. Summary of significant accounting policies (continued)

(o) Financial instruments (continued)

Financial liabilities (continued)

(ii) Initial and subsequent measurement

All financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

After initial recognition, financial liabilities are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

(p) Impairment of financial assets

The accounting for impairment of financial assets before 1 January 2018 is as follows:

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired.

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the cash flow becomes uncollectible, the carrying amount of an impaired financial asset is reduced directly or if an amount was charged to the allowance account, the amount charged to the allowance account is written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

2. Summary of significant accounting policies (continued)

(p) Impairment of financial assets (continued)

The accounting for impairment of financial assets after 1 January 2018 is as follows:

The Group assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 29 details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by SFRS(I) 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(q) Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand, and demand deposits, and exclude amounts which are restricted for use.

(r) Unit capital, treasury units, perpetual securities and issue expenses

Proceeds from issuance of Units are recognised as units in issue in Unitholders' funds and incidental costs directly attributable to the issuance are deducted against Unitholders' funds.

When units are re-acquired by the Trust, the amount of consideration paid and any directly attributable transaction costs are recognised directly in equity. Re-acquired units are classified as treasury units and presented as a deduction from total equity. When treasury units are subsequently cancelled, the costs of treasury units are deducted against the units in issue account if the units are purchased out of capital of the Trust, or against accumulated profits of the Trust if the units are purchased out of earnings of the Trust.

Proceeds from issuance of perpetual securities are recognised in equity and incidental costs directly attributable to the issuance of perpetual securities are deducted against the proceeds from the issue.

(s) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(t) Leases – as lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. The accounting policy for rental income is set out in Note 2(u)(i). Contingent rents are recognised as revenue in the period in which they are earned.

2. Summary of significant accounting policies (continued)

(u) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

(i) Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over the lease term on a straight-line basis.

(ii) Interest income

Interest income is recognised using the effective interest method.

(iii) Rental support, dividend income and distribution income

Rental support, dividend income and distribution income are recognised when the Group's right to receive payment is established.

(v) Expenses

(i) Trust expenses

Trust expenses are recognised on an accrual basis.

(ii) Property expenses

Property expenses are recognised on an accrual basis. Included in property expenses are property management fees which are based on the applicable formula stipulated in Note 1(a).

(iii) Manager's management fees

Manager's management fees are recognised on an accrual basis based on the applicable formula stipulated in Note 1(b).

2. Summary of significant accounting policies (continued)

(w) Borrowing costs

Borrowing costs are recognised in the Consolidated Statement of Profit or Loss using the effective interest method except for those costs that are directly attributable to the development of investment properties. These include costs on borrowings acquired specifically for the development of investment properties.

The actual borrowing costs incurred during the period up to the issuance of the temporary occupation permit of the investment property under development less any investment income on temporary investment of these borrowings, are capitalised in the cost of the investment property under development.

(x) Taxation

(i) Current income tax

Current income tax is the expected tax payable on the taxable income for the year, using tax rates and tax laws enacted or substantively enacted at the reporting date.

Current income tax is recognised as an expense or income in profit or loss, except when it relates to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination.

(ii) Deferred tax

Deferred tax is provided, using the liability method, on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year in which those assets and liabilities are expected to be realised or settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is measured based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities except for investment properties. Investment property measured at fair value is presumed to be recovered entirely through sale.

Deferred tax is recognised as an expense or income in profit or loss, except when it relates to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination.

2. Summary of significant accounting policies (continued)

(x) Taxation (continued)

(iii) Tax transparency

Pursuant to the Tax Transparency Ruling issued by the Inland Revenue Authority of Singapore ("IRAS"), tax transparency treatment has been granted to the Trust in respect of certain taxable income ("Specified Taxable Income"). Subject to meeting the terms and conditions of the tax ruling which include a distribution of at least 90% of the taxable income of the Trust, the Trust will not be assessed for tax on the portion of its taxable income that is distributed to Unitholders. Any portion of the Trust's taxable income that is not distributed to Unitholders will be taxed at the prevailing corporate tax rate.

In the event that there are subsequent adjustments to the taxable income when the actual taxable income of the Trust is finally agreed with the IRAS, such adjustments are taken up as adjustments to the amount to be distributed for the next distribution following the agreement with the IRAS.

Subject to the terms and conditions of the Tax Transparency Ruling, the Trust will not be taxed on Specified Taxable Income distributed to the Unitholders in the year in which the income was derived. Instead, the Trust will undertake to deduct income tax at the prevailing corporate tax rate on the distributions made to the Unitholders out of such Specified Taxable Income except:

a) where the beneficial owner is a Qualifying Unitholder (as defined herein), distributions will be made to such Unitholder without deducting any income tax; and

b) where the beneficial owner is a Qualifying Foreign Non-Individual Unitholder (as defined herein), income tax will be deducted at a reduced rate of 10% from the distributions made up to 31 March 2020, unless otherwise extended.

A Qualifying Unitholder is a Unitholder who is:

a) an individual; or

b) a company incorporated and tax resident in Singapore;

c) a Singapore branch of a company incorporated outside Singapore;

d) a non-corporate entity (excluding partnerships) constituted or registered in Singapore including:

- institutions, authorities, persons or funds specified in the First Schedule to the Income Tax Act, Chapter 134 of Singapore;
- co-operative societies registered under the Co-operative Societies Act, Chapter 62 of Singapore;
- trade unions registered under the Trade Unions Act, Chapter 333 of Singapore;
- charities registered under the Charities Act, Chapter 37 of Singapore or established by an Act of Parliament; and
- town councils; or

2. Summary of significant accounting policies (continued)

(x) Taxation (continued)

(iii) Tax transparency

e) an international organisation that is exempt from tax on such distributions by reason of an order made under the International Organisations (Immunities and Privileges) Act (Cap. 145).

A Qualifying Foreign Non-Individual Unitholder is a person other than an individual not resident in Singapore for Singapore income tax purposes and:

a) who does not have a permanent establishment in Singapore; or

b) who carries on an operation in Singapore through a permanent establishment in Singapore, where the funds used by that person to acquire the units are not obtained from that operation.

The above tax transparency ruling does not apply to gains from sale of real estate properties. Such gains, if they are considered as trading gains, are assessable to tax on the Trust. Where the gains are capital gains, the Trust will not be assessed to tax and may distribute the capital gains to Unitholders without having to deduct tax at source.

Any distributions made by the Trust to the Unitholders out of tax-exempt income and taxed income would be exempt from Singapore income tax in the hands of all Unitholders, regardless of their corporate or residence status.

(iv) Sales tax

Revenue, expenses and assets are recognised net of the amount of sales tax except:

a) Where the sales tax incurred on a purchase of asset or service is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

b) Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables on the Balance Sheets.

(y) Portfolio reporting

For management purposes, the Group is organised into operating segments based on individual investment property within the Group's portfolio, and prepares financial information on a property by property basis. The properties are independently managed by property managers who are responsible for the performance of the property under their charge. Discrete financial information is provided to the Board of Directors (the "Board") on a property by property basis. The Board regularly reviews this information in order to allocate resources to each property and to assess the property's performance.

2. Summary of significant accounting policies (continued)

(z) Derivative financial instruments and hedge accounting

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at fair value. Derivative financial instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Gains or losses arising from the changes in fair value of derivative financial instruments that do not qualify for hedge accounting are taken to profit or loss and presented in "net change in fair value of derivative financial instruments".

The Group applies hedge accounting for certain hedging transactions which qualify for hedge accounting.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment (except for foreign currency risk); or

- cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment; or

- hedges of a net investment in a foreign operation.

At the inception of a hedging relationship, the Group formally designates and documents the hedging relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an on-going basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

The hedges in place as at 31 December 2018 qualified as cash flow hedges under SFRS(I) 9. The Group's management strategies and hedge documentation are aligned with the requirements of SFRS(I) 9 and are thus treated as continuing hedges.

<u>Cash flow hedges</u>

The effective portion of the gain or loss on the hedging instrument is recognised directly in hedging reserve in Unitholders' funds, while any ineffective portion is recognised immediately in profit or loss.

Amounts recognised in hedging reserve in Unitholders' funds are transferred to profit or loss when the hedge transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs.

2. Summary of significant accounting policies (continued)

(z) Derivative financial instruments and hedge accounting (continued)

Cash flow hedges (continued)

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognised in hedging reserve in Unitholders' funds is transferred to profit or loss. If the hedging instrument has expired or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in hedging reserve in Unitholders' funds remains in Unitholders' funds until the forecast transaction or firm commitment affects profit or loss.

The Group uses interest rate swaps to hedge its exposure to interest rate risk for bank loans with floating interest rates. Details of the interest rate swaps are disclosed in Note 13.

The Group uses forward currency contracts to hedge foreign currency risk arising from the cash flows of its investment properties in Australia. Details of the forward currency contracts are disclosed in Note 13.

(aa) Significant accounting judgements and estimates

The preparation of the financial statements in conformity with SFRS(I) requires the Manager to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income, expenses and disclosures made. The estimates and associated assumptions are based on historical experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

Estimates and underlying assumptions are reviewed on an on-going basis. Financial impact arising from revisions to accounting estimates is recognised in the period in which the estimates are revised and in any future periods affected.

In particular, significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are as follows:

Valuation of investment properties

Investment properties are stated at fair value, with changes in fair value recognised in profit or loss. The Group engaged independent professional valuers to determine fair value as at the financial year-end.

The fair value of investment properties held by the Group and through its associates and joint ventures is determined by independent real estate valuation experts using approved valuation methodologies. In determining the fair value, the valuers have used valuation methods which involve estimates and discount rates applicable to those assets. The Manager is satisfied that the valuation methods and estimates are reflective of current market conditions. The determined fair value of the investment properties is most sensitive to the estimated yield as well as the vacancy assumptions. Specific assumptions and estimates are disclosed in Note 31.

3. Investment properties

	Completed investment properties $'000	Investment property under development $'000	Total $'000
Group			
2018			
At 1 January	3,625,950	148,920	3,774,870
Translation differences	(6,234)	(3,217)	(9,451)
Progress payments on investment property under development	–	81,280	81,280
Capitalised expenditure	7,233	2,205	9,438
Net change in fair value of investment properties (Note 25)	19,157	4,662	23,819
At 31 December	3,646,106	233,850	3,879,956
2017			
At 1 January	3,618,097	–	3,618,097
Translation differences	(18,694)	(5,926)	(24,620)
Purchase of investment property	–	133,953	133,953
Progress payments on investment property under development	–	9,409	9,409
Capitalised expenditure	2,794	11,633	14,427
Net change in fair value of investment properties (Note 25)	23,753	(149)	23,604
At 31 December	3,625,950	148,920	3,774,870
Trust			
2018			
At 1 January	525,000	–	525,000
Capitalised expenditure	164	–	164
Net change in fair value of investment properties	(10,164)	–	(10,164)
At 31 December	515,000	–	515,000
2017			
At 1 January	540,000	–	540,000
Capitalised expenditure	351	–	351
Net change in fair value of investment properties	(15,351)	–	(15,351)
At 31 December	525,000	–	525,000

3. Investment properties (continued)

Investment properties are stated at fair value based on valuations performed by independent valuers. In determining the fair value, the valuers have used the direct comparison method, capitalisation approach and discounted cash flows analysis which make reference to estimated market rental values and equivalent yields. The key assumptions used to determine the fair value of investment properties include, amongst others, market-corroborated capitalisation yields, discount rates and transacted prices of comparable properties. Details of valuation techniques and inputs used are disclosed in Note 31.

Included in capitalised expenditure for investment property under development are capitalised borrowing costs amounting to $2,205,000 (2017: $564,000).

On 31 July 2017, the Group acquired a 50% interest in an office tower under development at 311 Spencer Street for an aggregate consideration of approximately $362,400,000.

The Group has mortgaged an investment property of a principal amount of $515,000,000 (2017: $525,000,000) as security for credit facilities granted (Note 15).

4. Investments in subsidiaries

	Trust		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Unquoted equity, at cost	**1,473,781**	1,837,110	1,837,110

Name	Country of incorporation/ constitution	Principal activities	Effective equity interest 2018 %	2017 %
Held by the Trust				
Keppel REIT MTN Pte. Ltd.[1]	Singapore	Provision of treasury services	**100.00**	100.00
Keppel REIT (Australia) Pte. Ltd.[1]	Singapore	Investment holding	**100.00**	100.00
Keppel REIT Fin. Company Pte. Ltd.[1]	Singapore	Provision of treasury services	**100.00**	100.00
Ocean Properties LLP ("OPLLP") [1, 4]	Singapore	Property investment	**~79.90 [4]**	~99.90 [4]

4. Investments in subsidiaries (continued)

Name	Country of incorporation/ constitution	Principal activities	Effective equity interest 2018 %	Effective equity interest 2017 %
Held through Keppel REIT (Australia) Pte. Ltd.				
Keppel REIT (S) Limited [2]	Bermuda	Investment holding	**100.00**	100.00
Keppel REIT (Australia) Trust [3]	Australia	Property investment	**100.00**	100.00
Keppel REIT (Australia) Sub-Trust 1	Australia	Property investment	– [5]	100.00 [3]
Keppel REIT (Australia) Sub-Trust 2 [3]	Australia	Investment holding	**100.00**	100.00
Keppel REIT (Australia) Sub-Trust 3 [3]	Australia	Investment holding	**100.00**	100.00
Keppel REIT (Australia) Sub-Trust 4 [3]	Australia	Property investment	**100.00**	100.00
Keppel REIT (Australia) Sub-Trust 5 [3]	Australia	Property investment	**100.00**	100.00

[1] Audited by PricewaterhouseCoopers LLP, Singapore.

[2] There is no statutory requirement for the financial statements of Keppel REIT (S) Limited to be audited.

[3] Audited by PricewaterhouseCoopers, Australia.

[4] Keppel REIT (Australia) Sub-Trust 1 was wound up on 31 October 2018.

[5] OPLLP owns Ocean Financial Centre. For the approximate 87.51% equity interest in OPLLP which the Trust acquired on 14 December 2011 for a period of 99 years from Straits Property Investments Pte Ltd ("SPIPL"), the Trust granted a call option under an option deed to SPIPL for the right to acquire the approximate 87.51% equity interest in OPLLP for $1.00 at the expiry of the 99-year period after the acquisition date. Under the option deed, the Trust shall not dispose of its legal or beneficial interest in OPLLP to any person unless SPIPL's right of first refusal has lapsed. In addition, if any of certain specified events occur anytime during the 99 years after the acquisition date, SPIPL has the right to procure OPLLP to take the necessary steps to carve out and transfer a leasehold title of the remaining tenure to a special purpose vehicle owned by SPIPL and the non-controlling interest.

On 25 June 2012, the Trust acquired an additional equity interest in OPLLP of approximately 12.39% from a third party, Avan Investment Pte Ltd ("AIPL") for a period of 99 years from 14 December 2011. This acquisition increased the Group's interest in OPLLP from an approximate 87.51% to an approximate 99.90%. AIPL continues to hold a remaining equity interest of approximately 0.10% in OPLLP (the "non-controlling interest"). The Trust also entered into an option deed pursuant to which AIPL shall have the right to acquire the approximate 12.39% interest in OPLLP for $1.00, such option to be exercisable only after the expiry of a period of 99 years after 14 December 2011.

4. Investments in subsidiaries (continued)

[5] On 11 December 2018, the Trust divested a 20.00% equity interest in OPLLP to a third party, Allianz Real Estate. The Group recognised a gain on divestment of $7,388,000 in Unitholders' funds. The divestment decreased the Group's interest in OPLLP from an approximate 99.90% to an approximate 79.90%. The effect of changes in the ownership interest of OPLLP on Unitholders' funds during the year is summarised as follows:

	2018 **$'000**
Consideration received from Allianz Real Estate	**439,272**
Carrying amount of interests in subsidiary disposed of	**(426,399)**
Estimated divestment expenses	**(5,485)**
Excess of consideration received recognised in Unitholders' funds	**7,388**

5. Investments in associates

	Group		
	31 December 2018 **$'000**	31 December 2017 $'000	1 January 2017 $'000
Unquoted equity, at cost	**2,025,135**	2,025,559	2,025,483
Share of post-acquisition reserves	**513,528**	502,283	499,629
	2,538,663	2,527,842	2,525,112

	Trust		
	31 December 2018 **$'000**	31 December 2017 $'000	1 January 2017 $'000
Unquoted equity, at cost	**2,025,135**	2,025,559	2,025,483

The movement in share of post-acquisition reserves is as follows:

	Group	
	2018 **$'000**	2017 $'000
At 1 January	**502,283**	499,629
Share of results of associates		
- Profit excluding net change in fair value of investment properties	**73,720**	83,795
- Net change in fair value of investment properties (Note 25)	**4,622**	10,627
- Effects of recognising rental income on a straight-line basis over the lease terms	**2,434**	1,827
	80,776	96,249
Share of net change in fair value of cash flow hedges	**4,462**	214
Dividend and distribution income received	**(73,993)**	(93,809)
At 31 December	**513,528**	502,283

5. Investments in associates (continued)

Details of the associates are as follows:

Name	Country of incorporation	Principal activities	Effective equity interest 2018 %	Effective equity interest 2017 %
One Raffles Quay Pte Ltd [1]	Singapore	Property development and investment	**33.33**	33.33
BFC Development LLP [2]	Singapore	Property development and investment	**33.33**	33.33
Central Boulevard Development Pte. Ltd. [3]	Singapore	Property development and investment	**33.33**	33.33

[1] Audited by Ernst & Young LLP, Singapore.
One Raffles Quay Pte Ltd ("ORQPL") is the owner of One Raffles Quay.

[2] Audited by Ernst & Young LLP, Singapore.
BFC Development LLP ("BFCDLLP") is the owner of Marina Bay Financial Centre Towers 1 & 2 and Marina Bay Link Mall.

[3] Audited by Ernst & Young LLP, Singapore.
Central Boulevard Development Pte. Ltd. ("CBDPL") is the owner of Marina Bay Financial Centre Tower 3.

The Group does not equity account for the results of Marina Bay Suites Pte. Ltd. ("MBSPL") (dissolved in May 2018), which is a wholly-owned subsidiary of CBDPL, as the acquisition of the one-third interest in CBDPL was structured to effectively exclude any interest in MBSPL.

A deed of undertaking was signed between Bayfront Development Pte. Ltd. (the "Vendor") and the Trust, whereby the Trust agrees not to participate in the financial and operating policy decisions in MBSPL and that it would exercise all voting rights and other rights and powers that it directly or indirectly has or controls in CBDPL and MBSPL in accordance with the written instructions of the Vendor on all matters arising from, relating to, or otherwise connected with MBSPL, and/or CBDPL's ownership of MBSPL.

5. Investments in associates (continued)

The summarised financial information of the associates, excluding CBDPL's interest in MBSPL, and a reconciliation with the carrying amounts of the investments in the consolidated financial statements, are as follows:

	ORQPL		BFCDLLP		CBDPL	
	2018	2017	**2018**	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Summarised Balance Sheet						
Current assets (including property held for sale)	**1,444,189**	1,450,453	**20,148**	18,446	**26,781**	21,669
Non-current assets	**1,680,115**	1,689,104	**5,055,081**	5,048,188	**3,837,325**	3,820,122
Total assets	**3,124,304**	3,139,557	**5,075,229**	5,066,634	**3,864,106**	3,841,791
Current liabilities	**(34,645)**	(44,998)	**(25,319)**	(30,064)	**(1,643,984)**	(31,830)
Non-current liabilities	**(1,075,068)**	(1,073,217)	**(1,743,355)**	(1,740,733)	**(32,246)**	(1,652,853)
Total liabilities	**(1,109,713)**	(1,118,215)	**(1,768,674)**	(1,770,797)	**(1,676,230)**	(1,684,683)
Net assets	**2,014,591**	2,021,342	**3,306,555**	3,295,837	**2,187,876**	2,157,108
Proportion of the Group's ownership	**33.33%**	33.33%	**33.33%**	33.33%	**33.33%**	33.33%
Group's share of net assets	**671,530**	673,781	**1,102,185**	1,098,612	**729,292**	719,036
Other adjustments	**13,734**	13,734	**7,000**	7,000	**14,922**	15,679
Carrying amount of the investment	**685,264**	687,515	**1,109,185**	1,105,612	**744,214**	734,715
Summarised Statement of Comprehensive Income						
Property income	**147,138**	158,146	**209,285**	202,804	**145,799**	148,071
Profit for the year	**56,092**	139,816	**108,537**	109,697	**77,700**	39,234
Other comprehensive income	**4,818**	(846)	**–**	–	**8,568**	1,488
Total comprehensive income	**60,910**	138,970	**108,537**	109,697	**86,268**	40,722

6. Investments in joint ventures

	Group 2018 $'000	Group 2017 $'000
Unquoted equity, at cost	**340,920**	345,286
Share of post-acquisition reserves	**130,771**	119,810
	471,691	465,096

The movement in share of post-acquisition reserves is as follows:

	Group 2018 $'000	Group 2017 $'000
At 1 January	**119,810**	96,807
Share of results of joint ventures		
- Profit excluding net change in fair value of investment properties	**30,170**	31,959
- Net change in fair value of investment properties (Note 25)	**12,579**	26,462
- Effects of recognising rental income on a straight-line basis over the lease terms	**(4,478)**	(4,219)
	38,271	54,202
Translation differences	**(1,122)**	(4,634)
Distribution received/receivable	**(26,188)**	(26,565)
At 31 December	**130,771**	119,810

Details of the joint ventures are as follows:

Name	Country of incorporation	Principal activities	Effective equity interest 2018 %	Effective equity interest 2017 %
Held through Keppel REIT (S) Limited				
Mirvac 8 Chifley Pty Limited [1]	Australia	Fund administration	**50.00**	50.00
Mirvac (Old Treasury) Pty Limited [1]	Australia	Fund administration	**50.00**	50.00
Held through Keppel REIT (Australia) Sub-Trust 2				
Mirvac 8 Chifley Trust ("M8CT") [2]	Australia	Investment in real estate properties	**50.00**	50.00
Held through Keppel REIT (Australia) Sub-Trust 3				
Mirvac (Old Treasury) Trust ("MOTT") [2]	Australia	Investment in real estate properties	**50.00**	50.00

1 There is no statutory requirement for the financial statements to be audited.
2 Audited by PricewaterhouseCoopers, Australia.

6. Investments in joint ventures (continued)

The summarised financial information of the joint ventures and a reconciliation with the carrying amounts of the investments in the consolidated financial statements, are as follows:

	M8CT		MOTT	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Summarised Balance Sheet				
Cash and bank balances	**2,075**	2,678	**5,320**	5,420
Other current assets	**825**	3,559	**2,538**	6,197
Non-current assets	**491,804**	487,904	**437,748**	428,055
Total assets	**494,704**	494,141	**445,606**	439,672
Current liabilities	**(2,855)**	(5,985)	**(6,157)**	(9,878)
Total liabilities	**(2,855)**	(5,985)	**(6,157)**	(9,878)
Net assets	**491,849**	488,156	**439,449**	429,794
Proportion of the Group's ownership	**50.00%**	50.00%	**50.00%**	50.00%
Group's share of net assets	**245,925**	244,078	**219,725**	214,897
Other adjustments	**3,357**	3,399	**2,684**	2,722
Carrying amount of the investment	**249,282**	247,477	**222,409**	217,619
Summarised Statement of Profit or Loss				
Property income	**31,657**	32,916	**41,177**	42,247
Interest income	–	–	**39**	52
Profit for the year	**35,508**	68,388	**41,034**	40,016

7. Amounts owing by subsidiaries (non-trade)

	Trust	
	2018	2017
	$'000	$'000
Interest bearing	**644,644**	563,458
Non-interest bearing	**310,442**	314,515
	955,086	877,973

The amounts owing by subsidiaries are unsecured, to be settled in cash and not expected to be repaid within the next 12 months. These amounts are denominated in Australian dollar.

These are considered hedges against foreign exchange risk arising from a net investment in foreign operations. For the year ended 31 December 2018, a net unrealised loss of $12,712,000 (2017: $34,761,000) was recorded in the foreign currency translation reserve.

The interest bearing portions bear interest ranging from 5.2% to 9.5% (2017: 5.2% to 9.5%) per annum. The non-interest bearing portions are considered part of the Trust's net investment in these subsidiaries and are accounted for in accordance with Note 2(j).

8. Advances to associates

Advances to associates are unsecured, not expected to be repaid within the next 12 months and carry interest at rates which are repriced every quarter at margins above the 3-month SGD swap-offer rate ("SOR"). They bore interest ranging from 3.37% to 5.16% (2017: 3.00% to 4.54%) per annum during the year.

The advances to associates are denominated in Singapore dollar.

9. Intangible asset

	Group		Trust	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Cost:				
At 1 January	**46,622**	66,093	**46,622**	46,622
Write-off	**–**	(19,471)	**–**	–
At 31 December	**46,622**	46,622	**46,622**	46,622
Accumulated amortisation:				
At 1 January	**35,910**	43,582	**35,910**	26,151
Amortisation expense	**8,163**	11,799	**8,163**	9,759
Write-off	**–**	(19,471)	**–**	–
At 31 December	**44,073**	35,910	**44,073**	35,910
Net carrying amount:				
At 31 December	**2,549**	10,712	**2,549**	10,712

Intangible asset represents the unamortised rental support top-up payments receivable by the Group for its one-third interest in CBDPL. The remaining rental support period is approximately 1 year (2017: 2 years). In the prior year, the write-off of intangible asset pertained to fully amortised rental support top-up payments.

10. Trade and other receivables

	Group 2018 $'000	Group 2017 $'000	Trust 2018 $'000	Trust 2017 $'000
Trade receivables	**10,305**	5,838	**1,004**	576
Amounts due from subsidiaries (non-trade)	**–**	–	**7,756**	10,927
Amounts due from related companies (trade)	**810**	174	**810**	174
Amounts due from related companies (non-trade)	**762**	–	**762**	–
Amounts due from joint ventures (non-trade)	**2,167**	2,138	**–**	–
Interest receivable	**160**	197	**154**	184
Others	**852**	272	**783**	259
	15,056	8,619	**11,269**	12,120

Amounts due from subsidiaries, related companies and joint ventures are unsecured, interest-free, repayable on demand and are to be settled in cash.

Trade and other receivables of the Group and the Trust, denominated in currencies other than the respective entities' functional currencies, amounted to $21,000 (2017: $28,000) and $2,822,000 (2017: $1,119,000) respectively. These balances are denominated in Australian dollar.

Receivables that are past due but not impaired

	Group 2018 $'000	Group 2017 $'000	Trust 2018 $'000	Trust 2017 $'000
Trade receivables past due but not impaired:				
Past due < 3 months	**2,949**	2,058	**217**	–
Past due 3 - 6 months	**185**	28	**175**	–
Past due > 6 months	**15**	59	**–**	–
	3,149	2,145	**392**	–

11. Cash and bank balances

	Group		Trust	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Cash and bank balances	**116,278**	98,647	**90,309**	64,312
Fixed deposits	**142,646**	99,511	**141,146**	91,511
	258,924	198,158	**231,455**	155,823
Less: Rental support received in advance held in designated accounts	**(3,117)**	(11,696)	**(3,117)**	(11,696)
Cash and cash equivalents	**255,807**	186,462	**228,338**	144,127

Cash at banks earned interest at floating rates based on daily bank deposit rates ranging from 0% to 1.60% (2017: 0% to 1.60%) per annum. Short-term deposits were made for varying periods of between 39 days and 91 days (2017: 32 days and 181 days) depending on the cash requirements of the Group, and earned interest at the respective short-term deposit rates. The interest rates of short-term deposits ranged from 1.60% to 2.10% (2017: 1.10% to 1.70%) per annum.

Cash and bank balances of both the Group and the Trust, denominated in currencies other than the respective entities' functional currencies, amounted to $48,160,000 (2017: $45,584,000). These balances are denominated in Australian dollar.

12. Trade and other payables

	Group		Trust	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Trade payables	**4,440**	3,278	**509**	1,379
Accrued expenses	**17,481**	14,506	**4,857**	4,613
Other payables	**16,917**	12,565	**16,917**	7,000
Amounts due to related companies:				
- trade	**21,496**	20,129	**20,369**	19,739
- non-trade	**–**	–	**41**	1,454
Other deposits	**453**	451	**111**	55
Interest payable	**3,970**	5,522	**653**	665
	64,757	56,451	**43,457**	34,905

Other payables mainly relate to (i) estimated development costs of $3,751,000 (2017: $3,751,000) to complete Phase 2 of Ocean Financial Centre of which the Group's proportionate share was withheld from the purchase consideration for the approximate 99.90% equity interest in OPLLP, (ii) estimated construction costs of $7,000,000 (2017: $7,000,000) withheld from the purchase consideration for the acquisition of the one-third interest in BFCDLLP and (iii) estimated divestment expenses of $5,485,000 (2017: nil) on the divestment of the 20.00% equity interest in OPLLP.

Included in the trade amounts due to related companies are amounts due to the Property Manager of $1,183,000 (2017: $390,000) and the Manager of $20,313,000 (2017: $19,738,000).

12. Trade and other payables (continued)

Amounts due to related companies are unsecured, interest-free and repayable on demand. These amounts are to be settled in cash except for management fees payable to the Manager which will be settled in the form of cash and/or Units (Note 1(b)).

Trade and other payables of both the Group and the Trust, denominated in currencies other than the respective entities' functional currencies, amounted to $16,000 (2017: $351,000). These balances are denominated in Australian dollar.

13. Derivative financial instruments

		Group					
		2018 $'000			2017 $'000		
	Maturity	Contract/ Nominal amount	Assets	Liabilities	Contract/ Nominal amount	Assets	Liabilities
Derivatives whereby hedge accounting is applied							
Cash flow hedges							
Forward currency contracts	2019	**28,885**	**30**	**(101)**	21,865	1,175	–
Interest rate swaps	2019 – 2022	**2,035,869**	**1,505**	**(6,010)**	2,677,000	22	(15,949)
Derivatives whereby hedge accounting is not applied							
Interest rate swaps	2021 – 2023	**275,000**	**–**	**(2,307)**	50,000	–	(1,816)
Cross currency swap	2021	**99,790**	**–**	**(3,397)**	99,790	4,190	–
		2,439,544	**1,535**	**(11,815)**	2,848,655	5,387	(17,765)
Less: Current portion		**(408,885)**	**(206)**	**230**	(716,865)	(1,197)	1,748
Non-current portion		**2,030,659**	**1,329**	**(11,585)**	2,131,790	4,190	(16,017)
Percentage of derivative financial instruments to the Group's net asset value				**(0.19%)**			(0.25%)

13. Derivative financial instruments (continued)

	Trust						
		2018 $'000			2017 $'000		
	Maturity	Contract/ Nominal amount	Assets	Liabilities	Contract/ Nominal amount	Assets	Liabilities
Derivatives whereby hedge accounting is applied							
Cash flow hedges							
Forward currency contracts	2019	28,885	30	(101)	21,865	1,175	–
Interest rate swaps	2019 – 2022	1,658,869	868	(5,758)	1,900,000	–	(13,729)
Derivatives whereby hedge accounting is not applied							
Interest rate swaps	2021 – 2023	275,000	–	(2,307)	50,000	–	(1,816)
Cross currency swap	2021	99,790	–	(3,397)	99,790	4,190	–
		2,062,544	898	(11,563)	2,071,655	5,365	(15,545)
Less: Current portion		(408,885)	(206)	230	(316,865)	(1,175)	1,134
Non-current portion		1,653,659	692	(11,333)	1,754,790	4,190	(14,411)
Percentage of derivative financial instruments to the Trust's net asset value				(0.27%)			(0.26%)

13. Derivative financial instruments (continued)

Hedging instruments used in the Group's hedging strategy in 2018, whereby hedge accounting is applied, are as follows:

	Contractual notional amount	Carrying Amount: Assets/ (Liabilities)	Carrying Amount: Financial statement line item	Changes in fair value used for calculating hedge ineffectiveness: Hedging instrument	Changes in fair value used for calculating hedge ineffectiveness: Hedged item	Weighted average hedged rate	Maturity date
	$'000	$'000		$'000	$'000		
Group							
Cash flow hedges							
Foreign exchange risk							
- Forward currency contracts	28,885	(71)	Derivative financial instruments	(1,246)	1,246	A$1: $1.0030	2019
Interest rate risk							
- Interest rate swaps to hedge floating rate borrowings	2,035,869	(4,505)	Derivative financial instruments	11,420	(11,420)	SOR: 1.88% BBSW: 2.09%	2019 – 2022
Net investment hedge							
Foreign exchange risk							
- Borrowings to hedge net investment in foreign operations	–	(265,874)	Borrowings	3,351	(3,351)	A$1: $1.0449	2021 – 2022
Trust							
Cash flow hedges							
Foreign exchange risk							
- Forward currency contracts	28,885	(71)	Derivative financial instruments	(1,246)	1,246	A$1: $1.0030	2019
Interest rate risk							
- Interest rate swaps to hedge floating rate borrowings	1,658,869	(4,890)	Derivative financial instruments	8,839	(8,839)	SOR: 1.92% BBSW: 2.09%	2019 – 2022

13. Derivative financial instruments (continued)

Forward currency contracts

Forward currency contracts are used to hedge foreign currency risk arising from the cash flows of the Group's investments in Australia.

The Group designates these forward currency contracts as cash flow hedges which were assessed to be highly effective. A net unrealised loss of $1,246,000 (2017: net unrealised gain of $2,053,000) was included in hedging reserve in Unitholders' funds in respect of these contracts.

Interest rate swaps

Interest rate swaps are used to hedge interest rate risk arising from the underlying floating interest rates of the respective bank loans. Under the interest rate swaps, the Group receives floating interest equal to SOR and A$ bank bill swap rate ("BBSW") at specific contracted intervals and pays fixed rates of interest ranging from 1.41% to 2.48% (2017: 0.88% to 2.48%) per annum.

The Group designates most interest rate swaps as cash flow hedges which were assessed to be highly effective. A net unrealised gain of $11,420,000 (2017: net unrealised loss of $17,244,000) was included in hedging reserve in Unitholders' funds in respect of these contracts. A fair value loss of $490,000 (2017: $2,399,000) was recognised in profit or loss as the interest rate swaps were not designated as hedging instruments.

Cross currency swap

Cross currency swap is used to hedge foreign currency risk arising from cash flow payments for an Australian dollar denominated loan. Under the cross currency swap, the Group receives a fixed SGD amount and pays a fixed A$ amount at inception of the loan, and vice versa upon maturity of the loan. The Group receives floating interest equal to BBSW at specific contract intervals and pays floating interest equal to SOR. A fair value loss of $7,587,000 (2017: $4,245,000) was recognised in profit or loss as the cross currency swap was not designated as a hedging instrument.

14. Income received in advance

Income received in advance comprises mainly rental support and rental income received in advance for certain of the Group's investment properties.

15. Borrowings

		Group		
	Maturity	**31 December 2018 $'000**	31 December 2017 $'000	1 January 2017 $'000
Current:				
Bank loans (unsecured)	2019	**59,943**	425,039	–
Non-current:				
Revolving loans (secured)	2020	**245,111**	194,656	348,201
Borrowings (secured)		**245,111**	194,656	348,201
Bank loans (unsecured)	2020 - 2023	**1,338,760**	1,349,948	2,080,312
Revolving loans (unsecured)	2021 - 2024	**516,890**	427,538	3,241
Medium term notes (unsecured)	2022 - 2024	**125,000**	125,000	50,000
Borrowings (unsecured)		**1,980,650**	1,902,486	2,133,553
Total borrowings		**2,285,704**	2,522,181	2,481,754
Percentage of total borrowings to net asset value		**42.8%**	51.3%	50.7%

		Trust		
	Maturity	**31 December 2018 $'000**	31 December 2017 $'000	1 January 2017 $'000
Current:				
Bank loans (unsecured)	2019	**59,943**	99,967	–
Non-current:				
Revolving loans (secured)	2020	**245,111**	194,656	348,201
Borrowings (secured)		**245,111**	194,656	348,201
Bank loans (unsecured)	2023	**63,847**	59,883	159,740
Borrowings from subsidiaries (unsecured)		**1,450,875**	1,702,382	1,507,960
Borrowings (unsecured)		**1,514,722**	1,762,265	1,667,700
Total borrowings		**1,819,776**	2,056,888	2,015,901
Percentage of total borrowings to net asset value		**46.1%**	52.2%	50.9%

Borrowings of both the Group and the Trust denominated in currencies other than the respective entities' functional currencies amounted to $265,153,000 (2017: $181,651,000). These balances are denominated in Australian dollar.

For the current portion of borrowings, the Group has received commitments from banks to refinance these borrowings when they fall due.

15. Borrowings (continued)

Revolving loans (secured)

Revolving loans amounting to $245,111,000 (2017: $194,656,000) are secured by mortgage over an investment property of the Group (Note 3). The interest rate is at 0.80% + SOR (2017: 0.80% + SOR) per annum. The loans are repayable upon maturity. The Group has entered into interest rate swaps (Note 13) to hedge $245,111,000 (2017: $194,656,000) of the revolving loans that are on floating interest rates.

Bank loans (unsecured)

The Group has entered into interest rate swaps (Note 13) to hedge $1,183,710,000 (2017: $1,403,600,000) of the bank loans that are on floating interest rates. The remaining bank loans of $214,993,000 (2017: $216,462,000) are on floating interest rates and bear interest ranging from 0.64% + SOR to 1.02% + BBSW (2017: 0.64% + SOR to 1.02% + BBSW) per annum.

In the prior year, bank loans of $154,925,000 were on a fixed interest rate of 1.85% per annum and were repaid upon maturity.

Revolving loans (unsecured)

Revolving loans bear interest ranging from 0.75% + SOR to 1.20% + BBSW (2017: 0.88% + SOR to 1.20% + BBSW) per annum. The Group has entered into interest rate swaps (Note 13) to hedge $454,563,000 (2017: $273,990,000) of the revolving loans that are on floating interest rates.

Medium term notes (unsecured)

On 11 February 2015, Keppel REIT MTN Pte. Ltd. issued $50,000,000 of medium term notes due in 2022 through the multicurrency debt issuance programme, at a fixed coupon rate of 3.15% per annum.

On 6 April 2017, Keppel REIT MTN Pte. Ltd. issued $75,000,000 of medium term notes due in 2024 through the multicurrency debt issuance programme, at a fixed coupon rate of 3.275% per annum.

Borrowings from subsidiaries (unsecured)

Borrowings from subsidiaries bear interest ranging from 2.47% to 3.36% (2017: 1.36% to 3.36%) per annum and are not due for repayment within the next 12 months.

Unutilised available facilities

As at 31 December 2018, the Group had unutilised facilities of $905,159,000 (2017: $871,368,000) available to meet its future obligations.

16. Deferred tax liabilities

Movement in deferred tax liabilities is as follows:

	Group 2018 $'000	Group 2017 $'000
Investment properties		
At 1 January	**44,026**	34,808
Translation differences	**(579)**	(1,737)
Tax charged to Consolidated Statement of Profit or Loss (Note 26)	**6,591**	10,955
At 31 December	**50,038**	44,026

Deferred tax liabilities are expected to be settled after one year from the balance sheet date.

17. Units in issue, treasury units and perpetual securities

(a) Units in issue

Group and Trust	No. of units: Units in issue '000	No. of units: Treasury units '000	Amount: Units in issue $'000	Amount: Treasury units $'000
2018				
At 1 January	**3,370,734**	–	**3,530,732**	–
Issue of Units:				
- Payment of management fees in Units	**42,987**	–	**51,498**	–
- Distribution Reinvestment Plan ("DRP")	**7,956**	–	**9,707**	–
Distribution to Unitholders	–	–	**(1,348)**	–
Purchase of Units	–	**(28,278)**	–	**(32,822)**
Cancellation of treasury units	**(28,278)**	**28,278**	**(32,822)**	**32,822**
At 31 December	**3,393,399**	–	**3,557,767**	–
2017				
At 1 January	3,291,616	–	3,456,557	–
Issue of Units:				
- Payment of management fees in Units	47,361	–	50,822	–
- Distribution Reinvestment Plan ("DRP")	31,757	–	34,307	–
Distribution to Unitholders	–	–	(10,954)	–
At 31 December	3,370,734	–	3,530,732	–

17. Units in issue, treasury units and perpetual securities (continued)

(a) Units in issue (continued)

During the year, the following Units were issued:

- 42,986,667 (2017: 47,360,865) Units were issued at unit prices ranging from $1.1082 to $1.2501 (2017: $1.0152 to $1.1723) as payment of management fees to the Manager; and

- 7,955,743 (2017: 31,757,174) Units were issued at unit prices ranging from $1.1864 to $1.2656 (2017: $1.0004 to $1.1635) pursuant to the DRP where Unitholders have the option to receive their distribution in Units instead of cash or a combination of Units and cash.

Each Unit represents an undivided interest in the Trust. The rights and interests of Unitholders are contained in the Trust Deed and include the right to:

- receive income and other distributions attributable to the Units held;

- participate in the termination of the Trust by receiving a share of all net cash proceeds derived from the realisation of the assets of the Trust less liabilities, in accordance with their proportionate interests in the Trust. However, a Unitholder has no equitable or proprietary interest in the underlying assets of the Trust and is not entitled to transfer to it any assets (or part thereof) or of any estate or interest in any asset (or part thereof) of the Trust; and

- attend all Unitholders' meetings. The Trustee or the Manager may (and the Manager shall at the request in writing of not less than 50 Unitholders or Unitholders representing not less than 10% of the issued Units of the Scheme) at any time convene a meeting of Unitholders in accordance with the provisions of the Trust Deed.

The restrictions of a Unitholder include, *inter alia*, the following:

- a Unitholder's right is limited to the right to require due administration of the Trust in accordance with the provisions of the Trust Deed; and

- a Unitholder has no right to request the Manager to repurchase or redeem his or her Units while the Units are listed on SGX-ST.

The Trust Deed contains provisions designed to limit the liability of a Unitholder to the amount paid or payable for any Unit, and to ensure that no Unitholder, by reason alone of being a Unitholder, will be personally liable to indemnify the Trustee or any creditor of the Group in the event that the liabilities of the Group exceed its assets, if the issue price of the Units held by that Unitholder has been fully paid.

(b) Treasury units

The Manager initiated its Unit buy-back programme in the second half of 2018 following Unitholders' approval of the Unit buy-back mandate at the last annual general meeting.

During the year, 28,277,800 Units were purchased at unit prices ranging from $1.1200 to $1.1900 from the open market and subsequently cancelled.

17. Units in issue and perpetual securities (continued)

(c) Perpetual securities

On 2 November 2015, the Trust issued $150,000,000 of subordinated perpetual securities at a fixed rate of 4.98% per annum, with the first distribution rate reset falling on 2 November 2020 and subsequent resets occurring every five years thereafter. The perpetual securities have no fixed redemption date and redemption is at the option of the Trust in accordance with the terms of issue of the securities. The distribution is payable semi-annually at the discretion of the Trust and is non-cumulative.

In terms of distribution payments or in the event of winding-up of the Trust:

- These perpetual securities rank pari passu with the holders of preferred units (if any) and rank ahead of the Unitholders of the Trust, but junior to the claims of all other present and future creditors of the Trust.

- The Trust shall not declare or pay any distribution to the Unitholders, or make redemption, unless the Trust declares or pays any distribution to the perpetual securities holders.

These perpetual securities are classified as equity instruments and recorded in equity in the Statements of Movements in Unitholders' Funds. The $149,701,000 (2017: $149,701,000) presented on the Balance Sheets represent the $150,000,000 (2017: $150,000,000) perpetual securities issued net of issue expenses, and include the profit attributable to perpetual securities holders from the last distribution date.

18. Non-controlling interests

Material non-controlling interests ("NCI") of the Group are as follows:

	NCI percentage of ownership interest and voting interest		Carrying amount of NCI	
	2018	2017	**2018**	2017
	%	%	**$'000**	$'000
Ocean Properties LLP	**~20.10**	~0.10	**428,610**	2,133

Summarised financial information before inter-group elimination:

	Ocean Properties LLP	
	2018	2017
	$'000	$'000
Non-current assets	**2,781,727**	2,775,126
Current assets	**12,546**	19,294
Non-current liabilities	**(491,654)**	(493,324)
Current liabilities	**(17,804)**	(27,354)
Net assets	**2,284,815**	2,273,742
Revenue	**114,002**	107,904
Profit for the year	**92,141**	76,176
Other comprehensive income	**2,024**	(3,245)
Total comprehensive income	**94,165**	72,931
Total comprehensive income attributable to NCI	**960**	72
Distribution of partnership profits to NCI	**(882)**	(79)
Net cash flows provided by operating activities	**91,600**	90,663
Net cash flows used in investing activities	**(32)**	(29)
Net cash flows used in financing activities	**(98,692)**	(84,727)

19. Other reserves

	Group 2018 Interest rate risk $'000	Group 2018 Foreign exchange risk $'000	Group 2018 Hedging reserves of associates $'000	Group 2018 Total $'000	Group 2017 Total $'000
(a) Hedging reserve					
At 1 January	**(15,927)**	**1,175**	**(5,719)**	**(20,471)**	(5,494)
Fair value gains/(losses)	**4,121**	**(451)**	**–**	**3,670**	(31,761)
Reclassification to profit or loss, as hedged item has affected profit or loss					
- Trust expenses	**–**	**(795)**	**–**	**(795)**	701
- Borrowing costs	**7,301**	**–**	**–**	**7,301**	15,865
Share of associates' fair value gains	**–**	**–**	**4,462**	**4,462**	214
Less: Non-controlling interests	**(2)**	**–**	**–**	**(2)**	4
	11,420	**(1,246)**	**4,462**	**14,636**	(14,977)
At 31 December	**(4,507)**	**(71)**	**(1,257)**	**(5,835)**	(20,471)

	Trust 2018 Interest rate risk $'000	Trust 2018 Foreign exchange risk $'000	Trust 2018 Total $'000	Trust 2017 Total $'000
At 1 January	**(13,729)**	**1,175**	**(12,554)**	(132)
Fair value gains/(losses)	**2,753**	**(451)**	**2,302**	(26,812)
Reclassification to profit or loss, as hedged item has affected profit or loss				
- Trust expenses	**–**	**(795)**	**(795)**	701
- Borrowing costs	**6,086**	**–**	**6,086**	13,689
	8,839	**(1,246)**	**7,593**	(12,422)
At 31 December	**(4,890)**	**(71)**	**(4,961)**	(12,554)

	Group 2018 $'000	Group 2017 $'000
(b) Foreign currency translation reserve		
At 1 January	**(202,110)**	(167,302)
Adoption of SFRS(I)	**167,302**	167,302
At 1 January (restated)	**(34,808)**	–
Net currency translation differences of financial statements of foreign subsidiaries and joint ventures	**(2,249)**	(6,683)
Net currency translation differences on hedging instruments designated as net investment hedge of foreign operations	**(9,361)**	(28,125)
	(11,610)	(34,808)
At 31 December	**(46,418)**	(34,808)

19. Other reserves (continued)

As at 31 December 2018, losses of $37,233,000 recorded in the foreign currency translation reserve relate to continuing hedges. None of the foreign currency translation reserve relates to hedging relationships for which hedge accounting is no longer applied.

20. Property income

	Group	
	2018	2017
	$'000	$'000
Gross rent	**146,995**	152,864
Car park income	**3,542**	3,849
Others	**15,321**	7,803
	165,858	164,516

21. Property expenses

	Group	
	2018	2017
	$'000	$'000
Property tax	**10,654**	11,057
Property management fee	**4,419**	4,157
Property management reimbursements	**1,908**	1,898
Marketing expenses	**1,477**	1,447
Utilities	**2,949**	2,859
Maintenance	**9,957**	10,690
Other property expenses	**1,339**	1,208
	32,703	33,316

22. Rental support

Rental support relates to top-up payments from the vendor in respect of the Group's one-third interest in CBDPL, which holds MBFC Tower 3. In the prior year, this also included top-up payments from the vendor in respect of the Group's approximate 12.39% interest in OPLLP, which holds OFC.

23. Trust expenses

	Group	
	2018	2017
	$'000	$'000
Manager's base fees	**42,610**	42,097
Manager's performance fees	**8,653**	8,892
Trustees' fees	**1,695**	1,647
Auditor's remuneration	**271**	275
Professional fees	**674**	1,125
Other trust expenses	**474**	2,422
	54,377	56,458

For the financial years ended 31 December 2018 and 2017, the Manager has elected to receive 100% of base fees and performance fees earned in Units.

24. Borrowing costs

	Group	
	2018	2017
	$'000	$'000
Interest expense on borrowings	**66,679**	63,185
Amortisation of capitalised transaction costs	**2,405**	2,071
	69,084	65,256

25. Net change in fair value of investment properties

	Group	
	2018	2017
	$'000	$'000
Investment properties held directly by the Group (Note 3)	**23,819**	23,604
Investment properties held by associates (Note 5)	**4,622**	10,627
Investment properties held by joint ventures (Note 6)	**12,579**	26,462
Effects of recognising rental income on a straight-line basis over the lease terms	**(7,853)**	(8,966)
	33,167	51,727

26. Income tax expense

	Group 2018 $'000	2017 $'000
Singapore current tax:		
- current year	**1,293**	1,899
- over provision in respect of previous financial years	**(110)**	(80)
Overseas deferred tax:		
- current year	**6,591**	10,955
Overseas withholding tax:		
- current year	**4,583**	4,382
- over provision in respect of previous financial years	**(2,121)**	–
	10,236	17,156
Reconciliation of effective tax:		
Profit before tax	**164,824**	197,310
Income tax using Singapore tax rate of 17% (2017: 17%)	**28,020**	33,543
Effects of:		
- expenses not deductible for tax purposes	**12,244**	12,552
- income not subject to tax	**(17,873)**	(19,678)
- effects of tax rates in foreign jurisdiction	**614**	1,063
- tax transparency	**(15,121)**	(14,626)
- over provision in respect of previous financial years	**(2,231)**	(80)
- withholding tax	**4,583**	4,382
Income tax expense recognised in Consolidated Statement of Profit or Loss	**10,236**	17,156

27. Earnings per unit

The basic earnings per Unit is calculated by dividing profit after tax attributable to Unitholders against the weighted average number of Units in issue during the financial year.

	Group	
	2018	2017
	$'000	$'000
Profit after tax attributable to Unitholders	**146,160**	172,608
Profit after tax attributable to Unitholders and excluding net change in fair value of investment properties and related tax expense	**117,539**	131,834

	No. of Units	No. of Units
	'000	'000
Weighted average number of Units in issue during the financial year	**3,397,637**	3,336,887
Basic earnings per Unit based on:		
Profit after tax attributable to Unitholders	**4.30 cents**	5.17 cents
Profit after tax attributable to Unitholders and excluding net change in fair value of investment properties and related tax expense	**3.46 cents**	3.95 cents

The diluted earnings per Unit is the same as the basic earnings per Unit as there are no dilutive instruments in issue during the financial year.

28. Significant related party transactions

During the financial year, other than those disclosed elsewhere in the financial statements, the following significant related party transactions took place at terms agreed between the parties:

	Group	
	2018	2017
	$'000	$'000
Acquisition fee paid to the Manager	**–**	3,772
Divestment fee paid to the Manager	**2,686**	–
Trustee's fees	**1,278**	1,263
Property management fees and reimbursements paid/payable to a related company	**6,092**	5,875
Property tax recovered/recoverable from related parties	**–**	69
Leasing commissions paid/payable to a related company	**1,779**	4,259
Service fees paid/payable to a related company	**250**	217
Rental income and other related income from related companies	**6,781**	7,268
Interest income received from associates	**23,193**	19,661
Rental support received from a related company	**8,615**	10,300
Electricity supply provided by a related company	**3,381**	3,480
Telephone and internet services provided by related companies	**8**	9
Aircon supply provided by a related company	**561**	553
Adjustment to one-third interest in an associate	**333**	–
Reimbursement of development costs for one-third interest in an associate	**757**	–

29. Financial risk management objectives and policies

The Group is exposed to credit, interest rate, liquidity, foreign currency and operational risks in the normal course of its business. Assessment of financial risks is carried out regularly by the Manager.

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

(a) Credit risk

Credit risk is the potential financial loss resulting from the failure of a customer or a counterparty to settle its financial and contractual obligations to the Group as and when they fall due.

Credit assessments on prospective tenants are carried out by way of evaluation of information from corporate searches and conducted prior to the signing of lease agreements. Security deposits are collected from tenants, and the Group's tenant trade sector mix in its property portfolio is actively monitored and managed to avoid excessive exposure to any one potentially volatile trade sector.

The Manager has ensured that appropriate terms and/or credit controls are stipulated in the agreements to ensure that the counterparty fulfils its obligations.

In measuring the lifetime expected credit loss allowance for trade and other receivables, debtors are grouped based on shared credit risk characteristics and days past due. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of customers and adjusts to reflect current and forward-looking macroeconomic factors affecting the ability of the debtor to settle the receivables. Impaired receivables (net of security deposits and bank guarantees) are provided for when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where such receivables are provided for, the Manager continues to engage in enforcement activity to attempt to recover these receivables due. Where recoveries are made, these are recognised in profit or loss.

Exposure to credit risk

At the reporting date, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the Balance Sheets.

Credit risk concentration profile

At the reporting date, approximately 25% (2017: 27%) of the Group's trade and other receivables were due from related companies and joint ventures. Concentration of credit risk relating to trade receivables is limited due to the Group's many and varied tenants. The tenants are engaged in diversified businesses and are of good quality and strong credit standing.

Financial assets that are neither past due nor impaired

Trade and other receivables and advances to associates that are neither past due nor impaired relate to creditworthy debtors and counterparties with good payment record. Cash and bank balances are placed and derivative financial instruments are entered into with financial institutions with good credit ratings.

29. Financial risk management objectives and policies (continued)

(b) Interest rate risk

The Group's exposure to changes in interest rates arises primarily from its interest earning financial assets and interest bearing financial liabilities.

The Group constantly monitors its exposure to changes in interest rates of 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 the use of financial instruments or other suitable financial products.

The Group manages interest costs using a mix of fixed and floating rate debts. The details of the interest rates relating to interest earning financial assets and interest bearing financial liabilities are disclosed in Notes 8, 11 and 15 respectively.

Sensitivity analysis

At the reporting date, if the interest rates had been 0.1% per annum (2017: 0.1% per annum) higher/lower with all other variables constant, the Group's profit before tax would have been $19,000 (2017: $173,000) lower/higher, and the Group's hedging reserve would have been $3,791,000 (2017: $5,534,000) lower/higher, arising mainly as a result of an increase/decrease in the fair value of interest rate swaps designated as cash flow hedges.

(c) Liquidity risk

The Manager monitors and maintains the Group'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.

29. Financial risk management objectives and policies (continued)

(c) Liquidity risk (continued)

The table below summarises the financial liabilities of the Group and the Trust and their maturity profile at the reporting date based on contractual undiscounted repayment obligations.

Group	2018				2017			
	1 year or less	> 1 year to 5 years	> 5 years	Total	1 year or less	> 1 year to 5 years	> 5 years	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Trade and other payables	64,757	–	–	64,757	56,451	–	–	56,451
Derivative financial instruments:								
– Interest rate swaps (settled net)	3,161	3,811	–	6,972	14,808	30,638	636	46,082
– Cross currency swap (settled net)	(131)	3,511	–	3,380	–	–	–	–
– Forward currency contracts (gross payments)	29,004	–	–	29,004	20,706	–	–	20,706
– Forward currency contracts (gross receipts)	(28,885)	–	–	(28,885)	(21,865)	–	–	(21,865)
Security deposits	4,933	18,567	8,748	32,248	3,159	20,222	7,453	30,834
Borrowings	124,179	2,198,409	177,169	2,499,757	474,633	2,140,517	78,129	2,693,279
	197,018	2,224,298	185,917	2,607,233	547,892	2,191,377	86,218	2,825,487

Trust	2018				2017			
	1 year or less	> 1 year to 5 years	> 5 years	Total	1 year or less	> 1 year to 5 years	> 5 years	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Trade and other payables	43,457	–	–	43,457	34,905	–	–	34,905
Derivative financial instruments:								
– Interest rate swaps (settled net)	3,305	4,099	–	7,404	12,263	25,378	636	38,277
– Cross currency swap (settled net)	(131)	3,511	–	3,380	–	–	–	–
– Forward currency contracts (gross payments)	29,004	–	–	29,004	20,706	–	–	20,706
– Forward currency contracts (gross receipts)	(28,885)	–	–	(28,885)	(21,865)	–	–	(21,865)
Security deposits	1,616	2,423	1,785	5,824	116	3,982	–	4,098
Borrowings	110,613	1,700,338	177,169	1,988,120	464,932	1,640,813	78,129	2,183,874
	158,979	1,710,371	178,954	2,048,304	511,057	1,670,173	78,765	2,259,995

29. Financial risk management objectives and policies (continued)

(d) Foreign currency risk

Foreign currency risk arises when transactions are denominated in currencies other than the respective functional currencies of the various entities in the Group and impact the Group's net assets and profit for the year.

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.

The Group has outstanding forward currency contracts with notional amounts totalling $28,885,000 (2017: $21,865,000) (Note 13). As at the reporting date, net financial derivative liabilities of $71,000 (2017: assets of $1,175,000) were recorded on the Balance Sheets based on the net fair value of these forward exchange contracts.

The Group has an outstanding cross currency swap with a notional amount of $99,790,000 (2017: $99,790,000) (Note 13). As at the reporting date, a derivative liability of $3,397,000 (2017: asset of $4,190,000) was recorded on the Balance Sheets based on the net fair value of the cross currency swap.

Sensitivity analysis

At the reporting date, if the Australian dollar strengthened/weakened against the Singapore dollar by 5% (2017: 5%) with all other variables constant, the Group's profit before tax would have been $2,408,000 (2017: $2,263,000) higher/lower, and the Group's hedging reserve would have been $1,448,000 (2017: $1,035,000) lower/higher.

30. Capital management

The primary objective of the Group's capital management is to optimise the Group's funding structure and ensure that it maintains a healthy aggregate leverage.

Under the Property Funds Appendix of the CIS Code, the aggregate leverage should not exceed 45.0% of the Group's deposited properties, regardless whether a credit rating from Fitch Inc., Moody's Investor Services or Standard & Poor's has been obtained for the property fund.

The Group's capital is represented by its Unitholders' funds as disclosed in the Balance Sheets. The Group constantly monitors capital using the aggregate leverage, which is total gross borrowings divided by the value of its deposited properties. The value of the deposited properties refers to the value of the property fund's total assets (excluding restricted cash and bank balances) based on the latest valuation. At the balance sheet date, the Group has gross borrowings (including deferred payments for the construction of Phase 2 of Ocean Financial Centre, Phase 1 of Marina Bay Financial Centre and the Group's respective share of external borrowings carried at ORQPL and CBDPL) totalling $3,043,816,000 (2017: $3,374,565,000) and an aggregate leverage of 36.3% (2017: 38.7%).

31. Fair value of assets and liabilities

(a) Fair value hierarchy

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction other than in a forced or liquidation sale.

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

(i) Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can assess at the measurement date;
(ii) Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
(iii) Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in their entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

(b) Assets and liabilities measured at fair value

The following table shows an analysis of each class of assets and liabilities measured at fair value at the end of the reporting period:

	Group 2018 $'000		
	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
Financial assets			
Derivative financial instruments:			
- Forward currency contracts	30	–	30
- Interest rate swaps	1,505	–	1,505
Financial assets as at 31 December 2018	1,535	–	1,535
Financial liabilities			
Derivative financial instruments:			
- Forward currency contracts	(101)	–	(101)
- Interest rate swaps	(8,317)	–	(8,317)
- Cross currency swap	(3,397)	–	(3,397)
Financial liabilities as at 31 December 2018	(11,815)	–	(11,815)
Non-financial assets			
Investment properties	–	3,879,956	3,879,956
Non-financial assets as at 31 December 2018	–	3,879,956	3,879,956

31. Fair value of assets and liabilities (continued)

(b) Assets and liabilities measured at fair value (continued)

	Group 2017 $'000		
	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
Financial assets			
Derivative financial instruments:			
- Forward currency contracts	1,175	–	1,175
- Interest rate swaps	22	–	22
- Cross currency swap	4,190	–	4,190
Financial assets as at 31 December 2017	5,387	–	5,387
Financial liabilities			
Derivative financial instruments:			
- Interest rate swaps	(17,765)	–	(17,765)
Financial liabilities as at 31 December 2017	(17,765)	–	(17,765)
Non-financial assets			
Investment properties	–	3,774,870	3,774,870
Non-financial assets as at 31 December 2017	–	3,774,870	3,774,870

	Trust 2018 $'000		
	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
Financial assets			
Derivative financial instruments:			
- Forward currency contracts	30	–	30
- Interest rate swaps	868	–	868
Financial assets as at 31 December 2018	898	–	898
Financial liabilities			
Derivative financial instruments:			
- Forward currency contracts	(101)	–	(101)
- Interest rate swaps	(8,065)	–	(8,065)
- Cross currency swap	(3,397)	–	(3,397)
Financial liabilities as at 31 December 2018	(11,563)	–	(11,563)
Non-financial assets			
Investment properties	–	515,000	515,000
Non-financial assets as at 31 December 2018	–	515,000	515,000

31. Fair value of assets and liabilities (continued)

(b) Assets and liabilities measured at fair value (continued)

	Trust 2017 $'000		
	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
Financial assets			
Derivative financial instruments:			
- Forward currency contracts	1,175	–	1,175
- Cross currency swap	4,190	–	4,190
Financial assets as at 31 December 2017	5,365	–	5,365
Financial liabilities			
Derivative financial instruments:			
- Interest rate swaps	(15,545)	–	(15,545)
Financial liabilities as at 31 December 2017	(15,545)	–	(15,545)
Non-financial assets			
Investment properties	–	525,000	525,000
Non-financial assets as at 31 December 2017	–	525,000	525,000

(c) Level 2 fair value measurements

Forward currency contracts, interest rate swaps and cross currency swap are valued using valuation techniques with market observable inputs. The most frequently applied valuation technique includes forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, interest rate curves and forward rate curves.

31. Fair value of assets and liabilities (continued)

(d) Level 3 fair value measurements

(i) Information about significant unobservable inputs used in Level 3 fair value measurements

The following table presents the valuation techniques and key inputs that were used to determine the fair value of investment properties categorised under Level 3 of the fair value hierarchy.

Description	Fair value as at 31 December 2018 $'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Investment properties	3,879,956	Capitalisation approach	Capitalisation rate	3.60% - 5.25%	The higher the rate, the lower the fair value
		Discounted cash flows analysis	Discount rate	6.00% - 6.80%	The higher the rate, the lower the fair value
		Direct comparison method	Transacted prices of comparable properties	$600/sf - $8,200/sf	The higher the price, the higher the fair value

Description	Fair value as at 31 December 2017 $'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Investment properties	3,774,870	Capitalisation approach	Capitalisation rate	3.75% - 5.63%	The higher the rate, the lower the fair value
		Discounted cash flows analysis	Discount rate	6.25% - 7.00%	The higher the rate, the lower the fair value
		Direct comparison method	Transacted prices of comparable properties	$600/sf - $8,600/sf	The higher the price, the higher the fair value

The investment properties categorised under Level 3 of the fair value hierarchy are generally sensitive to the various unobservable inputs tabled above. A significant movement of each input would result in a significant change to the fair value of the respective investment properties.

The Group assesses the fair value of investment properties on a yearly basis.

31. Fair value of assets and liabilities (continued)

(d) Level 3 fair value measurements (continued)

(ii) Valuation policies and procedures

The Group engages external, independent and qualified valuers to determine the fair value of the Group's investment properties at the end of every financial year.

The Manager is responsible for selecting and engaging valuation experts that possess the relevant credentials and knowledge of valuation of investment properties. In accordance to the CIS Code, the Group rotates the independent valuers every two years.

Management reviews the appropriateness of the valuation methodologies and assumptions adopted by the external valuers.

Significant changes in fair value measurements from period to period are evaluated by management for reasonableness. Key drivers of the changes are identified and assessed for reasonableness against relevant information from independent external sources, or internal sources if necessary and appropriate. Significant valuation issues are reported to the Audit and Risk Committee.

(e) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

The Manager has determined that the carrying amounts of cash and bank balances, trade and other receivables, trade and other payables, security deposits and current borrowings reasonably approximate their fair values. The carrying amounts of advances to associates and floating rate borrowings reasonably approximate their fair values because they are floating rate instruments that are repriced to market interest rates on or near the end of the reporting period.

The fair values of non-current fixed-rate borrowings as at 31 December 2018 and 31 December 2017 are as stated below. They are estimated using discounted cash flows analyses based on current rates for similar types of borrowing arrangements.

	2018		2017	
	Carrying value	**Fair value**	Carrying value	Fair value
Group	**$'000**	**$'000**	$'000	$'000
Borrowings (non-current)	**125,000**	**125,327**	125,000	126,829
Trust				
Borrowings (non-current)	**125,000**	**125,327**	125,000	126,829

31. Fair value of assets and liabilities (continued)

(e) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value (continued)

Fair value information has not been disclosed for the Trust's interest bearing amounts owing by subsidiaries that are carried at cost because their fair values cannot be measured reliably as the amounts have no fixed repayment terms.

(f) Classification of financial instruments

Group	Financial assets at amortised cost $'000	Financial liabilities at amortised cost $'000
2018		
Assets		
Advances to associates	615,622	–
Trade and other receivables	15,056	–
Cash and bank balances	258,924	–
Total	889,602	–
Liabilities		
Trade and other payables	–	64,757
Borrowings	–	2,285,704
Security deposits	–	32,248
Total	–	2,382,709

Group		
2017		
Assets		
Advances to associates	613,122	–
Trade and other receivables	8,619	–
Cash and bank balances	198,158	–
Total	819,899	–
Liabilities		
Trade and other payables	–	56,451
Borrowings	–	2,522,181
Security deposits	–	30,834
Total	–	2,609,466

31. Fair value of assets and liabilities (continued)

(f) Classification of financial instruments (continued)

Trust	Financial assets at amortised cost $'000	Financial liabilities at amortised cost $'000
2018		
Assets		
Advances to associates	615,622	–
Trade and other receivables	11,269	–
Cash and bank balances	231,455	–
Total	858,346	–
Liabilities		
Trade and other payables	–	43,457
Borrowings	–	1,819,776
Security deposits	–	5,824
Total	–	1,869,057

Trust		
2017		
Assets		
Advances to associates	613,122	–
Trade and other receivables	12,120	–
Cash and bank balances	155,823	–
Total	781,065	–
Liabilities		
Trade and other payables	–	34,905
Borrowings	–	2,056,888
Security deposits	–	4,098
Total	–	2,095,891

The Group and the Trust have financial liabilities at fair value through profit or loss amounting to $5,704,000 (2017: $1,816,000).

In the prior year, the Group and the Trust had financial assets at fair value through profit or loss amounting to $4,190,000.

32. Portfolio reporting

The Group's business is investing in real estate and real estate-related assets which are predominantly used for commercial purposes. All its existing properties are located in Singapore and Australia.

Discrete financial information is provided to the Board on a property by property basis. The information provided includes net rental (including property income and property expenses) and the value of the investment properties. The Board is of the view that the portfolio reporting is appropriate as the Group's business is in prime commercial properties located in Singapore's and Australia's financial precincts. In making this judgement, the Board considers the nature and location of these properties which are similar for the entire portfolio of the Group.

Investments in One Raffles Quay and Marina Bay Financial Centre are held through one-third interests in ORQPL, BFCDLLP and CBDPL, investments in 8 Chifley Square and David Malcolm Justice Centre are held through 50% interests in M8CT and MOTT, and the information provided below is in relation to the properties.

<u>By property</u>

	Group	
	2018	2017
	$'000	$'000
<u>Property income</u>		
Bugis Junction Towers	**20,391**	19,446
Ocean Financial Centre	**113,321**	107,952
275 George Street[1]	**14,785**	19,219
8 Exhibition Street[2]	**17,361**	17,899
Total property income	**165,858**	164,516

32. Portfolio reporting (continued)

By property (continued)

	Group 2018 $'000	2017 $'000
Income contribution		
Bugis Junction Towers	**16,145**	15,111
Ocean Financial Centre	**94,718**	89,120
275 George Street[1]	**11,135**	15,455
8 Exhibition Street[2]	**11,157**	11,514
Total net property income	**133,155**	131,200
Ocean Financial Centre:		
– Rental support	**–**	2,525
One-third interest in ORQPL[3]:		
– Interest income	**2,241**	1,988
– Dividend income	**22,552**	26,827
Total income	**24,793**	28,815
One-third interests in BFCDLLP[4] and CBDPL[4]:		
– Rental support	**8,615**	10,300
– Interest income	**20,952**	17,673
– Dividend and distribution income	**51,441**	66,982
Total income	**81,008**	94,955
50% interest in M8CT[5]:		
– Distribution income	**13,019**	13,271
50% interest in MOTT[6]:		
– Distribution income	**13,169**	13,294
Total income contribution	**265,144**	284,060

[1] Comprises 50.0% (2017: 50.0%) interest in 275 George Street.
[2] Comprises 50.0% (2017: 50.0%) interest in 8 Exhibition Street office building and a 100.0% (2017: 100.0%) interest in three adjacent retail units.
[3] Comprises one-third (2017: one-third) interest in ORQPL which holds One Raffles Quay.
[4] Comprise one-third (2017: 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 50.0% (2017: 50.0%) interest in M8CT which holds 8 Chifley Square.
[6] Comprises 50.0% (2017: 50.0%) interest in MOTT which holds David Malcolm Justice Centre.

32. **Portfolio reporting (continued)**

By property (continued)

Reconciliation to profit before net change in fair value of investment properties per Consolidated Statement of Profit or Loss:

	Group 2018 $'000	Group 2017 $'000
Total income contribution	**265,144**	284,060
Less: Dividend and distribution income	**(100,181)**	(120,374)
Add: Interest income earned from deposits placed with financial institutions	**1,882**	3,314
Add: Share of results of associates	**73,720**	83,795
Add: Share of results of joint ventures	**30,170**	31,959
Less: Other unallocated expenses	**(139,078)**	(137,171)
Profit before net change in fair value of investment properties	**131,657**	145,583

	Group 2018 $'000	Group 2017 $'000
Interests in associates		
One-third interest in ORQPL:		
Investment in associate	**685,264**	687,515
Advances to associate	**47,446**	44,946
	732,710	732,461
One-third interest in BFCDLLP:		
Investment in associate	**1,109,185**	1,105,612
Advances to associate	**568,176**	568,176
	1,677,361	1,673,788
One-third interest in CBDPL:		
Investment in associate	**744,214**	734,715

	Group 2018 $'000	Group 2017 $'000
Interests in joint ventures		
50% interest in M8CT:		
Investment in joint venture	**249,282**	247,477
50% interest in MOTT:		
Investment in joint venture	**222,409**	217,619

32. Portfolio reporting (continued)

By geographical area

	Group 2018 $'000	Group 2017 $'000
Property income		
- Singapore	**133,712**	127,398
- Australia	**32,146**	37,118
Total property income	**165,858**	164,516
Net property income		
- Singapore	**110,863**	104,231
- Australia	**22,292**	26,969
Total net property income	**133,155**	131,200
Income contribution		
- Singapore	**216,664**	230,526
- Australia	**48,480**	53,534
Total income contribution	**265,144**	284,060
Investment properties, at valuation		
- Singapore	**3,142,000**	3,150,630
- Australia	**737,956**	624,240
Total value of investment properties	**3,879,956**	3,774,870

33. Commitments and contingencies

(a) Operating lease commitments – as lessor

The Group leases out its investment properties. Lease arrangements for the Group's Australia-based investment properties include rental escalation clauses. Future minimum rental receivable under non-cancellable operating leases is as follows:

	Group 2018 $'000	Group 2017 $'000
Within 1 year	**130,458**	145,213
Between 2 and 5 years	**398,657**	460,459
After 5 years	**913,375**	965,811
	1,442,490	1,571,483

(b) Capital commitments

Capital expenditure contracted for as at the end of the reporting period but not recognised in the financial statements is as follows:

	Group 2018 $'000	Group 2017 $'000	Trust 2018 $'000	Trust 2017 $'000
Committed progress payments for investment property under development	**134,201**	216,857	–	–

33. Commitments and contingencies (continued)

(c) Guarantee

The Trust has provided corporate guarantees amounting to $1,795,625,000 (2017: $1,577,382,000) and $125,000,000 (2017: $125,000,000) to banks for loans taken by subsidiaries and medium term notes issued by a subsidiary respectively.

34. Financial ratios

	2018	2017
	%	%
Expenses to weighted average net assets[1]		
- including performance component of Manager's management fees	**1.16**	1.19
- excluding performance component of Manager's management fees	**0.98**	1.00
Total operating expenses to net asset value[2]	**2.8**	2.8
Portfolio turnover rate[3]	**–**	–

[1] The ratios are computed in accordance with the guidelines of the Investment Management Association of Singapore. The expenses used in the computation relate to the trust expenses, excluding property expenses, amortisation expense, foreign exchange differences and borrowing costs for the financial year.

[2] The ratio is computed based on the total property expenses as a percentage of net asset value as at the end of the financial year. Total property expenses include the Group's share of property expenses incurred by its associates and joint ventures, and all fees and charges paid to the Manager and related parties for the financial year.

[3] The ratio is computed based on the lesser of purchases or sales of underlying investment properties of the Group expressed as a percentage of weighted average net asset value.

35. Subsequent events

On 21 January 2019, the Manager declared a distribution of 1.36 cents per Unit for the period from 1 October 2018 to 31 December 2018.

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