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## PROPOSED TRANSACTIONS COMPRISING:

- (1) **THE PROPOSED ACQUISITION OF 99.0% INTEREST IN KEPPEL DC SINGAPORE 4 (“KDC SGP 4”) AND THE ENTRY INTO THE KEPPEL LEASE AGREEMENT, THE FACILITY MANAGEMENT AGREEMENT AND THE LLP AGREEMENT (“PROPOSED KDC SGP 4 TRANSACTION”); AND**
- (2) **THE PROPOSED ACQUISITION OF 100.0% INTEREST IN 1-NET NORTH DATA CENTRE (“1-NET NORTH DC”).**

## 1. INTRODUCTION

### 1.1 Proposed Transactions

Keppel DC REIT Management Pte. Ltd., as manager of Keppel DC REIT (the “**Manager**”), is pleased to announce that Perpetual (Asia) Limited, in its capacity as trustee of Keppel DC REIT (the “**Trustee**”), has, on 16 September 2019 entered into:

- (i) a conditional share purchase agreement with Thorium DC Pte. Ltd. (the “**KDC SGP 4 Vendor**” or “**Thorium DCPL**”) to acquire 9,900,000 ordinary shares being 99.0% of the issued share capital in Keppel DC Singapore 4 Pte. Ltd. (“**KDCS4PL**”<sup>1</sup> and the proposed acquisition of 99.0% of the issued share capital in the KDC SGP 4 Target Entity, the “**Proposed KDC SGP 4 Acquisition**”, which holds KDC SGP 4 (“**KDC SGP 4 Share Purchase Agreement**”). The remaining 1.0% of the issued share capital in the KDC SGP 4 Target Entity will be acquired by Keppel Data Centres Holding Pte Ltd (“**KDCH**”); and
- (ii) a conditional share purchase agreement with CityDC Pte. Ltd. (“**CityDC**”) and WDC Development Pte. Ltd. (“**WDCD**”) (collectively, the “**1-Net North DC Vendors**”) to acquire 1,000,000 ordinary shares being 100.0% of the issued share capital in DataCentre One Pte. Ltd. (“**DC1PL**”, and the proposed acquisition of 100.0% of the issued share capital in the DC1PL, the “**Proposed 1-Net North DC Acquisition**”), which holds 1-Net North DC (“**1-Net North DC Share Purchase Agreement**”).

Following the completion of the Proposed KDC SGP 4 Acquisition, the KDC SGP 4 Target Entity will enter into a business transfer agreement with Keppel DC Singapore 2 Pte. Ltd. (“**KDCS2PL**” or the “**Facility Manager**” or the “**Keppel Lessee**”) to transfer the relevant assets and contracts of the KDC SGP 4 Target Entity for a nominal consideration of S\$1.00 (“**Business Transfer Agreement**”). The Keppel Lessee is a subsidiary of KDCH.

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<sup>1</sup> KDCS4PL and, following the conversion into a LLP, Keppel DC Singapore 4 LLP (“KDCS4LLP”) shall be referred to as the “**KDC SGP 4 Target Entity**”, where “KDC SGP 4 Target Entity” may refer to either KDCS4PL, or as the case may be, KDCS4LLP.

The rationale for the entry into the business transfer agreement is because as a REIT, Keppel DC REIT should be a passive vehicle and should not be actively running a business. The current proposed structure where the Keppel Lessee contracts with the clients is the same as that for all the other Singapore data centres that Keppel DC REIT holds.

In connection with the Proposed KDC SGP 4 Acquisition, the KDC SGP 4 Target Entity will also enter into (i) the Keppel Lease Agreement (as defined herein) with the Keppel Lessee in relation to the Keppel Lease (as defined herein) and (ii) the Facility Management Agreement (as defined herein) with the Facility Manager in relation to the Facility Services (as defined herein).

Following KDC SGP 4 Completion (as defined herein) subject to receiving the necessary approvals and tax rulings, KDCS4PL is intended to be converted to a limited liability partnership (“LLP”), Keppel DC Singapore 4 LLP, pursuant to Section 21 of the Limited Liability Partnerships Act (Chapter 163A of Singapore).

For the purposes of this announcement:

“**Existing Portfolio**” means the portfolio of properties currently held by Keppel DC REIT, comprising (i) Keppel DC Singapore 1 (“**KDC SGP 1**”) in Singapore; (ii) Keppel DC Singapore 2 (“**KDC SGP 2**”) in Singapore; (iii) a 90.0% interest in Keppel DC Singapore 3 (“**KDC SGP 3 Interest**”) in Singapore; (iv) a 99.0% interest in Keppel DC Singapore 5 (“**KDC SGP 5 Interest**”) in Singapore; (v) a 99.0% interest in Basis Bay Data Centre (the “**Basis Bay DC Interest**”) in Cyberjaya, Malaysia; (vi) Intellicentre 2 Data Centre (“**IC2 DC**”) in Sydney Australia; (vii) Gore Hill Data Centre (“**Gore Hill DC**”) in Sydney, Australia; (viii) iseek Data Centre (“**iseek DC**”) in Brisbane, Australia; (ix) GV7 Data Centre (“**GV7 DC**”) in London, United Kingdom; (x) Keppel DC Dublin 1 (“**KDC DUB 1**”) in Dublin, Ireland; (xi) Keppel DC Dublin 2 (“**KDC DUB 2**”) in Dublin, Ireland; (xii) Almere Data Centre (“**Almere DC**”) in Almere, the Netherlands; (xiii) Cardiff Data Centre (“**Cardiff DC**”) in Cardiff, United Kingdom; (xiv) Milan Data Centre (“**Milan DC**”) in Milan, Italy; and (xv) maincubes Data Centre (“**maincubes DC**”) in Offenbach am Main, Germany. It excludes Intellicentre 3 East Data Centre<sup>1</sup>, in Sydney, Australia (“**IC3 East DC**”);

“**Enlarged Portfolio**” means the enlarged portfolio of properties held by Keppel DC REIT, consisting of (i) the Existing Portfolio; (ii) the KDC SGP 4 Interest and (iii) 1-Net North DC;

“**KDC SGP 4 Interest**” means the 99.0% interest in KDC SGP 4;

“**Proposed Acquisitions**” comprises the Proposed KDC SGP 4 Acquisition and the Proposed 1-Net North DC Acquisition;

“**Proposed Transactions**” comprises the Proposed KDC SGP 4 Transaction and the Proposed 1-Net North DC Acquisition;

“**Share Purchase Agreements**” comprises the KDC SGP 4 Share Purchase Agreement and the 1-Net North DC Share Purchase Agreement; and

“**Target Properties**” comprises KDC SGP 4 and 1-Net North DC.

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<sup>1</sup> IC3 East DC is being developed and it is expected to be completed in 2020.

## 1.2 Information on the Properties

### 1.2.1 KDC SGP 4

KDC SGP 4, located at 20 Tampines Street 92, Singapore 528875, is a five-storey carrier-neutral and purpose-built data centre facility, with a net lettable area (“**NLA**”) of approximately 84,544 sq ft. KDC SGP 4 was designed and constructed incorporating environmentally-friendly features in its design and construction. In recognition of its green efforts, the facility received the BCA-IMDA Green Mark Award (Platinum) for New Data Centres and the BCA Green Mark Award (Platinum) for New Building for Non-Residential Buildings.

The facility manager of KDC SGP 4 will be KDCS2PL, which is a subsidiary of KDCH, a data centre solutions provider in Singapore. KDCH offers a comprehensive range of colocation services to end-users. It enters into colocation service arrangements with end-users and manages data centre facilities for the end-users. KDCH is a subsidiary of Keppel Telecommunications & Transportation Ltd (“**Keppel T&T**” or the “**Sponsor**”), which has more than a decade of experience in designing, building and managing data centres.

The KDC SGP 4 Vendor is a joint venture company held by Alpha DC Fund Private Limited and KDCH in the proportion of 70.0% and 30.0% respectively. KDCH holds a 65.3% interest in Alpha DC Fund Private Limited.

### 1.2.2 1-Net North DC

1-Net North DC, located at 18 Riverside Road, Singapore 739088, is a purpose-built five-storey data centre facility featuring approximately 213,815 sq ft of floor area across four floors of data centre halls and one floor of office and ancillary space. It is currently on a triple-net master lease with approximately 17 years remaining, with an option to renew for another 7.6 years.

The 1-Net North DC Vendors comprise CityDC, which is wholly-owned by Keppel Infrastructure Trust (“**KIT**”), and WDCD, which is wholly-owned by Shimizu Corporation. CityDC and WDCD own 51.0% and 49.0% of DC1PL, respectively.

## 1.3 Relationship with the Vendors

### 1.3.1 Proposed KDC SGP 4 Transaction

Based on information available to the Manager as at the date of this Announcement, Keppel Corporation Limited (“**KCL**”), through Keppel T&T and Keppel Capital Holdings Pte. Ltd. (“**Keppel Capital**”), holds an aggregate interest in 340,976,639 Units, which is equivalent to approximately 25.2% of the total number of Units in issue, and is therefore regarded as a “controlling Unitholder” of Keppel DC REIT under both the Listing Manual of the SGX-ST (the “**Listing Manual**”) and the Property Funds Appendix. In addition, as the Manager is owned by (i) Keppel T&T through Keppel Data Centres Pte. Ltd. (“**KDCPL**”) and (ii) Keppel Capital in equal proportions, which are in turn subsidiaries of KCL, KCL is therefore regarded as a “controlling shareholder” of the Manager under both the Listing Manual and the Property Funds Appendix.

The KDC SGP 4 Vendor is a joint venture company held by Alpha DC Fund Private Limited and KDCH in the proportion of 70.0% and 30.0% respectively.

KDCH also holds a 65.3% interest in Alpha DC Fund Private Limited. As KDCH is an indirect subsidiary of KCL, the KDC SGP 4 Vendor is also an indirect subsidiary of KCL. Additionally, as the Keppel Lessee is a subsidiary of KDCH, the Keppel Lessee is an indirect subsidiary of KCL. Accordingly, for the purposes of Chapter 9 of the Listing Manual and Paragraph 5 of the Property Funds Appendix, the KDC SGP 4 Vendor (being a subsidiary of a “controlling Unitholder” and a “controlling shareholder” of the Manager) is (for the purposes of the Listing Manual) an “interested person” and (for the purposes of the Property Funds Appendix) an “interested party” of Keppel DC REIT.

Therefore, the Proposed KDC SGP 4 Acquisition will constitute an “interested person transaction” under Chapter 9 of the Listing Manual as well as an “interested party transaction” under the Property Funds Appendix, in respect of which the approval of Unitholders is required. The entry into the Keppel Lease Agreement, the Facility Management Agreement and the LLP Agreement will also constitute an “interested person transaction” under Chapter 9 of the Listing Manual.

### 1.3.2 Proposed 1-Net North DC Acquisition

Based on information available to the Manager as at 12 September 2019, Temasek Holdings (Private) Limited (“**THPL**”), holds an aggregate interest in 347,572,199 Units, which is equivalent to approximately 25.7% of the total number of Units in issue, and is therefore regarded as a “controlling Unitholder” of Keppel DC REIT under both the Listing Manual and the Property Funds Appendix. In addition, by virtue of its approximately 20.44% interest in KCL, THPL is a “controlling shareholder” of the Manager under both the Listing Manual and the Property Funds Appendix.

One of the 1-Net North DC Vendors, CityDC, is wholly-owned by KIT, which is an associate of THPL under both the Listing Manual and the Property Funds Appendix. Based on information available to the Manager as at 12 September 2019, THPL through KCL and its other shareholdings, is deemed interested in approximately 31.89% of KIT. KCL, through its wholly-owned subsidiary Keppel Infrastructure Holdings Pte. Ltd. holds an aggregate interest in 909,048,658 units in KIT, which is equivalent to approximately 18.2% of the total number of KIT units in issue.

Accordingly, for the purposes of Chapter 9 of the Listing Manual and Paragraph 5 of the Property Funds Appendix, CityDC (being an associate of a “controlling Unitholder” and a “controlling shareholder” of the Manager) is (for the purposes of the Listing Manual) an “interested person” and (for the purposes of the Property Funds Appendix) an “interested party” of Keppel DC REIT.

A circular is expected to be issued to Unitholders in due course (the “**Circular**”), together with a notice of an extraordinary general meeting (“**EGM**”), for the purpose of seeking the approval of Unitholders for the Proposed Transactions.

## 2. DETAILS OF THE PROPOSED TRANSACTIONS

### 2.1 Purchase Consideration

#### 2.1.1 KDC SGP 4

The purchase consideration payable to the KDC SGP 4 Vendor in connection with the Proposed KDC SGP 4 Acquisition (the “**KDC SGP 4 Purchase Consideration**”) is based on the adjusted net asset value (“**NAV**”) of the KDC SGP 4 Target Entity as at the date of completion of the Proposed KDC SGP 4 Acquisition (“**KDC SGP 4 Completion**”, and the date of KDC SGP 4 Completion, the “**KDC SGP 4 Completion Date**”). The estimated KDC SGP 4 Purchase Consideration payable on the KDC SGP 4 Completion Date is S\$378.9<sup>1</sup> million and is derived from:

- (i) S\$384.9 million, being 99.0% of the agreed value of KDC SGP 4 (the “**KDC SGP 4 Agreed Value**”); less
- (ii) S\$86.7 million, being 99.0% of the adjustments for KDC SGP 4 Target Entity’s adjusted net liabilities (excluding the carrying value of KDC SGP 4) as at the KDC SGP 4 Completion Date; plus
- (iii) S\$80.7 million, being 99.0% of the existing shareholder’s loan owed by the KDC SGP 4 Target Entity to the KDC SGP 4 Vendor (the “**KDCS4PL Shareholder Loan**”).

A deposit of S\$1.0 million has been paid in full to the KDC SGP 4 Vendor.

#### 2.1.2 1-Net North DC

The purchase consideration payable to the 1-Net North DC Vendors in connection with the Proposed 1-Net North DC Acquisition (the “**1-Net North DC Purchase Consideration**”) is based on the adjusted NAV of DC1PL as at the date of completion of the Proposed 1-Net North DC Acquisition (“**DC1PL Completion**”, and the date of Completion, the “**DC1PL Completion Date**”). The estimated 1-Net North DC Purchase Consideration payable on the DC1PL Completion Date is S\$201.8<sup>2</sup> million and is derived from:

- (i) S\$200.2 million, being the agreed value of 1-Net North DC (the “**1-Net North DC Agreed Value**”); less
- (ii) S\$32.2 million, being the adjustments for DC1PL’s adjusted net liabilities (excluding the carrying value of 1-Net North DC) as at the DC1PL Completion Date; plus
- (iii) the existing shareholder’s loan of S\$33.8 million owed by DC1PL to the 1-Net North DC Vendors (the “**DC1PL Shareholder Loan**”).

A deposit of S\$1.0 million has been paid in full to the 1-Net North DC Vendors.

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1 The actual amount of the KDC SGP 4 Purchase Consideration payable to the KDC SGP 4 Vendor will only be determined after the KDC SGP 4 Completion Date.

2 The actual amount of the DC1PL Purchase Consideration payable to the 1-Net North DC Vendors will only be determined after the DC1PL Completion Date.

## 2.2 Valuation

The KDC SGP 4 Agreed Value and the 1-Net North DC Agreed Value were each negotiated on a willing-buyer and willing-seller basis taking into account the independent valuations of the Target Properties. The KDC SGP 4 Agreed Value and the 1-Net North DC Agreed Value are S\$384.9 million and S\$200.2 million respectively.

The following independent valuers have been commissioned by the Manager and the Trustee to value the Target Properties:

	KDC SGP 4	1-Net North DC
<b>Independent valuer commissioned by the Manager</b>	Cushman & Wakefield VHS Pte. Ltd. (“ <b>Cushman &amp; Wakefield</b> ”)	Knight Frank Pte Ltd (“ <b>Knight Frank</b> ”)
<b>Independent valuer commissioned by the Trustee</b>	Savills Valuation And Professional Services (S) Pte Ltd (“ <b>Savills</b> ”)	Edmund Tie & Company (SEA) Pte Ltd (“ <b>Edmund Tie</b> ”)

(Cushman & Wakefield, Savills, Knight Frank and Edmund Tie, each an “**Independent Valuer**” and together the “**Independent Valuers**”)

The open market values (“**OMV**”) of the Target Properties as stated by the Independent Valuers are summarised in the tables below:

### KDC SGP 4

Independent Valuer	Date of Valuation	Methods of valuation	OMV of KDC SGP 4 Interest (with Rental Support)	OMV of KDC SGP 4 Interest (without Rental Support)
Cushman & Wakefield	10 September 2019	Discounted cash flow analysis method and the income capitalisation method	S\$385.1 million	S\$377.9 million
Savills	10 September 2019	Discounted cash flow analysis method and the income capitalisation method	S\$385.1 million	S\$378.2 million

## 1-Net North DC

Independent Valuer	Date of Valuation	Methods of valuation	OMV of 1-Net North DC
Knight Frank	15 August 2019	Discounted cash flow analysis method and the income capitalisation method	S\$200.5 million
Edmund Tie	31 August 2019	Discounted cash flow analysis method and the income capitalisation method	S\$201.5 million

## 2.3 Estimated Total Acquisition Cost

### 2.3.1 KDC SGP 4

The acquisition cost for the Proposed KDC SGP 4 Transaction (“**KDC SGP 4 Acquisition Cost**”) is estimated to be approximately S\$392.3 million, comprising:

- (i) the estimated KDC SGP 4 Purchase Consideration of approximately S\$378.9million<sup>1</sup>;
- (ii) the estimated upfront land premium of approximately S\$5.2 million payable to JTC in connection with the Proposed KDC SGP 4 Acquisition;
- (iii) the acquisition fee (the “**KDC SGP 4 Acquisition Fee**”) payable in Units to the Manager for the Proposed KDC SGP 4 Acquisition (the “**KDC SGP 4 Acquisition Fee Units**”) of approximately S\$3.9 million<sup>2</sup> (being 1.0% of the KDC SGP 4 Agreed Value); and
- (iv) the estimated stamp duty, professional and other fees and expenses of approximately S\$4.3 million incurred or to be incurred by Keppel DC REIT in connection with the Proposed KDC SGP 4 Transaction.

### 2.3.2 1-Net North DC

The acquisition cost for the Proposed 1-Net North DC Acquisition (“**1-Net North DC Acquisition Cost**”) is estimated to be approximately S\$207.2 million, comprising:

- (i) the estimated 1-Net North DC Purchase Consideration of approximately S\$201.8 million<sup>3</sup>;
- (ii) the acquisition fee (the “**1-Net North DC Acquisition Fee**”) payable in

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1 The actual amount of the KDC SGP 4 Purchase Consideration payable to the KDC SGP 4 Vendor will only be determined after the KDC SGP 4 Completion Date.

2 As the Proposed Transactions constitute an “**interested party transaction**” under Appendix 6 of the Code on Collective Investment Schemes (the “**Property Funds Appendix**”) issued by the Monetary Authority of Singapore (“**MAS**”), the Acquisition Fee will be in the form of Acquisition Fee Units which shall not be sold within one year from the date of issuance in accordance with Paragraph 5.7 of the Property Funds Appendix.

3 The actual amount of the 1-Net North DC Purchase Consideration payable to the 1-Net North DC Vendors will only be determined after the DC1PL Completion Date.

Units to the Manager for the Proposed 1-Net North DC Acquisition (the “**1-Net North DC Acquisition Fee Units**” and together with the KDC SGP 4 Acquisition Fee Units, the “**Acquisition Fee Units**”) of approximately S\$2.0 million<sup>2</sup> (being 1.0% of the 1-Net North DC Agreed Value); and

- (iii) the estimated stamp duty, professional and other fees and expenses of approximately S\$3.4 million incurred or to be incurred by Keppel DC REIT in connection with the Proposed 1-Net North DC Acquisition.

Therefore, if the Proposed Transactions are approved, the total acquisition cost for the Proposed Transactions (the “**Total Acquisition Cost**”) is estimated to be approximately S\$599.5 million, comprising the KDC SGP 4 Acquisition Cost and 1-Net North DC Acquisition Cost.

## **2.4 Certain Terms and Conditions of the KDC SGP 4 Share Purchase Agreement**

The principal terms of the KDC SGP 4 Share Purchase Agreement include, among others, the following conditions precedent:

- 2.4.1 the Proposed KDC SGP 4 Acquisition having been approved by the Unitholders of Keppel DC REIT at the EGM;
- 2.4.2 the obtaining of the relevant third party consents or waivers under the contracts and maintenance contracts (where applicable) for (a) the Proposed KDC SGP 4 Acquisition and (b) (if required) the assignment or novation of such contracts and maintenance contracts to KDCS2PL and (c) the removal of KDCS4PL as a party to the third amended and restated order for colocation services issued pursuant to the Client X Contract or the issue of an amended work order (to which KDCS4PL is not a party) replacing and superseding such third amended and restated order for colocation services;
- 2.4.3 the termination of the subordination, non-disturbance and attornment agreement dated 15 March 2018 and entered into between an affiliate of Client X, KDCS2PL, KDCS4PL and the security agent;
- 2.4.4 (if so required by Client X as a condition to Client X granting its consent for the matters in paragraph 2.4.2(c) or paragraph 2.4.3 above), the execution of a fresh subordination, non-disturbance and attornment agreement to be entered into by Client X, or any of Client X’s affiliates, KDCS2PL and the KDCS4PL;
- 2.4.5 there being no resolution, proposal, scheme or order for the compulsory acquisition or intended acquisition by the Singapore Government of KDC SGP 4 or 4.0% or more of the land area of KDC SGP 4 on or before the date fixed for KDC SGP 4 Completion;
- 2.4.6 there being no material damage to KDC SGP 4 and/or the mechanical and electrical equipment on or before KDC SGP 4 Completion;
- 2.4.7 obtaining the consent of JTC Corporation (“**JTC**”) to the Proposed KDC SGP 4 Acquisition and the entry into the Keppel Lease Agreement on terms which are not materially adverse to either party, and there being no revocation or amendment (which is materially adverse to either party) to the KDC SGP 4 JTC Consent; and
- 2.4.8 there being no condition imposed by the JTC requiring the payment of the upfront land premium before KDC SGP 4 Completion.



If any of the conditions precedent is not satisfied on or before 5.00 p.m. (Singapore time) on the immediate business day falling four months after the date of the KDC SGP 4 Share Purchase Agreement (or such other date as may be agreed between the parties), the KDC SGP 4 Share Purchase Agreement shall lapse and the Trustee shall be entitled to the refund of the deposit.

At KDC SGP 4 Completion, the KDC SGP 4 Vendor will novate all rights and obligations in relation to 99.0% of the KDCS4PL Shareholder Loan to the Purchaser in accordance with a deed of novation to be entered into between the KDC SGP 4 Vendor, the Trustee and KDCS4PL.

KDC SGP 4 Completion is scheduled to take place on a date being the immediate business day falling 14 calendar days after the date when both the notice of fulfilment of the conditions precedent have been issued by the KDC SGP 4 Vendor and Trustee (or such other date as may be agreed by the parties) and where the fulfilment notice by the KDC SGP 4 Vendor and the fulfilment notice by the Trustee are issued on different dates, KDC SGP 4 Completion Date shall be the immediate business day falling 14 calendar days after the later fulfilment notice provided that KDC SGP 4 Completion shall take place no earlier than 25 October 2019.

The Trustee or the KDC SGP 4 Vendor shall not be obliged to perform any of its obligations on KDC SGP 4 Completion unless the completion of the sale and purchase of the remaining 1.0% of the issued share capital in the KDC SGP 4 Target Entity between the KDC SGP 4 Vendor and KDCH ("**Other KDC SGP 4 Share Purchase**") in accordance with the terms and conditions of its sale and purchase agreement ("**Other KDC SGP 4 Share Purchase Agreement**") takes place simultaneously with the KDC SGP 4 Completion. Pursuant to the foregoing, the KDC SGP 4 Vendor shall not be entitled to require the Trustee to complete the Proposed KDC SGP 4 Acquisition unless the KDC SGP 4 Vendor is ready, able and willing to complete the Other KDC SGP Share Purchase in accordance with the provisions of the Other KDC SGP 4 Share Purchase Agreement.

## **2.5 Certain Terms and Conditions of the 1-Net North DC Share Purchase Agreement**

The principal terms of the 1-Net North DC Share Purchase Agreement include, among others, the following conditions precedent:

- 2.5.1 the Proposed 1-Net North DC Acquisition having been approved by the unitholders of KIT at the meeting of the unitholders of KIT;
- 2.5.2 the obtaining of the consent of the JTC to the Proposed 1-Net North DC Acquisition ("**1-Net North DC JTC Consent**"), if required, on terms which are not materially adverse to either party of the 1-Net North DC Share Purchase Agreement, and there being no revocation of or amendment (which is materially adverse to either party) to the 1-Net North DC JTC Consent; and
- 2.5.3 the Proposed 1-Net North DC Acquisition having been approved by the Unitholders of Keppel DC REIT at the EGM.

If any of the conditions precedent is not satisfied on or before 21 November 2019, the Trustee or the 1-Net North Vendors may, in its or their sole discretion, terminate the 1-Net North DC Share Purchase Agreement.

The 1-Net North DC Vendors and Trustee also agree that any sale levy, consent fee or other similar charge imposed on the 1-Net North DC Vendors or DC1PL as a term and/or

condition for granting the 1-Net North DC JTC Consent shall be borne by the 1-Net North DC Vendors. If any of the terms and conditions of the 1-Net North DC JTC Consent include the imposition of a sale levy, consent fee or other similar charge on the 1-Net North DC Vendors or DC1PL which exceeds the sum of S\$6,050,000 (excluding GST), the 1-Net North DC Vendors shall be entitled to determine if such term and/or condition is acceptable, and if such term and/or condition is unacceptable to the 1-Net North DC Vendors, the 1-Net North DC Vendors shall serve on the Trustee, on or before the date falling 3 business days after the date of the 1-Net North DC JTC Consent, a written notice to terminate the 1-Net North DC Share Purchase Agreement.

For the avoidance of doubt, if the sale levy, consent fee or other similar charge on the 1-Net North DC Vendors or on DC1PL is equal to or less than the sum of S\$6,050,000, the 1-Net North DC Vendors do not have a right to terminate the 1-Net North DC Share Purchase Agreement.

At DC1PL Completion, the 1-Net North DC Vendors shall assign and transfer the rights, title and interest in the DC1PL Shareholder Loan free from all encumbrances, and the Purchaser shall accept the assignment and transfer of the rights, title and interest in the DC1PL Shareholder Loan, in accordance with a deed of assignment to be entered into between each 1-Net North Vendor and the Trustee.

DC1PL Completion is scheduled to take place on a date being 10 business days after which notice for the satisfaction of the conditions precedent contained in the 1-Net North DC Share Purchase Agreement is provided, save that the DC1PL Completion shall take place no later than 16 December 2019 (or such subsequent date as may be agreed between the Trustee and the 1-Net North Vendors in writing provided that such subsequent date shall not be later than 30 December 2019).

In addition, save in certain circumstances set out in the 1-Net North DC Share Purchase Agreement (for instance, if there is any compulsory acquisition or intended compulsory acquisition for the acquisition of 5.0 per cent. or more of the land area of the 1-Net North DC or if any material damage occurs), neither the 1-Net North DC Vendors nor the Trustee is entitled to terminate or rescind (as the case may be) the 1-Net North DC Share Purchase Agreement. Following such termination or rescission (as the case may be), save in certain circumstances set out in the 1-Net North DC Share Purchase Agreement, the Trustee will be entitled to the refund of the entire deposit paid.

The Trustee may nominate an entity which is wholly-owned by Keppel DC REIT to acquire some of the shares in DC1PL, with the Purchaser acquiring the balance of the shares of DC1PL.

## **2.6 Principal Terms and Conditions of the Keppel Lease Agreement**

The Keppel Lease is essentially a pass-through arrangement whereby a significant portion of the rent payable to the KDC SGP 4 Target Entity by the Keppel Lessee is made up of variable rent based on the earnings before interest, taxes, depreciation and amortisation (“EBITDA”) (after deducting the fixed rent and operating expenses) derived from the underlying end-users (being the clients) who have entered into colocation arrangements. However, due to the pass-through arrangement of the Keppel Lease, the KDC SGP 4 Target Entity will substantially enjoy the benefits and assume the liabilities of the colocation arrangements entered into by the Keppel Lessee with the underlying end-users (being the clients). The Keppel Lease arrangement is similar to the arrangements which

were entered into for KDC SGP 1 and KDC SGP 2 at the time of the initial public offering of Keppel DC REIT, as well as the arrangements which were entered into for KDC SGP 3 and KDC SGP 5. Accordingly, there is no deposit or banker's guarantee provided in relation to the Keppel Lease Agreement.

The Keppel Lease Agreement will commence on the KDC SGP 4 Completion Date and will be for a term of ten years with an option to renew for a further term of five years.

The principal terms of the Keppel Lease Agreement include, among others, the following:

2.6.1 the term of the Keppel Lease Agreement is for ten years commencing from (and including) the Commencement Date, and the Keppel Lessee will be given an option to renew the Keppel Lease Agreement for a further term of five years, subject to JTC's consent and the compliance of any regulatory requirement by the KDC SGP 4 Target Entity and at such revised rent and on terms and conditions as may be mutually agreed between the parties;

2.6.2 the Keppel Lessee is required to pay rent on a quarterly basis, in arrears, on the date falling 14 days after the end of each quarterly period. Such rent shall comprise:

(i) a fixed rent as set out below:

Year	Total Rent (S\$) per annum
First Year	4,800,000
Second Year	7,000,000
Third Year	8,000,000
Fourth Year	8,240,000
Fifth Year	8,487,200
Sixth Year	8,741,816
Seventh Year	9,004,070
Eighth Year	9,274,193
Ninth Year	9,552,418
Tenth Year	9,838,991

(ii) a variable rent computed in respect of each financial year, based on an amount equivalent to 99.0% of the Cash EBITDA Amount<sup>1</sup> in respect of each Financial Year (or such larger amount as the parties may agree in writing);

2.6.3 the quantum of the variable rent will be adjusted at the end of each financial year based on the agreed computation of the variable rent or an expert's determination on the Cash EBITDA Amount for that financial year.

1 "Cash EBITDA Amount" refers to the total cash revenue received by the Keppel Lessee in a financial year less operating expenses less the fixed rent for KDC SGP 4 in a financial year.

More information relating to the terms of the Keppel Lease Agreement will be disclosed in the Circular which would be issued in due course.

## **2.7 Principal Terms and Conditions of the Facility Management Agreement**

On the KDC SGP 4 Completion Date, the KDC SGP 4 Target Entity will also enter into a facility management agreement (the “**Facility Management Agreement**”) with the Facility Manager where KDCS2PL will be appointed as facility manager to provide facilities and management and maintenance services (“**Facility Services**”) to the KDC SGP 4 Target Entity at KDC SGP 4.

The principal terms of the Facility Management Agreement include, among others, the following:

- 2.7.1 the term of the Facility Management Agreement shall commence on and from the commencement date of the Facility Management Agreement and shall be for a period of ten years or until terminated in accordance with the terms of the Facility Management Agreement. In the event the Keppel Lease Agreement is renewed for a further term of five years, the Facility Management Agreement shall also be automatically renewed for a further term of five years on the same terms as the Facility Management Agreement;
- 2.7.2 the Facility Manager will be entitled to facility management fee of an amount equivalent to 4.0% of the Cash EBITDA Amount in respect of each financial year which is payable quarterly;
- 2.7.3 the Facility Manager will be entitled to the following project management fees for the refurbishment, retrofitting and renovation works on KDC SGP 4:
  - (i) where the construction costs are S\$2.0 million or less, a fee of 3.0% of the construction costs;
  - (i) where the construction costs exceed S\$2.0 million but do not exceed S\$20.0 million, a fee of 2.0% of the construction costs or S\$60,000, whichever is the higher;
  - (ii) where the construction costs exceed S\$20.0 million but do not exceed S\$50.0 million, a fee of 1.5% of the construction costs or S\$400,000, whichever is the higher; and
  - (iii) where the construction costs exceed S\$50.0 million, a fee of not more than 1.5% of the construction costs; and
- 2.7.4 the Facility Management Agreement shall terminate if the Keppel Lease Agreement is terminated for any reason whatsoever in accordance with its terms.

More information relating to the terms of the Facility Management Agreement will be disclosed in the Circular which would be issued in due course.

## 2.8 Principal Terms and Conditions of the Limited Liability Partnership

Following KDC SGP 4 Completion, subject to receiving the necessary approvals and tax rulings, KDCS4PL will be converted to a LLP pursuant to Section 21 of the Limited Liability Partnerships Act (Chapter 163A of Singapore). The Trustee and KDCH will enter into the LLP Agreement upon conversion into the limited liability partnership.

Under the terms of the LLP Agreement, only the Trustee shall have the right to appoint members to the management committee.

Under the terms of the LLP Agreement, the following matters shall require unanimous approval of the partners (being Keppel DC REIT and the KDCH):

- 2.8.1 amendment of the LLP Agreement or (where applicable) other constitutive documents of the KDC SGP 4 Target Entity;
- 2.8.2 cessation or change or expansion of the business of the KDC SGP 4 Target Entity;
- 2.8.3 (i) the consolidation, merger or amalgamation of the KDC SGP 4 Target Entity with or into any other person, or (ii) any internal restructuring involving the KDC SGP 4 Target Entity and where applicable, its subsidiaries;
- 2.8.4 the winding up or dissolution (as the case may be) of the KDC SGP 4 Target Entity;
- 2.8.5 entering into or modifying any existing agreement, transaction, obligation, commitment, understanding, arrangement or liability (whether to lease, licence, sell, transfer or in any other way dispose the whole or any part of its undertaking, assets or property or otherwise) the value of which exceeds S\$10 million, other than (i) any leases and licenses entered into in the ordinary course of business, or (ii) any transactions which has been approved as a unanimous resolution;
- 2.8.6 the giving of any loan, guarantee or indemnity by the KDC SGP 4 Target Entity to secure the liabilities or obligations of any person;
- 2.8.7 the raising of any financing or the procurement of any financial support by the KDC SGP 4 Target Entity from its partners;
- 2.8.8 creation of any form of security over any assets held by the KDC SGP 4 Target Entity;
- 2.8.9 the admission of an additional partner, which is not a substitute partner, to the KDC SGP 4 Target Entity; and
- 2.8.10 the KDC SGP 4 Target Entity commencing, defending or settling any litigation, arbitration or administrative proceedings other than in the ordinary course of business or where the value of any single claim or a series of related claims exceeds S\$10 million provided that the consent of a partner shall not be required in respect of the commencement, defending or settling of any litigation, arbitration or administrative proceedings against such partner or its representatives.

The form of the LLP Agreement is contained in a letter agreement between the Trustee, KDCS2PL and KDCH, pursuant to which the relevant parties agree to enter into the Keppel Lease Agreement, the Facility Management Agreement and the LLP Agreement ("**Letter Agreement**").

## 2.9 Rental Support for KDC SGP 4

### 2.9.1 Terms of the Rental Support

As part of the terms for the Proposed KDC SGP 4 Acquisition, the KDC SGP 4 Vendor will provide a rental support arrangement (“**Rental Support**”) for the period commencing from the KDC SGP 4 Completion Date and ending 24 months after the KDC SGP 4 Completion Date (“**Rental Support Period**”).

The Rental Support amount of approximately S\$8.8 million (for the 100.0% share) was negotiated to provide a rental top-up during the initial period post acquisition where clients will be progressively powering up their racks and income will also progressively increase.

For each quarterly period, where it is determined that the quarterly adjusted net property income (for the 100.0% share) is likely to be less than S\$29.4 million for each 12-month period (the “**Threshold Income Amount**”) corresponding to such period, an amount equal to the difference between the adjusted net property income and the Threshold Income Amount will be made up for as a top-up payment (“**Top-Up Payment**”) by the KDC SGP 4 Vendor (see paragraph 2.9.2 below).

The aggregate of all Rental Support payments payable to Keppel DC REIT during the Rental Support Period shall not exceed approximately S\$8.712 million (for its 99.0% share) (the “**Total Rental Support Amount**”).

### 2.9.2 Safeguards

As a safeguard against the ability of the KDC SGP 4 Vendor to make the Rental Support payments, on KDC SGP 4 Completion, an amount equal to 99.0% of the Total Rental Support Amount shall be deducted from the KDC SGP 4 Purchase Consideration and deposited into a designated account of the Trustee (“**Designated Account**”), from which Top-Up Payments shall be withdrawn and paid to Keppel DC REIT.

Any amount not withdrawn in the Designated Account for Top-Up Payments will be refunded to the KDC SGP 4 Vendor after the Rental Support Period. The Trustee will provide the KDC SGP 4 Vendor with a statement once every financial year containing details of the amounts which have been withdrawn from the Designated Account.

### 2.9.3 Independent Valuers’ Opinion

The Independent Valuers are of the opinion that the Threshold Income Amount would result in KDC SGP 4 having an initial net property yield which is within the market rates of comparable buildings taking into account prevailing and forecasted market conditions.

#### 2.9.4 Directors' Opinions

The Independent Directors are of the view that the Rental Support is on normal commercial terms and is not prejudicial to the interests of Keppel DC REIT and its minority Unitholders. This view is premised on the basis of the Independent Valuers' opinion as set out in paragraph 2.9.3 above that the Threshold Income Amount would result in KDC SGP 4 having an initial net property yield which is within the market rates of comparable buildings taking into account prevailing and forecasted market conditions.

### 3. RATIONALE FOR AND BENEFITS OF THE PROPOSED TRANSACTIONS

The Manager believes that the Proposed Transactions will bring the following key benefits to Unitholders:

#### 3.1 DPU-Accretive Acquisitions Consistent with Keppel DC REIT's Investment Strategy

The Proposed Acquisitions are consistent with the Manager's strategy of acquiring quality income-producing data centre properties that will provide Unitholders with stable distributions, as well as enhance total returns to Unitholders.

As illustrated in paragraph 4.2.2 below under the pro forma financial impact for the FY2018, the Proposed Acquisitions are expected to be DPU-accretive assuming the Proposed Acquisitions are fully funded via a combination of private placement issuance (the "**Placement**"), preferential offering issuance (the "**Preferential Offering**") and external debt and completed on 1 January 2018.

The Proposed Acquisitions will also improve Keppel DC REIT's overall portfolio quality and market competitiveness.

#### 3.2 Strengthening Foothold in Singapore

Singapore is one of the top data centre hubs in Asia, being the gateway to Southeast Asia and a choice destination for multinational organisations that are setting up presence in Asia due to its robust connectivity, strong legal and regulatory framework, pro-business environment and highly-educated workforce.

The Target Properties are assets built to high specifications and will increase Keppel DC REIT's portfolio asset under management ("**AUM**") and presence in Singapore from 51.1% to 62.7% as at 30 June 2019, thereby strengthening its foothold in this key data centre hub.

The Target Properties' competitive strengths are:

##### 3.2.1 Strategic Locations

KDC SGP 4 is located close to two of Keppel DC REIT's data centre properties, KDC SGP 2 and KDC SGP 3, and will be able to strengthen its presence with the concentration of data centres owned by Keppel DC REIT within Tampines Industrial Park.

Besides being located in an area supported by high power connection and data infrastructure networks, KDC SGP 4 is also well served by major roads and expressways such as the Pan-Island Expressway, Tampines Expressway and

East Coast Parkway, providing clients with good accessibility to the city-centre, the airport and other parts of the island.

1-Net North DC is located just outside the Woodlands Regional Centre, a planned key commercial hub of more than 100 hectares that is expected to be the largest economic hub in Singapore's Northern region, serving as the strategic centre for the Northern Agri-Tech and Food Corridor<sup>1</sup>. In addition, it is well-connected and accessible via two MRT stations, Woodlands (North South Line) and Woodlands North (Thomson East Coast Line), as well as the Bukit Timah Expressway and Seletar Expressway.

### 3.2.2 Awards

KDC SGP 4 was completed in 2017 and has received the ANSI/TIA-942 Rated-3 certification for architecture, mechanical, electrical and telecommunication infrastructure. For the environmentally-friendly features incorporated in its design and construction, KDC SGP 4 received the BCA-IMDA Green Mark Award (Platinum) for New Data Centres and the BCA Green Mark Award (Platinum) for New Building for Non-Residential Buildings.

### 3.3 Greater Income Resilience through Exposure to a Larger Portfolio

The Proposed Acquisitions will further strengthen the income resilience of Keppel DC REIT's portfolio. Post-Completion, Keppel DC REIT will benefit from further diversification in income streams from the enlarged asset base of 17 assets<sup>2</sup>.

The Proposed Acquisitions are also in line with the Keppel DC REIT's focus on acquiring stabilised assets that complement the portfolio, as well as drive long-term growth and deliver sustainable income to Unitholders.

KDC SGP 4 would be the fifth colocation data centre to Keppel DC REIT's Singapore portfolio, enlarging its market share in the tightly held market, where data centres are rarely traded.

1-Net North DC would be Keppel DC REIT's first master leased data centre in Singapore. The long-term nature of 1-Net North DC's master lease would add to Keppel DC REIT's income stability across its assets in Singapore.

The Proposed 1-Net North DC Acquisition would also provide diversification of location to the Northern part of Singapore, complementing Keppel DC REIT's existing data centres in the Central, Eastern and Western regions of Singapore.

### 3.4 Improvement in Portfolio Occupancy and Lease Profile

KDC SGP 4 has a current occupancy of 92.0%. 1-Net North DC is fully occupied. Post-completion of the Proposed Acquisitions, Keppel DC REIT's pro forma occupancy rate for its Enlarged Portfolio will be 94.1% as at 30 June 2019, compared to 93.2% as at 30 June 2019 for its Existing Portfolio.

KDC SGP 4 has a contracted weighted average lease expiry ("**WALE**") of 3.0 years as at 30 June 2019, which is in line with colocation leases. 1-Net North DC is on a long-term

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1 <https://www.ura.gov.sg/Corporate/Planning/Draft-Master-Plan-19/Urban-Transformations/Woodlands-Regional-Centre>

2 Excluding IC3 East DC, which is being developed and is expected to be completed in 2020.



master lease with a WALE of 16.8 years. Post-completion of the Proposed Acquisitions, the portfolio WALE (by attributable leased area) for the Enlarged Portfolio will improve from 7.8 years to 8.9 years post-Completion as at 30 June 2019.

The strong committed occupancy and healthy WALE will enhance income sustainability for Unitholders over the long-term.

In addition, the Proposed Acquisitions will improve the portfolio's lease profile such that not more than 15.1% of the Enlarged Portfolio (by leased lettable area) (as compared to 19.4% pre-Completion) will be due for renewal in any one year over the next ten years.

### **3.5 Enlarged Portfolio Creates a Stronger Platform for Growth**

The Proposed Acquisitions will increase Keppel DC REIT's AUM from S\$1.98 billion as at 30 June 2019 to S\$2.58 billion. Following the Equity Fund Raising (as defined below) and the Proposed Acquisitions, Keppel DC REIT will have a higher debt headroom with a lower aggregate leverage, allowing it to pursue further growth opportunities. The Manager believes that the lower aggregate leverage will provide greater financial flexibility for Keppel DC REIT. The higher AUM, fully unencumbered portfolio and higher free float, may lead to better access to the debt and equity capital markets going forward.

### **3.6 Greater Leasing Synergies and Operational Efficiency**

The Proposed KDC SGP 4 Acquisition presents an opportunity to acquire a quality asset where Keppel DC REIT will be able to harness greater synergies from the Keppel Group as well as the Sponsor's established track record and technical expertise from over a decade of design, building and managing data centres. Operational continuity could also be enhanced with the acquisition of an asset that is built and operated by the same party.

With the Proposed KDC SGP 4 Acquisition, there is potential for Keppel DC REIT to (i) achieve leasing synergies, (ii) increase operational efficiency and (iii) derive economies of scale in its Enlarged Portfolio.

### **3.7 Alignment of Interests with the Fully Underwritten Preferential Offering as part of Funding for the Proposed Acquisitions**

After taking into consideration, inter alia, Keppel DC REIT's current aggregate leverage and its objective of maintaining a prudent capital structure, the Manager believes that the Equity Fund Raising is a beneficial method of raising funds to finance the Proposed Acquisitions. In particular, the Preferential Offering, being fully underwritten, adds to certainty of proceeds for the Proposed Transactions.

The Preferential Offering provides Unitholders with the opportunity to increase their investments in Keppel DC REIT at a discount to the volume weighted average price and participate in its future growth.

To demonstrate support for Keppel DC REIT's long-term growth and the Equity Fund Raising, Keppel DC Investment Holdings Pte. Ltd. and Keppel DC REIT Management Pte. Ltd. (each in its own capacity), have each provided an undertaking to the Manager that it will accept, subscribe and pay in full, for its provisional allotment of New Units under the Preferential Offering based on its entitlement. This will also enable the Keppel Group to maintain its unitholding interest in Keppel DC REIT and serve to align the interest of the Keppel Group with that of Keppel DC REIT and its Unitholders.

The New Units to be issued pursuant to the Equity Fund Raising will increase the number of Units in issue, improving the trading liquidity of the Units.

#### 4. METHOD OF FINANCING AND FINANCIAL EFFECTS

##### 4.1 Method of Financing

The Manager intends to finance the Total Acquisition Cost with (i) part of the net proceeds from the issuance of new Units (the “**New Units**”) which was announced on 16 September 2019 (the “**Equity Fund Raising**”, and the net proceeds, the “**Equity Fund Raising Proceeds**”), (ii) drawdown from debt facilities and (iii) the issue of the Acquisition Fee Units amounting to approximately S\$5.9 million to the Manager. (See the announcement dated 16 September 2019 Titled “Launch of Equity Fund Raising to Raise Gross Proceeds of Approximately S\$473.8 Million” for further details of the Equity Fund Raising.)

The part funding of the Total Acquisition Cost via equity raised from the Equity Fund Raising will reduce Keppel DC REIT’s aggregate leverage ratio<sup>1</sup> post KDC SGP 4 Completion and post DC1PL Completion. This will increase Keppel DC REIT’s debt headroom to pursue further growth opportunities.

Under Scenario 1 and Scenario 2 (as defined below), Keppel DC REIT’s aggregate leverage ratio post-KDC SGP 4 Completion and post-DC1PL Completion is expected to reduce to approximately 31.0% and 31.3% respectively from approximately 31.9% as at 30 June 2019.

Under Scenario 3 (as defined below), Keppel DC REIT’s aggregate leverage ratio post-completion is expected to reduce from approximately 31.9% to 30.6% as at 30 June 2019.

Post KDC SGP 4 Completion, DC1PL Completion and the Equity Fund Raising, Keppel DC REIT’s aggregate leverage ratio would be approximately 30.3% as at 30 June 2019.

The Property Funds Appendix provides that the aggregate leverage of Keppel DC REIT may not exceed 45.0% of the value of the Deposited Property of Keppel DC REIT.

Post-Completion, the Enlarged Portfolio under Scenario 1, Scenario 2 and Scenario 3 remains unencumbered.

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<sup>1</sup> “**Aggregate leverage**” refers to the ratio of the value of borrowings (inclusive of proportionate share of borrowings of jointly-controlled entities) and deferred payments (if any) to the value of the gross assets of Keppel DC REIT, including all its authorised investments held or deemed to be held upon the trust under the Trust Deed (the “**Deposited Property**”), without considering lease liabilities pertaining to the land rent commitments for iseek DC and KDC DUB 1.

## 4.2 Pro Forma Financial Effects of the Proposed Acquisitions

### FOR ILLUSTRATIVE PURPOSES ONLY:

As Ordinary Resolution (1) (*The Proposed Acquisition of 99.0% Interest in KDC SGP 4, the Entry into the Keppel Lease Agreement, the Facility Management Agreement and the LLP Agreement*) and Ordinary Resolution (2) (*The Proposed Acquisition of 100.0% Interest in 1-Net North DC*) are not inter-conditional, and in the event Unitholders do not approve any one of the Resolutions, the Manager will still proceed with the other Resolution, the following financial effects are prepared based on the following scenarios:

- (i) **Scenario 1:** Approval of Ordinary Resolution (1) only ("**Scenario 1**");
- (ii) **Scenario 2:** Approval of Ordinary Resolution (2) only ("**Scenario 2**"); and
- (iii) **Scenario 3:** Approval of Ordinary Resolutions (1) and Ordinary Resolution (2) ("**Scenario 3**").

The pro forma financial effects of the Proposed Acquisitions on the DPU, the NAV per Unit and capitalisation presented below are strictly for illustrative purposes and were prepared based on the audited financial statements of Keppel DC REIT for the financial year ended 31 December 2018 (the "**Keppel DC REIT Audited Financial Statements**") as well as the following assumptions:

- (a) part of the net proceeds of approximately S\$438.6 million from the Equity Fund Raising will be used to part finance the Proposed Acquisitions;
- (b) S\$155.0 million to be drawn down for debt facilities to part finance the Proposed Acquisitions; and
- (c) approximately S\$5.9 million of the Acquisition Fee is payable to the Manager via the issuance of the Acquisition Fee Units.

#### 4.2.2 Pro Forma DPU

**FOR ILLUSTRATIVE PURPOSES ONLY:** The pro forma financial effects of the Proposed Acquisitions on Keppel DC REIT's DPU for FY2018, as if the Proposed Acquisitions were completed on 1 January 2018, and Keppel DC REIT held and operated KDC SGP 4 Target Entity and/or DC1PL to 31 December 2018 are as follows:

An application to Inland Revenue Authority of Singapore ("IRAS") to seek a ruling that the income from KDC SGP 4 Target Entity would be tax transparent will be submitted. The effects of the Proposed Acquisitions for each scenario is presented below.

	Effects of the Proposed Acquisitions if Tax Transparency is Granted			
	Before the Proposed Acquisitions	Scenario 1	Scenario 2	Scenario 3
Net Profit before Tax (S\$'000)	151,021	173,121	165,237 <sup>(5)</sup>	187,337 <sup>(5)</sup>
Distributable Income (S\$'000)	96,096	117,678	109,213	130,795
Issued Units ('000)	1,351,578 <sup>(1)</sup>	1,526,506 <sup>(2)</sup>	1,444,737 <sup>(3)</sup>	1,619,665 <sup>(4)</sup>
DPU (cents)	7.32	7.87	7.76	8.23
Accretion (%)	-	7.5	6.0	12.4

**Notes:**

- (1) Number of Units issued as at 31 December 2018.
- (2) Assuming (i) approximately 89.0 million New Units (at an illustrative issue price of S\$1.703 per Unit) issued via the Placement, (ii) approximately 83.7 million New Units (at an illustrative issue price of S\$1.670 per Unit) issued via the Preferential Offering, and (iii) approximately 2.2 million Acquisition Fee Units (at an illustrative issue price of S\$1.770 per Unit) issuable to the Manager in relation to the Proposed KDC SGP 4 Acquisition.
- (3) Assuming (i) approximately 46.0 million New Units (at an illustrative issue price of S\$1.703 per Unit) issued via the Placement, (ii) approximately 46.0 million New Units (at an illustrative issue price of S\$1.670 per Unit) issued via the Preferential Offering, and (iii) approximately 1.1 million Acquisition Fee Units (at an illustrative issue price of S\$1.770 per Unit) issuable to the Manager in relation to the Proposed 1-Net North DC Acquisition.
- (4) Assuming (i) approximately 135.0 million New Units (at an illustrative issue price of S\$1.703 per Unit) issued via the Placement, (ii) approximately 129.8 million New Units (at an illustrative issue price of S\$1.670 per Unit) issued via the Preferential Offering, and (iii) approximately 3.3 million Acquisition Fee Units (at an illustrative issue price of S\$1.770 per Unit) issuable to the Manager in relation to the Proposed Acquisitions.
- (5) Inclusive of an amount of rental support that would result in KDC SGP 4 having a similar initial net property yield to the Threshold Income Amount.

	<b>Effects of the Proposed Acquisitions if Tax Transparency is not Granted</b>			
	<b>Before the Proposed Acquisitions</b>	<b>Scenario 1</b>	<b>Scenario 2</b>	<b>Scenario 3</b>
Net Profit before Tax (S\$'000)	151,021	173,121	165,237 <sup>(5)</sup>	187,337 <sup>(5)</sup>
Distributable Income (S\$'000)	96,096	114,221	109,213	127,338
Issued Units ('000)	1,351,578 <sup>(1)</sup>	1,526,506 <sup>(2)</sup>	1,444,737 <sup>(3)</sup>	1,619,665 <sup>(4)</sup>
DPU (cents)	7.32	7.62	7.76	8.01
Accretion (%)	-	4.1	6.0	9.4

**Notes:**

- (1) Number of Units issued as at 31 December 2018.
- (2) Assuming (i) approximately 89.0 million New Units (at an illustrative issue price of S\$1.703 per Unit) issued via the Placement, (ii) approximately 83.7 million New Units (at an illustrative issue price of S\$1.670 per Unit) issued via the Preferential Offering, and (iii) approximately 2.2 million Acquisition Fee Units (at an illustrative issue price of S\$1.770 per Unit) issuable to the Manager in relation to the Proposed KDC SGP 4 Acquisition.
- (3) Assuming (i) approximately 46.0 million New Units (at an illustrative issue price of S\$1.703 per Unit) issued via the Placement, (ii) approximately 46.0 million New Units (at an illustrative issue price of S\$1.670 per Unit) issued via the Preferential Offering, and (iii) approximately 1.1 million Acquisition Fee Units (at an illustrative issue price of S\$1.770 per Unit) issuable to the Manager in relation to the Proposed 1-Net North DC Acquisition.
- (4) Assuming (i) approximately 135.0 million New Units (at an illustrative issue price of S\$1.703 per Unit) issued via the Placement, (ii) approximately 129.8 million New Units (at an illustrative issue price of S\$1.670 per Unit) issued via the Preferential Offering, and (iii) approximately 3.3 million Acquisition Fee Units (at an illustrative issue price of S\$1.770 per Unit) issuable to the Manager in relation to the Proposed Acquisitions.
- (5) Inclusive of an amount of rental support that would result in KDC SGP 4 having a similar initial net property yield to the Threshold Income Amount.

#### 4.2.3 Pro Forma NAV

**FOR ILLUSTRATIVE PURPOSES ONLY:** The pro forma financial effects of the Proposed Acquisition on Keppel DC REIT's NAV per Unit as at 31 December 2018, as if the Proposed Acquisitions were completed on 31 December 2018, are as follows:

	Effects of the Proposed Acquisitions			
	Before the Proposed Acquisitions	Scenario 1	Scenario 2	Scenario 3
NAV (S\$'000)	1,444,839	1,730,979	1,603,610	1,889,751
Issued Units ('000)	1,351,578 <sup>(1)</sup>	1,526,506 <sup>(2)</sup>	1,444,737 <sup>(3)</sup>	1,619,665 <sup>(4)</sup>
NAV per Unit (S\$)	1.07	1.13	1.11	1.17

**Notes:**

- (1) Number of Units issued as at 31 December 2018.
- (2) Assuming (i) approximately 89.0 million New Units (at an illustrative issue price of S\$1.703 per Unit) issued via the Placement, (ii) approximately 83.7 million New Units (at an illustrative issue price of S\$1.670 per Unit) issued via the Preferential Offering, and (iii) approximately 2.2 million Acquisition Fee Units (at an illustrative issue price of S\$1.770 per Unit) issuable to the Manager in relation to the Proposed KDC SGP 4 Acquisition.
- (3) Assuming (i) approximately 46.0 million New Units (at an illustrative issue price of S\$1.703 per Unit) issued via the Placement, (ii) approximately 46.0 million New Units (at an illustrative issue price of S\$1.670 per Unit) issued via the Preferential Offering, and (iii) approximately 1.1 million Acquisition Fee Units (at an illustrative issue price of S\$1.770 per Unit) issuable to the Manager in relation to the Proposed 1-Net North DC Acquisition.
- (4) Assuming (i) approximately 135.0 million New Units (at an illustrative issue price of S\$1.703 per Unit) issued via the Placement, (ii) approximately 129.8 million New Units (at an illustrative issue price of S\$1.670 per Unit) issued via the Preferential Offering, and (iii) approximately 3.3 million Acquisition Fee Units (at an illustrative issue price of S\$1.770 per Unit) issuable to the Manager in relation to the Proposed Acquisitions.

There is no impact on NAV per Unit as at 31 December 2018 if tax transparency is not granted by IRAS.

More information relating to the pro forma financial effects of the Proposed Acquisitions, including their impact on Keppel DC REIT's pro forma capitalisation, will be disclosed in the Circular.

#### 5. AUDIT AND RISK COMMITTEE STATEMENT

The Audit and Risk Committee of the Manager will obtain an opinion from the independent financial adviser, on the Proposed Transactions before forming its view, which will be disclosed in the Circular, as to whether the Proposed Transactions are on normal commercial terms and are not prejudicial to the interests of Keppel DC REIT and its minority Unitholders.

## 6. OTHER INTERESTED PERSON TRANSACTIONS

There are no other interested person transactions exceeding S\$100,000 entered into between (1) Keppel DC REIT and (2) THPL, KCL and their subsidiaries and associates, during the course of the current financial year up to the date of this announcement, other than the transaction which was approved by Unitholders on 16 April 2019.

## 7. INTERESTS OF DIRECTORS AND CONTROLLING UNITHOLDERS

As at the date of this Announcement, certain directors of the Manager (the “**Directors**”) hold Units. Further details of the interests in Units of the Directors and Substantial Unitholders<sup>1</sup> are set out below.

Ms Christina Tan is the Chairman and a Non-Executive Director of the Manager, the Chief Executive Officer of Keppel Capital, the Deputy Chairman of Alpha Investment Partners Limited, and a Non-Executive Director of the trustee-manager of KIT. Mr Thomas Pang Thieng Hwi is a Non-Executive Director of the Manager and a director and the Chief Executive Officer of Keppel T&T. Ms Christina Tan and Mr Thomas Pang are investors in Alpha DC Fund Private Limited.

Based on the Register of Directors’ Unitholdings maintained by the Manager and save as disclosed in the table below, none of the Directors currently holds a direct or deemed interest in the Units as at the date of this Announcement:

Name of Directors	Direct Interest		Deemed Interest		Total No. of Units held	%( <sup>1</sup> )
	No. of Units	%	No. of Units	%		
Christina Tan	50,000	0.0037	-	-	50,000	0.0037
Lee Chiang Huat	95,550	0.0071	-	-	95,550	0.0071
Tan Tin Wee	95,600	0.0071	-	-	95,600	0.0071
Dileep Nair	25,500	0.0019	-	-	25,500	0.0019
Low Huan Ping	-	-	-	-	-	-
Kenny Kwan Yew Kwong	-	-	-	-	-	-
Thomas Pang Thieng Hwi	63,700	0.0047	-	-	63,700	0.0047

**Note:**

(1) The percentage is based on 1,352,282,073 Units in issue as at the date of this Announcement.

1 “**Substantial Unitholder**” refers to a person with an interest in Units constituting not less than 5.0% of all Units in issue.

The table below sets out the interest in shares in KCL (“**KCL Shares**”) which are held by the Directors as at the date of this Announcement.

Name of Directors	Direct Interest		Deemed Interest		Total No. of KCL Shares held	%(1)	No. of Outstanding Share Options	Contingent Award of KCL Shares	
	No. of KCL Shares	%(1)	No. of KCL Shares	%(1)				KCL Performance Share Plan (“KCL PSP”)	KCL Restricted Share Plan (“KCL RSP”)
Christina Tan	210,132	0.0116	-	-	210,132	0.0116	-	625,000	89,613
Lee Chiang Huat	-	-	-	-	-	-	-	-	-
Tan Tin Wee	-	-	-	-	-	-	-	-	-
Dileep Nair	-	-	-	-	-	-	-	-	-
Low Huan Ping	27,000	0.0015	-	-	27,000	0.0015	-	-	-
Kenny Kwan Yew Kwong	10,000	0.0006	-	-	10,000	0.0006	-	-	-
Thomas Pang Thieng Hwi	206,919	0.0114	-	-	206,919	0.0114	49,500	260,000	42,364

**Note:**

(1) The percentage is based on 1,816,362,603 issued KCL Shares (excluding treasury shares of 2,031,577 of KCL) as at the date of this Announcement.

The table below sets out the interest in units in KIT (“**KIT Units**”) which are held by the Directors as at the date of this Announcement.

Name of Directors	Direct Interest		Deemed Interest		Total No. of KIT Units held	%(1)
	No. of KIT Units	%	No. of KIT Units	%		
Christina Tan	-	-	-	-	-	-
Lee Chiang Huat	-	-	-	-	-	-
Tan Tin Wee	-	-	-	-	-	-
Dileep Nair	-	-	-	-	-	-
Low Huan Ping	-	-	-	-	-	-
Kenny Kwan Yew Kwong	-	-	-	-	-	-
Thomas Pang Thieng Hwi	25,700	0.0005	-	-	25,700	0.0005

**Note:**

(1) The percentage is based on 4,994,391,069 KIT Units in issue as at the date of this Announcement.

As at 12 September 2019, (i) THPL holds an aggregate interest in 371,408,292 KCL Shares, which is equivalent to approximately 20.44% of the total number of KCL Shares in issue and (ii) THPL through KCL and its other shareholdings, is deemed interested, in approximately 31.89% of KIT Units. KCL through its wholly-owned subsidiary Keppel



Infrastructure Holdings Pte. Ltd.. holds an aggregate interest in 909,048,658 units in KIT, which is equivalent to approximately 18.2% of KIT Units in issue.

Based on information available to the Manager, the Substantial Unitholders of Keppel DC REIT and their interests in the Units as at the date of this Announcement are as follows:

Name of Substantial Unitholders	Direct Interest		Deemed Interest		Total No. of Units held	%( <sup>1</sup> )
	No. of Units	%( <sup>1</sup> )	No. of Units	%( <sup>1</sup> )		
THPL <sup>(2)</sup>	-	-	347,572,199	25.70	347,572,199	25.70
KCL <sup>(3)</sup>	-	-	340,976,639	25.21	340,976,639	25.21
Keppel T&T <sup>(4)</sup>	-	-	340,976,639	25.21	340,976,639	25.21
Keppel DC Investment Holdings Pte. Ltd. ("KDCIH")	338,580,976	25.04	-	-	338,580,976	25.04

**Notes:**

- (1) The percentage is based on 1,352,282,073 Units in issue as at the date of this Announcement.
- (2) As at 12 September 2019. THPL's deemed interest arises from the deemed interest held by KCL and other associated companies of THPL.
- (3) KCL's deemed interest arises from its shareholdings in (i) KDCIH, which is a wholly-owned subsidiary of Keppel T&T, which is in turn a subsidiary of KCL and (ii) Keppel DC REIT Management Pte. Ltd., a joint-venture of Keppel T&T and KCH, both of which are subsidiaries of KCL.
- (4) Keppel T&T's deemed interest arises from its shareholdings in (i) KDCIH, which is a wholly-owned subsidiary of Keppel T&T and (ii) Keppel DC REIT Management Pte. Ltd., a joint venture of Keppel T&T and KCH.

(See paragraph 1.3 of this Announcement for more details.)

Save as disclosed in this Announcement and based on information available to the Manager as at the date of this Announcement, none of the Directors or the Substantial Unitholders have an interest, direct or indirect, in the Proposed Transactions.

## 8. OTHER INFORMATION

### 8.1 Directors' Service Contracts

No person is proposed to be appointed as a director of the Manager in connection with the Proposed Transactions or any other transactions contemplated in relation to the Proposed Transactions.

### 8.2 Disclosure under Rule 1006 of the Listing Manual

Chapter 10 of the Listing Manual governs the acquisition or divestment of assets, including options to acquire or dispose of assets, by Keppel DC REIT. Such transactions are classified into the following categories:

- (a) non-discloseable transactions;
- (b) discloseable transactions;
- (c) major transactions; and
- (d) very substantial acquisitions or reverse takeovers.

A transaction by Keppel DC REIT may fall into any of the categories set out above

depending on the size of the relative figures computed on the following bases of comparison:

- (i) the NAV of the assets to be disposed of, compared with Keppel DC REIT's NAV;
- (ii) the net profits attributable to the assets acquired, compared with Keppel DC REIT's net profits;
- (iii) the aggregate value of the consideration given, compared with Keppel DC REIT's market capitalisation; and
- (i) the number of Units issued by Keppel DC REIT as consideration for an acquisition, compared with the number of Units previously in issue.

Where any of the relative figures computed on the bases set out above exceeds 20.0%, the transaction is classified as a major transaction. The Listing Manual requires that a major transaction involving Keppel DC REIT be made conditional upon approval by Unitholders in a general meeting. However, the approval of Unitholders is not required in the case of an acquisition of profitable assets if only sub-paragraph 8.2(i) exceeds the relevant 20.0% threshold and sub-paragraph 8.2(iv) is not applicable as no consideration units are issued.

The relative figures for the Proposed Acquisitions using the applicable bases of comparison described above are set out in the table below.

Comparison of	Keppel DC REIT	Scenario 1	Relative figure (%)	Scenario 2	Relative figure (%)	Scenario 3	Relative figure (%)
Profits (S\$ million)	66.0 <sup>(1)</sup>	23.2	35.1	7.4	11.3	30.6	46.4
Consideration against market capitalisation (S\$ million)	2,418.2 <sup>(2)</sup>	378.9	15.7	201.8	8.3	580.7	24.0
Units issued as consideration against Units previously in issue ('000)	NA	NA	NA	NA	NA	NA	NA

**Notes:**

- (1) The figure is based on the unaudited net profit before tax of Keppel DC REIT for the six-month period ended 30 June 2019.
- (2) The figure is based on the weighted average traded price of S\$1.7882 per Unit on the SGX-ST as at 13 September 2019, being the market day immediately preceding the date of the Share Purchase Agreements.

The Manager is of the view that the Proposed Acquisitions are in the ordinary course of Keppel DC REIT's business as the Target Properties being acquired are within the investment policy of Keppel DC REIT and do not change the risk profile of Keppel DC REIT. As such, the Proposed Acquisitions should therefore not be subject to Chapter 10 of the Listing Manual notwithstanding that the relative figure exceeds 20.0%. However, as the Proposed KDC SGP 4 Transaction and the Proposed 1-Net North DC Acquisition each constitute an "interested person transaction" under Chapter 9 of the Listing Manual and an "interested party transaction" under the Property Funds Appendix, each of the Proposed

KDC SGP 4 Transaction and the Proposed 1-Net North DC Acquisition will still be subject to the specific approval of Unitholders.

### **8.3 Documents on Display**

Copies of the following documents are available for inspection during normal business hours at the office of the Manager<sup>1</sup> at 1 HarbourFront Avenue, #18-01 Keppel Bay Tower, Singapore 098632 from the date of this announcement up to and including the date falling three months after the date of this announcement:

- (i) the KDC SGP 4 Share Purchase Agreement;
- (ii) the Letter Agreement containing the form of the Keppel Lease Agreement, the Facility Management Agreement, the LLP Agreement and the Business Transfer Agreement;
- (iii) the 1-Net North DC Share Purchase Agreement;
- (iv) the IFA Letters;
- (v) the independent valuation reports on KDC SGP 4 issued by Cushman & Wakefield and Savills;
- (vi) the independent valuation reports on 1-Net North DC issued by Knight Frank and Edmund Tie; and
- (vii) the written consents of each of the IFA and the Independent Valuers.

The trust deed dated 17 March 2011 constituting Keppel DC REIT, as amended, varied or supplemented from time to time will also be available for inspection at the registered office of the Manager for so long as Keppel DC REIT is in existence.

Keppel DC REIT Management Pte. Ltd.  
(Company Registration No. 199508930C)  
as manager of Keppel DC REIT

Winnie Mak / Kelvin Chua  
Company Secretaries  
16 September 2019

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<sup>1</sup> Prior appointment with the Manager (telephone: +65 6803 1857) will be appreciated.

**Important Notice:**

This announcement is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for Units.

This announcement may contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from other companies and venues for the sale or distribution of goods and services, shifts in customer demands, customers and partners, changes in operating expenses (including employee wages, benefits and training costs), governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support future business. Investors are cautioned not to place undue reliance on these forward-looking statements, which are based on the Manager's view of future events. The past performance of Keppel DC REIT and the Manager are not necessarily indicative of the future performance of any of them.

The value of Units and the income derived from them may fall as well as rise. Units are not obligations of, deposits in, or guaranteed by, the Manager, or any of its affiliates. An investment in Units is subject to investment risks, including the possible loss of the principal amount invested.

Investors have no right to request the Manager to redeem their Units while the Units are listed. It is intended that Unitholders may only deal in their Units through trading on Singapore Exchange Securities Trading Limited ("SGX-ST"). Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units.

The New Units have not been and will not be registered under the Securities Act or the securities laws of any state or jurisdiction of the United States, or under the securities law of any other jurisdiction, and may not be offered, sold, resold, granted, delivered, allotted, taken up or transferred, directly or indirectly, in the United States, except pursuant to an exemption from the registration requirements of the Securities Act and in compliance with applicable laws.

**Notification under Section 309B of the Securities and Futures Act, Chapter 289 of Singapore:** The New Units 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).