Keppel Pacific Oak US REIT

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KEPPEL PACIFIC OAK US REIT
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS & DISTRIBUTION ANNOUNCEMENT

FOR THE HALF YEAR ENDED 30 JUNE 2021

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INTRODUCTION

Keppel Pacific Oak US REIT is a distinctive office REIT listed on the main board of the Singapore Exchange Securities Trading Limited (SGX-ST) on 9 November 2017 ("Listing Date"). Keppel Pacific Oak US REIT's investment strategy is to principally invest in a diversified portfolio of income-producing commercial assets and real estate-related assets in key growth markets of the United States (US) with favourable economic and office fundamentals so as to provide sustainable distributions and strong total returns to Unitholders.

As at 30 June 2021, the portfolio of Keppel Pacific Oak US REIT comprises 13 office properties ("the Properties") in the United States across 8 key growth markets, with an aggregate NLA of 4,703,684 sq. ft. with approximately US$1.31 billion in value, as follows:

The Plaza Buildings
Bellevue Technology Center
The Westpark Portfolio
Great Hills Plaza
Westech 360
Westmoor Center
1800 West Loop South
Bellaire Park
125 John Carpenter ("One Twenty Five")
Maitland Promenade I & II
Iron Point
Powers Ferry
Northridge Center I & II

On 12 January 2021, SGX made amendments to the Listing Rule 705 to clarify that issuers are to prepare their interim financial statements in accordance with prescribed accounting standards for period ending on or after 30 June 2021. With the above clarification, Keppel Pacific Oak US REIT will prepare a condensed set of interim financial statements for the first half period from 1 January 2021 to 30 June 2021 in accordance with IAS 34 Interim Financial Reporting in compliance with the requirements.

SUMMARY OF KEPPEL PACIFIC OAK US REIT RESULTS
FOR THE HALF YEAR ENDED 30 JUNE 2021

	Group		
	1H 2021	**1H 2020**	**+/(-)**
	US$'000	**US$'000**	**%**
Gross Revenue	68,383	70,500	(3.0)
Property Expenses	(27,796)	(28,628)	(2.9)
Net Property Income (NPI)	40,587	41,872	(3.1)
Adjusted NPI (excludes non-cash straight-line rent, lease incentives and amortisation of leasing commissions) (1)	40,868	40,231	1.6
Net Income for the period (2)	30,317	13,393	>100
Income available for distribution to Unitholders (3)	29,937	29,109	2.8
Distribution per Unit (DPU) (US cents) (4)	3.16	3.10	1.9
Annualised distribution yield (%) (5)	8.1%	8.9%	(80bps)

Notes:

(1) Adjusted net property income which excludes non-cash straight-line rent, lease incentives and amortisation of leasing commission, was up 1.6% year-on-year arising from higher cash rental income from positive rental reversions and built-in rental escalations, as well as lower property expenses. For more details, please refer to Other information: Paragraph C – Review of Performance.

(2) For information on the variance for net income, please refer to Condensed Consolidated Statement of Comprehensive Income and Condensed Consolidated Distribution Statement as well as Other information: Paragraph C – Review of Performance.

(3) The income available for distribution to Unitholders is based on 100% of the taxable income available for distribution to Unitholders.

(4) DPU of 3.16 US cents for 1H 2021 was calculated based on 947,366,724 issued units as at 30 June 2021, while DPU of 3.10 US cents for 1H 2020 was calculated based on 938,974,890 issued units as at 30 June 2020.

(5) The annualised DPU yield for 1H 2021 is on a basis of 181 days (1H 2020: 182 days) and pro-rated to 365 days (1H 2020: 366 days). Distribution yields for 1H 2021 and 1H 2020 are based on market closing prices of US$0.785 and US$0.700 per Unit as at last trading day of the respective periods.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 30 JUNE 2021

	Note	Group 1H 2021 US$'000	Group 1H 2020 US$'000	+/(-)%	
Rental income		51,378	51,405	(0.1)	
Recoveries income		15,782	16,997	(7.1)	
Other operating income		1,223	2,098	(41.7)	
Gross Revenue		**68,383**	**70,500**	**(3.0)**	
Utilities		(3,751)	(3,776)	(0.7)	
Repairs and maintenance		(3,076)	(3,156)	(2.5)	
Property management fees		(3,396)	(3,478)	(2.4)	
Property taxes		(8,355)	(9,018)	(7.4)	
Other property expenses		(9,218)	(9,200)	0.2	
Property expenses		**(27,796)**	**(28,628)**	**(2.9)**	
Net Property Income		**40,587**	**41,872**	**(3.1)**	
Finance income		38	27	40.7	
Finance expenses	3	(7,084)	(8,085)	(12.4)	
Manager's base fee		(2,994)	(2,911)	2.9	(i)
Trustee's fee		(90)	(114)	(21.1)	
Fair value change in derivatives		5,185	(11,570)	NM	(ii)
Other trust expenses		(1,613)	(1,919)	(15.9)	(iii)
Net income for the period before tax		**34,029**	**17,300**	**96.7**	
Tax expense		(3,712)	(3,907)	(5.0)	(iv)
Net income for the period		**30,317**	**13,393**	**>100**	
Earnings per Unit (US cents)		**3.21**	**1.43**	**>100**	(ix)

NM – Not meaningful

CONDENSED CONSOLIDATED DISTRIBUTION STATEMENT
FOR THE HALF YEAR ENDED 30 JUNE 2021

	Group			
	1H 2021	**1H 2020**	**+/(-)%**	
	US$'000	**US$'000**		
Net income for the period	**30,317**	**13,393**	**>100**	
Distribution adjustments				
Property related non-cash items	281	(1,641)	NM	(v)
Manager's base fee paid/payable in units	2,994	2,911	2.9	(i)
Trustee's fee	90	114	(21.1)	
Amortisation of upfront debt-related transaction costs	358	445	(19.6)	(vi)
Net deferred tax expense	3,716	3,449	7.7	(iv)
Fair value change in derivatives	(5,185)	11,570	NM	(ii)
Others	(2,634)	(1,132)	>100	(vii)
Net distribution adjustments	(380)	15,716	NM	
Income available for distribution to Unitholders	**29,937**	**29,109**	**2.8**	(viii)
DPU (US cents)	**3.16**	**3.10**	**1.9**	(ix)

Notes for Condensed Consolidated Statement of Comprehensive Income and Condensed Consolidated Distribution Statement:

(i) The Manager has elected to receive 100% of its base fee in the form of units for 1H 2021.

(ii) This relates to fair value changes on the floating to fixed interest rate swaps entered into by the Group for hedging purpose due to movement in interest rates for the respective periods. The net fair value change in derivatives has no impact on the distributable income to the Unitholders.

(iii) Other trust expenses comprise audit, tax compliance and other corporate expenses. The decrease in trust expenses were largely due to reduction in legal and professional fees.

(iv) Tax expense comprises withholding, current and net deferred tax expenses.

The decrease in tax expense is mainly from lower current income tax expense, which is not material in 2021 post the completion of the restructuring of the Barbados entities in April 2020.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Tax expense relate to deferred tax expense arising from capital allowances claimed on the investment properties and fair value changes in investment properties, if applicable.

(v) Property related non-cash items mainly comprise straight-line rent and amortisation of lease incentives.

(vi) Upfront debt-related transaction costs are amortised over the life of the borrowings.

(vii) Included in others are other non tax-deductible items and other adjustments.

(viii) The income available for distribution and DPU to Unitholders is based on 100% of the taxable income available for distribution to Unitholders. Keppel Pacific Oak US REIT declares distribution on a half-yearly basis. Please refer to Other information: Paragraph G - Distributions for further information and breakdown.

(ix) Earnings per Unit (EPU) and Distribution per Unit (DPU)

	Group	
	1H 2021	**1H 2020**
EPU		
Weighted average number of Units (1)	945,568,293	936,642,271
Net income for the period (US$'000)	30,317	13,393
Basic and diluted EPU (US cents)	3.21	1.43
DPU		
Number of Units in issue at end of period	947,366,724	938,974,890
Income available for distribution to Unitholders (US$'000)	29,937	29,109
DPU (US cents) (2)	3.16	3.10

Notes:

1) The weighted average number of units was based on the number of units in issue and issuable during the period.

2) The DPU was computed and rounded based on the number of units in issue entitled to distribution at the end of the period.

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2021

	Note	Group			Trust			
		Actual 30-Jun-21 US$'000	**Actual 31-Dec-20 US$'000**	**+/(-) %**	**Actual 30-Jun-21 US$'000**	**Actual 31-Dec-20 US$'000**	**+/(-) %**	
Current assets								
Cash and cash equivalents		44,970	57,324	(21.6)	11,663	18,289	(36.2)	
Trade and other receivables		2,512	4,194	(40.1)	27,769	27,920	(0.5)	(i)
Prepaid expenses		1,706	236	>100	121	106	14.2	
Total current assets		**49,188**	**61,754**	**(20.3)**	**39,553**	**46,315**	**(14.6)**	**(v)**
Non-current assets								
Derivative asset		-	98	(100.0)	-	98	(100.0)	(ii)
Investment properties	5	1,312,564	1,304,900	0.6	-	-	NM	(iii)
Investment in subsidiaries		-	-	NM	1,134,748	1,138,298	(0.3)	
Total non-current assets		**1,312,564**	**1,304,998**	**0.6**	**1,134,748**	**1,138,396**	**(0.3)**	
Total Assets		**1,361,752**	**1,366,752**	**(0.4)**	**1,174,301**	**1,184,711**	**(0.9)**	
Current liabilities								
Trade and other payables		13,726	20,038	(31.5)	3,270	3,592	(9.0)	(iv)
Loans and borrowings	4	41,000	41,000	-	41,000	41,000	-	
Rental security deposits		680	1,061	(35.9)	-	-	NM	
Rent received in advance		6,030	7,441	(19.0)	-	-	NM	
Total current liabilities		**61,436**	**69,540**	**(11.7)**	**44,270**	**44,592**	**(0.7)**	**(v)**
Non-current liabilities								
Loans and borrowings	4	463,230	462,872	0.1	463,230	462,872	0.1	
Rental security deposits		5,441	5,170	5.2	-	-	NM	
Derivative liability		9,867	15,150	(34.9)	9,867	15,150	(34.9)	(ii)
Preferred units	6	375	125	>100	-	-	NM	
Deferred tax liabilities		45,541	41,825	8.9	-	-	NM	(vi)
Total non-current liabilities		**524,454**	**525,142**	**(0.1)**	**473,097**	**478,022**	**(1.0)**	
Total liabilities		**585,890**	**594,682**	**(1.5)**	**517,367**	**522,614**	**(1.0)**	
Net assets		**775,862**	**772,070**	**0.5**	**656,934**	**662,097**	**(0.8)**	
Represented by:								
Unitholders' funds		**775,862**	**772,070**	**0.5**	**656,934**	**662,097**	**(0.8)**	
Net asset value per Unit (US$)		**0.82**	**0.82**	-	**0.69**	**0.70**	**(1.4)**	(vii)

Notes:

(i) Included in trade and other receivables were accrued rental revenue from the tenants. The decrease in trade and other receivables for the Group are from higher repayment from tenants in 1H 2021.

(ii) These relate to fair value of the interest rate swaps entered into by the Group for hedging purpose and the variance was due to movement in interest rates during the period.

(iii) All the investment properties held are freehold. For more information on the investment properties movement and details of valuation techniques and inputs, please refer to Note 5 Investment properties and Note 9(d) (Fair value measurement of investment properties).

(iv) The decrease in trade and other payables was largely due to lower outstanding accrued capital expenditure and tenant improvements.

(v) Notwithstanding the net current liability position, with the Group's existing financial resources and US$59.0 million of undrawn committed facilities, the Group believes that it will be able to refinance its borrowings and meet its current obligations as and when they fall due.

(vi) The movement in deferred taxes were due to the tax depreciation of the investment properties.

(vii) Net asset value ("NAV") and Net tangible asset ("NTA") per Unit

	Group		**Trust**	
	As at 30-Jun-21	**As at 31-Dec-20**	**As at 30-Jun-21**	**As at 31-Dec-20**
Number of Units in issue and to be issued	949,311,449	945,264,658	949,311,449	945,264,658
Net assets (US$'000)	775,862	772,070	656,934	662,097
NAV and NTA per Unit [(1)] (US$)	0.82	0.82	0.69	0.70
Adjusted NAV and NTA per Unit [(1)] (US$) (excluding Distributable Income)	0.79	0.79	0.66	0.67

Notes:

(1) The computation of NAV and NTA is based on number of units in issue and to be issued at the end of the period. NAV and NTA are the same as there is no intangible asset as at the end of the period.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 30 JUNE 2021

	Group	
	1H 2021	**1H 2020**
	US$'000	**US$'000**
Operating activities		
Net income before tax	34,029	17,300
Adjustments for:		
Property related non-cash items	281	(1,641)
Manager's fee paid/payable in Units	2,994	2,911
Interest income	(38)	(27)
Finance expenses	7,084	8,085
Fair value change in derivatives	(5,185)	11,570
	39,165	**38,198**
Changes in working capital		
Trade and other receivables	212	(203)
Trade and other payables	(6,306)	(4,164)
Rental security deposits	(110)	61
Rent received in advance	(1,411)	(966)
Cash generated from operations	**31,550**	**32,926**
Tax paid	(39)	(183)
Net cash generated from operations	**31,511**	**32,743**
Cash flows from investing activities		
Additions to investment properties	(7,945)	(14,795)
Interest received	38	27
Net cash used in investing activities	**(7,907)**	**(14,768)**
Cash flows from financing activities		
Proceeds from issuance of preferred units	250	-
Proceeds from new loan	-	20,000
Financing expense paid on loans and borrowings	(6,666)	(7,661)
Financing expense paid on preferred units	(23)	(18)
Distribution to Unitholders	(29,519)	(9,902)
Net cash (used in)/ generated from financing activities	**(35,958)**	**2,419**
Net (decrease)/ increase in cash and cash equivalents	**(12,354)**	**20,394**
Cash and cash equivalents at beginning of the period	57,324	38,226
Cash and cash equivalents at end of the period	**44,970**	**58,620**

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN UNITHOLDERS' FUNDS
FOR THE HALF YEAR ENDED 30 JUNE 2021

Group	Note	Units in issue and to be issued US$'000	Retained earnings US$'000	Total US$'000
At 1 January 2021		**677,012**	**95,058**	**772,070**
Operations				
Net income for the period		-	**30,317**	**30,317**
Unitholders' transactions				
Management fees paid and payable in units[1]		2,994	-	2,994
Distribution to Unitholders		(9,431)	(20,088)	(29,519)
Net decrease in net assets resulting from Unitholders' transactions		**(6,437)**	**(20,088)**	**(26,525)**
At 30 June 2021	7	**670,575**	**105,287**	**775,862**

Group	Units in issue and to be issued US$'000	Retained earnings US$'000	Total US$'000
At 1 January 2020	**685,218**	**63,333**	**748,551**
Operations			
Net income for the period	-	**13,393**	**13,393**
Unitholders' transactions			
Reversal of issue costs previously taken into equity[2]	211	-	211
Management fees paid and payable in units	2,911	-	2,911
Distribution to Unitholders	(3,456)	(6,446)	(9,902)
Net decrease in net assets resulting from Unitholders' transactions	**(334)**	**(6,446)**	**(6,780)**
At 30 June 2020 (Note 7)	**684,884**	**70,280**	**755,164**

Trust	Note	Units in issue and to be issued US$'000	Retained earnings/ (Accumulated losses) US$'000	Total US$'000
At 1 January 2021		**677,012**	**(14,915)**	**662,097**
Operations				
Net income for the period		**-**	**21,362**	**21,362**
Unitholders' transactions				
Management fees paid and payable in units[1]		2,994	-	2,994
Distribution to Unitholders		(9,431)	(20,088)	(29,519)
Net decrease in net assets resulting from Unitholders' transactions		**(6,437)**	**(20,088)**	**(26,525)**
At 30 June 2021	7	**670,575**	**(13,641)**	**656,934**

Trust	Units in issue and to be issued US$'000	Retained earnings/ (Accumulated losses) US$'000	Total US$'000
At 1 January 2020	**685,218**	**(12,754)**	**672,464**
Operations			
Net income for the period	**-**	**3,041**	**3,041**
Unitholders' transactions			
Reversal of issue costs previously taken into equity[2]	211	-	211
Management fees paid and payable in units	2,911	-	2,911
Distribution to Unitholders	(3,456)	(6,446)	(9,902)
Net decrease in net assets resulting from Unitholders' transactions	**(334)**	**(6,446)**	**(6,780)**
At 30 June 2020 (Note 7)	**684,884**	**(16,159)**	**668,725**

Notes:

(1) This comprise 2,102,066 units issued on 31 March 2021 as payment of management fees in units for 1Q 2021, based on the volume weighted average price for the last 10 business days up till 31 March 2021 as well as 1,944,725 units to be issued as payment of management fees in units for 2Q 2021 based on the volume weighted average price for the last 10 business days up till 30 June 2021.

(2) This relates to reversal of the transaction costs for the 29 October 2019 Private Placement that was previously taken into equity as the actual transaction costs were lower than accrued.

CONDENSED CONSOLIDATED PORTFOLIO STATEMENT
AS AT 30 JUNE 2021

Description of property	Location	Tenure of land	30-Jun-2021[1] US$'000	31-Dec-2020 US$'000	Percentage of total net assets as at 30-Jun-2021 %	Percentage of total net assets as at 31-Dec-2020 %
The Plaza Buildings	Seattle, Washington, US	Freehold	312,550	312,000	40.3	40.4
Bellevue Technology Center	Seattle, Washington, US	Freehold	152,682	152,400	19.7	19.7
The Westpark Portfolio	Seattle, Washington, US	Freehold	224,773	224,000	29.0	29.0
Great Hills Plaza	Austin, Texas, US	Freehold	42,095	42,100	5.5	5.5
Westech 360	Austin, Texas, US	Freehold	50,153	49,200	6.5	6.4
Westmoor Center	Denver, Colorado, US	Freehold	121,759	121,400	15.7	15.7
1800 West Loop South	Houston, Texas, US	Freehold	81,798	79,900	10.5	10.3
Bellaire Park	Houston, Texas, US	Freehold	53,453	52,900	6.9	6.9
One Twenty Five	Dallas, Texas, US	Freehold	103,167	102,000	13.3	13.2
Maitland Promenade I & II	Orlando, Florida, US	Freehold	92,663	92,300	11.9	12.0
Iron Point	Sacramento, California, US	Freehold	42,781	42,300	5.5	5.5
Powers Ferry	Atlanta, Georgia, US	Freehold	16,541	16,400	2.1	2.1
Northridge Center I & II	Atlanta, Georgia, US	Freehold	18,149	18,000	2.3	2.3
Total investment properties			1,312,564	1,304,900	169.2	169.0
Other assets and liabilities (net)			(536,702)	(532,830)	(69.2)	(69.0)
Net assets			775,862	772,070	100.0	100.0

Notes:

(1) The carrying value of the Group's investment properties as at 30 June 2021 was based on the independent valuations as at 31 December 2020 and taking into account capitalised expenditure, tenant improvements, leasing costs and straight-line rent recognised made during the six-month period. For more information on the investment properties movement and details of valuation techniques and inputs, please refer to Note 5 Investment properties and Note 9(d) (Fair value measurement of investment properties).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2021

1. GENERAL

Keppel Pacific Oak US REIT (the "Trust") is a Singapore real estate investment trust constituted pursuant to the trust deed (the "Trust Deed") dated 22 September 2017 (as amended) between Keppel Pacific Oak US REIT Management Pte. Ltd. (the "Manager") and Perpetual (Asia) Limited (the "Trustee"). The Trustee is under a duty to take into custody and hold the assets of the Trust and its subsidiaries in trust for the Unitholders of the Trust.

The Trust was admitted to the Official List of the Singapore Exchange Securities Trading Limited ("SGX-ST") on 9 November 2017.

The registered office and principal place of business of the Trustee is located at 8 Marina Boulevard, #05-02 Marina Bay Financial Centre, Singapore 018981 and 16 Collyer Quay, #07-01, Singapore 049318 respectively.

The principal activity of the Trust is investment holding. The principal activities of the Trust's subsidiaries are to own and invest, directly or indirectly, in a portfolio of income-producing office real estate in major markets in the United States, as well as real estate-related assets. The Group's key objectives are to provide sustainable distribution and strong total returns for Unitholders.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

This condensed consolidated interim financial statements for the half year ended 30 June 2021 have been prepared in accordance with the International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB"), and the applicable requirements of the Code on Collective Investment Schemes (the "CIS Code") issued by the Monetary Authority of Singapore ("MAS") and the relevant provisions of the Trust Deed. This condensed consolidated interim financial statements do not include all the disclosures included in the Group's financial report. Accordingly, this report should be read in conjunction with the Group's Annual Report for the financial year ended 31 December 2020 and any public announcements made by Keppel Pacific Oak US REIT during the interim reporting period.

The condensed consolidated interim financial statements are presented in US Dollars (USD or US$) and all values in the tables are rounded to the nearest thousand ($'000), except when otherwise stated.

Notwithstanding the net current liability position, based on the Group's existing financial resources, the Manager is of the opinion that the Group will be able to refinance borrowings and meet its current obligations as and when they fall due.

2.2 Changes in Accounting Policies

The accounting policies adopted by the Group in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's Annual Report for the financial year ended 31 December 2020.

The Group adopted the revised IFRS and interpretations that are effective for application for annual financial periods beginning on or after 1 January 2021. The adoption of these revised IFRS and interpretations did not result in material changes to the Group's accounting policies and has no material effect on the amounts reported for the current financial period.

2.3 Critical Accounting Judgments and Estimates

In the process of applying the Group's accounting policies, there is no instance of application of judgments with significant updates since the audited financial statements as at 31 December 2020 that is expected to have a significant effect on the amounts recognised in the condensed consolidated interim financial statements.

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities and with significant updates since the audited financial statements as at 31 December 2020 are disclosed in Note 9(d) (Fair value measurement of investment properties).

3. FINANCE EXPENSES

	Group	
	1H 2021	**1H 2020**
	US$'000	**US$'000**
Interest expense on borrowings	6,640	7,558
Amortisation of upfront debt-related transaction costs	358	445
Dividends on preferred units	23	18
Commitment fees	63	64
	7,084	8,085

4. LOANS AND BORROWINGS

	Group and Trust	
	30-Jun-21	**31-Dec-20**
	US$'000	**US$'000**
<u>Unsecured loans and borrowings</u>		
Amount repayable within one year	41,000	41,000
Amount repayable after one year	464,720	464,720
Less: Unamortised upfront debt-related transaction costs	(1,490)	(1,848)
Total unsecured loans and borrowings	504,230	503,872

Notes:

As at 30 June 2021, the Group have gross borrowings comprising:

(i) US$449.7 million of non-current term loans to partially finance the Properties
(ii) US$15.0 million of non-current loan drawn down from a committed revolving credit facility ("RCF") and US$41.0 million current loan drawn down from an uncommitted RCF for funding of capital expenditures and tenant improvements.

The Group has further unutilised facilities of US$59.0 million to meet its future obligations. 84.7% of the non-current term loans had been hedged using floating-for-fixed interest rate swaps. The year-to-date all-in average interest rate for borrowings, including upfront debt-related transaction costs, was 2.82%. Aggregate leverage, as defined in the Property Funds Appendix, is 37.1%.

5. INVESTMENT PROPERTIES

Investment properties comprise commercial office properties which are leased to external tenants.

	Group	
	30-Jun-21 US$'000	31-Dec-20 US$'000
Consolidated Statement of Financial Position		
As at beginning of the financial period	1,304,900	1,256,500
Capital expenditure, leasing cost and straight-line rent capitalised	7,664	26,328
Fair value changes in investment properties	-	22,072
As at end of the financial period	1,312,564	1,304,900

6. PREFERRED UNITS

	Group	
	30-Jun-21 US$'000	31-Dec-20 US$'000
As at beginning of the financial period	125	125
Issuance of preferred units	250	-
As at end of the financial period	375	125

The preferred units rank senior to all units of the indirect subsidiaries. Each holder of the preferred units is entitled to receive cumulative preferential cash dividends (recorded as finance expense) at a rate of 12.0%-12.5% (31 December 2020: 12.5%) per annum on the subscription price of US$1,000 per unit plus all accrued and unpaid dividends which is payable annually in arrears.

The preferred units are not convertible or exchangeable for any other property or securities of the subsidiaries. The Board of Directors of the subsidiaries may, in its sole and absolute discretion, cause the subsidiaries to redeem units of the preferred units at US$1,000 per unit plus all accrued and unpaid dividends.

The preferred units have been classified as financial liabilities in accordance with IFRS 9.

7. UNITS IN ISSUE AND TO BE ISSUED

a) Details of any changes in Units for the half year ended 30 June

Units in issue:	**2021 Units**	**2020 Units**
At 1 January	943,055,659	934,149,036
New Units issued:		
- Issue of Management base fees in units	4,311,065	4,825,854
Total Units issued as at 30 June	**947,366,724**	**938,974,890**
New Units to be issued:		
- Management base fees in units to be issued (1)	1,944,725	2,077,165
Total Units issued and to be issued as at 30 June	**949,311,449**	**941,052,055**

(1) 1,944,725 units to be issued as payment of management fees in units for 2Q 2021 based on the volume weighted average price for the last 10 business days up till 30 June 2021.

b) Total number of issued Units

Keppel Pacific Oak US REIT does not hold any treasury units as at 30 June 2021 and 31 December 2020.

	As at 30 June 2021	As at 31 December 2020
Total number of issued units	947,366,724	943,055,659

c) Sales, transfers, disposal, cancellation or use of treasury units

Not applicable.

8. SIGNIFICANT RELATED PARTY TRANSACTIONS

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the direct and indirect ability to control the party, jointly control or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common significant influence. Related parties may be individuals or other entities.

In the normal course of its business, the Group carried out transactions with related parties on terms agreed between the parties. During the period, in addition to those disclosed elsewhere in the financial statements, the following significant related party transactions took place at terms agreed between the parties:

	Group	
	1H 2021	**1H 2020**
	US$'000	**US$'000**
Manager's base fees paid/payable to the Manager	2,994	2,911
Trustee fees paid/payable	90	114

9. FAIR VALUE OF ASSETS AND LIABILITIES

a) Fair value hierarchy

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1: Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3: Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its 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:

	30-Jun-2021 US$'000			
Group	**Quoted prices in active markets for identical instruments (Level 1)**	**Significant observable inputs other than quoted prices (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
Assets measured at fair value				
Non-financial assets				
Investment properties				
- *Commercial*	-	-	1,312,564	1,312,564
Total non-financial assets	-	-	1,312,564	1,312,564
Liabilities measured at fair value				
Financial liabilities				
Derivative liabilities				
- *Interest rate swap*	-	9,867	-	9,867
Total financial liabilities	-	9,867	-	9,867

	31-Dec-2020 US$'000			
Group	**Quoted prices in active markets for identical instruments (Level 1)**	**Significant observable inputs other than quoted prices (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
Assets measured at fair value				
Financial assets				
Derivative assets				
- *Interest rate swap*	-	98	-	98
Total financial assets	-	98	-	98
Non-financial assets				
Investment properties				
- *Commercial*	-	-	1,304,900	1,304,900
Total non-financial assets	-	-	1,304,900	1,304,900
Liabilities measured at fair value				
Financial liabilities				
Derivative liabilities				
- *Interest rate swap*	-	15,150	-	15,150
Total financial liabilities	-	15,150	-	15,150

Trust	30-Jun-2021 US$'000 Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
Liabilities measured at fair value				
Financial liabilities				
Derivative liabilities				
- *Interest rate swap*	-	9,867	-	9,867
Total financial liabilities	-	9,867	-	9,867

Trust	31-Dec-2020 US$'000 Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets measured at fair value				
Financial assets				
Derivative assets				
- *Interest rate swap*	-	98	-	98
Total financial assets	-	98	-	98
Liabilities measured at fair value				
Financial liabilities				
Derivative liabilities				
- *Interest rate swap*	-	15,150	-	15,150
Total financial liabilities	-	15,150	-	15,150

c) Level 2 fair value measurements

The fair value of interest rate swaps are based on valuations provided by the financial institutions that are the counterparties of the transactions. These quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the reporting date

d) 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 as at 31 December 2020.

Valuation technique	Key unobservable inputs	Inter–relationship between key unobservable inputs and fair value measurements
Discounted cash flow approach	• Rental rates per square foot per year of US$17.00 to US$40.00	Higher rental rate would result in a higher fair value, while lower rate would result in a lower fair value.
	• Discount rate of 7.50% to 8.75%	Higher discount rate or terminal yield would result in a lower fair value, while lower rate would result in a higher fair value.
	• Terminal yield of 6.25% to 8.00%	
Direct capitalisation method	• Rental rates per square foot per year of US$17.00 to US$40.00	Higher rental rate would result in a higher fair value, while lower rate would result in a lower fair value.
	• Capitalisation rate of 5.75% to 7.75%	Higher capitalisation rate would result in a lower fair value, while lower rate would result in a higher fair value.
Market or Direct comparison approach	• Price per square foot of US$106.40 to US$590.60	Higher price per square foot would result in a higher fair value, while lower rate would result in a lower fair value.

The Group carries its investment properties at fair value with changes in fair value being recognised in profit or loss account, determined annually by independent professional valuers based on open market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

For the unaudited half year results for the period ended 30 June 2021, the carrying value of the Group's investment properties was based on the independent valuations as at 31 December 2020 and taking into account capitalised expenditure, tenant improvements, leasing costs and straight-line rent recognised during the six-month period.

Management has assessed that the inputs and assumptions used by the valuers in the valuation techniques for their valuation as at 31 December 2020, such as occupancy rate, cashflows, capitalisation rate and discount rate, remains appropriate and reflect the current market conditions for the half-year ended 30 June 2021. A full valuation of the Group's investment properties will be performed for the financial year ending 31 December 2021, in line with the Property Fund Guidelines on annual valuation.

Notwithstanding that there are no material changes to the inputs and assumptions used in the valuation assessment, the Covid-19 situation is still evolving and the full impact from the pandemic to the economy and real estate market remains to be seen. While government aid and stimulus has helped boost consumer spending and mitigate the economic impact of the COVID-19 pandemic in the US, broad concerns remain over the pace of inflation fuelled by the fiscal and monetary policy. Hence, there exists a material uncertainty in the estimation of the valuations of the investment properties as compared to a standard market condition.

10. SEGMENT ANALYSIS

Not applicable. The Group operates within a single business segment and within a single geographical segment in the U.S.

11. SUBSEQUENT EVENTS

Distribution

On 26 July 2021, the Manager announced a distribution of 3.16 US cents per Unit for the period from 1 January 2021 to 30 June 2021.

OTHER INFORMATION
FOR THE HALF YEAR ENDED 30 JUNE 2021

A. AUDIT

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

B. AUDITORS' REPORT

Not applicable.

C. REVIEW OF PERFORMANCE

Review of performance for 1H 2021 vs 1H 2020

Overall, income available for distribution to Unitholders of US$29.9 million for 1H 2021 was higher than 1H 2020 by 2.8%.

Gross revenue of US$68.4 million for 1H 2021 was lower than 1H 2020 by 3.0% largely due to lower car park income, due to the Covid-19 pandemic as well as lower recoverable property expenses. Rental income was marginally lower year-on-year mainly due to the reduction in the non-cash straight line rent and lease incentives. Excluding the non-cash income adjustments, cash rental income for 1H 2021 was higher than 1H 2020 by 2.9% from built-in rental escalations and positive rental reversions across our portfolio, partially offset by lower year-on - year occupancy.

Property expenses of US$27.8 million for 1H 2021 were lower than 1H 2020 by 2.9% largely due to the lower year-on-year property taxes, repairs and maintenance and property management fees.

As a result, net property income of US$40.6 million for 1H 2021 was lower than 1H 2020 by 3.1%. Excluding the non-cash adjustments such as straight-line rent, lease incentives and amortisation of leasing commissions which has no impact on distributable income, adjusted net property income was 1.6% higher year-on-year.

Finance expenses of US$7.1 million for 1H 2021 were 12.4% lower than 1H 2020, largely due to the early refinancing of a US$115.0 million long term loan completed back in 2H 2020 and lower interest rates on the unhedged portion of the loans.

Fair value gain in derivatives of US$5.2 million in 1H 2021 as compared to a loss of US$11.6 million in 1H 2020 due to movement in interest rates for the respective periods.

Consequently, 1H 2021 net income before tax of US$34.0 million was above 1H 2020 by 96.7%.

Tax expense of US$3.7 million was lower than 1H 2020 by 5.0%, mainly due to lower current tax, post the completion of the restructuring of the Barbados entities in April 2020, partially offset by higher deferred taxes recognised from tax depreciation of the investment properties.

Due to the net effects of the above, net income for 1H 2021 was US$30.3 million, higher than 1H 2020 of US$13.4 million.

D. VARIANCE FROM FORECAST STATEMENT

Not applicable.

E. PROSPECTS

In 1Q 2021, the US economy grew 6.4% quarter-on-quarter reflecting the continued economic recovery, reopening of establishments, and continued positive government response related to the COVID-19 pandemic[1]. The unemployment rate was by 5.9% in June 2021, considerably down from its high of 14.8% in April 2020[2].

Although leasing activity remained subdued across the US, technology giants continued their leasing momentum, with Amazon accounting for the two biggest leases in 1Q 2021, committing approximately 700,000 sf in Boston and 605,000 sf in Bellevue where KORE has a presence in. This brought Amazon's total space commitment in Bellevue to approximately 6 million sf[3]. Meanwhile, Google announced in May 2021 plans to spend more than US$7 billion on office spaces and data centres this year[4]. In July 2021, Facebook signed an additional lease for 300,000 sf, bringing its space commitment in Bellevue's Spring District to approximately 1.6 million sf[5].

For more details, please refer to Keppel Pacific Oak US REIT's Media Release for the half year ended 30 June 2021.

F. RISK FACTORS AND RISK MANAGEMENT

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

Tax risk

Changes in taxation legislation, administrative guidance or regulations, and/or any disagreement as to the interpretation thereof, may adversely affect Keppel Pacific Oak US REIT and its Subsidiaries.

Any change in the tax status of Keppel Pacific Oak US REIT and/or any of its direct and indirect subsidiaries (the "Group"), or change in taxation legislation, administrative guidance, or regulation (or any disagreement as to the interpretation thereof) that applies to the Group, could adversely affect the distribution paid by the Group.

In addition, any such tax changes could adversely affect the value of the Group's investments, and/or increase the U.S. and non-U.S. tax liabilities of the Group and/or affect the Group's ability to achieve its investment objectives. Such changes could have a significant negative impact on Keppel Pacific Oak US REIT and its unitholders.

For example, in late 2017, the enactment of Section 267A of the United States Internal Revenue Code potentially affected the deductibility of certain interest expenses for taxable years beginning 31 December 2017. As a result, Keppel Pacific Oak US REIT restructured certain subsidiaries (the "Barbados Restructuring") to comply specifically with the interpretations of Section 267A enacted then.

On 7 April 2020, the United States Department of the Treasury released the final regulations under Section 267A (the "Final Regulations"). Pursuant to the Final Regulations, the Manager had completed the restructuring of the Group on 16 April 2020 to a structure which does not involve the Barbados entities, largely following the structure which Keppel Pacific Oak US REIT used when it was initially listed, and which was disclosed in its Prospectus dated 2 November 2017.

The Manager will continue to monitor future changes and clarifications and will make future announcements, if and when appropriate.

Interest rate risk

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

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[1] U.S. Bureau of Economic Analysis, June 2021.
[2] U.S. Bureau of Labor Statistics, July 2021.
[3] CoStar Office National Report, 1 July 2021.
[4] https://www.cnbc.com/2021/03/18/google-to-spend-7-billion-in-data-centers-and-office-space-in-2021.html
[5] https://425business.com/facebook-adding-another-bellevue-building-in-spring-district/

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 capital and expense requirements so as to manage the cash position at any point of time.

Credit risk

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

Currency risk

Currency risk arises from future commercial transactions, recognised assets and liabilities and net investments denominated in foreign currencies. The Group's business is not exposed to significant currency risk as the portfolio of properties is located in the United States and the cash flows from the operations of the properties are denominated in US$. The Group also borrows in the same currency as the assets in order to manage the foreign currency risk. Keppel Pacific Oak US REIT will receive US$ distributions from the investment properties which will be passed to the Unitholders, either in US$ or converted to SG$ at the spot foreign exchange rate at the time of distribution. Keppel Pacific Oak US REIT is exposed to fluctuations in the cross-currency rates of the US$ and SG$ for operating expenses incurred in Singapore, which are not material. If and when appropriate, based on the prevailing market conditions, the Group may adopt suitable hedging strategies to minimise any foreign exchange risk.

Operational risk

The Manager oversees an active asset management program that has been put in place to oversee leasing, capital projects and the operations at the properties, including managing expenses, monitoring rental payments from tenants and evaluating the Group's counter-parties on an ongoing basis. Measures have been put in place to manage expenses, actively monitor rental payments from tenants and evaluate the Group's counter-parties on an ongoing basis. The Manager also performs an annual review of the adequacy and appropriateness of insurance coverage, reviews disaster and pandemic business continuity plans, and updates and modifies them regularly.

G. DISTRIBUTIONS

(a) Current Financial Period reported on

Any distribution recommended for the current financial period reported on?

Yes.

Name of Distribution	8th Distribution for the period from 1 January 2021 to 30 June 2021
Distribution Type	a) Tax-exempt income distribution b) Capital distribution
Distribution Rate	a) Tax-exempt income distribution – 2.10 US cents per unit b) Capital distribution – 1.06 US cents per unit
Tax Rate	Tax-exempt income distribution Tax-exempt income distribution is exempt from tax in the hands of all Unitholders. Tax-exempt income relates to net taxed income and one-tier dividend income received by Keppel Pacific Oak US REIT. Capital distribution Capital distribution represents a return of capital to Unitholders for Singapore income tax purposes and is therefore not subject to income tax. For Unitholders who are liable to Singapore income tax on profits from sale of Keppel Pacific Oak US REIT units, the amount of capital distribution will be applied to reduce the cost base of their Keppel Pacific Oak US REIT units for Singapore income tax purposes.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any distribution declared for the corresponding period of the immediately preceding financial year?

Yes.

Name of Distribution	6th Distribution for the period from 1 January 2020 to 30 June 2020
Distribution Type	a) Tax-exempt income distribution b) Capital distribution
Distribution Rate	a) Tax-exempt income distribution – 1.94 US cents per unit b) Capital distribution – 1.16 US cents per unit
Tax Rate	Tax-exempt income distribution Tax-exempt income distribution is exempt from tax in the hands of all Unitholders. Tax-exempt income relates to net taxed income and one-tier dividend income received by Keppel Pacific Oak US REIT. Capital distribution Capital distribution represents a return of capital to Unitholders for Singapore income tax purposes and is therefore not subject to income tax. For Unitholders who are liable to Singapore income tax on profits from sale of Keppel Pacific Oak US REIT units, the amount of capital distribution will be applied to reduce the cost base of their Keppel Pacific Oak US REIT units for Singapore income tax purposes.

(c) Record date

5 August 2021

(d) Date payable

28 September 2021

H. DISTRIBUTION STATEMENT

Other than as disclosed in Other information: Paragraph G - Distributions, no distribution has been declared/ recommended.

I. INTERESTED PERSON TRANSACTIONS

Name of Interested Person	Aggregate value of all interested person transactions during the financial period under review (excluding transactions of less than S$100,000)	
	Actual 1H 2021 US$'000	**Actual 1H 2020 US$'000**
Keppel Pacific Oak US REIT Management Pte. Ltd.		
- Manager's management fees	2,994	2,911
Perpetual (Asia) Ltd		
- Trustee fees	90	114

Keppel Pacific Oak US REIT has not obtained a general mandate from Unitholders for Interested Person Transactions for the financial period under review.

J. CONFIRMATION THAT THE ISSUER HAS PROCURED UNDERTAKINGS FROM ALL ITS DIRECTORS AND EXECUTIVE OFFICERS UNDER RULE 720(1)

The Manager confirms that it has procured undertakings from all its directors and executive officers in the format set out in Appendix 7.7 under Rule 720(1) of the Listing Manual.

The past performance of Keppel Pacific Oak US REIT is not necessarily indicative of its future performance. Certain statements made in this presentation may not be based on historical information or facts and may be "forward-looking" statements due to 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 similar developments, shifts in expected levels of property rental income, changes in operating expenses, including employee wages, benefits and training, property expenses and governmental and public policy changes, and the continued availability of financing in the amounts and terms necessary to support future business.

Prospective investors and unitholder of Keppel Pacific Oak US REIT (**"Unitholders"**) are cautioned not to place undue reliance on these forward-looking statements, which are based on the current view of Keppel Pacific Oak US REIT Management Pte. Ltd., as Manager of Keppel Pacific Oak US REIT (the **"Manager"**) on future events. No representation or warranty, express or implied, is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of the information, or opinions contained in this presentation. None of the Manager, the trustee of Keppel Pacific Oak US REIT or any of their respective advisors, representative or agents shall have any responsibility or liability whatsoever (for negligence or otherwise) for any loss howsoever arising from any use of this presentation or its contents or otherwise arising in connection with this presentation. The information set out herein may be subject to updating, completion, revision, verification and amendment and such information may change materially. The value of units in Keppel Pacific Oak US REIT (**"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 (**"SGXST"**). Listing of the Units on SGX-ST does not guarantee a liquid market for the Units.

By Order of the Board
Keppel Pacific Oak US REIT Management Pte. Ltd.
(Company Registration Number: 201719652G)
As Manager of Keppel Pacific Oak US REIT

Marc Tan / Darren Tan
Joint Company Secretaries
26 July 2021

CONFIRMATION BY THE BOARD

We, PETER MCMILLAN and PAUL THAM, being two Directors of Keppel Pacific Oak US REIT Management Pte. Ltd. (the "Company"), as Manager of Keppel Pacific Oak US REIT, do hereby confirm on behalf of the Directors of the Company that, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the financial statements of Keppel Pacific Oak US REIT for the financial period from 1 January 2021 to 30 June 2021 to be false or misleading in any material respect.

On behalf of the Board,

Peter McMillan Director	Paul Tham Director

26 July 2021