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KEPPEL PACIFIC OAK US REIT
FINANCIAL STATEMENTS ANNOUNCEMENT
UNAUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

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INTRODUCTION

Keppel Pacific Oak US REIT (formerly known as Keppel-KBS US REIT) is a Singapore real estate investment trust constituted by the Trust Deed dated 22 December 2017 between Keppel Pacific Oak US REIT Management Pte. Ltd. (formerly known as Keppel-KBS US REIT Management Pte. Ltd.), as the Manager of Keppel Pacific Oak US REIT and Perpetual (Asia) Limited, as the Trustee of Keppel Pacific Oak US REIT.

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.

On 16 January 2019, Keppel Pacific Oak US REIT completed the acquisition of Maitland Promenade I, an office property located in the Maitland submarket of Orlando, Florida, with an aggregate consideration of US$48.5 million, fully financed by loan.

On 1 November 2019, Keppel Pacific Oak US REIT completed the acquisition of One Twenty Five, which consists of two buildings in Dallas, Texas, for an aggregate consideration of US$101.5 million, financed by a combination of loan and equity private placement.

As at 31 December 2019, 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$1.26 billion in value, as follows:

The Plaza Buildings	
Bellevue Technology Center	
The Westpark Portfolio	(acquisition completed on 30 November 2018)
Iron Point	
Westmoor Center	
Great Hills Plaza	
Westech 360	
1800 West Loop South	
Bellaire Park (formerly known as "West Loop I & II")	
125 John Carpenter ("One Twenty Five")	(acquisition completed on 1 November 2019)
Powers Ferry	
Northridge Center I & II	
Maitland Promenade I & II	(acquisition of Maitland Promenade I completed on 16 January 2019)

SUMMARY OF KEPPEL PACIFIC OAK US REIT RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

	Group					
	Actual 4Q 2019	**Forecast (1) 4Q 2019**	**+/(-)**	**Actual FY 2019**	**Forecast (1) FY 2019**	**+/(-)**
	US$'000	**US$'000**	**%**	**US$'000**	**US$'000**	**%**
Gross Revenue (2)	33,771	24,100	40.1	122,886	96,401	27.5
Property Expenses	(13,704)	(10,037)	36.5	(48,133)	(40,149)	19.9
Net Property Income (2)	20,067	14,063	42.7	74,753	56,252	32.9
Net Income for the period (3)	48,468	6,538	>100	69,658	30,840	>100
Income available for distribution to Unitholders (4)	13,623	10,054	35.5	50,783	40,218	26.3
Available distribution per Unit (DPU) (US cents) (5)	1.51	1.58	(4.4)	6.01	6.32	(4.9)
Annualised available for distribution yield (%) (6)				7.7%	7.2%	50bps
DPU (US cents) restated for Rights Issue (7)	1.51	1.47(7)	2.7	6.01	5.89 (7)	2.0
For information only Adjusted DPU (US cents) (8)	1.51	1.19(8)	26.9	6.01	4.77(8)	26.0

	Group					
	Actual 4Q 2019	**Actual 4Q 2018**	**+/(-)**	**Actual FY 2019**	**Actual FY 2018**	**+/(-)**
	US$'000	**US$'000**	**%**	**US$'000**	**US$'000**	**%**
Gross Revenue (2)	33,771	24,502	37.8	122,886	93,525	31.4
Property Expenses	(13,704)	(9,866)	38.9	(48,133)	(36,802)	30.8
Net Property Income (2)	20,067	14,636	37.1	74,753	56,723	31.8
Net Income for the period (3)	48,468	14,225	>100	69,658	47,355	47.1
Income available for distribution to Unitholders (4)	13,623	10,258	32.8	50,783	38,634	31.4
Available distribution per Unit (DPU) (US cents) (5)	1.51	1.25	20.8	6.01	5.40	11.3
Available for distribution yield (%) (6)				7.7%	8.9%	(120bps)
DPU (US cents) restated for Rights Issue (7)	1.51	1.25	20.8	6.01	5.19(7)	15.8
For information only Adjusted DPU (US cents) (8)	1.51	1.22(8)	23.8	6.01	4.58(8)	31.2

Notes:

(1) Forecast for 4Q 2019 and FY 2019 were respectively derived from one quarter and full year forecast of the Projection Year 2019 as disclosed in the Prospectus.

(2) Gross revenue and net property income were higher than 2019 forecasts and 2018 actuals due to contributions from the newly acquired assets, namely The Westpark Portfolio, Maitland Promenade I and One Twenty Five, as well as better than expected performance from the initial IPO portfolio. For more details, please refer to Paragraph 8 – Review of Performance and Paragraph 9 – Variance from Forecast Statement.

(3) For information on the variance for net income, please refer to Paragraph 1(A)(i)(ii) – Consolidated Statement of Comprehensive Income and Distribution Statement as well as Paragraph 8 – Review of Performance and Paragraph 9 – Variance from Forecast Statement.

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

(5) The Manager has previously declared and paid an Advance Distribution of 1.95 US cents for the period from 1 July 2019 to 28 October 2019, calculated over the number of Units as at 28 October 2019 of 826,890,926. For the period from 29 October 2019 to 31 December 2019, the Manager has declared a distribution of 1.06 US cents, calculated over the number of Units as at 31 December 2019 of 934,149,036. Accordingly, actual 4Q 2019 DPU of 1.51 US cents comprise the prorated Advance Distribution of 0.45 US cents for the period from 1 October 2019 to 28 October 2019 and 1.06 US cents for the period from 29 October 2019 to 31 December 2019.

Actual DPU of 1.51 US cents for 4Q 2019 and 6.01 US cents for FY 2019 were lower than Forecast for the respective periods mainly due to the Rights Issue completed on 26 November 2018, resulting in the enlarged number of units, partially offset by higher income available for distribution from the acquisitions of The Westpark Portfolio, Maitland Promenade I and One Twenty Five. Despite the enlarged unit base, Actual DPU for 4Q 2019 and FY 2019 were higher than Actual 4Q 2018 and FY 2018 from both the acquisitions and organic growth of the IPO portfolio.

(6) The available for distribution yield is based on market closing price of US$0.780 per Unit as at last trading day of FY 2019. Forecast FY 2019 and Actual FY 2018 distribution yields are based on the listing price and FY 2018 market closing price of US$0.880 and US$0.610 per Unit respectively.

(7) Forecast DPU for 4Q 2019 and FY 2019 as well as Actual DPU for FY 2018 were restated for the effects of the Rights Issue. The computation of the restatement is in accordance with Paragraph 46 of Statement of Recommended Accounting Practice 7 “Reporting Framework for Unit Trusts”.

(8) Adjusted DPU for Forecast 4Q 2019 and FY 2019 as well as Actual 4Q 2018 and FY 2018 were calculated based on the weighted average number of units for FY 2019 of 843,917,481 units to remove the effects of the enlarged unit base in FY 2019 for comparison purpose.

The increase in adjusted DPU relates mainly to the contributions from the acquisitions of The Westpark Portfolio, Maitland Promenade I and One Twenty Five.

(9) For the purpose of comparing the IPO Portfolio's actual financial figures against its Forecast FY 2019 and Actual FY 2018 figures.

	IPO Portfolio					
	Actual [(a)] FY 2019	**Forecast FY 2019**	**+/(-)**	**Actual [(a)] FY 2019**	**Actual [(a)] FY 2018**	**+/(-)**
	US$'000	**US$'000**	**%**	**US$'000**	**US$'000**	**%**
Gross Revenue	96,938	96,401	0.6	96,938	92,111	5.2
Net Property Income	56,964	56,252	1.3	56,964	55,653	2.4
Income available for distribution to Unitholders	40,761	40,218	1.4	40,761	37,927	7.5
DPU (US cents)	4.83	6.32	(23.6)	4.83	5.31	(9.0)
For information only Adjusted DPU (US Cents)	4.83	4.77[(b)]	1.3	4.83	4.49[(b)]	7.6

(a) Actual FY 2019 figures excluding the contributions from The Westpark Portfolio, Maitland Promenade I and One Twenty Five which were acquired on 30 November 2018, 16 January 2019 and 1 November 2019 respectively. Actual FY 2018 figures exclude the contribution from The Westpark Portfolio.

(b) To illustrate the performance of the IPO Portfolio on a like-for-like basis, adjusted DPU for Forecast FY 2019 and Actual FY 2018 were calculated using the weighted average number of units for FY 2019 of 843,917,481 units.

1 UNAUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

The Directors of Keppel Pacific Oak US REIT Management Pte. Ltd., as the Manager of Keppel Pacific Oak US REIT, advise the following unaudited results of the Group for the year ended 31 December 2019:

1 (A)(i)(ii) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND DISTRIBUTION STATEMENT

Performance between Actual and Forecast results [i]

	Note	Actual 4Q 2019	Forecast 4Q 2019	+/(-)%	Actual FY 2019	Forecast FY 2019	+/(-)%
Consolidated Statement of Comprehensive Income		US$'000	US$'000		US$'000	US$'000	
Rental income		24,925	17,601	41.6	91,209	70,405	29.5
Recoveries income		7,703	5,496	40.2	27,099	21,984	23.3
Other operating income		1,143	1,003	14.0	4,578	4,012	14.1
Gross Revenue		**33,771**	**24,100**	**40.1**	**122,886**	**96,401**	**27.5**
Utilities		(2,114)	(1,884)	12.2	(7,932)	(7,533)	5.3
Repairs and maintenance		(1,568)	(1,072)	46.3	(5,558)	(4,290)	29.6
Property management fees		(2,265)	(1,286)	76.1	(6,372)	(5,142)	23.9
Property taxes		(3,650)	(2,789)	30.9	(13,496)	(11,158)	21.0
Other property expenses		(4,107)	(3,006)	36.6	(14,775)	(12,026)	22.9
Property expenses		**(13,704)**	**(10,037)**	**36.5**	**(48,133)**	**(40,149)**	**19.9**
Net Property Income		**20,067**	**14,063**	**42.7**	**74,753**	**56,252**	**32.9**
Finance income		20	-	NM	89	-	NM
Finance expenses	1	(4,096)	(2,727)	50.2	(16,065)	(10,905)	47.3
Manager's base fee		(1,362)	(1,031)	32.1	(5,078)	(4,125)	23.1
Trustee's fee		(31)	(42)	(26.2)	(122)	(168)	(27.4)
Fair value change in derivatives		1,591	-	NM	(8,775)	-	NM
Other trust expenses		(721)	(682)	5.7	(2,929)	(2,726)	7.4
Net income for the period before tax and fair value change in investment properties		**15,468**	**9,581**	**61.4**	**41,873**	**38,328**	**9.2**
Net fair value change in investment properties		48,159	(1,562)	NM	48,159	(1,562)	NM
Net income for the period before tax		**63,627**	**8,019**	**>100**	**90,032**	**36,766**	**>100**
Tax expense		(15,159)	(1,481)	>100	(20,374)	(5,926)	>100
Net income for the period		**48,468**	**6,538**	**>100**	**69,658**	**30,840**	**>100**
Distribution Statement							
Net income for the period		48,468	6,538	>100	69,658	30,840	>100
Distribution adjustments	2	(34,845)	3,516	NM	(18,875)	9,378	NM
Income available for distribution to Unitholders [ii]		**13,623**	**10,054**	**35.5**	**50,783**	**40,218**	**26.3**
DPU (US cents) [ii]		**1.51**	**1.58**	**(4.4)**	**6.01**	**6.32**	**(4.9)**
DPU (US cents) restated for Rights Issue		**1.51**	**1.47**	**2.7**	**6.01**	**5.89**	**2.0**

NM – Not meaningful

Notes:

(i) Details of Manager's base fee, fair value change in derivatives, other trust expenses, net fair value change in investment properties and tax expense can be found in **1 (A)(i)(ii) Consolidated Statement of Comprehensive Income and Distribution Statement – Performance between Actual 2019 and 2018 results**. For review of performance against the Forecast, it can be found in **Paragraph 9 – Variance from Forecast**.

(ii) 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.

(1) Finance expenses comprise the following:

	Actual 4Q 2019 US$'000	Forecast 4Q 2019 US$'000	+/(-)%	Actual FY 2019 US$'000	Forecast FY 2019 US$'000	+/(-)%
Interest expense on borrowings	3,836	2,522	52.1	15,070	10,088	49.4
Amortisation of upfront debt-related transaction costs [a]	222	145	53.1	856	579	47.8
Dividends on preferred units	8	51	(84.3)	26	203	(87.2)
Commitment fees	30	9	>100	113	35	>100
	4,096	2,727	50.2	16,065	10,905	47.3

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

The higher interest expense on borrowings was largely due to interest expense incurred on the additional loans taken up to partially finance the acquisitions of The Westpark Portfolio, Maitland Promenade I and One Twenty Five .

(2) Included in distribution adjustments are the following:

	Actual 4Q 2019 US$'000	Forecast 4Q 2019 US$'000	+/(-)%	Actual FY 2019 US$'000	Forecast FY 2019 US$'000	+/(-)%
Property related non-cash items [a]	(1,026)	(391)	>100	(4,997)	(1,562)	>100
Manager's base fee paid/payable in units	1,362	774	76.0	5,078	3,094	64.1
Trustee's fee	31	42	(26.2)	122	168	(27.4)
Amortisation of upfront debt-related transaction costs [b]	222	145	53.1	856	579	47.8
Net deferred tax expense	15,004	1,384	>100	19,557	5,537	>100
Fair value change in derivatives	(1,591)	-	NM	8,775	-	NM
Fair value change in investment properties	(48,159)	1,562	NM	(48,159)	1,562	NM
Others [c]	(688)	-	NM	(107)	-	NM
Net distribution adjustments	(34,845)	3,516	NM	(18,875)	9,378	NM

(a) Property related non-cash items mainly comprise straight-line rent and amortisation of lease incentives.
(b) Upfront debt-related transaction costs are amortised over the life of the borrowings.
(c) Included in others are other non tax-deductible items and other adjustments.

1 (A)(i)(ii) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND DISTRIBUTION STATEMENT

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

Performance between Actual 2019 and 2018 results

	Note	Actual 4Q 2019	Actual 4Q 2018	+/(-)%	Actual FY 2019	Actual FY 2018	+/(-)%
Consolidated Statement of Comprehensive Income		US$'000	US$'000		US$'000	US$'000	
Rental income		24,925	18,258	36.5	91,209	71,000	28.5
Recoveries income		7,703	5,217	47.7	27,099	18,655	45.3
Other operating income		1,143	1,027	11.3	4,578	3,870	18.3
Gross Revenue		**33,771**	**24,502**	**37.8**	**122,886**	**93,525**	**31.4**
Utilities		(2,114)	(1,609)	31.4	(7,932)	(6,584)	20.5
Repairs and maintenance		(1,568)	(1,255)	24.9	(5,558)	(4,308)	29.0
Property management fees		(2,265)	(1,210)	87.2	(6,372)	(4,379)	45.5
Property taxes		(3,650)	(2,997)	21.8	(13,496)	(11,213)	20.4
Other property expenses		(4,107)	(2,795)	46.9	(14,775)	(10,318)	43.2
Property expenses		**(13,704)**	**(9,866)**	**38.9**	**(48,133)**	**(36,802)**	30.8
Net Property Income		**20,067**	**14,636**	**37.1**	**74,753**	**56,723**	**31.8**
Finance income		20	28	(28.6)	89	82	8.5
Finance expenses	1	(4,096)	(2,955)	38.6	(16,065)	(10,551)	52.3
Manager's base fee	2	(1,362)	(1,025)	32.9	(5,078)	(3,863)	31.5
Trustee's fee		(31)	(34)	(8.8)	(122)	(129)	(5.4)
Fair value change in derivatives	3	1,591	(4,814)	NM	(8,775)	1,328	NM
Other trust expenses	4	(721)	(105)	>100	(2,929)	(1,894)	54.6
Net income for the period before tax and fair value change in investment properties		**15,468**	**5,731**	**>100**	**41,873**	**41,696**	**0.4**
Net fair value change in investment properties	5	48,159	15,354	>100	48,159	15,354	>100
Net income for the period before tax		**63,627**	**21,085**	**>100**	**90,032**	**57,050**	**57.8**
Tax expense	6	(15,159)	(6,860)	>100	(20,374)	(9,695)	>100
Net income for the period		**48,468**	**14,225**	**>100**	**69,658**	**47,355**	**47.1**
Distribution Statement							
Net income for the period		48,468	14,225	>100	69,658	47,355	47.1
Distribution adjustments	7	(34,845)	(3,967)	>100	(18,875)	(8,721)	>100
Income available for distribution to Unitholders	8	**13,623**	**10,258**	**32.8**	**50,783**	**38,634**	**31.4**
DPU (US cents)	8	**1.51**	**1.25**	**20.8**	**6.01**	**5.40**	**11.3**
DPU (US cents) restated for Rights Issue	8	**1.51**	**1.25**	**20.8**	**6.01**	**5.19**	**15.8**

NM – Not meaningful

Notes:

(1) Finance expenses comprise the following:

	Actual 4Q 2019 US$'000	Actual 4Q 2018 US$'000	+/(-)%	Actual FY 2019 US$'000	Actual FY 2018 US$'000	+/(-)%
Interest expense on borrowings	3,836	2,690	42.6	15,070	9,747	54.6
Amortisation of upfront debt-related transaction costs [(a)]	222	192	15.6	856	653	31.1
Dividends on preferred units	8	8	-	26	26	-
Commitment fees	30	65	(53.8)	113	125	(9.6)
	4,096	2,955	38.6	16,065	10,551	52.3

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

The increase in interest expense was largely due to interest expense incurred on the additional loans taken up to partially finance the acquisitions of The Westpark Portfolio, Maitland Promenade I and One Twenty Five.

(2) The Manager has elected to receive 100% of its base fee in the form of units for 4Q 2019.

(3) This relates to fair value gains / (losses) 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.

(4) Other trust expenses comprise audit, tax compliance and other corporate expenses. FY 2019 other trust expenses increased from FY 2018 largely from higher costs relating to increased investor relations outreach activities, one-off legal fee expenses pertaining to the Barbados restructuring and other administrative expenses.

(5) Keppel Pacific Oak US REIT obtains independent appraisals on an annual basis and recognises change in fair value as gains / (losses) in the consolidated statement of comprehensive income. The fair value gain in investment properties relates to an increase in the appraised fair value of investment properties.

(6) Tax expense comprises withholding, current and net deferred tax expenses. Current tax expense comprises mainly income tax expense on the Barbados entities, Keppel-KBS US REIT B1 SRL and Keppel-KBS US REIT B2 SRL.

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.

(7) Included in distribution adjustments are the following:

	Actual 4Q 2019 US$'000	Actual 4Q 2018 US$'000	+/(-)%	Actual FY 2019 US$'000	Actual FY 2018 US$'000	+/(-)%
Property related non-cash items [a]	(1,026)	(1,093)	(6.1)	(4,997)	(3,942)	26.8
Manager's base fee paid/payable in units	1,362	1,025	32.9	5,078	3,863	31.5
Trustee's fee	31	34	(8.8)	122	129	(5.4)
Amortisation of upfront debt-related transaction costs [b]	222	192	15.6	856	653	31.1
Net deferred tax expense	15,004	6,813	>100	19,557	9,300	>100
Fair value change in derivatives	(1,591)	4,814	NM	8,775	(1,328)	NM
Fair value change in investment properties	(48,159)	(15,354)	>100	(48,159)	(15,354)	>100
Others [c]	(688)	(398)	72.9	(107)	(2,042)	(94.8)
Net distribution adjustments	(34,845)	(3,967)	>100	(18,875)	(8,721)	>100

(a) Property related non-cash items mainly comprise straight-line rent and amortisation of lease incentives.
(b) Upfront debt-related transaction costs are amortised over the life of the borrowings.
(c) Included in others are other non tax-deductible items and other adjustments.

(8) 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 announced the Advance Distribution for the period from 1 July 2019 to 28 October 2019 on 8 November 2019. The next distribution will be for the period from 29 October 2019 to 31 December 2019. Distribution on a half-yearly basis will resume thereafter. Please refer to Paragraph 12 - Distributions for further information and breakdown.

1 (B)(i) STATEMENTS OF FINANCIAL POSITION

	Note	Group Actual 31-Dec-19 US$'000	Group Actual 31-Dec-18 US$'000	+/(-) %	Trust Actual 31-Dec-19 US$'000	Trust Actual 31-Dec-18 US$'000	+/(-) %
Current assets							
Cash and cash equivalents		38,226	40,612	(5.9)	11,587	3,698	>100
Trade and other receivables	1	5,295	3,069	72.5	10,920	32,857	(66.8)
Deposit	2	-	2,500	(100)	-	-	-
Prepaid expenses		232	644	(64.0)	54	136	(60.3)
Total current assets		**43,753**	**46,825**	**(6.6)**	**22,561**	**36,691**	**(38.5)**
Non-current assets							
Derivative asset	3	362	3,537	(89.8)	362	3,537	(89.8)
Investment properties	4	1,256,500	1,016,750	23.6	-	-	-
Investment in subsidiaries	5	-	-	-	1,138,584	971,797	17.2
Total non-current assets		**1,256,862**	**1,020,287**	**23.2**	**1,138,946**	**975,334**	**16.8**
Total Assets		**1,300,615**	**1,067,112**	**21.9**	**1,161,507**	**1,012,025**	**14.8**
Current liabilities							
Trade and other payables	6	24,140	16,382	47.4	4,239	5,331	(20.5)
Loans and borrowings	7	21,000	5,000	>100	21,000	5,000	>100
Rental security deposits		787	893	(11.9)	-	-	-
Rent received in advance		7,358	4,926	49.4	-	-	-
Total current liabilities		**53,285**	**27,201**	**95.9**	**25,239**	**10,331**	**>100**
Non-current liabilities							
Loans and borrowings	7	456,984	366,632	24.6	456,984	366,632	24.6
Rental security deposits		5,582	4,247	31.4	-	-	-
Derivative liability	3	6,820	1,220	>100	6,820	1,220	>100
Preferred units		125	125	-	-	-	-
Deferred tax liabilities	8	29,268	9,711	>100	-	-	-
Total non-current liabilities		**498,779**	**381,935**	**30.6**	**463,804**	**367,852**	**26.1**
Total liabilities		**552,064**	**409,136**	**34.9**	**489,043**	**378,183**	**29.3**
Net assets		**748,551**	**657,976**	**13.8**	**672,464**	**633,842**	**6.1**
Represented by:							
Unitholders' funds		**748,551**	**657,976**	**13.8**	**672,464**	**633,842**	**6.1**
Net asset value per Unit (US$)		**0.80**	**0.80**	**-**	**0.72**	**0.77**	**(6.5)**

Notes:

(1) The increase in trade and other receivables for the Group are from higher accrued rental revenue and tenant reimbursements, as well as receivables from the additional properties.

Trust receivables decrease from lower dividend receivable from subsidiary as dividends were received earlier in 2019 for the advance distribution.

(2) 2018 deposit was paid to vendor for the acquisition of Maitland Promenade I which was completed on 16 January 2019.

(3) This relates 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 year.

(4) Investment properties are stated at fair value as at 31 December 2019, which has been determined based on valuations performed by an independent valuer, JLL Valuation and Advisory. The appraisals performed for valuations as at 31 December 2018 were conducted by Cushman and Wakefield.

All the investment properties held are freehold.

Investment Properties	**Carrying value US$'000**
The Plaza Buildings	275,000
Bellevue Technology Center	144,000
The Westpark Portfolio	199,900
Iron Point	39,400
Westmoor Center	132,000
Great Hills Plaza	41,200
Westech 360	49,500
1800 West Loop South	82,000
Bellaire Park	53,000
One Twenty Five	102,000
Powers Ferry Landing East	20,500
Northridge Center I & II	22,000
Maitland Promenade I and II	96,000
	1,256,500

Investment Properties	**Carrying value US$'000**
As at 1 January 2019	1,016,750
Acquisition of Maitland Promenade I (including acquisition costs)	49,181
Acquisition of One Twenty Five (including acquisition costs)	101,261
Capital expenditure, leasing costs and straight-line rent capitalised	41,149
Fair value change in investment properties	48,159
As at 31 December 2019	**1,256,500**

(5) The increase in investment in subsidiaries for the Trust was for the acquisitions of Maitland Promenade I and One Twenty Five.

(6) The increase in trade and other payables was largely from the payables from the additional properties as well as higher accrued capital expenditures and tenant improvements, partially offset by lower outstanding accrued transactional fees for the acquisitions.

(7) The higher amount of loans and borrowings were for the funding of the acquisitions as well as capital expenditures and tenant improvements during the year.

(8) The movement in deferred taxes were from fair value gain from the investment properties as well as tax depreciation of the investment properties.

1 (B)(ii) AGGREGATE AMOUNT OF BORROWINGS AND DEBT SECURITIES

	Group and Trust	
	As at 31-Dec-19 US$'000	**As at 31-Dec-18 US$'000**
<u>Unsecured loans and borrowings</u>		
Amount repayable within one year	21,000	5,000
Amount repayable after one year	459,440	369,440
Less: Unamortised upfront debt-related transaction costs	(2,456)	(2,808)
Total unsecured loans and borrowings	**477,984**	**371,632**

Notes:

As at 31 December 2019, the Group have gross borrowings comprising:

(i) US$449.4 million of non-current term loans to partially finance the Properties

(ii) US$10.0 million of non-current loan drawn down from a committed revolving credit facility ("RCF") and US$21.0 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$109.0 million to meet its future obligations. 81.0% 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 3.69%. Aggregate leverage, as defined in the Property Funds Appendix, is 36.9%.

1 (C) CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Group			
		Actual 4Q 2019	Actual 4Q 2018	Actual FY 2019	Actual FY 2018
		US$'000	US$'000	US$'000	US$'000
Operating activities					
Net income before tax		63,627	21,085	90,032	57,050
Adjustments for:					
Property related non-cash items		(1,026)	(1,093)	(4,997)	(3,942)
Manager's fee paid/payable in Units		1,362	1,025	5,078	3,863
Interest income		(20)	(28)	(89)	(82)
Finance expenses		4,096	2,955	16,065	10,551
Fair value change in derivatives		(1,591)	4,814	8,775	(1,328)
Fair value change in investment properties		(48,159)	(15,354)	(48,159)	(15,354)
		18,289	**13,404**	**66,705**	**50,758**
Changes in working capital					
Trade and other receivables		(1,517)	160	(1,302)	(1,268)
Trade and other payables		(1,223)	(11,204)	5,996	(7,907)
Rental security deposits		7	100	476	485
Rent received in advance		520	4,263	1,945	4,715
Cash generated from operations		**16,076**	**6,723**	**73,820**	**46,783**
Tax paid		-	(23)	(380)	(23)
Net cash generated from operations		**16,076**	**6,700**	**73,440**	**46,760**
Cash flows from investing activities					
Acquisition of investment properties and related assets and liabilities	1	(99,813)	(163,997)	(144,942)	(163,997)
Additions to investment properties		(6,533)	(3,503)	(35,136)	(24,586)
Deposit placed		-	(2,500)	-	(2,500)
Interest received		20	28	89	82
Net cash used in investing activities		**(106,326)**	**(169,972)**	**(179,989)**	**(191,001)**
Cash flows from financing activities					
Proceeds from issuance of units	2	75,607	93,118	75,607	93,118
Payment of transaction costs relating to issuance of units		(1,174)	(3,301)	(1,174)	(3,301)
Proceeds from new loans		54,000	85,000	121,000	85,000
Repayment of loan		(10,000)	-	(15,000)	-
Payment of debt related transaction costs		(255)	(800)	(505)	(800)
Financing expense paid on loans and borrowings		(3,990)	(2,583)	(15,136)	(9,696)
Financing expense paid on preferred shares		(8)	(8)	(26)	(83)
Distribution to Unitholders		(16,124)	-	(60,603)	(24,074)
Net cash generated from financing activities		**98,056**	**171,426**	**104,163**	**140,164**
Net increase/ (decrease) in cash and cash equivalents		**7,806**	**8,154**	**(2,386)**	**(4,077)**
Cash and cash equivalents at beginning of the period		30,420	32,458	40,612	44,689
Cash and cash equivalents at end of the period		**38,226**	**40,612**	**38,226**	**40,612**

Notes:

(1) Acquisition of investment properties and related assets and liabilities based on the closing statement is set out below:

	Group FY 2019 US$'000
Acquisition of Maitland Promenade I	
Investment property (includes acquisition costs)	49,181
Prepaid expenses and other receivables	87
Accrued expenses and other payables	(1,008)
Rental security deposits	(332)
Rent received in advance	(299)
Less: deposit previously paid	(2,500)
Net assets acquired	45,129
Acquisition of One Twenty Five	
Investment property (includes acquisition costs)	101,261
Prepaid expenses and other receivables	425
Accrued expenses and other payables	(1,264)
Rental security deposits	(421)
Rent received in advance	(188)
Net assets acquired	99,813

Update on Use of Proceeds from the 26 November 2018 Rights Offering

(2) Further to the announcements dated 24 January 2019 and 30 October 2018 titled "Unaudited Results of Keppel-KBS US REIT for the Financial Period since Listing on 9 November 2017 to 31 December 2018" and "Offer Information Statement dated 30 October 2018", the Manager wishes to update the use of proceeds which is in accordance to its stated use, as follows:

	Per Offer Information Statement	Actual	Balance of proceeds	Reallocation of the use of net proceeds [(c)]	Balance of proceeds after reallocation
	US$'000	US$'000	US$'000	US$'000	US$'000
Partial funding of cash consideration for The Westpark Portfolio [(a)]	89,700	89,700	-	-	-
Transaction costs	3,418	2,259	1,159[(b)]	(1,159)	-
Working capital [(c)]	-	-	-	1,159	-
	93,118	**91,959**	**1,159**	**-**	**-**

(a) Agreed purchase consideration for The Westpark Portfolio was $169.4 million with the remaining amount to be financed by debt.

(b) The lower actual transaction cost was largely due to lower fees relating to the preparation of the Offer Information Statement. The funds earmarked for this purpose have been released and reallocated accordingly as explained in footnote (c).

(c) The balance of net proceeds intended for transactions costs have been reallocated to capital expenditure and working capital. Working capital use relates mainly to repayment of finance expenses for the term loans and other general and administrative expenses.

On 29 October 2019, an aggregate of 104,286,000 units were issued at US$0.725 per unit which amounted to US$75.6 million from the Private Placement. The use of proceeds raised from the Private Placement is in accordance with the stated uses as disclosed in the launch of Private Placement announcement dated 17 October 2019 and completion of acquisition announcement dated 2 November 2019, and the latest available update on the use of proceeds is as set out below:

	Intended use of proceeds	**Actual**	**Balance of proceeds**
	US$'000	**US$'000**	**US$'000**
Partial funding of cash consideration for One Twenty Five (d)	71,500	71,500	-
Transaction costs	2,700	1,620	1,080
Working capital	1,407	-	1,407
	75,607	**73,120**	**2,487**

(d) Agreed purchase consideration for One Twenty Five was $101.5 million with the remaining amount to be financed by debt.

The Manager will make the appropriate announcement on the utilisation of the net proceeds of the Private Placement as and when such funds are materially disbursed.

1 (D)(i) STATEMENTS OF CHANGES IN UNITHOLDERS' FUNDS

Group	Units in issue and to be issued US$'000	Retained earnings US$'000	Total US$'000
At 1 January 2019	**623,739**	**34,237**	**657,976**
Operations			
Net income for the period	-	**21,190**	**21,190**
Unitholders' transactions			
Management fees paid in units	3,716	-	3,716
Distribution to Unitholders	(14,501)	(29,978)	(44,479)
Net decrease in net assets resulting from Unitholders' transactions	**(10,785)**	**(29,978)**	**(40,763)**
At 30 September 2019	**612,954**	**25,449**	**638,403**
Operations			
Net income for the period	-	**48,468**	**48,468**
Unitholders' transactions			
Private placement (1)	75,607	-	75,607
Issue costs (2)	(180)	-	(180)
Acquisition fees paid in units (3)	1,015	-	1,015
Management fees payable in units (4)	1,362	-	1,362
Distribution to Unitholders	(5,540)	(10,584)	(16,124)
Net increase / (decrease) in net assets resulting from Unitholders' transactions	**72,264**	**(10,584)**	**61,680**
At 31 December 2019	**685,218**	**63,333**	**748,551**

Group	Units in issue and to be issued US$'000	Retained earnings US$'000	Total US$'000
At 1 January 2018	**533,142**	**5,662**	**538,804**
Operations			
Net income for the period	**-**	**33,130**	**33,130**
Unitholders' transactions			
Management fees paid in units	2,407	-	2,407
Distribution to Unitholders	(5,294)	(18,780)	(24,074)
Net decrease in net assets resulting from Unitholders' transactions	**(2,887)**	**(18,780)**	**(21,667)**
At 30 September 2018	**530,255**	**20,012**	**550,267**
Operations			
Net income for the period	-	**14,225**	**14,225**
Unitholders' transactions			
Rights Issue	93,118	-	93,118
Issue costs	(3,301)	-	(3,301)
Payment of acquisition fees to Manager	1,695	-	1,695
Management fees paid/payable in units	1,972	-	1,972
Net increase in net assets resulting from Unitholders' transactions	**93,484**	**-**	**93,484**
At 31 December 2018	**623,739**	**34,237**	**657,976**

Trust	Units in issue and to be issued US$'000	Retained earnings/ (Accumulated losses) US$'000	Total US$'000
At 1 January 2019	**623,739**	**10,103**	**633,842**
Operations			
Net loss for the period	**-**	**(3,566)**	**(3,566)**
Unitholders' transactions			
Management fees paid in units	3,716	-	3,716
Distribution to Unitholders	(14,501)	(29,978)	(44,479)
Net decrease in net assets resulting from Unitholders' transactions	**(10,785)**	**(29,978)**	**(40,763)**
At 30 September 2019	**612,954**	**(23,441)**	**589,513**
Operations			
Net income for the period	**-**	**21,271**	**21,271**
Unitholders' transactions			
Private placement (1)	75,607	-	75,607
Issue costs (2)	(180)	-	(180)
Acquisition fees paid in units (3)	1,015	-	1,015
Management fees payable in units (4)	1,362	-	1,362
Distribution to Unitholders	(5,540)	(10,584)	(16,124)
Net increase / (decrease) in net assets resulting from Unitholders' transactions	**72,264**	**(10,584)**	**61,680**
At 31 December 2019	**685,218**	**(12,754)**	**672,464**

Trust	Units in issue and to be issued US$'000	Retained earnings/ (Accumulate d losses) US$'000	Total US$'000
At 1 January 2018	**533,142**	**(1,083)**	**532,059**
Operations			
Net income for the period	**-**	**18,971**	**18,971**
Unitholders' transactions			
Management fees paid in units	2,407	-	2,407
Distribution to Unitholders	(5,294)	(18,780)	(24,074)
Net decrease in net assets resulting from Unitholders' transactions	**(2,887)**	**(18,780)**	**(21,667)**
At 30 September 2018	**530,255**	**(892)**	**529,363**
Operations			
Net income for the period	-	**10,995**	**10,995**
Unitholders' transactions			
Rights Issue	93,118	-	93,118
Issue cost	(3,301)	-	(3,301)
Acquisition fees paid in units	1,695	-	1,695
Management fees paid/payable in units	1,972	-	1,972
Net increase in net assets resulting from Unitholders' transactions	**93,484**	**-**	**93,484**
At 31 December 2018	**623,739**	**10,103**	**633,842**

Notes:

(1) 104,286,000 units were issued on 29 October 2019 for the Private Placement to raise US$75.6 million of proceeds for the acquisition of One Twenty Five.

(2) The issue costs relate mainly to the underwriting and professional fees for the Private Placement, partially offset by reversal of the transaction cost for the 26 November 2018 Rights Issue mentioned in note 2(b) of the Consolidated Statement of Cashflows.

(3) Keppel Pacific Oak US REIT issued 1,335,351 units as payment for the acquisition fee to the Manager in connection with the acquisition of One Twenty Five. The acquisition fee of US$1,015,000 is based on 1% of the acquisition price.

(4) 1,752,743 units to be issued as payment of management fees in units for 4Q 2019 based on the volume weighted average price for the last 10 business days up till 31 December 2019.

1 (D)(ii) DETAILS OF ANY CHANGES IN UNITS

Units in Issue:	**2019 Units**	**2018 Units**
At 1 January	821,731,379	628,565,000
New Units issued:		
- issue of Management base fees in units	5,159,547	2,744,231
Total issued Units as at 30 September	**826,890,926**	**631,309,231**
New Units issued:		
- Private Placement [(1)] / Rights Issue units	104,286,000	186,236,224
- issue of acquisition fees in units [(2)]	1,335,351	2,996,271
- issue of Management base fees in units	1,636,759	1,189,653
Total issued Units as at 31 December	**934,149,036**	**821,731,379**
New Units to be issued:		
- Management base fees in units to be issued [(3)]	1,752,743	1,758,241
Total Units issued and to be issued as at 31 December	**935,901,779**	**823,489,620**

(1) 104,286,000 units were issued on 29 October 2019 for the Private Placement to raise US$75.6 million of proceeds for the acquisition of One Twenty Five.

(2) Keppel Pacific Oak US REIT issued 1,335,351 units as payment for the acquisition fee to the Manager in connection with the acquisition of One Twenty Five in 2019. The acquisition fee of US$1,015,000 is based on 1% of the acquisition price.

(3) 1,752,743 units to be issued as payment of management fees in units for 4Q 2019 based on the volume weighted average price for the last 10 business days up till 31 December 2019.

1 (D)(iii) TOTAL NUMBER OF ISSUED UNITS

Keppel Pacific Oak US REIT does not hold any treasury units as at 31 December 2019 and 31 December 2018.

	As at 31 December 2019	**As at 31 December 2018**
Total number of issued units	934,149,036	821,731,379

1 (D)(iv) SALES, TRANSFER, DISPOSALS, CANCELLATION OR USE OF TREASURY UNITS

Not applicable.

2. AUDIT

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

3. AUDITORS' REPORT

Not applicable.

4. ACCOUNTING POLICIES

Except as disclosed in paragraph 5, the Group has applied the same accounting policies and methods of computation in the financial statements for the current financial year compared with those of the audited financial statements as at 31 December 2018.

5. CHANGES IN ACCOUNTING POLICIES

The Group adopted the revised IFRS and interpretations that are effective for application for annual financial periods beginning on or after 1 January 2018 and 1 January 2019. 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.

6. CONSOLIDATED EARNINGS PER UNIT ("EPU") AND DISTRIBUTION PER UNIT ("DPU")

	Actual 4Q 2019	**Actual 4Q 2018**	**Actual FY 2019**	**Actual FY 2018**
EPU				
Weighted average number of Units (1)	901,038,778	731,932,076	843,917,481	648,246,392
Net income for the period (US$'000)	48,468	14,225	69,658	47,355
Basic and diluted EPU (US cents)	5.38	1.94	7.95	7.20
Basic and diluted EPU (US cents) restated for Rights Issue	5.38	1.94	7.95	6.84(2)
DPU				
Number of Units in issue at end of period	934,149,036	821,731,379	934,149,036	821,731,379
Income available for distribution to Unitholders (US$'000)	13,623	10,258	50,783	38,634
DPU (US cents) (3)	1.51	1.25	6.01	5.40
DPU (US cents) restated for Rights	1.51	1.25	6.01	5.19(2)

Notes:

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

(2) EPU and DPU for FY 2018 were restated for the effects of the Rights Issue. The computation of the restatement is in accordance with Paragraph 46 of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts".

(3) The Manager has previously declared and paid an Advance Distribution of 1.95 US cents for the period from 1 July 2019 to 28 October 2019, calculated over the number of Units as at 28 October 2019 of 826,890,926. For the period from 29 October 2019 to 31 December 2019, the Manager has declared a distribution of 1.06 US cents, calculated over the number of Units as at 31 December 2019 of 934,149,036. Accordingly, actual 4Q 2019 DPU of 1.51 US cents comprise the prorated Advance Distribution of 0.45 US cents for the period from 1 October 2019 to 28 October 2019 and 1.06 US cents for the period from 29 October 2019 to 31 December 2019.

7. NET ASSET VALUE ("NAV") AND NET TANGIBLE ASSET ("NTA") PER UNIT

	Group		Trust	
	As at 31 December 2019	As at 31 December 2018	As at 31 December 2019	As at 31 December 2018
Number of Units in issue and to be issued	935,901,779	823,489,620	935,901,779	823,489,620
Net assets (US$'000)	748,551	657,976	672,464	633,842
NAV and NTA per Unit (1) (US$)	0.80	0.80	0.72	0.77
Adjusted NAV and NTA per Unit (1) (US$) (excluding Distributable Income)	0.79	0.78	0.71	0.75

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.

8. REVIEW OF PERFORMANCE

Review of performance for 4Q 2019 vs 4Q 2018

Overall, income available for distribution to Unitholders of US$13.6 million for 4Q 2019 was higher than 4Q 2018 by 32.8%.

Gross revenue of US$33.8 million for 4Q 2019 was higher than 4Q 2018 by 37.8% largely due to contributions from The Westpark Portfolio, Maitland Promenade I and One Twenty Five. The Westpark Portfolio, acquired on 30 November 2018, contributed three months results to 4Q 2019 compared to one month in 4Q 2018. Maitland Promenade I, acquired on 16 January 2019, and One Twenty Five, acquired on 1 November 2019, contributed three months results and two month results to 4Q 2019 respectively.

Property expenses of US$13.7 million for 4Q 2019 were higher than 4Q 2018 by 38.9% mainly due to the enlarged portfolio.

As a result, net property income of US$20.1 million for 4Q 2019 was higher than 4Q 2018 by 37.1%.

Finance expenses of US$4.1 million for 4Q 2019 were 38.6% higher than 4Q 2018. The increase in interest expense was largely due to interest expense incurred on the additional loans taken up to partially finance the acquisitions of The Westpark Portfolio, Maitland Promenade I and One Twenty Five as well as higher interest expense from the additional RCF drawn down during the year to finance capital expenditures and tenant improvements.

Fair value gain in derivatives amounted to US$1.6 million in 4Q 2019 as compared to a loss of US$4.8 million in 4Q 2018 due to movement in interest rates for the respective periods.

Net fair value gain in investment properties amounted to US$48.2 million, largely driven from the fair value gains from the Seattle properties – The Westpark Portfolio, The Plaza Buildings and Bellevue Technology Center, as well as from Bellaire Park.

Tax expense of US$15.2 million, mainly relating to deferred tax expenses, was much higher than 4Q 2018 due to higher deferred taxes recognised from fair value gain from the investment properties as well as tax depreciation of the enlarged portfolio of investment properties. Current taxes were also higher for the Barbados entities due to the higher corporate tax rates which were effective on 1 January 2019.

Due to the net effects of the above, net income for 4Q 2019 of US$48.5 million was significantly higher than 4Q 2018 of US$14.2 million.

Review of performance for FY 2019 vs FY 2018

Overall, income available for distribution to Unitholders of US$50.8 million for FY 2019 was higher than FY 2018 by 31.4%.

Gross revenue of US$122.9 million for FY 2019 was higher than FY 2018 by 31.4% largely due to contributions from the acquisitions of The Westpark Portfolio, Maitland Promenade I and One Twenty Five. In addition, gross revenue from the IPO Portfolio also improved by 5.2% year-on-year, mainly from higher recoveries income, straight-line rent and other operating income. Please refer to page 5 Note 9 for the performance of the IPO Portfolio for FY2019.

Property expenses of US$48.1 million for FY 2019 were higher than FY 2018 by 30.8% mainly due to the enlarged portfolio. Property expenses for the IPO Portfolio were also generally higher year-on-year, due mainly to higher recoverable expenses such as utilities, repairs and maintenance, property management fees and property taxes and additional costs relating to new amenities and cafes.

As a result, net property income of US$74.8 million for FY 2019 was higher than FY 2018 by 31.8%.

Finance expenses of US$16.1 million for FY 2019 were 52.3% or US$5.5 million higher than FY 2018. The increase in interest expense was largely due to US$5.0 million of interest expense incurred from additional loans taken up to partially finance the acquisitions of The Westpark Portfolio, Maitland Promenade I and One Twenty Five, as well as higher interest expense from the additional RCF drawn down during the year to finance capital expenditures and tenant improvements.

Fair value loss in derivatives amounted to US$8.8 million in FY 2019 as compared to a gain of US$1.3 million in FY 2018 due to movement in interest rates for the respective periods.

Net fair value gain in investment properties amounted to US$48.2 million, largely driven from the fair value gains from the Seattle properties – The Westpark Portfolio, The Plaza Buildings and Bellevue Technology Center, as well as from Bellaire Park.

Tax expense of US$20.4 million, mainly relating to deferred tax expenses, was much higher than FY 2018 due to higher deferred taxes recognised from fair value gain from the investment properties as well as tax depreciation of the enlarged portfolio of investment properties. Current taxes were also higher for the Barbados entities due to the higher corporate tax rates which were effective on 1 January 2019.

Due to the net effects of the above, net income for FY 2019 of US$69.7 million was higher than FY 2018 by 47.1%.

9. VARIANCE FROM FORECAST STATEMENT

Review of performance for Actual vs Forecast for 4Q 2019

Overall, income available for distribution to Unitholders of US$13.6 million for 4Q 2019 was higher than Forecast by 35.5%.

Gross revenue of US$33.8 million for 4Q 2019 was higher than forecast by 40.1% largely due to contributions from the acquisitions of The Westpark Portfolio, Maitland Promenade I and One Twenty Five.

Property expenses of US$13.7 million for 4Q 2019 were higher than forecast by 36.5% mainly due to the enlarged portfolio.

As a result, net property income of US$20.1 million for 4Q 2019 was higher than forecast by 42.7%.

Finance expenses of US$4.1 million for 4Q 2019 were 50.2% higher than forecast. The increase in interest expense was largely due to interest expense incurred on the additional loans taken up to partially finance the acquisitions of The Westpark Portfolio, Maitland Promenade I and One Twenty Five.

Fair value gain in derivatives amounted to US$1.6 million in 4Q 2019 due to movement in interest rates. Fair value changes from derivatives were not included in forecast.

Net fair value gain in investment properties amounted to US$48.2 million, largely driven from the fair value gains from the Seattle properties – The Westpark Portfolio, The Plaza Buildings and Bellevue Technology Center, as well as from Bellaire Park. This is in comparison to a US$1.6 million net fair value loss for investment properties assumed in forecast in relation to valuation loss from straight-lined rent and leasing commissions capitalised.

Tax expense of US$15.2 million, mainly relating to deferred tax expenses, was much higher than forecast due to higher deferred taxes recognised from fair value gain from the investment properties as well as tax depreciation of the enlarged portfolio of investment properties. There was also higher current tax expense from the Barbados corporate taxes which were not in forecast.

Due to the net effects of the above, net income for 4Q 2019 of US$48.5 million was significantly higher than forecast of US$6.5 million.

Review of performance for Actual vs Forecast for FY 2019

Overall, income available for distribution to Unitholders of US$50.8 million for FY 2019 was higher than forecast by 26.3%.

Gross revenue of US$122.9 million for FY 2019 was higher than forecast by 27.5% largely due to contributions from the acquisitions of The Westpark Portfolio, Maitland Promenade I and One Twenty Five. Gross revenue for the IPO Portfolio contributed 0.6% of the increase against forecast. Please refer to page 5 Note 9 for the performance of the IPO Portfolio for FY2019.

Property expenses of US$48.1 million for FY 2019 were higher than forecast by 19.9% mainly due to the enlarged portfolio, partially offset by lower utilities, property management fees and amortisation of lease commission of the IPO Portfolio against forecast.

As a result, net property income of US$74.8 million for FY 2019 was higher than forecast by 32.9%.

Finance expenses of US$16.1 million for FY 2019 were 47.3% or US$5.2 million higher than forecast. The increase in interest expense was largely due to US$5.0 million of interest expense incurred from additional loans taken up to partially finance the acquisitions of The Westpark Portfolio, Maitland Promenade I and One Twenty Five.

Fair value loss in derivatives amounted to US$8.8 million in FY 2019 due to movement in interest rates. Fair value changes from derivatives were not included in forecast.

Net fair value gain in investment properties amounted to US$48.2 million, largely driven from the fair value gains from the Seattle properties – The Westpark Portfolio, The Plaza Buildings and Bellevue Technology Center, as well as from Bellaire Park. This is in comparison to a US$1.6 million net fair value loss for investment properties assumed in forecast in relation to valuation loss from straight-lined rent and leasing commissions capitalised.

Tax expense of US$20.4 million, mainly relating to deferred tax expenses, was much higher than forecast due to higher deferred taxes recognised from fair value gain from the investment properties as well as tax depreciation of the enlarged portfolio of investment properties. There was also higher current tax expense from the Barbados corporate taxes which were not in forecast.

Due to the net effects of the above, net income for FY 2019 of US$69.7 million was significantly higher than forecast of US$30.8 million.

10. PROSPECTS

The US economy continued to expand at an annual rate of 2.1%[1] in the third quarter of 2019, continuing its longest expansion on record. The unemployment rate and labour force participation rate remained unchanged at 3.5% and 63.2% respectively in December 2019[2]. Notable job growth occurred in retail trade and health care sectors.

At its December 2019 meeting, the Federal Open Market Committee voted to keep the federal funds rate at its target range of 1.50-1.75%[3] in a unanimous decision based on sustained expansion of economic activity, strong labour market conditions and persistently low inflation.

In its January Office National Report, CoStar reported a vacancy rate of 9.9%, near historic lows, following positive gains in absorption and strong leasing activity. The fourth quarter of 2019 marked the 35th consecutive quarter of rent increases. Over this span, rent growth averaged 3.4% (p.a.). with the strongest rent growth occurring in the tech markets of Austin and Seattle, among others. Asking rent rose 5.0% in Austin and 4.8% in Seattle, ranking them fifth and seventh respectively in terms of 12-month asking rent growth. Seattle and Austin make up over 48% of KORE's portfolio by Cash Rental Income.

11. RISK FACTORS AND RISK MANAGEMENT

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

[1] U.S. Bureau of Economic Analysis, December 2019.
[2] U.S. Department of Labor Statistics, December 2019.
[3] Federal Reserve Board minutes, November - December 2019.

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 20 December 2018, the United States Department of the Treasury released proposed regulations under Section 267A (the "Proposed 267A Regulations"). Separately, on 20 November 2018, the Government of Barbados has announced that Barbados will converge its local and international tax rates. It was proposed that from 1 January 2019, domestic companies will pay the same tax rates as international companies, on a sliding scale of 5.5%, reducing to 1.0% as taxable income increases (the "Proposed Barbados Tax Rates").

The Proposed 267A Regulations together with the Barbados Tax Changes are not expected to necessitate any further changes to Keppel Pacific Oak US REIT's structure (including Barbados entities set-up on 1 January 2018) in order to preserve the deductibility of interest paid on Keppel Pacific Oak US REIT's intercompany financing arrangements. As such, the Manager currently expects that the Proposed 267A Regulations together with the Barbados Tax Changes will not have any material impact on the consolidated net tangible assets or distributions per unit of Keppel Pacific Oak US REIT. Under the Proposed Barbados Tax Rates, the Manager expects the additional tax expense will not be more than 1% of the distributable income. The Manager will continue to review various tax planning alternatives to mitigate any future tax impact.

Keppel Pacific Oak US REIT cautions that the Proposed 267A Regulations are still in proposed form. Final regulations under Section 267A, expected to be effective as of 1 January 2018, could differ materially from the Proposed 267A Regulations and could result in additional costs. The United States Department of the Treasury previously stated that it expected final regulations under Section 267A to be promulgated by 22 June 2019. However, the final regulations have not yet been released to date and the United States Department of the Treasury has not provided an updated timeline on when it expects the final regulations to be issued. The delay in the release of the final regulations does not indicate that there will be any meaningful changes from the Proposed 267A Regulations. Nevertheless, additional guidance or negative application of relevant tax laws related to Section 267A could have a material impact on the consolidated net tangible assets or distributions per unit of Keppel Pacific Oak US REIT.

The Manager will update unitholders of Keppel Pacific Oak US REIT if there is any material impact on Keppel Pacific Oak US REIT and/or its unitholders arising from the issuance of final regulations, additional guidance, or other application of tax laws in the tax jurisdictions that Keppel Pacific Oak US REIT operates in.

Interest rate risk

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

Liquidity risk

The Manager monitors and maintains 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.

12. DISTRIBUTIONS

(a) Current Financial Period reported on

Any distribution recommended for the current financial period reported on?

Yes.

Name of Distribution	4th Advance Distribution for the period from 1 July 2019 to 28 October 2019 paid on 26 December 2019 5th Distribution for the period from 29 October 2019 to 31 December 2019
Distribution Type	a) Tax-exempt income distribution b) Capital distribution
Distribution Rate	4th Advance Distribution for the period from 1 July 2019 to 28 October 2019 paid on 26 December 2019 a) Tax-exempt income distribution – 1.28 US cents per unit b) Capital distribution – 0.67 US cents per unit 5th Distribution for the period from 29 October 2019 to 31 December 2019 a) Tax-exempt income distribution – 0.69 US cents per unit b) Capital distribution – 0.37 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	2nd Distribution for the period from 1 July 2018 to 31 December 2018
Distribution Type	a) Tax-exempt income distribution b) Capital distribution
Distribution Rate	a) Tax-exempt income distribution – 1.74 US cents per unit b) Capital distribution – 0.66 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) Book closure date

4th Advance Distribution – 25 October 2019

5th Distribution – 31 January 2020

(d) Date payable

4th Advance Distribution – 26 December 2019

5th Distribution – 30 March 2020

13. DISTRIBUTION STATEMENT

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

14. SEGMENTAL INFORMATION

Segment revenue and results for operating segments (of the group) in the form presented in the issuer's most recently audited financial statements, with comparative information for the immediately preceding year.

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

15. MATERIAL CHANGES IN CONTRIBUTION BY OPERATING SEGMENTS

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

Please refer to Paragraph 9 above for the review of actual performance.

16. BREAKDOWN OF REVENUE

	FY 2019 US$'000	FY 2018 US$'000	+/(-) %
First half year			
Gross revenue reported	58,724	46,351	26.7
Net income reported [a]	11,578	23,528	(50.8)
Second half year			
Gross revenue reported	64,162	47,174	36.0
Net income reported [b]	58,080	23,827	>100

Notes:

(a) Actual net income for the first half year of 2019 includes a derivative fair value loss of US$9.4 million as compared to a US$5.2 million derivative fair value gain for the same period in 2018 due to movement in interest rates. Excluding the effects of the fair value change in derivatives, adjusted net income for first half year of 2019 of US$21.0 million would have been 14.8% higher than 2018 of US$18.3 million.

(b) Actual net income for the second half year of 2019 is significantly higher than the same period year-on-year due to a net after tax fair value gain in investment properties of US$34.8 million (2018: US$11.1 million) and a fair value gain in derivatives of US$0.6 million (2018: fair value loss in derivatives of US$3.9 million). Excluding the effects of the fair value changes in investment properties and derivatives, adjusted net income for second half year of 2019 of US$22.7 million would also have been significantly higher than 2018 of US$16.6 million.

17. INTERESTED PERSON TRANSACTIONS

	Aggregate value of all interested person transactions during the financial period under review (excluding transactions of less than S$100,000)	
Name of Interested Person	**Actual FY 2019 US$'000**	**Actual FY 2018 US$'000**
Pacific Oak Strategic Opportunity REIT and its subsidiaries		
- Acquisition of investment properties	101,500	169,359
Keppel Pacific Oak US REIT Management Pte. Ltd.		
- Manager's management fees	5,078	3,863
- Acquisition fees	1,015	1,695
Perpetual (Asia) Ltd		
- Trustee fees	122	129

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

18. BREAKDOWN OF ANNUAL TOTAL DISTRIBUTION

	FY2019 US$'000	FY2018 US$'000
Listing Date to 30 June 2018 (paid)	-	24,074
1 July 2018 to 31 December 2018 (paid)	-	19,722
1 January 2019 to 30 June 2019 (paid)	24,758	-
1 July 2019 to 28 October 2019 (paid)	16,124	-
29 October 2019 to 31 December 2019 (to be paid) [(1)]	9,901	-
	50,783	43,796

Notes:

(1) Please refer to Paragraph 12(a) for details of the distribution to be paid.

19. DISCLOSURE OF PERSON OCCUPYING A MANAGERIAL POSITION

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

20. CONFIRMATION THAT THE ISSUER HAS PROCURED UNDERTAKINGS FROM ALL 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

CHUA HUA YEOW KELVIN
Company Secretary
21 January 2020