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

## ANNOUNCEMENT

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- (I) THE PROPOSED ACQUISITION OF AN EQUITY INTEREST IN OCEAN PROPERTIES PTE. LIMITED, WHICH OWNS OCEAN FINANCIAL CENTRE;
  - (II) THE PROPOSED UNDERWRITTEN RENOUNCEABLE RIGHTS ISSUE; AND
  - (III) THE RECEIPT OF APPROVAL IN-PRINCIPLE FOR THE LISTING OF NEW UNITS IN K-REIT ASIA.
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### 1. INTRODUCTION

K-REIT Asia Management Limited, in its capacity as manager of K-REIT Asia ("K-REIT", and the manager of K-REIT, the "Manager"), is pleased to announce that:

- (a) RBC Dexia Trust Services Singapore Limited, in its capacity as trustee of K-REIT (the "Trustee"), has today entered into a conditional sale and purchase agreement (the "Sale and Purchase Agreement") with Straits Property Investments Pte Ltd (the "Vendor"), a wholly-owned subsidiary of Keppel Land Limited ("KLL") and Keppel Land Properties Pte Ltd, a wholly-owned subsidiary of KLL, as the guarantor for the Vendor (the "Guarantor") to acquire (the "Acquisition") approximately 87.51% of the issued share capital of Ocean Properties Pte. Limited ("OPPL") for a period of 99 years from the date the Acquisition is completed (the "Completion Date") (the "Relevant Period"). OPPL owns Ocean Financial Centre (the "Property"); and
- (b) it proposes to undertake an underwritten<sup>1</sup> and renounceable rights issue (the "Rights

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<sup>1</sup> Keppel Corporation Limited ("KCL") and KLL have each provided an irrevocable undertaking to the Manager to subscribe for their respective wholly-owned subsidiaries' total provisional allotments of Rights Units (the "Keppel Proportionate Rights Units"). The Joint Managers and Underwriters (as defined herein) are underwriting the total number of Rights Units less the Keppel Proportionate Rights Units up to a maximum of 273,999,540 Rights Units (the "Balance Rights Units"), in equal proportions, severally and not jointly. As at 10 October 2011 (the "Latest Practicable Date"), based on the unitholdings of KCL, KLL and their respective wholly-owned subsidiaries, the Keppel Proportionate Rights Units and the Balance Rights Units will amount to approximately 76.3% and 23.7% of the total number of Rights Units respectively.

**Issue**") comprising 1,157,372,000<sup>2</sup> Rights Units<sup>3</sup> on the basis of 17 Right Units for every 20 existing Units<sup>4</sup> (the "**Rights Ratio**") (fractional entitlements to be disregarded) held as at the books closure date (the "**Rights Issue Books Closure Date**") to determine the provisional allotment of Rights Units to Eligible Unitholders<sup>5</sup> in connection with the Rights Issue, at an issue price of S\$0.85 per Rights Unit (the "**Rights Issue Price**"), to raise gross proceeds of approximately S\$983.8 million.

The Balance Rights Units are underwritten by DBS Bank Ltd. and United Overseas Bank Limited (collectively, the "**Joint Managers and Underwriters**").

The Property is situated on a site with a 999-year leasehold title that commenced from 22 June 1862 and approximately 90 sqm of the basement area (which connects the Property to the passageway linking to the Raffles Place MRT interchange station) is situated on a site with a 99-year leasehold title that commenced from 13 June 2001. The Property is built over two phases; the first being the office tower which received temporary occupation permits ("**OFC Phase 1**"), and the second phase which comprises the car park and retail space and is targeted for completion by end-2012 ("**OFC Phase 2**"). In accordance with the terms of the Sale and Purchase Agreement, the Vendor will be liable for its share of all project development costs required for the Property to obtain a certificate of statutory completion ("**CSC**") and K-REIT will not be required to incur any further project development costs. OPPL had entered into a project management agreement with Keppel Land International Limited (the "**Project Manager**" or "**KLI**") on 22 November 2007 in relation to the development of the Property (including OFC Phase 2) (the "**Project Management Agreement**") until its completion.

The Property will be managed by K-REIT Asia Property Management Pte Ltd (the "**Property Manager**"). OPPL, KLI (the current property manager) and the Property Manager will on the Completion Date enter into a novation agreement to novate the property management agreement (the "**Property Management Agreement**") from KLI to the Property Manager, where the Property Manager is responsible for providing, among other things, services

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2 For the purpose of this announcement, unless otherwise stated, the number of Rights Units to be issued under the Rights Issue has been assumed to be 1,157,372,000 based on the Rights Ratio (as defined herein) and the number of Units in issue as at the Latest Practicable Date. The actual number of Rights Units to be issued under the Rights Issue will be higher if and when additional Units are issued on or prior to the Rights Issue Books Closure Date (as defined herein). Additional Units will be issued to the Manager for the payment of its management fees for the quarter ended 30 September 2011.

3 "**Rights Units**" refers to the new units in K-REIT proposed to be issued by way of the Rights Issue.

4 "**Units**" refers to units representing an undivided interest in K-REIT.

5 "**Eligible Unitholders**" refers to Eligible Depositors and Eligible Scripholders, "**Eligible Depositors**" are unitholders in K-REIT ("**Unitholders**") with Units standing to the credit of their securities accounts and whose registered addresses with The Central Depository (Pte) Limited ("**CDP**") are in Singapore as at the Rights Issue Books Closure Date or who have, at least three Market Days prior to the Rights Issue Books Closure Date, provided CDP with addresses in Singapore for the service of notices and documents and such Unitholders who the Manager, on behalf of K-REIT, and the Joint Managers and Underwriters, agree, including Eligible QIBs, may be offered Rights Units without breaching applicable securities laws, and "**Eligible Scripholders**" are Unitholders whose Units are not deposited with CDP and who have tendered to the Unit Registrar valid transfers of their Units and/or the documentary evidence evidencing their title in relation thereto for registration up to the Rights Issue Books Closure Date and whose registered addresses with the Unit Registrar are in Singapore as at the Rights Issue Books Closure Date or who have, at least three Market Days prior to the Rights Issue Books Closure Date, provided the Unit Registrar with addresses in Singapore for the service of notices and documents or such Unitholders who the Manager, on behalf of K-REIT, and the Joint Managers and Underwriters agree, including Eligible QIBs, may be offered Rights Units without breaching applicable securities laws. "**Eligible QIBs**" means beneficial holders of Units whose identities have been agreed between the Manager and the Joint Managers and Underwriters, who are each a QIB, who have delivered to the Manager and the Joint Managers and Underwriters a signed investor representation letter which is accepted by the Manager and the Joint Managers and Underwriters, and who are also Eligible Unitholders. "**QIB**" means a "qualified institutional buyer" as defined in Rule 144A under the United States Securities Act of 1933, as amended. "**Market Day**" means a day on which the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") is open for trading in securities.

relating to property management and maintenance, lease administration, marketing and leasing, accounting and administration, and budget preparation.

The Trustee and Avan Investments Pte Ltd (“**AIPL**”), an unrelated third party and the existing shareholder which owns approximately 12.49% of the shares in OPPL, have agreed, post-Completion Date, OPPL shall apply to the Accounting and Corporate Regulatory Authority of Singapore to convert itself into a limited liability partnership (“**LLP**”) pursuant to the Limited Liability Partnerships Act, Chapter 163A of Singapore, with the name “Ocean Properties LLP” (“**OPLLP**”). AIPL is an investment-holding company incorporated in Singapore which is beneficially owned by a private family. AIPL is not related to K-REIT, the Manager, the Vendor or KLL. Its only investment is in OPPL. The Trustee will enter into a limited liability partnership agreement with AIPL, to govern their relationship in the LLP.

Upon completion of the Acquisition and the Rights Issue, the portfolio asset size of K-REIT will increase from approximately S\$3.9 billion to approximately S\$5.9 billion and the market capitalisation of K-REIT is expected to increase from approximately S\$1.4 billion<sup>6</sup> to approximately S\$2.5 billion<sup>6</sup>.

## 2. THE ACQUISITION

### 2.1 The Sale and Purchase Agreement

The Trustee has today entered into the Sale and Purchase Agreement in relation to the Acquisition.

#### The principal terms of the Sale and Purchase Agreement

The principal terms of the Sale and Purchase Agreement include, among others, the following:

#### (a) Purchase Consideration

The purchase consideration (the “**Purchase Consideration**”) for the approximate 87.51% equity interest in OPPL is based on the adjusted net tangible asset value of OPPL as at the Completion Date (the “**Adjusted NTA**”). As at 31 July 2011<sup>7</sup>, the estimated Purchase Consideration is S\$1,571.3 million, which is derived from:

- (i) S\$2,013.1 million, being the agreed value of the approximate 87.51% interest in the Property (the “**Agreed Value**”); less
- (ii) approximately S\$441.8 million, being the adjustments for the approximate 87.51% share of OPPL's borrowings (S\$333.2 million), accruals (S\$30.3 million) and estimated total development costs (S\$78.3 million) for the completion of OFC Phase 2 as at 31 July 2011.

The Purchase Consideration was negotiated on a willing-buyer and willing-seller basis and is payable wholly in cash on the Completion Date. The actual amount of the Purchase Consideration will be determined on the Completion Date. Please refer to paragraph 5 of this announcement for the valuations of the approximate 87.51% interest in the Property, conducted by Savills Valuation and Professional Services (S)

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6 This figure is computed based on the weighted average trading price of S\$1.0144 per Unit on the SGX-ST as at the Latest Practicable Date.

7 The date of the illustrative *pro forma* balance sheet of OPPL as set out in the Sale and Purchase Agreement.

Pte Ltd (“**Savills**”) and Knight Frank Pte Ltd (“**Knight Frank**” and together with Savills, the “**Independent Valuers**”).

The Purchase Consideration has been agreed on the basis of an interest in OPPL for a period of 99 years. Any extension of K-REIT's interest beyond the 99-year period will be separately negotiated between the Manager and the Vendor at the appropriate time on an arm's length basis.

**(b) Completion Date**

The Completion Date is expected to be no later than 31 December 2011, subject to fulfilment of the conditions precedent under the Sale and Purchase Agreement.

**(c) Conditions precedent**

Completion is subject to and conditional upon, among others:

- (i) the approval of Unitholders for the Acquisition;
- (ii) the approval of shareholders of KLL for the divestment of the equity interest in OPPL to K-REIT;
- (iii) the Management and Underwriting Agreement (as defined herein) not being terminated by the Joint Managers and Underwriters for *force majeure* or the occurrence of market disruption events equivalent to *force majeure*; and
- (iv) there being no material damage or compulsory acquisition of the whole or any part of the Property on or before the Completion Date.

**(d) Rental Support**

As the Property is a recently completed development, the Vendor will provide rental support (the “**Rental Support**”) to K-REIT for a period from the Completion Date to 31 December 2016 for vacant spaces, fitting-out periods where rents and maintenance charges will not be received, as well as for leases which are at lower-than-market rental rates as these leases were contracted during the recovery phase of the global financial crisis. These leases are expected to be revised to prevailing market rates when they expire or at the next rent review dates.

Pursuant to the foregoing, in the event the Actual OFC Net Property Income (as defined below) of the First Period (as defined below) and each Quarterly Period (as defined below), whichever is applicable, falls below the relevant Guaranteed Income Amount (as defined below) applicable, the Vendor will pay to the Trustee an amount equivalent to the shareholding proportion held by the Vendor in OPPL (“**Vendor's Shareholding Proportion**”) of the difference between the Guaranteed Income Amount and the Actual OFC Net Property Income for that First Period or Quarterly Period, together with any goods and services tax and any income tax payable (together, the “**Top-Up Payment**”), provided that the aggregate of all Top-Up Payments shall not in any event exceed S\$170.0 million.

<b>Period</b>	<b>Guaranteed Income Amount</b>
First Period (commencing from Completion Date and ending on 31 December 2011)	S\$10,179,625
Each Quarterly Period in each calendar year ending on 31 March, 30 June, 30	S\$30,538,874

September and 31 December for the period commencing from year 2012 till year 2016.	
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“**Actual OFC Net Property Income**” means all income accruing or resulting from the operation of the Property in accordance to the Sale and Purchase Agreement less all costs and expenses incurred in the maintenance, management and operation of the Property in accordance with the Sale and Purchase Agreement for the First Period or the Quarterly Period (as the case may be).

The Top-Up Payments (excluding goods and services tax) expected to be received by K-REIT for the First Period and for the financial year from 1 January 2012 to 31 December 2012 (“**Forecast Year 2012**”) are S\$6.8 million and S\$67.2 million respectively.

In arriving at the Top-Up Payments, the Manager has assumed that the vacant office spaces would be progressively leased from the current occupancy of approximately 79.6% as at 15 September 2011 and is expected to achieve full occupancy by mid-2013. The projected OFC Net Property Income levels for the First Period and the Forecast Year 2012 are S\$3,772,426 and S\$58,408,020 respectively. The Manager has also assumed there is no income from the retail space under OFC Phase 2 for the financial year ending 31 December 2011 and the Forecast Year 2012 as OFC Phase 2 is targeted for completion by end-2012.

The Actual OFC Net Property Income together with the Top-Up Payments (excluding goods and services tax) translates to an income level which is within the market range of comparable properties that both DTZ Debenham Tie Leung (SEA) Pte Ltd (the “**Independent Market Consultant**”) and the Independent Valuers have stated in their respective reports.

The Rental Support is fully guaranteed by the Guarantor, a wholly-owned subsidiary of KLL, which has a net tangible asset (“**NTA**”) of S\$202.5 million as at 31 December 2010.

The board of directors of the Manager (the “**Directors**”) is of the view that the provision of the Rental Support is beneficial to K-REIT as it will provide income stability for a period from the Completion Date to 31 December 2016.

**(e) Project Development Costs**

The Vendor agrees that the Acquisition is made on the basis that it shall bear in the Vendor’s Shareholding Proportion all costs (including legal costs), expenses, charges and amounts incurred and payable by OPPL for the purpose of or in connection with the development and completion of OFC Phase 1 and OFC Phase 2 as set out under the terms of the Sale and Purchase Agreement.

**2.2 The Option Deed**

The Acquisition is based on K-REIT acquiring a 99-year interest of approximately 87.51% equity interest in OPPL. On the Completion Date, the Trustee shall by executing an option deed (the “**Option Deed**”), grant to the Vendor, as option holder (the “**Option Holder**”) a call option, pursuant to which the Option Holder shall have the right to acquire approximately 87.51% equity interest in OPPL, or equivalent, (the “**Option Interest**”) for S\$1.00, such option to be exercisable only after the expiry of the Relevant Period (the “**Call Option**”).

Under the Option Deed, the Trustee shall not dispose of its legal or beneficial interest in all or any part of the Option Interest to any person unless, among others, the Option Holder's right of first refusal conferred under the Option Deed has lapsed. In addition, if any of certain specified events occurs anytime during the 99 years after the Completion Date, the Option Holder shall have the right to procure OPPL to take the necessary steps to carve out and transfer a leasehold title of the remaining tenure less the 99 years (from the Completion Date) to a special purpose vehicle (the "**SPV**") owned by the Option Holder and AIPL (the "**Reversionary Interest**") and in this case, OPPL will still retain the title over the Property for the remainder of the Relevant Period. Pending the grant and registration of the Reversionary Interest, the Option Holder may exercise the Call Option and require the transfer of the Option Interest to it, whereupon the Option Holder shall procure OPPL to create the Reversionary Interest. If the Reversionary Interest is created within six months after the date of request by the Option Holder (the "**Specified Period**"), the Option Interest shall be re-transferred to K-REIT. If the Reversionary Interest is not created within the Specified Period, the Option Interest shall not be re-transferred to K-REIT and the Option Holder shall (within 15 business days after the expiry of the Specified Period) pay to K-REIT the net tangible asset value of the Option Interest as at the date of expiry of the Specified Period but with adjustments for (i) a market valuation (based on the average of two valuations, each determined by an internationally recognised property valuer firm commissioned by K-REIT and the Option Holder respectively) of the Property as if OPPL has a lease for the remainder of the Relevant Period and (ii) any cash distributions made by OPPL to its members after the occurrence of a specified event. There are no intangible assets at the OPPL level. Any stamp duty payable in connection with each of such transfers, which is prescribed under the applicable law as payable by transferee, shall be borne by the transferee. Other costs (other than stamp duty which is prescribed under the applicable law as payable by the transferee) upon the occurrence of the specified event shall be borne by K-REIT (or its successor-in-title if it is insolvent or terminated).

### **3. RATIONALE AND BENEFITS FOR THE ACQUISITION**

The Manager believes the Acquisition will bring, among others, the following benefits to the Unitholders:

#### **3.1 The Acquisition is consistent with K-REIT's investment and growth strategy**

The principal investment strategy of K-REIT is to invest in a portfolio of quality income-producing commercial real estate and real estate-related assets in Singapore and pan-Asia. The Manager adopts a pro-active acquisition, portfolio optimisation and renewal strategy to constantly improve the portfolio's asset quality and maintain its market competitiveness. The Acquisition will allow K-REIT to benefit from a resilient cash flow generated from a premium Grade A office building with quality specifications. Post-Acquisition, K-REIT's income will be generated from eight premium Grade A and Grade A commercial properties within the central business districts ("**CBD**") of Singapore, Brisbane and Sydney. In this respect, the Manager believes the Acquisition will enhance K-REIT's overall portfolio quality and market competitiveness.

#### **3.2 Enhance portfolio distribution to Unitholders**

Based on the assumptions to be set out in the circular to be distributed to the Unitholders in due course ("**Circular**"), the Acquisition is expected to be accretive to K-REIT's distribution per unit ("**DPU**").

### **3.3 Enhance portfolio quality and strengthen branding in the Raffles Place and Marina Bay precincts**

The Acquisition will allow K-REIT to own one of Singapore's newest and largest premium office assets situated at the intersection of Raffles Place and the new downtown at Marina Bay. In recent years, the Raffles Place and Marina Bay precincts have become the epicentre of prime commercial real estate in Singapore as newer and higher quality office buildings have been completed or are slated to be completed in these areas.

Together with K-REIT's interest in Marina Bay Financial Centre Towers 1 & 2 and Marina Bay Link Mall, K-REIT's interest in One Raffles Quay and Prudential Tower, the Acquisition will strengthen K-REIT's branding as a key landlord with premium office assets in the Raffles Place and Marina Bay precincts. Post-Acquisition, the proportion of K-REIT's portfolio of properties in Singapore located in the Raffles Place and Marina Bay precincts is expected to increase from 88.3% to 92.6% based on the assets under management.

### **3.4 Increase exposure to Singapore office market**

The Acquisition will provide Unitholders with increased exposure to the Singapore office market. Post-Completion Date, the proportion of K-REIT's Singapore property portfolio to its entire property portfolio is expected to increase from 89.5% to 93.1% based on its assets under management. According to the Independent Market Consultant, the Singapore office market is expected to be resilient in the short to medium term.

### **3.5 Reduce average age of K-REIT's property portfolio**

In line with maintaining K-REIT's competitiveness as a key office landlord in Singapore's CBD, the Acquisition is expected to enhance K-REIT's property portfolio by reducing the average age of the properties in the portfolio by net lettable area ("**NLA**") from 5.9 years to 4.4 years.

### **3.6 Improve K-REIT's lease profile**

With the Acquisition, K-REIT's lease profile is well-staggered, with not more than 11.0% of its Enlarged Portfolio<sup>8</sup> by NLA expiring in any one year over the next five years.

The percentage of NLA committed to long-term leases of five years or more will increase from 61.3% to 64.7%. This is expected to enhance K-REIT's cash flow resilience.

In addition, due to the long leases committed in the Property, the Enlarged Portfolio will have a long weighted average lease expiry ("**WALE**") of approximately 7.0 years, which is longer than typical office leases in Singapore which vary between three to five years.

The WALE of the Enlarged Portfolio's top ten tenants will be approximately 8.3 years, which is also longer than typical market leases of three to five years.

### **3.7 Enhance tenant base with established organisations**

K-REIT's portfolio of quality tenants will be enhanced with established corporations which have taken up tenancies at the Property, including the Australia and New Zealand Banking Group, BNP Paribas, Drew & Napier LLC, Stamford Law Corporation, The Executive Centre

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<sup>8</sup> "**Enlarged Portfolio**" refers to Bugis Junction Towers, K-REIT's interests in Marina Bay Financial Centre Towers 1 & 2 and Marina Bay Link Mall, One Raffles Quay, Prudential Tower, 275 George Street in Brisbane, Australia, 77 King Street in Sydney, Australia and 8 Chifley Square in Sydney, Australia, and the Property.

and Verizon Communications. This will add to K-REIT's existing portfolio of established organisations which include financial institutions and multinational corporations.

### **3.8 Manage K-REIT's aggregate leverage**

With proceeds from the Rights Issue and debt borrowings, K-REIT will be able to acquire the Property while maintaining a healthy balance sheet with prudent leverage ratio at the portfolio level.

In accordance with the terms of the Sale and Purchase Agreement, the Vendor will be liable for its share of all project development costs required for the Property to obtain a CSC and K-REIT will not be required to incur any project development costs. K-REIT's aggregate leverage after the Completion Date will be approximately 41.6%.

The Manager believes that maintaining K-REIT's aggregate leverage at this level is appropriate and prudent under the current market conditions.

## **4. METHOD OF FINANCING TO FUND THE ACQUISITION**

The Manager intends to fund the Acquisition from a combination of:

- (a) net proceeds of approximately S\$976.3 million from the issue of 1,157,372,000 Rights Units on an underwritten and renounceable basis to Eligible Unitholders based on the Rights Ratio, fractional entitlements to be disregarded, at the Rights Issue Price, and
- (b) debt financing of approximately S\$602.6 million from financial institutions at an average cost of borrowing of approximately 2.28% per annum (the "**Debt Financing**").

## **5. INFORMATION ON THE PROPERTY**

Ocean Financial Centre is a landmark 43-storey premium Grade A office development located at the Raffles Place and Marina Bay precincts in the heart of Singapore's CBD. It is currently one of the largest and newest premium office buildings in the CBD. Designed by world-renowned architectural firm Pelli Clarke Pelli, Ocean Financial Centre is conveniently connected to the Raffles Place Mass Rapid Transit ("**MRT**") interchange station and is highly accessible via public transport.

The Property provides a view of the Marina Bay area, and is in close proximity to the Marina Bay Sands integrated resort, One Fullerton, The Esplanade – Theatres on the Bay, and other lifestyle and entertainment amenities in the downtown area.

The Property will comprise an office tower with a car park and retail podium when completed. OFC Phase 1 which received its temporary occupation permits on 14 March 2011 and 29 April 2011, comprises approximately 81,471.0 sqm of NLA. As at 15 September 2011, 79.6% of the total NLA has been pre-committed by tenants. Some of the key office tenants at Ocean Financial Centre include established corporations such as the Australia and New Zealand Banking Group, BNP Paribas, Drew & Napier LLC, Stamford Law Corporation, The Executive Centre and Verizon Communications.

OFC Phase 2 is targeted for completion by end-2012. The car park podium will comprise a total of 222 car park lots. There will be retail space on the ground and basement levels comprising approximately 744.2 sqm of NLA as well as an underground passageway

connecting the Property to the passageway linking to the Raffles Place MRT interchange station.

The Property is situated on a site with a 999-year leasehold title that commenced from 22 June 1862 and approximately 90 sqm of the basement area (which connects the Property to the passageway linking to the Raffles Place MRT interchange station) is situated on a site with a 99-year leasehold title that commenced from 13 June 2001. K-REIT intends to acquire approximately 87.51% of the issued share capital of OPPL for a period of 99 years from the Completion Date in connection with the Acquisition.

OPPL and One Raffles Quay Pte Ltd (which is, directly or indirectly, owned in aggregate by the Trustee, HSBC Institutional Trust Services (Singapore) Limited in its capacity as trustee of Suntec Real Estate Investment Trust and Hongkong Land International Holdings Limited, with one-third interest each) (“**ORQPL**”) had entered into a sale and purchase agreement dated 25 February 2011 pursuant to which OPPL will acquire the residue of ORQPL's interest in respect of the approximately 90 sqm basement area under the state lease. Pending completion of the sale and purchase, the basement area is currently licensed to OPPL under a license and agreement to sell dated 25 February 2011.

The Property holds the distinction of being the first office development in Singapore to be awarded the Platinum Green Mark Award by the Building and Construction Authority. The Property was also awarded the Solar Pioneer Award, Platinum Level LEED award and Best Green Development (Future) Award at the 2009 Cityscape Asia Real Estate Awards for its environmentally sustainable features. The Property boasts an energy-efficient hybrid chilled air-conditioning system as well as an innovative paper recycling system for all offices.

The Property is also one of the first commercial buildings to benefit from having additional gross floor area of approximately 1,776.8 sqm for its lighting initiative and approximately 1,847.4 sqm for its art initiative under the Urban Redevelopment Authority's lighting and art incentive schemes. These schemes incentivise owners of buildings in the CBD to incorporate art and artistic lighting in the planning and design of their buildings.

The table below sets out a summary of selected information on the Property:

Site Area	Approximately 6,109.0 sqm
NLA	Approximately 82,215.2 sqm
Committed Occupancy	Approximately 79.6% as at 15 September 2011
Number of Tenants	23 as at 15 September 2011
Valuation	S\$2,054.0 million (Savills) as at 15 September 2011  S\$2,050.0 million (Knight Frank) as at 15 September 2011

The valuations by Savills and Knight Frank above take into account the Rental Support to be provided by the Vendor as well as the 99-year ownership by the Trustee and reflect the open market value of approximately 87.51% interest of the Property.

## 6. RIGHTS ISSUE

### 6.1 Overview of the Underwritten Renounceable Rights Issue

The Manager intends to issue 1,157,372,000 Rights Units, based on the Rights Ratio, at the Rights Issue Price so as to raise gross proceeds of approximately S\$983.8 million to partially fund the Acquisition and associated costs.

The amount of gross proceeds to be raised by the Rights Issue is based on the assumption that 1,157,372,000 Rights Units will be issued. The actual number of Rights Units to be issued under the Rights Issue will be higher if and when additional Units are issued on or prior to the Rights Issue Books Closure Date. Additional Units will be issued to the Manager for the payment of its management fees for the quarter ended 30 September 2011.

## **6.2 Use of Proceeds of the Rights Issue**

The Rights Issue will raise gross proceeds of approximately S\$983.8 million and net proceeds of approximately S\$976.3 million.

The amount of gross proceeds to be raised from the Rights Issue is based on the assumption that 1,157,372,000 Rights Units will be issued. The actual number of Rights Units to be issued under the Rights Issue will be higher if and when additional Units are issued on or prior to the Rights Issue Books Closure Date. Additional Units will be issued to the Manager for the payment of its management fees for the quarter ended 30 September 2011.

The Manager intends to use the gross proceeds of approximately S\$983.8 million from the Rights Issue in the following manner:

- (a) approximately S\$976.3 million (which is equivalent to 99.2% of the gross proceeds of the Rights Issue) will be used to partially fund the Acquisition and associated costs;
- (b) approximately S\$4.8 million (which is equivalent to 0.5% of the gross proceeds of the Rights Issue) will be used to pay the estimated fees and expenses incurred or to be incurred by K-REIT in connection with the Rights Issue; and
- (c) approximately S\$2.7 million (which is equivalent to 0.3% of the gross proceeds of the Rights Issue) will be used to pay the estimated fees and expenses incurred or to be incurred by K-REIT in connection with the Debt Financing.

The Manager will announce the utilisation of the proceeds from the Rights Issue as and when these funds are materially disbursed and will provide a status report on the use of proceeds in the annual report of K-REIT.

## **6.3 Rationale and Benefits for the Rights Issue**

### *Fund the Acquisition*

The Manager intends to utilise the proceeds of the Rights Issue to partially fund the Acquisition and associated costs.

### *Provide Eligible Unitholders with pro rata entitlement to Rights Units*

The Rights Issue would provide Eligible Unitholders with the opportunity to subscribe for their *pro rata* entitlement to the Rights Units at the Rights Issue Price of S\$0.85 which is at a discount of approximately 17.5% to the last traded price of S\$1.03 per Unit as at 17 October

2011 prior to the release of this announcement (the “**Last Traded Price**”) and which also represents a discount of approximately 10.3% to the TERP<sup>9</sup> of S\$0.947 per Unit.

Eligible Unitholders who do not wish to subscribe for their provisional allotments of Rights Units may choose to renounce their provisional allotments in favour of a third party during the “nil-paid” rights trading period. In addition, Eligible Unitholders are entitled to apply for Excess Rights Units (as defined in the Circular). In the case of Eligible Depositors, they are also able to trade their provisional allotments on the SGX-ST during the “nil-paid” rights trading period. Hence, Eligible Unitholders are given the flexibility to subscribe for or renounce the Rights Units.

#### *Potential increase in trading liquidity of Units*

The Rights Issue will increase the number of Units in issue by 1,157,372,000, which is an increase of 85.0% from a total of 1,361,615,122 Units in issue as at the Latest Practicable Date.

The increase in the total number of Units in issue pursuant to the Rights Issue is expected to improve the level of trading liquidity of the Units after the Rights Issue.

## **6.4 Keppel Irrevocable Undertakings**

To demonstrate their support for K-REIT and the Rights Issue, KCL and KLL, which together own an aggregate interest of approximately 76.3% of the issued Units through their respective wholly-owned subsidiaries as at the Latest Practicable Date, have each provided the Keppel Irrevocable Undertakings (as defined herein) to the Manager on 17 October 2011, details of which are set out below.

- (a) KCL which owns an interest of approximately 29.9% of the issued Units as at the date of the undertaking (excluding its interest through KLL) through its wholly-owned subsidiary, Keppel Real Estate Investment Pte. Ltd. (“**KREI**”), has irrevocably undertaken to the Manager that, among other things:
  - (i) subject to any prohibitions or restrictions imposed by the relevant regulatory authorities (including the SGX-ST), it will vote and/or procure that KREI votes (in respect of all Units beneficially owned by it and/or KREI) in favour of the resolution to approve the Rights Issue; and
  - (ii) it will, directly and/or through one or more of its wholly-owned subsidiaries, subscribe and pay in full for KREI’s total provisional allotments of Rights Units, and
- (b) KLL which owns an interest of approximately 46.4% of the issued Units as at the date of the undertaking through its wholly-owned subsidiaries, K-REIT Asia Investment Pte. Ltd. (“**KRAI**”) and the Manager (collectively the “**KLL Subsidiaries**”), has irrevocably undertaken to the Manager that, among other things:

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9 The theoretical ex-rights price which is calculated as follows:

$$\text{TERP} = \frac{\text{Market capitalisation of K-REIT based on the Last Traded Price} + \text{Gross proceeds from the Rights Issue}}{\text{Units outstanding after the Rights Issue}}$$

- (i) subject to any prohibitions or restrictions imposed by the relevant regulatory authorities (including the SGX-ST), it will vote and/or procure that the KLL Subsidiaries vote (in respect of all Units beneficially owned by it and/or the KLL Subsidiaries) in favour of the resolution to approve the Rights Issue; and
- (ii) it will, directly and/or through one or more of its wholly-owned subsidiaries, subscribe and pay in full for the KLL Subsidiaries' total provisional allotments of Rights Units,

(together, the "**Keppel Irrevocable Undertakings**").

The Keppel Irrevocable Undertakings shall cease if, among others, the Rights Issue is not completed by 31 December 2011.

KCL and KLL will not be receiving any sub-underwriting fees for undertaking to subscribe for KREI's and the KLL Subsidiaries' total provisional allotments of Rights Units respectively.

## **6.5 Underwriting of the Rights Issue**

The Joint Managers and Underwriters have agreed with the Manager to underwrite the Balance Rights Units, being the total number of Rights Units less the Keppel Proportionate Rights Units up to a maximum of 273,999,540 Rights Units, in equal proportions, severally and not jointly, on the terms of and subject to the conditions of a management and underwriting agreement (the "**Management and Underwriting Agreement**") entered into between the Manager and the Joint Managers and Underwriters on 17 October 2011. For the avoidance of doubt, in the event that any new Units are issued on or after the date hereof as payment of the Manager's management fees for the period for the quarter ended 30 September 2011 and on or prior to the Rights Issue Books Closure Date and provisional allotments of Rights Units are made in respect of such Units, such Rights Units shall not form part of the Balance Rights Units and shall not be underwritten by the Joint Managers and Underwriters. The Joint Managers and Underwriters will be entitled to management fees of approximately S\$1.0 million and underwriting commissions of 1.5% of the Rights Issue Price multiplied by the Balance Rights Units, together with any applicable goods and services tax payable thereon.

It should be noted that the Management and Underwriting Agreement may be terminated upon the occurrence of certain events, but the Joint Managers and Underwriters are not entitled to invoke the force majeure clause in the Management and Underwriting Agreement after ex-rights trading has commenced, in compliance with Rule 818 of the Listing Manual of the SGX-ST (the "**Listing Manual**").

## **6.6 Manager Lock-up**

The Manager has agreed with the Joint Managers and Underwriters that it will not, in its capacity as manager of K-REIT, without the prior written consent of the Joint Managers and Underwriters (such consent not to be unreasonably withheld or delayed), directly or indirectly cause K-REIT to:

- (a) offer, issue, contract to issue or sell, grant any option to purchase any Units or any securities convertible into or exchangeable for Units or which carry rights to subscribe for or purchase Units;
- (b) enter into a transaction (including a derivative transaction) with a similar economic effect to the foregoing; or

- (c) publicly announce any intention to do any of the above,

from the date of the Management and Underwriting Agreement until the date falling 90 days from (and including) the date on which the Rights Units are listed on the SGX-ST, other than as required by applicable laws and regulations. The restrictions set out above shall not apply to (i) the Rights Units to be offered under the Rights Issue and (ii) any Units to be issued to the Manager or its related corporation in full or part payment of the Manager's fees under the Trust Deed.

## 6.7 Status of Rights Units

The Rights Units will, upon allotment and issue, rank *pari passu* in all respects with the existing Units in issue as at the date of issue of the Rights Units, including the right to any distributions which may accrue for the period from 1 July 2011 to 31 December 2011 as well as all distributions thereafter.

## 7. APPROVAL IN-PRINCIPLE

The Manager is pleased to announce that the SGX-ST has given its approval in-principle for the listing and quotation of the Rights Units on the Main Board of the SGX-ST.

The SGX-ST's in-principle approval is not an indication of the merits of the Rights Issue, the Rights Units, the Acquisition, K-REIT and/or its subsidiaries, the Manager and/or its subsidiaries. The in-principle approval of the SGX-ST is subject to, among others, the following conditions:

- (a) compliance with the SGX-ST's listing requirements; and
- (b) approval of Unitholders for the Rights Issue.

The Manager has provided undertakings to the SGX-ST, among others:

- (i) to make periodic announcements on the use of the proceeds from the Rights Issue and that it will provide status report on the use of the proceeds from the Rights Issue in the annual report of K-REIT to Unitholders; and
- (ii) that in the allotment of any Excess Rights Units, preference will be given to the rounding of odd lots, and the Manager and its Directors and the Substantial Unitholders will rank last in priority.

## 8. PRO FORMA FINANCIAL EFFECTS

The pro forma financial effects of the Acquisition and the Rights Issue on the net asset value ("NAV") per Unit and the DPU presented below are **strictly for illustrative purposes** and were prepared based on the audited financial statements of K-REIT for FY2010 (the "**K-REIT Audited Financial Statements**") as well as the following assumptions:

- (a) net proceeds of approximately S\$976.3 million from the issue of 1,157,372,000 Rights Units to Eligible Unitholders in relation to the Rights Issue;
- (b) additional borrowings of approximately S\$602.6 million taken to finance the Acquisition; and

- (c) approximately S\$20.1 million of the fee payable to the Manager for the Acquisition (the “**Acquisition Fee**”), payable to the Manager fully in Units.

## 8.1 Pro Forma NAV

The pro forma financial effects of the Acquisition and the Rights Issue on the NAV per Unit as at 31 December 2010, as if the Acquisition and the Rights Issue were completed on 31 December 2010, are as follows:

	Effects of the Acquisition and the Rights Issue	
	Before the Acquisition and the Rights Issue	After the Acquisition and the Rights Issue
NAV (S\$'000)	2,009,672 <sup>(1)</sup>	3,008,751
Issued Units ('000)	1,355,904 <sup>(2)</sup>	2,527,553 <sup>(3)</sup>
NAV per Unit (S\$)	1.48	1.19

### Notes:

- (1) Adjusted for the distribution paid on 25 February 2011 for the period from 1 July 2010 to 31 December 2010.
- (2) Number of Units issued as at 31 December 2010.
- (3) Includes (a) 1,157,372,000 Rights Units; and (b) approximately 14,277,000 new Units (based on an issue price of S\$1.41 per Unit, which is K-REIT's historical closing price on 31 December 2010) issuable as payment of the Acquisition Fee.

## 8.2 Pro Forma DPU

The pro forma financial effects of the Acquisition and the Rights Issue on K-REIT's DPU for FY2010, as if K-REIT had completed the Acquisition and Rights Issue on 1 January 2010, and held and operated the Property through to 31 December 2010, are as follows:

	Effects of the Acquisition and the Rights Issue	
	Before the Acquisition and the Rights Issue	After the Acquisition and the Rights Issue
Net profits before tax (S\$'000)	112,730	201,615 <sup>(1)</sup>
Distributable Income (S\$'000)	85,631	170,729
Issued Units ('000)	1,355,904 <sup>(2)</sup>	2,539,817 <sup>(3)</sup>
DPU (cents)	6.37	6.72

### Notes:

- (1) Based on OPPL's profits before tax based on its audited financial statements for FY2010 after including Rental Support payment of approximately S\$119.4 million for FY2010 and deducting the additional borrowing costs associated with the Debt Financing, the Manager's management fees, amortisation and trust expenses in connection with the Acquisition.
- (2) Number of Units issued as at 31 December 2010.
- (3) Includes (a) 1,157,372,000 Rights Units, (b) approximately 17,974,000 new Units (based on an issue price of S\$1.12 per Unit, which is K-REIT's historical closing price on 4 January 2010, the first market day in FY2010) issuable as payment of the Acquisition Fee and (c) approximately 8,567,000 new Units issuable to the Manager as management fee in relation to the Property.

## 8.3 Pro Forma Capitalisation

The following table sets forth the pro forma capitalisation of K-REIT as at 31 December 2010, as if K-REIT had completed the Acquisition and the Rights Issue on 31 December 2010.

	Before the Acquisition and the Rights Issue (S\$'000)	Adjusted for the Acquisition and the Rights Issue (S\$'000)
<b>Short-term debt</b>	-	-
<b>Long-term debt</b>		
Secured debt	422,263	745,648
Unsecured debt	567,669	1,167,600
Total long-term debt	989,932	1,913,248
<b>Total debt:</b>	989,932	1,913,248
Unitholders' funds	2,009,672 <sup>(1)</sup>	3,008,751
<b>Total Capitalisation</b>	<b>2,999,604</b>	<b>4,921,999</b>

**Note:**

(1) Adjusted for the distribution paid on 25 February 2011 for the period from 1 July 2010 to 31 December 2010.

## 9. DISCLOSURES UNDER THE LISTING MANUAL AND THE PROPERTY FUNDS APPENDIX

### 9.1 Major Transaction

The relative figures for the Acquisition in relation to (i) the net profits attributable to the assets acquired or disposed of, compared with K-REIT's net profits; (ii) the aggregate value of the consideration given or received, compared with K-REIT's market capitalisation; and (iii) the number of units issued by K-REIT compared with the number of units previously in issue are set out in the table below:

Comparison of	Acquisition	K-REIT	Relative figure (%)
Net profits before tax (S\$'million)	2.5 <sup>(1)</sup>	51.4 <sup>(2)</sup>	4.8
Consideration against market capitalisation (S\$'million)	2,013.1 <sup>(3)</sup>	1,402.5 <sup>(4)</sup>	143.5
Number of Units issued against number of Units in issue ('000)	1,157,372 <sup>(5)</sup>	1,361,615 <sup>(6)</sup>	85.0

**Notes:**

- (1) The figure is based on the unaudited results of OPPL for the nine-month period ended 30 September 2011.
- (2) The figure is based on the unaudited results of K-REIT for the nine-month period ended 30 September 2011.
- (3) This represents the Agreed Value. The actual Purchase Consideration will be determined in the manner as set out in paragraph 2.1(a) of this announcement.
- (4) The figure is based on the Last Traded Price of S\$1.03 per Unit on the SGX-ST as at 17 October 2011 prior to the release of this announcement.
- (5) The figure is based on the estimated Rights Units to be issued. No Units will be issued to the Vendor as consideration for the Acquisition.
- (6) The figure is based on the total number of Units in issue as at the Latest Practicable Date.

On 23 August 2011, the Manager submitted an application to the SGX-ST regarding the waiver of Rule 1015 of the Listing Manual relating to very substantial acquisitions. The reasons for the waiver application were, among others, as follows:

- (a) The Property is a Singapore office asset, which is in the same asset class as all the properties currently held by K-REIT and is the core business of K-REIT;
- (b) The Acquisition is within K-REIT's current investment mandate as it is within the investment strategy of K-REIT to invest in a portfolio of quality income-producing commercial real estate and real estate-related assets in Singapore and pan-Asia;
- (c) The Acquisition is expected to be DPU accretive;
- (d) No change in control of K-REIT;
- (e) The board of Directors of the Manager is of the view that the Acquisition is not expected to change the risk profile of K-REIT and will improve stability of income stream; and
- (f) Historical pro forma financial information of K-REIT and the Property for the financial years ended 31 December 2008, 2009 and 2010 may not be meaningful, representative or accurate for existing Unitholders due to the reasons set out below:
  - (i) The Property is a newly constructed building. The office tower which was completed under the first phase received its temporary occupation permits on 14 March 2011 and 29 April 2011. As the Property has just received its temporary occupation permits recently, it has only been in operation for a limited period of time. As at 30 June 2011, the Property has a committed occupancy rate of approximately 79.6%, based on lease agreements signed as of that date. The Property has not achieved a full financial year of operations on a fully stabilised basis as at the date of the Circular. There is accordingly an insignificant amount of historical financial information on the Property which is available to the Manager based on which to construct the pro forma financial information.
  - (ii) There were originally two office buildings, namely Ocean Building and Ocean Towers, which were owned by OPPL. Although historical financial statements of OPPL during the Relevant Period are available, they relate only to (A) the demolition of Ocean Building in order to make way for the construction of the office tower of the Property and (B) Ocean Towers, which is currently being demolished to make way for OFC Phase 2 of the Property.

Historical financial information of OPPL would, as such, not be representative of its operations going forward as (A) OPPL holds the title to the Property, a newly constructed building (and upon completion of OFC Phase 2 of the Property, will hold the title to car park lots and a retail podium) and (B) OPPL's portfolio no longer includes Ocean Building and will also no longer include Ocean Towers after it has been demolished to make way for OFC Phase 2.

Any historical financial information of OPPL would therefore not be meaningful and potentially misleading to Unitholders as it would not be representative of OPPL's operations for the purposes of historical trend analysis.

On 31 August 2011, the SGX-ST granted a waiver of the requirements under Rule 1015 of the Listing Manual subject to the Manager announcing the waiver granted and the reasons for seeking the waiver.

## 9.2 Interested Person Transactions and Interested Party Transactions

Under Chapter 9 of the Listing Manual, where K-REIT proposes to enter into a transaction with an interested person and the value of the transaction (either in itself or when aggregated with the value of other transactions, each of a value equal to or greater than S\$100,000, with the same interested person during the same financial year) is equal to or exceeds 5.0% of K-REIT's latest audited NTA, Unitholders' approval is required in respect of the transaction. Based on the K-REIT Audited Financial Statements, the NTA of K-REIT was S\$2,018.3 million as at 31 December 2010. Accordingly, if the value of a transaction which is proposed to be entered into in the current financial year by K-REIT with an interested person is, either in itself or in aggregation with all other earlier transactions (each of a value equal to or greater than S\$100,000) entered into with the same interested person during the current financial year, equal to or in excess of S\$100.9 million, such a transaction would be subject to Unitholders' approval. Given the estimated Purchase Consideration for the Acquisition which is equal to approximately 87.51% the Adjusted NTA value of S\$1,571.3 million, taking into account the Agreed Value (which is 77.9% of the NTA of K-REIT as at 31 December 2010), the value of the Acquisition exceeds the said threshold.

Paragraph 5 of Appendix 6 of the Code on Collective Investment Schemes (the "**Property Funds Appendix**") also imposes a requirement for Unitholders' approval for an interested party transaction by K-REIT whose value exceeds 5.0% of K-REIT latest audited NAV. Based on the K-REIT Audited Financial Statements, the NAV of K-REIT was S\$2,055.6 million as at 31 December 2010. Accordingly, if the value of a transaction which is proposed to be entered into by K-REIT with an interested party is equal to or greater than S\$102.8 million, such a transaction would be subject to Unitholders' approval. Given the estimated Purchase Consideration for the Acquisition which is equal to approximately 87.51% of the Adjusted NTA value of S\$1,571.3 million, taking into account the Agreed Value (which is 76.4% of the NAV of K-REIT as at 31 December 2010), the value of the Acquisition exceeds the said threshold.

As at the Latest Practicable Date, KLL held an aggregate indirect interest in 631,828,022 Units, which is equivalent to approximately 46.4% of the total number of Units in issue, and is therefore regarded as a "controlling Unitholder" of K-REIT under both the Listing Manual and the Property Funds Appendix. In addition, as the Manager is a wholly-owned subsidiary of KLL, KLL is therefore regarded as a "controlling shareholder" of the Manager under both the Listing Manual and the Property Funds Appendix.

KCL is also regarded as a "controlling Unitholder" under both the Listing Manual and the Property Funds Appendix. As at the Latest Practicable Date, through KREI and KLL, KCL has an aggregate indirect interest in 1,039,262,470 Units, which comprises approximately 76.3% of the total number of Units in issue, of which 46.4% is held through KLL. KCL is therefore also regarded as a "controlling shareholder" of the Manager under both the Listing Manual and the Property Funds Appendix.

As the Vendor is a wholly-owned subsidiary of KLL, for the purposes of Chapter 9 of the Listing Manual and the Property Funds Appendix, it (being a subsidiary of a "controlling Unitholder" and a "controlling shareholder" of the Manager) is (for the purposes of the Listing Manual) an "interested person" and (for the purposes of the Property Funds Appendix) an "interested party" of K-REIT. Therefore, the Acquisition will each constitute "interested person transactions" under Chapter 9 of the Listing Manual as well as "interested party transactions" under the Property Funds Appendix.

## 10. OPINION OF INDEPENDENT FINANCIAL ADVISER AND AUDIT COMMITTEE STATEMENT

The Manager has appointed PricewaterhouseCoopers Corporate Finance Pte Ltd as the Independent Financial Adviser (the “**IFA**”) to advise the independent directors of the Manager (the “**Independent Directors**”) and the audit committee of the Manager (the “**Audit Committee**”) in relation to the Acquisition. A copy of the letter from the IFA to the Independent Directors and members of the Audit Committee (the “**IFA Letter**”) containing the IFA’s advice in full, will be set out in the Circular and Unitholders are advised to read the IFA Letter carefully.

Having considered the factors and the assumptions set out in the IFA Letter, and subject to the qualifications set out therein, the IFA is of the opinion that the Acquisition (including the Option Deed and the Rental Support) is based on normal commercial terms and is not prejudicial to the interests of K-REIT and its minority Unitholders.

The IFA is of the opinion that the Independent Directors can recommend that Unitholders vote in favour of the resolution in connection with the Acquisition to be proposed at the extraordinary general meeting to be convened (the “**EGM**”).

Based on the opinion of the IFA (as set out in its letter in Appendix E of the Circular) and the rationale and benefits for the Acquisition as set out in paragraph 3 above, the Independent Directors and the Audit Committee believe that the Acquisition (including the Option Deed and the Rental Support) is based on normal commercial terms and is not prejudicial to the interests of K-REIT and its minority Unitholders.

## 11. OTHER INFORMATION

### 11.1 Other interested person transactions

The value of all existing interested person transactions between K-REIT and KCL and their subsidiaries and the associates of KCL for the current financial year is approximately S\$40,628,000.

The value of all existing interested person transactions of K-REIT (including the value of all interested person transactions between K-REIT and KCL and their subsidiaries and the associates of KCL) is approximately S\$40,628,000.

### 11.2 Interests of the Directors and Substantial Unitholders<sup>10</sup>

As at the Latest Practicable Date, certain Directors of the Manager collectively held an aggregate direct and indirect interest in 4,986,976 Units.

Professor Tsui Kai Chong is the chairman and an independent non-executive director of the Manager and an independent non-executive director of KLL. Mr Kevin Wong Kingcheung is the deputy chairman and non-executive director of the Manager and the group chief executive officer and executive director of KLL. Mrs Lee Ai Ming is an independent non-executive director of the Manager and an independent non-executive director of KLL. Mr Tan Swee Yiow is an alternate director to Mr Kevin Wong Kingcheung on the board of the Manager and is a senior executive of KLL.

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10 “**Substantial Unitholder**” means a person with an interest in Units constituting not less than 5.0% of the total number of Units in issue.

Based on the Register of Directors' Unitholdings maintained by the Manager, the Directors' direct or deemed interests in the Units as at the Latest Practicable Date are as follows:

Name of Directors	Direct Interest		Deemed Interest		Total no. of Units held	%( <sup>(1)</sup> )	Contingent Awards of Units <sup>(2)</sup> under the Manager's	
	No. of Units	%( <sup>(1)</sup> )	No. of Units	%( <sup>(1)</sup> )			Performance Unit Plan	Restricted Unit Plan
Tsui Kai Chong	-	-	200,000	0.01	200,000	0.01	-	-
Kevin Wong Kingcheung	2,888,976	0.21	-	-	2,888,976	0.21	-	-
Ng Hsueh Ling	18,000	n.m. <sup>(3)</sup>	-	-	18,000	n.m. <sup>(3)</sup>	0 to 432,000	114,000
Chin Wei-Li, Audrey Marie	200,000	0.01	550,000	0.04	750,000	0.06	-	-
Lee Ai Ming	460,000	0.03	-	-	460,000	0.03	-	-
Tan Chin Hwee	-	-	200,000	0.01	200,000	0.01	-	-
Tan Swee Yiow	470,000	0.03	-	-	470,000	0.03	-	-

**Notes:**

- (1) The percentage is based on 1,361,615,122 Units in issue in K-REIT as at the Latest Practicable Date.
- (2) This refers to the number of Units which are the subject of contingent awards granted but not released under the Manager's performance unit plan and restricted unit plan. Based on the achievement factor, the actual release of awards could range from zero to a maximum of 150% under the Manager's performance unit plan and zero or 100% under the Manager's restricted unit plan.
- (3) Not meaningful.

The table below sets out the interest in KLL shares which are held by the Directors as at the Latest Practicable Date:

Name of Directors	Direct Interest		Deemed Interest		Total no. of shares held	%( <sup>(1)</sup> )	No. of outstanding share options	Contingent Awards of KLL shares <sup>(2)</sup> under	
	No. of KLL shares	%( <sup>(1)</sup> )	No. of KLL shares	%( <sup>(1)</sup> )				Performance share plan	Restricted share plan
Tsui Kai Chong	-	-	-	-	-	-	-	-	-
Kevin Wong Kingcheung	2,961,789	0.20	-	-	2,961,789	0.20	551,957	0 to 540,000	103,700
Ng Hsueh Ling	-	-	-	-	-	-	28,000	-	-
Chin Wei-Li, Audrey Marie	-	-	-	-	-	-	-	-	-
Lee Ai Ming	-	-	-	-	-	-	-	-	-
Tan Chin Hwee	-	-	20,000	n.m. <sup>(3)</sup>	20,000	n.m. <sup>(3)</sup>	-	-	-
Tan Swee Yiow	494,478	0.03	-	-	494,478	0.03	587,542	0 to 144,000	44,000

**Notes:**

- (1) The percentage is based on 1,489,849,664 issued shares (excluding treasury shares) of KLL as at the Latest Practicable Date.
- (2) This refers to the number of KLL shares which are the subject of contingent awards granted but not released under the KLL's performance share plan and restricted share plan. Based on the achievement factor, the actual release of awards could range from zero to a maximum of 150% under KLL's performance share plan and zero or 100% under KLL's restricted share plan.
- (3) Not meaningful.

Based on the Register of Substantial Unitholders' Unitholdings maintained by the Manager, the Substantial Unitholders of K-REIT and their interests in the Units as at the Latest Practicable Date are as follows:

Name of Substantial Unitholders	Direct Interest		Deemed Interest		Total no. of Units held	% <sup>(1)</sup>
	No. of Units	% <sup>(1)</sup>	No. of Units	% <sup>(1)</sup>		
Temasek Holdings (Private) Limited <sup>(2)</sup>	-	-	1,043,762,470	76.66	1,043,762,470	76.66
Keppel Corporation Limited <sup>(3)</sup>	-	-	1,039,262,470	76.33	1,039,262,470	76.33
Keppel Land Limited <sup>(4)</sup>	-	-	631,828,022	46.40	631,828,022	46.40
K-REIT Asia Investment Pte. Ltd.	619,713,902	45.51	-	-	619,713,902	45.51
Keppel Real Estate Investment Pte. Ltd.	407,434,448	29.92	-	-	407,434,448	29.92

**Notes:**

- (1) The percentage is based on 1,361,615,122 Units in issue in K-REIT as at the Latest Practicable Date.
- (2) The interest of Temasek Holdings (Private) Limited ("**Temasek**") arises from its interests in KCL and DBS Group Holdings Ltd, which are associated companies of Temasek.
- (3) The interest of KCL arises from its interests in KREI and KLL.
- (4) The interest of KLL arises from its interests in KRAI and K-REIT Asia Management Limited.

### 11.3 Directors' service contracts

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

## 12. DOCUMENTS ON DISPLAY

Copies of the following documents are available for inspection during normal business hours at the registered office of the Manager<sup>11</sup> at 1 HarbourFront Avenue, #18-01 Keppel Bay Tower, Singapore 098632 from the date of the Circular up to and including the date falling three months after the date of this announcement:

- (a) the Sale and Purchase Agreement;
- (b) the Keppel Irrevocable Undertakings;
- (c) the IFA Letter;
- (d) the Independent Reporting Accountants' Report on the Profit Forecast;
- (e) the valuation report on the Property issued by Knight Frank;
- (f) the valuation report on the Property issued by Savills;
- (g) the independent market overview report by the Independent Market Consultant;
- (h) the K-REIT Audited Financial Statements; and

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11 Prior appointment with the Manager will be appreciated.

- (i) the written consents of each of the IFA, the Independent Reporting Accountants, the Independent Market Consultant and the Independent Valuers.

The Trust Deed will also be available for inspection at the registered office of the Manager<sup>12</sup> for so long as K-REIT is in existence.

### **13. CIRCULAR**

Further details on the Acquisition and the Rights Issue will be set out in the Circular to be issued to Unitholders in due course, together with a notice of the EGM that the Manager proposes to convene for the purpose of seeking Unitholders' approvals in connection with the Acquisition and the Rights Issue.

BY ORDER OF THE BOARD  
K-REIT ASIA MANAGEMENT LIMITED  
(Company Registration No: 200411357K)  
As manager of K-REIT ASIA

Choo Chin Teck / Jacqueline Ng  
Joint Company Secretaries  
Singapore  
17 October 2011

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<sup>12</sup> Prior appointment with the Manager will be appreciated.

## **IMPORTANT NOTICE**

This announcement is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for Units. This announcement is not for release, publication or distribution, directly or indirectly, in or into the United States and should not be distributed, forwarded to or transmitted in or into any jurisdiction where to do so might constitute a violation of applicable securities laws or regulations.

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

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

The past performance of K-REIT is not necessarily indicative of the future performance of K-REIT.

This announcement may contain forward-looking statements that involve risks and uncertainties. Please refer to the section "Forward-looking Statements" of the Circular for more information. You are cautioned not to place undue reliance on these forward-looking statements, which are based on the Manager's current view of future events. All forecasts are based on a specified range of issue prices per Unit and on the Manager's assumptions as explained in Appendix B of the Circular. Such yields will vary accordingly for investors who purchase Units in the secondary market at a market price higher or lower than the issue price range specified in the Circular. The major assumptions are certain expected levels of property rental income and property expenses over the relevant periods, which are considered by the Manager to be appropriate and reasonable as at the date of the Circular. The forecast financial performance of K-REIT is not guaranteed and there is no certainty that it can be achieved. Investors should read the whole of the Circular for details of the forecasts and consider the assumptions used and make their own assessment of the future performance of K-REIT.