



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

PROPOSED ACQUISITION OF SIX STRATA FLOORS AT PRUDENTIAL TOWER

1. INTRODUCTION

- 1.1 The Board of Directors of K-REIT Asia Management Limited, as the manager of K-REIT Asia (the “**Manager**”), is pleased to announce that RBC Dexia Trust Services Singapore Limited, in its capacity as trustee of K-REIT Asia (the “**Trustee**”), has today entered into a sale and purchase agreement (the “**Sale and Purchase Agreement**”) with APF Property Investments (S) Pte. Ltd. (the “**Vendor**”), for the acquisition (the “**Acquisition**”) of levels 20 to 25 of the property known as “Prudential Tower” (the “**Property**”) which is located at 30 Cecil Street, Singapore 049712. Under the Sale and Purchase Agreement, the Vendor will provide to K-REIT Asia income support of up to S\$5.0 million, for a period of five years commencing from the date of completion of the Acquisition.

The Manager is making this announcement because the Acquisition will constitute a discloseable transaction under Chapter 10 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”).

2. INFORMATION ON THE PROPERTY

Prudential Tower is a 30-storey Grade A commercial development located at the junction of Church Street and Cecil Street and is within a 5-minute walk from the Raffles Place MRT station. This building sits on a land with a leasehold tenure of 99 years with effect from 15 January 1996. It was completed in 1998 and won the office/industrial category of the FIABCI Prix d'Excellence 2003 Award.

The Property consists of six strata office floors over a strata area of 72,215 square feet (“**sf**”) (net lettable area of 67,300sf) which represents about 29% of the total strata value of the building. K-REIT Asia currently owns about 44% of the strata value of the building at levels 10 to 19 and a part of the ground floor. Post-completion of the Acquisition, K-REIT Asia will own a total strata value of about 73% of the total strata value of the building.

3. PRINCIPAL TERMS OF THE SALE AND PURCHASE AGREEMENT

The purchase consideration of the Property is S\$106,286,500 (the “**Purchase Consideration**”).

Under the Sale and Purchase Agreement, the Vendor has agreed to provide rental income support (subject to an aggregate maximum sum of S\$5.0 million) for a period of five years commencing from the date of completion of the Acquisition. For the purpose of providing the rental income support, the Vendor shall on the date of completion of the Acquisition, deposit an amount of S\$5.0 million into a bank account to be opened and maintained by the Trustee whereby the Trustee shall make drawings from the said bank account.

There are no other material conditions attached to the Acquisition.

The Purchase Consideration was arrived at on a willing-buyer and willing-seller basis after taking into account the prevailing market conditions. K-REIT Asia has today paid in cash to the Vendor an amount equivalent to 10.0% of the Purchase Consideration as deposit and shall pay the balance of the Purchase Consideration in cash on the completion of the Acquisition which is expected to take place within two months from the date of the Sale and Purchase Agreement.

The Manager intends to fund the Acquisition wholly by debt.

The Manager has commissioned an independent property valuer, Colliers International Consultancy & Valuation (Singapore) Pte Ltd ("**Colliers**"), to value the Property. Colliers in its valuation report dated 25 August 2009 stated that the open market value of the Property (after taking into account the provision of the rental income support by the Vendor) was S\$124.5 million using the market comparison method, the investment method and the discounted cash flow method. The Purchase Consideration represents a discount of 14.6% to the appraised value.

4. FINANCIAL EFFECTS

4.1 Assumptions

The pro forma financial effects of the Acquisition presented below are strictly for illustration purposes and do not reflect the actual financial position of K-REIT Asia after completion of the Acquisition. They have been prepared based on the audited financial statements of K-REIT Asia for the financial year ended 31 December 2008 ("**FY 2008**"), taking into account the Purchase Consideration as well as the assumption that the Acquisition is to be financed by debt.

The pro forma financial effects of the Acquisition on the net property income and distribution per unit of K-REIT Asia are based on the assumptions that K-REIT Asia had completed the Acquisition on 1 January 2008 and held the Property through to 31 December 2008.

4.2 Pro Forma Net Property Income¹

The FY 2008 pro forma net property income attributable to the Acquisition is S\$5.5 million².

4.3 Pro Forma Net Asset Value ("NAV**")**

The table below sets out the pro forma financial effects of the Acquisition on the NAV per unit of K-REIT Asia as at 31 December 2008, as if the Acquisition was completed on 31 December 2008, assuming that the Acquisition is fully funded by debt.

¹ In the case of a real estate investment trust, the net property income is a close proxy to the net profits attributable to its assets.

² Based on the assumed rental income net of property expenses from the property and the income from the income support provided by the Vendor.

	Before the Acquisition	Adjusted for the Acquisition
NAV per unit (S\$)	2.19 ³	2.19

4.4 Pro Forma Distribution per Unit⁴

The table below sets out the pro forma financial effects of the Acquisition on K-REIT Asia's Distribution per unit ("DPU") for FY 2008, as if K-REIT Asia had completed the purchase of the Property on 1 January 2008 and held and operated the Property through to 31 December 2008.

	Before the Acquisition	Adjusted for the Acquisition	Accretion
DPU (cents)	8.91 ⁵	8.92	0.1%

5. RATIONALE FOR THE ACQUISITION

The Manager believes that the Acquisition will bring the following key benefits to holders of units in K-REIT Asia ("Units", and holders of Units, "Unitholders"):

5.1 Competitive Strengths of the Property

The Acquisition is in line with the Manager's stated growth strategy of acquiring quality commercial properties so as to deliver stable distribution and sustainable total return to the Unitholders. The Property is a premier Grade A office space prominently located in Raffles Place and is in close proximity to the Raffles Place MRT station. K-REIT Asia already owns about 44% of the strata space and post-completion of the Acquisition, K-REIT Asia will gain majority control (about 73%) over the strata value of the building. The Manager believes that majority control of the strata space in the building will put K-REIT Asia in a stronger position to manage the income generated from this asset. The provision of rental income support would limit the downside risks and provide the certainty of income for the next few years.

5.2 Financial Benefits of the Acquisition

The Acquisition is expected to be yield-accretive, which results from the acquisition of the Property at an attractive price relative to the cash flows that it generates through the sustainable positive returns from the Property together with the minimum net property income from the rental income support for five years from the completion of the Acquisition.

³ Based on the FY 2008 audited financial statements and adjusted for the distribution paid to Unitholders in February 2009 in respect of the period from 1 July 2008 to 31 December 2008.

⁴ In the case of a real estate investment trust, the distribution per Unit is a close proxy to the Earnings per share.

⁵ Based on the FY 2008 audited financial statements.

The Manager is of the view that the Acquisition will improve income diversification and enhance the tenant base that K-REIT Asia currently has.

6. METHOD OF FINANCING

The Acquisition will be funded entirely by debt. Following completion of the Acquisition, K-REIT Asia's aggregate leverage (calculated as gross borrowings divided by total assets) will increase marginally from 27.6% to 31.1%, which is within the aggregate leverage limit as set out in the guidelines in Appendix 2 of the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore ("**Property Funds Guidelines**"). K-REIT Asia has an investment grade credit rating from Moody's Investor Services Inc. which, under the Property Funds Guidelines, permits gearing of up to 60.0%.

7. INTERESTS OF THE DIRECTORS AND CONTROLLING UNITHOLDERS

Mr Kevin Wong Kingcheung is the Deputy Chairman and non-executive Director of the Manager. He is also a Director of Prudential Assurance Company Singapore (Private) Limited, which has an interest in the Vendor.

None of the other Directors of the Manager or the controlling Unitholders have an interest, direct or indirect, in the Acquisition.

8. OTHER INFORMATION

8.1 Director's Service Contracts

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

8.2 Disclosure under Rule 1010(13) of the Listing Manual

8.2.1 Chapter 10 of the Listing Manual classifies transactions by K-REIT Asia into (i) non-discloseable transactions, (ii) discloseable transactions, (iii) major transactions and (iv) very substantial acquisitions or reverse takeovers, depending on the size of the relative figures computed on, among other things, the following bases:

- (a) the net profits attributable to the assets acquired, compared with K-REIT Asia's net profits;
- (b) the aggregate value of the consideration given, compared with K-REIT Asia's market capitalisation based on the total number of issued units excluding treasury units; and
- (c) the number of equity securities issued by K-REIT Asia as consideration for the Acquisition, compared with the number of equity securities previously in issue.

8.2.2 Based on the net property income for the Property and K-REIT's audited financial statements as at 31 December 2008, the relative figure for the basis of comparison set out in sub-paragraph 8.2.1(a) is approximately 13.9%.

- 8.2.3 Based on the Purchase Consideration and K-REIT Asia's market capitalisation as at 31 August 2009, the relative figure for the basis of comparison set out in sub-paragraph 8.2.1(b) above is approximately 14.6%.
- 8.2.4 The relative figure for the basis of comparison set out in sub-paragraph 8.2.1 (c) above is not applicable⁶.
- 8.2.5 Under Rule 1010 of the Listing Manual, where any of the relative figures computed on the bases set out in paragraph above in relation to the proposed transaction by K-REIT Asia exceeds 5% but does not exceed 20%, the Acquisition is regarded as a discloseable transaction.

8.3 Disclosure under Rule 1013 of the Listing Manual

- 8.3.1 Rule 1013(1) of the Listing Manual provides, inter alia, that where an issuer enters into a discloseable transaction and accepts a profit guarantee (or any covenant which quantifies the anticipated level of future profits) from a vendor of assets/business, the issuer's announcement in Rule 1010 must contain information on the profit guarantee, including the following:
- (a) the views of the board of directors of the issuer in accepting the profit guarantee and the factors taken into consideration and basis for such a view;
 - (b) the principal assumptions including commercial bases and assumptions upon which the quantum of the profit guarantee is based;
 - (c) the manner and amount of compensation to be paid by the vendor in the event that the profit guarantee is not met and the conditions precedent, if any, and the detailed basis for such a compensation; and
 - (d) the safeguards put in place (such as the use of a banker's guarantee) to ensure the issuer's right of recourse in the event that the profit guarantee is not met, if any.
- 8.3.2 The Board of Directors of the Manager views that the provision of rental income support is beneficial to K-REIT Asia as it will provide stable income for five years post-completion of the Acquisition.
- 8.3.3 Under the Sale and Purchase Agreement, for a period of five years from the date of completion of the Acquisition, if the actual net property income ("NPI") is less than the guaranteed NPI, the Vendor shall pay to the Trustee a sum equal to the difference between the actual NPI and the guaranteed NPI. NPI is calculated by deducting operating expenses from rental income. The guaranteed NPI is equivalent to 5.2% of the Purchase Consideration. The quantum of a 5.2% per annum property income yield is within the market norm and would provide accretive distributable income.

⁶ The relative figure for the basis of comparison set out in sub-paragraph 8.2.1(c) above does not apply because no equity securities will be issued by K-REIT Asia as consideration for the Acquisition.

8.3.4 There is certainty of payment since it shall be a condition of the Acquisition that the full quantum of the rental income support in the sum of S\$5.0 million in cash shall be paid by the Vendor into a bank account and the drawdown from such bank account shall be managed by the Trustee or the Manager.

8.4 Documents for Inspection

Copies of the Sale and Purchase Agreement and the valuation report are available for inspection during normal business hours at the registered office of the Manager at 1 HarbourFront Avenue, #18-01 Keppel Bay Tower, Singapore 098632⁷, for a period of three months commencing from the date of this announcement.

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
1 September 2009

Important Notice

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

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

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

Investors have no right to request the Manager to redeem their Units while the Units are listed. It is intended that Unitholders of K-REIT Asia 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 Asia is not necessarily indicative of the future performance of K-REIT Asia.

⁷ Prior appointment with the Manager will be appreciated.