



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

ANNOUNCEMENT

COMPLETION OF ACQUISITION OF ONE-THIRD INTEREST IN ONE RAFFLES QUAY

1. ACQUISITION OF ONE-THIRD INTEREST IN ONE RAFFLES QUAY

Further to the announcement dated 30 July 2007 in relation to the proposed acquisition by K-REIT Asia of a one-third interest in One Raffles Quay (the “**ORQ Interest**”) through the acquisition of one-third of the issued share capital of One Raffles Quay Pte Ltd (“**ORQPL**”) from Boulevard Development Pte Ltd (“**Boulevard**”) and the assignment to K-REIT Asia of Boulevard’s rights, title and interest in the shareholder’s loan to ORQPL (the “**Acquisition**”), the board of directors of K-REIT Asia Management Limited, as manager of K-REIT Asia (the “**Manager**”), is pleased to announce that the Acquisition has been completed today.

The Total Acquisition Cost (as described in the unitholders’ circular dated 22 September 2007 issued by the Manager, the “**Unitholders’ Circular**”) is approximately S\$951.4 million, comprising the aggregate consideration payable to Boulevard for the Acquisition of approximately S\$938.8 million, the acquisition fee of approximately S\$9.4 million payable to the Manager and other fees and expenses relating to the Acquisition.

2. DETAILS OF THE ACQUISITION AND METHOD OF FINANCING

The Unitholders’ Circular issued by the Manager sets out, *inter alia*, (i) the particulars of the ORQ Interest, (ii) the valuations of the ORQ Interest, (iii) details of the Acquisition and its rationale, and (iv) the interests of directors and substantial unitholders of K-REIT Asia in the Acquisition.

As described in the Unitholders’ Circular, it was initially intended that K-REIT Asia would embark on a fund raising exercise, which would include, *inter alia*, an equity fund raising exercise and a convertible bond offering to raise approximately S\$966.5 million to finance the Acquisition (the “**Fund Raising Exercise**”). However, due to volatile market conditions, the Manager, after consultation with its financial advisers, has decided that it would not be in the best interest of K-REIT Asia to proceed with the Fund Raising Exercise.

The Acquisition has been financed by way of a bridging loan facility (the “**Bridging Loan**”), of which a sum of S\$942.0 million has been drawn today to satisfy the Total Acquisition Cost, excluding the acquisition fee (the “**Acquisition Fee**”) payable to the Manager in connection with the Acquisition of approximately S\$9.4 million which will be satisfied by an issuance of new units in K-REIT Asia.

2.1 The Bridging Loan

RBC Dexia Trust Services Singapore Limited, in its capacity as trustee of K-REIT Asia (the “**Borrower**”), has today entered into a loan agreement (the “**Loan Agreement**”) with Kephinance Investment Pte Ltd (“**KIPL**”) with respect to the Bridging Loan.

2.2 Disclosure Requirements Under the Listing Manual

KIPL, being a wholly-owned subsidiary of Keppel Corporation Limited (which is a controlling unitholder of K-REIT Asia), is considered, for the purpose of the Bridging Loan, to be an “interested person” under the Listing Manual (the “**Listing Manual**”) of Singapore Exchange Securities Trading Limited (the “**SGX-ST**”).

The Manager is making this announcement under rule 905 of the Listing Manual.

2.3 Certain terms of the Loan Agreement

The Loan Agreement sets out the terms and conditions under which KIPL grants to the Borrower a revolving loan facility of up to S\$960.0 million for an initial period of nine months commencing from the drawdown date, and thereafter renewable on terms, including new maturity date, to be agreed between the parties. The Bridging Loan was made on normal commercial terms at arm’s length basis.

S\$942.0 million of the loan facility has been drawn down today to finance the Total Acquisition Cost, excluding the Acquisition Fee. Based on the interest rate of 3.3% per annum for the initial interest period of one month, the interest payable on the drawn amount, is estimated to be S\$23.3 million for the full nine-month period. The interest payable would constitute approximately 4.7% of the latest audited net tangible assets of K-REIT Asia as at 31 December 2006.

3. K-REIT ASIA’S PORTFOLIO

Based on the independent valuations conducted by Knight Frank Pte Ltd as at 10 December 2007, K-REIT Asia’s existing properties¹ (the “**Existing Properties**”) are valued at S\$1.11 billion, giving rise to a revaluation surplus of S\$295.0 million.

The independent valuations of the Existing Properties are as follows:

Property	Tenure	Date of Valuation	Valuation S\$ million	Independent Valuer
Prudential Tower Property	Leasehold estate of 99 years commencing 15 January 1996	10 December 2007	227	Knight Frank Pte Ltd
Keppel Towers and GE Tower	Estate in fee simple	10 December 2007	580	Knight Frank Pte Ltd
Bugis Junction Towers	Leasehold estate of 99 years commencing 10 September 1990	10 December 2007	303	Knight Frank Pte Ltd

Following the completion of the Acquisition, the value of K-REIT Asia’s office portfolio increases to approximately S\$2.06 billion.

¹ Including Prudential Tower Property (comprising 44.4% of the strata area of the building), Keppel Towers and GE Tower, and Bugis Junction Towers.

After taking into account the revaluation of the Existing Properties, the Acquisition and the Bridging Loan, the aggregate leverage ratio of K-REIT Asia as at 30 September 2007 will increase from 22.9% to approximately 55.0%.

4. K-REIT ASIA'S CORPORATE RATING

K-REIT Asia has been assigned a first-time corporate rating of "Baa3" on 10 December 2007 by Moody's Investor Services ("Moody's"). Under the Property Funds Guidelines, K-REIT Asia is allowed to borrow up to a maximum of 60.0% of the value of its deposited property if a credit rating of K-REIT Asia from Fitch Inc., Moody's or Standard and Poor's is obtained and disclosed to the public.

5. FINANCIAL EFFECTS OF THE ACQUISITION

5.1 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. The pro forma financial effects of the Acquisition have been prepared based on the audited financial statements of K-REIT Asia for the financial period from 28 November 2005 to 31 December 2006 ("Audited Financial Statements") as well as the audited financial statements of ORQPL for the financial year ended 31 December 2006 ("FY2006"), taking into account the Total Acquisition Cost and the Bridging Loan.

5.2 Distribution Per Unit

Set out below are the pro forma financial effects of the Acquisition on K-REIT Asia's distribution per Unit ("DPU") for FY2006, as if the Acquisition was completed on 1 January 2006 and held throughout FY2006. The pro forma financial effects are purely for illustratively purposes only.

	Existing Properties	Enlarged Portfolio ⁽¹⁾
Net profit/ (loss) before tax (S\$'000)	11,196 ⁽²⁾	(25,073) ⁽³⁾
Distributable Income (S\$'000)	15,307 ⁽⁴⁾	21,443 ⁽⁴⁾
Issued Units ('000)	241,610	247,471 ⁽⁵⁾
DPU (cents)	6.34	8.66

Notes:

- (1) Comprises Existing Properties and the ORQ Interest.
- (2) Assumes that K-REIT Asia's Existing Properties were held and operated throughout FY2006. Since the acquisition of the Existing Properties were completed on 26 April 2006, the proforma figures have been based on the (i) unaudited financial statements of Mansfield Realty Limited, Keppel Land (Tower D) Pte Ltd and BCH Office Investment Pte Ltd for the period of 1 January 2006 to 25 April 2006 after making certain assumptions and adjustments; and (ii) Audited Financial Statements of K-REIT Asia which relates to the actual results of K-REIT Asia from 26 April 2006 to 31 December 2006.
- (3) Includes (i) K-REIT Asia's one-third share of the net loss of ORQPL based on its audited financial statements for FY2006 after incorporating adjustments necessary to reflect the financial results of ORQPL as if the Acquisition was completed on 1 January 2006; (ii) interest income from the shareholder's loan to ORQPL; (iii) an Income Support Top-up Payment of S\$29.9 million for FY2006;

and (iv) deducting the additional borrowing costs, Manager's management fees, amortisation expense and trust expenses in connection with the Acquisition. The net loss is due mainly to ORQPL's net loss incurred in FY2006 as the Property received the temporary occupation permits for its South Tower and North Tower on 24 April 2006 and 26 October 2006 respectively.

- (4) Distribution was based on 100% of total income available for distribution.
- (5) Includes approximately 4.1 million Units issued as payment of the acquisition fee payable to the Manager for the Acquisition as well as 1.8 million Units issued as payment of the management fees payable to the Manager for FY2006, at an assumed issue price of S\$2.30 per Unit.

5.3 Net Asset Value

As the Acquisition is funded by the Bridging Loan, the Acquisition will not have a significant effect on the net asset value per Unit.

6. STATEMENT FROM THE AUDIT COMMITTEE

Having considered the terms and conditions of, as well as the rationale for the entry into, the Loan Agreement, the Audit Committee of the Manager (which comprises wholly of independent directors of the Manager) is of the view that the Bridging Loan was made on normal commercial terms and would not be prejudicial to the interests of K-REIT Asia and its minority unitholders.

7. TOTAL VALUE OF ALL INTERESTED PERSON TRANSACTIONS

The following table sets out the current total for the financial year ending 31 December 2007 of all transactions with the particular interested person whose transaction is the subject of this announcement and the current total of all interested person transactions for the same financial year, as at the date of this announcement.

	Interested Person	Nature of Transaction	Value of Transaction S\$ million
Keppel Corporation Group			
1	Kephinance Investment Pte Ltd	Bridging Loan of S\$942.0 million	23.3
Sub-total of interested person transactions with Keppel Corporation Group			23.3
Keppel Land Group			
2	Boulevard Development Pte Ltd	Acquisition of one-third interest in One Raffles Quay (this transaction has been approved by the unitholders of K-REIT Asia at its extraordinary general meeting held on 11 October 2007)	938.8
3	Keppel Land International Limited	Lease of properties	1.0
Sub-total of interested person transactions with Keppel Land Group			939.8
Total for all interested person transactions for the current financial year			963.1

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
10 December 2007

Important Notice

This Announcement is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for units in K-REIT Asia ("**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.

Neither this Announcement nor any copy or portion of it may be sent or taken, transmitted or distributed, directly or indirectly, into the United States, Japan or Canada. It is not an offer of securities for sale in the United States. The Units have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") and, accordingly may not be offered or sold within the United States or to, or for the benefit of, U.S. persons (as defined in Regulation S under the Securities Act), except in certain transactions exempt from the registration requirements of the Securities Act.