



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

ACQUISITION OF THE OFFICE TOWER AT 77 KING STREET, SYDNEY, AUSTRALIA

1. INTRODUCTION

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, has, through The Trust Company (Australia) Limited, in its capacity as trustee of K-REIT (Australia) Sub-Trust 1¹ (“**K-REIT Australia**”), entered into a contract (the “**Contract**”) with Kingvest Pty Limited (the “**Vendor**”), for the acquisition of a 100% interest in Lots 1, 3, 4 and 5, 77 King Street, Sydney, Australia, (the “**Property**”, and the acquisition of the Property, the “**Acquisition**”) on 19 July 2010.

The Acquisition constitutes 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

77 King Street is a prime commercial building located in the heart of Sydney’s Central Business District (“**CBD**”), in close proximity to major CityRail Stations – Wynyard, Martin Place and Town Hall Stations. It has a net lettable area of 170,662 sq ft across 18 levels of Grade A office space and five levels of quality retail space.

77 King Street was first developed in 1975 and subsequently underwent a full refurbishment in 2008. The revamped building has a modern façade designed by renowned architectural and interior design practice, Burley Katon Halliday and uses energy efficient chilled beam air-conditioning technology to minimise utility expenses while cooling the interiors.

The Acquisition comprises the entire 18-level office tower or approximately 130,394 sq ft of office space, and 16,856 sq ft of retail space across the ground and two basement levels. The Property is currently 76.8% leased and will be acquired on a fully leased basis. It has a weighted average lease expiry (“**WALE**”) of approximately 5.8 years as at 30 June 2010.

The office space is tenanted by consulting firm CapGemini Australia, rating agency Fitch Australia, law firm Herbert Geer and other well-known corporations, while leading sporting and leisure equipment, apparel and footwear retailer Rebel Sports and a cafe occupy the retail space over the ground and two basement levels.

¹ A trust newly constituted in Australia which is wholly-owned by K-REIT Asia.

3. PRINCIPAL TERMS OF THE CONTRACT

The purchase consideration of the Property is A\$120.0 million or approximately S\$145.0 million (the “**Purchase Consideration**”).

Under the Contract, the Vendor will warrant that the Property will be fully leased on completion of the Acquisition (the “**Completion Date**”). In the event that the Property is not fully leased on the Completion Date, the Vendor will provide a rental guarantee of up to A\$2.0 million to top up the shortfall in rent for any part of the space that is not leased during the period of 24 months from the Completion Date. The Vendor will also provide a minimum net property income (“**NPI**”) guarantee, subject to an aggregate maximum amount of A\$4.0 million, for a period of 6 years commencing from the Completion Date (“**Income Support Period**”).

The Purchase Consideration was arrived at on a willing-buyer and willing-seller basis after taking into account the prevailing market conditions in Sydney. K-REIT Asia has today paid in cash to the Vendor an amount equivalent to 12.0% of the Purchase Consideration as deposit and shall pay the balance of the Purchase Consideration in cash on the Completion Date which is expected to take place within 6 months from the date of the Contract.

An independent property valuer was commissioned by K-REIT Australia to value the Property. The valuation report dated 16 July 2010 stated that the open market value of the Property using the discounted cash flow method and capitalisation approach, and taking into account the provision of guaranteed income support of up to A\$4.0 million by the Vendor, was A\$120.0 million.

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 latest audited financial statements of K-REIT Asia for the financial year ended 31 December 2009 (“**FY 2009**”), taking into account the Purchase Consideration as well as the assumption that the Acquisition is to be funded by a combination of debt and equity.

The pro forma financial effects of the Acquisition on the net profit and distribution per unit (“**DPU**”) of K-REIT Asia are based on the assumptions that K-REIT Asia had completed the Acquisition on 1 January 2009 and held the Property through to 31 December 2009.

4.2 Pro Forma Net Profit²

The FY 2009 pro forma net profit attributable to the Acquisition is approximately A\$3.1 million (approximately S\$3.7 million³).

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 2009, as if the Acquisition was completed on 31 December 2009, assuming that the Acquisition is funded by a combination of debt and equity.

	Before the Acquisition	Adjusted for the Acquisition
NAV per Unit (S\$)	1.47 ⁴	1.47

4.4 Pro Forma Distribution per Unit⁵

The table below sets out the pro forma financial effects of the Acquisition on K-REIT Asia’s DPU for FY 2009, as if K-REIT Asia had completed the Acquisition on 1 January 2009.

	Before the Acquisition	Adjusted for the Acquisition	Accretion
DPU (cents)	5.28 ⁶	5.63 ⁷	6.6%

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

77 King Street is a prominently located Grade A office building in the heart of Sydney’s CBD that was fully refurbished in 2008. This Acquisition is in line with the Manager’s

² Estimated based on the assumed revenue derived from the Property net of estimated operating expenses and income support provided by the Vendor.

³ Based on the closing AUD:SGD offer rate as at 16 July 2010.

⁴ Based on the FY 2009 audited financial statements and adjusted for the distribution paid to Unitholders in February 2010 in respect of the period from 1 July 2009 to 31 December 2009.

⁵ In the case of a real estate investment trust, the distribution per unit is a close proxy to the earnings per share.

⁶ Based on the FY 2009 audited financial statements.

⁷ In line with FY 2009, it is assumed that 100% of the Manager’s management fees are payable in Units for the Acquisition.

stated growth strategy of acquiring and managing quality commercial properties so as to deliver stable distribution and sustainable total returns to its Unitholders.

5.2 Yield Accretion

The Acquisition is expected to be yield accretive to Unitholders. The long WALE of 5.8 years as at 30 June 2010, embedded annual rental escalation in all the leases, and provision of income support during the Income Support Period by the Vendor limits downside risks and provides certainty of income. It is a rare opportunity to acquire a quality Grade A office building in Sydney.

5.3 Income, Tenant and Geographical Risks Diversification

The Acquisition will be K-REIT Asia's second acquisition out of Singapore and will diversify K-REIT Asia's income and tenant concentration risks as well geographical exposure. Sydney has the largest CBD office market in Australia with over four million residents. Australia is also a foreign investment-friendly country with a mature real estate market, an established and enforceable legal system, well-defined land laws and clear real estate regulations.

5.4 Timing of Acquisition

With this Acquisition, K-REIT Asia is well-positioned to benefit from the upside in rental and capital values in Sydney's improving office market. Since the economic downturn, the rental and capital values of office buildings in Sydney have stabilised. Capital values have begun to trend up as the office market is expected to benefit from the broad economic recovery that is showing signs of being sustainable.

6. METHOD OF FINANCING

The Acquisition will be funded by a combination of debt and equity with the proceeds from the rights issue completed by K-REIT Asia in November 2009. K-REIT Asia's aggregate leverage (calculated as gross borrowings divided by total assets) is expected to increase from 15.2% to 20.4% after the completion of the Acquisition. This is within the aggregate leverage limit of up to 60.0% as set out in the guidelines in Appendix 2 of the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore, as K-REIT Asia has an investment grade credit rating from Moody's Investor Services Inc.

7. INTERESTS OF THE DIRECTORS AND CONTROLLING UNITHOLDERS

None of the directors of the Manager or controlling Unitholders of K-REIT Asia has any 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 of SGX-ST

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 Manager's estimated net profit attributable to the Property and K-REIT Asia's first half 2010 unaudited financial statements, the relative figure for the basis of comparison set out in sub-paragraph 8.2.1(a) is approximately 7.5%.

8.2.3 Based on the Purchase Consideration and K-REIT Asia's market capitalisation as at 16 July 2010, the relative figure for the basis of comparison set out in sub-paragraph 8.2.1(b) above is approximately 8.9%.

8.2.4 The relative figure for the basis of comparison set out in sub-paragraph 8.2.1 (c) above is not applicable⁹.

8.2.5 Under Rule 1010 of the Listing Manual, where any of the relative figures computed on the bases set out above 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 of SGX-ST

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:

⁹ 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.

- (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 the rental guarantee and income support is beneficial to K-REIT Asia as it will provide income stability until 2016.

8.3.3 Under the Contract, the Vendor will warrant that the Property will be fully leased on the Completion Date. In the event that the Property is not fully leased on Completion Date, the Vendor will provide a rental guarantee to top up the shortfall in rent for any part of the space that is not leased during the period of 24 months from the Completion Date. The Vendor will provide a minimum NPI guarantee (subject to an aggregate maximum amount of A\$4.0 million) during the Income Support Period where the Vendor will effect top-up payments equal to the amount of shortfall between the actual NPI and the guaranteed NPI. In the reasonable view of the Manager, the yield from the rental guarantee and guaranteed NPI under the income support is within market norm and would provide accretive distributable income to the Unitholders.

8.3.4 There is certainty of payment since it shall be a condition of the Acquisition that the estimated amount of rental guarantee and income support as stated above shall be paid by the Vendor into a stakeholder's account to be drawn upon by K-REIT Australia.

9. Documents for Inspection

Copies of the Contract 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 098632¹⁰, 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
19 July 2010

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.

¹⁰ Prior appointment with the Manager will be appreciated.