



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

ANNOUNCEMENT

PROPOSED ACQUISITION OF A ONE-THIRD INTEREST IN ONE RAFFLES QUAY

1. INTRODUCTION

1.1 Agreement to Purchase a One-Third Interest in One Raffles Quay

The board of directors of K-REIT Asia Management Limited, as 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 conditional share purchase agreement (the “**Share Purchase Agreement**”) with Boulevard Development Pte Ltd (the “**Vendor**”), an indirect wholly-owned subsidiary of Keppel Land Limited (“**Keppel Land**”), for the acquisition of a one-third interest in One Raffles Quay (the “**Property**”) through the acquisition of one-third of the issued share capital (the “**Sale Shares**”) of One Raffles Quay Pte Ltd (“**ORQPL**”) by K-REIT Asia (the “**Acquisition**”) from the Vendor. The obligations of the Vendor under the Share Purchase Agreement for the Acquisition are guaranteed by Keppel Land Properties Pte Ltd (the “**Guarantor**”), a direct wholly-owned subsidiary of Keppel Land.

ORQPL is the developer and owner of One Raffles Quay as well as the sole shareholder of Raffles Quay Asset Management Pte Ltd (“**RQAM**”), the current asset manager of the Property. As at the date of this announcement, the issued share capital of ORQPL is held in equal proportions (i.e. one-third each) by Freyland Pte Ltd (“**Freyland**”), Comina Investment Limited (“**Comina**”) and the Vendor. Freyland, Comina and the Vendor are the wholly-owned subsidiaries of Hongkong Land International Holdings Limited, CKH China Enterprises Limited and the Guarantor respectively.

Under the terms of the Share Purchase Agreement, it is envisaged that:

- 1.1.1 prior to the completion of the Acquisition (“**Completion**”), all the shares held by ORQPL in the capital of RQAM will be transferred to Hongkong Land (Singapore) Pte. Ltd., Charm Aim International Limited and K-REIT Asia Property Management Pte. Ltd. in equal proportions on terms to be agreed between such parties (the “**RQAM Restructuring**”);
- 1.1.2 upon Completion, the Trustee will enter into a restated shareholders’ agreement (the “**Restated Shareholders’ Agreement**”) with the other shareholders of ORQPL and their parent entities relating to the governance of their relationship as shareholders of ORQPL and ORQPL’s holding and management of the Property; and
- 1.1.3 such number of units in K-REIT Asia (“**Units**”) will be placed to Keppel Land and its subsidiaries (the “**Keppel Land Group**”), such that the Keppel Land Group shall, immediately following the Equity Fund Raising (as defined in paragraph 4 below),

maintain its proportionate Unitholding, in percentage terms, of the total number of Units in issue immediately prior to the Equity Fund Raising (the “**Placement**”).

Further details on the RQAM Restructuring and the Restated Shareholders’ Agreement will be set out in a circular to be issued to the unitholders of K-REIT Asia (the “**Unitholders**”) in due course (the “**Circular**”), together with a notice of extraordinary general meeting of the Unitholders which the Trustee will convene for the purposes of obtaining the approval of the Unitholders for, among others, the Acquisition and the Placement.

1.2 Information on the Property

The Property is a prime landmark commercial development located in Singapore’s central business district (“**CBD**”) comprising a 50-storey office tower (the “**North Tower**”), a 29-storey office tower (the “**South Tower**”), an underground link to the Raffles Place MRT station, a plaza featuring a water fountain, a sheltered drop-off point and a car park hub comprising 713 car parking lots. The Property has a net lettable area of approximately 1.3 million square feet, placing it as one of the largest commercial buildings in Singapore. The Property is held on a 99-year lease commencing from 13 June 2001.

The Property is a newly completed development with temporary occupation permits for the South Tower and the North Tower issued on 24 April 2006 and 26 October 2006 respectively. With its direct connection to the Raffles Place MRT station and close proximity to Marina Bay, the site of one of two proposed integrated resorts and the new business and financial centre, the Property stands out as a quality landmark within Singapore’s commercial landscape and is well-positioned to capitalise on the future growth of the area. The Property counts blue chip institutions such as ABN AMRO Asia Pacific Pte Ltd, Barclays PLC Singapore Branch, Credit Suisse (Singapore) Limited, Deutsche Bank AG, Ernst & Young Services Pte Ltd and UBS AG as its tenants.

1.3 Disclosure Requirements Under the Listing Manual and the Property Funds Guidelines

As at the Latest Practicable Date (as defined in paragraph 6 below), Keppel Land holds an aggregate indirect interest¹ in 98,675,114 Units, comprising approximately 40.7% of the total number of Units in issue, and is therefore regarded as a “controlling unitholder” of K-REIT Asia under both the Listing Manual of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”, and the Listing Manual, the “**Listing Manual**”) and the Property Funds Guidelines (the “**Property Funds Guidelines**”) in the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore. For the purposes of Chapter 9 of the Listing Manual, Keppel Land, being a controlling Unitholder, together with its associates will be considered as “interested persons” of K-REIT Asia.

The Placement will constitute an interested person transaction under Chapter 9 of the Listing Manual and will require the approval of the Unitholders.

Furthermore, as Keppel Land has an indirect interest of 100.0% in the Vendor, the Vendor is regarded as both an associate and a subsidiary company of a controlling Unitholder. For the purposes of Chapter 9 of the Listing Manual, the Vendor (being an associate of a controlling Unitholder) is an “interested person” of K-REIT Asia. For the purposes of the guidelines relating to interested party transactions under the Property Funds Guidelines, the Vendor (being a subsidiary of a controlling Unitholder) is an “interested party” of K-REIT Asia.

¹ As at the Latest Practicable Date (as defined in paragraph 6 below), Keppel Land holds an indirect interest in 98,675,114 units in K-REIT Asia through K-REIT Asia Investment Pte Ltd (96,850,528 Units) and K-REIT Asia Management Limited (1,824,586 Units).

As a result, the Acquisition would constitute an interested person transaction under Chapter 9 of the Listing Manual as well as an interested party transaction under the Property Funds Guidelines. The Manager is also making this announcement pursuant to Chapter 10 of the Listing Manual.

2. PRINCIPAL TERMS OF THE PROPOSED ACQUISITION

2.1 Agreed Value

The agreed market value of the one-third interest in the Property, including the provision of guaranteed income support by the Vendor pursuant to the Deed of Income Support as referred to in paragraph 2.7 below, is S\$941.5 million (the “**Agreed Value**”).

The Manager and the Trustee have each commissioned an independent property valuer, Knight Frank Pte Ltd (“**Knight Frank**”) and CB Richard Ellis (Pte) Ltd (“**CBRE**”) respectively, to value the Property.

Knight Frank in its valuation certificate stated that the open market value for the one-third interest in the Property, including the provision of guaranteed income support by the Vendor, as at 2 July 2007 was S\$941.0 million using an investment and discounted cash flow approach.

CBRE in its valuation certificate stated the open market value for the one-third interest in the Property, including the provision of guaranteed income support by the Vendor, as at 2 July 2007 was S\$941.5 million using a capitalization approach and discounted cash flow analysis.

2.2 Aggregate Consideration

The aggregate consideration (the “**Aggregate Consideration**”) payable to the Vendor for the Acquisition comprises the Share Consideration and the Loan Consideration, as defined in paragraphs 2.3 and 2.4 below respectively, and is payable in full by the Trustee to the Vendor in cash upon Completion. Based on the Agreed Value and the audited financial statements of ORQPL for the financial year ended 31 December 2006, the Aggregate Consideration is estimated to be S\$885.2 million as at that date.

The actual amount of the Aggregate Consideration is subject to adjustments to reflect the actual Share Consideration and Loan Consideration at Completion, as described in paragraphs 2.3 and 2.4 below.

2.3 Share Consideration

The purchase consideration for the Acquisition (the “**Share Consideration**”), which was negotiated on a willing-buyer and willing-seller basis, is a sum equal to one-third of the adjusted net tangible asset value of ORQPL (the “**Adjusted NTA Value**”) as at the date on which the New Units (as defined in paragraph 4 below) are listed on the SGX-ST, or such other date as may be agreed between the parties to the Share Purchase Agreement (the “**Completion Date**”). The Adjusted NTA Value is calculated by reference to, among other things, the Agreed Value, and will be reviewed by the auditors of ORQPL.

2.4 Loan Consideration

Under the terms of the Share Purchase Agreement, the Vendor will assign to the Trustee all its rights, title and interest in the principal amount of the shareholder's loan made by the Vendor to ORQPL together with all accrued but unpaid interest thereon as at the Completion Date (collectively, the “**Vendor's Loan**”). As consideration for this assignment, the Trustee

will pay the Vendor a cash sum equal to the Vendor's Loan (the "**Loan Consideration**") as at the Completion Date. The Loan Consideration will be reviewed by the auditors of ORQPL.

2.5 Completion Date

The Completion Date is the date on which the New Units are listed on the SGX-ST or such other date as may be agreed between the parties to the Share Purchase Agreement, which is expected to take place no later than 31 December 2007.

2.6 Conditions Precedent

Under the Share Purchase Agreement, Completion is subject to and conditional upon, among other things:

- 2.6.1 the Acquisition having been approved by the Unitholders at a general meeting of K-REIT Asia and the Deed of Trust dated 28 November 2005 entered into between the Manager and the Trustee constituting K-REIT Asia (as amended, varied or supplemented from time to time) being amended to the satisfaction of the Trustee to reflect the Trustee's ownership of the Sale Shares and such amendments having been approved by the Unitholders at a general meeting of K-REIT Asia (if necessary);
- 2.6.2 the Acquisition and the Placement having been approved by the shareholders of Keppel Land at a general meeting of Keppel Land;
- 2.6.3 approval in-principle for the listing and quotation of the New Units on the SGX-ST having been obtained from the SGX-ST and not having been revoked, suspended or amended and, where such approval is subject to conditions, such conditions being acceptable to the Trustee and to the extent that any conditions for the listing and quotation of the New Units on the SGX-ST are required to be fulfilled on or before the Completion Date, they are so fulfilled;
- 2.6.4 K-REIT Asia securing adequate financing for the Acquisition on terms and conditions approved by the Unitholders at a general meeting of K-REIT Asia; and
- 2.6.5 the Unitholders approving the Placement of such number of Units to the Keppel Land Group, such that the Keppel Land Group shall, immediately following the Equity Fund Raising, maintain its proportionate Unitholding, in percentage terms, of the total number of Units in issue immediately prior to the Equity Fund Raising.

2.7 Deed of Income Support

The Trustee has, concurrently with its entry into the Share Purchase Agreement, entered into a deed of income support (the "**Deed of Income Support**") with the Vendor and the Guarantor. Under the Deed of Income Support, the Vendor has undertaken to the Trustee to effect top-up payments to the Trustee amounting to one-third of the amount by which the Net Property Income (as defined in the Deed of Income Support) falls short of the guaranteed income amount of the Property for each of the calendar quarters during the period commencing on 1 October 2007 and ending on 31 December 2011.

In the event that the Completion Date is a date after 1 October 2007, the top-up payment for the first quarterly period shall be adjusted accordingly based on the actual number of days from the Completion Date until 31 December 2007 (both dates inclusive). The top-up payments for any quarterly period shall not in any event exceed S\$8.0 million (the "**Maximum Sum**"), save that in the case of the first quarterly period, should the Completion Date be a date after 1 October 2007, the Maximum Sum shall be adjusted accordingly based on the actual number of days from the Completion Date until 31 December 2007 (both dates

inclusive). The aggregate of all top-up payments shall not in any event exceed S\$103.4 million. The Vendor's commitment to pay under the Deed of Income Support is guaranteed by the Guarantor. The Trustee shall bear all goods and services tax, if any, chargeable on each top-up payment.

3. RATIONALE FOR THE ACQUISITION

The Acquisition is in line with the Manager's stated growth strategy of acquiring quality commercial properties that meet its investment criteria. The Property is a premier commercial development that will enhance K-REIT Asia's current portfolio of quality assets namely, 44.0% of the strata area of Prudential Tower, Keppel Towers, GE Tower and Bugis Junction Towers.

The Manager is also of the view that the Acquisition will improve income diversification and provide greater stability to K-REIT Asia's income stream. The Manager expects Unitholders will enjoy a higher distribution and overall yield accretion as result of the Acquisition.

The Placement would enable Keppel Land Group to maintain its proportionate Unitholding, in percentage terms, of the total number of Units in issue immediately prior to the Equity Fund Raising. The Manager believes that maintaining the proportionate Unitholding of the Keppel Land Group will provide a degree of stability to K-REIT Asia as an investment vehicle. The Manager further believes that the Placement would also provide a greater degree of certainty of success in K-REIT Asia's fund raising exercise and thus further promote investor confidence in K-REIT Asia.

Further details of the rationale for the Acquisition will be set out in the Circular to the Unitholders.

4. METHOD OF FINANCING AND FINANCIAL EFFECTS OF THE ACQUISITION

The Manager is currently reviewing and finalising its plans for financing the consideration payable to the Vendor in connection with the Acquisition, including the size and components of the issue of new Units pursuant to the proposed equity fund raising exercise (the "**Equity Fund Raising**") and the new Units, "**New Units**") and the Placement, as well as possible debt financing. Details of such plans will be set out in the Circular.

The Circular will also contain relevant information in relation to the financial effects of the Acquisition, such as the net profits attributable to K-REIT Asia's one-third indirect interest in the Property, the effect of the Acquisition on the net asset value per Unit and the distribution per Unit, as these matters can only be determined after the financing details have been finalised.

5. AUDIT COMMITTEE STATEMENT

The audit committee of the Manager (which comprises only of independent directors of the Manager) (the "**Audit Committee**") will obtain an opinion from an independent financial adviser (the "**Independent Financial Adviser**") on whether the Acquisition is on normal commercial terms and is not prejudicial to the interests of K-REIT Asia and its minority Unitholders. The Audit Committee will form its own view after reviewing the opinion of the Independent Financial Adviser, which will be disclosed in the Circular.

6. OTHER INTERESTED PERSON TRANSACTIONS

As at 27 July 2007 (the latest practicable date prior to the date of this announcement, the “**Latest Practicable Date**”), the value of all of K-REIT Asia’s interested person transactions between K-REIT Asia and Keppel Land and/or associates of Keppel Land for the current financial year ending 31 December 2007 was approximately S\$518,000. As at the Latest Practicable Date, these transactions comprise all of K-REIT Asia’s interested person transactions entered into during the current financial year ending 31 December 2007.

7. INTERESTS OF THE DIRECTORS AND SUBSTANTIAL UNITHOLDERS

The following disclosures are based on information available to the Manager as at the Latest Practicable Date, including K-REIT Asia’s Unitholding records.

Mr Kevin Wong Kingcheung is the managing director of Keppel Land and the deputy chairman and non-executive director of the Manager.

Mr Tan Swee Yiow is the chief executive officer and director of the Manager, and a director of the Vendor and the Guarantor.

Professor Tsui Kai Chong is the chairman and independent director of the Manager and a director of Keppel Land.

Mrs Lee Ai Ming is an independent director of the Manager and a director of Keppel Land.

Certain directors of the Manager hold collectively an aggregate direct interest in 308,040 Units.

Keppel Land has an aggregate indirect interest in 98,675,114 Units. Keppel Land’s indirect interest in the Units comprises approximately 40.7% of the total number of Units in issue.

Keppel Corporation Limited (“**KCL**”), through Keppel Real Estate Investment Pte Ltd and Keppel Land, has a deemed interest in 174,614,660 Units, which comprises approximately 72.1% of the total number of Units in issue.

Temasek Holdings (Private) Limited is deemed (including through its interests in KCL) to be interested in approximately 72.1% of the total number of Units in issue.

Save as disclosed above and based on information available to the Manager as at the Latest Practicable Date, none of the directors of the Manager or the Substantial Unitholders² has an interest, direct or indirect, in the Acquisition or the Placement.

8. OTHER INFORMATION

8.1 Service Contracts

Following Completion, it is contemplated that each of ORQPL’s shareholders will have a one-third representation on the board of ORQPL. Save as disclosed above, no person is proposed to be appointed as a director of the Manager in connection with the Acquisition, the Share Purchase Agreement 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)

² A person with an interest in one or more Units constituting not less than 5.0% of all outstanding Units.

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; and
- (c) the number of Units issued by the Manager as consideration for the Acquisition, compared with the number of Units previously in issue.

8.2.2 Based on ORQPL's and K-REIT Asia's unaudited financial statements for the half year ended 30 June 2007, the relative figure for the basis of comparison set out in sub-paragraph 8.2.1(a) above is approximately 11.8%.

8.2.3 Based on the Aggregate Consideration and K-REIT Asia's market capitalisation as at the Latest Practicable Date, the relative figure for the basis of comparison set out in sub-paragraph 8.2.1(b) above is approximately 138.6%.

8.2.4 The relative figure for the basis of comparison set out in sub-paragraph 8.2.1(c) above does not apply because no Units will be issued by the Manager as consideration for the Acquisition.

8.2.5 As the relative figure for the basis of comparison set out in sub-paragraph 8.2.1(b) exceeds 100.0%, the Manager had submitted an application to the SGX-ST regarding the waiver of Rule 1015 under Chapter 10 of the Listing Manual relating to very substantial acquisitions. Reasons for the waiver application were as follows:

- (i) ***The Keppel Group will Remain a Major Unitholder.*** Keppel Corporation and its subsidiaries' (collectively, the "**Keppel Group**") aggregate direct and indirect interest in the Units immediately following the allotment and issue of New Units and the completion of the Equity Fund Raising will comprise a majority of the total number of Units in issue. The Acquisition will not result in a change of control of K-REIT Asia as the Keppel Group will remain a major Unitholder following the completion of the Equity Fund Raising. As such, the Acquisition does not fall exactly within the situation that the requirements of Rule 1015 were designed to address.
- (ii) ***Proposed Acquisition is in K-REIT Asia's Ordinary Course of Business.*** K-REIT Asia was established for the specific purpose of investing in real estate and real estate-related assets that are income-producing and used, or predominantly used, for commercial purposes. Three such properties, namely, Prudential Tower Property (44.0% of the strata area), Keppel Towers and GE Tower, and Bugis Junction Towers, were acquired in conjunction with the listing. The Manager is currently evaluating several acquisitions, including this proposed Acquisition. Furthermore, the proposed Acquisition was foreshadowed prior to the listing of K-REIT Asia on the SGX-ST in the introductory document dated 20 March 2006. On these bases, it was submitted that the proposed Acquisition is entirely within K-REIT Asia's ordinary course of business.
- (iii) ***Proposed Acquisition will not Result in a Change of K-REIT Asia's Risk Profile.*** As the acquisition of the Property would serve to expand K-REIT Asia's core business of investing in real estate that is income-producing, K-

REIT Asia's risk profile will not be adversely altered. K-REIT Asia will not be venturing into a different business, nor will it be investing in geographies which are materially different from those of its earlier investments. The proposed Acquisition will not only enlarge K-REIT Asia's property portfolio and increase its income stream, but it will also enhance the mix of tenants of K-REIT Asia's properties, thus reducing K-REIT Asia's exposure to any one tenant within any business sector.

In light of the reasons listed above, the SGX-ST has advised that it has no objection to the waiver, subject to the Unitholders' approval for the Acquisition.

8.3 Documents for Inspection

Copies of the following documents 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 098632 for a period of three months commencing from the date of this announcement:

- 8.3.1** the Share Purchase Agreement; and
- 8.3.2** the valuation certificates of Knight Frank and CBRE on the Property, both dated 2 July 2007.

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
30 July 2007

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 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 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.