



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

## ACQUISITION OF 50% INTEREST IN 275 GEORGE STREET, BRISBANE, 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 Permanent Investment Management Limited, in its capacity as trustee of K-REIT Asia (Australia) Trust<sup>1</sup> (“**K-REIT Australia**”), entered into a contract for commercial land and buildings (the “**Contract**”) with Trust Company Fiduciary Services Limited in its capacity as trustee of Northbank Trust (“**Northbank Trust**”), for the acquisition of 50% interest in 275 George Street, Brisbane, Australia (the “**Property**”, and the acquisition of the Property, the “**Acquisition**”) on 30 January 2010.

Northbank Trust is a special purpose vehicle held by Charter Hall Core Plus Office Fund. The Contract was entered into pursuant to a nomination agreement by Ann Street Pty Ltd (“**Ann St**”) nominating K-REIT Australia as the purchaser for the Acquisition (the “**Nomination Agreement**”).

Ann St, a special purpose vehicle held by Charter Hall Opportunity Fund No. 4, was the joint developer of the property at 275 George Street, Brisbane (the “**Building**”) with the Northbank Trust, and the holder of an option to acquire the Property from Northbank Trust. As permitted in the option agreement between Ann St and Northbank Trust, Ann St nominated K-REIT Australia as the party entitled to exercise the option to purchase the Property. K-REIT Australia has exercised that option and entered into the Contract. Under the Nomination Agreement, Ann St will provide K-REIT Australia with income support in relation to the Acquisition.

K-REIT Australia will co-own the Building as a tenant-in-common with Northbank Trust, which will be retaining the other 50% interest in the Building.

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 BUILDING

275 George Street is a 30-storey Grade A freehold office development located in a prime location straddling the core retail precinct and the revitalised George Street precinct of the Brisbane’s Central Business District (“**CBD**”).

The Building is close to all major infrastructure and amenities and is surrounded by some of Brisbane’s newest corporate headquarters. It is also centrally located between the

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

city's two largest railway stations of Roma Street Railway Station and Central Railway Station.

Completed in April 2009, the Building has a net lettable area of 41,748 square metres ("**sqm**") comprising 40,317 sqm of office space, 1,431 sqm of retail space and 244 basement car bays. The weighted average lease expiry ("**WALE**") for the Building is approximately 9.4 years. The office tower is 100% leased and enjoys 10-year lease commitments by two leading Australian companies, Telstra Corporation and Queensland Gas Company (owned by British Gas Group).

The ecologically-designed building has achieved a 5 Star Green Star – Office Design v2 rating by the Green Building Council Australia and is targeting a 5 Star "As-Built" rating as well as a 4.5 Star NABERS Energy rating.

### **3. PRINCIPAL TERMS OF THE CONTRACT**

The purchase consideration of the Property is A\$166.0 million or approximately S\$208.6 million (the "**Purchase Consideration**").

Under the Nomination Agreement, Ann St has agreed to provide income support to K-REIT Australia commencing from the date of completion of the Acquisition until 30 June 2012 ("**Income Support Period**"). Ann St will effect top-up payments equal to the amount of shortfall between the actual net cash flow from operations ("**Net Cashflow**") and the guaranteed Net Cashflow of A\$12.8 million per annum. The amount of income support over the Income Support Period is estimated to be A\$1.8 million.

The Purchase Consideration was arrived at on a willing-buyer and willing-seller basis after taking into account the prevailing market conditions in Australia. On 30 January 2010, K-REIT Asia paid in cash to Northbank Trust 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 approximately one month from the date of the Contract.

The Manager intends to fund the Acquisition entirely by equity with the proceeds from the rights issue completed by K-REIT Asia in November 2009.

An independent property valuer, Savills (Qld) Pty Limited (the "**Valuer**"), was commissioned to value the Property. The Valuer in its valuation report dated 28 January 2010 stated that the open market value of the Property was A\$166.0 million using the discounted cash flow method, capitalisation approach and direct comparison method.

### **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 announced unaudited 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 equity.

The pro forma financial effects of the Acquisition on the net profits 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 Profits<sup>2</sup>

The FY 2009 pro forma net profits attributable to the Acquisition is approximately A\$9.7 million (approximately S\$12.2 million<sup>3</sup>).

#### 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 fully funded by equity.

	Before the Acquisition	Adjusted for the Acquisition
NAV per unit (S\$)	1.47 <sup>4</sup>	1.47

#### 4.4 Pro Forma Distribution per Unit<sup>5</sup>

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 <sup>6</sup>	6.30 <sup>7</sup>	19.3%

### 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”):

<sup>2</sup> Estimated based on the assumed revenue derived from the Property net of estimated operating expenses and income support provided by Ann St.

<sup>3</sup> Based on an average AUD:SGD offer rate for 29 January 2010.

<sup>4</sup> Based on the FY 2009 unaudited financial statements and adjusted for the distribution paid to Unitholders in February 2009 in respect of the period from 1 July 2009 to 31 December 2009.

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

<sup>6</sup> Based on the FY 2009 unaudited financial statements.

<sup>7</sup> Based on the assumption that 100% of the Manager’s management fees are payable in Units.

### **5.1 Competitive Strengths of the Building**

The Acquisition is in line with the Manager's stated growth strategy of acquiring good quality commercial properties so as to deliver stable distribution and sustainable total return to the Unitholders. The Building is a newly completed 30-storey Grade A freehold office development located in a prime location straddling the core retail precinct and the revitalised George Street precinct of Brisbane's CBD.

### **5.2 Benefits of the Acquisition**

The Acquisition is expected to be yield-accretive as the Acquisition will be made at an attractive price relative to the cash flows that it generates. The provision of income support during the Income Support Period by Ann St limits downside risks and provides certainty of income. The Building is currently 99.4% leased and all the leases have fixed annual rental escalations.

The Manager is of the view that the Acquisition will improve income diversification, increase the WALE for K-REIT Asia's enlarged portfolio from 5.2 years to 5.9 years and further enhance the tenant base that K-REIT Asia currently has.

### **5.3 Diversification of geographical exposure**

The Acquisition will diversify K-REIT Asia's geographical risk exposure, which is currently concentrated within Singapore. Australia has a large and developed real estate market and the Acquisition will provide K-REIT Asia opportunities to scale up with quality assets that meet its investment criteria.

## **6. METHOD OF FINANCING**

The Acquisition will be funded entirely by 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 improve from 27.7% to 25.2% after the completion of the Acquisition, and 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 ("**Property Funds Guidelines**"), 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 profits attributable to the Property and K-REIT Asia's FY 2009 unaudited financial statements, the relative figure for the basis of comparison set out in sub-paragraph 8.2.1(a) is approximately -27.5%<sup>8</sup>.

8.2.3 Based on the Purchase Consideration and K-REIT Asia's market capitalisation as at 29 January 2010, the relative figure for the basis of comparison set out in sub-paragraph 8.2.1(b) above is approximately 14.7%.

8.2.4 The relative figure for the basis of comparison set out in sub-paragraph 8.2.1 (c) above is not applicable<sup>9</sup>.

8.2.5 As the only threshold breached is that set out in paragraph 8.2.1(a), the Acquisition will not be subject to the approval of Unitholders of K-REIT Asia.

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<sup>8</sup> K-REIT Asia had reported a net loss for FY 2009 due mainly to a fair value loss arising from the revaluation of investment properties. Accordingly, the relative figure is negative and the Manager is of the view that it is therefore not a meaningful comparison.

<sup>9</sup> 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 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:
- (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 income support is beneficial to K-REIT Asia as it will provide stable income until 30 June 2012.
- 8.3.3 Under the Nomination Agreement, during the Income Support Period, if the actual Net Cashflow is less than the guaranteed Net Cashflow in each relevant period, Ann St shall pay K-REIT Australia a sum equal to the shortfall between the actual Net Cashflow and the guaranteed Net Cashflow for that period. In the reasonable view of the Manager, the yield from the guaranteed Net Cashflow is within market norm and would provide accretive distributable income.
- 8.3.4 There is certainty of payment since it shall be a condition of the Acquisition that the estimated amount of income support as stated in paragraph 3 shall be paid by Ann St into a stakeholder's account to be drawn upon by K-REIT Australia.

## 9. Documents for Inspection

Copies of the Contract, Nomination 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 098632<sup>10</sup>, 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  
31 January 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.

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<sup>10</sup> Prior appointment with the Manager will be appreciated.