

CIRCULAR DATED 13 MARCH 2008

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) assumes no responsibility for the correctness of any statements made, opinions expressed or reports contained in this Circular. If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

Approval in-principle has been obtained from the SGX-ST for the listing and quotation of the new units in K-REIT Asia (“**Rights Units**”) to be issued for the purpose of the Rights Issue (as defined herein) on the Main Board of the SGX-ST. The SGX-ST’s in-principle approval is not an indication of the merits of K-REIT Asia, the Rights Issue and the Rights Units.

If you have sold or transferred all your units in K-REIT Asia (“**Units**”), you should immediately forward this Circular, together with the Notice of Extraordinary General Meeting and the accompanying Proxy Form in this Circular, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

Unitholders (as defined herein) should read paragraph 2 of the Letter to Unitholders for further details as to their eligibility to participate in the Rights Issue.

This Circular is not for distribution, directly or indirectly, in or into the United States. It is not an offer of securities for sale into the United States. Units and convertible securities which may be converted into Units (“**Convertible Securities**”) may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the United States Securities Act of 1933, as amended) unless they are registered or exempt from registration. There will be no public offer of securities in the United States.



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

Managed by
K-REIT Asia Management Limited

CIRCULAR TO UNITHOLDERS IN RELATION TO:

- 1. THE PROPOSED RIGHTS ISSUE; AND**
- 2. THE PROPOSED GENERAL MANDATE FOR THE ISSUE OF NEW UNITS AND/OR CONVERTIBLE SECURITIES**

IMPORTANT DATES AND TIMES FOR UNITHOLDERS

Last date and time for lodgement of Proxy Forms	:	29 March 2008 at 10.00 a.m.
Date and time of Extraordinary General Meeting	:	31 March 2008 at 10.00 a.m.
Place of Extraordinary General Meeting	:	InterContinental Singapore Ballrooms 1 & 2 (2nd Level) 80 Middle Road Singapore 188966

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IMPORTANT NOTICE

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, K-REIT Asia Management Limited, as manager of K-REIT Asia (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 (as defined herein) 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.

This Circular 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 similar developments, shifts in expected levels of property rental income, changes in operating expenses (including employee wages, benefits and training costs), property expenses and governmental and public policy changes. You are cautioned not to place undue reliance on these forward-looking statements, which are based on the Manager’s current view of future events. All forecasts are based on a specified range of issue prices per Unit and Rights Ratios (as defined herein) and on the Manager’s assumptions as explained in **Appendix A** of this Circular. Such yields will vary accordingly for investors who purchase Units in the secondary market at a market price higher or lower than the issue price range specified in this Circular. The major assumptions are certain expected levels of property rental income and property expenses over the relevant periods, which are considered by the Manager to be appropriate and reasonable as at the date of this Circular. The forecast financial performance of K-REIT Asia is not guaranteed and there is no certainty that it can be achieved. Investors should read the whole of this Circular for details of the forecasts and consider the assumptions used and make their own assessment of the future performance of K-REIT Asia.

If you have sold or transferred all your Units, you should immediately forward this Circular, together with the Notice of Extraordinary General Meeting and the accompanying Proxy Form, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

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CORPORATE INFORMATION

Directors of the Manager	:	Prof. Tsui Kai Chong (Chairman and Independent Director) Mr. Kevin Wong Kingcheung (Deputy Chairman and Non-Executive Director) Mr. Tan Swee Yiow (Chief Executive Officer and Director) Mrs. Lee Ai Ming (Independent Director) Mr. Lim Poh Chuan (Independent Director) Dr. Chin Wei-Li, Audrey Marie (Independent Director)
Registered Office of the Manager	:	1 HarbourFront Avenue #18-01 Keppel Bay Tower Singapore 098632
The Trustee of K-REIT Asia	:	RBC Dexia Trust Services Singapore Limited 20 Cecil Street #28-01 Equity Plaza Singapore 049705
Unit Registrar and Unit Transfer Office	:	Boardroom Corporate & Advisory Services Pte. Ltd. 3 Church Street #08-01 Samsung Hub Singapore 049483
Legal Adviser for the Rights Issue and to the Manager	:	Allen & Gledhill LLP One Marina Boulevard #28-00 Singapore 018989
Legal Adviser to the Trustee	:	Shook Lin & Bok LLP 1 Robinson Road #18-00 AIA Tower Singapore 048542
Independent Accountants	:	Ernst & Young One Raffles Quay North Tower, Level 18 Singapore 048583

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SUMMARY

The following summary is qualified in its entirety by, and should be read in conjunction with, the full text of this Circular. Meanings of defined terms may be found in the Glossary on pages 22 to 27 of this Circular.

Any discrepancies in the tables included herein between the listed amounts and totals thereof are due to rounding.

SUMMARY OF APPROVALS SOUGHT

The Manager seeks Unitholders' approval for the following resolutions:

1. **the Proposed Rights Issue; and**
2. **the Proposed General Mandate for the Issue of New Units and/or Convertible Securities.**

RESOLUTION 1: THE PROPOSED RIGHTS ISSUE

The Rights Issue

The Manager seeks the approval of Unitholders for a renounceable rights issue (the "**Rights Issue**") of up to 420,000,000 Rights Units to Eligible Unitholders (as defined herein).

The figure of 420,000,000 is arrived at by the Manager after taking into account Rule 723 of the Listing Manual under which the Manager is obliged to ensure that at least 10.0% of the total number of issued Units is at all times held by the public. In the event that no Unitholder other than Keppel Corporation Limited ("**KCL**") and Keppel Land Limited ("**KLL**") subscribes for any of the Rights Units, and KCL and KLL are obliged to fully subscribe for all of the Rights Units under the Rights Issue pursuant to the Keppel Undertakings (as defined herein), Rule 723 of the Listing Manual may be breached should the Manager issue substantially more than 420,000,000 Rights Units under the Rights Issue. To avoid a breach of Rule 723, the maximum number of Rights Units which may be issued under the Rights Issue has been fixed at 420,000,000 Rights Units.

The Manager intends to raise gross proceeds of up to S\$700.0 million under the Rights Issue. The exact amount of gross proceeds to be raised under the Rights Issue will be made known on or before the lodgement of the offer information statement in connection with the Rights Issue (the "**Offer Information Statement**") with the MAS and will depend on the number of Rights Units to be issued under the Rights Issue as well as the issue price per Rights Unit under the Rights Issue (the "**Rights Issue Price**").

The Rights Issue Price will be determined by the Manager closer to the date of launch of the Rights Issue, having regard to the then prevailing market conditions, and is expected to be at a discount of up to 20.0% to the Prevailing Market Price, being the volume-weighted average traded price for a Unit for all trades on the SGX-ST in the ordinary course of trading on the SGX-ST for a period of three Business Days (as defined herein) immediately preceding the date on which the Manager, in its sole discretion, will determine and announce the Rights Issue Price (the "**Price Fixing Date**"). The Rights Issue Price will also be set out in the Offer Information Statement.

The rights ratio which will set out the provisional allotment of Rights Units for every existing Unit held by Eligible Unitholders under the Rights Issue (the "**Rights Ratio**") will be decided and notified to Unitholders in the notice of books closure to be issued by K-REIT Asia (the "**Notice of Books Closure**") and the Offer Information Statement.

The Manager will announce via SGXNET the actual number of Rights Units, the Rights Ratio and the maximum number of Rights Units that will be subscribed pursuant to the Keppel Undertakings, no later than one week before the date of the EGM (as defined herein). In addition, the Manager will announce via SGXNET the other finalised terms of the Rights Issue before Units commence trading on ex-rights basis in relation to the Rights Issue.

Under the Rights Issue, Eligible Unitholders will be entitled to subscribe for Rights Units at the Rights Issue Price in excess of their provisional allotment of Rights Units.

The Rights Units represented by the provisional allotments of (i) Eligible Unitholders who decline, do not accept, and elect not to renounce or trade their provisional allotment of Rights Units under the Rights Issue (during the provisional allotment trading period prescribed by the SGX-ST) and/or (ii) Ineligible Unitholders (as defined herein) (collectively, “**Excess Rights Units**”) may be issued to satisfy applications for Excess Rights Units as the Manager may, in its discretion, deem fit. In the allotment of Excess Rights Units, preference will be given to rounding of odd lots, followed by allotment to Unitholders who are neither Substantial Unitholders (as defined herein) nor directors of the Manager (“**Directors**”). Substantial Unitholders (including KCL and KLL) and their respective subsidiaries, such as Keppel Real Estate Investment Pte. Ltd., K-REIT Asia Investment Pte. Ltd. and the Manager and Directors will rank last in priority.

The Manager has not appointed an external financial adviser in the interest of reducing the costs of the Rights Issue. The Manager believes that an external financial adviser is not necessary because the Rights Issue will not be underwritten (since the irrevocable undertakings given by each of KCL and KLL to the Manager will ensure that all the Rights Units will be fully subscribed for) and the Manager believes that it can adequately deal with the Rights Issue. The Manager will work with the unit registrar of K-REIT Asia, Boardroom Corporate & Advisory Services Pte. Ltd., to handle the administrative process for the allotment of the Excess Rights Units.

The Rights Issue is subject to, *inter alia*, the approval of Unitholders at the EGM (as defined herein), the lodgement of the Offer Information Statement and prevailing market conditions at the relevant time.

(See “The Proposed Rights Issue” in paragraph 2 of the Letter to Unitholders for further details.)

Rationale for the Rights Issue

In view of current market conditions, the Manager believes that a rights issue is the most appropriate method of raising equity. The Rights Issue will enable K-REIT Asia to refinance its existing loans and strengthen K-REIT Asia’s balance sheet and capital structure.

(See “Rationale for the Rights Issue” in paragraph 3 of the Letter to Unitholders for further details.)

Use of Proceeds

The net proceeds of the Rights Issue (after deducting estimated costs and expenses associated with the Rights Issue) will be used to partially refinance the bridging loan provided by Kepfinance Investment Pte Ltd on 10 December 2007 (the “**Bridging Loan**”) which has been used for the purposes of K-REIT Asia’s acquisition of a one-third interest in One Raffles Quay through (i) the acquisition of one-third of the issued share capital of One Raffles Quay Pte Ltd (“**ORQPL**”) from Boulevard Development Pte Ltd (“**Boulevard**”), and (ii) the assignment to K-REIT Asia of Boulevard’s rights, title and interest in a shareholder’s loan to ORQPL.

Undertaking by KCL and KLL

To demonstrate their support for K-REIT Asia and the Rights Issue, each of KCL and KLL, which own an aggregate interest of approximately 72.7% in K-REIT Asia through their respective wholly-owned subsidiaries as at the Latest Practicable Date, has provided an irrevocable undertaking (collectively, the “**Keppel Undertakings**”) that:

- (i) it will, directly and/or through one or more of its wholly-owned subsidiaries, take up its entire provisional allocation of the Rights Units;
- (ii) it will, directly and/or through one or more of its wholly-owned subsidiaries, make excess applications for the following proportion of all Excess Rights Units which are not subscribed for at

the close of the Rights Issue ("**Closing Date**") after satisfaction of all other applications and excess applications (if any) for the Rights Units, being (a) its respective aggregate interest in the Units on the Closing Date divided by (b) the aggregate interest of KLL and KCL in the Units on the Closing Date; and

- (iii) it will vote and/or procure its wholly-owned subsidiaries to vote (in respect of all Units beneficially owned by it and/or its wholly-owned subsidiaries as at the EGM) in favour of the resolution to approve the Rights Issue at the EGM.

The Keppel Undertakings will ensure that all the Rights Units will be fully subscribed for, thereby removing the need for underwriting by external banks or financial institutions, in addition to allowing K-REIT Asia to raise such proceeds as are required to repay certain of its existing loans as identified in the above paragraph titled "Use of Proceeds".

The Keppel Undertakings are subject to (i) certain conditions being fulfilled by 30 June 2008; and (ii) the Rights Issue being completed by 30 June 2008.

RESOLUTION 2: THE GENERAL MANDATE

The Manager is seeking Unitholders' approval for a general mandate to be given to the Manager for the issue of additional Units and/or Convertible Securities in the financial year ending 31 December 2008, such that the number of additional Units (and/or Units into which the Convertible Securities may be converted) does not exceed 50.0% of the Base Figure (as defined herein), of which the aggregate number of additional Units (and/or Units into which the Convertible Securities may be converted), where the Units and/or the Convertible Securities are issued other than on a pro rata basis to existing Unitholders, must not be more than 20.0% of the Base Figure (the "**General Mandate**").

(See paragraph 5 of the Letter to Unitholders for further details on the General Mandate.)

INDICATIVE TIMETABLE

<u>Event</u>	<u>Date and Time</u>
Last date and time for lodgement of Proxy Forms	: 29 March 2008 at 10.00 a.m.
Date and time of the EGM	: 31 March 2008 at 10.00 a.m.
If the approvals sought at the EGM are obtained:	
Date on which the Transfer Books and Register of Unitholders of K-REIT Asia will be closed to determine the provisional allotment of Eligible Unitholders under the Rights Issue	: To be determined (but is currently expected to be no later than mid-April 2008)
Date on which the Transfer Books and Register of Unitholders of K-REIT Asia will be closed to determine the Unitholders entitled to the Advanced Distribution (as defined herein) (in the event that the Manager elects to make the Advanced Distribution)	: To be determined (but is currently expected to be no later than mid-April 2008)
Launch of the Rights Issue	: To be determined (but is currently expected to be no later than mid-April 2008)
Close of the Rights Issue	: To be determined (but is currently expected to be no later than mid-May 2008)
Issue of Rights Units as well as commencement of trading of Rights Units on the SGX-ST	: To be determined (but is currently expected to be no later than mid-May 2008)

The timetable for the events which are scheduled to take place after the EGM is indicative only and is subject to change at the Manager's absolute discretion. The Manager intends to announce any changes (including any determination of the relevant dates) to the timetable above once the Manager becomes aware of such changes.

K-REITasia

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

Directors

Professor Tsui Kai Chong (Chairman and Independent Director)
Mr. Kevin Wong Kingcheung (Deputy Chairman and
Non-Executive Director)
Mr. Tan Swee Yiow (Chief Executive Officer and Director)
Mrs. Lee Ai Ming (Independent Director)
Mr. Lim Poh Chuan (Independent Director)
Dr. Chin Wei-Li, Audrey Marie (Independent Director)

Registered Office

1 HarbourFront Avenue
#18-01 Keppel Bay Tower
Singapore 098632

13 March 2008

To: Unitholders of K-REIT Asia

Dear Sir/Madam

The Manager is convening the EGM to be held on 31 March 2008 to seek Unitholders' approval for the resolutions, which are explained in detail below. This letter also attaches a formal Notice of Extraordinary General Meeting.

The purpose of this Circular is to provide Unitholders with information relating to the proposed Rights Issue, the proposed General Mandate, as well as the recommendation of the Directors and other matters which are relevant to the proposed Rights Issue and the proposed General Mandate.

1. SUMMARY OF APPROVALS SOUGHT

The following paragraphs summarise the approvals which the Manager is seeking from Unitholders. Approval by way of an Extraordinary Resolution is required in respect of the resolution relating to the issue of the Rights Units under the Rights Issue (Resolution 1) and by way of an Ordinary Resolution in respect of the General Mandate (Resolution 2).

1.1 Resolution 1: The Proposed Rights Issue (Extraordinary Resolution)

The Trust Deed, read together with the Listing Manual, provides that specific prior approval of Unitholders by Extraordinary Resolution is required for an issue of new Units if the number of new Units (together with any other issue of Units in the same financial year) would, immediately after the issue, exceed 10.0% of the outstanding Units as at 31 December 2007.

Assuming that K-REIT Asia proceeds with the Rights Issue, it is expected that the number of Rights Units will, immediately after issue, exceed 10.0% of the outstanding Units as at 31 December 2007. Accordingly, the Manager is seeking the approval of Unitholders to issue the Rights Units under the Rights Issue.

Approval-in-principle has been obtained from the SGX-ST on 11 March 2008 for the listing and quotation of the Rights Units on the Official List of the SGX-ST. The SGX-ST's in-principle approval is not an indication of the merits of K-REIT Asia, the Rights Issue and the Rights Units, and the SGX-ST assumes no responsibility for the correctness of any statements made, opinions expressed or reports contained in this Circular.

The Manager intends to issue up to 420,000,000 Rights Units under the Rights Issue. The figure of 420,000,000 is arrived at by the Manager after taking into account Rule 723 of the Listing Manual under which the Manager is obliged to ensure that at least 10.0% of the total number of

issued Units is at all times held by the public. In the event that no Unitholder other than KCL and KLL subscribes for any of the Rights Units, and KCL and KLL are obliged to fully subscribe for all of the Rights Units under the Rights Issue pursuant to the Keppel Undertakings (as defined herein), Rule 723 of the Listing Manual may be breached should the Manager issue substantially more than 420,000,000 Rights Units under the Rights Issue. To avoid a breach of Rule 723, the maximum number of Rights Units which may be issued under the Rights Issue has been fixed at 420,000,000 Rights Units.

The Manager will determine and announce the Rights Issue Price on the Price Fixing Date, which will be on a date to be determined by the Manager in its sole discretion subsequent to the date of this Letter to Unitholders. This announcement will be made before Units commence trading on ex-rights basis in relation to the Rights Issue.

The Rights Ratio will be set out in the Notice of Books Closure as well as the Offer Information Statement.

The Manager will announce via SGXNET the actual number of Rights Units, the Rights Ratio and the maximum number of Rights Units that will be subscribed pursuant to the Keppel Undertakings, no later than one week before the date of the EGM. In addition, the Manager will announce via SGXNET the other finalised terms of the Rights Issue before Units commence trading on ex-rights basis in relation to the Rights Issue.

The Manager intends to raise gross proceeds of up to S\$700.0 million under the Rights Issue. The exact amount of gross proceeds to be raised under the Rights Issue will be made known on or before the lodgement of the Offer Information Statement with the MAS, and will depend on the number of Rights Units to be issued under the Rights Issue as well as the Rights Issue Price.

(See paragraph 2 of the Letter to Unitholders for further details on the Rights Issue.)

1.2 Resolution 2: The Proposed General Mandate (Ordinary Resolution)

The Manager is seeking Unitholders' approval for the General Mandate so that the Manager may issue additional Units and/or Convertible Securities in the financial year ending 31 December 2008, such that the number of additional Units (and/or Units into which the Convertible Securities may be converted) does not exceed 50.0% of the Base Figure, of which the aggregate number of additional Units (and/or Units into which the Convertible Securities may be converted), where the Units and/or the Convertible Securities are issued other than on a pro rata basis to existing Unitholders, must not be more than 20.0% of the Base Figure.

(See paragraph 5 of the Letter to Unitholders for further details on the General Mandate.)

2. THE PROPOSED RIGHTS ISSUE

2.1 Principal Terms of the Rights Issue

The following is a summary of the principal terms and conditions of the Rights Issue:

Issue Size	:	The Manager intends to raise gross proceeds of up to S\$700.0 million under the Rights Issue. The exact amount to be raised under the Rights Issue will be made known on or before the lodgement of the Offer Information Statement with the MAS.
Rights Ratio	:	The Rights Ratio will be set out in the Notice of Books Closure as well as in the Offer Information Statement.

Rights Issue Price	:	The Rights Issue Price will be determined closer to the date of launch of the Rights Issue, and will be announced on the Price Fixing Date. The Rights Issue Price is currently expected by the Manager to be at a discount of up to 20.0% to the Prevailing Market Price.
Status of the Rights Units	:	The Rights Units, when allotted and issued, will rank <i>pari passu</i> in all respects with the Existing Units (as defined herein), save for any rights, allotments or other distributions, the record date for which falls before the date of issue of the Rights Units.
Eligibility of Unitholders to participate in the Rights Issue	:	<p>Eligible Unitholders are at liberty to accept in part or in full, decline, renounce or trade on the SGX-ST (during the provisional allotment trading period prescribed by the SGX-ST) their provisional allotments of Rights Units and are eligible to subscribe for the Excess Rights Units.</p> <p>The procedures for acceptance, excess applications and payment by Eligible Unitholders will be set out in the Offer Information Statement.</p> <p>No provisional allotment of Rights Units will be made to Ineligible Unitholders and no purported acceptance thereof or application therefore by Ineligible Unitholders will be valid.</p> <p>Ineligible Unitholders should refer to the paragraphs under the heading "Ineligible Unitholders" below.</p>
Trading of the Rights Units and Odd Lots	:	<p>Upon the listing and quotation of the Rights Units on the Official List of the SGX-ST, the Rights Units will be traded on the Main Board of the SGX-ST under the book-entry (scripless) settlement system. For the purposes of trading on the Main Board of the SGX-ST, each board lot of Units will comprise 1,000 Units. All dealings in and transactions (including transfers) of the Rights Units effected through the SGX-ST and/or or The Central Depository (Pte) Limited ("CDP") shall be made in accordance with the "Terms and Conditions for Operation of Securities Accounts with CDP", as the same may be amended from time to time, copies of which are available from CDP.</p> <p>Eligible Unitholders can trade in odd lots of Units on the SGX-ST's Unit Market.</p>
Governing Law	:	Laws of the Republic of Singapore

The above terms and conditions of the Rights Issue are subject to such changes as the Manager may deem fit. The final terms and conditions of the Rights Issue will be set out in the Offer Information Statement to be despatched by the Manager to Eligible Unitholders in due course, subject to, *inter alia*, the approval of the Unitholders for the Rights Issue at the EGM.

The Rights Issue is conditional upon, *inter alia*, the following:

- (i) approval of the Unitholders at the EGM; and
- (ii) lodgement of the Offer Information Statement with the MAS.

Approval-in-principle has been obtained from the SGX-ST for the listing and quotation of the Rights Units on the Official List of the SGX-ST. The Manager has provided undertakings to the SGX-ST to:

- (i) make periodic announcements on the specific utilisation of the proceeds from the Rights Issue as and when such proceeds are materially disbursed; and
- (ii) provide a status report on the specific use of the proceeds from the Rights Issue in the annual report of K-REIT Asia to Unitholders.

AS THE RIGHTS ISSUE IS MADE ON A RENOUNCEABLE BASIS, THE PROVISIONAL ALLOTMENTS OF RIGHTS UNITS CAN BE RENOUNCED IN FAVOUR OF A THIRD PARTY OR TRADED ON THE SGX-ST.

The Rights Units represented by the provisional allotments of (i) Eligible Unitholders who decline, do not accept, and elect not to renounce or trade their provisional allotments of Rights Units under the Rights Issue (during the provisional allotment trading period prescribed by the SGX-ST) and/or (ii) Ineligible Unitholders, may be issued to satisfy applications for Excess Rights Units as the Manager may, in its discretion, deem fit. In the allotment of Excess Rights Units, preference will be given to rounding of odd lots, followed by allotment to Unitholders who are neither Substantial Unitholders nor Directors. Substantial Unitholders (including KCL, KLL and their respective subsidiaries, Keppel Real Estate Investment Pte. Ltd., K-REIT Asia Investment Pte. Ltd. and the Manager) and Directors will rank last in priority.

Eligible Unitholders

Unitholders with Units standing to the credit of their Securities Accounts and (i) whose registered addresses with CDP are in Singapore as at the Rights Issue Books Closure Date or who have, at least five Market Days prior to the Rights Issue Books Closure Date, provided CDP with addresses in Singapore for the service of notices and documents and who are not U.S. persons or acting for the account or benefit of U.S. persons; or (ii) whom the Manager considers, in its sole discretion, may be offered Rights Units without breaching applicable securities laws, will be provisionally allotted the Rights Units under the Rights Issue.

Eligible Unitholders will be at liberty to accept in part or in full, decline or otherwise renounce or trade (during the provisional allotment trading period prescribed by the SGX-ST) their provisional allotments of Rights Units and are eligible to subscribe for additional Rights Units in excess of their provisional allotments under the Rights Issue.

Eligible Unitholders who have subscribed for or purchased Units under the CPF Investment Scheme (“**CPFIS**”) can only accept their provisional allotments of Rights Units by instructing the relevant banks in which they hold their CPFIS accounts to do so on their behalf.

Ineligible Unitholders

No provisional allotment of Rights Units will be made to Unitholders other than Eligible Unitholders (“**Ineligible Unitholders**”) and no purported acceptance thereof or application therefore by Ineligible Unitholders will be valid.

The Rights Issue may be prohibited or restricted in certain jurisdictions under their relevant securities laws. Thus, for practical reasons and in order to avoid any violation of the securities legislation or other relevant laws applicable in countries (other than in Singapore) where Unitholders may have as their addresses registered with CDP, the Rights Issue will not be extended to Ineligible Unitholders. Save as provided herein, Ineligible Unitholders who wish to participate in the Rights Issue will have to provide CDP with addresses in Singapore for the service of notice and documents and any other evidence of eligibility that the Manager, in its discretion, requires at least five Market Days prior to the Rights Issue Books Closure Date. Save as provided herein and for the avoidance of doubt, the Ineligible Unitholders are not eligible to participate in the Rights Issue.

The new Units issuable on acceptance of the provisional allotments of Rights Units have not been and will not be registered under the securities laws of any state in the United States and they may not be offered or sold to, or for the account or benefit of, U.S. persons except in transactions that are exempt from, or not subject to, the registration requirements of the U.S. Securities Act.

2.2 Rights Issue Price, Proceeds and Rights Units to be Issued

The Manager intends to raise gross proceeds of up to S\$700.0 million under the Rights Issue. The exact amount of gross proceeds to be raised under the Rights Issue will be made known on or before the lodgement of the Offer Information Statement with the MAS, and will depend on the number of Rights Units to be issued under the Rights Issue as well as the Rights Issue Price.

The number of Rights Units to be provisionally allotted for every Existing Unit held on the Rights Issue Books Closure Date (fractions of a Unit to be disregarded) will be notified to Unitholders and set out in the Notice of Books Closure and will also be set out in the Offer Information Statement.

The Manager will announce via SGXNET the actual number of Rights Units, the Rights Ratio and the maximum number of Rights Units that will be subscribed pursuant to the Keppel Undertakings, no later than one week before the date of the EGM. In addition, the Manager will announce via SGXNET the other finalised terms of the Rights Issue before Units commence trading on ex-rights basis in relation to the Rights Issue.

The Rights Issue Price will be determined closer to the date of launch of the Rights Issue and will be announced on the Price Fixing Date, which will be on a date to be determined by the Manager in its sole discretion subsequent to the date of this Letter to Unitholders. This announcement will be made before Units commence trading on ex-rights basis in relation to the Rights Issue.

The Rights Issue Price will also be set out in the Offer Information Statement. The Rights Issue Price is currently expected by the Manager to be at a discount of up to 20.0% to the Prevailing Market Price. Purely for illustrative purposes, the following tables illustrate the number of Rights Units that will be issued based on various Rights Issue Price assumptions, so as to raise the expected gross proceeds of between S\$258.0 and S\$694.6 million.

To provide an example for illustrative purposes only:

Assuming that the Rights Ratio is three (3) Rights Units for every two (2) Existing Units (3 for 2) and a Rights Issue Price of S\$1.20 (representing an assumed maximum discount of 20.0% to the illustrative Prevailing Market Price of S\$1.50):

- approximately 372.1 million Rights Units will be issued pursuant to the Rights Issue; and
- approximately S\$446.5 million in gross proceeds will be raised.

Sensitivity on Gross Proceeds (S\$'million)

		Rights Ratio	1 for 1	5 for 4	3 for 2	5 for 3
		Number of Rights Units ⁽¹⁾ (million)	248.1	310.1	372.1	413.5
Illustrative Prevailing Market Price (S\$)	Rights Issue Price ⁽²⁾ (S\$)					
1.30	1.04	258.0	322.5	387.0	430.0	
1.40	1.12	277.8	347.3	416.8	463.1	
1.50	1.20	297.7	372.1	446.5	496.2	
1.60	1.28	317.5	396.9	476.3	529.2	
1.70	1.36	337.4	421.7	506.1	562.3	
1.80	1.44	357.2	446.5	535.8	595.4	
1.90	1.52	377.1	471.3	565.6	628.5	
2.00	1.60	396.9	496.2	595.4	661.5	
2.10	1.68	416.8	521.0	625.2	694.6	
2.20	1.76	436.6	545.8	654.9		
2.30	1.84	456.5	570.6	684.7		
2.40	1.92	476.3	595.4			
2.50	2.00	496.2	620.2			

Notes:

- (1) The number of Rights Units issued under the Rights Issue is purely for illustrative purposes and will vary according to the actual basis of provisional allotment set out in the Offer Information Statement. The illustrative number of Rights Units has been computed based on the Rights Ratio and the number of Units in issue as at 29 February 2008.
- (2) The Rights Issue Price represents an assumed maximum discount of 20.0% to the illustrative Prevailing Market Price.

Based on the Manager's forecast (which is based on the assumptions set out in **Appendix A** of this Circular), the impact of the Rights Issue on the distribution per Unit ("DPU") and distribution yield of the Units for the Forecast Year is illustrated in the following tables, based on the assumptions that:

- the Rights Issue will be completed on 1 June 2008;
- the net proceeds of the Rights Issue (after deducting estimated costs and expenses associated with the Rights Issue) will be used to partially refinance the Bridging Loan on 1 June 2008; and
- the Manager's management fees are paid in the form of Units for the Forecast Year.

The distribution yield is calculated based on the DPU over the theoretical ex-rights price ("TERP") of the Units. The TERP is calculated as follows:

$$\text{TERP} = \frac{\text{Market capitalisation of K-REIT Asia prior to the Rights Issue}^{(1)} + \text{gross proceeds from the Rights Issue}}{\text{Units outstanding after the Rights Issue}}$$

Note:

- (1) Such market capitalisation will be calculated based on the Prevailing Market Price as illustrated in the sensitivity tables.

To provide an example for illustrative purposes only:

Assuming that the Rights Issue is based on a Rights Ratio of three (3) Rights Units for every two (2) Existing Units (3 for 2) and a Rights Issue Price of S\$1.20 (representing an assumed maximum discount of 20.0% to the illustrative Prevailing Market Price of S\$1.50), the Manager expects the following:

- a DPU of 7.51 cents for the Forecast Year;
- a distribution yield of 5.69% calculated based on the DPU over the TERP; and
- reduction of K-REIT Asia's Aggregate Leverage to 32.7% (please refer to the table titled "Sensitivity on Aggregate Leverage" in paragraph 3 on page 16).

DPU Sensitivity Table for FY2008⁽¹⁾ (cents)

		Rights Ratio	1 for 1	5 for 4	3 for 2	5 for 3
		Number of Rights Units⁽²⁾ (million)	248.1	310.1	372.1	413.5
Illustrative Prevailing Market Price (S\$)	Rights Issue Price⁽³⁾ (S\$)					
1.30	1.04	8.63	7.90	7.32	6.99	
1.40	1.12	8.72	7.99	7.41	7.09	
1.50	1.20	8.80	8.08	7.51	7.19	
1.60	1.28	8.88	8.17	7.60	7.28	
1.70	1.36	8.96	8.26	7.70	7.38	
1.80	1.44	9.04	8.35	7.79	7.48	
1.90	1.52	9.12	8.44	7.89	7.58	
2.00	1.60	9.20	8.53	7.98	7.68	
2.10	1.68	9.28	8.61	8.08	7.77	
2.20	1.76	9.36	8.70	8.17		
2.30	1.84	9.44	8.79	8.26		
2.40	1.92	9.52	8.87			
2.50	2.00	9.60	8.96			

Sensitivity on DPU Yield for FY2008⁽¹⁾ (%)

		Rights Ratio	1 for 1	5 for 4	3 for 2	5 for 3
		Number of Rights Units⁽²⁾ (million)	248.1	310.1	372.1	413.5
Illustrative Prevailing Market Price (\$)	Rights Issue Price⁽³⁾ (\$)					
1.30	1.04	7.38%	6.84%	6.40%	6.15%	
1.40	1.12	6.92%	6.42%	6.01%	5.79%	
1.50	1.20	6.52%	6.06%	5.69%	5.48%	
1.60	1.28	6.17%	5.74%	5.40%	5.20%	
1.70	1.36	5.86%	5.47%	5.15%	4.96%	
1.80	1.44	5.58%	5.22%	4.92%	4.75%	
1.90	1.52	5.33%	5.00%	4.72%	4.56%	
2.00	1.60	5.11%	4.80%	4.53%	4.39%	
2.10	1.68	4.91%	4.61%	4.37%	4.23%	
2.20	1.76	4.73%	4.45%	4.22%		
2.30	1.84	4.56%	4.30%	4.08%		
2.40	1.92	4.41%	4.16%			
2.50	2.00	4.27%	4.03%			

Notes:

- (1) For the computation of DPU, the number of Units issued includes the Existing Units, the Rights Units and the Units to be issued as payment of the Manager's management fees payable in the form of Units. The forecast DPU will vary to the extent that the Rights Units are issued on a date other than 1 June 2008.
- (2) The number of Rights Units issued under the Rights Issue is purely for illustrative purposes and will vary according to the actual basis of provisional allotment set out in the Offer Information Statement. The illustrative number of Rights Units has been computed based on the Rights Ratio and the number of Units in issue as at 29 February 2008.
- (3) The Rights Issue Price represents an assumed maximum discount of 20.0% to the illustrative Prevailing Market Price.

Rights Issue Books Closure Date

The Manager expects the Rights Issue Books Closure Date to be announced closer to the date of the EGM. The Rights Issue Books Closure Date is subject to the relevant approvals to be sought at the EGM.

2.3 Costs of the Rights Issue

If K-REIT Asia proceeds with the Rights Issue, the Manager estimates that K-REIT Asia will have to bear professional and other fees and expenses of not more than S\$1.0 million (including goods and services tax) in connection with the Rights Issue.

2.4 Use of Proceeds

The net proceeds of the Rights Issue (after deducting estimated costs and expenses associated with the Rights Issue) will be used to partially refinance the Bridging Loan which has been used for the purposes of K-REIT Asia's acquisition of a one-third interest in One Raffles Quay through (i) the acquisition of one-third of the issued share capital of ORQPL from Boulevard, and (ii) the assignment to K-REIT Asia of Boulevard's rights, title and interest in a shareholder's loan to ORQPL. The acquisition was completed on 10 December 2007.

2.5 Keppel Undertakings

To demonstrate their support for K-REIT Asia and the Rights Issue, each of KCL and KLL, which own an aggregate interest of approximately 72.7% in K-REIT Asia through their respective wholly-owned subsidiaries as at the Latest Practicable Date, has provided an irrevocable undertaking that:

- (i) it will, directly and/or through one or more of its wholly-owned subsidiaries, take up its entire provisional allocation of the Rights Units;
- (ii) it will, directly and/or through one or more of its wholly-owned subsidiaries, make excess applications for the following proportion of all Excess Rights Units which are not subscribed for at the Closing Date after satisfaction of all other applications and excess applications (if any) for the Rights Units, being (a) its respective aggregate interest in the Units on the Closing Date divided by (b) the aggregate interest of KLL and KCL in the Units on the Closing Date; and
- (iii) it will vote and/or procure its wholly-owned subsidiaries to vote (in respect of all Units beneficially owned by it and/or its wholly-owned subsidiaries as at the EGM) in favour of the resolution to approve the Rights Issue at the EGM.

The Keppel Undertakings will ensure that all the Rights Units will be fully subscribed for, thereby removing the need for underwriting by external banks or financial institutions, in addition to allowing K-REIT Asia to raise such proceeds as are required to refinance certain of its existing loans as identified in paragraph 2.4 above.

The Keppel Undertakings are subject to (i) certain conditions being fulfilled by 30 June 2008, and (ii) the Rights Issue being completed by 30 June 2008.

A commercial bank has confirmed that each of KCL and KLL has sufficient financial resources to fulfil its obligations under its respective Keppel Undertakings.

2.6 Possible Declaration of Advanced Distribution

K-REIT Asia's policy is to distribute its Distributable Income on a semi-annual basis to Unitholders. However, in connection with the Rights Issue, the Manager may at its sole discretion elect to make an advanced distribution. The Manager's election will be disclosed in the Notice of Books Closure.

In the event that the Manager elects to make an advanced distribution, the Manager will declare, in lieu of the next scheduled distribution in respect of the Units in issue on the day immediately prior to the date on which the Rights Units are issued under the Rights Issue (the "**Existing Units**"), a distribution of the Distributable Income for the period from the first day in which the next scheduled distribution is intended to cover to the day immediately prior to the date on which the Rights Units are issued under the Rights Issue (the "**Advanced Distribution**").

The next distribution thereafter will comprise K-REIT Asia's Distributable Income for the period from the day the Rights Units are issued pursuant to the Rights Issue to the end of the applicable financial half-year. Semi-annual distributions will resume thereafter. By implementing the Advanced Distribution, Distributable Income accrued by K-REIT Asia up to the day immediately preceding the date of issue of the Rights Units will only be distributed in respect of the Existing Units.

Advanced Distribution Books Closure Date

The date on which the Transfer Books and Register of Unitholders of K-REIT Asia will be closed to determine Unitholders' entitlement to the Advanced Distribution and further details pertaining to the Advanced Distribution will be announced in due course.

2.7 Status of the Rights Units Issued Pursuant to the Rights Issue

Advanced Distribution: If the Manager adopts the Advanced Distribution, the Rights Units will, upon issue, other than in respect of the Advanced Distribution, rank *pari passu* in all respects with the Existing Units, including the right to any distributions which may be paid for the period from the day the Rights Units are issued to the end of the applicable financial half year as well as all distributions thereafter. **For the avoidance of doubt, the Rights Units will not be entitled to participate in the Advanced Distribution.**

No Advanced Distribution: If the Manager does not adopt the Advanced Distribution, upon the listing and quotation of the Rights Units on the Official List of the SGX-ST, the Rights Units will rank *pari passu* with all Existing Units upon issuance.

2.8 Update of Profit Forecast for FY2008

Based on the Rights Issue described under paragraph 2.2 above, the table on the following page summarises the Manager's forecast of K-REIT Asia's net income and distribution ("**Profit Forecast**") for the financial year ending 31 December 2008 (the "**Forecast Year**") based on an illustrative Rights Issue Price of S\$1.20 per Unit and assuming that:

- (i) the Rights Issue will be completed on 1 June 2008;
- (ii) approximately 372.1 million Rights Units will be issued pursuant to the Rights Issue;
- (iii) the Rights Issue is based on a Rights Ratio of three (3) Rights Units for every two (2) Existing Units (3 for 2);
- (iv) the net proceeds of the Rights Issue (after deducting estimated costs and expenses associated with the Rights Issue) of approximately S\$445.5 million will be used to partially refinance the Bridging Loan on 1 June 2008; and
- (v) the Manager's management fees are paid in the form of Units for the Forecast Year.

The Independent Accountants have reviewed the assumptions used in preparing the Profit Forecast.

The forecast must be read together with the detailed Profit Forecast as well as the accompanying assumptions and sensitivity analysis in **Appendix A** of this Circular, and the report of the Independent Accountants (who have examined the Profit Forecast) in **Appendix B** of this Circular.

FORECAST STATEMENT OF NET INCOME AND DISTRIBUTION OF K-REIT ASIA

S\$'000	Actual ⁽¹⁾ 2007	Forecast ⁽²⁾ 2008
Gross rental income	39,093	49,599
Car park income	924	910
Other income	52	34
Property income	40,069	50,543
Property tax	(3,140)	(3,535)
Other property expenses	(5,714)	(7,895)
Property management fee	(1,202)	(1,516)
Maintenance and sinking fund contributions	(1,751)	(1,648)
Property expenses	(11,807)	(14,594)
Net property income	28,262	35,949
Income support	1,080	26,460
Amortisation expense	(1,341)	(27,051)
Interest income	1,062	11,908
Share of results of associated company	490	5,796
Borrowing costs	(9,582)	(28,177)
Manager's management fees	(5,302)	(12,803)
Trust expenses	(1,980)	(1,502)
Net profit before revaluation of investment properties	12,689	10,580
Net gain on revaluation of investment properties	432,964	—
Net profit before tax	445,653	10,580
Income tax expense	(163)	(4,421)
Net profit after tax	445,490	6,159
<u>Distribution statement</u>		
Net profit before revaluation of investment properties	12,689	10,580
Net tax adjustments ⁽³⁾	9,286	40,893
Income tax expense	(163)	(4,421)
Income available for distribution to Unitholders	21,812	47,052
Distributable Income to Unitholders⁽⁴⁾	21,812	47,052
Units in issue ('000) ⁽⁵⁾	247,184	626,596
Distribution per Unit⁽⁶⁾ (cents)	8.82	7.51⁽⁷⁾

Notes:

- (1) Based on the FY2007 Audited Financial Statements. The acquisition of one-third interest in One Raffles Quay was completed on 10 December 2007.
- (2) Based on the assumptions as set out in **Appendix A** including the assumptions that (i) the Rights Issue will be completed on 1 June 2008; (ii) approximately 372.1 million Rights Units will be issued based on a Rights Ratio of 3 for 2 and at a Rights Issue Price of S\$1.20 per Unit pursuant to the Rights Issue (purely for illustrative purposes only); and (iii) the net proceeds of approximately S\$445.5 million are used to partially repay the Bridging Loan on 1 June 2008.
- (3) These include where applicable, (i) non-tax deductible expenses relating to the portion of the Manager's management fees which are payable in the form of Units, amortisation expense, amortisation of transaction costs, Trustee's fee and other expenses which are not deductible for tax purposes; (ii) certain expenses claimed on an incurred basis (if any); and (iii) adjustments to include dividend income receivable from ORQPL.

- (4) Distribution for the Forecast Year is based on 100% of the income available for distribution.
- (5) The number of Units in issue includes the Manager's forecast of Units to be issued (i) pursuant to the Rights Issue at a Rights Issue Price of S\$1.20 per Unit on 1 June 2008; and (ii) as payment for the Manager's management fees for the Forecast Year at an issue price of S\$1.50 per Unit.
- (6) The Distribution per Unit has been computed based on the number of Units in issue at the end of the respective years.
- (7) The Distribution per Unit based on the weighted average number of Units in issue during the Forecast Year is 9.76 cents.

3. RATIONALE FOR THE RIGHTS ISSUE

In view of current market conditions, the Manager believes that a rights issue is the most appropriate method of raising equity.

The Manager believes that the Rights Issue would provide the following benefits:

- (i) lowers K-REIT Asia's present 53.9% Aggregate Leverage further from the 60% Aggregate Leverage limit as prescribed by the Property Funds Guidelines, thus giving K-REIT Asia the ability to acquire further interests in real estate and real estate-related assets. Assuming that the maximum gross proceeds of S\$700.0 million is raised from the Rights Issue, the Aggregate Leverage will be lowered to 20.6%;

The following table illustrates the impact of the Rights Issue on K-REIT Asia's Aggregate Leverage based on varying levels of gross proceeds raised of between S\$258.0 million and S\$694.6 million, as set out in the table "Sensitivity on Gross Proceeds" at page 10 of this Circular:

Sensitivity on Aggregate Leverage

		Rights Ratio	1 for 1	5 for 4	3 for 2	5 for 3
		Number of Rights Units⁽¹⁾ (million)	248.1	310.1	372.1	413.5
Illustrative Prevailing Market Price (S\$)	Rights Issue Price⁽²⁾ (S\$)					
1.30	1.04	41.6%	38.6%	35.5%	33.4%	
1.40	1.12	40.7%	37.4%	34.1%	31.9%	
1.50	1.20	39.7%	36.2%	32.7%	30.3%	
1.60	1.28	38.8%	35.0%	31.2%	28.7%	
1.70	1.36	37.9%	33.8%	29.8%	27.2%	
1.80	1.44	36.9%	32.7%	28.4%	25.6%	
1.90	1.52	36.0%	31.5%	27.0%	24.0%	
2.00	1.60	35.0%	30.3%	25.6%	22.4%	
2.10	1.68	34.1%	29.1%	24.2%	20.9%	
2.20	1.76	33.1%	27.9%	22.7%		
2.30	1.84	32.2%	26.8%	21.3%		
2.40	1.92	31.2%	25.6%			
2.50	2.00	30.3%	24.4%			

Notes:

- (1) The number of Rights Units issued under the Rights Issue is purely for illustrative purposes and will vary according to the actual basis of provisional allotment set out in the Offer Information Statement. The illustrative number of Rights Units has been computed based on the Rights Ratio and the number of Units in issue as at 29 February 2008.
- (2) The Rights Issue Price represents an assumed maximum discount of 20.0% to the illustrative Prevailing Market Price.

- (ii) gives K-REIT Asia a more optimum capital structure, thereby providing financial flexibility to K-REIT Asia's bid to acquire assets when the opportunity arises, fund potential asset enhancements and any on-going capital expenditure requirements;
- (iii) allows K-REIT Asia to be more responsive in the acquisition of new properties in a competitive environment;
- (iv) provides Unitholders with pro-rata entitlement to Rights Units and therefore provides an opportunity for the existing Unitholders to continue to participate in the growth of K-REIT Asia; and
- (v) enhances K-REIT Asia's credit profile, which may potentially improve its corporate rating as well, and may enable K-REIT Asia to obtain additional debt financing at what is presently more attractive and competitive debt pricing conditions.

4. FINANCIAL IMPACT OF THE RIGHTS ISSUE

The pro forma financial effects of the Rights Issue on the DPU and NAV per Unit, and the pro forma capitalisation of K-REIT Asia presented below, are strictly for illustrative purposes and were prepared based on the audited financial statements of K-REIT Asia for FY2007 (the "**FY2007 Audited Financial Statements**"), taking into account the estimated costs of the Rights Issue and assuming that:

- (i) the Rights Ratio is three (3) Rights Units for every two (2) Existing Units (3 for 2) and that approximately 370.8 million Rights Units are issued at a Rights Issue Price of S\$1.20 per Unit pursuant to the Rights Issue (purely for illustrative purposes only); and
- (ii) the net proceeds from the Rights Issue of approximately S\$443.9 million are used to partially refinance the Bridging Loan, thereby reducing the Aggregate Leverage to 32.7% from 53.9% as at 31 December 2007.

4.1 Pro forma DPU

The pro forma financial effects of the Rights Issue on K-REIT Asia's DPU for FY2007, as if the Rights Issue was completed on 1 January 2007, are as follows:

	Actual	Pro forma
Net profit (S\$'000)	12,689	17,744 ⁽¹⁾
Distributable Income (S\$'000)	21,812 ⁽²⁾	26,867 ⁽²⁾
Issued Units ('000)	247,184 ⁽³⁾	617,959 ⁽⁴⁾
DPU (cents)	8.82 ⁽⁵⁾	4.35 ⁽⁵⁾

The net proceeds of the Rights Issue will be used to partially refinance the Bridging Loan. The above pro forma financial effects of the Rights Issue on K-REIT Asia's DPU for FY2007 therefore may not be reflective as it assumes interest income will be generated from the net proceeds of the Rights Issue for the period from 1 January 2007 to 9 December 2007 and refinancing of the Bridging Loan would be made on 10 December 2007.

Notes:

- (1) Assumes that (i) interest income at a nominal interest rate of 1.0% per annum is generated from the net proceeds of the Rights Issue for the period from 1 January 2007 to 9 December 2007 and (ii) borrowing costs is reduced for the amount of the Bridging Loan that was repaid with the net proceeds of the Rights Issue on 10 December 2007.
- (2) Distribution was based on 100% of the income available for distribution.
- (3) Number of Units in issue as at 31 December 2007.
- (4) Includes approximately 370.8 million Units issued pursuant to the Rights Issue.
- (5) Computed based on the Distributable Income over the number of Units in issue as at 31 December 2007.

4.2 Pro forma NAV

The pro forma financial effects of the Rights Issue on the NAV per Unit as at 31 December 2007, as if the Rights Issue was completed on 31 December 2007, are as follows:

	Actual	Pro forma
NAV (S\$'000)	921,430 ⁽¹⁾	1,365,360 ⁽²⁾
Issued Units ('000)	247,184 ⁽³⁾	617,959 ⁽⁴⁾
NAV per Unit (S\$)	3.73	2.21

Notes:

- (1) Based on the FY2007 Audited Financial Statements and adjusted for the distribution payable in February 2008 in relation to K-REIT Asia's Distributable Income for the period of 1 July 2007 to 31 December 2007.
- (2) Assumes that the net proceeds of the Rights Issue were used to partially repay the Bridging Loan on 31 December 2007.
- (3) Number of Units in issue as at 31 December 2007.
- (4) Includes approximately 370.8 million Units issued pursuant to the Rights Issue.

4.3 Pro forma Capitalisation

The following tables set forth the pro forma capitalisation of K-REIT Asia as at 31 December 2007 based on the assumptions as described above. The information in these tables should be read in conjunction with paragraphs 4.1 and 4.2 above.

	As at 31 December 2007	
	Actual	Pro forma
	\$'000	\$'000
Short-term debt:		
Secured debt	—	—
Unsecured debt	942,000	498,070
Total short-term debt:	<u>942,000</u>	<u>498,070</u>
Long-term debt:		
Secured debt	189,283 ⁽¹⁾	189,283 ⁽¹⁾
Unsecured debt	—	—
Total long-term debt:	<u>189,283</u>	<u>189,283</u>
Total debt	<u>1,131,283</u>	<u>687,353</u>
Unitholders' funds	921,430 ⁽²⁾	1,366,360 ⁽³⁾
Expenses relating to the Rights Issue	—	(1,000)
Total Unitholders' funds	<u>921,430</u>	<u>1,365,360</u>
Total Capitalisation	<u><u>2,052,713</u></u>	<u><u>2,052,713</u></u>

Notes:

- (1) Amount is stated net of unamortised transaction costs.
- (2) Based on the FY2007 Audited Financial Statements and adjusted for the distribution payable in February 2008 in relation to K-REIT Asia's Distributable Income for the period of 1 July 2007 to 31 December 2007.
- (3) Based on the assumption that approximately 370.8 million Units are issued pursuant to the Rights Issue at a Rights Issue Price of S\$1.20 per Unit (purely for illustrative purposes only).

5. THE GENERAL MANDATE FOR THE ISSUE OF NEW UNITS AND/OR CONVERTIBLE SECURITIES

5.1 The General Mandate

The Manager is seeking Unitholders' approval for the General Mandate so that the Manager may issue additional Units and/or Convertible Securities in the financial year ending 31 December 2008, such that the number of additional Units (and/or Units into which the Convertible Securities may be converted) does not exceed 50.0% of the Base Figure, of which the aggregate number of additional Units (and/or Units into which the Convertible Securities may be converted), where the Units and/or the Convertible Securities are issued other than on a pro-rata basis to existing Unitholders, must not be more than 20.0% of the Base Figure. The Base Figure is the number of Units in issue (a) immediately upon the completion of the Rights Issue or (b) (in the event that the resolution for the Rights Issue is not passed or the Rights Issue is not completed) as at 31 December 2007.

The number of Convertible Securities which may be issued by the Manager under the General Mandate will be based on the aggregate number of Units which the Convertible Securities may be converted to.

Pursuant to the General Mandate, the Manager may issue Units arising from the conversion of the Convertible Securities notwithstanding that the General Mandate may have ceased to be in force at the time the Units are to be issued.

Where the terms of the issue of the Convertible Securities provide for adjustment to the number of Convertible Securities in the event of rights, bonus or other capitalisation issues, the Manager may issue additional Convertible Securities pursuant to such adjustment notwithstanding that the General Mandate may have ceased to be in force at the time the Convertible Securities are issued.

5.2 Rationale for the General Mandate

The Manager is of the view that the General Mandate will provide K-REIT Asia with flexibility for further growth through the acquisition of new properties without the time and expense of convening extraordinary general meetings. The General Mandate will also allow K-REIT Asia to raise funds more expeditiously and be more responsive in the acquisition of new properties in a competitive environment where timeliness in making bids and making payment for acquisitions will give K-REIT Asia an advantage.

5.3 Waiver from Rule 887(2) of the Listing Manual

Under Rule 887(2) of the Listing Manual, the Base Figure is the number of Units in issue as at 31 December 2007. The Manager has obtained a waiver from the SGX-ST in respect of Rule 887(2) of the Listing Manual so that after the completion of the Rights Issue, the Base Figure would be the number of Units in issue immediately upon the completion of the Rights Issue. The Manager's rationale for seeking this waiver from the SGX-ST is as follows:

- (i) the waiver will provide additional flexibility to the Manager when raising funds for future acquisitions in FY2008;
- (ii) specific approval is being sought from Unitholders for the issuance of the Rights Units under the Rights Issue;
- (iii) specific approval is being sought from Unitholders for the General Mandate; and
- (iv) save for 894,717 new Units issued to the Manager in respect of management fees payable in the form of Units for the quarter ended 31 December 2007, as well as a possible additional number of new Units to be issued to the Manager in respect of management fees payable in the form of Units for the quarter ending 31 March 2008 (as the Manager may elect), no other new Units have been or are expected to be issued between 31 December 2007 and the completion of the Rights Issue.

The waiver has been granted by the SGX-ST subject to, among other things, the following conditions:

- (i) completion of the Rights Issue by 15 May 2008 and the date of the EGM not being later than 31 March 2008; and
- (ii) specific Unitholders' approval being obtained for the Rights Issue prior to the approval of the General Mandate and specific Unitholders' approval for the General Mandate being obtained at the EGM.

In the event that the any of the above conditions are not met, the Base Figure will be the number of Units in issue as at 31 December 2007.

6. RECOMMENDATIONS

6.1 On the Rights Issue

Having regard to the rationale for the Rights Issue as set out in paragraph 3 above, the Manager believes that the Rights Issue is the most appropriate method of raising equity and would be beneficial to, and is in the interests of, K-REIT Asia.

Accordingly, the Directors recommend that Unitholders vote at the EGM in favour of the resolution relating to the issue of Rights Units under the Rights Issue (Resolution 1).

6.2 On the General Mandate

Having regard to the rationale for the General Mandate set out in paragraph 5.2 above, the Manager believes that the General Mandate would be beneficial to, and is in the interests of, K-REIT Asia.

Accordingly, the Directors recommend that Unitholders vote in favour of the resolution relating to the General Mandate (Resolution 2).

7. EXTRAORDINARY GENERAL MEETING

The EGM will be held at 10.00 a.m. on 31 March 2008 at InterContinental Singapore, Ballrooms 1 & 2 (2nd Level), 80 Middle Road, Singapore 188966, for the purpose of considering and, if thought fit, passing with or without modification, the resolutions set out in the Notice of Extraordinary General Meeting as set out in this Circular. Approval by way of an Extraordinary Resolution of Unitholders is required in respect of the resolution relating to the issue of Rights Units under the Rights Issue (Resolution 1), and by way of an Ordinary Resolution in respect of the resolution relating to the General Mandate (Resolution 2).

A Depositor shall not be regarded as a Unitholder entitled to attend the EGM and to speak and vote thereat unless he is shown to have Units entered against his name in the Depository Register, as certified by CDP 48 hours before the EGM.

8. ACTION TO BE TAKEN BY UNITHOLDERS

Unitholders will find enclosed in this Circular the Notice of EGM and a Proxy Form.

If a Unitholder is unable to attend the EGM and wishes to appoint a proxy to attend and vote on his behalf, he should complete, sign and return the enclosed Proxy Form in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the registered office of the Manager at 1 HarbourFront Avenue, #18-01 Keppel Bay Tower, Singapore 098632 not later than 10.00 a.m. on 29 March 2008, being 48 hours before the time fixed for the EGM. The completion and return of the Proxy Form by a Unitholder will not prevent him from attending and voting in person at the EGM if he so wishes. However, any appointment of a proxy or proxies by such Unitholder shall be deemed to be revoked if the Unitholder attends the EGM in person, and in such event, the Manager reserves the right to refuse to admit any person or persons appointed under the instrument of proxy, to the EGM.

Persons who have an interest in the approval of one or more of the resolutions must decline to accept appointment as proxies unless the Unitholder concerned has specific instructions in his Proxy Form as to the manner in which his votes are to be cast in respect of such resolutions.

9. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept responsibility for the accuracy of the information given in this Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the facts stated and opinions expressed in this Circular are fair and accurate in all material respects as at the date of this Circular and there are no material facts the omission of which would make any statement in this Circular misleading in any material respect. Where information has been extracted or reproduced from published or otherwise publicly available sources, the sole responsibility of the Directors has been to ensure through reasonable enquiries that such information is accurately extracted from such sources or, as the case may be, reflected or reproduced in this Circular.

The forecast financial information set out in paragraph 2.8 above and in **Appendix A** of this Circular have been stated by the Directors after due and careful enquiry.

10. CONSENTS

The Independent Accountants have given and have not withdrawn their written consent to the issue of this Circular with the inclusion of their name and the Independent Accountants' Report on the Profit Forecast, and all references thereto, in the form and context in which they are included in this Circular.

11. DOCUMENTS ON DISPLAY

Copies of the following documents are available for inspection during normal business hours at the registered office of the Manager¹ at 1 HarbourFront Avenue, #18-01 Keppel Bay Tower, Singapore 098632 from the date of this Circular up to and including the date falling three months after the date of this Circular:

- the Independent Accountants' Report on the Profit Forecast;
- the FY2007 Audited Financial Statements; and
- the written consent of the Independent Accountants.

The Trust Deed will also be available for inspection at the registered office of the Manager for so long as K-REIT Asia is in existence.

Yours faithfully

K-REIT Asia Management Limited
(Company Registration no. 200411357K)
as manager of K-REIT Asia

Tan Swee Yiow
Chief Executive Officer and Director

¹ Prior appointment with the Manager will be appreciated.

GLOSSARY

In this Circular, the following definitions apply throughout unless otherwise stated:

Advanced Distribution	:	The proposed distribution of K-REIT Asia's Distributable Income as described in paragraph 2.6 of the Letter to Unitholders
Advanced Distribution Books Closure Date	:	The time and date on which the Transfer Books and Register of Unitholders will be closed to determine the eligibility of Unitholders to receive the Advanced Distribution (if any)
Aggregate Leverage	:	The ratio of K-REIT Asia's borrowings to the value of its Deposited Property based on latest valuation
Base Figure	:	The number of Units in issue (a) immediately upon the completion of the Rights Issue (subject to compliance with the conditions set out in paragraph 5.3 of the Letter to Unitholders) or (b) (in the event that the resolution for the Rights Issue is not passed or the Rights Issue is not completed) as at 31 December 2007
Blossom Assets	:	Blossom Assets Limited, a special purpose company
Blossom Assets Loan Facilities	:	Loan facilities amounting to S\$190.1 million granted by Blossom Assets
Boulevard	:	Boulevard Development Pte Ltd
Bridging Loan	:	The bridging loan provided by Kephinance Investment Pte Ltd to K-REIT Asia on 10 December 2007
Bugis Junction Towers	:	The 100% interest in the whole of Strata Lot U1433K TS 13 together with the building comprised in Subsidiary Strata Certificate of Title Volume 487 Folio 183 and known as 230 Victoria Street, Singapore 188024
Business Day	:	A day (other than a Saturday, Sunday or public holiday) on which commercial banks are open for business in Singapore
CDP	:	The Central Depository (Pte) Limited
Closing Date	:	The date of closing of the Rights Issue
Convertible Securities	:	Convertible securities which may be converted into Units
CPF	:	Central Provident Fund
CPFIS	:	CPF Investment Scheme
Deposited Property	:	All the assets for the time being of K-REIT Asia or deemed to be held by K-REIT Asia pursuant to the Trust Deed
Directors	:	Directors of the Manager
Distributable Income	:	The distributable income of K-REIT Asia comprising taxable income, tax-exempt income and taxed income

Distribution End-Date	:	The last date on which the Advanced Distribution will accrue from
DPU	:	Distribution per Unit
EGM	:	The extraordinary general meeting of Unitholders to be held at 10.00 a.m. on 31 March 2008 at InterContinental Singapore, Ballrooms 1 & 2 (2nd Level), 80 Middle Road, Singapore 188966 to approve the matters set out in the Notice of Extraordinary General Meeting as set out in this Circular
Eligible Unitholders	:	Unitholders with Units standing to the credit of their Securities Accounts and (a) whose registered addresses with CDP are in Singapore as at a time and date to be determined by the Directors for the purpose of determining Unitholders' entitlements under the Rights Issue or who have, at least five Market Days prior to the Rights Issue Books Closure Date, provided CDP with addresses in Singapore for the service of notices and documents and who are not U.S. persons or acting for the account or benefit of U.S. persons, or (b) who the Manager considers, in its sole discretion, may be offered Rights Units without breaching applicable securities laws
Excess Rights Units	:	The Rights Units represented by the provisional allotments of (a) Eligible Unitholders who decline, do not accept, and elect not to renounce or trade their provisional allotment of Rights Units under the Rights Issue (during the provisional allotment trading period prescribed by the SGX-ST) and/or (b) Ineligible Unitholders
Existing Units	:	The outstanding Units in issue on the day immediately prior to the date on which the Rights Units are to be issued
Extraordinary Resolution	:	A resolution proposed and passed as such by a majority consisting of 75.0% or more of the total number of votes cast for and against such resolution at a meeting of Unitholders convened in accordance with the provisions of the Trust Deed
Forecast Year or FY2008	:	The financial year ending 31 December 2008
FY2007	:	The financial year ended 31 December 2007
FY2007 Audited Financial Statements	:	The audited financial statements of K-REIT Asia for FY2007
General Mandate	:	The proposed general mandate to be given to the Manager for the issue of additional new Units and/or Convertible Securities in the financial year ending 31 December 2008, such that the number of additional Units (and/or Units into which the Convertible Securities may be converted) does not exceed 50.0% of the Base Figure, of which the aggregate number of additional Units (and/or Units into which the Convertible Securities may be converted), where the Units and/or the Convertible Securities are issued other than on a pro-rata basis to existing Unitholders, must not be more than 20.0% of the Base Figure

Gross Rent	:	Consists of base rental income (after rent rebates, rent-free periods, and adjustments, where applicable, but excluding turnover rent) and tenant service charge, if any, which is a contribution paid by tenants towards the property expenses of each property
Independent Accountants	:	Ernst & Young
Independent Directors	:	The non-executive independent directors of the Manager as at the date of this Circular, unless the context otherwise requires
Ineligible Unitholders	:	Unitholders other than Eligible Unitholders
Initial Properties	:	Prudential Tower Property, Keppel Towers and GE Tower, and Bugis Junction Towers
IRAS	:	Inland Revenue Authority of Singapore
KCL	:	Keppel Corporation Limited
Keppel Towers and GE Tower	:	The 100% interest in the whole of Lot 99227M TS 23, Lot 99226C TS 23, Lot 99223N TS 23, Lot 99222K TS 23, Lot 99219K TS 23, Lot 99218A TS 23, Lot 99180A TS 23, Lot 99179N TS 23, Lot 99178K TS 23, Lot 99176T TS 23, Lot 99175P TS 23, Lot 990K TS 23 and Lot 691ATS 23 comprising CT Vol. 373 Fol. 29 to 36, CT Vol. 422 Fol. 66 and CT Vol. 270 Fol. 127, together with the buildings known as “Keppel Towers and GE Tower” at 10 Hoe Chiang Road Singapore 089315 and 240 Tanjong Pagar Road Singapore 088540, respectively
Keppel Undertakings	:	The irrevocable undertakings given by KCL and KLL in connection with the Rights Issue, as described in paragraph 2.5 of the Letter to Unitholders
KLL	:	Keppel Land Limited
Latest Practicable Date	:	7 March 2008, being the latest practicable date prior to the printing of this Circular
Listing Manual	:	The Listing Manual of the SGX-ST
Manager	:	K-REIT Asia Management Limited, as manager of K-REIT Asia
Market Day	:	A day on which the SGX-ST is open for trading in securities
MAS	:	Monetary Authority of Singapore
Net Lettable Area or NLA	:	Area in the strata lots in a building that is to be leased, excluding common areas such as common corridors, lift shafts, fire escape staircases and toilets, and is usually the area in respect of which rent is payable
Notice of Books Closure	:	Notification to Unitholders stating the time and date on which the transfer books and register of Unitholders will be closed to determine the provisional allotments of Eligible Unitholders to the Rights Issue

Offer Information Statement	:	The offer information statement to be lodged with the MAS in connection with the Rights Issue
One Raffles Quay or ORQ	:	The building known as One Raffles Quay erected on the whole of Lot 175C of Town Subdivision 30 (excluding the subterranean space below it known as Lot 80002A of Town Subdivision 30), and the whole of the subterranean space below Lot 175C of Town Subdivision 30 known as Lot 80002A of Town Subdivision 30 for a term of 99 years commencing from 13 June 2001
Ordinary Resolution	:	A resolution proposed and passed as such by a majority being greater than 50.0% or more of the total number of votes cast for and against such resolution at a meeting of Unitholders convened in accordance with the provisions of the Trust Deed
ORQPL	:	One Raffles Quay Pte Ltd
Prevailing Market Price	:	The volume-weighted average traded price for a Unit for all trades on the SGX-ST in the ordinary course of trading on the SGX-ST for a period of three Business Days immediately preceding the Price Fixing Date
Price Fixing Date	:	A date to be determined at the Manager's discretion on which the Manager will determine and announce the Rights Issue Price
Profit Forecast	:	The forecast statements of K-REIT Asia's net income and distribution for the financial year ending 31 December 2008 and the accompanying assumptions and sensitivity analysis set out in Appendix A of this Circular
Property Funds Guidelines	:	The property funds guidelines for real estate investment trusts issued by the MAS as Appendix 2 to the Code on Collective Investment Schemes
Property Income	:	Means in relation to real estate, all income accruing or resulting from operations in real estate business, and in relation to real estate-related assets, all interest, dividends and distributions derived from such assets, as defined in accordance with the provisions of the Trust Deed
Prudential Tower	:	The building known as "Prudential Tower" located at 30 Cecil Street, Singapore 049712
Prudential Tower Property	:	The approximately 44.4% interest held in the Prudential Tower building comprised in the whole of Strata Lots U403C TS 1, 405W TS 1, U404M TS 1, U414N TS 1, U406V TS 1, U415X TS 1, U407P TS 1, U416L TS 1, U408T TS 1, U417C TS 1, U409A TS 1, U418M TS 1, U410P TS 1, U419W TS 1, U420C TS 1, U412ATS 1, U421M TS 1, U413K TS 1, U423V TS 1 and U422W TS 1, comprising SSCT Vol. 589 Fol. 161 to 168 and Fol. 170 to 181
REIT	:	Real estate investment trust

Rights Issue	:	The proposed issue of new Units on a renounceable basis to Eligible Unitholders
Rights Issue Books Closure Date	:	The time and date on which the Transfer Books and Register of Unitholders will be closed to determine the provisional allocations of Eligible Unitholders under the Rights Issue
Rights Issue Price	:	The issue price per Rights Unit under the Rights Issue
Rights Ratio	:	The basis on which Eligible Unitholders will receive their respective provisional allotments of Rights Units for every Existing Unit under the Rights Issue
Rights Units	:	The new Units proposed to be issued by way of the Rights Issue
S\$ and cents	:	Singapore dollars and cents
Securities Account	:	A securities account with CDP
SGX-ST	:	Singapore Exchange Securities Trading Limited
Substantial Unitholder	:	A person with an interest in one or more Units constituting not less than 5.0% of all Units in issue
Tax Ruling	:	The tax ruling dated 10 November 2005 issued by the IRAS on the taxation of K-REIT Asia and the Unitholders
TERP	:	Theoretical ex-rights price where: $\text{TERP} = \frac{\text{Market capitalisation of K-REIT Asia prior to the Rights Issue} + \text{gross proceeds from the Rights Issue}}{\text{Units outstanding after the Rights Issue}}$
Trust Deed	:	The trust deed dated 28 November 2005 entered into between the Trustee and the Manager constituting K-REIT Asia, as amended, varied, or supplemented from time to time
Trustee	:	RBC Dexia Trust Services Singapore Limited in its capacity as trustee of K-REIT Asia
Unit	:	A unit representing an undivided interest in K-REIT Asia as provided in the Trust Deed
Unitholder	:	The registered holder for the time being of a Unit including persons so registered as joint holder, except that where the registered holder is CDP, the term "Unitholder" shall, in relation to Units registered in the name of CDP, mean, where the context requires, the Depositor whose Securities Account with CDP is credited with Units

The terms "**Depositor**" and "**Depository Register**" shall have the meanings ascribed to them respectively in Section 130A of the Companies Act, Chapter 50 of Singapore.

Words importing the singular shall, where applicable, include the plural and vice versa and words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall include corporations.

Any reference in this Circular to any enactment is a reference to that enactment for the time being amended or re-enacted.

Any reference to a time of day in this Circular shall be a reference to Singapore time unless otherwise stated.

Any discrepancies in the tables, charts or diagrams between the listed figures and totals thereof in this Circular are due to rounding. Where applicable, figures and percentages are rounded off to one decimal place, figures expressed in '000 are rounded off to the nearest thousand.

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PROFIT FORECAST

Statements contained in this section which are not historical facts may be forward-looking statements. Such statements are based on the assumptions set forth in this section and are subject to certain risks and uncertainties which could cause actual results to differ materially from those forecast. Under no circumstances should the inclusion of such information herein be regarded as a representation, warranty or prediction with respect to the accuracy of the underlying assumptions by the Manager or any other person nor that these results will be achieved or are likely to be achieved.

The following table set out K-REIT Asia's forecast statement of net income and distribution for the Forecast Year (financial year ending 31 December 2008) (the "**Profit Forecast**") based on an illustrative Rights Issue Price of S\$1.20 per Unit and an illustrative Rights Ratio of three (3) Rights Units for every two (2) Existing Units (3 for 2) for the Rights Issue. The Profit Forecast has been examined by the Independent Accountants and should be read together with their report contained in **Appendix B** of this Circular as well as the assumptions and sensitivity analysis set out below.

FORECAST STATEMENT OF NET INCOME AND DISTRIBUTION OF K-REIT ASIA

S\$'000	Actual ⁽¹⁾ 2007	Forecast ⁽²⁾ 2008
Gross rental income	39,093	49,599
Car park income	924	910
Other income	52	34
Property income	40,069	50,543
Property tax	(3,140)	(3,535)
Other property expenses	(5,714)	(7,895)
Property management fee	(1,202)	(1,516)
Maintenance and sinking fund contributions	(1,751)	(1,648)
Property expenses	(11,807)	(14,594)
Net property income	28,262	35,949
Income support	1,080	26,460
Amortisation expense	(1,341)	(27,051)
Interest income	1,062	11,908
Share of results of associated company	490	5,796
Borrowing costs	(9,582)	(28,177)
Manager's management fees	(5,302)	(12,803)
Trust expenses	(1,980)	(1,502)
Net profit before revaluation of investment properties	12,689	10,580
Net gain on revaluation of investment properties	432,964	—
Net profit before tax	445,653	10,580
Income tax expense	(163)	(4,421)
Net profit after tax	445,490	6,159
Distribution statement		
Net profit before revaluation of investment properties	12,689	10,580
Net tax adjustments ⁽³⁾	9,286	40,893
Income tax expense	(163)	(4,421)
Income available for distribution to Unitholders	21,812	47,052
Distributable Income to Unitholders⁽⁴⁾	21,812	47,052
Units in issue ('000) ⁽⁵⁾	247,184	626,596
Distribution per Unit⁽⁶⁾ (cents)	8.82	7.51⁽⁷⁾

Notes:

- (1) Based on the FY2007 Audited Financial Statements. The acquisition of one-third interest in One Raffles Quay was completed on 10 December 2007.
- (2) Based on the assumptions as set out in this Appendix including the assumptions that (i) the Rights Issue will be completed on 1 June 2008; (ii) approximately 372.1 million Rights Units will be issued based on a Rights Ratio of 3 for 2 and at a Rights Issue Price of S\$1.20 per Unit pursuant to the Rights Issue (purely for illustrative purposes only); and (iii) the net proceeds of approximately S\$445.5 million are used to partially repay the Bridging Loan on 1 June 2008.
- (3) These include where applicable, (i) non-tax deductible expenses relating to the portion of the Manager's management fees which are payable in the form of Units, amortisation expense, amortisation of transaction costs, Trustee's fee and other expenses which are not deductible for tax purposes; (ii) certain expenses claimed on an incurred basis (if any); and (iii) adjustments to include dividend income receivable from ORQPL.
- (4) Distribution for the Forecast Year is based on 100% of the income available for distribution.
- (5) The number of Units in issue includes the Manager's forecast of Units to be issued (i) pursuant to the Rights Issue at a Rights Issue Price of S\$1.20 per Unit on 1 June 2008 and (ii) as payment for the Manager's management fees for the Forecast Year at an issue price of S\$1.50 per Unit.
- (6) The Distribution per Unit has been computed based on the number of Units in issue at the end of the respective years.
- (7) The Distribution per Unit based on the weighted average number of Units in issue during the Forecast Year is 9.76 cents.

1. SECTION A: ASSUMPTIONS

The major assumptions made in preparing the Profit Forecast of K-REIT Asia are set out below.

The Independent Accountants have reviewed the assumptions used in preparing the Profit Forecast and the Manager considers these assumptions to be appropriate and reasonable at the date of this Circular.

1.1 Property Income for the Initial Properties

Property Income comprises (a) gross rental income; (b) car park income; and (c) other income earned from K-REIT Asia's Initial Properties (as defined herein). A summary of the assumptions which have been used in calculating the Property Income is set out below:

1.1.1 Gross Rental Income

Gross rental income consists of base rent income (after rent rebates, rent free periods, and adjustments where applicable, excluding turnover rent, if any) and tenant service charge, which is a contribution paid by tenants towards the property expenses of the Initial Properties.

In order to forecast the gross rental income, the Manager has, in the first instance, used rent payable under the committed leases.

For a committed lease expiring during the period from 1 January 2008 to 31 December 2008, the Manager has used the following process to forecast the gross rental income for the period following such expiry:

- The Manager has assessed the market rent for each lettable area at the Initial Properties as at 1 January 2008. The market rent is the rent which the Manager believes could be achieved if each lease was renegotiated as at 1 January 2008 and is estimated with reference to Gross Rent payable pursuant to comparable leases for tenancies that have recently been negotiated, the effect of competing properties, assumed tenant retention rates on lease expiry, likely market conditions, inflation levels and tenant demand levels.
- The Manager has assessed each of the expiring leases and the likelihood of tenancy renewals for committed leases expiring in the period from 1 January 2008 to 31 December 2008. During this period, leases of 10,271.0 sq m or 14.1% of the office NLA will be due for renewal. It has been assumed that leases of 5,717.0 sq m or 55.7% of the office NLA due for renewal have been renewed or will be renewed, taking into account the actual committed renewals and tenants who have expressed an intention to renew their leases as at 1 January 2008. For the remaining leases of 4,554.0 sq m or 44.3% of the office NLA due for renewal, where renewal negotiations have not commenced, the Manager has assumed that none of the leases will be renewed.

The Manager has assumed that the Gross Rent increases gradually by approximately 10.0% over the market rent of comparable properties during the period from 1 January 2008 to 31 December 2008 for new leases, renewed leases or leases under rent review.

Depending on the size and location of the individual premises, the vacancy allowance period is assumed to be between three and six months before rent becomes payable under a new lease.

1.1.2 Car Park Income

Car park income includes income accruing or resulting from the operation of the car parking facilities at Keppel Towers and GE Tower. Car parking facilities of Bugis Junction Towers and the Prudential Tower Property are owned by the respective management corporations.

For the Forecast Year, the Manager has assumed that the car park income from operation of the car park facilities is similar to the car park income for FY2007 as forecast occupancy rate is similarly near 100%.

1.1.3 Other Income

Other income is attributable solely to Keppel Towers and GE Tower and includes revenue from licence fees and other miscellaneous income. The forecast for other income is based on the existing licence agreements and current income collections.

1.2 Property Expenses for the Initial Properties

Property expenses consist of (a) property tax; (b) other property expenses; (c) property management fee; and (d) maintenance and sinking fund contributions. A summary of the assumptions which have been used in calculating the property expenses is set out below:

1.2.1 Property Tax

The property tax assumptions for the Forecast Year are set out in the table below:

Income Source	Property Tax Assumptions
Leases	10.0% of base rent
Car parking lots	10.0% of car park income

1.2.2 Other Property Expenses

Other property expenses comprise reimbursement of staff salaries and related costs, utilities expenses, marketing expenses including advertising and promotional expenses as well as lease commission payable to third party agents or the property manager, expenses for the upkeep of properties, landlord's fitting out expenses, repairs and maintenance expenses, insurance, property related professional fees, reimbursable expenses to the property manager, administration overheads as well as other miscellaneous expenses relating to the Initial Properties.

The Manager has made an individual assessment of these expenses based on its historical operating costs and committed service contracts as at 1 January 2008. Included in other property expenses for the Forecast Year are (i) provisions of S\$4.3 million for the upkeep of the properties, repairs and maintenance and fitting out expenses; (ii) utilities expenses of S\$1.8 million; (iii) reimbursement of salaries and related expense of S\$1.0 million; (iv) marketing expenses of S\$0.7 million; and (v) general and administrative expenses of S\$0.1 million. Other property expenses are assumed to increase by the range of 3.0 - 5.0% based on the amount incurred in FY 2007.

1.2.3 Property Management Fee

Property management fee is based on 3.0% per annum of the Property Income for the Initial Properties.

1.2.4 Maintenance and Sinking Fund Contributions

Since the Bugis Junction Towers and the Prudential Tower Property are part of strata-titled developments, the respective management corporations are responsible for the repair, maintenance and operation of, as well as the capital expenditure and improvement works relating to, the common property of these properties, and the owners of the strata-titled units are required to make contributions to the respective management corporations based on their respective share values in these properties.

The Manager has assessed maintenance and sinking fund contributions payable for the Forecast Year. For Bugis Junction Towers, contributions of S\$3.30 per share value per month (in respect of maintenance charges) and S\$0.05 per share value per month (in respect of sinking fund contributions) are projected for the Forecast Year. For Prudential Tower Property, contributions of S\$12.50 per share value per month (in respect of maintenance charges) and S\$0.40 per share value per month (in respect of sinking fund contributions) are projected for the Forecast Year.

1.3 Income Support Top-up Payments

In relation to the acquisition of one-third interest in One Raffles Quay and pursuant to the Deed of Income Support entered into between the Trustee and Boulevard, Boulevard will effect top-up payments to the Trustee amounting to one-third of the amount by which ORQ's net property income falls short of the guaranteed income amount for each of the calendar quarters during the period commencing 10 December 2007 and ending 31 December 2011. Included in the Forecast Year is income support provided by Boulevard of S\$26.5 million.

For accounting purposes, the aggregate income support is recorded at fair value as an intangible asset, to be amortised and charged to the profit and loss account over the period from 10 December 2007 to 31 December 2011 based on the estimated amounts to be received by K-REIT Asia from Boulevard for each relevant quarters. Such amortisation expense is subsequently included in the net tax adjustments and hence has no impact on the Distributable Income to Unitholders.

1.4 Interest Income

Interest income refers mainly to interest receivable on the shareholder's loan to ORQPL at a rate equal to a margin of 0.75% per annum over SGD Swap Offer Rate.

The Manager has assumed that the shareholder's loan remains at S\$355.9 million and that there is no draw down or repayment of the shareholder's loan during the Forecast Year. The Manager has also assumed an interest rate of 3.3% per annum for the Forecast Year.

1.5 Share of Results of Associated Company

The Manager has assumed the dividend income from the one-third shareholding in ORQPL to be the same as the share of results of associated company. Share of results of associated company refers to the one-third stake of ORQPL's net profit after tax as represented by the proportionate share of gross revenue less property expenses, interest expense and income tax, if any. The major assumptions made in preparing the forecast gross revenue and net property income for ORQ are set out below. The Manager considers these assumptions to be appropriate and reasonable at the date of this Circular.

1.5.1 ORQ Gross Revenue

ORQ Gross Revenue is the aggregate of gross rental income earned from the leasing of offices in ORQ ("**ORQ Office Gross Rental Income**"), the leasing of retail space in

ORQ (“**ORQ Retail Gross Rental Income**”) as well as the car park income (“**ORQ Car Park Income**”) earned from One Raffles Quay. The assumptions used in calculating ORQ Gross Revenue are set out below:

1.5.1.1 ORQ Office Gross Rental Income

In order to forecast ORQ Office Gross Rental Income, the Manager has, in the first instance, used rent payable under the committed leases of the North Tower and South Tower as at 1 January 2008.

For a committed lease expiring during the period from 1 January 2008 to 31 December 2008, the Manager has used the following process to forecast the ORQ Office Gross Rental Income for the period following such expiry:

- The Manager has assessed the market rent for the leases due for renewal. The market rent is the rent which the Manager believes could be achieved if the lease is renegotiated during this period and is estimated with reference to the rent payable pursuant to comparable leases of tenancies that have recently been negotiated, the achievable rents of competing office buildings, likely market conditions, inflation levels and tenant demand levels.
- For the period from 1 January 2008 to 31 December 2008, one lease of 861.9 sq m or 0.7% of the office NLA will be due for renewal. The Manager has assessed the expiring lease and the likelihood of tenancy renewal for the committed lease. The Manager has assumed that the lease will be renewed.

1.5.1.2 ORQ Retail Gross Rental Income

In order to forecast the ORQ Retail Gross Rental Income (excluding turnover rent), the Manager has used rent payable under the committed leases for the ORQ retail space as at 1 January 2008 for the Forecast Year.

There are no retail leases expiring in the Forecast Year.

Turnover Rent

80.0% of the committed leases to retail tenants contain provisions for payment of turnover rent. The typical turnover rent provision in these leases is based on payment of either (i) gross rent or (ii) a percentage of their gross turnover, whichever yields the higher amount.

As ORQ has limited historical rental collections, the Manager has assumed gross rent to be rental income receivable from retail tenants.

1.5.1.3 ORQ Car Park Income

ORQ Car Park Income includes income earned from the operations of the car parking facilities at ORQ. ORQ Car Park Income for the Forecast Year is forecast based on the 100% commitment of the car parking lots at the season car parking rate.

1.5.2 ORQ Property Operating Expenses

1.5.2.1 Property Tax

The property tax assumptions for the Forecast Year are set out in the table below:

Income Source	Property Tax Assumptions
ORQ Office Gross Rental Income	10.0% of ORQ Office Gross Rental Income after deducting the service charge rate
ORQ Retail Gross Rental Income	10.0% of ORQ Retail Gross Rental Income after deducting the service charge rate
ORQ Car Park Income	10.0% of ORQ Car Park Income

1.5.2.2 ORQ Asset Management Fee

ORQ asset management fee is based on 3.0% of ORQ Gross Revenue.

1.5.2.3 Other Property Operating Expenses

Other property operating expenses comprise reimbursement of staff salaries and related costs, utilities expenses, marketing expenses including advertising and promotional expenses as well as lease commission payable to third party agents or the property manager, expenses for the upkeep of properties, repairs and maintenance expenses, insurance, property related professional fee, reimbursable expenses to the property manager, administration overheads as well as other miscellaneous expenses relating to ORQ.

In order to forecast the other property operating expenses for the Forecast Year, the Manager has taken into consideration the actual historical operating costs and ORQPL's plans.

1.6 Borrowing Costs

K-REIT Asia currently has in place loan facilities amounting to S\$190.1 million (the "**Blossom Assets Loan Facilities**") granted by a special purpose company, Blossom Assets Limited ("**Blossom Assets**"), which was funded by the proceeds of rated commercial mortgage-backed securities notes issued by Blossom Assets. These rated commercial mortgage-backed securities notes have been rated AAA and AA or their equivalent by Standard & Poor's and Moody's respectively.

The Blossom Assets Loan Facilities comprise (i) a five-year term loan of S\$160.2 million at a fixed interest rate of 3.905% per annum and (ii) a five-year term loan of S\$29.9 million at a fixed interest rate of 4.055% per annum.

In addition to the Blossom Assets Loan Facilities, K-REIT Asia has also put in place a short-term credit facility of S\$26.0 million which is subordinated to the Blossom Assets Loan Facilities. There was no utilisation of this credit facility as at 29 February 2008.

On 10 December 2007, K-REIT Asia put in place a revolving credit facility of up to S\$960.0 million from Kephinance Investment Pte Ltd for an initial period of nine months commencing from the drawdown date, thereafter renewable on terms, including new maturity date, to be agreed between parties. As at 29 February 2008, a sum of S\$942.0 million has been drawn down ("**Bridging Loan**").

The Manager assumes that the net proceeds of the Rights Issue (after deducting estimated costs and expenses associated with the Rights Issue) will be used to partially repay the Bridging Loan. The Manager has assessed and assumed an interest rate payable of 3.3% per annum for the Bridging Loan during the Forecast Year.

The total outstanding amount of borrowings of K-REIT Asia as at 29 February 2008 is S\$1,132.1 million.

1.7 Manager's Management Fees

The Manager is entitled to the following:

- (a) a base fee of 0.5% per annum of all the assets for the time being of K-REIT Asia or deemed to be held upon K-REIT Asia constituted under the Trust Deed ("**Deposited Property**"); and
- (b) an annual performance fee of 3.0% per annum of the net property income (as defined in the Trust Deed) of K-REIT Asia and any Special Purpose Vehicles (as defined in the Trust Deed) after deducting all applicable taxes payable.

The Manager's management fees are payable quarterly in arrears.

To arrive at the forecast income available for distribution for the Forecast Year, it is assumed that the Manager's management fees will be paid in the form of Units.

1.8 Trust Expenses

Trust expenses comprise recurring operating expenses such as the Trustee's fee, annual listing fees, registry fees, audit and tax advisory fees, valuation fees, costs associated with the preparation and distribution of reports to Unitholders, investor communication costs and other miscellaneous expenses relating to K-REIT Asia. The Trustee's fee is presently charged on a scaled basis of up to 0.03% per annum of the value of the Deposited Property, excluding out-of-pocket expenses and GST. The Trustee's fee for the Forecast Year is S\$0.3 million. The fee is accrued monthly and paid quarterly in arrears in accordance with the Trust Deed.

1.9 Income Tax

The Manager has assumed Singapore income tax at 18.0% on income support receivable by K-REIT Asia, net of deductible interest expense.

1.10 Capital Expenditure

A provision of cash flow payments of S\$4.8 million for the projected capital expenditure of the Initial Properties has been included in the Forecast Year. This is projected based on the Manager's budget for improvement works.

Capital expenditure incurred is capitalised as part of the value of the relevant Deposited Property and has no impact on the Distributable Income other than the interest incurred on borrowings and capital allowances claimed (if any).

1.11 Rights Issue

The Profit Forecast has been prepared based on the assumptions that (i) the Rights Issue will be completed on 1 June 2008; (ii) approximately 372.1 million Rights Units will be issued at a Rights Issue Price of S\$1.20 per Unit pursuant to the Rights Issue (purely for illustrative purposes only); and (iii) the net proceeds from the issue of the Rights Units pursuant to the Rights Issue of approximately S\$445.5 million will be used to partially repay the Bridging Loan.

The costs associated with the Rights Issue are expected to be approximately S\$1.0 million and will be paid for by K-REIT Asia on completion of the Rights Issue. These costs will be charged against Unitholders' funds in K-REIT Asia's balance sheet and have no impact on the Distributable Income of K-REIT Asia.

1.12 Investment Properties

The Manager has made a hypothetical assumption that the carrying value for the Initial Properties is S\$1,110.0 million (based on valuation by an independent valuer, Knight Frank Pte Ltd, as at 10 December 2007).

For the purposes of the Profit Forecast, the Manager has assumed an increase in the value of the Initial Properties to the extent of the assumed capital expenditure described in paragraph 1.10 above for the Forecast Year. The Manager has made a hypothetical assumption that the values of the Initial Properties (except for the effect of the assumed capital expenditure) will, until 31 December 2008, remain at the amounts at which they were valued as at 10 December 2007. Any subsequent change in the value of the Initial Properties charged to the profit and loss account has no impact on the Distributable Income.

1.13 Property Value of ORQ

The carrying value for the one-third interest in ORQ is hypothetically assumed to be S\$992.0 million (based on valuation by an independent valuer, Knight Frank Pte Ltd, as at 10 December 2007) for the Forecast Year. This assumption is made when estimating the value of the Deposited Property for the purpose of forecasting the base fee component of the Manager's management fees and the Trustee's fees.

1.14 Accounting Standards

A summary of the significant accounting policies of K-REIT Asia may be found in K-REIT Asia's Report to Unitholders for FY2007. The Manager has assumed no change in applicable accounting standards or other financial reporting requirements that may have a material effect on the forecast distributable income of K-REIT Asia.

1.15 Other Assumptions

The Manager has made the following additional assumptions in preparing the Profit Forecast:

- the property portfolio remains unchanged throughout the Forecast Year;
- there will be no further capital raised during the Forecast Year;
- there will be no material change to the taxation legislation or other legislation;
- there will be no material change to the Tax Ruling;
- ORQPL adopts significant accounting policies that are consistent with K-REIT Asia (see paragraph 1.14 above for K-REIT Asia's accounting policies);

- there has been no significant change in applicable accounting policies or other financial reporting requirements that may have a material effect on the forecast share of results of associated company for the one-third interest in ORQPL;
- all leases and licences are enforceable and will be performed in accordance with their terms; and
- 100% of distributable income will be distributed.

2. SECTION B: SENSITIVITY ANALYSIS

The Profit Forecast is based on a number of key assumptions that have been outlined earlier in this Appendix.

Unitholders should be aware that future events cannot be predicted with any certainty and deviations from the figures forecast in this Circular are to be expected. To assist Unitholders in assessing the impact of these assumptions on the Profit Forecast, the sensitivity of DPU (and distribution yield, in the case of assumptions for Manager's management fees) to changes in the key assumptions are set out below.

The sensitivity analysis below is intended as a guide only, and variations in actual performance could exceed the ranges shown. Movements in other variables may offset or compound the effect of a change in any variable beyond the extent shown.

The sensitivity analysis has been prepared using the same assumptions as those set out earlier in this Appendix.

2.1 Gross Rent

Changes in the Gross Rent of uncommitted leases of the Initial Properties and ORQPL will impact the gross rental income and the net property income of K-REIT Asia and ORQPL. Changes in the Gross Rent will hence impact the Distributable Income of K-REIT Asia and, consequently, the DPU. The assumptions for Gross Rent have been set out earlier in this Appendix. The effect of variations in the Gross Rent on the DPU is set out below:

Impact on DPU pursuant to changes in Gross Rent

	Forecast Year (cents)
5.0 % below base case ⁽¹⁾	7.48
Base case ⁽²⁾	7.51
5.0 % above base case ⁽¹⁾	7.54

Notes:

- (1) Sensitivity analysis has been carried out on the Gross Rent of uncommitted leases.
(2) DPU as shown in the Profit Forecast.

2.2 Other Property Expenses

Changes in the other property expenses (excluding property tax and property/asset management fee) of the Initial Properties and ORQPL will impact the net property income of K-REIT Asia and ORQPL. Changes in other property expenses will hence impact the Distributable Income of K-REIT Asia and, consequently, the DPU. The assumptions for other property expenses have been set out earlier in this Appendix. The effect of variations in the other property expenses on the DPU is set out below:

Impact on DPU pursuant to changes in other property expenses

	Forecast Year (cents)
5.0 % below base case ⁽¹⁾	7.59
Base case ⁽²⁾	7.51
5.0 % above base case ⁽³⁾	7.43

Notes:

- (1) Implies a decrease of 5.0% in the other property expenses (excluding property tax and property/asset management fees) for the Initial Properties and ORQPL.
- (2) DPU as shown in the Profit Forecast.
- (3) Implies an increase of 5.0% in the other property expenses (excluding property tax and property/asset management fees) for the Initial Properties and ORQPL.

2.3 Borrowing Costs

Changes in the interest rate of the Bridging Loan will impact the Distributable Income of K-REIT Asia and, consequently, the DPU. The interest rate assumption has been set out earlier in this Appendix. The effect of variations in the borrowing costs on the DPU is set out below:

Impact on DPU pursuant to changes in borrowing costs

	Forecast Year (cents)
Actual interest rate is 75 basis points below 3.3%	8.04
Base case ⁽¹⁾	7.51
Actual interest rate is 75 basis points above 3.3%	6.98

Note:

- (1) DPU as shown in the Profit Forecast.

2.4 Manager's Management Fees

Whether the Manager's management fees are satisfied in the form of Units or paid in cash will impact the Distributable Income of K-REIT Asia and, consequently, the DPU and the distribution yield. Assuming that the Manager receives its management fees for the Forecast Year in cash, the impact on the DPU and distribution yield is set out below:

Impact on DPU and distribution yield pursuant to Manager's management fees paid in cash for the Forecast Year

		Forecast Year
Base case ⁽¹⁾ – 0% payable in cash	DPU (cents)	7.51
	Distribution yield ⁽²⁾	5.69%
50.0% payable in cash	DPU (cents)	6.52
	Distribution yield ⁽²⁾	4.94%
100.0% payable in cash	DPU (cents)	5.52
	Distribution yield ⁽²⁾	4.18%

Notes:

- (1) In the base case for the Forecast Year, it is assumed that Manager's management fees will be paid entirely in the form of Units.
- (2) Distribution yield is computed based on the DPU over the TERP of the Units.

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INDEPENDENT ACCOUNTANTS' REPORT ON THE PROFIT FORECAST

13 March 2008

The Board of Directors
K-REIT Asia Management Limited
(in its capacity as manager of K-REIT Asia)
1 HarbourFront Avenue
#18-01 Keppel Bay Tower
Singapore 098632

RBC Dexia Trust Services Singapore Limited
(in its capacity as trustee of K-REIT Asia)
20 Cecil Street
#28-01 Equity Plaza
Singapore 049705

Dear Sirs:

Letter from the Reporting Accountants on the Profit Forecast for the Year Ending 31 December 2008

This letter has been prepared for inclusion in the unitholders circular (the "Circular") of K-REIT Asia dated 13 March 2008 in connection with the proposed rights issue (the "Proposed Rights Issue").

The directors of K-REIT Asia Management Limited (the "Directors") are responsible for the preparation and presentation of the Forecast Statement of Net Income and Distribution for the year ending 31 December 2008 (the "Profit Forecast") as set out on page A-2 of the Circular, which have been prepared on the basis of their assumptions as set out on pages A-3 to A-10 of the Circular (the "Assumptions").

We have examined the Profit Forecast of K-REIT Asia for the year ending 31 December 2008 as set out on pages A-2 to A-10 of the Circular in accordance with the Singapore Standards on Assurance Engagements applicable to the examination of prospective financial information. The Directors are solely responsible for the Profit Forecast including the Assumptions on which they are based.

Profit Forecast

Based on our examination of the evidence supporting the Assumptions, nothing has come to our attention which causes us to believe that these Assumptions do not provide a reasonable basis for the Profit Forecast. Further, in our opinion, the Profit Forecast, so far as the accounting policies and calculations are concerned, is properly prepared on the basis of the Assumptions, is consistent with the accounting policies normally adopted by K-REIT Asia, and is presented in accordance with the relevant presentation principles of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" (but not all the required disclosures), which is the framework adopted by K-REIT Asia in the preparation of its financial statements.

Events and circumstances frequently do not occur as expected. Even if the events anticipated under the hypothetical assumptions described above occur, actual results are still likely to be different from the Profit Forecast since other anticipated events frequently do not occur as expected and the variation may be material. The actual results may therefore differ materially from those forecast. For the reasons set out above, we do not express any opinion as to the possibility of achievement of the Profit Forecast.

Attention is drawn, in particular, to the sensitivity analysis of the Directors' Profit Forecast as set out on pages A-10 to A-11 of the Circular.

Yours faithfully,

ERNST & YOUNG
Certified Public Accountants
Singapore

Partner-in-charge: Yee Woon Yim

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an EXTRAORDINARY GENERAL MEETING of K-REIT Asia will be held at InterContinental Singapore, Ballrooms 1 & 2 (2nd Level), 80 Middle Road, Singapore 188966 on 31 March 2008 at 10.00 a.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolutions:

EXTRAORDINARY RESOLUTION

1. THE PROPOSED RIGHTS ISSUE

That:

- (a) approval be and is hereby given for the issue of units in K-REIT Asia ("**Rights Units**") under a renounceable rights issue (the "**Rights Issue**") so as to raise gross proceeds of up to S\$700.0 million in the manner described in the circular to unitholders of K-REIT Asia ("**Unitholders**") dated 13 March 2008 (the "**Circular**") issued by K-REIT Asia Management Limited, as manager of K-REIT Asia (the "**Manager**"), on the terms of and subject to the conditions set out below and/or otherwise on such terms and conditions as the Manager may think fit:
 - (i) that the provisional allotments of the Rights Units shall be made on a renounceable basis to Unitholders with units in K-REIT Asia ("**Units**") standing to the credit of their securities accounts with The Central Depository (Pte) Limited ("**CDP**") and (aa) whose registered addresses with CDP are in Singapore as at a time and date to be determined by the directors of the Manager ("**Directors**") for the purpose of determining Unitholders' entitlements under the Rights Issue ("**Rights Issue Books Closure Date**") or who have, at least five market days prior to the Rights Issue Books Closure Date, provided CDP with addresses in Singapore for the service of notices and documents and who are not U.S. persons or acting for the account or benefit of U.S. persons, or (bb) who the Manager considers, in its sole discretion, may be offered Rights Units without breaching applicable securities laws ("**Eligible Unitholders**");
 - (ii) no provisional allotment of Rights Units shall be made in favour of Unitholders other than Eligible Unitholders;
 - (iii) the provisional allotments of Rights Units not taken up or allotted for any reason shall be used to satisfy applications for excess Rights Units (if any) as the Manager may, in its discretion, deem fit;
 - (iv) the Rights Units, when allotted and issued, will rank *pari passu* in all respects with the then existing Units save for any rights, allotments or other distributions, the record date for which falls before the date of issue of the Rights Units;
 - (v) not more than 420,000,000 Rights Units are issued under the Rights Issue; and
 - (vi) the Manager, any Director and RBC Dexia Trust Services Singapore Limited, in its capacity as trustee of K-REIT Asia (the "**Trustee**"), be and are hereby severally authorised to complete and do all such acts and things (including executing all such documents as may be required) as the Manager, such Director or, as the case may be, the Trustee may consider expedient or necessary or in the interests of K-REIT Asia to give effect to the Rights Issue.

ORDINARY RESOLUTION

2. THE PROPOSED GENERAL MANDATE FOR THE ISSUE OF NEW UNITS AND/OR CONVERTIBLE SECURITIES

That:

- (a) approval be and is hereby given for the issue of additional Units, and/or convertible securities which may be converted into Units ("**Convertible Securities**"), in the financial year ending 31 December 2008, such that the number of additional Units (and/or Units into which the Convertible Securities may be converted) does not exceed 50.0% of the Base Figure as defined below, of which the aggregate number of additional Units (and/or Units into which the Convertible Securities may be converted), where the Units and/or the Convertible Securities are issued other than on a pro-rata basis to existing Unitholders, shall not be more than 20.0% of the Base Figure (the "**General Mandate**");
- (b) the Base Figure is the number of Units in issue (i) immediately upon the completion of the Rights Issue (subject to compliance with the conditions set out in the Circular) or (ii) (in the event that Resolution 1 is not passed or the Rights Issue is not completed) as at 31 December 2007;
- (c) pursuant to the General Mandate, the Manager may issue Units arising from the conversion of the Convertible Securities notwithstanding that the General Mandate may have ceased to be in force at the time the Units are to be issued;
- (d) where the terms of the issue of the Convertible Securities provide for adjustment to the number of Convertible Securities in the event of rights, bonus or other capitalisation issues, the Manager may issue additional Convertible Securities notwithstanding that the General Mandate may have ceased to be in force at the time the Convertible Securities are issued; and
- (e) the Manager, any Director and the Trustee be and are hereby severally authorised to complete and do all such acts and things (including executing all such documents as may be required) as the Manager, such Director or, as the case may be, the Trustee may consider expedient or necessary or in the interests of K-REIT Asia to give effect to the General Mandate.

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
13 March 2008

Important Notice

- (1) A Unitholder entitled to attend and vote at the Extraordinary General Meeting is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy need not be a unitholder of K-REIT Asia.
- (2) The instrument appointing a proxy must be lodged at the Manager's registered office at 1 HarbourFront Avenue, #18-01 Keppel Bay Tower, Singapore 098632 not less than 48 hours before the time appointed for the Extraordinary General Meeting.

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IMPORTANT: PLEASE READ THE NOTES TO PROXY FORM BELOW

Notes To Proxy Form

1. A Unitholder entitled to attend and vote at the Extraordinary General Meeting is entitled to appoint one or two proxies to attend and vote in his stead.
2. Where a Unitholder appoints more than one proxy, the appointments shall be invalid unless he specifies the proportion of his holding (expressed as a percentage of the whole) to be represented by each proxy.
3. A proxy need not be a Unitholder.
4. A Unitholder should insert the total number of Units held. If the Unitholder has Units entered against his name in the Depository Register maintained by CDP, he should insert that number of Units. If the Unitholder has Units registered in his name in the Register of Unitholders of K-REIT Asia, he should insert that number of Units. If the Unitholder has Units entered against his name in the said Depository Register and registered in his name in the Register of Unitholders, he should insert the aggregate number of Units. If no number is inserted, this form of proxy will be deemed to relate to all the Units held by the Unitholder.
5. The instrument appointing a proxy or proxies must be deposited at the Manager's registered office at 1 HarbourFront Avenue, #18-01 Keppel Bay Tower, Singapore 098632, not less than 48 hours before the time set for the Extraordinary General Meeting.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
7. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the power of attorney or a duly certified copy thereof must (failing previous registration with the Manager) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
8. The Manager shall be entitled to reject a Proxy Form which is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the Proxy Form. In addition, in the case of Units entered in the Depository Register, the Manager may reject a Proxy Form if the Unitholder, being the appointor, is not shown to have Units entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Extraordinary General Meeting, as certified by CDP to the Manager.
9. All Unitholders will be bound by the outcome of the Extraordinary General Meeting regardless of whether they have attended or voted at the Extraordinary General Meeting.
10. At any meeting, a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded by the Chairman or by five or more Unitholders present in person or by proxy and holding or representing one-tenth in value of the Units represented at the meeting. Unless a poll is so demanded, a declaration by the Chairman that such a resolution has been carried or carried unanimously or by a particular majority or lost shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.
11. On a show of hands, every Unitholder who (being an individual) is present in person or by proxy or (being a corporation) is present by one of its officers as its proxy shall have one vote. On a poll, every Unitholder who is present in person or by proxy shall have one vote for every Unit of which he is the Unitholder. A person entitled to more than one vote need not use all his votes or cast them the same way.

K-REIT ASIA

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

PROXY FORM EXTRAORDINARY GENERAL MEETING

IMPORTANT:

1. For investors who have used their CPF monies to buy units in K-REIT Asia, this Circular is forwarded to them at the request of their CPF approved nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We _____ (Name)

of _____ (Address)

being a unitholder/unitholders of K-REIT Asia, hereby appoint:

Name	Address	NRIC/Passport Number	Proportion of Unitholdings	
			Number of Units	%

and/or (delete as appropriate)

Name	Address	NRIC/Passport Number	Proportion of Unitholdings	
			Number of Units	%

or, both of whom failing, the Chairman of the Extraordinary General Meeting as my/our proxy/proxies to attend and to vote for me/us on my/our behalf and if necessary, to demand a poll, at the Extraordinary General Meeting of K-REIT Asia to be held at 10.00 a.m. on 31 March 2008 at InterContinental Singapore, Ballrooms 1 & 2 (2nd Level), 80 Middle Road, Singapore 188966 and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the resolutions to be proposed at the Extraordinary General Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the Extraordinary General Meeting.

Resolutions	To be used on a show of hands		To be used in the event of a poll	
	For*	Against*	No. of Votes For**	No. of Votes Against**
1 To approve the Rights Issue (Extraordinary Resolution)				
2 To approve the General Mandate for the issue of new Units and/or Convertible Securities (Ordinary Resolution)				

* If you wish to exercise all your votes "For" or "Against", please tick (✓) within the box provided.

** If you wish to exercise all your votes "For" or "Against", please tick (✓) within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this _____ day of _____ 2008

Total number of Units held

Signature(s) of Unitholder(s)/Common Seal



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2nd fold here

Affix
Postage
Stamp

The Company Secretary
K-REIT Asia Management Limited
(as manager of K-REIT Asia)
1 HarbourFront Avenue
#18-01 Keppel Bay Tower
Singapore 098632

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