CIRCULAR DATED 19 OCTOBER 2011

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

The Singapore Exchange Securities Trading Limited (the "**SGX-ST**") takes no responsibility for the accuracy of any statements or opinions made, 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 ("**K-REIT**", and units in K-REIT, "**Units**") to be issued for the purpose of the Rights Issue (as defined herein) (the "**Rights Units**") on the Main Board of the SGX-ST. The SGX-ST's in-principle approval is not an indication of the merits of the Rights Issue, the Rights Units, the Acquisition, K-REIT and/or its subsidiaries, the Manager (each term as defined herein) and/or its subsidiaries.

If you have sold or transferred all your units in K-REIT, 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.

This Circular may not be sent to any person or any jurisdiction in which it would not be permissible to deliver or make an offer of the Rights Units and the "nil-paid" rights under the Rights Issue, and the Rights Units and the "nil-paid" rights may not be sold, resold, transferred or delivered, directly or indirectly, to any such person or in any such jurisdiction. The Rights Units and the "nil-paid" rights have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), or under any securities laws of any state or other jurisdiction of the United States ("**U.S.**") and may not be offered, sold, resold, allotted, taken up, exercised, renounced, pledged, transferred or delivered, directly or indirectly, within the U.S. or to or by U.S. persons (as defined in Regulation S under the Securities Act) ("**Regulation S**") except pursuant to an applicable exemption from, or a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the U.S.. The Rights Units and the "nil-paid" rights may only be offered, sold, resold, allotted, taken up, exercised, renounced, pledged, transferred or delivered, directly or indirectly (i) outside the U.S. in transactions exempt from or not subject to the registration requirements of the Securities Act, or (ii) to beneficial holders of Units whose identities have been agreed between K-REIT Asia Management Limited, as manager of K-REIT (the "**Manager**") and DBS Bank Ltd. and United Overseas Bank Limited, as the joint managers and underwriters for the Rights Issue (together, the "**Joint Managers and Underwriters**"), who are each a "qualified institutional buyer" (as defined in Rule 144A under the Securities Act) ("**QIB**"), who have delivered to the Manager and the Joint Managers and Underwriters a signed investor representation letter which is accepted by the Manager and the Joint Managers and Underwriters, and who are also Eligible Unitholders (as defined herein) ("**Eligible QIBs**") in reliance on the exemption from the registration requirements of the Securities Act under Section 4(2) thereof. The Rights Units and the "nil-paid" rights will be offered and sold outside the U.S. to non-U.S. persons in offshore transactions in reliance on Regulation S.

K-REITasia

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

Managed by

K-REIT ASIA MANAGEMENT LIMITED

Independent Financial Adviser to the Independent Directors and
Audit Committee of K-REIT Asia Management Limited

PricewaterhouseCoopers Corporate Finance Pte Ltd

**CIRCULAR TO UNITHOLDERS
IN RELATION TO:**

(1) THE PROPOSED ACQUISITION OF AN EQUITY INTEREST IN OCEAN PROPERTIES PTE. LIMITED, WHICH OWNS OCEAN FINANCIAL CENTRE; AND

(2) THE PROPOSED UNDERWRITTEN RENOUNCEABLE RIGHTS ISSUE.

Joint Managers and Underwriters for the Rights Issue

DBS　　　　UOB 大華銀行

IMPORTANT DATES AND TIMES FOR UNITHOLDERS

Last date and time for lodgement of Proxy Forms	:	8 November 2011 at 3.00 p.m.
Date and time of Extraordinary General Meeting	:	10 November 2011 at 3.00 p.m.
Place of Extraordinary General Meeting	:	Marina Bay Sands Expo and Convention Centre Level 3, Hibiscus Main Ballroom (3601A to 3703) 10 Bayfront Avenue Singapore 018956

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CORPORATE INFORMATION

Directors of the Manager	:	Professor Tsui Kai Chong (Chairman and Non-Executive Independent Director) Mr Kevin Wong Kingcheung (Deputy Chairman and Non-Executive Director) Ms Ng Hsueh Ling (Chief Executive Officer and Executive Director) Dr Chin Wei-Li, Audrey Marie (Non-Executive Independent Director) Mrs Lee Ai Ming (Non-Executive Independent Director) Mr Tan Chin Hwee (Non-Executive Independent Director) Mr Tan Swee Yiow (Alternate Director to Mr Kevin Wong Kingcheung)
Registered Office of the Manager	:	1 HarbourFront Avenue #18-01 Keppel Bay Tower Singapore 098632
Trustee of K-REIT (the "**Trustee**")	:	RBC Dexia Trust Services Singapore Limited 20 Cecil Street #28-01 Equity Plaza Singapore 049705
Joint Managers and Underwriters	:	DBS Bank Ltd. 6 Shenton Way #35-00 DBS Building Tower One Singapore 068809 United Overseas Bank Limited 80 Raffles Place UOB Plaza Singapore 048624
Legal Adviser for the Acquisition, the Rights Issue and to the Manager	:	WongPartnership LLP One George Street #20-01 Singapore 049145
Legal Adviser to the Joint Managers and Underwriters as to Singapore law and U.S. Federal law	:	Clifford Chance Pte. Ltd. One George Street 19th Floor Singapore 049145
Legal Adviser to the Trustee	:	Lee & Lee 5 Shenton Way #07-00 UIC Building Singapore 068808

Unit Registrar and Unit Transfer Office (the "**Unit Registrar**")	:	Boardroom Corporate & Advisory Services Pte. Ltd. 50 Raffles Place #32-01 Singapore Land Tower Singapore 048623
Independent Financial Adviser to the Independent Directors and Audit Committee of the Manager (the "**IFA**")	:	PricewaterhouseCoopers Corporate Finance Pte Ltd 8 Cross Street #17-00 PWC Building Singapore 048424
Independent Reporting Accountants	:	Ernst & Young LLP One Raffles Quay North Tower, Level 18 Singapore 048583
Independent Tax Adviser	:	Ernst & Young Solutions LLP One Raffles Quay North Tower, Level 18 Singapore 048583
Independent Valuers	:	Savills Valuation and Professional Services (S) Pte Ltd (appointed by the Manager) 30 Cecil Street #20-03 Prudential Tower Singapore 049712 Knight Frank Pte Ltd (appointed by the Trustee) 16 Raffles Quay #30-00 Hong Leong Building Singapore 048581
Independent Market Consultant	:	DTZ Debenham Tie Leung (SEA) Pte Ltd 100 Beach Road #35-00 Shaw Tower Singapore 189702

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 37 to 46 of this Circular.

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

OVERVIEW

Sponsored by Keppel Land Limited ("**KLL**"), one of the largest listed property companies in Singapore, K-REIT was listed on the SGX-ST on 28 April 2006 following a distribution *in specie* of Units to shareholders of KLL.

K-REIT's objective is to generate stable and sustainable returns for its unitholders ("**Unitholders**") by owning and investing in a portfolio of quality income-producing commercial real estate and real estate-related assets in Singapore and pan-Asia. K-REIT is managed by the Manager, K-REIT Asia Management Limited.

As at 10 October 2011 (the "**Latest Practicable Date**"), K-REIT has a market capitalisation of S$1.4 billion and assets under management of approximately S$3.9 billion.

K-REIT's portfolio comprises seven commercial office properties located in Singapore and Australia. In Singapore, these include Bugis Junction Towers, the MBFC Interest, the ORQ Interest and the Prudential Tower Property. In Australia, K-REIT owns the 275 George Street Property in Brisbane, the 77 King Street Property and the 8 Chifley Square Interest[1], which are both in Sydney (each as defined herein, collectively, the "**Existing Properties**").

On 17 October 2011, the Trustee entered into a conditional sale and purchase agreement (the "**SPA**") with Straits Property Investments Pte Ltd (the "**Vendor**"), a wholly-owned subsidiary of KLL and Keppel Land Properties Pte Ltd (the "**Guarantor**"), a wholly-owned subsidiary of KLL as guarantor for the Vendor, to acquire (the "**Acquisition**") approximately 87.51% of the issued share capital of Ocean Properties Pte. Limited ("**OPPL**") for a period of 99 years from the date the Acquisition is completed (the "**Completion Date**"). The remaining issued share capital of OPPL of approximately 12.49% is held by Avan Investments Pte Ltd ("**AIPL**"), an unrelated third party and the existing shareholder of OPPL.

OPPL owns Ocean Financial Centre (the "**Property**"). The Property is situated on a site with a 999-year leasehold title that commenced from 22 June 1862 and approximately 90 sqm of the basement area (which connects the Property to the passageway linking to the Raffles Place MRT interchange station) is situated on a site with a 99-year leasehold title that commenced from 13 June 2001. The Property is built over two phases; the first being the office tower which has received temporary occupation permits ("**OFC Phase 1**"), and the second phase which comprises the car park and retail space and is targeted for completion by end-2012 ("**OFC Phase 2**"). In accordance with the terms of the SPA, the Vendor will be liable for its share of all project development costs required for the Property to obtain a certificate of statutory completion ("**CSC**") and K-REIT will not be required to incur any further project development costs.

On the Completion Date, the Trustee shall, by executing an option deed (the "**Option Deed**"), grant to the Vendor, in its capacity as option holder (the "**Option Holder**"), a call option, pursuant to which the Option Holder shall have the right to acquire approximately 87.51% equity interest in OPPL, or

[1] On 28 July 2011, the Manager acquired a 50.0% interest in Mirvac 8 Chifley Trust ("**M8CT**") which owns a commercial property situated at 8 Chifley Square, Sydney, Australia (the "**8 Chifley Square Property**"). The 8 Chifley Square Property is currently under development and is scheduled for completion in the third quarter of 2013.

equivalent, (the "**Option Interest**") for S$1.00, such option to be exercisable only after the expiry of a period of 99 years after the Completion Date (the "**Call Option**"). The transaction is structured in this manner to reflect the consideration for the Acquisition which is premised on OPPL holding the Property with only a 99-year lease term and not a 999-year lease term.

Under the Option Deed, the Trustee shall not dispose of its legal or beneficial interest in all or any part of the Option Interest to any person unless, among others, the Option Holder's right of first refusal conferred under the Option Deed has lapsed. In addition, if any of certain specified events occurs anytime during the 99 years after the Completion Date, the Option Holder shall have the right to procure OPPL to take the necessary steps to carve out and transfer a leasehold title of the remaining tenure less the 99 years (from the Completion Date) to a special purpose vehicle (the "**SPV**") owned by the Option Holder and AIPL (the "**Reversionary Interest**") and in this case, OPPL will still retain the title over the Property for the remainder of the Relevant Period (as defined herein). Pending the grant and registration of the Reversionary Interest, the Option Holder may exercise the Call Option and require the transfer of the Option Interest to it, whereupon the Option Holder shall procure OPPL to create the Reversionary Interest. If the Reversionary Interest is created within six months after the date of request by the Option Holder (the "**Specified Period**"), the Option Interest shall be re-transferred to K-REIT. If the Reversionary Interest is not created within the Specified Period, the Option Interest shall not be re-transferred to K-REIT and the Option Holder shall (within 15 business days after the expiry of the Specified Period) pay to K-REIT the net tangible asset value of the Option Interest as at the date of expiry of the Specified Period but with adjustments for (i) a market valuation (based on the average of two valuations, each determined by an internationally recognised property valuer firm commissioned by K-REIT and the Option Holder respectively) of the Property as if OPPL has a lease for the remainder of the Relevant Period and (ii) any cash distributions made by OPPL to its members after the occurrence of a specified event. There are no intangible assets at the OPPL level. Any stamp duty payable in connection with each of such transfers, which is prescribed under the applicable law as payable by transferee, shall be borne by the transferee. Other costs (other than stamp duty which is prescribed under the applicable law as payable by the transferee) upon the occurrence of the specified event shall be borne by K-REIT (or its successor-in-title if it is insolvent or terminated). See Paragraph 2.4(c) of this Circular for further details.

The Property will be managed by K-REIT Asia Property Management Pte Ltd (the "**Property Manager**"). OPPL, Keppel Land International Limited (the current property manager) and the Property Manager will on the Completion Date enter into a novation agreement to novate the property management agreement (the "**Property Management Agreement**") from Keppel Land International Limited to the Property Manager, where the Property Manager is responsible for providing, among other things, services relating to property management and maintenance, lease administration, marketing and leasing, accounting and administration, and budget preparation.

The Trustee and AIPL, an unrelated third party and the existing shareholder which owns approximately 12.49% of the shares in OPPL, have agreed, post-Completion Date, OPPL shall apply to the Accounting and Corporate Regulatory Authority of Singapore to convert itself into a limited liability partnership ("**LLP**") pursuant to the Limited Liability Partnerships Act, Chapter 163A of Singapore, with the name "Ocean Properties LLP" (the "**Conversion**"). AIPL is an investment-holding company incorporated in Singapore which is beneficially owned by a private family. AIPL is not related to K-REIT, the Manager, the Vendor or KLL. Its only investment is in OPPL. The Trustee will enter into a limited liability partnership agreement (the "**Limited Liability Partnership Agreement**") with AIPL, to govern their relationship in the LLP.

On 17 October 2011, the Manager announced that it had received in-principle approval from the SGX-ST in relation to Rights Units to be issued pursuant to a proposed underwritten renounceable rights issue (the "**Rights Issue**").

The Acquisition and the Rights Issue are expected to provide Unitholders with a forecast of approximately 2.3% distribution per Unit (“**DPU**”) accretion for the financial year from 1 January 2012 to 31 December 2012 (the “**Forecast Year 2012**”) from 7.00 cents before adjusting for the Rights Issue and the Acquisition to 7.16 cents after adjusting for the Rights Issue and the Acquisition. The Acquisition will be DPU accretive and is in line with K-REIT’s objective of delivering stable and sustainable returns to Unitholders.

SUMMARY OF APPROVALS SOUGHT

The Manager seeks approvals from the Unitholders for the proposed Acquisition (Ordinary Resolution 1) and the proposed Rights Issue (Ordinary Resolution 2).

The Manager expects to proceed with the Acquisition and the Rights Issue if approvals for both Ordinary Resolutions are obtained from Unitholders. In the event that Unitholders’ approval for the Acquisition is not obtained, the Manager will not proceed with the Rights Issue.

RESOLUTION 1: THE PROPOSED ACQUISITION OF AN EQUITY INTEREST IN OPPL, WHICH OWNS OCEAN FINANCIAL CENTRE (ORDINARY RESOLUTION)

Description of the Property

Ocean Financial Centre is a landmark 43-storey premium Grade A office development located at the Raffles Place and Marina Bay precincts in the heart of Singapore’s central business district (“**CBD**”). It is currently one of the largest and newest premium office buildings in the CBD. Designed by world-renowned architectural firm Pelli Clarke Pelli, Ocean Financial Centre is conveniently connected to the Raffles Place Mass Rapid Transit (“**MRT**”) interchange station and is highly accessible via public transport.

The Property provides a view of the Marina Bay area, and is in close proximity to the Marina Bay Sands integrated resort, One Fullerton, The Esplanade – Theatres on the Bay, and other lifestyle and entertainment amenities in the downtown area.

The Property will comprise an office tower with a car park and retail podium when completed. OFC Phase 1 received its temporary occupation permits on 14 March 2011 and 29 April 2011. It comprises approximately 81,471.0 square metres (“**sqm**”) of net lettable area (“**NLA**”). As at 15 September 2011, 79.6% of the total NLA has been pre-committed by tenants. Some of the key office tenants at Ocean Financial Centre include established corporations such as the Australia and New Zealand Banking Group, BNP Paribas, Drew & Napier LLC, Stamford Law Corporation, The Executive Centre and Verizon Communications.

OFC Phase 2 is targeted for completion by end-2012. The car park podium will comprise a total of 222 car park lots. There will be retail space on the ground and basement levels comprising approximately 744.2 sqm of NLA as well as an underground passageway connecting the Property to the passageway linking to the Raffles Place MRT interchange station.

The Property is situated on a site with a 999-year leasehold title that commenced from 22 June 1862 and approximately 90 sqm of the basement area (which connects the Property to the passageway linking to the Raffles Place MRT interchange station) is situated on a site with a 99-year leasehold title that commenced from 13 June 2001. As mentioned above, K-REIT intends to acquire approximately 87.51% of the issued share capital of OPPL for a period of 99 years from the Completion Date in connection with the Acquisition.

The Property holds the distinction of being the first office development in Singapore to be awarded the Platinum Green Mark Award by the Building and Construction Authority. The Property was also awarded the Solar Pioneer Award, Platinum Level LEED Award and Best Green Development (Future) Award at the 2009 Cityscape Asia Real Estate Awards for its environmentally sustainable features. The Property boasts an energy-efficient hybrid chilled air-conditioning system as well as an innovative paper recycling system for all offices.

The Property is also one of the first commercial buildings to benefit from having additional gross floor area ("**GFA**") of approximately 1,776.8 sqm for its lighting initiative and approximately 1,847.4 sqm for its art initiative under the Urban Redevelopment Authority's lighting and art incentive schemes. These schemes incentivise owners of buildings in the CBD to incorporate art and artistic lighting in the planning and design of their buildings.

(See Paragraph 2.1 and **Appendix A** of this Circular for further details.)

Total Acquisition Cost

The purchase consideration (the "**Purchase Consideration**") for the approximate 87.51% equity interest in OPPL is based on the adjusted net tangible asset value of OPPL as at the Completion Date (the "**Adjusted NTA**"). As at 31 July 2011[2], the estimated Purchase Consideration is S$1,571.3 million, which is derived from:

(a) S$2,013.1 million, being the agreed value of the approximate 87.51% interest in the Property (the "**Agreed Value**"); less

(b) approximately S$441.8 million, being the adjustments for the approximate 87.51% share of OPPL's borrowings (S$333.2 million), accruals (S$30.3 million) and estimated total development costs (S$78.3 million) for the completion of OFC Phase 2 as at 31 July 2011.

The Purchase Consideration was negotiated on a willing-buyer and willing-seller basis and is payable wholly in cash on the Completion Date. The actual amount of the Purchase Consideration will be determined on the Completion Date.

The Purchase Consideration has been agreed on the basis of an interest in OPPL for a period of 99 years. Any extension of K-REIT's interest beyond the 99-year period will be separately negotiated between the Manager and the Vendor at the appropriate time on an arm's length basis.

The total acquisition cost comprises:

(a) the estimated Purchase Consideration of approximately S$1,571.3 million, which is based on the Agreed Value and after adjustments to arrive at the Adjusted NTA as at 31 July 2011;

(b) the estimated stamp duty, professional fees and other fees and expenses of approximately S$7.6 million incurred and to be incurred by K-REIT in connection with the Acquisition; and

(c) the fee payable to the Manager for the Acquisition (the "**Acquisition Fee**"), which amounts to approximately S$20.1 million, payable fully in Units,

(the "**Total Acquisition Cost**").

As the Acquisition constitutes an "interested party transaction" under the Property Funds Appendix in Appendix 6 of the Code on Collective Investment Schemes (the "**Property Fund Appendix**") issued by the Monetary Authority of Singapore (the "**MAS**"), the Acquisition Fee will be payable fully in the form of Units to the Manager, which shall not be sold within one year from the date of issuance.

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2 The date of the illustrative pro forma balance sheet of OPPL, as set out in the SPA.

(See Paragraph 2.7 of this Circular for further details.)

Independent Valuations

The Manager has commissioned an independent property valuer, Savills Valuation and Professional Services (S) Pte Ltd ("**Savills**"), and the Trustee has commissioned an independent property valuer, Knight Frank Pte Ltd ("**Knight Frank**"), to value the open market value of approximately 87.51% interest of the Property. The open market value of the approximate 87.51% interest of the Property as at 15 September 2011 is S$2,054.0 million and S$2,050.0 million by Savills and Knight Frank in their respective reports. The valuations by Savills and Knight Frank both take into account the Rental Support (as defined herein) to be provided by the Vendor as well as the 99-year ownership by the Trustee.

As the Property is a recently completed development, the Vendor will provide rental support (the "**Rental Support**") to K-REIT for a period from the Completion Date to 31 December 2016 for vacant spaces, fitting-out periods where rents and maintenance charges will not be received, as well as for leases which are at lower-than-market rental rates as these leases were contracted during the recovery phase of the global financial crisis. These leases are expected to be revised to prevailing market rates when they expire or at the next rent review dates.

(See Paragraphs 2.2 and 2.3 of this Circular for further details.)

Method of Financing

The Manager intends to fund the Acquisition from a combination of:

(a) net proceeds of approximately S$976.3 million from the issue of 1,157,372,000 Rights Units on an underwritten and renounceable basis to Eligible Unitholders (as defined herein) based on the rights ratio of 17 Rights Units for every 20 existing Units (the "**Rights Ratio**"), fractional entitlements to be disregarded, held by Unitholders as at the Rights Issue Books Closure Date (as defined herein) at the issue price of S$0.85 per Rights Unit (the "**Rights Issue Price**"); and

(b) debt financing of approximately S$602.6 million from financial institutions at an average cost of borrowing of approximately 2.28% per annum (the "**Debt Financing**").

The Joint Managers and Underwriters for the Rights Issue are DBS Bank Ltd. and United Overseas Bank Limited.

(See Paragraphs 2.10 and 3 of this Circular for further details.)

Rationale and Benefits for the Acquisition

The Acquisition is consistent with K-REIT's investment and growth strategy

The principal investment strategy of K-REIT is to invest in a portfolio of quality income-producing commercial real estate and real estate-related assets in Singapore and pan-Asia. The Manager adopts a pro-active acquisition, portfolio optimisation and renewal strategy to constantly improve the portfolio's asset quality and maintain its market competitiveness. The Acquisition will allow K-REIT to benefit from a resilient cash flow generated from a premium Grade A office building with quality specifications. Post-Acquisition, K-REIT's income will be generated from eight premium Grade A and Grade A commercial properties within the CBDs of Singapore, Brisbane and Sydney. In this respect, the Manager believes the Acquisition will enhance K-REIT's overall portfolio quality and market competitiveness.

Enhance portfolio distribution to Unitholders

Based on the assumptions set out in **Appendix B** of this Circular, the Acquisition is expected to be accretive to K-REIT's DPU. Unitholders will enjoy a higher forecast DPU of 7.16 cents for the Forecast Year 2012 after adjusting for the Rights Issue and the Acquisition, which is approximately 2.3% higher than the forecast DPU of 7.00 cents for the Forecast Year 2012 before adjusting for the Rights Issue and the Acquisition, based on K-REIT's existing property portfolio.

Enhance portfolio quality and strengthen branding in the Raffles Place and Marina Bay precincts

The Acquisition will allow K-REIT to own one of Singapore's newest and largest premium office assets situated at the intersection of Raffles Place and the new downtown at Marina Bay. In recent years, the Raffles Place and Marina Bay precincts have become the epicentre of prime commercial real estate in Singapore as newer and higher quality office buildings have been completed or are slated to be completed in these areas.

Together with the MBFC Interest, the ORQ Interest and the Prudential Tower Property, the Acquisition will strengthen K-REIT's branding as a key landlord with premium office assets in the Raffles Place and Marina Bay precincts. Post-Acquisition, the proportion of K-REIT's portfolio of properties in Singapore located in the Raffles Place and Marina Bay precincts is expected to increase from 88.3% to 92.6% based on the assets under management.

Increase exposure to Singapore office market

The Acquisition will provide Unitholders with increased exposure to the Singapore office market. Post-Completion Date, the proportion of K-REIT's Singapore property portfolio to its entire property portfolio is expected to increase from 89.5% to 93.1% based on its assets under management. According to the Independent Market Consultant, the Singapore office market is expected to be relatively resilient.

(See **Appendix G** of this Circular for further details.)

Reduce average age of K-REIT's property portfolio

In line with maintaining K-REIT's competitiveness as a key office landlord in Singapore's CBD, the Acquisition is expected to enhance K-REIT's property portfolio by reducing the average age of the properties in the portfolio by NLA from 5.9 years to 4.4 years.

Improve K-REIT's lease profile

With the Acquisition, K-REIT's lease profile is well-staggered, with not more than 11.0% of the Enlarged Portfolio (as defined herein) by NLA expiring in any one year over the next five years.

The percentage of NLA committed to long-term leases of five years or more will increase from 61.3% to 64.7%. This is expected to enhance K-REIT's cash flow resilience.

In addition, due to the long leases committed in the Property, the Enlarged Portfolio will have a long weighted average lease expiry ("**WALE**") of approximately 7.0 years, which is longer than typical office leases in Singapore which vary between three to five years.

The WALE of the Enlarged Portfolio's top ten tenants will be approximately 8.3 years, which is also longer than typical market leases of three to five years.

Enhance tenant base with established organisations

K-REIT's portfolio of quality tenants will be enhanced with established corporations which have taken up tenancies at the Property, including the Australia and New Zealand Banking Group, BNP Paribas, Drew & Napier LLC, Stamford Law Corporation, The Executive Centre and Verizon Communications. This will add to K-REIT's existing portfolio of established organisations which include financial institutions and multinational corporations.

Manage K-REIT's aggregate leverage

With proceeds from the Rights Issue and debt borrowings, K-REIT will be able to acquire the Property while maintaining a healthy balance sheet at an appropriate aggregate leverage ratio at the portfolio level.

In accordance with the terms of the SPA, the Vendor will be liable for its share of all project development costs required for the Property to obtain a CSC and K-REIT will not be required to incur any further project development costs. K-REIT's aggregate leverage ratio after the Completion Date will be approximately 41.6%.

The Manager believes that maintaining K-REIT's aggregate leverage ratio at this level is appropriate under the current market conditions.

(See Paragraph 2.9 of this Circular for further details.)

RESOLUTION 2: THE PROPOSED UNDERWRITTEN RENOUNCEABLE RIGHTS ISSUE (ORDINARY RESOLUTION)

Overview of the Underwritten Renounceable Rights Issue

The Manager intends to issue 1,157,372,000 Rights Units, based on the Rights Ratio, at the Rights Issue Price so as to raise gross proceeds of approximately S$983.8 million to partially fund the Acquisition and associated costs.

Use of Proceeds of the Rights Issue

The Rights Issue will raise gross proceeds of approximately S$983.8 million and net proceeds of approximately S$976.3 million.

The amount of gross proceeds to be raised from the Rights Issue is based on the assumption that 1,157,372,000 Rights Units will be issued. The actual number of Rights Units to be issued under the Rights Issue will be higher if and when additional Units are issued on or prior to the Rights Issue Books Closure Date. Additional Units will be issued to the Manager for the payment of its management fees for the quarter ended 30 September 2011.

The Manager intends to use the gross proceeds of approximately S$983.8 million from the Rights Issue in the following manner:

(a) approximately S$976.3 million (which is equivalent to 99.2% of the gross proceeds of the Rights Issue) will be used to partially fund the Acquisition and associated costs;

(b) approximately S$4.8 million (which is equivalent to 0.5% of the gross proceeds of the Rights Issue) will be used to pay the estimated fees and expenses incurred or to be incurred by K-REIT in connection with the Rights Issue; and

(c) approximately S$2.7 million (which is equivalent to 0.3% of the gross proceeds of the Rights Issue) will be used to pay the estimated fees and expenses incurred or to be incurred by K-REIT in connection with the Debt Financing.

(See Paragraph 3.2 of this Circular for further details.)

Rationale for the Rights Issue

Fund the Acquisition

The Manager intends to utilise the proceeds of the Rights Issue to partially fund the Acquisition and associated costs.

Provide Eligible Unitholders with pro rata entitlement to Rights Units

The Rights Issue would provide Eligible Unitholders with the opportunity to subscribe for their *pro rata* entitlement to the Rights Units at the Rights Issue Price of S$0.85 which is at a discount of approximately 17.5% to the last traded price of S$1.03 per Unit as at 17 October 2011 (the "**Last Traded Price**") and which also represents a discount of approximately 10.3% to the TERP (as defined herein) of S$0.947 per Unit.

Eligible Unitholders who do not wish to subscribe for their provisional allotments of Rights Units may choose to renounce their provisional allotments in favour of a third party during the "nil-paid" rights trading period. In addition, Eligible Unitholders are entitled to apply for Excess Rights Units (as defined herein). In the case of Eligible Depositors (as defined herein), they are also able to trade their provisional allotments on the SGX-ST during the "nil-paid" rights trading period. Hence, Eligible Unitholders are given the flexibility to subscribe for or renounce the Rights Units.

Potential increase in trading liquidity of Units

The Rights Issue will increase the number of Units in issue by 1,157,372,000, which is an increase of 85.0% from a total of 1,361,615,122 Units in issue as at the Latest Practicable Date.

The increase in the total number of Units in issue pursuant to the Rights Issue is expected to improve the level of trading liquidity of the Units after the Rights Issue.

(See Paragraph 3.3 of this Circular for further details.)

Keppel Irrevocable Undertakings

To demonstrate their support for K-REIT and the Rights Issue, Keppel Corporation Limited ("**KCL**") and KLL, which together own an aggregate interest of approximately 76.3% of the issued Units through their respective wholly-owned subsidiaries as at the Latest Practicable Date, have each provided the Keppel Irrevocable Undertakings (as defined herein) to the Manager on 17 October 2011, details of which are set out below.

(a) KCL, which owns an interest of approximately 29.9% of the issued Units as at the date of the undertaking (excluding its interest through KLL) through its wholly-owned subsidiary, Keppel Real Estate Investment Pte. Ltd. ("**KREI**"), has irrevocably undertaken to the Manager that, among other things:

    (i) subject to any prohibitions or restrictions imposed by the relevant regulatory authorities (including the SGX-ST), it will vote and/or procure that KREI votes (in respect of all Units beneficially owned by it and/or KREI) in favour of the resolution to approve the Rights Issue; and

    (ii) it will, directly and/or through one or more of its wholly-owned subsidiaries, subscribe and pay in full for KREI's total provisional allotments of Rights Units,

    (the "**KCL Irrevocable Undertaking**"); and

(b) KLL, which owns an interest of approximately 46.4% of the issued Units as at the date of the undertaking through its wholly-owned subsidiaries, K-REIT Asia Investment Pte. Ltd. ("**KRAI**") and the Manager (collectively the "**KLL Subsidiaries**"), has irrevocably undertaken to the Manager that, among other things:

   (i) subject to any prohibitions or restrictions imposed by the relevant regulatory authorities (including the SGX-ST), it will vote and/or procure that the KLL Subsidiaries vote (in respect of all Units beneficially owned by it and/or the KLL Subsidiaries) in favour of the resolution to approve the Rights Issue; and

   (ii) it will, directly and/or through one or more of its wholly-owned subsidiaries, subscribe and pay in full for the KLL Subsidiaries' total provisional allotments of Rights Units,

   (the "**KLL Irrevocable Undertaking**", together with the KCL Irrevocable Undertaking, the "**Keppel Irrevocable Undertakings**").

The obligations of KCL and KLL under the Keppel Irrevocable Undertakings shall cease if, among others, the approval of Unitholders for the Rights Issue is not obtained at the extraordinary general meeting of K-REIT to be held on 10 November 2011 (the "**EGM**") and/or the Rights Issue is not completed by 31 December 2011.

KCL and KLL will not be receiving any sub-underwriting fees for undertaking to subscribe for KREI's and the KLL Subsidiaries' total provisional allotments of Rights Units respectively.

In conjunction with the Keppel Irrevocable Undertakings, a commercial bank has confirmed to the SGX-ST that each of KCL and KLL has sufficient financial resources for utilisation by it to satisfy the aggregate subscription sum for KREI's and the KLL Subsidiaries' respective provisional allotments of Rights Units.

(See Paragraph 3.6 of this Circular for further details.)

Underwriting of the Rights Issue

The Joint Managers and Underwriters have agreed with the Manager to underwrite the total number of Rights Units less the Units to be subscribed under the Keppel Irrevocable Undertakings (the "**Keppel Proportionate Rights Units**") up to a maximum of 273,999,540 Rights Units (the "**Balance Rights Units**"), in equal proportions, severally and not jointly, on the terms of and subject to the conditions of a management and underwriting agreement (the "**Management and Underwriting Agreement**") entered into between the Manager and the Joint Managers and Underwriters on 17 October 2011. For the avoidance of doubt, in the event that any new Units are issued on or after the date of the Management and Underwriting Agreement as payment of the Manager's management fees for the quarter ended 30 September 2011 and on or prior to the Rights Issue Books Closure Date and provisional allotments of Rights Units are made in respect of such Units, such Rights Units shall not form part of the Balance Rights Units and shall not be underwritten by the Joint Managers and Underwriters. The Joint Managers and Underwriters will be entitled to management fees of approximately S$1.0 million and underwriting commissions of 1.5% of the Rights Issue Price multiplied by the Balance Rights Units, together with any applicable goods and services tax payable thereon.

It should be noted that the Management and Underwriting Agreement may be terminated upon the occurrence of certain events, including those of a *force majeure* nature, but the Joint Managers and Underwriters are not entitled to rely on *force majeure* to terminate the Management and Underwriting Agreement after ex-rights trading commences, in compliance with Rule 818 of the Listing Manual.

(See Paragraph 3.6 of this Circular for further details.)

Manager Lock-up

The Manager has agreed with the Joint Managers and Underwriters that it will not, in its capacity as manager of K-REIT, without the prior written consent of the Joint Managers and Underwriters (such consent not to be unreasonably withheld or delayed), directly or indirectly cause K-REIT to:

(a) offer, issue, sell, contract to issue or sell, grant any option to purchase any Units or any securities convertible into or exchangeable for Units or which carry rights to subscribe for or purchase Units;

(b) enter into a transaction (including a derivative transaction) with a similar economic effect to the foregoing; or

(c) publicly announce any intention to do any of the above,

from the date of the Management and Underwriting Agreement until the date falling 90 days from (and including) the date on which the Rights Units are listed on the SGX-ST, other than as required by applicable laws and regulations. The restrictions set out above shall not apply to (i) the Rights Units to be offered under the Rights Issue and (ii) any Units to be issued to the Manager or its related corporation in full or part payment of the Manager's fees under the Trust Deed.

(See Paragraph 3.7 of this Circular for further details.)

Excess Rights Units

Eligible Unitholders are entitled to apply for Rights Units represented by the provisional allotments (a) of (i) Eligible Unitholders who decline, do not accept, and elect not to renounce or sell their provisional allotments of Rights Units under the Rights Issue (during the "nil-paid" rights trading period prescribed by the SGX-ST) and/or (ii) Ineligible Unitholders (as defined herein) which have not been sold during the "nil-paid" rights trading period or (b) that have not been validly taken up by the original allottees, renouncees of the provisional allotments or the purchasers of the "nil-paid" rights (collectively, the "**Excess Rights Units**").

KCL or KLL may directly and/or through their wholly-owned subsidiaries, at their absolute discretion, choose (but shall not be obligated) to apply for Excess Rights Units.

In the allotment of Excess Rights Units, preference will be given to the rounding of odd lots, followed by allotment to the Unitholders who are neither Substantial Unitholders (as defined herein) nor Directors (as defined herein). Directors and Substantial Unitholders (including KCL and KLL, and their wholly-owned subsidiaries) who have control or influence over K-REIT in connection with the day-to-day affairs of K-REIT or the terms of the Rights Issue, or have representation (direct or through a nominee) on the board of Directors will rank last in priority for the rounding of odd lots and in the allotment of Excess Rights Units.

(See Paragraph 3.8 of this Circular for further details.)

Status of Rights Units

The Rights Units will, upon allotment and issue, rank *pari passu* in all respects with the existing Units in issue as at the date of issue of the Rights Units, including the right to any distributions which may accrue for the period from 1 July 2011 to 31 December 2011 as well as all distributions thereafter.

(See Paragraph 3.9 of this Circular for further details.)

INDICATIVE TIMETABLE

The timetable for the events which are scheduled to take place after the extraordinary general meeting (the "**EGM**") of Unitholders to be held to approve the matters set out in the notice of EGM (the "**Notice of EGM**") is indicative only and is subject to change at the Manager's absolute discretion. Any changes (including any determination of the relevant dates) to the timetable will be announced.

Event		**Date and Time**
Last date and time for lodgement of Proxy Forms	:	8 November 2011 at 3.00 p.m.
Date and time of the EGM	:	10 November 2011 at 3.00 p.m.

If approvals for the Acquisition and the Rights Issue are obtained at the EGM

Last day of "cum-rights" trading	:	11 November 2011
First day of "ex-rights" trading	:	14 November 2011
Date on which the Transfer Books and Register of Unitholders of K-REIT will be closed to determine the provisional allotments of Eligible Unitholders under the Rights Issue	:	16 November 2011 at 5.00 p.m.
Despatch of Offer Information Statement to Eligible Unitholders	:	21 November 2011
Commencement of "nil-paid" rights trading	:	21 November 2011
Last day of "nil-paid" rights trading	:	29 November 2011
Last day for acceptance/application of and payment for Rights Units/Excess Rights Units and close of the Rights Issue	:	5 December 2011
Expected date of issue of Rights Units	:	12 December 2011
Expected date of commencement of trading of Rights Units on the SGX-ST	:	13 December 2011
Expected Completion Date	:	No later than 31 December 2011

K-REIT ASIA

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

Directors	***Registered Office***
Professor Tsui Kai Chong (Chairman and Non-Executive Independent Director) Mr Kevin Wong Kingcheung (Deputy Chairman and Non-Executive Director) Ms Ng Hsueh Ling (Chief Executive Officer and Executive Director) Dr Chin Wei-Li, Audrey Marie (Non-Executive Independent Director) Mrs Lee Ai Ming (Non-Executive Independent Director) Mr Tan Chin Hwee (Non-Executive Independent Director) Mr Tan Swee Yiow (Alternate Director to Mr Kevin Wong Kingcheung)	1 HarbourFront Avenue #18-01 Keppel Bay Tower Singapore 098632

19 October 2011

To: Unitholders of K-REIT Asia

Dear Sir/Madam

1. SUMMARY OF APPROVALS SOUGHT

The Manager is convening the EGM to seek the approval of Unitholders in respect of the proposed Acquisition and the proposed Rights Issue. Approvals by way of Ordinary Resolutions are required in respect of the resolutions relating to the proposed Acquisition (Ordinary Resolution 1) and the proposed Rights Issue (Ordinary Resolution 2).

The Acquisition and the Rights Issue are expected to provide Unitholders with a forecast of approximately 2.3% DPU accretion for the Forecast Year 2012 from 7.00 cents before adjusting for the Rights Issue and the Acquisition to 7.16 cents after adjusting for the the Rights Issue and the Acquisition. The Acquisition will be DPU accretive and is in line with K-REIT's objective of delivering stable and sustainable returns to Unitholders.

The Manager expects to proceed with the Acquisition and the Rights Issue if approvals for both Ordinary Resolutions are obtained from Unitholders. In the event that Unitholders' approval for the Acquisition is not obtained, the Manager will not proceed with the Rights Issue.

2. THE PROPOSED ACQUISITION

2.1 Description of the Property

Ocean Financial Centre is a landmark 43-storey premium Grade A office development located at the Raffles Place and Marina Bay precincts in the heart of Singapore's CBD. It is currently one of the largest and newest premium office buildings in the CBD. Designed by world-renowned architectural firm Pelli Clarke Pelli, Ocean Financial Centre is conveniently connected to the Raffles Place MRT interchange station and is highly accessible via public transport.

The Property provides a view of the Marina Bay area, and is in close proximity to the Marina Bay Sands integrated resort, One Fullerton, The Esplanade — Theatres on the Bay, and other lifestyle and entertainment amenities in the downtown area.

The Property will comprise an office tower with a car park and retail podium when completed. OFC Phase 1 received its temporary occupation permits on 14 March 2011 and 29 April 2011. It comprises approximately 81,471.0 sqm of NLA. As at 15 September 2011, 79.6% of the total NLA has been pre-committed by tenants. Some of the key office tenants at Ocean Financial Centre include established corporations such as the Australia and New Zealand Banking Group, BNP Paribas, Drew & Napier LLC, Stamford Law Corporation, The Executive Centre and Verizon Communications.

OFC Phase 2 is targeted for completion by end-2012. The car park podium will comprise a total of 222 car park lots. There will be retail space on the ground and basement levels comprising approximately 744.2 sqm of NLA as well as an underground passageway connecting the Property to the passageway linking to the Raffles Place MRT interchange station.

The Property is situated on a site with a 999-year leasehold title that commenced from 22 June 1862 and approximately 90 sqm of the basement area (which connects the Property to the passageway linking to the Raffles Place MRT interchange station) is situated on a site with a 99-year leasehold title that commenced from 13 June 2001. K-REIT intends to acquire approximately 87.51% of the issued share capital of OPPL for a period of 99 years from the Completion Date in connection with the Acquisition.

OPPL and One Raffles Quay Pte Ltd (which is, directly or indirectly, owned in aggregate by the Trustee, HSBC Institutional Trust Services (Singapore) Limited in its capacity as trustee of Suntec Real Estate Investment Trust and Hongkong Land International Holdings Limited, with one-third interest each) ("**ORQPL**") had entered into a sale and purchase agreement dated 25 February 2011 pursuant to which OPPL will acquire the residue of ORQPL's interest in respect of the approximately 90 sqm basement area under the State lease. Pending completion of the sale and purchase, the basement area is currently licensed to OPPL under a license and agreement to sell dated 25 February 2011.

The Property holds the distinction of being the first office development in Singapore to be awarded the Platinum Green Mark Award by the Building and Construction Authority. The Property was also awarded the Solar Pioneer Award, Platinum Level LEED award and Best Green Development (Future) Award at the 2009 Cityscape Asia Real Estate Awards for its environmentally sustainable features. The Property boasts an energy-efficient hybrid chilled air-conditioning system as well as an innovative paper recycling system for all offices.

The Property is also one of the first commercial buildings to benefit from having additional GFA of approximately 1,776.8 sqm for its lighting initiative and approximately 1,847.4 sqm for its art initiative under the Urban Redevelopment Authority's lighting and art incentive schemes. These schemes incentivise owners of buildings in the CBD to incorporate art and artistic lighting in the planning and design of their buildings.

(See **Appendix A** of this Circular for further details about the Property.)

2.2 Independent Valuations

The Manager has commissioned an independent property valuer, Savills, and the Trustee has commissioned an independent property valuer, Knight Frank, to value the open market value of approximately 87.51% interest of the Property. The open market value of the approximate 87.51% interest of the Property as at 15 September 2011 is S$2,054.0 million and S$2,050.0 million by Savills and Knight Frank in their respective reports. The valuations by Savills and Knight Frank both take into account the Rental Support to be provided by the Vendor as well as the 99-year ownership by the Trustee.

2.3 Details of the SPA

On 17 October 2011, the Trustee entered into the SPA to acquire approximately 87.51% of the issued share capital of OPPL for a period of 99 years from the Completion Date with the Vendor and the Guarantor. OPPL owns the Property. The obligations of the Vendor to the Trustee under the SPA are guaranteed by the Guarantor.

The SPA includes, among others, the following conditions precedent:

(a) the approval of Unitholders for the Acquisition;

(b) the approval of shareholders of KLL for the divestment of the equity interest in OPPL to K-REIT;

(c) the Management and Underwriting Agreement not being terminated by the Joint Managers and Underwriters for *force majeure* or the occurrence of market disruption events equivalent to *force majeure;* and

(d) there being no material damage or compulsory acquisition of the whole or any part of the Property on or before the Completion Date.

The Completion Date is expected to be no later than 31 December 2011, subject to fulfilment of the conditions precedent under the SPA.

The principal terms of the SPA include, among others, the following:

(i) Terms of the Rental Support

As the Property is a recently completed development, the Vendor will provide Rental Support to K-REIT for a period from the Completion Date to 31 December 2016 for vacant spaces, fitting-out periods where rents and maintenance charges will not be received, as well as for leases which are at lower-than-market rental rates as these leases were contracted during the recovery phase of the global financial crisis. These leases are expected to be revised to prevailing market rates when they expire or at the next rent review dates.

Pursuant to the foregoing, in the event the Actual OFC Net Property Income (as defined below) of the First Period (as defined below) and each Quarterly Period (as defined below), whichever is applicable, falls below the relevant Guaranteed Income Amount (as defined below) applicable, the Vendor will pay to the Trustee an amount equivalent to the Vendor's Shareholding Proportion (as defined herein) of the difference between the Guaranteed Income Amount and the Actual OFC Net Property Income for that First Period or Quarterly Period, together with any goods and services tax and any income tax payable (together, the "**Top-Up Payment**"), provided that the aggregate of all Top-Up Payments shall not in any event exceed S$170.0 million.

Period	Guaranteed Income Amount
First Period (commencing from Completion Date and ending on 31 December 2011)	S$10,179,625
Each Quarterly Period in each calendar year ending on 31 March, 30 June, 30 September and 31 December for the period commencing from year 2012 till year 2016.	S$30,538,874

"**Actual OFC Net Property Income**" means all income accruing or resulting from the operation of the Property in accordance to the SPA less all costs and expenses incurred in the maintenance, management and operation of the Property in accordance with the SPA for the First Period or the Quarterly Period (as the case may be).

The Top-Up Payments (excluding goods and services tax) expected to be received by K-REIT for the First Period and for the Forecast Year 2012 are S$6.8 million and S$67.2 million respectively.

In arriving at the Top-Up Payments, the Manager has assumed that the vacant office spaces would be progressively leased from the current occupancy of approximately 79.6% as at 15 September 2011 and is expected to achieve full occupancy by mid-2013. The projected OFC Net Property Income levels for the First Period and the Forecast Year 2012 are S$3,772,426 and S$58,408,020 respectively. The Manager has also assumed there is no income from the retail space under OFC Phase 2 for the financial year ending 31 December 2011 and the Forecast Year 2012 as OFC Phase 2 is targeted for completion by end-2012.

The Actual OFC Net Property Income together with the Top-Up Payments (excluding goods and services tax) translates to an income level which is within the market range of comparable properties that both the Independent Market Consultant and the Independent Valuers have stated in their respective reports.

The Rental Support is fully guaranteed by the Guarantor, a wholly-owned subsidiary of KLL, which has an NTA of S$202.5 million as at 31 December 2010.

The board of Directors of the Manager is of the view that the provision of the Rental Support is beneficial to K-REIT as it will provide income stability for a period from the Completion Date to 31 December 2016.

(ii) Project Development Costs

The Vendor agrees that the Acquisition is made on the basis that it shall bear in the Vendor's Shareholding Proportion of all costs (including legal costs), expenses, charges and amounts incurred and payable by OPPL for the purpose of or in connection with the development and completion of OFC Phase 1 and OFC Phase 2 as set out under the terms of the SPA.

2.4 Option Deed

The Acquisition is based on K-REIT acquiring a 99-year interest of approximately 87.51% equity interest in OPPL. On Completion Date, the Trustee shall by executing the Option Deed, grant to the Option Holder the Call Option, pursuant to which the Option Holder shall have the right to acquire the Option Interest for S$1.00, such option to be exercisable only after expiry of a period of 99 years after the Completion Date (the "**Relevant Period**"). Any stamp duty payable upon such exercise of the Call Option which is prescribed under the applicable law as payable by the Option Holder, as transferee, shall be borne by the Option Holder.

The transaction is structured in this manner to reflect the consideration for the Acquisition which is premised on OPPL holding the Property with only a 99-year lease term and not a 999-year lease term.

The principal terms of the Option Deed include, among others, the following:

(a) the Trustee undertaking to and with the Option Holder that, throughout the period commencing on the Completion Date until the completion of the Option Holder's exercise of the Call Option, the Trustee:

  (i) shall not, without the prior written consent of the Option Holder (such consent not to be unreasonably withheld), create or allow to be created any encumbrance over, all or any part of the Option Interest;

  (ii) shall not sell, transfer or otherwise dispose of the legal or beneficial interest in all or any part of the Option Interest to any person unless the Option Holder's right of first refusal conferred under the Option Deed has lapsed and the Trustee agrees to procure that the new transferee executes a novation deed under which such transferee agrees to be bound by the Option Deed as if an original party to the Option Deed in place of the Trustee;

  (iii) shall procure that OPPL or OPLLP (as defined herein) (as the case may be) shall not sell, transfer or dispose of all or any part of its interest in the Property, directly or indirectly unless with the prior written consent of the Option Holder;

  (iv) shall procure that the aggregate financial indebtedness of OPPL or OPLLP (as the case may be) shall not at any time exceed 60.0% of the value of the Property, and the aggregate financial indebtedness which is secured by the Property shall not at any time exceed 60.0% of the value of the Property; and

  (v) shall incorporate the provisions of sub-paragraphs (ii) to (iv) above into the provisions of the Limited Liability Partnership Agreement, and any amendments to such provisions shall be subject to the prior written consent of the Option Holder;

(b) in the event that the Trustee desires to transfer the Option Interest:

  (i) the Trustee shall give to the Option Holder notice in writing of such desire, which notice shall specify (i) the price fixed by the Trustee for the sale of the Option Interest, (ii) the other prescribed terms and conditions of such sale (if any) and (iii) the identity of the person to whom the Trustee proposes to transfer the Option Interest. The transfer notice shall constitute an offer by the Trustee for the sale of the Option Interest to the Option Holder at the price fixed by the Trustee and on the prescribed terms (if any) (the "**Trustee's Offer**"), and shall not be revocable;

  (ii) if the Option Holder gives notice accepting the Trustee's Offer within 30 days after the Option Holder's receipt of the transfer notice (the "**Offer Period**"), the Trustee shall be bound to transfer the Option Interest to the Option Holder at the time and place specified in the acceptance notice by the delivery of such documents as the Option Holder may require for the purpose of transferring the Option Interest in favour of the Option Holder (or as it may direct), provided that completion of such transfer shall be conditional upon all relevant regulatory approvals as well as KLL's shareholders' and/or Unitholders' approvals which may then be required in respect of such transfer having been obtained; and

(iii) if the Option Holder does not accept the Trustee's Offer within the Offer Period or completion in respect of the Trustee's Offer does not take place within 120 days after the date of the acceptance notice, during the six months following the expiry of the Offer Period, the Trustee shall be entitled to sell all (and not some only) of the Option Interest to the buyer or AIPL and no other party at any price (not being less than the price fixed by the Trustee) and on terms not more favourable to the buyer or AIPL than the prescribed terms (if any);

(c) if any of certain specified event, which include, among others:

(i) a breach of any provision of the Option Deed;

(ii) K-REIT, OPPL or OPLLP (as the case may be) being insolvent or unable to pay its debts when they fall due, or stopping payment on any of its debts;

(iii) any step is taken by a person (other than the Option Holder or its related corporations) with more than 50.0% voting rights in K-REIT, or OPPL or OPLLP (as the case may be) with a view to winding up K-REIT, OPPL or OPLLP (as the case may be); or

(iv) a resolution being passed by the Unitholders (other than the Option Holder or its related corporations) which has the effect to terminate K-REIT,

occurs anytime during the 99 years after the Completion Date, the Option Holder shall have the right to procure OPPL to take the necessary steps to carve out and grant the Reversionary Interest to the SPV and in this case, OPPL will still retain the title over the Property for the remainder of the Relevant Period. Pending the grant and registration of the Reversionary Interest, the Option Holder may exercise the Call Option and require the transfer of the Option Interest to it, whereupon the Option Holder shall procure OPPL to create the Reversionary Interest.

Any stamp duty payable for the grant of the Reversionary Interest, which is prescribed under the applicable law as payable by the SPV, as transferee, shall be borne by the SPV and any stamp duty payable for the transfer of the Option Interest, which is prescribed under the applicable law as payable by the Option Holder, as transferee of the Option Interest, shall be borne by the Option Holder.

If the Reversionary Interest is created within the Specified Period, the Option Interest shall be re-transferred to K-REIT. Any stamp duty payable for this re-transfer of the interest of the remainder of the Relevant Period, which is prescribed under the applicable law as payable by the transferee, shall be borne by K-REIT. If the Reversionary Interest is not created within the Specified Period, the Option Interest shall not be re-transferred to K-REIT and, the Option Holder shall (within 15 business days after the expiry of the Specified Period) pay to K-REIT the net tangible asset value of the Option Interest as at the date of expiry of the Specified Period but with adjustments for (i) a market valuation (based on the average of two valuations, each determined by an internationally recognised property valuer firm commissioned by K-REIT and the Option Holder respectively) of the Property as if OPPL has a lease for the remainder of the Relevant Period and (ii) any cash distributions made by OPPL to its members after the occurrence of a specified event. There are no intangible assets at the OPPL level.

Other costs (other than stamp duty which is prescribed under the applicable law as payable by the transferee) upon the occurrence of the specified event shall be borne by K-REIT (or its successor-in-title if it is insolvent or terminated); and

(d) in the event that any notification, proposal, scheme or order for the compulsory acquisition of the whole or any part of the Property by the Government of Singapore occurs while the Option Deed is still subsisting and in force, any compensation received from the relevant authorities would be apportioned between the Trustee and the Option Holder in accordance with the terms of the Option Deed.

The Trustee shall pay, or procure the payment, to the Option Holder, an amount determined by an agreed mathematical formula, which is based on the Option Holder's Shareholding Proportion and the average of two valuations (each determined by an approved valuer commissioned by the Option Holder and the Trustee respectively) of (i) the market value of the Property as at the date of notice of the compulsory acquisition as if the Property had a leasehold title commencing from the date of the notice of the compulsory acquisition to the remaining term of the Relevant Period and (ii) the market value of the Property as at the date of notice of the compulsory acquisition taking into account the entire remaining term of the leasehold title under the State lease.

2.5 Project Management Agreement

OPPL had entered into a project management agreement with Keppel Land International Pte Limited (the "**Project Manager**") in relation to the development of the Property (including the OFC Phase 2) (the "**Project Management Agreement**") until its completion. The fees payable to the Project Manager will be included in the project development costs and borne by the Vendor for the Vendor's Shareholding Proportion in accordance with the SPA.

2.6 Conversion

The Trustee and AIPL have agreed, post-Completion Date, OPPL shall apply to the Accounting and Corporate Regulatory Authority of Singapore to convert itself into a LLP pursuant to the Limited Liability Partnerships Act, Chapter 163A of Singapore, with the name "Ocean Properties LLP" ("**OPLLP**"). The partners of OPLLP shall consist of the Trustee and AIPL, and any person or persons to whom the Trustee or AIPL may properly transfer their interest in OPLLP pursuant to the provisions of the Limited Liability Partnership Agreement, to be executed post-Completion Date. The percentage interest of the Trustee and AIPL in OPLLP as at the date of entering into the Limited Liability Partnership Agreement shall be approximately 87.51% and 12.49% respectively. The principal activity of OPLLP shall be that of property investment. The terms of the Limited Liability Partnership Agreement would include the principal terms as set out in sub-paragraphs 2.4(a)(ii) to (iv) and will govern the relationship between the Trustee and AIPL in the LLP.

The Inland Revenue Authority of Singapore ("**IRAS**") has issued an advance tax ruling to the Manager to confirm that:

(a) the Conversion will not result in an income tax liability for OPPL with respect to the transfer and vesting of the Property in OPLLP;

(b) an election under section 24 of the Income Tax Act, Chapter 134 of Singapore (the "**Income Tax Act**") can be made for qualifying plant and machinery that OPPL will transfer to and vest in OPLLP as a result of the Conversion; and

(c) K-REIT, being a REIT as defined in the Income Tax Act, will be entitled to tax transparency treatment under section 43(2) and section 43(2A) of the Income Tax Act on its share in the taxable income of OPLLP.

It was announced in the Singapore Budget 2011 that stamp duty relief would be given for transfer of chargeable assets pursuant to the conversion of an existing company to a limited liability partnership on or after 19 February 2011, subject to conditions. The Manager has written to the Commissioner of Stamp Duties on 18 July 2011 to seek in-principle approval that relief from stamp duty will be granted for the transfer of chargeable assets arising from the Conversion. This is still being processed by the IRAS.

2.7 Total Acquisition Cost

The Purchase Consideration for the approximate 87.51% equity interest in OPPL is based on the Adjusted NTA as at the Completion Date. As at 31 July 2011[3], the estimated Purchase Consideration is S$1,571.3 million, which is derived from:

(a) S$2,013.1 million, being the Agreed Value; less

(b) approximately S$441.8 million, being the adjustments for the approximate 87.51% share of OPPL's borrowings (S$333.2 million), accruals (S$30.3 million) and estimated total development costs (S$78.3 million) for the completion of OFC Phase 2 as at 31 July 2011.

The Purchase Consideration was negotiated on a willing-buyer and willing-seller basis and is payable wholly in cash on the Completion Date. The actual amount of the Purchase Consideration will be determined on the Completion Date.

The Purchase Consideration has been agreed on the basis of an interest in OPPL for a period of 99 years. Any extension of K-REIT's interest beyond the 99-year period will be separately negotiated between the Manager and the Vendor at the appropriate time on an arm's length basis.

The Total Acquisition Cost comprises:

(a) the estimated Purchase Consideration of approximately S$1,571.3 million, which is based on the Agreed Value and after adjustments to arrive at the Adjusted NTA as at 31 July 2011;

(b) the estimated stamp duty, professional fees and other fees and expenses of approximately S$7.6 million incurred and to be incurred by K-REIT in connection with the Acquisition; and

(c) the Acquisition Fee, which amounts to approximately S$20.1 million, payable fully in Units.

As the Acquisition constitutes an "interested party transaction" under the Property Funds Appendix, the Acquisition Fee will be payable fully in the form of Units to the Manager, which shall not be sold within one year from the date of issuance.

2.8 Property Management Agreement

The Property will be managed by the Property Manager. The Property Manager shall be responsible for providing the following services under the Property Management Agreement:

(a) property management and maintenance;

(b) lease administration;

(c) marketing and leasing;

(d) accounting and administration; and

(e) budget preparation.

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[3] The date of the illustrative pro forma balance sheet of OPPL as set out in the SPA.

In consideration of the due performance by the Property Manager of the aforesaid services, OPPL shall pay to the Property Manager:

(i) a management fee equal to 3.0% of the property income from the Property;

(ii) in relation to each lease entered into by a tenant, a leasing commission equivalent to:

(A) one month's Gross Rent for securing a lease of two years or more; or

(B) one-half month's Gross Rent for securing a lease of less than two years but at least a year; or

(C) a proportionate part of one-half month's Gross Rent for securing a lease of less than a year.

(iii) in relation to the renewal of each lease, a leasing commission equivalent to:

(A) one-quarter month's Gross Rent for securing a renewal of lease of a year or more; or

(B) a proportionate part of one-quarter month's Gross Rent for securing a renewal of a lease of less than a year.

The Property Manager is currently the property manager of Bugis Junction Towers and the Prudential Tower Property. The fee structure payable by OPPL for the property management of the Property is similar to the fee structure for the property management of Bugis Junction Towers and the Prudential Tower Property and is comparable to the current management fees to the property manager for K-REIT's other properties in Singapore.

2.9 Rationale and Benefits for the Acquisition

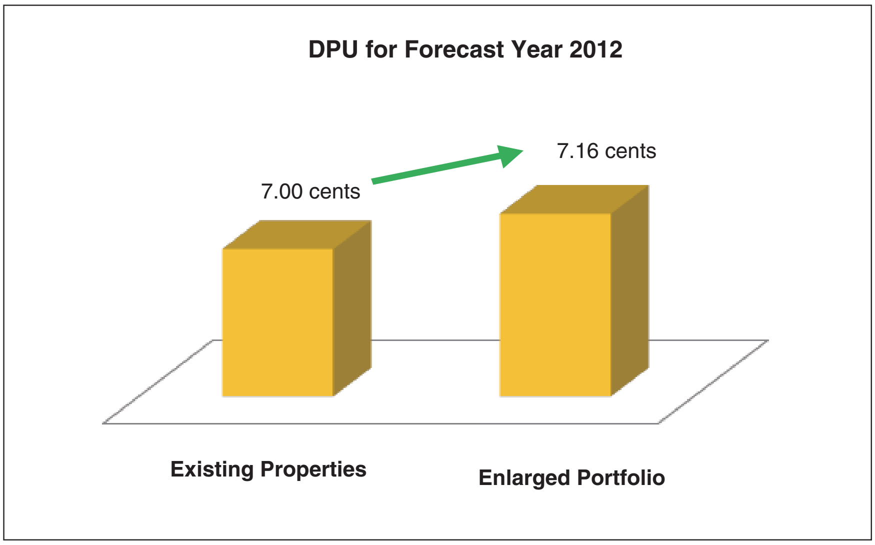
The Manager believes that the Acquisition will bring, among others, the following benefits to Unitholders:

(a) The Acquisition is consistent with K-REIT's investment and growth strategy

The principal investment strategy of K-REIT is to invest in a portfolio of quality income-producing commercial real estate and real estate-related assets in Singapore and pan-Asia. The Manager adopts a pro-active acquisition, portfolio optimisation and renewal strategy to constantly improve the portfolio's asset quality and maintain its market competitiveness. The Acquisition will allow K-REIT to benefit from a resilient cash flow generated from a premium Grade A office building with quality specifications. Post-Acquisition, K-REIT's income will be generated from eight premium Grade A and Grade A commercial properties within the CBDs of Singapore, Brisbane and Sydney. In this respect, the Manager believes the Acquisition will enhance K-REIT's overall portfolio quality and market competitiveness.

(b) **Enhance portfolio distribution to Unitholders**

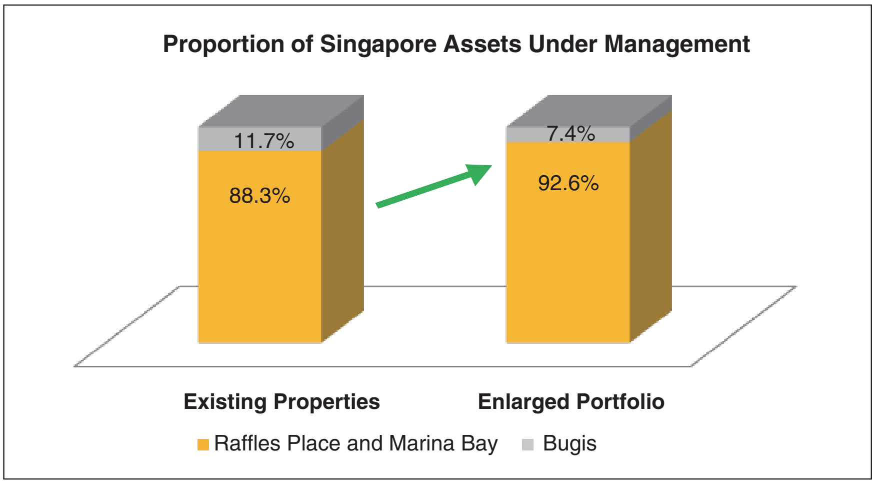
Based on the assumptions set out in **Appendix B** of this Circular, the Acquisition is expected to be accretive to K-REIT's DPU. Unitholders will enjoy a higher forecast DPU of 7.16 cents for the Forecast Year 2012 after adjusting for the Rights Issue and the Acquisition, which is approximately 2.3% higher than the forecast DPU of 7.00 cents for the Forecast Year 2012 before adjusting for the Rights Issue and the Acquisition, based on K-REIT's existing property portfolio.



(c) **Enhance portfolio quality and strengthen branding in the Raffles Place and Marina Bay precincts**

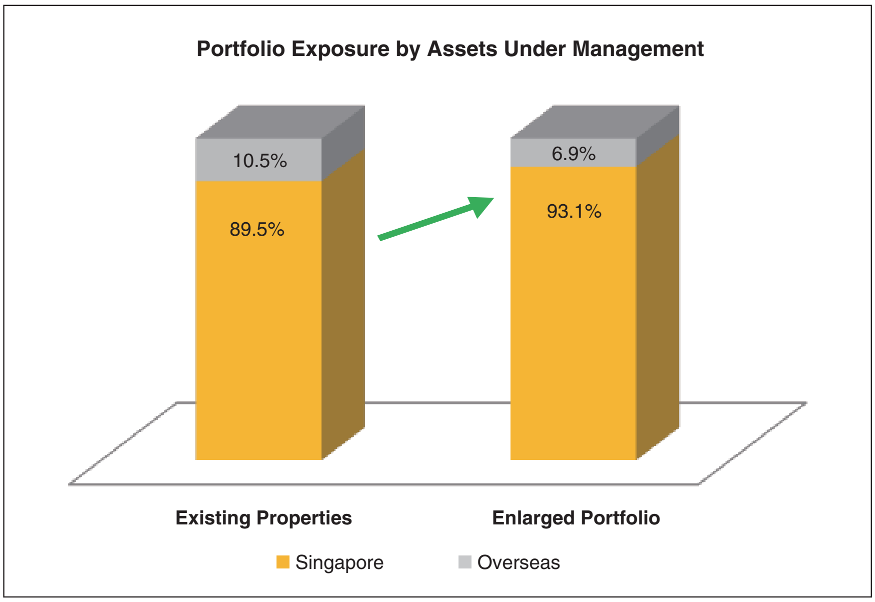
The Acquisition will allow K-REIT to own one of Singapore's newest and largest premium office assets situated at the intersection of Raffles Place and the new downtown at Marina Bay. In recent years, the Raffles Place and Marina Bay precincts have become the epicentre of prime commercial real estate in Singapore as newer and higher quality office buildings have been completed or are slated to be completed in these areas.

Together with the MBFC Interest, the ORQ Interest and the Prudential Tower Property, the Acquisition will strengthen K-REIT's branding as a key landlord with premium office assets in the Raffles Place and Marina Bay precincts. Post-Acquisition, the proportion of K-REIT's portfolio of properties in Singapore located in the Raffles Place and Marina Bay precincts is expected to increase from 88.3% to 92.6% based on the assets under management.



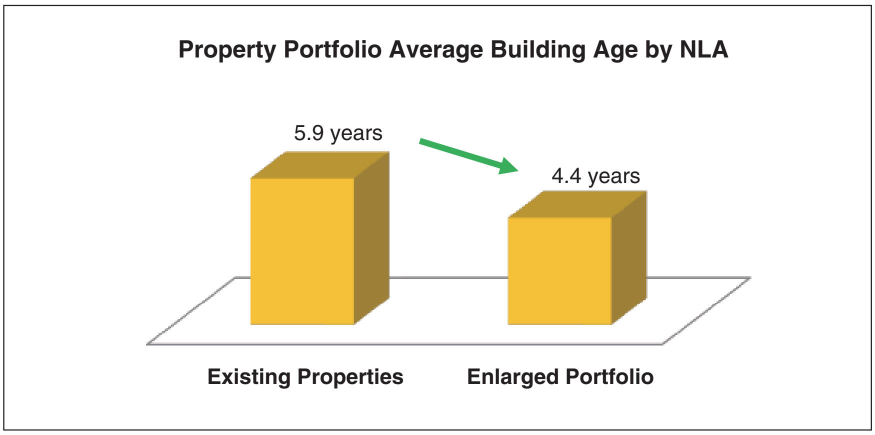
(d) Increase exposure to Singapore office market

The Acquisition will provide Unitholders with increased exposure to the Singapore office market. Post-Completion Date, the proportion of K-REIT's Singapore property portfolio to its entire property portfolio is expected to increase from 89.5% to 93.1% based on its assets under management. According to the Independent Market Consultant, the Singapore office market is expected to be relatively resilient. (See **Appendix G** of this Circular for further details.)



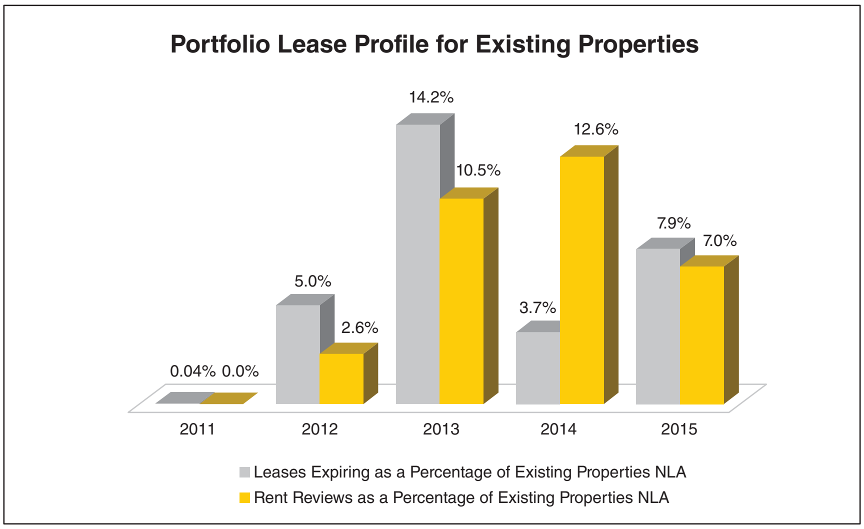
(e) Reduce average age of K-REIT's property portfolio

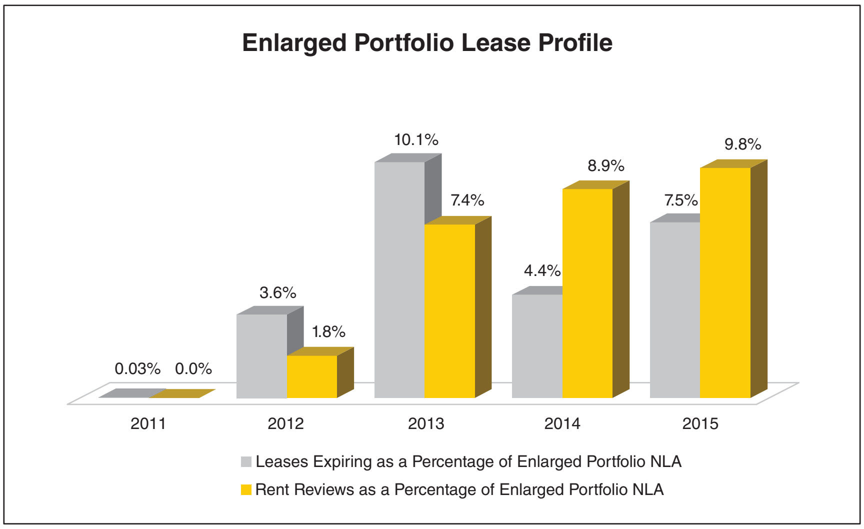
In line with maintaining K-REIT's competitiveness as a key office landlord in Singapore's CBD, the Acquisition is expected to enhance K-REIT's property portfolio by reducing the average age of the properties in the portfolio by NLA from 5.9 years to 4.4 years.



(f) **Improve K-REIT's lease profile**

With the Acquisition, K-REIT's lease profile is well-staggered, with not more than 11.0% of the Enlarged Portfolio by NLA expiring in any one year over the next five years.





The percentage of NLA committed to long-term leases of five years or more will increase from 61.3% to 64.7%. This is expected to enhance K-REIT's cash flow resilience.

In addition, due to the long leases committed in the Property, the Enlarged Portfolio will have a long WALE of approximately 7.0 years, which is longer than typical office leases in Singapore which vary between three to five years.

The WALE of the Enlarged Portfolio's top ten tenants will be approximately 8.3 years, which is also longer than typical market leases of three to five years.

(g) Enhance tenant base with established organisations

K-REIT's portfolio of quality tenants will be enhanced with established corporations which have taken up tenancies at the Property, including the Australia and New Zealand Banking Group, BNP Paribas, Drew & Napier LLC, Stamford Law Corporation, The Executive Centre and Verizon Communications. This will add to K-REIT's existing portfolio of established organisations which include financial institutions and multinational corporations.

(h) Manage K-REIT's aggregate leverage

With proceeds from the Rights Issue and debt borrowings, K-REIT will be able to acquire the Property while maintaining a healthy balance sheet at an appropriate aggregate leverage ratio at the portfolio level.

In accordance with the terms of the SPA, the Vendor will be liable for its share of all project development costs required for the Property to obtain the CSC and K-REIT will not be required to incur any further project development costs. K-REIT's aggregate leverage ratio after the Completion Date will be approximately 41.6%.

The Manager believes that maintaining K-REIT's aggregate leverage at this level is appropriate under the current market conditions.

2.10 Method of Financing

The Manager intends to fund the Acquisition from a combination of:

(a) net proceeds of approximately S$976.3 million from the issue of 1,157,372,000 Rights Units on an underwritten and renounceable basis to Eligible Unitholders based on the Rights Ratio, fractional entitlements to be disregarded, at the Rights Issue Price, and

(b) Debt Financing of approximately S$602.6 million.

2.11 Requirement of Unitholders' Approval

(a) Major Transaction

(i) Chapter 10 of the Listing Manual governs the acquisition or divestment of assets, including options to acquire or dispose of assets, by K-REIT. Such transactions are classified into the following categories:

(A) non-discloseable transactions;

(B) discloseable transactions;

(C) major transactions; and

(D) very substantial acquisitions or reverse takeovers.

(ii) A transaction by K-REIT may fall into any of the categories set out in sub-paragraph 2.11(a)(i) above depending on the size of the relative figures computed on the following bases of comparison:

(A) the net asset value of the assets to be disposed of, compared with K-REIT's NAV;

(B) the net profits attributable to the assets acquired or disposed of, compared with K-REIT's net profits;

(C) the aggregate value of the consideration given or received, compared with K-REIT's market capitalisation; and

(D) the number of Units issued by K-REIT as consideration for an acquisition, compared with the number of Units previously in issue.

Where any of the relative figures computed on the bases set out above exceeds 20.0%, the transaction is classified as a major transaction. The Listing Manual requires that a major transaction involving K-REIT be made conditional upon approval by Unitholders in a general meeting. However, the approval of Unitholders is not required in the case of (aa) an acquisition of profitable assets if only sub-paragraph 2.11(a)(ii)(B) exceeds the relevant 20.0% threshold or (bb) a divestment if the relative figures for sub-paragraph 2.11(a)(ii) do not exceed 50.0%, based on the aggregate disposals in the last twelve months.

The relative figures for the Acquisition using the applicable bases of comparison described in sub-paragraphs 2.11(a)(ii)(B), 2.11(a)(ii)(C) and 2.11(a)(ii)(D) are set out in the table below.

Comparison of	Acquisition	K-REIT	Relative figure (%)
Net profits before tax (S$'million)	2.5[1]	51.4[2]	4.8
Consideration against market capitalisation (S$'million)	2,013.1[3]	1,402.5[4]	143.5
Number of Units issued against number of Units in issue ('000)	1,157,372[5]	1,361,615[6]	85.0

Notes:

(1) The figure is based on the unaudited results of OPPL for the nine-month period ended 30 September 2011.

(2) The figure is based on the unaudited results of K-REIT for the nine-month period ended 30 September 2011.

(3) This represents the Agreed Value. The actual Purchase Consideration will be determined in the manner as set out in Paragraph 2.7 of this Circular.

(4) The figure is based on the Last Traded Price of S$1.03 per Unit on the SGX-ST as at 17 October 2011, the date the SPA was entered into.

(5) The figure is based on the estimated Rights Units to be issued. No Units will be issued to the Vendor as consideration for the Acquisition.

(6) The figure is based on the total number of Units in issue as at the Latest Practicable Date.

As the relative figure for the basis of comparison set out in sub-paragraph 2.11(a)(ii)(C) above exceeds 100.0%, the Manager had submitted an application to the SGX-ST regarding the waiver of Rule 1015 relating to very substantial acquisitions. The reasons for the waiver application were, among others, as follows:

- The Property is a Singapore office asset, which is in the same asset class as all the properties currently held by K-REIT and is the core business of K-REIT;

- The Acquisition is within K-REIT's current investment mandate as it is within the investment strategy of K-REIT to invest in a portfolio of quality income-producing commercial real estate and real estate-related assets in Singapore and pan-Asia;

- The Acquisition is expected to be DPU accretive;

- No change in control of K-REIT;

- The board of Directors of the Manager is of the view that the Acquisition is not expected to change the risk profile of K-REIT and will improve stability of income stream; and

- Historical pro forma financial information of K-REIT and the Property for the financial years ended 31 December 2008, 2009 and 2010 may not be meaningful, representative or accurate for existing Unitholders due to the reasons set out below:

  (i) The Property is a newly constructed building. The office tower which was completed under the first phase received its temporary occupation permits on 14 March 2011 and 29 April 2011. As the Property has just received its temporary occupation permits recently, it has only been in operation for a limited period of time. As at 30 June 2011, the Property has a committed occupancy rate of approximately 79.6%, based on lease agreements signed as of that date. The Property has not achieved a full financial year of operations on a fully stabilised basis as at the date of this Circular. There is accordingly an insignificant amount of historical financial information on the Property which is available to the Manager based on which to construct the pro forma financial information.

  (ii) There were originally two office buildings, namely Ocean Building and Ocean Towers, which were owned by OPPL. Although historical financial statements of OPPL during the Relevant Period are available, they relate only to (A) the demolition of Ocean Building in order to make way for the construction of the office tower of the Property and (B) Ocean Towers, which is currently being demolished to make way for OFC Phase 2 of the Property.

  Historical financial information of OPPL would, as such, not be representative of its operations going forward as (A) OPPL holds the title to the Property, a newly constructed building (and upon completion of OFC Phase 2 of the Property, will hold the title to car park lots and a retail podium) and (B) OPPL's portfolio no longer includes Ocean Building and will also no longer include Ocean Towers after it has been demolished to make way for OFC Phase 2.

  Any historical financial information of OPPL would therefore not be meaningful and potentially misleading to Unitholders as it would not be representative of OPPL's operations for the purposes of historical trend analysis.

In light of the reasons listed above, the SGX-ST has on 31 August 2011 advised that it has no objection to the waiver from Listing Rule 1015 with respect to the Acquisition, subject to K-REIT announcing the waiver granted, the reasons for seeking the waiver and the conditions, if any, of the waiver.

(b) Interested Person Transaction and Interested Party Transaction

Under Chapter 9 of the Listing Manual, where K-REIT proposes to enter into a transaction with an interested person and the value of the transaction (either in itself or when aggregated with the value of other transactions, each of a value equal to or greater than S$100,000, with the same interested person during the same financial year) is equal to or exceeds 5.0% of K-REIT's latest audited NTA, Unitholders' approval is required in respect of the transaction. Based on the K-REIT Audited Financial Statements (as defined herein), the NTA of K-REIT was S$2,018.3 million as at 31 December 2010. Accordingly, if the value of a transaction which is proposed to be entered into in the current financial year by K-REIT with an interested person is, either in itself or in aggregation with all other earlier transactions (each of a value equal to or greater than S$100,000) entered into with the same interested person during the current financial year, equal to or in excess of S$100.9 million, such a transaction would be subject to Unitholders' approval. Given the estimated Purchase Consideration for the Acquisition which is equal to approximately 87.51% the Adjusted NTA value of S$1,571.3 million, taking into account the Agreed Value (which is 77.9% of the NTA of K-REIT as at 31 December 2010), the value of the Acquisition exceeds the said threshold.

Paragraph 5 of the Property Funds Appendix also imposes a requirement for Unitholders' approval for an interested party transaction by K-REIT whose value exceeds 5.0% of K-REIT's latest audited NAV. Based on the K-REIT Audited Financial Statements, the NAV of K-REIT was S$2,055.6 million as at 31 December 2010. Accordingly, if the value of a transaction which is proposed to be entered into by K-REIT with an interested party is equal to or greater than S$102.8 million, such a transaction would be subject to Unitholders' approval. Given the estimated Purchase Consideration for the Acquisition which is equal to approximately 87.51% the Adjusted NTA value of S$1,571.3 million, taking into account the Agreed Value (which is 76.4% of the NAV of K-REIT as at 31 December 2010), the value of the Acquisition exceeds the said threshold.

As at the Latest Practicable Date, KLL held an aggregate indirect interest in 631,828,022 Units, which is equivalent to approximately 46.4% of the total number of Units in issue, and is therefore regarded as a "controlling Unitholder" of K-REIT under both the Listing Manual and the Property Funds Appendix. In addition, as the Manager is a wholly-owned subsidiary of KLL, KLL is therefore regarded as a "controlling shareholder" of the Manager under both the Listing Manual and the Property Funds Appendix.

KCL is also regarded as a "controlling Unitholder" under both the Listing Manual and the Property Funds Appendix. As at the Latest Practicable Date, through KREI and KLL, KCL has an aggregate indirect interest in 1,039,262,470 Units, which comprises approximately 76.3% of the total number of Units in issue, of which 46.4% is held through KLL. KCL is therefore also regarded as a "controlling shareholder" of the Manager under both the Listing Manual and the Property Funds Appendix.

As the Vendor is a wholly-owned subsidiary of KLL, for the purposes of Chapter 9 of the Listing Manual and the Property Funds Appendix, it (being a subsidiary of a "controlling Unitholder" and a "controlling shareholder" of the Manager) is (for the purposes of the Listing Manual) an "interested person" and (for the purposes of the Property Funds Appendix) an "interested party" of K-REIT. Therefore, the Acquisition will each constitute "interested person transactions" under Chapter 9 of the Listing Manual as well as "interested party transactions" under the Property Funds Appendix.

Details of the Existing Interested Person Transactions, which are the subject of aggregation pursuant to Rule 906 of the Listing Manual, may be found in **Appendix F** of this Circular.

2.12 Advice of the Independent Financial Adviser

The Manager has appointed PricewaterhouseCoopers Corporate Finance Pte Ltd as the IFA to advise the independent directors of the Manager (the "**Independent Directors**") and the audit committee of the Manager (the "**Audit Committee**") in relation to the Acquisition. A copy of the letter from the IFA to the Independent Directors and members of the Audit Committee (the "**IFA Letter**"), containing its advice in full, is set out in **Appendix E** of this Circular and Unitholders are advised to read the IFA Letter carefully.

The IFA has discussed the valuation of the approximately 87.51% interest in the Property through the approximately 87.51% of the issued share capital of OPPL (the "**OFC Interest**") with both Independent Valuers and obtained the basis, assumptions and rationale they have considered to arrive at their valuations. After discussion with the Independent Valuers, the IFA noted that the market value of the OFC Interest is higher than the transacted prices and market values on a per square foot basis of other properties highlighted in the IFA letter for the following reasons:

(a) Half of the Transacted Properties (as defined in the IFA letter) were transacted before 2011 when the property market was still in its recovery phase post the global financial crisis. The IFA has shown in the IFA Letter that from 4th quarter 2010 to 2nd quarter 2011 the private property price index for commercial office space from Urban Redevelopment Authority has increased by 8.7%; and

(b) The rental rate achieved, location and quality of the Property are better than the other properties highlighted in the IFA letter. The Property is newly completed and has won several awards including the Platinum Green Mark and the Platinum Level LEED award.

The IFA has also noted that the Agreed Value is approximately 2.0% and 1.8% below the open market values determined by Savills and Knight Frank respectively. Having considered the factors and the assumptions set out in the IFA Letter, and subject to the qualifications set out therein, the IFA is of the opinion that the Acquisition (including the Option Deed and the Rental Support) is based on normal commercial terms and is not prejudicial to the interests of K-REIT and its minority Unitholders.

The IFA is of the opinion that the Independent Directors can recommend that Unitholders vote in favour of the resolution in connection with the Acquisition to be proposed at the EGM.

2.13 Interests of Directors and Substantial Unitholders

As at the Latest Practicable Date, certain directors of the Manager collectively held an aggregate direct and indirect interest in 4,986,976 Units.

Professor Tsui Kai Chong is the chairman and an independent non-executive director of the Manager and an independent non-executive director of KLL. Mr Kevin Wong Kingcheung is the deputy chairman and non-executive director of the Manager and the group chief executive officer and executive director of KLL. Mrs Lee Ai Ming is an independent non-executive director of the Manager and an independent non-executive director of KLL. Mr Tan Swee Yiow is an alternate director to Mr Kevin Wong Kingcheung on the board of the Manager and is a senior executive of KLL.

Based on the Register of Directors' Unitholdings maintained by the Manager, the Directors' direct or deemed interests in the Units as at the Latest Practicable Date are as follows:

Name of Directors	Direct Interest		Deemed Interest		Total no. of Units held	%(1)	Contingent Awards of Units(2) under the Manager's	
	No. of Units	%(1)	No. of Units	%(1)			Performance Unit Plan	Restricted Unit Plan
Tsui Kai Chong	—	—	200,000	0.01	200,000	0.01	—	—
Kevin Wong Kingcheung	2,888,976	0.21	—	—	2,888,976	0.21	—	—
Ng Hsueh Ling	18,000	n.m(3)	—	—	18,000	n.m(3)	0 to 432,000	114,000
Chin Wei-Li, Audrey Marie	200,000	0.01	550,000	0.04	750,000	0.06	—	—
Lee Ai Ming	460,000	0.03	—	—	460,000	0.03	—	—
Tan Chin Hwee	—	—	200,000	0.01	200,000	0.01	—	—
Tan Swee Yiow	470,000	0.03	—	—	470,000	0.03	—	—

Notes:

(1) The percentage is based on 1,361,615,122 Units in issue in K-REIT as at the Latest Practicable Date.

(2) This refers to the number of Units which are the subject of contingent awards granted but not released under the Manager's performance unit plan and restricted unit plan. Based on the achievement factor, the actual release of awards could range from zero to a maximum of 150% under the Manager's performance unit plan and zero or 100% under the Manager's restricted unit plan.

(3) Not meaningful.

The table below sets out the interest in KLL shares which are held by the Directors as at the Latest Practicable Date:

Name of Directors	Direct Interest		Deemed Interest		Total no. of shares held	%(1)	No. of outstanding share options	Contingent Awards of KLL shares(2) under	
	No. of KLL shares	%(1)	No. of KLL shares	%(1)				Performance share plan	Restricted share plan
Tsui Kai Chong	—	—	—	—	—	—	—	—	—
Kevin Wong Kingcheung	2,961,789	0.20	—	—	2,961,789	0.20	551,957	0 to 540,000	103,700
Ng Hsueh Ling	—	—	—	—	—	—	28,000	—	—
Chin Wei-Li, Audrey Marie	—	—	—	—	—	—	—	—	—
Lee Ai Ming	—	—	—	—	—	—	—	—	—
Tan Chin Hwee	—	—	20,000	n.m(3)	20,000	n.m(3)	—	—	—
Tan Swee Yiow	494,478	0.03	—	—	494,478	0.03	587,542	0 to 144,000	44,000

Notes:

(1) The percentage is based on 1,489,849,664 issued shares (excluding treasury shares) of KLL as at the Latest Practicable Date.

(2) This refers to the number of KLL shares which are the subject of contingent awards granted but not released under the KLL's performance share plan and restricted share plan. Based on the achievement factor, the actual release of awards could range from zero to a maximum of 150% under KLL's performance share plan and zero or 100% under KLL's restricted share plan.

(3) Not meaningful.

Based on the Register of Substantial Unitholders' Unitholdings maintained by the Manager, the Substantial Unitholders of K-REIT and their interests in the Units as at the Latest Practicable Date are as follows:

Name of Substantial Unitholders	**Direct Interest**		**Deemed Interest**		**Total no. of Units held**	**%(1)**
	No. of Units	**%(1)**	**No. of Units**	**%(1)**		
Temasek Holdings (Private) Limited(2)	—	—	1,043,762,470	76.66	1,043,762,470	76.66
Keppel Corporation Limited(3)	—	—	1,039,262,470	76.33	1,039,262,470	76.33
Keppel Land Limited(4)	—	—	631,828,022	46.40	631,828,022	46.40
K-REIT Asia Investment Pte. Ltd.	619,713,902	45.51	—	—	619,713,902	45.51
Keppel Real Estate Investment Pte. Ltd.	407,434,448	29.92	—	—	407,434,448	29.92

Notes:

(1) The percentage is based on 1,361,615,122 Units in issue in K-REIT as at the Latest Practicable Date.

(2) The interest of Temasek Holdings (Private) Limited ("**Temasek**") arises from the interests of KCL and DBS Group Holdings Limited, which are associated companies of Temasek.

(3) The interest of KCL arises from its interests in KREI and KLL.

(4) The interest of KLL arises from its interests in KRAI and K-REIT Asia Management Limited.

2.14 Directors' Service Contracts

No person is proposed to be appointed as a director of the Manager in connection with the Transactions or any other transactions contemplated in relation to the Acquisition.

3. THE PROPOSED RIGHTS ISSUE

3.1 The Proposed Rights Issue

The Listing Manual, read together with the Trust Deed, provides that specific prior approval of Unitholders by Ordinary Resolution is required for an issue of new Units on a *pro rata* basis if the number of such new Units (together with any other issue of Units, other than by way of a rights issue offered on a *pro rata* basis to all existing Unitholders, in the same financial year excluding Units issued to the Manager or to its related corporation in payment of the Manager's fees) would, immediately after the issue, exceed 50.0% of the outstanding Units as at 1 January 2011, being the start of the current financial year.

Assuming that K-REIT proceeds with the Rights Issue, it is expected that the number of Rights Units will, immediately after issue, exceed 50.0% of the outstanding Units as at 1 January 2011. Accordingly, the Manager is seeking the approval of Unitholders for the issue of the Rights Units under the Rights Issue.

Approval in-principle has been obtained from the SGX-ST for the Rights Issue and the listing and quotation of the Rights Units on the Main Board of the SGX-ST. The SGX-ST's in-principle approval is not to be taken as an indication of the merits of the Rights Issue, the Rights Units, the Acquisition, K-REIT and/or its subsidiaries, the Manager and/or its subsidiaries. The in-principle approval of the SGX-ST is subject to, among others, the following conditions:

(a) compliance with the SGX-ST's listing requirements; and

(b) approval of Unitholders for the Rights Issue.

The Manager has provided undertakings to the SGX-ST, among others:

(i) to make periodic announcements on the use of the proceeds from the Rights Issue and that it will provide status report on the use of the proceeds from the Rights Issue in the annual report of K-REIT to Unitholders; and

(ii) that in the allotment of any Excess Rights Units, preference will be given to the rounding of odd lots, and the Manager and its Directors and the Substantial Unitholders will rank last in priority.

3.2 Use of Proceeds of the Rights Issue

The Rights Issue will raise gross proceeds of approximately S$983.8 million and net proceeds of approximately S$976.3 million.

The amount of gross proceeds to be raised from the Rights Issue is based on the assumption that 1,157,372,000 Rights Units will be issued. The actual number of Rights Units to be issued under the Rights Issue will be higher if and when additional Units are issued on or prior to the Rights Issue Books Closure Date. Additional Units will be issued to the Manager for the payment of its management fees for the quarter ended 30 September 2011.

The Manager intends to use the gross proceeds of approximately S$983.8 million from the Rights Issue in the following manner:

(a) approximately S$976.3 million (which is equivalent to 99.2% of the gross proceeds of the Rights Issue) will be used to partially fund the Acquisition and associated costs;

(b) approximately S$4.8 million (which is equivalent to 0.5% of the gross proceeds of the Rights Issue) will be used to pay the estimated fees and expenses incurred or to be incurred by K-REIT in connection with the Rights Issue; and

(c) approximately S$2.7 million (which is equivalent to 0.3% of the gross proceeds of the Rights Issue) will be used to pay the estimated fees and expenses incurred or to be incurred by K-REIT in connection with the Debt Financing.

Pending the deployment of the net proceeds from the Rights Issue, the net proceeds from the Rights Issue may, subject to relevant laws and regulations, be deposited with banks and/or financial institutions, or used for any other purpose on a short-term basis as the Manager may, in its absolute discretion, deem fit.

The Manager believes that the net proceeds raised from the Rights Issue will be sufficient to enable K-REIT to meet its funding requirements.

The Manager will announce the utilisation of the proceeds from the Rights Issue as and when these funds are materially disbursed and will provide a status report on the use of proceeds in the annual report of K-REIT to Unitholders.

3.3 Rationale and Benefits for the Rights Issue

The Manager believes that the Rights Issue will bring, among others, the following benefits to Unitholders:

(a) Fund the Acquisition

The Manager intends to utilise the proceeds of the Rights Issue to partially fund the Acquisition and associated costs.

(b) Provide Eligible Unitholders with *pro rata* entitlement to Rights Units

The Rights Issue would provide Eligible Unitholders with the opportunity to subscribe for their *pro rata* entitlement to the Rights Units at the Rights Issue Price of S$0.85 which is at a discount of approximately 17.5% to the Last Traded Price and which also represents a discount of approximately 10.3% to the TERP of S$0.947 per Unit.

Eligible Unitholders who do not wish to subscribe for their provisional allotments of Rights Units may choose to renounce their provisional allotments in favour of a third party during the "nil-paid" rights trading period. In addition, Eligible Unitholders are entitled to apply for Excess Rights Units. In the case of Eligible Depositors, they are also able to trade their provisional allotments on the SGX-ST during the "nil-paid" rights trading period. Hence, Eligible Unitholders are given the flexibility to subscribe for or renounce the Rights Units.

(c) Potential increase in trading liquidity of Units

The Rights Issue will increase the number of Units in issue by 1,157,372,000, which is an increase of 85.0% from a total of 1,361,615,122 Units in issue as at the Latest Practicable Date.

The increase in the total number of Units in issue pursuant to the Rights Issue is expected to improve the level of trading liquidity of the Units after the Rights Issue.

3.4 Principal Terms of the Rights Issue

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

Issue Size	:	The Rights Issue is expected to raise gross proceeds of approximately S$983.8 million and net proceeds of approximately S$976.3 million. The amount of gross proceeds to be raised by the Rights Issue is based on the assumption that 1,157,372,000 Rights Units will be issued. The actual number of Rights Units to be issued under the Rights Issue will be higher if and when additional Units[4] are issued on or prior to the Rights Issue Books Closure Date.
Basis of Provisional Allotments/Rights Ratio	:	Each Eligible Unitholder is entitled to subscribe for 17 Rights Units for every 20 existing Units (fractional entitlements to be disregarded) held as at the Rights Issue Books Closure Date.

[4] Additional Units will be issued to the Manager for the payment of its management fees for the quarter ended 30 September 2011.

Rights Issue Price	:	S$0.85 for each Rights Unit. The Rights Units are payable in full upon acceptance and/or application. The Rights Issue Price represents a discount of approximately: (a) 17.5% to the Last Traded Price; and (b) 10.3% to the TERP of S$0.947 per Unit.
Status of the Rights Units	:	The Rights Units will, upon allotment and issue, rank *pari passu* in all respects with the existing Units in issue as at the date of issue of the Rights Units, including the right to any distributions which may accrue for the period from 1 July 2011 to 31 December 2011 as well as all distributions thereafter.
Eligible Unitholders	:	See the paragraphs under the heading "Eligible Unitholders" below for further details on the eligibility of Unitholders to participate in the Rights Issue as well as the rights of Eligible Unitholders. The procedures for acceptance, excess applications and payment by Eligible Unitholders will be set out in the offer information statement in connection with the Rights Issue to be issued by the Manager to Eligible Unitholders and lodged with the MAS ("**Offer Information Statement**").
Ineligible Unitholders	:	No provisional allotments of Rights Units will be made to Ineligible Unitholders and no purported acceptance thereof or application thereof by Ineligible Unitholders will be valid. Ineligible Unitholders should refer to the paragraphs under the heading "Ineligible Unitholders" below.
Trading of the Rights Units	:	Upon the listing and quotation of the Rights Units on the Main Board 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 purpose 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 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. Eligible Depositors can trade in odd lots of Units in board lots of one Unit each on the Unit Share Market of the SGX-ST. As the Rights Ratio is on a 17 for 20 basis, a temporary counter to allow Unitholders and investors to trade Units in board lots of less than 1,000 Units will be set up.
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 in connection with the Rights Issue to be lodged with the MAS and to be issued and despatched to Eligible Unitholders in due course, subject to, among others, the approval of the Unitholders for the Rights Issue at the EGM.

The Rights Issue is conditional upon, among others, the following:

(a) approval of the Unitholders being obtained at the EGM; and

(b) lodgement of the Offer Information Statement with the MAS.

The Manager has provided undertakings to the SGX-ST to, among others:

(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 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 (A) of (i) Eligible Unitholders who decline, do not accept, and elect not to renounce or sell their provisional allotments of Rights Units under the Rights Issue (during the "nil-paid" rights trading period prescribed by the SGX-ST) and/or (ii) Ineligible Unitholders which have not been sold during the "nil-paid" rights trading period or (B) that have not been validly taken up by the original allottees, renouncees of the provisional allotments or the purchasers of the "nil-paid" rights will be issued to satisfy Excess Rights Units applications as the Manager may, in its absolute discretion, deem fit.

In the allotment of Excess Rights Units, preference will be given to the rounding of odd lots, followed by allotment to the Unitholders who are neither Substantial Unitholders nor Directors. Directors and Substantial Unitholders (including KCL and KLL and their wholly-owned subsidiaries) who have control or influence over K-REIT in connection with the day-to-day affairs of K-REIT or the terms of the Rights Issue, or have representation (direct or through a nominee) on the board of Directors will rank last in priority for the rounding of odd lots and in the allotment of Excess Rights Units.

Eligible Unitholders

Eligible Unitholders comprise Eligible Depositors (as defined herein) and Eligible Scripholders (as defined herein) ("**Eligible Unitholders**").

Eligible Depositors are Unitholders with Units standing to the credit of their Securities Accounts and whose registered addresses with CDP are in Singapore as at the Rights Issue Books Closure Date or who have, at least three Market Days (as defined herein) prior to the Rights Issue Books Closure Date, provided CDP[5] with addresses in Singapore for the service of notices and documents, and such Unitholders who the Manager, on behalf of K-REIT, and the Joint Managers and Underwriters agree, including Eligible QIBs, may be offered Rights Units without breaching applicable securities laws ("**Eligible Depositors**").

[5] The address of CDP is 4 Shenton Way, #02-01 SGX Centre 2, Singapore 068807.

Eligible Scripholders are Unitholders whose Units are not deposited with CDP and who have tendered to the Unit Registrar valid transfers of their Units and/or the documentary evidence evidencing their title in relation thereto for registration up to the Rights Issue Books Closure Date, and whose registered addresses with the Unit Registrar are in Singapore as at the Rights Issue Books Closure Date or who have, at least three Market Days prior to the Rights Issue Books Closure Date, provided the Unit Registrar with addresses in Singapore for the service of notices and documents, and such Unitholders who the Manager, on behalf of K-REIT, and the Joint Managers and Underwriters agree, including Eligible QIBs, may be offered Rights Units without breaching applicable securities laws ("**Eligible Scripholders**").

Eligible Unitholders are at liberty to accept in part or in full or decline to accept their provisional allotments of Rights Units, and/or apply for the Excess Rights Units.

In addition, Eligible Unitholders may also renounce their provisional allotments of Rights Units in favour of a third party during the "nil-paid" rights trading period prescribed by the SGX-ST.

In the case of Eligible Depositors only, they are also able to trade their provisional allotments of Rights Units on the SGX-ST during the "nil-paid" rights trading period prescribed by the SGX-ST.

Unitholders who have subscribed for or purchased Units under the Central Provident Fund Investment Scheme ("**CPFIS**") and/or the Supplementary Retirement Scheme ("**SRS**") can only accept their provisional allotments of Rights Units by instructing the relevant banks in which they hold their CPFIS accounts and/or SRS accounts to do so on their behalf. Any application made directly to CDP or through automated teller machines by such Eligible Unitholders will be rejected.

Unitholders holding Units through a finance company or depository agent may only subscribe for the Rights Units through their respective finance company or depository agent.

Subscription for the Rights Units acquired under the CPFIS Ordinary Account ("**CPFIS-OA**"), where the provision allotments are of a type included under the CPFIS-OA, can only be made using CPF funds. In the event of insufficient CPF funds or stock limit, Unitholders should top-up their CPF funds with the relevant bank in which they hold their CPFIS accounts to ensure that they may subscribe for their Rights Units.

The procedures for acceptance, excess applications and payment by Eligible Unitholders will be set out in the Offer Information Statement.

Ineligible Unitholders

No provisional allotments of Rights Units will be made to Unitholders other than Eligible Unitholders ("**Ineligible Unitholders**") and no purported acceptance thereof or application therefor by Ineligible Unitholders will be valid.

The making of 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 or the Unit Registrar (as the case may be), 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 or the Unit Registrar (as the case may be) with addresses in Singapore for the service of notice and documents and any other evidence of eligibility that the Manager, in its absolute discretion, requires at least three 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 Rights Units and the "nil-paid" rights have not been, and will not be, registered under the Securities Act, or under any securities laws of any state or other jurisdiction of the U.S. and may not be offered, sold, resold, allotted, taken up, exercised, renounced, pledged, transferred or delivered, directly or indirectly, within the U.S. or to or by U.S. persons (as defined in Regulation S) except pursuant to an applicable exemption from, or a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the U.S.. The Rights Units and the "nil-paid" rights may only be offered, sold, resold, allotted, taken up, exercised, renounced, pledged, transferred or delivered, directly or indirectly (i) outside the U.S. in transactions exempt from or not subject to the registration requirements of the Securities Act, or (ii) to Eligible QIBs in reliance on the exemption from the requirements of the Securities Act under Section 4(2) thereof. The Rights Units and the "nil-paid" rights will be offered and sold outside the U.S. to non-U.S. persons in offshore transactions in reliance on Regulation S.

If it is practicable to do so, the Manager may, at its absolute discretion, arrange for the "nil-paid" rights which would otherwise have been allotted to Ineligible Unitholders to be sold "nil-paid" on the SGX-ST as soon as practicable after trading of the "nil-paid" rights commences. Such sales may, however, only be effected if the Manager, in its absolute discretion, determines that a premium can be obtained from such sales, after taking into account expenses to be incurred in connection therewith.

The net proceeds from all such sales, after deduction of all expenses therefrom, will be pooled and thereafter distributed to Ineligible Unitholders in proportion to their respective unitholdings determined as at the Rights Issue Books Closure Date and sent to them by ordinary post at their own risk, provided that where the amount to be distributed to any Ineligible Unitholder is less than S$10.00, the Manager shall be entitled to retain or deal with such net proceeds as the Manager may, in its absolute discretion, deem fit for the sole benefit of K-REIT and no Ineligible Unitholder shall have any claim whatsoever against the Manager, the Joint Managers and Underwriters, the Trustee or CDP in connection herewith.

3.5 Costs of the Rights Issue

If K-REIT proceeds with the Rights Issue, the Manager estimates that K-REIT will have to bear:

(a) management, underwriting and selling commissions, and related expenses payable to the Joint Managers and Underwriters, amounting to approximately S$3.5 million; and

(b) professional and other fees and expenses of approximately S$1.3 million in connection with the Rights Issue,

together with any applicable goods and services tax payable thereon.

3.6 Keppel Irrevocable Undertakings and the Underwriting of the Rights Issue

(a) Keppel Irrevocable Undertakings

To demonstrate their support for K-REIT and the Rights Issue, KCL and KLL, which together own an aggregate interest of approximately 76.3% of the issued Units through their respective wholly-owned subsidiaries as at the Latest Practicable Date, have each provided the Keppel Irrevocable Undertakings to the Manager on 17 October 2011, details of which are set out below.

(i) Pursuant to the KCL Irrevocable Undertaking, KCL, which owns an interest of approximately 29.9% of the issued Units as at the date of the KCL Irrevocable

Undertaking (excluding its interest through KLL) through its wholly-owned subsidiary, KREI, has irrevocably undertaken to the Manager that, among other things:

(A) subject to any prohibitions or restrictions imposed by the relevant regulatory authorities (including the SGX-ST), it will vote and/or procure that KREI votes (in respect of all Units beneficially owned by it and/or KREI) in favour of the resolution to approve the Rights Issue; and

(B) it will, directly and/or through one or more of its wholly-owned subsidiaries, subscribe and pay in full for KREI's total provisional allotments of Rights Units.

(ii) Pursuant to the KLL Irrevocable Undertaking, KLL, which owns an interest of approximately 46.4% of the issued Units as at the date of the KLL Irrevocable Undertaking through the KLL Subsidiaries, has irrevocably undertaken to the Manager that, among other things:

(A) subject to any prohibitions or restrictions imposed by the relevant regulatory authorities (including the SGX-ST), it will vote and/or procure that the KLL Subsidiaries vote (in respect of all Units beneficially owned by it and/or the KLL Subsidiaries) in favour of the resolution to approve the Rights Issue; and

(B) it will, directly and/or through one or more of its wholly-owned subsidiaries, subscribe and pay in full for the KLL Subsidiaries' total provisional allotments of Rights Units.

The obligations of KCL and KLL under the Keppel Irrevocable Undertakings shall cease if, among others, the approval of Unitholders for the Rights Issue is not obtained at the EGM and/or the Rights Issue is not completed by 31 December 2011.

KCL and KLL will not be receiving any sub-underwriting fees for undertaking to subscribe for KREI's and the KLL Subsidiaries' total provisional allotments of Rights Units, respectively.

In conjunction with the Keppel Irrevocable Undertakings, a commercial bank has confirmed to the SGX-ST that each of KCL and KLL has sufficient financial resources for utilisation by it to satisfy the aggregate subscription sum for KREI's and the KLL Subsidiaries' respective provisional allotments of Rights Units.

(b) Underwriting of the Rights Issue

The Joint Managers and Underwriters have agreed with the Manager to underwrite the Balance Rights Units, in equal proportions, severally and not jointly, on the terms of and subject to the conditions of the Management and Underwriting Agreement. For the avoidance of doubt, in the event that any new Units are issued on or after the date of the Management and Underwriting Agreement as payment of the Manager's management fees for the quarter ended 30 September 2011 and on or prior to the Rights Issue Books Closure Date and provisional allotments of Rights Units are made in respect of such Units, such Rights Units shall not form part of the Balance Rights Units and shall not be underwritten by the Joint Managers and Underwriters. The Joint Managers and Underwriters will be entitled to management fees of approximately S$1.0 million and underwriting commissions of 1.5% of the Rights Issue Price multiplied by the Balance Rights Units, together with any applicable goods and services tax payable thereon.

It should be noted that the Management and Underwriting Agreement may be terminated upon the occurrence of certain events, including those of a *force majeure* nature, but the

Joint Managers and Underwriters will not be entitled to rely on *force majeure* to terminate the Management and Underwriting Agreement after the date on which ex-rights trading commences, in compliance with Rule 818 of the Listing Manual.

3.7 Manager Lock-up

The Manager has agreed with the Joint Managers and Underwriters that it will not, in its capacity as manager of K-REIT, without the prior written consent of the Joint Managers and Underwriters (such consent not to be unreasonably withheld or delayed), directly or indirectly cause K-REIT to:

(a) offer, issue, sell, contract to issue or sell, grant any option to purchase any Units or any securities convertible into or exchangeable for Units or which carry rights to subscribe for or purchase Units;

(b) enter into a transaction (including a derivative transaction) with a similar economic effect to the foregoing; or

(c) publicly announce any intention to do any of the above,

from the date of the Management and Underwriting Agreement until the date falling 90 days from (and including) the date on which the Rights Units are listed on the SGX-ST, other than as required by applicable laws and regulations. The restrictions set out above in this Paragraph 3.7 shall not apply to (i) the Rights Units to be offered under the Rights Issue and (ii) any Units to be issued to the Manager or its related corporation in full or part payment of the Manager's fees under the Trust Deed.

3.8 Excess Rights Units

Eligible Unitholders are entitled to apply for Excess Rights Units.

KCL or KLL may directly and/or through their wholly-owned subsidiaries, at their absolute discretion, choose (but shall not be obligated) to apply for Excess Rights Units.

In the allotment of Excess Rights Units, preference will be given to the rounding of odd lots, followed by allotment to the Unitholders who are neither Substantial Unitholders nor Directors. Directors and Substantial Unitholders (including KCL and KLL, and their wholly-owned subsidiaries) who have control or influence over K-REIT in connection with the day-to-day affairs of K-REIT or the terms of the Rights Issue, or have representation (direct or through a nominee) on the board of Directors will rank last in priority for the rounding of odd lots and in the allotment of Excess Rights Units.

3.9 Status of the Rights Units

The Rights Units will, upon allotment and issue, rank *pari passu* in all respects with the existing Units in issue as at the date of issue of the Rights Units, including the right to any distributions which may accrue for the period from 1 July 2011 to 31 December 2011 as well as all distributions thereafter.

Eligible Unitholders who decide not to accept in full their provisional allotments of Rights Units can, where applicable, make arrangements to trade them on the SGX-ST during the "nil-paid" rights trading period, or renounce their provisional allotments of Rights Units in favour of a third party.

For Ineligible Unitholders, the Manager may, at its absolute discretion and if it is practicable to do so, arrange for the "nil-paid" rights which would otherwise have been provisionally allotted to Ineligible Unitholders to be sold "nil-paid" on the SGX-ST as soon as practicable after trading of the "nil-paid" rights commences. Such sales will, however, only be effected if the Manager, in its absolute discretion, determines that the proceeds from such sales will at least cover the expenses to be incurred in relation thereto.

The net proceeds from all such sales, after deduction of all expenses therefrom, will be pooled and thereafter distributed to Ineligible Unitholders in proportion to their respective unitholdings determined as at the Rights Issue Books Closure Date and sent to them by ordinary post at their own risk, provided that where the amount to be distributed to any Ineligible Unitholder is less than S$10.00, the Manager shall be entitled to retain or deal with such net proceeds as the Manager may, in its absolute discretion, deem fit for the sole benefit of K-REIT and no Ineligible Unitholder shall have any claim whatsoever against the Manager, the Joint Managers and Underwriters, the Trustee or CDP in connection herewith.

The Manager is of the view that the above arrangement is fair to existing Unitholders.

4. THE FINANCIAL IMPACT OF THE ACQUISITION AND THE RIGHTS ISSUE

4.1 Pro Forma Financial Effects of the Acquisition and the Rights Issue

FOR ILLUSTRATIVE PURPOSES ONLY: The pro forma financial effects of the Acquisition and the Rights Issue on the net asset value ("**NAV**") per Unit and the DPU presented below are strictly for illustrative purposes and were prepared based on the audited financial statements of K-REIT for FY2010 (the "**K-REIT Audited Financial Statements**") as well as the following assumptions:

(a) net proceeds of approximately S$976.3 million from the issue of 1,157,372,000 Rights Units to Eligible Unitholders in relation to the Rights Issue;

(b) additional borrowings of approximately S$602.6 million taken to finance the Acquisition; and

(c) approximately S$20.1 million of Acquisition Fee, payable to the Manager fully in Units.

4.2 Pro Forma NAV

FOR ILLUSTRATIVE PURPOSES ONLY: The pro forma financial effects of the Acquisition and the Rights Issue on the NAV per Unit as at 31 December 2010, as if the Acquisition and the Rights Issue were completed on 31 December 2010, are as follows:

	Effects of the Acquisition and the Rights Issue	
	Before the Acquisition and the Rights Issue	**After the Acquisition and the Rights Issue**
NAV (S$'000)	2,009,672[(1)]	3,008,751
Issued Units ('000)	1,355,904[(2)]	2,527,553[(3)]
NAV per Unit (S$)	1.48	1.19

Notes:

(1) Adjusted for the distribution paid on 25 February 2011 for the period from 1 July 2010 to 31 December 2010.

(2) Number of Units issued as at 31 December 2010.

(3) Includes (a) 1,157,372,000 Rights Units and (b) approximately 14,277,000 new Units (based on an issue price of S$1.41 per Unit, which is K-REIT's historical closing price on 31 December 2010) issuable as payment of the Acquisition Fee.

4.3 Pro Forma DPU

FOR ILLUSTRATIVE PURPOSES ONLY: The pro forma financial effects of the Acquisition and the Rights Issue on K-REIT's DPU for FY2010, as if K-REIT had completed the Acquisition and the Rights Issue on 1 January 2010, and held and operated the Property through to 31 December 2010, are as follows:

	Effects of the Acquisition and the Rights Issue	
	Before the Acquisition and the Rights Issue	**After the Acquisition and the Rights Issue**
Net profits before tax (S$'000)	112,730	201,615(1)
Distributable Income (S$'000)	85,631	170,729
Issued Units ('000)	1,355,904(2)	2,539,817(3)
DPU (cents)	6.37	6.72

Notes:

(1) Based on OPPL's profits before tax based on its audited financial statements for FY2010, after including Rental Support payment of approximately S$119.4 million for FY2010 and deducting the additional borrowing costs associated with the Debt Financing, the Manager's management fees, amortisation and trust expenses in connection with the Acquisition.

(2) Number of Units issued as at 31 December 2010.

(3) Includes (a) 1,157,372,000 Rights Units, (b) approximately 17,974,000 new Units (based on an issue price of S$1.12 per Unit, which is K-REIT's historical closing price on 4 January 2010, the first market day in FY2010) issuable as payment of the Acquisition Fee and (c) approximately 8,567,000 new Units issuable to the Manager as management fee in relation to the Property.

4.4 Pro Forma Capitalisation

FOR ILLUSTRATIVE PURPOSES ONLY: The following table sets forth the pro forma capitalisation of K-REIT as at 31 December 2010, as if K-REIT had completed the Acquisition and the Rights Issue on 31 December 2010.

	Before the Acquisition and the Rights Issue (S$'000)	**Adjusted for the Acquisition and the Rights Issue (S$'000)**
Short-term debt	—	—
Long-term debt		
Secured debt	422,263	745,648
Unsecured debt	567,669	1,167,600
Total long-term debt	989,932	1,913,248
Total debt	**989,932**	**1,913,248**
Unitholders' funds	**2,009,672**(1)	**3,008,751**
Total Capitalisation	**2,999,604**	**4,921,999**

Note:

(1) Adjusted for the distribution paid on 25 February 2011 for the period from 1 July 2010 to 31 December 2010.

5. THE PROFIT FORECAST

The following tables should be read together with K-REIT's Forecast Consolidated Statement of Total Return and Distributable Income for the Forecast Year 2012 in **Appendix B** of this Circular and the Independent Reporting Accountants' Report on the Profit Forecast in **Appendix C** of this Circular. This Profit Forecast assumes that K-REIT proceeds with and completes the Acquisition and the Rights Issue, among other important assumptions. Actual results may differ from the information as shown in the tables below and in the Profit Forecast in **Appendix B** of this Circular.

Forecast Consolidated Statement of Total Return and Distributable Income

	Forecast(1) Year 2012	
	(Financial year ending 31 December 2012)	
S$'000	**Existing Properties(2)**	**Enlarged Portfolio(3)**
Gross rental income	73,783	152,123
Car park income	1,107	1,107
Other income(4)	137	1,197
Property income	**75,027**	**154,427**
Property tax	(4,807)	(11,763)
Other property expenses	(7,942)	(19,596)
Property management fee	(1,607)	(3,989)
Maintenance and sinking fund contributions	(2,718)	(2,718)
Property expenses	**(17,074)**	**(38,066)**
Net property income	**57,953**	**116,361**
Rental support(5)	9,705	76,915
Share of results of associated/joint venture companies(6)	43,683	43,683
Interest income	27,060	27,060
Amortisation expenses	(6,792)	(62,057)
Borrowing costs	(30,513)	(51,707)
Manager's management fees	(24,056)	(37,533)
Trust expenses	(3,449)	(3,787)
Total return before tax	**73,591**	**108,935**
Income tax expense	(1,716)	(13,142)
Total return after tax	**71,875**	**95,793**
Non-controlling interest	—	(6,142)
Total return after tax and non-controlling interest	**71,875**	**89,651**
<u>Distribution Statement</u>		
Total return after tax and non-controlling interest	**71,875**	**89,651**
Net tax adjustments(7)	24,058	93,648
Income available for distribution	**95,933**	**183,299**
Distribution to Unitholders(8)	**95,933**	**183,299**
Average Units in issue ('000)	**1,370,471(9)**	**2,560,042(10)**
DPU for the period (cents)(11)	**7.00**	**7.16**

Notes:

(1) Based on the assumptions as set out in **Appendix B** of this Circular.

(2) Existing Properties refer to the seven commercial office properties located in Singapore and Australia. In Singapore, these refer to Bugis Junction Towers, the MBFC Interest, the ORQ Interest, and the Prudential Tower Property. In Australia, these refer to the 275 George Street Property in Brisbane, the 77 King Street Property and the 8 Chifley Square Interest, both in Sydney. For the Profit Forecast, it is assumed that the 8 Chifley Square Property will be under development in the Forecast Year 2012 and K-REIT will receive net contribution, mainly from the interest income earned from the convertible notes.

(3) Enlarged Portfolio comprises the Existing Properties and the Property.

(4) Other income relates to revenue from licence fees and other miscellaneous income.

(5) Rental support relates to the rental support payments received by K-REIT for the Prudential Tower Property, the 275 George Street Property, the 77 King Street Property, the MBFC Interest and the Property.

(6) Share of results of associated/joint venture companies refers to the one-third share of ORQPL's, one-third share of BFCDPL's and 50.0% share of M8CT's net profit/(loss) after tax presented as follows:

S$'000	One-third share of ORQPL's results	One-third share of BFCDPL's results	50% share of M8CT's results	Forecast Year 2012 Total
Share of property income	42,833	66,021	—	108,854
Share of property expenses	(10,943)	(15,050)	—	(25,993)
Share of net profit before interest and tax	31,890	50,971	—	82,861
Share of trust expenses	—	—	(20)	(20)
Share of interest expenses	(9,411)	(20,810)	—	(30,221)
Share of net profit/(loss) before tax	22,479	30,161	(20)	52,620
Share of income tax expense	(3,825)	(5,112)	—	(8,937)
Share of net profit/(loss) after tax	18,654	25,049	(20)	43,683

(7) Net tax adjustments relate to non-taxable/deductible (income)/expenses relating to the portion of the Manager's management fees which are payable in the form of Units, straight-lining of rental escalation, amortisation expenses, Trustee fees and other expenses, and adjustments to include dividend income received from ORQPL and BFCDPL.

(8) Distribution to Unitholders is based on 100% of the total income available for distribution.

(9) Includes the Manager's forecast number of Units to be issued as payment for estimated Manager's management fees in Units payable in relation to 3Q and 4Q 2011 and the Forecast Year 2012.

(10) Includes the Manager's forecast number of Units to be issued as payment for the (a) acquisition fees to the Manager, (b) estimated Manager's management fees in Units payable in relation to 3Q and 4Q 2011 and the Forecast Year 2012 and (c) approximately 1,160 million Rights Units.

(11) DPU for the period is computed using Distribution to Unitholders over the average number of Units in issue.

6. RECOMMENDATIONS

6.1 On the Proposed Acquisition

Based on the opinion of the IFA (as set out in the IFA Letter in **Appendix E** of this Circular) and the rationale and benefits for the Acquisition as set out in Paragraph 2.9 above, the Independent Directors believe that the Acquisition would not be prejudicial to the interests of K-REIT and its minority Unitholders.

Accordingly, the Independent Directors recommend that Unitholders vote at the EGM in favour of the Ordinary Resolution to approve the Acquisition (Ordinary Resolution 1). Professor Tsui Kai Chong and Mrs Lee Ai Ming have abstained from making this recommendation as they are directors of the Manager and KLL.

6.2 On the Proposed Rights Issue

Having regard to the rationale for, and benefits of, the Rights Issue as set out in Paragraph 3.3 above, the Manager believes that the Rights Issue would be beneficial to, and is in the interests of K-REIT.

Accordingly, the Manager recommends that Unitholders vote at the EGM in favour of the Ordinary Resolution relating to the issue of Rights Units under the Rights Issue (Ordinary Resolution 2).

7. EXTRAORDINARY GENERAL MEETING

The EGM will be held on 10 November 2011 at 3.00 p.m. at Marina Bay Sands Expo and Convention Centre, Level 3, Hibiscus Main Ballroom (3601A to 3703), 10 Bayfront Avenue, Singapore 018956, for the purpose of considering and, if thought fit, passing with or without modification, the resolutions set out in the Notice of EGM, which is set out on pages I-1 to I-3 of this Circular. The purpose of this Circular is to provide Unitholders with relevant information about the resolutions.

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 as at 48 hours before the time fixed for the EGM.

8. ABSTENTIONS FROM VOTING

As at the Latest Practicable Date, KCL, through KREI and KLL, has a deemed interest in 1,039,262,470 Units, which comprises approximately 76.3% of the total number of Units in issue. Temasek (through the interests of KCL and DBS Group Holdings Limited, which are associated companies of Temasek) has a deemed interest in 1,043,762,470 Units, which comprises approximately 76.7% of the total number of Units in issue.

As the Vendor is a wholly-owned subsidiary of KLL and KLL holds an aggregate indirect interest in approximately 46.4% of the total number of Units in issue, Temasek, KCL and KLL and their associates, including the Manager, will abstain from voting on the Ordinary Resolution 1 in relation to the Acquisition.

For purposes of good corporate governance, as Professor Tsui Kai Chong, Mr Kevin Wong Kingcheung and Mrs Lee Ai Ming, are directors of KLL, and Mr Tan Swee Yiow, is a senior executive of KLL, they will abstain from voting on the Ordinary Resolution 1 in relation to the Acquisition in respect of Units (if any) held by them.

9. 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 Manager's registered office at 1 HarbourFront Avenue, #18-01 Keppel Bay Tower, Singapore 098632 not later than 8 November 2011 at 3.00 p.m., 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.

Persons who have an interest in the approval 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. If a Unitholder (being an independent Unitholder) wishes to appoint any of Professor Tsui Kai Chong, Mr Kevin Wong Kingcheung, Mrs Lee Ai Ming and Mr Tan Swee Yiow as his/her proxy/proxies for the EGM, he/she should give specific instructions in his/her Proxy Form as to the manner in which his/her vote is to be cast in respect of the resolution relating to the Acquisition.

10. DIRECTORS' RESPONSIBILITY STATEMENT

The directors of the Manager collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Acquisition and the Rights Issue, K-REIT and its subsidiaries, and the directors are not aware of any facts the omission of which would make any statement in this Circular misleading, and where this Circular contains a profit forecast, the directors of the Manager are satisfied that the profit forecast has been stated after due and careful enquiry. Where information in this Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the directors of the Manager has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Circular in its proper form and context.

The forecast consolidated financial information set out in Paragraph 5 above and in **Appendix B** of this Circular have been stated by the directors of the Manager after due and careful enquiry.

11. JOINT MANAGERS AND UNDERWRITERS' RESPONSIBILITY STATEMENT

To the best of the Joint Managers and Underwriters' knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Rights Issue contained in Paragraph 3 of this Circular, and the Joint Managers and Underwriters are not aware of any facts the omission of which would make any statement in Paragraph 3 of this Circular misleading.

12. CONSENTS

Each of the IFA (being PricewaterhouseCoopers Corporate Finance Pte Ltd), the Independent Reporting Accountants (being Ernst & Young LLP), the Independent Market Consultant (being DTZ Debenham Tie Leung (SEA) Pte Ltd) and the Independent Valuers (being Knight Frank and Savills) has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name and, respectively, the IFA Letter, the Independent Reporting Accountants' Report on the Profit Forecast, the independent market overview report and the valuation certificates and all references thereto, in the form and context in which they are included in this Circular.

13. DOCUMENTS ON DISPLAY

Copies of the following documents are available for inspection during normal business hours at the registered office of the Manager[6] 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:

(a) the SPA;

(b) the Keppel Irrevocable Undertakings;

(c) the IFA Letter;

(d) the Independent Reporting Accountants' Report on the Profit Forecast;

(e) the valuation report on the Property issued by Knight Frank;

(f) the valuation report on the Property issued by Savills;

(g) the independent market overview report by the Independent Market Consultant;

(h) the K-REIT Audited Financial Statements; and

(i) the written consents of each of the IFA, the Independent Reporting Accountants, the Independent Market Consultant and the Independent Valuers.

The Trust Deed will also be available for inspection at the registered office of the Manager[6] for so long as K-REIT is in existence.

Yours faithfully

K-REIT ASIA MANAGEMENT LIMITED
(Company Registration No. 200411357K)
as manager of K-REIT Asia

Professor Tsui Kai Chong
Chairman and Non-Executive Independent Director

[6] Prior appointment with the Manager (telephone: +65 6835 7477) will be appreciated.

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, the Manager or any of its affiliates. An investment in Units is subject to investment risks, including the possible loss of the principal amount invested.

Investors have no right to request the Manager to redeem their Units while the Units are listed. It is intended that Unitholders may only deal in their Units through trading on the SGX-ST. Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units.

The past performance of K-REIT is not necessarily indicative of the future performance of K-REIT.

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 on the Manager's assumptions as explained in **Appendix B** 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 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 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.

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.

The Rights Units and the "nil-paid" rights have not been, and will not be, registered under the Securities Act, or under any securities laws of any state or other jurisdiction of the U.S. and may not be offered, sold, resold, allotted, taken up, exercised, renounced, pledged, transferred or delivered, directly or indirectly, within the U.S. or to or by U.S. persons (as defined in Regulation S) except pursuant to an applicable exemption from, or a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the U.S.. The Rights Units and the "nil-paid" rights may only be offered, sold, resold, allotted, taken up, exercised, renounced, pledged, transferred or delivered, directly or indirectly (i) outside the U.S. in transactions exempt from or not subject to the registration requirements of the Securities Act, or (ii) to Eligible QIBs in reliance on the exemption from the requirements of the Securities Act under Section 4(2) thereof. The Rights Units and the "nil-paid" rights will be offered and sold outside the U.S. to non-U.S. persons in offshore transactions in reliance on Regulation S.

Unitholders should note that, for the purposes of this Circular and the Rights Issue, Eligible Unitholders are the following:

(a) Unitholders with Units standing to the credit of their Securities Accounts and whose registered addresses with CDP are in Singapore as at the Rights Issue Books Closure Date or who have, at least three Market Days (as defined herein) prior to the Rights Issue Books Closure Date, provided CDP with addresses in Singapore for the service of notices and documents, and such Unitholders who the Manager, on behalf of K-REIT, and the Joint Managers and Underwriters agree, including Eligible QIBs, may be offered Rights Units without breaching applicable securities laws; and

(b) Unitholders whose Units are not deposited with CDP and who have tendered to the Unit Registrar valid transfers of their Units and/or the documentary evidence evidencing their title in relation thereto for registration up to the Rights Issue Books Closure Date, and whose registered addresses with the Unit Registrar are in Singapore as at the Rights Issue Books Closure Date or who have, at least three Market Days prior to the Rights Issue Books Closure Date, provided the Unit Registrar with addresses in Singapore for the service of notices and documents, and such Unitholders who the Manager, on behalf of K-REIT, and the Joint Managers and Underwriters agree, including Eligible QIBs, may be offered Rights Units without breaching applicable securities laws.

GLOSSARY

275 George Street Property	:	K-REIT's 50.0% interest (as a tenant-in-common) in 275 George Street, Brisbane, Australia
77 King Street Property	:	K-REIT's 100% interest in Lots 1, 3, 4 and 5, 77 King Street, Sydney, Australia
8 Chifley Square Interest	:	K-REIT's 50.0% interest in 8 Chifley Square Property through a 50.0% interest in the issued units of M8CT
8 Chifley Square Property	:	The commercial office building to be erected on the land comprised in folio identifier 10/752057 at 8–12 Chifley Square, Sydney, Australia
A$	:	Australian dollars
Acquisition	:	The proposed acquisition of approximately 87.51% equity interest in OPPL for 99 years from the Completion Date
Acquisition Fee	:	The acquisition fee which the Manager will be entitled to receive from K-REIT upon completion of the Acquisition which is payable fully in Units
Actual OFC Net Property Income	:	All income accruing or resulting from the operation of the Property in accordance to the SPA less all costs and expenses incurred in the maintenance, management and operation of the Property in accordance with the SPA for the First Period or the Quarterly Period (as the case may be)
Adjusted NTA	:	The adjusted NTA value of OPPL
Aggregate Leverage	:	The ratio of the value of borrowings and deferred payments (if any) to the value of the Deposited Property
Agreed Value	:	The agreed value of approximately 87.51% interest in the Property of S$2,013.1 million
AIPL	:	Avan Investments Pte Ltd, an unrelated third party and the existing shareholder which owns approximately 12.49% equity interest in OPPL
Audit Committee	:	The audit committee of the Manager
Balance Rights Units	:	The total number of Rights Units less the Keppel Proportionate Rights Units up to a maximum of 273,999,540 Rights Units
BFCDPL	:	BFC Development Pte. Ltd.
Bugis Junction Towers	:	K-REIT's 100.0% 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

Call Option	:	The call option granted by the Trustee on Completion Date to the Vendor pursuant to which the Vendor shall have the right to acquire approximately 87.51% equity interest in OPPL, or OPLLP (as the case may be), or equivalent, after 99 years from the Completion Date
CBD	:	Central Business District
CDP	:	The Central Depository (Pte) Limited
Circular	:	This circular to Unitholders dated 19 October 2011
Completion Date	:	The date the Acquisition is completed
Conversion	:	The conversion of OPPL into a limited liability partnership constituted under the laws of Singapore pursuant to the Limited Liability Partnerships Act, Chapter 163A of Singapore
CPFIS	:	Central Provident Fund Investment Scheme
CSC	:	Certificate of Statutory Completion issued by the Building and Construction Authority under the Building Control Act, Chapter 29 of Singapore
Debt Financing	:	The debt financing of approximately S$602.6 million from financial institutions at an average cost of borrowing of approximately 2.28% per annum
Deposited Property	:	The gross assets of K-REIT, including all its authorised investments held or deemed to be held by the trust under the Trust Deed
Directors	:	The directors of the Manager
DPU	:	Distribution per Unit
EGM	:	The extraordinary general meeting of Unitholders to be held on 10 November 2011 at 3.00 p.m. at Marina Bay Sands Expo and Convention Centre, Level 3, Hibiscus Main Ballroom (3601A to 3703), 10 Bayfront Avenue, Singapore 018956, to approve the matters set out in the Notice of Extraordinary General Meeting on pages I-1 to I-3 of this Circular
Eligible Depositors	:	Unitholders with Units standing to the credit of their Securities Accounts and whose registered addresses with CDP are in Singapore as at the Rights Issue Books Closure Date or who have, at least three Market Days prior to the Rights Issue Books Closure Date, provided CDP with addresses in Singapore for the service of notices and documents, and such Unitholders who the Manager, on behalf of K-REIT, and the Joint Managers and Underwriters agree, including Eligible QIBs, may be offered Rights Units without breaching applicable securities laws

Eligible Scripholders	:	Unitholders whose Units are not deposited with CDP and who have tendered to the Unit Registrar valid transfers of their Units and/or the documentary evidence evidencing their title in relation thereto for registration up to the Rights Issue Books Closure Date and whose registered addresses with the Unit Registrar are in Singapore as at the Rights Issue Books Closure Date or who have, at least three Market Days prior to the Rights Issue Books Closure Date, provided the Unit Registrar with addresses in Singapore for the service of notices and documents, and such Unitholders who the Manager, on behalf of K-REIT, and the Joint Managers and Underwriters agree, including Eligible QIBs, may be offered Rights Units without breaching applicable securities laws
Eligible Unitholders	:	Eligible Depositors and Eligible Scripholders
Eligible QIBs	:	Means beneficial holders of Units, whose identities have been agreed between the Manager and the Joint Managers and Underwriters, who are each a QIB, who have delivered to the Manager and the Joint Managers and Underwriters a signed investor representation letter which is accepted by the Manager and the Joint Managers and Underwriters, and who are also Eligible Unitholders
Enlarged Portfolio	:	Comprises the Existing Properties and the Property
Excess Rights Units	:	The Rights Units represented by the provisional allotments (a) of (i) Eligible Unitholders who decline, do not accept, and elect not to renounce or sell their provisional allotments of Rights Units under the Rights Issue (during the “nil-paid” rights trading period prescribed by the SGX-ST) and/or (ii) Ineligible Unitholders which have not been sold during the “nil-paid” rights trading period or (b) that have not been validly taken up by the original allottees, renouncees of the provisional allotments or the purchasers of the “nil-paid” rights
Existing Interested Person Transactions	:	The transactions with interested persons entered into by K-REIT during the course of the current financial year
Existing Properties	:	Comprising Bugis Junction Towers, the MBFC Interest, the ORQ Interest, the Prudential Tower Property, the 275 George Street Property, the 77 King Street Property and the 8 Chifley Square Interest
First Period	:	Shall have the meaning as defined in Paragraph 2.3 of the Letter to Unitholders
Forecast Year 2012	:	The financial year from 1 January 2012 to 31 December 2012
FY2010	:	Financial year ended 31 December 2010
GFA	:	Gross floor area

Gross Rent	:	Comprises base rental income (after rent rebates, rent-free periods, and adjustments where applicable) and tenant service charge, if any
Gross Rental Income	:	Comprises base rental income (after rent rebates, rent free periods and adjustments where applicable), service charges (Singapore)/recoverable outgoings (Australia), and turnover rent (if applicable)
Guaranteed Income Amount	:	Shall have the meaning as shown in Paragraph 2.3 of the Letter to Unitholders
Guarantor	:	Keppel Land Properties Pte Ltd, a wholly-owned subsidiary of KLL
IFA	:	PricewaterhouseCoopers Corporate Finance Pte Ltd
IFA Letter	:	The letter from the IFA to the Independent Directors and Audit Committee of the Manager containing its advice as set out in **Appendix E** of this Circular
Independent Directors	:	The independent directors of the Manager
Independent Market Consultant	:	DTZ Debenham Tie Leung (SEA) Pte Ltd
Independent Reporting Accountants	:	Ernst & Young LLP
Independent Valuers	:	Savills and Knight Frank
Ineligible Unitholders	:	Unitholders other than Eligible Unitholders
IRAS	:	Inland Revenue Authority of Singapore
Joint Managers and Underwriters	:	DBS Bank Ltd. and United Overseas Bank Limited
K-REIT	:	K-REIT Asia
K-REIT Audited Financial Statements	:	The audited financial statements of K-REIT for the financial year ended 31 December 2010
KCL	:	Keppel Corporation Limited
KCL Irrevocable Undertaking	:	The irrevocable undertaking provided by KCL to the Manager dated 17 October 2011
Keppel Irrevocable Undertakings	:	The KCL Irrevocable Undertaking and the KLL Irrevocable Undertaking

Keppel Proportionate Rights Units	:	The Rights Units in respect of which KCL and KLL have undertaken to subscribe pursuant to the Keppel Irrevocable Undertakings
KLL	:	Keppel Land Limited
KLL Irrevocable Undertaking	:	The irrevocable undertaking provided by KLL to the Manager dated 17 October 2011
KLL Subsidiaries	:	KRAI and the Manager
Knight Frank	:	Knight Frank Pte Ltd
KRAI	:	K-REIT Asia Investment Pte. Ltd., a wholly-owned subsidiary of KLL
KREI	:	Keppel Real Estate Investment Pte. Ltd., a wholly-owned subsidiary of KCL
Last Traded Price	:	The last traded price of S$1.03 per Unit as at 17 October 2011
Latest Practicable Date	:	10 October 2011, being the latest practicable date prior to the printing of this Circular
LEED Award	:	Leadership in Energy and Environmental Design Award for CS (core and shell) pre-certification
Limited Liability Partnership Agreement	:	The limited liability partnership agreement to be entered into between the Trustee and AIPL
Listing Manual	:	The Listing Manual of the SGX-ST
LLP	:	Limited Liability Partnership pursuant to the Limited Liability Partnerships Act, Chapter 163A of Singapore
M8CT	:	Mirvac 8 Chifley Trust
Management and Underwriting Agreement	:	The management and underwriting agreement entered into between the Manager and the Joint Managers and Underwriters on 17 October 2011
Manager	:	K-REIT Asia Management Limited, in its capacity as manager of K-REIT
Market Day	:	A day on which the SGX-ST is open for trading in securities
MAS	:	Monetary Authority of Singapore
MBFC	:	Marina Bay Financial Centre Towers 1 & 2 and Marina Bay Link Mall on Lots 289N, 80006L, 80007C, 80008M, 80009W and 80011M of Town Subdivision 30

MBFC Interest	:	K-REIT's one-third interest in MBFC through a one-third interest in the issued share capital of BFCDPL, excluding the interests in Marina Bay Residences Pte. Ltd.
MRT	:	Mass Rapid Transit
NAV	:	Net Asset Value
NTA	:	Net Tangible Asset
Net Property Income	:	Means the property income less the property expenses
NLA	:	Net Lettable Area
Offer Information Statement	:	The offer information statement to be lodged with the MAS in connection with the Rights Issue
OFC Interest	:	Approximately 87.51% interest in the Property through the approximately 87.51% of the issued share capital of OPPL
OFC Phase 1	:	The office tower of the Property which received temporary occupation permits on 14 March 2011 and 29 April 2011
OFC Phase 2	:	The car park and retail podium of the Property which is currently under development and expected to be completed by end-2012
Offer Period	:	Shall have the meaning as defined in Paragraph 2.4 of the Letter to Unitholders
One Raffles Quay	:	The buildings 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
OPLLP	:	Ocean Properties LLP
OPPL	:	Ocean Properties Pte. Limited
Option Interest	:	The approximate 87.51% equity interest in OPPL, or equivalent, which the Option Holder has the right to acquire for S$1.00 pursuant to the Option Deed
Option Deed	:	The option deed to be executed on the Completion Date by the Trustee granting the Vendor the Call Option
Option Holder	:	The Vendor, in its capacity as option holder of the Option Deed

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
ORQ Interest	:	K-REIT's one-third interest in One Raffles Quay through a one-third interest in the issued share capital of ORQPL, the assignment to K-REIT of Boulevard Development Pte Ltd's rights, title and interest in a shareholder's loan to ORQPL
ORQPL	:	One Raffles Quay Pte Ltd
Partnership Income	:	100.0% of OPLLP's total profits less approximately 12.49% non-controlling interests
Profit Forecast	:	The forecast of (a) the Existing Properties and (b) the Enlarged Portfolio together with the accompanying key assumptions and sensitivity analysis as set out in **Appendix B** of this Circular
Project Management Agreement	:	The project management agreement entered into between OPPL and the Project Manager on 22 November 2007
Project Manager	:	Keppel Land International Limited
Property or **OFC**	:	The whole of Lot 340P of Town Subdivision 1 comprising a leasehold title held under the Property State Lease and comprised in the Certificate of Title Volume 99 Folio 42, together with the building(s) erected thereon and known as "Ocean Financial Centre", located at 10 Collyer Quay Singapore 049315 and including all plant and equipment located thereat
Property Funds Appendix	:	The guidelines for real estate investment trusts issued by the MAS as Appendix 6 of Code on Collective Investment Schemes by the MAS
Property Income	:	Comprises Gross Rental Income, car park income and other income
Property Management Agreement	:	The property management agreement entered into between OPPL and Keppel Land International Limited dated 29 September 2011 which will be novated to the Property Manager on the Completion Date
Property Manager	:	K-REIT Asia Property Management Pte Ltd
Property Tax	:	Property tax shall refer to property tax payable in Singapore and land tax payable in Australia

Prudential Tower Property	:	K-REIT's approximately 92.8% of the strata area of the Prudential Tower building comprised in the whole of Strata Lots U403C TS 1, U405W 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, U412A TS 1, U421M TS 1, U413K TS 1, U423V TS 1, U422W TS 1, U424P TS 1, U425T TS1, U426A TS1, U427K TS1, U428N TS1,U429X TS1, U430K TS 1, U431N TS 1, U432X TS 1 and U433L TS 1 comprising SSCT Vol. 589 Fol. 161 to 168 and Fol. 170 to 191
Purchase Consideration	:	The purchase consideration for the Acquisition which shall be equal to approximately 87.51% of the Adjusted NTA, taking into account the Agreed Value
QIBs	:	"Qualified Institutional Buyers" within the meaning of Rule 144A of the Securities Act
Quarterly Period	:	Shall have the meaning as defined in Paragraph 2.3 of the Letter to Unitholders
REIT	:	Real Estate Investment Trust
Relevant Period	:	Shall have the meaning as defined in Paragraph 2.4 of the Letter to Unitholders
Rental Support	:	The rental support provided by the Vendor to K-REIT, details of which are set out in Paragraph 2.3 of the Letter to Unitholders
Reversionary Interest	:	The remaining tenure of the Property less the 99 years (from the Completion Date) which shall be transferred to the Vendor in the event of any specified event referred to in Paragraph 2.4(c) of the Letter to Unitholders
Rights Issue	:	The proposed issue of new Units on an underwritten and renounceable basis to Eligible Unitholders
Rights Issue Books Closure Date	:	The books closure date in respect of the Rights Issue, to be determined by the Manager
Rights Issue Price	:	S$0.85 being the issue price per Rights Unit
Rights Ratio	:	The ratio of 17 Rights Units to be issued for every 20 existing Units (fractional entitlements to be disregarded)
Rights Units	:	The new Units proposed to be issued by way of the Rights Issue
S$ and **cents**	:	Singapore dollars and cents
Savills	:	Savills Valuation and Professional Services (S) Pte Ltd
Securities Account	:	Unitholders' securities accounts with CDP

Securities Act	:	U.S. Securities Act of 1933, as amended
SGX-ST	:	Singapore Exchange Securities Trading Limited
SPA	:	The conditional sale and purchase agreement entered into between the Trustee, the Vendor and the Guarantor on 17 October 2011
sqm	:	Square metre
SRS	:	Supplementary Retirement Scheme
Substantial Unitholder	:	A person with an interest in Units constituting not less than 5.0% of the total number of Units in issue
Temasek	:	Temasek Holdings (Private) Limited
TERP	:	The theoretical ex-rights price which is calculated as follows:

$$\text{TERP} = \frac{\text{Market capitalisation of K-REIT based on the Last Traded Price + Gross proceeds from the Rights Issue}}{\text{Units outstanding after the Rights Issue}}$$

Top-Up Payment	:	Shall have the meaning as defined in Paragraph 2.3 of the Letter to Unitholders
Total Acquisition Cost	:	The aggregate of the Purchase Consideration, the estimated stamp duty, professional and other fees and expenses incurred by K-REIT in connection with the Acquisition and the Acquisition Fee
Trust Deed	:	The trust deed dated 28 November 2005 constituting K-REIT, as supplemented by a first supplemental deed dated 2 February 2006, a second supplement deed dated 17 March 2006, a third supplemental deed dated 30 July 2007, a fourth supplemental deed dated 17 October 2007, a fifth supplemental deed dated 19 January 2009, a sixth supplemental deed dated 16 April 2009 and a first amending and restating deed dated 19 April 2010, all entered into between the Trustee and the Manager, as amended, varied, or supplemented from time to time
Trustee	:	RBC Dexia Trust Services Singapore Limited, in its capacity as trustee of K-REIT
Trustee's Offer	:	Shall have the meaning as defined in Paragraph 2.4 of the Letter to Unitholders
Unit	:	A unit representing an undivided interest in K-REIT

Unitholder	:	The registered holder for the time being of a Unit, including person(s) so registered as joint holders, except 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
Unit Registrar	:	Boardroom Corporate & Advisory Services Pte. Ltd.
U.S.	:	United States of America
Vendor	:	Straits Property Investments Pte Ltd, a wholly-owned subsidiary of KLL
Vendor's Shareholding Proportion	:	Shall mean $\frac{62682000}{71630170}$, being the fraction representing the number of ordinary shares held by the Vendor in OPPL
WALE	:	Weighted average lease expiry
%	:	Per centum or Percentage

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, graphs and charts between the listed amounts and totals thereof are due to rounding. Where applicable, figures and percentages are rounded to one decimal place.

DETAILS OF THE PROPERTY, THE EXISTING PROPERTIES AND THE ENLARGED PORTFOLIO

1. THE PROPERTY

1.1 Description of the Property

Ocean Financial Centre is a landmark 43-storey premium Grade A office development located at the Raffles Place and Marina Bay precincts in the heart of Singapore's CBD. It is currently one of the largest and newest premium office buildings in the CBD. Designed by world-renowned architectural firm Pelli Clarke Pelli, Ocean Financial Centre is conveniently connected to the Raffles Place MRT interchange station and is highly accessible via public transport.

The Property provides a view of the Marina Bay area, and is in close proximity to the Marina Bay Sands integrated resort, One Fullerton, The Esplanade – Theatres on the Bay, and other lifestyle and entertainment amenities in the downtown area.

The Property will comprise an office tower with a car park and retail podium when completed. OFC Phase 1 received its temporary occupation permits on 14 March 2011 and 29 April 2011. It comprises approximately 81,471.0 sqm of NLA. As at 15 September 2011, 79.6% of the total NLA has been pre-committed by tenants. Some of the key office tenants at Ocean Financial Centre include established corporations such as the Australia and New Zealand Banking Group, BNP Paribas, Drew & Napier LLC, Stamford Law Corporation, The Executive Centre and Verizon Communications.

OFC Phase 2 is targeted for completion by end-2012. The car park podium will comprise a total of 222 car park lots. There will be retail space on the ground and basement levels comprising approximately 744.2 sqm of NLA as well as an underground passageway connecting the Property to the passageway linking to the Raffles Place MRT interchange station.

The Property is situated on a site with a 999-year leasehold title that commenced from 22 June 1862 and approximately 90 sqm of the basement area (which connects the Property to the passageway linking to the Raffles Place MRT interchange station) is situated on a site with a 99-year leasehold title that commenced from 13 June 2001. K-REIT intends to acquire approximately 87.51% of the issued share capital of OPPL for a period of 99 years from the Completion Date in connection with the Acquisition.

OPPL and ORQPL had entered into a sale and purchase agreement dated 25 February 2011 pursuant to which OPPL will acquire the residue of ORQPL's interest in respect of the approximately 90 sqm basement area under the State lease. Pending completion of the sale and purchase, the basement area is currently licensed to OPPL under a license and agreement to sell dated 25 February 2011.

The Property holds the distinction of being the first office development in Singapore to be awarded the Platinum Green Mark Award by the Building and Construction Authority. The Property was also awarded the Solar Pioneer Award, Platinum Level LEED award and Best Green Development (Future) Award at the 2009 Cityscape Asia Real Estate Awards for its environmentally sustainable features. The Property boasts an energy-efficient hybrid chilled air-conditioning system as well as an innovative paper recycling system for all offices.

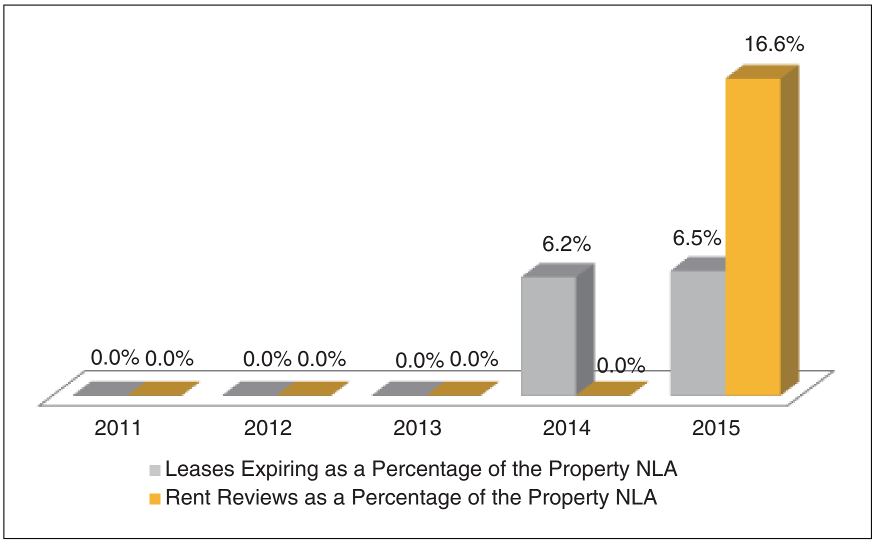
The Property is also one of the first commercial buildings to benefit from having additional GFA of approximately 1,776.8 sqm for its lighting initiative and approximately 1,847.4 sqm for its art initiative under the Urban Redevelopment Authority's lighting and art incentive schemes. These schemes incentivise owners of buildings in the CBD to incorporate art and artistic lighting in the planning and design of their buildings.

The table below sets out a summary of selected information on the Property:

Site Area	Approximately 6,109.0 sqm
NLA	Approximately 82,215.2 sqm
Committed Occupancy	Approximately 79.6% as at 15 September 2011
Number of Tenants	23 as at 15 September 2011
Valuation	S$2,054.0 million (Savills) as at 15 September 2011 S$2,050.0 million (Knight Frank) as at 15 September 2011

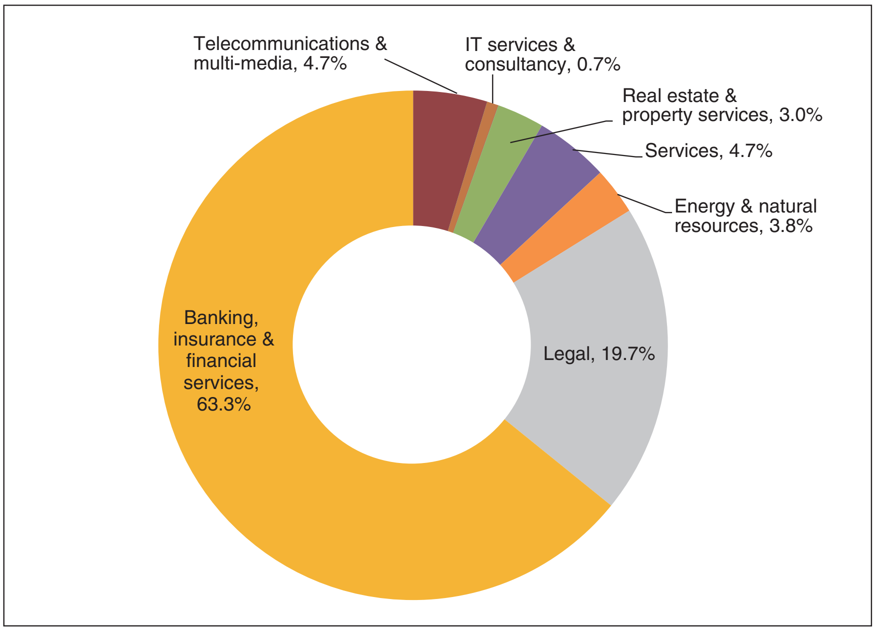
1.2 Lease Profile of the Property as at 30 September 2011

The graph below illustrates the lease profile of the Property by NLA.



1.3 Business Sector Analysis for the Property as at 30 September 2011

The chart below provides a breakdown by NLA of the different business sectors represented in the Property.



2. EXISTING PROPERTIES

The table below sets out selected information about the Existing Properties as at 30 September 2011.

	Bugis Junction Towers	MBFC Interest	ORQ Interest	Prudential Tower Property	275 George Street Property	77 King Street Property	8 Chifley Square Interest[3]
Attributable NLA (sqm)	22,876	54,089	41,353	20,744	20,874	13,752	9,555
Ownership interest	100.0%	33.3%	33.3%	92.8%	50.0%	100.0%	50.0%
Number of tenants	11	80	29	35	9	16	Not Applicable
Title	Leasehold estate of 99 years expiring on 9 September 2089	Leasehold estate of 99 years expiring on 10 October 2104	Leasehold estate of 99 years expiring on 12 June 2100	Leasehold estate of 99 years expiring on 14 January 2095	Freehold	Freehold	Leasehold estate of 99 years expiring on 5 April 2105
Valuation (S$ million)	410.5[1]	1,513.0[1]	1,099.0[1]	477.4[1]	225.9[1],[2]	148.1[1],[2]	194.5[2],[4]
Committed Occupancy (%)	100.0	98.5	100.0	94.1	100.0	88.0	Not Applicable

Notes:

(1) Valuation as at 1 October 2011 based on K-REIT's interest in the respective properties.

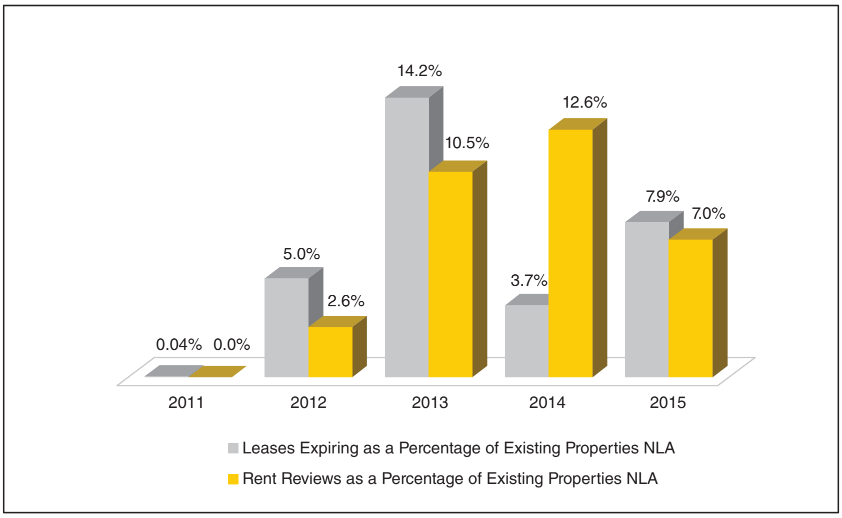
(2) Based on exchange rate of A$1.00 = S$1.255 is used for the valuation of 275 George Street Property, 77 King Street Property and 8 Chifley Square Interest.

(3) The 8 Chifley Square Interest was acquired on 28 July 2011. The 8 Chifley Square Property is currently under construction and is expected to be completed in the third quarter of 2013.

(4) Valuation as at 12 July 2011 based on completed basis.

2.1 Lease Profile for the Existing Properties as at 30 September 2011

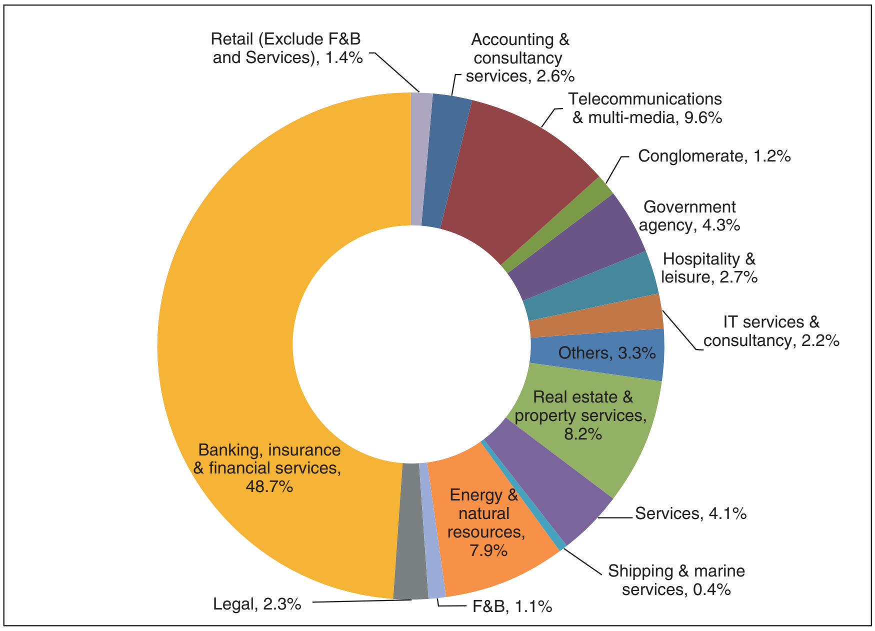
The graph below illustrates the portfolio lease profile of the Existing Properties by NLA.



Note: The lease profile for the Existing Properties excludes the 8 Chifley Square Property which is currently under construction.

2.2 Business Sector Analysis for Existing Properties as at 30 September 2011

The chart below provides a breakdown by NLA of the different business sectors represented in the Existing Properties.



Note: The business sector analysis for the Existing Properties excludes the 8 Chifley Square Property which is currently under construction.

2.3 Top Ten Tenants for the Existing Properties as at 30 September 2011

The table below sets out the selected information about the top ten tenants of the Existing Properties by NLA.

Property	Top Ten Tenants	Percentage of Leased NLA
Bugis Junction Towers	International Enterprise Singapore	53.2%
Bugis Junction Towers	Keppel Land International Limited	
MBFC Interest	Barclays Capital Service Limited Singapore Branch	
MBFC Interest	BHP Billiton Marketing Asia Pte Ltd	
MBFC Interest	Standard Chartered Bank	
ORQ Interest	The Royal Bank of Scotland N.V.	
ORQ Interest	Deutsche Bank Aktiengesellschaft	
ORQ Interest	UBS AG	
275 George Street Property	Queensland Gas Company Limited	
275 George Street Property	Telstra Corporation Limited	

3. ENLARGED PORTFOLIO

The table below sets out selected information on the Enlarged Portfolio as at 30 September 2011 (unless otherwise indicated).

Existing	Properties	OFC Interest	Enlarged Portfolio
Attributable NLA (sq m)	173,688[(2)]	71,945	245,633[(2)]
Number of Tenants[(1)]	175[(2)]	23[(5)]	196[(2)]
Valuation (S$ million)	3,909.5[(3),(4)]	2,013.1 (based on Agreed Value)	5,922.6[(3),(4)]
Committed Occupancy (%)	97.9%[(2)]	79.6%[(5)]	92.5%[(2)]

Notes:

(1) Tenants located in more than one Property are accounted as one tenant when computing the total number of tenants.

(2) Excludes the 8 Chifley Square Interest which is under construction.

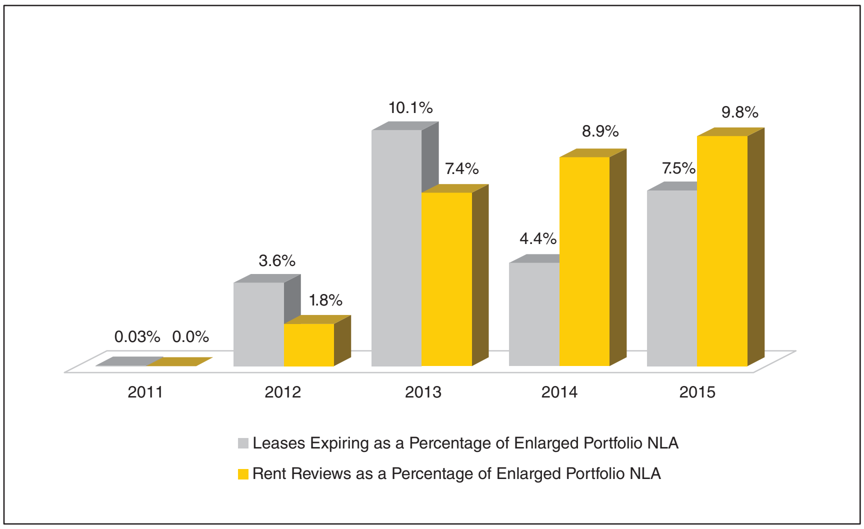
(3) The Valuation is based on K-REIT's interest in the respective properties as at 1 October 2011 except for the 8 Chifley Square Interest, which is accounted for based on K-REIT's investment costs in M8CT and OFC Interest, which is based on the Agreed Value.

(4) Based on exchange rate of A$1.00 = S$1.255 is used for the valuation of 275 George Street Property, 77 King Street Property and 8 Chifley Square Interest.

(5) As at 15 September 2011.

3.1 Lease Profile for the Enlarged Portfolio as at 30 September 2011

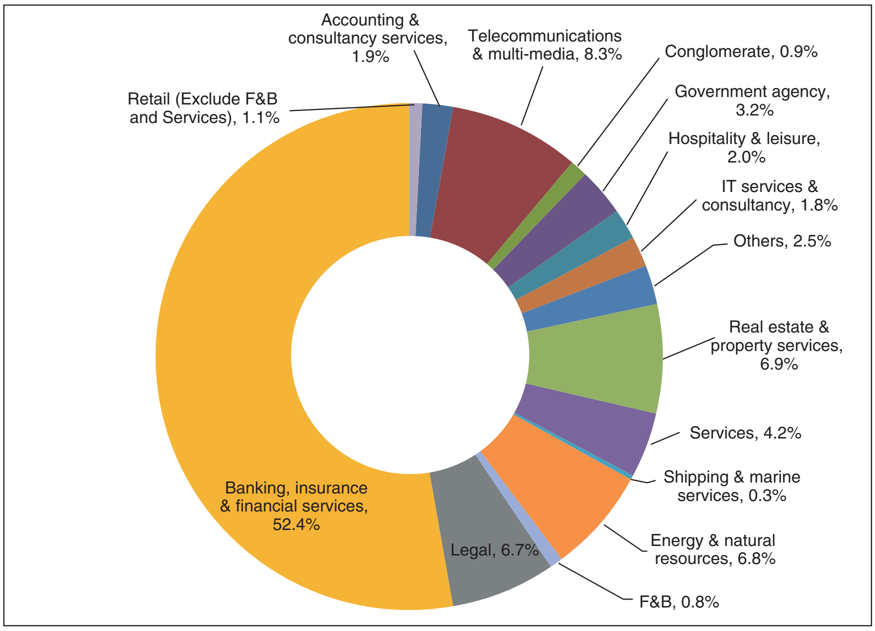
The graph below illustrates the lease profile of the Enlarged Portfolio by NLA.



Note: The lease profile for the Enlarged Portfolio excludes 8 Chifley Square Property which is currently under construction.

3.2 Business Sector Analysis for Enlarged Portfolio as at 30 September 2011

The chart below provides a breakdown by NLA of the different business sectors represented in the Enlarged Portfolio.



Note: The business sector analysis for the Enlarged Portfolio excludes the 8 Chifley Square Property which is currently under construction.

3.3 Top Ten Tenants for the Enlarged Portfolio as at 30 September 2011

The table below sets out the selected information about the top ten tenants of the Enlarged Portfolio by NLA.

Property	Top Ten Tenants	Percentage of Leased NLA
Bugis Junction Towers	International Enterprise Singapore	46.2%
MBFC Interest	Barclays Capital Service Limited Singapore Branch	
MBFC Interest	BHP Billiton Marketing Asia Pte Ltd	
MBFC Interest	Standard Chartered Bank	
Ocean Financial Centre	Australia and New Zealand Banking Group Ltd	
Ocean Financial Centre	BNP Paribas	
Ocean Financial Centre	Drew & Napier LLC	
ORQ Interest	Deutsche Bank Aktiengesellschaft	
ORQ Interest	UBS AG	
275 George Street Property	Telstra Corporation Limited	

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 forecasted. 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 tables set out the forecast consolidated statements of total return and distributable income for the Forecast Year 2012.

The Profit Forecast has been examined by the Independent Reporting Accountants and should be read together with their report contained in **Appendix C** of this Circular as well as the assumptions and sensitivity analysis set out below.

Forecast Consolidated Statement of Total Return and Distributable Income

S$'000	Forecast(1) Year 2012 (Financial year ending 31 December 2012) Existing Properties(2)	Forecast(1) Year 2012 (Financial year ending 31 December 2012) Enlarged Portfolio(3)
Gross rental income	73,783	152,123
Car park income	1,107	1,107
Other income(4)	137	1,197
Property income	**75,027**	**154,427**
Property tax	(4,807)	(11,763)
Other property expenses	(7,942)	(19,596)
Property management fee	(1,607)	(3,989)
Maintenance and sinking fund contributions	(2,718)	(2,718)
Property expenses	**(17,074)**	**(38,066)**
Net property income	**57,953**	**116,361**
Rental support(5)	9,705	76,915
Share of results of associated/joint venture companies(6)	43,683	43,683
Interest income	27,060	27,060
Amortisation expenses	(6,792)	(62,057)
Borrowing costs	(30,513)	(51,707)
Manager's management fees	(24,056)	(37,533)
Trust expenses	(3,449)	(3,787)
Total return before tax	**73,591**	**108,935**
Income tax expense	(1,716)	(13,142)
Total return after tax	**71,875**	**95,793**
Non-controlling interest	—	(6,142)
Total return after tax and non-controlling interest	**71,875**	**89,651**
Distribution Statement		
Total return after tax and non-controlling interest	**71,875**	**89,651**
Net tax adjustments(7)	24,058	93,648
Income available for distribution	**95,933**	**183,299**
Distribution to Unitholders(8)	**95,933**	**183,299**
Average Units in issue ('000)	**1,370,471(9)**	**2,560,042(10)**
DPU for the period (cents)(11)	**7.00**	**7.16**

Notes:

(1) Based on the assumptions as set out in this **Appendix B**.

(2) Existing Properties refer to the seven commercial office properties located in Singapore and Australia. In Singapore, these refer to Bugis Junction Towers, the MBFC Interest, the ORQ Interest, and the Prudential Tower Property. In Australia, these refer to the 275 George Street Property in Brisbane, the 77 King Street Property and the 8 Chifley Square Interest, both in Sydney. For the Profit Forecast, it is assumed that the 8 Chifley Square Property will be under development in the Forecast Year 2012 and K-REIT will receive net contribution, mainly from the interest income earned from the convertible notes.

(3) Enlarged Portfolio comprises the Existing Properties and the Property.

(4) Other income relates to revenue from licence fees and other miscellaneous income.

(5) Rental support relates to the rental support payments received by K-REIT for the Prudential Tower Property, the 275 George Street Property, the 77 King Street Property, the MBFC Interest and the Property.

(6) Share of results of associated/joint venture companies refers to the one-third share of ORQPL's, one-third share of BFCDPL's and 50.0% share of M8CT's net profit/(loss) after tax presented as follows:

S$'000	One-third share of ORQPL's results	One-third share of BFCDPL's results	50% share of M8CT's results	Forecast Year 2012 Total
Share of property income	42,833	66,021	—	108,854
Share of property expenses	(10,943)	(15,050)	—	(25,993)
Share of net profit before interest and tax	31,890	50,971	—	82,861
Share of trust expenses	—	—	(20)	(20)
Share of interest expenses	(9,411)	(20,810)	—	(30,221)
Share of net profit/(loss) before tax	22,479	30,161	(20)	52,620
Share of income tax expense	(3,825)	(5,112)	—	(8,937)
Share of net profit/(loss) after tax	18,654	25,049	(20)	43,683

(7) Net tax adjustments relate to non-taxable/deductible (income)/expenses relating to the portion of the Manager's management fees which are payable in the form of Units, straight-lining of rental escalation, amortisation expenses, Trustee fees and other expenses, and adjustments to include dividend income received from ORQPL and BFCDPL.

(8) Distribution to Unitholders is based on 100% of the total income available for distribution.

(9) Includes the Manager's forecast number of Units to be issued as payment for estimated Manager's management fees in Units payable in relation to 3Q and 4Q 2011 and the Forecast Year 2012.

(10) Includes the Manager's forecast number of Units to be issued as payment for the (a) acquisition fees to the Manager, (b) estimated Manager's management fees in Units payable in relation to 3Q and 4Q 2011 and the Forecast Year 2012, and (c) approximately 1,160 million Rights Units.

(11) DPU for the period is computed using Distribution to Unitholders over the average number of Units in issue.

1. Section A: Assumptions — Existing Properties

The major assumptions made in preparing the Profit Forecast of the Existing Properties are set out below. The Manager considers these assumptions to be appropriate and reasonable as at the date of this Circular.

1.1 Property Income for the Existing Properties

Property Income comprises (a) gross rental income; (b) car park income; and (c) other income earned from the Existing Properties. A summary of the assumptions which have been used in calculating the Property Income is set out below:

(a) Gross Rental Income

Gross rental income comprises base rental income (after rent rebates, rent free periods, and adjustments where applicable), turnover rent, and service charge (Singapore)/recoverable outgoings (Australia), which is a contribution paid by tenants towards the property expenses of the Existing Properties.

In order to forecast the gross rental income, the Manager has assumed rent payable under the committed leases.

For spaces that are vacant and leases that are expiring in Forecast Year 2012, the Manager has assumed the following to forecast the gross rental income for the period:

- The rental rates committed for the new leases and renewals in Forecast Year 2012 are at levels which the Manager believes could be achieved if each lease was negotiated as at 30 September 2011 vis-à-vis rental rates for similar leases that have been achieved at comparable properties, average market rental rates, rate of inflation and market conditions.

- As at 1 January 2012, approximately 2,048 sqm or 1.2% of the Existing Properties' NLA are assumed to be vacant. The Manager has assessed the likelihood of leasing out the vacant spaces and has assumed that these spaces will be leased out progressively in Forecast Year 2012.

- The Manager has assessed each of the expiring leases and the likelihood of renewals. During this period, leases amounting to approximately 8,682 sqm or 5.0% of the Existing Properties' total NLA will be due for renewal. It has been assumed that leases of 7,346 sqm or 4.2% of the Existing Properties' total NLA that are due for renewal will be renewed. The amount of space renewed takes into account tenants who have expressed an intention to renew their leases and expiring leases that have an option to renew.

- For the remaining leases of 1,336 sqm or 0.8% of the Existing Properties' total NLA due for renewal, the Manager has assumed that none of the leases will be renewed. Instead, the Manager has assumed that these spaces will be committed to new leases. For each of these new leases, a vacancy allowance of between three to nine months has been assumed based on the size and location of the individual premise.

- The 275 George Street Property and 77 King Street Property have a fixed rental escalation of between 4.0% and 5.0% annually. There are no leases expiring for these two properties in the Forecast Year 2012.

(b) Car Park Income

Car park income includes income accruing from or resulting from the operation of the car parking facilities at 275 George Street Property and 77 King Street Property. Car parking facilities at Bugis Junction Towers and the Prudential Tower Property are owned by the respective management corporations.

For the 275 George Street Property and 77 King Street Property, the forecast car park income is based on the actual car park income committed in the lease agreements.

(c) Other Income

Other income includes licence fees and other miscellaneous income which are attributable to Bugis Junction Towers, 275 George Street Property and 77 King Street Property.

1.2 Property Expenses for the Existing Properties

Property expenses consist of (a) Property Tax; (b) other property expenses; (c) property management fees; 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:

(a) Property Tax

For properties in Singapore, the property tax is assumed at 10.0% of base rent.

The property tax for the 275 George Street Property and the 77 King Street Property for the Forecast Year 2012 is up to 2.0% of the average taxable value of the properties.

(b) Other Property Expenses

Other property expenses comprise reimbursement of staff salaries and related costs; utilities expenses; marketing expenses which include advertising and promotional expenses, lease commission payable to third party agents or the property manager; landlord's fitting out expenses; repairs and maintenance expenses; insurance; property related professional fees; and general and administrative expenses relating to the Existing Properties.

The Manager has individually assessed the historical operating costs of the Existing Properties and each of the committed service contracts as at 30 September 2011 to estimate other operating expenses for the Existing Properties for the Forecast Year 2012. Included in other property expenses for the Forecast Year 2012 are (i) provisions of S$3.3 million for repairs and maintenance and fitting out expenses; (ii) utilities expenses of S$2.2 million; (iii) reimbursement of salaries and related expense of S$0.7 million; (iv) marketing expenses of S$1.1 million; and (v) general and administrative expenses of S$0.6 million.

(c) Property Management Fee

The property management fee for the Existing Properties ranges from 0.9% to 3.0% per annum of the property income for the Existing Properties.

(d) Maintenance and Sinking Fund Contributions

K-REIT undertakes the maintenance and sinking fund contributions for its respective interests in the strata-titled Bugis Junction Towers and the Prudential Tower Property.

The maintenance and sinking fund contributions go towards the repair, maintenance and operation, as well as the capital expenditure and improvement works relating to the common area of these properties.

Based on its assessment, the Manager has assumed that the maintenance and sinking fund contributions payable for Bugis Junction Towers in the Forecast Year 2012 will be in line with that incurred for the period ended 30 September 2011. The Manager has assumed that the maintenance and sinking fund contributions payable for the Prudential Tower Property will increase by approximately 7.8% in the Forecast Year 2012.

1.3 Borrowing Costs

As at 30 September 2011, K-REIT has put in place the following facilities, totalling S$1,262.0 million:

(a) 5-year mortgage term loan facilities of S$425.0 million;

(b) 5-year term loan facilities of S$100.0 million;

(c) 4-year term loan facilities of S$160.0 million;

(d) 3-year term loan facilities of S$227.0 million; and

(e) 3.5-year revolving credit line of S$350.0 million.

As a security for the 5-year term loan facilities of S$425.0 million, K-REIT mortgaged its Bugis Junction Towers and its 73.4% interest in the Prudential Tower Property. In addition, on 17 March 2011, K-REIT granted in favour of the lender the following:

(i) an assignment of the rights, title and interest of the trust and to the insurances effected over Bugis Junction Towers;

(ii) an assignment of all the rights, benefits, title and interest of the trust in and to the property sale agreement and tenancy agreements relating to Bugis Junction Towers; and

(iii) a debenture creating fixed and floating charges over all assets of the trust relating to Bugis Junction Towers.

As at 30 September 2011, K-REIT had utilised approximately S$1,154.4 million and has an unutilised S$107.6 million of facilities available to meet its future obligations.

For the Profit Forecast, it has been assumed that the total outstanding amount of borrowings of K-REIT is approximately S$1,285.2 million, with a weighted average interest rate of 2.37% per annum.

1.4 Manager's Management Fees for the Existing Properties

The Manager is entitled to a base fee of 0.5% per annum on the value of the Deposited Property and an annual performance fee of 3.0% per annum of the Net Property Income of the Existing Properties before the Manager's management fees, gains and losses arising from disposal and revaluation of properties, and non-operating income and expenses. Both the base fee and performance fee are payable quarterly in arrears.

The progressive subscription of units and convertible notes via the forward purchase arrangement in respect of the 8 Chifley Square Interest will contribute to the Manager's base fee entitlement and the performance fee will be based on the net contribution, mainly from the interest income earned from the convertible notes.

To arrive at the forecast distribution, it is assumed that the Manager's management fees will be payable 50.0% in Units and 50.0% in cash.

1.5 Trust Expenses

Trust expenses comprise recurring operating expenses such as the Trustee 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 and K-REIT Asia (Australia) Trust.

The Trustee fee is currently charged on a scaled basis of up to 0.03% per annum of the value of the Deposited Property and K-REIT Asia (Australia) Trust's trustee fee is charged on a scaled basis of up to 0.045% per annum on its gross assets. The total trustee fee for the Forecast Year 2012 is approximately S$0.9 million, payable quarterly in arrears in accordance with the Trust Deed and the constitution of K-REIT Asia (Australia) Trust.

1.6 Rental support top-up payments for the 29.0% of the total strata area of Prudential Tower, the 275 George Street Property, the MBFC Interest, the 77 King Street Property and 19.4% of the total strata area of Prudential Tower

On 1 September 2009, the Trustee entered into a sale and purchase agreement for the acquisition of 29.0% (levels 20 to 25) of the Prudential Tower property. Under such sale and purchase agreement, the vendor of levels 20 to 25 of the Prudential Tower property will provide K-REIT with rental support of up to S$5.0 million from 2 November 2009 till 1 November 2014. Rental support will be paid on the difference between the actual net property income and the guaranteed net property income. Included in the Forecast Year 2012 is rental support of S$0.9 million.

On 1 March 2010, K-REIT Asia (Australia) Trust, a wholly-owned subsidiary of K-REIT, completed the acquisition of the 275 George Street Property. Under the sale and purchase agreement, the vendor agreed to provide rental support of up to A$2.2 million from 1 March 2010 till 30 June 2012. Rental support will be paid on the difference between the actual net cash flow from operations and the guaranteed net cash flow. Included in the Forecast Year 2012 is rental support of S$0.1 million.

On 15 December 2010, K-REIT completed the acquisition of the MBFC Interest. Under the share purchase agreement, the vendor agreed to provide rental support of up to S$29.0 million from 15 December 2010 till 31 December 2014. Rental support will be paid on the difference between the actual gross rental income and the guaranteed rental income. Included in the Forecast Year 2012 is rental support of S$4.7 million.

On 21 December 2010, K-REIT completed the acquisition of 77 King Street Property. Under the sale and purchase agreement, the vendor has agreed to provide rental support of up to A$4.0 million from 1 January 2011 till 31 December 2016. Rental support will be paid on the difference between the actual net property income and the guaranteed net property income for each of the calendar quarters. Included in the Forecast Year 2012 is rental support of S$1.4 million.

On 3 May 2011, K-REIT completed the acquisition of levels 26 to 29 of the Prudential Tower property, increasing its stake by 19.4%. Under the sale and purchase agreement, the vendors have agreed to provide rental support of up to S$8.1 million from 3 May 2011 till 31 March 2015. Rental support will be paid on the difference between the actual net property income and the guaranteed net property income. Included in the Forecast Year 2012 is rental support of S$2.6 million.

1.7 Interest Income

The Manager has assumed an average shareholder’s loan of S$565.6 million at an average interest rate of 3.6% per annum to BFCDPL during the Forecast Year 2012.

The Manager has assumed an average shareholder’s loan of S$44.9 million at an average interest rate of 3.3% per annum to ORQPL during the Forecast Year 2012.

For the 8 Chifley Square Interest, K-REIT will receive interest income of 9.5% coupon interest payments from the progressive subscription of the convertible notes for Forecast Year 2012.

1.8 Capital Expenditure

A provision of S$7.0 million for the forecast capital expenditure of the Existing Properties has been included in the Profit Forecast. This is based on the Manager’s budget for asset enhancement 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).

1.9 Investment Properties

The carrying amount of the Existing Properties, excluding the 8 Chifley Square Interest as at 1 October 2011 is S$3,873.9 million. This amount is based on the latest valuations carried out by Cushman & Wakefield VHS Pte. Ltd, Knight Frank Pte Ltd, Knight Frank Valuations Queensland, Savills Valuation and Professional Services (S) Pte Ltd and m3property Pty. Ltd. As at 1 October 2011, the carrying amount of the 8 Chifley Square Interest is S$35.6 million based on K-REIT's investment cost in M8CT.

1.10 Accounting Standards

A summary of the significant accounting policies of K-REIT may be found in K-REIT Audited Financial Statements. The Manager has assumed that there is no significant change in applicable accounting standards or other financial reporting requirements that may have a material effect on the forecast distributable income of K-REIT.

1.11 Other Assumptions

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

(a) Other than the Acquisition, the property portfolio remains unchanged throughout the Forecast Year 2012.

(b) There will be no material change to the taxation legislation or other legislations.

(c) All leases and licences are enforceable and will be performed in accordance with their terms.

(d) 100.0% of distributable income will be distributed.

(e) The exchange rate for Singapore Dollar to Australia Dollar is assumed to be S$1.194: A$1.00.

2. Section B: Assumptions — the Acquisition

2.1 The Acquisition

The income contribution received by K-REIT comprises (a) 100.0% of OPLLP's total net profits less approximately 12.49% of total net profits attributable to AIPL (the "**Partnership Income**"); and (b) Rental Support from the Vendor in accordance with the terms set out in the SPA. The major assumptions made in preparing the forecast Total OFC Property Revenue, Actual OFC Net Property Income, Rental Support and other associated expenses are set out below.

(a) Total OFC Property Revenue

Total OFC Property Revenue is the aggregate of gross rental income earned from (a) leasing of offices in the Property (the "**Office Gross Rental Income**") and (b) other income earned from the Property. As the car park and the retail podium are estimated to be completed at the end of year 2012, no income is assumed to be earned from the car park and the retail podium for the Forecast Year 2012.

The assumptions used in calculating the Total OFC Property Revenue are set out below:

(i) Office Gross Rental Income

The Office Gross Rental Income consists of effective base rent income (which takes into account rent-free) and service charge.

In forecasting the Office Gross Rental Income, the Manager has considered the committed leases as at 15 September 2011.

For the spaces that are vacant as at 15 September 2011, the Manager has assumed the following to forecast the gross rental income for the period:

- The Manager has assessed the market rent for each lettable area as at 15 September 2011. The market rent is the rent which the Manager believes could be achieved if each lease were negotiated as at 15 September 2011 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.

- As at 15 September 2011, 16,025 sqm or 19.7% of the total office NLA of 81,471 sqm are vacant spaces. The Manager has assessed the likelihood of leasing out the vacant spaces and has assumed that these spaces will be leased out progressively from 15 September 2011 to 1 June 2013.

(ii) Other Income

Other income is attributable to licences and signage rights. The other income is forecast based on the existing licence agreements.

(b) Property Operating Expenses

(i) Property Tax

The property tax assumptions for the Forecast Year 2012 are set out in the table below:

Income Source	**Property Tax Assumptions**
Office Gross Rental Income	10.0% of Office Gross Rental Income after deducting property maintenance expenses relating to the office space
Other Income	10.0% of signage income

(ii) 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 the Property.

As the Property has limited historical operating costs, the Manager has made comparison with the historical operating costs of other properties of similar quality, tenant profile and building size that are under the Manager's management.

The Manager has made an individual assessment of these expenses and included in the Forecast Year 2012 are (i) provisions of S$2.6 million for the upkeep of the properties, repairs and maintenance and fitting out expenses; (ii) utilities expenses of S$4.8 million, (iii) reimbursement of salaries and related expense of S$1.8 million, (iv) marketing expense of S$1.9 million and (v) general and administrative expenses of S$0.6 million.

The property management fee is based on 3.0% per annum of the Total OFC Property Revenue.

(iii) Rental Support

As the Property is a recently completed development, the Vendor will provide Rental Support to K-REIT for a period from the Completion Date to 31 December 2016 for vacant spaces, fitting-out periods where rents and maintenance charges will not be received, as well as for leases which are at lower-than-market rental rates as these leases were contracted during the recovery phase of the global financial crisis. These leases are expected to be revised to prevailing market rates when they expire or at the next rent review date.

Pursuant to the terms of the Rental Support, in the event the Actual OFC Net Property Income of the First Period and each Quarterly Period, whichever is applicable, falls below the relevant Guaranteed Income Amount, the Vendor will pay to the Trustee the Top-Up Payment, provided that the aggregate of all Top-Up Payments shall not in any event exceed S$170.0 million.

The aggregate amount of Top-Up Payments (excluding any goods and services tax payable) for the Forecast Year 2012 is expected to be approximately S$67.2 million.

(iv) Agreed Value

The carrying value for approximately 87.51% of the Property is assumed at the Agreed Value of S$2,013.1 million. This assumption is used 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 fees.

(v) Other Assumptions

The following additional assumptions have been made in preparing the Profit Forecast for the Property:

(i) It is assumed that OPLLP adopts significant accounting policies that are consistent with K-REIT (see Paragraph 1.10 for K-REIT's accounting policies).

(ii) There has been no significant change in applicable accounting policies or other financial reporting requirements that may have a material effect on the forecast partnership income for the OFC Interest.

(iii) There will be no material change to the taxation legislation or other legislations.

(iv) There will be no material change to the tax rulings obtained.

(v) All leases and licences are enforceable and will be performed in accordance with their terms.

(vi) 100.0% of the distributable income derived from the Property will be distributed.

2.2 Borrowing Costs

For the Profit Forecast, the Manager has assumed that the interest rates for the debt borrowings to be between 1.90% to 2.60% per annum. Upfront fees incurred in relation to the debt borrowings is assumed to be amortised over the terms of the loan facilities and has been included as part of the borrowing costs.

2.3 Rights Issue

The Profit Forecast has been prepared based on a Rights Issue Price of S$0.85 per Rights Unit, and on the assumption that the net proceeds from Rights Issue will be used to partially fund the Acquisition.

The costs associated with the Rights Issue are expected to be approximately S$4.8 million and will be paid for by K-REIT. These costs will be charged against Unitholders' funds in K-REIT's balance sheet and have no impact on net income or distributable income.

2.4 Manager's Management Fees

For the Property, the Manager is entitled to a base fee of 0.5% per annum of the value of the Deposited Property. In addition, there is an annual performance fee of 3.0% of Partnership Income and Rental Support after deducting all applicable taxes payable for receiving such income. For the Forecast Year 2012, it is assumed that the Manager's management fees will be paid fully in Units.

2.5 Trust Expenses

Trust expenses comprise recurring operating expenses such as the Trustee fee, annual listing fees, registry fees, audit and tax advisory fees, valuation fees, investor communication costs and other miscellaneous expenses.

2.6 Income Tax

The Manager has assumed that Rental Support for the OFC Interest is subjected to Singapore income tax at 17.0%. The Manager has also assumed that upon conversion of OPPL to OPLLP, the Partnership Income will be accorded the tax transparency status.

3. Section C: Sensitivity Analysis for the Enlarged Portfolio

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

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 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.

3.1 Gross Rent

Changes in the gross rent of uncommitted leases of the Existing Properties will impact the gross rental income and the Net Property Income of K-REIT. This will impact the distributable income and the DPU of K-REIT. 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

	DPU
	Forecast Year 2012
10.0% below base case	7.13
Base case(1)	7.16
10.0% above base case	7.19

Note:

(1) DPU as shown in the Profit Forecast.

3.2 Other Property Expenses

Changes in the other property expenses (excluding property tax, property management fee and marketing expenses) of the Existing Properties, will impact the Net Property Income of K-REIT. This will impact the distributable income and the DPU of K-REIT. 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

	DPU
	Forecast Year 2012
5.0% below base case	7.17
Base case(1)	7.16
5.0% above base case	7.15

Note:

(1) DPU as shown in the Profit Forecast.

3.3 Borrowing Costs

Changes in the interest rates on new borrowings and existing borrowings with floating interest rate, will impact the distributable income and DPU of K-REIT. The interest rate assumptions have 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

	DPU
	Forecast Year 2012
Actual interest rate is 50 basis points below base case	7.45
Base case[(1)]	7.16
Actual interest rate is 50 basis points above base case	6.87

Note:

(1) DPU as shown in the Profit Forecast.

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INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE PROFIT FORECAST

19 October 2011

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 Independent Reporting Accountants on the Profit Forecast for the Year Ending 31 December 2012

This letter has been prepared for inclusion in the circular dated 19 October 2011 to unitholders (the "**Circular**") of K-REIT Asia in connection with the proposed acquisition of approximately 87.51% of the issued share capital of Ocean Properties Pte. Limited.

The directors of K-REIT Asia Management Limited (the "**Directors**") are responsible for the preparation and presentation of the Forecast Consolidated Statement of Total Return and Distributable Income for the year ending 31 December 2012 (the "**Profit Forecast**") as set out on pages B-1 to B-3 of the Circular, which have been prepared on the basis of their assumptions as set out on pages B-3 to B-11 of the Circular (the "**Assumptions**").

We have examined the Profit Forecast of K-REIT Asia for the year ending 31 December 2012 as set out on pages B-1 to B-3 of the Circular in accordance with the Singapore Standards on Assurance Engagements applicable to the examination of prospective financial information and confirmed that we have reviewed the bases and assumptions, accounting policies and calculations for the Profit Forecast as set out on pages B-3 to B-11 of the Circular.

The Directors are solely responsible for the Profit Forecast including the Assumptions on which the Profit Forecast is based.

Based on our examination of the evidence supporting the Assumptions, nothing has come to our attention which causes us to believe that the 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:

(a) properly prepared on the basis of the Assumptions;

(b) consistent with the accounting policies normally adopted by K-REIT Asia; and

(c) 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 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 the Profit 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 Director’s Profit Forecast as set out on pages B-11 to B-13 of the Circular.

Yours faithfully,

ERNST & YOUNG LLP
Public Accountants and
Certified Public Accountants
Singapore

Partner-in-charge: Tham Chee Soon

VALUATION CERTIFICATES

Savills Valuation and
Professional Services (S) Pte Ltd
Reg No : 200402411G

30 Cecil Street
#20-03 Prudential Tower
Singapore 049712

T: (65) 6836 6888
F: (65) 6536 8611

savills.com

Our Ref: MKT/2011/C-KRAM/DE/0635

10 October 2011

K-REIT Asia Management Limited
230 Victoria Street #15-03
Bugis Junction Towers
Singapore 188024

Dear Sirs

VALUATION OF 10 COLLYER QUAY, OCEAN FINANCIAL CENTRE SINGAPORE 049315 ("the Property")

In accordance with the instructions from K-REIT Asia Management Limited ("K-REIT Manager"), confirmed in writing on 20 July 2011, we have inspected the Property on 25 July 2011. We have made relevant enquiries in order to provide our opinion of the Market Value (as defined below), as at 15 September 2011 (the "Valuation Date") of 87.50781968% of a 99-year interest in the Property, subject to existing and proposed tenancies, including rental support.

We have prepared this valuation for purposes of acquisition and confirm that this report may be relied upon by K-REIT Manager, K-REIT, RBC Dexia Trust Services Singapore Limited ("K-REIT Trustee") and the financial institution(s) providing the financing facilities to K-REIT. A valuation certificate is hereby enclosed for the purpose of inclusion in a circular to the unitholders.

"Market Value is the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction, after proper marketing, wherein the parties had each acted knowledgeably, prudently and without compulsion."

In addition, "Market Value" assumes:

(a) a willing seller;

(b) that, prior to the date of valuation there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the agreement of the price and terms and for the completion of the sale;

(c) that the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as on the date of valuation;

(d) that no account is taken of any additional bid by a prospective purchaser with a special interest; and

(e) that both parties to the transaction had acted knowledgeably, prudently and without compulsion.

In arriving at our opinion of market value, we have adopted the Income Capitalisation Approach and Discounted Cash Flow Analysis and our calculations are cross-checked by utilizing the Market Comparison Method, having considered the relevant general and economic factors as well as recent sales and lease transactions of comparable properties.

We have relied to a very considerable extent on information given by you and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, occupancy status, floor areas and all other relevant matters. Dimensions, measurements and areas included in the valuation certificates are based on information contained in the documents provided to us and are therefore only approximations.

No allowance has been made in our valuation for any charges, mortgages or amounts owing, on the Property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property are free from encumbrances, restrictions, and outgoings of an onerous nature which could affect its value.

Neither the whole nor any part of this letter nor any reference thereto may be included in any documents, circular or statement without our written approval of the form and context in which it will appear.

Yours faithfully,
For and on behalf of
Savills Valuation and Professional Services (S) Pte Ltd

Jessie Yeo MSISV
Appraiser's Licence No : AD041-2002061K
Executive Director

Encl.

VALUATION CERTIFICATE

Address of Property	10 Collyer Quay OCEAN FINANCIAL CENTRE Singapore 049315
Interest Valued	87.50781968% of a 99-year interest in the Property
Legal Description	Lot 340P Town Subdivision 1
Location	The Property is located at the doorstep of the Raffles Place Mass Rapid Transit ("MRT") interchange station. It is strategically situated between Raffles Place, the traditional financial hub of Singapore and Marina Bay, the new office downtown area. It is sited prominently at the major traffic intersections of Collyer Quay, Raffles Quay, Marina Boulevard/ Finlayson Green and Robinson Road/ Cecil Street, within the Central Business District ("CBD") of Singapore.
Brief Description	The Property comprises a new 43-storey office tower and an adjacent proposed 7-storey car park block with 3 basement levels. The recently completed international grade A office tower offers column-free office space from level 3 to level 43. Phase 2 comprising the 7-storey car park block and 3 basement levels of retail/ F&B space is targeted to be completed by the end of 2012. When completed it will provide 222 car parking lots, retail/food & beverage outlets and underground links to the Raffles Place MRT Interchange, the future Downtown MRT Station, One Raffles Quay and Marina Bay Financial Centre.
Site Area	6,109.0 sq metres
Gross Floor Area	95,992.3 sq metres

Net Lettable Area ("NLA")

82,215.2 sq metres (884,957 sq feet), excluding licensed outdoor refreshment areas and roof gardens with a combined area of approximately 1,650 sq metres (17,761 sq feet)

The NLA breakdown by level and usage is as follows:

Level	NLA (sq metres)	Approved Use
B1 & Level 1	744.2	Retail/ F&B
Levels 3 to 43	81,471.0	Office
Total	**82,215.2**	

Occupancy

Based on the tenancy schedule as at 31 July 2011, the Property enjoys an overall occupancy rate of about 79.6% including pre-committed tenancies. We are given to understand that this tenancy schedule is still valid as at 15 September 2011.

We understand that there is a rental support of up to S$170,000,000/- from the date of completion to 31 December 2016 for the Property. This rental support has been granted by the vendor from the date of completion of K-REIT's purchase of the Property.

Gross Income Estimate

S$135,952,514/- per annum assuming fully leased at market rental rates

Capitalisation Rate

4.25% p.a.

Terminal Yield

4.50% p.a.

Discount Rate

7.75% p.a.

Market Value as at 15 September 2011

S$2,054,000,000
(SINGAPORE DOLLARS TWO BILLION AND FIFTY-FOUR MILLION ONLY) SUBJECT TO SATISFACTORY COMPLETION OF THE PROPOSED 7-STOREY CAR PARK BLOCK WITH 3 BASEMENTS & BASED ON 87.50781968% OF A 99-YEAR INTEREST IN THE PROPERTY AND INCLUDING RENTAL SUPPORT

Please see Limiting Conditions

Savills Valuation and Professional Services (S) Pte Ltd

LIMITING CONDITIONS

Valuation

The opinion expressed in this report applies strictly on the terms of and for the purpose expressed in this Valuation. Hence, the value shall never be quoted out of context in connection with any other assessment.

The Valuer accepts no liability if his opinion is quoted without regard to the full background of the reason why this Report is written.

No allowance has been made in our valuation for any mortgages, charges or amounts owing on the property or for any taxation or other expenses, which would be incurred in effecting a sale.

As we have not had an opportunity of inspecting the Title Deeds of the property, our valuation assumes that there are no adversely restrictive covenants, easements, rights of way or other factors of which we have not been informed.

Valuation Data

Where it is stated in the Report that information or data has been made known to the Valuer by another party, this information is believed to be reliable and he disclaims all responsibility if this should later prove not to be so.

Where information is given without reference to another party in this Report, it shall be taken that this information has been obtained or gathered through our best efforts and to our best knowledge.

Processed date inferences therefrom shall be taken as the Valuer's opinion and shall not be freely quoted without acknowledgement.

Structural Defects

While due care is exercised in the course of inspection to note building defects, no structural survey is carried out and no guarantee shall be given in respect of termite or pest infestation, rot and/or any other hidden defects, unless specific instructions are given to the Valuer to include a thorough structural survey of the property.

We do not normally carry out investigations on site in order to ascertain the suitability of the ground conditions, and the services, for any new development. Unless we are otherwise informed, our valuations are on the basis that these aspects are satisfactory and that, where development is proposed, no extraordinary expenses or delays will be incurred during the construction period.

Liability of The Valuer

The Valuer shall only be responsible to the Client to whom this Report is addressed. He is not liable to any other party except the Client in connection with this valuation as the advice contained herein is limited to the scope of the instruction received. He is not required to give testimony to appear in court by reason of this Report unless prior arrangement has been made therefore.

Neither the whole nor any part of this Valuation and Report nor any reference to it may be included in any published document, circular to statement nor publishing in any way without the Valuer's prior written approval of the form and context in which it may appear.

The Client will not be liable for our negligence. In the event that we are subject to any liability in connection with this engagement, regardless of legal theory advanced, such liability will be limited to the amount of fees we received for this engagement.

Knight Frank

VALUATION CERTIFICATE

Property	:	10 Collyer Quay "Ocean Financial Centre" Singapore 049315
Client	:	RBC Dexia Trust Services Singapore Limited (as Trustee of K-REIT Asia)
Purpose	:	For acquisition and corporate financing purposes
Legal Description	:	Lot No. : 340P Town Subdivision : 1
Interest Valued	:	99 years interest in the Property from the date of legal completion of Sale & Purchase
Basis Of Valuation	:	Market value subject to existing tenancies and occupational arrangements
Registered Owner	:	Ocean Properties Pte. Limited
Site Area	:	6,109.0 sm
Master Plan 2008	:	"Commercial" with a gross plot ratio of 12.6+
Brief Description	:	Ocean Financial Centre is strategically located at the junction of Collyer Quay and Church Street, within the heart of the financial and commercial district of Singapore, commonly known as Raffles Place. The subject property will be completed in two phases. Phase I comprises a 43-storey office building with 3 basement levels. It is the first office development in Singapore awarded the Platinum Green Mark Award issued by the Building and Construction Authority of Singapore. The Temporary Occupation Permits for Phase I were issued on 14 March 2011 and 29 April 2011. Phase II will, upon completion, comprise the reconstruction of a 7-storey car park with 1st storey retail/F&B units and addition/alteration works to existing three basement levels with new underground pedestrian/shopping mall. We understand that Phase II will be completed by end of 2012.
Rental Support	:	Up to about $170 million (including taxes) by the Vendor for the period from the date of legal completion of Sale & Purchase to 31 December 2016, payable quarterly in arrears.
Gross Floor Area (GFA)	:	95,992.28 sm (including GFA from lighting incentive scheme of 1,776.84 sm and GFA from art incentive scheme of 1,847.36 sm).
Lettable Floor Area	:	Phase I 81,471.0 sm Phase II 744.2 sm Total : 82,215.2 sm
Valuation Approaches	:	Investment and Discounted Cash Flow Methods. The Comparable Sales Method is used as a reference
Date Of Valuation	:	15 September 2011
Open Market Value	:	$2,050,000,000/- (Dollars Two Billion And Fifty Million Only) (87.50781968% INTEREST WITHIN OCEAN FINANCIAL CENTRE WITH RENTAL SUPPORT)
Assumptions, Disclaimers, Limitations & Qualifications	:	*This valuation certificate is provided subject to the assumptions, disclaimers, limitations and qualifications detailed throughout this certificate which are made in conjunction with those included within the limiting conditions located at the end of this certificate. Reliance on this certificate and extension of our liability is conditional upon the reader's acknowledgement and understanding of these statements. Use by, or reliance upon this document for any other purpose if not authorized, Knight Frank Pte Ltd is not liable for any loss arising from such unauthorised use or reliance. The document should not be reproduced without our written authority. The valuer has no pecuniary interest that would conflict with the proper valuation of the property.*
Prepared By	:	Knight Frank Pte Ltd

Low Kin Hon B.Sc.(Estate Management) Hons.,MSISV Managing Director Valuation Appraiser's Licence No. AD 041-2003752I	Woo Ai Lian MBA, B.Sc.(Estate Management) Hons.,MSISV Director Valuation Appraiser's Licence No. AD 041-2004048B

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KF Property Network Pte Ltd (Licensee) 167 Jalan Bukit Merah #06-10 Connection One Tower 5 Singapore 150167

Newmark Knight Frank Global

LIMITING CONDITIONS

This property Valuation and Report is subject to the following limiting conditions:-

(1) The Valuer's responsibility in connection with this report is limited to the client to whom the report is addressed. The valuer disclaims all responsibility and will accept no liability to any other party.

(2) Reproduction of this report in any manner whatsoever in whole or in part or any reference to it in any published document, circular or statement without the Valuer's prior written approval of the form and context in which may appear is prohibited.

(3) The opinion expressed in this Valuation Report is made strictly in accordance with the terms and for the purpose expressed therein and the values assessed and any allocation of values between portions of the property need not be applicable in relation to some other assessment.

(4) All liens and encumbrances, if any, affecting the property have been disregarded unless otherwise stated and it is assumed that the current use of the property is not in contravention of any planning or other governmental regulation or law.

(5) The Valuer does not warrant to the client to whom the report is addressed and any other person the title or the rights of any person with regard to the property.

(6) Unless otherwise stated all information has been obtained by our search of records and examination of documents or by enquiry from Government departments or other appropriate authorities. When it is stated in this report that information has been supplied to the valuer by another party, this information is believed to be reliable and the valuer shall not be held responsible or liable if this should prove not to be so.

(7) While due care is taken to note building defects in the course of inspection, no structural survey is made and no guarantee is given in respect of rot, termite or pest infestation or other hidden defects.

(8) The Valuer is not obliged to give testimony or to appear in Court with regard to this report, with reference to the property unless specific arrangement has been made therefor.

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INDEPENDENT FINANCIAL ADVISER'S LETTER

19 October 2011

The Independent Directors and Audit Committee
K-REIT Asia Management Limited
(as manager of K-REIT Asia)
1 HarbourFront Avenue
#18-01 Keppel Bay Tower
Singapore 098632

Dear Sirs

THE PROPOSED ACQUISITION OF AN APPROXIMATE 87.51% EQUITY INTEREST IN OCEAN PROPERTIES PTE. LIMITED, WHICH OWNS OCEAN FINANCIAL CENTRE

For the purpose of this letter, capitalised terms not otherwise defined shall have the meaning given to them in the Circular.

1. INTRODUCTION

This letter ("**Letter**") has been prepared for inclusion in the Circular in connection with, *inter alia*, the Acquisition. This Letter sets out our view on the Acquisition and our recommendations to the Independent Directors and Audit Committee. This Letter sets forth factors considered by PricewaterhouseCoopers Corporate Finance Pte Ltd ("**PwCCF**") in arriving at its view. The Circular and Letter to Unitholders included therein will provide, *inter alia*, details of the Acquisition, the opinion of the Audit Committee and the recommendation(s) of the Independent Directors in relation to the Acquisition, having considered PwCCF's advice in this Letter.

1.1 Background

On 17 October 2011, the Trustee entered into the SPA with the Vendor and the Guarantor to acquire approximately 87.51% of the issued share capital of OPPL for a period of 99 years from the Completion Date. OPPL owns the Property. The obligations of the Vendor to the Trustee under the SPA are guaranteed by the Guarantor.

The Property is situated on a site with 999-year leasehold title that commenced from 22 June 1862 and approximately 90 sqm of the basement (which connects the Property to the Raffles Place MRT interchange station). The basement is situated on a site with a 99-year leasehold title that commenced from 13 June 2001.

The SPA includes, among others, the following conditions precedent:

(a) the approval of Unitholders for the Acquisition;

(b) the approval of shareholders of KLL for the divestment of the equity interest in OPPL to K-REIT;

(c) the Management and Underwriting Agreement not being terminated by the Joint Managers and Underwriters for *force majeure* or the occurrence of market disruption events equivalent to *force majeure*; and

(d) there being no material damage or compulsory acquisition of the whole or any part of the Property on or before the Completion Date.

On the Completion Date, the Trustee shall, by executing an Option Deed, grant the Vendor, in his capacity as Option Holder, a call option pursuant to which the Option Holder shall have the right to acquire approximately 87.51% equity interest in OPPL, or equivalent, for S$1.00, after the expiry of a period of 99 years from the Completion Date.

The Property will be managed by the Property Manager. OPPL, Keppel Land International Limited (the current property manager) and the Property Manager will on the Completion Date enter into a novation agreement to novate the Property Management Agreement from Keppel Land International Limited to the Property Manager, where the Property Manager is responsible for providing, among other things, services relating to property management and maintenance, lease administration, marketing and leasing, accounting and administration, and budget preparation.

Post-Completion Date, the Trustee and AIPL, an unrelated third party and the existing shareholder which owns approximately 12.49% of the shares in OPPL, had agreed that OPPL shall apply to the Accounting and Corporate Regulatory Authority of Singapore to convert itself into a LLP pursuant to the Limited Liability Partnerships Act, Chapter 163A of Singapore. The Trustee will enter into the Limited Liability Partnership Agreement with AIPL, to govern their relationship in the LLP. IRAS has issued an advance tax ruling to the Manager to confirm that:

(a) the Conversion will not result in an income tax liability for OPPL with respect to the transfer and vesting of the Property in OPLLP;

(b) an election under the Income Tax Act can be made for qualifying plant and machinery that OPPL will transfer to and vest in OPLLP as a result of the Conversion; and

(c) K-REIT, being a REIT as defined in the Income Tax Act, will be entitled to tax transparency treatment under section 43(2) and section 43(2A) of the Income Tax Act on its share in the taxable income of OPLLP.

The Total Acquisition Cost comprises:

(a) the estimated Purchase Consideration of approximately S$1,571.3 million, which is based on the Agreed Value of S$2,013.1 million and after adjustments to arrive at the adjusted NTA as at 31 July 2011;

(b) the estimated stamp duty, professional fees and other fees and expenses of approximately S$7.6 million incurred and to be incurred by K-REIT in connection with the Acquisition; and

(c) the Acquisition Fee which amounts to approximately S$20.1 million, payable fully in Units.

As the Acquisition constitutes an "interested party transaction" under the Property Funds Appendix, the Acquisition Fee will be payable fully in the form of Units to the Manager, which shall not be sold within one year from the date of issuance.

K-REIT intends to finance the Total Acquisition Cost from the net proceeds of the Rights Issue and debt borrowings. We note that the Manager will not proceed with the Rights Issue if the approval for the Acquisition is not obtained.

Rule 906 of the Listing Manual requires, *inter alia*, the approval of the Unitholders for an interested person transaction if the value of the transaction (either in itself or when aggregated with the value of other transactions, each of a value equal to or greater than S$100,000, with the same interested person during the same financial year) is equal to or exceeds 5.0% of K-REIT's latest audited NTA. Further thereto, Paragraph 5.2 of the Property Funds Appendix also imposes a similar requirement for an interested party transaction whose value exceeds 5.0% of K-REIT's latest audited NAV.

As at the Latest Practicable Date, KLL held an aggregate indirect interest in 631,828,022 Units, which is equivalent to approximately 46.4% of the total number of Units in issue, and is therefore regarded as a "controlling Unitholder" of K-REIT under both the Listing Manual and the Property Funds Appendix. In addition, as the Manager is a wholly-owned subsidiary of KLL, KLL is therefore regarded as a "controlling shareholder" of the Manager under both the Listing Manual and the Property Funds Appendix. KCL is also regarded as a "controlling Unitholder" under both the Listing Manual and the Property Funds Appendix. As at the Latest Practicable Date, through KREI and KLL, KCL has a aggregate interest in 1,039,262,470 Units, which comprises approximately 76.3% of the total number of Units in issue of which 46.4% is held through KLL. KCL is therefore also regarded as a "controlling shareholder" of the Manager under both the Listing Manual and the Property Funds Appendix.

As the Vendor is a wholly-owned subsidiary of KLL, for the purposes of Chapter 9 of the Listing Manual and the Property Funds Appendix, the Vendor (being a subsidiary of a "controlling Unitholder" and a "controlling shareholder" of the Manager) is (for the purposes of the Listing Manual) an "interested person" and (for the purposes of the Property Funds Appendix) an "interested party" of K-REIT. Therefore, the Acquisition will each constitute an "interested person transaction" under Chapter 9 of the Listing Manual as well as an "interested party transaction" under the Property Funds Appendix, in respect of which the approval of Unitholders is required.

Accordingly, in compliance with the requirements of Rule 906 of the Listing Manual and Paragraph 5.2 of the Property Funds Appendix, the Manager is seeking the Unitholders' approval for the Acquisition.

Hence, it is in this context that PwCCF has been appointed to advise the Independent Directors and the Audit Committee of the Manager on whether the Acquisition is based on normal commercial terms and is not prejudicial to the interests of K-REIT and its minority Unitholders.

Detailed information on the Acquisition is set out in paragraphs 1 to 13 of the Letter to Unitholders. **We recommend that the Independent Directors advise Unitholders to read the aforementioned sections carefully.**

2. TERMS OF REFERENCE

PwCCF has been appointed as the Independent Financial Adviser to the Independent Directors and the Audit Committee of the Manager to advise them, from a financial point of view, as to whether the Acquisition is on normal commercial terms and is not prejudicial to the interests of K-REIT and its minority Unitholders.

We make no representations or warranties in relation to the merits of the Acquisition other than to express an opinion, from a financial point of view, on whether the Acquisition is on normal commercial terms and is not prejudicial to the interests of K-REIT and its minority Unitholders. Our terms of reference do not require us to evaluate or comment on the strategic or commercial merits or risks of the Acquisition or on the prospects of K-REIT or any of its respective related companies (as defined in the Companies Act of Singapore). However, we may draw upon the views of the Directors and management of the Manager and their other professional advisers in arriving at our opinion. We also do not address the relative merits of the Acquisition as compared to any alternative transaction(s) previously considered by the Manager or that otherwise may become available to K-REIT in the future. Such evaluations or comments remain the responsibility of the Directors and management of the Manager.

We have held discussions with the Directors and management of the Manager and have examined information provided by the Manager and other publicly available information collated by us, upon which our opinion as set out in this Letter is based. We have not independently verified the information provided by the Manager, whether written or verbally, and accordingly do not make any representation or warranty in respect of, and do not accept any responsibility for, the accuracy, completeness or adequacy of such information. We have made reasonable enquiries and exercised our judgement on the reasonable use of such information and found no reason to doubt the accuracy or reliability of the information.

We have not made an independent evaluation of the OFC Interest. We have, however, been furnished with the valuation reports issued by Savills (Singapore) Pte Ltd ("**Savills**") and Knight Frank Pte Ltd ("**Knight Frank**") (together as the "**Independent Valuers**"). With respect to the valuation reports, we are not experts and do not hold ourselves to be experts in the evaluation of the OFC Interest but have relied upon the valuation reports prepared by Savills **("Savills Valuation Reports")** and Knight Frank ("**Knight Frank Valuation Reports**"). The respective valuation certificates and summaries prepared by the Independent Valuers are set out in Appendix D of the Circular. We have also not made an independent verification of OPPL's financial position but have relied on the verification carried out by the Independent Reporting Accountants.

We have relied upon the assurance of the Directors that the directors of the Manager collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Acquisition and the Rights Issue, K-REIT and its subsidiaries, and the directors are not aware of any facts the omission of which would make any statement in this Circular misleading, and where this Circular contains a profit forecast, the directors of the Manager are satisfied that the profit forecast has been stated after due and careful enquiry. Where information in this Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the directors of the Manager has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Circular in its proper form and context.

The forecast consolidated financial information set out in paragraph 5 of the Letter to Unitholders and in Appendix B of the Circular have been stated by the directors of the Manager after due and careful enquiry. The foregoing is as set out in the "Directors' Responsibility Statement" in paragraph 10 of the Letter to Unitholders.

Accordingly, no representation or warranty, expressed or implied, is made by us, and no responsibility is accepted by us, concerning the accuracy, completeness or adequacy of all such information, provided or otherwise made available to us or relied upon by us as described above.

Furthermore, our terms of reference do not require us to express, and we do not express, an opinion on the future prospects of K-REIT. We have, therefore, not expressed any opinion herein as to the future financial or other performance of K-REIT.

Our opinion as set out in this Letter is based upon the following considerations:

(a) rationale for the Acquisition;

(b) valuations of the OFC Interest as appraised by the Independent Valuers;

(c) impact of the Acquisition on the DPU to Unitholders;

(d) price per NLA of the Property implied by the Agreed Value as compared with the following:

- similar properties held by real estate investment trusts ("**REITs**") listed and traded on SGX-ST ("**Similar Properties**");

- K-REIT's existing properties in Singapore ("**K-REIT's Singapore Properties**"); and
- transactions of other similar office properties carried out in Singapore ("Transacted Properties").

(e) terms and conditions of the Property Management Agreement and the associated fees;

(f) Rental Support;

(g) terms and conditions of the Option Deed; and

(h) the prevailing market, economic, industry, monetary and other relevant conditions, together with any information made available to us as at the Latest Practicable Date.

Conditions may change significantly over a short period of time and accordingly we assume no responsibility to update, revise or reaffirm our view in light of any subsequent development after the Latest Practicable Date that may affect our opinion contained herein. Unitholders should take note of any announcements relevant to their consideration of the Acquisition which may be released by the Manager and other sources after the Latest Practicable Date.

Our opinion is addressed to and for the use and benefit of the Independent Directors and the Audit Committee in their deliberation of whether the Acquisition is based on normal commercial terms and is not prejudicial to the interests of K-REIT and its minority Unitholders and the opinion of the Audit Committee. The statements and/or recommendations made by the Independent Directors shall remain the responsibility of the Independent Directors.

Our opinion should not be relied upon as a recommendation to any individual Unitholder as to how the Unitholder should vote on the resolutions in relation to the Acquisition or any matters related thereto. As each Unitholder may have different investment objectives and considerations, we recommend that each Unitholder should seek their own professional advice.

Our opinion in relation to the Acquisition should be considered in the context of the entirety of this Letter and the Circular.

3. DETAILS ON THE PROPERTY AND THE ACQUISITION

3.1 The Property

Detailed information concerning the Property can be obtained from Section 2 of the Letter to Unitholders as well as Appendix A of the Circular.

We note the following information in relation to Property:

Selected Information about the Property	
Site Area	Approximately 6,109.0 sqm
NLA	Approximately 82,215.2 sqm
Committed Occupancy	Approximately 79.6% as at 15 September 2011
Number of Tenants	23 as at 15 September 2011

Source: Circular

3.2 The Acquisition

K-REIT will be acquiring approximately 87.51% of OPPL which owns the Property. The Property is the only property owned by OPPL. As such, the Purchase Consideration is based on the Adjusted NTA of OPPL which is derived from the Agreed Value less the proportionate net liabilities of OPPL, being the approximate 87.51% share of OPPL's borrowings, accruals and estimated total development costs for the completion of OFC Phase 2.

The amount of the Purchase Consideration can only be determined on the Completion Date. Based on the Agreed Value of S$2,013.1 million and the unaudited management accounts of OPPL as at 31 July 2011, the estimated Purchase Consideration is S$1,571.3 million (subject to completion adjustment) as highlighted in the table below. We note that OPPL does not have any contingent liability as 31 July 2011.

	(S$ million)
Agreed Value	2,013.1
Less: Proportionate Net Liabilities	(441.8)
Purchase Consideration	1,571.3

The Purchase Consideration was negotiated on a willing-buyer and willing-seller basis and is payable wholly in cash on the Completion Date. We note that the Vendor and Trustee will engage independent auditors to review and adjust the accounts, and determine the Adjusted NTA and hence Purchase Consideration.

4. EVALUATION OF THE ACQUISITION

In our evaluation from a financial point of view of whether the terms of the Acquisition is based on normal commercial terms and is not prejudicial to the interests of K-REIT and its minority Unitholders, we have taken due considerations to the following key factors:

(a) rationale for the Acquisition;

(b) valuations of the OFC Interest as appraised by the Independent Valuers;

(c) impact of the Acquisition on the DPU to Unitholders;

(d) price per NLA implied by the Agreed Value as compared to the Similar Properties;

(e) price per NLA implied by the Agreed Value as compared to each of K-REIT's Singapore Properties;

(f) price per NLA implied by the Agreed Value as compared to the Transacted Properties;

(g) terms and conditions of the Property Management Agreement and the associated fees;

(h) Rental Support;

(i) terms and conditions of the Option Deed; and

(j) the prevailing market, economic, industry, monetary and other relevant conditions, together with any information made available to us as at the Latest Practicable Date.

These factors are discussed in greater detail in the ensuing paragraphs.

4.1 Rationale for Acquisition

The rationale for the Acquisition is set out in Section 2.9 of the Circular. **We recommend that the Independent Directors advise Unitholders to read this section of the Circular carefully.**

4.2 Valuation of the OFC Interest as appraised by the Independent Valuers

The Independent Valuers were commissioned by the Manager and the Trustee to assess the open market value of the OFC Interest.

4.2.1 Purpose and Scope of Work of the Independent Valuers

Savills and Knight Frank were commissioned to assess the open market value of the OFC Interest. Savills was appointed by the Manager while Knight Frank was appointed by the Trustee.

As stated in the Knight Frank Valuation Report, the open market value is defined as "the best price at which the sale of an interest in a property might reasonably be expected to have been completed unconditionally for cash consideration on the date of valuation, assuming:

(a) A willing seller, but not anxious, buyer and seller;

(b) That prior to the date of valuation there had been a reasonable period (having regard to the nature of the property and the state of the market), for the proper marketing of the interest, for the agreement of price and terms and for the completion of the sale;

(c) That the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as on the date of valuation; and

(d) That no account is taken of any additional bid by a purchaser with a 'special interest'."

The definition of market value as set out in Section 1.4 of the valuation report by Savills is reproduced *in toto* below:

"Market Value" as defined by the International Valuation Standards Committee and advocated by the Singapore Institute of Surveyors and Valuers is as follows:

"Market Value is the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction, after proper marketing, wherein the parties had each acted knowledgeably, prudently and without compulsion."

In addition, "Market Value" assumes:

(a) a willing seller;

(b) that, prior to the date of valuation there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the agreement of the price and terms and for the completion of the sale;

(c) that the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as on the date of valuation;

(d) that no account is taken of any additional bid by a prospective purchaser with a special interest; and

(e) that both parties to the transaction had acted knowledgeably, prudently and without compulsion.

No allowances have been made for any expenses, or realisation, or for taxation which might arise in the event of a disposal. The property is considered as if free and clear of all mortgages or other charges which may be secured thereon.

4.2.2 Agreed Value

We noted that the Independent Valuers had adopted the income capitalisation and discounted cash flow ("**DCF**") approaches to determine the open market value of the OFC Interest. Savills has also considered the market comparison method in determining the open market value of the OFC Interest while Knight Frank uses the comparable sales method as a reference. All the approaches are widely accepted methods for the purpose of valuing income producing properties. We have also made reasonable enquiries and have exercised our professional judgement in reviewing the information contained in the respective valuation reports. In our review, we do not find the information contained therein to be unreasonable.

We have set out below the capitalisation rates, discount rates and terminal yields used by the Independent Valuers in the income capitalisation and DCF approaches. We note that both the Independent Valuers have used similar rates and yields.

Property	Investment / Capitalisation Method	DCF Approach	
	Capitalisation Rate (%)	Discount Rate (%)	Terminal Yield (%)
Savills	4.25	7.75	4.50
Knight Frank	4.00	7.65	4.25

The value of the OFC Interest as at 15 September 2011, according to the two approaches adopted by Savills and Knight Frank, are set out below:

Valuer	Income Capitalisation[1] (S$ m)	DCF[1] (S$ m)	Market Comparison[1,2] (S$ m)	Open Market Value[1,3] (S$ m)	Agreed Value (S$ m)
Savills	2,066.0	2,056.0	2,042.0	2,054.0	2,013.1
Knight Frank	2,047.2	2,053.0	-	2,050.0	

Source: Circular

Notes:

(1) The values determine by the two approaches are based on the approximate 87.51% interest in the Property and includes the value of the Rental Support.
(2) The Market Comparison method was used by Knight Frank for reference purposes only.
(3) The open market value by Savills is based on average of the three valuation approaches.

Savills has considered the Rental Support in its DCF approach while Knight Frank has considered the Rental Support in both its income capitalisation and DCF approaches. We note that although Savills has not directly included the Rental Support in its income capitalisation and market comparison approaches, it has used the sustainable average market rent in the computation of the rental income and the market value of similar properties in its income capitalisation and market comparison approaches respectively. We note that this has similar effect to the inclusion of the Rental Support. The Independent Valuers are of the opinion that the valuations taking into account the effect of the Rental Support are comparable to market values.

As illustrated in the table above, the Agreed Value is lower than the two respective independent valuations by Savills and Knight Frank. Having considered the above, the Agreed Value does not appear to be unreasonable or prejudicial to the interests of K-REIT and its minority Unitholders.

4.3 Impact of the Acquisition on the DPU to Unitholders

Based on the assumptions set out in Appendix B of this Circular, the Acquisition is expected to be accretive to K-REIT's DPU. Unitholders will enjoy a higher forecast DPU of 7.16 cents after adjusting for the Rights Issue and the Acquisition, which is approximately 2.3% higher than the forecast DPU of 7.00 cents for the Forecast Year 2012.

4.4 The market value per NLA implied by Agreed Value as compared to the Similar Properties

The properties presented in the table below are owned by REITs listed and traded on the SGX-ST, and are considered to be similar to the Property in terms of being mainly located in the Downtown Core, a 266-hectare urban planning area in the south of the city-state of Singapore.

While we have made our comparisons against the following selected properties as shown in the table below, we recognised that the selected properties are not identical to the Property in terms of building size and design, location, tenant composition, operating history, future prospects and other relevant criteria.

Accordingly, the Independent Directors should note that any comparison made with respect to the Similar Properties serves as an illustrative guide only.

Property	Location	Title Type and Tenure	Owner	Valuation Date	Market Value (S$ million)	NLA (sq ft)	Market Value / NLA (S$ psf)
MBFC Interest[5,6]	8 Marina Boulevard	Leasehold (99 years)	K-REIT	Oct 11	1,513	582,412	2,598
ORQ Interest[5]	1 Raffles Quay	Leasehold (99 years)	K-REIT	Oct 11	1,099	445,120	2,469
Prudential Tower Property	30 Cecil Street	Leasehold (99 years)	K-REIT	Oct 11	477	223,286	2,138
Suntec City Office Towers	5-9 Temasek Boulevard	Leasehold (99 years)	Suntec[1]	Dec 10	2,455	1,297,317	1,892
One Raffles Quay[5]	1 Raffles Quay	Leasehold (99 years)	Suntec[1]	Dec 10	1,023	445,120	2,298
MBFC Properties[5,6]	8 Marina Boulevard	Leasehold (99 years)	Suntec[1]	Dec 10	1,511	582,466	2,594
One George Street	1 George Street	Leasehold (99 years)	CCT[2]	Jun 11	922.6	447,994	2,059
6 Battery Road	6 Battery Road	Leasehold (999 years)	CCT[2]	Jun 11	1,150	498,789	2,306
Average							**2,294**
Median							**2,302**
Maximum							**2,598**
Minimum							**1,892**
OFC Interest				**15 Sep 11**	**2,300[3]**	**884,957**	**2,600[4]**

Source: Circular and company report

Notes:

(1) "Suntec" refers to Suntec REIT.
(2) "CCT" refers to CapitaCommercial Trust.
(3) Based on the Agreed Value and a 100% interest in the Property.
(4) Based on the Agreed Value.
(5) Represents a minority interest of the REIT in the underlying asset.
(6) MBFC Interest and MBFC Properties refer to the respective interests owned by K-REIT and Suntec in the Marina Bay Financial Centre.

The Marina Bay Financial Centre is the most comparable property with the OFC in terms of age, location and building specification. The market value per NLA of the Marina Bay Financial Centre ranges from S$2,594 psf to S$2,598 psf. We note that at S$2,600 psf, the market value per NLA of the OFC Interest is less than 1% higher than the range of market value per NLA of the Marina Bay Financial Centre.

We further note that the market value per NLA of the Similar Properties ranges from S$1,892 psf and S$2,598 psf. According to the Independent Valuers, the market value per NLA of the OFC Interest could be higher than the market value per NLA of the Similar Properties for the following reasons:

(a) The Property is considered as one of the premier quality Grade A office buildings in Singapore and it is a recently completed development unlike most of the Similar Properties. OFC Phase 1 received its temporary occupation permits on 14 March 2011 and 29 April 2011.

(b) The Property has received several awards. It holds the distinction of being the first office development in Singapore to be awarded the Platinum Green Mark by the Building and Construction Authority. The Property was also awarded the Solar Pioneer Award, Platinum Level LEED award and Best Green Development (future) Award at the Cityscape Asia Real Estate Awards for its environmentally sustainable features.

(c) The Property is located at a prime location. As indicated in Section 2.1 of the Circular, the Property is conveniently connected to the Raffles Place MRT interchange station and is accessible to public transportation;

(d) The prices for office space have increased significantly in the last one year. The table below shows that the private property price index for commercial office space has increased from 109.4 in 4th quarter 2010 to 118.9 in 2nd quarter 2011, an increase of 8.7%. The market value for the Similar Properties was at 31 December 2010 whilst the valuation date of the Property is as at 15 September 2011.

Private Property Price Index	2010 Q1	2010 Q2	2010 Q3	2010 Q4	2011 Q1	2011 Q2
Commercial office space	93.7	98.0	104.1	109.4	114.8	118.9

Source: Urban Redevelopment Authority

Based on the above attributes, the Agreed Value does not appear to be unreasonable or prejudicial to the interests of K-REIT and its minority Unitholders.

4.5 The market value per NLA implied by Agreed Value as compared to K-REIT's Singapore Properties

The properties presented in the table below are existing properties owned by K-REIT in Singapore. In our evaluation, we recognise that K-REIT's Singapore Properties (comprising Bugis Junction Towers, the MBFC Interest, the ORQ interest and the Prudential Tower Property Interest) are not identical to the Property in terms of building size and design, location, tenant composition, operating history, future prospects and other relevant criteria.

Accordingly, the Independent Directors should note that any comparison made with respect to the properties in the Existing Portfolio serves as an illustrative guide only.

We have set out below comparisons of market value per NLA implied by Agreed Value as compared to K-REIT's Singapore Properties. The market values used are as of 15 September 2011.

Property	Valuation Date	Title Type and Tenure	Market Value / NLA (S$ psf)
Bugis Junction Towers	**1 Oct 11**	Leasehold (99 years)	1,667
MBFC Interest	**1 Oct 11**	Leasehold (99 years)	2,598
ORQ Interest	**1 Oct 11**	Leasehold (99 years)	2,469
Prudential Tower Property	**1 Oct 11**	Leasehold (99 years)	2,138
Average			**2,218**
Median			**2,304**
High			**2,598**
Low			**1,667**
OFC Interest	**15 Sep 11**		**2,600**[1]

Source: Management

Notes:

(1) Based on the Agreed Value.

We note that the market value per NLA implied by Agreed Value is higher than the highest market value per NLA of each of K-REIT's Singapore Properties for the same reasons highlighted in Section 4.4 of the Letter. Based on the above analysis and attributes, the Agreed Value does not appear to be unreasonable or prejudicial to the interests of K-REIT and its minority Unitholders.

4.6 The price per NLA implied by Agreed Value as compared to the Transacted Properties

We have also extracted information from the purchase of similar properties in Singapore in order to compare the Agreed Value per NLA with the Transacted Properties.

The information in the table presented below is for illustration purposes only. The properties which are the subjects of the Transacted Properties may differ from the OFC Interest in terms of building size and design, building age, location, accessibility, tenant composition, market risks, future prospects, operating history, retail-office mix and other relevant criteria. There is no property under the Transacted Properties which may be considered identical to the OFC Interest in terms of the aforesaid factors.

Accordingly, Independent Directors should note that any comparison made with respect to the Transacted Properties serves as an illustrative guide only.

Property	Location	Title Type and Tenure	Transaction Date	Price (S$ million)	NLA (sq ft)	Price / NLA (S$ psf)
Samsung Hub (20th storey)	3 Church Street	Leasehold (999 years)	Sep 11	36.8	13,132	2,800
Samsung Hub (13th to 14th storey)	3 Church Street	Leasehold (999 years)	Jul 11	66.9	26,222	2,550
RCL Centre	Keppel Road	Freehold	Jul 11	175.0	92,500	1,892
Anson House	72 Anson Road	Leasehold (99 years)	May 11	148.0	77,244	1,916
One Finlayson Green	One Finlayson Green	Freehold	Mar 11	227.0	89,950	2,524
Capital Square	21, 23 & 25 Church Street	Leasehold (99 years)	Mar 11	889.0	386,526	2,300
Level 26 -29 Prudential Tower	30 Cecil Street	Leasehold (99 years)	Mar 11	125.1	48,158	2,598
MBFC (Towers 1&2)[3]	8 Marina Boulevard	Leasehold (99 years)	Oct 10	1,495.8	582,367	2,568
MBFC (Towers 1&2)[4]	8 Marina Boulevard	Leasehold (99 years)	Oct 10	1,426.8	582,367	2,450
Chevron House	30 Raffles Place	Leasehold (99 years)	Sep 10	547.0	262,230	2,086
Samsung Hub (8th to 11th storey)	3 Church Street	Leasehold (999 years)	Aug 10	111.4	52,431	2,125
One Finlayson Green	One Finlayson Green	Freehold	Mar 10	145.0	89,000	1,629
Robinson Point	39 Robinson Road	Freehold	Jan 10	203.3	133,133	1,527
Average						**2,228**
Median						**2,300**
Maximum						**2,800**
Minimum						**1,527**
OFC Interest			**Oct 11**	**2,300**[1]	**884,957**	**2,600**[2]

Source: Company annual report, announcements and press releases

Notes:

(1) Based on the Agreed Value and a 100% interest in the Property.
(2) Based on the Agreed Value.
(3) Acquired by Suntec.
(4) Acquired by K-REIT.

From the table above, we noted that the abovementioned transactions were carried out at price per NLA ranging between S$1,527 psf and S$2,800 psf at the point in time of the respective transactions. Although the price per NLA for the OFC Interest is higher than the average and median of the price per NLA of the Transacted Properties, for the same reasons highlighted in Section 4.4 of the Letter, the price per NLA for the OFC interest is within the range of the price per NLA of the Transacted Properties.

Based on the above attributes, the Agreed Value does not appear to be unreasonable or prejudicial to the interests of K-REIT and its minority Unitholders.

4.7 Property Management Agreement

The Property will be managed by the Property Manager. The Property Manager shall be responsible for providing the following services under the Property Management Agreement as set out in Section 2.8 of the Circular:

(a) property management and maintenance;

(b) lease administration;

(c) marketing and leasing;

(d) accounting and administration; and

(e) budget preparation.

In consideration of the due performance by the Property Manager of the aforesaid services, OPPL shall pay to the Property Manager:

(a) A management fee equal to 3.0% of the property Income from the Property;

(b) In relation to each lease entered into by a tenant, a leasing commission equivalent to:

  (i) one month's Gross Rent, for securing a lease of two years or more; or

  (ii) one-half month's Gross Rent , for securing a lease of less than two years but at least a year; or

  (iii) a proportionate part of one-half month's Gross Rent, for securing a lease of less than a year.

(c) In relation to renewal of each lease, a leasing commission equivalent to:

  (i) one-quarter month's Gross Rent , for securing a renewal of lease of a year or more; or

  (ii) a proportionate part of one-quarter month's Gross Rent , for securing a renewal of lease of less than a year.

We note that the structure of the management fees contracted in the Property Management Agreement is similar to the fee structure for the property management of Bugis Junction Towers and the Prudential Tower Property Interest, which are also managed by the Property Manager, and is also comparable to the management fees paid to the property manager for K-REIT's other properties in Singapore. We also note that the fee structure in the Property

Management Agreement is also in line with the fee structure of similar arrangements in other comparable REITs.

4.8 Rental Support

As set out in the Circular, given that the Property is a recently completed development, the Vendor will provide Rental Support to K-REIT for a period from the Completion Date to 31 December 2016 for vacant spaces, fitting-out periods where rents and maintenance charges will not be received, as well as for leases which are at lower-than-market rental rates as these leases were contracted during the recovery phase of the global financial crisis. These leases are expected to be revised to prevailing market rates when they expire or at the next rent review dates.

The Vendor has agreed to provide the Rental Support to K-REIT for the period commencing on the Completion Date and ending on 31 December 2016. The Guaranteed Income Amount was negotiated between K-REIT and the Vendor such that the average office and retail rental rate for OFC with the Rental Support will be in line with the prevailing market rental rates.

We note that the Rental Support Income is guaranteed by the Guarantor, which is a wholly owned subsidiary of KLL, provided that the aggregate of all Top-Up Payments shall not in any event exceed S$170.0 million.

However, we wish to highlight that K-REIT will be reliant on the income derived from the Rental Support. Any failure by the Vendor to perform its obligations under the Rental Support arrangement may adversely affect K-REIT's cash flow and the amount of distributions that it is able to make to the Unitholders of K-REIT.

4.9 Terms of the Option Deed

As set out in the Circular, the Acquisition is based on K-REIT acquiring a 99-year interest of approximately 87.51% equity interest in OPPL. On Completion Date, the Trustee shall by executing the Option Deed, grant the Vendor, in its capacity as Option Holder, a call option pursuant to which the Option Holder shall have the right to acquire approximately 87.51% equity interest in OPPL for S$1.00 after the expiry of a period of 99 years after the Completion Date. The transaction is structured in this manner to reflect the consideration for the Acquisition which is premised on OPPL holding the Property with only a 99-year lease term and not a 999-year lease term.

We have considered the key terms of the Option Deed which are set out in Section 2.4 of the Circular. We advise Unitholders to read this section carefully. We note that the Independent Valuers have given their valuation opinion after taking into consideration that K-REIT is only acquiring a 99-year interest in the OFC Interest. The terms of the Option Deed, taken in the context of the Acquisition, therefore are not unreasonable or prejudicial to the interests of K-REIT and its minority unitholders.

4.10 Other Relevant Considerations

4.10.1 Financing the Acquisition

The Total Acquisition Cost will be funded by:

(a) net proceeds of approximately S$976.3 million from the Rights Issue (on an underwritten and renounceable basis) based on the Rights Ratio of 17 Rights Units for every 20 existing Units at the Rights Issue Price of S$0.85 per Rights Unit; and

(b) debt financing of approximately S$602.6 million.

We note that KCL and KLL, which together own an aggregate indirect interest of approximately 76.3% of the issued Units, have provided the Keppel Irrevocable Undertakings to the Manager to subscribe for their total provisional allotment of Rights Units to demonstrate their support for the Rights Issue. The Joint Managers and Underwriters will underwrite the Balance Rights Units at the Rights Issue Price. We also note that the Manager will not proceed with the Rights Issue if the approval for the Acquisition is not obtained.

We note that the Manager has assumed interest rates of 1.90% to 2.60% for the debt borrowings as set out in Section 2.2 of the Profit Forecast in Appendix B of the Circular. K-REIT's aggregate leverage after the Completion Date will remain at 41.6% and the Manager believes that maintaining K-REIT's aggregate leverage at this level is appropriate and prudent under the current market conditions.

We also note that the Pro Forma DPU will increase from 6.37 cents to 6.72 cents as set out in the pro forma financial effects of the Acquisition and the Rights Issue in Section 4.3 of the Letter to Unitholders.

4.10.2 Minority Shareholder of OPPL

We note that as set out in the summary of the Circular, AIPL owns the remaining approximately 12.49% of the shares in OPPL. We have confirmation from the management that AIPL is not related to KCL or KLL, is an existing shareholder in OPPL and is the owner of the original land / building from which the Property is developed from.

4.10.3 Singapore Premium Office Property Market Outlook

According to the report by DTZ, there are compelling factors that suggest that the office property market in Singapore, particularly for premium offices, will continue to grow:

(a) As many financial institutions and global companies are expanding their businesses to Asia, which has the fastest growth of high-net-worth individuals. With Singapore positioning itself as a global-Asia hub for financial and business services, it is well-positioned to realise this opportunity.

(b) The development of a "New Downtown" at Marina Bay, provision of comprehensive and state-of-the-art infrastructure in the CBD e.g., the Circle and Downtown Lines and the rejuvenation of the CBD will significantly enhance the profile of Raffles Place;

(c) With the exception of 2013, annual new completions from 2012 onwards are expected to be in line with or lower than the average annual new completions as well as demand over the past decade. Meanwhile, the potential supply for premium office developments is relatively limited; and

(d) There is also an expected demolition of about 1.2 million sq ft of office space island-wide in 2011 and 2012, with majority (88%) in the CBD. Taking into account redevelopment projects which have not confirmed their demolitions, overall office demolitions may add up to 2.2 million sq ft. Furthermore, pre-commitment rates for office developments completing in 2012 and 2013 are about 31%.

Based on the report by DTZ, the rental prospects for the office market, particularly premium offices, remain positive and average monthly gross rents have been projected to be in the range of S$15 – S$16 in 2014.

5 Two Interested Party Transactions Entered in the Current Financial Year

As set out in Appendix F, K-REIT entered into two Interested Party Transactions ("IPT") with KCL and KLL and their subsidiaries and associates in the current financial year, which are subject of aggregation pursuant to Rule 906 of the Listing Manual.

The Manager has an internal control system to ensure that all IPT will be undertaken on normal commercial terms and will not be prejudicial to the interests of K-REIT and the Unitholders. As a general rule, the Manager must demonstrate to the Audit Committee that such transactions satisfy the foregoing criteria which may entail obtaining (where practicable) quotations from parties unrelated to the Manager, or obtaining one or more valuations from independent valuers (in accordance with the Property Funds Appendix).

Transaction with Keppel Land International Limited

K-REIT had renewed the lease with Keppel Land International Limited for the rental of approximately 71,602 sq ft of office space at Bugis Junction Towers for the periods from 16 September 2011 to 15 September 2016. Keppel Land International Limited is a subsidiary of KLL and is hence considered an interested person of K-REIT.

The Manager had commissioned Cushman & Wakefield VHS Pte Ltd ("**Cushman & Wakefield**") and Colliers International Consultancy & Valuation (Singapore) Pte Ltd ("**Colliers**") to provide an independent opinion on the reasonableness of the terms of the agreement and to ensure that they are on normal commercial terms.

We noted that the gross rental rate is based on the average of the market rental rates determined by Cushman & Wakefield and Colliers. The rental rates under the existing and new leases are in line with the acceptable market rental rates.

Transaction with Kephinance Investment Pte Ltd ("Kephinance")

Kephinance has provided a term loan facility of S$127.0 million to K-REIT. Kephinance is a wholly owned subsidiary of KCL and KCL is a controlling Unitholder of K-REIT. Hence, Kephinance is an associate of an interested person of K-REIT.

K-REIT had followed the procedures in its K-REIT IPT Standard Operating Procedures ("SOP") in arranging for the term loan facility from Kephinance Investment Pte Ltd. We note that K-REIT has sourced for alternative quotes from 2 other financial institutions. The terms and conditions of the loan facility are in line with the terms and conditions of the alternative quotes sourced by K-REIT.

Accordingly, we are of the opinion that the terms of the existing Interested Person Transactions as set out in this paragraph 5 are on normal commercial terms and not prejudicial to the interests of K-REIT and its minority Unitholders.

6. OPINION

Having regard to our terms of reference, in arriving at our opinion, we have considered various factors deemed pertinent and to have significant bearing on our assessment of the Acquisition. We have carefully considered the factors as deemed essential, and balanced them before reaching our opinion. Accordingly, it is important that this Letter, in particular, the considerations and information we have taken into account, be read in its entirety.

Our opinion is based solely on information made available to us as at the date of this Letter. The principal factors that we have taken into consideration in forming our opinion are summarised as below:

(a) the rationale and benefits of the Acquisition;

(b) the Agreed Value of S$2,013.1 million is lower than the average of the open market values as appraised by the Independent Valuers;

(c) the Acquisition will improve the DPU to Unitholders by 0.16 cents or 2.3 percent from 7.00 cents to 7.16 cents;

(d) based on the price per NLA implied by the Agreed Value as compared to the Similar Properties, K-REIT's Singapore Properties and Transacted Properties, the consideration do not appear to be unreasonable or prejudicial to the interests of K-REIT and its minority Unitholders;

(e) the terms and conditions of the Property Management Agreement and the associated fees in line with the market practice in Singapore;

(f) With the Rental Support, the rental rates will be in line with the acceptable market rental rates. However, we wish to highlight that any failure by the Vendor to perform its obligations under the Rental Support may affect K-REIT's cash flow and distribution adversely; and

(g) the terms and conditions of the Option Deed.

Having given due consideration to the rationale for the Acquisition and taking into account our evaluation of the Acquisition and subject to the qualifications set out in this Letter, we are of the opinion as of the date of this Letter that the Acquisition (including the Rental Support and Option Deed) is based on normal commercial terms and is not prejudicial to the interests of K-REIT and its minority Unitholders.

We have also considered the two IPTs entered in the current financial year and are of the opinion that the terms of the two IPTs are on normal commercial terms and not prejudicial to the interests of K-REIT and its minority Unitholders.

We advise the Independent Directors to recommend that Unitholders vote in favour of the Acquisition to be proposed at the EGM, the notice of which is set out in the Circular. However, we wish to highlight that each Unitholder may have different investment objectives and considerations and hence should seek their own professional advice.

The foregoing recommendation is addressed to the Independent Directors for the purpose of their consideration of the Acquisition. The recommendation made by the Independent Directors to Unitholders shall remain the responsibility of the Independent Directors. This Letter may only be reproduced, disseminated or quoted in the form and context in which it appears in the Circular or with the prior written consent of PwCCF. This Letter and its entire content is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters stated herein and does not apply by implication to any other matter.

Yours truly
for and on behalf of
PricewaterhouseCoopers Corporate Finance Pte Ltd

Kan Yut Keong
Managing Director

EXISTING INTERESTED PERSON TRANSACTIONS

The table below sets out details of all Existing Interested Person Transactions entered into between K-REIT and KCL and KLL and their subsidiaries and associates in the current financial year, which are the subject of aggregation pursuant to Rule 906 of the Listing Manual.

No	Interested Person	Nature of Transaction	Value of Transaction (S$'000)
KLL Group			
1	Keppel Land International Limited	Renewal of lease at Bugis Junction Towers	32,436(1)
KCL Group (excluding KLL Group)			
1	Kephinance Investment Pte Ltd	Provision of term loan facility	8,192
Total			**40,628**

Note:

(1) Based on the total contracted value for the entire term of the lease.

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Independent Review of the Office Property Market for the Central Business District

Prepared on behalf of

K-REIT Asia Management Limited

10 August 2011

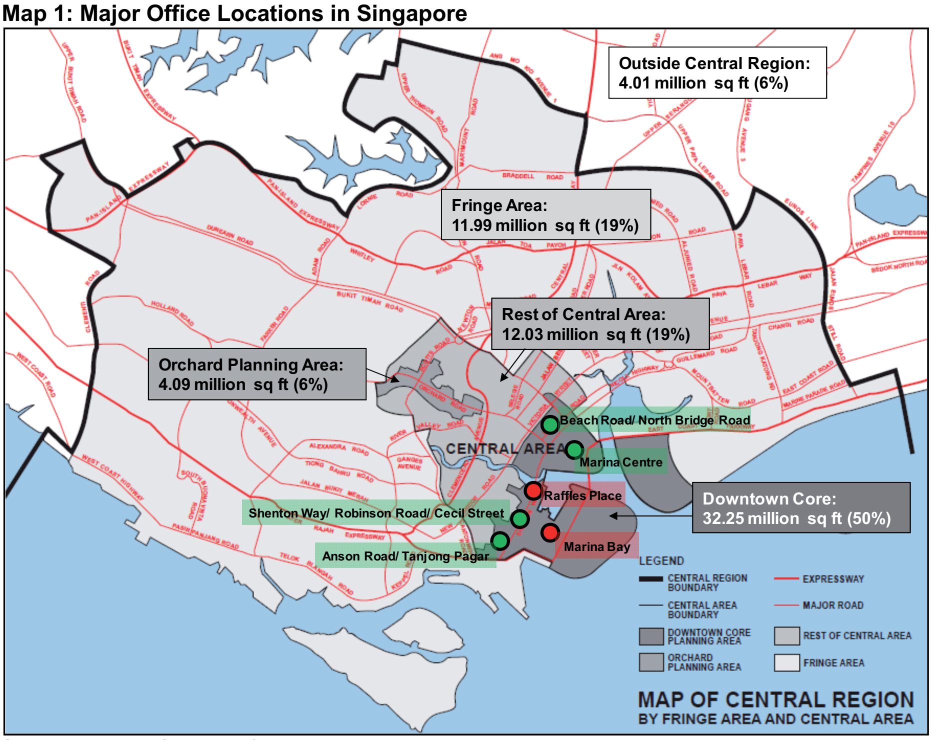
www.dtz.com

Contents

Executive Summary

DTZ was commissioned by K-REIT Asia Management Limited ("K-REIT Asia") to conduct an independent review of the office property market for Singapore's Central Business District ("CBD") for the proposed acquisition of Ocean Financial Centre ("OFC") located at 10 Collyer Quay. The report focuses on the private office market, particularly Raffles Place and Marina Bay in Downtown Core, where the subject property is located. The Downtown Core is an urban planning area in the south of Singapore where premium offices are situated (Map 1).

Map 1: Major Office Locations in Singapore



Source: URA, DTZ Consulting & Research, August 2011

Strong Economic Recovery in Asia

Most Asian economies enjoyed broad-based recovery in 2010, outpacing other advanced economies. Asia's growth was underpinned by strong export performance, buoyant private domestic demand and in some cases, rapid credit growth. Average real Gross Domestic Product ("GDP") growth in Asia was 8.2% in 2010. Notwithstanding, signs of overheating in some major economies are starting to materialise, fuelled by asset and consumer price inflation.

Singapore's Economy

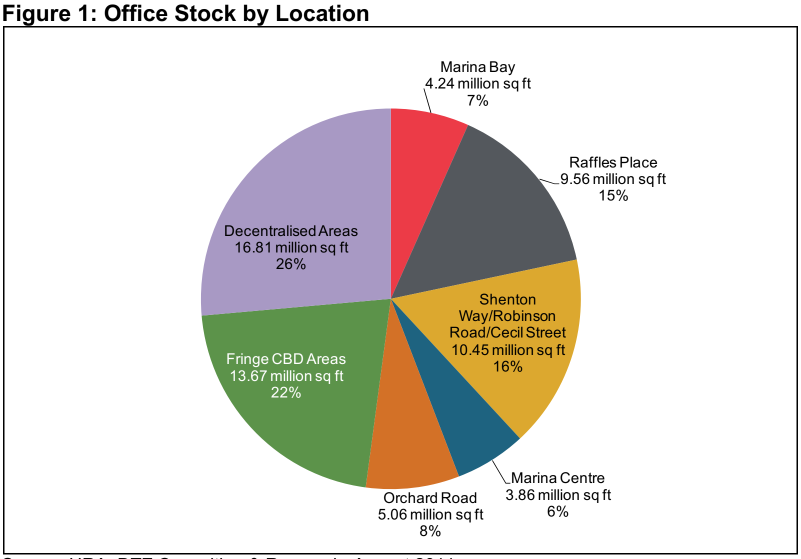
Following the 14.5% GDP growth in 2010, Singapore's economy grew by 9.3% YOY in Q1 2011 and 0.9% YOY in Q2 2011. The moderation in growth in Q2 2011 was due to a pullback in the biomedical and electronic manufacturing sectors. Inflationary pressures persist, with inflation reaching 5.2% in Q2 2011. As at July 2011, Oxford Economics forecasted annual GDP growth between 2011 and 2014 to be 4.6% to 5.0%, while inflation is expected to be 4.3% in 2011 and below 2% thereafter. Singapore's economy is expected to continue to grow, despite global economic uncertainty resulting from the sovereign debt crisis in the US and Europe as well as the recent downgrade of US long-term sovereign debt rating. According to the revised estimate by the Ministry of Trade and Industry ("MTI")[1] on 10 August 2011, GDP growth is expected to reach 5.0% to 6.0% in 2011.

[1] Source: Press Release on 10 August 2011 – "MTI Revises 2011 Growth Forecast to 5.0 to 6.0 Per Cent".

Evolving Central Business District

Compared with the past decade, there was significant new supply between 2009 and H1 2011, particularly in Downtown Core, as the supply from the large parcels of white sites in Marina Bay launched by the government in 2007 materialised. As at end Q2 2011, about 22% (13.80 million sq ft) of office space in Singapore was located in Raffles Place and Marina Bay, of which 40% (5.49 million sq ft) was premium office stock (Figure 1). Premium office stock was only found in Marina Bay since 2006. It was only till H1 2011 that new completions of OFC and OUE Bayfront added new premium office supply to Raffles Place.

Figure 1: Office Stock by Location



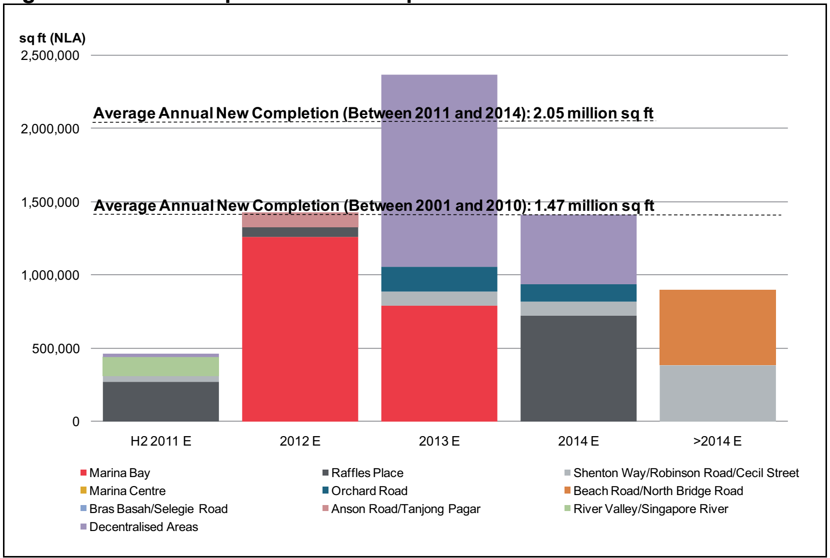
Source: URA, DTZ Consulting & Research, August 2011

The development of Marina Bay as an extension of the CBD, which incorporates lifestyle elements and a live-work-play environment, as well as the completion of new premium offices in Raffles Place have significantly enhanced the profile of the areas.

Significant Office Potential Supply, Especially in 2013

According to DTZ Research, about 6.57 million sq ft (Net Lettable Area (“NLA”)) of new office space is anticipated to complete from H2 2011 onwards. Most of the potential new completions are from Marina Bay (31%, 2.05 million sq ft) and Raffles Place (16%, 1.06 million sq ft), of which 77% are completing from H2 2011 to 2013 (Figure 2). With the exception of 2013 (36% of island-wide potential supply, 2.37 million sq ft), annual new completions from 2012 onwards are expected to be in line with or lower than the average annual new completions over the past decade.

Figure 2: Office Completions in the Pipeline



Source: URA, DTZ Consulting & Research, August 2011

Of the potential supply in Raffles Place and Marina Bay between H2 2011 and 2014 (3.10 million sq ft), 89% (2.77 million sq ft) are premium offices which are only expected to enter the market in 2013 and 2014 (Table 1).

Table 1: Major Potential Supply (Premium Offices)

Estimated Date of Completion	Development	Area	Estimated Office NLA (sq ft)
2012	Marina Bay Financial Centre Tower 3	Marina Bay	1,258,500
2013	Asia Square Tower 2	Marina Bay	788,600
2014	Office Development at Market Street	Raffles Place	720,200

Source: DTZ Consulting & Research, August 2011

The government continued making land available under the H2 2011 Government Land Sales ("GLS") Programme, which included a white site at Marina Bay under the Reserve List. Another potential source of office new supply is expected to originate from the Marina South and Ophir/Rochor Road land parcels, which were part of the landmark Singapore-Malaysia land swap deal for the Malayan Railway land in Tanjong Pagar, Kranji and Woodlands. Together with the potential office supply from unsold sites in the GLS Programme, it is estimated that there is more than 3 million sq ft (NLA) of office space that can be yielded from these sites.

Office Potential Supply is Not a Major Concern

Notwithstanding, the office potential supply is not a major concern as:

- With the exception of 2013, annual new completions from 2012 onwards are expected to be in line with or lower than the average annual new completions as well as annual net demand[2] over the past decade;
- Pre-commitment rates for office developments completing in 2012 and 2013 are about 31%; and
- There is an expected demolition of about 1.17 million sq ft of office space island-wide in 2011 and 2012, with majority (88%) in the CBD. Taking into account redevelopment projects which have not confirmed their demolitions, overall office demolitions may add up to 2.20 million sq ft.

[2] According to DTZ Research, the average annual net demand over the past decade was about 1.11 million sq ft.

Assuming that the overall office demolitions materialise between H2 2011 and 2014, the net potential supply over the period is estimated at about 3.47 million sq ft, which translates into an average annual net supply of some 1.50 million sq ft over the next three years.

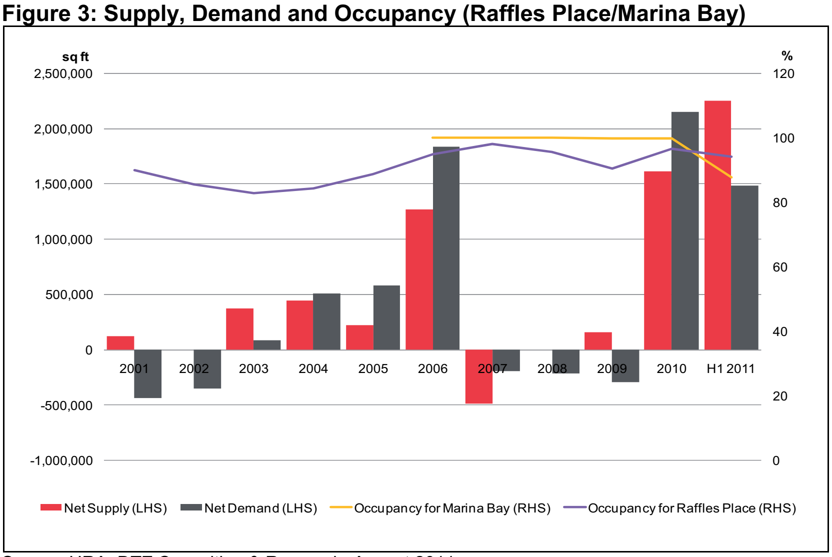
In particular, the impact of the island-wide potential supply on premium office developments in Marina Bay and Raffles Place is relatively limited, given that potential premium office developments are only expected to complete in 2012 and 2013, with limited supply in 2014 and 2015. In addition, majority (56%) of the new completions in 2013 are in non-CBD areas. Meanwhile, a large proportion of premium office space completing in 2012 (67%) has been pre-committed.

Healthy Demand for Office Space

With the exception of the economic downturns in 2002/03 and 2008/09, annual demand for island-wide office space in Singapore, particularly the Downtown Core Planning Area, has often matched up to or even exceeded that for supply over the past decade, reflecting Singapore's status as a global financial centre and Asia hub as well as its open economy.

The strong economic turnaround and increased hiring by financial institutions and Multi-National Corporations ("MNCs") resulted in annual demand for office space in Raffles Place/Marina Bay (2.15 million sq ft) exceeding the significant new supply (1.62 million sq ft) in 2010. The demand for office space in Raffles Place/Marina Bay remained relatively robust at about 1.48 million sq ft in H1 2011, amid the completion of several premium offices (Figure 3).

Figure 3: Supply, Demand and Occupancy (Raffles Place/Marina Bay)



Source: URA, DTZ Consulting & Research, August 2011

More foreign companies, especially those in the financial and business services sectors, are expected to establish their presence in Asia Pacific. As a result, newly completed premium offices, with strong tenant profiles are likely to experience higher take-up, as the high-profile tenants attract similar tenants. Premium offices which were completed in H1 2011 are about 60% to 80% occupied, while those completing in 2012 are almost 70% pre-committed (Table 2).

Table 2: Occupancy and Major Tenants (Premium Offices)

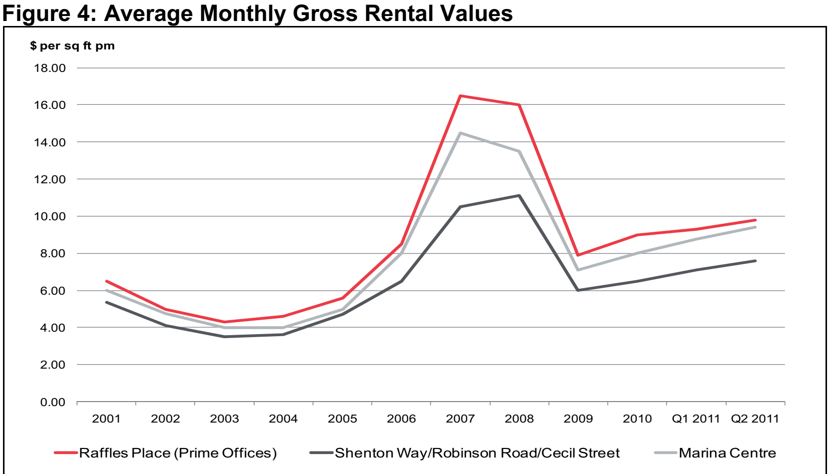
Development	Location	Estimated Occupancy (as at end H1 2011)	Major Tenants
One Raffles Quay (North and South Towers)	Marina Bay	100%	• Bank of Nova Scotia Asia • Credit Suisse • Deutsche Bank AG • Ernst & Young Corporate Finance • Societe Generale Bank & Trust • The Royal Bank of Scotland • UBS AG
MBFC Tower 1	Marina Bay	100%	• American Express Bank • Barclays Bank PLC • BHP Billiton Marketing Asia • Macquarie Capital Securities • Standard Chartered Bank
MBFC Tower 2	Marina Bay	96%	
OFC	Raffles Place	80.3%[3]	• ANZ • BNP Paribas • Drew & Napier LLC • Stamford Law Corporation • The Executive Centre
OUE Bayfront	Raffles Place	77%	• Allen & Overy • Hogan Lovells International • Merrill Lynch International Bank Limited (Merchant Bank) • SEB (Singapore Branch)
Asia Square Tower 1	Marina Bay	62%	• Bank Sarasin • Citi Singapore • Julius Baer • Lloyd's of London • Regus Serviced Offices

Source: DTZ Consulting & Research, August 2011

Promising Office Rental Trends, Albeit Some Uneven Growth

Office rentals have trended upwards since the economic downturn in 2003. The supply crunch in 2006/07 led to an escalation of rentals, especially in the Central Area. Since the trough in Q4 2009, office rentals in both the Central Area and Fringe Area have recovered steadily. Overall leasing conditions remained relatively positive in H1 2011, with average monthly gross rentals for Raffles Place growing by 3.3% from $9.00 per sq ft[4] in Q4 2010 to $9.30 per sq ft in Q1 2011 and subsequently, by 5.4% to $9.80 per sq ft in Q2 2011 (Figure 4).

Figure 4: Average Monthly Gross Rental Values



Source: DTZ Consulting & Research, August 2011

[3] As at 4 August 2011. Based on office NLA only.
[4] All currencies are in SGD, unless otherwise stated.

Due to their attractive locational attributes and building specifications, premium office developments such as OFC and Marina Bay Financial Centre Towers 1 and 2 are fetching rental premiums of around 15% to 20% over prime office developments, as at Q2 2011. Average monthly gross rentals in Raffles Place in Q2 2011 are about 48% below the previous peak of $19.00 per sq ft in Q2 2008.

Continuing Interest in the Office Investment Market

Office prices began recovering in Q4 2009, as a prelude to the recovery in rentals in Q1 2010. Coupled with the low interest rate environment, the total value of office sales transactions increased more than four times from about $0.65 billion in 2009 to $2.66 billion in 2010, a new high since the global financial crisis in 2008. This reflected the significant flow of capital into the office property market in 2010. Some Real Estate Investment Trusts ("REITs") and institutional investors also acquired new office assets, reflecting their market confidence.

Average office capital values increased in Q2 2011 despite mixed business sentiments. Positive rental prospects, particularly for premium offices, have helped support the underlying investor demand for office assets. Average freehold capital values for Raffles Place rose by 6.3% from about $2,400 per sq ft in Q1 2011 to $2,550 per sq ft in Q2 2011, which were about 23% below the previous peak of $3,300 per sq ft in Q3 2008.

Ocean Financial Centre as a Premium Office Development

OFC is located in the heart of Raffles Place, the prime financial and business hub in Singapore. It is also within walking distance to Marina Bay, an extension of Singapore's CBD featuring a live-work-play environment. Being one of the newest and largest premium office buildings in the CBD, OFC incorporates premium building specifications, amenities as well as state-of-the-art green building features. Table 3 summarises the Strengths, Weaknesses, Opportunities and Threat ("SWOT") Analysis for OFC.

Table 3: SWOT Analysis for Ocean Financial Centre

<table>
<tr><th>Strengths</th><th>Opportunities</th></tr>
<tr><td>

Strategically located in the heart of the traditional CBD (Raffles Place), while being near the “New Downtown” at Marina Bay
High accessibility – adjacent to Raffles Place MRT interchange station, which is connected to an underground network of air-conditioned walkways spanning to Marina Bay; served by many public buses
Served by a wide myriad of developments including residential and hotels as well as retail amenities and services
One of the newest and tallest premium office buildings in Singapore, designed by world renowned architectural firm, Pelli Clarke Pelli, in association with Architects 61
Unblocked, panoramic view of the CBD, Marina Bay and major tourist attractions in the city centre e.g., Marina Bay Sands and the Singapore Flyer
Excellent building specifications e.g.,:

Large, regularly-shaped and column-free floor plates of up to 23,000 sq ft, featuring high space efficiency and flexibility;
Generous floor-to-ceiling height, creating a sense of spaciousness;
Raised floor with potential for inter-floor accessibility; and
Dual power and telecom feeds, suitable for tenants which require uninterrupted utilities e.g., bank and trading operations.

Comprehensive green features with various accompanying green awards/accolades:

Solar Pioneer Award under the $20 million Solar Capability Scheme (2010);
Best Green Development (Future) Award at the Cityscape Asia Real Estate Awards (2009);
First in South East Asia to achieve Platinum Level LEED-CS pre-certification (2009); and

First office development in Singapore to attain the BCA Green Mark Platinum status (2008). Green plot ratio exceeds industry’s best practice
Attractive facade with prominent street frontage along Collyer Quay as well as Marina Bay
High-profile tenants e.g., ANZ Banking Group Limited, BNP Paribas, Drew & Napier LLC and Stamford Law Corporation
Presence of service-related tenants e.g., dental clinic and yoga/fitness centre to cater to tenants’ lifestyle requirements

</td><td>

Materialisation of the government’s objectives to entrench Singapore as a high-value manufacturing hub and a global-Asia hub for financial and business services over the long-term will further bolster demand
Ongoing commitment from the government and developers to continuously enhance Marina Bay; synergistic benefits e.g., branding and infrastructure
High-profile tenants will act as magnets in attracting other similar tenants
Opportunities to achieve premium rental due to green features and attract MNCs with high environmental awareness as part of the social corporate responsibilities
The building’s prominent frontage as well as excellent architecture will establish OFC as a landmark in both Raffles Place and Marina Bay

</td></tr>
<tr><th>Weaknesses</th><th>Threats</th></tr>
<tr><td>

Short-term car parking issue as car park podium will only be completed in 2012
No direct sheltered access to Raffles Place MRT interchange station for the short-term (link to the underground pedestrian link of Raffles Place MRT station will be completed in 2012)

</td><td>

Competition from future prime/ premium office buildings in Raffles Place and Marina Bay

</td></tr>
</table>

Source: DTZ Consulting & Research, August 2011

Outlook

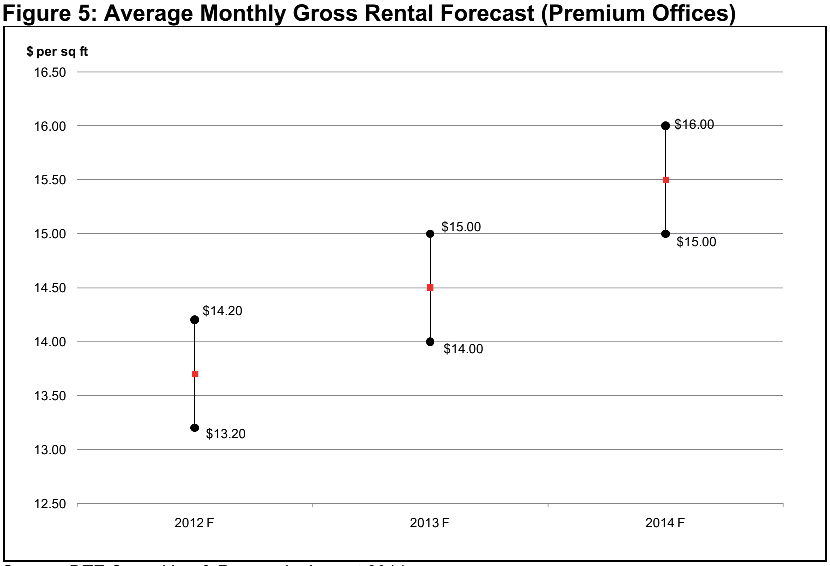
The office property market in Singapore, particularly for premium offices, will continue to grow:

- *Asia's growth story* – Financial institutions and global companies are expanding their businesses to Asia, which has the fastest growth of high-net-worth individuals. With Singapore positioning itself as a global financial centre and Asia hub for financial and business services, it is well-positioned to realise this opportunity. The overall economic growth benefits from Asia are expected to mitigate downside economic growth risks in the US and Europe. This will translate into demand for office space in Singapore;
- *Increased attractiveness of Raffles Place* – The development of a "New Downtown" at Marina Bay, provision of comprehensive and state-of-the-art infrastructure in the CBD e.g., the Circle and Downtown Lines and the rejuvenation of the CBD will significantly enhance the profile of Raffles Place*;*
- *Office potential supply remains in tandem with demand* – With the exception of 2013, annual new completions from 2012 onwards are expected to be in line with or lower than the average annual new completions as well as demand over the past decade. Meanwhile, the potential supply for premium office developments is relatively limited; and
- *Expected office demolitions* – There is also an expected demolition of about 1.17 million sq ft of office space island-wide in 2011 and 2012, with majority (88%) in the CBD. Taking into account redevelopment projects which have not confirmed their demolitions, overall office demolitions may add up to 2.20 million sq ft. Furthermore, pre-commitment rates for office developments completing in 2012 and 2013 are about 31%.

As such, rental prospects for the premium office market remain relatively positive, supported by economic growth. Notwithstanding, uncertain economic conditions in the US and Europe as well as inflationary pressures have affected economic growth in many economies, including Singapore. In the event that global economic growth slows, Singapore's economy and the demand for office space will be impacted.

Figure 5 highlights the rental forecast for premium office developments from 2012 to 2014. It does not take into account recent developments in the US and Europe, the impact of which are too early to establish.

Figure 5: Average Monthly Gross Rental Forecast (Premium Offices)



Source: DTZ Consulting & Research, August 2011

Terms of Reference

DTZ was commissioned by K-REIT Asia Management Limited ("K-REIT Asia") to conduct an independent review of the office property market for Singapore's Central Business District. This report is part of the due diligence by K-REIT Asia for the proposed acquisition of Ocean Financial Centre, a premium office development, located at 10 Collyer Quay.

Our report covers the following:

- Economic overview;
- Office property market review;
- Site and locational analysis for Ocean Financial Centre;
- Micro-market analysis, comprising the Raffles Place, Marina Bay, Shenton Way/Cecil Street/ Robinson Road and Marina Centre areas;
- SWOT analysis; and
- Rental forecasts for premium office developments in the micro-market.

1 Overview of the Economy and Office Market

1.1 The Economy

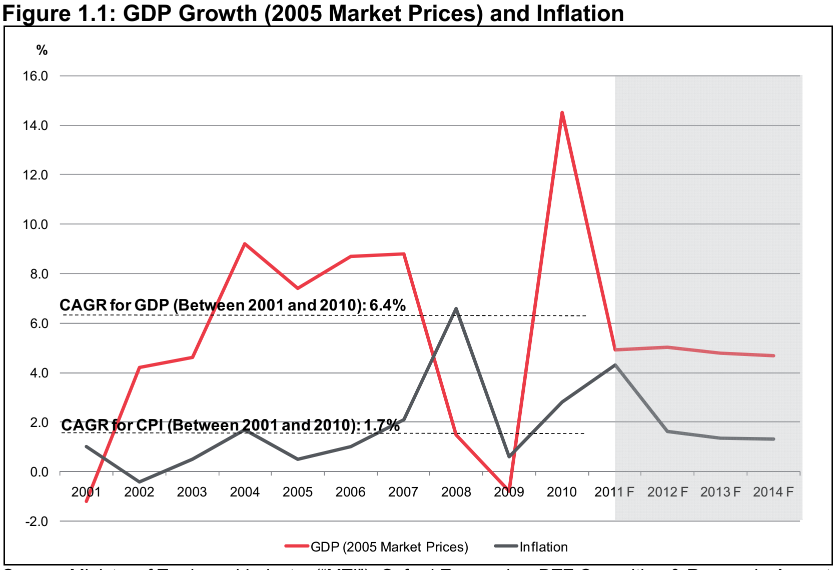
Following the global economic slowdown in 2009, Asia continued to outpace other regions in terms of growth. In 2010, most Asian economies enjoyed broad-based recovery, supported by strong export performance, buoyant private domestic demand and in some cases, rapid credit growth.

According to the International Monetary Fund in April 2011, the average real Gross Domestic Product ("GDP") growth in Asia was 8.2%[1] in 2010. Most Asian economies are expected to continue to expand in 2011 and 2012, with overall growth expected to be 6.7% in 2011 and 6.8% in 2012. Export growth is expected to moderate but will remain robust, as gains in market share and increased intra-regional trade partially offset the weakness in final demand from advanced economies. Capital flows to Asia are likely to continue, driven by cyclical and structural factors.

1.1.1 Gross Domestic Product and Inflation

After the slight GDP retraction of 0.8% in 2009, Singapore experienced an economic growth of 14.5% in 2010 (Figure 1.1), supported by strong growth in Manufacturing (29.7%), Wholesale and Retail industries (15.1%), Other Services (14.3%) and Financial Services (12.2%). Manufacturing, Wholesale and Retail Industries as well as Financial and Business Services were collectively the largest contributor to GDP (66%) (Figure 1.2).

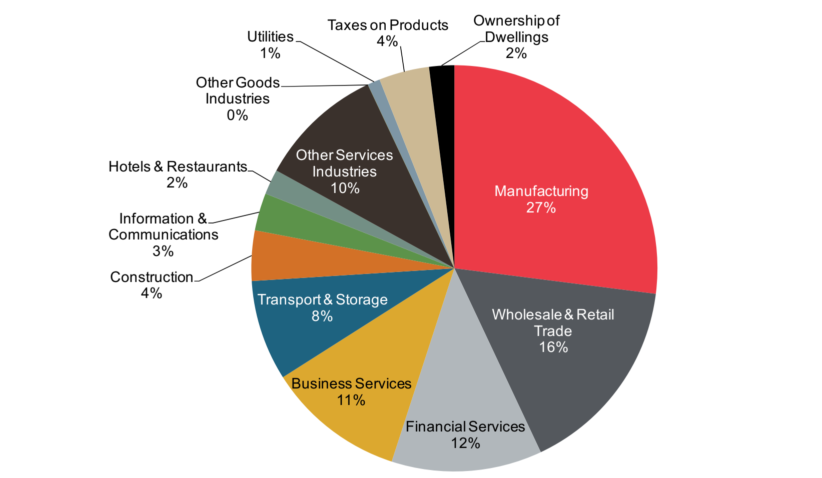
Figure 1.1: GDP Growth (2005 Market Prices) and Inflation



Source: Ministry of Trade and Industry ("MTI"), Oxford Economics, DTZ Consulting & Research, August 2011

[1] Source: World Economic Outlook, April 2011 – "World Economic Outlook: Tensions from the Two-Speed Recovery".

Figure 1.2: GDP Sectoral Contribution (2010)



Source: MTI, DTZ Consulting & Research, August 2011

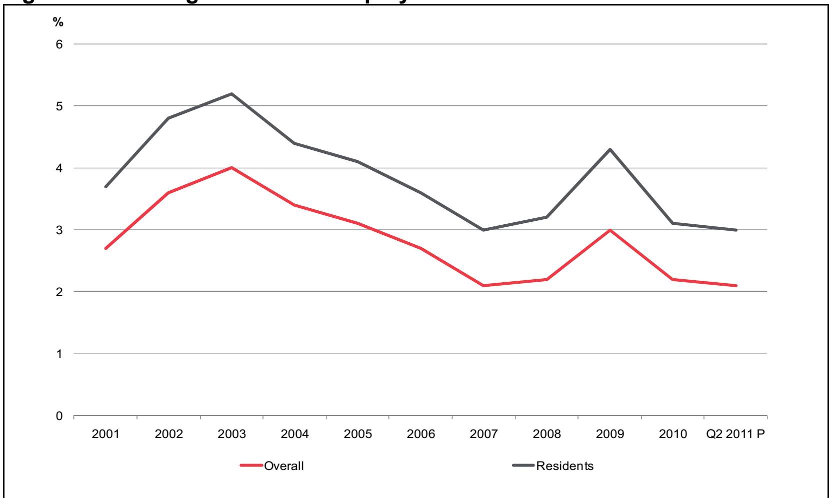
The economy grew by 9.3% YOY in Q1 2011 and slowed to 0.5% YOY in Q2 2011. There was a fall in productivity by 5.5% YOY in the manufacturing sector in Q2 2011, led by decline in the biomedical manufacturing and electronics clusters. Consumer confidence also eased in Q2 2011.

Inflation declined to 0.6% in 2009, after peaking at 6.6% in 2008. However, with the spike in food prices, inflation in 2010 rose to 2.8%. Inflation continued to increase in 2011 and was at 5.2% in Q2 2011.

1.1.2 Employment

Singapore has one of the lowest unemployment rates in Asia. Following an increase of 1%-point in 2009, the overall unemployment rate recovered to 2008 level at 2.2% in 2010 while that for residents was slightly higher at 3.1% (Figure 1.3). The unemployment rate declined marginally to 2.1% for overall unemployment and 3.0% for residents in Q2 2011.

Figure 1.3: Average Annual Unemployment Rate[2]



Source: Ministry of Manpower ("MOM"), DTZ Consulting & Research, August 2011

[2] Unemployment rate for Q2 2011 is seasonally adjusted as at June 2011. It is also a preliminary figure and is subject to further change.

In 2010, 78% of the employed residents were in the services sector. This included 6% in the financial and insurance services sector. The largest employment sectors in 2010 were Manufacturing (15%) and Public Administration and Education (14%).

The top five growing employment sectors since 2007 were Construction, Wholesale and Retail Trade, Hotels and Restaurants, Financial Services and Business Services, which collectively constituted 67% of the total employment growth between 2007 and 2010.

1.1.3 Government Policies

In line with Singapore's vision to be a regional financial hub, and incorporating the recommendations from the latest Economic Strategies Committee, a number of policies have been implemented to boost the financial and business services sectors in the 2011 Budget (Table 1.1). These policies and fiscal incentives are likely to augment the demand for office space.

Table 1.1: Key Fiscal Incentives in Budget 2011

• To help banks access more diversified funding sources for their lending businesses, from 1 April 2011, withholding tax was exempted from all interest payments made by banks and similar financial institutions to non-residents for the purpose of their trade or businesses.
• To make Singapore's economy more competitive globally, there is a 20% corporate income tax rebate, capped at $10,000[3] for Year of Assessment 2011.
• The government has set aside $2.5 billion under the Economic Development Assistance Scheme (EDAS) to enable EDB to continue its efforts to strengthen Singapore's value proposition for corporate head-quarters and other high-value activities. This will support new efforts, such as developing a pool of professionals and executives with a strong understanding of Asian markets and businesses, as well as attracting mid-sized global enterprises to set up their first Asian base in Singapore.

Source: Ministry of Finance, DTZ Consulting & Research, August 2011

1.1.4 Outlook

As at July 2011, Oxford Economics forecasted annual GDP growth rate between 2011 and 2014 at 4.6% to 5.0%. The continuing global economic uncertainty resulting from the sovereign debt crisis in the US and Europe as well as the downgrade of US long-term sovereign debt rating on 5 August 2011 will weigh down on market sentiments. The Ministry of Trade and Industry ("MTI")[4] revised its estimate for Singapore's economic growth in 2011 to between 5.0% and 6.0% on 10 August 2011. Meanwhile, unemployment rates are expected to remain low at around 2.2% for 2011 and 2012.

The Singapore office market continues to be supported by Asia's growth story, with more Multi-National Corporations ("MNCs") renewing their focus in Asia. Consequently, the positive long-term economic prospects for Asian economies, especially Singapore, a key global financial centre and Asia hub for high value-add sectors, are likely to support growth in the office market.

Underpinning the positive growth prospects of the office market, especially in the Central Business District ("CBD") are factors such as the:

- Development of a "New Downtown" at Marina Bay, incorporating lifestyle elements as well as a live-work-play environment;
- Provision of comprehensive and state-of-the-art infrastructure in the CBD e.g., the Circle and Downtown Lines;
- Rejuvenation of the CBD e.g., Raffles Place, Shenton Way/Robinson Road/Cecil Street and Anson Road/Tanjong Pagar; and
- Emergence of city fringe and suburban commercial clusters e.g., the Southern Corridor, Jurong East and Paya Lebar areas.

[3] All currencies are in SGD, unless otherwise stated.
[4] Source: Press release on 10 August 2011 – "MTI Revises 2011 Growth Forecast to 5.0 to 6.0 Per Cent".

Particularly, the recent completion of premium office buildings in the CBD, which feature excellent building specifications, has led to new benchmarks of prime office developments.

1.2 Major Office Locations

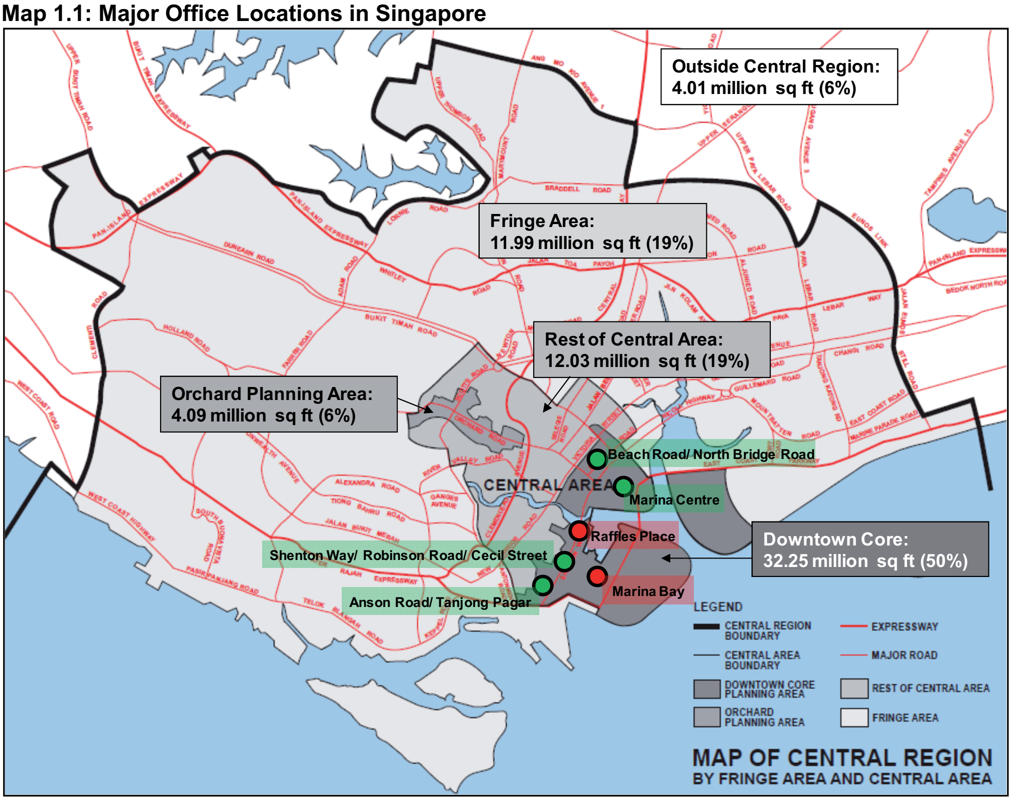
According to the Urban Redevelopment Authority ("URA"), major office locations in Singapore are broadly classified into the following areas (Table 1.2 and Map 1.1):

Table 1.2: Area Classification for Office Locations in Singapore

URA Area Classification		Key Office Locations
Central Area	**Downtown Core**	• Raffles Place • Marina Bay/Shenton Way/Robinson Road/Cecil Street • Anson Road/Tanjong Pagar • Marina Centre • Part of Beach Road/North Bridge Road
	Rest of Central Area	• Part of Beach Road/North Bridge Road • River Valley/Singapore River • Bras Brasah/Selegie Road
Orchard Planning Area		• Orchard Road
Fringe Area		• Alexandra Belt • HarbourFront Belt • Novena Belt
Outside Central Region		• Tampines Regional Centre • Other Decentralised Areas

Source: URA, DTZ Consulting & Research, August 2011

Map 1.1: Major Office Locations in Singapore



Source: URA, DTZ Consulting & Research, August 2011

This report focuses on the private office market, in particular, in the Downtown Core Planning area, notably Raffles Place (where the subject property is located) and Marina Bay. The development of the "New Downtown" as well as the redevelopment of several office buildings in Raffles Place has resulted in the emergence of a "premium office" tier. Table 1.3 highlights the typical attributes of premium and prime office developments. The subject property, Ocean Financial Centre ("OFC"), which is strategically located in the heart of the Raffles Place financial hub and features excellent building specifications e.g., Building and Construction Authority ("BCA") Green Mark Platinum Award, is classified as a premium office development.

Table 1.3: Typical Attributes of Premium and Prime Office Developments in Singapore

Category	Premium	Prime
Location	• Raffles Place and Marina Bay • Near Mass Rapid Transit ("MRT") station • Accessible • Prominent frontage • Proximity to supporting facilities and amenities e.g. F&B and recreational	• Raffles Place • Near MRT station • Accessible • Proximity to supporting facilities and amenities e.g. F&B and recreational
Building Specifications	• Attractive façade • Excellent and unblocked view • Sense of arrival at lobby/drop-off points • Large column-free floor plates: 18,000 sq ft and above • Raised flooring • Floor-to-ceiling height of 2.7 m and above • Dual power supply and back-up power provisions • Intelligent/ automated building management system • Comprehensive security measures e.g., turnstiles, controlled lift access and CCTV	• Relatively attractive facade • Sense of arrival at lobby/drop-off points • Column-free floor plates: 10,000 sq ft and above • Raised flooring • Floor-to-ceiling height of 2.7 m and above • Dual power supply and back-up power provisions • Intelligent/ automated building management system • Presence of security measures
Others	• BCA Green Mark Certification: Gold rating and higher	-

Source: DTZ Consulting & Research, August 2011

Secondary office locations in the CBD are more diverse, with Shenton Way/ Robinson Road/ Cecil Street and Anson Road/Tanjong Pagar predominantly serving as supporting nodes to the established companies in the prime office locations. Tenants in these areas are mostly Small and Medium Enterprises ("SMEs"), ranging from shipping and trading to insurance and professional services.

Marina Centre is a self-contained business precinct, comprising office, retail, entertainment, convention and hotel uses. There is also a significant presence of financial institutions, MNCs, professional and business services firms. Part of Beach Road/North Bridge Road falls within the Downtown Core Area. It is a unique office location as it comprises several major conservation areas. Office developments in this location are relatively old, catering mainly to professional and business services as well as niche sectors such as the creative industries.

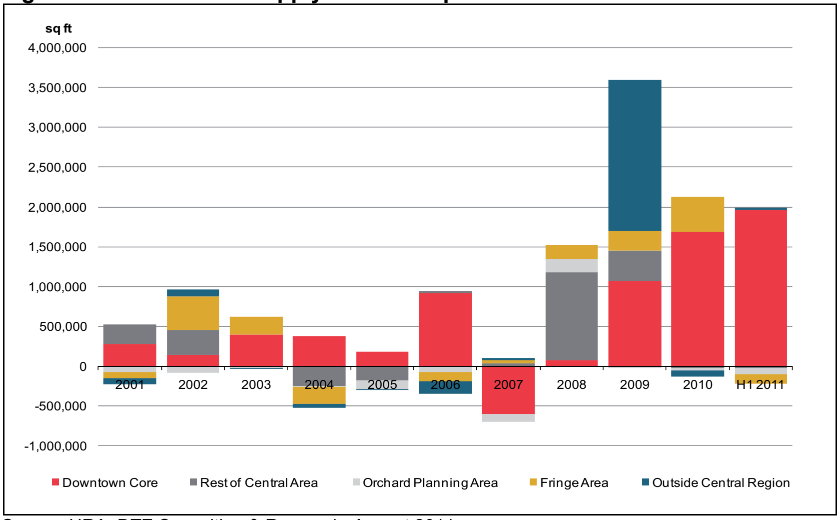
1.3 Existing Supply

The economic downturns since the Asian Financial Crisis in 1997, notably the 9/11 terrorist attack in 2001 and the SARS outbreak in 2003 have led to many developers suspending or delaying their development plans. Particularly, the annual supply of island-wide office space between 2001 and 2007 has generally been below the average over the past decade.

The limited supply of office between 2003 and 2007 as well as significant demolition of office space during the period culminated in a supply crunch in 2007, especially in the Downtown Core. Consequently, this led to the government releasing more land for office development via the Government Land Sales ("GLS") Programme. Large parcels of white sites in Marina Bay were launched to cushion escalating office rentals in 2007. Developers also acquired older office buildings in Raffles Place and Shenton Way/Cecil Street/Robinson Road for redevelopment to take advantage of the limited supply as well as to remain competitive, amid the extension of the CBD to Marina Bay.

With most office development activities in 2007/08 scheduled to complete over the subsequent three to five years, office supply in Downtown Core has increased significantly since 2009 (Figure 1.4). Annual supply in 2009 was some 3.57 million sq ft[5], of which 30% (1.08 million sq ft[6]) was primarily from secondary locations in the CBD, although majority (53%, 1.89 million sq ft) was from Outside Central Region.

Figure 1.4: Annual Net Supply of Office Space



Source: URA, DTZ Consulting & Research, August 2011

Secondary locations also saw relatively more office demolitions in 2009. Rising interest in the residential market in H2 2009, coupled by a low interest rate environment, resulted in more redevelopment activity as some developers opted for a change of use from office to residential to capitalise on the market. Majority of the new office completions in 2010 and H1 2011 were in Raffles Place and Marina Bay (Table 1.4):

Table 1.4: Major Office Completions in Downtown Core (2010 to H1 2011)

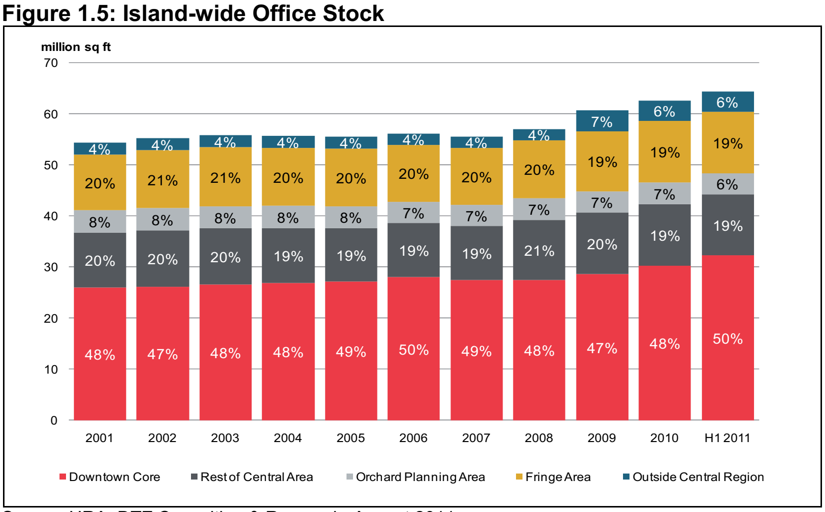
Development	Location	Estimated NLA (sq ft)
2010		
Marina Bay Financial Centre Tower 1	Marina Bay	630,800
Marina Bay Financial Centre Tower 2	Marina Bay	1,035,500
Tokio Marine Centre	Shenton Way/Robinson Road/Cecil Street	109,800
H1 2011		
Ocean Financial Centre	Raffles Place	876,947
OUE Bayfront	Raffles Place	389,700
Asia Square Tower 1	Marina Bay	1,229,200

Source: URA, DTZ Consulting & Research, August 2011

[5] All existing supply and demand figures are in terms of Net Lettable Area ("NLA"), unless otherwise stated.
[6] Figures in this report may not add up due to rounding off.

Due to the office completions over the past two years, island-wide office stock rose by 6% from 60.60 million sq ft in 2009 to 64.4 million sq ft in Q2 2011. As at Q2 2011, about 50% (32.25 million sq ft) of island-wide office stock was located in Downtown Core, 19% (12.03 million sq ft) in the Rest of Central Area and another 19% (11.99 million sq ft) in the Fringe Area (Figure 1.5). While office stock in Downtown Core has grown significantly over the past decade, there has also been increased decentralisation of office space to the Outside Central Region, in line with the government's decentralisation plan.

Figure 1.5: Island-wide Office Stock



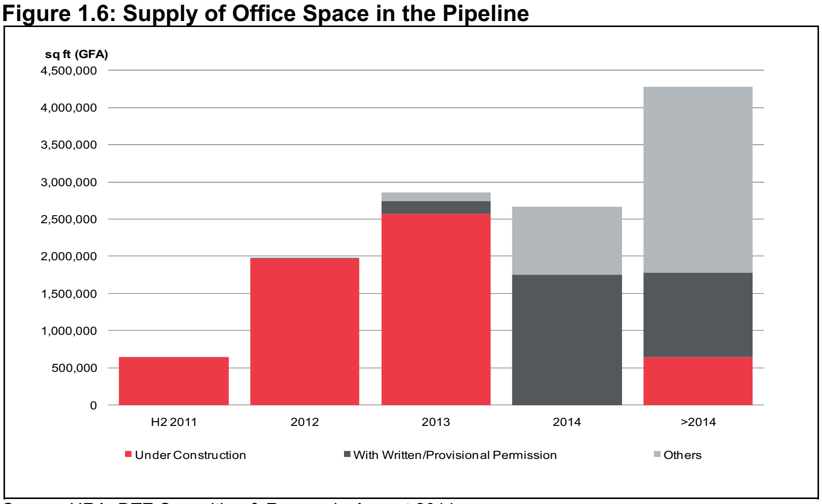
Source: URA, DTZ Consulting & Research, August 2011

1.4 Potential Supply

1.4.1 With Approvals for Development

According to the URA, about 8.90 million sq ft of office space (Gross Floor Area ("GFA")) is expected to complete from H2 2011 onwards. About 66% (5.83 million sq ft) is under construction, while 34% (3.07 million sq ft) have obtained Provisional/ Written Permission ("PP/ WP") (Figure 1.6). As at H1 2011, there is about 3.52 million sq ft of office space that have not obtained approvals for development.

Figure 1.6: Supply of Office Space in the Pipeline

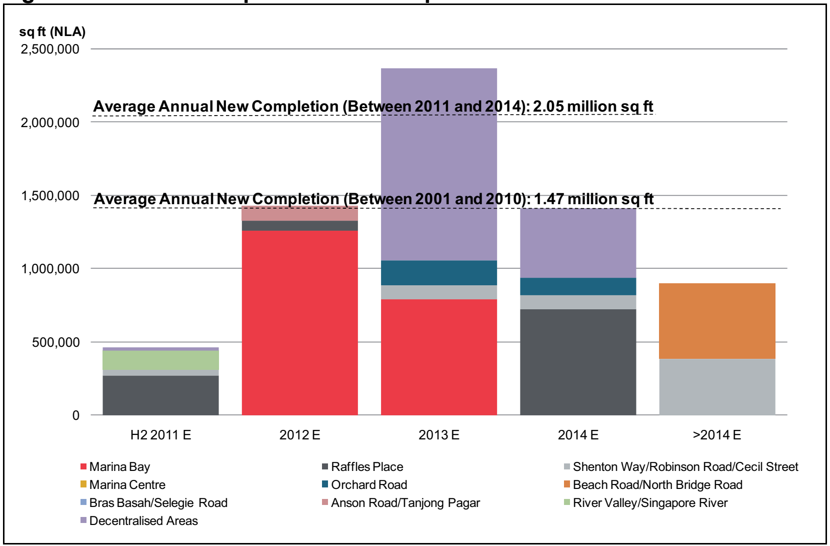


Source: URA, DTZ Consulting & Research, August 2011

According to DTZ Research, about 6.57 million sq ft of new office space (Net Lettable Area ("NLA")) is anticipated to complete from H2 2011 onwards. 36% (2.37 million sq ft) of the island-wide potential supply is expected to complete in 2013, while new completions in 2012 (22%) and 2014 (21%) are expected to amount to 1.43 million sq ft and 1.41 million sq ft respectively.

About 47% (3.10 million sq ft) of the potential office supply originate from Raffles Place (1.06 million sq ft) and Marina Bay (2.05 million sq ft), of which 77% are completing from H2 2011 to 2013. There is also a significant proportion of the island-wide office potential supply in the Decentralised Areas (28%, 1.81 million sq ft), although most of it is completing from 2013 onwards (Figure 1.7).

Figure 1.7: Office Completions in the Pipeline[7]



Source: DTZ Consulting & Research, August 2011

The average annual new completions between 2011 and 2014 (2.05 million sq ft) is expected to exceed the average annual completions over the past decade (1.47 million sq ft) due to significant new completions pipeline, particularly in 2013. Notwithstanding, this is not a concern as:

- With the exception of 2013, annual new completions from 2012 onwards are expected to be in line with or lower than the average annual new completions as well as annual demand[8] over the past decade;
- Pre-commitment rates for office developments completing in 2012 and 2013 are about 31%; and
- There is an expected demolition of about 1.17 million sq ft of office space island-wide in 2011 and 2012, with majority (88%) in the CBD. Taking into account redevelopment projects which have not confirmed their demolitions, overall office demolitions may add up to 2.20 million sq ft. Assuming that the overall office demolitions materialise between H2 2011 and 2014, the net potential supply over the period is estimated at about 3.47 million sq ft, which translates into an average annual net supply of some 1.50 million sq ft over the next three years.

In particular, the impact of the island-wide potential supply on premium office developments in Marina Bay and Raffles Place is limited, given that potential premium office developments are only expected to complete in 2012 and 2013, with limited supply in 2014 and 2015. In addition, majority (56%) of the new completions in 2013 are in non-CBD areas. Meanwhile, a high proportion of premium office space entering the market in 2012 has been pre-committed (67%).

[7] The office completions in the pipeline in Figure 1.7 are based on a survey done by DTZ and are in terms of NLA.
[8] According to DTZ Research, the average annual demand over the past decade was about 1.11 million sq ft.

Table 1.5 highlights major potential office developments completing from H2 2011 to 2015.

Table 1.5: Major Potential Office Developments[9]

Development	Area	Location	Estimated NLA (sq ft)
H2 2011			
137 Market Street (Additions and Alterations ("A&A"))	Downtown Core	Shenton Way/ Robinson Road/ Cecil Street	43,000
Office Development at Mohamed Sultan Road	Rest of Central Area	River Valley/ Singapore River	79,700
One Raffles Place (A&A to former OUB Centre)	Downtown Core	Raffles Place	267,400
2012			
Pickering Operations Complex and City Exchange (A&A)	Downtown Core	Raffles Place	67,700
MBFC Tower 3	Downtown Core	Marina Bay	1,258,500
Hotel/ Office Development at Upper Pickering Street	Downtown Core	Anson Road/ Tanjong Pagar	102,700
2013			
Asia Square Tower 2	Downtown Core	Marina Bay	788,600
63 Robinson Road (Redevelopment of Afro Asia Building)	Downtown Core	Robinson Road	96,700
Office Development at Orchard Road	Orchard Planning Area	Orchard Road	128,900
The Metropolis	Outside Central Region	Decentralised Areas	1,000,000
Mixed-use Development at Jurong Gateway	Outside Central Region	Decentralised Areas	315,400
2014			
Office Development at Market Street	Downtown Core	Raffles Place	720,200
EON Shenton	Downtown Core	Shenton Way/ Robinson Road/ Cecil Street	97,400
Office Development at Scotts Road (Redevelopment of Thong Teck Building)	Orchard Planning Area	Orchard Road	118,500
Mapletree Lighthouse	Fringe Area	HarbourFront Belt	290,600
2015			
South Beach	Downtown Core	Beach Road/ North Bridge Road	515,900
Office Development at Shenton Way (Redevelopment of UIC Building)	Downtown Core	Shenton Way/ Robinson Road/ Cecil Street	276,700

Source: URA, DTZ Consulting & Research, August 2011

1.4.2 Without Provisional/Written Permission

Table 1.6 highlights projects in the potential supply which have not obtained PP/WP. They are white sites sold in H2 2010 via the GLS Programme. These potential developments are expected to complete in 2014 and 2015 and are not expected to impact significantly on premium office developments in Raffles Place and Marina Bay.

[9] Date of Completion and NLA are estimated by DTZ. Figures have been rounded off.

Table 1.6: Potential Office Developments Without PP/WP[10]

Estimated Date of Completion	Development	Area	Location	Estimated NLA (sq ft)
2014	Office/retail development at Boon Lay Way	Outside Central Region	Decentralised Areas	300,000
2015	Mixed-use development at Peck Seah Street/ Choon Guan Street	Downtown Core	Anson Road/ Tanjong Pagar	815,000

Source: URA, DTZ Consulting & Research, August 2011

1.4.3 Government Land Sales Programme

As part of the efforts to ensure a sustainable property market in Singapore, the government continued to make land available under the H2 2011 GLS Programme. Particularly, the government has released a variety of commercial sites ranging from a white site at Marina Bay to a commercial site at Sims Avenue/Tanjong Katong. This was to ensure a steady supply of office space to support the growth of the financial and business services sector in Singapore. This will make the office market to be more cost competitive, compared with other major economies in Asia Pacific.

Table 1.7 highlights the available office space from commercial and white sites in the GLS Programme for H2 2011, of which some e.g., the commercial site at Robinson Road/Cecil Street in the CBD have been carried over from H1 2011. While the office supply from the GLS Programme can potentially add about 1.24 million sq ft (almost 20% of the potential supply from Q3 2011 to 2014) to the office supply pipeline, they are likely to enter the market from 2014/15 onwards. Thus, the GLS Programme is not expected to impact the office market in the short-term. While the white site at Marina View/Union Street will add to the premium office potential supply, it is under the Reserve List, indicating that it will take a relatively longer period of time to enter the market.

Table 1.7: Available Office Supply from H2 2011 Government Land Sales Programme

Location	Planning Area	Type	Site Area (hectares)	Gross Plot Ratio	Estimated Office GFA (sq ft)	Remarks
Confirmed List[11]						
Robinson Road/ Cecil Street	Downtown Core	Commercial	0.29	11.2	282,800	• Available; tender closing in September 2011
Sims Avenue/ Tanjong Katong	Fringe Area	Commercial	2.07	4.2	374,200	• Available; tender closing in October 2011
Reserve List[12]						
Mountbatten Road	Fringe Area	Commercial	1.17	1.0	126,400	• Available
Marina View/ Union Street	Downtown Core	White	0.78	13.0	436,600	• To be available in October 2011
Thomson Road/ Irrawaddy Road	Fringe Area	White	0.66	4.2	20,900	• To be available in October 2011

Source: URA, DTZ Consulting & Research, August 2011

[10] Date of Completion and NLA are estimated by DTZ. Figures have been rounded off.

[11] Confirmed List sites are launched for tender on a predetermined date announced upfront at the start of each 6-monthly GLS Programme. No application from developers is required to trigger sites for tender under the Confirmed List.

[12] GLS sites under the Reserve List are not released for tender immediately but are instead made available for application. If a developer is interested in tendering for a reserve list site, he/ she would have to submit an application to the land sales agent and indicate the minimum price he is prepared for bid. If the minimum price satisfies the government's reserve price, the applicant will be invited to sign an agreement to bid for the site at a price no lower than the minimum price. Upon signing, a public tender for the site will be called.

1.4.4 Others

A potential source of office new supply is expected to originate from the Marina South and Ophir/Rochor Road land parcels, which were part of Singapore's offer to Malaysia in a landmark land swap deal for the Malayan Railway land in Tanjong Pagar, Kranji and Woodlands. In particular, the four land parcels at Marina South, with a total site area of 2.62 hectares, is likely to be developed as a mixed-use development including premium offices.

Together with the potential office supply from unsold sites in the GLS Programme, it is estimated that more than 3 million sq ft (NLA) of office space can be yielded from these sites. Notwithstanding, the proposed office developments on these land parcels are likely to complete in 2014/15 and beyond.

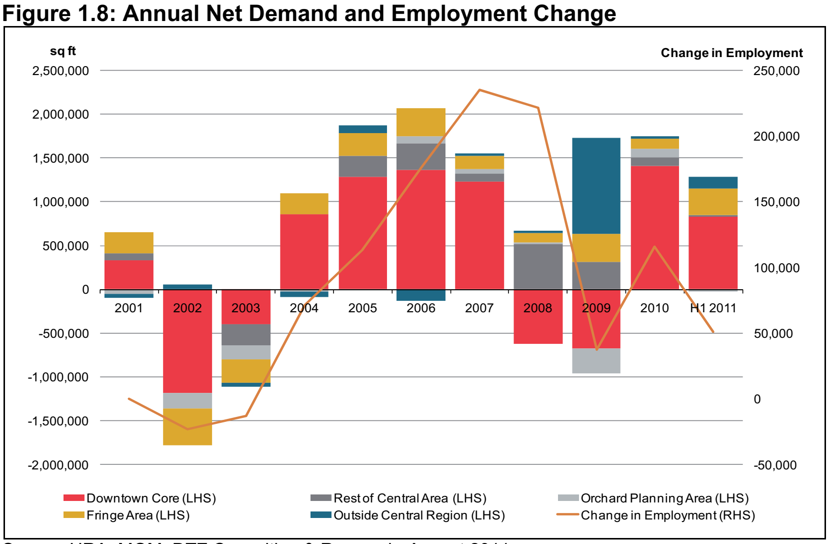
1.5 Demand and Occupancy

1.5.1 Demand

The demand for office space, particularly in Downtown Core, is largely driven by employment growth. For instance, the decline in employment growth in 2008 and 2009 saw an accompanying decline in demand for office space in Downtown Core.

Annual demand peaked in 2006, in line with robust business activities, particularly in the financial and business services sectors. While the increase in employment in Singapore was the highest in 2007, this did not fully materialise into office demand due to the supply shortage situation resulting from significant demolitions in the CBD. Owing to the global financial crisis in 2008/09, employment growth moderated significantly from 221,600 in 2008 to 37,600 in 2009, albeit remaining positive due to government measures which supported continued hiring amid the economic recession. While demand for office space in Outside Central Region and the Fringe Area in 2009 was positive as some companies relocated to lower-cost office locations, the demand for office space in Downtown Core contracted (Figure 1.8).

Figure 1.8: Annual Net Demand and Employment Change



Source: URA, MOM, DTZ Consulting & Research, August 2011

The strong economic recovery in 2010 saw annual demand rising from 775,000 sq ft in 2009 to 1.74 million sq ft. In particular, the increase in demand mainly originated from Marina Bay in Downtown Core, which saw several highly pre-committed premium office developments e.g., Marina Bay Financial Centre ("MBFC") Towers 1 and 2 completing in 2010. Notably, increased hiring by established financial institutions, MNCs and business services such as Barclays Capital, BHP Billiton, Citigroup, Standard Chartered Bank and The Macquarie Group underpinned the robust take-up of office space.

Demand for office space remained relatively robust at about 1.26 million sq ft in H1 2011, of which some 66% (828,800 sq ft) was from Downtown Core. In addition, the net demand in H1 2011 had almost matched the annual demand for the whole of 2010 (1.74 million sq ft) and significantly exceeded the annual average demand over the past decade. The completion of pre-committed space in office developments in H1 2011 primarily contributed to this increase in demand.

Demand for office space has also been partially driven by supply. The completion of two premium office developments in Q1 2011 i.e., OFC (884,957 sq ft[13]) and OUE Bayfront (389,700 sq ft), which have been leased by high-profile tenants such as Australia and New Zealand Banking Group Limited ("ANZ"), BNP Paribas, Drew & Napier LLC, Merrill Lynch International Bank Limited (Merchant Bank), Stamford Law Corporation and SEB, further enhanced the profile of the Raffles Place financial hub, bolstering office demand in H1 2011.

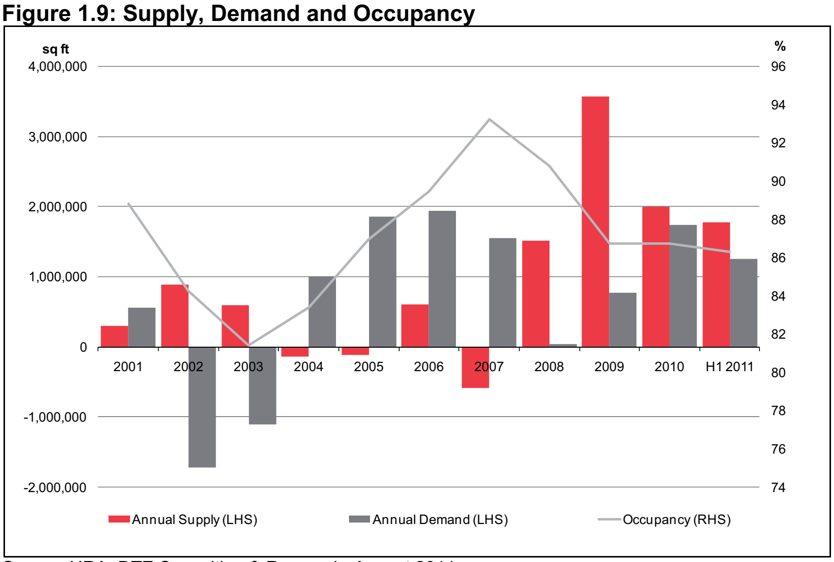
1.5.2 Occupancy

With the exception of the economic downturns in 2002/03 and 2008/09, annual demand for island-wide office space in Singapore has often matched up to or even exceeded that for supply over the past decade, reflecting Singapore's status as a global financial centre and Asia hub as well as its open economy. Notwithstanding, annual supply between 2001 and 2007 has been relatively low, compared with the average annual demand over the past decade.

There was significant supply between 2009 and H1 2011, mainly from Raffles Place and Marina Bay as well as Shenton Way/Robinson Road/Cecil Street and Anson Road/Tanjong Pagar. While the economic recession in 2009 contributed to the lacklustre demand, the pick-up in demand between 2010 and H1 2011 was significant. This is partially attributed to the phased relocation of large occupiers e.g., Standard Chartered Bank.

With supply nearly matching demand in 2010, average occupancy of island-wide office space remained at 86.7%, despite improved economic fundamentals. As businesses grew more cautious in H1 2011, net demand moderated, leading to a slight decline in island-wide occupancy. As at Q2 2011, the average occupancy for office space was 86.3%, 0.4%-points lower than that in 2010 (Figure 1.9).

Figure 1.9: Supply, Demand and Occupancy

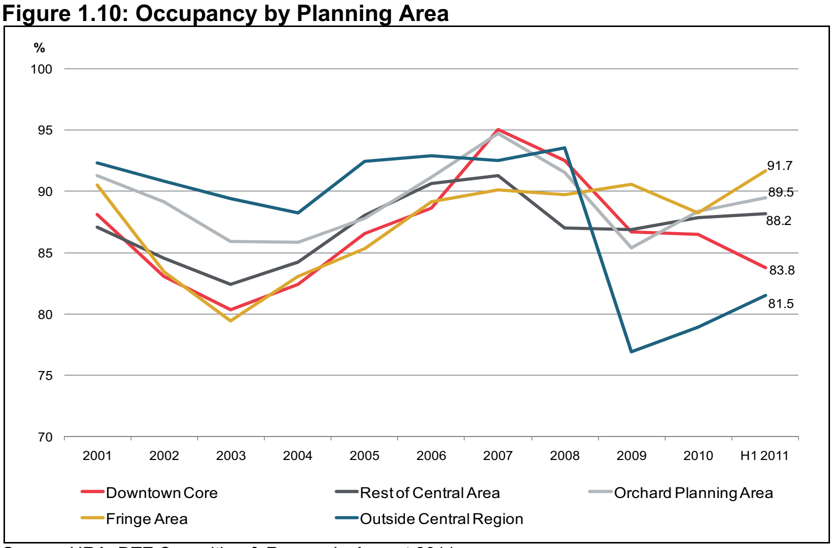


Source: URA, DTZ Consulting & Research, August 2011

[13] Comprises both office and ancillary space.

In terms of location, Downtown Core experienced a decline in office occupancy in Q2 2011, as majority of the supply in 2010 and H1 2011 was in Downtown Core. The occupancy in Downtown Core declined slightly by 0.7%-points from 86.5% in Q4 2010 to 85.8% in Q1 2011, followed by a further 2.0%-points to 83.8% in Q2 2011 (Figure 1.10). Comparatively, the occupancy rates for premium offices have been healthy, with some (including those that were completed in 2010) near full occupancy.

Figure 1.10: Occupancy by Planning Area



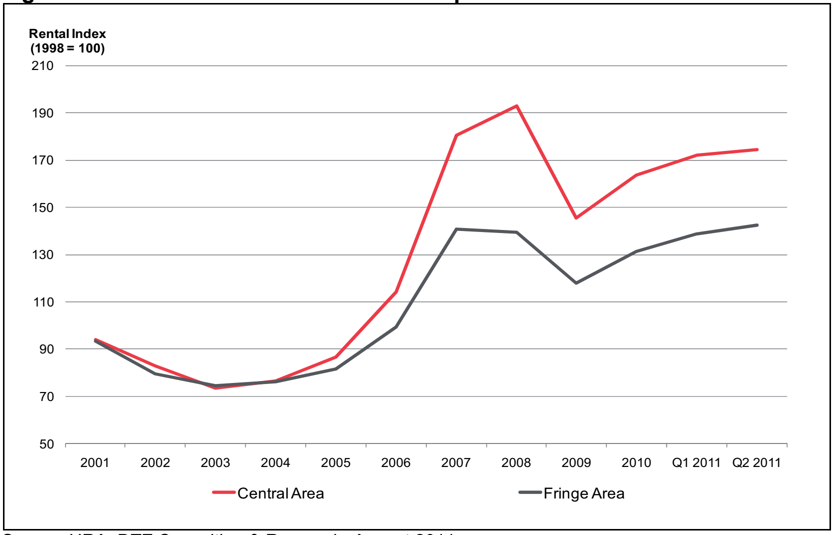
Source: URA, DTZ Consulting & Research, August 2011

1.6 Rental Trend

Office rentals have been trending up since 2003. The supply crunch in 2006/07 led to an escalation of rentals, especially in the Central Area. Notably, the URA index for office space in the Central Area peaked at 207.1 in Q2 2008, while that for the Fringe Area peaked at 151.7 in the same period.

The global financial crisis in 2008/09, followed by turmoil in Europe saw market sentiments and business expectations plummet. This resulted in significant office rental declines, owing to Singapore being an open economy. The URA rental index for the Central Area and Fringe Area declined over six consecutive quarters, by 30% and 22% to 145.5 and 117.8 respectively in Q4 2009 (Figure 1.11).

Figure 1.11: URA Rental Index for Office Space



Source: URA, DTZ Consulting & Research, August 2011

The URA rental index for office space stabilised in Q1 2010, as the remarkable economic growth in H1 2010 led to increased leasing activity as companies locked in rents in the low rental environment. Since the trough in Q4 2009, office rentals in both the Central Area and Fringe Area have recovered steadily. Overall leasing conditions continued to remain relatively positive in H1 2011, with QOQ rental growth in the Central Area, at 5% in Q1 2011 and 1% in Q2 2011, reflecting continued rental recovery since Q4 2009.

As at the end of H1 2011, the URA rental index for office space in the Central Area was 174.4, about 16% from its previous peak in Q2 2008, while that for the Fringe Area was 142.6 (about 6% from its previous peak in Q2 2008). Although this reflected a more resilient rental trend for the Fringe Area, it also highlighted that there is more room for rental growth in the Central Area.

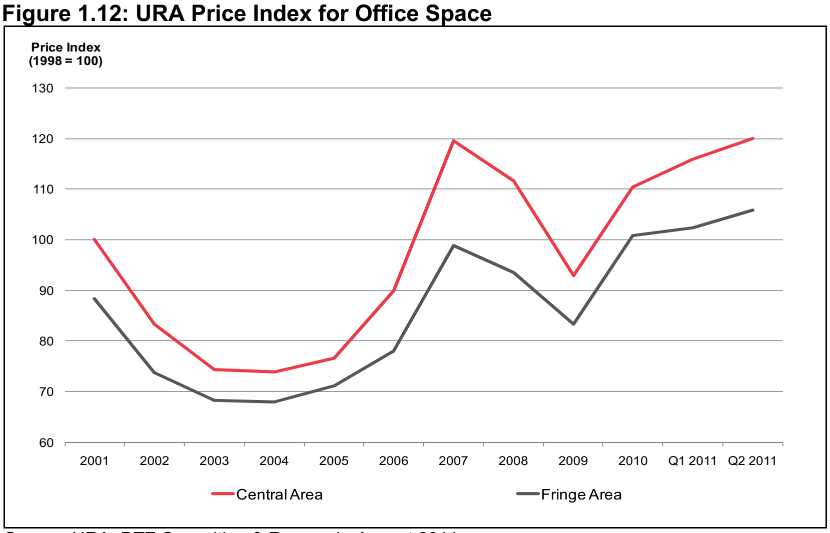
There have been some concerns that rental reversions in the office sector will be negative over the next few quarters. Notwithstanding, this is not expected to impact the rentals for premium offices, as majority were completed recently.

1.7 Price Trend

Office prices began recovering in Q4 2009, as a prelude to the recovery in rentals in Q1 2010. Underpinned by more positive investor sentiments and activity, the URA price index for office space in the Central Area rose more extensively than rentals, by 19% from 92.9 in 2009 to 110.5 in 2010. The shift of investor interest from the residential market, owing to the government measures to ensure a sustainable property market, also partially drove office prices, particularly in secondary office locations in the CBD.

Price growth for office space for the Central Area, has sustained at about 5% to 6% since Q3 2010, although it moderated marginally to 4% in Q2 2011. As at Q2 2011, the URA price index for office space in the Central Area was 120.0, which was 2% lower than its previous peak in Q2 2008 (Figure 1.12). The price index for the Fringe Area in Q2 2011 (105.9) has already exceeded its previous peak of 101.8 in Q2 2008, indicating relatively strong investor interest in the office market.

Figure 1.12: URA Price Index for Office Space

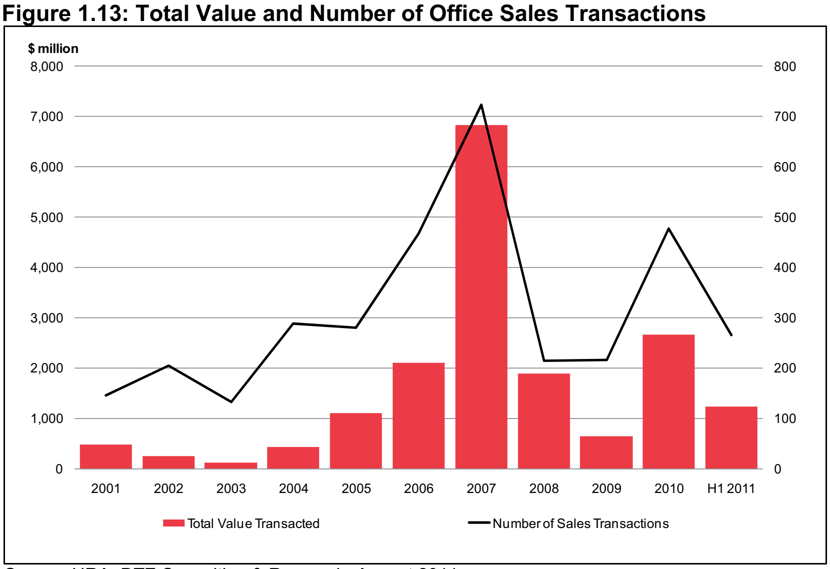


Source: URA, DTZ Consulting & Research, August 2011

1.8 Investment Transactions

Singapore's investment market is one of the most active in the region, due to its established legal system, market transparency as well as conducive business climate. Coupled with the low interest rate environment, there has been increased asset allocation to the Singapore office market since 2010, following a lukewarm investment market in 2009, where transactions were generally below $100 million. In particular, the total value of office sales transactions increased more than four times from about $0.65 billion in 2009 to $2.66 billion in 2010, a new high since the global financial crisis in 2008, outpacing the increase in the number of office sales transactions, which more than doubled from 216 to 477 over the same period. This reflected the significant flow of capital into the office property market (Figure 1.13).

Figure 1.13: Total Value and Number of Office Sales Transactions



Source: URA, DTZ Consulting & Research, August 2011

Office investment sales between 2010 and Q2 2011 were mainly in the CBD (Table 1.8). Residential developers have contributed considerably to the investment activity in the office market, as some have acquired older office buildings, particularly in Shenton Way/Robinson Road/Cecil Street to redevelop into residential. More recently, Real Estate Investment Trusts ("REITs") and other institutional investors have been acquiring office assets, reflecting their confidence in the market.

Table 1.8: Major Investment Transactions of Office Buildings

Period	Development	Area	Tenure	NLA (sq ft)	Price[14] ($ million)	Price ($ per sq ft - NLA)
2010						
Q1	Robinson Point	Shenton Way/ Cecil Street/ Robinson Road	Freehold	133,100	203	1,527
Q1	One Finlayson Green	Raffles Place	999 years	89,000	145	1,629
Q3	DBS Towers 1 and 2	Shenton Way/Cecil Street/ Robinson Road	99 years	880,000	871	989
Q3	Four floors of Samsung Hub	Raffles Place	Freehold	52,400	111	2,125
Q3	Starhub Centre	Orchard Road	99 years	280,100	380	1,357
Q4	Chevron House	Raffles Place	99 years	262,700	547	2,083
Q4	The Corporate Office	Shenton Way/Cecil Street/ Robinson Road	Freehold	109,900	215	1,956
Q4	Keppel Towers/ GE Towers	Anson Road/ Tanjong Pagar	Freehold/ 999 years	481,600 (GFA)	573	1,190 (GFA)
Q4	MBFC Phase One[15] (One-third interest)	Marina Bay	99 years	582,400 (per one-third interest)	1,427	2,450
Q4	MBFC Phase One (One-third interest)	Marina Bay			1,496	2,568
Q4	IOI Plaza	Bras Brasah/ Selegie Road	99 years	100,600	139	1,381
Q4	112 Robinson Road	Shenton Way/Cecil Street/ Robinson Road	Freehold	92,200	168	1,822
H1 2011						
Q1	Singapore Technologies Building	Anson Road/ Tanjong Pagar Road	Freehold	98,900	146	1,476
Q1	Capital Square	Raffles Place	99 years	386,500	889	2,300
Q1	One Finlayson Green	Raffles Place	Freehold	89,000	227	2,550
Q2	Four floors of Prudential Tower	Raffles Place	99 years	48,200	117	2,430
Q2	AIG Building	River Valley/ Singapore River	Freehold	31,600	63	1,993

Source: DTZ Consulting & Research, August 2011

For H1 2011, the total value of office sales transactions was about $1.24 billion, about 46% of that for the whole of 2010, reflecting sustained investment activity in the office sales market.

[14] Figures have been rounded off.
[15] MBFC Phase 1 comprises Towers 1 and 2.

1.9 Outlook

The rental prospects for the office market, particularly premium offices, remain relatively positive. Rental growth will generally be in tandem with the economic growth expected over the next few years.

Building on the higher investment activity for the office property market in 2010, coupled with the continued flow of capital into Singapore as well as the positive rental prospects, office prices are also expected to be relatively robust. However, investors are likely to be more selective.

Notwithstanding, uncertain economic conditions in the US and Europe and inflationary pressures have affected economic growth in many economies, including Singapore. In the event that global economic growth slows, Singapore's economy and the demand for office space will be impacted.

2 Site and SWOT Analyses

2.1 Location and Accessibility

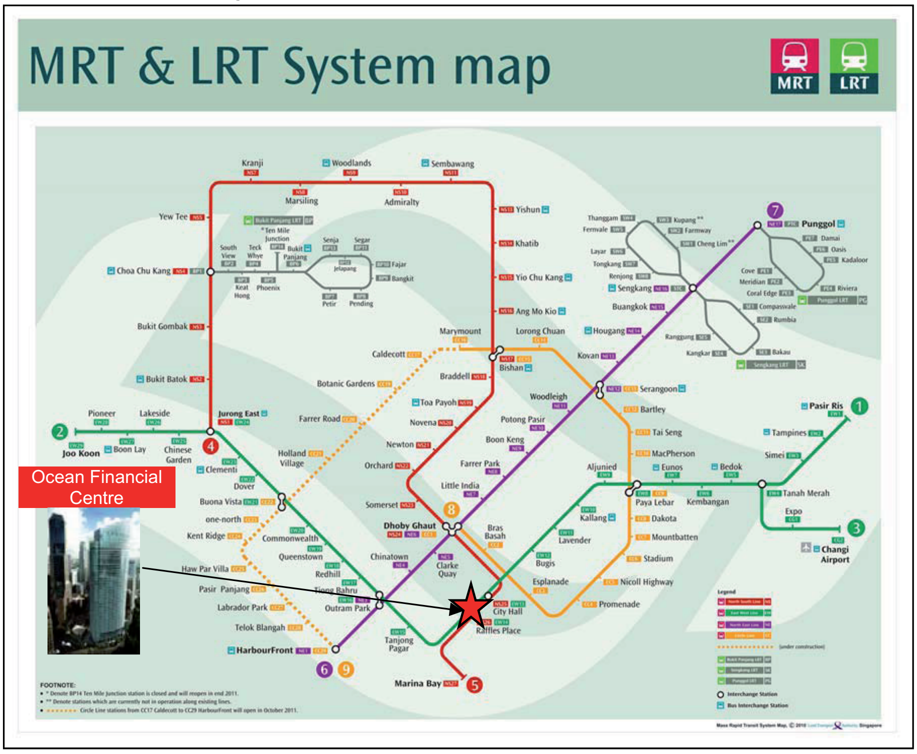
Located at 10 Collyer Quay, Ocean Financial Centre ("OFC") is in the heart of Raffles Place, the prime business district in Singapore. It enjoys a panoramic view of Marina Bay (Photos 2.1).

Photos 2.1: Views from Ocean Financial Centre

Source: DTZ Consulting & Research, August 2011

OFC enjoys convenient public transport accessibility with Raffles Place MRT interchange station less than five minutes walk from the site and numerous public bus services serving the area. Raffles Place MRT interchange station is one of the three interchange stations linking the North-South and East-West lines (Map 2.1).

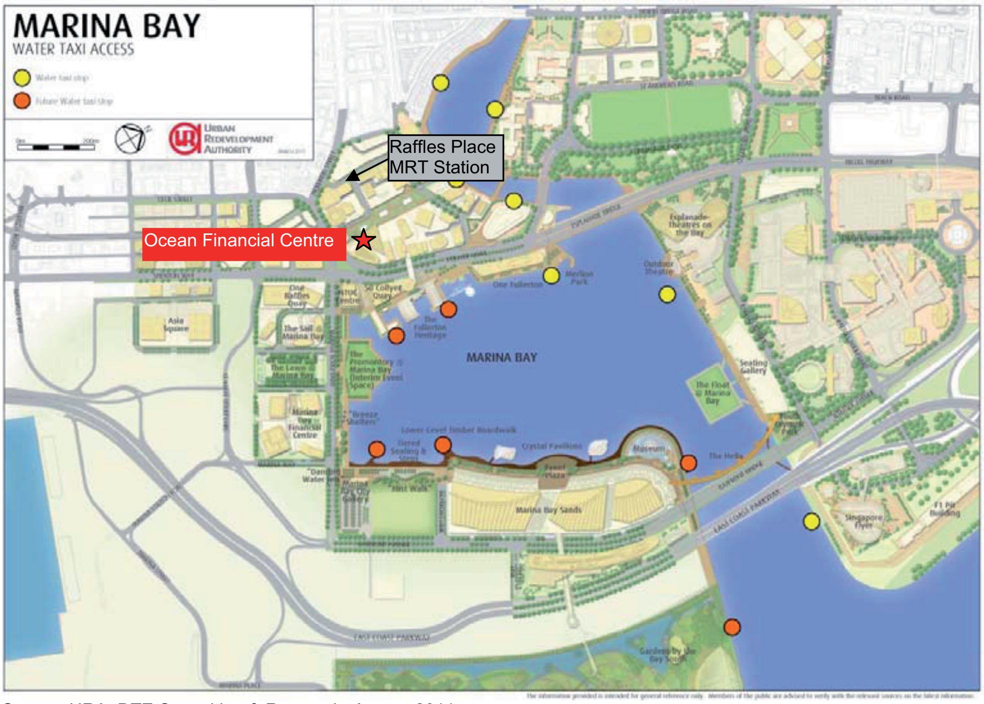
Map 2.1: MRT & LRT System Map



Source: SMRT, DTZ Consulting & Research, August 2011

In addition, OFC is across future Water Taxi Stops at Marina Bay (Map 2.2).

Map 2.2: Location Map for Ocean Financial Centre



Source: URA, DTZ Consulting & Research, August 2011
*Remarks: Locations of the water taxi stops are currently being finalised by URA

2.2 Surrounding Developments

OFC is located in Raffles Place, where most prime office buildings are located. It is also within walking distance to Marina Bay, the new extension of Singapore's CBD. Apart from office buildings in Raffles Place, URA has introduced city living by allowing the conversion of office buildings into residential developments. Residential developments have also been introduced on white sites at Marina Bay. Marina Bay is envisaged to be "*a 24/7, thriving and energetic place where people live, work and play. It will be a place for people from all walks of life to explore, exchange and entertain*".

As a result, more residential, hotel and retail developments have been developed in Raffles Place and Marina Bay. Figure 2.1 highlights the locations of selected developments near OFC.

Figure 2.1: Locations of Selected Developments near Ocean Financial Centre

Source: DTZ Consulting & Research, August 2011

2.2.1 Office

While Raffles Place continues to be an important business district in Singapore, recently completed office buildings are mainly in Marina Bay. The new buildings are well-specified, incorporating green and other unique features. Office buildings in Marina Bay also enjoy the comprehensive underground Common Services Tunnel which houses telecommunication and utilities networks in a "plug-and-play" format with 100% emergency backup services and capacity for expansion.

The three newest buildings completed in the area from Q1 2011 to July 2011 were 137 Market Street (43,000 sq ft), Asia Square Tower 1 (1.3 million sq ft) and OUE Bayfront (389,700 sq ft). More office developments near OFC are expected to be completed in the next two years. These are One Raffles Place (267,400 sq ft), Marina Bay Financial Centre ("MBFC") Tower 3 (1.26 million sq ft) and Asia Square Tower 2 (788,600 sq ft).

2.2.2 Retail

To serve the growing residential population in Raffles Place and Marina Bay, the URA has allocated some space in these areas for retail. This includes Marina Bay Link Mall (93,000 sq ft), which connects the Raffles Place MRT interchange station to One Raffles Quay, MBFC and eventually Marina Bay Downtown Line station. To date, more than 1 million sq ft of retail space is located in Raffles Place and Marina Bay. With the exception of The Shoppes at Marina Bay Sands (800,000 sq ft), the rest of the retail spaces are mainly ancillary (from 4,000 to 28,000 sq ft) located in office podiums, hotels and underground pedestrian links at MRT stations.

2.2.3 Hotel

There are a number of hotels in the vicinity of OFC. These include one of Singapore's top hotels: The Fullerton Hotel (400 rooms), Ascott Raffles Place Singapore (146 rooms), a hotel cum serviced apartments and the latest addition, the Fullerton Bay Hotel (100 rooms). Notably, the Marina Bay Sands integrated resort offers 2,561 rooms. A future hotel near OFC is the 280-room W Hotel at Asia Square Tower 2, its first hotel in Singapore. W Hotel is expected to open in 2013.

2.2.4 Residential

In addition to The Sail @ Marina Bay (1,111 units), which was completed in 2008, new residential developments near OFC include high-end developments Marina Bay Residences (428 units) and One Shenton (341 units). Another high-end development, the 221-unit Marina Bay Suites, is expected to be completed by 2014.

2.3 Property Particulars

OFC, designed by world renowned architectural firm, Pelli Clarke Pelli, in association with Architects 61, obtained its Temporary Occupation Permit ("TOP") from March to April 2011[1]. Being one of the newest and largest premium office buildings in the CBD, OFC features premium building specifications, fittings and finishes as well as state-of-the-art green building features.

Among many advantages of green features e.g., energy- and cost-savings and sustaining the environment, studies have shown that green features increase the buildings' attractiveness to occupiers, achieving higher rental. It also helps to increase Net Operating Income ("NOI"). For instance, the US Environmental Protection Agency ("EPA") estimated that a 30% reduction in energy use equates to a 5% increase in NOI and asset value[2].

While the incorporation of these green features has increased the construction costs for OFC by about 3% to 5%, the long-term benefits translate to a payback period of about seven to nine years, based on the energy and water savings achieved (a total of about $1.9 million annually[3]). Other intangible benefits include better indoor air quality and environment, contributing to improved employee productivity and wellness.

Table 2.1 summarises the planning and building particulars for OFC.

[1] Different levels of OFC received TOPs intermittently from March to April 2011.
[2] Source: Energy Design Resource e-news June 2009.
[3] Source: Keppel Land Sustainability Report 2010.

Table 2.1: Planning and Building Particulars for Ocean Financial Centre

Planning Parameters	
Planning Area	Downtown Core
2008 Master Plan Zoning	Commercial
Master Plan Plot Ratio	12.6+
Building Particulars	
Net Lettable Area ("NLA")[4]	• Total: 884,957 sq ft (excluding roof gardens and Outdoor Refreshment Areas) • Office: 876,947 sq ft (including 3,929 sq ft of M&E) • Retail: 8,010 sq ft (to be ready in 2012)
TOP	March/April 2011
Number of Storeys/Floors	• 43 storeys • Office Floors: Levels 3 to 43 • Mechanical floors : Levels 2 and 17 • Trading floors: Levels 16, 30 and 31
Typical Floor Area	• Typical Low Zone (Levels 3 to 16): 20,000 sq ft • Typical Mid Zone (Levels 18 to 30): 22,000 sq ft • Typical High Zone (Levels 31 to 43): 23,000 sq ft
Finished Floor to Ceiling Heights	• 2.8 m for general floor • 3.2 m for trading floor
Raised Floor	• Maximum 150 mm clear for general office floor • Maximum 300 mm clear for trading floor
Number of Car Parking Lots	222 lots in the 7-storey car park podium, on the site of the former Ocean Towers, to be completed by end 2012
Others	Basement linkage to the underground pedestrian link that connects to Raffles Place MRT interchange station and adjacent office developments is expected to be completed in 2012
Awards and Accolades	
• *Solar Pioneer Award (2010)* – Awarded by the Singapore Business Federation, Sustainable Energy Association of Singapore, Economic Development Board and Energy Market Authority • *Best Green Development (Future) Award at the Cityscape Asia Real Estate Awards (2009)* • *Platinum Level LEED[5]-CS pre-certification (2009)* – First high-rise office building in South East Asia to achieve this certification • *Building and Construction Authority ("BCA") Green Mark Platinum Award (2008)* - First office development in Singapore to be presented with this award	
Major Tenants	
• ANZ Banking Group Limited • BNP Paribas • Drew & Napier LLC • DMG & Partners Securities Pte Ltd • Stamford Law Corporation • Verizon Communications Singapore Pte Ltd	

Source: Keppel Land, DTZ Consulting & Research, August 2011

2.4 SWOT Analysis

Table 2.2 summarises the Strengths, Weaknesses, Opportunities and Threat ("SWOT") Analysis for OFC.

[4] As at 4 August 2011. All areas are subject to final survey.

[5] LEED is the internationally recognised benchmark for the design, construction and operation of high performance green buildings. To achieve a LEED Platinum rating, the building must address the following criteria: site sustainability, efficiency with water, energy, atmosphere, materials, resources, indoor environmental quality, design innovation and regional priority.

Table 2.2: SWOT Analysis for Ocean Financial Centre

Strengths	Opportunities
• Strategically located in the heart of the traditional CBD (Raffles Place), while being near the "New Downtown" at Marina Bay • High accessibility – adjacent to Raffles Place MRT interchange station, which is connected to an underground network of air-conditioned walkways spanning to Marina Bay; served by many public buses • Served by a wide myriad of developments including residential and hotels as well as retail amenities and services • One of the newest and tallest premium office buildings in Singapore, designed by world renowned architectural firm, Pelli Clarke Pelli, in association with Architects 61 • Unblocked, panoramic view of the CBD, Marina Bay and major tourist attractions in the city centre e.g., Marina Bay Sands and the Singapore Flyer • Excellent building specifications e.g.,: - Large, regularly-shaped and column-free floor plates of up to 23,000 sq ft, featuring high space efficiency and flexibility; - Generous floor-to-ceiling height, creating a sense of spaciousness; - Raised floor with potential for inter-floor accessibility; and - Dual power and telecom feeds, suitable for tenants which require uninterrupted utilities e.g., bank and trading operations. • Comprehensive green features with various accompanying green awards/accolades: - Solar Pioneer Award under the $20 million Solar Capability Scheme (2010); - Best Green Development (Future) Award at the Cityscape Asia Real Estate Awards (2009); - First in South East Asia to achieve Platinum Level LEED-CS pre-certification (2009); and - First office development in Singapore to attain the BCA Green Mark Platinum status (2008). Green plot ratio exceeds industry's best practice. • Attractive facade with prominent street frontage along Collyer Quay as well as Marina Bay • High-profile tenants e.g., ANZ Banking Group Limited, BNP Paribas, Drew & Napier LLC and Stamford Law Corporation • Presence of service-related tenants e.g., dental clinic and yoga/fitness centre to cater to tenants' lifestyle requirements	• Materialisation of the government's objectives to entrench Singapore as a high-value manufacturing hub and a global-Asia hub for financial and business services over the long-term will further bolster demand • Ongoing commitment from the government and developers to continuously enhance Marina Bay; synergistic benefits e.g., branding and infrastructure • High-profile tenants will act as magnets in attracting other similar tenants • Opportunities to achieve premium rental due to green features and attract MNCs with high environmental awareness as part of the social corporate responsibilities • The building's prominent frontage as well as excellent architecture will establish OFC as a landmark in both Raffles Place and Marina Bay
Weaknesses	**Threats**
• Short-term car parking issue as car park podium will only be completed in 2012 • No direct sheltered access to Raffles Place MRT interchange station for the short-term (link to the underground pedestrian link of Raffles Place MRT station will be completed in 2012)	• Competition from future prime/ premium office buildings in Raffles Place and Marina Bay

Source: DTZ Consulting & Research, August 2011

3 Micro-market Analysis

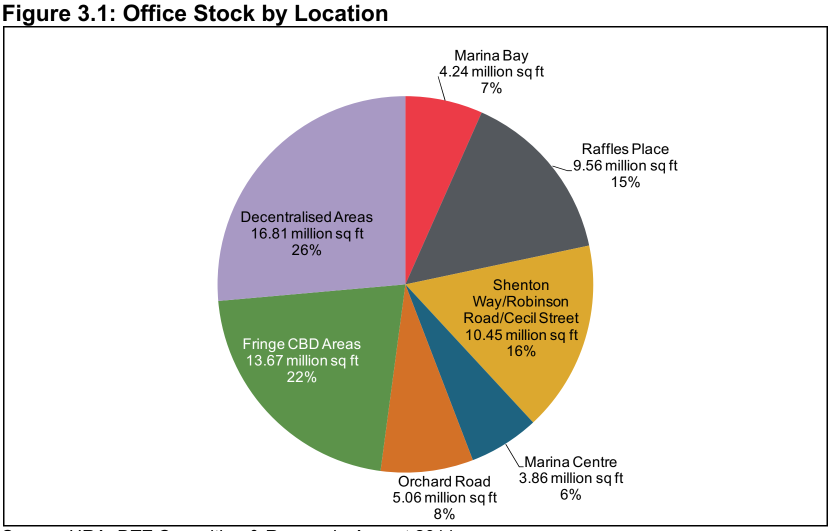
3.1 Definition of Micro-market

OFC is located in Raffles Place, the financial and business hub of the CBD. For the purpose of this report, Marina Bay will also be defined as part of the micro-market for OFC, as the premium office developments in Marina Bay are comparable to OFC.

3.2 Existing Stock

As at end Q2 2011, about 22% (13.80 million sq ft) of office space in Singapore was located in Raffles Place and Marina Bay, of which 40% (5.49 million sq ft) was premium office stock (Figure 3.1). Meanwhile, Shenton Way/Robinson Road/Cecil Street and Marina Centre accounted for 16% (10.45 million sq ft) and 6% (3.86 million sq ft) respectively. Premium office stock had fully been concentrated in Marina Bay since 2006. It was only in H1 2011 that new completions of OFC and OUE Bayfront added new premium office supply to Raffles Place (Table 3.1).

Figure 3.1: Office Stock by Location



Source: URA, DTZ Consulting & Research, August 2011

Table 3.1: Premium Office Stock (Raffles Place/Marina Bay)

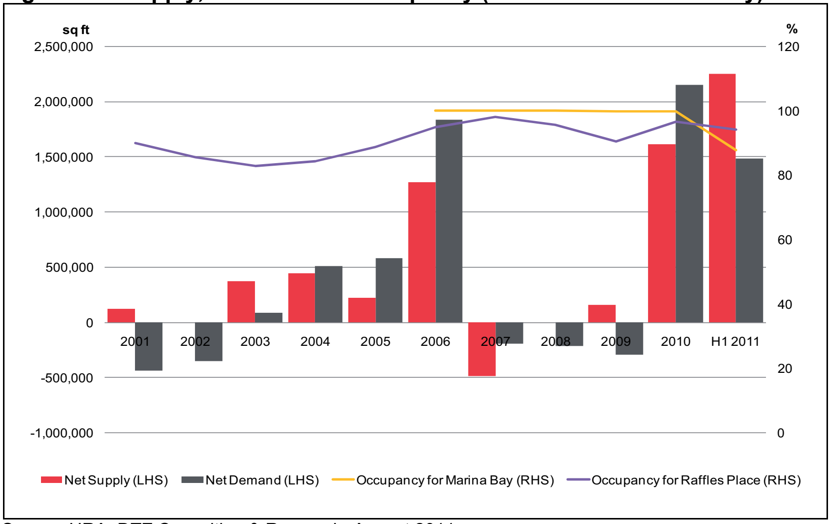
Period of Completion	Development	Location	Typical Floor Plates (sq ft)	Estimated NLA (sq ft)
Q2 2006	One Raffles Quay South Tower	Marina Bay	30,000	566,000
Q4 2006	One Raffles Quay North Tower	Marina Bay	18,000	776,000
Q1 2010	MBFC Tower 1	Marina Bay	20,990	630,800
Q3 2010	MBFC Tower 2	Marina Bay	24,760	1,035,500
Q1 2011	OUE Bayfront	Raffles Place	26,000 to 30,000	389,700
March/April 2011	Ocean Financial Centre	Raffles Place	20,000 to 23,000	884,957
Q2 2011	Asia Square Tower 1	Marina Bay	32,350 to 35,000	1,229,200

Source: URA, DTZ Consulting & Research, August 2011

3.3 Supply, Demand and Occupancy

With net office supply in Raffles Place/Marina Bay (2.25 million sq ft) exceeding net demand (1.48 million sq ft) in H1 2011, occupancy in the micro-market fell. Notably, the completion of Asia Square Tower 1 in Marina Bay resulted in occupancy in Marina Bay falling from 99.8% in Q4 2010 to 87.9% in H1 2011 (Figure 3.2). Meanwhile, occupancy in Raffles Place declined less extensively, from 96.7% to 94.3%.

Figure 3.2: Supply, Demand and Occupancy (Raffles Place/Marina Bay)



Source: URA, DTZ Consulting & Research, August 2011

Notwithstanding, some premium offices in Raffles Place and Marina Bay are fully leased (Table 3.2). Major tenants range from established MNCs and global financial institutions to professional services e.g., management consultants and legal firms.

Table 3.2: Occupancy and Major Tenants (Premium Office Developments)

Development	Location	Estimated Occupancy (as at end H1 2011)	Major Tenants
One Raffles Quay (North and South Towers)	Marina Bay	100%	• Bank of Nova Scotia Asia • Credit Suisse • Deutsche Bank AG • Ernst & Young Corporate Finance • Societe Generale Bank & Trust • The Royal Bank of Scotland • UBS AG
MBFC Tower 1	Marina Bay	100%	• American Express Bank • Barclays Bank PLC • BHP Billiton Marketing Asia • Macquarie Capital Securities • Standard Chartered Bank
MBFC Tower 2	Marina Bay	96%	
OFC	Raffles Place	80.3%[1]	• ANZ • BNP Paribas • Drew & Napier LLC • Stamford Law Corporation • The Executive Centre
OUE Bayfront	Raffles Place	77%	• Allen & Overy • Hogan Lovells International • Merrill Lynch International Bank Limited (Merchant Bank) • SEB (Singapore Branch)
Asia Square Tower 1	Marina Bay	62%	• Bank Sarasin • Citi Singapore • Julius Baer • Lloyd's of London • Regus Serviced Offices

Source: DTZ Consulting & Research, August 2011

[1] As at 4 August 2011. Based on office NLA only.

Coupled with an expected influx of foreign companies into Asia, especially those in the financial and business services sector, it is likely that the strong existing tenant profiles of newly completed buildings will see higher take-up over the year, as the high-profile tenants attract similar tenants.

3.4 Potential Supply

About 3.10 million sq ft of private office space is expected to complete in Raffles Place and Marina Bay, by end 2014. Majority (89%, 2.77 million sq ft) are premium office space, which is only expected to complete from 2012 onwards. Premium office potential supply is estimated to be about 9% of the existing stock in Downtown Core.

While there seems to be a significant supply of premium office stock in 2012 originating from MBFC Tower 3, about 67% of the development has been pre-committed (Table 3.3). As such, the impact of the supply pipeline on premium offices is expected to be relatively limited.

Table 3.3: Major Potential Supply[2] (Premium Offices)

Development	Area	Estimated Office NLA (sq ft)	% of Island-wide Potential Supply (H2 2011 to 2014)
2012			
MBFC Tower 3	Marina Bay	1,258,500	22%
2013			
Asia Square Tower 2	Marina Bay	788,600	14%
2014			
Office Development at Market Street	Raffles Place	720,200	13%
	Total	**2.77 million sq ft**	**49% (of 5.67 million sq ft)**

Source: DTZ Consulting & Research, August 2011

3.5 Rental Values

Average monthly gross rentals in Raffles Place continued to rise in Q1 2011, albeit at a moderate pace. Average monthly gross rentals for Raffles Place grew by 3.3% from $9.00 per sq ft in Q4 2010 to $9.30 per sq ft in Q1 2011, a slowdown from the 6% to 7% quarterly growth over the past two quarters.

On the other hand, secondary office locations in the CBD such as Shenton Way/Robinson Road/Cecil Street and Marina Centre continued to experience strong rental growth of 9.2% and 9.4% respectively in Q1 2011, as these locations garnered continued leasing support from companies which are looking to expand or relocate.

Going into Q2 2011, rental growth in Raffles Place continued to stay moderate. Average monthly gross rentals in Raffles Place rose by 5.4% to $9.80 per sq ft, while those at Shenton Way/Robinson Road/Cecil Street and Marina Centre rose by about 7.0% to 7.4% to $7.60 per sq ft and $9.40 per sq ft respectively (Figure 3.3).

[2] Date of Completion and NLA are estimated by DTZ. Figures have been rounded off.

Figure 3.3: Average Monthly Gross Rental Values

Source: DTZ Consulting & Research, August 2011

Due to their attractive locational attributes and superior building specifications, premium office developments such as OFC, MBFC Towers 1 and 2 as well as Asia Square Tower 1 are achieving rental premiums of around 15% to 20% over prime office developments in Raffles Place, as at Q2 2011.

In addition, despite the impending potential supply in Raffles Place and Marina Bay, rentals are expected to be relatively resilient. Rentals in Raffles Place as at Q2 2011 are about 48% below the previous peak of $19.00 in Q2 2008.

The expected growth in 2011 is likely to moderate from that in 2010. Notwithstanding this, the rental premium fetched by premium office developments is expected to sustain, as the amount of office space offering quality building specifications as well as attractive locational characteristics remain relatively limited.

3.6 Capital Values

Average freehold capital values for offices in the CBD rose in Q4 2010 after remaining stagnant between Q2 2009 and Q3 2010, as rental recovery spurred investor interest. Investment activity in H1 2010 was mainly in Anson Road/Tanjong Pagar as well as Marina Centre, which has a large proportion of strata offices.

While growth of freehold capital values for Raffles Place and Shenton Way/Robinson Road/Cecil Street was gradual in Q4 2010 at 2.2% and 2.9% as well as in Q1 2011 at 2.1% and 2.0% respectively, those for Marina Centre was significantly higher at 7.9% in Q4 2010 and 3.9% in Q1 2011 (Figure 3.4).

Figure 3.4: Average Freehold Capital Values

Source: DTZ Consulting & Research, August 2011

Average capital value growth in the micro-market increased pace in Q2 2011, despite mixed business sentiments regarding the global economy, reflecting underlying investor demand. Average freehold capital values for Raffles Place rose by 6.3% from about $2,400 per sq ft in Q1 2011 to $2,550 per sq ft in Q2 2011, while the increase for leasehold offices in Marina Centre was 12.7% in Q2 2011. Notably, average leasehold capital values for Marina Centre was $2,400 as at Q2 2011, closing in with freehold capital values in Raffles Place.

Average freehold capital values in Raffles Place, as at Q2 2011, are about 23% below the previous peak of $3,300 per sq ft in Q3 2008, while leasehold capital values for Marina Centre are closing in on the previous peak of $2,550 per sq ft in Q2 2008.

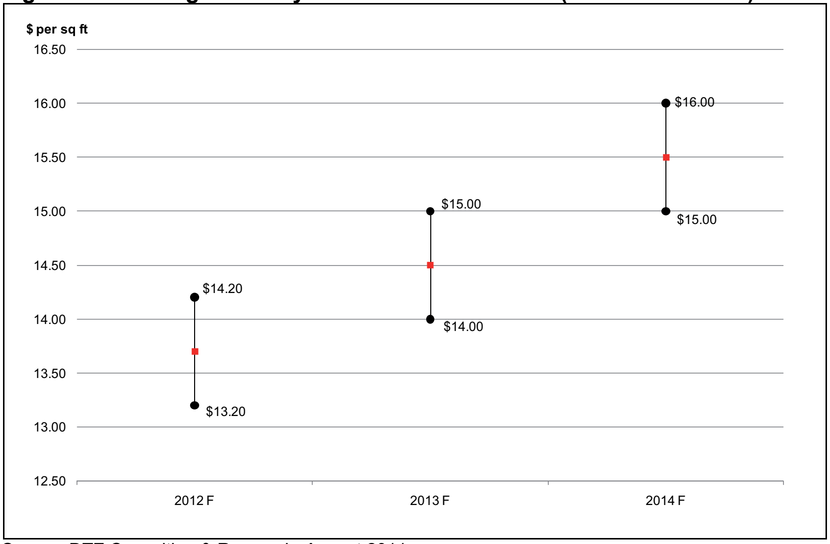
3.7 Outlook

Prospects for the office micro-market remain relatively positive, despite the potential supply and moderating business sentiments. The rejuvenation of older buildings in Raffles Place and Shenton Way/Robinson Road/Cecil Street as well as the development of Marina Bay are expected to improve the profile of the micro-market significantly. Notwithstanding, the micro-market will be affected if Singapore's economy deteriorates further.

However, the supply of premium office buildings, featuring excellent building features and technical specifications remain relatively limited. This is especially so for 2012, as about 67% of premium office supply completing in the year has already been pre-committed.

Our analyses of the economy, macro- and micro-office property markets support rental growth for premium office developments. Figure 3.5 highlights the rental forecast for premium office developments from 2012 to 2014. It does not take into account recent developments in the US and Europe, the impact of which are too early to establish.

Figure 3.5: Average Monthly Gross Rental Forecast (Premium Offices)



Source: DTZ Consulting & Research, August 2011

Limiting Conditions

Where it is stated in the report that information has been supplied to us in the preparation of this report by the sources listed, this information is believed to be reliable and we will accept no responsibility if this should be otherwise. All other information stated without being attributed directly to another party is obtained from our searches of records, examination of documents or enquiries with relevant government authorities.

The forward statements in this report are based on our expectations and forecasts for the future. These statements should be regarded as our assessment of the future, based on certain assumptions on variables which are subject to changing conditions. Changes in any of these variables may significantly affect our forecasts.

Utmost care and due diligence has been taken in the preparation of this report. We believe that the contents are accurate and our professional opinion and advice are based on prevailing market conditions as at the date of the report. As market conditions do change, we reserve the right to update our opinion and forecasts based on the latest market conditions.

DTZ gives no assurance that the forecasts and forward statements in this report will be achieved and undue reliance should not be placed on them.

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DTZ has over 12,500 staff operating from 150 offices in 45 countries.

TAX CONSIDERATIONS

The following summary of certain Singapore tax considerations in relation to the Acquisition is based upon laws, regulations, rulings and decisions now in effect, all of which are subject to change (possibly with retroactive effect). This summary is not a tax advice and does not purport to be a comprehensive description of all of the considerations that may be relevant to a decision to purchase, own or dispose of Units and does not purport to apply to all categories of Unitholders, some of whom may be subject to special rule. Unitholders should consult their own tax advisers concerning the application of Singapore tax laws to their particular situations as well as any consequences of their purchase, ownership and disposition of Units under the laws of any other tax jurisdiction.

The Conversion

In relation to the Conversion, the IRAS has issued the following income tax rulings:

(a) that the Conversion will not result in an income tax liability for OPPL with respect to the transfer and vesting of the Property in OPLLP;

(b) that an election under section 24 of the Income Tax Act can be made for qualifying plant and machinery that OPPL will transfer to and vest in OPLLP as a result of the Conversion; and

(c) that K-REIT, being a REIT as defined in the Income Tax Act, will be entitled to tax transparency treatment under section 43(2) and section 43(2A) of the Income Tax Act on its share in the taxable income of OPLLP.

The income tax rulings are based on the current interpretation and application of the existing tax laws and the facts presented to the IRAS. Where there is any change in the interpretation of the existing tax laws or the facts presented to the IRAS which affect the rulings given, the IRAS may at any time withdraw the rulings by notifying K-REIT in writing.

It was announced in the Singapore Budget 2011 that stamp duty relief would be given for transfer of chargeable assets pursuant to the conversion of an existing company to a limited liability partnership on or after 19 February 2011, subject to conditions. The Manager has written to the Commissioner of Stamp Duties on 18 July 2011 to seek in-principle approval that relief from stamp duty will be granted for the transfer of chargeable assets arising from the Conversion. This is still being processed by the IRAS.

Income or receipts from the Acquisition

In the event that the Conversion occurs on a date subsequent to the Completion Date, K-REIT will receive its proportionate share of the rental income and other related income from the Property for the period prior to the Conversion in the form of dividends from OPPL, subject to the amount of dividends that OPPL can distribute. As OPPL is resident in Singapore, for Singapore tax purposes, such dividend income will be exempt from tax in the hands of K-REIT.

Upon the Conversion, OPPL will cease to exist and OPLLP will be formed. Notwithstanding that OPLLP is a separate legal entity, it will not be treated as a person for income tax purposes. Accordingly, OPLLP will not be chargeable with tax on the rental income and other related income and receipts from the Property. Instead, each partner of OPLLP will be chargeable with tax on its proportionate share of such income. In the case of K-REIT, as confirmed in the rulings made by the IRAS, K-REIT will be entitled to tax transparency treatment on its share in the income of OPLLP where such income is rental income or income from the management or holding of the Property (but not including gains from the disposal of the Property) or income that is ancillary to the management or holding of the Property. Therefore, subject to meeting the conditions for tax transparency treatment, K-REIT will not be assessed to tax on its share in the taxable income derived by OPLLP, to the extent of the amount distributed to Unitholders. Instead, tax will be imposed on distributions made out of such income to Unitholders, by way of tax deduction at source or direct assessment of tax on the Unitholders. Any amount not distributed to Unitholders will be subject to Singapore income tax at the prevailing corporate tax rate, currently 17%.

The Top-Up Payment that K-REIT will receive directly from the Vendor will be subject to Singapore income tax at the prevailing corporate tax rate.

Distributions to Unitholders (out of income or receipts from the Acquisition)

Distribution to Unitholders may comprise a combination of the following forms:

(a) Distribution of taxable income (income granted tax transparency treatment);

(b) Distribution of taxed income (income subject to tax in the hands of the Trustee);

(c) Distribution of tax-exempt income; and

(d) Capital distributions.

Distribution of taxable income

Tax will be imposed on the distributions made by K-REIT out its share in the taxable income of OPLLP ("**Taxable Income Distributions**") to Unitholders, by way of tax deduction at source or direct assessment of tax on Unitholders.

Individuals and Qualifying Unitholders will receive their Taxable Income Distributions without deduction of tax. Tax will be deducted at source at the prevailing corporate tax rate or at the reduced rate of 10% from such distributions made to all other Unitholders.

A "Qualifying Unitholder" refers to:

(i) a company incorporated and tax resident in Singapore;

(ii) a body of persons, other than a company or a partnership, constituted or registered in Singapore (for example, a town council, a statutory board, a registered charity, a registered co-operative society, a registered trade union, a management corporation, a club and a trade and industry association); or

(iii) a Singapore branch of a foreign company which has presented a letter of approval from the IRAS granting a waiver from tax deduction at source in respect of distributions from K-REIT.

The reduced rate of 10% applies to Taxable Income Distributions made by K-REIT to "Qualifying Foreign non-individual Unitholders" on or before 31 March 2015. A "Qualifying Foreign non-individual Unitholder" is a person (other than an individual) who is not a resident of Singapore for income tax purposes and:

(i) who does not have a permanent establishment in Singapore; or

(ii) who carries on any operation in Singapore through a permanent establishment in Singapore, where the funds used by that person to acquire Units are not obtained from that operation.

To receive Taxable Income Distributions without tax deduction at source or net of tax deduction at the reduced rate of 10%, Qualifying Unitholders and Qualifying Foreign non-individual Unitholders are required to make certain declarations in a prescribed form that will be provided by the Manager prior to each distribution.

Individuals, irrespective of their nationality and tax residence status, are exempt from tax on the gross amount of the Taxable Income Distributions received from K-REIT. This tax exemption does not apply to individuals who derive such distributions through a partnership in Singapore or from the carrying on of a trade, business or profession. These individuals are liable to tax on the gross amount of Taxable Income Distributions received at their own applicable income tax rates.

Qualifying Unitholders and other non-individual Unitholders are liable to tax on the gross amount of Taxable Income Distributions received at their own applicable income tax rates. Any tax deducted at source at the prevailing corporate tax rate is not a final tax and may be used as a set-off against the Singapore income tax liability of Unitholders. The reduced rate of 10% imposed on Taxable Income Distributions made to Qualifying Foreign non-individual Unitholders is a final tax.

Distribution of taxed income

Distributions made out of income that has been subject to tax in the hands of the Trustee (such as the Top-Up Payment where tax transparency is not granted) are treated as capital in nature and will not be subject to Singapore income tax in the hands of all Unitholders. Tax will not be deducted at source from such distributions.

Distribution of tax-exempt income

Distributions made out of tax-exempt income (such as any dividend received from OPPL) will be exempt from Singapore income tax in the hands of all Unitholders. Tax will not be deducted at source from such distributions.

Capital distributions

K-REIT's share of the taxable income of OPLLP will be after deduction of capital allowance (i.e. tax depreciation) claimed on qualifying machinery and plant. Any distribution made out of income that has been excluded from taxable income as a result of such capital allowance claims will be treated as a return of capital for Singapore income tax purposes. Unitholders will not be subject to tax on such distribution. The amount of such distribution will be applied to reduce the cost base of the Units. For Unitholders who hold the Units as trading or business assets and are liable to Singapore income tax on gains arising from the disposal of Units, the reduced cost base will be used to calculate the amount of gains that they derive from the disposal of Units. If the amount of such distribution exceeds the cost of Units, the excess will be subject to tax as trading income of such Unitholders.

Gains on disposal of Units

Singapore does not impose tax on capital gains. In the event that the gains arising from the disposal of Units are considered as trading gains, such gains will be subject to Singapore income tax. Such gains may be considered income in nature and subject to Singapore income tax if they arise from or are otherwise connected with the activities of a trade or business carried on in Singapore. Such gains may also be considered gains or profits of an income nature, even if they do not arise from an activity in the ordinary course of trade or business, or an ordinary incident of some other business activity, if Units were acquired with the intention or purpose of making a profit by sale and not with the intention to be held for long-term investment purposes.

As the precise tax status of one holder will vary from another, Unitholders are advised to consult their own tax advisors on the Singapore tax consequences that may apply to their own circumstances.

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NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an EXTRAORDINARY GENERAL MEETING of K-REIT Asia ("**K-REIT**") will be held on 10 November 2011 at 3.00 p.m. at Marina Bay Sands Expo and Convention Centre, Level 3, Hibiscus Main Ballroom (3601A to 3703), 10 Bayfront Avenue, Singapore 018956, for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolutions:

ORDINARY RESOLUTION 1

THE PROPOSED ACQUISITION OF AN EQUITY INTEREST IN OCEAN PROPERTIES PTE. LIMITED, WHICH OWNS OCEAN FINANCIAL CENTRE

That:

(a) approval be and is hereby given for the acquisition (the "**Acquisition**") of approximately 87.51% of the issued share capital of Ocean Properties Pte. Limited ("**OPPL**"), which owns Ocean Financial Centre, from Straits Property Investments Pte Ltd (the "**Vendor**"), a wholly-owned subsidiary of Keppel Land Limited, on the terms and conditions set out in the conditional sale and purchase agreement (the "**SPA**") dated 17 October 2011 entered into between RBC Dexia Trust Services Singapore Limited, as trustee of K-REIT (the "**Trustee**"), the Vendor and Keppel Land Properties Pte Ltd, as the guarantor of the Vendor's obligations under the SPA;

(b) approval be and is hereby given for the grant of a call option by the Trustee in favour of the Vendor pursuant to which the Vendor shall have the right to acquire approximately 87.51% equity interest in OPPL, or equivalent, for S$1.00, such option to be exercisable in accordance with the option deed (the "**Option Deed**") to be entered into between the Trustee and the Vendor; and

(c) K-REIT Asia Management Limited, as manager of K-REIT (the "**Manager**"), any director of the Manager, 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 of the Manager or, as the case may be, the Trustee may consider expedient or necessary or in the interests of K-REIT to give effect to the SPA, Acquisition and the Option Deed.

ORDINARY RESOLUTION 2

THE PROPOSED UNDERWRITTEN RENOUNCEABLE RIGHTS ISSUE

Resolved that subject to and contingent upon the passing of Ordinary Resolution 1:

(a) approval be and is hereby given for the issue of units in K-REIT (the "**Rights Units**") under the underwritten and renounceable rights issue (the "**Rights Issue**") based on the rights ratio of 17 Rights Units for every 20 existing units (fractional entitlements to be disregarded) in K-REIT (the "**Units**", and the basis of the Rights Issue, the "**Rights Ratio**") held as at a books closure date to be determined by the Manager (the "**Rights Issue Books Closure Date**"), in the manner described in the circular to unitholders of K-REIT ("**Unitholders**") dated 19 October 2011 (the "**Circular**") issued by the Manager;

(b) the Rights Issue shall be carried out 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 under the Rights Issue shall be made on an underwritten and renounceable basis, in the manner described in the Circular, to:

(A) Unitholders with Units standing to the credit of their Securities Accounts (as defined in the Circular) with The Central Depository (Pte) Limited ("**CDP**") and whose registered addresses with CDP are in Singapore as at the Rights Issue Books Closure Date or who have, at least three Market Days (as defined in the Circular) prior to the Rights Issue Books Closure Date, provided CDP with addresses in Singapore for the service of notices and documents and such Unitholders who the Manager, on behalf of K-REIT, and DBS Bank Ltd. and United Overseas Bank Limited (collectively, the "**Joint Managers and Underwriters**") agree, including eligible "qualified institutional buyers" ("**Eligible QIBs**")[1], may be offered Rights Units without breaching applicable securities laws; and

(B) Unitholders whose Units are not deposited with CDP and who have tendered to Boardroom Corporate & Advisory Services Pte. Ltd. (the "**Unit Registrar**") valid transfers of their Units and/or the documentary evidence evidencing their title in relation thereto for registration up to the Rights Issue Books Closure Date and whose registered addresses with the Unit Registrar are in Singapore as at the Rights Issue Books Closure Date or who have, at least three Market Days prior to the Rights Issue Books Closure Date, provided the Unit Registrar with addresses in Singapore for the service of notices and documents or such Unitholders who the Manager, on behalf of K-REIT, and the Joint Managers and Underwriters agree, including Eligible QIBs, may be offered Rights Units without breaching applicable securities laws,

("**Eligible Unitholders**");

(ii) no provisional allotments 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 (the "**Excess Rights Units**") (if any) as the Manager may, in its absolute discretion, deem fit;

(iv) the Balance Rights Units (as defined in the Circular) shall be underwritten by the Joint Managers and Underwriters in equal proportions, severally and not jointly, on the terms of and subject to the conditions of a management and underwriting agreement entered into between the Manager and the Joint Managers and Underwriters on 17 October 2011; and

(v) the Rights Units, when issued and fully paid for, will rank *pari passu* in all respects with the existing Units in issue as at the date of issue of the Rights Units, including the right to any distributions which may accrue for the period from 1 July 2011 to 31 December 2011 as well as all distributions thereafter; and

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1 Eligible QIBs are beneficial holders of Units whose identities have been agreed between the Manager and the Joint Managers and Underwriters, who are each a "qualified institutional buyer" (as defined in Rule 144A under the United States Securities Act of 1933, as amended, who have delivered to the Manager and the Joint Managers and Underwriters a signed investor representation letter which is accepted by the Manager and the Joint Managers and Underwriters, and who are also Eligible Unitholders (as defined in the Circular).

(c) the Manager, any director of the Manager 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 of the Manager or, as the case may be, the Trustee may consider expedient or necessary or in the interests of K-REIT to give effect to the Rights Issue.

BY ORDER OF THE BOARD
K-REIT Asia Management Limited
(Company Registration No. 200411357K)
as manager of K-REIT Asia

Choo Chin Teck/Jacqueline Ng
Joint Company Secretaries
Singapore
19 October 2011

Important Notice:

(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/her stead. A proxy need not be a Unitholder.

(2) Where a Unitholder appoints more than one proxy, the appointments shall be invalid unless he/she specifies the proportion of his/her holding (expressed as a percentage of the whole) to be represented by each proxy.

(3) 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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Proxy Form

K-REITasia

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

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.
3. CPF investors who wish to attend the Extraordinary General Meeting as observers must submit their requests through their CPF Approved Nominees so that their CPF Approved Nominees may register within the specified time frame with K-REIT Asia's Unit Registrar. Please refer to Note 13 on the reverse side of this Proxy Form for further details. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the specified time frame to enable them to vote on their behalf.
4. PLEASE READ THE NOTES TO THE PROXY FORM.

EXTRAORDINARY GENERAL MEETING

I/We ______________________________ (Name(s) and NRIC/Passport Number(s))

of ______________________________ (Address)

being a unitholder/unitholders of K-REIT Asia ("**K-REIT**"), hereby appoint:

Name	Address	NRIC/Passport Number	Proportion of Unitholdings	
			No. of Units	%

and/or (delete as appropriate)

Name	Address	NRIC/Passport Number	Proportion of Unitholdings	
			No. of Units	%

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 ("**EGM**") of K-REIT to be held at 10 November 2011 on 3.00 p.m. at Marina Bay Sands Expo and Convention Centre, Level 3, Hibiscus Main Ballroom (3601A to 3703), 10 Bayfront Avenue, Singapore 018956 and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the resolutions to be proposed at the EGM 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 EGM.

No.	Ordinary 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 Acquisition				
2.	To approve the Rights Issue				

* Please indicate your vote "For" or "Against" with a 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 ________________ 2011

Total number of Units held

____

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

1st Fold (This flap for sealing. Glue and seal firmly)

Postage will be paid by addressee. For posting in Singapore only.

BUSINESS REPLY SERVICE
PERMIT NO. 08556

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

2nd Fold

IMPORTANT: PLEASE READ THE NOTES TO THE PROXY FORM BELOW
Notes to the Proxy Form

1. A unitholder of K-REIT ("Unitholder") entitled to attend and vote at the EGM is entitled to appoint one or two proxies to attend and vote in his/her stead.
2. Where a Unitholder appoints more than one proxy, the appointments shall be invalid unless he/she specifies the proportion of his/her holding (expressed as a percentage of the whole) to be represented by each proxy.
3. A proxy need not be a Unitholder.
4. Completion and return of this proxy form shall not preclude a Unitholder from attending and voting at the EGM. Any appointment of a proxy or proxies shall be deemed to be revoked if a 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 proxy form, to the EGM.
5. A Unitholder should insert the total number of Units held. If the Unitholder has Units entered against his/her name in the Depository Register maintained by The Central Depository (Pte) Limited ("CDP"), he/she should insert that number of Units. If the Unitholder has Units registered in his/her name in the Register of Unitholders of K-REIT, he/she should insert that number of Units. If the Unitholder has Units entered against his/her name in the said Depository Register and registered in his/her name in the Register of Unitholders, he/she should insert the aggregate number of Units. If no number is inserted, this proxy form will be deemed to relate to all the Units held by the Unitholder.
6. The proxy form must be deposited at the Manager's registered office at 1 HarbourFront Avenue, #18-01 Keppel Bay Tower, Singapore 098632 at least 48 hours before the time being fixed for the EGM.
7. The proxy form must be signed under the hand of the appointor or of his/her attorney duly authorised in writing. Where the proxy form is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or a duly authorised officer.

3rd Fold

8. Where a proxy form 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 proxy form; failing which the proxy form may be treated as invalid.
9. 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/her name in the Depository Register at least 48 hours before the time appointed for holding the EGM, as certified by CDP to the Manager.
10. All Unitholders will be bound by the outcome of the EGM regardless of whether they have attended or voted at the EGM.
11. 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.
12. 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/she is the Unitholder. A person entitled to more than one vote need not use all his/her votes or cast them the same way.
13. CPF Approved Nominees acting on the request of the CPF investors who wish to attend the EGM as observers are requested to submit in writing, a list with details of the CPF investors' names, NRIC/Passport numbers, addresses and number of Units held. The list (to be signed by an authorised signatory of the CPF Approved Nominee) should reach K-REIT's Unit Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 not later than 48 hours before the time set for the EGM.

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