

**The Proposed Acquisition of
an Equity Interest in
Ocean Properties Pte. Limited
and
Proposed Underwritten
Renounceable Rights Issue**

**Extraordinary General Meeting
10th November 2011**

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Unless otherwise defined herein, all capitalised terms used herein shall have the meanings ascribed to them in the circular to be distributed to Unitholders in due course.



Contents

- Ocean Financial Centre
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Ocean Financial Centre

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Key Property Information



Ocean Financial Centre Key Property Details

Description

A 43-storey premium Grade A office development comprising:

- Office Tower completed in April 2011
- 222-lot car park and retail podium expected to be completed by end-2012

Approximate Net Lettable Area ("NLA")

Office: 81,471sqm or 876,947sf
Retail: 744sqm or 8,010sf

Committed Occupancy

About 80%⁽¹⁾

Major Tenants

ANZ, BNP Paribas, Drew & Napier, Verizon Communications, Stamford Law Corporation, The Executive Centre

(1) As at 15 September 2011.





Transaction Summary

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Transaction Summary

DPU-Accretive Acquisition

- **2.3%** Distribution Per Unit (“DPU”) accretion
- To acquire an approximate 87.5% equity interest in Ocean Properties Pte. Limited (“OPPL”), which owns Ocean Financial Centre (“OFC Interest”) for a period of 99 years

Agreed Value of OFC Interest

| | Total value | Capital value per square foot |
|-------------------------|---------------------------|-------------------------------|
| Agreed Value: | S\$2,013.1 million | S\$2,600 |
| Less Rental Support: | S\$170.0 million | S\$220 |
| Effective Price: | S\$1,843.1 million | S\$2,380 |

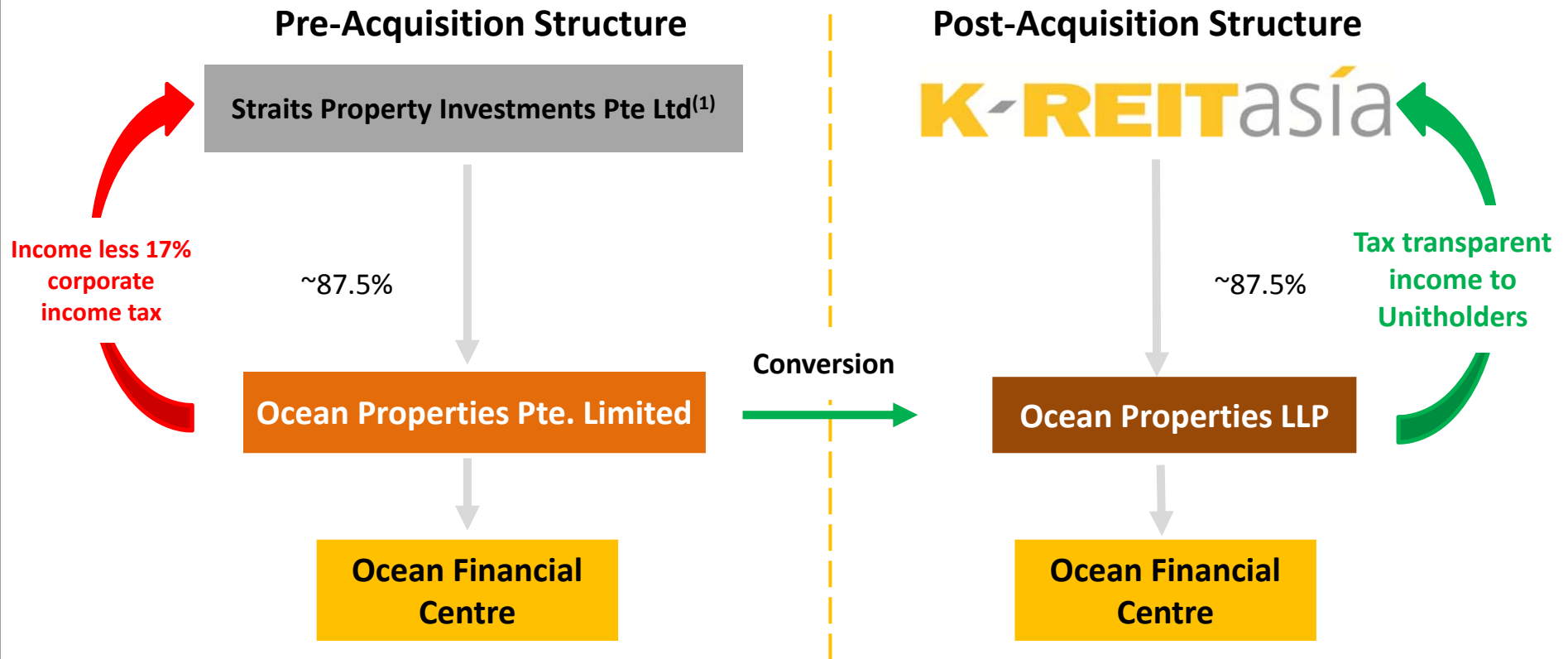
Tax Efficient Structure

- Conversion to LLP will provide **tax transparent** income to Unitholders



Tax Efficient Acquisition Structure

➤ Conversion provides **tax transparent income** to Unitholders post-Completion Date



(1) Wholly-owned subsidiary of KLL.



Purchase Consideration

➤ Agreed Value of the OFC Interest is supported by two independent valuations.

| | | | |
|---|---|---|---------------|
| ➤ Agreed Value | : | S\$2,013.1 million⁽¹⁾ | (S\$2,600psf) |
| ➤ Savills' Valuation (Manager's valuer) | : | S\$2,054.0 million ⁽²⁾ | (S\$2,652psf) |
| ➤ Knight Frank's Valuation (Trustee's valuer) | : | S\$2,050.0 million ⁽²⁾ | (S\$2,647psf) |

| | Total Value | Value psf |
|------------------------|-----------------------------------|------------------|
| Agreed Value | S\$2,013.1 million ⁽¹⁾ | S\$2,600 |
| Less Rental Support | S\$170.0 million | S\$220 |
| Effective Price | S\$1,843.1 million | S\$2,380 |

(1) Refers to the Agreed Value of the approximate 87.5% interest in Ocean Financial Centre, and takes into account (i) the rental support capped at a maximum aggregate of S\$170.0 million, to be in effect from the Completion Date up to 31 December 2016 and (ii) K-REIT's 99-year interest in OPPL.

(2) Independent valuations of the OFC Interest as at 15 September 2011.



Recent Office Transactions

| Property | Floor Plate | Age | Tenure | Transaction Date | NLA (sf) | Price psf (excl. rent support) |
|---|-----------------------------|-------------------|---------------------------------------|------------------------|----------------|--------------------------------|
| Ocean Financial Centre (87.5%)⁽¹⁾ | 20,000sf to 23,000sf | 0 | Leasehold (Fresh 99 years) | Oct-11 | 884,957 | \$2,380 |
| Commerce Point (3 Phillip St) | 4,700 sf to 6,300 sf | 14 yrs | Leasehold (999 years) | Oct-11 | 82,160 | \$2,490 |
| 1 Phillip Street | 2,300 sf to 2,900 sf | 18yrs | Leasehold (999 years) | Oct-11 | 36,194 | \$2,050 |
| Robinson Centre | 6,600 sf to 9,200 sf | 11yrs | Leasehold (85 years remaining) | Oct -11 ⁽²⁾ | 132,388 | \$2,300 ⁽²⁾ |
| Royal Brothers Building | Approx. 4,000 sf | Approx. 25 yrs | Leasehold (999 years) | Oct-11 | 59,000 | \$3,050 |
| One Finlayson Green | 6,400 sf | 17 yrs | Freehold | Mar-11 | 89,950 | \$2,524 |
| Capital Square | 25,000 sf to 30,000 sf | 13 yrs | Leasehold (84 years remaining) | Mar-11 | 386,526 | \$2,300 |
| MBFC Towers 1 & 2 (33.3%) | 21,000sf to 25,000 sf | 1 yr | Leasehold (93 years remaining) | Oct-10 | 1,164,734 | \$2,400 |

1. The proposed Acquisition.
2. The Business Times reported that an investor is doing due diligence on Robinson Centre based on the approximate price of \$2,300 psf.



Overview of Rental Support

Rationale

To smooth out the cash flow to Unitholders:

- As Ocean Financial Centre is ~80% leased
- For fitting-out periods where rents are not yet received
- For existing leases which were committed during the global financial crisis

Key terms

Rental Support

Vendor to top-up if Actual OFC Net Property Income of each quarterly period falls below the Guaranteed Income Amount

Maximum Amount

S\$170.0 million

Period

Approximately 5 years from Completion Date to 31 December 2016



Why Now

- Reasonable pricing of S\$2,380 net psf
 - Unique opportunity to acquire brand new premium office asset in the heart of Singapore's CBD
- **2.3% ↑** in DPU for Forecast Year 2012
 - **8.4%** DPU yield based on Rights Issue price of S\$0.85 per Unit
- Favourable LLP ruling from IRAS⁽¹⁾ provides tax transparent income to Unitholders
 - Tax savings flow direct to Unitholders
- Low interest rates for new borrowings locked-in for next five years
- OFC is ~80% tenanted to established organisations
 - Ability to choose quality tenants to take-up balance space

1. Refers to the Inland Revenue Authority of Singapore.



Funding Structure

Equity

- Net proceeds of S\$976.3 million⁽¹⁾
- 17 – for – 20 Rights Issue
- KLL and KCL will subscribe for their pro rata 76.3%⁽²⁾ entitlements
- Balance Rights Units fully underwritten by DBS Bank Ltd. and United Overseas Bank Limited.
- S\$0.85 per Rights Unit is at a discount of 17.5%⁽³⁾

Debt

- S\$602.6 million
- Approximately 70% fixed for 5 years until end-2016
- Average cost of borrowing: approximately 2.28% per annum

(1) Gross proceeds of S\$983.8 million net of transaction costs of S\$7.5 million.

(2) Based on KCL's and KLL's combined Unitholdings as at 30 September 2011.

(3) Discount with reference to last traded price of S\$1.03 per Unit on 17 October 2011, the day of the announcement of the proposed Acquisition.





Transaction Rationale and Key Benefits

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Transaction Rationale and Key Benefits

1. Consistent with K-REIT's investment and growth strategy
2. Enhances DPU to Unitholders
3. Strengthens branding in the Raffles Place and Marina Bay precincts
4. Increases exposure to Singapore office market
5. Reduces average age of K-REIT's property portfolio
6. Improves K-REIT's lease profile
7. Enhances tenant base with established organisations
8. Manages K-REIT's aggregate leverage
9. Increases K-REIT's trading liquidity



1.

Consistent with K-REIT's Investment and Growth Strategy

- Unique opportunity to acquire a landmark office building in the tightly-held Singapore CBD
- Post-Acquisition, K-REIT will become the largest owner of premium offices in Singapore



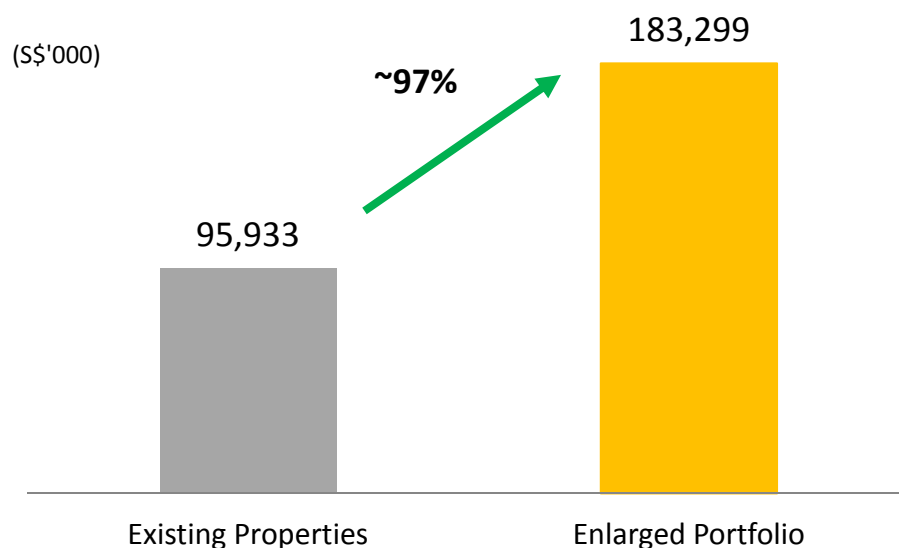
* The proposed Acquisition of an 87.5% equity interest in Ocean Financial Centre.



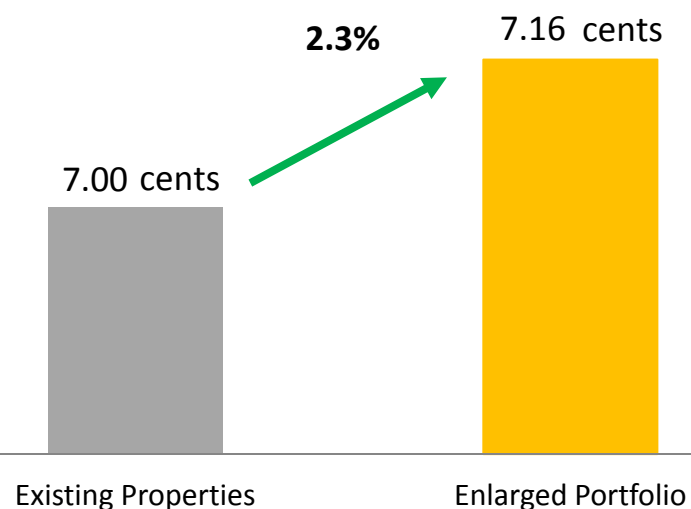
2. Enhances DPU to Unitholders

- DPU accretive Acquisition is expected to provide stable and sustainable returns to Unitholders
- **8.4%** DPU Yield based on the Rights Issue price of S\$0.85 per Unit for the Forecast Year 2012.
- **7.6%** DPU Yield based on a TERP of S\$0.947⁽¹⁾ per Unit for the Forecast Year 2012.

Forecast Year 2012 Distributable Income⁽²⁾



Forecast Year 2012 DPU⁽²⁾



(1) TERP based on the last traded price of S\$1.03 per unit on 17 October 2011, the day of the announcement of the proposed Acquisition.

(2) Based on the assumptions as set out in Appendix B of K-REIT's Circular dated 19 October 2011.

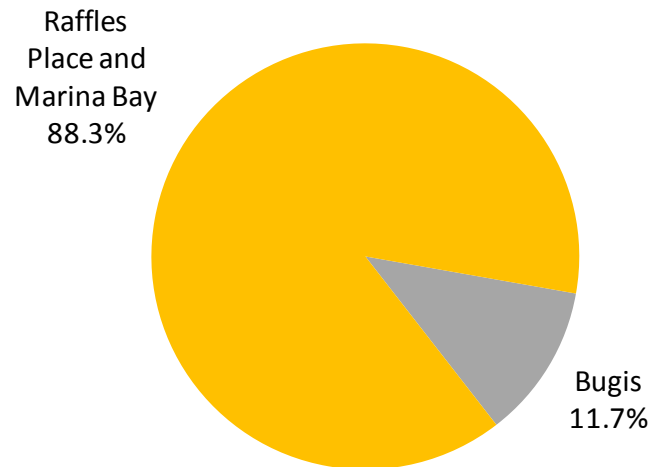


3.

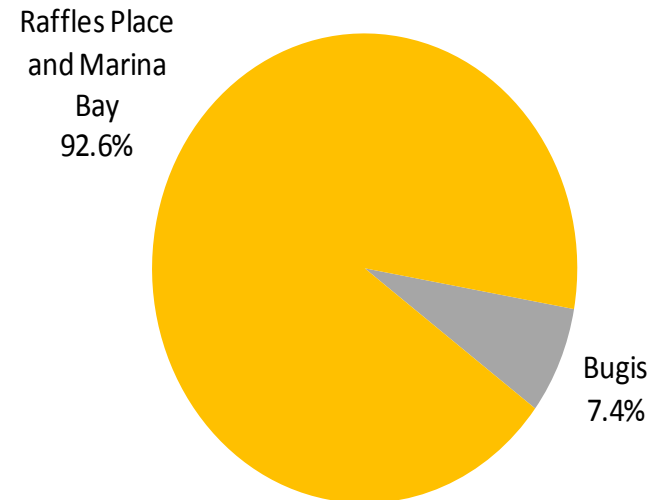
Enhances Portfolio Quality and Strengthens Branding in the Raffles Place and Marina Bay Precincts

➤ Singapore Assets in the Raffles Place and Marina Bay Precincts ↑ to ~93%⁽¹⁾

Existing Properties⁽¹⁾



Enlarged Portfolio⁽¹⁾



⁽¹⁾ Based on the asset value of the properties.



4.

Increases exposure to the Singapore Office Market

➤ Proportion of Singapore property portfolio to entire property portfolio ↑ to ~93%⁽¹⁾ from ~90%

Singapore Property Portfolio



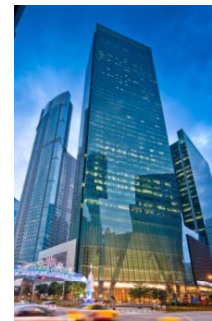
OFC Interest⁽²⁾



Bugis Junction Towers



MBFC Interest



ORQ Interest



Prudential Tower Property

Australia Property Portfolio



275 George Street Interest



77 King Street Property



8 Chifley Square Interest

(1) Based on the asset value of the properties.

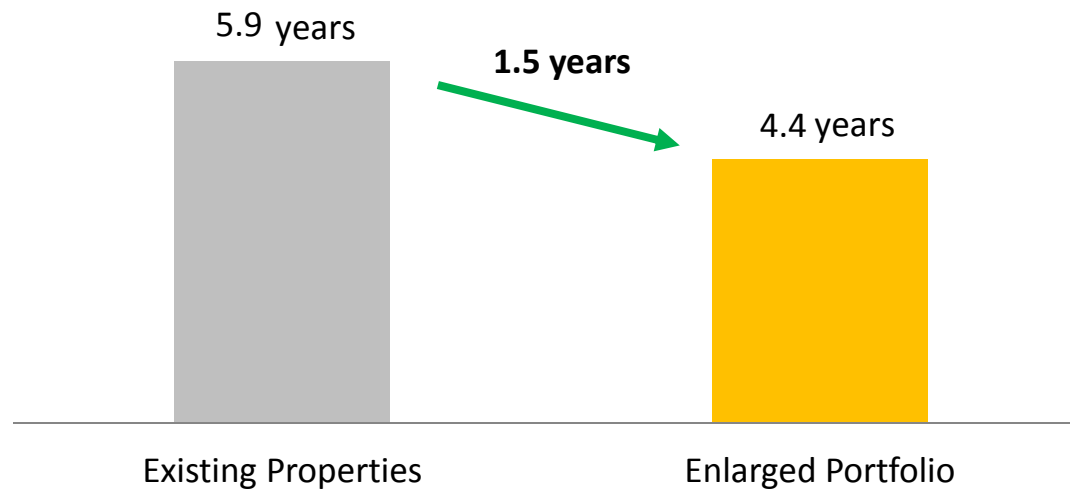
(2) Subject to the completion of the Acquisition.



5. Reduces Average Age of K-REIT's Property Portfolio

➤ ↓ the average age of the properties by NLA to **4.4 years**

Property Portfolio Average Building Age by NLA



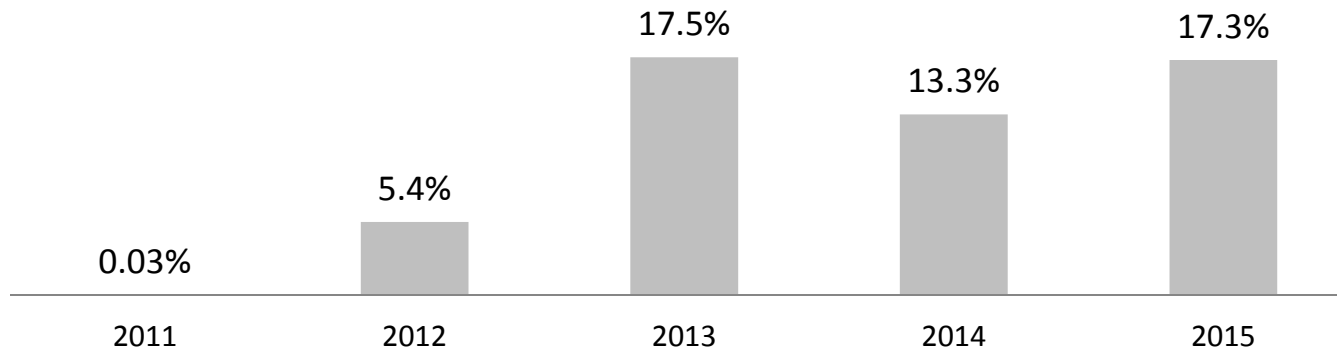
6. Well-Staggered Lease Profile

➤ Portfolio weighted average lease expiry (“WALE”) at **7.0 years**

Weighted Average Lease Expiry (WALE)



Portfolio Lease Renewal and Rent Review Profile⁽¹⁾



(1) Portfolio lease renewal and rent review profiles exclude K-REIT's interest in 8 Chifley Square, as the property is currently under construction.



7. Enhances Tenant Base

➤ K-REIT's current portfolio will be enhanced with established corporations that have tenancies at Ocean Financial Centre

- **Australia and New Zealand Banking Group Ltd**
- Barclays Capital Service Limited Singapore Branch
- BHP Billiton Marketing Asia Pte Ltd
- **BNP Paribas**
- Deutsche Bank Aktiengesellschaft
- **Drew & Napier LLC**
- International Enterprise Singapore
- Standard Chartered Bank
- Telstra Corporation Limited
- UBS AG

**Pro forma Top Ten Tenants
of Enlarged Portfolio as a
Percentage of Leased NLA:
46.2%⁽²⁾**

(1) *Highlighted in green are tenants in Ocean Financial Centre.*

(2) *Information shown is based on K-REIT's enlarged portfolio including the OFC Interest on a pro forma basis as at 30 September 2011.*



8. Manages K-REIT's Capital Structure

| | As at 30 Sep 2011 | Pro forma as at 31 Dec 2011 |
|---|-------------------|-----------------------------|
| Aggregate Leverage Level ⁽¹⁾ | 39.8% | 41.6% |
| Total Borrowings ⁽²⁾ | S\$1,454 million | S\$2,483 million |
| All-in Cost of Debt | 2.48% | 2.23% |
| Interest Service Ratio ⁽³⁾ | 4.6 times | 4.3 times |
| Debt Term to Expiry | 3.6 years | 3.2 years ⁽⁴⁾ |

(1) Based on K-REIT's total borrowings, including the borrowings accounted for at the level of associated companies and unamortised portion of fees in relation to borrowings, divided by the K-REIT's deposited property value.

(2) Includes borrowings accounted for at the level of associated companies and unamortised portion of fees in relation to borrowings.

(3) Refers to the ratio of year-to-date earnings before interest, tax, depreciation and amortisation divided by interest expense.

(4) Assuming the \$526 million loans which are due for refinancing on 31 December 2012 are refinanced post-Acquisition for 5 years, the debt term to expiry will be 4.0 years.

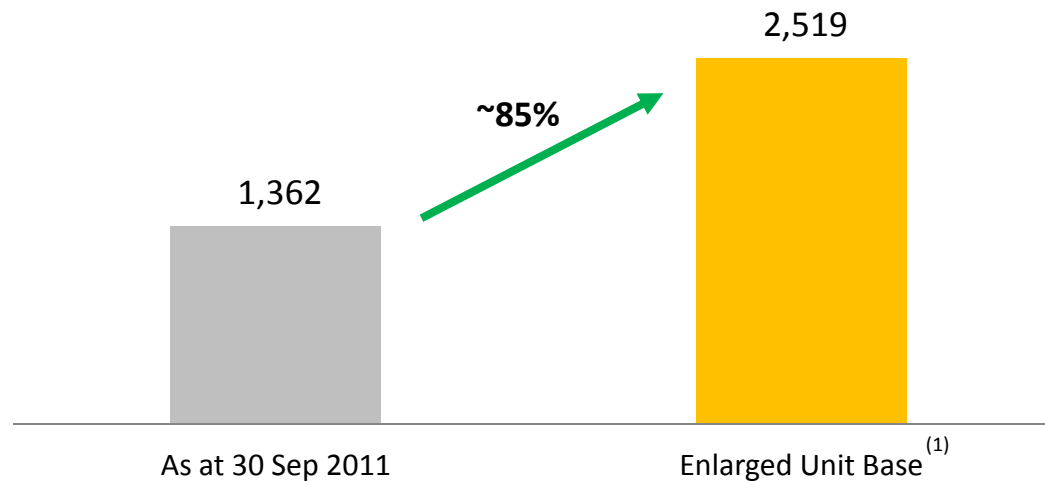


9. Increases Trading Liquidity

➤ Significant increase in Units in issue is expected to improve level of trading liquidity

Pro forma Units in Issue

(in millions)



(1) Based on the enlarged Unit base which includes the estimated total number of Rights Units.





Summary

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Summary

The proposed Acquisition



- Unitholders will get to enjoy ↑ DPU in 2012 without having to put in additional cash
- **8.4%** DPU yield based on Rights Issue Price of S\$0.85 per unit
- Ownership of landmark premium Grade A office asset in the heart of Singapore's CBD

Fully Underwritten and Renounceable Rights Issue



- Unitholders have the choice to sell their nil-paid Rights entitlement
- Unitholders have the option to subscribe for additional units at a preferential rate
- ↑ in issued units potentially improves trading liquidity



Positive Feedback

- Moody's upgraded outlook on K-REIT from Stable to **Positive**
- Standard & Poor's initiated coverage on K-REIT at **BBB** with **Stable outlook**
- **ISS⁽¹⁾** recommended that investors **vote in favour** of both resolutions as:
 - i. "the acquisition is in line with the trust's investment strategy; and
 - ii. the portfolio distribution to unitholders would be enhanced."

1. Institutional Shareholders Services Inc.



Indicative Timetable

| Key Events | Dates |
|--|---|
| Last day of “cum-rights” trading | 11 November 2011 ⁽¹⁾ |
| First day of “ex-rights” trading | 14 November 2011 ⁽¹⁾ |
| Book closure date | 16 November 2011 ⁽¹⁾ |
| Commencement of “nil-paid” rights trading | 21 November 2011 ⁽¹⁾ |
| Last day of “nil-paid” rights trading | 29 November 2011 ⁽¹⁾ |
| Close of Rights Issue | 5 December 2011 ⁽¹⁾ |
| Expected date of issuance of Rights Units | 13 December 2011 ⁽¹⁾ |
| Expected commencement of trading of Rights Units | 14 December 2011 ⁽¹⁾ |
| Expected Acquisition completion date | No later than 31 December 2011 ⁽¹⁾ |

(1) Conditional on both resolutions at the EGM being duly passed on 10 November 2011.





Thank you

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