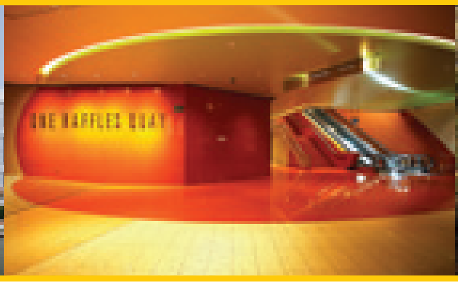
K-REIT asia

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



CIRCULAR DATED 22 SEPTEMBER 2007

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

CIRCULAR TO UNITHOLDERS IN RELATION TO:

(1) THE PROPOSED ACQUISITION OF A ONE-THIRD INTEREST IN ONE RAFFLES QUAY;

(2) THE PROPOSED ISSUE OF NEW UNITS UNDER THE EQUITY FUND RAISING;

(3) THE PROPOSED ISSUE OF CONVERTIBLE BONDS;

(4) THE PROPOSED PLACEMENT OF NEW UNITS TO KEPPEL LAND GROUP;

(5) THE PROPOSED GENERAL MANDATE FOR THE ISSUE OF NEW UNITS AND CONVERTIBLE SECURITIES; AND

(6) THE PROPOSED SUPPLEMENT TO THE TRUST DEED IN CONNECTION WITH THE PAYMENT OF FEES TO THE TRUSTEE AND THE MANAGER IN RESPECT OF INVESTMENTS HELD THROUGH SPECIAL PURPOSE VEHICLES.

IMPORTANT DATES AND TIMES FOR UNITHOLDERS

EVENT	DATE	TIME
Last date and time for lodgement of Proxy Forms	9 Oct 2007	2.30pm
Date and time of EGM	11 Oct 2007	2.30pm
Place of EGM	Four Seasons Hotel Singapore Four Seasons Ballroom, 2nd floor 190 Orchard Boulevard Singapore 248646	

Managed by

K-REIT Asia Management Limited

Joint Financial Advisers, Underwriters and Bookrunners for the Equity Fund Raising

DBS   UBS Investment Bank

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

KPMG

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

Approval in-principle has been obtained from the SGX-ST for the proposed issue and listing and quotation of new units in K-REIT Asia in respect of the Equity Fund Raising and the Convertible Bonds on the Main Board of the SGX-ST. The SGX-ST's in-principle approval is not an indication of the merits of K-REIT Asia, the Equity Fund Raising, the Convertible Bonds, the New Units and/or the Acquisition (as respectively defined in the Circular).

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

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

K-REIT asia
Circular dated 22 September 2007

This overview section 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 53 to 60 of this Circular.

OVERVIEW

K-REIT Asia is a leading commercial-focused real estate investment trust which is established in Singapore. K-REIT Asia has a pan-Asian focus with the principal investment strategy of investing in a portfolio of quality commercial real estate and real estate-related assets which provide stable and sustainable income to its Unitholders.

The Acquisition

K-REIT Asia proposes to acquire a one-third interest in One Raffles Quay through the acquisition of a one-third shareholding in One Raffles Quay Pte Ltd (the "**Acquisition**"). The Acquisition is in line with K-REIT Asia's growth strategy of acquiring quality commercial properties that meet its investment criteria.

The total cost of the Acquisition (the "**Total Acquisition Cost**") is estimated to be approximately S$954.9 million, comprising the Aggregate Consideration, the estimated fees and expenses (including the acquisition fee payable to the Manager, professional fees and expenses) relating to the Acquisition.

The Keppel Land Placement

To demonstrate its commitment to K-REIT Asia and to align its interest with the other Unitholders, Keppel Land Group will subscribe for such number of New Units so as to maintain its proportionate unitholding, in percentage terms, of the total number of Units in issue immediately prior to the Equity Fund Raising.

Method Of Financing

The Manager proposes to raise total gross proceeds of up to S$966.5 million from the issue of New Units under the Equity Fund Raising and the Issue of Convertible Bonds to finance the Total Acquisition Cost (excluding the acquisition fee payable to the Manager which will be paid by an issuance of new Units), the costs associated with the Equity Fund Raising and the Issue of Convertible Bonds, with the balance thereof (if any) applied towards the working capital of K-REIT Asia.

Proposed Equity Fund Raising

The Manager proposes to issue such number of New Units via a placement to institutional and other investors and an ATM offering (if any) on a "first come, first served" basis to retail investors in Singapore so as to raise total gross proceeds of up to S$966.5 million less the aggregate principal amount to be raised by way of an issue of Convertible Bonds.

Proposed Issue of Convertible Bonds

The Manager intends to issue convertible bonds to raise an aggregate principal amount of up to S$400 million to part finance, *inter alia*, the Acquisition.

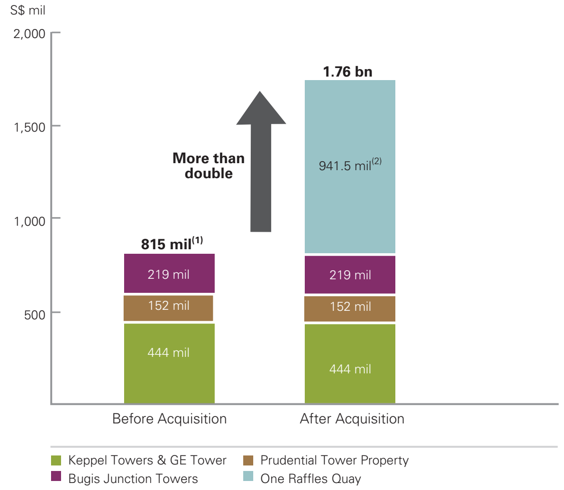
Benefits To Unitholders

The Manager believes that the Acquisition will bring the following key benefits to Unitholders:

1. Consistent with Investment and Growth Strategy

The Acquisition fits the Manager's principal investment strategy of achieving stable income and long-term growth in net asset value ("**NAV**") by investing in quality commercial real estate. K-REIT Asia's assets under management will increase from S$815 million to S$1.76 billion.

Assets value of K-REIT Asia before and after the Acquisition

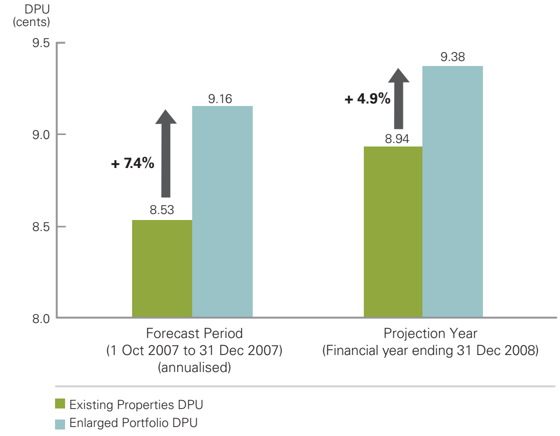


Notes:
(1) Valuation of the Existing Properties as at 31 Jul 2007.
(2) Valuation of one-third interest in One Raffles Quay as at 2 Jul 2007.

2. Yield Accretion

The Manager believes that Unitholders will enjoy a higher distribution per Unit ("**DPU**"). Based on assumptions set out in Appendix B, the improvement in K-REIT Asia's forecast and projected DPU is shown below (assuming an illustrative issue price per new Unit of S$2.60 and an illustrative aggregate principal amount of S$250 million for the Issue of Convertible Bonds).

Forecast and Projected DPU[1]



Note:
(1) The Enlarged Portfolio will provide a total fully-diluted DPU of 8.62 cents (annualised) and 8.82 cents for the Forecast Period and the Projection Year respectively (assuming that the convertible bonds are fully converted on 1 Oct 2007).

3. Acquisition of a Landmark Commercial Property

Situated in the heart of Singapore's central business district ("**CBD**"), the Property offers a prestigious office address as the newest premier commercial development in Singapore. The Property's strategic location within Singapore's New Downtown, the Marina Bay, further augments its potential as a prime office asset.

The Manager believes that the Acquisition provides K-REIT Asia with a unique opportunity to gain exposure within the prime Marina Bay development and benefit from growth of the area.

4. Stronger Position in the Strengthening Singapore Office Sector

Strong performance of the office market is expected to continue in the next few years, with sustained demand backed by Singapore's highly regarded infrastructure, pro-business government initiatives and efficient workforce.

5. Blue-Chip Tenants with Long-Term Leases

More than three quarters of the Property is anchored by global, blue-chip financial institutions which include ABN AMRO, Barclays, Credit Suisse, Deutsche Bank, Ernst & Young and UBS, with long-term leases typically ranging from 9 to 13 years.

6. High Growth Potential from Future Rental Reversions

With Singapore office rentals poised to rise further and with 7.3 per cent, 21.3 per cent and 26.4 per cent of the Net Lettable Area up for renewal and rental review in 2009, 2010 and 2011respectively, the Manager believes the Property is a quality building which is well-placed to benefit from a sustained rise in Singapore office rentals.

7. Greater Trading Liquidity and Flexibility

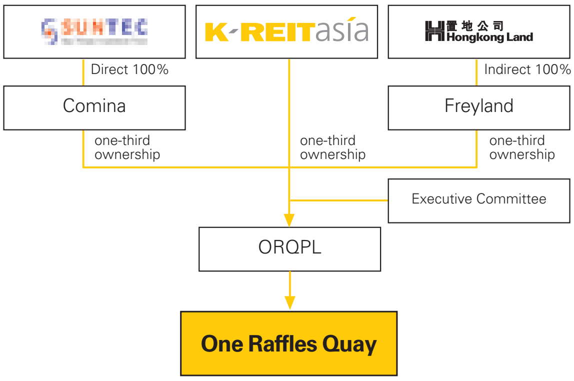
The issue of the New Units is expected to increase the free float of Units on the SGX-ST, providing investors with greater trading liquidity and flexibility.

8. Economies of Scale in Asset and Property Management

K-REIT Asia is one of the largest commercial property managers and owners in Singapore. The Acquisition will further increase the commercial space owned and managed by K-REIT Asia, allowing it to achieve economies of scale, more efficient allocation of resources including staff and personnel, and greater leverage over its service providers.

9. Collaboration with Hongkong Land and Suntec REIT[(1)]

The joint ownership of the Property with established real estate managers, Hongkong Land and Suntec REIT, will yield synergistic benefits through the collaboration and leveraging of shared expertise, experience and tenant network in managing the Property. The collaboration is expected to maximise and enhance the value of the Property, generating long-term growth for Unitholders.



Note:

(1) Suntec REIT has announced on 30 Jul 2007 that it will acquire a one-third interest in the Property through the acquisition of the entire issued share capital of Comina.

One Raffles Quay

One Raffles Quay, comprising the North Tower and the South Tower linked by a landscaped podium, is a prestigious landmark commercial development located in Singapore's CBD.

With its strategic location at the gateway to the New Downtown at Marina Bay, One Raffles Quay is well-positioned to benefit from the robust Singapore office market and rising rental environment amidst strong demand for limited quality office space. It was 100 per cent committed as at 30 June 2007.

The North Tower is a 50-storey building with 71,000 sq m of lettable space and has a typical column-free floor plate of about 1,600 sq m. The South Tower is a 29-storey building offering 52,000 sq m of column-free space with large regular floor plates of about 2,800 sq m, a specification popular among financial institutions.

The major office tenants include ABN AMRO, Barclays, Credit Suisse, Deutsche Bank, Ernst & Young and UBS.

With a direct underground link to the Raffles Place MRT interchange station, One Raffles Quay enjoys excellent connectivity and accessibility along the North-South and East-West MRT lines.

Given its prime location, excellent accessibility, quality asset and blue-chip tenant base, the Manager believes that the Acquisition provides enhanced stability and future income growth to K-REIT Asia's portfolio.

The table below sets out a summary of selected information on One Raffles Quay as at 30 Jun 2007.

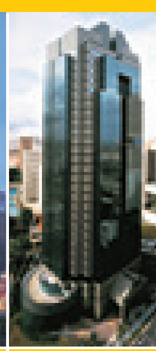
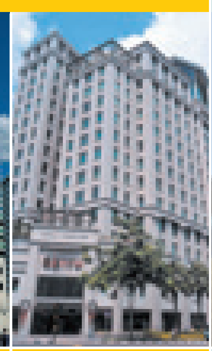
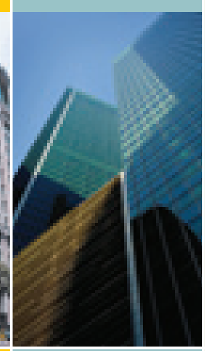
Gross Floor Area (sq m)	148,468
Net Lettable Area (sq m)	124,078
Number of Tenants	31
Car Park Lots	713
Tenure	Leasehold estate of 99 years commencing 13 Jun 2001
Committed Occupancy	100%

About K-REIT Asia

K-REIT Asia's objective is to generate stable returns to Unitholders by owning and investing in a portfolio of quality income-producing commercial real estate and real estate-related assets. The initial portfolio comprises four buildings, namely Prudential Tower (approximately 44.4 per cent of the strata area of the building), Keppel Towers and GE Tower, and Bugis Junction Towers.

K-REIT Asia has a pan-Asian mandate that enables it to invest in quality commercial properties in other Asian growth cities. The Manager of K-REIT Asia aims to achieve stable income and long-term growth in NAV for Unitholders. To achieve this, the Manager plans to further expand the portfolio by selective acquisitions of quality real estate, raise occupancy and/or rental rates by active asset management of its portfolio and by employing debt and equity financing strategies that are appropriate for the K-REIT Asia portfolio.

Enlarged Portfolio

	Existing Properties					
						
	Prudential Tower Property(1)	**Keppel Towers**	**GE Tower**	**Bugis Junction Towers**	**One Raffles Quay**	**Enlarged Portfolio**
Strata Floor (sq m)	10,250	N/A		27,724	N/A	37,974
Gross Floor Area (sq m)	N/A	52,946		N/A	148,468	102,435(2)
Net Lettable Area (sq m)	10,074	40,014		22,990	124,078	114,437(2)
Number of Tenants	14	69		12	31	126
Car Park Lots	-	288		-	713	1,001
Tenure	Leasehold estate of 99 years commencing 15 Jan 1996	Estate in fee simple		Leasehold estate of 99 years commencing 10 Sep 1990	Leasehold estate of 99 years commencing 13 Jun 2001	
Valuation(3) (S$million)	152.0	444.0		219.0	941.5(4)	1,756.5
Committed Occupancy	100%	99.3%		100%	100%	99.8%(5)

Notes:
(1) Approximately 44.4 per cent of the strata area in Prudential Tower.
(2) As approximately one-third of the asset is held through shareholding, attributable GFA and NLA is about 49,489 sq m and 41,359 sq m respectively.
(3) Valuation of the Existing Properties as at 31 Jul 2007.
(4) For one-third interest in One Raffles Quay as at 2 Jul 2007.
(5) Weighted average committed occupancy.

IMPORTANT NOTICE

The value of Units and the income derived from them may fall as well as rise. Units are not obligations of, deposits in, or guaranteed by, K-REIT Asia Management Limited as manager of K-REIT Asia (the "**Manager**") or any of its affiliates. An investment in Units is subject to investment risks, including the possible loss of the principal amount invested.

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

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

This Circular may contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from similar developments, shifts in expected levels of property rental income, changes in operating expenses (including employee wages, benefits and training costs), property expenses and governmental and public policy changes. You are cautioned not to place undue reliance on these forward-looking statements, which are based on the Manager's current view of future events. All forecasts and projections are based on a specified issue price/range of issue prices per Unit, and specified conversion premium and coupon rates for the Convertible Bonds, and on the Manager's assumptions as explained in APPENDIX B of this Circular. The issue price of the New Units will be determined between the Manager and the Joint Financial Advisers, Underwriters and Bookrunners closer to the date of commencement of the Equity Fund Raising; and the issue size, conversion price and coupon rate of the Convertible Bonds between the Manager and the arranger(s) for the Issue of Convertible Bonds closer to the date of commencement of the Issue of the Convertible Bonds, having regard to the market conditions. Yields will vary accordingly for investors who purchase Units in the secondary market at a market price higher or lower than the issue price range specified in this Circular. The major assumptions are certain expected levels of property rental income and property expenses over the relevant periods, which are considered by the Manager to be appropriate and reasonable as at the date of the Circular. The forecast and projected financial performance of K-REIT Asia is not guaranteed and there is no certainty that it can be achieved. Investors should read the whole of this Circular for details of the forecasts and projections and consider the assumptions used and make their own assessment of the future performance of K-REIT Asia.

The Securities Industry Council ("**SIC**") has on 8 June 2007 decided to extend the ambit of the Singapore Code on Take-overs and Mergers (the "**Takeover Code**") to real estate investment trusts ("**REITs**").

The Monetary Authority of Singapore, on the advice of the SIC, will be making amendments to the Securities and Futures Act, Chapter 289 of Singapore and the Takeover Code, where necessary, to give effect to the extension of the Takeover Code to REITs.

Prior to these amendments, the SIC suggests that parties engaged in take-over or merger transactions involving REITs comply with the Takeover Code. In particular, parties intending to (i) acquire 30 per cent or more of the total units of a REIT; or (ii) when holding not less than 30 per cent but not more than 50 per cent of the total units of a REIT, acquire more than 1 per cent of the total units of the REIT in any six-month period, should make a general offer for the REIT. The SIC should be consulted in cases of doubt.

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.

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

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CORPORATE INFORMATION

Directors of the Manager	:	Prof. Tsui Kai Chong (Chairman and Independent Director) Mr. Kevin Wong Kingcheung (Deputy Chairman and Non-Executive Director) Mr. Tan Swee Yiow (Chief Executive Officer and Director) Mrs. Lee Ai Ming (Independent Director) Mr. Lim Poh Chuan (Independent Director) Dr. Chin Wei-Li, Audrey Marie (Independent Director)
Registered Office of the Manager	:	1 HarbourFront Avenue #18-01 Keppel Bay Tower Singapore 098632
The Trustee of K-REIT Asia	:	RBC Dexia Trust Services Singapore Limited 20 Cecil Street #28-01 Equity Plaza Singapore 049705
Joint Financial Advisers, Underwriters and Bookrunners for the Equity Fund Raising	:	DBS Bank Ltd 6 Shenton Way DBS Building Tower One Singapore 068809 UBS AG, acting through its business group UBS Investment Bank 5 Temasek Boulevard #18-00 Suntec Tower Five Singapore 038985
Unit Registrar and Unit Transfer Office	:	Lim Associates (Pte) Ltd 3 Church Street #08-01 Samsung Hub Singapore 049483
Legal Adviser for the Acquisition, the Equity Fund Raising, and to the Manager	:	Allen & Gledhill LLP One Marina Boulevard #28-00 Singapore 018989
Legal Adviser to the Joint Financial Advisers, Underwriters and Bookrunners for the Equity Fund Raising	:	Stamford Law Corporation 9 Raffles Place #32-00 Republic Plaza Singapore 048619 Mallesons Stephen Jaques 37th Floor, Two International Finance Centre 8 Finance Street Central, Hong Kong
Legal Adviser to the Trustee	:	Shook Lin & Bok LLP 1 Robinson Road #18-00 AIA Tower Singapore 048542

Independent Financial Adviser to the Independent Directors of the Manager	:	KPMG Corporate Finance Pte Ltd 16 Raffles Quay #22-00 Hong Leong Building Singapore 048581
Independent Accountants	:	Ernst & Young One Raffles Quay North Tower, Level 18 Singapore 048583
Tax Adviser for the Transaction and to the Manager	:	KPMG Tax Services Pte Ltd 16 Raffles Quay #22-00 Hong Leong Building Singapore 048581
Independent Valuers	:	CB Richard Ellis (Pte) Ltd 6 Battery Road #32-01 Singapore 049909 Knight Frank Pte Ltd 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

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SUMMARY

The following summary is qualified in its entirety by, and should be read in conjunction with, the full text of this Circular. Meanings of defined terms may be found in the Glossary on pages 53 to 60 of this Circular.

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

SUMMARY OF APPROVALS SOUGHT

The Manager seeks approvals from the unitholders of K-REIT Asia (the "**Unitholders**") for the resolutions stated below:

(1) The Proposed Acquisition of a One-third Interest in One Raffles Quay (Ordinary Resolution)

The proposed acquisition by K-REIT Asia of a one-third interest in One Raffles Quay (the "**Property**") through the acquisition of one-third of the issued share capital of One Raffles Quay Pte Ltd ("**ORQPL**") from Boulevard Development Pte Ltd ("**Boulevard**") and the assignment to K-REIT Asia of Boulevard's rights, title and interest in the shareholder's loan to ORQPL together with all accrued but unpaid interest (if any), for the Aggregate Consideration (as defined herein) (the "**Acquisition**").

(2) The Proposed Issue of New Units under the Equity Fund Raising (Extraordinary Resolution)

The proposed issue of such number of new Units for offer and placement (the "**Equity Fund Raising**" and the new Units, "**New Units**") to raise total gross proceeds of up to S$966.5 million less the aggregate principal amount to be raised by way of an issue of Convertible Bonds, in order to part-finance the Acquisition and the costs associated with the Equity Fund Raising and the Issue of Convertible Bonds, the balance thereof (if any) to be utilised for K-REIT Asia's working capital purposes.

(3) The Proposed Issue of Convertible Bonds (Extraordinary Resolution)

The proposed issue of convertible bonds (the "**Convertible Bonds**"), which are interest-bearing and convertible into new Units (the "**Conversion Units**"), to raise an aggregate principal amount of up to S$400 million (the "**Issue of Convertible Bonds**") to part-finance, *inter alia*, the Acquisition.

(4) The Proposed Placement of New Units under the Equity Fund Raising to Keppel Land Limited ("Keppel Land") and/or its Subsidiaries (the "Keppel Land Group") (Ordinary Resolution)

The proposed placement of such number of New Units to Keppel Land Group, which would be required for Keppel Land Group to maintain its proportionate unitholding, in percentage terms, of the total number of Units in issue immediately prior to the Equity Fund Raising (the "**Keppel Land Placement**").

(5) The Proposed General Mandate for the Issue of New Units and Convertible Securities (Ordinary Resolution)

The proposed general mandate to be given to the Manager for the issue of additional new Units and/or convertible securities (the "**Convertible Securities**") in the financial year ending 31 December 2007 without the prior specific approval of Unitholders in a general meeting, provided that such number of new Units and/or Convertible Securities does not exceed 50 per cent of the Units in issue immediately upon the completion of the Equity Fund Raising, taking into account the New Units issued under the Equity Fund Raising, of which the aggregate number of additional new Units and Convertible Securities issued other than on a pro rata basis to existing Unitholders shall not be more than 20 per cent of the Units in issue immediately upon the completion of the Equity Fund Raising, taking into account the New Units issued under the Equity Fund Raising (the "**General Mandate**").

(6) The Proposed Supplement to the Trust Deed in Connection with the Payment of Fees to the Trustee and the Manager in Respect of Investments held through Special Purpose Vehicles (Extraordinary Resolution)

The proposed amendment to the trust deed constituting K-REIT Asia dated 28 November 2005 (as amended) (the "**Trust Deed**") for the purpose of facilitating the use of special purpose vehicles by K-REIT Asia to hold investments by (a) providing the Manager with the option to elect to receive its base fee, performance fee, acquisition fee and divestment fee under the Trust Deed from K-REIT Asia, the special purpose vehicle or a combination of both; and (b) the calculation of the Trustee's and the Manager's fees on the same basis as if the investments, or the pro-rated share of the investments in the case where the interest of K-REIT Asia in the special purpose vehicle is partial, had been held directly by the Trustee. The Manager believes that this will give it more flexibility in structuring acquisitions of properties (the "**Fees Supplement**").

OVERVIEW OF THE ACQUISITION

Description of One Raffles Quay

The Property is a prestigious landmark commercial development located in Singapore's central business district ("**CBD**") comprising a 50-storey office tower (the "**North Tower**") and a 29-storey office tower (the "**South Tower**"). The Property has a Net Lettable Area of approximately 1.3 million sq ft, placing it as one of the largest commercial buildings in Singapore. The Property counts blue-chip institutions such as ABN AMRO Asia Pacific Pte Ltd, Barclays PLC Singapore Branch, Credit Suisse, Deutsche Bank Aktiengesellschaft, Ernst & Young Services Pte Ltd and UBS AG as its anchor tenants.

Further details of the Property can be found in APPENDIX A of this Circular.

Key Steps Taken to Secure the Acquisition

ORQPL is the developer and current owner of the Property. As at the date of this Circular, the issued share capital of ORQPL is held in equal proportions (i.e. one-third each) by Freyland Pte Ltd ("**Freyland**"), Comina Investment Limited ("**Comina**") and Boulevard.

Boulevard is a wholly-owned subsidiary of Keppel Land Properties Pte Ltd (the "**Guarantor**"), which in turn is a wholly-owned subsidiary of Keppel Land. Freyland is a wholly-owned subsidiary of Hongkong Land International Holdings Limited ("**Hongkong Land International**") and Comina is an indirect wholly-owned subsidiary of Cheung Kong.

Hongkong Land International, CKH China Enterprises and the Guarantor are subsidiaries of Hongkong Land Limited ("**Hongkong Land**"), Cheung Kong (Holdings) Limited ("**Cheung Kong**") and Keppel Land respectively.

The rights and duties of Freyland, Comina and Boulevard as shareholders of ORQPL are governed by a shareholders' agreement dated 28 March 2001 made between Freyland, Comina, Boulevard, Hongkong Land International, CKH China Enterprises, the Guarantor and ORQPL (the "**Shareholders' Agreement**").

On 30 July 2007, K-REIT Asia has proposed to acquire a one-third interest in the Property from Boulevard by way of the Acquisition. To this end, RBC Dexia Trust Services Singapore Limited, in its capacity as the trustee of K-REIT Asia (the "**Trustee**"), has entered into a conditional share purchase agreement (the "**Share Purchase Agreement**") with Boulevard and the Guarantor for the acquisition of one-third of the issued share capital of ORQPL from Boulevard and the assignment to K-REIT Asia of Boulevard's rights, title and interest in the shareholder's loan to ORQPL together with all accrued but unpaid interest (if any), for the Aggregate Consideration. The agreed market value of the one-third interest in the Property, including the provision of guaranteed income support by Boulevard pursuant to a deed of income support (the "**Deed of Income Support**"), is S$941.5 million (the "**Agreed Value**"). The obligations of Boulevard to the Trustee under the Share Purchase Agreement are guaranteed by the Guarantor.

The Property has a limited operating history with its first tenancy having commenced only in August 2006. A significant portion of the Property's leases were negotiated and signed between 2004 and 2005, when the Singapore office occupancy and rental rates were recovering from a 10-year low in 2003. The market research review prepared by DTZ Debenham Tie Leung (SEA) Pte Ltd ("**DTZ**" and the market research report "**Independent Office Market Review**") estimates that the average monthly gross rent for prime office space in Raffles Place was at S$13.10 per sq ft as at 30 June 2007. Based on the valuation reports prepared by Knight Frank Pte Ltd ("**Knight Frank**") and CB Richard Ellis (Pte) Ltd ("**CBRE**"), and the Singapore Office Property Research Review (see APPENDIX D Valuation Certificates and APPENDIX F Independent Office Market Review), the average monthly gross rent for offices at the Property is below the average monthly gross rental for prime office space in Raffles Place. In order to align rental rates of the Property with that of the current market, the Trustee has entered into the Deed of Income Support with Boulevard and its parent company, the Guarantor.

Under the Deed of Income Support, Boulevard has undertaken to the Trustee to effect top-up payments to the Trustee amounting to one-third of the amount by which the ORQPL's property income, net of property expenses (the "**Net Property Income**"), falls short of the guaranteed income amount for each of the calendar quarters during the period commencing on 1 October 2007 and ending on 31 December 2011, subject to certain limits (the "**Income Support Top-up Payments**"). Boulevard's obligations under the Deed of Income Support are guaranteed by the Guarantor.

Under the terms of the Share Purchase Agreement, it is contemplated that upon Completion, the Trustee will enter into a restated shareholders' agreement (the "**Restated Shareholders' Agreement**") with the other shareholders of ORQPL and their parent entities relating to the governance of their relationship as shareholders of ORQPL and ORQPL's holding and management of the Property.

As contemplated under the terms of the Share Purchase Agreement, on 31 August 2007, all the shares held by ORQPL in the capital of Raffles Quay Asset Management Pte Ltd, the current property manager of the Property (the "**ORQ Property Manager**"), have been transferred to Hongkong Land (Singapore) Pte Ltd, Charm Aim International Limited and K-REIT Asia Property Management Pte Ltd (a wholly-owned subsidiary of Keppel Land) in equal proportions (the "**ORQ Property Manager Restructuring**").

On 30 July 2007, Suntec REIT announced that it will acquire a one-third interest in the Property through the acquisition of the entire issued share capital of Comina. Both acquisitions are not inter-dependent and therefore completion is not conditional on, or subject to completion of each other.

Further details of the Restated Shareholders' Agreement, the Share Purchase Agreement and the Deed of Income Support can be found in "Details Concerning the Acquisition and Joint Ownership of One Raffles Quay" in paragraph 3 of the Letter to Unitholders below.

Total Acquisition Cost

The aggregate consideration for the Acquisition (the "**Aggregate Consideration**"), which was negotiated on a willing-buyer and willing-seller basis, comprises the Share Consideration (as defined herein) and the Loan Consideration (as defined herein). For the purpose of illustration, based on the Agreed Value, and the audited financial statements of ORQPL for the financial year ended 31 December 2006, the Aggregate Consideration is estimated to be S$885.2 million as at that date. The actual amount of the Aggregate Consideration is subject to adjustments to reflect the actual Share Consideration and Loan Consideration at Completion, as described in the paragraphs below.

The consideration for the purchase of one-third of the total issued share capital of ORQPL (the "**Sale Shares**", and the consideration, "**Share Consideration**") shall be equal to one-third of the adjusted net tangible asset value of ORQPL (the "**Adjusted NTA Value**") as at the date of Completion (the "**Completion Date**"), and the Adjusted NTA Value shall be computed on the basis that the Adjusted NTA Value refers to three times the Agreed Value plus the net book value of the fixed and current assets minus the net book value of the long-term and current liabilities of the Company as at the Completion Date, subject to certain exclusions (as specified in the Share Purchase Agreement).

The consideration for the assignment and transfer of the Vendor's Loan (as defined herein, and the consideration, "**Loan Consideration**") shall be equal to the principal amount of the shareholder's loan made by Boulevard to ORQPL together with all accrued but unpaid interest (if any) thereon (the "**Vendor's Loan**"), as at the Completion Date.

The Manager and the Trustee have each commissioned an independent property valuer, being Knight Frank and CBRE respectively (the "**Independent Valuers**"), to value the Property. Knight Frank has stated that the open market value of the one-third interest in the Property, including the provision of guaranteed income support by Boulevard, as at 2 July 2007 was S$941.0 million, and CBRE has reported that the open market value of the Property, including the provision of guaranteed income support by Boulevard, as at 2 July 2007 was S$941.5 million (see the Valuation Certificates in APPENDIX D of this Circular for further details).

The total cost of the Acquisition ("**Total Acquisition Cost**") is currently estimated to be approximately S$954.9 million[1], comprising:

- the Aggregate Consideration as described above;
- the estimated fees and expenses of approximately S$11.5 million incurred or to be incurred by K-REIT Asia in connection with the Acquisition comprising (i) an acquisition fee payable to the Manager for the Acquisition of approximately S$9.4 million, and (ii) professional fees and other related expenses of approximately S$2.1 million; and
- stamp duty.

The Total Acquisition Cost will be satisfied by the net proceeds from (i) the issue of New Units under the Equity Fund Raising, (ii) the Issue of Convertible Bonds, and (iii) an issuance of new Units to satisfy the acquisition fee payable to the Manager. For the avoidance of doubt, the Total Acquisition Cost does not include the costs associated with the Equity Fund Raising and the Issue of Convertible Bonds.

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1 Subject to adjustments to the Aggregate Consideration as at Completion Date.

Interested Person Transaction and Interested Party Transaction

As at the Latest Practicable Date, Keppel Land holds an aggregate indirect interest[2] in 99,041,381 Units, comprising approximately 40.8 per cent of the total number of Units in issue, and is therefore regarded as a "controlling Unitholder" under both the Listing Manual of the SGX-ST (the "**Listing Manual**") and the Property Funds Guidelines (the "**Property Funds Guidelines**") in the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore. Keppel Corporation is also regarded as a "controlling Unitholder" under both the Listing Manual and the Property Funds Guidelines, as through Keppel Real Estate Investment Pte Ltd and Keppel Land, Keppel Corporation has a deemed interest in 174,980,927 Units, which comprises approximately 72.1 per cent of the total number of Units in issue. Temasek Holdings (Pte) Ltd ("**Temasek**") holds approximately 21.4 per cent of the voting shares in the issued share capital of Keppel Corporation, and is deemed to be interested in approximately 0.6 per cent of the share capital of Keppel Corporation, in which Temasek's subsidiaries and associated companies have an aggregate interest. Temasek is therefore also regarded as a "controlling Unitholder" under both the Listing Manual and the Property Funds Guidelines, as Temasek (including through its interests in Keppel Corporation) has a deemed interest in 174,984,927 Units, which comprises approximately 72.1 per cent of the total number of Units in issue.

Furthermore, as Keppel Land has an indirect interest of 100 per cent in Boulevard, Boulevard is regarded as both an associate and a subsidiary of a controlling Unitholder. For the purposes of Chapter 9 of the Listing Manual, Boulevard (being an associate of a controlling Unitholder) is an "interested person" of K-REIT Asia. For the purposes of the guidelines relating to interested party transactions under the Property Funds Guidelines, Boulevard (being a subsidiary of a controlling Unitholder) is an "interested party" of K-REIT Asia (interested person and interested party, collectively the "**Related Party**").

As such, the Acquisition will constitute an "interested person transaction" under Chapter 9 of the Listing Manual as well as an "interested party transaction" under the Property Funds Guidelines, in respect of which the approval of Unitholders is required (see "Interested Person Transaction and Interested Party Transaction" in paragraph 4.3.2 of the Letter to Unitholders for further details).

A placement of New Units to Keppel Land Group would also constitute an interested person transaction under Chapter 9 of the Listing Manual. As such, if the New Units are placed to Keppel Land Group in such number as to enable Keppel Land Group to maintain its proportionate unitholding, in percentage terms, of the total number of Units in issue immediately prior to the Equity Fund Raising, the value of the New Units placed to Keppel Land Group will exceed 5.0 per cent of the value of K-REIT Asia's latest audited net asset value **("NAV")**. In such circumstances, Rule 906 of the Listing Manual also requires Unitholders' approval for the placement of New Units to Keppel Land Group.

Very Substantial Acquisition

The Acquisition also constitutes a "very substantial acquisition" by K-REIT Asia under Chapter 10 of the Listing Manual. The Manager has obtained a waiver from the SGX-ST regarding Rule 1015 relating to very substantial acquisitions. The waiver is subject to Unitholders' approval for the Acquisition.

(See "Very Substantial Acquisition" in paragraph 4.3.1 of the Letter to Unitholders for further details).

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[2] Keppel Land holds an indirect interest in K-REIT Asia through K-REIT Asia Investment Pte Ltd (96,850,528 Units) and K-REIT Asia Management Limited (2,190,853 Units), both of which are subsidiaries of Keppel Land.

RATIONALE FOR THE ACQUISITION

K-REIT Asia's principal investment strategy is to achieve stable income and long-term growth in NAV for Unitholders, underpinned by its acquisition growth strategy of acquiring commercial properties that meet its stringent investment criteria.

The Manager believes that the Acquisition will bring the following key benefits to Unitholders:

(i) Consistent with investment and growth strategy

The Acquisition fits the Manager's principal investment strategy of achieving stable income and long-term growth in NAV for Unitholders by investing in quality commercial real estate in Singapore and in Asia. The Acquisition will more than double K-REIT Asia's office portfolio and allow K-REIT Asia to further capitalise on the strengthening Singapore office sector. With the inclusion of the ORQ Interest, K-REIT Asia's portfolio will increase from approximately S$815 million[3] to approximately S$1.76 billion.

(ii) Yield accretion

The Manager believes that Unitholders will enjoy a higher distribution per Unit ("**DPU**") due to the yield accretive nature of the Acquisition together with the Equity Fund Raising and the Issue of Convertible Bonds (collectively, the "**Transaction**"). The expected increase in DPU will result from, amongst others, the strong and stable cashflows that the Property generates and the income support provided by Boulevard.

Based on an illustrative issue price of S$2.60 per New Unit and an illustrative aggregate principal amount of S$250 million for the Issue of Convertible Bonds at an assumed annual coupon rate of 1.75 per cent, together with the assumptions set out in paragraph 6 of the Letter to Unitholders, the Enlarged Portfolio (as defined herein) will provide:

- a total annualised DPU accretion of 0.63 cents (an increase of approximately 7.4 per cent) for the period commencing from 1 October 2007 to 31 December 2007 (the "**Forecast Period**"), thereby increasing DPU for the Forecast Period from 8.53 cents to 9.16 cents; and
- a total DPU accretion of 0.44 cents (an increase of approximately 4.9 per cent) for the financial year ending 31 December 2008 (the "**Projection Year**"), thereby increasing DPU for the Projection Year from 8.94 cents to 9.38 cents.

Assuming that the aggregate principal amount of S$250 million Convertible Bonds is fully converted on 1 October 2007 at an illustrative conversion price of S$3.38[4] for each Conversion Unit, the Enlarged Portfolio will provide a total fully-diluted DPU of 8.62 cents (annualised) and 8.82 cents for the Forecast Period and the Projection Year respectively.

(iii) Acquisition of a landmark commercial property

The Property is the newest premier commercial development in Singapore. It is conveniently accessible through the Ayer Rajah Expressway and East Coast Parkway as well as through a direct link to Raffles Place MRT interchange station. The Property's central location in the heart of Singapore's CBD makes it a prestigious office address in Singapore.

[3] Valuation of the Existing Properties as at 31 July 2007.

[4] Which represents a 30 per cent premium to an illustrative price of S$2.60.

(iv) Stronger position in a strengthening Singapore office sector

Singapore's real gross domestic product ("**GDP**") grew a strong 7.9 per cent in 2006 and is forecast to grow between 7.0 per cent and 8.0 per cent in 2007[5]. Prime office rents in Raffles Place escalated by an unprecedented 52.0 per cent in 2006 and another 54.0 per cent in the first half of 2007. The average monthly gross rental in Raffles Place as at the end of the first half of 2007 was S$13.10 per sq ft, surpassing the decade's peak in 1997 by 38.0 per cent. Strong performance of the office market is expected to continue in the next few years, with strong demand backed by Singapore's highly-regarded infrastructure, pro-business government initiatives and efficient workforce.

(v) Blue-chip tenants with long-term leases

More than three quarters of the Property is anchored by global, blue-chip financial institutions which include ABN AMRO Asia Pacific Pte Ltd, Barclays PLC Singapore Branch, Credit Suisse, Deutsche Bank Aktiengesellschaft, Ernst & Young Services Pte Ltd and UBS AG. The key tenants' leases typically range from 9 to 13 years, with rental reviews every 3 to 5 years from commencement of the leases. The rental reviews will be based on market rentals.

(vi) High growth potential from future rental reversions

With the Singapore office rental poised to rise further and with 7.3 per cent, 21.3 per cent, and 26.4 per cent of the Net Lettable Area up for renewal and rental review in 2009, 2010, and 2011 respectively, the Manager believes the Property is a quality building which is well-placed to benefit from a sustained rise in Singapore office rentals.

(vii) Greater trading liquidity and flexibility

The issue of the New Units is expected to increase the free float of Units on the SGX-ST, providing investors with greater trading liquidity and flexibility.

(viii) Economies of scale in asset and property management

K-REIT Asia is one of the largest commercial property managers and owners in Singapore. The Acquisition will further increase the commercial space owned and managed by K-REIT Asia, allowing it to achieve economies of scale, more efficient allocation of resources including staff and personnel, and greater leverage over its service providers.

(ix) Collaboration with Hongkong Land and Suntec REIT

The joint ownership of the Property with Hongkong Land and Suntec REIT[6] will allow the three established real estate managers to leverage on each other's expertise, experience and tenant network in managing the Property.

Each of these benefits is elaborated in paragraph 2.2 of the Letter to Unitholders below.

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5 Based on the latest forecast published by the Ministry of Trade and Industry on 10 August 2007.

6 Suntec REIT has announced on 30 July 2007 that it will acquire a one-third interest in the Property through the acquisition of the entire issued share capital of Comina.

METHOD OF FINANCING

The Manager proposes to use proceeds from the issue of New Units under the Equity Fund Raising and the Issue of Convertible Bonds to finance the following:

- the Total Acquisition Cost[7];
- the cost of Equity Fund Raising;
- the cost of Issue of Convertible Bonds; and

the balance thereof (if any) will be applied towards working capital of K-REIT Asia.

In addition to the Equity Fund Raising and the Issue of Convertible Bonds, the Manager may utilise other sources of funds to part finance the Acquisition.

The acquisition fee payable to the Manager under the Trust Deed will be satisfied separately through the issue of additional new Units to the Manager.

The proceeds from the Issue of the Convertible Bonds will be used to pay for the Loan Consideration in full or in part. In the event that the Convertible Bonds are not issued by Completion, the Manager intends to draw down an unsecured bridging loan.

The joint financial advisers, underwriters and bookrunners for the Equity Fund Raising are DBS Bank Ltd ("**DBS Bank**") and UBS AG acting through its business group, UBS Investment Bank ("**UBS**", and together with DBS Bank, the "**Joint Financial Advisers, Underwriters and Bookrunners**").

The arranger(s) for the Issue of the Convertible Bonds has not been appointed as at the Latest Practicable Date.

(See "Method of Financing" in paragraph 5, "Details of the Proposed Issue of New Units under the Equity Fund Raising" in paragraph 7 and "The Proposed Issue of Convertible Bonds" in paragraph 8 of the Letter to Unitholders for further details.)

Advanced Distribution

K-REIT Asia's policy is to distribute its Taxable Income (as defined herein) on a semi-annual basis to Unitholders. However, in conjunction with the issue of New Units, the Manager intends to declare, in lieu of the scheduled distribution, in respect of the existing Units, a distribution of the Taxable Income for the period from 1 July 2007 to and including the day immediately prior to the date on which the New Units are issued (the "**Advanced Distribution**"). The next distribution following the Advanced Distribution will comprise the Distributable Income (as defined herein and in accordance with the new distribution policy set out in paragraph 7.10 of the Letter to Unitholders) for the period from the day that the New Units are issued to 31 December 2007. Semi-annual distributions will resume thereafter.

The Advanced Distribution is intended to ensure that the Taxable Income derived from investments acquired before the New Units are issued is only distributed in respect of the existing Units, and is being proposed as a means to ensure fairness to holders of the existing Units. Under the Advanced Distribution, the Taxable Income up to and including the day immediately preceding the date of issue of the New Units (which, at that point, will be entirely attributable to the existing Units) will only be distributed in respect of the existing Units.

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

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[7] Excluding the acquisition fee payable to the Manager in connection with the Acquisition under the Trust Deed of approximately S$9.4 million, which will be satisfied by an issuance of new Units.

(See “Advanced Distribution” and “Status of the New Units” in paragraphs 7.8 and 7.9 of the Letter to Unitholders below for further details.)

THE KEPPEL LAND PLACEMENT

The Manager proposes to place New Units to Keppel Land Group.

As Keppel Land Group has an interest of more than 30.0 per cent in K-REIT Asia, it is regarded as both a substantial Unitholder and a controlling Unitholder (as defined in the Companies Act (Chapter 50) of Singapore and Listing Manual respectively) of K-REIT Asia. As such, the Keppel Land Placement would also constitute an interested person transaction, and specific approval of the Unitholders is required for such a placement under Rule 812(2) and Rule 906 of the Listing Manual. Temasek, Keppel Corporation, Keppel Land, their subsidiaries and associates are prohibited from voting on the resolution to approve the Keppel Land Placement.

To demonstrate its commitment to K-REIT Asia and to align its interests with the other Unitholders, Keppel Land Group will subscribe for such number of New Units so as to maintain its proportionate unitholding, in percentage terms, of the total number of Units in issue immediately prior to the Equity Fund Raising. The Manager believes that maintaining the proportionate unitholding of the Keppel Land Group will provide a degree of stability to K-REIT Asia as an investment vehicle. The Manager further believes that the Keppel Land Placement would also provide a greater degree of certainty of success in K-REIT Asia’s fund raising exercise and thus further promote investor confidence in K-REIT Asia. The Keppel Land Placement is a condition precedent to the Acquisition in the Share Purchase Agreement. For the avoidance of doubt, Keppel Land will not be subscribing for the Convertible Bonds.

(See “The Keppel Land Placement” in paragraph 9 of the Letter to Unitholders for further details.)

THE GENERAL MANDATE

The Manager proposes to seek the approval of Unitholders for a General Mandate under Rule 887 of the Listing Manual to issue additional new Units and/or Convertible Securities in FY2007 without the prior specific approval of Unitholders in a general meeting, provided that such number of additional new Units and/or Convertible Securities does not exceed 50.0 per cent of the Units in issue immediately upon the completion of the Equity Fund Raising, taking into account the New Units issued under the Equity Fund Raising, of which the aggregate number of additional new Units and Convertible Securities issued other than on a pro rata basis to existing Unitholders shall not be more than 20.0 per cent of the Units in issue immediately upon the completion of the Equity Fund Raising, taking into account the New Units issued under the Equity Fund Raising.

(See “The General Mandate” in paragraph 10 of the Letter to Unitholders for further details.)

THE FEES SUPPLEMENT

The Manager proposes to supplement the Trust Deed for the purpose of facilitating the use of special purpose vehicles by K-REIT Asia to hold investments by (a) providing the Manager with the option to elect to receive its base fee, performance fee, acquisition fee and divestment fee under the Trust Deed from K-REIT Asia, the special purpose vehicle or a combination of both; and (b) the calculation of the Trustee and the Manager’s fees on the same basis as if the investments, or the pro-rated share of the investments in the case where the interest of K-REIT Asia in the special purpose vehicle is partial, had been held directly by the Trustee. The Manager believes that this will give it more flexibility in structuring acquisitions of properties.

(See “The Fees Supplement” in paragraph 11 of the Letter to Unitholders and APPENDIX H for further details.)

INDICATIVE TIMETABLE

Event		Date and Time
Last date and time for lodgement of Proxy Forms	:	9 October 2007 at 2.30 p.m.
Date and time of the Extraordinary General Meeting (the "**EGM**")	:	11 October 2007 at 2.30 p.m.

If the approvals sought at the EGM are obtained:

Commencement of the Equity Fund Raising	:	To be determined (but is currently expected to be no later than 31 December 2007)
Issue of New Units and listing of the New Units on the SGX-ST	:	To be determined (but is currently expected to be no later than 31 December 2007)
Completion of the Acquisition	:	To be determined (but is currently expected to be no later than 31 December 2007)

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

K-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 Independent Director) Mr. Kevin Wong Kingcheung (Deputy Chairman and Non-Executive Director) Mr. Tan Swee Yiow (Chief Executive Officer and Director) Mrs. Lee Ai Ming (Independent Director) Mr. Lim Poh Chuan (Independent Director) Dr. Chin Wei-Li, Audrey Marie (Independent Director)	1 HarbourFront Avenue #18-01 Keppel Bay Tower Singapore 098632

22 September 2007

To: Unitholders of K-REIT Asia

Dear Sir/Madam

1. SUMMARY OF APPROVALS SOUGHT

The Manager is convening an EGM to be held on 11 October 2007 to seek the approval of Unitholders in respect of the resolutions relating to the Acquisition (Resolution 1), the issue of New Units under the Equity Fund Raising (Resolution 2), the Issue of Convertible Bonds (Resolution 3), the Keppel Land Placement (Resolution 4), the General Mandate (Resolution 5), and the Fees Supplement (Resolution 6). Approval by way of an Extraordinary Resolution (as defined herein) is required in respect of the resolutions relating to the issue of New Units under the Equity Fund Raising, the Issue of Convertible Bonds and the Fees Supplement (Resolutions 2, 3 and 6) while approval by way of an Ordinary Resolution (as defined herein) is required for each of the other resolutions.

The following paragraphs summarise the approvals which the Manager is seeking from Unitholders.

Unitholders should note that each of the resolutions relating to the Acquisition (Resolution 1), the issue of New Units under the Equity Fund Raising (Resolution 2), the Issue of Convertible Bonds (Resolution 3) and the Keppel Land Placement (Resolution 4) is subject to and contingent upon the passing of each other.

The resolutions relating to the General Mandate (Resolution 5) and the Fees Supplement (Resolution 6) are not subject to, or contingent upon the passing of any other resolution.

1.1 Resolution 1: The Proposed Acquisition of a One-third Interest in One Raffles Quay (Ordinary Resolution)

The Manager proposes that K-REIT Asia acquires a one-third interest in the Property (the "**ORQ Interest**") through the acquisition of one-third of the issued share capital of ORQPL from Boulevard and the assignment to K-REIT Asia of Boulevard's rights, title and interest in the shareholder's loan to ORQPL together with all accrued but unpaid interest (if any), for the Aggregate Consideration.

Keppel Land is regarded as a "controlling Unitholder" under both the Listing Manual and the Property Funds Guidelines by virtue of the 99,041,381 Units, which is equivalent to approximately 40.8 per cent of the total number of Units in issue as at the Latest Practicable Date, that it holds directly and indirectly as at the Latest Practicable Date. Keppel Corporation is also regarded as a "controlling Unitholder" under both the Listing Manual and the Property Funds Guidelines, as through Keppel Real Estate Investment Pte Ltd and Keppel Land, Keppel Corporation has a deemed interest in 174,980,927 Units, which comprises approximately

72.1 per cent of the total number of Units in issue. As at the Latest Practicable Date, Temasek holds approximately 21.3 per cent of the voting shares in the issued share capital of Keppel Corporation, and is deemed to be interested in approximately 0.7 per cent of the share capital of Keppel Corporation, in which Temasek's subsidiaries and associated companies have an aggregate interest. Temasek is therefore also regarded as a "controlling Unitholder" under both the Listing Manual and the Property Funds Guidelines, as Temasek (including through its interests in Keppel Corporation) has a deemed interest in 174,984,927 Units, which comprises approximately 72.1 per cent of the total number of Units in issue.

As each of Temasek, Keppel Corporation and Keppel Land have an indirect interest of 100 per cent in Boulevard, Boulevard is regarded as being both an associate and a subsidiary of a controlling Unitholder. For the purposes of Chapter 9 of the Listing Manual, Boulevard (being an associate of a controlling Unitholder) is an "interested person" of K-REIT Asia.

For the purposes of the guidelines relating to interested party transactions under the Property Funds Guidelines, Boulevard (being a subsidiary of a controlling Unitholder) is an "interested party" of K-REIT Asia.

Accordingly, the Acquisition will constitute an "interested person transaction" under Chapter 9 of the Listing Manual as well as an "interested party transaction" under the Property Funds Guidelines.

Chapter 9 of the Listing Manual requires, *inter alia*, approval of Unitholders for an "interested person transaction" if the value thereof exceeds 5.0 per cent of K-REIT Asia's latest audited NAV. Paragraph 5 of the Property Funds Guidelines imposes a similar requirement for an "interested party transaction" whose value exceeds 5.0 per cent of K-REIT Asia's latest audited NAV. The value of the Acquisition exceeds the aforementioned thresholds.

In compliance with the requirements of the Listing Manual and the Property Funds Guidelines, the Manager is therefore seeking Unitholders' approval for the Acquisition and all fees and expenses in relation thereto. **By approving the Acquisition, Unitholders will be deemed also to have approved the Restated Shareholders' Agreement (as set out in paragraph 3.6 below) and the Deed of Income Support (as set out in paragraph 3.5 below) together with the terms which are incidental or ancillary to such terms and the provision of asset management services by the ORQ Property Manager (as set out in paragraph 3.7 below).**

Pursuant to Chapter 10 of the Listing Manual, an entity listed on the SGX-ST is required to comply with certain announcement and other requirements (including obtaining the approval of Unitholders and/or the SGX-ST), when it acquires an asset and such acquisition exceeds certain values, calculated pursuant to the ratios prescribed in Rule 1006. Based on an assumed Aggregate Consideration of approximately S$941.5 million and K-REIT Asia's market capitalisation of S$679.5 million as at 27 July 2007[8], the ratio calculated pursuant to Rule 1006(c) exceeds 100 per cent and therefore, the proposed Acquisition amounts to a very substantial acquisition under Rule 1015 of the Listing Manual.

In response to an application by the Manager, the SGX-ST indicated that it had no objections to a waiver of K-REIT Asia's compliance with Rule 1015 of the Listing Manual, subject to an announcement being made to the Unitholders about such waiver and setting forth the rationale for the waiver application. On 30 July 2007, K-REIT Asia announced the execution of the Share Purchase Agreement and the various grounds for the waiver application, subject to the disclosure to Unitholders, of the information prescribed in Chapter 10 of the Listing Manual in respect of discloseable transactions as defined in Rule 1013. (See "Very Substantial Acquisition" in paragraph 4.3.1 for further details.)

[8] As announced by K-REIT Asia on 30 July 2007 in relation to the proposed Acquisition.

Unitholders should note that Completion of the Acquisition is dependent on the satisfaction of a number of conditions precedent, including, *inter alia*, the following:

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

Temasek, Keppel Corporation, Keppel Land, their subsidiaries and associates are prohibited from voting on the resolution relating to the Acquisition.

(See "The Acquisition and its Rationale", "Details Concerning the Acquisition and Joint Ownership of One Raffles Quay" and "Profit Forecast and Project Projection" in paragraphs 2, 3 and 6 for further details.)

1.2 Resolution 2: The Proposed Issue of New Units under the Equity Fund Raising (Extraordinary Resolution)

The Trust Deed, read with the Listing Manual, provides that specific prior approval of the Unitholders by Extraordinary Resolution is required for an issue of Units if the number of such 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) would, immediately after the issue, exceed 10.0 per cent of the outstanding Units.

It is expected that the number of New Units proposed to be issued pursuant to the Equity Fund Raising, together with the Conversion Units, will exceed 10.0 per cent of the number of Units in issue at the end of FY2006. Accordingly, the Manager is seeking the approval of the Unitholders by way of an Extraordinary Resolution to issue the New Units.

Approval in-principle has been obtained from the SGX-ST for the listing and quotation of the New Units on the Main Board of the SGX-ST. The SGX-ST's in-principle approval is not an indication of the merits of K-REIT Asia, the Equity Fund Raising, the Convertible Bonds, the New Units and/or the Acquisition.

(See "Details of the Proposed Issue of New Units under the Equity Fund Raising" in paragraph 7 below for further details.)

1.3 Resolution 3: The Proposed Issue of Convertible Bonds (Extraordinary Resolution)

Under Rule 824 of the Listing Manual, any issue of Convertible Securities that cannot be covered under a general mandate must be specifically approved by the Unitholders in a general meeting. Accordingly, the Manager is seeking the approval of the Unitholders by way of an Extraordinary Resolution to issue the Convertible Bonds and the Conversion Units upon conversion of the Convertible Bonds.

Approval in-principle has been obtained from the SGX-ST for the listing and quotation of the Convertible Bonds and the Conversion Units to be issued upon conversion of the Convertible Bonds. The SGX-ST's in-principle approval is not an indication of the merits of K-REIT Asia, the Equity Fund Raising, the Convertible Bonds, the New Units and/or the Acquisition.

Approval in-principle for the listing and quotation of the Convertible Bonds on the SGX-ST is conditional upon, *inter alia*, the Convertible Bonds being traded in a minimum board lot size of not less than S$200,000.

(See "The Proposed Issue of Convertible Bonds" in paragraph 8 below for further details.)

1.4 Resolution 4: The Proposed Placement of New Units under the Equity Fund Raising to Keppel Land Group (Ordinary Resolution)

The Manager is seeking Unitholders' approval for the placement of New Units under the private placement tranche of the Equity Fund Raising to Keppel Land Group.

To demonstrate its commitment to K-REIT Asia and to align its interests with the other Unitholders, Keppel Land Group will subscribe for such number of New Units so as to maintain its proportionate unitholding, in percentage terms, of the total number of Units in issue immediately prior to the Equity Fund Raising.

As Keppel Land is a substantial Unitholder, specific approval of the Unitholders is required for the Keppel Land Placement under Rule 812(2) of the Listing Manual.

A placement of New Units to Keppel Land and its subsidiaries would also constitute an interested person transaction under Chapter 9 of the Listing Manual. As such, if the New Units are placed to Keppel Land Group in such numbers as to maintain its proportionate unitholding, in percentage terms, of the total number of Units in issue immediately prior to the Equity Fund Raising, there is a possibility (depending on the actual issue price) that the value of the New Units placed to Keppel Land Group will exceed 5.0 per cent of the value of K-REIT Asia's latest audited NAV. In such circumstances, Rule 906 of the Listing Manual also requires Unitholders' approval for the placement of New Units to Keppel Land Group.

Accordingly, the Manager is seeking the approval of the Unitholders by way of an Ordinary Resolution for the proposed placement of New Units to Keppel Land Group.

Temasek, Keppel Corporation, Keppel Land, their subsidiaries and associates are prohibited from voting on the resolution relating to the Keppel Land Placement.

(See "The Keppel Land Placement" in paragraph 9 below for further details.)

1.5 Resolution 5: The Proposed General Mandate for the Issue of New Units and Convertible Securities (Ordinary Resolution)

The Manager is also seeking Unitholders' approval for the General Mandate to be given to the Manager for the issue of additional new Units and/or Convertible Securities in the financial year ending 31 December 2007 without the prior specific approval of Unitholders in a general meeting, provided that such number of additional new Units and Convertible Securities does not exceed 50.0 per cent of the Units in issue immediately upon the completion of the Equity Fund Raising, taking into account the New Units issued under the Equity Fund Raising, of which the aggregate number of additional new Units and Convertible Securities issued other than on a pro rata basis to existing Unitholders shall not be more than 20.0 per cent of the Units in issue immediately upon the completion of the Equity Fund Raising, taking into account the New Units issued under the Equity Fund Raising.

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

Where the terms of the issue of the Convertible Securities provide for adjustment to the number of warrants or other Convertible Securities in the event of rights, bonus or other capitalisation issues, K-REIT Asia may issue additional Convertible Securities notwithstanding that the General Mandate may have ceased to be in force at the time the Convertible Securities are issued, provided that the adjustment does not give the holder of such Convertible Securities a benefit that a Unitholder does not receive.

(See "The General Mandate" in paragraph 10 for further details.)

1.6 Resolution 6: The Proposed Supplement to the Trust Deed in Connection with the Payment of Fees to the Trustee and the Manager in Respect of Investments held through Special Purpose Vehicles (Extraordinary Resolution)

The Manager is seeking Unitholders' approval to amend the Trust Deed for the purpose of facilitating the use of special purpose vehicles by K-REIT Asia to hold investments by (a) providing the Manager with the option to elect to receive its base fee, performance fee, acquisition fee and divestment fee under the Trust Deed from K-REIT Asia, the special purpose vehicle or a combination of both; and (b) the calculation of the Trustee's and the Manager's fees on the same basis as if the investments, or the pro-rated share of the investments in the case where the interest of K-REIT Asia in the special purpose vehicle is partial, had been held directly by the Trustee. The Manager believes that this will give it more flexibility in structuring acquisitions of properties.

The Trust Deed provides that sanction of an Extraordinary Resolution is required for modification, alteration or addition to the Trust Deed. Accordingly, the Manager is seeking the approval of the Unitholders for the proposed Fees Supplement.

Given that the Fees Supplement directly affects the fees payable to the Manager, the Manager as well as Temasek, Keppel Corporation, Keppel Land, their subsidiaries and associates shall abstain from voting on the resolution relating to the Fees Supplement.

(See "The Fees Supplement" in paragraph 11 below for further details.)

2. THE ACQUISITION AND ITS RATIONALE

2.1 Description of One Raffles Quay

The Property is a prestigious landmark commercial development located in Singapore's CBD comprising the North Tower, South Tower, an air-conditioned underground retail link to the Raffles Place MRT interchange station, a podium featuring a water fountain and a sheltered drop-off point and a car park hub comprising 713 car parking lots. The Property has a Net Lettable Area of approximately 1.3 million sq ft, placing it as one of the largest commercial buildings in Singapore. The Property is held on a 99-year lease commencing from 13 June 2001.

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

More information about the Property can be found in APPENDIX A of this Circular.

2.2 Rationale for the Acquisition

The Manager believes that the Acquisition will bring the following key benefits to Unitholders:

2.2.1 Consistent with investment and growth strategy

The Acquisition fits the Manager's principal investment strategy of achieving stable income and long-term growth in NAV for Unitholders by investing in quality commercial real estate in Singapore and in Asia.

The Acquisition will more than double K-REIT Asia's office portfolio and allow K-REIT Asia to further capitalise on the strengthening Singapore office sector. With the inclusion of the ORQ Interest, K-REIT Asia's portfolio will increase from approximately S$815 million, as at 31 July 2007, to approximately S$1.76 billion.

2.2.2 The transaction is yield accretive for Unitholders

The Manager believes that Unitholders will enjoy a higher DPU due to the yield accretive nature of the Transaction. The expected increase in DPU will result from, amongst others, the strong cashflows that the Property generates and the income support provided by Boulevard.

Based on the Manager's forecast and projection (which is based on the assumptions set out in APPENDIX B of this Circular), with the currently estimated Total Acquisition Cost at approximately S$954.9 million and assuming that the Acquisition is completed on 30 September 2007 and one-third of the income from the Property accrues to K-REIT Asia through ORQPL from 1 October 2007, the Acquisition will generate a net property yield[9] of 4.0 per cent for the Forecast Period (annualised) and 4.8 per cent for the Projection Year, higher than the implied net property yield of approximately 3.3 per cent and 4.0 per cent based on the Net Property Income for the existing properties, comprising Prudential Tower Property, Keppel Towers and GE Tower, and Bugis

[9] Includes Income Support Top-up Payments received by K-REIT Asia from Boulevard. For further details, see paragraph 4.1.

Junction Towers (the "**Existing Properties**"), for the Forecast Period (annualised) and the Projection Year respectively and K-REIT Asia's enterprise value as at 30 June 2007.

To illustrate the yield accretive nature of the Transaction, the tables on the following two pages show the Manager's forecast and projected DPU in relation to:

(i) the Existing Properties;

(ii) the Existing Properties and the ORQ Interest (the "**Enlarged Portfolio**"); and

(iii) the Enlarged Portfolio, assuming that the Convertible Bonds issued are fully converted into Units in K-REIT Asia on the Issue Date,

for the Forecast Period (annualised) and the Projection Year (i) based on two illustrative aggregate principal amounts of S$250 million and S$400 million for the Convertible Bonds with an assumed annual coupon rate of 1.75 per cent and conversion premium of 30 per cent[10]; and (ii) assuming the Manager's management fees are paid in the form of Units for the Forecast Period and in cash for the Projection Year.

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[10] Assumed for illustrative purposes only. Coupon rate and conversion premium are subject to changes arising from market conditions and capital market demands at time of pricing.

Forecast and Projected DPU[1] (assuming that (i) an aggregate principal amount of S$250 million of Convertible Bonds are issued with an annual coupon rate of 1.75 per cent, thereby increasing K-REIT Asia's aggregate leverage to 24.6 per cent[2] after issuance of the Convertible Bonds and Equity Fund Raising; and (ii) payment of Manager's management fees is in the form of Units for the Forecast Period and in cash for the Projection Year)

Issue Price per Unit	Maximum number of New Units to be issued under the Equity Fund Raising[3] (in millions)		Forecast Period (1 October 2007 to 31 December 2007) Annualised[4]			Projection Year (Financial year ending 31 December 2008)[4]		
			Existing Properties	Enlarged Portfolio	Enlarged Portfolio (Fully-diluted basis)[5]	Existing Properties	Enlarged Portfolio	Enlarged Portfolio (Fully-diluted basis)[5]
S$2.40	298.5	DPU (cents)	8.53	8.77	8.22	8.94	8.98	8.41
		Change in DPU over Existing Properties		2.8%	-3.6%		0.4%	-5.9%
S$2.50	286.6	DPU (cents)	8.53	8.97	8.42	8.94	9.18	8.62
		Change in DPU over Existing Properties		5.2%	-1.3%		2.7%	-3.6%
S$2.60	275.6	DPU (cents)	8.53	9.16	8.62	8.94	9.38	8.82
		Change in DPU over Existing Properties		7.4%	1.1%		4.9%	-1.3%
S$2.70	265.4	DPU (cents)	8.53	9.34	8.82	8.94	9.57	9.02
		Change in DPU over Existing Properties		9.5%	3.4%		7.0%	0.9%
S$2.80	255.9	DPU (cents)	8.53	9.52	9.01	8.95	9.76	9.21
		Change in DPU over Existing Properties		11.6%	5.6%		9.1%	2.9%

Notes:

(1) For the computation of DPU, the total number of Units includes the existing Units, the New Units and the Units to be issued as payment for the acquisition fee payable to the Manager for the Acquisition and Manager's management fees.

(2) K-REIT Asia's aggregate leverage is increased from 22.7 per cent as at 31 July 2007 for the Existing Properties to 24.6 per cent for the Enlarged Portfolio (after taking into account the increase in aggregate valuation of the Existing Properties and value of ORQ Interest).

(3) The maximum number of New Units issued under the Equity Fund Raising is purely for illustrative purposes and will vary according to the issue price per New Unit.

(4) The forecast and projected DPU will vary to the extent that the New Units under the Equity Fund Raising are issued and the Convertible Bonds are converted on a date other than 1 October 2007.

(5) Assumes that the Convertible Bonds are fully converted on 1 October 2007 at a conversion premium of 30.0 per cent above the issue price of the Equity Fund Raising.

Forecast and Projected DPU[1] (assuming that (i) an aggregate principal amount of S$400 million of Convertible Bonds are issued with an annual coupon rate of 1.75 per cent, thereby increasing K-REIT Asia's aggregate leverage to 32.9[2] per cent after issuance of the Convertible Bonds and Equity Fund Raising; and (ii) payment of Manager's management fees is in the form of Units for the Forecast Period and in cash for the Projection Year)

Issue Price per Unit	Maximum number of New Units to be issued under the Equity Fund Raising[3] (in millions)		Forecast Period (1 October 2007 to 31 December 2007) Annualised[4]			Projection Year (Financial year ending 31 December 2008)[4]		
			Existing Properties	Enlarged Portfolio	Enlarged Portfolio (Fully-diluted basis)[5]	Existing Properties	Enlarged Portfolio	Enlarged Portfolio (Fully-diluted basis)[5]
S$2.40	236.0	DPU (cents)	8.53	9.44	8.40	8.94	9.69	8.60
		Change in DPU over Existing Properties		10.7%	-1.5%		8.4%	-3.8%
S$2.50	226.6	DPU (cents)	8.53	9.63	8.60	8.94	9.89	8.82
		Change in DPU over Existing Properties		12.9%	0.8%		10.6%	-1.3%
S$2.60	217.9	DPU (cents)	8.53	9.81	8.80	8.94	10.08	9.02
		Change in DPU over Existing Properties		15.0%	3.2%		12.8%	0.9%
S$2.70	209.8	DPU (cents)	8.53	9.99	9.00	8.94	10.26	9.22
		Change in DPU over Existing Properties		17.1%	5.5%		14.8%	3.1%
S$2.80	202.3	DPU (cents)	8.53	10.16	9.19	8.95	10.43	9.41
		Change in DPU over Existing Properties		19.1%	7.7%		16.5%	5.1%

Notes:

(1) For the computation of DPU, the total number of Units includes the existing Units, the New Units and the Units to be issued as payment for the acquisition fee payable to the Manager for the Acquisition and Manager's management fees.

(2) K-REIT Asia's aggregate leverage is increased from 22.7 per cent as at 31 July 2007 for the Existing Properties to 32.9 per cent for the Enlarged Portfolio (after taking into account the increase in aggregate valuation of the Existing Properties and value of ORQ Interest).

(3) The maximum number of New Units issued under the Equity Fund Raising is purely for illustrative purposes and will vary according to the issue price per New Unit.

(4) The forecast and projected DPU will vary to the extent that the New Units under the Equity Fund Raising are issued and the Convertible Bonds are converted on a date other than 1 October 2007.

(5) Assumes that the Convertible Bonds are fully converted on 1 October 2007 at a conversion premium of 30.0 per cent above the issue price of the Equity Fund Raising.

To provide an example for illustrative purposes only:

At an issue price of S$2.60 per New Unit and an aggregate principal amount of S$250 million for the Issue of Convertible Bonds, the Enlarged Portfolio will provide:

(i) a total annualised DPU accretion of 0.63 cents (an increase of approximately 7.4 per cent) for the Forecast Period, thereby increasing DPU for the Forecast Period from 8.53 cents to 9.16 cents, and

(ii) a total DPU accretion of 0.44 cents (an increase of approximately 4.9 per cent) for the Projection Year, thereby increasing DPU for the Projection Year from 8.94 cents to 9.38 cents.

Assuming that the aggregate principal amount of S$250 million Convertible Bonds is fully converted on 1 October 2007 at an illustrative conversion price of S$3.38 for each Conversion Unit, the Enlarged Portfolio will provide a total fully-diluted DPU of 8.62 cents (annualised) and 8.82 cents for the Forecast Period and the Projection Year respectively.

At an issue price of S$2.60 per New Unit, the forecast and projected distribution yields in respect of the Enlarged Portfolio is approximately 3.5 per cent for the Forecast Period (annualised) and 3.6 per cent for the Projection Year. Assuming that the Convertible Bonds of the aggregate principal amount S$250 million are fully converted on 1 October 2007 at an illustrative conversion price of S$3.38 for each Conversion Unit, the forecast and projected distribution yields in respect of the Enlarged Portfolio is approximately 3.3 per cent for the Forecast Period (annualised) and 3.4 per cent for the Projection Year. In comparison, assuming the same issue price, the forecast and projected distribution yields in respect of the Existing Properties is approximately 3.3 per cent and 3.4 per cent respectively.

Forecast and Projected Distribution Yield (assuming an aggregate principal amount of S$250 million for the Issue of Convertible Bonds)

Issue Price per Unit	Maximum number of New Units to be issued under the Equity Fund Raising (in million)	Forecast Period (1 October 2007 to 31 December 2007) Annualised			Projection Year (Financial year ending 31 December 2008)		
		Existing Properties	Enlarged Portfolio	Enlarged Portfolio (Fully-diluted basis)	Existing Properties	Enlarged Portfolio	Enlarged Portfolio (Fully-diluted basis)
S$2.40	298.5	3.55%	3.65%	3.43%	3.73%	3.74%	3.50%
S$2.50	286.6	3.41%	3.59%	3.37%	3.58%	3.67%	3.45%
S$2.60	275.6	3.28%	3.52%	3.32%	3.44%	3.61%	3.39%
S$2.70	265.4	3.16%	3.46%	3.27%	3.31%	3.54%	3.34%
S$2.80	255.9	3.05%	3.40%	3.22%	3.20%	3.49%	3.29%

Forecast and Projected Distribution Yield (assuming an aggregate principal amount of S$400 million for the Issue of Convertible Bonds)

Issue Price per Unit	Maximum number of New Units to be issued under the Equity Fund Raising (in million)	Forecast Period (1 October 2007 to 31 December 2007) Annualised			Projection Year (Financial year ending 31 December 2008)		
		Existing Properties	Enlarged Portfolio	Enlarged Portfolio (Fully-diluted basis)	Existing Properties	Enlarged Portfolio	Enlarged Portfolio (Fully-diluted basis)
S$2.40	236.0	3.55%	3.93%	3.50%	3.73%	4.04%	3.58%
S$2.50	226.6	3.41%	3.85%	3.44%	3.58%	3.96%	3.53%
S$2.60	217.9	3.28%	3.77%	3.38%	3.44%	3.88%	3.47%
S$2.70	209.8	3.16%	3.70%	3.33%	3.31%	3.80%	3.41%
S$2.80	202.3	3.05%	3.63%	3.28%	3.20%	3.73%	3.36%

2.2.3 Acquisition of a landmark commercial property

The Property is the newest premier commercial development in Singapore. It is conveniently accessible through the Ayer Rajah Expressway and East Coast Parkway as well as through a direct link to Raffles Place MRT interchange station. The Property's central location in the heart of Singapore's CBD makes it a prestigious office address in Singapore.

The 360 hectare Marina Bay is the centrepiece of Singapore's redevelopment, with a unique integration of commercial, residential and entertainment themes all set within a distinctive, vibrant garden-city on the bay. The existing CBD centralised in Raffles Place will be extended seamlessly into the New Downtown at Marina Bay.

The Property's strategic location within Marina Bay provides it with a panoramic view of the development which will include the Marina Bay Sands Integrated Resort, which will have a casino, approximately 1 million sq ft of meeting and convention facilities, three 50-storey hotel towers with about 2,500 rooms, two theatres with 2,000 seats each, an Art and Science Museum and Marina Bay shops offering close to 1 million sq ft of retail facilities and dining venues such as floating pavilions. Office and residential developments within Marina Bay include the Marina Bay Financial Centre ("**MBFC**"), The Sail @ Marina Bay and Marina Bay Residences. Other exciting attractions to be located around the Marina Bay include The Singapore Flyer (one of the tallest observation wheels in the world), 101 hectares of prime land for the development of three distinctive and unique world class gardens by Marina Bay, a 3.5 km long Waterfront Promenade, a new iconic pedestrian bridge featuring the world's first double helix design construction and the Marina Barrage.

The Marina Bay area will also be enlivened by global entertainment events such as a Formula One race to be held in September 2008, as well as the Singapore Fireworks Festival, Annual River Hongbao Festival and the New Year's Eve Countdown. With the completion of the Marina Barrage, the Marina Bay area will be able to hold more water-sports events, water-based activities and performances.

The Manager believes that the Acquisition provides K-REIT Asia with a unique opportunity to gain exposure to the prime Marina Bay development and benefit from growth of the area.

2.2.4 Stronger position in a strengthening Singapore office sector

The recovery and rebranding of Singapore's economy has achieved considerable success to date. Singapore's real GDP grew a strong 7.9 per cent in 2006 and is forecast to grow between 7.0 per cent and 8.0 per cent in 2007[11]. The Financial and Business Services sectors, key drivers of demand for office space, are the second highest contributors to total GDP at a combined 22.0 per cent for 2006. The Financial Services sector and the Business Services sector grew by 12.9 per cent and 6.6 per cent respectively in the first quarter of 2007.

Singapore continues to attract financial institutions such as banks, insurance companies and fund managers to establish and expand their operations here. Between end-March 2006 and end-May 2007, three commercial banks, 20 insurers and eight fund managers established new operations in Singapore. Financial institutions, with existing operations in Singapore have been increasing their respective headcount in Singapore. In particular, the past year has seen a surge of private wealth management activities and global support centres being headquartered in Singapore.

Potential supply of office space in 2007, 2008 and 2009 is limited to an estimated gross floor area ("**GFA**") of 604,720 sq ft, 837,430 sq ft and 957,350 sq ft respectively. Assuming a 80 per cent efficiency, this translates to an average of 639,870 sq ft annually, significantly below the past ten year's annual average of 1.29 million sq ft. In addition, approximately 799,350 sq ft of office space is due for termination in 2007 for redevelopment or major retrofitting.

Prime office rents in Raffles Place escalated by an unprecedented 52.0 per cent in 2006 and another 54.0 per cent in the first half of 2007. The average monthly gross rent in Raffles Place as at the end of first half of 2007 was S$13.10 per sq ft, surpassing the decade's peak in 1997 by 38.0 per cent. Strong performance of the office market is expected to continue in the next few years, with strong demand backed by Singapore's highly regarded infrastructure, pro-business government initiatives and efficient workforce. The completion of Phase 1 of MBFC scheduled for 2010 will release a GFA of 1,937,500 sq ft of office space. However, Phase 1 of the MBFC has commenced pre-leasing and approximately 40.0 per cent of the space has been committed to Standard Chartered Bank, reflecting strong forward-demand for limited prime office space. Growth in rentals for premier office buildings in the Marina Bay/Raffles Place area is forecast to grow by 17.0 per cent, 11.0 per cent and 5.0 per cent for the years from 2008 to 2010 respectively. (For further details, see the Independent Office Market Review in APPENDIX F).

2.2.5 Blue-chip tenants with long-term leases

More than three quarters of the Property is anchored by global, blue-chip financial institutions which include ABN AMRO Asia Pacific Pte Ltd, Barclays PLC Singapore Branch, Credit Suisse, Deutsche Bank Aktiengesellschaft, Ernst & Young Services Pte Ltd and UBS AG. These tenants have established significant operations in Singapore and continue to invest in expanding their presence in Singapore and the region.

The leases of the Property's key tenants typically range from 9 to 13 years, with rental reviews every 3 to 5 years from commencement of the leases. The rental reviews will be based on market rentals.

The blue-chip tenant base of the Property and their long term lease commitments affirm the quality and prestige of the Property and provide a stable quality tenant base to the Property.

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[11] Based on latest forecast published by the Ministry of Trade and Industry on 10 August 2007.

2.2.6 High growth potential from future rental reversions

A significant portion of the Property's leases were negotiated and signed between 2004 and 2005, when the Singapore office market was undergoing a cyclical downturn with occupancy and rental rates recovering from a 10-year low.

With the Singapore office rental poised to rise further and with 7.3 per cent, 21.3 per cent, and 26.4 per cent of the Net Lettable Area of the Property up for renewal and rental review in 2009, 2010, and 2011 respectively, the Manager believes the Property is a quality building which is well placed to benefit from a sustained rise in Singapore office rentals.

The Manager believes that the gross rental income from the Property should rise during the period for which the income support is valid. Furthermore, the Manager believes that the cashflows from the ORQ Interest will not be adversely affected upon termination of the income support.

2.2.7 Greater trading liquidity and flexibility

The issue of the New Units is expected to increase the free float of Units on the SGX-ST, providing investors with greater trading liquidity and flexibility. Further, the enlarged asset base resulting from the Acquisition is expected to increase gearing capacity which can be used to finance or part-finance future acquisitions.

2.2.8 Economies of scale in asset and property management

With its Existing Properties comprising 786,604 sq ft of prime office space, K-REIT Asia is one the largest commercial property managers and owners in Singapore. The Acquisition will further increase the commercial space owned and managed by K-REIT Asia, allowing it to achieve economies of scale, more efficient allocation of resources including staff and personnel, and greater leverage over its service providers.

2.2.9 Collaboration with Hongkong Land and Suntec REIT

The joint ownership of the Property with Hongkong Land and Suntec REIT[12] will allow the three established real estate managers to leverage on each other's expertise, experience and tenant network in managing the Property. The synergistic benefits achieved through the collaboration are expected to maximize and enhance the value of the Property, generating long-term growth for Unitholders.

3. DETAILS CONCERNING THE ACQUISITION AND JOINT OWNERSHIP OF ONE RAFFLES QUAY

3.1 Joint Ownership of One Raffles Quay with Freyland and Comina

On 30 July 2007, the Trustee entered into a conditional Share Purchase Agreement with Boulevard in connection with the acquisition of Boulevard's entire one-third shareholding in ORQPL.

Under the terms of the Share Purchase Agreement, it is contemplated that upon Completion, the Trustee will enter into the Restated Shareholders' Agreement with the other shareholders of ORQPL and their parent entities relating to the governance of their relationship as shareholders of ORQPL and ORQPL's holding and management of the Property.

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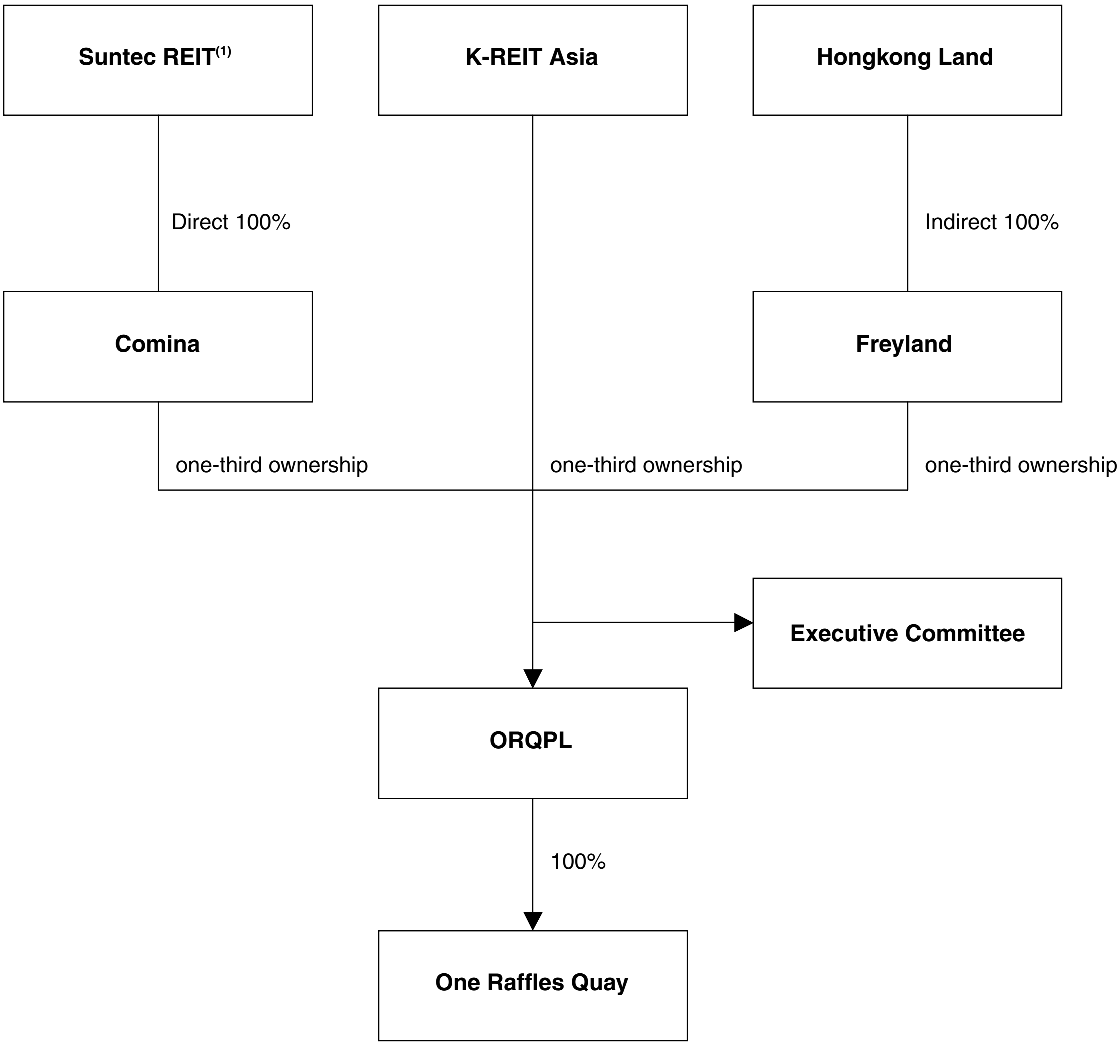
[12] Suntec REIT has announced on 30 July 2007 that it will acquire a one-third interest in the Property through the acquisition of the entire issued share capital of Comina.

Under the terms of the Restated Shareholders Agreement, each shareholder of ORQPL shall have the right to appoint members to the Executive Committee, in proportion to their respective shareholding. The Executive Committee shall review, evaluate and make decisions on matters relating to management of the Property.

The diagram below illustrates the relationship between K-REIT Asia, Comina, Freyland and ORQPL after Completion and completion of the acquisition of Comina by Suntec REIT:



Note:

(1) Suntec REIT has announced on 30 July 2007 that it will acquire a one-third interest in the Property through the acquisition of the entire issued share capital of Comina.

3.2 Certain Terms of the Share Purchase Agreement

The Aggregate Consideration was negotiated on a willing-buyer and willing-seller basis, and comprises the Share Consideration and the Loan Consideration. The Aggregate Consideration will be satisfied on Completion by cash.

The Share Consideration is a sum equal to one-third of the Adjusted NTA Value as at the Completion Date. The Adjusted NTA Value is computed on the basis that it refers to three times the Agreed Value of S$941.5 million plus the net book value of the fixed and current assets of ORQPL as at the Completion Date minus the net book value of the long-term and current liabilities of ORQPL as at the Completion Date, subject to certain exclusions (as set out in the Share Purchase Agreement).

In addition, under the terms of the Share Purchase Agreement, Boulevard will assign to the Trustee all its rights, title and interest in the Vendor's Loan. As consideration for this assignment, the Trustee will pay Boulevard the Loan Consideration equal to the sum of the Vendor's Loan as at the Completion Date. Based on the audited financial statements of ORQPL for the financial year ended 31 December 2006, the amount of Vendor's Loan as at 31 December 2006 was S$341.1 million. For the purpose of illustration only, the Aggregate Consideration is estimated to be S$885.2 million based on the Agreed Value and the audited financial statements of ORQPL for the financial year ended 31 December 2006. The actual amount of Aggregate Consideration is subject to adjustments to reflect the actual Share Consideration and Loan Consideration at the Completion Date.

The Manager and the Trustee have each commissioned an independent property valuer, being Knight Frank and CBRE respectively, to value the Property. Knight Frank has stated that the open market value of the one-third interest in the Property, including the provision of guaranteed income support by Boulevard, as at 2 July 2007 was S$941.0 million, and CBRE has reported that the open market value of the one-third interest in the Property, including the provision of guaranteed income support by Boulevard, as at 2 July 2007 was S$941.5 million (see the Valuation Certificates in APPENDIX D of this Circular for further details). Knight Frank arrived at its valuation by using an investment and discounted cash flow approach. CBRE arrived at its valuation by using a capitalization approach and discounted cash flow analysis.

3.3 Total Acquisition Cost

The current estimated Total Acquisition Cost is approximately S$954.9 million[13], comprising:

- the Aggregate Consideration as described in paragraph 3.2 above;
- the estimated fees and expenses of approximately S$11.5 million incurred or to be incurred by K-REIT Asia in connection with the Acquisition, comprising (i) an acquisition fee payable to the Manager for the Acquisition of approximately S$9.4 million and (ii) professional fees and other related expenses of approximately S$2.1 million; and
- stamp duty.

As the Acquisition will constitute an "interested party transaction" under the Property Funds Guidelines, the acquisition fee payable to the Manager will be in the form of Units which shall not be sold within one year from their date of issuance. For the avoidance of doubt, the Total Acquisition Cost does not include the costs associated with the Equity Fund Raising and the Issue of Convertible Bonds.

3.4 Conditions Precedent for Completion

Completion is subject to and conditional upon, among other things:

- the Acquisition having been approved by the Unitholders at a general meeting of K-REIT Asia and the Trust Deed being amended to the satisfaction of the Trustee to reflect the Trustee's ownership of the Sale Shares and such amendments having been approved by the Unitholders at a general meeting of K-REIT Asia (if necessary);
- the Acquisition and the Keppel Land Placement having been approved by the shareholders of Keppel Land at a general meeting of Keppel Land;
- approval in-principle for the listing and quotation of the New Units on the SGX-ST has been obtained from the SGX-ST and not having been revoked, suspended or amended and, where such approval is subject to conditions, such conditions being acceptable to the

[13] Subject to adjustments to the Aggregate Consideration as at Completion Date.

Trustee and to the extent that any conditions for the listing and quotation of the New Units on the SGX-ST are required to be fulfilled on or before the Completion Date, they are so fulfilled;

- K-REIT Asia securing adequate financing for the Acquisition on terms and conditions approved by the Unitholders at a general meeting of K-REIT Asia; and
- the Unitholders approving the placement of such number of Units to the Keppel Land Group, such that the Keppel Land Group shall, immediately following the Equity Fund Raising, maintain its proportionate unitholding, in percentage terms, of the total number of Units in issue immediately prior to the Equity Fund Raising.

Completion is expected to take place on the date on which the New Units issued under the Equity Fund Raising are listed on the SGX-ST.

3.5 Deed of Income Support

By approving the Acquisition, the Unitholders will be deemed to have also approved the arrangement in the Deed of Income Support as described below.

Concurrently with the entry into the Share Purchase Agreement, the Trustee has entered into the Deed of Income Support with Boulevard and the Guarantor.

The Property received the temporary occupations permits for its South Tower and North Tower on 24 April 2006 and 26 October 2006 respectively. ORQPL, as the owner of the Property, has a limited operating history with its first tenancy having commenced only in August 2006. A significant portion of its leases were negotiated and signed between 2004 and 2005, when the Singapore office occupancy and rental rates were recovering from a 10-year low in 2003. The monthly gross rent at the Property is therefore below the average monthly gross rent of similar office space in Raffles Place as at the date of the Share Purchase Agreement. The Independent Office Property Market Review prepared by DTZ estimates the average monthly gross rent for prime office space in Raffles Place at S$13.10 per sq ft as at 30 June 2007. Based on the valuation reports prepared by Knight Frank and CBRE, (see APPENDIX F Independent Office Market Review and APPENDIX D Valuation Certificates), the average monthly gross rent for offices at the Property is below the average monthly gross rent for prime office space in Raffles Place. In order to align the rental rates of the Property with that of the current market, the Trustee has entered into the Deed of Income Support with Boulevard and the Guarantor, a direct wholly-owned subsidiary of Keppel Land. The Independent Valuers have taken into consideration the Deed of Income Support in arriving at their respective valuations of the one-third interest in the Property. Both Independent Valuers have expressed that, including the Income Support Top-up Payments, the rent payable over the tenancies of the Property will be within acceptable market rental rates.

Under the Deed of Income Support, Boulevard has undertaken to the Trustee to make Income Support Top-up Payments equal to the amount of the quarterly shortfall during the period commencing on 1 October 2007 and ending on 31 December 2011. The quarterly shortfall (the "**Quarterly Shortfall**") is calculated as one-third of the difference between the Property's Net Property Income and the guaranteed income amount for each calendar quarter. The guaranteed income amount for each calendar quarter falling within the period 1 October 2007 and ending 31 December 2007 is S$30.0 million, 1 January 2008 and ending 31 December 2008 is S$35.3 million, and 1 January 2009 and ending 31 December 2011 is S$36.0 million. For each calendar quarter, should the Net Property Income exceed the guaranteed income amount, no Income Support Top-up Payment will be received. The Income Support Top-up Payments for any quarterly period shall not in any event exceed S$8.0 million (the "**Maximum Sum**"). The aggregate of all Income Support Top-up Payments shall not in any event exceed S$103.4 million.

In the event that the Completion Date is a date after 1 October 2007, the Income Support Top-up Payment and the Maximum Sum for the first quarterly period shall be adjusted accordingly based on the actual number of days from the Completion Date until 31 December 2007 (both dates inclusive). Boulevard's commitment to pay under the Deed of Income Support is guaranteed by the Guarantor. The Trustee shall bear all goods and services tax, if any, chargeable on each Income Support Top-up Payment.

3.6 Certain Terms of the Restated Shareholders' Agreement

By approving the Acquisition, Unitholders will be deemed to have also approved the Restated Shareholders' Agreement as set out below, together with the terms which are incidental or ancillary to such terms.

Freyland, Comina and the Trustee (collectively, the "**Shareholders**"), and Suntec REIT[14], Hongkong Land International Holdings Limited and ORQPL will enter into the Restated Shareholders' Agreement, which provides, *inter alia*, that the aforesaid parties shall use their best endeavours to procure that the requirements for funding, capital expenditure and working capital of K-REIT Asia are funded in the following order of priority:

(1) by raising maximum external financing from banks, financial institutions, insurance corporations and other institutional lenders on the most favourable terms reasonably obtainable, without any mortgage or other forms of security, secured principally by guarantees from each Shareholder or its associated company given on a several basis in proportion to each Shareholder's shareholding percentage;

(2) by shareholder's loans from each Shareholder or its associated company or by subscribing for any debt securities issued by ORQPL to each Shareholder in proportion to its shareholding percentage; and

(3) by subscription of share capital by each Shareholder in proportion to its shareholding percentage.

Each Shareholder also agrees to fund, in a proportion equal to its shareholding percentage, by way of shareholder's loans and subscription of share capital or debt securities issued by ORQPL, all funding requirements of ORQPL which are not financed by external financiers to enable ORQPL to meet its financial obligations for the carrying on of business.

Under the Restated Shareholders' Agreement, the following matters, *inter alia*, shall require unanimous approval:

- the approval of the annual operating plan and capital budget of ORQPL and each of its subsidiary (the "**Group Company**") and any change thereof and the approval of any standard operating procedures and any change thereof;
- the sale or other disposition of any asset or property of a Group Company (other than in respect of One Raffles Quay); and
- the disposal or assignment of the whole or any part of One Raffles Quay and the terms on which such disposal or assignment is to be carried out, including, without limitation, the price for the whole or that part of One Raffles Quay being disposed of or assigned.

Subject to the approval by unanimous resolution of the Shareholders, the board shall appoint an executive committee to review, evaluate and make decisions on matters relating to the management of One Raffles Quay.

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[14] Suntec REIT has announced on 30 July 2007 that it will acquire a one-third interest in the Property through the acquisition of the entire issued share capital of Comina.

3.7 Asset Management Agreement

The asset management services in relation to One Raffles Quay are currently being provided by the ORQ Property Manager, a Singapore incorporated company. Pursuant to the ORQ Property Manager Restructuring, completed on 31 August 2007, the entire share capital of the ORQ Property Manager has been transferred by ORQPL to Charm Aim International Limited, K-REIT Asia Property Management Pte Ltd (a wholly-owned subsidiary of Keppel Land) and Hongkong Land (Singapore) Pte Ltd in equal proportions.

By approving the proposed Acquisition, the Unitholders will be deemed to have also approved the provision of asset management services by the ORQ Property Manager in relation to One Raffles Quay.

The existing asset management agreement between ORQPL and the ORQ Property Manager in relation to the management of One Raffles Quay will be terminated and the new asset management agreement ("**ORQ Asset Management Agreement**") will supersede the original asset management agreement in its entirety.

The ORQ Property Manager is responsible for providing the following services under the ORQ Asset Management Agreement:

- building management,
- lease administration,
- financial management,
- formal reporting,
- secretarial services,
- accounting services, and
- administrative services.

In consideration of the due performance by the ORQ Property Manager of the aforesaid services, ORQPL shall pay the ORQ Property Manager:

- a management fee equal to 3.0 per cent of the Gross Revenue from One Raffles Quay;
- in relation to each lease entered into by a tenant, a marketing fee equivalent to:
    - 2 months' Gross Rent in the event that such lease is for a term of 5 years or more; or
    - 1 month's Gross Rent in the event that such lease is for a term of 2 years or more, but less than 5 years; or
    - one half month's Gross Rent in the event that such lease is for a term of less than 2 years;
- in relation to renewal of leases, a marketing fee equivalent to one-quarter month's Gross Rent; and in relation to leases with rent review provision, a marketing fee equivalent to one-quarter month's Gross Rent based on the reviewed rent on each of the rent review.

4. FINANCIAL INFORMATION RELATING TO THE TRANSACTION

4.1 Certain Financial Information Relating to the Transaction

The following table presents, in summary, certain selected financial information in relation to the Transaction, assuming that the Transaction is completed on 30 September 2007:

ORQ Interest	Forecast Period (1 October 2007 to 31 December 2007)	Projection Year (Financial year ending 31 December 2008)
Gross Revenue (as defined herein) (S$'000)	6,142	28,098
Property expenses (S$'000)	(2,371)	(10,357)
Net Property Income[(1)] (S$'000)	3,771	17,741
Income Support Top-up Payments[(1)] (S$'000)	5,825	27,415
Supported Net Property Income[(2)] (S$'000)	9,596	45,156
Net property yield[(3)] (per cent)	4.0[(4)]	4.8

Notes:

(1) See APPENDIX B of this Circular for the major assumptions relied on in calculating the forecast and projected Net Property Income of the Property and the forecast and projected Income Support Top-up Payments.

(2) Prior to adjustment for any tax effects.

(3) Net property yield for the Property is calculated as the Supported Net Property Income over the Agreed Value of S$941.5 million.

(4) Annualised figure.

The income to be received by K-REIT Asia from the Transaction comprises (i) a one-third share of the profits in ORQPL as represented by the proportionate share of Gross Revenue less property expenses, interest expenses and income tax, if any (such amounts to be received by K-REIT Asia via one-tier dividends); (ii) interest income from shareholder's loan to ORQPL; and (iii) Income Support Top-up Payments. The detailed Profit Forecast and Profit Projection in relation to the Transaction and the assumptions for the forecast and projection information included in the table above are set out in APPENDIX B of this Circular.

4.2 Pro Forma Financial Effects of the Transaction

The pro forma financial effects of the Transaction on the DPU and NAV per Unit, and the pro forma capitalisation of K-REIT Asia presented below are strictly for illustrative purposes and were prepared based on the audited financial statements of K-REIT Asia for the financial period from 28 November 2005 to 31 December 2006 (the "**Audited Financial Statements**") as well as the audited financial statements of ORQPL for FY2006, taking into account the Total Acquisition Cost (see paragraph 3.3 above) as well as the estimated costs of the Equity Fund Raising and Issue of Convertible Bonds (see paragraphs 7.5 and 8.4 below), and assuming that:

(i) approximately 275.6 million New Units are issued at an issue price of S$2.60 per New Unit pursuant to the Equity Fund Raising (purely for illustrative purposes only);

(ii) approximately 3.6 million Units are issued as payment of the acquisition fee payable to the Manager for the Acquisition;

(iii) the Convertible Bonds are issued with an aggregate principal amount of S$250 million, an annual coupon rate of 1.75 per cent and a conversion price of S$3.38 for each Conversion Unit (purely for illustrative purposes only);

(iv) the Property is held jointly with Comina and Freyland, with one-third of the income from the Property accruing to K-REIT Asia through ORQPL from 1 January 2006; and

(v) all Manager's management fees are paid in the form of Units.

4.2.1 Pro Forma DPU

Set out below are the pro forma financial effects of the Transaction on K-REIT Asia's DPU for FY2006, as if the Acquisition was completed on 1 January 2006 and held throughout FY2006.

	Existing Properties	Enlarged Portfolio
Net profit/(loss) before tax (S$'000)	11,196[(1)]	(3,858)[(2)(3)]
Distributable Income (S$'000)	15,307[(4)]	46,777[(4)]
Issued Units ('000)	241,610[(5)]	522,891[(6)]
DPU (cents)	6.34[(7)]	8.95[(7)]
DPU assuming that the Convertible Bonds were fully converted on 1 January 2006 (cents)	Not applicable	8.42[(8)]

Notes:

(1) Assumes that K-REIT Asia's Existing Properties were held and operated throughout FY2006. Since the acquisition of the Existing Properties were completed on 26 April 2006, the pro forma figures have been based on the (i) unaudited financial statements of Mansfield Realty Limited, Keppel Land (Tower D) Pte Ltd and BCH Office Investment Pte Ltd for the period of 1 January 2006 to 25 April 2006 after making certain assumptions and adjustments; and (ii) Audited Financial Statements of K-REIT Asia which relates to the actual results of K-REIT Asia from 26 April 2006 to 31 December 2006.

(2) Includes (i) K-REIT Asia's one-third share of the net loss of ORQPL based on its audited financial statements for FY2006 after incorporating adjustments necessary to reflect the financial results of ORQPL as if the Acquisition was completed on 1 January 2006; (ii) interest income from the shareholder's loan to ORQPL; (iii) an Income Support Top-up Payment of S$29.9 million for FY2006; and (iv) deducting the additional borrowing costs, Manager's management fees, amortisation expense and trust expenses in connection with the Transaction.

(3) The net loss is due mainly to ORQPL's net loss incurred in FY2006 as the Property received the temporary occupation permits for its South Tower and North Tower on 24 April 2006 and 26 October 2006 respectively.

(4) Distribution was based on 100 per cent of total income available for distribution.

(5) Number of Units in issue as at 31 December 2006.

(6) Includes approximately 275.6 million New Units issued pursuant to the Equity Fund Raising, approximately 3.6 million Units issued as payment of the acquisition fee payable to the Manager for the Acquisition as well as 2.1 million Units issued as payment of the management fees payable to the Manager for FY2006, at an issue price of S$2.60 per Unit.

(7) Computed based on the Distributable Income over the number of Units in issue as at 31 December 2006.

(8) Computed based on the Distributable Income adjusted on the basis that the Convertible Bonds were fully converted to 74 million Units on 1 January 2006 at a conversion price of S$3.38 for each Conversion Unit.

4.2.2 Pro Forma NAV

The pro forma financial effects of the Transaction on the NAV per Unit as at 31 December 2006, as if the Acquisition was completed on 31 December 2006, are as follows:

	Existing Properties	Enlarged Portfolio
NAV (S$'000)	484,013[(1)]	1,217,305[(2)]
Issued Units ('000)	241,610[(3)]	520,807[(4)]
NAV per Unit (S$)	2.00	2.34

Notes:

(1) Based on the Audited Financial Statements and adjusted for the distribution in February 2007 of K-REIT Asia's Distributable Income for the period of 1 July 2006 to 31 December 2006.

(2) Based on the assumptions that: (i) the Convertible Bonds are issued with an aggregate principal amount of S$250 million and thereby reducing K-REIT Asia's aggregate leverage from 27.4 per cent (based on appraised value of the Existing Properties at S$677 million as at 31 December 2006) to 26.6 per cent; and (ii) the Total Acquisition Cost is S$954.9 million as at 31 December 2006.

(3) Number of Units in issue as at 31 December 2006.

(4) Includes approximately 275.6 million New Units issued pursuant to the Equity Fund Raising (purely for illustrative purposes only) and approximately 3.6 million Units issued as payment of the acquisition fee payable to the Manager for the Acquisition, at an issue price of S$2.60 per Unit.

4.2.3 Pro Forma Capitalisation

The following tables set forth the pro forma capitalisation of K-REIT Asia as at 31 December 2006 based on the assumptions as described above. The information in these tables should be read in conjunction with paragraphs 7 and 8 below.

	As at 31 December 2006		
	Existing Properties (S$ million)	**Enlarged Portfolio (S$ million)**	**Enlarged Portfolio (Assuming that the Convertible Bonds were fully converted on 31 December 2006) (S$ million)**
Short-term debt:			
Secured debt	—	—	—
Unsecured debt	—	—	—
Total short-term debt	—	—	—
Long-term debt:			
Secured debt[(1)]	189.0	409.6[(2)]	189.0
Unsecured debt	—	—	—
Total long-term debt	189.0	409.6	189.0
Total debt	189.0	409.6	189.0
Unitholders' funds	484.0[(3)]	1,230.0[(4)]	1,455.6[(4)]
Expenses relating to the Equity Fund Raising	—	(12.7)	(12.7)
Total Unitholders' funds	484.0	1,217.3	1,442.9
Total capitalisation	673.0	1,626.9	1,631.9

Notes:

(1) The amounts are stated net of unamortised transaction costs.

(2) Excluding the equity component of the Convertible Bonds.

(3) Based on the Audited Financial Statements and adjusted for the distribution in February 2007 of K-REIT Asia's Distributable Income for the period of 1 July 2006 to 31 December 2006.

(4) Based on the assumptions that (i) approximately 275.6 million New Units are issued pursuant to the Equity Fund Raising (purely for illustration purposes only) and approximately 3.6 million Units are issued as payment of the acquisition fee payable for the Acquisition, at an issue price of S$2.60 per Unit; (ii) the Convertible Bonds are issued at an aggregate principal amount of S$250 million; and (iii) the value of the Total Acquisition Cost is S$954.9 million as at 31 December 2006.

4.3 Requirement for Unitholders' Approval

4.3.1 Very Substantial Acquisition

(i) Chapter 10 of the Listing Manual governs the acquisition or disposal of assets, including options to acquire or dispose of assets, by K-REIT Asia. 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 proposed acquisition by K-REIT Asia may fall into any of the categories set out in sub-paragraph 4.3.1(i) above depending on the size of the relative figures computed on the following bases of comparison:

(a) the net profits attributable to the assets acquired, compared with K-REIT Asia's net profits;

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

(c) the number of units issued by the Manager as consideration for the Acquisition, compared with the number of Units in K-REIT Asia previously in issue.

Where any of the relative figures computed on the bases set out above falls between 20.0 per cent and 100 per cent, the transaction is classified as a major transaction. The Listing Manual requires that a major transaction involving K-REIT Asia be made conditional upon approval by Unitholders in a general meeting. However, the approval of Unitholders is not required in the case of an acquisition of profitable assets if only sub-paragraph 4.3.1(ii)(a) exceeds the relevant 20.0 per cent threshold.

(iii) The relative figures for the Acquisition using the applicable bases of comparison described in sub-paragraphs 4.3.1(ii)(a) to 4.3.1(ii)(c) are set out in the table below. The figures in the table below are calculated based on the ORQ Interest.

Comparison of:	ORQ Interest	Existing Properties	Relative figure
Net profits(1) (S$'000)	899	7,607	11.8 per cent
Consideration against market capitalisation (S$'000)	Aggregate Consideration: approximately 941,500	K-REIT Asia's market capitalisation: 679,501(2)	138.6 per cent
Number of units issued as consideration against existing Units	Not applicable	Existing Units: 242,332,586(3)	Not applicable

Notes:

(1) Based on unaudited financial statements of ORQPL and K-REIT Asia for the period ended 30 June 2007.

(2) Based on the weighted average traded price of S$2.8040 per Unit on SGX-ST on 27 July 2007, the latest practicable date prior to the announcement of the Acquisition.

(3) As at 27 July 2007.

As the relative figures for the basis of comparison set out in sub-paragraph 4.3.1(ii)(b) above exceed 100 per cent, the Manager had submitted an application to the SGX-ST regarding the waiver of Rule 1015 relating to very substantial acquisitions. Reasons for the waiver application were as follows:

- ***The Keppel Group will Remain a Major Unitholder***. Keppel Corporation's and its subsidiaries' (collectively, the "**Keppel Group**") aggregate direct and indirect interest in the Units immediately following the issue of New Units and the completion of the Equity Fund Raising will comprise a majority of the total number of Units in issue. The Acquisition will not result in a change of control of K-REIT Asia as Keppel Group will remain a major Unitholder following the completion of the Equity Fund Raising. As such, the Acquisition does not fall squarely within the situation that the requirements of Rule 1015 were designed to address.

- ***Proposed Acquisition is in K-REIT Asia's Ordinary Course of Business***. K-REIT Asia was established for the specific purpose of investing in real estate and real estate-related assets that are income-producing and used, or predominantly used, for commercial purposes. Three such properties, namely, Prudential Tower Property (approximately 44.4 per cent of the strata area), Keppel Towers and GE Tower, and Bugis Junction Towers, were acquired in conjunction with the listing. The Manager is currently evaluating several acquisitions, including this proposed Acquisition. Furthermore, the proposed Acquisition was foreshadowed prior to the listing of K-REIT Asia on the SGX-ST in the Introductory Document dated 20 March 2006. On these bases, it was submitted that the proposed Acquisition is entirely within K-REIT Asia's ordinary course of business.

- ***Proposed Acquisition will not Result in a Change of K-REIT Asia's Risk Profile.*** As the acquisition of the Property would serve to expand K-REIT Asia's core business of investing in real estate that is income-producing, K-REIT Asia's risk profile will not be adversely altered. K-REIT Asia will not be venturing into a different business, nor will it be investing in geographies which are materially different from those of its earlier investments. The proposed Acquisition will not only enlarge K-REIT Asia's property portfolio and increase its income stream, but it will also enhance the mix of tenants of K-REIT Asia's properties, thus reducing K-REIT Asia's exposure to any one tenant within any business sector.

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

4.3.2 Interested Person Transaction and Interested Party Transaction

Under Chapter 9 of the Listing Manual, where K-REIT Asia 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 per cent of K-REIT Asia's latest audited NAV, Unitholders' approval is required in respect of the transaction. Based on the Audited Financial Statements, the NAV of K-REIT Asia was S$492.4 million as at 31 December 2006 and 5.0 per cent of that value is S$24.6 million. Given that the assumed Aggregate Consideration of approximately S$941.5 million, the value of the Acquisition exceeds the said threshold.

Paragraph 5 of the Property Funds Guidelines also imposes a requirement for Unitholders' approval for an interested party transaction by K-REIT Asia whose value exceeds 5.0 per cent of K-REIT Asia's latest audited NAV. Based on the Audited Financial Statements, the NAV of K-REIT Asia was S$492.4 million as at 31 December 2006 and 5.0 per cent of that value is S$24.6 million. Given the assumed Aggregate Consideration of approximately S$941.5 million, the value of the Acquisition exceeds the said threshold.

As at the Latest Practicable Date, Keppel Land holds an aggregate indirect interest in 99,041,381 Units, comprising approximately 40.8 per cent of the total number of Units in issue, and is therefore regarded as a "controlling unitholder" of K-REIT Asia under both the Listing Manual and the Property Funds Guidelines. Keppel Corporation is also regarded as a "controlling unitholder" under both the Listing Manual and the Property Funds Guidelines, as through Keppel Real Estate Investment Pte Ltd and Keppel Land, Keppel Corporation has a deemed interest in 174,980,927 Units, which comprises approximately 72.1 per cent of the total number of Units in issue. Temasek holds approximately 21.4 per cent of the voting shares in the issued share capital of Keppel Corporation, and is deemed to be interested in approximately 0.6 per cent of the share capital of Keppel Corporation in which Temasek's subsidiaries and associated companies have an aggregate interest. Temasek is therefore also regarded as a "controlling Unitholder" under both the Listing Manual and the Property Funds Guidelines, as Temasek (including through its interests in Keppel Corporation) has a deemed interest in 174,984,927 Units, which comprises approximately 72.1 per cent of the total number of Units in issue.

As Keppel Land has an indirect interest of 100 per cent in Boulevard, Boulevard is regarded as both an associate and a subsidiary of a controlling Unitholder of K-REIT Asia. For the purposes of Chapter 9 of the Listing Manual, Boulevard (being an associate of a controlling unitholder of K-REIT Asia) is an "interested person" of K-REIT Asia. For the purposes of the guidelines relating to interested party transactions under the Property Funds Guidelines, Boulevard (being a subsidiary of a controlling Unitholder of K-REIT Asia) is an "interested party" of K-REIT Asia.

As such, the Acquisition will constitute an "interested person transaction" under Chapter 9 of the Listing Manual as well as an "interested party transaction" under the Property Funds Guidelines, in respect of which the approval of Unitholders is required.

4.4 Advice of the Independent Financial Adviser

The Manager has appointed KPMG Corporate Finance as the independent financial adviser (the "**IFA**") to advise its Independent Directors as to whether the financial terms of the Acquisition (together with the provisions of the ORQ Asset Management Agreement) are on normal commercial terms and are not prejudicial to the interests of K-REIT Asia and its minority Unitholders. A copy of the letter from the IFA to the Independent Directors (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.

Having considered the factors and made the assumptions set out in its letter, and subject to the qualifications set out therein, the IFA is of the view that the financial terms of the Acquisition are on normal commercial terms and will not be prejudicial to the interests of K-REIT Asia and its minority Unitholders.

The IFA has therefore advised the Independent Directors to recommend that Unitholders vote in favour of the Acquisition.

4.5 Interests of Directors and Substantial Unitholders

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

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

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

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

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

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

Keppel Land has an aggregate indirect interest in 99,041,381 Units. Keppel Land's indirect interest in the Units comprises approximately 40.8 per cent of the total number of Units in issue.

Keppel Corporation, through Keppel Real Estate Investment Pte Ltd and Keppel Land, has a deemed interest in 174,980,927 Units, which comprises approximately 72.1 per cent of the total number of Units in issue.

Temasek (including through its interests in Keppel Corporation) has a deemed interest in 174,984,927 Units, which comprises approximately 72.1 per cent of the total number of Units in issue.

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

4.6 Director's Service Contracts

Following completion of the Acquisition, it is contemplated that each of ORQPL's shareholders will have a one-third representation on the board of ORQPL. Save as disclosed above, no person is proposed to be appointed as a Director in connection with the Acquisition, the Share Purchase Agreement, the Deed of Income Support, the Restated Shareholders' Agreement or any other transaction contemplated in relation to the Acquisition.

5. METHOD OF FINANCING

5.1 The Financing Plan

The Manager proposes to use proceeds from the issue of New Units under the Equity Fund Raising and the Issue of Convertible Bonds to finance the following:

- the Total Acquisition Cost[15];
- the cost of Equity Fund Raising;
- the cost of Issue of Convertible Bonds; and

the balance thereof (if any) will be applied towards working capital of K-REIT Asia.

In addition to the Equity Fund Raising and the Issue of Convertible Bonds, the Manager may utilise other sources of funds to part finance the Acquisition.

The acquisition fee payable to the Manager under the Trust Deed will be satisfied separately through the issue of additional new Units to the Manager.

The proceeds from the Issue of the Convertible Bonds will be used to pay for the Loan Consideration in full or in part. In the event that the Convertible Bonds are not issued by Completion, the Manager intends to draw down an unsecured bridging loan.

5.2 K-REIT Asia's Existing and Additional Loan Facilities

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

The Blossom Asset Loan Facilities comprises: (i) a five year term loan of S$160.2 million, and (ii) a five year term loan of S$29.9 million, which are at fixed rates of interest per annum.

In addition to the Blossom Assets Loan Facilities, K-REIT Asia has also put in place a short-term credit facility of S$26 million, which is subordinated to the existing loan facilities. There is no utilisation of this credit facility as at the Latest Practicable Date.

The total outstanding amount of borrowings of K-REIT Asia as at 30 June 2007 was S$190.1 million.

The Manager proposes to issue Convertible Bonds for the aggregate principal amount of up to S$400 million to part-finance the Transaction (See "The Proposed Issue of Convertible Bonds" in paragraph 8 below for further details).

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[15] Excluding the acquisition fee payable to the Manager in connection with the Acquisition under the Trust Deed of approximately S$9.4 million, which will be satisfied by an issuance of new Units.

The Manager intends to put in place an unsecured bridging loan from one or more financial institutions (the "**Bridging Loan**"). The Bridging Loan is intended to give the Manager financing flexibility and certainty by providing the option of part-financing the Acquisition.

Based on K-REIT Asia's first half results announcement, K-REIT Asia has an aggregate leverage of approximately 27.3 per cent as at 30 June 2007.

As at 31 December 2006, the aggregate valuation of the Existing Properties was approximately S$677 million. Under the Property Funds Guidelines, where the Manager proposes to carry out an equity fund raising exercise, a valuation of all the real estate assets of K-REIT Asia is required, unless such assets have been valued not more than six months ago (based on the date of the valuation report). The valuations as of 31 July 2007 were procured because the date of the last valuation of the real estate assets of K-REIT Asia is 31 December 2006.

The aggregate valuation of the Existing Properties amounted to S$815 million as at 31 July 2007, which is approximately S$138 million higher than the aggregate valuation of the Existing Properties as at 31 December 2006 (see table below).

Property	**Valuation (as at 31 July 2007) (S$million)**	**Valuation (as at 31 December 2006) (S$million)**	**Increase (S$million)**
Prudential Tower Property	152	128	24
Keppel Towers and GE Tower	444	367	77
Bugis Junction Towers	219	182	37
Aggregate for the Existing Properties	815	677	138

After taking into account the net increase in aggregate valuation of the Existing Properties, the aggregate leverage as at 31 July 2007, is approximately 22.7 per cent. Upon Completion, based on K-REIT Asia's new Deposited Property (as defined in the Trust Deed) of approximately S$1.76 billion (which takes into account the increase in the aggregate valuation of the Existing Properties as well as the value of the ORQ Interest), K-REIT Asia's aggregate leverage will increase from approximately 22.7 per cent to (i) approximately 24.6 per cent, if an aggregate principal amount of S$250 million of Convertible Bonds are issued; and (ii) approximately 32.9 per cent, if an aggregate principal amount of S$400 million of Convertible Bonds are issued.

6. PROFIT FORECAST AND PROFIT PROJECTION

Based on the proposed financing plan described under paragraph 5.1 above, the tables on the following pages summarise K-REIT Asia's Profit Forecast and Profit Projection of the Existing Properties and ORQ Interest for the Forecast Period and Projection Year based on an illustrative issue price of S$2.60 per New Unit and two illustrative aggregate principal amounts of S$250 million and S$400 million for the Issue of Convertible Bonds, assuming that:

(i) the Acquisition is completed on 30 September 2007;

(ii) one-third of the income from the Property accrues to K-REIT Asia through ORQPL from 1 October 2007; and

(iii) New Units under the Equity Fund Raising are issued on 1 October 2007.

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

6.1 FORECAST AND PROJECTED STATEMENT OF NET INCOME AND DISTRIBUTION OF K-REIT ASIA(1) - EXISTING PROPERTIES AND K-REIT ASIA'S ORQ INTEREST WITH (I) NEW UNITS ISSUED AT S$2.60(2) PER UNIT; AND (II) AN AGGREGATE PRINCIPAL AMOUNT OF S$250 MIILLION OF CONVERTIBLE BONDS ISSUED WITH AN ANNUAL COUPON RATE OF 1.75 PER CENT

	Existing Properties(3)	Forecast Period (1 October 2007 to 31 December 2007)			Projection Year (Financial year ending 31 December 2008)		
S$'000	**Actual 2006(4)**	**Existing Properties**	**K-REIT Asia ORQ Interest**	**Enlarged Portfolio(5)**	**Existing Properties**	**K-REIT Asia ORQ Interest**	**Enlarged Portfolio**
Property Income	23,861	10,863		10,863	48,181		48,181
Property Expenses	(7,047)	(3,618)		(3,618)	(13,205)		(13,205)
Net Property Income	**16,814**	**7,245**		**7,245**	**34,976**		**34,976**
Other income(6)	—	—	5,825	5,825	—	27,415	27,415
Amortisation expense	—	—	(5,772)	(5,772)	—	(26,910)	(26,910)
Interest income	236	97	3,451	3,548	226	14,600	14,826
Share of results of associated company(7)	—	—	226	226	—	2,407	2,407
Borrowing costs	(5,246)	(1,942)	(2,469)	(4,411)	(7,730)	(9,920)	(17,650)
Manager's management fees	(2,665)	(1,244)	(1,427)	(2,671)	(5,135)	(5,850)	(10,985)
Trust expenses	(772)	(386)		(519)	(1,317)		(1,558)
Net profit before tax	**8,367**	**3,770**		**3,471**	**21,020**		**22,521**
Income tax expense	—	—		(1,471)	—		(6,773)
Net profit after tax	**8,367**	**3,770**		**2,000**	**21,020**		**15,748**
Distribution adjustments(8)	2,807	1,457		10,057	772		33,356
Total income available for distribution to Unitholders	**11,174**	**5,227**		**12,057**	**21,792**		**49,104**
Distributable Income to Unitholders(9)	**11,174**	**5,227**		**12,057**	**21,792**		**49,104**
Units in issue ('000)(10)	241,610	243,179		522,376	243,658		523,403
Basic DPU (cents)	**6.75**(13)	**8.53**(13)		**9.16**(13)	**8.94**		**9.38**
Fully diluted number of units(11)	241,610	243,179		596,340	243,658		597,368
Adjusted Distributable Income(12)	11,174	5,227		12,962	21,792		52,702
Fully diluted DPU (cents)	**6.75**(13)	**8.53**(13)		**8.62**(13)	**8.94**		**8.82**

Notes:

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

(2) The issue price of S$2.60 per New Unit is purely for illustrative purposes only. The issue price will affect the maximum number of New Units to be issued under the Equity Fund Raising, and consequently, the forecast and projected DPU.

(3) Existing Properties refer to the initial portfolio, comprising Prudential Tower Property (approximately 44.4 per cent of the strata area of the building), Keppel Towers and GE Tower, and Bugis Junction Towers.

(4) K-REIT Asia was established on 28 November 2005 and the acquisition of the Existing Properties was completed on 26 April 2006. As such, the results for 2006 were for the period of 26 April 2006 to 31 December 2006.

(5) Enlarged Portfolio comprises the Existing Properties and the one-third interest in ORQPL.

(6) Other income relates to the Income Support Top-up Payments received by K-REIT Asia from Boulevard in accordance with the terms set out in the Deed of Income Support.

(7) Share of results of associated company refers to the forecast and projected one-third share of ORQPL's net profit after tax as presented as follows:

S$'000	Forecast Period (1 October 2007 to 31 December 2007)	Projection Year (Financial year ending 31 December 2008)
Share of gross revenue	6,142	28,098
Share of property expenses	(2,371)	(10,357)
Share of net profit before interest and tax	3,771	17,741
Share of interest expenses	(3,451)	(14,600)
Share of net profit before tax	320	3,141
Share of income tax	(94)	(734)
Share of net profit after tax	226	2,407

(8) These include where applicable, (i) non-tax deductible expenses relating to the portion of the Manager's management fees which are payable in the form of Units, amortisation expense, amortisation of transaction costs, Trustee's fee and other expenses which are not deductible for tax purposes, (ii) certain expenses claimed on an incurred basis including the coupon interest expense on the Convertible Bonds, and (iii) adjustments to include dividend income receivable from ORQPL.

(9) Distributions for the Forecast Period and Projection Year were based on 100 per cent of the total income available for distribution.

(10) Units in issue at the end of each period include the Manager's forecast and projected number of Units to be issued (i) pursuant to the Equity Fund Raising; (ii) as payment for the acquisition fee payable to the Manager for the Acquisition; and (iii) as payment for the Manager's management fees for the Forecast Period, at an Issue Price of S$2.60 per Unit.

(11) Assuming the S$250 million Convertible Bonds are fully converted on 1 October 2007 at an illustrative conversion price of S$3.38 for each Conversion Unit.

(12) Assuming with the full conversion of the S$250 million Convertible Bonds on 1 October 2007, no bond coupon interest will be paid.

(13) Annualised figure.

6.2 FORECAST AND PROJECTED STATEMENT OF NET INCOME AND DISTRIBUTION OF K-REIT ASIA[1] - EXISTING PROPERTIES AND K-REIT ASIA'S ORQ INTEREST WITH (I) NEW UNITS ISSUED AT S$2.60[2] PER UNIT; AND (II) AN AGGREGATE PRINCIPAL AMOUNT OF S$400 MIILLION OF CONVERTIBLE BONDS ISSUED WITH AN ANNUAL COUPON RATE OF 1.75 PER CENT

	Existing Properties[3]	Forecast Period (1 October 2007 to 31 December 2007)			Projection Year (Financial year ending 31 December 2008)		
S$'000	**Actual 2006[4]**	**Existing Properties**	**K-REIT Asia ORQ Interest**	**Enlarged Portfolio[5]**	**Existing Properties**	**K-REIT Asia ORQ Interest**	**Enlarged Portfolio**
Property Income	23,861	10,863		10,863	48,181		48,181
Property Expenses	(7,047)	(3,618)		(3,618)	(13,205)		(13,205)
Net Property Income	**16,814**	**7,245**		**7,245**	**34,976**		**34,976**
Other income[6]	—	—	5,825	5,825	—	27,415	27,415
Amortisation expense	—	—	(5,772)	(5,772)	—	(26,910)	(26,910)
Interest income	236	97	3,451	3,548	226	14,600	14,826
Share of results of associated company[7]	—	—	226	226	—	2,407	2,407
Borrowing costs	(5,246)	(1,942)	(3,951)	(5,893)	(7,730)	(15,872)	(23,602)
Manager's management fees	(2,665)	(1,244)	(1,430)	(2,674)	(5,135)	(5,866)	(11,001)
Trust expenses	(772)	(386)		(516)	(1,317)		(1,554)
Net profit before tax	**8,367**	**3,770**		**1,989**	**21,020**		**16,557**
Income tax expense	—	—		(1,379)	—		(6,300)
Net profit after tax	**8,367**	**3,770**		**610**	**21,020**		**10,257**
Distribution adjustments[8]	2,807	1,457		10,881	772		36,678
Total income available for distribution to Unitholders	**11,174**	**5,227**		**11,491**	**21,792**		**46,935**
Distributable Income to Unitholders[9]	**11,174**	**5,227**		**11,491**	**21,792**		**46,935**
Units in issue ('000)[10]	241,610	243,179		464,683	243,658		465,712
Basic DPU (cents)	**6.75**[13]	**8.53**[13]		**9.81**[13]	**8.94**		**10.08**
Fully diluted number. of units[11]	241,610	243,179		583,027	243,658		584,055
Adjusted Distributable Income[12]	11,174	5,227		12,938	21,792		52,689
Fully diluted DPU (cents)	**6.75**[13]	**8.53**[13]		**8.80**[13]	**8.94**		**9.02**

Notes:

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

(2) The issue price of S$2.60 per New Unit is purely for illustrative purposes only. The issue price will affect the maximum number of New Units to be issued under the Equity Fund Raising, and consequently, the forecast and projected DPU.

(3) Existing Properties refer to the initial portfolio, comprising Prudential Tower Property (approximately 44.4 per cent of the strata area of the building), Keppel Towers and GE Tower, and Bugis Junction Towers.

(4) K-REIT Asia was established on 28 November 2005 and the acquisition of the Existing Properties was completed on 26 April 2006. As such, the results for 2006 were for the period of 26 April 2006 to 31 December 2006.

(5) Enlarged Portfolio comprises the Existing Properties and the one-third interest in ORQPL.

(6) Other income relates to the Income Support Top-up Payments received by K-REIT Asia from Boulevard in accordance with the terms set out in the Deed of Income Support.

(7) Share of results of associated company refers to the forecast and projected one-third share of ORQPL's net profit after tax as presented as follows:

S$'000	Forecast Period (1 October 2007 to 31 December 2007)	Projection Year (Financial year ending 31 December 2008)
Share of gross revenue	6,142	28,098
Share of property expenses	(2,371)	(10,357)
Share of net profit before interest and tax	3,771	17,741
Share of interest expenses	(3,451)	(14,600)
Share of net profit before tax	320	3,141
Share of income tax	(94)	(734)
Share of net profit after tax	226	2,407

(8) These include where applicable, (i) non-tax deductible expenses relating to the portion of the Manager's management fees which are payable in the form of Units, amortisation expense, amortisation of transaction costs, Trustee's fee and other expenses which are not deductible for tax purposes, (ii) certain expenses claimed on an incurred basis including the coupon interest expense on the Convertible Bonds, and (iii) adjustments to include dividend income receivable from ORQPL.

(9) Distributions for the Forecast Period and Projection Year were based on 100 per cent of the total income available for distribution.

(10) Units in issue at the end of each period include the Manager's forecast and projected number of Units to be issued (i) pursuant to the Equity Fund Raising; (ii) as payment for the acquisition fee payable to the Manager for the Acquisition; and (iii) as payment for the Manager's management fees for the Forecast Period, at an Issue Price of S$2.60 per Unit.

(11) Assuming the S$400 million Convertible Bonds are fully converted on 1 October 2007 at an illustrative conversion price of S$3.38 for each Conversion Unit.

(12) Assuming with the full conversion of the S$400 million Convertible Bonds on 1 October 2007, no bond coupon interest will be paid.

(13) Annualised figure.

7. DETAILS OF THE PROPOSED ISSUE OF NEW UNITS UNDER THE EQUITY FUND RAISING

7.1 Structure of the Equity Fund Raising

It is intended that the Equity Fund Raising will comprise an offering of New Units by way of:

(a) an offering to retail investors in Singapore through automated teller machines of DBS Bank (including POSB) on a "first-come, first-served" basis (the "**ATM Offering**"); and

(b) a private placement of New Units to institutional and other investors (the "**Private Placement**"),

so as to raise (together with the Issue of Convertible Bonds) the total gross proceeds of up to S$966.5 million (the "**Total Gross Proceeds**").

The issue price of the New Units to be issued under the Equity Fund Raising and the actual size of the Equity Fund Raising will be determined between the Manager and the Joint Financial Advisers, Underwriters and Bookrunners closer to the date of commencement of the Equity Fund Raising, having regard to market conditions. The actual proportion of New Units to be issued under each of the ATM Offering and the Private Placement will also be determined between the Manager and the Joint Financial Advisers, Underwriters and Bookrunners closer to the date of commencement of the Equity Fund Raising. The actual number of New Units to be issued under the Equity Fund Raising will depend on the issue price of the New Units.

The information contained in this paragraph is subject to change. When the Manager finalises its plans in relation to the Equity Fund Raising, it will make an announcement in relation to such details at the appropriate time.

7.2 Additional Information on the ATM Offering

There will be a limit on both the minimum and maximum number of New Units that an applicant can apply for under the ATM Offering. The minimum and maximum limits will be determined closer to the date of commencement of the Equity Fund Raising.

The Manager has obtained a waiver from the SGX-ST from the requirements under Rule 812(1) of the Listing Manual to permit the Directors and their immediate family members to apply for the New Units under the ATM Offering, subject to the Manager announcing the allotment of the New Units to the Directors and their immediate family members under the ATM Offering through SGXNET prior to the listing of the New Units.

In the event that the New Units offered under the ATM Offering are not fully taken up, the number of New Units that are not taken up will be aggregated and sold to satisfy excess demand for New Units under the Private Placement to the extent that there is such excess demand.

7.3 Additional Information on the Private Placement

The Manager proposes to place up to such number of New Units to Keppel Land Group under the private placement tranche of the Equity Fund Raising, as would be required for the Keppel Land Group to maintain its proportionate unitholding, in percentage terms, of the total number of Units in issue immediately prior to the Equity Fund Raising.

7.4 Estimated Proceeds

The number of New Units to be issued under the Equity Fund Raising will include such number of New Units as is necessary to raise the Total Gross Proceeds of up to S$966.5 million less the aggregate principal amount to be raised by way of the Issue of Convertible Bonds, in order to part-finance the Total Acquisition Cost[16], and the costs of the Equity Fund Raising and the Issue of Convertible Bonds, the balance thereof (if any) to be utilised as working capital of K-REIT Asia.

The actual size of the Equity Fund Raising will be determined between the Manager and the Joint Financial Advisers, Underwriters and Bookrunners closer to the date of commencement of the Equity Fund Raising, having regard to market conditions and the amount to be raised pursuant to the Issue of Convertible Bonds. As such, the actual number of New Units to be issued under the Equity Fund Raising will depend on the issue price per New Unit which will be determined between the Manager and the Joint Financial Advisers, Underwriters and Bookrunners closer to the date of commencement of the Equity Fund Raising.

Based on an illustrative issue price of S$2.60 and an illustrative aggregate principal amount of S$250 million for the Issue of Convertible Bonds, up to approximately 275.6 million New Units will be issued under the Equity Fund Raising and the estimated gross proceeds from the Equity Fund Raising is expected to be up to approximately S$716.5 million.

7.5 Costs of the Equity Fund Raising

If the Manager proceeds with the Equity Fund Raising as illustrated in paragraph 7.4, the Manager estimates that K-REIT Asia will have to bear the following costs and expenses:

(i) the underwriting, management and selling commissions and financial advisory fees and related expenses payable to the Joint Financial Advisers, Underwriters and Bookrunners in relation to the Equity Fund Raising, amounting to up to approximately S$8.3 million[17]; and

(ii) the professional and other fees and expenses in relation to the Equity Fund Raising, amounting to up to approximately S$4.4 million.

7.6 Use of Proceeds

The Manager proposes to apply the proceeds from the Equity Fund Raising and the Issue of Convertible Bonds to finance the following:

- Total Acquisition Cost[16];
- costs of the issue of New Units under Equity Fund Raising;
- costs of the Issue of Convertible Bonds; and

the balance thereof (if any) will be applied towards working capital of K-REIT Asia.

7.7 Underwriting by the Joint Financial Advisers, Underwriters and Bookrunners

Save for any New Units under the Equity Fund Raising for which the Keppel Land Group may subscribe, the Equity Fund Raising will be underwritten by the Joint Financial Advisers, Underwriters and Bookrunners, subject to the terms of an underwriting agreement to be entered into between the Manager and the Joint Financial Advisers, Underwriters and Bookrunners.

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16 Excluding the acquisition fee payable to the Manager for the Acquisition under the Trust Deed of approximately S$9.4 million, which will be satisfied by an issuance of new Units.

17 The actual figure will depend on the final gross proceeds raised under the Equity Fund Raising.

7.8 Advanced Distribution

K-REIT Asia's policy is to distribute its Taxable Income on a semi-annual basis to Unitholders. However, in conjunction with the issue of New Units under the Equity Fund Raising, the Manager intends to declare, in lieu of the scheduled distribution, in respect of the existing Units, an Advanced Distribution of the Taxable Income for the period from 1 July 2007 to and including the day immediately prior to the date on which the New Units are issued pursuant to the Equity Fund Raising. The next distribution following the Advanced Distribution will comprise the Distributable Income (as defined and in accordance with the revised distribution policy as set out in paragraph 7.10 below) for the period from the day that the New Units are issued to 31 December 2007. Semi-annual distributions will resume thereafter.

The Advanced Distribution is intended to ensure that the Taxable Income derived from investments acquired before the New Units are issued is only distributed in respect of the existing Units, and is being proposed as a means to ensure fairness to holders of the existing Units. Under the Advanced Distribution, the Taxable Income up to and including the day immediately preceding the date of issue of the New Units (which, at that point, will be entirely attributable to the existing Units) will only be distributed in respect of the existing Units.

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

7.9 Status of New Units

In respect of the current distribution period from 1 July 2007 to 31 December 2007 (both dates inclusive, the "**Current Distribution Period**"), the New Units to be issued under the Equity Fund Raising will only be entitled to participate in K-REIT Asia's Distributable Income (as defined in paragraph 7.10 below) for the period from the date on which the New Units are issued under the Equity Fund Raising (the "**Issue Date**") to 31 December 2007 whereas the existing Units are entitled to participate in K-REIT Asia's Taxable Income in respect of the whole of the Current Distribution Period.

For the avoidance of doubt, the New Units issued pursuant to the Equity Fund Raising will not be entitled to participate in the distribution of any Taxable Income accrued by K-REIT Asia prior to the Issue Date. Save for the distribution of any Taxable Income accrued by K-REIT Asia prior to the Issue date, the New Units will rank *pari passu* in all respects with the existing Units, including the right to any distribution of Distributable Income from the Issue Date.

7.10 Distribution Policy

As stated in the Introductory Document dated 20 March 2006 issued by the Manager, the distribution policy is to distribute at least 95.0 per cent of its Taxable Income for FY2007 and thereafter, to distribute at least 90.0 per cent of its Taxable Income, comprising substantially net rental income from the letting of the Existing Properties and other such properties in Singapore as may be owned by K-REIT Asia and incidental property-related service income as adjusted for Singapore income tax purposes, but would not include gains or losses from the disposal of the Existing Properties and other such properties in Singapore (if any).

As a result of the Acquisition, K-REIT Asia's income available for distribution comprises Taxable Income, Tax Exempt Income and Taxed Income (the "**Distributable Income**"). The Manager intends therefore to distribute at least 95.0 per cent of the Distributable Income for FY2007 and thereafter, to distribute at least 90.0 per cent of the Distributable Income. The actual level of distribution however, will be determined at the Manager's discretion.

K-REIT Asia distributions may also include a capital component from the return of shareholders' loan. The Manager will at its discretion, direct the Trustee to distribute gains arising from sales of properties, but only if the funds are surplus to the business requirements and needs of K-REIT Asia. Such gains, if not distributed, will form part of the Deposited Property.

Further details of K-REIT Asia's Distributable Income and certain tax considerations are set out in APPENDIX G of this Circular.

8. THE PROPOSED ISSUE OF CONVERTIBLE BONDS

8.1 Overview of the Issue of Convertible Bonds

The Manager proposes to issue the Convertible Bonds of 5-year maturity with an aggregate principal amount of up to S$400 million to institutional and other investors. The actual amount to be issued will depend on the then prevailing market conditions. Should the Manager decide that alternate methods of financing would be more viable, the Convertible Bonds may not be issued.

The Convertible Bonds are expected to pay coupon from their issue date. They are expected to have a tenor of 5 years with the bondholders having the option to redeem the bonds after 3 years from the date of issue. The bonds are convertible into Units in K-REIT Asia during a period and at a premium to be determined by the arranger(s) for the Issue of the Convertible Bonds and K-REIT Asia. The Conversion Units will rank *pari passu* in all respects with all other then existing Units as at the conversion date and will entitle the holders thereof to receive all future distributions which are declared, made or paid after the date of allotment of such Conversion Units.

Unless previously redeemed, converted or purchased and cancelled, the Convertible Bonds will be redeemed on the maturity date at 100 per cent of their principal amount. The Manager expects the Convertible Bonds to be issued at 100 per cent of their principal amount.

The Convertible Bonds will constitute direct, unsubordinated, unconditional and unsecured obligations of the issuer on their issue. Unless and until Bondholders acquire the Conversion Units upon conversion of the Convertible Bonds, the bondholders will have no rights with respect to the Conversion Units, including any voting rights or rights to receive any regular dividends or other distributions with respect to the Units.

Based on an illustrative aggregate principal amount of S$400 million and an illustrative conversion price of S$3.38 for each Conversion Unit (which represents a 30.0 per cent conversion premium to an illustrative unit price of S$2.60), assuming no adjustments to the conversion price, approximately 118.3 million Conversion Units will be issued pursuant to full conversion of the Convertible Bonds.

The conversion premium and coupon rate at launch will be determined between the Manager and the arranger(s) for the Issue of Convertible Bonds closer to the date of commencement of the Issue of Convertible Bonds, having regard to the then prevailing market conditions. As such, the actual number of Conversion Units to be issued pursuant to full conversion of the Convertible Bonds will depend on the conversion price.

By approving the Issue of the Convertible Bonds, the Unitholders would be deemed to have approved the terms of the Convertible Bonds, together with the terms which are incidental or ancillary to such terms, and the issue of Conversion Units upon conversion of the Convertible Bonds.

The terms and conditions of the Convertible Bonds described in this Circular are indicative only, the actual terms and conditions are subject to change, depending on the market conditions at the time of issue. As such, the actual terms and conditions of the Convertible Bonds may differ materially from the indicative terms and conditions described in this Circular.

8.2 Rationale for the Issue of Convertible Bonds

Given K-REIT Asia's relatively conservative aggregate leverage and the potential lower funding costs, the Directors consider the combination of the proposed Issue of Convertible Bonds and Equity Fund Raising to be an efficient method of raising funds in relation to the Acquisition as it allows K-REIT Asia to diversify its investor base and optimise its capital structure.

8.3 Use of Proceeds

The Manager intends to issue such number of Convertible Bonds so as to raise up to an aggregate principal amount of S$400 million to finance the Loan Consideration component of the Aggregate Consideration, in full or in part and the balance thereof (if any) will be utilised towards the Total Acquisition Cost.

8.4 Costs of the Issue of Convertible Bonds

If the Manager proceeds with the Issue of Convertible Bonds based on the aggregate principal amount of S$400 million, the Manager estimates that K-REIT Asia will have to bear costs and expenses of approximately S$7.0 million in relation to fees payable to the arranger(s) of the Issue of Convertible Bond and any other professional fees and expenses.

9. THE KEPPEL LAND PLACEMENT

9.1 The Keppel Land Placement

To demonstrate its commitment to K-REIT Asia and to align its interests with the other Unitholders, Keppel Land Group will subscribe for up to such number of New Units under the Equity Fund Raising at the Issue Price so as to maintain its proportionate unitholding, in percentage terms, of the total number of Units in issue immediately prior to the Equity Fund Raising.

As Keppel Land is a substantial unitholder, specific approval of the Unitholders is required for Keppel Land Placement under Rule 812(2) of the Listing Manual.

A placement of New Units to Keppel Land Group (as controlling Unitholders) would also constitute an interested person transaction under Chapter 9 of the Listing Manual. As such, if the New Units are placed to Keppel Land Group in such numbers as to maintain its proportionate unitholding, in percentage terms, of the total number of Units in issue immediately prior to the Equity Fund Raising, there is a possibility (depending on the actual issue price) that the value of New Units placed to Keppel Land Group exceeds 5.0 per cent of the value of K-REIT Asia's latest audited NAV. In such circumstances, Rule 906 of the Listing Manual also requires that Unitholders' approval be obtained for the placement of New Units to Keppel Land Group.

For the avoidance of doubt, Keppel Land Group will not be subscribing for the Convertible Bonds.

9.2 Rationale for the Keppel Land Placement

The Manager is of the view that Keppel Land Group should be permitted to subscribe for the New Units under the Keppel Land Placement so that its level of unitholdings in percentage terms is not diluted because of the Equity Fund Raising.

The Manager believes that, notwithstanding that Keppel Land is a Substantial Unitholder, Keppel Land should be given the opportunity to subscribe for additional Units under the Keppel Land Placement so as to maintain its respective proportionate unitholding, in percentage terms, at the pre-placement level, of the total number of Units in issue immediately prior to the Equity Fund Raising, since other Unitholders may also subscribe for additional Units.

In addition, the Manager believes that maintaining the proportionate unitholding of the Keppel Land Group will provide a degree of stability to K-REIT Asia as an investment vehicle. The Manager further believes that the Keppel Land Placement would also provide a greater degree of certainty of success in K-REIT Asia's fund raising exercise and thus further promote investor confidence in K-REIT Asia. The Keppel Land Placement is a condition precedent to the Acquisition in the Share Purchase Agreement. For the avoidance of doubt, Keppel Land will not be subscribing for the Convertible Bonds.

9.3 Audit Committee Statement

The audit committee of the Manager (the "**Audit Committee**") is of the view that the Keppel Land Placement is on normal commercial terms, and is not prejudicial to the interests of K-REIT Asia and its minority unitholders. Mrs Lee Ai Ming has abstained from any deliberation of the Audit Committee on the Keppel Land Placement as she is an independent director of both K-REIT Asia and Keppel Land.

10. THE GENERAL MANDATE

10.1 The General Mandate

The Manager seeks the approval of Unitholders for a general mandate under Rule 887 of the Listing Manual for the issue of additional new Units and/or Convertible Securities in FY2007 without the prior specific approval of Unitholders in a general meeting, provided that such number of additional new Units and Convertible Securities does not exceed 50.0 per cent of the Units in issue immediately upon the completion of the Equity Fund Raising, taking into account the New Units issued under the Equity Fund Raising, of which the aggregate number of additional new Units and Convertible Securities issued other than on a pro rata basis to existing Unitholders shall not be more than 20.0 per cent of the Units in issue immediately upon the completion of the Equity Fund Raising, taking into account the New Units issued under the Equity Fund Raising.

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

Where the terms of the issue of the Convertible Securities provide for adjustment to the number of warrants or other Convertible Securities in the event of rights, bonus or other capitalisation issues, K-REIT Asia may issue additional Convertible Securities notwithstanding that the General Mandate may have ceased to be in force at the time the Convertible Securities are issued, provided that the adjustment does not give the holder of such Convertible Securities a benefit that a Unitholder does not receive.

10.2 Rationale for the General Mandate

Under Rule 887 of the Listing Manual, an issue of new Units and/or Convertible Securities (together with any other issue of Units in the same financial year) may not exceed 10.0 per cent of the number of Units in issue without Unitholders' approval.

As at the Latest Practicable Date, the Manager has issued a total of 1,088,487 new Units (or 0.45 per cent of the Units in issue) in the current financial year. As such, the General Mandate will be necessary in order for the Manager to continue to align its interests with the Unitholders by receiving 100 per cent of its management fees in respect of the period from 1 July 2007 to 30 September 2007 in the form of Units. Further, in the event that the Acquisition is approved, as the Acquisition will constitute an "interested party transaction" under the Property Fund Guidelines (see "Interested Person Transaction and Interested Party Transaction" in paragraph 4.3.2 above for further details), the Property Fund Guidelines require the acquisition fee of approximately S$9.4 million (being 1.0 per cent of the Aggregate Consideration) payable to the Manager to be in the form of Units which shall not be sold within one year from their date of issuance.

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

Notwithstanding the General Mandate, K-REIT Asia will nonetheless be required to make an announcement and/or convene a meeting of Unitholders should an acquisition result in the relevant thresholds in Chapter 9 of the Listing Manual relating to "interested person transactions", the relevant thresholds in the Property Fund Guidelines relating to "interested party transactions" and/or the relevant thresholds in Chapter 10 of the Listing Manual relating to "discloseable transactions" and "major transactions" being exceeded.

11. THE FEES SUPPLEMENT

11.1 Rationale for the Fees Supplement

At present, K-REIT Asia does not hold any of its investments through any special purpose vehicles. However, pursuant to the Acquisition, K-REIT Asia will hold its investment in the Property through its one-third interest in ORQPL. Furthermore, in the future, K-REIT Asia may also wish to consider holding its then existing investments or new acquisitions through the use of special purpose vehicles, which may be wholly or partly owned by K-REIT Asia.

The Manager proposes to supplement the Trust Deed for the purpose of facilitating the use of special purpose vehicles by K-REIT Asia to hold investments by (a) providing the Manager with the option to elect to receive its base fee, performance fee, acquisition fee and divestment fee under the Trust Deed from K-REIT Asia, the special purpose vehicle or a combination of both; and (b) the calculation of the Trustee's and the Manager's fees on the same basis as if the investments, or the pro-rated share of the investments in the case where the interest of K-REIT Asia in the special purpose vehicle is partial, had been held directly by the Trustee. The Manager believes that this will give it more flexibility in structuring acquisitions of properties.

(See APPENDIX H of this Circular for the proposed amendments to the Trust Deed)

12. RECOMMENDATIONS

12.1 On the Acquisition

Based on the opinion of the IFA (as set out in the IFA Letter in APPENDIX E of this Circular), Prof. Tsui Kai Chong, Mrs. Lee Ai Ming, Mr. Lim Poh Chuan and Dr. Chin Wei-Li, Audrey Marie, being the Independent Directors, believe that the Acquisition, the Restated Shareholders' Agreement, the Deed of Income Support and the ORQ Asset Management Agreement are based on normal commercial terms and would not be prejudicial to the interests of K-REIT Asia and its Unitholders.

Having regard to the rationale for the Acquisition set out in paragraph 2.2, the Independent Directors recommend that Unitholders vote in favour of the resolution relating to the Acquisition (Resolution 1). Prof. Tsui Kai Chong and Mrs. Lee Ai Ming have abstained from making this recommendation as they both are independent directors of K-REIT Asia and Keppel Land.

12.2 On the issue of New Units under the Equity Fund Raising

Given the current conditions in the Singapore stock market and the borrowing limit imposed by the MAS on property funds such as K-REIT Asia, the Directors consider the combination of the proposed Equity Fund Raising and the Issue of Convertible Bonds to be an efficient method of financing the Acquisition.

Accordingly, the Directors recommend that Unitholders vote in favour of the resolution relating to the issue of New Units under the Equity Fund Raising to finance the Acquisition (Resolution 2).

12.3 On the Issue of Convertible Bonds

Given K-REIT Asia's relatively conservative aggregate leverage and the potential lower funding costs, the Directors consider the combination of the proposed Issue of Convertible Bonds and Equity Fund Raising to be an efficient method of financing the Acquisition as it allows K-REIT Asia to diversify its investor base and optimise its capital structure.

Accordingly, the Directors recommend that Unitholders vote in favour of the resolution relating to the Issue of Convertible Bonds (Resolution 3).

12.4 On the Keppel Land Placement

Having regard to the rationale for the placement of New Units to Keppel Land Group under the Keppel Land Placement set out in paragraph 9.2 above, the Independent Directors are of the opinion that such a placement of New Units in connection with the Equity Fund Raising to Keppel Land Group would be on normal commercial terms and would not be prejudicial to the interests of K-REIT Asia or its minority Unitholders.

Accordingly, the Independent Directors recommend that Unitholders vote in favour of the resolution relating to the Keppel Land Placement (Resolution 4). Prof. Tsui Kai Chong and Mrs. Lee Ai Ming have abstained from making this recommendation as they both are independent directors of K-REIT Asia and Keppel Land.

12.5 On the General Mandate

Having regard to the rationale for the General Mandate set out in paragraph 10.2 above, the Manager believes that the General Mandate would be beneficial to, and is in the interests of, K-REIT Asia.

Accordingly, the Directors recommend that Unitholders vote in favour of the resolution relating to the General Mandate (Resolution 5).

12.6 On the Fees Supplement

Based on the rationale for the Fees Supplement set out in paragraph 11.1 above, the Independent Directors are of the opinion that the Fees Supplement would be on normal commercial terms and would rationalise the management fees payable to the Trustee and the Manager, the trustee whether the assets are held directly by K-REIT Asia or indirectly through a special purpose vehicle.

Accordingly, the Independent Directors recommend that Unitholders vote in favour of the resolution relating to the Fees Supplement (Resolution 6).

13. EXTRAORDINARY GENERAL MEETING

The EGM will be held at Four Seasons Hotel Singapore, Four Seasons Ballroom, 2nd floor, 190 Orchard Boulevard, Singapore 248646, at 2.30 p.m. on 11 October 2007 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 each of these resolutions. Approval by way of an Extraordinary Resolution of Unitholders is required in respect of the resolutions relating to the issue of New Units under Equity Fund Raising, the Issue of Convertible Bonds and the Fees Supplement (Resolutions 2, 3 and 6), and by way of an Ordinary Resolution in respect of each of the other resolutions proposed to be passed at the EGM.

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 the Central Depository (Pte) Limited (the "**CDP**") as at 48 hours before the EGM.

14. PROHIBITION ON VOTING

Rule 919 of the Listing Manual prohibits interested persons and their associates (as defined in the Listing Manual) from voting on a resolution in relation to a matter in respect of which such persons are interested in at the EGM. As Temasek, Keppel Corporation and Keppel Land are interested in the resolution relating to the Acquisition and the Keppel Land Placement, Temasek, Keppel Corporation, Keppel Land, their subsidiaries and associates are prohibited from voting on these resolutions (Resolutions 1 and 4).

Under Rule 812(2) of the Listing Manual, Temasek, Keppel Corporation, Keppel Land, their subsidiaries and associates are prohibited from voting on the resolution relating to the Keppel Land Placement (Resolution 4).

The Manager, Temasek, Keppel Corporation, Keppel Land, their subsidiaries and associates will abstain from voting on the resolution relating to the Fees Supplement (Resolution 6).

15. ACTION TO BE TAKEN BY UNITHOLDERS

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

If a Unitholder is unable to attend the EGM and wishes to appoint a proxy to attend and vote on his behalf, he should complete, sign and return the enclosed Proxy Form in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the registered office of the Manager at 1 HarbourFront Avenue, #18-01 Keppel Bay Tower, Singapore 098632 not later than 2.30 p.m. on 9 October 2007, 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 one or more of the resolutions must decline to accept appointment as proxies unless the Unitholder concerned has specific instructions in his Proxy Form as to the manner in which his votes are to be cast in respect of such resolutions.

16. DIRECTORS' RESPONSIBILITY STATEMENT

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

The forecast and projected financial information set out in paragraph 6 above and in APPENDIX B of this Circular have been stated by the Directors after due and careful enquiry.

17. JOINT FINANCIAL ADVISERS, UNDERWRITERS AND BOOKRUNNERS' RESPONSIBILITY STATEMENT

The Joint Financial Advisers, Underwriters and Bookrunners, being DBS Bank and UBS, confirm that, having made all reasonable enquiries and to the best of their knowledge and belief, based on information made available by the Manager, the information about the Equity Fund Raising contained in paragraph 7 above of this Circular constitutes true disclosure of all material facts about the Equity Fund Raising as at the date of this Circular and that there are no material facts the omission of which would make any statement about the Equity Fund Raising contained in the said paragraphs misleading in any material respect as at the date of this Circular.

18. CONSENTS

Each of the Independent Accountants, the Independent Valuers, the Independent Market Consultant and the IFA has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name and, respectively, the Independent Accountants' Report on the Profit Forecast and Profit Projection, the Valuation Certificates, the Independent Office Market Review and the IFA Letter, and all references thereto, in the form and context in which they are included in this Circular.

19. DOCUMENTS ON DISPLAY

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

- the full valuation report on One Raffles Quay issued by Knight Frank;
- the full valuation report on One Raffles Quay issued by CBRE;
- the Share Purchase Agreement;
- the Deed of Income Support;
- ORQ Asset Management Agreement;
- the Independent Accountants' Report on the Profit Forecast and Profit Projection;
- the IFA Letter;
- the Audited Financial Statements; and

[18] Prior appointment will be appreciated.

- the written consents of each of the Independent Accountants, the Independent Market Consultant, the Independent Valuers and the IFA.

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

Yours faithfully

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

Tan Swee Yiow
Chief Executive Officer and Director

GLOSSARY

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

Acquisition	:	The proposed acquisition by K-REIT Asia of a one-third interest in the Property through the acquisition of one-third of the issued share capital of ORQPL from Boulevard and the assignment to K-REIT Asia of Boulevard's rights, title and interest in the shareholder's loan to ORQPL together with all accrued but unpaid interest (if any), for the Aggregate Consideration
Adjusted NTA Value	:	The adjusted net tangible asset value of ORQPL
Advanced Distribution	:	A distribution of the Taxable Income for the period from 1 July 2007 to and including the day immediately prior to the date on which the New Units are issued, in lieu of the scheduled semi-annual distribution
Aggregate Consideration	:	The aggregate consideration payable to Boulevard for the Acquisition, comprising the Share Consideration and the Loan Consideration
Agreed Value	:	An agreed market value of the one-third interest in the Property, inclusive of provision of income support under the Deed of Income Support, of S$941.5 million
ATM Offering	:	The proposed offering of New Units to the public in Singapore through automated teller machines of DBS Bank (including POSB) under the Equity Fund Raising on a "first-come, first-served" basis
Audit Committee	:	The audit committee of the Manager, comprising Mrs Lee Ai Ming, Mr. Lim Poh Chuan and Dr. Chin Wei-Li, Audrey Marie
Audited Financial Statements	:	The audited financial statements of K-REIT Asia for the financial period from 28 November 2005 to 31 December 2006
Blossom Assets	:	Blossom Assets Limited, a special purpose company
Blossom Assets Loan Facilities	:	Loan facilities amounting to S$190.1 million granted by Blossom Assets
Boulevard	:	Boulevard Development Pte Ltd
Bridging Loan	:	S$400 million short-term unsecured loan facilities from one or more financial institutions
Bugis Junction Towers	:	The 100 per cent 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
Capital Distributions	:	Proceeds from the repayment of shareholder's loans or a return of capital from ORQPL as capital returns
CBD	:	Central Business District
CBRE	:	CB Richard Ellis (Pte) Ltd
CDP	:	The Central Depository (Pte) Limited
CKH China Enterprises	:	CKH China Enterprises Limited

Cheung Kong	:	Cheung Kong (Holdings) Limited
Comina	:	Comina Investment Limited
Companies Act	:	Companies Act (Chapter 50) of Singapore and any statutory modification or re-enactment thereof
Completion	:	The completion of the Acquisition
Completion Date	:	The date on which New Units issued under the Equity Fund Raising are listed on the SGX-ST (or such other date as Boulevard, the Trustee and the Guarantor may agree in writing)
Convertible Bonds	:	Convertible bonds to be issued by K-REIT Asia, which are interest-bearing and convertible into Conversion Units, to raise an aggregate principal amount of up to S$400 million
Convertible Securities	:	As defined in the Listing Manual to be convertible equity securities or convertible debt securities
Conversion Units	:	The new Units to be issued upon conversion of the Convertible Bonds
Current Distribution Period	:	1 July 2007 to 31 December 2007 (both dates inclusive)
DBS Bank	:	DBS Bank Ltd
Deed of Income Support	:	The deed of income support dated 30 July 2007 made between Boulevard, the Guarantor and the Trustee
Deposited Property	:	The gross assets of K-REIT Asia, including the Existing Properties and all its authorised investments held or deemed to be held upon the trusts constituted under the Trust Deed
Directors	:	The directors of the Manager
Distributable Income	:	Comprising Taxable Income, Tax Exempt Income and Taxed Income
DPU	:	Distribution per Unit
DTZ	:	DTZ Debenham Tie Leung (SEA) Pte Ltd
EGM	:	The extraordinary general meeting of Unitholders to be held at 2.30 p.m. on 11 October 2007 at Four Seasons Hotel Singapore, Four Seasons Ballroom (2nd floor), 190 Orchard Boulevard, Singapore 248646, to approve the matters set out in the Notice of Extraordinary General Meeting on pages I-1 to I-3 of this Circular
Enlarged Portfolio	:	Comprises the Existing Properties and the ORQ Interest
Equity Fund Raising	:	The proposed offer and placement of such number of New Units so as to raise gross proceeds of up to approximately S$966.5 million, less the aggregate principal amount to be raised by way of Convertible Bonds, in order to part-finance the Transaction
Existing Properties	:	Prudential Tower Property, Keppel Towers and GE Tower, and Bugis Junction Towers, and "**Existing Property**" means any one of them

Extraordinary Resolution	:	A resolution proposed and passed as such by a majority consisting of 75.0 per cent 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
Fees Supplement	:	The proposed supplement to the Trust Deed in connection with the payment of fees to the Trustee and the Manager in respect of investments held through special purpose vehicles
Forecast Period	:	1 October 2007 to 31 December 2007
Freyland	:	Freyland Pte Ltd
FY	:	The financial year ended or ending 31 December
GDP	:	Gross domestic product
General Mandate	:	The proposed general mandate to be given to the Manager for the issue of additional new Units and/or Convertible Securities in FY2007 without the prior specific approval of Unitholders in a general meeting, provided that such number of additional new Units and Convertible Securities does not exceed 50.0 per cent of the Units in issue immediately upon the completion of the Equity Fund Raising, taking into account the New Units issued under the Equity Fund Raising, of which the aggregate number of additional new Units and Convertible Securities issued other than on a pro rata basis to existing Unitholders shall not be more than 20.0 per cent of the Units in issue immediately upon the completion of the Equity Fund Raising, taking into account the New Units issued under the Equity Fund Raising
GFA	:	Gross floor area
Gross Rent	:	Consists of base rental income (after rent rebates, rent-free periods, and adjustments, where applicable, but excluding turnover rent) and tenant service charge, if any, which is a contribution paid by tenants towards the Property Expenses of each Property and in respect of ORQPL, means all rental income (after deduction of rent rebates, rent-free periods and adjustments, where applicable, but excluding turnover rent) and tenant service charges, if any which is contribution paid by tenants towards property expenses, received by ORQPL from the operation of One Raffles Quay
Gross Revenue	:	In respect of One Raffles Quay, means all rents, premiums, license fees, service charges and other income or revenue derived from all rights of occupation or use of One Raffles Quay (comprising recoveries from tenants, licensees and concessionaires for utilities and other services and other income including, without limitation, car park revenues attributable to the operation of One Raffles Quay) and the proceeds of any payment under any insurance policy against loss of rent or other income from One Raffles Quay but excluding receipts of a capital nature and bad debts
Group Company	:	ORQPL and each of its subsidiaries
Guarantor	:	Keppel Land Properties Pte Ltd

Hongkong Land	:	Hongkong Land Limited
Hongkong Land International	:	Hongkong Land International Holdings Limited
IFA or Independent Financial Adviser	:	KPMG Corporate Finance Pte Ltd
IFA Letter	:	The letter issued by the IFA annexed as APPENDIX E of this Circular
Income Support Top-up Payments	:	The top-up payments from Boulevard to the Trustee amounting to the Quarterly Shortfall during the period commencing on 1 October 2007 and ending 31 December 2011
Independent Accountants	:	Ernst & Young
Independent Directors	:	The non-executive independent directors of the Manager as at the date of this Circular, unless the context otherwise requires
Independent Valuers	:	Knight Frank and CBRE
IRAS	:	Inland Revenue Authority of Singapore
Issue Date	:	The date on which the New Units are issued under the Equity Fund Raising
Issue of Convertible Bonds	:	The proposed issue of Convertible Bonds to finance (i) the Loan Consideration component of the Aggregate Consideration in full or in part, and (ii) the balance thereof (if any) towards the Total Acquisition Cost
Issue Price	:	The price per New Unit, which will be determined by the Manager and the Joint Financial Advisers, Underwriters and Bookrunners closer to the date of commencement of the Equity Fund Raising
Joint Financial Advisers, Underwriters and Bookrunners	:	DBS Bank and UBS
Keppel Corporation	:	Keppel Corporation Limited
Keppel Group	:	Keppel Corporation Limited and its subsidiaries
Keppel Land	:	Keppel Land Limited
Keppel Land Group	:	Keppel Land Limited and its subsidiaries
Keppel Land Placement	:	The proposed placement of New Units to Keppel Land Group
Keppel Towers and GE Tower	:	The 100 per cent interest in the whole of Lot 99227M TS 23, Lot 99226C TS 23, Lot 99223N TS 23, Lot 99222K TS 23, Lot 99219K TS 23, Lot 99218A TS 23, Lot 99180A TS 23, Lot 99179N TS 23, Lot 99178K TS 23, Lot 99176T TS 23, Lot 99175P TS 23, Lot 990K TS 23 and Lot 691A TS 23 comprising CT Vol. 373 Fol. 29 to 36, CT Vol. 422 Fol. 66 and CT Vol. 270 Fol. 127, together with the buildings known as “Keppel Towers and GE Tower” at 10 Hoe Chiang Road Singapore 089315 and 240 Tanjong Pagar Road Singapore 088540, respectively
Knight Frank	:	Knight Frank Pte Ltd
Latest Practicable Date	:	12 September 2007, being the latest practicable date prior to the printing of this Circular

Listing Manual	:	The Listing Manual of the SGX-ST
Loan Consideration	:	A component of the Aggregate Consideration, being a cash sum equal to the Vendor's Loan
Manager	:	K-REIT Asia Management Limited
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
Maximum Sum	:	The maximum amount of Income Support Top-Up payments for any quarterly period, which shall not in any event exceed S$8 million
NAV	:	Net asset value
Net Property Income or NPI	:	Comprises Property Income less Property Expenses
New Units	:	The Units to be issued under the Equity Fund Raising
North Tower	:	The 50-storey office tower with approximately 675,895 sq ft (71,154 sq m) of Net Lettable Area
Net Lettable Area or NLA	:	Area in the strata lots in a building that is to be leased, excluding common areas such as common corridors, lift shafts, fire escape staircases and toilets, and is usually the area in respect of which rent is payable
NTA	:	Net tangible assets
One Raffles Quay or ORQ	:	The building known as One Raffles Quay erected on the whole of Lot 175C of Town Subdivision 30 (excluding the subterranean space below it known as Lot 80002A of Town Subdivision 30), and the whole of the subterranean space below Lot 175C of Town Subdivision 30 known as Lot 80002A of Town Subdivision 30 for a term of 99 years commencing from 13 June 2001
One-Tier System	:	Singapore's one-tier corporate tax system
Ordinary Resolution	:	A resolution proposed and passed as such by a majority being greater than 50.0 per cent 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	:	A one-third interest in the Property
ORQ Asset Management Agreement	:	The asset management agreement dated 31 August 2007 made between ORQPL and the ORQ Property Manager relating to the provision of asset management services in respect of the Property
ORQ Property Manager	:	Raffles Quay Asset Management Pte Ltd
ORQ Property Manager Restructuring	:	The transfer of the share capital of the ORQ Property Manager from ORQPL to Hongkong Land (Singapore) Pte Ltd, Charm Aim International Limited and K-REIT Asia Property Management Pte Ltd
ORQPL	:	One Raffles Quay Pte Ltd

Private Placement	:	The proposed placement of New Units to institutional and other investors under the Equity Fund Raising
Projection Year	:	Financial year ending 31 December 2008
Property	:	One Raffles Quay
Property Expenses	:	All costs and expenses incurred by K-REIT Asia in the operation, maintenance, management and marketing of its properties as defined in accordance with the provisions of the Trust Deed
Property Funds Guidelines	:	The property funds guidelines for real estate investment trusts issued by the MAS as Appendix 2 to the Code on Collective Investment Schemes
Property Income	:	Means in relation to real estate, all income accruing or resulting from operations in real estate business, and in relation to real estate-related assets, all interest, dividends and distributions derived from such assets, as defined in accordance with the provisions of the Trust Deed
Prudential Tower	:	The building known as "Prudential Tower" located at 30 Cecil Street, Singapore 049712
Prudential Tower Property	:	The approximately 44.4 per cent interest held in the Prudential Tower building comprised in the whole of Strata Lots U403C TS 1, 405W TS 1, U404M TS 1, U414N TS 1, U406V TS 1, U415X TS 1, U407P TS 1, U416L TS 1, U408T TS 1, U417C TS 1, U409A TS 1, U418M TS 1, U410P TS 1, U419W TS 1, U420C TS 1, U412A TS 1, U421M TS 1, U413K TS 1, U423V TS 1 and U422W TS 1, comprising SSCT Vol. 589 Fol. 161 to 168 and Fol. 170 to 181
Quarterly Shortfall	:	One-third of the difference between the Net Property Income and the guaranteed income amount for each of the calendar quarters during the period commencing on 1 October 2007 and ending on 31 December 2011
REIT	:	Real Estate Investment Trust
Restated Shareholders' Agreement	:	The restated shareholders' agreement which will govern the rights and duties between the shareholders of ORQPL upon the completion of K-REIT Asia's acquisition of one-third of the issued share capital of ORQPL
Retained Taxable Income	:	Taxable Income that is not distributed in the year the income is earned
S$ and cents	:	Singapore dollars and cents
Sale Shares	:	One-third of the total issued share capital of ORQPL held by Boulevard
SGX-ST	:	Singapore Exchange Securities Trading Limited
Share Consideration	:	A component of the Aggregate Consideration, being a sum equal to one-third of the Adjusted NTA Value as at the Completion Date

Share Purchase Agreement	:	The conditional share purchase agreement dated 30 July 2007 made between the Trustee, Boulevard and the Guarantor in connection with the Acquisition
Shareholders	:	The parties to the Restated Shareholders' Agreement as shareholders of ORQPL
Shareholders' Agreement	:	The shareholders' agreement dated 28 March 2001 made between Freyland, Comina, Boulevard, Hongkong Land International, CKH China Enterprises, the Guarantor and ORQPL governing the rights and duties between Freyland, Comina and Boulevard as shareholders of ORQPL
SIC	:	Securities Industry Council
South Tower	:	The 29-storey office tower with approximately 565,654 sq ft (52,551 sq m) of Net Lettable Area
sq ft	:	Square foot/feet
sq m	:	Square metre(s)
Substantial Unitholder	:	A person with an interest in one or more Units constituting not less than 5.0 per cent of all Units in issue
Suntec REIT	:	Suntec Real Estate Investment Trust
Supported Net Property Income	:	Comprises Net Property Income and Income Support Top-up Payments received from Boulevard for the ORQ Interest
Takeover Code	:	Singapore Code on Take-overs and Mergers (as amended, modified or supplemented from time to time)
Tax Ruling	:	The tax ruling dated 10 November 2005 issued by the IRAS on the taxation of K-REIT Asia and the Unitholders
Tax-Exempt Income	:	Singapore-sourced one-tier dividend income receivable by K-REIT Asia from ORQPL
Taxable Income	:	Net rental income from the letting of the Existing Properties and other such properties in Singapore as may be owned by K-REIT Asia and incidental property related service income as adjusted for Singapore income tax purposes, and Income Support Top-up Payments in the event tax transparency treatment is awarded by the IRAS, but would not include gains or losses from the disposal of the Existing Properties and other such properties in Singapore (if any)
Taxed Income	:	Singapore-sourced interest income receivable by K-REIT Asia from ORQPL, and Income Support Top-up Payments in the event tax transparency treatment is awarded by the IRAS
Temasek	:	Temasek Holdings (Pte) Ltd
Total Acquisition Cost	:	Comprises the estimated Aggregate Consideration of S$941.5 million, the estimated fees and expenses of approximately S$11.5 million and stamp duty relating to the Acquisition, excluding, for the avoidance of doubt, the costs associated with the Equity Fund Raising and the cost of Issue of Convertible Bonds

Total Gross Proceeds	:	Total gross proceeds of up to S$966.5 million to be raised from the Equity Fund Raising and the Issue of Convertible Bonds
Transaction	:	Comprises the Acquisition, the Equity Fund Raising and the Issue of Convertible Bonds
Trust Deed	:	The trust deed dated 28 November 2005 entered into between the Trustee and the Manager constituting K-REIT Asia, as amended, varied, or supplemented from time to time
Trustee	:	RBC Dexia Trust Services Singapore Limited
UBS	:	UBS AG, acting through its business group, UBS Investment Bank
Unit	:	A unit representing an undivided interest in K-REIT Asia as provided in the Trust Deed
Unitholder	:	The registered holder for the time being of a Unit, including persons so registered as joint holder, except that where the registered holder is CDP, the term "Unitholder" shall, in relation to Units registered in the name of CDP, mean, where the context requires, the Depositor whose Securities Account with CDP is credited with Units
Valuation Certificates	:	The valuation certificates on the Property as attached as APPENDIX D of this Circular
Vendor's Loan	:	The principal amount of the shareholder's loan made by Boulevard to ORQPL together with all accrued but unpaid interest thereon (including default interest), as at the Completion Date

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

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

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

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

Any discrepancies in the tables, charts or diagrams between the listed figures and totals thereof in this Circular are due to rounding. Where applicable, figures and percentages are rounded off to one decimal place, figures expressed in '000 are rounded off to the nearest thousand and measurements in square metres ("**sq m**") are converted to square feet ("**sq ft**") and vice versa based on the conversion rate of 1 sq m = 10.7639 sq ft.

ONE RAFFLES QUAY AND THE EXISTING PROPERTIES

The following sections set out selected information in respect of One Raffles Quay and the Existing Properties. Certain risk factors relating to the Acquisition will be set out in the offer information statement to be issued in connection with the Equity Fund Raising.

This Circular contains certain information with respect to the trade sectors of the tenants of One Raffles Quay and the Existing Properties. The Manager has determined the trade sectors in which these tenants are primarily involved based upon the Manager's general understanding of the business activities conducted by these tenants in the premises occupied by them. The Manager's knowledge of the business activities of these tenants is necessarily limited and these tenants may conduct business activities that are in addition to, or different from, those shown herein.

1. ONE RAFFLES QUAY

One Raffles Quay is a prestigious landmark commercial development located in Singapore's CBD comprising the North Tower, the South Tower and a direct underground link to the Raffles Place MRT station. The North Tower and the South Tower are classified as trading and investment assets respectively.

With its underground link to the Raffles Place MRT station, One Raffles Quay enjoys excellent connectivity and accessibility along the North-South and East-West MRT lines. In addition, One Raffles Quay is also well-positioned to capitalise on the future growth of the Marina Bay area, including the proposed integrated resort, business and finance centre and other commercial and recreational developments in the area, given its proximity to Marina Bay.

One Raffles Quay has a tenant base comprising 26 office leases and 5 retail leases as well as a full occupancy rate, on a committed basis, for the North Tower and the South Tower (as at 30 June 2007). The major office tenants include ABN AMRO Asia Pacific Pte Ltd, Barclays PLC Singapore Branch, Credit Suisse, Deutsche Bank Aktiengesellschaft, Ernst & Young Services Pte Ltd and UBS AG.

Given its prime location, excellent accessibility, quality asset and blue chip tenant base, the Manager believes that the Acquisition provides enhanced stability and future income growth to K-REIT Asia's portfolio.

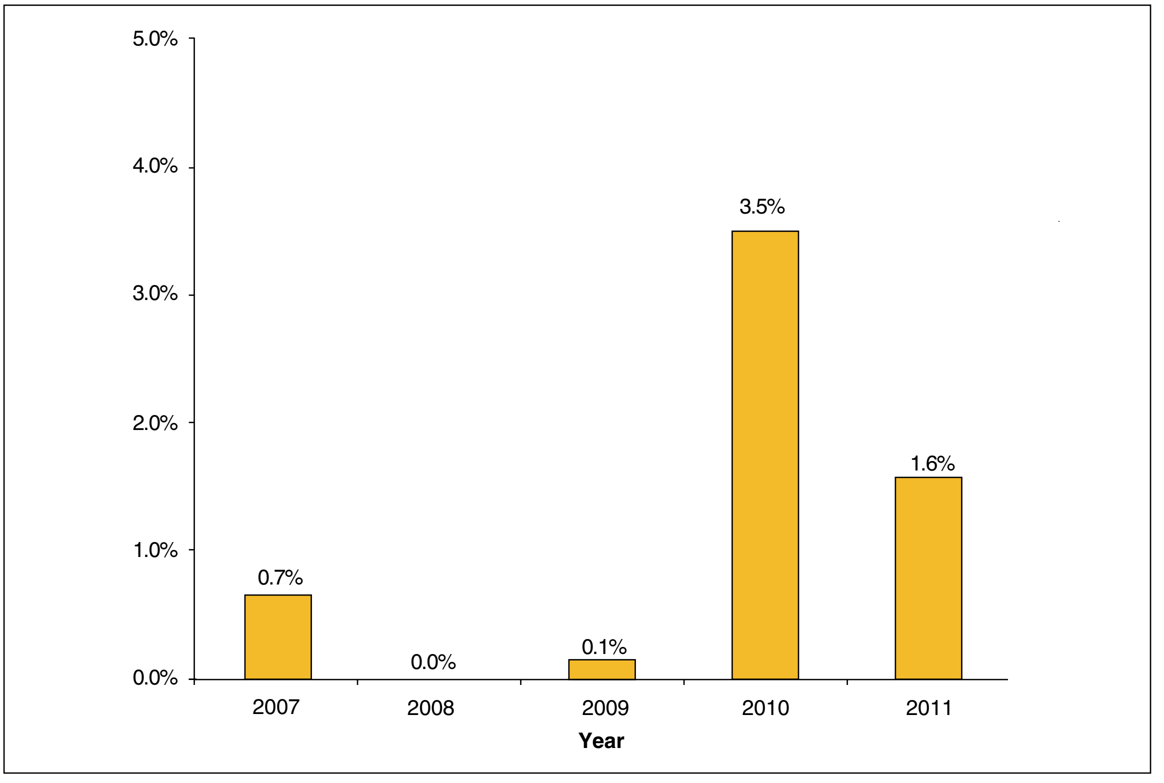
The table below sets out a summary of selected information on One Raffles Quay as at 30 June 2007:

Gross Floor Area (sq m)	148,468.0	
Net Lettable Area (sq m)	124,078.0	
Number of Tenants	31	
Car Park Lots	713	
Tenure	Leasehold estate of 99 years commencing 13 June 2001	
Committed Occupancy	100.0%	
ORQ Interest	**Forecast Period (1 October 2007 to 31 December 2007) (S$ million)**	**Projection Year (Financial year ending 31 December 2008) (S$ million)**
Property Income	6.1	28.1
Supported Net Property Income[(1)]	9.6	45.2

Note:
(1) Includes the Income Support Top-up Payments received by K-REIT Asia from Boulevard.

1.1 Lease Profile for One Raffles Quay (as at 30 June 2007)

The graph below illustrates the committed lease expiry profile of One Raffles Quay by Net Lettable Area up to 2011.

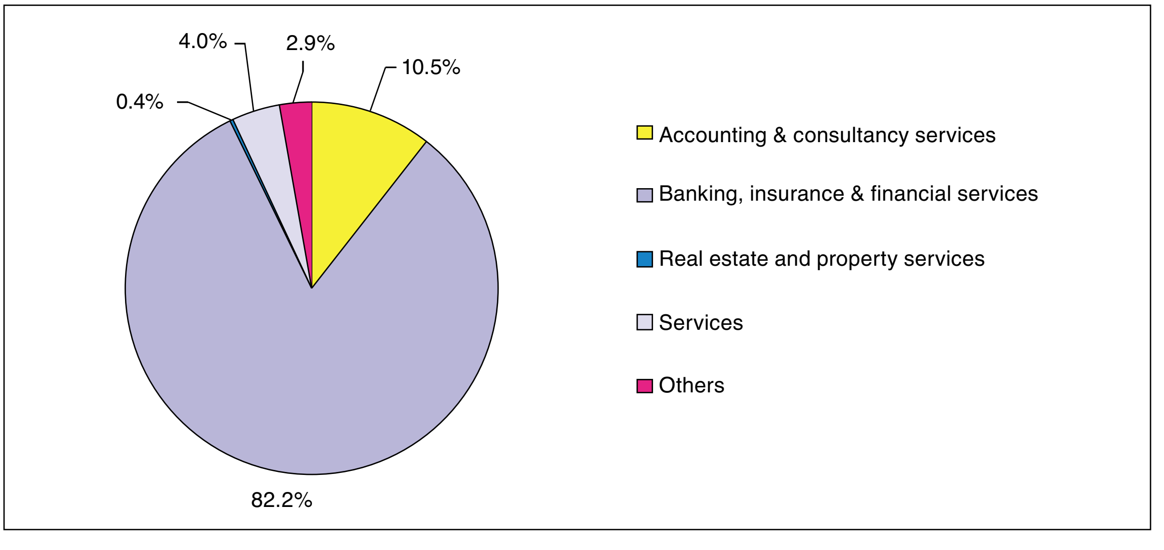


The table below illustrates the lease review (rent review) profile of One Raffles Quay by Net Lettable Area up to 2011.

Year	2007	2008	2009	2010	2011
NLA for rent review	0.0%	0.0%	7.2%	17.8%	24.8%

1.2 Trade Sector Analysis for One Raffles Quay (as at 30 June 2007)

The chart below provides a breakdown by Net Lettable Area of the different trade sectors represented in One Raffles Quay.



1.3 Top Ten Tenants Analysis for One Raffles Quay (as at 30 June 2007)

The table below sets out selected information about the top ten tenants of One Raffles Quay by Net Lettable Area.

Top Ten Tenants	% of Net Lettable Area
ABN AMRO Asia Pacific Pte Ltd	**87.5%**
Barclays PLC Singapore Branch	
Capital International Research and Management, Inc	
Credit Suisse	
Deutsche Bank Aktiengesellschaft	
Ernst & Young Services Pte Ltd	
Reuters Singapore Pte Ltd	
Societe General Bank & Trust Singapore Branch	
The Bank of Nova Scotia Singapore Branch	
UBS AG	
Other Tenants	**12.5%**
Total	**100.0%**

2. EXISTING PROPERTIES

The table below sets out selected information about the Existing Properties at 30 June 2007.

	Prudential Tower Property(1)	Keppel Towers and GE Tower	Bugis Junction Towers
Strata Floor Area (sq m)	10,250.0	N/A	27,724.0
Gross Floor Area (sq m)	N/A	52,946.0	N/A
Net Lettable Area (sq m)	10,074.0	40,014.0	22,990.0
Number of Tenants	14	69	12
Car Park Lots	N/A	288	N/A
Tenure	Leasehold estate of 99 years commencing 15 January 1996	Estate in fee simple	Leasehold estate of 99 years commencing 10 September 1990
Valuation (S$ million)(2)	152	444	219
Property Income (S$ million)			
26 April 2006 to 31 December 2006(3)	4.2	11.4	8.3
Forecast Period (1 October 2007 to 31 December 2007)	1.9	5.6	3.4
Projection Year (Financial year ending 31 December 2008)	10.2	24.8	13.2
Net Property Income (S$ million)			
26 April 2006 to 31 December 2006(3)	3.2	7.8	5.8
Forecast Period (1 October 2007 to 31 December 2007)	1.4	3.5	2.3
Projection Year (Financial year ending 31 December 2008)	8.1	17.6	9.3
Committed Occupancy	100.0%	99.3%	100.0%

Notes:

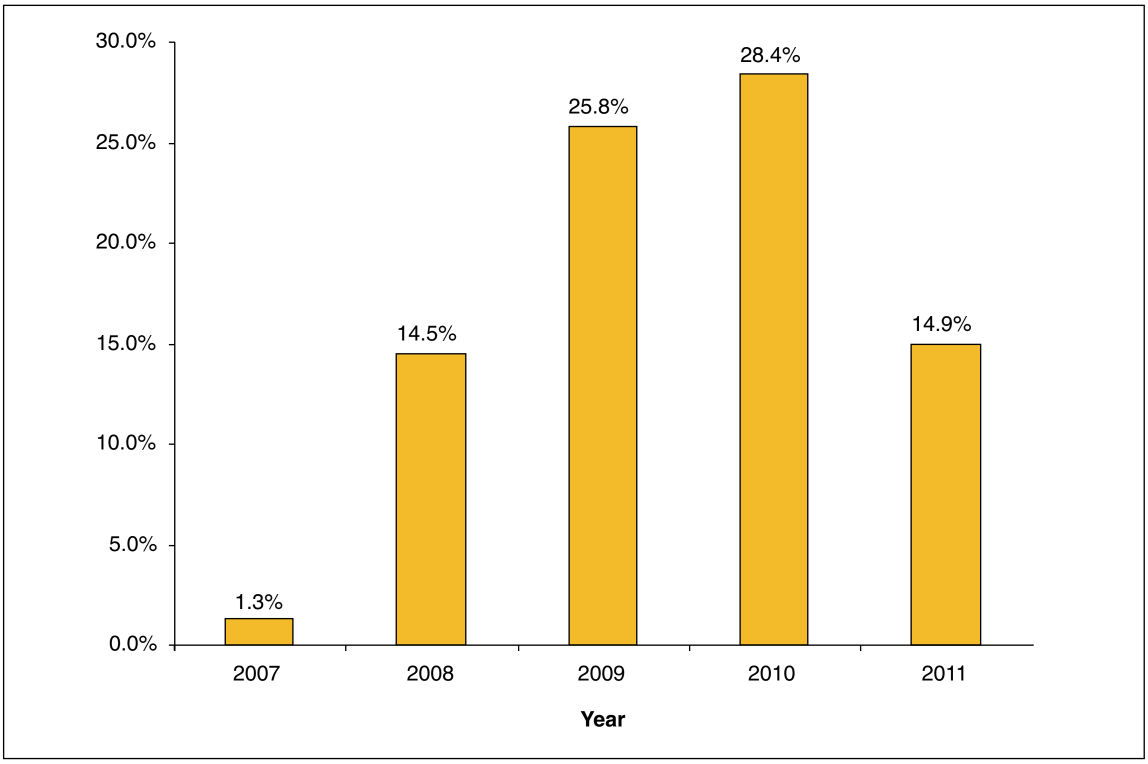
(1) K-REIT Asia owns approximately 44.4 per cent of the strata area of Prudential Tower.

(2) As at 31 July 2007.

(3) The acquisition of the Existing Properties was completed on 26 April 2006. As such, K-REIT Asia has no income and expenses for the period prior to 26 April 2006.

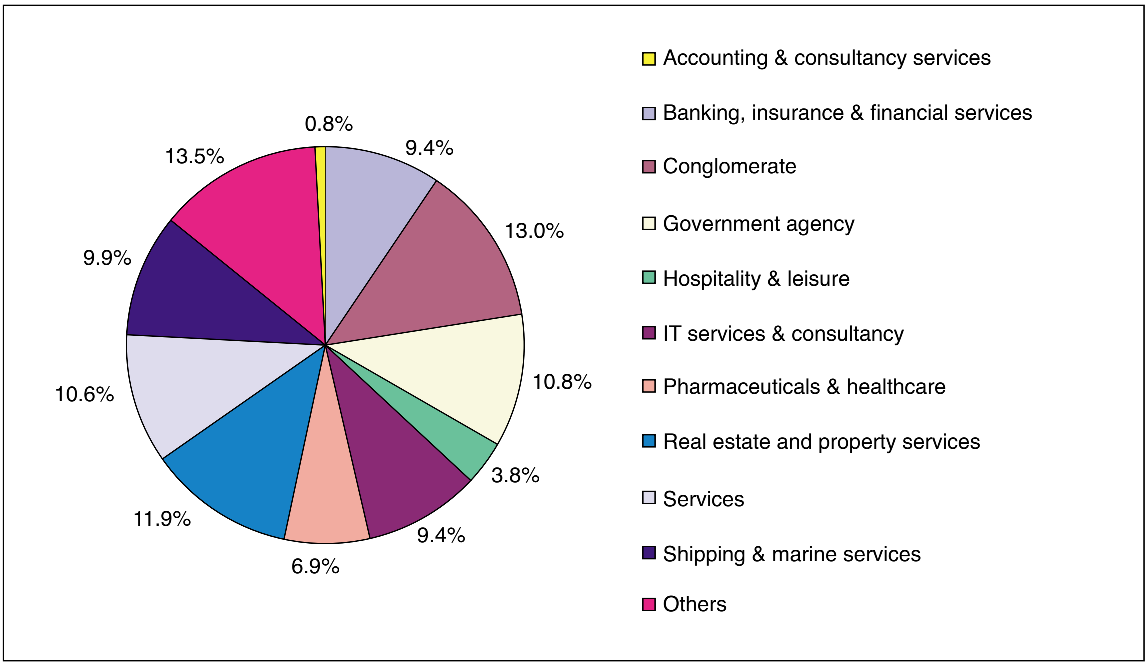
2.1 Lease Expiry Profile for the Existing Properties as at 30 June 2007

The graph below illustrates the committed lease expiry profile of the Existing Properties by Net Lettable Area up to 2011.



2.2 Trade Sector Analysis for Existing Properties as at 30 June 2007

The chart below provides a breakdown by Net Lettable Area of the different trade sectors represented in the Existing Properties.



2.3 Top Ten Tenants of the Existing Properties as at 30 June 2007

The table below sets out selected information about the top ten tenants of the Existing Properties by Net Lettable Area occupied.

Property	Top Ten Tenants	% of Net Lettable Area
Bugis Junction Towers	International Enterprise Singapore	**51.4%**
Bugis Junction Towers	Intercontinental Hotels Group (Asia Pacific) Pte Ltd	
Bugis Junction Towers	J.V. Fitness Pte Ltd	
Bugis Junction Towers	Keppel Land International Ltd	
Bugis Junction Towers	Prudential Assurance Company Singapore (Pte) Ltd	
GE Tower	GE Pacific Pte Ltd	
Keppel Towers	Seadrill Management (S) Pte Ltd	
Keppel Towers	Singapore Business Federation	
Prudential Tower	The Executive Centre	
Prudential Tower	The McGraw Hill Companies, INC	
	Other Tenants	**48.6%**
	Total	**100.0%**

3. ENLARGED PORTFOLIO (COMPRISING ONE RAFFLES QUAY AND THE EXISTING PROPERTIES)

The table below sets out selected information about the Enlarged Portfolio.

	ORQ	Existing Properties	Enlarged Portfolio
Gross Floor Area (sq m)	148,468.0	90,920.0(1)	140,409.3(2)
Net Lettable Area (sq m)	124,078.0	73,078.0	114,437.3(2)
Number of Tenants	31	95	126
Car Park Lots	713	288(3)	1,001
Committed Occupancy	100.0%	99.6%	99.8%(4)
Valuation (S$ million)	941.5(5)	815.0(6)	1,756.5
	Forecast Period (1 October 2007 to 31 December 2007) (S$ million)		
Property Income	6.1	10.9	17.0
Net Property Income(7)	9.6	7.2	16.8
	Projection Year (Financial year ending 31 December 2008) (S$ million)		
Property Income	28.1	48.2	76.3
Net Property Income(7)	45.2	35.0	80.2

Notes:

(1) Includes gross floor area of Keppel Towers/GE Tower and strata floor area of Prudential Tower and Bugis Junction Towers.

(2) As approximately one-third of the asset is held through shareholding, attributable GFA and NLA is about 49,489.3 sq m and 41,359.3 sq m respectively.

(3) Applicable to Keppel Towers and GE Tower only.

(4) Weighted average committed occupancy (as at 30 June 2007).

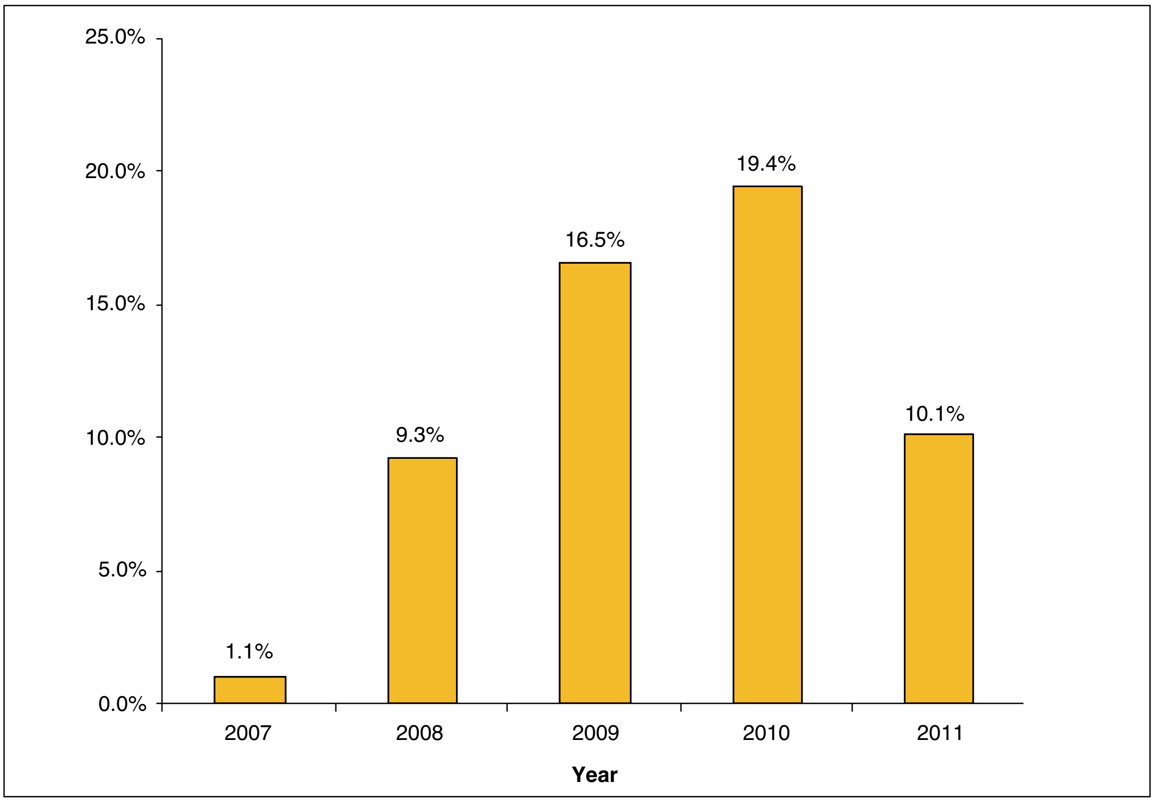
(5) For one-third interest in ORQ as at 2 July 2007.

(6) As at 31 July 2007.

(7) Includes Income Support Top-up Payments received by K-REIT Asia from Boulevard.

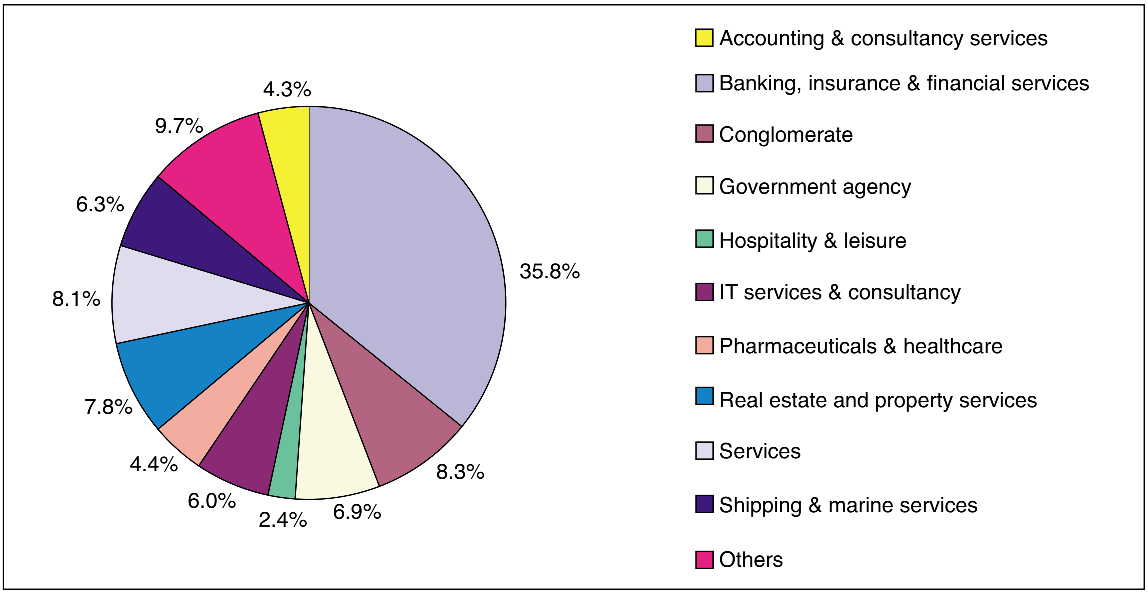
3.1 Lease Expiry Profile for the Enlarged Portfolio (as at 30 June 2007)

The graph below illustrates the committed lease expiry profile of the Existing Properties and the ORQ Interest by Net Lettable Area up to 2011.



3.2 Trade Sector Analysis for Enlarged Portfolio (as at 30 June 2007)

The chart below provides a breakdown by Net Lettable Area of the different trade sectors represented in the Existing Properties and the ORQ Interest.



3.3 Top Ten Tenants of the Existing Properties and One Raffles Quay (as at 30 June 2007)

The table below sets out selected information about the top ten tenants of the Existing Properties and the ORQ Interest by Net Lettable Area.

Property	Top Ten Tenants	% of Net Lettable Area
Bugis Junction Towers	International Enterprise Singapore	**48.5%**
Bugis Junction Towers	J.V. Fitness Pte Ltd	
Bugis Junction Towers	Keppel Land International Ltd	
GE Tower	GE Pacific Pte Ltd	
One Raffles Quay	ABN AMRO Asia Pacific Pte Ltd	
One Raffles Quay	Barclays PLC Singapore Branch	
One Raffles Quay	Credit Suisse	
One Raffles Quay	Deutsche Bank Aktiengesellschaft	
One Raffles Quay	Ernst & Young Services Pte Ltd	
One Raffles Quay	UBS AG	
	Other Tenants	**51.5%**
	Total	**100.0%**

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PROFIT FORECAST AND PROFIT PROJECTION

Statements contained in this section which are not historical facts may be forward-looking statements. Such statements are based on the assumptions set forth in this section and are subject to certain risks and uncertainties which could cause actual results to differ materially from those forecast and projected. 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 Profit Forecast and Profit Projection presented in the following two tables are based on an illustrative issue price of S$2.60 per New Unit and two illustrative aggregate principal amounts of S$250 million and S$400 million for the Issue of Convertible Bonds with an assumed annual coupon rate of 1.75 per cent and an illustrative conversion price of S$3.38 per Conversion Unit. The tables set out K-REIT Asia's forecast and projected statement of net income and distribution for the Forecast Period (1 October 2007 to 31 December 2007) and the Projection Year (Financial year ending 31 December 2008). The forecast and projection have been examined by the Independent 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 AND PROJECTED STATEMENT OF NET INCOME AND DISTRIBUTION OF K-REIT ASIA[1] — EXISTING PROPERTIES AND K-REIT ASIA'S ORQ INTEREST WITH (I) NEW UNITS ISSUED AT S$2.60[2] PER UNIT; AND (II) AN AGGREGATE PRINCIPAL AMOUNT OF S$250 MIILLION OF CONVERTIBLE BONDS ISSUED WITH AN ANNUAL COUPON RATE OF 1.75 PER CENT

		Forecast Period			Projection Year		
	Existing Properties[3]	(1 October 2007 to 31 December 2007)			(Financial year ending 31 December 2008)		
S$'000	**Actual 2006[4]**	**Existing Properties**	**K-REIT Asia ORQ Interest**	**Enlarged Portfolio[5]**	**Existing Properties**	**K-REIT Asia ORQ Interest**	**Enlarged Portfolio**
Gross rental income	23,213	10,633		10,633	47,261		47,261
Car park income	610	222		222	888		888
Other income	38	8		8	32		32
Property income	**23,861**	**10,863**		**10,863**	**48,181**		**48,181**
Property tax	(1,706)	(833)		(833)	(3,841)		(3,841)
Other property expenses	(3,441)	(2,023)		(2,023)	(6,181)		(6,181)
Property management fee	(716)	(327)		(327)	(1,445)		(1,445)
Maintenance and sinking fund contributions	(1,184)	(435)		(435)	(1,738)		(1,738)
Property expenses	**(7,047)**	**(3,618)**		**(3,618)**	**(13,205)**		**(13,205)**
Net property income	**16,814**	**7,245**		**7,245**	**34,976**		**34,976**
Other income[6]	—	—	5,825	5,825	—	27,415	27,415
Amortisation expense	—	—	(5,772)	(5,772)	—	(26,910)	(26,910)
Interest income	236	97	3,451	3,548	226	14,600	14,826
Share of results of associated company[7]	—	—	226	226	—	2,407	2,407
Borrowing costs	(5,246)	(1,942)	(2,469)	(4,411)	(7,730)	(9,920)	(17,650)
Manager's management fees	(2,665)	(1,244)	(1,427)	(2,671)	(5,135)	(5,850)	(10,985)
Trust expenses	(772)	(386)		(519)	(1,317)		(1,558)
Net profit before tax	**8,367**	**3,770**		**3,471**	**21,020**		**22,521**
Income tax expense	—	—		(1,471)	—		(6,773)
Net profit after tax	**8,367**	**3,770**		**2,000**	**21,020**		**15,748**
Distribution adjustments[8]	2,807	1,457		10,057	772		33,356
Total income available for distribution to Unitholders	**11,174**	**5,227**		**12,057**	**21,792**		**49,104**
Distributable Income to Unitholders[9]	**11,174**	**5,227**		**12,057**	**21,792**		**49,104**
Units in issue ('000)[10]	241,610	243,179		522,376	243,658		523,403
Basic DPU (cents)	**6.75**[13]	**8.53**[13]		**9.16**[13]	**8.94**		**9.38**
Fully diluted number of units[11]	241,610	243,179		596,340	243,658		597,368
Adjusted Distributable Income[12]	11,174	5,227		12,962	21,792		52,702
Fully diluted DPU (cents)	**6.75**[13]	**8.53**[13]		**8.62**[13]	**8.94**		**8.82**

Notes:

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

(2) The issue price of S$2.60 per New Unit is purely for illustrative purposes only. The issue price will affect the maximum number of New Units to be issued under the Equity Fund Raising, and consequently, the forecast and projected DPU.

(3) Existing Properties refer to the initial portfolio, comprising Prudential Tower Property (approximately 44.4 per cent of the strata area of the building), Keppel Towers and GE Tower, and Bugis Junction Towers.

(4) K-REIT Asia was established on 28 November 2005 and the acquisition of the Existing Properties was completed on 26 April 2006. As such, the results for 2006 were for the period of 26 April 2006 to 31 December 2006.

(5) Enlarged Portfolio comprises the Existing Properties and the one-third interest in ORQPL.

(6) Other income relates to the Income Support Top-up Payments received by K-REIT Asia from Boulevard in accordance with the terms set out in the Deed of Income Support.

(7) Share of results of associated company refers to the forecast and projected one-third share of ORQPL's net profit after tax as presented as follows:

S$'000	Forecast Period (1 October 2007 to 31 December 2007)	Projection Year (Financial year ending 31 December 2008)
Share of gross revenue	6,142	28,098
Share of property expenses	(2,371)	(10,357)
Share of net profit before interest and tax	3,771	17,741
Share of interest expenses	(3,451)	(14,600)
Share of net profit before tax	320	3,141
Share of income tax	(94)	(734)
Share of net profit after tax	226	2,407

(8) These include where applicable, (i) non-tax deductible expenses relating to the portion of the Manager's management fees which are payable in the form of Units, amortisation expense, amortisation of transaction costs, Trustee's fee and other expenses which are not deductible for tax purposes, (ii) certain expenses claimed on an incurred basis including the coupon interest expense on the Convertible Bonds, and (iii) adjustments to include dividend income receivable from ORQPL.

(9) Distributions for the Forecast Period and Projection Year were based on 100 per cent of the total income available for distribution.

(10) Units in issue at the end of each period includes the Manager's forecast and projected number of Units to be issued (i) pursuant to the Equity Fund Raising; (ii) as payment for the acquisition fee payable to the Manager for the Acquisition; and (iii) as payment for the Manager's management fees for the Forecast Period, at an Issue Price of S$2.60 per Unit.

(11) Assuming the S$250 million Convertible Bonds are fully converted on 1 October 2007 at an illustrative conversion price of S$3.38 for each Conversion Unit.

(12) Assuming with the full conversion of the S$250 million Convertible Bonds on 1 October 2007, no bond coupon interest will be paid.

(13) Annualised figure.

FORECAST AND PROJECTED STATEMENT OF NET INCOME AND DISTRIBUTION OF K-REIT ASIA[1] — EXISTING PROPERTIES AND K-REIT ASIA'S ORQ INTEREST WITH (I) NEW UNITS ISSUED AT S$2.60[2] PER UNIT; AND (II) AN AGGREGATE PRINCIPAL AMOUNT OF S$400 MILLION OF CONVERTIBLE BONDS ISSUED WITH AN ANNUAL COUPON RATE OF 1.75 PER CENT

		Forecast Period			Projection Year		
	Existing Properties[3]	(1 October 2007 to 31 December 2007)			(Financial year ending 31 December 2008)		
S$'000	**Actual 2006[4]**	**Existing Properties**	**K-REIT Asia ORQ Interest**	**Enlarged Portfolio[5]**	**Existing Properties**	**K-REIT Asia ORQ Interest**	**Enlarged Portfolio**
Gross rental income	23,213	10,633		10,633	47,261		47,261
Car park income	610	222		222	888		888
Other income	38	8		8	32		32
Property income	**23,861**	**10,863**		**10,863**	**48,181**		**48,181**
Property tax	(1,706)	(833)		(833)	(3,841)		(3,841)
Other property expenses	(3,441)	(2,023)		(2,023)	(6,181)		(6,181)
Property management fee	(716)	(327)		(327)	(1,445)		(1,445)
Maintenance and sinking fund contributions	(1,184)	(435)		(435)	(1,738)		(1,738)
Property expenses	**(7,047)**	**(3,618)**		**(3,618)**	**(13,205)**		**(13,205)**
Net property income	**16,814**	**7,245**		**7,245**	**34,976**		**34,976**
Other income[6]	—	—	5,825	5,825	—	27,415	27,415
Amortisation expense	—	—	(5,772)	(5,772)	—	(26,910)	(26,910)
Interest income	236	97	3,451	3,548	226	14,600	14,826
Share of results of associated company[7]	—	—	226	226	—	2,407	2,407
Borrowing costs	(5,246)	(1,942)	(3,951)	(5,893)	(7,730)	(15,872)	(23,602)
Manager's management fees	(2,665)	(1,244)	(1,430)	(2,674)	(5,135)	(5,866)	(11,001)
Trust expenses	(772)	(386)		(516)	(1,317)		(1,554)
Net profit before tax	**8,367**	**3,770**		**1,989**	**21,020**		**16,557**
Income tax expense	—	—		(1,379)	—		(6,300)
Net profit after tax	**8,367**	**3,770**		**610**	**21,020**		**10,257**
Distribution adjustments[8]	2,807	1,457		10,881	772		36,678
Total income available for distribution to Unitholders	**11,174**	**5,227**		**11,491**	**21,792**		**46,935**
Distributable Income to Unitholders[9]	**11,174**	**5,227**		**11,491**	**21,792**		**46,935**
Units in issue ('000)[10]	241,610	243,179		464,683	243,658		465,712
Basic DPU (cents)	**6.75**[13]	**8.53**[13]		**9.81**[13]	**8.94**		**10.08**
Fully diluted number of units[11]	241,610	243,179		583,027	243,658		584,055
Adjusted Distributable Income[12]	11,174	5,227		12,938	21,792		52,689
Fully diluted DPU (cents)	**6.75**[13]	**8.53**[13]		**8.80**[13]	**8.94**		**9.02**

Notes:

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

(2) The issue price of S$2.60 per New Unit is purely for illustrative purposes only. The issue price will affect the maximum number of New Units to be issued under the Equity Fund Raising, and consequently, the forecast and projected DPU.

(3) Existing Properties refer to the initial portfolio, comprising Prudential Tower Property (approximately 44.4 per cent of the strata area of the building), Keppel Towers and GE Tower, and Bugis Junction Towers.

(4) K-REIT Asia was established on 28 November 2005 and the acquisition of the Existing Properties was completed on 26 April 2006. As such, the results for 2006 were for the period of 26 April 2006 to 31 December 2006.

(5) Enlarged Portfolio comprises the Existing Properties and the one-third interest in ORQPL.

(6) Other income relates to the Income Support Top-up Payments received by K-REIT Asia from Boulevard in accordance with the terms set out in the Deed of Income Support.

(7) Share of results of associated company refers to the forecast and projected one-third share of ORQPL's net profit after tax as presented as follows:

S$ '000	**Forecast Period (1 October 2007 to 31 December 2007)**	**Projection Year (Financial year ending 31 December 2008)**
Share of gross revenue	6,142	28,098
Share of property expenses	(2,371)	(10,357)
Share of net profit before interest and tax	3,771	17,741
Share of interest expenses	(3,451)	(14,600)
Share of net profit before tax	320	3,141
Share of income tax	(94)	(734)
Share of net profit after tax	226	2,407

(8) These include where applicable, (i) non-tax deductible expenses relating to the portion of the Manager's management fees which are payable in the form of Units, amortisation expense, amortisation of transaction costs, Trustee's fee and other expenses which are not deductible for tax purposes, (ii) certain expenses claimed on an incurred basis including the coupon interest expense on the Convertible Bonds, and (iii) adjustments to include dividend income receivable from ORQPL.

(9) Distributions for the Forecast Period and Projection Year were based on 100 per cent of the total income available for distribution.

(10) Units in issue at the end of each period includes the Manager's forecast and projected number of Units to be issued (i) pursuant to the Equity Fund Raising; (ii) as payment for the acquisition fee payable to the Manager for the Acquisition; and (iii) as payment for the Manager's management fees for the Forecast Period, at an Issue Price of S$2.60 per Unit.

(11) Assuming the S$400 million Convertible Bonds are fully converted on 1 October 2007 at an illustrative conversion price of S$3.38 for each Conversion Unit.

(12) Assuming with the full conversion of the S$400 million Convertible Bonds on 1 October 2007, no bond coupon interest will be paid.

(13) Annualised figure.

1. Section A: Assumptions — Existing Properties

The major assumptions made in preparing the Profit Forecast and Profit Projection of Existing Properties are set out below. The Manager considers these assumptions to be appropriate and reasonable 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:

1.1.1 Gross Rental Income

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

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

For a committed lease expiring during the period from 1 July 2007 to 31 December 2007, the Manager has used the following process to forecast and project the gross rental income for the period following such expiry:

- The Manager has assessed the market rent for each lettable area at the Existing Properties as at 30 June 2007. The market rent is the rent which the Manager believes could be achieved if each lease was renegotiated as at 30 June 2007 and is estimated with reference to Gross Rent payable pursuant to comparable leases for tenancies that have recently been negotiated, the effect of competing properties, assumed tenant retention rates on lease expiry, likely market conditions, inflation levels and tenant demand levels.
- The Manager has assessed each of the expiring leases and the likelihood of tenancy renewals for committed leases expiring in the period from 1 July 2007 to 31 December 2007. During this period, leases of 958.8 sq m or 1.3 per cent of the office NLA will be due for renewal. It has been assumed that leases of 136.9 sq m or 14.3 per cent of the office NLA due for renewal have been renewed or will be renewed, taking into account the actual committed renewals and tenants who have expressed an intention to renew their leases as at 30 June 2007. For the remaining leases of 821.9 sq m or 85.7 per cent of the office NLA due for renewal, where renewal negotiations have not commenced, the Manager has assumed that none of the leases will be renewed.

The Manager has assumed that the Gross Rent increased gradually by approximately 10.0 per cent to 12.0 per cent over the market rent of comparable properties during the period from 1 July 2007 to 31 December 2007 for new leases, renewed leases or leases under rent review.

In the Projection Year, if a committed lease expires, the Manager has assumed that the rent rates payable under lease renewal will increase by the projected annual growth rate of an average of 10.0 per cent from the rent rates as at the end of the Forecast Period. For the Projection Year, leases of 10,579.9 sq m or 14.5 per cent of the office NLA will be due for renewal. It has been assumed that 63.1 per cent of the leases will be renewed.

Depending on the size and location of the individual premises, the vacancy allowance period is assumed to be between 3 to 6 months before rent becomes payable under a new lease.

1.1.2 Car Park Income

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

For the Forecast Period and Projection Year, the Manager has assumed the car park income from operation of the car park facilities similar to the car park income for December 2006 as forecast and projected occupancy rate is similar at near 100 per cent.

1.1.3 Other Income

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

1.2 Property Expenses for the Existing Properties

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

1.2.1 Property Tax

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

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

1.2.2 Other Property Expenses

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

The Manager has made an individual assessment of these expenses based on its historical operating costs and committed service contracts as at 30 June 2007. Included in other property expenses for the Forecast Period are (i) provisions of S$0.8 million for the upkeep of the properties, repairs and maintenance and fitting out expenses; (ii) utilities expenses of S$0.5 million; (iii) reimbursement of salaries and related expense of S$0.2 million; (iv) marketing expenses of S$0.4 million; and (v) general and administrative expenses of S$0.1 million. The forecast of the other property expenses is broadly in line with expenses incurred for the same period in FY 2006.

For the Projection Year, the other property expenses include (i) provisions of S$2.1 million for the upkeep of the properties, repairs and maintenance and fitting out expenses; (ii) utilities expenses of S$2.1 million; (iii) reimbursement of salaries and related expense of S$1.0 million; (iv) marketing expenses of S$0.8 million; and (v) general and administrative expenses of S$0.2 million. Other property expenses for the Projection Year are assumed to increase by the range of 3.0 to 5.0 per cent based on the amount forecast for the Forecast Period.

1.2.3 Property Management Fee

The property management fee for the Existing Properties is based on 3.0 per cent per annum of the Property Income for the Existing Properties.

1.3 Maintenance and sinking fund contributions

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

The Manager has assessed and assumed that the maintenance and sinking fund contributions payable for the Forecast Period and Projection Year are expected to be in line with those incurred in FY 2006.

1.4 Borrowing costs

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

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

In addition to the Blossom Assets Loan Facilities, K-REIT Asia has also put in place a short-term credit facility of S$26.0 million which is subordinated to the existing loan facilities. There was no utilisation of this credit facility as at 30 June 2007.

The total outstanding amount of borrowings of K-REIT Asia as at 30 June 2007 is S$190.1 million.

1.5 Manager's Management Fees for the Existing Properties

The Manager is entitled to a base fee of 0.5 per cent per annum of the value of the Deposited Property and an annual performance fee of 3.0 per cent 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.

To arrive at the forecast distribution for the Forecast Period, it is assumed that the Manager's management fees will be paid in the form of Units at an assumed issue price of S$2.60 per Unit. For the Projection Year, it is assumed that the Manager's management fees will be paid entirely in cash.

1.6 Trust Expenses

Trust expenses comprise recurring operating expenses such as the Trustee's fee, annual listing fees, registry fees, audit and tax advisory fees, valuation fees, costs associated with the preparation and distribution of reports to Unitholders, investor communication costs and other miscellaneous expenses relating to K-REIT Asia. The Trustee's fee is presently charged on a scaled basis of up to 0.03 per cent per annum of the value of the Deposited Property, excluding out-of-pocket expenses and GST. The Trustee's fee for the Forecast Period and the Projection Year is S$0.03 million and S$0.12 million respectively. The fee is accrued monthly and paid quarterly in arrears in accordance with the Trust Deed.

1.7 Capital Expenditure

A provision of cash flow payments of S$5.0 million for the projected capital expenditure of the Existing Properties has been included in the Projection Year. This is projected based on the Manager's budget for improvement works.

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

1.8 Equity Fund Raising

The Profit Forecast and Profit Projection has been prepared based on the illustrative issue price of S$2.60 per New Unit and on the assumption that the proceeds from the issue of the New Units will be used to part-finance the Transaction in accordance with the terms of the Share Purchase Agreement.

The costs associated with the Equity Fund Raising are expected to be approximately S$12.7 million and will be paid for by K-REIT Asia on completion of the Equity Fund Raising. These costs will be charged against Unitholders' funds in K-REIT Asia's balance sheet and have no impact on net income or distributable income of the Existing Properties.

1.9 Investment Properties

The Manager has made a hypothetical assumption that the carrying value for the Existing Properties is S$815.0 million (based on desktop valuations by an independent valuer, Colliers International, as at 31 July 2007).

For the purposes of the Profit Forecast and the Profit Projection, the Manager has assumed an increase in the value of the Existing Properties to the extent of the assumed capital expenditure described in paragraph 1.7 above for the Projection Year. The Manager has made a hypothetical assumption that the values of the Existing Properties (except for the effect of the assumed capital expenditure) will, until 31 December 2008, remain at the amounts at which they were valued as at 31 July 2007.

1.10 Accounting Standards

A summary of the significant accounting policies of K-REIT Asia may be found in K-REIT Asia's Report to Unitholders for the financial period from 28 November 2005 to 31 December 2006. The Manager has assumed no change in applicable accounting standards or other financial reporting requirements that may have a material effect on the forecast and projected distributable income of K-REIT Asia except for the adoption of FRS 40 — Investment Property with effect from 1 January 2007. Under FRS 40, changes in fair value of investment properties are required to be included in the profit and loss account in the year in which they arise.

1.11 Other Assumptions

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

- Other than the Acquisition, the property portfolio remains unchanged throughout the periods.
- There will be no further capital raised during the Forecast Period and the Projection Year.
- There will be no material change to the taxation legislation or other legislation.
- There will be no material change to the Tax Ruling.
- All leases and licences are enforceable and will be performed in accordance with their terms.
- 100.0 per cent of distributable income will be distributed.

2. Section B: Assumptions — One Raffles Quay

The income received by K-REIT Asia comprises of (i) a one-third share of the profits in ORQPL as represented by the proportionate share of Gross Revenue less Property Expenses, interest expenses and income tax, if any (such amounts to be received by K-REIT Asia via one-tier dividends); (ii) interest income from the shareholder's loan to ORQPL; and (iii) Income Support Top-up Payments from Boulevard in accordance with the terms set out in the Deed of Income Support. The major assumptions made in preparing the forecast and projected Gross Revenue and Net Property Income for One Raffles Quay as well as the Income Support Top-up Payments and other expenses associated with the ORQ Interest are set out below. The Manager considers these assumptions to be appropriate and reasonable at the date of this Circular.

2.1 ORQ Gross Revenue

ORQ Gross Revenue is the aggregate of gross rental income earned from the leasing of offices in ORQ ("**ORQ Office Gross Rental Income**"), the leasing of retail space in ORQ ("**ORQ Retail Gross Rental Income**") as well as the car park income ("**ORQ Car Park Income**") earned from One Raffles Quay. The assumptions used in calculating ORQ Gross Revenue are set out below:

2.1.1 ORQ Office Gross Rental Income

In order to forecast and project ORQ Office Gross Rental Income, the Manager has, in the first instance, used rent payable under the committed leases of the North Tower and South Tower as at 30 June 2007.

For a committed lease expiring during the period from 1 July 2007 to 31 December 2007, the Manager has used the following process to forecast the ORQ Office Gross Rental Income for the period following such expiry:

- The Manager has assessed the market rent for the leases due for renewal. The market rent is the rent which the Manager believes could be achieved if the lease was renegotiated during this period and is estimated with reference to the rent payable pursuant to comparable leases of tenancies that have recently been negotiated, the achievable rents of competing office buildings, likely market conditions, inflation levels and tenant demand levels.

- For the period from 1 July 2007 to 31 December 2007, one lease of 861.9 sq m or 0.7 per cent of the office NLA will be due for renewal. The Manager has assessed the expiring lease and the likelihood of tenancy renewal for the committed lease. The Manager has assumed that the lease will not be renewed and a vacancy allowance of two months has been adopted.

There are neither any leases for renewal nor rent review in the Projection Year. The Manager has taken into account the likely market conditions and tenant demand levels, and assumed that none of the existing leases will be pre-terminated.

2.1.2 ORQ Retail Gross Rental Income

ORQ Retail Gross Rental Income

In order to forecast and project the ORQ Retail Gross Rental Income (excluding turnover rent), the Manager has used rent payable under the committed leases for the ORQ retail space as at 30 June 2007 for the Forecast Period and the Projection Year.

There are no retail leases expiring in the Forecast Period and Projection Year.

Turnover Rent

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

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

2.1.3 ORQ Car Park Income

ORQ Car Park Income includes income earned from the operations of the ORQ Car Park. ORQ Car Park Income for the Forecast Period is projected based on the 100 per cent commitment of the car parking lots at the season car parking rate. For the Projection Year, the Manager has assumed 5.0 per cent growth per annum.

2.2 Property Operating Expenses

2.2.1 Property Tax

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

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

2.2.2 ORQ Asset Management Fee

The ORQ Asset Management Fee is based on 3.0 per cent of ORQ Gross Revenue.

2.2.3 Other Property Operating Expenses

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

In order to forecast the other property operating expenses for the Forecast Period and the Projection Year, the Manager has made an individual assessment of each of these expenses based on the committed service contracts as at 30 June 2007. As the Property has limited historical operating costs, the Manager has made comparison with the historical operating costs of the other properties that are under the Manager's management and also taking into account the operating expenses which would be typically incurred by a building of similar quality, size, location and tenant profile similar to the Property.

2.3 Income Support Top-up Payments

To align the rental rates of the Property with those of the current market, the Trustee has entered into the Deed of Income Support with Boulevard. Under the Deed of Income Support, Boulevard has undertaken to the Trustee to effect the top-up payments to the Trustee amounting to one-third of the amount by which the Net Property Income (as defined in the Deed of Income Support) falls short of the guaranteed income amount of the Property for each of the calendar quarters during the period commencing on 1 October 2007 and ending on 31 December 2011. Included in the Forecast Period and the Projection Year is income support provided by Boulevard of S$5.8 million and S$27.4 million, respectively.

The Income Support Top-up Payments for any quarterly period shall not in any event exceed S$8.0 million. The aggregate of all Income Support Top-up Payments shall not in any event exceed S$103.4 million. The Trustee shall bear all goods and services tax, if any, chargeable on each Income Support Top-up Payments (see "Deed of Income Support" in paragraph 3.5 of the Letter to Unitholders for further details).

For accounting purposes, the aggregate income support is recorded at fair value as an intangible asset, to be amortised and charged to the profit and loss account over the period from 1 October 2007 to 31 December 2011 based on the estimated amounts to be received by K-REIT Asia from Boulevard for each relevant quarters. Such amortisation expense is subsequently included in the distribution adjustments and hence, has no impact on the distributable income to Unitholders.

2.4 Interest Income

Pursuant to the Share Purchase Agreement, Boulevard will assign to the Trustee all its rights, title and interest in the principal amount of the shareholder's loan made by Boulevard to ORQPL together with all accrued but unpaid interest thereon as at the Completion Date. Interest receivable by K-REIT Asia is at a rate equal to a margin of 0.75 per cent per annum over SGD Swap Offer Rate.

The Manager has assumed that the shareholder's loan as at Completion Date is approximately S$365 million and that there is no drawdown or repayment of the shareholder's loan during the Forecast Period and Projection Year. The Manager has also assumed average interest rates of 3.75 per cent per annum and 4.0 per cent per annum for the Forecast Period and Projection Year respectively.

2.5 Borrowing Costs

The Manager intends to finance the Loan Consideration component of the Total Acquisition Cost in full or in part with proceeds from the issue of 5-year Convertible Bonds. For illustration purposes, it is assumed that K-REIT Asia will issue Convertible Bonds for the aggregate principal amounts of S$250.0 million and S$400.0 million at an assumed annual coupon rate of 1.75 per cent which will be paid semi-annually and a conversion price of S$3.38 per Conversion Unit.

For accounting purposes, the effective cost of borrowings on the Convertible Bonds is recorded in the profit and loss account, calculated based on an assumed effective interest rate of 4.0 per cent per annum, in line with that for an equivalent non-convertible bond. Such effective cost of borrowings is included in the distribution adjustments and the Convertible Bonds coupon interest expense is deductible against the taxable income to arrive at the forecast and projected income available for distribution.

The coupon rate and conversion premium are subject to changes arising from capital market demands at the time of pricing. If the coupon rate at the time of pricing is higher than that assumed, the coupon interest expense would increase, which would adversely affect K-REIT Asia's income available for distribution.

2.6 Manager's Management Fees for ORQ Interest

The Manager is entitled to a base fee of 0.5 per cent per annum of the value of the Deposited Property payable quarterly in arrears. In addition, there is an annual performance fee of 3.0 per cent of the sum of a one-third share of ORQPL's Net Property Income and Income Support Top-up Payments after deducting all applicable taxes payable for receiving such income. Both the base fee and performance fee are payable quarterly in arrears.

To arrive at the forecast distribution for the Forecast Period, it is assumed that the Manager's management fees will be paid in the form of Units at an assumed issue price of S$2.60 per Unit. For the Projection Year, it is assumed that the Manager's management fees will be paid entirely in cash.

2.7 Trust Expenses

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

2.8 Income Tax

The Manager has assumed that interest income receivable and Income Support Top-up Payments are subject to Singapore income tax at 18 per cent. See APPENDIX G — Tax Considerations for further details.

2.9 Property Value

The carrying value for ORQ Interest is hypothetically assumed to be S$941.5 million (based on the Agreed Value of the Acquisition) for the Forecast Period and Projection Year. This assumption is made when estimating the value of the Deposited Property for the purpose of forecasting and projecting the base fee component of the Manager's management fees and the Trustee's fees.

2.10 Other Assumptions

The following additional assumptions have been made in preparing the Profit Forecast and Profit Projection for One Raffles Quay:

- It is assumed that ORQPL adopts significant accounting policies that are consistent with K-REIT Asia (see paragraph 1.10 for K-REIT Asia's accounting policies).
- There has been no significant change in applicable accounting policies or other financial reporting requirements that may have a material effect on the forecast and projected net income for the ORQ Interest.
- There will be no material change to the taxation legislation or other legislation.
- There will be no material change to the Tax Ruling.
- All leases and licences are enforceable and will be performed in accordance with their terms.
- 100.0 per cent of the income available for distribution from the ORQ Interest will be distributed.

3. Section C: Sensitivity Analysis for the Enlarged Portfolio

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

Unitholders should be aware that future events cannot be predicted with any certainty and deviations from the figures forecast and projected in this Circular are to be expected. To assist Unitholders in assessing the impact of these assumptions on the Profit Forecast and Profit Projection, 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 and ORQPL will impact the gross rental income and the Net Property Income of K-REIT Asia and ORQPL. Changes in the Gross Rent will hence impact the distributable income of K-REIT Asia and, consequently, the DPU. The assumptions for Gross Rent have been set out earlier in this appendix. The effect of variations in the Gross Rent on the DPU is set out below:

Impact on DPU pursuant to changes in Gross Rent

(in cents)	Based on an Issue of Convertible Bonds of S$250 million				Based on an Issue of Convertible Bonds of S$400 million			
	Forecast Period		Projection Year		Forecast Period		Projection Year	
	Basic DPU	Fully Diluted DPU(1)	Basic DPU	Fully Diluted DPU(1)	Basic DPU	Fully Diluted DPU(1)	Basic DPU	Fully Diluted DPU(1)
5.0 % below base case(2)	9.16	8.61	9.32	8.77	9.80	8.81	10.01	8.96
Base case(3)	9.16	8.62	9.38	8.82	9.81	8.80	10.08	9.02
5.0 % above base case(2)	9.16	8.61	9.44	8.88	9.80	8.81	10.15	9.08

Notes:

(1) Assumes that the Convertible Bonds are fully converted on Issue Date.

(2) Sensitivity analysis has been carried out on the Gross Rent of uncommitted leases.

(3) DPU as shown in the Profit Forecast and Profit Projection.

3.2 Other Property Expenses

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

Impact on DPU pursuant to changes in Other Property Expenses

(in cents)	Based on an Issue of Convertible Bonds of S$250 million				Based on an Issue of Convertible Bonds of S$400 million			
	Forecast Period		Projection Year		Forecast Period		Projection Year	
	Basic DPU	Fully Diluted DPU(1)	Basic DPU	Fully Diluted DPU(1)	Basic DPU	Fully Diluted DPU(1)	Basic DPU	Fully Diluted DPU(1)
5.0 % below base case(2)	9.24	8.73	9.46	8.89	9.92	8.89	10.17	9.10
Base case(3)	9.16	8.62	9.38	8.82	9.81	8.80	10.08	9.02
5.0 % above base case(4)	9.05	8.53	9.30	8.75	9.72	8.73	9.99	8.95

Notes:

(1) Assumes that the Convertible Bonds are fully converted on Issue Date.

(2) Implies a decrease of 5.0 per cent in the other property expenses (excluding property tax and property/asset management fee) for the Existing Properties and ORQPL.

(3) DPU as shown in the Profit Forecast and Profit Projection.

(4) Implies an increase of 5.0 per cent in the other property expenses (excluding property tax and property/asset management fee) for the Existing Properties and ORQPL.

3.3 Borrowing Costs

Changes in the coupon rate of the Convertible Bonds issued to part-finance the Transaction will impact the distributable income of K-REIT Asia and, consequently, the DPU. The coupon 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

	Based on an Issue of Convertible Bonds of S$250 million				Based on an Issue of Convertible Bonds of S$400 million			
	Forecast Period		Projection Year		Forecast Period		Projection Year	
(in cents)	Basic DPU	Fully Diluted DPU(1)	Basic DPU	Fully Diluted DPU(1)	Basic DPU	Fully Diluted DPU(1)	Basic DPU	Fully Diluted DPU(1)
Actual coupon rate is 50 basis points below 1.75%	9.35	8.62	9.58	8.82	10.17	8.81	10.43	9.02
Base case(2)	9.16	8.62	9.38	8.82	9.81	8.80	10.08	9.02
Actual coupon rate is 50 basis points above 1.75%	8.96	8.62	9.18	8.82	9.45	8.80	9.72	9.02

Notes:

(1) Assumes that the Convertible Bonds are fully converted on Issue Date.

(2) DPU as shown in the Profit Forecast and Profit Projection.

INDEPENDENT ACCOUNTANTS' REPORT ON THE PROFIT FORECAST AND PROFIT PROJECTION

22 September 2007

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

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

Dear Sirs:

Letter from the Reporting Accountants on the Profit Forecast for the Period from 1 October 2007 to 31 December 2007 and the Profit Projection for the Year ending 31 December 2008

This letter has been prepared for inclusion in the unitholders circular (the "**Circular**") of K-REIT Asia dated 22 September 2007 in connection with the proposed acquisition of a one-third interest in One Raffles Quay through the purchase of one-third of the issued share capital of One Raffles Quay Pte Ltd (the "**Proposed Acquisition**") and the proposed offering of new units in K-REIT Asia under the equity fund raising to finance the Proposed Acquisition.

The directors of K-REIT Asia Management Limited (the "**Directors**") are responsible for the preparation and presentation of the Forecast and Projected Statements of Net Income and Distribution for the period from 1 October 2007 to 31 December 2007 (the "**Profit Forecast**") and the year ending 31 December 2008 (the "**Profit Projection**") as set out on pages B-2 to B-5 of the Circular, which have been prepared on the basis of their assumptions as set out on pages B-6 to B-14 of the Circular (the "**Assumptions**").

We have examined the Profit Forecast of K-REIT Asia for the period from 1 October 2007 to 31 December 2007 and the Profit Projection for the year ending 31 December 2008 as set out on pages B-2 to B-5 of the Circular in accordance with the Singapore Standards on Assurance Engagements applicable to the examination of prospective financial information. The Directors are solely responsible for the Profit Forecast and Profit Projection including the Assumptions on which they are based.

Profit Forecast

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

Profit Projection

The Profit Projection is intended to show a possible outcome based on the stated Assumptions. Because the length of the period covered by the Profit Projection extends beyond the period covered by the Profit Forecast, the Assumptions used in the Profit Projection (which included hypothetical assumptions about future events which may not necessarily occur) are more subjective than would be appropriate for a profit forecast. The Profit Projection does not therefore constitute a profit forecast.

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

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

Attention is drawn, in particular, to the sensitivity analysis of the Directors’ Profit Forecast and Profit Projection as set out on pages B-14 to B-16 of the Circular.

Yours faithfully,

ERNST & YOUNG
Certified Public Accountants
Singapore

Partner-in-charge: Yee Woon Yim

VALUATION CERTIFICATES

1/3 Interest within One Raffles Quay
Singapore 048583
2 July 2007

Valuation Certificate

Property:	One Raffles Quay Singapore 048583
Client:	RBC Dexia Trust Services Singapore Limited (as trustee of K-REIT Asia)
Trust:	K-REIT Asia
Interest Valued:	Leasehold for a term of 99 years commencing from13-6-2001. Balance term 92.95 years.
Basis of Valuation:	Market Value subject to existing tenancies and occupational arrangements.
Registered Owner:	One Raffles Quay Pte Ltd
Land Area:	15,600.9 square metres
Town Planning:	'White site' with a permissible gross plot ratio of 13.0
Brief Description:	One Raffles Quay is a recently completed commercial complex comprising a 50-storey office tower known as North Tower, a 29-storey office tower known as South Tower, and a subterranean air-conditioned retail link to Raffles Place MRT and One Marina Boulevard. The South Tower obtained its Temporary Occupation Permit (TOP) in April 2006, and the North Tower obtained its TOP in October 2006. The property offers large, regular and efficient column-free floor plates, with flexible space planning and panoramic views of the city, Marina Bay and sea. The North Tower comprises a 7-storey podium block and a 43-storey office tower block above it. The podium block accommodates a lobby on the 1st storey, car parking lots on the 3rd storey and M&E services on the 7th storey. The South Tower comprises an 11-storey podium block and an 18 storey office tower block above it. The podium block accommodates a lobby and shop units along the Basement 1 linkway and car parking lots on the 3rd to 11th storeys. Bridging the North Tower and South Tower is a spacious double-volume plaza which features a water fountain. The property offers a total of 713 car parking lots (1 car bay per 174 square metres of lettable area).
Tenancy Profile:	The property is fully occupied and has 5 major tenants including Deutsche Bank Aktiengesellschaft, UBS AG, ABN AMRO Asia Pacific Pte Ltd, Ernst & Young Services Pte Ltd and Credit Suisse.; 21 other office tenants and 5 retail tenants.
NLA (sqm)	124,078.0
GFA (sqm)	148,468.0
Car Parking:	713 car parking bays (reflecting 1 car bay per 174 square metres of lettable area).
General Comments:	The office sector has been very strong in the last 12 months. Underpinned by a strong economy the demand for space by companies seeking expansion has come at a time of increasing tight office supply. The prime office rent in the first quarter average $92.57 psm per month while Grade A office rents average $114.10 psm per month. Rental increase is expected to continue into the next 12 to 18 months as demand drivers remain extremely strong and the tight availability situation is expected to persist for another three years due to construction time lag.
Valuation Approach:	Capitalisation Approach & Discounted Cash Flow Analysis
Date of Valuation:	2 July 2007
Interest Assessed:	1/3 interest within One Raffles Quay
Valuation Reporting:	Although our assessment is for a 1/3 interest within One Raffles Quay, our reporting is on a 100% basis.
Income Support:	As the majority of the leases were negotiated at rates substantially lower than the prevailing market rate, the vendor is providing income support to underpin the cash yield of the property in the first 51 months. The rate of the income support is generally considered to be at market level. At this point we do not see the market base income for the property deteriorating below the income support. We have been advised that income support totalling up to $103.41 m including GST ($96.645 m excluding GST) is payable by the vendor over a period of 51 months commencing from October 2007 to December 2011. The income support is payable quarterly in arrears.
Assessed Value:	**$941,500,000** This valuation is exclusive of GST. **(Nine Hundred Forty One Million Five Hundred Thousand Dollars)** representing 1/3 interest within One Raffles Quay
Assumptions, Disclaimers, Limitations & Qualifications	*This valuation report is provided subject to the assumptions, qualifications, limitations and disclaimers detailed throughout this report which are made in conjunction with those included within the Assumptions, Qualifications, Limitations & Disclaimers section located within this report. Reliance on this report and extension of our liability is conditional upon the reader's acknowledgement and understanding of these statements. This valuation is for the use only of the party to whom it is addressed and for no other purpose. No responsibility is accepted to any third party who may use or rely on the whole or any part of the content of this valuation. The valuer has no pecuniary interest that would conflict with the proper valuation of the property.*
Prepared By:	**CB Richard Ellis (Pte) Ltd**

Per: Danny Mohr AAPI MRICS
Registered Valuer
Executive Director - REITs Asia

Per: Sim Hwee Yan BSc (Est. Mgt) Hons FSISV
Appraiser's Licence, No. AD041-2004155J
Executive Director - REITs Asia

REITs Asia

CBRE
CB RICHARD ELLIS

One Raffles Quay
Singapore 048583
19 July 2007

VALUATION CERTIFICATE

Property	:	One Raffles Quay Singapore 048583
Clients	:	K-REIT Asia Management Limited 230 Victoria Street #14-01 Bugis Junction Towers Singapore 188024
Purpose	:	Acquisition and corporate finance purposes
Interest Valued	:	Leasehold 99 years with effect from 13 June 2001 (Balance term of about 92.94 years as at 2 July 2007)
Basis Of Valuation	:	One-third share of market value subject to all existing and proposed leases and occupancy arrangements
Registered Proprietor	:	One Raffles Quay Pte Ltd

Site Area	:	Lot 175C Town Subdivision 30	11,366.5 sm
		Lot 80002A Town Subdivision 30 (Subterranean)	4,234.4 sm
		Total :	15,600.9 sm

Master Plan 2003	:	"White" with gross plot ratio of 13.0
Brief Description	:	One Raffles Quay is bounded by Raffles Quay and Marina Boulevard. It is situated within the heart of the financial and commercial district of Singapore commonly known as Raffles Place. The basement of One Raffles Quay is directly linked to the Raffles Place MRT Interchange by underground walkway.

One Raffles Quay is a commercial development comprising a 50-storey North Tower and a 29-storey South Tower with a hub car park (total 713 lots). The North Tower accommodates offices from the 8th to 50th storeys and the South Tower accommodates offices from the 12th to 29th storeys. Bridging the North Tower and the South Tower is the Plaza with a sheltered drop-off point. Directly linked to One Raffles Quay is an air-conditioned retail link (subterranean mall) which connects directly to the Raffles Place MRT Interchange.

The Temporary Occupation Permits for the South Tower and North Tower were issued on 24 April 2006 and 26 October 2006 respectively.

Knight Frank Newmark Global

One Raffles Quay
Singapore 048583
19 July 2007

Knight Frank

VALUATION CERTIFICATE

Top Up Amount	:	Up to about $103.4 million (including 7% GST) or about $96.6 million (excluding 7% GST) for 4th quarter 2007 to 4th quarter 2011 payable quarterly in arrears
Gross Floor Area	:	148,468 sm
Lettable Floor Area	:	Office - North Tower 71,154 sm South Tower 52,551 sm Sub-Total : 123,705 sm Retail 373 sm Grand Total : 124,078 sm
Saleable Floor Area	:	124,435 sm
Valuation Approach	:	Investment and Discounted Cash Flow
Date Of Valuation	:	2 July 2007
Assessed Value	:	$941,000,000/- (Dollars Nine Hundred And Forty-One Million Only) (ONE-THIRD SHARE)
Assumptions, Disclaimers, Limitations & Qualifications	:	*This valuation report is provided subject to the assumptions, qualifications, limitations and disclaimers detailed throughout this report which are made in conjunction with those included within the Assumptions, Qualifications, Limitations & Disclaimers section located at the end of this report. Reliance on this report 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
Per	:	

Low Kin Hon
B.Sc.(Estate Management) Hons.
MSISV
Executive Director
Valuation

Woo Ai Lian
MBA, B.Sc.(Estate Management) Hons.
MSISV
Director
Valuation

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INDEPENDENT FINANCIAL ADVISER'S LETTER

The Independent Directors
K-REIT Asia Management Limited
(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

22 September 2007

Dear Sirs

INTERESTED PERSON TRANSACTION TO BE ENTERED INTO BY K-REIT ASIA IN CONNECTION WITH THE PROPOSED ACQUISITION OF A ONE-THIRD INTEREST IN ONE RAFFLES QUAY

*For the purpose of this letter, capitalised terms not otherwise defined herein shall have the same meaning given as in the circular dated 22 September 2007 to the unitholders of K-REIT Asia (the "**Circular**")*

1. INTRODUCTION

On 30 July 2007, the Trustee entered into a conditional Share Purchase Agreement with Boulevard Development Pte Ltd ("**Boulevard**") in connection with the acquisition of one-third of the issued share capital of One Raffles Quay Pte Ltd ("**ORQPL**") from Boulevard and the assignment to K-REIT Asia of Boulevard's rights, title and interest in the shareholders' loan to ORQPL together with all accrued but unpaid interest (if any) (the "**Acquisition**").

ORQPL is the developer and current owner of One Raffles Quay (the "**Property**"). As at the date of the Circular, the issued share capital of ORQPL is held in equal proportions (i.e. one-third each) by Freyland Pte Ltd ("**Freyland**"), Comina Investment Limited ("**Comina**") and Boulevard.

Boulevard is a wholly-owned subsidiary of Keppel Land Properties Pte Ltd (the "**Guarantor**"), which in turn is a wholly-owned subsidiary of Keppel Land. Freyland is a wholly-owned subsidiary of Hongkong Land International Holdings Limited ("**Hongkong Land International**") and Comina is an indirect wholly-owned subsidiary of Cheung Kong.

Hongkong Land International, CKH China Enterprises Limited ("**CKH China Enterprises**") and the Guarantor are in turn, subsidiaries of Hongkong Land Limited ("**Hongkong Land**"), Cheung Kong (Holdings) Limited ("**Cheung Kong**") and Keppel Land respectively.

The rights and duties of Freyland, Comina and Boulevard as shareholders of ORQPL are governed by a shareholders' agreement dated 28 March 2001 made between Freyland, Comina, Boulevard, Hongkong Land International, CKH China Enterprises, the Guarantor and ORQPL (the "**Shareholders' Agreement**").

Under the terms of the Share Purchase Agreement, it is contemplated that upon Completion, RBC Dexia Trust Services Singapore Limited, in its capacity as trustee of K-REIT Asia (the "**Trustee**") will enter into a restated shareholders' agreement (the "**Restated Shareholders' Agreement**") with the other shareholders of ORQPL and their parent entities relating to the governance of their relationship as shareholders of ORQPL and ORQPL's holding and management of the Property.

As contemplated under the terms of the Share Purchase Agreement, on 31 August 2007, all the shares held by ORQPL in the capital of Raffles Quay Asset Management Pte Ltd, the current property manager of the Property (the "**ORQ Property Manager**"), have been transferred to Hongkong Land (Singapore) Pte Ltd, Charm Aim International Limited and K-REIT Asia Property Management Pte Ltd (a wholly-owned subsidiary of Keppel Land) in equal proportions (the "**ORQ Property Manager Restructuring**").

As at the Latest Practicable Date, Keppel Land holds an aggregate indirect interest[1] in 99,041,381 Units, comprising approximately 40.8 per cent of the total number of Units in issue, and is therefore regarded as a "controlling Unitholder" under both the Listing Manual of the SGX-ST (the "**Listing Manual**") and the Property Funds Guidelines (the "**Property Funds Guidelines**") in the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore. Keppel Corporation is also regarded as a "controlling Unitholder" under both the Listing Manual and the Property Funds Guidelines, as through Keppel Real Estate Investment Pte Ltd and Keppel Land, Keppel Corporation has a deemed interest in 174,980,927 Units, which comprises approximately 72.1 per cent of the total number of Units in issue.

Furthermore, as Keppel Land has an indirect interest of 100 per cent in Boulevard, Boulevard is regarded as both an associate and a subsidiary of a controlling Unitholder. For the purposes of Chapter 9 of the Listing Manual, Boulevard (being an associate of a controlling Unitholder) is an "interested person" of K-REIT Asia. For the purposes of the guidelines relating to interested party transactions under the Property Funds Guidelines, Boulevard (being a subsidiary of a controlling Unitholder) is an "interested party" of K-REIT Asia (interested person and interested party, collectively the "**Related Party**").

As such, the Acquisition will constitute an "interested person transaction" under Chapter 9 of the Listing Manual as well as an "interested party transaction" under the Property Funds Guidelines, in respect of which the approval of Unitholders is required (see "Interested Person Transaction and Interested Party Transaction" in paragraph 4.3.2 of the Circular for further details).

The Acquisition also constitutes a "very substantial acquisition" by K-REIT Asia under Chapter 10 of the Listing Manual. The Manager has obtained waiver from the SGX-ST regarding Rule 1015 relating to very substantial acquisitions. The waiver is subject to Unitholders' approval for the Acquisition. (see "Very Substantial Acquisition" in paragraph 4.3.1 of the Circular to Unitholders for further details).

In accordance with the requirements of Chapter 9 of the Listing Manual and the Property Fund Guidelines, KPMG Corporate Finance Pte Ltd ("**KPMG Corporate Finance**") has been appointed as the Independent Financial Adviser ("**IFA**") to the Independent Directors of K-REIT Asia Management Ltd, being the manager of K-REIT Asia (the "**Manager**"), and the Trustee to provide an opinion on whether the financial terms of the Acquisition are on normal commercial terms and whether they are prejudicial to the interests of K-REIT Asia and its minority Unitholders.

---

1 Keppel Land holds an indirect interest in K-REIT Asia through K-REIT Asia Investment Pte Ltd (96,850,528 Units) and K-REIT Asia Management Limited (2,190,853 Units), both of which are subsidiaries of Keppel Land.

2. TERMS OF REFERENCE

We were neither a party to the negotiations entered into by the Manager in relation to the Acquisition, nor we were involved in the deliberations leading up to the decision on the part of the Directors to enter into the Acquisition and we do not, by this letter, warrant the merits of any part of the Acquisition other than to form an opinion as to whether the financial terms of the Acquisition are on normal commercial terms and are not prejudicial to the interests of the K-REIT Asia and its minority Unitholders.

It is also not within our terms of reference to evaluate and comment on the commercial merits and/or risks of the Acquisition, or on the strategic potential and future prospects of K-REIT Asia after completion of the Acquisition. Any evaluation of and/or comment on the strategic or commercial merits of the Acquisition or on the prospects of K-REIT Asia remains the sole responsibility of the Manager. In addition, we have not made any independent evaluation or appraisal of the existing or proposed assets or liabilities (including without limitation, real property) of K-REIT Asia.

In the course of our evaluation, we have held discussions with the management of the Manager (the "**Management**") and have considered the information contained in the Circular, publicly available information collated by us as well as information, both written and verbal, provided to us by the Management and its professional advisers, which may include solicitors, auditors, tax advisers and valuers. We have relied upon and assumed the accuracy of the relevant information, both written and verbal, provided to us by the aforesaid parties. We have not independently verified such information, whether written or verbal, and accordingly cannot and do not warrant, and do not accept any responsibility for the accuracy, completeness or adequacy of such information. We have not independently verified and have assumed that all statements of fact, belief, opinion and intention made by the Directors in the Circular have been reasonably made after due and careful enquiry.

We have relied upon the assurance of the Directors (including those who may have delegated detailed supervision of the Circular) that they have taken all reasonable care to ensure that the facts stated or opinions expressed in the Circular are fair and accurate in all material respects and that no material facts have been omitted which might cause the Circular to be misleading in any material respect. The Directors (including those who may have delegated detailed supervision of the Circular) have jointly and severally accepted responsibility accordingly in the Section "Directors' Responsibility Statement" of the Circular.

The Manager and the Trustee have been separately advised by their own professional advisers in the preparation of the Circular (other than this letter). We have no role or involvement and have not provided any advice, financial or otherwise, whatsoever, in the preparation, review and verification of the Circular (other than this letter). Accordingly, we take no responsibility for and express no views, whether expressed or implied, on the contents of the Circular (other than this letter).

In rendering our advice and giving our recommendation, we did not have regard to the specific investment objectives, financial situation or unique needs and constraints of any Unitholder or any specific group of Unitholders. We recommend that any individual Unitholder or group of Unitholders who may require specific advice in relation to his or their investment portfolio(s) consult his or their stockbroker, bank manager, solicitor, accountant, tax adviser or other professional advisers.

Our view is based upon market, economic, industry, monetary, regulatory, and other conditions in effect on, and the information made available to us, as at the Latest Practicable Date. Such conditions can change significantly over a relatively short period of time. We assume no responsibility to update, revise or reaffirm our opinion in the light of any subsequent development after the date of this letter.

This letter is addressed to the Independent Directors and the Trustee for their benefit in connection with and for the purposes of their consideration of the Acquisition and the recommendations made by the Independent Directors shall remain the responsibility of the Independent Directors.

Our recommendation in relation to the Acquisition, as set out in paragraph 6 of this letter should be considered in the context of the entirety of this letter and the Circular.

2. INFORMATION ON ONE RAFFLES QUAY

A detailed description of ORQ is set out in APPENDIX A of the Circular. We recommend that the Independent Directors advise Unitholders to read the APPENDIX A of the Circular carefully.

3. DETAILS CONCERNING THE ACQUISITION AND JOINT OWNERSHIP OF ONE RAFFLES QUAY

3.1 Joint Ownership of One Raffles Quay with Comina and Freyland

The relationship between K-REIT Asia, Comina, Freyland and ORQPL after Completion is set out in paragraph 3.1 of the Circular.

3.2 Certain Terms of the Share Purchase Agreement

The Manager sets out certain terms of the Share Purchase Agreement in paragraph 3.2 of the Circular. We recommend that the Independent Directors advise Unitholders to read this paragraph of the Circular carefully.

3.3 Total Acquisition Cost

The aggregate consideration for the Acquisition (the "**Aggregate Consideration**"), which was negotiated on a willing-buyer and willing-seller basis, comprises the Share Consideration (as defined herein) and the Loan Consideration (as defined herein). For the purpose of illustration, based on the Agreed Value, and the audited financial statements of ORQPL for the financial year ended 31 December 2006, the Aggregate Consideration is estimated to be S$885.2 million as at that date. The actual amount of the Aggregate Consideration is subject to adjustments to reflect the actual Share Consideration and Loan Consideration at Completion, as described in the paragraphs below.

The consideration for the purchase of one-third of the total issued share capital of ORQPL (the "**Sale Shares**", and the consideration, "**Share Consideration**") shall be equal to one-third of the adjusted net tangible asset value of ORQPL (the "**Adjusted NTA Value**") as at the date of Completion ("**Completion Date**"), and the Adjusted NTA Value shall be computed on the basis that the Adjusted NTA Value refers to the three times the Agreed Value plus the net book value of the fixed and current assets minus the net book value of the long-term and current liabilities of the Company as at the Completion Date, subject to certain exclusions (as specified in the Share Purchase Agreement).

The consideration for the assignment and transfer of the Vendor's Loan (as defined herein, and the consideration, "**Loan Consideration**") shall be equal to the principal amount of the shareholder's loan made by Boulevard to ORQPL together with all accrued but unpaid interest (if any) thereon (the "**Vendor's Loan**"), as at the Completion Date.

The Manager and the Trustee have each commissioned an independent property valuer, being Knight Frank and CBRE respectively (the "**Independent Valuers**"), to value the Property. Knight Frank has stated that the open market value for the one-third interest in the Property, including the provision of guaranteed income support by Boulevard, as at 2 July 2007 was S$941.0 million, and CBRE has reported that the open market value of the one-third interest in the Property, including the provision of guaranteed income support by Boulevard, as at 2 July 2007 was S$941.5 million (see the Valuation Certificates in APPENDIX D of the Circular for further details).

The total cost of the Acquisition (the "**Total Acquisition Cost**") is currently estimated to be approximately S$954.9 million, comprising:

- the estimated Aggregate Consideration as described above;
- the estimated fees and expenses of approximately S$11.5 million incurred or to be incurred by K-REIT Asia in connection with the Acquisition comprising (i) an acquisition fee payable to the Manager for the Acquisition of approximately S$9.4 million, and (ii) professional fees and other related expenses of approximately S$2.1 million; and
- stamp duty.

3.4 Conditions Precedent for Completion

The full text of certain Conditions Precedent for Completion is set out in paragraph 3.4 of the Circular. We recommend that the Independent Directors advise Unitholders to read this section of the Circular carefully.

3.5 Deed of Income Support

We would like to note that by approving the Acquisition, the Unitholders will be deemed to have also approved the arrangement in the Deed of Income Support as described below.

Concurrently with the entry into the Share Purchase Agreement, the Trustee has entered into the Deed of Income Support with Boulevard and the Guarantor.

The Property received the temporary occupations permits for its South Tower and North Tower on 24 April 2006 and 26 October 2006, respectively. ORQPL, as the owner of the Property, has a limited operating history with its first tenancy having commenced only in August 2006. A significant portion of its leases were negotiated and signed between 2004 and 2005, when the Singapore office occupancy and rental rates were recovering from a 10-year low in 2003. The monthly gross rent at the Property is therefore below the average monthly gross rent of similar office space in Raffles Place as at the date of the Share Purchase Agreement. The Independent Office Market Review prepared by DTZ estimates the average monthly gross rent for prime office space in Raffles Place at S$13.10 per sq ft as at 30 June 2007. Based on the valuation reports prepared by Knight Frank and CBRE, (see APPENDIX F Independent Office Market Review and APPENDIX D Valuation Certificates), the average monthly gross rent for offices at the Property is below the average monthly gross rent for prime office space in Raffles Place. In order to align the rental rates of the Property with that of the current market, the Trustee has entered into a Deed of Income Support with Boulevard and the Guarantor, a direct wholly-owned subsidiary of Keppel Land. The Independent Valuers have taken into consideration the Deed of Income Support in arriving at their respective valuations of the Property. Both Independent Valuers have expressed that, including the Income Support Top-up Payments, the rent payable over the tenancies of the Property will be within acceptable market rental rates.

Under the Deed of Income Support, Boulevard has undertaken to the Trustee to make Income Support Top-up Payments equal to the amount of the quarterly shortfall during the period commencing on 1 October 2007 and ending on 31 December 2011. The quarterly shortfall (the "**Quarterly Shortfall**") is calculated as one-third of the difference between the Property's Net Property Income and the guaranteed income amount for each calendar quarter. The guaranteed income amount for each calendar quarter falling within the period 1 October 2007 and ending 31 December 2007 is S$30.0 million, 1 January 2008 and ending 31 December 2008 is S$35.3 million, and 1 January 2009 and ending 31 December 2011 is S$36.0 million. For each calendar quarter, should the Net Property Income exceed the guaranteed income amount, no Income Support Top-up Payment will be received. The Income Support Top-up Payments for any quarterly period shall not in any event exceed S$8.0 million (the "**Maximum Sum**"). The aggregate of all Income Support Top-up Payments shall not in any event exceed S$103.4 million.

In the event that the Completion Date is a date after 1 October 2007, the Income Support Top-up Payment and the Maximum Sum for the first quarterly period shall be adjusted accordingly based on the actual number of days from the Completion Date until 31 December 2007 (both dates inclusive). Boulevard's commitment to pay under the Deed of Income Support is guaranteed by the Guarantor. The Trustee shall bear all goods and services tax, if any, chargeable on each Income Support Top-up Payment.

3.6 The Financing Plan

We note that the Manager intends to finance the Acquisition from (i) the Issue of Convertible Bonds, and (ii) the Equity Fund Raising as described in paragraph 7 and 8 of the Circular. In the event that the Convertible Bonds are not issued by Completion, the Manager intends to draw down the Bridging Loan as described in paragraph 5.2 of the Circular, to part-finance the Acquisition. In addition to the Equity Fund Raising and the Issue of Convertible Bonds the Manager may utilise other sources of funds to part finance the Acquisition.

We recommend that the Independent Directors advise Unitholders to read these paragraphs of the Circular carefully.

3.7 The Keppel Land Placement

To demonstrate its commitment to K-REIT Asia and to align its interests with the other Unitholders, Keppel Land Group will subscribe for up to such number of New Units under the Equity Fund Raising at the Issue Price so as to maintain its proportionate unitholding, in percentage terms, of the total number of Units in issue immediately prior to the Equity Fund Raising.

As Keppel Land is a substantial Unitholder, specific approval of the Unitholders is required for Keppel Land Placement under Rule 812(2) of the Listing Manual.

A placement of New Units to Keppel Land Group (as controlling Unitholders) would also constitute an interested person transaction under Chapter 9 of the Listing Manual. As such, if the New Units are placed to Keppel Land Group in such numbers as to maintain its proportionate unitholding, in percentage terms, of the total number of Units in issue immediately prior to the Equity Fund Raising, there is a possibility (depending on the actual issue price) that the value of New Units placed to Keppel Land Group exceeds 5.0 per cent of the value of K-REIT Asia's latest audited NAV. In such circumstances, Rule 906 of the Listing Manual also requires that Unitholders' approval to be obtained for the placement of New Units to Keppel Land Group.

For the avoidance of doubt, Keppel Land Group will not be subscribing for the Convertible Bonds.

4. EVALUATION OF THE ACQUISITION

In the course of our evaluation of the financial terms of the Acquisition, we have given due consideration to, *inter alia*, the following factors:

(1) the rationale for the Acquisition;

(2) the reasonableness of the Aggregate Consideration of the Acquisition;

(3) pro forma financial effects of the Acquisition;

(4) the Keppel Land Placement; and

(5) other relevant factors.

4.1 The Rationale for the Acquisition

The Manager's rationale for the Acquisition is set out in paragraph 2.2 of the Circular. The Manager believes that the Acquisition will bring certain benefits (as summarised below) to the Unitholders. We recommend that the Independent Directors advise the Unitholders to read this paragraph of the Circular carefully.

The Manager's rationale for the Acquisition is summarised as follows:

(1) Consistent with the Manager's investment and growth strategy

The Acquisition fits the Manager's principal investment strategy of achieving stable income and long-term growth in NAV for Unitholders by investing in quality commercial real estate in Singapore and in Asia. The Acquisition will more than double K-REIT Asia's office portfolio and allow K-REIT Asia to further capitalise on the strengthening Singapore office sector. With the inclusion of the ORQ Interest, K-REIT Asia's portfolio will increase from approximately S$815 million, as at 31 July 2007, to approximately S$1.76 billion.

(2) The transaction is yield accretive for Unitholders

The Manager believes that Unitholders will enjoy a higher DPU due to the yield accretive nature of the Transaction. The expected increase in DPU will result from, amongst others, the strong cashflows that the Property generates and the income support provided by Boulevard.

(3) Acquisition of a landmark commercial property

The Property is the newest premier commercial development in Singapore. It is conveniently accessible through the Ayer Rajah Expressway and East Coast Parkway as well as through a direct link to Raffles Place MRT interchange station. The Property's central location in the heart of Singapore's CBD makes it a prestigious office address in Singapore.

(4) Stronger position in a strengthening Singapore office sector.

The recovery and rebranding of Singapore's economy has achieved considerable success to date. Singapore's real GDP grew a strong 7.9 per cent in 2006 and is forecast to grow between 7.0 per cent and 8.0 per cent in 2007. The Financial and Business Services sectors, key drivers of demand for office space, are the second highest contributors to total GDP at a combined 22.0 per cent for 2006. The Financial Services sector and the Business Services sector grew by 12.9 per cent and 6.6 per cent respectively in the first quarter of 2007.

(5) Blue-chip tenants with long-term leases

More than three quarters of the Property is anchored by global, blue-chip financial institutions which include ABN AMRO Asia Pacific Pte Ltd, Barclays PLC Singapore Branch, Credit Suisse, Deutsche Bank Aktiengesellschaft, Ernst & Young Services Pte Ltd and UBS AG. These tenants have established significant operations in Singapore and continue to invest in expanding their presence in Singapore and the region.

(6) High growth potential from future rental reversions

A significant portion of the Property's leases were negotiated and signed between 2004 to 2005, when the Singapore office market was undergoing a cyclical downturn with occupancy and rental rates recovering from a 10-year low.

With the Singapore office rental poised to rise further and with 7.3 per cent, 21.3 per cent, and 26.4 per cent of the Net Lettable Area up for renewal and rental review in 2009, 2010, and 2011 respectively, the Manager believes the Property is a quality building which is well placed to benefit from a sustained rise in Singapore office rentals.

The Manager believes that the gross rental income from the Property should rise during the period for which the income support is valid. Furthermore, the Manager believes that the cashflows from the ORQ Interest will not be adversely affected upon termination of the income support.

(7) Greater trading liquidity and flexibility

The issue of the New Units is expected to increase the free float of Units on the SGX-ST, providing investors with greater trading liquidity and flexibility. Further, the enlarged asset base resulting from the Acquisition is expected to increase gearing capacity which can be used to finance or part-finance future acquisitions.

(8) Economies of scale in asset and property management

With its Existing Properties comprising 786,604 sq ft of prime office space, K-REIT Asia is one the largest commercial property managers and owners in Singapore. The Acquisition will further increase the commercial space managed and owned by K-REIT Asia, allowing it to achieve economies of scale, more efficient allocation of resources including staff and personnel, and greater leverage over its service providers.

(9) Collaboration with Hongkong Land and Suntec REIT

The joint ownership of the Property with Hongkong Land and Suntec REIT[2] will allow the three established real estate managers to leverage on each other's expertise, experience and tenant network in managing the Property. The synergistic benefits achieved through the collaboration are expected to maximize and enhance the value of the Property, generating long-term growth for Unitholders.

4.2 The Reasonableness of the Aggregate Consideration of the Acquisition

We note that the Aggregate Consideration payable to the Vendor for the Acquisition comprises the Share Consideration and the Loan Consideration.

In evaluation the reasonableness of the Aggregate Consideration of the Acquisition, we have taken into account the following pertinent factors which we consider to have a significant bearing on our assessment:

[2] Suntec REIT has announced on 30 July 2007 that it will acquire a one-third interest in the Property through the acquisition of the entire issued share capital of Comina.

4.2.1 Share Consideration

The Share Consideration, which was negotiated on a willing-buyer and willing-seller basis, is a sum equal to one-third of the Adjusted NTA as at the Completion Date. The Adjusted NTA is calculated by reference to, among other things, the Agreed Value, and will be reviewed by the auditors of ORQPL. In evaluating the reasonableness of the Share Consideration, we have considered the following:

1. Valuation of the Property undertaken by the Independent Valuers

The Agreed Value of the one-third interest in the Property, including the provision of guaranteed income support by Boulevard pursuant to the Deed of Income Support as referred to in paragraph 3.2 of the Circular, is S$941.5 million.

The Manager and the Trustee have each commissioned an independent property valuer, being Knight Frank and CBRE respectively, to value the Property. Knight Frank, in its valuation certificate stated that the open market value for one-third interest in the Property, including the provision of guaranteed income support by the Vendor, as at 2 July 2007 was S$941.0 million using an investment and discounted cash flow approach.

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

We have reviewed valuation reports prepared by the Independent Valuers and key points to note from the valuation reports are as follows:

- CBRE has adopted the international definition of "Market Value", which is defined as "*the estimated amount for which an asset 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*" and on the basis where "*the price at which the property might reasonably be expected to be sold at the date of the valuation*" assuming:
  - a willing, but not anxious, buyer and seller;
  - a reasonable period within which to negotiate the sale, having regard to the nature and situation of the property and the state of the market for property of the same kind;
  - that the property will be reasonably exposed to the market;
  - that no account is taken of the value or other advantage or benefit, additional to market value, to the buyer incidental to ownership of the property being valued;
  - that the seller has sufficient resources to allow a reasonable period for the exposure of the property for sale; and
  - that the seller has sufficient resources to negotiate an agreement for the sale of the property.
- Knight Frank has adopted definition of "Open Market Value", which is defined as "t*he best price at which the sale of an interest in property might reasonably be expected to have been completed unconditionally for cash consideration on the date of valuation*" assuming:
  - a willing, but not anxious, buyer and seller;

- 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;
- that the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same on the date of valuation; and
- that no account is taken of any additional bid by a purchaser with a 'special interest'.

- We are of the view that the definition of "Market Value" adopted by CBRE and the definition of "Open Market Value" adopted by Knight Frank as set out in the foregoing paragraphs appear to be broadly similar.
- The valuation methodologies adopted by the Independent Valuers are similar.

We note that the Agreed Value of the one-third interest in the Property of the Acquisition is marginally higher than the property valuation (including the provision of guaranteed income support by Boulevard) as determined by Knight Frank and equivalent to the property valuation (including the provision of guaranteed income support by Boulevard) as determined by CBRE.

2. Adjusted NTA Value

We note that Adjusted NTA Value is computed as three times the Agreed Value plus the net book value of the fixed and current assets minus the net book value of the long-term and current liabilities of the ORQPL as at the Completion, subject to certain exclusion (as specified in the Share and Purchase Agreement)

We further note that Adjusted NTA Value will be adjusted at the Completion Date and the auditors of ORQPL, who would be jointly engaged by the Vendor and the Trustee (the "**Auditors**"), will review the pro-forma unaudited balance sheet of ORQPL made up to the Completion Date based on the Vendor's best estimates (the "**Completion Accounts**") and determine what adjustments should be made to the Completion Accounts.

4.2.2 Loan Consideration

Under the terms of the Share Purchase Agreement, the Vendor will assign to the Trustee all its rights, title and interest in the principal amount of the shareholder's loan made by the Vendor to ORQPL together with all accrued but unpaid interest thereon as at the Completion Date (as defined earlier as the "**Vendor's Loan**"). As consideration for this assignment, the Trustee will pay the Vendor a cash sum equal to the Vendor's Loan as at the Completion Date. The loan consideration will be reviewed by the Auditors prior to the completion of the Acquisition.

We would like to highlight to the Independent Directors and the Trustee that adjustments made to the Completion Accounts will have an impact on the amounts of the Share Consideration and Loan Consideration.

4.2.3 Profit Forecast

The Manager has presented the Profit Forecast and Profit Projection in relation to the Acquisition in paragraph 6 of the Circular.

The following table presents, in summary, certain selected financial information in relation to the Acquisition, assuming that the Acquisition is completed on 30 September 2007 and one-third of the income from the Property accrues to K-REIT Asia through ORQPL from 1 October 2007:

ORQ Interest	Forecast Period (1 October 2007 to 31 December 2007)	Projection Year (Financial year ending 31 December 2008)
Gross Revenue (as defined herein) (S$'000)	6,142	28,098
Property Operating Expenses (S$'000)	2,371	10,357
Net Property Income(1) (S$'000)	3,771	17,741
Income Support Top-up Payment(1) (S$'000)	5,825	27,415
Supported Net Property Income(2) (S$'000)	9,596	45,156
Net Property Yield(3) (per cent)	4.0(4)	4.8

Notes:

(1) See APPENDIX B of the Circular for the major assumptions relied on in calculating the forecast Net Property Income of the Property and the forecast Income Support Top-up Payment.

(2) Prior to adjustment for any tax effects.

(3) Net property yield for the Property is calculated as K-REIT Asia's one-third share of Aggregate Net Property Income from the Property over the Agreed Value of S$941.5 million including income support amount.

(4) Annualised figure.

We would like to highlight that the above paragraph must be read together with the detailed Profit Forecast and Profit Projection as well as the accompanying assumptions and sensitivity analysis as set out in APPENDIX B of the Circular, and the report of the Independent Accountants (who have examined the Profit Forecast) in APPENDIX C of the Circular.

4.2.4 Occupancy Rates

We note that as at 30 June 2007, ORQ had a total committed occupancy of 100%.

In addition, we have reviewed a report prepared by DTZ for the Manager dated 19 June 2007 titled "Independent Review of Office Market for Marina Bay/Raffles Place Area". From DTZ's report, we note that the limited potential supply and availability of space will constrain demand in the next few years, further, island wide office space is expected to enjoy close to full occupancy, similar to the highest historical peak in 1980 when occupancy reached 99%.

4.2.5 Property Yield of Similar Past Transactions

We have looked at past acquisitions of office properties carried out in Singapore by real estate investment trusts listed and traded on the SGX-ST with a market value of the transaction exceeding S$250.0 million (the "**Comparable Transactions**") and calculated the net property yield of these transactions.

The following table set outs the details of the Comparable Transactions:

Comparable Transactions				
		Purchase	Forecast(2)	
Property	Acquiror(1)	Price (S$ million)	NPI (S$ million)(4)	Yield(3)
China Square Central	Allco REIT	390.0	17.0	4.4%
Capital Tower	CCT	793.9	27.9	3.5%
6 Battery Road	CCT	675.2	23.6	3.5%
Starhub Centre	CCT	266.1	8.7	3.3%
	Min			3.3%
	Max			4.4%
	Median			**3.5%**
	Mean			3.7%
One Raffles Quay		**941.5**	**28.8**	**4.0%**

Source: prospectuses, circulars, SGX-ST announcements and annual reports of the entities.

Notes:

(1) CCT refers to CapitaCommercial Trust.

(2) The forecast period for: (a) Allco REIT's acquisition of China Square Central Property is the nine months period from 1 March 2006 to 31 December 2006; (b) CCT's acquisition of Capital Tower, 6 Battery Road and Starhub Centre is the seven months period from 1 May 2004 to 31 December 2004; and (c) for K-REIT Asia's acquisition of One Raffles Quay is for the four months period from 1 September 2007 to 31 December 2007.

(3) Forecast net property yield is computed as the forecast net property income divided by the purchase price of the relevant properties.

(4) Forecast NPI or net property income refers to a property's forecast gross revenue less related property expenses and is generally before financing and taxes. In the table above, net property income figures have all been annualized, where applicable, for purposes of calculation of yield.

We note that based on the Manager's forecast (which is based on the assumptions set out in the Appendix B of the Circular), with an Agreed Value of S$941.5 million (including income support amount), the Manager expects the Property to generate a forecast net property yield of 4.0% (the "**Property Yield**"). The Property Yield is above the median of the forecast net property yield of the Comparable Transactions. Hence, based on the above comparison, the Property Yield does not appear to be unreasonable.

It should be noted, however, that the target properties in the Comparable Transactions may differ from the Property in terms of title, net lettable area, location, accessibility, composition of tenants, market risks, future prospects and other relevant criteria and such differences may be significant. Further, the Comparable Transactions may have taken place at different times and under different circumstances and such differences may be significant. Accordingly, any comparison made with respect to the Comparable Transactions merely serves as an illustrative guide and any conclusion drawn from the comparison may not necessarily reflect the perceived market valuation of the Property.

4.3 Pro forma Financial Effects of the Transaction

The pro forma financial effects of the Transaction are set out in paragraph 4.2 of the Circular and reproduced below:

The pro forma financial effects of the Transaction on the DPU and NAV per Unit, and the proforma capitalisation of K-REIT Asia presented below are strictly for illustrative purposes and were prepared based on the audited financial statements of K-REIT Asia for the financial period from 28 November 2005 to 31 December 2006 (the "**Audited Financial Statements**") as well as the audited financial statements of ORQPL for FY2006, taking into account the Total Acquisition Cost (see paragraph 3.3 of the Circular) as well as the estimated costs of the Equity Fund Raising and Issue of Convertible Bonds (see paragraphs 7.5 and 8.4 of the Circular), and assuming that:

(i) approximately 275.6 million New Units are issued at a issue price of S$2.60 per New Unit pursuant to the Equity Fund Raising (purely for illustrative purposes only);

(ii) approximately 3.6 million Units are issued as payment of the acquisition fee payable to the Manager for the Acquisition;

(iii) the Convertible Bonds are issued with an aggregate principal amount of S$250 million an annual coupon rate of 1.75 per cent and a conversion price of S$3.38 for each Conversion Unit (purely for illustrative purposes only);

(iv) the Property is held jointly with Comnia and Freyland, with one-third of the income from the Property accruing to K-REIT Asia through ORQPL from 1 January 2006; and

(v) all Management Fees are paid in the form of Units.

4.3.1 Pro Forma DPU

Set out below are the pro forma financial effects of the Transaction on K-REIT Asia's DPU for FY2006, as if the Acquisition was completed on 1 January 2006 and held throughout FY2006.

	Existing Properties	Enlarged Portfolio
Net profit/(loss) before tax (S$'000)	11,196[1]	(3,858)[2][3]
Distributable Income (S$'000)	15,307[4]	46,777[4]
Issued Units ('000)	241,610[5]	522,891[6]
DPU (cents)	6.34[7]	8.95[7]
DPU assuming that the Convertible Bonds were fully converted on 1 January 2006 (cents)	Not applicable	8.42[8]

Notes:

(1) Assumes that K-REIT Asia's Existing Properties were held and operated throughout FY2006. Since the acquisition of the Existing Properties were completed on 26 April 2006, the pro forma figures have been based on the (i) unaudited financial statements of Mansfield Realty Limited, Keppel Land (Tower D) Pte Ltd and BCH Office Investment Pte Ltd for the period of 1 January 2006 to 25 April 2006 after making certain assumptions and adjustments; and (ii) Audited Financial Statements of K-REIT Asia which relates to the actual results of K-REIT Asia from 26 April 2006 to 31 December 2006.

(2) Includes (i) K-REIT Asia's one-third share of the net loss of ORQPL based on its audited financial statements for FY2006 after incorporating adjustments necessary to reflect the financial results of ORQPL as if the Acquisition was completed on 1 January 2006; (ii) interest income from the shareholder's loan to ORQPL; (iii) an Income Support Top-up Payment of S$29.9 million for FY2006; and (iv) deducting the additional borrowing costs, Manager's management fees, amortisation expense and trust expenses in connection with the Transaction.

(3) The net loss is due mainly to ORQPL's net loss incurred in FY2006 as at the Property received the temporary occupation permits for its South Tower and North Tower on 24 April 2006 and 26 October 2006 respectively.

(4) Distribution was based on 100 per cent of total income available for distribution.

(5) Number of Units in issue as at 31 December 2006.

(6) Includes approximately 275.6 million New Units issued pursuant to the Equity Fund Raising, approximately 3.6 million Units issued as payment of the acquisition fee payable to the Manager for the Acquisition as well as 2.1 million Units issued as payment of the management fees payable to the Manager for FY2006, at an issue price of S$2.60 per Unit.

(7) Computed based on the Distributable Income over the number of Units in issue as at 31 December 2006.

(8) Computed based on the adjusted Distributable Income adjusting on the basis that the Convertible Bonds were fully converted to 74.0 million Units on 1 January 2006 at a conversion price of S$3.38 for each Conversion Unit.

4.3.2 Pro Forma NAV

The pro forma financial effects of the Transaction on the NAV per Unit as at 31 December 2006, as if the Acquisition was completed on 31 December 2006, are as follows:

	Existing Properties	Enlarged Portfolio
NAV (S$'000)	484,013(1)	1,127,305(2)
Issued Units ('000)	241,610(3)	520,807(4)
NAV per Unit (S$)	2.00	2.34

Notes:

(1) Based on the Audited Financial Statements and adjusted for the distribution in February 2007 of K-REIT Asia's Distributable Income for the period of 1 July 2006 to 31 December 2006.

(2) Based on the assumptions that: (i) the Convertible Bonds are issued with an aggregate principal amount of S$250 million, and thereby reducing K-REIT Asia's aggregate leverage from 27.4 per cent (based on appraised value of the Existing Properties at S$677 million as at 31 December 2006) to 26.6 per cent; and (ii) the Total Acquisition Cost is S$954.9 million as at 31 December 2006.

(3) Number of Units in issue as at 31 December 2006.

(4) Includes approximately 275.6 million New Units issued pursuant to the Equity Fund Raising (purely for illustrative purposes only) and approximately 3.6 million Units issued as payment of the acquisition fee payable to the Manager for the Acquisition, at an issue price of S$2.60 per Unit.

4.3.3 Pro Forma Capitalisation

The following tables set forth the pro forma capitalisation of K-REIT Asia as at 31 December 2006, as adjusted to reflect the assumption that approximately 275.6 million New Units are issued at an issue price of S$2.60 per New Unit pursuant to the Equity Fund Raising (purely for illustrative purposes only). The information in these tables should be read in conjunction with paragraph 4.2.3 of the Circular.

	As at 31 December 2006		
	Existing Properties (S$ million)	**Enlarged Portfolio (S$ million)**	**Enlarged Portfolio (Assuming that the Convertible Bonds were fully converted on 31 December 2006) (S$ million)**
Short-term debt:			
Secured debt	—	—	—
Unsecured debt	—	—	—
Total short-term debt	—	—	—
Long-term debt:			
Secured debt(1)	189.0	409.6(2)	189.0
Unsecured debt	—	—	—
Total long-term debt	189.0	409.6	189.0
Total debt	189.0	409.6	189.0
Unitholders' funds	484.0(3)	1,230.0(4)	1,455.6(4)
Expenses relating to the Equity Fund Raising	—	(12.7)	(12.7)
Total Unitholders' funds	484.0	1,217.3	1,442.9
Total capitalisation	673.0	1,626.9	1,631.9

Notes:

(1) The amounts are stated net of unamortised transaction costs.

(2) Excluding the equity component of the Convertible Bonds.

(3) Based on the Audited Financial Statements and adjusted for the distribution in February 2007 of K-REIT Asia's Distributable Income for the period of 1 July 2006 to 31 December 2006.

(4) Based on the assumptions that (i) approximately 275.6 million New Units are issued pursuant to the Equity Fund Raising (purely for illustration purposes only) and approximately 3.6 million Units are issued as payment of the acquisition fee payable for the Acquisition, at an issue price of S$2.60 per Unit; (ii) the Convertible Bonds are issued at an aggregate principal amount of S$250 million; and (iii) the value of the Total Acquisition Cost is S$954.9 million as at 31 December 2006.

4.4 The Keppel Land Placement

The Manager's rationale for the Keppel Land Placement is set out in paragraph 9.2 of the Circular. The Manager believes that the Keppel Land Placement will bring certain benefit to the Unitholders. The Manager's rationale for the Keppel Land Placement is reproduced below:

"The Manager is of the view that Keppel Land Group should be permitted to subscribe for the New Units under the Keppel Land Placement so that its level of unitholdings in percentage terms is not diluted because of the Equity Fund Raising.

The Manager believes that, notwithstanding that Keppel Land is a Substantial Unitholder, Keppel Land should be given the opportunity to subscribe for additional Units under the Keppel Land Placement so as to maintain its respective proportionate unitholding, in percentage terms, at the pre-placement level, of the total number of Units in issue immediately prior to the Equity Fund Raising, since other Unitholders may also subscribe for additional Units.

In addition, the Manager believes that maintaining the proportionate unitholding of the Keppel Land Group will provide a degree of stability to K-REIT Asia as an investment vehicle. The Manager further believes that the Keppel Land Placement would also provide a greater degree of certainty of success in K-REIT Asia's fund raising exercise and thus further promote investor confidence in K-REIT Asia. The Keppel Land Placement is a condition precedent to the Acquisition in the Share Purchase Agreement. For the avoidance of doubt, Keppel Land will not be subscribing for the Convertible Bonds."

We note that the issue price of the New Units to be issued and the actual size of the Equity Fund Rising will be determined between the Manager and the Joint Financial Advisers, Underwriters and Bookrunners closer to the date of commencement of the Equity Fund Raising.

4.5 Other Considerations

4.5.1 K-REIT Asia's Aggregate Leverage

After taking into account the net increase in aggregate valuation of the Existing Properties, the aggregate leverage as at 31 July 2007 is approximately 22.7 per cent. Upon Completion, based on K-REIT Asia's new Deposited Property (as defined in the Trust Deed) of approximately S$1.76 billion (which takes into account the increase in the aggregate valuation of the Existing Properties as well as the value of the ORQ Interest), K-REIT Asia's aggregate leverage will increase from approximately 22.7 per cent to (i) approximately 24.6 per cent, if an aggregate principal amount of S$250 million of Convertible Bonds are issued; and (ii) approximately 32.9 per cent, if an aggregate principal amount of S$400 million of Convertible Bonds are issued.

4.5.2 The Manager's Internal Control System and the Role of Audit Committee

The Manager has established an internal control system to ensure that all Related Party transactions will be undertaken on normal commercial terms and will not be prejudicial to the interests of K-REIT Asia 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 professional valuers (in accordance with the Property Funds Guidelines).

The following procedures will be undertaken when transactions (either individually or as part of a series or if aggregated with other transactions involving the same Related Party during the same financial year) equal to or exceeding 5.0% of the value of K-REIT Asia's net tangible assets will be reviewed and approved, on the basis described in the preceding paragraph, by the Audit Committee which may, as it deems fit, request advice on the transaction from independent sources or advisers, including the obtaining of valuations from independent professional valuers. Further, under the rules of the Listing Manual and the Property Funds Guidelines, such transactions would have to be approved by the Unitholders at a meeting of Unitholders.

We note that the procedures as set out in the foregoing paragraphs are to be applied by the Manager in relation to the Acquisition.

4.5.3 Risk associated with the Deed of Income Support

We would like to highlight to the Independent Directors and the Unitholders that K-REIT Asia will be reliant on income derived from the Deed of Income Support. Any failure by Boulevard and the Guarantor to perform their respective obligations under the Deed of Income Support may adversely affect K-REIT Asia's cash flow and the amount of distributions it is able to make to unitholders of K-REIT Asia.

5. PROPERTY MANAGEMENT AGREEMENT

We would like to note that by approving the proposed Acquisition, the Unitholders will be deemed to have also approved the provision of asset management services by the ORQ Property Manager in relation to One Raffles Quay.

The asset management services in relation to One Raffles Quay are currently being provided by the ORQ Property Manager, a Singapore incorporated company. Pursuant to the ORQ Property Manager Restructuring completed on 31 August 2007, the entire share capital of the ORQ Property Manager has been transferred by ORQPL to Hongkong Land (Singapore) Pte. Ltd., Charm Aim International Limited and K-REIT Asia Property Management Pte. Ltd. in equal proportions.

By approving the proposed Acquisition, the Unitholders will be deemed to have also approved the provision of asset management services by the ORQ Property Manager in relation to One Raffles Quay.

The existing property management agreement between ORQPL and the ORQ Property Manager in relation to the management of One Raffles Quay will be terminated and the new asset management agreement ("**ORQ Asset Management Agreement**") will supersede the original asset management agreement in its entirety.

In consideration of due performance by the ORQ Property Manager of the aforesaid services, ORQPL shall pay the ORQ Property Manager:

- a management fee equal to three per cent of the Gross Revenue from One Raffles Quay;

- in relation to each lease entered into by a tenant, a marketing fee equivalent to:
  - 2 months' Gross Rent in the event that such lease is for a term of 5 years or more; or
  - 1 month's Gross Rent in the event that such lease is for a term of 2 years or more, but less than 5 years; or
  - one half month's Gross Rent in the event that such Lease is for a term of less than 2 years;
- in relation to renewal of leases, a marketing fee equivalent to one-quarter month's Gross Rent; and in relation to leases with rent review provision, a marketing fee equivalent to one-quarter month's Gross Rent based on the reviewed rent on each of the rent review.

We note that the structure of the management fee contracted in the ORQ Asset Management Agreement is in line with the market practice in Singapore.

6. OUR OPINION

In arriving at our opinion on whether the financial terms of the Acquisition are on normal commercial terms and whether they are prejudicial to the interests of K-REIT Asia and its minority Unitholders, we considered the factors set out in the previous sections of this letter. Our conclusions in respect of the factors considered are set out below:

6.1 Rationale of the Proposed Acquisitions

We have reviewed the rationale of the Acquisition and are of the view that the Acquisition is being made on a reasonable basis.

6.2 Reasonableness of the Aggregate Consideration of the Acquisition

In reviewing the Aggregate Consideration of the Acquisition, we have considered the following:

- Valuation of the Property undertaken by the Independent Valuers

  We note that the Agreed Value of the one-third interest in the Property of the Acquisition is marginally higher than the property valuation (including the provision of guaranteed income support by Boulevard) as determined by Knight Frank and equivalent to the property valuation (including the provision of guaranteed income support by Boulevard) as determined by CBRE.

- Profit Forecast

  We note that based on the Manager's forecast (which is based on the assumptions set out in the Appendix B of the Circular), with an Agreed Value of S$941.5 million (including income support amount), the Manager expects ORQ to generate a forecast and projected yields of 4.0% and 4.8%, respectively.

- Occupancy rates

  We note that as at 30 June 2007, ORQ had a total committed occupancy of 100%.

- Comparable Transactions analysis

  We note that the ORQ Property Yield is above the median of the forecast net property yield of the Comparable Transactions.

6.3 Pro forma financial effects of the Acquisition

We note that the Acquisition will result in positive financial effects for K-REIT Asia.

6.4 The Keppel Land Placement

We have reviewed the rationale of the Keppel Land Placement and are of the view that the Keppel Land Placement is being made on a reasonable basis. In addition, we note that the Issue Price for the New Units to be issued to Keppel Land and other investors will be the same.

6.5 Other Consideration

- K-REIT Asia's Aggregate Leverage

  After taking into account the net increase in aggregate valuation of the Existing Properties, the aggregate leverage as at 31 July 2007 is approximately 22.7 per cent. Upon Completion, based on K-REIT Asia's new Deposited Property (as defined in the Trust Deed) of approximately S$1.76 billion (which takes into account the increase in the aggregate valuation of the Existing Properties as well as the value of the ORQ Interest), K-REIT Asia's aggregate leverage will increase from approximately 22.7 per cent to (i) approximately 24.6 per cent, if an aggregate principal amount of S$250 million of Convertible Bonds are issued; and (ii) approximately 32.9 per cent, if an aggregate principal amount of S$400 million of Convertible Bonds are issued.

- The Manager's internal control system and the role of Audit Committee

  The Manager has established an internal control system to ensure that all Related Party transactions will be undertaken on normal commercial terms and will not be prejudicial to the interests of K-REIT Asia and the Unitholders. As a general rule, the Manager must demonstrate to the Audit Committee that such transactions satisfy the foregoing criteria.

- Risk associated with the Deed of Income Support

  K-REIT Asia will be reliant on income derived from the Deed of Income Support. Any failure by Boulevard and the Guarantor to perform their respective obligations under the Deed of Income Support may adversely affect K-REIT Asia's cash flow and the amount of distributions it is able to make to unitholders of K-REIT Asia.

6.6 Property Management Agreement

We note that the structure of the management fee contracted in the ORQ Asset Management Agreement is in line with the market practice in Singapore.

After carefully considering the information available to us as of, and based upon the monetary, industry, market, economic and other relevant conditions subsisting as at the Latest Practicable Date and based on our considerations above, we are of the opinion that the financial terms of the Acquisition (together with the provision of ORQ Asset Management Agreement) and the Keppel Land Placement are on normal commercial terms and are not prejudicial to the interests of the K-REIT Asia and its minority Unitholders.

Accordingly, we advise the Independent Directors to recommend that the Unitholders vote in favour of the ordinary resolution relation to the Acquisition. This opinion is addressed solely to the Independent Directors and the Trustee for their use and benefit, in connection with and for their consideration of the Acquisition and for inclusion in the Circular. 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 KPMG Corporate Finance. The recommendation to be made by the Independent Directors to the Unitholders shall remain the responsibility of the Independent Directors.

In rendering the above opinion, we have not taken into consideration the specific investment objectives, financial situation, tax position or unique needs and constraints of any individual Unitholder. Accordingly, any individual Unitholder who may require specific advice in relation to his investment portfolio including his investment in K-REIT Asia should consult his stockbroker, bank manager, solicitor, accountant, tax adviser, or other professional adviser immediately.

This opinion 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 faithfully
For and on behalf of
KPMG Corporate Finance Pte Ltd

Vishal Sharma	Hertanu Wahyudi
Executive Directors	*Manager*

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INDEPENDENT OFFICE MARKET REVIEW

Independent Review of Office Market for Marina Bay/ Raffles Place Area

Prepared for
K-REIT Asia Management Limited
(as manager of K-REIT Asia)

and

RBC Dexia Trustee Services Singapore Limited
(as trustee of K-REIT Asia)

By
DTZ Consulting and Research

2 July 2007

2 July 2007

K-REIT Asia Management Limited (as manager of K-REIT Asia) &
RBC Dexia Trustee Services Singapore Limited (as trustee of K-REIT Asia)
1 HarbourFront Avenue
#18-01 Keppel Bay Tower
Singapore 098632

Dear Sir,

INDEPENDENT OFFICE MARKET REVIEW

DTZ Debenham Tie Leung (SEA) Pte Ltd has been commissioned to undertake an independent review of the office market for Marina Bay/ Raffles Place area for the acquisition of One Raffles Quay.

We are pleased to submit our report which comprises a review of the Asian and Singapore economies, an overview of the office market, analyses of One Raffles Quay and the micro-market as well as an annual rental growth forecast.

Yours sincerely,
DTZ Debenham Tie Leung (SEA) Pte Ltd

Ong Choon Fah (Mrs)
Executive Director
Consulting & Research

Encl.

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Preamble

DTZ Debenham Tie Leung (SEA) Pte Ltd has been appointed by K-REIT Asia Management Limited to prepare an independent review of the office market at the Marina Bay/ Raffles Place area.

The subject property, known as One Raffles Quay, is a prestigious office development with ancillary retail space mainly for F&B outlets. It is situated in Marina Bay, opposite the traditional financial and business hub, Raffles Place.

This study comprises a review of the Asian and Singapore economies, a Singapore office property market overview, an analysis of the subject property and its micro-markets as well as forecast of annual rental growth over the next four years.

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LIMITING CONDITIONS

Section One

Review of the Asian and Singapore Economies

1.1 The Asian Economies

The Asian economy showed resilience despite soaring oil prices in 2006. China and India led growth at 10.5% and 8.5% respectively, backed by rapid investment inflows. Vietnam's economy expanded by 7.8% in 2006. Most other developing countries in Asia posted healthy GDP growth of above 5.5% in 2006, underpinned by high import demand globally and from China.

The Singapore economy expanded by 7.9% in 2006, higher than other developed economies in the region, namely Hong Kong (5.9%), South Korea (4.8%) and Japan (2.8%).

The economic outlook for Asian countries is favourable. Robust growths in China and India are expected to continue in 2007, supported by extensive investment and private consumption expenditures. Other economies will continue to benefit from high import demand from China and the moderation in oil price. Most of the regional economies are projected to grow at almost similar rates to 2006 (Table 1.1).

Table 1.1
Asian Economic Performance

	GDP Per Capita[1]	Real GDP Growth (2006)	Real GDP Growth (2007F)
Hong Kong	$55,754[2]	5.9%	5.5%
India	$5,652	8.5%	8.4%
Indonesia	$5,805	5.4%	6.0%
Japan	$50,560	2.8%	2.3%
Malaysia	$19,399	5.5%	5.5%
People's Republic of China	$11,609	10.5%	10.0%
Philippines	$7,638	5.4%	5.8%
Singapore	**$46,832**	**7.9%**	**5% - 7%**
South Korea	$36,966	4.8%	4.4%
Thailand	$13,900	4.8%	4.5%
Vietnam	$4,735	7.8%	8.0%

Source: Ministry of Trade and Industry (MTI), Central Intelligence Agency, International Monetary Fund, DTZ Consulting & Research, Jul 2007

1.2 The Singapore Economy

Having been affected by two economic downturns during the Asian Financial Crisis in 1997/1998 and September 11 terrorist attacks in 2001, strong economic fundamentals and Government restructuring efforts enabled the Singapore economy to weather external shocks and recover quickly in the following year.

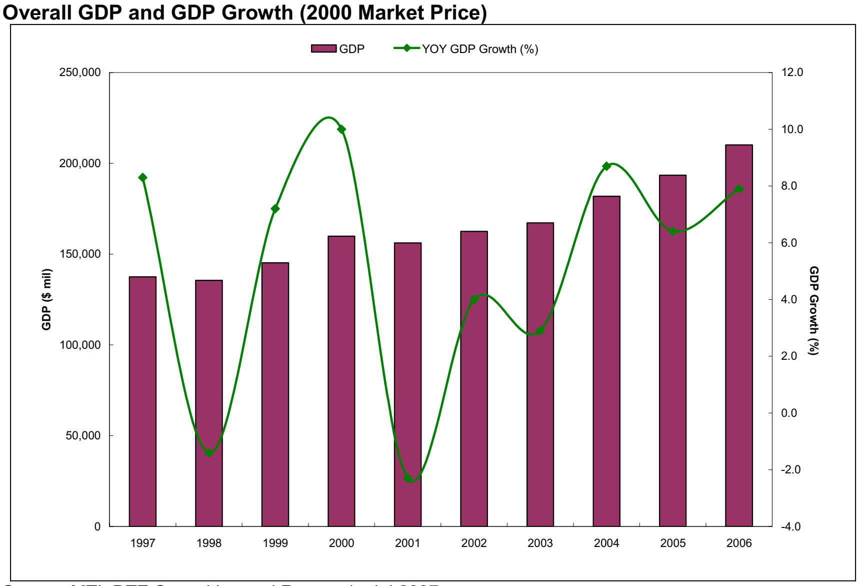
Key recommendations set by the Economic Restructuring Committee in 2001 to create a diversified economy with manufacturing and services sector as the twin engines of growth has been successful to stay ahead of competition and maintain strong economic growth in Singapore.

Despite negative growths in 1998 and 2001, the Singapore economy grew annually by 5.1% on average in the past decade. By 2005, real GDP expanded by 6.4% YOY, totalling $193.45 bil.

In 2006, the economy expanded by 7.9%, with total GDP of $210.1 bil (Figure 1.1). Growth was broad-based, with most sectors performing well, except for electronics-related industries, which was affected by softening in the global IT market and continued weakness in consumer electronics segment.

[1] Adjusted for Purchasing Power Parity.
[2] All currencies are in SGD unless otherwise stated.

Figure 1.1
Overall GDP and GDP Growth (2000 Market Price)



Source: MTI, DTZ Consulting and Research, Jul 2007

Expansion in the manufacturing sector was shored by healthy performance of the non-electronic cluster, in particular the Pharmaceutical and Marine & Offshore Engineering industries.

The financial and business services sectors also witnessed a broad-based upturn as the sector was lifted by strong surge in stock market trading, owing largely to positive outlook for the domestic economy, particularly the property sector. Financial services growth exceeded that of the overall economy to expand by 9.2% for the whole of 2006.

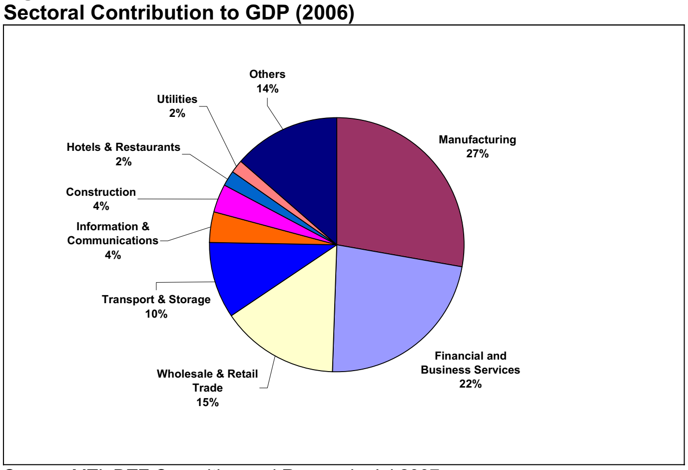
Tourism-related services cluster experienced a strong recovery as well with Singapore welcoming a record 9.7 mil visitors in 2006. The steady stream of visitors benefited the hospitality industry with average hotel occupancy peaking at 92% in November, the highest since 1995.

Although, Goods & Service Tax (GST) has been raised from 5% to 7% effective 1 July, the one-off increase to domestic prices is partly mitigated by the reduction in corporate tax from 20% to 18%, as well as reductions in road tax, foreign maid worker levy and the extension of rebates on service and conservancy charges and rental. Overall price pressures in the economy are expected to remain well-contained.

1.3 Main Contributors to GDP

The Manufacturing sector, together with the Financial and Business Services sector, which are the main growth drivers of the economy, contributed more than half of the total GDP in 2006 (Figure 1.2).

Figure 1.2
Sectoral Contribution to GDP (2006)



Source: MTI, DTZ Consulting and Research, Jul 2007

The financial service sector continued to grow rapidly in 1Q07 following a 9.2% expansion for the whole of 2006. All major financial clusters saw strong performances, with robust expansions in the capital and money markets (Table 1.2).

Riding on the robust Asian economies, Singapore is establishing itself as one of the key locations in the region for financial institutions and global wealth management. More global financial institutions expanded their regional footprints in Singapore during the year. For instance, British-based Barclays Capital, Spain's Banco Bilbao Vizcaya Argentaria (BBVA) and European bank, DZ Bank International have established/expanded their offices in Singapore.

Table 1.2
Performance in Financial and Business Services Sector[3]

Sector	Real Growth (%)	
	2006	1Q07
Financial Services	**9.2**	**12.9**
Banking	9.1	Not Available
Stock, Futures & Commodity Brokers	27.9	
Fund Management Activities	36.0	
Insurance	-5.4	
Business Services	**5.8**	**6.6**
Real Estate	4.2	Not Available
IT & Related Services	9.8	
Legal	6.5	
Accounting	6.6	
Architectural & Engineering Services	6.0	
Business Representative Offices	6.7	

Source: MTI, DTZ Consulting and Research, Jul 2007

The business services sector grew by 6.6% in 1Q07. Expansion in this sector was led by the buoyant real estate segment. Growth was also supported by the healthy performance of business representative offices, and business and management consultancy activities.

As a result, office rents in the Central Region rose strongly by 41% in 1Q07, up from 30% in the previous quarter, driven by strong demand for office space amid tightening supply. Occupancy rate for office space climbed further to 91%, the highest level since 1Q97.

1.4 Employment Rate

Against the backdrop of firm economic activity, employment growth continued unabated. Preliminary estimates show that total employment increased 48,000 in 1Q07, higher than the gains of 45,000 in 1Q06, although slightly lower than the 51,500 in 4Q06. All major sectors added workers, led by services with gains of 33,400 workers.

[3] Percentage change over same period of previous year

The increase in employment also came from business services (9,400), wholesale and retail trade (5,700), financial services (5,200), hotels and restaurants (1,900) and information and communications (1,200). The other services industries comprising health, education and personal services added 10,200 more workers. The manufacturing sector created 9,500 new jobs. Driven by the expansion in building activities, construction increased its workforce by 5,000, continuing the uptrend that started two years ago (Table 1.3).

Table 1.3
Changes in Employment by Sector

Sector	2005	2006				2006	2007
	Annual	1Q	2Q	3Q	4Q	Annual	1Q
Goods Producing Industries	**39,500**	**17,100**	**12,000**	**17,100**	**17,100**	**63,300**	**14,600**
Manufacturing	29,100	11,100	8,400	11,300	10,900	41,600	9,500
Construction	8,700	5,600	3,500	5,600	5,800	20,500	5,000
Others	1,700	400	100	200	500	1,100	100
Services Producing Industries	**73,800**	**28,000**	**24,400**	**25,900**	**34,400**	**112,700**	**33,400**
Wholesale & Retail Trade	12,600	3,500	3,000	4,500	7,500	18,500	5,700
Transport & Storage	6,400	1,700	1,600	1,200	1,600	6,000	-200
Hotels and Restaurants	5,700	1,100	1,500	1,200	8,700	12,600	1,900
Information & Communications	3,700	1,200	1,800	1,200	2,300	6,500	1,200
Financial Services	7,700	2,100	3,300	3,300	2,600	11,300	5,200
Business Services	20,200	10,100	8,500	8,500	7,000	34,100	9,400
Other Services Industries	17,500	8,300	4,700	6,100	4,600	23,700	10,200
Total	**113,300**	**45,000**	**36,400**	**43,000**	**51,500**	**176,000**	**48,000**

Source: MTI, DTZ Consulting Research, Jul 2007

The seasonally-adjusted overall unemployment rate was 2.9% in March 2007, up from 2.6% in December 2006. The rise in unemployment rate was a reflection of more people entering the labour market on the back of favourable economic conditions[4].

Employment prospects remain robust for 1Q07, with a recent survey of employers by Manpower Inc. showing positive hiring intentions across all sectors, especially in the services industry. The latest poll by Hudson, the human resources consultancy, also indicated that more than half (56%) the employers surveyed intended to grow their headcount in 1Q07, up from 52% in 4Q last year.

1.5 Economic Outlook

Singapore economy grew 6.1% in 1Q07. The latest business expectations surveys by Economic Development Board (EDB) showed that firms in both manufacturing and services are optimistic about business conditions over the next six months. Underpinned by strong macro fundamentals, implementation of pro-market policies, as well as on-going upgrading and restructuring of the economy, economic outlook is positive.

As one of the top active foreign exchange trading centres and major wealth management centres in Asia, Singapore continues to be a springboard providing regional and global opportunities with many financial institutions based here. Excellent financial infrastructure, cost-competitiveness and highly-skilled labour force, further strengthen the Republic's position as an international financial hub.

However, as an open economy with strong reliance on external demand, downside risks remain. These include moderation of growth in the global economy, vulnerability of oil prices to supply shocks, threats of terrorism and outbreak of Avian Flu pandemic.

Nevertheless, barring these uncertainties, economic growth is expected to remain healthy in 2007.

[4] The rise in unemployment rate was driven by an increase in labour supply.

Section Two
Office Market Overview

2.1 Introduction

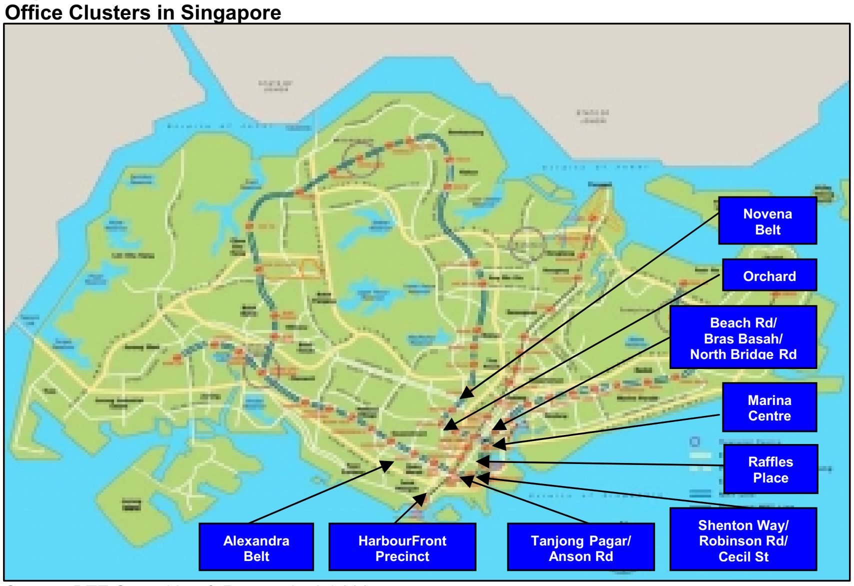
The Singapore office market has matured in tandem with the economy. Offices no longer serve as mere workspaces but have evolved to suit the lifestyle of their occupants featuring iconic architecture, state-of-the-art building specifications and conducive working environment.

Offices in Singapore are mainly located in the Downtown Core, which includes the Central Business District (CBD). The Downtown Core comprises:

- Raffles Place; Shenton Way/ Robinson Road/ Cecil Street;
- Tanjong Pagar/ Anson Road;
- Marina Centre; and
- Beach Road/ Bras Basah/ North Bridge Road.

Other major office locations include:
- Orchard Road;
- HarbourFront precinct;
- Alexandra Belt; and
- Novena Belt (Map 2.1).

Map 2.1
Office Clusters in Singapore



Source: DTZ Consulting & Research, Jul 2007

A new downtown at Marina Bay is currently underway and will serve as an extension of the existing CBD. The area will be a place for live, work and play with synergical mix of prime office developments, world-class shopping, luxury housing, entertainment and leisure facilities.

Two prime office developments in Marina Bay, One Marina Boulevard and One Raffles Quay (the subject property), have been completed. Most of the developments in Marina Bay are scheduled to complete in 2008 and beyond; including the integrated resort - Marina Bay Sands, Marina Bay Financial Centre (MBFC), The Sail @ Marina Bay and Gardens by the Bay.

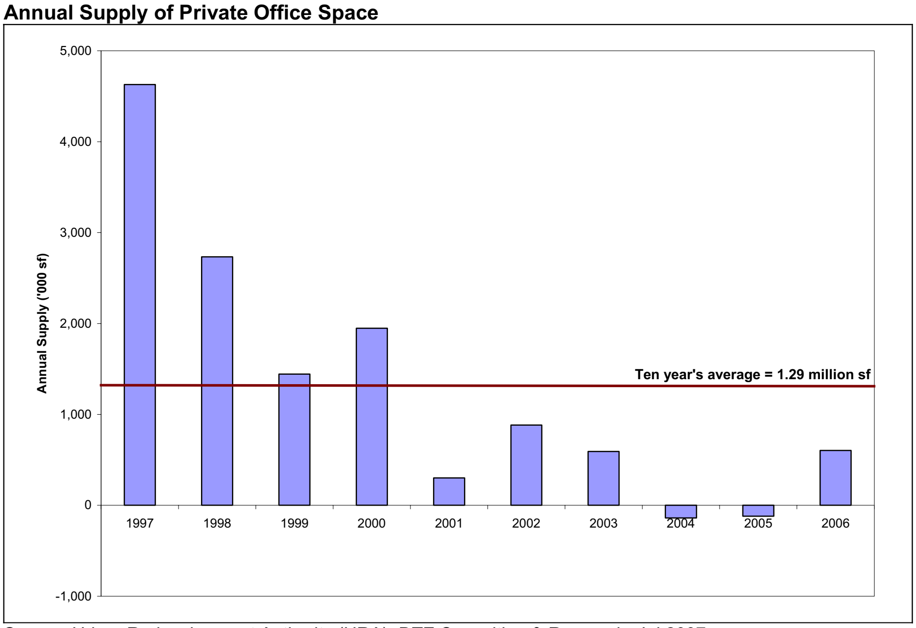
2.2 Historical Supply

Supply grew at an average of 1.29 mil sf[6] annually in the past decade. Growth was significantly higher between 1997 and 2000 than in later years, averaging 2.69 mil sf, or double the decade's average. The period was marked with the completion of major developments including Republic Plaza I (694,260 sf), Capital Square (376,600 sf), Suntec Towers 3 & 4 (474,150 sf each), PWC Building (347,680 sf) and Capital Tower (741,900 sf).

Many developments were still under construction when the Asian Financial Crisis struck in 1997/1998. Supply therefore continued to increase rapidly despite sluggish demand. However, the Asian Financial Crisis and subsequent downturns caused by global economic slowdown, SARS and Iraq War led many developers to suspend their development plans, culminating in the supply crunch today.

Net annual supply of private office declined in 2004 and 2005 as older buildings were demolished while new supply was limited (Figure 2.1).

Figure 2.1
Annual Supply of Private Office Space



Source: Urban Redevelopment Authority (URA), DTZ Consulting & Research, Jul 2007

About 1.48 mil sf of private office space were completed in 2006. However, termination was also high during the year, including the demolition of Straits Trading Building, LKN Building and Natwest Centre. As a result, net annual supply in 2006 was 667,000 sf, significantly below the decade's average.

Completion in 1Q07 comprises only SIF Building at Robinson Road with an estimated NLA of 59,200 sf (Table 2.1).

6 Existing supply is in terms of Net Lettable Area (NLA).

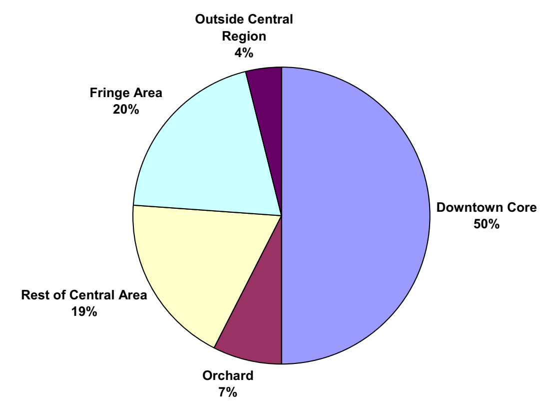
Table 2.1
Office Completion

Development / Location	Planning Area[7]	NLA(sf)
2006		
One Raffles Quay (South Tower) / Raffles Quay	Downtown Core	566,180
One Raffles Quay (North Tower) / Raffles Quay	Downtown Core	776,080
55 Market Street / Market Street	Downtown Core	66,740
Parakou Building / Robinson Rd	Downtown Core	62,430
VivoCity / Harbourfront Walk	Bukit Merah	7,530
	Subtotal	**1,478,960**
1Q07		
SIF Building / Robinson Rd	Downtown Core	59,200
	Subtotal	**59,200**
	Total	**1,538,160**

Source: URA, DTZ Consulting & Research, Jul 2007

As at 1Q2007, islandwide private office space totaled 56.06 mil sf. About half were located in the Downtown Core, followed by 20% at the Fringe Area (Figure 2.2).

Figure 2.2
Distribution of Office Space



Source: URA, DTZ Consulting & Research, Jul 2007

2.3 Future Supply

2.3.1 Future Supply with Approvals for Development

According to URA, major future supply of private office space between 2Q07 and 2011 with approvals for development is estimated at 5.62 mil sf[8], majority of which is located in the Downtown Core (72% or 4.04 mil sf).

Expected completions in 2Q-4Q 2007 is limited totalling 604,720 sf comprising only LKN Building in Cecil Street and The Central, the mixed development in Eu Tong Sen Street (Table 2.2).

[7] Please refer to Appendix I for details of URA Planning Areas.
[8] Potential supply is in terms of Gross Floor Area (GFA) unless stated otherwise.

Table 2.2
Potential Supply with Approvals for Development

Development / Location	Micro-Market	GFA (sf)
2Q – 4Q 07		
LKN Building (Redevelopment) / Cecil St	Downtown Core	100,860
The Central / Eu Tong Sen St	Bukit Merah	503,860
	Subtotal	**604,720**
2008		
VisionCrest / Clemenceau Ave, Oxley Rise, Penang Rd	Museum	161,240
Merrill Lynch HarbourFront / Telok Blangah Rd	Bukit Merah	244,560
Wilkie Edge / Selegie Rd	Rochor	150,370
Dapenso Building (Redevelopment) / Cecil St, Stanley St	Downtown Core	123,570
OUB Building (Additions/ Alterations) / Robinson Rd	Downtown Core	85,470
OUB Centre (Additions/ Alterations) / Raffles Place	Downtown Core	51,990
Office Development / Airport Boulevard	Changi	12,700
Office at City Square / Kitchener Link	Kallang	7,530
	Subtotal	**837,430**
2009		
9 Battery Road (Former Straits Trading Building) / Battery Rd	Downtown Core	199,890
71 Robinson Road / Robinson Road	Downtown Core	275,880
Overseas Union House (Redevelopment) / Collyer Quay	Downtown Core	481,580
	Subtotal	**957,350**
2010		
Marina Bay Financial Centre (MBFC), Phase 1 / Marina Boulevard	Downtown Core	1,937,500
Office at Funan Digitalife Mall / North Bridge Rd	Downtown Core	159,950
	Subtotal	**2,097,450**
2011		
Office Block at Alexandra Business Park / Pasir Panjang Rd	Queenstown	495,030
Ocean Building (Redevelopment) / Collyer Quay	Downtown Core	625,810
	Subtotal	**1,120,840**
	Total	**5,617,790**

Source: URA, DTZ Consulting & Research, Jul 2007

Future supply of net lettable space up to 2009 remains limited averaging 639,870 sf[9] annually compared to the past decade's average of 1.29 mil sf. Moreover, about 799,350 sf of office building is due for termination in 2007 for redevelopment or major retrofitting. These include 1 Shenton Way, which will be re-developed into a luxurious residential development as well as Asia Chambers Building, 71 Robinson Road and Ocean Building, which will be re-developed back into office use.

The bulk 57% (3.22 mil sf) of potential supply is scheduled to complete in 2010 and 2011, comprising MBFC Phase 1, office block at Alexandra Business Park, office at Funan Digitalife Mall and the redeveloped Ocean Building.

Some of the potential supply have been pre-committed for lease. Merrill Lynch had leased the entire Merrill Lynch HarbourFront space while Standard Chartered Bank Singapore had committed to lease 500,000 sf of office space in MBFC Phase 1.

[9] Assuming 80% efficiency

2.3.2 Redevelopment & Conversion

Other potential supply includes the conversion of Capital Square carpark into offices with an estimated GFA of 12,500 sf. The converted space will have the same specifications as the rest of the building. The conversion is expected to complete in 2008.

SPI Building in Bukit Merah will also be redeveloped. The redevelopment is scheduled to complete in 2010 and is estimated to yield GFA 375,000 sf.

2.3.3 Government Land Sales (GLS) Programme

Five commercial, hotel and white sites were awarded between January and July 2007 under the GLS Programme. The five sites have the potential to yield a total commercial[10] GFA of 706,538 sf (Table 2.3).

Table 2.3
Commercial, Hotel and White Sites Tendered (2007)

Location	Site Area (sf)	Gross Plot Ratio	Commercial GFA (sf)	Date of Award
Commercial Sites				
New Bridge Rd / North Canal Rd	13,810	4.2	58,020	Feb 07
Tampines Grande	86,110	4.2	361,660	May 07
White Site				
Belilios Rd / Klang Lane	33,220	3.5	28,310[11]	May 07
Hotel Site				
Tanjong Pagar / Gopeng St	25,540	5.6	85,820[12]	Jun 07
Tanjong Pagar / Tras Street	30,844	5.6	172,728	Jul 07
		Total	**706,538**	

Source: URA, DTZ Consulting & Research, Jul 2007

For the sites on the Confirmed List and Reserve List for 2H07, there is a potential of 6.31 mil sf of commercial GFA (Table 2.4). However, developers have the option to develop some into residential, retail or hotel uses.

Key sites to be sold under the GLS Programme for 2007 include:

- Commercial site at Beach Road / Middle Road
  With maximum permissible GFA of 1.58 mil sf, the development is envisaged to be a landmark. At least 40% of GFA is for office use, 30% for hotel rooms and hotel-related uses.

- Commercial site at Anson Road / Enggor Street
  The site is located in the CBD among major office developments. It is to be developed into a prime office building with large floor plate of about 18,000 sf.

- 'White' site at Central Boulevard / Shenton Way (Parcel A at Marina View)
  Located near the intersection between Raffles Place and Marina Bay, the site's commercial GFA is approximately 1.43 mil sf with at least 70% to be used for office.

- 'White' site at Marina View
  Based on URA's preliminary estimate, the site has the potential to yield commercial GFA of 913,100 sf and 565 hotel rooms.

---

[10] These are areas used or intended to be used mainly for commercial development. Hotels may be allowed subject to evaluation by the competent authority. Examples of developments are office, mixed use (eg. Office/Shopping/Cinema/Hotel/Flat), Convention/Exhibition Centre, Commercial School, Bank, Market/Food Centre/Restaurant, Cinema, Entertainment, Foreign Trade Mission/Chancery, Hotel and Health/Fitness Centre.

[11] URA estimate.

[12] Assuming full commercial GFA after minimum hotel quantum of 60%. Commercial GFA to include activity-generating use on the first storey.

Table 2.4
Government Land Sales Programme (2H07)

Location	Site Area (sf)	Gross Plot Ratio	Estimated No of Hotel Rooms	Estimated Commercial Space (sf)[13]	Estimated Launch Date
CONFIRMED LIST					
Commercial Sites					
Beach Rd/ Middle Rd	376,300	4.2	NA	1,106,300	Mar 07
Anson Rd/ Enggor St	39,730	9.66	NA	383,810	Jul 07
Toa Payoh Lorong 6	15,040	3.0	NA	45,210	Aug 07
White Sites					
Central Boulevard/ Shenton Way (Land Parcel A at Marina View)	110,210	13.0	NA	1,432,890	Jul 07
Marina View (Land Parcel B)	93,650	13.0	565	913,100	Jul 07
Race Course Rd/ Rangoon Rd	146,660	4.2	NA	183,090	Jul 07
Serangoon Central	268,880	3.5	NA	527,430	Dec 07
RESERVE LIST					
Commercial & Residential Sites					
Punggol Drive	150,360	3.0	NA	179,540	Available
Seletar Rd	53,840	2.1	NA	45,210	Available
Commercial Sites					
Punggol Point	118,403	-	NA	32,292	Available
Anson Rd	27,280	9.24	NA	258,550	Available
Jalan Sultan	13,990	-	85	3,550	Sep 07
Tampines Concourse	53,820	4.2	NA	226,040	Oct 07
White Sites					
Outram Rd/ Eu Tong Sen St	266,940	5.6	NA	971,660	Available
Total Commercial Space				**6,308,672**	

Source: URA, DTZ Consulting & Research, Jul 2007

2.3.4 Government Initiatives to Alleviate the Shortage of Office Space

From January to July 2007, the Singapore Land Authority (SLA) has put up 11 vacant State buildings designated solely for office use. These yield an estimated floor area of 477,080 sf.

More vacant state buildings will be made available for office and commercial uses in 2H07. In addition, URA will release land parcels for development of transitional offices. These are low-rise offices of three- or four-storeys which can be built within one year at relatively low cost. About 1.4 million sf of vacant state buildings and transitional offices will be made available in 2H07.

The first transitional office site of about 111,940 sf was launched on 4 July 2007. Located at Scotts Road, it can yield a maximum GFA of about 168,630 sf. The site will be held on a short-term lease of 10 years.

Government will also make available other commercial space outside the GLS Programme comprising:
- Mixed-use development at Lavender Street (about 150,690 sf);
- Fusionopolis Phase 2B at one-north (about 80,730 sf); and
- Mixed-use development at Changi Business Park (about 36,600 sf).

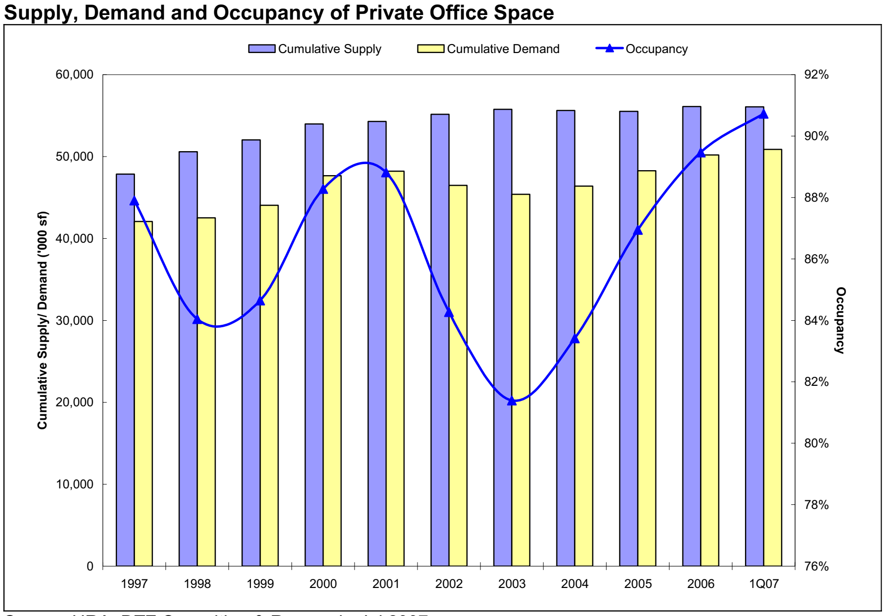
URA announced that it will temporarily disapprove the conversion of office space in the Central Area into other uses until 31 December 2009 to prevent the decline of office space, following a number of office buildings in the CBD that have been terminated for redevelopment or conversion into residential and other uses.

[13] Based on URA estimates and assuming full commercial GFA after a minimum quantum of other uses, e.g. hotel for sites which have been launched.

2.4 Demand & Occupancy

Annual demand for private office space averaged 1.10 mil sf in the last decade. Demand is highly influenced by performance of the financial and business services sectors, which are the main drivers of demand for office space. In 1998, annual demand dipped to only 430,000 sf as the country was hit by the Asian Financial Crisis. As supply continued to increase, occupancy took a sharp downturn to 84% (Figure 2.3).

Figure 2.3
Supply, Demand and Occupancy of Private Office Space



Source: URA, DTZ Consulting & Research, Jul 2007

Demand subsequently recovered along with the economy and peaked in 2000 at 3.59 mil sf, underpinned by the technology boom. Subsequent global economic slowdown, coupled with corporate restructuring particularly among banks, again took a toll on demand and occupancy. Demand contracted by 3.06 mil sf in 2001 while occupancy dipped to 84% the following year.

Recovery in 2004 was led by banks and financial institutions and limited to newer and better quality space. Demand has since become broader based emanating from supporting businesses such as IT, legal and accounting.

Annual demand in 2006 totaled 1.94 mil sf, 76% above the decade's average of 1.10 mil sf. Banks and financial institutions continued to lead demand for office space in 2006. Banks such as ABN Amro, Credit Suisse, Deutche Bank, Royal Bank of Scotland and UBS significantly increased their space commitments. Demand in 1Q07 was 667,000 sf or 34% of demand for the entire 2006.

As at end 1Q07, islandwide occupancy was 91%. Occupancy has escalated by 10 percentage points since the last trough in 2003 amidst robust demand and tight supply. It was also two percentage points higher than the last peak in 2001.

Based on survey by DTZ Research, as at end 2Q07 occupancy of office space in all areas, except Bras Basah/ Selegie Road, has reached or exceeded 95%.

2.5 Rental Trends

The URA Rental Index[14] for private office space in the Central Area had risen by a sterling 72% since the 2003 trough. Year 2006 experienced the highest increase of 31%, reflecting robust economy and strong demand. As at end 1Q07, the index stood at 127, an increase of 11% over the preceding quarter. The index is almost similar to the previous peak of 129 achieved in 1996 (Figure 2.4).

Figure 2.4
URA Rental Index for Central Area

Source: URA, DTZ Consulting & Research, Jul 2007

2.6 Office Occupancy Costs in Selected Business Capital Cities

Based on a survey by DTZ Research, office occupancy cost for prime office space in Singapore is still lower than some business capital cities despite rental escalation. As at end 1Q07, rents of offices in London (West End), Hong Kong and Tokyo (Central Wards) averaged $22.50, $21.30 and $14.20 psf respectively (Table 2.5).

Table 2.5
Prime Office Rents in Selected Business Capital Cities (as at 1Q07)

Cities	Monthly Gross Rents ($psf)
Bangkok	$2.70
Beijing	$7.00
Hong Kong	$21.30
Kuala Lumpur	$2.40
London (City)	$14.40
London (West End)	$22.50
New York (Midtown)	$8.10
Shanghai	$7.90
Singapore (Raffles Place)	**$10.90**
Sydney	$7.30
Taipei	$5.40
Tokyo (Central Wards)	$14.20

Source: DTZ Consulting & Research, Jul 2007

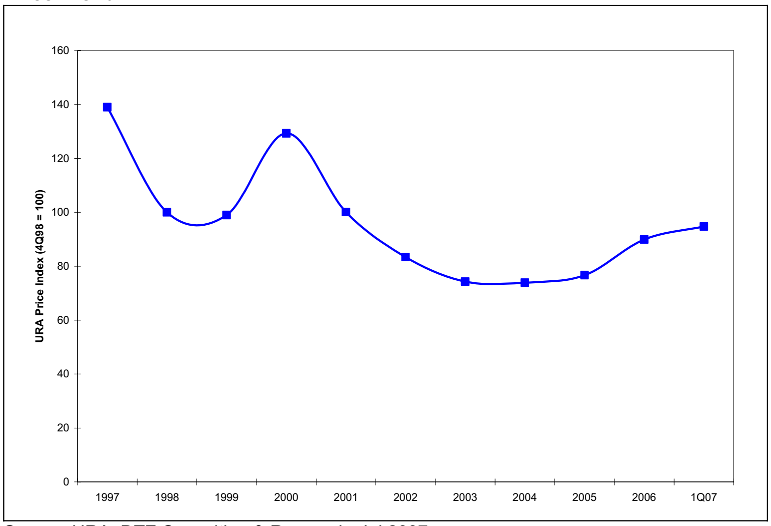
[14] URA Rental Index (1998 = 100)

2.7 Price Trends

Underpinned by rental increase and investment activities, the URA Price Index for the Central Area increased by 17% in 2006. In 1Q07, the index increased by another 5% from the previous quarter.

As at end 1Q07, the URA Price Index for Central Area stood at 95. The average index achieved during the previous peak in 1996 was 155.

Figure 2.5
Price Trend



Source: URA, DTZ Consulting & Research, Jul 2007

2.8 Investment Transactions

Singapore's investment market is among the most active in the region mainly because of its established legal system, market transparency, government initiatives to develop the REIT market, trend to go asset-light among developers/ property owners and substantial amount of wealth to be tapped on.

Besides REITs, income-producing properties in Singapore are also highly demanded by foreign institutional and property funds. Recognising the potential in Asia and in view of the real estate cycle in various regions, many institutional funds have increased their asset allocation to real estate in Asia. With its established legal and financial system as well as high degree of market transparency, Singapore is often the gateway to Asia markets.

Foreign institutional funds which have been actively investing in Singapore properties include:

- Asian Retail Mall Fund, *US*;
- Allco REIT, *Australia*;
- CLSA Capital Partners, *France*;
- Deutche Asset Management (Asia) Ltd, *Germany*;
- Develica Asia-Pacific, *UK*
- GE Real Estate, *US*;
- Kajima Corporation, *Japan*;
- Lehman Brothers Real Estate Partners, *US*;
- Lend Lease Corporation Limited, *Australia*;
- Lippo Group, *Indonesia*
- Macquarie Global Property Advisors Group, *Australia*;
- The Goldman Sachs Group, *US*;

In 2006, about 1.91 mil sf of office space were acquired by REITs and institutional funds with total value of $1.78 bil (Table 2.6). More than 3 mil sf of office space was transacted in 1H07.

Table 2.6
Major Investment Transactions of Office Building

Date Sold	Development/ Address	Tenure	Floor Area (sf)	Price ($ mil)	Price ($psf)	Purchaser
Jun-07	One Finlayson Green 1 Finlayson Green	Freehold	76,000	231	2,640	UK Fund, Develica Asia-Pacific
Jun -07	Parakou Building 126 Robinson Road	99 Years	63,580	128	2010	UK Insurance Fund, New Star
Jun 07	SOHO @ Central 6 Eu Tong Sen Street	99 years	13,300	38	2,850	Singapore Fashion Trading Company
Apr-07	SIA Building Robinson Rd	99 years from 1994	295,640	525	1,780	German Pension Fund, SEB
Mar-07	Temasek Tower Shenton Way	99 years from 1982	670,200	1,039	1,550	Macquarie Global Property Advisors Group
Feb-07	Samsung Hub (8th -14th Storey) Church St	999 years	97,040	134	1,380	Ho Bee Investments Ltd
Feb-07	Samsung Hub (15th Storey) Church St	999 years	13,110	19	1,420	Chinese Chamber Realty
Feb-07	Samsung Hub (16th – 21st Storey) Church St	999 years	78,130	125	1,600	New Oasis
Feb-07	SGX Centre 1 (2nd - 3rd Storey, 19th – 29th Storey) Shenton Way	99 years from 1995	169,500	271	1,600	UOB
Jan-07	Lippo Centre Shenton Way	99 years from 1983	301,000	349	1,160	CLSA Capital Partners and Credit Suisse
Dec-06	Anson House Anson Rd	99 years from 1997	72,120	75	1,040	GE Real Estate
Nov-06	GMG Building Robinson Rd	Freehold	52,070	48	922	Robinson Land
Oct-06	Central Plaza Tiong Bahru Rd	99 years	190,790	175	917	Bakersfield (a subsidiary of Asian Retail Mall Fund)
Oct-06	FJ Benjamin Building Orange Grove Rd	Freehold	22,300	37	1,659	Cosmo House
Jul-06	OUB Building Robinson Rd	Freehold	42,890	43	1,000	Asia Equity Partners and CP Grace Capital
Jun-06	SIA Building Robinson Rd	99 years from 1994	295,640	344	1,165	A fund managed by CLSA Capital Partners
Jun-06	Robinson Centre Robinson Rd	99 years from 1997	130,000	145	1,115	Alpha Investment Partners
Jun-06	55 Market Street Market St	999 years	74,790	73	969	Allco REIT
Apr-06	Prudential Tower Cecil St	99 years from 1996	108,040	118	1,089	K-REIT Asia
Apr-06	Keppel Towers & GE Tower Hoe Chiang Rd & Tanjong Pagar Rd	Freehold	433,730	354	815	K-REIT Asia
Apr-06	Bugis Junction Towers Victoria St	99 years from 1990	247,460	160	645	K-REIT Asia
Mar-06	HB Robinson Robinson Rd	Freehold	92,000	80	870	CLSA Merchant Bankers
Feb-06	One Phillip Street Phillip St	999 years	36,290	38	1,036	Auric Pacific Group Limited (part of Lippo Group)
Jan-06	79 Anson Road Anson Rd	Freehold	108,000	95	880	Lippo Group (55% stake)

Source: DTZ Consulting & Research, Jul 2007

2.9 Trends Impacting the Office Market

2.9.1 Multi- and Bi-lateral Trade Agreements

Free Trade Agreements (FTAs) facilitate global trades by lowering trade barriers and enhancing intellectual property rights. Thirteen FTAs with major global trading partners including China, United States, European Union, India, Japan and Trans-Pacific SEP (Brunei, New Zealand, Chile and Singapore) have been concluded. Another ten including ASEAN-Australia and New Zealand, ASEAN-India, ASEAN-Japan, Canada, China, The Gulf Cooperation Council, Mexico, Pakistan, Peru and Ukraine are under negotiation.

2.9.2 Fiscal Incentives to Promote the Financial and Business Services Sectors

A series of fiscal incentives were introduced in the 2006 Budget to target areas of growth such as wealth management, private equity, treasury operations, fixed income, Islamic financing, securitization and instruments such as REITs, unit trusts and derivatives. Under these incentives, incomes from certain financial products which were previously taxable now qualify for tax exemption. These incentives were refined under Budget 2007 to make them more effective.

One of the highlights of Budget 2007 was the two-percentage point reduction in corporate tax rate to 18% with effect from YA 2008. These moves aim to enhance Singapore's global competitiveness and attract more MNCs. The 18% corporate tax rate will place Singapore almost on par with Hong Kong's 17.5%.

2.9.3 Growing Wealth Across Asia

More banks and financial institutions are attracted to Asia as there is increasing demand for financial products and services particularly from baby boomers with considerable amount of savings, looking for investments with a steady return and lower risks. With its established legal and financial system as well as high degree of market transparency, Singapore is often the gateway to Asia markets.

Major private banks such as BNP Paribas, Citigroup, Credit Suisse, Merrill Lynch and UBS have been increasing their staff strength to meet surging demand for wealth management in Asia. Credit Suisse's Singapore office is the bank's largest private banking office outside Zurich. UBS' international clients ranked Singapore second after Switzerland as wealth management centre of choice. For Citigroup and UBS, Singapore and Hong Kong are their key hubs for Asia-Pacific. Recently, Standard Chartered Bank opened its Private Banking Global Headquarters in Singapore.

The booming wealth management business has also attracted Spanish banks like BBVA and various Middle-Eastern banks to establish their presence in Singapore.

2.9.4 More Banks Setting Up Global Support Centres in Singapore

There is increasing number of banks which set up global support centres in Singapore including Credit Suisse, Merrill Lynch, Royal Bank of Scotland and UBS. Singapore has stable political and social environment and superior M&E infrastructure to facilitate Business Continuity Plans (BCPs). Singapore also has skilled and professional workforce capable of executing global support activities.

2.9.5 Developing Talents to Support the Financial and Business Sectors

The Monetary Authority of Singapore (MAS) announced its plan to spend $30 mil over the next five years on The Finance Scholarship Program to train financial specialists in targeted growth areas. Establishment of the Wealth Management Institute is an example of Singapore's commitment to grow the wealth management industry. To meet the surging demand for wealth managers across Asia and counter competition among banks for experienced financial advisors, UBS has established a wealth management campus to train private bankers and other financial professionals. The campus will also serve as a centre for research and innovation in wealth management.

2.9.6 Growing Presence of Middle-Eastern Companies and Islamic Banking

Recognising the potential of the Middle-East market, Singapore signed an FTA with Jordan, the first FTA with a Middle Eastern country. Other FTAs under negotiation include those with Bahrain, Egypt, Kuwait, Qatar and the United Arab Emirates.

There is increasing number of Middle Eastern companies looking for opportunities in Asia to re-invest their petrodollars and establish Islamic banking in Asia's large Muslim market. Islamic finance has a current market size of around US$300 bil internationally and is growing at about 15% per annum[15]. Strong performance of the Middle- East economies, high energy prices and financial innovation has set the stage for Islamic finance to grow and flourish. In 2005, the Muslim population in Asia is estimated at 1.04 bil with increasing proportion eager to conduct their financial matters according to Islamic law.

Capitalizing on this growth, Singapore is encouraging the growth of Islamic finance to widen the financial services and strengthen its status as an international financial centre. Middle Eastern banks such as Qatar National Bank, Arab Bank Plc, Arab Banking Corporation and National Bank of Kuwait SAK are establishing a stronger presence in Singapore. In May 2007, DBS launched The Islamic Bank of Asia (IB Asia). IB Asia will focus on Shariah compliant commercial banking, corporate finance, capital market and private banking services.

2.9.7 Business Continuity Plan (BCP) and Decentralisation

With an increasingly volatile business environment following the Sept 11 events and SARS, many companies have BCPs where offices are decoupled, allowing them to locate some functions away from prime location head office to less centralised locations or business parks. Such moves, also allow companies to pay top rents to house front office functions. Continued improvement in the MRT system has increased the accessibility and attractiveness of office clusters outside the CBD, for example in the HarbourFront and Tampines areas.

United Overseas Bank, for example, is housing its supporting operations at UOB Alexandra Building. UBS, a global investment bank, maintains an office in the southern part of Singapore as a backup site in an emergency situation. The backup site has close to 200 workstations and is fully equipped for office operations.

2.9.8 Alternative Workplace Strategy (AWS)

Changing business practices and management as well as the advancement of technology have revolutionised the needs of space users and the way people work. Increasing number of employers allow greater flexibility for staff to work part-time or off-site to encourage dynamism, leadership and creativity. As such, more companies are adopting AWS such as tele-commuting and hoteling/ hot desking to optimise space utilisation and reduce office accommodation costs.

Tele-commuting is perhaps the most well-known alternative officing where an employee works from home and communicates through internet. However, the concept is only suitable for certain job natures which do not require face-to-face contacts and guidance from higher management, for example, routine data processing. Likewise, hoteling/ hotdesking only suits jobs where employees work outside the office premise most of the time, for example, sales.

In tandem with the trend towards AWS, the Government has initiated the Small Office Home Office (SOHO) Concept where certain offices can double up as a residence and vice-versa. As the supply of SOHO units remains relatively limited, it is unlikely to be a major threat to the office market.

2.10 Market Outlook

Strong performance of the office market is expected to continue in the next few years backed by healthy growth of the Financial and Business Services sectors as well as pro-business government policies.

Supply will further tighten as more office buildings such as 71 Robinson Road and Ocean Building are demolished for redevelopment. Until Phase 1 of the MBFC is completed in 2010, annual potential supply remains limited at an average of 639,870 sf of NLA while annual demand averaged 1.10 mil sf in the last decade. Amidst a tight supply situation and growing demand, rental will continue to increase.

The limited potential supply and availability of space will constrain demand in the next few years. Islandwide office space is expected to enjoy close to full occupancy, similar to the highest historical peak in 1980 when occupancy reached 99%. Consequently, rents are expected to breach historic peaks in the near future.

However, the Government will closely monitor the office market and implement necessary measures such as providing additional office space to ensure that Singapore remains competitive.

[15] Source: MAS.

Section Three

Analyses of Subject Development and the Micro-Market

3.1 The Subject Development

The subject development, One Raffles Quay (ORQ) was conceived by world renowned architect Kohn Pedersen Fox (USA) and designed by Architects 61 (Singapore). Jointly developed by Keppel Land, Cheung Kong Holdings and Hongkong Land, ORQ has a gross lettable area (GLA) of about 1.3 mil sf. It comprises two office towers and a podium. The South Tower, completed in April 2006, is a 29-storey office tower with about 566,181 sf of NLA and typical column-free floor plates of about 30,000 sf. The North Tower was completed in October 2006 and comprises a 50-storey office tower of about 767,000 sf of NLA and typical column-free floor plates of about 18,000 sf.

The two office towers are linked by a landscaped, double-volume podium featuring a water fountain, a taxi stand and a sheltered drop-off point for passengers. The subject development is linked to the Raffles Place MRT interchange station via an air-conditioned retail link with three F&B outlets and a convenience store.

3.1.1 Facilities and Services

The South Tower is served by eight lowrise and eight highrise passenger lifts, two service lifts, two carpark lifts and three hub carpark lifts. The North Tower is served by eight lowrise, six midrise and six highrise passenger lifts, two service lifts and a carpark lift. The subject development has 713 car parking lots.

Security system includes 24-hour CCTV monitoring at all main entrances and exits and exits card access control. In addition, the District Cooling System (DCS) has been incorporated within ORQ to reduce water and energy consumption (Table 3.1).

Table 3.1
Particulars of ORQ

Address	1 Raffles Quay Singapore 048583	
Tenure	99-year leasehold from 13 June 2001	
Legal Description	Lot 175C TS 30	Lot 80002A TS 30
Site Area (Approximate)	122,348 sf	45,579 sf
Land Use Zoning	White	Underground pedestrian mall with activity generating uses
Gross Plot Ratio (GPR)	13.0	Not Applicable
Number of Car Park Lots	713	
	South Tower	**North Tower**
Total Number of Storeys	29	50
Number of Office Floors	18-storey (12th to 29th storey)	42-storey (8th to 50th storey)
Gross Lettable Area (GLA)	1,339,407 sf	
Typical Floor Plate	30,000 sf	18,000 sf
Net Lettable Area (Estimated)	566,181 sf	767,000 sf
Date of Temporary Occupation Permit (TOP)	April 2006	October 2006
Finished Floor to Ceiling Height	2.8 m	2.75 m
Raised Floor (Clear Height)	145 mm	125 mm
Knockout Panel	Two locations per floor	Any location between floor beams
Floor Loading	4 + 1 KN/sqm	3.5 + 1 KN/sqm
Air-conditioning	➢ 24-hour chilled water supply from District Cooling System with dual riser and two AHUs per floor ➢ Space available for tenants' own air-conditioning system ➢ Supplementary air-cooled chilled water system with emergency power supply back-up	
Average Office Gross Rent (as at 22 May 2007)	\$5.00 psf/month - \$7.00 psf/month	
Occupancy Rate (as at 22 May 2007)	100%	100%

Source: Raffles Quay Asset Management Pte Ltd, DTZ Consulting and Research, Jul 2007

3.1.2 Major Tenants

The South Tower is let to three major tenants, namely ABN AMRO, Barclays Bank and Deutche Bank AG, while the North Tower is occupied by other major multinational firms such as Credit Suisse, Ernst & Young, Reuters, RZB Bank Austria and Societe Generale Bank & Trust.

Retail tenants comprise four F&B outlets - Coffee Club (South Tower #01-01), Spinelli Coffee (at North Tower #B2-01), Cedele (North Tower #B2-02/03) and Chopsticks by the Asia Kitchen (North Tower #B2-04 to 06), as well as a 7-Eleven convenience store (North Tower #B2-08/09).

Other non-office use tenants are found in the North Tower and these include Fitness First on the 8th storey as well as Drs Bain & Partners and Parkway Shenton on the 9th storey.

3.1.3 Occupancy and Rentals

ORQ has achieved 100% occupancy as at 22 May 2007.

As at 22 May 2007, gross rents for offices at ORQ averaged between $5.00 psf/month and $7.00 psf/month. The lower than market rental rate is attributed to the fact that most of the leases with major tenants were signed between 2004 and 2005 when the market was still relatively soft. The service/management charge for office space is $1.20 psf/month.

The average gross rental for retail space as at 22 May 2007 is in the region of $10.20 psf/month. The service/management charge for retail space is $1.50 psf/month.

3.2 Site Analysis

3.2.1 Location

ORQ is strategically located in the Marina Bay area, opposite Raffles Place (Map 3.1). It is along the main Raffles Quay/ Collyer Quay/ Fullerton Road thoroughfare and is accessible via Marina Boulevard/ Central Boulevard. It also enjoys panoramic views of the city skyline and Marina Bay.

Map 3.1
Location Plan

Source: DTZ Consulting and Research, Jul 2007

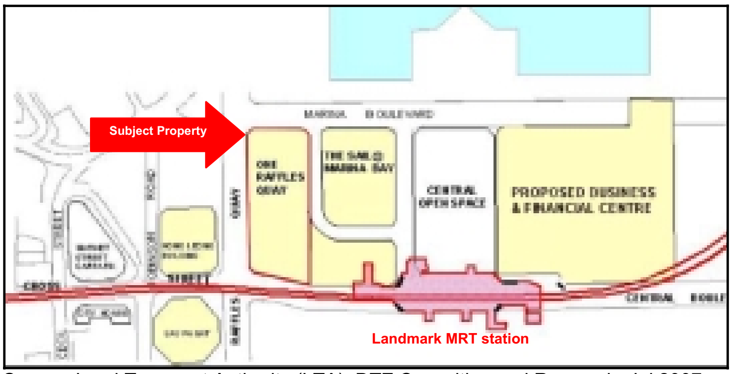
3.2.2 Accessibility

Access to the subject development is via Marina Boulevard/ Central Boulevard off the main Raffles Quay/ Collyer Quay/ Fullerton Road. There is also easy vehicular access to the eastern part of Singapore and the Changi International Airport via the East Coast Parkway (ECP) which is about 1 km away. Access to the western part of the island is via the Ayer Rajah Expressway (AYE).

Accessibility is enhanced by the existing Raffles Place MRT interchange station located about five-minute walk away via an air-conditioned underground walkway. Raffles Place MRT Interchange station serves the North-South and East-West lines.

On completion of the underground Downtown Extension (DTE) in 2012, the Landmark MRT station which is located in close proximity to subject development will further increase the ease of travel (Map 3.2).

Map 3.2
Landmark MRT Station



Source: Land Transport Authority (LTA), DTZ Consulting and Research, Jul 2007

3.2.3 Surrounding Developments

Developments in Marina Bay

<u>One Marina Boulevard</u>
Completed in 2004, the 99-year leasehold development comprises a 32-storey commercial tower with large office floor plates and meeting facilities. It has about 418,000 sf NLA and is directly linked to Raffles Place MRT interchange station. It has fully been let with major tenants including Allen & Gledhill, Microsoft and NTUC Trade Union Congress.

<u>The Sail @ Marina Bay</u>
The Sail @ Marina Bay is a six-star residential development offering views of Marina Bay and Singapore skyline. At 245 m the condominium will be the tallest residential development in Singapore when completed in 2009. It comprises Tower One of 70-storey and Tower Two of 63-storey. The two towers offer a mixture of one- to four-bedroom units and recreational facilities.

<u>Marina Bay Financial Centre (MBFC)</u>
The MBFC is an integrated mixed use development located on the waterfront of Marina Bay. It will comprise state-of-the-art offices with purpose-built features catering to specific needs of business and financial tenants. 60% of the GFA will be for office use with the remaining for complementary uses such as residential and recreation/entertainment facilities.

It will be developed in two phases. Phase one is slated for completion in 2010 and will comprise two office towers (NLA of 1.65 mil sf) and a residential tower. The office component consists of a 32-storey and a 46-storey high quality office space with a large column-free floor plates of between 21,000 sf and 24,000 sf.

The Building Agreement for Phase two of the MBFC has been signed. It will comprise mainly office and residential space with a small retail component. The total GFA is about 2.1 mil sf.

Marina Bay Residences
As part of MBFC, Marina Bay Residences comprises a 55-storey residential tower complemented by recreational facilities. It has a net saleable area of 560,000 sf. All the 428 one- to four-bedroom apartments and penthouses has been fully sold.

Other developments around Marina Bay include Esplanade–Theatres on the Bay, Marina Bay integrated resort – Marina Bay Sands, The Singapore Flyer, Gardens by the Bay, Waterfront Promenade, Double-Helix Bridge and Marina Barrage.

Developments in Existing CBD

One Shenton
The 99-year leasehold residential development will comprise two residential towers of 50- and 42-storeys upon its completion in 2010. There will be 341 apartments ranging one- to four- bedrooms and penthouses with sizes ranging from 520 to 9,600 sf.

Ascott Singapore Raffles Place
The 20-storey Asia Insurance Building will be transformed into an 'all suites' property by The Ascott Group. Expected to complete in 1H08, Ascott Singapore Raffles Place will have about 154 furnished suites ranging from about 538 to 1,938 sf. Unique features of the building such as the external building façade, the crown on the top of the building, the mosaic staircase with timber railing and other features will be preserved.

3.3 Location Analysis

3.3.1 Introduction

Located at the Southern tip of Singapore, Marina Bay is a 360 ha development area to seamlessly extend Singapore's CBD and further support the city-state's continuing growth as a major business and financial hub in Asia.

It is flanked by Marina Centre to the north, Raffles Place to the west and Shenton Way to the south.

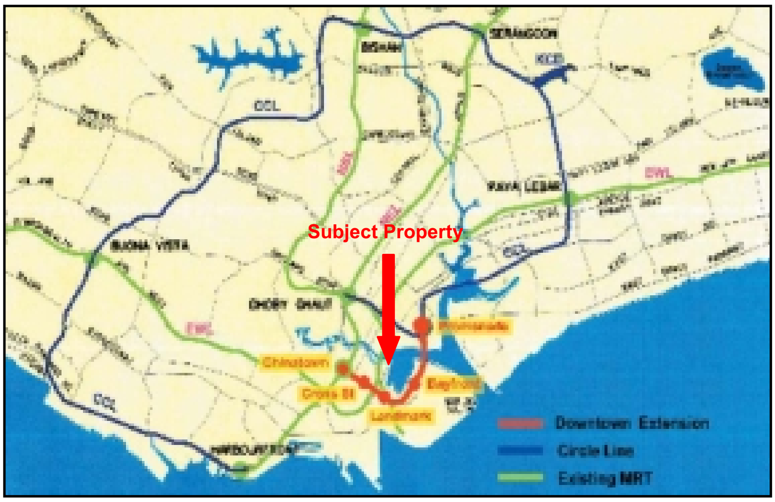
3.3.2 Raffles Place Area

The existing business and financial centre at Raffles Place area has traditionally been popular among high-profile financial, multinational and professional services corporations. The synergy formed among these companies further enhances the attractiveness of the area.

Raffles Place already enjoys excellent accessibility with the existing Raffles Place MRT interchange station connecting it to most parts of the island. With the completion of the DTE (Map 3.3), the area will be connected with Marina Centre, the future Marina Bay IR, the MBFC and Chinatown.

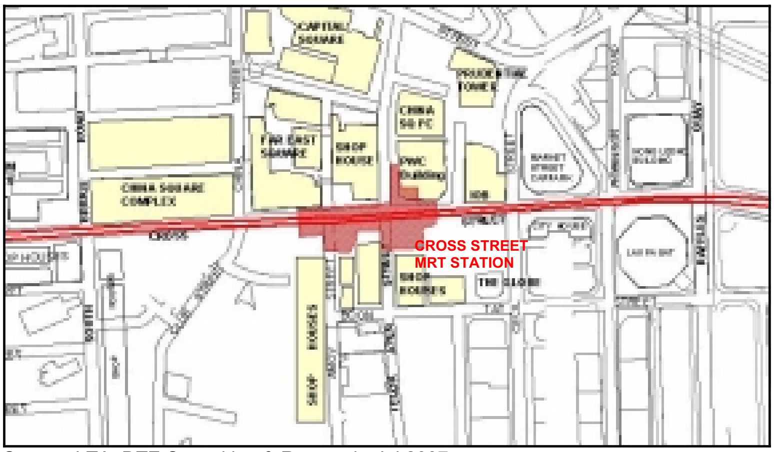
Accessibility in Raffles Place will be further enhanced on completion of the Cross Street MRT station which is located along Cross Street (Map 3.4)

Map 3.3
Future DTE



Source: LTA, DTZ Consulting & Research, Jul 2007

Map 3.4
Cross Street MRT Station



Source: LTA, DTZ Consulting & Research, Jul 2007

3.3.3 Marina Bay

To meet the growing demand for space in the business services sector, URA has earmarked the Marina Bay area to seamlessly extend Singapore's existing CBD to further support the city-state's continuing growth as a major business and financial hub in Asia.

The vision for Marina Bay is that of a 24/7 live-work-play environment, a new downtown that is the essence of the global city. It will be a place for thriving business, gracious living and endless entertainment as well as a place of creativity, arts and culture, architectural excellence, recreation and relaxation, and a showcase for Singapore - City in a Garden.

To realise this vision, the Marina Bay Development Agency - led by URA - was formed to ensure a holistic approach to spearhead initiatives, coordinate the physical planning of the sites and programming of events and activities, implement infrastructures, promote and market the area. URA works with all relevant government agencies and private stakeholders to ensure that the above functions are well coordinated and streamlined.

The district is envisaged to be an international business and financial hub that is dynamic and with a 24/7 vibrancy that will include the highly anticipated Marina Bay Sands integrated resort - a destination attraction offering world-class hotel, convention, leisure, entertainment and gaming facilities - as well as other residential, commercial and entertainment developments. It will also be connected by tree-lined boulevards, pedestrian-friendly streets and underground links (Map 3.5).

Map 3.5
Map of Marina Bay

Source: URA, DTZ Consulting and Research, Jul 2007

By 2010, Marina Bay will have a working community at ORQ and the MBFC as well as a live-in population at The Sail @ Marina Bay and Marina Bay Residences. The Marina Bay integrated resort will further inject life into Marina Bay with gaming facilities, 1 mil sf of meeting and convention facilities, three 50-storey hotel towers of about 2,500 rooms, two theatres (with 2,000-seat each), an Art & Science museum, the Marina Bay Shoppes offering close to 1 mil sf of retail facilities and unique dining venues such as the floating pavilions.

The 2.67 ha site at Collyer Quay was also sold recently to be developed into a lifestyle hub featuring a luxury boutique hotel with a good mix of retail and entertainment uses. The development is scheduled to complete in 2009.

On 30 May 2007, URA launched a 'White' site at Central Boulevard/ Shenton Way (Land Parcel A at Marina View) of about 1.02 ha with a GPR of 13. The land parcel can potentially yield a maximum GFA of 1,432,890 sf. A minimum of 70% of the total GFA is to be developed for office use. The remaining 30% may be developed for additional office space or other allowable uses such as hotel, residential and other commercial uses.

To speed up and sustain the momentum of developing Marina Bay, the government in their recent announcement on GLS has released yet another 'White' site at Marina View under the confirmed list. This will further ensure seamless extension of existing CBD as well as alleviate the shortage of office space and hotel rooms. Based on URA's preliminary estimate, this site can potentially yield a commercial GFA of 913,100 sf and 565 hotel rooms.

Thus far, plans for Marina Bay have been shaping up well. Other exciting attractions that will be added to the loop of attractions around the bay includes The Singapore Flyer – one of the tallest observation wheels in the world which is scheduled to complete in 2008, 101 ha of prime land for the development of three distinctive and unique world class Gardens by the Bay (Garden at Marina South, Garden at Marina Centre and Garden at Marina East), a 3.5 km long Waterfront Promenade, a new iconic pedestrian bridge featuring the world's first double helix design construction and the Marina Barrage (Figure 3.1).

Figure 3.1
New and Upcoming Developments in Marina Bay

Source: URA, DTZ Consulting and Research, Jul 2007

In addition to the above, the adaptive use of the former Clifford Pier and the former Customs Harbour Branch building will transform the waterfront at Collyer Quay into a new lifestyle destination.

On 8 March 2007, the Singapore Government signed a Building Agreement with Central Boulevard Development Pte Ltd, the company formed to undertake development of the second phase of MBFC. The approved development mix for Phase 2 will comprise mainly office and residential uses with a small retail component.

Three new areas have also been earmarked for the next phase of development. The first is the Central sub-zone adjacent to Shenton Way which will continue the seamless growth of the existing CBD; the second is along the Marina Bay waterfront, and the third will ease its way southward towards the Marina South area, framing one of the Gardens planned for the vicinity.

3.3.4 Marina Centre

Marina Centre boasts an attractive and diverse mix of activities from modern offices and shopping malls to hotels and convention facilities. The developments are of a larger scale. Prominent office developments in Marina Centre are Millennia Tower, Centennial Tower, Suntec City Towers 1 to 5 and One Raffles Link.

The area's dynamism and attractiveness arise partly from its having a significant mix of activities.

Together with Esplanade-Theatres on the Bay which was completed in 2002, the Marina Centre area is a dynamic business, exhibition and convention, leisure, arts and cultural hub.

3.4 Office Property Market Analysis for Marina Bay/ Raffles Place Area

3.4.1 Existing Supply and Demand

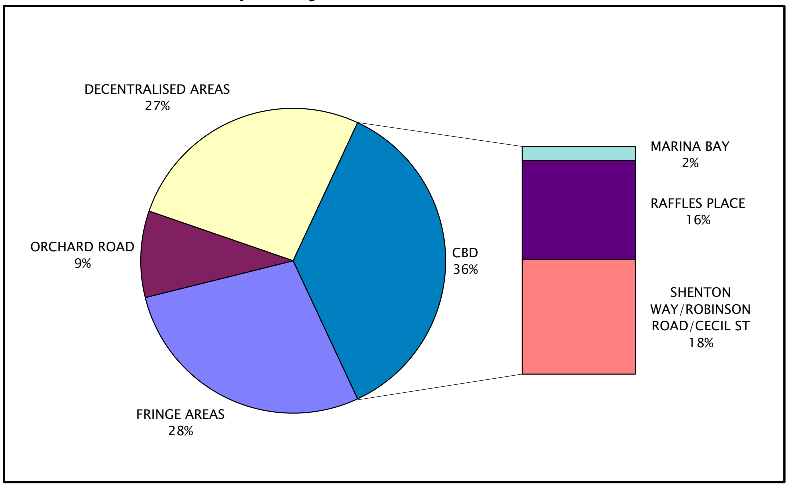
As the Financial and Business Services sector continues to expand on the back of buoyant investment climate, there is increased demand especially from financial institutions for office space.

A number of office buildings in the CBD, including the subject development, are fully leased as at end 2Q07.

Based on a survey by DTZ, the office occupancy rate as at 2Q07 in Marina Bay was 100% and that of Raffles Place area stood at 97%.

Another survey by DTZ Research shows that the supply of office space in Marina Bay and Raffles Place area as at 2Q07 comprises about 18% of the total supply of private office space in Singapore (Figure 3.2).

Figure 3.2
Distribution of Office Space by Location



Source: DTZ Consulting & Research, Jul 2007

The office market continues to be under pressure as the pace of rejuvenation in the CBD speeds up. Office space slated to be demolished for redevelopment will exceed supply scheduled for completion in 2007 (Table 3.2).

Table 3.2
Terminations in 2007

Development / Location	Micro-Market	NLA (sf)
One Shenton Way / Shenton Way	Downtown Core	201,180
Asia Chambers / BuildingMacCallum Street	Downtown Core	82,990
71 Robinson Road / Robinson Road	Downtown Core	102,260
Ocean Building / Collyer Quay	Downtown Core	412,930
	Total	**799,360**

Source: URA, DTZ Consulting & Research, Jul 2007

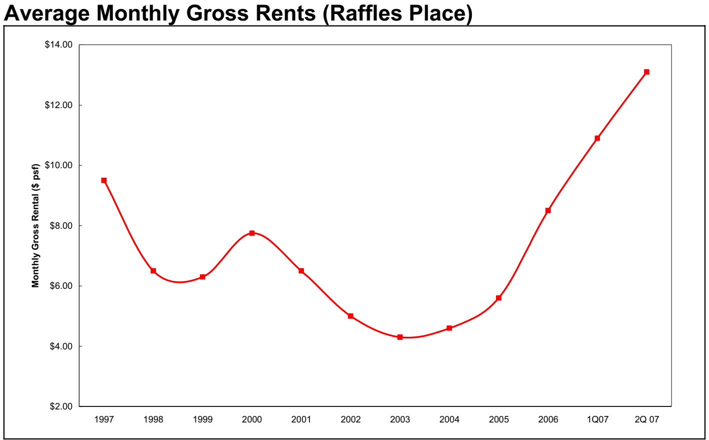
3.4.2 Rental Values

Increasing competition for office space amidst extremely tight supply is forcing major financial institutions to pre-commit way ahead for the large, contiguous space they need. For instance, Standard Chartered Bank recently took up 24 floors or around 500,000 sf in the 33-storey Tower 1 of MBFC Phase 1, way before its scheduled completion in 2010.

The situation has also allowed landlords to hold strong negotiating positions and revise asking rents upwards quickly. As such, the gap between asking and achieved rents narrowed. Rental gaps between higher and lower floors, as well as between smaller and larger floor space, also declined.

According to a survey by DTZ Research, prime office rents in Raffles Place escalated by an unprecedented 52% in 2006 to reach $8.50 psf. It increased by another 28% in 1Q07 to average at $10.90 psf. Average prime rents continue to escalate to $13.10 psf in 2Q07, reflecting an increase of 20% (Figure 3.3).This has surpassed the 1996 peak at $10.50 psf and the 1990 peak at $11.25 psf.

Figure 3.3
Average Monthly Gross Rents (Raffles Place)

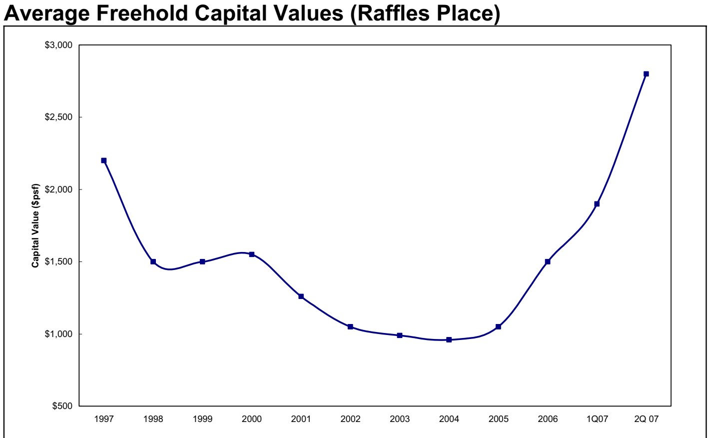


Source: DTZ Consulting & Research, Jul 2007

3.4.3 Capital Values

Based on a survey by DTZ Research, average capital values of freehold offices in Raffles Place area increased by 43% in 2006. It increased by another 27% in 1Q07 to average at $1,900 psf and continues to rise by 47% to reach an average of $2,800 psf in 2Q07. The limited supply of prime office space in the area is highly contended among REITs as well as regional and local institutional funds, driving prices upwards.

Figure 3.4
Average Freehold Capital Values (Raffles Place)



Source: DTZ Consulting & Research, Jul 2007

With effect from 1 March 2007, Development Charge (DC) rates for the commercial zone were raised by an average 12% islandwide. DC rates for commercial use in Marina Bay area, where the subject property is located has increased by about 39% from $218 psf on 1 September 2006 to $302 psf with effect from 1 March 2007. With the current buoyant property market, DC rates have also been revised from 50% of the appreciation in land value to 70% effective from 18 July 2007.

3.4.4 Future Supply

The average annual new supply in the next five years will fall short of average annual take-up in the last 10 years. In 1Q07, new completion in Raffles Place area was limited to 59,201 sf from SIF Building at 96 Robinson Road.

URA has also granted approval to OUB Centre Ltd for additions and alterations to OUB Centre at Raffles Place, comprising offices and shop space. Provisional permission has also been given for redevelopment of the existing Dapenso Building at Cecil Street. A Kajima-Lehman joint venture has also received approval for redevelopment of 71 Robinson Road into a 15-storey office building amongst others (Table 3.3).

Table 3.3
Major Office Developments in the Micro-Market

Development / Location	Micro-Market	Est. GFA (sf)
2008		
OUB Building (A&A) / Robinson Road	Downtown Core	85,470
OUB Centre (A&A) / Raffles Place	Downtown Core	51,990
	Subtotal	**137,460**
2009		
Overseas Union House (Redevelopment) / Collyer Quay	Downtown Core	481,580
9 Battery Road (Former Straits Trading Building) / Battery Road	Downtown Core	199,890
71 Robinson Road / Robinson Road	Downtown Core	275,880
	Subtotal	**957,350**
2010		
Marina Bay Financial Centre (Phase 1) / Marina Boulevard	Downtown Core	1,937,500
	Subtotal	**1,937,500**
2011		
Ocean Building (Redevelopment) / Raffles Place	Downtown Core	625,810
	Subtotal	**625,810**
	Total	**3,658,120**

Source: URA, DTZ Consulting & Research, Jul 2007

3.4.5 Prospect

Singapore's importance as a regional private banking hub will be enhanced with the development of large domestic markets in Asia, especially China and India. Singapore serves as a hub for East Asia and the Middle East and continues to enjoy funds flowing from Europe.

As the range of financial products and services grows, Singapore will leverage on its sound economic and financial fundamentals, conducive regulatory and business environment, as well as skilled and educated workforce to play an even larger role in global finance and business. The continued expansion of the economy will underpin growth of the property market.

As the Singapore economy grows, a range of modern office buildings will be needed to meet the requirements of different types of businesses. While the existing CBD will continue to be a vibrant commercial district, the extension at Marina Bay will strengthen Singapore's position as an international business and financial hub. As such, the government has set aside $300 million to put in key infrastructure and facilities at the Bay area to ensure its success.

With its state-of-the-art building design and technical specifications, which cater to modern business and financial needs, ORQ is poised to attract MNCs and other international financial institutions. Its excellent location in Marina Bay, Singapore’s new 24/7/365 live-work-play business and financial district, gives it a strong advantage.

Section Four

SWOT Analyses

4.1 SWOT Analysis of Subject Property

As Singapore progress towards becoming a global financial hub and with the continue expansion in the business and financial services sector, back by positive economic climate, increasing number of large multinational firms are establishing their presence here.

With the Government's initiative to develop Marina Bay as the new downtown and ORQ, being the newest office development there, with its distinctive features tailoring to the world's leading businesses, it is poised to attract high profile tenants.

Additionally, ORQ is strategically located between the gateway to the new downtown in Marina Bay and the existing CBD in Raffles Place. It is also close to major expressways and directly connected to Raffles Place MRT interchange station via an air-conditioned underground walkway. Accessibility is further enhanced upon completion of Landmark MRT station.

A detailed evaluation of ORA's strengths, weaknesses, opportunities and threats is set out in Table 4.1. Our evaluation is premised on our analyses in the preceding sections and in consideration with similar office developments in the vicinity with respect to date of completion and/or refurbishment, building floor plates, technical specifications, rental/capital values and ancillary services/amenities that are available, amongst other factors.

Table 4.1
SWOT Analysis

Strengths	**Opportunities**
▪ State-of-the-art building conceived by world renowned architect Kohn Pedersen Fox (USA) and designed by Architects 61 (Singapore) and one of the landmark office developments in Marina Bay ▪ Strategically located at the gateway in Marina Bay, opposite the traditional CBD ▪ Conveniently accessible to all parts of Singapore via AYE and ECP located about 1 km away ▪ Directly linked to Raffles Place MRT interchange station via underground air-conditioned walkway ▪ Close proximity to future Landmark MRT station on the DTE and improved accessibility on completion of Landmark MRT station in 2010 ▪ One of the newest buildings in the area with efficient designs tailored to meet vigorous needs of leading businesses and allowing for uninterrupted 24/7/365 operations: ➢ Large, regular and column-free floor plates of up to 30,000 sf suitable for all office usages, including trading operations ➢ Dual power and telecom feeds and back up power and data systems to ensure business continuity ➢ Excellent security with 24-hour CCTV monitoring at all main entrances and exits Card Access Control ➢ District cooling system reduces water and energy consumption ▪ High profile major tenants are anchors to attracting other multinational firms and further increase the profile of subject development ▪ Panoramic view of Raffles Place, Marina Bay and the harbour from the office towers ▪ Well-thought out non-office use tenant mix providing amenities (e.g. clinics, F & B outlets and fitness centre) and bringing convenience to tenants of subject development. ▪ Ample car parking facilities	▪ As Singapore moves towards becoming a global financial hub, there is increased opportunity to attract larger multinational firms establishing their regional/global headquarters here ▪ The Government's commitment to develop Marina Bay over the next 15 to 20 years ▪ The Government has invested $2 billion worth of infrastructure to ensure smooth functioning of Marina Bay which will raise the area's profile as the next business and financial hub, thereby increase the rental/capital value of subject property ▪ High profile tenants who have committed long leases act as magnets in attracting multinational companies ▪ Opportunity to increase rental income upon expiration of current leases due to shortage of office space and escalating office rental ▪ The synergy generated between ORQ and MBFC will create lasting value for stakeholders ▪ Together with MBFC, ORQ will become a landmark in Marina Bay
Weakness	**Threats**
▪ High volume of traffic during peak hours resulting in congestion along Marina Boulevard/ Central Boulevard	▪ Increased competition from upcoming MBFC and office developments in Raffles Place area. The latter has traditionally been recognised as a prestigious address for the business and financial sector

Source: DTZ Consulting & Research, Jul 2007

Section Five

Rental Growth Forecast

5.1 Annual Rental Growth Forecast

Having considered the above as well as market trends, current rents, potential supply and demand, we forecast the average annual rental growth from 2007 to 2010 for similar buildings in the Marina Bay/ Raffles Place area to be as follows:

Table 5.1
Rental Growth Forecast

Year	Y-O-Y Rental Growth
2007[1]	14%
2008	17%
2009	11%
2010	5%

Source: DTZ Consulting and Research, Jul 2007

[1] From 2Q07 to 4Q07

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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TAX CONSIDERATIONS

The following summary of certain Singapore income tax considerations is based upon laws, regulations, rulings and decisions now in effect, all of which are subject to change (possibly with retroactive effect). The summary is not a tax advice and does not purport to be a comprehensive description of all the considerations that may be relevant to Unitholders. Unitholders should consult their own tax advisers on the tax implications that may apply on their own individual circumstances. Words and expressions defined in the Circular have the same meaning in this appendix. In addition, unless the context requires otherwise, words in the singular include the plural and the other way around and words of one gender include the other gender.

SINGAPORE TAXATION OF K-REIT ASIA — ONE RAFFLES QUAY

K-REIT Asia will receive its proportionate share of the rental income and other related income and receipts from the Property held indirectly by K-REIT Asia through ORQPL, in a combination of the following forms:

(i) Singapore-sourced dividend income;

(ii) Singapore-sourced interest income;

(iii) Proceeds from the repayment of shareholder's loans and/or a return of capital; and/or

(iv) Gains from the disposal of shares in ORQPL.

K-REIT Asia may also receive top-up payments pursuant to a Deed of Income Support entered into with Boulevard and the Guarantor.

Singapore-sourced dividend income

Under Singapore's one-tier corporate tax system (the "**One-Tier System**"), dividends payable by Singapore Resident companies will be exempt from Singapore income tax in the hands of the immediate shareholders, regardless of whether underlying tax has been suffered on the profits out of which the dividends are paid.

Consequently, as ORQPL is resident in Singapore and is under the One-Tier System, the Singapore-sourced dividend income receivable by K-REIT Asia from ORQPL will be exempt from Singapore income tax ("**Tax-Exempt Income**").

Singapore-sourced interest income

Singapore-sourced interest income receivable by K-REIT Asia from ORQPL will be subject to Singapore income tax at the corporate tax rate of 18 per cent[1], after adjusting for allowable expenses ("**Taxed Income**").

However, in a recent Income Tax (Amendment) Bill released by the Ministry of Finance for public consultation on 15 June 2007, tax transparency treatment for Singapore-listed real estate investment trusts would be extended to include income that is payable out of rental income or income from the management or holding of immovable property in Singapore, except for gains from the disposal of such immovable property. This proposed tax transparency treatment will take effect from the year of assessment 2008 (i.e. financial year ending 2007).

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1 While the current corporate tax rate is 20%, in the 2007 Budget announcement, the rate is reduced to 18% with effect from the year of assessment 2008 (i.e. financial year ended 2007). The amendment is subject to approval of Parliament.

Consequently, if this proposed amendment is passed in Parliament and enacted as law, the interest income that is payable out of rental income or income from the management of holding of the Property and receivable by K-REIT Asia would be accorded tax transparency treatment. As such, K-REIT Asia will not be taxed on such interest income after adjusting for allowable expenses, if this amount is distributed to Unitholders in the year in which the income is earned. Instead, tax will be imposed on the distributions made out of such interest income ("**Taxable Income**") to Unitholders, by way of tax deduction at source or direct assessment of tax on the Unitholders.

For such Taxable Income that is not distributed in the year the income is earned ("**Retained Taxable Income**"), the Retained Taxable Income will be subject to Singapore income tax at the prevailing corporate tax rate in the hands of K-REIT Asia. Consequently, any subsequent distribution made by K-REIT Asia out of such after tax Retained Taxable Income would be a distribution of Taxed Income.

Proceeds from the repayment of shareholder's loans and/or a return of capital

K-REIT Asia may also receive proceeds from the repayment of shareholder's loans or a return of capital from ORQPL. Such proceeds are capital returns ("**Capital Distributions**") and hence will not be liable to Singapore income tax.

Gains from the disposal of shares in ORQPL

In the event that shares in ORQPL are disposed, the tax on gains realised from the disposal will be assessed on the Trustee of K-REIT Asia if the gains are considered to be trading gains. However, gains of a capital nature are not subject to tax as there is no capital gains tax in Singapore. Whether a gain realised from the disposal of shares is a capital gain or a trading profit will have to be determined based on the circumstances of the transaction and the overall business traits of K-REIT Asia.

Where gains arising from the disposal of shares in ORQPL by the Trustee are trading gains, such trading gains are assessed to tax on the Trustee at the prevailing corporate tax rate, ("**Taxed Income**") and the Trustee will have to pay the tax so assessed**.**

Income Support Top-up Payments made pursuant to the Deed of Income Support

K-REIT Asia is seeking a tax ruling from the IRAS to treat the Income Support Top-up Payments to be akin to rental income and given tax transparency treatment. In the event that tax transparency treatment is accorded, K-REIT Asia will not be taxed on the Income Support Top-up Payments if they are distributed to Unitholders in the year in which the income is earned. Instead, tax will be imposed on the distributions made out of such income ("**Taxable Income**") to Unitholders, by way of tax deduction at source or direct assessment of tax on the Unitholders.

If the IRAS does not accord tax transparency treatment on the Income Support Top-up Payments, such payments will be subject to Singapore income tax ("**Taxed Income**") at the prevailing corporate tax rate.

SINGAPORE TAXATION OF K-REIT ASIA — THE EXISTING PROPERTIES

As stated in the Introductory Document dated 20 March 2006, K-REIT Asia has obtained a tax ruling dated 10 November 2005 from the IRAS for its existing Singapore properties. Under the said tax ruling, the Trustee of K-REIT Asia will not be taxed on its Taxable Income that is distributed to Unitholders. This is on the condition that at least 90.0 per cent of such income is distributed in the year in which the income is derived. Instead, tax will be imposed on the distributions made out of such Taxable Income to Unitholders, by way of tax deduction at source or direct assessment of tax on the Unitholders.

SINGAPORE TAXATION OF THE UNITHOLDERS — ONE RAFFLES QUAY AND EXISTING PROPERTIES

K-REIT Asia will be making distributions to its Unitholders out of the above Tax-Exempt Income, Taxed Income and Taxable Income. K-REIT Asia may also be making Capital Distributions to its Unitholders.

Distribution of Tax-Exempt Income

Any distributions made by K-REIT Asia to the Unitholders out of Tax-Exempt Income would be exempt from Singapore income tax in the hands of all Unitholders, regardless of their corporate or residence status. It should be noted that only Tax-Exempt Income received by K-REIT Asia within each distribution period is distributable to the Unitholders for that distribution period.

Distribution of Taxed Income (Income taxed at Trustee's level)

Any distributions made by K-REIT Asia to the Unitholders out of Taxed Income would be exempt from Singapore income tax in the hands of all Unitholders, regardless of their corporate or residence status. Unitholders would not be able to claim a credit or refund on the tax paid by K-REIT Asia on such Taxed Income.

Distribution of Taxable Income (Income granted tax transparency treatment)

Taxable Income of K-REIT Asia that is granted tax transparency treatment is not subject to Singapore income tax in the hands of K-REIT Asia. Instead, tax is imposed on the distributions made by K-REIT Asia out of such Taxable Income to the Unitholders. Notwithstanding this, individuals and Qualifying Unitholders will receive distributions from Taxable Income without deduction of tax. Tax will however be deducted at source at the prevailing corporate tax rate or at the reduced rate of 10.0 per cent from such distributions made to all other Unitholders.

A "Qualifying Unitholder" refers to a:

(i) Singapore incorporated company which is tax-resident in Singapore;

(ii) body of persons, other than a company or partnership, registered or constituted in Singapore (for example, a town council, a statutory board, a registered charity, a registered cooperative society, a registered trade union, a management corporation, a club and trade and industry association); and

(iii) 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 Asia.

The reduced rate of 10.0 per cent applies to distributions from Taxable Income made by K-REIT Asia to a Qualifying Foreign Non-Individual Unitholder during the period from 18 February 2005 to 17 February 2010.

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 the Units are not obtained from that operation.

Individuals, irrespective of their nationality and tax residence status, are exempt from tax on the gross amount of the distributions from Taxable Income of K-REIT Asia. 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 distributions from Taxable Income received at their own applicable income tax rates.

Qualifying Unitholders are liable to tax on the gross amount of distributions from Taxable Income. Where tax had been deducted at source at the prevailing corporate rate, the tax deducted is not a final tax and may be used as a set-off against the Singapore income tax liability of the Unitholders.

Qualifying Foreign Non-Individual Unitholders will receive distributions net of tax at the reduced rate of 10.0 per cent for distributions made till 17 February 2010. The 10.0 per cent tax is a final tax.

Capital Distributions

Capital Distributions refer to distributions made by K-REIT Asia out of proceeds received from the repayment of the shareholder's loans, and/or a return of capital. Such distributions would be made out of Unitholders' contributions. Unitholders will not be subject to Singapore income tax on such distributions. These distributions will be treated as a return of capital for Singapore income tax purposes, subject to the following conditions:

(i) the following statements are included in the annual dividend statement that CDP issues to depositors:

  - This amount of distribution is treated as a return of capital for Singapore income tax purposes. Therefore, such return of capital cannot be onward distributed as income by Unitholders. These Unitholders (and each subsequent level of unitholders) cannot also onward distribute such return of capital as income.
  - For Unitholders (and each subsequent level of unitholders) who hold the Units as trading or business assets and are liable to Singapore income tax on gains arising from the disposal of the Units, the amount of Capital Distributions will be applied to reduce the cost of the Units for the purpose of calculating the amount of taxable trading gains when the Units are disposed of. If the amount of Capital Distributions exceeds the cost of the Units, the excess will be subject to tax as trading income of such unitholders.

(ii) K-REIT Asia will maintain a memorandum account showing the movements in Unitholders' Funds to track the amount of capital distributed, and to submit such account prior to making any distribution of capital.

ISSUANCE OF NEW UNITS AND CONVERTIBLE BONDS

The issue of new Units and Convertible Bonds (and any subsequent issue of Conversion Units pursuant to the conversion of Convertible Bonds) to be subscribed for by the Unitholders should not give rise to any Singapore income tax implications to K-REIT Asia and the Unitholders.

GAINS ON DISPOSAL OF UNITS

Unitholders who dispose of the Units in K-REIT Asia may realise a gain or loss on such disposal. In general, the gains on disposal of Units may be treated as capital gains, and therefore not subject to Singapore tax as there is no capital gains tax in Singapore, or they may be treated as income in nature, in which case, they are subject to Singapore income tax in the hands of the Unitholders.

Whether or not a Unitholder is subject to Singapore income tax on the disposal gains depends on whether or not the Unitholder is in the trade or business of dealing in investments. This will be determined based on the Unitholder's circumstances. Unitholders who are not in the trade or business of dealing in investments may also be chargeable to tax on the gains realised from the disposal of Units if such gains are treated as trading gains having regard to the circumstances of the transaction. Unitholders are encouraged to seek advice from their tax advisers to determine the tax implications regarding the acquisition, ownership and disposition of their investments in Units.

PROPOSED SUPPLEMENT TO THE TRUST DEED

The Manager and the Trustee agree, subject to the provisions of this Fourth Supplemental Deed, that the Deed shall be amended with effect on and from the date of this Fourth Supplemental Deed as follows:

that Clause 30 of the Deed be amended by inserting the following sub-clause immediately after sub-Clause 30.9 of the Deed:

"**30.10 Special Purpose Vehicles**

In relation to Investments which are owned or held, either directly or indirectly, by a Special Purpose Vehicle, notwithstanding anything contained in this Deed:

30.10.1 each of the Base Fee, the Performance Fee, the Acquisition Fee and the Divestment Fee shall be calculated on the same basis as if the Investments, or the pro-rated share of the Investments in the case where the interest of the Scheme in the Special Purpose Vehicle is partial, had been held directly by the Trustee;

30.10.2 each of the Base Fee, the Performance Fee, the Acquisition Fee and the Divestment Fee may be paid, at the Manager's election, by the Scheme, the Special Purpose Vehicle or a combination of both;

30.10.3 for each of the Base Fee, the Performance Fee, the Acquisition Fee and the Divestment Fee, if the Manager elects to receive any of such payment either wholly or partially from the Special Purpose Vehicle, the Manager shall under no circumstances be entitled to receive payment of an amount greater than what the Manager would have been entitled to if it had elected to receive payment from the Scheme or where the relevant Investments had been held directly by the Trustee;

30.10.4 where the interest of the Scheme in the Special Purpose Vehicle is partial, the payment of the Base Fee, the Performance Fee, the Acquisition Fee and the Divestment Fee shall be pro-rated, if applicable, to the proportion of the Scheme's interest in the Special Purpose Vehicle; and

30.10.5 in the event that payment of the Base Fee or the Performance Fee to the Manager by the Special Purpose Vehicle is to be made in the form of Units, the payment of such Units may be satisfied by the issuance of Units by the Trust in accordance with the provisions of Clause 30 to be applied *mutatis mutandis*."

that Clause 31 of the Deed be amended by inserting the following sub-clause immediately after sub-Clause 31.2 of the Deed:

"**31.3 Special Purpose Vehicles**

In relation to Investments which are owned or held, either directly or indirectly, by a Special Purpose Vehicle, notwithstanding anything contained in this Deed:

31.3.1 the remuneration payable to the Trustee shall be calculated on the same basis as if the Investments, or the pro-rated share of the Investments in the case where the interest of the Scheme in the Special Purpose Vehicle is partial, had been held directly by the Trustee;

31.3.2 the remuneration payable to the Trustee may be paid, at the Manager's election, by the Scheme, the Special Purpose Vehicle or a combination of both;

31.3.3 the remuneration payable to the Trustee, if the Manager elects to make the payment either wholly or partially from the Special Purpose Vehicle, shall under no circumstances be an amount greater than what the Trustee would have been entitled to if the Trustee were to receive the payment from the Scheme or where the relevant Investments had been held directly by the Trustee; and

31.3.4 where the interest of the Scheme in the Special Purpose Vehicle is partial, the payment of the remuneration payable to the Trustee shall be pro-rated, if applicable, to the proportion of the Scheme's interest in the Special Purpose Vehicle."

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an EXTRAORDINARY GENERAL MEETING of K-REIT Asia will be held at Four Seasons Hotel Singapore, Four Seasons Ballroom, 2nd floor, 190 Orchard Boulevard, Singapore 248646 on 11 October 2007 at 2.30 p.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolutions:

ORDINARY RESOLUTION

1. THE PROPOSED ACQUISITION OF A ONE-THIRD INTEREST IN ONE RAFFLES QUAY

That subject to and contingent upon the passing of Resolutions 2, 3 and 4:

(a) approval be and is hereby given for the acquisition of a one-third interest in One Raffles Quay (as defined in the circular dated 22 September 2007 issued by K-REIT Asia Management Limited, as manager of K-REIT Asia (the "**Manager**"), to unitholders of K-REIT Asia (the "**Circular**")) through the acquisition by K-REIT Asia of one-third of the issued share capital of One Raffles Quay Pte Ltd ("**ORQPL**") from Boulevard Development Pte Ltd ("**Boulevard**") and the assignment to K-REIT Asia of Boulevard's rights, title and interest in the shareholder's loan to ORQPL together with all accrued but unpaid interest, if any, (the "**Acquisition**") as described in the Circular, on the terms and conditions set out in the share purchase agreement dated 30 July 2007 made between RBC Dexia Trust Services Singapore Limited, in its capacity as trustee of K-REIT Asia (the "**Trustee**"), Boulevard and Keppel Land Properties Pte Ltd and for payment of all fees and expenses relating to the Acquisition (as described in the Circular); and

(b) the Manager, any director of the Manager ("**Director**") and the Trustee be and are hereby severally authorised to complete and do all such acts and things (including executing all such documents as may be required) as the Manager, such Director or, as the case may be, the Trustee may consider expedient or necessary or in the interests of K-REIT Asia to give effect to the Acquisition.

EXTRAORDINARY RESOLUTION

2. THE PROPOSED ISSUE OF NEW UNITS UNDER THE EQUITY FUND RAISING

That subject to and contingent upon the passing of Resolutions 1, 3 and 4:

(a) approval be and is hereby given for the issue of new units in K-REIT Asia for offer and placement under the equity fund raising (the "**Equity Fund Raising**", the units in K-REIT Asia, the "**Units**" and the new units, the "**New Units**") to raise total gross proceeds of up to S$966.5 million less the aggregate principal amount to be raised by way of an issue of convertible bonds (the "**Issue of Convertible Bonds**" and the convertible bonds, "**Convertible Bonds**"), if any, and to use the proceeds from the Equity Fund Raising to finance a part of the Acquisition and in such other manner described in the Circular; and

(b) the Manager, any Director and the Trustee be and are hereby severally authorised to complete and do all such acts and things (including executing all such documents as may be required) as the Manager, such Director or, as the case may be, the Trustee may consider expedient or necessary or in the interests of K-REIT Asia to give effect to the Equity Fund Raising.

EXTRAORDINARY RESOLUTION

3. THE PROPOSED ISSUE OF CONVERTIBLE BONDS

That subject to and contingent upon the passing of Resolutions 1, 2 and 4:

(a) approval be and is hereby given for the (i) Issue of Convertible Bonds, which are interest-bearing, convertible into new Units (the "**Conversion Units**") to raise an aggregate principal amount of up to S$400 million (ii) issue of Conversion Units upon the conversion of the Convertible Bonds, and (iii) to use the proceeds raised from the Issue of Convertible Bonds to finance a part of the Acquisition, in the manner described in the Circular; and

(b) the Manager, any Director and the Trustee be and are hereby severally authorised to complete and do all such acts and things (including executing all such documents as may be required) as the Manager, such Director or, as the case may be, the Trustee may consider expedient or necessary or in the interests of K-REIT Asia to give effect to the Issue of Convertible Bonds and the issue of Conversion Units upon the conversion of the Convertible Bonds.

ORDINARY RESOLUTION

4. THE PROPOSED PLACEMENT OF NEW UNITS UNDER THE EQUITY FUND RAISING TO KEPPEL LAND GROUP

That subject to and contingent upon the passing of Resolutions 1, 2 and 3:

(a) approval be and is hereby given for the placement of up to such number of New Units under the private placement tranche of the Equity Fund Raising to Keppel Land Limited and/or its subsidiaries (the "**Keppel Land Group**") as would be required for the Keppel Land Group to maintain its proportionate unitholding, in percentage terms, of the total number of Units in issue immediately prior to the Equity Fund Raising (the "**Keppel Land Placement**"); and

(b) the Manager, any Director and the Trustee be and are hereby severally authorised to complete and do all such acts and things (including executing all such documents as may be required) as the Manager, such Director or, as the case may be, the Trustee may consider expedient or necessary or in the interests of K-REIT Asia to give effect to the Keppel Land Placement.

ORDINARY RESOLUTION

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

That:

(a) approval be and is hereby given for the general mandate to be given to the Manager pursuant to Rule 887 of the Listing Manual for the issue of new Units in K-REIT Asia and/or convertible securities ("**Convertible Securities**") in the financial year ending 31 December 2007, provided that such number of new Units and Convertible Securities does not exceed 50 per cent of the Units in issue immediately upon the completion of the Equity Fund Raising, taking into account the New Units issued under the Equity Fund Raising, of which the aggregate number of additional new Units and Convertible Securities issued other than on a pro rata basis to existing unitholders shall not be more than 20 per cent of the Units in issue immediately upon the completion of the Equity Fund Raising, taking into account the New Units issued under the Equity Fund Raising (the "**General Mandate**");

(b) pursuant to the General Mandate, K-REIT Asia may issue Units arising from the conversion of the Convertible Securities notwithstanding that the General Mandate may have ceased to be in force at the time the Units are to be issued;

(c) where the terms of the issue of the Convertible Securities provide for adjustment to the number of warrants or other Convertible Securities in the event of rights, bonus or other capitalisation issues, K-REIT Asia may issue additional Convertible Securities notwithstanding that the General Mandate may have ceased to be in force at the time the Convertible Securities are issued, provided that the adjustment does not give the holder of such Convertible Securities a benefit that a unitholder does not receive; and

(d) the Manager, any Director and the Trustee be and are hereby severally authorised to complete and do all such acts and things (including executing all such documents as may be required) as the Manager, such Director or, as the case may be, the Trustee may consider expedient or necessary or in the interests of K-REIT Asia to give effect to the General Mandate.

EXTRAORDINARY RESOLUTION

6. THE PROPOSED SUPPLEMENT TO THE TRUST DEED IN CONNECTION WITH THE PAYMENT OF FEES TO THE TRUSTEE AND THE MANAGER IN RESPECT OF INVESTMENTS HELD THROUGH SPECIAL PURPOSE VEHICLES

That:

(a) approval be and is hereby given to supplement Clauses 30 and 31 of the trust deed dated 28 November 2005 (as amended) constituting K-REIT Asia with the Fees Supplement (as defined in the Circular) in the manner set out in APPENDIX H of the Circular; and

(b) the Manager, any Director and the Trustee be and are hereby severally authorised to complete and do all such acts and things (including executing all such documents as may be required) as the Manager, such Director or, as the case may be, the Trustee may consider expedient or necessary or in the interests of K-REIT Asia to give effect to the Fees Supplement.

BY ORDER OF THE BOARD
K-REIT Asia Management Limited
(as manager of K-REIT Asia)
Company Registration No. 200411357K

Choo Chin Teck/Jacqueline Ng
Joint Company Secretaries
Singapore
22 September 2007

Important Notice

(1) A unitholder of K-REIT Asia entitled to attend and vote at the Extraordinary General Meeting is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy need not be a unitholder of K-REIT Asia.

(2) The instrument appointing a proxy must be lodged at the Manager's registered office at 1 HarbourFront Avenue, #18-01 Keppel Bay Tower, Singapore 098632 not less than 48 hours before the time appointed for the Extraordinary General Meeting.

IMPORTANT: PLEASE READ THE NOTES TO PROXY FORM BELOW

Notes To Proxy Form

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

K-REIT ASIA

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

PROXY FORM
EXTRAORDINARY GENERAL MEETING

IMPORTANT

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

I/We ______________________________ (Name)

of ______________________________ (Address)

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

Name	Address	NRIC/Passport Number	Proportion of Unitholdings	
			No. of Units	per cent

and/or (delete as appropriate)

Name	Address	NRIC/Passport Number	Proportion of Unitholdings	
			No. of Units	per cent

or, both of whom failing, the Chairman of the Extraordinary General Meeting as my/our proxy/proxies to attend and to vote for me/us on my/our behalf and if necessary, to demand a poll, at the Extraordinary General Meeting of K-REIT Asia to be held at 2.30 p.m. on 11 October 2007 at Four Seasons Hotel Singapore, Four Seasons Ballroom, 2nd floor, 190 Orchard Boulevard, Singapore 248646 and any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the resolution to be proposed at the Extraordinary General Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the Extraordinary General Meeting.

	Resolutions	To be used on a show of hands		To be used in the event of a poll	
		For*	Against*	No. of Votes For**	No. of Votes Against**
1	To approve the acquisition of a one-third interest in One Raffles Quay (Ordinary Resolution)				
2	To approve the issue of New Units under the Equity Fund Raising (Extraordinary Resolution)				
3	To approve the Issue of Convertible Bonds (Extraordinary Resolution)				
4	To approve the placement of New Units to Keppel Land Group (Ordinary Resolution)				
5	To approve the General Mandate for the issue of new Units and Convertible Securities (Ordinary Resolution)				
6	To approve the Fees Supplement (Extraordinary Resolution)				

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

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

Dated this________day of______________________ 2007

Total number of Units held

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

1st fold here

2nd fold here

Affix
Postage
Stamp

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

3rd fold here

K-REIT Asia Management Limited

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

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