




K-REITasia

A unit trust constituted on 28 November 2005
under the laws of the Republic of Singapore

Managed by K-REIT Asia Management Limited
(Company Reg No: 200411357K)



Introductory Document

Dated 20 March 2006

Deloitte.

Introduction of K-REIT Asia

To The Main Board of Singapore Exchange Securities Trading Limited

This Document is issued by K-REIT Asia Management Limited (the "Manager"), the manager of K-REIT Asia, in connection with the listing of K-REIT Asia on the Singapore Exchange Securities Trading Limited (the "SGX-ST") by way of an introduction (the "Introduction").

This Document provides information on K-REIT Asia and the units representing undivided interests in K-REIT Asia ("Units") in compliance with the SGX-ST's listing requirements.

Application has been made to the SGX-ST for permission to list on the Main Board of the SGX-ST all the Units in K-REIT Asia and all the Units which may be issued to the Manager from time to time in full or part payment of the Manager's fees. Such permission will be granted when K-REIT Asia has been admitted to the Official List of the SGX-ST.

K-REIT Asia has received a letter of eligibility from the SGX-ST for the listing and quotation of the Units on the Main Board of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any statements or opinions made or reports contained in this Document. Admission to the Official List of the SGX-ST is not to be taken as an indication of the merits of the Introduction, K-REIT Asia, the Manager or the Units.

Once the Units are listed and quoted on the Main Board on the SGX-ST, persons who are members of the Central Provident Fund ("CPF") in Singapore may use their CPF Ordinary Account savings to purchase or subscribe for Units as an investment included under the CPF Investment Scheme - Ordinary Account. CPF members are allowed to invest up to 35% of the Investible Savings (as defined herein) in their CPF Ordinary Accounts to purchase or subscribe for Units.

There is no offering of any of the Units in connection with the Introduction in Singapore or elsewhere and recipients of this Document and all prospective investors in the Units should not take the Introduction or this Document to be an offer of, or an invitation to purchase, any Units. K-REIT Asia is an authorised collective investment scheme under the Securities and Futures Act (Cap. 289) of Singapore.

This Document is not a prospectus under Singapore law and has not been lodged with or registered by the Monetary Authority of Singapore.

Financial Adviser
Deloitte & Touche Corporate Finance Pte Ltd

Prudential Tower
Property



Keppel Towers



GE Tower



Bugis Junction Towers



NOTICE

This Document has been prepared solely for the purpose of the Introduction and may not be relied upon by any persons for purposes other than the Introduction. Nothing in this Document constitutes or shall be construed to constitute an offer, invitation or solicitation in any jurisdiction. This Document does not constitute a prospectus and has not been lodged with or registered by the MAS and shall not be construed to constitute an offer, invitation or solicitation to any person to subscribe for or to purchase the Units.

The Directors of the Manager, collectively and individually, accept full responsibility for the accuracy of the information given in this Document and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the facts contained in this Document are true and accurate in all material respects, all expressions of opinion, intention and expectation contained in this Document have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable and there are no material facts the omission of which would make any statement in this Document misleading in any material respect. Where information in this Document has been extracted from public sources, the Directors of the Manager accept responsibility for accurately reproducing such information, but accept no further or other responsibility in respect of such information.

No person is authorised to give any information or to make any representation not contained in this Document and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Manager. The delivery of this Document shall not, under any circumstances, imply that the information herein is correct as of any date subsequent to the date hereof or constitute a representation that there has been no change or development reasonably likely to involve a material adverse change in the affairs, conditions and prospects of Keppel Land, K-REIT Asia, the Manager or the Units since the date hereof. Where such changes occur and are material or required to be disclosed by law, the SGX-ST and/or any other regulatory or supervisory body or agency or by Keppel Land, as the case may be, the Manager will make an announcement of the same to the SGX-ST. Recipients of this Document and all prospective investors in the Units should take notice of such announcements and upon release of such announcements shall be deemed to have notice of such changes. No representation, warranty or covenant, express or implied, is made by Keppel Land, KCL, the Manager, the Property Manager or RBC Dexia Trust Services Singapore Limited, as trustee of K-REIT Asia, or any of their respective affiliates, directors, officers, employees, agents, representatives or advisers as to the accuracy or completeness of the information contained herein, and nothing contained in this Document is, or shall be relied upon as, a promise, representation or covenant by Keppel Land, KCL, the Manager or the Trustee or their respective affiliates, directors, officers, employees, agents, representatives or advisers.

Recipients of this Document and all prospective investors in the Units should not construe the contents of this Document as legal, business, financial or tax advice. Recipients of this Document and all prospective investors in the Units should consult their own professional advisers as to the legal, business, financial, tax and related aspects of holding and owning the Units.

Copies of this Document may be obtained on request, subject to availability, from:

Deloitte & Touche Corporate Finance Pte Ltd
6 Shenton Way
#32-00 DBS Building Tower 2
Singapore 068809

The distribution of this Document in certain jurisdictions may be restricted by law. The Manager and the Trustee require persons into whose possession this Document comes to inform themselves about and to observe any such restrictions at their own expense and without liability to the Manager and the Trustee. Persons to whom a copy of this Document has been issued shall not circulate to any other person, reproduce or otherwise distribute this Document or any information herein for any purpose whatsoever nor permit or cause the same to occur.

Deloitte & Touche Corporate Finance Pte Ltd ("DTCF"), the Financial Adviser to the Introduction, is also the Financial Adviser to Keppel Land in connection with the Distribution *In Specie*.

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DEFINITIONS

Companies

Manager or the Company	K-REIT Asia Management Limited
Keppel Land	Keppel Land Limited
Keppel Land Group	Keppel Land and its subsidiaries
KCL	Keppel Corporation Limited
KCL Group	KCL and its subsidiaries
Colliers International	Colliers International Consultancy & Valuation (Singapore) Pte Ltd
DTZ	DTZ Debenham Tie Leung (SEA) Pte Ltd
BCH	BCH Office Investment Pte Ltd
KLTD	Keppel Land (Tower D) Pte Ltd
MRL	Mansfield Realty Limited

General

9M 2004	financial period for the nine months ended 30 September 2004
9M 2005	financial period for the nine months ended 30 September 2005
Accounting Date	means 31st December in each year commencing with 31 December 2006, which date shall not be changed without prior approval from the IRAS (as required under the Tax Ruling), and in the case of the final Accounting Period, the date on which K-REIT Asia is terminated
Accounting Period	the period ending on and including an Accounting Date and commencing (in the case of the first Accounting Period) from the commencement of K-REIT Asia or (in the case of subsequent Accounting Periods) from the end of the preceding Accounting Period
Acquisition Fee	the acquisition fee at the rate of 1.0% (or such lower percentage as may be determined by the Manager in its absolute discretion) of the acquisition price of any Authorised Investments acquired directly or indirectly by K-REIT Asia (pro-rated if applicable to the proportion of K-REIT Asia's interest in the Authorised Investments acquired) payable to the Manager pursuant to the Trust Deed
Announcement	the announcement dated 28 November 2005 issued by Keppel Land in connection with the establishment of K-REIT Asia and the Distribution <i>In Specie</i>
Appraised Value	in relation to each Property, the value for that Property as at 24 November 2005 as appraised by any of the Independent Valuers, determined based on open market value on a willing-buyer and willing-seller basis

Associate

any corporation which in relation to the person concerned (being a corporation) is a subsidiary or a holding company or a subsidiary of any such holding company or a corporation (or a subsidiary of a corporation) for which at least 30.0% of the issued equity share capital is beneficially owned by the person concerned or an Associate thereof under the preceding part of this definition; where the person concerned is an individual or firm or other unincorporated body, the expression “**Associate**” means and includes any corporation directly or indirectly controlled by such person

Authorised Investments

has the meaning ascribed to it in the Trust Deed and means:

- (i) Real Estate, whether freehold, or leasehold and/or held as joint owner, and whether in or outside Singapore; it being understood that an investment in Real Estate may be by way of direct ownership or a shareholding in an unlisted special purpose vehicle constituted to hold or own Real Estate. (In respect of investments in Singapore, the Scheme must comply with the provisions of the Residential Property Act);
- (ii) any improvement or extension of or addition to or reconstruction or renovation or other development of any Real Estate or any building thereon;
- (iii) Real Estate-Related Assets, wherever the issuers, assets or securities are incorporated, located, issued or traded;
- (iv) listed or unlisted debt securities and listed shares or stock of or issued by local or foreign non-property companies or corporations;
- (v) Government securities (issued on behalf of the Singapore Government or governments of other countries) and securities issued by a supra-national agency or a Singapore statutory board;
- (vi) Cash and Cash Equivalent Items;
- (vii) financial derivatives only for the purposes of (a) hedging existing positions in the Scheme’s portfolio where there is a strong correlation to the underlying investments or (b) Efficient Portfolio Management (as defined in the CIS Code), provided that such derivatives are not used to gear the overall portfolio of the Scheme or intended to be borrowings of the Scheme; and
- (viii) any other investment not covered by paragraph (i) to (vii) of this definition but specified as a permissible investment in the Property Funds Guidelines (or as otherwise permitted by the MAS) and selected by the Manager for investment by the Scheme and approved by the Trustee in writing,

it being understood that the above definitions of “**Authorised Investments**” shall always be subject to the definition of “**permissible investments**” as set out in the Property Funds Guidelines

Base Fee

in relation to the Manager, means a periodic charge not exceeding 0.5% per annum of the value of the Deposited Property at the relevant time or such other periodic charge as may from time to time be fixed or otherwise determined pursuant to the Trust Deed

Board

the board of directors of the Manager

Books Closure Date	the date on which Transfer Books and the Register of Members of Keppel Land are closed for the purpose of determining the entitlement of Keppel Land Shareholders to the Distribution <i>In Specie</i>
Bridging Loan Agreement	a bridging loan agreement dated 17 March 2006 entered into between the Trustee and Kephinance Investment Pte Ltd for the provision of an unsecured bridging loan facility of up to nine months for an amount of up to S\$200 million to K-REIT Asia
Bugis Junction Towers	the 100% interest in the whole of Strata Lot U1433K TS 13 together with the building comprised in Subsidiary Strata Certificate of Title Volume 487 Folio 183 and known as 230 Victoria Street, Singapore 188024
Bugis Junction Towers Put and Call Option Agreement	the put and call option agreement dated 28 November 2005 entered into between the Trustee and BCH and its variation
Business Day	A day (other than a Saturday, Sunday or public holiday) on which commercial banks are open for business in Singapore
CDP	the Central Depository (Pte) Limited
CIS Code	the Code of Collective Investment Schemes issued by the MAS pursuant to the Securities and Futures Act as modified from time to time
CMBS	commercial mortgage-backed securities
CMBS Issuer	Blossom Assets Ltd, a special purpose vehicle whose main object will be, <i>inter alia</i> , to extend a term loan facility to the Trustee (in its capacity as trustee of K-REIT Asia)
Committed Occupancy	occupancy rate based on all current leases in respect of the Properties as at 30 September 2005 or leases, with commencement dates after 30 September 2005, which have been entered into or renewed by tenants pursuant to signed commitments to lease
Companies Act	Companies Act, Chapter 50 of Singapore
Completion	Completion of the acquisition of the Properties in accordance with the terms of the Put and Call Option Agreements
CPF	Central Provident Fund
Current Unit Value	means at any time the net asset value of the Deposited Property at that time divided by the number of Units in issue and deemed to be in issue at that time
Deposited Property	means all of the assets for the time being of K-REIT Asia or deemed to be held upon the trust constituted under the Trust Deed
Depository Services Agreement	the depository services agreement dated 17 March 2006 entered into between CDP, the Manager and the Trustee for, among other things, the deposit of Units in CDP and for the Units to be traded through CDP's book entry (that is, scripless) clearance and settlement system
Directors	the directors of the Manager as at the date of this Document, unless the context otherwise requires

Distribution <i>In Specie</i>	the proposed distribution <i>in specie</i> in lieu of a cash dividend of approximately 60% of the Units in issue to the Keppel Land Shareholders on the basis of 1 Unit for every 5 Keppel Land Shares in proportion to their shareholdings in Keppel Land as at the Books Closure Date
DPU	Distribution per Unit
Divestment Fee	the divestment fee at the rate of 0.5% (or such lower percentage as may be determined by the Manager in its absolute discretion) of the sale price of any Authorised Investments sold or divested directly or indirectly by K-REIT Asia (pro-rated if applicable to the proportion of the Scheme's (as defined in the Trust Deed) interest in the Authorised Investments sold or divested) payable to the Manager pursuant to the Trust Deed
EGM	the extraordinary general meeting shareholders of Keppel Land proposed to be convened on 11 April 2006 (and any adjournment thereof) in relation to the Distribution <i>In Specie</i> and the Interested Party Agreements
Entitled Shareholders	Keppel Land Shareholders (other than Overseas Shareholders) who are registered as holders of Keppel Land Shares in the Register of Members of the Company or in the Depository Register maintained by CDP (as the case may be) as at the Books Closure Date
Extraordinary Resolution	a resolution proposed and passed as such by a majority consisting of 75.0% or more of the total number of votes cast for and against such resolution at a meeting of Unitholders duly convened under the provisions of the Trust Deed
Facilities	debt facilities to be put in place by K-REIT Asia comprising a 5-year term loan facility of approximately S\$190 million and a revolving credit facility of approximately S\$30 million to part finance the acquisition of the Properties and to meet the short-term working capital needs of K-REIT Asia
Financial Adviser	Deloitte & Touche Corporate Finance Pte Ltd
Forecast Period	1 January 2006 to 31 December 2006
FY	financial year ended or ending 31 December
Government	the Government of the Republic of Singapore
Gross Floor Area	all covered floor areas of a building, except otherwise exempted, and any uncovered areas of a building designed for commercial uses, being the total area of the covered floor space measured between the centre line of party walls (including the thickness of external walls) but excluding voids
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
GST	goods and services tax
Income Tax Act	Income Tax Act, Chapter 134 of Singapore

Independent Accountants	Ernst & Young
Independent Directors	the non-executive independent directors of the Manager as at the date of this Document, unless the context otherwise requires
Independent Property Consultant	DTZ
Independent Valuers	the independent professional valuers, Colliers International (commissioned by the Manager) and DTZ (commissioned by the Trustee)
Interested Party	refers to any “interested person” (as defined in the Listing Manual) and/or, as the case may be, an “interested party” (as defined in the Property Funds Guidelines)
Interested Party Agreements	the interested party agreements as set out in the section “The Manager and Corporate Governance – Interested Party Transactions in Connection with the Setting Up of K-REIT Asia and Other Interested Party Transactions” of this Document
Introduction	the introduction of K-REIT Asia to the Official List of the SGX-ST
Investible Savings	the balance in the CPF Ordinary Account plus the net amounts (if any) withdrawn for education and investment
IRAS	Inland Revenue Authority of Singapore
Keppel Towers and GE Tower	the 100% interest in the whole of Lot 99227M TS 23, Lot 99226C TS 23, Lot 99223N TS 23, Lot 99222K TS 23, Lot 99219K TS 23, Lot 99218A TS 23, Lot 99180A TS 23, Lot 99179N TS 23, Lot 99178K TS 23, Lot 99176T TS 23, Lot 99175P TS 23, Lot 990K TS 23 and Lot 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
Keppel Towers and GE Tower Put and Call Option Agreement	the put and call option agreement dated 28 November 2005 entered into between the Trustee and MRL in relation to the Keppel Towers and GE Tower and its variation
Keppel Land Circular	the circular to Keppel Land Shareholders dated 20 March 2006 issued by Keppel Land in connection with the Distribution <i>In Specie</i>
Keppel Land Options	options granted by Keppel Land to directors and employees of Keppel Land and its subsidiaries to subscribe for new Keppel Land Shares pursuant to the Keppel Land Share Option Scheme, as may be amended from time to time
Keppel Land Shares	ordinary shares in the capital of Keppel Land
Keppel Land Shareholders	persons who are registered as holders of Keppel Land Shares in the Register of Members of the Company, except that where the registered holder is CDP, the term “Shareholders” shall, in relation to such Shares, mean the persons named as Depositors in the Depository Register and whose Securities Accounts are credited with Keppel Land Shares

Latest Practicable Date	15 March 2006, being the latest practicable date prior to the printing of this Document
Listing Date	the date of admission of K-REIT Asia to the Official List of the SGX-ST, being the date of commencement of trading of the Units
Listing Manual	the Listing Manual of the SGX-ST
Management Fee	the management fee payable to the Manager comprising the Base Fee and the Performance Fee
Manager	K-REIT Asia Management Limited
Market Day	a day on which the SGX-ST is open for trading in securities
MAS	the Monetary Authority of Singapore
MRT	the mass rapid transit passenger service system in Singapore
Net Lettable Area or NLA	comprises the floor area in a building that is to be leased, excluding common areas such as common corridors, lift shafts, fire escape staircases and toilets, being the area in respect of which rent is payable
Net Property Income	in relation to real estate and real estate-related assets, whether directly held by the Trustee or a special purpose vehicle, and in relation to any Accounting Period or part thereof, means the Property Income less Property Expenses (but excluding: (i) re-valuation gains or losses attributable to any Real Estate and Real Estate-Related Assets; and (ii) non-operating income or expenses) for that Accounting Period or part thereof
Notes	CMBS notes issued by the CMBS Issuer
Ordinary Resolution	a resolution proposed and passed as such by a majority being greater than 50% or more of the total number of votes cast for and against such resolution at a meeting of Unitholders duly convened under the provisions of the Trust Deed
Overseas Shareholders	Shareholders whose registered addresses as at Books Closure Date, as recorded in the Register of Members of the Company or in the Depository Register maintained by the CDP (as the case may be) for the service of notice and documents, are outside Singapore
Performance Fee	in relation to the Manager, means a quarterly charge not exceeding 3.0% of the Net Property Income in respect of each calendar quarter as determined in accordance with the Trust Deed
Prescribed Period	for the first Prescribed Period, the period from and including the Listing Date to and including 31 December 2006 and, for any subsequent Prescribed Periods, the period from and including 1 January in one calendar year to and including 31 December in the same calendar year
Properties	the four buildings, Prudential Tower Property, Keppel Towers and GE Tower, and Bugis Junction Towers on three properties and "Property" means any one of them

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 guidelines for real estate investment trusts issued by the MAS as Appendix 2 to the CIS Code, attached as Appendix VIII in this Document, as the same may be modified from time to time
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
Property Management Agreement	the property management agreement entered into by the Trustee, the Manager and the Property Manager pursuant to which the Property Manager will be appointed to operate, maintain, manage and market the Properties and such other properties as may be acquired by the Trustee from time to time as trustee of K-REIT Asia
Property Manager	K-REIT Asia Property Management Pte Ltd
Prudential Tower	the building known as “Prudential Tower” located at 30 Cecil Street, Singapore 049712
Prudential Tower Property	the approximately 44% interest held in the Prudential Tower building comprised in the whole of Strata Lots U403C TS 1, U405W TS 1, U404M TS 1, U414N TS 1, U406V TS 1, U415X TS 1, U407P TS 1, U416L TS 1, U408T TS 1, U417C TS 1, U409A TS 1, U418M TS 1, U410P TS 1, U419W TS 1, U420C TS 1, U412A TS 1, U421M TS 1, U413K TS 1, U423V TS 1 and U422W TS 1, comprising SSCT Vol. 589 Fol. 161 to 168 and Fol. 170 to 181
Prudential Tower Property Put and Call Option Agreement	the put and call option agreement dated 28 November 2005 entered into between the Trustee and KLTD and its variation
Purchase Conditions	the terms and conditions set out in the respective Put and Call Option Agreements, being the terms and conditions of the binding contract for the sale and purchase of each Property deemed to have been entered into by the Trustee and the respective vendor of the Property, on the exercise of the put or call option under the respective Put and Call Option Agreement
Put and Call Option Agreements	the Prudential Tower Property Put and Call Option Agreement, the Keppel Towers and GE Tower Put and Call Option Agreement, and the Bugis Junction Towers Put and Call Option Agreement and “Put and Call Option Agreement” means any one of them and their respective variations
Qualifying Unitholders	<ul style="list-style-type: none"> (a) individuals (regardless of residence or nationality); (b) Singapore incorporated companies that are tax resident in Singapore; (c) Singapore branches of foreign companies that have obtained the IRAS approval for distributions to be made to them by K-REIT Asia without deduction of tax; or

- (d) bodies of persons, other than companies or partnerships, registered or constituted in Singapore (for example, registered charities, town councils, statutory boards, registered co-operative societies and registered trade unions)

Recognised Stock Exchange	any stock exchange of repute in any part of the world
Register of Members	the register of members and transfer books of the Company kept in accordance with Section 190 of the Companies Act including the Depository Register
Retained Taxable Income	the portion of Taxable Income that has not been distributed to Unitholders and that has been taxed at the prevailing corporate tax rate
ROE	return on equity
S\$ or Singapore dollars and cents	Singapore dollars and cents, the lawful currency of the Republic of Singapore
Securities Account	securities account or sub-account maintained by a Depositor with CDP
SFA	Securities and Futures Act, Chapter 289 of Singapore
SGX-ST	Singapore Exchange Securities Trading Limited
Scrip-based Shareholders	Shareholders whose Keppel Land Shares are not deposited with CDP and whose registered addresses as at Books Closure Date, as recorded in the Register of Member of the Company, for the service of notice and documents, are in Singapore
Substantial Unitholder	any Unitholder with an interest constituting not less than 5.0% of all Units in issue
Tax Consultants	Deloitte & Touche
Tax Ruling	the tax ruling dated 10 November 2005 issued by the IRAS on the taxation of K-REIT Asia and its Unitholders, including any modification, amendment and revision that may be made to it up to the date of this Document
Taxable Income	net rental income from the letting of the 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 Properties and other such properties in Singapore, if any
Trust Deed	the Trust Deed dated 28 November 2005 entered into between the Trustee and the Manager constituting K-REIT Asia including any supplementals
Trustee	RBC Dexia Trust Services Singapore Limited
Unit	an undivided interest in K-REIT Asia as provided in the Trust Deed

Unitholder(s) the registered holder for the time being of a Unit including persons so registered as joint holder, except that where the registered holder is CDP, the term “Unitholder” shall, in relation to Units registered in the name of CDP, mean, where the context requires, the Depositor whose Securities Account with CDP is credited with Units

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

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

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

Any references to “Appendices” are to the appendices set out in this Document.

Any reference to a time of day in this Document is made by reference to Singapore time unless otherwise stated.

Measurements

%	per centum or per cent. or percentage
cm	centimetres
m	metres
psf	per square feet
sq ft or sf	square feet
sq m or sm	square metres

CERTAIN DEFINED TERMS AND CONVENTIONS

K-REIT Asia will publish its financial statements in Singapore dollars.

K-REIT Asia's forecast statement for the Forecast Period included in this Document has been prepared in accordance with the applicable requirements of the CIS Code issued by the MAS and the provisions of the Trust Deed constituting K-REIT Asia and on the assumptions set out in the "Profit Forecast" on pages 74 to 79 of this Document.

All financial, statistical, physical and other information presented in connection with the Properties is correct up to the date indicated in the relevant report.

Capitalised terms used in this Document shall have the meanings set out in the Definitions.

The illustrative range of market prices included in this Document of S\$1.00 to S\$1.82 per Unit is intended to show the yields that may accrue to Unitholders if the Distribution per Unit of 5.43 cents is achieved for the Forecast Period. Such yields will vary accordingly for investors who purchase Units in the secondary market at a market price different from the illustrative market price range of S\$1.00 to S\$1.82 per Unit. Under no circumstances should the inclusion of such an illustrative market price range be regarded as a representation, warranty or prediction with respect to the market price of the Units upon or following their listing on the SGX-ST.

Any discrepancies in the tables, graphs and charts included in this Document between the listed amounts and totals thereof are due to rounding. Where applicable, figures and percentages are rounded off to one decimal place.

FORWARD-LOOKING STATEMENTS

All statements contained in this Document, statements made in press releases and oral statements that may be made by Keppel Land, the Manager, the Trustee and any of their respective officers, directors or employees, that are not statements of historical fact, constitute “forward-looking statements”. Some of these statements can be identified by words that have a bias towards, or are, forward-looking such as “anticipate”, “believe”, “could”, “estimate”, “expect”, “forecast”, “if”, “intend”, “may”, “plan”, “possible”, “probable”, “project”, “should”, “will” and “would” or similar words. However, these words are not exclusive means of identifying forward-looking statements.

All statements regarding K-REIT Asia’s expected financial position, business strategy, plans and prospects and future prospects of the real estate market in Singapore and elsewhere are forward-looking statements. This includes, in particular, the forward-looking financial information in the section titled “Profit Forecast”. Such forward-looking statements and financial information involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of K-REIT Asia or the Manager, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements and financial information. Such forward-looking statements and financial information are based on numerous assumptions regarding the Manager’s present and future business strategies and the environment in which K-REIT Asia or the Manager will operate in the future. As these statements and financial information reflect the Manager’s current views concerning future events, these statements and financial information necessarily involve risks, uncertainties and assumptions. Actual future performance could differ materially from these forward-looking statements and financial information.

Among the important factors that could cause K-REIT Asia’s or the Manager’s actual results, performance or achievements to differ materially from those in the forward-looking statements and financial information are the condition of, and changes in, the domestic, regional or global economy that result in changes in occupancy or rental rates for K-REIT Asia’s properties, changes in government laws and regulations affecting K-REIT Asia, competition in the Singapore property market, interest rates, relations with service providers, relations with lenders, the quality of tenants and other matters not yet known to the Manager or not currently considered material by the Manager. Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under “Business and Properties”, “Risk Factors”, and “Pro Forma Financial Information”.

These forward-looking statements and financial information are made only as of the date of this Document. The Manager expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement or financial information contained herein to reflect any change in the Manager’s expectations with regard thereto or any change in events, conditions or circumstances or which any such statement or information is based, subject to compliance with all applicable laws and regulations and/or the rules of the SGX-ST and/or any other regulatory or supervisory body or agency.

IMPORTANT NOTICE FOR OVERSEAS SHAREHOLDERS

Distribution and Selling Restrictions

No action has been or will be taken in any jurisdiction that would permit a public offering of the Units or the possession, circulation or distribution of this Document or any other offering or publicity material relating to K-REIT Asia or the Units in any country or jurisdiction (other than Singapore, where action for the purpose is required). Accordingly, the Units may not be offered or sold, directly or indirectly, and neither this Document nor any other offering material, circular, form of application or advertisement in connection with the Units may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

Where the directors of Keppel Land are of the view that the distribution of Units to any of the Overseas Shareholders may infringe any relevant foreign law or necessitate compliance with conditions or requirements which they regard are onerous or impracticable by reason of costs, delay or otherwise, the Units which such Overseas Shareholder would have been entitled to pursuant to the Distribution *In Specie*, will not be distributed to Overseas Shareholders, and such Overseas Shareholders will not be entitled to receive this Document and/or other relevant documents. Instead, the Overseas Shareholders' Units will be transferred to nominee(s) appointed by Keppel Land, who shall sell the Overseas Shareholders' Units at prices prevalent at time of sale and thereafter, distribute the aggregate amount of the net proceeds, after deducting all dealing and other expenses in connection therewith, proportionately among such Overseas Shareholders in accordance with their respective entitlements to the Units as at the Books Closure Date in full satisfaction of their rights to the Units to which they would otherwise have become entitled to under the Distribution *In Specie*. Where the net proceeds to which any particular Overseas Shareholder is entitled shall be less than S\$10.00, such net proceeds shall be retained for the benefit of Keppel Land, and no Overseas Shareholder shall have any claim whatsoever against CDP or Keppel Land in connection therewith.

Set out below are certain guidelines on the distribution of this Document to Overseas Shareholders in Australia, Hong Kong, Malaysia, United Kingdom, United States of America. Further details on the distribution of and the entitlement of Overseas Shareholders of the Units are set out in "Appendix I — Keppel Land Limited's Distribution *In Specie*" of this Document.

Australia

This Document is not available for distribution in Australia. Overseas Shareholders in Australia are not eligible to receive Units or vote at the EGM in person or by proxy, and will receive the net proceeds from the sale of the Units in accordance with the procedures discussed in this Document in relation to Overseas Shareholders' Units (in particular, see "Appendix I — Keppel Land Limited's Distribution *In Specie* — Keppel Land Shareholders' Entitlement to the Units, Paragraphs (6) and (7)" of this Document).

Hong Kong

This Document is for the exclusive use of Keppel Land Shareholders in connection with the proposed Distribution *In Specie*. This Document has not been authorised by the Hong Kong Securities and Futures Commission. Accordingly, this Document must not be distributed, published or reproduced (in whole or in part), disclosed by Keppel Land Shareholders to any other person in Hong Kong or used for any purpose in Hong Kong other than in connection with the Keppel Land Shareholders' consideration of the Distribution *In Specie*. This Document does not constitute an offer or invitation for the sale or purchase of securities in Hong Kong and shall not form the basis of any contract. Moreover, no advertisement, invitation or document relating to the Units may be issued whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except by a person permitted to do so under the securities laws of Hong Kong) other than with respect Units which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" ("Professional Investors") within the meaning of the Securities and Futures Ordinance (Cap 571) of Hong Kong and any rules made thereunder.

Malaysia

This Document is for the exclusive use of Keppel Land Shareholders in connection with the proposed *Distribution In Specie*. Overseas Shareholders in Malaysia should note that the distribution of the Units to them is subject to the approval of the Securities Commission of Malaysia. As no approval has been sought by reason of the substantial compliance costs involved and the possible delay, Overseas Shareholders in Malaysia will not receive the Units, but will receive the net proceeds from the sale of the Units in the manner set out in this Document.

Accordingly, this Document must not be distributed, published, circulated or reproduced (in whole or in part), disclosed or circulated by Keppel Land Shareholders to any other person in Malaysia or used for any purpose in Malaysia other than in connection with the Keppel Land Shareholders' consideration of the *Distribution In Specie*. This Document is not and does not constitute a proposal to make available, offer for subscription or purchase, or issue an invitation to subscribe for or purchase securities in Malaysia and shall not form the basis of any contract.

United Kingdom

This Document does not constitute an offer of transferable securities to the public in the United Kingdom to which Section 85 of the Financial Services and Markets Act 2000 of the United Kingdom ("FSMA") applies and has not been delivered to the Financial Services Authority ("FSA") in accordance with the Prospectus Rules published by the FSA. No Units have been offered or sold or will be offered or sold, except in circumstances which have not resulted and will not result in an offer to the public in contravention of Section 85 of the FSMA in the United Kingdom.

The Units are units in the K-REIT Asia, which is an unregulated collective investment scheme for the purposes of United Kingdom law and regulation, and may be promoted in the United Kingdom only to restricted categories of persons.

It is not intended that this Document be distributed or passed on in the United Kingdom, directly or indirectly, to any class of person and in any event and under no circumstances should persons of any other description rely on or act upon the contents of this Document. It is also not intended that the Units be distributed to Overseas Shareholders in the United Kingdom, instead they will receive the net proceeds from the sale of the Units in the manner set out in this Document.

United States of America

This Document is not an offer of securities in the U.S. and the Units are not being registered in the U.S. and cannot be sold in the U.S. or to U.S. persons absent registration or an exemption from registration.

The Units have not been and will not be registered under the U.S. Securities Act of 1933 as amended, for offer or sale as part of their distribution and, subject to certain exceptions, may not be offered or sold in the U.S. or to U.S. persons.

IMPORTANT NOTICE FOR SCRIP-BASED SHAREHOLDERS

Scrip-based Shareholders should note that entitlements to the Units will be determined on the basis of their holdings of Keppel Land Shares appearing in the Register of Members of Keppel Land as at the Books Closure Date.

Scrip-based Shareholders who have not registered their holdings in the Register of Members of Keppel Land are requested to take the necessary action to ensure that the Keppel Land Shares owned by them are registered in their names or in the names of their nominees by the Books Closure Date.

Scrip-based Shareholders should note that they will not be able to trade in such Units on the SGX-ST unless they open Securities Accounts with the CDP for such Units to be held by CDP and recorded as such in the Register of Unitholders maintained by the Unit Registrar and Unit Transfer Office. Scrip-based Shareholders are therefore encouraged to open Securities Accounts with the CDP.

Scrip-based Shareholders who wish to trade their Units on the SGX-ST on or immediately after the Listing should deposit with CDP their physical share certificates of Keppel Land together with the duly executed instruments of transfer in favour of CDP no later than 5.00 p.m. on the date which is 12 Market Days prior to the Books Closure Date, so as to enable CDP to credit their Securities Accounts with their Keppel Land Shares and thereafter, for CDP to credit their Securities Accounts with the Units.

In the case of Scrip-based Shareholders who have not opened their Securities Account with CDP, the Unit Registrar and Unit Transfer Office will send each of such Scrip-based Shareholder a notification letter confirming the number of Units he is entitled to and his entitlements shall be recorded in the Register of Unitholders. The entries in the Register of Unitholders shall (save in the case of manifest error) be conclusive evidence of the number of Units held by each such Scrip-based Shareholder, and whose Units will be kept by the Unit Registrar and Unit Transfer Office on behalf of the Scrip-based Shareholder pending further instructions from them.

CORPORATE AND OTHER INFORMATION

Sponsor of K-REIT Asia	:	Keppel Land Limited 230 Victoria Street #15-05 Bugis Junction Towers Singapore 188024
Manager of K-REIT Asia	:	K-REIT Asia Management Limited 1 HarbourFront Avenue #18-01 Keppel Bay Tower Singapore 098632
Directors of the Manager	:	Tsui Kai Chong (Chairman and Independent Director) Kevin Wong Kingcheung (Deputy Chairman and Non-Executive Director) Tan Swee Yiow (Chief Executive Officer and Director) Lee Ai Ming (Independent Director) Chin Wei-Li, Audrey Marie (Independent Director) Lim Poh Chuan (Independent Director)
Property Manager of K-REIT Asia	:	K-REIT Asia Property Management Pte Ltd 1 HarbourFront Avenue #18-01 Keppel Bay Tower Singapore 098632
Trustee of K-REIT Asia	:	RBC Dexia Trust Services Singapore Limited 9 Raffles Place #42-01 Republic Plaza Singapore 048619
Financial Adviser	:	Deloitte & Touche Corporate Finance Pte Ltd 6 Shenton Way #32-00 DBS Building Tower 2 Singapore 068809
Auditor of K-REIT Asia	:	Ernst & Young 10 Collyer Quay #21-01 Ocean Building Singapore 049315
Unit Registrar and Unit Transfer Office	:	Lim Associates (Pte) Ltd 10 Collyer Quay #19-08 Ocean Building Singapore 049315
Legal Adviser to the Introduction and to the Manager	:	Arfat Selvam Alliance LLC 16 Collyer Quay #11-02 Hitachi Tower Singapore 049318
Legal Adviser to the Financial Adviser	:	Allen & Gledhill One Marina Boulevard #28-00 Singapore 018989
Legal Adviser to the Trustee	:	Wong Partnership One George Street #20-01 Singapore 049145

- Independent Accountants** : Ernst & Young
10 Collyer Quay
#21-01 Ocean Building
Singapore 049315
- Tax Consultants** : Deloitte & Touche
6 Shenton Way
#32-00 DBS Building Tower 2
Singapore 068809
- Independent Valuers** : Colliers International Consultancy & Valuation
(Singapore) Pte Ltd
50 Raffles Place
#18-01 Singapore Land Tower
Singapore 048623
- DTZ Debenham Tie Leung (SEA) Pte Ltd
100 Beach Road
#35-00 Shaw Tower
Singapore 189702
- Independent Property Consultant** : DTZ Debenham Tie Leung (SEA) Pte Ltd
100 Beach Road
#35-00 Shaw Tower
Singapore 189702
- Principal Bankers** : Deutsche Bank AG, Singapore Branch
5 Temasek Boulevard
#08-01 Suntec Tower 5
Singapore 038985
- Standard Chartered Bank
6 Battery Road
#07-00
Singapore 049909

SUMMARY

The following summary is qualified in its entirety by, and is subject to, the more detailed information contained or referred to elsewhere in this Document. The meanings of terms not defined in this summary can be found in the Definitions or in the Trust Deed. A copy of the Trust Deed can be inspected at either the registered office of the Manager or that of the Trustee.

Statements contained in this summary that are not historical facts may be forward-looking statements. Such statements are based on certain assumptions and are subject to certain risks, uncertainties and assumptions which could cause actual results to differ materially from those forecast (see "Forward-looking Statements"). 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 K-REIT Asia, the Manager, the Trustee or any other person or that these results will be achieved or are likely to be achieved.

An investment in the Units involves risks. Recipients of this Document, as well as all prospective investors in the Units, should read this Document in its entirety and, in particular, the section headed "Risk Factors" on pages 40 to 50 of this Document.

Please refer to "Appendix I — Keppel Land Limited's Distribution In Specie" for details of the Distribution In Specie undertaken by Keppel Land in connection with the listing of K-REIT Asia on the SGX-ST.

Overview of K-REIT Asia

K-REIT Asia is established with the objective of generating stable returns to Unitholders by owning and investing in a portfolio of quality real estate and real estate-related assets which are income-producing and are predominantly used for commercial purposes.

K-REIT Asia will initially invest in and own the following Properties, all of which are currently owned by wholly-owned subsidiaries of Keppel Land:

- **Prudential Tower Property;**
- **Keppel Towers and GE Tower*;** and
- **Bugis Junction Towers.**

* Keppel Towers and GE Tower are comprised in the same land lots. They also share common carparking and some machinery and equipment facilities.

The Trustee, acting for and on behalf of K-REIT Asia, has entered into put and call option agreements on 28 November 2005 with subsidiaries of Keppel Land for the purchase of the Properties at the aggregate consideration of S\$630.7 million. The purchase consideration will be satisfied in part by cash of approximately S\$190.6 million and the balance of approximately S\$440.1 million by Units.

Keppel Land has announced that, subject to the approval of its shareholders in its general meeting, it will distribute up to 144.4 million Units (or approximately 60%) of the 240,508,000 Units issued in part consideration for the sale and purchase of the Properties by way of the Distribution *In Specie*. Keppel Land Group will retain approximately 40% of the issued Units.

To demonstrate its commitment to K-REIT Asia after its listing on the SGX-ST, Keppel Land has given an undertaking that Keppel Land Group will not sell, transfer or otherwise dispose any part of the Units they will hold immediately after the Introduction for a period of 12 months commencing from the Listing Date. KCL, as the majority shareholder of Keppel Land, has given a similar undertaking that KCL Group will not sell, transfer or otherwise dispose any part of the Units KCL will hold immediately after the Introduction for a period of 12 months commencing from the Listing Date (see "Ownership of Units — Moratorium Agreements" for further details).

Keppel Land, the property arm of KCL Group, is one of the largest property companies listed on the SGX-ST by market capitalisation. It is an established developer of quality housing, investment-grade offices and integrated projects, and is geographically diversified in Asia with a current focus on Singapore, China, Thailand, Vietnam, Indonesia and India. It is also an established manager of property funds.

K-REIT Asia will be managed by the Manager. A wholly-owned subsidiary of Keppel Land, the Manager is a real estate investment advisory company whose key personnel have a long and established track record of successfully investing and managing quality real estate and real estate-related assets in Singapore and in the Asia-Pacific region.

The Manager aims to achieve stable dividend income and long-term growth in net asset value for Unitholders by investing primarily in quality commercial real estate and real estate-related assets in Singapore and in Asia. The Manager plans to achieve this aim by:

- further expansion of the K-REIT Asia portfolio by selective acquisitions of quality real estate and real estate-related assets within its defined investment criteria;
- raising occupancy and/or rentals rates by active asset management of its portfolio of real estate and real estate-related assets; and
- employing debt and equity financing strategies appropriate for the K-REIT Asia portfolio to enhance returns to Unitholders.

K-REIT Asia will put in place facilities comprising a 5-year term loan facility and a revolving credit facility for an aggregate amount of up to S\$220 million, which will be funded by Notes to be issued by the CMBS Issuer in respect of the term loan facility and from a financial institution in respect of the revolving credit facility. The term loan facility is intended to be used to part finance the acquisition of the Properties and the revolving credit facility is intended to meet the short term working capital needs of K-REIT Asia.

As the CMBS Notes Offering may not be completed by the date of Completion of the acquisition of the Properties by the Trustee, an unsecured bridging loan facility of up to nine months for an amount of up to S\$200 million (the "Bridging Loan") will be provided by Kephinance Investment Pte Ltd to enable the acquisitions of the Properties to proceed and to provide initial working capital if so required. The Bridging Loan shall be repaid in full once the CMBS Notes Offering is put in place.

Key Investment Highlights of K-REIT Asia to Unitholders

The Manager believes that K-REIT Asia offers the following key benefits for Unitholders:

- **A Strong Pipeline of Potential Acquisitions.** K-REIT Asia has as its sponsor Keppel Land, a leading developer of commercial properties in Singapore. Keppel Land has one of the largest portfolios of quality commercial properties in the Central Business District in Singapore, comprising a number of prestigious investment properties and properties under development. Together with partners, Keppel Land is now developing the prime Grade-A One Raffles Quay (to be completed in 2006) and the new Business and Financial Centre in the New Downtown area. The association with Keppel Land offers potential avenues for growth for K-REIT Asia, through transactions on individual properties and by accessing its networks and its development expertise. Over and above this, the Manager will also pursue acquisitions of suitable quality real estate and real estate-related assets within its defined investment criteria from other parties.
- **Benefit from a Rising Market.** The market for space in quality commercial buildings in prime locations in Singapore has shown marked improvement. This improvement is expected to continue. Over time, this will be reflected in improving occupancy and rental rates for the portfolio of K-REIT Asia. It is expected that rising occupancy and rental rates will translate to higher distributable profits and cash flow for Unitholders, as the majority of the costs of maintaining and operating the portfolio are fixed in nature.

- **A High Payout Ratio.** K-REIT Asia's distribution policy is to distribute at least 90% of its Taxable Income in any given year. K-REIT Asia will distribute 100% of its Taxable Income for FY2006 and at least 95% of its Taxable Income for FY2007. Unitholders will benefit directly from such high payout ratios.
- **The Benefit of Tax Transparency.** Unitholders will enjoy the benefits of having the Properties held in a real estate investment trust vehicle which provides for tax transparency for Qualifying Unitholders. Under this arrangement, Taxable Income of K-REIT Asia will not be taxed at the trust level but at the rate applicable to each Qualifying Unitholder. To the extent Shareholders have an effective tax rate below the Singapore corporate rate (currently at 20%), this will represent an increase in after tax income for Unitholders. Individual Unitholders who are beneficially entitled to the distributions, regardless of their residence or nationality, will be exempted from Singapore income tax if they receive such distributions as their investment income and not through Singapore partnerships.
- **Alignment of Interests.** Keppel Land Group and KCL Group will hold approximately 40% and 32% stakes respectively in K-REIT Asia following the completion of the Distribution *In Specie*. To demonstrate their commitment to K-REIT Asia, both the Keppel Land Group and the KCL Group have voluntarily subjected the Units that they will hold after the completion of the Distribution *In Specie* to a moratorium for a period of 12 months commencing from the date of admission of K-REIT Asia to the Official List of the SGX-ST. In addition, the Manager has agreed to receive its Management Fee entirely in the form of Units commencing from the date of Completion of the acquisition of the Properties to 31 December 2006 and FY2007. By taking these actions, the interests of Keppel Land, KCL and the Manager are more closely aligned with those of other Unitholders.

Key Attractions of the K-REIT Asia's Initial Property Portfolio

The Manager believes that these Properties offer the following key investment attractions to Unitholders:

- **Quality Assets.** Prudential Tower, a prime 30-storey Grade-A office building at Raffles Place, won the prestigious FIABCI Prix d'Excellence Award (office/industrial category) in 2003. Bugis Junction Towers, a 15-storey office tower above the Bugis MRT Station, is part of the award-winning Bugis Junction integrated development, which also comprises Bugis Junction retail mall and the five-star InterContinental Singapore hotel. Keppel Towers and GE Tower, located near the Tanjong Pagar MRT Station, are one of the few large office developments with good specifications in that area.
- **Quality Tenants.** The Properties have attracted quality tenants such as International Enterprise Singapore, Prudential Assurance Company Singapore (Pte) Ltd, J.V. Fitness Pte Ltd, InterContinental Hotels Group (Asia Pacific) Pte Ltd, GE Pacific Pte Ltd, Novartis (Singapore) Pte Ltd, The McGraw-Hill Companies, Inc. and KBC Bank N.V. (Singapore Branch) which provide a good, diverse tenant base.
- **Good Occupancy.** The weighted average (by NLA) Committed Occupancy for the Properties is around 89%, with potential to capitalise on the rising office occupancy levels and market rental rates.
- **Experienced and Professional Management.** The Manager and the Property Manager are wholly-owned subsidiaries of Keppel Land, who is recognised for developing and managing good quality office assets such as the award-winning Prudential Tower and Capital Square. The Manager is staffed by experienced professionals with an average experience of about 15 years in the real estate industry, with a track record of successfully investing in and managing quality real estate and real estate-related assets in Singapore and in Asia. Key-staff members of the Manager have in-depth real estate investment, asset management, and research experience.
- **Long Land Leases.** Keppel Towers and GE Tower are located on freehold land while Bugis Junction Towers and Prudential Tower Property are held on 99-year tenure leases, expiring on 9 September 2089 and 14 January 2095, respectively.

Description of K-REIT Asia's Initial Property Portfolio

Following its establishment, K-REIT Asia will invest in and own an initial portfolio of quality real estate and real estate-related assets comprising the following four buildings on three properties which have a total NLA of 73,322 sq m and average appraised value of S\$630.7 million as at 24 November 2005:

Prudential Tower Property #01-01, #10-01/08 to #19-01/08 (excluding #16-05/08)	
Description	The units are located in Prudential Tower, a 30-storey Grade-A office building situated at Raffles Place. Prudential Tower is located at the junction of Church Street and Cecil Street and is within a 5-minute walk from the Raffles Place MRT station. There are 181 carpark lots located on the second to ninth storeys. These carpark lots are common property owned by the management corporation of Prudential Tower. K-REIT Asia will own 44% ⁽¹⁾⁽²⁾ of the strata area of the building ⁽³⁾⁽⁴⁾ . Prudential Tower has won the prestigious office/industrial category of the FIABCI Prix d'Excellence 2003 Awards.
Title	Leasehold estate of 99 years expiring 14 January 2095
Year of Issue of Temporary Occupation Permit	1998
Committed Occupancy	86.9%
Strata Floor Area	10,250 sq m
Net Lettable Area	10,037 sq m
Major Tenants	The McGraw-Hill Companies, Inc. The Executive Centre KBC Bank N.V. (Singapore Branch)
Average Appraised Value (as at 24 November 2005)	S\$117.7 million

Notes:

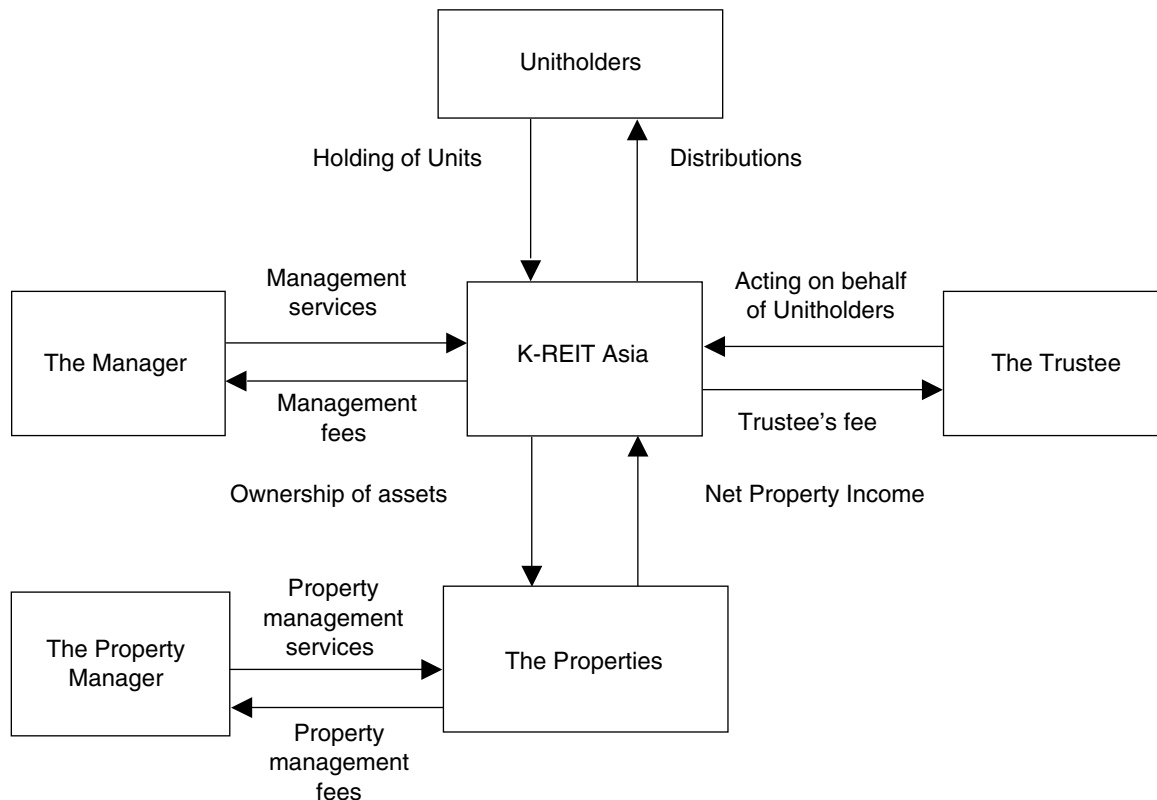
- (1) K-REIT Asia will be the sole owner of the 44.4% strata area and is entitled to all income derived from or accruing to such strata lots. K-REIT Asia is also required to pay maintenance charges to the management corporation of Prudential Towers as provided by law.
- (2) Pursuant to a sale and purchase agreement entered into between KLTD and Prudential Assurance Company (Singapore) Limited ("Prudential"), any transferee of the Prudential Tower Property from KLTD has to undertake to Prudential, *inter alia*, that as long as the transferee remains a registered proprietor of the Prudential Tower Property, then in respect of any proposed resolution to approve (i) a change of name of Prudential Tower, (ii) a change in the building name signage and/or the Prudential corporate logo signages installed on the exterior of Prudential Tower pursuant to arrangements made between KLTD and Prudential or (iii) the installation of any other corporate signage or advertisement or flags on the exterior of the Prudential Tower, to be passed at a general meeting of the management corporation which is held during the period KLTD holds the lease of the land on which Prudential Tower is erected, the transferee will exercise its vote in relation to the Prudential Tower Property, to vote with Prudential on such issues. The Trustee will enter into a deed of undertaking with Prudential covenanting and undertaking the above by Completion.
- (3) The remaining owners of the balance 55.6% strata area of Prudential Tower, none of which are related to Keppel Land or the Manager, are as set out below:
 - Prudential Assurance Company Singapore (Pte) Ltd = 33.8% (units #20-01 to #25-01, and #30-01)
 - Innisvale Investments Pte Ltd = 4.9% (unit #26-01)
 - Maraha Pte Ltd = 4.9% (unit #27-01)
 - Lima Bintang Holdings Pte Ltd = 4.8% (unit #28-01)
 - Mirabeau Gardens Pte Ltd = 4.8% (unit #29-01)
 - Evershine Property Pte Ltd = 2.4% (units #16-05/08)
- (4) Prudential Tower is managed by a management corporation, which in turn has appointed Keppel Land International Ltd ("KLIL") as the managing agent. KLIL is a wholly-owned subsidiary of Keppel Land. KLIL is not related to any of the remaining owners of the balance 55.6% strata area of Prudential Tower as detailed in Note (3) above.

Keppel Towers and GE Tower	
Description	Keppel Towers is a 27-storey office building and GE Tower is a 13-storey office building. The buildings are located along Hoe Chiang Road and Tanjong Pagar Road and are within a 5-minute walk from the Tanjong Pagar MRT station. There are 288 carpark lots located on the second to third storey of the buildings.
Title	Estate in fee simple
Year of Issue of Temporary Occupation Permit	1991 (Keppel Towers) 1993 (GE Tower)
Committed Occupancy	85.3%
Gross Floor Area	52,946 sq m
Net Lettable Area	40,295 sq m
Major Tenants	GE Pacific Pte Ltd Novartis (Singapore) Pte Ltd Singapore Business Federation
Average Appraised Value (as at 24 November 2005)	S\$353.5 million

Bugis Junction Towers	
Description	<p>Bugis Junction Towers is a 15-storey office tower located along Victoria Street, facing Rochor Road. It is directly linked to the Bugis MRT Station via the basement and is part of an integrated development known as Bugis Junction, which also comprises Bugis Junction retail mall and the five-star InterContinental Singapore hotel. There are 648 carpark lots located at basements one and two serving the integrated development.</p> <p>Bugis Junction has won several awards for portraying an innovative and modern interpretation of urban development. Some of these awards are the Singapore Institute of Architects' Award for Urban Design Category in 1998, Certificate of Merit from the International Council of Shopping Centres for Innovative Design and Construction of a New Project 1996 and Honourable Mention Award for Mixed Developments Category at Singapore Institute of Architects Architectural Design Awards 1995. It was also one of the finalists for the prestigious FIABCI Prix d'Excellence 2001 competition.</p>
Title	Leasehold estate of 99 years expiring 9 September 2089
Year of Issue of Temporary Occupation Permit	1995
Committed Occupancy	96.2%
Strata Floor Area	27,724 sq m
Net Lettable Area	22,990 sq m
Major Tenants	International Enterprise Singapore J.V. Fitness Pte Ltd Prudential Assurance Company Singapore (Pte) Ltd
Average Appraised Value (as at 24 November 2005)	S\$159.5 million

Structure of K-REIT Asia

The following diagram illustrates the relationship between K-REIT Asia, the Manager, the Trustee and the Unitholders:



The Manager — K-REIT Asia Management Limited

The Manager was incorporated in Singapore under the Companies Act on 6 September 2004. It has a paid-up capital of S\$1,000,000 and its registered office is at 1 HarbourFront Avenue #18-01 Keppel Bay Tower Singapore 098632. The Manager is a wholly-owned subsidiary of Keppel Land.

The Board of Directors of the Manager comprises individuals with a broad range of commercial experience including expertise in fund management, the real estate industry, legal and finance. The Board consists of six Directors, namely, Professor Tsui Kai Chong, Mr Kevin Wong Kingcheung, Mr Tan Swee Yiow, Mrs Lee Ai Ming, Mr Lim Poh Chuan and Dr Chin Wei-Li, Audrey Marie. Four of the six members of the Board are Independent Directors.

The Manager is responsible for K-REIT Asia's investment and financing strategies, asset acquisition and divestment policies and for the overall management of K-REIT Asia's portfolio. In discharging this responsibility, the Manager will provide the following management services to K-REIT Asia:

- **Investment strategy.** The Manager will formulate K-REIT Asia's investment strategy, including determining the location, sub-sector type and other characteristics of K-REIT Asia's property portfolio.
- **Acquisitions and sales.** The Manager will make recommendations to the Trustee on the acquisition and sale of properties.
- **Planning and reporting.** The Manager will make periodic property plans, including budgets and reports, relating to the performance of K-REIT Asia's properties.
- **Financing.** The Manager will provide advisory services regarding plans for equity and debt financing for K-REIT Asia's property acquisitions, distribution payments, expense payments and capital expenditure payments.

- **Administrative and advisory services.** The Manager will perform day-to-day administrative services as K-REIT Asia's representative, including providing services relating to meetings of Unitholders when such meetings are convened.
- **Investor relations.** The Manager will communicate and liaise with Unitholders and potential investors.
- **Compliance management.** The Manager will make all regulatory filings on behalf of K-REIT Asia and ensure that K-REIT Asia is in compliance with the applicable provisions of the SFA and all other relevant legislation, the listing rules of the SGX-ST, the CIS Code (including the Property Funds Guidelines), the Trust Deed, the Tax Ruling and all relevant contracts.
- **Accounting records.** The Manager will keep books and prepare or cause to be prepared accounts and annual reports.

For further details on the Manager, please refer to the section "The Manager and Corporate Governance — The Manager of K-REIT Asia".

The Property Manager — K-REIT Asia Property Management Pte Ltd

The Property Manager was incorporated in Singapore under the Companies Act on 12 November 2005. Its registered office is at 1 HarbourFront Avenue #18-01 Keppel Bay Tower Singapore 098632. The Property Manager is a wholly-owned subsidiary of Keppel Land.

The Property Manager provides, among other services, property management, lease management and marketing services for K-REIT Asia's portfolio of quality real estate and real estate-related assets. The scope of these services is set out in the Property Management Agreement to be entered into between the Manager, the Trustee and the Property Manager and will include, among other things, the following services for K-REIT Asia's properties, subject to the overall management of the Manager:

- **Property management services.** The Property Manager will provide property maintenance services, supervise the performance of contractors, arrange for adequate insurances and ensure compliance with building and safety regulations.
- **Lease management services.** The Property Manager will coordinate tenants' fitting-out requirements, initiate lease renewals and negotiate terms, administer rental collection and manage rental arrears.
- **Marketing and marketing coordination services.** The Property Manager will prepare draft annual marketing budgets, co-ordinate marketing and promotion programmes including advertisements on the Properties, as well as monitor and report on each tenant's turnover performance.
- **Project management services.** In relation to the development or redevelopment (unless otherwise prohibited by the Property Funds Guidelines or any other laws or regulations), the Property Manager will assist in the refurbishment, retrofitting and renovation works to a property, including recommendation of the project budget and project consultants and the supervision and implementation of the project.

The Trustee — RBC Dexia Trust Services Singapore Limited

The Trustee is a company incorporated in Singapore and registered as a trust company under the Trust Companies Act, Chapter 336 of Singapore.

The Trustee's powers and duties include: (i) acting as trustee of K-REIT Asia; (ii) holding the properties of K-REIT Asia for the benefit of the Unitholders; (iii) exercising all the powers of a trustee and the powers accompanying ownership of the properties of K-REIT Asia; and (iv) discharging all the duties of a trustee.

For further details in respect of the Trustee, please refer to the section on "The Formation and Structure of K-REIT Asia — The Trustee".

Certain Fees and Charges

The following is a summary of the amounts of certain fees and charges payable by the Unitholders in connection with the subscription of the Units (so long as the Units are listed):

Payable by the Unitholders directly	Amount Payable
Subscription fee or preliminary charge	Not Applicable ⁽¹⁾
Realisation fee	Not Applicable ⁽¹⁾
Switching fee	Not Applicable ⁽¹⁾
Any other fee	Clearing fee for trading of Units on the SGX-ST at the rate of 0.05% of the transaction value, subject to a maximum of S\$200.00 per transaction.

Note:

- (1) As the Units will be listed and traded on the SGX-ST and Unitholders will have no right to request the Manager to redeem their Units, no subscription fee or preliminary charge, realisation fee or switching fee is payable in respect of the Units for as long as the Units are listed on the SGX-ST.

The following is a summary of certain fees and charges payable by K-REIT Asia in connection with the on-going management of K-REIT Asia:

	Payable by K-REIT Asia	Amount Payable
(a)	Manager's Management fee	<p><i>Base Fee</i></p> <p>0.5% per annum of the value of the Deposited Property</p> <p><i>Performance Fee</i></p> <p>3.0% of the Net Property Income before the payment of the Management Fee and non-operating income or expenses.</p> <p>As a demonstration of its commitment, the Manager has agreed to receive its management fee entirely in the form of Units for FY2006 and FY2007. Thereafter, the management fee will be paid in the form of a blend of cash and/or Units as the Manager may elect.</p>
(b)	Trustee's fee	<p>A maximum of 0.03% per annum of the value of the Deposited Property.</p> <p>K-REIT Asia will also pay the Trustee a one-time inception fee of S\$7,500.</p>
(c)	<p>Any other substantial fee or charge (i.e. 0.1% or more of K-REIT Asia asset value)</p> <p>(i) Acquisition fee (payable to the Manager)</p>	<p>No acquisition fee is payable for the acquisition of the Properties.</p> <p>1.0% (or such lower percentage as may be determined by the Manager in its absolute discretion) of the purchase price of any Authorised Investment acquired directly or indirectly by K-REIT Asia and pro-rated, if applicable, to the proportion of K-REIT Asia's interest.</p>

		If the acquisition is from interested parties (as defined in the Property Funds Guidelines), the Acquisition Fee shall be paid in the form of Units. The number of Units to be issued to the Manager shall be calculated based on the prevailing market price and shall not be sold by the Manager within one year from the date of issuance.
(ii)	Divestment fee (payable to the Manager)	0.5% (or such lower percentage as may be determined by the Manager in its absolute discretion) of the sale price of any Authorised Investment sold or divested directly or indirectly by K-REIT Asia and pro-rated, if applicable, to the proportion of K-REIT Asia's interest. If the divestment is to interested parties (as defined in the Property Funds Guidelines), the Divestment Fee shall be paid in the form of Units. The number of Units to be issued to the Manager shall be calculated based on the prevailing market price and shall not be sold by the Manager within one year from the date of issuance.
(iii)	Property Management Fee (payable to the Property Manager)	3.0% per annum of Property Income for the real estate managed by the Property Manager.
(iv)	Leasing Commission (payable to the Property Manager)	(a) one month's Gross Rent (base rental income and tenant service charge) or licence fee, as applicable, for securing a tenancy or licence of two years or more; (b) one-half month's Gross Rent (base rental income and tenant service charge) or licence fee, as applicable, for securing a tenancy or licence of less than two years but at least a year and a proportionate part; and (c) one-quarter month's Gross Rent (base rental income and tenant service charge) or licence fee, as applicable, for securing a renewal of tenancy or licence of a year or more and a proportionate part thereof for securing a renewal of a tenancy or licence of less than a year.

Pro Forma Financial Information

The following tables present the pro forma statements of profit and loss of K-REIT Asia for FY2002, FY2003, FY2004, 9M 2004 and 9M 2005 (collectively referred to as the "Relevant Period"), the pro forma cash flow statements of K-REIT Asia for FY2004 and 9M 2005 and the pro forma balance sheets of K-REIT Asia as at 31 December 2004 and as at 30 September 2005. Such pro forma financial information should be read in conjunction with the related notes thereto.

K-REIT Asia's independent accountants, Ernst & Young, have reported on the pro forma financial information and their report is included in "Appendix IV — Independent Accountants' Report on the Pro Forma Financial Information" of this Document. The pro forma financial information of K-REIT Asia has been prepared on the basis set out in "Appendix IV — Independent Accountants' Report on the Pro Forma Financial Information".

The objective of the pro forma financial information is to show what the financial results, cash flows and financial positions might have been had K-REIT Asia existed at an earlier date. However, the pro forma

financial information of K-REIT Asia is not necessarily indicative of the financial results and cash flows of the operations or the financial positions that would have been attained had K-REIT Asia actually existed earlier.

Pro Forma Profit and Loss Statements

	FY2002	FY2003	FY2004	9M 2004	9M 2005
	(S\$ '000)	(S\$ '000)	(S\$ '000)	(S\$ '000)	(S\$ '000)
Property income	39,909	33,047	28,997	22,314	20,191
Property expenses					
— Property tax	(1,789)	(1,143)	(1,922)	(1,478)	(1,622)
— Other property expenses	(3,718)	(4,181)	(3,694)	(2,683)	(4,286)
— Property management fee	(1,197)	(991)	(870)	(669)	(606)
— Maintenance and sinking fund contributions	(1,852)	(1,796)	(1,753)	(1,315)	(1,304)
Net property income	31,353	24,936	20,758	16,169	12,373
Borrowing costs	(7,545)	(7,545)	(7,545)	(5,659)	(5,659)
Manager's management fees	(4,095)	(3,902)	(3,777)	(2,850)	(2,736)
Trust expenses	(1,195)	(1,195)	(1,195)	(896)	(896)
Net profit before tax	18,518	12,294	8,241	6,764	3,082
Income tax	—	—	—	—	—
Net profit after tax	18,518	12,294	8,241	6,764	3,082

The office market experienced a downtrend between 2001 to 2004 due to a combination of factors such as the burst of the dot-com bubble and the 9/11 events in 2001, and the Iraqi War and SARs in 2003. Overall Property Income decreased by 27% to S\$29.0 million in FY2004 from S\$39.9 million in FY2002.

Pro Forma Cash Flow Statements

	FY2004	9M 2005
	(S\$ '000)	(S\$ '000)
Operating activities		
Net profit before tax	8,241	3,082
Adjustments for:		
Borrowing costs	7,545	5,659
Management fees paid in Units	3,777	2,736
Depreciation of plant and equipment	20	68
Operating income before working capital changes	19,583	11,545
Changes in working capital:		
Trade and other payables	22	368
Cash flows from operating activities	19,605	11,913
Investing activities		
Purchase of plant and equipment	(8)	(48)
Cash flows used in investing activities	(8)	(48)

	FY2004	9M 2005
	<i>(S\$ '000)</i>	<i>(S\$ '000)</i>
Financing activities		
Distribution to Unitholders	(12,373)	(6,084)
Borrowing costs paid	(7,285)	(5,464)
Proceeds from borrowings	95	71
Security deposits	(1,463)	1,010
Cash flows used in financing activities	(21,026)	(10,467)
Net increase (decrease) in cash and cash equivalents	(1,429)	1,398
Cash and cash equivalents at beginning of the year/period	4,488	3,059
Cash and cash equivalents at end of the year/period	3,059	4,457

Pro Forma Balance Sheets

	As at 31 December 2004	As at 30 September 2005
	<i>(S\$ '000)</i>	<i>(S\$ '000)</i>
Current assets		
Cash	3,059	4,457
Non-current assets		
Plant and equipment	23	3
Investment properties	630,700	630,700
Total non-current assets	630,723	630,703
Total assets	633,782	635,160
Current liabilities		
Trade and other payables	131	499
Non-current liabilities		
Security deposits	5,761	6,771
Borrowings	189,300	189,300
Total non-current liabilities	195,061	196,071
Total liabilities	195,192	196,570
Net assets	438,590	438,590
Unitholders' funds		
Units in issue	440,130	440,130
Establishment and issue expenses	(1,540)	(1,540)
Total Unitholders' funds	438,590	438,590
Number of Units in issue ('000)	240,508	240,508
Net asset value per Unit	S\$1.82	S\$1.82
Borrowings/Total assets (%)	30.1	30.0

Profit Forecast

The following is an extract from the section entitled “Profit Forecast” on pages 73 to 81 of this Document. Statements in this extract that are not historical facts may be forward-looking statements. Such statements are based on the assumptions set forth on pages 74 to 79 and are subject to certain risks and uncertainties which could cause actual results to differ materially from those forecast. Under no circumstances should the inclusion of such information herein be regarded as a representation, warranty or prediction with respect to the accuracy of the underlying assumptions by the Manager, the Financial Adviser or any other person, nor that these results will be achieved or are likely to be achieved. See “Forward-looking Statements” and “Risk Factors”. Recipients of this Document and all prospective investors in the Units are cautioned not to place undue reliance on these forward-looking statements that speak only as of the date of this Document.

Recipients of this Document and all prospective investors in the Units should read the whole of the “Profit Forecast” set out on pages 73 to 81 of this Document together with the reports set out in “Appendix II — Financial Adviser’s Statement on the Profit Forecast” and “Appendix III — Independent Accountants’ Report on the Profit Forecast”.

The table below sets out K-REIT Asia’s forecast profit and loss for the Forecast Period:

	Forecast Period (1 January 2006 to 31 December 2006) (S\$’000)
Gross Rent	30,797
Car park income	756
Other income	30
Property Income	31,583
Property tax	(2,530)
Other property expenses	(4,305)
Property management fee	(948)
Maintenance and sinking fund contributions	(1,738)
Property Expenses	(9,521)
Net Property Income	22,062
Manager’s management fees	(3,816)
Trust expenses	(1,195)
Borrowing costs	(7,545)
Net Profit Before Tax	9,506
Net effect of non-tax deductible/chargeable items	3,664
Taxable Income available for distribution to Unitholders	13,170
Distribution to Unitholders based on payout of 100% of Taxable Income	13,170
Number of Units in issue (’000)	242,605
Distribution per Unit (cents)	5.43

The forecast distribution of 5.43 cents per Unit is in respect of the period from 1 January 2006 to 31 December 2006. The actual amount distributed will be adjusted based upon the actual performance of K-REIT Asia in that period, as well as the number of days from the effective date of the Distribution *In Specie* to 31 December 2006.

Illustrative Secondary Market Trading Price of the Units

As the Units will be distributed to Keppel Land Shareholders by way of the Distribution *In Specie*, there will be no subscription price and no price discovery in respect of the likely market price of a Unit prior to the commencement of trading of the Units on the SGX-ST on the Listing Date. In this regard, the Introduction is unlike a conventional initial public offering of securities.

The price at which the Units will trade when trading commences on the SGX-ST will be determined by the market, which is likely to take into account K-REIT Asia's forecast distribution income and the yields offered by comparable alternative investments.

Presented below is an illustration of the market price of the Units based upon the level of dividend yield that investors wish to attain on the presumption that the DPU of 5.43 cents is achieved for a calendar year:

Illustrative Market Price Range	Distribution yield Forecast Period
\$1.82	3.0%
\$1.70	3.2%
\$1.60	3.4%
\$1.50	3.6%
\$1.40	3.9%
\$1.30	4.2%
\$1.20	4.5%
\$1.10	4.9%
\$1.00	5.4%

None of K-REIT Asia, the Manager, the Trustee or Keppel Land guarantees the performance of K-REIT Asia or the payment of any distributions or any particular return on the Units.

The illustrative market prices stated in the table above are calculated based upon the forecast yields for the Forecast Period. In no circumstances should the inclusion of such an illustrative market price range be regarded as a representation, warranty or prediction with respect to the market price of the Units upon or following their listing on the SGX-ST.

The Manager has forecast a distribution of 5.43 cents per Unit in respect of the Forecast Period. The actual amount distributed will be adjusted based upon the actual performance of K-REIT Asia in that period, as well as the number of days from the effective date of the Distribution *In Specie* to 31 December 2006.

BUSINESS AND PROPERTIES

Overview

K-REIT Asia is established with the objective of generating stable returns to its Unitholders by owning and investing in a portfolio of quality real estate and real estate-related assets which are income-producing and are predominantly used for commercial purposes.

Key Investment Attractions of K-REIT Asia's Property Portfolio

The Manager believes that the Properties offer the following key investment attractions to Unitholders:

- **Quality Assets.** Prudential Tower, a prime 30-storey Grade-A office building at Raffles Place, won the prestigious FIABCI Prix d'Excellence Award (office/industrial category) in 2003. Bugis Junction Towers, a 15-storey office tower above the Bugis MRT Station, is part of the award-winning Bugis Junction integrated development, which also comprises Bugis Junction retail mall and the five-star InterContinental Singapore hotel. Keppel Towers and GE Tower, located near the Tanjong Pagar MRT Station, are one of the few large office developments with good specifications in that area.
- **Quality Tenants.** The Properties have attracted quality tenants such as International Enterprise Singapore, Prudential Assurance Company Singapore (Pte Ltd), J.V. Fitness Pte Ltd, InterContinental Hotels Group (Asia Pacific) Pte Ltd, GE Pacific Pte Ltd, Novartis (Singapore) Pte Ltd, The McGraw-Hill Companies, Inc. and KBC Bank N.V. (Singapore Branch) which provide a good, diverse tenant base.
- **Good Occupancy.** The weighted average (by NLA) Committed Occupancy for the Properties is around 89%, with potential to capitalize on the rising office occupancy levels and market rental rates.
- **Experienced and Professional Management.** The Manager and the Property Manager are wholly-owned subsidiaries of Keppel Land, who is recognised for developing and managing good quality office assets such as the award-winning Prudential Tower and Capital Square. The Manager is staffed by experienced professionals with an average experience of about 15 years in the real estate industry, with a track record of successfully investing in and managing quality real estate and real estate-related assets in Singapore and in Asia. Key-staff members of the Manager have in-depth real estate investment, asset management, and research experience.
- **Long Land Leases.** Keppel Towers and GE Tower are located on freehold land while Bugis Junction Towers and Prudential Tower Property are held on 99-year tenure leases, expiring on 9 September 2089 and 14 January 2095, respectively.

The Portfolio of Properties

The table below sets out certain information with respect to each of the Properties as at 30 September 2005:

Property	Net Lettable Area (sq m)	Issue of Temporary Occupation Permit (Year)	Land Lease Expiry (Year)
Prudential Tower Property	10,037	1998	99 years expiring 14 January 2095
Keppel Towers and GE Tower*	40,295	1991/1993	Estate in fee simple
Bugis Junction Towers	22,990	1995	99 years expiring 9 September 2089
Total	73,322		

* Keppel Towers and GE Tower are comprised in the same land lots. They also share common carparking and some machinery and equipment facilities.

Property Income

The Properties generated total Property Income of approximately S\$29.0 million and S\$20.2 million for FY2004 and 9M 2005 respectively. The table below sets out the contribution to Property Income by each of the Properties for that period.

Property	Property Income for FY2004 (S\$'000)	Percentage of Aggregate Property Income for FY2004 (%)	Property Income for 9M 2005 (S\$'000)	Percentage of Aggregate Property Income for 9M 2005 (%)
Prudential Tower Property	5,883	20.3%	3,386	16.7%
Keppel Towers and GE Tower	12,012	41.4%	9,441	46.8%
Bugis Junction Towers	11,102	38.3%	7,364	36.5%
Total	28,997	100%	20,191	100%

Valuation

The aggregate average Appraised Value of the Properties is S\$630.7 million, which is determined based on the average valuations of the Independent Valuers, Colliers International and DTZ as at 24 November 2005. Both valuations are determined based on open market value on a willing-buyer and willing-seller basis.

The Appraised Value of each of the Properties is set out in the following table:

Property	Appraised Value (by Colliers International) (S\$ million)	Appraised Value (by DTZ) (S\$ million)	Average Appraised Value (S\$ million)	Percentage of Aggregate Average Appraised Value (%)
Prudential Tower Property	119.0	116.4	117.7	18.7%
Keppel Towers and GE Tower	359.0	348.0	353.5	56.0%
Bugis Junction Towers	159.0	160.0	159.5	25.3%
Total	637.0	624.4	630.7	100%

Occupancy

The Properties have a weighted average (by NLA) Committed Occupancy rate of approximately 89%. The breakdown is as follows:

Property	Committed Occupancy Rate as at 30 September 2005 (%)
Prudential Tower Property	86.9
Keppel Towers and GE Tower	85.3
Bugis Junction Towers	96.2
Weighted Average (by NLA)	89.0

Information about the 10 Largest Tenants

The table below sets out information on the 10 largest tenants of the Properties in terms of their aggregate Net Lettable Area as at 30 September 2005:

Tenant	Property ⁽¹⁾ (%)	Tenant Trade Sector	Tenancy Expiry Date(s)	Percentage of Aggregate Net Lettable Area of the Properties (%)
International Enterprise Singapore	BJT	Government and government-linked offices	Apr 2007 ⁽³⁾	10.7
GE Pacific Pte Ltd	KT/GE	Conglomerate	Feb 2010	10.1
Keppel Land International Limited	BJT	Real estate and property services	Sep 2009	6.3
Swan Trustees Limited	KT/GE	Accounting and consultancy services	Dec 2006 ⁽⁴⁾	5.9
J.V. Fitness Pte Ltd ⁽²⁾	BJT	Services	Sep 2010	4.1
Prudential Assurance Company Singapore (Pte) Ltd	BJT	Banking, insurance and financial services	Mar 2008	3.6
The McGraw-Hill Companies, Inc.	PT	Conglomerate	Mar 2006 ⁽⁵⁾	2.8
The Executive Centre	PT	Services	Mar 2007 ⁽⁶⁾	2.8
Novartis (Singapore) Pte Ltd	KT/GE	Pharmaceuticals and Healthcare	Jan 2006 ⁽⁷⁾	2.8
InterContinental Hotels Group (Asia-Pacific) Pte Ltd	BJT	Hospitality and Leisure	Feb 2006 ⁽⁸⁾	2.7
Total				51.8

Notes:

- (1) PT — Prudential Tower Property, BJT — Bugis Junction Towers, KT/GE — Keppel Towers and GE Tower.
- (2) A letter of offer has been accepted by this tenant; the tenancy agreement is presently pending execution.
- (3) A letter of offer has been accepted by this tenant for a new lease term of six years expiring in Dec 2011; the tenancy agreement is presently pending execution.
- (4) This lease with Swan Trustees Limited has been confirmed as not to be renewed upon expiry. Lease negotiations are currently in progress with other prospective tenants in respect of this space.
- (5) A letter of offer has been accepted by this tenant for a new lease term of five years expiring in Mar 2011; the tenancy agreement is presently pending execution.
- (6) A letter of offer has been accepted by this tenant for a new lease term of three years expiring in Mar 2010; the tenancy agreement is presently pending execution.
- (7) A letter of offer has been accepted by this tenant for a new lease term of three years expiring in Jan 2009; the tenancy agreement is presently pending execution.
- (8) A letter of offer has been accepted by this tenant for a new lease term of three years expiring in Feb 2009; the tenancy agreement is presently pending execution.

As at 30 September 2005, four of the Properties' 10 largest tenants measured by aggregate Net Lettable Area have tenancies which expire in 2006, and another two have tenancies which expire in 2007. These tenancies account for 14.2% (for the four tenancies expiring in 2006) and 13.5% (for the two tenancies expiring in 2007) of the aggregate Net Lettable Area of the Properties as at 30 September 2005.

As at the Latest Practicable Date, of the above six largest tenants whose tenancies are expiring in 2006 and 2007, five have accepted letter of offers to renew their tenancies. One has confirmed not to renew its tenancy upon expiry in December 2006. This tenancy accounts for 5.9% of the aggregate Net Lettable Area of the Properties as at the Latest Practicable Date. Lease negotiations are currently in progress with other prospective tenants in respect of this space.

Description of Properties

Prudential Tower Property #01-01, #10-01/08 to #19-01/08 (excluding #16-05/08)	
Description	<p>The units are located in Prudential Tower, a 30-storey Grade-A office building situated at Raffles Place. Prudential Tower is located at the junction of Church Street and Cecil Street and is within a 5-minute walk from the Raffles Place MRT station. There are 181 carpark lots located on the second to ninth storeys. These carpark lots are common property owned by the management corporation of Prudential Tower. K-REIT Asia will own 44.4%⁽¹⁾ ⁽²⁾ of the strata area of the building⁽³⁾ ⁽⁴⁾.</p> <p>Prudential Tower has won the prestigious office/ industrial category of the FIABCI Prix d'Excellence 2003 Awards.</p>
Title	Leasehold estate of 99 years expiring 14 January 2095
Year of Issue of Temporary Occupation Permit	1998
Committed Occupancy	86.9%
Strata Floor Area	10,250 sq m
Net Lettable Area	10,037 sq m
Major Tenants	The McGraw-Hill Companies, Inc. The Executive Centre KBC Bank N.V. (Singapore Branch)
Average Appraised Value (as at 24 November 2005)	S\$117.7 million

Notes:

- (1) K-REIT Asia will be the sole owner of the 44.4% strata area and is entitled to all income derived from or accruing to such strata lots. K-REIT Asia is also required to pay maintenance charges to the management corporation of Prudential Towers as provided by law.
- (2) Pursuant to the sale and purchase agreement entered into between KLTD and Prudential Assurance Company (Singapore) Limited ("Prudential"), any transferee of the Prudential Tower Property from KLTD has to undertake to Prudential, *inter alia*, that as long as the transferee remains a registered proprietor of the Prudential Tower Property, then in respect of any proposed resolution to approve (i) a change of name of Prudential Tower, (ii) a change in the building name signage and/or the Prudential corporate logo signages installed on the exterior of Prudential Tower pursuant to arrangements made between KLTD and Prudential or (iii) the installation of any other corporate signage or advertisement or flags on the exterior of the Prudential Tower, to be passed at a general meeting of the management corporation which is held during the period KLTD holds the lease of the land on which Prudential Tower is erected, the transferee will exercise its vote in relation to the Prudential Tower Property, to vote with Prudential on such issues. The Trustee will enter into a deed of undertaking with Prudential covenanting and undertaking the above by Completion.
- (3) The remaining owners of the balance 55.6% strata area of Prudential Tower, none of which are related to Keppel Land or the Manager, are as set out below:
 - Prudential Assurance Company Singapore (Pte) Ltd = 33.8% (units #20-01 to #25-01, and #30-01)
 - Innisvale Investments Pte Ltd = 4.9% (unit #26-01)
 - Maraha Pte Ltd = 4.9% (unit #27-01)
 - Lima Bintang Holdings Pte Ltd = 4.8% (unit #28-01)
 - Mirabeau Gardens Pte Ltd = 4.8% (unit #29-01)
 - Evershine Property Pte Ltd = 2.4% (units #16-05/08)
- (4) Prudential Tower is managed by a management corporation which in turn has appointed Keppel Land International Ltd ("KLIL") as the managing agent. KLIL is a wholly-owned subsidiary of Keppel Land. KLIL is not related to any of the remaining owners of the balance 55.6% strata area of Prudential Tower as detailed in Note (3) above.

Lease Expiries (as at 30 September 2005)

Period	Total Number Of Leases Expiring	Net Lettable Area of Leases Expiring (sq m)	Expiring Leases as a Percentage of Net Lettable Area (%)
1 Jan 2006 to 31 Dec 2006	4	3,216	32.0
1 Jan 2007 to 31 Dec 2007	4	3,784	37.7

Keppel Towers and GE Tower	
Description	Keppel Towers is a 27-storey office building and GE Tower is a 13-storey office building. The buildings are located along Hoe Chiang Road and Tanjong Pagar Road and are within a 5-minute walk from the Tanjong Pagar MRT station. There are 288 carpark lots located on the second to third storey of the buildings.
Title	Estate in fee simple
Year of Issue of Temporary Occupation Permit	1991 (Keppel Towers) 1993 (GE Tower)
Committed Occupancy	85.3%
Gross Floor Area	52,946 sq m
Net Lettable Area	40,295 sq m
Major Tenants	GE Pacific Pte Ltd Novartis (Singapore) Pte Ltd Singapore Business Federation
Average Appraised Value (as at 24 November 2005)	S\$353.5 million

Lease Expiries (as at 30 September 2005)

Period	Total Number Of Leases Expiring	Net Lettable Area of Leases Expiring (sq m)	Expiring Leases as a Percentage of Net Lettable Area (%)
1 Jan 2006 to 31 Dec 2006	16	11,316	28.1
1 Jan 2007 to 31 Dec 2007	20	6,581	16.3

Bugis Junction Towers	
Description	<p>Bugis Junction Towers is a 15-storey office tower located along Victoria Street, facing Rochor Road. It is directly linked to the Bugis MRT Station via the basement and is part of an integrated development known as Bugis Junction, which also comprises Bugis Junction retail mall and the five-star InterContinental Singapore hotel. There are 648 carpark lots located at basements one and two serving the integrated development.</p> <p>Bugis Junction has won several awards for portraying an innovative and modern interpretation of urban development. Some of these awards are the Singapore Institute of Architects' Award for Urban Design Category in 1998, Certificate of Merit from the International Council of Shopping Centres for Innovative Design and Construction of a New Project 1996 and Honourable Mention Award for Mixed Developments Category at Singapore Institute of Architects Architectural Design Awards 1995. It was also one of the finalists for the prestigious FIABCI Prix d'Excellence 2001 competition.</p>
Title	Leasehold estate of 99 years expiring 9 September 2089
Year of Issue of Temporary Occupation Permit	1995
Committed Occupancy	96.2%
Strata Floor Area	27,724 sq m
Net Lettable Area	22,990 sq m
Major Tenants	International Enterprise Singapore J.V. Fitness Pte Ltd Prudential Assurance Company Singapore (Pte) Ltd
Average Appraised Value (as at 24 November 2005)	S\$159.5 million

Lease Expiries (as at 30 September 2005)

Period	Total Number Of Leases Expiring	Net Lettable Area of Leases Expiring (sq m)	Expiring Leases as a Percentage of Net Lettable Area (%)
1 Jan 2006 to 31 Dec 2006	2	2,079	9.0
1 Jan 2007 to 31 Dec 2007	7	9,663	42.0

Marketing and Leasing Activities

The Property Manager plans to take various initiatives to maintain good relationships with the existing tenants in the Properties. Several quality tenants such as International Enterprise Singapore, Prudential Assurance Company Singapore (Pte) Ltd and GE Pacific Pte Ltd have been tenants in the Properties for at least 10 years. The Property Manager intends to work closely with several property consultants to seek new potential tenants in addition to advertisements and direct calling to target groups.

Tenancy Agreements and Lease Management

The tenancy agreements for the Properties contain terms and conditions commonly found in commercial tenancy agreements in Singapore. In some of the tenancy agreements, subletting or assignment of the tenancy, rental cap during renewal, and/or rent-free period are also provided.

As tenant retention is important in maintaining a stable income stream for K-REIT Asia, the Property Manager will proactively maintain close communication and good relationships with the existing tenants.

The Property Manager has in place a structured procedure for engaging existing tenants in discussions for the renewal of their lease terms. For standard tenancies, the Property Manager will initiate discussions at least six months prior to the lease expiry date, which is provided for in all standard tenancy agreements. For larger tenancies, the Property Manager will engage in discussions with the tenants at least one year in advance to understand the tenants' business needs so as to accommodate the space requirement within the building.

As at 30 September 2005, four of the Properties' 10 largest tenants measured by aggregate Net Lettable Area have tenancies which expire in 2006, and another two have tenancies which expire in 2007. As a result of discussions initiated with the tenants for the renewal of their lease terms as described above, as at the Latest Practicable Date, of the above six largest tenants whose tenancies are expiring in 2006 and 2007, five have accepted letter of offers to renew their tenancies. One has confirmed not to renew its tenancy upon expiry in December 2006. Lease negotiations are currently in progress with other prospective tenants in respect of this space.

There will be periodic meetings and discussions with the major real estate consultants to be kept updated on the market conditions. These meetings also help the Property Manager solicit their assistance in helping the Property Manager lease vacant units or units which will be vacant in advance.

A vacancy listing is faxed to real estate consultants monthly so that they are kept updated on their availability.

Arrears management procedures will also be strictly enforced to ensure timely payment of rent.

Insurance

K-REIT Asia will, upon transfer of the Properties to K-REIT Asia, obtain insurance for the Properties that the Manager believes, is consistent with industry practice in Singapore. This includes property damage insurance, business interruption insurance, comprehensive general liability insurance (including product liability, innkeepers' and employer's liability insurance).

Legal Proceedings

None of the Manager or the Property Manager and K-REIT Asia is currently involved in any material litigation nor, to the Manager's knowledge, is any material litigation currently threatened against K-REIT Asia.

Competition

The office property sector in Singapore is a competitive market. The key competitive factors are rental rates, quality and location of properties, supply of comparable office space and the changing needs of office space users due to corporate restructuring or technological advances.

Prudential Tower Property

Prudential Tower is one of the few office developments in Singapore which has won the prestigious FIABCI Prix d'Excellence Award in view of its high quality building specifications and finishes. Located close to the Raffles Place MRT Station, it has attracted quality tenants such as the Prudential Assurance Company Singapore (Pte) Ltd and The McGraw-Hill Companies, Inc. It faces competition from the surrounding office developments such as 3 Church Street, Capital Square and PWC Building, as well as similar grade office buildings in the Shenton Way and Tanjong Pagar areas.

Keppel Towers and GE Tower

Keppel Towers and GE Tower are one of the largest office developments in the Tanjong Pagar area. With their efficient floor plates and good specifications, they are able to attract quality tenants like GE Pacific Pte Ltd, Novartis (Singapore) Pte Ltd and Singapore Business Federation. They face competition from the office buildings which are located closer to the Tanjong Pagar MRT Station such as Springleaf Tower and 79 Anson Road, as well as existing office buildings in the Shenton Way and Raffles Place areas.

Bugis Junction Towers

Bugis Junction Towers enjoys the benefit of being situated directly above the Bugis MRT Station. It has attracted anchor tenants such as International Enterprise Singapore, Prudential Assurance Company Singapore (Pte) Ltd, InterContinental Hotels Group (Asia Pacific) Pte Ltd and J.V. Fitness Pte Ltd. It faces competition from surrounding office buildings such as Parkview Square, Gateway and Suntec City Office Towers, as well as similar grade office buildings in the Raffles Place, Shenton Way and Tanjong Pagar areas.

See "Risk Factors — Risks Relating to K-REIT Asia's Operations — Competition from New Office Development Projects".

RISK FACTORS

Recipients of this Document and all prospective investors in the Units should consider carefully the factors described below, together with all other information contained in this Document, before taking any action in respect of the Units.

This Document contains forward-looking statements (including a profit forecast) that involve risks, uncertainties and assumptions. The actual results of K-REIT Asia could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by K-REIT Asia as described below and elsewhere in this Document.

As an investment in a collective investment scheme is meant to produce returns over the long-term, Unitholders should not expect to obtain short-term gains.

Recipients of this Document and all prospective investors in the Units should be aware that the price of units in a collective investment scheme, and the income from them, may fall or rise.

Risks Relating to the Properties

- **A Downturn in the Singapore Real Estate Market.**

As at the date of the Introduction, all the Properties comprising K-REIT Asia's portfolio are situated in Singapore. K-REIT Asia is exposed to the risk of a downturn in conditions for the Singapore real estate market specifically and the Singapore economy in general.

Singapore faces competition for business and direct investment from other Asian countries (amongst others, China, India, Malaysia, Indonesia, Thailand, Vietnam and the Philippines) where the cost of operating a business and rental rates may be substantially lower than that in Singapore. This competition may adversely affect K-REIT Asia's financial condition and results of operations.

K-REIT Asia cannot be assured that prospective or current tenants will not relocate to locations outside of Singapore, which could have an adverse effect on K-REIT Asia's financial condition and distributable income and consequently impair K-REIT Asia's ability to make distributions to Unitholders.

- **Fluctuations in the Values of The Properties.**

The purchase price paid by K-REIT Asia for the Properties was based on the average Appraised Values of the Properties as determined by the Independent Valuers (see "Appendix V — Independent Property Valuation Summary Reports").

Property valuations (including the appraisals conducted by the Independent Valuers) generally include a level of subjectivity in the determination of certain factors relating to the relevant properties, such as relative market positions, financial and competitive strengths, physical conditions as well as the general prevailing economy.

K-REIT Asia will re-value the Properties on an annual basis. Any revaluation deficit will result in a decrease in the net asset value of K-REIT Asia.

The Independent Valuers' determination of the Appraised Values of the Properties does not guarantee a sale price for any of the Properties at its Appraised Value at the present or in the future. The price at which K-REIT Asia may sell any of the Properties could possibly be lower than its respective present Appraised Values and this could adversely affect the net asset value of K-REIT Asia.

- **A Substantial Number of the Properties' Leases is for Periods of Three Years, which Exposes the Properties to Significant Rates of Lease Expiries Each Year.**

A substantial number of the tenancies for the Properties is for periods of three years, which reflects the general practice in the Singapore commercial property market. As a result, the Properties experience lease cycles in which a substantial number of the leases expires each year. This exposes K-REIT Asia to certain risks, including the risk that vacancies following non-renewal of leases may lead to reduced occupancy levels, which will in turn reduce K-REIT Asia's Property Income. If a large number of tenants do not renew their leases in a year with a high concentration of lease expiries, this could affect K-REIT Asia's Property Income.

As at 30 September 2005, six of the Properties' 10 largest tenants have tenancies which expire in 2006 and 2007, which could have an adverse impact on the financial condition and results of K-REIT Asia's operations if not renewed.

As at 30 September 2005, four of the Properties' 10 largest tenants measured by aggregate Net Lettable Area have tenancies which expire in 2006, and another two have tenancies which expire in 2007. These tenancies account for 14.2% (for the four tenancies expiring in 2006) and 13.5% (for the two tenancies expiring in 2007) of the aggregate Net Lettable Area of the Properties as at 30 September 2005.

As at the Latest Practicable Date, of the above six largest tenants whose tenancies are expiring in 2006 and 2007, five have accepted letter of offers to renew their tenancies. One has confirmed not to renew its tenancy upon expiry in December 2006. This tenancy accounts for 5.9% of the aggregate Net Lettable Area of the Properties as at the Latest Practicable Date. Lease negotiations are currently in progress with other prospective tenants in respect of this space.

There is no assurance that K-REIT Asia will be able to renew some or all of these tenancies. Failure to renew some or all of these tenancies may have an adverse effect on K-REIT Asia's Property Income.

- **Loss of Key Tenants or a Downturn in the Businesses of K-REIT Asia's Tenants could have an Adverse Impact on its Financial Condition and Results of Operations.**

K-REIT Asia's financial condition, operating results and ability to make distributions may be adversely affected by the bankruptcy, insolvency or downturn in the businesses of key tenants of the Properties, including the decision by any such tenants not to renew their leases or, in cases where a key tenant has termination rights exercisable by written notice, to terminate their leases before they expire.

The 10 largest office tenants of the Properties in terms of Net Lettable Area as of 30 September 2005 accounted for 51.8% of total Net Lettable Area of the Properties.

K-REIT Asia will be dependent upon these key tenants for a significant portion of its Property Income. If these tenants terminate their leases, do not renew their leases at expiry or reduce their leased space in the Properties, the Property Income of K-REIT Asia could be adversely affected. Substitute tenants on satisfactory terms may not be found in time or at all.

- **There are Risks in Acquiring the Properties.**

While reasonable due diligence investigations has been conducted by both the Manager and the Trustee with respect to the Properties prior to entering into the Put and Call Options, there can be no assurance that the Properties will not have defects or deficiencies. In addition, the Manager's due diligence may not uncover the Properties breaching laws and regulations or not complying with certain regulatory requirements. If such defects or deficiencies were realised after Completion of the acquisition of the Properties by the Trustee, K-REIT Asia may incur additional financial or other obligations which would adversely affect its ability to make distributions to the Unitholders.

- **The Properties are Necessarily Acquired “As Is, Where Is”.**

K-REIT Asia will be acquiring the Properties on an “as is, where is” basis with regard to the state and condition of the Properties, and subject to all other rights, easements, restrictions and conditions (if any) affecting the Properties.

Although professional advisers have been engaged to conduct land survey, legal due diligence and due diligence on the building structures prior to entering into the Put & Call Agreements, K-REIT Asia cannot be assured that there are no structural, physical or legal issues that might materially and adversely affect the Properties, or which might necessitate the expenditure of substantial sums by K-REIT Asia, which the Manager is not presently aware of.

Such issues could reduce K-REIT Asia’s ability to make distributions to Unitholders. In addition, the valuations of the Properties by the Independent Valuers are also made on the basis that there are no structural, physical or legal issues that might materially and adversely affect the Properties.

- **One or More of the MRT Stations Near the Properties may be Closed.**

The proximity of the MRT stations to all of the Properties provide convenient access to and from the MRT stations. There is no assurance that the Government will not close one or more of the MRT stations for renovations or relocations from its existing location in the future. This may have an adverse effect on the demand and the rental rates for the Properties.

Risks Relating to K-REIT Asia’s Operations

- **Competition from Other Office Properties.**

The Properties are located in areas in where there are keen competition for office tenants, due to the availability of office buildings in and around the vicinity. Prudential Tower faces competition from its surrounding office developments such as 3 Church Street, Capital Square and PWC Building. Keppel Towers and GE Tower face competition from Springleaf Tower and 79 Anson Road. Bugis Junction Towers faces competition from Parkview Square, Gateway and Suntec City Office Towers. Competition for tenants from such properties may result in decreasing rental rates and occupancy.

- **Competition from New Office Development Projects.**

Whenever competing properties in the Central Business District (“CBD”) are developed or substantially upgraded and refurbished, the attractiveness of the Properties may be affected, which may adversely impact the rental rates and hence reduce the Property Income of the Properties.

The completion of One Raffles Quay is expected to contribute about 1.3 million sf of office space to the CBD when it is completed in the later part of 2006. The Business and Financial Centre expected to be completed in late 2009/2010 will further contribute approximately 1.65 million sf of office space to the CBD. In addition, there are several smaller developments such as Parakou Building, SIF Building, VisionCrest and The Central which would increase the amount of office space in the CBD.

This may draw office tenants away from the Properties and may have an impact on the demand for and the rental rates of office space in the Properties.

- **Competition for Investments within the Keppel Land Group.**

The Manager is a wholly-owned subsidiary of Keppel Land. Keppel Land is currently focused on two core businesses of property development for sale and property fund management to achieve higher returns. Keppel Land has subsidiaries with minority investors (which are either publicly-listed or privately-held and which operate both in Singapore and in Asia) and property funds comprising of both its own and third party investment capital which it manages which may have overlapping investment objectives with K-REIT Asia. There can be no assurance that conflicts of interest may not arise between K-REIT Asia and the Keppel Land Group in the future in relation to property acquisitions from and divestments by the Keppel Land Group.

- **Competition for Tenants within the Keppel Land Group.**

The Keppel Land Group currently has a portfolio of commercial properties of which some are in direct competition with K-REIT Asia. As such, the Keppel Land Group, being an approximate 40% holder of K-REIT Asia and the sole owner of the Manager, may compete directly with K-REIT Asia for tenants. Both the Keppel Land Group and K-REIT Asia do not have an agreement in place to resolve this conflict for tenants and both parties will be free to compete for prospective tenants. Although both parties are allowed to actively (and freely) compete for prospective tenants, there can be no assurance that the interests of K-REIT Asia will not be subordinated to those of the Keppel Land Group in such circumstances.

- **Keppel Land and KCL will Retain Significant Control over K-REIT Asia after the Distribution *In Specie*, which will Allow them to Influence the Outcome of Matters Submitted to Unitholders for Approval.**

Upon completion of the Distribution *In Specie*, Keppel Land and KCL will beneficially own in aggregate 72.19% of Units in K-REIT Asia. As a result, Keppel Land and KCL, if they act together, will be able to exercise significant influence over all matters requiring Unitholders' approval, for example, the modification, alteration or addition to the provisions of the Trust Deed or the sanction of any issue of Units by the Manager under the Trust Deed. Keppel Land and KCL will also have veto power, if they act together, with respect to any Unitholder's action or approval requiring a majority vote, including the removal of the Manager, except where they are required by the rules of the Listing Manual, or the SGX-ST to abstain from voting.

- **No Established Operating History.**

K-REIT Asia was established on 28 November 2005 and the Manager was incorporated on 6 September 2004. Both are corporate vehicles intended specifically to be used for the specific purposes outlined in this document. Neither K-REIT Asia nor the Manager has an operating history by which their past performance may be judged.

- **Illiquid Real Estate Investments.**

Real estate investments, particularly investments in high value properties such as those in which K-REIT Asia has and will invest in, are relatively illiquid. Such illiquidity may affect K-REIT Asia's ability to vary its investment portfolio or liquidate part of its assets in response to changes in economic, real estate market or other conditions. This could have an adverse effect on K-REIT Asia's financial condition and results of operations, with a consequential adverse effect on K-REIT Asia's ability to make expected distributions to Unitholders.

- **Losses in Excess of Insurance Proceeds.**

K-REIT Asia may suffer material losses in excess of insurance proceeds. K-REIT Asia's properties could suffer physical damage caused by fire or other causes, resulting in losses (including loss of rent) which may not be fully compensated by insurance. In addition, certain types of risks (such as war risk and terrorist acts) may be uninsurable or the cost of insurance may be prohibitive when compared to the risk. Should an uninsured loss or a loss in excess of insured limits occur, K-REIT Asia could lose capital invested in the affected property as well as anticipated future revenue from that property. K-REIT Asia would also remain liable for any debt or other financial obligation related to that property. No assurance can be given that material losses in excess of insurance proceeds will not occur in the future.

- **Risks of Compulsory Acquisition.**

The Land Acquisition Act, Chapter 152 of Singapore gives the Singapore Government the power to acquire any land in Singapore:

- (i) for any public purpose;
- (ii) where the acquisition is of public benefit or of public utility or in the public interest; or
- (iii) for any residential, commercial or industrial purposes.

The compensation to be awarded pursuant to any compulsory acquisition would be based on the lowest of: (i) the market value of the property as at 1 January 1995; (ii) the market value of the property as at the date of the publication in the Government Gazette of the notification of the likely acquisition of the land (provided that within six months from the date of publication, a declaration of intention to acquire is made by publication in the Government Gazette); and (iii) the market value of the property as at the date of publication in the Government Gazette of the declaration of intention to acquire. Accordingly, if the market value of the property that is compulsorily acquired is greater than the lowest of (i) to (iii) above, the compensation received will be less than the market value of the acquired property.

- **Difficulties in Implementing Investment Strategy.**

The Manager's investment strategy includes growing K-REIT Asia's initial portfolio of commercial properties and providing consistent distribution to Unitholders. There can be no assurance that the Manager will be able to implement its investment strategy successfully or that it will be able to expand K-REIT Asia's portfolio at all, or at specified rate or to any specified size. The Manager may not be able to make investments or acquisitions on favourable terms within a desired time frame. There may be significant competition for attractive investment opportunities from other commercial property investors. There can be no assurance that K-REIT Asia will be able to compete effectively against such competitors. Even if K-REIT Asia were able to successfully make additional property investments, there can be no assurance that K-REIT Asia will achieve its intended return on such investment. K-REIT Asia will be relying on external sources of funding to expand its portfolio which may not be available on favourable terms or at all. Since the amount of debt that K-REIT Asia can incur to finance acquisitions is limited by the Property Funds Guidelines, such acquisitions will largely be dependent on K-REIT Asia's ability to raise equity capital which may result in a dilution of Unitholders' holding. Potential vendors may also view the necessity of raising equity capital to fund any such purchase negatively and may prefer other potential purchasers. The inability to implement the Manager's investment strategy as planned may adversely impact K-REIT Asia's ability to provide consistent distributions to Unitholders as well as an appreciation in net asset value per Unit.

- **Risks in Investing Outside Singapore.**

As part of the Manager's acquisition growth strategy, K-REIT Asia may invest in properties in Asia, which would expose it to the risk of political, economic, regulatory and social uncertainties specific to those countries. The value of these properties and the rental income from these properties may also be adversely affected by a number of local real estate market conditions in these countries, such as oversupply, the performance of other competing properties or reduced demand for these properties. Any changes in the political environment and the policies by the governments of these countries, which include, *inter alia*, restrictions on foreign currency conversion or remittance of earnings, the requirement for approval by government authorities, changes in law, regulations and interpretation thereof and changes in taxation could adversely affect K-REIT Asia's future results of operations and future growth. Furthermore, the non S\$ income arising from such overseas investments will be exposed to currency fluctuations when it is converted to Singapore dollars. As such, unfavourable events in such foreign countries will have an adverse impact on K-REIT Asia's distributable income and asset value.

- **Loss of Key Personnel.**

K-REIT Asia's success depends upon the continued service and performance of members of the Manager's and Property Manager's senior management team and certain key senior personnel. These key personnel may leave the Manager or the Property Manager in the future or compete with the Manager, Property Manager and K-REIT Asia. The loss of any of these key personnel could have a material adverse effect on K-REIT Asia's operational results and financial condition. This could adversely impact K-REIT Asia's ability to make consistent distributions to Unitholders.

- **Borrowing Limits Imposed by the CIS Code May Inhibit Operations.**

Under the Property Funds Guidelines of the CIS Code, K-REIT Asia's total borrowings and deferred payments (together the "aggregate leverage") should not exceed 35% of the value of its Deposited Property. The Property Funds Guidelines also provide that the aggregate leverage of a real estate investment trust may exceed 35% of the value of the Deposited Property (up to a maximum of 60%) if a credit rating of the real estate investment trust from Fitch Inc., Moody's or Standard & Poor's is obtained and disclosed to the public. The real estate investment trust has to maintain and disclose a credit rating so long as its aggregate leverage exceeds 35% of the value of the real estate investment trust's Deposited Property. As at the date of the Distribution *In Specie*, K-REIT Asia will have an initial gearing level of approximately 30% of the value of the Deposited Property. A decline in the value of the Deposited Property may affect K-REIT Asia's ability to make further unrated borrowings. The restriction on K-REIT Asia's ability to gear up may affect K-REIT Asia's ability to make acquisitions and commit to large capital expenditures and as such may adversely impact K-REIT Asia's distributable income.

- **Borrowings Necessarily Impose Certain Risks.**

The Properties are mortgaged to secure payment of bank borrowings and if K-REIT Asia defaults on interest or principal payments in respect of such bank borrowings, the said Properties could be foreclosed by the lender or the lender could require a force sale of the said mortgaged Properties, resulting in a loss of revenue and asset value to K-REIT Asia. If principal payments due at maturity cannot be refinanced or paid with the proceeds of other capital transactions such as new equity capital, K-REIT Asia may not be able to pay distributions at expected levels or to repay all maturing debt. There is no guarantee that K-REIT Asia will be able to refinance its existing borrowings or that the terms of such refinancing will be as favourable as the terms of its existing borrowings. In addition, future borrowings may subject K-REIT Asia to certain covenants that may limit or otherwise adversely affect its operations and the ability of K-REIT Asia to make distributions to Unitholders. Such covenants may restrict K-REIT Asia's ability to invest in properties or undertake capital expenditure or may require it to set aside funds as security deposits. Furthermore, if prevailing interest rates or other factors at the time of refinancing (such as the possible reluctance of lenders to make commercial real estate loans) result in higher interest rates upon refinancing, the interest expense relating to such refinanced borrowings would increase, which would adversely affect K-REIT Asia's cash flow and the amount of distributions it could make to Unitholders. K-REIT Asia may, from time to time, require additional debt financing to achieve the Manager's investment strategies. If K-REIT Asia is required to direct cash flows towards the payment of interest or principal on its indebtedness and, because of this, fails to make distributions in accordance with the Tax Ruling, K-REIT Asia would be in breach of the terms of the Tax Ruling and would be liable to pay income tax.

- **Higher Gearing than Other Types of Unit Trusts.**

As at the date of the Distribution *In Specie*, K-REIT Asia will have borrowings of approximately S\$190.6 million or approximately 30% of the value of its Deposited Property (based on the pro forma balance sheet as at 30 September 2005). K-REIT Asia may, from time to time, require additional debt financing to achieve the Manager's investment strategies of up to the aggregate leverage limit of 60% of the value of its Deposited Property (provided a credit rating from Fitch Inc., Moody's or Standard & Poor's is obtained and disclosed to the public). K-REIT Asia's level of borrowings represents a higher level of gearing as compared to certain other types of unit trusts, such as non-specialised collective investment schemes which invest in equities and/or fixed income instruments. Investment risk is known to increase with the increase in gearing or leverage and hence, investment in K-REIT Asia involves relatively more investment risks compared to investment in non-specialised collective investment schemes. Such risk may affect K-REIT Asia's ability to provide consistent distributions to its Unitholders.

- **Adverse Change in Operating Conditions.**

Property Income earned from, and the value of, the Properties may be adversely affected by a number of factors, including:

- (i) vacancies following expiry or early termination of leases could lead to reduced occupancy rates which in turn reduces Property Income and K-REIT Asia's ability to recover certain operating costs such as service charges;
- (ii) the Property Manager's ability to collect rent from tenants on a timely basis or at all;
- (iii) tenants under the protection of bankruptcy laws could lead to delays in receipt of rent payments if at all or the termination of the tenant's lease, which could hinder or delay the sale of the Property;
- (iv) lease renewals and new leases being agreed on terms less favourable than current leases;
- (v) the national and international economic condition and real estate market conditions (such as oversupply of, or reduced demand for, space, the Singapore Government's release of land, changes in market rental rates and operating expenses for K-REIT Asia's properties);
- (vi) the amount and extent to which K-REIT Asia is required to grant rebates on rental rates to tenants, due to market competitive pressure;
- (vii) competition for tenants from comparable properties which may affect rental levels or occupancy rates at the Properties;
- (viii) changes in laws and governmental regulations in relation to real estate, including those governing usage, zoning, taxes and government charges. Such revisions may lead to an increase in the management expenses or unforeseen capital expenditure to ensure compliance. Rights related to the relevant properties may also be restricted by legislative actions, such as revisions to the building standards laws or the city planning laws, or the enactment of new laws related to construction and redevelopment; and
- (ix) acts of God, wars, terrorist attacks, riots, civil commotions, outbreaks of disease (such as Severe Acute Respiratory Syndrome, human avian flu or any other contagious or virulent diseases) and other events beyond the control of the Manager.

Risks Relating to an Investment in the Units

- **No Prior Market for the Units.**

As at the date of this Document, there is no public market for the Units. An active public market for the Units may not develop or be sustained after the Units are listed on the Main Board of the SGX-ST. While the Manager has received a letter of eligibility from the SGX-ST to have the Units listed and quoted on the Main Board of the SGX-ST, listing and quotation does not guarantee that a trading market for the Units will develop or, if a market does develop, the liquidity of that market for the Units. Although it is currently intended that the Units will remain listed on the SGX-ST, there is no guarantee of the continued listing of the Units. K-REIT Asia may not continue to satisfy the listing requirements for real estate investment trusts.

- **Initial Volatility in Unit Prices.**

There may be initial volatility in the price of the Units after they are listed and traded on the SGX-ST. This may occur if certain Keppel Land Shareholders decide to realise their investments by selling the Units that they will receive pursuant to the Distribution *In Specie*. In addition, certain corporate and unincorporated shareholders of Keppel Land may be prevented by their memorandum and articles of association or such other constitutive documents from holding the Units that they will receive pursuant to the Distribution *In Specie*. Such entities may therefore dispose of their Units at the earliest opportunity upon the listing and trading of the Units on the SGX-ST. Any such disposal may also contribute to the initial volatility in the price of the Units.

Where the directors of Keppel Land are of the view that the distribution of the Units to certain overseas Shareholders of Keppel Land may infringe any relevant foreign law or necessitate compliance with conditions or requirements which they regard as onerous by reasons of costs,

delay or otherwise, the Units which such Overseas Shareholders would have been entitled to pursuant to the Distribution *In Specie* will not be distributed to such Overseas Shareholders. Instead, the relevant Units will be transferred to nominee(s) appointed by Keppel Land to be sold and the net proceeds distributed proportionately among such Overseas Shareholders (see “Appendix I — Keppel Land Limited’s Distribution *In Specie*”). Depending on the number of Units which are sold in this manner, this may also result in initial volatility in the price of the Units.

- **Less Diverse Range of Investments.**

K-REIT Asia is formed primarily to own and invest in a portfolio of quality real estate and real estate-related assets which are income-producing and are predominantly used for commercial purposes. This investment strategy may entail a higher level of risk compared to other types of unit trusts that have a more diverse range of investments. A concentration of investments in commercial real estate and real estate-related assets in Singapore and in Asia may cause K-REIT Asia to be susceptible to a downturn in the real estate market as well as the commercial property industry, particularly with respect to a decline in the rental rates for commercial property and a decline in the capital value of the Properties. A decline in the rental rates for commercial property and/or a decline in the capital value of the Properties will have an adverse impact on distributions to Unitholders and on the results of operations and financial condition of K-REIT Asia.

- **Inability to Make Distributions or Lower Levels of Distributions.**

The income which K-REIT Asia earns from its real estate investments depends, among other factors, on the amount of rental and other income received, and the level of property expenses and other operating expenses incurred. If properties owned by K-REIT Asia do not generate sufficient income, K-REIT Asia’s cash flow and ability to make distributions will be adversely affected. No assurance can be given as to K-REIT Asia’s ability to pay or maintain distributions. Neither is there any assurance that the level of distributions will increase over time, that there will be contractual increases in rent under the leases of the Properties or that the receipt of rental revenue in connection with any expansion of the Properties or future acquisition of properties will increase K-REIT Asia’s distribution to Unitholders.

- **K-REIT Asia’s Ability to Make Distributions to Unitholders may be Adversely Affected by Increases in Property Expenses and Other Operating Expenses.**

K-REIT Asia’s ability to make distributions to Unitholders could be adversely affected if Property Expenses and other operating expenses increase without a corresponding increase in revenue. Factors which could increase Property Expenses and other operating expenses include any:

- increase in the amount of maintenance and sinking fund contributions payable to the management corporations of the Properties;
- increase in agent commission expenses for procuring new tenants;
- increase in property tax assessments and other statutory charges;
- change in statutory laws, regulations or government policies which increase the cost of compliance with such laws, regulations or policies;
- increase in sub-contracted service costs;
- increase in the rate of inflation; and
- increase in insurance premiums.

- **Non-compliance, Revocation or Amendment to the Tax Ruling.**

K-REIT Asia has received the Tax Ruling from the IRAS under which tax transparency has been granted to K-REIT Asia on stipulated terms and conditions. These terms and conditions include undertakings by the Trustee and the Manager to take all reasonable steps necessary to safeguard the IRAS against the loss of tax as a result of the Tax Ruling and to comply with all administrative requirements to ensure ease of tax administration. The Tax Ruling, either in part or in whole, may be revoked or its terms may be reviewed and amended by the IRAS at any time. If the Tax Ruling is revoked or if K-REIT Asia is unable to comply with its terms, K-REIT Asia will be subject to tax on its Taxable Income and the tax will be assessed on, and collected from, the Trustee, in which case distributions to all Unitholders will be made after tax is deducted at source. If the terms of the Tax Ruling are amended, K-REIT Asia may not be able to comply with the new terms imposed and this non-compliance could affect K-REIT Asia's tax transparent status and its ability to distribute its Taxable Income free of tax deducted at source (see "Taxation — Terms and Conditions of the Tax Ruling" and "Appendix VII — Independent Taxation Report" for more information on the terms of the Tax Ruling).

- **Material Differences in Actual Performance from Forward-Looking Statements.**

This Document contains Forward-Looking Statements regarding, among other things, forecast distribution levels for the Forecast Period. These Forward-Looking Statements are based on a number of assumptions which are subject to significant uncertainties and contingencies, many of which are outside of K-REIT Asia's control. In addition, K-REIT Asia's revenue is dependent on a number of factors, including the receipt of rent from the Properties, which may decrease for a number of reasons, such as the insolvency of the tenant or delay in rent payment. This may adversely affect K-REIT Asia's ability to achieve the forecast distributions as some or all of the events and circumstances assumed may not occur as expected, or events and circumstances which are not currently anticipated may arise. Actual results may be materially different from the forecast. While the Manager currently expects to meet the forecast distribution levels, no assurance can be given that the assumptions will be realised and the actual distributions will be as forecast.

- **Adverse Market and Economic Conditions.**

Movements in domestic and international securities markets, economic conditions, foreign exchange rates and interest rates may affect the market price of and demand for the Units. In particular, an increase in market interest rates may have an adverse impact on the market price of the Units if the annual yield on the price paid for the Units gives investors a lower return than other investments.

- **Further Issues Priced Below Current Net Asset Value.**

The Trust Deed contemplates that new issues of Units may occur, the offering price for which may be above, at or below the then current net asset value per Unit. Where new Units, are issued at less than the net asset value per Unit, the net asset value of each existing Unit may be diluted.

- **Foreign Unitholders' Inability to Participate in Future Rights Issues.**

The Trust Deed provides that in relation to any rights issue, the Manager may, in its absolute discretion, elect not to extend an offer of Units under a rights issue to those Unitholders whose addresses, as registered with CDP, are outside Singapore. The rights or entitlements to the Units to which such Unitholders would have been entitled will be offered for sale and sold in such manner, at such price and on such other terms and conditions the Manager may determine, subject to such other terms and conditions as the Trustee may impose. The proceeds of any such sale, if successful, will be paid to the Unitholders whose rights or entitlements have been so sold, provided that where such proceeds payable to the relevant Unitholder are less than S\$10.00, the Manager is entitled to retain such proceeds as part of the Deposited Property. The unitholding of the relevant Unitholder may be diluted as a result of such sale.

- **No Obligation to Redeem Units.**

Unitholders have no right to request the Manager to redeem their Units while the Units are listed on the SGX-ST. It is intended that Unitholders may only deal in their listed Units through trading on the SGX-ST.

- **The Singapore Code on Takeovers and Mergers and Sections 138 to 140 of the SFA Do Not Apply.**

The Singapore Code on Takeovers and Mergers and the provisions of Sections 138 to 140 of the SFA do not apply to acquisitions of Units. As such, a person may acquire any number of Units without being required to make a general offer to acquire the Units held by other Unitholders. In such an event, there is a risk that Unitholders may not benefit from a possible premium over the then prevailing market price of the Units.

- **Adverse Tax Adjustments on Prior Period Income.**

Distributions will be based on K-REIT Asia's Taxable Income as computed by the Manager. The Taxable Income of K-REIT Asia as computed by the Manager may, however, be subject to adjustment by IRAS. The effect of this adjustment would mean that K-REIT Asia's actual Taxable Income is either higher or lower than what was computed by the Manager. The difference between K-REIT Asia's actual Taxable Income and K-REIT Asia's Taxable Income as computed by the Manager for the purpose of making a distribution to Unitholders will be added to or deducted from the Taxable Income computed by the Manager for the subsequent distribution to Unitholders. Similarly, if K-REIT Asia derives gains on the sale of properties held by K-REIT Asia and such gains are subsequently assessed for taxation as trading gains by the IRAS (as opposed to capital gains) in subsequent distribution periods, Unitholders in subsequent distribution periods will bear the incidence of such taxes on such trading gains. Such trading gains will not enjoy tax transparency and tax will be directly assessed on the Trustee (see "Appendix VII — Independent Taxation Report" for further details).

- **K-REIT Asia's Financial Results may be Affected by Losses in the Revaluation of Investment Properties being Charged to the Profit and Loss Statement.**

The financial statements of K-REIT Asia are prepared according to the Singapore Financial Reporting Standards ("FRS"). As currently permitted by FRS 25 *Accounting for Investments*, investment properties held to earn rentals and for capital appreciation are stated at annual valuation performed by independent professional valuers on an open market value for existing use basis. Any revaluation surplus arising from the revaluation of investment properties is credited to the asset revaluation reserve. A deficit in carrying amount arising on the revaluation of investment properties is charged as an expense to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of that asset.

On 16 March 2005, the Council on Corporate Disclosure and Governance issued FRS 40 *Investment Property* that replaces FRS 25 *Accounting for Investments*. FRS 40 is effective for financial years beginning on or after 1 January 2007 and will therefore be effective for K-REIT Asia for the financial year beginning from 1 January 2007. Under FRS 40, all changes in value of investment properties will be recognised in the profit and loss statement.

There may therefore be an adverse effect on K-REIT Asia's financial results in the financial years where there are significant losses in the valuation of investment properties and the losses that arise are charged to the profit and loss statement.

- **A Focused Investment Strategy may Entail a Higher Level of Risk Compared to Other Types of Unit Trusts.**

K-REIT Asia will invest in a portfolio of quality real estate and real estate-related assets which are income-producing and are predominately used for commercial purposes. K-REIT Asia's policies with respect to certain activities including investments and acquisitions will be determined by the Manager. While the Manager has stated its intention to restrict investments to real estate in Asia which is income-producing and which is used, or predominantly used, for commercial purposes and such strategy may not be changed for a period of three years commencing from the Listing Date (as the Listing Manual prohibits a departure from the Manager's stated investment strategy for K-REIT Asia for the said period unless otherwise approved by an Extraordinary Resolution of Unitholders), the Trust Deed gives the manager wide powers to invest in other types of assets, including any real estate, real estate-related assets as well as (subject to the thresholds specified in the CIS Code) listed and unlisted securities in Singapore and other jurisdictions. There are risks and uncertainties with respect to the selection of investments and with respect to the investments themselves.

STRATEGY

Investment Strategy

The principal investment strategy of K-REIT Asia is to achieve stable dividend income and long-term growth in net asset value for Unitholders by investing primarily in a portfolio of quality real estate and real estate-related assets which are income-producing and used predominantly for commercial purposes in Singapore and in Asia.

In accordance with the requirements of the Listing Manual, the Manager's investment strategy for K-REIT Asia will be adhered to for at least three years following the Listing Date, unless otherwise agreed by Unitholders by Extraordinary Resolution in a meeting of Unitholders duly convened and held in accordance with the provisions of the Trust Deed.

The Manager intends to implement the investment strategy in accordance with the following guidelines:

- investments will generally be for the long term;
- the investment portfolio will comprise primarily income-producing real estate and real estate-related assets;
- properties within the portfolio will be used predominantly for commercial purposes; and
- investments will be made, depending on investment opportunities and conditions, in Singapore and in Asia.

The Manager will implement the principal investment strategy of K-REIT Asia in accordance with the Property Funds Guidelines, the Trust Deed and any other applicable laws.

Key Objectives

The key objectives of the Manager are to deliver regular and stable distributions to Unitholders and to achieve long-term growth in the net asset value per Unit so as to provide a competitive investment return to Unitholders.

To achieve the objectives, the plans include:

- *Acquisition Growth Strategy.* The Manager plans to acquire additional commercial properties that meet its investment criteria.
- *Active Asset Management Strategy.* The Manager plans to implement strategies to increase property yield of the Properties and as such maximise net returns from the Properties.
- *Capital Management Strategy.* The Manager plans to employ appropriate debt and equity financing strategies.

Acquisition Growth Strategy

The Manager believes that K-REIT Asia has the characteristics that will enable it to make potentially yield-accretive acquisitions which are expected to improve returns to Unitholders and provide potential for net asset value per Unit appreciation in the long term. These characteristics include:

- K-REIT Asia's initial portfolio of the Properties (independently valued at an aggregate average Appraised Value of S\$630.7 million as at 24 November 2005) form a sufficiently strong base upon which to support further acquisitions of additional commercial properties;
- K-REIT Asia's sufficiently wide mandate to invest in income-producing real estate and real estate-related assets used predominantly for commercial purposes; and
- K-REIT Asia's conservative capital structure (with an aggregate leverage level of approximately 30% as at the Listing Date) provides K-REIT Asia with some latitude for further aggregate leverage.

The Manager believes that K-REIT Asia's relationship with Keppel Land Group provides K-REIT Asia with a competitive advantage in respect of future acquisition of commercial properties due to the following:

- Keppel Land may source investment opportunities which, if considered suitable for investment by K-REIT Asia, will be made known to K-REIT Asia.
- K-REIT Asia, through the Manager, will be able to leverage off the following:
 - Keppel Land Group's expertise, experience and knowledge of the commercial properties markets in Singapore and the region;
 - Keppel Land Group's strong relationships with property brokers and institutional and other property owners; and
 - Keppel Land Group's fully integrated property operations which will enable the Manager to respond quickly to acquisition opportunities.

Of the 4.234 million sq m* of office space in the Central Business District, the Properties account for only about 1.7% of such space. There is therefore ample opportunity for K-REIT Asia to grow via acquisitions in Singapore alone. Although it is the Manager's intention to hold K-REIT Asia's properties on a long-term basis, the Manager will consider divesting properties which has reached a stage that affords limited scope for income growth in order to reinvest the sale proceeds in new properties with better potential for growth.

In evaluating K-REIT Asia's acquisition opportunities, the Manager will focus on the following investment criteria:

- * Source: Property Market Information — Commercial & Industrial Properties (3rd Quarter 2005), Urban Redevelopment Authority.

Yield thresholds

The Manager intends to invest in properties that are potentially yield-accretive for the Unitholders, unless the said property has the potential to be redeveloped.

Occupancy and tenant characteristics

The Manager intends to invest in properties with good quality existing tenants, or with the potential for higher rentals and potential for high tenant retention rates, relative to comparable properties in their respective micro-markets. In addition, K-REIT Asia will evaluate the following prior to the acquisition of a property:

- tenant credit quality in order to estimate the probability and materiality of potential bad debt;
- rental rates and occupancy trends to estimate rental income and occupancy rate going forward; and
- impact of the acquisition on the entire portfolio's tenant, business sector and lease expiry profile.

Location

The Manager will evaluate potential acquisition targets for micro-market location and convenient access to major roads and public transportation.

Value-adding opportunities

The Manager plans to acquire properties with opportunities to increase occupancy rates and enhance value through proactive property management. The potential to add value through selective renovation or other types of asset enhancements will also be assessed.

Building and facilities specifications

The Manager will acquire buildings with good quality specifications and in compliance with building and zoning regulations. To do so, the Manager will rely on due diligence reports submitted by independent experts relating to structural soundness of the building; maintenance, repairs and capital expenditure requirements; and encroachment of site boundaries. These reports will be the basis upon which the Manager assesses building conditions and expected levels of future capital expenditure.

Active Asset Management Strategy

The Manager plans to maximise returns from the Properties by implementing the following strategies:

- raise occupancy and rental rates;
- diversify the tenant base across different industries;
- implement pro-active marketing plans; and
- continue to rationalise operating costs.

Raise occupancy and rental rates

The Manager plans to improve the occupancy rates in the Properties by working closely with the Property Manager to pursue new rental opportunities and pro-actively engaging tenants whose tenancies are about to expire in advance negotiations. Additionally, the Manager with the Property Manager plan to manage lease renewals effectively in order to minimise void periods due to either lease expiries or pre-mature terminations. This could be achieved through:

- establishing and working towards optimal rental benchmarks for each Property;
- pro-actively engage tenants whose leases are about to expire in early negotiations;
- endeavour to line up new tenants in preparation for vacant space; and
- actively manage overdue rentals to minimise bad debt.

Tenant retention programme initiatives will be initiated by the Manager to further strengthen tenant relationships. Such efforts are expected by the Manager to maintain high tenant retention levels, minimising vacancy levels (and reduction in rental income), as well as the associated costs of securing new tenants.

Diversify tenant base across different industries

The Manager will constantly monitor exposure of its total rental income to any one business sector and as such seek to maintain the diversity of its tenant base so that K-REIT Asia's revenue stream is not overly exposed to certain business sectors that are more susceptible to general economic cycles. The Manager also intends to continually improve its tenant mix and manage specific business sector risks in order to achieve more consistent cash flows.

Implement pro-active marketing plans

The Manager will develop customised pro-active marketing plans for each of the Properties. Each plan will focus on property-specific needs to maximise tenant interest and enhance the public profile and visibility of the Properties with a view to increase the value of the Properties.

Continue to rationalise operating costs

In order to deliver optimal returns to Unitholders, the Manager will work closely with the Property Manager to keep property operating expenses low while maintaining quality of services. To rationalise cost, the Manager together with the Property Manager plan to exploit the economies of scale of operating a portfolio of properties by, for example, bulk purchasing of supplies and cross implementation of successful cost-saving programmes among the Properties.

Capital Management Strategy

The Manager plans to optimise K-REIT Asia's capital structure and cost of capital within the borrowing limits set out in the Property Funds Guidelines and intends to use a combination of debt and equity to fund future acquisitions and asset enhancement projects.

The Manager's capital management strategy involves:

- implementing an optimal aggregate leverage level; and
- implementing an active interest rate management strategy to manage the risks associated with changes in interest rates.

Debt facilities

K-REIT Asia will put in place the Facilities, which will be funded by Notes to be issued by the CMBS Issuer in respect of the term loan facility and from a financial institution in respect of the revolving credit facility.

The term loan facility will be in the amount of approximately S\$190 million. It is intended to be used to part finance the acquisition of the Properties. The revolving credit facility will be in the amount of approximately S\$30 million to meet the short-term working capital needs of K-REIT Asia.

In relation to the term loan facility, interest is payable at a fixed rate which is the sum of the coupon payable by the CMBS Issuer on the Notes and the attendant hedging costs of converting from floating rate to fixed rate.

As the CMBS Notes Offering may not be completed by the date of completion of the acquisition of the Properties by the Trustee, an unsecured bridging loan facility of up to nine months for an amount of up to S\$200 million (the "Bridging Loan") will be provided by Kephinance Investment Pte Ltd to enable the acquisitions of the Properties to proceed and to provide initial working capital if so required. Please see "The Manager and Corporate Governance — Other Interested Party Transactions" for further details on the Bridging Loan.

The Bridging Loan will be utilised in the following manner — approximately S\$190 million will be used for the acquisition of the Properties and the remaining S\$10 million may be used for initial working capital. The Bridging Loan will be made available in one lump sum to the Trustee on the date of Completion of the acquisitions of the Properties. The Bridging Loan shall be repaid in full once the CMBS Notes Offering is put in place.

Debt strategy

The Manager believes that, where appropriate, high investment-grade rated term debt should be used as the core debt-funding mechanism for K-REIT Asia because of the following:

- the low refinancing risk associated with the issuance of high investment-grade debt; and
- the increased aggregate leverage flexibility afforded under the Property Funds Guidelines up to a maximum of 60% of Deposited Property only if a credit rating of K-REIT Asia from Fitch Inc., Moody's or Standard and Poor's is obtained and disclosed to the public.

Consistent with this strategy, the Manager has selected CMBS to fund the term loan facility. Subject to the CMBS Issuer having received the proceeds from the issue of the Notes as at the date of Completion of the acquisition of the Properties by the Trustee, approximately S\$190 million will be drawn down on the term loan facility which corresponds to approximately 30% of the value of K-REIT Asia's Deposited Property based on the pro forma consolidated balance sheet as at 30 September 2005. By adopting this conservative initial gearing level, the Manager believes that K-REIT Asia will maintain operating flexibility when considering future acquisition opportunities and capital expenditure requirements.

K-REIT Asia may reduce its borrowings or finance its capital expenditures by utilising tenants' security deposits. Any excess operating cash flow from the operations of K-REIT Asia may also be used to reduce its level of indebtedness in order to reduce interest costs.

Active interest rate management

The Manager will adopt an active interest rate management policy to manage the risks associated with changes in interest rates on the Facilities while also seeking to ensure that K-REIT Asia's ongoing cost of debt capital remains competitive.

In order to achieve this, the CMBS Issuer is expected to enter into various hedging instruments (including but not limited to cross currency swaps and interest rate swaps) for the purpose of hedging (i) its foreign exchange risks for full amount of the outstanding principal on the Notes over the tenor of the Notes; and (ii) at least 50% of its interest rate risks in relation to the Notes. The benefits of these hedging arrangements will be passed on to K-REIT Asia as part of the term loan facility granted by the CMBS Issuer.

To accomplish this, the Manager may, from time to time, seek to modify the extent of its hedging in order to obtain the optimal capital structure. The Manager may, for instance, take advantage of favourable market conditions to further increase the level or term of its interest rate hedge from time to time.

PRO FORMA FINANCIAL INFORMATION

The following tables present the pro forma profit and loss statements of K-REIT Asia for FY2002, FY2003, FY2004, 9M 2004 and 9M 2005 (collectively referred to as the “Relevant Period”), the pro forma cash flow statements of K-REIT Asia for FY2004 and 9M 2005 and the pro forma balance sheets of K-REIT Asia as at 31 December 2004 and 30 September 2005. Such pro forma financial information should be read in conjunction with the related notes thereto.

K-REIT Asia’s independent accountants, Ernst & Young, have reported on the pro forma financial information and their report is included in “Appendix IV — Independent Accountants’ Report on the Pro Forma Financial Information” of this Document. The pro forma financial information of K-REIT Asia has been prepared on the basis set out in “Appendix IV — Independent Accountants’ Report on the Pro Forma Financial Information” .

The pro forma financial information has been compiled:

- (a) based on the audited financial statements of BCH, MRL and KLTD, for FY2002, FY2003, FY2004 and 9M 2005;
- (b) based on the unaudited management financial statements of BCH, MRL and KLTD for 9M 2004;
- (c) incorporating adjustments necessary to reflect the financial results of K-REIT Asia as if it had acquired the Properties on 1 January 2002, pursuant to the terms set out in this Document;
- (d) incorporating adjustments necessary to reflect the cash flows of K-REIT Asia as if it had acquired the Properties on 1 January 2002, pursuant to the terms set out in this Document; and
- (e) incorporating adjustments necessary to reflect the financial positions of K-REIT Asia on 31 December 2004 and 30 September 2005 as if it had acquired the Properties on 31 December 2004 and 30 September 2005 respectively, pursuant to the terms set out in this Document.

The pro forma profit and loss statements show the financial results of K-REIT Asia for the Relevant Period as if it had acquired the Properties on 1 January 2002, pursuant to the terms set out in this Document.

The pro forma cash flow statements show the cash flows of K-REIT Asia for FY2004 and 9M 2005, assuming it had acquired the Properties on 1 January 2002, pursuant to the terms set out in this Document.

The pro forma balance sheets of K-REIT Asia as at 31 December 2004 and 30 September 2005 reflect the financial positions of K-REIT Asia as if it had acquired the Properties on 31 December 2004 and 30 September 2005 respectively, pursuant to the terms set out in this Document.

The objective of the pro forma financial information is to show what the financial results, cash flows and financial positions might have been had K-REIT Asia existed at an earlier date.

However, the pro forma financial information of K-REIT Asia is not necessarily indicative of the financial results and cash flows of the operations or the financial positions that would have been attained had K-REIT Asia actually existed earlier.

Pro Forma Profit and Loss Statements

	FY2002	FY2003	FY2004	9M 2004	9M 2005
	<i>(S\$ '000)</i>	<i>(S\$ '000)</i>	<i>(S\$ '000)</i>	<i>(S\$ '000)</i>	<i>(S\$ '000)</i>
Property income	39,909	33,047	28,997	22,314	20,191
Property expenses					
— Property tax	(1,789)	(1,143)	(1,922)	(1,478)	(1,622)
— Other property expenses ⁽¹⁾	(3,718)	(4,181)	(3,694)	(2,683)	(4,286)
— Property management fee	(1,197)	(991)	(870)	(669)	(606)
— Maintenance and sinking fund contributions ⁽²⁾	(1,852)	(1,796)	(1,753)	(1,315)	(1,304)
Net property income	31,353	24,936	20,758	16,169	12,373
Borrowing costs ⁽³⁾	(7,545)	(7,545)	(7,545)	(5,659)	(5,659)
Manager's management fees	(4,095)	(3,902)	(3,777)	(2,850)	(2,736)
Trust expenses ⁽⁴⁾	(1,195)	(1,195)	(1,195)	(896)	(896)
Net profit before tax	18,518	12,294	8,241	6,764	3,082
Income tax	—	—	—	—	—
Net profit after tax	18,518	12,294	8,241	6,764	3,082

Notes:

- (1) Other property expenses comprise utilities expenses, reimbursements of salaries and related expenses, marketing expenses, repairs and maintenance expenses (including landlord's fitting out expenses), general and administrative expenses as well as other expenses relating to the Properties.
- (2) Since certain of the Properties 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 Properties, and the owners of the strata-titled units are required to make contributions to the respective management corporations.
- (3) Borrowing costs include the amortisation of upfront expenses incurred for debt arrangement.
- (4) 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 the Trust.

Pro Forma Cash Flow Statements

	FY2004	9M 2005
	<i>(S\$ '000)</i>	<i>(S\$ '000)</i>
Operating activities		
Net profit before tax	8,241	3,082
Adjustments for:		
Borrowing costs	7,545	5,659
Management fees paid in Units	3,777	2,736
Depreciation of plant and equipment	20	68
Operating income before working capital changes	19,583	11,545
Changes in working capital:		
Trade and other payables	22	368
Cash flows from operating activities	19,605	11,913
Investing activities		
Purchase of plant and equipment	(8)	(48)
Cash flows used in investing activities	(8)	(48)
Financing activities		
Distribution to Unitholders	(12,373)	(6,084)
Borrowing costs paid	(7,285)	(5,464)
Proceeds from borrowings	95	71
Security deposits	(1,463)	1,010
Cash flows used in financing activities	(21,026)	(10,467)
Net increase (decrease) in cash and cash equivalents	(1,429)	1,398
Cash and cash equivalents at beginning of the year/period	4,488	3,059
Cash and cash equivalents at end of the year/period	3,059	4,457

Pro Forma Balance Sheets

	As at 31 December 2004	As at 30 September 2005
	<i>(S\$ '000)</i>	<i>(S\$ '000)</i>
Current assets		
Cash	3,059	4,457
Non-current assets		
Plant and equipment	23	3
Investment properties	630,700	630,700
Total non-current assets	630,723	630,703
Total assets	633,782	635,160
Current liabilities		
Trade and other payables ⁽¹⁾	131	499
Non-current liabilities		
Security deposits	5,761	6,771
Borrowings ⁽²⁾	189,300	189,300
Total non-current liabilities	195,061	196,071
Total liabilities	195,192	196,570
Net assets	438,590	438,590
Unitholders' funds		
Units in issue	440,130	440,130
Establishment and issue expenses ⁽³⁾	(1,540)	(1,540)
Total Unitholders' funds	438,590	438,590
Number of Units in issue ('000)	240,508	240,508
Net asset value per Unit	S\$1.82	S\$1.82
Borrowings⁽⁴⁾/Total assets (%)	30.1	30.0

Notes:

- (1) Trade and other payables comprise other deposits and income received in advance.
- (2) Borrowings are net of upfront debt arrangement fee of approximately S\$1.3 million, which will be amortised over the term of the borrowings.
- (3) Establishment and issue expenses comprise estimated listing and perusal fee of S\$0.06 million, professional and other fees of S\$1.18 million and miscellaneous expenses of S\$0.30 million incurred for the establishment of K-REIT Asia.
- (4) This is based on principal amount of borrowings of S\$190.6 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the pro forma financial information and notes thereto included elsewhere in this Introduction Document. Statements contained in this "Management's Discussion and Analysis of Financial Condition and Results of Operations" that are not historical facts may be forward-looking statements. Such statements are subject to certain risks, uncertainties and assumptions which could cause actual results to differ materially from those forecast. Under no circumstances should the inclusion of such information herein be regarded as a representation, warranty or prediction with respect to the accuracy of the underlying assumptions by the Manager or any other person, nor that these results will be achieved or are likely to be achieved (see "Forward-looking Statements" and "Risk Factors"). Recipients of this Document and all prospective investors in the Units are cautioned not to place undue reliance on these forward-looking statements that speak only as of the date of this Document.

General Background

K-REIT Asia is a real estate investment trust established in Singapore pursuant to the Trust Deed. As K-REIT Asia was only established on 28 November 2005 and will acquire the Properties upon completion of the acquisition of the Properties by the Trustee. K-REIT Asia has limited historical operating results and financial information on which recipients of this Document and all prospective investors in the Units may evaluate K-REIT Asia. K-REIT Asia's first accounting period will be from 28 November 2005, the date of its establishment, to 31 December 2006.

K-REIT Asia was established with the objective of producing regular and stable distributions for Unitholders and to achieve long-term growth of net asset value per Unit. The Manager aims to maximise total returns to Unitholders by, among other things, (i) actively managing K-REIT Asia's property portfolio; (ii) acquiring properties that meet the Manager's investment criteria; and (iii) employing appropriate debt and equity financing strategies.

The Manager's principal investment strategy is to invest in real estate which is income-producing and which is used, or predominantly used, for commercial purposes (see "Strategy").

The Portfolio

K-REIT Asia's initial property portfolio consists of the following commercial Properties located in Singapore:

- **Prudential Tower Property**, comprising approximately 44% interest in a 30-storey Grade A office building situated at Raffles Place. The building is located at the junction of Church Street and Cecil Street and is within a 5-minute walk from the Raffles Place MRT station.
- **Keppel Towers** is a 27-storey office building and **GE Tower** is a 13-storey office building. The buildings are located along Hoe Chiang Road and Tanjong Pagar Road and are within a 5-minute walk from the Tanjong Pagar MRT station. Keppel Towers and GE Tower are comprised in the same land lots. They share common carparking and some machinery and equipment facilities.
- **Bugis Junction Towers** is a 15-storey office tower located along Victoria Street, facing Rochor Road. It is directly linked to the Bugis MRT Station via the basement and is part of an integrated development known as Bugis Junction, which also comprises Bugis Junction retail mall and the five-star InterContinental Singapore hotel.

The Properties have a diverse and quality tenant base which include many international and local tenants. As at 30 September 2005, the 10 largest tenants (in terms of total Net Lettable Area) across the portfolio accounted for 49.9% of the total Net Lettable Area of the Properties.

Acquisition of the Properties

Prudential Tower Property

On 28 November 2005, the Trustee entered into the Prudential Tower Property Put and Call Option Agreement with KLTD for the acquisition of the Prudential Tower Property. The Trustee was granted a call option, and KLTD was granted a put option which, if exercised by the respective parties in accordance with the Prudential Tower Property Put and Call Option Agreement, shall constitute a contract for the sale and purchase of the Prudential Tower Property between KLTD and the Trustee, on the date of service of the duly signed and dated call option notice as provided in the Prudential Tower Property Put and Call Option Agreement. The option exercise period is 7 days, commencing after the date on which all the relevant conditions precedent under the Prudential Tower Property Put and Call Option Agreement are fulfilled or such earlier date as the parties may mutually agree to in writing. Upon service of either the duly signed and dated call option notice, or the put option notice, KLTD or the Trustee, respectively, shall be deemed to have entered into a purchase agreement with the other party for the sale of the Prudential Tower Property to the other party. The duly signed and dated call option notice, or the put option notice, as the case may be, constitutes the purchase agreement, and such sale or purchase of the Prudential Tower Property under the purchase agreement will be on the purchase conditions as set out in the Prudential Tower Property Put and Call Option Agreement. The date of the purchase agreement shall be the same date as the date upon which the put or call option, as the case may be, is exercised.

The purchase price of the Prudential Tower Property is S\$117.7 million to be paid in Units on the Completion of the sale and purchase of the Prudential Tower Property (See “Certain Agreements Relating to K-REIT Asia — Description of the Agreements for the Acquisition of the Properties”).

Keppel Towers and GE Tower

On 28 November 2005, the Trustee entered into the Keppel Towers and GE Tower Put and Call Option Agreement with MRL for the acquisition of Keppel Towers and GE Tower. The Trustee was granted a call option, and MRL was granted a put option which, if exercised by the respective parties in accordance with the Keppel Towers and GE Tower Put and Call Option Agreement, shall constitute a contract for the sale and purchase of the Keppel Towers and GE Tower between MRL and the Trustee, on the date of service of the duly signed and dated call option notice as provided in the Keppel Towers and GE Tower Put and Call Option Agreement. The option exercise period is 7 days, commencing after the date on which all the relevant conditions precedent under the Keppel Towers and GE Tower Put and Call Option Agreement are fulfilled or such earlier date as the parties may mutually agree to in writing. Upon service of either the duly signed and dated call option notice, or the put option notice, MRL or the Trustee, respectively, shall be deemed to have entered into a purchase agreement with the other party for the sale of the Property to the other party. The duly signed and dated call option notice, or the put option notice, as the case may be, constitutes the purchase agreement, and such sale or purchase of the Property under the purchase agreement will be on the purchase conditions as set out in the Keppel Towers and GE Tower Put and Call Option Agreement. The date of the purchase agreement shall be the same date as the date upon which the put or call option, as the case may be, is exercised. The exercise of the put or call option is subject to the Trustee in its discretion being satisfied that it has obtained adequate financing to undertake the proposed.

The purchase price of Keppel Towers and GE Tower is S\$353.5 million to be paid in cash and Units on the Completion of the sale and purchase of Keppel Towers and GE Tower (See “Certain Agreements Relating to K-REIT Asia — Description of the Agreements for the Acquisition of the Properties”).

Bugis Junction Towers

On 28 November 2005, the Trustee entered into the Bugis Junction Towers Put and Call Option Agreement with BCH for the acquisition of Bugis Junction Towers. The Trustee was granted a call option, and BCH was granted a put option which, if exercised by the respective parties in accordance with the Bugis Junction Towers Put and Call Option Agreement, shall constitute a contract for the sale and purchase of the Bugis Junction Towers between BCH and the Trustee, on the date of service of the duly signed and dated call option notice as provided in the Bugis Junction Towers Put and Call Option Agreement. The option exercise period is 7 days, commencing after the date on which all the relevant

conditions precedent under the Bugis Junction Towers Put and Call Option Agreement are fulfilled or such earlier date as the parties may mutually agree to in writing. Upon service of either the duly signed and dated call option notice, or the put option notice, BCH or the Trustee, respectively, shall be deemed to have entered into a purchase agreement with the other party for the sale of the Property to the other party. The duly signed and dated call option notice, or the put option notice, as the case may be, constitutes the purchase agreement, and such sale or purchase of the Property under the purchase agreement will be on the purchase conditions as set out in the Bugis Junction Towers Put and Call Option Agreement. The date of the purchase agreement shall be the same date as the date upon which the put or call option, as the case may be, is exercised.

The purchase price of Bugis Junction Towers is S\$159.5 million to be paid in Units on the Completion of the sale and purchase of Bugis Junction Towers (See “Certain Agreements Relating to K-REIT Asia — Description of the Agreements for the Acquisition of the Properties”).

Factors Affecting K-REIT Asia’s Results of Operations

The commercial property sector in Singapore is affected by, among other things, the demand for, and the supply of, space in the commercial property market which are, in turn, affected by economic conditions in Singapore in general.

Property Income

K-REIT Asia’s Property Income comprises (i) Gross Rent; (ii) car park income; and (iii) other income earned from the Properties, including licence fees, conference room income, interest on rental arrears, recoveries from tenants for other services as well as other miscellaneous income (including turnover rent, if any). Substantially all of K-REIT Asia’s Property Income was derived from its Gross Rent from the Properties during the Relevant Period.

K-REIT Asia’s Property Income is significantly affected by a number of factors including, primarily:

- rental rates for leases at the Properties;
- occupancy and renewal rates;
- the age and condition of the Properties; and
- general macroeconomic and supply/demand trends affecting the real estate market, particularly the commercial property market, in Singapore.

Rental rates as well as occupancy and tenant lease renewal rates are affected by levels of competition for the Properties (see “Business and Properties — Competition”).

The following table sets out details of K-REIT Asia’s pro forma Property Income for the Relevant Period:

	FY2002	FY2003	FY2004	9M 2004	9M 2005
	<i>(S\$ '000)</i>	<i>(S\$ '000)</i>	<i>(S\$ '000)</i>	<i>(S\$ '000)</i>	<i>(S\$ '000)</i>
	<i>Pro Forma</i>	<i>Pro Forma</i>	<i>Pro Forma</i>	<i>Pro Forma</i>	<i>Pro Forma</i>
Property Income					
Gross Rent	39,277	32,496	28,369	21,844	19,623
Car park income	576	513	591	441	518
Other income	56	38	37	29	50
Total	39,909	33,047	28,997	22,314	20,191

Gross Rent. Gross Rent consists of base rental income (after rent rebates, rent free periods and adjustments, where applicable, but excluding turnover rent, if any) and tenant service charge, which is a contribution paid by tenants towards the Property Expenses of each Property. Rents paid under K-REIT Asia's lease agreements are generally fixed for a period of three years which is consistent with market practice in Singapore.

Car park income. Car park income consists of income earned from the operation of the 288 car park lots at Keppel Towers and GE Tower.

Other income. Other income includes revenue from licence fees, conference room income, interest on rental arrears, recoveries from tenants for other services as well as other miscellaneous income (including turnover rent, if any).

Property Expenses

K-REIT Asia's Property Expenses consist primarily of (i) property tax; (ii) other property expenses; (iii) the Property Manager's property management fee; and (iv) maintenance and sinking fund contributions.

Property Expenses may be significantly affected by a number of factors including, primarily:

- the age and condition of the buildings;
- fee arrangements with the Property Manager;
- marketing commission and landlord's fitting out expenses in relation to new tenants or lease renewals;
- maintenance and sinking fund contributions levied by the respective management corporations of the Properties;
- the rate of inflation; and
- changes in property tax and utility charges.

The following table sets out details of K-REIT Asia's pro forma Property Expenses for the Relevant Period:

	FY2002	FY2003	FY2004	9M 2004	9M 2005
	<i>(S\$ '000)</i>	<i>(S\$ '000)</i>	<i>(S\$ '000)</i>	<i>(S\$ '000)</i>	<i>(S\$ '000)</i>
	<i>Pro Forma</i>	<i>Pro Forma</i>	<i>Pro Forma</i>	<i>Pro Forma</i>	<i>Pro Forma</i>
Property Expenses					
Property tax	1,789	1,143	1,922	1,478	1,622
Other property expenses	3,718	4,181	3,694	2,683	4,286
Property management fee	1,197	991	870	669	606
Maintenance and sinking fund contributions	1,852	1,796	1,753	1,315	1,304
Total	8,556	8,111	8,239	6,145	7,818

Property tax. Since July 2001, the property tax rate for commercial properties has been 10.0% of the annual value of such properties. Prior to July 2001, the property tax rate was 12.0%.

The Government has granted property tax rebates on account of (i) weak economic conditions in Singapore over the last few years; and (ii) Severe Acute Respiratory Syndrome ("SARS") in 2003. Such rebates included in the above pro forma FY2002 and FY2003 property tax expenses are S\$1.7 million and S\$1.6 million respectively.

Property management fee. The Property Manager’s property management fee is based on 3.0% per annum of K-REIT Asia’s Property Income (see “Certain Agreements Relating to K-REIT Asia — Property Management Agreement: Fees”).

Other property expenses. The other property expenses include utilities expenses, reimbursements of salaries and related expenses, marketing expenses, repairs and maintenance expenses as well as general and administrative expenses. These expenses are discussed below:

- *Utilities expenses.* These comprise electricity and water charges.
- *Reimbursements of salaries and related expenses.* These expenses relate to the reimbursement of the employment costs of the team of personnel engaged by the Property Manager for the provision of services to the Properties.
- *Marketing expenses.* These comprise commissions payable to third party agents and the Property Manager incurred for the purpose of securing new tenants and tenancy renewals. See “Certain Agreements Relating to K-REIT Asia — Property Management Agreement: Leasing Commission”), cost of marketing collaterals, advertising expenses and other related marketing expenses.
- *Repairs and maintenance expenses.* These include costs for the general repair and maintenance of the Properties, such as cleaning services, security services, insurance expenses and other property-related expenses. Such expenses for repairs and maintenance also include landlord’s fitting out expenses and cyclical maintenance expenses for the Properties.
- *General and administrative expenses.* General and administrative expenses include provision for doubtful and bad debts, depreciation of plant and equipment as well as printing and stationery.

Maintenance and sinking fund contributions. The maintenance and sinking fund contributions are payable by K-REIT Asia to the respective management corporations of certain Properties, namely Bugis Junction Towers and Prudential Tower that 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 owner of the strata-titled units are required to make contributions to the respective management corporations based on their respective share values in these Properties. Such contributions form a significant component of the Property Expenses.

Non-Property Expenses

K-REIT Asia’s non-property expenses consist primarily of: (i) borrowing costs; (ii) Manager’s management fees; and (iii) trust expenses.

The following table sets out details of K-REIT Asia’s pro forma non-property expenses for the Relevant Period:

	FY2002	FY2003	FY2004	9M 2004	9M 2005
	<i>(S\$ '000)</i>	<i>(S\$ '000)</i>	<i>(S\$ '000)</i>	<i>(S\$ '000)</i>	<i>(S\$ '000)</i>
	<i>Pro Forma</i>	<i>Pro Forma</i>	<i>Pro Forma</i>	<i>Pro Forma</i>	<i>Pro Forma</i>
Non-Property Expenses					
Borrowing costs	7,545	7,545	7,545	5,659	5,659
Manager’s management fees	4,095	3,902	3,777	2,850	2,736
Trust expenses	1,195	1,195	1,195	896	896
Total	12,835	12,642	12,517	9,405	9,291

Borrowing costs. K-REIT Asia will put in place the Facilities which are funded by the Notes issued by the CMBS Issuer in respect of the term loan facility and from a financial institution in respect of the revolving credit facility. The term loan facility is intended to be used to part finance the acquisition of the Properties, whereas the revolving credit facility is intended to meet the short term working capital needs of K-REIT Asia.

In relation to the term loan facility, interest is payable at a fixed rate which is the sum of the coupon payable by the CMBS Issuer on the Notes and the attendant hedging costs of converting from floating rate to fixed rate. The term loan facility will be used to part finance the acquisition of the Properties.

The Manager, the arranger of the CMBS Notes Offering and the Trustee are finalising the terms and conditions of the Facilities.

Manager's management fees. The Manager is entitled to receive a Base Fee of 0.5% per annum of the value of the Deposited Property, payable quarterly in arrears and an annual Performance Fee of 3.0% of K-REIT Asia's Net Property Income before the Manager's management fees and non-operating income and expenses, also payable quarterly in arrears.

Trust expenses. Trust expenses include recurring operating expenses such as the Trustee's fee, annual listing fees, registry fees, accounting, 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. Under the Trust Deed, the Trustee's fee is a maximum of 0.03% per annum of the value of the Deposited Property, excluding out-of-pocket expenses and GST. The actual fee payable is determined between the Manager and the Trustee from time to time. In addition, K-REIT Asia will pay the Trustee a one-time inception fee of S\$7,500.

Property Income Trends

Rental rates for the Properties are generally fixed in advance for the tenure of the lease period and are subject to review and negotiation on renewal of the lease. The majority of the lease agreements for the Properties do not provide for rent reviews during the period of the lease. The Manager believes that the Properties' rental rates are generally reflective of current market rents in Singapore.

The following tables set out information on the Pro Forma Property Income, Pro Forma Gross Rent per square metre per month and Pro Forma Net Property Income derived from each of the Properties as at, and for the Relevant Period:

Property	Pro Forma Property Income									
	FY2002		FY2003		FY2004		9M 2004		9M 2005	
	(S\$ '000)	(%)	(S\$ '000)	(%)	(S\$ '000)	(%)	(S\$ '000)	(%)	(S\$ '000)	(%)
Prudential Tower Property	6,293	15.8	6,075	18.4	5,883	20.3	4,475	20.0	3,386	16.8
Keppel Towers and GE Tower	20,538	51.4	14,950	45.2	12,012	41.4	9,235	41.4	9,441	46.8
Bugis Junction Towers	13,078	32.8	12,022	36.4	11,102	38.3	8,604	38.6	7,364	36.4
Total	39,909	100.0	33,047	100.0	28,997	100.0	22,314	100.0	20,191	100.0

Property	Pro Forma Gross Rent Per Square Metre Per Month				
	FY2002	FY2003	FY2004	9M 2004	9M 2005
	(S\$)	(S\$)	(S\$)	(S\$)	(S\$)
Prudential Tower Property	56.51	56.40	54.57	54.79	50.70
Keppel Towers and GE Tower	54.03	45.10	35.20	35.95	32.51
Bugis Junction Towers	48.87	46.28	44.24	41.60	41.01

Property	Pro Forma Net Property Income									
	FY2002		FY2003		FY2004		9M 2004		9M 2005	
	(S\$ '000)	(%)	(S\$ '000)	(%)	(S\$ '000)	(%)	(S\$ '000)	(%)	(S\$ '000)	(%)
Prudential Tower Property	4,931	15.7	4,794	19.2	4,466	21.5	3,404	21.0	2,145	17.3
Keppel Towers and GE Tower	16,077	51.3	10,777	43.2	7,988	38.5	6,254	38.7	5,900	47.7
Bugis Junction Towers	10,345	33.0	9,365	37.6	8,304	40.0	6,511	40.3	4,328	35.0
Total	31,353	100.0	24,936	100.0	20,758	100.0	16,169	100.0	12,373	100.0

Occupancy Trends

The table below sets out information on the average occupancy of the Properties for the Relevant Period:

Property	Average Occupancy Rate				
	FY2002	FY2003	FY2004	9M 2004	9M 2005
	(%)	(%)	(%)	(%)	(%)
Prudential Tower Property ⁽¹⁾	92.3	89.3	89.4	90.4	74.0
Keppel Towers and GE Tower ⁽²⁾	74.8	62.1	66.2	66.7	75.0
Bugis Junction Towers ⁽³⁾	97.4	95.1	91.8	93.8	86.6
Weighted Average	84.3	76.2	77.4	78.4	78.5

Notes:

- (1) Between FY2004 and 9M 2005, the drop in average occupancy rate was due mainly to the lease expiry of a major tenant (approximately 19,900sf NLA)
- (2) Between FY2002 and FY2003, the drop in average occupancy rate was due mainly to the lease expiry of a major tenant (approximately 92,500sf NLA)
- (3) Between FY2004 and 9M 2005, the drop in average occupancy rate was due mainly to the lease expiry of a major tenant (approximately 21,500sf NLA)

COMPARISON OF 9M 2005 WITH 9M 2004

Property Income

Property Income decreased by 9.5% to S\$20.2 million for 9M 2005 from S\$22.3 million for 9M 2004.

Gross Rent. Gross Rent decreased by 10.2% to S\$19.6 million for 9M 2005 from S\$21.8 million for 9M 2004. The decrease for 9M 2005 was mainly from Prudential Tower (S\$1.1 million) and Bugis Junction Towers (S\$1.3 million) as a result of lower rental rates as well as lower occupancy rates following the lease expiry of major tenants at Prudential Tower and Bugis Junction Towers.

Car park income. Revenue derived from car park income increased by 17.5% to S\$0.5 million for 9M 2005 from S\$0.4 million for 9M 2004, reflecting higher car park usage at Keppel Towers and GE Tower, in line with the higher occupancy achieved for 9M 2005.

Other income. Other income increased by 72.4% to S\$0.05 million for 9M 2005 from S\$0.03 million for 9M 2004 due to compensation received for pre-termination of lease.

Property Expenses

Property Expenses increased by 27.2% to S\$7.8 million for 9M 2005 from S\$6.1 million for 9M 2004.

Property tax. Property tax increased by 9.7% to S\$1.6 million for 9M 2005 from S\$1.5 million for 9M 2004. The increase was due to lower vacancy claim refund received in 9M 2005 on account of higher occupancy achieved in the preceding year.

Other property expenses. Other property expenses increased by 59.7% to S\$4.3 million for 9M 2005 from S\$2.7 million for 9M 2004 mainly due to higher marketing expenses as well as a one-time tenant's relocation cost.

Utilities expenses. Utilities expenses increased by 20.6% to S\$0.8 million for 9M 2005 from S\$0.6 million for 9M 2004 due to higher electricity tariff rates.

Reimbursements of salaries and related expenses. Reimbursements of the employment costs of the team of personnel engaged by the Property Manager for the provision of services to the Properties remains relatively stable at S\$0.8 million for 9M 2005 and 9M 2004.

Marketing expenses. Marketing expenses increased by 274.8% to S\$1.0 million for 9M 2005 from S\$0.2 million for 9M 2004 due to higher marketing commission incurred as a result of new leases and lease renewals secured mainly for Keppel Towers.

Repairs and maintenance expenses. Repairs and maintenance expenses remained at the same level at S\$1.0 million for 9M 2005 and 9M 2004.

General and administrative expenses. General and administrative expenses remained stable at S\$0.1 million for 9M 2005 and 9M 2004.

Other expenses. Other expenses, relating to a one-time tenant's relocation cost, amounted S\$0.6 million for 9M 2005.

Property management fee. The Property Manager's property management fee decreased by 9.4% to S\$0.6 million for 9M 2005 from S\$0.7 million for 9M 2004 due to lower Property Income derived from the Properties.

Maintenance and sinking fund contributions. The maintenance and sinking fund contributions levied by the respective management corporations of the Properties remained relatively stable at S\$1.3 million for 9M 2005 and 9M 2004.

Net Property Income

As a result of the above factors, K-REIT Asia's Net Property Income decreased by 23.5% to S\$12.4 million for 9M 2005 from S\$16.2 million for 9M 2004.

Non-Property Expenses

Borrowing costs. Borrowing costs remained stable at S\$5.7 million for 9M 2005 and 9M 2004.

Manager's management fees. The Manager's management fees decreased marginally by 4.0% to S\$2.7 million for 9M 2005 from S\$2.9 million for 9M 2004.

Trust expenses. Trust expenses, which include the Trustee's fee and other trust expenses, remained stable at S\$0.9 million for 9M 2005 and 9M 2004.

Net Profit After Tax

As a result of the foregoing factors, K-REIT Asia had a Net Profit After Tax of S\$3.1 million for 9M 2005, representing a decrease of S\$3.7 million, or 54.4%, over Net Profit After Tax of S\$6.8 million for 9M 2004.

COMPARISON OF FY2004 WITH FY2003

Property Income

Property Income decreased by 12.3% to S\$29.0 million in FY2004 from S\$33.0 million in FY2003.

Gross Rent. Gross Rent decreased by 12.7% to S\$28.4 million in FY2004 from S\$32.5 million in FY2003. The decrease in FY2004 was mainly from Keppel Towers and GE Tower (S\$3.0 million) and Bugis Junction Towers (S\$0.9 million) as a result of lower rental rates for Keppel Towers, GE Tower and Bugis Junction Towers as well as lower occupancy rates for Bugis Junction Towers. The office market experienced a downtrend between 2001 to 2004 due to a combination of factors such as the burst of the dot-com bubble and the 9/11 events in 2001, and the Iraqi War and SARS in 2003.

Car park income. Revenue derived from car park income increased by 15.2% to S\$0.6 million in FY2004 from S\$0.5 million in FY2003, reflecting higher car park usage at Keppel Towers and GE Tower, in line with the higher occupancy achieved in FY2004.

Other income. Other income remained at the same level at S\$0.04 million in FY2004 and FY2003.

Property Expenses

Property Expenses increased marginally by 1.6% to S\$8.2 million in FY2004 from S\$8.1 million in FY2003.

Property tax. Property tax increased by 68.2% to S\$1.9 million in FY2004 from S\$1.1 million in FY2003. The increase was a result of the withdrawal of property tax rebate from the Government from January 2004 as compared to a property tax and SARS rebate of S\$1.6 million for FY2003. This is partly offset by lower property tax assessed on account of lower annual value of the Properties.

Other property expenses. Other property expenses decreased by 11.6% to S\$3.7 million in FY2004 from S\$4.2 million in FY2003.

Utilities expenses. Utilities expenses maintained at a same level at S\$0.9 million in FY2004 and FY2003.

Reimbursements of salaries and related expenses. Reimbursements of the employment costs of the team of personnel engaged by the Property Manager for the provision of services to the Properties

increased by 13.4% to S\$1.0 million in FY2004 from S\$0.9 million in FY2003 due to increased manpower in FY2004 in anticipation of higher property management activities as a result of increased number of tenants.

Marketing expenses. Marketing expenses decreased by 52.3% to S\$0.3 million in FY2004 from S\$0.7 million in FY2003 due to lower marketing commission incurred as a result of fewer new leases and renewals.

Repairs and maintenance expenses. Repairs and maintenance expenses decreased by 11.1% to S\$1.4 million in FY2004 from S\$1.5 million in FY2003 due to higher landlord's fitting out expenses incurred in FY2003 for new tenants at the ground floor of Keppel Towers.

General and administrative expenses. General and administrative expenses decreased by 41.7% to S\$0.1 million in FY2004 from S\$0.2 million in FY2003 due to expenses incurred for prevention of SARS in FY2003.

Property management fee. The Property Manager's property management fee decreased by 12.2% to S\$0.9 million in FY2004 from S\$1.0 million in FY2003 on account of reduced Property Income derived from the Properties.

Maintenance and sinking fund contributions. The maintenance and sinking fund contributions levied by the respective management corporations of the Properties remained relatively stable at S\$1.8 million in FY2004 and FY2003.

Net Property Income

As a result of the above factors, K-REIT Asia's Net Property Income decreased by 16.8% to S\$20.8 million in FY2004 from S\$24.9 million in FY2003.

Non-Property Expenses

Borrowing costs. Borrowing costs remained stable at S\$7.5 million for FY2004 and FY2003.

Manager's management fees. The Manager's management fees decreased marginally by 3.2% to S\$3.8 million in FY2004 from S\$3.9 million in FY2003.

Trust expenses. Trust expenses, which include the Trustee's fee and other trust expenses, remained stable at S\$1.2 million for FY2004 and FY2003.

Net Profit After Tax

As a result of the foregoing factors, K-REIT Asia had a Net Profit After Tax of S\$8.2 million for the FY2004, representing a decrease of S\$4.1 million, or 33.0%, over Net Profit After Tax of S\$12.3 million for FY2003.

COMPARISON OF FY2003 WITH FY2002

Property Income

Property Income decreased by 17.2% to S\$33.0 million in FY2003 from S\$39.9 million in FY2002.

Gross Rent. Gross Rent decreased by 17.3% to S\$32.5 million in FY2003 from S\$39.3 million in FY2002. The decrease in FY2003 was mainly from Keppel Towers and GE Tower (S\$5.5 million) and Bugis Junction Towers (S\$1.0 million), reflecting lower rental rates and lower occupancy rates achieved. This is in line with the overall economic slowdown, together with global events such as the Iraqi War and SARs in 2003. The lease expiry of a major tenant in Keppel Towers in mid 2002 has also contributed to the lower occupancy rate.

Car park income. Revenue derived from car park income decreased by 10.9% to S\$0.5 million in FY2003 from S\$0.6 million in FY2002, reflecting lower car park usage at Keppel Towers and GE Tower on account of lower occupancy rate achieved.

Other income. Other income decreased by 32.1% to S\$0.04 million in FY2003 from S\$0.06 million in FY2002.

Property Expenses

Property Expenses decreased by 5.2% to S\$8.1 million in FY2003 from S\$8.6 million in FY2002.

Property tax. Property tax decreased by 36.1% to S\$1.1 million in FY2003 from S\$1.8 million in FY2002. The decrease was due to reduced property tax resulting from a reduced annual value in FY2003 (S\$0.6 million) and vacancy claim refund for FY2002 received in FY2003 (S\$0.2 million) as compared to FY2002. This was partly offset by a reduction in property tax rebate (S\$0.1 million) from the Government for FY2003.

Other property expenses. Other property expenses increased by 12.5% to S\$4.2 million in FY2003 from S\$3.7 million in FY2002.

Utilities expenses. Utilities expenses increased by 18.3% to S\$0.9 million in FY2003 from S\$0.8 million in FY2002 due to higher electricity tariff rates.

Reimbursements of salaries and related expenses. Reimbursements of the employment costs of the team of personnel engaged by the Property Manager for the provision of services to the Properties remains relatively stable at S\$0.9 million in FY2003 and FY2002.

Marketing expenses. Marketing expenses increased by 75.3% to S\$0.7 million in FY2003 from S\$0.4 million in FY2002 mainly due to higher marketing commissions incurred for the renewal of a major tenant at Keppel Towers.

Repairs and maintenance expenses. Repairs and maintenance expenses increased by 24.1% to S\$1.5 million in FY2003 from S\$1.2 million in FY2002 due to higher landlord's fitting out expenses incurred for new tenants as well as higher expenses incurred to strengthen security level at the Properties as a result of terrorism threats.

General and administrative expenses. General and administrative expenses decreased by 52.6% to S\$0.2 million in FY2003 from S\$0.4 million in FY2002. This was largely due to higher professional fees incurred in respect of the study of a proposed extension of Keppel Towers in FY2002.

Property management fee. The Property Manager's property management fee decreased by 17.2% to S\$1.0 million in FY2003 from S\$1.2 million in FY2002 due to lower Property Income achieved in FY2003.

Maintenance and sinking fund contributions. The maintenance and sinking fund contributions levied by the respective management corporations of the Properties decreased marginally by 3.0% to S\$1.8 million in FY2003 from S\$1.9 million in FY2002.

Net Property Income

As a result of the above factors, K-REIT Asia's Net Property Income decreased by 20.5% to S\$24.9 million in FY2003 from S\$31.4 million in FY2002.

Non-Property Expenses

Borrowing costs. Borrowing costs remained stable at S\$7.5 million for FY2003 and FY2002.

Manager's management fees. The Manager's management fees decreased marginally by 4.7% to S\$3.9 million in FY2003 from S\$4.1 million in FY2002.

Trust expenses. Trust expenses, which include the Trustee's fee and other trust expenses, remained stable at S\$1.2 million for FY2003 and FY2002.

Net Profit After Tax

As a result of the foregoing factors, K-REIT Asia had a Net Profit After Tax of S\$12.3 million for the FY2003, representing a decrease of S\$6.2 million, or 33.6%, over Net Profit After Tax of S\$18.5 million for FY2002.

LIQUIDITY AND CAPITAL RESOURCES

The principal sources of funding for improvement works at the Properties have historically been from cash flow from operations and proceeds from borrowings.

Net cash from operations will be K-REIT Asia's primary source of liquidity to fund distributions, servicing of debt, payment of non-property expenses and other recurring capital expenditure.

Taking into account the Facilities, the Manager is of the opinion that K-REIT Asia's working capital is sufficient for its present requirements.

K-REIT Asia must distribute at least 90.0% of its Taxable Income available for distributions. Because of this, however, K-REIT Asia may not be able to meet all of its obligations to repay principal on its debt obligations through its cash flow from operations. As such, K-REIT Asia may be required to repay maturing debt with funds from debt or equity financing or both. There can be no assurance that such financing will be available on acceptable terms or at all.

INDEBTEDNESS

K-REIT Asia will put in place the Facilities which will be funded by Notes to be issued by the CMBS Issuer in respect of the term loan facility and from a financial institution in respect of the revolving credit facility. The term loan facility is intended to be used to part finance the acquisition of the Properties and the revolving credit facility is intended to meet the short term working capital needs of K-REIT Asia.

In relation to the term loan facility, interest is payable at a fixed rate which is the sum of the coupon payable by the CMBS Issuer on the Notes and the attendant hedging costs of converting from floating rate to fixed rate.

The Manager, the arranger of the CMBS Notes Offering and the Trustee are currently finalising the terms and conditions of the Facilities.

For the Facilities, it is expected for the Trustee to grant security over K-REIT Asia's assets in favour of the CMBS Issuer, in the terms substantially as set out below:

- a mortgage over the Properties;
- an assignment of all the rights, title, interest and benefits of K-REIT Asia in, and the proceeds of any payments which may at any time be received by or payable to K-REIT Asia under, the insurances in respect of the Properties;
- an assignment of all the rights, interest, benefits, advantages, permits, licences and remedies which K-REIT Asia has in, under or arising out of, and the proceeds of any payments which may at any time be received by or payable to or, at the direction of, K-REIT Asia under or in connection with, each of the Put and Call Option Agreements;
- an assignment of all the rights, interest, benefits, advantages, permits, licences and remedies of K-REIT Asia in, under or arising out of the Property Management Agreement and the proceeds of any payments which may at any time be received by or payable to or, at the direction of, K-REIT Asia under or in connection with the Property Management Agreement;
- an assignment of all of K-REIT Asia's rights, title and interest in, and to and under (i) all leases, licences, tenancies, letting arrangements, options and other agreements of whatever kind for the occupation, use or possession of any part of the Properties which are or at any time may be

entered into by or on behalf of K-REIT Asia, or the rights of which have been assigned or transferred (whether by operation of law or otherwise) in favour of K-REIT Asia; (ii) the proceeds of any payments which may at any time be received by or payable to K-REIT Asia under the agreements in (i) above; (iii) the moneys from time to time standing to the credit of the accounts opened by the Trustee in connection with the Properties with Standard Chartered Bank, together with any interest from time to time accruing in respect of such moneys; and

- a debenture creating fixed and floating charges over the assets of K-REIT Asia relating to the Properties.

As the CMBS Notes Offering may not be completed by the date of completion of the acquisition of the Properties by the Trustee, an unsecured bridging loan facility of up to nine months for an amount of up to S\$200 million will be provided by Kephinance Investment Pte Ltd to enable the acquisition of the Properties to proceed and to provide initial working capital if so required.

CAPITAL EXPENDITURE

The following table sets forth details of historical capital expenditure in relation to the Properties:

	Capital Expenditure			
	FY2002	FY2003	FY2004	9M 2005
	(S\$ '000)	(S\$ '000)	(S\$ '000)	(S\$ '000)
Improvement Works	26	—	5	35
Others	13	2	3	13
Total	39	2	8	48

Improvement works: Each Property prepares an annual capital expenditure budget which is intended to provide for all necessary improvement works. To-date, each Property has been properly maintained on a current and regular basis.

Other fixed assets: Consist of office improvement works, purchase of office equipment and computers.

ACCOUNTING POLICIES

For a discussion of the principal accounting policies of K-REIT Asia, see “Appendix IV — Independent Accountants’ Report on the Pro Forma Financial Information”.

PROFIT FORECAST

Statements contained in this section that are not historical facts may be forward-looking statements. Such statements are based on the assumptions set out in this section and are subject to certain risks and uncertainties which could cause actual results to differ materially from those forecast. Under no circumstances should the inclusion of such information herein be regarded as a representation, warranty or prediction with respect to the accuracy of the underlying assumptions by the Manager, the Financial Adviser or any other person, or that these results will be achieved or are likely to be achieved. See "Forward-looking Statements" and "Risk Factors". Recipients of this Document and all prospective investors in the Units are cautioned not to place undue reliance on these forward-looking statements that are made only as of the date of this Document.

The table below sets out K-REIT Asia's forecast Profit and Loss Statements for the Forecast Period. The financial year-end of K-REIT Asia is 31 December. K-REIT Asia's first accounting period will be for the period from 28 November 2005, being the date of its establishment, to 31 December 2006. K-REIT Asia will acquire the Properties upon Completion. The profit forecast is based on the assumptions set out below. The process by which the Profit Forecast has been drawn up to satisfy the requirement of due and careful enquiry has been reviewed by the Financial Adviser and the computations have been checked by Ernst & Young. The Profit Forecast should be read together with the reports set out in "Appendix II — Financial Adviser's Statement on the Profit Forecast" and "Appendix III — Independent Accountants' Report on the Profit Forecast" as well as the assumptions and the sensitivity analysis set out below.

Forecast Profit and Loss Statement

	Forecast Period (1 January 2006 to 31 December 2006) (S\$'000)
Gross Rent	30,797
Car park income	756
Other income	30
Property Income	31,583
Property tax	(2,530)
Other property expenses	(4,305)
Property management fee	(948)
Maintenance and sinking fund contributions	(1,738)
Property Expenses	(9,521)
Net Property Income	22,062
Manager's management fees	(3,816)
Trust expenses	(1,195)
Borrowing costs	(7,545)
Net Profit Before Tax	9,506
Net effect of non-tax deductible/chargeable items ⁽¹⁾	3,664
Taxable Income available for distribution to Unitholders	13,170
Distribution to Unitholders based on payout of 100% of Taxable Income	13,170
Number of Units in issue ⁽²⁾ ('000)	242,605
Distribution per Unit⁽³⁾ (cents)	5.43

Notes:

- (1) These include the Manager's management fees paid in the form of Units, amortisation of upfront borrowing expenses and other expenses which are not tax deductible for tax purposes.
- (2) The number of Units in issue includes the number of Units issued in payment of the Manager's management fee for the Forecast Period (notwithstanding that certain of these Units will be issued in FY2007) using a value per Unit equivalent to the pro forma net asset value as at 30 September 2005 (see "Assumptions (IV) — Manager's Management Fee").
- (3) The Distribution per Unit has been computed for the Forecast Period. The actual amount distributed will be adjusted based upon the actual performance of K-REIT Asia in that period, as well as the number of days from the effective date of the Distribution *In Specie* to 31 December 2006.

Property Income and Net Property Income Contribution of the Properties

The forecast contribution of each Property in K-REIT Asia's initial portfolio to Property Income is as follows:

Property	Contribution to Property Income for the Forecast Period	
	(S\$'000)	(%)
Prudential Tower Property	4,897	15.5
Keppel Towers and GE Tower	14,701	46.5
Bugis Junction Towers	11,985	38.0
Property Income	31,583	100.0

The forecast contribution of each Property in K-REIT Asia's initial portfolio to Net Property Income is as follows:

Property	Contribution to Net Property Income for the Forecast Period	
	(S\$'000)	(%)
Prudential Tower Property	3,423	15.5
Keppel Towers and GE Tower	9,915	44.9
Bugis Junction Towers	8,724	39.6
Net Property Income	22,062	100.0

Assumptions

The Manager has prepared the profit forecast for the Forecast Period based on the assumptions listed below. The Manager considers these assumptions to be appropriate and reasonable as at the Latest Practicable Date. However, recipients of this Document and all prospective investors in the Units should consider these assumptions as well as the profit forecast and make their own assessment of the future performance of K-REIT Asia.

(I) Property Income

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

(a) Gross Rent

Gross Rent consists of base rental 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 each Property. Rents paid under K-REIT Asia's lease agreements are generally fixed for the tenure of the lease period.

The Manager has used the following process to forecast the Gross Rent for the period following the expiry of a committed lease:

- The Manager has assessed the market rent for each lettable area at the Properties as at 30 September 2005. The market rent is the rent which the Manager believes could be achieved if each lease were renegotiated as at 30 September 2005 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 average growth rate assumed for Gross Rent payable in the Forecast Period for new leases, renewed leases or leases under rent review is approximately 3% above the market rent as at 30 September 2005.

(i) *Base rental income*

The base rental income is based on the rents payable by the tenants under the leases (after rent rebates, where applicable). For the Forecast Period, the Manager has forecast that the base rental income will be S\$22.0 million. Approximately S\$19.9 million (90.5%) of such forecast base rental income is attributable to committed leases.

(ii) *Tenant service charge*

The tenant service charge is a contribution paid by tenants towards the Property Expenses of each Property. In order to forecast tenant service charge, the Manager has, in the first instance, used the tenant service charge payable under committed leases. If a committed lease expires in the Forecast Period, the Manager has assumed that the tenant service charge payable under the new lease or lease renewal or payable pursuant to rent review will be the same as the amount payable under the existing committed leases. For the Forecast Period, the Manager has forecast that the tenant service charge will be S\$8.8 million. Approximately S\$8.0 million (90.9%) is attributed to committed leases.

(iii) *Renewals and occupancy rate*

The total Net Lettable Area of leases due for renewal in the Forecast Period is 16,611 sq m (22.7%). It has been assumed that 63.1% of the total Net Lettable Area of leases due for renewal will be renewed during the Forecast Period. This renewal rate assumption is based on the Manager's expectation that a major tenant, occupying 4,329 sq m of Net Lettable Area and whose lease expires on 31 December 2006 will not renew its lease. Excluding this tenant, the renewal rate assumed will be 85.3% of the total Net Lettable Area.

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

The Manager believes that these assumptions are appropriate for the following reasons:

- in respect of all the leases of the Properties that were due for renewal for the year ended 31 December 2005, an average of approximately 85.8% of leases by the total Net Lettable Area of such expired leases were renewed;
- the weighted average (by NLA) Committed Occupancy rate of the Properties as at 30 September 2005 was approximately 89.0% and is broadly consistent with the forecast portfolio average occupancy detailed below. (See "Business and Properties" for occupancy statistics for the Properties).

Forecast Portfolio Average Occupancy Rates	Forecast Period (%)
Prudential Tower Property	86.1
Keppel Towers and GE Tower	87.8
Bugis Junction Towers	99.2
Weighted Average	91.1

(b) Car park income

Car park income includes income accruing from 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 and are not being transferred to K-REIT Asia.

For the Forecast Period, the Manager has forecast a growth of 9.4% over the annualised car park income earned in the 9M 2005 taking into account the recent performance of the car park operations and the favourable impact of higher average occupancy at Keppel Towers and GE Tower in the Forecast Period compared to FY2005.

The Manager has therefore forecast total car park income for the Keppel Towers and GE Tower to be approximately S\$0.76 million for the Forecast Period.

(c) Other income

Other income is attributable solely to Keppel Towers and GE Tower and includes revenue from licence fees, rental of conference rooms and other miscellaneous income.

The Manager has forecast other income of S\$0.03 million for the Forecast Period.

(II) Property Expenses

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:

(a) Property tax

It has been assumed that property tax will remain at 10.0% of the estimated annual value of the Properties.

(b) 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 fee, reimbursable expenses to the Property Manager, administration overheads as well as other miscellaneous expenses relating to the Properties.

The Property Manager is also entitled to receive leasing commission at certain rates when it secures a tenant or a tenancy renewal. (See "Certain Agreements Relating to K-REIT Asia — Property Management Agreement: Leasing Commission").

An individual assessment of each of these expenses has been made for each of the Properties for the Forecast Period.

Included in other property expenses for the Forecast Period are (i) provisions of S\$1.4 million for the upkeep of the Properties, repairs and maintenance and fitting out expenses; (ii) utilities expenses of S\$1.2 million; (iii) reimbursement of salaries and related expense of S\$1.2 million; (iv) marketing expenses of S\$0.3 million; and (v) general and administrative expenses of S\$0.2 million.

(c) Property management fee

The Property Manager is entitled to a management services fee equal to 3.0% per annum of the Property Income of each of the real estate managed by the Property Manager (See “Certain Agreements Relating to K-REIT Asia — Property Management Agreement: Fees”).

(d) 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 owner of the strata-titled units are required to make contributions to the respective management corporations based on their respective share values in these Properties.

For Bugis Junction Towers, contributions of S\$3.80 (in respect of maintenance charges) per share value per month and S\$0.05 (in respect of sinking fund contributions) per share value per month are factored into the Forecast Period.

For the Prudential Tower Property, contributions of S\$11.50 (in respect of maintenance charges) per share value per month and S\$0.40 (in respect of sinking fund contributions) per share value per month are factored into the Forecast Period.

(III) Borrowing costs

K-REIT Asia will put in place the facilities comprising a 5-year term loan facility of approximately S\$190 million to be granted by the CMBS Issuer and a revolving credit facility of approximately S\$30 million to be granted by a financial institution. The term loan facility is intended to be used to part finance the acquisition of the Properties and the revolving credit facility is intended to meet the short term working capital needs of K-REIT Asia.

The CMBS Issuer will obtain the funds from the issuance of the Notes in respect of the term loan facility. Further, on the issue date of the Notes, the CMBS Issuer will enter into interest rate swap and cross currency swap agreements (“financial instruments”), the effect of which is to achieve an effective hedging of interest and foreign currency exchange rates.

In relation to the term loan facility, interest is payable at a fixed rate which is the sum of the coupon payable by the CMBS Issuer on the Notes and the attendant hedging costs of converting from floating rate to fixed rate.

As the CMBS Notes Offering may not be completed by the date of completion of the acquisition of the Properties by the Trustee, the Trustee has entered into the unsecured bridging loan facility of up to nine months for an amount of up to S\$200 million with Kephinance Investment Pte Ltd. The bridging loan facility will be made available in one lump sum to K-REIT Asia for a period commencing on the date of the Completion of the acquisition of the Properties by the Trustee until the Facilities are in place. Interest is payable under the Bridging Loan Agreement at a rate per annum equal to a margin of 0.4% per annum over SGD Swap Offer Rate (as defined in the Bridging Loan Agreement). The Bridging Loan shall be repaid in full once the CMBS Notes Offering is put in place.

The Manager has assumed a total borrowing of S\$190.6 million and an average interest rate of 3.96% per annum (including margin and annual amortisation of debt arrangement fees) for the Forecast Period. The Manager has also assumed that there will be no gains or losses arising from the financial instruments entered into by the CMBS Issuer. If prevailing interest rates at the time of the drawdown of the Bridging Loan and the Facilities are higher than that assumed, the borrowing costs would increase, which would adversely affect K-REIT Asia's profits and the amount of distributions it could make to Unitholders.

(IV) Manager's Management Fees

Under the Trust Deed, the Manager is entitled to a Base Fee of 0.5% per annum of the value of the Deposited Property payable quarterly in arrears and an annual Performance Fee of 3.0% of K-REIT Asia's Net Property Income before the Manager's management fees, gains and losses arising from disposal and revaluation of properties, and non-operating income and expenses, also payable quarterly in arrears (see "The Manager and Corporate Governance — Manager's Management Fees").

To further demonstrate its commitment to K-REIT Asia, the Manager has agreed to receive its management fees in respect of the period from the date of the Distribution *In Specie* to 31 December 2007, entirely in the form of Units (rather than cash). (See "The Manager and Corporate Governance — Manager's Management Fees" for further details of the Manager's management fees).

To arrive at the forecast distribution for the Forecast Period, it has been assumed that the Manager's management fees will be paid 100% in Units issued at an assumed issue price per Unit equivalent to the pro forma net asset value per Unit as at 30 September 2005.

(V) Trust Expenses

Trust expenses comprise recurring operating expenses such as the Trustee's fee, annual listing fees, registry fees, accounting, 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 per annum. The Trustee's fee is presently charged on a scaled basis of up to 0.03% per annum of the value of the Deposited Property, excluding out-of-pocket expenses and GST. The Trustee's fee for the Forecast Period is S\$0.095 million. The fee is accrued monthly and paid quarterly in arrears in accordance with the Trust Deed (see "The Formation and Structure of K-REIT Asia — The Trustee").

(VI) Capital Expenditure

An allowance for the forecast capital expenditure for improvement works has been included based on the Manager's assessment. It has been assumed that the capital expenditure will be funded primarily through cash flow from operations and/or further borrowings. Capital expenditure incurred is capitalised as part of the value of the relevant Property and has no impact on the Forecast Profit and Lost Statement or distributions other than the interest incurred on borrowings and capital allowances claimed.

The capital expenditure for improvement works at the Properties is forecast as follows:

	Forecast Period
	(S\$'000)
Improvement works	158
Major Refurbishment	180

The primary components of this forecast capital expenditure are as follows:

- For the Forecast Period, Keppel Towers and GE Tower intend to (i) replace the capacitor banks of the buildings (S\$0.02 million); (ii) retrofitting of the cooling tower (S\$0.03 million); (iii) replacement of VAV system (S\$0.05 million); and (iv) the replacement of computer hardware for the building automation system (S\$0.05 million).
- For the Forecast Period, Bugis Junction Towers intend (i) to refurbish the interior of all the building's lifts (S\$0.12 million); and (ii) the replacement of the copper pipings in the toilets and pantry (S\$0.06 million).

(VII) Distribution Reinvestment Arrangement

The Trust Deed allows the Manager, where appropriate, the option of activating an arrangement whereby Unitholders may elect to reinvest all or part of their distribution entitlement in return for an issue of additional Units in K-REIT Asia. It has been assumed that the Manager will not activate the distribution reinvestment arrangement for the Forecast Period. This assumption does not, however, preclude the Manager from exploring the implementation of such a distribution reinvestment arrangement during the Forecast Period.

(VIII) Establishment and Issue Expenses

The costs associated with the establishment of K-REIT Asia and the issue of the Units will be paid for by K-REIT Asia. These costs are charged against Unitholders' funds in the balance sheet and have no impact on the Forecast Profit and Loss Statement or distributions.

(IX) Properties

K-REIT Asia's portfolio of Properties have been acquired at the average of their independent aggregate Appraised Values. It is assumed that the Properties will be revalued annually, effective 31 December each year and commencing from 31 December 2006. For the purposes of the profit forecast, the Manager has assumed an increase in the value of the Properties to the extent of the assumed capital expenditure described in paragraph (VI) above for each of the years in question. The Manager has made a hypothetical assumption that the values of the Properties (except for the effect of the assumed capital expenditure) will, until 31 December 2006, remain at the amounts at which they were valued as at 24 November 2005. Any subsequent write-down of the values of the Properties will not affect the forecast distributions per Unit for the Forecast Period because K-REIT Asia's distributions are based on Taxable Income, which excludes appreciation and depreciation upon revaluation of the Properties.

(X) Accounting Standards

The Manager has assumed no change in applicable accounting standards or other financial reporting requirements that may have a material effect on the Forecast Profit and Loss Statement.

Significant accounting policies adopted by the Manager in the preparation of the profit forecast are set out in "Appendix IV — Independent Accountants' Report on the Pro Forma Financial Information".

(XI) Other Assumptions

The Manager has made the following additional assumptions in preparing the profit forecast for the Forecast Period:

- that the property portfolio remains unchanged throughout the periods;
- that no further capital will be raised during the periods;
- that there will be no change in taxation legislation or other applicable legislation;
- that there will be no change to the Tax Ruling;
- that all leases and licenses are enforceable and will be performed in accordance with their terms (with allowances for bad and doubtful debts); and
- that 100.0% of the Taxable Income will be distributed.

Sensitivity Analysis

The forecast distributions included in this Document are based on a number of assumptions that have been outlined above. The forecast distributions are also subject to a number of risks as outlined in “Risk Factors”.

Recipients of this Document and all prospective investors in the Units should be aware that future events cannot be predicted with any certainty and deviations from the figures forecast in this Document are to be expected. To assist recipients of this Document and all prospective investors in the Units in assessing the impact of these assumptions on the profit forecast, a series of tables demonstrating the sensitivity of the DPU to changes in the principal assumptions are set out below. For example, the sensitivity analysis below assumes that the Manager’s management fees will be paid in the form of Units for the Forecast Period (see “Assumptions (IV) — Manager’s Management Fees”). As the Manager has agreed to receive all of its management fees in respect of the period from the date of the Distribution *In Specie* to 31 December 2007 and the Forecast Period as would be required to support, to the extent possible, the forecast distributions during the said periods, in the form of Units (rather than cash), such support provided by the Manager may lessen or offset the impact of a decrease in Gross Rent; an increase in other property expenses (i.e., Property Expenses excluding property tax, Property Manager’s property management fee and maintenance and sinking fund contributions); and/or an increase in borrowing costs.

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

Gross Rent

Changes in the Gross Rent will impact the Net Property Income of K-REIT Asia and, consequently, the DPU. The assumptions for Gross Rent have been set out earlier in this section. The effect of variations in the Gross Rent on the DPU is set out below:

Gross Rent	Impact on DPU pursuant to changes in Gross Rent		
	Forecast Period		
	Increase/ (decrease)	DPU	Change
	(cents)	(cents)	(%)
5% below base case ⁽¹⁾	(0.06)	5.37	(1.10)
Base case ⁽²⁾	—	5.43	—
5% above base case ⁽¹⁾	0.07	5.50	1.29

Notes:

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

Other property expenses

Changes in other property expenses (i.e., Property Expenses excluding property tax, the Property Manager’s property management fee and maintenance and sinking fund contributions) will impact the Net Property Income of K-REIT Asia and, consequently, the DPU. The assumptions for other property expenses have been set out earlier in this section. The effect of variations in other property expenses on the DPU is set out below:

Other property expenses	Impact on DPU pursuant to changes in other property expenses		
	Forecast Period		
	Increase/ (decrease)	DPU	Change
	(cents)	(cents)	(%)
10.0% below base case ⁽¹⁾	0.20	5.63	3.68
Base case ⁽²⁾	—	5.43	—
10.0% above base case ⁽³⁾	(0.20)	5.23	(3.68)

Notes:

- (1) Implies a decrease of 10.0% in other property expenses.
- (2) DPU as shown in the Forecast Profit and Loss Statement.
- (3) Implies an increase of 10.0% in other property expenses.

Borrowing Costs

Changes in borrowing costs will impact the Net Profit After Tax of K-REIT Asia and, consequently, the DPU. The effect of variations in borrowing costs on the DPU is set out below:

Borrowing costs	Impact on DPU pursuant to changes in borrowing costs		
	Forecast Period		
	Increase/(decrease)	DPU	Change
	(cents)	(cents)	(%)
50 basis points decrease in the applicable interest rate	0.39	5.82	7.18
Base case ⁽¹⁾	—	5.43	—
50 basis points increase in the applicable interest rate	(0.39)	5.04	(7.18)

Notes:

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

THE OFFICE PROPERTY MARKET IN SINGAPORE

The Manager commissioned DTZ Debenham Tie Leung (SEA) Pte Ltd, the Independent Property Consultant, to prepare a report on the office property market in Singapore (see “Appendix VI — Independent Office Market Review”). The following is a summary of the said report:

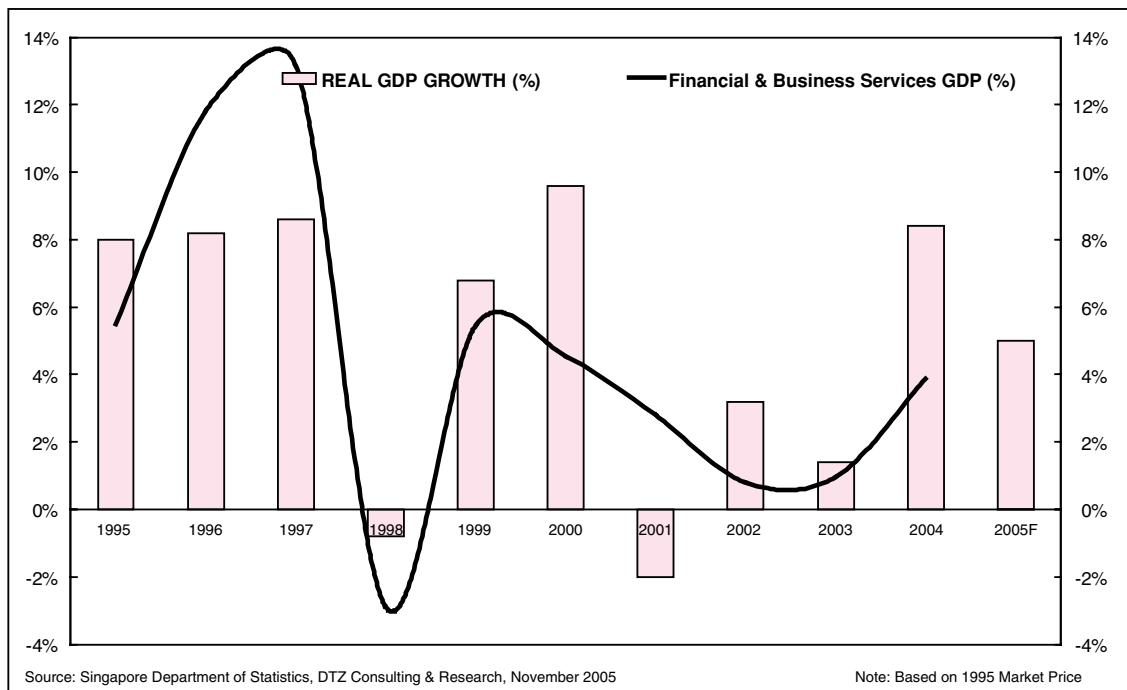
SECTION ONE

THE ECONOMY

1.1 Performance

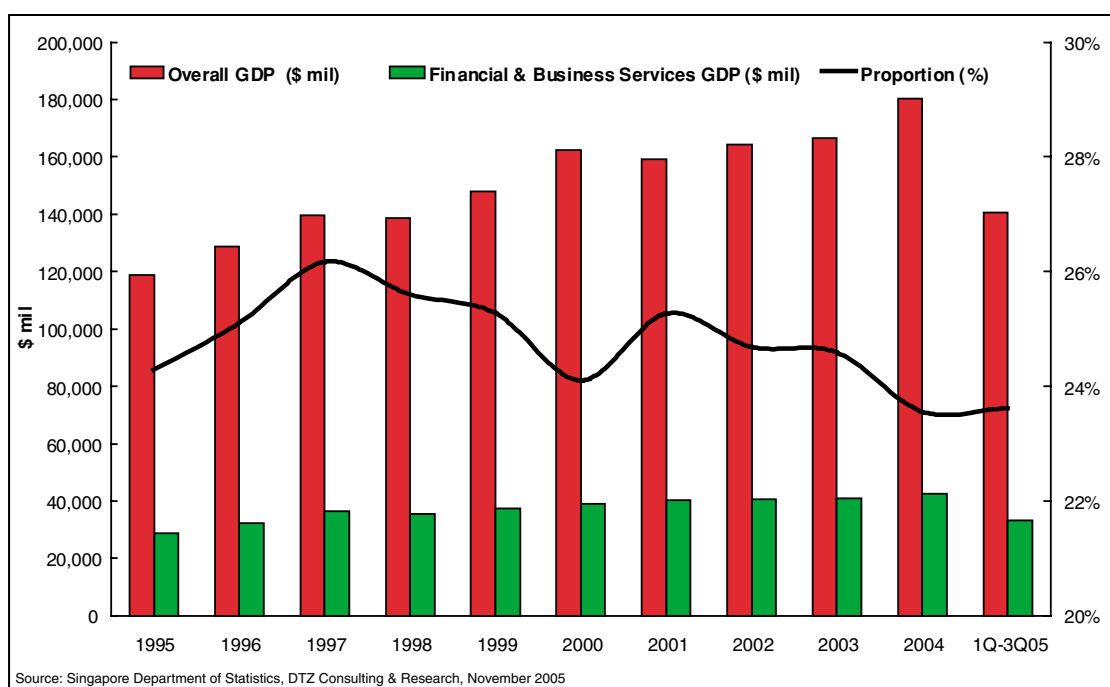
The Singapore economy grew by an average 5.1% in the last ten years. As an open economy, it experienced two brief recessions in 1998 and 2001, precipitated by the Asian financial crisis and the NASDAQ crash respectively.

Figure 1: Growth in Overall GDP and Financial & Business Services GDP



The Financial & Business Services sector (the key driver for office demand) is one of the two pillars of the economy, the other being Manufacturing. In the last decade, the Financial & Business Services sector has contributed an average 25% to GDP. In 1Q-3Q2005, the sector contributed 24% to GDP.

Figure 2: Contribution of Financial & Business Services GDP to Overall GDP¹



Economic growth was a robust 8.4% in 2004. The economy continued to grow by 7% in 3Q2005, led by resurgence in manufacturing, financial services and entrepot trade, a reflection of improvement in the global economy.

The Ministry of Trade & Industry in Singapore has raised full year 2005 GDP forecast to 5%. GDP is forecast to grow by 3% — 5% in 2006. Contribution from the Financial & Business Services sector is expected to hover around the target 25%.

1.2 Development Strategy

To develop Singapore as a leading global city and a regional hub, the Government has identified six key economic strategies:

- To strengthen external ties with developed economies. The multi-lateral framework of the World Trade Organisation is supplemented by bi-lateral Free Trade Agreements (FTAs) with key trading partners to secure economic ties and market access;
- Provide a competitive, efficient and flexible pro-business environment through measures such as keeping a low tax burden on the economy, a labour market that is responsive to volatile business cycles and competitive pricing for infrastructure and factors of production;
- Transform Singapore into a knowledge-based economy underpinned by innovation, creativity and entrepreneurship. Singapore companies are encouraged to sprout an external wing to venture abroad and tap new markets;
- Strengthen the twin engines of growth in manufacturing and services so that it is more innovative-driven, for example by enhancing the protection and commercialization of intellectual property;
- Develop its people by investing in education, encouraging a diversity of talent and welcoming global talent to augment the indigenous talent pool; and
- Restructure its economy with emphasis on skills training and upgrading to ensure an employable workforce.

¹ All currencies are in S\$ unless otherwise stated.

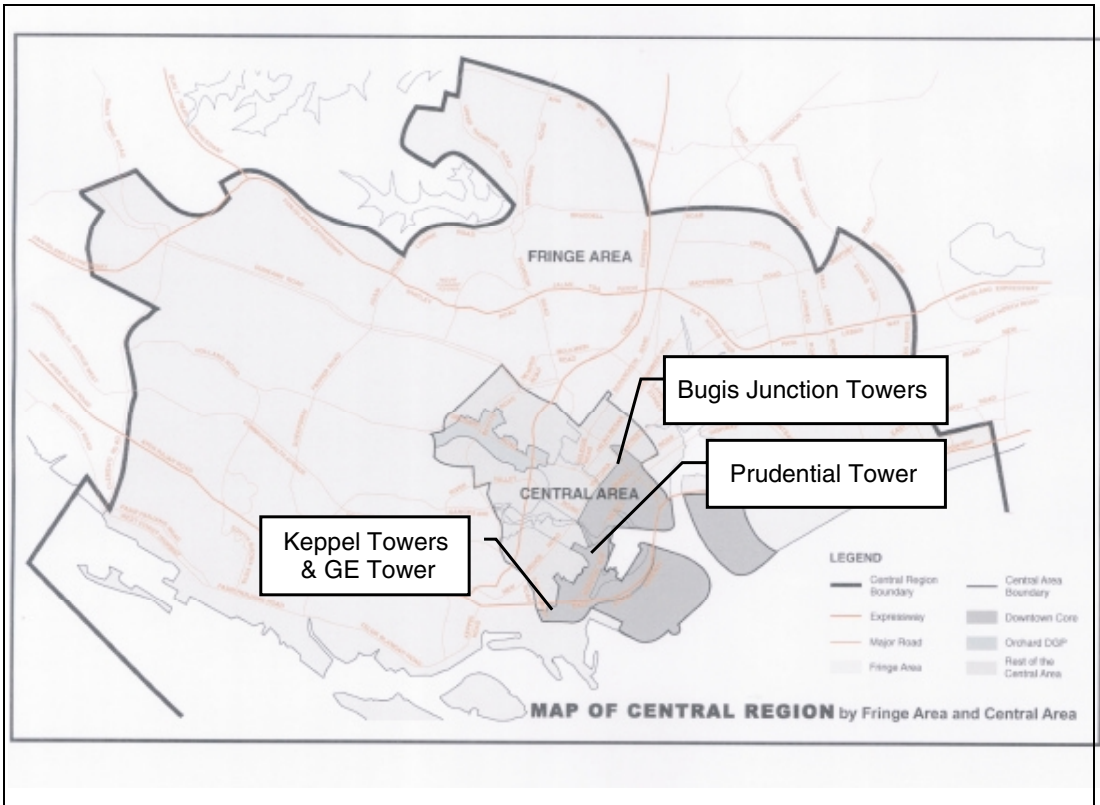
SECTION TWO
OFFICE MARKET REVIEW

2.1 Supply

The Singapore office market has matured in tandem with its economy. Over the years, the stock of office space has grown and quality of space has improved to meet the changing demands of occupiers.

For planning purposes, the Singapore office market is grouped into two major regions — Downtown Core, Orchard, Rest of Central Area and Fringe Area which collectively form the Central Region, and Outside the Central Region.

Figure 3: Map of Central Region



Source: Urban Redevelopment Authority, DTZ Consulting & Research, Nov 2005

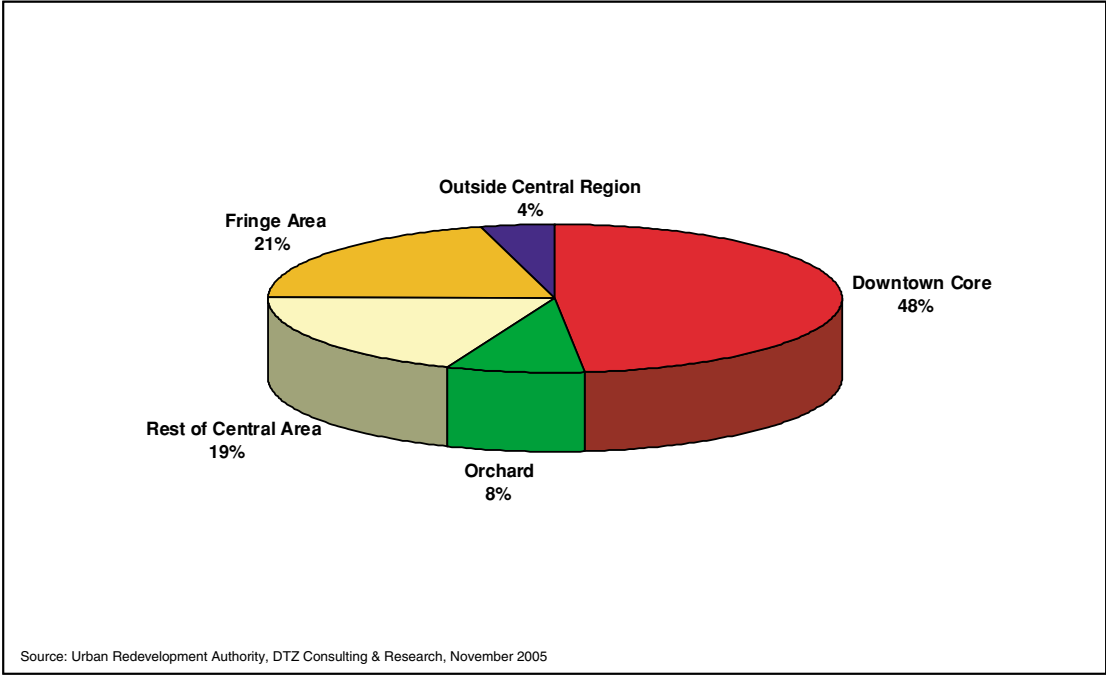
2.1.1. Existing Supply

Island-wide office stock totals 69.5 mil sf², of which most (42%) are located in the Downtown Core followed by the Fringe Area (26%). The Downtown Core (often regarded as the Central Business District or CBD) comprises mainly the Raffles Place area, Shenton Way/Robinson Road/Cecil Street area, Anson Road/Tanjong Pagar area, Beach Road/North Bridge Road, Bras Basah/Selegie area and Marina Centre area.

Almost 80% (55.3 mil sf) of the stock is privately owned while the public sector owns offices mainly for owner-occupation. Almost half the privately-owned offices are in the Downtown Core.

² All areas referred to are net floor areas, unless otherwise stated.

Figure 4: Distribution of Private Office Space as at 3Q2005



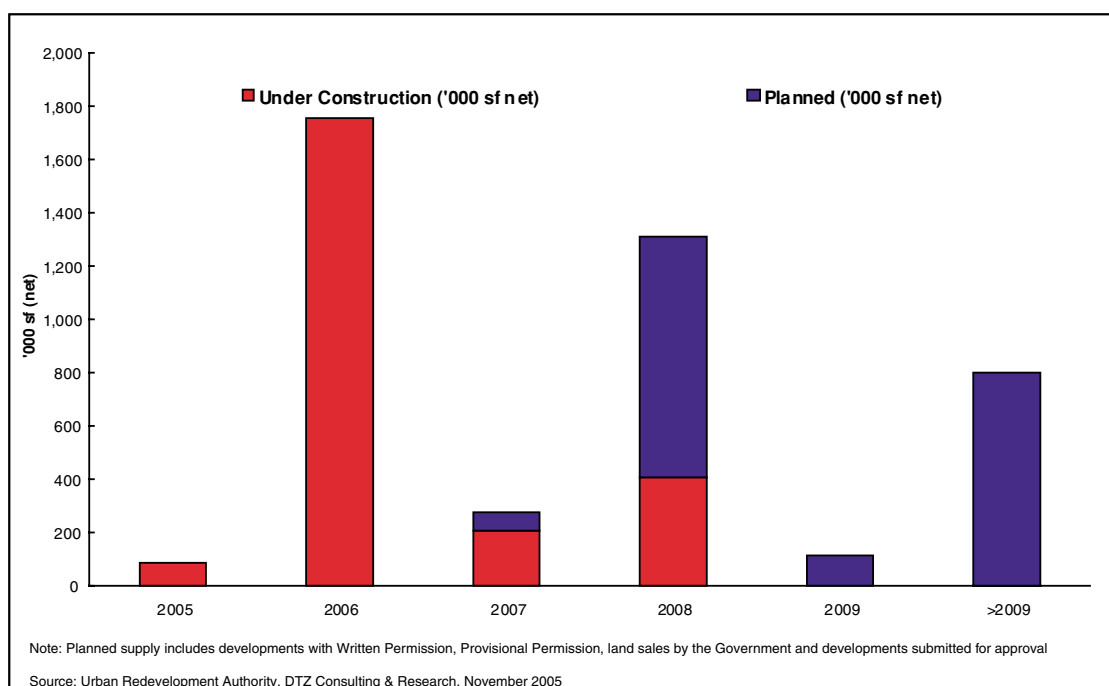
The stock of private office in Singapore has declined by 441,000 sf since 2004 as older office buildings are demolished for redevelopment and new supply was limited.

2.1.2. Potential Supply

The potential supply of private office space is estimated at 4.3 mil sf³, of which 57% (2.5 mil sf) is under construction. Potential supply in the next four years is limited, averaging 863,000 sf per annum. The weak economic conditions and office leasing market in the past few years led to a significant slowdown in inventory investment as developers stall their development plans. This has resulted in the classic supply crunch of potential office (especially prime) space which is currently being experienced in many office markets in Asia.

³ Assuming 80% efficiency.

Figure 5: Potential Supply of Office Space as at 3Q2005



After the completion of One Raffles Quay (1.3 mil sf) in 2006, major supply of prime office space will only come on stream in late 2009/2010 with completion of the Business Financial Centre (BFC) estimated at 1.65 mil sf. The much awaited BFC, one of the anchor developments in the new downtown at Marina Bay, is specifically developed to raise Singapore's competitiveness by meeting the needs of international financial institutions and businesses.

Figure 6: Major Office Completions

TOP	DEVELOPMENT	MICRO-MARKET	LOCATION	ESTIMATED NLA (SF)
2006	3 Church Street	Downtown Core	3 Church St	290,280
	One Raffles Quay	Downtown Core	1 Raffles Quay	1,314,000
	Parakou Building	Downtown Core	Robinson Rd	63,720
	SIF Building @96 Robinson Road	Downtown Core	96 Robinson Rd	67,510
			Sub-total	1,735,510
2007	VisionCrest	Downtown Core	Clemenceau Ave/ Oxley Rise/Penang Rd	128,220
				Sub-total
2008	Central	Rest of Central Area	Clarke Quay	402,830
				Sub-total
2009/ 2010	Business & Financial Centre	Downtown Core	Marina Boulevard/ Central Boulevard	1,650,000
				Sub-total
			Total	3,916,560

Source: Urban Redevelopment Authority, DTZ Consulting & Research, November 2005.

2.2 Demand & Occupancy

Demand for office space is highly correlated to economic performance as the Financial & Business Services sector is one of the twin drivers for economic growth and the major user of office space.

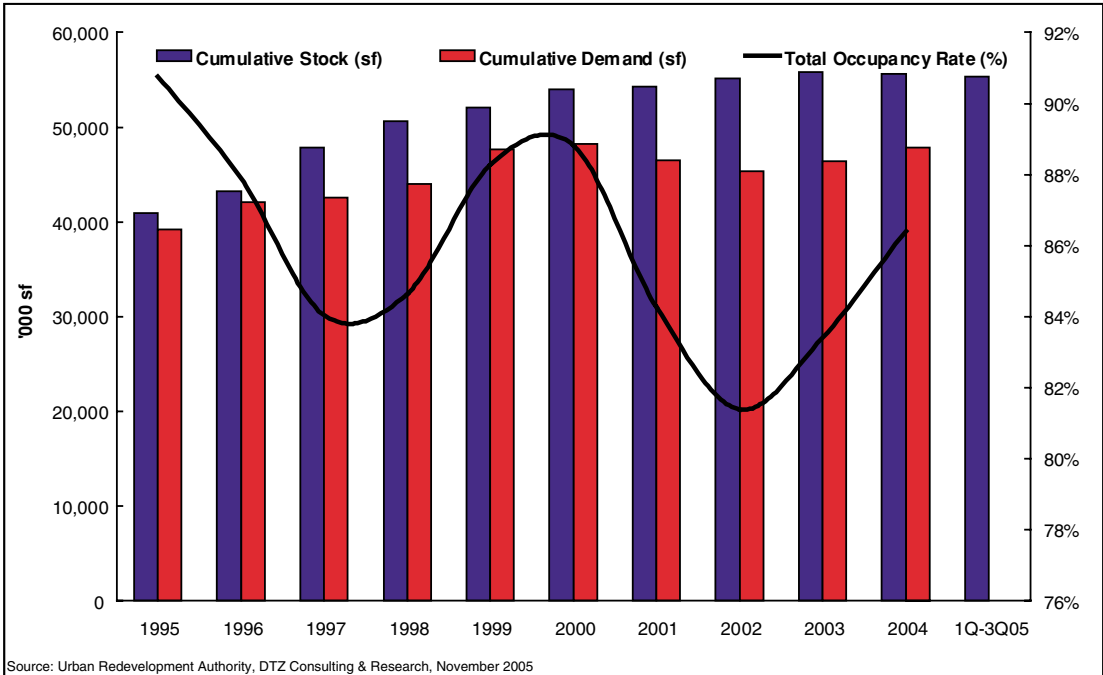
Singapore has won many accolades including Top in Ease of Doing Business in Asia⁴, Least Bureaucratic Place for Doing Business in Asia⁵, Best Labour Force⁶, Top in Corporate Governance⁷, Best Place to Live and Work in Asia⁸ and one of the World's Top 20 Most Globalised Nation⁹.

Demand for private office space averaged 1.2 mil sf per annum in the last decade. It peaked in 2000 at 3.6 mil sf, supported by irrational exuberance during the technology boom. Annual new demand was positive through the last decade, with the exception of 2002 and 2003 where prolonged anemic economic growth coupled with corporate restructuring, especially among banks, took a toll and annual demand contracted by an average 1.4 mil sf.

Demand in 1Q-3Q 2005 was a robust 1.4 mil sf. The initial recovery which was confined to financial institutions demanding for prime office space has become more broad base with demand now emanating from supporting businesses such as legal, accounting, management consulting, architectural, engineering and training.

Occupancy of private office space increased from a low of 81.4% in 2003 to 86.4% in 3Q2005. Limited supply of quality and contiguous office space in the next few years has led major firms to pre-lease. A DTZ survey of major completions in 2006 show that more than 40% of the space has already been pre-committed.

Figure 7: Supply, Demand and Occupancy of Private Office Space



⁴ World Bank, 2005.

⁵ Political & Economic Risk Consultancy, 2005.

⁶ BERI, 2005.

⁷ Political & Economic Risk Consultancy, 2005.

⁸ EIU Quality of Life Index 2005.

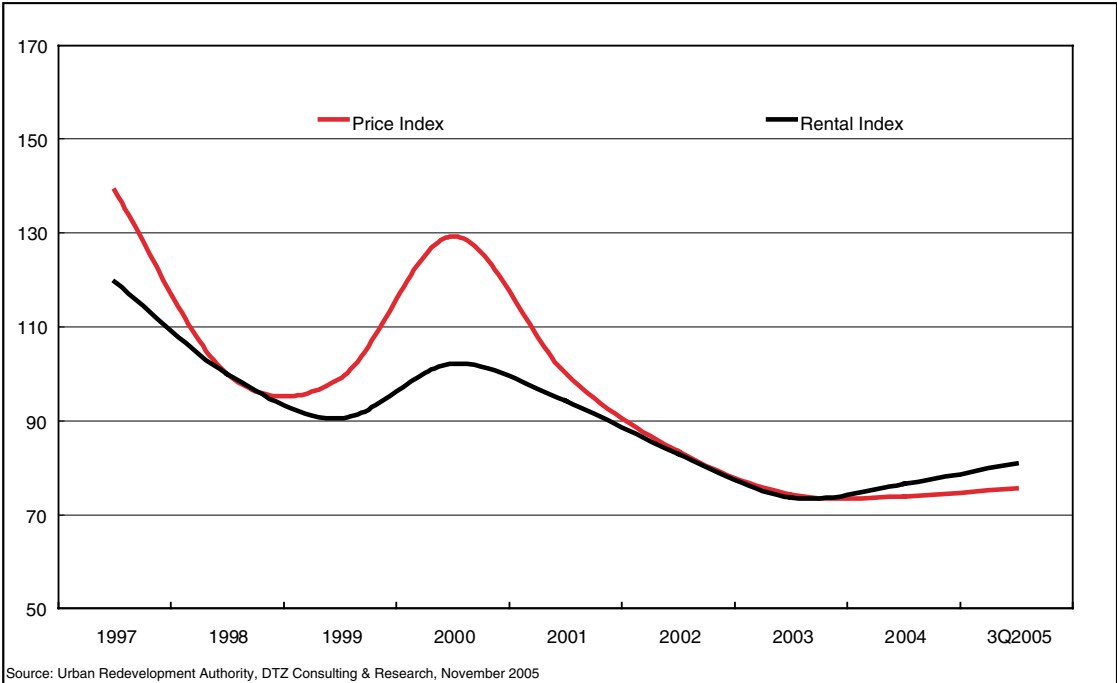
⁹ A.T. Kearny, 2005.

2.3 Rental and Price Trends

The Urban Redevelopment Authority (URA) Rental Index for the Central Area fell by 32% from its 2Q1996 peak before bottoming out during the Asian financial crisis in 3Q1999. It rose by 16% before peaking in 1Q2001. With the burst of the dot.com bubble, numerous corporate mergers and acquisitions and economic slowdown, rents declined for the next three years by 30% before bottoming out in 1Q2004. The URA Rental Index for the Central Area has since increased by 11%.

The URA Price Index for the Central Area declined more significantly than the Rental Index, by 43% from the 3Q1996 peak to bottom out in 3Q1999. Fueled by rental growth and spill-over exuberance from the residential and tech markets, the Index rose by a significant 44% to peak in 4Q2000. As the economy weakens, together with global events such as September 11, 2001 terrorist attack, the Bali bombing in Oct 2002, the war in Iraq and SARS in 1H2003 which impacted investment sentiments, prices took a protracted fall of 44% before stabilizing in early 2004 as office leasing demand turned around. The URA Price Index for the Central Area has since recovered by 4%, supported by economic and rental growth as well as increased investment interest.

Figure 8: URA Rental & Price Indices (Central Area)



2.4 Investment Sales

Economic restructuring, recovery of Asian economies and growth of China and India in particular, has opened up opportunities in recent years. The rise of real estate investment trusts (REITs) across Asia has also resulted in an enhanced real estate framework and greater transparency, attracting global institutional interests. Singapore, with its well-defined framework and reputation as a traditional investment hub for the region, has benefited from institutional funds (including REITs) as well as from regional investors looking to invest their gains.

Prices have fallen significantly and with strong recovery in the leasing market, the office market is increasingly attractive. Income-generating office buildings continue to be the investment of choice for many yield-driven investors, resulting in the sale of numerous office buildings in the last two years. Interests are emanating from Singapore-listed REITs such as Capital Commercial Trust, Suntec REIT and Macquarie MEAG Prime REIT as well as foreign investors from traditional sources such as Indonesia and Hong Kong and new sources including Australia, Europe and the US.

Figure 9: Major Office Building Transactions

NAME OF DEVELOPMENT	MICROMARKET	LOCATION	TENURE	ESTIMATED NFA (SF)	PRICE (\$ MIL)	PRICE (PSF)
2004						
The Globe	Downtown Core	100 Cecil Street	99	38,982	19.00	487
78 Shenton Way	Downtown Core	78 Shenton Way	99	298,165	151.000	506
Sinsov Building	Downtown Core	55 Market Street	999	53,111	34.10	641
2005						
HSBC Building	Downtown Core	21 Collyer Quay	999	200,467	147.00	733
HMC Building*	Downtown Core	2 Mistri Road	99	56,614	20.50	362
LKN Building	Downtown Core	135 Cecil Street	Freehold	85,000	43.00	506

* Sold as redevelopment site

Source: DTZ Consulting & Research, Nov 2005

2.5 Market Trends

There are some policy, economic and social trends that will have a bearing on the office market going forward.

2.5.1 Multi- and Bi-lateral Trade Agreements

To boost external trade, Singapore continues to strengthen its external ties. To date, nine FTAs have been concluded including those with Japan, India and the US¹⁰. Negotiations are underway for another 16 agreements. These trade agreements are expected to increase foreign direct investment, improve market access, lower trade barriers and enhance intellectual property rights.

2.5.2 Liberalization & Promotion of Financial Services Sector

The Government is promoting Singapore as a financial hub by liberalizing the industry to develop greater breadth and depth to compete globally. To attract more interests, the Government is strongly promoting wealth management, private equity, treasury operations, fixed income, Islamic financing, securitization and instruments such as REITS, unit trusts and derivatives.

2.5.3 Outsourcing and Off-shoring

The global trend for business process outsourcing and off-shoring, driven by the search for the most cost-efficient operation, has created opportunities. Singapore has been recognized as one of the best off-shore locations globally¹¹, supported by its robust physical infrastructure and a skilled workforce.

Within Singapore, corporates are outsourcing back-office and other support functions such as facilities management, data centre management and IT services. While some of these are off-shored, others continue to operate from Singapore. Hence corporates are able to better strategise their accommodation needs, paying top rents for prime office space to house functions that demand it while the outsourced activities are typically housed in less prime accommodation including decentralized offices and business parks.

¹⁰ FTAs have also been signed with Australia, European Free Trade Association, Hashemite Kingdom of Jordan, Korea, New Zealand and Trans-Pacific SEP (Brunei, New Zealand, Chile and Singapore).

¹¹ A.T. Kearney Offshore Location Attractiveness Index, 2005.

2.5.4 Mergers and Acquisitions (M&A)

As companies globalize and businesses become increasingly competitive, M&A will continue to take place, although the effect on employment and office space will be mitigated by economic recovery.

2.5.5 Business Continuity Plans (BCPs) & Decentralisation

With an increasingly volatile business environment following the Sept 11 events and SARs, many companies have BCPs where accommodation is decoupled to ensure business continuity. Once again, this has allowed corporates to locate some of their functions away from the head office which is often in a prime location.

Continued improvement in the Mass Rapid Transit (MRT) together with the Government's plans for fringe, decentralized and regional office clusters have promoted the development of quality offices outside the CBD. Occupiers are now able to better match their accommodation requirements as the stock of quality offices improve in various locations across the island.

2.5.6 New Downtown at Marina Bay

As one of the Government's major initiative to increase Singapore's competitiveness, the existing CBD is being expanded seamlessly to include the new downtown at Marina Bay. The new downtown will be a place for work, live and play, where an integrated environment with quality offices, housing, entertainment, recreation and leisure thrives, connected by tree-lined boulevards, pedestrian-friendly streets and underground links.

By 2010, downtown at Marina Bay will have a working community at One Raffles Quay and the BFC; a live-in population at The Sail @ Marina Bay; entertainment, retail, convention exhibition, hotel and complimentary uses at the integrated resort, the Singapore Flyer and the Marina Barrage, transforming the precinct into a vibrant 24/7/365 place.

2.5.7 Rejuvenation of Existing CBD

Plans for the new downtown have created the opportunity for the existing CBD to rejuvenate. Like many traditional CBDs across the world, it only buzzes during the workday. However, this is set to change. Current demand for office space, where tenants are willing to pay top rents for prime space, has resulted in many old and pencil-like buildings in the CBD being economically obsolete.

Some owners are taking this opportunity to redevelop their properties, some into residential. This will inject vibrancy into the existing CBD, transforming it into an area with a working and live-in population, a 24/7/365 hub to complement the new downtown at Marina Bay.

2.5.8 Alternative Workplace Strategy (AWS)

An increasingly globalised and competitive business environment supported by leapfrogs in technology has revolutionized the way people work. Work is no longer limited to a location or a time. It can take place anywhere — in the client's office, at home, in the café or in the park — across time zones. The rise of more creative and enterprising businesses has also eroded the need for traditional offices. Meanwhile, workspace ratios are declining and in some instances, the number of staff exceeds the number of workstations.

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. While sales of some of these SOHO units have been encouraging, supply remains relatively limited and is unlikely to be a major threat to the office market.

2.6 Prospects

The office market is on track for a strong recovery in the next few years. Supply, particularly for prime and well specified office space, remains limited. Meanwhile, older office buildings are being demolished to make way for new developments. This will further tighten availability in the interim. In addition, some of these developments such as 1 Shenton Way, Natwest Building and Asia Chambers, have already received planning approvals for redevelopment into residential.

Economic growth in Singapore and globally will underpin demand for office space. Demand will continue to arise from businesses requiring modern offices catering to the rigorous needs of the occupants for example, financial institutions for larger floor plates, efficient lay-out with back-up power supply. Robust demand for prime and quality space will continue to strengthen. However, as this supply diminishes further, demand will filter to other grades of offices as well.

SECTION THREE

MICRO-MARKET REVIEW

The subject properties (Prudential Tower Property¹², Keppel Towers & GE Tower and Bugis Junction Towers) are all located in the Downtown Core. As at 3Q2005, there are some 28.9 mil sf¹³ of office space in the Downtown Core, of which 26.8 mil sf (93%) are privately owned.

3.1 Location

Prudential Tower is situated in the Raffles Place area, the heart of the CBD. Being in the financial hub, buildings in the vicinity attract high profile occupants in the financial services, multi-national corporations and professional services.

Keppel Towers and GE Tower are located in the Anson Road/Tanjong Pagar area, near the Tanjong Pagar Container Terminal. The area is popular with shipping- and logistics-related companies as well as corporates who desire to be near the port or the industrial estates/business parks in the western part of Singapore and, at the same time, have convenient access to the CBD and Government agencies.

Bugis Junction Towers is located in the Beach Road/North Bridge Road area, adjacent to the Bugis/Bras Basah enclave. The Beach Road/North Bridge Road area attracts companies in the insurance, advertising, educational and professional services. The Bugis/Bras Basah area is envisaged to be developed into a precinct for learning, creative expression and youthful exuberance with a concentration of cinemas, theatres, performance venues, thematic shopping and dining and an education hub. The Singapore Management University (Phase 1) and National Library @SINGAPORE were recently completed and with completion of LaSalle SIA next year, the area will be further rejuvenated.

3.2 Occupancy, Rents and Prices

Occupancy of private office stock in the Downtown Core reached 86.2% in 3Q2005 compared with 82.4% in 4Q2004. Median monthly gross rents of offices in the Central Area peaked in 1Q2001 at a high of \$5.60 psf before declining 29% to \$4.00 psf in 1Q2004. Median monthly gross rents in the Central Area have since recovered by 11% to \$4.40 psf.

Similarly, median prices in the Central Area peaked in 4Q2000 at \$1,120 psf. Median prices fell by a much higher 44%, compared with rents, to a low of \$630 psf in 1Q2004. Median prices have increased by a marginal 4% since to \$650 psf in 3Q2005.

Median monthly gross rents in the Central Area are currently almost double that in the Fringe Areas while Median prices in the Central Area commands a premium of 33% over that in the Fringe Areas. Generally, rents and prices are more volatile in the Central Area compared with the Fringe Areas as the nature of businesses in these locations tends to be more sensitive to the global business environment.

¹² Prudential Tower Property consists of units #01-01, #10-01 to 08 to #19-01 to 08, excluding #16-05 to 08.

¹³ URA.

SECTION FOUR

ANALYSES OF SUBJECT PROPERTIES & FORECASTS

4.1 The Subject Properties¹⁴

4.1.1 Prudential Tower Property

(Units #01-01, #10-01 to 08 to #19-01 to 08, excluding #16-05 to 08)

The subject property comprises offices on the 1st and 10th to 19th storeys in a 30-storey Grade A building known as “Prudential Tower”. The building is a short walk from the Raffles Place MRT interchange station and near major expressways such as East Coast Parkway, Ayer Rajah Expressway and Central Expressway. The 99-year leasehold building was completed in 1998 and has a total strata floor area of 10,250 sm. The typical floor plate of 11,055 sf is regular shaped and efficient.

The property is 86.9% committed as at 30 September 2005, to a diversified group of financial and business services tenants such as Convergys Singapore, KBC Bank N.V. and The McGraw Hills Company, with average monthly gross rents of \$4.68 psf.

4.1.2 Keppel Towers and GE Tower

Keppel Towers and GE Tower are two of the premier office buildings in the Anson Road/Tanjong Pagar micro-market. Located at the fringe of the CBD, the development has freehold tenure and has 288 car parking lots on the 2nd and 3rd storeys and a landscaped roof garden on the 4th storey. The Tanjong Pagar MRT station is within walking distance while the Ayer Rajah Expressway, East Coast Parkway and Central Expressway are easily accessible.

Completed in 1991, Keppel Towers is a 27-storey commercial complex, while GE Tower is a 13-storey commercial block completed in 1993. The development has a total net lettable floor area of 40,295 sm and typical floor plates of 14,919 sf and 7,632 sf for Keppel Towers and GE Tower respectively. The development is 85.3% committed as at 30 September 2005 with tenants such as GE Pacific, Novartis Singapore, Singapore Business Federation and Unisys at an average monthly gross rent of \$3.03 psf.

4.1.3 Bugis Junction Towers

Bugis Junction Towers is part of a 99-year leasehold integrated hotel (406 rooms/suites InterContinental Hotel), retail (430,323 sf Parco Bugis Junction) and office development with two levels of basement car parks (648 lots) and direct access to the Bugis MRT station. The development has excellent frontage, being bounded by Victoria Street, Rochor Road, Middle Road and North Bridge Road. Major expressways including East Coast Parkway, Ayer Rajah Expressway and Central Expressway, are all within easy reach.

Bugis Junction Towers is situated above the retail podium with offices on the 4th to 15th storeys and roof gardens on the 14th and 15th storeys. Completed in 1994, Bugis Junction Towers is one of the few premier buildings in the area with net lettable floor area estimated at 22,990 sm. Well-specified and fairly regular in shape, it has a typical floor plate of about 21,000 sf.

Bugis Junction Towers is 96.2% committed as at 30 September 2005 with anchor tenants such as International Enterprise Singapore, InterContinental Hotels Group (Asia-Pacific) Prudential and the Keppel Land Group. Monthly gross rents averaged \$4.04 psf.

¹⁴ All information on the subject properties including tenancy are provided by Keppel Land International Limited.

Figure 10: Summary of Occupancy and Rents

	Downtown Core	Prudential Towers	Keppel Towers & GE Tower	Bugis Junction Towers
Occupancy	86.2% ¹⁵	86.9% ¹⁶	85.3% ¹⁶	96.2% ¹⁶
Average Monthly Gross Rents (psf) ¹⁷	\$4.42	\$4.66	\$3.03	\$4.04

Source: Urban Redevelopment Authority, Keppel Land International Ltd, DTZ Consulting & Research, Nov 2005

The summary shows that the portfolio of properties is performing reasonably well, and in most instances, outperforms the market in terms of occupancy. Considering the various micro-markets in which the properties are located, we believe that the average monthly gross rents for the subject properties are reasonable, as a number of leases were signed during the lull period, giving the opportunity to lease them out at higher rates upon lease expiration.

4.2 Rental Forecasts

We have forecasted the rents for the micro-markets in which the subject properties are located. Our outlook takes into consideration general trends which affect the office market as well as the specific factors relating to the locations:

- **Financial & business hub.** Various initiatives are being established to support the growing size and sophistication of financial markets in Singapore. For example, it is actively establishing a critical mass of regional and financial and training research facilities. Completion of the BFC in late 2009/2010 will further improve the infrastructure for financial institutions and benefit the office market by attracting more such businesses and supporting industries including legal, accounting and management consultants. Singapore is also positioning itself as the Gateway to the fast developing Asia Pacific economies including China and India. It is actively developing a business ecosystem to attract a mix of international and boutique firms in four key areas — audit, accounting and management accounting services; market development services including market research, advertising and public relations; human capital services; and legal services. Its competitive tax regime, access to markets, strengths as a launch pad for innovation and test bed and magnet for talent will continue to attract businesses.
- **Logistics hub.** Singapore is the world's busiest port and the second largest container port. Its strategic location, physical and IT infrastructure and skills in supply-chain management has resulted in more than 3,000 logistics companies, many of which are using Singapore as their regional distribution centres. Properties with proximity to the port/logistics facilities as well as the CBD will benefit.
- **Attracting talent.** In addition to its open-door policy, Singapore is creating a vibrant city by having places where people can work, live and play with emphasis on arts, culture and history. Quality of life will attract talent which will in turn attract businesses.
- **Downtown at Marina Bay** will help create the critical mass in enhancing the business ecosystem that attracts businesses. It will also help rejuvenate the existing CBD. Raffles Place will remain attractive to many tenants due to its excellent connectivity, including the Raffles Place interchange MRT station.
- **Rejuvenation.** Many changes are also taking place in the Anson Road/Tanjong Pagar Road area. In the last few years, The Amara Hotel and Hotel M were retrofitted, rejuvenating the area. The Icon (646 apartments), one of the first CBD residences to be completed by 2007 with SOHO-lifestyle, will further revitalise this part of the CBD upon completion.

¹⁵ Refers to occupancy of private office stock for the Downtown Core.

¹⁶ Committed occupancy in respect of the properties as at 30 September 2005

¹⁷ Refers to Median Monthly Gross Rents in the Central Area for the Downtown Core and Monthly Gross Rents for subject properties.

Having regard to the above and the shortage of well-specified offices catering to the demands of occupants, we expect monthly gross rents to rise by between 4% and 10% per annum between 2006 and 2009.

Figure 11: Forecast of Monthly Gross Rents for Micro-markets

	3Q2005	Forecast				
		End 2005	End 2006	End 2007	End 2008	End 2009
Raffles Place	\$5.20 psf	\$5.60 psf (8%)	\$6.20 psf (10%)	\$6.70 psf (8%)	\$7.20 psf (8%)	\$7.60 psf (6%)
Anson Road/ Tanjong Pagar	\$3.10 psf	\$3.30 psf (6%)	\$3.60 psf (9%)	\$3.80 psf (6%)	\$4.00 psf (5%)	\$4.20 psf (5%)
North Bridge Road/ Beach Road	\$3.40 psf	\$3.80 psf (12%)	\$4.20 psf (10%)	\$4.50 psf (7%)	\$4.80 psf (6%)	\$5.00 psf (4%)

Source: DTZ Consulting & Research, Nov 2005

Note: Parentheses refer to year-on-year increases with the exception of 2005 which refers to quarter-on-quarter increase.

SECTION FIVE

LIMITATIONS ON REPORT

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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THE MANAGER AND CORPORATE GOVERNANCE

The Manager of K-REIT Asia

The Manager, K-REIT Asia Management Ltd, was incorporated in Singapore under the Companies Act on 6 September 2004. The Manager is a wholly-owned subsidiary of Keppel Land. The Manager has a paid-up capital of S\$1.0 million, and its registered office is located at 1 HarbourFront Avenue, #18-01 Keppel Bay Tower, Singapore 098632. It has its principal place of business at 230 Victoria Street, #14-01 Bugis Junction Towers, Singapore 188024 and its telephone number is (65) 6835 7477.

Directors of the Manager

The Board is entrusted with the responsibility for the overall management of the Manager. The following table sets forth information regarding the Directors of the Manager.

Name	Age	Address	Position
Professor Tsui Kai Chong	50	25A Chuan Drive Singapore 554806	Chairman and Independent Director
Mr Kevin Wong Kingcheung	50	25 Claymore Road #16-03 Singapore 229543	Deputy Chairman and Non-Executive Director
Mr Tan Swee Yiow	45	1A Ontario Avenue #01-01 Singapore 576190	Chief Executive Officer and Director
Mrs Lee Ai Ming	51	5 Pandan Valley #07-701 Bauhinia Terrace Singapore 597629	Independent Director
Mr Lim Poh Chuan	59	151 Stevens Road #06-07 The Equatorial Singapore 257872	Independent Director
Dr Chin Wei-Li, Audrey Marie	48	1-M Pine Grove #03-43 Singapore 591201	Independent Director

Information on the business and working experience of the Directors is set out below:

Professor Tsui Kai Chong is the Chairman of the Manager. He has been a Director of Keppel Land Limited since 2001. He is Professor of Finance and Provost of SIM University. He was the founding Dean of the School of Business, Singapore Management University (SMU). He was also the Vice Provost of Undergraduate and Graduate Education. Prior to his being Dean, he was Acting Director of Communications and Information Technology at SMU. He was previously Deputy Director of the Graduate School of Business, National University of Singapore. There, he was Director of the MBA, MBA/LLM, Graduate Diploma and MSc Applied Finance programmes.

Professor Tsui's current research interests include financial instruments and the valuation of intangible assets. He has published papers on prediction of corporate financial distress, corporate capital structure, dividend policy, stock price behaviour and the futures market. He has served as a consultant, and conducted training programs, for various organisations.

He is a non-executive director of Fullerton Fund Management Company Ltd; an Examination Evaluator, Chartered Financial Analyst Examination, CFA Institute since 1994 and serves on the editorial board of the *Financial Analysts Journal* since 2003. He is also a member of the Board of Governors, The Intellectual Property Academy, Singapore and the Singapore Society of Financial Analysts.

Professor Tsui received his PhD in Finance from New York University in 1988 and his Chartered Financial Analyst qualification in 1993.

Mr Kevin Wong Kingcheung is the Deputy Chairman and Non-Executive Director of the Manager. He is concurrently the Managing Director of Keppel Land Limited since January 2000. He is Chairman and Director of Keppel Philippines Properties, Inc., Chairman and Director of Keppel Thai Properties Public Co Limited, and Vice-Chairman and Director of Dragon Land Limited. He is also a Director of Singapore Hotel Association.

Prior to joining Keppel Land Limited, Mr Wong had diverse experience in the industry working with companies in the UK, USA and Singapore. Mr Wong holds a Bachelor Degree in Civil Engineering with First Class Honours from Imperial College, University of London, and a Master degree from the Massachusetts Institute of Technology, USA.

Mr Tan Swee Yiow is the Chief Executive Officer and a Director of the Manager. He joined Keppel Land Group in 1990 and is the Director overseeing the Group's commercial investment and development operations in Singapore since 1998. He has held various positions within the Group, including Head of Project Development and Corporate Development before assuming his present appointment.

Mr Tan has played a key role in several prestigious commercial and integrated developments undertaken by Keppel Land Group. These include Bugis Junction, Capital Square, Prudential Tower and Keppel Bay.

He is currently overseeing landmark office developments in Singapore's new downtown in Marina Bay, namely One Raffles Quay and Business Financial Centre, in close proximity to the Integrated Resort site.

Prior to joining Keppel Land Limited, Mr Tan was with OCBC Bank group for five years from 1985 to 1990, advising property valuation, taxation and investment.

Mr Tan holds a Bachelor of Science Degree (First Class Honours) in Estate Management from the National University of Singapore and a Master of Business Administration in Accountancy from the Nanyang Technological University. He is currently a member of the Building Construction Authority's Construction Excellence Awards Committee and a member of the Management Committee of the Real Estate Developers' Association of Singapore.

Mrs Lee Ai Ming is an Independent Director of the Manager. She has been an independent director of Keppel Land Limited since November 2002. She is currently the Deputy Managing Partner of the law firm of Rodyk & Davidson. She has practised law for more than 20 years in the areas of commercial litigation, real estate and intellectual property. Mrs Lee is also an independent director, chairperson of the nominating committee and member of the audit committee of HTL Int'l Holdings Limited.

Mrs Lee serves on various other forums, including as Executive Committee Member of the Singapore Law Society and the Federation Internationale des Conseils en Propriete Industrielle; Vice-Chairperson, Asian Patent Attorney's Association — Singapore Group; Chairperson of the ASEAN subcommittee and member of the International Panel of Neutrals of the International Trade Marks Association.

Mrs Lee holds a Bachelor of Laws (Honours) Degree from the University of Singapore, and is an Advocate & Solicitor of the Supreme Court of Singapore.

Mr Lim Poh Chuan is an Independent Director of the Manager. He graduated with a Bachelor Degree in Economics from the University of Singapore in 1968 and started his banking career (1969 to 1984) with the Singapore-based United Overseas Bank Group (UOB Group). The Management Services Department formed by him assisted key directors in the formulation of group policies and setting up new corporations providing ancillary services such as merchant banking, nominee and custodian services. The department also oversaw investment activities of the group. He was promoted to General Manager of the Financial Services Division in 1982.

In 1984, Mr Lim resigned from UOB Group to join Singapore stockbroker JM Sassoon & Co. Pte Ltd (Sassoons), as director and shareholder. He retired in 1991 to pursue his private investments. Since retiring from Sassoons, Mr Lim has from time to time rendered his services as a private corporate consultant. He remained as a director on the board of Sassoon's subsidiary Harlow Ueda Sassoon (S) Pte Ltd (Harlows) and its associate Harlow (Malaysia) Sendirian Berhad. These companies operated as licensed money market funds and currencies brokers in the interbank markets. Mr Lim's ties with Sassoons continued up to the end of 2000 when Harlows was acquired and absorbed by London-based Garban Holdings (Netherlands) B.V.

In 1992, he assisted in the strategies of marketing the funds of Income Partners Asset Management (Asia) Ltd (IPAM), a company specialising in Asian bond investments based in Hong Kong, to institutions. In 2001, IPAM set up a screen-based platform to trade in Asian bonds called the Asianbondportal. Its major assets were subsequently sold to a rival portal. Mr Lim continues his association with IPAM's founders while continuing as a private corporate consultant.

Dr Chin Wei-Li, Audrey Marie is an Independent Director of the Manager. She is currently also an independent director, chairman of the audit committee, and member of the remuneration and nominating committees of Singapore Petroleum Company Ltd. She is the Head of Investment Services at Fortis Private Banking Singapore Ltd (formerly known as MeesPierson Asia Limited), the Private Bank of Fortis.

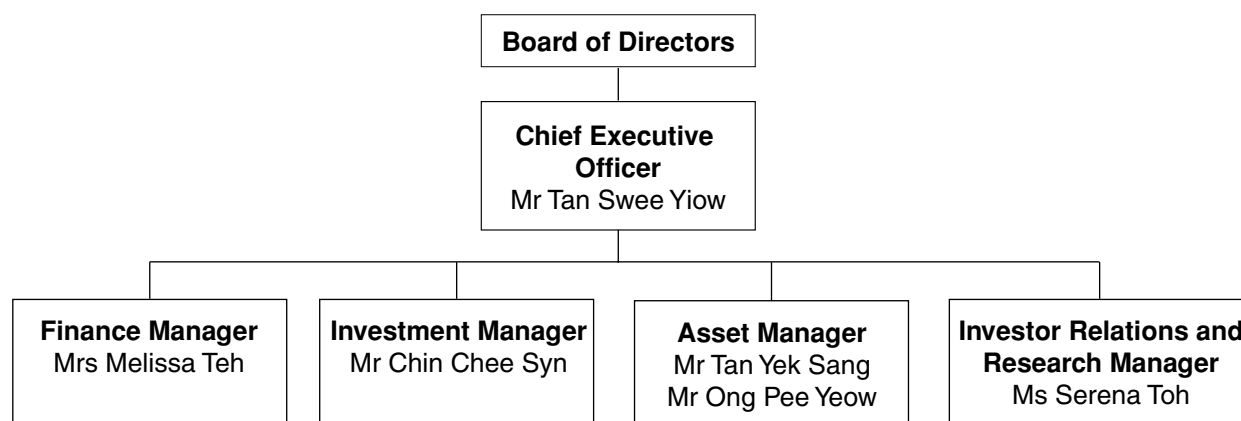
Prior to joining MeesPierson, she was an Asset Allocation Strategies Partner at Pacific Asset Management (S) Pte Ltd, a licenced boutique fund manager in Singapore. She was also an executive director of Rossignol Private Limited, an investment adviser providing consultancy services to institutional fund managers.

Dr Chin was also Division Head, Asset Allocation in the Economics and Strategy Department of the GIC between 1996 and 1999. She was responsible for recommending active global strategy to the GIC's Assets Allocation Committee.

Dr Chin was also part of GIC's risk management project group and spearheaded prototypes for performance targeting, management and risk capital allocation.

Dr Chin graduated from Manchester University with a Bachelor of Laws (Honours), Oxford University with a Masters of Science (Research Methods and Public Policy) and the Rand Graduate School with a Ph.D in Public Policy.

Management Reporting Structure of the Manager



Roles of the Executive Officers of the Manager

The **Chief Executive Officer** of the Manager is responsible for working with the Board to determine the strategy for K-REIT Asia. The Chief Executive Officer will also work with the other members of the Manager's management team to ensure that K-REIT Asia is operated in accordance with the stated investment strategy of the Manager. He will also be responsible for the strategic planning and development of K-REIT Asia.

The **Finance Manager** is in charge of the Finance Team, which is primarily responsible for the financials of K-REIT Asia. A large part of the Finance Team's function will be focused on the financial performance and financial indicators of the Properties of K-REIT Asia. Its work covers the projection of the rental returns, accounting for the rental collections and the operating expenses incurred in the course of managing and operating the property portfolio of K-REIT Asia. The Finance Team is also responsible for preparing the statutory accounts, co-ordinating with external auditors, managing the tax affairs, sourcing and managing the borrowings and preparing reports on the performance of K-REIT Asia.

The primary role of the **Investment Manager** is to identify and evaluate potential acquisitions with a view to enhancing K-REIT Asia's portfolio or divestments where a property is no longer strategic or fails to enhance K-REIT Asia's portfolio or fails to be yield-accretive. The Investment Manager also recommends and analyses potential asset enhancement initiatives.

The **Asset Manager** is responsible for formulating the business plans of K-REIT Asia's property portfolio with the aim of maximising the rental income of K-REIT Asia via proactive asset management. The Asset Manager works closely with the Property Manager to implement K-REIT Asia's strategies so as to maximise the income potential of the properties and minimise their expense base without compromising the marketability of the commercial space. The Asset Manager focuses on the operations and implementation of the short- to medium-term objectives of K-REIT Asia's portfolio and supervises the Property Manager in the implementation of the strategy.

The **Investor Relations and Research Manager** is responsible for facilitating communications and liaison with Unitholders with the aim of upholding transparency standards. This includes analyst meetings, roadshows, quarterly performance announcements, production of annual reports, managing the website, and regular statutory reporting including reporting to the SGX-ST in compliance with the Listing Manual. In addition, she is responsible for analysing the commercial market trends and tenant profiles.

Executive Officers of the Manager

The Board of Directors of the Manager will be assisted by a team of executive officers, whose particulars are set out below:

Name	Age	Address	Position
Mr Tan Swee Yiow	45	1A Ontario Avenue #01-01 Singapore 576190	Chief Executive Officer
Mrs Melissa Teh	49	495 Yio Chu Kang Road #15-01 Singapore 787080	Finance Manager
Mr Chin Chee Syn	34	300 Tanjong Katong Road #05-12 Singapore 437083	Investment Manager
Mr Tan Yek Sang	39	221 Bishan Street 23 #07-183 Singapore 570221	Asset Manager
Mr Ong Pee Yeow	35	119D Kim Tian Road #24-210 Singapore 164119	Asset Manager
Ms Serena Toh Lai Siong	42	131 Ming Teck Park Singapore 277483	Investor Relations and Research Manager

Information on the working experience of the executive officers of the Manager (other than Mr Tan Swee Yiow, whose working experience is set out in the section above on Directors of the Manager) is set out below.

Mrs Melissa Teh is the Finance Manager of the Manager. Mrs Teh has over 20 years of experience in the finance, accounting, tax and treasury in the property industry. Mrs Teh joined Keppel Land Group in 1996, where she was in charge of the full spectrum of Financial and Accounting function of the companies owned by the Group. Her key responsibilities included the active structuring, sourcing and management of the project financing and treasury operations for the project companies in Singapore and overseas. She is also involved in the finance-related aspects of the Group's acquisitions and divestment of properties.

Before joining Keppel Land, Mrs Teh was the Senior Finance Manager of Pidemco Land Limited. She played a key role in setting up the finance department in Pidemco Land Limited which was hived off from the Urban Redevelopment Authority in 1989. Prior to Pidemco Land Limited, Mrs Teh worked as an Accountant in Urban Redevelopment Authority from 1981 to 1989.

Mrs Teh holds a Bachelor of Commerce Degree in Accountancy from Nanyang University. She is a Certified Public Accountant with the Institute of Certified Public Accountants of Singapore and a fellow of CPA Australia.

Mr Chin Chee Syn is the Investment Manager of the Manager. He joined Keppel Land Group in 2005 as Business Development Manager, where he was responsible for identification, evaluation, deal structuring, and conclusion of real estate investments; and divestment of Keppel Land's commercial properties. In the course of his work, he also explored possible redevelopment possibilities and conversion of use of the company's property portfolio.

Mr Chin has almost 11 years of experience in the real estate industry, and having worked in an international real estate consultancy firm, his knowledge covers real estate appraisal, property leasing, asset management, research, acquisition, business development, development planning, property development, and divestment.

Before joining Keppel Land, he was the Senior Manager of the Investment Sale Advisory Division at DTZ Debenham Tie Leung (SEA) Pte Ltd, where he assisted local and foreigner investors in acquisition and disposal of local and overseas real estate for investment returns or development opportunities. He also provided advisory services to property owners on alternative uses of their asset through redevelopment, conversion of use, and refurbishment to create better value for the asset.

Prior to joining the Investment Sale Advisory Division, he was a Senior Valuer in the valuation department of DTZ Debenham Tie Leung (SEA) Pte Ltd. His 3-year stint there has earned him invaluable experience in valuation of residential, commercial, industrial properties and development sites. He is well-versed with income capitalisation and discounted cash flow methods of valuation, and is familiar with Singapore development guidelines and planning parameters.

Mr Chin graduated from the National University of Singapore with a Bachelor of Science (Estate Management) (Honours) degree in 1995.

Mr Tan Yek Sang is the Asset Manager of the Manager. He joined Keppel Land Group in 1995 and moved up the ranks to Senior Manager (Asset Management) in 2003. He led the team managing a portfolio of Singapore commercial properties.

Mr Tan has more than 14 years of real estate experience. Besides asset management, he also has extensive experience in property investment and development. Some key projects under his charge included Bugis Junction, HarbourFront Office Park and Keppel Bay development.

Before joining Keppel Land in 1995, he had diverse experience in property valuation, investment and research in a property consultancy firm.

Mr Tan holds a Bachelor of Science Degree (Honours) in Land Management (Valuation Specialisation) from University of Reading, United Kingdom. He is a Licensed Appraiser and a Professional Member of The Royal Institution of Chartered Surveyors, United Kingdom.

Mr Ong Pee Yeow is the Asset Manager of the Manager. He joined Keppel Land Group in 1995 where he was responsible for identifying and evaluating real estate investments.

Mr Ong has over 10 years of real estate experience in the field of asset management, property investment and property development. The Prudential Tower Property, Keppel Towers, GE Tower and Equity Plaza are some of the commercial properties that he undertook as part of his asset management portfolio.

Mr Ong holds a Bachelor of Mechanical Engineering Degree (Honours) from the National University of Singapore. He also holds a Master of Business Administration from the University of Western Australia.

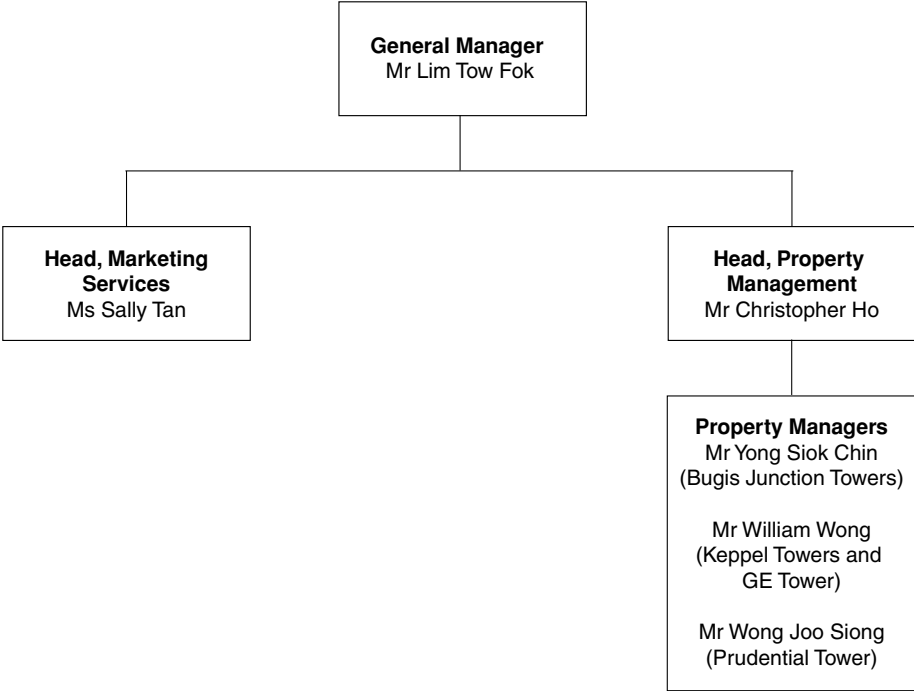
Ms Serena Toh Lai Siong is the Investor Relations and Research Manager for the Manager. Ms Toh joined the Keppel Land Group in 1993 as Corporate Development Manager and was part of the pioneer management team of the Singapore Suzhou Township Development. Ms Toh moved up the ranks and was promoted to Assistant General Manager in 1999.

Ms Toh is responsible for communicating with institutional shareholders, analysts and fund managers, and managing the relationship with the investor community. This includes addressing market concerns and organizing briefings with analysts, conference calls with fund managers, and road shows to Europe, USA and Hong Kong. Her team is also responsible for content management of the corporate website, as well as benchmarking against other property companies.

Ms Toh joined the real estate sector from a journalism background. She worked at The Straits Times from 1986 to 1992. She held the position of correspondent before she joined Dow Jones Telerate as Deputy Editor of Equities/News.

Ms Toh was awarded a Raffles Scholarship by the British Council in 1992 to pursue a Master of Science in Development Studies at the London School of Economics. She also holds a Master of Business Administration from City University in London (now known as Cass Business School), and a Bachelor of Arts & Social Science degree from National University of Singapore.

Management Reporting Structure of the Property Manager



Executive Officers of the Property Manager

Mr Lim Tow Fok is the General Manager of the Property Manager. Having more than 20 years experience in Property Management and holding a Master of Business Administration degree, Mr Lim is responsible for setting strategic directions, establishing policy standards, as well as ensuring the smooth and efficient operation of all investment properties managed by this division.

An active participant in concept planning, design development as well as refurbishment of existing projects, Mr Lim also oversees tenants' retention activities, service quality standards and administration of all leases in the various investment properties, which will include rental collections, insurances, property tax matters, etc.

Mr Lim contributes regularly to industry related discussions and has represented REDAS as a member of the BCA-Industry Standing Committee in connection with the review of the Land Titles (Strata) Act and the Buildings and Common Property (Maintenance and Management) Act. He was also a member of the committee that produced a guidebook on the principles of Crime Prevention Through Environmental Design (CPTED), a project launched by the National Crime Prevention Council.

Always keeping in close touch with the latest developments in the industry, he maintains a wide network of contacts with other professionals in this field. He communicates regularly with customers, fostering close working relationships. Through such interactions, Mr Lim is able to better understand customer needs, which ultimately translates into value creation for the customer as well as all stakeholders.

Prior to joining Keppel Land, Mr Lim was the Associate Director of Asset Management Department in CB Richard Ellis, a firm of international property consultants.

Ms Sally Tan Meow Ling is the Head, Marketing Services of the Property Manager. She joined Keppel Land Group in 2005 as the Senior Marketing Manager for the Group commercial property portfolio.

She has over 14 years of marketing experience in commercial properties and business park developments. She is responsible in overseeing the marketing, leasing activities and lease management of Keppel Land's portfolio of commercial buildings including joint-venture projects like the One Raffles Quay, formulating marketing initiatives and customer relationship management.

She is involved in the planning and design development of new projects and it includes two prime projects, Capital Square and Prudential Tower, which were developed by Keppel in 1998. She was instrumental in securing the key tenants at both of the buildings and helped achieved high commitment prior to completion of the projects.

Prior to this, she was with JTC Corporation and was involved in the development and marketing of Singapore's leading biomedical complex, the Biopolis @ one-north. She worked closely with the Economic Development Board and was responsible in negotiating with the private biomedical institutes and government agencies in setting up their facilities and research & development operations in Singapore.

Before joining JTC Corporation, she had worked at Jones Lang Wootton (now Jones Lang LaSalle) and DTZ Debenham Tie Leung, both leading marketing consultancy agencies and had established a broad tenant database comprising banks and financial institutions and various multi-national companies.

Ms Tan holds a Bachelor of Science (Estate Management) (Honours) from the National University of Singapore.

Mr Christopher Ho Kam Pouy is the Head, Property Management of the Property Manager. He is responsible for overseeing the lease management and property management activities of the Properties.

Mr Ho joined Keppel Land Group in 1995. He was promoted to Assistant General Manager of Property Management in 2001, where he was involved in the concept planning and design development of new commercial developments and also responsible for overseeing the lease management and property management activities of completed commercial properties under the Keppel Land Group.

He has over 20 years of experience in management of commercial properties. He has managed various large commercial projects in Singapore, China and Vietnam. Prior to joining Keppel Land Limited, he was the Property Director of China World Trade Centre in Beijing.

Mr Ho is a Member of the Singapore Institute of Surveyors and Valuers.

Mr Yong Siok Chin is the Property Manager for Bugis Junction Towers since 1997. As one of the pioneers, he has played a major role to the growth of Bugis Junction to what it is today. His role requires him to manage a team of staff comprising of technical, security and administrative personnel, all working in tandem to meet the objectives of the company and needs of the tenants and customers.

Before joining Keppel Land Group, Mr Yong was with Pacific Century Development for seven years. Prior to that, he worked in DBS Land from 1982 to 1990 and has managed properties such as Plaza Singapura, Thomson Plaza and 6 Battery Road.

Mr Yong graduated with a Diploma in Electrical Engineering from Singapore Polytechnic, a Diploma in Management Studies from Singapore Institute of Management and a Bachelor of Business Degree in Business Administration from Royal Melbourne Institute of Technology. He is also a certified Fire Safety Manager.

Mr William Wong Kam Wah is the Property Manager of Keppel Towers and GE Tower. He has been with Keppel Land Group since 1993.

Mr Wong oversees a team of executives and technical personnel to ensure that the facilities within the building are well maintained and managed.

Before joining Keppel Land Limited, Mr Wong was a Technical Officer with Civil Aviation Authority of Singapore from 1991 to 1993. Prior to that, he was working for the Ministry of Environment and other organisations from 1985 to 1991.

Mr Wong holds a Diploma in Electrical Engineering from Singapore Polytechnic. He is a certified Fire Safety Manager.

Mr Wong Joo Siang is the Property Manager for the Prudential Tower Property. He has been with Keppel Land Group for the last eight years. During this period, he was responsible for the management of various properties such as Nassim Woods, Keppel Digihub, The Edgewater and The Mayfair.

He was also involved in the property management of our overseas developments in Bangkok and Shanghai. His responsibilities include setting up the local property management team and dealing with customer's needs.

Prior to joining Keppel Land, he was the Project Manager with Architects TDA (1995 to 1997), Shanghai Holdings (1993 to 1995) and Senior Technical Officer with Lands & Estates Organisation (1985 to 1993).

Mr Wong holds a Bachelor of Applied Science degree with Honours in Construction Management from Royal Melbourne Institute of Technology in Australia. He is currently doing a Master of Business Administration programme under the Group's sponsorship.

Roles and Responsibilities of the Manager

The Manager has general powers of management over the assets of K-REIT Asia. The Manager's main responsibility is to manage K-REIT Asia's assets and liabilities for the benefit of Unitholders.

The Manager will set the strategic direction of K-REIT Asia and give recommendations to the Trustee on the acquisition, divestment or enhancement of assets of K-REIT Asia in accordance with its stated investment strategy.

The Manager has covenanted in the Trust Deed to use its best endeavours to carry on and conduct its business in a proper and efficient manner and to ensure that K-REIT Asia is carried on and conducted in a proper and efficient manner and to conduct all transactions with or for K-REIT Asia at arm's length.

The Manager will also be responsible for ensuring compliance with the applicable provisions of the SFA and all other relevant legislation, the listing rules of the SGX-ST, the CIS Code (including the Property Funds Guidelines), the Trust Deed, the Tax Ruling and all relevant contracts. The Manager will be responsible for all regular communications with Unitholders.

The Manager may require the Trustee to borrow on behalf of K-REIT Asia (upon such terms and conditions as the Manager deems fit, including the charging or mortgaging of all or any part of the Deposited Property) whenever the Manager considers, among other things, that such borrowings are necessary or desirable in order to enable K-REIT Asia to meet any liabilities or to finance the acquisition of any property. However, the Manager must not direct the Trustee to incur a borrowing if to do so would mean that K-REIT Asia's total borrowing exceed 35.0% (or such other limit as may be stipulated by the MAS) of the value of its Deposited Property immediately prior to the time the borrowing is incurred.

In the absence of fraud, negligence, wilful default or breach of the Trust Deed by the Manager, it shall not be in any way responsible for any loss, costs or damages that may result from the exercise or non-exercise, in good faith of any powers or discretions vested in it under the Trust Deed. In addition, the Manager shall be entitled, for the purpose of indemnity against any actions, costs, claims, damages, expenses or demands to which it may be put as Manager, to have recourse to the Deposited Property or any part thereof save where such actions, cost, claim damage, expense or demand is occasioned by the fraud, negligence, wilful default or breach of the Trust Deed by the Manager. The Manager may, in managing K-REIT Asia and in carrying out and performing its duties and obligations under the Trust Deed, with the written consent of the Trustee, appoint such person(s) to exercise any or all of its powers and discretions and to perform all or any of its obligations under the Trust Deed, provided always that the Manager shall be liable for all acts and omissions of such persons as if such acts and omissions were its own.

Manager's Management Fee

The Manager is entitled to the following management fees:

- (i) a Base Fee of 0.5% per annum of the value of the Deposited Property, payable quarterly in arrears; and
- (ii) an annual Performance Fee of 3.0% per annum of K-REIT Asia's Net Property Income before the Manager's Management Fee and non-operating income and expenses, also payable quarterly in arrears.

To further enhance the stability of K-REIT Asia's distributions, the Manager has agreed to receive 100 per cent of its Management Fee in respect of the period from the date of the Distribution *In Specie* to 31 December 2007 in the form of Units and thereafter in the form of cash and/or Units (as the Manager may elect).

When paid in the form of Units, the Manager shall be entitled to receive such number of Units as may be purchased with the relevant amount of its management fees attributable to such period at an issue price equal to the market price. For this purpose, "market price" means the volume weighted average traded price for a Unit for all trades on the SGX-ST in the ordinary course of trading on the SGX-ST for the period of 10 Business Days preceding the last day of the relevant period in which the Manager's management fees accrues or, if the Manager believes that the foregoing calculation does not provide a fair reflection of the market price of a Unit, means an amount as determined by the Manager (after consultation with a stockbroker approved by the Trustee), and as approved by the Trustee, as being the fair market price.

Units issued to the Manager in payment of the Manager's Management Fee are equally entitled to distribution as with all other Units. Subject to the Manager's undertaking to the MAS not to deal in the Units during certain specified periods (see "Corporate Governance of the Manager"), the Manager may, at its option, sell any such Units issued and is entitled to keep any gains made on such sale for its own account.

Any increase in the rate or any change in the structure of the Manager's Management Fee must be approved by an Extraordinary Resolution of Unitholders passed at a Unitholders' meeting duly convened under the provisions of the Trust Deed.

The Manager is also entitled to:

- an acquisition fee of 1.0% (or such lower percentage as may be determined by the Manager in its absolute discretion) of the acquisition price of the Authorised Investment acquired (whether directly or indirectly and pro-rated, if applicable, to the proportion of K-REIT Asia's interest in the Authorised Investment acquired). However, no acquisition fee is payable for the acquisition of the Properties; and
- a divestment fee of 0.5% (or such lower percentage as may be determined by the Manager in its absolute discretion) of the sale price of the Authorised Investment divested (whether directly or indirectly and pro-rated, if applicable, to the proportion of K-REIT Asia's interest in the Authorised Investment divested).

In respect of any acquisition and sale or divestment of Authorised Investments from/to interested parties (as defined in the Property Funds Guidelines), such acquisition fee and divestment fee shall be in the form of Units. The number of Units to be issued to the Manager shall be calculated based on the prevailing market price and shall not be sold by the Manager within one year from the date of issuance.

Any increase in the maximum permitted level of the acquisition fee or divestment fee must be approved by an Extraordinary Resolution of Unitholders passed at a Unitholder's meeting duly convened under the provisions of the Trust Deed.

Annual Reports

An annual report will be prepared by the Manager and sent to Unitholders by the Trustee within three months from the end of each Accounting Period of K-REIT Asia (or such other period as may be prescribed by the CIS Code or the Listing Manual), containing, *inter alia*, the following key items:

- (i) details of all real estate transactions entered into during the Accounting Period including the identity of the buyers/sellers, purchase/sale prices, and their valuations (including the methods used to value the assets);
- (ii) details of K-REIT Asia's real estate assets, including the location of such assets, their purchase prices and latest valuations, rentals received and occupancy rates, and/or the remaining terms of the property fund's leasehold properties (where applicable);
- (iii) the tenant profile of K-REIT Asia's real estate assets, including the:
 - (a) total number of tenants;
 - (b) top ten tenants, and the percentage of total gross rental income attributable to each of these top ten tenants;
 - (c) trade sector mix of tenants, in terms of the percentage of total gross rental income attributable to major trade sectors; and
 - (d) lease maturity profile, in terms of the percentage of total gross rental income, for each of the next five years.
- (iv) in respect of the other assets of K-REIT Asia, details of the:
 - (a) 10 most significant holdings (including the amount and percentage of fund size at market valuation); and
 - (b) distribution of investments in dollar and percentage terms by country, asset class (*e.g.* equities, mortgage-backed securities, bonds, etc.) and by credit rating of all debt securities (*e.g.* "AAA", "AA", etc.);
- (v) if applicable, with respect to investments other than real property:
 - (a) a brief description of the business;
 - (b) proportion of share capital owned;

- (c) cost;
 - (d) (if relevant) directors' valuation and in the case of listed investments, market value;
 - (e) dividends received during the year (indicating any interim dividends);
 - (f) dividend cover or underlying earnings;
 - (g) any significant amounts included in the profit and loss statement for changes in value or disposal of investments; and
 - (h) net assets attributable to investments;
- (vi) cost of each property held by K-REIT Asia;
 - (vii) the Manager's objective for each property held by the companies of K-REIT Asia;
 - (viii) annual valuation of each property of K-REIT Asia;
 - (ix) analysis of provision for diminution in value of each property of K-REIT Asia (to the extent possible);
 - (x) annual rental income for each property of K-REIT Asia;
 - (xi) occupancy rates for each property of K-REIT Asia;
 - (xii) remaining term for each of K-REIT Asia's leasehold properties;
 - (xiii) amount of distributable income held pending distribution;
 - (xiv) details of assets other than real estate;
 - (xv) details of K-REIT Asia's exposure to derivatives, including the amount (i.e. net total aggregate value of contract prices) and percentage of derivatives investment of total fund size and at market valuation;
 - (xvi) details of K-REIT Asia's investments in other property funds, including the amount and percentage of total fund size invested in;
 - (xvii) details of borrowings by the Trustee and other financial accommodation to the Trustee in relation to K-REIT Asia;
 - (xviii) details of deferred payment arrangements entered into by K-REIT Asia (if applicable);
 - (xix) net value of the Deposited Property at the beginning and end of the financial year under review;
 - (xx) the prices at which the Units were quoted at the beginning and end of the Accounting Period, and the highest and lowest prices at which the Units were traded on the SGX-ST during the Accounting Period;
 - (xxi) volume of trade in the Units during the Accounting Period;
 - (xxii) the aggregate value of all transactions entered into by the Trustee (for and on behalf of K-REIT Asia) with an "interested party" (as defined in the Property Funds Guidelines) or with an "interested person" (as defined in the Listing Manual) during the financial year under review;
 - (xxiii) total operating expenses of K-REIT Asia in respect of the Accounting Period, including expenses paid to the Manager and interested parties (if any) and the Trustee, and taxation incurred in relation to K-REIT Asia's properties;
 - (xxiv) historical performance of K-REIT Asia, including rental income obtained and occupancy rates for each property in respect of the Accounting Period and other various periods of time (e.g. 1-year, 3-year, 5-year or 10-year) and any dividends/distributions made, whereby such performance is calculated on the change in the unit price transacted on the SGX-ST over the period;
 - (xxv) total amount of fees paid to the Trustee;
 - (xxvi) name of the manager of K-REIT Asia, together with an indication of the terms and duration of its appointment and the basis of its remuneration;
 - (xxvii) total amount of fees paid to the Manager, including any Units issued and the price(s) at which they were issued in part payment thereof;

- (xxviii) total amount of fees paid to the Property Manager; and
- (xxix) an analysis of realised and unrealised surpluses or losses, stating separately profits and losses as between listed and unlisted investments, if applicable.

The contents of the annual report will comply with the requirements of the CIS Code. The first report will cover the period from 28 November 2005, the date K-REIT Asia was established, to 31 December 2006.

Additionally, K-REIT Asia will announce its net asset value on a quarterly basis. Such announcements, will be based on the latest available valuation of K-REIT Asia's real estate assets and real estate-related assets, which will be conducted at least once a year (as required under the Property Funds Guidelines).

Retirement or Removal of the Manager

The Manager shall have the power to retire in favour of a corporation approved by the Trustee to act as the manager of K-REIT Asia.

In addition, the Manager may also be removed by notice given in writing by the Trustee if:

- (a) the Manager goes into liquidation (except a voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously approved in writing by the Trustee) or if a receiver is appointed over any of its assets or a judicial manager is appointed in respect of the Manager;
- (b) the Manager ceases to carry on business;
- (c) the Manager fails or neglects after reasonable notice from the Trustee to carry out or satisfy any material obligation imposed on the Manager by the Trust Deed;
- (d) the Unitholders by an Ordinary Resolution at a Unitholders' meeting duly convened and held in accordance with the provisions of the Trust Deed, decide that the Manager is to be removed;
- (e) for good and sufficient reason the Trustee is of the opinion, and so states in writing such reason and opinion, that a change of Manager is desirable in the interests of the Unitholders; or
- (f) the MAS directs the Trustee to remove the Manager.

Where the Manager is removed on the basis that a change of the Manager is desirable in the interests of the Unitholders under (d) above and provided that if the Manager within one month after such statement expresses its dissatisfaction in writing with such opinion, the Manager has a right under the Trust Deed to refer the matter to arbitration in accordance with the provisions of the Arbitration Act (Cap. 10) of Singapore, before three arbitrators, the first of whom shall be appointed by the Manager, the second of whom shall be appointed by the Trustee and the third of whom shall be appointed by the chairman for the time being of the SGX-ST (failing which appointment, the third arbitrator shall be jointly appointed by the Manager and the Trustee). Any decision made pursuant to such arbitration proceedings is binding upon the Manager, the Trustee and all Unitholders.

Where the Manager is removed, the Trustee shall appoint some other corporation to secure the due performance of its duties as manager of K-REIT Asia, and the deed to be entered into between the Trustee and the new manager shall if so required by the Manager provide that the words "K" or "Keppele" shall not thereafter form part of the name of the unit trust scheme presently constituted as K-REIT Asia.

Corporate Governance of the Manager

The following outlines the main corporate governance practices of the Manager.

Board of Directors of the Manager

The Board is responsible for the overall corporate governance of the Manager including establishing goals for management and monitoring the achievement of these goals. The Manager is also responsible for the strategic business direction and risk management of K-REIT Asia. All Board members participate in matters relating to corporate governance, business operations and risks,

financial performance and the nomination and review of Directors. The Board has established a framework for the management of the Manager and K-REIT Asia, including a system of internal control and a business risk management process. The Board consists of six members, four of whom are Independent Directors. None of the Directors of the Manager has entered into any service contract directly with K-REIT Asia.

The composition of the Board has been determined using the following principles:

- (1) the Chairman of the Board should be a non-executive Director of the Manager;
- (2) the Board comprises Directors with range of commercial and financial experience including expertise in funds management and the property industry; and
- (3) at least one-third of the Board comprises Independent Directors.

The composition will be reviewed regularly to ensure that the Board has the appropriate mix of expertise and experience.

The Board has established the Audit Committee to assist it in discharging its responsibilities.

Audit Committee

The Audit Committee is appointed by the Board from among the Directors of the Manager and comprises of three members a majority of whom (including the Chairman of the Audit Committee) are Independent Directors. As at the date of this Document, the members of the Audit Committee are Dr Chin Wei-Li, Audrey Marie, Mr Lim Poh Chuan and Mr Kevin Wong Kingcheung. Dr Chin Wei-Li, Audrey Marie has been appointed as the Chairperson of the Audit Committee. The role of the Audit Committee is to monitor and evaluate the effectiveness of the Manager's internal controls. The Audit Committee also reviews the quality and reliability of information prepared for inclusion in financial reports. The Audit Committee is responsible for the nomination of external auditors and reviewing the adequacy of external audits in respect of cost, scope and performance.

The Audit Committee's responsibilities include:

- (1) review the audit plans and reports of the Manager's external auditors and internal auditors, and consider the effectiveness of actions or policies taken by management on the recommendations and observations;
- (2) perform independent review of the financial statements;
- (3) examine the effectiveness of financial, operating and compliance controls;
- (4) nominate external auditors;
- (5) review the independence and objectivity of the external auditors annually;
- (6) review the nature and extent of non-audit services performed by external auditors;
- (7) meet with external and internal auditors, without the presence of Management, at least annually;
- (8) ensure that the internal audit function is adequately resourced and has appropriate standing with the Company;
- (9) monitor the procedures in place to ensure compliance with applicable legislation, the Listing Manual and the Code on Collective Investment Schemes (including the Property Funds Guidelines);
- (10) monitor and review the procedures established to regulate interested party transactions, including ensuring compliance with the provisions of the Listing Manual relating to "interested person transaction" (as defined therein) and the provisions of the Property Funds Guidelines relating to "interested party transactions" (as defined therein) (both such type of transactions constituting interested party transactions);
- (11) investigate any matters within the Audit Committee's terms of reference, whenever it deems necessary; and
- (12) report to the Board on material matters, findings and recommendations.

Dealings in Units

The Trust Deed requires each Director to give notice to the Manager of his acquisition of Units or of changes in the number of Units which he holds or in which he has an interest, within two (2) Business Days after such acquisition or the occurrence of the event giving rise to changes in the number of Units which he holds or in which has an interest.

Directors and employees of the Manager who hold Units are prohibited from dealing in those Units:

- (a) in the period commencing one month before the public announcement of K-REIT Asia's annual results and (where applicable) property valuations and two weeks before the public announcement of K-REIT Asia's quarterly results, and ending on the date of announcement of the relevant results or, as the case may be, property valuations; and
- (b) at any time while in possession of unpublished price-sensitive information.

In addition, the Manager will announce to the SGX-ST the particulars of its holdings in the Units and any changes thereto within two Business Days after the date on which it acquires or disposes of any Units, as the case may be. The Manager will not deal in the Units one month before the public announcement of K-REIT Asia's annual results and (where applicable) property valuations and two weeks before the public announcement of K-REIT Asia's quarterly results, and ending on the date of announcement of the relevant results or, as the case may be, property valuations.

Management of Business Risks

The Board will meet regularly to review the financial performance of the Manager and K-REIT Asia against a previously approved budget. The Board will also review the business risks of K-REIT Asia, examine liability management and will act upon any comments from the auditors of K-REIT Asia.

The Manager has appointed experienced and well-qualified management to handle the day-to-day operations of the Manager and K-REIT Asia. In assessing business risk, the Board will consider the economic environment and risks relevant to the property industry. It reviews management reports and feasibility studies on individual development projects prior to approving major transactions. The management meets regularly to review the operations of the Manager and K-REIT Asia and discuss any disclosure issues.

Conflicts of Interest

The Manager has instituted the following procedures to deal with conflict of interests issues:

- (1) The Manager will not manage any other real estate investment trust which invests in the same types of properties as K-REIT Asia.
- (2) All executive officers will be employed by the Manager.
- (3) All resolutions in writing of the Directors of the Manager in relation to matters concerning K-REIT Asia and its Interested Parties must be approved by a majority of the Directors, including at least one Independent Director and the nominees of the Interested Party on the Board shall abstain from voting.
- (4) At least one-third of the Board shall comprise Independent Directors.
- (5) All matters relating to interested party transactions will follow the procedures set out in the section "Interested Party Transactions".
- (6) In respect of matters in which Keppel Land and/or KCL and/or its/their subsidiaries have an interest, direct or indirect, any nominees appointed by Keppel Land and/or KCL and/or its/their subsidiaries to the Board to represent its/their interests shall abstain from voting. In such matters, the quorum shall comprise a majority of the Independent Directors of the Manager and shall exclude such nominee directors of Keppel Land and/or KCL and/or its/their subsidiaries.

It is also provided in the Trust Deed that if the Manager is required to decide whether to or not to take any action against any person in relation to any breach of any agreement entered into by the Trustee for and on behalf of K-REIT Asia with a interested party of the Manager, the Manager shall be obliged

to consult with a reputable law firm (acceptable to the Trustee) who shall provide legal advice on the matter. If the said law firm is of the opinion that the Trustee, on behalf of the K-REIT Asia, has a *prima facie* case against the party allegedly in breach under such agreement, the Manager shall be obliged to take appropriate action in relation to such agreement. The Directors of the Manager (including its Independent Directors) will have a duty to ensure that the Manager so complies. Notwithstanding the foregoing, the Manager shall inform the Trustee as soon as it becomes aware of any breach of any agreement entered into by the Trustee for and on behalf of the K-REIT Asia with a interested party of the Manager and the Trustee may take such action as it deems necessary to protect the rights of the Unitholders and/or which is in the interests of Unitholders. Any decision by the Manager not to take action against an interested party of the Manager shall not constitute a waiver of the Trustee's right to take such action as it deems fit against such interested party.

The Board of the Manager comprises four Independent Directors, two of whom (that is, Professor Tsui Kai Chong and Mrs Lee Ai Ming) are also independent directors of Keppel Land. Where there is any matter to be considered and voted upon by the Directors of the Manager in relation to transactions between K-REIT Asia on the one hand and Keppel Land and its subsidiaries on the other, Professor Tsui Kai Chong and/or Mrs Lee Ai Ming shall abstain from voting in such situations where they find themselves in a position in which they are unable to exercise independent judgment in the best interests of K-REIT Asia.

Further, to address potential conflicts of interests in respect of overlapping investment objectives, Keppel Land will inform K-REIT Asia if any completed investment property used or predominantly used for commercial purposes and which is income-producing is identified by Keppel Land as being suitable for acquisition (other than co-investment with third parties), and being suitable for investment by K-REIT Asia (see "The Manager and Corporate Governance — Conflicts Resolution" for further details).

Under the Trust Deed, the Manager and its Associates are prohibited from voting their Units at, or being part of a quorum for, any meeting of Unitholders convened to approve any matter in which the Manager or any of its Associates has a material interest in the business to be conducted.

Interested Party Transactions

The Manager's Internal Control System

The Manager has established an internal control system to ensure that all future Interested 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).

Further, the following procedures will be undertaken:

- transactions (either individually or as part of a series or if aggregated with other transactions involving the same Interested Party during the same financial year) equal to or exceeding S\$100,000 in value but below 3.0% of the value of K-REIT Asia's net tangible assets will be subject to review by the Audit Committee at regular intervals;
- transactions (either individually or as part of a series or if aggregated with other transactions involving the same Interested Party during the same financial year) equal to or exceeding 3.0% but below 5.0% of the value of K-REIT Asia's net tangible assets will be subject to the review and approval of the Audit Committee. Such approval shall only be given if the transactions are on normal commercial terms and are consistent with similar types of transactions made by the Trustee with third parties which are unrelated to the Manager; and
- transactions (either individually or as part of a series or if aggregated with other transactions involving the same Interested 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.

Where matters concerning K-REIT Asia relate to transactions entered into or to be entered into by the Trustee for and on behalf of K-REIT Asia with a Interested Party of the Manager of K-REIT Asia, the Trustee is required to consider the terms of such transactions to satisfy itself that such transactions are conducted on normal commercial terms, are not prejudicial to the interest of K-REIT Asia and the Unitholders, and in accordance with all applicable requirements of the Property Funds Guidelines and/or the Listing Manual relating to the transaction in question. Further, the Trustee has the ultimate discretion under the Trust Deed to decide whether or not to enter into a transaction involving an Interested Party of the Manager or of K-REIT Asia (i.e., the Unitholder/Sponsor/adviser). If the Trustee is to sign any contract with an Interested Party of the Manager or of K-REIT Asia, the Trustee will review the contract to ensure that it complies with the requirements relating to interested party transactions in the Property Funds Guidelines (as may be amended from time to time) and the provisions of the Listing Manual relating to interested person transactions (as may be amended from time to time) as well as such other guidelines as may from time to time be prescribed by the MAS and the SGX-ST to apply to real estate investment trusts. If the Trustee is to sign any contract with an Interested Party of the Trustee, such review will be carried out by the Audit Committee, but not the Trustee (see “The Manager and Corporate Governance — Role of the Audit Committee for Interested Party Transactions” for further details).

Save for the transactions described under the sections “Interested Party Transactions In Connection with the Setting Up of K-REIT Asia” and “Other Interested Party Transactions”, K-REIT Asia will, in compliance with Rule 905 of the Listing Manual, announce any Interested Person Transaction if such transaction, by itself or when aggregated with other Interested Person Transactions entered into with the same interested person during the same financial year, is 3.0% or more of K-REIT Asia’s latest audited net tangible assets.

The aggregate value of all Interested Party Transactions which are subject to Rules 905 and 906 of the Listing Manual in a particular financial year will be disclosed in K-REIT Asia’s annual report for the relevant financial year.

Role of the Audit Committee for Interested Party Transactions

The Manager’s internal control procedures are intended to ensure that Interested Party Transactions are conducted at arm’s length and on normal commercial terms and are not prejudicial to Unitholders. The Manager will maintain a register to record all Interested Party Transactions (and the basis, including, where practicable, the quotations obtained to support such basis on which they are entered into) which are entered into by K-REIT Asia.

The Manager’s internal auditors will submit, on a quarterly basis, a report to the Audit Committee of all the recorded interested person transactions entered into by K-REIT Asia. All Interested Party Transactions will therefore be subject to regular periodic reviews by the Audit Committee.

The Audit Committee shall review the internal audit reports to ascertain that the guidelines and procedures established by the Manager to monitor Interested Party Transactions have been complied with and also to ensure compliance of all Interested Party Transactions with the relevant provisions of the Listing Manual as well as the Property Fund Guidelines. The review will include the examination of the nature of the transaction and if necessary, its supporting documents or such other data deemed necessary by the Audit Committee. In addition, the Trustee will review such internal audit reports to ascertain that the Property Fund Guidelines have been complied with.

The Manager’s internal audit functions will be carried out by the internal audit department of KCL.

If a member of the Audit Committee has an interest in a transaction, he or she is to abstain from participating in the review and approval process in relation to that transaction.

Interested Party Transactions in Connection with the Setting Up of K-REIT Asia

The Trustee, on behalf of K-REIT Asia, has entered into a number of transactions with the Manager and certain Interested Parties of the Manager in connection with the setting up of K-REIT Asia. These Interested Party Transactions are as follows:

- (a) The Trustee has entered into the Trust Deed with the Manager. The terms of the Trust Deed are generally described in “The Manager and Corporate Governance — Manager’s Management Fees” and “The Formation and Structure of K-REIT Asia”.
- (b) The Trustee has entered into the Bugis Junction Towers Put and Call Option Agreement with BCH for the acquisition of Bugis Junction Towers. Pursuant to the Bugis Junction Towers Put and Call Option Agreement, the Trustee was granted a call option, which, if exercised by the Trustee with the issue of the call option notice in accordance with the Bugis Junction Towers Put and Call Option Agreement, shall constitute a contract for the purchase of the Bugis Junction Tower by the Trustee. BCH was granted a put option, which if exercised by BCH by the issue of the put option notice in accordance with the Bugis Junction Towers Put and Call Option Agreement, shall constitute a contract for the sale of the Bugis Junction Tower by BCH. The Bugis Junction Towers Put and Call Option Agreement is described in greater detail in “Certain Agreements Relating to K-REIT Asia — Principal Terms of Put and Call Option Agreements and Purchase Conditions for the Acquisition of the Properties”.

Based on its experience, expertise and knowledge, the Manager believes that the Bugis Junction Towers Put and Call Option Agreement reflect normal commercial terms and are not prejudicial to the interests of K-REIT Asia and the Unitholders.

- (c) The Trustee has entered into the Keppel Towers and GE Tower Put and Call Option Agreement with MRL for the acquisition of Keppel Towers and GE Tower. Pursuant to the Keppel Towers and GE Tower Put and Call Option Agreement, the Trustee was granted a call option, which, if exercised by the Trustee with the issue of the call option notice in accordance with the Keppel Towers and GE Tower Put and Call Option Agreement, shall constitute a contract for the purchase of Keppel Towers and GE Tower by the Trustee. MRL was granted a put option, which if exercised by MRL by the issue of the put option notice in accordance with the Keppel Towers and GE Tower Put and Call Option Agreement, shall constitute a contract for the sale of the Keppel Towers and GE Tower by MRL. The Keppel Towers and GE Tower Put and Call Option Agreement is described in greater detail in “Certain Agreements Relating to K-REIT Asia — Principal Terms of Put and Call Option Agreements and Purchase Conditions for the Acquisition of the Properties”.

Based on its experience, expertise and knowledge, the Manager believes that the Keppel Towers and GE Tower Put and Call Option Agreement reflects normal commercial terms and is not prejudicial to the interests of K-REIT Asia and the Unitholders.

- (d) The Trustee has entered into the Prudential Tower Property Put and Call Option Agreement with KLTD for the acquisition of the Prudential Tower Property. The Trustee has entered into the Prudential Tower Property Put and Call Option Agreement with KLTD for the acquisition of the Prudential Tower Property. Pursuant to the Prudential Tower Property Put and Call Option Agreement, the Trustee was granted a call option, which, if exercised by the Trustee with the issue of the call option notice in accordance with the Prudential Tower Property Put and Call Option Agreement, shall constitute a contract for the purchase of the Prudential Tower Property by the Trustee. KLTD was granted a put option, which if exercised by KLTD by the issue of the put option notice in accordance with the Prudential Tower Property Put and Call Option Agreement, shall constitute a contract for the sale of the Prudential Tower Property by KLTD. The Prudential Tower Property Put and Call Option Agreement is described in greater detail in “Certain Agreements Relating to K-REIT Asia — Principal Terms of Put and Call Option Agreements and Purchase Conditions for the Acquisition of the Properties”.

Based on its experience, expertise and knowledge, the Manager believes that the Prudential Tower Property Put and Call Option Agreement reflects normal commercial terms and is not prejudicial to the interests of K-REIT Asia and the Unitholders.

- (e) The Trustee and the Manager have entered into the Property Management Agreement with the Property Manager for the operation, maintenance, management and marketing of the Properties and such other properties as may be acquired by the Trustee from time to time as trustee of K-REIT Asia. This agreement is more particularly described in “Certain Agreements Relating to K-REIT Asia — Property Management Agreement”.

The Manager considers that the Property Manager has the necessary expertise and resources to perform the property management, lease management and marketing services for the Properties.

Based on its experience, expertise and knowledge, the Manager believes that the Property Management Agreement was made on normal commercial terms and is not prejudicial to the interests of K-REIT Asia and the Unitholders.

Save as disclosed in this Document, the Trustee has and will not enter into any other material transactions with the Manager or any Interested Party of the Manager in connection with the setting up of K-REIT Asia.

The fees and charges payable by K-REIT Asia under each of the Trust Deed, the Put and Call Option Agreements, the Property Management Agreement, the lease agreement for 6th, 14th and 15th floor of Bugis Junction Towers, and the Bridging Loan Agreement (see “The Manager and Corporate Governance — Other Interested Party Transactions”) (collectively, the “Interested Party Agreements”), and the terms of the Interested Party Transaction, are subject to the approval of Keppel Land Shareholders at the EGM. If these Interested Party Agreements are approved by Keppel Land Shareholders, they are not subject to Rules 905 and 906 of the Listing Manual and will not subsequently be subject to annual renewal under Rule 920 of the Listing Manual insofar as, in respect of each such Interested Party Agreement, there is no subsequent change to the rates and/or basis of the fees charged thereunder which will adversely affect K-REIT Asia. In the event that a renewal of any such Interested Party Agreements is required, the renewal will be subject to Rules 905 and 906 of the Listing Manual.

Other Interested Party Transactions

Bridging Loan from Kephinance Investment Pte Ltd

The Trustee has entered into a Bridging Loan Agreement dated 17 March 2006 with Kephinance Investment Pte Ltd, a wholly-owned subsidiary of KCL, pursuant to which Kephinance Investment Pte Ltd has agreed to provide an unsecured bridging loan facility of up to nine months for an amount of up to S\$200 million (the “Bridging Loan”). The purpose of this Bridging Loan is to fund the purchase of the Properties and to provide initial working capital if so required. The Bridging Loan will be made available in one lump sum to K-REIT Asia on the date of Completion of the acquisition of the Properties by K-REIT Asia if the Facilities are not put in place yet. Kephinance Investment Pte Ltd is entitled to charge interest under the Bridging Loan Facility on the principal amount under the Bridging Loan at a rate per annum equal to a margin of 0.4% per annum over SGD Swap Offer Rate (as defined in the Bridging Loan Agreement). The Bridging Loan shall be repaid in full once the CMBS Notes Offering is put in place.

Based on its experience, expertise and knowledge, the Manager believes that the Bridging Loan Agreement was made on normal commercial terms and is not prejudicial to the interests of K-REIT Asia and the Unitholders.

Leases of #06-01, #06-06/10, 14th and 15th Floor of Bugis Junction Towers

The office premises at #06-01, #06-06/10, whole of the 14th and 15th floors of Bugis Junction Towers, with a floor area of approximately 4,591 square metres, are leased to Keppel Land International Limited, a wholly-owned subsidiary of Keppel Land for a term of fourteen years as follows:

- (i) a first lease term of seven years less one day from 16 September 1995 to 14 September 2002;
- (ii) a second lease term of four years from 16 September 2002 to 15 September 2006; and
- (iii) a third lease term of three years less one day commencing immediately upon the expiry of the second lease term in (ii) above.

The rent chargeable for the third lease term shall be the prevailing market rent of the premises (excluding tenant’s contribution) subject to a 15% discount which is the same as the second lease term. The discount was granted by the shareholders of Bugis City Holdings Pte Ltd in 1994 in recognition of Keppel Land International Limited being the only major tenant committed to a long fourteen years lease before the completion of the Bugis Junction Towers building.

Keppel Land International Limited shall have the option to terminate the third lease term in the event the amount of rent payable under the third lease term exceeds twice the amount payable under the second term by giving four months written notice.

Save as disclosed above, based on its experience, expertise and knowledge, the Manager believes that the leases of #06-01, #06-06/10, 14th and 15th Floor of Bugis Junction Towers were made on normal commercial terms and are not prejudicial to the interests of K-REIT Asia and the Unitholders.

Future Interested Party Transactions

As a real estate investment trust, K-REIT Asia is regulated by the CIS Code, including the Property Funds Guidelines, and the Listing Manual. The Property Funds Guidelines regulate, among others, transactions entered into by the Trustee (for and on behalf of K-REIT Asia) with an “interested party” relating to K-REIT Asia’s acquisition of assets from or sale of assets to an “interested party”, K-REIT Asia’s investment in securities of or issued by an “interested party” and the engagement of an “interested party” as property management agent or marketing agent for K-REIT Asia’s properties. Depending on the materiality of transactions entered into by K-REIT Asia for the acquisition of assets from, the sale of assets to or the investment in securities of or issued by, an “interested party”, the Property Funds Guidelines may require that an immediate announcement to the SGX-ST be made, and may also require that the approval of the Unitholders be obtained.

The Listing Manual regulates all “interested person transactions” (as defined therein), including transactions already governed by the Property Funds Guidelines. Depending on the materiality of the transaction, K-REIT Asia may be required to make a public announcement of the transaction (Rule 905 of the Listing Manual), or to make a public announcement of and to obtain Unitholders’ prior approval for the transaction (Rule 906 of the Listing Manual). The fees and charges payable under the Interested Party Agreements are not subject to Rules 905 and 906 of the Listing Manual (see “Interested Party Transactions in Connection with the Setting Up of K-REIT Asia” above). The Trust Deed requires the Trustee and the Manager to comply with the provisions of the Listing Manual relating to “interested person transactions” as well as such other guidelines relating to “interested person transactions” as may be prescribed by the SGX-ST to apply to real estate investment trusts.

The Manager may at any time in the future seek a general annual mandate from the Unitholders pursuant to Rule 920(1) of the Listing Manual for recurrent transactions of a revenue or trading nature or those necessary for its day-to-day operations, including a general mandate in relation to leases and/or licence agreements to be entered into with interested persons, and all transactions conducted under such general mandate for the relevant financial year will not be subject to the requirements under Rules 905 and 906 of the Listing Manual. In seeking such a general annual mandate, the Trustee will appoint an independent financial adviser (without being required to consult the Manager) pursuant to Rule 920(1)(b)(v) of the Listing Manual to render an opinion as to whether the methods or procedures for determining the transaction prices of the transactions contemplated under the annual general mandate are sufficient to ensure that such transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of K-REIT Asia and the Unitholders.

Both the Property Funds Guidelines and the Listing Manual requirements would have to be complied with in respect of a proposed transaction which is prima facie governed by both sets of rules. Where matters concerning K-REIT Asia relate to transactions entered or to be entered into by the Trustee for and on behalf of K-REIT Asia with a related party (either an “interested party” under the Property Funds Guidelines or an “interested person” under the Listing Manual) of the Manager or K-REIT Asia, the Trustee is required to ensure that such transactions are conducted in accordance with applicable requirements of the Property Funds Guidelines and/or the Listing Manual relating to the transaction in question.

The Manager is not prohibited by either the Property Funds Guidelines or the Listing Manual from contracting or entering into any financial, banking or any other type of transaction with the Trustee (when acting other than in its capacity as trustee of K-REIT Asia) or from being interested in any such contract or transaction, provided that any such transaction shall be on normal commercial terms and is not prejudicial to the interests of K-REIT Asia and the Unitholders. The Manager shall not be liable to account to the Trustee or to the Unitholders for any profits or benefits or other commissions made

or derived from or in connection with any such transaction. The Trustee shall not be liable to account to the Manager or to the Unitholders for any profits or benefits or other commission made or derived from or in connection with any such transaction.

Conflicts Resolution

Keppel Land is currently focused on two core businesses of property development for sale and property fund management to achieve higher returns.

Keppel Land Limited has confirmed that, together with its wholly-owned subsidiaries, it will not invest (other than in situations of co-investment with third parties) in any completed commercial office property which is income-producing for the sole purpose of long term investment holding and which is suitable for investment by a real estate investment trust by reference to the stated investment strategy of K-REIT Asia as notified by K-REIT Asia Management Limited to Keppel Land from time to time so long as the Manager acts as manager of K-REIT Asia or Keppel Land and/or any one or more of its subsidiaries have interest of at least 50% in the Manager. Keppel Land will however continue to invest and operate the commercial office properties which it currently holds.

Keppel Land has interests in five corporations with investment objectives that may overlap with those of K-REIT Asia. These corporations comprise Alpha Investments Partners Limited (a subsidiary), Asia Real Estate Fund Management Limited (an associated company; each as managers of the Alpha Core Plus Real Estate Fund and the Asia No. 1 Property Fund respectively, in which Keppel Land has commitments of approximately 7.5% and 10.3% respectively of the total committed amounts in the respective funds as at 31 December 2005), and Dragon Land Limited, Keppel Philippines Properties, Inc. and Keppel Thai Properties Public Co Limited, each of which is a subsidiary. Each such subsidiary and associated company (as the case may be), through its independent Board and management team, is responsible for pursuing and securing acquisitions of suitable properties on a stand-alone basis.

Keppel Land will address these potential overlapping interests as between K-REIT Asia and these five corporations to ensure that potential conflicts of interest are dealt with in a manner that is equitable to K-REIT Asia.

In order to implement this intent, Keppel Land has undertaken to K-REIT Asia that if any completed investment property used or predominantly used for commercial purposes and which is income-producing (a "Targeted Property") is identified by Keppel Land as being suitable for acquisition by K-REIT Asia (other than in situations of co-investment with third parties):—

- (i) Keppel Land shall ascertain whether such Targeted Property is suitable for investment by K-REIT Asia by reference to its stated investment strategies (as communicated to Keppel Land by K-REIT Asia from time-to-time); and
- (ii) if, through such process, Keppel Land ascertains that such Targeted Property is suitable for investment by K-REIT Asia, Keppel Land shall promptly give to K-REIT Asia all information relating to the Targeted Property that is in its possession.

The board of directors of Keppel Land has set up a Conflicts Resolution Sub-Committee to ascertain whether such Targeted Property is suitable for investment by K-REIT Asia by reference to its stated investment strategies (as communicated to Keppel Land by K-REIT Asia from time-to-time). The Conflicts Resolution Sub-Committee comprises three independent directors of Keppel Land, of whom two are also Independent Directors of the Manager.

Such undertaking of Keppel Land shall cease to apply if:—

- (i) the Manager ceases to act as manager of K-REIT Asia; or
- (ii) Keppel Land and/or any one or more of its subsidiaries ceases to have an interest of at least 50% in the Manager. Keppel Land has undertaken that a new undertaking to K-REIT Asia on the same terms as set out above will be put in place whensoever it comes to hold a majority interest of at least 50% in the Manager, after having ceased to have such a majority interest.

K-REIT Asia, the Manager and its management team, will be responsible for pursuing and securing the acquisition of the Targeted Property.

The Conflicts Resolution procedure put in place is one element of an equivalent alternative to the practice of the grant of a right of first refusal. Keppel Land has indicated that such a grant is neither desirable nor feasible for the following reasons:

- No such arrangement is presently in place in any of the above noted five corporations;
- Grant of such a right may be opposed by one or more of the third party investors in these corporations; and
- Such action may adversely affect Keppel Land's ability to raise funds from these or other third parties, thereby stifling an important strategic objective.

In consideration of the above, the respective Boards have agreed that the following elements comprise an equivalent alternative that is equitable for all relevant parties:

- The confirmation from Keppel Land that, together with its wholly-owned subsidiaries, it will not invest (other than in situations of co-investment with third parties) in any completed commercial office property which is income-producing for the sole purpose of long term investment holding and which is suitable for investment by a real estate investment trust by reference to the stated investment strategy of K-REIT Asia as notified by K-REIT Asia Management Limited to Keppel Land from time to time so long as the Manager acts as manager of K-REIT Asia or Keppel Land and/or any one or more of its subsidiaries have interest of at least 50% in the Manager;
- The stated intention by Keppel Land to use its resources and experience to support K-REIT Asia. Specifically, Keppel Land has indicated that it will make available from time to time as it considers appropriate, property investment and evaluation expertise and assistance and advice on the management and maintenance of investments acquired by K-REIT Asia; and
- The Conflicts Resolution procedure provides K-REIT Asia with notification of the availability of a Targeted Property, as well as all information relating to the Targeted Property in Keppel Land's possession at the time of the proposed acquisition. With such information, K-REIT Asia can compete on a level playing field with any other party seeking to acquire the Targeted Property. K-REIT Asia's ability to acquire such Targeted Property will depend on the attractiveness of K-REIT Asia's offer to the vendor. It is also within K-REIT Asia's discretion to elect to collaborate with any such other party seeking to acquire the Targeted Property.

THE SPONSOR

The Sponsor, Keppel Land was incorporated in 1890 as Straits Steamship Company Limited, a ship operator and owner. In the 1970s, the Group went into new businesses such as property, warehousing and distribution, and leisure. In 1983, Straits Steamship Company became a subsidiary of KCL. As property became its core business, the Straits Steamship Company was renamed Straits Steamship Land Limited in 1989. In 1997, in a KCL Group-wide exercise to adopt a common identity, Straits Steamship Land Limited was renamed Keppel Land, the property arm of the KCL Group, one of Singapore's largest multi-national groups with key businesses in offshore and marine, infrastructure and property.

Today, Keppel Land is a leading property development company in Asia recognised for its award-winning premier residential projects, investment-grade offices, quality integrated projects, and its high standards of corporate transparency and disclosure. It is geographically diversified in Asia including Singapore, China, Thailand, Vietnam, India, Indonesia, Hong Kong, Japan, South Korea, Malaysia, Philippines, Australia and Myanmar. Keppel Land is one of the largest listed property companies by total assets on the SGX-ST. Keppel Land's return on equity is among the highest in the property industry in Singapore. Overseas earnings have grown to 43.1% of Keppel Land Group's net profit in 2004 from 3% in 2002. Keppel Land is on track towards achieving at least 50% of net profit from overseas business by 2005.

Keppel Land is currently focussed on two core businesses of property development for sale and property fund management to achieve higher returns. Keppel Land aims to be a leading developer in Asia and a premier manager of property funds. Riding on strong economic growth and homeownership aspirations, favourable demographics and urbanisation trends, it is presently focused on Singapore, China, Thailand, Vietnam, India and Indonesia. The Keppel Land Group has also embarked on residential township development to tap on the demand for quality housing from the growing middle class in the region.

Keppel Land will grow its property fund management business for a recurring stream of fee-based incomes. Its existing property fund management platform, which comprises the Alpha Core Plus Real Estate Fund and the Asia No.1 Property Fund will be substantially expanded with the establishment of K-REIT Asia.

K-REIT Asia will be supported by the management resources and experience of Keppel Land. These resources include, amongst others, the skill sets of Keppel Land and its extensive local knowledge of real estate gained through many years of investing in real estate in Asia-Pacific.

Keppel Land will also provide on-going assistance and support to K-REIT Asia by making available from time to time as it considers appropriate, property investment and evaluation expertise. Keppel Land will also provide assistance and advice to the Manager on the management and maintenance of investments which are acquired by K-REIT Asia.

OWNERSHIP OF THE UNITS

Based on the Register of Members of Keppel Land as at Latest Practicable Date, the principal Unitholders of K-REIT Asia and their unitholdings on the Listing Date (assuming that there is no change in the shareholders of Keppel Land or their shareholdings between Latest Practicable Date and the Listing Date) will be as set out in the table below:

	No. of Units (‘000)	Unitholding %
Keppel Land Limited	96,109	40.0 ⁽¹⁾
Keppel Corporation Limited	75,940	31.6 ⁽¹⁾
Public⁽²⁾	68,459	28.4
Total	240,508	100.0

Notes:

- (1) This is an approximate percentage only and is subject to change depending on (i) the number of Keppel Land Options that are or will be exercised between the Latest Practicable Date and the Books Closure Date, and (ii) if applicable, the rounding-up or rounding-down of the number of Units to be distributed to each Keppel Land Shareholder who holds odd-lots of Keppel Land Shares under the Distribution *In Specie*. In arriving at this approximate figure, it has been assumed that (a) all outstanding Keppel Land Options are or will be exercised between the Latest Practicable Date and the Books Closure Date and (b) there will not be any rounding-up or rounding-down of the number of Units to be distributed to each Keppel Land Shareholder who holds odd-lots of Keppel Land Shares under the Distribution *In Specie*.
- (2) “Public” refers to the Keppel Land Shareholders (other than KCL and Keppel Land) as at the Books Closure Date who will receive Units pursuant to the Distribution *In Specie*.

Moratorium Agreements

To demonstrate Keppel Land’s commitment to K-REIT Asia, after its listing on the SGX-ST, Keppel Land will not dispose of its interest in its Units. Keppel Land has given an undertaking that Keppel Land will not sell, transfer or otherwise dispose the Units held by Keppel Land as at the Listing Date, or any part thereof, for a period of 12 months commencing from the date of admission of K-REIT Asia to the Official List of SGX-ST.

KCL, as majority shareholder of Keppel Land has given a similar undertaking not to sell, transfer or otherwise dispose of any part of the Units held by KCL as at the Listing Date, or any part thereof, for a period of 12 months commencing from the date of admission of K-REIT Asia to the Official List of SGX-ST.

The restriction described in the preceding paragraph will not apply to the transfer of Units by Keppel Land to and between such wholly-owned subsidiaries of Keppel Land and KCL to and between such wholly-owned subsidiaries of KCL provided that Keppel Land and/or, as the case may be, KCL shall not (and shall procure that the wholly-owned subsidiary to which any such Units have been sold, offered, transferred or disposed to after the Listing Date shall not) sell, transfer or otherwise dispose of such Units for a period of 12 months commencing from the Listing Date, other than to any of such other wholly-owned subsidiaries to which any Units have been so transferred. In the event that any such wholly-owned subsidiary ceases to be wholly-owned by Keppel Land and/or KCL, as the case may be, Keppel Land and/or KCL, respectively, shall procure that such Units be transferred to another of its wholly-owned subsidiaries.

In addition, each of Keppel Land and KCL undertakes that it will not sell, offer, transfer or otherwise dispose of, directly or indirectly, any shares in the share capital of the aforesaid wholly-owned subsidiaries, or any securities convertible into, or exchangeable for, shares in the share capital of such subsidiaries for a period of 12 months commencing from the Listing Date or until such subsidiary ceases to hold any Units, whichever is the earlier.

DISTRIBUTION POLICY

The Manager currently intends to adopt a high distribution payout ratio. Its distribution policy is to distribute 100.0% of its Taxable Income for the period commencing from the Distribution *In Specie* to 31 December 2006, at least 95.0% of its Taxable Income for FY2007 and thereafter, to distribute at least 90.0% of its Taxable Income, comprising substantially its income from the letting of its properties and related property maintenance services income after deduction of allowable expenses, with the actual level of distribution to be determined at the Manager's discretion.

The actual proportion of Taxable Income distributed to Unitholders beyond 31 December 2007 may be greater than 90.0% to the extent the Manager believes it to be appropriate, having regard to K-REIT Asia's funding requirements, other capital management considerations and the overall stability of distributions. Distributions, when made, will be in Singapore dollars. Distributions, when paid, will be in Singapore dollars.

After K-REIT Asia is admitted to the Main Board of the SGX-ST, K-REIT Asia will make distributions to Unitholders on a semi-annual basis, with the amount calculated as at 30 June and 31 December each year for the six-month period ending on each of the said dates. K-REIT Asia's first distribution after the Listing Date, however, will be for the period from the date of issue of the Units to 30 June 2006 and will be paid by the Manager on or before 29 August 2006. Subsequent distributions will take place on a semi-annual basis. Under the Trust Deed, the Manager is required to pay distributions within 60 days of the end of each distribution period.

In the event that there are gains arising from sales of real properties and only if such gains are surplus to the business requirements and needs of K-REIT Asia, the Manager may, at its discretion, direct the Trustee to distribute such gains. Such gains, if not distributed, will form part of the Deposited Property.

The distribution policy described above relates only to properties situated in Singapore. In relation to overseas properties, the Manager will make such distributions as it deems fit after consultation with its tax advisers and IRAS.

CAPITALISATION

The following table sets forth the capitalisation of K-REIT Asia as at the date of the Distribution *In Specie*. The information in this table should be read in conjunction with “Pro Forma Financial Information” included elsewhere in this Document.

	As at the date of the Distribution <i>In Specie</i> (S\$'000)
Non-current borrowings ⁽¹⁾	189,300
Unitholders' funds	438,590
Total capitalisation	627,890

Note:

(1) Non-current borrowings are stated net of upfront debt arrangement fee of approximately S\$1.3 million.

THE FORMATION AND STRUCTURE OF K-REIT ASIA

The Trust Deed is a complex document and the following is a summary only. Recipients of this Document and all prospective investors in the Units should refer to the Trust Deed itself to confirm specific information or for a detailed understanding of K-REIT Asia. The Trust Deed is available for inspection at the registered office of the Manager at 1 HarbourFront Avenue #18-01 Keppel Bay Tower Singapore 098632 and that of the Trustee at 9 Raffles Place #42-01 Republic Plaza Singapore 048619.

The Trust Deed

K-REIT Asia is a real estate investment trust constituted by the Trust Deed and is principally regulated by the SFA and the CIS Code (including the Property Funds Guidelines).

The terms and conditions of the Trust Deed shall be binding on each Unitholder (and persons claiming through such Unitholder) as if such Unitholder had been a party to the Trust Deed and as if the Trust Deed contains covenants by such Unitholder to observe and be bound by the provisions of the Trust Deed and an authorisation by each Unitholder to do all such acts and things as the Trust Deed may require the Manager and/or the Trustee to do.

The provisions of the SFA and the CIS Code (including the Property Funds Guidelines) prescribe certain terms of the Trust Deed and certain rights, duties and obligations of the Manager, the Trustee and the Unitholders under the Trust Deed. The Property Funds Guidelines also impose certain restrictions on real estate investment trusts in Singapore, including a restriction on the types of investments which real estate investment trusts in Singapore may hold, a general limit on their aggregate leverage (up to a maximum of 35.0% of the value of their deposited property at the time the borrowing is incurred unless such borrowing is permitted in accordance with the Property Funds Guidelines) and certain restrictions with respect to interested party transactions.

Operational Structure

K-REIT Asia is established with a principal investment policy to invest in real estate and real estate-related assets that are income-producing and used, or predominantly used, for commercial purposes. The Manager must manage K-REIT Asia so that the principal investments of K-REIT Asia are real estate and real estate-related assets including shares in property companies.

K-REIT Asia aims to generate returns for its Unitholders by owning, buying, selling and actively managing such properties in line with its investment strategy. Subject to the restrictions and requirements in the Property Funds Guidelines, the listing rules of SGX-ST and the Tax Ruling, the Manager is also authorised under the Trust Deed to invest in investments which need not be real estate. For further details of the investment objectives and policies of the Manager, see Clause 17.2 of the Trust Deed.

The Units and Unitholders

The rights and interests of Unitholders are set out in the Trust Deed. Under the Trust Deed, these rights and interests are safeguarded by the Trustee.

Each Unit represents an undivided interest in K-REIT Asia. A Unitholder has no equitable or proprietary interest in the underlying assets of K-REIT Asia and is not entitled to the transfer to it of any asset (or any part thereof) or of any real estate, any interest in any asset and real estate-related assets (or any part thereof) of K-REIT Asia. A Unitholder's right is limited to the right to require due administration of K-REIT Asia in accordance with the provisions of the Trust Deed, including, without limitation, by suit against the Trustee or the Manager.

Under the Trust Deed, each Unitholder acknowledges and agrees that it will not commence or pursue any action against the Trustee or the Manager seeking an order for specific performance or for injunctive relief in respect of the assets of K-REIT Asia (or any part thereof), including all its Authorised Investments (as defined in the Trust Deed), and waives any rights it may otherwise have to such relief. If the Trustee or the Manager breaches or threatens to breach its duties or obligations to the Unitholder

under the Trust Deed, the Unitholder's recourse against the Trustee or the Manager is limited to a right to recover damages or compensation from the Trustee or the Manager in a court of competent jurisdiction, and the Unitholder acknowledges and agrees that damages or compensation is an adequate remedy for such breach or threatened breach.

Further, unless otherwise expressly provided in the Trust Deed, a Unitholder may not interfere or seek to interfere with the rights, powers, authority or discretion of the Manager or the Trustee, exercise any right in respect of the assets of K-REIT Asia or any part thereof or lodge any caveat or other notice affecting any assets or real estate-related assets of K-REIT Asia (or any part thereof), or require that any Authorised Investments forming part of the assets of K-REIT Asia be transferred to such Unitholder.

No certificate shall be issued to Unitholders by either the Manager or the Trustee in respect of Units issued to Unitholders. For so long as K-REIT Asia is listed, quoted and traded on the SGX-ST and/or any other Recognised Stock Exchange and the Units have not been suspended from such listing, quotation and trading for more than 60 consecutive calendar days or delisted permanently, the Manager shall pursuant to the Depository Services Agreement appoint CDP as the Unit depository for K-REIT Asia, and all Units issued will be represented by entries in the register of Unitholders kept by the Trustee or the agent appointed by the Trustee in the name of, and deposited with, CDP as the registered holder of such Units. The Manager or the agent appointed by the Manager shall issue to CDP not more than 10 Business Days after the issue of Units a confirmation note confirming the date of issue and the number of Units so issued and, if applicable, also stating that the Units are issued under a lock-up and the expiry date of such lock-up and for the purposes of the Trust Deed, such confirmation note shall be deemed to be a certificate evidencing title to the Units issued.

Issue of Units

The following is a summary of the provisions of the Trust Deed relating to the issue of Units in K-REIT Asia.

The Manager has the exclusive right to issue Units for the account of K-REIT Asia. No fractions of Units shall be issued and the Manager shall in respect of each Unitholder's entitlement to Units truncate but not round off to the nearest whole Unit and any balance arising from such truncation shall be retained as part of the Deposited Property.

Units, when listed on the SGX-ST, may be traded on the SGX-ST and settled through CDP. For so long as K-REIT Asia is listed on the SGX-ST, the Manager may, subject to the provisions of the Listing Manual and the Trust Deed, issue further Units at Issue Prices (as defined in the Trust Deed) to be determined in accordance with the following provisions:

- (1) Units may be issued on a Business Day (as defined in the Trust Deed) at the "market price" per Unit, which is the volume weighted average price per Unit for all trades on the SGX-ST, in the ordinary course of trading, for the period of 10 Business Days immediately preceding the relevant Business Day or, where the Manager believes that such market price is not a fair reflection of the market price of a Unit, such amount as determined by the Manager and the Trustee (after consultation with a stockbroker approved by the Trustee), as being the fair market price of the Unit.
- (2) The Issue Price of a Unit for a rights issue offered on a *pro rata* basis to all existing Unitholders must not be less than 50% of the "market price" per Unit on the Business Day preceding the day on which the intention to make the offer or issue is announced. Unless the MAS by notice in writing allows otherwise, any such rights entitlement must be tradable, on the SGX-ST or the Recognised Stock Exchange on which K-REIT Asia is listed. The Trustee must ensure that such a rights issue is made at a price that is in accordance with the terms specified in this sub-paragraph (2).
- (3) The Issue Price of a Unit for any reinvestment of distribution arrangement under the Trust Deed must not be less than 90% of the "market price" of a Unit as at the Business Day immediately following the Record Date (as defined in the Trust Deed) for the determination of Unitholders' entitlements to distributions. The Trustee must ensure that such an issue is made at a price that is in accordance with the terms specified in this sub-paragraph (3).

- (4) The Issue Price of a Unit issued other than by way of a rights issue offered on a *pro rata* basis to all existing Unitholders must be determined in accordance with the conditions set out in sub-paragraphs (5) and (6) below.
- (5) New Units may be issued, other than by way of a rights issue offered on a *pro rata* basis to all existing Unitholders, without the prior approval of Unitholders in a meeting of Unitholders if:
- (i) the issue (together with any other issue of Units, including Units which may be issued to the Manager in payment of the Manager's Base Fee and/or Performance Fee, other than by way of a rights issue offered on a *pro rata* basis to all existing Unitholders, in the same Accounting Period) is of Units the value and/or number of which would not exceed any thresholds prescribed by the SGX-ST and/or the MAS, above which the SGX-ST and/or the MAS requires the prior specific approval of Unitholders;
 - (ii) if such an issue is made at a discount to the "market price", the discount does not exceed such other percentage as may, from time to time, be permitted by the SGX-ST and/or the MAS.
- (6) Where Units are listed, any issue of new Units exceeding any of the thresholds in sub-paragraphs (5)(i) and (ii) above will require specific prior approval of Unitholders by Extraordinary Resolution of Unitholders passed at a Unitholders' meeting duly convened by the Manager in accordance with the Trust Deed. In addition, any issue of new Units, other than by way of a rights issue offered on a *pro rata* basis to all existing Unitholders, must comply with the following:
- (i) where no prior approval of Unitholders has been obtained for such issue, the Trustee must ensure that the conditions set out in sub-paragraphs (5)(i) and (ii) above are complied with;
 - (ii) if an issue of new Units (together with any other issue of Units, including Units which may be issued to the Manager in payment of the Manager's Base Fee and/or Performance Fee, other than by way of a rights issue offered on a *pro rata* basis to all existing Unitholders, in the same financial year) the value and/or number of which would, immediately after the issue, exceed any thresholds prescribed by the SGX-ST and/or the MAS, specific prior approval must have been obtained at a meeting of Unitholders by Extraordinary Resolution to be convened by the Manager in accordance with the Trust Deed. If relevant in the circumstances, specific prior approval of Unitholders by Extraordinary Resolution must also have been obtained to permit the issue of Units to the Manager in payment of the Manager's Base Fee and/or Performance Fee if the issue of Units contemplated hereunder exceeds any of the percentage limits stated in this sub-paragraph 6(ii);
 - (iii) unless otherwise permitted by the MAS in writing, the Trustee and their Related Parties, the Manager and their Related Parties, and the directors and immediate family members of the directors of the Trustee and the Manager, may only participate in a private placement (which, for the avoidance of doubt, shall not include any issue of Units by way of a preferential offering of Units on a *pro rata* basis to all existing Unitholders or an offering of Units to the public through the Internet or the automated teller machines of participating banks which is carried out without preference to any particular group of investors) with prior specific approval of the Unitholders at a general meeting at which the person to whom the placement is to be made, its directors and immediate family members of those directors as well as its related corporations must, unless otherwise permitted by the MAS in writing, abstain from voting; and
 - (iv) for the purposes of sub-paragraph (5) above and this sub-paragraph (6), "market price" shall mean the volume weighted average price for trades done on the SGX-ST on the day the placement agreement or equivalent agreement is signed. The volume weighted average price shall be calculated based on the trades done for 10 full market days, or if trading in the listed Units is not available for a full market day, the volume weighted average price shall be calculated based on the trades done on the preceding 10 market days up to the time the placement agreement or equivalent agreement is signed.

If in connection with an issue of a Unit, any requisite payment of the Issue Price for such Unit has not been received by the Trustee before the seventh Business Day after the Unit was agreed to be issued (or such other date as the Manager and the Trustee may agree), the Manager may cancel its agreement to issue such Unit and upon notice being given to the Trustee, such Unit will be deemed never to have been issued or agreed to be issued. In such an event, the Manager may, at its discretion, charge the investor (and retain the same for its own account) (i) a cancellation fee of such amount as the Manager may from time to time determine to represent the administrative costs involved in processing the application for such Unit and (ii) an amount (if any) by which the Issue Price of such Unit exceeds the repurchase price applying if such Unit was requested to have been repurchased or redeemed on the same day.

In addition to the above provisions in the Trust Deed, the aggregate number of additional Units (together with any other issue of Units, including Units which may be issued to the Manager in payment of the Manager's Base Fee and/or Performance Fee, other than by way of a rights issue offered on a *pro rata* basis for all existing Unitholders, in the same financial year) which K-REIT Asia may issue without obtaining Unitholders' approval in any Prescribed Period shall not exceed 50.0% of the number of Units in issue as at the date of the commencement of the relevant Prescribed Period, of which the aggregate number of Units issued other than on a *pro rata* basis to existing Unitholders shall not exceed 20.0% of the number of Units in issue as at the said date provided that the value and/or number of such aggregate number of additional Units shall not exceed any thresholds prescribed by the SGX-ST and/or the MAS. The first Prescribed Period will commence on the Listing Date and terminate on 31 December 2006.

Suspension of Issue of Units

The Manager or the Trustee may, with the prior written approval of the other and subject to the listing rules of the SGX-ST, suspend the issue of Units during any of the following events:

- (a) any period when the SGX-ST or any other relevant Recognised Stock Exchange is closed (otherwise than for public holidays) or during which dealings are restricted or suspended;
- (b) the existence of any state of affairs which, in the opinion of the Manager or the Trustee (as the case may be) might seriously prejudice the interests of the Unitholders as a whole or of the Deposited Property;
- (c) any breakdown in the means of communication normally employed in determining the price of any of such Investments or the current price thereof on the SGX-ST or any other relevant Recognised Stock Exchange or when for any reason the prices of any of such Investments cannot be promptly and accurately ascertained;
- (d) any period when remittance of money which will or may be involved in the realisation of such Investments or in the payment for such Investments cannot, in the opinion of the Manager, be carried out at normal rates of exchange;
- (e) in relation to any general meeting of the Unitholders, the period 48 hours before such general meeting or any adjournment thereof;
- (f) any period where the issuance of Units is suspended pursuant to any order or direction issued by the MAS; or
- (g) when the business operations of the Manager or the Trustee in relation to the operation of K-REIT Asia are substantially interrupted or closed as a result of, or arising from, pestilence, acts of war, terrorism, insurrection, revolution, civil unrest, riots, strikes or acts of God.

Such suspension shall take effect forthwith upon the declaration in writing thereof by the Manager or the Trustee (as the case may be) and shall terminate on the day following the first Business Day on which the condition giving rise to the suspension shall have ceased to exist and no other conditions under which suspension is authorised (as set out above) shall exist upon the declaration in writing thereof by the Manager or the Trustee (as the case may be). In the event of any suspension while K-REIT Asia is listed, the Manager shall ensure that immediate announcement of such suspension is made through the SGX-ST.

Redemption of Units

When Units are Listed on the SGX-ST

Unitholders have no right to request the Manager to repurchase or redeem their Units while the Units are listed on the SGX-ST. It is intended that Unitholders may only deal in their listed Units through trading on the SGX-ST. However, under the Trust Deed, the Manager may decide to make any offer to repurchase or redeem Units (in which case the repurchase price shall be the Current Unit Value (as defined in the Trust Deed) per Unit). In the event the Manager so decides, such repurchase or redemption must comply with the Property Funds Guidelines and the listing rules of the SGX-ST. Any offer of repurchase or redemption of Units shall be offered on a *pro rata* basis to all Unitholders.

The Manager may also, subject to the listing rules of the SGX-ST, suspend the repurchase or redemption of Units for any period when the issue of Units is suspended pursuant to the terms and conditions of the Trust Deed (see “The Formation and Structure of K-REIT Asia — Suspension of Issue of Units”).

When Listed Units are Suspended or Delisted

If the listed Units of K-REIT Asia have been suspended from trading for at least 60 consecutive calendar days or delisted from the SGX-ST, the Manager is required by the Property Funds Guidelines to offer to repurchase or redeem the Units within 30 calendar days from the date of the relevant event. In offering such repurchase or redemption, the Manager is required by the Property Funds Guidelines to offer at least 10.0% of the Deposited Property. Where the total amount of redemption requests received by the Manager is for less than 10%, all redemption requests should be met in full.

Should a trading suspension be lifted within 30 calendar days after the relevant event, the Manager has the option under the Property Funds Guidelines to withdraw any repurchase or redemption offer made. Should the trading suspension be lifted after the offer period for such repurchase or redemption has commenced, the Manager is required by the Property Funds Guidelines to satisfy all repurchase or redemption requests which have been received prior to the date the trading suspension is lifted. Neither the Trustee nor the Manager will be obliged to satisfy the repurchase or redemption requests received after the date the trading suspension is lifted.

When Units are Suspended Indefinitely or Permanently Delisted

If K-REIT Asia continues to be suspended indefinitely or has been permanently delisted from the SGX-ST, the Manager is required to offer to redeem Units at least once a year after the first offer to redeem Units on a suspension or de-listing explained above has closed. In other words, K-REIT Asia will then be treated as an unlisted property fund.

Redemption Procedures

The Manager will send an offer notice to Unitholders in the event of any offer to redeem the Units. Unitholders wishing to redeem will be asked to respond by sending a request for repurchase or redemption. Following receipt of the request for repurchase or redemption, the repurchase price for the Units that are the subject of the request shall be paid by the Manager to the Unitholder as soon as practicable (and as may be prescribed by the Property Funds Guidelines) after the date of the receipt of the request. The repurchase price shall be the Current Unit Value of the relevant Unit on the day the request is accepted by the Manager less the Repurchase Charge (as defined below) and less an amount to adjust the resultant total downwards to the nearest whole cent. The Repurchase Charge is a charge upon the repurchase or redemption of a Unit of such amount as may from time to time be fixed by the Manager generally or in relation to any specific or class of transaction provided that it shall not exceed 2.0% (or such other percentage as the Manager and the Trustee may agree) of the repurchase price at the time the request for repurchase or redemption of the Unit is accepted by the Manager and that this charge shall not apply while the Units are listed, quoted and traded on the SGX-ST and/or any other Recognised Stock Exchange and the Units have not been suspended from such listing, quotation and trading for more than 60 consecutive calendar days or been permanently delisted.

Rights and Liabilities of Unitholders

The key rights of Unitholders include rights to:

- (a) receive income and other distributions attributable to the Units held;
- (b) receive audited accounts and the annual reports of K-REIT Asia; and
- (c) participate in the termination of K-REIT Asia by receiving a share of all net cash proceeds derived from the realisation of the assets of K-REIT Asia less any liabilities, in accordance with their proportionate interests in K-REIT Asia.

No Unitholder has a right to require that any asset of K-REIT Asia be transferred to him.

Further, Unitholders cannot give any directions to the Trustee or the Manager (whether at a meeting of Unitholders or otherwise) if it would require the Trustee or the Manager to do or omit doing anything which may result in:

- (a) K-REIT Asia ceasing to comply with applicable laws and regulations; or
- (b) the exercise of any discretion expressly conferred on the Trustee or the Manager by the Trust Deed or the determination of any matter which, under the Trust Deed, requires the agreement of either or both of the Trustee and the Manager.

The Trust Deed contains provisions that are designed to limit the liability of a Unitholder to the amount paid or payable for any Unit. The provisions seek to ensure that if the Issue Price of the Units held by a Unitholder has been fully paid, no such Unitholder, by reason alone of being a Unitholder, will be personally liable to indemnify the Trustee or any creditor of K-REIT Asia in the event that the liabilities of K-REIT Asia exceed its assets.

Under the Trust Deed, all Unitholders enjoy the same voting rights regardless of the number of Units held by each Unitholder.

Amendment of the Trust Deed

Save where an amendment to the Trust Deed has been approved by an Extraordinary Resolution passed at a meeting of Unitholders duly convened and held in accordance with the provisions of the Trust Deed, no amendment may be made to the provisions of the Trust Deed unless the Trustee certifies in writing that, in its opinion, such amendment:

- (a) does not materially prejudice the interests of the Unitholders and does not operate to release to any material extent the Trustee or the Manager from any responsibility to the Unitholders or (as the case may be) Depositors;
- (b) is necessary in order to comply with applicable fiscal, statutory or official requirements (whether or not having the force of law); or
- (c) is made to correct a manifest error.

No such amendment shall impose upon any Unitholder any obligation to make any further payments in respect of his Units or to accept any liability in respect thereof.

Meeting of Unitholders

Under applicable law and the provisions of the Trust Deed, K-REIT Asia will not hold any meetings for Unitholders unless the Trustee or the Manager convenes a meeting or unless not less than 50 Unitholders or or Unitholders representing not less than 10% of the issued units of K-REIT Asia (whichever is the lesser) requests in writing for a meeting to be convened.

A meeting of Unitholders when convened and held in accordance with the Trust Deed may, by Extraordinary Resolution and in accordance with the Trust Deed:

- (a) sanction any modification, alteration or addition to the provisions of the Trust Deed which shall be agreed by the Trustee and the Manager as provided in the Trust Deed;

- (b) sanction a supplemental deed to the Trust Deed increasing the maximum permitted limit or any change in the structure of the Management Fee (including the Base Fee and the Performance Fee), the Acquisition Fee, the Divestment Fee and the Trustee's remuneration;
- (c) sanction any issue of Units by the Manager under the circumstances set out for an issue of Units other than by way of an issue of Units pursuant to sub-paragraphs (2) to (6) of "The Formation and Structure of K-REIT Asia — Issue of Units");
- (d) remove the Auditors (as defined in the Trust Deed); and
- (e) direct the Trustee to take any action pursuant to Section 295 of the SFA.

Any decision to be made by resolution of the Unitholders other than those specified above shall be made by Ordinary Resolution (as defined in the Trust Deed), unless an Extraordinary Resolution is required by the SFA, the CIS Code or the Listing Manual.

Except as otherwise provided for in the Trust Deed, 14 days' prior written notice at the least (not inclusive of the day on which the notice is served or deemed to be served and of the day for which the notice is received) of every meeting shall be given to the Unitholders in the manner provided in the Trust Deed. The quorum for the transaction of business at any meeting shall be not less than two Unitholders present in person or by way of proxy. No business shall be transacted at any meeting unless the requisite quorum is present at the commencement of business. Each notice shall specify the place, day and hour of the meeting and the terms of any resolution to be proposed, and each such notice may, in general, be given by advertisement in the 4 local daily newspapers, one each published in the English, Malay, Chinese and Tamil language.

Voting at a meeting shall be by a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded by the chairman or by five or more Unitholders present in person or by proxy and holding or representing one-tenth in value of the Units represented at the meeting. Unless a poll is so demanded a declaration by the chairman that 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.

On a show of hands every Unitholder who (being an individual) is present in person or by proxy or (being a corporation) 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. The Trust Deed does not contain any limitation on non-Singapore resident or foreign Unitholders holding Units or exercising the voting rights with respect to their unitholdings.

Substantial Shareholdings

Under Section 137B of the SFA, Substantial Unitholders will be required to notify the Trustee of their deemed and direct holdings and any subsequent change in the percentage level of such holdings (rounded down to the next whole number) or their ceasing to hold 5.0% or more of the total number of Units within two Business Days of acquiring such holdings or of such changes or such cessation.

Under Section 137A of the SFA, Substantial Unitholders must also, within the same time limit, submit such notifications to the SGX-ST.

Failure to comply with either Section 137A or Section 137B of the SFA constitutes an offence and will render a Substantial Unitholder liable to a fine on conviction.

Directors' Declaration of Unitholdings

Under the Trust Deed, the Directors of the Manager are required to give notice to the Manager of their acquisition of Units or to changes to the number of Units which they hold or in which they have an interest, within two Business Days after such acquisition or the occurrence of the event giving rise to changes in the number of Units which they hold or in which they have an interest, as applicable.

A director of the Manager is deemed to have an interest in Units in the following circumstances:

- (1) Where the director is the beneficial owner of a Unit (whether directly through a direct Securities Account or indirectly through a depository agent or otherwise), he is deemed to have an interest in that Unit.
- (2) Where a body corporate is the beneficial owner of a Unit and the director is entitled to exercise or control the exercise of not less than 20.0% of the votes attached to the voting shares in the body corporate, he is deemed to have interest in that Unit.
- (3) Where the director's spouse or infant child (including step-child and adopted child) has any interest in a Unit, he is deemed to have an interest in that Unit.
- (4) Where the director, his spouse or infant child (including step-child and adopted child):
 - (i) has entered into a contract to purchase a Unit;
 - (ii) has a right to have a Unit transferred to any of them or to their order, whether the right is exercisable presently or in the future and whether on the fulfilment of a condition or not;
 - (iii) has the right to acquire a Unit under an option, whether the right is exercisable presently or in the future and whether on the fulfilment of a condition or not; or
 - (iv) is entitled (otherwise than by reason of any of them having been appointed a proxy or representative to vote at a meeting of Unitholders) to exercise or control the exercise of a right attached to a Unit, not being a Unit of which any of them is the holder,the Director is deemed to have an interest in that Unit.
- (5) Where the property subject to a trust consists of or includes a Unit and the director knows or has reasonable grounds for believing that he has an interest under the trust and the property subject to the trust consists of or includes such Unit, he is deemed to have an interest in that Unit.

The Trustee

The trustee of K-REIT Asia is RBC Dexia Trust Services Singapore Limited. The Trustee is a company incorporated in Singapore and registered as a trust company under the Trust Companies Act, Chapter 336 of Singapore. It is approved to act as a trustee for authorised collective investment schemes under the SFA. The Trustee has a paid-up capital of S\$6,000,000. The Trustee has a place of business in Singapore at 9 Raffles Place, #42-01 Republic Plaza, Singapore 048619.

Powers, Duties and Obligations of the Trustee

The Trustee's powers, duties and obligations are set out in the Trust Deed. The Trustee has all the powers of a natural person acting in his or her personal capacity. These powers include, without limitation, the Trustee's powers to deal with Authorised Investments, grant indemnities and enter into joint venture arrangements.

In the exercise of its powers, the Trustee may acquire or dispose of any real or personal property, borrow or incur any liability, issue any security in respect of any borrowing or any liability and encumber any asset only upon the recommendation and direction by the Manager.

The Trustee must execute all proxies, powers of attorney and other instruments as directed by the Manager in exercise of the Manager's obligations and powers under the Trust Deed provided always that the Trustee is hereby empowered to exercise its powers without such directions, or contrary to such directions, where the Trustee, in its absolute discretion, considers it necessary to do so, by reason of the provisions of the SFA, the CIS Code and at law or otherwise in the protection of the best interests of the Unitholders.

Although the Trustee may borrow money and obtain other financial accommodation for the purposes of K-REIT Asia, both on a secured and unsecured basis, the Manager must not direct the Trustee to incur a liability if to do so would mean that the aggregate leverage of K-REIT Asia exceeds 35.0% (or such other limit as may be stipulated by the MAS) of the value of its Deposited Property in accordance with the provisions of the Property Funds Guidelines.

The Trustee must carry out its functions and duties and comply with all the obligations imposed on it as set out in the Trust Deed, the Listing Manual, the SFA, the CIS Code (including the Property Funds Guidelines), the Tax Ruling and all other relevant laws.

The Trustee is not personally liable to a Unitholder in connection with the office of the Trustee except in respect of its own fraud, negligence, wilful default, breach of duty or breach of trust. Any liability incurred and any indemnity to be given by the Trustee shall be limited to the assets of K-REIT Asia over which the Trustee has recourse, provided that the Trustee has acted without fraud, negligence, wilful default, breach of trust or breach of the Trust Deed. The Trust Deed contains certain indemnities in favour of the Trustee under which it will be indemnified out of the assets of K-REIT Asia for liability arising in connection with certain acts or omissions. These indemnities are subject to any applicable laws.

Retirement and Replacement of Trustee

The Trustee may retire or be replaced under the following circumstances:

- (1) The Trustee shall not be entitled to retire voluntarily except upon the appointment of a new trustee (such appointment to be made in accordance with the provisions of the Trust Deed).
- (2) The Trustee may be removed by notice in writing to the Trustee by the Manager in any of the following events:
 - (i) if the Trustee goes into liquidation (except a voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously approved in writing by the Manager) or if a receiver is appointed over any of its assets or if a judicial manager is appointed in respect of the Trustee;
 - (ii) if the Trustee ceases to carry on business;
 - (iii) if the Trustee fails or neglects after reasonable notice from the Manager to carry out or satisfy any material obligation imposed on the Trustee by the Trust Deed;
 - (iv) if the Unitholders, by an Ordinary Resolution (as defined in the Trust Deed) duly passed at a meeting of Unitholders held in accordance with the provisions contained in the Trust Deed decide that the Trustee be removed; and
 - (v) if the MAS directs that the Trustee be removed.

Trustee's Fee

Under the Trust Deed, the maximum fee payable to the Trustee is 0.03% per annum of the value of the Deposited Property and shall be payable out of the Deposited Property quarterly in arrear. The actual fee payable will be determined between the Manager and the Trustee from time to time and shall be set out in the letter signed by the Trustee and the Manager.

Any increase in the rate of the Trustee's fee above the permitted limit or any change in the structure of the Trustee's fee shall be approved by an Extraordinary Resolution of a meeting of Unitholders duly convened and held in accordance with the provisions of the Trust Deed.

Termination of K-REIT Asia

Under the provisions of the Trust Deed, the duration of K-REIT Asia shall end on the earliest of:

- (a) the 100th anniversary of the date of the Trust Deed or such other date as allowed by law; or
- (b) the date on which K-REIT Asia is terminated by the Manager in the circumstances set out in the Trust Deed, as set out below; or
- (c) the date on which K-REIT Asia is terminated by the Trustee in the circumstances set out in the Trust Deed, as set out below.

The Manager may in its absolute discretion terminate K-REIT Asia by giving notice in writing thereof to all Unitholders and the Trustee not less than three months in advance and to the MAS not less than seven days before the termination in any of the following circumstances:

- (a) if any law shall be passed which renders it illegal or in the opinion of the Manager impracticable or inadvisable for K-REIT Asia to continue to exist;
- (b) if the Net Asset Value of the Deposited Property shall be less than S\$50,000,000 after the end of the first anniversary of the date of the Trust Deed or any time thereafter; and
- (c) if at any time K-REIT Asia becomes unlisted after it has been listed.

Subject to the SFA and any other applicable law or regulation, K-REIT Asia may be terminated by the Trustee by notice in writing as hereinafter provided in any of the following events, namely:

- (a) if the Manager shall go into liquidation (except a voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously approved in writing by the Trustee) or if a receiver is appointed over any of its assets or if a judicial manager is appointed in respect of the Manager or if any encumbrance shall take possession of any of its assets or if it shall cease business and the Trustee fails to appoint a successor Manager in accordance with the provisions of the Trust Deed;
- (b) if any law shall be passed which renders it illegal or in the opinion of the Trustee impracticable or inadvisable for K-REIT Asia to continue to exist; and
- (c) if within the period of three months from the date of the Trustee expressing in writing to the Manager the desire to retire, the Manager shall have failed to appoint a new trustee in accordance with the terms of the Trust Deed.

CERTAIN AGREEMENTS RELATING TO K-REIT ASIA

The agreements discussed in this section are complex documents and the following is a summary only. Recipients of this Document and prospective investors should refer to the agreements themselves to confirm specific information or for a detailed understanding of the K-REIT Asia. The agreements are available for inspection at the registered office of the Manager at 1 HarbourFront Avenue #18-01 Keppel Bay Tower Singapore 098632 for a period of six months from the date of this Document.

Description of the Agreements for the Acquisition of the Properties

On 28 November 2005, the Trustee entered into the following agreements with KLTD, MRL and, BCH respectively, for the acquisition of the Properties as follows:

- (i) a Put and Call Option Agreement for 30 Cecil Street #01-01, #10-01/08 to #19-01/08 (excluding #16-05/08) Prudential Tower Singapore 049712 comprised in 20 Strata Lots.
- (ii) a Put and Call Option Agreement for Keppel Towers 10 Hoe Chiang Road Keppel Towers Singapore 089315 and GE Tower 240 Tanjong Pagar Road Singapore 088540; and
- (iii) a Put and Call Option Agreement for the sale and purchase of Bugis Junction Towers 230 Victoria Street, Singapore 188024.

Principal Terms of Put and Call Option Agreements

The principal terms of the Put and Call Option Agreements are summarised below:

- (i) Under each of the Put and Call Option Agreements, the Trustee was granted a call option, and the respective vendor under the Put and Call Option Agreements (KLTD, MRL or BCH, as the case may be, the "Vendor") was granted a put option which, if exercised by the respective parties in accordance with the respective Put and Call Option Agreement, shall constitute a contract for the sale and purchase of the respective Property between the Vendor and the Trustee, on the date of service of the duly signed and dated call option notice or put option notice, as the case may be, as provided in the Put and Call Option Agreement;
- (ii) The option exercise period under each Put and Call Option Agreement is 7 days, commencing after the date on which all the relevant conditions precedent under the Put and Call Option Agreement are fulfilled or such earlier date as the parties may mutually agree to in writing;
- (iii) Upon service of either the duly signed and dated call option notice, or the put option notice, the Vendor or the Trustee, respectively, shall be deemed to have entered into a sale and purchase agreement for the Property, the terms of such sale or purchase of the Property under the purchase agreement will be on the purchase conditions as set out in the respective Put and Call Option Agreements; and
- (iv) The date of the purchase agreement shall be the same date that the put or call option is exercised (which shall be the same date as the date of delivery by the party who exercised the put or call option of the duly signed and dated put or call option notice) and the parties are deemed to have entered into the purchase agreement in accordance with the respective Put and Call Option Agreement.

Purchase Conditions for the Acquisition of the Properties

The principal purchase conditions for the sale and purchase of the Properties as set out in the Put and Call Option Agreements are summarised below:

- (i) The consideration for the sale and purchase of the Properties is payable by the issue of Units and cash, such consideration to be paid as directed by the Vendor or the Vendor's solicitors which shall constitute a full discharge of the payment obligations by the Trustee to the Vendors.
 - (a) The consideration for the purchase of the Prudential Tower Property is S\$117.7 million payable by the issue of units in K-REIT Asia. The Trustee shall pay the purchase price by way of 64,316,940 Units to KLTD on Completion of the acquisition of the Prudential Tower Property;

- (b) The consideration for the purchase of Keppel Towers and GE Tower is S\$353.5 million. The Trustee shall pay the purchase price by way of 89,032,590 Units and S\$190,570,360 in cash to MRL on Completion of the acquisition of Keppel Towers and GE Tower; and
- (c) The consideration for the purchase of Bugis Junction Towers is S\$159.5 million payable by the issue of units in K-REIT Asia. The Trustee shall pay the purchase price by way of 87,158,470 Units to BCH on Completion of the acquisition of Bugis Junction Towers.
- (ii) The Properties are sold on an “as is where is” basis.
- (iii) The Properties are sold subject to and with the benefit of all existing tenancies and licence agreements as from the date of Completion.
- (iv) The parties agree that completion of the sale and purchase of each of the Properties shall take place on the same date and time as the Completion of the sale of the other two Properties to the Trustee.

Property Management Agreement

The Properties comprising the initial portfolio of K-REIT Asia and any subsequent properties acquired by the Trustee, whether such properties are directly or indirectly held by the Trustee, or are wholly or partly owned by K-REIT Asia will be managed by the Property Manager pursuant to the Property Management Agreement.

The Property Management Agreement to be entered into by the Trustee, the Manager and the Property Manager pursuant to which the Property Manager was appointed with effect from 22 December 2005 to operate, maintain, manage and market the Properties and such other properties as may be acquired by the Trustee from time to time as trustee of K-REIT Asia.

Property Manager's Services

The services provided by the Property Manager for each property under its management include the following:

- property management services, recommending third party contracts for provision of property maintenance services, supervising the performance of contractors, arranging for adequate insurances and ensuring compliance with building and safety regulations;
- lease management services, including coordinating tenants' fitting out requirements, initiating lease renewals and negotiation of terms, administration of rental collection, and management of rental arrears;
- marketing and marketing coordination services; including draft annual marketing budgets, co-ordinating marketing and promotion programmes including advertisements on the Properties, as well as monitoring and reporting on each tenant's turnover performance;
- procuring tenants for the properties; and
- project management services in relation to the development or redevelopment (unless otherwise prohibited by the Property Funds Guidelines or any other laws or regulations), the refurbishment, retrofitting and renovation works to a property, including recommendation of project budget and project consultants, and supervision and implementation of the project.

Fees

Under the Property Management Agreement, for property management services rendered by the Property Manager, the Trustee will pay the Property Manager for each property a property management fee of 3.0% per annum of the Property Income of that property under the Property Manager, payable by monthly instalments in arrears.

Leasing Commission

Under the Property Management Agreement, the Property Manager is entitled to receive leasing commission at the rates set out as follows:

- (a) one month's Gross Rent (base rental income and tenant service charge) or licence fee, as applicable, for securing a tenancy or licence of two years or more;
- (b) one-half month's Gross Rent (base rental income and tenant service charge) or licence fee, as applicable, for securing a tenancy or licence of less than two years but at least a year and a proportionate part thereof; and
- (c) one-quarter month's Gross Rent (base rental income and tenant service charge) or licence fee, as applicable, for securing a renewal of tenancy or licence of a year or more and a proportionate part thereof for securing a renewal of a tenancy or licence of less than a year.

If the tenancy, licence, renewal of tenancy or licence is secured by a third party agent appointed by the Trustee, upon the recommendation of the Manager, the Property Manager will not be entitled to a commission for such tenancy, licence, renewal of tenancy or licence if such third party agent's commission equals to or exceeds the relevant commission payable to the Property Manager, in which case, such third party agent's commission shall be fully paid by the Trustee. If such third party agent's commission is less than the commission payable to the Property Manager, the Property Manager shall be entitled to receive from the Trustee its commission, and in turn the Property Manager will be liable for payment of such third party agent's commission.

Expenses

The Property Manager is entitled to be paid for all costs and expenses incurred in the operation, maintenance, management and marketing of each Property.

Termination

The Property Manager or the Manager may terminate the Agreement on the occurrence of certain specified events, which include the liquidation or cessation of business of the Property Manager or the Manager.

TAXATION

The following summary of certain Singapore income tax consequences of the ownership and disposition of the Units is based upon interpretations of laws, regulations, rulings and decisions now in effect. While this summary is considered to be a correct interpretation of existing laws, regulations, rulings and decisions now in effect, no assurance can be given that courts or fiscal authorities responsible for the administration thereof will agree with the interpretations or that changes will not occur (possibly with retroactive effect).

The summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to own or dispose the Units and does not purport to apply to all categories of investors, some of which may be subject to special rules. Investors should not construe the contents of this summary as legal, tax or financial advice. It is the responsibility of all investors to inform themselves as to any income or other tax consequences arising in Singapore and/or the jurisdictions in which they are resident or domiciled for tax purposes, as well as any foreign exchange or other fiscal or legal restrictions, applicable to the ownership or disposition of Units in K-REIT Asia. Investors should therefore consult their own tax advisers concerning the application of Singapore income tax laws to their particular situations as well as any consequences of the ownership and disposition of the Units arising under the laws of any other tax jurisdiction.

The IRAS has issued a Tax Ruling on the taxation of K-REIT Asia and its Unitholders.

Taxation of K-REIT Asia

Subject to meeting the terms and conditions of the Tax Ruling and to the extent that K-REIT Asia distributes at least 90% of its Taxable Income, tax will be assessed only on, and collected from, the Trustee at the prevailing corporate tax rate on the Retained Taxable Income. In the event a distribution is subsequently made out of such Retained Taxable Income, the Trustee and Manager will not have to make a further deduction of income tax from such distribution.

Gains or profits arising from sale of real properties, if considered to be trading gains derived from a trade or business carried on by K-REIT Asia, will be taxable under Section 10(1)(a) of the Income Tax Act, Chapter 134 of Singapore ("the Income Tax Act"). Tax on such gains or profits will be assessed on, and collected from, the Trustee at the prevailing corporate tax rate. In the event a distribution is subsequently made out of such taxable trading gains, the Trustee and Manager will not have to make a further deduction of income tax from such distribution.

Gains or profits arising from sale of real properties, if considered to be capital in nature, will not be subject to tax and the Trustee and Manager can distribute such gains or profits without having to account for tax.

For distributions made out of the Taxable Income of K-REIT Asia that has not been taxed at level of K-REIT Asia, the Trustee and the Manager will deduct income tax at the prevailing corporate tax rate from distributions to Unitholders. However, to the extent that the beneficial owner of the Units is a Qualifying Unitholder, the Trustee and Manager will make the distributions without deducting any Singapore income tax.

A Qualifying Unitholder is a Unitholder who is:

- (i) an individual (regardless of residence or nationality);
- (ii) a Singapore incorporated company that is tax resident in Singapore;
- (iii) a Singapore branch of a foreign company that has obtained the IRAS' approval for distributions to be made to it by the Trust without deduction of tax; or
- (iv) a body of persons, other than a company or a partnership, incorporated or registered in Singapore including a charity registered under the Charities Act (Chapter 37 of Singapore) or established by a written law, a town council, a statutory board, a co-operative society registered under the Co-operative Societies Act (Chapter 62 of Singapore) or a trade union registered under the Trade Unions Act (Chapter 333 of Singapore).

To obtain distributions free of tax deducted at source, Unitholders who are Qualifying Unitholders (other than individuals) must disclose their tax status in a prescribed form provided by the Trustee (see “Appendix VII — Independent Taxation Report”).

Further, to the extent that the beneficial owner is a foreign non-individual Unitholder, the Trustee and Manager will deduct Singapore income tax at the reduced rate of 10% for distributions made during the period from 18 February 2005 to 17 February 2010 out of the Taxable Income of K-REIT Asia that has not been taxed at the level of K-REIT Asia provided that the foreign non-individual Unitholder is one who is not a resident of Singapore for income tax purposes and:

- does not have a permanent establishment in Singapore; or
- carries on any operation in Singapore through a permanent establishment in Singapore but the funds used by that person to acquire Units in K-REIT Asia are not obtained from that operation in Singapore.

Where the distributions are made out of income previously taxed at the level of K-REIT Asia (out of Retained Taxable Income or out of gains or profits on sale of real properties taxed as trading gains under Section 10(1)(a) of the Income Tax Act) to foreign non-individual Unitholders, these distributions can be made without deducting any Singapore income tax.

Where the Units are held in joint names, the Trustee and Manager will deduct income tax from the distributions made out of K-REIT Asia’s Taxable Income (other than Retained Taxable Income and gains or profits on sale of real properties taxed to K-REIT Asia as trading gains under Section 10(1)(a) of the Income Tax Act) at the prevailing corporate tax rate unless all the joint owners are individuals.

Where the Units are held through a nominee, the Trustee and Manager will deduct income tax from the distributions made out of K-REIT Asia’s Taxable Income (other than Retained Taxable Income and gains or profits on sale of real properties taxed to K-REIT Asia as trading gains under Section 10(1)(a) of the Income Tax Act) at the prevailing corporate tax rate except in the following situations:

- where the Units are held for the benefit of Qualifying Unitholders, tax may not be deducted at source under certain circumstances, which include a declaration by the nominee of the status of the beneficial owners of the Units and the provision of certain particulars of the beneficial owners of the Units by the nominee to the Trustee and the Manager in a prescribed form provided by the Trustee;
- where the Units are held for the benefit of foreign non-individual Unitholders, tax may be deducted at the reduced tax rate of 10% for distributions made during the period from 18 February 2005 to 17 February 2010 under certain circumstances, which include a declaration by the nominee of the status of the beneficial owners of the Units and the provision of certain particulars of the beneficial owners of the Units by the nominee to the Trustee and the Manager in a prescribed form provided by the Trustee; and
- where the Units are held by the nominees as agent banks or SRS operators acting for individuals who are distributed the Units as a result of shares that are purchased within the CPFIS or the SRS respectively, tax will not be deducted at source for distributions made in respect of these Units.

K-REIT Asia Distributions

Individuals who hold the Units as investment assets

Distributions from real estate investment trusts that are authorised under Section 286 of the SFA (excluding distributions out of franked dividends) and paid to individuals are exempt from Singapore income tax. This tax exemption does not apply to distributions that are derived through a partnership in Singapore or from the carrying on of a trade, business or profession.

Distributions out of franked dividends would be considered as taxable income of the individual Unitholders. The amount of such distributions that would be taxable to these individual Unitholders at their applicable income tax rates is the re-grossed amount (the amount of distribution and the proportionate amount of imputed tax calculated using the prevailing corporate tax rate (“imputed tax credit”) but they may claim a tax credit for the imputed tax credit as a set-off against their Singapore income tax liabilities.

Pursuant to Section 13(1)(ze)(v) of the Income Tax Act, distributions made to individual Unitholders out of Retained Taxable Income and gains on sale of real properties taxed to K-REIT Asia as trading gains under Section 10(1)(a) of the Income Tax Act, are exempt from tax to these individual Unitholders but they would not be entitled to claim the imputed tax credit. The IRAS has, however, been asked to re-consider whether distributions made to individual Unitholders out of gains on sale of real properties taxed to K-REIT Asia as trading gains under Section 10(1)(a) of the Income Tax Act, should be exempt from tax to these individual Unitholders. If the IRAS rules that such distributions are taxable to these individual Unitholders, then the amount of such distributions that would be taxable to these individual Unitholders at their applicable income tax rates is the re-grossed amount (the amount of distribution and the imputed tax credit) but they may claim a tax credit for the imputed tax credit as a set-off against their Singapore income tax liabilities.

Distributions made out of non-taxable capital gains of K-REIT Asia will be exempt in the hands of those individual Unitholders who hold the Units as investment assets.

Individuals who hold the Units as trading assets or through a Singapore partnership

Individuals (regardless of residence or nationality) who hold the Units as trading assets or through a Singapore partnership are subject to Singapore income tax at their applicable income tax rates on the gross amount of distributions that are made out of K-REIT Asia's Taxable Income.

The amount of distribution that is subject to Singapore tax is the re-grossed amount (the amount of net distribution and the imputed tax credit). However, these individual Unitholders may claim the imputed tax credit as a set-off against their Singapore income tax liabilities.

Distributions made out of non-taxable capital gains of K-REIT Asia will also be taxed in the hands of those individuals who hold the Units as trading assets at their applicable income tax rates.

Withdrawals of the distributions by individual Unitholders who invest in the Units through the SRS

The withdrawals of the distributions from the SRS are governed by SRS policy as detailed below:

- I. Where withdrawals are made under the following circumstances, 50% of the amount withdrawn will be taxed:
 - upon reaching the statutory retirement age;
 - death or permanent disability
 - foreigners who have maintained their SRS accounts for at least 10 years from the date of the first contribution.
- II. Where the withdrawals are made under the following circumstances, 100% of the amount withdrawn will be taxed:
 - bankruptcy;
 - before reaching retirement age.

Non-individuals

Non-individual Unitholders (other than foreign non-individual Unitholders) are subject to Singapore income tax on the gross amount of distributions that are made out of K-REIT Asia's Taxable Income, regardless of whether or not tax has been deducted from the distributions by the Trustee and the Manager. Where tax has been deducted at source at the prevailing corporate tax rate, the tax deducted is not a final tax. Non-individual Unitholders (other than foreign non-individual Unitholders) can use such tax deducted at source as a set-off against their Singapore income tax liabilities.

Distributions made out of income previously taxed at K-REIT Asia's level (out of Retained Taxable Income or out of gains or profits on sale of real properties taxed as trading gains under Section 10(1)(a) of the Income Tax Act) will also be taxed in the hands of these non-individual Unitholders (other than foreign non-individual Unitholders) at their applicable income tax rates. The amount of such distributions that would be taxable to these non-individual Unitholders (other than foreign non-individual Unitholders) is the re-grossed amount (the amount of distribution and the imputed tax credit) but they may claim a tax credit for the imputed tax credit as a set-off against their Singapore income tax liabilities.

Foreign non-individual Unitholders will be subject to tax at the reduced rate of 10% on distributions made by K-REIT Asia out of Taxable Income that has not been taxed at the level of K-REIT Asia during the five-year period from 18 February 2005 to 17 February 2010. The reduced rate of 10% is applicable only if the foreign non-individual Unitholder is one who is not a resident of Singapore for income tax purposes and:-

- does not have a permanent establishment in Singapore; or
- carries on any operation in Singapore through a permanent establishment in Singapore but the funds used by that person to acquire Units in K-REIT Asia are not obtained from that operation in Singapore.

The 10% withholding tax is a final tax on the gross amount of the distributions.

Where the distributions are made out of income previously taxed at K-REIT Asia's level (out of Retained Taxable Income or out of gains or profits on sale of real properties taxed as trading gains under Section 10(1)(a) of the Income Tax Act) to the foreign non-individual Unitholders, there is no further withholding tax. However, the re-grossed amount of such distributions (the amount of distribution and the imputed tax credit) would be taxable to these foreign non-individual Unitholders at their applicable income tax rates but they may claim a tax credit for the imputed tax credit as a set-off against their Singapore income tax liabilities.

Distributions made out of non-taxable capital gains of K-REIT Asia are not taxable in the hands of non-individual Unitholders provided that the Units are not held by them as trading assets. Such distributions are, however, taxable in the hands of non-individual Unitholders who hold the Units as trading assets.

Disposal of Units

As the Units are distributed to the Unitholders as a dividend in specie on their shareholding in Keppel Land Ltd ("KLL"), any gains on disposal of the Units are not liable to Singapore tax provided the shares in KLL are held as long term investments. Where the shares in KLL are held as trading assets, any gains on disposal of the Units are liable to tax under Section 10(1)(a) of the Income Tax Act. Where the shares in KLL are not held as trading assets but the Unitholder had the intention or purpose of making a profit at the time of acquiring the shares *i.e.*, the shares are not intended to be held for purposes of long-term investment, any gains on disposal of the Units could be construed as "gains or profits of an income nature" and liable to tax under Section 10(1)(g) of the Income Tax Act.

Terms and conditions of the Tax Ruling

The application of the Tax Ruling is conditional upon the Trustee and the Manager fulfilling certain terms and conditions. The Trustee and the Manager have given the relevant undertakings to take all reasonable steps necessary to safeguard the IRAS against tax leakages and to comply with all administrative requirements to ensure ease of tax administration.

The IRAS has expressly reserved the right to review, amend or revoke the Tax Ruling either in part or in whole at any time.

Stamp Duty

In an adjudication obtained from the Commissioner of Stamp Duties, it was confirmed that based on certain terms of the Trust Deed:

- (a) the sale, purchase and transfer of the Units is not subject to stamp duty; and
- (b) in the event of a change of trustee for K-REIT Asia, stamp duty on any document effecting the appointment of a new trustee and the transfer of trust assets from the incumbent trustee to the new trustee will be charged at a nominal rate not exceeding S\$10 as specified under Article 3(g)(ii) of the First Schedule of the Stamp Duties Act, Chapter 312 of Singapore.

CLEARANCE AND SETTLEMENT

Introduction

A letter of eligibility has been obtained from the SGX-ST for the listing and quotation of the Units. For the purpose of trading on the SGX-ST, a board lot for the Units will comprise 1,000 Units. Additionally, approval has been obtained from the SGX-ST for the setting up of a temporary counter to allow Unitholders and any investors to trade in board lots of 100 Units. This temporary counter will be maintained for one calendar month from the expected Listing Date of 28 April 2006. Based on the expected Listing Date of 28 April 2006, this temporary counter is expected to be available from 28 April 2006 to 26 May 2006 both dates inclusive. After 26 May 2006, Unitholder and investors can trade in odd lots of Units in the SGX-ST's Unit Share Market.

Upon listing and quotation on the SGX-ST, the Units will be traded under the electronics book-entry clearance and settlement system of CDP. All dealings in and transactions of the Units through the SGX-ST will be effected in accordance with the terms and conditions for the operation of Securities Accounts, as amended from time to time.

CDP, a wholly-owned subsidiary of SGX-ST, is incorporated under the laws of Singapore and acts as a depository and clearing organisation. CDP holds securities for its accountholders and facilitates the clearance and settlement of securities transactions between accountholders through electronic book-entry changes in the Securities Accounts maintained by such accountholders with CDP.

It is expected that the Units will be credited into the Securities Accounts of applicants for the Units on or before the Listing Date.

Clearance and Settlement under the Depository System

The Units will be registered in the name of CDP or its nominee and held by CDP for and on behalf of persons who maintain, either directly or through depository agents, Securities Accounts with CDP. Persons named as direct Securities Account holders and depository agents in the depository register maintained by CDP will be treated as Unitholders in respect of the number of Units credited to their respective Securities Accounts.

Transactions in the Units under the book-entry settlement system will be reflected by the seller's Securities Account being debited with the number of Units sold and the buyer's Securities Account being credited with the number of Units acquired and no transfer stamp duty is currently payable for the transfer of Units that are settled on a book-entry basis.

Units credited to a Securities Account may be traded on the SGX-ST on the basis of a price between a willing buyer and a willing seller. Units credited into a Securities Account may be transferred to any other Securities Account with CDP, subject to the terms and conditions for the operation of Securities Accounts and S\$10 transfer fee payable to CDP. All persons trading in the Units through the SGX-ST should ensure that the relevant Units have been credited into their Securities Account, prior to trading in such Units, since no assurance can be given that the Units can be credited into the Securities Account in time for settlement following a dealing. If the Units have not been credited into the Securities Account by the due date for the settlement of the trade, the buy-in procedures of the SGX-ST will be implemented.

Clearing Fees

A clearing fee for the trading of Units on the SGX-ST is payable at the rate of 0.05% of the transaction value, subject to a maximum of S\$200 per transaction. The clearing fee, deposit fee and unit withdrawal fee may be subject to GST (currently 5.0%).

Dealings in the Units will be carried out in Singapore dollars and will be affected for settlement in CDP on a scripless basis. Settlement of trades on a normal "ready" basis on the SGX-ST generally takes place on the third Market Day following the transaction date. CDP holds securities on behalf of investors in Securities Accounts. An investor may open a direct account with CDP or a sub-account with any CDP depository agent. A CDP depository agent may be a member company of the SGX-ST, bank, merchant bank or trust company.

EXPERTS

Deloitte & Touche Corporate Finance Pte Ltd was responsible for preparing the Financial Adviser's Statement on the Profit Forecast found in Appendix II of this Document.

Ernst & Young, Independent Accountants, was responsible for preparing the Independent Accountants' Report on the Profit Forecast and Independent Accountant's Report on the Pro Forma Financial Information found in Appendix III and Appendix IV, respectively, of this Document.

Deloitte & Touche, the Tax Consultants, was responsible for preparing the Independent Taxation Report found in Appendix VII of this Document.

Colliers International Consultancy & Valuation (Singapore) Pte Ltd and DTZ Debenham Tie Leung (SEA) Pte Ltd, the Independent Valuers, were responsible for preparing their respective Independent Property Valuation Summary Reports found in Appendix V of this Document.

DTZ Debenham Tie Leung (SEA) Pte Ltd, the Independent Property Consultant, was responsible for preparing the Independent Office Market Review in Appendix VI of this Document.

CONSENTS

Deloitte & Touche Corporate Finance Pte Ltd, Ernst & Young, Deloitte & Touche, Colliers International Consultancy & Valuation (Singapore) Pte Ltd and DTZ Debenham Tie Leung (SEA) Pte Ltd have each given and have not withdrawn their written consents to the issue of this Document with the inclusion herein of their names and their respective reports (where applicable) and all references thereto in the form and context in which they respectively appear in this Document and to act in such capacity in relation to this Document.

None of Arfat Selvam Alliance LLC, Allen & Gledhill or Wong Partnership make, or purport to make, any statement in this Document or are aware of any statement in this Document which purports to be based on a statement made by them and none of them is making any representation, express or implied, regarding, and takes no responsibility for, any statement in or omission from this Document.

GENERAL INFORMATION

- (1) The Directors of the Manager collectively and individually accept full responsibility for the accuracy of the information given in this Document and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the facts contained in this Document are true and accurate in all material respects. All expressions of opinion, intention and expectation contained in this Document have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable and there are no material facts the omission of which would make any statement in this Document misleading in any material respect. Where information in this Document has been extracted from public sources, the Directors of the Manager accept responsibility for accurately reproducing such information, but accept no further or other responsibility in respect of such information.
- (2) Deloitte & Touche Corporate Finance Pte Ltd acknowledges that, to the best of its knowledge and belief that this Document constitutes a full and true disclosure of all the material facts about the Introduction and K-REIT Asia and it is not aware of any other facts, the omission of which would make any statements herein misleading.
- (3) The forecast financial statements contained in the Independent Accountant's Report on the Profit Forecast in Appendix III of this Document has been stated by the Directors of the Manager after due and careful enquiry.
- (4) There are no legal or arbitration proceedings pending or, which K-REIT Asia or the Directors of the Manager are aware, threatened against the Manager the outcome of which, in the opinion of the Directors of the Manager, may have or have had during the 12 months prior to the date of this Document, a material adverse effect on the financial position of the Manager.
- (5) There are no legal or arbitration proceedings pending or, which K-REIT Asia or the Directors of the Manager are aware, threatened against K-REIT Asia the outcome of which, in the opinion of the Directors of the Manager, may have or have had during the 12 months prior to the date of this Document, a material adverse effect on the financial position (on a pro forma basis) of K-REIT Asia.
- (6) The name, age and address of each of the Directors of the Manager are set out in "The Manager and Corporate Governance — Directors of the Manager". A list of the present and past directorships of each director and executive officer of the Manager over the last five years preceding 2005 is set out in Appendix IX of this Document.
- (7) There is no family relationship among the Directors and executive officers of the Manager.
- (8) None of the Directors or executive officers of the Manager is or was involved in any of the following events:
 - (a) an application or a petition under any bankruptcy laws of any jurisdiction filed against him or her at any time during the last 10 years;
 - (b) being a partner of any partnership involved in an application or a petition under any bankruptcy laws of any jurisdiction filed against the partnership or at any time within 2 years from the date he or she ceased to be a partner, at any time during the last 10 years;
 - (c) being a director or a key executive of any corporation involved in an application or a petition under any laws of any jurisdiction for the winding up of that corporation on the ground of insolvency at any time during the last 10 years;
 - (d) having an unsatisfied judgment against him or her;
 - (e) convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment for three months or more, or being the subject of any criminal proceedings (including any pending criminal proceedings which he or she is aware of) for such purpose;

- (f) convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or being the subject of any criminal proceedings (including any pending criminal proceedings which he or she is aware of) for such breach;
 - (g) having any judgment entered against him or her in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere at any time during the last 10 years;
 - (h) having any judgment against him or her in any civil proceedings in Singapore or elsewhere involving a finding of fraud, misrepresentation or dishonesty on his or her part at any time during the last 10 years;
 - (i) being the subject of any civil proceedings (including any pending civil proceedings which he or she is aware of) involving an allegation of fraud, misrepresentation or dishonesty on his or her part at any time during the last 10 years;
 - (j) convicted in Singapore or elsewhere of any offence in connection with the formation or management of any of any entity or business trust;
 - (k) disqualified from acting as a director of any corporation, or taking part in any way directly or indirectly in the management of any of any entity or business trust;
 - (l) been subject to any order, judgment or ruling of any court, tribunal or governmental body permanently or temporarily enjoining him or her from engaging in any type of business practice or activity;
 - (m) to his or her knowledge been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:
 - (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or
 - (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere,
 - (iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere;
 - (iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,

in connection with any matter occurring or arising during the period when he or she was so concerned with the corporation or partnership; and
 - (n) been the subject of any current or past investigation or disciplinary proceedings, or been reprimanded or issued any warning, by the MAS or any other regulatory authority, exchange, professional body or governmental agency, whether in Singapore or elsewhere.
- (9) The financial year-end of K-REIT Asia is 31 December. The annual audited financial statements of K-REIT Asia will be prepared and sent to Unitholders within three months of the financial year-end or such other period as may be prescribed by the applicable rules.
- (10) A full valuation of each of the real estate assets held by K-REIT Asia will be carried out at least once a year in accordance with the Property Funds Guidelines. Generally, where the Manager proposes to issue new Units or to redeem existing Units, a valuation of the real properties held by K-REIT Asia must be carried out in accordance with the Property Funds Guidelines. The Manager or the Trustee may at any other time arrange for the valuation of any of the real properties held by K-REIT Asia if it is of the opinion that it is in the best interest of Unitholders to do so.
- (11) While K-REIT Asia is listed on the SGX-ST, investors may check the SGX-ST website www.sgx.com for the prices at which Units are being traded on the SGX-ST. Investors may also check one or more major Singapore newspapers such as The Straits Times, The Business Times and Lianhe Zaobao for the price range within which Units were traded on the SGX-ST on the preceding day.

- (12) The Manager does not intend to receive soft dollars (as defined in the CIS Code) in respect of K-REIT Asia. Save as disclosed in this Document (unless otherwise permitted under the Listing Manual), neither the Manager nor any of the Manager's associates will be entitled to receive any part of any brokerage charged to K-REIT Asia, or any part of any fees, allowances or benefits received on purchases charged to K-REIT Asia.
- (13) The Manager currently has no intentions of changing the auditors of K-REIT Asia after the listing of K-REIT Asia on the SGX-ST.
- (14) The dates of, parties to, and general nature of every material contract which the Trustee (in its capacity as trustee of K-REIT Asia), has entered into within the two years preceding the date of this Document (not being contracts entered into in the ordinary course of its business or of the business of K-REIT Asia) are as follows:
- (a) the Trust Deed;
 - (b) the Bugis Junction Towers Put and Call Option Agreement;
 - (c) the Keppel Towers and GE Tower Put and Call Option Agreement;
 - (d) the Prudential Tower Property Put and Call Option Agreement;
 - (e) the Bridging Loan Agreement;
 - (f) the Property Management Agreement; and
 - (g) the Depository Services Agreement.
- (15) Copies of the following documents are available for inspection at the registered office of the Manager at 1 HarbourFront Avenue #18-01 Keppel Bay Tower Singapore 098632 for a period of six months from the date of this Document:
- (a) the material contracts referred to in paragraph 14;
 - (b) the Financial Adviser's Statement on the Profit Forecast;
 - (c) the Independent Accountants' Report on the Profit Forecast;
 - (d) the Independent Accountants' Report on the Pro Forma Financial Information;
 - (e) the Independent Property Valuation Summary Reports;
 - (f) the full Independent Property Valuation Reports for each of the Properties;
 - (g) the Independent Taxation Report;
 - (h) the Independent Office Market Review;
 - (i) the written consents of the Financial Adviser, the Independent Accountants, the Tax Consultants, the Independent Valuers and the Independent Property Consultant, as described in "Experts";
 - (j) the undertaking dated 17 February 2006 of Keppel Land Group covenanting not to sell, transfer or otherwise dispose the Units held by it as at the Listing Date, or any part thereof, for a period of 12 months commencing from the Listing Date as described in the section "Ownership of The Units — Moratorium Agreements";
 - (k) the undertaking dated 17 February 2006 of KCL Group covenanting not to sell, transfer or otherwise dispose the Units held by it as at the Listing Date, or any part thereof, for a period of 12 months commencing from the Listing Date as described in the section "Ownership of The Units — Moratorium Agreements";
 - (l) the confirmation dated 17 February 2006 by Keppel Land that, together with its wholly-owned subsidiaries, it will not invest (other than in situations of co-investment with third parties) in any commercial office property which is income-producing as described in the section "The Manager and Corporate Governance — Conflicts Resolution"; and
 - (m) the undertaking dated 17 February 2006 of Keppel Land with respect to potential overlapping interests as between K-REIT Asia and corporations which Keppel Land has controlling interests in as described in the section "The Manager and Corporate Governance — Conflicts Resolution".

KEPPEL LAND LIMITED'S DISTRIBUTION *IN SPECIE*

Introduction

On 28 November 2005, Keppel Land announced that it is sponsoring the establishment of a new real estate investment trust to be known as K-REIT Asia, which would be listed on the Main Board of the SGX-ST by way of an introduction, and that K-REIT Asia would initially invest in the Properties.

In conjunction with the establishment of K-REIT Asia, Keppel Land also announced a proposal, subject to the approval of the Keppel Land Shareholders to undertake the Distribution *In Specie* of approximately 60% of the K-REIT Units held by Keppel Land to Keppel Land Shareholders in proportion to their shareholdings in Keppel Land.

For every five (5) Keppel Land Shares as at Books Closure Date, Keppel Land Shareholders would receive one (1) Unit, free of encumbrances and together with all rights attaching to them on and from the date of the Distribution *In Specie*.

Rationale for the Distribution *In Specie*

Keppel Land is currently focused on two core businesses of property development for sale and property fund management to achieve higher returns. Keppel Land aims to be a leading developer in Asia and a premier manager of property funds.

The establishment of K-REIT Asia is an important milestone which will unlock value for Keppel Land Shareholders in the following ways:

- **Redeployment of Capital for Development Projects.** Keppel Land will have available a cash sum of approximately S\$190.6 million for property development projects which are expected to generate higher returns. Keppel Land expects that quality projects in the following areas will utilise this additional capital:
 - (a) good quality township developments across Asia; and
 - (b) premier commercial and residential developments for sale in Singapore and the rest of Asia.
- **An Enlarged Platform to Generate Fee-Based Income.** K-REIT Asia will generate additional streams of fee-based income for the Company by expanding its property fund management platform. Keppel Land's existing property fund management platform, which comprises the Alpha Core Plus Real Estate Fund and the Asia No. 1 Property Fund, will be substantially expanded with the establishment of K-REIT Asia.
- **Return of Equity to Shareholders.** Keppel Land will return up to S\$264.3 million to Shareholders by way of a Distribution *In Specie*, in the form of up to 144.4 million Units (comprising approximately 60% of the Units).

Benefits to the Keppel Land Shareholders

The establishment of K-REIT Asia has direct benefits for Keppel Land Shareholders as follows:

- **Higher Payouts from the Properties under K-REIT Asia.** K-REIT Asia's distribution policy is to distribute at least 90% of its Taxable Income in any given year. K-REIT Asia will distribute 100% of its Taxable Income for FY2006 and at least 95% of its Taxable Income for FY2007. Keppel Land Shareholders, as direct owners of approximately 60% of the Units, will therefore receive higher distributions than they currently do from the Properties under Keppel Land group ownership.
- **The Benefit of Tax Transparency for Keppel Land Shareholders.** Keppel Land Shareholders will enjoy the benefits of having the Properties held in a real estate investment trust vehicle which provides for tax transparency for Qualifying Unitholders. Under this arrangement, Taxable Income of K-REIT Asia will not be taxed at the trust level but at the rate applicable to each Qualifying Unitholder. To the extent Keppel Land Shareholders have an effective tax rate below the Singapore corporate rate (currently at 20%), this will represent an increase in after tax income for

Keppel Land Shareholders. Individual Unitholders who are beneficially entitled to the distributions, regardless of their residence or nationality, will be exempted from Singapore income tax if they receive such distributions as their investment income and not through partnerships. For more information on taxation, please see "Appendix VII — Independent Taxation Report".

- **Transfer of the Benefit of Section 44A Tax Credits.** The Distribution *In Specie* is both an efficient and effective way to transfer the benefit of the Company's entire remaining balance of Section 44A tax credits of about S\$53.2 million to Keppel Land Shareholders. If unutilised by this or other means, these Section 44A tax credits will expire after 31 December 2007 and the benefit they can deliver to Keppel Land Shareholders will be lost.
- **More Choice and Improved Liquidity for Keppel Land Shareholders.** Separate listings of Keppel Land and K-REIT Asia will give greater transparency on valuations of the different components of Keppel Land group's business. The creation of a second listed instrument will also give more choice and more flexibility for Shareholders on how they invest in Keppel Land group.

Steps to the Distribution *In Specie*

The Distribution *In Specie* will involve the following key steps:

- (1) The respective Properties will be transferred by BCH, MRL and KLTD to the Trustee for a total consideration of S\$630.7 million, determined based on the average valuations of the Independent Property Valuers, Colliers International (commissioned by the Company) and DTZ (commissioned by the Trustee), as at 24 November 2005. Both valuations are determined based on open market value on a willing-buyer and willing-seller basis.
- (2) The purchase consideration will be satisfied by K-REIT Asia in part by cash of approximately S\$190.6 million and the balance of approximately S\$440.1 million in Units. The cash portion will be funded through borrowings.
- (3) Following the transfer of the Properties, the Trustee will hold all the Properties directly for the benefit of K-REIT Asia.
- (4) Subject to Keppel Land Shareholders' approval, Keppel Land will distribute *in specie* 60% of the issued units in K-REIT Asia to Entitled Shareholders of Keppel Land. Keppel Land Shareholders will receive Units in proportion to their shareholdings in Keppel Land on the basis of **one (1) Unit for every five (5) Keppel Land Shares** held on the Books Closure Date.
- (5) The Distribution *In Specie* will be made at the pro forma net book value (being the net asset value) of K-REIT Asia of approximately S\$440.1 million as at 30 September 2005, which translates into an implied value of approximately S\$1.83 per Unit (before taking into account expenses relating to the establishment of K-REIT Asia and the issue of the Units). Accordingly, the distribution value per Share is approximately 36.6 cents (on the basis of one Unit for five Keppel Land Shares) and this distribution value will be split between Section 44A franked dividends and 1-tier tax exempt dividend in the following proportion:
 - Net dividend (Section 44A franked dividends) of approximately 29.5 cents per Share (gross dividend of approximately 36.9 cents per Share less 20% tax); and
 - 1 -tier tax exempt dividends of approximately 7.1 cents per Share.
- (6) Further, where the dividend *in specie* distributed is a franked dividend paid under the dividend imputation system, the franked dividend is a taxable dividend and the shareholders are entitled to claim a credit for the tax paid by Keppel Land. Where the dividend *in specie* distributed is an exempt (1-tier) dividend paid under the one-tier corporate tax system, such dividend is tax exempt and will not be subject to further tax in Singapore.
- (7) K-REIT Asia will be listed on the SGX-ST by way of an introduction, and trading of the Units will commence on or about 28 April 2006. Entitled Keppel Land Shareholders will then hold listed investments in both Keppel Land and K-REIT Asia.

As at the Latest Practicable Date, Keppel Land has an issued and paid-up share capital of S\$1,178,520,676, comprising 716,394,581 shares. As at the Latest Practicable Date, there were 5,599,500 outstanding Keppel Land Options granted to directors and employees of the Keppel Land Group under the share option scheme approved and adopted by the Company.

For every five (5) Keppel Land Shares that the Keppel Land Shareholder holds at Books Closure Date, the Shareholder will be entitled to receive one (1) Unit. The Units will be distributed to Unitholders free of encumbrances and together with all rights attached to them on and from the date of the Distribution *In Specie*.

Assuming that all outstanding Share Options as at the Latest Practicable Date are exercised prior to the Books Closure Date, up to 144.4 million Units, representing approximately 60% of the total number of Units, will be distributed to Shareholders.

For the avoidance of doubt, the issued and paid-up share capital of Keppel Land will remain the same after the Distribution *In Specie*, and accordingly there will be no change in the number of ordinary shares in the capital of the Company held by the Keppel Land Shareholders immediately after the Distribution *In Specie*.

- (8) The Distribution *In Specie* is conditional upon, *inter-alia*:—
- (i) the passing of an ordinary resolution by Keppel Land Shareholders to approve the Distribution *In Specie* and the Interested Party Agreements at an EGM of the Company to be convened; and
 - (ii) such other regulatory or other approvals as may be required or advisable and the same remaining in force.
- (9) KCL, as the majority shareholder of the Company, has given an irrevocable undertaking to the Company to vote, or procure the voting of, all the Keppel Land Shares in which it has a beneficial interest, directly or indirectly, as reflected in the Depository Register and/or the Register of Members of the Company 48 hours before the EGM to be convened, in favour of the Distribution *In Specie* at the EGM to be convened.

Recipients of this Document should refer to the Circular sent to Keppel Land Shareholders for detailed discussion of the rationale for the Distribution *In Specie*.

Keppel Land Shareholders' Entitlement to the Units

(1) Notice of Books Closure Date

Notice is hereby give that the Books Closure Date for the Distribution *In Specie* is 18 April 2006 at 5.00 p.m.

(2) Entitlement

Pursuant to the Distribution *In Specie*, Keppel Land Shareholders will receive one (1) Unit for every five (5) Keppel Land Shares held as at the Books Closure Date, with any fraction of a Unit arising from the Distribution *In Specie* to be disregarded. For example, for every 1,000 Keppel Land Shares held by the Keppel Land Shareholders as at the Books Closure Date, each Keppel Land Shareholder will receive 200 Units.

(3) Keppel Land Shareholders (being Depositors) whose Keppel Land Shares are deposited with CDP

In the case of Keppel Land Shareholders (being Depositors), entitlements to the Units will be determined on the basis of the number of Keppel Land Shares standing to the credit of their respective Securities Accounts as at 5.00 p.m. on the Books Closure Date.

Keppel Land Shareholders (being Depositors) who have not done so are requested to take the necessary action to ensure that the Keppel Land Shares owned by them are credited to their Securities Account by 5.00 p.m. on the Books Closure Date.

Following the Books Closure Date, CDP will credit their Securities Accounts with the relevant number of Units and will send each such Depositor a notification letter confirming the number of Units that has been credited to its Securities Account.

(4) Keppel Land Scrip-based Shareholders whose Keppel Land Shares are not deposited with CDP

In the case of Scrip-based Shareholders, entitlements to the Units will be determined on the basis of their holdings of Keppel Land Shares appearing in the Register of Members of Keppel Land as at the Books Closure Date.

Scrip-based Shareholders who have not already done so, are requested to take the necessary action to ensure that the Keppel Land Shares owned by them are registered in their names or in the names of their nominees by the Books Closure Date.

Scrip-based Shareholders should note that they will not be able to trade in such Units on the SGX-ST unless they open Securities Accounts with CDP for such Units to be held by CDP and recorded as such in the Register of Unitholders maintained by the Unit Registrar and Unit Transfer Office. Scrip-based Shareholders are therefore encouraged to open Securities Accounts with the CDP.

Scrip-based Shareholders who wish to trade their Units on the SGX-ST on or immediately after the Listing should deposit with CDP their physical share certificates of Keppel Land together with the duly executed instruments of transfer in favour of CDP no later than 5.00 p.m. on the date which is 12 Market Days prior to the Books Closure Date, so as to enable CDP to credit their Securities Accounts with their Keppel Land Shares and thereafter, for CDP to credit their Securities Accounts with the Units.

In the case of Scrip-based Shareholders who have not opened their Securities Account with CDP, the Unit Registrar and Unit Transfer Office will send each of such Scrip-based Shareholder a notification letter confirming the number of Units they are entitled to and their entitlements shall be recorded in the Register of Unitholders. The entries in the Register of Unitholders shall (save in the case of manifest error) be conclusive evidence of the number of Units held by each such Scrip-based Shareholder. Until such Scrip-based Shareholder opens a Securities Account with the CDP, they are not able to trade in their Units on the SGX-ST.

(5) CPF Funded Shareholders

In the case of Keppel Land Shareholders who have purchased Keppel Land Shares using their CPF funds, entitlements to the Units will be determined on the basis of the number of Keppel Land Shares standing to the credit of their respective CPF Investment Accounts as at the Books Closure Date. Following the Books Closure Date, CDP will credit the CPF securities sub-accounts of the CPF approved nominees of Keppel Land Shareholders with the relevant number of Units and these CPF approved nominees will update their records accordingly.

(6) Overseas Shareholders

The distribution of this Document may be prohibited or restricted (either absolutely or subject to various relevant securities requirements, whether legal or administrative, being complied with) in certain jurisdictions under the relevant securities laws of those jurisdictions.

Where the directors of Keppel Land are of the view that the distribution of the Units to any of the Overseas Shareholders may infringe any relevant foreign law or necessitate compliance with conditions or requirements which they regard as onerous or impracticable by reason of costs, delay or otherwise, the Units which such Overseas Shareholders would have been entitled to pursuant to the Distribution *In Specie* will not be distributed to such Overseas Shareholders, and the Document and/or other relevant documents will not be despatched to Overseas Shareholders.

(7) Sale of Units on behalf of Overseas Shareholders who may not be entitled to receive Units

In the case of Overseas Shareholders who may not be entitled to receive Units pursuant to paragraph (6) above, their Units will be transferred to nominee(s) appointed by Keppel Land, who shall sell the Units at prices prevalent at the time of sale, and thereafter, distribute the aggregate amount of the net proceeds, after deducting all dealing and other expenses in connection therewith, in accordance with their respective entitlements to the Units as at the Books Closure Date in full satisfaction of their rights to the Units to which they would otherwise have become entitled under the Distribution *In Specie*.

Such sales will, however, only be effected if the Company, in its absolute discretion, determines, after taking into account expenses to be incurred in relation thereto.

Where the net proceeds to which any particular Overseas Shareholder is entitled shall be less than S\$10.00, such net proceeds shall be retained for the benefit of Keppel Land, and no Overseas Shareholder shall have any claim whatsoever against CDP or Keppel Land in connection therewith.

Indicative Timetable for the Distribution *In Specie*

Last date and time for lodgement of Proxy Forms for the EGM	:	7 April 2006 at 4.00 p.m.
Date and time of EGM	:	11 April 2006 at 4.00 p.m.
Books Closure Date for the Distribution <i>In Specie</i>	:	18 April 2006 at 5.00 p.m.
Expected date for crediting Units into the Securities Accounts of Keppel Land Shareholders (being Depositors)	:	27 April 2006
Expected date for commencement of trading of Units on the SGX-ST	:	28 April 2006

Notes:

- (1) The timetable above is only indicative and the actual dates of the above events may be subject to change. For the "expected" events listed above, please refer to future announcement(s) by the Company and/or SGX-ST for the exact dates of these events.
- (2) Proxy Forms should be duly completed and deposited at the registered office of the Company at 230 Victoria Street #15-05, Bugis Junction Towers, Singapore 188024, not less than 48 hours before the time appointed for the EGM. Completion and return of a Proxy Form will not preclude a Shareholder from attending and voting in person at the EGM in place of his proxy.

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FINANCIAL ADVISER'S STATEMENT ON THE PROFIT FORECAST

20 March 2006

K-REIT Asia Management Limited
1 HarbourFront Avenue
#18-01 Keppel Bay Tower
Singapore 098632

RBC Dexia Trust Services Singapore Limited
9 Raffles Place
#42-01 Republic Plaza
Singapore 048619

Dear Sirs

This letter has been prepared for inclusion in the introductory document dated 20 March 2006 (the "**Introductory Document**") to be issued in relation to the introduction of units of K-REIT Asia on the Main Board of the Singapore Exchange Securities Trading Limited.

We hold a capital markets services licence to provide corporate finance advisory services and have been appointed to provide a statement as to whether, following our examination of the evidence supporting the assumptions (the "**Assumptions**") used as a basis in preparation of the profit forecast of K-REIT Asia for the year ending 31 December 2006 (the "**Profit Forecast**"), any matter has come to our attention which gives us reason to believe that the Assumptions do not provide reasonable grounds for the Profit Forecast.

The expressions defined in the Introductory Document have the same meaning in this letter.

Scope

The Directors of K-REIT Asia Management Limited (the "**Manager**") are solely responsible for the preparation of the Profit Forecast, which is set out on page 73 of the Introductory Document. This responsibility includes ensuring that the Assumptions used in preparation of the Profit Forecast are stated in the Introductory Document.

We have reviewed the Assumptions on which the Profit Forecast is based. The Assumptions used in the preparation of the Profit Forecast are set out on pages 74 and 79 of the Introductory Document.

We have applied our professional judgement in determining the nature, timing and extent of review procedures, having regard to: (i) the likelihood of material misstatement; (ii) the Manager's competence regarding the preparation of the Profit Forecast; (iii) the extent to which the Profit Forecast are affected by the Manager's judgement; and (iv) the adequacy and reliability of the underlying data.

In carrying out our review, we have had discussions with the Manager to better understand the Assumptions. We have reviewed the source of the evidence used by the Manager in arriving at the Assumptions and the adequacy and reliability of the supporting evidence. We considered evidence from internal and external sources, including consideration of the relevant *pro forma* historical performance, wherever practicable, to ascertain its consistency with the Profit Forecast. We also considered whether there is any reason to believe that they are clearly unrealistic.

In carrying out our review, we also focused on the extent to which the Assumptions that are particularly sensitive to variation have a material effect on the Profit Forecast. The extent of such sensitivity was one of the factors which influenced the extent of the evidence which we sought to obtain. We also considered the inter-relationship between the stated Assumptions.

We are not responsible for checking the arithmetical accuracy, internal consistency or compliance with accounting policies of the Profit Forecast. We have considered the letter dated 20 March 2006 addressed to the Manager and the Trustee prepared by Ernst & Young, Certified Public Accountants, relating to their examination of the Profit Forecast in accordance with Singapore Standard on Assurance Engagements applicable to the examination of prospective financial information, so far as the accounting policies and calculation are concerned, the Profit Forecast is properly prepared based on the Assumptions and is consistent with the accounting policies of K-REIT Asia. For the purpose of this letter, we have relied upon and assumed the accuracy and completeness of all financial and other information provided to, or discussed with us.

Our Statement

On the basis of our examination of the evidence supporting the Assumptions used as a basis in preparation of the Profit Forecast, nothing has come to our attention which gives us reason to believe that the Assumptions do not provide reasonable grounds for the Profit Forecast.

Our letter should be read together with the sensitivity analysis of the Profit Forecast of the directors of the Manager as set out on pages 80 and 81 of the Introductory Document.

We do not accept responsibility for the realisation of the Profit Forecast. In addition, we emphasise that since the Profit Forecast relates to the future and is based on hypothetical assumptions about future events, actual results are likely to be different from the forecast results because events and circumstances frequently do not occur as expected, and the difference may be material.

Yours faithfully

Deloitte & Touche Corporate Finance Pte Ltd

Jeff Pirie
Director

INDEPENDENT ACCOUNTANTS' REPORT ON THE PROFIT FORECAST

20 March 2006

The Board of 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
(as Trustee of K-REIT Asia)
9 Raffles Place
#42-01 Republic Plaza
Singapore 048619

Dear Sirs:

K-REIT Asia Profit Forecast for the Financial Year Ending 31 December 2006

This letter is prepared for inclusion in the introductory document to be dated 20 March 2006 (the "Introductory Document") to be issued in relation to the listing of K-REIT Asia on the Singapore Exchange Securities Trading Limited.

The directors of the K-REIT Asia Management Limited (the "Directors") are responsible for the preparation and presentation of the forecast Profit and Loss Statement for the financial year ending 31 December 2006 (the "Profit Forecast") as set out in page 73 of the Introductory Document, which have been prepared on the basis of their assumptions as set out in pages 74 to 79 of the Introductory Document.

We have examined the Profit Forecast of K-REIT Asia for the financial year ending 31 December 2006 as set out in page 73 of the Introductory Document in accordance with the Singapore Standards on Assurance Engagements applicable to the examination of prospective financial information. The Directors are solely responsible for the Profit Forecast including the assumptions set out in pages 74 to 79 of the Introductory Document on which the forecast is based.

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 set out in pages 74 to 79, is consistent with the accounting policies set out in pages IV-19 to IV-24 of the Introductory Document.

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

Attention is drawn, in particular, to the risk factors set out in pages 40 to 50 of the Introductory Document which describe the principal risks associated with the listing, to which the Profit Forecast relate, and the sensitivity analysis of the Directors' Profit Forecast as set out in pages 80 to 81 of the Introductory Document.

Yours faithfully,

ERNST & YOUNG
Certified Public Accountants
Singapore

Partner-in-charge: Fang Ai Lian

**INDEPENDENT ACCOUNTANTS' REPORT ON
THE PRO FORMA FINANCIAL INFORMATION**

20 March 2006

The Board of 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
(as Trustee of K-REIT Asia)
9 Raffles Place
#42-01 Republic Plaza
Singapore 048619

Dear Sirs

K-REIT Asia

We report on the pro forma financial information set out on pages IV-3 to IV-29 of the Introductory Document dated 20 March 2006, which has been prepared, for illustrative purposes only and based on the assumptions and after making the adjustments to show what

- (a) the pro forma profit and loss statements for the years ended 31 December 2002, 2003 and 2004, and each of the nine months ended 30 September 2004 and 2005, which have been prepared to provide information about how the purchase of the properties comprising Bugis Junction Towers, Keppel Towers, GE Tower and the Prudential Tower Property (collectively referred to as "Properties") by K-REIT Asia under the same terms set out in the Introductory Document might have affected the pro forma profit and loss statements, had it purchased the Properties on 1 January 2002;
- (b) the pro forma cash flow statements for the year ended 31 December 2004 and the nine months ended 30 September 2004 and 2005, which have been prepared to provide information on the cash flows of K-REIT Asia, had the purchase of the Properties by K-REIT Asia under the same terms set out in the Introductory Document been undertaken on 1 January 2002;
- (c) the pro forma balance sheets as at 31 December 2004 and 30 September 2005, which have been prepared to provide information on the financial position of K-REIT Asia, had the purchase of the Properties by K-REIT Asia under the same terms set out in the Introductory Document been undertaken on 31 December 2004 and 30 September 2005 respectively; and
- (d) the pro forma statement of movements in unitholders' funds for the nine months ended 30 September 2005, which has been prepared to provide information on the movements in unitholders' funds of K-REIT Asia, had the purchase of the Properties by K-REIT Asia under the same terms set out in the Introductory Document been undertaken on 31 December 2004.

The objective of the pro forma financial information of K-REIT Asia is to show what the financial results, cash flows, financial position and movements in unitholders' funds might have been, had K-REIT Asia as described above existed at an earlier date. However, the pro forma financial information of K-REIT Asia is not necessarily indicative of the financial results, cash flows of the operations, the financial position or movements in unitholders' funds that would have been attained had K-REIT Asia actually existed earlier.

The pro forma financial information, because of its nature, may not give a true picture of K-REIT Asia's actual financial results, cash flows, financial position and movements in unitholders' funds.

The pro forma financial information is the responsibility of the directors of K-REIT Asia Management Limited (the "Directors"). Our responsibility is to express an opinion on the pro forma financial information based on our work.

We carried out procedures in accordance with Singapore Statement of Auditing Practice 24: "*Auditors and Public Offering Documents*". Our work, which involved no independent examination of the underlying financial information, consisted primarily of:

- (i) comparing the pro forma financial information to the audited financial statements of BCH Office Investment Pte Ltd, Mansfield Realty Limited and Keppel Land (Tower D) Pte Ltd, the companies that owned the Properties (the "Property Companies") prior to their acquisition by K-REIT Asia for the financial years ended 31 December 2002, 2003 and 2004 and the nine months ended 30 September 2005, and to the unaudited management financial statements of the Property Companies for the nine months ended 30 September 2004; and
- (ii) considering the evidence supporting the pro forma adjustments and discussing the pro forma financial information with the Directors.

In our opinion:

- (a) the unaudited pro forma financial information has been properly prepared:–
 - (i) in a manner consistent with both the format of the financial statements and the accounting policies of K-REIT Asia;
 - (ii) from audited financial statements of the Property Companies for the financial years ended 31 December 2002, 2003 and 2004 and the nine months ended 30 September 2005, which were prepared in accordance with Singapore Financial Reporting Standards/Singapore Statements of Accounting Standard, and from unaudited management financial statements of the Property Companies for the nine months ended 30 September 2004; and
 - (iii) on the basis of the assumptions and after making the adjustments as set out in Section B to the pro forma financial information.
- (b) each material adjustment to the information used in the preparation of the pro forma financial information is appropriate for the purpose of preparing such financial information.

Yours faithfully,

ERNST & YOUNG
Certified Public Accountants
Singapore

Partner-in-charge: Fang Ai Lian

A. INTRODUCTION

K-REIT Asia was established under a Trust Deed dated 28 November 2005 between K-REIT Asia Management Limited (the "Manager") and RBC Dexia Trust Services Singapore Limited (the "Trustee").

K-REIT Asia is a Singapore-based unit trust established with the objective of investing in real estate and real estate related assets. K-REIT Asia proposes to acquire properties, comprising Bugis Junction Towers, Keppel Towers, GE Tower and the Prudential Tower Property (the "Properties") from the present owners, BCH Office Investment Pte Ltd, Mansfield Realty Limited and Keppel Land (Tower D) Pte Ltd (the "Property Companies") respectively.

The consideration of \$630,700,000 for the acquisition of the Properties will be satisfied partly by way of issuance of Units in K-REIT Asia of approximately \$440,100,000 and partly by cash of approximately \$190,600,000 through draw down of loan borrowings to be obtained by K-REIT Asia.

K-REIT Asia has made an application to the Singapore Exchange Securities Trading Limited (the "SGX-ST") for permission to list on the main board of the SGX-ST all the Units in K-REIT Asia (the "Units").

B. BASES OF PREPARATION OF PRO FORMA FINANCIAL INFORMATION

No financial statements of K-REIT Asia have been prepared for the preceding three financial years as K-REIT Asia was constituted on 28 November 2005. Ernst & Young has been appointed as auditors of K-REIT Asia on 10 March 2006.

The pro forma financial information set out in this report, expressed in Singapore dollars is prepared for illustrative purposes only and based on the assumptions after making the adjustments as set forth below in this section, and shows the pro forma profit and loss statements of K-REIT Asia for each of the three years ended 31 December 2002, 2003 and 2004 and each of the nine months ended 30 September 2004 and 2005, the pro forma cash flow statements of K-REIT Asia for the year ended 31 December 2004 and the nine months ended 30 September 2004 and 2005, the pro forma balance sheets of K-REIT Asia as at 31 December 2004 and 30 September 2005, and the pro forma statement of movements in unitholders' funds for the nine months ended 30 September 2005.

The pro forma financial information for the three years ended 31 December 2002, 2003 and 2004 and the nine months ended 30 September 2005 have been compiled based on the audited financial statements of the Property Companies for the same periods. The pro forma financial information for the nine months ended 30 September 2004 has been compiled based on the unaudited management financial statements of the Property Companies for the same period.

The pro forma profit and loss statements for the years ended 31 December 2002, 2003 and 2004 and each of the nine months ended 30 September 2004 and 2005 reflect the financial results of K-REIT Asia as if it had acquired the Properties on 1 January 2002, under the same terms set out in the introductory document (the "Introductory Document") to be issued in relation to the listing of K-REIT Asia on the SGX-ST.

The pro forma cash flow statements show the cash flows of K-REIT Asia for the year ended 31 December 2004 and nine months ended 30 September 2004 and 2005 as if it had acquired the Properties on 1 January 2002, under the same terms set out in the Introductory Document.

The pro forma balance sheets of K-REIT Asia as at 31 December 2004 and 30 September 2005 reflect the financial position of K-REIT Asia as if it had acquired the Properties on 31 December 2004 and 30 September 2005, respectively, under the same terms set out in the Introductory Document.

B. BASES OF PREPARATION OF PRO FORMA FINANCIAL INFORMATION (continued)

The pro forma statement of movements in unitholders' funds for the nine months ended 30 September 2005 show the movements in unitholders' funds of K-REIT Asia as if it had acquired the Properties on 31 December 2004, under the same terms set out in the Introductory Document.

The pro forma financial information has been prepared on the basis of the accounting policies as set out in Section G and is to be read in conjunction with Section H.

The objective of the pro forma financial information of K-REIT Asia is to show what the financial results, cash flows, financial position and movements in unitholders' funds might have been, had K-REIT Asia as described above existed at an earlier date. The pro forma financial information of K-REIT Asia is not necessarily indicative of the financial results, cash flows of the operations, the financial position or movements in unitholders' funds that would have been attained had K-REIT Asia actually existed earlier. The pro forma financial information, because of its nature, does not give a true picture of K-REIT Asia's actual financial results, cash flows, financial position or movements in unitholders' funds.

The financial statements of the Property Companies for the years ended 31 December 2002, 2003 and 2004 and the nine months ended 30 September 2005 were audited by Ernst & Young Singapore. The auditors' reports were not subject to any qualification for the three years ended 31 December 2002, 2003 and 2004 and the nine months ended 30 September 2005.

(I) Pro forma profit and loss statements

The pro forma profit and loss statements have been prepared on the basis that K-REIT Asia acquired the Properties on 1 January 2002. The purchase price of \$630,700,000 was based on the average of independent valuations carried out by Colliers International (Singapore) Pte Ltd and DTZ Debenham Tie Leung (South East Asia) Private Limited on 24 November 2005. The valuation amount of \$630,700,000 has been used throughout the periods presented.

The pro forma adjustments made to the audited financial statements of the Property Companies for each of the three years ended 31 December 2002, 2003 and 2004 and nine months ended 30 September 2005, and to the unaudited management financial statements of the Property Companies for the nine months ended 30 September 2004 are summarised below:

(a) Adjustments to historical financial information

- Adjustments to reverse existing actual non-property related income and non-property related expenses as well as other operating expenses that are not in line with K-REIT Asia's structure;
- Adjustments to reverse the deficits arising from year end valuations of investment properties charged to the profit and loss statements;
- Adjustments to reverse the existing actual borrowing costs that are not in line with K-REIT Asia's finance structure and replace them with costs of proposed loan borrowings (see Section B(l)(c)); and
- Adjustment to reverse income tax expenses and credit as K-REIT Asia will not be taxed on the portion of the taxable income that is distributed to Unitholders.

B. BASES OF PREPARATION OF PRO FORMA FINANCIAL INFORMATION (continued)

(I) Pro forma profit and loss statements (continued)

(b) Adjustments based on new agreements in place

- Adjustments to include K-REIT Asia's Property Manager's property management fee, Manager's management fees, Trust's expenses (comprising 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 the Trust) and other operating expenses that are in line with K-REIT Asia's structure, accounting policies and relevant new agreements in place.

(c) Adjustments based on agreements expected to be put in place

- Adjustment to include costs of proposed loan borrowings which has been assumed to be 3.96% per annum (including margin and annual amortisation of debt arrangement fees) throughout the periods presented based on K-REIT Asia's proposed loan borrowings.

The proposed loan borrowings which are assumed to be put in place comprise a five-year term loan facility of approximately \$190,000,000 to be granted by a special purpose company, Blossom Assets Ltd and a revolving credit facility of approximately \$30,000,000 to be granted from a financial institution. Blossom Assets Ltd will obtain the funds from the issuance of commercial mortgage-backed securities notes ("CMBS Notes") in respect of the term loan facility, which is assumed to be repayable in full only at the end of the tenure of the facility.

On the issue date of the CMBS Notes, it is assumed that Blossom Assets Ltd will enter into interest rate swap and cross currency swap agreements to achieve an effective hedging of interest and foreign currency exchange rates.

As the issuance of CMBS Notes may not be completed by the completion date of purchase of the Properties by K-REIT Asia, an unsecured bridging loan facility of up to nine months for an amount of up to \$200,000,000 will be provided by Kephinance Investment Pte Ltd, a subsidiary of Keppel Corporation Ltd for the purpose of the acquisition of the Properties and to provide initial working capital if so required. The unsecured bridging loan facility shall be repaid in full once the term loan facility is put in place.

It is assumed that an amount of \$190,600,000 will be drawn down either from the bridging loan facility of up to \$200,000,000, or from the combination of both the term loan facility and the revolving credit facility for an aggregate amount of up to \$220,000,000.

If the proposed loan borrowings as outlined in preceding paragraphs do not materialise, or whereby there are material variations to the expected terms and conditions of the proposed loan borrowings, the adjustments made to the pro forma financial information in respect of the proposed loan borrowings and the cost of borrowings would need to be revised accordingly.

If the prevailing interest rates at the time of the actual drawdown of the proposed loan borrowings are higher than that assumed, the cost of borrowings would increase, which would adversely affect K-REIT Asia's pro forma profit and loss statements and the amount of distributions it could make to Unitholders.

Please refer to Section G3 for further details regarding the proposed loan borrowings.

B. BASES OF PREPARATION OF PRO FORMA FINANCIAL INFORMATION (continued)

(II) Pro forma cash flow statements

The pro forma cash flow statements have been prepared based on the cash flows directly attributable to the Properties after incorporating the following:

(a) Adjustments to historical financial information

- Adjustments to reverse the cash flows relating to receipts of non-property related income and payments for other operating expenses that are not in line with K-REIT Asia's structure; and
- Adjustments to reverse the cash flows relating to existing borrowings.

(b) Adjustments based on new agreements in place

- Adjustments to include K-REIT Asia's cash flows relating to payments for the Property Manager's property management fee, the Manager's management fees, Trust's expenses and other property expenses payable according to the pre-agreed terms as disclosed in Section H.

(c) Adjustments based on agreements expected to be put in place

- Adjustments to include the cash flows relating to K-REIT Asia's proposed loan borrowings (see Section B(l)(c)).

In addition, the following assumptions were made:

- 100% of taxable income available for distribution to Unitholders is distributed and paid on the last day of each period presented;
- The date that K-REIT Asia's proposed loan borrowings (please refer to Section G3) were drawn down and Units were issued correspond to the timing of the purchase of Properties on 1 January 2002;
- Manager's management fees payable in Units are paid on the last day of each period presented; and
- Interest expense on loan borrowings is paid on a quarterly basis.

(III) Pro forma balance sheets

The pro forma balance sheets have been prepared after incorporating the following:

(a) Adjustments to historical financial information

- Adjustments to reverse the assets and liabilities which are not in line with K-REIT Asia's structure;
- Adjustments to reverse the existing borrowings that are not in line with K-REIT Asia's borrowing structure; and
- Adjustments to reverse the tax assets and liabilities that are not in line with K-REIT Asia's tax transparency status.

B. BASES OF PREPARATION OF PRO FORMA FINANCIAL INFORMATION (continued)

(III) Pro forma balance sheets (continued)

(b) Adjustments based on new agreements in place

- Adjustments to state the Properties at \$630,700,000, being the purchase price for the Properties. The purchase price of \$630,700,000 is based on the average of independent valuations carried out by Colliers International (Singapore) Pte Ltd and DTZ Debenham Tie Leung (South East Asia) Private Limited on 24 November 2005;
- Adjustments to include the assets and liabilities (namely tenant's security and other deposits, and rentals received in advance) attributable to the Properties that are transferred to K-REIT Asia; and
- Adjustments to include the estimated costs relating to the establishment and listing of K-REIT Asia on the SGX-ST, which are estimated to be \$1,540,000.

(c) Adjustments based on agreements expected to be put in place

- Adjustments to include the proposed loan borrowings amounting to \$189,300,000 which is net of an estimated debt arrangement fee of \$1,300,000 (see Section B(l)(c)).

In addition, it is assumed that 240,508,000 Units in K-REIT Asia are issued as part consideration for acquisition of the Properties.

(IV) Pro forma statement of movements in unitholders' funds

The pro forma statement of movements in unitholders funds for the nine months ended 30 September 2005 has been prepared based on the assumptions described in the above Bases of Preparation of Pro Forma Financial Information applicable to the pro forma profit and loss statements, and as if the K-REIT Asia had acquired the Properties on 31 December 2004.

C. PRO FORMA PROFIT AND LOSS STATEMENTS

The pro forma profit and loss statements for each of the years ended 31 December 2002, 2003 and 2004 and each of the nine months ended 30 September 2004 and 2005 are presented below. The assumptions used to prepare the pro forma profit and loss statements are consistent with those described in Section B on Bases of Preparation of Pro Forma Financial Information.

	Year ended 31 December 2002					
	Bugis Junction Towers \$'000	Keppel Towers and GE Tower \$'000	Prudential Tower Property \$'000	Total \$'000	Pro Forma Adjustments \$'000	Pro Forma \$'000
Property income	13,078	20,538	6,293	39,909	—	39,909
Property expenses						
— Property tax	(507)	(1,030)	(252)	(1,789)	—	(1,789)
— Other property expenses ⁽¹⁾	(935)	(3,346)	(14,766) ⁽³⁾	(19,047)	15,329	(3,718)
— Property management fee	(240)	(697)	—	(937)	(260)	(1,197)
— Maintenance and sinking fund contribution ⁽²⁾	(1,164)	—	(688)	(1,852)	—	(1,852)
Net property income/(deficit)	10,232	15,465	(9,413)	16,284		31,353
Other income	20	113	—	133	(133)	—
Borrowing costs	(3,506)	(9,157)	(573)	(13,236)	5,691	(7,545)
Manager's management fees	—	—	—	—	(4,095)	(4,095)
Trust expenses ⁽⁴⁾	—	—	—	—	(1,195)	(1,195)
Profit/(Loss) before tax	6,746	6,421	(9,986)	3,181		18,518
Income tax (expense)/credit	(970)	17	1,228	275	(275)	—
Net profit/(loss) for the year	5,776	6,438	(8,758)	3,456		18,518

Notes:

- (1) Other property expenses comprised utilities expenses, reimbursements of salaries and related expenses, marketing expenses, repairs and maintenance expenses, general and administrative expenses as well as other expenses relating to K-REIT Asia's properties.
- (2) Certain properties within K-REIT Asia are part of strata-titled developments. The management corporations for such properties are responsible for the repair, maintenance and operation of as well as the capital expenditure and improvement works. K-REIT Asia, as owner of the strata-titled properties is required to make contributions to the management corporations.
- (3) The figure includes an amount of \$14,400,000 attributable to deficit arising from year-end valuation of the Prudential Tower Property.
- (4) Trust expenses refer to recurring operating expenses such as 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 the Trust.

C. PRO FORMA PROFIT AND LOSS STATEMENTS (continued)

	Year ended 31 December 2003					
	Bugis Junction Towers	Keppel Towers and GE Tower	Prudential Tower Property	Total	Pro Forma Adjustments	Pro Forma
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Property income	12,022	14,950	6,075	33,047	—	33,047
Property expenses						
— Property tax	(492)	(422)	(229)	(1,143)	—	(1,143)
— Other property expenses ⁽¹⁾	(874)	(3,856)	(11,347) ⁽³⁾	(16,077)	11,896	(4,181)
— Property management fee	(240)	(697)	—	(937)	(54)	(991)
— Maintenance and sinking fund contribution ⁽²⁾	(1,164)	—	(632)	(1,796)	—	(1,796)
Net property income/(deficit)	9,252	9,975	(6,133)	13,094		24,936
Other income	17	89	—	106	(106)	—
Borrowing costs	(3,467)	(9,151)	(684)	(13,302)	5,757	(7,545)
Manager's management fees	—	—	—	—	(3,902)	(3,902)
Trust expenses ⁽⁴⁾	—	—	—	—	(1,195)	(1,195)
Net profit/(loss) before tax	5,802	913	(6,817)	(102)		12,294
Income tax expense	(2,040)	(337)	(908)	(3,285)	3,285	—
Net profit/(loss) for the year	3,762	576	(7,725)	(3,387)		12,294

Notes:

- (1) Other property expenses comprised utilities expenses, reimbursements of salaries and related expenses, marketing expenses, repairs and maintenance expenses, general and administrative expenses as well as other expenses relating to K-REIT Asia's properties.
- (2) Certain properties within K-REIT Asia are part of strata-titled developments. The management corporations for such properties are responsible for the repair, maintenance and operation of as well as the capital expenditure and improvement works. K-REIT Asia, as owner of the strata-titled properties is required to make contributions to the management corporations.
- (3) The figure includes an amount of \$11,000,000 attributable to deficit arising from year-end valuation of the Prudential Tower Property.
- (4) Trust expenses refer to recurring operating expenses such as 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 the Trust.

C. PRO FORMA PROFIT AND LOSS STATEMENTS (continued)

	Year ended 31 December 2004					
	Bugis Junction Towers \$'000	Keppel Towers and GE Tower \$'000	Prudential Tower Property \$'000	Total \$'000	Pro Forma Adjustments \$'000	Pro Forma \$'000
Property income	11,102	12,012	5,883	28,997	—	28,997
Property expenses						
— Property tax	(741)	(711)	(470)	(1,922)	—	(1,922)
— Other property expenses ⁽¹⁾	(836)	(3,621)	(181)	(4,638)	944	(3,694)
— Property management fee	(240)	(697)	—	(937)	67	(870)
— Maintenance and sinking fund contribution ⁽²⁾	(1,121)	—	(632)	(1,753)	—	(1,753)
Net property income	8,164	6,983	4,600	19,747		20,758
Other income	23	43	—	66	(66)	—
Borrowing costs	(3,284)	(9,175)	(452)	(12,911)	5,366	(7,545)
Manager's management fees	—	—	—	—	(3,777)	(3,777)
Trust expenses ⁽³⁾	—	—	—	—	(1,195)	(1,195)
Net profit/(loss) before tax	4,903	(2,149)	4,148	6,902		8,241
Income tax (expense)/credit	(528)	905	(563)	(186)	186	—
Net profit/(loss) for the year	4,375	(1,244)	3,585	6,716		8,241

Notes:

- (1) Other property expenses comprised utilities expenses, reimbursements of salaries and related expenses, marketing expenses, repairs and maintenance expenses, general and administrative expenses as well as other expenses relating to K-REIT Asia's properties.
- (2) Certain properties within K-REIT Asia are part of strata-titled developments. The management corporations for such properties are responsible for the repair, maintenance and operation of as well as the capital expenditure and improvement works. K-REIT Asia, as owner of the strata-titled properties is required to make contributions to the management corporations.
- (3) Trust expenses refer to recurring operating expenses such as 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 the Trust.

C. PRO FORMA PROFIT AND LOSS STATEMENTS (continued)

	Period from 1 January 2004 to 30 September 2004					Pro Forma Adjustments \$'000	Pro Forma \$'000
	Bugis Junction Towers \$'000	Keppel Towers and GE Tower \$'000	Prudential Tower Property \$'000	Total \$'000			
Property income	8,604	9,235	4,475	22,314		—	22,314
Property expenses							
— Property tax	(593)	(523)	(362)	(1,478)		—	(1,478)
— Other property expenses ⁽¹⁾	(566)	(2,449)	(105)	(3,120)		437	(2,683)
— Property management fee	(180)	(523)	—	(703)		34	(669)
— Maintenance and sinking fund contribution ⁽²⁾	(841)	—	(474)	(1,315)		—	(1,315)
Net property income	6,424	5,740	3,534	15,698			16,169
Other income	16	43	—	59		(59)	—
Borrowing costs	(2,410)	(6,869)	(406)	(9,685)		4,026	(5,659)
Manager's management fees	—	—	—	—		(2,850)	(2,850)
Trust expenses ⁽³⁾	—	—	—	—		(896)	(896)
Net profit/(loss) before tax	4,030	(1,086)	3,128	6,072			6,764
Income tax (expense)/credit	(434)	762	(335)	(7)		7	—
Net profit/(loss) for the period	3,596	(324)	2,793	6,065			6,764

Notes:

- (1) Other property expenses comprised utilities expenses, reimbursements of salaries and related expenses, marketing expenses, repairs and maintenance expenses, general and administrative expenses as well as other expenses relating to K-REIT Asia's properties.
- (2) Certain properties within K-REIT Asia are part of strata-titled developments. The management corporations for such properties are responsible for the repair, maintenance and operation of as well as the capital expenditure and improvement works. K-REIT Asia, as owner of the strata-titled properties is required to make contributions to the management corporations.
- (3) Trust expenses refer to recurring operating expenses such as 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 the Trust.

C. PRO FORMA PROFIT AND LOSS STATEMENTS (continued)

	Period from 1 January 2005 to 30 September 2005				Pro Forma Adjustments \$'000	Pro Forma \$'000
	Bugis Junction Towers \$'000	Keppel Towers and GE Tower \$'000	Prudential Tower Property \$'000	Total \$'000		
Property income	7,364	9,441	3,386	20,191	—	20,191
Property expenses						
— Property tax	(543)	(754)	(325)	(1,622)	—	(1,622)
— Other property expenses ⁽¹⁾	(17,195) ⁽³⁾	(2,777)	(9,601) ⁽³⁾	(29,573)	25,287	(4,286)
— Property management fee	(180)	(521)	—	(701)	95	(606)
— Maintenance and sinking fund contribution ⁽²⁾	(830)	—	(474)	(1,304)	—	(1,304)
Net property (deficit)/income	(11,384)	5,389	(7,014)	(13,009)		12,373
Other income	19	37	—	56	(56)	—
Borrowing costs	(1,793)	(4,615)	(470)	(6,878)	1,219	(5,659)
Manager's management fees	—	—	—	—	(2,736)	(2,736)
Trust expenses ⁽⁴⁾	—	—	—	—	(896)	(896)
Net (loss)/profit before tax	(13,158)	811	(7,484)	(19,831)		3,082
Income tax credit	2,932	5,697	479	9,108	(9,108)	—
Net (loss)/profit for the period	(10,226)	6,508	(7,005)	(10,723)		3,082

Notes:

- (1) Other property expenses comprised utilities expenses, reimbursements of salaries and related expenses, marketing expenses, repairs and maintenance expenses, general and administrative expenses as well as other expenses relating to K-REIT Asia's properties.
- (2) Certain properties within K-REIT Asia are part of strata-titled developments. The management corporations for such properties are responsible for the repair, maintenance and operation of as well as the capital expenditure and improvement works. K-REIT Asia, as owner of the strata-titled properties is required to make contributions to the management corporations.
- (3) The figure includes an amount of \$15,485,000 and \$9,200,000 attributable to deficit arising from year-end valuation of Bugis Junction Towers and the Prudential Tower Property respectively.
- (4) Trust expenses refer to recurring operating expenses such as 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 the Trust.

C. PRO FORMA PROFIT AND LOSS STATEMENTS (continued)

PRO FORMA ADJUSTMENTS

	Year ended 31/12/2002 \$'000	Year ended 31/12/2003 \$'000	Year ended 31/12/2004 \$'000	Period from 1/1/2004 to 30/9/2004 \$'000	Period from 1/1/2005 to 30/9/2005 \$'000
Other property expenses	(19,047)	(16,077)	(4,638)	(3,120)	(29,573)
<i>Adjustments:</i>					
Reverse other property expenses not in line with K-REIT Asia's structure	1,037	1,004	1,052	518	683
Reverse deficit arising from year-end valuation of investment properties	14,400 ⁽¹⁾	11,000 ⁽¹⁾	—	—	24,685 ⁽²⁾
Incorporate K-REIT Asia's property management reimbursements	(108)	(108)	(108)	(81)	(81)
	15,329	11,896	944	437	25,287
Other property expenses as stated in the pro forma profit and loss statements	(3,718)	(4,181)	(3,694)	(2,683)	(4,286)
Property management fee	(937)	(937)	(937)	(703)	(701)
<i>Adjustments:</i>					
Reverse management fee not in line with K-REIT Asia's structure	937	937	937	703	701
Incorporate K-REIT Asia's property management fee	(1,197)	(991)	(870)	(669)	(606)
	(260)	(54)	67	34	95
Property management fee as stated in the pro forma profit and loss statements	(1,197)	(991)	(870)	(669)	(606)

⁽¹⁾ Relates to deficit arising from year-end valuation of Prudential Tower Property.

⁽²⁾ Relates to deficit arising from year-end valuation of Bugis Junction Towers and the Prudential Tower Property.

C. PRO FORMA PROFIT AND LOSS STATEMENTS (continued)

PRO FORMA ADJUSTMENTS (continued)

	Year ended 31/12/2002 \$'000	Year ended 31/12/2003 \$'000	Year ended 31/12/2004 \$'000	Period from 1/1/2004 to 30/9/2004 \$'000	Period from 1/1/2005 to 30/9/2005 \$'000
Other income	133	106	66	59	56
<i>Adjustments:</i>					
Reverse other income not in line with K-REIT Asia's structure	(133)	(106)	(66)	(59)	(56)
Other income as stated in the pro forma profit and loss statements	—	—	—	—	—
Borrowing costs	(13,236)	(13,302)	(12,911)	(9,685)	(6,878)
<i>Adjustments:</i>					
Reverse borrowing costs not in line with K-REIT Asia's borrowing structure	13,236	13,302	12,911	9,685	6,878
Incorporate amortisation of upfront fees of K-REIT Asia's borrowing structure	(260)	(260)	(260)	(195)	(195)
Incorporate borrowing costs of K-REIT Asia's borrowing structure	(7,285)	(7,285)	(7,285)	(5,464)	(5,464)
	5,691	5,757	5,366	4,026	1,219
Borrowing costs as stated in the pro forma profit and loss statements	(7,545)	(7,545)	(7,545)	(5,659)	(5,659)

C. PRO FORMA PROFIT AND LOSS STATEMENTS (continued)

PRO FORMA ADJUSTMENTS (continued)

	Year ended 31/12/2002 \$'000	Year ended 31/12/2003 \$'000	Year ended 31/12/2004 \$'000	Period from 1/1/2004 to 30/9/2004 \$'000	Period from 1/1/2005 to 30/9/2005 \$'000
Manager's management fees	—	—	—	—	—
<i>Adjustments:</i>					
Incorporate K-REIT Asia's base fee	(3,154)	(3,154)	(3,154)	(2,365)	(2,365)
Incorporate K-REIT Asia's performance fee	(941)	(748)	(623)	(485)	(371)
	<u>(4,095)</u>	<u>(3,902)</u>	<u>(3,777)</u>	<u>(2,850)</u>	<u>(2,736)</u>
Manager's management fees as stated in the pro forma profit and loss statements	<u>(4,095)</u>	<u>(3,902)</u>	<u>(3,777)</u>	<u>(2,850)</u>	<u>(2,736)</u>
Trust expenses	—	—	—	—	—
<i>Adjustments:</i>					
Incorporate K-REIT Asia's trustee's fee	(95)	(95)	(95)	(71)	(71)
Incorporate K-REIT Asia's other trust expenses	(1,100)	(1,100)	(1,100)	(825)	(825)
	<u>(1,195)</u>	<u>(1,195)</u>	<u>(1,195)</u>	<u>(896)</u>	<u>(896)</u>
Trust expenses as stated in the pro forma profit and loss statements	<u>(1,195)</u>	<u>(1,195)</u>	<u>(1,195)</u>	<u>(896)</u>	<u>(896)</u>
Income tax (expenses)/ credit	275	(3,285)	(186)	(7)	9,108
<i>Adjustments:</i>					
Reverse income tax expenses/(credit) not in line with K-REIT Asia's tax transparency status	(275)	3,285	186	7	(9,108)
Income tax expense as stated in the pro forma profit and loss statements	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

D. PRO FORMA CASH FLOW STATEMENTS

The pro forma cash flow statements for the year ended 31 December 2004 and the nine months ended 30 September 2004 and 2005 are presented below. The assumptions used to prepare the pro forma cash flow statements are consistent with those described in Section B on Bases of Preparation of Pro Forma Financial Information.

	Year ended 31/12/2004 \$'000	Period from 1/1/2004 to 30/9/2004 \$'000	Period from 1/1/2005 to 30/9/2005 \$'000
Cash flows from operating activities:			
Net profit before tax	8,241	6,764	3,082
Adjustments for:			
Manager's management fees paid in Units	3,777	2,850	2,736
Borrowing costs	7,545	5,659	5,659
Depreciation of plant and equipment	20	16	68
Operating income before working capital changes	19,583	15,289	11,545
Changes in working capital:			
Trade and other payables	22	311	368
Net cash flows from operating activities	19,605	15,600	11,913
Cash flows used in investing activity:			
Purchase of plant and equipment	(8)	(4)	(48)
Net cash used in investing activity	(8)	(4)	(48)
Cash flows used in financing activities:			
Proceeds from borrowings	95	71	71
Distribution to Unitholders	(12,373)	(9,880)	(6,084)
Borrowing costs paid	(7,285)	(5,464)	(5,464)
Security deposits	(1,463)	(1,237)	1,010
Net cash used in financing activities	(21,026)	(16,510)	(10,467)
Net (decrease)/increase in cash and cash equivalents	(1,429)	(914)	1,398
Cash and cash equivalents at beginning of year/period	4,488	4,488	3,059
Cash and cash equivalents at end of year/period	3,059	3,574	4,457
Reconciliation of net profit for the year/period to taxable income available for distribution			
Net profit for the year/period	8,241	6,764	3,082
Net effect of non-tax deductible items	4,132	3,116	3,002
Taxable income available for distribution to Unitholders	12,373	9,880	6,084
Distribution based on payout of 100% of taxable income	12,373	9,880	6,084

E. PRO FORMA BALANCE SHEETS

The pro forma balance sheets as at 31 December 2004 and 30 September 2005 are presented below. The assumptions used to prepare the pro forma balance sheets are consistent with those described in the Section B on Bases of Preparation of Pro Forma Financial Information.

	Note	Pro Forma As at 31/12/2004 \$'000	Pro Forma As at 30/9/2005 \$'000
Current assets			
Cash		3,059	4,457
Total current assets		<u>3,059</u>	<u>4,457</u>
Non-current assets			
Plant and equipment		23	3
Investment properties	G2	630,700	630,700
Total non-current assets		<u>630,723</u>	<u>630,703</u>
Total assets		<u>633,782</u>	<u>635,160</u>
Current liabilities			
Trade and other payables		131	499
Total current liabilities		<u>131</u>	<u>499</u>
Non-current liabilities			
Security deposits		5,761	6,771
Borrowings	G3	189,300	189,300
Total non-current liabilities		<u>195,061</u>	<u>196,071</u>
Total liabilities		<u>195,192</u>	<u>196,570</u>
Net assets		<u>438,590</u>	<u>438,590</u>
Unitholders' funds			
Units in issue	G4	440,130	440,130
Establishment and issue expenses	G5	(1,540)	(1,540)
Total Unitholders' funds		<u>438,590</u>	<u>438,590</u>
Number of Units in issue ('000)		<u>240,508</u>	<u>240,508</u>
Net asset value per unit (\$)		<u>1.82</u>	<u>1.82</u>

F. PRO FORMA STATEMENT OF MOVEMENTS IN UNITHOLDERS' FUNDS

The pro forma statement of movements in unitholders' funds for the nine months ended 30 September 2005, which have been prepared based on the assumptions described in Section B on Bases of Preparation of Pro Forma Financial Information applicable to the pro forma profit and loss statements, is set out below:

	Period from 1/1/2005 to 30/9/2005 \$'000
Operations	
Net income after tax	3,082
Net increase in net assets resulting from operations	3,082
Unitholders' transactions	
Creation of units	
— manager's management fees paid in units	2,736
Taxable income available for distribution to unitholders	(6,084)
Net decrease in net assets resulting from unitholders' transactions	(3,348)
Decrease in net assets during the period	(266)

G. NOTES TO THE PRO FORMA FINANCIAL INFORMATION

1. Significant Accounting Policies of K-REIT Asia

The significant accounting policies of K-REIT Asia, which have been consistently applied in preparing the pro forma financial information set out in this report, are as follows:

(a) Basis of preparation of pro forma financial information

The pro forma financial information, expressed in Singapore dollars and rounded to the nearest thousand, are prepared in accordance with the bases set out in Section B and applied to financial information prepared in accordance with Singapore Financial Reporting Standards (“FRS”)/Singapore Statements of Accounting Standard, the applicable requirements of the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore (“MAS”) and the provisions of the Trust Deed.

(b) Significant accounting estimates and judgements

Estimates, assumptions concerning the future and judgements are made in the preparation of the pro forma financial information. These are stated in Section B, Bases of Preparation of Pro Forma Financial Information. They affect the application of K-REIT Asia’s accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

(c) Functional and foreign currency

(i) Functional currency

The management has determined the currency of the primary economic environment in which K-REIT Asia operates i.e. functional currency, to be Singapore dollars. Revenue and major costs including major operating expenses are primarily influenced by fluctuations in Singapore dollars.

(ii) Foreign currency transactions

Transactions in foreign currencies are measured in the functional currency of K-REIT Asia and are recorded on initial recognition at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate of exchange ruling at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in the profit and loss statement.

(d) Investment properties

Investment properties are stated at annual valuation performed by independent professional valuers on an open market value for existing use basis. Revaluation surpluses arising on annual valuations of investment properties are credited directly to revaluation reserve. Revaluation deficits are taken to the profit and loss statement as exceptional items in the absence of or to the extent that they exceed any surpluses held in reserve relating to previous revaluations.

Revaluation surpluses are taken to the profit and loss statement as exceptional items to the extent that they reverse any revaluation deficits previously recognised as expenses.

G. NOTES TO THE PRO FORMA FINANCIAL INFORMATION (continued)

1. Significant Accounting Policies of K-REIT Asia (continued)

(d) Investment properties (continued)

Profits or losses on disposal of all investment properties are included in the profit and loss statement. Any surpluses held in revaluation reserve in respect of previous revaluations of investment properties disposed of during the year are regarded as having become realised and are transferred to the profit and loss statement.

FRS not yet effective — FRS 40, Investment Property

FRS 40, Investment Property, which is issued has not yet been adopted by K-REIT Asia. K-REIT Asia will adopt the standard when it comes into effect for annual period beginning on 1 January 2007.

K-REIT Asia's current policy is to carry investment properties at valuation with surplus on revaluation credited directly to revaluation reserve. Adoption of FRS 40 will require any difference between fair value and carrying value of the investment properties to be charged to income statement.

The effect of the adoption of FRS 40 for the Pro Forma Financial Information cannot be estimated as the valuation amount of \$630,700,000 has been used throughout the periods presented in this Pro Forma Financial Information as set out in Section B on Bases of Preparation of Pro Forma Financial Information.

(e) Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Plant and equipment as listed below are depreciated evenly over their estimated useful lives and residual values have also been taken into account where appropriate. The estimated useful lives of the fixed assets have been taken as follows:

Machinery, equipment, office furniture and fittings	3–5 years
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Profit or losses on disposal of all plant and equipment are included in the profit and loss statement.

(f) Impairment of assets

The carrying amounts of K-REIT's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. All impairment losses are recognised in the profit and loss statement whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

An impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. All reversals of impairment are recognised in the profit and loss statement.

(g) Financial assets

Financial assets within the scope of FRS 39 are classified as either financial assets at fair value through profit and loss, loans and receivables, held-to-maturity, or available-for-sale financial assets as appropriate. Financial assets are recognised on K-REIT Asia's balance sheet when K-REIT Asia becomes a party to the contractual provisions of the financial instrument.

G. NOTES TO THE PRO FORMA FINANCIAL INFORMATION (continued)

1. Significant Accounting Policies of K-REIT Asia (continued)

(g) Financial assets (continued)

Trade and other receivables

Trade and other receivables are initially measured and recognised at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the profit and loss statement when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and at banks.

Cash and cash equivalents carried in the balance sheets are classified and accounted for as loans and receivables under FRS 39 and are initially measured and recognised at fair value, and are subsequently measured at amortised cost using the effective interest rate method.

(h) Financial liabilities

Financial liabilities issued by K-REIT Asia are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability. The accounting policies adopted for specific financial liabilities are set out below.

Borrowings

Interest-bearing borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing borrowings are subsequently measured at amortised cost using the effective interest method.

Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method.

(i) Units issued

Units issued by K-REIT Asia's are recorded at the proceeds received, net of direct issue costs. Distributions are recognised in Unitholder's equity in the period in which they are declared.

(j) Provisions

Provisions are recognised when K-REIT Asia has a present obligation as a result of a past event, and it is probable that K-REIT Asia will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

G. NOTES TO THE PRO FORMA FINANCIAL INFORMATION (continued)

1. Significant Accounting Policies of K-REIT Asia (continued)

(k) Leases — as lessor

Leases where K-REIT Asia retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income (Note m).

(l) Expenses

(i) Establishment and issue expenses

Establishment expenses represent expenses incurred in establishing K-REIT Asia. Issue expenses represent expenses incurred in the listing of K-REIT Asia on the SGX-ST. All such expenses are charged against unitholders' funds.

(ii) Trust expenses

Trust expenses are recognised on an accrual basis. Included in trust expenses is Trustee's fee which is based on the applicable formula stipulated in Section H(a).

(iii) Property expenses

Property expenses are recognised on an accrual basis. Included in property expenses is Property Manager's fee which is based on the applicable formula stipulated in Section H(b).

(iv) Manager's management fees

Manager's management fees are recognised on an accrual basis based on the applicable formula stipulated in Section H(c).

(v) Borrowing costs

Interest expense and similar charges are recognised in the period in which they are incurred.

(m) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to K-REIT Asia and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Rental income

Rental income arising from investment properties is accounted for on a straight-line basis over the lease terms on ongoing leases. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over the lease term on a straight-line basis.

(ii) Interest income

Interest income is recognised as interest accrues (using the effective interest method) unless collectibility is in doubt.

G. NOTES TO THE PRO FORMA FINANCIAL INFORMATION (continued)

1. Significant Accounting Policies of K-REIT Asia (continued)

(n) Taxation

Taxation on the profit for the period comprises current and deferred tax. Income tax is recognised in the profit and loss statement except to the extent that it relates to items directly related to unitholders' funds, in which case it is recognised in unitholders' funds.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date.

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled based on tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

At each balance sheet date, K-REIT Asia re-assesses unrecognised deferred tax assets and the carrying amount of deferred tax assets. K-REIT Asia recognises a previously unrecognised deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. K-REIT Asia conversely reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of the deferred tax asset to be utilised.

Subject to meeting the terms and conditions of the Tax Ruling issued by the Inland Revenue Authority of Singapore ("IRAS"), K-REIT Asia is not taxed on its Taxable Income. In accordance with the Introductory Document, K-REIT Asia will distribute 100.0% of its Taxable Income for financial year ended 31 December 2006, at least 95.0% of its Taxable Income for financial year ended 31 December 2007 and thereafter, to distribute at least 90.0% of its Taxable Income to Unitholders. Any portion of the Taxable Income that is not distributed to Unitholders will be assessed directly at the trust level at the prevailing corporate tax rate. In the event that there are subsequent adjustments to the Taxable Income when the actual Taxable Income of K-REIT Asia is finally agreed with the IRAS, such adjustments are taken up as an adjustment to the amount distributed for the next distribution following the agreement with the IRAS.

Although K-REIT Asia is not taxed on its Taxable Income distributed, the Trustee and the Manager are required to deduct income tax at the prevailing corporate tax rate from distributions of such Taxable Income of K-REIT Asia (i.e. which has not been taxed in the hands of the Trustee) to certain Unitholders. The Trustee and the Manager will not deduct tax from distributions made out of K-REIT Asia's Taxable Income to the extent that the beneficial Unitholder is:

- An individual (regardless of residence or nationality);
- A Singapore incorporated company that is a tax resident of Singapore;
- A body of persons, other than a company or partnership, registered or constituted in Singapore (for example, registered charities, town councils, statutory boards, registered co-operative societies and registered trade unions);
- A Singapore branch of a foreign company which has presented a letter of approval from the IRAS granting a specific waiver from tax deducted at source in respect of distributions from K-REIT Asia; and

G. NOTES TO THE PRO FORMA FINANCIAL INFORMATION (continued)

1. Significant Accounting Policies of K-REIT Asia (continued)

(n) Taxation (continued)

- An agent bank who acted as nominee for individuals who have purchased Units in K-REIT Asia under the Central Provident Fund Investment Scheme or the Supplementary Retirement Scheme.

Subject to meeting certain conditions, where the beneficial owners are foreign non-individual investors or where the Units are held by nominees who can demonstrate that the Units are held for beneficial owners who are foreign non-individual investors, the Trustee and the Manager will deduct tax at the reduced rate of 10.0% from the distribution.

The above tax transparency ruling does not apply to gains from sale of real properties. Such gains which are considered as trading gains are assessable to tax on the Trustee. Where the gains are capital gains, the Trustee will not be assessed to tax and may distribute the capital gains without tax being deducted at source.

2. Investment Properties

	Pro Forma As at 31/12/2004 \$'000	Pro Forma As at 30/9/2005 \$'000
Investment properties, at valuation	<u>630,700</u>	<u>630,700</u>

The investment properties comprise Prudential Tower Property, Keppel Towers, GE Tower and Bugis Junction Towers.

The carrying value of the investment properties as at 31 December 2004 and 30 September 2005 represent the purchase price payable by K-REIT Asia on acquisition of the investment properties and is based on the average of independent valuations (open market value basis) carried out by Colliers International (Singapore) Pte Ltd and DTZ Debenham Tie Leung (South East Asia) Private Limited on 24 November 2005.

3. Borrowings

	Pro Forma As at 31/12/2004 \$'000	Pro Forma As at 30/9/2005 \$'000
Loan borrowings	190,600	190,600
Transaction costs	(1,300)	(1,300)
	<u>189,300</u>	<u>189,300</u>

The borrowings, which will be put in place by K-REIT Asia, comprise:

- (i) a five-year term loan facility of approximately \$190,000,000 to be granted by a special purpose company, Blossom Assets Ltd, repayable in full at the end of the tenure of the term loan; and
- (ii) a revolving credit facility of approximately \$30,000,000 to be granted from a financial institution.

G. NOTES TO THE PRO FORMA FINANCIAL INFORMATION (continued)

3. Borrowings (continued)

Blossom Assets Ltd will obtain the funds from the issuance of commercial mortgage-backed securities notes ("CMBS Notes") in respect of the term loan facility.

On the issue date of the CMBS Notes, it is assumed that Blossom Assets Ltd will enter into interest rate swap and cross currency swap agreements to achieve an effective hedging of interest and foreign currency exchange rates.

The effective interest rate of the borrowings is assumed to be 3.96% per annum (including margin and annual amortisation of debt arrangement fees).

The five-year term loan facility is secured by way of:

- (a) a mortgage over the Properties;
- (b) an assignment of all the rights, title, interest and benefits of K-REIT Asia in, and the proceeds of any payments which may at any time be received by or payable to K-REIT Asia under, the insurances in respect of the Properties;
- (c) an assignment of all the rights, interest, benefits, advantages, permits, licences and remedies which K-REIT Asia has in, under or arising out of, and the proceeds of any payments which may at any time be received by or payable to or, at the direction of, K-REIT Asia under or in connection with the acquisition of the Properties;
- (d) an assignment of all the rights, interest, benefits, advantages, permits, licences and remedies of K-REIT Asia in, under or arising out of the agreement for property management purpose and the proceeds of any payments which may at any time be received by or payable to or, at the direction of, K-REIT Asia under or in connection with the agreement;
- (e) an assignment of all of K-REIT Asia's rights, title and interest in, and to and under (i) all leases, licences, tenancies, letting arrangements, options and other agreements of whatever kind for the occupation, use or possession of any part of the Properties which are or at any time may be entered into by or on behalf of K-REIT Asia, or the rights of which have been assigned or transferred (whether by operation of law or otherwise) in favour of K-REIT Asia; (ii) the proceeds of any payments which may at any time be received by or payable to K-REIT Asia under the agreements in (i) above; (iii) the moneys from time to time standing to the credit of the accounts opened by the Trustee in connection with the Properties, together with any interest from time to time accruing in respect of such moneys; and
- (f) a debenture creating fixed and floating charges over the assets of K-REIT Asia relating to the Properties.

As the issuance of CMBS Notes may not be completed by the completion date of purchase of the Properties by K-REIT Asia, an unsecured bridging loan facility of up to nine months for an amount of up to \$200,000,000 will be provided by Kephinance Investment Pte Ltd, a subsidiary of Keppel Corporation Ltd for the purpose of the acquisition of the Properties and to provide initial working capital if so required. The unsecured bridging loan facility shall be repaid in full once the term loan facility is put in place.

The bridging loan facility bears interest at an aggregate of the SWAP rate (as defined in the Bridging Loan Agreement) and a margin of 0.4% per annum.

G. NOTES TO THE PRO FORMA FINANCIAL INFORMATION (continued)

4. Units in issue

	Pro Forma As at 31/12/2004 \$'000	Pro Forma As at 30/9/2005 \$'000
Creation of new units as part consideration for the acquisition of the Properties	440,130	440,130

The key rights of Unitholders include rights to:

- (1) receive income and other distributions attributable to the Units held;
- (2) receive audited accounts and the annual reports of K-REIT Asia; and
- (3) participate in the termination of K-REIT Asia by receiving a share of all net cash proceeds derived from the realisation of the assets of K-REIT Asia less any liabilities, in accordance with their proportionate interests in K-REIT Asia.

No Unitholder has a right to require that any asset of K-REIT Asia be transferred to him.

Further, Unitholders cannot give any directions to the Trustee or the Manager (whether at a meeting of Unitholders or otherwise) if it would require the Trustee or the Manager to do or omit doing anything which may result in:

- (1) K-REIT Asia ceasing to comply with applicable laws and regulations; or
- (2) the exercise of any discretion expressly conferred on the Trustee or the Manager by the Trust Deed or the determination of any matter which, under the Trust Deed, requires the agreement of either or both of the Trustee and the Manager.

The Trust Deed contains provisions that are designed to limit the liability of a Unitholder to the amount paid or payable for any Unit. The provisions seek to ensure that if the Issue Price of the Units held by a Unitholder has been fully paid, no such Unitholder, by reason alone of being a Unitholder, will be personally liable to indemnify the Trustee or any creditor of K-REIT Asia in the event that the liabilities of K-REIT Asia exceed its assets.

Under the Trust Deed, all Unitholders enjoy the same voting rights regardless of the number of Units held by each Unitholder. A Unitholder has no right to request to redeem his units while the units are listed on SGX-ST.

5. Establishment and issue expenses

	Pro Forma As at 31/12/2004 \$'000	Pro Forma As at 30/9/2005 \$'000
Listing and perusal fee	60	60
Professional and other fees (i)	1,180	1,180
Miscellaneous expenses (ii)	300	300
	<u>1,540</u>	<u>1,540</u>

- (i) Includes financial advisory fees, rating agencies' expenses, solicitors' fees and fees for the reporting accountants, the tax consultant, the independent property valuers and other professional fees.
- (ii) Includes cost of introductory document production and certain other expenses incurred or to be incurred in connection with the listing of K-REIT Asia on the SGX-ST.

G. NOTES TO THE PRO FORMA FINANCIAL INFORMATION (continued)

6. Financial instruments

Financial risk management objectives and policies

Exposure to credit, interest rate and liquidity risks arises in the normal course of K-REIT Asia's business. The Manager continually monitors K-REIT Asia's exposure to the above risks.

Credit risk

Credit risk is the potential financial loss resulting from the failure of a tenant or a counterparty to settle its financial and contractual obligations to K-REIT Asia as and when they fall due.

The Manager has established credit limits for tenants and monitors their balances on an on-going basis. Credit evaluations are performed by the Manager before lease agreements are entered into with tenants. Cash and fixed deposits are placed with financial institutions which are regulated.

At the balance sheet date, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying value of each financial asset in the balance sheet.

Interest rate risk

K-REIT Asia's exposure to changes in interest rates relate primarily to interest-earning financial assets and interest-bearing financial liabilities. The Manager adopts a hedging strategy to manage the risks associated with changes in interest rates.

Liquidity risk

The Manager monitors and maintains a level of cash and cash equivalents deemed adequate to finance K-REIT Asia's operations. In addition, the Manager also monitors and observes the Code on Collective Investment Schemes issued by the MAS concerning limits on total borrowings.

7. Commitments

K-REIT Asia leases out its investment properties. Non-cancellable operating lease rentals are receivable as follows:

	Pro Forma As at 31/12/2004 \$'000	Pro Forma As at 30/9/2005 \$'000
Receivables		
— Within 1 year	23,697	27,695
— After 1 year but within 5 years	37,656	37,818
— After 5 years	541	534
	<u>61,894</u>	<u>66,047</u>

G. NOTES TO THE PRO FORMA FINANCIAL INFORMATION (continued)

8. Segment reporting

Segment information is presented in respect of K-REIT Asia's business segments. This primary format is based on K-REIT Asia's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly cash, interest-bearing borrowings and expenses, Manager's management fees and trust expenses.

	Bugis Junction Towers \$'000	Keppel Towers and GE Tower \$'000	Prudential Tower Property \$'000	Pro Forma 9 months ended 30/9/2005 \$'000
Property income	7,364	9,441	3,386	20,191
Net property income	4,328	5,900	2,145	12,373
Unallocated expenses				(9,291)
Net profit for the period				3,082
Segment assets	159,500	353,503	117,700	630,703
Unallocated assets				4,457
Total assets				635,160
Segment liabilities	2,749	3,327	1,194	7,270
Unallocated liabilities — borrowings				189,300
Total liabilities				196,570

	Bugis Junction Towers \$'000	Keppel Towers and GE Tower \$'000	Prudential Tower Property \$'000	Pro Forma Year ended 31/12/2004 \$'000
Property income	11,102	12,012	5,883	28,997
Net property income	8,304	7,988	4,466	20,758
Unallocated expenses				(12,517)
Net profit for the year				8,241
Segment assets	159,517	353,506	117,700	630,723
Unallocated assets				3,059
Total assets				633,782
Segment liabilities	2,166	2,398	1,328	5,892
Unallocated liabilities — borrowings				189,300
Total liabilities				195,192

H. TRUSTEE AND MANAGEMENT FEES

(a) Trustee's Fee

Under the Trust Deed, the maximum fee payable to the Trustee is 0.03% per annum of the value of the Deposited Property and shall be payable out of the Deposited Property quarterly in arrear. The actual fee payable will be determined between the Manager and the Trustee from time to time. The Trustee is also entitled to reimbursement of expenses incurred in the performance of its duties under the Trust Deed.

The aforementioned basis has been used to compute the Trustee's fee for the purpose of the pro forma financial information.

(b) Property Management Fee

Property management fee is charged at 3.0% per annum of K-REIT Asia's Property Income.

The Property Manager is also entitled to receive leasing commission upon renewal and securing of new tenancies.

(c) Manager's Management Fees

The Manager is entitled to the following management fees:

- a Base Fee of 0.5% per annum of the value of the Deposited Property, payable quarterly in arrear; and
- an annual Performance Fee of 3.0 % per annum of K-REIT Asia's Net Property Income before the Manager's management fees and excluding gains and losses from revaluation and non-operating income or expenses.

The Manager has opted to receive, for the financial years up to 31 December 2007, 100% of the Base Fee and Performance Fee in respect of the Properties in the form of Units. The Manager may opt to receive the Base Fee and Performance Fee in respect of the Properties in cash or Units or a combination of cash and Units (as it may determine) after 31 December 2007.

The Manager is also entitled to:

- an acquisition fee of 1.0% (or such lower percentage as may be determined by the Manager in its absolute discretion) of the acquisition price of property acquired (whether directly or indirectly and pro-rated, if applicable, to the proportion of K-REIT Asia's interest in the property acquired). However, no acquisition fees is payable for the acquisition of the Properties; and
- a divestment fee of 0.5% (or such lower percentage as may be determined by the Manager in its absolute discretion) of the sale price of property divested (whether directly or indirectly and pro-rated, if applicable, to the proportion of K-REIT Asia's interest in the property divested).

In respect of any acquisition and sale or divestment of property from/to interested parties (as defined in the guidelines under the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore), such acquisition fee and divestment fee shall be in the form of Units.

The aforementioned basis has been used to compute the Manager's management fees for the purpose of the pro forma financial information.

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INDEPENDENT PROPERTY VALUATION SUMMARY REPORTS



Our Ref : NC:HN/CT/MKW:ao:3.001:0511064/5/7

24 November 2005

Ms Jenny See
 Dexia Trust Service (Singapore) Limited
 (as trustee of K-Reit Asia)
 9 Raffles Place
 #42-01 Republic Plaza
 Singapore 048619

K-Reit Asia Management Limited
 1 HarbourFront Avenue #18-01
 Keppel Bay Tower
 Singapore 098632

Dear Sirs/Mdm

Open Market Valuation of the following Properties:-

- 1) **Prudential Tower**
 30 Cecil Street
 #01-01, #10-01/08 to #19-01/08 (excluding #16-05/08)
 Singapore 049712
- 2) **Bugis Junction Towers**
 230 Victoria Street
 Singapore 188024
- 3) **Keppel Towers and GE Tower**
 10 Hoe Chiang Road / 240 Tanjong Pagar Road
 Singapore 089315 / 088540

We have been instructed by Dexia Trust Service (Singapore) Limited as “trustee of K-Reit Asia” to assess the Open Market Value of the above-mentioned properties as at 24 Nov 2005 based on their respective existing use and subject to the existing leases. We confirm that we have inspected the subject properties and conducted relevant enquiries and investigations as we consider necessary for the purpose of providing you with our opinion of the Open Market Value of the properties.

.../Page 2

DTZ Debenham Tie Leung (SEA) Pte Ltd 100 Beach Road #35-00 Shaw Tower Singapore 189702
 Telephone +65 6293 3228 Fax +65 6298 9328/6292 1633 www.dtz.com/sg mail@dtz.com.sg

DDI certified for valuation, agency and property management services
 RUC Registered No. 105901359G

DTZ has over 9,000 staff operating from 192 offices in 40 countries.

We have prepared comprehensive formal valuation reports in accordance with the requirements in your instruction to us.

Our valuation is made on the basis of Open Market Value. This is intended to mean the best price at which the sale of an interest in the properties would have been completed unconditionally for cash consideration on the date of valuation, assuming:

- a) a willing seller;
- b) that, prior to the date of valuation, there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the agreement of price and terms for the completion of the sale;
- c) that the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as on the date of valuation;
- d) that no account is taken of any additional bid by a prospective purchaser with a special interest; and
- e) that both parties to the transaction had acted knowledgeably, prudently and without compulsion.”

Our valuation has been made on the assumption that the owner sells the properties in the open market without the benefit of a deferred term contract, leaseback, joint venture or any similar arrangement which could serve to affect the value of the properties. Our valuation assumes that as at the date of valuation, the properties are free and clear of all mortgages, encumbrances and other outstanding premiums, charges and liabilities.

The subject properties have been valued in their existing continued use, subject to all existing leases and occupancy arrangements.

Information as to title particulars, land area, ownership and tenure has been obtained from searches carried out at the Singapore Land Registry. We have also relied on the information provided by the Manager of K-Reit Asia on matters such as lettable/gross floor area, tenancy details, operating expenses, capital expenditure, management fee, maintenance and sinking fund contributions, etc. All information provided as at 24 Nov 2005 is treated as correct and DTZ accepts no responsibility for subsequent changes in information and reserves the right to change our opinion of value if any information provided were to materially change.

In arriving at our opinion of value, we have considered the prevailing market conditions, especially those pertaining to the office sector of the property market. The methodologies used in valuing the properties are namely, the Direct Comparison Method, the Capitalization Approach and Discounted Cashflow Approach. Each has been used as a check against the other. The Capitalization Approach and Discounted Cashflow Approach are based on a set of assumptions as to the income and expenses taking into account the changes in economic conditions and other factors affecting the properties.

The resultant market value is, in our opinion, the best estimate but it is not to be construed as a guarantee or prediction and it is fully dependent upon the accuracy of the assumptions made.

We have not carried out investigations on site in order to determine the suitability of ground conditions, nor have we undertaken archaeological, ecological or environmental surveys. Our valuation is on the basis that these aspects are satisfactory.

Valuation certificates for the individual properties are attached to this letter.

A summary of our opinion of the Open Market Value for each property is given below:

Property	Tenure	Approximate Site Area (sq.m.)	Approximate Net Lettable Area (sq.m.)	Valuation as at 24 Nov 2005	Capitalization Rate	Target Discount Rate (10 years)	Terminal Yield
Prudential Tower	99yrs wef 15 Jan 1996	NA	10,037	S\$116,400,000	4.25%	8%	4.5%
Bugis Junction Towers	99yrs wef 10 Sept 1990	NA	22,990	S\$160,000,000	4.75%	8%	5%
Keppel Towers/ GE Tower	Freehold	9,125.5	40,295	S\$348,000,000	3.75%	8%	4%

We have prepared this summary which appears in the Introductory Document and specifically disclaim liability to any person in the event of any omission from or false or misleading statement(s) included in the Introductory Document, other than in respect of the information provided within the valuation reports and summary. We do not make any warranty or representation as to the accuracy of the information in any part of the Introductory Document other than as expressly made or given in this valuation summary.

DTZ has relied upon the property data supplied by the Manager of K-Reit Asia which we assume to be true and accurate. DTZ takes no responsibility for inaccurate data supplied by the Manager of K-Reit Asia and subsequent conclusions related to such data.

Dexia Trust Service (Singapore) Limited
K-Reit Asia Management Limited

24 November 2005

The reported analyses, opinions and conclusions are limited by the reported assumptions and limiting conditions and are our personal, unbiased professional analyses, opinions and conclusions. We have no present nor prospective interest in the subject properties and are not a related corporation of nor do we have a relationship with the Manager of K-Reit Asia, adviser other party(s) whom the property trust is contracting with. The valuers' compensation is not contingent upon the reporting of a predetermined value or direction in value that favours the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.

We hereby certify that our valuers undertaking these valuations are authorized to practice as valuers and have the necessary experience in valuing similar properties.

Yours faithfully
DTZ DEBENHAM TIE LEUNG (SEA) PTE LTD



Nicholas Cheng
Executive Director
BSc (Est Man) MSISV
(Appraiser's Licence No: AD041-2004055B)

Date : 24 November 2005
Our Ref : NC:HN/CT/MKW:ao:0511064/5/7

VALUATION SUMMARY

- Property** : Prudential Tower
30 Cecil Street
#01-01, #10-01/08 to #19-01/08 (excluding #16-05/08)
Singapore 049712
- Legal Description** : Lots U403C, U405W, U404M, U414N, U406V, U415X,
U407P, U416L, U408T, U417C, U420C, U412A, U421M,
U413K, U423V, U422W, U409A, U418M, U410P and
U419W Town Subdivision 1.
- Strata Floor Area
(for the subject property)** : 10,250 sq.m.
- Registered Proprietor** : Keppel Land (Tower D) Pte Ltd.
- Tenure** : 99 years leasehold commencing from 15 January 1996.
- Master Plan Zoning
(2003 Edition)** : “Commercial” with gross plot ratio of 12.6+.
- Brief Description** : A banking hall and office units located on the 1st and 10th to
19th storeys respectively within a 30-storey Grade A office
building known as Prudential Tower. The subject
development is located along Cecil Street.
- The total net lettable floor area of the subject property is
10,037 sq.m. with a current occupancy of about 87%. The
average gross rent is approximately S\$50.38 psm per month.
The current service charge is S\$10.23 psm per month for
unit #01-01 and S\$10.76 psm per month for the remaining
leased units.
- Open Market Value
as at 24 November 2005** : S\$116,400,000/-
(Singapore Dollars One Hundred Sixteen Million and Four
Hundred Thousand)

DTZ DEBENHAM TIE LEUNG (SEA) PTE LTD



Nicholas Cheng
Executive Director
BSc (Est Man) MSISV
(Appraiser's Licence No: AD041-2004055B)

Date : 24 November 2005
Our Ref : NC:MKW:ao:0511064

VALUATION SUMMARY

Property	:	Keppel Towers and GE Tower at 10 Hoe Chiang Road and 240 Tanjong Pagar Road respectively Singapore 089315 and 088540
Legal Description	:	Lot 1150M Town Subdivision 23 (derived from Lots 99227M, 99226C, 99223N, 99222K, 99219K, 99218A, 99180A, 99179N, 99178K, 99176T, 99175P, 990K & 691A).
Site Area*	:	9,125.5 sq.m. – subject to survey
Gross Lettable Area** (for Keppel Towers and GE Tower)	:	42,287 sq.m.
Registered Proprietor	:	Mansfield Realty Ltd.
Tenure	:	Freehold.
Master Plan Zoning (2003 Edition)	:	“Commercial” with gross plot ratio of 5.6+.
Brief Description	:	Keppel Towers comprises a 27-storey office tower completed in 1991 whilst GE Tower comprises a 13-storey office tower completed in 1993. The total lettable floor area is 40,295 sq.m. with a current occupancy of about 85%. The average gross rent is approximately S\$32.61 psm per month. Current service charge is \$10.76 psm per month.
Open Market Value as at 24 November 2005	:	S\$348,000,000/- (Singapore Dollars Three Hundred and Forty-Eight Million)

* combined site area for Keppel Towers and GE Tower

** according to information provided

DTZ DEBENHAM TIE LEUNG (SEA) PTE LTD



Nicholas Cheng
Executive Director
BSc (Est Man) MSISV
(Appraiser's Licence No: AD041-2004055B)

Date : 24 November 2005
Our Ref : NC:HN:ao:0511065

VALUATION SUMMARY

Property	:	Bugis Junction Towers at 230 Victoria Street Singapore 188024
Legal Description	:	Lot U1433K Town Subdivision 13.
Strata Floor Area	:	27,724.0 sq.m.
Gross Lettable Area*	:	23,305 sq.m.
Registered Proprietor	:	BCH Office Investment Pte Ltd.
Tenure	:	99 years leasehold commencing from 10 September 1990.
Master Plan Zoning (2003 Edition)	:	“Commercial” with gross plot ratio of 4.5.
Brief Description	:	Completed in December 1994, Bugis Junction Towers is an office tower block located above the retail podium block (known as Parco Bugis Junction) and facing Rochor Road. The total lettable floor area of the subject property is 22,990 sq.m. with the current occupancy of about 96%. The average gross rent is approximately S\$43.49 psm per month. Current service charge is S\$17.76 psm per month for units #01-01A, #04-05/08 & #05-01/11 and S\$10.76 psm per month for the remaining leased units.
Open Market Value as at 24 November 2005	:	S\$160,000,000/- (Singapore Dollars One Hundred And Sixty Million)

*according to information provided

DTZ DEBENHAM TIE LEUNG (SEA) PTE LTD



Nicholas Cheng
Executive Director
BSc (Est Man) MSISV
(Appraiser's Licence No: AD041-2004055B)

Date : 24 November 2005
Our Ref : NC:CT:ao:0511067



VALUATION CERTIFICATE

- Date of Valuation** : 24 November 2005
- Our Reference** : 2005/177(A)
- Address of Property** : 230 Victoria Street
BUGIS JUNCTION TOWERS
Singapore 188024
- Legal Description** : Strata Lot U1433K Town Subdivision 13
- Tenure** : 99-year lease with effect from 10 September 1990
(balance of approximately 83.8 years unexpired term)
- Registered Proprietor** : BCH Office Investment Pte Ltd
- Brief Description** : The subject property comprises 12 storeys of office space from the 4th to 15th storeys and a small retail space on the 1st storey within an integrated office-cum-retail-cum-hotel development. The subject office block is known as Bugis Junction Towers, the hotel block is known as Hotel Inter-Continental Singapore whilst the retail section is known as Parco Bugis Junction. The whole development is bounded by Rochor Road, North Bridge Road, Middle Road and Victoria Street, within the traffic restricted zone of the Central Business District and approximately 2.5 km from the City Centre.

The building is centrally air-conditioned and protected by modern fire protection devices and 24-hour security system. Male/female and executive toilets and a pantry are provided on every floor.

Vertical movement is via 8 passenger lifts and a fire/service lift.

Car parking is available at the basement carpark sharing with the shopping centre and hotel. All essential public utilities and TAS services are provided.

Colliers International Consultancy & Valuation (Singapore) Pte Ltd
50 Raffles Place
#18-01 Singapore Land Tower
Singapore 048623
Tel 65 6223 2323
Fax 65 6438 6826
RCB No. 198105965E

Site Area	: 25,703.7 sq metres or thereabouts (for the whole development)
Strata Floor Area	: 27,724.0 sq metres, as provided and subject to final strata title survey
Gross Lettable Floor Area	: Approximately 23,305 sq metres*, as provided and subject to survey
Net Lettable Floor Area	: Approximately 22,990.0 sq metres*, as provided and subject to survey
Year of Completion	: We understand that Temporary Occupation Permit was issued on 9 December 1994.
Condition	: Good
Tenancy Details	: Based on the tenancy schedule provided to us, the subject property enjoys an occupancy rate of 96.2% as at 30 September 2005. The average monthly gross rent is about S\$43.49 per sq metre and the service charge is around S\$10.76 per sq metre for the office space.
2005 Annual Value	: We have been advised that the total annual value of the subject property is S\$7,909,100/-.
Master Plan Zoning (2003 Edition)	: "Commercial" with gross plot ratio 4.5
Basis of Valuation	: "As-Is" basis and subject to existing tenancies
Methods of Valuation	: Direct Comparison Method, Investment Method & Discounted Cash Flow Analysis

* Area includes the retail space on ground floor

Open Market Value : **S\$159,000,000/-**
as at 24 November 2005 (Singapore Dollars One Hundred And Fifty-Nine
Million Only)

Colliers International

.....
Colliers International Consultancy & Valuation (Singapore) Pte Ltd

GSL/CN/slk

This valuation certificate is subject to the attached Limiting Conditions.



VALUATION CERTIFICATE

Date of Valuation	:	24 November 2005
Our Reference	:	2005/177(B)
Address Of Property	:	30 Cecil Street #01-01, #10-01 to #10-08 to #19-01 to #19-08 (Excluding #16-05 to #16-08) PRUDENTIAL TOWER Singapore 049712
Legal Description	:	Strata Lots : U403C, U405W, U404M, U414N, U406V, U415X, U407P, U416L, U408T, U417C, U409A, U418M, U410P, U419W, U420C, U412A, U421M, U413K, U423V and U422W Town Subdivision 1
Tenure	:	99-year lease with effect from 15 January 1996 (Balance of approximately 89.1 years unexpired term)
Registered Proprietor	:	Keppel Land (Tower D) Pte Ltd
Brief Description	:	A banking hall on the 1 st storey with mezzanine level and office units on the 10 th to 19 th storeys within a 30-storey Grade A office building known as PRUDENTIAL TOWER.

It is located at the western junction of Cecil Street and Church Street, within the Central Business District and at the heart of the financial district of Singapore, just a stone's thrown away from the Raffles Place MRT Station.

Notable buildings in close proximity are Equity Plaza, Republic Plaza, OUB Centre, Capital Square, 3 Church Street and Chinatown Food Centre, amongst others.

Colliers International Consultancy &
Valuation (Singapore) Pte Ltd
50 Raffles Place
#18-01 Singapore Land Tower
Singapore 048623
Tel 65 6223 2323
Fax 65 6438 6826

RCB No. 198105965E

-
- Brief Description (Cont'd)** : Public transport facilities are readily available in the area. The Nicoll Highway, Central Expressway, Ayer Rajah Expressway and East Coast Parkway are within easy reach of the subject property.
- The building is served by 8 passenger lifts (4 high-rise and 4 low-rise) and 2 car park lifts supplemented by staircases. Male/female toilets are provided on each floor. Modern fire protective devices and security system are installed. All essential public services are connected.
- Strata Floor Area** : 10,250 sq metres
- Net Lettable Floor Area** : Approximately 10,037 sq metres, as provided and subject to final survey
- Year of Completion** : 11 September 1998
- Condition** : Good
- Tenancy Details** : Based on the tenancy schedule provided to us, the subject property enjoys an occupancy rate of 86.9% as at 30 September 2005. The average monthly gross rent is about S\$50.38 per sq metre and the service charge is around S\$10.76 per sq metre.
- Annual Value 2005** : S\$4,957,500/-
- Master Plan Zoning (2003 Edition)** : Commercial at base gross plot ratio of 12.6+
- Basis of Valuation** : 'As is' basis and subject to existing tenancies

30 Cecil Street
#01-01, #10-01 to #10-08 to #19-01 to #19-08
(Excluding #16-05 to #16-08)
PRUDENTIAL TOWER
Singapore 049712

COLLIERS
INTERNATIONAL

Method of Valuation : Direct Comparison Method, Investment Method
and DCF Analysis

Open Market Value : **S\$119,000,000/-**
as at 24 November 2005 (Singapore Dollars One Hundred And Nineteen
Million Only)

Colliers International

.....
Colliers International Consultancy & Valuation (Singapore) Pte Ltd

CN/SS/ct

This valuation certificate is subject to the attached Limiting Conditions.



VALUATION CERTIFICATE

- Date of Valuation** : 24 November 2005
- Our Reference** : 2005/177(C)
- Address of Property** : (1) 10 Hoe Chiang Road
KEPPEL TOWERS
Singapore 089315
- (2) 240 Tanjong Pagar Road
GE TOWER
Singapore 088540
- Legal Description** : Lots 99227M, 99226C, 99223N, 99222K, 99219K,
99218A, 99180A, 99179N, 99178K, 99176T,
99175P, 990K & 691A Town Subdivision 23
- Tenure** : Estate In Fee Simple
- Registered Proprietor** : Mansfield Realty Limited
- Brief Description** : The development comprises two adjoining commercial complexes known as Keppel Towers and GE Tower. The development is bounded by Hoe Chiang Road, Tanjong Pagar Road, Kee Seng Street and Yan Kit Road, just within the ERP traffic restricted zone, and approximately 2 km from the City Centre.

The subject land comprises a fairly regular shaped land which is generally flat and at access road level.

The two office towers – Keppel Towers (27-storeys) and GE Tower (13-storeys) are linked via the podium. Keppel Towers is sited near Yan Kit Road while GE Tower is sited near Tanjong Pagar Road. Access to common car park is via Hoe Chiang Road. Carparking (288 lots) is located on the 2nd and 3rd storeys of the podium. There is also a roof top garden located on the 4th storey.

Colliers International Consultancy & Valuation (Singapore) Pte Ltd
50 Raffles Place
#18-01 Singapore Land Tower
Singapore 048623
Tel 65 6223 2323
Fax 65 6438 6826

RCB No. 198105965E

Brief Description (Cont'd) : The buildings are centrally air-conditioned. Vertical access for Keppel Towers is via 10 passenger lifts (5 high-rise and 5 low-rise lifts) and 1 cargo lift; whilst vertical access for GE Tower is via 3 passenger lifts and 1 cargo lift. The carparking deck is served by 2 passenger lifts.

Loading and unloading bays and a fire command centre are provided within the subject compound.

All essential public utilities and TAS services are connected.

Site Area : 9,125.5 sq metres (subject to survey)

Gross Lettable Floor Area : 42,287 sq metres

Net Lettable Floor Area* : 40,295 sq metres

* *As provided in the tenancy schedules and subject to final survey*

Year of Completion :

Building	Temporary Occupation Permit
Keppel Towers	24/12/1991
GE Tower	22/11/1993

Condition : Fairly Good

Tenancy Details : Based on the tenancy schedule provided to us, the subject property enjoys an occupancy rate of 85.3% as at 30 September 2005. The average monthly gross rent is about S\$32.61 per sq metre and the service charge is around S\$10.76 per sq metre.

2005 Annual Value	:	S\$12,490,000/- (total)
Master Plan Zoning (2003 Edition)	:	"Commercial" with gross plot ratio 5.6+
Basis of Valuation	:	As-Is basis and subject to existing tenancies
Method of Valuation	:	Direct Comparison Method, Investment Method & Discounted Cash Flow Analysis
Open Market Value as at 24 November 2005	:	S\$359,000,000/- (Singapore Dollars Three Hundred And Fifty-Nine Million Only)

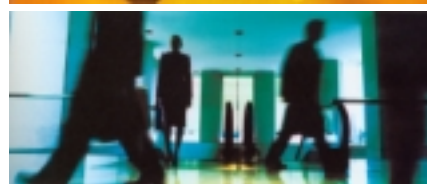
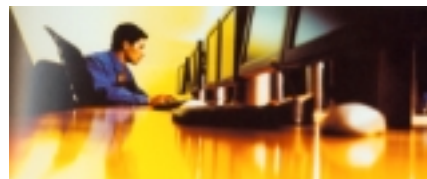
Colliers International

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Colliers International Consultancy & Valuation (Singapore) Pte Ltd

CYC/CN/sik

This valuation certificate is subject to the attached Limiting Conditions.

INDEPENDENT OFFICE MARKET REVIEW



**Independent Office
Market Review**

Prepared in respect of

K-REIT Asia

By

DTZ Consulting & Research

28th November 2005

28 November 2005

K-Reit Asia Management Limited

1 HarbourFront Avenue

#18-01 Keppel Bay Tower

Singapore 098632

Dear Sir,

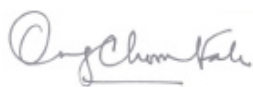
INDEPENDENT OFFICE MARKET REVIEW

Thank you for appointing DTZ Debenham Tie Leung (SEA) Pte Ltd to prepare an independent review of the Singapore office market for the purpose of establishing K-REIT Asia. The proposed K-REIT Asia comprises the following properties namely, Prudential Tower Property, Keppel Towers & GE Tower and Bugis Junction Towers.

We are pleased to submit our report reviewing the Singapore economy and the office market, together with a micro-market analysis of the relevant areas where the subject properties are located and our market forecasts over the next four years.

Yours sincerely

DTZ Debenham Tie Leung (SEA) Pte Ltd



Ong Choon Fah (Mrs)

Executive Director

Consulting & Research

DTZ Debenham Tie Leung (SEA) Pte Ltd 100 Beach Road #35-00 Shaw Tower Singapore 189702
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Executive Chairman
Edmund N S Te PHM Prof DipEd (Singapore Poly) FRSB
Chief Executive Officer
Ho Tian Lam FRCS FRSE
Executive Directors
Low Fui Chin BSc (Est Man) FRSE
Yan Kai Hong BSc (Est Man) FRSE
Henry Hui Thong MSc (TP) BA Hons MBSP RFP
Angela Tan BSc (Est Man) Hons
Philip Lacer BSc (Est Man) MBSB
Ong Choon Fah MA (Hons Ad) BSc (Est Man) Hons MBSB

Cheng Siow Ying BSc (Est Man) Hons DipM (UK)
Margaret Thuan
Poh Kwac Eng BSc (Est Man) MBSB
Ng Poh Chew BSc (Est Man) MBSB
Nicholas Chang BSc (Est Man) MBSB
Chua Wei Lin BBA (Int Bus)
Directors
Lim Hong Loong DipCivl Eng
Yong Kok Fong MSc (Bldg Sc) B Eng (Civl) P Eng (SI) MBS
Peggy Lee BAcc CPA, Group Finance Director

Shuan Poh BSc (Est Man) Hons
Tang Wei Leng BSc (Hons) MBA DIC
Associate Directors
Jean Sze BSc (Est Man) Hons
Tina Wong MSc (Real Estate) BSc (Est Man) Hons
Gary Tan BSc (Real Estate) Hons
Kwok Sai Kwan BSc (Econ) MAFPM DipTech Eng
Magdalena Goh BSc (Est Mgt) Hons

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LIMITATIONS ON REPORT

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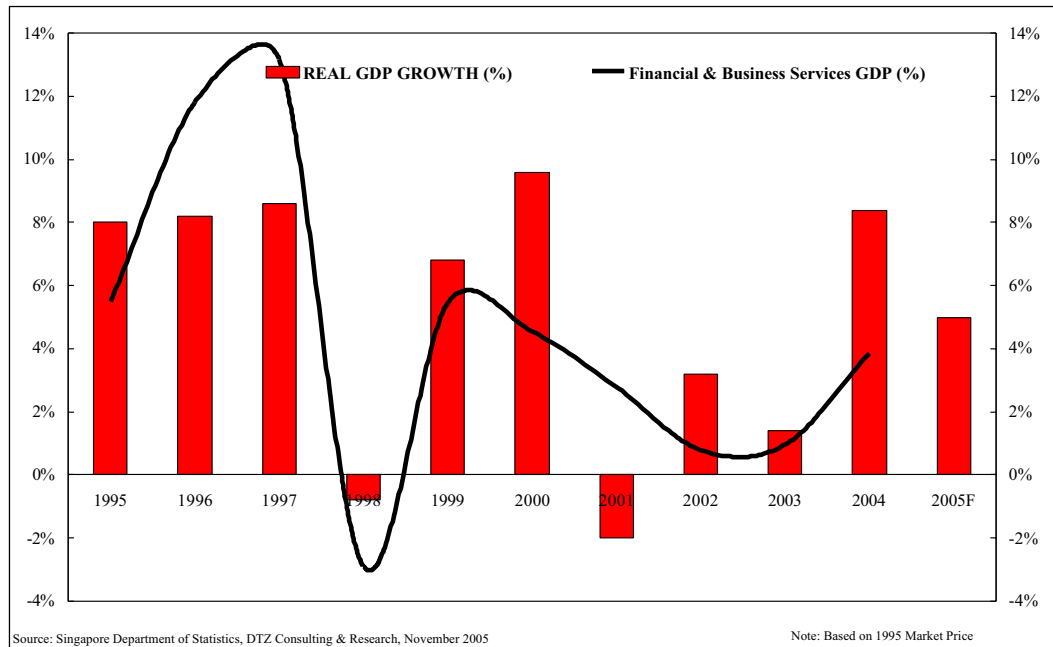
SECTION ONE

THE ECONOMY

1.1 Performance

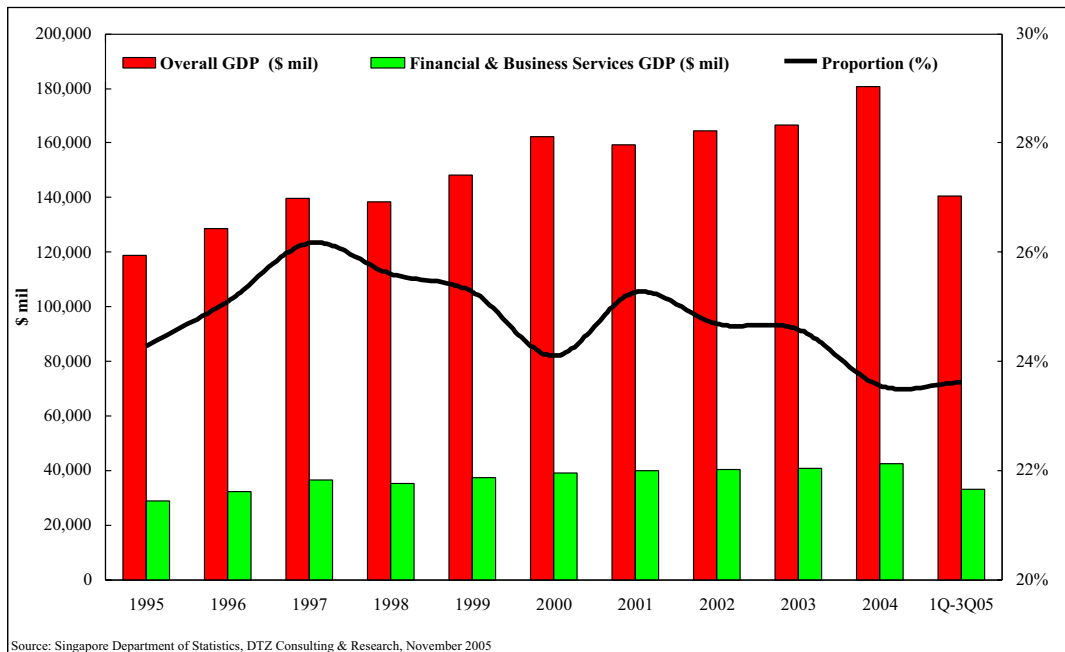
The Singapore economy grew by an average 5.1% in the last ten years. As an open economy, it experienced two brief recessions in 1998 and 2001, precipitated by the Asian financial crisis and the NASDAQ crash respectively.

Figure 1: Growth in Overall GDP and Financial & Business Services GDP



The Financial & Business Services sector (the key driver for office demand) is one of the two pillars of the economy, the other being Manufacturing. In the last decade, the Financial & Business Services sector has contributed an average 25% to GDP. In 1Q-3Q2005, the sector contributed 24% to GDP.

Figure 2: Contribution of Financial & Business Services GDP to Overall GDP¹



Economic growth was a robust 8.4% in 2004. The economy continued to grow by 7% in 3Q2005, led by resurgence in manufacturing, financial services and entrepot trade, a reflection of improvement in the global economy. Growth was broad based with growth in the Financial Services supported by higher activity in the stock broking and fund management industries while the Business Services sector benefited from stronger gains in real estate and other business segments.

The Ministry of Trade & Industry in Singapore has raised full year 2005 GDP forecast to 5%. GDP is forecast to grow by 3% - 5% in 2006. Contribution from the Financial & Business Services sector is expected to hover around the target 25%.

¹ All currencies are in S\$ unless otherwise stated.

1.2 Development Strategy

To develop Singapore as a leading global city and a regional hub, the Government has identified six key economic strategies:

- To strengthen external ties with developed economies. The multi-lateral framework of the World Trade Organisation is supplemented by bi-lateral Free Trade Agreements (FTAs) with key trading partners to secure economic ties and market access;
- Provide a competitive, efficient and flexible pro-business environment through measures such as keeping a low tax burden on the economy, a labour market that is responsive to volatile business cycles and competitive pricing for infrastructure and factors of production;
- Transform Singapore into a knowledge-based economy underpinned by innovation, creativity and entrepreneurship. Singapore companies are encouraged to sprout an external wing to venture abroad and tap new markets;
- Strengthen the twin engines of growth in manufacturing and services so that it is more innovative-driven, for example by enhancing the protection and commercialization of intellectual property;
- Develop its people by investing in education, encouraging a diversity of talent and welcoming global talent to augment the indigenous talent pool; and
- Restructure its economy with emphasis on skills training and upgrading to ensure an employable workforce.

SECTION TWO

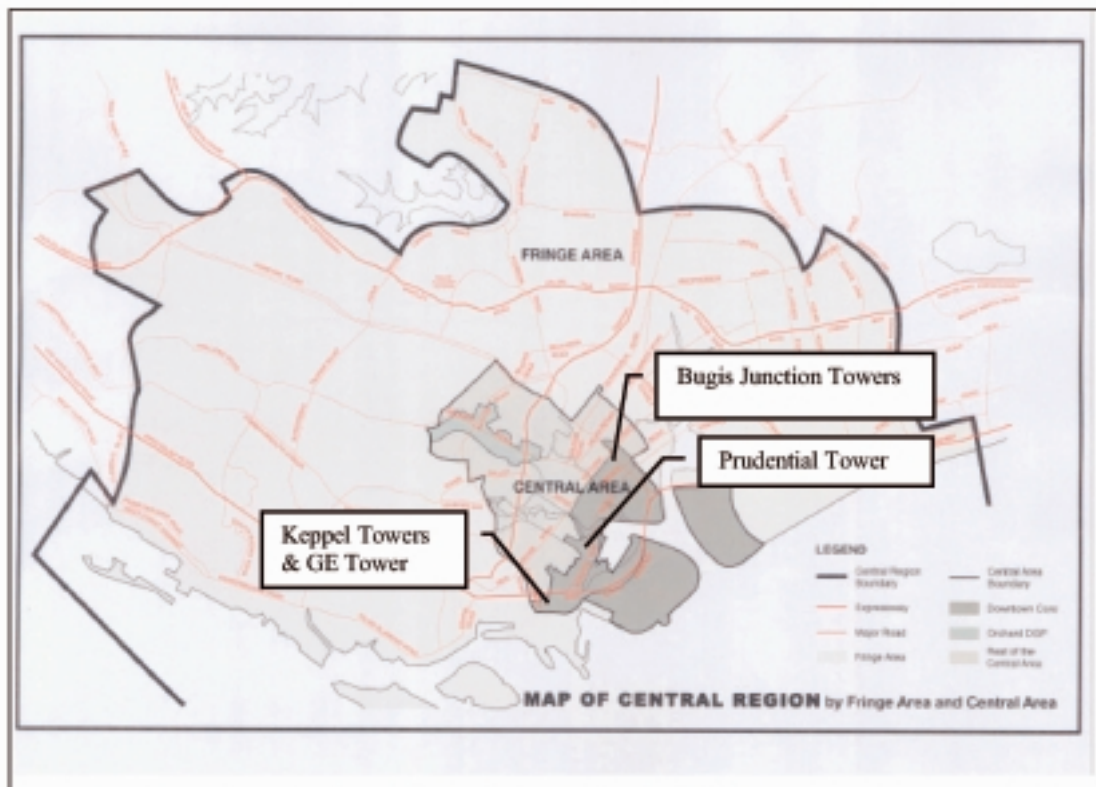
OFFICE MARKET REVIEW

2.1 Supply

The Singapore office market has matured in tandem with its economy. Over the years, the stock of office space has grown and quality of space has improved to meet the changing demands of occupiers.

For planning purposes, the Singapore office market is grouped into two major regions – Downtown Core, Orchard, Rest of Central Area and Fringe Area which collectively form the Central Region, and Outside the Central Region.

Figure 3: Map of Central Region



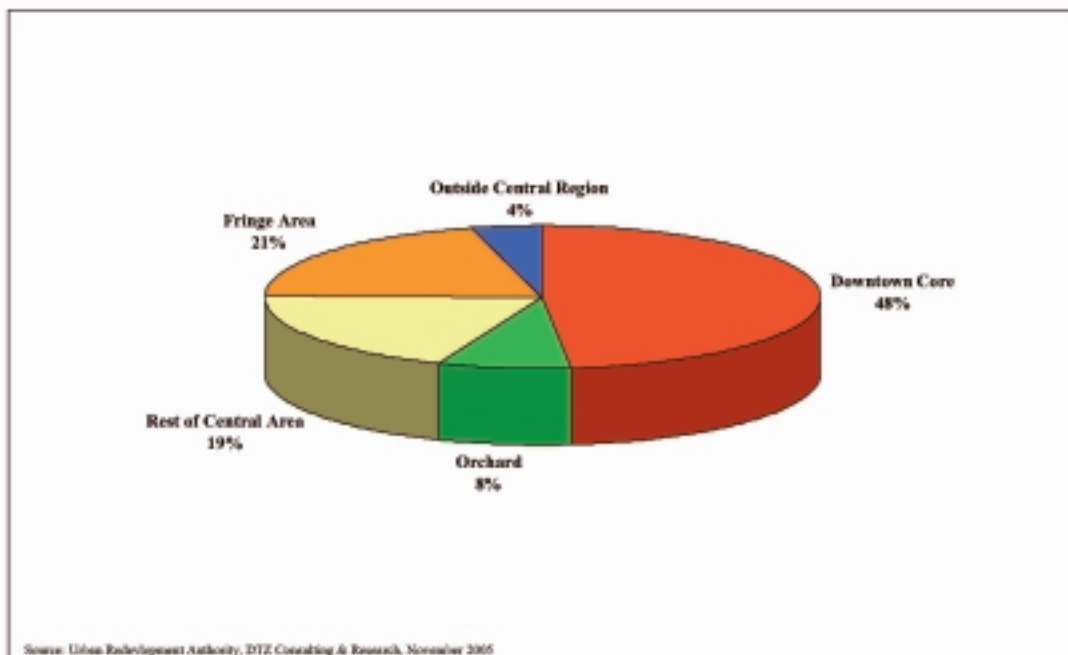
Source: Urban Redevelopment Authority, DTZ Consulting & Research, Nov 2005

2.1.1 Existing Supply

Island-wide office stock totals 69.5 mil sf², of which most (42%) are located in the Downtown Core followed by the Fringe Area (26%). The Downtown Core (often regarded as the Central Business District or CBD) comprises mainly the Raffles Place area, Shenton Way/Robinson Road/Cecil Street area, Anson Road/Tanjong Pagar area, Beach Road/North Bridge Road, Bras Basah/Selegie area and Marina Centre area.

Almost 80% (55.3 mil sf) of the stock is privately owned while the public sector owns offices mainly for owner-occupation. Almost half the privately-owned offices are in the Downtown Core.

Figure 4: Distribution of Private Office Space as at 3Q2005



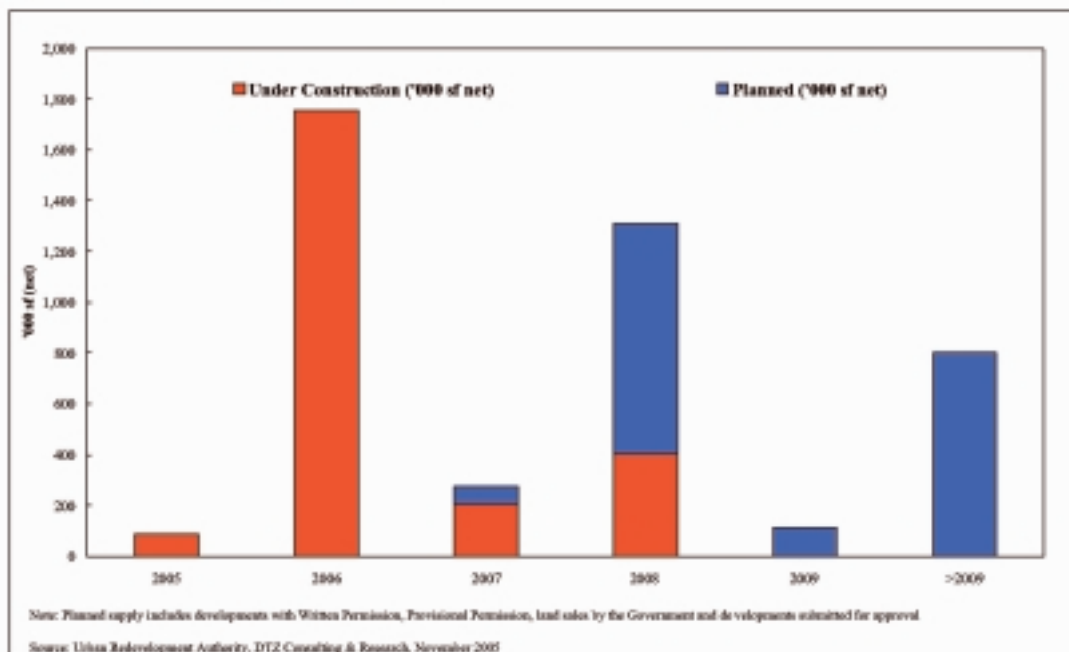
The stock of private office in Singapore has declined by 441,000 sf since 2004 as older office buildings are demolished for redevelopment and new supply was limited.

² All areas referred to are net floor areas, unless otherwise stated.

2.1.2 Potential Supply

The potential supply of private office space is estimated at 4.3 mil sf³, of which 57% (2.5 mil sf) is under construction. Potential supply in the next four years is limited, averaging 863,000 sf per annum. The weak economic conditions and office leasing market in the past few years led to a significant slowdown in inventory investment as developers stall their development plans. This has resulted in the classic supply crunch of potential office (especially prime) space which is currently being experienced in many office markets in Asia.

Figure 5: Potential Supply of Office Space as at 3Q2005



After the completion of One Raffles Quay (1.3 mil sf) in 2006, major supply of prime office space will only come on stream in late 2009/2010 with completion of the Business Financial Centre (BFC) estimated at 1.65 mil sf. The much awaited BFC, one of the anchor developments in the new downtown at Marina Bay, is specifically developed to raise Singapore's competitiveness by meeting the needs of international financial institutions and businesses.

³ Assuming 80% efficiency.

Figure 6: Major Office Completions

TOP	DEVELOPMENT	MICRO-MARKET	LOCATION	ESTIMATED NLA (SF)
2006	3 Church Street	Downtown Core	3 Church St	290,280
	One Raffles Quay	Downtown Core	1 Raffles Quay	1,314,000
	Parakou Building	Downtown Core	Robinson Rd	63,720
	SIF Building @96 Robinson Road	Downtown Core	96 Robinson Rd	67,510
Sub-total				1,735,510
2007	VisionCrest	Downtown Core	Clemenceau Ave/ Oxley	128,220
			Rise/Penang Rd	
Sub-total				128,220
2008	Central	Rest of Central Area	Clarke Quay	402,830
Sub-total				402,830
2009/2010	Business & Financial Centre	Downtown Core	Marina Boulevard/	1,650,000
			Central Boulevard	
Sub-total				1,650,000
Total				3,916,560

Source: Urban Redevelopment Authority, DTZ Consulting & Research, November 2005

Other than the above major completions, new supply may also emanate from the Government Land Sale program. However, most of the sites in the Reserved List 2H2005 are for Commercial or Commercial & Residential uses with two “white” sites.

2.2 Demand & Occupancy

Demand for office space is highly correlated to economic performance as the Financial & Business Services sector is one of the twin drivers for economic growth and the major user of office space. Over the years, Singapore has established itself as an international financial and business services hub. Its pro-business environment has attracted a diversified group of companies including over 7,000 multi-national corporations (MNCs).

Singapore has won many accolades including Top in Ease of Doing Business in Asia⁴, Least Bureaucratic Place for Doing Business in Asia⁵, Best Labour Force⁶, Top in Corporate

⁴ World Bank, 2005.

⁵ Political & Economic Risk Consultancy, 2005.

⁶ BERI, 2005.

Governance⁷, Best Place to Live and Work in Asia⁸ and one of the World's Top 20 Most Globalised Nation⁹.

Demand for private office space averaged 1.2 mil sf per annum in the last decade. It peaked in 2000 at 3.6 mil sf, supported by irrational exuberance during the technology boom. Annual new demand was positive through the last decade, with the exception of 2002 and 2003 where prolonged anemic economic growth coupled with corporate restructuring, especially among banks, took a toll and annual demand contracted by an average 1.4 mil sf.

Demand in 1Q-3Q 2005 was a robust 1.4 mil sf. The initial recovery which was confined to financial institutions demanding for prime office space has become more broad base with demand now emanating from supporting businesses such as legal, accounting, management consulting, architectural, engineering and training.

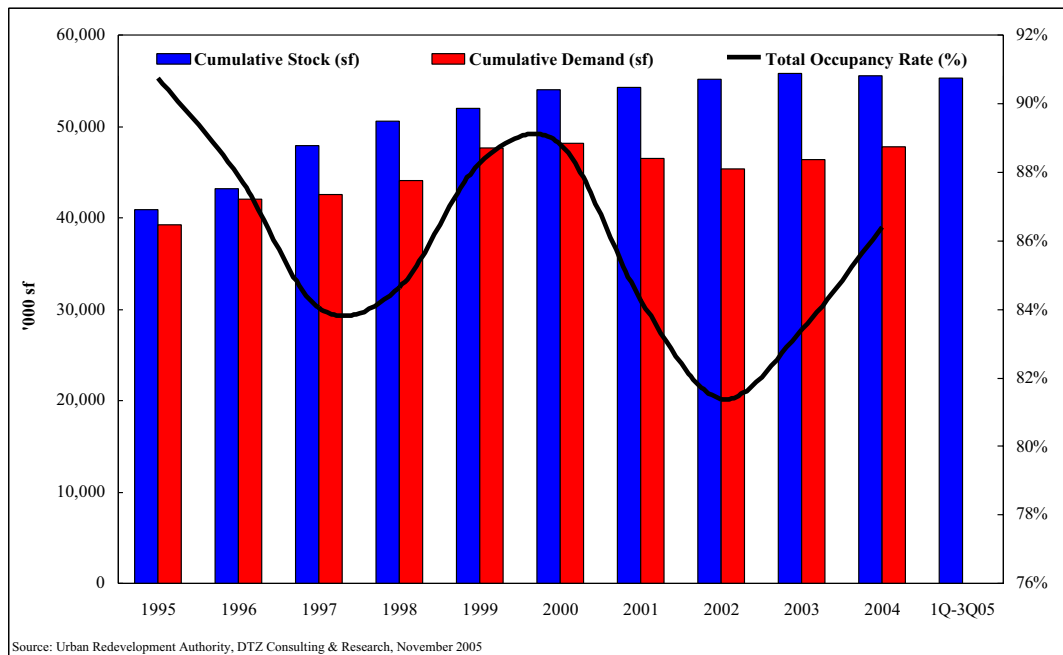
Occupancy of private office space increased from a low of 81.4% in 2003 to 86.4% in 3Q2005. Limited supply of quality and contiguous office space in the next few years has led major firms to pre-lease. For instance, ABNAMro (160,000 sf), Deutsche Bank (60,000 sf) and UBS (200,000 sf) have committed to space in One Raffles Quay which is scheduled for completion next year. A DTZ survey of major completions in 2006 show that more than 40% of the space has already been pre-committed.

⁷ Political & Economic Risk Consultancy, 2005.

⁸ EIU Quality of Life Index 2005.

⁹ A.T. Kearny, 2005.

Figure 7: Supply, Demand and Occupancy of Private Office Space

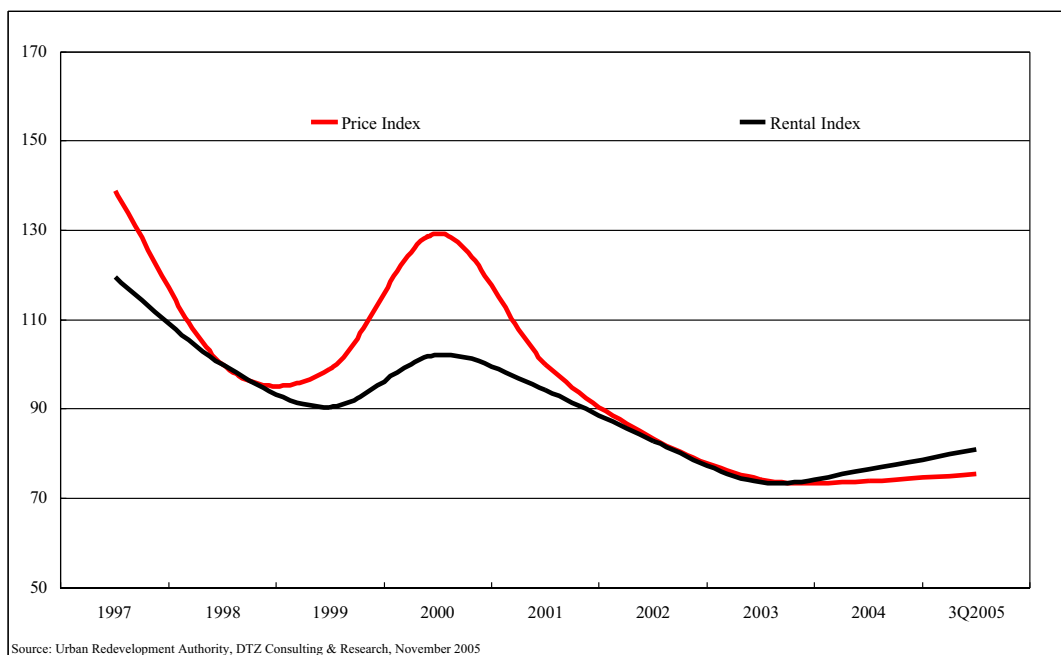


2.3 Rental and Price Trends

The Urban Redevelopment Authority (URA) Rental Index for the Central Area fell by 32% from its 2Q1996 peak before bottoming out during the Asian financial crisis in 3Q1999. It rose by 16% before peaking in 1Q2001, in line with record new demand especially from tech companies in the previous year. With the burst of the dot.com bubble, numerous corporate mergers and acquisitions and economic slowdown, rents declined for the next three years by 30% before bottoming out in 1Q2004. The URA Rental Index for the Central Area has since increased by 11%.

The URA Price Index for the Central Area declined more significantly than the Rental Index, by 43% from the 3Q1996 peak to bottom out in 3Q1999. Fueled by rental growth and spill-over exuberance from the residential and tech markets, the Index rose by a significant 44% to peak in 4Q2000. As the economy weakens, together with global events such as September 11, 2001 terrorist attack, the Bali bombing in Oct 2002, the war in Iraq and SARS in 1H2003 which impacted investment sentiments, prices took a protracted fall of 44% before stabilizing in early 2004 as office leasing demand turned around. The URA Price Index for the Central Area has since recovered by 4%, supported by economic and rental growth as well as increased investment interest.

Figure 8: URA Rental & Price Indices (Central Area)



2.4 Investment Sales

Economic restructuring, recovery of Asian economies and growth of China and India in particular, has opened up opportunities in recent years. The rise of real estate investment trusts (REITs) across Asia has also resulted in an enhanced real estate framework and greater transparency, attracting global institutional interests. Singapore, with its well-defined framework and reputation as a traditional investment hub for the region, has benefited from institutional funds (including REITs) as well as from regional investors looking to invest their gains.

Prices have fallen significantly and with strong recovery in the leasing market, the office market is increasingly attractive. Income-generating office buildings continue to be the investment of choice for many yield-driven investors, resulting in the sale of numerous office buildings in the last two years. Interests are emanating from Singapore-listed REITs such as Capital Commercial Trust, Suntec REIT and Macquarie MEAG Prime REIT as well as foreign investors from traditional sources such as Indonesia and Hong Kong and new sources including Australia, Europe and the US.

Figure 9: Major Office Building Transactions

NAME OF DEVELOPMENT	MICROMARKET	LOCATION	TENURE	ESTIMATED NFA (SF)	PRICE (\$ MIL)	PRICE (PSF)
2004						
The Globe	Downtown Core	100 Cecil Street	99	38,982	19.00	487
78 Shenton Way	Downtown Core	78 Shenton Way	99	298,165	151.00	506
Sinsov Building	Downtown Core	55 Market Street	999	53,111	34.10	641
2005						
HSBC Building	Downtown Core	21 Collyer Quay	999	200,467	147.00	733
HMC Building*	Downtown Core	2 Mistri Road	99	56,614	20.50	362
LKN Building	Downtown Core	135 Cecil Street	Freehold	85,000	43.00	506

* Sold as redevelopment site

Source: DTZ Consulting & Research, Nov 2005

Recently, DBS Building with a net lettable area of 852,000 sf and unexpired lease of just over 60 years, was reportedly being sold to a Goldman Sachs real estate fund for \$708 mil (\$830 psf). The seller, the DBS Group, is likely to lease back the space it is occupying for the next few years.

2.5 Market Trends

There are some policy, economic and social trends that will have a bearing on the office market going forward.

2.5.1 Multi- and Bi-lateral Trade Agreements

To boost external trade, Singapore continues to strengthen its external ties. To date, nine FTAs have been concluded including those with Japan, India and the US¹⁰. Negotiations are underway for another 16 agreements. These trade agreements are expected to increase foreign direct investment, improve market access, lower trade barriers and enhance intellectual property rights.

¹⁰ FTAs have also been signed with Australia, European Free Trade Association, Hashemite Kingdom of Jordan, Korea, New Zealand and Trans-Pacific SEP (Brunei, New Zealand, Chile and Singapore).

For example, the US-Singapore FTA which became effective on 1 Jan 2004, included a wide range of goods and services such as financial services. US service providers are encouraged to consolidate their regional operations in Singapore to benefit from the FTA. Similarly, the recently concluded India-Singapore FTA encompasses trade in goods and services and a review of Avoidance of Double Taxation Agreement between the two countries. This will further enhance flow of trade and investment.

2.5.2 Liberalization & Promotion of Financial Services Sector

The Government is promoting Singapore as a financial hub by liberalizing the industry to develop greater breadth and depth to compete globally. To attract more interests, the Government is strongly promoting wealth management, private equity, treasury operations, fixed income, Islamic financing, securitization and instruments such as REITS, unit trusts and derivatives.

For example, various tax incentives are available to promote target areas of growth together with funding such as the Financial Sector Development Fund. To further promote Islamic financing, Murabaha financing is now exempted from the restriction against non-financial activities.

2.5.3 Outsourcing and Off-shoring

The global trend for business process outsourcing and off-shoring, driven by the search for the most cost-efficient operation, has created opportunities. Singapore has been recognized as one of the best off-shore locations globally¹¹, supported by its robust physical infrastructure and a skilled workforce.

Within Singapore, corporates are outsourcing back-office and other support functions such as facilities management, data centre management and IT services. While some of these are off-shored, others continue to operate from Singapore. Hence corporates are able to better strategise their accommodation needs, paying top rents for prime office space to house functions that demand it while the outsourced activities are typically housed in less prime accommodation including decentralized offices and business parks.

¹¹ A.T. Kearney Offshore Location Attractiveness Index, 2005.

2.5.4 Mergers and Acquisitions (M&A)

As companies globalize and businesses become increasingly competitive, M&A will continue to take place. The global trend was aggravated during the late 1990s/early 2000s with economic restructuring and liberalization of financial services in Singapore which saw an unprecedented number of layoffs and a contraction in demand for office space. M&A activities are likely to continue, although the effect on employment and office space will be mitigated by economic recovery.

2.5.5 Business Continuity Plans (BCPs) & Decentralisation

With an increasingly volatile business environment following the Sept 11 events and SARs, many companies have BCPs where accommodation is decoupled to ensure business continuity. Once again, this has allowed corporates to locate some of their functions away from the head office which is often in a prime location.

Continued improvement in the Mass Rapid Transit (MRT) together with the Government's plans for fringe, decentralized and regional office clusters have promoted the development of quality offices outside the CBD, for example in the Harbourfront and Tampines areas. The availability of these often newer and quality office space with convenient access, usually supported by amenities and facilities and at lower rents than traditional office locations, has in turn attracted corporates. Occupiers are now able to better match their accommodation requirements as the stock of quality offices improve in various locations across the island.

2.5.6 New Downtown at Marina Bay

As one of the Government's major initiative to increase Singapore's competitiveness, the existing CBD is being expanded seamlessly to include the new downtown at Marina Bay, the first development of which will be completed next year, followed by the BFC and the integrated resort (with casino) by 2009/2010. The new downtown will be a place for work, live and play, where an integrated environment with quality offices, housing, entertainment, recreation and leisure thrives, connected by tree-lined boulevards, pedestrian-friendly streets and underground links.

The BFC, developed on a 3.55 ha “white” site was successfully sold to a consortium comprising Cheung Kong, Hong Kong Land and Keppel Land in July 2005, after a hotly contested tender which drew significant overseas interest and bid prices beyond market expectations. With a Gross Floor Area (GFA) of 4.7 mil sf and at least 60% for office use, the development can be phased over 18 years.

By 2010, downtown at Marina Bay will have a working community at One Raffles Quay and the BFC; a live-in population at The Sail @ Marina Bay; entertainment, retail, convention exhibition, hotel and complimentary uses at the integrated resort, the Singapore Flyer and the Marina Barrage, transforming the precinct into a vibrant 24/7/365 place.

2.5.7 Rejuvenation of Existing CBD

Plans for the new downtown have created the opportunity for the existing CBD to rejuvenate. Like many traditional CBDs across the world, it only buzzes during the workday. However, this is set to change. Current demand for office space, where tenants are willing to pay top rents for prime space, has resulted in many old and pencil-like buildings in the CBD being economically obsolete.

Some owners are taking this opportunity to redevelop their properties, some into residential. This will inject vibrancy into the existing CBD, transforming it into an area with a working and live-in population, a 24/7/365 hub to complement the new downtown at Marina Bay.

2.5.8 Alternative Workplace Strategy (AWS)

An increasingly globalised and competitive business environment supported by leapfrogs in technology has revolutionized the way people work. Work is no longer limited to a location or a time. It can take place anywhere – in the client’s office, at home, in the café or in the park - across time zones. More people are working on contract or part time. Employers’ attitudes have also changed, allowing greater flexibility for staff to work part-time or off-site. The rise of more creative and enterprising businesses has also eroded the need for traditional offices. Meanwhile, workspace ratios are declining and in some instances, the number of staff exceeds the number of workstations.

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. While sales of some of these SOHO units have been encouraging, supply remains relatively limited and is unlikely to be a major threat to the office market.

2.6 Prospects

The office market is on track for a strong recovery in the next few years. Supply, particularly for prime and well specified office space, remains limited. Meanwhile, older office buildings are being demolished to make way for new developments. This will further tighten availability in the interim. In addition, some of these developments such as 1 Shenton Way, Natwest Building and Asia Chambers, have already received planning approvals for redevelopment into residential.

Economic growth in Singapore and globally will underpin demand for office space. Demand will continue to arise from businesses requiring modern offices catering to the rigorous needs of the occupants for example, financial institutions for larger floor plates, efficient lay-out with back-up power supply. Robust demand for prime and quality space will continue to strengthen. However, as this supply diminishes further, demand will filter to other grades of offices as well.

SECTION THREE

MICRO-MARKET REVIEW

The subject properties (Prudential Tower Property¹², Keppel Towers & GE Tower and Bugis Junction Towers) are all located in the Downtown Core. As at 3Q2005, there are some 28.9 mil sf¹³ of office space in the Downtown Core, of which 26.8 mil sf (93%) are privately owned.

3.1 Location

Prudential Tower is situated in the Raffles Place area, the heart of the CBD. Being in the financial hub, buildings in the vicinity attract high profile occupants in the financial services, multi-national corporations and professional services.

Keppel Towers and GE Tower are located in the Anson Road/Tanjong Pagar area, near the Tanjong Pagar Container Terminal. The area is popular with shipping- and logistics-related companies as well as corporates who desire to be near the port or the industrial estates/business parks in the western part of Singapore and, at the same time, have convenient access to the CBD and Government agencies.

Bugis Junction Towers is located in the Beach Road/North Bridge Road area, adjacent to the Bugis/Bras Basah enclave. The Beach Road/North Bridge Road area attracts companies in the insurance, advertising, educational and professional services. The Bugis/Bras Basah area is envisaged to be developed into a precinct for learning, creative expression and youthful exuberance with a concentration of cinemas, theatres, performance venues, thematic shopping and dining and an education hub. The Singapore Management University (Phase 1) and National Library @SINGAPORE were recently completed and with completion of LaSalle SIA next year, the area will be further rejuvenated.

¹² Prudential Tower Property consists of units #01-01, #10-01 to 08 to #19-01 to 08, excluding #16-05 to 08.

¹³ URA.

3.2 Occupancy, Rents and Prices

Occupancy of private office stock in the Downtown Core reached 86.2% in 3Q2005 compared with 82.4% in 4Q2004. Median monthly gross rents of offices in the Central Area peaked in 1Q2001 at a high of \$5.60 psf before declining 29% to \$4.00 psf in 1Q2004. Median monthly gross rents in the Central Area have since recovered by 11% to \$4.40 psf.

Similarly, median prices in the Central Area peaked in 4Q2000 at \$1,120 psf. Median prices fell by a much higher 44%, compared with rents, to a low of \$630 psf in 1Q2004. Median prices have increased by a marginal 4% since to \$650 psf in 3Q2005.

Median monthly gross rents in the Central Area are currently almost double that in the Fringe Areas while Median prices in the Central Area commands a premium of 33% over that in the Fringe Areas. Generally, rents and prices are more volatile in the Central Area compared with the Fringe Areas as the nature of businesses in these locations tends to be more sensitive to the global business environment.

SECTION FOUR

ANALYSES OF SUBJECT PROPERTIES & FORECASTS

4.1 The Subject Properties¹⁴

4.1.1 Prudential Tower Property

(Units #01-01, #10-01 to 08 to #19-01 to 08, excluding #16-05 to 08)

The subject property comprises offices on the 1st and 10th to 19th storeys in a 30-storey Grade A building known as “Prudential Tower”. The building is a short walk from the Raffles Place MRT interchange station and near major expressways such as East Coast Parkway, Ayer Rajah Expressway and Central Expressway. The 99-year leasehold building was completed in 1998 and has a total strata floor area of 10,250 sm. The typical floor plate of 11,055 sf is regular shaped and efficient.

The property is 86.9% committed as at 30 September 2005, to a diversified group of financial and business services tenants such as Convergys Singapore, KBC Bank N.V. and The McGraw Hills Company, with average monthly gross rents of \$4.68 psf.

4.1.2 Keppel Towers and GE Tower

Keppel Towers and GE Tower are two of the premier office buildings in the Anson Road/Tanjong Pagar micro-market. Located at the fringe of the CBD, the development has freehold tenure and has 288 car parking lots on the 2nd and 3rd storeys and a landscaped roof garden on the 4th storey. The Tanjong Pagar MRT station is within walking distance while the Ayer Rajah Expressway, East Coast Parkway and Central Expressway are easily accessible.

Completed in 1991, Keppel Towers is a 27-storey commercial complex, while GE Tower is a 13-storey commercial block completed in 1993. The development has a total net lettable area of 40,295 sm and typical floor plates of 14,919 sf and 7,632 sf for Keppel Towers and GE Tower respectively. The Development is 85.3% committed as at 30 September 2005 with tenants such as GE Pacific,

¹⁴ All information on the subject properties including tenancy are provided by Keppel Land International Limited.

Novartis Singapore, Singapore Business Federation and Unisys at an average monthly gross rent of \$3.03 psf.

4.1.3 Bugis Junction Towers

Bugis Junction Towers is part of a 99-year leasehold integrated hotel (406 rooms/suites InterContinental Hotel), retail (430,323 sf Parco Bugis Junction) and office development with two levels of basement carparks (648 lots) and direct access to the Bugis MRT station. The development has excellent frontage, being bounded by Victoria Street, Rochor Road, Middle Road and North Bridge Road. Major expressways including East Coast Parkway, Ayer Rajah Expressway and Central Expressway, are all within easy reach.

Bugis Junction Towers is situated above the retail podium with offices on the 4th to 15th storeys and roof gardens on the 14th and 15th storeys. Completed in 1994, Bugis Junction Towers is one of the few premier buildings in the area with net lettable area estimated at 22,990 sm. Well-specified and fairly regular in shape, it has a typical floor plate of about 21,000 sf.

Bugis Junction Towers is 96.2% committed as at 30 September 2005 with anchor tenants such as International Enterprise Singapore, InterContinental Hotels Group (Asia-Pacific) Prudential and the Keppel Land Group. Monthly gross rents averaged \$4.04 psf.

Figure 10: Summary of Occupancy and Rents

	Downtown Core	Prudential Towers	Keppel Towers & GE Tower	Bugis Junction Towers
Occupancy	86.2% ¹⁵	86.9% ¹⁶	85.3% ¹⁶	96.2% ¹⁶
Average Monthly Gross Rents (psf) ¹⁷	\$4.42	\$4.68	\$3.03	\$4.04

Source: Urban Redevelopment Authority, Keppel Land International Ltd, DTZ Consulting & Research, Nov 2005

The summary shows that the portfolio of properties is performing reasonably well, and in most instances, outperforms the market in terms of occupancy. Considering the various micro-markets in

¹⁵ Refers to occupancy of private office stock for the Downtown Core.

¹⁶ Committed occupancy in respect of the properties as at 30 September 2005.

¹⁷ Refers to Median Monthly Gross Rents in the Central Area for the Downtown Core and Monthly Gross Rents for subject properties.

which the properties are located, we believe that the average monthly gross rents for the subject properties are reasonable, as a number of leases were signed during the lull period, giving the opportunity to lease them out at higher rates upon lease expiration.

4.2 Rental Forecasts

We have forecasted the rents for the micro-markets in which the subject properties are located. Our outlook takes into consideration general trends which affect the office market as well as the specific factors relating to the locations:

- **Financial & business hub.** Various initiatives are being established to support the growing size and sophistication of financial markets in Singapore. For example, it is actively establishing a critical mass of regional and financial and training research facilities. Completion of the BFC in late 2009/2010 will further improve the infrastructure for financial institutions and benefit the office market by attracting more such businesses and supporting industries including legal, accounting and management consultants. Singapore is also positioning itself as the Gateway to the fast developing Asia Pacific economies including China and India. It is actively developing a business ecosystem to attract a mix of international and boutique firms in four key areas – audit, accounting and management accounting services; market development services including market research, advertising and public relations; human capital services; and legal services. Its competitive tax regime, access to markets, strengths as a launch pad for innovation and test bed and magnet for talent will continue to attract businesses.
- **Logistics hub.** Singapore is the world's busiest port and the second largest container port. Its strategic location, physical and IT infrastructure and skills in supply-chain management has resulted more than 3,000 logistics companies, many of which are using Singapore as their regional distribution centres. Properties with proximity to the port/logistics facilities as well as the CBD will benefit.
- **Attracting talent.** In addition to its open-door policy, Singapore is creating a vibrant city by having places where people can work, live and play with emphasis on arts, culture and history. Quality of life will attract talent which will in turn attract businesses.

- Downtown at Marina Bay will help create the critical mass in enhancing the business ecosystem that attracts businesses. It will also help rejuvenate the existing CBD. Raffles Place will remain attractive to many tenants due to its excellent connectivity, including the Raffles Place interchange MRT station.
- Rejuvenation. Many changes are also taking place in the Anson Road/Tanjong Pagar area. In the last few years, The Amara Hotel and Hotel M were retrofitted, rejuvenating the area. The Icon (646 apartments), one of the first CBD residences to be completed by 2007 with SOHO-lifestyle, will further revitalise this part of the CBD upon completion.

Having regard to the above and the shortage of well-specified offices catering to the demands of occupants, we expect monthly gross rents to rise by between 4% and 10% per annum between 2006 and 2009.

Figure 11: Forecast of Monthly Gross Rents for Micro-markets

	Forecast					
	3Q2005	End 2005	End 2006	End 2007	End 2008	End 2009
Raffles Place	\$5.20 psf	\$5.60 psf (8%)	\$6.20 psf (10%)	\$6.70 psf (8%)	\$7.20 psf (8%)	\$7.60 psf (6%)
Anson Road/ Tanjong Pagar	\$3.10 psf	\$3.30 psf (6%)	\$3.60 psf (9%)	\$3.80 psf (6%)	\$4.00 psf (5%)	\$4.20 psf (5%)
North Bridge Road/Beach Road	\$3.40 psf	\$3.80 psf (12%)	\$4.20 psf (10%)	\$4.50 psf (7%)	\$4.80 psf (6%)	\$5.00 psf (4%)

Source: DTZ Consulting & Research, Nov 2005

Note: Parentheses refer to year-on-year increases with the exception of 2005 which refers to quarter-on-quarter increase.

SECTION 5

LIMITATIONS ON REPORT

Where it is stated in the report that information has been supplied to us in the preparation of this report by the sources listed, this information is believed to be reliable and we will accept no responsibility if this should be otherwise. All other information stated without being attributed directly to another party is obtained from our searches of records, examination of documents or enquiries with relevant government authorities.

The forward statements in this report are based on our expectations and forecasts for the future. These statements should be regarded as our assessment of the future, based on certain assumptions on variables which are subject to changing conditions. Changes in any of these variables may significantly affect our forecasts.

Utmost care and due diligence has been taken in the preparation of this report. We believe that the contents are accurate and our professional opinion and advice are based on prevailing market conditions as at the date of the report. As market conditions do change, we reserve the right to update our opinion and forecasts based on the latest market conditions.

DTZ gives no assurance that the forecasts and forward statements in this report will be achieved and undue reliance should not be placed on them.

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DTZ has over 8,000 staff operating from 193 offices in 46 countries.

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INDEPENDENT TAXATION REPORT

The Board of Directors
K-REIT Asia Management Limited
1 Harbour Front Avenue
#18-01, Keppel Bay Tower
Singapore 098632

RBC Dexia Trust Services Singapore Limited
9 Raffles Place, Republic Plaza #42-01
Singapore 048619

15 March 2006

Dear Sirs

THE SINGAPORE TAXATION REPORT

This letter has been prepared at the request of K-REIT Asia Management Limited (the “Manager”) for inclusion in the Introductory Document for K-REIT Asia to be dated 20 March 2006 in connection with the listing of the units (“Units”) in K-REIT Asia on the Singapore Exchange Securities Trading Limited.

The purpose of this letter is to provide Unitholders of the Units in K-REIT Asia with an overview of the Singapore income tax consequences of the ownership and disposition of the Units. This letter principally addresses Unitholders who hold the Units as investment assets. Unitholders who hold the Units for dealing purposes should consult their own tax advisers concerning the tax consequences of their particular situations.

This letter is not a tax advice and does not attempt to describe comprehensively all the tax considerations that may be relevant to a decision to own or dispose of the Units. Unitholders should consult their own tax advisers concerning the tax consequences of their particular situations. In particular, Unitholders who are not Singapore tax residents are advised to consult their own tax advisers to take into account the tax laws of their respective countries of residence and the existence of any tax treaty which their country of residence may have with Singapore.

This letter is based on the Singapore income tax law and the relevant interpretation thereof as at the date of this letter, all of which are subject to change, possibly with retroactive effect.

Words and expressions defined in the Introductory Document have the same meaning in this letter. 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.

THE GENERAL PRINCIPLES OF TAXATION OF A TRUST

Income tax in Singapore is charged on a modified territorial basis. Under the current Singapore income tax law, a trustee is liable to tax only on its income which accrues in or is derived from Singapore or is received or deemed received in Singapore if derived from outside Singapore.

Capital gains are not subject to tax in Singapore. However, gains from the sale of real properties may be considered trading gains and would be chargeable to tax if such gains are considered to be derived from the trade or business of dealing in the real properties.

The taxable income of a trust comprises all its chargeable income after deducting all allowable expenses incurred and any other allowances permitted (e.g. capital allowances claims on assets used in the business) under the law. The taxable income of a trust is taxed at the prevailing corporate income tax rate and the tax is assessed on, and collected from, the trustee.

Under the provisions of Section 35(15) of the Income Tax Act, Chapter 134 of Singapore (“the Income Tax Act”), the statutory income of a beneficiary of a trust is his share of the statutory income of the trustee to which he is beneficially entitled. A corresponding amount of the tax paid by the trustee on the taxable income of the trust is generally imputed as a tax credit to the beneficiary of the trust under the provisions of Section 46(1)(b) of the Income Tax Act.

THE TAX RULING

K-REIT Asia has obtained a Tax Ruling from the Inland Revenue Authority of Singapore (“IRAS”) on 10 November 2005 to give effect to the application of the provisions of Section 43(2) of the Income Tax Act to impose tax on the Unitholders on the taxable income of K-REIT Asia instead of the Trustee (the “tax transparency treatment”).

Following the Tax Ruling and subject to the compliance with the terms and conditions of the Tax Ruling, the taxation of K-REIT Asia and that of the Unitholders are described below.

Determination of K-REIT Asia’s taxable income

Notwithstanding the tax transparency treatment, the taxable income of K-REIT Asia will be computed in the same manner and on the same basis in accordance with the provisions of the Income Tax Act as in the case of any trust deriving income that is chargeable to Singapore income tax.

The Taxable Income of K-REIT Asia would include, substantially, rental income from the letting of the Properties and other such properties in Singapore as may be owned by K-REIT Asia and incidental property related service income but would not include gains from the disposal of the Properties and other such properties in Singapore, if any. Where K-REIT Asia is able to show that the activities carried out to generate rental income constitute the carrying on of a business of letting properties, the rental income and the incidental property related service income should be taxable to K-REIT Asia under Section 10(1)(a) of the Income Tax Act.

The tax transparency treatment does not cover the gains or profits arising from sale of real properties by K-REIT Asia. Singapore does not impose tax on capital gains. Any profits or gains derived from the disposal of its real property should not be liable to Singapore income tax unless such gains or profits are considered to be trading gains derived from a trade or business in property trading carried on by K-REIT Asia in which event such gains will be taxable under Section 10(1)(a) of the Income Tax Act to the extent that such profits or gains accrue in or are derived from Singapore or are received or deemed received in Singapore if derived from outside Singapore.

There is no presumption that a trust investing in real properties for rental yield is trading in real properties. It is a question of fact whether K-REIT Asia is carrying on a business in property trading. Whether these gains or profits are considered capital gains or revenue gains is therefore a question of facts to be determined with and agreed by the IRAS in due course.

Rollover income adjustment

The Trustee and Manager will determine the amount of distribution to Unitholders based on the Taxable Income of K-REIT Asia. The Taxable Income determined by the Trustee and Manager may vary from the Taxable Income that is finally determined by the IRAS. To address this variance, the Tax Ruling has allowed the Trustee and Manager, subject to certain terms and conditions, to effect a rollover income adjustment where the difference between the Taxable Income of K-REIT Asia as determined by the Trustee and Manager and distributed to the Unitholders and the Taxable Income determined by the IRAS will be added to or deducted from the Taxable Income determined by the Trustee and Manager for the next distribution immediately after the difference has been agreed with the IRAS.

The practical effect of the rollover income adjustments to Unitholders is that the Taxable Income for a distribution period may be lower or higher than the Taxable Income based strictly on the Taxable Income of K-REIT Asia for that distribution period.

Taxation of K-REIT Asia

Subject to meeting the terms and conditions of the Tax Ruling and to the extent that K-REIT Asia distributes at least 90% of its Taxable Income, tax will be assessed only on, and collected from, the Trustee at the prevailing corporate tax rate on Retained Taxable Income. In the event a distribution is subsequently made out of such Retained Taxable Income, the Trustee and Manager will not have to make a further deduction of income tax from such distribution.

As regards the gains or profits arising from sale of real properties by K-REIT Asia, whether these gains or profits are considered capital gains or revenue gains is a question of facts to be determined with and agreed by the IRAS in due course. If such gains or profits are considered to be trading gains derived from a trade or business carried on by K-REIT Asia, it will be taxable under Section 10(1)(a) of the Income Tax Act to the extent that such gains or profits accrue in or are derived from Singapore or are received or deemed received in Singapore if derived from outside Singapore. Tax on such taxable gains or profits will be assessed on, and collected from, the Trustee at the prevailing corporate tax rate. In the event a distribution is subsequently made out of such taxable trading gains, the Trustee and Manager will not have to make a further deduction of income tax from such distribution. If such gains or profits are determined to be capital gains, the Trustee and Manager can distribute such gains to all Unitholders without having to account for tax.

Withholding tax (where applicable) on distribution to Unitholders

For distributions made out of Taxable Income of K-REIT Asia that has not been taxed at level of K-REIT Asia, the Trustee and the Manager will deduct income tax at the prevailing corporate tax rate from distributions to Unitholders.

However, to the extent that the beneficial owner of the Units is a Qualifying Unitholder, the Trustee and Manager will make the distributions without deducting any Singapore income tax.

A Qualifying Unitholder is a Unitholder who is:

- (i) an individual (regardless of residence or nationality);
- (ii) a Singapore incorporated company that is tax resident in Singapore;
- (iii) a Singapore branch of a foreign company that has obtained the IRAS' approval for distributions to be made to it by the Trust without deduction of tax;
- (iv) a body of persons, other than a company or a partnership, incorporated or registered in Singapore including a charity registered under the Charities Act (Chapter 37 of Singapore) or established by a written law, a town council, a statutory board, a co-operative society registered under the Co-operative Societies Act (Chapter 62 of Singapore) or a trade union registered under the Trade Unions Act (Chapter 333 of Singapore).

Further, to the extent that the beneficial owner is a foreign non-individual Unitholder, the Trustee and Manager will deduct Singapore income tax at the reduced rate of 10% for distributions made during the period from 18 February 2005 to 17 February 2010 out of Taxable Income of K-REIT Asia that has not been taxed at the level of K-REIT Asia provided that the foreign non-individual Unitholder is one who is not a resident of Singapore for income tax purposes and:

- does not have a permanent establishment in Singapore; or
- carries on any operation in Singapore through a permanent establishment in Singapore but the funds used by that person to acquire Units in K-REIT Asia are not obtained from that operation in Singapore.

Where the distributions are made out of income previously taxed at the level of K-REIT Asia (out of Retained Taxable Income or out of gains or profits on sale of real properties taxed as trading gains under Section 10(1)(a) of the Income Tax Act) to foreign non-individual Unitholders, these distributions can be made without deducting any Singapore income tax.

Where the Units are held in joint names, the Trustee and Manager will deduct income tax from the distributions made out of K-REIT Asia's Taxable Income (other than Retained Taxable Income and gains or profits on sale of real properties taxed as trading gains under Section 10(1)(a) of the Income Tax Act) at the prevailing corporate tax rate unless all the joint owners are individuals.

Where the Units are held through a nominee, the Trustee and Manager will deduct income tax from the distributions made out of K-REIT Asia's Taxable Income (other than Retained Taxable Income and gains or profits on sale of real properties taxed as trading gains under Section 10(1)(a) of the Income Tax Act) at the prevailing corporate tax rate except in the following situations:

- where the Units are held for the benefit of Qualifying Unitholders, tax may not be deducted at source under certain circumstances, which include a declaration by the nominee of the status of the beneficial owners of the Units and the provision of certain particulars of the beneficial owners of the Units by the nominee to the Trustee and the Manager in a prescribed form provided by the Trustee;
- where the Units are held for the benefit of foreign non-individual Unitholders, tax may be deducted at the reduced tax rate of 10% for distributions made during the period from 18 February 2005 to 17 February 2010 under certain circumstances, which include a declaration by the nominee of the status of the beneficial owners of the Units and the provision of certain particulars of the beneficial owners of the Units by the nominee to the Trustee and the Manager in a prescribed form provided by the Trustee; and
- where the Units are held by the nominees as agent banks or SRS operators acting for individuals who are distributed the Units as a result of shares that are purchased within the CPFIS or the SRS respectively, tax will not be deducted at source for distributions made in respect of these Units.

TAXATION OF UNITHOLDERS

Basis of Assessment

Unitholders are charged to Singapore income tax on the distributions from K-REIT Asia in the year of assessment that corresponds to the year of assessment to which the Taxable Income of K-REIT Asia relates. Accordingly, where a distribution is made in respect of the income of K-REIT Asia for the year ended 31 December 2006, that distribution will be considered income derived by the Unitholders in the year 2006 and assessable to tax in the year of assessment 2007 regardless of when the distribution is actually made. However, distributions made out of rollover income adjustment will be treated as part of the Taxable Income of the year to which the rollover income adjustment is made.

Distributions received by Unitholders of K-REIT Asia are chargeable to tax under Section 10(1)(g) or 10(1)(a) of the Income Tax Act depending on the circumstances of the respective Unitholders. If a Unitholder holds the Units as investment assets, the distributions are chargeable to tax under Section 10(1)(g) of the Income Tax Act as gains or profits of an income nature. If a Unitholder holds the Units as trading assets, the distributions are chargeable to tax under Section 10(1)(a) of the Income Tax Act.

Under the provisions of Section 35(15) of the Income Tax Act, the statutory income of a beneficiary of a trust is his share of the statutory income of the trustee for which he is beneficially entitled to. The trust income to which the beneficiary is entitled will be subject to Singapore tax if the income is accruing in or derived from Singapore or received in Singapore from outside Singapore.

Following case law, the source of trust income derived by a beneficiary will be determined by reference to the source of income derived by the trust from which the distribution to the beneficiary is made.

Whether the gains from the disposal of the Units by Unitholders of K-REIT Asia are chargeable to tax would depend on the circumstances of the respective Unitholders. If a Unitholder holds the Units as investment assets, the gains on the disposal should not be taxable. If a Unitholder holds the Units as trading assets, the gains on the disposal are chargeable to tax under Section 10(1)(a) of the Income Tax Act.

In the Tax Ruling, the IRAS has stated that where the income has been subjected to tax at the level of K-REIT Asia and is subsequently distributed to the Unitholders, the re-grossed amount of such distributions, i.e. the amount of distribution and the proportionate amount of imputed tax calculated using the prevailing corporate tax rate (“the imputed tax credit”), would generally be taxable. The beneficiary is entitled to offset the imputed tax credit against his Singapore income tax liability.

Taxation of individual Unitholders who hold the Units as investment assets

All distributions (other than distributions out of franked dividend) by K-REIT Asia to individual Unitholders (regardless of residence and nationality) are exempt from Singapore income tax provided these individual Unitholders hold the investment in the Units as their investment assets and not through a partnership in Singapore.

Distributions out of franked dividends would be considered as taxable income of individual Unitholders. The amount of such distributions that would be taxable to these individual Unitholders at their applicable income tax rates is the re-grossed amount (the amount of distribution and the imputed tax credit) but they may claim a tax credit for the imputed tax credit as a set-off against their Singapore income tax liabilities.

Pursuant to Section 13(1)(ze)(v) of the Income Tax Act, distributions made to individual Unitholders out of Retained Taxable Income and gains on sale of real properties taxed to K-REIT Asia as trading gains under Section 10(1)(a) of the Income Tax Act, are exempt from tax to these individual Unitholders but they would not be entitled to claim the imputed tax credit. The IRAS has, however, been asked to re-consider whether distributions made to individual Unitholders out of gains on sale of real properties taxed to K-REIT Asia as trading gains under Section 10(1)(a) of the Income Tax Act, should be exempt from tax to these individual Unitholders. If the IRAS rules that such distributions are taxable to these individual Unitholders, then the amount of such distributions that would be taxable to these individual Unitholders at their applicable income tax rates is the re-grossed amount (the amount of distribution and the imputed tax credit) but they may claim a tax credit for the imputed tax credit as a set-off against their Singapore income tax liabilities.

Distributions made out of non-taxable capital gains of K-REIT Asia will be exempt in the hands of those individuals who hold the Units as investment assets.

Taxation of individual Unitholders who hold the Units as trading assets or through a Singapore partnership

Individuals (regardless of residence or nationality) who hold the Units as trading assets or through a Singapore partnership are subject to Singapore income tax at their applicable income tax rates on the gross amount of distributions that are made out of K-REIT Asia’s Taxable Income.

The amount of distribution that is subject to Singapore tax is the re-grossed amount (the amount of net distribution and the attributable imputed tax credit). However, these individual Unitholders may claim the attributable imputed tax credit as a set-off against their Singapore income tax liabilities.

Distributions made out of non-taxable capital gains of K-REIT Asia will also be taxed in the hands of those individual Unitholders who hold the Units as trading assets at their applicable income tax rates.

Taxation of withdrawals of the distributions by individual Unitholders who invest in the Units through the SRS

The withdrawals of the distributions from the SRS are governed by SRS policy as detailed below:

- I. Where withdrawals are made under the following circumstances, 50% of the amount withdrawn will be taxed:
 - upon reaching the statutory retirement age;
 - death or permanent disability
 - foreigners who have maintained their SRS accounts for at least 10 years from the date of the first contribution.

- II. Where the withdrawals are made under the following circumstances, 100% of the amount withdrawn will be taxed:
- bankruptcy;
 - before reaching retirement age.

Taxation of non-individual Unitholders (other than foreign non-individual Unitholders)

Non-individual Unitholders (other than foreign non-individual Unitholders) are subject to Singapore income tax on the gross amount of distributions that are made out of K-REIT Asia's Taxable Income, regardless of whether or not tax has been deducted from the distributions by the Trustee and the Manager. Where tax has been deducted at source at the prevailing corporate tax rate, the tax deducted is not a final tax. Non-individual Unitholders (other than foreign non-individual Unitholders) can use such tax deducted at source as a set-off against their Singapore income tax liabilities.

Distributions made out of income previously taxed at K-REIT Asia's level (out of Retained Taxable Income or out of gains or profits on sale of real properties taxed as trading gains under Section 10(1)(a) of the Income Tax Act) will also be taxed in the hands of these non-individual Unitholders (other than foreign non-individual Unitholders) at their applicable income tax rates. The amount of such distributions that would be taxable to these non-individual Unitholders (other than foreign non-individual Unitholders) at their applicable income tax rates is the re-grossed amount (the amount of distribution and the imputed tax credit) but they may claim a tax credit for the imputed tax credit as a set-off against their Singapore income tax liabilities.

Distributions made out of non-taxable capital gains of K-REIT Asia are not taxable in the hands of the non-individual Unitholders (other than foreign non-individual Unitholders) provided that the Units are not held by them as trading assets. Such distributions are, however, taxable in the hands of non-individual Unitholders (other than foreign non-individual Unitholders) who hold the Units as trading assets.

Taxation of foreign non-individual Unitholders

Foreign non-individual Unitholders will be subject to tax at the reduced rate of 10% on distributions made by K-REIT Asia out of Taxable Income that has not been taxed at the level of K-REIT Asia during the five-year period from 18 February 2005 to 17 February 2010. The reduced rate of 10% is applicable only if the foreign non-individual Unitholder is one who is not a resident of Singapore for income tax purposes and:

- does not have a permanent establishment in Singapore; or
- carries on any operation in Singapore through a permanent establishment in Singapore but the funds used by that person to acquire Units in K-REIT Asia are not obtained from that operation in Singapore.

The 10% withholding tax is a final tax on the gross amount of the distributions.

Where the distributions are made out of income previously taxed at K-REIT Asia's level (out of Retained Taxable Income or out of gains or profits on the sale of real properties taxed as trading gains under Section 10(1)(a) of the Income Tax Act) to the foreign non-individual Unitholders, there is no further withholding tax. However, the re-grossed amount of such distributions (the amount of distribution and the imputed tax credit) would be taxable to these foreign non-individual Unitholders at their applicable income tax rates but they may claim a tax credit for the imputed tax credit as a set-off against their Singapore income tax liabilities.

Distributions made out of non-taxable capital gains of K-REIT Asia are not taxable in the hands of foreign non-individual Unitholders provided that the Units are not held by them as trading assets. Such distributions are, however, taxable in the hands of foreign non-individual Unitholders who hold the Units as trading assets.

Gains on disposal of Units

Whether the gains from the disposal of the Units by Unitholders of K-REIT Asia are chargeable to tax would depend on the circumstances of the respective Unitholders.

Singapore does not impose tax on capital gains; therefore gains on disposal of the Units that are capital in nature should not be subject to tax. However, such gains may be considered income in nature and subject to income tax if they arise from or are otherwise connected with the activities of a trade or business carried on in Singapore. As the Units are distributed to the Unitholders as a dividend in specie on their shareholding in Keppel Land Ltd (“KLL”), such gains may also be considered income in nature, even if they do not arise from an activity in the ordinary course of trade or business or an ordinary incident of some other business activity, if the Unitholder had the intention or purpose to make a profit at the time of acquiring the shares in KLL and the shares in KLL are not intended to be held as long-term investments. The tax position of the Unitholder has to be determined based on each Unitholder’s circumstances. Therefore, Unitholders are advised to consult their own professional advisers on the Singapore tax consequences that may apply to their individual circumstances.

Declaration by Unitholders

Qualifying Unitholders (other than individuals) and foreign non-individual Unitholders have to declare their legal and tax residence status in a prescribed form provided by the Trustee (the “prescribed form”). **A draft sample is attached as an Annex to this Taxation Report.** The prescribed form must be completed and returned to the Trustee within the time limits set by the Trustee and the Manager. The Trustee and the Manager will make a distribution without deduction of tax or after deduction of tax at the reduced rate of 10%, as the case may be, only if they are satisfied from the statements and declarations made in the prescribed forms as to the Unitholders’ legal and tax residence status.

Unitholders who are individuals do not have to make this declaration.

Nominees who hold the Units for the benefit of Qualifying Unitholders or foreign non-individual Unitholders may receive the distribution in respect of these Units without tax deduction or after deduction of tax at the reduced rate of 10% as the case may be. For this purpose, nominees will, among other things, be required to declare the status and provide certain particulars of the beneficial Unitholders in a form that will be provided by the Trustee prior to a distribution.

Tax residence of a company

A company is considered a tax resident of Singapore if its business is controlled and managed in Singapore, for example, if its board of directors meets and conducts the company’s business in Singapore.

TERMS AND CONDITIONS OF THE TAX RULING

The Tax Ruling granted by the IRAS is conditioned upon the Trustee and the Manager fulfilling certain terms and conditions. The Trustee and the Manager have given the relevant undertakings to the IRAS to take all reasonable steps necessary to safeguard the IRAS against tax leakages as a result of the ruling, and to comply with all administrative requirements to ensure ease of tax administration.

The IRAS has expressly reserved the rights to review, amend or revoke the Tax Ruling either in part or in whole at any time.

Yours faithfully

Deloitte & Touche
Singapore

To: Lim Associates (Pte) Ltd
 10 Collyer Quay
 #19-08 Ocean Building
 Singapore 049315

FORM A
DECLARATION FOR SINGAPORE TAX PURPOSES

Name of registered holder (preprinted) Address (preprinted)	Securities Account No. (preprinted) Holding: Units (preprinted)
Name of counter: K-REIT Asia	

Please read the following important notes carefully before completion of this Form:

1. The Trustee and the Manager of K-REIT Asia will not deduct tax from distributions made out of K-REIT Asia's taxable income that is not taxed at K-REIT Asia's level to:
 - (i) Unitholders who are individuals and who hold the units either in their sole names or jointly with other individuals;
 - (ii) Unitholders who are companies incorporated and tax resident in Singapore;
 - (iii) Unitholders who are Singapore branches of foreign companies that have obtained the approval from the Inland Revenue Authority of Singapore to receive the distributions from K-REIT Asia without deduction of tax; or
 - (iv) Unitholders which are non-corporate entities (excluding partnership) constituted or registered in Singapore, such as
 - (a) Institutions, authorities, persons or funds specified in the First Schedule to the Income Tax Act (Chapter 134 of Singapore);
 - (b) Co-operative societies registered under Co-operative Societies Act (Chapter 62 of Singapore);
 - (c) Trade unions registered under the Trade Unions Act (Chapter 333 of Singapore);
 - (d) Charities registered under the Charities Act (Chapter 37 of Singapore) or established by a written law; and
 - (e) Town councils.

2. For distributions made to classes of unitholders that do not fall within the categories stated under Note 1 above, the Trustee and the Manager of K-REIT Asia will deduct tax at the rate of 10% if the unitholders are foreign non-individual investors. A foreign non-individual investor is one who is not a resident of Singapore* for income tax purposes and:
 - (a) does not have a permanent establishment[^] in Singapore; or
 - (b) carries on any operation in Singapore through a permanent establishment in Singapore but the funds used by that person to acquire units in K-REIT Asia are not obtained from that operation in Singapore.
3. Unitholders are required to complete the applicable Section A, B or C if they fall within the categories (ii) to (iv) stated under Note 1 or Section D if they qualify as a foreign non-individual investor as described under Note 2.
4. The Trustee and Manager of K-REIT Asia will rely on the declarations made in this Form to determine (a) if tax is to be deducted for the categories of unitholders listed in (ii) to (iv) under Note 1; and (b) if tax is to be deducted at the rate of 10% for distributions to foreign non-individual investors.

Please therefore ensure that the appropriate section of this Form is completed in full and legibly and is returned to Lim Associates (Pte) Ltd within the stipulated time limit. Failure to comply with any of these requirements will render this Form invalid and therefore, the Trustee and Manager will be obliged to deduct tax at the prevailing corporate tax rate from the distributions in respect of which this declaration is made.

5. Unitholders who fall within class (i) under Note 1 are not required to submit this declaration form.
6. Unitholders who do not fall within the classes of unitholders listed in Note 1 and Note 2 above can choose not to return this Form as tax will be deducted from the distributions made to them at the prevailing corporate tax rate in any case.
7. Unitholders who hold their units jointly (where at least one of the joint holder is not an individual) or through nominees do not have to return this Form.
8. Please make sure that the information given and the declaration made in this Form are true and correct. The making of a false or incorrect declaration constitutes an offence under the Income Tax Act and the Declarant shall be liable to the appropriate penalties imposed under the said Act.
9. This Form must be returned to Lim Associates (Pte) Ltd by [Date]

* A company would not be considered tax resident in Singapore if the management and control of its business is exercised outside Singapore.

[^] A permanent establishment is defined under section 2 of the Income Tax Act to mean a fixed place where a business is wholly or partly carried on. It includes, inter-alia, a place of management, a branch and an office.

DECLARATION FOR SINGAPORE TAX PURPOSES

Section A: To be completed by a unitholder which is a Singapore incorporated company

I, _____, NRIC/Passport No. _____,
the Director of _____ (“the Company”) hereby declare that the
Company is the beneficial owner of the holdings stated above and that:

Tick (✓) either the “Yes” or “No” box

Yes No

(a) the Company is incorporated in Singapore and its registration number is

				—						—	
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(b) the management and control of the Company’s business for the preceding year and from the beginning of this year to the date of this Declaration was exercised in Singapore and there is no intention, at the time of this Declaration, to change the place of management and control of the Company to a location outside Singapore; and

(c) the Company has previously filed tax returns with the Inland Revenue Authority of Singapore.

If your reply to (c) is “Yes”, please proceed with (d) —

(d) the Company is declared as a tax resident of Singapore[#] based on the latest tax return filed with the Inland Revenue Authority of Singapore.

Signature of Declarant: _____

Date: _____

Contact No: _____

A company is considered a tax resident in Singapore if the management and control of its business is exercised in Singapore.

Section B: To be completed by a unitholder which is a Singapore branch of a foreign company

I, _____, NRIC/Passport No. _____, the manager of _____ (“the Singapore branch”) hereby declare that the Singapore branch is the beneficial owner of the holdings stated above and that the Inland Revenue Authority of Singapore has granted approval to the Singapore branch to receive distribution from K-REIT Asia without deduction of tax. A copy of the letter of approval dated _____ is attached.

Signature of Declarant: _____ Date: _____

Contact No: _____

Section C: To be completed by unitholder which falls under Note 1(iv)

I, _____, NRIC/Passport No. _____, the principal officer of _____ (“the Entity”) hereby declare that the Entity is the beneficial owner of the holdings stated above and that the entity is (tick whichever is applicable):

- an institution, authority, person or fund specified in the First Schedule to the Income Tax Act (Chapter 134 of Singapore).
- a co-operative society registered under Co-operative Societies Act (Chapter 62 of Singapore).
- a trade union registered under the Trade Unions Act (Chapter 333 of Singapore).
- a charity registered under the Charities Act (Chapter 37 of Singapore) or established by a written law.
- a town council.
- any other non-corporate entity (other than a partnership) constituted or registered in Singapore.

Signature of Declarant: _____ Date: _____

Contact No: _____

Section D: To be completed by unitholder which falls under Note 2

I, _____, NRIC/Passport No. _____, the Director/
Principal officer of _____ (“the Entity”) hereby declare that the
Entity is the beneficial owner of the holdings stated above and that:

Tick (✓) either the “Yes” or “No” box

Yes No

- | | | |
|---|--------------------------|--------------------------|
| (a) the Entity is not a resident of Singapore* for income tax purposes for the preceding year and from the beginning of this year to the date of this Declaration and there is no intention, at the time of this Declaration, to change the tax residence of the Entity to Singapore; and | <input type="checkbox"/> | <input type="checkbox"/> |
| (b) the Entity does not have a permanent establishment [^] in Singapore. | <input type="checkbox"/> | <input type="checkbox"/> |

If your reply to (b) is “No”, please proceed with (c) —

- | | | |
|---|--------------------------|--------------------------|
| (c) the funds used to acquire the holdings in K-REIT Asia are not obtained by the Entity from any operation carried on in Singapore through a permanent establishment in Singapore. | <input type="checkbox"/> | <input type="checkbox"/> |
|---|--------------------------|--------------------------|

Signature of Declarant: _____

Date: _____

Contact No: _____

*/^ Please refer to the front page.

To: Lim Associates (Pte) Ltd
 10 Collyer Quay
 #19-08 Ocean Building
 Singapore 049315

FORM B
DECLARATION BY DEPOSITORY AGENTS FOR SINGAPORE TAX PURPOSE

Name of registered holder (preprinted)	Securities Account No. (preprinted)
Address (preprinted)	Holding: Units (preprinted)
Name of counter: K-REIT Asia	

Please read the following important notes carefully before completion of this Form:

1. The Trustee and the Manager of K-REIT Asia will deduct tax at the prevailing corporate tax rate from distributions made out of K-REIT Asia's taxable income that is not taxed at K-REIT Asia's level in respect of units held by you in your capacity as a Depository Agent except where the beneficial owners of these units are:
 - (i) qualifying unitholders; or
 - (ii) foreign non-individual investors.

2. Tax will not be deducted for distributions made in respect of units held by you for the benefit of unitholders who fall within the category (i) of Note 1. Tax will be deducted at the reduced rate of 10% for distributions made in respect of units held by you for the benefit of unitholders who fall within the category (ii) of Note 1.

3. A qualifying unitholder refers to:
 - (i) an individual ;
 - (ii) a company incorporated and tax resident in Singapore;
 - (iii) non-corporate entities (excluding partnership) constituted or registered in Singapore; such as:
 - (a) institutions, authorities, persons or funds specified in the First Schedule to the Income Tax Act (Chapter 134 of Singapore);
 - (b) co-operative societies registered under Co-operative Societies Act (Chapter 62 of Singapore);
 - (c) trade unions registered under the Trade Unions Act (Chapter 333 of Singapore);
 - (d) charities registered under the Charities Act (Chapter 37 of Singapore) or established by a written law; and
 - (e) town councils;

- (iv) a Singapore branch of a foreign company that has obtained the approval from the Inland Revenue Authority of Singapore to receive the distributions from K-REIT Asia without deduction of tax.
4. A foreign non-individual is one who is not a resident in 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 but the funds used by that person to acquire units in K-REIT Asia are not obtained from that operation in Singapore.
 5. The Trustee and the Manager of K-REIT Asia will rely on the declarations made in this Form to determine the applicable rate at which tax is to be deducted in respect of the units held by you in your capacity as a Depository Agent. Please therefore ensure that this Form and the Annexes are completed in full and legibly and is returned to Lim Associates (Pte) Ltd within the stipulated time limit. Failure to comply with any of these requirements will render this Form invalid and the Trustee and the Manager will deduct tax at the prevailing corporate tax rate from the distributions in respect of which this declaration is made.
 6. Please make sure that the information given and the declaration made in this Form are true and correct. The making of false or incorrect declaration constitutes an offence under the Income Tax Act and the Declarant shall be liable to the appropriate penalties imposed under the said Act.
 7. This Form, together with hard copy of the Annexes, must be returned to Lim Associates (Pte) Ltd by [Date]. Please complete the Annexes using the softcopy of the excel spreadsheet provided to you and also e-mail a soft copy of the completed Annexes to Lim Associates (Pte) Ltd at [Email] by [Date]. Please note that it is compulsory to email the soft copy of the completed Annexes.

Declaration

I, _____, NRIC/Passport No. _____, the principal officer of _____ (“the Depository Agent”) hereby declare that the K-REIT Asia units registered in the name of the Depository Agent and deposited in the sub-accounts maintained with The Central Depository (Pte) Ltd, as listed in the Annexes B1 to B3 to this declaration, belonged beneficially to persons who are qualifying unitholders (as defined in Note 3 above) and foreign non-individuals (as defined in Note 4 above), respectively. The details of each of these beneficial owners are listed in the respective Annexes.

We hereby also undertake to provide the actual amount of gross distribution made to each qualifying unitholder other than individuals in the format provided in Annex B2.1 and to email a softcopy of the Annex to Lim Associates (Pte) Ltd within 21 days from the date of distribution.

Signature of Declarant: _____ Date: _____

Contact No: _____

* A company would not be considered resident in Singapore if the management and control of its business is exercised outside Singapore.

^ A permanent establishment is defined under section 2 of the Income Tax Act to mean a fixed place where a business is wholly or partly carried on. It includes a place of management, a branch and an office.

K-REIT ASIA

Distribution Period:

Annex to Declaration Form B — Qualifying unitholders — Individuals

S/No.	CDP Sub-Account No.	Name of beneficiary holder(s)	Identification No.*	Number of Units
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				
15				
16				
17				
18				
19				
20				
21				
22				
23				
24				
25				

* This refers to Singapore NRIC No., foreign ID No. or Passport No.

K-REIT ASIA

Distribution Period :

Annex to Declaration Form B — Qualifying unitholders other than individuals

S/No.	CDP Sub-Account No.	Name of beneficiary holder(s)	Registration No.#	Number of Units
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				
15				
16				
17				
18				
19				
20				
21				
22				
23				
24				
25				

This refers to ROC / Tax Reference No.

K-REIT ASIA

Distribution Period :

Annex to Declaration Form B — Qualifying unitholders other than individuals

S/No.	CDP Sub-Account No.	Name of beneficiary holder(s)	Registration No.#	Number of Units	Gross distribution paid
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
17					
18					
19					
20					
21					
22					
23					
24					
25					

This refers to ROC / Tax Reference No.

K-REIT ASIA**Distribution Period :****Annex to Declaration Form B — Foreign Non-Individuals**

S/No.	CDP Sub-Account No.	Name of beneficiary holder(s)	Address	Number of Units
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				
15				
16				
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PROPERTY FUNDS GUIDELINES

1. Scope and Definitions

1.1 These Guidelines apply to a collective investment scheme that invests or proposes to invest in real estate and real estate-related assets (hereinafter referred to as “a property fund”). The scheme may or may not be listed on the Singapore Exchange (“SGX”). An investment in real estate may be by way of direct ownership or a shareholding in an unlisted special purpose vehicle (“SPV”) constituted to hold/own real estate.

1.2 For the purposes of this Appendix:

(a) **Associate of any director** includes

- (i) any member of his immediate family¹;
- (ii) the trustee, acting in its capacity as a trustee, of any property fund of which the director or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and
- (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 25% or more.

(b) **Cash equivalent items** means instruments or investments of such high liquidity and safety that they are as good as cash.

(c) **Controlling unitholder** means a person who, together with (where applicable) –

- (A) its ultimate/immediate holding company;
- (B) its subsidiary;
- (C) its associated company;
- (D) its fellow subsidiary;
- (E) where it is an associated company of another company, say, Company X — a subsidiary of Company X²;
- (F) its fellow associated company;
- (G) an associated company of its immediate holding company;
- (H) a subsidiary³ of the entity in sub-paragraph (B), (D) or (E); and
- (I) an associated company of the entity in sub-paragraph (B), (D) or (E), either
 - (i) hold 15% or more of the units in the property fund (MAS may determine that such a person is not a controlling unitholder); or
 - (ii) hold less than 15% of the units in the property fund but in fact exercise control over the property fund.

For the avoidance of doubt, the number of units in the property fund held by a person and persons listed in (A) to (I) should be aggregated in determining if the units held amount to 15% or more of the total units in the property fund.

(d) **Deposited property** means the value of the property fund’s total assets based on the latest valuation.

¹ This refers to his wife, child, adopted child, stepchild, brother, sister and parent.

² Where the sponsor/promoter, Manager or adviser is an associated company of more than one company, say, Company X and Company Y, all the subsidiaries of either Company X or Company Y will be considered as interested parties.

³ This term is capable of successive application. For example, Company A is a subsidiary of the promoter of the fund. If Company B is a subsidiary of Company A, and Company C is a subsidiary of Company B, then Company B and Company C (and so on) will be considered as interested parties.

- (e) **Desktop valuation** means a valuation based on transacted prices/yields of similar real estate assets, without a physical inspection of the property.
- (f) **Interested party includes:**
- (i) the sponsor/promoter of the property fund (if different from the manager)⁴;
 - (ii) the manager of the property fund;
 - (iii) the trustee of the property fund;
 - (iv) the adviser to the property fund;
 - (v) a director, other than an independent director, of the sponsor/promoter, Manager or adviser (or an associate of any such director);
 - (vi) a controlling unitholder; or
 - (vii) in respect of the sponsor/promoter, Manager or adviser or controlling unitholder
 - (A) its ultimate/immediate holding company;
 - (B) its subsidiary;
 - (C) its associated company;
 - (D) its fellow subsidiary;
 - (E) where it is an associated company of another company, say, Company X — a subsidiary of Company X⁵;
 - (F) its fellow associated company;
 - (G) an associated company of its immediate holding company;
 - (H) a subsidiary⁶ of the entity in sub-paragraph (B), (D) or (E); or
 - (I) an associated company of the entity in sub-paragraph (B), (D) or (E).
- (g) **Real estate-related assets** means listed or unlisted debt securities and listed shares of or issued by property corporations, mortgage-backed securities, other property funds, and assets incidental to the ownership of real estate (*e.g.* furniture).

2. The Manager of a Property Fund

- 2.1 The Manager of a listed property fund should be a corporation with a physical office in Singapore, and have minimum shareholders' funds of S\$1 million. The Manager in Singapore should have:
- (a) a resident chief executive officer; and
 - (b) at least two full-time professional employees⁷.
- 2.2 The Manager, as well as its chief executive officer, directors and professional employees should meet the fit and proper criteria as set out in the "Guidelines on Fit and Proper Criteria" [Guideline No: MCG-G01]⁸ issued by the Authority. In addition, the Manager should:
- (a) have at least 5 years of experience in managing property funds;

⁴ For the avoidance of doubt, an entity acting merely as a marketing or sales agent will not be considered a sponsor/promoter.

⁵ Where the sponsor/promoter, Manager or adviser is an associated company of more than one company, say, Company X and Company Y, all the subsidiaries of either Company X or Company Y will be considered as interested parties.

⁶ This term is capable of successive application. For example, Company A is a subsidiary of the promoter of the fund. If Company B is a subsidiary of Company A, and Company C is a subsidiary of Company B, then Company B and Company C (and so on) will be considered as interested parties.

⁷ Professional employees refer to employees who are engaged in the investment management, asset management, financing, marketing and investor relations functions on behalf of the property fund manager.

⁸ A copy of the "Guidelines on Fit and Proper Criteria" may be found at: "http://www.mas.gov.sg/masbcm/bin/pt1SFA_Guidelines.htm"

- (b) appoint, with the approval of the trustee, an adviser who has at least 5 years of experience in investing in and/or advising on real estate; or
 - (c) employ persons who have at least 5 years of experience in investing in and/or advising on real estate.
- 2.3 Where the Manager has appointed an adviser pursuant to paragraph 2.2(b), that adviser need not be independent of the Manager, and may act as agent in seeking out buyers/sellers of real estate or in managing the property fund's real estate assets. However, where the adviser has been appointed as the marketing agent for a property, that adviser may recommend the property fund to purchase that property only if:
- (a) the adviser has disclosed to the Manager that it is the marketing agent for that property; and
 - (b) the adviser is not related to the Manager in a manner described in paragraph 1.2(f)(vii).
- 2.4 Commissions or fees paid by the property fund to the adviser should not be higher than market rates.
- 2.5 The Singapore office should play a meaningful role in the business activities of the Manager. In the Authority's assessment of the role of the Singapore office, the following factors are relevant, but not exhaustive:
- (a) the composition and mandates of the board of directors and management committees; and
 - (b) the extent to which the chief executive officer and directors based in Singapore participate in the formulation of investment strategies and financing activities.
- 2.6 The Manager of a listed property fund should perform the following activities in Singapore:
- (a) accounting;
 - (b) compliance; and
 - (c) investor relations.
- 2.7 The manager of a property fund seeking authorization for the fund under Section 286(1) of the Securities and Futures Act (Cap. 289) should complete and submit the form appended in Annex 2A.

3. The Trustee of a Property Fund

- 3.1 The Trustee should exercise due care and diligence in discharging its functions and duties, including safeguarding the rights and interests of participants.
- 3.2 Amongst others, the Trustee should exercise reasonable care in ensuring that:
- (a) the property fund has proper legal and good marketable titles to the real estate assets owned by the property fund;
 - (b) the contracts (such as rental agreements) entered into on behalf of the property fund is legal, valid, binding and enforceable by or on behalf of the property fund in accordance with its terms; and
 - (c) the Manager arranges adequate insurance coverage in relation to the real estate assets of the property fund.

4. Trust Deed Provisions for Removal of Manager and Convening of Meetings

4.1 The trust deed of a property fund should contain the following provisions:

- (a) the Manager may be removed by way of a resolution passed by a simple majority of participants present and voting at a general meeting, with no participant being disenfranchised; and
- (b) a general meeting may be convened at the request in writing of not less than 50 participants or participants representing not less than 10% of the issued units of the property fund.

4.2 Existing property funds are to comply with the guidelines in this paragraph by 20 April 2006.

5. Interested-party Transactions

5.1 A property fund may acquire assets from or sell assets to interested parties or invest in securities⁹ of or issued by interested parties,

if:

- (a) adequate disclosures are made in the prospectus (if it is at the first launch/offer of the property fund) or circular (if it is during the life of the property fund), stating –
 - (i) the identity of the interested parties and their relationships with the property fund;
 - (ii) the details of the assets to be acquired or sold, including a description of these assets and their location;
 - (iii) the prices at which these assets are to be acquired or sold;
 - (iv) the details of the valuations performed (including the names of the valuers, the methods used to value these assets and the dates of the valuations) and their assessed values;
 - (v) the current/expected rental yield;
 - (vi) the minimum amount of subscriptions to be received, if the transactions are conditional upon the property fund receiving the stated amount of subscriptions; and
 - (vii) any other matters that may be relevant to a prospective investor in deciding whether or not to invest in the property fund or that may be relevant to a participant in deciding whether or not to approve the proposed transactions;
- (b) for transactions entered into at the first launch/offer of the property fund, the scheme has entered into agreements to buy those assets at the prices specified in sub-paragraph (a)(iii) from the interested parties. If the transactions are conditional upon the property fund receiving a stated minimum amount of subscriptions, the agreements should reflect this;
- (c) two independent valuation of each of those real estate assets, with one of the valuers commissioned independently by the Trustee, have been conducted in accordance with paragraph 8;
- (d) each of those assets is acquired from the interested parties at a price not more than the higher of the two assessed values, or sold to interested parties at a price not less than the lower of the two assessed values; and
- (e) the Trustee provides written confirmation that it is of the view that the transaction is on normal commercial terms and not prejudicial to the interests of participants where participants' approval for the transaction is not required and;
 - (i) in the case of an acquisition, the transacted price is not at the lower of the two valuations; or
 - (ii) in the case of a disposal, the transaction price is not at the higher of the two valuations.

⁹ A mortgage-backed security issued by a special purpose vehicle does not come within the ambit of this paragraph.

- 5.2 A property fund should:
- (a) where a proposed transaction is equal to or greater than 3% of the property scheme's NAV, announce¹⁰ the transaction immediately; or
 - (b) where a proposed transaction is equal to or greater than 5% of the property fund's NAV, announce the transaction immediately and obtain a majority vote at a participants' meeting. A person who has an interest, whether commercial, financial or personal, in the outcome of the transaction, other than in his capacity as a participant, will not be allowed to vote on the resolution to approve the transaction. There should be an opinion rendered by an Independent Expert stating whether or not the transaction is on normal commercial terms and whether the transaction is prejudicial to participants, based on an assessment of the impact of the transaction on the property fund on an overall basis. The Independent Expert should also draw the participants' attention to any possible disadvantages of the transaction.
- 5.3 For the purpose of paragraph 5.2, the value of all transactions with the same interested party¹¹ during the current financial year should be aggregated. If the aggregate value of all transactions with the same interested party during the current financial year is:
- (a) equal to or greater than 3% of the property fund's NAV, the requirement in paragraph 5.2(a) will apply to the latest transaction and all future transactions entered into with that interested party during that financial year; or
 - (b) equal to or greater than 5% of the property fund's NAV, the requirements in paragraph 5.2(b) will apply to the latest transaction and all future transactions entered into with that interested party during that financial year.
- 5.4 For the purpose of paragraphs 5.1 to 5.3, the agreement to buy or sell the assets should be completed:
- (a) where the interested-party transaction is entered into at the first launch/offer of the property fund, within 6 months of the close of the first launch/offer; or
 - (b) where the interested-party transaction is entered into after the first launch/offer and:
 - (i) the transaction is less than 5% of the property fund's NAV, within 6 months of the date of the agreement; or
 - (ii) the transaction is equal to or greater than 5% of the property fund's NAV, within 6 months of the date of the participants' approval referred to in paragraph 5.2(b); or
 - (c) where there is more than one interested-party transaction entered into during the current financial year and the latest transaction results in the 5% threshold referred to in paragraph 5.3(b) being exceeded, within 6 months of the date of participants' approval in respect of that latest transaction.
- 5.5 An Independent Expert for the purpose of paragraphs 5.2 should:
- (a) not receive payments of more than \$200,000 aggregated over the current financial year from the Manager, adviser or other party/parties whom the property fund is transacting with. For the avoidance of doubt, this does not include fees paid by the property fund to the Independent Expert for rendering an opinion on the interested-party transactions;
 - (b) not be a related corporation as defined in the Interpretation Section of this Code or have a relationship with the Manager, adviser or other party/parties whom the property fund is transacting with which, in the opinion of the trustee, would interfere with the Independent Expert's ability to render an independent and professional opinion on the fairness and reasonableness of the transactions;

¹⁰ For listed property trusts, announcements should be made to the exchange for public release as stated in the SGX-ST Listing Manual. For unlisted property trusts, announcements should be made either through paid advertisements in at least one newspaper that is circulated widely in Singapore, or by sending a circular to participants.

¹¹ For this purpose, a company, its subsidiary companies, its associated companies, and all their directors, chief executive officers and substantial shareholders are regarded as one party.

- (c) disclose to the trustee any pending business transactions, contracts under negotiation, other arrangements with the Manager, adviser or other party/parties whom the property fund is transacting with and other factors that would interfere with the Independent Expert's ability to render an independent and professional opinion on the fairness and reasonableness of the transactions. The trustee should then take such disclosure into account when deciding whether the person concerned is sufficiently independent to act as the Independent Expert for the interested-party transactions; and
 - (d) have the necessary expertise and experience, in the opinion of the trustee, to form an opinion on the fairness and reasonableness of such transactions.
- 5.6 A property fund is not prohibited from engaging an interested party as property management agent or marketing agent for the scheme's properties provided that any fees or commissions paid to the interested party are at not more than market rates.
- 5.7 In instances where the Manager receives a percentage-based fee when the property fund acquires and disposes of real estate assets from/to interested parties, such a fee should be in the form of units issued by the property fund at prevailing market price(s). The units should not be sold within one year from their date of issuance.

6. Permissible Investments

- 6.1 Subject to the restrictions and requirements in paragraph 7, a property fund may only invest in:
- (a) Real estate, whether freehold or leasehold, in or outside Singapore. An investment in real estate may be by way of direct ownership or a shareholding in an unlisted SPV constituted to hold/own real estate;
 - (b) Real estate-related assets, wherever the issuers/assets/securities are incorporated/located/issued/traded;
 - (c) Listed or unlisted debt securities and listed shares of or issued by local or foreign non-property corporations;
 - (d) Government securities (issued on behalf of the Singapore Government or governments of other countries) and securities issued by a supra-national agency or a Singapore statutory board; and
 - (e) Cash and cash equivalent items.
- 6.2 A property fund may invest in local or foreign assets, subject to the terms of its trust deed. Where an investment in a foreign real estate asset is made, the Manager should ensure that the investment complies with all the applicable laws and requirements in that foreign country, for example, those relating to foreign ownership and good title to that real estate.
- 6.3 When investing in leasehold properties, the Manager should consider the remaining term of the lease, the objectives of the property fund, and the lease profile of the property fund's existing property portfolio.
- 6.4 When investing in real estate as a joint owner, the property fund should make such investment by acquiring shares or interests in an unlisted SPV constituted to hold/own the real estate¹² and the property fund should have freedom to dispose of such investment. The joint venture agreement, memorandum and articles of association and/or other constitutive document of the SPV should provide for:
- (a) a specified minimum percentage of distributable profits of the SPV that will be distributed. The property fund should be entitled to receive its *pro rata* share of such distributions;

¹² Other ownership arrangements may be allowed if the arrangements are necessary for the purposes of meeting legal or regulatory requirements in a foreign jurisdiction, or when there are other valid justifications. In such cases, prior consent from the Authority should be sought.

- (b) veto rights over key operational issues of the SPV, including:
 - (i) amendment of the joint venture agreement, memorandum and articles of association or other constitutive document of the SPV;
 - (ii) cessation or change of the business of the SPV;
 - (iii) winding up or dissolution of the SPV;
 - (iv) changes to the equity capital structure of the SPV;
 - (v) changes to the dividend distribution policy of the SPV;
 - (vi) issue of securities by the SPV;
 - (vii) incurring of borrowings by the SPV;
 - (viii) creation of security over the assets of the SPV;
 - (ix) transfer or disposal of the assets of the SPV;
 - (x) approval of asset enhancement and capital expenditure plans for the assets of the SPV;
 - (xi) entry into interested party transactions;
- (c) a mode for the resolution of disputes between the property fund and joint venture partners.

6.5 Financial derivatives may only be used for the purpose of:

- (a) hedging existing positions in a portfolio; or
- (b) EPM, provided that derivatives are not used to gear the overall portfolio.

7. Restrictions and Requirements on Investments/Activities

7.1 A property fund should comply with the following restrictions/requirements:

- (a) Subject to paragraph 7.3, at least 35% of the property fund's deposited property should be invested in real estate. A new scheme will be given 24 months from the close of the first launch/offer to comply with this requirement;
- (b) At least 70% of the property fund's deposited property should be invested, or proposed to be invested, in real estate and real estate-related assets;
- (c) A property fund should not undertake property development activities whether on its own, in a joint venture with others, or by investing in unlisted property development companies, unless the property fund intends to hold the developed property upon completion. For this purpose, property development activities do not include refurbishment, retrofitting and renovations.
- (d) A property fund should not invest in vacant land and mortgages (except for mortgage-backed securities). This prohibition does not prevent a property fund from investing in real estate to be built on vacant land that has been approved for development or other uncompleted¹³ property developments.
- (e) The total contract value of property development activities undertaken and investments in uncompleted property developments¹⁴ should not exceed 10% of the property fund's deposited property; and

¹³ An uncompleted property is one that has not been granted a Temporary Occupation Permit or equivalent by the relevant authorities.

¹⁴ For the purpose of this paragraph, the value of the investment refers to the contracted purchase price and not the value of progress payments made to date.

- (f) For investments in listed or unlisted debt securities and listed shares of or issued by property and non-property corporations (local or foreign) and other locally-registered property funds, not more than 5% of the property fund's deposited property can be invested in any one issuer's securities or any one manager's funds. A corporation and its subsidiary companies are regarded as one issuer or manager. Investments in other property funds should not be made with a view to circumventing the letter or spirit of the prohibition on interested-party transactions set out in paragraph 5.
- 7.2 The investment restrictions/requirements in paragraphs 7.1 (e) and (f) are applicable at the time the transactions are entered into. A property fund is not required to divest any assets that breach the restrictions/requirements if such breaches were a result of:
- (a) the appreciation or depreciation of the value of the property fund's assets;
 - (b) any redemption of units or distributions made from the property fund; or
 - (c) in respect of investments in listed shares of or issued by property and non-property corporations (local or foreign), any changes in the total issued nominal amount of securities arising from rights, bonuses or other benefits that are capital in nature.
- 7.3 Where as a result of divestment or new issue of units by the property fund, a scheme's investments in real estate fall below 35% of its deposited property, the scheme should increase the proportion of its real estate investments to 35% within:
- (a) 12 months if the real estate investments fall to a level between 20% and 35% of the property fund's deposited property; or
 - (b) 24 months if the real estate investments fall below 20% of the property fund's deposited property.
- 7.4 Para 7.3 would not apply if:
- (a) in the case of divestment, the property fund offers to return (by way of redemption) or distributes *at least* 70% of the proceeds of the divestment in cash within 12 months [in the case of paragraph 7.3(a)] or 24 months [in the case of paragraph 7.3(b)];
 - (b) in the case of a new issue of units, the property fund offers to return *at least* 70% of the subscription moneys received from such new issue within 12 months [in the case of paragraph 7.3(a)] or 24 months [in the case of paragraph 7.3(b)]; or
 - (c) in the case of either divestment or new issue of units, the property fund is in the process of being wound up.

8. Valuation of the Property Fund's Real Estate Investments

- 8.1 A full valuation of each of the property fund's real estate assets should be conducted by a valuer *at least* once a year, in accordance with any applicable Code of Practice for such valuations.
- 8.2 Where the Manager proposes to issue new units for subscription or redeem existing units, a desktop valuation of all the scheme's real estate assets should be conducted by a valuer *unless* the assets have been valued not more than 6 months ago (based on the date of the valuation report).
- 8.3 A valuer for the purpose of paragraph 8, be it for a full or desktop valuation, should:
- (a) not receive payments of more than \$200,000 aggregated over the current financial year from the Manager, adviser or the other party/parties whom the property fund is contracting with. For the avoidance of doubt, this does not include fees paid by the property fund to the valuer for valuation work undertaken for the scheme;
 - (b) not be a related corporation of or have a relationship with the Manager, adviser or other party/parties whom the property fund is contracting with which, in the opinion of the trustee, would interfere with the valuer's ability to give an independent and professional valuation of the property;

- (c) disclose to the trustee any pending business transactions, contracts under negotiation, other arrangements with the Manager, adviser or other party/parties whom the property fund is contracting with and other factors that would interfere with the valuer's ability to give an independent and professional valuation of the property. The trustee should then take such disclosure into account when deciding whether the person concerned is sufficiently independent to act as the valuer for the property fund;
 - (d) be authorised under any law of the state or country where the valuation takes place to practice as a valuer;
 - (e) have the necessary expertise and experience in valuing properties of the type in question and in the relevant area; and
 - (f) not value the same property for more than 2 consecutive years.
- 8.4 For the avoidance of doubt, an adviser appointed by the Manager pursuant to paragraph 2.2(b) should not value the properties that it recommends to be bought or sold by the property fund. However, that adviser may value the property after it has been acquired by the scheme.
- 8.5 Subject to paragraph 5.1(d) in respect of interested-party transactions, a property fund should purchase or sell real estate assets at a reasonable price. A "reasonable price" means:
- (a) in the case of acquisitions, a price not more than 110% of the assessed value (valuer to be commissioned by the scheme) and which assessment is not more than 6 months old; or
 - (b) in the case of disposals, a price not less than 90% of the assessed value assessed (valuer to be commissioned by the scheme) and which assessment is not more than 6 months old.
- 8.6 For the purpose of paragraph 8.5, the date of acquisition or disposal means the date of the sale and purchase agreement. Where there is more than one valuation conducted by more than one valuer for the same real estate asset, the Manager should use the average of the assessed values.
- 8.7 Where a real estate asset is to be bought or sold at a price other than that specified in paragraph 8.5, *prior approval* should be obtained from the trustee.
- 8.8 Notwithstanding paragraphs 8.1 and 8.2, a valuation of the property fund's real estate assets may be conducted if the trustee or Manager is of the opinion that it is in the best interest of participants to do so.

9. Average Leverage Limits

- 9.1 Borrowings¹⁵ may be used for investment or redemption purposes. A property fund may mortgage its assets to secure such borrowings.
- 9.2 The total borrowings and deferred payments¹⁶ (together the "aggregate leverage") of a property fund should not exceed 35% of the fund's deposited property. The aggregate leverage of a property fund may exceed 35% of the fund's deposited property (up to a maximum of 60%) only if a credit rating of the property fund from Fitch Inc., Moody's or Standard and Poor's is obtained and disclosed to the public. The property fund should continue to maintain and disclose a credit rating so long as its aggregate leverage exceeds 35% of the fund's deposited property.
- 9.3 If borrowings are to be used to fund partly or wholly the purchase of a new property, the value of the deposited property used for determining the aggregate leverage may include the value of the new property that is being purchased, provided that:
- (a) the borrowings are incurred on the same day as that on which the purchase of the property is completed; OR if the borrowings are incurred before the purchase of the property is

¹⁵ Bonds, notes, syndicated loans, bilateral loans or other debt. Bonds/notes may be issued, directly by the fund or indirectly via an SPV.

¹⁶ Deferred payments include deferred payments for assets whether to be settled in cash or in units of the property fund.

completed, those borrowings are kept in a separate bank account that is established and kept by the property fund solely for the purpose of depositing such monies;

- (b) the monies raised by such borrowings are utilised solely for the purchase of the property including related expenses such as stamp duties, legal fees and fees of experts and advisers (all of which must be determined on an arm's length basis) and for no other purpose; and
- (c) if borrowings are incurred before the new property is purchased and the manager subsequently becomes aware or ought reasonably to have become aware that the purchase will not take place, the manager must return the monies raised by such borrowings as soon as practicable.

9.4 The aggregate leverage limit is not considered to be breached if due to circumstances beyond the control of the manager the following occurs:

- (a) a depreciation in the asset value of the property fund; or
- (b) any redemption of units or payments made from the property fund.

If the aggregate leverage limit is exceeded as a result of (a) or (b) above, the manager should not incur additional borrowings or enter into further deferred payment arrangements.

9.5 For the purpose of calculating the aggregate leverage to determine compliance with the aggregate leverage limit, if a property fund invests in real estate through shareholdings in unlisted SPVs, the aggregate leverage of all SPVs held by the property fund shall be aggregated on a proportionate basis based on the property fund's share of each SPV. For the avoidance of doubt, the assets of such SPVs should also be aggregated on a proportionate basis based on the property fund's share of each SPV.

9.6 An existing property fund with aggregate leverage exceeding 35% of the fund's deposited property should comply with paragraph 9.2 by 20 April 2006.

10. Redemption Requirements for Unlisted Property Funds

10.1 In respect of unlisted property funds, Managers should offer to redeem units *at least* once a year in accordance with paragraphs 10.2 and 10.3.

10.2 Any offer to redeem units pursuant to paragraph 10.1 should be sent to participants with adequate notice, and should state:

- (a) the indicative price at which each unit will be redeemed;
- (b) the period during which the offer will remain open (this period should last for *at least* 21 calendar days, but in no case should it remain open for more than 35 calendar days, after the offer is made);
- (c) the assets and/or borrowings that will be used to satisfy the minimum amount of redemption requests stipulated in paragraph 10.3 or a greater amount proposed by the Manager, as the case may be. In the case of non-cash assets, the amount of money that is expected to be available from the sale of such assets should be stated;
- (d) subject to the minimum amount stipulated in paragraph 10.3, that if the money available (from cash, sale of non-cash assets and/or borrowings earmarked in sub-paragraph (c)), is insufficient to satisfy all redemption requests, the requests are to be satisfied on a pro-rata basis. For this purpose, no redemption requests made pursuant to the offer may be satisfied until after the close of the offer period;
- (e) that the actual price at which the units will eventually be redeemed (as determined by reference to the latest valuations available of the property fund's portfolio of assets after deducting appropriate transaction costs) may differ from the indicative price in sub-paragraph (a) due to changes in the values of the property fund's assets during the offer period;

- (f) that the participant should elect, at the same time, whether or not he wishes to proceed with the redemption if his entire redemption request cannot be met; and
- (g) that redemption requests made pursuant to the offer will be satisfied within 30 calendar days after the closing date of the offer. Such period may be extended to 60 calendar days after the closing date of the offer if the Manager satisfies the trustee that such extension is in the best interest of the property fund. The redemption period may be extended beyond 60 calendar days after the closing date of the offer if such extension is approved by participants.

10.3 In respect of any offer to redeem units pursuant to paragraph 10.1, *at least* 10% of the property fund's deposited property should be offered. Where the total amount of redemption requests received by the Manager is for less than 10%, all redemption requests should be met in full.

11. Disclosure Requirements

11.1 Paragraph 3.3(b), 4.2(b), 7.1 and 7.2 of this Code (in respect of the sending, preparation and content of semi-annual reports) will not apply to a property fund.

11.2 An annual report should be prepared by the manager at the end of each financial year, disclosing:

- (a) details of all real estate transactions entered into during the year, including the identity of the buyers/sellers, purchase/sale prices, and their valuations (including the methods used to value the assets);
- (b) details of all the property fund's real estate assets, including the location of such assets, their purchase prices and latest valuations, rentals received and occupancy rates, and/or the remaining terms of the property fund's leasehold properties¹⁷ (where applicable);
- (c) the tenant profile of the property fund's real estate assets, including the:
 - (i) total number of tenants;
 - (ii) top ten tenants, and the percentage of total gross rental income attributable to each of these top ten tenants;
 - (iii) trade sector mix of tenants, in terms of the percentage of total gross rental income attributable to major trade sectors; and
 - (iv) lease maturity profile, in terms of the percentage of total gross rental income, for each of the next five years.
- (d) in respect of the other assets of a property fund, details of the:
 - (i) 10 most significant holdings (including the amount and percentage of fund size at market valuation); and
 - (ii) distribution of investments in dollar and percentage terms by country, asset class (*e.g.* equities, mortgage-backed securities, bonds, etc.) and by credit rating of all debt securities (*e.g.* "AAA", "AA", etc.);
- (e) details of the property fund's exposure to derivatives, including the amount (i.e. net total aggregate value of contract prices) and percentage of derivatives investment of total fund size and at market valuation;
- (f) details of the property fund's investment in other property funds, including the amount and percentage of total fund size invested in;
- (g) details of borrowings of the property fund;
- (h) details of deferred payment arrangements entered into by the property fund (if applicable);

¹⁷ In order to facilitate more meaningful comparisons between different REITS, the annual report should disclose details of the property fund's investments in leasehold properties. The disclosure should be informative and meaningful, so that participants are provided details of the unexpired lease terms of leasehold properties. One approach would be to provide the proportion of the property fund invested in leasehold properties and the weighted average unexpired lease term of these assets.

- (i) the total operating expenses of the property fund, including all fees and charges paid to the Manager, adviser and interested parties (if any), and taxation incurred in relation to the scheme's real estate assets;
- (j) the performance of the property fund in a consistent format, covering various periods of time (e.g. 1-year, 3-year, 5-year or 10-year) whereby:
 - (i) in the case of an unlisted property fund, such performance is calculated on an "offer to bid" basis over the period¹⁸; or
 - (ii) in the case of a listed property fund, such performance is calculated on the change in the unit price transacted on the stock exchange over the period¹⁹.

Calculation of scheme performance should include any dividends/distributions made assuming that they were reinvested into the property fund on the day they were paid out²⁰;
- (k) its NAV per unit at the beginning and end of the financial year; and
- (l) where the property fund is listed, the unit price quoted on the exchange at the beginning and end of the financial year, the highest and lowest unit price and the volume traded during the financial year.

11.3 The Third Schedule of the SFR requires the prospectus to disclose the risks specific to investing in property funds. Some examples of such risks (list is not exhaustive; to be explained in relation to the property fund being offered, where appropriate) include the following:

- (a) *Diversification* — Property funds tend to be less well-diversified than general securities funds.
- (b) *High gearing* — Property funds tend to be more highly geared than general securities funds. This could be risky if interest rates rise sharply.
- (c) *Valuation* — Property valuation, which affects the offer price of units in a property fund, is subjective.
- (d) *Illiquidity of properties* — The underlying properties in a property fund are often illiquid. Property may have to be sold to make distributions if market conditions change, or to meet redemptions if the fund is unlisted or delisted; the property fund may be unable to do this expediently where the need arises.

11.4 Where the Manager intends to charge or has received a fee upon the property fund's acquisition of real estate assets, the following should be disclosed, in percentage terms and/or dollar value and in tabular form, in the offering document, circular to unitholders or other appropriate medium:

- (a) acquisition fee payable to the REIT Manager; and
- (b) if a profit forecast is made,
 - (i) the expected incremental income to the REIT; and
 - (ii) the expected incremental base and performance fee payable to the REIT Manager.

11.5 Where the Manager intends to charge or has received a fee upon the property fund's disposal of real estate assets, such fee (in percentage terms and/or dollar value) should be disclosed in the offering document, circular to unitholders or other appropriate medium. An explanation of how the disposal would be in the interests of participants should also be included.

¹⁸ For the purpose of comparing the property trust's performance with an index or other property funds, such comparisons should be made based on the requirements set out in Regulation 26 of the Securities and Futures (Offers or Investments) (Collective Investment Schemes) Regulations 2005.

¹⁹ This should be based on the closing price on the last day of the preceding reporting period (or in the case of a new fund, the opening price on the first day of trading) compared with the closing price on the last day of the current period.

²⁰ The price at which dividends/distributions are assumed to be reinvested should be the bid price (in the case of an unlisted property fun) or the closing price of the unit traded on SGX (in the case of a listed property fun) on the ex-dividend or ex-distribution date.

11.6 Where forecasts of distribution yields are provided in offering documents, circulars, announcements and marketing materials of a property fund, and deferred payment arrangements have been or will be entered into by the property fund, clear and prominent disclosure of the details of the deferred payment arrangements entered into should be made, including forecasts of distribution yields assuming all deferred payments are settled in full.

12. Consultation with Authority

12.1 Where the Manager intends to incorporate features which may lead to inequality of treatment of participants or potential participants (e.g. the provision of volume discounts²¹) or which may make less apparent the value of a proposed transaction, the Authority should be consulted in advance.

²¹ Volume discounts refer to discounts given to investors when they subscribe for a specified minimum number of units in the property fund.

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PRESENT AND PAST DIRECTORSHIPS OF THE DIRECTORS AND EXECUTIVE OFFICERS OF THE MANAGER

Directors of the Manager

Professor Tsui Kai Chong

Present Directorships

Fullerton Fund Management Company Ltd
Keppel Land Limited

Past Directorships

Keppel Capital Holdings Ltd
Keppel TatLee Bank Ltd

Mr Kevin Wong Kingcheung

Present Directorships

Alpha Investment Partners Ltd
Asia Real Estate Fund Management Ltd
Avondale Properties Ltd
BCH Hotel Investment Pte Ltd
BCH Office Investment Pte Ltd
BCH Retail Investment Pte Ltd
BFC Development Pte Ltd
Bintan Resort Management Pte Ltd
BioMEMS International Pte Ltd
Bugis City Holdings Pte Ltd
China-Singapore International Pte Ltd
China World Investment Pte Ltd
CityOne Township Development Pte Ltd
Crown Million Enterprises Ltd
Devonshire Development Pte Ltd
Dragon Land Ltd
Esqin Pte Ltd
Gasin Suzhou Property Development Co Ltd
HarbourFront One Pte Ltd
HarbourFront Two Pte Ltd
HarbourFront Three Pte Ltd
KeplandeHub Ltd
Keppel Bay Pte Ltd
Keppel Digihub Holdings Ltd
Keppel Land International Ltd
Keppel Land Limited
Keppel Marina Holdings Pte Ltd
Keppel Marina Pte Ltd
Keppel Philippines Properties Inc
Keppel Point Pte Ltd
Keppel Thai Properties Public Co Ltd
Kingsdale Development Pte Ltd
Ocean Properties Pte Ltd
One Raffles Quay Pte Ltd
P.T. Bintan Resort Corporation
P.T. Pantai Indah Tateli
Parksville Development Pte Ltd
Raffles Quay Asset Management Pte Ltd

Past Directorships

Bintan Lagoon Resort Ltd
Capital Square Pte Ltd
HDB Corporation Pte Ltd
Health Services Investment of Singapore
Pte Ltd
Health Services Management of Singapore
Pte Ltd
International Centre Joint Venture Co Ltd
Keppel Harbour Redevelopment Ltd
Keppel Land WATCO I Co Ltd
Keppel Land WATCO II Co Ltd
Keppel Land WATCO III Co Ltd
Keppel Land WATCO IV Co Ltd
Keppel Land WATCO V Co Ltd
Keppel TatLee Finance Ltd
P.T. Bintan Lagoon
Quang Ba Royal Park Joint Venture Co Ltd
Safe Enterprises Pte Ltd
Sedona Clubs & Resorts International Pte Ltd
Straits-CM Village Hotel Pte Ltd

Present Directorships

Sedona Hotels International Pe Ltd
Singapore-Bintan Resort Holdings Pte Ltd
Singapore Hotel Association
Singapore-Shenyang Township Development
Pte Ltd
Singapore-Suzhou Township Development
Pte Ltd
Straits Parco Retail Management Pte Ltd
Straits Steamship Retail Management Pte Ltd
Suzhou Property Development Pte Ltd
Tanah Sutera Development Sdn Bhd
Union Charm Development Ltd
Waterfront Properties Pte Ltd

Mr Tan Swee Yiow

Present Directorships

Acresvale Investment Pte Ltd
Asia No. 1 Property Fund Ltd
BCH Hotel Investment Pte Ltd
BCH Office Investment Pte Ltd
BCH Retail Investment Pte Ltd
BCH Retail Services Pte Ltd
BFC Development Pte Ltd
Bayfront Development Pte Ltd
Boulevard Development Pte Ltd
Bugis City Holdings Pte Ltd
Bugis Junction Asset Management Pte Ltd
Creek & Cove Properties Pte Ltd
DL Properties Pte Ltd
Dovesdale Development Pte Ltd
EM Services Pte Ltd
Glenville Estate Investment Pte Ltd
HarbourFront One Pte Ltd
HarbourFront Two Pte Ltd
HarbourFront Three Pte Ltd
Harvestland Development Pte Ltd
Hospitality Sales Pte Ltd
Keppel Digihub Holdings Ltd
Keppel Digihub Ltd
Keppel Land Estate Pte Ltd
Keppel Land Financial Services Pte Ltd
Keppel Land Investment Pte Ltd
Keppel Land Properties Pte Ltd
Keppel Land (Palm Gardens) Pte Ltd
Keppel Land (Tower D) Pte Ltd
Keppel Land (Villa Verde) Pte Ltd
Keppel Point Pte Ltd
Mansfield Realty Limited
Ocean & Capital Properties Pte Ltd
Ocean Properties Pte Ltd
One Raffles Quay Pte Ltd
Pasir Panjang Realty Pte Ltd
Privi Plus Pte Ltd
PT Sedona Hotels Indonesia
Raffles Quay Asset Management Pte Ltd

Past Directorships

Past Directorships

Bukit Timah Hill Development Pte Ltd
Capital Square Pte Ltd
Denton Investment Pte Ltd
Earnwell Pte Ltd
Evansville Investments Pte Ltd
Goodways Investment Pte Ltd
Hotel Procurement Pte Ltd
Keppel Bay Pte Ltd
Keppel Land Construction Management Pte Ltd
Keppel Land Development Pte Ltd
Keppel Land Realty Pte Ltd
Keppel Land (Mayfair) Pte Ltd
Keppel Marina Pte Ltd
Mansfield Developments Pte Ltd
Pride Properties Sdn Bhd
Sedona Clubs & Resorts International Pte Ltd
Semtec Construction Pte Ltd
Sherwood Development Pte Ltd
Starville Investment Pte Ltd
Steadfast Development Pte Ltd
Straits Properties Ltd
Tat Chuan Development (Pte) Ltd
Virginia Developments Pte Ltd
Waterfront Properties Pte Ltd
Waterville Investment Pte Ltd
Wingem Investment Pte Ltd
Winpeak Investment Pte Ltd

Present Directorships

SAFE Enterprises Pte Ltd
Sedona Hotels Bintan Management Pte Ltd
Sedona Hotels International Pte Ltd
Singapore Integrated Resorts Pte Ltd
Straits Property Investments Pte Ltd
Straits Property Management Pte Ltd
Straits Steamship Retail Management Pte Ltd
Wellmade Sdn Bhd
Winners Path Pte Ltd

Past Directorships**Mrs Lee Ai Ming****Present Directorships**

Addision Pte Ltd
HTL Int'l Holdings Limited
Keppel Land Limited
Visodand Pte Ltd

Past Directorships

Nil

Mr Lim Poh Chuan**Present Directorships**

Income Partners Greater China High Yield
Fund
Income Partners (Singapore) Pte Ltd
New China Land Group Limited
Kapital Asia Company Limited

Past Directorships

Interra Resources Limited
Sino Eastern Development & Investment
Corporation
KLW Holdings Limited

Dr Chin Wei-Li, Audrey Marie**Present Directorships**

Singapore Petroleum Company Ltd

Past Directorships

Save the Children Singapore Limited
Rossignol Private Limited

Executive Officers of the Manager**Ms Melissa Teh nee Tan Siew Ngok****Present Directorships**

Gold Star Property Co. Ltd
Matchfit Investments Ltd
PT Sentral Supel Perkasa
Corner Stone Realty Co., Ltd

Past Directorships

Nil

Mr Chin Chee Syn**Present Directorships**

Nil

Past Directorships

Nil

Mr Tan Yek Sang

Present Directorships

Nil

Past Directorships

Nil

Mr Ong Pee Yeow

Present Directorships

Nil

Past Directorships

Nil

Ms Serena Toh Lai Siong

Present Directorships

Keppel Land (Tower D) Pte Ltd

Past Directorships

Nil

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