

## ASX Release / Media Release

27 September 2012

### MIRVAC ANNOUNCES SECOND CAPITAL PARTNERSHIP TRANSACTION WITH K-REIT ASIA

Mirvac Group ("Mirvac") [ASX:MGR] today announces that it has entered into a conditional contract to sell a 50 per cent interest in the Old Treasury Building development in Perth, Western Australia to K-REIT Asia ("K-REIT").

A summary of the transaction is outlined as follows:

- Through a wholly owned subsidiary, Mirvac (Old Treasury) Trust, Mirvac entered into a Development Agreement in relation to the delivery of the Old Treasury Office Tower with the State Government of Western Australia.
- K-REIT is to acquire a 50 per cent interest in the Mirvac (Old Treasury) Trust and the associated trustee, Mirvac (Old Treasury) Pty Limited for \$165.0 million.
- The sale price is based on a pre-agreed capitalisation rate of 7.15 per cent with an adjustment to take place upon sub-lease commencement based on the adjusted net operating income of the property.
- K-REIT is to fund through 50 per cent of the development costs at an effective rate of 7.00 per cent, until sub-lease commencement.
- Settlement is expected to take place in March 2013 and is subject to the satisfaction of conditions precedent to completion, which includes FIRB approval, consents from the Western Australian State Government and the Perth Diocesan Trustee.
- Mirvac Constructions (WA) Pty Limited remains responsible for delivery of the Old Treasury Building under a fixed price design and construct contract.
- It is anticipated that on completion, Mirvac Asset Management will be appointed as property manager by the co-owners.

Mirvac's CEO Platform, Bevan Towning said, "We are very pleased to further strengthen our strategic relationship with K-REIT as a 50 per cent co-investor in the office tower.

"This transaction represents Mirvac's second co-investment with K-REIT, following the sale of a 50 per cent interest in our latest premium grade Sydney office tower, 8 Chifley Square, and we are delighted to work with K-REIT to deliver one of Perth's flagship projects."

Old Treasury Building will be a new A grade commercial building located on the landmark site of the Old Treasury in Perth. The office tower is scheduled for completion in FY15 at which time the co-owners will receive a 99 year ground lease from the State of Western Australia. The building has a net lettable area of approximately 30,800 square metres and 98.0 per cent is pre-committed under a sub-lease to the Government of Western Australia for 25 years.

The property is targeting a 5 Star Green Star rating (by the Green Building Council of Australia) and is designed to achieve a 4.5 Star NABERS Energy Rating.

"This 50 per cent sale is consistent with Mirvac's commitment to drive development returns from commercial activities while taking a prudent approach to managing development risk and the Group's capital position," said Brett Draffen, CEO Development.

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“Matching our high quality assets and developments with external capital is an important element of our strategy to improve returns for our securityholders. Mirvac’s integrated model allows us to develop, construct, lease and manage our assets internally, providing access to a superior product for our Capital Partners,” added Mr Draffen.

Attached is an announcement made by K-REIT to the Singapore Stock Exchange.

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### About Mirvac

Mirvac is a top 50 ASX listed company and leading Australian real estate investment trust with \$8.9 billion of activities across the investment and development spectrums.

Mirvac operates two core divisions, Investment and Development. Investments actively manage a high quality portfolio of office, retail and industrial assets, leased to leading Australian and international companies. The Development Division, which delivers innovative and quality commercial and residential developments, is underpinned by the strength of Mirvac’s brand, established for 40 years in the Australian development and construction industry.

### About K-REIT Asia

Sponsored by Keppel Land Limited, one of the largest listed property companies in Singapore, K-REIT Asia was listed on the Singapore Exchange on 28 April 2006 following a distribution in specie of units in K-REIT Asia to its shareholders.

K-REIT Asia aims to generate steady and sustainable returns for its Unitholders by investing in quality income-producing commercial properties and real estate-related assets in Singapore and key cities pan-Asia.

As at 25 September 2012, K-REIT Asia has an asset size of approximately \$6.3 billion, comprising eight quality commercial properties. In Singapore, K-REIT Asia owns Bugis Junction Towers, a one-third interest in Marina Bay Financial Centre Towers 1 & 2 and Marina Bay Link Mall, a 99.9 per cent interest in Ocean Financial Centre, a one-third interest in One Raffles Quay and 92.8% of the strata area in Prudential Tower.

In Australia, K-REIT Asia owns a 50 per cent interest in 275 George Street in Brisbane, the office tower at 77 King Street and a 50 per cent interest in 8 Chifley Square, both in Sydney.

K-REIT Asia is managed by K-REIT Asia Management Limited, a wholly-owned subsidiary of Keppel Land Limited.



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

**ACQUISITION OF FIFTY PER CENT (50%) INTEREST IN  
A NEW OFFICE TOWER TO BE BUILT ON PERTH'S OLD TREASURY  
BUILDING SITE, AUSTRALIA**

**1. INTRODUCTION**

- 1.1 The Board of Directors of K-REIT Asia Management Limited (the "**Manager**"), as the manager of K-REIT Asia ("**K-REIT**"), is pleased to announce that RBC Investor Services Trust Singapore Limited, in its capacity as trustee of K-REIT (the "**K-REIT Trustee**"), has, through Keppel REIT (Australia) Sub-Trust 3 (the "**K-REIT Sub-Trust**")<sup>1</sup>, a wholly-owned sub-trust of K-REIT, entered into a sale agreement ("**Sale Agreement**") and a subscription agreement ("**Subscription Agreement**") with Mirvac Projects Pty Limited ("**MPPL**"), which is part of the Mirvac Group ("**Mirvac**"), for the acquisition of fifty per cent (50%) interest in Mirvac (Old Treasury) Trust ("**MOTT**"), which has entered into a development agreement with the State of Western Australia to deliver a new office tower which will be built on the Old Treasury Building site, in the central business district ("**CBD**") of Perth, Australia (the "**Property**", and the transaction acquiring the Property, the "**Transaction**") on 26 September 2012. Together, K-REIT Sub-Trust and MPPL will jointly hold the Property through MOTT.
- 1.2 The Transaction constitutes a discloseable transaction under Chapter 10 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") (the "**Listing Manual**").

**2. INFORMATION ON THE PROPERTY AND MIRVAC**

- 2.1 The office tower is currently under construction. This new office tower, sited on the Old Treasury Building development, will be a 35-storey premium Grade A building and is strategically located in the heart of Perth's CBD. The new office tower is targeted for completion in the second half of 2015, and will have approximately 331,500 square feet of net lettable area (NLA) and 203 car park lots.
- 2.2 The Property is flanked by St Georges Terrace (which is the main street of the CBD), Barrack Street, Pier Street and Hay Street. The building is easily accessible by the nearby Esplanade bus and train stations. The office tower will be targeting a 5-Star Green Star by the Green Building Council Australia and a 4.5-Star National Australian Built Environment Rating System ("**NABERS**") energy rating. When completed, the office tower will be approximately 98% leased to the Government of Western Australia, which has committed to a lease for a period of 25 years with options for another 25 years.

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<sup>1</sup> A trust newly constituted in Australia which is wholly-owned by K-REIT. The trustee of this sub-trust is The Trust Company (Australia) Limited.

2.3 Mirvac is a leading construction and development company in Australia with more than 40 years of experience in real estate investment, development and fund management.

### 3. CONSIDERATION AND PRINCIPAL TERMS OF THE TRANSACTION

#### 3.1 Consideration for the Transaction

3.1.1 The aggregate consideration for the Transaction (including the Initial Purchase of Units and Notes (as defined below) and the Subsequent Issuances of Units and Notes (as defined below)) will be A\$165.0 million (approximately S\$211.2 million) (the "**Consideration**"), subject to adjustment described in paragraph 3.3.2. The final Consideration was arrived at on a willing-buyer and willing-seller basis, taking into account the adjusted net property income achieved by the Property in the first year from the commencement date of the Government of Western Australia's lease, capitalised at the agreed rate of 7.15%.

3.1.2 Aside from the terms set out in paragraphs 3.2, 3.3 and 3.4 below, there are no other material conditions attached to the Transaction.

#### 3.2 Sale Agreement and Members' Agreement

3.2.1 Under the Sale Agreement and the Subscription Agreement, K-REIT Sub-Trust will acquire (a) fifty percent (50%) of the existing units in MOTT; (b) fifty percent (50%) of the convertible notes and units to be issued by MOTT at completion of the Sale Agreement; and (c) fifty percent (50%) of the ordinary shares in the capital of Mirvac (Old Treasury) Pty Limited, the trustee of MOTT (collectively, the "**Initial Purchase of Units and Notes**"). The consideration payable for the Initial Purchase of Units and Notes on completion of the Sale Agreement is A\$82.5 million (S\$105.6 million). Following completion, K-REIT will receive an effective return of 7% based on the total funds contributed until the Government of Western Australia's lease has commenced.

3.2.2 On completion of the Sale Agreement, the interests of K-REIT Sub-Trust and MPPL as unitholders-cum-noteholders of MOTT will be equal. The condition precedents in the Sale Agreement include:

- (a) that the Treasurer of the Commonwealth of Australia has either (i) no objection under the Foreign Acquisitions and Takeovers Act 1975 (Cth) or Australian foreign investment policy to the acquisition of the existing units and convertible notes in MOTT or the shares in Mirvac (Old Treasury) Pty Limited or (ii) become precluded from exercising any power to make any order under the Foreign Acquisitions and Takeovers Act 1975 (Cth);
- (b) all consents or statements of no objection from the Government of Western Australia or any other parties whose prior consent is required for the Transaction having been obtained; and

- (c) the granting of the ground anchor licences by the City of Perth and the Minister of Works, Government of Western Australia in favour of Mirvac (Old Treasury) Pty Limited.

3.2.3 K-REIT Sub-Trust and MPPL will also enter into a Members' Agreement to govern their mutual rights and obligations as unitholders-cum-noteholders of MOTT, and the Members' Agreement will provide for the provisions mandated under paragraph 6.5 of the Property Funds Appendix to safeguard K-REIT's interests.

### 3.3 Subscription Agreement and Progress Payments

3.3.1 Pursuant to the Subscription Agreement, K-REIT Sub-Trust and MPPL will each subscribe, based on a fixed schedule, for a further five (5) tranches of convertible notes and units in MOTT (the "**Subsequent Issuances of Units and Notes**"), each party's contribution amounting to A\$82.5 million (S\$105.6 million).

3.3.2 On the later of 23 June 2015 or 10 business days after the commencement date of the Government of Western Australia's lease, the final Consideration (the "**Final Consideration**") will be determined based on the adjusted net operating income achieved by the Property in the first year from the commencement date of the Government of Western Australia's lease, capitalised at the agreed rate of 7.15%. The difference between the Final Consideration and the Consideration will be paid by, or refunded to, K-REIT Sub-Trust as follows:

- (a) in the event the Consideration is less than the Final Consideration, K-REIT Sub-Trust and MPPL will each subscribe for a sixth and final tranche of units in MOTT for a price equivalent to the difference between the Final Consideration and the Consideration; or
- (b) in the event the Final Consideration is less than the Consideration, MOTT will return an amount to K-REIT Sub-Trust and MPPL equivalent to the difference between the Final Consideration and the Consideration.

### 3.4 Development Agreement

3.4.1 MOTT will appoint MPPL under a development agreement (the "**Development Agreement**") to carry out the lease management of the Property. MOTT has appointed Mirvac Constructions (WA) Pty Limited to carry out the construction under a design and construction agreement, and will make payments to Mirvac Constructions (WA) Pty Limited based on the percentage of the construction progress achieved as certified by an independent certifier.

3.4.2 Under the Development Agreement, MOTT will pay MPPL a development management fee. However, to incentivise MPPL to achieve higher rental rates for the remaining space in the Property, there would be an adjustment to the consideration amount depending on the actual net operating income achieved

by the Property, in the first year from commencement date of the Government of Western Australia's lease, capitalised at the agreed rate of 7.15%.

#### 4. FINANCIAL EFFECTS

##### 4.1 Assumptions

The pro forma financial effects of the Transaction presented below are strictly for illustration purposes and do not reflect the actual financial position of K-REIT after completion of the Transaction. They have been prepared based on the latest audited financial statements of K-REIT for the financial year ended 31 December 2011 ("FY 2011"), taking into account the Consideration as well as the assumption that the Transaction is funded by debt.

##### 4.2 Pro Forma Net Profits<sup>2</sup>

The FY 2011 pro forma net profits attributable to the Transaction is approximately S\$3.8 million<sup>3</sup>.

##### 4.3 Pro Forma Net Asset Value ("NAV")

FOR ILLUSTRATIVE PURPOSES ONLY: The table below sets out the pro forma financial effects of the Transaction on the NAV per unit in K-REIT ("Unit") as at 31 December 2011, as if the Transaction was completed on 31 December 2011.

	Before the Transaction	Adjusted for the Transaction
NAV per Unit (S\$)	1.26 <sup>4</sup>	1.26

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<sup>2</sup> Based on coupon interest received, net of trust and financial expenses.

<sup>3</sup> Based on average AUD:SGD exchange rate for FY 2011.

<sup>4</sup> Based on K-REIT's FY 2011 audited financial statements.

#### 4.4 Pro Forma Distribution per Unit<sup>5</sup> ("DPU")

FOR ILLUSTRATIVE PURPOSES ONLY: The table below sets out the pro forma financial effects of the Transaction on K-REIT's DPU for FY 2011, as if K-REIT had completed the Transaction on 1 January 2011 and held the interest in the Property through to 31 December 2011.

	Before the Transaction	Adjusted for the Transaction	Accretion
DPU (cents)	7.08 <sup>6</sup>	7.27	2.7%

### 5. RATIONALE FOR THE TRANSACTION

The Manager believes that the Transaction will bring the following key benefits to unitholders of K-REIT ("**Unitholders**"):

#### 5.1 Competitive Strengths of the Property

The Transaction is in line with the Manager's growth strategy of acquiring good quality commercial properties in key cities pan-Asia, so as to deliver stable distribution and sustainable total returns to Unitholders. Upon completion in 2015, the Property will be a new 35-storey premium Grade A office development located in the heart of Perth's CBD.

The office tower will be approximately 98% leased to the Government of Western Australia for the period of 25 years with options for another 25 years.

In line with K-REIT's green initiatives, the Property is designed to achieve a 5-star Green Star and 4.5-star NABERS rating, providing energy efficient building operations.

The forward purchase arrangement will allow Unitholders to be paid a yield of 7% during the development period. Post-completion, the Property is expected to enjoy a net property yield of 7.15% based on the committed lease to the Government of Western Australia.

#### 5.2 Income Accretion

The Transaction is expected to be income-accretive from the date of the Transaction, providing a steady stream of cash flows for Unitholders at a yield of 7% during the development period and 7.15% when the lease to the Government of Western Australia commences. There will be annual rental escalations throughout the 25-year lease term, providing Unitholders with increasing income.

<sup>5</sup> Rule 1010(9) of the Listing Manual requires that the issuer discloses the effect of the transaction on the earnings per share of the issuer for the most recently completed financial year, assuming that the transaction had been effected at the beginning of that financial year. The effect of the transaction on the distribution per Unit is disclosed instead as it is a more appropriate measure for a real estate investment trust.

<sup>6</sup> Based on K-REIT's FY 2011 audited financial statements.

### 5.3 **Income and Tenant Diversification**

The returns structure and long lease commitment from the Government of Western Australia will provide income certainty over the entire lease term of 25 years, diversifying and improving K-REIT's income and tenant profiles.

### 5.4 **Extend K-REIT's Weighted Average Lease Expiry ("WALE")**

The top ten tenant's WALE will increase significantly from 7.5 years to 9.7 years and the portfolio WALE will increase significantly from 6.1 years to 7.2 years as at 30 September 2012.

### 5.5 **Development Risk**

K-REIT considers that development risk is negligible as the acquisition structure has ring-fenced this risk. In addition, during the development period, K-REIT will continue to receive returns on its subscriptions in MOTT.

## 6. **METHOD OF FINANCING**

The first payment will be funded by debt. The Manager will determine the optimal funding structure for the subsequent progress payment tranches which commence in December 2013, depending on prevailing market conditions, amongst other factors.

## 7. **INTERESTS OF THE DIRECTORS AND CONTROLLING UNITHOLDERS**

None of the directors of the Manager or controlling Unitholders has any interest, direct or indirect, in the Transaction.

## 8. **OTHER INFORMATION**

### 8.1 **Director's Service Contracts**

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

### 8.2 **Disclosure under Rule 1010(13) of the Listing Manual**

8.2.1 Chapter 10 of the Listing Manual classifies transactions by K-REIT into (i) non-discloseable transactions, (ii) discloseable transactions, (iii) major transactions and (iv) very substantial acquisitions or reverse takeovers, depending on the size of the relative figures computed on, among other things, the following bases:

- (a) the net profits attributable to the assets acquired, compared with K-REIT's net profits;
- (b) the aggregate value of the consideration given, compared with K-REIT's market capitalisation based on the total number of issued units excluding treasury units; and

- (c) the number of equity securities issued by K-REIT as consideration for the Transaction, compared with the number of equity securities previously in issue.
- 8.2.2 Based on the Manager's estimated net profits attributable to the Transaction and K-REIT's latest announced financial statements as at 30 June 2012, the relative figure for the basis of comparison set out in sub-paragraph 8.2.1(a) is approximately 2.9%.
- 8.2.3 Based on the Consideration and K-REIT's market capitalisation as at 25 September 2012 having been S\$3.1 billion, the relative figure for the basis of comparison set out in sub-paragraph 8.2.1(b) above is approximately 6.8%.
- 8.2.4 The relative figure for the basis of comparison set out in sub-paragraph 8.2.1(c) above is not applicable<sup>7</sup>.
- 8.2.5 Under Rule 1010 of the Listing Manual, where any of the relative figures computed on the bases set out above exceeds 5% but does not exceed 20%, the Transaction is regarded as a discloseable transaction.

### 8.3 Documents for Inspection

The Sale Agreement and Subscription Agreement are available for inspection during normal business hours at the registered office of the Manager at 1 HarbourFront Avenue #18-01, Keppel Bay Tower, Singapore 098632<sup>8</sup>, for a period of three (3) months commencing from the date of this announcement.

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<sup>7</sup> The relative figure for the basis of comparison set out in sub-paragraph 8.2.1(c) above does not apply because no equity securities will be issued by K-REIT as consideration for the Transaction.

<sup>8</sup> Prior appointment with the Manager will be appreciated.

BY ORDER OF THE BOARD  
K-REIT Asia Management Limited  
(Company registration no. 200411357K)  
As manager of K-REIT Asia

Choo Chin Teck / Kelvin Chua Hua Yeow  
Joint Company Secretaries Singapore

26 September 2012

### **Important Notice**

This Announcement is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for Units.

This Announcement may contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from other companies and venues for the sale or distribution of goods and services, shifts in customer demands, customers and partners, changes in operating expenses (including employee wages, benefits and training costs), governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support future business. Investors are cautioned not to place undue reliance on these forward-looking statements, which are based on the Manager's current view on future events. The past performance of K-REIT and the Manager are not necessarily indicative of the future performance of any of them.

The value of Units and the income derived from them may fall as well as rise. Units are not obligations of, deposits in, or guaranteed by, the Manager, or any of its affiliates. An investment in Units is subject to investment risks, including the possible loss of the principal amount invested.

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

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