MARKET RELEASE

CHALLENGER KENEDIX JAPAN TRUST ANNOUNCES RECOMMENDED $1.00 CASH OFFER

9 December 2009, Sydney: Challenger Listed Investments Limited (CLIL), the Responsible Entity of Challenger Kenedix Japan Trust (ASX:CKT), today announced a proposal which, if approved and implemented, will result in Challenger Life Company Limited (CLC) owning all of the units in CKT and the unitholders receiving cash consideration of $1.00 for each unit (Proposal). The Proposal is subject to the approval of unitholders and certain other conditions being satisfied.

The Independent Directors of CLIL unanimously recommend the Proposal in the absence of a superior proposal.

The Chair of CLIL, Ms Brenda Shanahan, said: “The Proposal provides CKT unitholders with certain value at a premium to levels at which CKT is likely to trade given the challenges facing the trust.”

Key points of Proposal:

- CLC to subscribe for new units in CKT and the proceeds to be used to redeem all of the existing CKT units at a cash price of $1.00 per CKT unit, representing a premium of:
  - ◊ 49.0% over the adjusted closing price on 8 December 2009 of $0.67[1], being the last day prior to this announcement;
  - ◊ 45.2% based on the adjusted one month volume weighted average price (VWAP) to 8 December 2009 of $0.69[1]
  - ◊ 45.1% based on the adjusted three month VWAP to 8 December 2009 of $0.69[1]; and
  - ◊ 82.9% based on the adjusted six month VWAP to 8 December 2009 of $0.55[1].
- December 2009 estimated distribution of $0.03 per unit, also announced today, to be paid to unitholders on 26 February 2010.
- The Independent Directors of CLIL unanimously recommend the proposal in the absence of a superior proposal.
- The Independent Expert, Deloitte Corporate Finance Pty Ltd, has provided an opinion that the offer, while not fair, is reasonable and is in the best interests of CKT unitholders.

Commenting on the background to the Proposal, CKT Fund Manager Brett McCarthy said: “Whilst CKT’s operational performance continues to be strong, the trust faces a number of external challenges that have contributed to the discount at which CKT units trade relative to net tangible asset (NTA) backing.

[1] All unit price and premia data has been adjusted proportionately for the estimated distribution of $0.03

"Market conditions in Japan remain difficult, with continued pressure on asset values reflected in updated November 2009 valuations reducing the appraisal value of the portfolio by 4.7%, which translates into a reduction in pro-forma NTA[1] to $1.80, compared to $2.02 at 30 June 2009. These asset devaluations have reduced covenant headroom, and together with a more constrained lending market in Japan, will most likely require CKT to raise additional equity prior to the refinancing of existing debt facilities in 2012. Other factors, including exposure to AUD/JPY exchange rate volatility, limited trading liquidity, and lack of sufficient scale to make accretive acquisitions have also adversely impacted investor sentiment toward CKT."

Ms Shanahan further commented: "Given the challenges facing CKT, the CLIL Board has been proactive in considering a range of strategic options to maximise unitholder value including maintaining the status quo, a recapitalisation via an equity raising and / or selected asset sales, an orderly wind up, a merger with another REIT and inviting proposals for the acquisition of CKT. The Board analysed the potential value under each option for a CKT unitholder, as well as the risks associated with realising that value. After receipt and assessment of the Proposal from CLC, the Independent Directors considered that, in the absence of a superior proposal, the Proposal provides the most compelling and most certain value proposition for all unitholders."

The scheme booklet will include a more detailed explanation of the strategic options along with a copy of the Independent Expert's report. The scheme booklet will be lodged with ASIC today and should be sent to CKT Unitholders in early January 2010. This would allow the unitholder meeting to consider the Proposal to be held in late January 2010, with completion in early February 2010 if the scheme is approved by unitholders and other conditions are satisfied.

A copy of the Scheme Implementation Agreement (SIA) with CLC also accompanies this document.

The Independent Directors are being advised by UBS Investment Bank and Blake Dawson.

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[1] As at 30 November 2009, based on exchange rate of AUD/JPY 81.84. Pro forma NTA equals 30 June 2009 NTA adjusted for changes in property valuations and currency movements