

**K-REIT ASIA  
FULL YEAR 2006 FINANCIAL STATEMENT ANNOUNCEMENT****UNAUDITED RESULTS FOR THE PERIOD FROM 28 NOVEMBER 2005 TO 31 DECEMBER 2006****TABLE OF CONTENTS**

	Page
- SUMMARY OF K-REIT ASIA RESULTS	2
- INTRODUCTION	3
1(a) PROFIT AND LOSS ACCOUNT	4
1(b)(i) BALANCE SHEET	6
1(b)(ii) AGGREGATE AMOUNT OF BORROWINGS AND DEBT SECURITIES	7
1(c) CASH FLOW STATEMENT	8
1(d)(i) STATEMENT OF MOVEMENTS IN UNITHOLDERS' FUNDS	9
1(d)(ii) DETAILS OF CHANGES IN THE UNITS	11
2 AUDIT	11
3 AUDITORS' REPORT	11
4 ACCOUNTING POLICIES	11
5 CHANGES IN ACCOUNTING POLICIES	11
6 EARNINGS PER UNIT AND DISTRIBUTION PER UNIT	12
7 NET ASSET VALUE	12
8 REVIEW OF PERFORMANCE	13
9 VARIANCE FROM PROSPECTS STATEMENT	14
10 PROSPECTS	16
11 DISTRIBUTIONS	17
12 DIVIDEND STATEMENT	17
13, 14 SEGMENTAL INFORMATION	18
15 BREAKDOWN OF SALES	19
16 BREAKDOWN OF TOTAL ANNUAL DISTRIBUTION	19

The financial adviser for the introduction of the units of K-REIT Asia to the Main Board of the SGX-ST is Deloitte & Touche Corporate Finance Pte Ltd.

**SUMMARY OF K-REIT ASIA RESULTS  
FOR PERIOD ENDED 31 DECEMBER 2006**
**ACTUAL VS FORECAST**

	Actual 1/10/06 to 31/12/06	Actual 26/04/06 to 31/12/06 <i>(Note 1)</i>	Forecast 26/4/06 to 31/12/06	+ / (-)
	\$'000	\$'000	\$'000	%
Property Income	9,102	23,861	21,632	10.3
Property Expenses	(2,888)	(7,047)	(6,521)	8.1
Net Property Income	6,214	16,814	15,111	11.3
Other Property Operating Expenses	(3,046)	(8,447)	(8,600)	(1.8)
Net Profit Before Tax	3,168	8,367	6,511	28.5
Net Tax Adjustments	1,088	2,807	2,510	11.8
Taxable Income Available for Distribution to Unitholders	4,256	11,174	9,021	23.9
Distributable Income to Unitholders <sup>2</sup>	4,256	11,174	9,021	23.9
Distribution Per Unit (cents) For the Period	1.76	4.63	3.72	24.5
Annualised	6.98	6.76	5.43	24.5

**Notes:**

- (1) K-REIT Asia was established on 28 November 2005, but the acquisition of the properties was completed on 26 April 2006. Hence, the income and expenses related only to the period from 26 April 2006 to 31 December 2006. K-REIT Asia has no income and expenses from 28 November 2005 to 25 April 2006.
- (2) The distributable income to unitholders is based on 100% of the taxable income available for distribution to unitholders.

Refer to Paragraphs 1 and 9 for details.

---

**DISTRIBUTION & BOOK CLOSURE DATE**

Name of Distribution	1 July 2006 to 31 December 2006
Distribution Type	Income
Distribution Rate	3.47 cents per unit payable on 28 February 2007*
Books Closure Date	31 January 2007
Date Payable	28 February 2007

\* Distribution Rate excludes 1.16 cents paid on 28 August 2006. Distribution Rate for 26 April 2006 to 31 December 2006 is 4.63 cents per unit.

## INTRODUCTION

K-REIT Asia is a real estate investment trust constituted by the Trust Deed entered into on 28 November 2005 between K-REIT Asia Management Limited as manager of K-REIT Asia and RBC Dexia Trust Services Singapore Limited as trustee of K-REIT Asia. K-REIT Asia was listed on the Singapore Exchange Securities Trading Limited by way of an Introduction on 28 April 2006.

K-REIT Asia's objective is to generate stable returns to Unitholders by owning and investing in a portfolio of quality income-producing commercial real estate and real estate-related assets. The initial portfolio comprises four buildings, namely Prudential Tower Property (approximately 44% of the strata area of the building), Keppel Towers and GE Tower, and Bugis Junction Towers. On 26 April 2006, K-REIT Asia completed the acquisition of the buildings from Keppel Land for \$630.7 million in part by cash of approximately \$190.6 million and by the issue of 240.5 million units in K-REIT Asia. Keppel Land in turn distributed approximately 60% of the units *in specie* to its shareholders. The portfolio has been revalued at \$677 million as at 31 December 2006.

Although K-REIT Asia's current assets are in Singapore, it has a pan Asian mandate to invest in quality commercial properties in growth cities. With Keppel Land as sponsor, K-REIT Asia has a strong pipeline of quality commercial assets for potential acquisition. The Manager of K-REIT Asia aims to achieve stable dividend income and long-term growth in net asset value for Unitholders. To achieve this, the Manager plans to further expand the portfolio by selective acquisitions of quality real estate, raise occupancy and/or rental rates by active asset management of its portfolio and by employing debt and equity financing strategies that are appropriate for the K-REIT Asia portfolio.

Keppel Land Group and Keppel Corporation Group hold approximately 40% and 32% stakes respectively in K-REIT Asia. To demonstrate their commitment to K-REIT Asia, both have committed to hold their respective units for a period of 12 months commencing 28 April 2006. In addition, the Manager has agreed to receive its management fee entirely in the form of units commencing from 26 April 2006 to 31 December 2006 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. The Manager's management fee comprises a base fee of 0.5% per annum of the value of the property portfolio and a performance fee of 3.0% of the net property income. The Manager received 516,401 units on 1 August 2006 and 585,965 units on 30 October 2006 in payment of management fees in units. This amounts to a total of 1,102,366 units paid to the Manager as management fees for the period up to 30 September 2006. The next payment of management fees for the period 1 October to 31 December is payable in the first quarter of 2007.

The Manager has adopted a high distribution payout ratio. Its distribution policy is to distribute 100% of its taxable income for the period commencing 28 April 2006 to 31 December 2006, at least 95% of its taxable income for FY2007 and at least 90% of its taxable income thereafter. Unitholders of K-REIT Asia 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.

K-REIT Asia's first financial period is from 28 November 2005 to 31 December 2006 and the prior period comparatives are based on pro-rated pro forma financial information as stated in K-REIT Asia's Introductory Document dated 20 March 2006.

**1 UNAUDITED RESULTS FOR THE PERIOD FROM 28 NOVEMBER 2005 TO 31 DECEMBER 2006**

The Directors of K-REIT Asia Management Limited, as manager of K-REIT Asia, announce the following unaudited results of K-REIT Asia for the period from 28 November 2005 (date of constitution) to 31 December 2006:

**1 (a) Profit and loss account, together with a comparative statement for the corresponding period of the immediately preceding financial year**

	Actual 1/10/06 to 31/12/06	Pro forma 1/10/05 to 31/12/05	+ / (-) %	Actual 28/11/05 to 31/12/06	Pro forma 26/4/05 to 31/12/05	+ / (-) %
Note	\$'000	\$'000		\$'000	\$'000	
Gross rent	8,859	6,613	34.0	23,213	17,970	29.2
Car park income	230	175	31.4	610	474	28.7
Other income	13	17	(23.5)	38	46	(17.4)
<b>Property income</b>	<b>9,102</b>	<b>6,805</b>	<b>33.8</b>	<b>23,861</b>	<b>18,490</b>	<b>29.0</b>
Property tax	(668)	(547)	22.1	(1,706)	(1,486)	14.8
Other property expenses	(1,511)	(1,445)	4.6	(3,441)	(3,925)	(12.3)
Property management fee	(273)	(204)	33.8	(716)	(555)	29.0
Maintenance and sinking fund contributions	(436)	(440)	(0.9)	(1,184)	(1,194)	(0.8)
<b>Property expenses</b>	<b>(2,888)</b>	<b>(2,636)</b>	<b>9.6</b>	<b>(7,047)</b>	<b>(7,160)</b>	<b>(1.6)</b>
<b>Net property income</b>	<b>6,214</b>	<b>4,169</b>	<b>49.1</b>	<b>16,814</b>	<b>11,330</b>	<b>48.4</b>
Interest income	117	-	Nm	236	-	Nm
Manager's management fees	(982)	(922)	6.5	(2,665)	(2,505)	6.4
Trust expenses	(239)	(302)	(20.9)	(772)	(821)	(6.0)
Borrowing costs	(1,942)	(1,907)	1.8	(5,246)	(5,182)	1.2
<b>Net profit before tax</b>	<b>3,168</b>	<b>1,038</b>	<b>205.2</b>	<b>8,367</b>	<b>2,822</b>	<b>196.5</b>
Income tax	-	-	-	-	-	-
<b>Net profit after tax</b>	<b>3,168</b>	<b>1,038</b>	<b>205.2</b>	<b>8,367</b>	<b>2,822</b>	<b>196.5</b>
Net appreciation on revaluation of investment properties credited directly to asset revaluation reserve	46,300	-	Nm	46,300	-	Nm
<b>Total return</b>	<b>49,468</b>	<b>1,038</b>	<b>4,665.7</b>	<b>54,667</b>	<b>2,822</b>	<b>1,837.2</b>
<b><u>Distribution statement</u></b>						
<b>Net profit before tax</b>	<b>3,168</b>	<b>1,038</b>	<b>205.2</b>	<b>8,367</b>	<b>2,822</b>	<b>196.5</b>
Net tax adjustments	1,088	1,035	5.1	2,807	2,811	(0.1)
<b>Taxable income available for distribution to unitholders</b>	<b>4,256</b>	<b>2,073</b>	<b>105.3</b>	<b>11,174</b>	<b>5,633</b>	<b>98.4</b>
<b>Distributable income to unitholders</b>	<b>4,256</b>	<b>2,073</b>	<b>105.3</b>	<b>11,174</b>	<b>5,633</b>	<b>98.4</b>

**Notes:**

Nm – Not meaningful

(1) K-REIT Asia was established on 28 November 2005, but the acquisition of the properties was completed on 26 April 2006. Hence, the income and expenses related only to the period from 26 April 2006 to 31 December 2006. K-REIT Asia has no income and expenses from 28 November 2005 to 25 April 2006.

(2) This is the first financial period of K-REIT Asia and the comparative figures for 2005 are extracted from the pro forma financial information which was stated in the Introductory Document and pro-rated equally for 92 days and 250 days to correspond with the period from 1 October 2005 to 31 December 2005 and 26 April 2005 to 31 December 2005 respectively.

(3) Included as part of the other property expenses are the following:

	<b>Actual 1/10/06 to 31/12/06 \$'000</b>	<b>Pro forma 1/10/05 to 31/12/05 \$'000</b>	<b>Actual 28/11/05 to 31/12/06 \$'000</b>	<b>Pro forma 26/4/05 to 31/12/05 \$'000</b>
Depreciation and amortisation	23	23	35	62

(4) Included in the net tax adjustments are the following:

	<b>Actual 1/10/06 to 31/12/06 \$'000</b>	<b>Pro forma 1/10/05 to 31/12/05 \$'000</b>	<b>Actual 28/11/05 to 31/12/06 \$'000</b>	<b>Pro forma 26/4/05 to 31/12/05 \$'000</b>
Management fees payable in units	982	922	2,665	2,505
Trustee's fees	24	24	65	65
Amortisation of transaction costs	82	66	195	179
Temporary differences and other adjustments	-	23	(118)	62
Net tax adjustments	1,088	1,035	2,807	2,811

(5) The distributable income to unitholders is based on 100% of the taxable income available for distribution to unitholders.

**1(b)(i) Balance sheet, together with a comparative statement of the end of the immediately preceding financial year**

	<i>Note</i>	<b>Actual 31/12/06</b>	<b>Pro forma 30/9/05</b>
		\$'000	\$'000
<b>Current assets</b>			
Cash and cash equivalents		16,814	4,457
Trade and other receivables		1,045	-
<b>Total current assets</b>		17,859	4,457
<b>Non-current assets</b>			
Plant and equipment		-	3
Investment properties	2	677,000	630,700
<b>Total non-current assets</b>		677,000	630,703
<b>Total assets</b>		694,859	635,160
<b>Current liabilities</b>			
Trade and other payables		7,084	499
<b>Total current liabilities</b>		7,084	499
<b>Non-current liabilities</b>			
Interest-bearing loans (secured)	3	189,042	189,300
Other non-current liabilities		6,336	6,771
<b>Total non-current liabilities</b>		195,378	196,071
<b>Total liabilities</b>		202,462	196,570
<b>Net assets</b>		492,397	438,590
Represented by:			
<b>Unitholders' funds</b>	4	492,397	438,590
Net asset value per unit (\$)		2.04	1.82
Borrowings / total assets (%)	5	27.4	30.0

**Notes:**

(1) There was no comparative balance sheet as at the preceding financial year-end since K-REIT Asia was formed on 28 November 2005 (date of constitution). The first financial period is from 28 November 2005 to 31 December 2006. As such, the pro forma balance sheet as at 30 September 2005 which was disclosed in the Introductory Document has been presented for information only.

(2) Investment properties were stated at valuation performed by an independent professional valuer as at the end of the year.

(3) Interest-bearing loans are stated net of amortised cost.

(4) Please refer to statement of movements in unitholders' funds for details.

(5) This is based on principal amount of borrowings as stated in paragraph 1(b)(ii) on page 7.

**1(b)(ii) Aggregate amount of borrowings and debt securities**

	<b>Actual 31/12/06</b>	<b>Pro forma 30/9/05</b>
	\$'000	Note (1) \$'000
<b>Secured borrowings</b>		
Amount repayable in one year or less, or on demand	-	-
Amount repayable after one year	190,085	190,600

**Note:**

(1) This is the first financial period of K-REIT Asia and the comparative figures for 2005 are extracted from the pro forma financial information as at 30 September 2005 which was stated in the Introductory Document.

**Details of borrowings and collaterals**

K-REIT Asia has in place secured facilities comprising (i) a five-year fixed rate term loan facility totalling \$190.1 million, which is funded by the proceeds of commercial mortgage-backed securities notes issued by a special purpose company; and (ii) a short-term credit facility of \$26 million from a financial institution. As at 31 December 2006, the term loans are fully drawn down and bear interest at a blended rate of 3.9% per annum. There is no drawdown under the short-term credit facility as at 31 December 2006.

As security for the borrowings, K-REIT Asia has granted in favour of the lenders the following:

- (i) a mortgage over each of the properties;
- (ii) an assignment and charge of the rental proceeds and tenancy agreements of units in the properties;
- (iii) an assignment of the insurance policies relating to the properties;
- (iv) an assignment of the agreements relating to the management of the properties; and
- (v) a charge creating a fixed and floating charge over certain assets of K-REIT Asia relating to the properties.

## 1(c) Cash flow statement

	Note	<b>Actual 1/10/06 to 31/12/06 Note (1) \$'000</b>	<b>Actual 28/11/05 to 31/12/06 \$'000</b>
<b>Cash flow from operating activities</b>			
Net profit before tax		3,168	8,367
Adjustments for:			
Interest income		(117)	(236)
Borrowing costs		1,942	5,246
Management fees payable in units		982	2,665
<b>Operating income before reinvestment in working capital</b>		<b>5,975</b>	<b>16,042</b>
Increase in receivables		(205)	(1,029)
Increase in payables		180	3,515
Security deposits		393	8,616
<b>Net cash generated from operating activities</b>		<b>6,343</b>	<b>27,144</b>
<b>Cash flow from investing activities</b>			
Interest received		112	220
Purchase of investment properties	2	-	(190,570)
<b>Net cash generated from/ (used in) investing activities</b>		<b>112</b>	<b>(190,350)</b>
<b>Cash flow from financing activities</b>			
Distribution to unitholders	3	-	(2,789)
Interest bearing borrowings		-	190,085
Upfront debt arrangement costs		(4)	(1,203)
Establishment and issue expenses		-	(1,294)
Interest paid		(1,862)	(4,779)
<b>Net cash (used in)/ generated from financing activities</b>		<b>(1,866)</b>	<b>180,020</b>
<b>Net increase in cash and cash equivalents</b>		<b>4,589</b>	<b>16,814</b>
Cash and cash equivalents at the beginning of period		12,225	-
<b>Cash and cash equivalents at the end of period</b>		<b>16,814</b>	<b>16,814</b>

### Notes:

(1) There was no comparative cash flow statement as at 31 December 2006 because K-REIT Asia was formed on 28 November 2005 (date of constitution). The first financial period is from 28 November 2005 to 31 December 2006.

(2) The details on net cash outflow on purchase of investment properties are as follows:

	<b>Actual 1/10/06 to 31/12/06 \$'000</b>	<b>Actual 28/11/05 to 31/12/06 \$'000</b>
Investment properties	-	630,700
Less: Consideration units issued to vendors	-	(440,130)
<b>Net cash outflow</b>	<b>-</b>	<b>190,570</b>

(3) The distributable income of \$2.8 million for the period of 28 November 2005 to 30 June 2006 was paid on 28 August 2006.



## 1(d)(i) Statement of movements in unitholders' funds

	Note	Actual 28/11/05 to 31/12/06 Note (1)			Total
		Issued Equity	Asset Revaluation Reserve	Accumulated Profits	
		\$'000	\$'000	\$'000	\$'000
<b>Balance at 28 November 2005</b>		-	-	-	-
<b>Operations</b>					
Net profit for the period		-	-	2,054	2,054
<b>Net increase in net assets resulting from operations</b>		-	-	<b>2,054</b>	<b>2,054</b>
<b>Unitholders' transactions</b>					
Creation of units					
- partial satisfaction of purchase consideration for investment properties acquired	2	440,130	-	-	440,130
Establishment and issue expenses	3	(1,540)	-	-	(1,540)
<b>Net increase in net assets resulting from unitholders' transactions</b>		<b>438,590</b>	-	-	<b>438,590</b>
<b>Balance at 30 June 2006</b>		<b>438,590</b>	-	<b>2,054</b>	<b>440,644</b>
<b>Operations</b>					
Net profit for the quarter		-	-	3,145	3,145
<b>Net increase in net assets resulting from operations</b>		-	-	<b>3,145</b>	<b>3,145</b>
<b>Unitholders' transactions</b>					
Creation of units					
- payment of management fees in units	4	700	-	-	700
Distribution to unitholders	5	-	-	(2,789)	(2,789)
Establishment and issue expenses		246	-	-	246
<b>Net increase in net assets resulting from unitholders' transactions</b>		<b>946</b>	-	<b>(2,789)</b>	<b>(1,843)</b>
<b>Balance at 30 September 2006</b>		<b>439,536</b>	-	<b>2,410</b>	<b>441,946</b>
<b>Operations</b>					
Net profit for the quarter		-	-	3,168	3,168
Net appreciation on revaluation of investment properties		-	46,300	-	46,300
<b>Net increase in net assets resulting from operations</b>		-	<b>46,300</b>	<b>3,168</b>	<b>49,468</b>
<b>Unitholders' transactions</b>					
Creation of units					
- payment of management fees in units	6	983	-	-	983
<b>Net increase in net assets resulting from unitholders' transactions</b>		<b>983</b>	-	-	<b>983</b>
<b>Balance at 31 December 2006</b>		<b>440,519</b>	<b>46,300</b>	<b>5,578</b>	<b>492,397</b>

**Notes:**

- (1) *There was no comparative statement of movements of unitholders' funds as at 31 December 2006 because K-REIT Asia was formed on 28 November 2005 (date of constitution). The first financial period is from 28 November 2005 to 31 December 2006.*
- (2) *This represents 240,508,000 units issued as partial satisfaction of the purchase consideration for the initial portfolio of properties.*
- (3) *Establishment and issue expenses comprise professional and other fees, listing and perusal fees and other miscellaneous incurred for the establishment of K-REIT Asia.*
- (4) *This represents 516,401 units issued as satisfaction of management fees payable in units.*
- (5) *This relates to the distributable income of \$2.8 million for the period of 28 November 2005 to 30 June 2006 which was paid on 28 August 2006.*
- (6) *This represents 585,965 units issued as satisfaction of management fees payable in units.*

**1(d)(ii) Details of changes in the units**

	<b>Actual 28/11/05 to 31/12/06 Note (1) Units</b>
<b>Balance at 28 November 2005</b>	-
Issue of new units - part settlement for the purchase of investment properties	240,508,000
<b>Balance at 30 June 2006</b>	<b>240,508,000</b>
Issue of new units - payment of management fees in units	516,401
<b>Balance at 30 September 2006</b>	<b>241,024,401</b>
Issue of new units - payment of management fees in units	585,965
<b>Balance at 31 December 2006</b>	<b>241,610,366</b>

**Note:**

(1) There was no comparative information as K-REIT Asia was formed on 28 November 2005 (date of constitution). The first financial period is from 28 November 2005 to 31 December 2006.

**2. AUDIT**

The figures have not been audited or reviewed by the auditors.

**3. AUDITORS' REPORT**

Not applicable.

**4. ACCOUNTING POLICIES**

The accounting policies and methods of computation in the financial statements for the current financial period are consistent with those stated in the Introductory Document.

**5. CHANGES IN THE ACCOUNTING POLICIES**

There are no significant changes in the accounting policies and methods of computation.

**6. EARNINGS PER UNIT (“EPU”) AND DISTRIBUTION PER UNIT (“DPU”)**

	<b>Actual 1/10/06 to 31/12/06</b>	<b>Actual 28/11/05 to 31/12/06</b>
<b>Earnings per unit</b> (based on the weighted average number of units as at the end of period)	1.31 cents	3.47 cents
- Weighted average number of units as at the end of period	241,425,660	240,971,701
<b>Distribution per unit</b> (based on the number of units as at the end of period)	1.76 cents	4.63 cents
- Number of units on issue at end of period	241,610,366	241,610,366

The diluted EPU is the same as the basic EPU as there are no dilutive instruments in issue during the period.

**7. NET ASSET VALUE (“NAV”)**

	<b>Actual 31/12/06</b>	<b>Pro forma 30/9/05 Note (1)</b>
NAV per unit based on issued units at the end of the period (\$)	2.04	1.82
Adjusted NAV per unit based on issued units at the end of the period (excluding the distributable income) (\$)	2.00	1.82

**Note:**

(1) K-REIT Asia was established on 28 November 2005 and the acquisition of the properties was completed on 26 April 2006. Comparative figures as at 30 September 2005 have been extracted from the pro forma financial information which was stated in the Introductory Document dated 20 March 2006.

## 8. REVIEW OF PERFORMANCE

### **Review of the performance for the period from 1 October 2006 to 31 December 2006 (actual) vs 1 October 2005 to 31 December 2005 (pro forma)**

Turnover for the quarter was \$9.1 million compared with \$6.8 million for the same quarter in 2005. The increase is due mainly to higher rental income of \$2.2 million as a result of improved occupancies and higher rental rates achieved for new and renewed leases. Due to strong underlying demand for office space, the portfolio attained 100% committed occupancy as at end-December 2006. Average gross rental rates reached \$3.80 psf in December 2006. In addition, K-REIT Asia enjoyed strong tenant relationships as reflected by its high tenant retention rate of 99.5%. Car park income from Keppel Towers and GE Tower also improved by 31.4%.

Property expenses amounted to \$2.9 million, 9.6% higher than that for the same quarter in 2005, due mainly to higher property tax of \$0.1 million on account of improvements in occupancies and higher annual values assessed, higher utilities expenses of \$0.3 million on account of increased tariff rates, higher repair and maintenance expenses of \$0.1 million and higher property management fees due to the higher property income achieved. This is partly offset by lower marketing expenses of \$0.3 million.

Net property income rose 49.1% in 4Q2006 to \$6.2 million on account of higher rental income and improved car park income. As a result of higher net property income, the manager's management fees increased by 6.5%. Trust expenses decreased by \$0.1 million or 20.9% due to cost savings achieved and borrowing costs remained relatively stable at \$1.9 million as compared with the same quarter in 2005.

Net profit for the quarter increased more than two-fold to \$3.2 million. Taxable income available for distribution and distributable income to unitholders more than doubled to \$4.3 million.

As at end-December 2006, the office portfolio has been revalued at \$677 million.

### **Review of the performance for the period from 26 April 2006 to 31 December 2006 (actual) vs 26 April 2005 to 31 December 2005 (pro forma)**

Turnover for the period was \$23.9 million, reflecting a 29.0% increase from the same period in 2005. The increase is due mainly due to higher rental income of \$5.2 million as a result of improved occupancies and higher rental rates achieved for new and renewed leases. The portfolio attained 100% committed occupancy as at end-December 2006 due to strong underlying demand for office space. Average gross rental rates were driven up to \$3.80 psf in December 2006. In addition, K-REIT Asia enjoyed strong tenant relationships as reflected by its high tenant retention rate of 99.5% as at the end of the year. Car park income from Keppel Towers and GE Tower also improved by 28.7%.

Property expenses were \$7.0 million, 1.6% lower than that for the same period in 2005, due mainly to lower marketing expenses of \$0.7 million and lower maintenance expenses of \$0.3 million. This is partly offset by higher property tax of \$0.2 million due to the improved occupancies and higher annual values assessed for the period as compared with that for the same period in 2005 as well as higher utilities expenses of \$0.5 million on account of increased tariff rates and higher property management fees of \$0.2 million due to the higher property income achieved.

Net property income rose 48.4% to \$16.8 million for the period as a result of higher rental income, improved car park income and lower property expenses. As a result of higher net property income, management fees paid to the Manager increased by \$0.2 million or 6.4%. Borrowing costs and trust expenses remained relatively stable at \$5.2 million and \$0.8 million respectively as compared with the same period in 2005.

Net profit increased by almost two-fold to \$8.4 million. Taxable income available for distribution and distributable income to unitholders almost doubled to \$11.2 million.

**9. VARIANCE FROM PROSPECTS STATEMENT**
**9(i) Profit and loss account for the period from 26 April 2006 to 31 December 2006**

	<b>Actual</b> <b>28/11/05 to</b> <b>31/12/06</b> <i>Note (1)</i> \$'000	<b>Forecast</b> <b>26/4/06 to</b> <b>31/12/06</b> <i>Note (2)</i> \$'000	+/( <b>-</b> ) %
Gross rent	23,213	21,094	10.0
Car park income	610	518	17.8
Other income	38	20	90.0
<b>Property income</b>	<b>23,861</b>	<b>21,632</b>	<b>10.3</b>
Property tax	(1,706)	(1,733)	(1.6)
Other property expenses	(3,441)	(2,949)	16.7
Property management fee	(716)	(649)	10.3
Maintenance and sinking fund contributions	(1,184)	(1,190)	(0.5)
<b>Property expenses</b>	<b>(7,047)</b>	<b>(6,521)</b>	<b>8.1</b>
<b>Net property income</b>	<b>16,814</b>	<b>15,111</b>	<b>11.3</b>
Interest income	236	-	Nm
Manager's management fees	(2,665)	(2,614)	2.0
Trust expenses	(772)	(818)	(5.6)
Borrowing costs	(5,246)	(5,168)	1.5
<b>Net profit before tax</b>	<b>8,367</b>	<b>6,511</b>	<b>28.5</b>
Income tax	-	-	
<b>Net profit after tax</b>	<b>8,367</b>	<b>6,511</b>	<b>28.5</b>
Net appreciation on revaluation of investment properties credited directly to asset revaluation reserve	46,300	-	Nm
<b>Total return</b>	<b>49,468</b>	<b>6,511</b>	<b>659.8</b>
<b><u>Distribution statement</u></b>			
<b>Net profit before tax</b>	<b>8,367</b>	<b>6,511</b>	<b>28.5</b>
Net tax adjustments	2,807	2,510	11.8
<b>Taxable income available for distribution to unitholders</b>	<b>11,174</b>	<b>9,021</b>	<b>23.9</b>
<b>Distributable income to unitholders</b>	<b>11,174</b>	<b>9,021</b>	<b>23.9</b>

**Notes:**

Nm – Not meaningful

(1) K-REIT Asia was established on 28 November 2005, but the acquisition of the properties was completed on 26 April 2006. Hence, the income and expenses related only to the period from 26 April 2006 to 31 December 2006. K-REIT Asia has no income and expenses from 28 November 2005 to 25 April 2006.

(2) The forecast is extracted from the Introductory Document and is based on the assumptions set out in the Introductory Document. The forecast figures are derived by prorating the forecast figures for 2006 disclosed in the Introductory Document for the period from 26 April 2006 to 31 December 2006. Although K-REIT Asia was constituted on 28 November 2005, the acquisition of the properties was completed on 26 April 2006.

**9(ii) Property income contribution of the properties**

Property	<b>Actual 28/11/05 to 31/12/06 Note (1) \$'000</b>	<b>Forecast 26/4/06 to 31/12/06 Note (2) \$'000</b>	+ / (-) %
Prudential Tower Property	4,187	3,354	24.8
Keppel Towers and GE Tower	11,364	10,069	12.9
Bugis Junction Towers	8,310	8,209	1.2
<b>Total property income</b>	<b>23,861</b>	<b>21,632</b>	<b>10.3</b>

**Notes:**

- (1) K-REIT Asia was established on 28 November 2005, but the acquisition of the properties was completed on 26 April 2006. Hence, the income and expenses related only to the period from 26 April 2006 to 31 December 2006. K-REIT Asia has no income and expenses from 28 November 2005 to 25 April 2006.
- (2) The forecast is extracted from the Introductory Document and is based on the assumptions set out in the Introductory Document. The forecast figures are derived by prorating the forecast figures for 2006 disclosed in the Introductory Document for the period from 26 April 2006 to 31 December 2006. Although K-REIT Asia was constituted on 28 November 2005, the acquisition of the properties was completed on 26 April 2006.

**9(iii) Net property income contribution of the properties**

Property	<b>Actual 28/11/05 to 31/12/06 Note (1) \$'000</b>	<b>Forecast 26/4/06 to 31/12/06 Note (2) \$'000</b>	+ / (-) %
Prudential Tower Property	3,166	2,345	35.0
Keppel Towers and GE Tower	7,824	6,791	15.2
Bugis Junction Towers	5,824	5,975	(2.5)
<b>Total net property income</b>	<b>16,814</b>	<b>15,111</b>	<b>11.3</b>

**Notes:**

- (1) K-REIT Asia was established on 28 November 2005, but the acquisition of the properties was completed on 26 April 2006. Hence, the income and expenses related only to the period from 26 April 2006 to 31 December 2006. K-REIT Asia has no income and expenses from 28 November 2005 to 25 April 2006.
- (2) The forecast is extracted from the Introductory Document and is based on the assumptions set out in the Introductory Document. The forecast figures are derived by prorating the forecast figures for 2006 disclosed in the Introductory Document for the period from 26 April 2006 to 31 December 2006. Although K-REIT Asia was constituted on 28 November 2005, the acquisition of the properties was completed on 26 April 2006.

**Review of the performance for the period from 26 April 2006 to 31 December 2006 (actual vs forecast)**

Turnover of \$23.9 million was 10.3% higher than the forecast of \$21.6 million. This is due mainly to higher rental income of \$2.1 million on the back of earlier commencement of new leases and higher rental rates achieved for new and renewed leases. The portfolio attained 100% committed occupancy as at end-December 2006 due to strong underlying demand for office space. In addition, K-REIT Asia enjoyed strong tenant relationships as reflected by its high tenant retention rate of 99.5% as at the end of the year. Car park income from Keppel Towers and GE Tower also outperformed by \$0.1 million or 18.0%.

Total property expenses of \$7.0 million were 8.0% higher than the forecast of \$6.5 million due mainly to higher utilities expenses of \$0.4 million as a result of increased building occupancies and higher property management fees of \$0.1 million on account of higher property income. Property tax of \$1.7 million was broadly in line with the forecast.

Net property income of \$16.8 million exceeded the forecast by 11.3% on account of higher rental income and improved car park income. As a result of higher net property income, the Manager's management fee was marginally higher by 2.0%. Borrowing costs and trust expenses of \$5.2 million and \$0.8 million respectively were broadly in line with the forecast.

Net profit of \$8.4 million surpassed the forecast by 28.5%. Taxable income available for distribution and distributable income to unitholders also exceeded the forecast by 23.9% to \$11.2 million.

**10. PROSPECTS**

Advanced estimates showed that the Singapore economy expanded 5.9% in 4Q2006, bringing overall GDP growth to 7.7% for 2006. The Singapore government is expecting the economy to continue growing at a healthy rate of 4 – 6% in 2007.

K-REIT Asia expects the office market to continue to be strong in 2007, supported by sound economic fundamentals and growth in the financial and business services sectors. Rentals and capital values are expected to grow with the limited new supply in the Central Business District in the next few years.

CB Richard Ellis (CBRE) reported total new supply in 2006 was 1.54 million sf whereas the estimated take up of new office space islandwide was 2.2 million sf. The tight supply situation will be further exacerbated by the redevelopment or refurbishment of older buildings in the CBD over the next few years. In light of the successful high-end waterfront residential developments such as Marina Bay Residences, several office properties along Shenton Way have been slated for redevelopment into residences and serviced apartments.

The demand for and shortage of office supply have pushed up CBD occupancies and office rents. Occupancy rates for CBD office space climbed steadily to 96.4% as at end-2006 from 95.5% in the third quarter of 2006. CBRE has estimated that average prime office rentals rose 13.2% from \$6.90 psf in the third quarter to \$ 7.81 psf as at end-2006. This reflects a 50.2% leap from \$5.20 psf as at end-2005. As demand remains strong, the steepest rental increase is expected to occur in the next 24 months. The tight supply situation will continue for another three years due to the construction time lag and will be eased only when Marina Bay Financial Centre (Phase I) comes on stream in 2010.

With its portfolio of four prime office buildings, K-REIT Asia is poised to reap the benefits of further rental income growth in the year ahead. Strong underlying demand combined with limited quality office space over the next few years will continue to sustain high occupancies and rentals. Furthermore, as 53% of the portfolio's net lettable area will be due for renewal between 2007 and 2009, K-REIT Asia is well positioned to take full advantage of the market upswing.

To achieve its target portfolio size of \$2 billion over the next few years, K-REIT Asia is seeking acquisitions of prime commercial properties in Singapore and other Asian growth cities. K-REIT Asia is also actively looking at asset enhancement to drive organic growth within its existing portfolio.



## Outlook for the 2007

Barring unforeseen circumstances, the manager of K-REIT Asia is confident of achieving a performance consistent with that achieved in the current period.

## 11. DISTRIBUTIONS

### (a) Current financial period reported on

Name of Distribution	Distribution for 1 July 2006 to 31 December 2006
Distribution type	Income
Distribution rate	3.47 cents per unit
Par value of units	Not meaningful
Tax rate	<p>Individuals who receive such distribution as investment income will be exempted from tax.</p> <p>Qualifying unitholders will receive pre-tax distributions and pay tax on the distributions at their own marginal rates subsequently.</p> <p>Investors using CPF funds and SRS funds will also receive pre-tax distributions. These distributions are tax exempt.</p> <p>All other investors will receive their distributions after deduction of tax at the rate of 20%.</p>

### (b) Corresponding period of the immediately preceding financial year

Not applicable.

### (c) DATE PAYABLE

28 February 2007

### (d) BOOKS CLOSURE DATE

31 January 2007

## 12. DIVIDEND STATEMENT (if no dividend has been declared / recommended)

Other than as disclosed in paragraph 11(a), no distribution has been declared/ recommended.

**13. SEGMENTAL INFORMATION**
**Property income**

<b>Property</b>	<b>Actual 28/11/05 to 31/12/06 Note (1) \$'000</b>	<b>Pro forma 26/4/05 to 31/12/05 Note (2) \$'000</b>	<b>+ / (-) %</b>
Prudential Tower Property	4,187	3,101	35.0
Keppel Towers and GE Tower	11,364	8,646	31.4
Bugis Junction Towers	8,310	6,743	23.2
<b>Total property income</b>	<b>23,861</b>	<b>18,490</b>	<b>29.0</b>

**Notes:**

- (1) K-REIT Asia was established on 28 November 2005, but the acquisition of the properties was completed on 26 April 2006. Hence, the income and expenses related only to the period from 26 April 2006 to 31 December 2006. K-REIT Asia has no income and expenses from 28 November 2005 to 25 April 2006.
- (2) This is the first financial period of K-REIT Asia and the comparatives figures for 2005 are extracted from the pro forma financial information which was stated in the Introductory Document and pro-rated equally for 250 days to correspond with the period from 26 April 2005 to 31 December 2005.

**Net property income**

<b>Property</b>	<b>Actual 28/11/05 to 31/12/06 Note (1) \$'000</b>	<b>Pro forma 26/4/05 to 31/12/05 Note (2) \$'000</b>	<b>+ / (-) %</b>
Prudential Tower Property	3,166	1,964	61.2
Keppel Towers and GE Tower	7,824	5,403	44.8
Bugis Junction Towers	5,824	3,963	47.0
<b>Total net property income</b>	<b>16,814</b>	<b>11,330</b>	<b>48.4</b>

**Notes:**

- (1) K-REIT Asia was established on 28 November 2005, but the acquisition of the properties was completed on 26 April 2006. Hence, the income and expenses related only to the period from 26 April 2006 to 31 December 2006. K-REIT Asia has no income and expenses from 28 November 2005 to 25 April 2006.
- (2) This is the first financial period of K-REIT Asia and the comparatives figures for 2005 are extracted from the pro forma financial information which was stated in the Introductory Document and pro-rated equally for 250 days to correspond with the period from 26 April 2005 to 31 December 2005.

**14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments**

Please refer to paragraph 9 on the review of performance.

**15. BREAKDOWN OF SALES**

	<b>Actual 28/11/05 to 31/12/06 (Note 1) \$'000</b>	<b>Pro forma 26/4/05 to 31/12/05 (Note 2) \$'000</b>	<b>+ / (-) %</b>
(a) Property Income reported for first half year	5,990	4,881	22.7
(b) Net profit after tax for first half year	2,054	745	175.7
(c) Property Income reported for second half year	17,871	13,609	31.3
(d) Net profit after tax for second half year	6,313	2,077	203.9

**Notes:**

- (1) K-REIT Asia was established on 28 November 2005, but the acquisition of the properties was completed on 26 April 2006. Hence, the results for the first half year related only to the period from 26 April 2006 to 30 June 2006. K-REIT Asia has no income and expenses from 28 November 2005 to 25 April 2006.
- (2) This is the first financial period of K-REIT Asia and the comparative figures for 2005 are extracted from the pro forma financial information which was stated in the Introductory Document and pro-rated equally for 250 days to correspond with the period from 26 April 2005 to 31 December 2005.

**16. BREAKDOWN OF TOTAL ANNUAL DISTRIBUTION**

	<b>Actual 28/11/05 to 31/12/06 \$'000</b>
26 April 2006 to 30 June 2006 (paid)	2,789
1 July 2006 to 31 December 2006 (to be paid) <sup>1</sup>	8,384
<b>Total annual distribution</b>	<b>11,173</b>

**Note:**

- (1) Refer to paragraph 11(a) on page 17.

**By Order of the Board**  
**K-REIT Asia Management Limited**  
 (Company Registration Number: 200411357K)  
**As Manager of K-REIT Asia**

CHOO CHIN TECK / JACQUELINE NG  
 Joint Company Secretaries  
 22 January 2007