

**K-REIT ASIA  
FIRST QUARTER 2007 FINANCIAL STATEMENT ANNOUNCEMENT****UNAUDITED RESULTS FOR THE QUARTER ENDED 31 MARCH 2007****TABLE OF CONTENTS**

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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 THE QUARTER ENDED 31 MARCH 2007**
**ACTUAL VS PRO FORMA**

	<b>Actual 1/1/07 to 31/3/07</b>	<b>Pro forma 1/1/06 to 31/3/06 <i>Note (1)</i></b>	<b>+ / (-)</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>%</b>
<b>Property Income</b>	<b>8,866</b>	<b>7,868</b>	<b>12.7</b>
<b>Property Expenses</b>	<b>(2,404)</b>	<b>(2,302)</b>	<b>4.4</b>
<b>Net Property Income</b>	<b>6,462</b>	<b>5,566</b>	<b>16.1</b>
<b>Net Profit Before Tax</b>	<b>3,448</b>	<b>2,442</b>	<b>41.2</b>
<b>Taxable Income Available for Distribution to Unitholders</b>	<b>4,289</b>	<b>3,470</b>	<b>23.6</b>
<b>Distributable Income to Unitholders <i>(Note (2))</i></b>	<b>4,289</b>	<b>3,470</b>	<b>23.6</b>
<b>Distribution Per Unit (cents) For the Period Annualised</b>	<b>1.77 7.18</b>	<b>n.a. n.a.</b>	<b>n.a. n.a.</b>

**Notes:**

(1) K-REIT Asia was established on 28 November 2005 and the acquisition of the properties was completed on 26 April 2006. As K-REIT Asia has no income and expenses for the corresponding preceding quarter from 1 January 2006 to 31 March 2006, the comparative pro forma figures have been compiled based on the unaudited financial statements of Mansfield Realty Limited, Keppel Land (Tower D) Pte Ltd and BCH Office Investment Pte Ltd after making certain assumptions and adjustments.

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

**Refer to Paragraphs 1 and 8 for details.**

## 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 appraised value of the portfolio was \$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. 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.

K-REIT Asia was established on 28 November 2005 and the acquisition of the properties was completed on 26 April 2006. Consequently, it has no income and expenses for period prior to 26 April 2006. The comparative prior period financial results for first quarter 2006 are compiled based on the unaudited financial statements of Mansfield Realty Limited, Keppel Land (Tower D) Pte Ltd and BCH Office Investment Pte Ltd.

**1 UNAUDITED RESULTS FOR THE QUARTER ENDED 31 MARCH 2007**

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 quarter ended 31 March 2007:

**1(a) Statement of total return, together with a comparative statement for the corresponding period of the immediately preceding financial year**

	Actual First Quarter Ended 31/3/07	Pro forma First Quarter Ended 31/3/06	+ / (-) %
	Note \$'000	Note (1) \$'000	
<b><u>Profit and loss account</u></b>			
Gross rent	8,639	7,660	12.8
Car park income	214	196	9.2
Other income	13	12	8.3
<b>Property income</b>	<b>8,866</b>	<b>7,868</b>	<b>12.7</b>
Property tax	(662)	(431)	53.6
Other property expenses	2 (1,041)	(1,200)	(13.3)
Property management fee	(266)	(236)	12.7
Maintenance and sinking fund contributions	(435)	(435)	-
<b>Property expenses</b>	<b>(2,404)</b>	<b>(2,302)</b>	<b>4.4</b>
<b>Net property income</b>	<b>6,462</b>	<b>5,566</b>	<b>16.1</b>
Interest income	116	-	Nm
Manager's management fees	(1,028)	(945)	8.8
Trust expenses	(200)	(278)	(28.1)
Borrowing costs	(1,902)	(1,901)	0.1
<b>Net profit before tax</b>	<b>3,448</b>	<b>2,442</b>	<b>41.2</b>
Income tax	-	-	-
<b>Net profit after tax</b>	<b>3,448</b>	<b>2,442</b>	<b>41.2</b>
<b><u>Total return</u></b>			
Net profit after tax	3,448	2,442	41.2
<b>Total return</b>	<b>3,448</b>	<b>2,442</b>	<b>41.2</b>
<b><u>Distribution statement</u></b>			
<b>Net profit before tax</b>	<b>3,448</b>	<b>2,442</b>	<b>41.2</b>
Net tax adjustments	3 841	1,028	(18.2)
<b>Taxable income available for distribution to unitholders</b>	<b>4,289</b>	<b>3,470</b>	<b>23.6</b>
<b>Distributable income to unitholders</b>	<b>4,289</b>	<b>3,470</b>	<b>23.6</b>

**Notes:**

Nm – Not meaningful

(1) K-REIT Asia was established on 28 November 2005 and the acquisition of the properties was completed on 26 April 2006. As K-REIT Asia has no income and expenses for the corresponding preceding quarter from 1 January 2006 to 31 March 2006, the comparative pro forma figures have been compiled based on the unaudited financial statements of Mansfield Realty Limited, Keppel Land (Tower D) Pte Ltd and BCH Office Investment Pte Ltd after making certain assumptions and adjustments.

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

	<b>Actual First Quarter Ended 31/3/07 \$'000</b>	<b>Pro forma First Quarter Ended 31/3/06 \$'000</b>
Depreciation and amortisation	35	-

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

	<b>Actual First Quarter Ended 31/3/07 \$'000</b>	<b>Pro forma First Quarter Ended 31/3/06 \$'000</b>
Management fees payable in units	1,028	945
Trustee's fees	25	23
Amortisation of transaction costs	95	60
Non-tax deductible expenses	33	-
Certain expenses claimed on an incurred basis	(340)	-
Net tax adjustments	841	1,028

(4) 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>31/3/07</b> \$'000	<b>31/12/06</b> \$'000
<b>Non-current assets</b>			
Investment properties	1	677,000	677,000
<b>Total non-current assets</b>		677,000	677,000
<b>Current assets</b>			
Cash and cash equivalents		12,523	16,814
Trade and other receivables		1,120	1,045
<b>Total current assets</b>		13,643	17,859
<b>Total assets</b>		690,643	694,859
<b>Current liabilities</b>			
Trade and other payables		4,049	4,804
Current portion of security deposits		1,324	2,280
<b>Total current liabilities</b>		5,373	7,084
<b>Non-current liabilities</b>			
Interest-bearing liabilities (secured)	2	189,103	189,042
Non-current portion of security deposits		7,725	6,336
<b>Total non-current liabilities</b>		196,828	195,378
<b>Total liabilities</b>		202,201	202,462
<b>Net assets</b>		488,442	492,397
Represented by:			
<b>Unitholders' funds</b>	3	488,442	492,397
Net asset value per unit (\$)		2.02	2.04
Borrowings / total assets (%)	4	27.5	27.4

**Notes:**

- (1) *Investment properties were stated at valuation performed by an independent professional valuer as at 31 December 2006.*
- (2) *Interest-bearing loans are stated net of amortised cost.*
- (3) *Please refer to statement of movements in unitholders' funds for details.*
- (4) *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>As at 31/3/07 \$'000</b>	<b>As at 31/12/06 \$'000</b>
<b>Secured borrowings</b>		
Amount repayable in one year or less, or on demand	-	-
Amount repayable after one year	190,085	190,085

**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 March 2007, 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 March 2007.

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) Statement of cash flows**

	<i>Note</i>	<b>First Quarter Ended 31/3/07 <i>Note (1)</i> \$'000</b>
<b>Cash flow from operating activities</b>		
Net profit before tax		3,448
Adjustments for:		
Interest income		(116)
Borrowing costs		1,902
Management fees payable in units		1,028
<b>Operating income before reinvestment in working capital</b>		<b>6,262</b>
Increase in receivables		(78)
Increase in payables		(801)
Security deposits		433
<b>Net cash generated from operating activities</b>		<b>5,816</b>
<b>Cash flow from investing activities</b>		
Interest received		119
<b>Net cash generated from investing activities</b>		<b>119</b>
<b>Cash flow from financing activities</b>		
Distribution to unitholders	2	(8,384)
Interest paid		(1,842)
<b>Net cash used in financing activities</b>		<b>(10,226)</b>
<b>Net increase in cash and cash equivalents</b>		<b>(4,291)</b>
Cash and cash equivalents at the beginning of period		16,814
Cash and cash equivalents at the end of period		<b>12,523</b>

**Notes:**

- (1) K-REIT Asia was established on 28 November 2005 and the acquisition of the properties was completed on 26 April 2006. Consequently, there was no comparative cash flow statement as at 31 March 2006 because K-REIT Asia has no income and expenses from 28 November 2005 to 25 April 2006.
- (2) The distributable income of \$8.4 million for the period of 1 July 2006 to 31 December 2006 was paid on 28 February 2007.



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

Quarter Ended 31/3/07 *Note (1)*

	<i>Note</i>	<b>Issued Equity \$'000</b>	<b>Asset Revaluation Reserve \$'000</b>	<b>Accumulated Profits \$'000</b>	<b>Total \$'000</b>
<b>Balance at 1 January 2007</b>		<b>440,519</b>	<b>46,300</b>	<b>5,578</b>	<b>492,397</b>
Adoption of FRS 40		-	(46,300)	46,300	-
<b>Restated balance at 1 January 2007</b>		<b>440,519</b>	<b>-</b>	<b>51,878</b>	<b>492,397</b>
<b>Operations</b>					
Net profit for the period		-	-	3,448	3,448
<b>Net increase in net assets resulting from operations</b>		<b>-</b>	<b>-</b>	<b>3,448</b>	<b>3,448</b>
<b>Unitholders' transactions</b>					
Creation of units					
- payment of management fees in units	2	981	-	-	981
Distribution to unitholders	3	-	-	(8,384)	(8,384)
<b>Net increase in net assets resulting from unitholders' transactions</b>		<b>981</b>	<b>-</b>	<b>(8,384)</b>	<b>(7,403)</b>
<b>Balance at 31 March 2007</b>		<b>441,500</b>	<b>-</b>	<b>46,942</b>	<b>488,442</b>

**Notes:**

(1) K-REIT Asia was established on 28 November 2005 and the acquisition of the properties was completed on 26 April 2006. Consequently, there was no comparative statement of movements of unitholders' funds as at 31 March 2006 because K-REIT Asia has no income and expenses from 28 November 2005 to 25 April 2006.

(2) This represents 387,271 units issued as satisfaction of management fees payable in units.

(3) This relates to the distributable income of \$8.4 million for the period of 1 July 2006 to 31 December 2006 which was paid on 28 February 2007.

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

	<b>Quarter Ended 31/3/07 Note (1) Units</b>
<b>Balance at 1 January 2007</b>	<b>241,610,366</b>
Issue of new units - payment of management fees in units	387,271
<b>Balance at 31 March 2007</b>	<b>241,997,637</b>

**Note:**

(1) K-REIT Asia was established on 28 November 2005 and the acquisition of the properties was completed on 26 April 2006. Consequently, there was no comparative information as at 31 March 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 for in the audited financial statements for the period ended 31 December 2006 except for that disclosed in paragraph 5 below.

**5. CHANGES IN ACCOUNTING POLICIES**

There are no significant changes in the accounting policies and methods of computation except for the adoption of FRS 40 – Investment Property with effect from 1 January 2007.

Under FRS 40, changes in fair values of investment properties are required to be included in the profit and loss account in the year in which they arise. K-REIT Asia's policy is to revalue its properties annually at year-end. On transition to FRS 40 on 1 January 2007, the amount accumulated in the asset revaluation reserve at 31 December 2006 of \$46,300,000 has been adjusted against the opening accumulated profits as at 1 January 2007.

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

	<b>Quarter Ended 31/3/07</b>
<b>Earnings per unit</b> (based on the weighted average number of units as at the end of period)	1.43 cents
- Weighted average number of units as at the end of period	241,864,244
<b>Distribution per unit</b> (based on the number of units as at the end of period)	1.77 cents
- Number of units on issue at end of period	241,997,637

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>31/3/07</b>	<b>31/12/06</b>
NAV per unit based on issued units at the end of the period (\$)	2.02	2.04
Adjusted NAV per unit based on issued units at the end of the period (excluding the distributable income) (\$)	2.00	2.00

**8. REVIEW OF PERFORMANCE**
**8(i) Property income contribution of the properties**

Property	Actual First Quarter Ended 31/3/07 \$'000	Pro forma First Quarter Ended 31/3/06 Note (1) \$'000	+ / (-) %
Prudential Tower Property	1,632	1,293	26.2
Keppel Towers and GE Tower	4,046	3,634	11.3
Bugis Junction Towers	3,188	2,941	8.4
<b>Total property income</b>	<b>8,866</b>	<b>7,868</b>	<b>12.7</b>

**8(ii) Net property income contribution of the properties**

Property	Actual First Quarter Ended 31/3/07 \$'000	Pro forma First Quarter Ended 31/3/06 Note (1) \$'000	+ / (-) %
Prudential Tower Property	1,283	993	29.2
Keppel Towers and GE Tower	2,863	2,340	22.4
Bugis Junction Towers	2,316	2,233	3.7
<b>Total net property income</b>	<b>6,462</b>	<b>5,566</b>	<b>16.1</b>

**Note:**

(1) K-REIT Asia was established on 28 November 2005 and the acquisition of the properties was completed on 26 April 2006. As K-REIT Asia has no income and expenses for the corresponding preceding quarter from 1 January 2006 to 31 March 2006, the comparative pro forma figures have been compiled based on the unaudited financial statements of Mansfield Realty Limited, Keppel Land (Tower D) Pte Ltd and BCH Office Investment Pte Ltd after making certain assumptions and adjustments.

**Review of performance for 1Q 2007 (actual) vs 1Q 2006 (pro forma)<sup>1</sup>**

Turnover for the quarter was \$8.9 million compared with \$7.9 million for the same quarter in 2006. The increase is due mainly to higher rental income of \$1.0 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 99.4% committed occupancy as at end-March 2007. Average gross rental rates rose to \$4.05 psf in March 2007 from \$3.56 psf for the same period in 2006. Car park income from Keppel Towers and GE Tower also improved by 9.2%.

Property expenses amounted to \$2.4 million, 4.4% higher than that for the same quarter in 2006, due mainly to higher property tax of \$0.2 million on account of improvements in occupancies and higher annual values assessed, higher utilities expenses of \$0.1 million on account of increased tariff rates, and higher property management fees due to the higher property income achieved. This is partly offset by lower marketing expenses of \$0.2 million.

Net property income rose 16.1% in 1Q 2007 to \$6.5 million on account of higher rental income. As a result of higher net property income and higher appraised value of the deposited properties since end-December 2006, the manager's management fees increased by 8.8%. Trust expenses were \$0.2 million as compared with \$0.3 million for the same quarter in 2006.

Net profit for the quarter is \$3.4 million, reflecting a 41.2% increase from the same period in 2006. Taxable income available for distribution and distributable income to unitholders increased by 23.6% to \$4.3 million from the same quarter in 2006.

**Note:**

- (1) *K-REIT Asia was established on 28 November 2005 and the acquisition of the properties was completed on 26 April 2006. As K-REIT Asia has no income and expenses for the corresponding preceding quarter from 1 January 2006 to 31 March 2006, the comparative pro forma figures have been compiled based on the unaudited financial statements of Mansfield Realty Limited, Keppel Land (Tower D) Pte Ltd and BCH Office Investment Pte Ltd after making certain assumptions and adjustments.*

**9. VARIANCE FROM PROSPECTS STATEMENT**

No prospects statement for 1Q 2007 was previously provided.

**10. PROSPECTS**

The Ministry of Trade and Industry estimates that the Singapore economy has expanded by 6.0% in 1Q2007. The Singapore government expects the economy to grow at 4.5% – 6.5% in 2007 due to business expansion across the financial services, construction and manufacturing sectors. With sustained growth in most industries and the limited supply in the Central Business District (CBD) over the next few years, rents and capital values are expected to continue the uptrend.

New office take-up in 2006 was 2.4 million sf. However in the near term, a report by CB Richard Ellis (CBRE) states that take-up levels in 2007 are expected to be slightly below 2006 as a result of constraints imposed by the lack of new supply and low vacancy. Cost-conscious businesses are also likely to consider relocating to less expensive space alternatives in business parks and hi-tech industrial space.

According to CBRE, vacancy rates for Core and Fringe CBD office space both declined to 3.2% and 4.9% respectively. As a result, average prime office rents rose 10.1% to \$8.60 psf in 1Q2007 from \$7.81 psf in 4Q2006. This represented a 53.6% jump from \$5.60 psf as at end-1Q2006.

With a portfolio of strategically located prime office buildings and 72% of the portfolio's net lettable area due for renewal between 2007 and 2010, K-REIT Asia is well-positioned to benefit from rising rentals in a longer term. In 2007, strong underlying demand and limited quality office space will support high occupancies and rents.

To achieve rental growth and the target portfolio size of \$2 billion over the next few years, K-REIT Asia is actively seeking acquisitions of prime commercial properties in Singapore and other Asian growth cities. K-REIT Asia is also reviewing possible asset enhancement initiatives to add value to the existing portfolio.

**Outlook for the financial year ending 31 December 2007**

Barring unforeseen circumstances, the manager of K-REIT Asia is confident that it will achieve a performance consistent with that reported for the current period.

**11. DISTRIBUTIONS****(a) Current financial period reported on**

None.

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

Not applicable.

**(c) DATE PAYABLE**

Not applicable.

**(d) BOOKS CLOSURE DATE**

Not applicable.

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

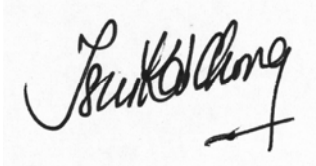
No distribution has been declared/ recommended.

**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  
16 April 2007

**CONFIRMATION BY THE BOARD**

We, TSUI KAI CHONG and TAN SWEE YIOW being two directors of K-REIT Asia Management Limited (the "Company"), as manager of K-REIT Asia, do hereby confirm on behalf of the directors of the Company that, to the best of their knowledge, nothing has come to the attention of the board of directors of the Company which may render the 2007 first quarter's financial results of K-REIT Asia to be false or misleading.

**On Behalf of the Board of Directors**

TSUI KAI CHONG  
Chairman



TAN SWEE YIOW  
Director

Singapore, 16 April 2007