

**K-REIT ASIA  
FULL YEAR 2008 FINANCIAL STATEMENT ANNOUNCEMENT****UNAUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008****TABLE OF CONTENTS**

	Page	
-	SUMMARY OF K-REIT ASIA RESULTS	2
-	INTRODUCTION	3
1(a)	STATEMENT OF TOTAL RETURN	4
1(b)(i)	BALANCE SHEET	6
1(b)(ii)	AGGREGATE AMOUNT OF BORROWINGS AND DEBT SECURITIES	7
1(c)	STATEMENT OF CASH FLOWS	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	16
10	PROSPECTS	19
11	RISK FACTORS AND RISK MANAGEMENT	20
12	DISTRIBUTIONS	21
13	DISTRIBUTION STATEMENT	22
14, 15	SEGMENTAL INFORMATION	22
16	BREAKDOWN OF SALES	22
17	INTERESTED PERSON TRANSACTIONS	23
18	BREAKDOWN OF TOTAL ANNUAL DISTRIBUTION	23
Appendix	QUARTERLY BREAKDOWN	24

**SUMMARY OF K-REIT ASIA RESULTS  
FOR THE YEAR ENDED 31 DECEMBER 2008**

	Actual 4Q2008	Actual FY2008	Actual FY2007	+/(-)	Forecast <sup>1</sup> FY2008	+/(-)
	\$'000	\$'000	\$'000	%	\$'000	%
<b>Property Income</b>	<b>14,289</b>	<b>52,646</b>	<b>40,069</b>	<b>31.4</b>	<b>50,543</b>	<b>4.2</b>
<b>Net Property Income</b>	<b>11,813</b>	<b>39,659</b>	<b>28,262</b>	<b>40.3</b>	<b>35,949</b>	<b>10.3</b>
<b>Total Return Before Tax</b>	<b>11,052</b>	<b>23,378</b>	<b>12,689</b>	<b>84.2</b>	<b>12,616</b>	<b>85.3</b>
<b>Income Available for Distribution to Unitholders</b>	<b>17,410</b>	<b>58,182</b>	<b>21,812</b>	<b>166.7</b>	<b>49,055</b>	<b>18.6</b>
<b>Distributable Income to Unitholders<sup>2</sup></b>	<b>17,410</b>	<b>58,182</b>	<b>21,812</b>	<b>166.7</b>	<b>49,055</b>	<b>18.6</b>
<b>Distribution Per Unit ("DPU")(cents) For the Period</b>	<b>2.67</b>	<b>8.91</b>	<b>8.82</b>	<b>1.0</b>	<b>7.53</b>	<b>18.3</b>
<b>Annualised</b>	<b>10.62</b>	<b>8.91<sup>3</sup></b>	<b>8.82</b>	<b>1.0</b>	<b>7.53</b>	<b>18.3</b>
<b>Distribution Yield<sup>4</sup></b>	<b>15.2%</b>	<b>12.7%</b>	<b>12.6%</b>	<b>1.0</b>	<b>10.8%</b>	<b>18.3</b>

**Notes:**

- (1) The forecast for FY2008 is derived from the forecast shown in K-REIT Asia's circular dated 9 April 2008 for the renounceable rights issue.
- (2) The distributable income to Unitholders is based on 100% of the taxable income available for distribution to Unitholders.
- (3) The annualised 2008 DPU based on the weighted average number of units in issue is 11.36 cents.
- (4) The yield is based on the market closing price per unit of \$0.70 as at the last trading day, 31 December 2008.

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**DISTRIBUTION AND BOOKS CLOSURE DATE**

Distribution	1 July 2008 to 31 December 2008
Distribution Type	(a) Taxable income (b) Tax-exempt income
Distribution Rate	(a) Taxable income distribution – 3.91 cents per unit (b) Tax-exempt income distribution – 1.16 cents per unit
Books Closure Date	29 January 2009
Payment Date	23 February 2009

## **INTRODUCTION**

K-REIT Asia is a real estate investment trust managed by K-REIT Asia Management Limited, with RBC Dexia Trust Services Singapore Limited as trustee.

In 2006, K-REIT Asia acquired four office buildings from Keppel Land Limited for \$630.7 million in part by cash of approximately \$190.6 million and in part by the issue of 240.5 million units in K-REIT Asia. Keppel Land Limited in turn distributed approximately 60% of the units in specie to its shareholders and retained the remaining 40% stake. K-REIT Asia was listed on the Singapore Exchange Securities Trading Limited on 28 April 2006.

K-REIT Asia's objective is to generate steady and sustainable returns for its Unitholders by owning and investing in a portfolio of quality income-producing commercial real estate and real estate-related assets.

The initial four properties comprise Prudential Tower Property (approximately 44% of the strata area of the building), Keppel Towers, GE Tower, and Bugis Junction Towers.

On 10 December 2007, K-REIT Asia completed a significant maiden acquisition of a one-third interest in One Raffles Quay for \$951.4 million from its sponsor, Keppel Land Limited, bringing the number of assets in its portfolio to five. As at 31 December 2008, K-REIT Asia's portfolio size was \$2.1 billion.

K-REIT Asia completed its rights issue and issued 396.9 million rights units on 8 May 2008. Its total number of units in issue was 652.7 million as at end-December 2008.

Although K-REIT Asia's current portfolio of assets is in Singapore, it has a pan-Asian mandate that enables it to invest in quality commercial properties in other Asian growth cities.

**1 UNAUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008**

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 year ended 31 December 2008:

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

	Note	4Q2008 \$'000	4Q2007 \$'000	+ / (-) %	FY2008 \$'000	FY2007 \$'000	+ / (-) %
Gross rent		14,047	10,779	30.3	51,632	39,093	32.1
Car park income		234	238	(1.7)	969	924	4.9
Other income		8	11	(27.3)	45	52	(13.5)
<b>Property income</b>		<b>14,289</b>	<b>11,028</b>	<b>29.6</b>	<b>52,646</b>	<b>40,069</b>	<b>31.4</b>
Property tax		(49)	(918)	(94.7)	(3,355)	(3,140)	6.8
Other property expenses	1	(1,596)	(2,308)	(30.8)	(6,414)	(5,714)	12.3
Property management fee		(428)	(331)	29.3	(1,579)	(1,202)	31.4
Maintenance and sinking fund contributions		(403)	(447)	(9.8)	(1,639)	(1,751)	(6.4)
<b>Property expenses</b>		<b>(2,476)</b>	<b>(4,004)</b>	<b>(38.2)</b>	<b>(12,987)</b>	<b>(11,807)</b>	<b>10.0</b>
<b>Net property income</b>		<b>11,813</b>	<b>7,024</b>	<b>68.2</b>	<b>39,659</b>	<b>28,262</b>	<b>40.3</b>
Income support	2	6,322	1,080	Nm	24,799	1,080	Nm
Interest income	3	2,454	771	Nm	9,069	1,062	Nm
Share of results of associated company	4	6,698	490	Nm	14,776	490	Nm
Amortisation expense	5	(6,694)	(1,341)	Nm	(27,050)	(1,341)	Nm
Borrowing costs	6	(6,163)	(3,816)	61.5	(23,580)	(9,582)	146.1
Manager's management fees	7	(3,317)	(1,959)	69.3	(12,967)	(5,302)	144.6
Trust expenses		(61)	(1,330)	(95.4)	(1,328)	(1,980)	(32.9)
<b>Net income</b>		<b>11,052</b>	<b>919</b>	<b>Nm</b>	<b>23,378</b>	<b>12,689</b>	<b>84.2</b>
Net appreciation on revaluation of investment properties		7,000	295,000	(97.6)	7,000	432,964	(98.4)
<b>Total return before tax</b>		<b>18,052</b>	<b>295,919</b>	<b>93.9</b>	<b>30,378</b>	<b>445,653</b>	<b>(93.2)</b>
Income tax expense	8	(340)	(163)	108.6	(2,910)	(163)	Nm
<b>Total return after tax</b>		<b>17,712</b>	<b>295,756</b>	<b>(94.0)</b>	<b>27,468</b>	<b>445,490</b>	<b>(93.8)</b>
<b><u>Distribution Statement</u></b>							
<b>Net income</b>		<b>11,052</b>	<b>919</b>	<b>Nm</b>	<b>23,378</b>	<b>12,689</b>	<b>84.2</b>
Net tax adjustments	9	6,698	6,164	8.7	37,714	9,286	Nm
Income tax expense		(340)	(163)	108.6	(2,910)	(163)	Nm
<b>Income available for distribution to Unitholders</b>		<b>17,410</b>	<b>6,920</b>	<b>151.6</b>	<b>58,182</b>	<b>21,812</b>	<b>166.7</b>
<b>Distributable income to Unitholders</b>	10	<b>17,410</b>	<b>6,920</b>	<b>151.6</b>	<b>58,182</b>	<b>21,812</b>	<b>166.7</b>
<b>Distribution per unit (cents)</b>							
<b>For the period</b>		<b>2.67</b>	<b>2.80</b>	<b>(4.6)</b>	<b>8.91</b>	<b>8.82</b>	<b>1.0</b>
<b>Annualised</b>		<b>10.62</b>	<b>11.11</b>	<b>(4.4)</b>	<b>8.91</b>	<b>8.82</b>	<b>1.0</b>

**Notes:**

Nm – Not meaningful

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

	4Q2008 \$'000	4Q2007 \$'000	FY2008 \$'000	FY2007 \$'000
Amortisation	-	(224)	-	(35)
Marketing expenses	244	1,278	1,200	1,390
Utilities	609	393	2,030	1,578
Repair and maintenance	501	515	2,096	1,621
Property management reimbursements	240	236	1,015	969
Others properties expenses	2	110	73	191
	<u>1,596</u>	<u>2,308</u>	<u>6,414</u>	<u>5,714</u>

(2) This is the income support top-up payment received by K-REIT Asia from Boulevard Development Pte Ltd, (the vendor of the one-third interest in One Raffles Quay Pte Ltd ("ORQPL")) for the quarterly shortfall in accordance with the terms set out in the Deed of Income Support.

(3) Interest income comprises the following:

	4Q2008 \$'000	4Q2007 \$'000	FY2008 \$'000	FY2007 \$'000
Interest income from fixed deposits and current account	90	81	270	372
Interest income from shareholder's loan to ORQPL	2,364	690	8,799	690
	<u>2,454</u>	<u>771</u>	<u>9,069</u>	<u>1,062</u>

(4) Share of results of associated company relates to K-REIT Asia's one-third interest in ORQPL's net profit after tax which is represented by the proportionate share of gross revenue less property expenses, interest expense, income tax, if any and the net appreciation on revaluation of ORQ.

(5) Please refer to paragraph 1(b)(i) note 3.

(6) Borrowing costs comprise the following:

	4Q2008 \$'000	4Q2007 \$'000	FY2008 \$'000	FY2007 \$'000
Interest expense:				
- on term loans	1,882	1,881	7,488	7,467
- on bridge/revolving loan	3,829	1,874	15,330	1,874
Amortisation of transaction costs capitalised	452	61	762	241
	<u>6,163</u>	<u>3,816</u>	<u>23,580</u>	<u>9,582</u>

(7) The Manager's management fees are paid in units.

(8) Income tax expense comprises tax of 18% on the income support received by K-REIT Asia, net of deductible interest expense.

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

	4Q2008 \$'000	4Q2007 \$'000	FY2008 \$'000	FY2007 \$'000
Management fees payable in units	3,317	1,959	12,967	5,302
Trustee's fees	79	51	344	132
Amortisation of transaction costs	7,145	1,176	27,811	1,545
Non-tax deductible expenses	95	1,301	600	1,463
Certain expenses claimed on an incurred basis	-	1,167	-	334
Share of results of associated company	(6,698)	(490)	(14,776)	(490)
Dividend income received	2,760	1,000	10,768	1,000
Net tax adjustments	<u>6,698</u>	<u>6,164</u>	<u>37,714</u>	<u>9,286</u>

(10) The distributable income to Unitholders is based on 100% of the taxable income available for distribution to Unitholders. K-REIT Asia's distribution policy is to distribute at least 90% of its 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**

	Note	31/12/08 \$'000	31/12/07 \$'000	+ / (-) %
<b>Non-current assets</b>				
Investment properties	1	1,117,000	1,110,000	0.6
Investment in associated company	2	862,469	865,481	(0.3)
Intangible asset	3	59,232	86,282	(31.4)
<b>Total non-current assets</b>		<b>2,038,701</b>	<b>2,061,763</b>	<b>(1.1)</b>
<b>Current assets</b>				
Cash and cash equivalents		43,968	22,927	91.8
Trade and other receivables	4	9,653	3,394	184.4
<b>Total current assets</b>		<b>53,621</b>	<b>26,321</b>	<b>103.7</b>
<b>Total assets</b>		<b>2,092,322</b>	<b>2,088,084</b>	<b>0.2</b>
<b>Current liabilities</b>				
Trade and other payables		12,759	12,478	2.3
Current portion of security deposits		3,602	1,237	191.2
Short-term borrowings (unsecured)	5	-	942,000	Nm
Provision for taxation		3,073	163	Nm
<b>Total current liabilities</b>		<b>19,434</b>	<b>955,878</b>	<b>(98.0)</b>
<b>Non-current liabilities</b>				
Long-term borrowings	5	577,135	189,283	204.9
Non-current portion of security deposits		10,082	9,156	10.1
<b>Total non-current liabilities</b>		<b>587,217</b>	<b>198,439</b>	<b>195.9</b>
<b>Total liabilities</b>		<b>606,651</b>	<b>1,154,317</b>	<b>(47.4)</b>
<b>Net assets</b>		<b>1,485,671</b>	<b>933,767</b>	<b>59.1</b>
Represented by:				
<b>Unitholders' funds</b>		<b>1,485,671</b>	<b>933,767</b>	<b>59.1</b>
Net asset value per unit (\$)		2.28	3.78	
Borrowings / Value of deposited property (%)	6	27.6	53.9	

**Notes:**

(1) The investment properties were revalued by Knight Frank Pte Ltd on 31 December 2008 as follows:-

Property	Tenure	Date of Valuation	Valuation (\$'000)
Prudential Tower	99 years from 15 January 1996	31 December 2008	224,000
Keppel Towers and GE Tower	Estate in fee simple	31 December 2008	580,000
Bugis Junction Towers	99 years from 10 September 1990	31 December 2008	313,000
			<u>1,117,000</u>

- (2) This relates to the one-third equity interest in associated company, ORQPL acquired on 10 December 2007.
- (3) This relates to the probable future income support amount which might be received by K-REIT Asia. Under the Deed of Income Support, Boulevard Development Pte Ltd ("Boulevard") has undertaken to make income support top-up payments for the quarterly shortfall (one-third of the difference between ORQPL's net property income and the guaranteed income amount for each quarter) in accordance with the terms set out. The intangible asset will be amortised over the period from 10 December 2007 to 31 December 2011.
- (4) Included in the balances are receivables for income support from Boulevard, dividend and interest income from ORQPL as at 31 December 2008 of \$ 9.1 million (31 December 2007: \$2.8 million).
- (5) The decrease in short-term borrowings is due to the partial repayment of the bridging loan from the proceeds of the rights issue and a long-term revolving loan facility obtained for the remaining balance of the bridging loan.
- (6) This is based on the principal amount of borrowings as stated in paragraph 1(b)(ii) and valuation of \$2.1 billion for the deposited properties (held directly and indirectly by K-REIT Asia) performed by an independent valuer as at 31 December 2008.

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

	As at 31/12/08 \$'000	As at 31/12/07 \$'000
<b>Secured borrowings</b>		
Amount repayable in one year or less, or on demand	-	-
Amount repayable after one year	189,524	189,283
<b>Unsecured borrowings</b>		
Amount repayable in one year or less, or on demand	-	942,000
Amount repayable after one year	387,611	-
<b>Total borrowings</b>	577,135	1,131,283

**Details of borrowings and collaterals**

K-REIT Asia has in place a secured 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. As at 31 December 2008, the term loans are fully drawn down and bear interest at a blended rate of 3.9% per annum.

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

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

At the beginning of the financial year, K-REIT Asia had a revolving loan of \$942.0 million due to Kephinance Investment Pte Ltd ("Kephinance") for the financing of the acquisition of one-third interest in ORQPL ("Bridging Loan") for an initial period of nine months commencing from the drawdown date.

On 8 May 2008, K-REIT Asia completed a rights issue exercise where it raised a total gross proceeds of \$551.7 million by issuing 396.9 million of new units at a rights issue price of \$1.39. K-REIT Asia utilised the net proceeds of \$550.7 million to repay part of the Bridging Loan in May 2008.

Upon the expiry of the Bridging Loan in September 2008, K-REIT Asia has put in place a revolving loan facility of \$391.0 million from Kephinance Investment Pte Ltd for a period of thirty months commencing from 10 September 2008 and thereafter renewable on terms, including a new maturity date to be agreed between the parties. As at 31 December 2008, the amount outstanding was \$387.6 million.

**1(c) Statement of cash flows**

	Note	4Q2008 \$'000	4Q2007 \$'000	FY2008 \$'000	FY2007 \$'000
<b>Cash flow from operating activities</b>					
Total return before tax		18,052	295,919	30,378	445,653
Adjustments for:					
Interest income		(2,454)	(771)	(9,069)	(1,062)
Amortisation expense		6,694	1,341	27,050	1,341
Share of results of associated company		(6,698)	(490)	(14,776)	(490)
Borrowing costs		6,163	3,816	23,580	9,582
Management fees payable in units		3,317	1,959	12,967	5,302
Net appreciation on revaluation of investment properties		(7,000)	(295,000)	(7,000)	(432,964)
<b>Operating cash flows before reinvestment in working capital</b>		<b>18,074</b>	<b>6,774</b>	<b>63,130</b>	<b>27,362</b>
(Increase)/decrease in receivables		(6,359)	167	(24,706)	(655)
(Decrease)/increase in payables		(2,487)	1,331	(2,708)	806
Security deposits		816	465	3,291	1,777
<b>Net cash generated from operating activities</b>		<b>10,044</b>	<b>8,737</b>	<b>39,007</b>	<b>29,290</b>
<b>Cash flow from investing activities</b>					
Interest received		2,402	71	9,720	368
Income support received		6,232	-	19,556	-
Dividend income received from associated company		3,331	-	9,008	-
Repayment of shareholders' loan		-	-	7,000	-
Improvements in investment properties		-	-	-	(36)
Increase in intangible asset		-	(87,623)	-	(87,623)
Investment in associated company		-	(852,560)	-	(852,560)
<b>Net cash generated from/(used in) investing activities</b>		<b>11,965</b>	<b>(940,112)</b>	<b>45,284</b>	<b>(939,851)</b>
<b>Cash flow from financing activities</b>					
Distribution to Unitholders	1	-	-	(37,872)	(17,859)
Proceeds from new loans (unsecured)		-	942,000	-	942,000
Interest paid		(2,922)	(1,860)	(21,181)	(7,467)
Repayment of short-term borrowings (unsecured)		-	-	(551,000)	-
Proceeds from rights issue		-	-	551,726	-
Establishment and issue expenses		(13)	-	(1,013)	-
Upfront debt arrangement fees		-	-	(3,910)	-
<b>Net cash (used in)/generated from financing activities</b>		<b>(2,935)</b>	<b>940,140</b>	<b>(63,250)</b>	<b>916,674</b>
<b>Net increase in cash and cash equivalents</b>		<b>19,074</b>	<b>8,765</b>	<b>21,041</b>	<b>6,113</b>
Cash and cash equivalents at the beginning of period		24,894	14,162	22,927	16,814
<b>Cash and cash equivalents at the end of period</b>		<b>43,968</b>	<b>22,927</b>	<b>43,968</b>	<b>22,927</b>

**Note:**

(1) Distribution for FY2008 is for the period 1 July 2007 to 31 December 2007, paid 29 February 2008; 1 January 2008 to 7 May 2008, paid on 18 June 2008; and 8 May 2008 to 30 June 2008, paid on 28 August 2008.

Distribution for FY2007 is for the period 1 July 2006 to 31 December 2006, paid on 28 February 2007 and 1 January 2007 to 30 June 2007, paid on 24 August 2007.



1(d)(i) **Statement of movements in Unitholders' funds**

**Statement of movements in Unitholders' funds for the year ended 31 December 2008**

	Note	Issued Equity \$'000	Accumulated Profits \$'000	Total \$'000
<b>Net assets at 1 January 2008</b>		<b>454,258</b>	<b>479,509</b>	<b>933,767</b>
<u>Operations</u>				
Total return after tax		-	27,468	27,468
<b>Net increase in net assets resulting from operations</b>		<b>-</b>	<b>27,468</b>	<b>27,468</b>
<u>Unitholders' transactions</u>				
Creation of units				
- Payment of management fees in units	1	11,595	-	11,595
- Rights issue	2	551,726	-	551,726
Issue expenses	3	(1,013)	-	(1,013)
Distribution to Unitholders	4	-	(37,872)	(37,872)
<b>Net increase/(decrease) in net assets resulting from Unitholders' transactions</b>		<b>562,308</b>	<b>(37,872)</b>	<b>524,436</b>
<b>Net assets at 31 December 2008</b>		<b>1,016,566</b>	<b>469,105</b>	<b>1,485,671</b>

**Notes:**

- (1) This represents 8,615,445 units issued as satisfaction of management fees payable in units.
- (2) This relates to the gross proceeds raised from the renounceable rights issue for 396.9 million units at the issue price of \$1.39.
- (3) This relates to the issuance expenses in relation to the renounceable rights issue.
- (4) This relates to the distributable income of \$12.4 million for the period of 1 July 2007 to 31 December 2007, paid on 29 February 2008; \$16.5 million for the period of 1 January 2008 to 7 May 2008, paid on 18 June 2008; and \$9.0 million for the period of 8 May 2008 to 30 June 2008, paid on 28 August 2008.

**1(d)(i) Statement of movements in Unitholders' funds (cont'd)**
**Statement of movements in Unitholders' funds for the year ended 31 December 2007**

	Note	Issued Equity \$'000	Asset Revaluation Reserve \$'000	Accumulated Profits \$'000	Total \$'000
<b>Net assets at 1 January 2007</b>		<b>440,519</b>	<b>46,300</b>	<b>5,578</b>	<b>492,397</b>
Adoption of FRS40		-	(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>
<u>Operations</u>					
Total return after tax		-	-	445,490	445,490
<b>Net increase in net assets resulting from operations</b>		<b>-</b>	<b>-</b>	<b>445,490</b>	<b>445,490</b>
<u>Unitholders' transactions</u>					
Creation of units					
- Payment of management fees in units	1	4,324	-	-	4,324
- Payment of acquisition fees in units	2	9,415	-	-	9,415
Distribution to Unitholders	3	-	-	(17,859)	(17,859)
<b>Net increase/(decrease) in net assets resulting from Unitholders' transactions</b>		<b>13,739</b>	<b>-</b>	<b>(17,859)</b>	<b>(4,120)</b>
<b>Net assets at 31 December 2007</b>		<b>454,258</b>	<b>-</b>	<b>479,509</b>	<b>933,767</b>

**Notes:**

- (1) This represents 1,580,711 units issued as satisfaction of management fees payable in units.
- (2) This represents 3,992,451 units issued as satisfaction of acquisition 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, paid on 28 February 2007; and \$9.5 million for the period of 1 January 2007 to 30 June 2007 which was paid on 28 August 2007.

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

	<b>No. of Units</b>	
	<b>2008</b>	<b>2007</b>
<b>Issued units as at 1 January</b>	<b>247,183,528</b>	<b>241,610,366</b>
Issue of new units		
- Payment of management fees in units	5,343,585	1,088,487
- Rights issue	396,925,192	-
<b>Issued units as at 30 September</b>	<b>649,452,305</b>	<b>242,698,853</b>
Issue of new units		
- Payment of management fees in units	3,271,860	492,224
- Payment of acquisition fees in units	-	3,992,451
<b>Issued units as at 31 December</b>	<b>652,724,165</b>	<b>247,183,528</b>

**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 the audited financial statements for the year ended 31 December 2007.

**5. CHANGES IN ACCOUNTING POLICIES**

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

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

	<b>4Q2008</b>	<b>4Q2007</b>	<b>FY 2008</b>	<b>FY 2007</b>
<b>Earnings per unit</b> (based on weighted average number of units in issue for the period)	2.72 cents	116.70 cents <sup>1</sup>	5.33 cents	176.57 cents <sup>1</sup>
Weighted average number of units for the period	651,692,818	253,427,537 <sup>1</sup>	515,462,352	252,297,151 <sup>1</sup>
<b>Distribution per unit</b> (based on the number of units as at end of period)	2.67 cents	2.80 cents	8.91 cents	8.82 cents
Number of units in issue at end of period	652,724,165	247,183,528	652,724,165	247,183,528

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

**Notes:**

(1) *The comparative figures for earnings per unit and weighted average number of units in issue have been adjusted to account for the effect of the rights issue as mentioned in paragraph 1(d)(ii) above.*

**7. NET ASSET VALUE (“NAV”)**

	<b>As at 31/12/08</b>	<b>As at 31/12/07</b>
NAV per unit based on issued units at the end of the period (\$)	2.28	3.78
Adjusted NAV per unit based on issued units at the end of the period (excluding the distributable income) (\$)	2.19	3.69

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

	4Q2008	4Q2007	+/(-) %	FY2008	FY2007	+/(-) %
	\$'000	\$'000		\$'000	\$'000	
<b>Property</b>						
Prudential Tower Property	2,790	1,942	43.7	10,475	6,880	52.3
Keppel Towers and GE Tower	6,960	5,718	21.7	25,666	20,008	28.3
Bugis Junction Towers	4,539	3,368	34.8	16,505	13,181	25.2
<b>Total property income</b>	<b>14,289</b>	<b>11,028</b>	<b>29.6</b>	<b>52,646</b>	<b>40,069</b>	<b>31.4</b>

**8(ii) Income contribution of the properties**

	4Q2008	4Q2007	+/(-) %	FY2008	FY2007	+/(-) %
	\$'000	\$'000		\$'000	\$'000	
<b>Property</b>						
Prudential Tower Property	2,544	1,381	84.2	8,270	5,037	64.2
Keppel Towers and GE Tower	5,399	3,432	57.3	18,942	13,741	37.9
Bugis Junction Towers	3,870	2,211	75.0	12,447	9,484	31.2
<b>Net property income</b>	<b>11,813</b>	<b>7,024</b>	<b>68.2</b>	<b>39,659</b>	<b>28,262</b>	<b>40.3</b>
One-third interest in ORQPL <sup>1</sup> :						
- Income support	6,322	1,080	Nm	24,799	1,080	Nm
- Interest income	2,364	690	Nm	8,799	690	Nm
- Dividend income	2,760	1,000	Nm	10,768	1,000	Nm
<b>Total income from one-third interest in ORQPL</b>	<b>11,446</b>	<b>2,770</b>	<b>Nm</b>	<b>44,366</b>	<b>2,770</b>	<b>Nm</b>
<b>Total income contribution</b>	<b>23,259</b>	<b>9,794</b>	<b>137.5</b>	<b>84,025</b>	<b>31,032</b>	<b>170.8</b>

**Note:**

Nm : Not meaningful

(1) The acquisition of one-third interest in ORQPL was completed on 10 December 2007. Thus, income contribution from the one-third interest in ORQPL for FY2007 relates to the period from 11 December 2007 to 31 December 2007.

**8. REVIEW OF PERFORMANCE (cont'd)****Review of performance for 4Q 2008 vs 4Q 2007**

Turnover of \$14.3 million for 4Q 2008 was \$3.3 million or 29.6% higher than that for 4Q 2007. This improvement was mainly the result of higher rental rates achieved for new and renewed leases as well as improved occupancies.

The portfolio attained 99.0% committed occupancy as at end-December 2008. Average gross rental rate for the investment properties held directly by K-REIT Asia was \$6.08 psf in December 2008 as compared with \$4.65 psf in December 2007. Including K-REIT Asia's one-third interest in ORQPL, the portfolio's average gross rental rate was \$7.61 psf in December 2008.

Property expenses of \$2.5 million were \$1.5 million or 38.2% lower than that in 4Q 2007. The reduction was attributable to lower property tax of \$0.9 million due to recovery of property tax and lower other property expenses of \$0.7 million.

Net property income increased by 68.2% from \$7.0 million in 4Q 2007 to \$11.8 million in 4Q 2008 on the account of higher rental income and lower property expenses.

Net income reported a significant increase of \$10.1 million from \$0.9 million in 4Q 2007 to \$11.1 million in 4Q 2008 due mainly to the contribution of K-REIT Asia's one-third interest in ORQPL. ORQPL contributed only 21 days of income in 4Q 2007 as the acquisition was completed on 10 December 2007. In comparison, ORQPL made a full quarter contribution in 4Q 2008. Included in the share of profits of ORQPL in 4Q 2008 was a net appreciation on revaluation of the ORQ property of \$4.1 million.

The increase in borrowing costs of \$2.3 million to \$6.2 million and manager's management fees from \$2.0 million to \$3.3 million in 4Q 2008 was offset by the higher interest income and share of profits of ORQPL of \$1.7 million and \$6.2 million respectively.

Total return after tax for 4Q 2008 of \$17.7 million was lower than that for the corresponding period due mainly to the net appreciation on the revaluation of the investment properties of \$295.0 million taken up in 4Q 2007 as compared with a net appreciation on the revaluation of investment properties of \$7.0 million recognised in 4Q 2008.

Distributable income to Unitholders for 4Q 2008 increased by \$10.5 million to \$17.4 million from \$6.9 million in 4Q 2007. The increase was the result of higher property income and income contribution from ORQPL.

For the quarter, the all-in interest rate was 4.21% as compared with 3.66% for 4Q 2007. The aggregate leverage stood at 27.6% as at 31 December 2008 and the weighted average term to expiry of debt was 2.3 years.

**Review of the performance for 4Q 2008 vs 3Q 2008**

Turnover of \$14.3 million for 4Q 2008 was \$0.4 million or 3.1% higher than that for 3Q 2008. This improvement was mainly the result of higher rental rates achieved for new and renewed leases.

The portfolio attained 99.0% committed occupancy as at end-December 2008 as compared with 99.4% as at end-September 2008. Average gross rental rate for the investment properties held directly by K-REIT Asia was \$6.08 psf in December 2008 as compared with \$5.99 psf in September 2008. Including K-REIT Asia's one-third interest in ORQPL, the portfolio's average gross rental rate was \$7.61 psf in December 2008 against \$7.43 psf in September 2008.

Property expenses of \$2.5 million were \$1.9 million or 42.8% lower than 3Q 2008. The reduction was attributable to a decrease in property tax of \$1.8 million due to higher property tax recovery and lower maintenance expenses of \$0.3 million offset by a higher marketing expenses and utilities of \$0.2 million.

Net property income increased by 23.9% to \$11.8 million in 4Q 2008 on the account of higher rental income and lower property expenses. Borrowing costs increased by \$1.6 million to \$6.2 million for 4Q 2008 due to higher interest rate incurred. The increase in borrowing costs was mitigated by higher interest income and share of profits from ORQPL of \$0.7 million and \$3.4 million respectively.

Total return after tax for 4Q 2008 of \$17.7 million was higher by \$13.2 million or 290.2% as compared with that for 3Q 2008. The increase was due to a net appreciation on the revaluation of the investment properties of \$7.0 million taken up in 4Q 2008 as well as a higher contribution from ORQPL.

Distributable income to Unitholders for 4Q 2008 increased by \$2.2 million to \$17.4 million from \$15.2 million in 3Q 2008. The increase was due mainly to higher property income.

For the quarter to quarter comparison, the all-in interest rate was 4.21% in 4Q 2008 against 3.11%, in 3Q 2008. The aggregate leverage stood at 27.6% as at 31 December and 30 September 2008, and the weighted average term to expiry of debt was reduced from 2.5 years to 2.3 years in December 2008.

#### **Review of the performance for FY2008 vs FY2007**

Turnover for FY2008 of \$52.6 million was 31.4% or \$12.6 million higher than that of FY2007. The increase was due mainly to higher rental rates achieved for new and renewed leases as well as improved occupancies which led to an increase in rental income.

Property expenses of \$13.0 million were \$1.2 million or 10.0% higher than that of FY2007. The increase in property expenses was due mainly to higher utilities of \$0.5 million, higher maintenance expense of \$0.5 million, and higher property tax of \$0.2 million in line with a higher annual value.

Net property income rose 40.3% or \$11.4 million to \$39.7 million as a result of higher rental income.

Net income reported a significant increase of \$10.7 million from \$12.7 million in FY2007 to \$23.4 million in FY2008 due mainly to the contribution of K-REIT Asia's one-third interest in ORQPL. ORQPL contributed only 21 days of income in FY2007 as the acquisition was completed on 10 December 2007 as compared with a full year's contribution in FY2008. Included in the share of profits of ORQPL in FY2008 was a net appreciation on revaluation of the ORQ property of \$4.1 million.

Manager's management fee increased by \$7.7 million due to the acquisition of a one-third interest in ORQPL, a higher appraisal value for the investment properties and a higher property income. On account of the additional loan drawn down to finance the ORQPL acquisition in December 2007, borrowing costs increased by \$14.0 million to \$23.6 million for FY2008. These increases were offset by higher interest income and share of profits from ORQPL of \$8.0 million and \$14.3 million respectively.

Total return after tax for FY2008 was \$27.5 million, which was \$418.0 million lower than that of FY2007 due mainly to a net appreciation on revaluation of investment properties. Included in the total return after tax for FY2008 and FY2007 was a net appreciation on revaluation of investment properties of \$7.0 million and \$433.0 million respectively.

Distributable income to Unitholders for FY2008 was \$58.2 million, up by 166.7% or \$36.4 million as compared with FY2007.

**9. VARIANCE FROM PROSPECTS STATEMENT**
**Statement of total return (actual vs forecast <sup>1</sup>)**

	Note	Actual 4Q2008 \$'000	Forecast <sup>1</sup> 4Q2008 \$'000	+ /(-) %	Actual FY2008 \$'000	Forecast <sup>1</sup> FY2008 \$'000	+ /(-) %
Gross rent		14,047	13,111	7.1	51,632	49,599	4.1
Car park income		234	225	4.0	969	910	6.5
Other income		8	9	(11.1)	45	34	32.4
<b>Property income</b>		<b>14,289</b>	<b>13,345</b>	<b>7.1</b>	<b>52,646</b>	<b>50,543</b>	<b>4.2</b>
Property tax		(49)	(1,016)	(95.2)	(3,355)	(3,535)	(5.1)
Other property expenses	2	(1,596)	(2,944)	(45.8)	(6,414)	(7,895)	(18.8)
Property management fee		(428)	(400)	7.0	(1,579)	(1,516)	4.2
Maintenance and sinking fund contributions		(403)	(412)	(2.2)	(1,639)	(1,648)	(0.5)
<b>Property expenses</b>		<b>(2,476)</b>	<b>(4,772)</b>	<b>(48.1)</b>	<b>(12,987)</b>	<b>(14,594)</b>	<b>(11.0)</b>
<b>Net property income</b>		<b>11,813</b>	<b>8,573</b>	<b>37.8</b>	<b>39,659</b>	<b>35,949</b>	<b>10.3</b>
Income support	3	6,322	6,660	(5.1)	24,799	26,460	(6.3)
Interest income	4	2,454	3,012	(18.5)	9,069	11,908	(23.8)
Share of results of associated company	5	6,698	1,379	385.7	14,776	5,796	154.9
Amortisation expense		(6,694)	(6,694)	-	(27,050)	(27,051)	-
Borrowing costs	6	(6,163)	(5,196)	18.6	(23,580)	(26,141)	(9.8)
Manager's management fees	7	(3,317)	(3,202)	3.6	(12,967)	(12,803)	1.3
Trust expenses		(61)	(447)	(86.4)	(1,328)	(1,502)	(11.6)
<b>Net income</b>		<b>11,052</b>	<b>4,085</b>	<b>170.6</b>	<b>23,378</b>	<b>12,616</b>	<b>85.3</b>
Net appreciation on revaluation of investments properties		7,000	-	Nm	7,000	-	Nm
<b>Total return for the period before tax</b>		<b>18,052</b>	<b>4,085</b>	<b>341.9</b>	<b>30,378</b>	<b>12,616</b>	<b>140.8</b>
Income tax expense	8	(340)	(1,144)	(70.3)	(2,910)	(4,454)	(34.7)
<b>Total return for the period after tax</b>		<b>17,712</b>	<b>2,941</b>	<b>502.2</b>	<b>27,468</b>	<b>8,162</b>	<b>236.5</b>
<b><u>Distribution statement</u></b>							
<b>Net income</b>		<b>11,052</b>	<b>4,085</b>	<b>170.6</b>	<b>23,378</b>	<b>12,616</b>	<b>85.3</b>
Net tax adjustments	9	6,698	10,215	(34.4)	37,714	40,893	(7.8)
Income tax expense		(340)	(1,144)	(70.3)	(2,910)	(4,454)	(34.7)
<b>Income available for distribution to Unitholders</b>		<b>17,410</b>	<b>13,156</b>	<b>32.3</b>	<b>58,182</b>	<b>49,055</b>	<b>18.6</b>
<b>Distributable income to Unitholders</b>	10	<b>17,410</b>	<b>13,156</b>	<b>32.3</b>	<b>58,182</b>	<b>49,055</b>	<b>18.6</b>
<b>Distribution per unit (cents)</b>							
<b>For the period</b>		<b>2.67</b>	<b>2.02</b>		<b>8.91</b>	<b>7.53</b>	

**Note:**

Nm – Not meaningful

(1) The forecasts for 4Q2008 and FY2008 are derived from the forecast shown in K-REIT Asia's circular dated 9 April 2008 for the renounceable rights issue.



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

	<b>Actual 4Q2008 \$'000</b>	<b>Forecast <sup>1</sup> 4Q2008 \$'000</b>	<b>Actual FY2008 \$'000</b>	<b>Forecast <sup>1</sup> FY2008 \$'000</b>
Amortisation	-	13	-	43
Marketing expenses	244	348	1,200	665
Utilities	609	467	2,030	1,833
Repair and maintenance	501	1,837	2,096	4,253
Property management reimbursements	240	247	1,015	992
Others properties expenses	2	32	73	109
	<u>1,596</u>	<u>2,944</u>	<u>6,414</u>	<u>7,895</u>

(3) This is the income support top-up payment received by K-REIT Asia from Boulevard Development Pte Ltd, (the vendor of the one-third interest in One Raffles Quay Pte Ltd ("ORQPL")) for the quarterly shortfall in accordance with the terms set out in the Deed of Income Support.

(4) Interest income comprises the following:

	<b>Actual 4Q2008 \$'000</b>	<b>Forecast <sup>1</sup> 4Q2008 \$'000</b>	<b>Actual FY2008 \$'000</b>	<b>Forecast <sup>1</sup> FY2008 \$'000</b>
Interest income from fixed deposits and current account	90	51	270	212
Interest income from shareholder's loan to ORQPL	2,364	2,961	8,799	11,696
	<u>2,454</u>	<u>3,012</u>	<u>9,069</u>	<u>11,908</u>

(5) Share of results of associated company relates to K-REIT Asia's one-third interest of ORQPL's net profit after tax which is represented by the proportionate share of gross revenue less property expenses, interest expense, income tax, if any, and the net appreciation on revaluation of ORQ.

(6) Borrowing costs comprise the following:

	<b>Actual 4Q2008 \$'000</b>	<b>Forecast <sup>1</sup> 4Q2008 \$'000</b>	<b>Actual FY2008 \$'000</b>	<b>Forecast <sup>1</sup> FY2008 \$'000</b>
Interest expense:				
- on term loans	1,882	1,882	7,488	7,488
- on bridge/revolving loan	3,829	3,254	15,330	18,411
Amortisation of transaction costs capitalised	452	60	762	242
	<u>6,163</u>	<u>5,196</u>	<u>23,580</u>	<u>26,141</u>

(7) The Manager's management fees are paid in units.

(8) Income tax expense comprises tax of 18% on the income support received by K-REIT Asia, net of deductible interest expense.

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

	<b>Actual 4Q2008 \$'000</b>	<b>Forecast <sup>1</sup> 4Q2008 \$'000</b>	<b>Actual FY2008 \$'000</b>	<b>Forecast <sup>1</sup> FY2008 \$'000</b>
Management fees payable in units	3,317	3,204	12,967	12,803
Trustee's fees	79	81	344	318
Amortisation of transaction costs	7,145	6,754	27,811	27,293
Non-tax deductible expenses	95	176	600	479
Share of results of associated company	(6,698)	(1,379)	(14,776)	(5,796)
Dividend income received	2,760	1,379	10,768	5,796
Net tax adjustments	<u>6,698</u>	<u>10,215</u>	<u>37,714</u>	<u>40,893</u>

(10) The distributable income to Unitholders is based on 100% of the taxable income available for distribution to Unitholders. K-REIT Asia's distribution policy is to distribute at least 90% of its taxable income available for distribution to Unitholders.

**9. VARIANCE FROM PROSPECTS STATEMENT (cont'd)****Review of performance for 4Q 2008 (actual vs forecast <sup>1</sup>)**

The turnover of \$14.3 million was 7.1% higher compared with the forecast for 4Q 2008. This increase was due mainly to higher rental rates achieved for new and renewal leases as well as higher occupancies.

Property expenses of \$2.5 million were 48.1% or \$2.3 million lower than the forecast, due mainly to a higher property tax recovery of \$1.0 million and a lower maintenance expense of \$1.3 million.

Net property income of \$11.8 million was 37.8% or \$3.2 million higher than the forecast as a result of higher rentals and lower property expenses. Income support and interest income in relation to ORQPL fell by \$0.3 million and \$0.6 million respectively but this decrease was offset by a higher share of results of ORQPL of \$5.3 million. Included in the share of results of ORQPL for 4Q 2008 was a net appreciation on revaluation of the ORQ property of \$4.1 million. Borrowing costs were \$1.0 million higher than the forecast due to a higher interest rate for the new revolving loan obtained in September 2008.

Total return after tax for 4Q 2008 of \$17.7 million exceeded the forecast by 502.2% or \$14.8 million due mainly to a higher contribution from ORQPL, appreciation from revaluation of investment properties and lower tax expense. The distributable income to Unitholders for 4Q 2008 of \$17.4 million was 32.3% or \$4.3 million higher than the forecast for 4Q 2008 of \$13.2 million.

**Review of performance for FY 2008 (actual vs forecast <sup>1</sup>)**

The turnover of \$52.6 million was 4.2% higher compared with the forecast for FY2008. This increase was due mainly to higher rental rates achieved for new and renewed leases and higher occupancies as compared with the forecast.

Property expenses of \$13.0 million were \$1.6 million lower than the forecast, due to lower maintenance expenses of \$2.2 million and lower property tax of \$0.2 million, offset by higher marketing expenses and, utilities and general expenses of \$0.8 million.

Net property income of \$39.7 million was 10.3% higher than the forecast as a result of higher rental and lower property expenses. Income support and interest income in relation to ORQPL fell by \$1.7 million and \$2.8 million respectively but this decrease was offset by higher share of results of ORQPL of \$9.0 million. Included in the share of results of ORQPL for FY2008 was a net appreciation on revaluation of the ORQ property of \$4.1 million. Borrowing costs were \$2.6 million lower than the forecast due to a more favourable interest rate for the bridging loan.

Total return after tax for FY2008 of \$27.5 million exceeded the forecast by 236.5% or \$19.3 million due mainly to lower borrowing costs, appreciation on revaluation of investment properties and lower tax expense. The distributable income to Unitholders of \$58.2 million was 18.6% or \$9.1 million higher than the forecast of \$49.1 million.

**Note:**

(1) The forecasts for 4Q2008 and FY2008 are derived from the forecast shown in K-REIT Asia's circular dated 9 April 2008 for the renounceable rights issue.

**10. PROSPECTS**

Advance estimates from the Ministry of Trade and Industry show that the Singapore economy has contracted by 2.6% in 4Q 2008 from a year ago, due mainly to a decline in the manufacturing sector. This brings the overall GDP growth for 2008 to a lower-than-expected 1.5%, compared with 7.7 % in 2007. The services producing industries grew by 1.1% in 4Q 2008, compared with a 5.3% increase in the previous quarter as growth in financial services eased. As the global economic crisis has escalated in the fourth quarter of 2008, the Singapore government now expects GDP performance between -2% and 1% in 2009.

The crisis has dampened market sentiments in the office sector, with average prime and Grade A monthly rents easing by 14% and 12.5% year-on-year to \$12.90 and \$15.00 psf respectively in 4Q 2008. Occupancy rates for core Central Business District (CBD) office space dipped to 95.4% in 4Q 2008 from 97.6% in 4Q 2007 (source: CB Richard Ellis).

With the global economic slowdown affecting the Singapore economy, office demand is expected to decline and rents to fall further in 2009. The Singapore government has initiated measures in October 2008 which reduce the risk of over-supply in the slowing market. These measures include the suspension of sale of confirmed land sites and the lifting of a ban on the conversion of office buildings in the CBD to other uses. The government is expected to announce more relief measures for the property market in its Budget announcement on 22 January 2009.

The outlook for 2009 is, therefore, challenging. However, there are mitigating factors that can help to moderate the market risks that K-REIT Asia is facing. K-REIT Asia's average portfolio rent is below market rents and will provide a cushion for positive rental reversion even under current conditions. Its rental stream from its one-third interest in One Raffles Quay is also buffered against downside risks with income support lasting until end-2011.

The weighted average lease term to expiry for K-REIT Asia's portfolio and for those of its top 10 tenants at 5.6 years and 7.6 years respectively, provide stability for Unitholders in the current uncertain economic climate.

Against the backdrop of falling capital values and the possibility of further devaluation, K-REIT Asia's portfolio of good quality office buildings of \$2.1 billion is valued within the lower end of market range. Its aggregate leverage will exceed the regulatory 60% limit only if its average portfolio valuation falls by more than 54%.

With the successful conclusion of the rights issue in May 2008, K-REIT Asia has no debt refinancing needs until 2011 and its aggregate leverage remained low at 27.6% as at end-December 2008. The establishment of a \$1 billion medium-term note programme has been completed, providing K-REIT Asia with an additional source of funding and greater flexibility to manage capital requirements.

Given K-REIT Asia's healthy financial standing, the economic downturn presents opportunities for selective asset acquisitions. K-REIT Asia will engage in asset enhancement to optimize net lettable area and improve operational efficiency.

Despite the difficult macroeconomic conditions and barring unforeseen circumstances, the manager of K-REIT Asia expects to maintain its income stream in 2009.

**11. RISK FACTORS AND RISK MANAGEMENT**

K-REIT Asia ascribes great importance to risk management and constantly takes initiatives to systemically review the risks it faces and mitigates them. Some of the key risks that the Manager has identified are as follows:

**Interest rate risk**

Interest rate exposures are managed through appropriate term facilities and floating positions. The Manager also monitors the interest rate environment closely to optimise the refinancing higher cost debt where and when appropriate.

**Liquidity risk**

The Manager monitors and maintains K-REIT Asia's cash flow position and working capital to ensure that there are adequate liquid reserves in terms of cash and credit facilities to meet short term obligations. Steps have been taken to plan early for funding and expenses so as to manage the cash position at any point of time.

**Credit risk**

Credit risk assessments of tenants are carried out by way of evaluation of information from corporate searches prior to signing of lease agreements. Tenants are required to pay a security deposit as a multiple of monthly rents and maintain sufficient deposits in their accounts. In addition, the Manager also monitors the property portfolio's tenant trade sector mix to assess exposure to any one potentially volatile trade sector.

**Currency risk**

Presently, K-REIT Asia has no currency risks as all borrowings are in Singapore dollars. Going forward, as K-REIT starts to acquire assets overseas, it is the intention that any debt financing for such acquisitions will be made in the same currency in which the assets are denominated, whenever possible, so as to serve as a natural currency hedge. The Manager will also adopt appropriate hedging strategies when deemed necessary.

**Operational risk**

Measures have been put in place to promote sustainability of net property income. Some of these measures include steps taken to negotiate for favourable terms/covenants, manage expenses, actively monitor rental payments from tenants, continuously evaluate our counter-parties and maximise property value. In addition, the Manager also continuously reviews disaster and pandemic business continuity plans and modifies them, when necessary.

## 12. DISTRIBUTIONS

### (a) Current financial period reported on

Name of Distribution	Distribution for 1 July 2008 to 31 December 2008
Distribution type	(a) Taxable income (b) Tax-exempt income
Distribution rate	(a) Taxable income distribution – 3.91 cents per unit (b) Tax-exempt income distribution – 1.16 cents per unit
Tax rate	<p><u>Taxable income distribution</u> 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>Subject to meeting certain conditions, foreign non-individual unitholders will receive their distributions after deduction of tax at the rate of 10%.</p> <p>All other investors will receive their distributions after deduction of tax at the rate of 18%.</p> <p><u>Tax-exempt income distribution</u> Tax-exempt income distribution is exempt from tax in the hands of all Unitholders. Tax-exempt income relates to net taxed income and one-tier dividend income received by K-REIT Asia.</p>

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

Name of Distribution	Distribution for 1 July 2007 to 31 December 2007
Distribution type	(a) Taxable income (b) Tax-exempt income
Distribution rate	(a) Taxable income distribution – 4.69 cents per unit (b) Tax-exempt income distribution – 0.30 cents per unit
Tax rate	<p><u>Taxable income distribution</u> 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>Subject to meeting certain conditions, foreign non-individual unitholders will receive their distributions after deduction of tax at the rate of 10%.</p> <p>All other investors will receive their distributions after deduction of tax at the rate of 18%.</p> <p><u>Tax-exempt income distribution</u> Tax-exempt income distribution is exempt from tax in the hands of all Unitholders. Tax-exempt income relates to net taxed income and one-tier dividend income received by K-REIT Asia.</p>

(c) **DATE PAYABLE**

23 February 2009

(d) **BOOKS CLOSURE DATE**

29 January 2009

**13. DISTRIBUTION STATEMENT**

Other than as disclosed in paragraph 12(a), no distribution has been declared/recommended.

**14. SEGMENTAL INFORMATION**

	FY2008	FY2007	+/( -)
	\$'000	\$'000	%
<b>Property</b>			
Prudential Tower Property	8,270	5,037	64.2
Keppel Towers and GE Tower	18,942	13,741	37.9
Bugis Junction Towers	12,447	9,484	31.2
<b>Net property income</b>	<b>39,659</b>	<b>28,262</b>	<b>40.3</b>
One-third interest in ORQPL <sup>1</sup> :			
- Income support	24,799	1,080	Nm
- Interest income	8,799	690	Nm
- Dividend income	10,768	1,000	Nm
<b>Total income from one-third interest in ORQPL</b>	<b>44,366</b>	<b>2,770</b>	Nm
<b>Total income contribution</b>	<b>84,025</b>	<b>31,032</b>	<b>170.8</b>

**Note:**

(1) The acquisition of one-third interest in ORQPL was completed on 10 December 2007. Thus, income contribution from the one-third interest in ORQPL for FY2007 relates to the period from 11 December 2007 to 31 December 2007.

**15. 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 8 on the review of performance.

**16. BREAKDOWN OF SALES**

	FY2008	FY2007	+/( -)
	\$'000	\$'000	%
(a) Property income reported for first half year	24,495	18,718	30.9
(b) Total return after tax for first half year	5,217	7,607	(31.4)
(c) Property income reported for second half year	28,151	21,351	31.8
(d) Total return after tax for second half year <sup>1</sup>	22,251	437,883	(94.9)

**Note:**

(1) The total return after tax for second half year FY2008 and FY2007 included revaluation gain of the initial properties amounting to approximately \$7.0 million and \$443.0 million respectively. This revaluation gain is a non-tax chargeable item and has no impact on the distributable income to Unitholders.

**17. INTERESTED PERSON TRANSACTIONS**
**Aggregate value of all interested person transactions during the financial period under review (excluding transactions of less than \$100,000)**

Name of interested person	FY2008 \$'000	FY2007 \$'000
Keppel Corporation and its subsidiaries or associates		
- Manager's management fees	12,968	5,302
- Acquisition fees	-	9,415
- Property management fees and reimbursables	2,597	2,171
- Leasing commissions	1,156	925
- Rental and service charge income <sup>1</sup>	1,411	1,518
- Acquisition of one-third interest in ORQPL	-	938,753
- Interest on bridging loan <sup>2</sup>	-	23,315
- Interest on revolving loan <sup>2</sup>	38,514	-
RBC Dexia Trust Services Singapore Limited		
- Trustee's fee	344	132

**Notes:**

- (1) *The aggregate value of interested person transactions refers to the total contract sum entered into during the respective financial periods.*
- (2) *The aggregate value of interested person transactions refers to the total estimated interest payable on the bridging/revolving loan for the entire loan tenure.*

**18. BREAKDOWN OF TOTAL ANNUAL DISTRIBUTION**

	FY2008 \$'000	FY2007 \$'000
1 January 2007 to 30 June 2007 (paid)	-	9,475
1 July 2007 to 31 December 2007 (paid)	-	12,337
1 January 2008 to 7 May 2008 (paid)	16,465	-
8 May 2008 to 30 June 2008 (paid)	9,027	-
1 July 2008 to 31 December 2008 (to be paid) <sup>1</sup>	32,690	-
	58,182	21,812

**Note:**

- (1) *Please refer to paragraph 12(a) on page 21. .*

**Appendix**

**K-REIT ASIA'S SEGMENTAL RESULTS – QUARTERLY BREAKDOWN**

**Property contribution by asset (\$'000)**

	FY06 <sup>1</sup>	1Q07	2Q07	3Q07	4Q07	FY07	1Q08	2Q08	3Q08	4Q08	FY08
<b>Property</b>											
Prudential Tower Property	5,855	1,632	1,654	1,652	1,942	6,880	2,062	2,753	2,870	2,790	10,475
Keppel Towers and GE Tower	15,851	4,046	4,930	5,314	5,718	20,008	5,955	6,259	6,492	6,960	25,666
Bugis Junction Towers	12,072	3,188	3,268	3,357	3,368	13,181	3,489	3,977	4,500	4,539	16,505
<b>Total property income</b>	<b>33,778</b>	<b>8,866</b>	<b>9,852</b>	<b>10,323</b>	<b>11,028</b>	<b>40,069</b>	<b>11,506</b>	<b>12,989</b>	<b>13,862</b>	<b>14,289</b>	<b>52,646</b>

**Income contribution by asset (\$'000)**

	FY06 <sup>1</sup>	1Q07	2Q07	3Q07	4Q07	FY07	1Q08	2Q08	3Q08	4Q08	FY08
<b>Property</b>											
Prudential Tower Property	4,395	1,283	1,167	1,206	1,381	5,037	1,832	1,795	2,099	2,544	8,270
Keppel Towers and GE Tower	10,598	2,863	3,645	3,801	3,432	13,741	4,678	4,847	4,018	5,399	18,942
Bugis Junction Towers	8,632	2,316	2,471	2,486	2,211	9,484	2,631	2,532	3,414	3,870	12,447
<b>Net property income</b>	<b>23,625</b>	<b>6,462</b>	<b>7,283</b>	<b>7,493</b>	<b>7,024</b>	<b>28,262</b>	<b>9,141</b>	<b>9,174</b>	<b>9,531</b>	<b>11,813</b>	<b>39,659</b>
One-third interest in ORQPL <sup>2</sup> :											
- Income support	-	-	-	-	1,080	1,080	6,145	6,099	6,233	6,322	24,799
- Interest income	-	-	-	-	690	690	2,845	1,880	1,710	2,364	8,799
- Dividend income	-	-	-	-	1,000	1,000	1,898	2,779	3,331	2,760	10,768
<b>Total income from one-third interest in ORQPL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,770</b>	<b>2,770</b>	<b>10,888</b>	<b>10,758</b>	<b>11,274</b>	<b>11,446</b>	<b>44,366</b>
<b>Total income contribution</b>	<b>23,625</b>	<b>6,462</b>	<b>7,283</b>	<b>7,493</b>	<b>9,794</b>	<b>31,032</b>	<b>20,029</b>	<b>19,932</b>	<b>20,805</b>	<b>23,259</b>	<b>84,025</b>

**Notes:**

- (1) K-REIT Asia was established on 28 November 2005 and the acquisition of the initial properties was completed on 26 April 2006. As K-REIT Asia has no income and expenses for period prior to 26 April 2006, the comparative figures have been compiled based on (i) the unaudited financial statements of Mansfield Realty Limited, Keppel Land (Tower D) Pte Ltd and BCH Office Investment Pte Ltd for the period of 1 January 2006 to 25 April 2006 after making certain assumptions and adjustments; and (ii) the actual results of K-REIT Asia from 26 April 2006 to 31 December 2006.
- (2) The acquisition of one-third interest in ORQPL was completed on 10 December 2007. Thus, there was no income contribution from the one-third interest in ORQPL for 2006 and 1Q2007 to 3Q2007.

**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  
 19 January 2009