

**K-REIT ASIA
THIRD QUARTER 2011 FINANCIAL STATEMENTS ANNOUNCEMENT****UNAUDITED RESULTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2011****TABLE OF CONTENTS**

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**SUMMARY OF K-REIT ASIA RESULTS
FOR THE THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2011**

| | GROUP | | | |
|--|-------------------|---------------------------|---------------------------|------------|
| | 3Q2011 \$'000 | YTD Sep 2011 \$'000 | YTD Sep 2010 \$'000 | +/(-) % |
| Property Income | 18,614 | 55,348 | 63,199 | (12.4) |
| Net Property Income | 14,657 | 43,899 | 49,800 | (11.8) |
| Share of Results of Associated Companies | 10,929 | 25,415 | 6,412 | 296.4 |
| Total Return before Tax | 17,678 | 51,371 | 40,322 | 27.4 |
| Income Available for Distribution | 26,692 | 77,236 | 62,476 | 23.6 |
| Distributable Income to Unitholders ¹ | 26,692 | 77,236 | 62,476 | 23.6 |
| Distribution per Unit ("DPU") (cents) | | | | |
| For the Period | 1.96 | 5.68 | 4.65 | 22.2 |
| Annualised | 7.78 | 7.59 | 6.22 | 22.0 |
| Distribution Yield | 7.7% ² | 7.6% ² | 4.8% ³ | |

Notes:

- (1) The distribution income to Unitholders is based on 100% of the income available for distribution.
- (2) The yield is based on the market closing price per unit of \$1.005 as at the last trading day, 30 September 2011.
- (3) The yield is based on the market closing price per unit of \$1.29 as at the last trading day, 30 September 2010.

INTRODUCTION

K-REIT Asia is a real estate investment trust constituted by the Trust Deed entered into 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 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. K-REIT Asia has a pan-Asian mandate that enables it to invest in quality commercial properties in Singapore and other key cities pan-Asia.

On 28 July 2011, K-REIT Asia completed the acquisition of 50% interest of 8 Chifley Square in Sydney, Australia. The premium grade office building is scheduled to be completed in the third quarter of 2013.

As at 30 September 2011, K-REIT Asia has an asset size of approximately \$3.7 billion, comprising seven quality commercial properties. In Singapore, K-REIT Asia owns Bugis Junction Towers, Marina Bay Financial Centre Towers 1 & 2 and Marina Bay Link Mall (one-third interest), One Raffles Quay (one-third interest), and Prudential Tower (approximately 92.8% of the strata area of the building). In Australia, K-REIT Asia owns 275 George Street in Brisbane (50% interest), the office tower at 77 King Street and 8 Chifley Square (50% interest), both in Sydney.

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

1 UNAUDITED RESULTS FOR THE THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2011

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 third quarter and nine months ended 30 September 2011:

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

Statement of Total Return

| | Note | <u>Group</u> | | | | | |
|---|------|----------------|----------------|---------------|-----------------|-----------------|---------------|
| | | 3Q2011 | 3Q2010 | +/(-) % | YTD Sep 2011 | YTD Sep 2010 | +/(-) % |
| | | \$'000 | \$'000 | | \$'000 | \$'000 | |
| Gross rent | | 18,291 | 21,229 | (13.8) | 54,391 | 61,834 | (12.0) |
| Car park income | | 289 | 500 | (42.2) | 851 | 1,268 | (32.9) |
| Other income | | 34 | 30 | 13.3 | 106 | 97 | 9.3 |
| Property income | | 18,614 | 21,759 | (14.5) | 55,348 | 63,199 | (12.4) |
| Property tax | | (1,096) | (934) | 17.3 | (2,942) | (3,428) | (14.2) |
| Other property expenses | 1 | (1,823) | (2,203) | (17.2) | (5,504) | (6,731) | (18.2) |
| Property management fee | | (414) | (573) | (27.7) | (1,254) | (1,650) | (24.0) |
| Maintenance and sinking fund contributions | | (624) | (530) | 17.7 | (1,749) | (1,590) | 10.0 |
| Property expenses | | (3,957) | (4,240) | (6.7) | (11,449) | (13,399) | (14.6) |
| Net property income | | 14,657 | 17,519 | (16.3) | 43,899 | 49,800 | (11.8) |
| Rental support | 2 | 7,923 | 6,265 | 26.5 | 28,423 | 18,617 | 52.7 |
| Interest income | 3 | 5,885 | 3,013 | 95.3 | 17,086 | 9,625 | 77.5 |
| Share of results of associated companies | 4 | 10,929 | 1,942 | 462.8 | 25,415 | 6,412 | 296.4 |
| Amortisation expense | 5 | (7,806) | (5,222) | 49.5 | (22,687) | (15,775) | 43.8 |
| Borrowing costs | 6 | (7,173) | (3,276) | 119.0 | (20,939) | (13,712) | 52.7 |
| Manager's management fees | 7 | (5,761) | (3,752) | 53.5 | (16,748) | (10,894) | 53.7 |
| Trust expenses | | (510) | (439) | 16.2 | (2,287) | (3,454) | (33.8) |
| Changes in fair value of derivative financial instruments | 8 | (466) | (260) | 79.2 | (791) | (297) | 166.3 |
| Total return before tax | | 17,678 | 15,790 | 12.0 | 51,371 | 40,322 | 27.4 |
| Income tax expense | 9 | (1,260) | (953) | 32.2 | (3,532) | (2,457) | 43.8 |
| Total return after tax | | 16,418 | 14,837 | 10.7 | 47,839 | 37,865 | 26.3 |
| <u>Distribution Statement</u> | | | | | | | |
| Total return before tax | | 17,678 | 15,790 | 12.0 | 51,371 | 40,322 | 27.4 |
| Net tax adjustments | 10 | 10,274 | 7,836 | 31.1 | 29,397 | 24,611 | 19.4 |
| Income tax expense | | (1,260) | (953) | 32.2 | (3,532) | (2,457) | 43.8 |
| Income available for distribution | | 26,692 | 22,673 | 17.7 | 77,236 | 62,476 | 23.6 |
| Distribution to Unitholders | 11 | 26,692 | 22,686 | 17.7 | 77,236 | 62,476 | 23.6 |
| Distribution per unit (cents) | | | | | | | |
| For the period | | 1.96 | 1.69 | 16.0 | 5.68 | 4.65 | 22.2 |
| Annualised | | 7.78 | 6.70 | 16.1 | 7.59 | 6.22 | 22.0 |

Notes:

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

| | <u>Group</u> | | | |
|------------------------------------|--------------|--------------|-----------------|-----------------|
| | 3Q2011 | 3Q2010 | YTD Sep 2011 | YTD Sep 2010 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Marketing expenses | 328 | 287 | 723 | 1,256 |
| Utilities | 517 | 608 | 1,507 | 1,538 |
| Repair and maintenance | 782 | 1,004 | 2,764 | 2,954 |
| Property management reimbursements | 88 | 232 | 241 | 847 |
| Other property expenses | 108 | 72 | 269 | 136 |
| | <u>1,823</u> | <u>2,203</u> | <u>5,504</u> | <u>6,731</u> |

- (2) This is the rental support top-up payments received by K-REIT Asia for its one-third interest in One Raffles Quay Pte Ltd ("ORQPL"), the additional 29% and 19.4% interests of Prudential Tower acquired on 2 November 2009 and 3 May 2011 respectively, the 50% interest in 275 George Street, Brisbane, the one-third interest in BFC Development Pte Ltd ("BFC DPL") which holds Marina Bay Financial Centre Towers 1 & 2 and Marina Bay Link Mall ("MBFC"), the office tower at 77 King Street, Sydney.

- (3) Interest income comprises the following:

| | <u>Group</u> | | | |
|--|--------------|--------------|-----------------|-----------------|
| | 3Q2011 | 3Q2010 | YTD Sep 2011 | YTD Sep 2010 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Interest income from fixed deposits and current accounts | 226 | 103 | 832 | 655 |
| Interest income from shareholder's loans to ORQPL and BFC DPL | 5,283 | 2,910 | 15,878 | 8,970 |
| Interest income from convertible notes in Mirvac 8 Chifley Trust | 376 | - | 376 | - |
| | <u>5,885</u> | <u>3,013</u> | <u>17,086</u> | <u>9,625</u> |

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

- (5) Please refer to paragraph 1(b)(i) note 4.

- (6) Borrowing costs comprise the following:

| | <u>Group</u> | | | |
|---|--------------|--------------|-----------------|-----------------|
| | 3Q2011 | 3Q2010 | YTD Sep 2011 | YTD Sep 2010 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Interest expense on term loans | 6,116 | 1,882 | 17,678 | 5,585 |
| Interest expense on revolving loan | 865 | 905 | 2,687 | 6,122 |
| Amortisation of capitalised transaction costs | 192 | 489 | 574 | 2,005 |
| | <u>7,173</u> | <u>3,276</u> | <u>20,939</u> | <u>13,712</u> |

- (7) The Manager has elected to receive 50% of its management fees in units of K-REIT Asia for FY2011 and FY2010.

- (8) This represents the change in fair value of foreign currency forward contracts which were entered into to hedge the Group's foreign currency exposure in the net income from its Australian properties.

- (9) Income tax expense comprises (i) tax of 17% (2010: 17%) on the rental support received by K-REIT Asia for its interest in ORQPL and BFC DPL, net of deductible interest expense, and (ii) withholding tax accrued in relation to the Group's investments in 275 George Street, Brisbane and the office tower at 77 King Street, Sydney.

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

| | <u>Group</u> | | | |
|--|--------------|--------|-----------------|-----------------|
| | 3Q2011 | 3Q2010 | YTD Sep 2011 | YTD Sep 2010 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Management fees payable in units | 2,881 | 1,876 | 8,374 | 5,447 |
| Trustee's fees | 138 | 87 | 401 | 254 |
| Amortisation of intangible asset and capitalised transaction costs | 7,997 | 5,711 | 23,260 | 17,780 |
| Temporary differences and other tax adjustments | (742) | 162 | (2,638) | 1,130 |
| | 10,274 | 7,836 | 29,397 | 24,611 |

Included in temporary differences and other tax adjustments are share of results of associated companies, dividend income, changes in fair value of derivative financial instruments, effect of recognizing accounting income on a straight line basis over the lease terms and non-tax/deductible (income)/expenses.

(11) K-REIT Asia has been committed to distributing 100% of its income available for distribution to Unitholders. The distributable income to Unitholders is based on 100% of the income available for distribution to Unitholders.

1(a)(ii) **Statement of comprehensive income together with a comparative statement for the corresponding period of the immediately preceding financial year**

Statement of Comprehensive Income

| | <u>Group</u> | | | | | |
|--|-----------------|---------------|-----------|-----------------|-----------------|----------------|
| | 3Q2011 | 3Q2010 | +/(-) % | YTD Sep 2011 | YTD Sep 2010 | +/(-) % |
| | \$'000 | \$'000 | | \$'000 | \$'000 | |
| Total return after tax | 16,418 | 14,837 | 10.7 | 47,839 | 37,865 | 26.3 |
| Other comprehensive income: | | | | | | |
| Foreign currency translation | (12,041) | 10,146 | Nm | 925 | (842) | Nm |
| <u>Cashflow hedges:</u> | | | | | | |
| Net change in fair value of cash flow hedges | (19,169) | - | Nm | (30,417) | - | Nm |
| Share of net change in fair value of cash flow hedges of an associated company | (3,710) | - | Nm | (3,710) | - | Nm |
| Other comprehensive income for the period, net of tax | (34,920) | 10,146 | Nm | (33,202) | (842) | >500 |
| Total comprehensive income for the period | (18,502) | 24,983 | Nm | 14,637 | 37,023 | (60.5) |

Nm – Not meaningful

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

Balance Sheets

| | Note | Group | | | Trust | | |
|--|------|----------------------|----------------------|--------------|----------------------|----------------------|---------------|
| | | 30/09/2011 \$'000 | 31/12/2010 \$'000 | + / (-) % | 30/09/2011 \$'000 | 31/12/2010 \$'000 | + / (-) % |
| Non-current assets | | | | | | | |
| Investment properties | 1 | 1,147,619 | 1,025,634 | 11.9 | 781,918 | 662,700 | 18.0 |
| Investment in subsidiary company | | - | - | - | 4,204 | 3,862 | 8.9 |
| Investment in associated companies | 2 | 1,977,172 | 1,981,045 | (0.2) | 1,980,882 | 1,981,045 | - |
| Investment in joint venture company | 3 | 36,151 | - | Nm | - | - | - |
| Amount owing by subsidiary company | | - | - | - | 416,218 | 381,227 | 9.2 |
| Other non-current receivables | | 4,951 | - | Nm | - | - | - |
| Intangible asset | 4 | 21,949 | 37,242 | (41.1) | 18,303 | 32,485 | (43.7) |
| Derivative financial instruments | 5 | 1,434 | - | Nm | 1,434 | - | Nm |
| Total non-current assets | | 3,189,276 | 3,043,921 | 4.8 | 3,202,959 | 3,061,319 | 4.6 |
| Current assets | | | | | | | |
| Trade and other receivables | 6 | 22,248 | 21,144 | 5.2 | 18,988 | 11,902 | 59.5 |
| Prepaid expenses | | 1,028 | 998 | 3.0 | 599 | 605 | (1.0) |
| Cash and cash equivalents | | 40,161 | 49,860 | (19.5) | 31,324 | 49,634 | (36.9) |
| Derivative financial instruments | 5 | 1,414 | - | Nm | 1,414 | - | Nm |
| Total current assets | | 64,851 | 72,002 | (9.9) | 52,325 | 62,141 | (15.8) |
| Total assets | | 3,254,127 | 3,115,923 | 4.4 | 3,255,284 | 3,123,460 | 4.2 |
| Current liabilities | | | | | | | |
| Trade and other payables | | 50,517 | 44,000 | 14.8 | 44,205 | 42,224 | 4.7 |
| Income received in advance | | 5,219 | 5,225 | (0.1) | 326 | 74 | 340.5 |
| Derivative financial instruments | 5 | 150 | 452 | (66.8) | 150 | 452 | (66.8) |
| Current portion of security deposits | | 1,644 | 2,400 | (31.5) | 1,644 | 2,400 | (31.5) |
| Provision for taxation | | 2,933 | 3,261 | (10.1) | 2,607 | 3,261 | (20.1) |
| Total current liabilities | | 60,463 | 55,338 | 9.3 | 48,932 | 48,411 | 1.1 |
| Non-current liabilities | | | | | | | |
| Long term borrowings | 7 | 1,151,461 | 989,932 | 16.3 | 1,151,461 | 989,932 | 16.3 |
| Other non-current payables | | 14,680 | 4,310 | 240.6 | 10,820 | 4,310 | 151.0 |
| Derivative financial instruments | 8 | 38,174 | 4,606 | 728.8 | 38,174 | 4,606 | 728.8 |
| Non-current portion of security deposits | | 8,027 | 6,186 | 29.8 | 8,027 | 6,186 | 29.8 |
| Total non-current liabilities | | 1,212,342 | 1,005,034 | 20.6 | 1,208,482 | 1,005,034 | 20.2 |
| Total liabilities | | 1,272,805 | 1,060,372 | 20.0 | 1,257,414 | 1,053,445 | 19.4 |
| Net assets | | 1,981,322 | 2,055,551 | (3.6) | 1,997,870 | 2,070,015 | (3.5) |
| Represented by: | | | | | | | |
| Unitholders' funds | | 1,981,322 | 2,055,551 | (3.6) | 1,997,870 | 2,070,015 | (3.5) |
| Net asset value per unit (\$) | | 1.46 | 1.52 | | 1.47 | 1.53 | |
| Gross borrowings / Value of deposited properties (%) | 9 | 39.8 | 37.0 | | | | |

Notes:

Nm – Not meaningful

- (1) *The increase in investment properties is due mainly to the acquisition of additional 19.4% interest in Prudential Tower on 3 May 2011 and translation exchange differences arising from the Australian properties.*
- (2) *This relates to the one-third equity interest in ORQPL and BFCDDL and advances to these associated companies.*
- (3) *This relates to the 50% interest in 8 Chifley Square, Sydney, which was acquired on 28 July 2011.*
- (4) *This relates to the unamortised aggregate rental support top-up payments receivable by the Group for its one-third interest in ORQPL and BFCDDL, 100% interest in the office tower at 77 King Street, Sydney, and the additional 19.4% interest in Prudential Tower. The intangible asset will be amortised over the rental support periods for the respective properties.*
- (5) *This relates to the fair value of the foreign currency forward contracts entered into in relation to the net income from the Australian properties and investment in 8 Chifley Square.*
- (6) *Included in the balances are receivables for rental support and dividend income of \$19.7 million (31 December 2010: \$10.1 million).*
- (7) *This relates mainly to bank borrowings taken up to finance the acquisition of one-third equity interest in associated company, BFCDDL, the additional 19.4% interest in Prudential Tower and 50% interest in 8 Chifley Square.*
- (8) *This relates to the fair value of the interest rate swaps entered into by the Trust.*
- (9) *This is based on the total amount of gross borrowings and valuation of deposited properties (held directly and indirectly) of \$3.7 billion as at 30 September 2011 (31 December 2010: \$3.5 billion).*

1(b)(ii) Aggregate Amount of Borrowings and Debt Securities

| | Group and Trust | |
|-----------------------------------|------------------------|-----------------------|
| | As at 30/09/11 | As at 31/12/10 |
| | \$'000 | \$'000 |
| Secured borrowings | | |
| Amount repayable after one year | 425,000 | 425,000 |
| Less: Unamortised portion of fees | (2,324) | (2,737) |
| | 422,676 | 422,263 |
| Unsecured borrowings | | |
| Amount repayable after one year | 729,445 | 568,490 |
| Less: Unamortised portion of fees | (660) | (821) |
| | 728,785 | 567,669 |
| Total borrowings | 1,151,461 | 989,932 |

Details of borrowings and collaterals

K-REIT Asia has put in place the following facilities, totalling \$1,262 million :

- (i) 5-year mortgage term loan facilities of \$425 million;
- (ii) 5-year term loan facilities of \$100 million;
- (iii) 4-year term loan facilities of \$160 million;
- (iv) 3.5-year revolving credit line of \$350 million; and
- (v) 3-year term loan facilities of \$227 million.

As a security for the 5-year term loan facilities of \$425 million, K-REIT Asia mortgaged its Bugis Junction Towers and 73.4% interest in Prudential Tower. In addition, on 17 March 2011, K-REIT Asia granted in favour of the lender the following:

- (i) an assignment of the rights, title and interest of the Trust and to the insurances effected over Bugis Junction Towers;
- (ii) an assignment of all the rights, benefits, title and interest of the Trust in and to the property sale agreement and tenancy agreements relating to Bugis Junction Towers; and
- (iii) a debenture creating fixed and floating charges over all assets of the Trust relating to Bugis Junction Towers.

As at 30 September 2011, K-REIT Asia had utilised approximately \$1,154.4 million and had an unutilised \$107.6 million of facilities available to meet its future obligations. Of the outstanding loan amount of \$1,154.4 million, approximately 68% had been hedged or had fixed rates.

The weighted average interest rate for all borrowings for 3Q2011 stood at 2.48% per annum as compared with 2.61% per annum for 2Q2011. The weighted average term to expiry of debt was 3.6 years in September 2011 as compared with 4.2 years in December 2010.

1(c) Consolidated Statement of Cash Flows

| | Note | <u>Group</u> | | | |
|--|------|-----------------|-----------------|-----------------|------------------|
| | | 3Q2011 | 3Q2010 | YTD Sep 2011 | YTD Sep 2010 |
| | | \$'000 | \$'000 | \$'000 | \$'000 |
| Operating activities | | | | | |
| Total return before tax | | 17,678 | 15,790 | 51,371 | 40,322 |
| Adjustments for: | | | | | |
| Interest income | | (5,885) | (3,013) | (17,086) | (9,625) |
| Amortisation expense | | 7,806 | 5,222 | 22,687 | 15,775 |
| Share of results of associated companies | | (10,929) | (1,942) | (25,415) | (6,412) |
| Borrowing costs | | 7,173 | 3,276 | 20,939 | 13,712 |
| Management fees payable in units | | 2,881 | 1,876 | 8,374 | 5,447 |
| Changes in fair value of unrealised derivative financial instruments | | - | 260 | - | 297 |
| Translation differences | | 397 | 785 | 342 | 644 |
| Operating cash flows before changes in working capital | | 19,121 | 22,254 | 61,212 | 60,160 |
| Increase in receivables | | (9,071) | (7,220) | (25,456) | (20,810) |
| Increase/(Decrease) in payables | | 102 | (2,887) | (2,424) | (1,039) |
| Increase/(Decrease) in security deposits | | 106 | 9 | 1,085 | (529) |
| Cash flows from operations | | 10,258 | 12,156 | 34,417 | 37,782 |
| Income taxes paid | | (2,123) | (4,802) | (3,853) | (4,914) |
| Net cash flows from operating activities | | 8,135 | 7,354 | 30,564 | 32,868 |
| Investing activities | | | | | |
| Purchase of investment property | | - | - | (119,195) | (222,823) |
| Increase in intangible assets | | - | - | (7,351) | - |
| Improvement in investment properties | | (93) | (498) | (1,074) | (498) |
| Interest received | | 5,535 | 3,017 | 16,731 | 9,859 |
| Rental support received | | 12,522 | 6,377 | 41,000 | 17,953 |
| Investment in joint venture company | | (37,285) | - | (37,285) | - |
| Dividend income received from associated companies | | 8,292 | 2,376 | 17,263 | 7,968 |
| Deposit paid for purchase of investment property | | - | (17,442) | - | (17,442) |
| Net cash flows used in investing activities | | (11,029) | (6,170) | (89,911) | (204,983) |
| Financing activities | | | | | |
| Distribution to Unitholders | 1 | (50,571) | (39,819) | (96,450) | (76,827) |
| Loans drawdown | | 35,255 | - | 160,955 | - |
| Repayment of revolving loan drawdown | | - | - | - | (230,000) |
| Interest paid | | (1,399) | (2,730) | (14,857) | (22,876) |
| Net cash flows (used in)/ generated from financing activities | | (16,715) | (42,549) | 49,648 | (329,703) |
| Net decrease in cash and cash equivalents | | (19,609) | (41,365) | (9,699) | (501,818) |
| Cash and cash equivalents at the beginning of period | | 59,770 | 115,096 | 49,860 | 575,549 |
| Cash and cash equivalents at the end of period | | 40,161 | 73,731 | 40,161 | 73,731 |

Note:

- (1) Distribution for 3Q2011 is for the period of 1 January 2011 to 30 June 2011, paid on 26 August 2011.
 Distribution for 3Q2010 is for the period of 1 January 2010 to 30 June 2010, paid on 26 August 2010.
 Distribution for YTD September 2011 is for the period 1 July 2010 to 31 December 2010, paid on 25 February 2011; 1
 January 2011 to 30 June 2011, paid on 26 August 2011.
 Distribution for YTD September 2010 is for the period 1 July 2009 to 31 December 2009, paid on 25 February 2010; 1
 January 2010 to 30 June 2010, paid on 26 August 2010.

1(d)(i) Statements of Movements in Unitholders' Funds

| Group | Note | Issued Equity \$'000 | Accumulated Profits \$'000 | Foreign | Hedging Reserve \$'000 | Total \$'000 |
|--|------|-------------------------|----------------------------------|--|------------------------------|------------------|
| | | | | Currency Translation Reserve \$'000 | | |
| At 1 January 2011 | | 1,672,063 | 389,404 | (1,310) | (4,606) | 2,055,551 |
| Return for the period | | - | 31,421 | - | - | 31,421 |
| Other comprehensive income, net of tax | 1 | - | - | 12,966 | (11,248) | 1,718 |
| Total comprehensive income | | - | 31,421 | 12,966 | (11,248) | 33,139 |
| Issue of units for payment of management fee | 2 | 4,772 | - | - | - | 4,772 |
| Distribution to Unitholders | | - | (45,879) | - | - | (45,879) |
| At 30 June 2011 | | 1,676,835 | 374,946 | 11,656 | (15,854) | 2,047,583 |
| Return for the period | | - | 16,418 | - | - | 16,418 |
| Other comprehensive income, net of tax | 1 | - | - | (12,041) | (22,879) | (34,920) |
| Total comprehensive income | | - | 16,418 | (12,041) | (22,879) | (18,502) |
| Issue of units for payment of management fee | 3 | 2,812 | - | - | - | 2,812 |
| Distribution to Unitholders | | - | (50,571) | - | - | (50,571) |
| At 30 September 2011 | | 1,679,647 | 340,793 | (385) | (38,733) | 1,981,322 |
| At 1 January 2010 | | 1,645,657 | 356,995 | - | - | 2,002,652 |
| Return for the period | | - | 23,028 | - | - | 23,028 |
| Other comprehensive income, net of tax | 4 | - | - | (10,988) | - | (10,988) |
| Total comprehensive income | | - | 23,028 | (10,988) | - | 12,040 |
| Issue of units for payment of management fee | 5 | 5,075 | - | - | - | 5,075 |
| Distribution to Unitholders | | - | (37,008) | - | - | (37,008) |
| At 30 June 2010 | | 1,650,732 | 343,015 | (10,988) | - | 1,982,759 |
| Return for the period | | - | 14,837 | - | - | 14,837 |
| Other comprehensive income, net of tax | 4 | - | - | 10,146 | - | 10,146 |
| Total comprehensive income | | - | 14,837 | 10,146 | - | 24,983 |
| Issue expenses adjustment | | 470 | - | - | - | 470 |
| Issue of units for payment of management fee | 6 | 1,852 | - | - | - | 1,852 |
| Distribution to Unitholders | | - | (39,819) | - | - | (39,819) |
| At 30 September 2010 | | 1,653,054 | 318,033 | (842) | - | 1,970,245 |

Notes:

- (1) Other comprehensive income relates to the movement in foreign exchange translation reserve arising on the translation of foreign entities, intercompany loans that form part of the Group's net investment in foreign entities, fair value change of the cash flow hedges as a result of interest rate swaps and foreign currency forward contracts entered into by the Trust and share of fair value change of hedging reserves of an associated company.
- (2) This represents 1,473,527 and 2,084,872 units issued in 1Q2011 and 2Q2011 respectively as satisfaction of management fees payable in units.
- (3) This represents 2,152,506 units issued in 3Q2011 as satisfaction of management fees payable in units.
- (4) This relates to the movement in foreign exchange translation reserve arising on the translation of foreign entities and intercompany loans that form part of the Group's net investment in foreign entities.
- (5) This represents 3,108,946 and 1,567,983 units issued in 1Q2010 and 2Q2010 respectively as satisfaction of management fees payable in units.
- (6) This represents 1,651,770 units issued in 3Q2010 as satisfaction of management fees payable in units.

1(d)(i) Statements of Movements in Unitholders' Funds (cont'd)

| <u>Trust</u> | <i>Note</i> | <u>Issued Equity</u> | <u>Accumulated Profits</u> | <u>Hedging Reserves</u> | <u>Total</u> |
|--|-------------|----------------------|----------------------------|-------------------------|------------------|
| | | \$'000 | \$'000 | \$'000 | \$'000 |
| At 1 January 2011 | | 1,672,063 | 402,558 | (4,606) | 2,070,015 |
| Return for the period | | - | 43,880 | - | 43,880 |
| Other comprehensive income, net of tax | 1 | - | - | (11,248) | (11,248) |
| Total comprehensive income | | - | 43,880 | (11,248) | 32,632 |
| Issue of units for payment of management fee | 2 | 4,772 | - | - | 4,772 |
| Distribution to Unitholders | | - | (45,879) | - | (45,879) |
| At 30 June 2011 | | 1,676,835 | 400,559 | (15,854) | 2,061,540 |
| Return for the period | | - | 3,258 | - | 3,258 |
| Other comprehensive income, net of tax | 1 | - | - | (19,169) | (19,169) |
| Total comprehensive income | | - | 3,258 | (19,169) | (15,911) |
| Issue of units for payment of management fee | 3 | 2,812 | - | - | 2,812 |
| Distribution to Unitholders | | - | (50,571) | - | (50,571) |
| At 30 September 2011 | | 1,679,647 | 353,246 | (35,023) | 1,997,870 |
| At 1 January 2010 | | 1,645,657 | 356,995 | - | 2,002,652 |
| Return for the period | | - | 10,685 | - | 10,685 |
| Other comprehensive income, net of tax | | - | - | - | - |
| Total comprehensive income | | - | 10,685 | - | 10,685 |
| Issue of units for payment of management fee | 4 | 5,075 | - | - | 5,075 |
| Distribution to Unitholders | | - | (37,008) | - | (37,008) |
| At 30 June 2010 | | 1,650,732 | 330,672 | - | 1,981,404 |
| Return for the period | | - | 20,668 | - | 20,668 |
| Other comprehensive income, net of tax | | - | - | - | - |
| Total comprehensive income | | - | 20,668 | - | 20,668 |
| Issue expenses adjustment | | 470 | - | - | 470 |
| Issue of units for payment of management fee | 5 | 1,852 | - | - | 1,852 |
| Distribution to Unitholders | | - | (39,819) | - | (39,819) |
| At 30 September 2010 | | 1,653,054 | 311,521 | - | 1,964,575 |

Notes:

- (1) This relates to fair value change of the cash flow hedges as a result of interest rate swaps and foreign currency forward contracts entered into by the Trust.
- (2) This represents 1,473,527 and 2,084,872 units issued in 1Q2011 and 2Q2011 respectively as satisfaction of management fees payable in units.
- (3) This represents 2,152,506 units issued in 3Q2011 as satisfaction of management fees payable in units.
- (4) This represents 3,108,946 and 1,567,983 units issued in 1Q2010 and 2Q2010 respectively as satisfaction of management fees payable in units.
- (5) This represents 1,651,770 units issued in 3Q2010 as satisfaction of management fees payable in units.

1(d)(ii) Details of Changes in the Units

| | <u>Trust</u> | |
|--|----------------------|----------------------|
| | 2011 Units | 2010 Units |
| Issued units as at 1 January | 1,355,904,217 | 1,336,023,351 |
| Issue of new units: | | |
| - Payment of management fees | 3,558,399 | 4,676,929 |
| Issued units as at 30 June | 1,359,462,616 | 1,340,700,280 |
| Issue of new units: | | |
| - Payment of management fees | 2,152,506 | 1,651,770 |
| Issued units as at 30 September | 1,361,615,122 | 1,342,352,050 |

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period, and as at the end of the immediately preceding year.

K-REIT Asia did not hold any treasury units as at 30 September 2011 and 31 December 2010.

Total number of issued units in K-REIT Asia as at 30 September 2011 and 31 December 2010 were 1,361,615,122 and 1,355,904,217 respectively.

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable.

2. AUDIT

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

3. AUDITORS' REPORT

Not applicable.

4. ACCOUNTING POLICIES

Except as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period compared with those of the audited financial statements as at 31 December 2010.

5. CHANGES IN ACCOUNTING POLICIES

In the current financial period, the Group adopted the new/revised Financial Reporting Standards ("FRS") and Interpretations of FRS ("INT FRS") that are effective for annual periods beginning on or after 1 January 2011. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The following are the new or amended FRSs that are relevant to the Group:

| | |
|---------------------|--|
| - | Improvements to FRSs issued in 2010 |
| Amendment to FRS 32 | Financial Instruments: |
| | Presentation – Classification of Rights Issues |
| FRS 24 (Revised) | Related Party Disclosures |

The adoption of the above FRS did not result in any substantial change to the Group's accounting policies or have any significant impact on the financial statements.

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

| | <u>Group</u> | | <u>Group</u> | |
|---|---------------|---------------|---------------|---------------|
| | 3Q2011 | 3Q2010 | YTD Sep 2011 | YTD Sep 2010 |
| Earnings per unit (based on weighted average number of units as at the end of the period) | 1.21 cents | 1.11 cents | 3.52 cents | 2.83 cents |
| - Weighted average number of units as at the end of the period | 1,360,960,011 | 1,341,831,383 | 1,358,920,346 | 1,340,079,112 |
| Distribution per unit (based on the number of units as at the end of the period) | 1.96 cents | 1.69 cents | 5.68 cents | 4.65 cents |
| - Number of units in issue as at the end of the period | 1,361,615,122 | 1,342,352,050 | 1,361,615,122 | 1,342,352,050 |

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”)

| | <u>Group</u> | | <u>Trust</u> | |
|---|----------------|----------------|----------------|----------------|
| | As at 30/09/11 | As at 31/12/10 | As at 30/09/11 | As at 31/12/10 |
| NAV per unit (S\$) based on issued units at the end of the period | 1.46 | 1.52 | 1.47 | 1.53 |
| Adjusted NAV per unit (S\$) based on issued units at the end of the period (excluding the distributable income) | 1.44 | 1.48 | 1.45 | 1.49 |

8. REVIEW OF PERFORMANCE

8(i) Property Income Contribution of the Properties

| Property | Group | | | | | |
|---|------------------|------------------|---------------|---------------------------|---------------------------|---------------|
| | 3Q2011 \$'000 | 3Q2010 \$'000 | + / (-) % | YTD Sep 2011 \$'000 | YTD Sep 2010 \$'000 | + / (-) % |
| Prudential Tower ¹ | 4,830 | 4,831 | - | 14,440 | 14,486 | (0.3) |
| Keppel Towers and GE Tower ² | - | 7,291 | Nm | - | 21,566 | Nm |
| Bugis Junction Towers | 5,085 | 4,983 | 2.0 | 15,720 | 14,831 | 6.0 |
| 275 George Street ³ | 5,709 | 4,654 | 22.7 | 16,647 | 12,316 | 35.2 |
| 77 King Street ⁴ | 2,990 | - | Nm | 8,541 | - | Nm |
| Total property income | 18,614 | 21,759 | (14.5) | 55,348 | 63,199 | (12.4) |

8(ii) Income Contribution of the Properties

| Property | Group | | | | | |
|--|------------------|------------------|---------------|---------------------------|---------------------------|---------------|
| | 3Q2011 \$'000 | 3Q2010 \$'000 | + / (-) % | YTD Sep 2011 \$'000 | YTD Sep 2010 \$'000 | + / (-) % |
| Prudential Tower ¹ | 3,429 | 4,041 | (15.1) | 11,044 | 11,812 | (6.5) |
| Keppel Towers and GE Tower ² | - | 5,765 | Nm | - | 15,299 | Nm |
| Bugis Junction Towers | 4,122 | 3,916 | 5.3 | 12,739 | 12,043 | 5.8 |
| 275 George Street ³ | 4,720 | 3,797 | 24.3 | 14,048 | 10,646 | 32.0 |
| 77 King Street ⁴ | 2,386 | - | Nm | 6,068 | - | Nm |
| Total net property income | 14,657 | 17,519 | (16.3) | 43,899 | 49,800 | (11.8) |
| One-third interest in ORQPL: | | | | | | |
| - Rental support | 4,636 | 5,761 | (19.5) | 13,727 | 17,545 | (21.8) |
| - Interest income | 361 | 2,910 | (87.6) | 1,087 | 8,970 | (87.9) |
| - Dividend income | 3,988 | 1,942 | 105.4 | 12,427 | 6,412 | 93.8 |
| Total income from one-third interest in ORQPL | 8,985 | 10,613 | (15.3) | 27,241 | 32,927 | (17.3) |
| One-third interest in BFC DPL ² : | | | | | | |
| - Rental support | 1,103 | - | Nm | 9,793 | - | Nm |
| - Interest income | 4,922 | - | Nm | 14,791 | - | Nm |
| - Dividend income | 6,941 | - | Nm | 12,945 | - | Nm |
| Total income from one-third interest in BFC DPL | 12,966 | - | Nm | 37,529 | - | Nm |
| 8 Chifley Square ⁵ | | | | | | |
| - Interest income | 376 | - | Nm | 376 | - | Nm |
| Total income contribution | 36,984 | 28,132 | 31.5 | 109,045 | 82,727 | 31.8 |

Notes:

Nm – Not meaningful

- (1) This comprises 92.8% and 73.4% of the strata area in Prudential Tower as of 30 September 2011 and 30 September 2010 respectively.
- (2) Both divestment of Keppel Towers and GE Tower ("KTGE") and acquisition of the one-third interest in BFC DPL were completed on 15 December 2010.
- (3) The acquisition of the 50% interest in 275 George Street, Brisbane was completed on 1 March 2010.
- (4) The acquisition of the 100% interest in the office tower at 77 King Street, Sydney was completed on 21 December 2010.
- (5) The acquisition of the 50% interest in 8 Chifley Square was completed on 28 July 2011.

8. REVIEW OF PERFORMANCE (CONT'D)**Review of Performance for 3Q2011 vs 3Q2010**

The Group's 3Q2011 results included contributions from its one-third interest in BFC Development Pte Ltd ("BFCDPL"), which holds Marina Bay Financial Centre Towers 1 & 2 and Marina Bay Link Mall, and 77 King Street office tower ("77 King Street"), which were acquired on 15 December 2010 and 21 December 2010 respectively. This was partly offset by the loss of contributions resulting from divestment of Keppel Towers and GE Tower ("KTGE") on 15 December 2010. The results also included contributions from the additional 19.4% interest in Prudential Tower and 50% interest in 8 Chifley Square, which were acquired on 3 May 2011 and 28 July 2011 respectively.

The Group's total return before tax for 3Q2011 was \$17.7 million, an increase of 12.0% over 3Q2010 as a result of higher contributions from the associated companies of \$11.3 million, higher interest income and rental support, partly offset by lower net property income due to the divestment of KTGE, higher amortisation expenses, borrowing costs and management fees expenses.

Property income for 3Q2011 was \$18.6 million, a decrease of \$3.1 million or 14.5% over that for 3Q2010. The decrease was due mainly to the loss of \$7.3 million property income resulting from the KTGE divestment. This was partly offset by higher property income from the two Australian properties of \$4.0 million. Property expenses for 3Q2011 decreased by \$0.3 million or 6.7% over that in 3Q2010.

Distribution to Unitholders increased by 17.7% to \$26.7 million in 3Q2011 from \$22.7 million in 3Q2010.

The weighted average interest rate was 2.48% per annum in 3Q2011 compared with 3.4% per annum in 3Q2010. The aggregate leverage stood at 39.8% as at 30 September 2011 against 15.1% as at 30 September 2010, and the weighted average term to expiry of debt was 3.6 years as at September 2011 as compared with 1.4 years as at September 2010.

The portfolio attained 97.9% committed occupancy as at end-September 2011.

Review of Performance for 3Q2011 vs 2Q2011

Property income for 3Q2011 was \$18.6 million, an increase of \$0.5 million or 2.8% from \$18.1 million in 2Q2011.

Net property income increased from \$14.3 million in 2Q2011 to \$14.7 million in 3Q2011, attributed mainly to higher property income.

Total return before tax of \$17.7 million in 3Q2011 was in line with 2Q2011.

Distribution to Unitholders for 3Q2011 increased by \$0.4 million to \$26.7 million from \$26.3 million in 2Q2011.

The weighted average interest rate for 3Q2011 was 2.48% per annum compared with 2.61% per annum for 2Q2011. The aggregate leverage stood at 39.8% as at 30 September 2011 against 39.2% as at 30 June 2011, while the weighted average term to expiry of debt was 3.6 years as at September 2011 as compared with 4.0 years as at June 2011.

8. REVIEW OF PERFORMANCE (CONT'D)**Review of Performance for YTD Sep 2011 vs YTD Sep 2010**

The Group's total return before tax for YTD September 2011 was \$51.4 million, an increase of 27.4% over YTD September 2010, due mainly to higher contributions from the associated companies, higher interest income, and rental support, partly offset by lower net property income due to the divestment of KTGE, higher amortisation expenses, borrowing costs and management fees expenses.

Property expenses decreased by \$2.0 million or 14.6% from \$13.4 million in YTD September 2010 to \$11.4 million in YTD September 2011, due mainly to the divestment of KTGE of \$6.3 million, partly offset by increases in expenses of \$0.7 million due mainly to the acquisition of the additional 19.4% interest in Prudential Tower, and the two Australian properties of \$3.4 million.

Property income for YTD September 2011 was \$55.3 million, a \$7.9 million or 12.4% decrease over that for YTD September 2010. The decrease was due to the loss of property income from the divestment of KTGE of \$21.6 million, partly offset by increase in property income from the two Australian properties of \$12.9 million and Bugis Junction Towers of \$0.9 million.

Distribution to Unitholders increased by 23.6% to \$77.2 million in YTD September 2011 from \$62.5 million in YTD September 2010.

9. VARIANCE FROM FORECAST STATEMENT
Statement of Total Return (Proforma vs Forecast)

| | <u>Proforma¹</u> | <u>Forecast²</u> | | <u>Proforma¹</u> | <u>Forecast²</u> | |
|---|-----------------------------|-----------------------------|---------------|-----------------------------|-----------------------------|---------------|
| | <u>3Q2011</u> | <u>3Q2011</u> | <u>+/(-) </u> | <u>YTD</u> | <u>YTD</u> | <u>+/(-) </u> |
| | <u>\$'000</u> | <u>\$'000</u> | <u>%</u> | <u>Sep 2011</u> | <u>Sep 2011</u> | <u>%</u> |
| | | | | <u>\$'000</u> | <u>\$'000</u> | |
| Gross rent | 17,562 | 16,551 | 6.1 | 53,198 | 51,366 | 3.6 |
| Car park income | 289 | 278 | 4.0 | 851 | 831 | 2.4 |
| Other income | 34 | 22 | 54.5 | 106 | 64 | 65.6 |
| Property income | 17,885 | 16,851 | 6.1 | 54,155 | 52,261 | 3.6 |
| Property tax | (1,004) | (1,116) | (10.0) | (2,791) | (3,312) | (15.7) |
| Other property expenses | (1,659) | (1,651) | 0.5 | (5,338) | (5,038) | 6.0 |
| Property management fee | (392) | (348) | 12.6 | (1,218) | (1,100) | 10.7 |
| Maintenance and sinking fund contributions | (535) | (556) | (3.8) | (1,603) | (1,668) | (3.9) |
| Property expenses | (3,590) | (3,671) | (2.2) | (10,950) | (11,118) | (1.5) |
| Net property income | 14,295 | 13,180 | 8.5 | 43,205 | 41,143 | 5.0 |
| Rental support | 6,878 | 10,103 | (31.9) | 26,302 | 30,038 | (12.4) |
| Interest income | 5,507 | 5,346 | 3.0 | 16,704 | 16,038 | 4.2 |
| Share of results of associated companies | 10,929 | 6,952 | 57.2 | 25,415 | 20,856 | 21.9 |
| Amortisation expense | (6,893) | (6,880) | 0.2 | (20,856) | (20,704) | 0.7 |
| Borrowing costs | (6,792) | (7,667) | (11.4) | (20,282) | (22,751) | (10.9) |
| Manager's management fees | (5,560) | (5,246) | 6.0 | (16,404) | (15,716) | 4.4 |
| Trust expenses | (446) | (755) | (40.9) | (2,220) | (2,263) | (1.9) |
| Changes in fair value of derivative financial instruments | (466) | - | Nm | (791) | - | Nm |
| Total return before tax | 17,452 | 15,033 | 16.1 | 51,073 | 46,641 | 9.5 |
| Income tax expense | (1,260) | (1,794) | (29.8) | (3,532) | (5,308) | (33.5) |
| Total return after tax | 16,192 | 13,239 | 22.3 | 47,541 | 41,333 | 15.0 |
| <u>Distribution Statement</u> | | | | | | |
| Total return before tax | 17,452 | 15,033 | 16.1 | 51,073 | 46,641 | 9.5 |
| Net tax adjustments | 9,575 | 9,118 | 5.0 | 27,703 | 27,360 | 1.3 |
| Income tax expense | (1,260) | (1,794) | (29.8) | (3,532) | (5,308) | (33.5) |
| Income available for distribution | 25,767 | 22,357 | 15.3 | 75,244 | 68,693 | 9.5 |
| Distribution to Unitholders | 25,767 | 22,357 | 15.3 | 75,244 | 68,693 | 9.5 |
| Distribution per unit (cents) | | | | | | |
| For the period | 1.89 | 1.64 | 15.2 | 5.53 | 5.04 | 9.7 |
| Annualised | 7.50 | 6.51 | 15.2 | 7.39 | 6.74 | 9.6 |

Notes:
Nm – Not meaningful

- (1) The Proforma results are based on the actual results for 3Q2011 and YTD September 2011 adjusted to exclude the contributions from the additional 19.4% interest in Prudential Tower and 50% interest in 8 Chifley Square which were acquired on 3 May 2011 and 28 July 2011 respectively.
- (2) The Forecast for 3Q2011 and YTD September 2011 are derived from the Forecast shown in K-REIT Asia's Circular dated 8 November 2010 for the acquisition of one-third interest in BFC DPL and divestment of KTGE and does not include the additional 19.4% interest in Prudential Tower and 50% interest in 8 Chifley Square which were acquired on 3 May 2011 and 28 July 2011 respectively.

9. VARIANCE FROM FORECAST STATEMENT (CONT'D)**Review of Performance for 3Q2011 (Proforma) vs 3Q2011 (Forecast)**

Compared with the Forecast which does not include the additional 19.4% interest in Prudential Tower acquired on 3 May 2011 and the 50% interest in 8 Chifley Square acquired on 28 July 2011, the Proforma results have similarly excluded the contributions from these investments.

The Group's net property income rose by \$1.1 million or 8.5% to \$14.3 million as compared with Forecast of \$13.2 million. This was a result of higher property income of \$17.9 million by \$1.0 million or 6.1% over the Forecast and lower property expenses by \$0.1 million or 2.2% as compared with Forecast.

Total return before tax for 3Q2011 was \$17.5 million, an increase of \$2.4 million or 16.1% over the Forecast. This was due mainly to higher net property income, higher share of results of associated companies and lower borrowing costs, partly offset by lower rental support and higher management fees.

Distributable income to Unitholders increased by \$3.4 million or 15.3% to \$25.8 million as compared with Forecast of \$22.4 million.

Review of Performance for YTD Sep 2011 (Proforma) vs YTD Sep 2011 (Forecast)

Compared with the Forecast which does not include the additional 19.4% interest in Prudential Tower acquired on 3 May 2011 and the 50% interest in 8 Chifley Square acquired on 28 July 2011, the Proforma results have similarly excluded the contributions from these investments.

Property income for YTD September 2011 was \$54.2 million, an increase of \$1.9 million or 3.6% over the Forecast. The increase was due mainly to higher property income from the Australian properties and the 73.4% interest in Prudential Tower.

Net property income rose by 5.0% to \$43.2 million as a result of higher property income.

Total return before tax increased by \$4.4 million or 9.5% to \$51.1 million as compared with Forecast. This was due to higher net property income, higher share of results of associated companies and lower borrowing costs, partly offset by lower rental support and higher management fees.

Distributable income to Unitholders increased by \$6.6 million or 9.5% to \$75.2 million as compared with Forecast of \$68.7 million.

10. PROSPECTS

The Ministry of Trade and Industry estimates the Singapore economy to grow between 5.0% and 6.0% in 2011. According to CB Richard Ellis ("CBRE"), the average rentals for Grade A office space grew 4.3% quarter-on-quarter to \$11.06 psf per month in 3Q2011. The occupancy rate in the core central business district ("CBD") was 92.3% in 3Q2011 compared to 93.1% in 2Q2011. Nonetheless, the decline in occupancy is expected to be short-lived as the average annual supply of office space in the core CBD from now until 2015 is in line with the average demand over the last ten years.

In Australia, the Reserve Bank of Australia maintained the benchmark interest rate at 4.75% to mitigate the effects of higher inflation at 3.60%. According to the Property Council of Australia, Brisbane was ranked second in demand for office space. Average occupancy for prime office space in Brisbane increased to 96.0% for the first half of 2011, well above the national average of 93.3%. According to CBRE, the average CBD occupancy rate in Sydney maintained at 92.2% and is expected to increase over the next five years as the net absorption remains positive and higher than the historical five year average.

Looking ahead, K-REIT Asia's high portfolio occupancy, long WALE, staggered lease profile as well as prudent capital position puts it in a good stead for the future. The Manager remains focused on active asset management, retaining existing good tenants, attracting new creditworthy tenants and improving operational and capital efficiencies within its existing portfolio. It will continue to exercise prudent interest rate and foreign exchange hedging policies to mitigate financial risks. It will also selectively pursue opportunities for strategic acquisitions so as to deliver sustainable returns to Unitholders.

11. RISK FACTORS AND RISK MANAGEMENT

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

Interest rate risk

The Manager constantly monitors its exposure to changes in interest rates for its interest-bearing financial liabilities. Interest rate risk is managed on an on-going basis with the primary objective of limiting the extent to which net interest expense can be affected by adverse movements in interest rates through financial instruments or other suitable financial products.

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 requirements 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 conducted prior to the 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

The Group's foreign currency risk relates mainly to its distributable income from and progressive payments in its Australian Dollar denominated investments. The Manager monitors the Group's foreign currency exposure on an on-going basis and will manage its exposure to adverse movements in foreign currency exchange rates through financial instruments or other suitable financial products.

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 the Group's 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

None.

(b) Corresponding Period of the Immediately Preceding Financial Year

Not applicable.

(c) Date Payable

Not applicable.

(d) Books Closure Date

Not applicable.

13. DISTRIBUTION STATEMENT

No distribution has been declared/ recommended during the period

14. INTERESTED PERSON TRANSACTIONS

| Name of Interested Person | Aggregate value of all interested person transactions during the financial period under review (excluding transactions of less than \$100,000) | |
|---|--|------------------|
| | 3Q2011 \$'000 | 3Q2010 \$'000 |
| <u>Keppel Land Limited and its subsidiaries or associates</u> | | |
| - Manager's management fees | 5,761 | 3,752 |
| - Acquisition fee | 2,055 | - |
| - Property management fees and reimbursable | 385 | 745 |
| - Leasing commissions | 144 | 257 |
| - Rental and service charge income ¹ | 32,436 | 106 |
| - Rental support | 5,739 | 5,761 |
| - Interest on term loan ¹ | - | 19,687 |
| <u>RBC Dexia Trust Services Singapore Limited</u> | | |
| - Trustee's fees | 138 | 88 |

No IPT mandate has been obtained by K-REIT Asia for the financial period under review.

Notes:

(1) The aggregate value of interested person transactions refers to the total contract sum entered into during the financial year.

QUARTERLY BREAKDOWN

Property Contribution by Asset (\$'000)

| | FY09 | 1Q10 | 2Q10 | 3Q10 | 4Q10 | FY10 | 1Q11 | 2Q11 | 3Q11 |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Property | | | | | | | | | |
| Prudential Tower ¹ | 13,429 | 4,723 | 4,932 | 4,831 | 4,611 | 19,097 | 4,847 | 4,763 | 4,830 |
| Keppel Towers and GE Tower ² | 29,506 | 7,095 | 7,180 | 7,291 | 5,994 | 27,560 | - | - | - |
| Bugis Junction Towers | 19,876 | 4,965 | 4,883 | 4,983 | 5,190 | 20,021 | 5,358 | 5,277 | 5,085 |
| 275 George Street ³ | - | 1,427 | 6,235 | 4,654 | 5,231 | 17,547 | 5,446 | 5,492 | 5,709 |
| 77 King Street ⁴ | - | - | - | - | 334 | 334 | 3,021 | 2,530 | 2,990 |
| Total property income | 62,811 | 18,210 | 23,230 | 21,759 | 21,360 | 84,559 | 18,672 | 18,062 | 18,614 |

Income Contribution by Asset (\$'000)

| | FY09 | 1Q10 | 2Q10 | 3Q10 | 4Q10 | FY10 | 1Q11 | 2Q11 | 3Q11 |
|--|---------------|---------------|---------------|---------------|---------------|----------------|---------------|---------------|---------------|
| Property | | | | | | | | | |
| Prudential Tower ¹ | 11,013 | 3,855 | 3,916 | 4,041 | 3,838 | 15,650 | 3,827 | 3,788 | 3,429 |
| Keppel Towers and GE Tower ² | 22,077 | 4,723 | 4,811 | 5,765 | 4,642 | 19,941 | - | - | - |
| Bugis Junction Towers | 15,790 | 4,207 | 3,920 | 3,916 | 4,433 | 16,476 | 4,327 | 4,290 | 4,122 |
| 275 George Street ³ | - | 1,103 | 5,746 | 3,797 | 4,331 | 14,977 | 4,612 | 4,716 | 4,720 |
| 77 King Street ⁴ | - | - | - | - | 261 | 261 | 2,173 | 1,509 | 2,386 |
| Net property income | 48,880 | 13,888 | 18,393 | 17,519 | 17,505 | 67,305 | 14,939 | 14,303 | 14,657 |
| One-third interest in ORQPL: | | | | | | | | | |
| - Rental support | 23,011 | 5,968 | 5,816 | 5,761 | 5,661 | 23,206 | 4,596 | 4,495 | 4,636 |
| - Interest income | 12,502 | 3,087 | 2,973 | 2,910 | 2,000 | 10,970 | 364 | 362 | 361 |
| - Dividend income | 11,189 | 2,092 | 2,378 | 1,942 | 2,820 | 9,232 | 4,084 | 4,355 | 3,988 |
| Total income from one-third interest in ORQPL | 46,702 | 11,147 | 11,167 | 10,613 | 10,481 | 43,408 | 9,044 | 9,212 | 8,985 |
| One-third interest in BFC DPL ² : | | | | | | | | | |
| - Rental support | - | - | - | - | 1,482 | 1,482 | 4,385 | 4,305 | 1,103 |
| - Interest income | - | - | - | - | 300 | 300 | 4,940 | 4,929 | 4,922 |
| - Dividend income | - | - | - | - | - | - | 2,067 | 3,937 | 6,941 |
| Total income from one-third interest in BFC DPL | - | - | - | - | 1,782 | 1,782 | 11,392 | 13,171 | 12,966 |
| 8 Chifley Square ⁵ : | | | | | | | | | |
| - Interest income | - | - | - | - | - | - | - | - | 376 |
| Total income contribution | 95,582 | 25,035 | 29,560 | 28,132 | 29,768 | 112,495 | 35,375 | 36,686 | 36,984 |

Notes:

- (1) This comprises 92.8% and 73.4% of the strata area in Prudential Tower as of 30 September 2011 and 30 September 2010 respectively.
- (2) Both divestment of KTGE and acquisition of the one-third interest in BFC DPL were completed on 15 December 2010.
- (3) The acquisition of the 50% interest in 275 George Street, Brisbane was completed on 1 March 2010.
- (4) The acquisition of the 100% interest in the office tower at 77 King Street, Sydney was completed on 21 December 2010.
- (5) The acquisition of the 50% interest in 8 Chifley Square, Sydney was completed on 28 July 2011.

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

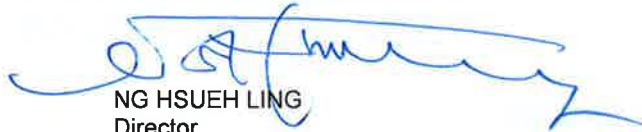
CHOO CHIN TECK / JACQUELINE NG
Joint Company Secretaries
17 October 2011

CONFIRMATION BY THE BOARD

We, TSUI KAI CHONG and NG HSUEH LING, 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 Third Quarter 2011 financial statements of K-REIT Asia to be false or misleading in any material respect.

On Behalf of the Board

TSUI KAI CHONG
Chairman



NG HSUEH LING
Director

17 October 2011