

## **PRESS RELEASE**

### **K-REIT Asia Unaudited Results for the Full Year Ended 31 December 2008**

**19 January 2009**

The Directors of K-REIT Asia Management Limited, as manager of K-REIT Asia, announce the unaudited results of K-REIT Asia for the full year ended 31 December 2008.

The press release and presentation materials are also available on *www.kepcorp.com*, *www.kepland.com.sg* and *www.kreitasia.com*

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**PRESS RELEASE**

**K-REIT Asia's Financial Highlights  
Financial Results  
For the Year ended 31 December 2008**

19 January 2009

**K-REIT Asia's Full Year 2008 Distribution Per Unit Higher than Forecast by 18.3%**

- *Distributable income increased by 166.7% year-on-year and outperformed forecast by 18.6% due to positive rental reversions and additional contribution from One Raffles Quay.*
- *Net property income grew 40.3% year-on-year to \$39.7 million.*
- *Distribution Per Unit ("DPU") for 1 July to 31 December 2008 will amount to 5.07 cents, bringing the total DPU pay-out to 13.04 cents for Full Year 2008.*
- *Aggregate leverage remained low at 27.6% as at 31 December 2008.*
- *Portfolio achieved 99% committed occupancy as at 31 December 2008.*

**Summary of Results**

(\$'000)	Jan - Dec 2008	Jan - Dec 2008	% Chg	Jan - Dec 2007	% Chg
	Actual	Forecast <sup>1</sup>		Actual	
Property Income	52,646	50,543	4.2	40,069	31.4
Net Property Income	39,659	35,949	10.3	28,262	40.3
Net Income	23,378	12,616	85.3	12,689	84.2
Distributable Income to Unitholders	58,182	49,055	18.6	21,812	166.7
<b>Distribution Per Unit (Cents)</b>	<b>8.91</b>	<b>7.53</b>	<b>18.3</b>	<b>8.82</b>	<b>1.0</b>
- based on weighted average number of units	11.36	10.09	12.6		
<b>Distribution Yield<sup>2</sup> (%)</b>	<b>12.73</b>	<b>10.76</b>	<b>18.3</b>	<b>12.60</b>	<b>1.0</b>
- based on weighted average number of units	16.23	14.41	12.6		

<sup>1</sup> The forecasts for January-December 2008 were derived from the forecast shown in K-REIT Asia's circular dated 9 April 2008 for the renounceable rights issue which was completed on 8 May 2008

<sup>2</sup> Based on K-REIT Asia's closing price per unit of \$0.70 as at 31 December 2008

**Improved Results**

K-REIT Asia Management Ltd, the manager of K-REIT Asia, is pleased to announce that K-REIT Asia achieved a distributable income of \$58.2 million for the period from 1 January to 31 December 2008 (“FY2008”), up 166.7% from that for the same period in 2007. This was due mainly to higher rental rates achieved for new and renewed leases and income contribution from K-REIT Asia’s one-third interest in One Raffles Quay Pte Ltd.

On the back of higher gross rental income from K-REIT Asia’s initial four properties, namely Keppel Towers, GE Tower, Prudential Tower and Bugis Junction Towers, net property income grew 40.3% year-on-year to \$39.7 million for FY2008.

FY2008 DPU of 8.91 cents and fourth quarter 2008 (“4Q 2008”) DPU of 2.67 cents were both 18.3% and 32.2% higher than forecast respectively. Due to a rights issue of 396.9 million units on 8 May 2008, the actual FY2008 DPU registered a 1% year-on-year increase while 4Q 2008 DPU was 4.6% lower than that in the corresponding period in 2007.

For the period from 1 July to 31 December 2008, K-REIT Asia will pay out 5.07 cents per unit on 23 February 2009 based on 100% of its taxable income available for distribution to Unitholders. This will bring the total DPU pay-out to 13.04 cents for the period from 1 January to 31 December 2008.

**Weaker Market Sentiments**

The escalation of the global economic 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). The committed occupancy of K-REIT Asia’s portfolio was higher at 99% than market as at 31 December 2008.

**Capital Management**

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 successful completion of a rights issue exercise on 8 May 2008 has strengthened K-REIT Asia’s balance sheet, raising gross proceeds of \$551.7 million through an issue of 396.9 million new units.

In addition, 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.

**Going Forward**

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 Singapore government now expects the GDP performance at between -2% and 1% in 2009.

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, in October 2008, suspended the sale of confirmed land sites and lifted a ban on the conversion of office buildings in the CBD to other uses. The government is expected to announce more measures 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. On the other hand, its rental stream from its one-third interest in One Raffles Quay is 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%.

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 optimise 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.

**About K-REIT Asia (<http://www.kreitasia.com>)**

Sponsored by Keppel Land Limited, one of the largest listed property companies, K-REIT Asia was listed on the Singapore Exchange on 28 April 2006 following a distribution *in specie* of units in K-REIT Asia to shareholders. K-REIT Asia aims to generate stable income and long-term growth in net asset value for Unitholders by investing in income-producing commercial properties in Singapore and Asia.

K-REIT Asia's portfolio comprises five assets, namely Prudential Tower (approximately 44% of the strata area of the building), Keppel Towers, GE Tower, Bugis Junction Towers and a one-third interest in One Raffles Quay Pte Ltd. K-REIT Asia's portfolio size was \$2.1 billion as at 31 December 2008.

K-REIT Asia completed its rights issue exercise 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.

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

**Important Notice**

The value of units in K-REIT Asia ("Units") and the income from them may fall as well as rise. Units are not obligations of, deposits in, or guaranteed by, the Manager or any of its affiliates. An investment in Units is subject to investment risks, including the possible loss of the principal amount invested. Investors have no right to request the Manager to redeem their Units while the Units are listed. It is intended that Unitholders may only deal in their Units through trading on the SGX-ST. Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units. The past performance of K-REIT Asia is not necessarily indicative of its future performance. This release may contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from similar developments, shifts in expected levels of property rental income, changes in operating expenses, including employee wages, benefits and training, property expenses and governmental and public policy changes, and the continued availability of financing in the amounts and terms necessary to support future business. Investors are cautioned not to place undue reliance on these forward-looking statements, which are based on the Manager's current view on future events.