

**PRESS RELEASE**

**K-REIT Asia Unaudited Results for the Full Year Ended 31 December 2009**

**20 January 2010**

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 2009.

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 Results  
Financial Results For the Year ended 31 December 2009  
20 January 2010**

**K-REIT Asia's Distributable Income Grew by 21.1% Year-on-Year**

- **Net property income increased 23.2% year-on-year to \$48.9 million.**
- **Distributable income rose by 21.1% year-on-year due mainly to higher net property income and income contribution from One Raffles Quay Pte Ltd ("ORQPL").**
- **Distribution Per Unit ("DPU") for January to December 2009 amounted to 5.28 cents, up from 4.41 cents <sup>(1)</sup> for 2008.**
- **Portfolio's committed occupancy was 95% as at 31 December 2009, higher than core CBD occupancy of 91.2%.**
- **Acquisition of additional six strata floors of Prudential Tower enlarged the portfolio net lettable area ("NLA") to 1.3m sf\*.**

**Summary of Results**

	Jan – Dec 2009	Jan – Dec 2008	Change	4Q 2009	4Q 2008	Change
<b>Property Income</b>	\$62.8m	\$52.6m	19.4%	\$17.0m	\$14.3m	18.9%
<b>Net Property Income</b>	\$48.9m	\$39.7m	23.2%	\$13.4m	\$11.8m	13.6%
<b>Distributable Income to Unitholders</b>	\$70.5m	\$58.2m	21.1%	\$19.4m	\$17.4m	11.5%
<b>Distribution Per Unit</b>	5.28cts	4.41cts <sup>(1)</sup>	19.7%	5.75cts <sup>^</sup>	5.24cts <sup>(1)^</sup>	9.7%
<b>Distribution Yield</b>	4.8% <sup>(2)</sup>	6.3% <sup>(3)</sup>	-23.8%	5.2% <sup>(2)</sup>	7.5% <sup>(3)</sup>	-30.7%

\* Includes one-third interest in ORQ

(1) Restated taking into account the effect of the underwritten, renounceable 1-for-1 rights issue to raise gross proceeds of \$620 million at an issue price of \$0.93 per rights unit and computed based on the issued units at the end of each period aggregated with 666,703,965 units which were issued on 22 November 2009

(2) Based on K-REIT Asia's closing price per unit of \$1.10 as at 31 December 2009

(3) Based on K-REIT Asia's closing price per unit of \$0.70 as at 31 December 2008

<sup>^</sup> Annualised DPU

### **Steady Improvement in Performance**

K-REIT Asia Management Ltd, the manager of K-REIT Asia, is pleased to announce that K-REIT Asia achieved a distributable income of \$70.5 million for the period from 1 January to 31 December 2009 (“FY2009”). This was 21.1% higher than that for the same period in 2008, due mainly to higher rental rates achieved for new and renewed leases and income contribution from one-third interest in ORQPL.

Net property income rose 23.2% year-on-year to \$48.9 million in FY2009, due mainly to positive rental reversions and contribution from the additional six strata floors of Prudential Tower, which were acquired in November 2009. The average gross monthly rent of K-REIT Asia’s portfolio, including K-REIT Asia’s one-third interest in ORQPL, was 7.2% higher at \$8.16 psf in December 2009 compared with \$7.61 psf in December 2008.

Distribution Per Unit (“DPU”) for 2009 was 5.28 cents compared with 4.41 cents in 2008 which has been restated to take into account the effect of the one-for-one rights issue completed in November 2009 and computed based on the enlarged unit base of approximately 1.3 billion units.

For the period from 1 July to 31 December 2009, K-REIT Asia will pay out 2.77 cents per unit on 25 February 2010 based on 100% of its taxable income available for distribution to Unitholders. This will bring the total DPU pay-out to 7.76 cents for the period from 1 January to 31 December 2009.

### **Successful Completion of Rights Issue**

In November 2009, K-REIT Asia successfully completed a one-for-one rights issue at \$0.93 per unit and raised gross proceeds of approximately \$620 million. The rights issue has provided K-REIT Asia with additional funding capacity to pursue acquisition growth. Some \$99.7 million of the rights proceeds has been used to repay a bridging loan facility for the purpose of financing the acquisition of the six strata floors of Prudential Tower. After the repayment of the bridging loan, K-REIT Asia’s aggregate leverage was 27.7% as at end-December 2009.

### **Improved Economic Outlook**

According to advance GDP estimates by the Ministry of Trade and Industry (“MTI”), Singapore’s economy grew by 3.5% in 4Q 2009, compared with 4Q 2008. Overall, Singapore’s GDP is estimated to have contracted by 2.1% in 2009. However, the economy has continued to show signs of recovery and MTI expects Singapore’s economy to grow at a sustainable growth level of between 3% and 5% in 2010.

With the improved economic outlook and returning business confidence, office leasing activities continued to remain active in the fourth quarter as the pace of rental decline easing further. Prime office monthly rents averaged \$6.75 psf in 4Q 2009, reflecting a 10% quarter-on-quarter contraction compared with the 12.8% fall in 3Q 2009. Grade A office monthly rents fell 8% quarter-on-quarter to \$8.10 psf in 4Q 2009, compared with the 13.3% decline in 3Q 2009 (Source: CB Richard Ellis).

Core Central Business District (“CBD”) office occupancy rates remained unchanged from the last quarter at 91.2% in 4Q 2009 (Source: CB Richard Ellis). K-REIT Asia’s portfolio occupancy rate of 95% as at 31 December 2009 remains higher than that of core CBD. Increased hiring by financial institutions, flight to quality as companies relocate to newer and better-specified buildings, and delays in construction of office projects and redevelopment of office space into residential and hotel uses are some factors supporting the recovery of the office sector.

### **Seeking Acquisition and Growth Opportunities**

K-REIT Asia is well-positioned to capitalise on the recovery of the Singapore economy with its high-quality asset portfolio, strong tenancy profile and diverse tenant business mix. The weighted average lease term for K-REIT Asia’s portfolio is 5.2 years while that of its top 10 tenants is 6.7 years, providing income stability for Unitholders.

The acquisition of additional six strata floors of Prudential Tower in November 2009 marked K-REIT Asia’s first third-party acquisition. The acquisition has raised K-REIT Asia’s stake from approximately 44.4% to a majority control of approximately 73.4% of the total strata area of the building. The majority control will put K-REIT Asia in a stronger position to manage the income generated from this asset. The acquisition has enlarged K-REIT Asia’s portfolio NLA by 5.5% to 1.3m sf as at end-2009. As at end-December 2009, K-REIT Asia's portfolio size is \$2.1 billion. On an average psf basis, portfolio valuation has fallen by 5.3% to \$1,616 psf from a year ago, which is at the lower end of market valuation for prime office space.

Going forward, with the enhanced financial flexibility from the rights issue, K-REIT Asia intends to pursue opportunities for strategic acquisitions in Singapore and other Asian growth cities. It will continue to identify potential asset enhancement initiatives for its property portfolio to maximise rental income, and to place emphasis on attracting creditworthy new tenants, retaining good existing tenants and improving operational and cost efficiencies.

**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 in Asia.

K-REIT Asia's portfolio comprises five assets, namely Bugis Junction Towers, Prudential Tower (of which K-REIT Asia owns 73.4% of the total strata area of the building), Keppel Towers, GE Tower and also a one-third interest in One Raffles Quay Pte Ltd. K-REIT Asia's portfolio size was \$2.1 billion as at 31 December 2009.

K-REIT Asia completed its rights issue exercise and issued 666.7 million rights units in November 2009. Its total number of units in issue was 1.34 billion as at end-December 2009.

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.