

Press Release

Unaudited Results for the Quarter Ended 31 March 2009 for K-REIT Asia

21 April 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 quarter ended 31 March 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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K-REIT ASIA
FIRST QUARTER 2009 FINANCIAL STATEMENT ANNOUNCEMENT
UNAUDITED RESULTS FOR THE QUARTER ENDED 31 MARCH 2009

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**SUMMARY OF K-REIT ASIA RESULTS
FOR THE QUARTER ENDED 31 MARCH 2009**

	GROUP		
	1Q2009 \$'000	1Q2008 \$'000	+/- %
Property Income	14,785	11,506	28.5
Net Property Income	10,820	9,141	18.4
Total Return before Tax	5,717	2,309	147.6
Income Available for Distribution to Unitholders	15,658	11,405	37.3
Distributable Income to Unitholders ¹	15,658	11,405	37.3
Distribution per Unit ("DPU")(cents) For the Period Annualised	2.38 9.65	4.60 18.45	(48.3) (47.7)
Distribution Yield	16.2% ²	12.1% ³	33.9

Notes:

- (1) The distributable income to Unitholders is based on 100% of the income available for distribution to Unitholders.
- (2) The yield is based on the market closing price per unit of \$0.595 as at the last trading day, 31 March 2009.
- (3) The yield is based on the market closing price per unit of \$1.53 as at the last trading day, 31 March 2008.

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.

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.

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.

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.

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 March 2009, K-REIT Asia's portfolio size was \$2.1 billion.

K-REIT strives to maintain a strong balance sheet and to steadily grow its portfolio. On 8 May 2008, K-REIT Asia completed its rights issue and issued 396.9 million rights units to raise gross proceeds of about \$551.7 million. Its total number of units in issue was 657.5 million as at end-March 2009. In addition on 19 January 2009, K-REIT Asia established a \$1 billion medium-term note programme via a wholly-owned subsidiary, K-REIT MTN Pte. Ltd.

1 UNAUDITED RESULTS FOR THE QUARTER ENDED 31 MARCH 2009

The Directors of K-REIT Asia Management Limited, as manager of K-REIT Asia, announce the following unaudited results of K-REIT Asia for the quarter ended 31 March 2009:

1(a) Statement of total return and comprehensive income & distribution statement, together with a comparative statement for the corresponding period of the immediately preceding financial year
Statement of Total Return and Comprehensive Income

	Note	Group and Trust		+/(-) %
		1Q2009 \$'000	1Q2008 \$'000	
Gross rent		14,547	11,244	29.4
Car park income		223	250	(10.8)
Other income		15	12	25.0
Property income		14,785	11,506	28.5
Property tax		(1,657)	(430)	285.3
Other property expenses	1	(1,460)	(1,177)	24.0
Property management fee		(444)	(346)	28.3
Maintenance and sinking fund contributions		(404)	(412)	(1.9)
Property expenses		(3,965)	(2,365)	(67.7)
Net property income		10,820	9,141	18.4
Income support	2	6,151	6,145	0.1
Interest income	3	1,939	2,896	(33.0)
Share of results of associated company	4	3,173	1,968	61.2
Amortisation expense	5	(6,726)	(6,832)	(1.6)
Borrowing costs	6	(6,099)	(7,569)	(19.4)
Manager's management fees	7	(3,233)	(3,172)	1.9
Trust expenses		(308)	(268)	14.9
Total return before tax		5,717	2,309	147.6
Income tax expense	8	(628)	(1,012)	(37.9)
Total return after tax		5,089	1,297	292.4
Total comprehensive income		5,089	1,297	292.4
<u>Distribution Statement</u>				
Total return before tax		5,717	2,309	147.6
Net tax adjustments	9	10,569	10,108	4.6
Income tax expense		(628)	(1,012)	(37.9)
Income available for distribution to Unitholders		15,658	11,405	37.3
Distributable income to Unitholders	10	15,658	11,405	37.3
Distribution per unit (cents)				
For the period		2.38	4.60	(48.3)
Annualised		9.65	18.45	(47.7)

Notes:

Nm – Not meaningful

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

	Group and Trust	
	1Q2009	1Q2008
	\$'000	\$'000
Marketing expenses	282	111
Utilities	473	428
Repair and maintenance	443	367
Property management reimbursements	253	259
Others property expenses	9	12
	1,460	1,177

- (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:

	Group and Trust	
	1Q2009	1Q2008
	\$'000	\$'000
Interest income from fixed deposit and current accounts	47	51
Interest income from shareholder's loan to ORQPL	1,892	2,845
	1,939	2,896

- (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:

	Group and Trust	
	1Q2009	1Q2008
	\$'000	\$'000
Interest expense on term loans	1,841	1,862
Interest expense on bridge/revolving loan	3,807	5,647
Amortisation of transaction costs	451	60
	6,099	7,569

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

- (8) Income tax expense comprises tax of 17% (2008: 18%) on the income support received by K-REIT Asia, net of deductible of interest expense.

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

	Group and Trust	
	1Q2009	1Q2008
	\$'000	\$'000
Management fees payable in units	3,233	3,172
Trustee's fees	78	79
Amortisation of transaction costs	7,177	6,892
Non-tax deductible expenses	138	35
Share of results of associated company	(3,173)	(1,968)
Dividend income received	3,116	1,898
	10,569	10,108

- (10) The distributable income to Unitholders is based on 100% of the 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	Group and Trust	
		31/3/09 \$'000	31/12/08 \$'000
Non-current assets			
Investment properties	1	1,117,000	1,117,000
Investment in subsidiary company	2	-	-
Investment in associated company	3	858,526	862,469
Intangible asset	4	52,506	59,232
Total non-current assets		2,028,032	2,038,701
Current assets			
Cash and cash equivalents		34,647	43,968
Trade and other receivables	5	10,312	9,653
Total current assets		44,959	53,621
Total assets		2,072,991	2,092,322
Current liabilities			
Trade and other payables		16,193	12,759
Current portion of security deposits		4,561	3,602
Provision for taxation		3,701	3,073
Total current liabilities		24,455	19,434
Non-current liabilities			
Long-term borrowings		577,586	577,135
Non-current portion of security deposits		9,952	10,082
Total non-current liabilities		587,538	587,217
Total liabilities		611,993	606,651
Net assets		1,460,998	1,485,671
Represented by:			
Unitholders' funds		1,460,998	1,485,671
Net asset value per unit (\$)		2.22	2.28
Borrowings / Value of deposited properties (%)	6	27.6	27.6

Notes:

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

<u>Property</u>	<u>Tenure</u>	<u>Date of Valuation</u>	<u>Valuation</u> (\$'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
			1,117,000

- (2) This relates to the 100% investment in K-REIT Asia MTN Pte. Ltd. ("KRMTN") of \$1. K-REIT Asia Group results include KRMTN. As there is no activity in KRMTN since its incorporation, the accounts of the Group are the same as those of the Trust.
- (3) This relates to the one-third equity interest in associated company, One Raffles Quay Pte Ltd ("ORQPL").
- (4) 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 the ORQPL's net property income and the guaranteed income amount for each quarter) in accordance with the terms set out therein. The intangible asset will be amortised over the period from 10 December 2007 to 31 December 2011.
- (5) Included in the balances are receivables for income support from Boulevard and dividend income from ORQPL as at 31 March 2009 of \$9.3 million (31 December 2008: \$9.1 million).
- (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 independent valuers as at 31 December 2008.

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

	Group and Trust	
	As at 31/3/09 \$'000	As at 31/12/08 \$'000
Secured borrowing		
Amount repayable in one year or less, or on demand	-	-
Amount repayable after one year	190,085	190,085
Less: Unamortised portion of fees	(501)	(561)
	189,584	189,524
Unsecured borrowing		
Amount repayable in one year or less, or on demand	-	-
Amount repayable after one year	391,000	391,000
Less: Unamortised portion of fees	(2,998)	(3,389)
	388,002	387,611
Total borrowings	577,586	577,135

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 March 2009, 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.

On 10 September 2008, K-REIT Asia 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 March 2009, the amount outstanding was \$388.0 million

1(c) Statement of cash flows

	Note	Group and Trust	
		1Q2009	1Q2008
		\$'000	\$'000
Cash flow from operating activities			
Total return before tax		5,717	2,309
Adjustments for:			
Interest income		(1,939)	(2,896)
Amortisation expense		6,726	6,832
Share of results of associated company		(3,173)	(1,968)
Borrowing costs		6,099	7,569
Management fees payable in units		3,233	3,172
Operating cash flows before reinvestment in working capital		16,663	15,018
Increase in receivables		(6,680)	(8,058)
Decrease in payables		(274)	(1,243)
Security deposits		829	111
Net cash generated from operating activities		10,538	5,828
Cash flow from investing activities			
Interest received		1,993	754
Income support received		6,322	1,080
Dividend income received from associated company		2,760	1,000
Repayment of loan from associated company		4,000	-
Net cash generated from investing activities		15,075	2,834
Cash flow from financing activities			
Distribution to Unitholders	1	(33,093)	(12,379)
Interest paid		(1,841)	(5,940)
Net cash used in financing activities		(34,934)	(18,319)
Net decrease in cash and cash equivalents		(9,321)	(9,657)
Cash and cash equivalents at the beginning of period		43,968	22,927
Cash and cash equivalents at the end of period		34,647	13,270

Note:

- (1) This relates to the distributable income of \$33.1 million for the period of 1 July 2008 to 31 December 2008 and \$12.4 million for the period of 1 July 2007 to 31 December 2007 which were paid on 23 February 2009 and 29 February 2008 respectively.

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

Statement of movements in Unitholders' funds for quarter ended 31 March 2009

	<i>Note</i>	Issued Equity \$'000	Group and Trust Accumulated Profit \$'000	Total \$'000
Net assets at 1 January 2009		1,016,566	469,105	1,485,671
<u>Operations</u>				
Total comprehensive income		-	5,089	5,089
Net increase in net assets resulting from operations		1,016,566	474,194	1,490,760
<u>Unitholders' transactions</u>				
Creation of units				
- payment of management fees in units	1	3,331	-	3,331
Distribution to Unitholders	2	-	(33,093)	(33,093)
Net increase/(decrease) in net assets resulting from Unitholders' transactions		3,331	(33,093)	(29,762)
Net assets at 31 March 2009		1,019,897	441,101	1,460,998

Notes:

(1) This represents 4,819,121 units issued as satisfaction of management fees payable in units.

(2) This relates to the distributable income \$33.1million for the period of 1 July 2008 to 31 December 2008 which was paid on 23 February 2009.

Statement of movements in Unitholders' funds for quarter ended 31 March 2008

	Note	Issued Equity \$'000	Group and Trust Accumulated Profit \$'000	Total \$'000
Net assets at 1 January 2008		454,258	479,509	933,767
<u>Operations</u>				
Total comprehensive income		-	1,297	1,297
Net increase in net assets resulting from operations		454,258	480,806	935,064
<u>Unitholders' transactions</u>				
Creation of units				
- payment of management fees in units	1	1,958	-	1,958
Distribution to Unitholders	2	-	(12,379)	(12,379)
Net increase/(decrease) in net assets resulting from Unitholders' transactions		1,958	(12,379)	(10,421)
Net assets at 31 March 2008		456,216	468,427	924,643

Notes:

- (1) This represents 894,717 units issued as satisfaction of management fees payable in units.
- (2) This relates to the distributable income \$12.4 million for the period of 1 July 2007 to 31 December 2007 which was paid on 29 February 2008.

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

	Group and Trust	
	2009	2008
	Units	Units
Issued units as at 1 January	652,724,165	247,183,528
Issue of new units		
- Payment of management fees in units	4,819,121	894,717
Issued units as at 31 March	657,543,286	248,078,245

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 Trust 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 2008.

5. CHANGES IN ACCOUNTING POLICIES

In the current period, the Trust 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 2009. Changes to the Trust'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 Trust:

FRS 1 (Revised)	Presentation of Financial Statements
Amendments to FRS 23	Borrowing Costs
FRS 108	Operating Segments

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

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

Earnings per unit

(based on the weighted average number of units as at the end of period)

- Weighted average number of units as at the end of period

Distribution per unit

(based on the number of units as at the end of period)

- Number of units in issue at end of period

Group and Trust	
1Q2009	1Q2008
0.78 cents	0.50 cents ¹
655,990,458	257,704,840 ¹
2.38 cents	4.60 cents
657,543,286	248,078,245

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

Note:

(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 completed in May 2008.

7. NET ASSET VALUE (“NAV”)

NAV per unit based on issued units at the end of the period (\$)

Adjusted NAV per unit based on issued units at the end of the period (excluding the distributable income) (\$)

Group and Trust	
As at 31/3/09	As at 31/12/08
2.22	2.28
2.20	2.19

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

Property	Group and Trust		+/(-) %
	1Q2009 \$'000	1Q2008 \$'000	
Prudential Tower Property	2,686	2,062	30.3
Keppel Towers and GE Tower	7,196	5,955	20.8
Bugis Junction Towers	4,903	3,489	40.5
Total property income	14,785	11,506	28.5

8(ii) Income contribution of the properties

Property	Group and Trust		+/(-) %
	1Q2009 \$'000	1Q2008 \$'000	
Prudential Tower Property	1,982	1,832	8.2
Keppel Towers and GE Tower	5,247	4,678	12.2
Bugis Junction Towers	3,591	2,631	36.5
Total net property income	10,820	9,141	18.4
One-third interest in ORQPL:			
- Income support	6,151	6,145	0.1
- Interest income	1,892	2,845	(33.5)
- Dividend income	3,116	1,898	64.2
Total income from one-third interest in ORQPL	11,159	10,888	2.5
Total income contribution	21,979	20,029	9.7

8. REVIEW OF PERFORMANCE**Review of performance for 1Q 2009 vs 1Q 2008**

Turnover of \$14.8 million for 1Q 2009 was \$3.3 million or 28.5% higher than that for 1Q 2008. This improvement was mainly the result of higher rental rates achieved for new and renewed leases.

The portfolio attained 95.8% committed occupancy as at end-March 2009. Average gross rental rate for the investment properties held directly by K-REIT Asia was \$6.71 psf in March 2009 as compared with \$4.99 psf in March 2008. Including K-REIT Asia's one-third interest in ORQPL, the portfolio's average gross rental rate was \$8.06 psf in March 2009 as compared with \$6.86 psf in March 2008.

Property expenses of \$4.0 million were \$1.6 million or 67.7% higher than the amount in 1Q 2008. The increase was due to higher property tax of \$1.2 million on the account of a higher assessed annual value and higher marketing and property maintenance costs of \$0.4 million.

Net property income increased by 18.4% from \$9.1 million in 1Q 2008 to \$10.8 million in 1Q 2009 on the account of higher rental income. Total return before tax reported an increase of \$3.4 million to \$5.7 million in 1Q 2009 from \$2.3 million in 1Q 2008 due mainly to lower borrowing costs and higher net property income.

The reduction in borrowing costs of \$1.5 million to \$6.1 million was due mainly to the reduction in the revolving loan as a result of repayment made in 2008.

Distributable income to Unitholders for 1Q 2009 increased by \$4.3 million to \$15.7 million from \$11.4 million in 1Q 2008. The increase was the result of higher net property income, lower borrowing costs and lower income tax expense due to the reduction in tax rate.

For the quarter, the all-in interest rate was 4.26% as compared with 2.68% for 1Q 2008. The aggregate leverage stood at 27.6% as at 31 March 2009. The weighted average term to expiry of debt was 2.0 years.

Review of performance for 1Q 2009 vs 4Q 2008

Turnover of \$14.8 million for 1Q 2009 was \$0.5 million or 3.5% higher than that for 4Q 2008. This improvement was mainly the result of higher rental rates achieved for new and renewed leases.

The portfolio attained 95.8% committed occupancy as at end-March 2009 as compared with 99.0% as at end-December 2008. Average gross rental rate for the investment properties held directly by K-REIT Asia was \$6.71 psf in March 2009 as compared with \$6.08 psf in December 2008. Including K-REIT Asia's one-third interest in ORQPL, the portfolio's average gross rental rate was \$8.06 psf in March 2009 against \$7.61 psf in December 2008.

Property expenses of \$4.0 million were \$1.5 million or 60.1% higher than in 4Q 2008. The increase was attributable mainly to a property tax recovery of \$1.8 million recorded in 4Q 2008 which was absent in 1Q2009.

Net property income decreased by 8.4% to \$10.8 million in 1Q 2009 on the account of higher property tax expenses partly offsetting the increase in property income. Total return before tax dipped by \$12.3 million or 68.3% in 1Q 2009 due mainly to a net gain on revaluation of the ORQ property of \$4.1 million accounted for in 4Q 2008 and a lower net property income.

Total return after tax for 1Q 2009 of \$5.1 million was \$12.6 million or 71.3% lower than in 4Q 2008 due mainly to net gains on revaluation of investment properties and ORQ of \$7.0 million and \$4.1 million respectively taken up in 4Q 2008.

Distributable income to Unitholders for 1Q 2009 decreased by \$1.7 million to \$15.7 million from \$17.4 million in 4Q 2008. The decrease was due mainly to higher property tax expense in 1Q2009.

For the quarter to quarter comparison, the all-in interest rate was 4.26% in 1Q 2009 against 4.22% in 4Q 2008. The aggregate leverage remained the same at 27.6% as at 31 March 2009 and 31 December 2008, and the weighted average term to expiry of debt was reduced from 2.3 years to 2.0 years in March 2009.

9. VARIANCE FROM PROSPECTS STATEMENT

Not applicable.

10. PROSPECTS

The Singapore economy continued to be weighed down by the deepening global economic crisis in 1Q 2009. According to advance estimates from the Ministry of Trade and Industry (MTI), the economy contracted by 11.5% in 1Q 2009, against the same period last year, due mainly to a decline in the manufacturing sector. This follows a 4.2% decrease in the last quarter of 2008. The MTI now expects the economy to contract by 6% to 9% in 2009.

The office sector softened. Average prime and Grade A monthly rents declined by 34.4% and 34.0% year-on-year to \$10.50 psf and \$12.30 psf respectively in 1Q 2009. Occupancy rates for core Central Business District (CBD) office space eased to 93.1% in 1Q 2009 from 95.4% in 4Q 2008 and 97.6% in 1Q 2008 (source: CB Richard Ellis).

To stabilise the economy, the Singapore government has announced further measures such as a \$20.5 billion stimulus package and confirmed the suspension of government land sales. This, together with ongoing public sector projects and soon to be completed integrated resort developments will lend support to the property sector.

Notwithstanding the challenging environment, K-REIT Asia has a portfolio that still enjoys positive rental reversions and a diverse tenant business mix. Its income from its one-third interest in One Raffles Quay remains sustainable with income support lasting until end-2011.

The weighted average lease term to expiry for K-REIT Asia's portfolio and those of its top 10 tenants at 5.5 years and 7.3 years respectively, provides stability for K-REIT Asia's rental income.

Given the uncertainties ahead, the Manager will place emphasis on tenant retention and seek to improve operational and cost efficiencies.

K-REIT Asia will also make selective asset acquisitions should opportunities arise.

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

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.

14. INTERESTED PERSON TRANSACTIONS

Name of interested person

Keppel Corporation and its subsidiaries or associates

- Manager's management fees
- Property management fees and reimbursable
- Leasing commissions

RBC Dexia Trust Services Singapore Limited

- Trustee's fee

Aggregate value of all interested person transactions during the financial period under review (excluding transactions of less than \$100,000)	
1Q2009	1Q2008
\$'000	\$'000
3,233	3,172
696	605
265	116
78	79

QUARTERLY BREAKDOWN

Property contribution by asset (\$'000)

	FY07	1Q08	2Q08	3Q08	4Q08	FY08	1Q09
<u>Property</u>							
Prudential Tower Property	6,880	2,062	2,753	2,870	2,790	10,475	2,686
Keppel Towers and GE Tower	20,008	5,955	6,259	6,492	6,960	25,666	7,196
Bugis Junction Towers	13,181	3,489	3,977	4,500	4,539	16,505	4,903
Total property income	40,069	11,506	12,989	13,862	14,289	52,646	14,785

Income contribution by asset (\$'000)

	FY07	1Q08	2Q08	3Q08	4Q08	FY08	1Q09
<u>Property</u>							
Prudential Tower Property	5,037	1,832	1,795	2,099	2,544	8,270	1,982
Keppel Towers and GE Tower	13,741	4,678	4,847	4,018	5,399	18,942	5,247
Bugis Junction Towers	9,484	2,631	2,532	3,414	3,870	12,447	3,591
Net property income	28,262	9,141	9,174	9,531	11,813	39,659	10,820
One-third interest in ORQPL ¹ :							
- Income support	1,080	6,145	6,099	6,233	6,322	24,799	6,151
- Interest income	690	2,845	1,880	1,710	2,364	8,799	1,892
- Dividend income	1,000	1,898	2,779	3,331	2,760	10,768	3,116
Total income from one-third interest in ORQPL	2,770	10,888	10,758	11,274	11,446	44,366	11,159
Total income contribution	31,032	20,029	19,932	20,805	23,259	84,025	21,979

Note:

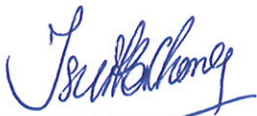
¹ The acquisition of one-third interest in ORQPL was completed on 10 December 2007.

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
21 April 2009

CONFIRMATION BY THE BOARD

We, TSUI KAI CHONG and TAN SWEE YIOW being two Directors of K-REIT Asia Management Limited (the "Company"), as manager of K-REIT Asia, do hereby confirm on behalf of the Directors of the Company that, to the best of their knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the 1Q2009 financial statements of K-REIT Asia to be false or misleading in any material respect.

On Behalf of the Board

TSUI KAI CHONG
Chairman



TAN SWEE YIOW
Director

21 April 2009