

**K-REIT ASIA
FIRST QUARTER 2011 FINANCIAL STATEMENTS ANNOUNCEMENT
UNAUDITED RESULTS FOR THE QUARTER ENDED 31 MARCH 2011****TABLE OF CONTENTS**

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**SUMMARY OF K-REIT ASIA RESULTS
FOR THE QUARTER ENDED 31 MARCH 2011**

	GROUP		
	1Q2011 \$'000	1Q2010 \$'000	+/- %
Property Income	18,672	18,210	2.5
Net Property Income	14,939	13,888	7.6
Share of Results of Associated Companies	6,151	2,092	194.0
Total Return before Tax	16,027	10,942	46.5
Income Available for Distribution	24,253	17,825	36.1
Distributable Income to Unitholders ¹	24,253	17,825	36.1
Distribution per Unit ("DPU") (cents)			
For the Period	1.79	1.33	34.6
Annualised	7.26	5.39	34.7
Distribution Yield	5.6% ²	4.9% ³	14.3

Notes:

- (1) The distributable 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 \$1.29 as at the last trading day, 31 March 2011.
- (3) The yield is based on the market closing price per unit of \$1.10 as at the last trading day, 31 March 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.

As at 31 March 2011, K-REIT Asia has an asset size of approximately \$3.5 billion, comprising six quality commercial properties, namely Bugis Junction Towers, Marina Bay Financial Centre Towers 1 & 2 and Marina Bay Link Mall (one-third interest), One Raffles Quay (one-third interest), Prudential Tower (approximately 73.4% of the strata area of the building), all in Singapore, and also 275 George Street, Brisbane (50% interest) and the office tower at 77 King Street, Sydney, both in Australia.

On 21 March 2011, K-REIT Asia announced the proposed acquisition of four levels of strata office at Prudential Tower. The income accretive acquisition of the additional 19.4% interest will bring K-REIT Asia's interest in Prudential Tower to 92.8%. The acquisition is in line with K-REIT Asia's strategy to continuously optimise and grow its property portfolio and is expected to be completed in May 2011.

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

1 UNAUDITED RESULTS FOR THE QUARTER ENDED 31 March 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 quarter ended 31 March 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	Group		+ / (-) %
		1Q2011 \$'000	1Q2010 \$'000	
Gross rent		18,320	17,895	2.4
Car park income		281	296	(5.1)
Other income		71	19	273.7
Property income		18,672	18,210	2.5
Property tax		(844)	(1,165)	(27.6)
Other property expenses	1	(1,969)	(2,108)	(6.6)
Property management fee		(386)	(519)	(25.6)
Maintenance and sinking fund contributions		(534)	(530)	0.8
Property expenses		(3,733)	(4,322)	(13.6)
Net property income		14,939	13,888	7.6
Income support	2	9,593	6,475	48.2
Interest income	3	5,689	3,477	63.6
Share of results of associated companies	4	6,151	2,092	194.0
Amortisation expense	5	(6,994)	(5,294)	32.1
Borrowing costs	6	(6,752)	(6,099)	10.7
Manager's management fees	7	(5,373)	(3,433)	56.5
Trust expenses		(1,155)	(370)	212.2
Changes in fair value of derivative financial instruments	8	(71)	206	Nm
Total return before tax / Net income		16,027	10,942	46.5
Income tax expense	9	(976)	(740)	31.9
Total return after tax		15,051	10,202	47.5
<u>Distribution Statement</u>				
Total return before tax / Net income		16,027	10,942	46.5
Net tax adjustments	10	9,202	7,623	20.7
Income tax expense		(976)	(740)	31.9
Income available for distribution		24,253	17,825	36.1
Distribution to Unitholders	11	24,253	17,825	36.1
Distribution per unit (cents)				
For the period		1.79	1.33	34.6
Annualised		7.26	5.39	34.7

Notes:

Nm – Not meaningful

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

	<u>Group</u>	
	1Q2011	1Q2010
	\$'000	\$'000
<i>Marketing expenses</i>	329	731
<i>Utilities</i>	402	476
<i>Repair and maintenance</i>	1,008	576
<i>Property management reimbursements</i>	78	300
<i>Other property expenses</i>	152	25
	1,969	2,108

- (2) *This is the income support top-up payments received by K-REIT Asia for its one-third interest in One Raffles Quay Pte Ltd ("ORQPL"), the additional six strata floors of Prudential Tower, the 50% interest in 275 George Street, Brisbane, the one-third interest in BFC Development Pte Ltd ("BFCDPL") which holds Marina Bay Financial Centre Towers 1 & 2 and Marina Bay Link Mall("MBFC") and the 77 King Street office tower, Sydney.*

- (3) *Interest income comprises the following:*

	<u>Group</u>	
	1Q2011	1Q2010
	\$'000	\$'000
<i>Interest income from fixed deposit and current accounts</i>	385	390
<i>Interest income from shareholder's loans to ORQPL and BFCDPL</i>	5,304	3,087
	5,689	3,477

- (4) *Share of results of associated companies relates to K-REIT Asia's one-third interest in ORQPL's and BFCDPL's net profit after tax which is represented by the proportionate share of gross revenue less property expenses, interest expense, income tax and excluding the net change in fair value of its investment properties.*

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

- (6) *Borrowing costs comprise the following:*

	<u>Group</u>	
	1Q2011	1Q2010
	\$'000	\$'000
<i>Interest expense on term loans</i>	5,612	1,841
<i>Interest expense on revolving loan</i>	949	3,807
<i>Amortisation of capitalised transaction costs</i>	191	451
	6,752	6,099

- (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 on the net income from its Australian properties.*

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

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

	<u>Group</u>	
	1Q2011	1Q2010
	\$'000	\$'000
Management fees payable in units	2,686	1,716
Trustee's fees	129	80
Amortisation of intangible asset and capitalised transaction costs	7,185	5,745
Non-tax deductible (income) expenses	(869)	288
Share of results of associated companies	(6,151)	(2,092)
Dividend income received	6,151	2,092
Change in fair value of derivative financial instruments	71	(206)
	<u>9,202</u>	<u>7,623</u>

(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>		
	1Q2011	1Q2010	+/(-)
	\$'000	\$'000	%
Total return after tax	15,051	10,202	47.5
Other comprehensive income:			
Foreign currency translation	3,194	3,319	(3.8)
Net change in fair value of cash flow hedges	(7,003)	-	Nm
Other comprehensive income for the period, net of tax	(3,809)	3,319	Nm
Total comprehensive income for the period	<u>11,242</u>	<u>13,521</u>	(16.9)

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

Balance Sheet

	Note	Group			Trust		
		31/03/11 \$'000	31/12/10 \$'000	+/- %	31/03/11 \$'000	31/12/10 \$'000	+/- %
Non-current assets							
Investment properties	1	1,028,803	1,025,634	0.3	662,723	662,700	0.0
Investment in subsidiary company		-	-	-	3,862	3,862	-
Investment in associated companies	2	1,981,045	1,981,045	-	1,981,045	1,981,045	-
Amount owing by subsidiary company		-	-	-	384,532	381,227	0.9
Trade and other receivables		3,515	-	Nm	-	-	-
Intangible asset	3	30,291	37,242	(18.7)	25,885	32,485	(20.3)
Total non-current assets		3,043,654	3,043,921	(0.0)	3,058,047	3,061,319	(0.1)
Current assets							
Trade and other receivables	4	30,779	21,144	45.6	28,308	11,902	137.8
Prepaid expenses		1,317	998	32.0	861	605	42.3
Cash and cash equivalents		36,384	49,860	(27.0)	20,372	49,634	(59.0)
Total current assets		68,480	72,002	(4.9)	49,541	62,141	(20.3)
Total assets		3,112,134	3,115,923	(0.1)	3,107,588	3,123,460	(0.5)
Current liabilities							
Trade and other payables		47,381	44,000	7.7	44,478	42,224	5.3
Income received in advance		5,091	5,225	(2.6)	75	74	1.4
Derivative financial instruments	5	523	452	15.7	523	452	15.7
Current portion of security deposits		2,177	2,400	(9.3)	2,177	2,400	(9.3)
Provision for taxation		4,237	3,261	29.9	4,049	3,261	24.2
Total current liabilities		59,409	55,338	7.4	51,302	48,411	6.0
Non-current liabilities							
Long term borrowings	6	1,002,635	989,932	1.3	1,002,635	989,932	1.3
Trade and other payables		8,906	4,310	106.6	4,197	4,310	(2.6)
Derivative financial instruments	7	11,609	4,606	152.0	11,609	4,606	152.0
Non-current portion of security deposits		6,571	6,186	6.2	6,571	6,186	6.2
Total non-current liabilities		1,029,721	1,005,034	2.5	1,025,012	1,005,034	2.0
Total liabilities		1,089,130	1,060,372	2.7	1,076,314	1,053,445	2.2
Net assets		2,023,004	2,055,551	(1.6)	2,031,274	2,070,015	(1.9)
Represented by:							
Unitholders' funds		2,023,004	2,055,551	(1.6)	2,031,274	2,070,015	(1.9)
Net asset value per unit (\$)		1.49	1.52		1.50	1.53	
Gross borrowings / Value of deposited properties (%)	8	37.4	37.0				

Notes:

Nm – Not meaningful

- (1) The increase in investment properties is due mainly to the translation gain arising from the Australian properties as a result of the appreciation of the Australia Dollar against the Singapore Dollar.*
- (2) This relates to the one-third equity interest in ORQPL and BFCDPL and advances to these associated companies.*
- (3) This relates to the unamortised aggregate income support top-up payments receivable by the Group for its one-third interest in ORQPL and BFCDPL, and 100% interest in 77 King Street office tower, Sydney. The intangible asset will be amortised over the income support periods for the respective properties.*
- (4) Included in the balances are a deposit of \$12.5 million paid for the proposed acquisition of the 19.4% interest in Prudential Tower which was announced on 21 March 2011, and income support and dividend income receivables of \$15.1 million.*
- (5) This relates to the foreign currency forward contracts taken out in relation to the Group's investments in the Australian properties.*
- (6) This relates to bank borrowings taken up to finance the acquisition of one-third equity interest in associated company, BFCDPL, and the deposit paid for the proposed acquisition of additional four levels of strata office in Prudential Tower.*
- (7) This relates to fair value of the interest rate swaps entered into by the Trust.*
- (8) This is based on the total amount of gross borrowings and valuation of deposited properties (held directly and indirectly) of \$3.5 billion as at 31 March 2011.*

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

	Group and Trust	
	As at 31/3/11	As at 31/12/10
	\$'000	\$'000
Secured borrowings		
Amount repayable after one year	425,000	425,000
Less: Unamortised portion of fees	(2,599)	(2,737)
	422,401	422,263
Unsecured borrowings		
Amount repayable after one year	581,002	568,490
Less: Unamortised portion of fees	(768)	(821)
	580,234	567,669
Total borrowings	1,002,635	989,932

Details of borrowings and collaterals

K-REIT Asia has put in place the following facilities, totalling \$1,135 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-year term loan facilities of \$100 million; and
- (v) 2-year revolving credit line of \$350 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 has 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 31 March 2011, K-REIT Asia had utilised \$1,006 million and had an unutilised \$129 million of revolving credit facility available to meet its future obligations. Of the outstanding loan amount of \$1,006 million, approximately 78% had been hedged.

The weighted average interest rate for all borrowings as at 31 March 2011 stood at 2.74% per annum as compared to 2.75% per annum as at 31 December 2010. The weighted average term to expiry of debt was 3.9 years in March 2011 as compared to 4.2 years in December 2010.

1(c) Consolidated Statement of Cash Flows

	Note	Group	
		1Q2011	1Q2010
		\$'000	\$'000
Cash flows from operating activities			
Total return before tax		16,027	10,942
Adjustments for:			
Interest income		(5,689)	(3,477)
Amortisation expense		6,994	5,294
Share of results of associated companies		(6,151)	(2,092)
Borrowing costs		6,752	6,099
Management fees payable in units		2,686	1,716
Changes in fair value of unrealised derivative financial instruments		71	(206)
Translation of foreign subsidiaries		(28)	3,319
Operating cash flows before changes in working capital		20,662	21,595
Increase in receivables		(5,270)	(7,434)
(Decrease)/Increase in payables		(2,736)	5,908
Increase/(Decrease) in security deposits		162	(837)
Net cash flows from operating activities		12,818	19,232
Investing activities			
Purchase of investment property		-	(228,343)
Deposit paid for purchase of investment property		(12,511)	-
Improvement in investment property		(23)	-
Interest received		5,691	3,703
Income support received		12,270	5,544
Dividend income received from associated companies		2,820	3,499
Net cash flows from/(used in) investing activities		8,247	(215,597)
Financing activities			
Distribution to Unitholders	1	(45,879)	(37,008)
Revolving loan drawdown		12,512	-
Interest paid		(1,174)	(1,841)
Net cash flows used in financing activities		(34,541)	(38,849)
Net decrease in cash and cash equivalents		(13,476)	(235,214)
Cash and cash equivalents at the beginning of period		49,860	575,549
Cash and cash equivalents at the end of period		36,384	340,335

Note:

- (1) Distribution for 1Q2011 is for the period of 1 July 2010 to 31 December 2010, paid on 25 February 2011.
 Distribution for 1Q2010 is for the period of 1 July 2009 to 31 December 2009, paid on 25 February 2010.

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

Group	<i>Note</i>	Issued	Accumulated	Foreign	Hedging	Total
		Equity	Profits	Currency	Reserve	
		\$'000	\$'000	Translation	Reserve	\$'000
				Reserve		
At 1 January 2011		1,672,063	389,404	(1,310)	(4,606)	2,055,551
Return for the period		-	15,051	-	-	15,051
Other comprehensive income, net of tax	1	-	-	3,194	(7,003)	(3,809)
Total comprehensive income		-	15,051	3,194	(7,003)	11,242
Issue of units for payment of management fee	2	2,090	-	-	-	2,090
Distribution to Unitholders		-	(45,879)	-	-	(45,879)
At 31 March 2011		1,674,153	358,576	1,884	(11,609)	2,023,004
At 1 January 2010		1,645,657	356,995	-	-	2,002,652
Return for the period		-	10,202	-	-	10,202
Other comprehensive income, net of tax	3	-	-	3,319	-	3,319
Total comprehensive income		-	10,202	3,319	-	13,521
Issue of units for payment of management fee	4	3,356	-	-	-	3,356
Distribution to Unitholders		-	(37,008)	-	-	(37,008)
At 31 March 2010		1,649,013	330,189	3,319	-	1,982,521

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 and fair value change of the cash flow hedges as a result of interest rate swaps entered into by the Trust.
- (2) This represents 1,473,527 units issued in 1Q2011 as satisfaction of management fees payable in units.
- (3) 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.
- (4) This represents 3,108,946 units issued in 1Q2010 as satisfaction of management fees payable in units.

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

<u>Trust</u>	<i>Note</i>	<u>Issued Equity</u> \$'000	<u>Accumulated Profits</u> \$'000	<u>Hedging Reserves</u> \$'000	<u>Total</u> \$'000
At 1 January 2011		1,672,063	402,558	(4,606)	2,070,015
Return for the period		-	12,051	-	12,051
Other comprehensive income, net of tax	1	-	-	(7,003)	(7,003)
Total comprehensive income		-	12,051	(7,003)	5,048
Issue of units for payment of management fee	2	2,090	-	-	2,090
Distribution to Unitholders		-	(45,879)	-	(45,879)
At 31 March 2011		1,674,153	368,730	(11,609)	2,031,274
At 1 January 2010		1,645,657	356,995	-	2,002,652
Return for the period		-	12,342	-	12,342
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income		-	12,342	-	12,342
Issue of units for payment of management fee	3	3,356	-	-	3,356
Distribution to Unitholders		-	(37,008)	-	(37,008)
At 31 March 2010		1,649,013	332,329	-	1,981,342

Notes:

- (1) This relates to the fair value change of the cash flow hedges as a result of interest rate swaps entered into by the Trust.
- (2) This represents 1,473,527 units issued in 1Q2011 as satisfaction of management fees payable in units.
- (3) This represents 3,108,946 units issued in 1Q2010 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	1,473,527	3,108,946
Issued units as at 31 March	1,357,377,744	1,339,132,297

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 31 March 2011 and 31 December 2010.

Total number of issued units in K-REIT Asia as at 31 March 2011 and 31 December 2010 were 1,357,377,744 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”)

	1Q2011	Group	1Q2010
Earnings per unit (based on weighted average number of units as at the end of the period)	1.11 cents		0.76 cents
- Weighted average number of units as at the end of the period	1,356,935,686		1,338,165,069
Distribution per unit (based on the number of units as at the end of the period)	1.79 cents		1.33 cents
- Number of units in issue as at the end of the period	1,357,377,744		1,339,132,297

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”)

	Group		Trust	
	As at 31/3/11	As at 31/12/10	As at 31/3/11	As at 31/12/10
NAV per unit (S\$) based on issued units at the end of the period	1.49	1.52	1.50	1.53
Adjusted NAV per unit (S\$) based on issued units at the end of the period (excluding the distributable income)	1.47	1.48	1.48	1.49

8. REVIEW OF PERFORMANCE
8(i) Property Income Contribution of the Properties

	<u>Group</u>		
	1Q2011	1Q2010	
	\$'000	\$'000	%
<u>Property</u>			
Prudential Tower ¹	4,847	4,723	2.6
Keppel Towers and GE Tower ²	-	7,095	Nm
Bugis Junction Towers	5,358	4,965	7.9
275 George Street ³	5,446	1,427	281.6
77 King Street ⁴	3,021	-	Nm
Total property income	18,672	18,210	2.5

8(ii) Income Contribution of the Properties

	<u>Group</u>		
	1Q2011	1Q2010	
	\$'000	\$'000	%
<u>Property</u>			
Prudential Tower ¹	3,827	3,855	(0.7)
Keppel Towers and GE Tower ²	-	4,723	Nm
Bugis Junction Towers	4,327	4,207	2.9
275 George Street ³	4,612	1,103	318.1
77 King Street ⁴	2,173	-	Nm
Total net property income	14,939	13,888	7.6
One-third interest in ORQPL:			
- Income support	4,596	5,968	(23.0)
- Interest income	364	3,087	(88.2)
- Dividend income	4,084	2,092	95.2
Total income from one-third interest in ORQPL	9,044	11,147	(18.9)
One-third interest in BFC DPL ² :			
- Income support	4,385	-	Nm
- Interest income	4,940	-	Nm
- Dividend income	2,067	-	Nm
Total income from one-third interest in BFC DPL	11,392	-	Nm
Total income contribution	35,375	25,035	41.3

Notes:

- (1) Comprises 73.4% of the strata area in Prudential Tower.
- (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 77 King Street, Sydney was completed on 21 December 2010.

8. REVIEW OF PERFORMANCE (CONT'D)**Review of Performance for 1Q2011 vs 1Q2010**

The Group's 1Q2011 results included contributions from 275 George Street (50% interest) ("275 George Street"), one-third interest in BFC Development Pte Ltd ("BFC DPL") which holds Marina Bay Financial Centre Towers 1 & 2 and Marina Bay Link Mall, 77 King Street office tower ("77 King Street") which were acquired on 1 March 2010, 15 December 2010 and 21 December 2010 respectively, and the loss of contributions resulting from divestment of Keppel Towers and GE Tower ("KTGE") on 15 December 2010.

Property income for 1Q2011 was \$18.7 million, a marginal increase of \$0.5 million or 2.5% over that for 1Q2010. The increase was due mainly to higher property income from the two Australian properties of \$7.0 million and Bugis Junction Towers of \$0.4 million, offset by loss of property income from KTGE of \$7.1m. As a result of the divestment of KTGE, the Group reported lower property expenses by \$0.6 million or 13.6% as compared to \$4.3 million in 1Q2010.

Net property income increased by 7.6% to \$14.9 million in 1Q2011, from \$13.9 million in 1Q2010 as a result of increase in assets under management and lower property expenses.

The Group reported higher income support, interest income and share of results of associated companies, due mainly to the contributions from BFC DPL, totaling \$21.4 million, an increase of 78.0% as compared to 1Q2010.

The Group's total return before tax for 1Q2011 was \$16.0 million, an increase of 46.5% over 1Q2010 as a result of higher net property income and higher contributions from the associated companies, partly offset by higher amortisation expenses and management fees expenses.

Distribution to Unitholders increased by 36.1% to \$24.3 million in 1Q2011 from \$17.8 million in 1Q2010.

The weighted average interest rate was 2.74% per annum in 1Q2011 compared with 4.26% per annum in 1Q2010. The aggregate leverage stood at 37.4% as at 31 March 2011 against 25.2% as at 31 March 2010, and the weighted average term to expiry of debt was 3.9 years in March 2011 as compared to 1.0 year in March 2010.

The portfolio attained 96.9% committed occupancy as at end-March 2011 compared with 96.0% as at end-March 2010.

Review of Performance for 1Q2011 vs 4Q2010

Property income for 1Q2011 was \$18.7 million, a \$2.7 million or 12.6% decrease from \$21.4 million in 4Q2010. The decrease was due mainly to the loss of property income resulting from KTGE divestment, partly mitigated by property income from 77 King Street office tower.

Property expenses for 1Q2011 were \$3.7 million, a marginal decrease of \$0.1 million or 3.2% over that for 4Q2010.

Net property income decreased from \$17.5 million in 4Q2010 to \$14.9 million in 1Q2011, attributed mainly to lower property income.

Total return before tax, divestment gain and fair value change in investment properties was \$16.0 million in 1Q2011 as compared to \$14.4 million in 4Q2010. The increase was attributed mainly to higher income support, interest income and share of results of associated companies, from its one-third interest in BFC DPL.

Distribution to Unitholders for 1Q2011 increased to \$24.3 million from \$23.2 million in 4Q2010.

The weighted average interest rate for 1Q2011 was 2.74% per annum compared to 2.75% per annum for 4Q2010. The aggregate leverage stood at 37.4% as at 31 March 2011 against 37.0% as at 31 December 2010, and the weighted average term to expiry of debt was 3.9 years in March 2011 as compared to 4.2 years in December 2010.

9. VARIANCE FROM FORECAST STATEMENT

Statement of Total Return (Actual vs Forecast)

	<u>Actual</u>	<u>Forecast¹</u>	
	1Q2011	1Q2011	+/(-)
	\$'000	\$'000	%
Gross rent	18,320	17,714	3.4
Car park income	281	277	1.4
Other income	71	21	238.1
Property income	18,672	18,012	3.7
Property tax	(844)	(1,099)	(23.2)
Other property expenses	(1,969)	(1,590)	23.8
Property management fee	(386)	(386)	-
Maintenance and sinking fund contributions	(534)	(556)	(4.0)
Property expenses	(3,733)	(3,631)	2.8
Net property income	14,939	14,381	3.9
Income support	9,593	9,807	(2.2)
Interest income	5,689	5,346	6.4
Share of results of associated companies	6,151	6,952	(11.5)
Amortisation expense	(6,994)	(6,914)	1.2
Borrowing costs	(6,752)	(7,500)	(10.0)
Manager's management fees	(5,373)	(5,234)	2.7
Trust expenses	(1,155)	(754)	53.2
Changes in fair value of derivative financial instruments	(71)	-	Nm
Total return before tax / Net income	16,027	16,084	(0.4)
Income tax expense	(976)	(1,757)	(44.5)
Total return after tax	15,051	14,327	5.1
<u>Distribution Statement</u>			
Total return before tax / Net income	16,027	16,084	(0.4)
Net tax adjustments	9,202	9,070	1.5
Income tax expense	(976)	(1,757)	(44.5)
Income available for distribution	24,253	23,397	3.7
Distribution to Unitholders	24,253	23,397	3.7
Distribution per unit (cents)			
For the period	1.79	1.72	4.1
Annualised	7.26	6.98	4.0

Notes:

(1) The forecast for 1Q2011 is derived from the forecast shown in K-REIT Asia's Circular dated 8 November 2010 for the acquisition of one-third interest in BFCPL and divestment of KTGE.

9. VARIANCE FROM FORECAST STATEMENT (CONT'D)**Review of Performance for 1Q2011 (Actual) vs 1Q2011 (Forecast)**

The Group's 1Q2011 property income of \$18.7 million was an increase of \$0.7 million or 3.7% over the Forecast. This was due mainly to higher property income from the Australian properties. Property expenses of \$3.7 million were a marginal increase of 2.8% as compared to Forecast.

Net property income rose 3.9% to \$14.9 million as a result of higher property income.

Total return before tax for 1Q2011 of \$16.0 million was in line with Forecast. Distributable income to Unitholders increased by 3.7% to \$24.3 million from \$23.4 million.

10. PROSPECTS

The Singapore economy continued on a positive path in 1Q2011 after expanding 14.5% for the whole of 2010. Along with steady growth in the services sector and the government's efforts to establish Singapore as a location-of-choice for businesses serving Asian growth markets, the office market continue to trend up in 1Q2011.

Rentals for Grade A and prime office climbed 4.0% and 3.6% quarter-on-quarter to \$10.30 psf pm and \$8.60 psf pm respectively, according to CB Richard Ellis. Demand for the newer and better specified buildings has been strong, especially at developments which have large floor plates in excess of 20,000 sf and better infrastructure that serve the needs of financial institutions and companies offering advisory services such as law firms.

Occupancy in the core central business district remained stable at 94.4%, down marginally from 95.3% in 4Q2010. This is due mainly to the sizeable amounts of space coming on line from the new developments such as Marina Bay Financial Centre, Ocean Financial Centre, OUE Bayfront and Asia Square which have recently received temporary occupation permits. The slight decline in overall occupancy is expected to be short lived as the majority of new office supply made available in 2011 has been pre-committed. Thereafter, supply is expected to tighten as occupancy at new buildings improve and old buildings are taken off the market for redevelopment. Capital values are also expected to remain strong as a result of these redevelopments and positive market sentiments.

Looking forward, K-REIT Asia will focus on retaining its existing tenants, attracting new tenants, and managing leases due for renewal in 2011. The Manager will continue to optimise the performance of its assets, improve operational efficiencies and manage capital in a prudent manner so as to deliver stable and growing returns to its Unitholders. The Manager will also continue to pursue opportunities for strategic acquisitions that will complement K-REIT Asia's existing portfolio.

Outlook for the Financial Year Ending 31 December 2011

Barring unforeseen circumstances, the Manager expects to achieve its DPU forecast of 6.68 cents for the financial year ending 31 December 2011, based on the Circular dated 8 November 2010.

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

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 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.

14. INTERESTED PERSON TRANSACTIONS

Name of Interested Person

Keppel Land Limited and its subsidiaries or associates

- Manager's management fees
- Acquisition fee
- Property management fees and reimbursable
- Leasing commissions
- Income support

RBC Dexia Trust Services Singapore Limited

- Trustee's fees

Aggregate value of all interested person transactions during the financial period under review (excluding transactions of less than \$100,000)		
Name of Interested Person	1Q2011 \$'000	1Q2010 \$'000
<u>Keppel Land Limited and its subsidiaries or associates</u>		
- Manager's management fees	5,373	3,433
- Acquisition fee	-	2,098
- Property management fees and reimbursable	386	803
- Leasing commissions	312	716
- Income support	8,981	5,968
<u>RBC Dexia Trust Services Singapore Limited</u>		
- Trustee's fees	129	80

QUARTERLY BREAKDOWN

Property Contribution by Asset (\$'000)

	FY09	1Q10	2Q10	3Q10	4Q10	FY10	1Q11
Property							
Prudential Tower ¹	13,429	4,723	4,932	4,831	4,611	19,097	4,847
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
275 George Street ³	-	1,427	6,235	4,654	5,231	17,547	5,446
77 King Street ⁴	-	-	-	-	334	334	3,021
Total property income	62,811	18,210	23,230	21,759	21,360	84,559	18,672

Income Contribution by Asset (\$'000)

	FY09	1Q10	2Q10	3Q10	4Q10	FY10	1Q11
Property							
Prudential Tower ¹	11,013	3,855	3,916	4,041	3,838	15,650	3,827
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
275 George Street ³	-	1,103	5,746	3,797	4,331	14,977	4,612
77 King Street ⁴	-	-	-	-	261	261	2,173
Net property income	48,880	13,888	18,393	17,519	17,505	67,305	14,939
One-third interest in ORQPL:							
- Income support	23,011	5,968	5,816	5,761	5,661	23,206	4,596
- Interest income	12,502	3,087	2,973	2,910	2,000	10,970	364
- Dividend income	11,189	2,092	2,378	1,942	2,820	9,232	4,084
Total income from one-third interest in ORQPL	46,702	11,147	11,167	10,613	10,481	43,408	9,044
One-third interest in BFC DPL ² :							
- Income support	-	-	-	-	1,482	1,482	4,385
- Interest income	-	-	-	-	300	300	4,940
- Dividend income	-	-	-	-	-	-	2,067
Total income from one-third interest in BFC DPL	-	-	-	-	1,782	1,782	11,392
Total income contribution	95,582	25,035	29,560	28,132	29,768	112,495	35,375

Notes:

- (1) Comprises 73.4% of the strata area in Prudential Tower.
- (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 77 King Street, Sydney was completed on 21 December 2010.

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
 14 April 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 First 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

14 April 2011