

**K-REIT ASIA
THIRD QUARTER 2007 FINANCIAL STATEMENT ANNOUNCEMENT****UNAUDITED RESULTS FOR NINE MONTHS ENDED 30 SEPTEMBER 2007****TABLE OF CONTENTS**

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**SUMMARY OF K-REIT ASIA RESULTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2007**

ACTUAL VS PRO FORMA

| | Actual | Actual | Pro forma ¹ | + / (-) |
|--|---------|---------------|------------------------|---------|
| | 3Q 2007 | YTD Sept 2007 | YTD Sept 2006 | |
| | \$'000 | \$'000 | \$'000 | % |
| Property Income | 10,323 | 29,041 | 24,676 | 17.7 |
| Property Expenses | (2,830) | (7,803) | (7,265) | 7.4 |
| Net Property Income | 7,493 | 21,238 | 17,411 | 22.0 |
| Other Property Operating Expenses | (3,330) | (9,468) | (9,383) | 0.9 |
| Net Profit | 4,163 | 11,770 | 8,028 | 46.6 |
| Net Tax Adjustments | 1,248 | 3,122 | 3,023 | 3.3 |
| Taxable Income Available for Distribution to Unitholders | 5,411 | 14,892 | 11,051 | 34.8 |
| Distributable Income to Unitholders ² | 5,411 | 14,892 | 11,051 | 34.8 |
| Distribution Per Unit (cents) For the Period | 2.23 | 6.14 | n.a. ³ | n.a. |
| Annualised | 8.85 | 8.21 | n.a. ³ | n.a. |

Notes:

- (1) K-REIT Asia was established on 28 November 2005 and the acquisition of the properties was completed on 26 April 2006. As K-REIT Asia has no income and expenses for period prior to 26 April 2006, the comparative figures have been compiled based on (i) the unaudited financial statements of Mansfield Realty Limited, Keppel Land (Tower D) Pte Ltd and BCH Office Investment Pte Ltd for the period of 1 January 2006 to 25 April 2006 after making certain assumptions and adjustments; and (ii) the actual results of K-REIT Asia from 26 April 2006 to 30 September 2006.
- (2) The distributable income to unitholders is based on 100% of the taxable income available for distribution to unitholders.
- (3) K-REIT Asia's actual DPU for the period of 26 April 2006 to 30 September 2006 was 2.87 cents per unit, equivalent to an annualised 6.63 cents per unit.

INTRODUCTION

K-REIT Asia is a real estate investment trust constituted by the Trust Deed entered into on 28 November 2005 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 stable returns to Unitholders by owning and investing in a portfolio of quality income-producing commercial real estate and real estate-related assets. The initial portfolio comprises four buildings, namely Prudential Tower Property (approximately 44% of the strata area of the building), Keppel Towers and GE Tower, and Bugis Junction Towers. On 26 April 2006, K-REIT Asia completed the acquisition of the buildings from Keppel Land Limited for \$630.7 million in part by cash of approximately \$190.6 million and 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. The appraised value of the portfolio was \$677 million and \$815 million as at 31 December 2006 and 31 July 2007 respectively.

On 30 July 2007, K-REIT Asia announced its intention to acquire a one-third interest in One Raffles Quay at a valuation of \$941.5 million. Further details of the acquisition can be found in the Unitholders' Circular dated 22 September 2007. Upon successful completion of the acquisition, total attributable net lettable area of K-REIT Asia's portfolio will increase by about 57% to 1.23 million sf and its portfolio value will more than double to \$1.76 billion. The proposed acquisition of the one-third interest in One Raffles Quay is expected to result in an overall yield accretion for K-REIT Asia. This will further strengthen K-REIT Asia's position as an office-focused commercial REIT.

Although K-REIT Asia's current portfolio of assets are in Singapore, it has a pan-Asian mandate that enables it to invest in quality commercial properties in other Asian growth cities. The Manager of K-REIT Asia aims to achieve stable income and long-term growth in net asset value for Unitholders. To achieve this, the Manager plans to further expand the portfolio by selective acquisitions of quality real estate, raise occupancy and/or rental rates by active asset management of its portfolio and by employing debt and equity financing strategies that are appropriate for the K-REIT Asia portfolio.

K-REIT Asia was established on 28 November 2005 and the acquisition of the properties was completed on 26 April 2006. Consequently, it has no income and expenses for period prior to 26 April 2006. The comparative prior period financial results are compiled based on (i) the unaudited financial statements of Mansfield Realty Limited, Keppel Land (Tower D) Pte Ltd and BCH Office Investment Pte Ltd for the period of 1 January 2006 to 25 April 2006; and (ii) the actual results of K-REIT Asia from 26 April 2006 to 30 September 2006.

1 UNAUDITED RESULTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2007

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 nine months ended 30 September 2007:

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

| | Actual Third Quarter Ended 30/9/07 | Actual Third Quarter Ended 30/9/06 | + / (-) % | Actual Nine Months Ended 30/9/07 | Pro forma Nine Months Ended 30/9/06 | + / (-) % |
|---|--|--|----------------|--|---|----------------|
| <i>Note</i> | \$'000 | \$'000 | | \$'000 | \$'000 | |
| Gross rent | 10,067 | 8,526 | 18.1 | 28,314 | 23,990 | 18.0 |
| Car park income | 244 | 222 | 9.9 | 686 | 642 | 6.9 |
| Other income | 12 | 21 | (42.9) | 41 | 44 | (6.8) |
| Property income | 10,323 | 8,769 | 17.7 | 29,041 | 24,676 | 17.7 |
| Property tax | (764) | (601) | 27.1 | (2,222) | (1,579) | 40.7 |
| Other property expenses | (1,322) | (1,209) | 9.3 | (3,406) | (3,641) | (6.5) |
| Property management fee | (309) | (263) | 17.5 | (871) | (741) | 17.5 |
| Maintenance and sinking fund contributions | (435) | (434) | 0.2 | (1,304) | (1,304) | - |
| Property expenses | (2,830) | (2,507) | 12.9 | (7,803) | (7,265) | 7.4 |
| Net property income | 7,493 | 6,262 | 19.7 | 21,238 | 17,411 | 22.0 |
| Interest income | 87 | 98 | (11.2) | 291 | 119 | 144.5 |
| Manager's management fees | (1,252) | (982) | 27.5 | (3,343) | (2,881) | 16.0 |
| Trust expenses | (223) | (294) | (24.1) | (650) | (888) | (26.8) |
| Borrowing costs | (1,942) | (1,939) | 0.2 | (5,766) | (5,733) | 0.6 |
| Net profit | 4,163 | 3,145 | 32.4 | 11,770 | 8,028 | 46.6 |
| Net appreciation on revaluation of investment properties | 137,964 | - | Nm | 137,964 | - | Nm |
| Net profit before tax | 142,127 | 3,145 | 4,419.1 | 149,734 | 8,028 | 1,765.1 |
| Income tax | - | - | - | - | - | - |
| Net profit after tax | 142,127 | 3,145 | 4,419.1 | 149,734 | 8,028 | 1,765.1 |
| <u>Distribution Statement</u> | | | | | | |
| Net profit | 4,163 | 3,145 | 32.4 | 11,770 | 8,028 | 46.6 |
| Net tax adjustments | 1,248 | 976 | 27.9 | 3,122 | 3,023 | 3.3 |
| Taxable income available for distribution to unitholders | 5,411 | 4,121 | 31.3 | 14,892 | 11,051 | 34.8 |
| Distributable income to unitholders | 5,411 | 4,121 | 31.3 | 14,892 | 11,051 | 34.8 |

Notes:

(1) K-REIT Asia was established on 28 November 2005 and the acquisition of the properties was completed on 26 April 2006. As K-REIT Asia has no income and expenses for period prior to 26 April 2006, the comparative figures have been compiled based on (i) the unaudited financial statements of Mansfield Realty Limited, Keppel Land (Tower D) Pte Ltd and BCH Office Investment Pte Ltd for the period of 1 January 2006 to 25 April 2006 after making certain assumptions and adjustments; and (ii) the actual results of K-REIT Asia from 26 April 2006 to 30 September 2006.

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

| | Actual Third Quarter Ended 30/9/07 | Actual Third Quarter Ended 30/9/06 | Actual Nine Months Ended 30/9/07 | Pro forma Nine Months Ended 30/9/06 |
|-------------------------------|--|--|--|---|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Depreciation and amortisation | 88 | 12 | 189 | 12 |

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

| | Actual Third Quarter Ended 30/9/07 | Actual Third Quarter Ended 30/9/06 | Actual Nine Months Ended 30/9/07 | Pro forma Nine Months Ended 30/9/06 |
|---|--|--|--|---|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Management fees payable in units | 1,252 | 982 | 3,343 | 2,881 |
| Trustee's fees | 31 | 24 | 81 | 70 |
| Amortisation of transaction costs | 148 | 69 | 369 | 190 |
| Non-tax deductible expenses | 75 | 100 | 162 | 134 |
| Certain expenses claimed on an incurred basis | (258) | (199) | (833) | (252) |
| Net tax adjustments | 1,248 | 976 | 3,122 | 3,023 |

(4) The distributable income to unitholders is based on 100% of the 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 | 30/9/07 \$'000 | 31/12/06 \$'000 |
|--|------|-------------------|--------------------|
| Non-current assets | | | |
| Investment properties | 1 | 815,000 | 677,000 |
| Total non-current assets | | 815,000 | 677,000 |
| Current assets | | | |
| Cash and cash equivalents | | 14,162 | 16,814 |
| Trade and other receivables | | 1,861 | 1,045 |
| Total current assets | | 16,023 | 17,859 |
| Total assets | | 831,023 | 694,859 |
| Current liabilities | | | |
| Trade and other payables | | 4,528 | 4,804 |
| Current portion of security deposits | | 1,211 | 2,280 |
| Total current liabilities | | 5,739 | 7,084 |
| Non-current liabilities | | | |
| Interest-bearing liabilities (secured) | 2 | 189,223 | 189,042 |
| Non-current portion of security deposits | | 8,717 | 6,336 |
| Total non-current liabilities | | 197,940 | 195,378 |
| Total liabilities | | 203,679 | 202,462 |
| Net assets | | 627,344 | 492,397 |
| Represented by: | | | |
| Unitholders' funds | 3 | 627,344 | 492,397 |
| Net asset value per unit (\$) | | 2.58 | 2.04 |
| Borrowings / total assets (%) | 4 | 22.9 | 27.4 |

Notes:

- (1) Please refer to the accounting policy for investment properties as stated in paragraph 5 on page 12.
- (2) Interest-bearing loans are stated net of amortised cost.
- (3) Please refer to statement of movements in unitholders' funds for details.
- (4) This is based on principal amount of borrowings as stated in paragraph 1(b)(ii) on page 7.

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

| | As at 30/9/07 \$'000 | As at 31/12/06 \$'000 |
|--|-------------------------------------|--------------------------------------|
| Secured borrowings | | |
| Amount repayable in one year or less, or on demand | - | - |
| Amount repayable after one year | 190,085 | 190,085 |

Details of borrowings and collaterals

K-REIT Asia has in place secured facilities comprising (i) a 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; and (ii) a short-term credit facility of \$26 million from a financial institution. As at 30 September 2007, the term loans are fully drawn down and bear interest at a blended rate of 3.9% per annum. There is no drawdown under the short-term credit facility as at 30 September 2007.

As security for the borrowings, K-REIT Asia has granted in favour of the lenders the following:

- (i) a mortgage over each of the properties;
- (ii) an assignment and charge of the rental proceeds and tenancy agreements of units in the properties;
- (iii) an assignment of the insurance policies relating to the properties;
- (iv) an assignment of the agreements relating to the management of the properties; and
- (v) a charge creating a fixed and floating charge over certain assets of K-REIT Asia relating to the properties.

1(c) Statement of cash flows

| | Third Quarter Ended 30/9/07 | Third Quarter Ended 30/9/06 | Nine Months Ended 30/9/07 | Nine Months Ended 30/9/06 <i>Note (1)</i> |
|---|--------------------------------------|--------------------------------------|------------------------------------|---|
| <i>Note</i> | \$'000 | \$'000 | \$'000 | \$'000 |
| Cash flow from operating activities | | | | |
| Net profit before tax | 142,127 | 3,145 | 149,734 | 5,199 |
| Adjustments for: | | | | |
| Interest income | (87) | (98) | (291) | (119) |
| Borrowing costs | 1,942 | 1,939 | 5,766 | 3,304 |
| Management fees payable in units | 1,252 | 982 | 3,343 | 1,683 |
| Net appreciation on revaluation of investment properties | (137,964) | - | (137,964) | - |
| Operating cashflows before reinvestment in working capital | 7,270 | 5,968 | 20,588 | 10,067 |
| (Increase)/ decrease in receivables | (607) | 519 | (822) | (824) |
| Increase/ (decrease) in payables | 330 | 1,674 | (525) | 3,335 |
| Security deposits | 256 | 270 | 1,312 | 8,223 |
| Net cash generated from operating activities | 7,249 | 8,431 | 20,553 | 20,801 |
| Cash flow from investing activities | | | | |
| Interest received | 93 | 92 | 297 | 108 |
| Purchase of investment properties | - | - | - | (190,570) |
| Improvements in investment properties | - | - | (36) | - |
| Net cash generated from/ (used in) investing activities | 93 | 92 | 261 | (190,462) |
| Cash flow from financing activities | | | | |
| Interest-bearing borrowings | - | - | - | 190,085 |
| Establishment and issue expenses | - | (625) | - | (1,294) |
| Upfront debt arrangement costs | - | (368) | - | (1,199) |
| Distribution to unitholders | (9,475) | (2,789) | (17,859) | (2,789) |
| Interest paid | (1,882) | (1,882) | (5,607) | (2,917) |
| Net cash (used in)/ generated from financing activities | (11,357) | (5,664) | (23,466) | 181,886 |
| Net (decrease)/ increase in cash and cash equivalents | (4,015) | 2,859 | (2,652) | 12,225 |
| Cash and cash equivalents at the beginning of period | 18,177 | 9,366 | 16,814 | - |
| Cash and cash equivalents at the end of period | 14,162 | 12,225 | 14,162 | 12,225 |

Notes:

(1) K-REIT Asia was established on 28 November 2005 and the acquisition of the properties was completed on 26 April 2006. Consequently, the comparative cash flow statements are for the period of 26 April 2006 to 30 September 2006 as K-REIT Asia has no income and expenses from 28 November 2005 to 25 April 2006.

(2) The distributable income of \$9.5 million for the period of 1 January 2007 to 30 June 2007 was paid on 24 August 2007.

1(d)(i) Statement of movements in unitholders' funds
Statement of movements in unitholders' funds for the nine months ended 30 September 2007

| | Note | Issued Equity \$'000 | Asset Revaluation Reserve \$'000 | Accumulated Profits \$'000 | Total \$'000 |
|--|------|----------------------------|---|----------------------------------|-----------------|
| Balance at 1 January 2007 | | 440,519 | 46,300 | 5,578 | 492,397 |
| Adoption of FRS 40 | | - | (46,300) | 46,300 | - |
| Restated balance at 1 January 2007 | | 440,519 | - | 51,878 | 492,397 |
| Operations | | | | | |
| Net profit for the period | | - | - | 7,607 | 7,607 |
| Net increase in net assets resulting from operations | | - | - | 7,607 | 7,607 |
| Unitholders' transactions | | | | | |
| Creation of units | | | | | |
| - payment of management fees in units | 1 | 2,010 | - | - | 2,010 |
| Distribution to unitholders | 2 | - | - | (8,384) | (8,384) |
| Net increase in net assets resulting from unitholders' transactions | | 2,010 | - | (8,384) | (7,403) |
| Balance at 30 June 2007 | | 442,529 | - | 51,101 | 493,630 |
| Operations | | | | | |
| Net profit for the period | | - | - | 142,127 | 142,127 |
| Net increase in net assets resulting from operations | | - | - | 142,127 | 142,127 |
| Unitholders' transactions | | | | | |
| Creation of units | | | | | |
| - payment of management fees in units | 3 | 1,062 | - | - | 1,062 |
| Distribution to unitholders | 4 | - | - | (9,475) | (9,475) |
| Net increase in net assets resulting from unitholders' transactions | | 1,062 | - | (9,475) | (8,413) |
| Balance at 30 September 2007 | | 443,591 | - | 183,753 | 627,344 |

Notes:

- (1) This represents 722,220 units issued as satisfaction of management fees payable in units.
- (2) This relates to the distributable income of \$8.4 million for the period of 1 July 2006 to 31 December 2006 which was paid on 28 February 2007.
- (3) This represents 366,267 units issued as satisfaction of management fees payable in units.
- (4) This relates to the distributable income of \$9.5 million for the period of 1 January 2007 to 30 June 2007 which was paid on 28 August 2007.

Statement of movements in unitholders' funds for the nine months ended 30 September 2006 ¹

| | Note | Issued Equity \$'000 | Asset Revaluation Reserve \$'000 | Accumulated Profits \$'000 | Total \$'000 |
|---|------|----------------------------|---|----------------------------------|-----------------|
| Balance at 28 November 2005 | | - | - | - | - |
| Operations | | | | | |
| Net profit for the period | | - | - | 2,054 | 2,054 |
| Net increase in net assets resulting from operations | | - | - | 2,054 | 2,054 |
| Unitholders' transactions | | | | | |
| Creation of units | | | | | |
| - partial satisfaction of purchase consideration for investment properties acquired | 2 | 440,130 | - | - | 440,130 |
| Establishment and issue expenses | 3 | (1,540) | - | - | (1,540) |
| Net increase in net assets resulting from unitholders' transactions | | 438,590 | - | - | 438,590 |
| Balance at 30 June 2006 | | 438,590 | - | 2,054 | 440,644 |
| Operations | | | | | |
| Net profit for the period | | - | - | 3,145 | 3,145 |
| Net increase in net assets resulting from operations | | - | - | 3,145 | 3,145 |
| Unitholders' transactions | | | | | |
| Creation of units | | | | | |
| - payment of management fees in units | 4 | 700 | - | - | 700 |
| Distribution to unitholders | 5 | - | - | (2,789) | (2,789) |
| Establishment and issue expenses | | 246 | - | - | 246 |
| Net increase in net assets resulting from unitholders' transactions | | 946 | - | (2,789) | (1,843) |
| Balance at 30 September 2006 | | 439,536 | - | 2,410 | 441,946 |

Notes:

- (1) K-REIT Asia was established on 28 November 2005 and the acquisition of the properties was completed on 26 April 2006. Consequently, the comparative statement of movements of unitholders' funds was for the period of 26 April 2006 to 30 September 2006 as K-REIT Asia has no income and expenses from 28 November 2005 to 25 April 2006.
- (2) This represents 240,508,000 units issued as partial satisfaction of the purchase consideration for the initial portfolio of properties.
- (3) Establishment and issue expenses comprise professional and other fees, listing and perusal fees and other miscellaneous incurred for the establishment of K-REIT Asia.
- (4) This represents 516,401 units issued as satisfaction of management fees payable in units.
- (5) This relates to the distributable income of \$2.8 million for the period of 28 November 2005 to 30 June 2006 which was paid on 28 August 2006.

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

| | Units |
|---------------------------------------|--------------------|
| Balance at 1 January 2007 | 241,610,366 |
| Issue of new units | |
| - payment of management fees in units | 722,220 |
| Balance at 30 June 2007 | 242,332,586 |
| Issue of new units | |
| - payment of management fees in units | 366,267 |
| Balance at 30 September 2007 | 242,698,853 |

2. AUDIT

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

3. AUDITORS' REPORT

Not applicable.

4. ACCOUNTING POLICIES

The accounting policies and methods of computation in the financial statements for the current financial period are consistent with those for the audited financial statements for the period ended 31 December 2006 except for that disclosed in paragraph 5 below.

5. CHANGES IN ACCOUNTING POLICIES

There are no significant changes in the accounting policies and methods of computation except for the adoption of FRS 40 – Investment Property with effect from 1 January 2007.

Under FRS 40, changes in fair values of investment properties are required to be included in the profit and loss account in the year in which they arise. Consistent with FRS 40, K-REIT Asia's policy is to revalue its properties annually at year-end. K-REIT Asia will also revalue its properties as and when deemed necessary and such changes in fair values will be reflected in the profit and loss account. On transition to FRS 40 on 1 January 2007, the amount accumulated in the asset revaluation reserve at 31 December 2006 of \$46,300,000 has been adjusted against the opening accumulated profits as at 1 January 2007.

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

| | Nine Months Ended 30/9/07 | Nine Months Ended 30/9/06 <i>Note (1)</i> |
|--|----------------------------------|--|
| Earnings per unit (based on the weighted average number of units for the period) | 61.82 cents | 2.16 cents |
| - Weighted average number of units for the period | 242,227,130 | 240,707,370 |
| Distribution per unit (based on the number of units as at the end of period) | 6.14 cents | 2.87 cents |
| - Number of units on issue at end of period | 242,698,853 | 241,024,401 |

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

Note:

(1) K-REIT Asia was established on 28 November 2005 and the acquisition of the properties was completed on 26 April 2006. Consequently, the comparative figures are for the period of 26 April 2006 to 30 September 2006.

7. NET ASSET VALUE (“NAV”)

| | Actual 30/9/07 | Actual 31/12/06 |
|--|-----------------------|------------------------|
| NAV per unit based on issued units at the end of the period (\$) | 2.58 | 2.04 |
| Adjusted NAV per unit based on issued units at the end of the period (excluding the distributable income) (\$) | 2.56 | 2.00 |

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

| Property | Actual Third Quarter Ended 30/9/07 | Actual Third Quarter Ended 30/9/06 | + / (-) % | Actual Nine Months Ended 30/9/07 | Pro forma Nine Months Ended 30/9/06 | + / (-) % |
|------------------------------|--|--|--------------|--|---|--------------|
| | \$'000 | \$'000 | | \$'000 | Note (1) \$'000 | |
| Prudential Tower Property | 1,652 | 1,583 | 4.4 | 4,938 | 4,246 | 16.3 |
| Keppel Towers and GE Tower | 5,314 | 4,163 | 27.6 | 14,290 | 11,472 | 24.6 |
| Bugis Junction Towers | 3,357 | 3,023 | 11.0 | 9,813 | 8,958 | 9.5 |
| Total property income | 10,323 | 8,769 | 17.7 | 29,041 | 24,676 | 17.7 |

8(ii) Net property income contribution of the properties

| Property | Actual Third Quarter Ended 30/9/07 | Actual Third Quarter Ended 30/9/06 | + / (-) % | Actual Nine Months Ended 30/9/07 | Pro forma Nine Months Ended 30/9/06 | + / (-) % |
|----------------------------------|--|--|--------------|--|---|--------------|
| | \$'000 | \$'000 | | \$'000 | Note (1) \$'000 | |
| Prudential Tower Property | 1,206 | 1,205 | - | 3,656 | 3,177 | 15.1 |
| Keppel Towers and GE Tower | 3,801 | 2,886 | 31.7 | 10,309 | 7,618 | 35.3 |
| Bugis Junction Towers | 2,486 | 2,171 | 14.5 | 7,273 | 6,616 | 9.9 |
| Total net property income | 7,493 | 6,262 | 19.7 | 21,238 | 17,411 | 22.0 |

Note:

- (1) K-REIT Asia was established on 28 November 2005 and the acquisition of the properties was completed on 26 April 2006. As K-REIT Asia has no income and expenses for period prior to 26 April 2006, the comparative figures have been compiled based on (i) the unaudited financial statements of Mansfield Realty Limited, Keppel Land (Tower D) Pte Ltd and BCH Office Investment Pte Ltd for the period of 1 January 2006 to 25 April 2006 after making certain assumptions and adjustments; and (ii) the actual results of K-REIT Asia from 26 April 2006 to 30 September 2006.

8. REVIEW OF PERFORMANCE**Review of performance for 3Q 2007 vs 3Q 2006**

Turnover for the quarter was \$10.3 million, 17.7% higher than \$8.8 million for the corresponding quarter in 2006. This was due mainly to higher rental income as a result of higher rental rates achieved for new and renewed leases. The portfolio attained 99.6% committed occupancy as at end-September 2007 on the back of continued strong underlying demand for office space. Average gross rental rates rose to \$4.43 psf in September 2007 as compared with \$3.71 psf for the same period in 2006. Car park income from Keppel Towers and GE Tower remained stable at \$0.2 million.

Property expenses amounted to \$2.8 million, 12.9% higher than 3Q 2006, due mainly to higher property tax of \$0.2 million on account of improvements in occupancies and higher annual values assessed, higher marketing expense of \$0.1 million; and higher property management fees of \$0.1 million due to the higher property income achieved. This is partly offset by lower repair and maintenance expense of \$0.1 million.

Net property income increased by 19.7% in 3Q 2007 to \$7.5 million on account of higher rental income. As a result of higher appraised value for the investment properties as well as higher net property income, the manager's management fees also increased by 27.5%. Trust expenses remained relatively stable at \$0.2 million as compared to the same quarter last year. Borrowing cost also remained relatively stable at \$1.9 million as compared with that for 3Q 2006.

Net profit for the quarter improved by 32.4% to \$4.2 million. As a result, taxable income available for distribution and distributable income to unitholders increased by 31.3% to \$5.4 million from 3Q 2006.

On 31 July 2007, K-REIT Asia's investment properties have been further revalued to \$815 million. The revaluation was carried out pursuant to a proposed equity fund raising exercise in connection with the acquisition of a one-third interest in One Raffles Quay as the investment properties of K-REIT Asia have been last appraised on 31 December 2006, which was more than six months ago. The revaluation resulted in a net gain of \$138.0 million which is a non-tax chargeable item and has no impact on the taxable income or distributable income to unitholders.

Review of the performance for nine months ended 30 September 2007 (actual) vs nine months ended 30 September 2006 (pro forma)¹

Turnover was \$29.0 million compared with \$24.7 million for the same period in 2006. The increase of 17.7% was due mainly to higher rental income of \$4.3 million as a result of higher occupancies and higher rental rates achieved for new and renewed leases. Average gross rental rates reached \$4.43 psf in September 2007 from \$3.71 psf for the same period in 2006. Contribution from car park at Keppel Towers and GE Tower was \$0.7 million, 6.9% higher than that achieved for the same period last year.

Property expenses were \$7.8 million, 7.4% higher than the amount for the same period in 2006, due mainly to higher property tax of \$0.7 million on account of improvement in occupancies and higher annual value assessed, higher utilities expense of \$0.1 million and higher property management fees of \$0.1 million as a result of higher property income achieved. This is partly offset by lower marketing expenses of \$0.4 million.

Net property income increased by 22.0% to \$21.2 million for the period as a result of higher rental income and increased car park income. Manager's management fees increased by \$0.5 million or 16.0% as a result of the higher appraised value of the investment properties as well as higher net property income achieved. Trust expenses were \$0.6 million, 26.8% lower than those for the same period in 2006 as the higher comparative figures in 2006 were derived through extrapolation of the actual fixed costs incurred. Borrowing cost remained relatively stable at \$5.8 million as compared with that for the same period in 2006.

Net profit was \$11.8 million, reflecting an improvement of 46.6% over the same period last year. Taxable income available for distribution and distributable income to unitholders increased by 34.8% to \$14.9 million.

Note:

- (1) K-REIT Asia was established on 28 November 2005 and the acquisition of the properties was completed on 26 April 2006. As K-REIT Asia has no income and expenses for the period of 1 January 2006 to 25 April 2006, the comparative figures have been compiled based on (i) the unaudited financial statements of Mansfield Realty Limited, Keppel Land (Tower D) Pte Ltd and BCH Office Investment Pte Ltd for the period of 1 January 2006 to 25 April 2006 after making certain assumptions and adjustments; and (ii) the actual results of K-REIT Asia from 26 April 2006 to 30 September 2006.

9. VARIANCE FROM PROSPECTS STATEMENT

No prospects statement for 3Q 2007 was previously provided.

10. PROSPECTS

The Singapore economy continues to grow healthily despite uncertainties from the recent sub-prime mortgage crisis in the US. The Singapore government has raised its 2007 GDP growth forecast to 7 – 8% from 5 – 7% previously, indicating the underlying strength of the economy, fuelled particularly by the construction, manufacturing and financial services sectors.

Bolstered by the good economic outlook, demand for prime office space in the central business district (CBD) will be sustained in the next few years. This will support current prime office rents and capital values. Meanwhile, several measures have been implemented such as increased government land sales and a temporary restriction by the Urban Redevelopment Authority to convert the use of commercial buildings in the central area. Collectively, these measures would help to alleviate the office shortage situation and moderate future rental increases.

Being an office-focused commercial REIT with a portfolio of quality office buildings strategically located in the CBD, K-REIT Asia is well-positioned to benefit from the continuing favourable rental environment. About 70% of the portfolio's net lettable area is due for renewal between 2008 and 2010 with potential for higher rental growth.

Consistent with its growth strategy, K-REIT Asia's portfolio will be significantly enlarged with the proposed acquisition of a one-third stake in One Raffles Quay (ORQ) from Keppel Land. K-REIT Asia's total attributable net lettable area will increase by 57% to 1.23 million sf and its asset size will more than double to \$1.76 billion after this strategic maiden acquisition. The acquisition of the ORQ stake will bring K-REIT Asia closer to its target portfolio size of \$2 billion.

K-REIT Asia will continue to actively seek good acquisitions of prime commercial properties in Singapore and the region to value-add to its portfolio. It will also explore possible asset enhancement initiatives to achieve better returns from its properties.

11. 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.

12. DIVIDEND STATEMENT

No distribution has been declared/ recommended.

**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
10 October 2007

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 2007 third quarter's financial results of K-REIT Asia to be false or misleading.

On Behalf of the Board of Directors

TSUI KAI CHONG
Chairman



TAN SWEE YIOW
Director

Singapore, 10 October 2007