

**K-REIT ASIA
FULL YEAR 2007 FINANCIAL STATEMENT ANNOUNCEMENT****UNAUDITED RESULTS FOR YEAR ENDED 31 DECEMBER 2007****TABLE OF CONTENTS**

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**SUMMARY OF K-REIT ASIA RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2007**

ACTUAL VS PRO FORMA

	Actual	Actual	Pro forma	+ / (-)
	4Q 2007	FY 2007	FY 2006 ¹	
	\$'000	\$'000	\$'000	%
Property Income	11,028	40,069	33,778	18.6
Net Property Income	7,024	28,262	23,625	19.6
Net Profit	919	12,689	11,196	13.3
Income Available for Distribution to Unitholders	6,920	21,812	15,307	42.5
Distributable Income to Unitholders ²	6,920	21,812	15,307	42.5
Distribution Per Unit (cents) For the Period Annualised	2.80 11.11	8.82 8.82	n.a. ³ n.a. ³	n.a. n.a.
Distribution Yield ⁴	5.2%	4.1%	n.a. ⁵	n.a.

Notes:

- (1) K-REIT Asia was established on 28 November 2005 and the acquisition of the initial 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 31 December 2006.
- (2) The distributable income to unitholders is based on 100% of the income available for distribution to unitholders.
- (3) K-REIT Asia's actual DPU for the period of 26 April 2006 to 31 December 2006 was 4.63 cents per unit, equivalent to an annualised 6.76 cents per unit.
- (4) Based on the market closing price per unit of \$2.13 as at the last trading day, 31 December 2007.
- (5) Based on the annualised DPU for the period of 26 April 2006 to 31 December 2006 of 6.76 cents per unit, the distribution yield was 3.2%.

Refer to Paragraphs 1 and 8 for details.

DISTRIBUTION & BOOK CLOSURE DATE

Name of Distribution	1 July 2007 to 31 December 2007
Distribution Type	(a) Taxable income (b) Tax-exempt income
Distribution Rate	(a) Taxable income distribution – 4.69 cents per unit (b) Tax-exempt income distribution – 0.30 cent per unit
Books Closure Date	31 January 2008
Date Payable	29 February 2008

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.

On 26 April 2006, K-REIT Asia acquired four 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 and retained the remaining 40% stake. 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 its Unitholders by owning and investing in a portfolio of quality income-producing commercial real estate and real estate-related assets. The initial properties comprise Prudential Tower Property (approximately 44% of the strata area of the building), Keppel Towers and 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. This yield-accretive acquisition coupled with the portfolio's revaluation gains of \$433.0 million has enlarged K-REIT Asia's portfolio size to \$2.1 billion as at 31 December 2007.

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.

K-REIT Asia was established on 28 November 2005 and the acquisition of the initial 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 31 December 2006.

1 UNAUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 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 year ended 31 December 2007:

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

	Note	Actual Fourth Quarter Ended 31/12/07 \$'000	Actual Fourth Quarter Ended 31/12/06 \$'000	+ / (-) %	Actual Year Ended 31/12/07 \$'000	Pro forma Year Ended 31/12/06 ¹ \$'000	+ / (-) %
Gross rent		10,779	8,859	21.7	39,093	32,849	19.0
Car park income		238	230	3.5	924	872	6.0
Other income		11	13	(15.4)	52	57	(8.8)
Property income		11,028	9,102	21.2	40,069	33,778	18.6
Property tax		(918)	(668)	37.4	(3,140)	(2,247)	39.7
Other property expenses	2	(2,308)	(1,511)	52.7	(5,714)	(5,152)	10.9
Property management fee		(331)	(273)	21.2	(1,202)	(1,014)	18.5
Maintenance and sinking fund contributions		(447)	(436)	2.5	(1,751)	(1,740)	0.6
Property expenses		(4,004)	(2,888)	38.6	(11,807)	(10,153)	16.3
Net property income		7,024	6,214	13.0	28,262	23,625	19.6
Income support	3	1,080	-	Nm	1,080	-	Nm
Amortisation expense	4	(1,341)	-	Nm	(1,341)	-	Nm
Interest income		771	117	559.0	1,062	236	350.0
Share of results of associated company		490	-	Nm	490	-	Nm
Borrowing costs		(3,816)	(1,942)	96.5	(9,582)	(7,675)	24.8
Manager's management fees		(1,959)	(982)	99.5	(5,302)	(3,863)	37.3
Trust expenses		(1,330)	(239)	456.5	(1,980)	(1,127)	75.7
Net profit		919	3,168	(71.0)	12,689	11,196	13.3
Net appreciation on revaluation of investment properties	5	295,000	-	Nm	432,964	-	Nm
Net profit before tax		295,919	3,168	Nm	445,653	11,196	Nm
Income tax	6	(163)	-	Nm	(163)	-	Nm
Net profit after tax		295,756	3,168	Nm	445,490	11,196	Nm
Net appreciation on revaluation of investment properties credited to Asset Revaluation Reserve		-	46,300	(100.0)	-	46,300	(100.0)
Total return		295,756	49,468	497.9	445,490	57,496	674.8

	Note	Actual Fourth Quarter Ended 31/12/07 \$'000	Actual Fourth Quarter Ended 31/12/06 \$'000	+/(-) %	Actual Year Ended 31/12/07 \$'000	Pro forma Year Ended 31/12/06 ¹ \$'000	+/(-) %
<u>Distribution Statement</u>							
Net profit		919	3,168	(71.0)	12,689	11,196	13.3
Net tax adjustments	7	6,164	1,088	466.5	9,286	4,111	125.9
Income tax		(163)	-	Nm	(163)	-	Nm
Income available for distribution to unitholders		6,920	4,256	62.6	21,812	15,307	42.5
Distributable income to unitholders	8	6,920	4,256	62.6	21,812	15,307	42.5
Distribution Per Unit (cents)							
For the Period		2.80	1.76		8.82	n.a.⁹	
Annualised		11.11	6.98		8.82	n.a.⁹	

Notes:

Nm – Not meaningful

(1) K-REIT Asia was established on 28 November 2005 and the acquisition of the initial 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 31 December 2006.

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

	Actual Fourth Quarter Ended 31/12/07 \$'000	Actual Fourth Quarter Ended 31/12/06 \$'000	Actual Year Ended 31/12/07 \$'000	Pro forma Year Ended 31/12/06 \$'000
Depreciation and amortisation	(189)	23	-	35

(3) Being income support top-up payments received by K-REIT Asia from Boulevard Development Pte Ltd for the quarterly shortfall in accordance with the terms set out in the Deed of Income Support. As the acquisition of one-third interest in One Raffles Quay ("ORQ") was only completed on 10 December 2007, the income support top-up amount was for the period of 10 December 2007 to 31 December 2007.

(4) Please refer to paragraph 1(b)(i) note (3).

- (5) Please refer to paragraph 5 for further details on change in accounting policies.
- (6) Income tax comprises tax of 18% on the income support receivable by K-REIT Asia.
- (7) Included in the net tax adjustments are the following:

	Actual Fourth Quarter Ended 31/12/07 \$'000	Actual Fourth Quarter Ended 31/12/06 \$'000	Actual Year Ended 31/12/07 \$'000	Pro forma Year Ended 31/12/06 \$'000
Management fees payable in units	1,959	982	5,302	3,863
Trustee's fees	51	24	132	94
Amortisation expenses	1,213	82	1,582	272
Non-tax deductible expenses	1,299	81	1,461	215
Certain expenses claimed on an incurred basis	833	(81)	-	(333)
Share of results of associated company	(490)	-	(490)	-
Dividend income received	1,000	-	1,000	-
Other tax adjustments	299	-	299	-
Net tax adjustments	6,164	1,088	9,286	4,111

- (8) The distributable income to unitholders is based on 100% of the income available for distribution to unitholders.
- (9) K-REIT Asia's actual DPU for the period of 26 April 2006 to 31 December 2006 was 4.63 cents per unit, equivalent to an annualised 6.76 cents per unit.

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

	Note	31/12/07 \$'000	31/12/06 \$'000
Non-current assets			
Investment properties	1	1,110,000	677,000
Investment in associated company	2	865,481	-
Intangible asset	3	86,282	-
Total non-current assets		2,061,763	677,000
Current assets			
Cash and cash equivalents		22,927	16,814
Trade and other receivables		3,394	1,045
Total current assets		26,321	17,859
Total assets		2,088,084	694,859
Current liabilities			
Trade and other payables		12,478	4,804
Current portion of security deposits		1,237	2,280
Short-term borrowings (unsecured)		942,000	-
Provision for income tax		163	-
Total current liabilities		955,878	7,084
Non-current liabilities			
Long-term borrowings (secured)	4	189,283	189,042
Non-current portion of security deposits		9,156	6,336
Total non-current liabilities		198,439	195,378
Total liabilities		1,154,317	202,462
Net assets		933,767	492,397
Represented by:			
Unitholders' funds	5	933,767	492,397
Net asset value per unit (\$)		3.78	2.04
Borrowings / value of deposited properties (%)	6	53.9	27.4

Notes:

- (1) Investment properties were stated at valuation performed by an independent professional valuer as at 10 December 2007.
- (2) This relates to the one-third shareholding in associated company, ORQPL acquired on 10 December 2007. The investment in associated company is stated at cost, share of associate's results less dividend received during the period, and advances to associated company.
- (3) 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 has undertaken to make income support top-up payments for the quarterly shortfall (one-third of the difference between ORQPL's net property income and the guaranteed income amount for each quarter) in accordance with the terms set out. The intangible asset will be amortised over the period commencing from 10 December 2007 and ending on 31 December 2011.

- (4) Long-term borrowings are stated net of amortised cost.
- (5) Please refer to statement of movements in unitholders' funds for details.
- (6) This is based on principal amount of borrowings as stated in paragraph 1(b)(ii) and valuation of the deposited properties (held directly and indirectly by K-REIT Asia) performed by an independent valuer of \$2.1 billion as at 10 December 2007.

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

	As at 31/12/07 \$'000	As at 31/12/06 \$'000
Secured borrowing		
Amount repayable in one year or less, or on demand	-	-
Amount repayable after one year	190,085	190,085
Unsecured borrowing		
Amount repayable in one year or less, or on demand	942,000	-
Amount repayable after one year	-	-
Total borrowings	1,132,085	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 31 December 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 31 December 2007.

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

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

On 10 December 2007, K-REIT Asia put in place a revolving loan facility of up to \$960.0 million from Kephinance Investment Pte Ltd for an initial period of nine months commencing from the drawdown date, and thereafter renewable on terms, including new maturity date, to be agreed between the parties. As at 31 December 2007, a sum of \$942.0 million has been drawn down.

K-REIT Asia obtained a first-time corporate rating of "Baa3" with a 'Stable' rating outlook by Moody's Investor Services on 10 December 2007. With the credit rating established, K-REIT Asia is allowed to borrow up to a maximum of 60.0% of the value of its deposited property under the Property Funds Guidelines.

1(c) Statement of cash flows

	Note	Fourth Quarter Ended 31/12/07 \$'000	Fourth Quarter Ended 31/12/06 \$'000	Year Ended 31/12/07 \$'000	28/11/05 to 31/12/06 ¹ \$'000
Cash flow from operating activities					
Net profit before tax		295,919	3,168	445,653	8,367
Adjustments for:					
Interest income		(771)	(117)	(1,062)	(236)
Amortisation expense		1,341	-	1,341	-
Share of results of associated company		(490)	-	(490)	-
Borrowing costs		3,816	1,942	9,582	5,246
Management fees payable in units		1,959	982	5,302	2,665
Net appreciation on revaluation of investment properties		(295,000)	-	(432,964)	-
Operating cashflows before reinvestment in working capital		6,774	5,975	27,362	16,042
Decrease/ (increase) in receivables		167	(205)	(655)	(1,029)
Increase in payables		1,331	180	806	3,515
Security deposits		465	393	1,777	8,616
Net cash generated from operating activities		8,737	6,343	29,290	27,144
Cash flow from investing activities					
Interest received		71	112	368	220
Purchase of investment properties		-	-	-	(190,570)
Improvements in investment properties		-	-	(36)	-
Increase in intangible asset		(87,623)	-	(87,623)	-
Investment in associated company		(852,560)	-	(852,560)	-
Net cash (used in)/ generated from investing activities		(940,112)	112	(939,851)	(190,350)
Cash flow from financing activities					
Interest-bearing borrowings		942,000	-	942,000	190,085
Establishment and issue expenses		-	-	-	(1,294)
Upfront debt arrangement costs		-	(4)	-	(1,203)
Distribution to unitholders	2	-	-	(17,859)	(2,789)
Interest paid		(1,860)	(1,862)	(7,467)	(4,779)
Net cash generated from/ (used in) financing activities		940,140	(1,866)	916,674	180,020
Net increase in cash and cash equivalents		8,765	4,589	6,113	16,814
Cash and cash equivalents at the beginning of period		14,162	12,225	16,814	-
Cash and cash equivalents at the end of period		22,927	16,814	22,927	16,814

Notes:

- (1) K-REIT Asia was established on 28 November 2005 and the acquisition of the initial properties was completed on 26 April 2006. Consequently, the comparative cash flow statements are for the period of 26 April 2006 to 31 December 2006 as K-REIT Asia has no income and expenses from 28 November 2005 to 25 April 2006.
- (2) This relates to the distributable income of \$8.4 million for the period of 1 July 2006 to 31 December 2006 and \$9.5 million for the period of 1 January 2007 to 30 June 2007 which were paid on 28 February 2007 and 28 August 2007 respectively.

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

Statement of movements in unitholders' funds for the year ended 31 December 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 year		-	-	445,490	445,490
Net increase in net assets resulting from operations		-	-	445,490	445,490
Unitholders' transactions					
Creation of units					
- payment of management fees in units	1	4,324	-	-	4,324
- payment of acquisition fees in units	2	9,415	-	-	9,415
Distribution to unitholders	3	-	-	(17,859)	(17,859)
Net increase in net assets resulting from unitholders' transactions		13,739	-	(17,859)	(4,120)
Balance at 31 December 2007		454,258	-	479,509	933,767

Notes:

- (1) This represents 1,580,711 units issued as satisfaction of management fees payable in units.
- (2) This represents 3,992,451 units issued as satisfaction of acquisition fees payable in units.
- (3) This relates to the distributable income of \$8.4 million for the period of 1 July 2006 to 31 December 2006 and \$9.5 million for the period of 1 January 2007 to 30 June 2007 which were paid on 28 February 2007 and 28 August 2007 respectively.

Statement of movements in unitholders' funds for the period from 28 November 2005 to 31 December 2006¹

	Note	Issued Equity \$'000	Asset Revaluation Reserve \$'000	Accumulated Profits \$'000	Total \$'000
Balance at 28 November 2005		-	-	-	-
Operations					
Net profit for the period		-	-	8,367	8,367
Net appreciation on revaluation of investment properties		-	46,300	-	46,300
Net increase in net assets resulting from operations		-	46,300	8,367	54,667
Unitholders' transactions					
Creation of units					
- partial satisfaction of purchase consideration for investment properties acquired	2	440,130	-	-	440,130
- payment of management fees in units	3	1,683	-	-	1,683
Distribution to unitholders	4	-	-	(2,789)	(2,789)
Establishment and issue expenses	5	(1,294)	-	-	(1,294)
Net increase in net assets resulting from unitholders' transactions		440,519	-	(2,789)	437,730
Balance at 31 December 2006		440,519	46,300	5,578	492,397

Notes:

- (1) K-REIT Asia was established on 28 November 2005 and the acquisition of the initial 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 31 December 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) This represents 1,102,366 units issued as satisfaction of management fees payable in units.
- (4) 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.
- (5) Establishment and issue expenses comprise professional and other fees, listing and perusal fees and other miscellaneous incurred for the establishment of K-REIT Asia.

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	1,088,487
Balance at 30 September 2007	242,698,853
Issue of new units	
- payment of management fees in units	492,224
- payment of acquisition fees in units	3,992,451
Balance at 31 December 2007	247,183,528

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”)

	Fourth Quarter Ended 31/12/07	Fourth Quarter Ended 31/12/06	Year Ended 31/12/07	28/11/05 to 31/12/06 ¹
Earnings per unit (based on the weighted average number of units as at the end of period/ year)	121.4 cents	1.31 cents	183.7 cents	3.47 cents
- Weighted average number of units as at the end of period/ year	243,680,324	241,425,660	242,593,414	240,971,701
Distribution per unit (based on the number of units as at the end of period/ year)	2.80 cents	1.76 cents	8.82 cents	4.63 cents
- Number of units on issue at end of period/ year	247,183,528	241,610,366	247,183,528	241,610,366

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 initial properties was completed on 26 April 2006. Consequently, the comparative figures were for the period of 26 April 2006 to 31 December 2006.

7. NET ASSET VALUE (“NAV”)

	Actual 31/12/07	Actual 31/12/06
NAV per unit based on issued units at the end of the period (\$)	3.78	2.04
Adjusted NAV per unit based on issued units at the end of the period (excluding the distributable income) (\$)	3.73	2.00

8. REVIEW OF PERFORMANCE

8(i) Property income contribution of the properties

Property	Actual Fourth Quarter Ended 31/12/07 \$'000	Actual Fourth Quarter Ended 31/12/06 \$'000	+ / (-) %	Actual Year Ended 31/12/07 \$'000	Pro forma Year Ended 31/12/06 ¹ \$'000	+ / (-) %
Prudential Tower Property	1,942	1,609	20.7	6,880	5,855	17.5
Keppel Towers and GE Tower	5,718	4,379	30.6	20,008	15,851	26.2
Bugis Junction Towers	3,368	3,114	8.2	13,181	12,072	9.2
Total property income	11,028	9,102	21.2	40,069	33,778	18.6

8(ii) Income contribution of the assets

Property	Actual Fourth Quarter Ended 31/12/07 \$'000	Actual Fourth Quarter Ended 31/12/06 \$'000	+ / (-) %	Actual Year Ended 31/12/07 \$'000	Pro forma Year Ended 31/12/06 ¹ \$'000	+ / (-) %
Prudential Tower Property	1,381	1,218	13.4	5,037	4,395	14.6
Keppel Towers and GE Tower	3,432	2,980	15.2	13,741	10,598	29.7
Bugis Junction Towers	2,211	2,016	9.7	9,484	8,632	9.9
Total net property income	7,024	6,214	13.0	28,262	23,625	19.6
One-third interest in One Raffles Quay:						
- Income support	1,080	-	Nm	1,080	-	Nm
- Interest income	690	-	Nm	690	-	Nm
- Dividend income	1,000	-	Nm	1,000	-	Nm
Total income from one-third interest in One Raffles Quay²	2,770	-	Nm	2,770	-	Nm
Total income contribution	9,794	6,214	57.6	31,032	23,625	31.4

Notes:

Nm – Not meaningful

(1) K-REIT Asia was established on 28 November 2005 and the acquisition of the initial 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 31 December 2006.

(2) The income received from one-third interest in ORQ relates to the period from 11 December 2007 to 31 December 2007 since the acquisition of the one-third shareholding in ORQPL was completed on 10 December 2007.

8. REVIEW OF PERFORMANCE**Review of performance for 4Q 2007 vs 4Q 2006**

Turnover for the quarter was \$11.0 million, 21.2% higher than \$9.1 million for the corresponding quarter in 2006. This increase is due mainly to higher rental income as a result of higher rental rates achieved for new and renewed leases. The portfolio also managed to maintain a high committed occupancy of 99.9% as at end-December 2007. Average gross rental rates for the investment properties held directly by K-REIT Asia rose to \$4.65 psf in December 2007 as compared with \$3.80 psf for the same period in 2006. Car park income from Keppel Towers and GE Tower remained relatively stable at \$0.2 million.

Property expenses amounted to \$4.0 million, 38.6% higher than 4Q 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 \$1.0 million; and higher property management fees of \$0.1 million due to the higher property income achieved. This was partly offset by lower repair and maintenance expense of \$0.1 million and lower utilities expenses of \$0.1 million.

Net property income increased by 13.0% in 4Q 2007 to \$7.0 million on account of higher rental income. Manager's management fees increased by 99.5% due mainly to the acquisition of one-third interest in ORQ, a higher appraised value for the investment properties and higher net property income. Trust expenses also increased to \$1.3 million as compared to the same quarter last year due mainly to fund raising expenses incurred. On the account of additional loan drawn down to finance the acquisition of one-third interest in ORQ on 10 December 2007, borrowing costs increased by 96.5% to \$3.8 million as compared with that for 4Q 2006. These were partly offset by higher interest income of \$0.6 million from ORQPL and share of results of ORQPL of \$0.5 million.

Net profit for the quarter was \$0.9 million, 71.0% lower than that for 4Q 2006. Distributable income to unitholders increased by 62.6% to \$6.9 million from 4Q 2006.

Review of the performance for year ended 31 December 2007 (actual) vs 31 December 2006 (pro forma)¹

Turnover was \$40.1 million compared with \$33.8 million last year. The increase of 18.6% was due mainly to higher rental income of \$6.2 million as a result of higher rental rates achieved for new and renewed leases and higher occupancies. Average gross rental rates for the investment properties held directly by K-REIT Asia reached \$4.65 psf in December 2007 from \$3.80 psf for the same period in 2006. Contribution from car park at Keppel Towers and GE Tower was \$0.9 million, 6.0% higher than that achieved for FY 2006.

Property expenses were \$11.8 million, 16.3% higher than that last year, due mainly to higher property tax of \$0.9 million on account of higher annual value assessed, higher marketing expense of \$0.8 million and higher property management fees of \$0.2 million as a result of higher property income achieved. This was partly offset by lower repair and maintenance expenses of \$0.1 million and lower property management reimbursement of \$0.1 million.

Net property income rose 19.6% to \$28.3 million as a result of higher rental income. Manager's management fees increased by \$1.4 million or 37.3% as a result of the acquisition of one-third interest in ORQ, a higher appraised value of the investment properties and higher net property income achieved. Trust expenses were \$2.0 million, 75.7% higher than that for FY 2006 due mainly to fund raising expenses incurred. On the account of additional loan drawn down to finance the acquisition of one-third interest in ORQ on 10 December 2007, borrowing costs increased by 24.8% to \$9.6 million as compared with that for FY 2006. These were partly offset by higher interest income of \$0.8 million due mainly to the investment in ORQPL and share of results of ORQPL of \$0.5 million.

Net profit was \$12.7 million, reflecting a 13.3% over last year. Distributable income to unitholders increased by 42.5% to \$21.8 million.

Note:

- (1) *K-REIT Asia was established on 28 November 2005 and the acquisition of the initial 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 31 December 2006.*

9. VARIANCE FROM PROSPECTS STATEMENT

The income available for distribution to unitholders rose 42.5% to \$21.8 million. The DPU for FY 2007 is 8.82 cents as compared to the annualised DPU of 6.76 cents achieved last year, reflecting an improvement of 30.5%. This improvement is in line with the prospects for 2007 made by the Manager in K-REIT Asia's announcement of results for the period from 28 November 2005 to 31 December 2006.

10. PROSPECTS

Advance estimates shows that the Singapore economy expanded 6.0% in 4Q2007 bringing the overall GDP growth to 7.5% for 2007. For 2008, the Ministry of Trade and Industry expects the economy to reach a more sustainable level of growth of 4.5 – 6.5% after four years of strong growth.

According to the Urban Redevelopment Authority, new office take-up for the first three quarters of 2007 reached 1.94 million sf. Take-up for the full year is estimated at about 2.4 million sf, with 4Q2007 occupancy rates for core CBD office space at 97.6%, up from 4Q2006's 96.4% while average prime office rentals have surged 92.1% year-on-year to \$15.00 psf per month as at end-2007 (source: CB Richard Ellis).

Notwithstanding the current financial market volatility, K-REIT Asia will be able to sustain its income growth given its fully committed portfolio occupancy and potential rental reversions from its relatively low average rentals. As 44.5% and 21.9% of its portfolio's net lettable area will be due for lease expiry and rent renewal respectively between 2008 and 2010, K-REIT Asia is positioned for growth.

K-REIT Asia's property portfolio size has now exceeded its \$2 billion target. Going forward, it will continue to seek acquisitions of prime commercial properties in Singapore and other Asian growth cities. K-REIT Asia is also actively looking at asset enhancement to drive growth within its existing portfolio.

Proposed Rights Issue

The Manager plans to raise gross proceeds of up to \$700 million by way of a fully renounceable rights issue. The Manager will submit an additional listing application together with a draft Unitholders' Circular to the Singapore Exchange Securities Trading Limited.

An extraordinary general meeting will be convened to seek Unitholders' approval for the rights issue. The proposed exercise will offer K-REIT Asia's Unitholders the right to subscribe for new units at a discount of up to 20% to the then-prevailing trading price.

The net proceeds will be used to repay part of the bridging loan of \$942 million which was drawn down for the acquisition of a one-third interest in One Raffles Quay Pte Ltd. This is expected to reduce K-REIT Asia's gearing from 53.9% as at 31 December 2007 and provide it with additional debt capacity to acquire further property acquisitions.

Outlook for 2008

Barring unforeseen circumstances, the manager of K-REIT Asia expects that income available for distribution will continue to grow in 2008.

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 mitigate them efficiently. Some of the key risks that the Manager has identified are as follows:

Interest Rate Risk

Interest rate exposures are generally managed through appropriate term facilities and fixed-rate positions. The Manager also monitors the interest rate environment to potentially refinance 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/expenses so as to better gauge cash position at any point of time.

Credit Risk

Credit risk assessments of tenants are carried out by way of credit agencies and corporate searches prior to signing of lease agreements. Tenants are required to pay a security deposit as a multiple of monthly rent 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 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**

Name of Distribution	Distribution for 1 July 2007 to 31 December 2007
Distribution type	(a) Taxable income (b) Tax-exempt income
Distribution rate	(a) Taxable income distribution – 4.69 cents per unit (b) Tax-exempt income distribution – 0.30 cent per unit
Par value of units	Not meaningful
Tax rate	<p><u>Taxable income distribution</u> Individuals who receive such distribution as investment income will be exempted from tax.</p> <p>Qualifying unitholders will receive pre-tax distributions and pay tax on the distributions at their own marginal rates subsequently.</p> <p>Investors using CPF funds and SRS funds will also receive pre-tax distributions. These distributions are tax exempt.</p> <p>Subject to meeting certain conditions, foreign non-individual unitholders will receive their distributions after deduction of tax at the rate of 10%.</p> <p>All other investors will receive their distributions after deduction of tax at the rate of 18%.</p> <p><u>Tax-exempt income distribution</u> Tax-exempt income distribution is exempt from tax in the hands of all Unitholders. Tax-exempt income relates to net taxed income and one-tier dividend income received by K-REIT Asia.</p>

(b) Corresponding period of the immediately preceding financial year

Name of Distribution	Distribution for 1 July 2006 to 31 December 2006
Distribution type	Taxable income
Distribution rate	Taxable income distribution – 3.47 cents per unit
Par value of units	Not meaningful
Tax rate	<p><u>Taxable income distribution</u> Individuals who receive such distribution as investment income will be exempted from tax.</p> <p>Qualifying unitholders will receive pre-tax distributions and pay tax on the distributions at their own marginal rates subsequently.</p> <p>Investors using CPF funds and SRS funds will also receive pre-tax distributions. These distributions are tax exempt.</p> <p>Subject to meeting certain conditions, foreign non-individual unitholders will receive their distributions after deduction of tax at the rate of 10%.</p> <p>All other investors will receive their distributions after deduction of tax at the rate of 20%.</p>

(c) DATE PAYABLE

29 February 2008

(d) BOOKS CLOSURE DATE

31 January 2008

13. DIVIDEND STATEMENT

Other than as disclosed in paragraph 12 (a), no distribution has been declared / recommended.

14. SEGMENTAL INFORMATION

Property	Actual Year Ended 31/12/07 \$'000	Pro forma Year Ended 31/12/06 ¹ \$'000	+ / (-) %
Prudential Tower Property	5,037	4,395	14.6
Keppel Towers and GE Tower	13,741	10,598	29.7
Bugis Junction Towers	9,484	8,632	9.9
Total net property income	28,262	23,625	19.6
One-third interest in One Raffles Quay:			
- Income support	1,080	-	Nm
- Interest income	690	-	Nm
- Dividend income	1,000	-	Nm
Total income from one-third interest in One Raffles Quay²	2,770	-	Nm
Total income contribution	31,032	23,625	31.4

Notes:

Nm – Not meaningful

(1) K-REIT Asia was established on 28 November 2005 and the acquisition of the initial 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 31 December 2006.

(2) The income received from one-third interest in ORQ relates to the period from 11 December 2007 to 31 December 2007 since the acquisition of the one-third shareholding in ORQPL was completed on 10 December 2007.

15. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments

Please refer to paragraph 8 on the review of performance.

16. BREAKDOWN OF SALES

	Actual Year Ended 31/12/07 \$'000	Pro forma Year Ended 31/12/06¹ \$'000	+ / (-) %
(a) Property Income reported for first half year	18,718	15,907	17.7
(b) Net profit after tax for first half year	7,607	4,883	55.8
(c) Property Income reported for second half year	21,351	17,871	19.5
(d) Net profit after tax for second half year	437,883 ²	6,313	Nm

Notes:

Nm – Not meaningful

(1) K-REIT Asia was established on 28 November 2005 and the acquisition of the initial 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 31 December 2006.

(2) The net profit after tax for second half year includes revaluation gain of the initial properties amounting to approximately \$433.0 million. This revaluation gain is a non-tax chargeable item and has no impact on the distributable income to unitholders.

17. INTERESTED PERSON TRANSACTIONS

Aggregate value of all interested person transactions during the financial year under review (excluding transactions of less than \$100,000)

Name of interested person	Year Ended 31/12/07 \$'000	28/11/05 to 31/12/06¹ \$'000
Keppel Corporation and its subsidiaries or associates		
- Manager's management fees	5,302	2,665
- Acquisition fee	9,415	-
- Property management fees and reimbursables	2,171	1,427
- Leasing commissions	925	333
- Rental and service charge income ²	1,518	12,598
- Acquisition of the initial properties	-	630,700
- Acquisition of one-third interest in ORQ	938,753	-
- Interest on bridging loan	23,315 ³	401
RBC Dexia Trust Services Singapore Limited		
- Trustee's fee	132	65

Notes:

(1) K-REIT Asia was established on 28 November 2005 and the acquisition of the initial properties was completed on 26 April 2006. Hence, the interested person transactions relates only to the period from 26 April 2006 to 31 December 2006.

(2) The aggregate value of interested person transactions refers to the total contract sum entered into during the respective financial year/ period.

(3) The aggregate value of interested person transactions refers to the estimated total interest payable up to maturity date for the loan drawn down during the financial year.

18. BREAKDOWN OF TOTAL ANNUAL DISTRIBUTION

	Year Ended 31/12/07 \$'000	28/11/05 to 31/12/06 \$'000
26 April 2006 to 30 June 2006 (paid)	-	2,789
1 July 2006 to 31 December 2006 (paid)	-	8,384
1 January 2007 to 30 June 2007 (paid)	9,475	-
1 July 2007 to 31 December 2007 (to be paid) ¹	12,337	-
	<hr/>	<hr/>
Total annual distribution	21,812	11,173

Note:

(1) Refer to paragraph 12 (a) on page 19.

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
23 January 2008

K-REIT ASIA'S SEGMENTAL RESULTS – QUARTERLY BREAKDOWN

Income contribution by asset (\$'000)

	1Q 06	2Q 06	1H 06	3Q 06	4Q 06	FY 06 ¹	1Q 07	2Q 07	1H 07	3Q 07	4Q 07	FY 07
Property												
Prudential Tower Property	993	979	1,972	1,205	1,218	4,395	1,283	1,167	2,450	1,206	1,381	5,037
Keppel Towers and GE Tower	2,340	2,392	4,732	2,886	2,980	10,598	2,863	3,645	6,508	3,801	3,432	13,741
Bugis Junction Towers	2,233	2,212	4,445	2,171	2,016	8,632	2,316	2,471	4,787	2,486	2,211	9,484
Total net property income	5,566	5,583	11,149	6,262	6,214	23,625	6,462	7,283	13,745	7,493	7,024	28,262
One-third interest in One Raffles Quay:												
- Income support	-	-	-	-	-	-	-	-	-	-	1,080	1,080
- Interest income	-	-	-	-	-	-	-	-	-	-	690	690
- Dividend income	-	-	-	-	-	-	-	-	-	-	1,000	1,000
Total income from one-third interest in ORQ²	-	-	-	-	-	-	-	-	-	-	2,770	2,770
Total income contribution	5,566	5,583	11,149	6,262	6,214	23,625	6,462	7,283	13,745	7,493	9,794	29,442

Notes:

- (1) K-REIT Asia was established on 28 November 2005 and the acquisition of the initial 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 31 December 2006.
- (2) The income received from one-third interest in ORQ relates to the period from 11 December 2007 to 31 December 2007 since the acquisition of the one-third shareholding in ORQPL was completed on 10 December 2007.