

**K-REIT ASIA
THIRD QUARTER 2008 FINANCIAL STATEMENT ANNOUNCEMENT****UNAUDITED RESULTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2008****TABLE OF CONTENTS**

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**SUMMARY OF K-REIT ASIA RESULTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2008**

	Actual YTD Sep 2008 \$'000	Actual 3Q2008 \$'000	Actual 3Q2007 \$'000	+/(-) %	Forecast ¹ 3Q2008 \$'000	+/(-) %
Property Income	38,357	13,862	10,323	34.3	12,940	7.1
Net Property Income	27,846	9,531	7,493	27.2	8,803	8.3
Net Profit Before Tax	12,326	5,635	4,163	35.4	4,336	30.0
Income Available for Distribution to Unitholders	40,772	15,191	5,411	180.7	13,409	13.3
Distributable Income to Unitholders ²	40,772	15,191	5,411	180.7	13,409	13.3
Distribution Per Unit ("DPU")(cents) For the Period	6.28	2.34	2.23	4.9	2.07	13.0
Annualised	8.37 ³	9.28	8.85	4.9	8.21	13.0
Distribution Yield ⁴	8.72%	9.67%	9.22%	4.9	8.55%	13.1

Notes:

- (1) The forecast for 3Q2008 is derived from the forecast shown in K-REIT Asia's circular dated 9 April 2008 for the renounceable rights issue.
- (2) The distributable income to Unitholders is based on 100% of the taxable income available for distribution to Unitholders.
- (3) The annualised YTD Sep 2008 DPU based on the weighted average number of units in issue is 11.00 cents.
- (4) The yield is based on the market closing price per unit of \$0.96 as at the last trading day, 30 September 2008.

INTRODUCTION

K-REIT Asia is a real estate investment trust managed by K-REIT Asia Management Limited, with RBC Dexia Trust Services Singapore Limited as trustee.

In 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 in part by the issue of 240.5 million units in K-REIT Asia. Keppel Land Limited in turn distributed approximately 60% of the units in specie to its shareholders and retained the remaining 40% stake. K-REIT Asia was listed on the Singapore Exchange Securities Trading Limited on 28 April 2006.

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.

The initial four properties comprise Prudential Tower Property (approximately 44% of the strata area of the building), Keppel Towers, GE Tower, and Bugis Junction Towers.

In December 2007, K-REIT Asia completed a significant maiden acquisition of a one-third interest in One Raffles Quay for \$951.4 million from its sponsor, Keppel Land Limited, bringing the number of assets in its portfolio to five. K-REIT Asia's portfolio size was \$2.1 billion as at 30 September 2008.

K-REIT Asia completed its rights issue and issued 396.9 million rights units on 8 May 2008. Its total number of units in issue was 649.5 million as at end-September 2008.

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.

1 UNAUDITED RESULTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2008

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 2008:

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

	Note	3Q2008 \$'000	3Q2007 \$'000	+/(-) %	YTD Sep 2008 \$'000	YTD Sep 2007 \$'000	+/(-) %
Gross rent		13,611	10,067	35.2	37,585	28,314	32.7
Car park income		242	244	(0.8)	735	686	7.1
Other income		9	12	(25.0)	37	41	(9.8)
Property income		13,862	10,323	34.3	38,357	29,041	32.1
Property tax		(1,800)	(764)	135.6	(3,306)	(2,222)	48.8
Other property expenses	1	(1,702)	(1,322)	28.7	(4,818)	(3,406)	41.5
Property management fee		(417)	(309)	35.0	(1,151)	(871)	32.1
Maintenance and sinking fund contributions		(412)	(435)	(5.3)	(1,236)	(1,304)	(5.2)
Property expenses		(4,331)	(2,830)	53.0	(10,511)	(7,803)	34.7
Net property income		9,531	7,493	27.2	27,846	21,238	31.1
Income support	2	6,233	-	Nm	18,477	-	Nm
Interest income	3	1,734	87	Nm	6,615	291	Nm
Share of results of associated company	4	3,331	-	Nm	8,078	-	Nm
Amortisation expense	5	(6,739)	-	Nm	(20,356)	-	Nm
Borrowing costs	6	(4,552)	(1,942)	134.4	(17,417)	(5,766)	202.1
Manager's management fees	7	(3,256)	(1,252)	160.1	(9,650)	(3,343)	188.7
Trust expenses		(647)	(223)	190.1	(1,267)	(650)	94.9
Net profit		5,635	4,163	35.4	12,326	11,770	4.7
Net appreciation on revaluation of investment properties		-	137,964	Nm	-	137,964	Nm
Net profit before tax		5,635	142,127	(96.0)	12,326	149,734	(91.8)
Income tax expense	8	(1,096)	-	-	(2,570)	-	-
Net profit after tax		4,539	142,127	(96.8)	9,756	149,734	(93.5)
Total return		4,539	142,127	(96.8)	9,756	149,734	(93.5)
<u>Distribution Statement</u>							
Net profit		5,635	4,163	35.4	12,326	11,770	4.7
Net tax adjustments	9	10,652	1,248	Nm	31,016	3,122	Nm
Income tax expense		(1,096)	-	Nm	(2,570)	-	Nm
Income available for distribution to Unitholders		15,191	5,411	180.7	40,772	14,892	173.8
Distributable income to Unitholders	10	15,191	5,411	180.7	40,772	14,892	173.8
Distribution per unit (cents)							
For the period		2.34	2.23		6.28	6.14	
Annualised		9.28	8.85		8.37	8.21	

Notes:

Nm – Not meaningful

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

	3Q2008 \$'000	3Q2007 \$'000	YTD Sep 2008 \$'000	YTD Sep 2007 \$'000
Amortisation	-	88	-	189

(2) This is the income support top-up payment received by K-REIT Asia from Boulevard Development Pte Ltd, (the vendor of the one-third interest in One Raffles Quay Ptd Ltd ("ORQPL")) for the quarterly shortfall in accordance with the terms set out in the Deed of Income Support.

(3) Interest income comprises the following:

	3Q2008 \$'000	3Q2007 \$'000	YTD Sep 2008 \$'000	YTD Sep 2007 \$'000
Interest income from fixed deposits and current account	24	87	180	291
Interest income from shareholder's loan to ORQPL	1,710	-	6,435	-
	<u>1,734</u>	<u>87</u>	<u>6,615</u>	<u>291</u>

(4) Share of results of associated company relates to K-REIT Asia's one-third stake of ORQPL's net profit after tax which is represented by the proportionate share of gross revenue less property expenses, interest expense and income tax, if any.

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

(6) Borrowing costs comprise the following:

	3Q2008 \$'000	3Q2007 \$'000	YTD Sep 2008 \$'000	YTD Sep 2007 \$'000
Interest expense:				
- on term loans	1,882	1,882	5,606	5,586
- on bridge/revolving loan	2,480	-	11,501	-
Amortisation of transaction costs capitalised	190	60	310	180
	<u>4,552</u>	<u>1,942</u>	<u>17,417</u>	<u>5,766</u>

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

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

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

	3Q2008 \$'000	3Q2007 \$'000	YTD Sep 2008 \$'000	YTD Sep 2007 \$'000
Management fees payable in units	3,256	1,252	9,650	3,343
Trustee's fees	108	31	265	81
Amortisation of transaction costs	6,929	148	20,666	369
Non-tax deductible expenses	359	75	505	162
Certain expenses claimed on an incurred basis	-	(258)	-	(833)
Share of results of associated company	(3,331)	-	(8,078)	-
Dividend income received	3,331	-	8,008	-
Net tax adjustments	<u>10,652</u>	<u>1,248</u>	<u>31,016</u>	<u>3,122</u>

(10) The distributable income to Unitholders is based on 100% of the 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

	<i>Note</i>	30/9/08 \$'000	31/12/07 \$'000	+/(⁻) %
Non-current assets				
Investment properties	1	1,110,000	1,110,000	-
Investment in associated company	2	858,551	865,481	(0.8)
Intangible asset	3	65,926	86,282	(23.6)
Total non-current assets		2,034,477	2,061,763	(1.3)
Current assets				
Cash and cash equivalents		24,894	22,927	8.6
Trade and other receivables	4	10,045	3,394	196.0
Total current assets		34,939	26,321	32.7
Total assets		2,069,416	2,088,084	(0.9)
Current liabilities				
Trade and other payables		12,402	12,478	(0.6)
Current portion of security deposits		2,637	1,237	113.2
Short-term borrowings (unsecured)	5	-	942,000	Nm
Provision for taxation		2,733	163	Nm
Total current liabilities		17,772	955,878	(98.1)
Non-current liabilities				
Long-term borrowings	5	576,683	189,283	204.7
Non-current portion of security deposits		10,231	9,156	11.7
Total non-current liabilities		586,914	198,439	195.8
Total liabilities		604,686	1,154,317	(47.6)
Net assets		1,464,730	933,767	56.9
Represented by:				
Unitholders' funds		1,464,730	933,767	56.9
Net asset value per unit (\$)		2.26	3.78	
Borrowings / Value of deposited property (%)	6	27.6	53.9	

Notes:

- (1) *Investment properties are stated at valuation performed by an independent professional valuer as at 10 December 2007.*
- (2) *This relates to the one-third equity interest in associated company, ORQPL acquired on 10 December 2007.*
- (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 ("Boulevard") 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 from 10 December 2007 to 31 December 2011.*

- (4) Included in the balances are receivables for income support from Boulevard and dividend income from ORQPL as at 30 September 2008 of \$9.6 million (31 December 2007: \$2.9 million).
- (5) The decrease in short-term borrowings is due to the partial repayment of the bridging loan from the proceeds of the rights issue and a new long-term borrowing obtained for the remaining balance of the bridging loan.
- (6) This is based on the principal amount of borrowings as stated in paragraph 1(b)(ii) and valuation of \$2.1 billion for the deposited properties (held directly and indirectly by K-REIT Asia) performed by an independent valuer as at 10 December 2007.

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

	As at 30/9/08 \$'000	As at 31/12/07 \$'000
Secured borrowings		
Amount repayable in one year or less, or on demand	-	-
Amount repayable after one year	189,463	189,283
Unsecured borrowings		
Amount repayable in one year or less, or on demand	-	942,000
Amount repayable after one year	387,220	-
Total borrowings	576,683	1,131,283

Details of borrowings and collaterals

K-REIT Asia has in place secured 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. As at 30 September 2008, the term loans are fully drawn down and bear interest at a blended rate of 3.9% per annum.

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

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

In addition, K-REIT Asia has put in place a revolving loan facility of up to \$391.0 million from Kepfinance Investment Pte Ltd for a period of thirty months commencing from 10 September 2008 and thereafter renewable on terms, including a new maturity date to be agreed between the parties. As at 30 September 2008, the amount outstanding was \$391.0 million.

1(c) Statement of cash flows

	Note	3Q2008 \$'000	3Q2007 \$'000	YTD Sep 2008 \$'000	YTD Sep 2007 \$'000
Cash flow from operating activities					
Net profit before tax		5,635	142,127	12,326	149,734
Adjustments for:					
Interest income		(1,734)	(87)	(6,615)	(291)
Amortisation expense		6,739	-	20,356	-
Share of results of associated company		(3,331)	-	(8,078)	-
Borrowing costs		4,552	1,942	17,417	5,766
Management fees payable in units		3,256	1,252	9,650	3,343
Net appreciation on revaluation of investment properties		-	(137,964)	-	(137,964)
Operating cash flows before reinvestment in working capital		15,117	7,270	45,056	20,588
Increase in receivables		(5,372)	(607)	(18,347)	(822)
Increase/(decrease) in payables		67	330	(221)	(525)
Security deposits		68	256	2,475	1,312
Net cash generated from operating activities		9,880	7,249	28,963	20,553
Cash flow from investing activities					
Interest received		3,610	93	7,318	297
Income support received		5,593	-	13,324	-
Dividend income received from associated company		2,779	-	5,677	-
Improvements in investment properties		-	-	-	(36)
Repayment of shareholders' loan		7,000	-	7,000	-
Net cash generated from investing activities		18,982	93	33,319	261
Cash flow from financing activities					
Distribution to Unitholders	1	(9,028)	(9,475)	(37,872)	(17,859)
Repayment of short-term borrowings (unsecured)		(391,274)	-	(551,000)	-
Proceeds from a new revolving loan (unsecured)		391,000	-	-	-
Proceeds from rights issue		-	-	551,726	-
Establishment and issue expenses		-	-	(1,000)	-
Interest paid		(5,771)	(1,882)	(18,259)	(5,607)
Upfront debt arrangement fees		(3,910)	-	(3,910)	-
Net cash used in financing activities		(18,983)	(11,357)	(60,315)	(23,466)
Net increase/(decrease) in cash and cash equivalents		9,879	(4,015)	1,967	(2,652)
Cash and cash equivalents at the beginning of period		15,015	18,177	22,927	16,814
Cash and cash equivalents at the end of period		24,894	14,162	24,894	14,162

Note:

(1) Distribution for 3Q2008 is for the period from 8 May 2008 to 30 June 2008, paid on 28 August 2008.
Distribution for 3Q2007 is for the period 1 January 2007 to 30 June 2007, paid on 24 August 2007.

Distribution for YTD Sep 2008 is for the period 1 July 2007 to 31 December 2007, paid on 29 February 2008;
1 January 2008 to 7 May 2008, paid on 18 June 2008; and 8 May 2008 to 30 June 2008, paid on 28 August 2008.

Distribution for YTD Sep 2007 is for the period 1 July 2006 to 31 December 2006, paid on 28 February 2007;
and 1 January 2007 to 30 June 2007, 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 2008

	Note	Issued Equity \$'000	Accumulated Profits \$'000	Total \$'000
Net assets at 1 January 2008		454,258	479,509	933,767
Operations				
Net profit after tax		-	5,217	5,217
Net increase in net assets resulting from operations		454,258	484,726	938,984
Unitholders' transactions				
Creation of units				
- Payment of management fees in units	1	5,149	-	5,149
- Rights issue	2	551,726	-	551,726
Establishment and issue expenses	3	(1,000)	-	(1,000)
Distribution to Unitholders	4	-	(28,844)	(28,844)
Net increase/(decrease) in net assets resulting from Unitholders' transactions		555,875	(28,844)	527,031
Net assets at 30 June 2008		1,010,133	455,882	1,466,015
Operations				
Net profit after tax		-	4,539	4,539
Net increase in net assets resulting from operations		-	4,539	4,539
Unitholders' transactions				
Creation of units				
- Payment of management fees in units	5	3,204	-	3,204
Distribution to Unitholders	6	-	(9,028)	(9,028)
Net increase/(decrease) in net assets resulting from Unitholders' transactions		3,204	(9,028)	(5,824)
Net assets at 30 September 2008		1,013,337	451,393	1,464,730

Notes:

- (1) This represents 3,048,366 units issued as satisfaction of management fees payable in units.
- (2) This relates to the gross proceeds raised from the renounceable rights issue for 396.9 million units at the issue price of \$1.39.
- (3) This relates to the issuance expenses in relation to the renounceable rights issue.
- (4) This relates to the distributable income of \$12.4 million for the period of 1 July 2007 to 31 December 2007 which was paid on 29 February 2008 and \$16.5 million for the period of 1 January 2008 to 7 May 2008 which was paid on 18 June 2008.
- (5) This represents 2,295,219 units issued as satisfaction of management fees payable in units.
- (6) This relates to the distributable income of \$9.0 million for the period of 8 May 2008 to 30 June 2008 which was paid on 28 August 2008.

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

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
Net assets at 1 January 2007		440,519	46,300	5,578	492,397
Adoption of FRS40		-	(46,300)	46,300	-
Restated balance at 1 January 2007		440,519	-	51,878	492,397
Operations					
Net profit after tax		-	-	7,607	7,607
Net increase/(decrease) 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/(decrease) in net assets resulting from Unitholders' transactions		2,010	-	(8,384)	(6,374)
Net assets at 30 June 2007		442,529	-	51,101	493,630
Operations					
Net profit after tax		-	-	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)
Net assets 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.

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

	No. of Units	
	2008	2007
Issued units as at 1 January	247,183,528	241,610,366
Issue of new units		
- Payment of management fees in units	3,048,366	722,220
- Rights issue	396,925,192	-
Issued units as at 30 June	647,157,086	242,332,586
Issue of new units		
- Payment of management fees in units	2,295,219	366,267
Issued units as at 30 September	649,452,305	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 year ended 31 December 2007.

5. CHANGES IN ACCOUNTING POLICIES

There are no changes in the accounting policies and methods of computation.

6. EARNINGS PER UNIT AND DISTRIBUTION PER UNIT

	3Q2008	3Q2007	YTD Sep 2008	YTD Sep 2007
Earnings per unit (based on weighted average number of units in issue for the period)	0.70 cents	56.34 cents ¹	2.09 cents	59.44 cents ¹
Weighted average number of units for the period	648,728,812	252,286,735 ¹	467,631,045	251,916,215 ¹
Distribution per unit (based on the number of units as at end of period)	2.34 cents	2.23 cents	6.28 cents	6.14 cents
Number of units in issue at end of period	649,452,305	242,698,853	649,452,305	242,698,853

Notes:

(1) The comparative figures for earnings per unit and weighted average number of units in issue have been adjusted to account for the effect of the rights issue as mentioned in paragraph 1(d)(ii) above.

7. NET ASSET VALUE ("NAV")

	As at 30/9/08	As at 31/12/07
NAV per unit based on issued units at the end of the period (\$)	2.26	3.78
Adjusted NAV per unit based on issued units at the end of the period (excluding the distributable income) (\$)	2.19	3.73

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

Property	3Q2008 \$'000	3Q2007 \$'000	+/(-) %	YTD Sep 2008 \$'000	YTD Sep 2007 \$'000	+/(-) %
Prudential Tower Property	2,870	1,652	73.7	7,685	4,938	55.6
Keppel Towers and GE Tower	6,492	5,314	22.2	18,706	14,290	30.9
Bugis Junction Towers	4,500	3,357	34.0	11,966	9,813	21.9
Total property income	13,862	10,323	34.3	38,357	29,041	32.1

8(ii) Income contribution of the properties

Property	3Q2008 \$'000	3Q2007 \$'000	+/(-) %	YTD Sep 2008 \$'000	YTD Sep 2007 \$'000	+/(-) %
Prudential Tower Property	2,099	1,206	74.0	5,726	3,656	56.6
Keppel Towers and GE Tower	4,018	3,801	5.7	13,543	10,309	31.4
Bugis Junction Towers	3,414	2,486	37.3	8,577	7,273	17.9
Total net property income	9,531	7,493	27.2	27,846	21,238	31.1
One-third interest in ORQPL:						
- Income support	6,233	-	Nm	18,477	-	Nm
- Interest income	1,710	-	Nm	6,435	-	Nm
- Dividend income	3,331	-	Nm	8,008	-	Nm
Total income from one-third interest in ORQPL¹	11,274	-	Nm	32,920	-	Nm
Total income contribution	20,805	7,493	177.7	60,766	21,238	186.1

Note:

Nm : Not meaningful

(1) The acquisition of one-third interest in ORQPL was completed on 10 December 2007. Thus, there was no income contribution for 3Q2007 and YTD Sep 2007.

8. REVIEW OF PERFORMANCE (cont'd)**Review of performance for 3Q 2008 vs 3Q 2007**

Turnover of \$13.9 million for 3Q 2008 was \$3.5 million or 34.3% higher than that for 3Q 2007. This improvement was mainly the result of higher rental rates achieved for new and renewed leases as well as improved occupancies.

The portfolio attained 99.4% committed occupancy as at end-September 2008. Average gross rental rates for the investment properties held directly by K-REIT Asia was \$5.99 psf in September 2008 as compared with \$4.23 for the corresponding period last year. Including K-REIT Asia's one-third stake in ORQPL, the portfolio's average gross rental rate was \$7.43 psf in September 2008.

Property expenses of \$4.3 million was \$1.5 million or 53.0% higher than 3Q 2007. This was attributable to an increase in property tax of \$1.0 million on the account of a higher assessed annual value, maintenance expenses of \$0.4 million, and property management fee of \$0.1 million.

Net property income increased by 27.2% in 3Q 2007 to \$9.5 million in 3Q 2008 on the account of higher rental income. Manager's management fee increased by \$2.0 million due mainly to the acquisition of one-third interest in ORQPL, a higher appraised value for the investment properties and a higher property income. On account of additional loan drawn down to finance the acquisition of one-third interest in ORQPL in December 2007, borrowing costs increased by \$2.6 million to \$4.6 million for 3Q 2008. These increases were mitigated by higher interest income and share of profits from ORQPL of \$1.7 million and \$3.3 million respectively.

Net profit before tax for 3Q 2008 of \$5.6 million was lower by \$136.5 million or 96.0% as compared with 3Q 2007. This was due to a net appreciation on the revaluation of the investment properties of \$138.0 million taken up in 3Q 2007.

Distributable income to Unitholders for 3Q 2008 increased by \$9.8 million to \$15.2 million from \$5.4 million in 3Q 2007. The increase was from income contribution from ORQPL.

For the quarter, the all-in interest rate was 3.11%, the aggregate leverage stood at 27.6% as at 30 September 2008, and the weighted average term to expiry of debt was 2.50 years.

Review of the performance for YTD Sep 2008 vs YTD Sep 2007

Turnover for YTD Sep 2008 was \$38.4 million which was 32.1% or \$9.3 million higher than that for YTD Sep 2007. This was due mainly to higher rental rates achieved for new and renewed leases as well as improved occupancies which led to an increase in rental income.

Property expenses of \$10.5 million were \$2.7 million or 34.7% higher than that of YTD Sep 2007. The increase in property expenses was due mainly to higher marketing expense of \$0.8 million, higher utilities and maintenance of \$0.2 million, higher property management fee of \$0.6 million and higher property tax of \$1.1 million in line with a higher annual value.

Net property income rose 31.1% or \$6.6 million to \$27.8 million as a result of higher rental income. Manager's management fee increased by \$6.3 million due to the acquisition of one-third interest in ORQPL, a higher appraisal value for the investment properties and a higher property income. On account of additional loan drawn down to finance the acquisition of one-third interest in ORQPL in December 2007, borrowing costs increased by \$11.7 million to \$17.4 million for YTD Sep 2008. These increases were mitigated by higher interest income and share of profits from ORQ of \$6.3 million and \$8.1 million respectively.

Net profit before tax for YTD Sep 2008 was \$12.3 million, and distributable income to Unitholders was \$40.8 million, up by 173.8% or \$25.9 million as compared with that for the same corresponding period last year.

9. VARIANCE FROM PROSPECTS STATEMENT

Statement of total return (actual vs forecast ¹)

	Actual 3Q2008 \$'000	Forecast ¹ 3Q2008 \$'000	+ / (-) %	Actual YTD Sep 2008 \$'000	Forecast ¹ YTD Sep 2008 \$'000	+ / (-) %
Gross rent	13,611	12,708	7.1	37,585	36,488	3.0
Car park income	242	225	7.6	735	685	7.3
Other income	9	7	28.6	37	25	48.0
Property income	13,862	12,940	7.1	38,357	37,198	3.1
Property tax	(1,800)	(1,016)	77.2	(3,306)	(2,519)	31.2
Other property expenses	(1,702)	(2,321)	(26.7)	(4,818)	(4,951)	(2.7)
Property management fee	(417)	(388)	7.5	(1,151)	(1,116)	3.1
Maintenance and sinking fund contributions	(412)	(412)	-	(1,236)	(1,236)	-
Property expenses	(4,331)	(4,137)	4.7	(10,511)	(9,822)	7.0
Net property income	9,531	8,803	8.3	27,846	27,376	1.7
Income support	6,233	6,599	(5.5)	18,477	19,800	(6.7)
Interest income	1,734	3,013	(42.4)	6,615	8,896	(25.6)
Share of results of associated company	3,331	1,433	132.4	8,078	4,417	82.9
Amortisation expense	(6,739)	(6,740)	-	(20,356)	(20,357)	-
Borrowing costs	(4,552)	(5,197)	(12.4)	(17,417)	(20,945)	(16.8)
Manager's management fees	(3,256)	(3,209)	1.5	(9,650)	(9,601)	0.5
Trust expenses	(647)	(366)	76.8	(1,267)	(1,055)	20.1
Net profit before tax	5,635	4,336	30.0	12,326	8,531	44.5
Income tax expense	(1,096)	(1,133)	(3.3)	(2,570)	(3,310)	(22.4)
Net profit after tax	4,539	3,203	41.7	9,756	5,221	86.9
Total return	4,539	3,203	41.7	9,756	5,221	86.9

Distribution statement

Net profit before tax	5,635	4,336	30.0	12,326	8,531	44.5
Net tax adjustments	10,652	10,206	4.4	31,016	30,678	1.1
Income tax expense	(1,096)	(1,133)	(3.3)	(2,570)	(3,310)	(22.4)
Income available for Distribution to Unitholders	15,191	13,409	13.3	40,772	35,899	13.6
Distributable income to Unitholders	15,191	13,409	13.3	40,772	35,899	13.6
Distribution per unit (cents)						
For the period	2.34	2.07		6.28	5.53	

Note:

(1) The forecasts for 3Q2008 and YTD Sep 2008 are derived from the forecast shown in K-REIT Asia's circular dated 9 April 2008 for the renounceable rights issue.

9. VARIANCE FROM PROSPECTS STATEMENT (cont'd)**Review of performance for 3Q 2008 (actual vs forecast ¹)**

The turnover of \$13.9 million was 7.1% higher compared with the forecast for 3Q 2007. The average gross rental rate for the investment properties held directly by K-REIT Asia of \$5.99 psf in September 2008 was higher than the forecast. Including K-REIT Asia's one-third stake in ORQPL, the portfolio's average gross rental rate was \$7.43 psf in September 2008.

Property expenses of \$4.3 million were 4.7% or \$0.2 million higher than the forecast, due mainly to a higher property tax of \$0.8 million and partly offset by lower maintenance expenses of \$0.6 million.

Net property income of \$9.5 million was 8.3% or \$0.7 million higher than the forecast as a result of higher rentals. Income support and interest income in relation to ORQPL fell by \$0.4 million and \$1.3 million respectively; offset by higher share of results of ORQPL of \$1.9 million. Borrowing costs were \$0.6 million lower than the forecast due to a more favourable interest rate for the balance of the bridging loan.

Net profit after tax for 3Q 2008 of \$4.5 million exceeded the forecast by 41.7% due mainly to lower borrowing costs and a higher contribution from ORQPL. Distributable income to Unitholders was 13.3% or \$1.8 million higher than the forecast for 3Q 2008 of \$13.4 million.

Review of performance for YTD Sep 2008 (actual vs forecast ¹)

The turnover of \$38.4 million was 3.1% higher compared with the forecast for YTD Sept 2008. This increase was due mainly to higher rental rates achieved for new and renewed leases as compared with the forecast.

Property expenses of \$10.5 million were \$0.7 million higher than the forecast, due to the higher property tax of \$0.8 million, higher marketing expense of \$0.4 million, offset by lower maintenance expense of \$0.5 million.

Net property income of \$27.8 million was 1.7% higher than the forecast as a result of higher rental. Both income support and interest income in relation to ORQPL fell by \$1.3 million and \$2.3 million respectively but this decrease was offset by higher share of results of ORQPL of \$3.7 million. Borrowing costs were \$3.5 million lower than the forecast due to a more favourable interest rate for the balance of the bridging loan.

Net profit after tax for the YTD Sept 2008 of \$9.8 million exceeded the forecast by 86.9% due mainly to lower borrowing costs. Distributable income to Unitholders was 13.6% higher than the forecast YTD Sep 2008 of \$35.9 million.

Note:

(1) The forecasts for 3Q2008 and YTD Sep 2008 are derived from the forecast shown in K-REIT Asia's circular dated 9 April 2008 for the renounceable rights issue.

10. PROSPECTS

Based on advance estimates by the Ministry of Trade and Industry, Singapore's real GDP declined by 0.5% in 3Q 2008 from 2.3% growth in 2Q 2008, due mainly to a contraction in the manufacturing industry, which accounts for a quarter of the economy. The services producing industries, led by financial services and business services sectors, grew by about 6.1% in 3Q 2008, compared with 7.0% in the previous quarter. However, given the worsening of the global financial crisis, the Singapore government has revised its full-year growth forecast to about 3% from 4 – 5%.

Average prime rents and average Grade A rents remained unchanged at \$16.10 psf and \$18.80 psf respectively in 3Q 2008, as reported by CB Richard Ellis ("CBRE"). During the quarter, the core CBD vacancy rate remained low at 3.8%. K-REIT Asia's average portfolio rent of \$7.43 psf in September 2008 enables K-REIT Asia to maintain its current distribution.

K-REIT Asia has no debt refinancing requirement until 2011. Its aggregate leverage stood at 27.6% as at end-September 2008.

Outlook for 2008

Despite adverse macroeconomic conditions, the Manager of K-REIT Asia expects to achieve its forecast distribution of 7.53 cents per unit or 10.09 cents per unit (based on weighted average number of units) for the financial year ending 31 December 2008, as shown in the circular dated 9 April 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 mitigates them. Some of the key risks that the Manager has identified are as follows:

Interest rate risk

Interest rate exposures are managed through appropriate term facilities and floating positions. The Manager also monitors the interest rate environment closely to optimise the refinancing higher cost debt where and when appropriate.

Liquidity risk

The Manager monitors and maintains K-REIT Asia's cash flow position and working capital to ensure that there are adequate liquid reserves in terms of cash and credit facilities to meet short term obligations. Steps have been taken to plan early for funding and expenses so as to manage the cash position at any point of time.

Credit risk

Credit risk assessments of tenants are carried out by way of evaluation of information from corporate searches prior to signing of lease agreements. Tenants are required to pay a security deposit as a multiple of monthly rents and maintain sufficient deposits in their accounts. In addition, the Manager also monitors the property portfolio's tenant trade sector mix to assess exposure to any one potentially volatile trade sector.

Currency risk

Presently, K-REIT Asia has no currency risks as all borrowings are in Singapore dollars. Going forward, as K-REIT starts to acquire assets overseas, it is the intention that any debt financing for such acquisitions will be made in the same currency in which the assets are denominated, whenever possible, so as to serve as a natural currency hedge. The Manager will also adopt appropriate hedging strategies when deemed necessary.

Operational risk

Measures have been put in place to promote sustainability of net property income. Some of these measures include steps taken to negotiate for favourable terms/covenants, manage expenses, actively monitor rental payments from tenants, continuously evaluate our counter-parties and maximise property value. In addition, the Manager also continuously reviews disaster and pandemic business continuity plans and modifies them, when necessary.

12. DISTRIBUTIONS

- (a) **Current financial period reported on**
None.
- (b) **Corresponding period of the immediately preceding financial year**
Not applicable.
- (c) **DATE PAYABLE**
Not applicable.
- (d) **BOOKS CLOSURE DATE**
Not applicable.

13. DISTRIBUTION STATEMENT

No distribution has been declared/recommended.

14. INTERESTED PERSON TRANSACTIONS

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

Name of interested person	3Q2008 \$'000	3Q2007 \$'000
Keppel Corporation and its subsidiaries or associates		
- Manager's management fees	3,256	1,252
- Property management fees and reimbursables	676	553
- Leasing commissions	94	259
- Rental and service charge income ¹	1,411	518
- Interest on revolving loan ²	38,514	-
RBC Dexia Trust Services Singapore Limited		
- Trustee's fee	108	31

Note:

- (1) *The aggregate value of interested person transactions refers to the total contract sum entered into during the respective financial periods.*
- (2) *The aggregate value of interested person transactions refers to the total estimated interest payable on the revolving loan for the entire loan tenure.*

Appendix

K-REIT ASIA'S SEGMENTAL RESULTS – QUARTERLY BREAKDOWN

Income contribution by asset (\$'000)

	FY06 ¹	1Q07	2Q07	1H07	3Q07	4Q07	FY07	1Q08	2Q08	1H08	3Q08
Property											
Prudential Tower Property	4,395	1,283	1,167	2,450	1,206	1,381	5,037	1,832	1,795	3,627	2,099
Keppel Towers and GE Tower	10,598	2,863	3,645	6,508	3,801	3,432	13,741	4,678	4,847	9,525	4,018
Bugis Junction Towers	8,632	2,316	2,471	4,787	2,486	2,211	9,484	2,631	2,532	5,163	3,414
Total net property income	23,625	6,462	7,283	13,745	7,493	7,024	28,262	9,141	9,174	18,315	9,531
One-third interest in ORQPL²:											
- Income support	-	-	-	-	-	1,080	1,080	6,145	6,099	12,244	6,233
- Interest income	-	-	-	-	-	690	690	2,845	1,880	4,725	1,710
- Dividend income	-	-	-	-	-	1,000	1,000	1,898	2,779	4,677	3,331
Total income from one-third interest in ORQPL	-	-	-	-	-	2,770	2,770	10,888	10,758	21,646	11,274
Total income contribution	23,625	6,462	7,283	13,745	7,493	9,794	31,032	20,029	19,932	39,961	20,805

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 acquisition of one-third interest in ORQPL was completed on 10 December 2007. Thus, there was no income contribution from the one-third interest in ORQPL for 2006 and 1Q2007 to 3Q2007.

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
20 October 2008

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 3Q 2008 financial statements of K-REIT Asia to be false or misleading in any material aspect.

On Behalf of the Board of Directors

TSUI KAI CHONG
Chairman



TAN SWEE YIOW
Director

Singapore, 20 October 2008