

**K-REIT ASIA
THIRD QUARTER 2010 FINANCIAL STATEMENT ANNOUNCEMENT****UNAUDITED RESULTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010****TABLE OF CONTENTS**

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**SUMMARY OF K-REIT ASIA RESULTS
FOR THE THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2010**

	GROUP			
	3Q2010 \$'000	YTD Sep 2010 \$'000	YTD Sep 2009 \$'000	+/- %
Property Income	21,759	63,199	45,796	38.0
Net Property Income	17,519	49,800	35,439	40.5
Net income	15,790	40,322	20,585	95.9
Income Available for Distribution	22,673	62,476	51,119	22.2
Distributable Income to Unitholders ¹	22,686	62,476	51,119	22.2
Distribution per Unit ("DPU") (cents)				
For the Period	1.69	4.65	3.83²	21.4
Annualised	6.70	6.22	5.12²	21.5
Distribution Yield	5.2% ⁴	4.8% ⁴	4.3% ³	11.6

Notes:

- (1) The distributable income to Unitholders is based on 100% of the income available for distribution.
- (2) The DPU for YTD Sep 2009 has been restated to take into account the effects of the rights issue completed in November 2009.
- (3) The yield is based on the market closing price per unit of \$1.18 as at the last trading day, 30 September 2009.
- (4) The yield is based on the market closing price per unit of \$1.29 as at the last trading day, 30 September 2010.

INTRODUCTION

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

K-REIT Asia's objective is to generate steady and sustainable returns for its Unitholders by owning and investing in a portfolio of quality income-producing commercial real estate and real estate-related assets. K-REIT Asia has a pan-Asian mandate that enables it to invest in quality commercial properties in Singapore and other Asian growth cities.

K-REIT Asia was listed on the Singapore Exchange Securities Trading Limited on 28 April 2006 with an initial property portfolio comprising Bugis Junction Towers, Keppel Towers, GE Tower, and Prudential Tower Property (approximately 44.4% of the strata area of the building) from its sponsor Keppel Land Limited.

In December 2007, K-REIT Asia completed its maiden acquisition of a one-third interest in One Raffles Quay. This was followed by the acquisition of additional six strata floors of Prudential Tower which increased K-REIT Asia's ownership in Prudential Tower to 73.4% of the total strata area of the building in November 2009. In March 2010, K-REIT Asia successfully acquired its first overseas asset, a 50% stake in 275 George Street, in Brisbane, Australia.

K-REIT Asia entered into a sale and purchase agreement to acquire the office tower of 77 King Street in Sydney, Australia in July 2010. The acquisition of this Grade A commercial building in Sydney is expected to be completed in the fourth quarter of 2010.

On 11 October 2010, K-REIT Asia entered into a conditional share purchase agreement to acquire a one-third interest in Marina Bay Financial Centre Towers 1 & 2 and Marina Bay Link Mall from Keppel Land Properties Limited, as well as a conditional sale and purchase agreement with Mansfield Developments Pte Ltd to divest Keppel Towers and GE Tower. The conditional acquisition and divestment will upgrade K-REIT Asia's property portfolio without requiring additional equity from Unitholders.

In late 2009, K-REIT Asia completed a rights issue and raised gross proceeds of approximately \$620.0 million, bringing the total number of units in issue to approximately 1.3 billion units. Some \$555.1 million of the rights proceeds have been used to repay a bridging loan facility for the purpose of financing the acquisition of the six strata floors of Prudential Tower, finance the acquisition of the 50% stake in 275 George Street as well as partly repay the revolving loan from Kephinance Investment Pte Ltd.

K-REIT Asia has a portfolio size of \$2.3 billion as at 30 September 2010.

1 UNAUDITED RESULTS FOR THE THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2010

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 third quarter and nine months ended 30 September 2010:

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

Statement of Total Return

	Note	<u>Group</u>					+ / (-) %
		3Q2010 \$'000	3Q2009 \$'000	+ / (-) %	YTD Sep 2010 \$'000	YTD Sep 2009 \$'000	
Gross rent		21,229	15,400	37.9	61,834	45,073	37.2
Car park income		500	224	123.2	1,268	665	90.7
Other income		30	30	-	97	58	67.2
Property income		21,759	15,654	39.0	63,199	45,796	38.0
Property tax		(934)	(1,237)	(24.5)	(3,428)	(3,868)	(11.4)
Other property expenses	1	(2,203)	(1,240)	77.7	(6,731)	(3,903)	72.5
Property management fee		(573)	(470)	21.9	(1,650)	(1,375)	20.0
Maintenance and sinking fund contributions		(530)	(404)	31.2	(1,590)	(1,211)	31.3
Property expenses		(4,240)	(3,351)	26.5	(13,399)	(10,357)	29.4
Net property income		17,519	12,303	42.4	49,800	35,439	40.5
Income support	2	6,265	5,177	21.0	18,617	17,516	6.3
Interest income	3	3,013	3,228	(6.7)	9,625	9,522	1.1
Share of results of associated company	4	1,942	2,809	(30.9)	6,412	6,915	(7.3)
Amortisation expense	5	(5,222)	(6,636)	(21.3)	(15,775)	(20,043)	(21.3)
Borrowing costs	6	(3,276)	(6,225)	(47.4)	(13,712)	(18,486)	(25.8)
Manager's management fees	7	(3,752)	(3,173)	18.2	(10,894)	(9,725)	12.0
Trust expenses		(439)	(206)	113.1	(3,454)	(553)	Nm
Changes in fair value of derivative financial instruments	8	(260)	-	Nm	(297)	-	Nm
Net income		15,790	7,277	117.0	40,322	20,585	95.9
Net change in fair value of investment properties		-	(92,854)	Nm	-	(92,854)	Nm
Total return before tax		15,790	(85,577)	Nm	40,322	(72,269)	Nm
Income tax expense	9	(953)	(493)	93.3	(2,457)	(1,638)	50.0
Total return after tax		14,837	(86,070)	Nm	37,865	(73,907)	Nm
<u>Distribution Statement</u>							
Net income		15,790	7,277	117.0	40,322	20,585	95.9
Net tax adjustments	10	7,836	11,181	(29.9)	24,611	32,172	(23.5)
Income tax expense		(953)	(493)	93.3	(2,457)	(1,638)	50.0
Income available for distribution		22,673	17,965	26.2	62,476	51,119	22.2
Distributable Income to Unitholders	11	22,686	17,965	26.3	62,476	51,119	22.2
Distribution per unit (cents)							
For the period	12	1.69	1.35	25.2	4.65	3.83	21.4
Annualised	12	6.70	5.36	25.0	6.22	5.12	21.5

Notes:

Nm – Not meaningful

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

	<u>Group</u>		<u>YTD</u>	<u>YTD</u>
	<u>3Q2010</u>	<u>3Q2009</u>	<u>Sep 2010</u>	<u>Sep 2009</u>
	\$'000	\$'000	\$'000	\$'000
Marketing expenses	287	72	1,256	534
Utilities	608	385	1,538	1,190
Repair and maintenance	1,004	577	2,954	1,445
Property management reimbursements	232	199	847	712
Other property expenses	72	7	136	22
	2,203	1,240	6,731	3,903

- (2) This is the income support top-up payment received or receivable by K-REIT Asia for its one-third interest in One Raffles Quay Pte Ltd ("ORQPL"), the additional six strata floors of Prudential Tower and the 50% interest in 275 George Street, Brisbane.

- (3) Interest income comprises the following:

	<u>Group</u>		<u>YTD</u>	<u>YTD</u>
	<u>3Q2010</u>	<u>3Q2009</u>	<u>Sep 2010</u>	<u>Sep 2009</u>
	\$'000	\$'000	\$'000	\$'000
Interest income from fixed deposit and current accounts	103	14	655	71
Interest income from shareholder's loan to ORQPL	2,910	3,214	8,970	9,451
	3,013	3,228	9,625	9,522

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

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

- (6) Borrowing costs comprise the following:

	<u>Group</u>		<u>YTD</u>	<u>YTD</u>
	<u>3Q2010</u>	<u>3Q2009</u>	<u>Sep 2010</u>	<u>Sep 2009</u>
	\$'000	\$'000	\$'000	\$'000
Interest expense on term loans	1,882	1,882	5,585	5,585
Interest expense on revolving loan	905	3,892	6,122	11,548
Amortisation of transaction costs capitalised	489	451	2,005	1,353
	3,276	6,225	13,712	18,486

- (7) For 2010, the Manager has elected to receive 50% of its management fees in units of K-REIT Asia as compared with 100% in units for 2009.

- (8) This represents the change in fair value of foreign currency forward contracts which were entered into to protect the Group's foreign currency exposure on the net income from its 50% interest in 275 George Street, Brisbane.

- (9) Income tax expense comprises (i) tax of 17% (2009: 17%) on the income support received by K-REIT Asia for its interest in ORQPL, net of deductible interest expense and (ii) withholding tax paid/accrued in relation to the income on the Group's investment in 275 George Street, Brisbane.

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

	<u>Group</u>			
	3Q2010	3Q2009	YTD Sep 2010	YTD Sep 2009
	\$'000	\$'000	\$'000	\$'000
Management fees payable in units	1,876	3,173	5,447	9,725
Trustee's fees	87	75	254	231
Amortisation of transaction costs	5,711	7,087	17,780	21,396
Non-tax deductible expenses	86	10	2,652	45
Share of results of associated company	(1,942)	(2,809)	(6,412)	(6,915)
Dividend income received	1,942	3,645	6,412	7,690
Change in fair value of derivative instrument	260	-	297	-
Effect of recognising accounting income on a straight line basis over the lease terms	(184)	-	(1,819)	-
	7,836	11,181	24,611	32,172

(11) K-REIT Asia is committed to distributing 100% of its income available for distribution to Unitholders. The distributable income to Unitholders is based on 100% of the income available for distribution to Unitholders.

(12) The DPUs for 3Q2009 and YTD Sep 2009 have been restated to take into account the effects of the rights issue completed in November 2009.

1(a)(ii) **Statement of comprehensive income together with a comparative statement for the corresponding period of the immediately preceding financial year**

Statement of Comprehensive Income

	<u>Group</u>					
	3Q2010	3Q2009	+ / (-)	YTD Sep 2010	YTD Sep 2009	+ / (-)
	\$'000	\$'000	%	\$'000	\$'000	%
Total return after tax	14,837	(86,070)	Nm	37,865	(73,907)	Nm
Other comprehensive income:						
Translation difference from financial statements of foreign entity	275	-	Nm	46	-	Nm
Exchange differences on monetary items forming part of the net investment in foreign operations	9,871	-	Nm	(888)	-	Nm
Other comprehensive income for the period, net of tax	10,146	-	Nm	(842)	-	Nm
Total comprehensive income for the period	24,983	(86,070)	Nm	37,023	(73,907)	Nm

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

	<i>Note</i>	30/09/10	Group	+/-	30/09/10	Trust	+/-
		\$'000	31/12/09	%	\$'000	31/12/09	%
			\$'000			\$'000	
Non-current assets							
Investment properties	1	1,384,557	1,162,800	19.1	1,163,218	1,162,800	-
Investment in subsidiary companies		-	-	-	2,232	-	Nm
Investment in associated company	2	848,616	849,239	(0.1)	848,616	849,239	(0.1)
Amount owing by subsidiary company		-	-	-	236,976	-	Nm
Intangible asset	3	16,823	32,598	(48.4)	16,823	32,598	(48.4)
Total non-current assets		2,249,996	2,044,637	10.0	2,267,865	2,044,637	10.9
Current assets							
Trade and other receivables	4	29,962	11,453	161.6	9,698	11,453	(15.3)
Cash and cash equivalents	5	73,731	575,549	(87.2)	69,148	575,549	(88.0)
Total current assets		103,693	587,002	(82.3)	78,846	587,002	(86.6)
Total assets		2,353,689	2,631,639	(10.6)	2,346,711	2,631,639	(10.8)
Current liabilities							
Trade and other payables		13,901	28,761	(51.7)	12,688	28,761	(55.9)
Derivative financial instruments	6	297	-	Nm	297	-	Nm
Current portion of security deposits		4,356	4,603	(5.4)	4,356	4,603	(5.4)
Provision for taxation		2,393	4,849	(50.6)	2,298	4,849	(52.6)
Borrowings	7	189,944	-	Nm	189,944	-	Nm
Total current liabilities		210,891	38,213	451.9	209,583	38,213	448.5
Non-current liabilities							
Long-term borrowings	7	161,000	578,939	(72.2)	161,000	578,939	(72.2)
Non-current portion of security deposits		11,553	11,835	(2.4)	11,553	11,835	(2.4)
Total non-current liabilities		172,553	590,774	(70.8)	172,553	590,774	(70.8)
Total liabilities		383,444	628,987	(39.0)	382,136	628,987	(39.2)
Net assets		1,970,245	2,002,652	(1.6)	1,964,575	2,002,652	(1.9)
Represented by:							
Unitholders' funds		1,970,245	2,002,652	(1.6)	1,964,575	2,002,652	(1.9)
Net asset value per unit (\$)		1.47	1.50		1.46	1.50	
Borrowings / Value of deposited properties (%)	8	15.1	27.7				

Notes:

Nm – Not meaningful

- (1) *The increase in investment properties is due to the acquisition of a 50% interest in 275 George Street, Brisbane in March 2010.*
- (2) *This relates to the one-third equity interest in associated company ORQPL.*
- (3) *This relates to the probable future income support amount which may 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 the ORQPL's net property income and the guaranteed income amount for each quarter) in accordance with the terms set out therein. The intangible asset will be amortised over the period from 10 December 2007 to 31 December 2011.*
- (4) *Included in the balances are receivables for income support and dividend income as at 30 September 2010 of \$8.1 million (31 December 2009: \$8.8 million).*
- (5) *The decrease in cash and cash equivalents is due to the utilisation of the rights issue proceeds to fund the acquisition of the 50% interest in 275 George Street, Brisbane in March 2010 and for part repayment of the revolving loan in April 2010.*
- (6) *Derivative financial instruments relate to the foreign currency forward contracts taken out in relation to the Group's investment in 275 George Street, Brisbane.*
- (7) *The increase in short-term borrowings is due to the reclassification of the term loan maturing in May 2011 from long-term borrowings. Long-term borrowings decreased due to repayments during the current period offset by the drawdown of new loan.*
- (8) *This is based on the principal amount of borrowings as stated in paragraph 1(b)(ii) and valuation of \$2.3 billion for the deposited properties (held directly and indirectly by K-REIT Asia) as at 30 September 2010.*

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

	Group and Trust	
	As at 30/09/10	As at 31/12/09
	\$'000	\$'000
Secured borrowing		
Amount repayable in one year or less, or on demand	190,085	-
Less: Unamortised portion of fees	(141)	-
	189,944	-
Amount repayable after one year	-	190,085
Less: Unamortised portion of fees	-	(321)
	-	189,764
Unsecured borrowing		
Amount repayable after one year	161,000	391,000
Less: Unamortised portion of fees	-	(1,825)
	161,000	389,175
Total borrowings	350,944	578,939

Details of borrowings and collaterals

K-REIT Asia has in place a secured five-year fixed rate term loan facility totalling \$190.1 million, which is funded by the proceeds of commercial mortgage-backed securities notes issued by a special purpose company. As at 30 September 2010, the term loans are fully drawn down and bear interest at a blended rate of 3.9% per annum.

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

- (i) a mortgage over Prudential Tower Property (44.4% of total strata area), Keppel Towers, GE Tower and Bugis Junction Towers ("Initial Investment Properties");
- (ii) an assignment and charge over the rental collection account relating to the Initial Investment Properties;
- (iii) an assignment of the insurance policies relating to the Initial Investment Properties;
- (iv) an assignment of the agreements relating to the management of the Initial Investment Properties; and a fixed and floating charge over certain assets of K-REIT Asia relating to the Initial Investment Properties.

On 30 September 2010, K-REIT Asia terminated an existing \$391 million revolving loan facility with a loan balance of \$161 million. On the same date, a new revolving loan facility of \$350 million was put in place. The loan balance of \$161 million from the old facility was transferred to the new facility. The new facility is for a period commencing 30 September 2010 to 31 December 2012 and thereafter renewable on terms, including new maturity date to be agreed between the parties.

The weighted average interest rate for all borrowings as at 30 September 2010 stood at 3.4% per annum. The upfront fee for the early repayment of \$230 million and \$161 million of the existing \$391 million revolving loan facility in April 2010 and September 2010 respectively are excluded.

1(c) Consolidated statement of cash flows

	<u>Group</u>			
	3Q2010	3Q2009	YTD Sep 2010	YTD Sep 2009
Note	\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities				
Total return before tax	15,790	(85,577)	40,322	(72,269)
Adjustments for:				
Interest income	(3,013)	(3,228)	(9,625)	(9,522)
Amortisation expense	5,222	6,636	15,775	20,043
Share of results of associated company	(1,942)	(2,809)	(6,412)	(6,915)
Borrowing costs	3,276	6,225	13,712	18,486
Management fees payable in units	1,876	3,173	5,447	9,725
Net change in fair value of investment properties	-	92,854	-	92,854
Changes in fair value of unrealised derivative financial instruments	260	-	297	-
Translation of foreign subsidiary	689	-	644	-
Operating cash flows before changes in working capital	22,158	17,274	60,160	52,402
Increase in receivables	(7,220)	(6,175)	(20,810)	(20,563)
(Decrease)/Increase in payables	(2,887)	1,273	(1,039)	538
Increase/(Decrease) in security deposits	9	(48)	(529)	819
Cash flows from operations	12,060	12,324	37,782	33,196
Income taxes paid	(4,802)	-	(4,914)	-
Net cash flows from operating activities	7,258	12,324	32,868	33,196
Investing activities				
Purchase of investment property	-	-	(222,823)	-
Improvement in investment properties	(498)	-	(498)	-
Interest received	3,017	3,230	9,859	9,578
Income support received	6,377	6,188	17,953	18,662
Dividend income received from associated company	2,376	945	7,968	6,805
Deposit paid for purchase of investment property	(17,442)	(10,629)	(17,442)	(10,629)
Repayment of loan from associated company	-	-	-	4,000
Net cash flows from/(used in) investing activities	(6,170)	(266)	(204,983)	28,416
Financing activities				
Net repayment of revolving loan	-	-	(230,000)	-
Distribution to Unitholders	1 (39,819)	(33,098)	(76,827)	(66,191)
Interest paid	(2,730)	(1,882)	(22,876)	(13,262)
Net cash flows used in financing activities	(42,549)	(34,980)	(329,703)	(79,453)
Net (decrease)/increase in cash and cash equivalents	(41,461)	(22,922)	(501,818)	(17,841)
Cash and cash equivalents at the beginning of period	115,096	49,049	575,549	43,968
Effects of exchange rate changes on cash and cash equivalents	96	-	-	-
Cash and cash equivalents at the end of period	73,731	26,127	73,731	26,127

Note:

- (1) Distribution for 3Q2010 is for the period 1 January 2010 to 30 June 2010, paid on 26 August 2010.
 Distribution for 3Q2009 is for the period 1 January 2009 to 30 June 2009, paid on 27 August 2009.
 Distribution for YTD Sep 2010 is for the period 1 July 2009 to 31 December 2009, paid on 25 February 2010; 1 January 2010 to 30 June 2010, paid on 26 August 2010.
 Distribution for YTD Sep 2009 is for the period 1 July 2008 to 31 December 2008, paid on 23 February 2009; 1 January 2009 to 30 June 2009, paid on 27 August 2009.

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

<u>Group</u>	<i>Note</i>	<u>Issued Equity</u> \$'000	<u>Accumulated Profit</u> \$'000	<u>Foreign Exchange Translation Reserve</u> \$'000	<u>Total</u> \$'000
Net assets at 1 January 2010		1,645,657	356,995	-	2,002,652
Total comprehensive income	1	-	23,028	(10,988)	12,040
Issue of units for payment of management fees	2	5,075	-	-	5,075
Distribution to Unitholders		-	(37,008)	-	(37,008)
Net assets at 30 June 2010		1,650,732	343,015	(10,988)	1,982,759
Total comprehensive income	1	-	14,837	10,146	24,983
Issue expenses adjustment		470	-	-	470
Issue of units for payment of management fees	3	1,852	-	-	1,852
Distribution to Unitholders		-	(39,819)	-	(39,819)
Net assets at 30 September 2010		1,653,054	318,033	(842)	1,970,245
Net assets at 1 January 2009		1,016,566	469,105	-	1,485,671
Total comprehensive income		-	12,163	-	12,163
Issue of units for payment of management fees	4	6,563	-	-	6,563
Distribution to Unitholders		-	(33,093)	-	(33,093)
Net assets at 30 June 2009		1,023,129	448,175	-	1,471,304
Total comprehensive income		-	(86,070)	-	(86,070)
Issue of units for payment of management fees	5	3,320	-	-	3,320
Distribution to Unitholders		-	(33,098)	-	(33,098)
Net assets at 30 September 2009		1,026,449	329,007	-	1,355,456

Notes:

- (1) *The movement in foreign exchange translation reserve relates to the exchange differences arising on the translation of foreign entities and intercompany loans that form part of the Group's net investment in the foreign entities.*
- (2) *This represents 3,108,946 and 1,567,983 units issued in 1Q2010 and 2Q2010 respectively as satisfaction of management fees payable in units.*
- (3) *This represents 1,651,770 units issued in 3Q2010 as satisfaction of management fees payable in units.*
- (4) *This represents 4,819,121 and 5,739,867 units issued in 1Q2009 and 2Q2009 respectively as satisfaction of management fees payable in units.*
- (5) *This represents 3,420,812 units issued in 3Q2009 as satisfaction of management fees payable in units.*

Statement of movements in Unitholders' funds

<u>Trust</u>	<i>Note</i>	<u>Issued Equity</u> \$'000	<u>Accumulated Profit</u> \$'000	<u>Total</u> \$'000
Net assets at 1 January 2010		1,645,657	356,995	2,002,652
Total comprehensive income		-	10,685	10,685
Issue of units for payment of management fees	1	5,075	-	5,075
Distribution to Unitholders		-	(37,008)	(37,008)
Net assets at 30 June 2010		1,650,732	330,672	1,981,404
Total comprehensive income		-	20,668	20,668
Issue expenses adjustment		470	-	470
Issue of units for payment of management fees	2	1,852	-	1,852
Distribution to Unitholders		-	(39,819)	(39,819)
Net assets at 30 September 2010		1,653,054	311,521	1,964,575
Net assets at 1 January 2009		1,016,566	469,105	1,485,671
Total comprehensive income		-	12,163	12,163
Issue of units for payment of management fees	3	6,563	-	6,563
Distribution to Unitholders		-	(33,093)	(33,093)
Net assets at 30 June 2009		1,023,129	448,175	1,471,304
Total comprehensive income		-	(86,070)	(86,070)
Issue of units for payment of management fees	4	3,320	-	3,320
Distribution to Unitholders		-	(33,098)	(33,098)
Net assets at 30 September 2009		1,026,449	329,007	1,355,456

Notes:

- (1) This represents 3,108,946 and 1,567,983 units issued in 1Q2010 and 2Q2010 respectively as satisfaction of management fees payable in units.
- (2) This represents 1,651,770 units issued in 3Q2010 as satisfaction of management fees payable in units.
- (3) This represents 4,819,121 and 5,739,867 units issued in 1Q2009 and 2Q2009 respectively as satisfaction of management fees payable in units.
- (4) This represents 3,420,812 units issued in 3Q2009 as satisfaction of management fees payable in units.

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

	<u>Group and Trust</u>	
	2010 Units	2009 Units
Issued units as at 1 January	1,336,023,351	652,724,165
Issue of new units		
- Payment of management fees in units	4,676,929	10,558,988
Issued units as at 30 June	1,340,700,280	663,283,153
Issue of new units		
- Payment of management fees in units	1,651,770	3,420,812
Issued units as at 30 September	1,342,352,050	666,703,965

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period, and as at the end of the immediately preceding year.

K-REIT Asia did not hold any treasury units as at 30 September 2010 and 31 December 2009. Information on the total number of issued units in K-REIT Asia as at 30 September 2010 and 31 December 2009 is disclosed in 1(d)(ii).

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable.

2. AUDIT

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

3. AUDITORS' REPORT

Not applicable.

4. ACCOUNTING POLICIES

Except as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period compared with those of the audited financial statements as at 31 December 2009.

5. CHANGES IN ACCOUNTING POLICIES

In the current financial period, the Group adopted the new/revised Financial Reporting Standards ("FRS") and Interpretations of FRS ("INT FRS") that are effective for annual periods beginning on or after 1 January 2010. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The following are the new or amended FRSs that are relevant to the Group:

-	Improvements to FRSs issued in 2009
FRS 27	Consolidated and Separate Financial Statements (Revised)
FRS 103	Business Combinations (Revised)

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

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

	3Q2010	3Q2009	<u>Group</u> YTD Sep 2010	YTD Sep 2009
Earnings per unit (based on the weighted average number of units as at the end of the period)				
Based on total return before fair value loss on investment properties	1.11 cents	0.91 cents ¹ 1.02 cents ²	2.83 cents	2.56 cents ¹ 2.87 cents ²
Based on total return after fair value loss on investment properties	1.11 cents	(11.56) cents ¹ (12.93) cents ²	2.83 cents	(10.00) cents ¹ (11.18) cents ²
- Weighted average number of units as at the end of period	1,341,831,383	744,302,620 ¹ 665,625,666 ²	1,340,079,112	739,195,790 ¹ 661,058,657 ²
Distribution per unit (based on the number of units as at the end of period)				
- Number of units in issue at end of period	1.69 cents	1.35 cents ¹ 2.69 cents ²	4.65 cents	3.83 cents ¹ 7.67 cents ²
- Number of units in issue at end of period	1,342,352,050	1,333,407,930 ³ 666,703,965 ²	1,342,352,050	1,333,407,930 ³ 666,703,965 ²

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

Notes:

- (1) The comparative figures have been restated for the effect of the rights issue completed in November 2009.
- (2) As previously reported.
- (3) Computed based on the issued units at the end of the period aggregated with the 666,703,965 rights issue units issued in the rights issue completed in November 2009.

7. NET ASSET VALUE (“NAV”)

	<u>Group</u>		<u>Trust</u>	
	As at 30/09/10	As at 31/12/09	As at 30/09/10	As at 31/12/09
NAV per unit based on total number of issued units at the end of the period (\$)	1.47	1.50	1.46	1.50
Adjusted NAV per unit based on total number of issued units at the end of the period (excluding the distributable income) (\$)	1.45	1.47	1.45	1.47

8. REVIEW OF PERFORMANCE

8(i) Property income contribution of the properties

Property	3Q2010 \$'000	3Q2009 \$'000	+/(-) %	Group		+/(-) %
				YTD Sep 2010 \$'000	YTD Sep 2009 \$'000	
Prudential Tower Property	4,831	3,126	54.5	14,486	8,915	62.5
Keppel Towers and GE Tower	7,291	7,528	(3.1)	21,566	22,061	(2.2)
Bugis Junction Towers	4,983	5,000	(0.3)	14,831	14,820	0.1
275 George Street	4,654	-	Nm	12,316	-	Nm
Total property income	21,759	15,654	39.0	63,199	45,796	38.0

8(ii) Income contribution of the properties

Property	3Q2010 \$'000	3Q2009 \$'000	+/(-) %	Group		+/(-) %
				YTD Sep 2010 \$'000	YTD Sep 2009 \$'000	
Prudential Tower Property	4,041	2,584	56.4	11,812	7,204	64.0
Keppel Towers and GE Tower	5,765	5,739	(0.5)	15,299	16,587	(7.8)
Bugis Junction Towers	3,916	3,980	(1.6)	12,043	11,648	3.4
275 George Street	3,797	-	Nm	10,646	-	Nm
Total net property income	17,519	12,303	42.4	49,800	35,439	40.5
One-third interest in ORQPL:						
- Income support	5,761	5,177	11.3	17,545	17,516	0.2
- Interest income	2,910	3,214	(9.5)	8,970	9,451	(5.1)
- Dividend income	1,942	3,645	(46.7)	6,412	7,690	(16.6)
Total income from one-third interest in ORQPL	10,613	12,036	(11.8)	32,927	34,657	(5.0)
Total income contribution	28,132	24,339	15.6	82,727	70,096	18.0

8. REVIEW OF PERFORMANCE (CONT'D)**Review of performance for 3Q2010 vs 3Q2009**

Turnover for 3Q2010 was \$21.8 million, a significant increase of \$6.1 million or 39% over that for 3Q2009. This improvement was due mainly to contributions from the additional six strata floors of Prudential Tower acquired in November 2009 as well as the 50% stake in 275 George Street, Brisbane acquired in March 2010.

Property expenses of \$4.2 million were \$0.9 million or 26.5% higher than the amount in 3Q2009. The increase was due to higher operating expenses on the account of the 50% stake in 275 George Street, Brisbane.

Net property income increased 42.4% to \$17.5 million in 3Q2010 from \$12.3 million in 3Q2009. This was due mainly to the higher property income.

A net income of \$15.8 million was reported for 3Q10, an increase of 117% over 3Q2009 due to higher net property income, lower amortisation costs and lower borrowing costs from part repayment of a revolving loan.

Distribution to Unitholders increased by \$4.7 million to \$22.7 million in 3Q2010 from \$18 million in 3Q2009.

For the quarter, the all-in interest rate was 3.4% per annum in 3Q2010 excluding the amortisation of upfront fee for the early repayment of \$161 million of the revolving loan and 4.25% per annum in 3Q2009. The aggregate leverage stood at 15.1% as at 30 September 2010. The weighted average term to expiry of debt is 1.4 years.

The portfolio attained 99.2% committed occupancy as at end-September 2010 as compared with 94.9% as at end-September 2009.

Review of performance for 3Q2010 vs 2Q2010

Turnover for 3Q2010 was \$21.8 million, a decrease of \$1.5 million or 6.3% over that for 2Q2010. The decrease was due mainly to a correction to the straight-line accounting of rental income reported in 2Q2010 from the 50% stake in 275 George Street. This adjustment has no impact on the distributable income.

Property expenses of \$4.2 million were lower than the amount in 2Q2010 by \$0.6 million or 12.5%, due mainly to lower repair and maintenance costs.

Net property income decreased by 4.8% to \$17.5 million in 3Q2010 mainly due to a correction to the straight-line accounting of rental income reported in 2Q2010 from the 50% stake in 275 George Street. The decrease was partially offset by a lower repair and maintenance costs. Total return before tax increased by \$2.2 million or 16.2% in 3Q2010 due mainly to a lower borrowing costs and acquisition expense of \$2.2 million incurred for 275 George Street in 2Q2010 offset by a lower net property income.

Distribution to Unitholders for 3Q2010 increased to \$22.7 million from \$22 million in 2Q2010. The increase was due mainly to a lower borrowing costs.

Excluding the upfront fee for the early repayment of the revolving loan of \$230 million and \$161 million respectively, the interest rate for 3Q2010 was 3.4% per annum as compared with 3.54% per annum for 2Q2010. The aggregate leverage stood at 15.1% as at 30 September 2010 against 15.2% as at 30 June 2010, and the weighted average term to expiry of debt was increased to 1.4 years in September 2010 from 0.8 year in June 2010.

The portfolio attained 99.2% committed occupancy as at end-September 2010 as compared with 97.9% as at end-June 2010.

8. REVIEW OF PERFORMANCE (CONT'D)**Review of performance for YTD Sep 2010 vs YTD Sep 2009**

Turnover for YTD Sep 2010 was \$63.2 million, an increase of \$17.4 million or 38% over that for YTD Sep 2009. This improvement was due mainly to contributions from the additional six strata floors of Prudential Tower acquired in November 2009 as well as the 50% stake in 275 George Street, Brisbane acquired in March 2010.

Property expenses of \$13.4 million were higher than the amount in YTD Sep 2009 by \$3 million or 29.4%, due mainly to the higher operating expenses on the account of higher repair and maintenance costs, marketing costs, and maintenance and sinking fund contributions.

Net property income increased by 40.5% to \$49.8 million in YTD Sep 2010 on the account of higher property income of \$17.4 million offset by higher property expenses of \$3 million. Net income increased by \$19.7 million or 95.9% in YTD Sep 2010 due to a higher net property income, lower amortisation of income support, lower borrowing costs offset by higher trust expenses on the account of an acquisition expense of \$2.2 million incurred for 275 George Street.

Distribution to Unitholders for YTD Sep 2010 increased to \$62.5 million from \$51.1 million in YTD Sep 2009. The increase was due mainly to higher net property income and lower borrowing expenses in YTD Sep 2010, partly offset by the payment of 50% of the management fees in cash as compared with 100% in units in YTD Sep 2009.

The portfolio attained 99.2% committed occupancy as at end-September 2010 as compared with 94.9% as at end-September 2009.

9. VARIANCE FROM FORECAST STATEMENT

No forecast for the nine months ended 30 September 2010 was previously provided.

10. PROSPECTS

On 11 October 2010, K-REIT Asia announced the proposed acquisition of a one-third interest in Marina Bay Financial Centre (MBFC) Phase 1 at an agreed value of \$1,426.8 million and the divestment of Keppel Towers and GE Tower (KTGE) at an agreed value of \$573 million. The agreed values for the acquisition and divestment are supported by two independent valuations each.

The transaction, when approved by minority Unitholders at an Extraordinary General Meeting to be convened, will improve cashflow resilience and generate greater returns for Unitholders. It will enable K-REIT Asia to acquire a prime asset in the heart of the Marina Bay precinct without raising any additional equity. It will upgrade and expand K-REIT Asia's property portfolio in the Raffles Place and Marina Bay precincts from the current 60% to 90%. K-REIT Asia's portfolio WALE will extend from 5.5 years to 7.8 years and its asset size will increase to \$3.4 billion from the current \$2.3 billion.

MBFC office Towers 1 and 2 are fully let to leading international corporations on long-term leases while Marina Bay Link Mall is currently about 87% tenanted. The stable of blue-chip tenants at MBFC Phase 1 will diversify K-REIT Asia's tenant base and extend the portfolio WALE to 7.8 years.

Concerns over the large supply of new office space have largely abated as new prime Grade A office buildings in the Marina Bay and Raffles Place areas register healthy pre-commitment levels because occupiers of prime office space are eager to secure long leases quickly in the current market of rising rentals. The increase in leasing activity is driven by demand from the financial services and insurance sectors, legal and professional services, as well as oil and gas industry. Leasing agents attribute the demand to both pre-existing occupiers wanting to expand as well new companies that have set up office in Singapore hoping to tap into Asian growth economies.

With its portfolio of well-located quality assets and diversified stable of blue-chip tenants, K-REIT Asia is well-positioned to align itself with the growth trajectory of the office sector and overall economic recovery. K-REIT Asia remains focused on active asset management, retaining existing good tenants and attracting new creditworthy corporations, improving operational and capital efficiencies, and selectively pursuing opportunities for strategic acquisitions in order to deliver stable and growing returns to Unitholders.

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 of 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

The Group's foreign currency risk relates mainly to its Australian Dollar denominated investment and distribution income from its foreign subsidiaries. The Manager monitors the Group's foreign currency exposure on an on-going basis and will manage its exposure to adverse movements in foreign currency exchange rates through financial instruments or other suitable financial products.

Operational risk

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

12. DISTRIBUTIONS
(a) Current financial period reported on

None.

(b) Corresponding period of the immediately preceding financial year

Not applicable.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

13. DISTRIBUTION STATEMENT

No distribution has been declared / recommended during the period.

14. INTERESTED PERSON TRANSACTIONS

Name of interested person	Aggregate value of all interested person transactions during the financial period under review (excluding transactions of less than \$100,000)	
	3Q2010 \$'000	3Q2009 \$'000
Keppel Corporation and its subsidiaries or associates		
- Manager's management fees	3,752	3,173
- Property management fees and reimbursable	745	659
- Leasing commissions	257	64
- Rental and service charge income ¹	106	-
- Income support	5,761	5,177
- Interest on revolving loan ¹	19,687	-
RBC Dexia Trust Services Singapore Limited		
- Trustee's fees	88	75

Note:

- (1) The aggregate value of interested person transactions refers to the total contract sum entered into during the financial year.

Appendix

QUARTERLY BREAKDOWN

Property contribution by asset (\$'000)

	FY08	1Q09	2Q09	3Q09	4Q09	FY09	1Q10	2Q10	3Q10
Property									
Prudential Tower Property ¹	10,475	2,686	3,103	3,126	4,514	13,429	4,723	4,932	4,831
Keppel Towers and GE Tower	25,666	7,196	7,337	7,528	7,445	29,506	7,095	7,180	7,291
Bugis Junction Towers 275 George Street ²	16,505	4,903	4,917	5,000	5,056	19,876	4,965	4,883	4,983
	-	-	-	-	-	-	1,427	6,235	4,654
Total property income	52,646	14,785	15,357	15,654	17,015	62,811	18,210	23,230	21,759

Income contribution by asset (\$'000)

	FY08	1Q09	2Q09	3Q09	4Q09	FY09	1Q10	2Q10	3Q10
Property									
Prudential Tower Property ¹	8,270	1,982	2,638	2,584	3,809	11,013	3,855	3,916	4,041
Keppel Towers and GE Tower	18,942	5,247	5,601	5,739	5,490	22,077	4,723	4,811	5,765
Bugis Junction Towers 275 George Street ²	12,447	3,591	4,077	3,980	4,142	15,790	4,207	3,920	3,916
	-	-	-	-	-	-	1,103	5,746	3,797
Net property income	39,659	10,820	12,316	12,303	13,441	48,880	13,888	18,393	17,519
One-third interest in ORQPL:									
- Income support	24,799	6,151	6,188	5,177	5,495	23,011	5,968	5,816	5,761
- Interest income	8,799	1,892	4,345	3,214	3,051	12,502	3,087	2,973	2,910
- Dividend income	10,768	3,116	929	3,645	3,499	11,189	2,092	2,378	1,942
Total income from one-third interest in ORQPL	44,366	11,159	11,462	12,036	12,045	46,702	11,147	11,167	10,613
Total income contribution	84,025	21,979	23,778	24,339	25,486	95,582	25,035	29,560	28,132

Notes:

- (1) The interest in Prudential Tower Property was increased from 44.4% to 73.4% on 2 November 2009.
(2) The acquisition of the 50% interest in 275 George Street, Brisbane was completed on 1 March 2010.

By Order of the Board
K-REIT Asia Management Limited
(Company Registration Number: 200411357K)
As Manager of K-REIT Asia

CHOO CHIN TECK / JACQUELINE NG
Joint Company Secretaries
18 October 2010

CONFIRMATION BY THE BOARD

We, TSUI KAI CHONG and NG HSUEH LING, being two Directors of K-REIT Asia Management Limited (the "Company"), as manager of K-REIT Asia, do hereby confirm on behalf of the Directors of the Company that, to the best of their knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the Third Quarter 2010 financial statements of K-REIT Asia to be false or misleading in any material respect.

On Behalf of the Board

TSUI KAI CHONG
Chairman



NG HSUEH LING
Director

18 October 2010