

K-REITasía

Report to Unitholders 2007

Delivering More

Leveraging its premier office portfolio and the wealth of experience of its management team, K-REIT Asia is poised to become a successful pan-Asian real estate investment trust.

CONTENTS

1	Financial Highlights	52	Financial Review
2	Quarterly Results	58	Unit Price Performance
3	Corporate Profile and Significant Events	60	Trust Structure
4	Chairman's Statement	61	Corporate Governance
8	Delivering More	76	Environmental Responsibility
14	Key Figures At A Glance	78	Risk Management
15	Strategic Directions	79	Safety Management
17	Organisation Structure	80	People
18	Board of Directors	82	Community
21	Present Directorships and Past Directorships	83	Investor Relations
22	The Manager	85	Financial Calendar
23	The Property Manager	86	Statistics of Unitholdings
26	Special Feature	88	Corporate Information
	– Asia's Office Markets Charge Ahead	89	Financial Statements
31	Singapore Office Market Review	120	Additional Information
36	Operations Review		
	– Property Portfolio		
42	Portfolio at a Glance		
44	Operations Review		
	– One Raffles Quay		
46	Operations Review		
	– Prudential Tower Property		
48	Operations Review		
	– Keppel Towers and GE Tower		
50	Operations Review		
	– Bugis Junction Towers		

FINANCIAL HIGHLIGHTS

Actual 2007 vs Actual 2006¹

	Actual 2007 \$'000	Actual 2006 ¹ \$'000	% Change
Property income	40,069	23,861	67.9
Net property income	28,262	16,814	68.1
Distributable income ²	21,812	11,174	95.2
Distribution per unit (DPU) (cents)	8.82	4.63	—
Annualised DPU (cents)	8.82	6.76	30.5
Distribution yield (%)	4.1³	2.7 ⁴	—

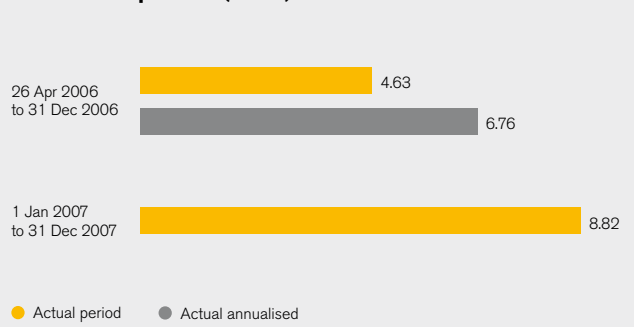
Actual 2007 vs Pro forma 2006⁵

	Actual 2007 \$'000	Pro forma 2006 ⁵ \$'000	% Change
Property income	40,069	33,778	18.6
Net property income	28,262	23,625	19.6
Distributable income ²	21,812	15,307	42.5

Balance sheet as at 31 December 2007

	2007 \$'000	2006 ¹ \$'000
Total assets	2,088,084	694,859
Total liabilities	1,154,317	202,462
Unitholders' funds	933,767	492,397
Total borrowings	1,132,085	190,085
Value of deposited properties (%)	2,102,000	677,000
Aggregate leverage (%)	53.9	27.4
Number of units in issue ('000)	247,184	241,610
Net asset value per unit (\$)	3.78	2.04
Adjusted net asset value per unit (\$) - excluding distributable income	3.73	2.00
Market capitalisation	526,501³	604,026 ⁴

Distribution per unit (cents)



Financial ratios

	2007	2006 ¹
Distribution per unit (cents)	8.82	4.63
Interest coverage ratio (times)	2.3	2.7
All-in interest rate (%)	3.88	4.03

¹ Income and expenses related to the period from 26 April 2006 to 31 December 2006. K-REIT Asia was established on 28 November 2005 and the acquisition of the initial properties was completed on 26 April 2006. K-REIT Asia had no income and expenses for the period prior to 26 April 2006.

² The distributable income to Unitholders is based on 100% of the income available for distribution to Unitholders.

³ Based on the closing price of \$2.13 as at the last trading day, 31 December 2007.

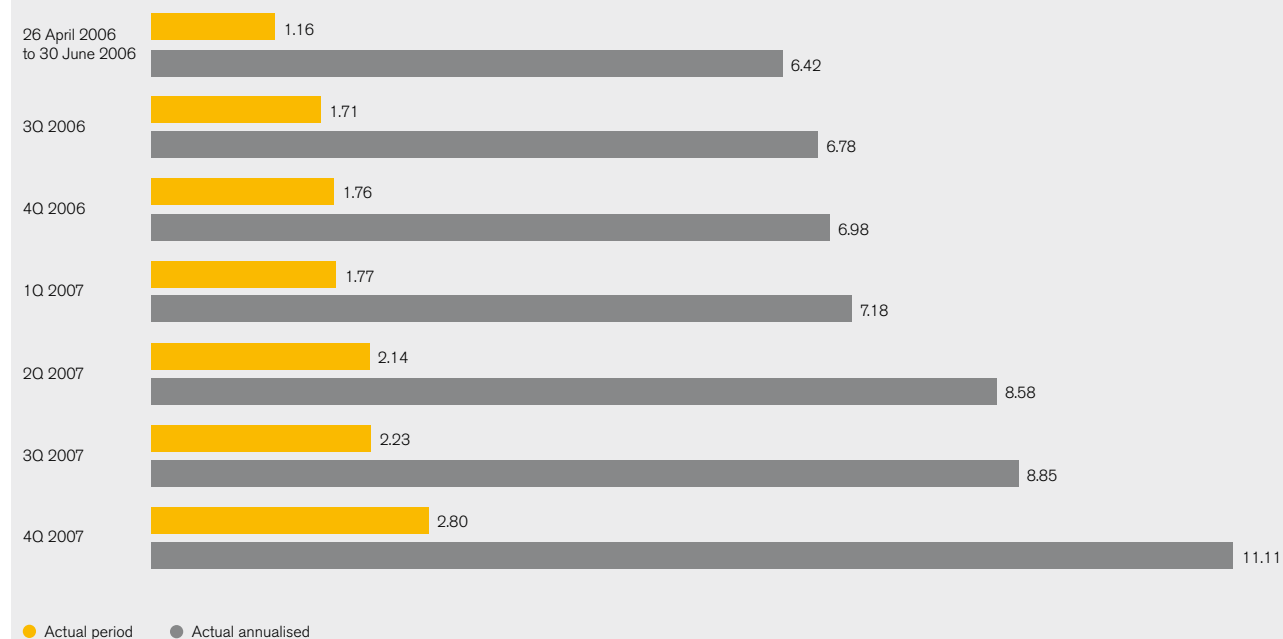
⁴ Based on the closing price of \$2.50 as at the last trading day, 29 December 2006.

⁵ 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 had no income and expenses for the period prior to 26 April 2006, the pro forma 2006 comparative figures were 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.

QUARTERLY RESULTS

	Quarter 1		Quarter 2		Quarter 3		Quarter 4		Total year
	\$'000	%	\$'000	%	\$'000	%	\$'000	%	\$'000
Property income									
2007	8,866	22	9,852	25	10,323	26	11,028	28	40,069
2006 ¹	7,868	23	8,039	24	8,769	26	9,102	27	33,778
Net property income									
2007	6,462	23	7,283	26	7,493	27	7,024	25	28,262
2006 ¹	5,566	24	5,583	24	6,262	27	6,214	26	23,625
Distributable income									
2007	4,289	20	5,192	24	5,411	25	6,920	32	21,812
2006 ¹	3,470	23	3,460	23	4,121	27	4,256	28	15,307

Quarterly distribution per unit (cents)



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 had no income and expenses for the period prior to 26 April 2006, the pro forma 2006 comparative figures were 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.

CORPORATE PROFILE

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 commercial office buildings from Keppel Land Limited for \$630.7 million.

The REIT was listed on the Singapore Exchange Securities Trading Limited by way of an introduction on 28 April 2006.

On 10 December 2007, K-REIT Asia completed its maiden acquisition of a one-third interest in a Grade A office building, One Raffles Quay, bringing the number of assets in its portfolio to five. K-REIT Asia's portfolio size was \$2.1 billion as at 31 December 2007.

K-REIT Asia aims to become a successful pan-Asian real estate investment trust, valued by its Unitholders for delivering steady and sustainable returns.

SIGNIFICANT EVENTS

22 January 2007

K-REIT Asia's distributable income for the period from 26 April 2006 to 31 December 2006 exceeded forecast by 23.9%

5 April 2007

Appointed Mrs Lee Ai Ming in place of Mr Kevin Wong Kingcheung as an Audit Committee member of the Manager

16 April 2007

K-REIT Asia's distributable income for the period from 1 January 2007 to 31 March 2007 increased by 23.6% over the prior corresponding period in 2006

18 July 2007

K-REIT Asia's distributable income for the period from 1 January 2007 to 30 June 2007 surpassed the first half of 2006 by 36.8%

30 July 2007

Signed a conditional share purchase agreement with Boulevard Development Pte Ltd for the purchase of a one-third interest in One Raffles Quay Pte Ltd (ORQPL) at a total acquisition cost of \$953.6 million

22 September 2007

Issued the notice of Extraordinary General Meeting (EGM) and despatched a circular to Unitholders to obtain approval for the acquisition of a one-third interest in ORQPL and the issuance of new units and convertible bonds in relation to the acquisition

10 October 2007

K-REIT Asia's distributable income for the period from 1 July 2007 to 30 September 2007 increased by 31.3% over the prior corresponding period in 2006

11 October 2007

Received support from Unitholders at the EGM for the acquisition of a one-third interest in ORQPL, with all six resolutions duly passed

10 December 2007

Completed acquisition of a one-third interest in ORQPL with funding from a \$942 million bridging loan

Assigned a corporate rating of 'Baa3' with a stable rating outlook by Moody's

Assets under management

+210.5%

During 2007, K-REIT Asia grew its assets under management by more than three times from \$677.0 million to \$2.1 billion.

DEAR UNITHOLDERS

On behalf of the Board and the Manager, I am pleased to present the report of K-REIT Asia for the year ended 31 December 2007.

During 2007, K-REIT Asia grew its assets under management by more than three times to \$2.1 billion from \$677.0 million, surpassing the target of \$2 billion set a year ago. It also achieved robust year-on-year increases in net property income and distribution per unit (DPU) for the year ended 31 December 2007.

HEALTHY GROWTH IN SINGAPORE OFFICE MARKET

In 2007, Singapore's economy grew at 7.7%, easing slightly from 8.2% in 2006. Despite sub-prime related financial uncertainties in the second half of 2007, the financial services sector grew at 16.9% while the construction sector expanded the fastest at 20.3%.

With a buoyant economy and tight office space supply, office rentals were pushed higher. CB Richard Ellis reports an average prime office rent of \$15.00 per square foot (psf) per month in the fourth quarter of 2007, resulting in a 92.1% year-on-year



increase and exceeding the historical peak of \$11.50 psf per month in 1990.

STRONG FINANCIAL PERFORMANCE

For the financial year ended 31 December 2007, K-REIT Asia's property income rose by 18.6% to \$40.1 million, excluding contributions from its one-third interest in One Raffles Quay Pte Ltd (ORQPL), compared to \$33.8 million for pro forma 2006.

Net property income grew by 19.6% to \$28.3 million in 2007 from \$23.6 million in pro forma 2006. The increase was driven mainly by higher gross rental income on the back of higher rental rates.

K-REIT Asia's one-third share of maiden contributions derived from ORQPL amounted to \$2.8 million, comprising income support received from the vendor, interest income and dividend income.

As a result, distributable income to Unitholders increased by 42.5% year-on-year to \$21.8 million. The full-year total DPU of 8.82 cents was 30.5% higher than the annualised DPU of 6.76 cents for the last financial period ended 31 December 2006.

GOOD RETURNS TO UNITHOLDERS

During the second half of 2007, the volatility in global equity markets led to a general sell-off, not sparing the S-REIT sector which had enjoyed a good run in the first half of the year.

In tandem with the weakness in the broad market, K-REIT Asia's unit price closed at \$2.13 on 31 December 2007, down 14.8% from the beginning of the year.

Nonetheless, Unitholders who have held their units since K-REIT Asia's debut on the Singapore Exchange on 28 April 2006, enjoyed a total return of about 118% as at 31 December 2007, based on the first trading day's opening price per unit of \$1.04.

FIRST SIGNIFICANT YIELD-ACCRETIVE ACQUISITION

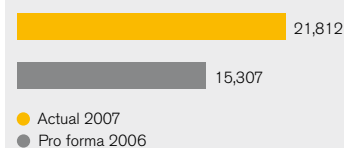
K-REIT Asia achieved a milestone during the year with its maiden acquisition of a one-third interest in ORQPL for approximately \$953.6 million on 10 December 2007. This acquisition brings the number of assets in K-REIT Asia's portfolio to five.

One Raffles Quay (ORQ) is located in the Central Business District at the gateway to Singapore's new downtown in Marina Bay. It is also one of the largest prime office developments in Singapore with a 50-storey North Tower, a 29-storey South Tower and a direct underground link to Raffles Place MRT station.

With this significant yield-accretive acquisition, K-REIT Asia's portfolio size effectively increased from 786,927 square feet (sf) to approximately 1.23 million sf of prime office space.

The one-third interest in ORQPL also provided diversification benefits to the portfolio with its list of blue-chip tenants such as ABN Amro, Barclays Bank PLC Singapore, Credit Suisse, Deutsche Bank, Ernst & Young and UBS AG. In addition, ORQ now extends K-REIT Asia's presence in the downtown core area of Singapore.

Distributable income (\$'000)



+42.5%

K-REIT Asia's pan-Asian mandate enables it to invest in quality commercial properties in growth cities in the region.

Portfolio's committed occupancy

30 Jun 2007



31 Dec 2007



- Keppel Towers and GE Tower
- Bugis Junction Towers
- Prudential Tower Property (44.4% of the strata area)
- One Raffles Quay (one-third interest)

TREBLING OF PROPERTY PORTFOLIO VALUE

With the ORQPL acquisition and property revaluation gains, K-REIT Asia's asset size jumped by 210.5% to \$2.1 billion as at 31 December 2007 from \$677.0 million as at 31 December 2006. The total attributable net lettable area of the property portfolio has also increased by about 57% to 1.23 million sf.

K-REIT Asia's initial portfolio, Prudential Tower (44.4% of the strata area), Bugis Junction Towers, Keppel Towers and GE Tower, enjoyed revaluation gains of \$433.0 million. The value of these assets increased from \$677.0 million as at 31 December 2006 to \$1.1 billion on 10 December 2007. As a result, K-REIT Asia's net asset value per unit increased by 85.3% to \$3.78 as at 31 December 2007 from \$2.04 as at end-2006.

QUALITY PORTFOLIO

As at 31 December 2007, the committed occupancy rate of K-REIT Asia's portfolio was 99.9%, similar to that at the end of the previous year.

Including the one-third interest in ORQPL, the average gross rental of the portfolio was 58.4% higher at \$6.02 psf per month from \$3.80 a year ago. Excluding ORQ, the average gross rental of K-REIT Asia's initial properties increased by 22.4% to \$4.65 psf per month as at end-2007.

CAPITAL STRUCTURE

In December 2007, Moody's Investors Service assigned K-REIT Asia a corporate family rating of 'Baa3' with a stable rating outlook.

To strengthen K-REIT Asia's balance sheet and capital structure, the Manager has, in January 2008, announced plans to raise up to \$700 million by way of a renounceable rights issue.

The net proceeds will be used to partially refinance the bridging loan of \$942 million for the acquisition of the one-third interest in ORQPL. This will reduce K-REIT Asia's aggregate leverage and provide it with significant additional debt capacity to fund further property acquisitions.

LOOKING FORWARD

Given an uncertain 2008, Singapore's Ministry of Trade and Industry has forecast that Singapore's economy will moderate to a growth of between 4.0% and 6.0% in 2008, following four years of strong growth.

Despite downside risks arising from the uncertainties in the global financial markets, demand for office space is expected to remain healthy in 2008. Singapore's attractiveness as a key business location in Asia will also continue to underpin demand.

Indications are that the tight supply situation will continue for another two to three years and will be eased only when Marina Bay Financial Centre (Phase I) comes onstream in 2010.

Despite financial market uncertainties, K-REIT Asia expects to provide sustained income growth over the next few years. It has a good portfolio of office properties, high occupancy and good potential to increase its relatively low average rentals.

Some 44.5% of its net lettable area will be due for lease expiry and another 21.9% will be due for rent review between 2008 and 2010.

In 2008, the Manager will continue to seek value creation opportunities for K-REIT Asia's property portfolio through asset enhancement initiatives and focus on maintaining the high occupancy rates within its office properties. The Manager will also continue to optimise the REIT's capital structure and cost of capital.

Although all assets are presently located in Singapore, K-REIT Asia's pan-Asian mandate enables it to invest in quality commercial properties in other growth cities in the region. As such, the Manager is therefore stepping up efforts to pursue acquisitions in regional markets such as China and Vietnam. These may include acquisitions from third-party vendors as well as from its sponsor, Keppel Land.

Barring unforeseen circumstances, the Manager is confident of delivering a consistently good performance in 2008.

ACKNOWLEDGEMENTS

I would like to express my appreciation to the Board of Directors, Unitholders, business partners, tenants and employees for their invaluable contributions and support for the past year. I look forward to your continued dedication as we work towards delivering more returns for Unitholders in the year ahead.

Yours sincerely,



Tsui Kai Chong
Chairman
3 March 2008

With its strategy and experience, K-REIT Asia is

Delivering More

Robust Growth

Solid Performance



Organic

K-REIT ASIA IS DELIVERING **MORE ROBUST GROWTH**

Dynamic

From organic to dynamic growth through acquisitions.

K-REIT Asia has surpassed the past year's \$2 billion portfolio size target on the back of rental increases, a significant maiden acquisition and the portfolio's revaluation gains.

The Manager will continue to explore strategic opportunities to enlarge its portfolio and enhance its current assets to drive further growth.



Credible

K-REIT ASIA IS DELIVERING **MORE SOLID PERFORMANCE**

Superior

From credible to superior performance. K-REIT Asia continues to seek value creation opportunities for its property portfolio through asset enhancement initiatives and is focused on maintaining high occupancy rates in its premier office portfolio.

With its pan-Asian mandate, K-REIT Asia is stepping up efforts to pursue acquisitions in regional markets.

Given its fully committed portfolio occupancy and diverse tenant mix, coupled with continued efforts to ride on different market cycles, K-REIT Asia will be able to ensure risk diversification and greater stability.

KEY FIGURES AT A GLANCE

First acquisition

One Raffles Quay (one-third interest) was K-REIT Asia's first significant acquisition since listing.

1st

Asset size

Asset size jumped by 210.5% to \$2.1 billion as at 31 December 2007.

\$2.1b

Number of assets

The acquisition of a one-third interest in One Raffles Quay Pte Ltd brings the number of assets in K-REIT Asia's portfolio to five.

5

Distribution per unit

Total distribution per unit (DPU) of 8.82 cents was 30.5% higher than the annualised DPU of 6.76 cents in 2006.

30.5%

Net property income plus income contribution

Net property income plus income contribution¹ grew by 31.4% to \$31.0 million from \$23.6 million in pro forma 2006.

31.4%

Distributable income

Distributable income to Unitholders increased by 42.5% year-on-year to \$21.8 million.

42.5%

Average gross rental rate

Portfolio's average gross rental rate was 58.4% higher at \$6.02² per square foot per month as at 31 December 2007.

58.4%

Occupancy rate

Portfolio's committed occupancy was 99.9% as at 31 December 2007.

99.9%

¹ Income contribution from one-third interest in One Raffles Quay Pte Ltd.

² Includes income support for one-third interest in One Raffles Quay Pte Ltd.

K-REIT Asia is confident of executing its growth strategies to deliver sustainable returns to its Unitholders.

STRATEGIC DIRECTIONS	STRATEGY IN ACTION	
<p>Maximise performance</p> <p>Objective</p> <ul style="list-style-type: none"> • Increase net property income • Build sustainable earnings 	<ul style="list-style-type: none"> • Improving building performance and efficiencies • Continuing proactive asset management • Providing flexible leasing options to existing and prospective tenants • Building on a balanced tenancy profile • Enhancing relationships to maintain high tenancy retention • Implementing prudent lease-term strategies to address forecast market conditions • Increasing other non-rental income 	
<p>Enhance assets</p> <p>Objective</p> <ul style="list-style-type: none"> • Improve existing property value 	<ul style="list-style-type: none"> • Strengthening professional property management expertise and capabilities • Emphasising safety and security measures • Leveraging technology to improve operations • Progressing potential increases to net lettable area • Improving quality of interior fittings and finishings • Promoting quality brand awareness • Implementing green initiatives for social contribution and improving building performance 	
<p>Acquire quality assets</p> <p>Objective</p> <ul style="list-style-type: none"> • Increase assets under management 	<ul style="list-style-type: none"> • Increasing market intelligence • Pursuing business development actively • Leveraging competencies and experience in regional office markets • Analysing feasibility of specific single asset and multiple asset acquisitions • Reviewing other real estate-related asset acquisitions • Progressing the establishment of longer-term pipeline opportunities 	
<p>Achieve capital efficiency</p> <p>Objective</p> <ul style="list-style-type: none"> • Optimise capital structure 	<ul style="list-style-type: none"> • Pursuing balance between debt and equity • Reducing aggregate leverage to provide debt headroom to fund new acquisitions • Limiting interest cost exposure by capping long-term rates • Utilising competitive revolving credit facility to meet short-term working capital needs 	
<p>Build efficiencies and nurture talent</p> <p>Objective</p> <ul style="list-style-type: none"> • Grow competencies to drive growth 	<ul style="list-style-type: none"> • Expanding human capital within the Manager • Training and developing competency of staff • Procuring technology to improve operations • Procuring systems to provide real-time data for accurate and swifter management decision-making 	

INVESTMENT STRATEGY

The principal investment strategy of K-REIT Asia is to achieve stable income and long-term growth in net asset value for Unitholders by investing in a portfolio of quality real estate and real estate-related assets which are income-producing and used predominantly for commercial purposes in Singapore and Asia.

In line with its objective of becoming a pan-Asian commercial REIT, the Manager of K-REIT Asia has been actively exploring strategic acquisition opportunities in Singapore and around the region that will add value to the present portfolio of quality office buildings.

The primary focus is on quality assets located in the respective central business districts of the major regional metropolitan centres in Asia. Despite the competitive bidding environment for office space in today's marketplace, the Manager does not compromise on its criteria for evaluating potential acquisitions of office buildings. Potential acquisitions are evaluated based on stringent criteria, which involves a thorough review of exposures, risk and return, and overall value-add to K-REIT Asia's existing portfolio and future growth expectations.

K-REIT Asia maintained its position as an office-focused commercial REIT as at end-2007. New opportunities may involve elements of retail and other ancillary commercial uses that will complement predominantly office-use developments.

As Asia continues to display strong growth and its gross domestic product continues to climb, K-REIT Asia believes the need for quality office space will continue to grow regionally. The Manager will therefore continue to source for commercially-viable opportunities within the region where K-REIT Asia's interests are best served.

PROACTIVE ASSET AND LEASE MANAGEMENT

Through proactive asset and lease management, the Manager maintained the portfolio's occupancy at 99.9% as at end-2007 while raising gross rental rates steadily. This reflected good relationships with tenants and healthy underlying demand for prime office space.

Based on the portfolio's total net lettable area as at 31 December 2007, 44.5% is due for lease expiry between 2008 and 2010 and 21.9% is due for rent review within the same period. This will allow K-REIT Asia to negotiate for higher rental rates when new leases are secured or existing leases are renewed, in view of the healthy office market in Singapore presently.

The Manager will continue to take a proactive approach towards marketing activities and build strong relationships with tenants. This requires the Manager to understand each tenant's needs so as to better meet individual requirements. The ability to appreciate the nature of tenants' businesses and understand their requirements allows the Manager to identify areas that can be improved and explore asset enhancement initiatives that will add value to the respective assets and the portfolio as a whole.

CAPITAL MANAGEMENT

The Manager endeavours to optimise K-REIT Asia's capital structure and cost of capital.

K-REIT Asia obtained a first-time corporate rating of 'Baa3' with a stable rating outlook by Moody's on 10 December 2007. For the financial year ended 31 December 2007, K-REIT Asia's outstanding borrowings totalled \$1.1 billion, or 53.9% of the value of its total assets which was within the 60% borrowing limit set out in the Property

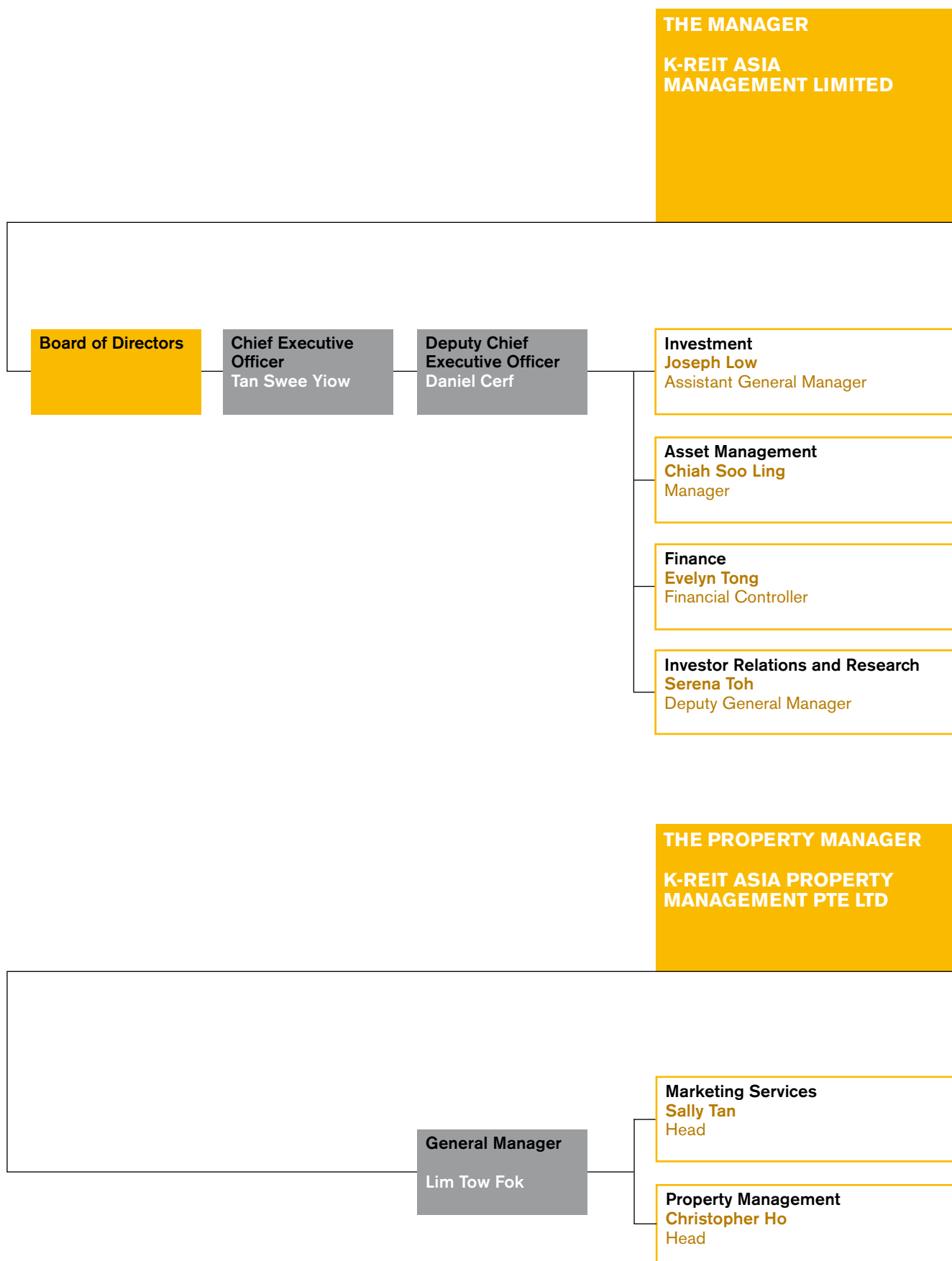
Fund Guidelines. Weighted average funding cost was at 3.88% per annum, with an interest service coverage ratio of 2.3 times.

The higher borrowings as at end-2007 was due to the bridging loan of \$942 million taken to finance the acquisition of a one-third interest in One Raffles Quay Pte Ltd.

In January 2008, the Manager of K-REIT Asia announced a plan to embark on a rights issue to raise up to \$700 million. The Manager believes that a rights issue is the most appropriate means of raising funds in view of volatile conditions in the capital markets.

The additional funds will reduce K-REIT Asia's aggregate leverage and give it the flexibility to make acquisitions of new properties, amidst the competitive climate for office property acquisitions. A lower aggregate leverage will also improve the REIT's credit profile and help it to possibly refinance its debt at lower interest rates in the future.

ORGANISATION STRUCTURE



BOARD OF DIRECTORS



PROFESSOR TSUI KAI CHONG
**Chairman and Independent
Non-Executive Director**

Professor Tsui has been the Chairman of the Board of the Manager since 28 November 2005. He has been a Director of Keppel Land Limited since 2001. He is Professor of Finance and Provost of SIM University. He was the founding Dean of the School of Business, Singapore Management University (SMU). He was also the Vice Provost of Undergraduate and Graduate Education.

Prior to his being Dean, he was Acting Director of Communications and Information Technology at SMU. He was previously Deputy Director of the Graduate School of Business, National University of Singapore. There, he was also Director of the MBA, MBA/LLM, Graduate Diploma and MSc Applied Finance programmes.

He is a non-executive Director of Fullerton Fund Management Company Ltd and serves on the editorial board of the *Financial Analysts Journal*. He is also a member of the Board of Governors, The Intellectual Property Academy, Singapore.

Professor Tsui received his Ph.D in Finance from New York University in 1988 and his Chartered Financial Analyst qualification in 1993.



MR KEVIN WONG KINGCHEUNG
**Deputy Chairman and
Non-Executive Director**

Mr Wong has been the Deputy Chairman and non-executive Director of the Manager since 28 November 2005. He is concurrently the Group Chief Executive Officer of Keppel Land Limited and has been since January 2000. He is Vice-Chairman and Director of Evergro Properties Limited. He is also a Director of Prudential Assurance Company Singapore (Private) Limited.

Prior to joining Keppel Land Limited, Mr Wong had diverse experience in the real estate industry in the UK, USA and Singapore. Mr Wong holds a Bachelor's Degree in Civil Engineering with First Class Honours from Imperial College, University of London, and a Master's Degree from the Massachusetts Institute of Technology, USA.



MR TAN SWEE YIOW

Chief Executive Officer and Director

Mr Tan is the Chief Executive Officer and a Director of the Manager since 24 November 2005. He joined Keppel Land Group in 1990 and is the Chief Executive Officer (Singapore Commercial) overseeing the Group's commercial investment and development operations in Singapore and has been since 1998.

Prior to joining Keppel Land Limited, Mr Tan was with a banking group, advising on property valuation, taxation and investment.

Mr Tan holds a Bachelor of Science Degree (First Class Honours) in Estate Management from the National University of Singapore and a Master of Business Administration Degree in Accountancy from the Nanyang Technological University.



MRS LEE AI MING

Independent Non-Executive Director

Mrs Lee has been an independent non-executive Director of the Manager since 28 November 2005. She has been an independent Director of Keppel Land Limited since November 2002.

She is currently the Deputy Managing Partner of the law firm of Rodyk & Davidson. She has practised law for more than 20 years in the areas of commercial litigation, real estate and intellectual property. Mrs Lee is also an independent Director, chairperson of the Nominating committee and member of the Audit committee of HTL Int'l Holdings Limited.

Mrs Lee serves on various other forums, including as Executive Committee Member of the Singapore Law Society and the Federation Internationale des Conseils en Propriété Industrielle; Vice-Chairperson, Asian Patent Attorney's Association – Singapore Group; Chairperson of the ASEAN subcommittee and member of the International Panel of Neutrals of the International Trade Marks Association; and Chairperson of the Asian Patent Attorney's Association – Singapore chapter.

Mrs Lee holds a Bachelor of Laws Degree (Honours) from the University of Singapore, and is an Advocate & Solicitor of the Supreme Court of Singapore.



MR LIM POH CHUAN

Independent Non-Executive Director

Mr Lim has been an independent non-executive Director of the Manager since 3 February 2005. He graduated with a Bachelor's Degree in Economics from the University of Singapore and started his banking career with the Singapore-based United Overseas Bank Group (UOB Group).

The Financial Services Division formed by him at UOB Group assisted key Directors in the formulation of group policies and setting up new corporations providing ancillary services such as merchant banking, nominee and custodian services. The department also oversaw investment activities of the Group.

Mr Lim resigned from UOB Group to join Singapore stockbroker JM Sassoon & Co. Pte Ltd, as Director and shareholder. He retired in 1991 to pursue his private investments.

Since 1993 Mr Lim has been in close association with Income Partners Asset Management of Hong Kong (IP) and is a member on the boards of directors of IP's Asian Credit Hedge Fund, Asian CRC Hedge Fund, Asian Special Finance Hedge Fund, and Global Credit Hedge Fund.



DR CHIN WEI-LI, AUDREY MARIE

Independent Non-Executive Director

Dr Chin has been an independent non-executive Director of the Manager since 3 February 2005. She is currently also an independent Director, chairman of the Risk committee, and member of the Audit and Remuneration and Nominating committees of Singapore Petroleum Company Ltd. She also serves as Chairman of Vietnam Investing Associates – Financials (S) Pte Ltd.

Dr Chin was the Head of Investment Services at Fortis Private Banking Singapore Ltd (formerly known as MeesPierson Asia Limited), the Private Bank of Fortis. Prior to joining MeesPierson, she was an Asset Allocation Strategies Partner at Pacific Asset Management (S) Pte Ltd, a licenced boutique fund manager in Singapore. She was also an executive Director of Rossignol Private Limited, an investment adviser providing consultancy services to institutional fund managers.

Between 1996 and 1999, Dr Chin was Division Head, Asset Allocation in the Economics and Strategy Department of the GIC. She began her career at GIC in 1989.

Dr Chin graduated from Manchester University with a Bachelor of Laws (Honours), Oxford University with a Masters of Science Degree (Research Methods and Public Policy) and the Rand Graduate School with a Ph.D in Public Policy.

PRESENT DIRECTORSHIPS AND PAST DIRECTORSHIPS IN THE LAST THREE YEARS

DIRECTORS

Present and past principal directorships held by the Directors in the last three years are as follows:

PROFESSOR TSUI KAI CHONG

Present Directorships

Fullerton Fund Management Company Ltd; Keppel Land Limited

Past Directorships

Keppel Capital Holdings Ltd; Keppel TatLee Bank Ltd

MR KEVIN WONG KINGCHEUNG

Present Directorships

Keppel Land Limited and its various subsidiaries and associated companies; Evergro Properties Ltd; Prudential Assurance Company Singapore (Pte) Limited

Past Directorships

HDB Corporation Pte Ltd and various subsidiaries and associated companies of Keppel Land Limited; Singapore Hotel Association; Singapore International Chamber of Commerce

MR TAN SWEE YIOW

Present Directorships

Various subsidiaries and associated companies of Keppel Land Limited

Past Directorships

Various subsidiaries and associated companies of Keppel Land Limited

MRS LEE AI MING

Present Directorships

Addvision Pte Ltd; HTL Int'l Holdings Limited; Keppel Land Limited; Visodand Pte Ltd

Past Directorships

Nil

MR LIM POH CHUAN

Present Directorships

Asian Credit Hedge Fund; Asian CRC Hedge Fund; Asia Multi-Finance Hedge Fund; Asian Special Finance Hedge Fund; Global Credit Hedge Fund; Income Partners (Singapore) Pte Ltd; Income Partners Greater China High Yield Fund; Kapital Asia Company Limited; New China Land Group Limited; Regent Land Limited; Grandlight Profits Limited; Edgemont Holdings Pte Ltd; Grandlight International Pte Ltd; Shining Hope Pte Ltd; Singapore Energy Pte Ltd; Singapore Electric Pte Ltd; Sino Power Pte Ltd

Past Directorships

Interra Resources Limited; Sino Eastern Development & Investment Corporation

DR CHIN WEI-LI, AUDREY MARIE

Present Directorships

Singapore Petroleum Company Ltd; Vietnam Investing Associates – Financials Singapore Private Limited

Past Directorships

Save the Children Singapore Limited; Rossignol Private Limited

SENIOR MANAGEMENT

Present and past principal directorships held by senior management in the last three years are as follows:

DANIEL CERF

Present Directorships

Supreme Value Properties (M) Sdn Bhd

Past Directorships

Value Asset Management (M) Sdn Bhd
Value Properties Holdings Limited
Land & Capital Co. Limited
Thaicom Limited

EVELYN TONG

Present Directorships

Nil

Past Directorships

Nil

JOSEPH LOW

Present Directorships

Nil

Past Directorships

Nil

SERENA TOH

Present Directorships

Keppel Land (Tower D) Pte Ltd

Past Directorships

Nil

THE MANAGER

Left to right:

1. Serena Toh

Deputy General Manager,
Investor Relations and Research

2. Tan Swee Yiow

Chief Executive Officer and Director

3. Evelyn Tong

Financial Controller

4. Daniel Cerf

Deputy Chief Executive Officer

5. Joseph Low

Assistant General Manager,
Investment



Left to right:

1. Loh Kar Yen

Assistant Manager, Asset Management

2. Chiah Soo Ling

Manager, Asset Management

3. Jeanette Pang

Manager, Investor Relations
and Research

4. Tan Pua Chi

Senior Manager, Finance

5. Anthea Lee

Manager, Investment

6. Betty Lim

Assistant Manager, Finance



THE PROPERTY MANAGER



Left to right:

- 1. Dennis Tay**
General Manager, Marketing
- 2. Christopher Ho**
Head, Property Management
- 3. Lim Tow Fok**
General Manager
- 4. Sally Tan**
Head, Marketing Services



Left to right:

- 1. Yong Siok Chin**
Senior Manager, Property Management
- 2. Pamela Koh**
Assistant Manager, Marketing
- 3. William Wong**
Manager, Property Management
- 4. Leong Geok Mui**
Manager, Marketing
- 5. Alan Ng**
Senior Manager, Property Management
- 6. Tricia Tan**
Senior Executive, Marketing
- 7. Wong Joo Siong**
Manager, Property Management

THE MANAGER AND THE PROPERTY MANAGER

THE MANAGER

K-REIT ASIA MANAGEMENT LIMITED

TAN SWEE YIOW

Chief Executive Officer

Mr Tan is also a Director of K-REIT Asia Management Limited and his profile can be found under the 'Board of Directors' section of this Annual Report.

DANIEL CERF

Deputy Chief Executive Officer

Mr Cerf handles strategic planning, investor relations, portfolio management and operations as well as sources for business development opportunities in Singapore and the pan-Asian markets.

He has more than 20 years in real estate in Asia, working on investment and development ventures in Hong Kong, Philippines, Singapore, Indonesia, Thailand, Vietnam and Malaysia.

Prior to this appointment, Mr Cerf was General Manager of Special Duties, Keppel Land Limited. He has also held key positions with First Pacific Land Ltd in Hong Kong and Singapore in addition to Supreme Value Properties in Malaysia and Land & Capital Co. Limited in Thailand.

Mr Cerf is a licensed architect in the United States and holds a Bachelor of Architecture Degree (Dean's List) from the University of Oklahoma, USA.

INVESTMENT

The investment team is responsible for identifying and evaluating potential acquisitions with a view to enhance the portfolio. Besides structuring potential acquisition transactions, the team members also identify possible divestment opportunities of properties that are no longer strategic, do not enhance the portfolio, or fail to be yield-accretive.

JOSEPH LOW

Assistant General Manager, Investment

Mr Low has more than 14 years of experience in various areas of the property industry, including investment, development, strategic planning, mergers and acquisitions, and corporate restructuring. He was formerly the Head of Corporate Development in Keppel Land Limited where he led a team in strategic planning, risk management and special investments.

Mr Low holds a Bachelor of Science Degree (Honours) in Estate Management from the National University of Singapore and a Master of Business Administration from University of Hull, United Kingdom. He is also a Chartered Financial Analyst.

ANTHEA LEE

Manager, Investment

Ms Lee has more than 11 years of experience in real estate investment, business development, asset management and project management. Prior to joining the Manager, she was a business development manager at Ascendas Land (S) Pte Ltd.

Ms Lee holds a Bachelor of Science Degree (Honours) in Estate Management from the National University of Singapore and a Masters of Science Degree (International Construction Management) from Nanyang Technological University.

ASSET MANAGEMENT

The asset management team implements business plans for the property portfolio with the aim of maximising rental income. The members work closely with the Property Manager so as to maximise the income potential of K-REIT Asia's properties and minimise expenses without compromising the marketability of the commercial space. The asset management team also focuses on operations and the implementation of short- to medium-term objectives, and supervises the Property Manager during the implementation process. The team recommends and analyses potential asset enhancement initiatives as well.

CHIAH SOO LING

Manager, Asset Management

Ms Chiah has more than 12 years of experience in real estate asset management, centre management, tenant representation and valuation. Before joining K-REIT Asia Management Limited, she was a centre manager with DTZ Debenham Tie Leung Property Management Services Pte Ltd.

Ms Chiah holds a Bachelor of Science Degree (Honours) in Estate Management from the National University of Singapore.

FINANCE

The finance team is responsible for the accounting, taxation, treasury, compliance and reporting functions of K-REIT Asia Management Limited. The team ensures that the finance functions are implemented in line with K-REIT Asia's investment and asset management strategies.

EVELYN TONG

Financial Controller

Ms Tong has over 15 years of experience in the finance, accounting, tax, treasury and corporate secretarial roles in both public and private companies. She was previously the Chief Financial Officer of Koh Brothers Group Limited.

Ms Tong holds a Bachelor of Accountancy Degree from the Nanyang Technological University. She is a Certified Public Accountant and an associate member of the Institute of Chartered Secretaries and Administrators, London.

TAN PUA CHI

Senior Manager, Finance

Ms Tan has over 12 years of experience in the finance, accounting, tax and treasury fields. Prior to joining the Manager, Ms Tan was the finance manager of Keppel Land Group.

Ms Tan graduated from Nanyang Technological University with a Bachelor of Accountancy Degree (Honours). She is a member of the Institute of Certified Public Accountants of Singapore.

INVESTOR RELATIONS AND RESEARCH

The investor relations and research team is responsible for facilitating communications and liaison with Unitholders, analysts and fund managers with the aim of upholding transparency standards. The team coordinates analyst meetings, quarterly performance announcements, production of annual reports and regular statutory reporting. It is also responsible for analysing commercial market trends.

SERENA TOH

Deputy General Manager, Investor Relations and Research

Ms Toh has more than 20 years of experience in investor relations, corporate development and journalism. Ms Toh joined the Keppel Land Group in 1993 as Corporate Development Manager and was part of the pioneer management team of the Singapore Suzhou Township Development Pte Ltd.

Ms Toh holds a Bachelor of Arts & Social Science Degree from National University of Singapore and a Master of Business Administration Degree from City University in London (now known as Cass Business School). Ms Toh also graduated from the London School of Economics with a Master of Science Degree in Development Studies.

JEANETTE PANG

Manager, Investor Relations and Research

Ms Pang has more than 12 years of experience in investor relations, journalism, equity research support and marketing communications. She was formerly an investor relations manager with Mapletree Logistics Trust Management Ltd.

Ms Pang holds a Bachelor of Arts & Social Science Degree from the National University of Singapore. She is also a Chartered Financial Analyst.

THE PROPERTY MANAGER

K-REIT ASIA PROPERTY MANAGEMENT PTE LTD

LIM TOW FOK

General Manager

Mr Lim is responsible for setting strategic directions, establishing policy standards as well as ensuring the smooth and efficient operation of all investment of properties.

He has more than 20 years of experience in property management and is an active participant in concept planning, design development as well as refurbishment of existing projects. Mr Lim also oversees tenants' retention activities, service quality standards and administration of all leases in the various investment properties.

Prior to joining Keppel Land, Mr Lim was the Associate Director of Asset Management Department in CB Richard Ellis Ltd. Mr Lim holds a Master of Business Administration Degree from the University of Adelaide.

CHRISTOPHER HO

Head, Property Management

Mr Ho is responsible for overseeing the lease management and property management activities of the Manager.

Mr Ho has over 20 years of experience in management of commercial properties in Singapore, China and Vietnam. Prior to joining Keppel Land Limited in 1995, he was the Property Director of China World Trade Centre in Beijing.

Mr Ho holds a Professional Diploma in Real Estate Marketing from Singapore Institute of Surveyors and Valuers, of which he is also a member.

SALLY TAN

Head, Marketing Services

Ms Tan oversees the marketing function of the Manager, ensuring that the buildings are leased at optimal market rents and occupancy to meet the commercial and financial targets for the portfolio.

She has over 15 years of marketing experience in commercial properties and business park developments. She was responsible for overseeing the marketing, leasing activities and lease management of Keppel Land Group's portfolio of commercial buildings, formulating marketing initiatives and customer relationship management.

Prior to joining Keppel Land Limited, she was handling business development and marketing at JTC Corporation.

Ms Tan holds a Bachelor of Science Degree (Honours) in Estate Management from National University of Singapore.

DENNIS TAY

General Manager, Marketing

Mr Tay has over 20 years of experience in marketing residential and commercial properties in both Singapore and China.

Prior to joining Keppel Land Limited, he was Executive Director, Investment Properties in CB Richard Ellis Ltd, Singapore, and Managing Director, CB Richard Ellis Ltd, Beijing.

Mr Tay holds a Bachelor of Science Degree in Estate Management from National University of Singapore and is a licensed valuer. He also holds a Professional Diploma in Marketing awarded by the Chartered Institute of Professional Marketing, United Kingdom.

Special Feature

The Asian office market is attracting the interest of property investors seeking a foothold in the fast-growing region.

With yields in the United States and European markets continuing to compress, Asia continues to appeal to institutional funds in the long-term because of its large pool of untapped resources. Some of the countries are seeing rapid urbanisation and growth of the middle class. Other reasons for the region's popularity are the availability of relatively cheap financing and the belief of many foreign fund managers – particularly Western pension funds – that its markets can provide the higher returns in the face of increased redemptions by the growing number of retirees. Moreover, although Asia represents about 20% to 25% of the global property market, institutional ownership of Asian real estate remains low, ranging from 10% in China and India to under 30% in Taiwan and South Korea.

Despite the present slowdown in the United States economy, global financial market volatility and increasing oil and commodity prices, Asia continues to remain the world's strongest economic performer. However, the region is not without its own risks to growth, chief of which is inflationary pressure amidst rising energy and food prices and upward pressure on currencies.

Most Asian economies are expected to experience only a modest deceleration in growth for 2008. Ample liquidity and healthy macroeconomic fundamentals will also remain constructive for Asia's long-term outlook and attractiveness to investors.

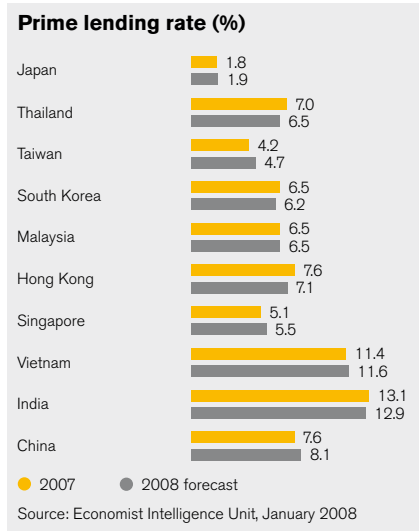
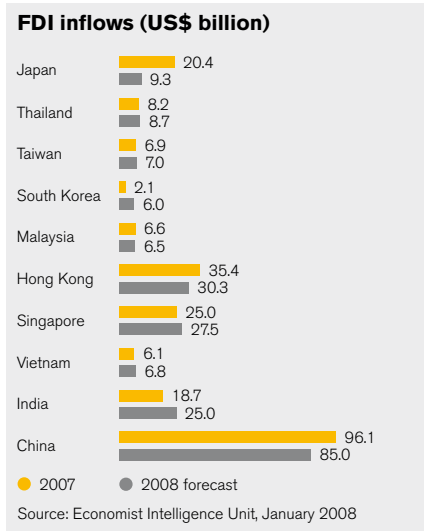
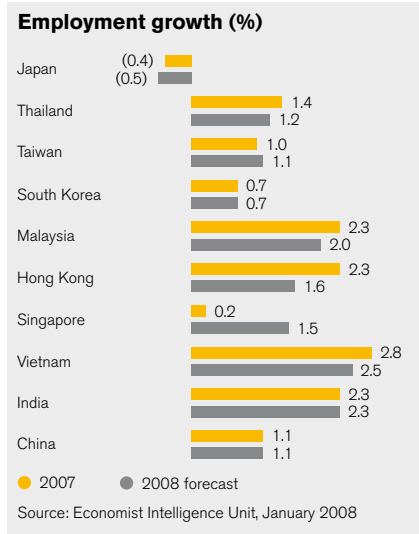
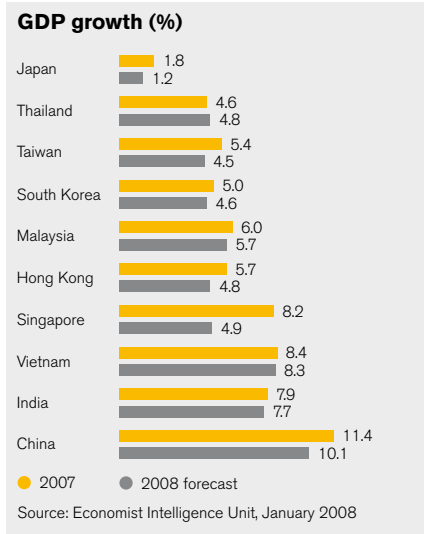
Within the region, significant economic diversity exists – from the relatively mature market of Japan to the newly emerging China and India markets. Similarly, Asia's real estate markets also display significant variations in maturity, market performance and movement through their respective real estate cycles.



Asia's Office Markets Charge Ahead



KEY PERFORMANCE INDICATORS



ECONOMIC FACTORS DRIVE DEMAND

Key factors affecting demand for office space are mainly economic-based:

- **Real gross domestic product (GDP)**
Real GDP gives a broad indicator of office activities, including both for manufacturing and service sectors of the economy.
- **Employment rates in the service sector**
The employment rate, like real GDP, is normally used as a proxy for economic conditions. When employment in the service (office) sector rises, it increases demand for office space and boosts rental values.

- **Foreign direct investment (FDI)**
FDI affects the expansion of existing and new domestic as well as foreign corporations. Rising FDI implies greater employment creation in the economy's service related and manufacturing sectors. However, non-economic factors such as bad press and slow pace of corporate restructuring and reforms may adversely affect the investment confidence of potential investors.
- **Prime lending rates**
Prime lending rates provide an indication of the availability and cost of

capital. With a high cost of borrowing, purchasers may reconsider their decision to purchase a real estate asset.

Most of the region's office markets remain predominately in growth mode, with some exceptions such as Beijing due primarily to a supply surge in some sub-markets and Bangkok, due primarily to subdued business confidence.

The growth in the Asian office market is supported by two inter-related trends.

Firstly, the region's economic momentum acts as a magnet for external capital, given the abundance of liquidity in global markets. This inward investment trend has created new wealth which in turn has spurred the expansion of financial and professional services firms in many of the region's major cities. Cities such as Singapore, Hong Kong, Tokyo and Shanghai continue to draw interest as important global financial centres. As a result, the expansion of the financial and professional services firms has become a major driver of office market demand in the region.

Secondly, financial and professional services firms are more likely to cluster in central business districts (CBD) or prestigious core sub-markets, unlike information technology (IT) firms or other similar price-conscious multinational corporations. This has channelled demand to the most supply-constrained sub-markets. In Hong Kong, Mumbai and Delhi, substantial new construction will soon be completed, although almost all of it lies in the less constrained peripheral areas.



growth in Singapore's office rentals to moderate to about 25% in 2008, down from the 70% jump in the previous year.

The quality office market and regulatory environment have assisted in cementing Singapore's status as one of Asia's leading financial centres. The country is benefiting from major corporate expansions driven in part by relocations into the city-state. The continued high level of banking and finance related corporate demand, in particular, has driven CBD vacancy rates down to historical lows.

The longer-term outlook for the Singapore office sector is anticipated to remain positive because of the government's effective pro-business strategy in attracting multinational corporations to Singapore.

REGIONAL MARKET OUTLOOK

Looking ahead, many Asian office markets are approaching the peak of their growth cycles. Among the mature Asian markets, the combined effect of moderating demand and significant new supply is expected to bring Hong Kong's overall rental growth to a halt in 2008.

In Japan, sustained economic growth has led to tightening office markets in its major cities. Tokyo is seeing strong pre-leasing of new construction, limited availability in prime locations and a strong influx of foreign capital. However, a moderate stream of new supply in Tokyo will hold its office market's rental growth rate to single digits for the next three years.

In South Korea, while demand for office space in Seoul has been less robust than some of the other Asian markets, a limited supply of quality office space keeps the city's vacancy rate among the lowest in the region. A significant amount of new office supply is expected by 2010 which should raise the vacancy rate.

Among the emerging Asian markets, India's swift economic growth has led to a vibrant demand for the limited supply of

high-quality office space in the major cities. Financial services firms are driving the market for prime space in Mumbai while IT firms are leading demand for space in Bangalore and Delhi's National Capital Region. However, it is anticipated that new commercial developments underway in the three cities will hold rental growth down for the next three years.

In the central areas of Kuala Lumpur and Taipei, the supply of good quality space is limited and tenant demand is moderate. The short-term outlook for Kuala Lumpur's prime office market is optimistic and the abolition of the real property gains tax in 2007 is likely to further encourage interest in prime office buildings with investment potential. Demand for Grade A office space in Taipei is anticipated to remain strong over the short- to medium-term and rentals for quality office space are likely to rise steadily for the next few quarters.

GOOD OPPORTUNITIES IN SINGAPORE

Singapore provides low-risk and long-term stable rewards for real estate investors, according to LaSalle Investment Management. The investment firm expects

CHINA

Demand for properties in China will remain robust for the years to come, as the sector becomes an increasingly important asset class for global investors such as pension funds and insurers.

Despite a rise in property prices in major Chinese cities such as Shanghai and Beijing that have driven rental yields lower, overseas funds continue to be invested. Some of them are ramping up their office property investments in Shanghai and other major Chinese cities in anticipation of strong demand from multinational firms and further appreciation of the yuan, China's currency. Although the government has initiated measures to moderate the country's property sector, market players believe this will only reduce investment from short-term speculators and smaller players.

In Beijing, Jones Lang LaSalle expects overall office rents to fall slightly in 2008 and 2009, given that nearly 21 million square feet (sf) of new supply is slated for completion before the Olympics. The highest-quality and well-located properties will continue to perform well but the lower-quality properties will suffer from the impending new supply competition.

Between 2010 and 2011, demand is anticipated to catch up with supply, bringing some stability to rent levels.

In Shanghai's Pudong area, with a limited amount of quality office space available, rents have been increasing for the past three years amidst strong take-up from multinational companies and financial institutions. However, by end-2008, a significant quantity of new supply, amounting to about 7 million sf is anticipated to be introduced in the Pudong area. As a result, rental growth will likely weaken.

Shanghai's Puxi area will also see an additional 2.3 million sf of new supply by end-2008. However, it is expected to see a strong pace in rental growth in 2008, given robust demand and few supply options.

VIETNAM

Vietnam is Asia's second fastest growing economy after China, with 8.4% growth in GDP in 2007. Its political stability, a competitive labour force, higher living standards, positive consumer trends and rapid urbanisation make it appealing to foreign companies. Recent positive changes in regulations governing the country's real estate market on top of its accession into the World Trade Organisation in 2007 have stimulated a property boom.

According to the Emerging Trends in Real Estate Asia Pacific 2008 Investor Survey conducted by Urban Land Institute and PricewaterhouseCoopers LLP, Ho Chi Minh City (HCMC) was listed as the top Asia-Pacific city in which to buy office space.

HCMC and Hanoi are Vietnam's main investment centres, given their attractive population profiles and strategic locations. Both HCMC and Hanoi have relatively small amounts of prime office spaces compared to larger markets in South East Asia region. However, quality office supply in HCMC remains limited.

Investments by leading foreign companies such as Intel and Microsoft as well as the growth of local enterprises, have stimulated demand for premium office space. Office rents in southern HCMC have topped US\$70 per square metre (psm) per month, a significant increase over the US\$45-50 psm seen in 2007 as demand continues to vastly outstrip supply, according to Savills.

Demand for office space in Vietnam's major cities is also set to increase significantly as international banks enter the market. The deregulation of the banking sector is expected to have an immediate and sustained impact on office demand, especially on Grade A spaces, similar to that experienced in China.

HCMC and Hanoi premium-grade office space is practically fully let. Jones Lang LaSalle expects rents for such office spaces to continue to rise over the next two to four years. However, the property consultancy anticipates that rent levels will soften after this period, due to the injection of new supply, particularly in HCMC.

CHALLENGES FOR K-REIT ASIA

Although K-REIT Asia's current portfolio of assets is located in Singapore, its pan-Asian mandate enables it to invest in quality commercial properties in other growing Asian cities.

While attractive commercial office investment opportunities exist throughout Asia, competition remains fierce. K-REIT Asia's sponsor, Keppel Land Limited, has numerous successes and an extensive network within the region. K-REIT Asia will continue to work closely with the resources of Keppel Land Limited and leverage on their experience and market knowledge.

In particular, Keppel Land Limited has enjoyed a strong presence in China since the early 1990s and is one of the pioneers and largest real estate investors in Vietnam. In Singapore, K-REIT Asia's potential pipeline from Keppel Land Limited includes Equity Plaza, Ocean Financial Centre and Marina Bay Financial Centre.

Another challenge for investors like K-REIT Asia lies in sourcing and transacting high-quality assets against the backdrop of yield compression and scrutiny by regional governments and tax authorities.

The Manager is currently exploring markets such as China and Vietnam as well as other promising countries such as Malaysia, Japan and South Korea for third-party acquisitions that offer good potential for stable income growth and asset appreciation in the medium- to long-term.

Singapore's buoyant economy continues to attract multinational corporations to establish or expand their presence in the Republic.



Rising wealth in Asia has positioned Singapore as a key location in the region for global wealth management

SINGAPORE'S ECONOMY GREW STRONGLY

Singapore's gross domestic product (GDP) maintained a robust pace of expansion in 2007, easing slightly to 7.7% from 8.2% in 2006. Growth was broad-based, with most sectors performing well.

Despite the global financial market uncertainties which erupted in the second half of 2007, the financial services sector registered rapid expansion at 16.9% year-on-year, with the construction sector

achieving the highest growth at 20.3%. The manufacturing sector together with the financial and business services sector contributed more than half of the total GDP in 2007. The 16.9% year-on-year growth of the financial services sector in 2007 followed a 10.6% increase in 2006.

Rising wealth in Asia and the focus on Asian growth prospects have positioned Singapore as one of the key locations in the region for global wealth management. As a result, there has been an increased

demand from international financial institutions to establish or expand their presence in Singapore. Likewise, foreign as well as local asset managers are expanding in Singapore to cater to a growing number of high net-worth individuals and gear up for more corporate activities.

The Singapore government introduced a series of fiscal incentives in its 2006 Budget to promote the financial and business services sectors and further refined these incentives provided in its 2007 Budget. The government's ongoing efforts to restructure the economy and enhance competitiveness have boosted investors' confidence in Singapore's long-term economic prospects. These trends bode well for the Republic's commercial office sector.

Singapore Office Market Statistics

	2007	2006	% Change
Demand (million sf)	2.07	2.40	(13.8)
Net supply (million sf)	-0.05	0.69	nm
Average islandwide occupancy rate (%)	92.7	89.7	3.3
Average prime office rental rate (\$ psf/month)	15.00	7.81	92.1

Source: Urban Redevelopment Authority and CB Richard Ellis



Limited supply of prime office space has driven up rental rates in Singapore

The buoyant economy generated an employment gain of 236,600 workers in 2007, according to the Ministry of Manpower. This is substantially higher than the increase of 176,000 in 2006, bringing the total number employed to 2.7 million as at December 2007. Services continued to lead the employment gains, adding 144,100 workers in 2007. For the whole of 2007, the overall unemployment rate averaged 2.1%, lower than the 2.7% in the previous year and the lowest in a decade, having improved to pre-Asian crisis levels. Nanyang Technological University's economists have projected Singapore's unemployment rate at 2% for 2008.

Against a backdrop of soaring oil prices and sub-prime problems in the United States (US), the Ministry of Trade and Industry forecast that Singapore's economy will moderate to reach a more sustainable level of growth of between 4.0% and 6.0% in 2008, following four years of strong growth. The market consensus is that the US economy will slow down in the first half of 2008 as a result of weaker credit and housing markets before resuming growth in the second half. Growth in the European Union is also expected to be lower, as a strong currency erodes export competitiveness. However, the outlook for the Asian economies remains positive, with the Chinese economy expected to sustain a double-digit pace of expansion.

If the sub-prime and housing market problems in the US worsen and persist, or if oil prices continue to rise further, there could be a sharper and more protracted slowdown in the US economy. Other downside risk factors include continuing threats of terrorism and potential viral pandemic conditions. Such risks could adversely affect Singapore's economic growth.

LIMITED OFFICE PROPERTY SUPPLY

The Urban Redevelopment Authority (URA) estimated office stock in Singapore as at end-2007 at 70.22 million square feet (sf) – practically unchanged from the

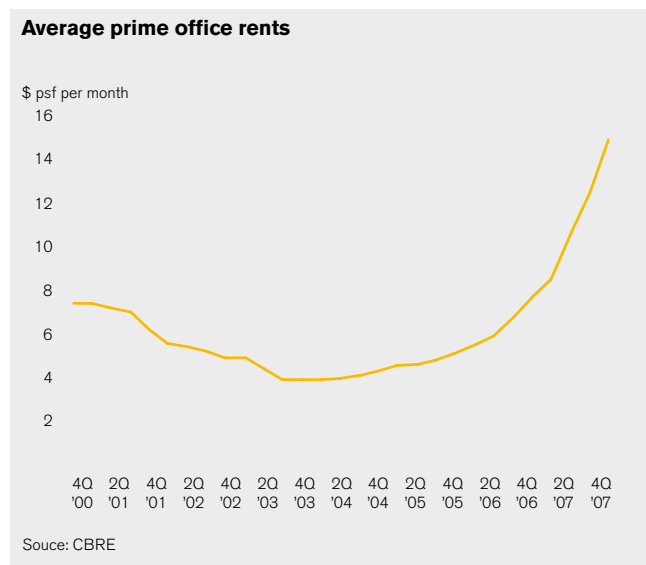
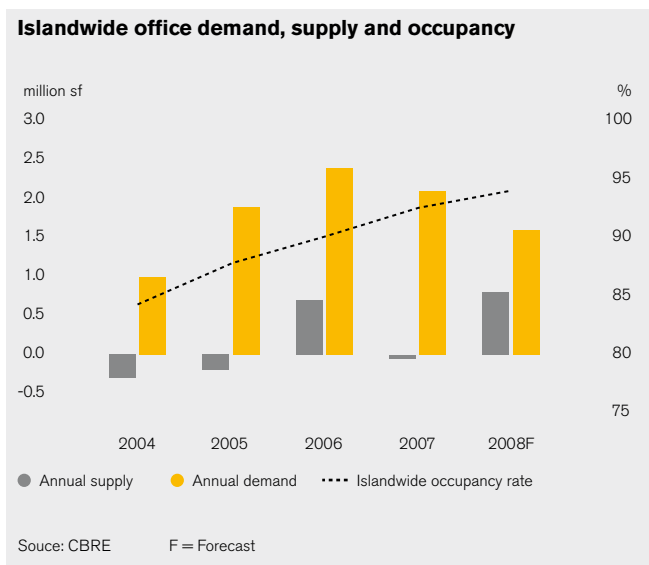
70.28 million sf level in 2006. Of this total, private office stock accounted for 79% at 55.51 million sf while public office stock took up the remaining 21%. The core Central Business District (CBD) area, comprising Raffles Place, Marina Centre, Shenton Way and Marina Bay micro-markets, has a total of approximately 20.95 million sf of office space or 29.8% of the entire office stock in Singapore.

Office supply grew at an average of 1.12 million sf annually in the past decade, according to URA statistics. However, according to CB Richard Ellis (CBRE), approximately 830,000 sf of office building space were removed from the market in 2007, slated for redevelopment or major retrofitting. Contributing to the demolition of office building space was the rejuvenation of Singapore's CBD, especially the Shenton Way and Tanjong Pagar areas. Older office buildings were being converted to residential use to encourage city living. The result of such moves resulted in a dip of 0.05 million sf in the net annual supply of private office space for 2007, whereas the 10-year average supply is 1.12 million sf.

In 2007, the government attempted to provide some respite to the tight office supply conditions by:

- Providing more sites for sale under the Government Land Sales (GLS) programme;
- Putting up vacant State buildings for office and commercial uses;
- Releasing land parcels for development of transitional offices, and
- Temporarily disapproving the conversion of office space in the central area into other uses until end-2009 to prevent the decline of office space.

Eleven GLS sites were awarded in 2007 for office use and are expected to contribute about 3.88 million sf of space in the CBD and Marina Bay locale. However, this is likely to materialise only after 2011 given



the typical construction period time lag. In the interim, the short-term leases of selected State Land parcels ear-marked for office-use address only a small degree of the overall office space demand, and primarily cater to businesses whose operations do not require a CBD address.

filter-down effect of tight supply within the Core CBD area as well as the redevelopment of some offices within Fringe CBD areas. As lease renewals and expansion continued, the vacancy for Grade A space fell from 0.8% in 4Q 2006 to 0.2% in 4Q 2007.

ROBUST OFFICE PROPERTY DEMAND AND OCCUPANCY

The main drivers of demand for office space are the performances of the financial and business services sectors.

Despite the turmoil in the global financial markets during the second half of 2007, annual demand for island-wide office space during the year totalled 2.07 million sf, 63.0% above the past decade's average of 1.27 million sf. Financial institutions and supporting business services such as accounting and law firms, continued to drive demand for office space in 2007. Due to the demand-supply imbalance, average occupancy rate of island-wide private office space reached a 12-year high of 93.2% as at end-2007.

Vacancy rate for the Core CBD area fell to 2.4% in fourth quarter of 2007 (4Q 2007) from 3.6% in fourth quarter of 2006 (4Q 2006). The Fringe CBD area, which comprises the Orchard Road and Tanjong Pagar micro-markets, showed a drop in vacancy rate from 6.9% in 4Q 2006 to 4.3% in 4Q 2007. This was due to the

RENTALS AND PRICES CONTINUE TO RISE

Given the demand and supply mismatch, the rental and price indices of office space in the central areas of Singapore rose 58.0% and 32.9% year-on-year respectively in 4Q 2007, based on URA statistics. Initial yields of prime office space fell from 4.90% in 4Q 2006 to 4.84% in 4Q 2007.

In view of the robust leasing market, prime office rent as at end-2007 averaged \$15.00 per square foot (psf) per month, representing an increase of 92.1% year-on-year and exceeding the historical peak of \$11.50 psf per month in 1990. Grade A office rent as at end-2007 averaged \$17.15 psf per month, reflecting an increase of 96.5% year-on-year.

In a survey conducted by Cushman & Wakefield on global office market rentals, Singapore rose to 7th place at end-2007 from 17th in the previous year. Nevertheless, Singapore's ranking remained below those of other key Asian cities such as Mumbai, Tokyo and Hong Kong.



One Raffles Quay is the gateway to Singapore's new downtown at Marina Bay

MARKET OUTLOOK FOR 2008 REMAINS HEALTHY

According to URA and CBRE, major future supply of private office space between 2008 and 2012 is estimated at 10.13 million sf, majority of which is located in the core CBD area (approximately 70% or 7.05 million sf).

However, the supply situation is likely to remain tight until 2010. Of the future supply of 10.13 million sf private office space between 2008 and 2012, the bulk or approximately 67% is scheduled to complete in 2010 and 2011, comprising Marina Bay Financial Centre (MBFC) Phases 1 and 2, Lot Parcel A at Marina View and the new Ocean Financial Centre.

Of particular significance are the binding pre-committed leases in these new developments. For instance, Phase 1 of the MBFC development was more than 50% pre-let as at end-2007.

Excluding the known pre-committed spaces, future supply of net lettable space from 2008 to 2012 averages about 1.7 million sf per year.

Demand for office space is expected to remain healthy in 2008 despite downside risks arising from the uncertainties in the global financial markets. Positive factors include the continuing strong growth in the number of investment funds, asset managers, wealth management companies and insurers in Singapore.

In addition, Singapore's attractiveness as a key business location in Asia will continue to underpin demand. The Republic remains the top choice as a preferred location for multinational companies' regional headquarters, according to a 2007 survey of more than 100 global companies based in the region by Spire Research & Consulting, a strategic intelligence consultancy.

In the medium-term, the establishment of the Marina Bay Sands integrated resort in 2009 is anticipated to have a positive impact on office space in the Marina Bay area.

Industry consultants expect the upswing in office rentals to continue in 2008 although the rental growth will be more modest. Cushman & Wakefield forecast the pace of growth of office rentals to slow to between 20 – 25%.

SINGAPORE REIT INDUSTRY

S-REITs are increasingly diversified

The Singapore real estate investment trust (S-REIT) market witnessed another five more listings in 2007, bringing the number of S-REITs to 20. As at end-2007, the total market capitalisation of S-REITs increased by 23.7% to \$27.7 billion from about \$22.4 billion in the previous year.

The average dividend yield of S-REITs was 4.3% as at end-2007, similar to that as at end-2006 and 164 basis points above the 10-year government bond yield of 2.66%. An increasing variety of asset classes has also been listed as REIT vehicles. Besides office buildings, shopping malls and industrial buildings, there are now S-REITs which invest in hospitals, hotels, serviced apartments and residential buildings. Geographically, more than \$20 billion or 81% of the total asset portfolio held by S-REITs are local properties and the remaining 19% or \$4.5 billion are overseas assets, according to CBRE.

After unit price appreciation in the first half of 2007, the S-REIT sector weakened in the last two quarters of 2007 in tandem

with the negative sentiment in the broad market due primarily to the sub-prime and resultant credit concerns. As at 31 December 2007, the FTSE Straits Times REIT Index fell by about 19.8% from its peak in June 2007.

Proactive government initiatives

The development of the S-REIT sector continued to be supported by the government's pro-active initiatives to enhance competitiveness in the region. One such example is where the Securities Industry Council announced in June 2007 that it will extend the Singapore Code on Takeovers and Mergers to REITs, thereby providing more clarity on merger and acquisition rules for S-REITs. Likewise, the Monetary Authority of Singapore revised its Property Fund Guidelines to safeguard the interests of retail investors and provide greater clarity on investment guidelines. Key changes include disallowing discounts to institutional investors at public listings and requiring REITs to invest at least 75% of their assets in income-producing real estate (up from 35%). Another change limits the tenure allowed under fixed-term management contracts to five years.

Bright outlook in the long run

Given fears that the US sub-prime crisis may worsen and thereby curtail Asia's growth, stock market trading is likely to be marked by volatility in early 2008.

Although S-REITs may face difficulty in growing earnings, analysts agree that stable yields continue to make S-REITs attractive to annuity-focused investors. As the US Federal Reserve is expected to continue lowering the benchmark interest rate in 2008, astute investors are reassessing yield-driven instruments such as REITs.

In the long term, Singapore continues to attract interest for REIT listings given its more REIT-friendly regulations and tax environment, compared to other regional markets. Market watchers expect between five and 10 additional S-REITs to be listed in 2008, with some of these new entrants offering foreign-based assets.



The S-REIT sector is supported by the Singapore government's proactive initiatives

**As at 31 December 2007,
K-REIT Asia's portfolio achieved
occupancy of 99.9%.**



K-REIT Asia's prime office buildings continue to attract global, blue-chip tenants

MAIDEN ACQUISITION

On 10 December 2007, K-REIT Asia completed the acquisition of a one-third interest in One Raffles Quay Pte Ltd (ORQPL) for a total acquisition cost of \$953.6 million. Strategically located at Marina Bay, One Raffles Quay is known as the gateway to Singapore's new business and financial district. It is one of the largest office developments in Singapore with a direct underground link to Raffles Place MRT station.

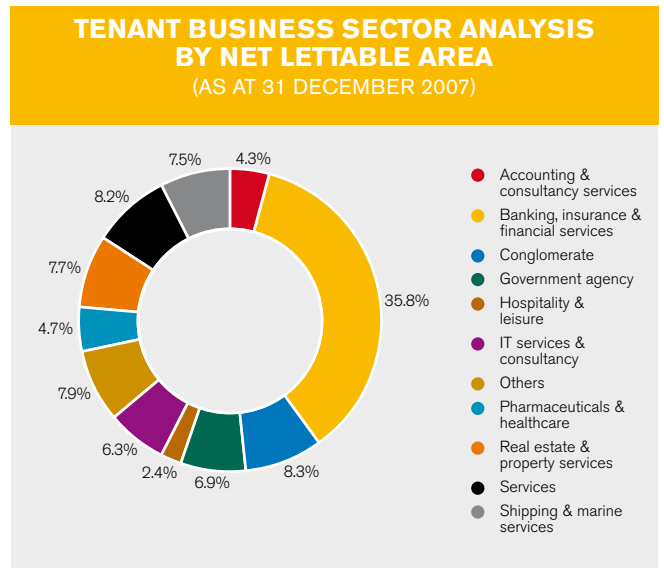
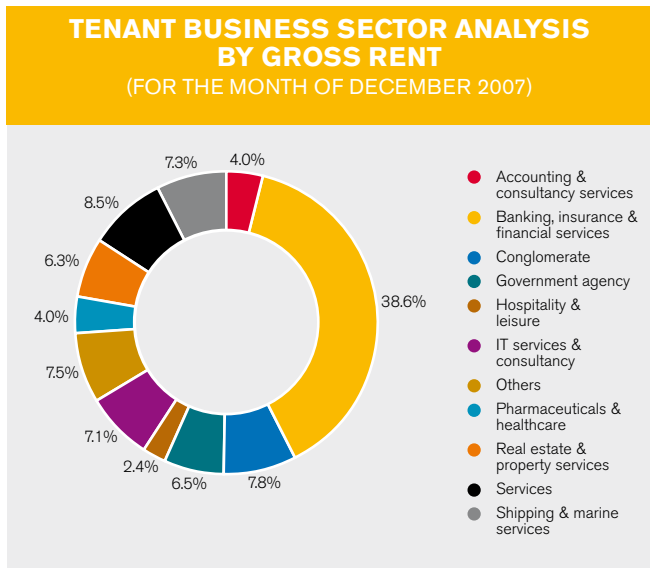
With this acquisition and a revaluation gain of \$433.0 million, K-REIT Asia's assets under management more than trebled from \$677.0 million as at end-2006 to \$2.1 billion as at end-2007. The net lettable area (NLA) of K-REIT Asia's portfolio also increased by 57% from 786,927 square feet (sf) to 1.23 million sf.

The revaluation gain of \$433.0 million was derived from K-REIT Asia's initial properties, namely Prudential Tower Property, Keppel Towers and GE Tower and Bugis Junction Towers.

DIVERSE TENANT TRADE SECTORS

As at 31 December 2007, K-REIT Asia had 125 tenants – up from 95 in the previous year, following the acquisition of the one-third interest in ORQPL. The Manager aims to maintain a diverse tenant trade sector profile to mitigate the risk of over-reliance on any one particular industry.

The banking, insurance and financial services sector was the main contributor to gross rental income as well as the largest user of space in December 2007. The services sector was the second largest contributor to gross rental income at 8.5% while occupying 8.2% of the NLA.



TOP 10 TENANTS

Ranking	Tenant	Building ¹	% of Gross Rent ²	% of Net Lettable Area ³
1	Deutsche Bank Aktiengesellschaft	ORQ	7.7	7.6
2	International Enterprise Singapore	BJT	6.5	6.9
3	GE Pacific	GE	5.8	6.5
4	Credit Suisse	ORQ	5.0	3.0
5	UBS AG	ORQ	4.2	6.2
6	ABN AMRO Asia Pacific	ORQ	4.1	5.1
7	Ernst & Young Services	ORQ	3.6	3.8
8	Barclays Bank PLC, Singapore	ORQ	3.5	2.6
9	Keppel Land International	BJT	3.2	4.3
10	J.V. Fitness	BJT	3.1	2.6
Total			46.7	48.6

¹ ORQ: One Raffles Quay, BJT: Bugis Junction Towers, GE: GE Tower.
² Based on gross rental income for the month of December 2007.
³ Based on net lettable area as at 31 December 2007.

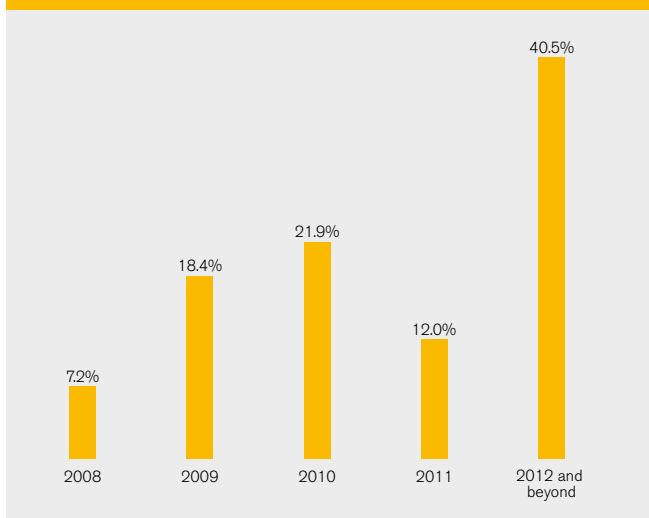
TENANT DIVERSIFICATION

K-REIT Asia's gross rental income is well distributed amongst the various tenants. As at 31 December 2007, Deutsche Bank was effectively the highest contributor by percentage of gross rental income and the largest tenant by percentage of NLA. The top ten tenants contributed no more than 46.7% of the total gross rental income for the month of December 2007.

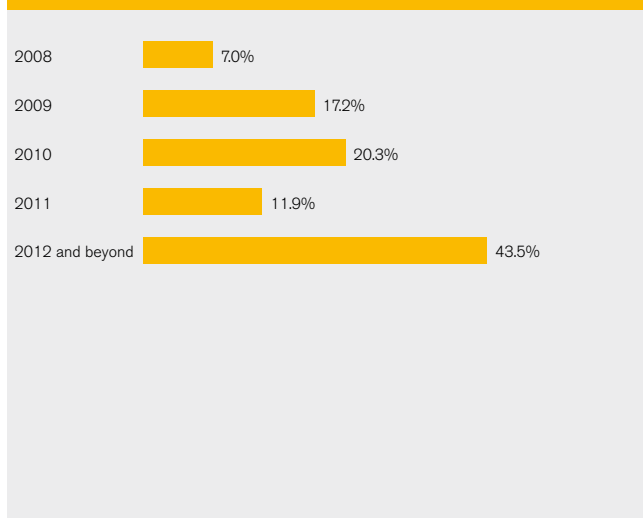


One Raffles Quay is one of the newest, state-of-the-art buildings in the Marina Bay area

**LEASE EXPIRY PROFILE
BY GROSS RENT**
(FOR THE MONTH OF DECEMBER 2007)



**LEASE EXPIRY PROFILE
BY NET LETTABLE AREA**
(AS AT 31 DECEMBER 2007)



LEASE EXPIRY PROFILE

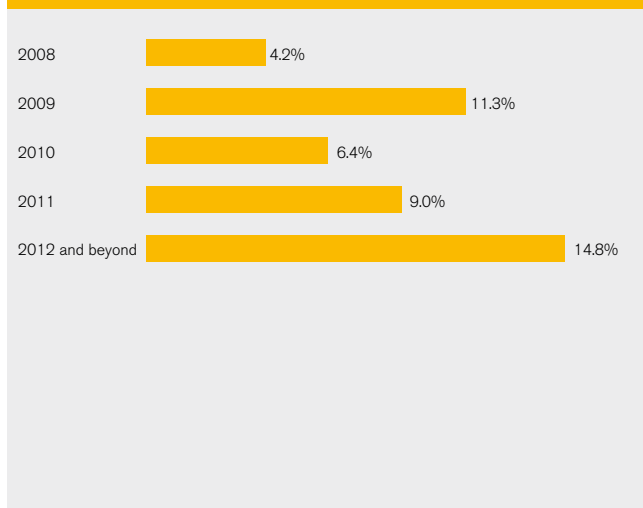
In terms of gross rental income, approximately 7.2% and 18.4% of the leases are due for expiry in 2008 and 2009 respectively. This provides the opportunity for K-REIT Asia to capture further upside in rental rates, given the healthy office market in Singapore presently.

RENT REVIEW PROFILE

The lease terms of key tenants typically range from five to thirteen years, with rent reviews every three to five years from commencement of the leases. Rent reviews in all such instances are based on prevailing market rental rates.

Based on NLA, approximately 4.2% of the leases are due for rent reviews in 2008 and a further 11.3% are due for review in 2009. Given K-REIT Asia's relatively low average rentals, the Manager expects further upside in the course of upcoming rental reviews.

**RENT REVIEW PROFILE
BY NET LETTABLE AREA**
(AS AT 31 DECEMBER 2007)

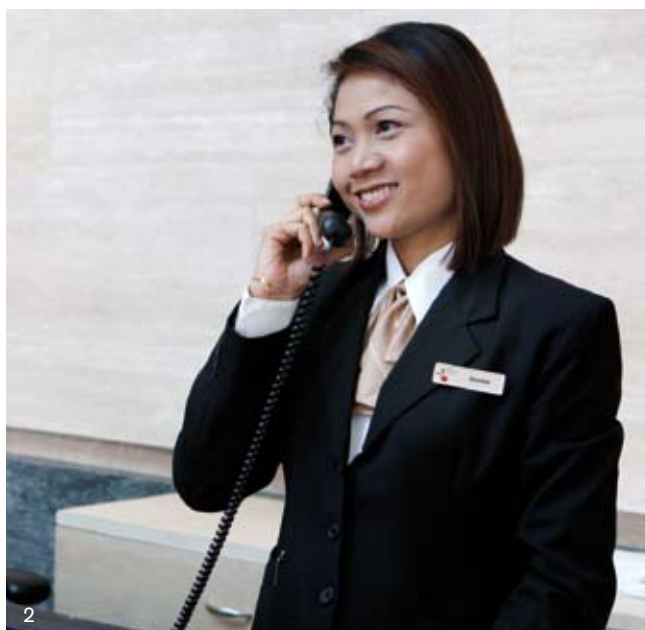




WEIGHTED AVERAGE LEASE EXPIRY

K-REIT Asia's portfolio comprises a good mixture of long lease terms and short lease terms. The weighted average lease expiry of the portfolio by NLA is 6.4 years.

As at 31 December 2007, 19 of the 125 tenancies in the portfolio were long-term leases with at least five years to expiry which contributed to 32.6% of the gross rental income for December 2007.



1. One Raffles Quay caters to the growing needs of global businesses with its innovative features and comprehensive amenities
2. K-REIT Asia's property management team is committed to service excellence

RISING RENTAL RATES

Including income support from the one-third interest in ORQPL, K-REIT Asia's average gross rental of the portfolio is 58.4% higher at \$6.02 per square foot (psf) per month, as compared to \$3.80 a year ago. Excluding ORQPL, the average gross rental of K-REIT Asia's initial properties increased by 22.4% to \$4.65 psf per month as at end-2007.

FULLY COMMITTED OCCUPANCY

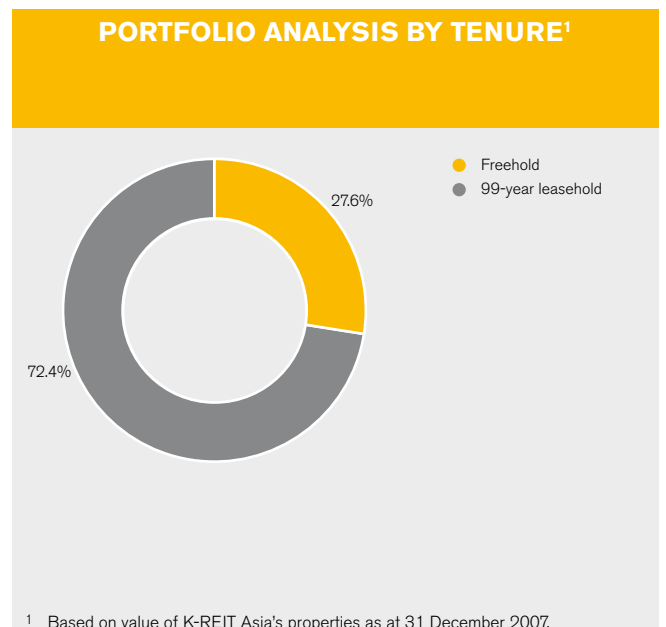
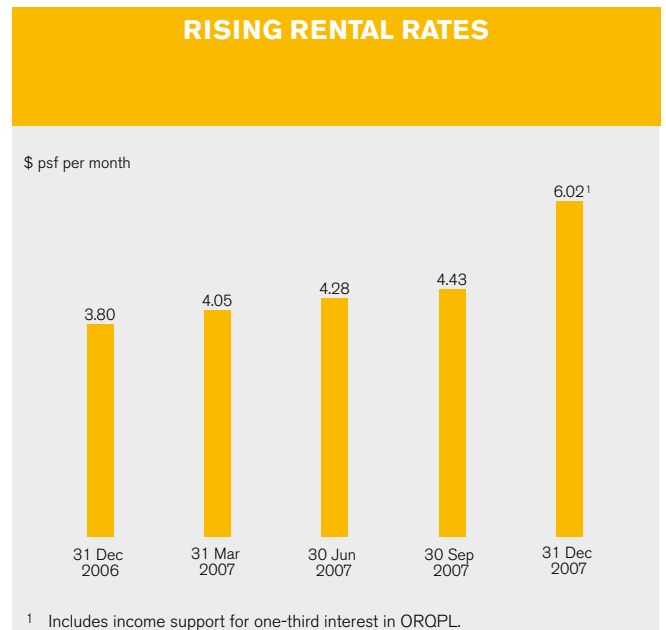
As at 31 December 2007, K-REIT Asia's portfolio achieved occupancy of 99.9%, above Core CBD occupancy of 97.6% and Fringe CBD occupancy of 95.7% (Source: CB Richard Ellis). This can be attributed to the healthy demand for office space in Singapore and the Manager's pro-active lease management initiatives during the year.

TENURE ANALYSIS

Of the total value of K-REIT Asia's assets under management as at 31 December 2007, 27.6% is derived from assets located on freehold land.



Ample and well-managed facilities enhance the value of K-REIT Asia's properties



PORTFOLIO AT A GLANCE

STRATEGIC LOCATIONS

K-REIT Asia's commercial office properties are located within or near Singapore's central business district (CBD).

One of the assets, One Raffles Quay, is situated in the Marina Bay area which seamlessly extends Singapore's CBD.

All the properties are also conveniently located either adjacent to or in close proximity to MRT stations.

K-REIT ASIA'S PROPERTY PORTFOLIO KEY STATISTICS

	As at 31 December 2007	As at 31 December 2006
Net lettable area	114,425 sm (1,231,673 sf)	73,108 sm (786,927 sf)
Committed occupancy	99.9%	100.0%
Valuation	\$2,102.0 million	\$677.0 million
Number of tenants	125	95
Number of car park lots	1,001	288



K-REIT ASIA'S PROPERTY PORTFOLIO KEY STATISTICS

Property	Prudential Tower Property	Keppel Towers and GE Tower	Bugis Junction Towers	One Raffles Quay ¹
Location	30 Cecil Street, Singapore	10 Hoe Chiang Road and 240 Tanjong Pagar Road, Singapore	230 Victoria Street, Singapore	1 Raffles Quay, Singapore
Net lettable area	10,074 sm (108,439 sf)	40,002 sm (430,582 sf)	22,990 sm (247,464 sf)	41,359 sm (445,188 sf)
Title	Leasehold estate of 99 years commencing 15 January 1996	Estate in fee simple	Leasehold estate of 99 years commencing 10 September 1990	Leasehold estate of 99 years commencing 13 June 2001
Committed occupancy	100.0%	99.8%	100.0%	100.0%
Purchase price (on acquisition)	\$117.7 million	\$353.5 million	\$159.5 million	\$941.5 ⁴ million
Valuation (as at 10 December 2007)	\$227.0 million	\$580.0 million	\$303.0 million	\$992.0 million
Number of tenants	13	69	12	31 ⁵
Number of car park lots ²	–	288	–	713 ⁵
FY2007 property income	\$6.9 million	\$20.0 million	\$13.2 million	–
FY2007 net property income	\$5.0 million	\$13.7 million	\$9.5 million	–
FY2007 income contribution ³	–	–	–	\$2.8 million

¹ The information shown is related to K-REIT Asia's one-third interest in One Raffles Quay Pte Ltd (ORQPL) and not as a whole.

² Excludes car park lots owned and managed by the respective management corporations.

³ Comprises income support, interest income and dividend income; the income received from one-third interest in ORQPL 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.

⁴ Agreed value of one-third interest in One Raffles Quay.

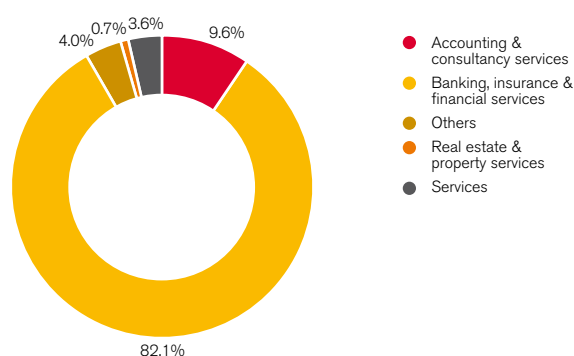
⁵ For the entire One Raffles Quay development.

A prestigious landmark commercial development located at Marina Bay, the gateway to Singapore's new business and financial district.

KEY STATISTICS¹
AS AT 31 DECEMBER 2007

Location	1 Raffles Quay, Singapore
Net lettable area	41,359 sm (445,188 sf)
Title	Leasehold estate of 99 years commencing 13 June 2001
Committed occupancy	100.0%
Purchase price (on acquisition)	\$941.5 million²
Valuation (as at 10 Dec 2007)	\$992.0 million
Number of tenants	31⁵
Number of car park lots	713⁵
FY2007 income contribution ³	\$2.8 million

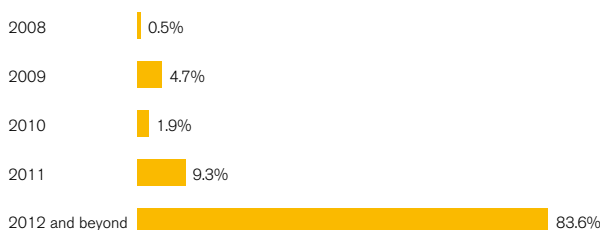
TENANT BUSINESS SECTOR ANALYSIS BY GROSS RENT
(FOR THE MONTH OF DECEMBER 2007)



TOP 5 TENANTS

Ranking	Tenant	% of Gross Rent ⁴
1	Deutsche Bank Aktiengesellschaft	20.3
2	Credit Suisse	13.2
3	UBS AG	11.2
4	ABN AMRO Asia Pacific	10.8
5	Ernst & Young Services	9.6

LEASE EXPIRY PROFILE BY GROSS RENT
(FOR THE MONTH OF DECEMBER 2007)



¹ The information shown is related to K-REIT Asia's one-third interest in One Raffles Quay and not as a whole.

² Agreed value of one-third interest in One Raffles Quay.

³ Comprises income support, interest income and dividend income; the income received from one-third interest in ORQPL 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.

⁴ Based on Gross Rent for the month of December 2007.

⁵ For the entire One Raffles Quay development.

ONE RAFFLES QUAY

K-REIT Asia owns a one-third interest in One Raffles Quay Pte Ltd (ORQPL), the holding company which owns One Raffles Quay (ORQ), a prestigious landmark commercial development located at Marina Bay, the gateway to Singapore's new business and financial district.

The development comprises a 50-storey North Tower, a 29-storey South Tower and a direct underground link to Raffles Place MRT station.

It has a net lettable area of 1.3 million sf as at 31 December 2007, making it one of the largest commercial buildings in Singapore.

ORQ counts blue-chip institutions such as ABN AMRO, Barclays Bank, Credit Suisse, Deutsche Bank and Ernst & Young as its anchor tenants. There are 713 car park lots in the development.

The building is designed for maximum efficiency and flexibility. It hosts a District Cooling Plant which provides centralised and efficient air-conditioning for adjoining sites.

To minimise the building's weight and movements, an environmentally-friendly Innovative Hybrid Structural System comprising concrete core, perimeter concrete-filled steel tube columns, outrigger trusses and diaphragm floors was used in its construction.

Other resource-efficient features incorporated in ORQ include devices that optimise air-conditioning control, energy-efficient light fittings, motion sensors, recycling of condensate water for irrigation, and an air flushing system to remove foul air.



1. With 1.3 million sf of net lettable area, ORQ is one of Singapore's largest commercial buildings
2. Anchor tenants at ORQ include blue-chip institutions



OPERATIONS REVIEW

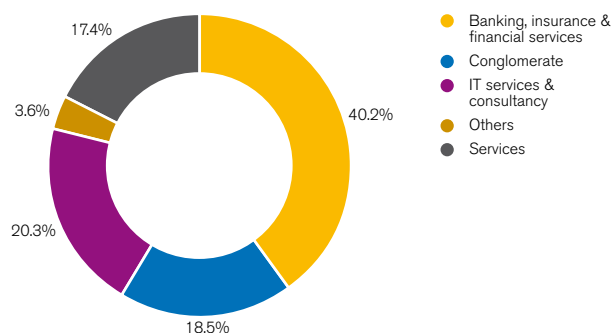
PRUDENTIAL TOWER PROPERTY

An award-winning office development offering high-quality building specifications and finishes.

KEY STATISTICS AS AT 31 DECEMBER 2007

Location	30 Cecil Street, Singapore
Net lettable area ¹	10,074 sm (108,439 sf)
Title	Leasehold estate of 99 years commencing 15 January 1996
Committed occupancy	100.0%
Purchase price (on acquisition)	\$117.7 million
Valuation (as at 10 Dec 2007)	\$227.0 million
Number of tenants	13
Number of car park lots ²	-
FY2007 property income	\$6.9 million
FY2007 net property income	\$5.0 million

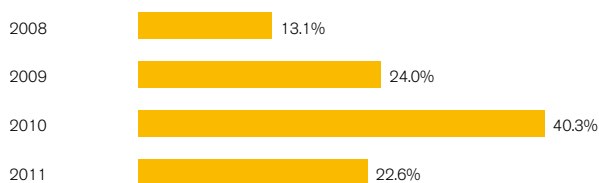
TENANT BUSINESS SECTOR ANALYSIS BY GROSS RENT (FOR THE MONTH OF DECEMBER 2007)



TOP 5 TENANTS

Ranking	Tenant	% of Gross Rent ³
1	KBC Bank N. V.	22.9
2	The McGraw-Hill Companies, Inc	18.6
3	The Executive Centre	17.4
4	Convergys Singapore	14.3
5	Prudential Fund Management Services	4.5

LEASE EXPIRY PROFILE BY GROSS RENT (FOR THE MONTH OF DECEMBER 2007)



¹ K-REIT Asia owns approximately 44.4% of the strata area of Prudential Tower.

² Excludes car park lots owned and managed by the management corporation.

³ Based on Gross Rent for the month of December 2007.

PRUDENTIAL TOWER

K-REIT Asia owns approximately 44.4% of the strata area of Prudential Tower, a 30-storey Grade A office building situated in Raffles Place.

In the heart of the financial district, Prudential Tower is located at the junction of Church Street and Cecil Street, within a five-minute walk from Raffles Place MRT station.

It is one of the few office developments in Singapore, which has won the prestigious FIABCI Prix d'Excellence Award (2003) in view of its high-quality building specifications and finishes.

The property has a net lettable area of 108,439 sf as at 31 December 2007. It houses major tenants such as KBC Bank, The Executive Centre and The McGraw-Hill Companies.

There are 181 car park lots located on the second to ninth storeys. These lots are common property owned by the management corporation of Prudential Tower.



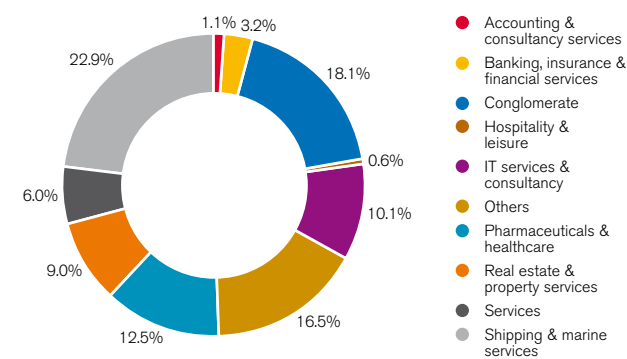
1. Prudential Tower is a FIABCI-Award winning office development
2. The lush greenery at Prudential Tower provides a welcome respite in the Central Business District

One of the largest office developments in the Tanjong Pagar area with efficient floor plates and well-managed facilities.

**KEY STATISTICS
 AS AT 31 DECEMBER 2007**

Location	10 Hoe Chiang Road and 240 Tanjong Pagar Road, Singapore
Net lettable area	40,002 sm (430,582 sf)
Title	Estate in fee simple
Committed occupancy	99.8%
Purchase price (on acquisition)	\$353.5 million
Valuation (as at 10 Dec 2007)	\$580.0 million
Number of tenants	69
Number of car park lots	288
FY2007 property income	\$20.0 million
FY2007 net property income	\$13.7 million

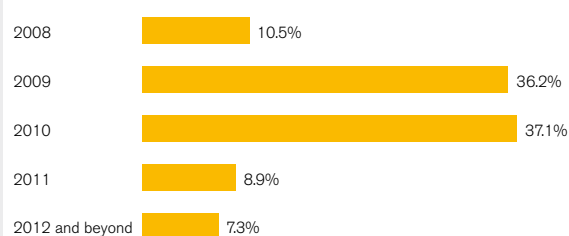
**TENANT BUSINESS SECTOR ANALYSIS
 BY GROSS RENT
 (FOR THE MONTH OF DECEMBER 2007)**



TOP 5 TENANTS

Ranking	Tenant	% of Gross Rent ¹
1	GE Pacific	18.1
2	Seadrill Management (S)	7.4
3	Aedas	5.1
4	ARUP Singapore	4.4
5	V.Ships Asia	4.3

**LEASE EXPIRY PROFILE
 BY GROSS RENT
 (FOR THE MONTH OF DECEMBER 2007)**



¹ Based on Gross Rent for the month of December 2007

KEPPEL TOWERS AND GE TOWER

Keppel Towers and GE Tower are prime office buildings located along Hoe Chiang Road and Tanjong Pagar Road, in close proximity to Tanjong Pagar MRT station.

The 27-storey Keppel Towers and 13-storey GE Tower have a combined net lettable area of 430,582 sf as at 31 December 2007. Keppel Towers and GE Tower sit on a rare freehold site in the Central Business District.

As one of the largest office developments in the Tanjong Pagar area with efficient floor plates and well-managed facilities, Keppel Towers and GE Tower have attracted good tenants such as GE Pacific, Seadrill Management, Aedas and ARUP Singapore.

Amenities in the development include 288 car park lots located on the second and third storeys, as well as a roof top garden on the fourth storey.



1. Keppel Towers and GE Tower sit on a rare freehold site in the Central Business District
2. The good management of Keppel Towers and GE Tower continues to impress tenants



OPERATIONS REVIEW

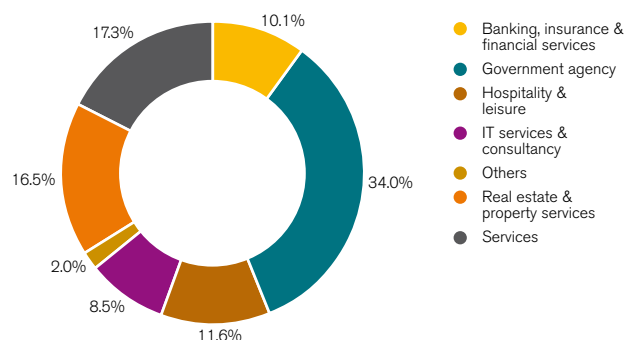
BUGIS JUNCTION TOWERS

A premier office tower reflecting an innovative and modern interpretation of urban development.

KEY STATISTICS AS AT 31 DECEMBER 2007

Location	230 Victoria Street, Singapore
Net lettable area	22,990 sm (247,464 sf)
Title	Leasehold estate of 99 years commencing 10 September 1990
Committed occupancy	100.0%
Purchase price (on acquisition)	\$159.5 million
Valuation (as at 10 Dec 2007)	\$303.0 million
Number of tenants	12
Number of car park lots ¹	-
FY2007 property income	\$13.2 million
FY2007 net property income	\$9.5 million

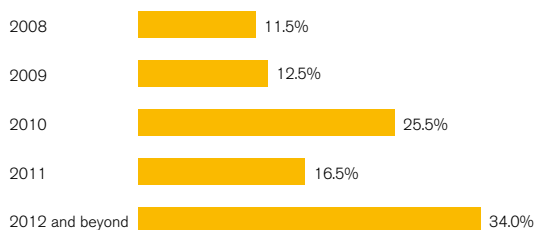
TENANT BUSINESS SECTOR ANALYSIS BY GROSS RENT (FOR THE MONTH OF DECEMBER 2007)



TOP 5 TENANTS

Ranking	Tenant	% of Gross Rent ²
1	International Enterprise Singapore	34.0
2	Keppel Land International	16.5
3	J.V. Fitness	16.4
4	Intercontinental Hotels Group (Asia Pacific)	11.6
5	Prudential Assurance Company Singapore	8.6

LEASE EXPIRY PROFILE BY GROSS RENT (FOR THE MONTH OF DECEMBER 2007)



¹ Excludes car park lots owned and managed by the management corporation.
² Based on Gross Rent for the month of December 2007.

BUGIS JUNCTION TOWERS

Bugis Junction Towers is a 15-storey office tower located along Victoria Street which is directly linked to Bugis MRT station.

It is part of the integrated mixed-use development, Bugis Junction, which comprises Bugis Junction retail mall and the five-star InterContinental Singapore Hotel.

The building has a net lettable area of 247,464 sf as at 31 December 2007 and is home to major tenants like International Enterprise Singapore, J. V. Fitness, InterContinental Hotels Group and Prudential Assurance.

There are 648 parking lots located at two basement levels to serve the

integrated development. These lots are common property owned by the management corporation of Bugis Junction.

Bugis Junction won several awards for reflecting an innovative and modern interpretation of urban development. Some of the awards include:

- Singapore Institute of Architects' Award for Urban Design Category in 1998
- Honourable Mention Award for Mixed Developments Category at Singapore Institute of Architects Architectural Design Awards 1995
- Finalist for the prestigious FIABCI Prix d'Excellence (2001) competition

Bugis Junction Towers is part of an integrated mixed-use development which has won several awards for design excellence



FINANCIAL REVIEW

OVERVIEW

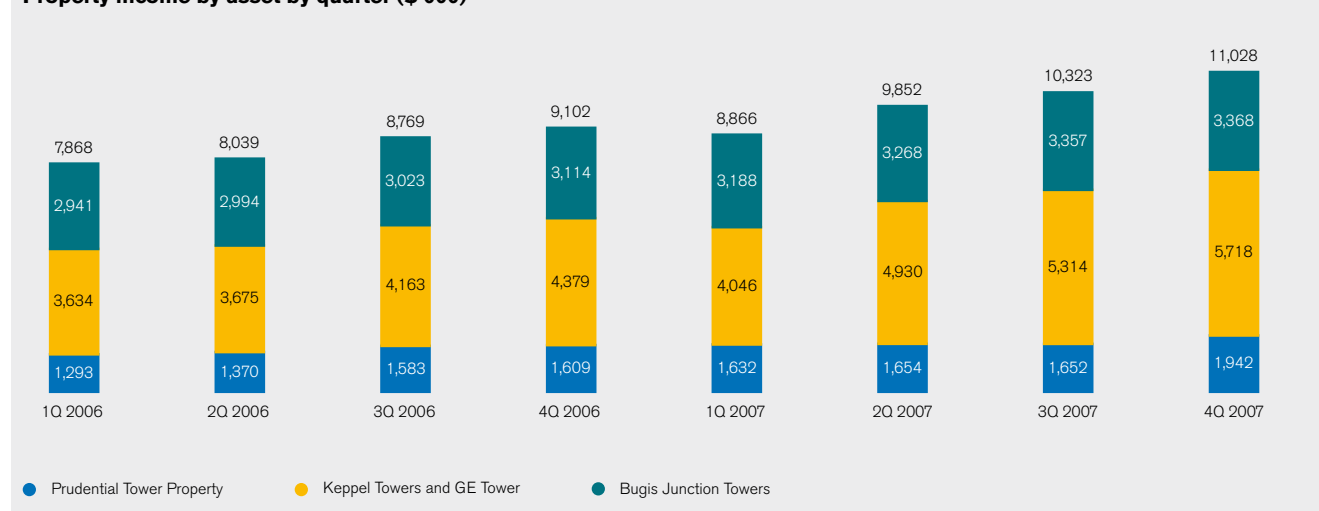
\$'000	Actual FY2007	Pro forma FY2006 ¹	% Change
Property income	40,069	33,778	18.6
Property expenses	(11,807)	(10,153)	16.3
Net property income	28,262	23,625	19.6
Investment and interest income	2,632	–	nm
Other operating expenses	(18,205)	(12,429)	46.5
Net profit before revaluation and tax	12,689	11,196	13.3
Revaluation of investment properties	432,964	–	nm
Income tax	(163)	–	nm
Net profit after revaluation and tax	445,490	11,196	nm
Income available for distribution	21,812	15,307	42.5
Distributable income ²	21,812	15,307	42.5

PROPERTY INCOME

Property income for the financial year ended 31 December 2007 (FY2007) was \$40.1 million, an increase of \$6.3 million or 18.6% over \$33.8 million for the pro forma financial year ended 31 December 2006¹ (FY2006). The increase was due mainly to higher rental income as a result of higher rental rates achieved

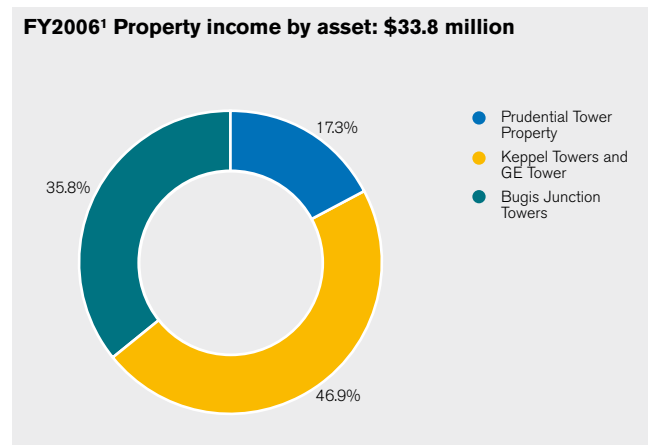
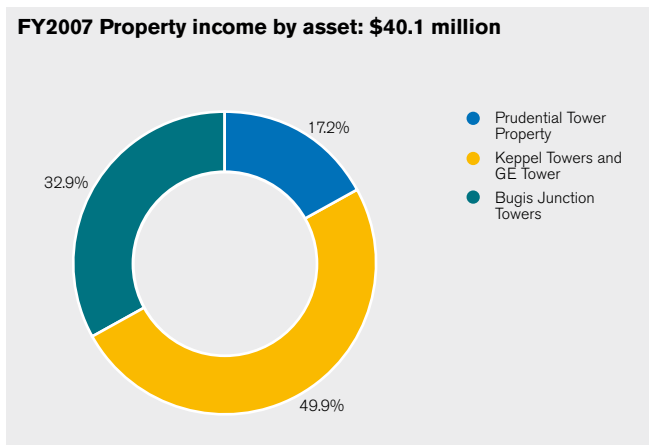
for new and renewed leases and higher occupancies. Average gross rental rates for the investment properties held directly by K-REIT Asia reached \$4.65 per square foot (psf) per month in December 2007, 22.4% higher from \$3.80 psf per month for the same period in 2006.

Property income by asset by quarter (\$'000)



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 had no income and expenses for the period prior to 26 April 2006, the pro forma 2006 comparative figures were 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.

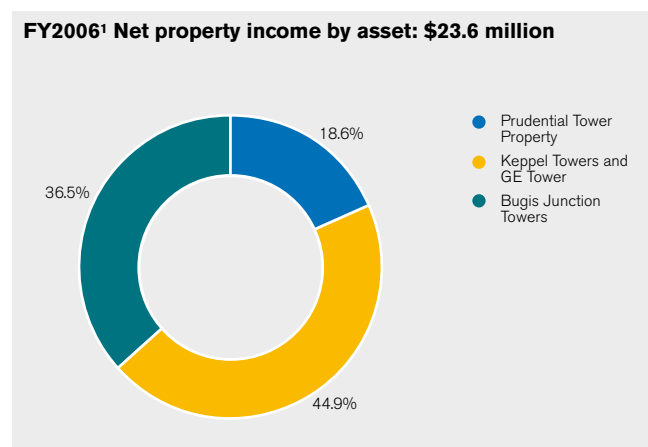
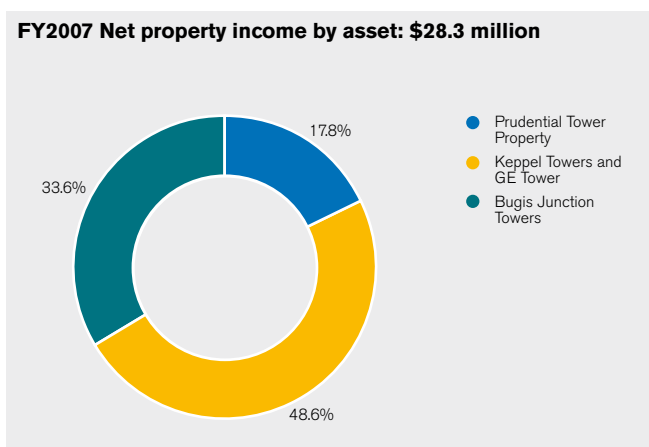


NET PROPERTY INCOME

Net property income rose \$4.7 million or 19.6% to \$28.3 million in FY2007 from \$23.6 million in FY2006 as a result of higher rental income.

Property expenses were \$11.8 million, \$1.6 million or 16.3% higher than that incurred in the previous year due mainly to higher

property tax on account of higher annual value assessed, higher marketing expenses and property management fees as a result of higher property income achieved. This was partly offset by lower repair and maintenance expenses and property management reimbursement.

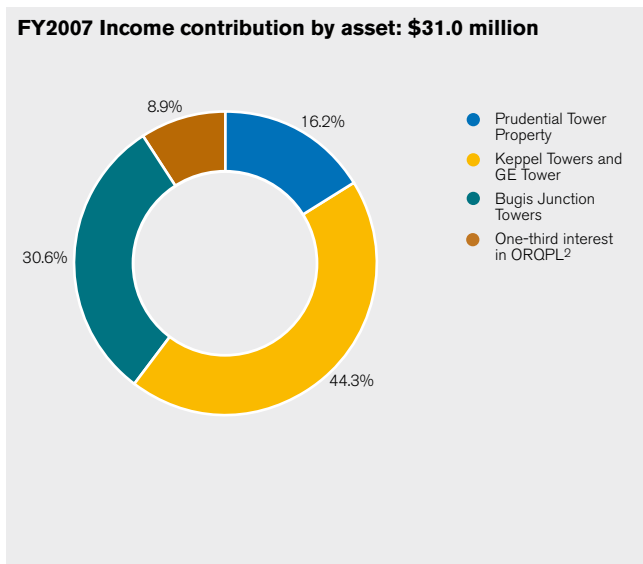
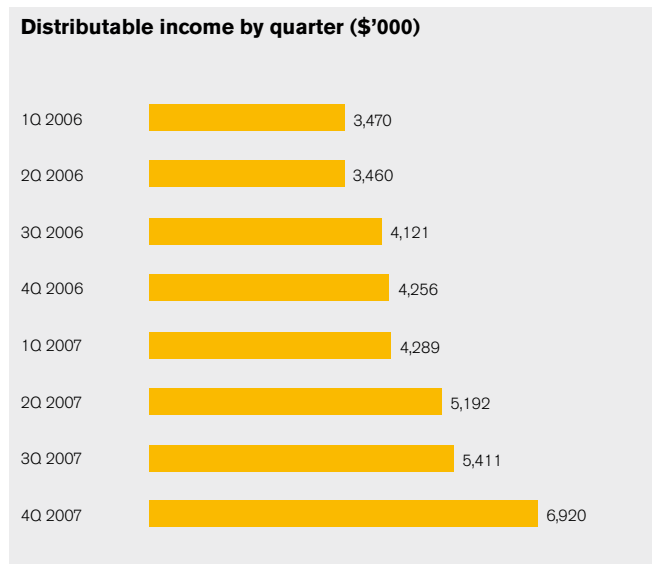
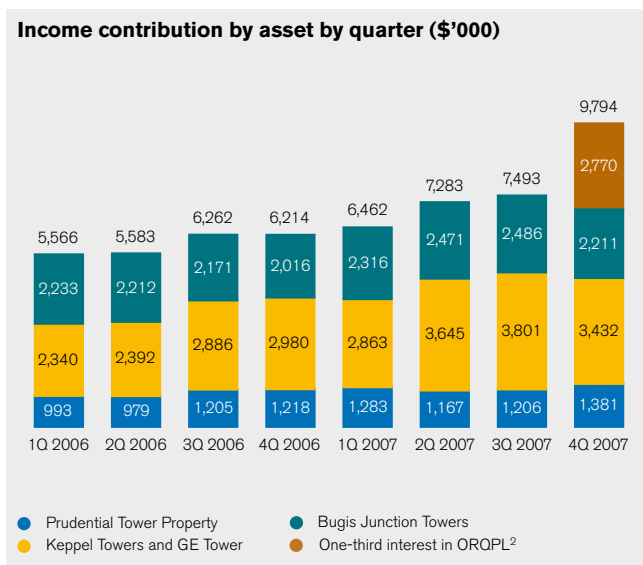


¹ K-REIT Asia was established on 28 November 2005 and the acquisition of the initial properties was completed on 26 April 2006. As K-REIT Asia had no income and expenses for the period prior to 26 April 2006, the pro forma 2006 comparative figures were compiled based on (i) the unaudited financial statements 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.

DISTRIBUTABLE INCOME

Distributable income increased by \$6.5 million or 42.5% to \$21.8 million in FY2007 from \$15.3 million in FY2006. The increase was attributed to higher net property income from the investment properties and \$2.8 million maiden contribution from the one-third interest in One Raffles Quay Pte Ltd (OROPL), partly offset by higher operating expenses.

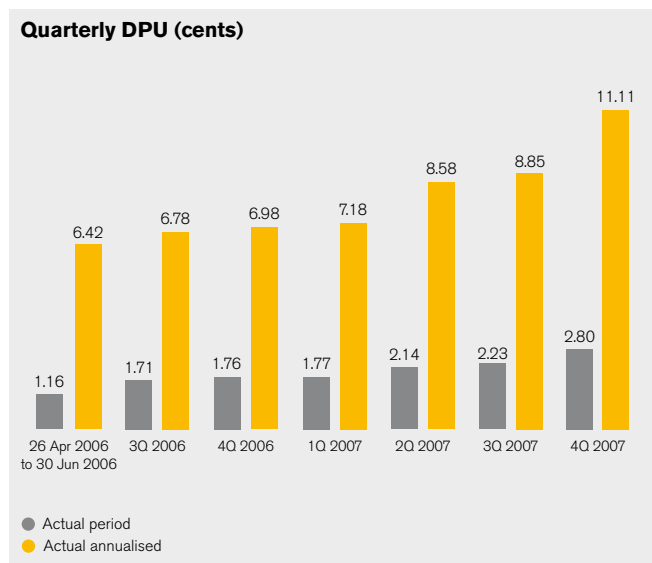
The increase in operating expenses was mainly due to an increase of \$1.9 million in borrowing costs due to the additional loan of \$942.0 million drawn down for the financing of the acquisition of a one-third interest in OROPL.



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 had no income and expenses for the period prior to 26 April 2006, the pro forma 2006 comparative figures were 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.

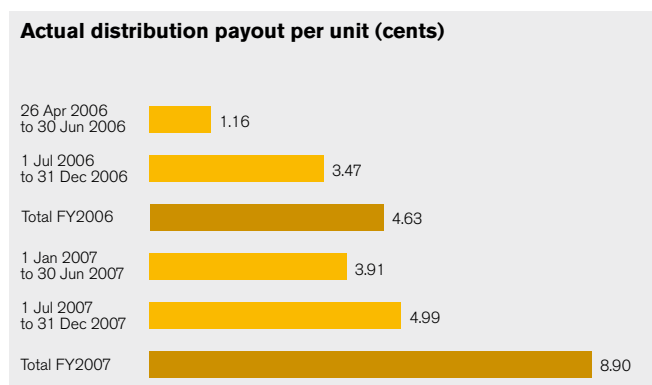
² Comprises income support, interest income and dividend income; the income received from one-third interest in OROPL relates to the period from 11 December 2007 to 31 December 2007 since the acquisition of the one-third shareholding in OROPL was completed on 10 December 2007.

DISTRIBUTION PER UNIT (DPU)



DISTRIBUTION PAYOUT

For FY2007, K-REIT Asia paid out a total distribution per unit (DPU) of 8.90 cents, comprising 3.91 cents and 4.99 cents for the periods 1 January 2007 to 30 June 2007 and 1 July 2007 to 31 December 2007 respectively. In FY2006, K-REIT Asia distributed 4.63 cents per unit, comprising 1.16 cents and 3.47 cents for the periods 26 April 2006 to 30 June 2006 and 1 July 2006 to 31 December 2006 respectively. Overall, the total distribution paid out for FY2007 of 8.90 cents per unit increased 92.2% over the total distribution for the financial period ended 31 December 2006 of 4.63 cents per unit.



ASSETS UNDER MANAGEMENT

The total assets under management as at 31 December 2007 for K-REIT Asia were \$2,102.0 million compared with \$677.0 million as at 31 December 2006.

The increase of \$1,425.0 million or 210% was mainly due to the acquisition of a one-third interest in ORQPL as well as an increase in the property valuation for all properties.

Valuation of properties

\$ million	At listing ¹ Valuation	FY2006 ² Valuation	FY2007 ³ Valuation
Prudential Tower Property	117.7	128.0	227.0
Keppel Towers and GE Tower	353.5	367.0	580.0
Bugis Junction Towers	159.5	182.0	303.0
	<u>630.7</u>	<u>677.0</u>	<u>1,110.0</u>
One-third interest in One Raffles Quay ⁴	–	–	992.0
	<u>630.7</u>	<u>677.0</u>	<u>2,102.0</u>

¹ Purchase consideration as at 26 April 2006.

² Valuation as at 31 December 2006.

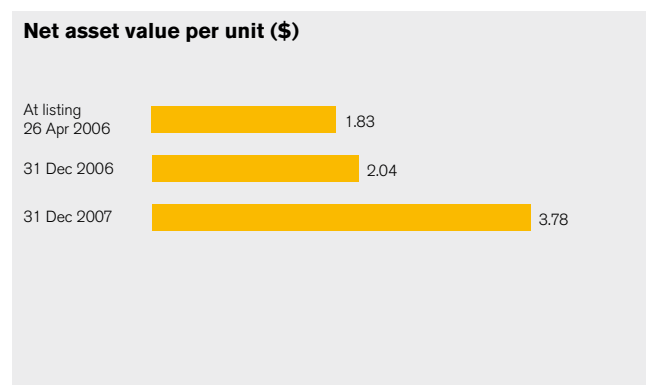
³ Valuation as at 10 December 2007.

⁴ The acquisition of one-third interest in One Raffles Quay was completed on 10 December 2007.

NET ASSET VALUE

As at 31 December 2007, K-REIT Asia's net asset value per unit was \$3.78.

This represented a significant improvement of 106.6% over \$1.83 as at listing and 85.3% over \$2.04 as at 31 December 2006.

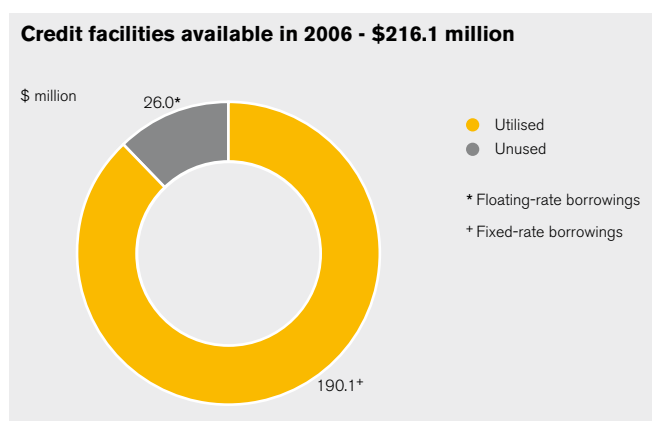
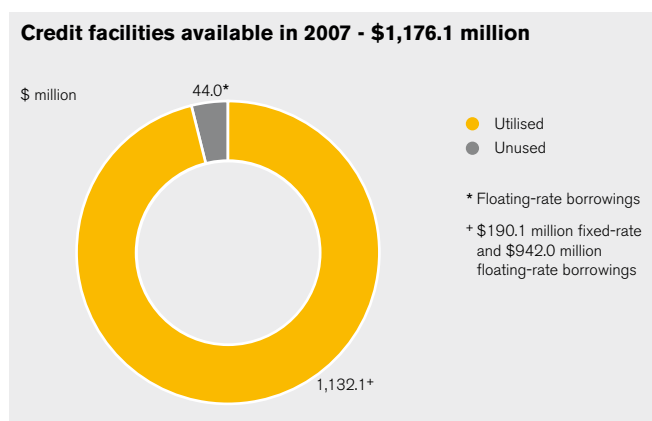


CAPITAL MANAGEMENT

Cash Management

K-REIT Asia takes a proactive role in monitoring its cash and liquid reserves to ensure that adequate funding is available for distribution to Unitholders as well as to meet any short-term liabilities.

Funding and Borrowings



Under the facility agreement between Blossom Assets Limited (Blossom Assets) and the Trustee, Blossom Assets has granted K-REIT Asia a five-year fixed-rate term loan facility totalling \$190.1 million. The term loan facility was funded by issuing €95.4 million secured commercial mortgage-backed securities notes. The notes comprise €80.4 million class AAA and €15 million class AA notes at an interest margin of between 20 to 35 basis points per annum above EURIBOR. The term loan facility has been utilised to refinance a bridge loan that was used to partly

finance the acquisition of Prudential Tower Property, Keppel Towers and GE Tower, and Bugis Junction Towers.

Blossom Assets established a \$3 billion Multi-currency Secured Medium Term Loan Programme which provides opportunity for K-REIT Asia to tap a wider investor base in funding future asset acquisition plans.

K-REIT Asia has in place a short-term credit facility of \$26.0 million from a financial institution which is subordinated to the term loan facility. There was no utilisation of this credit facility as at 31 December 2007.

In addition, K-REIT Asia put in place a revolving loan facility of up to \$960.0 million from Kephinance Investment Pte Ltd (Kephinance) for an initial period of nine months commencing from the drawdown date, thereafter renewable on terms, including new maturity date, to be agreed between parties. An amount of \$942.0 million has been drawn down on 10 December 2007, at an interest rate of 3.3% per annum for the initial interest period of one month, to finance the acquisition of one-third interest in ORQPL.

As a result, total gross borrowings of K-REIT Asia stood at \$1,132.1 million, increasing its aggregate leverage to 53.9% as at 31 December 2007.

On 10 December 2007, K-REIT Asia obtained a first-time corporate rating of 'Baa3' with a 'Stable' rating outlook by Moody's Investor Services. 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 properties under the Property Funds Guidelines.

On 23 January 2008, the Manager announced plans to raise gross proceeds of up to \$700.0 million by way of a renounceable rights issue. The net proceeds will be used to partially repay the short-term borrowings from Kephinance. The aggregate leverage of K-REIT Asia is therefore expected to improve with the proposed rights issue. The Manager will continue to review K-REIT Asia's capital structure to ensure capital efficiency in line with its investment strategy.

Average cost of borrowings for the financial year ended 31 December 2007 was 3.88% per annum with an interest coverage ratio of 2.3 times.

Debt maturity profile

	\$ million	% of debt
Within 1 year	942.0	83
After 1 year but within 5 years	190.1	17

Key statistics

	As at 31 Dec 2007	As at 31 Dec 2006
Gross borrowings	\$1,132.1m	\$190.1m
Aggregate leverage ¹	53.9%	27.4%
Interest coverage ratio ²	2.3 times	2.7 times
All-in interest rate ³	3.88%	4.06%
Weighted average term to expiry	1.1 years	4.3 years
Corporate rating	Baa3	–

¹ Aggregate leverage = Gross borrowings over value of deposited properties.

² Interest coverage ratio = Year-to-date profit before interest and tax over interest expense.

³ All-in interest rate includes amortisation of upfront debt arrangement expenses of approximately \$1.2 million for 5-year term loans.

CASH FLOWS AND LIQUIDITY

Net cash from operating activities for the financial year ended 31 December 2007 was \$29.3 million. This was an increase of \$2.2 million over the operating cashflow of \$27.1 million in the preceding financial period. This was mainly contributed by the increased operating profit.

Net cash used in investing activities was \$939.9 million, mainly attributed to the acquisition cost of \$940.2 million for the one-third interest in ORQPL.

Net cash generated from financing activities was \$916.7 million which included the net cashflow from the bridging loan of \$942.0 million obtained to finance the acquisition of one-third interest in ORQPL and a distribution of \$17.9 million to its Unitholders during the year.

As at 31 December 2007, the value of cash and cash equivalents of K-REIT Asia stood at \$22.9 million compared with \$16.8 million as at 31 December 2006.

SENSITIVITY ANALYSIS

K-REIT Asia's portfolio includes the initial properties, comprising 44.4% of the strata area of Prudential Tower, Keppel Towers and GE Tower, and Bugis Junction Towers; and one-third interest in One Raffles Quay through its one-third shareholding interest in ORQPL. The rental income from these properties is sensitive to changes in their occupancies and the rental rates for lease renewals and rent reviews.

Assuming that current average rental rate is maintained, a full year's impact on rental income for every 1% increase and decrease in the occupancies of K-REIT Asia's properties is an increase of approximately \$55,600 and a decrease of approximately \$707,300 respectively.

In respect of lease renewals and rent reviews in Year 2008, a full year's impact on rental income for every 10% increase or decrease in current average rental rates would be approximately \$813,900.

Change in rental income ^(a)

Resulting from:

	\$'000
1% increase in occupancies ^{(b) (c)}	55.6
1% decrease in occupancies ^(b)	(707.3)
10% increase in current average rent rates ^(d)	813.9
10% decrease in current average rent rates ^(d)	(813.9)

(a) Comprising rental income derived from the initial properties and one-third interest in ORQPL.

(b) Assuming current average rent rates are maintained

(c) Excluding properties with full occupancy

(d) Based on leases due for renewal and rent review in Year 2008

K-REIT Asia is also subject to exposure to interest rate changes pertaining to interest-earning financial assets and interest-bearing financial liabilities. In respect of interest rate applicable for the interest-earning financial assets and interest-bearing financial liabilities, a 75 basis point increase or decrease in the interest rates will cause an decrease or increase of \$325,000 in K-REIT Asia's net profit before tax.

Change in net profit before tax

Resulting from:

	\$'000
75 basis point increase in interest rate	(325.0)
75 basis point decrease in interest rate	325.0

UNIT PRICE PERFORMANCE

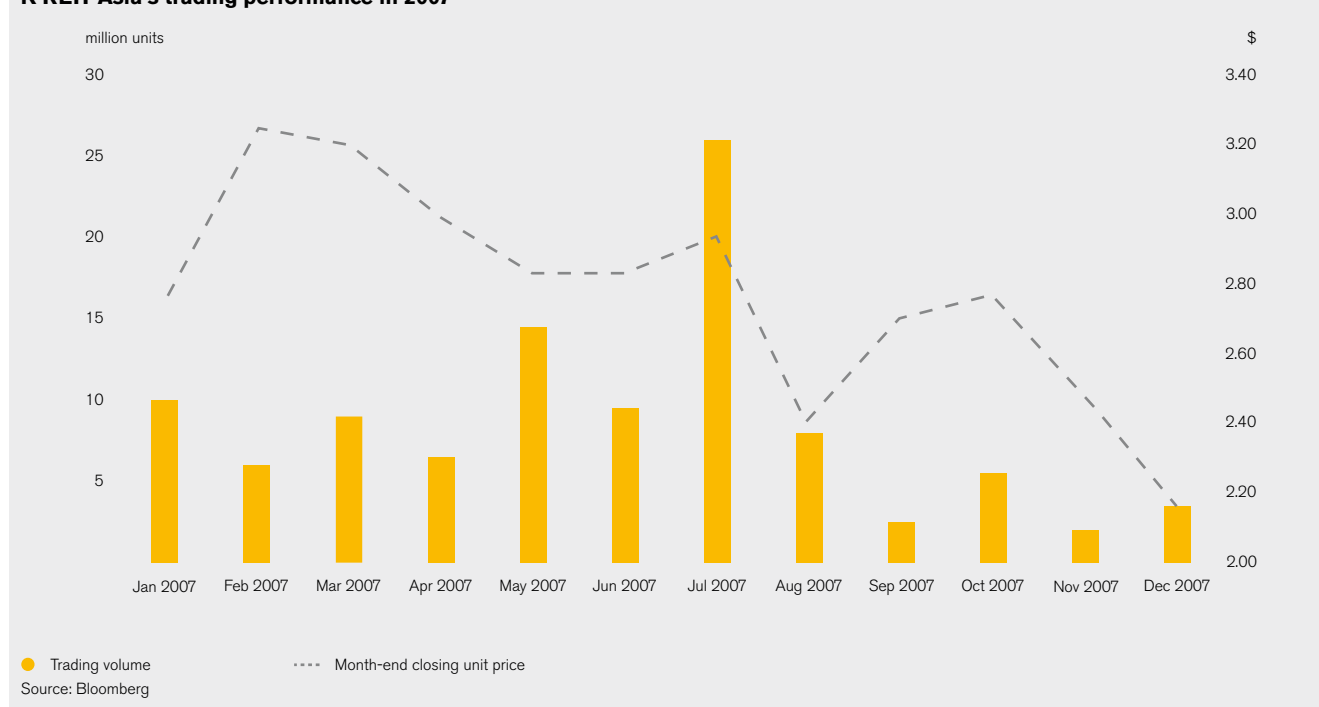
In tandem with the weakness in the broad market, K-REIT Asia's unit price closed at \$2.13 on 31 December 2007, down 14.8% from \$2.50 on 29 December 2006. Its unit price held steady during the first half of 2007, reaching a high of \$3.42 on 27 February 2007. However, during the second half of the year, the volatility in global equity markets led to a sell-down of equities on the Straits Times Index, and in particular the property sector. The FTSE Straits Times REIT Index fell 2.6% in 2007.

During the month of July 2007, K-REIT Asia saw a lift in its unit price and a spike in trading volume after it announced its

acquisition of a one-third interest in One Raffles Quay Pte Ltd. In 2007, K-REIT Asia's trading volume increased by 3.8% to 104.4 million units from 100.6 million units in 2006.

K-REIT Asia paid out distribution per unit of 3.91 cents for the first half of 2007 and 4.90 cents for the second half of the year. For Unitholders who have held their units since K-REIT Asia's debut on the Singapore Exchange on 28 April 2006, those investors would have enjoyed a total return of about 118% as at 31 December 2007, based on the first trading day's opening price per unit of \$1.04.

K-REIT Asia's trading performance in 2007

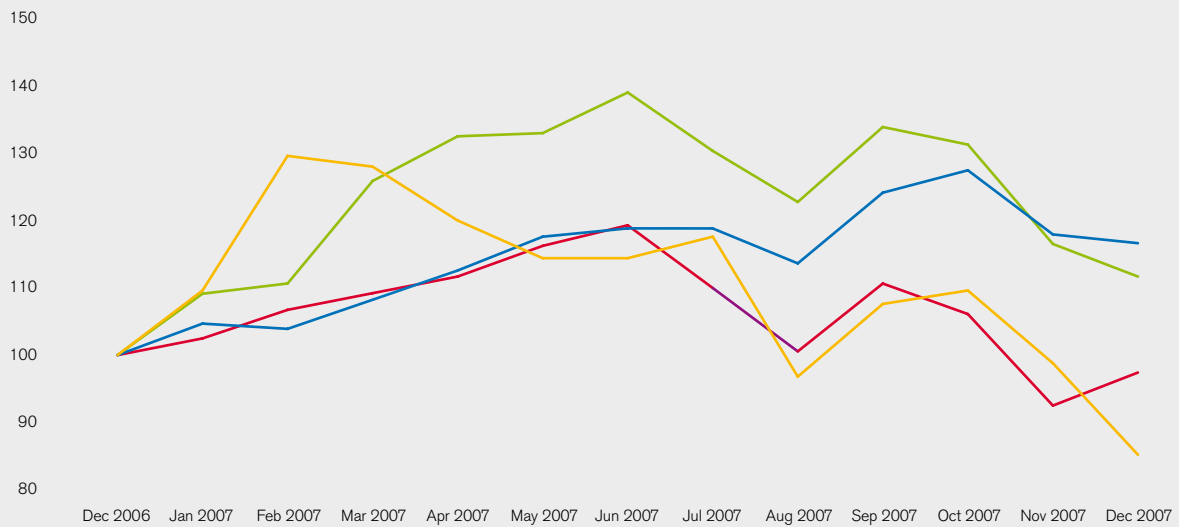


Unit Price	2007	2006*
Highest	\$3.42	\$2.68
Lowest	\$2.08	\$1.26
Average closing	\$2.78	\$1.75
Closing on 31 December	\$2.13	\$2.50
Trading volume (million units)	104.4	100.6

* K-REIT Asia commenced trading on 28 April 2006

Comparative price trends

% change in unit price rebased to 100



— K-REIT Asia — STI — SESPROP — FTSE STI REIT
Source: Bloomberg

From 29 December 2006 to 31 December 2007

K-REIT Asia	-14.8%
STI	+16.6%
SESPROP	+11.7%
FTSE ST REIT	-2.6%

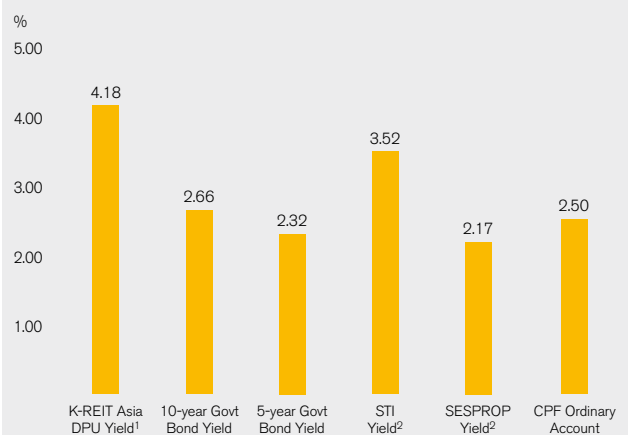
STI : Straits Times Index
SESPROP : Singapore Property Equities Index
FTSE ST REIT : FTSE Straits Times Real Estate Investment Trust Index

From 29 December 2006 to 31 December 2007

Total returns¹ -11.2%

¹ Sum of distribution yield and capital appreciation

Comparative dividend yields (as at 31 December 2007)



Source: Bloomberg

¹ Based on K-REIT Asia's actual distribution per unit payouts of 3.91 cents for 1 January 2007 to 30 June 2007 and 4.99 cents for 1 July 2007 to 31 December 2007, and closing unit price of \$2.13 as at 31 December 2007.

² Based on 12-month gross dividend yield of stocks in the Straits Times Index (STI) and Singapore Property Equities Index (SESPROP) as at 31 December 2007.

TRUST STRUCTURE



The Manager believes good corporate governance and transparency are essential to sustained growth.

The board and management of K-REIT Asia Management Limited, the manager of K-REIT Asia (the Manager), are fully committed to good corporate governance as it is essential to protect the best interests of the unitholders of K-REIT Asia (Unitholders), and critical to the performance and success of the Manager.

The Manager uses the new Code of Corporate Governance 2005¹ (the Code) as its benchmark. The following describes the Manager's main corporate governance policies and practices with specific reference to the Code.

THE MANAGER OF K-REIT ASIA

The Manager has general powers of management over the assets of K-REIT Asia. The Manager's main responsibility is to manage the assets and liabilities of K-REIT Asia for the benefit of Unitholders. The Manager will manage the assets of K-REIT Asia with a focus on generating rental income and to enhance the returns from the investments of K-REIT Asia and ultimately the distributions and total return to Unitholders.

The primary role of the Manager is to set the strategic direction of K-REIT Asia and make recommendations to RBC Dexia Trust Services Singapore Limited as trustee of K-REIT Asia (the Trustee) on the acquisition, divestment or enhancement of the assets of K-REIT Asia in accordance

with its stated investment strategy. The research, analysis and evaluation required to achieve this is carried out by the Manager. The Manager is also responsible for the risk management of K-REIT Asia.

The Manager will use its best endeavours to carry on and conduct its business in a proper and efficient manner and to conduct all transactions with, or on behalf of K-REIT Asia, at arm's length.

Other functions and responsibilities of the Manager include :

1. Developing a business plan for K-REIT Asia in the short, medium and long-term with a view to maximising income of K-REIT Asia;
2. Acquire, sell, lease, license or otherwise deal with any real estate in furtherance of the investment policy and prevailing investment strategy of K-REIT Asia;
3. Supervise and oversee the management of K-REIT Asia's properties (including lease audit, systems control, data management and business plan implementation);
4. Undertake regular individual asset performance analysis and market research analysis;

5. Manage the finances of K-REIT Asia including accounts preparation, capital management, co-ordination of the budget process, forecast modelling, performance analysis and reporting, corporate treasury functions and ongoing financial market analysis;
6. Ensure compliance with the applicable provisions of the Companies Act, the Securities and Futures Act of Singapore and all other relevant legislation of Singapore, the Listing Manual of the Singapore Exchange Securities Trading Limited (SGX), the Code on Collective Investment Schemes (including the Property Funds Guidelines) issued by the Monetary Authority of Singapore, the tax rulings issued by the Inland Revenue Authority of Singapore on taxation of K-REIT Asia and its Unitholders;
7. Manage communications with Unitholders; and
8. Supervise the property managers who perform the day-to-day property management functions (leasing, accounting, budget, marketing, promotion, property management, maintenance and administration) for K-REIT Asia's properties, pursuant to the property management agreements signed for the respective properties.

K-REIT Asia, constituted as a trust, is externally managed by the Manager and

¹ The Code of Corporate Governance 2005 issued by Ministry of Finance on 14 July 2005.

therefore has no personnel of its own. The Manager appoints experienced and well-qualified management to handle its day-to-day operations. All Directors and employees of the Manager are remunerated by the Manager, and not by K-REIT Asia.

The Manager is appointed in accordance with the terms of the Trust Deed dated 28 November 2005 as amended by the Supplemental Trust Deed dated 2 February 2006, the Second Supplemental Trust Deed dated 17 March 2006, the Third Supplemental Deed dated 30 July 2007 and the Fourth Supplemental Deed dated 17 October 2007 (collectively, the Trust Deed). The Trust Deed outlines certain circumstances under which the Manager can be removed by notice in writing given by the Trustee in favour of a corporation appointed by the Trustee, upon the occurrence of certain events including if the Unitholders by an ordinary resolution duly proposed and passed by a simple majority of Unitholders present and voting at a meeting of Unitholders, with no Unitholder (including the Manager) being disenfranchised, vote to remove the Manager.

THE BOARD'S CONDUCT OF AFFAIRS

Principle 1: Effective Board to lead and control the company

The Board of Directors of the Manager (the Board) is responsible for the overall management and the corporate governance of the Manager and K-REIT Asia including establishing goals for management and monitoring the achievement of these goals.

The principal functions of the Board are to:

- decide on matters in relation to K-REIT Asia's and the Manager's activities which are significant in nature, including

decisions on strategic directions and guidelines and the approval of periodic plans and major investments and divestments;

- oversee the business and affairs of K-REIT Asia and the Manager, establish, with management, the strategies and financial objectives to be implemented by management, and monitor the performance of management;
- oversee processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance, and satisfy itself as to the adequacy of such processes; and
- assume responsibility for corporate governance.

All directors of the Manager (the Directors) are expected to exercise independent judgment in the best interests of K-REIT Asia, and all Directors have discharged this duty consistently well.

To assist the Board in the discharge of its oversight function, the Audit Committee and the Nominating and Remuneration Committee have been constituted with clear written terms of reference. The Committees are actively engaged and play an important role in

ensuring good corporate governance. The terms of reference of the respective Board committees are disclosed in the Appendix to this report.

The Board meets once every quarter and as warranted by particular circumstances to discuss and review the Manager's key activities including its business strategies and policies for K-REIT Asia, proposed acquisitions and disposals, the annual budget, review the performance of the business and the financial performance of the Manager and K-REIT Asia. The Board also reviews and approves the release of the quarterly, half-yearly and full-year results. The Board also reviews the risks to the assets of K-REIT Asia, and acts upon any comments from the auditors of K-REIT Asia.

The Manager's Articles of Association permit Board meetings to be held by way of conference by telephone or any other electronic means of communication by which all persons participating are able, contemporaneously, to hear and be heard by all other participants.

The number of Board and Board committee meetings held in FY2007 as well as the attendance of each Board member at these meetings are disclosed in the following table:

	Board meetings	Audit Committee meetings	Nominating and Remuneration Committee meeting
Professor Tsui Kai Chong	4	–	1
Mr Kevin Wong Kingcheung	4	1 of 2 ¹	–
Mr Tan Swee Yiow	4	–	–
Mrs Lee Ai Ming	4	3 of 3 ²	–
Mr Lim Poh Chuan	4	5	1
Dr Chin Wei-Li, Audrey Marie	4	5	1
No. of Meetings Held	4	5	1

¹ Mr Kevin Wong Kingcheung ceased to be an Audit Committee member of the Manager on 5 April 2007.

² Mrs Lee Ai Ming was appointed as an Audit Committee member of the Manager on 5 April 2007.

The Manager has adopted a set of internal guidelines which set out the financial authority limits for investment/ business acquisition and divestment, operating/capital expenditure, leasing, disposal and write-off of assets and corporate matters that require the approval of the Board. Appropriate delegation of authority and approval sub-limits are also provided at management level to facilitate operational efficiency.

A formal letter is sent to newly-appointed Directors upon their appointment explaining their duties and obligations. Changes to laws, regulations, policies, accounting standards and industry-related matters are monitored closely. Where the changes have an important and significant bearing on K-REIT Asia and its disclosure obligations, the Directors are briefed either during Board meetings, at specially convened sessions, or via circulation of Board papers.

BOARD COMPOSITION AND GUIDANCE

Principle 2: Strong and independent element on the Board

Presently, the Board consists of six members, four of whom are independent non-executive Directors. The Chairman of the Board is Professor Tsui Kai Chong, who is an independent non-executive Director. A Director, who has no relationship with the Manager or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment in the best interests of K-REIT Asia, is considered to be independent.

The Nominating and Remuneration Committee (NRC) determines on an annual basis whether or not a Director is independent, bearing in mind the Code's definition of an "independent director" and guidance as to relationships the existence of which would deem a Director not to be independent.

The NRC is of the view that, taking into account the nature and scope of K-REIT Asia's operations, the present Board size is appropriate and facilitates effective decision making.

The nature of the Directors' appointments on the Board and details of their membership on Board committees are set out in the Appendix hereto.

The NRC is satisfied that the Board comprises Directors who, as a group provide core competencies such as accounting or finance, business or management experience, industry knowledge, strategic planning experience and customer-based experience or knowledge, required for the Board to be effective.

The composition of the Board is also determined using the following principles :

- (i) the Chairman of the Board should be a non-executive Director of the Manager;
- (ii) the Board comprises Directors with a range of commercial and financial experience including expertise in funds management and the property industry; and
- (iii) at least one-third of the Board comprises independent Directors.

The composition will be reviewed regularly to ensure that the Board has the appropriate mix of expertise and experience.

The Board and management fully appreciate that fundamental to good corporate governance is an effective and robust Board whose members engage in open and constructive debate, and challenge management on its assumptions and proposals. For this to happen, the Board, in particular, the non-executive Directors are kept well informed of K-REIT Asia's and the Manager's businesses and affairs and are knowledgeable about the industry in which the businesses operate. For the current financial year, the non-executive Directors have constructively challenged and helped to develop proposals on strategy and reviewed the performance of the management. The non-executive Directors are well supported by accurate, complete and timely information, have unrestricted access to management, and have sufficient time and resources to discharge their oversight function effectively.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3: Clear division of responsibilities for the working of the Board and the executive responsibility of the company's business to ensure a balance of power and authority

The positions of Chairman and Chief Executive Officer (CEO) are held by two separate persons to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making.

The Chairman leads the Board in working together with management with integrity, competency, and in an effective manner, to address strategy, business operations and enterprise risk issues, and facilitates the effective contribution of the non-executive Directors and the Board as a whole. With the assistance of the company secretaries, the Chairman also sets and approves the agenda of all Board meetings.

The Chairman monitors the flow of information from management to the Board to ensure that material information is provided on a timely basis to the Board. He also encourages constructive relations between the Board and management, and between the Executive Director and non-executive Directors.

The Chairman ensures effective communication with Unitholders. He also takes a leading role in promoting high standards of corporate governance with the full support of the Directors and the management.

The CEO is responsible for working with the Board to determine the strategy for K-REIT Asia. The CEO also works with the other members of the Manager's management team to ensure that K-REIT Asia is operated in accordance with the stated investment strategy of the Manager. He is also responsible for the strategic planning and development of K-REIT Asia. The CEO is fully supported by the Deputy CEO in his duties and responsibilities.

The clear separation of roles of the Chairman and the CEO provides a healthy professional relationship between the Board and management with clarity of roles and robust deliberation on the business activities of K-REIT Asia.

BOARD MEMBERSHIP

Principle 4: Formal and transparent process for the appointment of new Directors to the Board

Nominating and Remuneration Committee

The Manager has established a Nominating and Remuneration Committee (NRC) to, among other things, make recommendations to the Board on all Board appointments. The NRC comprises of three Directors, all of whom are independent; namely,

Mr Lim Poh Chuan	Chairman
Professor Tsui Kai Chong	Member
Dr Chin Wei-Li, Audrey Marie	Member

The terms of reference of the NRC are disclosed in the Appendix hereto.

Process for appointment of new Directors

In February 2007, the NRC recommended, and the Board approved, a formal process for the selection of new Directors to increase transparency of the nominating process in identifying and evaluating nominees for Directors. The NRC leads the process and makes recommendations to the Board as follows:

- (a) NRC evaluates the balance of skills, knowledge and experience on the Board and, in the light of such evaluation and in consultation with management, prepares a description of the role, and the essential and desirable competencies for a particular appointment;
- (b) External help (eg Singapore Institute of Directors, search consultants, open advertisement) will be used to source for potential candidates if

need be. Directors and management may also make suggestions;

- (c) NRC meets with the short-listed candidates to assess suitability and to ensure that the candidate(s) are aware of the expectations and the level of commitment required; and
- (d) NRC makes recommendations to the Board for approval.

Criteria for appointment of new Directors

All new appointments are subject to the recommendation of the NRC based on the following objective criteria:

- (1) Integrity
- (2) Independent mindedness
- (3) Diversity – Possess core competencies that meet the current needs of K-REIT Asia and the Manager and complement the skills and competencies of the existing Directors on the Board
- (4) Ability to commit time and effort to carry out duties and responsibilities effectively – proposed Director is on not more than six principal boards
- (5) Track record of making good decisions
- (6) Experience in high-performing corporations or property funds
- (7) Financially literacy

The NRC is also charged with determining the “independence” status of the Directors annually. Please refer to page 63 on the basis of the NRC's determination as to whether a Director should or should not be deemed independent.

The NRC also determines annually whether a Director with multiple board representations is able to and has been adequately carrying out his duties as a

Director of the Manager. The NRC took into account the results of the assessment of the effectiveness of the individual Director, and the respective Directors' actual conduct on the Board, in making this determination, and is satisfied that all the Directors have been able to and have adequately carried out their duties as Director notwithstanding their multiple board representation.

The NRC has adopted internal guidelines addressing competing time commitments that are faced when Directors serve on multiple boards. As a guide, Directors should not serve on more than six principal boards.

The following key information regarding Directors are set out in the following pages of this Annual Report:

Pages 18 to 21 and 74: Academic and professional qualifications, Board committees served on (as a member or chairman), date of first appointment as a Director, directorships or chairmanships both present and past held over the preceding three years in other listed companies and other major appointments, whether appointment is executive or non-executive, whether considered by the NRC to be independent; and

Page 87: Unitholding in K-REIT Asia (if any) as at 21 January 2008.

BOARD PERFORMANCE

Principle 5: Formal assessment of the effectiveness of the Board as a whole and the contribution by each Director to the effectiveness of the Board

The Board has implemented formal processes which are to be carried out by

the NRC for assessing the effectiveness of the Board as a whole, and the contribution by each individual Director to the effectiveness of the Board.

The evaluation of the Board and of individual Directors for FY2007 was done by the members of the NRC at the NRC meeting held in February 2008. At the NRC meeting, the NRC members assessed the effectiveness of the Board as a whole and the contribution by each individual Director using the following performance criteria :

- (a) The performance criteria for the Board evaluation are in respect of the Board size and composition, Board independence, Board performance in relation to discharging its principal functions, Board committee performance in relation to discharging their responsibilities set out in their respective terms of reference, and financial targets which includes earnings per unit, distribution per unit, leverage ratio, net asset value per unit, unit price performance and total Unitholder return (i.e. distribution per unit plus unit price increase over the year).
- (b) The individual Director's performance criteria are categorised into five segments; namely, (1) interactive skills (under which factors as to whether the Director works well with other Directors, and participates actively are taken into account); (2) knowledge (under which factors as to the Director's industry and business knowledge, functional expertise, whether he provides valuable inputs, his ability to analyse, communicate and contribute to the productivity of

meetings, and his understanding of finance and accounts are taken into consideration); (3) Director's duties (under which factors as to the Director's Board committee work contribution, whether the Director takes his role of Director seriously and works to further improve his own performance, whether he listens and discusses objectively and exercises independent judgment, and meeting preparation are taken into consideration); (4) availability (under which the Director's attendance at Board and Board committee meetings, whether he is available when needed, and his informal contribution via e-mail, telephone, written notes, etc are considered) and (5) overall contribution, bearing in mind that each Director was appointed for his/her strength in certain areas which, taken together with the skill sets of the other Directors, provides the Board with the required mix of skills and competencies.

After the assessment by the NRC, the chairman of the NRC will discuss the findings of the NRC with the chairman of the Board so that they may provide the Board with the necessary feedback with a view to improving Board performance and Unitholder value.

The Board assessment exercise helped the Directors to focus on their key responsibilities. It also assisted the NRC in determining whether Directors with multiple board representations are nevertheless able to and have adequately discharged their duties as Directors of the Manager.

ACCESS TO INFORMATION**Principle 6: Board members to have complete, adequate and timely information**

Management provides the Board with relevant and accurate information in a timely manner relating to matters to be brought before the Board, prior to Board meetings and on an on-going basis.

As a general rule, Board papers are required to be sent to Directors at least seven days before the Board meeting. However, sensitive matters may be tabled at the meeting itself or discussed without any papers being distributed. Managers who can provide additional insight into the matters at hand would be present at the relevant time during the Board meeting. The Board has separate and independent access to the Manager's senior management for further clarification if required.

The information provided to the Board includes financial results, market and business developments, and business and operational information. Such reports keep the Board informed, on a balanced and understandable basis, of K-REIT Asia's performance, financial position and prospects. The financial results are also compared against the budgets, together with explanations given for significant variances for the reporting period.

The Manager has implemented quarterly financial reporting from the date of listing of K-REIT Asia on the SGX.

The Directors have separate and independent access to both company secretaries of the Manager. The company secretaries assist the Chairman to ensure

that Board procedures (including but not limited to assisting the Chairman to ensure the timely and good information flow to the Board and its committees, and between senior management and the non-executive Directors) are followed, and that the Manager's memorandum and articles of association and relevant rules and regulations are complied with. At least one of the two company secretaries attends all Board meetings and prepares minutes of the Board proceedings. The appointment and removal of each of the company secretaries are subject to the approval of the Board as a whole.

Subject to the approval of the Chairman, the Directors, whether as a group or individually, may seek and obtain independent professional advice in the furtherance of their duties.

REMUNERATION MATTERS**Principle 7: Formal and transparent procedure for developing policy on executive remuneration and for fixing remuneration packages of individual Directors****Principle 8: Remuneration of Directors should be adequate but not excessive****Principle 9: Disclosure on remuneration policy, level and mix of remuneration, and procedure for setting remuneration**

The composition of the NRC has been set out above under Principle 4. The NRC comprises entirely non-executive and independent Directors.

The NRC is responsible for ensuring a formal and transparent procedure for developing policy on executive remuneration and for fixing the

remuneration packages of individual Directors and senior management. The NRC assists the Board to ensure that remuneration policies and practices are sound in that they are able to attract, retain and motivate without being excessive, and thereby maximise Unitholder value. The NRC recommends to the Board for endorsement a framework of remuneration (which covers all aspects of remuneration including Directors' fees, salaries, allowances, bonuses, options and benefits in kind) and the specific remuneration packages for each Director and the Chairman. The NRC also reviews the remuneration of senior management of the Manager.

The NRC has access to expert advice in the field of executive compensation outside the Manager where required.

ANNUAL REMUNERATION REPORT

The remuneration of all Directors and employees of the Manager is paid by the Manager, and not by K-REIT Asia.

Policy in respect of Directors' remuneration

Directors' fees are established annually for the Directors, the amount of which are dependent on their level of responsibilities on the Board and its committees. Each Director is paid a basic fee. In addition, Directors who perform additional services through Board committees are paid an additional fee for such services. The chairman of the Board and of each Board committee is paid a higher fee compared with members of the Board and of such Board committee in view of the greater responsibility carried by that office. The amount of Directors' fees payable to the Directors is subject to the

approval of the Manager's shareholder at the Manager's annual general meetings.

Remuneration policy in respect of Key Executives

The Manager advocates a performance-based remuneration system that is highly flexible and responsive to the market and the individual employee's performance.

The total remuneration mix comprises two key components; that is, annual fixed pay and annual performance incentive. The annual fixed pay component comprises the annual basic salary plus any other fixed allowances. The annual performance incentive is tied to the individual employee's performance.

The compensation structure is designed such that to stay competitive and relevant, the Manager benchmarks the annual fixed salaries of key executives at the market

median with the variable compensation being strictly performance-driven. More emphasis is placed on the 'pay-at-risk' compensation as an employee moves up the corporate ladder, with increasing percentage on performance-related bonuses. This allows the Manager to better align executive compensation towards Unitholders' value creation.

No employee share option schemes have been implemented in FY2007.

Level and mix of remuneration of Directors and top five Key Executives (who are not also Directors) for the year ended 31 December 2007

The level and mix of each of the Directors' remuneration, and that of each of the top five key executives (who are not also Directors), in bands of S\$250,000 are set out below:

Remuneration of employees who are immediate family members of a Director or the Chief Executive Officer

No employee of the Manager was an immediate family member of a Director or the Chief Executive Officer and whose remuneration exceeded S\$150,000 during FY2007. "Immediate family member" means the spouse, child, adopted child, step-child, brother, sister and parent.

ACCOUNTABILITY AND AUDIT

Principle 10: The Board should present a balanced and understandable assessment of the Company's performance, position and prospects

Principle 11: Establishment of Audit Committee with written terms of reference

The Board is responsible for providing a balanced and understandable assessment of K-REIT Asia's performance, position and prospects, including interim and

Remuneration band and name of Director	Base/Fixed salary	Variable or performance-related income/bonuses	Directors' fees	Benefits-in-kind	Stock options granted
Below \$250,000					
Professor Tsui Kai Chong	—	—	100%	—	—
Mr Kevin Wong Kingcheung	—	—	100%	—	—
Mr Tan Swee Yiow	—	—	100%	—	—
Mrs Lee Ai Ming	—	—	100%	—	—
Mr Lim Poh Chuan	—	—	100%	—	—
Dr Chin Wei-Li, Audrey Marie	—	—	100%	—	—

Remuneration band and name of top five Key Executives	Base/Fixed salary	Variable or performance-related income/bonuses	Directors' fees	Benefits-in-kind	Stock options granted
Above \$250,000 to \$500,000					
Mr Daniel Cerf	78%	22%	—	—	—
Mrs Melissa Teh ¹	47%	53%	—	—	—
Ms Serena Toh	53%	47%	—	—	—
Below \$250,000					
Mr Joseph Low	51%	49%	—	—	—
Mr John Chng (resigned on 31 December 2007)	92%	8%	—	—	—

¹ Mrs Melissa Teh has assumed other responsibilities within the Keppel Land Group and Ms Evelyn Tong was appointed as the Financial Controller of the Manager on 14 January 2008.

other price sensitive public reports, and reports to regulators (if required).

The Board has embraced openness and transparency in the conduct of the Manager's affairs, whilst preserving the commercial interests of K-REIT Asia. Financial reports and other price sensitive information are disseminated to Unitholders through announcements via SGXnet to the SGX, press releases, K-REIT Asia's website and media and analyst briefings.

Management provides all members of the Board with management accounts which present a balanced and understandable assessment of the K-REIT Asia's performance, position and prospects on a periodic basis. Such reports include financial results, market and business developments, and business and operational information. The financial results are compared against the respective budgets, together with explanations for significant variances for the reporting period.

Audit Committee

The Audit Committee (AC) has been appointed by the Board from among the Directors of the Manager and comprises three non-executive Directors, all of whom (including the chairman of the AC) are independent Directors. The chairman of the AC is Dr Chin Wei-Li, Audrey Marie and the members are Mr Lim Poh Chuan and Mrs Lee Ai Ming.

All members of the AC have accounting or related financial management expertise or experience.

The AC's main role is to assist the Board to ensure integrity of financial reporting and that there is in place

sound internal control systems. The AC's terms of reference are set out on page 73 herein.

The AC has explicit authority to investigate any matter within its terms of reference, full access to and co-operation by management, and full discretion to invite any Director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly. The Manager's internal audit functions are performed by Keppel Corporation Limited's Group Internal Audit department (Group Internal Audit). Group Internal Audit, together with the external auditors, report independently their findings and recommendations to the AC.

The AC met with the external auditors and with the internal auditors once during the year, and once in January 2008 without the presence of the management.

During the year, the AC performed an independent review of the financial statements of K-REIT Asia before the announcement of K-REIT Asia's quarterly and full-year results. In the process, the AC reviewed the key areas of management judgment applied for adequate provisioning and disclosure, critical accounting policies and any significant changes made that would have a significant impact on the financials.

The AC also reviewed and approved both the internal and external auditors' plans to ensure that the plans covered sufficiently in terms of audit scope in reviewing the significant internal controls of K-REIT Asia and the Manager. Such significant controls comprise financial, operational and compliance controls. All audit findings and recommendations put up by the

internal and the external auditors were forwarded to the AC. Significant issues were discussed at these meetings.

In addition, the AC undertook a review of the independence and objectivity of the external auditors through discussions with the external auditors as well as reviewing the non-audit fees awarded to them, and has confirmed that the non-audit services performed by the external auditors would not affect their independence.

The AC also reviewed the adequacy of the internal audit function and is satisfied that the team is adequately resourced and has appropriate standing within K-REIT Asia and the Manager.

The AC reviewed the "Whistle-Blower Protection Policy" which provides for the mechanisms by which employees and other persons may, in confidence, raise concerns about possible improprieties in financial reporting or other matters, and was satisfied that arrangements are in place for the independent investigation of such matters and for appropriate follow-up action.

INTERNAL CONTROLS

Principle 12: Sound system of internal controls

To assist the Board in the effective discharge of its responsibilities in ensuring that K-REIT Asia and the Manager maintain a sound system of internal controls to safeguard K-REIT Asia's assets and Unitholders' interests, the Manager has put in place internal control policies and procedures in areas such as financial, operational and compliance controls and risk management.

Risk Assessment and Management of Business Risk

Recognising and managing risk is central to the business of K-REIT Asia and to protecting Unitholders' interests and value. K-REIT Asia operates within overall guidelines and specific parameters set by the Board. Responsibility for managing risk lies initially with the Manager, working within the overall strategy outlined by the Board. The Manager has appointed experienced and well-qualified management to handle its day-to-day operations.

The Board met four times in 2007 to review the financial performance of K-REIT Asia against a previously approved budget. The Board also reviews the business risks of K-REIT Asia.

In assessing business risks, the Board takes into consideration the economic environment and the risks relevant to the property industry. The Manager has implemented a systematic risk assessment process to identify business risks and mitigating actions. The Manager has determined that significant risks for K-REIT Asia are related to its investment decision in new assets. Accordingly, the Manager has set out procedures to be followed when making such decisions. In accordance with these internal control procedures, management ensures that risk assessment and comprehensive due diligence is carried out in relation to any investment proposal and a suitable determination is made as to whether the anticipated return on investment is appropriate having regard to the level of risk.

All investments must be reviewed by the Board and approvals are given only after proper analyses have been carried out

including addressing the risks involved in the transaction and the impact to the overall portfolio of K-REIT Asia.

In addition, the Manager has adopted the "Whistle-Blower Protection Policy", insider trading policy and code of practice for safeguarding information which reflects the management commitment to conduct its business within a framework that fosters the highest ethical and legal standards.

Independent Review of Internal Controls

The Manager's internal and external auditors conduct an annual review of the effectiveness of K-REIT Asia's and the Manager's material internal controls including financial, operational and compliance controls, and risk management. Any material non-compliance or failures in internal controls and recommendations for improvements are reported to the AC. The AC reviews the effectiveness of the actions taken by the management on the recommendations made by the internal and external auditors in this respect.

During the year, the AC reviewed the effectiveness of K-REIT Asia's and the Manager's internal control procedures and was satisfied that the internal controls are adequate to meet the needs of K-REIT Asia and the Manager in their respective current business environment.

INTERNAL AUDIT

Principle 13: Independent internal audit function

The internal audit function of the Manager is performed by the Group Internal Audit department of Keppel Corporation Limited (Group Internal Audit). Group Internal Audit was appointed as the

internal auditor in February 2006.

The role of the internal auditor is to assist the AC to ensure that K-REIT Asia and the Manager maintain a sound system of internal controls by reviewing the key controls and procedures, ensuring their effectiveness, undertaking investigations as directed by the AC, and conducting regular in-depth audits of high risk areas.

Staffed by suitably qualified executives, Group Internal Audit has unrestricted direct access to the AC. The Head of Group Internal Audit's primary line of reporting is to the chairman of the AC.

As a corporate member of the Singapore branch of the Institute of Internal Auditors Incorporated, USA (IIA), Group Internal Audit is guided by the Standards for the Professional Practice of Internal Auditing set by the IIA. These standards consist of attribute, performance and implementation standards. The professional competence of Group Internal Audit is maintained through its continuing professional development programme for its staff which includes sending auditors to attend professional courses conducted by external accredited organisations to enhance their knowledge on auditing techniques, auditing and accounting pronouncements.

During the year, Group Internal Audit adopted a risk-based auditing approach that focuses on material internal controls, including financial, operational and compliance controls. Group Internal Audit's reports are submitted to the AC for deliberation with copies of these reports extended to the relevant senior management personnel. In addition, Group

Internal Audit's summary of findings and recommendations are discussed at the AC meetings.

COMMUNICATION WITH UNITHOLDERS

Principle 14: Regular, effective and fair communication with Unitholders
Principle 15: Greater Unitholder participation at General Meetings

In addition to the matters mentioned above in relation to "Access to Information/Accountability", the Manager regularly communicates with Unitholders and receives and attends to their queries and concerns.

Material information is disclosed in a comprehensive, accurate and timely manner via SGXnet and the press. To ensure a level playing field and provide confidence to Unitholders, unpublished price sensitive information is not selectively disclosed, and on the rare occasion when such information is inadvertently disclosed, it is immediately released to the public via SGXnet and the press.

Unitholders are informed of Unitholders' meetings through notices published in the newspapers and/or circulars sent to all Unitholders. Unitholders are invited at such meetings to put forth any questions they may have on the motions to be debated and decided upon. If any Unitholder is unable to attend, he is allowed to appoint up to two proxies to vote on his behalf at the meeting through proxy forms sent out in advance.

At Unitholders' meetings, each distinct issue is proposed as a separate resolution. The chairman of each Board committee

is required to be present to address questions at general meetings. External auditors are also present at such meetings to assist the Directors to address Unitholders' queries, if necessary.

The Manager is not implementing absentia voting methods such as voting via mail, e-mail or fax until security, integrity and other pertinent issues are satisfactorily resolved.

SECURITIES TRANSACTIONS Insider Trading Policy

The Manager has a formal insider trading policy on dealings in the securities of K-REIT Asia, which sets out the implications of insider trading and guidance on such dealings. The policy has been distributed to the Manager's Directors and officers. It has also adopted the Best Practices Guide on Dealings in Securities issued by the SGX. In line with the Best Practices Guide on Dealings in Securities issued by the SGX, the Manager issues circulars to its Directors and officers informing that the Manager and its officers must not deal in listed securities of K-REIT Asia one month before the release of the full-year results and two weeks before the release of quarterly results, and if they are in possession of unpublished price-sensitive information. The Manager's officers are also prohibited from dealing in K-REIT Asia's units on short-term considerations.

CONFLICTS OF INTERESTS

The Manager has instituted the following procedures to deal with potential conflicts of interests issues :

- (1) The Manager will not manage any

other real estate investment trust which invests in the same types of properties as K-REIT Asia;

- (2) All executive officers will be employed by the Manager;
- (3) All resolutions in writing of the Directors of the Manager in relation to matters concerning K-REIT Asia and its Interested Parties (meaning any "interested person" (as defined in the Listing Manual) and/or, as the case may be, an "interested party" (as defined in the Property Funds Guidelines) must be approved by a majority of the Directors, including at least one independent Director and the nominees of the Interested Party on the Board shall abstain from voting;
- (4) At least one-third of the Board shall comprise independent Directors;
- (5) All matters relating to interested party transactions will follow the procedures set out in the section "Interested Party Transactions" on pages 71 and 72; and
- (6) In respect of matters in which Keppel Land Limited (Keppel Land) and/or Keppel Corporation Limited (KCL) and/or its/their subsidiaries have an interest, direct or indirect, any nominees appointed by Keppel Land and/or KCL and/or its/their subsidiaries to the Board to represent its/their interests shall abstain from voting. In such matters, the quorum shall comprise a majority of the independent Directors of the Manager and shall exclude such nominee directors of Keppel Land and/or KCL

and/or its/their subsidiaries.

It is also provided in the Trust Deed that if the Manager is required to decide whether to or not to take any action against any person in relation to any breach of any agreement entered into by the Trustee for and on behalf of K-REIT Asia with an Interested Party of the Manager, the Manager shall be obliged to consult with a reputable law firm (acceptable to the Trustee) who shall provide legal advice on the matter. If the said law firm is of the opinion that the Trustee, on behalf of the K-REIT Asia, has a *prima facie* case against the party allegedly in breach under such agreement, the Manager shall be obliged to take appropriate action in relation to such agreement. The Directors of the Manager (including its independent Directors) will have a duty to ensure that the Manager so complies.

Notwithstanding the foregoing, the Manager shall inform the Trustee as soon as it becomes aware of any breach of any agreement entered into by the Trustee for and on behalf of K-REIT Asia with an Interested Party of the Manager and the Trustee may take such action as it deems necessary to protect the rights of the Unitholders and/or which is in the interests of Unitholders. Any decision by the Manager not to take action against an Interested Party of the Manager shall not constitute a waiver of the Trustee's right to take such action as it deems fit against such Interested Party.

The Board of the Manager comprises four independent Directors, two of whom (namely, Professor Tsui Kai Chong and Mrs Lee Ai Ming) are also independent

Directors of Keppel Land. Where there is any matter to be considered and voted upon by the Directors of the Manager in relation to transactions between K-REIT Asia on the one hand and Keppel Land and its subsidiaries on the other, Professor Tsui Kai Chong and/or Mrs Lee Ai Ming shall abstain from voting in such situations where they find themselves in a position in which they are unable to exercise independent judgment in the best interests of K-REIT Asia.

Further, to address potential conflicts of interests in respect of overlapping investment objectives, Keppel Land will inform K-REIT Asia if any completed investment property used or predominantly used for commercial purposes and which is income-producing is identified by Keppel Land as being suitable for acquisition (other than co-investment with third parties), and being suitable for investment by K-REIT Asia. Further details are set out in "The Manager and Corporate Governance – Conflicts Resolution" section of the Introductory Document of K-REIT Asia dated 20 March 2006.

Under the Trust Deed, the Manager and its Associates (as defined in the Trust Deed) are prohibited from voting their units at, or being part of a quorum for, any meeting of Unitholders convened to approve any matter in which the Manager or any of its Associates has a material interest in the business to be conducted.

INTERESTED PARTY TRANSACTIONS The Manager's Internal Control System

The Manager has established an internal control system to ensure that all future Interested Party transactions will be

undertaken on normal commercial terms and will not be prejudicial to the interests of K-REIT Asia and the Unitholders. As a general rule, the Manager must demonstrate to the Audit Committee (AC) that such transactions satisfy the foregoing criteria, which may entail obtaining (where practicable) quotations from parties unrelated to the Manager, or obtaining one or more valuations from independent professional valuers (in accordance with the Property Funds Guidelines).

Further, the following procedures are undertaken:

- transactions (either individually or as part of a series or if aggregated with other transactions involving the same Interested Party during the same financial year) equal to or exceeding \$100,000 in value but below 3.0% of the value of K-REIT Asia's net tangible assets will be subject to review by the AC at regular intervals;
- transactions (either individually or as part of a series or if aggregated with other transactions involving the same Interested Party during the same financial year) equal to or exceeding 3.0% but below 5.0% of the value of K-REIT Asia's net tangible assets will be subject to the review and approval of the AC. Such approval shall only be given if the transactions are on normal commercial terms and are consistent with similar types of transactions made by the Trustee with third parties which are unrelated to the Manager; and
- transactions (either individually or as part of a series or if aggregated with other transactions involving the same

Interested Party during the same financial year) equal to or exceeding 5.0% of the value of K-REIT Asia's net tangible assets will be reviewed and approved, on the basis described in the preceding paragraph, by the AC which may, as it deems fit, request advice on the transaction from independent sources or advisers, including the obtaining of valuations from independent professional valuers. Further, under the rules of the Listing Manual and the Property Funds Guidelines, such transactions would have to be approved by the Unitholders at a meeting of Unitholders.

Where matters concerning K-REIT Asia relate to transactions entered into or to be entered into by the Trustee for and on behalf of K-REIT Asia with an Interested Party of the Manager of K-REIT Asia, the Trustee is required to consider the terms of such transactions to satisfy itself that such transactions are conducted on normal commercial terms, are not prejudicial to the interest of K-REIT Asia and the Unitholders, and in accordance with all applicable requirements of the Property Funds Guidelines and/or the Listing Manual relating to the transaction in question. Further, the Trustee has the ultimate discretion under the Trust Deed to decide whether or not to enter into a transaction involving an Interested Party of the Manager or of K-REIT Asia. If the Trustee is to sign any contract with an Interested Party of the Manager or of K-REIT Asia, the Trustee will review the contract to ensure that it complies with the requirements relating to interested party transactions in the Property Funds Guidelines (as may be amended from time to time) and the provisions of the

Listing Manual relating to interested person transactions (as may be amended from time to time) as well as such other guidelines as may from time to time be prescribed by the Monetary Authority of Singapore and the SGX to apply to real estate investment trusts. If the Trustee is to sign any contract with an Interested Party of the Trustee, such review will be carried out by the AC, but not the Trustee.

Role of the Audit Committee for Interested Party Transactions

The Manager's internal control procedures are intended to ensure that Interested Party transactions are conducted at arm's length and on normal commercial terms and are not prejudicial to Unitholders. The Manager maintains a register to record all Interested Party transactions (and the basis, including, where practicable, the quotations obtained to support such basis on which they are entered into) which are entered into by K-REIT Asia.

On a quarterly basis, the management reports to the AC the Interested Party transactions entered into by K-REIT Asia. The Interested Party transactions were reviewed by the internal auditors and all findings were reported during the AC meetings.

The AC reviews all Interested Party transactions to ensure compliance with the internal control procedures and with the relevant provisions of the Listing Manual and the Property Funds Guidelines. The review includes the examination of the nature of the transaction and if necessary, its supporting documents or such other data deemed necessary by the AC. In addition, the Trustee will review such

internal audit reports to ascertain that the Property Funds Guidelines have been complied with.

If a member of the AC has an interest in a transaction, he or she is to abstain from participating in the review and approval process in relation to that transaction.

APPENDIX

BOARD COMMITTEES – TERMS OF REFERENCE

A. Audit Committee

- (1) Review the audit plans and reports of the Manager's external and internal auditors, and consider the effectiveness of actions or policies taken by management on the recommendations and observations;
- (2) Perform independent review of the financial statements;
- (3) Examine the effectiveness of financial, operating and compliance controls;
- (4) Nominate external auditors;
- (5) Review the independence and objectivity of the external auditors annually;
- (6) Review the nature and extent of non-audit services performed by external auditors;
- (7) Meet with external and internal auditors, without the presence of management, at least annually;
- (8) Ensure that the internal audit function is adequately resourced and has appropriate standing with the Manager and K-REIT Asia;
- (9) Monitor the procedures in place to ensure compliance with applicable legislation, the Listing Manual and the Code on Collective Investment Schemes (including the Property Funds Guidelines);

- (10) Monitor and review the procedures established to regulate interested party transactions, including ensuring compliance with the provisions of the Listing Manual relating to "interested person transaction" (as defined therein) and the provisions of the Property Funds Guidelines relating to "interested party transactions" (as defined therein) (both such type of transactions constituting interested party transactions);

- (11) Investigate any matters within the Audit Committee's terms of reference, whenever it deems necessary; and
- (12) Report to the Board on material matters, findings and recommendations.

B. Nominating and Remuneration Committee

- (1) Recommend to the Board the appointment/re-appointment of Directors;
- (2) Perform annual review of skills required by the Board, and the size of the Board;
- (3) Perform annual review of independence of each Director, and to ensure that the Board comprises at least one-third independent Directors;
- (4) Decide, where a Director has multiple board representation, whether the Director is able to and has been adequately carrying out his duties as Director of the Manager;
- (5) Decide how the Board's performance may be evaluated, and propose

objective performance criteria to assess effectiveness of the Board as whole and the contribution of each Director;

- (6) Implement annual assessment of the effectiveness of the Board as a whole and as individual Directors;
- (7) Review succession plan;
- (8) Recommend to the Board a framework of remuneration for Board members and key executives;
- (9) Determine specific remuneration packages for each Director and the Chief Executive Officer (if the Chief Executive Officer is not an Executive Director);
- (10) Decide the early termination compensation (if any) of Directors;
- (11) Study long-term incentive schemes for Directors and staff;
- (12) Review the terms, conditions and remuneration of the senior management; and
- (13) Sub-delegate any of its powers within its terms of reference as listed above, from time to time, as this Committee may deem fit.

Save that a member of this Committee shall not be involved in the deliberations in respect of any remuneration, compensation, options or any form of benefits to be granted to him.

NATURE OF CURRENT DIRECTORS' APPOINTMENTS AND MEMBERSHIP ON BOARD COMMITTEES

Director	Board membership	Audit committee membership	Nominating and Remuneration committee membership
Professor Tsui Kai Chong	Chairman and Independent non-executive Director	–	Member
Mr Kevin Wong Kingcheung	Deputy Chairman and non-executive Director	–	–
Mr Tan Swee Yiow	Chief Executive Officer and Director	–	–
Mrs Lee Ai Ming	Independent non-executive Director	Member	–
Mr Lim Poh Chuan	Independent non-executive Director	Member	Chairman
Dr Chin Wei-Li, Audrey Marie	Independent non-executive Director	Chairman	Member

CODE OF CORPORATE GOVERNANCE 2005
Specific Principles and Guidelines for Disclosure

Relevant Guideline or Principle	Page Reference in Corporate Governance Report		
Guideline 1.3 Delegation of authority, by the Board to any Board committee, to make decisions on certain Board matters	Page 62	Principle 9 Clear disclosure of its remuneration policy, level and mix of remuneration, procedure for setting remuneration and link between remuneration paid to Directors and key executives, and performance	Pages 66 and 67
Guideline 1.4 The number of Board and Board committee meetings held in the year as well as the attendance of every Board member at these meetings	Page 62	Guideline 9.1 Composition of remuneration committee	Page 64
Guideline 1.5 The type of material transactions that require Board approval under internal guidelines	Page 63	Guideline 9.2 Names and remuneration of each Director. The disclosure of remuneration should be in bands of \$250,000. There will be a breakdown (in percentage terms) of each Director's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, and stock options granted and other long-term incentives	Page 67
Guideline 2.2 Where the company considers a Director to be independent in spite of the existence of a relationship as stated in the Code that would otherwise deem him as non-independent, the nature of the Director's relationship and the reason for considering him as independent should be disclosed	Not applicable	Names and remuneration of at least the top five key executives (who are not also directors). The disclosure should be in bands of \$250,000 and include a breakdown of remuneration	Page 67
Guideline 3.1 Relationship between the Chairman and CEO where they are related to each other	Not Applicable	Guideline 9.3 Remuneration of employees who are immediate family members of a Director or the CEO, and whose remuneration exceed \$150,000 during the year. The disclosure should be made in bands of \$250,000 and include a breakdown of remuneration	Page 67
Guideline 4.1 Composition of nominating committee	Page 64	Guideline 9.4 Details of employee share schemes	Page 67
Guideline 4.5 Process for selection and appointment of new Directors to the Board	Page 64	Guideline 11.8 Composition of audit committee and details of the committee's activities	Page 68 and 69
Guideline 4.6 Key information regarding Directors, which Directors are executive, non-executive or considered by the nominating committee to be independent	Pages 18 to 21 and 74	Guideline 12.2 Adequacy of internal controls, including financial, operational and compliance controls, and risk management systems	Page 69
Guideline 5.1 Process for assessing the effectiveness of the Board as a whole and the contribution	Page 65		

The Manager engages in various green initiatives to enhance its valued assets and contribute to environmental preservation.

The Manager of K-REIT Asia recognises that environmental protection is a vitally important business issue and has implemented a set of green initiatives and practices to enhance sustainable community development.

World Environment Day

On World Environment Day on 1 June 2007, the Manager participated in green events to promote awareness of environment conservation amongst its staff and office building tenants.

Through the company's online portal, employees were encouraged to pledge their environment-friendly commitment. K-REIT Asia's employees made full efforts to switch off computers and lights when not in use, take public transport where and when possible, use non-disposable containers for daily use and reduce the use of plastic bags.

To raise the environmental awareness of each and every employee and tenant, the Manager organised a 'Green Living' exhibition at the lobby of its office building, Bugis Junction Towers.

Reducing, reusing and recycling

In December 2007, the Manager placed three 86-litre recycling bins at Keppel Towers and GE Tower to collect cans, paper and plastic. Tenants' response has been positive.

In April 2007, the Manager gave away more than 1,600 recycle-able bags to Keppel Towers' and GE Tower's tenants who attended fire drills conducted at the properties. This helped to promote the message of environmental conservation. The Manager will continue to promote recycling efforts.

K-REIT Asia's annual reports are available online at its corporate website, enabling users to access quickly and at their convenience – saving both paper as well as costs incurred for printing and mailing. K-REIT Asia's Annual Report 2007 is printed on semi-wood free paper.

Green buildings

K-REIT Asia's office buildings, developed to house leading global businesses, are not only designed for maximum efficiency and flexibility but are also adapted to meet the needs of the future from an environmentally friendly perspective.

One Raffles Quay, in which K-REIT Asia owns a one-third interest, is a Grade A office building incorporated with a host of resource-efficient features. These include devices that optimise air-conditioning control and reduce energy consumption, energy efficiency for light fittings, motion sensors and recycling of condensate water.



ONE RAFFLES QUAY : KEY GREEN FEATURES

- Use of Energy Wheel as heat exchangers to pre-cool air before supplying to the Air Handling Units (AHUs)
- Variable air-volume system for optimum control of air-conditioning
- Variable speed drive in AHUs to cut down fan speed and reduce energy consumption for air-conditioning whenever the system is running at part load
- Innovative AHU design with no silencer and yet meeting NC35 noise level for Grade A office
- Energy efficient light fittings with electronic ballasts
- Ductless ventilation system for car parks
- Motion sensors in toilets, escalators and travellers
- Recycling of condensate water for irrigation
- Air flushing system to avoid sick building syndrome by discharging foul air from enclosed workspace to the exterior
- Acoustic treatment utilising steel plate dampers to reduce noise from the District Cooling System cooling towers located next to the offices

Looking ahead, the Manager plans to launch several green initiatives for other buildings in K-REIT Asia's portfolio – Keppel Towers and GE Tower, Bugis Junction Towers and Prudential Tower.

The Manager is also looking into obtaining BCA's Green Mark which is a green building rating system used to evaluate a building for its environmental impact and performance. It is endorsed and supported by Singapore's National Environment Agency.

Conscious efforts have also been made to create pockets of green relief for K-REIT Asia's buildings to provide a conducive environment for the working population.

Prudential Tower has a landscape park which provides a refreshing green haven that can be enjoyed amidst concrete in the Central Business District. Soft landscaping of wide canopy trees and palm trees is juxtaposed with polished granite planter boxes and flamed finished granite for all the walkways.

K-REIT Asia's office buildings are designed to meet the needs of the future from an environmentally friendly perspective

The Manager constantly takes initiatives to systematically review risk factors and mitigate them efficiently.

The Manager has identified key risks 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 to meet short-term obligations. Steps have been taken to plan early for expenses so as to better gauge cash position at any point in 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 profile 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. Looking ahead, as K-REIT Asia 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 other 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 and 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.

Healthy and safe working conditions at K-REIT Asia contribute to achieving business excellence.

The Manager is committed to conduct its operations in a manner that protects the health and safety of all employees, occupants and visitors to and within K-REIT Asia's buildings.

To fulfill this policy, a Safety Committee was formed in 2007 to spearhead initiatives on safety management.

The Safety Committee has taken a systematic approach to manage workplace health and safety risks by formulating a Safety Management System (SMS). The SMS consists of 14 elements commonly adopted in Singapore. These elements are expectations laid down for staff and contractors to comply with, thereby eliminating ambiguity to achieve consistency across operations. Some of these elements include Safe Work Practices, Group Meetings and Safety Inspection. The Manager has already started to implement the SMS requirements in all its properties.

As part of the Manager's efforts to maintain a safe working environment for employees, tenants, service contractors and the public, the Manager has instituted a third-party condition monitoring audit programme for all its properties. Other than the assessment of compliance with

regulatory requirements, the auditors also assess and recommend areas for improvement in line with known best practices. This audit programme is conducted yearly for each property.

To build up property managers' knowledge on safety management, in-house safety seminars are conducted regularly. These seminars aim to provide employees with knowledge on the Workplace Safety and Health Act, the application of safety and health criteria for pre-qualifying and evaluating service contractors, and the methodology adopted for conducting risk assessments. Some of the property managers have also completed a three-day external course on Workplace Safety and Health Management and the rest will do so in 2008.

Plans for 2008

In respect of the continuing education approach, the Manager will be placing particular attention on a new injury prevention programme in 2008. In this regard, training programmes are being arranged to cover activities such as the management of chemicals or hazardous substances used in K-REIT Asia's buildings and the introduction of a permit-to-work system for high risk activities such as work at height, demolitions and lifting operations involving the use of mobile crane equipment.

Besides promoting safety in the workplace, the Manager continues to raise safety awareness amongst K-REIT Asia's tenants. The Manager will also be arranging health and safety exhibitions within all properties in the coming year.



Employees undergo regular training for safety management

The Manager invests in the development of its team to drive further growth.



Service excellence has become culture

The Manager believes the key to success is the quality and calibre of its talents and its approach to talent development includes career planning, performance management and training and development.

Career Planning

To better understand the career aspirations of staff and to accelerate staff development, the Manager has put in place a career planning system in 2007.

This structured process not only aims to attract, develop, retain and engage talents for enhanced business performance but also provides an opportunity for relationship building between managers and staff through periodic dialogue.

Performance Management

The Manager of K-REIT Asia is a performance-driven organisation. Evaluation of work performance focuses not only on actual achievements but is also based on the means and processes of achieving end-results. Employee appraisals are based on two-way communication whereby targets are jointly set between management and staff, and performance feedback is provided on a periodic basis. Rewards are also performance-based.

Training and Development

Training is driven by business needs. Each employee has an Individual Development Plan devised jointly by each employee and his or her supervisor for the year.

The Manager initiated a series of training courses for staff in August 2007. These courses support the core competencies that are aligned with the strategic thrusts of K-REIT Asia.

The courses focused on, amongst others, people leadership, negotiations, financial analysis and management and problem solving and decision-making skills.

In 2007, each employee clocked in an average of three training days. The Manager expects to ramp up its investment in training in the future.

Team Building

The Manager frequently organises team bonding activities such as culinary workshops to promote a sense of community in the workplace. Social activities such as dinner and dance events

and Christmas parties often receive good response and encourage interaction and affinity among employees.

Employees' Welfare

The Manager of K-REIT Asia also leverages on the human resource platform of its sponsor, Keppel Land.

Keppel Land's welfare committee promotes wellness and "heartware" for all employees. For example, all Keppel Land and K-REIT Asia employees are given congratulatory cash or shopping vouchers to mark joyous occasions such as birthdays, marriages and new births.

The Committee has a theme, *Live! Work! Play!* which seeks to enhance better integration of employees' job demands, health management and enjoyment of life inside and outside the workplace.

A myriad of health-related programmes and social activities were organised during the year including the provision of healthy food and drinks on a monthly basis, sporting games, movie screenings, health talks and family overseas trips.



1. The welfare committee adopted the theme, *Live! Work! Play!*
2. Social activities are organised for team building and bonding

The Manager cultivates and engages in meaningful relationships in the community.

The Manager of K-REIT Asia believes in practising a good-neighbour policy and continues to cultivate a sense of community for its 125 corporate tenants.

Building on foundations of strong tenant relationships, K-REIT Asia continued its tradition of hosting its valued tenants at the second annual K-REIT Asia Golf Tournament on 19 October 2007 held at Sentosa Golf Club. The annual golf tournament is the Manager's small gesture of appreciation to K-REIT Asia's tenants, consultants, investors and friends. It also serves as a platform for the Manager to network with existing tenants, and provides an opportunity to build further quality brand awareness for K-REIT Asia. A few of the participants in the golf tournament reciprocated the gesture by making cash donations to a charity organisation – the Association of Persons with Special Needs (APSN).

Christmas functions were held for the first time for tenants at Prudential Tower, Bugis Junction Towers, Keppel Towers and GE Tower. K-REIT Asia also participated in a similar function for the tenants of One Raffles Quay. Each gathering was well attended and the feedback emphasised K-REIT Asia's objective of building better relationships with tenants.

The Manager also believes in enhancing the communities and environment in which it operates, and it leverages on its sponsor, Keppel Land, to do so.

On 24 December 2007, the Manager's employees participated in a charity drive function. The auction was held at the National Library to raise funds for APSN. Proceeds from the charity auction surpassed the organising committee's target. More than \$10,000 was eventually donated to APSN.

Golf tournaments provide a platform for interaction and networking between the Manager and tenants



An active and open dialogue with the investment community is a high priority of the Manager.



The Manager of K-REIT Asia believes that accurate, timely and transparent communication with stakeholders enables the development of strong and mutually beneficial relationships with tenants, Unitholders and the investment community. In 2007, the Manager saw heightened interest in K-REIT Asia from the investment community and the public.

Communications with the Investment Community

Maintaining an active dialogue with the investment community is an integral part of an investor relations programme. K-REIT Asia participated in more than 30 meetings in Singapore and more than 30 abroad in 2007. The senior management interacted with Unitholders and potential investors in Singapore, Hong Kong, United States and the United Kingdom at roadshows and real estate conferences hosted by various

major institutions such as Deutsche Bank, DBS Bank, Merrill Lynch, Morgan Stanley and UBS.

The senior management team also meets analysts and fund managers frequently through one-on-one or group meetings, conference calls and luncheons. In 2007, the senior management met about 90 institutional investors from Singapore, Hong Kong, Australia, United States, the Middle East, United Kingdom and various European cities.

Through such interaction with the investment community, the Manager hopes to raise awareness and understanding of K-REIT Asia, and to provide clarity on its growth strategies, corporate developments and financial performance. Currently, 11 local and foreign investment banks have research coverage on K-REIT Asia.

The Board of Directors shares growth strategies with Unitholders at general meetings

On 23 January 2008, the Manager invited the media and analysts to K-REIT Asia's first full-year results conference for the financial year ended 31 December 2007.

K-REIT Asia also held its first Extraordinary General Meeting (EGM) on 11 October 2007. All six resolutions, including the acquisition of a one-third interest in One Raffles Quay Pte Ltd (OROPL) and the proposed issue of new units and convertible bonds to fund its acquisition, were passed.

However, with the further uncertainty in the global capital markets, the Manager has proposed a rights issue instead to partially refinance the bridging loan that was utilised for the OROPL acquisition. An EGM will be held to seek approval from Unitholders for the rights issue once the Singapore Exchange (SGX) has given its approval in principle.

Approximately 6,800 registered Unitholders owned K-REIT Asia units at end-2007 and about 22% of the units were held by institutional investors. K-REIT Asia's sponsor, Keppel Land, and its parent company, Keppel Corporation, own a combined share of 72.6% of the units.

Disseminating Information to the Public

In accordance with K-REIT Asia's commitment to deliver accurate, timely and transparent information to Unitholders and the general public, results announcements are made within 30 days from the end of the reporting period. Financial results and press releases on significant corporate developments are updated on the website on the same day that they are released to the SGX.

General information on K-REIT Asia, annual reports and Unitholders' information are also updated regularly on the website to provide investors and the general public with easy access to the latest information on the REIT.

2008 Objectives

Global financial markets entered 2008 on volatile footing. Such market conditions make proactive communication with the investment community even more important. In 2008, the Manager will continue its communication efforts to keep Unitholders updated on its strategy, investments and asset enhancement initiatives.

INVESTOR RELATIONS CONTACTS

For general enquiries on K-REIT Asia, please contact:

Ms Serena Toh
Deputy General Manager
Investor Relations and Research
Tel: (65) 6433 7546
Fax: (65) 6337 7226

Ms Jeanette Pang
Manager
Investor Relations and Research
Tel : (65) 6433 7622
Fax: (65) 6337 7226

Email: investor.relations@kreitasia.com
Website: www.kreitasia.com

The Unitholder Registrar

Boardroom Corporate Advisory and Services Pte. Ltd.
3 Church Street #08-01
Samsung Hub
Singapore 049483
Tel: (65) 6536 5355
Fax: (65) 6536 1360
Website: www.boardroomlimited.com

Unitholder Depository

For depository-related matters such as change of details pertaining to Unitholders' investment records, please contact:

The Central Depository (Pte) Limited
4 Shenton Way
#02-01 SGX Centre 2
Singapore 068807
Tel: (65) 6535 7511
Fax: (65) 6535 0775
Email: cdp@sgx.com
Website: www.cdp.com.sg

FINANCIAL CALENDAR

April 2008

Announcement of first quarter 2008 financial results

July 2008

Announcement of half year 2008 financial results

August 2008

Distribution payout to Unitholders for the period January to June 2008

October 2008

Announcement of third quarter 2008 financial results

January 2009

Announcement of full-year 2008 financial results

February 2009

Distribution payout to Unitholders for the period July to December 2008

STATISTICS OF UNITHOLDINGS

As at 29 February 2008

ISSUED AND FULLY PAID UNITS

248,078,245 Units outstanding as at 29 February 2008. (Voting rights : 1 vote per Unit)

There is only one class of Units in K-REIT Asia.

Market capitalisation was \$411,809,886 based on market closing price of \$1.66 on 29 February 2008.

DISTRIBUTION OF UNITHOLDINGS

Size of holdings	No. of Unitholders	%	No. of Units	%
1 – 999	3,740	53.19	1,256,866	0.51
1,000 – 10,000	2,929	41.66	8,947,999	3.61
10,001 – 1,000,000	353	5.02	15,421,860	6.21
10,000,001 and above	9	0.13	222,451,520	89.67
Total	7,031	100.00	248,078,245	100.00

TWENTY LARGEST UNITHOLDINGS

No.	Name	No. of Units	%
1	K-REIT Asia Investment Pte. Ltd.	100,428,322	40.48
2	Keppel Real Estate Investment Pte. Ltd.	75,939,546	30.61
3	Citibank Nominees S'pore Pte Ltd	10,194,910	4.11
4	DBS Nominees Pte Ltd	10,086,605	4.07
5	HSBC (Singapore) Nominees Pte Ltd	9,627,126	3.88
6	Raffles Nominees Pte Ltd	5,089,691	2.05
7	United Overseas Bank Nominees Pte Ltd	4,342,869	1.75
8	K-REIT Asia Management Limited	3,992,451	1.61
9	Morgan Stanley Asia (S'pore) Securities Pte Ltd	2,750,000	1.11
10	Lim & Tan Securities Pte Ltd	798,740	0.32
11	Citigroup GM Sing Secs Pte. Ltd.	620,000	0.25
12	Oh Min Shing Cynthia	570,000	0.23
13	Merrill Lynch (S'pore) Pte Ltd	557,039	0.22
14	OCBC Nominees Singapore Pte Ltd	521,896	0.21
15	Phillip Securities Pte Ltd	482,871	0.19
16	UOB Kay Hian Pte Ltd	441,510	0.18
17	DBSN Services Pte Ltd	351,642	0.14
18	Selat Pte Limited	338,394	0.14
19	Kong Guek Eng	323,000	0.13
20	DBS Vickers Securities (S) Pte Ltd	288,227	0.12
	TOTAL	227,744,839	91.80

THE MANAGER'S DIRECTORS' UNITHOLDINGS

As shown in the Register of Directors' Unitholdings as at 21 January 2008

Name of Director	Units held
Tsui Kai Chong	NIL
Kevin Wong Kingcheung	247,880 (Direct)
Tan Swee Yiow	60,160 (Direct)
Lee Ai Ming	NIL
Lim Poh Chuan	NIL
Chin Wei-Li, Audrey Marie	NIL

SUBSTANTIAL UNITHOLDERS

As shown in the Register of Substantial Unitholders as at 29 February 2008

Name	Units held	%
Temasek Holdings (Private) Limited	180,552,602 (Deemed) ¹	72.78
Keppel Corporation Limited	180,360,319 (Deemed) ²	72.70
Keppel Land Limited	104,420,773 (Deemed) ³	42.09
K-REIT Asia Investment Pte. Ltd.	100,428,322 (Direct)	40.48
Keppel Real Estate Investment Pte. Ltd.	75,939,546 (Direct)	30.61
JPMorgan Chase & Co. and its affiliates	12,415,000 (Deemed) ⁴	5.00

Notes:

¹ 180,552,602 Units – deemed through Keppel Corporation Limited, DBS Group Holdings Limited, and Mount Faber Leisure Group Pte. Ltd.

² 104,420,773 Units – 100,428,322 Units held by K-REIT Asia Investment Pte. Ltd. and 3,992,451 Units held by K-REIT Asia Management Limited, both wholly-owned subsidiaries of Keppel Land Limited, which is in turn a subsidiary of Keppel Corporation Limited.

75,939,546 Units – held by Keppel Real Estate Investment Pte. Ltd., a wholly-owned subsidiary of Keppel Corporation Limited.

³ 104,420,773 Units – 100,428,322 Units held by K-REIT Asia Investment Pte. Ltd. and 3,992,451 Units held by K-REIT Asia Management Limited, both wholly-owned subsidiaries of Keppel Land Limited.

⁴ 12,415,000 Units – deemed through Banque General du Luxembourg, DBS Bank Limited, DBS Nominees Pte Ltd, DBSN Services Pte Ltd, HSBC (Singapore) Nominees Pte Ltd, Citibank Singapore, JPMorgan Chase Bank, Raffles Nominees (Pte) Ltd and State Street Bank.

FREE FLOAT

Based on information made available to the Manager as at 29 February 2008, no less than approximately 22.09% of the units in K-REIT Asia is held by the public. Accordingly, Rule 723 of the Listing Manual of the SGX-ST has been complied with.

CORPORATE INFORMATION

K-REIT ASIA

Registered Address
**RBC Dexia Trust Services
Singapore Limited**
20 Cecil Street
#28-01 Equity Plaza
Singapore 049705
Phone: (65) 6823 5000
Fax: (65) 6538 2090
Website: www.kreitasia.com

TRUSTEE

**RBC Dexia Trust Services
Singapore Limited**
20 Cecil Street
#28-01 Equity Plaza
Singapore 049705
Phone: (65) 6823 5000
Fax: (65) 6538 2090

AUDITOR

**Ernst & Young
Certified Public Accountants**
One Raffles Quay
Level 18 North Tower
Singapore 048583
Phone: (65) 6535 7777
Fax: (65) 6532 7662
(Partner-in-charge: Mr Yee Woon Yim)
(With effect from year ended 31 December 2006)

UNIT REGISTRAR AND UNIT TRANSFER OFFICE

**Boardroom Corporate & Advisory Services Pte. Ltd.
(a member of Boardroom Limited)**
(formerly known as Lim Associates (Pte) Ltd)
3 Church Street
#08-01 Samsung Hub
Singapore 049483
Phone: (65) 6230 9532
Fax: (65) 6536 1360

THE MANAGER

Registered Address
K-REIT Asia Management Limited
1 HarbourFront Avenue
#18-01 Keppel Bay Tower
Singapore 098632
Phone: (65) 6835 7477
Fax: (65) 6835 7747
Email: investor.relations@kreitasia.com

DIRECTORS OF THE MANAGER

Professor Tsui Kai Chong
Chairman and Non-Executive Independent Director

Mr Kevin Wong Kingcheung
Deputy Chairman and Non-Executive Director

Mr Tan Swee Yiow
Chief Executive Officer and Director

Mrs Lee Ai Ming
Non-Executive Independent Director

Mr Lim Poh Chuan
Non-Executive Independent Director

Dr Chin Wei-Li, Audrey Marie
Non-Executive Independent Director

AUDIT COMMITTEE

Dr Chin Wei-Li, Audrey Marie
Mrs Lee Ai Ming
Mr Lim Poh Chuan

NOMINATING AND REMUNERATION COMMITTEE

Mr Lim Poh Chuan
Professor Tsui Kai Chong
Dr Chin Wei-Li, Audrey Marie

COMPANY SECRETARIES

Mr Choo Chin Teck
Ms Jacqueline Ng Yu Eng

FINANCIAL STATEMENTS

CONTENTS

90	Report of the Trustee
91	Statement by the Manager
92	Independent Auditors' Report to the Unitholders of K-REIT Asia
93	Balance Sheet
94	Statement of Total Return
95	Distribution Statement
96	Portfolio Statement
97	Statement of Movements in Unitholders' Funds
98	Statement of Cash Flows
100	Notes to the Financial Statements

REPORT OF THE TRUSTEE

For the financial year ended 31 December 2007

RBC Dexia Trust Services Singapore Limited (the "Trustee") is under a duty to take into custody and hold the assets of K-REIT Asia in trust for the holders ("Unitholders") of units in K-REIT Asia (the "Units"). In accordance with, inter alia, the Securities and Futures Act, Chapter 289 of Singapore, its subsidiary legislation and the Code on Collective Investment Schemes and the Listing Manual (collectively referred to as the "laws and regulations"), the Trustee shall monitor the activities of K-REIT Asia Management Limited (the "Manager") for compliance with the limitations imposed on the investment and borrowing powers as set out in the trust deed dated 28 November 2005 (as amended) (the "Trust Deed") between the Manager and the Trustee in each annual accounting period and report thereon to Unitholders in an annual report which shall contain the matters prescribed by the laws and regulations as well as the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of the Certified Public Accountants of Singapore and the provisions of the Trust Deed.

To the best knowledge of the Trustee, the Manager has, in all material respects, managed K-REIT Asia during the period covered by these financial statements, set out on pages 93 to 119 comprising the Balance Sheet, Statement of Total Return, Distribution Statement, Portfolio Statement, Statement of Movements in Unitholders' Funds, Statement of Cash Flows and Notes to the Financial Statements, in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed, laws and regulations and otherwise in accordance with the provisions of the Trust Deed.

For and on behalf of the Trustee,
RBC DexiaTrust Services Singapore Limited



Dominique Draux
Director

Singapore, 3 March 2008

STATEMENT BY THE MANAGER

For the financial year ended 31 December 2007

In the opinion of the directors of K-REIT Asia Management Limited (the "Manager"), the accompanying financial statements set out on pages 93 to 119 comprising the Balance Sheet, Statement of Total Return, Distribution Statement, Portfolio Statement, Statement of Movements in Unitholders' Funds, Statement of Cash Flows and Notes to the Financial Statements are drawn up so as to present fairly, in all material respects, the financial position of K-REIT Asia as at 31 December 2007, the total return, distributable income, movement in Unitholders' funds and cash flows for the year ended on that date in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Certified Public Accountants of Singapore and the provisions of the Trust Deed. At the date of this statement, there are reasonable grounds to believe that K-REIT Asia will be able to meet its financial obligations as and when they materialise.

For and on behalf of the Manager,
K-REIT Asia Management Limited



Tan Swee Yiw
Chief Executive Officer and Director

Singapore, 3 March 2008

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF K-REIT ASIA

For the financial year ended 31 December 2007

We have audited the accompanying financial statements of K-REIT Asia (the "Trust") set out on pages 93 to 119, which comprise the Balance Sheet and Portfolio Statement as at 31 December 2007, the Statement of Total Return, Distribution Statement, Statement of Movements in Unitholders' Funds and Statement of Cash Flows of the Trust for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Responsibility of the Manager for the Financial Statements

The Manager is responsible for the preparation and fair presentation of these financial statements in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Certified Public Accountants of Singapore. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

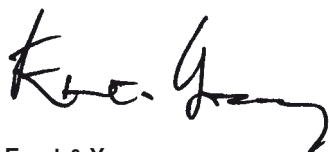
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Trust's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Manager, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Trust as at 31 December 2007, the total return, distributable income, movements in Unitholders' funds and cash flows for the year ended on that date in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Certified Public Accountants of Singapore.



Ernst & Young
Certified Public Accountants

Singapore, 3 March 2008

BALANCE SHEET

As at 31 December 2007

	Note	2007 \$'000	2006 \$'000
Non-current assets			
Investment properties	3	1,110,000	677,000
Investment in associated company	4	865,481	-
Intangible asset	5	86,282	-
		2,061,763	677,000
Current assets			
Trade and other receivables	6	3,394	1,045
Cash and cash equivalents	7	22,927	16,814
		26,321	17,859
Total assets		2,088,084	694,859
Current liabilities			
Payables and accruals	8	12,478	4,804
Current portion of security deposits		1,237	2,280
Short-term borrowings (unsecured)	9	942,000	-
Provision for taxation		163	-
		955,878	7,084
Non-current liabilities			
Long-term borrowings (secured)	10	189,283	189,042
Non-current portion of security deposits		9,156	6,336
		198,439	195,378
Total liabilities		1,154,317	202,462
Net assets		933,767	492,397
Represented by :			
Unitholders' funds		933,767	492,397
Units in issue ('000)	11	247,184	241,610
Net asset value per unit (\$)		3.78	2.04

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENT OF TOTAL RETURN

For the financial year ended 31 December 2007

	Note	1/1/2007 to 31/12/2007 \$'000	28/11/2005 to 31/12/2006 \$'000
Profit and loss account			
Gross revenue	12	40,069	23,861
Property expenses	13	(11,807)	(7,047)
Net property income		28,262	16,814
Income support	14	1,080	-
Share of results of associated company		490	-
Interest income		1,062	236
Amortisation expense	5	(1,341)	-
Manager's management fees	15	(5,302)	(2,665)
Trust expenses	16	(1,980)	(772)
Borrowing costs	17	(9,582)	(5,246)
Net profit before revaluation of investment properties		12,689	8,367
Net gain on revaluation of investment properties		432,964	-
Net profit before tax		445,653	8,367
Income tax expense	18	(163)	-
Net profit after tax		445,490	8,367
Total return			
Net profit after tax		445,490	8,367
Net gain on revaluation of investment properties credited directly to asset revaluation reserve		-	46,300
Total return for the year		445,490	54,667
Earnings per unit (cents)			
Basic	19	183.70	3.47
Diluted		183.70	3.47

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

DISTRIBUTION STATEMENT

For the financial year ended 31 December 2007

1/1/2007 to 31/12/2007 \$'000	28/11/2005 to 31/12/2006 \$'000
-------------------------------------	---------------------------------------

Income available for distribution to Unitholders at beginning of the year	8,385	-
Net profit before revaluation of investment properties	12,689	8,367
Net tax adjustments (Note A)	9,286	2,807
Income tax expense	(163)	-
	21,812	11,174
Income available for distribution to Unitholders	30,197	11,174
Distribution to Unitholders:		
Distribution of 1.16 cents per unit for the period from 26/4/2006 to 30/6/2006 (Note B)	-	(2,789)
Distribution of 3.47 cents per unit for the period from 1/7/2006 to 31/12/2006	(8,384)	-
Distribution of 3.91 cents per unit for the period from 1/1/2007 to 30/6/2007	(9,475)	-
Income available for distribution to Unitholders at end of the year	12,338	8,385

Note A - Net tax adjustments comprise:

Non-tax deductible/ (chargeable) items:

- Manager's management fees payable in Units	5,302	2,665
- Trustee's fees	132	65
- Amortisation expenses	1,582	195
- Other non-tax deductible expenses	1,765	231
- Certain expenses claimed on an incurred basis	(5)	(349)
- Share of results of associated company	(490)	-
	8,286	2,807
Dividend income from associated company	1,000	-
Net tax adjustments	9,286	2,807

Note B - K-REIT Asia was established on 28 November 2005. The acquisition of its initial properties was completed on 26 April 2006 and its first distribution income related to the period from 26 April 2006 to 30 June 2006.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

PORTFOLIO STATEMENT

As at 31 December 2007

Description of Property	Tenure of Land	Term of Lease	Remaining Term of Lease	Location	Existing Use	2007	2006	Percentage	Percentage
						\$'000	\$'000	of Net Assets 2007 %	of Net Assets 2006 %
Investment properties in Singapore									
Prudential Tower Property ¹	Leasehold	99 years	87 years	30 Cecil Street	Commercial	227,000	128,000	24.3	26.0
Keppel Towers and GE Tower	Estate in fee simple	NA	NA	10 Hoe Chiang Road and 240 Tanjong Pagar Road	Commercial	580,000	367,000	62.1	74.5
Bugis Junction Towers	Leasehold	99 years	81.7 years	230 Victoria Street	Commercial	303,000	182,000	32.5	37.0
Investment properties, at valuation (Note 3)						1,110,000	677,000	118.9	137.5
Investment in associated company (Note 4) and intangible asset (Note 5) ²						951,763	-	101.9	-
Property held by associated company:									
One Raffles Quay	Leasehold	99 years	92.4 years	1 Raffles Quay	Commercial				
Other assets and liabilities (net)						(1,127,996)	(184,603)	(120.8)	(37.5)
Net assets						933,767	492,397	100.0	100.0

The carrying amounts of the investment properties and the Trust's one-third interest in One Raffles Quay as at 31 December 2007 were based on independent valuations undertaken by Knight Frank Pte Ltd on 10 December 2007. The independent valuer has appropriate professional qualifications and recent experience in the location and category of the properties being valued. The desktop valuations are determined based on investment method and discounted cash flow analysis. The valuations adopted were \$227,000,000, \$580,000,000 and \$303,000,000 for Prudential Tower Property, Keppel Towers and GE Tower and Bugis Junction Towers, respectively. The net gain on revaluation of investment properties has been taken to the profit and loss account. The valuation of the Trust's one-third interest in One Raffles Quay (including the income support top-up payments) was \$992,000,000.

The carrying amounts of the investment properties as at 31 December 2006 were based on independent valuations undertaken by Colliers International Consultancy & Valuation (Singapore) Pte Ltd on 31 December 2006. The valuations adopted were \$128,000,000, \$367,000,000 and \$182,000,000 for Prudential Tower Property, Keppel Towers and GE Tower and Bugis Junction Towers, respectively. The increase in valuation has been credited to the asset revaluation reserve. On transition to FRS 40 on 1 January 2007, the amount accumulated in the assets revaluation reserve as at 31 December 2006 of \$46,300,000 has been adjusted against the opening accumulated profits as at 1 January 2007.

Investment properties comprise commercial properties that are mainly leased to external customers. Generally, the leases contain an initial non-cancellable period of three years. Subsequent renewals are negotiated with the lessee.

¹ comprise approximately 44.4% of the strata area in Prudential Tower.

² The acquisition of the one-third interest in One Raffles Quay from Boulevard Development Pte Ltd ("Boulevard") was completed on 10 December 2007 for a total acquisition cost of \$953,600,000, based on the agreed value for One Raffles Quay (including the provision of guaranteed income support by Boulevard) of \$941,500,000 negotiated on a willing-buyer and willing-seller basis. As at 2 July 2007, the valuation of the one-third interest in ORQ (including the provision of guaranteed income support by Boulevard) by Knight Frank Pte Ltd (using investment and discounted cash flow analysis) and CB Richard Ellis (using capitalization approach and discounted cash flow analysis) was \$941,000,000 and \$941,500,000 respectively.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENT OF MOVEMENTS IN UNITHOLDERS' FUNDS

For the financial year ended 31 December 2007

	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 FRS 40	-	(46,300)	46,300	-
Restated balance at 1 January 2007	440,519	-	51,878	492,397
Operations				
Net profit after tax	-	-	445,490	445,490
Net increase in assets resulting from operations	-	-	445,490	445,490
Unitholders' transactions				
Creation of units	-	-	-	-
- payment of management fees in units	4,324	-	-	4,324
- payment of acquisition fees in units	9,415	-	-	9,415
Distribution to Unitholders	-	-	(17,859)	(17,859)
Net increase/ (decrease) in net assets resulting from Unitholders' transactions	13,739	-	(17,859)	(4,120)
Net assets at 31 December 2007	454,258	-	479,509	933,767
Net assets at 28 November 2005 (date of constitution)	-	-	-	-
Operations				
Net profit after tax	-	-	8,367	8,367
Net gain on revaluation of investment properties	-	46,300	-	46,300
Net increase in assets resulting from operations	-	46,300	8,367	54,667
Unitholders' transactions				
Creation of units	-	-	-	-
- partial satisfaction of purchase consideration for investment properties acquired	440,130	-	-	440,130
- payment of management fees in units	1,683	-	-	1,683
Establishment and issue expenses	(1,294)	-	-	(1,294)
Distribution to Unitholders	-	-	(2,789)	(2,789)
Net increase/ (decrease) in net assets resulting from Unitholders' transactions	440,519	-	(2,789)	437,730
Net assets at 31 December 2006	440,519	46,300	5,578	492,397

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2007

	1/1/2007 to 31/12/2007 \$'000	28/11/2005 to 31/12/2006 \$'000
Cash flows from operating activities		
Net profit before tax	445,653	8,367
Adjustments for:		
Interest income	(1,062)	(236)
Amortisation expense	1,341	-
Share of results of associated company	(490)	-
Borrowing costs	9,582	5,246
Management fees payable in Units	5,302	2,665
Net gain on revaluation of investment properties	(432,964)	-
Operating cash flows before reinvestment in working capital	27,362	16,042
Increase in receivables	(655)	(1,029)
Increase in payables	806	3,515
Security deposits	1,777	8,616
Net cash generated from operating activities	29,290	27,144
Cash flows from investing activities		
Interest received	368	220
Purchase of investment properties (Note A)	-	(190,570)
Improvements in investment properties	(36)	-
Intangible asset	(87,623)	-
Investment in associated company (Note B)	(852,560)	-
Net cash used in investing activities	(939,851)	(190,350)
Cash flows from financing activities		
Distribution to Unitholders	(17,859)	(2,789)
Interest-bearing borrowings	942,000	190,085
Upfront debt arrangement costs	-	(1,203)
Establishment and issue expenses	-	(1,294)
Interest paid	(7,467)	(4,779)
Net cash generated from financing activities	916,674	180,020
Net increase in cash and cash equivalents	6,113	16,814
Cash and cash equivalents at beginning of the year	16,814	-
Cash and cash equivalents at end of the year (Note 7)	22,927	16,814

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

1/1/2007 to 31/12/2007 \$'000	28/11/2005 to 31/12/2006 \$'000
-------------------------------------	---------------------------------------

Note A - Purchase of investment properties

Net cash outflow on purchase of investment properties is set out below :

Investment properties	-	630,700
Purchase consideration paid in Units	-	(440,130)
Cash consideration paid	-	190,570
Net cash outflow	-	190,570

Note B - Investment in associated company

Net cash outflow on investment in associated company is set out below:

Unquoted shares, at cost	510,045	-
Advances to associated company	355,946	-
	865,991	-
Less:		
Acquisition fee paid in units	(9,415)	-
Accrued purchase consideration	(2,218)	-
Accrued acquisition costs	(1,798)	-
Net cash outflow on investment in associated company	852,560	-

Note C - Significant non-cash transactions

During the financial year, the following were the significant non-cash transactions:

- (i) 1,580,711 (2006: 1,102,366) Units were issued as payment of management fees to the Manager, amounting to \$4,324,000 (2006: \$1,683,000); and
- (ii) 3,992,451 (2006: Nil) Units were issued as payment of acquisition fee to the Manager amounting to \$9,415,000 (2006: Nil) in relation to the acquisition of the one-third interest in One Raffles Quay Pte Ltd.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2007

These notes form an integral part of the financial statements.

The financial statements of K-REIT Asia (the "Trust") for the financial year ended 31 December 2007 were authorised for issue by the Manager on 3 March 2008.

1. General

K-REIT Asia is a Singapore-domiciled real estate investment trust constituted by the Trust Deed dated 28 November 2005 (as amended) (the "Trust Deed") between K-REIT Asia Management Limited (the "Manager") and RBC Dexia Trust Services Singapore Limited (the "Trustee"). The Trust Deed is governed by the laws of the Republic of Singapore. The Trustee is under a duty to take into custody and hold the assets of the Trust in trust for the holders ("Unitholders") of units in the Trust (the "Units"). The address of the Trustee's registered office and principal place of business is 20 Cecil Street, Equity Plaza #28-01, Singapore 049705.

The Trust was formally admitted to the Official List of the Singapore Exchange Securities Trading Limited ("SGX-ST") on 28 April 2006 and was included in the Central Provident Fund ("CPF") Investment Scheme on 28 April 2006. The principal activity of the Trust is to invest in a portfolio of quality real estate and real estate-related assets which are predominantly used for commercial purposes in Singapore and Asia with the primary objective of generating stable returns to its Unitholders and achieving long-term capital growth.

The immediate and ultimate holding company is Keppel Corporation Limited, incorporated in Singapore.

The Trust has entered into several service agreements in relation to the management of the Trust and its property operations. The fee structures of these services are as follows:

(a) Property management fees

Under the property management agreement, for property management services rendered by K-REIT Asia Property Management Pte Ltd (the "Property Manager"), the Trustee will pay the Property Manager property management fees of 3.0% per annum of the property income of each of the investment properties.

The Property Manager is also entitled to receive leasing commission at the rates set out as follows:

- (i) one month's Gross Rent (base rental income and tenant service charge) or licence fee, as applicable, for securing a tenancy or licence of two years or more;
- (ii) one-half month's Gross Rent (base rental income and tenant service charge) or licence fee, as applicable, for securing a tenancy or licence of less than two years but at least a year and a proportionate part thereof; and
- (iii) one-quarter month's Gross Rent (base rental income and tenant service charge) or licence fee, as applicable, for securing a renewal of tenancy or licence of a year or more and a proportionate part thereof for securing a renewal of a tenancy or licence of less than a year.

The property management fees are payable monthly in arrears.

(b) Manager's management fees

Pursuant to the Trust Deed, the Manager is entitled to the following management fees:

- (i) a base fee of 0.5% per annum of the value of all the assets for the time being of the Trust or deemed to be held upon the trust constituted under the Trust Deed ("Deposited Property"); and
- (ii) an annual performance fee of 3.0% per annum of the Net Property Income (as defined in the Trust Deed) of the Trust and any Special Purpose Vehicles (as defined in the Trust Deed) after deducting all applicable taxes payable.

The management fees will be paid in the form of cash and/or Units (as the Manager may elect). The management fees payable in Units will be issued at the volume weighted average price for a Unit for all trades on the SGX-ST in the ordinary course of trading on the SGX-ST for the period of 10 Business Days (as defined in the Trust Deed) immediately preceding the relevant Business Day.

The Manager's management fees are payable quarterly in arrears.

The Manager is also entitled to receive an acquisition fee at the rate of 1% of the acquisition price and a divestment fee of 0.5% of the sale price on all acquisition or disposal of properties.

(c) Trustee's fees

Under the Trust Deed, the maximum fee payable to the Trustee is 0.03% per annum of the value of the Deposited Property and shall be payable quarterly in arrears.

2. Summary of significant accounting policies

(a) Basis of preparation

The financial statements have been prepared in accordance with Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" ("RAP 7") issued by the Institute of Certified Public Accountants of Singapore, the applicable requirement of the Code on Collective Investment Schemes ("CIS Code") issued by the Monetary Authority of Singapore ("MAS") and the provisions of the Trust Deed. RAP 7 requires the accounting policies to generally comply with the principles relating to recognition and measurement of the Singapore Financial Reporting Standards ("FRS").

The financial statements, which are expressed in Singapore dollars and rounded to the nearest thousand, unless otherwise stated, are prepared on the historical cost basis, except for investment properties which are stated at fair value.

The Trust's current liabilities exceeded its current assets by \$929,557,000. The accounts of the Trust has been prepared on a going concern basis as the Manager has plans to refinance the short-term borrowings of \$942,000,000 from a related company by way of raising debt, equity or a combination of both. On 23 January 2008, the Manager announced plans to raise gross proceeds of up to \$700,000,000 by way of a fully renounceable rights issue. The Manager is confident of refinancing the balance amount by way of means as mentioned above.

(b) Changes in accounting policies

On 1 January 2007, the Trust adopted FRS 40 Investment Property which is effective for annual periods beginning on or after 1 January 2007. As a result of adopting FRS 40, investment properties are measured at fair value and gains or losses arising from changes in the fair value of investment properties are included in the profit and loss account in the year in which they arise. Under the transitional provision of FRS 40, asset revaluation surplus of \$46,300,000 has been reclassified to the Trust's accumulated profits at 1 January 2007. The comparatives have not been restated.

The adoption of FRS 40 has resulted in an increase in the Trust's net profit after tax for the year ended 31 December 2007 by \$432,964,000. The adoption of FRS 40 resulted in an increase in the Trust's basic and diluted earnings per share for the financial year ended 31 December 2007 by 178.50 cents. The adoption however has no impact on the Trust's income available for distribution.

2. Summary of significant accounting policies (continued)

(c) FRS and INT FRS not yet effective

The Trust has not applied the following FRS and INT FRS that have been issued but not yet effective:

		Effective date (Annual periods beginning on or after)
FRS 23	Amendment to FRS 23, Borrowing Costs	1 January 2009
FRS 108	Operating Segments	1 January 2009
INT FRS 111	Group and Treasury Share Transactions	1 March 2007
INT FRS 112	Service Concession Arrangements	1 January 2008

The Manager expects that the adoption of the above pronouncements will have no material impact to the financial statements in the period of initial application.

(d) Significant accounting estimates and judgements

Assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Trust's accounting policies, reported amounts of assets, liabilities, income and expenses and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

In the process of applying the Trust's accounting policies, management has made the following judgement, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

Valuation of investment properties

Investment properties are stated at fair value based on valuations performed by independent professional valuers. In determining the fair value, the valuers have used valuation methods which involve certain estimates. In relying on the valuations reports, the Manager is satisfied that the valuation methods and estimates are reflective of the current market conditions.

Income taxes

The Trust has not accounted for the deferred tax liability arising from the net gain on revaluation of investment properties, as subject to meeting the terms and conditions of the Tax Ruling issued by the Inland Revenue Authority of Singapore ("IRAS"), the Trust is not taxed on its taxable income. Where the terms or conditions changed or have not been met, it will impact the deferred tax provision in those periods.

(e) Functional and foreign currency

(i) Functional currency

The Manager has determined the currency of the primary economic environment in which the Trust operates i.e. functional currency, to be Singapore dollars.

(ii) Foreign currency transactions

Transactions in foreign currencies are measured in the functional currency of the Trust and are recorded on initial recognition at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate of exchange ruling at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in the profit and loss account.

(f) Investment properties

Investment properties are initially recorded at cost. Subsequent to recognition, investment properties are measured at fair value and gains or losses arising from changes in the fair value of investment properties are included in the profit and loss account in the year in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the profit and loss account in the year of retirement or disposal.

(g) Associated company

An associate is an entity in which the Trust has significant influence. The associate is equity accounted for from the date the Trust obtains significant influence until the date the Trust ceases to have significant influence over the associate.

The Trust's investment in associate is accounted for using the equity method whereby the Trust's share of profit or loss of the associated company is included in the profit and loss account and the Trust's share of net assets of the associated company is included in the balance sheet. Goodwill relating to the associate is included in the carrying amount of the investment.

When the Trust's share of losses in an associate equals or exceeds its interest in the associate, the Trust does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The financial statements of the associate are prepared as of the same reporting date as the Trust. Where necessary, adjustments are made to bring the accounting policies into line with those of the Trust.

(h) Intangible assets

Intangible assets acquired separately are measured initially at cost. Following initial recognition, intangible assets are measured at cost less any accumulated amortisation and impairment losses.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end.

Income support top-up payments

Income support top-up payments represent unamortised aggregate amount receivable in accordance with the Deed of Income Support entered with Boulevard Development Pte Ltd ("Boulevard") for the acquisition of the equity interest in the associated company, One Raffles Quay Pte Ltd. Income support top-up payments have a finite useful life and are amortised over the period commencing from the date of completion up till 31 December 2011 based on the estimated amounts to be received by the Trust from Boulevard.

(i) Impairment of non-financial assets

The carrying amounts of the Trust's assets are reviewed at each balance sheet date to determine whether there is any indication that the assets have suffered an impairment loss.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Whenever the recoverable amount of an asset is estimated to be less than its carrying amount, the impairment loss is recognised in the profit and loss account.

Reversal of impairment loss recognised previously is recorded when there is an indication that the impairment loss recognised for the asset no longer exists or has decreased. The reversal is recorded in the profit and loss account. However, the increased carrying amount of an asset due to any reversal of impairment loss is recognised to the extent that it does not exceed the cost, at the date of such reversal.

2. Summary of significant accounting policies (continued)

(j) Financial assets

Financial assets include cash and cash equivalents and trade and other receivables. Financial assets are recognised on the balance sheet when, and only when, the Trust becomes a party to the contractual provisions of the financial instrument.

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are initially recognised at fair value, plus directly attributable transaction costs and subsequently carried at amortised cost using the effective interest method. Gains and losses are recognised in profit and loss account when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(i) Trade and other receivables

Trade and other receivables, including amounts due from related parties are classified and accounted for as loans and receivables under FRS 39. They are stated at their fair value and reduced by appropriate allowances for estimated irrecoverable amounts. An allowance is made for uncollectible amounts when there is objective evidence that the Trust will not be able to collect the debt. Bad debts are written off when identified.

(ii) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Bank balances and cash carried in the balance sheet are classified and accounted for as loans and receivables under FRS 39.

(k) Financial liabilities

Financial liabilities include trade payables, which are normally settled on 30-90 day terms, other amounts payable, payables to related parties and interest-bearing borrowings. Financial liabilities are recognised on the balance sheet when, and only when, the Trust becomes a party to the contractual provisions of the financial instrument. Financial liabilities are initially recognised at fair value of consideration received less directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the profit and loss account when the liabilities are derecognised as well as through the amortisation process.

(l) Impairment of financial assets

The Trust assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss and any subsequent write back is recognised in the profit and loss account.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the profit and loss account, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

(m) Derecognition of financial assets and liabilities

(i) Financial assets

A financial asset is derecognised where the contractual rights to receive cash flows from the asset have expired which usually coincides with receipts of payments for the asset.

On derecognition, the difference between the carrying amount and the sum of the consideration received is recognised in the profit and loss account.

(ii) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

(n) Units issued

Units issued by the Trust are recorded at the proceeds received, net of direct issue costs.

(o) Provisions

Provisions are recognised when the Trust has a present obligation as a result of a past event, and it is probable that the Trust will be required to settle that obligation. Provisions are measured at the Manager's best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

(p) Leases - as lessor

Leases where the Trust retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

(q) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Trust and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Rental income

Rental income arising from investment properties is accounted for on a straight-line basis over the lease terms on ongoing leases. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over the lease term on a straight-line basis.

(ii) Interest income

Interest income is recognised on accrual basis using the effective interest method, unless collectibility is in doubt.

(iii) Income support

Income support is recognised on accrual basis.

2. Summary of significant accounting policies (continued)

(r) Expenses

(i) Issue expenses

Issue expenses relate to expenses incurred in the issuance of Units in the Trust. The expenses are deductible directly against Unitholders' funds.

(ii) Trust expenses

Trust expenses are recognised on an accrual basis.

(iii) Property expenses

Property expenses are recognised on an accrual basis. Included in property expenses is Property Manager's fee which is based on the applicable formula stipulated in Note 1(a).

(iv) Manager's management fees

Manager's management fees are recognised on an accrual basis based on the applicable formula stipulated in Note 1(b).

(v) Borrowing costs

Interest expense and similar charges are recognised in the period in which they are incurred.

(s) Taxation

Taxation on the profit for the year comprises current and deferred tax. Income tax is recognised in the profit and loss account except to the extent that it relates to items directly related to Unitholders' funds, in which case it is recognised in Unitholders' funds.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date.

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled based on tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

At each balance sheet date, the Trust re-assesses unrecognised deferred tax assets and the carrying amount of deferred tax assets. The Trust recognises a previously unrecognised deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. The Trust conversely reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of the deferred tax asset to be utilised.

Subject to meeting the terms and conditions of the Tax Ruling issued by the Inland Revenue Authority of Singapore ("IRAS"), which includes a distribution of at least 90.0% of the taxable income, the Trust is not taxed on its taxable income. The Trust's distribution policy is to distribute at least 95.0% of its distributable income for financial year ended 31 December 2007 and thereafter, to distribute at least 90.0% of its distributable income to Unitholders. Distributable income comprises taxable income, taxed income and tax-exempt income. Any portion of the taxable income that is not distributed to Unitholders will be assessed directly at the Trust level at the prevailing corporate tax rate. In the event that there are subsequent adjustments to the taxable income when the actual taxable income of the Trust is finally agreed with the IRAS, such adjustments are taken up as an adjustment to the amount distributed for the next distribution following the agreement with the IRAS.

Although the Trust is not taxed on its taxable income distributed, the Trustee and the Manager are required to deduct income tax at the prevailing corporate tax rate from distributions of such taxable income of the Trust (i.e. which has not been taxed in the hands of the Trustee) to certain Unitholders. The Trustee and the Manager will not deduct tax from distributions made out of the Trust's taxable income to the extent that the beneficial Unitholder is:

- An individual (regardless of residence or nationality);
- A Singapore incorporated company that is a tax resident of Singapore;
- A body of persons, other than a company or partnership, registered or constituted in Singapore (for example, registered charities, town councils, statutory boards, registered co-operative societies and registered trade unions);
- A Singapore branch of a foreign company which has presented a letter of approval from the IRAS granting a specific waiver from tax deducted at source in respect of distributions from the Trust; and
- An agent bank who acted as nominee for individuals who have purchased Units in the Trust under the Central Provident Fund Investment Scheme or the Supplementary Retirement Scheme.

Subject to meeting certain conditions, where the beneficial owners are foreign non-individual investors or where the Units are held by nominees who can demonstrate that the Units are held for beneficial owners who are foreign non-individual investors, the Trustee and the Manager will deduct tax at the reduced rate of 10.0% from the distribution.

The above tax transparency ruling does not apply to gains from sale of real properties. Such gains, if they are considered as trading gains, are assessable to tax on the Trust. Where the gains are capital gains, the Trust will not be assessed to tax and may distribute the capital gains to Unitholders without having to deduct tax at source.

Any distributions made by the Trust to the Unitholders out of tax-exempt income and taxed income would be exempted from Singapore income tax in the hands of all Unitholders, regardless of their corporate or residence status.

3. Investment properties

	2007 \$'000	2006 \$'000
At 1 January 2007/ 28 November 2005 (date of constitution)	677,000	-
Acquisition of investment properties	-	630,700
Capital expenditure capitalised	36	-
Net gain on revaluation recognised in:		
- Profit and loss account	432,964	-
- Asset revaluation reserve	-	46,300
	<u>1,110,000</u>	<u>677,000</u>
At 31 December	1,110,000	677,000

Investment properties are stated at fair value, which has been determined based on valuations as at 10 December 2007 performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued. In determining the fair value, the valuers have used investment method and discounted cash flows analysis that makes reference to estimated market rental values and equivalent yields.

The investment properties have been mortgaged as security for credit facilities granted to the Trust (Note 10).

4. Investment in associated company

	2007 \$'000	2006 \$'000
Investment in associated company	509,535	-
Advances to associated company (non-trade)	355,946	-
	<u>865,481</u>	<u>-</u>

Advances to the associated company are unsecured, not expected to be repaid within the next 12 months and interest is charged at 3.369% per annum.

Non-audit fees paid/ payable to auditors of the Trust capitalised during the year as cost of investment was \$175,000.

The final purchase consideration for the unquoted shares is subject to auditors' review of the associated company's accounts as at the completion date of 10 December 2007.

Details of the associated company are as follows:

Name	Effective Equity Interest Held by the Trust 2007 %	2006 %	Country of Incorporation/ Place of Business	Principal Activities
One Raffles Quay Pte Ltd (acquired on 10 December 2007)	33.33	-	Singapore	Property Development and Investment

One Raffles Quay Pte Ltd owns the property One Raffles Quay.

The associated company is audited by Ernst & Young, Singapore.

The summarised financial information of the associated company since the date of acquisition, not adjusted for the proportion of ownership interest held by the Trust, is as follows:

	2007 \$'000	2006 \$'000
Total assets	2,800,628	-
Total liabilities	1,310,504	-
Revenue for the period from 11/12/2007 to 31/12/2007	4,744	-
Profit for the period from 11/12/2007 to 31/12/2007	1,469	-

5. Intangible asset

	2007 \$'000	2006 \$'000
At 1 January 2007/ 28 November 2005 (date of constitution)	-	-
Additions	87,623	-
Less: Amortisation expense charged to profit and loss account	(1,341)	-
At 31 December	86,282	-

Intangible asset represents the unamortised aggregate income support top-up payments receivable in accordance with the Deed of Income Support entered with Boulevard for the acquisition of the equity interest in the associated company, One Raffles Quay Pte Ltd and has a remaining amortisation period of 4 years.

6. Trade and other receivables

	2007 \$'000	2006 \$'000
Trade receivables	255	377
Amounts due from related companies (trade)	1,080	37
Amounts due from associated company (non-trade)	1,690	-
Deposits	191	191
Prepayments	86	373
Interest receivable	20	16
Other receivables	72	51
	3,394	1,045

Amounts due from related companies and associated company are unsecured, interest-free, repayable on demand and are to be settled in cash.

The trade receivables are charged or assigned by way of security for credit facilities granted to the Trust (Note 10).

7. Cash and cash equivalents

	2007 \$'000	2006 \$'000
Cash at banks and in hand	120	307
Fixed deposits with a financial institution	<u>22,807</u>	<u>16,507</u>
	<u>22,927</u>	<u>16,814</u>

Cash at banks earn interest at floating rates based on daily bank deposit rates ranging from 0.575% to 2.525% (2006: 1.575% to 2.625%) per annum. Short-term deposits are made for varying periods of between seven days to two months depending on the immediate cash requirements of the Trust, and earn interests at the respective short-term deposit rates. The interest rates of short-term deposits ranged from 1.00% to 3.05% (2006: 2.70% to 3.15%) per annum.

The cash and cash equivalents are charged or assigned by way of security for credit facilities granted to the Trust (Note 10).

8. Payables and accruals

	2007 \$'000	2006 \$'000
Trade payables	856	363
Accrued expenses	3,753	2,650
Accrued purchase consideration	2,218	-
Amounts due to related companies		
- trade	2,773	1,146
- non-trade	1,874	-
Income received in advance	554	282
Other deposits	143	56
Interest payable	<u>307</u>	<u>307</u>
	<u>12,478</u>	<u>4,804</u>

Included in accrued expenses is an amount due to the Trustee of \$52,000 (2006: \$24,000).

Included in the amounts due to related companies is an amount due to the Property Manager of \$98,000 (2006: \$148,000) and an amount due to the Manager of \$2,618,000 (2006: \$981,000).

Amounts due to related companies are unsecured, interest-free, repayable on demand and are to be settled in cash.

9. Short-term borrowings (unsecured)

On 10 December 2007, the Trust has put in place a revolving loan facility of up to \$960,000,000 from a related company, Kephinance Investment Pte Ltd ("Kephinance"), for an initial period of 9 months commencing from the drawdown date and thereafter renewable on terms, including new maturity date, to be agreed between the parties. Interest is payable at 3.30% per annum and is repriced within one month. The unsecured borrowing is repayable on 10 September 2008.

As at 31 December 2007, a sum of \$942,000,000 has been drawn down.

10. Long-term borrowings (secured)

	2007 \$'000	2006 \$'000
Term loans (secured)	<u>189,283</u>	<u>189,042</u>
Maturity of loan		
After 1 year but within 5 years	<u>189,283</u>	<u>189,042</u>

The term loan facilities were granted by a special purpose company, Blossom Assets Limited ("Blossom Assets"). Under the facility agreement between Blossom Assets and the Trustee, Blossom Assets has granted the Trust a five-year fixed rate term loan facility totalling S\$190,085,000, which is funded by the proceeds of commercial mortgage-backed securities notes.

On 17 May 2006, the term loan facilities were utilised to refinance a bridge loan that was used to part finance the acquisition of the strata title units in Prudential Tower Property, Keppel Towers and GE Tower, and Bugis Junction Towers (the "Properties"). The term loans are due on 17 May 2011 and the fixed interest rates of borrowings vary from 3.905% to 4.055% (2006: 3.905% to 4.055%) per annum.

As security for the facilities granted by Blossom Assets to the Trustee, the Trustee has granted in favour of Blossom Assets the following:

- (i) a first legal mortgage over each of the Properties (Note 3);
- (ii) an assignment and charge over the rights, title and interest of the Trustee in and to the rental collection account relating to the Properties;
- (iii) an assignment of the rights, title and interest of the Trustee in and to the insurance policies relating to the Properties;
- (iv) an assignment of the rights, title and interest of the Trustee in and to the agreements relating to the management of the Properties; and
- (v) a fixed and floating charge over certain assets of the Trust relating to the Properties.

Blossom Assets has established a S\$3 billion Multicurrency Secured Medium Term Loan Programme ("MTN Programme"). Under this MTN Programme, Blossom Assets may, subject to compliance with all relevant laws, regulations and directives, from time to time issue fixed or floating interest rate notes ("the Notes"). The maximum aggregate principal amount of the Notes to be issued shall be S\$3 billion (or its equivalent in any other currencies) or such higher amount as may be determined by Blossom Assets subject to certain criteria. The obligations of Blossom Assets under each series of Notes will be secured by the relevant notes security documents comprising, inter alia, the notes debenture, the security trust deeds and the programme debenture.

To fund the loan of \$190,085,000 to the Trustee, Blossom Assets has raised funds by issuing €95.4 million secured commercial mortgage-backed floating rate notes. The notes comprise €80.4 million class AAA and €15 million class AA notes at interest margins of between 20 to 35 basis points per annum above EURIBOR, repriced every 3 months, for the period 17 May 2006 to 17 May 2011.

The Trust also has a short-term credit facility of S\$26,000,000 from Deutsche Bank AG, Singapore Branch ("the Bank") which is subordinated to the term loan facility, and has a security sharing arrangement entered into between the Bank and Blossom Assets in respect of the security granted by the Trustee on the mortgaged properties. As at 31 December 2007, there was no drawdown of the short-term credit facility.

The weighted average all-in funding cost including margin charged on the loans and amortised upfront costs is 4.06% (2006: 4.03%) per annum.

11. Units in issue

	2007 '000	2006 '000
At 1 January 2007/ 28 November 2005 (date of constitution)	241,610	-
Issue of Units:		
- as part settlement for the purchase of investment properties	-	240,508
- payment of management fees in Units	1,581	1,102
- payment of acquisition fee in Units	3,993	-
At 31 December	247,184	241,610

During the year, there were the following issues of Units:

- 1,580,711 (2006: 1,102,366) Units were issued at unit prices range between \$2.5339 - \$3.0707 (2006: \$1.3563 - \$1.6770) as payment of management fees; and
- 3,992,451 (2006: Nil) Units were issued at unit price \$2.3582 (2006: Nil) as payment of acquisition fee for the acquisition of one-third interest in One Raffles Quay Pte Ltd.

On 26 April 2006, the Trust issued 240,508,000 new Units at the issue price of \$1.83 per unit as partial consideration for the acquisition of its initial properties, namely, Prudential Tower Property (approximately 44.4% interest of the strata area of Prudential Tower), Keppel Towers and GE Tower, and Bugis Junction Towers.

Each Unit in the Trust represents undivided interest in the Trust. The rights and interests of Unitholders are contained in the Trust Deed and include the right to:

- Receive income and other distributions attributable to the Units held;
- Participate in the termination of the Trust by receiving a share of all net cash proceeds derived from the realisation of the assets of the Trust less liabilities, in accordance with their proportionate interests in the Trust. However, a Unitholder has no equitable or proprietary interest in the underlying assets of the Trust and is not entitled to the transfer to it of any assets (or part thereof) or of any estate or interest in any asset (or part thereof) of the Trust; and
- Attend all Unitholders' meetings. The Trustee or the Manager may (and the Manager shall at the request in writing of not less than 50 Unitholders or Unitholders representing not less than 10% of the issued Units of the Scheme) at any time convene a meeting of Unitholders in accordance with the provisions of the Trust Deed.

The restrictions of a Unitholder include, inter alia, the following:

- A Unitholder's right is limited to the right to require due administration of the Trust in accordance with the provisions of the Trust Deed; and
- A Unitholder has no right to request the Manager to repurchase or redeem his Units while Units are listed on SGX-ST.

The Trust Deed contains provisions designed to limit the liability of a Unitholder to the amount paid or payable for any Unit, and to ensure that no Unitholder, by reason alone of being a Unitholder, will be personally liable to indemnify the Trustee or any creditor of the Trust in the event that the liabilities of the Trust exceed its assets, if the Issue Price of the Units held by that Unitholder has been fully paid.

12. Gross revenue	1/1/2007 to 31/12/2007 \$'000	28/11/2005 to 31/12/2006 \$'000
Gross rental income	39,093	23,213
Car park income	924	610
Others	52	38
	40,069	23,861
13. Property expenses	1/1/2007 to 31/12/2007 \$'000	28/11/2005 to 31/12/2006 \$'000
Property tax	3,140	1,706
Property management fee	1,202	716
Property management reimbursements	969	711
Marketing expenses	1,355	78
Maintenance	5,089	3,758
Other property expenses	52	78
	11,807	7,047
14. Income support		
Income support relates to top-up payments receivable from Boulevard for the shortfall of guaranteed income amount from the Trust's one-third interest in One Raffles Quay Pte Ltd.		
15. Manager's management fees		
All the Manager's management fees are paid in Units during the financial year.		
16. Trust expenses	1/1/2007 to 31/12/2007 \$'000	28/11/2005 to 31/12/2006 \$'000
Trustee's fees	132	65
Auditors' remuneration	94	50
Professional fees	300	99
Non-audit fees paid to auditors of the Trust	175	-
Fund raising expenses	841	-
Other trust expenses	438	558
	1,980	772

17. Borrowing costs

	1/1/2007 to 31/12/2007 \$'000	28/11/2005 to 31/12/2006 \$'000
Interest expense		
- on term loans	7,468	4,685
- on bridge loan from a related company	1,874	401
Amortisation of transaction costs capitalised	240	160
	9,582	5,246

18. Income tax expense

	1/1/2007 to 31/12/2007 \$'000	28/11/2005 to 31/12/2006 \$'000
Reconciliation of effective tax rate:		
Net profit before tax	445,653	8,367
Income tax using Singapore tax rate of 18% (2006: 20%)	80,218	1,673
Non-tax deductible items	1,580	562
Net gain on revaluation of investment properties	(77,934)	-
Share of results of associated company	(88)	-
Tax transparency	(3,613)	(2,235)
Income tax expense recognised in profit and loss account	163	-

19. Earnings per unit

The basic earnings per unit is calculated by dividing the net profit after tax and the weighted average number of units during the financial year.

	1/1/2007 to 31/12/2007 \$'000	28/11/2005 to 31/12/2006 \$'000
Net profit after tax	445,490	8,367
	'000	'000
Weighted average number of units in issue during the financial year	242,593	240,972
Basic earnings per unit	183.70 cents	3.47 cents

Diluted earnings per unit is the same as the basic earnings per unit as there are no dilutive instruments in issue during the financial year.

20. Significant related party transactions

For the purposes of these financial statements, parties are considered to be related to the Trust if the Trust has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Trust and the party is subject to common significant influence. Related parties may be individuals or entities. The Manager (K-REIT Asia Management Limited) and Property Manager (K-REIT Asia Property Management Pte Ltd) are indirect wholly-owned subsidiaries of a substantial Unitholder of the Trust.

In the normal course of the operations of the Trust, the Manager's management fees and the Trustee's (RBC Dexia Trust Services Singapore Limited as trustee of K-REIT Asia) fees have been paid to the Manager and Trustee respectively.

During the financial year, other than those disclosed elsewhere in the financial statements, there were the following significant related party transactions, which were carried out in the normal course of business on arm's length commercial terms:

	1/1/2007 to 31/12/2007 \$'000	28/11/2005 to 31/12/2006 \$'000
Manager's management fees paid/ payable to the Manager	5,302	2,665
Acquisition fee paid to the Manager	9,415	-
Trustee fees paid/ payable to the Trustee	132	65
Property management fees and reimbursable paid/ payable to a related company	2,171	1,427
Leasing commissions paid/ payable to a related company	925	333
Rental income and other related income from related companies	2,419	1,453
Acquisition of properties from related companies	938,753	630,700
Interest on bridge loan paid to a related company	1,874	401
Interest income receivable from associated company of the Trust	690	-

21. Financial risk management objectives and policies

The Trust is exposed to credit, interest rate and liquidity risks in the normal course of the Trust's business. Assessment of financial risks is carried out regularly by the Manager. The Trust does not have exposure to movements in foreign currency exchange rates as most of its income and major costs and operating expenses incurred are in Singapore dollars which is also its functional currency.

(a) Credit risk

Credit risk is the potential financial loss resulting from the failure of a customer or a counterparty to settle its financial and contractual obligations to the Trust as and when they fall due.

Credit risk assessments of tenants are carried out by way of credit agencies and corporate searches prior to signing of lease agreements. The Manager has also established credit limits for customers and monitors their balances on an ongoing basis. Tenants are required to pay a security deposit as a multiple of monthly rent. Cash and fixed deposits are placed with financial institutions which are regulated.

The Manager has ensured appropriate terms and/or credit controls are stipulated in the agreements to ensure counterparty fulfil its obligations.

Exposure to credit risk

At the balance sheet date, the Trust's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the balance sheet.

Credit risk concentration profile

At the balance sheet date, approximately 81.6% (2006: 3.5%) of the Trust's trade and other receivables were due from related companies and associated company. These amounts have been substantially collected at the date of this report.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record. Cash and cash equivalents are placed with financial institutions with good credit rating.

(b) Interest rate risk

The Trust's exposure to changes in interest rates relates primarily to interest-earning financial assets and interest-bearing financial liabilities. Interest rate risk is managed by the Manager on an on-going basis with the primary objective of limiting the extent to which net interest exposure could be affected by adverse movements in interest rates.

The Trust manages interest costs using a mix of fixed and floating rate debts. The details of the interest rates relating to the interest-earning financial assets and interest-bearing financial liabilities are disclosed in Note 7, 9 and 10 respectively.

Sensitivity analysis

At the balance sheet date, if Singapore dollars interest rates had been 75 basis points lower/ higher with all other variables constant, the Trust's net profit before tax would have been \$325,000 (2006: \$124,000) higher/ lower, arising mainly as a result of lower/ higher interest expense on floating rate borrowings, higher/lower interest income from short-term deposits with a financial institution and floating rate advances to the associated company. The sensitivity analysis is unrepresentative of the interest rate risk as the balance of short-term deposits at year end does not reflect the exposure during the year.

(c) Liquidity risk

The Manager monitors and maintains a level of cash and cash equivalents deemed adequate to finance the Trust's operations. The Trust has short-term credit facilities from Kephinance and the Bank where details are disclosed in Note 9 and 10 respectively.

The Trust's current liabilities exceeded its current assets by \$929,557,000. The accounts of the Trust has been prepared on a going concern basis as the Manager has plans to refinance the short-term borrowings of \$942,000,000 due within the next 12 months by way of raising debt, equity or a combination of both. On 23 January 2008, the Manager announced plans to raise gross proceeds of up to \$700,000,000 by way of a fully renounceable rights issue.

The table below summarises the maturity profile and financial liabilities of the Trust at the balance sheet date.

	2007			2006		
	1 year or less \$'000	1 to 5 years \$'000	Total \$'000	1 year or less \$'000	1 to 5 years \$'000	Total \$'000
Trade and other payables	12,478	-	12,478	4,804	-	4,804
Security deposits	1,237	9,156	10,393	2,280	6,336	8,616
Borrowings	942,000	189,283	1,131,283	-	189,042	189,042
	955,715	198,439	1,154,154	7,084	195,378	202,462

22. Capital management

The primary objective of the Trust's capital management is to ensure that it maintains a healthy credit rating and aggregate leverage ratio.

Under the Property Funds Guidelines of the CIS Code, the aggregate leverage should not exceed 35.0% of the Trust's deposited property. The aggregate leverage may exceed 35.0% of the Trust's deposited property (up to a maximum of 60.0%) only if a credit rating of the Trust from Fitch Inc., Moody's Investor Services or Standard and Poor's is obtained and disclosed to the public. The Trust has been assigned a first-time corporate rating of "Baa3" on 10 December 2007 by Moody's Investor Services. The Trust has complied with this requirement for the financial year ended 31 December 2007 and 2006.

The Trust's capital is represented by its Unitholder's fund as disclosed in the balance sheet. The Trust constantly monitors capital using aggregate leverage ratio, which is total gross borrowings divided by the value of its deposited properties. At the balance sheet date, the Trust has gross borrowings totalling \$1,132,085,000 (2006: \$190,085,000) and an aggregate leverage of 53.9% (2006: 27.4%). On 23 January 2008, the Manager announced plans to raise gross proceeds of up to \$700,000,000 by way of a fully renounceable rights issue and thereby reducing the Trust's aggregate leverage ratio upon the completion of the proposed rights issue.

23. Financial instruments

Fair values

The fair values of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transactions other than in a forced or liquidation sale.

Financial instruments whose carrying amount approximates fair value

The Manager has determined that the carrying amounts of cash and short-term deposits, trade and other receivables, trade and other payable and short-term borrowings reasonably approximate their fair values because these are mostly short-term in nature. The carrying amount of advances to associated company reasonably approximate their fair value because they are floating rate instruments that are repriced to market interest rates on or near the balance sheet date.

Financial instruments carried at other than fair value

Set out below is a comparison of carrying amounts and fair values of the Trust's financial instrument that are carried in the financial statements at other than fair values as at 31 December 2007:

	Carrying Value \$'000	Fair Value \$'000
Financial liabilities		
Long-term borrowings (secured)	189,283	193,442

The fair values of the interest-bearing liabilities are determined using discounted cash flow analysis based on the current rates for similar types of borrowing arrangements.

24. Segment reporting

The Trust's business is investing in real estate and real estate-related assets which are predominantly used for commercial purposes and all its existing properties are located in Singapore.

25. Commitments

The Trust leases out its investment properties. Non-cancellable operating lease rentals are receivable as follows:

	2007 \$'000	2006 \$'000
Within 1 year	43,434	26,355
After 1 year but within 5 years	67,737	45,524
	<u>111,171</u>	<u>71,879</u>

26. Financial ratios

	2007 %	2006 %
Expenses to weighted average net assets ¹		
- including performance component of Manager's management fees	1.27	1.12
- excluding performance component of Manager's management fees	1.11	0.96
Portfolio turnover rate ²	-	-

¹ The annualised ratios are computed in accordance with the guidelines of Investment Management Association of Singapore. The expenses used in the computation relate to the trust expenses, excluding property expenses, amortisation expense and borrowing costs.

² The annualised ratio is computed based on the lesser of purchases or sales of underlying investment properties of the Trust expressed as a percentage of weighted average net asset value.

27. Subsequent event

Subsequent to the financial year ended 31 December 2007, the Manager declared a distribution of \$12,337,000 for the period from 1 July 2007 to 31 December 2007.

ADDITIONAL INFORMATION

Interested Person Transactions

The transactions entered into with interested persons during the financial year which fall under the Listing Manual of the SGX-ST and the CIS code are as follows:

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transaction of less than \$100,000 each)	\$'000
Keppel Corporation and its subsidiaries or associates		
- Manager's management fees		5,302
- Acquisition fees		9,415
- Property management fees and reimbursables		2,171
- Leasing commissions		925
- Rental and service charge income ¹		1,518
- Acquisition of one-third interest in One Raffles Quay		938,753
- Interest on bridging loan		23,315
RBC Dexia Trust Services Singapore Limited		
- Trustee's fees		132

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

Save as disclosed above, there were no additional interested person transactions (excluding transactions of less than \$100,000 each) entered into during the financial year under review.

SGX-ST has granted a waiver to K-REIT Asia from Rules 905 and 906 of the SGX-ST's Listing Manual in relation to payments for Manager's management fees, payments of property management fees, reimbursements and leasing commissions to the Property Manager in respect of payroll and related expenses as well as payments of the Trustee's fees. Such payments are not to be included in the aggregate value of total interested person transactions as governed by Rules 905 and 906 of the Listing Manual. In addition, certain other interested person transactions as outlined in the Introductory Document dated 20 March 2006 are deemed to have been specifically approved by the Unitholders and are therefore not subject to Rules 905 and 906 of the Listing Manual insofar, in respect of each such agreement, there are no subsequent change to the rates and/or basis of the fees charged thereunder which will adversely affect K-REIT Asia.

Please also see significant related party transactions on Note 20 in the financial statements.

Subscription of K-REIT Asia Units

During the financial year ended 31 December 2007, K-REIT issued 1,580,711 new Units as payment of management fees and 3,992,451 new Units as payment of acquisition fees. As at 31 December 2007, an aggregate of 247,183,528 Units were in issue and outstanding.

K-REIT Asia Management Limited

1 HarbourFront Avenue
#18-01 Keppel Bay Tower
Singapore 098632
Tel: (65) 6835 7477
Fax: (65) 6835 7747
Email: investor.relations@kreitasia.com
www.kreitasia.com

Co Reg No: 200411357K