

Fortifying Fundamentals Sustaining Growth



To be a successful pan-Asian real estate investment trust with a sterling portfolio of commercial assets in key cities.

Helmed by an experienced management team, K-REIT Asia seeks to generate stable and growing returns to Unitholders by enhancing its assets and expanding its portfolio.

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Financial Highlights

Statement of Total Return and Comprehensive Income

for the financial year ended 31 December

	2009 \$'000	2008 \$'000	Change %
Property income	62,811	52,646	+19.3
Net property income	48,880	39,659	+23.3
Investment and interest income ¹	44,064	44,555	-1.1
Distributable income ²	70,519	58,182	+21.2
Distribution per unit (DPU)(cents) ³	5.28	8.91	-40.7
Distribution yield (%) ⁴	4.8	12.7	-62.2

Balance Sheet

as at 31 December

	2009 \$'000	2008 \$'000	Change %
Total assets	2,631,639	2,092,322	+25.8
Total liabilities	628,987	606,651	+3.7
Unitholders' funds	2,002,652	1,485,671	+34.8
Total borrowings (gross)	581,085	581,085	-
Value of deposited properties	2,097,700	2,102,000	-0.2
Market capitalisation ⁴	1,469,625	456,907	+221.6
Net asset value per unit ³ (\$)	1.50	2.28	-34.2
Adjusted net asset value per unit ³ (\$) – excluding distributable income	1.47	2.23	-34.1

Financial Ratios

as at 31 December

	2009	2008	Change %
DPU (cents)	5.28	8.91	-40.7
Aggregate leverage (%)	27.7	27.6	+0.4
EBITDA interest coverage ratio (times) ⁵	3.19	2.97	+7.4
All-in interest rate (%)	4.23	3.19	+32.6
Management expense ratio (%) ⁶	0.90	1.11	-18.9

¹ Investment and interest income comprise mainly income support, interest income and share of results of associated company.

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

³ FY2009 DPU and NAV per unit declined as a result of the enlarged unit base pursuant to the rights issue completed on 20 November 2009.

⁴ Based on closing unit price as at the last trading day for the financial year.


⁵ EBITDA interest coverage: Ratio of profit before interest expense, tax, depreciation and amortisation to interest expense.

⁶ The ratio is computed in accordance with the guidelines of Investment Management Association of Singapore. The expenses used in the computation relate to trust expenses, excluding property expenses, amortisation expense and borrowing costs, but including performance component of Manager's management fees.

19.3%

Increase in property income due to higher rental rates and contribution from the increased stake in Prudential Tower





\$ million

2009		62.8
2008		52.6
2007		40.1
2006		23.9 ¹

23.3%

Increase in net property income due to higher rental income





\$ million

2009		48.9
2008		39.7
2007		28.3
2006		16.8 ¹

21.2%

Increase in distributable income due to higher net property income and lower tax expense





\$ million

2009		70.5
2008		58.2
2007		21.8
2006		11.2 ¹

5.28¢

Distribution per unit





cents

2009		5.28²
2008		8.91 ³
2007		8.82
2006		4.63 ⁴

\$1.50

Net asset value per unit





\$

2009		1.50⁵
2008		2.28 ⁶
2007		3.78
2006		2.04

27.7%

Aggregate leverage

%

2009		27.7
2008		27.6
2007		53.9
2006		27.4

¹ Income and expenses related to the period from 26 April 2006 to 31 December 2006. K-REIT Asia had no income and expenses for the period prior to 26 April 2006.

² The 2009 distribution per unit is based on the enlarged unit base pursuant to the rights issue completed on 20 November 2009.

³ The annualised 2008 distribution per unit based on the weighted average number of units in issue was 11.36 cents.

⁴ K-REIT Asia was established on 28 November 2005 and the acquisition of the initial properties was completed on 26 April 2006. The distribution per unit for the period from 26 April 2006 to 31 December 2006 was 4.63 cents and the annualised distribution per unit was 6.76 cents.

⁵ The decline in NAV was due to the enlarged unit base subsequent to the rights issue of 666.7 million units completed on 20 November 2009.

⁶ The decline in NAV was due to the enlarged unit base subsequent to the rights issue of 396.9 million units completed on 8 May 2008.

Quarterly Results

	Quarter 1		Quarter 2		Quarter 3		Quarter 4		Total Year
	\$'000	%	\$'000	%	\$'000	%	\$'000	%	\$'000
Property Income									
2009	14,785	24	15,357	24	15,654	25	17,015	27	62,811
2008	11,506	22	12,989	25	13,862	26	14,289	27	52,646
Net Property Income									
2009	10,820	22	12,316	25	12,303	25	13,441	28	48,880
2008	9,141	23	9,174	23	9,531	24	11,813	30	39,659
Distributable Income									
2009	15,658	22	17,496	25	17,965	25	19,400	28	70,519
2008	11,405	20	14,176	24	15,191	26	17,410	30	58,182

Quarterly Distribution Per Unit

(cents)

	Actual Period	Actual Annualised
4Q2009	1.45	5.75
3Q2009	2.69	10.67
2Q2009	2.64	10.59
1Q2009	2.38	9.65
4Q2008	2.67	10.62
3Q2008	2.34	9.28
2Q2008	2.18	8.74
1Q2008	4.60	18.45

Corporate Profile

K-REIT Asia is a commercial real estate investment trust (REIT) sponsored by Keppel Land Limited (Keppel Land), one of the leading real estate developers in Asia. K-REIT Asia's portfolio of quality commercial assets is managed by K-REIT Asia Management Limited, a wholly-owned subsidiary of Keppel Land.

Listed on the Singapore Exchange Securities Trading Limited by way of an introduction on 28 April 2006, K-REIT Asia has a market capitalisation of \$1.5 billion and an asset size of \$2.1 billion as at 31 December 2009.

K-REIT Asia's portfolio comprises six assets located in prime locations in Singapore and Australia.

In November 2009, K-REIT Asia successfully completed a rights issue exercise and issued 666.7 million rights. Its total number of units in issue was 1.34 billion as at end-December 2009.

K-REIT Asia's objective is to generate stable income and long-term growth for Unitholders by investing in quality pan-Asian income-producing commercial properties.



Significant Events

19 January 2009

Distributable income for the year ended 31 December 2008 increased by 166.7% from the previous year

Established a \$1 billion multi-currency medium-term note programme

2 February 2009

One Raffles Quay was presented with “Water Efficient Building Award” by the Public Utilities Board (PUB)

23 February 2009

Paid a Distribution Per Unit (DPU) of 5.07 cents to Unitholders for the period 1 July 2008 to 31 December 2008

21 April 2009

Distributable income for the quarter ended 31 March 2009 increased by 37.3% from the corresponding period in 2008

23 April 2009

Won Best Annual Report (Silver) “REITs and Business Trusts” category at the Singapore Corporate Awards 2009

Awarded Best Investor Relations (Silver) “\$300 million to \$1 billion market capitalisation” category at the Singapore Corporate Awards 2009

Prudential Tower was presented with “Water Efficient Building Award” by the PUB

30 April 2009

One Raffles Quay was awarded the Green Mark Gold Award by the Building and Construction Authority

14 May 2009

Keppel Towers and GE Tower were presented the “Water Efficient Building Award” by the PUB

20 July 2009

Distributable income for the half year ended 30 June 2009 surpassed the first half of 2008 by 29.6%

11 August 2009

Ms Ng Hsueh Ling was appointed to the Board of K-REIT Asia Management Limited (the Manager) as Chief Executive Officer and Executive Director with effect from 17 August 2009. She takes over from Mr Tan Swee Yiow, who relinquished his position as Chief Executive Officer of the Manager. Mr Tan remains an Executive Director on the Board of the Manager.

27 August 2009

Paid a DPU of 4.99 cents to Unitholders for the period 1 January 2009 to 30 June 2009

13 October 2009

Distributable income for the nine months ended 30 September 2009 increased by 25.4% from the corresponding period in 2008

2 November 2009

Completed the acquisition of six additional floors at Prudential Tower at a price of \$106.3 million and increased interest from 44.4% to a majority of 73.4%

23 November 2009

666.7 million of new rights units commenced trading following the oversubscription of 10.6% for the one-for-one rights issue to raise gross proceeds of \$620.0 million

Post-FY2009

20 January 2010

Distributable income for the year ended 31 December 2009 increased by 21.2% from the previous year

25 February 2010

Paid a DPU of 2.77 cents to Unitholders for the period 1 July 2009 to 31 December 2009

1 March 2010

Completed the acquisition of a 50.0% stake in 275 George Street, Brisbane, Australia for \$209.4 million

Dear Unitholders,

On behalf of the Board and the Manager, I am pleased to present the report of K-REIT Asia for the financial year ended 31 December 2009 (FY2009).

2009 has been an eventful year. Despite the economic uncertainties, K-REIT Asia remained resilient and delivered a set of positive results to grow distributable income to Unitholders. Significant milestones were also achieved including a rights issue which raised \$620.0 million in gross proceeds and two acquisitions.

Prudent Capital Management

As part of K-REIT Asia's long-term strategy in growing its portfolio through prudent financial management, K-REIT Asia successfully completed a rights issue in November 2009.

The one-for-one underwritten renounceable rights issue at a unit price of \$0.93 was oversubscribed by 10.6%. K-REIT Asia issued 666.7 million new units and raised gross proceeds of approximately \$620.0 million. Part of the proceeds of the rights issue was used to repay a bridging loan facility that was obtained to finance the acquisition of six additional strata floors at Prudential Tower as well as to purchase the 50.0% stake in 275 George Street in Brisbane, Australia.

K-REIT Asia's aggregate leverage as at 31 December 2009 was 27.7% as compared with 27.6% as at 31 December 2008. With the acquisition of the 50.0% stake in 275 George Street, the aggregate leverage will improve to 25.2% as a result of the enlarged asset base.

K-REIT Asia has an average debt cost of 4.23% and an interest coverage ratio of 3.19 times as at 31 December 2009, and does not have any debt maturing until March 2011. In addition, a \$1.0 billion multi-currency medium-term note programme was established to provide K-REIT Asia with greater flexibility to manage its capital requirements and the ability to capitalise on future acquisition opportunities.

Yield Accretive Acquisitions

K-REIT Asia has expanded its portfolio with new acquisitions which are yield accretive and are expected to generate stable and sustainable returns to Unitholders.

K-REIT Asia successfully completed its first third-party acquisition with the purchase of an additional six floors of strata office space across levels 20 to 25 at Prudential Tower in Singapore in November 2009. This increased K-REIT Asia's stake in Prudential Tower from 44.4% to a majority 73.4%. The acquisition price of approximately \$106.3 million is a 14.6% discount to valuation. A majority stake in Prudential Tower will enable K-REIT Asia to better manage the income generated from this prime Grade A office development located in Singapore's central business district (CBD).

In January 2010, K-REIT Asia announced its maiden venture overseas with the purchase of a 50.0% interest in 275 George Street. K-REIT Asia is expected to complete the acquisition of a 50.0% interest in 275 George Street in March 2010. The purchase price of approximately \$208.6 million is equivalent to the appraised value of K-REIT Asia's 50.0% stake in the freehold Grade A commercial building.

\$70.5m

Distributable income to Unitholders rose 21.2%

“Notwithstanding the challenging operating environment, K-REIT Asia persevered and delivered a 23.2% year-on-year growth in net property income to \$48.9 million for FY2009.”

Professor Tsui Kai Chong, Chairman





K-REIT Asia has expanded its portfolio with two acquisitions which are yield accretive and are expected to generate stable and sustainable returns to Unitholders.

Located in the heart of Brisbane's CBD, the newly completed building comprises 40,317 square metres (sm) of office space over 30 levels, 1,431 sm of quality retail space and 244 carpark lots.

K-REIT Asia's 50.0% interest delivered a 19.3% increment in distribution per unit (DPU) for 2009 on a pro forma basis if the acquisition was completed on 1 January 2009. The building has an occupancy rate of 99.4% and enjoys long 10-year leases by major tenants. All the leases also have fixed annual rental escalations embedded in the lease terms.

Our Assets

Our portfolio of strategically located and well-managed assets helped buffer K-REIT Asia against the weak office market sector in 2009. K-REIT Asia's Singapore portfolio occupancy rate of 95.0% as at 31 December 2009 remained higher than that of the core CBD which stood at 91.2% in the fourth quarter of 2009.

The weighted average lease expiry (WALE) for K-REIT Asia's portfolio and its top ten tenants as at 31 December 2009 stood at 5.2 years and 6.7 years, respectively. The acquisition of the 50.0% stake in 275 George Street will further improve the WALE for the portfolio and its top ten tenants to 5.9 years and 7.6 years, respectively.

K-REIT Asia's average portfolio valuation contracted 5.3% to \$1,616 per square feet (psf) as at 31 December 2009 from \$1,707 psf a year before. This is at the lower end of CB Richard Ellis' (CBRE) market valuation for prime office space in Singapore and puts K-REIT Asia in good stead to benefit from potential positive revaluation in the future.

Positive Financial Performance

Leasing activity in the office property market has been marked by declining rentals and rising vacancy rates in the aftermath of the global economic crisis in 2009.

Notwithstanding the challenging operating environment, K-REIT Asia persevered and delivered a 23.2% year-on-year growth in net property income to \$48.9 million for FY2009. This was due mainly to positive rental reversions and contribution from the increased stake in Prudential Tower.

The average gross monthly rent of K-REIT Asia's portfolio increased 7.2% to \$8.16 psf as at 31 December 2009, up from \$7.61 psf a year before.

Steady Distribution Per Unit (DPU) Growth

K-REIT Asia achieved a distributable income of \$70.5 million for FY2009, up 21.2% from a year ago and paid a total DPU of 7.76 cents to Unitholders for FY2009. The DPU for FY2009 was 5.28 cents as compared with 4.41 cents¹ for FY2008.

The FY2009 DPU has taken into account the effect of the one-for-one rights issue completed in November 2009 and is computed based on the enlarged unit base of approximately 1.3 billion units. Since its inception in 2006, K-REIT Asia's DPU has grown steadily by 30.5%², 1.0% and 19.7% for 2007, 2008 and 2009, respectively.

¹ Restated taking into account the effect of the one-for-one rights issue completed in November 2009.

² Based on DPU for the period 1 January 2007 to 31 December 2007, compared with annualised DPU for the period, 26 April 2006 to 31 December 2006.

K-REIT Asia's DPU yield of 4.8% as at 31 December 2009 was lower than the 6.3% DPU yield as at 31 December 2008 after taking into account the effect of the one-for-one rights issue and computed based on the enlarged unit base and the recovery of K-REIT Asia's unit price from \$0.70 as at 31 December 2008 to \$1.10 as at 31 December 2009.

Awards and Accolades

K-REIT Asia won the Silver Award for Best Investor Relations in the category of companies with "\$300 million to less than \$1 billion market capitalisation", and the Silver Award for Best Annual Report under the "REITs and business trusts" category at the Singapore Corporate Awards on 23 April 2009.

Our commitment towards sustainable property management was also recognised when One Raffles Quay was awarded the Green Mark Gold Award by the Building and Construction Authority. In addition, all of K-REIT Asia's properties in Singapore have been labelled "Water Efficient Buildings" by the Public Utilities Board. Keppel Towers and GE Tower's property management operations also achieved the ISO14001 certification, an international standard that addresses various aspects of environment management.

K-REIT Asia's latest acquisition of a 50.0% interest in 275 George Street is testament to our commitment. The ecologically-designed 275 George Street is rated 5 Star Green Star – Office Design v2 by the Green Building Council Australia and is targeting a 5 Star As Built rating, as well as a 4.5 Star NABERS Energy rating.

Acknowledgements

I thank Mr Lim Poh Chuan, Non-executive Director, Mr Tan Swee Yiow, Chief Executive Officer, and Mr Daniel Cerf, Deputy Chief Executive Officer for their service and contributions to K-REIT Asia. They have relinquished their positions in July, August and March 2009, respectively. Mr Tan continues to serve as Executive Director on the Board of K-REIT Asia Management Limited. I take this opportunity to welcome Ms Ng Hsueh Ling who joined us as Chief Executive Officer and Director with effect from 17 August 2009.

Finally, I thank our Board of Directors, Unitholders, business partners, tenants and employees for their dedication and support. I look forward to your continued support.

Yours sincerely,

Tsui Kai Chong
Chairman
18 February 2010

Strengthen

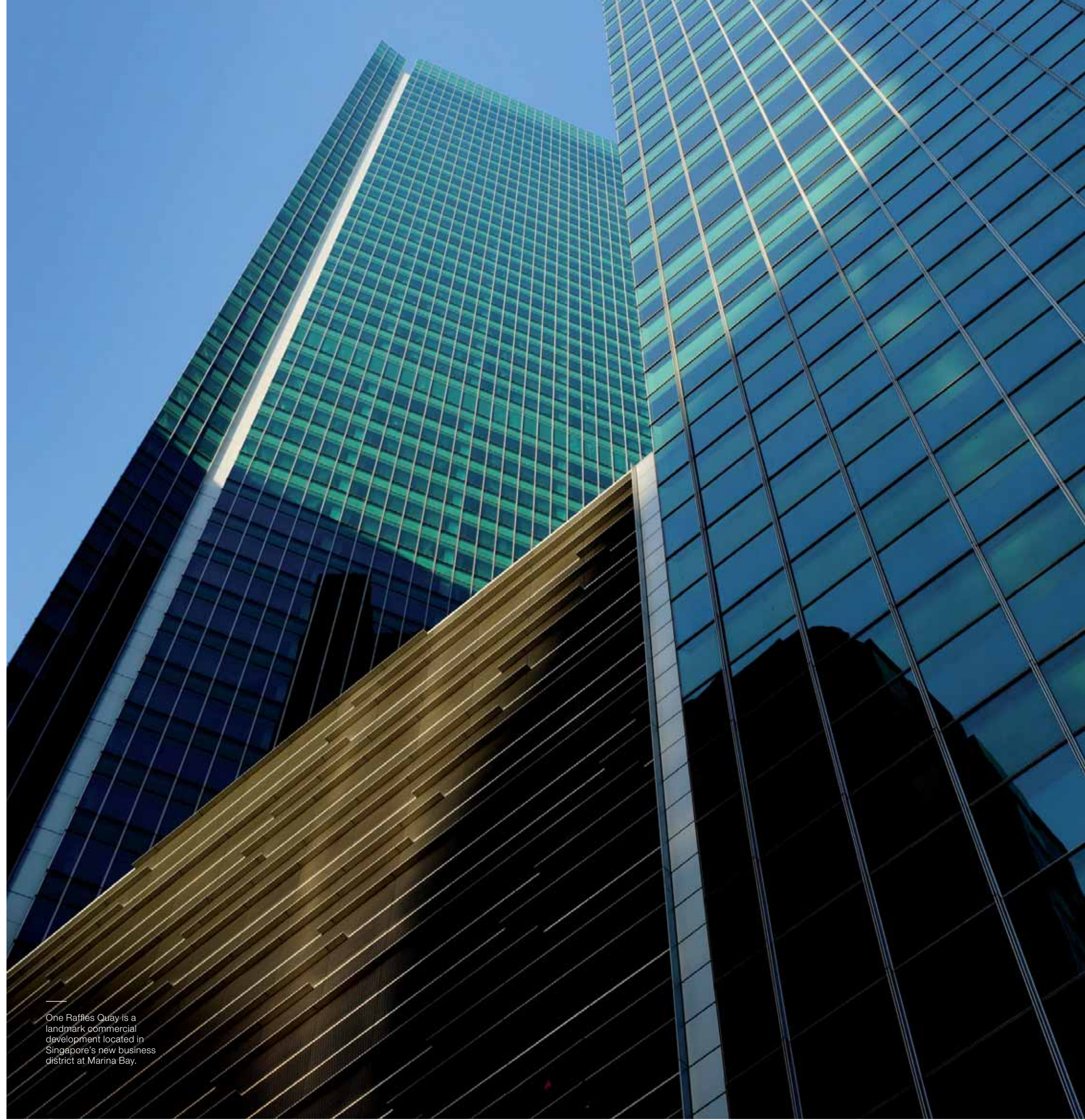
K-REIT Asia continues to strengthen its quality portfolio by capturing opportunities and harnessing resources to execute its growth strategies.



275 George Street is a Grade A commercial building located in the CBD of Brisbane in Queensland, Australia.

Deliver

K-REIT Asia delivers steady and sustainable returns to Unitholders through its quality asset portfolio, high occupancy levels, long lease terms, diverse tenant mix and proactive building management.



One Raffles Quay is a landmark commercial development located in Singapore's new business district at Marina Bay.

Strategy

Maximise Performance

- Building sustainable earnings growth
- Improving building performance and efficiencies
- Continuing proactive asset management
- Providing flexible leasing options to existing and prospective tenants
- Building a balanced tenancy profile
- Attracting creditworthy new tenants
- Enhancing relationships to maintain high tenancy retention
- Implementing prudent lease strategies in anticipation of forecast market conditions

Enhance Assets

- Strengthening professional property management expertise and capabilities
- Emphasising safety and security measures
- Leveraging technology to improve operations
- Converting existing space to potential lettable area
- Improving quality of interior fittings and finishings
- Promoting quality brand awareness
- Implementing green initiatives to protect the environment

Acquire Quality Assets

- Increasing market intelligence to identify potential acquisition targets
- Conducting rigorous feasibility studies on potential acquisitions
- Developing a sustainable acquisition pipeline

Achieve Capital Efficiency

- Optimising capital structure
- Enabling debt headroom to fund new acquisitions
- Limiting interest cost exposure
- Utilising competitive credit facilities to meet working capital requirements

Build Efficiencies and Nurture Talent

- Training and developing competency of staff to drive growth
- Adopting technology to improve work flows
- Procuring systems to provide real-time data for accurate and swifter management decision-making

Execution

Investment strategy

The principal investment strategy of K-REIT Asia is to generate steady and sustainable returns for its Unitholders by owning and investing in a portfolio of quality income-producing commercial real estate and real estate-related assets.

K-REIT Asia's mandate enables it to invest in commercial properties in Singapore and pan-Asia. The Manager focuses on quality assets that are strategically located in key regional cities and seeks acquisitions that offer good potential for stable income growth and asset appreciation in the medium- to long-term.

The Manager adheres to stringent criteria for evaluating potential acquisitions. This involves a thorough review of exposures, risks and returns, and overall value-add to K-REIT Asia's existing portfolio and future growth expectations. With strong support from its sponsor, Keppel Land, and enhanced financial flexibility following the rights issue, K-REIT Asia intends to pursue opportunities for strategic acquisitions in Singapore and other growth cities pan-Asia.

Towards the end of 2009, K-REIT Asia acquired an additional six strata floors of Prudential Tower, which brought its ownership to a majority control of approximately 73.4% of the total strata area of the building. This was followed by its maiden overseas acquisition of a 50.0% interest in 275 George Street in Brisbane, Australia in March 2010. These acquisitions have enlarged K-REIT Asia's portfolio size to \$2.3 billion from \$2.1 billion as at end-2008.

With continued recovery in the financial sector and positive spin-offs from the opening of the two integrated resorts and transformation of Singapore into a global cosmopolitan city, the Manager believes that demand for quality office space will be well supported.

Proactive Asset and Lease Management

K-REIT Asia's emphasis on proactive asset and lease management has enabled its portfolio of prime office buildings to maintain higher than market occupancy in 2009 despite a softer market. As at end-December 2009, K-REIT Asia achieved committed portfolio occupancy of 95.0% compared with 91.2% occupancy in the core central business district. Average portfolio gross monthly rental rates improved 7.2% to \$8.16 per square feet (psf) as at end-2009 compared with \$7.61 psf a year ago.

With the improved economic outlook and returning business confidence, the office market is showing signs of bottoming out. Leasing activities have increased with positive office take-up of about 333,000 sf in the second half of 2009. K-REIT Asia is well-positioned to capitalise on the recovery of the office market with its quality asset portfolio, strong tenancy profile and diverse tenant business mix. Its relatively long lease terms will also provide income stability for Unitholders.

As at end-2009, the weighted average lease term for K-REIT Asia's portfolio was 5.2 years while that of its top 10 tenants was 6.7 years.

The Manager will continue to focus on building strong relationships with tenants to maintain high tenancy retention and step up its marketing efforts to attract new and creditworthy tenants to increase K-REIT Asia's portfolio occupancy. It will also seek to identify asset enhancement initiatives to maximise rental income, and to manage its assets and operating cost structure more efficiently to improve building and operational performance.

The Manager is committed to promoting environmental sustainability. By incorporating more environmentally-friendly and energy-saving features in K-REIT Asia's buildings, the Manager minimises the impact of commercial properties on the environment and achieves operational cost savings.

Capital Management

For the financial year ended 31 December 2009, K-REIT Asia's outstanding borrowings remained unchanged at \$581.1 million. Its aggregate leverage of 27.7% was well within the 60.0% borrowing limit set out in the Property Fund Guidelines. All-in interest rate for 2009 was 4.23% per annum, with an interest coverage ratio of 3.19 times.

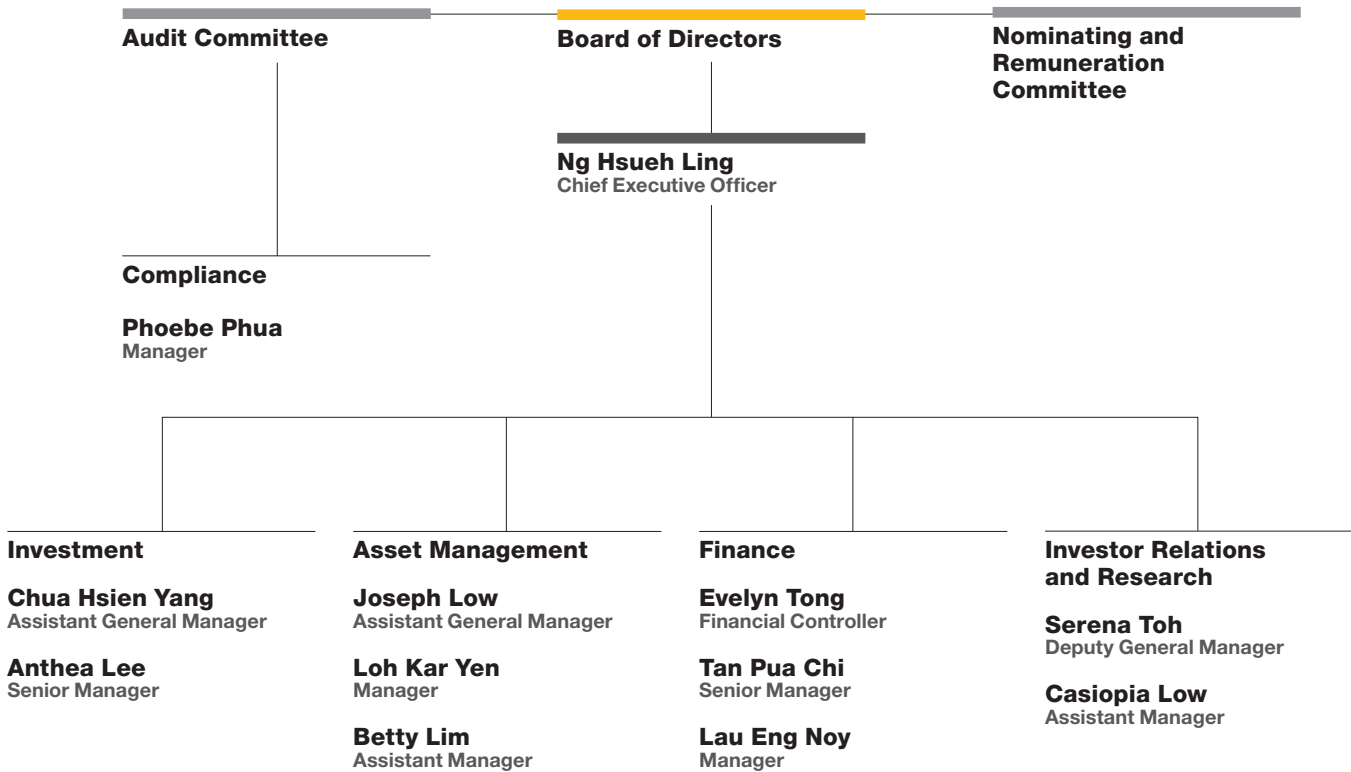
K-REIT Asia has no immediate debt refinancing needs until the first half of 2011. In January 2009, a \$1.0 billion multi-currency medium-term note programme was established to further provide K-REIT Asia with an additional source of funding and greater flexibility in managing its capital requirements.

The completion of a one-for-one rights issue in November 2009, which raised approximately \$620.0 million in gross proceeds, has provided K-REIT Asia with additional funding capacity to pursue acquisition growth. Part of the proceeds from the rights issue had been utilised to repay a bridging loan facility for the purpose of financing the acquisition of the six strata floors of Prudential Tower, and the recent acquisition of a 50.0% interest in 275 George Street in Brisbane, Australia.

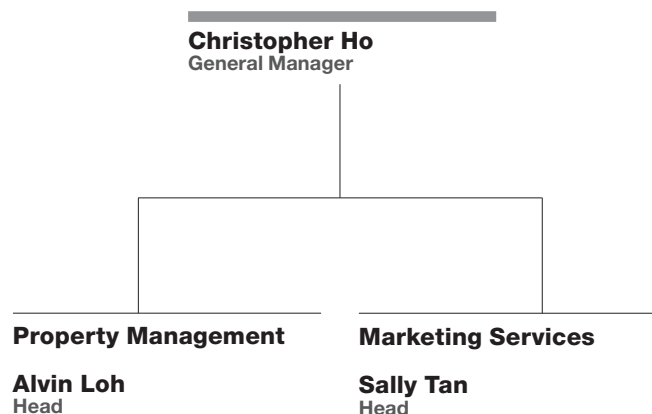
The Manager will continue to adopt a proactive capital management strategy and will seek to further diversify its funding base.

Organisation Structure

The Manager K-REIT Asia Management Limited



The Property Manager K-REIT Asia Property Management Pte Ltd



Board of Directors



Professor Tsui Kai Chong, 54

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 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, 54

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. He is a Board Member of the Building and Construction Authority (BCA), and Deputy Chairman of BCA Academy Advisory Panel. 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 Degree in Civil Engineering with First Class Honours from Imperial College, University of London, and a Master degree from the Massachusetts Institute of Technology, USA.



Ms Ng Hsueh Ling, 43

Chief Executive Officer and Executive Director

Ms Ng Hsueh Ling has been the Chief Executive Officer and Executive Director of the Manager since 17 August 2009. She has 20 years of experience in the real estate industry. Her experience encompasses the strategic sourcing, investment, asset and portfolio management and development of assets in key Asian cities, as well as extensive fund management experience in the areas of real estate fund product creation, deal origination, distribution and structuring of real-estate-based financial products.

Prior to this appointment, Ms Ng has held key positions with two other real estate companies, CapitaLand and Ascendas. She was most recently the CEO for Korea & Japan at Ascendas Pte Ltd.

Ms Ng is a Licensed Appraiser for land and buildings and is a Fellow of the Singapore Institute of Surveyors and Valuers. She holds a Bachelor of Science Degree in Real Estate from the National University of Singapore.



Mr Tan Swee Yiow, 49

Executive Director

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

Prior to joining the Keppel Land Group, 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 Masters of Business Administration in Accountancy from the Nanyang Technological University.



Dr Chin Wei-Li, Audrey Marie, 52

Independent Non-Executive Director

Dr Chin has been an independent non-executive Director of the Manager since 3 February 2005. She also serves as an independent Director on NTUC Income Insurance Co-operative Singapore, where she is a member of the Investment and Risk committees. Concurrently, Dr Chin is Executive 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 licensed 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 Government of Singapore Investment Corporation (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 (Research Methods and Public Policy) and the Rand Graduate School with a Ph.D in Public Policy.



Mrs Lee Ai Ming, 55

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 and currently serves on the Audit and Safety committees. She is a senior 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 a member of the Audit committee of HTL Int'l Holdings Limited.

Mrs Lee serves in leadership roles of other forums, including the Singapore Law Society, the Federation Internationale des Conseils en Propriété Industrielle, Asian Patent Attorney's Association and International Trade Marks Association.

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

Present and Past Directorships Directors and Senior Management

Directors

Present and past principal directorships held by the Directors in the last five 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; Prudential Assurance Company Singapore (Private) Limited; Building and Construction Authority (BCA); BCA Academy Advisory Panel

Past Directorships

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

Ms Ng Hsueh Ling

Present Directorships

K-REIT Asia MTN Pte. Ltd.; K-REIT Asia (Australia) Pte. Ltd.; K-REIT Asia (Bermuda) Limited; One Raffles Quay Pte Ltd; Raffles Quay Asset Management Pte Ltd; Central Boulevard Development Pte Ltd

Past Directorships

Ascendas Korea Inc. 102-81-43212; Ascendas Japan Pte Ltd; Ascendas Japan Inc.; Ascendas China Fund Management Pte Ltd.; Ascendas China Commercial Fund Management Pte Ltd.

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

Dr Chin Wei-Li, Audrey Marie

Present Directorships

Vietnam Investing Associates – Financials Singapore Private Limited; NTUC Income Insurance Co-operative Singapore; JC Trust Limited, Singapore

Past Directorships

Singapore Petroleum Company Ltd; Save the Children Singapore Limited; Rossignol Private Limited

Mrs Lee Ai Ming

Present Directorships

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

Past Directorships

Nil

Senior Management

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

Evelyn Tong

Present Directorships

K-REIT Asia MTN Pte. Ltd. K-REIT Asia (Australia) Pte. Ltd. K-REIT Asia (Bermuda) Limited

Past Directorships

Nil

Joseph Low

Present Directorships

Nil

Past Directorships

Nil

Chua Hsien Yang

Present Directorships

Nil

Past Directorships

Nil

Serena Toh

Present Directorships

Keppel Land (Tower D) Pte Ltd

Past Directorships

Nil



1. Ms Peh Xueling
Accountant

2. Ms Anthea Lee
Senior Manager,
Investment

3. Ms Casiopia Low
Assistant Manager,
Investor Relations
and Research

4. Ms Tan Pua Chi
Senior Manager,
Treasury & Capital
Management

5. Ms Loh Kar Yen
Manager, Asset Management

6. Mr Chua Hsien Yang
Assistant General Manager,
Investment

7. Ms Lau Eng Noy
Manager, Finance

8. Ms Ng Hsueh Ling
Chief Executive Officer

9. Ms Phoebe Pua
Manager, Compliance

10. Ms Evelyn Tong
Financial Controller

11. Ms Dawn Lee
Assistant Manager,
Finance & Administration

12. Ms Serena Toh
Deputy General Manager,
Investor Relations and
Research

13. Ms Betty Lim
Assistant Manager,
Asset Management

14. Mr Joseph Low
Assistant General Manager,
Asset Management

The Property Manager



1. Ms Leong Geok Mui
Senior Manager,
Marketing

3. Mr Alvin Loh
Head,
Property Management

5. Mr Christopher Ho
General Manager,
Property Management

2. Ms Casey Chiang
Executive,
Marketing

4. Ms Yvonne Toh
Manager,
Marketing

6. Mr William Wong
Manager,
Property Management

7. Mr Wong Joo Siong
Manager,
Property Management

9. Ms Sally Tan
Head,
Marketing Services

11. Mr Alan Ng
Senior Manager,
Property Management

8. Mr Albert Foo
General Manager,
Marketing

10. Ms Lua Shitian
Senior Executive,
Marketing

12. Mr Yong Siok Chin
Senior Manager,
Property Management

The Manager and The Property Manager

The Manager K-REIT Asia Management Limited

Ms Ng Hsueh Ling Chief Executive Officer

Refer to description under the section on the Board of Directors on page 18.

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.

Chua Hsien Yang Assistant General Manager, Investment

Mr Chua has more than eight years of experience in mergers and acquisitions, real estate investments, business development and asset management in the real estate sector within Asia-Pacific. Prior to joining the Manager, he was Director, Business Development & Asset Management at Ascott Residence Trust Management Limited.

Mr Chua holds a Bachelor of Civil Engineering Degree from University of Canterbury, New Zealand and a Master of Business Administration Degree from University of Western Australia.

Anthea Lee Senior Manager, Investment

Ms Lee has more than 12 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 Master 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 team recommends and analyses potential asset enhancement initiatives and works 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.

Joseph Low Assistant General Manager, Asset Management

Mr Low has over 16 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 Degree from University of Hull, United Kingdom. He is also a Chartered Financial Analyst.

Loh Kar Yen Manager, Asset Management

Ms Loh has more than 12 years of experience in real estate asset management, valuation and lease management for private and public landlords. Before joining the Manager, she was handling asset management at Ascendas-MGM Funds Management, the manager of Ascendas Real Estate Investment Trust.

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

Betty Lim Assistant Manager, Asset Management

Ms Lim has more than nine years of experience in various areas of real estate industry, including development, strategic planning, finance, accounting and taxation. She was previously Assistant Manager, Corporate Development in Keppel Land Limited where she was involved in strategic planning and risk management. Prior to this appointment, she was a senior accountant with Keppel Land.

Ms Lim holds a Bachelor of Business Degree in Accounting & Finance from the Swinburne University of Technology. She is a member of the Certified Public Accountants of Australia.

Finance

The finance team is responsible for the accounting, taxation, treasury, capital management, 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 18 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 of the Institute of Certified Public Accountants of Singapore and an associate member of the Institute of Chartered Secretaries and Administrators, London.

Tan Pua Chi Senior Manager, Treasury & Capital Management

Ms Tan has over 14 years of experience in the finance, accounting, tax and treasury fields. Prior to joining the Manager, Ms Tan was a finance manager with the 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.

Lau Eng Noy Manager, Finance

Ms Lau has more than 15 years of experience in financial and management accounting, external and internal auditing, tax, treasury, corporate secretarial duties and set-up of accounting and internal control systems in public listed companies. She has also worked in regional offices in Vietnam, China and Malaysia. Prior to joining the Manager, she was the Group Accounts Manager of Allied Technologies Ltd.

Ms Lau is a Certified Public Accountant of the Institute of Certified Public Accountants of Singapore and a Fellow Member of Association of Chartered Certified Accountants, United Kingdom.

Compliance

The compliance team sets work plans, policies and practicable guidelines in line with relevant legislation. In addition, it monitors and ensures that K-REIT Asia Management Limited and its representatives comply with them. It works closely with the Group and external legal counsels and staff of the Manager to implement a holistic compliance framework, which covers all key activities of the Manager. The team also obtains information and updates on the latest developments in compliance matters on an ongoing basis.

**Phoebe Pua
Manager, Compliance**

Ms Pua has more than five years experience in various areas of the real estate industry, including enterprise risk management, financial analysis and stress testing. She was previously Assistant Manager, Corporate Development in Keppel Land Limited where she was an advocate for enterprise risk management.

Ms Pua has a Bachelor of Science Degree in Economics and Masters in Financial Engineering from National University 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 Masters of Applied Finance from University of Adelaide.

**Casiopia Low
Assistant Manager, Investor
Relations and Research**

Ms Low has more than five years of experience in investor relations, corporate communications and marketing. Prior to joining the Manager, she was handling investor relations and corporate communications at CapitaMall Trust Management Limited, the manager of CapitaMall Trust.

Ms Low holds a Bachelor of Business Management Degree (Honours) and Masters in Business Administration from the Singapore Management University.

**The Property Manager
K-REIT Asia Property
Management Pte Ltd**

**Christopher Ho
General Manager,
Property Management**

Mr Ho is responsible for setting strategic directions, establishing policy standards as well as ensuring the smooth and efficient operation of all investment properties managed by the Property Management division. He also oversees tenants' retention activities, service quality standards and administration of all leases in the various investment properties.

He has over 20 years of experience in management of commercial properties. He has managed various large commercial projects in Singapore, China and Vietnam. Prior to joining Keppel Land Limited, 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.

Property Management

**Alvin Loh
Head, Property Management**

Mr Loh is responsible for overseeing the lease management and property management activities of the Manager. He also handles the concept planning and design development of new commercial and residential developments and oversees lease management and property management activities of completed properties under Keppel Land Limited.

Mr Loh brings with him over 20 years of experience in management of various large commercial properties in Singapore. Prior to joining Keppel Land Limited, Mr Loh was Associate Director of Asset Services Department in CB Richard Ellis.

Mr Loh holds a Diploma in Building Management and Maintenance from Ngee Ann Polytechnic and a Diploma in Management Studies from Singapore Institute of Management. He is a member of the Association of Property & Facility Managers.

Marketing Services

**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 17 years of marketing experience in commercial properties and business park developments. She was responsible for overseeing the marketing, leasing activities and lease management of the 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.

**Albert Foo
General Manager, Marketing**

Mr Foo oversees the marketing function and ensures that K-REIT Asia's buildings are leased at optimal rents and occupancy to meet the commercial and financial targets of the portfolio.

Mr Foo has over 20 years of experience in real estate in the areas of marketing and sales, valuation and property management. Prior to joining Keppel Land Limited, he was the Chief Executive Officer of Nationwide Realty Singapore Pte Ltd, a real estate consultancy.

Mr Foo holds a Master of Science Degree in Real Estate and a Bachelor of Science Degree (Honours) in Estate Management, both from the National University of Singapore.

Trust Structure



¹ The acquisition of the 50.0% interest in 275 George Street, Brisbane, Australia, was completed on 1 March 2010.

Corporate Governance

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 they firmly believe that it is essential to protect the best interests of the unitholders of K-REIT Asia (Unitholders), as well as critical to the performance and success of the Manager.

The Manager uses the Code of Corporate Governance 2005¹ (the Code) as its benchmark. The following describes the Manager's main corporate governance policies and practices with specific references 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 manages 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 returns 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 uses its best endeavours to carry on and conduct its business in

a proper and efficient manner and to ensure that K-REIT Asia is carried on and conducted in a proper and efficient manner and to conduct all transactions with, or for K-REIT Asia, at arm's length.

Other functions and responsibilities of the Manager include:

1. Developing a business plan for K-REIT Asia with a view to maximise 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 which perform the day-to-day property management functions (including 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 therefore has no personnel of its own. The Manager appoints experienced and well-qualified management to run the day-to-day operations of K-REIT Asia. 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, the Fourth Supplemental Deed dated 17 October 2007, the Fifth Supplemental Deed dated 19 January 2009 and the Sixth Supplemental Deed dated 16 April 2009 (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 a 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.

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

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 four times a year 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 K-REIT Asia and the Manager. The Board also reviews and approves the release of the quarterly, half-yearly and full-year results. In addition, the Board 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 FY2009, as well as the attendance of each Board member at these meetings, are disclosed in Table 1 on page 33.

The Manager has adopted a set of internal guidelines which sets 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 delegations 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 as director. 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. The Directors are also provided with continuing education in areas such as directors' duties and responsibilities, corporate governance, changes in financial reporting standards, insider trading, changes in the Companies Act and industry-related matters, so as to update and refresh them on matters that affect or may enhance their performance as Board or Board committee members.

Board Composition and Guidance

Principle 2: Strong and independent element on the Board

Presently, the Board consists of six members, three 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, its related companies 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 Manager actively engages shareholders as its commitment to good corporate governance and transparency.



Table 1

	Board Meetings	Audit Committee Meetings	Nominating and Remuneration Committee Meetings
Professor Tsui Kai Chong	4	1 ¹	2
Mr Kevin Wong Kingcheung	4	-	1 ²
Ms Ng Hsueh Ling	1 ³	-	-
Mr Tan Swee Yiow	4	-	-
Dr Chin Wei-Li, Audrey Marie	4	4	2
Mrs Lee Ai Ming	4	4	1 ⁴
Number of meetings held in FY2009	4	4	2

¹ Professor Tsui Kai Chong was appointed as a member of the Audit Committee with effect from 31 July 2009.

² Mr Kevin Wong Kingcheung was appointed as a member of the Nominating and Remuneration Committee with effect from 30 March 2009.

³ Ms Ng Hsueh Ling was appointed as the new Chief Executive Officer and an Executive Director of the Manager with effect from 17 August 2009.

⁴ Mrs Lee Ai Ming was appointed as the Chairman of the Nominating and Remuneration Committee with effect from 31 July 2009.

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 is 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 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 and the CEO are not related to each other.

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 timeously 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. She is also responsible for the strategic planning and development of K-REIT Asia.

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 four Directors, the majority of whom, including the chairman of the NRC, are independent, namely:

Mrs Lee Ai Ming	Chairman
Professor Tsui Kai Chong	Member
Mr Kevin Wong Kingcheung	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

A formal process for the selection of new Directors to increase transparency of the nominating process in identifying and evaluating nominees for Directors has been implemented since February 2007. 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 (for example, Singapore Institute of Directors, search consultants, open advertisement) to 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. Able 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 literate

The NRC is also charged with determining the "independence" status of the Directors annually. Please refer to page 32 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 representations.

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 17 to 20 and 44: 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 five 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 103: Unitholding in K-REIT Asia as at 21 January 2010.

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 FY2009 was done by the members of the NRC at the NRC meeting held in January 2010. 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 ongoing 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 under Principle 4 on page 34. The NRC comprises entirely of non-executive Directors, a majority of whom are independent Directors.

The NRC is responsible for ensuring a formal and transparent procedure for developing policy on executive remuneration and for determining 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 the Directors and key executives of the Manager, 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 (including the CEO). The NRC also reviews the remuneration of the 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

Director's fees are established annually for the Directors, the amount of which is 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. None of the Directors has any service contracts with the Manager.

The framework in FY2009 for determining the Directors' fees is shown below in Table 2 below.

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.

Table 2

Main Board	Chairman	\$45,000 per annum
	Director	\$30,000 per annum
Audit Committee	Chairman	\$12,000 per annum
	Member	\$8,000 per annum
Nominating and Remuneration Committee	Chairman	\$8,000 per annum
	Member	\$4,000 per annum

Table 3

Remuneration Band and Names of Directors	Base/ Fixed Salary	Variable or Performance- Related- Income/ Bonuses	Directors' Fees	Benefits- in-Kind	Share Option Granted
Between \$250,000 to \$500,000					
Ms Ng Hsueh Ling ¹	46%	44%	–	n.m. ²	10% ³
Below \$250,000					
Professor Tsui Kai Chong	–	–	100%	–	–
Mr Kevin Wong Kingcheung	–	–	100%	–	–
Mr Tan Swee Yow	–	–	100%	–	–
Dr Chin Wei-Li, Audrey Marie	–	–	100%	–	–
Mrs Lee Ai Ming	–	–	100%	–	–

Remuneration Band and Names of Top Five Key Executives	Base/ Fixed Salary	Variable or Performance- Related- Income/ Bonuses	Directors' Fees	Benefits- in-Kind	Share Option Granted
Below \$250,000					
Mr Chua Hsien Yang	75%	25%	–	n.m. ²	–
Ms Lee Meng Hoon, Anthea	71%	29%	–	n.m. ²	–
Mr Low Kar Yew, Joseph	77%	23%	–	n.m. ²	–
Ms Tan Pua Chi	72%	28%	–	n.m. ²	–
Ms Tong Siew Wei, Evelyn	76%	24%	–	n.m. ²	–

¹ Ms Ng Hsueh Ling joined the Manager on 17 August 2009.

² "n.m." means not meaningful.

³ The Manager is a wholly-owned subsidiary of Keppel Land Limited and the options granted to Ms Ng Hsueh Ling are for shares in Keppel Land Limited.

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 scheme has been implemented by the Manager in FY2009.

Level and Mix of Remuneration of Directors and Top Five Key Executives (who are not also Directors) for the Year Ended 31 December 2009

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 \$250,000, for the year ended 31 December 2009 are set out in Table 3 on page 37.

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 CEO and whose remuneration exceeded \$150,000 during FY2009. "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 other price-sensitive public reports, and reports to regulators (if required).

The Board embraces 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 Professor Tsui Kai Chong 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 are in place sound internal control systems. The

AC's terms of reference are set out on page 44 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 without the presence of the management.

During the year, the AC performed 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 auditor's 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 2009 to review the financial performance of K-REIT Asia against a previously approved budget. During the year, the Board also discussed the key business risks in K-REIT Asia and the risk management framework and policies that the Management presented.

In assessing business risk, 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's approach to risk management and internal control and the management of key business risks is set out in the "Risk Management" section on page 85 of this Annual Report.

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 also 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. The Board is also satisfied that K-REIT Asia's and the Manager's internal controls are adequate, based on the reports from Group Internal Audit and the external auditors.

Internal Audit

Principle 13: Independent internal audit function

The internal audit function of the Manager is performed by 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 and 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 International 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 Annual 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. More details on the Manager's investor relations activities and efforts are found on pages 90 and 91.

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 are not selectively disclosed, and on the rare occasion when such information are inadvertently disclosed, they are 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 in advance.

At Unitholders' meetings, each distinct issue is proposed as a separation 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.

The company secretary of the Manager prepares minutes of Unitholders' meetings, which incorporates substantial comments or queries from Unitholders and responses from the Board and management. These minutes are available to Unitholders upon their requests.

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 on securities dealings issued by the SGX. In line with these best practices, 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 public announcement of K-REIT Asia's full-year results and two weeks before the public

announcement of K-REIT Asia's quarterly results, and ending on the date of announcement of the relevant results and if they are in possession of unpublished price-sensitive information. The Manager's officers are also informed that they should not deal in K-REIT Asia's securities 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) ("Interested Party") 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" herein.
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 three independent Directors, two of whom (that is, 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.

K-REIT Asia will, in compliance with Rule 905 of the Listing Manual, announce any interested person transaction if such transaction, by itself or when aggregated with other interested person transactions entered into with the same interested person during the same financial year, is 3.0% or more of K-REIT Asia's latest audited net tangible assets.

The aggregate value of all interested person transactions which are subject to Rules 905 and 906 of the Listing Manual in a particular financial year will be disclosed in K-REIT Asia's annual report for the relevant financial year.

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 auditors 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. Annual review of skills required by the Board, and the size of the Board;
3. 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 a whole and the contribution of each Director;
6. Annual assessment of the effectiveness of the Board as a whole and 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.

Table 4

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	Member
Mr Kevin Wong Kingcheung	Deputy Chairman and Non-executive Director	–	Member
Ms Ng Hsueh Ling	Chief Executive Officer and Executive Director	–	–
Mr Tan Swee Yiow	Executive Director	–	–
Dr Chin Wei-Li, Audrey Marie	Independent Non-executive Director	Chairman	Member
Mrs Lee Ai Ming	Independent Non-executive Director	Member	Chairman

Code of Corporate Governance 2005 – Specific Principles and Guidelines for Disclosure

Relevant Guideline or Principle	Page Reference in this Report
Guideline 1.3 Delegation of authority, by the Board to any Board committee, to make decisions on certain board matters	Page 32
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 33
Guideline 1.5 The type of material transactions that require board approval under internal guidelines	Page 32
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
Guideline 3.1 Relationship between the Chairman and CEO where they are related to each other	Not Applicable
Guideline 4.1 Composition of nominating committee	Page 34
Guideline 4.5 Process for selection and appointment of new Directors to the Board	Pages 34 and 35
Guideline 4.6 Key information regarding Directors, which Directors are executive, non-executive or considered by the nominating committee to be independent	Pages 17 to 20 and 44
Guideline 5.1 Process for assessing the effectiveness of the Board as a whole and the contribution of each individual Director to the effectiveness of the Board	Pages 35 and 36
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 36 to 38
Guideline 9.1 Composition of remuneration committee	Page 34
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 37
Names and remuneration of at least the top 5 key executives (who are not also Directors). The disclosure should be in bands of \$250,000 and include a breakdown of remuneration	Page 37
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 38
Guideline 9.4 Details of employee share schemes	Page 38
Guideline 11.8 Composition of audit committee and details of the committee’s activities	Pages 38 to 40 and 43
Guideline 12.2 Adequacy of internal controls, including financial, operational and compliance controls, and risk management systems	Pages 39 and 40

Riding the UPTURN

Capturing opportunities in the recovering office market

The office property market in Asia Pacific has started to pick up as economic prospects stay on track for recovery.

Asia-Pacific Post Global Financial Crisis

The Asia-Pacific region has fared much better than its Western counterparts since the global financial crisis unravelled in September 2008. Anchored by sound economic fundamentals, prudent financial policies and wide-ranging economic stimulus initiatives, the regional pan-Asian economy is slowly but steadily leading global economic recovery.

On a quarter-on-quarter (q-o-q) annualised basis, the region expanded 8.1% and 5.5% in the second and third quarter of 2009 respectively. Buoyed by an upswing in the inventory cycle, improving external demand and stronger domestic consumption, aggregate growth in the region is forecast to accelerate from an estimated 1.3% in 2009 to 5.1% in 2010, in line with its average growth rate before the global financial crisis.

The economic growth rate of all economies in pan-Asia is expected

to outstrip that of the world average of 2.9%, with the exception of Japan which is weighed down by weak domestic consumption and a heavy reliance on exports.

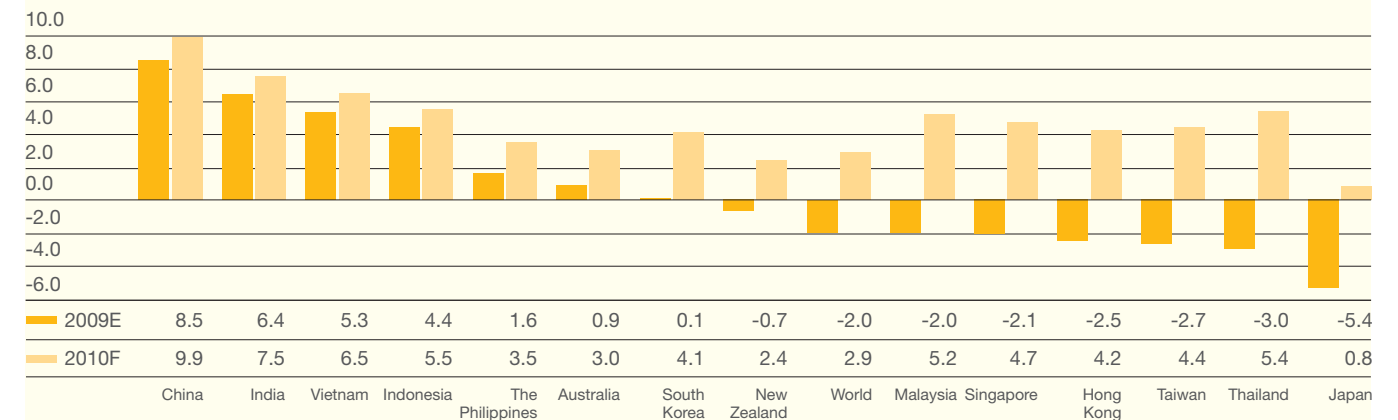
The region's economic growth should continue to be anchored by increases in real private consumption. China, India and Vietnam are expected to lead economic expansion in the pan-Asia region with forecast GDP growth for 2010 at 9.9%, 7.5% and 6.5% respectively. The pan-Asian domestic economy is forecast to expand by 4.7% compared with the world average of 2.9% for the whole year.

With economic prospects improving, the pan-Asian economy should stay well on the recovery track. The rising default risk amongst highly leveraged economies in the West such as Greece and Portugal, impact of new governmental regulation, and looming interest rate rises, have further served to divert the attention of businesses



Real GDP Growth

Year-on-Year % Change



Source: Global Insight, January 2010

and investors who now find the Asia-Pacific region a more attractive place to conduct business, invest and work.

Investment Opportunities in the Office Sector

Historically, vacancy rates in the office sector has trailed unemployment rate closely. The improvement in the region's employment markets signal that the office market is close to bottom, and it is highly likely that the Asia-Pacific office market will rebound in 2010.

2009 ended on an encouraging note as employment prospects and consumer confidence improved in tandem with economic activity pan-Asia. According to the Global Manpower Employment Outlook as at end-2009, hiring plans are strengthening across all major Asia-Pacific economies (except Japan), with the strongest prospects in India, Singapore, Taiwan and Australia. The region's office market has stabilised

in the presence of real economic expansion. The rate of rental declines in key regional cities either decelerated or improved slightly while capital values for prime office properties remained modest.

According to CB Richard Ellis (CBRE), overall prime office rents in Asia fell 3.1% in the third quarter of 2009, trimming from 6.7% in the second quarter of the same year. Singapore was the hardest hit of 27 key office markets surveyed as its average occupancy costs declined the most by 52.6% from a year before, followed by Ho Chi Minh City at 45.4%. Conversely, occupancy costs in Adelaide increased the most by 16.6% followed by Christchurch at 12.3%.

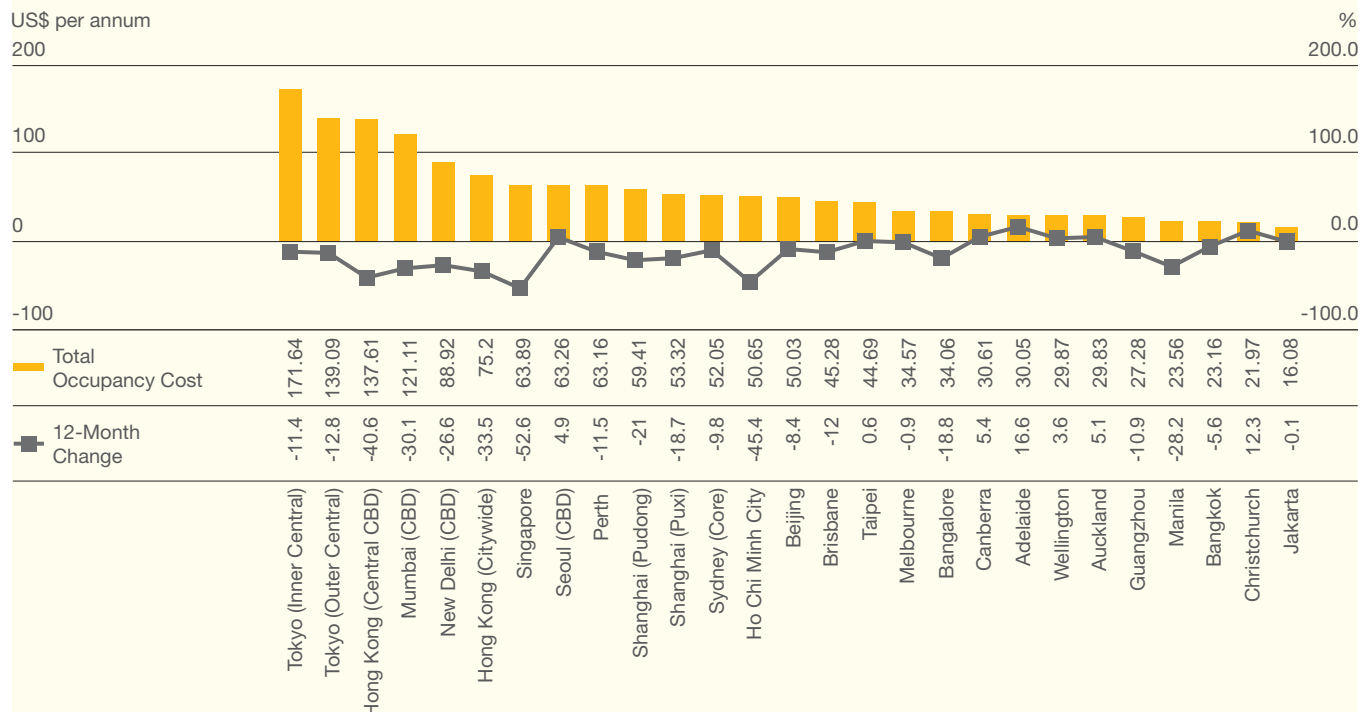
Occupancy rates for prime office space also appeared to have stabilised with net absorption around the region increasing 14% q-o-q. The last quarter

of 2009 also saw more leasing commitments and enquiries by multi-national corporations that had previously delayed or cancelled expansion plans.

Although supply risks may slow down rental growth over the near term, the anticipation of occupational demand coupled with economic growth should ensure that average rentals recover to positive growth in the near term. The current adjustment in office rentals will also translate into improving yields in a recovering market.

Investment activity could increase at a faster clip if investors look to capitalising on improving property market fundamentals. The office market activity should continue to be underpinned by growing occupational demand and more significantly, the sustained interest of private investors.

Asia-Pacific Office Occupancy Costs



Source: CB Richard Ellis (CBRE)

SPOTLIGHT

RESILIENT AUSTRALIA

275 George Street is 99.4% leased on long-term agreements to leading Australian companies.

Although many countries have been adversely affected by the global financial crisis, Australia has avoided a recession thus far, and has been economically resilient with successful fiscal and sound monetary policies. Australia's economy grew a positive 0.9% in 2009 as compared to the world average of -2.0%.

The Australian economy gained traction in the second half of 2009 as consumer spending and employment levels maintained a positive trend despite the gradual withdrawal of government stimulus measures.

Unemployment¹ in Australia peaked at 5.7% in October 2009, less than the forecast peak of 8.5%, and declined unexpectedly to 5.5% and 5.3% in December 2009 and January 2010 respectively, as the jobs market showed marked improvement in the second half of 2009.

In view of brighter economic prospects, the RBA Governor forecast that Australia's GDP will grow more than 3% in 2010 and about 3.5% in 2011. These positive economic indicators make Australia a potentially attractive country for stable investments, steady returns and with strong upside in capital values.

¹ Source: Australia Bureau of Statistics





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Brisbane Office Market

Brisbane is the state capital of Queensland in Australia, and ranks as the third largest central business district (CBD) office market in Australia after Sydney and Melbourne.

On an average annual gross state product basis, Queensland is forecast to lead the nation in per annum growth over the next five years at 3.3% compared to the national average of 2.3%. Both the population growth and white-collar employment growth in Queensland is expected to trend above the national average for the next few years.

More than 75% of the new supply of office space in Brisbane completed in 2009 has been pre-committed and fewer new office developments are expected to be built in 2010 and beyond.

As the overall business outlook picked up during the second half of 2009, some of the intended sub-lease space was eventually retained by existing tenants. There were also a healthy number of corporations that took the opportunity to relocate into newer, better quality buildings and/or expanded into new office space during the year.

The office market in Brisbane, the state's hub for commercial activities, is poised for rebound after a relatively subdued 2009. Growth in the city will be driven by the increase in size of population, white-collar employment, growth in the mineral and liquefied natural-gas industries, infrastructure spending, agriculture and tourism.

With prime office capital values already adjusted by 25%, and rental recovery expected in 2010, there is a window period for counter-cyclical investment

for new office buildings that are almost fully leased at economic rental levels.

Prime Stake in Brisbane's CBD

K-REIT Asia completed the acquisition of a 50.0% stake in 275 George Street, at a purchase price of A\$166.0 million, or approximately S\$209.4 million on 1 March 2010. The maiden investment signals K-REIT Asia's commitment towards building a quality portfolio of income-generating commercial assets pan-Asia.

275 George Street is a prime Grade A freehold commercial development located in the heart of the CBD in Brisbane, Australia.

The development stands out for its superb location, quality building specifications and ecological design. It is in close proximity to major infrastructure and amenities, and is

1

The office market in Brisbane is poised for an upswing in occupancy rates and rentals.

2

The acquisition of a 50.0% interest in 275 George Street in Brisbane reinforces K-REIT Asia's commitment towards becoming a pan-Asia REIT.



2

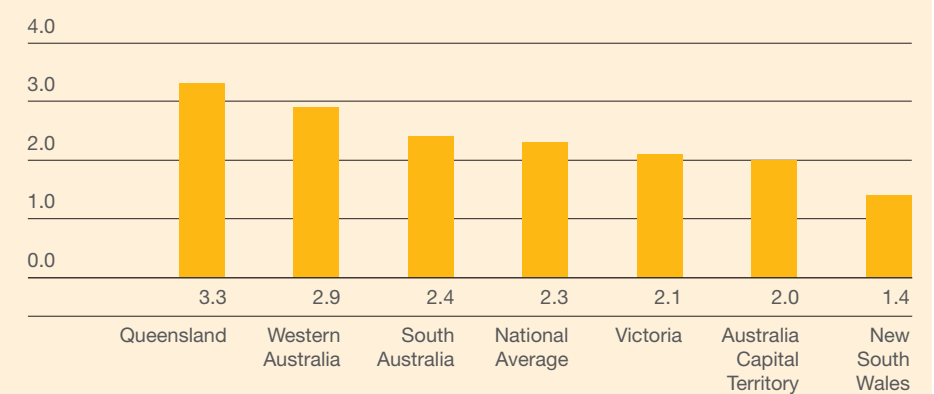
surrounded by some of Brisbane's newest corporate headquarters. It is also centrally located between the city's two largest railway stations, Roma Railway Station and Central Railway Station.

The superior development which was completed in April 2009 benefited from the 'flight-to-quality' trend that manifested pan-Asia.

Unlike the aging office developments in Brisbane, 275 George Street is 99.4% leased on long-term agreements with fixed annual rental escalations. Its major tenants are leading Australian companies, Telstra Corporation and Queensland Gas Company.

The acquisition enables K-REIT Asia to tap the Australian office market when near its trough so as to reap the full benefits of the quality asset.

Australia Average Annual Gross Status Product (2009–2013) (%)



Source: CB Richard Ellis (CBRE)

Singapore Office Market Review

The office market is expected to improve in 2010 given the increase in leasing activities driven by an improved economy and business outlook.



Emerging from the Global Economic Crisis

Singapore delivered a stronger than expected economic performance since the financial crisis of 2008. For the whole of 2009, Singapore's Gross Domestic Product (GDP) contracted 2.0%.

This was at the lower end of the 2% to 5% economic contraction forecast by the Ministry of Trade and Industry (MTI). The economy picked up towards the end of the year as Singapore's GDP registered year-on-year growth of -9.4%, 3.1%, 0.6% and 4.0%, for the four respective quarters in 2009.

Due to the government's timely intervention and wide-ranging stimulus initiatives, total employment increased by 38,800 in the whole of 2009 compared to 2008. Job gains in the second half of the year more than offset the losses in the first half as job creation accelerated in the fourth quarter of 2009.

The seasonally adjusted overall unemployment rate¹ improved significantly to 2.1% in the fourth quarter 2009, from 3.4% in the third quarter of 2009. Over the same period, the unemployment rate among the resident workforce declined to 3.0% from 5.0%.

According to the Employment Outlook Survey by Manpower Inc., hiring prospects in the first quarter of 2010 are most robust in the finance, insurance and real estate sectors, with a positive net employment outlook of 37% as compared to 19% in the previous survey.

Looking ahead, Singapore remains highly dependent on international trade and demand, and its economic

expansion will depend on both domestic and global factors. Hence, the government has emphasised a need to focus on increasing productivity and growing globally competitive companies. The MTI forecast that the economy will rebound in 2010 and achieve growth rates of between 4.5% and 6.5%.

Strong Fundamentals

The sound financial systems and effective fiscal policies that were installed in the aftermath of the Asian Financial Crisis of 2007 helped Singapore and much of Asia weather the crisis better than its Western counterparts.

Although Singapore was impacted, its banking and finance industry was largely spared from the massive fall-out that led to the collapse of a number of financial institutions which were involved in the US sub-prime mortgage crisis.

In 2009, the Singapore government dipped into its reserves for the first time ever and implemented a \$20.5 billion stimulus package to mitigate the impact of the economic slowdown on companies and individuals.

The government launched the Jobs Credit and SPUR-JOBS scheme to sustain employment for Singaporean and Permanent Resident workers; cut corporate tax by 1.0% to 17.0% to reduce operating costs for businesses; provided property tax rebates to property owners to help them cope with business overheads; eased financing for businesses through the Special Risk Sharing Initiatives and Financial Facilitator Programme; and invested in the development of long-term capabilities through the Business Upgrading Initiative for Long-term Development programme.

These anti-recessionary measures go a long way in providing assurance that

the government is committed to the steady recovery of the private business sectors, and sustaining Singapore's economic recovery.

'Flight-to-Quality' Office Property

The Urban Redevelopment Authority estimated that office stock increased 2.38 million square feet (sf) to 73.94 million sf as at end-2009. During this period, demand declined by 0.19 million sf to 65.03 million sf.

The negative demand in the first half of 2009 turned positive in the third quarter, growing moderately by 0.03 million sf, before expanding to 0.30 million sf in the fourth quarter of 2009.

The island-wide occupancy rate fell to 87.9%, the lowest in three years since mid-2006. Grade A office occupancy rates declined a lesser extent to 93.8%, reflecting an ongoing trend of 'flight-to-quality' where occupiers capitalised on the ample choice of office space to combine their operations into a single location and more significantly, to upgrade into new and better quality buildings.

Stabilising Office Rentals and Capital Values

The imbalance of demand and supply adversely affected office rentals. At the end of 2009, prime office rents had fallen 47.7% from a year before to average \$6.75 psf per month.

Average monthly Grade A office rents fell 46.0% year-on-year to \$8.10 psf in the fourth quarter of 2009, from \$12.90 psf a year ago. Nonetheless, the rate of decline in prime office rents had slowed from 18.6% in the first quarter of 2009, to 10.0% in the fourth quarter of 2009.

The adjustment in office rental rates makes Singapore a more competitive and attractive business destination vis-a-vis the rest of the region.

¹ Based on MTI's preliminary estimates as at 29 January 2010.

As at end-2009, Singapore was positioned 39th on CBRE's ranking of the "Global 50 most expensive office markets", behind key Asian cities such as Tokyo, Hong Kong, Mumbai, and New Delhi.

In line with the stabilising rentals, capital values of prime office space found firmer footing on the back of improved market sentiments. According to CBRE, prime office capital values stood unchanged in the third and fourth quarters of 2009 after falling 40.4% to \$1,550 psf from \$2,600 psf a year ago.

Positive Office Market Outlook

The positive outlook of economic recovery in the US and Asia in the fourth quarter of 2009 has helped to lift business confidence and slow down the decline in office rentals.

Buoyed by improved market sentiments, many financial institutions are expanding as they plan for moderate growth in the near to medium term, and have withdrawn some of the shadow space (space available for subletting) from the market. This has resulted in island-wide shadow space shrinking.

Nonetheless, rental increases are expected to be relatively modest in 2010 as more office supply is expected to come onstream in the next few years. Consolidation and 'flight-to-quality' will likely remain the dominant trends in the office market.

Although the expected supply of 2.2 million sf in 2010 and 2.3 million sf in 2011 in the core central business district (CBD) may limit the rate of rental growth, the absorption of new office supply has been encouraging.

The redeveloped Straits Building which was completed in October 2009 is 90% occupied while the Marina Bay Financial Centre which will inject nearly three million sf of prime office space when fully completed, is about 69% pre-committed ahead of its completion in 2010 for Phase 1 and 2012 for Phase 2.

The net supply of office space would also be compressed if more existing commercial buildings were to be redeveloped for residential use.

The impetus for this conversion of space comes from an anticipation of businesses relocating from the current CBD to the new financial hub at the Marina Bay financial district, positive sentiments in the residential market, and the lifting of a ban on conversion of office space in the Central Area to other uses.

76 Shenton Way, UIC Building and StarHub Centre are a few of the older office buildings which are slated to be converted into residential developments. Other office properties that have been identified as potential developments to be converted include VTB Building, Aviva Building and Cecil House.

It is estimated that around one million sf of existing office space could be removed from the market and converted into residential space.

Against the backdrop of recent activity in the office market, the end of the current down-cycle may be near, especially if the global economy grows stronger than expected.

Singapore Remains an Attractive Investment Market

For the fourth year running, Singapore retained its top position in 2009 as the easiest place in the world to do business, according to a report by the World Bank.

It was also ranked first for having the most open economy for international trade and investment by The Global Enabling Trade Report 2009, and the most competitive country in Asia (ranking fifth worldwide) in the Global Competitiveness Report that was presented at the World Economic Forum in 2009.

The global accolades are testament to the country's pro-investment philosophy and help instil confidence amongst investors and the business community.

Despite the uncertainties in the global economy and potential challenges ahead, Singapore is on good ground to continue its steady economic performance.

The opening of the two integrated resorts, Resorts World Sentosa and Marina Bay Sands, as well as the Marina Bay Financial Centre which is slated to open in phases from 2010, are also expected to boost Singapore's economic growth.

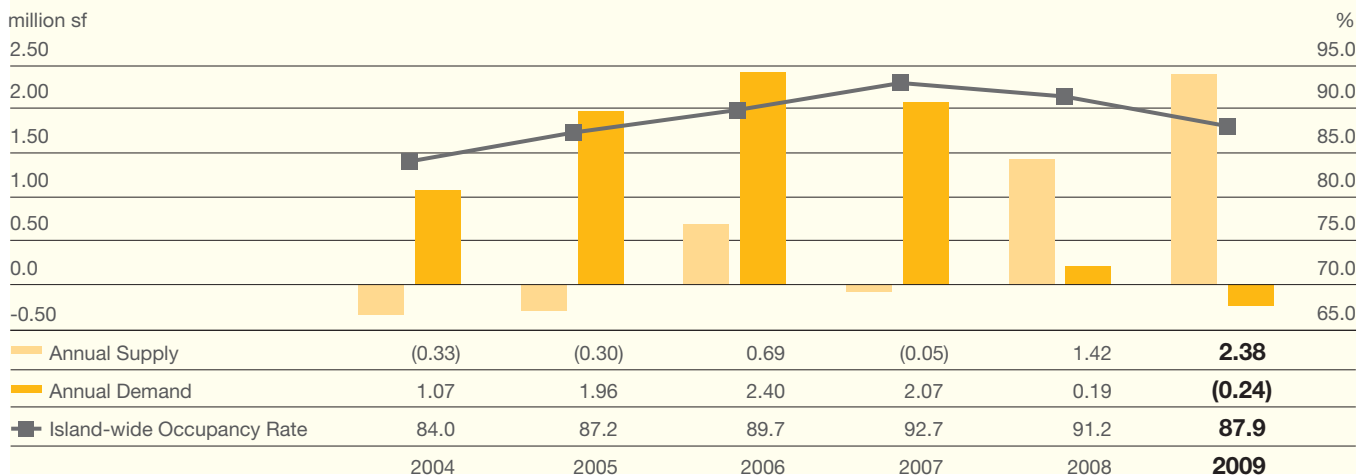
In the year ahead, the government intends to grow Singapore's role as a global business hub. The wide-reaching range of incentives to encourage specific economic activities with high growth potential, such as international legal services, financial services, logistics, shipbroking and maritime financing activities can be expected to generate positive spillover effects in the office property market.

Singapore Office Market Statistics

	2009	2008	% Change
Demand (million sf)	(0.24)	0.19	-126.3
Net Supply (million sf)	2.38	1.42	+167.6
Average island-wide occupancy rate (%)	87.90	91.20	-3.6
Average Grade A office occupancy rate (%)	93.80	99.10	-5.3
Average prime office rental rate (\$ psf/month)	6.75	12.90	-47.7
Average Grade A office rental rate (\$ psf/month)	8.10	15.00	-46.0

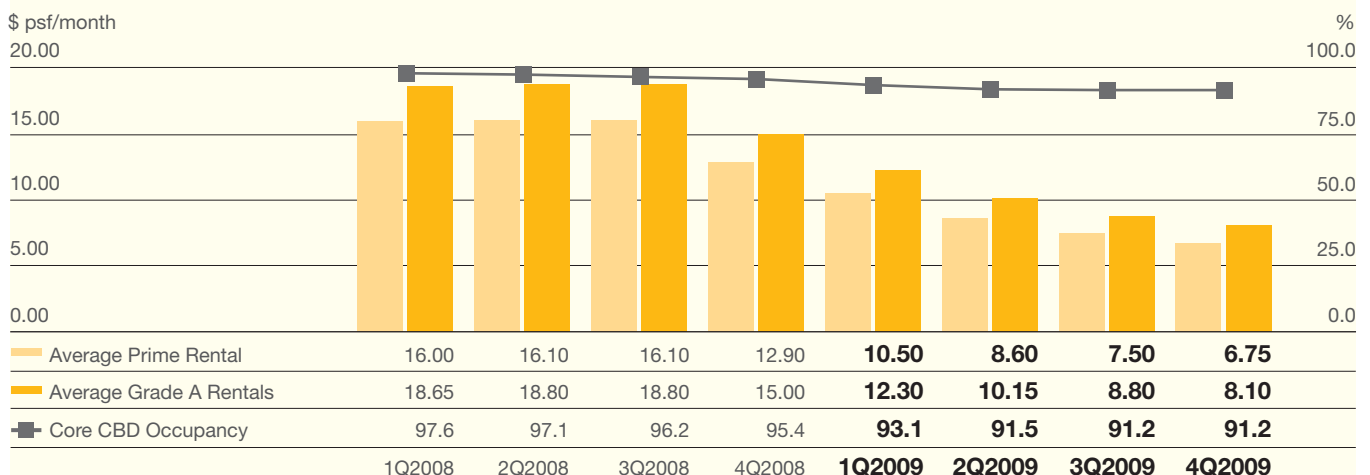
Source: Urban Redevelopment Authority and CB Richard Ellis

Island-wide Office Demand, Supply and Occupancy



Source: CB Richard Ellis

Singapore's Office Market Rentals and Core CBD Occupancy



Source: CB Richard Ellis

Singapore REIT Industry

Investor confidence and capital flows are gradually returning due to government support, improving economic prospects and market conditions.

S-REITs Prove Resilient in 2009

Singapore real estate investment trusts (S-REITs) came under pressure in 2009 due to the challenging economic environment and uncertain credit markets. However, the S-REIT market proved resilient as investor confidence and capital flows returned gradually on cautious optimism of improving economic prospects and credit market conditions.

The Singapore stock market gained 64.5% for the year as the Straits Times Index closed at an all-year high of 2,897.6 points on 31 December 2009 while the FTSE ST REIT Index ended the year higher at 617.7 points, up 69.4% from a year ago.

There was significant fundraising activity as 12 S-REITs raised nearly \$6.0 billion, through rights issues private placements and one preferential offering, in a defensive move to



address refinancing risks and to position for the possibility of attractive asset acquisitions in Asia that the global economic crisis may present. As at end-2009, the total market capitalisation of S-REITs more than doubled to \$27.3 billion from \$12.9 billion at end-2008 in the absence of new listings.

The average distribution yield of S-REITs declined to 7.2% as at end-2009 from 12.0% at end-2008 largely as a result of S-REITs unit price appreciation and to a limited extent, the equity fund-raising exercises that were conducted during the year. Nonetheless, the distribution yield of S-REITs remained relatively attractive since it represents a positive spread of 450 basis points above the 10-year government bond yield of 2.7%.

Although unit prices have improved, S-REITs continue to trade at a discount to their net asset value (NAV). The weighted average discount to NAV for office REITs is at 31.8% versus 10.6% for industrial REITs, 8.2% for retail REITs, 32.9% for diversified REITs and 13.2% for specialised REITs, such as hospitality and healthcare REITs, as at end-2009.

The overall credit tightening meant that REITs with limited sponsorship and owning overseas assets were more affected than those with well-established sponsors.

In November 2009, Saizen REIT, which invests purely in residential properties in Japan, defaulted on an approximately 7.3 billion yen (\$112.4 million) commercial mortgage-backed securities loan. Although the default did not affect Saizen REIT's ability to operate as a going concern nor impair its ability to get further financing, it raised the interest rate from 3.07% to a default rate of 7.07%.

The credit constraints also brought about ownership changes. During the year, MacarthurCook Industrial REIT

(MI-REIT) raised \$430.0 million through a combination of a rights issue and private placements to new investor AMP Capital Holdings and existing sponsor AIMS Financial Group, as well as other cornerstone investors in order to refinance existing debt and to fund new acquisitions. MI-REIT was subsequently renamed AIMS-AMP Capital Industrial Reit in December 2009.

Revised Property Funds Guidelines

In an effort to enhance the corporate governance of S-REITs, the Monetary Authority of Singapore (MAS) has revised the Property Funds Appendix in November 2009, which requires S-REITs to hold Annual General Meetings (AGMs) once per calendar year and not more than 15 months from the previous AGM. Mandating AGMs will provide an important communication channel between S-REIT managers and unitholders, and allow more accountability to unitholders. The revisions, effective from 1 January 2010, are expected to improve the ability of S-REIT managers to raise equity through seeking general mandates from unitholders to issue new units.

Beneficial Tax Concessions

S-REITs stand to benefit from the Singapore Budget 2010 announced on 22 February 2010 as the Singapore government extended the existing income tax, stamp duty and Goods and Services Taxes (GST) tax concessions for S-REITs for another five years to 31 March 2015.

The extension will grant relief to non-resident and non-individual investors who will continue to enjoy the concessionary income tax rate of 10% instead of the prevailing corporate tax rate of 17%, and support the demand for S-REITs. The government remitted the 3% stamp-duty on the transfer of a Singapore immovable property to a REIT, as well as the stamp-duty on the transfer of 100% of the issued share

capital of a Singapore-incorporated company that holds immovable properties situated outside Singapore to a REIT, and remitted GST to allow S-REITs to claim input tax on their business expenses for both assets held directly and indirectly through multi-tiered structures such as special purpose vehicles or sub-trusts.

S-REITs were also granted a one-off allowance on mergers and acquisitions (M&A) executed from 1 April 2010 to 31 March 2015. Capped at the lower of 5% of the acquisition value or \$5 million granted for all qualifying deals executed, the allowance will be amortised equally over five years. The M&A allowance is seen as promoting growth in the S-REIT market as it will help S-REITs offset a portion of acquisition costs. The implied yields on acquisitions for S-REITs will be higher than expected if they qualify for the benefit.

Looking Ahead

2009 differentiated S-REITs with good quality underlying assets, resilient cash flows and capable management teams from lesser performing ones. Beyond high yields and potential capital gains, investors will pay more attention to a REIT's gearing and debt maturity profile, and ensure that the distributions are underpinned by rental guarantees and step-up agreements.

The outlook for S-REITs in 2010 is relatively optimistic as economic prospects and business sentiments improve. Refinancing risks appear to have mitigated as a number of REITs have taken the opportunity to recapitalise in 2009. More new REIT listings are also expected as investor confidence and foreign fund flows return.

The recent revisions undertaken by the MAS and tax concessions announced in the Singapore Budget 2010 are also expected to place S-REITs managers in a better position to take advantage of acquisition opportunities.

Operations Review Property Portfolio

K-REIT Asia achieved a 7.2% increase in portfolio average gross monthly rent to \$8.16 psf and a committed portfolio occupancy of 95.0%.



First Third-Party Acquisition

K-REIT Asia completed its first third-party acquisition in November 2009 with the purchase of six additional strata floors of office space at Prudential Tower in Singapore at a price of approximately \$106.3 million. This increased K-REIT Asia's interest in Prudential Tower to 73.4% from 44.4% and enabled the Manager to better manage the income generated from this prime Grade A development.

Committed Occupancy

For the full year 2009, occupancy rates for office buildings declined due to uncertain economic conditions in the wake of the global financial crisis. Nonetheless, K-REIT Asia's portfolio remained resilient and achieved a committed occupancy of 95.0% as at 31 December 2009 which is above the 91.2%¹ average occupancy in the core central business district (CBD).

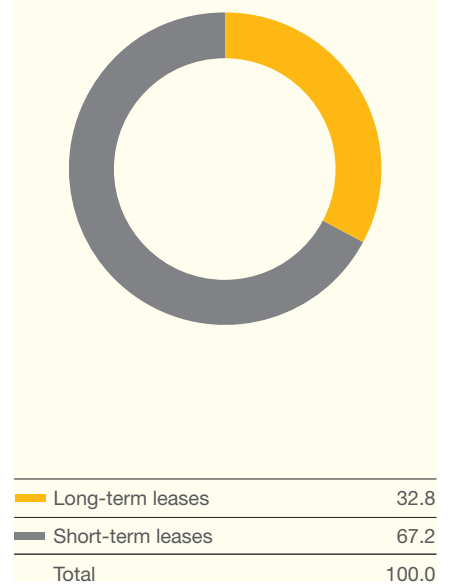
Weighted Average Lease Expiry

K-REIT Asia's weighted average lease expiry by net lettable area (NLA) is 5.2 years as at 31 December 2009. Its portfolio comprises a good mixture

of long and short-term leases. Fourteen of the 119 tenants in the portfolio were long-term leases of at least five years or more. They accounted for 32.8% of the total leased NLA as at 31 December 2009.

Portfolio's Net Lettable Area by Lease Term

as at 31 December 2009 (%)



¹ Source: Urban Redevelopment Authority and CB Richard Ellis



The long weighted average lease expiry of 7.1 years for One Raffles Quay provides steady income for K-REIT Asia.

Lease Expiry Profile

K-REIT Asia's lease expiry profile is well spread out with total lease expiry in each year not exceeding 20.0% of portfolio NLA as well as gross rental income.

As at 31 December 2009, in terms of portfolio gross rental income, approximately 15.8%, 18.0% and 18.5% of the leases will expire in 2010, 2011 and 2012 respectively. In terms of NLA, approximately 16.1%, 16.1% and 16.4% of the leases will expire in 2010, 2011 and 2012 respectively.

Rent Review Profile

Based on the portfolio NLA, approximately 4.6%, 10.9% and 10.3%

of the leases are due for rent reviews in 2010, 2011 and 2012 respectively as at 31 December 2009. Rentals are adjusted to the prevailing market rental rate during rent reviews which typically occur between two and five years for key tenants who have committed to long-term leases ranging from five to 15 years.







Rental Rates

Including income support from the one-third interest in One Raffles Quay Pte Ltd, K-REIT Asia's average gross monthly rental for the portfolio is 7.2% higher at \$8.16 per square feet (psf) per month, as compared to \$7.61 psf per month in December 2008.









Portfolio Lease Expiry Profile by Gross Rent

for the month of December 2009 (%)

2010		15.8
2011		18.0
2012		18.5
2013		18.9
2014		1.8
2015 and beyond		27.0







Portfolio Lease Expiry Profile by Net Lettable Area

as at 31 December 2009 (%)

2010		16.1
2011		16.1
2012		16.4
2013		13.7
2014		1.4
2015 and beyond		31.3

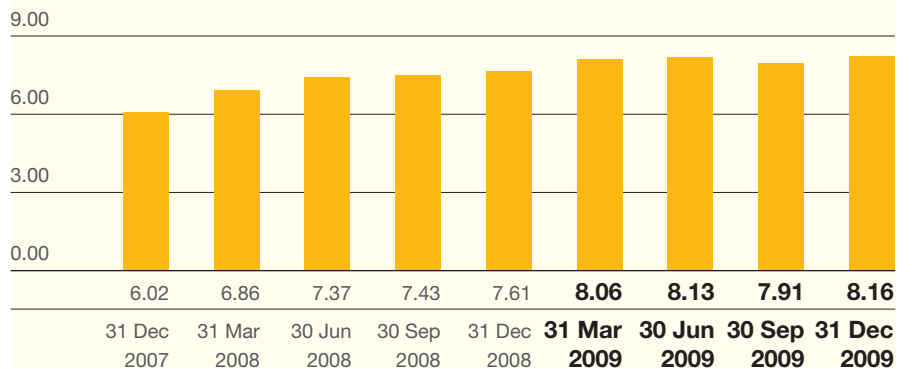
Rent Review Profile by Net Lettable Area

as at 31 December 2009 (%)

2010		4.6
2011		10.9
2012		10.3
2013		9.2
2014		3.6
2015 and beyond		11.7

Average Portfolio Rental Rates¹

(\$ psf per month)



¹ Rental rates include income support for one-third interest in One Raffles Quay Pte Ltd.

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Tenants from various business sectors make up K-REIT Asia's diversified tenant base.

Tenant Diversification

K-REIT Asia's gross rental income is well diversified among its pool of tenants who are engaged in a wide range of businesses.

As at 31 December 2009, International Enterprise (IE) Singapore at Bugis Junction Towers and Deutsche Bank Aktiengesellschaft (Deutsche Bank) at One Raffles Quay were the largest tenants in terms of gross rental income and total leased NLA respectively. IE Singapore contributed approximately 8.8% of the portfolio gross rental income in December 2009 and Deutsche Bank occupied approximately 7.6% of the portfolio leased NLA as at 31 December 2009.

The top ten tenants accounted for 45.2% of K-REIT Asia's portfolio gross rental income for December 2009 and occupied approximately 44.8% of the 1.23 million sf of leased NLA as at 31 December 2009.

Tenant Business Sectors

K-REIT Asia's tenant base as at 31 December 2009 comprises 119 tenants from various business sectors. The Manager has deliberately diversified K-REIT Asia's tenant business sector profile in order to mitigate the market risk of overexposure to tenants from any single industry.

Tenants in the banking, insurance and financial services sector remain the largest occupants in K-REIT Asia's portfolio, accounting for 38.9% of the total gross rental income and 37.6% of the total leased NLA as at 31 December 2009. The majority of tenants from this sector are located in One Raffles Quay and Prudential Tower in Singapore's CBD.

The services sector is the second largest income contributor to the portfolio. It contributed 9.9% of the total gross rental income although it occupies 9.0% of the total leased NLA as at 31 December 2009.

Portfolio Top Ten Tenants

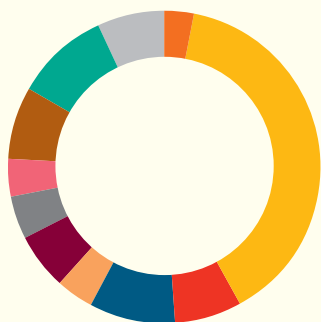
Ranking ¹	Building ²	Tenant	% of Total Gross Rental Income ³	% of Total Leased NLA ³
1	BJT	International Enterprise Singapore	8.8	6.9
2	ORQ	Deutsche Bank Aktiengesellschaft	6.2	7.6
3	ORQ	UBS AG	4.5	6.2
4	ORQ	ABN AMRO Asia Pacific Pte Ltd	4.0	5.1
5	PT	UniCredit Bank AG (formerly known as Bayerische Hypo-Und Vereinsbank Aktiengesellschaft)	4.0	1.5
6	GE	GE Pacific Pte Ltd	3.9	6.4
7	BJT	InterContinental Hotels Group (Asia Pacific) Pte Ltd	3.7	2.5
8	PT	The Executive Centre Singapore Pte Ltd	3.6	1.8
9	ORQ	Credit Suisse	3.4	3.0
10	ORQ	Ernst & Young Services Singapore Pte Ltd	3.1	3.8
Total			45.2	44.8

¹ Based on gross rental income for the month of December 2009 and NLA as at 31 December 2009.

² BJT: Bugis Junction Towers, GE: GE Tower, ORQ: One Raffles Quay, PT: Prudential Tower

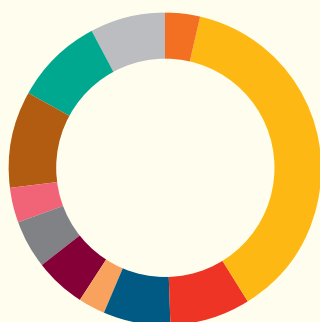
³ Information on ORQ tenants are computed based on K-REIT Asia's one-third interest.

Tenant Business Sector Analysis by Gross Rental Income for the month of December 2009 (%)



Accounting & consultancy services	3.1
Banking, insurance & financial services	38.9
Conglomerate	6.9
Government agency	8.8
Hospitality & leisure	4.1
IT services & consultancy	5.7
Others	4.5
Pharmaceuticals & healthcare	4.0
Real estate & property services	7.4
Services	9.9
Shipping & marine services	6.7
Total	100.0

Tenant Business Sector Analysis by Net Lettable Area as at 31 December 2009 (%)



Accounting & consultancy services	3.8
Banking, insurance & financial services	37.6
Conglomerate	8.2
Government agency	6.8
Hospitality & leisure	2.9
IT services & consultancy	5.3
Others	5.0
Pharmaceuticals & healthcare	3.7
Real estate & property services	10.0
Services	9.0
Shipping & marine services	7.7
Total	100.0

Portfolio at a Glance

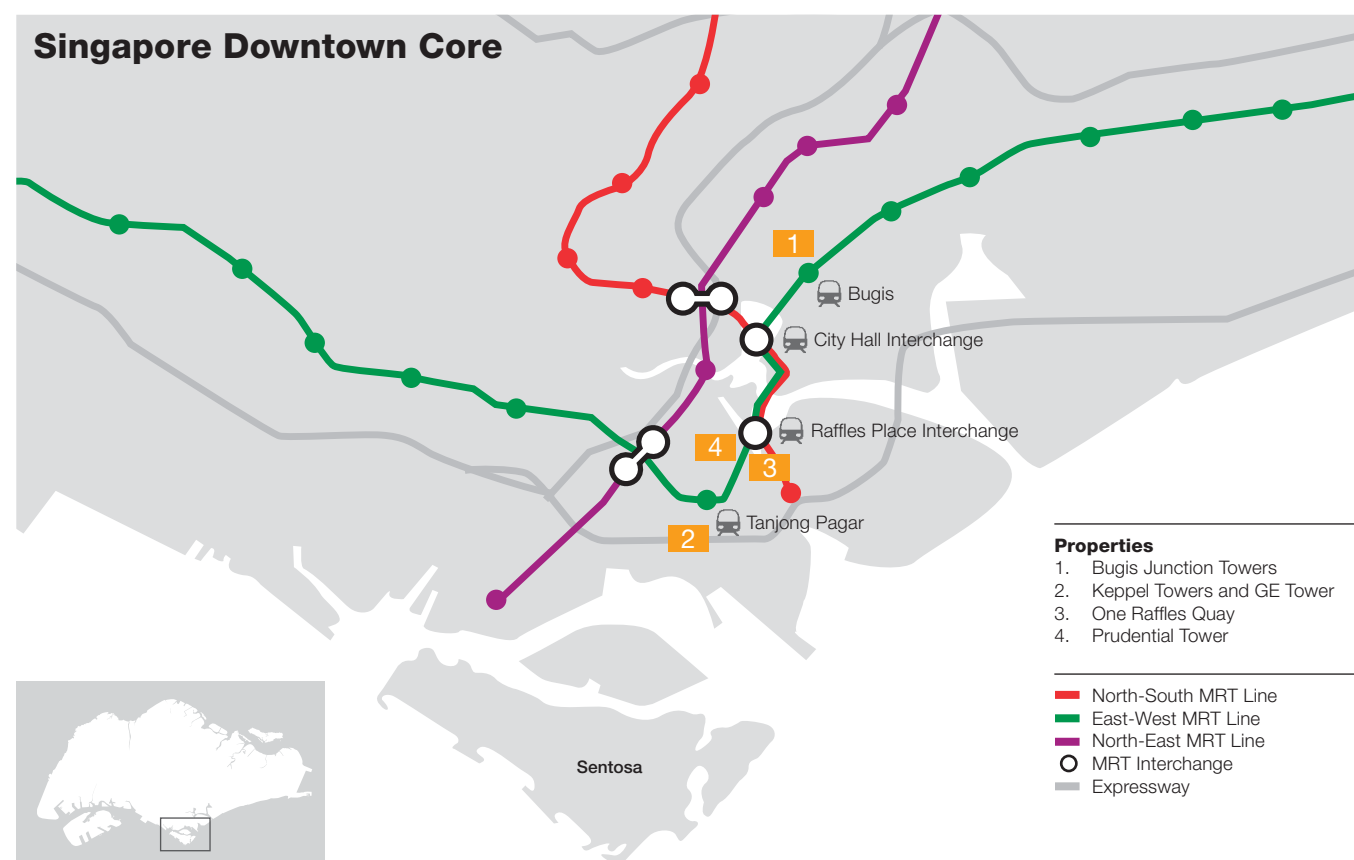
Quality Assets in Strategic Locations

K-REIT Asia's commercial properties in Singapore are all located within the central business district (CBD), in close proximity to transportation nodes such as MRT stations and expressways.

K-REIT Asia's latest acquisition is a 50.0% stake in 275 George Street, a premium freehold commercial property strategically located in the heart of Brisbane's CBD. The acquisition was completed on 1 March 2010.

Singapore Property Portfolio Statistics

	As at 31 December 2009	As at 31 December 2008
Net Lettable Area	120,627 sm 1,298,420 sf	114,427 sm 1,231,689 sf
Valuation	\$2,097.7 million	\$2,102.0 million
Number of Tenants	119	118
Number of Carpark Lots	1,001	1,001
Committed Occupancy	95.0%	99.0%
Weighted Average Lease Expiry	5.2 years	5.6 years
Average Monthly Portfolio Rent	\$8.16 psf	\$7.61 psf



Property	Bugis Junction Towers	Keppel Towers and GE Tower	One Raffles Quay ²	Prudential Tower Property	275 George Street ⁷
Location	230 Victoria Street Singapore 188024	10 Hoe Chiang Road Singapore 089315 and 240 Tanjong Pagar Road Singapore 088540	1 Raffles Quay Singapore 048583	30 Cecil Street Singapore 049712	275 George Street, Brisbane, Queensland 4000, Australia
Ownership Interest	100.0%	100.0%	33.3% interest	73.4% of the strata area of the building	50.0% interest
Net Lettable Area	22,991 sm 247,475 sf	39,963 sm 430,162 sf	41,353 sm 445,120 sf	16,320 sm 175,663 sf	20,874 sm 224,686 sf
Title	Leasehold estate of 99 years commencing 10 September 1990	Estate in fee simple	Leasehold estate of 99 years commencing 13 June 2001	Leasehold estate of 99 years commencing 15 January 1996	Estate in fee simple
Committed Occupancy as at 31 Dec 2009	91.5%	91.8%	100.0%	95.2%	99.4%
Purchase Price (on acquisition)	\$159.5 million	\$353.5 million	\$941.5 million	\$224.0 million ⁵	\$209.4 million ⁸
Acquisition Date	26 April 2006	26 April 2006	10 December 2007	26 April 2006 2 November 2009 ⁶	1 March 2010
Valuation as at 31 Dec 2009	\$297.0 million	\$540.7 million	\$934.9 million	\$325.1 million	\$209.4 million ⁸
No. of Tenants	9	58	31 ³	21	7 ³
No. of Carpark Lots ¹	-	288	713 ³	-	244 ³
FY2009 Property Income	\$19.9 million	\$29.5 million	-	\$13.4 million	N.A.
FY2009 Net Property Income	\$15.8 million	\$22.1 million	-	\$11.0 million	N.A.
FY2009 Income Contribution	-	-	\$46.7 million ⁴	-	N.A.
Top 5 Tenants	International Enterprise Singapore, InterContinental Hotels Group, Keppel Land International, JV Fitness and Motorola Electronics	GE Pacific, Novartis Singapore, Seadrill Management, Aedas and Arup Singapore	Deutsche Bank Aktiengesellschaft, UBS AG, ABN AMRO Asia Pacific, Credit Suisse and Ernst & Young	UniCredit Bank AG (formerly known as Bayerische Hypo-Und Vereinsbank), The Executive Centre, The McGraw-Hill Companies, Prudential Fund Management Services and KBC Bank N.V.	Telstra Corporation, Queensland Gas Company

¹ Excludes carpark lots owned and managed by the respective management corporations.
² The information shown is related to K-REIT Asia's one-third interest in One Raffles Quay Pte Ltd and not as a whole, unless otherwise stated.
³ For the entire development.
⁴ Comprises income support, interest income and dividend income.
⁵ Based on a purchase price of \$117.7 million as at 26 April 2006 and \$106.3 million as at 2 November 2009.
⁶ 44.4% of the strata area of the building was acquired on 26 April 2006 and an additional 29.0% of the strata area of the building was acquired on 2 November 2009.
⁷ The acquisition of a 50.0% stake in 275 George Street, Brisbane, Australia, was completed on 1 March 2010. Consequently, it has no impact on K-REIT Asia's portfolio performance for FY2009. The information shown is related to K-REIT Asia's 50% interest in 275 George Street and not as a whole, unless otherwise stated.
⁸ The 50.0% stake in 275 George Street was valued at A\$166.0 million, or approximately S\$209.4 million as at 1 March 2010, the completion date of the acquisition.

Operations Review

Bugis Junction Towers

Key Statistics

as at 31 December 2009

Location	230 Victoria Street, Singapore 188024
Ownership Interest	100.0%
Net Lettable Area (NLA)	22,991 sm 247,475 sf
Title	Leasehold estate of 99 years commencing 10 September 1990
Committed Occupancy as at 31 December 2009	91.5%
Purchase Price (on acquisition)	\$159.5 million
Acquisition Date	26 April 2006
Valuation as at 31 December 2009	\$297.0 million
Number of Tenants	9
Number of Carpark Lots ¹	–
FY2009 Property Income	\$19.9 million
FY2009 Net Property Income	\$15.8 million

¹ Excludes carpark lots owned and managed by the management corporation.

Lease Expiry Profile by Gross Rent

for the month of December 2009 (%)

2010	15.9
2011	17.3
2012	46.0
2013	20.8
2014	0.0
2015 and beyond	0.0

Weighted Average Lease Term to Expiry by NLA: 1.9 years

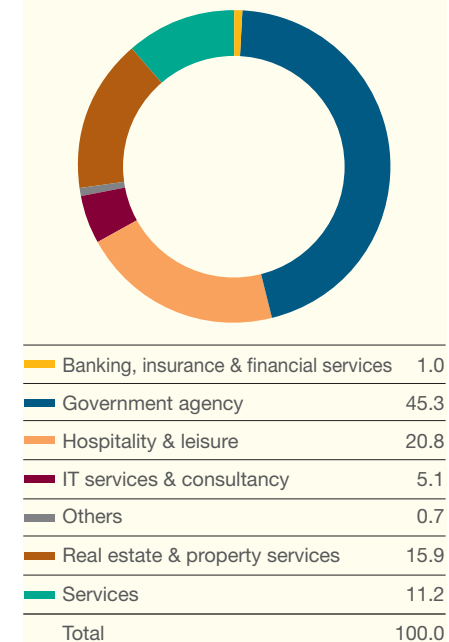
Top Five Tenants

Based on the gross rent for the month of December 2009

Ranking		% of Total Gross Monthly Rent
1	International Enterprise Singapore	45.2
2	InterContinental Hotels Group (Asia Pacific) Pte Ltd	19.2
3	Keppel Land International Limited	15.9
4	JV Fitness Pte Ltd	9.8
5	Motorola Electronics Pte Ltd	5.1

Tenant Business Sector Analysis by Gross Rent

for the month of December 2009 (%)



Bugis Junction Towers is part of an award-winning integrated mixed-use development.



Bugis Junction Towers

Bugis Junction Towers is located along Victoria Street and sits atop Bugis Mass Rapid Transit (MRT) station. The Land Transport Authority announced that Bugis MRT station will be expanded to become an interchange that connects the East-West and upcoming Downtown MRT lines.

The 15-storey office tower is part of the integrated mixed-use development, Bugis Junction, which comprises Bugis Junction retail mall and the five-star InterContinental Singapore hotel.

Bugis Junction Towers has a NLA of 247,475 sf as at 31 December 2009 and is tenanted by leading corporations such as International Enterprise Singapore, InterContinental Hotels Group and Keppel Land. A typical floor provides between 17,000 sf and 21,000 sf of lettable space.

The development is equipped with a computerised building management system to control all mechanical and electrical functions within the building, an intelligent fire alarm system and security system. The management corporation of Bugis Junction owns and manages 648 carpark lots which are conveniently located across the two basement levels to serve the integrated development.

Adding to its list of awards, Bugis Junction Towers was certified a "Water Efficient Building" by the Public Utilities Board (PUB) in 2009.

Other 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

Operations Review

Keppel Towers and GE Tower







Key Statistics

as at 31 December 2009

Location	10 Hoe Chiang Road, Singapore 089315 and 240 Tanjong Pagar Road, Singapore 088540
Ownership Interest	100.0%
Net Lettable Area (NLA)	39,963 sm 430,162 sf
Title	Estate in fee simple
Committed Occupancy as at 31 December 2009	91.8%
Purchase Price (on acquisition)	\$353.5 million
Acquisition Date	26 April 2006
Valuation as at 31 December 2009	\$540.7 million
Number of Tenants	58
Number of Carpark Lots	288
FY2009 Property Income	\$29.5 million
FY2009 Net Property Income	\$22.1 million

Lease Expiry Profile by Gross Rent

for the month of December 2009 (%)

2010		24.5
2011		32.0
2012		25.4
2013		7.1
2014		5.5
2015 and beyond		5.5

Weighted Average Lease Term to Expiry by NLA: 1.9 years

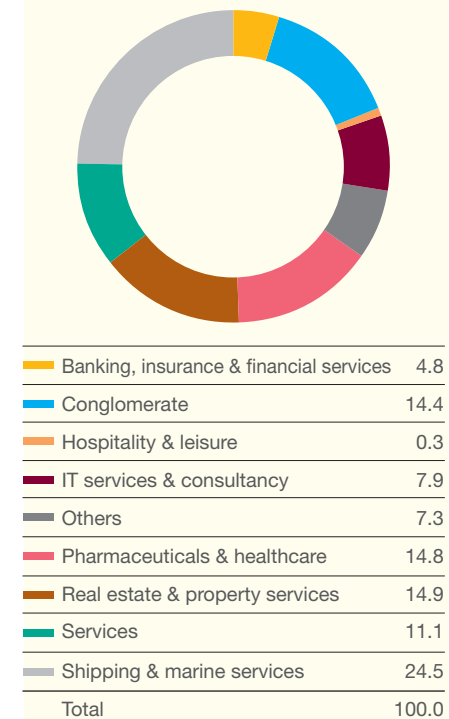
Top Five Tenants

Based on the gross rent for the month of December 2009

Ranking		% of Total Gross Monthly Rent
1	GE Pacific Pte Ltd	14.4
2	Novartis Singapore Pte Ltd	7.0
3	Seadrill Management (S) Pte Ltd	6.5
4	Arup Singapore Pte Ltd	5.7
5	Aedas Pte Ltd	3.9

Tenant Business Sector Analysis by Gross Rent

for the month of December 2009 (%)



The Keppel Towers and GE Tower development was labelled a "Water Efficient Building" by PUB.



Keppel Towers and GE Tower

Keppel Towers and GE Tower are a pair of landmark freehold towers located in the Tanjong Pagar precinct within the CBD.

The towers are prominently located along Hoe Chiang Road and Tanjong Pagar Road, at the confluence of East Coast Parkway and Ayer Rajah Expressway. The nearest MRT station, Tanjong Pagar MRT station, is only a five-minute walk away.

The 27-storey Keppel Towers and 13-storey GE Tower have a combined NLA of 430,162 sf as at end-2009. Keppel Towers' floor plate size ranges

between 11,000 sf and 15,000 sf whilst GE Tower's typical floor plate is about 7,600 sf. The office towers share 288 carpark lots which are located on the second and third storey of a connecting podium. A rooftop garden is situated on the fourth storey of this same podium.

The efficient floor plates and well-managed facilities of the development have attracted well-known companies such as GE Pacific, Novartis Singapore, Seadrill Management, Arup Singapore and Aedas. In 2009, the development was certified a "Water Efficient Building" by the PUB.

Operations Review

One Raffles Quay

Key Statistics¹

as at 31 December 2009

Location	1 Raffles Quay, Singapore 048583
Ownership Interest	33.3% interest
Net Lettable Area (NLA)	41,353 sm 445,120 sf
Title	Leasehold estate of 99 years commencing 13 June 2001
Committed Occupancy as at 31 December 2009	100.0%
Purchase Price (on acquisition)	\$941.5 million
Acquisition Date	10 December 2007
Valuation as at 31 December 2009	\$934.9 million
Number of Tenants	31 ²
Number of Carpark Lots	713 ²
FY2009 Income Contribution	\$46.7 million ³

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

² For the entire development.

³ Comprises income support, interest income and dividend income.

Lease Expiry Profile by Gross Rent

for the month of December 2009 (%)

2010	1.1
2011	6.3
2012	0.3
2013	12.4
2014	0.2
2015 and beyond	79.7

Weighted Average Lease Term to Expiry by NLA: 7.1 years

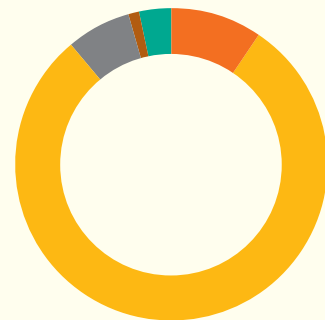
Top Five Tenants

Based on the gross rent for the month of December 2009

Ranking		% of Total Gross Monthly Rent
1	Deutsche Bank Aktiengesellschaft	18.9
2	UBS AG	13.7
3	ABN AMRO Asia Pacific Pte Ltd	12.2
4	Credit Suisse	10.4
5	Ernst & Young Services Pte Ltd	9.4

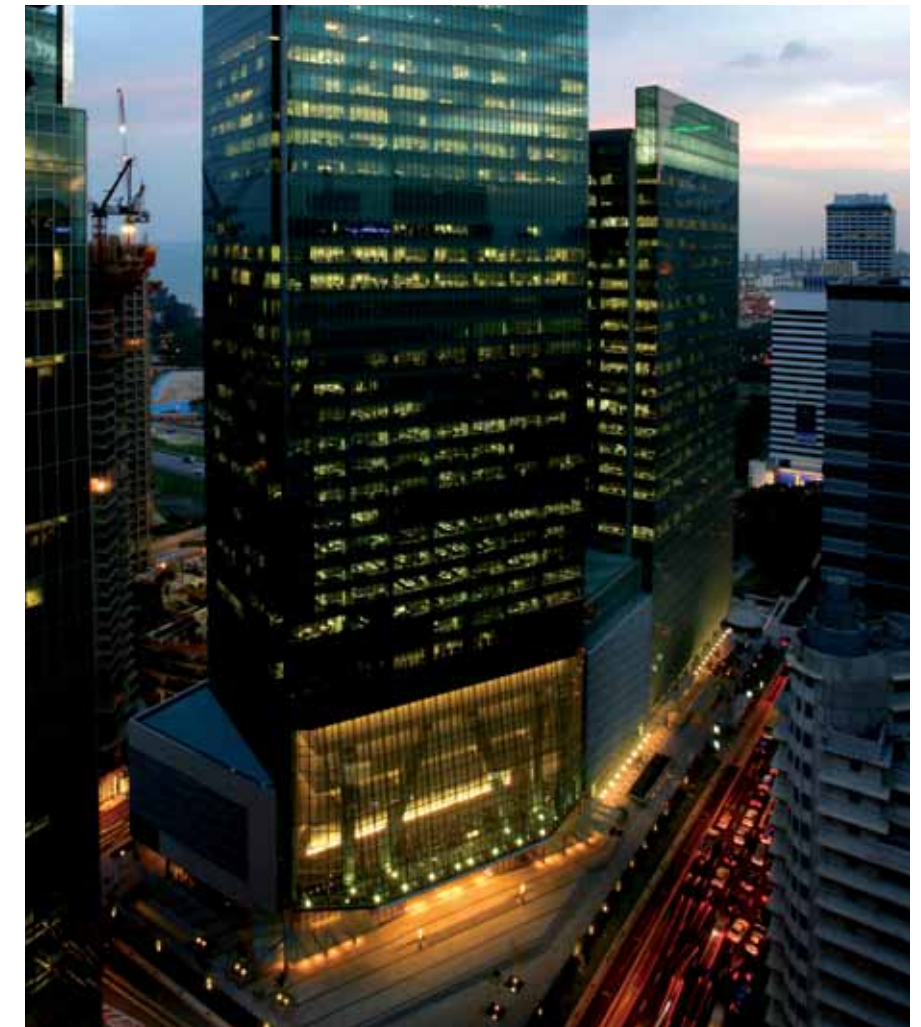
Tenant Business Sector Analysis by Gross Rent

for the month of December 2009 (%)



Accounting & consultancy services	9.5
Banking, insurance & financial services	79.6
Others	6.8
Real estate & property services	0.8
Services	3.3
Total	100.0

One Raffles Quay achieved the Green Mark Gold Award from the Building and Construction Authority of Singapore.



One Raffles Quay

K-REIT Asia owns a one-third interest in One Raffles Quay Pte Ltd, the holding company which owns One Raffles Quay, a landmark commercial development located at the gateway of Marina Bay, Singapore's new financial precinct.

One Raffles Quay enjoys direct access to the Raffles Place MRT Interchange station via an air-conditioned underground pedestrian walkway. The development is also connected to the Marina Bay Financial Centre which is currently under construction.

One of Singapore's largest commercial buildings, One Raffles Quay consists of two office towers connected by a podium plaza, and 713 carpark lots. The 50-storey North Tower, 29-storey South Tower and retail link have a combined NLA of 1.3 million sf as at 31 December 2009.

The development is designed to maximise efficiency and flexibility. One Raffles Quay's intelligent resource-efficient features optimise the use of energy and water, as well as improve the quality of the environment. These include air-conditioning control, energy-efficient light fittings, motion sensors, recycling of condensate water for irrigation, and an air-flushing system to remove stale air. It also hosts a District Cooling Plant which provides centralised and efficient air-conditioning for adjoining sites.

In 2009, One Raffles Quay was awarded the Green Mark Gold Award by the Building and Construction Authority of Singapore (BCA) for its high building standards in environmental design and performance. The development was also certified a "Water Efficient Building" by the PUB.

One Raffles Quay has also won the following awards:

- FIABCI Prix d'Excellence Award, Office category (2008)
- Design and Engineering Safety Excellence Award by BCA
- Honorable Nominee for Best Tall Building Award 2008 by the Council on Tall Buildings and Urban Habitat
- Finalist for ULI Awards for Excellence 2007 by the Urban Land Institute

Key tenants at One Raffles Quay include well-known banking and financial institutions such as Deutsche Bank, UBS AG, ABN AMRO, Credit Suisse and international accounting firm, Ernst & Young.

Operations Review

Prudential Tower Property

Key Statistics

as at 31 December 2009

Location	30 Cecil Street, Singapore 049712
Ownership Interest	73.4% of the strata area of the building
Net Lettable Area (NLA)	16,320 sm 175,663 sf
Title	Leasehold estate of 99 years commencing 15 January 1996
Committed Occupancy as at 31 December 2009	95.2%
Purchase Price (on acquisition)	\$224.0 million ¹
Acquisition Date	26 April 2006, 2 November 2009 ²
Valuation as at 31 December 2009	\$325.1 million
Number of Tenants	21
Number of Carpark Lots ³	–
FY2009 Property Income	\$13.4 million
FY2009 Net Property Income	\$11.0 million







¹ Based on a purchase price of \$117.7 million as at 26 April 2006 and \$106.3 million as at 2 November 2009.

² 44.4% of the strata area of the building was acquired on 26 April 2006 and an additional 29.0% of the strata area of the building was acquired on 2 November 2009.

³ Excludes carpark lots owned and managed by the management corporation.

Lease Expiry Profile by Gross Rent

for the month of December 2009 (%)

2010		26.2
2011		17.9
2012		12.5
2013		41.6
2014		1.1
2015 and beyond		0.7

Weighted Average Lease Term to Expiry by NLA: 2.0 years

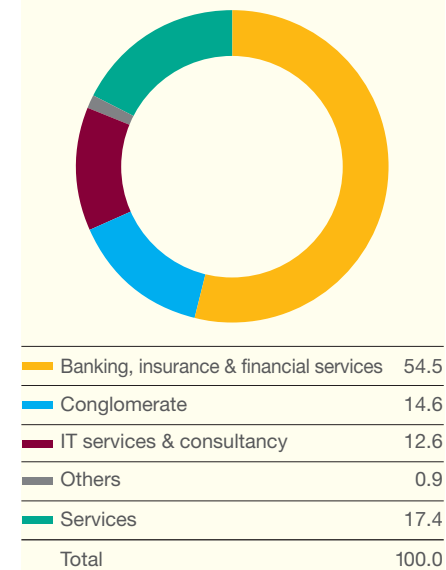
Top Five Tenants

Based on the gross rent for the month of December 2009

Ranking		% of Total Gross Monthly Rent
1	UniCredit Bank AG (formerly known as Bayerische Hypo-Und Vereinsbank Aktiengesellschaft)	19.0
2	The Executive Centre Singapore Pte Ltd	17.4
3	The McGraw-Hill Companies, Inc	14.6
4	Prudential Fund Management Services Pte Ltd	9.1
5	KBC Bank N.V. (Singapore Branch)	8.6

Tenant Business Sector Analysis by Gross Rent

for the month of December 2009 (%)



Prudential Tower won the prestigious FIABCI Prix d'Excellence Award.



Prudential Tower Property

With the acquisition of additional six strata floors in November 2009, K-REIT Asia owns a 73.4% majority stake or 175,663 sf of the strata area of Prudential Tower, a 30-storey Grade A office development situated in the heart of the CBD. Prior to November 2009, K-REIT Asia owned approximately 44.4% of the strata area or 10 strata floors.

The development is accessibly located at the junction of Church Street and Cecil Street, and is a five-minute walk from Raffles Place MRT station, a busy interchange station that connects the North-South MRT and East-West MRT Lines.

Prudential Tower has a typical floor plate size of approximately 12,000 sf of column-free lettable space and 181 carpark lots. In 2003, it won the prestigious FIABCI Prix d'Excellence Award for its high-quality building specifications and finishes. In 2009, it was certified a "Water Efficient Building" by the PUB.

The modern development attracts quality tenants and financial services institutions such as UniCredit Bank AG (formerly known as Bayerische Hypo-Und Vereinsbank Aktiengesellschaft), The Executive Centre, The McGraw-Hill Companies, Prudential Fund Management Services and KBC Bank N.V.

Operations Review

275 George Street

Key Statistics¹

as at 31 January 2010

Location	275 George Street, Brisbane, Queensland 4000, Australia
Ownership Interest	50.0% interest as tenant-in-common
Net Lettable Area (NLA)	20,874 sm 224,686 sf
Title	Estate in fee simple
Committed Occupancy as at 31 January 2010	99.4%
Purchase Price (on acquisition)	\$209.4 million ¹
Acquisition Date	1 March 2010
Valuation	\$209.4 million ²
Number of Tenants	7 ³
Number of Carpark Lots	244 ³
FY2009 Property Income ⁴	–
FY2009 Net Property Income ⁴	–

- ¹ The information shown is related to K-REIT Asia's 50.0% interest in 275 George Street and not as a whole, unless otherwise stated.
- ² The 50.0% stake in 275 George Street was valued at A\$166.0 million, or approximately \$209.4 million as at 1 March 2010, the acquisition completion date.
- ³ For the entire development.
- ⁴ The 50.0% interest in 275 George Street has no contribution to K-REIT Asia's portfolio performance for FY2009.

Lease Expiry Profile by Gross Rent

for the month of January 2010 (%)

2015 and beyond	100.0
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Weighted Average Lease Term to Expiry by NLA: 9.4 years

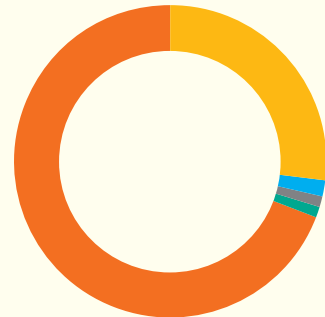
Top Two Tenants

Based on the gross rent for the month of January 2010

Ranking		% of Total Gross Monthly Rent
1	Telstra Corporation	69.0
2	Queensland Gas Company	27.9

Tenant Business Sector Analysis by Gross Rent

for the month of January 2010 (%)



Energy & natural resources	27.9
F&B	1.8
Others	0.6
Services	0.7
Telecommunications & multi-media	69.0
Total	100.0

The ecologically-designed 275 George Street has achieved a 5 Star Green Star – Office Design v2 rating.



275 George Street

K-REIT Asia completed the acquisition of a 50.0% interest in 275 George Street on 1 March 2010.

275 George Street is a freehold 30-storey Grade A commercial building located in a prime location straddling the core retail precinct and the revitalised George Street precinct of the Brisbane CBD in Queensland, Australia.

The building is close to major infrastructure and amenities, and is surrounded by some of Brisbane's newest corporate headquarters. It is also centrally located between the city's two largest railway stations, Roma Street Railway Station and Central Railway Station.

Completed in April 2009, the building has a NLA of 449,371 sf, comprising 433,968 sf of office space, 15,403 sf of retail space and 244 basement

carpark lots. The building is 99.4% leased with fixed annual rental escalation embedded in the lease agreements. Leading Australian companies, Telstra Corporation and Queensland Gas Company, are major tenants at 275 George Street, accounting for 97.3% of NLA.

The ecologically-designed 275 George Street has achieved a 5 Star Green Star – Office Design v2 rating and is targeting a 5 Star As Built rating, as well as a 4.5 Star NABERS Energy rating.

Aside from being immediately yield-accretive to K-REIT Asia's distribution per unit, the 50.0% interest in 275 George Street will also improve K-REIT Asia's income and geographical diversification; enhance its current tenant base; and extend its portfolio weighted average lease expiry from 5.2 years as at 31 December 2009 to 5.9 years.

Financial Review

21.2%

Increase in distributable income

23.3%

Increase in net property income

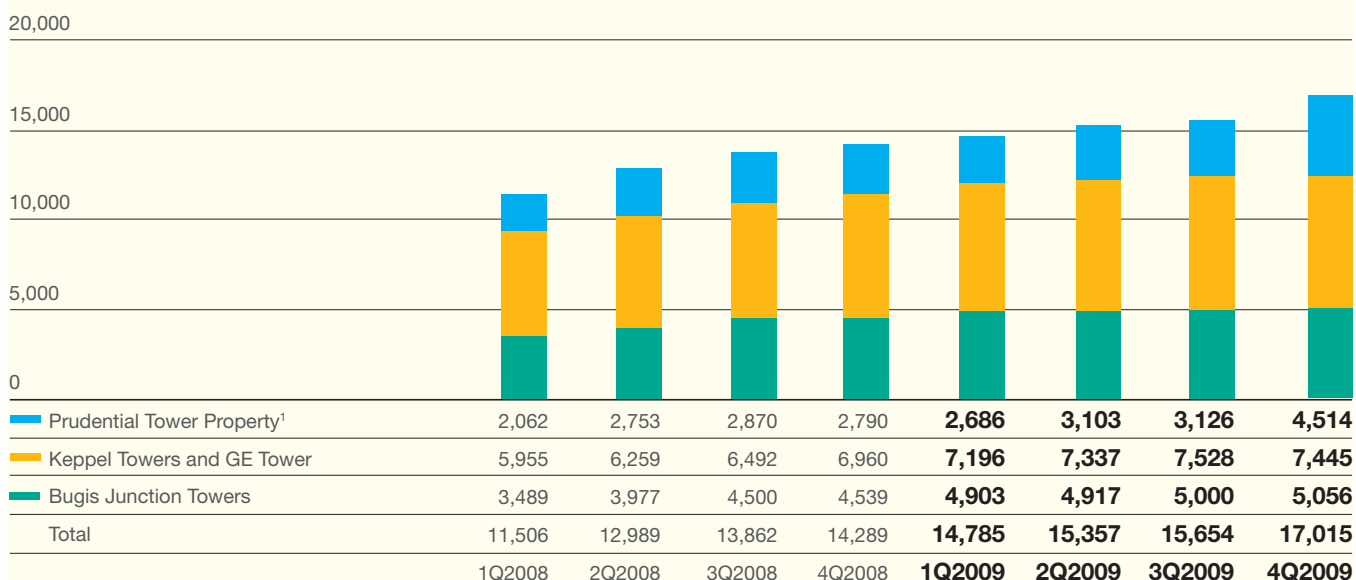
Overview

	FY2009 \$'000	FY2008 \$'000	Change %
Property income	62,811	52,646	+19.3
Property expenses	(13,931)	(12,987)	+7.3
Net property income	48,880	39,659	+23.3
Investment and interest income	44,064	44,555	-1.1
Other operating expense	(65,328)	(64,925)	+0.6
Net income	27,616	19,289	+43.2
Net change in fair value of investment properties	(71,759)	11,089	n.m.
Income tax expense	(1,776)	(2,910)	-39.0
Total return after tax	(45,919)	27,468	n.m.
Income available for distribution	70,519	58,182	+21.2
Distribution income ¹	70,519	58,182	+21.2

¹ The distributable income to Unitholders is based on 100% of the income available for distribution to Unitholders.

Property Income by Asset by Quarter

(\$'000)



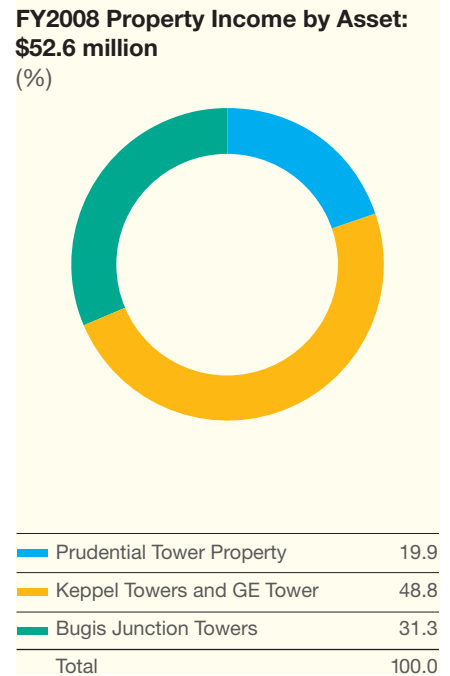
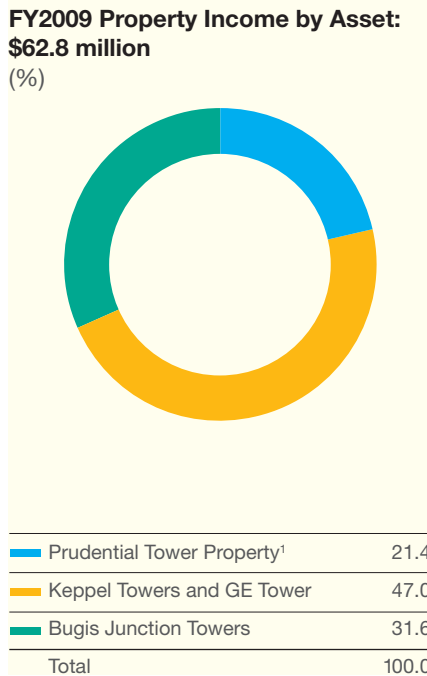
¹ The interest in Prudential Tower was increased from 44.4% to 73.4% on 2 November 2009.

Property Income

Property Income for the financial year ended 31 December 2009 (FY2009) was \$62.8 million, an increase of \$10.2 million or 19.3% over \$52.6 million for the financial year ended 31 December 2008 (FY2008).

Average gross rental rates for the investment properties held directly by K-REIT Asia reached \$7.67 psf per month in December 2009, 26.2% higher from \$6.08 psf per month for the same period in 2008.

The increase was mainly due to higher rental income as a result of higher rental rates achieved for new and renewed leases and contribution from the additional strata floors in Prudential Tower.



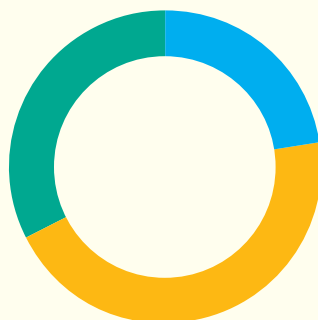
¹ The interest in Prudential Tower was increased from 44.4% to 73.4% on 2 November 2009.

Net Property Income

Net property income rose \$9.2 million or 23.3% to \$48.9 million in FY2009 from \$39.7 million in FY2008 as a result of higher property income and offset by higher property expenses.

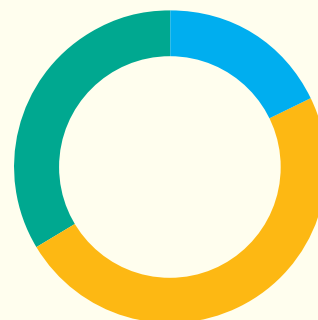
Property expenses of \$13.9 million were \$0.9 million or 7.3% higher than that incurred last year as a result of lower property tax expense in FY2008 due to property tax recovery recognised in FY2008, higher property management fee in FY2009 due to higher net property income, and lower marketing and utilities expenses in FY2009.

FY2009 Net Property Income by Asset: \$48.9 million
(%)



Prudential Tower Property ¹	22.5
Keppel Towers and GE Tower	45.2
Bugis Junction Towers	32.3
Total	100.0

FY2008 Net Property Income by Asset: \$39.7 million
(%)



Prudential Tower Property	20.9
Keppel Towers and GE Tower	47.8
Bugis Junction Towers	31.3
Total	100.0

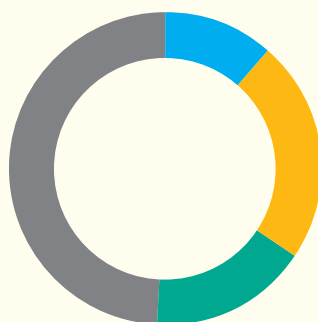
¹ The interest in Prudential Tower was increased from 44.4% to 73.4% on 2 November 2009.

Income Contribution

Income contribution comprises net property income from the investment properties directly held by K-REIT Asia and contributions from its one-third interest in One Raffles Quay Pte Ltd (ORQPL).

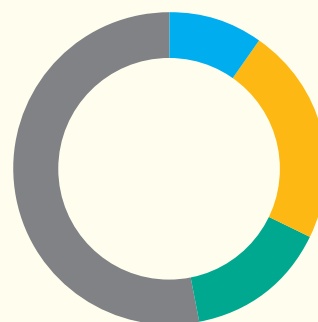
Income contribution for FY2009 was \$95.6 million, an increase of \$11.6 million or 13.8% over \$84.0 million for FY2008. The increase was mainly due to higher property income from the properties held directly by K-REIT Asia and contributions from the one-third interest in ORQPL.

FY2009 Income Contribution by Asset: \$95.6 million
(%)



Prudential Tower Property ¹	11.5
Keppel Towers and GE Tower	23.1
Bugis Junction Towers	16.5
One-third interest in ORQPL ²	48.9
Total	100.0

FY2008 Income Contribution by Asset: \$84.0 million
(%)



Prudential Tower Property	9.8
Keppel Towers and GE Tower	22.6
Bugis Junction Towers	14.8
One-third interest in ORQPL ²	52.8
Total	100.0

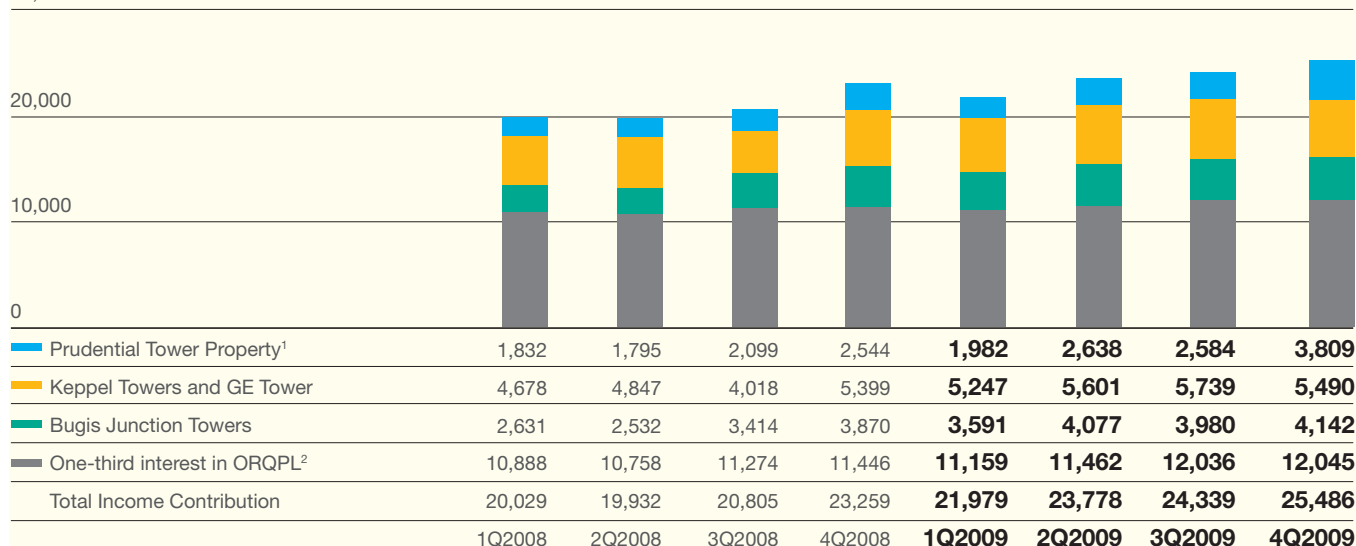
¹ The interest in Prudential Tower was increased from 44.4% to 73.4% on 2 November 2009.

² Comprises income support, interest income and dividend income.

Income Contribution by Asset by Quarter

(\$'000)

30,000



¹ The interest in Prudential Tower was increased from 44.4% to 73.4% on 2 November 2009.

² Comprises income support, interest income and dividend income.

Distributable Income

Distributable income increased by \$12.3 million or 21.2% to \$70.5 million in FY2009 from \$58.2 million in FY2008. The increase was attributed to higher net property income from the investment properties income contribution from the one-third interest in ORQPL and lower tax expense.

The increase of \$0.4 million in operating expenses were mainly due to an increase of \$1.2 million in borrowing costs due to higher average interest rate in FY2009, a decrease of \$0.4 million in amortisation expense of the income support, and a decrease in trust expenses of \$0.5 million.

Distribution Income by Quarter

(\$'000)

4Q2009	19,400
3Q2009	17,965
2Q2009	17,496
1Q2009	15,658
4Q2008	17,410
3Q2008	15,191
2Q2008	14,176
1Q2008	11,405

Actual Distribution Payout Per Unit (cents)	
Total FY2009	7.76¹
1 Jul 2009 – 31 Dec 2009	2.77
1 Jan 2009 – 30 Jun 2009	4.99
Total FY2008	13.04
1 Jul 2008 – 31 Dec 2008	5.07
8 May 2008 – 30 Jun 2008	1.39
1 Jan 2008 – 7 May 2008	6.58

¹ The decrease in DPU FY2009 is attributed to the enlarged unit base pursuant to the completion of the rights issue on 20 November 2009.

Distribution Pay-out

K-REIT Asia's distribution policy is to distribute at least 90% of its distributable income on a semi-annual basis. For FY2009, K-REIT Asia distributed 100% of its distributable income, paying out a total DPU of 7.76 cents. This comprises 4.99 cents for the period 1 January 2009 to 30 June 2009 and 2.77 cents for 1 July 2009 to 31 December 2009 respectively.

In FY2008, K-REIT Asia distributed 13.04 cents per unit, comprising 6.58 cents, 1.39 cents and 5.07 cents for the periods 1 January 2008 to 7 May 2008, 8 May 2008 to 30 June 2008 and 1 July 2008 to 31 December 2008 respectively.

Quarterly Distribution Per Units

(cents)

	Actual Period	Actual Annualised
4Q2009	1.45	5.75
3Q2009	2.69	10.67
2Q2009	2.64	10.59
1Q2009	2.38	9.65
4Q2008	2.67	10.62
3Q2008	2.34	9.28
2Q2008	2.18	8.74
1Q2008	4.60	18.45

Assets Under Management

The total assets under management as at 31 December 2009 for K-REIT Asia dipped marginally to \$2,097.7 million as compared to the total assets under management as at 31 December 2008 of \$2,102.0 million.

Net Asset Value

As at 31 December 2009, K-REIT Asia's net asset per unit was \$1.50.

This represented a decline of 34.2% over \$2.28 as at 31 December 2008 due mainly to the enlarged number of units pursuant to the completion of the rights issue on 20 November 2009.

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 obligations.

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 €15.0 million class AA notes at an interest margin of between 20 to 35 basis points per annum above EURIBOR. The term loan facilities have been utilised to refinance a bridge loan that was used to part finance the initial acquisition of Bugis Junction Towers, Keppel Towers and GE Tower and the stake in Prudential Tower.

Valuation of Properties

	FY2009 ¹ Valuation \$ million	FY2008 ² Valuation \$ million	Change %
Prudential Tower Property	325.1 ³	224.0 ⁴	+45.1
Keppel Towers and GE Tower	540.7	580.0	-6.8
Bugis Junction Towers	297.0	313.0	-5.1
	1,162.8	1,117.0	+4.1
One-third interest in One Raffles Quay	934.9	985.0	-5.1
	2,097.7	2,102.0	-0.2

¹ Valuation as at 31 December 2009.






² Valuation as at 31 December 2008.

³ Based on 73.4% stake in Prudential Tower.

⁴ Based on 44.4% stake in Prudential Tower.

Net Asset Value Per Unit

(\$)

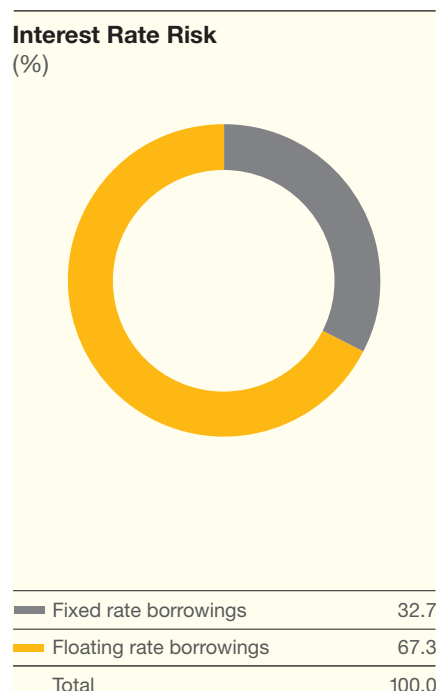
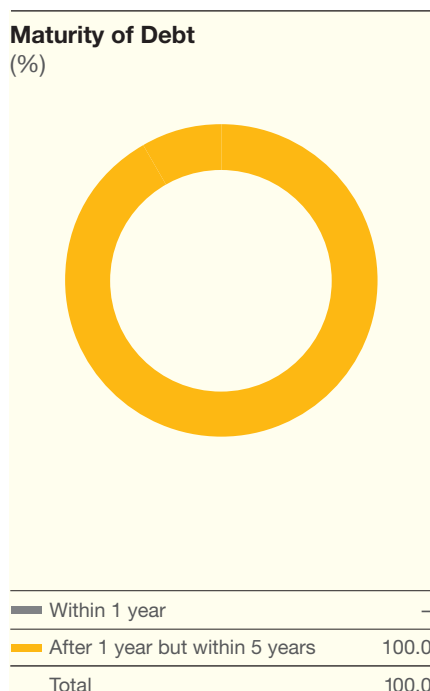
31 Dec 2009		1.50
31 Dec 2008		2.28
31 Dec 2007		3.78
31 Dec 2006		2.04
At listing 26 Apr 2006		1.83

Blossom Assets established a \$3.0 billion Multi-currency Secured Medium-Term Loan Programme, which provides opportunity for K-REIT Asia to tap a wider investor base in funding future assets acquisition plans.

At the end of the financial year, K-REIT Asia had a revolving loan of \$391.0 million due to Kephinance Investment Pte Ltd (Kephinance) for a period of 30 months commencing from 10 September 2008 and thereafter renewable on terms, including new maturity date, to be

agreed between parties. As at 31 December 2009, total gross borrowings of K-REIT Asia stood at \$581.1 million and its aggregate leverage was at 27.7%.

Average cost of borrowings for the financial year ended 31 December 2009 was 4.23% per annum. Earnings before interest, tax, depreciation and amortisation (EBITDA) interest cover for FY2009 was 3.19 times, which was higher than the 2.97 times for FY2008 due to the higher average interest rate in FY2009.



Debt Maturity Profile
(\$ million)

Term loan from Kephinance maturing in Mar 2011	391.0
Term loan from Blossom Assets maturing in May 2011	190.1

Cash Flows and Liquidity

Net cash from operating activities for the financial year ended 31 December 2009 was \$54.7 million. This was an increase of \$15.7 million over the operating cash flow of \$39.0 million in the preceding financial period. This was mainly contributed by the increased operating profit.

Net cash used in the investing activities was \$58.8 million comprising mainly the purchase of the additional strata floors of Prudential Tower of \$107.7 million and improvements in investment properties of \$2.2 million offsetting the income contribution from one-third interest in One Raffles Quay Pte Ltd and a repayment of \$4.0 million shareholder's loan from One Raffles Quay Pte Ltd.

Net cash generated from financing activities was \$535.7 million which included the proceeds from rights issue of \$620.0 million, a distribution payment of \$66.2 million to Unitholders, payment of interest expense of \$15.2 million and payment of \$3.0 million of issue expenses.

As at 31 December 2009, the value of cash and cash equivalents of K-REIT Asia stood at \$575.5 million compared with \$44.0 million as at 31 December 2008. The increase in cash balances was due mainly to the balance of proceeds from the rights issue completed on 20 November 2009.

Key Statistics

	As at 31 Dec 2009	As at 31 Dec 2008
Aggregate leverage ¹	27.7%	27.6%
Gross borrowings	\$581.1 million	\$581.1 million
Value of deposited properties	\$2,097.7 million	\$2,102.0 million
EBIT interest coverage ratio ²	2.11 times	1.82 times
EBITDA interest coverage ratio ³	3.19 times	2.97 times
EBIT	\$52.4 million	\$42.9 million
EBITDA	\$79.0 million	\$70.0 million
Interest expense	\$24.8 million	\$23.6 million
All-in interest rate ⁴	4.23%	3.19%
Weighted average term to expiry	1.3 years	2.3 years
Corporate rating	Baa3	Baa3

¹ Aggregate leverage: Ratio of gross borrowings to value of deposited properties.

² EBIT interest coverage: Ratio of profit before interest and tax to interest expense.

³ EBITDA interest coverage: Ratio of profit before interest, tax, depreciation and amortisation to interest expense.

⁴ All-in interest rate includes amortisation of upfront debt arrangement expenses.

Use of Proceeds from Rights Issue

Following the completion of the one-for-one underwritten rights issue on 20 November 2009, \$99.7 million has been used to repay a bridging loan that was used for the financing of the acquisition of the additional strata floors of Prudential Tower on 2 November 2009.

Subsequent to 31 December 2009, a further \$221.1 million has been used to finance the acquisition of the 50.0% stake in 275 George Street, Brisbane on 1 March 2010.

Accounting Policies

The financial statements have been prepared in accordance with the Statement of Recommended Accounting Practice (RAP) 7 “Reporting Framework of Unit Trusts” issued by the Institute of Certified Public Accountants of Singapore, and the applicable requirements of the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore and the provisions of the Trust Deed.

Sensitivity Analysis

K-REIT Asia’s portfolio includes the properties directly held by K-REIT Asia, comprising 73.4% of the strata area of Prudential Tower, Keppel Towers and GE Tower, Bugis Junction Towers, and one-third interest in One Raffles Quay through its one-third shareholding interest in One Raffles Quay Pte Ltd. 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 10.0% increase or decrease in current average rental rates would be approximately \$2.1 million.

K-REIT Asia is also subject 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 a decrease or increase approximately \$2.9 million in K-REIT Asia’s total return before tax.

Change in rental income¹ (\$'000)

Resulting from:

1% increase in occupancies ^{2,3}	735
1% decrease in occupancies ²	(1,255)
10% increase in current average rent rates ⁴	2,064
10% decrease in current average rent rates ⁴	(2,064)

¹ Comprising rental income derived from the properties directly held by K-REIT Asia and one-third interest in One Raffles Quay Pte Ltd.

² Assuming current average rental rates are maintained.

³ Excluding properties with full occupancy.

⁴ Based on leases due for renewal and rent review in year 2010.

Change in total return before tax (\$'000)

Resulting from:

75 basis point increase in interest rate	2,881
75 basis point decrease in interest rate	(2,881)

Risk Management

Effective risk assessment and management is a critical component to the sustainability and success of K-REIT Asia. The Manager has integrated a holistic risk management framework to its operations which covers all key activities in planning and control, reporting and monitoring, and information management. The risk management framework and policies are also periodically reviewed to ensure that key business risks of K-REIT Asia are promptly mitigated.

The Board meets on a quarterly basis or more often, when appropriate, to review K-REIT Asia's financial performance; evaluate its current and future operating, financial and investment risks; and respond proactively to any comments made by the compliance manager and auditor. Senior management also meets with the Property Manager to review the operational risks to K-REIT Asia's portfolio of assets when necessary.

The Manager has identified key risks to K-REIT Asia as related to investment activities, financial management, as well as operating and leasing activities in its existing properties.

Investment Risk

The Manager has determined that significant risk lies in making property investment decisions. Accordingly, the Manager closely adheres to a rigorous set of investment criteria and carries out comprehensive due diligence. All investment proposals are objectively evaluated based on the investment target's specifications, location, expected returns, yield accretion, growth potential, and performance sustainability, with due regard to the existing economic climate and market conditions.

The Board reviews all investment proposals and only gives its approval after evaluating the sensitivities and risks involved in each investment, on

the basis of thorough scenario analyses of key financial projections, assumptions and impact on K-REIT Asia.

Financing Risk

The Manager believes that prudent capital management and strong internal controls are fundamental to the management of financing risk. Besides managing the leverage level to optimise K-REIT Asia's capital structure and mitigate its liquidity and financing risk, the Manager also ensures that K-REIT Asia has sufficient financial capacity to seize attractive investment opportunities should they arise.

Interest Rate Risk

The Manager seeks to minimise the level of interest rate risk by monitoring the interest rate environment and identify opportunities to refinance higher cost debt when appropriate. Interest rate risks are further managed on an ongoing basis through the use of suitable fixed and floating rate facilities.

Foreign Exchange Risk

As at end-2009, K-REIT Asia has limited foreign exchange exposure from operations since all its assets are based in Singapore. When the need arises and as far as possible, debt financing pertaining to overseas acquisitions will be made in the same currency as the revenues generated from the assets acquired, coupled with appropriate hedging strategies and instruments on future income stream.

Operational Risk

In order to secure the sustainability and growth of distributable income, the Manager ensures that all key operations are aligned with K-REIT Asia's strategies. The measures put in place to ensure efficient operations include actively managing lease renewal and new leases to minimise rental voids, monitoring rental arrears to minimise bad debts, negotiating for favourable lease terms, controlling property expenses to maximise net

property income, and mitigating counter-party risk.

The Manager also seeks to avoid having disproportionate amounts of space expiring in any one year by staggering the lease expiry profile and ensuring that a sizable portion of the areas are leased out with long-term lease agreements.

Business continuity plans and safety procedures in the event of disaster and pandemic contingencies are periodically reviewed and improved.

Credit Risk

Credit risk arises when tenants are unable and/or unwilling to fulfil their lease obligations. In order to mitigate the likelihood of tenants defaulting on their lease agreements, tenants are assessed for credit worthiness prior to the confirmation of lease agreements and required to pay a security deposit.

The Manager strives to expand its network of creditworthy tenants to support K-REIT Asia's growing portfolio of quality commercial assets and diligently manages the tenant profile at each asset to prevent over exposure to any one potentially volatile business sector.

Unit Price Performance

46.0%

Increase in trading volume

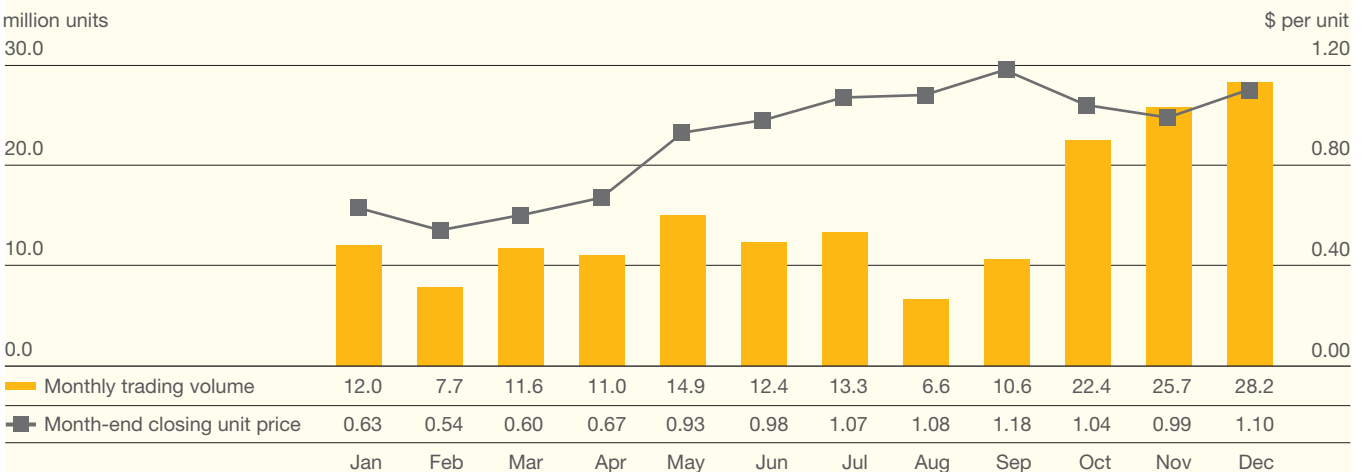
The Singapore equity market and the Singapore real estate investment trust (S-REIT) sector rebounded strongly after hitting their lows in March 2009. Investor confidence and capital flows returned gradually on cautious optimism of improving economic prospects and credit market conditions as the unprecedented concerted efforts by Asian governments in implementing monetary and fiscal stimulus measures to boost their economies took effect. As the Singapore economy emerged from recession, the Singapore stock market ended the year higher at 2,897.6, up 64.5% from 31 December 2008 while the FTSE ST Real Estate Investment Trust index rose by 69.4% year-on-year.

K-REIT Asia's unit closing price recovered from its low of \$0.49 in March 2009 and moved uptrend to reach a one-year high of \$1.24 in

September before closing at \$1.10 as at 31 December 2009. Investor sentiments were lifted by signs of economic recovery and stabilisation of the office market. S-REITs remained an attractive investment vehicle, given their relatively stable and favourable yields as compared to other investment instruments.

K-REIT Asia's market capitalisation crossed the \$1.0 billion mark following the one-for-one rights issue which was completed in November 2009. Its trading liquidity improved as the average daily volume more than doubled from about 0.5 million units in the third quarter of 2009 to about 1.2 million units in the fourth quarter of 2009. Trading volume rose by about 46.0% to 176.3 million units for the whole of 2009 compared with 120.8 million units in 2008.

K-REIT Asia's Trading Performance in 2009



Source: Bloomberg

Unit Price Performance

	2009	2008
Highest closing price	\$1.24	\$2.13
Lowest closing price	\$0.49	\$0.57
Average closing price	\$0.90	\$1.27
Last done on 31 December	\$1.10	\$0.70
Trading volume (million units)	176.3	120.8

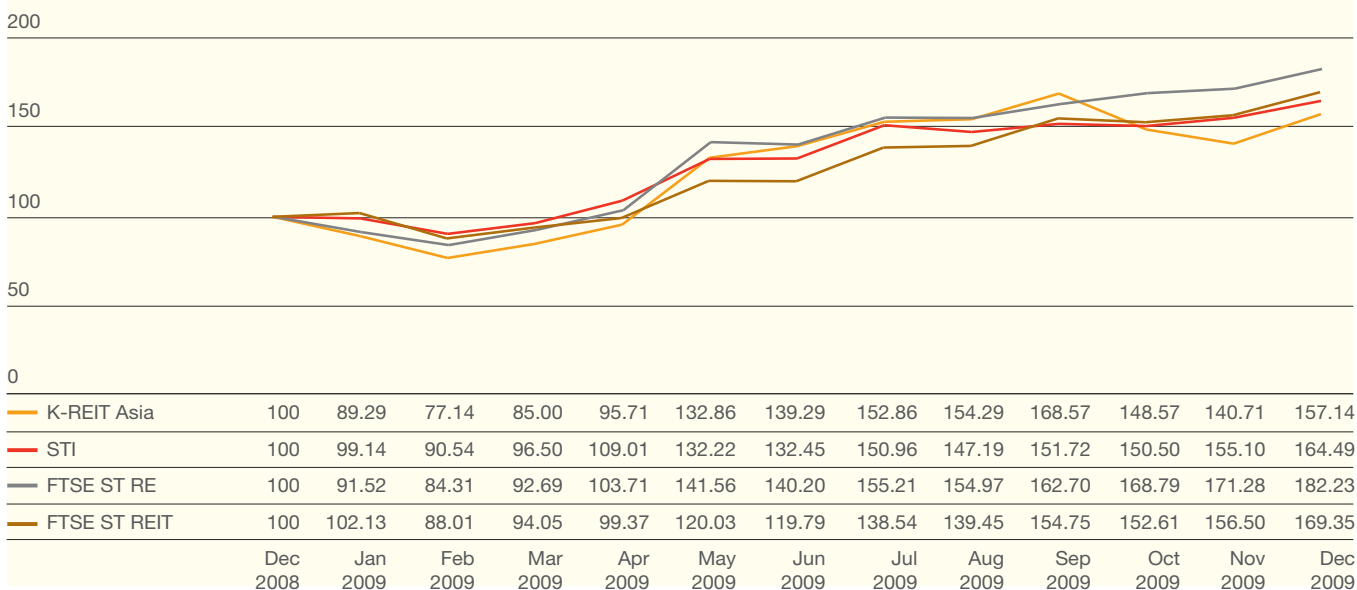
Comparative Price Trends

	K-REIT Asia		STI ¹		FTSE ST RE ¹		FTSE ST REIT ¹	
	Closing unit price (\$) at month-end	Change %	Closing index value at month-end	Change %	Closing index value at month-end	Change %	Closing index value at month-end	Change %
Dec 2008	0.70	100.00	1,761.56	100.00	371.53	100.00	364.72	100.00
Jan 2009	0.63	89.29	1,746.47	99.14	340.04	91.52	372.49	102.13
Feb 2009	0.54	77.14	1,594.87	90.54	313.23	84.31	320.98	88.01
Mar 2009	0.60	85.00	1,699.99	96.50	344.36	92.69	343.01	94.05
Apr 2009	0.67	95.71	1,920.28	109.01	385.31	103.71	362.43	99.37
May 2009	0.93	132.86	2,329.08	132.22	525.93	141.56	437.78	120.03
Jun 2009	0.98	139.29	2,333.14	132.45	520.87	140.20	436.90	119.79
Jul 2009	1.07	152.86	2,659.20	150.96	576.67	155.21	505.30	138.54
Aug 2009	1.08	154.29	2,592.90	147.19	575.77	154.97	508.59	139.45
Sep 2009	1.18	168.57	2,672.57	151.72	604.48	162.70	564.42	154.75
Oct 2009	1.04	148.57	2,651.13	150.50	627.10	168.79	556.60	152.61
Nov 2009	0.99	140.71	2,732.12	155.10	636.35	171.28	570.78	156.50
Dec 2009	1.10	157.14	2,897.62	164.49	677.03	182.23	617.67	169.35

¹ STI: Straits Times Index; FTSE ST RE: FTSE ST Real Estate Index; FTSE ST REIT: FTSE ST Real Estate Investment Trust Index

Comparative Price Trends

% change in unit price/index value

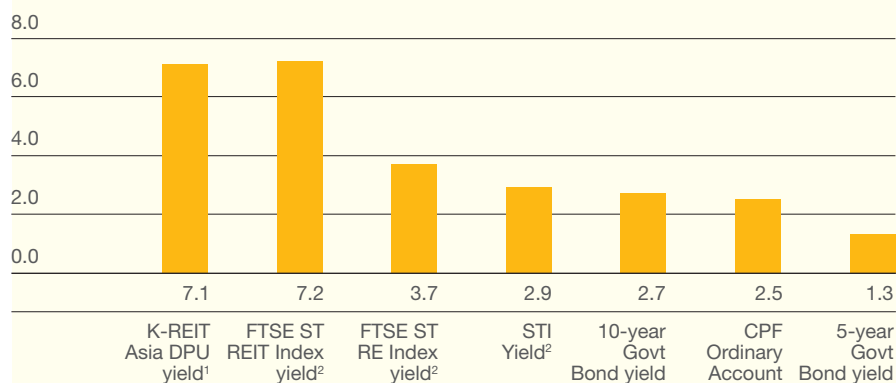


Source: Bloomberg

Unit Price Performance

Comparative Yields

as at 31 December 2009 (%)



¹ Based on K-REIT Asia's actual distribution per unit pay-out of 7.76 cents, comprising 4.99 cents for 1 January 2009 to 30 June 2009 and 2.77 cents for 1 July 2009 to 31 December 2009, and closing unit price of \$1.10 as at 31 December 2009.

² Based on 12-month gross dividend yield of stocks in the Straits Times Index, FTSE ST Real Estate Index and FTSE ST Real Estate Investment Trust Index as at 31 December 2009.

K-REIT Asia's Total Returns¹ (%)

Since listing on 28 April 2006 ² to 31 December 2009	35.0
From 31 December 2008 to 31 December 2009 ³	69.9

¹ Sum of distribution yield and capital appreciation.

² Based on first trading day's opening price per unit of \$1.04.

³ Based on the closing unit price of \$0.70 on 31 December 2008 and \$1.10 on 31 December 2009.

Financial Calendar

April 2010

Announcement of first quarter 2010
financial results

July 2010

Announcement of half-year 2010
financial results

August 2010

Distribution payout to Unitholders
for the period January to June 2010

October 2010

Announcement of third quarter 2010
financial results

January 2011

Announcement of full-year 2010
financial results

February 2011

Distribution payout to Unitholders
for the period July to December 2010

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

Investor Relations and Research

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50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623
Tel: (65) 6230 9532
Fax: (65) 6536 1360
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
www.cdp.com.sg
Email: cdp@sgx.com

Investor Relations

Unitholders endorsed K-REIT Asia's growth strategies at an extraordinary general meeting.

The Manager is committed to upholding best-in-class practices in corporate disclosure and governance. It recognises the importance of maintaining proactive communication and good relationships with all its stakeholders, including Unitholders, buy-side and sell-side analysts, fund managers, the media and the general public, with clear, timely and regular disclosures.

Accolades for Corporate Disclosure and Investor Relations

In recognition of its high standards in corporate disclosure and good practices in investor relations, K-REIT Asia Management Limited won the Best Annual Report Award (Silver)

in the "REITs and Business Trusts" category and the Best Investor Relations Award (Silver) in the "\$300 million to less than \$1 billion market capitalisation" category at the Singapore Corporate Awards 2009 held on 23 April 2009. These awards, which are presented by the Business Times and supported by the Singapore Exchange Securities Trading Limited (SGX-ST), encourages the Manager to continually strengthen its standards of corporate disclosure and communication with its investors.

Fostering Effective Communication with Investors

The Manager engages in timely and regular communication with



2009 Investor Relations Calendar Highlights

1st Quarter 2009
Announcement of FY2008 results with press and analysts' briefing

2nd Quarter 2009
Announcement of 1Q2009 results

Participation in Real Estate Investment World Asia 2009

3rd Quarter 2009
Announcement of 1H2009 results with press and analysts' briefing

Participation in Citi Asean Investor Conference 2009

Participation in Daiwa's S-REIT Day in Hong Kong and Tokyo

4th Quarter 2009
Announcement of 3Q2009 results

Roadshow in Singapore, Hong Kong and Europe, organised by BNP Paribas

Participation in UBS Global Real Estate Conference in London

Roadshow in London, organised by Deutsche Bank

investors. Throughout the year, senior management meet analysts and fund managers through one-on-one or group meetings, conference calls and post-results luncheon meetings. They also participate in local and overseas investor conferences and roadshows organised by major local and foreign financial institutions. These provide them the opportunities to interact and fortify relationships with existing investors and to cultivate potential new investors.

In 2009, senior management held meetings in Singapore and overseas, interacting with institutional investors from Singapore, Hong Kong, Tokyo, London and other European cities. Such active engagement with the investment community and analysts allows senior management to elaborate on K-REIT Asia's corporate strategies and growth plans, and address investors' queries.

Briefings to the press and analysts are held concurrently twice a year at K-REIT Asia's half-year and full-year financial results announcements where senior management presides to review K-REIT Asia's financial and operational performance. The results announcements, presentation slides and press release are promptly uploaded onto K-REIT Asia's corporate website www.kreitasia.com on the same day of release and to the SGX through SGXNET. Press announcements on major corporate developments and activities are also simultaneously released through SGXNET and uploaded onto the website, in line with the Manager's objective to deliver regular and timely disclosure.

Garnering Support for Rights Issue

The economic uncertainties and the tightening of credit markets amidst the global economic crisis raised

refinancing risks of REITs in 2009. In a pre-emptive move to mitigate such risks and position itself to seize opportunities for attractive acquisitions across Singapore and pan-Asia presented by the global economic crisis, K-REIT Asia proposed an underwritten one-for-one rights issue in September 2009 to raise gross proceeds of approximately \$620.0 million.

Amid initial concerns of market indigestion as many listed companies elected to tap on the equity market to raise funds, senior management kept in touch with local and overseas investors through roadshows, meetings and teleconferences to reassure them of the merits of the rights issue. At an extraordinary general meeting (EGM) convened to seek Unitholders' approval, senior management engaged in an active dialogue with Unitholders, explaining the rationale behind the equity fund-raising exercise and addressing their concerns of dilution and other issues. The rights issue was approved by Unitholders at the EGM and oversubscribed by 10.6%, demonstrating Unitholders' continued support and confidence in the Manager and the future growth capabilities of K-REIT Asia.

Looking Ahead

2010 is expected to see sustained recovery in the global economies and financial markets. The Manager will continue to work towards enhancing communication and building good long-term relationships with Unitholders and the investment community.

K-REIT Asia's first annual general meeting in 2010 will provide an additional platform for the Manager to engage Unitholders as it seeks to build a strong culture of transparency.

SUSTAINABILITY REPORT

Sustaining Growth

Empowering Lives

Nurturing Communities

K-REIT Asia is committed to being a responsible corporate citizen, contributing positively to the environment and community.

1

The Manager is committed to raising the standard of environmental performance of K-REIT Asia's assets.

2

Community outreach and employee well-being are integral parts of the Manager's philosophy.

Through **Sustaining Growth** in its businesses, **Empowering Lives** of its people and **Nurturing Communities** where it operates, K-REIT Asia contributes towards a sustainable environment and future as it grows its portfolio of assets.

The Manager believes operational excellence as well as a safe and healthy working environment are important for business success. A safety culture is nurtured in everyday work processes and work-life balance encouraged.

People drive K-REIT Asia's success. Through continuous training and development opportunities, the Manager partners employees to realise their full potential.

The Manager is committed to conduct its business in a socially responsible and ethical manner, with minimal impact to the environment and benefiting the community through corporate volunteerism.

1, 2



VALUE

The Manager believes that creating a safe and healthy environment is important for business excellence.



The Manager is committed to creating a safe and healthy workplace for all its employees, tenants and visitors to and within K-REIT Asia's buildings.

An independent external safety audit was conducted at all K-REIT Asia's office buildings during the year. All findings and recommendations from the safety consultant were reviewed and implemented where feasible.

K-REIT Asia achieved its 2009 target of creating an accident-free environment as there were no accidents at its buildings for six consecutive months. To recognise and reward the collaborative efforts of employees and tenants for the safety record, the Manager held celebrations at all its buildings.

Vigilance is an integral part of keeping a safe environment in K-REIT Asia's buildings.

To create further awareness, fire safety exhibitions were held at all K-REIT Asia's building lobbies during the regular fire evacuation drill. During the drill, fire emergency kits equipped with essential items such as torch light, transistor radio, first-aid kit, personal alarm, list of emergency contact telephone numbers and other useful items were distributed to all fire wardens at K-REIT Asia's buildings.

Plans for 2010

To improve the understanding of safety amongst employees and tenants, and to cultivate a safety culture, a safety campaign – 'Take 3' – will be launched at all K-REIT Asia's buildings in Singapore. Under the 'Take 3' approach

– STOP, THINK, PLAN – all stakeholders are encouraged to embrace safety as a way of life, assessing the risks involved before performing any specific tasks, work orders or job assignments that may cause potential accidents.

The Manager will continue to place emphasis on the education of its employees and tenants of K-REIT Asia's buildings. Training programmes will be arranged for all property managers to cover topics such as accident and incident investigation, and workplace safety and health management.

THE MANAGER OF K-REIT ASIA IS COMMITTED TO

- Making available adequate resources, identifying and evaluating safety and health risks related to its operations that will potentially affect its employees, tenants, contractors, visitors and the public
- Setting measurable targets to control such risks including monitoring their progress through periodic reviews and audits
- Conducting, communicating and sharing with employees and others who may be affected by its operations, the knowledge about safety and health effects of its operations
- Reiterating to all employees their responsibility, accountability and commitment to observe safety and health rules, practices and laws that apply to their work, and the need to take precautions when necessary to protect themselves, their co-workers, contractors, visitors and the public from harm
- Striving for continuous improvements by regularly reviewing operations and processes, risk assessment and controls, and by measuring progress and ensuring compliance with the relevant legislative requirements

TEAMWORK

An employer of choice, K-REIT Asia Management continually invests in people to drive further growth.



The Manager builds a cohesive team through social activities and games.

The Manager is focused on attracting, developing, retaining and engaging employees who have the aptitude and abilities to meet current and future organisational needs.

Attracting and Engaging Talents

The Manager continuously reviews its staff performance appraisal process and reward system to promote a performance-driven culture. Enhancements were made to the Performance Management Framework by placing more emphasis on results achieved in way of key performance indicators.

Managers underwent training to hone their skills in conducting effective performance appraisal and collecting feedback. At the same time, employee communication sessions were conducted to ensure that they participate actively in these enhancements.

To promote staff involvement and cohesiveness, the Manager obtains regular feedback from its people. The inaugural Organisational Climate Survey assessed various aspects of employee well-being, personal development opportunities and overall work environment. This survey will assist the Manager in refining its existing programmes to motivate its workforce and improve its position as an employer of choice.

To attract future talents, the Manager continues to offer internships to outstanding students. These engagements enable the Manager access to a wider pool of young talents. Besides receiving relevant training, the interns benefit from the regular and structured performance evaluations from their mentors which build on their strengths and identify areas for development.

Promoting Training and Development

The Manager is committed towards developing the professional competencies of its employees

and provides a continuum of development opportunities for its staff.

Structured career planning discussion sessions are held once a year where senior line managers and their direct reporting staff jointly draw up Individual Development Plans according to job needs and career aspirations. The personalised development plan helps to identify, as well as refine skills and competencies to help staff succeed in their current and future roles.

Reflecting the Manager's emphasis on talent management, a formal process has been put in place to identify high potential staff and accelerate the career development for these staff to assume leadership positions.

Employee Wellness

Employee well-being is an integral part of the Manager's human resource management as people are a key asset to the Manager.

The Manager leverages the human resource (HR) platform of its sponsor, Keppel Land, for a variety of health-related programmes and social activities which include health talks, skincare workshops, nature walks, sporting games and yoga lessons.

In June 2009, the Manager and Keppel Land HR conducted a free health screening exercise and made packages available at exclusive rates to staff who were keen on a comprehensive health check-up. In response to the outbreak of the H1N1 influenza virus, Raffles Medical Group was contracted to provide on-site flu vaccination for staff and their immediate family members.

To promote family bonding, the Manager supported the nationwide 'Eat with Your Family Day' organised by the Centre for Fathering. Employees were encouraged to go home early to enjoy a meal with their families.

CULTURE

Green initiatives are actively undertaken by the Manager to educate and promote environmental awareness and conservation.



BCA GREEN MARK

K-REIT Asia's commitment to green initiatives have been recognised with awards such as the Green Mark by the BCA.

Engaging staff and their families in eco-walks to heighten awareness and care for the environment.

The Manager places great emphasis on improving the quality of life of all stakeholders while progressively reducing the ecological impact on the environment. It implemented several initiatives to promote eco-awareness through educational and outreach programmes.

Reaching Out

K-REIT Asia participated in Earth Hour, a global campaign to raise environmental awareness and encourage businesses, communities and individuals to work towards the common goal of addressing climate change. Held on 28 March 2009, Earth Hour sent an important message to tenants and employees that simple steps can help reduce energy use and lower operating costs.

Staff of the Manager attended a lunchtime presentation by the Singapore Environment Council that was followed by the screening of 'Story of Stuff', a documentary on the flipside of current production and consumption patterns. The lunch-time talk was part of a series of regular activities to inculcate a green mindset among staff.

On 5 June 2009, staff and tenants attended a complimentary screening of 'HOME', a documentary film directed by world-renowned French photographer and environmentalist Yann Arthus-Bertrand, which aims to raise environmental awareness and inspire action.

Staff enjoyed a walk along the Southern Ridges Walk in October 2009, taking in fascinating sights of the Adinandra Belukar forest. The walk highlighted the importance of the overall ecology and biodiversity of the forests of Singapore and helped to promote a green culture.

Reduce, Reuse and Recycle

A road show promoting ways to save the environment was held at Keppel Towers and GE Tower on 29 April

2009. It offered handy tips on how to reduce, reuse and recycle materials common in the office. Participants of the programme were also presented with recyclable shopping bags, stickers and signages. Offices which signed up with the recycling programme were given cardboard cartons to store recyclable items such as paper, glass and plastics which are collected weekly.

K-REIT Asia's Annual Reports for 2008 and 2009 were printed on recycled paper. These are also available online on its corporate website www.kreitasia.com, which allow users quick and convenient access, while at the same time save paper as well as printing and mailing costs. K-REIT Asia sent the bulk of the Report to Unitholders 2009 in the electronic form of CD-ROMs.

Green Buildings

The Manager is committed to raising the standard of environmental performance of K-REIT Asia's assets by incorporating environmentally-friendly and energy-saving features.

In 2009, One Raffles Quay was awarded the Green Mark Gold Award by the Building and Construction Authority (BCA). Environmentally-friendly features at One Raffles Quay include lift regenerative drive systems, heat recovery wheels, district cooling system, siphonic rainwater discharge system and condensed water for carpark washing. The Manager continues to strive towards obtaining BCA's Green Mark certification for all K-REIT Asia's buildings.

To date, all K-REIT Asia's buildings in Singapore are certified Water Efficient Buildings by the Public Utilities Board (PUB). The label is given to buildings that meet PUB's stringent audit criteria for water conservation.

ENGAGEMENT

The Manager actively cultivates meaningful relationships with tenants and the community.

1



1

K-REIT Asia's CEO Ms Ng Hsueh Ling meets a young friend as she distributes gift bags to families during the festive season.

2

Employees of the Manager and Bugis Junction Towers' tenants lending support to a good cause at the Christmas Charity Bazaar.

3

K-REIT Asia's Chairman Professor Tsui Kai Chong (left) presenting the Overall Champion trophy at the fourth K-REIT Asia and 34th Ocean Towers Combined Golf Tournament.

On 2 October 2009, the Manager hosted K-REIT Asia's fourth annual K-REIT Asia Golf Tournament at the Tanjong Course of Sentosa Golf Club. The tournament provided a platform for K-REIT Asia's management team to interact and network with tenants and business associates.

In addition to developing good tenant relationships, the Manager believes in giving back to the community. Together with its sponsor, Keppel Land, K-REIT Asia took the opportunity to help the less fortunate during the season of giving. K-REIT Asia brought joy to children from the Association for Persons with Special Needs (APSN) by granting their Christmas wishes.

Staff of the Manager and tenants of K-REIT Asia's buildings chipped in to fulfil the wishes hung on tags on Christmas trees displayed within K-REIT Asia's buildings.

To spread the festive cheer, K-REIT Asia's employees also distributed gift bags packed with items such as rice, noodles and milk powder to the

residents of four blocks of single-room flats along East Coast Road.

At the third annual Charity Bazaar held in November 2009, K-REIT Asia together with Keppel Land provided employees and tenants the opportunity to contribute to worthy causes with a fund-raising bazaar. APSN, United Nations Development Fund for Women, Animal Concerns Research and Education Society were some of the organisations that benefited from the bazaar.

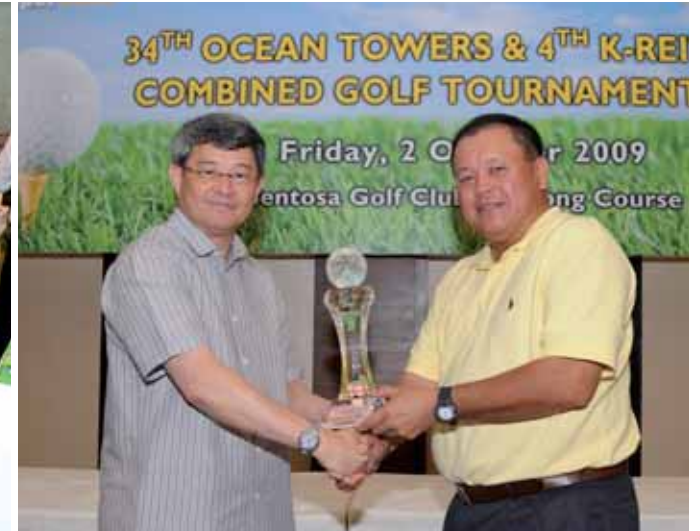
On 24 December 2009, staff of the Manager participated in a charity gift-exchange programme held in conjunction with the annual year-end Christmas function to help raise funds for APSN. Handicrafts handmade by students from APSN were purchased as gifts for the gift-exchange programme.

To encourage people to donate blood and help save lives, the Manager coordinated a blood donation in collaboration with the Singapore Red Cross Society. The blood collection drive in December 2009 was held over four days at four different office buildings.

2



3



Statistics of Unitholdings

as at 2 March 2010

Issued and Fully Paid Units

1,339,132,297 Units (Voting rights: 1 vote per Unit)

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

Market capitalisation of \$1,473,045,526.70 based on market closing Unit price of \$1.10 on 2 March 2010.

Distribution of Unitholdings

Size of Unitholdings	No. of Unitholders	%	No. of Units	%
1 – 999	1,699	18.05	493,967	0.04
1,000 – 10,000	5,171	54.92	21,600,599	1.61
10,001 – 1,000,000	2,513	26.69	122,239,828	9.13
1,000,001 and above	32	0.34	1,194,797,903	89.22
Total	9,415	100.00	1,339,132,297	100.00

Twenty Largest Unitholders

No.	Name	No. of Units	%
1	K-REIT Asia Investment Pte. Ltd.	609,368,697	45.50
2	Keppel Real Estate Investment Pte. Ltd.	407,434,448	30.42
3	United Overseas Bank Nominees Pte. Ltd.	39,682,411	2.96
4	HSBC (Singapore) Nominees Pte Ltd	26,356,354	1.97
5	Citibank Nominees S'pore Pte Ltd	22,474,497	1.68
6	DBS Nominees Pte Ltd	22,434,104	1.67
7	DBSN Services Pte Ltd	7,182,013	0.54
8	Yeo Seng Kia	6,010,000	0.45
9	ING Nominees (S'pore) Pte Ltd	5,847,280	0.44
10	Raffles Nominees Pte Ltd	5,458,478	0.41
11	Phillip Securities Pte Ltd	3,996,010	0.30
12	Mak Seng Fook	3,715,000	0.28
13	Lim & Tan Securities Pte Ltd	2,996,874	0.22
14	Oscar Oliveiro Joseph, Othman Bin Haron Eusofe & Lim Boon Heng	2,920,000	0.22
15	Soon Li Heng Civil Engineering Pte Ltd	2,500,000	0.19
16	Chan Wai Kheong	2,357,000	0.18
17	OCBC Securities Private Ltd	2,329,295	0.17
18	OCBC Nominees Singapore Pte Ltd	2,113,501	0.16
19	DBS Vickers Securities (S) Pte Ltd	2,044,539	0.15
20	See Beng Lian Janice	1,813,000	0.13
	Total	1,179,033,501	88.04

The Manager's Directors' Unitholdings

Based on the Register of Directors' Unitholdings maintained by the Manager as at 21 January 2010, save for the information disclosed below, none of the Directors hold a direct or deemed interest in Units issued by K-REIT Asia:

Name of Director	No. of Units
Tsui Kai Chong	200,000 (Deemed)
Kevin Wong Kingcheung	2,888,976 (Direct)
Ng Hsueh Ling	NIL
Tan Swee Yiow	470,000 (Direct)
Chin Wei-Li, Audrey Marie	200,000 (Direct) and 550,000 (Deemed)
Lee Ai Ming	460,000 (Direct)

Substantial Unitholders

Based on the Register of Substantial Unitholders' Unitholdings maintained by the Manager as at 2 March 2010, the Substantial Unitholders of K-REIT Asia and their interests in the Units of K-REIT Asia are as follows:

Name	No. of Units	%
Temasek Holdings (Private) Limited	1,017,589,145 (Deemed) ¹	75.99
Keppel Corporation Limited	1,016,803,145 (Deemed) ²	75.93
Keppel Land Limited	609,368,697 (Deemed) ³	45.50
K-REIT Asia Investment Pte. Ltd.	609,368,697 (Direct)	45.50
Keppel Real Estate Investment Pte. Ltd.	407,434,448 (Direct)	30.43

¹ Temasek Holdings (Private) Limited's deemed interest arises from its shareholdings in Keppel Corporation Limited and DBS Group Holdings Limited.

² Keppel Corporation Limited's deemed interest arises from its shareholdings in Keppel Real Estate Investment Pte. Ltd., a wholly-owned subsidiary of Keppel Corporation Limited, and in K-REIT Asia Investment Pte. Ltd., a wholly-owned subsidiary of Keppel Land Limited, which is in turn a subsidiary of Keppel Corporation Limited.

³ Keppel Land Limited's deemed interest arises from its shareholdings in K-REIT Asia Investment Pte. Ltd., a wholly-owned subsidiary of Keppel Land Limited.

Free Float

Based on information made available to the Manager as at 2 March 2010, approximately 23.65% of the Units in K-REIT Asia are held under public hands. Accordingly, Rule 723 of the Listing Manual of the SGX-ST has been complied with.

As at 2 March 2010, there are no treasury units held by K-REIT Asia or the Manager.

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 6536 7566
Website : www.kreitasia.com

Unit Registrar And Unit Transfer Office

**Boardroom Corporate & Advisory
Services Pte. Ltd. (a member of
Boardroom Limited)**
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623
Phone : +65 6230 9532
Fax : +65 6536 1360

Audit Committee

Dr Chin Wei-Li, Audrey Marie

Professor Tsui Kai Chong
(with effect from 31 July 2009)

Mrs Lee Ai Ming

Trustee

**RBC Dexia Trust Services
Singapore Limited**
20 Cecil Street
#28-01 Equity Plaza
Singapore 049705
Phone : +65 6823 5000
Fax : +65 6536 7566

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

Nominating and Remuneration Committee

Mrs Lee Ai Ming
(with effect from 31 July 2009)

Professor Tsui Kai Chong

Mr Kevin Wong Kingcheung
(with effect from 30 March 2009)

Dr Chin Wei-Li, Audrey Marie

Auditor

**Ernst & Young LLP
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)
(Since financial period ended
31 December 2006)

Directors of The Manager

Professor Tsui Kai Chong
Chairman and Non-Executive
Independent Director

Mr Kevin Wong Kingcheung
Deputy Chairman and
Non-Executive Director

Ms Ng Hsueh Ling
Chief Executive Officer and
Executive Director
(with effect from 17 August 2009)

Mr Tan Swee Yiow
Executive Director

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

Mrs Lee Ai Ming
Non-Executive Independent Director

Company Secretaries

Mr Choo Chin Teck

Ms Jacqueline Ng Yu Eng

Financial Statements

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Report of the Trustee

For the financial year ended 31 December 2009

RBC Dexia Trust Services Singapore Limited (the "Trustee") is under a duty to take into custody and hold the assets of K-REIT Asia (the "Trust") and its subsidiary (the "Group") in trust for the holders ("Unitholders") of units in K-REIT Asia. 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 the Group, during the period covered by these consolidated financial statements, set out on pages 109 to 143 comprising the Balance Sheet, Statement of Total Return and Comprehensive Statement, 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 Dexia Trust Services Singapore Limited



Dominique Draux

Director

Singapore, 18 February 2010

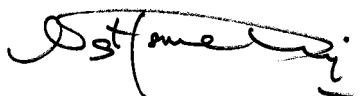
Statement by the Manager

For the financial year ended 31 December 2009

In the opinion of the directors of K-REIT Asia Management Limited (the “Manager”), the accompanying consolidated financial statements set out on pages 109 to 143 comprising the Balance Sheet, Statement of Total Return and Comprehensive Statement, 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 2009, the total return and comprehensive income, 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



Ng Hsueh Ling

Chief Executive Officer and Executive Director

Singapore, 18 February 2010

Independent Auditors' Report to the Unitholders of K-REIT Asia

For the financial year ended 31 December 2009

To the members of K-REIT Asia

We have audited the accompanying consolidated financial statements of the Group set out on pages 109 to 143, which comprise the Balance Sheet and Portfolio Statement as at 31 December 2009, the Statement of Total Return and Comprehensive Income, Distribution Statement, Statement of Movements in Unitholders' Funds and Statement of Cash Flows 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 consolidated 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 and the Singapore Financial Reporting Standards. This responsibility includes devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair statement of total return and comprehensive income and balance sheet and to maintain accountability of assets; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

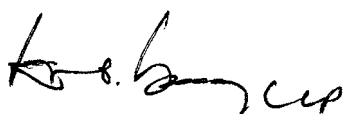
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated 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 Group'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 consolidated 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 Group's consolidated financial statements, present fairly, in all material respects, the financial position of the Group as at 31 December 2009, the total return and comprehensive income, distributable income, movements in Unitholders' funds and cash flows for the year ended on that date in accordance with the provision of Singapore Financial Reporting Standards and 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 LLP

Public Accountants and
Certified Public Accountants

Singapore, 18 February 2010

Balance Sheets

As at 31 December 2009

	Note	Group and Trust	
		2009 \$'000	2008 \$'000
Non-current assets			
Investment properties	3	1,162,800	1,117,000
Investment in subsidiary	4	-	-
Investment in associated company	5	504,293	513,523
Advances to associated company	6	344,946	348,946
Intangible asset	7	32,598	59,232
		2,044,637	2,038,701
Current assets			
Trade and other receivables	8	10,286	9,525
Prepaid expenses		1,167	128
Cash and cash equivalents	9	575,549	43,968
		587,002	53,621
Total assets		2,631,639	2,092,322
Current liabilities			
Trade and other payables	10	23,437	12,202
Income received in advance		324	557
Current portion of security deposits		4,603	3,602
Provision for taxation		4,849	3,073
		33,213	19,434
Non-current liabilities			
Trade and other payables	10	5,000	-
Long-term borrowings	11	578,939	577,135
Non-current portion of security deposits		11,835	10,082
		595,774	587,217
Total liabilities		628,987	606,651
Net assets		2,002,652	1,485,671
Represented by :			
Unitholders' funds		2,002,652	1,485,671
Units in issue ('000)	12	1,336,023	652,724
Net asset value per unit (\$)		1.50	2.28

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

Statement of Total Return and Comprehensive Income

For the financial year ended 31 December 2009

	Note	Group and Trust	
		2009 \$'000	2008 \$'000
Gross revenue	13	62,811	52,646
Property expenses	14	(13,931)	(12,987)
Net property income		48,880	39,659
Income support	15	23,011	24,799
Share of results of associated company	5	8,208	10,687
Interest income		12,845	9,069
Amortisation expense	7	(26,634)	(27,050)
Manager's management fees	16	(13,082)	(12,967)
Trust expenses	17	(820)	(1,328)
Borrowing costs	18	(24,792)	(23,580)
Net income before net change in fair value of investment properties		27,616	19,289
Net change in fair value of investment properties	19	(71,759)	11,089
Total return before tax		(44,143)	30,378
Income tax expense	20	(1,776)	(2,910)
Total return after tax		(45,919)	27,468
Total comprehensive income		(45,919)	27,468
Basic and diluted earnings per unit (cents) based on total return after tax	21	(5.66)	4.77
Basic and diluted earnings per unit (cents) based on total return after tax and excluding net change in fair value of investment properties	21	3.19	2.84

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

Distribution Statement

For the financial year ended 31 December 2009

	Group and Trust	
	2009 \$'000	2008 \$'000
Income available for distribution to Unitholders at beginning of the year	32,691	12,338
Net income before net change in fair value of investment properties	27,616	19,289
Net tax adjustments (Note A)	44,679	41,803
Income tax expense	(1,776)	(2,910)
	70,519	58,182
Income available for distribution to Unitholders	103,210	70,520
Distribution to Unitholders:		
Distribution of 4.99 cents per unit for the period from 1/7/2007 to 31/12/2007	-	(12,337)
Distribution of 6.58 cents per unit for the period from 1/1/2008 to 7/5/2008	-	(16,465)
Distribution of 1.39 cents per unit for the period from 8/5/2008 to 30/06/2008	-	(9,027)
Distribution of 5.07 cents per unit for the period from 1/7/2008 to 31/12/2008	(33,093)	-
Distribution of 4.99 cents per unit for the period from 1/1/2009 to 30/06/2009	(33,098)	-
Income available for distribution to Unitholders at end of the year	37,019	32,691
Note A - Net tax adjustments comprise:		
Non-tax deductible/(chargeable) items:		
- Manager's management fees payable in Units	13,082	12,967
- Trustee's fees	309	344
- Amortisation expense	28,438	27,811
- Other non-tax deductible expenses	(131)	600
- Share of results of associated company	(8,208)	(10,687)
	33,490	31,035
Dividend income from associated company	11,189	10,768
Net tax adjustments	44,679	41,803

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

Portfolio Statement

As at 31 December 2009

Group and Trust

Description of property	Tenure of land	Term of lease	Remaining term of lease	Location	Existing use	Carrying value 2009 \$'000	Carrying value 2008 \$'000	Percentage of net assets 2009 %	Percentage of net assets 2008 %
Investment properties in Singapore									
Prudential Tower Property ¹	Leasehold	99 years	85.0 years	30 Cecil Street	Commercial	325,100	224,000	16.3	15.1
Keppel Towers and GE Tower	Estate in fee simple	NA	NA	10 Hoe Chiang Road and 240 Tanjong Pagar Road	Commercial	540,700	580,000	27.0	39.0
Bugis Junction Towers	Leasehold	99 years	79.7 years	230 Victoria Street	Commercial	297,000	313,000	14.8	21.1
Investment properties, at valuation (Note 3)						1,162,800	1,117,000	58.1	75.2
Investment in and advances to associated company (Notes 5 and 6) and intangible asset (Note 7)						881,837	921,701	44.0	62.0
Property held by associated company:									
One Raffles Quay	Leasehold	99 years	90.4 years	1 Raffles Quay	Commercial				
Other assets and liabilities (net)						(41,985)	(553,030)	(2.1)	(37.2)
Net assets						2,002,652	1,485,671	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 2009 were based on independent valuations undertaken by Colliers International on 31 December 2009. The independent valuer has appropriate professional qualifications and recent experience in the location and category of the properties being valued. The valuations were determined based on investment method and discounted cash flow analysis. The valuations adopted were \$325,100,000, \$540,700,000 and \$297,000,000 for Prudential Tower Property, Keppel Towers and GE Tower, and Bugis Junction Towers, respectively. The net loss in fair value of investment properties has been taken to the Statement of Total Return and Comprehensive Income. The valuation of the Trust's one-third interest in One Raffles Quay (including the income support top-up payments) was \$934,900,000.

The carrying amounts of the investment properties and the Trust's one-third interest in One Raffles Quay as at 31 December 2008 were based on independent valuations undertaken by Knight Frank Pte Ltd on 31 December 2008. The valuations adopted were \$224,000,000, \$580,000,000 and \$313,000,000 for Prudential Tower Property, Keppel Towers and GE Tower, and Bugis Junction Towers, respectively. The net gain in fair value of investment properties has been taken to the Statement of Total Return and Comprehensive Income. The valuation of the Trust's one-third interest in One Raffles Quay (including the income support top-up payments) was \$985,000,000.

Investment properties comprise commercial properties that are leased mainly 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 73.4% (2008: 44.4%) of the strata area in Prudential Tower.

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 2009

	Group and Trust		
	Issued equity \$'000	Accumulated profits \$'000	Total \$'000
At 1 January 2009	1,016,566	469,105	1,485,671
Operations			
Total comprehensive income	-	(45,919)	(45,919)
Net decrease in assets resulting from operations	-	(45,919)	(45,919)
Unitholders' transactions			
Creation of units			
- payment of management fees in units	13,056	-	13,056
- rights issue	620,035	-	620,035
Issue expenses ¹	(4,000)	-	(4,000)
Distribution to Unitholders	-	(66,191)	(66,191)
Net increase/(decrease) in net assets resulting from Unitholders' transactions	629,091	(66,191)	562,900
At 31 December 2009	1,645,657	356,995	2,002,652
At 1 January 2008	454,258	479,509	933,767
Operations			
Total comprehensive income	-	27,468	27,468
Net increase in assets resulting from operations	-	27,468	27,468
Unitholders' transactions			
Creation of units			
- payment of management fees in units	11,595	-	11,595
- rights issue	551,726	-	551,726
Issue expenses ¹	(1,013)	-	(1,013)
Distribution to Unitholders	-	(37,872)	(37,872)
Net increase/(decrease) in net assets resulting from Unitholders' transactions	562,308	(37,872)	524,436
At 31 December 2008	1,016,566	469,105	1,485,671

¹ Non-audit fees paid to auditors of the Trust capitalised during the year as issue expenses was \$21,400 (2008: \$129,000).

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 2009

	Group and Trust	
	2009 \$'000	2008 \$'000
Cash flows from operating activities		
Total return before tax	(44,143)	30,378
Adjustments for:		
Interest income	(12,845)	(9,069)
Amortisation expense	26,634	27,050
Share of results of associated company	(8,208)	(10,687)
Borrowing costs	24,792	23,580
Management fees payable in Units	13,082	12,967
Net change in fair value of investment properties	71,759	(11,089)
Operating cash flows before changes in working capital	71,071	63,130
Increase in receivables	(24,943)	(24,706)
Increase/(Decrease) in payables	5,802	(2,708)
Increase in security deposits	2,754	3,291
Net cash flows from operating activities	54,684	39,007
Investing activities		
Purchase of investment properties	(107,690)	-
Improvement in investment properties	(2,246)	-
Interest received	12,665	9,720
Income support received	24,061	19,556
Dividend income received from associated company	10,450	9,008
Repayment of loan from associated company	4,000	7,000
Net cash flows (used in)/from investing activities	(58,760)	45,284
Financing activities		
Proceeds from rights issue	620,035	551,726
Issue expenses	(2,982)	(1,013)
Proceeds from new loan (unsecured)	99,650	-
Repayment of short-term borrowings (unsecured)	(99,650)	(551,000)
Upfront debt arrangement costs	-	(3,910)
Distribution to Unitholders	(66,191)	(37,872)
Interest paid	(15,205)	(21,181)
Net cash flows from/(used in) financing activities	535,657	(63,250)
Net increase in cash and cash equivalents	531,581	21,041
Cash and cash equivalents at beginning of the year	43,968	22,927
Cash and cash equivalents at end of the year (Note 9)	575,549	43,968

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

Note A - Significant non-cash transactions

The following were the significant non-cash transactions:

- (i) 16,595,221 (2008: 8,615,445) Units were issued as payment of management fees to the Manager, amounting to \$13,056,000 (2008: \$11,595,000); and
- (ii) In 2008, 3,992,451 Units were issued as payment of acquisition fee to the Manager amounting to \$9,415,000 in relation to the acquisition of the one-third interest in One Raffles Quay Pte Ltd in 2007.

Notes to the Financial Statements

For the financial year ended 31 December 2009

These notes form an integral part of the financial statements.

The financial statements of K-REIT Asia (the "Trust") and its subsidiary (the "Group") for the financial year ended 31 December 2009 were authorised for issue by the Manager on 18 February 2010.

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 #28-01, Equity Plaza, 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 consolidated financial statements of the Group 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 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.

(b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Trust and its subsidiary as at the balance sheet date. The financial statements of the subsidiary used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Trust. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

The subsidiary is consolidated from the date of acquisition, being the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

As there is no activity in the Trust's only subsidiary, K-REIT Asia MTN Pte. Ltd. since its incorporation, the accounts of the Group are the same as those of the Trust.

2. Summary of significant accounting policies (cont'd)**(c) Adoption of new and revised standards**

In the current period, the Group adopted the following new/revised FRSs that are effective for financial year beginning on or after 1 January 2009:

Reference	Description	Effective date (Annual periods beginning on or after)
FRS 1	Presentation of Financial Statements	1 January 2009
Amendment to FRS 18	Revenue	1 January 2009
Amendment to FRS 23	Borrowing Costs	1 January 2009
Amendment to FRS 32	Financial Instruments: Presentation – Amendments Relating to Puttable Financial Instruments	
	and Obligations Arising on Liquidation	1 January 2009
Amendments to FRS 101	First-time Adoption of Financial Reporting Standards and FRS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2009
Amendments to FRS 102	Share-based Payment – Vesting Conditions and Cancellations	1 January 2009
Amendments to FRS 107	Financial Instruments: Disclosures	1 January 2009
FRS 108	Operating Segments	1 January 2009
Amendment to FRS 109	Reassessment of Embedded Derivatives	1 January 2009
INT FRS 113	Customer Loyalty Programmes	1 January 2009
INT FRS 116	Hedges of a Net Investment in a Foreign Operation	1 January 2009
INT FRS 118	Transfer of Assets from Customers	1 January 2009
FRSs in 2008	Improvements to FRSs issued in 2008	1 January 2009

Adoption of these standards and interpretations did not have any effect of the financial performance or position of the Group. They did, however, give rise to additional disclosures.

(d) Future changes in accounting policies

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

Reference	Description	Effective date (Annual periods beginning on or after)
FRS 39 and INT FRS 109	Amendments to INT FRS 109 Reassessment of Embedded Derivatives and FRS 39 Financial Instruments: Recognition and Measurement – Embedded Derivatives	30 June 2009
FRS 39	Financial Instruments: Recognition and Measurement – Amendments relating to Eligible Hedged Items	1 July 2009
FRS 103	Business Combinations (Revised)	1 July 2009
FRS 27	Consolidated and Separate Financial Statements (Revised)	1 July 2009
–	Improvements to FRSs issued in 2009	1 January 2010
FRS 102	Share-based Payment – Group Cash-settled Share-based Payment Transactions	1 January 2010
FRS 32	Amendment to Financial Instruments: Presentation – Amendment Relating to Classification of Rights Issues	1 February 2010
FRS 24	Related Party Disclosures (Revised)	1 January 2011
INT FRS 114	FRS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – Amendments Relating to Prepayments of a Minimum Funding Requirements	1 January 2011
INT FRS 118	Transfers of Assets from Customers	1 July 2009
INT FRS 117	Distributions of Non-cash Assets to Owners	1 July 2009
INT FRS 119	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010

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

2. Summary of significant accounting policies (cont'd)

(e) 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 Group's accounting policies, reported amounts of assets, liabilities, incomes 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 Group'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. The determined fair value of the investment properties is most sensitive to the estimated yield as well as the long term vacancy rate.

Income taxes

The Group has not accounted for the deferred tax liability arising from the net gain in fair value 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 Group is not taxed on its distributable taxable income (refer to Note 2(u) Taxation). Where the terms or conditions are changed or have not been met, it will impact the deferred tax provision in those periods.

(f) Functional and foreign currency

(i) Functional currency

The Manager has determined the currency of the primary economic environment in which the Group 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 Group 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 statement of total return and comprehensive income.

(g) Investment properties

Investment properties are initially recorded at cost. Subsequent to recognition, investment properties are measured at fair value which reflects market conditions at the balance sheet date. Gains or losses arising from changes in the fair value of investment properties are included in the statement of total return and comprehensive income 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 gain or loss on the retirement or disposal of an investment property is recognised in the statement of total return and comprehensive income in the year of retirement or disposal.

(h) Subsidiaries

A subsidiary is an entity controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of the subsidiary are included in the consolidated financial statements of the Group from the date that control commences until the date that control ceases.

(i) Associated company

An associate is an entity in which the Group has significant influence. The associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate. The Group's investment in associate is accounted for using the equity method whereby the Group's share of profit or loss of the associated company is included in the statement of total return and comprehensive income and the Group'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 Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at each balance sheet whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the statement of total return and comprehensive income.

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

2. Summary of significant accounting policies (cont'd)

(j) 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. Changes in the expected useful life or the expected pattern of consumption of the future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of total return and comprehensive income in the expense category consistent with the function of the intangible asset.

Gains or loss arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of total return and comprehensive income when the asset is derecognised.

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.

(k) Impairment of non-financial assets

The carrying amounts of the Group'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. When the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount.

Impairment losses are recognised in the statement of total return and comprehensive income except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in the statement of total return and comprehensive income unless the asset is measured at revalued amount, in which case the reversal is treated as revaluation increase.

(l) Financial assets

Financial assets include cash and cash equivalents, trade and other receivables and advances to associated company (non-trade). Financial assets are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through the statement of total return and comprehensive income, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that has been recognised directly in equity is recognised in the statement of total return and comprehensive income.

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 rate method. Gains and losses are recognised in statement of total return and comprehensive income 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 Group 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.

(m) Financial liabilities

Financial liabilities include trade payables, which are normally settled on 30-90 day terms, other payables, payables to related parties and interest-bearing borrowings. Financial liabilities are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

Financial liabilities are initially recognised at fair value, plus directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised carrying cost using the effective interest rate method.

Gains and losses are recognised in the statement of total return and comprehensive income when the liabilities are derecognised as well as through the amortisation process.

2. Summary of significant accounting policies (cont'd)

(n) Impairment of financial assets

The Group 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 statement of total return and comprehensive income.

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 statement of total return and comprehensive income, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

(o) 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 statement of total return and comprehensive income.

(ii) Financial liabilities

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

(p) Units issued

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

(q) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are revised at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense.

(r) Leases – as lessor

Leases where the Group 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. The accounting policy for rental income is set out in Note 2(s)(i).

(s) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group 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 rate method.
- (iii) Dividend income
Dividend income is recognised when the Group's right to receive payment is established.
- (iv) Income support
Income support is recognised on accrual basis.

(t) 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 management fees 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.

2. Summary of significant accounting policies (cont'd)

(u) Taxation

Taxation on the profit for the year comprises current and deferred tax. Income tax is recognised in the statement of total return and comprehensive income except to the extent that it relates to items directly related to Unitholders' funds, in which case it is recognised in Unitholders' funds.

Current taxes are recognised in statement of total return and comprehensive income except to the extent that the tax relates to items recognised outside statement of total return and comprehensive income, either in other comprehensive income or directly in equity.

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.

The carrying amount of deferred tax assets is reviewed at each balance sheet and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be utilised.

Deferred income tax relating to items recognised outside the statement of total return and comprehensive income is recognised outside statement of total return and comprehensive income. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Subject to meeting the terms and conditions of the Tax Ruling issued by the IRAS, which includes a distribution of at least 90.0% of the taxable income, the Group is not taxed on the portion of its taxable income that is distributed. Any portion of the taxable income that is not distributed to Unitholders will be taxed on the Group 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 Group 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 Group 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 Group (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 Group'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 Group; and
- An agent bank who acted as nominee for individuals who have purchased Units in the Trust under the CPF 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 Group. Where the gains are capital gains, the Group 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 Group to the Unitholders out of tax-exempt income and taxed income would be exempt from Singapore income tax in the hands of all Unitholders, regardless of their corporate or residence status.

(v) Portfolio reporting

For the purpose of operating segments, the Group prepares financial information on a property by property basis. The properties are independently managed by the property managers who are responsible for the performance of the property under their charge. Discrete financial information is provided to the board on a property by property basis. The board regularly reviews this information in order to allocate resources to the property and to assess the property performance.

(w) Property held for sale

Property held for sale in an associate company is measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated costs necessary to make the sale. Initial direct cost incurred in negotiating an operating lease is included in the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as rental income.

3. Investment properties

	Group and Trust	
	2009 \$'000	2008 \$'000
At 1 January	1,117,000	1,110,000
Purchase of investment properties	107,690	-
Capital expenditure capitalised	3,620	-
Net (loss)/gain in fair value recognised in statement of total return and comprehensive income	<u>(65,510)</u>	<u>7,000</u>
At 31 December	<u>1,162,800</u>	<u>1,117,000</u>

Investment properties are stated at fair value, which has been determined based on valuations as at 31 December 2009 performed by registered independent valuer 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 valuer have used a weightage of direct comparison method, investment method and discounted cash flows analysis that makes reference to estimated market rental values and equivalent yields. The key assumptions used to determine the fair value of investment properties include market-corroborated capitalization yields, terminal yields and discount rates.

Certain investment properties amounting to \$1,038,300,000 (2008: \$1,117,000,000) have been mortgaged as security for credit facilities granted to the Trust (Note 11).

4. Investment in subsidiary

	Trust	
	2009 \$'000	2008 \$'000
Unquoted equity as cost	-*	-

* Being an amount is less than \$1,000.

Name	Effective equity interest held by the Trust		Country of incorporation/ place of business
	2009 %	2008 %	
K-REIT Asia MTN Pte. Ltd.	100.0	-	Singapore

The principal activity of K-REIT Asia MTN Pte. Ltd. ("KRMTN") is provision of treasury services which include the funding of the Trust using the proceeds from the issuance of notes under an unsecured multicurrency medium term programme.

KRMTN is unaudited as there is no statutory requirement for a dormant company to be audited.

5. Investment in associated company

	Group and Trust	
	2009 \$'000	2008 \$'000
Shares, at cost	510,025	510,025
Share of post-acquisition reserve	(5,732)	3,498
	504,293	513,523

The movement in share of post-acquisition reserve is as follows:

	Group and Trust	
	2009 \$'000	2008 \$'000
Balance as at 1 January		
Share of results of associated company	3,498	(510)
- Profits net of net change in fair value of investment property	8,208	10,687
- Net change in fair value of investment property held by associated company	(6,249)	4,089
	1,959	14,776
Dividend income	(11,189)	(10,768)
Balance as at 31 December	(5,732)	3,498

Details of the associated company are as follows:

Name	Effective equity interest held by the Trust		Country of incorporation/ Place of business	Principal activities
	2009 %	2008 %		
One Raffles Quay Pte Ltd	33.33	33.33	Singapore	Property development and investment

One Raffles Quay Pte Ltd is the owner of One Raffles Quay.

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

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

	2009 \$'000	2008 \$'000
Total assets	2,725,058	2,773,884
Total liabilities	1,250,602	1,271,737
Revenue	90,752	87,379
(Loss)/Profit	(3,703)	44,327
Total assets include property held for sale	593,268	596,460

6. Advances to associated company (non-trade)

Advances to the associated company are unsecured, not expected to be repaid within the next 12 months. The interest rate for the year ranged from 2.224% to 4.474% (2008: 1.934% to 3.206%) per annum and is repriced every quarter at a margin above the 3-month S\$ SWAP – offer rate.

7. Intangible asset

	Group and Trust	
	2009	2008
	\$'000	\$'000
Cost:		
At 1 January and 31 December	87,623	87,623
Accumulated amortisation and impairment:		
At 1 January	28,391	1,341
Amortisation expense charged to statement of total return and comprehensive income	26,634	27,050
At 31 December	55,025	28,391
Net carrying amount:		
At 31 December	32,598	59,232

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 2 years (2008: 3 years).

8. Trade and other receivables

	Group and Trust	
	2009	2008
	\$'000	\$'000
Trade receivables	621	175
Amounts due from related companies (trade)	5,278	6,323
Amounts due from associated company (non-trade)	3,499	2,760
Deposits	191	191
Interest receivable	239	59
Other receivables	458	17
	10,286	9,525

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 11).

9. Cash and cash equivalents

	Group and Trust	
	2009 \$'000	2008 \$'000
Cash at banks and in hand	3,975	2,918
Fixed deposits with a related company	571,574	41,050
	<u>575,549</u>	<u>43,968</u>

Cash at banks earn interest at floating rates based on daily bank deposit rates ranging from 0% to 0.21% (2008: 0.215% to 1.175%) per annum. Short-term deposits are made for varying periods of between 1 day and 130 days depending on the immediate cash requirements of the Group, and earn interests at the respective short-term deposit rates. The interest rates of short-term deposits range from 0.01% to 0.96% (2008: 0.16% to 1.75%) per annum.

Certain cash and cash equivalents amounting to \$23,783,000 (2008: \$43,968,000) are charged or assigned by way of security for credit facilities granted to the Trust (Note 11).

10. Trade and other payables – Current

	Group and Trust	
	2009 \$'000	2008 \$'000
Trade payables	1,432	1,610
Accrued expenses	5,353	2,535
Accrued purchase consideration	706	623
Amounts due to related companies		
- trade	4,007	3,518
- non-trade	11,294	3,511
Other deposits	338	98
Interest payable	307	307
	<u>23,437</u>	<u>12,202</u>

Included in accrued expenses is an amount due to the Trustee of \$78,000 (2008: \$79,000).

Included in the amounts due to related companies is an amount due to the Property Manager of \$573,000 (2008: \$176,000) and an amount due to the Manager of \$3,416,000 (2008: \$3,335,000).

Amounts due to related companies are unsecured, interest-free, repayable on demand and are to be settled in cash or Units (Note 1 (a) & (b)).

Trade and other payables – Non-Current

	Group and Trust	
	2009 \$'000	2008 \$'000
Other deposit	5,000	-
	<u>5,000</u>	<u>-</u>

The other deposit included in the trade and other payable (non-current) is a rental income support received in advance from the vendor for the acquisition of six strata floors of Prudential Tower.

11. Long-term borrowings

	Group and Trust	
	2009	2008
	\$'000	\$'000
Term loans (secured)	189,764	189,524
Revolving loan facility (unsecured)	389,175	387,611
	578,939	577,135
Maturity of loan		
After 1 year but within 5 years	578,939	577,135
Percentage to net asset value	28.9	38.8

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 \$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 (44.4%), 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% (2008: 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 (Note 9);
- 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
- iv. a fixed and floating charge over certain assets of the Trust relating to the Properties (Note 8).

Blossom Assets has established a \$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 \$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.

In September 2008, K-REIT Asia has put in place a revolving loan facility of \$391,000,000 from Kephinance for a period of thirty months commencing from 10 September 2008 and thereafter renewable on terms, including a new maturity date to be agreed between the parties. As at 31 December 2009, the amount outstanding was \$389,175,000.

The revolving loan is due on 10 March 2011 and the floating interest rate of borrowing was 3.949% (2008: 2.016% to 3.949%) per annum and are repriced every roll-over period.

The weighted average all-in funding cost including margin charged on the loans and amortised upfront costs is 4.23% (2008: 3.19%) per annum.

12. Units in issue

	Trust	
	2009	2008
	\$'000	\$'000
At 1 January	652,724	247,184
Issue of Units:		
- payment of management fees in Units	16,595	8,615
- rights issue	666,704	396,925
At 31 December	1,336,023	652,724

During the year, there were the following issues of Units:

- 16,595,221 (2008: 8,615,445) Units were issued at unit prices range between \$0.5631 - \$1.2133 (2008: \$0.9904 - \$2.1883) as payment of management fees; and
- 666,703,965 (2008: 396,925,192) Units were issued at the issue price of \$0.93 (2008: \$1.39) per Unit pursuant to a rights issue.

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 Group in the event that the liabilities of the Group exceed its assets, if the issue price of the Units held by that Unitholder has been fully paid.

13. Gross revenue

	Group and Trust	
	2009 \$'000	2008 \$'000
Gross rental income	61,826	51,632
Car park income	882	969
Others	103	45
	<u>62,811</u>	<u>52,646</u>

14. Property expenses

	Group and Trust	
	2009 \$'000	2008 \$'000
Property tax	4,649	3,355
Property management fee	1,884	1,579
Property management salary reimbursements	983	1,015
Marketing expenses	807	1,200
Utilities	1,585	2,030
Maintenance	3,990	3,735
Other property expenses	33	73
	<u>13,931</u>	<u>12,987</u>

15. 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.

16. Manager's management fees

All the Manager's management fees are paid in Units during the financial year.

17. Trust expenses

	Group and Trust	
	2009 \$'000	2008 \$'000
Trustee's fees	309	344
Auditors' remuneration	84	93
Professional fees	222	152
Fund raising expenses	126	487
Other trust expenses	79	252
	<u>820</u>	<u>1,328</u>

18. Borrowing costs

	Group and Trust	
	2009 \$'000	2008 \$'000
Interest expense		
- on term loans	7,468	7,488
- on revolving loan/bridge loan from a related company	15,520	15,330
Amortisation of transaction costs capitalised	1,804	762
	<u>24,792</u>	<u>23,580</u>

19. Net change in fair value of investment properties

	Group and Trust	
	2009 \$'000	2008 \$'000
Investment properties held directly by the Trust	(65,510)	7,000
Investment properties held by associated company	(6,249)	4,089
	<u>(71,759)</u>	<u>11,089</u>

20. Income tax expense

	Group and Trust	
	2009	2008
	\$'000	\$'000
Reconciliation of effective tax rate:		
Total return before tax	(44,143)	30,378
Income tax using Singapore tax rate of 17% (2008: 18%)	(7,504)	5,468
Non-tax deductible items	7,089	7,509
Net change in fair value of investment properties	12,199	(1,260)
Share of results of associated company	(1,396)	(2,660)
Over provision in respect of previous year	(370)	-
Tax transparency	(8,242)	(6,147)
Income tax expense recognised in statement of total return and comprehensive income	1,776	2,910

The corporate income tax rate applicable to Singapore companies of the Group was reduced to 17% for the year of assessment 2010 onwards from 18% for year of assessment 2009.

21. Earnings per unit

The basic earnings per unit is calculated by dividing the total return after tax and the weighted average number of units during the financial year.

	Group and Trust	
	2009	2008
	\$'000	\$'000
Total return after tax	(45,919)	27,468
Total return after tax and excluding net change in fair value of investment properties	25,840	16,380
	'000	'000
Weighted average number of units in issue during the financial year	811,217	576,390
Basic earnings per unit based on:		
Total return after tax	(5.66) cents	4.77 cents
Total return after tax and excluding net change in fair value of investment properties	3.19 cents	2.84 cents

The basic earnings per unit is adjusted to account for the effect of the rights issue as mentioned in Note 12.

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.

22. Significant related party transactions

For the purposes of these financial statements, parties are considered to be related to the Group if the Group 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 Group 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 Group, 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:

	Group and Trust	
	2009 \$'000	2008 \$'000
Manager's management fees paid/payable to the Manager	13,082	12,967
Acquisition fee paid to the Manager	1,063	-
Trustee's fees paid/payable to the Trustee	309	344
Property management fees and reimbursable paid/ payable to a related company	2,830	2,597
Leasing commissions paid/payable to a related company	671	1,116
Rental income and other related income from related companies	3,321	3,240
Interest on revolving/bridging loan paid to a related company	15,520	15,330
Interest income received/receivable from associated company of the Trust	12,502	8,799
Interest income received/receivable from a related company	322	-
Income support received from Boulevard Development Pte Ltd	23,011	24,799

23. Financial risk management objectives and policies

The Group is exposed to credit, interest rate, liquidity and operational risks in the normal course of the Group's business. Assessment of financial risks is carried out regularly by the Manager. The Group 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.

The Manager believes that good risk management practices and strong internal controls are critical components to K-REIT Asia's business. As such, the Manager reviews K-REIT Asia's risks constantly and pro-actively carries out initiatives to mitigate them. Some of the key risks that the Manager has identified are as follows:

(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 Group as and when they fall due.

Prior to signing any major lease agreements, credit assessments on the prospective tenants will be carried out. This is usually done by way of evaluating information from corporate searches. In addition, security deposits as a multiple of monthly rents are also collected from tenants. Furthermore, the property portfolio's tenant trade sector mix is also actively managed to avoid excessive exposure to any one potentially volatile trade sector.

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 Group'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 76.6% (2008: 94.1%) of the Group'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 and advances to associated company (non-trade) 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 Group's exposure to changes in interest rates relates primarily to interest-earning financial assets and interest-bearing financial liabilities.

Interest rate risks are managed on an on-going basis through the use of appropriate term facilities and floating positions. In addition, the interest rate environment is also closely monitored so as to identify opportunities to refinance higher cost debt where and when appropriate.

The Group 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 Notes 6, 9, and 11 respectively.

Sensitivity analysis

At the balance sheet date, if Singapore dollars interest rates had been 75 (2008: 75) basis points lower/ higher with all other variables constant, the Group's total return before tax would have been \$2,881,000 (2008: \$2,556,000) 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

K-REIT Asia's cash flow position and working capital are monitored closely to ensure that there are adequate liquid reserves in terms of cash and credit facilities to meet short-term obligations. Furthermore, all essential funding requirements are planned early in advance so as to manage cash position at any point of time more effectively.

The table below summarises the maturity profile and financial liabilities of the Group and Trust at the balance sheet date.

Group and Trust	2009			2008		
	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	23,437	5,000	28,437	12,202	-	12,202
Security deposits	4,603	11,835	16,438	3,602	10,082	13,684
Borrowings	-	578,939	578,939	-	577,135	577,135
	28,040	595,774	623,814	15,804	587,217	603,021

24. Capital management

The primary objective of the Group'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 Group has been assigned a first-time corporate rating of "Baa3" on 10 December 2007 by Moody's Investor Services. The Group has complied with this requirement for the financial years ended 31 December 2009 and 2008.

The Group's capital is represented by its Unitholders' fund as disclosed in the balance sheet. The Group 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 Group has gross borrowings totalling \$581,085,000 (2008: \$581,085,000) and an aggregate leverage of 27.7% (2008: 27.6%).

25. Financial instrumentsFair 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 Group's financial instrument that are carried in the financial statements at other than fair values as at 31 December 2009:

Group and Trust	Carrying Value \$'000	Fair Value \$'000
Financial liabilities		
Long-term borrowings (secured)	189,764	191,337
Long-term borrowings (unsecured)	389,175	406,327
Security deposit (non-current)	11,835	9,436
Other deposit	5,000	3,847

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.

26. Portfolio reporting

The Group'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.

Discrete financial information is provided to the Board on a property by property basis. This information provided is net rental (including property income and property expenses) and the value of the deposited property. The Board is of the view that the portfolio reporting is appropriate as the Group's business is in prime commercial properties located in the Singapore Central Business District area.

Investment in One Raffles Quay is held through a one third interest in One Raffles Quay Pte Ltd ("ORQPL") and the information provided is those in relation to the property.

Property income	2009 \$'000	2008 \$'000
Prudential Tower Property ¹	13,429	10,475
Keppel Towers and GE Tower	29,506	25,666
Bugis Junction Towers	19,876	16,505
Total property income	62,811	52,646

Income contribution	2009 \$'000	2008 \$'000
Prudential Tower Property ¹	11,013	8,270
Keppel Towers and GE Tower	22,077	18,942
Bugis Junction Towers	15,790	12,447
Total net property income	48,880	39,659
One-third interest in ORQPL:		
- Income support	23,011	24,799
- Interest income	12,502	8,799
- Dividend income	11,189	10,768
Total income from one-third interest in ORQPL	46,702	44,366
Total income contribution	95,582	84,025
Investment in properties, at valuation	2009 \$'000	2008 \$'000
Prudential Tower Property ¹	325,100	224,000
Keppel Towers and GE Tower	540,700	580,000
Bugis Junction Towers	297,000	313,000
Total value of deposited properties	1,162,800	1,117,000
One-third interest in ORQPL	2009 \$'000	2008 \$'000
Investment in associated company	504,293	513,523
Advances to associated company	344,946	348,946
Intangible asset	32,598	59,232
	881,837	921,701

¹ Comprise approximately 73.4% (2008: 44.4%) of the strata area in Prudential Tower.

27. Commitments**(a) Operating lease commitments – as lessor**

The Group leases out its investment properties. Non-cancellable operating lease rentals are receivable as follows:

	Group and Trust	
	2009	2008
	\$'000	\$'000
Within 1 year	61,423	55,294
Between 2 and 5 years	66,037	80,455
Between 5 and 10 years	316	-
	127,776	135,749

(b) Capital commitments

Capital expenditure contracted for as at the balance sheet date but not recognised in the financial statements is as follows:

	Group and Trust	
	2009	2008
	\$'000	\$'000
Capital commitment in respect of investment properties	2,654	-

28. Financial ratios

	2009	2008
	%	%
Expenses to weighted average net assets ¹		
- including performance component of Manager's management fees	0.90	1.11
- excluding performance component of Manager's management fees	0.72	0.92
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.

29. Comparative figures

The following comparative amounts for the Group as at 31 December 2008 have been reclassified to conform to current year presentation:

	As previously reported \$'000	As reclassified \$'000
<u>Statement of total return and comprehensive income</u>		
Share of results of associated company	4,089	-
Net change in fair value of investment properties	-	4,089
<u>Trust expenses</u>		
Fund raising expenses	542	487
Other trust expenses	197	252

30. Subsequent events

- (a) On 20 January 2010, the Manager declared a distribution of \$37,057,000 for period from 1 July 2009 to 31 December 2009.
- (b) On 29 January 2010, the Trust issued 3,108,946 new Units as payment of management fees for the period from 1 October 2009 to 31 December 2009. The issue price was based on the volume-weighted average traded price for all trades completed on the SGX-ST in the ordinary course of trading for the 10 business days immediately preceding the date of the issue of the units.
- (c) On 30 January 2010, RBC Dexia Trust Services Singapore Limited, in its capacity as trustee of K-REIT Asia, has through Permanent Investment Management Limited, in its capacity as trustee of K-REIT Asia (Australia) Trust¹, entered into a contract for commercial land and buildings with Trust Company Fiduciary Services Limited in its capacity as trustee of Northbank Trust, for the acquisition of 50% interest in 275 George Street, Brisbane, Australia (the "Acquisition") for a purchase consideration of A\$166.0 million.
- (d) RBC Dexia Trust Services Singapore Limited, in its capacity as trustee of K-REIT Asia, has incorporated K-REIT Asia (Australia) Pte. Ltd. and K-REIT Asia (Bermuda) Limited, the wholly-owned subsidiaries for the purpose of the Acquisition on 25 January 2010 and 26 January 2010 respectively.

¹ A trust newly constituted in Australia which is wholly-owned by K-REIT Asia.

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 Land Limited and its subsidiaries or associates	
- Manager's management fees	13,082
- Acquisition fee	1,063
- Property management fees and reimbursables	2,830
- Leasing commissions	671
- Income support	23,011
Keppel Corporation Limited and its subsidiaries or associates	
- Deposits and interest income ¹	571,896
- Rental and service charge income ²	239
RBC Dexia Trust Services Singapore Limited	
- Trustee's fees	309

¹ Being part of Keppel Corporation Group, K-REIT Asia made use of its Group Treasury to place deposits with Kephinace Investment Pte Ltd ("KIPL") at market interest rates. As at 31 December 2009, approximately \$571.6 million was placed as deposits with KIPL at market interest rates ("Placements"). KIPL is a wholly-owned subsidiary of Keppel Corporation Limited (which is a controlling unitholder of K-REIT Asia), and is considered, for the purpose of the Placements, to be an interested person under the Listing Manual of Singapore Exchange Securities Trading Limited. The aggregate value of the interest income was less than 5% of the latest audited net tangible assets of K-REIT Asia as at 31 December 2008 ("2008 NTA") but the aggregate value of the Placements and the interest income exceeded 5% of 2008 NTA, resulting in an inadvertent breach of Rules 905(2) and 906(1) of the Listing Manual of Singapore Exchange Securities Trading Limited. Upon becoming aware of the matter, the Placements were deposited with external financial institutions at market interest rates on 15 January 2010.

The Audit Committee of the Manager has reviewed the matter and is of the view that in depositing the Placements with KIPL prior to 15 January 2010, K-REIT Asia was no worse off financially than it would have been if it had deposited the Placements with external financial institutions, and is of the view that the matter has been resolved in an expeditious and satisfactory manner.

² The aggregate value of interested person transactions refers to the total contract sum entered into during the respective financial periods.

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 22 in the financial statements.

Subscription of K-REIT Asia Units

During the financial year ended 31 December 2009, K-REIT Asia issued 16,595,221 new Units as payment of management fees and 666,703,965 new Units pursuant to a rights issue exercise. As at 31 December 2009, an aggregate of 1,336,023,351 Units were in issue and outstanding.

Notice of Annual General Meeting

K-REITasia

(Constituted in the Republic of Singapore pursuant to a trust deed dated 28 November 2005 (as amended))

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("**AGM**") of the unitholders of K-REIT Asia ("**K-REIT**") will be held at InterContinental Singapore, Ballrooms 2 and 3, Level 2, 80 Middle Road, Singapore 188966 on 20 April 2010 at 3.00 p.m. to transact the following business:

(A) AS ORDINARY BUSINESS

1. To receive and adopt the Report of the Trustee, the Statement by the Manager and the Audited Financial Statements of K-REIT for the year ended 31 December 2009 and the Auditors' Report thereon.
(Ordinary Resolution 1)
2. To re-appoint Messrs Ernst & Young as the Auditors of K-REIT and to hold office until the conclusion of the next AGM of K-REIT, and to authorise K-REIT Asia Management Limited, as manager of K-REIT (the "**Manager**"), to fix their remuneration. **(Ordinary Resolution 2)**

(B) AS SPECIAL BUSINESS

To consider and, if thought fit, to pass with or without any modifications, the following resolutions as Ordinary Resolutions:

3. That authority be and is hereby given to the Manager, to
 - (a) (i) issue units in K-REIT ("**Units**") whether by way of rights, bonus or otherwise, and including any capitalisation of any sum for the time being standing to the credit of any of K-REIT's reserve accounts or any sum standing to the credit of the profit and loss account or otherwise available for distribution; and/or
 - (ii) make or grant offers, agreements or options that might or would require Units to be issued, including but not limited to the creation and issue of (as well as adjustments to) securities, warrants, options, debentures or other instruments convertible into Units (collectively, "**Instruments**"),

at any time and upon such terms and conditions and for such purposes and to such persons as the Manager may in its absolute discretion deem fit; and
- (b) issue Units in pursuance of any Instrument made or granted by the Manager while this Resolution was in force (notwithstanding that the authority conferred by this Resolution may have ceased to be in force),

provided that:

- (1) the aggregate number of Units to be issued pursuant to this Resolution (including Units to be issued in pursuance of Instruments made or granted pursuant to this Resolution and any adjustment effected under any relevant Instrument):
 - (a) (until 31 December 2010 or such later date as may be determined by Singapore Exchange Securities Trading Limited (the “**SGX-ST**”)) by way of renounceable rights issues on a *pro rata* basis to holders of Units (“**Unitholders**”) (such renounceable rights issues as authorised by this sub-paragraph (1)(a), “**Renounceable Rights Issues**”) shall not exceed one hundred per cent. (100%) of the total number of issued Units (excluding treasury Units, if any) (as calculated in accordance with sub-paragraph (3) below); and
 - (b) otherwise than by way of Renounceable Rights Issues (“**Other Unit Issues**”) shall not exceed fifty per cent. (50%) of the total number of issued Units (excluding treasury Units, if any) (as calculated in accordance with sub-paragraph (3) below), of which the aggregate number of Units to be issued other than on a *pro rata* basis to Unitholders shall not exceed twenty per cent. (20%) of the total number of issued Units (excluding treasury Units, if any) (as calculated in accordance with sub-paragraph (3) below);
- (2) the Units to be issued under the Renounceable Rights Issues and Other Unit Issues shall not, in aggregate, exceed one hundred per cent. (100%) of the total number of issued Units (excluding treasury Units, if any) (as calculated in accordance with sub-paragraph (3) below);
- (3) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Units that may be issued under sub-paragraphs (1)(a) and (1)(b) above, the percentage of issued Units shall be calculated based on the total number of issued Units (excluding treasury Units, if any) at the time this Resolution is passed, after adjusting for:
 - (a) any new Units arising from the conversion or exercise of any Instruments which are outstanding or subsisting at the time this Resolution is passed; and
 - (b) any subsequent bonus issue, consolidation or subdivision of Units;
- (4) in exercising the authority conferred by this Resolution, the Manager shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the trust deed constituting K-REIT (as amended) (the “**Trust Deed**”) for the time being in force (unless otherwise exempted or waived by the Monetary Authority of Singapore);
- (5) (unless revoked or varied by the Unitholders in a general meeting) the authority conferred by this Resolution shall continue in force until (i) the conclusion of the next AGM of K-REIT or (ii) the date by which the next AGM of K-REIT is required by law to be held, whichever is earlier;
- (6) where the terms of the issue of the Instruments provide for adjustment to the number of Instruments or Units into which the Instruments may be converted, in the event of rights, bonus or other capitalisation issues or any other events, the Manager is authorised to issue additional Instruments or Units pursuant to such adjustment notwithstanding that the authority conferred by this Resolution may have ceased to be in force at the time the Instruments are issued; and

Notice of Annual General Meeting


- (7) the Manager and RBC Dexia Trust Services Singapore Limited, as trustee of K-REIT (the “Trustee”) be and are hereby severally authorised to complete and do all such acts and things (including without limitation, executing all such documents as may be required) as the Manager or, as the case may be, the Trustee may consider necessary, expedient, incidental or in the interest of K-REIT to give effect to the transactions contemplated and/or authorised by this Resolution.
(Please see Explanatory Notes) **(Ordinary Resolution 3)**

4. That, subject to and pursuant to the Unit issue mandate in Resolution 3 above being obtained, authority be and is hereby given to the Manager fix the issue price for new Units that may be issued other than on a *pro-rata* basis to Unitholders at an issue price per new Unit which shall be determined by the Manager in its absolute discretion provided that such price shall not represent more than a 20% discount for new Units to the weighted average price per Unit determined in accordance with the requirements of the SGX-ST, until 31 December 2010 or such later date as may be determined by the SGX-ST.
(Please see Explanatory Notes) **(Ordinary Resolution 4)**

(C) AS OTHER BUSINESS

5. To transact such other business as may be transacted at an AGM.

By Order of the Board
K-REIT Asia Management Limited
(Company Registration No. 200411357K)
As manager of K-REIT Asia



Choo Chin Teck
Joint Company Secretaries
Singapore



Jacqueline Ng

30 March 2010

Explanatory notes:

1. Ordinary Resolution 3

The Ordinary Resolution 3 above, if passed, will empower the Manager from the date of the AGM until (i) the conclusion of the next AGM of K-REIT or (ii) the date by which the next AGM of K-REIT is required by law to be held, whichever is earlier, to issue Units and to make or grant instruments (such as securities, warrants, options or debentures) convertible into Units and issue Units pursuant to such instruments, up to a number not exceeding (a) 100% of the total number of issued Units (excluding treasury Units, if any) for Renounceable Rights Issues and (b) 50% of the total number of issued Units (excluding treasury Units, if any) for Other Unit Issues of which up to 20% may be issued other than on a *pro rata* basis to Unitholders, provided that the total number of Units which may be issued pursuant to (a) and (b) shall not exceed 100% of the total number of issued Units (excluding treasury Units, if any).

The Ordinary Resolution 3 above, if passed, will empower the Manager from the date of this AGM until the date of the next AGM of K-REIT, to issue Units as either full or partial payment of fees which the Manager is entitled to receive for its own account pursuant to the Trust Deed.

For determining the aggregate number of Units that may be issued, the percentage of issued Units will be calculated based on the total number of issued Units at the time the Ordinary Resolution 3 above is passed, after adjusting for new Units arising from the conversion or exercise of any Instruments which are outstanding or subsisting at the time this Resolution is passed and any subsequent bonus issue, consolidation or subdivision of Units.

The authority for the issue of up to 100% of the total number of issued Units (excluding treasury Units, if any) under a Renounceable Rights Issue ("**100% Renounceable Rights Issue**") is proposed pursuant to the SGX news release of 19 February 2009 which introduced certain measures to accelerate and facilitate listed issuers' fund raising efforts (the "**SGX News Release**"), which permits the authority for 100% Renounceable Rights Issue to be effective until 31 December 2010. The effectiveness of this measure will be reviewed by the SGX-ST at the end of the period.

Fund raising by issuance of new Units may be required in instances of property acquisitions or debt repayments. In any event, if the approval of Unitholders is required under the Listing Manual of the SGX-ST and the Trust Deed or any applicable laws and regulations in such instances, the Manager will then obtain the approval of Unitholders accordingly.

2. Ordinary Resolution 4

The Ordinary Resolution 4 above, if passed, will authorise the Manager to fix the issue price for new Units that may be issued other than on a *pro rata* basis to Unitholders at an issue price per new Unit which shall be determined by the Manager in its absolute discretion provided that such price shall not represent more than a 20% discount for new Units to the weighted average price per Unit determined in accordance with the requirements of the SGX-ST.

This Resolution is proposed pursuant to the SGX News Release, which permits this authority to be effective until 31 December 2010. The effectiveness of this measure will be reviewed by the SGX-ST at the end of the period.

Without Ordinary Resolution 4, under the Listing Manual of the SGX-ST, the Manager may only fix the issue price for Units that are issued by way of placement on a non *pro rata* basis pursuant to Other Unit Issues referred to in Ordinary Resolution 3 above at a discount not exceeding 10% of the weighted average price per Unit determined in accordance with the requirements of the SGX-ST.

Important Notice:

1. A Unitholder entitled to attend and vote at the AGM is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy need not be a Unitholder.
2. The instrument appointing a proxy must be lodged at the Manager's registered office at 1 HarbourFront Avenue, #18-01 Keppel Bay Tower, Singapore 098632 not later than 18 April 2010 at 3.00 p.m., being 48 hours before the time fixed for the AGM.

Proxy Form

K-REITasia

(Constituted in the Republic of Singapore pursuant to a trust deed dated 28 November 2005 (as amended))

IMPORTANT:

- For investors who have used their CPF monies to buy units in K-REIT Asia, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
- This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or is purported to be used by them.
- PLEASE READ THE NOTES TO THE PROXY FORM.**

Annual General Meeting

I / We _____ (Name)

of _____ (Address)

being a unitholder/unitholders K-REIT Asia, hereby appoint:

Name	Address	NRIC/ Passport Number	Proportion of Unitholdings	
			No. of Units	%

and / or (delete as appropriate)

Name	Address	NRIC/ Passport Number	Proportion of Unitholdings	
			No. of Units	%

as my/our proxy/proxies to attend and to vote for me/us on my/our behalf and if necessary, to demand a poll, at the Annual General Meeting of K-REIT Asia to be held at InterContinental Singapore, Ballrooms 2 and 3, Level 2, 80 Middle Road, Singapore 188966 on 20 April 2010 at 3.00 p.m., and any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the resolution to be proposed at the Annual General Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the Annual General Meeting.

No.	Resolution	To be used on a show of hands		To be used in the event of a poll	
		For*	Against*	Number of Votes for**	Number of Votes against**
ORDINARY BUSINESS					
1.	Adoption of the Trustee's Report, the Manager's Statement, the Audited Financial Statements of K-REIT Asia for the year ended 31 December 2009 and the Auditors' Report thereon				
2.	Re-appointment of Auditors and authorisation of the Manager to fix the Auditors' remuneration				
SPECIAL BUSINESS					
3.	Authority to issue Units and to make or grant convertible instruments				
4.	Authority to fix the issue price for new Units that may be issued other than on a <i>pro-rata</i> basis to Unitholders at an issue price per new Unit which represents not more than a 20% discount to the weighted average price per Unit (available up to 31 December 2010)				
OTHER BUSINESS					
5.	Transaction of such other business as may be transacted at an AGM				

* Please indicate your vote "For" or "Against" with a tick (✓) within the box provided.

** If you wish to exercise all your votes "For" or "Against", please tick (✓) within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this _____ day of _____ 2010

Signature(s) or Common Seal of Unitholder(s)

Total Number of Units Held

--

IMPORTANT: Please read the notes overleaf before completing this Proxy Form.

Notes for Proxy Form

1. A Unitholder of K-REIT Asia ("**Unitholder**") entitled to attend and vote at the Annual General Meeting is entitled to appoint one or two proxies to attend and vote in his stead.
2. Where a Unitholder appoints more than one proxy, the appointments shall be invalid unless he specifies the proportion of his holding (expressed as a percentage of the whole) to be represented by each proxy.
3. A proxy need not be a Unitholder.
4. A Unitholder should insert the total number of Units held. If the Unitholder has Units entered against his name in the Depository Register maintained by The Central Depository (Pte) Limited ("**CDP**"), he should insert that number of Units. If the Unitholder has Units registered in his name in the Register of Unitholders of K-REIT Asia, he should insert that number of Units. If the Unitholder has Units entered against his name in the said Depository Register and registered in his name in the Register of Unitholders, he should insert the aggregate number of Units. If no number is inserted, this form of proxy will be deemed to relate to all the Units held by the Unitholder.
5. The instrument appointing a proxy or proxies (the "**Proxy Form**") must be deposited at the Manager's registered office at 1 HarbourFront Avenue, #18-01 Keppel Bay Tower, Singapore 098632, not less than 48 hours before the time set for the Annual General Meeting.
6. The Proxy Form must be executed under the hand of the appointor or of his attorney duly authorised in writing. Where the Proxy Form is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.

Fold along this line (1)

Affix
Postage
Stamp

The Company Secretary
K-REIT Asia Management Limited
(As manager of K-REIT Asia)
1 HarbourFront Avenue, #18-01
Keppel Bay Tower
Singapore 098632

Fold along this line (2)

7. Where the Proxy Form is signed on behalf of the appointor by an attorney, the power of attorney or a duly certified copy thereof must (failing previous registration with the Manager) be lodged with the Proxy Form, failing which the Proxy Form may be treated as invalid.
8. The Manager shall be entitled to reject a Proxy Form which is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the Proxy Form. In addition, in the case of Units entered in the Depository Register, the Manager may reject a Proxy Form if the Unitholder, being the appointor, is not shown to have Units entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Annual General Meeting, as certified by CDP to the Manager.
9. All Unitholders will be bound by the outcome of the Annual General Meeting regardless of whether they have attended or voted at the Annual General Meeting.
10. At any meeting, a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded by the Chairman or by five or more Unitholders present in person or by proxy and holding or representing one-tenth in value of the Units represented at the meeting. Unless a poll is so demanded, a declaration by the Chairman that such a resolution has been carried or carried unanimously or by a particular majority or lost shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.
11. On a show of hands, every Unitholder who (being an individual) is present in person or by proxy or (being a corporation) is present by one of its officers as its proxy shall have one vote. On a poll, every Unitholder who is present in person or by proxy shall have one vote for every Unit of which he is the Unitholder. A person entitled to more than one vote need not use all his votes or cast them the same way.

This annual report is printed on Meridien Brilliance, Eco-Frontier and Excel Satin. These papers are environmentally-friendly and are produced with a minimum content of 51% recycled paper.

Edited and Compiled by
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Designed by
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