



Building Strengths

Defining Distinction

Fortifying Core Competencies  Delivering Sustainable Growth

To be a successful commercial real estate investment trust with a sterling portfolio of assets pan-Asia.

To deliver stable and sustainable returns to Unitholders by continually enhancing our assets and expanding our portfolio.

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Financial Highlights

Statement of Total Return and Comprehensive Income

for the financial year ended 31 December

	2010 \$'000	2009 \$'000	Change %
Property income	84,559	62,811	34.6
Net property income	67,305	48,880	37.7
Share of results of associated companies	9,695	8,208	18.1
Interest income and income support ¹	38,418	35,856	7.1
Distributable income	85,631	70,519	21.4

Balance Sheet

as at 31 December

	2010 \$'000	2009 \$'000	Change %
Total assets	3,115,923	2,631,639	18.4
Total liabilities	1,060,372	628,987	68.6
Unitholders' funds	2,055,551	2,002,652	2.6
Total borrowings (gross)	1,289,932	581,085	122.0
Value of deposited properties	3,487,634	2,097,700	66.3
Market capitalisation ²	1,911,825	1,469,625	30.1
Net asset value per unit (\$) ³	1.52	1.50	1.3
Adjusted net asset value per unit (\$) – excluding distributable income	1.48	1.47	0.7

Financial Ratios

	2010	2009	Change %
Distribution per unit (DPU) (cents)	6.37⁴	5.28 ⁵	20.6
Distribution yield (%) ²	4.5	4.8	(6.3)
Aggregate leverage (%)	37.0	27.7	33.6
EBITDA interest coverage ratio (times) ⁶	5.59	3.19	75.2
All-in interest rate (%)	3.37	4.23	(20.3)
Management expense ratio (%)	1.05	0.90	16.7

¹ Income support in 2010 comprised income support for the 29% interest in Prudential Tower, 50% interest in 275 George Street and respective one-third interest in One Raffles Quay Pte Ltd (ORQPL) and BFC Development Pte. Ltd. Income support in 2009 comprised income support for the one-third interest in ORQPL.

² Based on closing unit price as at the last trading day for the financial year.

³ Includes distributable income.

⁴ The actual DPU paid out for FY2010 amounted to 6.35 cents as a result of the enlarged unit base as at end-2010.

⁵ Restated taking into account the effects of the rights issue completed in November 2009.

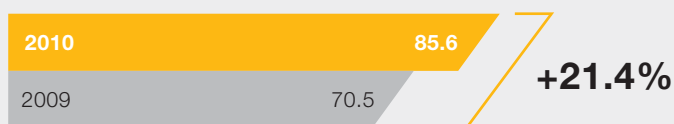
⁶ EBITDA interest coverage: Ratio of profit before interest expense, tax, depreciation and amortisation to interest expense.

Key Figures 2010

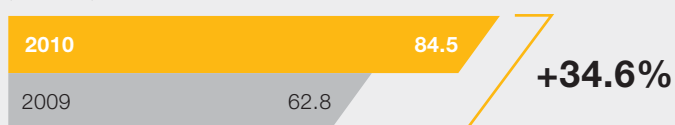
K-REIT Asia continues to deliver on our promise of generating stable and growing returns to our Unitholders.

Moving into the future, we will continue to fortify our fundamentals to achieve sustainable growth.

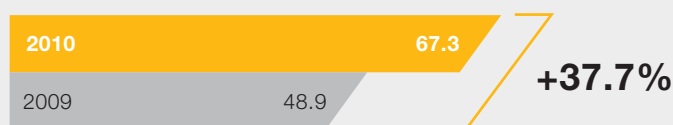
Distributable Income (\$ million)



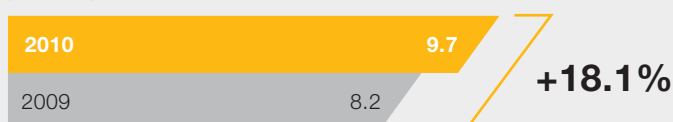
Property Income (\$ million)



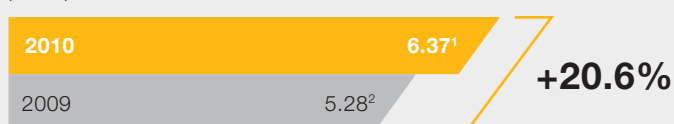
Net Property Income (\$ million)



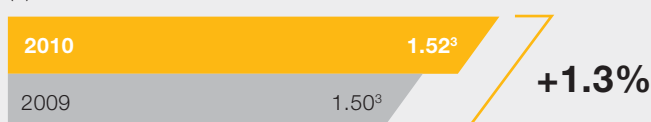
Share of Results of Associated Companies (\$ million)



Distribution Per Unit (cents)



NAV Per Unit as at 31 December (\$)



¹ The DPU payout for FY2010 amounted to 6.35 cents as a result of the enlarged unit base as at end-2010.

² Restated taking into account the effect of the rights issue completed in November 2009.

³ Including distributable income.

Quarterly Results

	Quarter 1		Quarter 2		Quarter 3		Quarter 4		Total Year
	\$'000	%	\$'000	%	\$'000	%	\$'000	%	\$'000
Distributable income									
2010	17,825	21	21,978	26	22,673	26	23,155	27	85,631
2009	15,658	22	17,496	25	17,965	25	19,400	28	70,519
Property income									
2010	18,210	22	23,230	27	21,759	26	21,360	25	84,559
2009	14,785	24	15,357	24	15,654	25	17,015	27	62,811
Net property income									
2010	13,888	21	18,393	27	17,519	26	17,505	26	67,305
2009	10,820	22	12,316	25	12,303	25	13,441	28	48,880
Share of results of associated companies									
2010	2,092	22	2,378	24	1,942	20	3,283	34	9,695
2009	3,173	39	933	11	2,809	34	1,293	16	8,208
Distribution Per Unit (DPU)									
cents	For the Period	Annual-ised	For the Period	Annual-ised	For the Period	Annual-ised	For the Period	Annual-ised	
2010	1.33	5.39	1.64	6.58	1.69	6.70	1.71	6.78	6.37¹
2009 ²	1.18	4.79	1.30	5.29	1.35	5.36	1.45	5.75	5.28

¹ The DPU payout for FY2010 amounted to 6.35 cents as a result of the enlarged unit base as at end-2010.

² Restated taking into account the effect of the rights issue completed in November 2009.



K-REIT Asia is a commercial real estate investment trust (REIT) sponsored by Keppel Land Limited (Keppel Land), one of Asia's leading property developers.

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 \$1.9 billion and an asset size of \$3.5 billion as at 31 December 2010.

K-REIT Asia's portfolio comprises six quality assets, four in Singapore and two in Australia. In Singapore, these include Bugis Junction Towers, a one-third interest in Marina Bay Financial Centre Towers 1 & 2 and Marina Bay Link Mall, a one-third

interest in One Raffles Quay and a 73.4% interest in Prudential Tower. In Australia, K-REIT Asia owns the 77 King Street office tower in Sydney and a 50% interest in 275 George Street in Brisbane.

A pan-Asian REIT, K-REIT Asia's objective is to generate stable income and long-term growth for Unitholders by owning and investing in a portfolio of quality income-producing commercial real estate and real estate-related assets in key cities across Asia.

K-REIT Asia is managed by K-REIT Asia Management Limited, a wholly-owned subsidiary of Keppel Land.

Strategy and Execution

K-REIT Asia aims to be a successful commercial real estate investment trust with a sterling portfolio of assets pan-Asia. The Manager will achieve this by:

Acquiring Quality Assets

- Increasing market intelligence to identify potential acquisition targets
- Conducting feasibility studies and comprehensive due diligence on potential acquisitions
- Developing a sustainable acquisition pipeline

Maximising Performance

- Improving building performance and efficiencies
- Maintaining a balanced tenancy profile
- Attracting quality and creditworthy tenants
- Reinforcing relationships to retain good tenants
- Executing prudent lease strategies

Enhancing Assets

- Strengthening property management expertise and capabilities
- Emphasising safety and security measures
- Leveraging technology to improve operations
- Improving quality of interior fittings and finishings
- Leveraging the hallmark quality of K-REIT Asia's sponsor, Keppel Land, to promote brand awareness
- Implementing environmentally sustainable initiatives

Achieving Capital Efficiency

- Optimising capital structure
- Negotiating competitive credit facilities to meet working capital requirements
- Limiting exposure to interest rate and foreign exchange fluctuations

Building Efficiencies and Nurturing Talent

- Investing in employee training and development to increase professional competency
- Adopting best-in-class management practices
- Utilising technology to improve workflows
- Procuring systems to provide real-time data for more accurate and swifter decision-making

INVESTMENT STRATEGY

The Manager focuses on quality commercial properties that are strategically located in key pan-Asian cities and seeks acquisitions that offer stable income growth and capital appreciation in the medium- to long-term. The Manager adheres to stringent criteria when evaluating potential acquisitions. This involves a thorough review of exposures, risks and returns, vis-à-vis the overall value-add to K-REIT Asia's existing portfolio and future growth expectations.

ACTIVE PORTFOLIO MANAGEMENT

The Manager actively manages its properties to ensure that they are well-tenanted with a stable of creditworthy tenants across diversified business sectors. It also strives to balance the lease expiry profile and structure leases with regular rent reviews. The Manager closely monitors and manages its assets and operating costs to ensure its buildings are performing at their optimal levels without any compromise to the safety and comfort of office tenants and visitors.

PRUDENT CAPITAL MANAGEMENT

The Manager adopts a prudent approach towards capital management. K-REIT Asia leverages the strong credit standing of its sponsor to negotiate favourable credit facilities. To mitigate refinancing risks and interest rate fluctuations, the Manager balances the debt expiry profile and hedges its exposure to interest rate and foreign exchange fluctuations.

COMMITMENT TO SUSTAINABILITY

The Manager incorporates energy-saving features to K-REIT Asia's buildings where feasible. All of K-REIT Asia's properties in Singapore are certified Green Mark Gold by the Building and Construction Authority of Singapore. 275 George Street in Brisbane has achieved both the 5-Star Green Star – Office Design and As Built v2 ratings, as well as the 4.5-star NABERS Energy base building rating by the Green Building Council of Australia.

Significant Events



1

1_The Manager engaged Unitholders through its inaugural AGM in April 2010 and EGM in December 2010.

2_K-REIT Asia won the Gold Award for Best Annual Report at the Singapore Corporate Awards 2010.

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 Distribution Per Unit (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% stake in 275 George Street in Brisbane, Australia, for \$209.4 million.

13 April 2010

→ 275 George Street in Brisbane, Australia, was awarded the 5-Star Green Star – Office As Built v2 rating by the Green Building Council of Australia.

19 April 2010

→ Distributable income for the quarter ended 31 March 2010 grew 13.8% over the same period in 2009.

20 April 2010

→ Conducted inaugural Annual General Meeting (AGM).



2

7 May 2010

→ K-REIT Asia Management Limited (the Manager) was awarded the Capital Markets Services License by the Monetary Authority of Singapore.

10 May 2010

→ Won the Best Annual Report (Gold) in the “REITs and Business Trusts” category at the Singapore Corporate Awards 2010.

19 July 2010

→ Distributable income for the half year ended 30 June 2010 increased 20.1% over the same period in 2009.

26 August 2010

→ Paid a DPU of 2.97 cents to Unitholders for the period 1 January 2010 to 30 June 2010.

14 September 2010

→ Mr Tan Chin Hwee was appointed to the Board of the Manager as Independent Non-Executive Director.

→ Mr Tan Swee Yiow relinquished his role as Executive Director of the



Manager and was appointed Alternate Director to Mr Kevin Wong, Deputy Chairman and Non-Executive Director of the Manager.

18 October 2010

→ Distributable income for the nine months ended 30 September 2010 increased by 22.2% over the same period in 2009.

8 December 2010

→ Minority Unitholders voted in favour of the proposed acquisition of a one-third stake in Marina Bay Financial Centre Towers 1 & 2 and Marina Bay Link Mall (MBFC Phase 1) and the divestment of Keppel Towers & GE Tower (KTGE) at an Extraordinary General Meeting (EGM).

15 December 2010

→ Completed the acquisition of a one-third stake in MBFC Phase 1 and the divestment of KTGE.

21 December 2010

→ Completed the acquisition of the office tower at 77 King Street in Sydney, Australia.

27 December 2010

→ Prudential Tower was awarded the Green Mark Gold Award by the Building and Construction Authority (BCA) of Singapore.

Post-FY2010

20 January 2011

→ Distributable income for the year ended 31 December 2010 increased 21.4% over the previous year.

25 January 2011

→ Bugis Junction Towers was awarded the Green Mark Gold Award by the BCA.

25 February 2011

→ Paid a DPU of 3.38 cents to Unitholders for the period 1 July 2010 to 31 December 2010.

K-REIT Asia successfully acquired a 50% interest in 275 George Street in Brisbane, Australia.

Distributable Income

\$85.6m

21.4% increase
from FY2009.

Ninety percent of K-REIT Asia's asset portfolio in Singapore is now located in the prime business and financial precincts of Raffles Place and Marina Bay. Our portfolio of Grade A office space puts K-REIT Asia in good stead to ride the office market recovery in the year ahead.

DEAR UNITHOLDERS,

2010 was a significant year for K-REIT Asia.

During the year, we completed three accretive acquisitions and one strategic divestment. These significantly enhanced K-REIT Asia's property portfolio and extended our footprint beyond Singapore into Australia. K-REIT Asia's asset size grew from \$2.1 billion to \$3.5 billion.

GROWING OUR PORTFOLIO

Realising our vision to grow into a pan-Asian REIT, K-REIT Asia successfully acquired a 50% interest in 275 George Street in Brisbane and the office tower at 77 King Street in Sydney, both in Australia, in March and December 2010 respectively. Both properties are freehold Grade A office buildings located in the heart of Brisbane and Sydney's Central Business Districts (CBD). Together, they account for 10.4% of K-REIT Asia's portfolio by asset size, increase net property income and diversify the portfolio tenant mix.

In December 2010, K-REIT Asia completed the strategic asset swap involving the divestment of Keppel Towers & GE Tower (KTGE) and the acquisition

of a one-third interest in Marina Bay Financial Towers 1 & 2, and Marina Bay Link Mall (MBFC Phase 1). The asset swap enhanced K-REIT Asia's property portfolio and increased distributable income to Unitholders without requiring additional equity.

With the asset swap, 90% of K-REIT Asia's portfolio by asset size in Singapore is now located in the core business and financial precincts of Raffles Place and Marina Bay. Our portfolio of prime Grade A office space in Singapore puts K-REIT Asia in good stead to ride the office market recovery in the year ahead.

FORTIFYING FUNDAMENTALS

With K-REIT Asia's recent acquisitions and divestment, our properties are strategically located and well-tenanted to leading multi-national corporations. By asset size, 81.0% of our portfolio is less than 10 years old.

The portfolio occupancy increased to 97.0% as at end-2010 from 95.0% as at end-2009. Three of the four Singapore assets, namely Bugis Junction Towers, Prudential Tower and One Raffles Quay are 100% occupied.



Chairman's Statement



K-REIT Asia completed three accretive acquisitions and one strategic divestment in 2010 which significantly enhanced its property portfolio.

K-REIT Asia's Singapore asset portfolio occupancy of 98.7% as at end-2010 was higher than the core CBD occupancy of 95.3%. The occupancy of 275 George Street and 77 King Street in Australia stood at 99.8% and 76.7% respectively as at end-2010.

As the three newly acquired assets – 275 George Street, 77 King Street and MBFC Phase 1 – have committed long-term leases, K-REIT Asia's portfolio weighted average lease expiry (WALE) increased to 7.6 years as at end-2010 from 5.2 years as at end-2009. Coupled with regular rent reviews, the portfolio WALE provides long-term income stability with potential for incremental rental income.

The portfolio lease expiry and rent review profile is well-staggered with no more than 20% of the portfolio due for renewal each year, therefore reducing lease expiry and rent review concentration risks.

SUSTAINING GROWTH

K-REIT Asia achieved a 21.4% year-on-year increase in distributable income for the financial year 2010 (FY2010) to \$85.6 million. This translates to a 20.6% increase in distribution per unit (DPU) of 6.37 cents for FY2010 and a DPU yield of 4.5% based on the market closing price of \$1.41 on 31 December 2010.

The increase in distributable income was driven by net property income (NPI) which grew 37.7% to \$67.3 million and share of results of associated companies which increased 18.1% to \$9.7 million. The growth in NPI was due mainly to the income contribution from the additional 29% interest in Prudential Tower, which was acquired in November 2009 and the Brisbane asset, which was acquired in March 2010.

The divestment of KTGE and the acquisition of the one-third interest in MBFC Phase 1 and 77 King Street

office tower were completed towards the end of 2010 and did not have a significant impact on K-REIT Asia's financial performance for FY2010. K-REIT Asia's net asset value per unit including distributable income as at 31 December 2010 stood at \$1.52 as at end-2010 compared with \$1.50 a year ago.

ENHANCING FINANCIAL FLEXIBILITY

Following the acquisitions, K-REIT Asia's aggregate leverage level stood at 37.0% as at end-2010. The sources of borrowings are diversified among 10 banks and include a revolving credit facility from Kephinance Investment Pte Ltd.

We leveraged the improved credit markets in 2010 to refinance all of K-REIT Asia's borrowings and reduce the all-in cost of borrowings to 2.75% as at 31 December 2010, from 4.23% as at 31 December 2009. Majority of the borrowings have been hedged to a fixed interest rate. The percentage of unencumbered assets also increased to 81.0% from 50.5%. The debt weighted average term to expiry was extended to 4.2 years as at end-2010 compared with 1.3 years as at end-2009.

These measures increase K-REIT Asia's financial flexibility and enable K-REIT Asia to better manage its capital in today's dynamic credit and equity markets.

STRIVING FOR A SUSTAINABLE FUTURE

We are committed to manage K-REIT Asia's assets in an environmentally sustainable manner. To reduce the carbon footprint of our assets, we have incorporated energy- and water-saving features in our buildings where feasible. Our efforts and perseverance have reaped rewards with both Prudential Tower and Bugis Junction Towers being awarded the Green Mark Gold Award by the Building and Construction Authority (BCA) of

Singapore. To date, all of K-REIT Asia's buildings in Singapore have been certified Green Mark Gold by the BCA and Water-Efficient Buildings by the Public Utilities Board.

In April 2010, 275 George Street was awarded the 5-Star Green Star – Office As Built v2 Rating by the Green Building Council of Australia (GBCA). This is on top of its existing 5-Star Green Star – Office Design v2 and 4.5-Star NABERS Energy base building ratings by the GBCA. These awards spur us to work even harder to continue to raise the standards of environmental performance for all our assets.

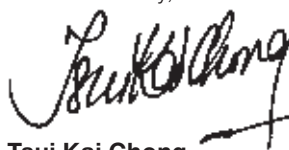
ACKNOWLEDGEMENTS

On behalf of the Board and Manager, I welcome onboard Mr Tan Chin Hwee and Ms Eve Chan. Chin Hwee was appointed Non-Executive Independent Director and member of the Audit Committee on 14 September 2010 and 29 September 2010 respectively and Eve was appointed Chief Financial Officer on 15 October 2010.

I would like to thank Mr Tan Swee Yiow for his contributions as he relinquished his role as Executive Director with effect from 14 September 2010. Swee Yiow will continue to serve as Alternate Director to Mr Kevin Wong, Deputy Chairman and Non-Executive Director.

Finally, I would also like to thank our Unitholders, business partners, tenants, employees and my fellow Directors for your dedication and support. I look forward to your continued support to achieve even greater success in the years ahead.

Yours sincerely,



Tsui Kai Chong
Chairman

18 February 2011



Fortifying Core Competencies

Maximising performance

→ Our strong foundations have given us the competitive edge to seek and capitalise opportunities to ride the uptrend in the Singapore office market. We will continue to execute our strategies with prudence to drive income growth and enlarge K-REIT Asia's distinctive portfolio pan-Asia.

Enhancing portfolio

→ Proactive asset management ensures all our offices are always operating efficiently. Our asset management team strives to maximise the performance of our portfolio.



Delivering Sustainable Growth

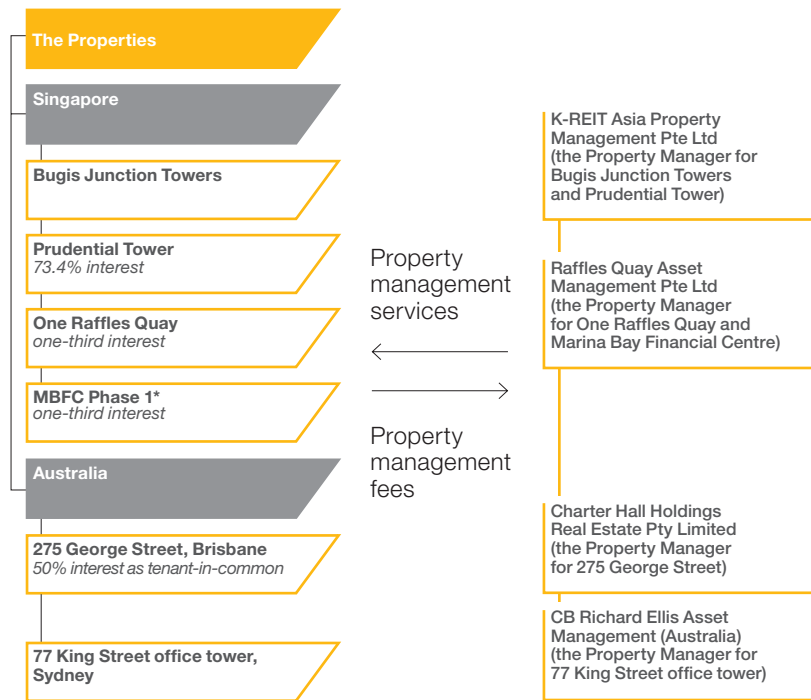
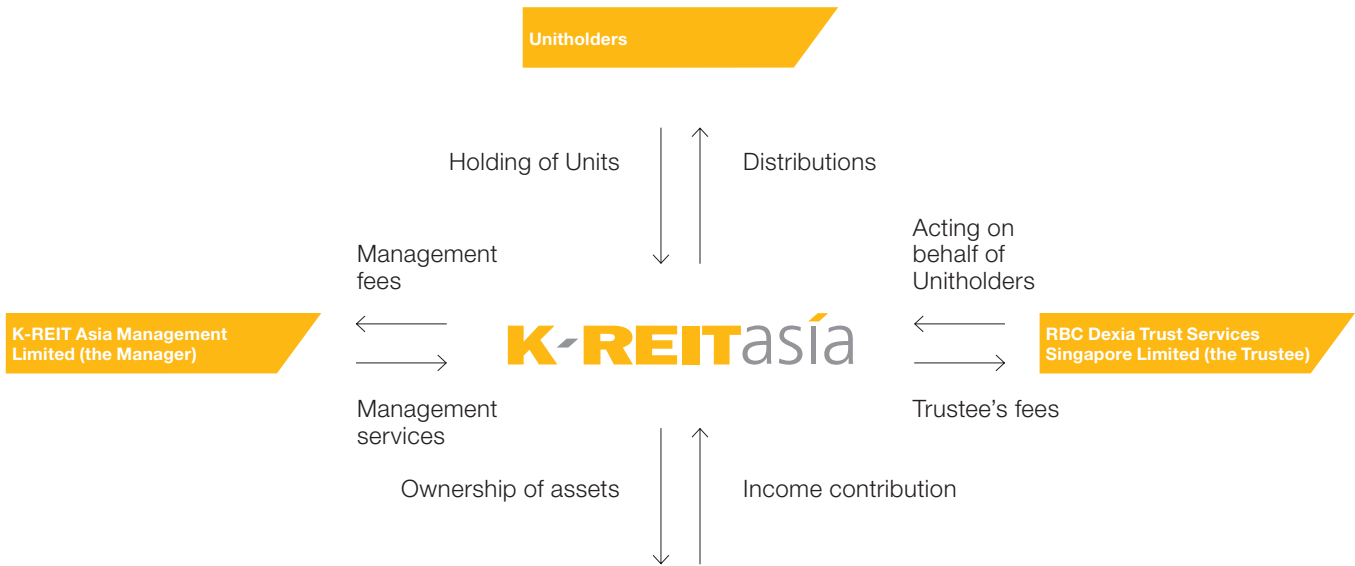
Optimising earnings

→ Prudent capital management, financial discipline and integrity are key to ensuring long-term value and sustainable earnings to our Unitholders. We will continue to adopt a proactive capital management strategy and seek to further diversify our funding base.

Harnessing competencies

→ Our experienced management team ensures K-REIT Asia's long-term sustainability. We seek to equip and empower our people to give of their best to drive value for our Unitholders.

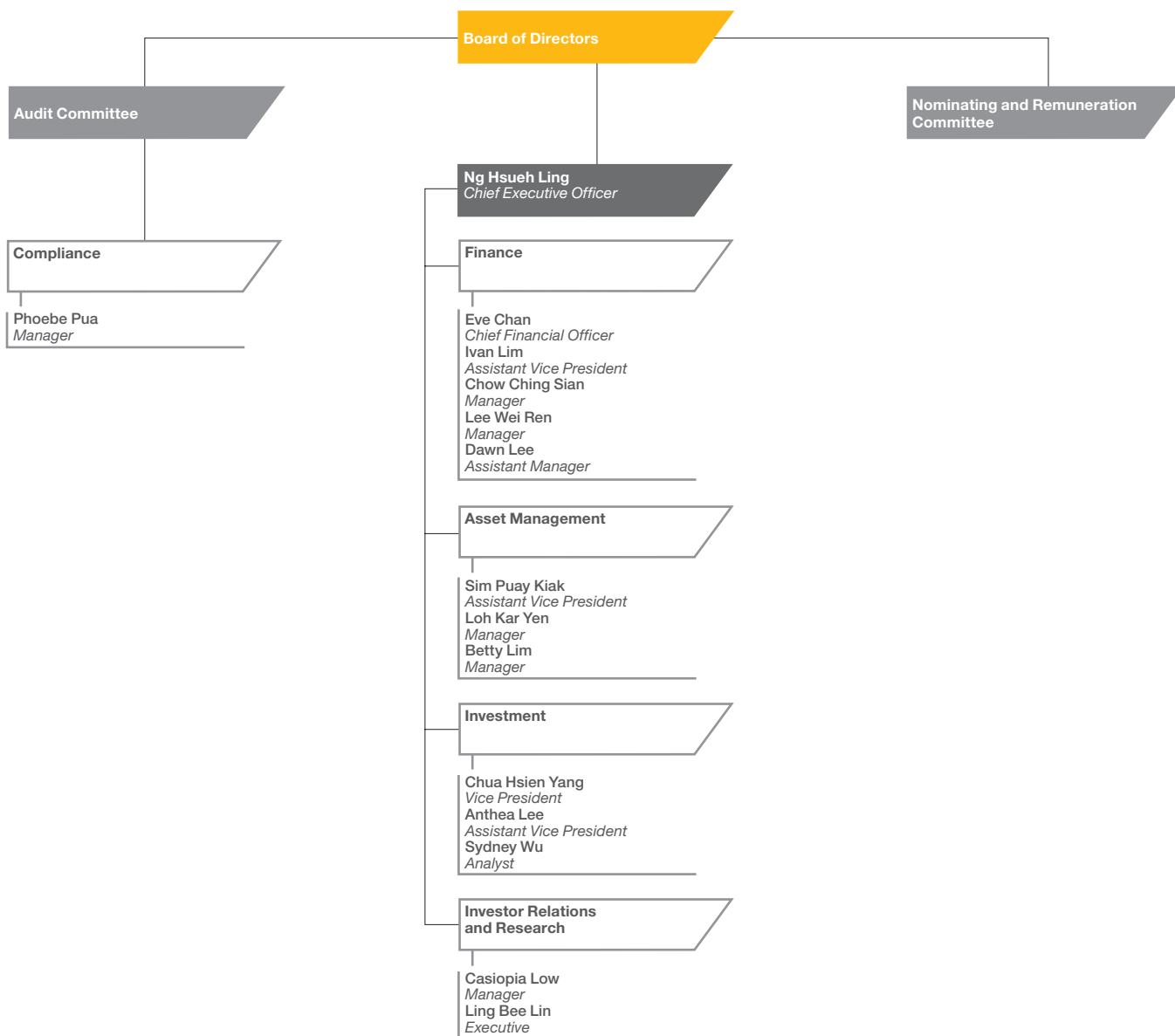
Trust Structure



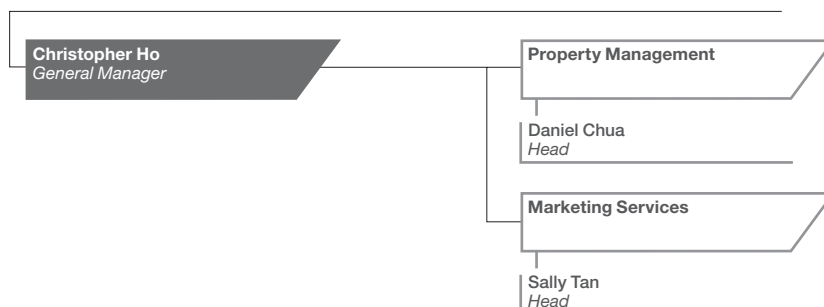
* Marina Bay Financial Centre (MBFC) Phase 1 comprises MBFC Towers 1 & 2 and Marina Bay Link Mall

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, 55

**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 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, 55

**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, 44

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 21 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. Before her appointment as Chief Executive Officer and Executive Director of the Manager, she was CEO (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.



Dr Chin Wei-Li, Audrey Marie, 53

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 Singapore Private Limited.

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, 56

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 2002 and currently serves on the Audit and Safety committees. With effect from 16 March 2011, she will also be serving on the Risk committee of Keppel Land Limited.

She is a senior partner of the law firm of Rodyk & Davidson LLP. 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. In addition, she is a director of the Agri-Veterinary Authority and serves on its Audit committee.

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.

Board of Directors



Mr Tan Chin Hwee, 39

Independent Non-Executive Director

Mr Tan has been an independent Director of the Manager since 14 September 2010. Mr Tan runs the Asia capital market business of Apollo Global Management, a leading global alternative investment firm. Prior to joining Apollo (Singapore), Mr Tan was a managing director at Amaranth, where he pioneered a number of historic capital market “firsts” in public and private investment opportunities across the capital structure in India, Singapore, Pakistan, Indonesia and Taiwan.

Mr Tan received a Bachelor of Accountancy degree and graduated with Second Class Upper Honours in 1995 from the Nanyang Technological University, Singapore, on a Keppel Group sponsorship. He is a Chartered Financial Analyst (CFA) and is both an Australian and Singapore-registered Certified Public Accountant (CPA).

Mr Tan was honoured as a World Economic Forum Young Global Leaders 2010 and also voted by the Hedge Fund Journal as among the emerging top 40 absolute return investors globally and is also named as Best Asia Credit Hedge Fund by Hong Kong-based publication, The Asset.



Mr Tan Swee Yiow, 50

Alternate Director to Mr Kevin Wong Kingcheung

Mr Tan has been an alternate Director to Mr Kevin Wong Kingcheung since 14 September 2010. Mr Tan joined Keppel Land Group in 1990 and is concurrently President (Singapore Commercial) and Head (Regional Investments) overseeing the Group’s commercial investment and development operations in Singapore, as well as regional presence in Indonesia, Malaysia and Myanmar.

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

Mr Tan is a Director of a number of a subsidiary and associated companies of the Keppel Land Group, including Asia No.1 Fund Limited, Sedona Hotels International Pte Ltd and Raffles Quay Asset Management Pte Ltd.

In addition, he serves on the Board of the Singapore Green Building Council, the Management Council of Real Estate Developers’ Association of Singapore and the Workplace Safety Health Council (Construction and Landscape Committee).

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.

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; BFC Development Pte Ltd

Past Directorships

Raffles Quay Asset Management Pte Ltd; Central Boulevard Development Pte Ltd; and various subsidiaries and associated companies of Ascendas Pte Ltd and CapitaLand 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; Agri-Veterinary Authority

Past Directorships

Nil

Mr Tan Chin Hwee

Present Directorships

Apollo Management Singapore Pte Ltd (Singapore); AOI Investments 1 (Cayman); Apollo Asia Opportunity (Alpha) Mauritius Ltd; Apollo Asia Opportunity (Gamma) Mauritius Ltd; Lighthouse (Mauritius) Ltd; CFA Singapore (formerly known as Singapore Society of Financial Analysts – SSFA); Athene Group Ltd

Past Directorships

Nil

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

SENIOR MANAGEMENT

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

Eve Chan

Present Directorships

Nil

Past Directorships

Nil

Chua Hsien Yang

Present Directorships

K-REIT Asia (Bermuda) Limited

Past Directorships

Nil

The Manager

1_Ms Loh Kar Yen

Manager, Asset Management

4_Mr Sim Puay Kiak

Assistant Vice President,
Asset Management

7_Ms Betty Lim

Manager, Asset Management

2_Mr Chua Hsien Yang

Vice President, Investment

5_Ms Ling Bee Lin

Executive, Investor Relations
and Research

8_Ms Susan Sudradjat

Accountant

3_Ms Anthea Lee

Assistant Vice President,
Investment

6_Mr Lee Wei Ren

Manager, Finance



Not in picture: Ms Chow Ching Sian, Manager, Finance

9_Ms Eve Chan
Chief Financial Officer

12_Ms Casiopia Low
Manager, Investor Relations
and Research

15_Ms Phoebe Pua
Manager, Compliance

10_Ms Ng Hsueh Ling
Chief Executive Officer

13_Ms Peh Xueling
Senior Accountant

16_Mr Sydney Wu
Analyst, Investment

11_Mr Ivan Lim
Assistant Vice President,
Capital Markets

14_Ms Dawn Lee
Assistant Manager, Finance



The Property Manager

1_Mr Yong Siok Chin

Senior Manager,
Property Management

3_Mr Christopher Ho

General Manager,
Property Management

5_Mr Wong Joo Siong

Manager, Property Management

2_Mr Daniel Chua

Head, Property Management

4_Ms Casey Chiang

Senior Executive, Marketing



6_Mr Albert Foo
General Manager, Marketing

8_Ms Leong Geok Mui
Senior Manager, Marketing

10_Ms Lua Shitian
Senior Executive, Marketing

7_Ms Sally Tan
Head, Marketing Services

9_Mr Alan Ng
Senior Manager, Property
Management

11_Ms Yvonne Toh
Manager, Marketing



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 19.

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.

Eve Chan **Chief Financial Officer**

Ms Eve Chan has more than 19 years of experience in group finance, tax, accounting, corporate finance and treasury where she held various senior finance roles with portfolios that span across Asia Pacific and Middle East regions. She has also been involved in numerous corporate exercises such as mergers, acquisition and divestment exercises, Public Offering launches as well as the organisation and structuring of private equity real estate funds and real estate investment trusts. Prior to joining the Manager, she was the Group Financial Controller for the Australian Stock Exchange-listed Miclyn Express Offshore Limited.

Ms Chan holds a Bachelor of Accountancy Degree from the Nanyang Technological University (NTU) of Singapore. She is a Certified Public Accountant (CPA) with the Institute of Certified Public Accountants of Singapore as well as a CPA Australia.

Ivan Lim **Assistant Vice President,** **Capital Markets**

Mr Lim has more than 10 years of experience in finance, accounting, cross-border tax structuring, corporate finance, treasury operations, asset management, fund management and property valuation. Prior to joining the Manager, he was the Financial Controller of the Ascendas private fund for Korea & Japan and Corporate Finance Manager for Mapletree Logistics Trust Management.

Mr Lim holds a Bachelor of Estate Management (Honours) from University of Malaya, Kuala Lumpur. He is a Licensed Valuer, Estate Agent & Property Manager with the Board of Valuers Malaysia and a Fellow Member of the Chartered Certified Accountants, United Kingdom.

Chow Ching Sian **Manager**

Ms Chow has more than 10 years of experience in financial and management accounting, tax, external audit and corporate secretarial functions. Prior to joining the Manager, she was the Group Finance Manager of HG Metal Manufacturing Limited.

Ms Chow holds a Bachelor of Accountancy Degree (Honours) from NTU. She is a member of the Institute of Certified Public Accountants of Singapore.

Lee Wei Ren **Manager**

Mr Lee has more than six years of experience in financial planning and analysis, management reporting, financial controls and treasury. Prior to joining the Manager, Mr Lee was a finance manager with SingTel International Group.

Mr Lee holds a Bachelor of Accountancy Degree (Honours) from NTU. He is a CPA with CPA Australia.

ASSET MANAGEMENT

The asset management team develops and implements long-term business plans to maximise rental income and asset performance of the property portfolio.

It reviews K-REIT Asia's portfolio profile and works actively with the leasing team to ensure that the portfolio maintains a healthy lease expiry and rent review profile, as well as leasing terms that are in the best interests of the REIT.

The team analyses and recommends potential asset enhancement initiatives and works closely with the Property Manager to optimise the performance of each asset without compromising the quality and marketability of the commercial space.

The asset management team also focuses on operations and the implementation of short- to medium-term objectives for each property, and supervises the Property Manager during the implementation process.

Sim Puay Kiak **Assistant Vice President**

Mr Sim has over 10 years of experience in the real estate industry. His experience includes investment, asset management and portfolio management in key Asian markets, real estate private fund origination and structuring. Prior to joining the Manager, Mr Sim held various positions within Ascendas Pte Ltd and Keppel Land Limited.

Mr Sim holds a Bachelor of Science Degree (First Class Honours) in Real Estate from the National University of Singapore (NUS).

Loh Kar Yen **Manager**

Ms Loh has more than 10 years of experience in real estate asset management, valuation and lease management for private and public landlords. Prior to this appointment, 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 NUS.

Betty Lim **Manager**

Ms Lim has more than 10 years of experience in various areas of the real estate industry, including development, strategic planning, finance, accounting and taxation. She was previously involved in strategic planning and risk management as an Assistant Manager for Corporate Development in Keppel Land Limited.

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 (CPA Australia).

INVESTMENT

The investment team is responsible for identifying and evaluating potential acquisitions. Besides structuring potential acquisition transactions, the team identifies possible divestment opportunities of properties that are no longer strategic, do not enhance the portfolio, or are no longer yield-accretive, so as to optimise K-REIT Asia's asset portfolio.

Chua Hsien Yang **Vice President**

Mr Chua has more than nine 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 **Assistant Vice President**

Ms Lee has more than 10 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 NUS and a Master of Science Degree (International Construction Management) from NTU.

Sydney Wu **Analyst**

Mr Wu is involved in evaluating acquisition and divestment opportunities. He performs research on key markets in Asia-Pacific and plays a role in the due diligence process.

Mr Wu holds a Bachelor of Science Degree (First Class Honours) in Real Estate from NUS.

The Manager and The Property Manager

COMPLIANCE

The compliance team sets work plans, policies and practicable guidelines in line with relevant legislation. In addition, it monitors and ensures that the Manager 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 regularly researches and updates the representatives on the latest compliance developments.

Phoebe Pua

Manager

Ms Pua has more than six 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 NUS.

INVESTOR RELATIONS AND RESEARCH

The investor relations and research team's objective is to establish and maintain good relations with the investment community and uphold standards in corporate transparency. The team facilitates continuous two-way communications with Unitholders, potential investors and analysts through performance briefings, regular statutory financial performance reporting and regular meetings. It is also responsible for analysing trends in the office markets where K-REIT Asia operates.

Casiopia Low

Manager

Ms Low has more than six years experience in investor relations, corporate communications and marketing. Prior to joining the Manager, she was handling investor relations and corporate communications at another real estate investment trust listed on the SGX-ST.

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

Ling Bee Lin

Executive

Ms Ling organises events for K-REIT Asia's stakeholders such as press and analyst briefings, conferences and other functions. Ms Ling has four years experience in secretarial and office management.

Ms Ling holds a Bachelor of Commerce Degree in Management and Hospitality & Tourism Management from Murdoch 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 tenant 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.

Daniel Chua Head, Property Management

Mr Chua 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 developments and oversees lease management and property management activities of completed properties under Keppel Land Limited.

Mr Chua has over 20 years of experience in the management of various commercial, residential and industrial properties in Singapore.

Mr Chua holds a Bachelor of Business Administration (Honours), a postgraduate Diploma in surveying from the College of Estate Management (UK) and is a Member of the Royal Institution of Chartered Surveyors.

MARKETING SERVICES

Sally Tan Head, Marketing Services

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

She has over 18 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 NUS.

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 NUS.



The Manager actively engages in open communication with Unitholders as part of K-REIT Asia and the Manager's commitments towards good corporate governance and transparency.

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 reference to the Code.

THE MANAGER OF K-REIT ASIA

The Manager has general powers of management over the assets of K-REIT Asia. The Manager's main responsibility is to manage the assets and liabilities of K-REIT Asia for the benefit of Unitholders. The Manager 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;

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

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 Appendix) 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. Supervising 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, the Sixth Supplemental Deed dated 16 April 2009 and a first amending and restating deed dated 19 April 2010 (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.

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 ("AC") and the Nominating and Remuneration Committee ("NRC") 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

Table 1

Director	Board Meetings	Audit Committee Meetings	Nominating and Remuneration Committee Meetings
Professor Tsui Kai Chong	4	4	5 ²
Mr Kevin Wong Kingcheung	4	–	5
Mr Tan Swee Yiow ³ (alternate director to Mr Kevin Wong)	3	–	–
Ms Ng Hsueh Ling	4	–	–
Dr Chin Wei-Li, Audrey Marie	4	4	5
Mrs Lee Ai Ming	3	2 ⁴	5
Mr Tan Chin Hwee ⁵	1	1 ⁶	2 ⁷
Number of meetings held in FY2010	4	4	5

² Professor Tsui Kai Chong relinquished his membership on the Nominating and Remuneration Committee on 29 September 2010.

³ Mr Tan Swee Yiow relinquished his role as an Executive Director of the Company, and was appointed as the alternate director to Mr Kevin Wong Kingcheung, both with effect from 14 September 2010.

⁴ Mrs Lee Ai Ming relinquished her membership on the Audit Committee on 29 September 2010.

⁵ Mr Tan Chin Hwee was appointed as an independent Director of the Company with effect from 14 September 2010.

⁶ Mr Tan Chin Hwee was appointed as a member of the Audit Committee on 29 September 2010.

⁷ Mr Tan Chin Hwee was appointed as a member of the Nominating and Remuneration Committee on 29 September 2010.

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 FY2010, as well as the attendance of each Board member at these meetings, are disclosed in Table 1 above.

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 relevant laws, regulations 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, four of whom are independent non-executive Directors. The Chairman of the Board is Professor Tsui Kai Chong, who is an independent non-executive Director. A Director who has no relationship with the Manager, 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 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
Mr Kevin Wong Kingcheung	Member
Dr Chin Wei-Li, Audrey Marie	Member
Mr Tan Chin Hwee	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) is(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 18 to 21 and 42: 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 99: Unitholding in K-REIT Asia as at 21 January 2011.

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 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. During the year, each Board member is required to complete a board evaluation questionnaire. The completed board evaluation questionnaires are collated and sent to the NRC for its evaluation.

The NRC chairman and members evaluate the returns and provide their comments and recommendations to the Board on the changes which should be made to help the Board discharge its duties more effectively.

In FY2010, one of the recommendations by the NRC was to appoint an additional independent director to the Board. This recommendation was implemented when Mr Tan Chin Hwee, an independent director, was appointed to the Board.

The following performance criteria are used in the evaluation of the effectiveness of the Board as a whole and the contribution by each individual Director:

- a. The performance criteria for the Board evaluation are in respect of the board size and composition, board independence, board processes, board information and accountability, 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.

Where the Board is of the view that any changes should be made to enhance the effectiveness of the Board as a whole or to enhance the effectiveness of individual Directors, the Board will implement the changes accordingly. Any Board member may also give his feedback at any time to the chairman of the NRC or the Chairman of the Board with a view to enhancing the effectiveness of the Board or of the individual Directors.

The Board assessment exercise provides an opportunity to obtain constructive feedback from each Director on whether the Board's procedures and processes allowed him to discharge his duties effectively and the changes which should be made to enhance the effectiveness of the Board as a whole. The assessment exercise also helped the Directors to focus on their key responsibilities.

ACCESS TO INFORMATION

Principle 6:

Board members to have complete, adequate and timely information

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

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

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

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

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

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

REMUNERATION MATTERS

Principle 7:

Formal and transparent procedure for developing policy on executive remuneration and for fixing remuneration packages of individual directors

Principle 8:

Remuneration of directors should be adequate but not excessive

Principle 9:

Disclosure on remuneration policy, level and mix of remuneration, and procedure for setting remuneration

The composition of the NRC has been set out under Principle 4 on page 33. The NRC comprises entirely of non-executive Directors, the 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.

Corporate Governance

Table 2

Main Board	Chairman	\$50,000 per annum
	Director	\$35,000 per annum
Audit Committee	Chairman	\$15,000 per annum
	Member	\$10,000 per annum
Nominating and Remuneration Committee	Chairman	\$10,000 per annum
	Member	\$5,000 per annum

Table 3

Level and Mix of Remuneration of Directors in bands of \$250,000 are set out below:

Remuneration Band and Names of Directors	Base/ Fixed Salary	Variable or Performance- Related Income/ Bonuses	Directors' Fees	Benefits- in-Kind	Contingent Award of Units ⁸
Between \$750,000 to \$1,000,000					
Ms Ng Hsueh Ling	50%	50%	–	n.m. ⁹	(i) 0 or 54,000 units in K-REIT Asia pursuant to the Restricted Unit Plan of the Manager. (ii) 0 to 108,000 units in K-REIT Asia pursuant to the Performance Unit Plan of the Manager.
Below \$250,000					
Professor Tsui Kai Chong	–	–	100%	–	–
Mr Kevin Wong Kingcheung	–	–	100%	–	–
Dr Chin Wei-Li, Audrey Marie	–	–	100%	–	–
Mrs Lee Ai Ming	–	–	100%	–	–
Mr Tan Chin Hwee	–	–	100%	–	–
Mr Tan Swee Yiow (alternate director to Mr Kevin Wong Kingcheung)	–	–	100%	–	–

Table 4

Level and Mix of Remuneration of each of the Top Five Key Executives (who are not also directors) in bands of \$250,000 are set below:

Remuneration Band and Names of Top Five Key Executives	Base/ Fixed Salary	Variable or Performance- Related Income/ Bonuses	Directors' Fees	Benefits- in-Kind	Contingent Award of Units ⁸
Above \$250,000 to \$500,000					
Mr Chua Hsien Yang	55%	45%	–	n.m. ⁹	–
Below \$250,000					
Ms Chan Bee Leng, Eve ¹⁰	63%	37%	–	n.m. ⁹	–
Ms Lee Meng Hoon, Anthea	61%	39%	–	n.m. ⁹	0 or 10,500 units in K-REIT Asia pursuant to the Restricted Unit Plan of KRAM
Mr Lim Ming Rean, Ivan ¹¹	60%	40%	–	n.m. ⁹	–
Mr Sim Puay Kiak ¹²	60%	40%	–	n.m. ⁹	–

⁸ The Manager implemented its Long-Term Incentive scheme in 2010 consisting of a Performance Unit Plan (PUP) and a Restricted Unit Plan (RUP). Units awarded under the PUP and RUP are subject to pre-determined performance targets set over a three-year and a one-year performance period respectively. For the PUP, the additional award can be up to 50% of the maximum range depending on the achievement of the pre-determined targets at the end of the three-year performance period. Employees of the Manager who meet certain criteria under the PUP or the RUP are eligible to participate in the plans.

⁹ n.m. means not meaningful.

¹⁰ Ms Chan Bee Leng, Eve joined the Manager on 15 October 2010.

¹¹ Mr Lim Ming Rean, Ivan joined the Manager on 30 August 2010.

¹² Mr Sim Puay Kiak joined the Manager on 23 August 2010.

The Chairman of the Board and of each Board committee is paid a higher fee compared with members of the Board and of such Board committee in view of the greater responsibility carried by that office.

The framework in FY2010 for determining the Directors' fees is shown in Table 2 on page 36.

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 three key components; that is, annual fixed pay, annual performance incentive and long-term incentive introduced by the Manager in 2010. The annual fixed pay component comprises the annual basic salary plus any other fixed allowances. The annual performance incentive is tied to the individual employee's performance. The long-term incentive is in the form of two Unit plans, the Restricted Unit Plan (RUP) to retain and reward, and the Performance Unit Plan (PUP) to motivate employees to achieve superior performance. Eligible employees of the Manager are granted existing Units in K-REIT Asia, already owned by the Manager. Therefore, no new Units are or will be issued by K-REIT Asia to satisfy the grant of the Units under the RUP and/or the PUP, as the Units that are granted under these plans will be taken from the Units which are already owned by the Manager.

The compensation structure is designed such that to stay competitive and relevant, the Manager benchmarks the annual fixed salaries of key executives at the market median with the variable compensation being strictly performance-driven.

More emphasis is placed on the 'pay-at-risk' compensation as an

employee moves up the corporate ladder, with increasing percentage on performance-related bonuses. This allows the Manager to better align executive compensation towards Unitholders' value creation.

No employee share option schemes or share schemes have been implemented by K-REIT Asia.

Level and Mix of Remuneration of Directors and Top Five Key Executives (who are not also Directors) for the Year Ended 31 December 2010

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 2010 are set out in Tables 3 and 4 on page 36.

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 FY2010. "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 has embraced openness and transparency in the conduct of the Manager's affairs, whilst preserving the

commercial interests of K-REIT Asia. Financial reports and other price-sensitive information are disseminated to Unitholders through announcements via SGXnet to the SGX, press releases, K-REIT Asia's website and media and analyst briefings.

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

AUDIT COMMITTEE

The Audit Committee ("AC") has been appointed by the Board from among the Directors of the Manager and comprises three non-executive Directors, all of whom (including the chairman of the AC) are independent Directors. The chairman of the AC is Dr Chin Wei-Li, Audrey Marie and the members are Professor Tsui Kai Chong and Mr Tan Chin Hwee.

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

The AC's main role is to assist the Board to ensure integrity of financial reporting and that there is in place sound internal control systems. The AC's terms of reference are set out on page 42 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 four times 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 auditor’s 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 2010 to review the financial performance of K-REIT Asia against the 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 81 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 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 82 and 83.

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 will be 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 compliance with Rule 1207(18) of the Listing Manual on best practices on dealing in securities, the Manager issues circulars to its directors and officers informing that the Manager and its officers must not deal in listed securities of K-REIT Asia one month before the release of the full-year results and two weeks before the release of quarterly results, and if they are in possession of unpublished price-sensitive information. The Manager's officers are also 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 Appendix (“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.
- At least one-third of the Board shall comprise independent Directors.
 - All matters relating to Interested Party transactions will follow the procedures set out in the section “Interested Party Transactions” herein.
 - In respect of matters in which Keppel Land Limited (“Keppel Land”) and/or Keppel Corporation Limited (“KCL”) and/or its/their subsidiaries have an interest, direct or indirect, any nominees appointed by Keppel Land and/or KCL and/or its/their subsidiaries to the Board to represent its/their interests shall abstain from voting. In such matters, the quorum shall comprise a majority of the independent Directors of the Manager and shall exclude such nominee directors of Keppel Land and/or KCL and/or its/their subsidiaries.

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

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

The Board of the Manager comprises four independent Directors, two of whom (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 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.

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 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 Appendix).

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 Appendix, 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 Appendix 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 Appendix (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 Appendix. 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 Appendix 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 Appendix);

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 Appendix 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 5

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	¹³
Mr Kevin Wong Kingcheung (Alternate Director: Mr Tan Swee Yiow)	Deputy Chairman and Non-executive Director	–	Member
Ms Ng Hsueh Ling	Chief Executive Officer and Executive Director	–	–
Dr Chin Wei-Li, Audrey Marie	Independent Non-executive Director	Chairman	Member
Mrs Lee Ai Ming	Independent Non-executive Director	¹⁴	Chairman
Mr Tan Chin Hwee	Independent Non-executive Director	Member ¹⁵	Member ¹⁶

¹³ Professor Tsui Kai Chong relinquished his membership on the Nominating and Remuneration Committee on 29 September 2010.

¹⁴ Mrs Lee Ai Ming relinquished her membership on the Audit Committee on 29 September 2010.

¹⁵ Mr Tan Chin Hwee was appointed a member of the Audit Committee on 29 September 2010.

¹⁶ Mr Tan Chin Hwee was appointed a member of the Nominating and Remuneration Committee on 29 September 2010.

Code of Corporate Governance 2005
Specific Principles and Guidelines for Disclosure

Relevant Guideline or Principle	Page Reference in Corporate Governance Report
Guideline 1.3 Delegation of authority, by the Board to any Board committee, to make decisions on certain board matters	page 31
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 32
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 33
Guideline 4.5 Process for selection and appointment of new directors to the board	pages 33 and 34
Guideline 4.6 Key information regarding directors, which directors are executive, non-executive or considered by the nominating committee to be independent	pages 18 to 21 and 42
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 34 and 35
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 35 to 37
Guideline 9.1 Composition of remuneration committee	page 33
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 36
Names and remuneration of at least the top five key executives (who are not also directors). The disclosure should be in bands of \$250,000 and include a breakdown of remuneration	page 36
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 37
Guideline 9.4 Details of employee share schemes	page 37
Guideline 11.8 Composition of audit committee and details of the committee's activities	pages 37 to 39 and 40 to 41
Guideline 12.2 Adequacy of internal controls, including financial, operational and compliance controls, and risk management systems	pages 38 and 39



The positive outlook for office demand and rentals, as well as the potential increase in employment, bode well for sustained growth in the office market.

Singapore Office Market Review

RECORD ECONOMIC GROWTH

2010 was an exceptional year for the Singapore economy which saw the nation record its highest growth level to date. According to the Ministry of Trade and Industry, the economy rebounded strongly from the financial crisis and expanded 14.5% for the full year. Gross domestic product growth is expected to moderate to between 4% and 6% in 2011, but is still above the long-term sustainable rate of 3% to 5%.

The strong growth in 2010 was led mainly by the biomedical manufacturing cluster, electronics cluster, as well as tourism and financial services sector. The service industry grew at an annualised rate of 4.7% in the fourth quarter of 2010 on a sequential basis and is expected to grow further as more institutional firms enlarge their presence in Singapore to tap on Asia's growth. Standard Chartered Bank, for example, announced the official opening of its largest office premises among its global network in January 2011. The bank's flagship office in Singapore spans approximately 513,000 sq ft at Marina Bay Financial Centre (MBFC) Tower 1.

It also announced that it will hire an additional 2,000 staff for its Singapore office over the next two years.

STRONG FUNDAMENTALS

Reflective of the fluctuations in the economy, average office rents bottomed out at \$6.70 psf and \$8.00 psf per month for prime and Grade A office space respectively in the first quarter of 2010. Since then average prime and Grade A office rents have jumped 23.9% and 23.8% to \$8.30 psf and \$9.90 psf per month respectively as at end-2010. Despite the significant climb, rents for Grade A offices remained 47.3% below the peak of \$18.80 psf per month recorded in the third quarter of 2008.

Average office rents in Singapore also trailed Tokyo and Hong Kong by more than 30%, according to surveys conducted by CB Richard Ellis (CBRE) and Colliers. In 2010, absorption rates remained positive despite the increase of approximately 1.9 million sq ft of new office space. Even with the expected increase in office space in 2011, real estate consultants are confident of

headroom for office rents in Singapore to climb a further 15% to 20% in 2011.

Meanwhile, occupancy in Singapore's core Central Business District (CBD) increased to 95.3% as at end-2010 from 91.2% the year before. The average occupancy for Grade A office rose to 97.3% as at end-2010 from 93.8% as at end-2009.

Investment sales in the Singapore office market picked up in 2010 amidst liquid credit markets and improving capital values.

According to CBRE, office sales amounted to \$8.78 billion in 2010, more than six times the volume of office transactions in 2009. Major transactions include the sale of DBS Towers 1 and 2, Chevron House, two separate deals for one-third stakes in MBFC Phase 1, as well as Keppel Towers & GE Tower.

In tandem with the increase in rentals, capital values of prime office space rose from \$1,550 psf as at end-2009 to \$2,200 psf as at end-2010.

Singapore Office Market

	2010	2009	Change %
Demand (million sf)	1.65	(0.24)	n.m. ¹
Net Supply (million sf)	0.28	2.38	(88.2)
Average island-wide occupancy rate (%)	87.9	87.9	–
Average Grade A office occupancy rate (%)	97.3	93.8	3.7
Average prime office rental rate (\$ psf/month)	8.30	6.75	23.0
Average Grade A rental rate (\$ psf/month)	9.90	8.10	22.2

Source: Urban Redevelopment Authority and CB Richard Ellis.

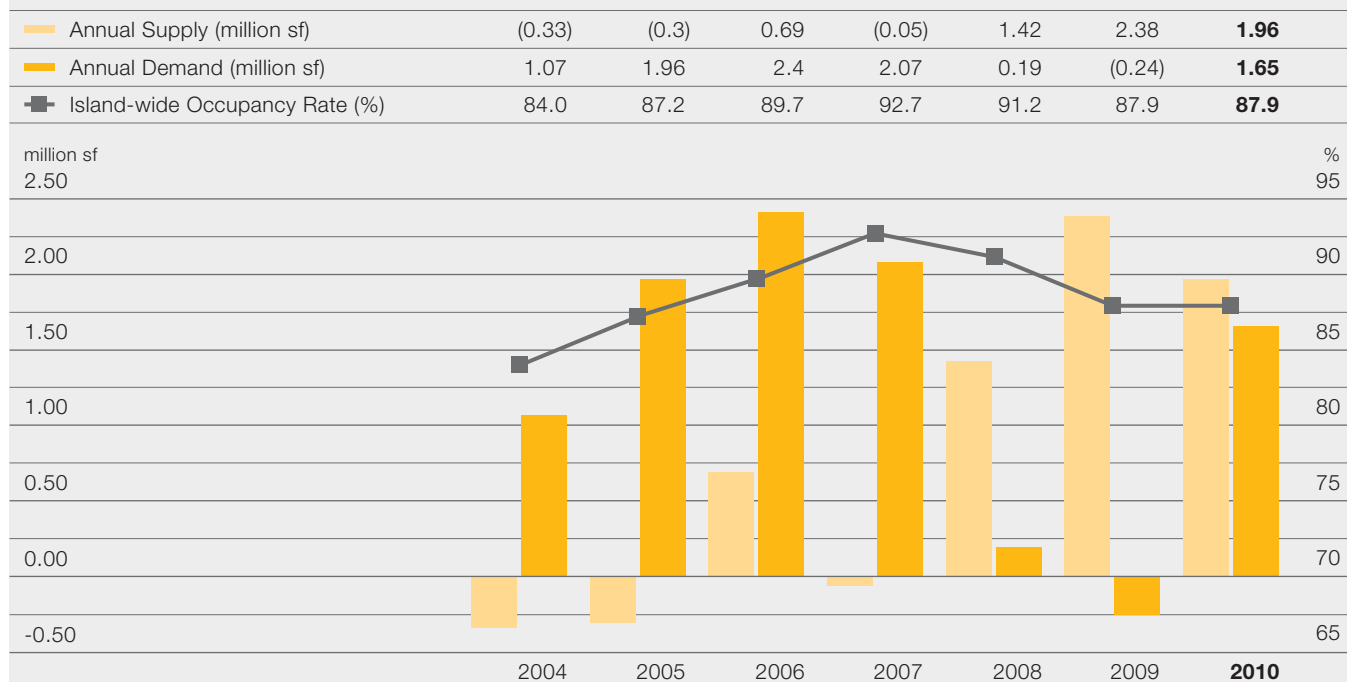
¹ n.m. means not meaningful.

Average Grade A office Occupancy Rate (%)

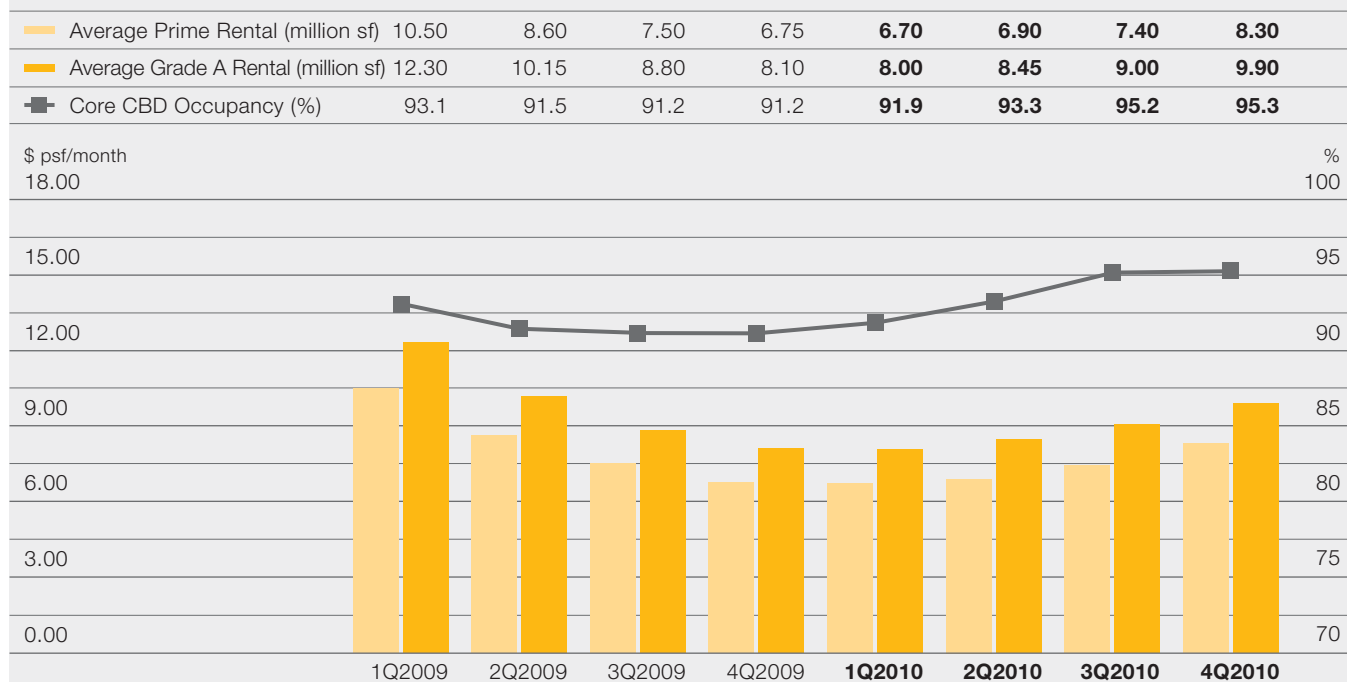
2010	97.3
2009	93.8

Singapore Office Market Review

Island-wide Office Demand, Supply and Occupancy



Singapore Office Market Rentals and Core CBD Occupancy





The Singapore office market is expected to benefit as more firms enlarge their presence in Singapore to tap on Asia's growth.

Majority of the approximately 3 million sq ft of new office space available in 2011 have also been pre-committed. These are located mostly within the Raffles Place precinct at developments such as Asia Square Tower 1, Ocean Financial Centre, OUE Bayfront and One Raffles Place.

Older office buildings are also leveraging the positive upturn in the office sector to upgrade their buildings, with works ranging from simple enhancements to full-scale makeovers. Located in the prime CBD areas, these buildings include Capital Square, Republic Plaza, OUB Centre, 6 Battery Road as well as Centennial and Millenia Towers.

EXPECTED REDUCTION IN NEW OFFICE SUPPLY

The supply of new office space is expected to taper off after 2012, barring further Government Land Sales for office developments. Even so, new Grade A office developments will take between three to five years to be completed. The Urban Redevelopment Authority (URA) had also announced that it is unlikely to launch any new sites in the Marina Bay area until 2013.

Notwithstanding that, it is forecasted that new office supply could come from the six land parcels located at Marina Bay and Ophir Road/Rochor Road, which is owned by M+S Pte Ltd, a joint consortium between the Malaysian and Singapore governments. If developed into office buildings, these plots could potentially add another 3.7 million sq ft and 1.7 million sq ft of space at Marina Bay and around Ophir Road/Rochor Road respectively.

The rapid transformation of the business district into an area for live-work-play, as well as the higher capital values expected from residential properties within the city, have also seen older commercial buildings being redeveloped into homes offering inner-city living. These include Natwest Building (now The Clift) and 76 Shenton Way, as well as the potential conversions of Keppel Towers & GE Tower, Starhub Centre, Chow House and 70 Shenton Way. The removal of older office space will partially offset the supply of office space entering market from now until 2013.

Singapore Office Market Review

MOVE TOWARDS SUSTAINABLE DEVELOPMENT

Many businesses today recognise that going green is no longer an option, but a responsibility in a world challenged by environmental issues.

Global businesses acknowledge that being housed in green developments benefit not only the environment, but aid corporate branding and reputation. It also contributes to energy savings, as well as employee well-being.

The Singapore Green Building Council (SGBC) has set a target to ensure that at least 80% of all buildings in Singapore are resource efficient by 2030.

In addition, independent third-party environment accreditations such as the US-based Leadership in Energy and Environmental Design (LEED) Green Building Rating System, the Green Mark Award scheme by the Building and Construction Authority (BCA) of Singapore, and the Water-Efficient Building certification by the Public Utilities Board of Singapore, provide developers guidelines to green their developments.

A recent study conducted by the Economist Intelligence Unit and sponsored by Siemens saw Singapore top the Asian Green City Index, ahead of Hong Kong, Osaka, Tokyo, Seoul and Taipei. Beating 21 other major Asian cities, Singapore was the only city to be rated 'well above average'.

Findings from a global survey on corporate real estate and sustainability by CoreNet Global and Jones Lang LaSalle in late-2009 also showed that occupiers are more willing to invest in sustainable space despite higher costs.

Of those surveyed, 89% indicated that sustainability was an important consideration in their location decision. These include offices fitted with an intelligent building management system

and energy-saving features, such as Keppel Land's Ocean Financial Centre which was the first high-rise office development in Southeast Asia to achieve the Platinum Level LEED-CS pre-certification and the first in Singapore's CBD to be presented the Platinum Green Mark Award by the BCA.

GATEWAY TO ASIA

Recognised as one of the best cities for conducting business, Singapore is strategically located and well-positioned as the gateway to Asia and the region.

Singapore was ranked the most competitive country in the world in the Swiss-based Institution for Management Development's 2010 World Competitiveness Yearbook.

The World Bank's report 'Doing Business' also named Singapore as the best country to operate a business for the fifth year running, ahead of Hong Kong, Britain, United States and New Zealand. Singapore was recognised as the most efficient import and export hub, as well as a reliable business centre that protects the interests of investors and minority shareholders.

The attractive investment climate also propelled Singapore to be ranked first in Asia Pacific for real estate investment in 2011, up from fourth place in 2010. The real estate forecast report, published by the Urban Land Institute and PricewaterhouseCoopers, credited the Government for maintaining political stability and adopting a long-term, sustainable view towards the property market.

POSITIVE OUTLOOK

Singapore's attractiveness as a base for companies seeking presence in Asia will shore up the office market.

The healthy outlook is also underscored by positive findings from recent employment surveys.

According to Hudsons, "net hiring expectations" in the first quarter of 2011 rose for the seventh straight quarter to 62%, the highest since the second quarter of 2000. Hiring in the banking and financial services sector reached 67% in the first quarter of this year alone, close to the peak levels of 69% one year ago.

Colliers believes that "the expected robust performance of the service industry in Singapore in 2011 could result in expansions of firms and new set-ups". This prospect is backed by Singapore's Manpower Employment Outlook Survey findings that more firms intend to increase hiring in 2011.

According to DTZ in its 2011 Global Outlook report, strong economic growth projections in most Asian countries will also see positive demand for office spaces. This growth will also underpin strong rental and capital gains in the real estate sector.

1_Singapore's strategic location coupled with strong hiring expectations will shore up the office market.

2_Businesses today recognise that going green is a responsibility and are more willing to invest in sustainable spaces.



1



2



S-REITs with strong sponsors can expect to ride ahead by leveraging their sponsors' financial strength for more efficient funding and acquiring their assets.

Singapore REIT Industry

The Singapore Real Estate Investment Trusts (S-REITs) sector posted strong recovery in 2010 on the back of exceptional economic growth.

The total market capitalisation of 21 S-REITs, which were listed as at end-2009, increased approximately 28.5% to \$35.7 billion as at end-2010 from \$27.8 billion at end-2009.

IMPROVED CREDIT AND EQUITY MARKETS

The more positive credit market in 2010 saw most S-REITs improve their capital structure by issuing equity, refinancing their borrowings ahead of schedule, extending their debt maturity profile and diversifying their sources of borrowings through convertible bonds and multi-term notes. The S-REIT sector had more than \$18.1 billion in borrowings as at end-2010, of which approximately 12.6% or \$2.3 billion are due for refinancing in 2011.

The improved equity markets also saw S-REITs raise approximately \$2.1 billion of fresh equity in 2010, largely through private placements and rights offerings, to fund yield-accretive acquisitions and

for working capital purposes. Three new industrial REITs were also listed on the Singapore Exchange in 2010.

PORTFOLIO OPTIMISATION

2010 saw several S-REITs adopt a reconstitution strategy to improve their asset portfolio through strategic divestments and using the proceeds from the divestments to acquire yield-accretive assets that also enhanced their property portfolio. K-REIT Asia, for example, channelled the proceeds from divesting the nearly 20-year old Keppel Towers & GE Tower to acquire a one-third interest in Marina Bay Financial Centre Towers 1 & 2 and Marina Bay Link Mall. Likewise, Ascott Residence Trust used the proceeds from selling The Ascott Beijing to partially fund the acquisition of 28 properties from The Ascott. Meanwhile, CapitaCommercial Trust divested two of its properties, Starhub Centre and Robinson Point.

Favourable credit markets and ample liquidity provided a more positive environment for acquisitions. Driven by positive asset yields and low

borrowing costs, S-REITs acquired approximately \$5.6 billion of assets in 2010, with overseas investments accounting for about half of the total investment value.

LOOKING AHEAD

The stable performance and improved financial flexibility of S-REITs, as well as the strong economic recovery led Moody's Investor Service to upgrade the S-REIT sector outlook from 'negative' to 'stable' in July 2010.

As at end-2010, the aggregate leverage for S-REITs ranged between 19% and 41%. As S-REITs with published credit ratings are permitted a maximum gearing level of 60%, S-REITs with modest gearing levels will likely fund yield-accretive assets using debt as long as interest rates remain at comfortable levels. S-REITs are also expected to continue to increase their financial flexibility through long-term funding and releasing more encumbered properties when they refinance existing debt.

S-REIT Outperformed Market and Real Estate Sector

(%)

	Capital Gains	Dividend Yield	Total Returns
FTSE REIT Index	10.6	5.8	16.4
Straits Times Index	10.1	2.7	12.8
FTSE Real Estate Index	7.8	3.6	11.3

FTSE REIT Index	16.4
Straits Times Index	12.8
FTSE Real Estate Index	11.3

Source: Bloomberg



K-REIT Asia's overall committed portfolio occupancy was 97% as at end-2010, with 159 leading companies across diversified business sectors as tenants.

Operations Review

Property Portfolio

RENEWED PROPERTY PORTFOLIO

K-REIT Asia extended its footprint beyond Singapore with two acquisitions in Australia in 2010. It acquired a 50% interest in 275 George Street, Brisbane, and the office tower at 77 King Street, Sydney. In Singapore, it further enhanced its portfolio with the strategic divestment of Keppel Towers & GE Tower and the acquisition of a one-third interest in Marina Bay Financial Centre Towers 1 & 2 and Marina Bay Link Mall (MBFC Phase 1).

These transactions renewed K-REIT Asia's property portfolio and to date, 81.0% of the portfolio by asset size are less than 10 years old. All the assets are located within the Central Business Districts (CBD) of the respective cities and close to key transportation nodes such as train stations and expressways.

ASSET DISTRIBUTION BY GEOGRAPHY

Approximately 89.6% of K-REIT Asia's assets under management is based in Singapore as at 31 December 2010. The balance 10.4% is located in

Australia. By net lettable area (NLA), 79.5% and 20.5% of the portfolio are located in Singapore and Australia respectively.

COMMITTED OCCUPANCY

Rebounding in tandem with the global economy's recovery in 2010, the committed occupancy for K-REIT Asia's portfolio increased to 97.0% as at 31 December 2010 from 95.0% as at 31 December 2009.

With the exception of the newly completed MBFC Phase 1, which had a committed occupancy of 96.6%, all of K-REIT Asia's properties in Singapore were fully occupied as at end-2010.

The Singapore assets achieved an average committed occupancy of 98.7% compared to 95.3% average occupancy in the core CBD.

Occupancy at 275 George Street and 77 King Street in Australia stood at 99.8% and 76.7% respectively as at 31 December 2010.

WEIGHTED AVERAGE LEASE EXPIRY (WALE)

The WALE by NLA for K-REIT Asia's portfolio stood at 7.6 years as at 31 December 2010 compared to 5.2 years as at 31 December 2009. This was due mainly to the long-term leases committed in MBFC Phase 1 and the two Australian assets.

The WALE of K-REIT Asia's top 10 tenants by NLA stood at 8.8 years. These tenants are located mainly in One Raffles Quay (ORQ), MBFC Phase 1 and 275 George Street. Approximately 63.1% of the portfolio NLA is committed with long-term leases of at least five years.

Portfolio WALE

as at 31 December 2010 (%)

Top 10 Tenants WALE	8.8
Portfolio WALE	7.6

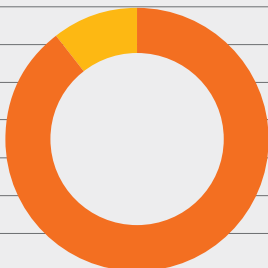
Operations Review

Property Portfolio

Asset Distribution by Asset Size

as at 31 December 2010 (%)

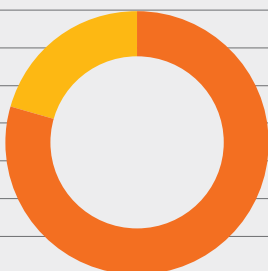
Singapore	89.6
Australia	10.4
Total	100.0



Asset Distribution by Net Lettable Area (NLA)

as at 31 December 2010 (%)

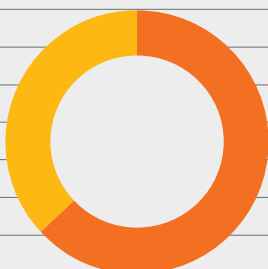
Singapore	79.5
Australia	20.5
Total	100.0



Portfolio Committed NLA by Lease Term

as at 31 December 2010 (%)

Long-term leases	63.1
Short-term leases	36.9
Total	100.0



Committed Occupancy as at 31 December 2010

Leased and Committed Occupancy Rate (%)

Bugis Junction Towers	100.0
One Raffles Quay	100.0
Prudential Tower Property	100.0
MBFC Phase 1	96.6
275 George Street	99.8
77 King Street office tower	76.7
Portfolio	97.0
Singapore Portfolio	98.7
Overseas Portfolio	90.6

LEASE EXPIRY PROFILE

K-REIT Asia maintains a well-staggered lease expiry profile with total lease expiry in each year not exceeding 20% of total portfolio NLA and gross rental income.

As at 31 December 2010, approximately 6.5%, 6.3% and 16.4% of the leases based on committed gross rental income will expire in 2011, 2012 and 2013 respectively.

In terms of committed NLA, approximately 7.0%, 5.5% and 13.9% of the leases will expire in 2011, 2012 and 2013 respectively.

RENT REVIEW PROFILE

Tenants who have committed to long-term leases of between five to 15 years typically have market rental adjustments embedded in their lease term. Rental rates will be adjusted to the prevailing market rental rate typically between two to six years into the lease term.

As at 31 December 2010, approximately 6.9%, 6.4% and 11.3% of the leases based on committed monthly gross rent income will be due for rent reviews in 2011, 2012 and 2013 respectively. In terms of committed NLA, approximately 7.8%, 7.8% and 11.1% of the leases will be due for rent reviews in 2011, 2012 and 2013 respectively.

Portfolio Lease Expiry Profile by Committed Monthly Gross Rent as at 31 December 2010 (%)

2011		6.5
2012		6.3
2013		16.4
2014		2.2
2015		6.5
2016 and beyond		62.1

Portfolio Lease Expiry Profile by Committed NLA as at 31 December 2010 (%)

2011		7.0
2012		5.5
2013		13.9
2014		2.3
2015		7.2
2016 and beyond		61.1

Portfolio Rent Review Profile by Committed Monthly Gross Rent as at 31 December 2010 (%)

2011		6.9
2012		6.4
2013		11.3
2014		12.8
2015		8.0
2016 and beyond		38.4

Portfolio Rent Review Profile by Committed NLA as at 31 December 2010 (%)

2011		7.8
2012		7.8
2013		11.1
2014		12.9
2015		7.4
2016 and beyond		34.4

Operations Review

Property Portfolio

TOP TEN TENANTS

The top 10 tenants by committed monthly gross rent accounted for 51.7% of K-REIT Asia's gross rental income and 50.7% of committed NLA as at 31 December 2010.

These tenants are located at five of K-REIT Asia's properties, namely MBFC Phase 1, 275 George Street, Bugis Junction Towers, One Raffles Quay (ORQ) and Prudential Tower.

K-REIT Asia's top 10 tenants are from diversified business sectors ranging from banking, insurance and financial corporations, telecommunications and

multi-media providers, and companies in the energy and natural resources industry.

Standard Chartered Bank, Barclays Capital Service Limited Singapore Branch and BHP Billiton Marketing Asia Pte Ltd at MBFC Phase 1 were the largest tenants in terms of committed monthly gross rent as at end-2010.

The top three largest tenants in terms of committed NLA as at end-2010 were Standard Chartered Bank, Telstra Corporation Limited and Barclays Capital Service Limited Singapore Branch.

Top 10 Tenants

Ranking ¹	Building ²	Tenant	Business Sector	% of Total Committed Monthly Gross Rent ³	% of Total Committed NLA ³
1	MBFC 1	Standard Chartered Bank	Banking, insurance & financial services	10.0	9.9
2	MBFC 1	Barclays Capital Service Limited Singapore Branch	Banking, insurance & financial services	7.4	6.7
3	MBFC 1	BHP Billiton Marketing Asia Pte Ltd	Energy & natural resources	7.2	4.4
4	275GS	Telstra Corporation Limited	Telecommunications & multi-media	6.9	8.8
5	BJT	International Enterprise Singapore	Government agency	5.4	4.8
6	ORQ	Deutsche Bank Aktiengesellschaft	Banking, insurance & financial services	3.8	5.3
7	275GS	Queensland Gas Company Limited	Energy & natural resources	2.9	3.5
8	ORQ & PT	The Executive Centre Singapore Pte Ltd	Real estate & property services	2.8	1.6
9	ORQ	UBS AG	Banking, insurance & financial services	2.8	4.3
10	MBFC 1	Macquarie Capital Securities (Singapore) Pte Limited	Banking, insurance & financial services	2.5	1.4
Total				51.7	50.7

¹ Based on committed monthly gross rent income and committed NLA as at 31 December 2010.

² BJT: Bugis Junction Towers, ORQ: One Raffles Quay, PT: Prudential Tower, MBFC 1: Marina Bay Financial Centre Phase 1, 275GS: 275 George Street

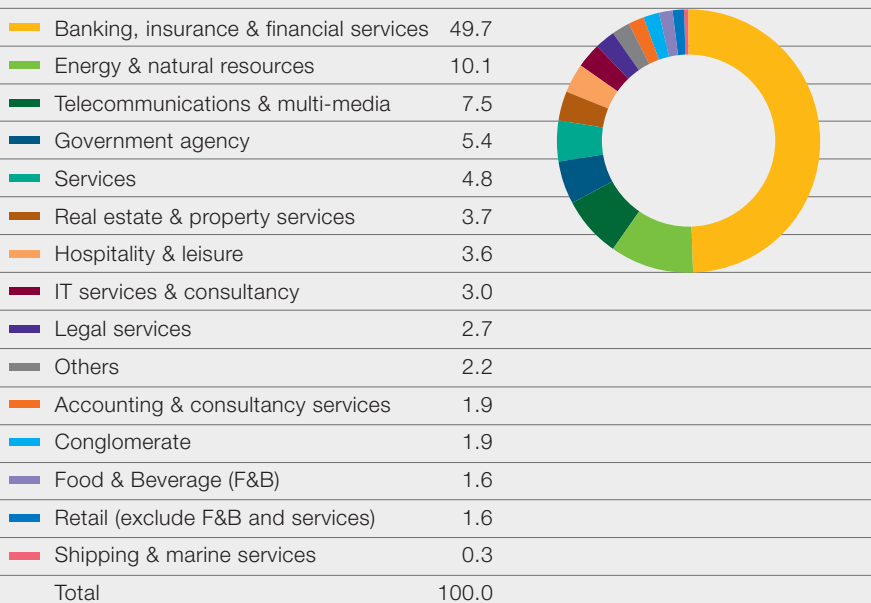
³ Information on ORQ and MBFC 1 tenants are computed based on K-REIT Asia's one-third interest. Information on 275GS is computed based on K-REIT Asia's 50% interest.

TENANT BUSINESS SECTORS

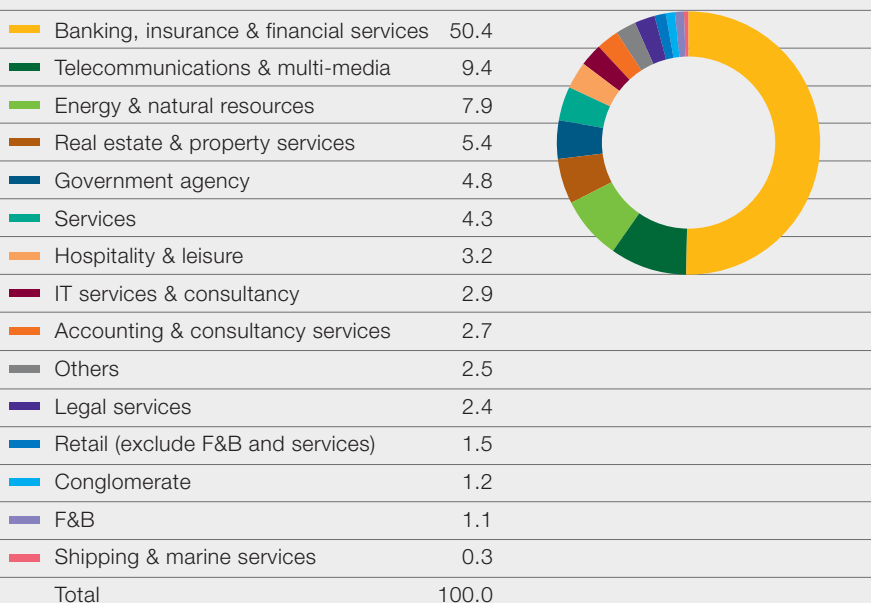
As at end-2010, K-REIT Asia's portfolio comprised 159 tenants from leading companies across diversified business sectors.

Tenants in the banking, insurance and financial services sector accounted for the majority of its gross rental income due to the high concentration of K-REIT Asia's portfolio of prime Grade A office buildings in the CBD. The majority of its tenants in the banking, insurance and financial services sector are located at its Singapore properties in ORQ, Prudential Tower and Marina Bay Financial Centre Towers 1 & 2.

Tenant Business Sector Analysis by Committed Monthly Gross Rent as at 31 December 2010 (%)



Tenant Business Sector Analysis by Committed Net Lettable Area as at 31 December 2010 (%)

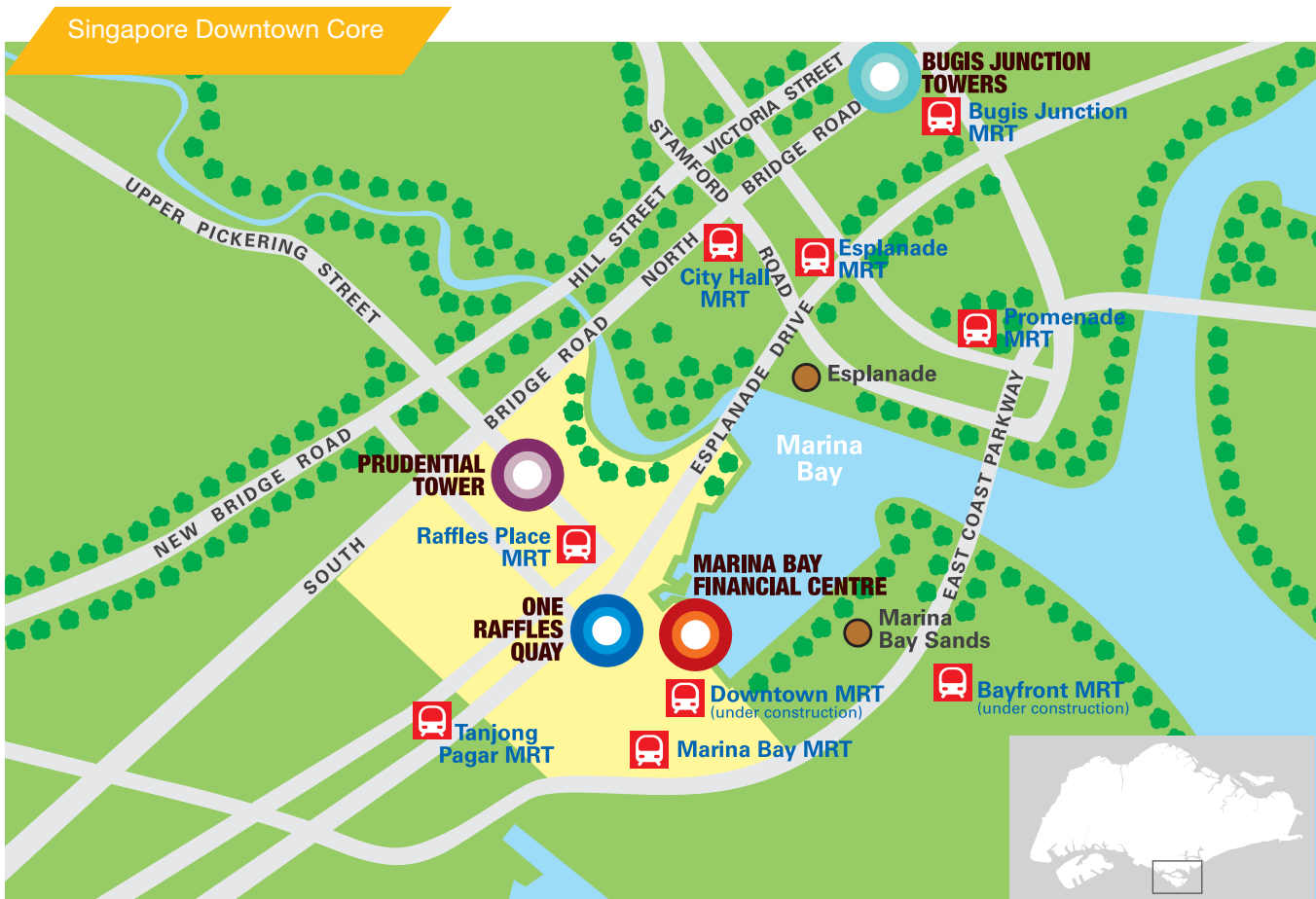


Portfolio at a Glance

Property Portfolio Statistics

	As at 31 December 2010	As at 31 December 2009
Net Lettable Area (NLA)	169,196 sm 1,821,219 sf	120,627 sm 1,298,420 sf
Valuation	\$3,487.6 million	\$2,097.7 million
Number of Tenants ¹	159	119
Number of Carpark Lots	1,664	1,001
Committed Occupancy	97.0%	95.0%
Weighted Average Lease Expiry	7.6 years	5.2 years

¹ Tenants located in more than one property are accounted for as one tenant when computing the total number of tenants.



K-REIT Asia's properties in Singapore achieved an average committed occupancy of 98.7%, which is higher than the core CBD average.

Property	Bugis Junction Towers	MBFC Phase 1 ⁴	One Raffles Quay ⁴	Prudential Tower Property ⁴	275 George Street ⁴	77 King Street Office Tower
Location	230 Victoria Street, Singapore 188024	8, 8A and 10 Marina Boulevard, Singapore 018981/018984/018983	1 Raffles Quay, Singapore 048583	30 Cecil Street, Singapore 049712	275 George Street, Brisbane, Queensland 4000, Australia	77 King Street, Sydney, New South Wales 2000, Australia
Title	Leasehold estate of 99 years expiring 9 September 2089	Leasehold estate of 99 years expiring 10 October 2104	Leasehold estate of 99 years expiring 12 June 2100	Leasehold estate of 99 years expiring 14 January 2095	Freehold ⁷	Freehold ⁷
Ownership Interest	100%	33.3%	33.3%	73.4% of the strata area	50%	100%
Acquisition Date	26 April 2006	15 December 2010	10 December 2007	26 April 2006 2 November 2009 ⁵	1 March 2010	21 December 2010
Purchase Price (on acquisition)	\$159.5 million	\$1,426.8 million	\$941.5 million	\$224.0 million ⁶	\$209.4 million	\$147.2 million
Valuation	\$320.1 million \$1,300 psf	\$1,447.0 million \$2,488 psf	\$1,015.0 million \$2,280 psf	\$342.6 million \$1,950 psf	\$215.7 million ⁸ \$960 psf	\$147.2 million ⁹ \$994 psf
Net Lettable Area	22,876 sm 246,238 sf	54,021 sm 581,478 sf	41,353 sm 445,120 sf	16,320 sm 175,672 sf	20,874 sm 224,686 sf	13,752 sm 148,025 sf
Committed Occupancy	100%	96.6% ³	100% ³	100%	99.8% ³	76.7%
FY2010 Property Income	\$20.0 million	–	–	\$19.1 million	\$17.5 million	\$0.3 million
FY2010 Net Property Income	\$16.5 million	–	–	\$15.7 million	\$15.0 million	\$0.2 million
FY2010 Income Contribution ¹	–	\$1.8 million	\$43.4 million	–	–	–
Number of Tenants	11	68 ³	31 ³	28	8 ³	15
Principal Tenants	AXA Life Insurance, International Enterprise Singapore, InterContinental Hotels Group, JV Fitness and Keppel Land	Barclays Capital Service, BHP Billiton, Macquarie Capital Securities, Nomura Singapore and Standard Chartered Bank	ABN Amro Asia Pacific, Credit Suisse, Deutsche Bank Aktiengesellschaft, Ernst & Young and UBS AG	Prudential Asset Management, Prudential Assurance, The Executive Centre, The McGraw-Hill Companies, UniCredit Bank AG	Queensland Gas Company, Savilo and Telstra Corporation	Capgemini, Expedia, Fitch Australia, Herbert Geer and Rebel Sport
Number of Carpark Lots ²	–	684 ³	713 ³	–	244 ³	12 ³

¹ Comprises income support, interest income and dividend income.

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

³ For the entire development.

⁴ Refers to K-REIT Asia's respective interest in the development and not as a whole unless otherwise stated.

⁵ 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.

⁶ Based on a purchase price of \$117.7 million as at 26 April 2006 and \$106.3 million as at 2 November 2009.

⁷ Also known as estate in fee simple.

⁸ Based on the valuation of A\$170.0 million, using an exchange rate of A\$1 = S\$1.269.

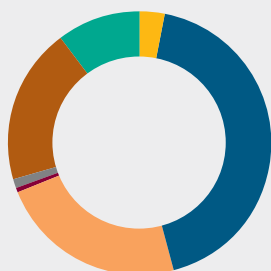
⁹ Based on the valuation of A\$116.0 million, using an exchange rate of A\$1 = S\$1.269.

Operations Review

Bugis Junction Towers

Tenant Business Sector Analysis by Committed Monthly Gross Rent as at 31 December 2010 (%)

Government agency	42.8
Hospitality & leisure	23.0
Real estate & property services	19.0
Services	10.2
Banking, insurance & financial services	3.2
Others	1.1
IT services & consultancy	0.7
Total	100.0



Key Statistics

as at 31 December 2010

Location	230 Victoria Street, Singapore 188024
Ownership Interest	100%
Net Lettable Area (NLA)	22,876 sm 246,238 sf
Title	Leasehold estate of 99 years expiring 9 September 2089
Committed Occupancy as at 31 December 2010	100%
Acquisition Date	26 April 2006
Valuation as at 31 December 2010	\$320.1 million
Number of Tenants	11
Number of Carpark Lots ¹	–
FY2010 Property Income	\$20.0 million
FY2010 Net Property Income	\$16.5 million

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

Lease Expiry Profile by Committed Monthly Gross Rent

as at 31 December 2010 (%)

2011	18.7
2012	43.5
2013	25.9
2014	2.7
2015	9.2
2016 and beyond	0.0

Weighted Average Lease Term to Expiry by NLA = 1.8 years.

Top Five Tenants

as at 31 December 2010

Ranking	Tenant	% of Total Committed Monthly Gross Rent
1	International Enterprise Singapore	42.8
2	InterContinental Hotels Group (Asia Pacific) Pte Ltd	19.7
3	Keppel Land International Limited	18.7
4	JV Fitness Pte Ltd	9.2
5	AXA Life Insurance Pte Ltd	3.2

BUGIS JUNCTION TOWERS

Bugis Junction Towers is located along Victoria Street and sits atop the Bugis Mass Rapid Transit (MRT) station. Come 2013, the Bugis MRT station will become an interchange station that connects the East-West MRT and the 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.

The development has 648 carpark lots across two basement levels which are owned and managed by the management corporation of Bugis Junction.

Bugis Junction Towers has won several awards, including the Green Mark Gold Award by the Building and Construction Authority (BCA) of Singapore in 2011, Singapore Institute of Architects' Award for Urban Design Category in 1998 and Honourable Mention Award for Mixed Developments Category at the Singapore Institute of Architects Architectural Design Awards 1995. It was also one of the finalists for the prestigious FIABCI Prix d'Excellence competition in 2001.



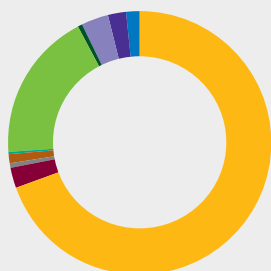
Bugis Junction Towers, which is part of an award-winning integrated mixed-use development, is fully let.

Operations Review

Marina Bay Financial Centre Towers 1 & 2 and Marina Bay Link Mall (MBFC Phase 1)

Tenant Business Sector Analysis by Committed Monthly Gross Rent as at 31 December 2010 (%)

Banking, insurance & financial services	70.0
Energy & natural resources	18.3
F&B	3.3
IT services & consultancy	2.6
Legal services	2.3
Retail (exclude F&B and services)	1.4
Real estate & property services	1.2
Others	0.5
Services	0.3
Telecommunications & multi-media	0.1
Total	100.0



Key Statistics¹

as at 31 December 2010

Location	8, 8A and 10 Marina Boulevard Singapore 018981/018984/018983
Ownership Interest	33.3%
Net Lettable Area (NLA)	54,021 sm 581,478 sf
Title	Leasehold estate of 99 years expiring 10 October 2104
Committed Occupancy as at 31 December 2010	96.6% ²
Acquisition Date	15 December 2010
Valuation as at 31 December 2010	\$1,447.0 million
Number of Tenants	68 ²
Number of Carpark Lots	684 ²
FY2010 Income Distribution	\$1.8 million ³

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

² For the entire development.

³ Comprises income support and interest income.

Lease Expiry Profile by Committed Monthly Gross Rent

as at 31 December 2010 (%)

2011	0.5
2012	0.0
2013	4.2
2014	0.7
2015	0.2
2016 and beyond	94.4

Weighted Average Lease Term to Expiry = 10.2 years.

Top Five Tenants

as at 31 December 2010

Ranking	Tenant	% of Total Committed Monthly Gross Rent
1	Standard Chartered Bank	25.5
2	Barclays Capital Service Limited Singapore Branch	18.8
3	BHP Billiton Marketing Asia Pte Ltd	18.3
4	Macquarie Capital Securities (Singapore) Pte Limited	6.4
5	Nomura Singapore Ltd	6.1

MARINA BAY FINANCIAL CENTRE TOWERS 1 & 2 AND MARINA BAY LINK MALL (MBFC PHASE 1)

K-REIT Asia owns a one-third interest in BFC Development Pte. Ltd., the holding company which owns Marina Bay Financial Centre Towers 1 & 2 and Marina Bay Link Mall (MBFC Phase 1).

MBFC Phase 1 is part of the Marina Bay Financial Centre (MBFC) integrated development located in Singapore's new financial district, Marina Bay.

Designed by Kohn Pedersen Fox Associates, one of the world-renowned architecture firms, MBFC comprises three office towers, namely, Marina Bay Financial Centre Towers 1, 2, and 3, two residential towers, namely, Marina Bay Residences and Marina Bay Suites, and a subterranean retail mall, Marina Bay Link Mall (MBLM).

MBFC Towers 1 and 2 are two 33- and 50-storey Grade A office buildings located in close proximity to the Marina Bay Sands integrated resort, Singapore Flyer, The Esplanade – Theatres on the Bay, Gardens by the Bay and other lifestyle and entertainment amenities.

MBLM provides seamless connections to the Raffles Place MRT Station, One Raffles Quay, MBFC, Marina Bay Residences, office and residential developments, as well as future developments fringing the Marina Bay waterfront. By 2013, the mall will also be linked to Downtown MRT station (Downtown Line) which will provide easier access for all to MBLM, MBFC and to Marina Bay.

MBFC Phase 1 is home to leading multi-national companies from diversified business sectors.

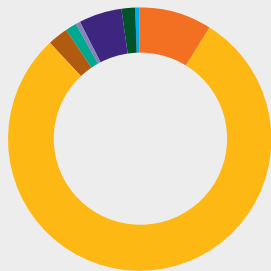


Operations Review

One Raffles Quay

Tenant Business Sector Analysis by Committed Monthly Gross Rent as at 31 December 2010 (%)

Banking, insurance & financial services	79.1
Accounting & consultancy services	9.3
Legal services	5.3
Real estate & property services	2.6
Telecommunications & multi-media	1.7
Services	1.4
F&B	0.5
Retail (excluding F&B and services)	0.1
Total	100.0



Key Statistics¹

as at 31 December 2010

Location	1 Raffles Quay, Singapore 048583
Ownership Interest	33.3%
Net Lettable Area (NLA)	41,353 sm 445,120 sf
Title	Leasehold estate of 99 years expiring 12 June 2100
Committed Occupancy as at 31 December 2010	100% ²
Acquisition Date	10 December 2007
Valuation as at 31 December 2010	\$1,015.0 million
Number of Tenants	31 ²
Number of Carpark Lots	713 ²
FY2010 Income Contribution	\$43.4 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 Committed Monthly Gross Rent

as at 31 December 2010 (%)

2011	6.2
2012	0.3
2013	10.3
2014	0.0
2015	18.6
2016 and beyond	64.6

Weighted Average Lease Term to Expiry = 6.2 years.

Top Five Tenants

as at 31 December 2010

Ranking	Tenant	% of Total Committed Monthly Gross Rent
1	Deutsche Bank Aktiengesellschaft	18.6
2	UBS AG	13.4
3	ABN AMRO Asia Pacific Pte Ltd	12.2
4	Credit Suisse	9.9
5	Ernst & Young Services Pte Ltd	9.3

ONE RAFFLES QUAY

K-REIT Asia owns a one-third interest in One Raffles Quay Pte Ltd, the holding company which in turn owns One Raffles Quay (ORQ), a landmark commercial development located at Marina Bay.

ORQ consists of two Grade A office towers – a 50-storey North Tower and 29-storey South Tower connected by a podium plaza. There are retail shops and dining outlets along its underground pedestrian walkway that connects the development to Raffles Place MRT station and Marina Bay Financial Centre.

A stylishly designed and energy-efficient development, ORQ was awarded the Green Mark Gold Award and certified a Water-Efficient Building by the BCA and Public Utilities Board (PUB) respectively in 2009.

In 2008, it was awarded the FIABCI Prix d'Excellence in the Office category, the Design and Engineering Safety Excellence Award by the BCA, as well as Honorable Nominee for Best Tall Building Award by the Council on Tall Buildings and Urban Habitat.



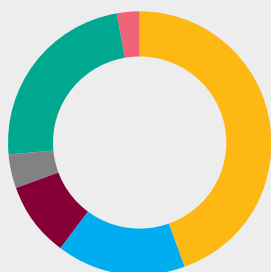
One Raffles Quay is another prestigious landmark commercial development located at Marina Bay.

Operations Review

Prudential Tower Property

Tenant Business Sector Analysis by Committed Monthly Gross Rent as at 31 December 2010 (%)

Banking, insurance & financial services	44.5
Services	23.7
Conglomerate	15.8
IT services & consultancy	9.4
Others	4.0
Shipping & marine services	2.6
Total	100.0



Key Statistics

as at 31 December 2010

Location	30 Cecil Street, Singapore 049712
Ownership Interest	73.4% of the strata area of the building
Net Lettable Area (NLA)	16,320 sm 175,672 sf
Title	Leasehold estate of 99 years expiring 14 January 2095
Committed Occupancy as at 31 December 2010	100%
Acquisition Date	26 April 2006, 2 November 2009 ²
Valuation as at 31 December 2010	\$342.6 million
Number of Tenants	28
Number of Carpark Lots ³	–
FY2010 Property Income	\$19.1 million
FY2010 Net Property Income	\$15.7 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 K-REIT Asia owned 44.4% of the strata area of the building as at 26 April 2006 and acquired an additional 29.0% on 2 November 2009.

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

Lease Expiry Profile by Committed Monthly Gross Rent

as at 31 December 2010 (%)

2011	21.8
2012	6.1
2013	60.5
2014	10.8
2015	0.8
2016 and beyond	0.0

Weighted Average Lease Term to Expiry = 1.9 years.

Top Five Tenants

as at 31 December 2010

Ranking	Tenant	% of Total Committed Monthly Gross Rent
1	The Executive Centre Singapore Pte Ltd	20.3
2	The McGraw-Hill Companies, Inc	15.7
3	Prudential Asset Management (Singapore) Limited	11.5
4	UniCredit Bank AG	9.5
5	Prudential Assurance Company Singapore (Pte) Ltd	5.2

PRUDENTIAL TOWER

K-REIT Asia owns a 73.4% majority stake of the strata area of Prudential Tower, a 30-storey Grade A office development. Prior to November 2009, K-REIT Asia owned approximately 44.4% of the strata area or 10 strata floors.

The development is strategically located at the junction of Church Street and Cecil Street in Singapore's CBD and is a five-minute walk from Raffles Place MRT station.

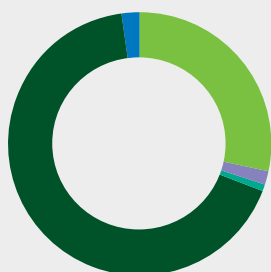
In 2010, Prudential Tower was presented the Green Mark Gold award by the BCA. In 2009, it was certified a Water-Efficient Building by the PUB. The development also won the FIABCI Prix d'Excellence Award for its high-quality building specifications and finishes in 2003.



Prudential Tower was awarded the Green Mark Gold Award by the BCA in December 2010.

**Tenant Business Sector Analysis
by Committed Monthly Gross Rent**
as at 31 December 2010 (%)

Telecommunications & multi-media	66.8
Energy & natural resources	28.5
Retail (excluding F&B and services)	2.2
F&B	1.7
Services	0.8
Total	100.0



Key Statistics¹

as at 31 December 2010

Location	275 George Street, Brisbane, Queensland 4000, Australia
Ownership Interest	50% interest as tenant-in-common
Net Lettable Area (NLA)	20,874 sm 224,686 sf
Title	Freehold ²
Committed Occupancy as at 31 December 2010	99.8% ³
Acquisition Date	1 March 2010
Valuation as at 31 December 2010	\$215.7 million
Number of Tenants	8 ³
Number of Carpark Lots	244 ³
FY2010 Property Income	\$17.5 million
FY2010 Net Property Income	\$15.0 million

¹ The information shown is related to K-REIT Asia's 50% interest in 275 George Street and not as a whole, unless otherwise stated.

² Also known as estate in fee simple.

³ For the entire development.

Lease Expiry Profile by Committed Monthly Gross Rent

as at 31 December 2010 (%)

2011	0.0
2012	0.0
2013	0.0
2014	0.0
2015	1.5
2016 and beyond	98.5

Weighted Average Lease Term to Expiry = 8.5 years.

Top Five Tenants

as at 31 December 2010

Ranking	Tenant	% of Total Committed Monthly Gross Rent
1	Telstra Corporation Limited	66.8
2	Queensland Gas Company Limited	28.5
3	Savilo Pty Ltd	1.7
4	DUT 275 Pty Ltd (Delahunty (Priceline))	1.0
5	Australian Sports Nutrition	0.6

275 GEORGE STREET

K-REIT Asia acquired a 50% interest as tenant-in-common in 275 George Street in March 2010. The freehold 30-storey Grade A commercial building stands at 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 ecologically-designed 275 George Street has achieved both the 5-Star Green Star – Office Design and As Built v2 ratings, as well as a 4.5-Star NABERS Energy base building rating.

275 George Street is 99.8% leased with long-term tenancies to leading Australian companies.

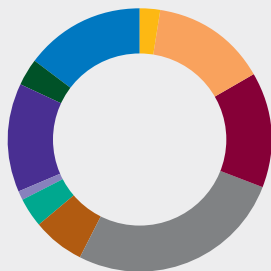


Operations Review

77 King Street Office Tower

Tenant Business Sector Analysis by Committed Monthly Gross Rent as at 31 December 2010 (%)

Others	26.4
Retail (excluding F&B and services)	14.5
Hospitality & leisure	14.2
IT services & consultancy	14.2
Legal services	13.3
Real estate & property services	6.6
Services	3.6
Telecommunications & multi-media	3.5
Banking, insurance & financial services	2.7
F&B	1.0
Total	100.0



Key Statistics

as at 31 December 2010

Location	77 King Street, Sydney, New South Wales 2000, Australia
Ownership Interest	100%
Net Lettable Area (NLA)	13,752 sm 148,025 sf
Title	Freehold ¹
Committed Occupancy as at 31 December 2010	76.7%
Acquisition Date	21 December 2010
Valuation as at 31 December 2010	\$147.2 million
Number of Tenants	15
Number of Carpark Lots	12
FY2010 Property Income	\$0.3 million
FY2010 Net Property Income	\$0.2 million

¹ Also known as estate in fee simple.

Lease Expiry Profile by Committed Monthly Gross Rent

as at 31 December 2010 (%)

2011	0.7
2012	0.0
2013	41.7
2014	6.0
2015	22.9
2016 and beyond	28.7

Weighted Average Lease Term to Expiry = 5.3 years.

Top Five Tenants

as at 31 December 2010

Ranking	Tenant	% of Total Committed Monthly Gross Rent
1	Rebel Sport Limited	14.5
2	Capgemini Australia Pty Limited	14.2
3	Herbert Geer Commercial Pty Limited	13.3
4	Expedia Australia Pty Limited	8.2
5	Fitch Australia Pty Limited	6.8

77 KING STREET OFFICE TOWER

77 King Street is a prime commercial building located in the heart of Sydney's CBD and in close proximity to major CityRail Stations – Wynyard, Martin Place and Town Hall.

77 King Street was first developed in 1975 and subsequently underwent a full refurbishment in 2008. The revamped building boasts a modern façade designed by Burley Katon Halliday and uses energy-efficient chilled beam air-conditioning technology that minimises utility expenses while cooling the interiors.



The 77 King Street office tower was fully refurbished in 2008.



K-REIT Asia delivered higher distribution income to Unitholders for the full year 2010 from higher income contribution from its assets.

Financial Review

K-REIT Asia acquired two assets in Australia in 2010 – a 50% interest in 275 George Street in Brisbane on 1 March 2010 and the office tower on 77 King Street in Sydney on 21 December 2010.

On 15 December 2010, K-REIT Asia divested Keppel Towers & GE Tower (KTGE) for \$573 million. The divestment resulted in a \$26.4 million divestment gain.

The proceeds from the divestment were used to fund the acquisition of a one-third interest in Marina Bay Financial Centre (MBFC) Phase 1 that is held through BFC Development Pte. Ltd. (BFCDPL). The acquisition was completed on 15 December 2010.

These three yield-accretive transactions and one strategic divestment enhanced K-REIT Asia's portfolio and diversified its income sources.

K-REIT Asia's portfolio as at end-2010 included four Singapore-based properties, namely, Bugis Junction

Towers, one-third interest in MBFC Phase 1 and One Raffles Quay through its respective shareholding interest in BFCDPL and One Raffles Quay Pte Ltd (ORQPL), a 73.4% of the strata area of Prudential Tower (Prudential Tower Property); and two Australia-based properties, comprising the 50% interest in 275 George Street in Brisbane and the 77 King Street office tower in Sydney.

The income contribution from K-REIT Asia's direct investment properties comprising Bugis Junction Towers, the Prudential Tower Property, 50% interest in 275 George Street and 77 King Street office tower are accounted as property income and net property income. The income contribution from K-REIT Asia's one-third interest in ORQPL and BFCDPL are accounted as share of results of associated companies.

K-REIT Asia achieved a higher distribution income and distribution per unit (DPU) for the financial year ended

31 December 2010 (FY2010) as compared to financial year ended 31 December 2009 (FY2009). This was due mainly to higher property income and lower borrowing expenses incurred.

Overview

	FY2010 \$'000	FY2009 \$'000	Change %
Property income	84,559	62,811	34.6
Property expenses	(17,254)	(13,931)	23.9
Net property income	67,305	48,880	37.7
Share of results of associated companies	9,695	8,208	18.1
Interest income and income support ¹	38,418	35,856	7.1
Other operating expenses	(60,718)	(65,328)	(7.1)
Net income	54,700	27,616	98.1
Divestment gain	26,439	–	n.m. ²
Net change in fair value of investment properties	31,591	(71,759)	n.m. ²
Income tax expense	(3,494)	(1,776)	96.7
Total return after tax	109,236	(45,919)	n.m. ²
Income available for distribution	85,631	70,519	21.4
Distribution income	85,631	70,519	21.4

¹ Income support in 2010 comprises income support for the 29% interest in Prudential Tower, 50% interest in 275 George Street, and respective one-third interest in ORQPL and BFCDPL. Income support in 2009 comprises income support for the one-third interest in ORQPL.

² n.m. means not meaningful.

Financial Review

Distributable Income by Quarter (\$'000)		
4Q2010		23,155
3Q2010		22,673
2Q2010		21,978
1Q2010		17,825
4Q2009		19,400
3Q2009		17,965
2Q2009		17,496
1Q2009		15,658

DISTRIBUTABLE INCOME

Distributable income increased by \$15.1 million or 21.4% to \$85.6 million in FY2010 from \$70.5 million in FY2009. The increase was due to higher net property income and lower borrowing expenses in FY2010, partly offset by the payment of 50% of the management fees in cash as compared with 100% in units in FY2009 and higher trust expenses.

DISTRIBUTION PAYOUT

K-REIT Asia's distributes at least 90% of its distributable income twice a year. For FY2010, K-REIT Asia distributed 100% of its distributable income, paying out a total DPU of 6.35 cents to its Unitholders. This comprises 2.97 cents for the period 1 January 2010 to 30 June 2010 and 3.38 cents for 1 July 2010 to 31 December 2010 respectively.

In November 2009, K-REIT Asia completed a one-for-one rights issue at \$0.93 per unit. Adjusting for the effects of the rights issue, the DPU for FY2009 would have been 5.28 cents.

PROPERTY INCOME

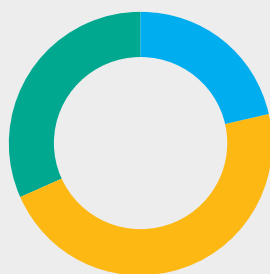
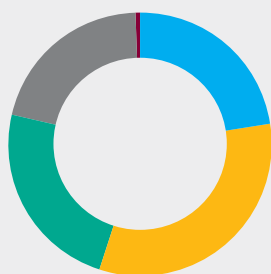
Property income for FY2010 was \$84.5 million, an increase of \$21.7 million or 34.6% over \$62.8 million for FY2009. The increase was due mainly to contribution from the six additional strata floors in Prudential Tower acquired in November 2009 and a 50% stake in 275 George Street acquired in March 2010.

FY2010 Property Income by Asset:
\$84.5 million
 (%)

Prudential Tower Property ¹	22.6
Keppel Towers & GE Tower ²	32.5
Bugis Junction Towers	23.7
275 George Street ³	20.8
77 King Street office tower ⁵	0.4
Total	100.0

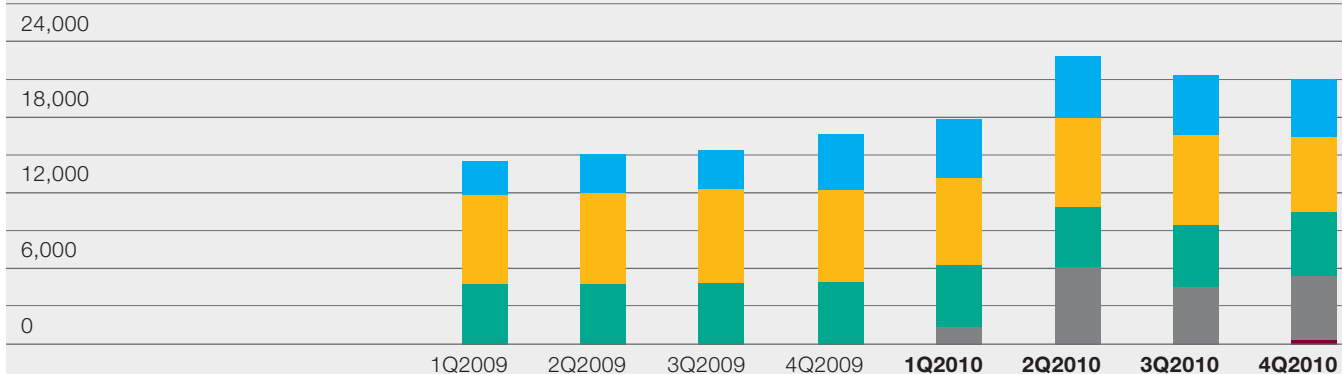
FY2009 Property Income by Asset:
\$62.8 million
 (%)

Prudential Tower Property ¹	21.4
Keppel Towers & GE Tower ²	47.0
Bugis Junction Towers	31.6
Total	100.0



Property Income by Asset by Quarter
 (\$ million)

Prudential Tower Property ¹	2,686	3,103	3,126	4,514	4,723	4,932	4,831	4,611
Keppel Towers & GE Tower ²	7,196	7,337	7,528	7,445	7,095	7,180	7,291	5,994
Bugis Junction Towers	4,903	4,917	5,000	5,056	4,965	4,883	4,983	5,190
275 George Street ³	-	-	-	-	1,427	6,235⁴	4,654⁴	5,231
77 King Street office tower ⁵	-	-	-	-	-	-	-	334
Total	14,785	15,357	15,654	17,015	18,210	23,230	21,759	21,360



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

² The divestment of Keppel Towers & GE Tower was completed on 15 December 2010.

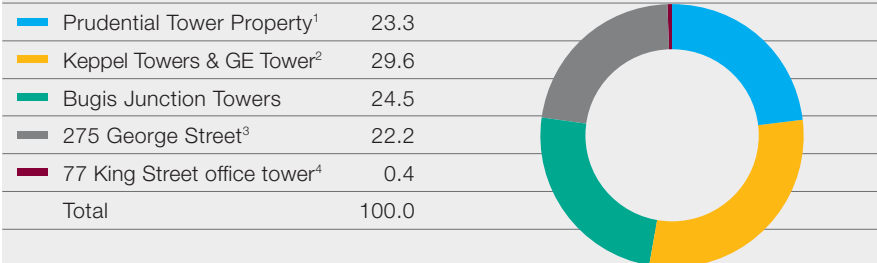
³ The acquisition of the 50% interest in 275 George Street, Brisbane, was completed on 1 March 2010.

⁴ The fluctuation in property income from 50% interest in 275 George Street is mainly due to the effects of straight-line accounting the rental income from 2Q2010 and subsequent adjustments made in 3Q2010.

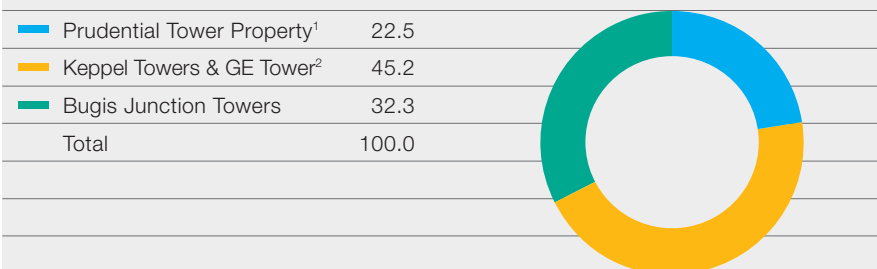
⁵ The acquisition of the 77 King Street office tower, Sydney, was completed on 21 December 2010.



FY2010 Net Property Income by Asset: \$67.3 million (%)



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



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

² The divestment of Keppel Towers & GE Tower was completed on 15 December 2010.

³ The acquisition of the 50% interest in 275 George Street, Brisbane, was completed on 1 March 2010.

⁴ The acquisition of the 77 King Street office tower, Sydney, was completed on 21 December 2010.

NET PROPERTY INCOME

Net property income increased \$18.4 million or 37.7% to \$67.3 million in FY2010 from \$48.9 million in FY2009 as a result of higher property income and offset by higher property expenses.

Property expenses of \$17.3 million were \$3.3 million or 23.9% higher than that incurred last year due mainly to the growth in assets under management (AUM).

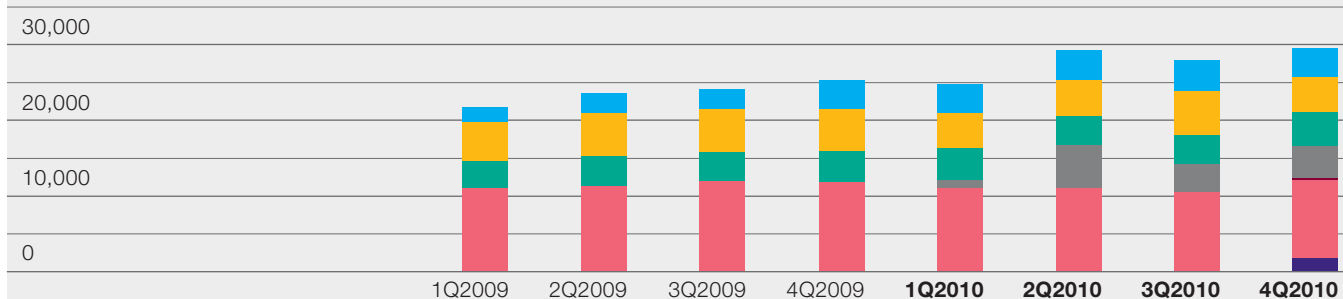
INCOME CONTRIBUTION

Income contribution comprises net property income from the investment properties directly held by K-REIT Asia and contributions from its one-third interest in ORQPL and BFCDDL.

K-REIT Asia's income contribution for FY2010 was \$112.5 million, an increase of \$16.9 million or 17.7% over \$95.6 million for FY2009. This was due mainly to the increase in property income contribution from K-REIT Asia's additional interest in Prudential Tower and 50% interest in 275 George Street.

Income Contribution by Asset by Quarter (\$'000)

	1Q2009	2Q2009	3Q2009	4Q2009	1Q2010	2Q2010	3Q2010	4Q2010
Prudential Tower Property ¹	1,982	2,638	2,584	3,809	3,855	3,916	4,041	3,838
Keppel Towers & GE Tower ²	5,247	5,601	5,739	5,490	4,723	4,811	5,765	4,642
Bugis Junction Towers	3,591	4,077	3,980	4,142	4,207	3,920	3,916	4,433
275 George Street ³	-	-	-	-	1,103	5,746	3,797	4,331
77 King Street office tower ⁴	-	-	-	-	-	-	-	261
One-third interest in ORQPL ⁵	11,159	11,462	12,036	12,045	11,147	11,167	10,613	10,481
One-third interest in BFCDDL ^{2, 6}	-	-	-	-	-	-	-	1,782
Total	21,979	23,778	24,339	25,486	25,035	29,560	28,132	29,768



FY2010 Income Contribution by Asset: \$112.5 million (%)

Prudential Tower Property ¹	13.9
Keppel Towers & GE Tower ²	17.7
Bugis Junction Towers	14.7
275 George Street ³	13.3
77 King Street office tower ⁴	0.2
One-third interest in ORQPL ⁵	38.6
One-third interest in BFCDDL ^{2, 6}	1.6
Total	100.0

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

Prudential Tower Property ¹	11.5
Keppel Towers & GE Tower ²	23.1
Bugis Junction Towers	16.5
One-third interest in ORQPL ⁵	48.9
Total	100.0

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

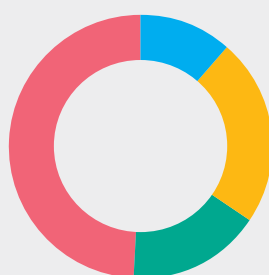
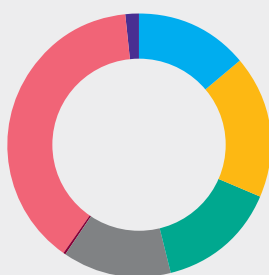
² The divestment of Keppel Towers & GE Tower and acquisition of the one-third interest in BFCDDL were completed on 15 December 2010.

³ The acquisition of the 50% interest in 275 George Street, Brisbane, was completed on 1 March 2010.

⁴ The acquisition of the 77 King Street office tower, Sydney, was completed on 21 December 2010.

⁵ Comprises income support, interest income and dividend income.

⁶ Comprises income support and interest income.



Valuation of Properties

	FY2010 ¹ Valuation \$ million	FY2009 ² Valuation \$ million	Change %
Prudential Tower Property ³	342.6	325.1	5.4
Keppel Towers & GE Tower ⁴	–	540.7	n.m. ⁷
Bugis Junction Towers	320.1	297.0	7.8
275 George Street Property ⁵	215.7	–	n.m. ⁷
77 King Street office tower ⁶	147.2	–	n.m. ⁷
	1,025.6	1,162.8	(11.8)
One-third interest in One Raffles Quay	1,015.0	934.9	8.6
One-third interest in MBFC Phase 1 ⁴	1,447.0	–	n.m. ⁷
Total	3,487.6	2,097.7	66.3

¹ Valuation as at 31 December 2010.

² Valuation as at 31 December 2009.

³ Based on the 73.4% interest in Prudential Tower.

⁴ The acquisition of one-third interest in Marina Bay Financial Centre Towers 1 & 2 and Marina Bay Link Mall and divestment of Keppel Towers & GE Tower were completed on 15 December 2010.

⁵ The acquisition of 50% interest in 275 George Street was completed on 1 March 2010.

⁶ The acquisition of the 77 King Street office tower was completed on 21 December 2010.

⁷ n.m. means not meaningful.

ASSETS UNDER MANAGEMENT (AUM)

The total AUM as at 31 December 2010 for K-REIT Asia was \$3,487.6 million compared with \$2,097.7 million as at 31 December 2009.

The 66.3% increase in AUM or \$1,389.9 million was mainly due to the acquisition of a one-third interest in BFGDPL, and the Australian properties, as well as the increase in the property valuation of the Singapore-based properties, offset by the divestment of KTGE.

NET ASSET VALUE (NAV)

As at 31 December 2010, K-REIT Asia's NAV was \$1.52. This represented a marginal increase of 1.3% over \$1.50 as at 31 December 2009. Excluding distributable income, K-REIT Asia's NAV stood at \$1.48 at end-2010 compared with \$1.47 a year ago.

CAPITAL MANAGEMENT

Cash Management

K-REIT Asia monitors and maintains its cash flow position and working capital to ensure that there are adequate liquid reserves in terms of cash and credit facilities to meet short-term obligations.

The Manager takes a proactive approach and plans early for funding and expense requirements.

Funding and Borrowings

During the financial year, K-REIT Asia repaid the \$190.1 million five-year fixed-rate term loan facility granted by Blossom Assets Limited and the \$391.0 million revolving loan granted by Kephinance Investment Pte Ltd (Kephinance).

In addition, K-REIT Asia put in place term loan facilities with financial institutions and Kephinance, totalling \$1,135 million as follows:

With financial institutions

- (i) 5-year mortgage term loan facilities of \$425 million;
- (ii) 5-year term loan facilities of \$100 million;
- (iii) 4-year term loan facilities of \$160 million; and
- (iv) 3-year term loan facilities of \$100 million.

With Kephinance

- (i) 2-year revolving loan facilities of \$350 million.

As a security for the five-year term loan facilities of \$425 million, K-REIT Asia has mortgaged Bugis Junction Towers and its 74.3% interest in Prudential Tower.

As at 31 December 2010, K-REIT Asia had utilised \$993.5 million and had an unutilised \$141.5 million of revolving credit facility available for K-REIT Asia to meet its future obligations. Of the outstanding loan amount of \$993.5 million, approximately 80% had been hedged.

Including K-REIT Asia's one-third share of external borrowings at ORQPL of \$300 million and an unamortised portion of fees amounting to approximately \$3.6 million, K-REIT Asia's gross borrowings stood at \$1,289.9 million as at end-2010.

As at 31 December 2010, K-REIT Asia's aggregate leverage stood at 37.0%.

Average cost of borrowings for the financial year was 3.37% per annum. The EBITDA Interest Coverage Ratio for FY2010 was 5.59 times, which is higher than the 3.19 times for FY2009.

Debt Maturity Profile¹

(%)

Borrowings maturing in 2011	–
Borrowings maturing in 2012	16.1
Borrowings maturing in 2013	7.7
Borrowings maturing in 2014	12.4
Borrowings maturing in 2015	63.8
	100.0

¹ Includes \$300 million borrowings at ORQPL due in 2015.

Key Statistics

	As at 31 Dec 2010	As at 31 Dec 2009
Aggregate leverage ¹	37.0%	27.7%
Gross borrowings	\$1,289.9 million	\$581.1 million
Value of deposited properties	\$3,487.6 million	\$2,097.7 million
EBIT interest coverage ratio ²	4.25 times	2.11 times
EBITDA ³ interest coverage ratio ⁴	5.59 times	3.19 times
EBIT	\$71.5 million	\$52.4 million
EBITDA ³	\$94.0 million	\$79.0 million
Interest expense	\$16.8 million	\$24.8 million
All-in interest rate ⁵	3.37%	4.23%
Weighted average term to expiry	4.2 years	1.3 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 refers to earnings before interest, tax, depreciation and amortisation.

⁴ EBITDA interest coverage: Ratio of profit before interest, tax, depreciation and amortisation to interest expense.

⁵ All-in interest rate includes amortisation of upfront debt arrangement expenses.

Financial Review

CASH FLOWS AND LIQUIDITY

Net cash from operating activities for the financial year ended 31 December 2010 was \$35.4 million. This was a decrease of \$19.3 million over the operating cash flow of \$54.7 million in the preceding financial period.

Net cash used in investing activities was \$868.1 million comprising mainly \$377.4 million for the acquisitions of a 50% interest in 275 George Street and the 77 King Street office tower, \$1,380.2 million for the investment in BFCDDL, offset by \$570.5 million net proceeds from the sale of KTGE and \$300.0 million repayment of shareholder's loan by ORQPL.

Net cash generated from financing activities was \$307.0 million which included the drawdown of term loans amounting to approximately \$993.5 million, offset by a distribution payment of \$76.8 million to Unitholders, payment of interest expense of \$25.0 million and repayment of \$581.1 million in loans from Blossom Assets Limited and Kephinace.

As at 31 December 2010, the value of cash and cash equivalents of K-REIT Asia stood at \$49.9 million compared to \$575.5 million as at 31 December 2009. The decrease in cash balances was due mainly to the new acquisitions made during the financial year.

USE OF PROCEEDS FROM RIGHTS ISSUE

\$616.0 million net proceeds had been raised from the rights issue in November 2009. The proceeds from the rights issue had been utilised in the following manner:

- (i) \$99.7 million in November 2009 to fully repay the bridging loan of \$110.0 million from Kephinace;
- (ii) \$225.4 million to finance the acquisition of the 50% interest in 275 George Street, Brisbane;
- (iii) \$230.0 million for partial repayment of \$391.0 million

- revolving loan from Kephinace;
- (iv) \$41.5 million to partially finance the acquisition of one-third interest in MBFC Phase 1; and
- (v) \$19.4 million to partially finance the acquisition of the office tower in 77 King Street, Sydney.

Assuming that current average rental rate is maintained, the impact on rental income for every 10.0% increase or decrease in current average rental rates for a financial year would be approximately \$1.6 million.

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

The rental income from K-REIT Asia's six properties is sensitive to changes in their occupancies and the rental rates achieved for lease renewals and rent reviews.

Every 1% increase or decrease in the level of portfolio occupancy will result in a corresponding increase or decrease of approximately \$1.2 million in rental income.

K-REIT Asia is also subject to interest rate changes pertaining to interest-earning financial assets and interest-bearing financial liabilities as well as foreign exchange fluctuations pertaining to its Australian dollar denominated financial assets.

In respect of interest rates applicable for interest-earning financial assets and interest-bearing financial liabilities, a 75 basis point increase or decrease in interest rates will cause a corresponding decrease or increase of approximately \$1.1 million in K-REIT Asia's total return before tax.

Depending on the Australian dollar appreciating or depreciating by 5% against the Singapore dollar, K-REIT Asia's total return before tax will increase or decrease by \$37,000.

Change in Rental Income (\$'000)

Resulting from:	
1% increase in occupancy ¹	1,210
1% decrease in occupancy ¹	(1,210)
10% increase in current average rent rates ²	1,601
10% decrease in current average rent rates ²	(1,601)

¹ Assuming current average rental rates are maintained.

² Based on leases due for renewal and rent review in Year 2011.

Change in Total Return before Tax (\$'000)

Resulting from:	
75 basis point increase in interest rate	(1,091)
75 basis point decrease in interest rate	1,091
5% appreciation of Australian dollar against Singapore dollar	37
5% depreciation of Australian dollar against Singapore dollar	(37)

Risk Management

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

A holistic risk management framework is applied to the Manager's operations which cover all key activities in evaluating investment opportunities, planning and control, reporting and monitoring, as well as information management. The risk management framework and policies are periodically reviewed to ensure that potential risks are identified, well understood and promptly mitigated.

The Board, Manager and Property Manager meet on a quarterly basis or more when appropriate, to review K-REIT Asia's financial performance; assess its current and future operating, financial and investment risks; and respond to feedback from the compliance manager and auditor.

INVESTMENT RISK

The Manager adheres to a set of investment criteria and carries out comprehensive due diligence to mitigate potential investment risks. All investment proposals are objectively evaluated based on the target asset'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 approves them only after having evaluated the sensitivities and risks involved in each investment, on the basis of scenario analyses of key financial projections, assumptions and impact on K-REIT Asia.

FINANCING RISK

Prudent capital management and strong internal controls are fundamental to managing financing risk. The Manager proactively manages K-REIT Asia's

leverage level to optimise its capital structure and at the same time, diversify the source, tenor and size of borrowings so as to mitigate liquidity and financing risks.

The Manager diligently maintains a healthy cash flow position both in terms of cash and credit facilities to finance its operations. The Manager undertakes financial planning to ensure sufficient financial capacity to seize strategic investment opportunities should they arise.

INTEREST RATE RISK

The Manager constantly monitors the exposure to changes in interest rates and applies the appropriate financing instruments to limit the extent to which net interest expense can be affected by adverse movements in interest rates. As at 31 December 2010, majority of borrowings at the Trust level have fixed interest rates.

FOREIGN EXCHANGE RISK

The majority of K-REIT Asia's assets are based in Singapore. Hence, it has limited foreign exposure arising from its investments in Australia. The Manager monitors the foreign currency exposure and manages the exposure to adverse foreign exchange movements through appropriate financial instruments.

OPERATIONAL RISK

In order to ensure the sustainability and growth of distributable income, the Manager ensures that all key operations are aligned with K-REIT Asia's strategies. These include actively managing lease renewals and new leases to minimise rental voids, monitoring rental arrears to minimise bad debts, negotiating favourable lease terms, controlling property expenses to maximise net property income and mitigating counter-party risk.

The Manager practises prudent lease management to prevent disproportionate amount of spaces

expiring in any one year. This is achieved by staggering the lease expiry profile of the portfolio and ensuring that a sizeable portion of the portfolio's leases are long-term agreements and with provisions for regular rent reviews.

Business continuity plans and safety procedures in the event of disaster and pandemic contingencies are periodically reviewed and improved. Annual safety audits are also carried out by external consultants to ensure that the properties' safety-related standards and procedures are in place and practised.

The Manager works closely with the Property Manager and other co-owners of assets in which K-REIT Asia does not have majority control to ensure that the performance of these assets are optimised while property expenses are controlled. The Manager, together with the other co-owners, approves all new leases, lease renewals, lease restructuring, capital expenditures and payments. The Manager also attends regular operations and asset management meetings to ensure that these assets are managed in accordance with K-REIT Asia's expectations.

CREDIT RISK

Credit risk arises when tenants are unable and/or unwilling to fulfill 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 implements systematic rental collection procedures and pays close attention to potential cases of rental arrears. The Manager strives to expand its network of creditworthy tenants to support K-REIT Asia's growing portfolio of quality commercial assets.



1

1_The EGM in December 2010 provided the Manager the platform to explain the rationale for the acquisition of MBFC Phase 1 and divestment of KTGE.

2_The Manager provides regular updates to the media and analysts during the half- and full-year briefings.

In today's rapidly evolving business environment, it is increasingly important that investors and stakeholders of K-REIT Asia receive clear and accurate information to make informed decisions. Timely disclosures and opportunities for interaction with the Manager provide investors and stakeholders a better understanding of K-REIT Asia. It also allows the Manager to strengthen relationships with existing investors and attract new investors.

STRENGTHENING INVESTOR RELATIONS

The Manager recognises the importance of communicating and strengthening relationships with all its Unitholders, buy-side and sell-side analysts, fund managers, the media, potential investors and the general public.

For 2011, the Manager reaffirms its commitment to uphold high standards in corporate disclosure and governance as it continues to proactively engage all its stakeholders through regular and timely two-way communication.

K-REIT Asia held its inaugural Annual General Meeting on 20 April 2010. The event was well attended by retail

investors who took the opportunity to dialogue with senior management on both the REIT's operations and strategy. The Manager also held half- and full-year financial results briefings for media and analysts.

Throughout the year, senior management met with the investing community regularly through platforms such as post-results meetings, one-on-one or group meetings, conference calls and local as well as overseas non-deal roadshows. Materials used at these meetings are promptly uploaded onto the SGXnet and K-REIT Asia's corporate website at www.kreitasia.com on the same day of release so that all stakeholders are able to access timely and consistent updates about K-REIT Asia.

RECOGNITION FOR STANDARDS IN CORPORATE GOVERNANCE

On 7 May 2010, the Manager was awarded its Capital Markets Services Licence (CMSL) by the Monetary Authority of Singapore (MAS).

In accordance with the Securities and Futures Act (SFA), staff of the Manager who are engaged in REIT management



2

activities are registered with the MAS as appointed representatives of the Manager. The SFA is a regulatory framework that, among other things, ensures uniform standards and governs the conduct of institutions providing fund management services in Singapore.

K-REIT Asia was awarded the Best Annual Report Award (Gold) in the “REITs and Business Trusts” category at the Singapore Corporate Awards 2010 after winning Silver in the same award category in 2009. The award, which was presented on 10 May 2010 by The Business Times, is supported by the Singapore Exchange Securities Trading Limited. The award recognises the Manager’s efforts to continuously improve its standards of corporate disclosure and communication with its Unitholders.

STRONG SUPPORT FROM MINORITY UNITHOLDERS

K-REIT Asia obtained support of minority Unitholders at the Extraordinary General Meeting (EGM) held on 8 December 2010 to acquire a one-third interest in Marina Bay Financial Centre Towers 1 & 2 and Marina Bay Link Mall (MBFC Phase 1), as well as the divestment of Keppel Towers & GE Tower (KTGE).

Of all the votes casted at the EGM, 98.5% were in favour of the transaction that will significantly upgrade K-REIT Asia’s property portfolio and increase distributable income to Unitholders without any additional equity fund raising.

In the run-up to the EGM, the Manager reached out to many of its local and overseas investors through meetings and teleconferences to reiterate the merits of the transaction and address any concerns that arose. These meetings also provided the Manager the opportunity to interact with investors, sharing with them the vision and strategy of the REIT as well as discussing the growth prospects of K-REIT Asia.

Recognising that tenants are also vital stakeholders of K-REIT Asia, the Manager set up a hotline with a dedicated team to assist tenants of KTGE on queries relating to the transaction and the effect it has on their tenancies.

The Manager remains committed to maintaining good relationships with its investors, as well as its many stakeholders, including tenants and staff.

Financial Calendar

April 2011

→ Announcement of first quarter financial results.

July 2011

→ Announcement of half-year financial results.

August 2011

→ First half-year distribution payout to Unitholders.

October 2011

→ Announcement of third quarter financial results.

January 2012

→ Announcement of full-year financial results.

February 2012

→ Second half-year distribution payout to Unitholders.



2010 Investor Relations Calendar Highlights

1st Quarter 2010

- Press and analysts' briefing on FY2010 results.
- Credit Suisse Asian Investment Conference 2010.

2nd Quarter 2010

- Announcement of 1Q2010 results.
- Inaugural Annual General Meeting.
- Citi Asia Pacific Property Conference 2010.
- CLSA Corporate Access Forum 2010.
- Nomura Asia Equity Forum 2010.
- OSK DMG Singapore Property Corporate Day 2010.

3rd Quarter 2010

- Press and analysts' briefing on 1H2010 results.

4th Quarter 2010

- Announcement of 3Q2010 results.
- Press and analysts' briefing for the proposed acquisition of a one-third interest in MBFC Phase 1 and the divestment of KTGE.
- Roadshows in Singapore, Hong Kong, Tokyo, Europe and US.
- EGM to seek minority Unitholders' approval for the acquisition of MBFC Phase 1 and divestment of KTGE.

Unit Price Performance

The Singapore equity market recovered in tandem with the economy as the key barometer for listed equity, the Straits Times Index (STI) crossed the 3,000 mark for the first time in two years in April 2010. The last time the STI crossed the 3,000 point threshold was in June 2008, before the global financial crisis fully unfolded.

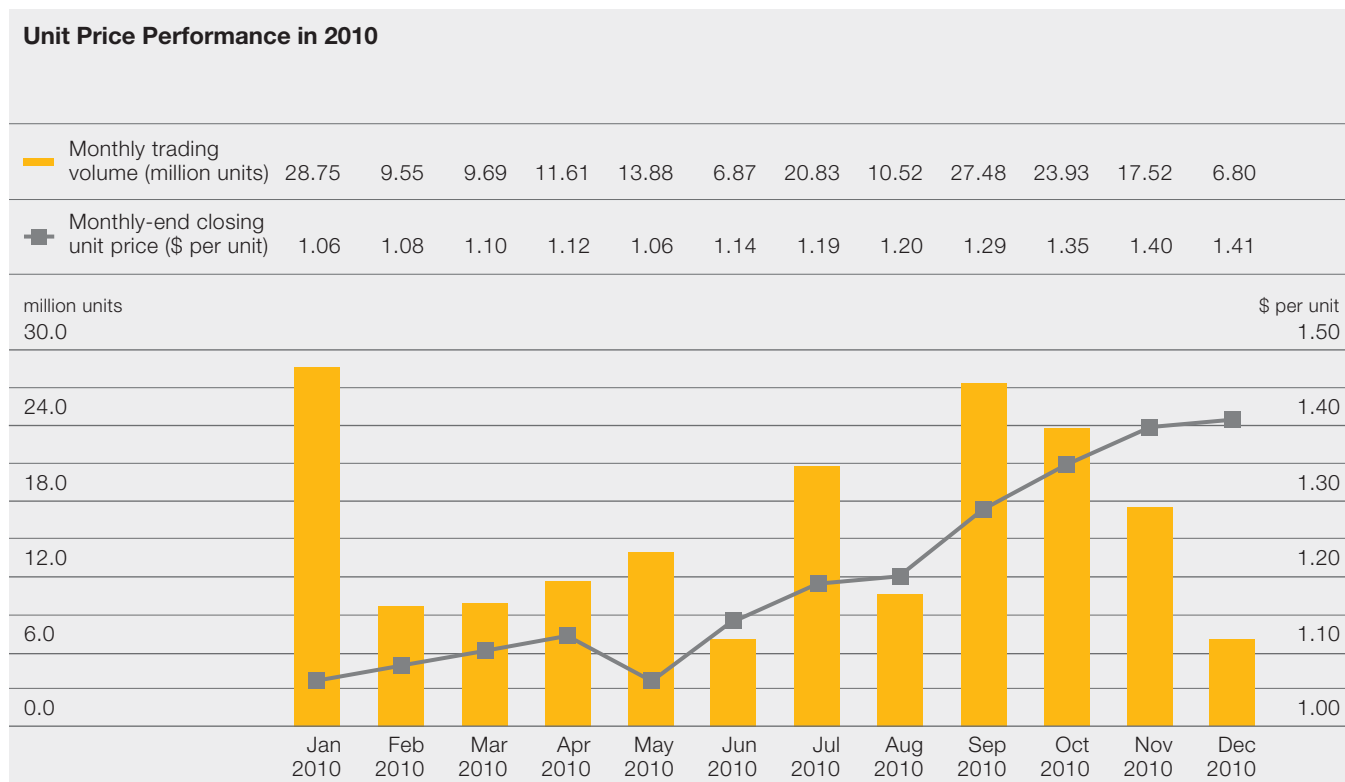
On the back of better than expected economic growth in Singapore and a series of income accretive acquisitions, K-REIT Asia's unit price climbed 28.2% and closed at \$1.41 on 31 December 2010 from \$1.10 on 31 December 2009.

K-REIT Asia's trading volume increased 6.3% to 187.4 million units for the whole of 2010 compared with 2009.

K-REIT Asia outperformed the STI, FSTE ST Real Estate Index (FTSE ST RE) and the FTSE ST Real Estate Investment Trust Index (FTSE ST REIT) by 18.1%, 20.8%, and 17.6% respectively for 2010.

For the whole of 2010, K-REIT Asia generated total returns of 34.0% compared with the STI's 12.8% and FTSE ST REIT's 16.4%. K-REIT Asia has delivered total returns of 70.4% since its listing in April 2006.

In 2010, K-REIT Asia generated a DPU yield of 4.5%, 179 basis points and 310 basis points higher than the 10-year and five-year Singapore Government bonds respectively.



Unit Price Performance

Unit Price Performance

	2010	2009
Highest closing price	\$1.43	\$1.24
Lowest closing price	\$1.05	\$0.49
Average closing price	\$1.20	\$0.90
Last done on 31 December	\$1.41	\$1.10
Trading volume (million units)	187.4	176.3

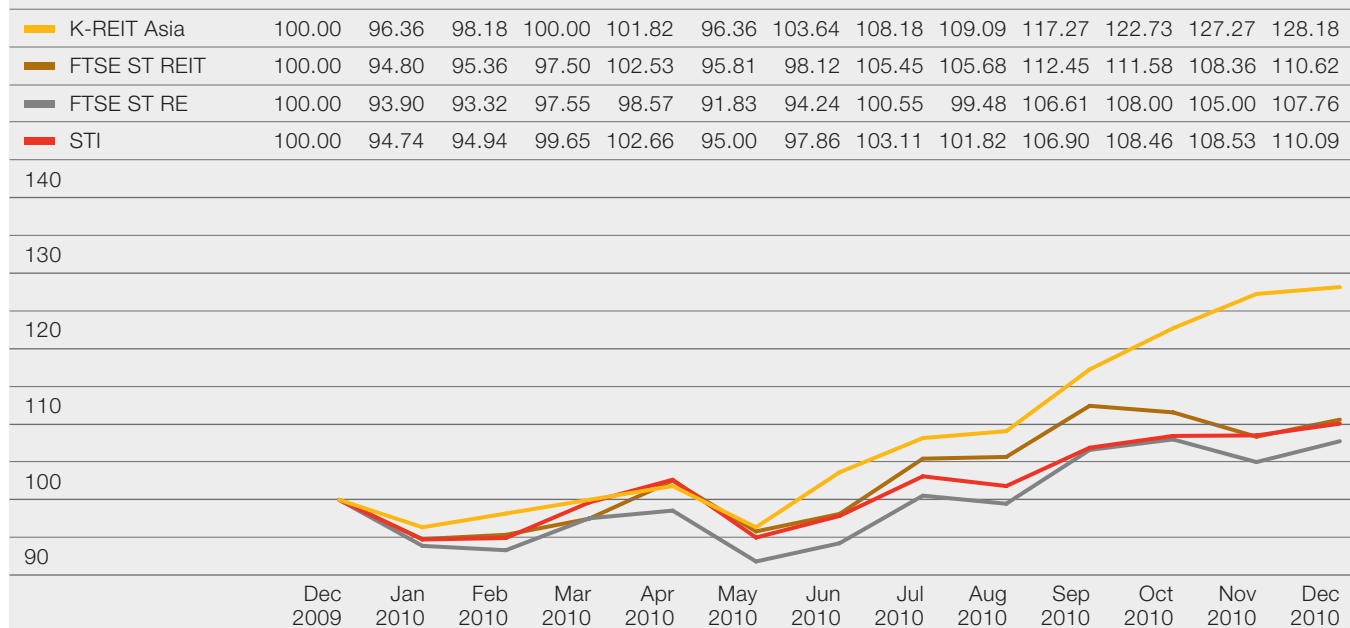
Comparative Price Trends

	K-REIT Asia		FTSE ST REIT ¹		FTSE ST RE ¹		STI 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 2009	1.10	100.00	617.67	100.00	677.03	100.00	2,897.62	100.00
Jan 2010	1.06	96.36	585.55	94.80	635.71	93.90	2,745.35	94.74
Feb 2010	1.08	98.18	588.99	95.36	631.81	93.32	2,750.86	94.94
Mar 2010	1.10	100.00	602.21	97.50	660.47	97.55	2,887.46	99.65
Apr 2010	1.12	101.82	633.29	102.53	667.34	98.57	2,974.61	102.66
May 2010	1.06	96.36	591.82	95.81	621.69	91.83	2,752.60	95.00
Jun 2010	1.14	103.64	606.08	98.12	638.01	94.24	2,835.51	97.86
Jul 2010	1.19	108.18	651.32	105.45	680.77	100.55	2,987.70	103.11
Aug 2010	1.20	109.09	652.78	105.68	673.51	99.48	2,950.33	101.82
Sep 2010	1.29	117.27	694.60	112.45	721.75	106.61	3,097.63	106.90
Oct 2010	1.35	122.73	689.20	111.58	731.21	108.00	3,142.62	108.46
Nov 2010	1.40	127.27	669.28	108.36	710.91	105.00	3,144.70	108.53
Dec 2010	1.41	128.18	683.28	110.62	729.58	107.76	3,190.04	110.09

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

Comparative Price Trends

% change in unit price/index value



Source: Bloomberg

Comparative Yields

as at 31 December 2010 (%)

K-REIT Asia DPU yield ¹	4.50
FTSE ST REIT Index yield ²	5.76
FTSE ST Real Estate Index yield ²	3.59
Straits Times Index yield ²	2.71
10-year Singapore Government Bond yield	2.71
CPF Ordinary Account	2.50
5-year Singapore Government Bond yield	1.40

¹ Based on K-REIT Asia's 6.35 cents DPU for FY2010 and closing unit price of \$1.41 as at 31 December 2010.

² Based on 12-month gross dividend of stocks in the Straits Times Index, FTSE ST Real Estate Index and FTSE ST Real Estate Investment Trust Index as at 31 December 2010.

K-REIT Asia's Total Returns¹

(%)

Since listing on 28 April 2006 ² to 31 December 2010	70.4
From 31 December 2008 to 31 December 2010 ³	34.0

¹ Sum of distribution yield and capital appreciation.

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

³ Based on the closing unit price of \$1.10 on 31 December 2009 and \$1.41 on 31 December 2010.

Sustainability Report

K-REIT Asia is committed to deliver value through sustaining growth in our business, empowering the lives of our people and nurturing communities where we operate.

Sustaining Growth

Our commitment to business excellence is driven by our unwavering focus on operational excellence.

Resource efficiency is not only our responsibility, but also makes good business sense.

We believe that cultivating a green mindset among our employees will spur them to adopt a sustainable lifestyle.

Empowering Lives

People are the cornerstone of our business.

As an employer of choice, we are committed to grow and nurture our talent pool through continuous training and development to help our people reach their full potential.

We want to instill a culture of safety so that everyone who comes to work goes home safe.

Nurturing Communities

As a global citizen, we believe that as communities thrive, we thrive.

We give back to communities wherever we operate through our multi-faceted approach towards Corporate Social Responsibility.

We believe in cultivating long-term relationships with our tenants for sustainable growth.



Sustaining Growth
Environmental
Responsibility



Working towards a cleaner and greener future, we consciously adopt initiatives that nurture and encourage environmental responsibility among our people and tenants.

The Manager is committed to enhancing the operating environment of all its stakeholders whilst working to reduce its ecological footprint.

Tactical educational campaigns are organised throughout the year to promote environmental awareness and conservation.

REDUCE, REUSE AND RECYCLE

The Manager continues to encourage tenants to play their part in protecting the environment by placing recycling bins for paper, plastic, cans and printer cartridges at prominent locations across its buildings.

K-REIT Asia's annual reports have been printed on recycled paper since 2008. The Manager continues to make its annual reports available online on its corporate website at www.kreitasia.com, allowing users quick and convenient access, and at the same time reducing paper as well as printing and mailing costs. K-REIT Asia distributed its 2009 report to Unitholders in CD-ROMs and will continue to do so for its 2010 report.

GREEN BUILDINGS

The Manager strives to adopt the latest environmentally sustainable business practices and its efforts have been recognised by independent accreditations.

Prudential Tower and Bugis Junction Towers were awarded the Green Mark Gold Award by the Building and Construction Authority (BCA) of Singapore in December 2010 and January 2011 respectively. They join the rest of K-REIT Asia's assets in Singapore that have also been certified Green Mark Gold by the BCA.

275 George Street in Brisbane was awarded the 5-Star Green Star – Office Design and As Built v2 ratings by the Green Building Council of Australia and has a 4.5-Star NABERS Energy base building rating.



PROMOTING A GREEN CULTURE

Leveraging collective strength, K-REIT Asia and companies in the Keppel Group participated in Earth Hour on 27 March 2010, a global sustainability movement organised to raise environmental awareness and encourage businesses, communities and individuals to work towards the common goal of addressing climate change.

The Manager also encouraged its employees to share the environmental message with their families by distributing eco-friendly candles made by ChaCha Cottage, an organisation which supports underprivileged women.

For the third consecutive year, K-REIT Asia supported World Environment Day held on 5 June 2010 with a series of activities that were aimed to raise and promote eco-awareness amongst employees.

Leading up to World Environment Day, the Manager displayed exhibits at the lobbies of K-REIT Asia's buildings to reiterate the importance of recycling in environmental conservation. Flyers demonstrating how recycling can

The Manager encourages its staff to participate in a variety of eco-educational activities.

contribute to the reduction of electricity and water consumption were also distributed to tenants. Participants were presented with recyclable shopping bags and offices, which signed up for the recycling programme, given cardboard cartons to store recyclables which would be collected weekly. The National Environment Agency's "Waste Minimisation Guidebook" was also distributed to tenants.

The Manager enjoyed a complimentary screening of "Earth" by DisneyNature featuring footage from the BBC and The Discovery Channel's Planet Earth. In addition, employees attended a lunchtime talk by the Singapore Environment Council entitled "Is climate change all gloom and doom?".

Staff of the Manager and their families also participated in a guided tour of the Sungei Buloh Wetland Reserve, Singapore's first ASEAN Heritage Park, on 5 June 2010 where they learned and appreciated the nature reserve's beauty and ecological diversity.

Empowering Lives
Safety and
Health



We strive to provide a safe and healthy working environment through regular training, engagement and communication with our stakeholders.

The Manager ensures a favourable working environment for its employees and occupants through fostering a cohesive safety and health culture.

Up-to-date information about workplace safety is shared amongst employees and tenants, and the management teams are trained to look into the well-being of its tenants.

K-REIT Asia achieved its goal of an accident-free environment at all its buildings in 2010. To recognise and reward efforts, the Manager organised celebrations for its employees and tenants at all its buildings.

The 'Take 3' safety programme was launched in the same year where employees, contractors and consultants are reminded to STOP, THINK and PLAN before they start any work. The programme aims to instill safety consciousness amongst staff and encourage stakeholders to adopt safety as a way of life.

To ensure effectiveness of the campaign, regular briefings and talks were conducted and well-attended by property management staff and contractors. Posters were displayed at all K-REIT Asia buildings and pamphlets distributed to tenants to reinforce the safety message.

Independent safety audits were conducted at all K-REIT Asia's office buildings during the year. The audit comprised the evaluation of safety risks as well as workplace safety and health compliance. All findings and recommendations were reviewed and implemented where practicable.

To reiterate the importance of fire safety, evacuation drills were conducted twice a year at all office buildings. Fire wardens were briefed and trained on the buildings' emergency procedures and received fire emergency kits comprising essential items such as a

torch light, a transistor radio, a first-aid kit, a personal alarm as well as other useful items.

Exhibitions were also organised at the building lobbies to reinforce the message of fire safety and prevention.

As part of the Keppel Group, K-REIT Asia is committed to the Keppel Workplace Safety & Health (WSH) 2018 initiative. The aim is to significantly reduce incident rates by implementing uniform safeguards, increasing accountability and promoting ownership through the four key thrusts of:

- Establishing an integrated WSH framework across businesses worldwide;
- Implementing an effective safety management system;
- Enhancing safety ownership; and
- Strengthening safety partnerships.

Recognising that safety requires commitment from the top, K-REIT Asia's management and safety personnel attended the Felt Leadership Training, a safety programme organised by consultant DuPont.

In recognition of the Manager's commitment, Bugis Junction Towers received the Safety Excellence Award from the National Fire and Civil Emergency Preparedness Council.

LOOKING AHEAD

Beyond processes and systems, K-REIT Asia is focused on fostering positive behavioural changes and instilling a sense of ownership for safety and health.

The Manager will continue to educate and train employees, tenants and all stakeholders on the importance of safety management and prevention. In doing so, the Manager aims to create a safer and healthier work environment in all K-REIT Asia's buildings.

The Manager of K-REIT Asia is continually committed to

- Identify and evaluate operational safety and health risks that may potentially impact its employees, co-workers, contractors, visitors and the public.
- Set meaningful and measurable targets to control and manage such risks through regular reviews and audits.
- Communicate safety and health information and procedures with employees and other stakeholders.
- Reinforce to all employees and contractors their responsibility, accountability and commitment to observe all safety and health rules, practices and laws that apply to their job, and to take precautions to protect themselves, their co-workers, visitors and the public from harm.
- Review the operations and processes, risk assessment and controls, and measure progress as well as monitor compliance with the relevant legislative requirements.

Empowering Lives
People
Development



Nurturing a team of dedicated and experienced professionals ensure long-term sustainability for K-REIT Asia. As an employer of choice, we will continue to invest, nurture and build up our people to drive further growth.

The Manager recognises that people are its core asset. It places strong emphasis on attracting, developing and managing talents, instilling a strong sense of belonging through a set of shared values, as well as encouraging work-life balance through wellness programmes and initiatives.

TALENT ATTRACTION, DEVELOPMENT AND MANAGEMENT

To lead K-REIT Asia into further growth, the Manager has in place a talent management strategy to attract, retain and engage employees with the right aptitude and attitude.

The Manager adopts a holistic approach in hiring, developing and motivating its employees so as to educate, empower and energise employees to prepare them for the next level of growth.

Seeking continuous improvement, the Manager conducted its second organisational climate survey at end-2010 to encourage and allow employees to share feedback and provide suggestions in areas of their well-being, as well as work and personal development. Findings and feedback from the survey enabled the Manager to review and refine policies and programmes to reinforce its position as an employer of choice.

The Manager benefits from the Keppel College that centralises the Keppel Group's leadership and executive development programmes to enhance talent development and succession planning.

The Manager is also committed to developing the competencies of its employees through the sponsorship of graduate training programmes, as well as providing a continuum of advancement opportunities for its staff.



From 4 to 5 March 2010, the Manager organised a strategic review and team-building session in Malacca, Malaysia. Led by the CEO, the team assessed, evaluated and charted the growth strategy for K-REIT Asia. Work aside, the team forged strong bonds and shared lighter moments of jovial banter.

INSTILLING SHARED VALUES

As part of the Keppel Group, the Manager subscribes to a set of eight core values – Passion, Integrity, Customer Focus, People-Centredness, Safety, Agility and Innovativeness, Collective Strength and Accountability.

These core values guide the Manager in its interaction with stakeholders and serve as a source of long-term competitive strength that also help shape the work environment.

To further strengthen bonds and encourage interaction among staff, get-together sessions are organised every quarter. Activities range from team outings, dinner gatherings to community outreach events.

The annual Dinner & Dance saw employees gamely don the familiar Keppel boiler suits and safety helmets in line with the theme of 'Inspirational Personality'.

EMPLOYEE WELLNESS

In line with its growth strategy, the Manager expanded and moved to its new premises on Level 15 of Bugis Junction Towers in June 2010.

Throughout the year, staff engaged in a series of welfare activities. These included the annual Dinner & Dance on 9 April 2010, the 'Eat with Your Family Day' on 27 May 2010 organised by the Centre of Fathering, and the Keppel Group WALK-n-FUN Day on 17 October 2010 at HortPark.

The Manager also participated in activities to commemorate World Environment Day and Earth Hour, as well as nature walks at the Sungei Buloh Wetland Reserve, to raise the level of eco-consciousness amongst its employees.

Nurturing
Communities
Community
Relations



We are committed to contribute to the communities where K-REIT Asia operates. We also strive to cultivate meaningful and long-term relationships with our tenants.

Good tenant relations are vital to the Manager's strategy to maintain high tenant retention and occupancy.

The Manager hosted the fifth K-REIT Asia Golf Tournament on 20 August 2010 at Sentosa Golf Club to celebrate its strong relationships with tenants and customers. The annual tournament presented the Manager and tenants with a relaxed environment to network and bond over tee-offs.

As part of the Keppel Group, the Manager was involved in the National Environment Agency – MediaCorp Semakau Run 2010. As platinum sponsor, the Group contributed \$20,000 towards the run. The event on 2 October 2010 saw representatives from across the Keppel Group, including the CEO of the Manager, run alongside 160 participants at the Semakau Landfill. This is one of the many green initiatives undertaken by Keppel to continuously spread the message for environmental consciousness and responsibility.

On 1 December 2010, the Manager together with Keppel Land organised the annual Christmas bazaar where employees and tenants indulged in festive shopping of eco-friendly products produced by students from Keppel's adopted charity, the Association for Persons with Special Needs.

Employees also donated their used leather bags to All Things Green and Beautiful, a local company that transforms unwanted items into unexpected accessories such as hair bands, brooches and necklaces.

The Manager is committed to helping the less privileged through the Keppel Group-wide volunteer movement, Keppel Volunteers. Employees are given two days of volunteerism leave each year to participate in Keppel Volunteers' activities.



As part of their community outreach efforts, the Manager visited Dover Park Hospice on 22 September 2010 to bring cheer to the terminally-ill patients. The team distributed gifts to the patients and entertained them with a medley of old songs acapella.

Believing that charity goes beyond financial contributions, employees contribute their time and talents to help the less privileged.

The Manager also brought cheer and goodwill to the children of MINDSville@Napiri, a home catered to the intellectually disabled, on 10 December 2010. The Manager organised a day of fun and pampering, treating the children to manicures and pedicures, coloured hairspray, balloon animals, art and craft, and dancing.

From 17 to 23 December 2010, employees put aside their fear of needles and pain, and generously supported the third Keppel Group Blood Donation Drive organised by Keppel Volunteers in collaboration with the Singapore Red Cross Society.

Throughout the year, staff of the Manager continued to participate in outreach programmes organised by Keppel Volunteers. These activities focused on the environment, education and care for the less privileged.

Statistics of Unitholdings as at 25 February 2011

ISSUED AND FULLY PAID UNITS

1,357,377,744 Units (Voting rights : 1 vote per Unit)

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

Market capitalisation of \$1,737,443,512.32 based on market closing price of \$1.28 on 25 February 2011.

Distribution of Unitholdings

Size of Holdings	No. of Unitholders	%	No. of Units	%
1 – 999	1,668	18.73	480,956	0.04
1,000 – 10,000	5,036	56.54	21,188,642	1.56
10,001 – 1,000,000	2,171	24.38	103,096,804	7.59
1,000,001 and above	31	0.35	1,232,611,342	90.81
Total	8,906	100.00	1,357,377,744	100.00

Twenty Largest Unitholders

No.	Name	No. of Units	%
1	K-REIT Asia Investment Pte. Ltd.	614,026,497	45.24
2	Keppel Real Estate Investment Pte Ltd	407,434,448	30.02
3	HSBC (Singapore) Nominees Pte Ltd	42,259,132	3.11
4	DBS Nominees Pte Ltd	27,429,661	2.02
5	Citibank Nominees S'pore Pte Ltd	26,669,832	1.96
6	DBSN Services Pte Ltd	24,975,013	1.84
7	United Overseas Bank Nominees Pte Ltd	15,050,440	1.11
8	K-REIT Asia Management Limited	13,587,647	1.00
9	Raffles Nominees Pte Ltd	6,835,878	0.50
10	Yeo Seng Kia	6,010,000	0.44
11	Bank of Singapore Nominees Pte Ltd	4,627,400	0.34
12	Phillip Securities Pte Ltd	3,229,927	0.24
13	DBS Vickers Securities (S) Pte Ltd	3,143,243	0.23
14	Morgan Stanley Asia (S'pore) Securities Pte Ltd	3,118,000	0.23
15	Khai Huat Trading (1975) Pte Ltd	3,000,000	0.22
16	Oscar Oliveiro Joseph, Othman Bin Haron Eusofe & Lim Boon Heng	2,920,000	0.22
17	See Lop Fu James @ Shi Lap Fu James	2,868,000	0.21
18	Lim & Tan Securities Pte Ltd	2,678,874	0.20
19	UOB Kay Hian Pte Ltd	2,577,594	0.19
20	Chan Wai Kheong	2,544,000	0.19
	Total	1,214,985,586	89.51

THE MANAGER'S DIRECTORS' UNITHOLDINGS

Based on the Register of Directors' Unitholdings maintained by the Manager, as at 21 January 2011, save for the information disclosed below, none of the Directors hold a direct or deemed interest in Units in 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
Chin Wei-Li, Audrey Marie	200,000 (Direct) and 550,000 (Deemed)
Lee Ai Ming	460,000 (Direct)
Tan Chin Hwee	NIL
Tan Swee Yiow	470,000 (Direct)

SUBSTANTIAL UNITHOLDERS

Based on the Register of Substantial Unitholders' Unitholdings maintained by the Manager, as at 25 February 2011, 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	1,036,022,592 (Deemed) ¹	76.33
Keppel Corporation Limited	1,035,048,592 (Deemed) ²	76.25
Keppel Land Limited	627,614,144 (Deemed) ³	46.24
K-REIT Asia Investment Pte. Ltd.	614,026,497 (Direct)	45.24
Keppel Real Estate Investment Pte. Ltd.	407,434,448 (Direct)	30.02

¹ Temasek Holdings (Private) Limited is deemed to have an interest in the Units in which its associated companies, namely Keppel Corporation Limited and DBS Group Holdings Limited, have interests.

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. and K-REIT Asia Management Limited, both of which are wholly-owned subsidiaries 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. and K-REIT Asia Management Limited, both of which are wholly-owned subsidiaries of Keppel Land Limited.

PUBLIC UNITHOLDERS

Based on the information available to the Manager as at 25 February 2011, approximately 23.32% of the issued Units in K-REIT Asia is held by the public and therefore, pursuant to Rules 1207 and 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited, it is confirmed that at least 10% of the issued Units in K-REIT Asia is at all times held by the public.

TREASURY UNITS

As at 25 February 2011, there are no treasury units held by K-REIT Asia or the Manager.

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

TRUSTEE

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

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)
(with effect from financial year ended
31 December 2006)

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

Principal Business Address

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Singapore 188024

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

Investor Relations and Research
Ms Casiopia Low
Manager
Phone: +65 6433 7622
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Email: investor.relations@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

For updates or change of mailing address, please contact:

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

COMPANY SECRETARIES

Mr Choo Chin Teck

Ms Jacqueline Ng Yu Eng

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

Dr Chin Wei-Li, Audrey Marie

Non-Executive Independent Director

Mrs Lee Ai Ming

Non-Executive Independent Director

Mr Tan Chin Hwee

Non-Executive Independent Director
(with effect from 14 September 2010)

Mr Tan Swee Yiow

Alternate Director to
Mr Kevin Wong Kingcheung
(with effect from 14 September 2010)

AUDIT COMMITTEE

Dr Chin Wei-Li, Audrey Marie

Chairman

Professor Tsui Kai Chong

Mr Tan Chin Hwee

(with effect from 29 September 2010)

NOMINATING AND REMUNERATION COMMITTEE

Mrs Lee Ai Ming

Chairman

Mr Kevin Wong Kingcheung

Dr Chin Wei-Li, Audrey Marie

Mr Tan Chin Hwee

(with effect from 29 September 2010)

Financial Statements

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Report of the Trustee

For the financial year ended 31 December 2010

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 subsidiaries (“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 K-REIT Asia and its subsidiaries (the “Group”), during the period covered by these consolidated financial statements, set out on pages 105 to 153 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



Diana Senanayake

Director

Singapore, 18 February 2011

Statement by the Manager

For the financial year ended 31 December 2010

In the opinion of the directors of K-REIT Asia Management Limited (the “Manager”), the accompanying consolidated financial statements set out on pages 105 to 153 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 2010, 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 2011

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

For the financial year ended 31 December 2010

To the members of K-REIT Asia

We have audited the accompanying consolidated financial statements of the Group set out on pages 105 to 153, which comprise the Balance Sheet and Portfolio Statement as at 31 December 2010, 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 2010, 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 2011

Balance Sheet

As at 31 December 2010

	Note	Group		Trust	
		2010 S\$'000	2009 S\$'000	2010 S\$'000	2009 S\$'000
Non-current assets					
Investment properties	3	1,025,634	1,162,800	662,700	1,162,800
Investment in subsidiary	4	-	-	3,862	-
Investment in associated companies	5	1,376,697	504,293	1,376,697	504,293
Amount owing by subsidiary	6	-	-	381,227	-
Advances to associated companies	7	604,348	344,946	604,348	344,946
Intangible asset	8	37,242	32,598	32,485	32,598
		3,043,921	2,044,637	3,061,319	2,044,637
Current assets					
Trade and other receivables	9	21,144	10,286	11,902	10,286
Prepaid expenses		998	1,167	605	1,167
Cash and cash equivalents	10	49,860	575,549	49,634	575,549
		72,002	587,002	62,141	587,002
Total assets		3,115,923	2,631,639	3,123,460	2,631,639
Current liabilities					
Trade and other payables	11	44,000	23,437	42,224	23,437
Income received in advance		5,225	324	74	324
Current portion of security deposits		2,400	4,603	2,400	4,603
Derivative financial instruments	12	452	-	452	-
Provision for taxation		3,261	4,849	3,261	4,849
		55,338	33,213	48,411	33,213
Non-current liabilities					
Trade and other payables	11	4,310	5,000	4,310	5,000
Long term borrowings	13	989,932	578,939	989,932	578,939
Derivative financial instruments	12	4,606	-	4,606	-
Non-current portion of security deposits		6,186	11,835	6,186	11,835
		1,005,034	595,774	1,005,034	595,774
Total liabilities		1,060,372	628,987	1,053,445	628,987
Net assets		2,055,551	2,002,652	2,070,015	2,002,652
Represented by:					
Unitholders' funds		2,055,551	2,002,652	2,070,015	2,002,652
Units in issue ('000)	14	1,355,904	1,336,023	1,355,904	1,336,023
Net asset value per unit (\$)		1.52	1.50	1.53	1.50

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 2010

	Note	Group	
		2010 S\$'000	2009 S\$'000
Property income	15	84,559	62,811
Property expenses	16	(17,254)	(13,931)
Net property income		67,305	48,880
Income support	17	26,366	23,011
Share of results of associated companies	5	9,695	8,208
Interest income		12,052	12,845
Amortisation expense	8	(22,502)	(26,634)
Trust expenses	18	(20,943)	(13,902)
Borrowing costs	19	(16,821)	(24,792)
Changes in fair value of derivatives		(452)	-
Net income before net change in fair value of investment properties and divestment gain		54,700	27,616
Net change in fair value of investment properties	20	31,591	(71,759)
Divestment gain on disposal of investment property		26,439	-
Total return before tax		112,730	(44,143)
Income tax expense	21	(3,494)	(1,776)
Total return after tax		109,236	(45,919)
Other comprehensive income:			
Net change in fair value of cash flow hedges		(4,606)	-
Foreign currency translation		(1,310)	-
Other comprehensive income, net of tax		(5,916)	-
Total comprehensive income		103,320	(45,919)
Basic and diluted earnings per unit (cents) based on total return after tax	22	8.14	(5.66)
Basic and diluted earnings per unit (cents) based on total return after tax and excluding net change in fair value of investment properties and divestment gain on disposal of investment property	22	3.82	3.19

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

Distribution Statement

For the financial year ended 31 December 2010

	Group	
	2010 S\$'000	2009 S\$'000
Income available for distribution to Unitholders at beginning of the year	37,019	32,691
Net income before net change in fair value of investment properties and divestment gain on disposal of investment property	54,700	27,616
Net tax adjustments (Note A)	34,425	44,679
Income tax expense	(3,494)	(1,776)
	85,631	70,519
Income available for distribution to Unitholders	122,650	103,210
Distribution to Unitholders:		
Distribution of 2.77 cents (2009: 5.07 cents) per unit for the period from 1/7/2009 to 31/12/2009 (2009: 1/7/2008 to 31/12/2008)	(37,008)	(33,093)
Distribution of 2.97 cents (2009: 4.99 cents) per unit for the period from 1/1/2010 to 30/06/2010 (2009: 1/1/2009 to 30/06/2009)	(39,819)	(33,098)
Income available for distribution to Unitholders at end of the year	45,823	37,019
Note A - Net tax adjustments comprise:		
Non-tax deductible/ (chargeable) items:		
- Manager's management fees payable in Units	7,537	13,082
- Trustee's fees	353	309
- Amortisation expense	24,683	28,438
- Other non-tax deductible expenses	4,413	(131)
- Share of results of associated companies	(9,695)	(8,208)
- Change in fair value of derivative financial instruments	452	-
- Effect of recognising accounting income on a straight line basis over the lease terms	(2,550)	-
	25,193	33,490
Dividend income from associated company	9,232	11,189
Net tax adjustments	34,425	44,679

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

Portfolio Statement

As at 31 December 2010

Group

Description of Property	Tenure of land	Term of lease	Remaining term of lease	Location	Existing use	Carrying value 2010 \$'000	Carrying value 2009 \$'000	Percentage of net assets 2010 %	Percentage of net assets 2009 %
Investment properties in Singapore									
Prudential Tower Property ¹	Leasehold	99 years	84.0 years	30 Cecil Street	Commercial	342,600	325,100	16.7	16.3
Keppel Towers and GE Tower ²	Estate in fee simple	NA	NA	10 Hoe Chiang Road and 240 Tanjong Pagar Road	Commercial	-	540,700	-	27.0
Bugis Junction Towers	Leasehold	99 years	78.7 years	230 Victoria Street	Commercial	320,100	297,000	15.6	14.8
Investment properties in Australia									
275 George Street ³	Estate in fee simple	NA	NA	Brisbane	Commercial	215,730	-	10.5	-
77 King Street office tower	Estate in fee simple	NA	NA	Sydney	Commercial	147,204	-	7.1	-
Investment properties, at valuation (Note 3)						1,025,634	1,162,800	49.9	58.1
Investment in and advances to associated companies (Notes 5 and 7) and intangible asset (Note 8)						2,018,287	881,837	98.2	44.0
Properties held by associated companies:									
One Raffles Quay	Leasehold	99 years	89.4 years	1 Raffles Quay	Commercial				
Marina Bay Financial Centre Towers 1 & 2 and Marina Bay Link Mall	Leasehold	99 years	93.8 years	Nos. 8, 10 and 8A Marina Boulevard	Commercial				
Other assets and liabilities (net)						(988,370)	(41,985)	(48.1)	(2.1)
Net assets						2,055,551	2,002,652	100.0	100.0

¹ Comprises approximately 73.4% (2009: 73.4%) of the strata area in Prudential Tower Property.

² Keppel Towers and GE Tower was divested during the year.

³ Comprises 50.0% (2009: Nil) interest in 275 George Street.

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

FY2010

The carrying amounts of the Group's Singapore based investment properties as at 31 December 2010 were based on independent valuations undertaken by Colliers International on 31 December 2010. The independent valuer has appropriate professional qualifications and experience in the location and category of the properties being valued. The valuations were determined based on investment method, discounted cash flow analysis and direct comparison method. The valuations adopted were \$342,600,000 and \$320,100,000 for Prudential Tower Property and Bugis Junction Towers respectively. The net gain in fair value of the investment properties has been taken to the Statement of Total Return and Comprehensive Income.

The carrying amounts of the Group's Australia based investment properties as at 31 December 2010 were based on independent valuations undertaken by Savills (Qld) Pty Limited and m3 Property Strategists for 275 George Street and 77 King Street office tower on 31 December 2010 respectively. The independent valuers have appropriate professional qualifications and 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 \$215,730,000 and \$147,204,000 for 275 George Street and 77 King Street office tower respectively. The net loss in fair value of the investment properties has been to the Statement of Total Return and Comprehensive Income.

The carrying amounts of the Group's one-third interest in One Raffles Quay and Marina Bay Financial Centre Towers 1 & 2 and Marina Bay Link Mall as at 31 December 2010 were based on independent valuations undertaken by Colliers International and Knight Frank Pte Ltd on 31 December 2010 respectively. The independent valuers have appropriate professional qualifications and experience in the location and category of the properties being valued. The valuations (including income support top-up payments) were \$1,015,000,000 and \$1,447,000,000 for One Raffles Quay and Marina Bay Financial Centre Towers 1 & 2 and Marina Bay Link Mall respectively. The net gain in fair value has been taken to the Statement of Total Return and Comprehensive Income.

FY2009

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 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 income support top-up payments) was \$934,900,000.

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 2010

	Note	Group				Total \$'000
		Issued equity \$'000	Foreign currency translation reserve \$'000	Hedging reserves \$'000	Accumulated profits \$'000	
At 1 January 2010		1,645,657	-	-	356,995	2,002,652
Operations						
Return for the year		-	-	-	109,236	109,236
Other comprehensive income:						
Net change in fair value of cash flow hedges	12	-	-	(4,606)	-	(4,606)
Foreign currency translation		-	(1,310)	-	-	(1,310)
Other comprehensive income, net of tax		-	(1,310)	(4,606)	-	(5,916)
Total comprehensive income for the year		-	(1,310)	(4,606)	109,236	103,320
Net increase in assets resulting from operations		-	(1,310)	(4,606)	109,236	103,320
Unitholders' transactions						
Creation of units						
- payment of management fees in units		8,803	-	-	-	8,803
- payment of acquisition and divestment fees in units		17,133	-	-	-	17,133
Issue expenses adjustment		470	-	-	-	470
Distribution to Unitholders		-	-	-	(76,827)	(76,827)
Net increase/(decrease) in net assets resulting from Unitholders' transactions		26,406	-	-	(76,827)	(50,421)
At 31 December 2010		1,672,063	(1,310)	(4,606)	389,404	2,055,551

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

	Group				
	Issued equity \$'000	Foreign currency translation reserve \$'000	Hedging reserves \$'000	Accumulated profits \$'000	Total \$'000
At 1 January 2009	1,016,566	-	-	469,105	1,485,671
Operations					
Total comprehensive income (return for the year)	-	-	-	(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

¹ Non-audit fees paid to auditors of the Trust capitalised in 2009 as issue expenses was \$21,400.

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 2010

	Note	Trust			Total \$'000
		Issued equity \$'000	Hedging reserves \$'000	Accumulated profits \$'000	
At 1 January 2010		1,645,657	-	356,995	2,002,652
Operations					
Return for the year		-	-	122,390	122,390
Other comprehensive income:					
Net change in fair value of cash flow hedges	12	-	(4,606)	-	(4,606)
Other comprehensive income, net of tax		-	(4,606)	-	(4,606)
Total comprehensive income		-	(4,606)	122,390	117,784
Net decrease in assets resulting from operations		-	(4,606)	122,390	117,784
Unitholders' transactions					
Creation of units					
- payment of management fees in units		8,803	-	-	8,803
- payment of acquisition and divestment fees in units		17,133	-	-	17,133
Issue expenses adjustment		470	-	-	470
Distribution to Unitholders		-	-	(76,827)	(76,827)
Net increase/(decrease) in net assets resulting from Unitholders' transactions		26,406	-	(76,827)	(50,421)
At 31 December 2010		1,672,063	(4,606)	402,558	2,070,015

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

	Trust			Total \$'000
	Issued equity \$'000	Hedging reserves \$'000	Accumulated profits \$'000	
At 1 January 2009	1,016,566	-	469,105	1,485,671
Operations				
Total comprehensive income (return for the year)	-	-	(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

¹ Non-audit fees paid to auditors of the Trust capitalised in 2009 as issue expenses was \$21,400.

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 2010

	Group	
	2010 S\$'000	2009 S\$'000
Cash flows from operating activities		
Total return before tax	112,730	(44,143)
Adjustments for:		
Interest income	(12,052)	(12,845)
Amortisation expense	22,502	26,634
Share of results of associated companies	(9,695)	(8,208)
Borrowing costs	16,821	24,792
Management fees payable in Units	7,537	13,082
Net change in fair value of investment properties	(31,591)	71,759
Gain on divestment of investment property	(26,439)	-
Changes in fair value of unrealised derivative financial instruments	452	-
Translation of foreign subsidiaries	(3,321)	-
Operating cash flows before changes in working capital	76,944	71,071
Increase in receivables	(35,995)	(24,943)
Increase in payables	7,422	5,802
(Decrease) / Increase in security deposits	(7,852)	2,754
Income taxes paid	(5,087)	-
Net cash flows from operating activities	35,432	54,684
Investing activities		
Purchase of investment properties	(377,373)	(107,690)
Proceeds from sale of investment property	570,501	-
Improvements in investment properties	(546)	(2,246)
Interest received	12,266	12,665
Income support received	24,392	24,061
Dividend income received from associated company	9,911	10,450
Investment in associated company (Note A)	(1,380,152)	-
Increase in intangible asset	(27,151)	-
Repayment of loan from associated company	300,000	4,000
Net cash flows used in investing activities	(868,152)	(58,760)
Financing activities		
Proceeds from rights issue	-	620,035
Issue expenses	-	(2,982)
Loans drawdown	993,490	99,650
Repayment of loans	(581,085)	(99,650)
Upfront debt arrangement costs	(3,593)	-
Distribution to Unitholders	(76,827)	(66,191)
Interest paid	(24,954)	(15,205)
Net cash flows from financing activities	307,031	535,657
Net (decrease) increase in cash and cash equivalents	(525,689)	531,581
Cash and cash equivalents at beginning of the year	575,549	43,968
Cash and cash equivalents at end of the year (Note 10)	49,860	575,549

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

Note A – Investment in associated company

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

	<u>Group</u>
	<u>2010</u>
	<u>S\$'000</u>
Unquoted shares, at cost	865,143
Advances to associated company	559,380
	<u>1,424,523</u>
Less:	
Acquisition fee paid in units	(14,268)
Accrued purchase consideration	(27,676)
Accrued acquisition costs	(2,427)
Net cash outflow on investment in associated company	<u>1,380,152</u>

Note B - Significant non-cash transactions

The following were the significant non-cash transactions:

- (i) 7,766,746 (2009: 16,595,221) Units were issued as payment of management fees to the Manager, amounting to \$8,803,000 (2009: \$13,056,000); and
- (ii) 12,114,120 Units were issued during the year as payment of acquisition and divestment fee to the Manager, amounting to \$17,133,000 in relation to the acquisition of the one-third interest in BFC Development Pte. Ltd. and divestment of Keppel Towers and GE Tower.

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

Notes to the Financial Statements

For the financial year ended 31 December 2010

These notes form an integral part of the financial statements.

The financial statements of K-REIT Asia (the "Trust") and its subsidiaries ("the Group") for the financial year ended 31 December 2010 were authorised for issue by the Manager on 18 February 2011.

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 subsidiaries as at the balance sheet date. The financial statements of the subsidiaries 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 subsidiaries are 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.

Notes to the Financial Statements

For the financial year ended 31 December 2010

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 2010:

Reference	Description	Effective date (Annual periods beginning on or after)
FRS 27	Consolidated and Separate Financial Statements (Revised)	1 July 2009
FRS 103	Business Combinations (Revised)	1 July 2009
INT FRS 117	Distributions of Non-cash Assets to Owners	1 January 2010
Amendment to FRS 1	Presentation of Financial Statements	1 January 2010
Amendment to FRS 7	Statement of Cash Flows	1 January 2010
Amendment to FRS 17	Leases	1 January 2010
Amendment to FRS 36	Impairment of Assets	1 January 2010
Amendment to FRS 38	Intangible Assets	1 January 2010
Amendment to FRS 39	Financial Instruments : Recognition and Measurement	1 January 2010
Amendment to FRS 102	Share-based Payment	1 January 2010
Amendment to FRS 105	Non-current Assets Held for Sale and Discontinued Operations	1 January 2010
Amendment to FRS 108	Operating Segments	1 January 2010
Amendment to INT FRS 109	Reassessment of Embedded Derivatives	1 January 2010
Amendment to INT FRS 116	Hedges of Net Investment in a Foreign Operation	1 January 2010

Adoption of these standards and interpretations did not have any impact 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 adopted the following FRS and INT FRS that have been issued but not yet effective:

Reference	Description	Effective date (Annual periods beginning on or after)
Amendment to FRS 32	Derivatives Financial Instruments : Presentation – Classification of Rights Issues	1 February 2010
INT FRS 119	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010
FRS 24 (Revised)	Related Party Disclosures	1 January 2011
Amendment to INT FRS 114	Prepayments of A Minimum Funding Requirement	1 January 2011
INT FRS 115	Agreements for the Construction of Real Estate	1 January 2011
FRS19	The Limit on a Defined Benefit asset, Minimum Funding Requirements and their Interaction – Amendments relating to Prepayment of a Minimum Funding Requirement	1 January 2011
FRS in 2010	Improvements to FRS issued in FY2010	1 January 2011

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.

Notes to the Financial Statements

For the financial year ended 31 December 2010

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 Trust operates, i.e. functional currency, to be Singapore dollars.

(ii) Foreign currency transactions

Transactions in foreign currencies are measured in the functional currency of the 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.

(iii) Foreign subsidiaries

The assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the balance sheet date and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translations are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

(g) Investment properties

Investment properties are properties that are owned by the Group in order to earn rentals or for capital appreciation, or both, rather than for use in production or supply of goods or services, or for administrative purposes, or in the ordinary course of business. Investment properties comprise completed investment properties.

Investment properties are initially recorded at cost, including transactions costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria is met.

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 over which 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 companies

An associate is an entity, not being a subsidiary or a joint venture, 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 investments in associated companies are 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.

Notes to the Financial Statements

For the financial year ended 31 December 2010

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 by the Group for its one-third interest in One Raffles Quay Pte Ltd and BFC Development Pte. Ltd., 50% interest in 275 George Street and 100% interest in 77 King Street office tower. Income support top-up payments have a finite useful life and are amortised over the income support periods of the respective investment properties.

(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.

(I) Financial assets

Financial assets include cash and cash equivalents, trade, intercompany and other receivables and advances to associated companies (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.

Notes to the Financial Statements

For the financial year ended 31 December 2010

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

(m) Financial liabilities

Initial recognition and measurement

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. The Group determines the classification of its financial liabilities at initial recognition.

Financial liabilities are initially recognised at fair value and in the case of other financial liabilities, plus directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value. Financial liabilities are classified as held trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separate embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gain or losses arising from changes in fair value of the financial liabilities are recognised in profit or loss.

(ii) Other financial liabilities

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.

(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.

Notes to the Financial Statements

For the financial year ended 31 December 2010

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

(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.

(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.

Notes to the Financial Statements

For the financial year ended 31 December 2010

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

(u) Taxation (cont'd)

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.

(x) Hedge accounting

The Group applies hedge accounting for certain hedging relationships which qualify for hedge accounting.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment (except for foreign currency risk); or
- cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment; or
- hedges of a net investment in a foreign operation.

At the inception of a hedging relationship, the Group formally designates and documents the hedging relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedge item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly as other comprehensive income in cash flow hedge reserve, while any ineffective portion is recognised immediately in profit or loss in other operating expenses.

Amounts recognised as other comprehensive income are transferred to profit or loss when the hedge transaction affects profit or loss, such as when the hedged financial expense is recognised.

The Group uses interest rate swaps as hedges of its exposure to interest rate risk for bank loans with floating interest rates. Details of interest rate swaps are disclosed in Note 12.

Notes to the Financial Statements

For the financial year ended 31 December 2010

3. Investment properties

	Group		Trust	
	2010 S\$'000	2009 S\$'000	2010 S\$'000	2009 S\$'000
At 1 January	1,162,800	1,117,000	1,162,800	1,117,000
Translation differences	2,021	-	-	-
Purchase of investment properties	377,373	107,690	-	107,690
Sale of investment properties	(541,197)	-	(541,197)	-
Capital expenditure capitalised	546	3,620	546	3,620
Capital expenditure written off	(79)	-	(79)	-
Net gain/(loss) in fair value recognised in statement of total return and comprehensive income	24,170	(65,510)	40,630	(65,510)
At 31 December	1,025,634	1,162,800	662,700	1,162,800

Investment properties are stated at fair value, which has been determined based on valuations as at 31 December 2010 performed by registered independent valuers having appropriate recognised professional qualifications and experience in the location and category of the properties being valued. In determining the fair value, the valuers have used a weightage of direct comparison method, investment method and discounted cash flows analysis that make 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 \$662,700,000 (2009: \$1,038,300,000) have been mortgaged as security for credit facilities granted to the Trust (Note 13).

4. Investment in subsidiaries

	Trust	
	2010 S\$'000	2009 S\$'000
Unquoted equity as cost	3,862	-*

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

Name	Country of incorporation	Principal activities	Effective equity interest	
			2010 %	2009 %
Held by the Trust				
K-REIT Asia MTN Pte. Ltd ⁽¹⁾	Singapore	Provision of treasury services	100.00	100.00
K-REIT Asia (Australia) Pte. Ltd. ⁽²⁾	Singapore	Investment holding	100.00	-
Held through K-REIT Asia (Australia) Pte. Ltd.				
K-REIT Asia (Bermuda) Limited ⁽³⁾	Bermuda	Investment holding	100.00	-
K-REIT Asia (Australia) Trust ⁽⁴⁾	Australia	Investment in real estate properties	100.00	-
K-REIT (Australia) Sub-Trust 1 ⁽⁴⁾	Australia	Investment in real estate properties	100.00	-

⁽¹⁾ K-REIT Asia MTN Pte Ltd ("KRMTN") was incorporated to provide treasury services which includes funding of the Trust using the proceeds from the issuance of notes under an unsecured multicurrency medium term programme. There was no draw down of the medium term notes facility held by the KRMTN during the financial year and the Company remains dormant. KRMTN is unaudited as there is no statutory requirement for a dormant company to be audited.

⁽²⁾ Audited by Ernst & Young LLP, Singapore.

⁽³⁾ There is no statutory requirement for K-REIT Asia (Bermuda) Limited to be audited.

⁽⁴⁾ Audited by Ernst & Young, Australia.

Notes to the Financial Statements

For the financial year ended 31 December 2010

5. Investment in associated companies

	Group		Trust	
	2010 S\$'000	2009 S\$'000	2010 S\$'000	2009 S\$'000
Shares, at cost	1,374,545	510,025	1,374,545	510,025
Share of post-acquisition reserves	2,152	(5,732)	2,152	(5,732)
	1,376,697	504,293	1,376,697	504,293

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

	Group		Trust	
	2010 S\$'000	2009 S\$'000	2010 S\$'000	2009 S\$'000
Balance as at 1 January				
Share of results of associated companies	(5,732)	3,498	(5,732)	3,498
- Profits excluding net change in fair value of investment properties	9,695	8,208	9,695	8,208
- Net change in fair value of investment properties held by associated companies (Note 20)	7,421	(6,249)	7,421	(6,249)
	17,116	1,959	17,116	1,959
Dividend income	(9,232)	(11,189)	(9,232)	(11,189)
	2,152	(5,732)	2,152	(5,732)

Details of the associated companies are as follows:.

Name	Country of incorporation	Principal activities	Effective equity interest	
			2010 %	2009 %
One Raffles Quay Pte Ltd ⁽¹⁾	Singapore	Property development and investment	33.33	33.33
BFC Development Pte. Ltd. ⁽²⁾	Singapore	Property development and investment	33.33	-

⁽¹⁾ Audited by Ernst & Young LLP, Singapore.

One Raffles Quay Pte Ltd ("ORQPL") is the owner of One Raffles Quay.

⁽²⁾ Audited by Ernst & Young LLP, Singapore.

BFC Development Pte. Ltd. ("BFCDPL") is the owner of Marina Bay Financial Centre Towers 1 & 2 and Marina Bay Link Mall.

The Group does not equity account for the results of Marina Bay Residences Pte. Ltd. (“MBRPL”), a wholly-owned subsidiary of BFCDDL as the acquisition of the one-third interest in BFCDDL was structured to effectively exclude any significant interest in MBRPL. A deed of undertaking has been signed between the vendor (Bayfront Development Pte. Ltd.) and K-REIT Asia, whereby K-REIT Asia agrees not to participate in the financial and operating policy decisions in MBRPL and that it would “exercise all voting rights and other rights and powers that it directly or indirectly has or controls in BFCDDL and MBRPL in accordance with the written instructions of vendor on all matters arising from, relating to, or otherwise connected with MBRPL and/or BFCDDL’s ownership of MBRPL”.

The summarised financial information of the associated companies, excluding BFCDDL’s interest in MBRPL, not adjusted for the proportion of ownership interest held by the Group, is as follows:

	2010	2009
	S\$’000	S\$’000
Total assets	7,064,062	2,725,058
Total liabilities	3,472,275	1,250,602
Revenue	98,712	90,752
Profit/(Loss)	51,349	(3,703)
Property held for sale (included in total assets)	591,884	593,268

The revenue and profit/(loss) comprise full year results for ORQPL and post-acquisition results for BFCDDL.

6. Amount owing by subsidiary (non-trade)

Amount owing by subsidiary is unsecured, interest free and not expected to be repaid within the next 12 months.

7. Advances to associated companies (non-trade)

Advances to the associated companies are unsecured, not expected to be repaid within the next 12 months. The interest rate for the year ranged from 1.18% to 3.63% (2009: 2.22% to 4.47%) per annum and is repriced every quarter at a margin above the 3-month S\$ SWAP – offer rate.

Notes to the Financial Statements

For the financial year ended 31 December 2010

8. Intangible asset

	Group		Trust	
	2010 S\$'000	2009 S\$'000	2010 S\$'000	2009 S\$'000
Cost:				
At 1 January	87,623	87,623	87,623	87,623
Addition	27,075	-	22,075	-
Translation differences	76	-	-	-
At 31 December	114,774	87,623	109,698	87,623
Accumulated amortisation and impairment:				
At 1 January	55,025	28,391	55,025	28,391
Amortisation expense charged to statement of total return and comprehensive income	22,502	26,634	22,188	26,634
Translation differences	5	-	-	-
At 31 December	77,532	55,025	77,213	55,025
Net carrying amount:				
At 31 December	37,242	32,598	32,485	32,598

Intangible asset represents the unamortised aggregate income support top-up payments receivable by the Group for its one-third interest in ORQPL and BFCDDL, and 100% interest in 77 King Street office tower. The remaining useful lives of the income support ranges from 1 to 6 years (2009: 2 years).

9. Trade and other receivables

	Group		Trust	
	2010 S\$'000	2009 S\$'000	2010 S\$'000	2009 S\$'000
Trade receivables	3,044	621	967	621
Amounts due from subsidiary (non-trade)	-	-	267	-
Amounts due from related companies (trade)	7,142	5,278	7,142	5,278
Amounts due from associated company (non-trade)	2,820	3,499	2,820	3,499
Deposits	191	191	191	191
Interest receivable	3	239	3	239
Unearned income	2,590	-	-	-
Other receivables	5,354	458	512	458
	21,144	10,286	11,902	10,286

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

Included in other receivables is \$4,841,000 (2009: Nil) of rental and incentive support receivable from the vendor of 77 King Street office tower.

In 2009, the trade receivables are charged or assigned by way of security for credit facilities granted to the Trust (Note 13).

10. Cash and cash equivalents

	Group		Trust	
	2010 S\$'000	2009 S\$'000	2010 S\$'000	2009 S\$'000
Cash at banks and in hand	45,534	3,975	45,308	3,975
Fixed deposits	4,326	-	4,326	-
Fixed deposits with a related company	-	571,574	-	571,574
	<u>49,860</u>	<u>575,549</u>	<u>49,634</u>	<u>575,549</u>

Cash at banks earn interest at floating rates based on daily bank deposit rates ranging from 0% to 4.47% (2009: 0% to 0.21%) per annum. Short-term deposits are made for varying periods of between 1 day and 92 days (2009: 1 day and 130 days) depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. The interest rates of short-term deposits range from 0.05% to 4.35% (2009: 0.01% to 0.96%) per annum.

In 2009, cash and cash equivalents amounting to \$23,783,000 were charged or assigned by way of security for credit facilities granted to the Trust (Note 13).

11. Trade and other payables – Current

	Group		Trust	
	2010 S\$'000	2009 S\$'000	2010 S\$'000	2009 S\$'000
Trade payables	2,423	1,432	1,233	1,432
Accrued expenses	2,660	5,353	2,074	5,353
Accrued purchase consideration	30,104	706	30,104	706
Amounts due to related companies				
- trade	7,152	4,007	7,152	4,007
- non-trade	299	11,294	299	11,294
Other deposits	374	338	374	338
Interest payable	988	307	988	307
	<u>44,000</u>	<u>23,437</u>	<u>42,224</u>	<u>23,437</u>

Included in the amounts due to related companies is an amount due to the Property Manager of \$205,000 (2009: \$573,000) and an amount due to the Manager of \$6,947,000 (2009: \$3,416,000).

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		Trust	
	2010 S\$'000	2009 S\$'000	2010 S\$'000	2009 S\$'000
Other deposit	4,310	5,000	4,310	5,000
	<u>4,310</u>	<u>5,000</u>	<u>4,310</u>	<u>5,000</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 acquisition of six strata floors of Prudential Tower.

Notes to the Financial Statements

For the financial year ended 31 December 2010

12. Derivatives

	Maturity	Group			
		2010 S\$'000	Liabilities	2009 S\$'000	Liabilities
		Contract/ Nominal Amount		Contract/ Nominal Amount	
Forward currency contracts	2011	6,274	452	-	-
Interest rate swaps	2013 - 2015	635,000	4,606	-	-
		641,274	5,058	-	-
Percentage of derivatives to net asset value			0.25		-

Forward currency contracts are used to hedge foreign currency risk arising from the cash flow of its in foreign investment properties in Australia.

As at 31 December 2010, the Group designates interest rate swaps as cash flow hedges. The interest rate swaps are being used to hedge the interest rate risk of the floating interest rates underlying the respective bank loans. Under the interest rate swaps, the Trust receives floating interest equal to S\$ Swap-offer rate ("SOR") at specific contracted intervals and pays fixed rates of interest ranging from 1.43% to 2.15% per annum (2009: Nil).

The cash flow hedges were assessed to be highly effective as at 31 December 2010 and an unrealised loss of \$4,606,000 was included in other comprehensive income in respect of these contracts.

13. Long-term borrowings

	Maturity	Group		Trust	
		2010 S\$'000	2009 S\$'000	2010 S\$'000	2009 S\$'000
Bank loans (secured)	2015	422,263	-	422,263	-
Bank loans (unsecured)	2013 - 2015	359,179	-	359,179	-
Term loans (secured)	-	-	189,764	-	189,764
Revolving loan facility (unsecured)	2012	208,490	389,175	208,490	389,175
		989,932	578,939	989,932	578,939
Percentage of total borrowings to net asset value		48.2	28.9	47.8	28.9

Bank loans (secured)

These loans are secured by mortgage over certain investment properties (Note 3) of the Group. The interest rates range from 0.75% + SOR to 0.87% + SOR per annum. The loans are repayable upon maturity. The Trust has entered into interest rate swaps (Note 12) to hedge the floating interest rates.

Bank loans (unsecured)

Bank loans amounting to \$149,758,000 are on fixed rates ranging from 1.87% to 2.98% per annum and repayable upon maturity. The remaining \$209,421,000 bank loans are on floating interest rates ranging from 1.05% + SOR to 1.22% + SOR per annum, repayable upon maturity. The Trust has entered into interest rate swaps (Note 12) to hedge the floating interest rates.

Term loans (secured)

In 2009, the Trust had term loan facilities which 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.

The term loans had fixed interest rates of borrowings vary from 3.91% to 4.06% (2009: 3.91% to 4.06%) 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 10);
- iii. an assignment of the rights, title and interest of the Trustee in and to the insurance policies relating to the Properties;
- iv. an assignment of the rights, title and interest of the Trustee in and to the agreements relating to the management of the Properties; and
- v. a fixed and floating charge over certain assets of the Trust relating to the Properties (Note 9).

The term loans were fully repaid during the current financial year.

Revolving loan facility (unsecured)

In September 2010, K-REIT Asia has put in place a new revolving loan facility of \$350,000,000 from Kephinance for a period of 24 months. The amount drawdown as at 31 December 2010 was \$208,490,000. The floating interest rates of borrowing range from 1.83% to 1.85% (2009: Nil) and are repriced every rollover period.

In September 2008, K-REIT Asia 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 floating interest rate of borrowing was 3.95% per annum and are repriced every roll-over period. The loan was fully repaid during the current financial year.

The weighted average all-in funding cost including margin charged on the loans and amortised upfront costs is 3.37% (2009: 4.23%) per annum.

Notes to the Financial Statements

For the financial year ended 31 December 2010

14. Units in issue

	Group and Trust	
	2010 '000	2009 '000
At 1 January	1,336,023	652,724
Issue of Units:		
- payment of management fees in Units	7,767	16,595
- payment of acquisition and divestment fees in Units	12,114	-
- rights issue	-	666,704
At 31 December	<u>1,355,904</u>	<u>1,336,023</u>

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

- 7,766,746 (2009: 16,595,221) Units were issued at unit prices range between \$1.0796 - \$1.3046 (2009: \$0.5631 - \$1.2133) as payment of management fees;
- 12,114,120 Units were issued at unit price of \$1.4143 per unit as payment of acquisition and divestment fee pursuant to the acquisition of one-third interest in BFGDPL and divestment of Keppel Towers and GE Tower.

In 2009, 666,703,965 Units were issued at the issue price of \$0.93 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.

15. Property Income

	Group	
	2010 S\$'000	2009 S\$'000
Gross rent	82,413	61,826
Car park income	1,713	882
Others	433	103
	<u>84,559</u>	<u>62,811</u>

16. Property expenses

	Group	
	2010 S\$'000	2009 S\$'000
Property tax	4,155	4,649
Property management fee	2,187	1,884
Property management salary reimbursements	1,076	983
Marketing expenses	1,564	807
Utilities	2,171	1,585
Maintenance	5,943	3,990
Other property expenses	158	33
	<u>17,254</u>	<u>13,931</u>

17. Income support

Income support relates to top-up payments receivable from vendors for the shortfall of guaranteed income amount from the Group's interest in ORQPL, BFCDDL, Prudential Tower Property, 275 George Street and 77 King Street office tower.

18. Trust expenses

	Group	
	2010 S\$'000	2009 S\$'000
Manager's management fee	15,074	13,082
Trustee's fees	471	309
Auditors' remuneration	147	84
Professional fees	689	222
Acquisition fees written off	3,721	-
Fund raising expenses	413	126
Other trust expenses	428	79
	<u>20,943</u>	<u>13,902</u>

50% (2009: 100%) of the Manager's management fees are paid in Units during the financial year.

Non-audit fees paid to auditors of the Group amounted to \$195,000 (2009: \$21,000).

Notes to the Financial Statements

For the financial year ended 31 December 2010

19. Borrowing costs

	Group	
	2010 S\$'000	2009 S\$'000
Interest expense		
- bank loans	1,016	-
- term loans	6,567	7,468
- revolving loan from a related company	7,057	15,520
Amortisation of transaction costs capitalised	2,181	1,804
	16,821	24,792

20. Net change in fair value of investment properties

	Group	
	2010 S\$'000	2009 S\$'000
Investment properties held directly by the Group	24,170	(65,510)
Investment properties held by associated companies	7,421	(6,249)
	31,591	(71,759)

21. Income tax expense

	Group	
	2010 S\$'000	2009 S\$'000
Current tax:		
- current year	3,184	2,146
- overprovision in respect of prior years	-	(370)
	3,184	1,776
Withholding tax:		
- current year	310	-
Total	3,494	1,776
Reconciliation of effective tax rate:		
Total return before tax	112,730	(44,143)
Income tax using Singapore tax rate of 17% (2009: 17%)	19,164	(7,504)
Non-tax deductible items	5,931	7,089
Net change in fair value of investment properties	(5,370)	12,199
Divestment gain from disposal of investment property	(4,495)	-
Share of results of associated companies	(1,648)	(1,396)
Overprovision in respect of previous year	-	(370)
Withholding tax	310	-
Tax transparency	(10,398)	(8,242)
Income tax expense recognised in statement of total return and comprehensive income	3,494	1,776

The corporate income tax rate applicable to Singapore companies of the Group was 17% (2009: 17%).

22. 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	
	2010 S\$'000	2009 S\$'000
Total return after tax	109,236	(45,919)
Total return after tax and excluding net change in fair value of investment properties and divestment gain	51,206	25,840
	'000	'000
Weighted average number of units in issue during the financial year	1,341,402	811,217
Basic earnings per unit based on:		
Total return after tax	8.14 cents	(5.66 cents)
Total return after tax excluding net change in fair value of investment properties and divestment gain	3.82 cents	3.19 cents

Diluted earnings per unit is the same as the basic earnings per unit as there are no dilutive instruments in issue during the financial year.

Notes to the Financial Statements

For the financial year ended 31 December 2010

23. 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	
	2010 S\$'000	2009 S\$'000
Manager's management fees paid/ payable to the Manager	15,074	13,082
Acquisition fee paid to the Manager	17,935	1,063
Divestment fee paid to the Manager	2,865	-
Trustee's fees paid/ payable to the Trustee	353	309
Property management fees and reimbursable paid/ payable to a related company	3,054	2,830
Leasing commissions paid/ payable to a related company	1,134	671
Rental income and other related income from related companies	1,011	3,321
Interest on revolving loan paid to a related company	19,687	15,520
Interest income received/receivable from associated companies of the Trust	11,291	12,502
Interest income received/receivable from a related company	80	322
Income support received from related companies	24,688	23,011
Dividend income received / receivable from associated companies	9,232	11,189
Proceeds received from a related company on disposal of an investment property	563,202	-
Payments to a related company on acquisition of one-third interest in an associated company	1,399,221	-
Revolving loan from a related company	208,490	-
Repayment of revolving loan to a related company	581,085	-

24. Financial risk management objectives and policies

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

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 45.0% (2009: 76.6%) of the Group's trade and other receivables were due from related companies and associated company. Concentration of credit risk relating to trade receivables is limited due to the Group's many varied tenants. The tenants are engaged in diversified businesses and are of good quality and strong credit standing.

Financial assets that are neither past due nor impaired

Trade and other receivables and advances to associated companies (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.

The Group constantly monitors its exposure to changes in interest rates for its interest-bearing financial liabilities. Interest rate risk is managed on an ongoing basis with the primary objective of limiting the extent to which net interest expense can be affected by adverse movements in interest rates through the use of interest rate swaps.

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, 7, 10, and 13 respectively.

Notes to the Financial Statements

For the financial year ended 31 December 2010

24. Financial risk management objectives and policies (cont'd)

Sensitivity analysis

At the balance sheet date, if Singapore Dollar interest rates had been 75 (2009: 75) basis points lower/ higher with all other variables constant, the Group's total return before tax would have been \$1,190,000 (2009: \$2,881,000) 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. Steps have been taken to plan early for funding and expenses requirements so as to manage the cash position at any point in time.

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

Group	2010			2009		
	1 year or less \$'000	2 to 5 years \$'000	Total \$'000	1 year or less \$'000	2 to 5 years \$'000	Total \$'000
Trade and other payables	44,000	4,310	48,310	23,437	5,000	28,437
Derivative financial instruments	452	4,606	5,058	-	-	-
Security deposits	2,400	6,186	8,586	4,603	11,835	16,438
Borrowings	-	989,932	989,932	-	578,939	578,939
	46,852	1,005,034	1,051,886	28,040	595,774	623,814

Trust	2010			2009		
	1 year or less \$'000	2 to 5 years \$'000	Total \$'000	1 year or less \$'000	2 to 5 years \$'000	Total \$'000
Trade and other payables	42,224	4,310	46,534	23,437	5,000	28,437
Derivative financial instruments	452	4,606	5,058	-	-	-
Security deposits	2,400	6,186	8,586	4,603	11,835	16,438
Borrowings	-	989,932	989,932	-	578,939	578,939
	45,076	1,005,034	1,050,110	28,040	595,774	623,814

(d) Foreign currency risk

Foreign currency risk arises when transactions are denominated in currencies other than the respective financial currencies of the various entities in the Group, and such changes impact the Group's profit.

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

The Group has outstanding forward foreign currency contracts with notional amounts totalling \$6,274,000 (2009: Nil). The net negative fair value of forward foreign exchange contracts is \$452,000 (2009: Nil) which is recognised as derivative financial instruments in creditors (Note 12).

Sensitivity analysis

At the balance sheet date, if the Australian Dollar changes against Singapore Dollar by 5% (2009: Nil) with all other variables constant, the Group's total return before tax would have been \$37,000 (2009: Nil) higher/lower due to the exchange differences arising from appreciation/depreciation of Australian Dollar against Singapore Dollar.

25. 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 Appendix 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 2010 and 2009.

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 \$1,289,932,000 (2009: \$581,085,000) and an aggregate leverage of 37.0% (2009: 27.7%).

Notes to the Financial Statements

For the financial year ended 31 December 2010

26. Financial instruments

(a) Fair values

The fair values of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transactions other than in a forced or liquidation sale.

Financial instruments that are carried at fair value

Fair value hierarchy

The Group classify fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy have the following levels:

- (i) Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities
- (ii) Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices), and
- (iii) Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The following table shows an analysis of the Group's financial instruments carried at fair value by Level 2 of fair value hierarchy.

	Group	
	2010	2009
	S\$'000	S\$'000
<u>Financial liabilities</u>		
Derivatives (Note 12)		
- Forward currency contracts	452	-
- Interest rate swaps	4,606	-
As at 31 December	5,058	-

There have been no transfers between the Levels during the financial years ended 2010 and 2009.

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 2010 and 31 December 2009:

Group	2010		2009	
	Carrying value \$'000	Fair value \$'000	Carrying value \$'000	Fair value \$'000
<u>Financial liabilities</u>				
Long-term borrowings (secured)	422,263	451,857	189,764	191,337
Long-term borrowings (unsecured)	567,669	599,919	389,175	406,327
Security deposit (non-current)	6,186	5,257	11,835	9,436
Other deposit	4,310	3,316	5,000	3,847
Group	Carrying value \$'000	Fair value \$'000	Carrying value \$'000	Fair value \$'000
<u>Financial liabilities</u>				
Long-term borrowings (secured)	422,263	451,857	189,764	191,337
Long-term borrowings (unsecured)	567,669	599,919	389,175	406,327
Security deposit (non-current)	6,186	5,257	11,835	9,436
Other deposit	4,310	3,316	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, which ranges from 1.41% to 2.83% (2009: 1.56% to 1.88%).

Notes to the Financial Statements

For the financial year ended 31 December 2010

26. Financial instruments (cont'd)

(b) Classification of financial instruments

Group	Fair value through profit or loss \$'000	Loans and receivables \$'000	Liabilities at amortised cost \$'000
<u>2010</u>			
Assets			
Advances to associated companies	-	604,348	-
Trade and other receivables	-	21,144	-
Cash and cash equivalents	-	49,860	-
Total	<u>-</u>	<u>675,352</u>	<u>-</u>
Liabilities			
Trade and other payables	-	-	48,310
Income received in advance	-	-	5,225
Security deposits	-	-	8,586
Derivatives	452	-	-
Total	<u>452</u>	<u>-</u>	<u>62,121</u>
<u>2009</u>			
Assets			
Advances to associated company	-	344,946	-
Trade and other receivables	-	10,286	-
Cash and cash equivalents	-	575,549	-
Total	<u>-</u>	<u>930,781</u>	<u>-</u>
Liabilities			
Trade and other payables	-	-	28,437
Income received in advance	-	-	324
Security deposits	-	-	16,438
Total	<u>-</u>	<u>-</u>	<u>45,199</u>

Trust	Fair value through profit or loss \$'000	Loans and receivables \$'000	Liabilities at amortised cost \$'000
<u>2010</u>			
Assets			
Advances to associated companies	-	604,348	-
Trade and other receivables	-	11,902	-
Cash and cash equivalents	-	49,634	-
Total	<u>-</u>	<u>665,884</u>	<u>-</u>
Liabilities			
Trade and other payables	-	-	46,534
Income received in advance	-	-	74
Security deposits	-	-	8,586
Derivatives	452	-	-
Total	<u>452</u>	<u>-</u>	<u>55,194</u>
<u>2009</u>			
Assets			
Advances to associated company	-	344,946	-
Trade and other receivables	-	10,286	-
Cash and cash equivalents	-	575,549	-
Total	<u>-</u>	<u>930,781</u>	<u>-</u>
Liabilities			
Trade and other payables	-	-	28,437
Income received in advance	-	-	324
Security deposits	-	-	16,438
Total	<u>-</u>	<u>-</u>	<u>45,199</u>

Notes to the Financial Statements

For the financial year ended 31 December 2010

27. 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 and Australia.

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 Australia and Singapore Central Business District area.

Investments in One Raffles Quay and Marina Bay Financial Centre Towers 1 & 2 and Marina Bay Link Mall are held through a one third interest in ORQPL and BFCDDL and the information provided is those in relation to the properties.

By property

Property income	Group	
	2010 S\$'000	2009 S\$'000
Prudential Tower Property ¹	19,097	13,429
Keppel Towers and GE Tower	27,560	29,506
Bugis Junction Towers	20,021	19,876
275 George Street ²	17,547	-
77 King Street office tower	334	-
Total property income	84,559	62,811
Income contribution	2010 S\$'000	2009 S\$'000
Prudential Tower Property ¹	15,650	11,013
Keppel Towers and GE Tower	19,941	22,077
Bugis Junction Towers	16,476	15,790
275 George Street ²	14,977	-
77 King Street office tower	261	-
Total net property income	67,305	48,880
One-third interest in ORQPL:		
- Income support	23,206	23,011
- Interest income	10,970	12,502
- Dividend income	9,232	11,189
Total income from one-third interest in ORQPL	43,408	46,702
One-third interest in BFCDDL:		
- Income support	1,482	-
- Interest income	300	-
Total income from one-third interest in BFCDDL	1,782	-
Total income contribution ³	112,495	95,582
Total income contribution	112,495	95,582
Less: Dividend Income	(9,232)	(11,189)
Add: Income Support for directly held investment properties	1,678	-
Add: Interest Income earned from deposits placed with financial institutions	782	343
Add : Share of results of associated companies	9,695	8,208
Less: Other unallocated expenses	(60,718)	(65,328)
Net income before net change in fair value of investment properties and divestment gain	54,700	27,616

¹ Comprises approximately 73.4% (2009: 73.4%) of the strata area in Prudential Tower.

² Comprises 50.0% (2009: Nil) interest in 275 George Street.

³ Reconciliation to net income before net change in fair value of investment properties and divestment gain per Statement of Total Return and Comprehensive Income :-

Notes to the Financial Statements

For the financial year ended 31 December 2010

27. Portfolio reporting (cont'd)

Investment in properties, at valuation	Group	
	2010 S\$'000	2009 S\$'000
Prudential Tower Property ¹	342,600	325,100
Keppel Towers and GE Tower	-	540,700
Bugis Junction Towers	320,100	297,000
275 George Street ²	215,730	-
77 King Street	147,204	-
Total value of deposited properties	1,025,634	1,162,800

Interest in associated companies	Group	
	2010 S\$'000	2009 S\$'000
<u>One third interest in ORQPL</u>		
Investment in associated company	510,759	504,293
Advances to associated company	44,946	344,946
Intangible asset	11,635	32,598
	567,340	881,837
 <u>One third interest in BFCDPL</u>		
Investment in associated company	865,938	-
Advances to associated company	559,402	-
Intangible asset	20,850	-
	1,446,190	-

By geographical area	Group	
	2010 S\$'000	2009 S\$'000
<u>Property income</u>		
- Singapore	66,678	62,811
- Australia	17,881	-
Total property income	84,559	62,811
 <u>Net property income</u>		
- Singapore	52,067	48,880
- Australia	15,238	-
Total net property income	67,305	48,880
 <u>Income contribution</u>		
- Singapore	97,257	95,582
- Australia	15,238	-
Total income contribution	112,495	95,582
 <u>Investment in properties, at valuation</u>		
- Singapore	662,700	1,162,800
- Australia	362,934	-
Total value of deposited properties	1,025,634	1,162,800

¹ Comprises approximately 73.4% (2009: 73.4%) of the strata area in Prudential Tower.

² Comprises 50.0% (2009: Nil) interest in 275 George Street.

28. Commitments

(a) Operating lease commitments – as lessor

The Group leases out its investment properties. Lease arrangements for the Group's Australia based investment properties include rental escalation clauses. Future minimum rental receivable under non-cancellable operating leases is as follows:

	Group	
	2010 S\$'000	2009 S\$'000
Within 1 year	60,410	61,423
Between 2 and 5 years	130,181	66,037
After 5 years	88,239	316
	278,830	127,776

(b) Capital commitments

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

	Group		Trust	
	2010 S\$'000	2010 S\$'000	2010 S\$'000	2009 S\$'000
Capital commitment in respect of investment properties	297	2,654	297	2,654

29. Financial ratios

	2010 %	2009 %
Expenses to weighted average net assets ¹		
- including performance component of Manager's management fees	1.05	0.90
- excluding performance component of Manager's management fees	0.89	0.72
Portfolio turnover rate ²	18.98	-

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.

30. Subsequent events

- (a) On 20 January 2011, the Manager declared a distribution of \$45,919,000 for period from 1 July 2010 to 31 December 2010.
- (b) On 28 January 2011, the Trust issued 1,473,527 new Units as payment of management fees for the period from 1 October 2010 to 31 December 2010. 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 10 business days immediately preceding 31 December 2010.

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	15,074
- Acquisition fees	17,935
- Divestment fee	2,865
- Property management fees and reimbursables	3,054
- Leasing commissions	1,134
- Income support	24,688
- Acquisition of one third interest in an associated company	1,399,221
- Divestment of an investment property	563,000
Keppel Corporation Limited and its subsidiaries or associates	
- Interest income ¹	80
- Rental and service charge income ²	1,011
- Interest on revolving loan ²	19,687
RBC Dexia Trust Services Singapore Limited	
- Trustee's fees	353

¹ This relates to interest income earned from deposits placed with Kepfinance Investment Pte Ltd during 1 January 2010 till 14 January 2010.

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

Save as disclosed above, there were no additional interested person transactions (excluding transactions of less than \$100,000 each) entered into during the financial year under review.

SGX-ST has granted a waiver to K-REIT Asia from Rules 905 and 906 of the SGX-ST's Listing Manual in relation to payments for Manager's management fees, payments of property management fees, leasing commissions and reimbursements 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 25 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 23 in the financial statements.

Subscription of K-REIT Asia Units

During the financial year ended 31 December 2010, K-REIT Asia issued 7,766,746 new Units as payment of management fees and 12,114,120 new Units as payment of acquisition and divestment fee pursuant to the acquisition of one-third in BFC Development Pte. Ltd. and divestment of Keppel Towers and GE Tower.

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 holders of units of K-REIT Asia (“**K-REIT**”, and the holders of units of K-REIT, “**Unitholders**”), will be held at InterContinental Singapore, Bugis Grand Ballroom, Level 2, 80 Middle Road, Singapore 188966 on 15 April 2011 at 10.30 a.m. to transact the following business:

(A) AS ORDINARY BUSINESS

1. To receive and adopt the Report of RBC Dexia Trust Services Singapore Limited, as trustee of K-REIT (the “**Trustee**”), the Statement by K-REIT Asia Management Limited, as manager of K-REIT (the “**Manager**”), and the Audited Financial Statements of K-REIT for the financial year ended 31 December 2010 and the Auditors’ Report thereon. (**Ordinary Resolution 1**)
2. To re-appoint Messrs Ernst & Young LLP as the Auditors of K-REIT and to hold office until the conclusion of the next AGM of K-REIT, and to authorise 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 Asia’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:

Notice of Annual General Meeting

- (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) 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 (2) below), of which the aggregate number of Units to be issued other than on a pro rata basis to Unitholders (including Units to be issued in pursuance of Instruments made or granted pursuant to this Resolution and any adjustment effected under any relevant Instrument) 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 (2) below);
- (2) subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) for the purpose of determining the aggregate number of Units that may be issued under sub-paragraph (1) above, the percentage of issued Units (excluding treasury Units, if any) 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;
- (3) 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);
- (4) (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 applicable regulations to be held, whichever is earlier;
- (5) 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 or Units are issued; and
- (6) the Manager and 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 Note) (**Ordinary Resolution 3**)

(C) AS OTHER BUSINESS

4. 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

24 March 2011

Notice of Annual General Meeting

Explanatory notes:

1. Ordinary Resolution 3

Ordinary Resolution 3, if passed, will empower the Manager from the date of this AGM until (i) the conclusion of the next AGM of K-REIT; (ii) the date by which the next AGM of K-REIT is required by the applicable regulations to be held, or (iii) the date on which such authority is revoked or varied by the Unitholders in a general meeting, whichever is the earliest, to issue Units, to make or grant Instruments and to issue Units pursuant to such Instruments, up to a number not exceeding 50% of the total number of issued Units (excluding treasury Units, if any) of which up to 20% may be issued other than on a pro rata basis to Unitholders.

Ordinary Resolution 3, 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 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.

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.

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. Where a Unitholder appoints more than one proxy, the appointments shall be invalid unless he/she specifies the proportion of his/her holding (expressed as a percentage of the whole) to be represented by each proxy.
3. The instrument appointing a proxy must be deposited at the Manager's registered office at 1 HarbourFront Avenue, #18-01 Keppel Bay Tower, Singapore 098632 not later than 13 April 2011 at 10.30 a.m., being 48 hours before the time fixed for the AGM.

Proxy Form



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

Annual General Meeting

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.
- CPF investors who wish to attend the Annual General Meeting as observers have to submit their requests through their CPF Approved Nominees so that their CPF Approved Nominees may register, within the specified timeframe, with K-REIT Asia's Unit Registrar. CPF Approved Nominees, please refer to Note 13 on the reverse side of this Proxy Form for further details.
- CPF investors who wish to vote must submit their voting instructions to their CPF Approved Nominees to enable them to vote on their behalf.
- PLEASE READ THE NOTES TO THE PROXY FORM.**

I / We _____
 (Name(s) and NRIC Number(s)/Passport Number(s)/Company Registration Number)
 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, Bugis Grand Ballroom, Level 2, 80 Middle Road, Singapore 188966 on 15 April 2011 at 10.30 a.m., and any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the resolutions 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	Number of Votes For*	Number of Votes Against*
ORDINARY BUSINESS			
1.	To receive and adopt the Trustee's Report, the Manager's Statement, the Audited Financial Statements of K-REIT Asia for the financial year ended 31 December 2010 and the Auditors' Report thereon		
2.	To re-appoint Ernst & Young LLP as Auditors of K-REIT Asia and authorise the Manager to fix the Auditors' remuneration		
SPECIAL BUSINESS			
3.	To authorise the Manager to issue Units and to make or grant convertible instruments		
OTHER BUSINESS			
4.	To transact such other business as may be transacted at an Annual General Meeting		

* If you wish to exercise all your votes "For" or "Against" the relevant Resolution, please mark with an "X" within the relevant box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this _____ day of _____ 2011

 Signature(s) of Unitholder(s)/ Common Seal of Corporate Unitholder

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 ("**AGM**") 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 Proxy Form (as defined in note 5 below) 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 AGM.
6. Completion and return of the Proxy Form shall not preclude a Unitholder from attending and voting at the AGM. Any appointment of a proxy or proxies shall be deemed to be revoked if a Unitholder attends the AGM in person, and in such event, the Manager reserves the right to refuse to admit any person or persons appointed under the Proxy Form, to the AGM.
7. The Proxy Form shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or if the appointor is a corporation either under the common seal or under the hand of an officer or attorney so authorised. The Manager and the Trustee shall be entitled and be bound, in determining the rights to vote and other matters in respect of a completed Proxy Form submitted to it, to have regard to any instructions and/or notes set out in the Proxy Form. The Manager and the Trustee shall have the right to reject any Proxy Form which has not been duly completed.

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)

8. Where the Proxy Form is signed on behalf of the appointor by an attorney or a duly authorised officer, the power of attorney or other authority (if any) under which it is signed, or a duly certified copy of such power or authority must (failing previous registration with the Manager) be lodged with the Proxy Form, failing which the Proxy Form may be treated as invalid. No Proxy Form shall be valid after the expiration of 12 months from the date named in it as the date of execution.
9. The Manager and the Trustee shall have the right 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, each of the Trustee and the Manager: (a) 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 AGM, as certified by CDP to the Manager; and (b) shall be entitled and bound to accept as accurate the number of Units entered against the name of that Unitholder as shown in the Depository Registry as at a time not earlier than 48 hours prior to the time of the AGM, supplied by CDP to the Trustee and to accept as the maximum number of votes which in aggregate that Unitholder and his proxy/ies (if any) are able to cast on a poll a number which is the number of Units entered against the name of that Unitholder as shown in the Depository Register, whether that number is greater or smaller than that specified by the Unitholder or in the Proxy Form.
10. All Unitholders will be bound by the outcome of the AGM regardless of whether they have attended or voted at the AGM.
11. 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.
12. 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.
13. CPF Approved Nominees acting on the request of the CPF investors who wish to attend the AGM as observers are requested to submit in writing, a list with details of the CPF investors' names, NRIC/Passport numbers, addresses and number of Units held. The list (to be signed by an authorised signatory of the CPF Approved Nominee) should reach K-REIT Asia's Unit Registrar, Boardroom Corporate & Advisory Services Pte. Ltd, at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 not later than 13 April 2011 at 10.30 a.m., being 48 hours before the time fixed for the AGM.

Request Form



K-REIT Asia Management Limited as Manager of K-REIT Asia

(Registration No.: 200411357K)
(Incorporated in the Republic of Singapore)

24 March 2011

Dear Unitholder,

We are providing a copy of K-REIT Asia's Report to Unitholders for the financial year ended 31 December 2010 ("FY 2010") in digital format in the enclosed CD. This CD contains the full financial statements of K-REIT Asia, the Auditor's report thereon and the Report of the Trustee and Statement by the Manager.

In line with K-REIT Asia's drive towards sustainable development, we would like to encourage you to read our Report to Unitholders online from K-REIT Asia's corporate website at <http://www.kreitasia.com>. This initiative is part of our efforts to protect the environment. By reducing the quantity of reports printed in hardcopy, we minimise paper wastage as well as electricity and fuel used in the printing and distribution process.

In addition to the enclosed CD, we are providing Unitholders with the option of receiving a printed copy (a "Print Copy") of K-REIT Asia's Report to Unitholders for FY 2010. There are three options for your selection:

- (1) You may wish to receive a Print Copy of the Report to Unitholders for FY 2010 (**Please note that CPFIS Unitholders can only choose this option**);
- (2) You may wish to receive a Print Copy of the Report to Unitholders for FY 2010 and a Print Copy of the Report to Unitholders for future financial years, for as long as you are a Unitholder of K-REIT Asia; or
- (3) You do not wish to receive a Print Copy of the Report to Unitholders for FY 2010 and for future financial years. If you select this option, you will continue to receive the Report to Unitholders in digital format for future financial years, for as long as you are a Unitholder of K-REIT Asia.

Please indicate your preference by ticking the appropriate box in the request form below and returning it to us **no later than 1 April 2011**. If we do not receive your request form by **1 April 2011**, you will (i) if you are a CPFIS Unitholder, be taken to have selected option (1) above and (ii) in all other cases, be taken to have selected option (3) listed above.

Your latest request will supersede any earlier requests received by us.

Yours faithfully

for and on behalf of

K-REIT ASIA MANAGEMENT LIMITED

Choo Chin Teck
Joint Company Secretaries

Jacqueline Ng

REQUEST FORM

To: K-REIT ASIA MANAGEMENT LIMITED

NB. Please tick only one box. Incomplete or incorrectly completed forms will not be processed.

- [] 1. I / We wish to receive a Print Copy of the Report to Unitholders for FY 2010 (CPFIS Unitholders can only choose this option)
- [] 2. I / We wish to receive a Print Copy of the Report to Unitholders for FY 2010 and a Print Copy of the Report to Unitholders for future financial years for as long as I / We am/are a Unitholder/s of K-REIT Asia.
- [] 3. I / We do not wish to receive a Print Copy of the Report to Unitholders for FY 2010. I / We only wish to receive a digital copy of the Report to Unitholders for FY 2010 and for future financial years for as long as I / We am/are a Unitholder/s of K-REIT Asia.

Name(s) of unitholder(s): _____ NRIC / Passport no(s) : _____

The units are held by me under or through: [] CDP Securities Account No. :

1	6	8	1	-							
---	---	---	---	---	--	--	--	--	--	--	--

[] CPFIS Account

[] Physical Scrips

Address : _____ Singapore _____

Signature(s) : _____ Date : _____

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K-REITasia

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Singapore only.

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The Company Secretary
K-REIT Asia Management Limited
(as Manager of K-REIT Asia)
c/o 230 Victoria Street #15-03
Bugis Junction Towers
Singapore 188024

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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

Group Corporate Communications, Keppel Corporation

Designed by

greymatter williams and phoa (asia)

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