K-REITasia

DEFINITIVELY KEPPEL

REPORT TO UNITHOLDERS 2011

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.

1

1, 2. K-REIT Asia is the largest owner of key premium offices located in the heart of Singapore's business and financial districts.

CONTENTS

KEY FIGURES FOR 2011

$113.0m

DISTRIBUTABLE INCOME
Rose 31.9% year-on-year to $113.0 million due to higher income contribution and interest income from acquisitions.

7.08¢[1]

DISTRIBUTION PER UNIT (DPU)
Grew by 11.1% year-on-year.

$61.7m

NET PROPERTY INCOME
Stood at $61.7 million as a result of contribution from new acquisitions, offset by the divestment of Keppel Towers and GE Tower.

8.5%[2]

DISTRIBUTION YIELD
Was 8.5% as at 30 December 2011.

$37.4m

SHARE OF RESULTS OF ASSOCIATES
Increased 285.7% to $37.4 million due to income contribution from the one-third interest in Marina Bay Financial Centre Phase One.

2.53%

WEIGHTED AVERAGE ALL-IN INTEREST RATE

$6,004m

ASSETS UNDER MANAGEMENT
Grew 72.2% to $6,004 million due to new acquisitions.

$1.26[3]

NET ASSET VALUE PER UNIT

[1] DPU based on the sum of 1.79 cents, 1.93 cents, 1.96 cents and 1.40 cents announced during the 1Q 2011, 2Q 2011, 3Q 2011 and 4Q 2011 financial results announcements respectively.
[2] Distribution yield based on 7.08 cents DPU and market closing price of $0.83 per unit on 30 December 2011.
[3] Net asset value per unit based on the enlarged equity base of 2,547,574,969 units as at 31 December 2011, subsequent to the Rights Issue completed on 13 December 2011, and excluding the distributable income payable for 2H 2011.

FINANCIAL HIGHLIGHTS

Actuals
for the financial year ended 31 December

	2011 $'000	2010 $'000	Change %
Property income	**77,968**[1]	84,559[2]	(7.8)
Net property income	**61,654**	67,305	(8.4)
Share of results of associates[3]	**37,393**	9,695	285.7
Interest income and rental support	**68,681**[4]	38,418[5]	78.8
Distributable income	**112,965**	85,631	31.9

Balance Sheet
as at 31 December

	2011 $'000	2010 $'000	Change %
Total assets	**5,856,887**	3,115,923	88.0
Total liabilities	**2,381,422**	1,060,372	124.6
Unitholders' funds	**3,262,632**	2,055,551	58.7
Total borrowings (gross)[6]	**2,495,479**	1,289,932	93.5
Value of deposited properties	**6,004,425**	3,487,634	72.2
Market capitalisation ($'000)[7]	**2,114,487**	1,911,825	10.6
Net asset value per unit ($)	**1.28**	1.52	(15.8)
Adjusted net asset value per unit ($) – excluding distributable income	**1.26**	1.48	(14.9)

Financial Ratios

	2011	2010	Change %
Distribution per unit (DPU) (cents)	**7.08**[8]	6.37[9]	11.1
Distribution yield (%)	**8.5**	4.5	88.9
Aggregate leverage (%)	**41.6**	37.0	12.4
Interest coverage ratio (times)[10]	**4.79**	5.59	(14.3)
All-in interest rate (%)	**2.53**	3.37	(24.9)
Management expense ratio (%)	**1.32**	1.05	25.7

1 Property income in 2011 comprised property income from Bugis Junction Towers, approximately 87.5% interest in Ocean Financial Centre (the OFC Interest), 92.8% interest in Prudential Tower, 50% interest in 275 George Street (the 275 George Street Interest) and 77 King Street Office Tower.
2 Property Income in 2010 comprised property income from Bugis Junction Towers, Keppel Towers and GE Tower, 73.4% interest in Prudential Tower, the 275 George Street Interest and 77 King Street Office Tower.
3 Share of results of associates comprised K-REIT Asia's one-third share of the net profit after tax of One Raffles Quay Pte Ltd (ORQPL) and BFC Development Pte Ltd (BFCDPL).
4 Rental support in 2011 comprised rental support from vendors of the respective 19.4% and 29% interests in Prudential Tower, the 275 George Street Interest, 77 King Street Office Tower, respective one-third interests in ORQPL and BFCDPL, and the OFC Interest.
5 Rental support in 2010 comprised rental support from vendors of the 29% interest in Prudential Tower, 275 George Street Interest, 77 King Street Office Tower, as well as respective one-third interests in ORQPL and BFCDPL.
6 Including K-REIT Asia's share of deferred payments in relation to the development of Ocean Financial Centre carpark and retail podium.
7 Based on closing unit price as at the last trading day for the financial year.
8 7.08 cents total DPU for FY2011 is based on 1.79 cents, 1.93 cents, 1.96 cents and 1.40 cents announced during the 1Q 2011, 2Q 2011, 3Q 2011 and 4Q 2011 financial results announcements respectively. The actual DPU payout for FY2011 amounted to 6.17 cents as a result of the enlarged unit base as at end-2011 subsequent to the Rights Issue of 1,159,694,000 units completed on 13 December 2011.
9 The actual DPU payout for FY2010 amounted to 6.35 cents as a result of the enlarged unit base as at end-2010.
10 Interest coverage ratio: Ratio of profit before interest expense, tax, depreciation and amortisation to interest expense.

QUARTERLY RESULTS

	Quarter 1		Quarter 2		Quarter 3		Quarter 4		Total Year
	$'000	%	$'000	%	$'000	%	$'000	%	$'000
Distributable income									
2011	**24,253**	**21**	**26,291**	**23**	**26,692**	**24**	**35,729**	**32**	**112,965**
2010	17,825	21	21,978	26	22,673	26	23,155	27	85,631
Property income									
2011	**18,672**	**24**	**18,062**	**23**	**18,614**	**24**	**22,620**	**29**	**77,968**
2010	18,210	22	23,230	27	21,759	26	21,360	25	84,559
Net property income									
2011	**14,939**	**24**	**14,303**	**23**	**14,657**	**24**	**17,755**	**29**	**61,654**
2010	13,888	21	18,393	27	17,519	26	17,505	26	67,305
Share of results of associates									
2011	**6,151**	**17**	**8,292**	**22**	**10,929**	**29**	**12,021**	**32**	**37,393**
2010	2,092	22	2,378	24	1,942	20	3,283	34	9,695
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	
2011	**1.79**	**7.26**	**1.93**	**7.74**	**1.96**	**7.78**	**1.40**[1]	**5.55**	**7.08**[2]
2010	1.33	5.39	1.64	6.58	1.69	6.70	1.71	6.78	6.37[3]

1 The DPU for 4Q 2011 is computed based on the enlarged unit base pursuant to the Rights Issue completed on 13 December 2011.
2 The actual DPU payout for FY2011 amounted to 6.17 cents as a result of the enlarged unit base as at end-2011 subsequent to the Rights Issue of 1,159,694,000 units completed on 13 December 2011.
3 The actual DPU payout for FY2010 amounted to 6.35 cents as a result of the enlarged unit base as at end-2010.

CORPORATE PROFILE

K-REIT Asia is one of the largest real estate investment trusts listed on the Singapore Exchange Securities Trading Limited (SGX-ST), with an asset size of $6.0 billion as at 31 December 2011.

Listed by way of an introduction on 28 April 2006, 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 Singapore and across Asia.

K-REIT Asia's quality portfolio comprises eight premium commercial assets strategically located in the central business districts of Singapore and key cities of Sydney and Brisbane in Australia.

In Singapore, K-REIT Asia owns Bugis Junction Towers, a one-third interest in Marina Bay Financial Centre Towers 1 & 2 and Marina Bay Link Mall, an approximate 87.5% interest in Ocean Financial Centre, a one-third interest in One Raffles Quay and a 92.8% interest in Prudential Tower.

In Australia, K-REIT Asia owns a 50% interest in 275 George Street in Brisbane, as well as 77 King Street Office Tower and a 50% interest in 8 Chifley Square, both in Sydney.

K-REIT Asia is sponsored by Keppel Land Limited (Keppel Land), one of Asia's leading property developers and managed by K-REIT Asia Management Limited, a wholly-owned subsidiary of Keppel Land.

A view of the Singapore business and financial district.

STRATEGIC DIRECTION

K-REIT ASIA AIMS TO BE A SUCCESSFUL COMMERCIAL REAL ESTATE INVESTMENT TRUST WITH A STERLING PORTFOLIO OF ASSETS IN SINGAPORE AND KEY CITIES ACROSS ASIA.

The Manager will achieve this by:

MAXIMISING PERFORMANCE
- Improving buildings' performance and efficiency
- 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
- Improving quality of fittings and finishes
- Leveraging technology to improve operations
- Focusing on safety and security
- Implementing environmentally sustainable initiatives

ACHIEVING CAPITAL EFFICIENCY
- Optimising capital structure
- Negotiating competitive credit facilities to meet working capital requirements
- Diversifying sources of funding to mitigate refinancing risk
- Limiting exposure to fluctuations in interest and foreign exchange rates

BUILDING EFFICIENCIES AND NURTURING TALENT
- Investing in employee training and development to increase competency
- Adopting best-in-class management practices
- Utilising technology to improve workflows
- Procuring systems to provide real-time data to enable more accurate and swifter decisions

ACQUIRING QUALITY ASSETS
- Increasing market intelligence to identify potential acquisition targets
- Conducting feasibility studies and comprehensive due diligence on potential acquisitions
- Structuring investments to optimise tax efficiency and repatriation of income from foreign assets

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 and rent review profiles, as well as structure leases with regular rent reviews.

The Manager closely monitors and manages its assets as well as operating costs to ensure that its buildings are performing at their optimal levels without compromising the safety and comfort of its 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, Keppel Land, to negotiate favourable credit facilities. To mitigate refinancing risks and interest rate fluctuations, the Manager diversifies its sources of funding and balances the debt expiry profile, as well as hedges its exposure to fluctuations in interest and foreign exchange rates.

INVESTMENT STRATEGY

The Manager focuses on quality commercial properties that are strategically located within central business districts 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.

COMMITMENT TO SUSTAINABILITY

Energy-saving features are incorporated to K-REIT Asia's buildings where feasible. The Manager regularly organises campaigns to educate and encourage tenants and staff to adopt green lifestyles. All of K-REIT Asia's properties in Singapore are certified a minimum Green Mark Gold by the Building and Construction Authority of Singapore. Ocean Financial Centre is the first office building in Singapore to be awarded the highest Platinum Green Mark Award.

CHAIRMAN'S STATEMENT

"WITH OVER 2.6 MILLION SF OF QUALITY OFFICE SPACE, K-REIT ASIA IS TODAY ONE OF SINGAPORE'S LARGEST REITS."

$113.0m

DISTRIBUTABLE INCOME ROSE 31.9% TO $113.0 MILLION IN 2011

Our portfolio of premium Grade A buildings, healthy occupancy, well-staggered lease profile as well as prudent capital management put K-REIT Asia in good stead to weather the economic uncertainties during the year.

DEAR UNITHOLDERS,
2011 was a transformational year for K-REIT Asia. During the year, K-REIT Asia acquired three income-accretive assets, namely, four additional floors in Prudential Tower, a 50% interest in 8 Chifley Square and an approximate 87.5% interest in Ocean Financial Centre.

Since our listing on the main board of the Singapore Exchange Securities Trading Limited in April 2006, we have expanded from an initial asset size of $631 million to $6.0 billion as at end-2011.

Today, K-REIT Asia owns more than 2.6 million square feet (sf) of quality office space in eight premium Grade A buildings in Singapore and Australia.

A fully underwritten renounceable Rights Issue was also conducted during the year to raise net proceeds of about $978.4 million to partially fund the acquisition of K-REIT Asia's interest in Ocean Financial Centre.

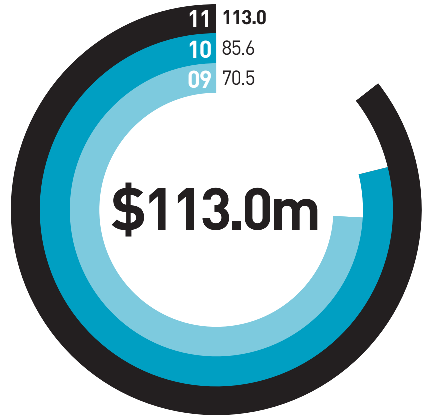
CONTROLLING STAKE IN PRUDENTIAL TOWER
We increased our interest in Prudential Tower from 73.4% to 92.8% with the acquisition of another four floors of strata office space in May 2011. The enlarged interest in the Grade A building translates to 223,286 sf of net lettable area (NLA) and enables the Manager to have greater flexibility in managing Prudential Tower. Spread over levels 26 to 29 of the 30-storey building, the acquisition comes with a four-year rental support of up to approximately $8.1 million till March 2015.

ENLARGING AUSTRALIAN FOOTPRINT
8 Chifley Square is a 30-storey premium quality office tower located in the heart of Sydney's central business district (CBD). The building will have an estimated 205,700 sf of NLA when completed in the third quarter of 2013. K-REIT Asia and Mirvac Property Trust, a member of the Mirvac Group, each owns a 50% interest in the building.

K-REIT Asia acquired the interest in 8 Chifley Square on a forward funding structure, which will provide quarterly coupon distributions to Unitholders until the building is completed. This makes the acquisition immediately income-accretive to Unitholders.

8 Chifley Square is approximately 40% pre-leased ahead of its expected

Distributable Income ($ million)



completion. The first anchor tenant, Corrs Chambers Westgarth, a leading Australian law firm has pre-leased approximately 87,000 sf of the building's NLA.

Given the building's prime location and premium quality, we anticipate continued healthy demand for the remaining space at 8 Chifley Square.

LANDMARK ACQUISITION

K-REIT Asia made its largest acquisition to-date with a majority 87.5% interest in Ocean Financial Centre.

Ocean Financial Centre comprises approximately 886,500 sf of premium office space. The landmark 43-storey office tower is strategically located atop the Raffles Place MRT interchange station and provides expansive views of Marina Bay and the Singapore CBD.

Completed in April 2011, Ocean Financial Centre boasts large column-free floor plates and environmentally sustainable features. It is the first office building in Singapore to be awarded the highest Platinum Green Mark Award by the Building and Construction Authority.

A fully underwritten renounceable Rights Issue was taken to partially fund the acquisition of the interest in Ocean Financial Centre.

K-REIT Asia successfully converted the ownership structure of Ocean Financial Centre to that of a limited liability partnership (LLP). The change in property holding structure to an LLP is the first among Singapore REITs. It provides tax transparency on the income generated by the building, which translates to higher distributable income for our Unitholders.

The interest in Ocean Financial Centre comes with a rental support capped at $170 million for up to five years. This will provide income stability while we seek creditable tenants for the remaining space. Since the completion of the acquisition on 14 December 2011, we have leased out an additional 57,000 sf or approximately 5.0% of the building's NLA, and raised its occupancy to nearly 85% as at end-2011.

INCOME GROWTH

K-REIT Asia's distributable income increased by 31.9% year-on-year to approximately $113.0 million for FY2011 as a result of higher interest income as well as higher share of profits from BFC Development Pte Ltd (BFCDPL) and One Raffles Quay Pte Ltd (ORQPL), which own Marina Bay Financial Centre Towers 1 & 2 and Marina Bay Link Mall, and One Raffles Quay respectively. The share of profits from BFCDPL and ORQPL grew by 285.7% to approximately $37.4 million while interest income increased by 91.2% to $23.0 million.

Net property income (NPI) for FY2011 was $61.7 million as a result of the divestment of Keppel Towers and GE Tower in December 2010, which was offset by contributions from new acquisitions in 2010 and 2011. These acquisitions include the 50% interest in 275 George Street in Brisbane and the 77 King Street Office Tower in Sydney, both of which were acquired in 2010, as well as the four additional levels of strata office at Prudential Tower and the approximate 87.5% interest in Ocean Financial Centre, both of which were acquired in 2011.

The Distribution Per Unit (DPU) for FY2011 was 7.08 cents[1]. This is 11.1% higher than the DPU of 6.37 cents achieved in FY2010 and 6.0% higher than the forecasted 6.68 cents DPU published in the Circular to Unitholders on 8 November 2010 for the acquisition of a one-third interest in Marina Bay Financial Centre Towers 1 & 2 and Marina Bay Link Mall. The DPU for FY2011 translates to a DPU yield of 8.5% based on the market closing price of $0.83 per unit as at 30 December 2011.

SOUND FUNDAMENTALS

As at end-2011, K-REIT Asia's overall portfolio occupancy remained at a healthy level of approximately 94.1%.

Bugis Junction Towers, One Raffles Quay and 275 George Street all enjoyed full occupancy. The average occupancy for K-REIT Asia's Singapore portfolio stood at 93.9%, above the core CBD occupancy rate of 91.2%.

The portfolio lease expiry profile is well-staggered with total lease areas due for renewal and rent review in each year not exceeding 21.0% of the total portfolio NLA.

K-REIT Asia continues to maintain a healthy weighted average lease term to expiry (WALE) for both its portfolio and top ten tenants at 6.7 years and 8.2 years respectively.

POSITIVE CAPITAL POSITION

K-REIT Asia's aggregate leverage stood at 41.6% as at end-2011 with borrowings of approximately $2.5 billion diversified across 12 lenders. The borrowings carried an all-in weighted average interest rate of 2.53% for 2011 and an interest coverage ratio of 4.8 times.

The Manager plans to refinance $535 million of borrowings, which will be due at the end of 2012. This will extend the debt weighted average term to maturity from 3.1 years as at end-2011 to 4.0 years and unencumber more assets in 2012.

STAYING ON COURSE

Looking ahead, K-REIT Asia expects to achieve its profit forecast of 7.16 cents[2] DPU for FY2012.

K-REIT Asia's quality portfolio of premium and Grade A buildings, healthy portfolio occupancy, well-staggered lease profile as well as prudent capital management put it in good stead to weather the economic uncertainties during the year.

1 DPU based on the sum of 1.79 cents, 1.93 cents, 1.96 cents and 1.40 cents for 1Q 2011, 2Q 2011, 3Q 2011 and 4Q 2011 financial results announcements respectively.

2 7.16 cents DPU profit forecast as published in K-REIT Asia's Circular to Unitholders dated 19 October 2011.

The acquisition of Ocean Financial Centre has significantly enhanced K-REIT Asia's property portfolio.

K-REIT Asia's long portfolio WALE of 6.7 years, as well as the limited 57,500 sf or 2.2% of total portfolio NLA due for rent review and renewal in 2012 are also expected to mitigate K-REIT Asia's downside risks in the Singapore office market.

Despite the headwinds expected in 2012, the Manager remains focused on attracting new tenants and retaining existing tenants to increase the overall portfolio occupancy. The Manager will also manage its lease expiry profile to mitigate concentration risks during any particular year.

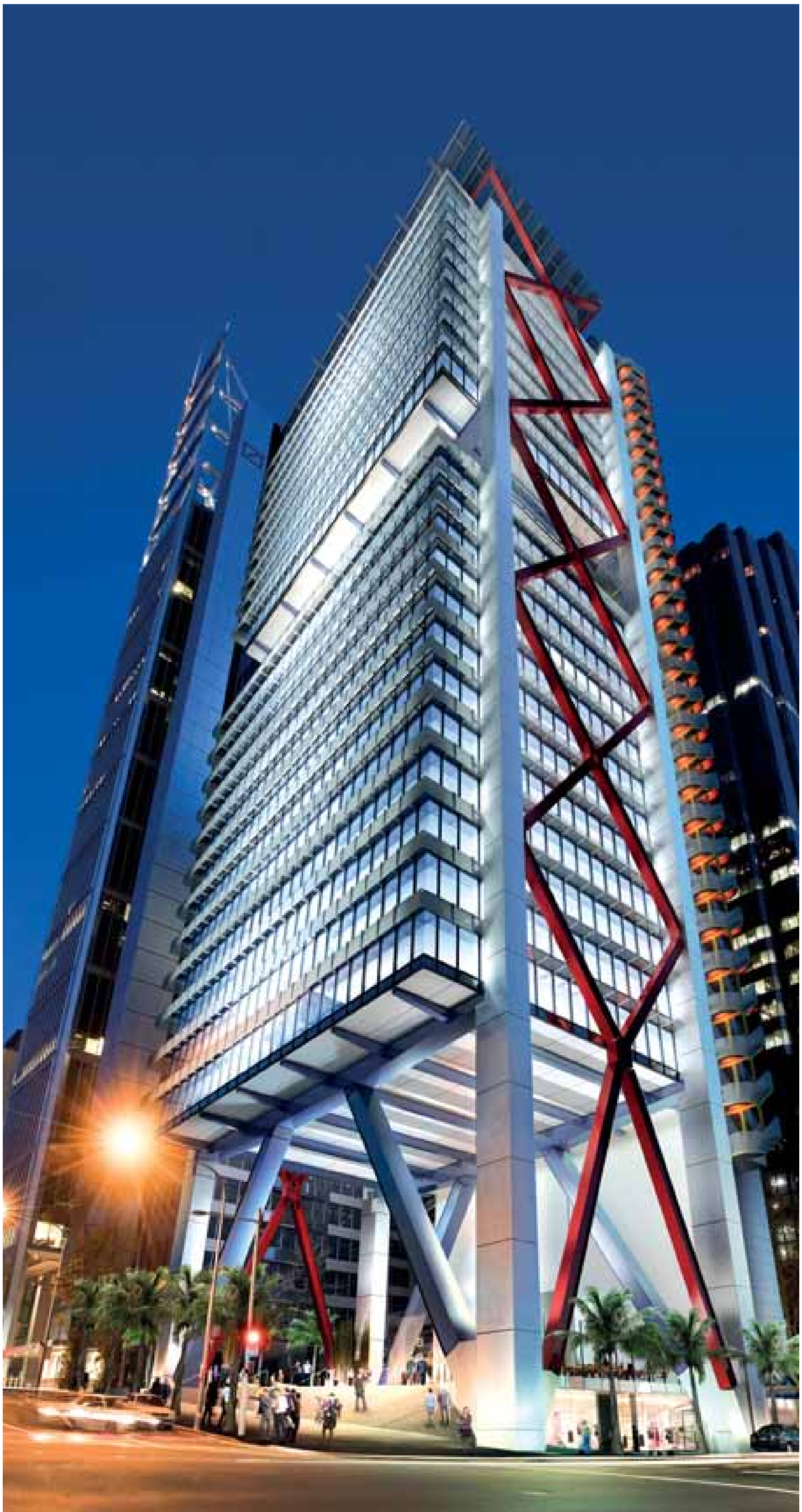
The Manager strives to improve operating efficiencies within the portfolio by leveraging technology to achieve cost savings and adopting best-in-class management practices to enhance workflows.

The Manager will continue to exercise prudent interest rate and foreign exchange hedging policies to manage financial risks, as well as selectively pursue opportunities for strategic acquisitions to deliver sustainable earnings to Unitholders.

ACKNOWLEDGEMENTS
I would like to thank our Unitholders, business partners, tenants, employees and my fellow Directors for all your dedication and support. I look forward to your continued support as we steer K-REIT Asia to greater heights.

Yours sincerely,

TSUI KAI CHONG
CHAIRMAN
17 February 2012



K-REIT Asia enlarged its footprint in Australia with the acquisition of a 50% stake in 8 Chifley Square located in the heart of Sydney's CBD.

SIGNIFICANT EVENTS

MBFC Phase One was conferred the FIABCI Prix d'Excellence Award (Office Category) for excellence in design and contribution to the built environment.

20 JANUARY 2011
- Distributable income for the year ended 31 December 2010 increased by 21.4% from 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 to 31 December 2010

14 APRIL 2011
- Distributable income for the quarter ended 31 March 2011 grew 36.1% over the same period in 2010

15 APRIL 2011
- Conducted AGM

3 MAY 2011
- Completed the acquisition of four additional levels of strata office at Prudential Tower

18 JULY 2011
- Distributable income for the half-year ended 30 June 2011 increased 27.0% over the same period in 2010

28 JULY 2011
- Completed the acquisition of a 50% interest in 8 Chifley Square in Sydney, Australia

26 AUGUST 2011
- Paid a DPU of 3.72 cents to Unitholders for the period 1 January to 30 June 2011

11 OCTOBER 2011
- MBFC Phase One won the FIABCI Prix d'Excellence Award (Office Category)

17 OCTOBER 2011
- Distributable income for the nine months ended 30 September 2011 increased 23.6% over the same period in 2010

10 NOVEMBER 2011
- Minority Unitholders approved the acquisition of an approximate 87.5% interest in Ocean Financial Centre and Rights Issue at an EGM

17 NOVEMBER 2011
- MBFC won the Gold and Participants' Choice Awards at the MIPIM Asia Awards 2011

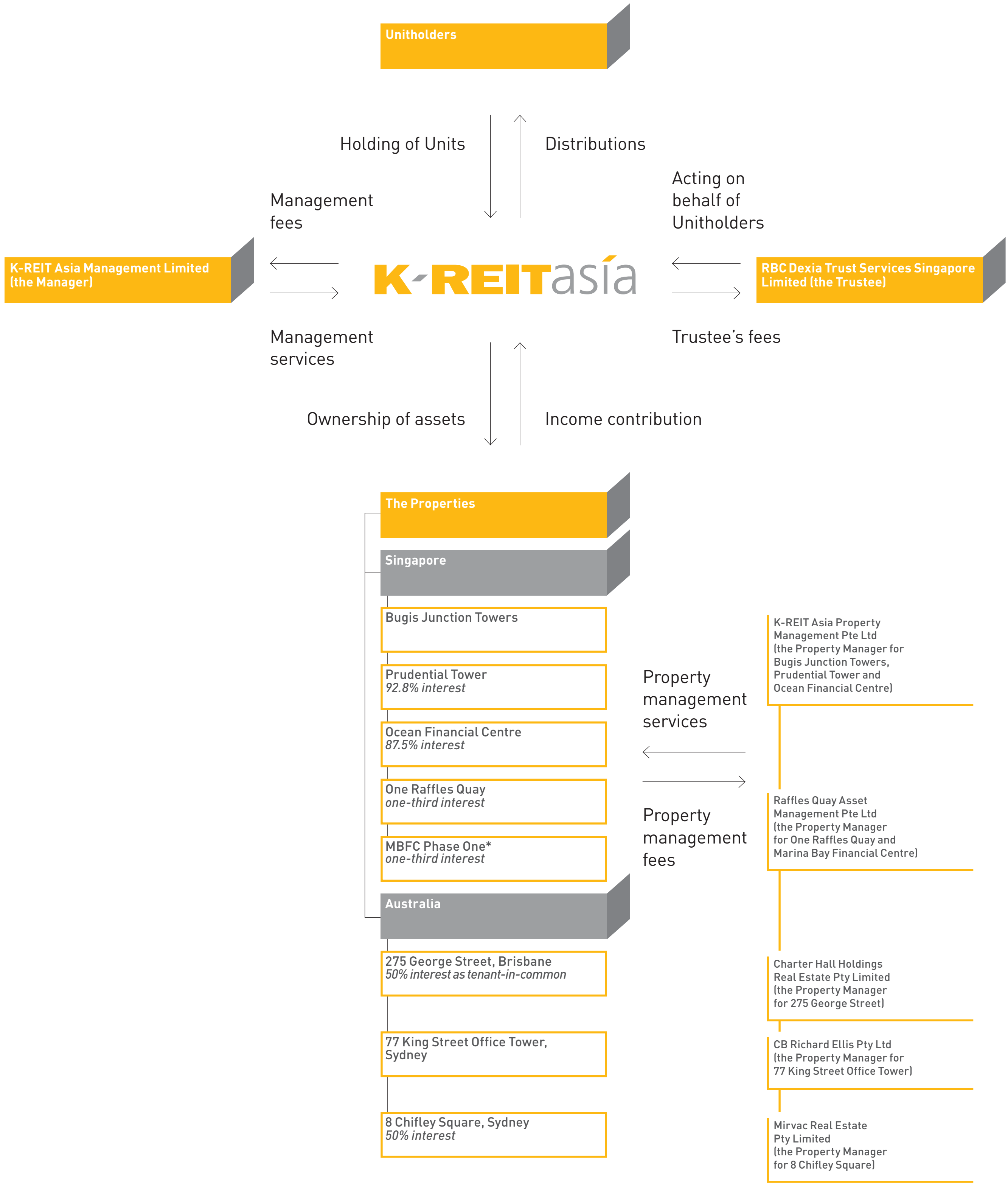
14 DECEMBER 2011
- Completed the acquisition of an approximate 87.5% interest in Ocean Financial Centre

- 1,159,694,000 new units commenced trading on the SGX-ST for the 17-for-20 Rights Issue to raise gross proceeds of $985.7 million

POST-FY2011
17 JANUARY 2012
- Distributable income for the year ended 31 December 2011 increased by 31.9% from the previous year

24 FEBRUARY 2012
- Paid a DPU of 2.45 cents to Unitholders for the period 1 July to 31 December 2011

TRUST STRUCTURE



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

ORGANISATION STRUCTURE

The Manager
K-REIT Asia Management Limited

Board of Directors

Audit Committee

- Compliance
  - Phoebe Pua, *Manager*

Nominating and Remuneration Committee

Ng Hsueh Ling
Chief Executive Officer

- Finance
  - Eve Chan, *Chief Financial Officer*
  - Ivan Lim, *Vice President*
  - Lionel Chua, *Financial Controller*
  - Lee Wei Ren, *Assistant Vice President*
  - Chow Ching Sian, *Manager*
  - Dawn Lee, *Assistant Manager*
- Investment
  - Chua Hsien Yang, *Senior Vice President*
  - Anthea Lee, *Vice President*
- Asset Management
  - Toh Wah San, *Senior Vice President*
  - Loh Kar Yen, *Manager*
  - Betty Lim, *Manager*
  - Serene Hoo, *Manager*
- Investor Relations and Research
  - Casiopia Low, *Manager*

BOARD OF DIRECTORS

DR TSUI KAI CHONG, 56

CHAIRMAN AND INDEPENDENT NON-EXECUTIVE DIRECTOR

Member, Audit Committee

MR KEVIN WONG KINGCHEUNG, 56

DEPUTY CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Member, Nominating and Remuneration Committee

MS NG HSUEH LING, 45

CHIEF EXECUTIVE OFFICER AND EXECUTIVE DIRECTOR

DR CHIN WEI-LI, AUDREY MARIE, 54

INDEPENDENT NON-EXECUTIVE DIRECTOR

Chairman, Audit Committee
Member, Nominating and Remuneration Committee

MRS LEE AI MING, 57

INDEPENDENT NON-EXECUTIVE DIRECTOR

Chairman, Nominating and Remuneration Committee

MR TAN CHIN HWEE, 40

INDEPENDENT NON-EXECUTIVE DIRECTOR

Member, Audit Committee
Member, Nominating and Remuneration Committee

MR TAN SWEE YIOW, 51

ALTERNATE DIRECTOR TO MR KEVIN WONG KINGCHEUNG

Curriculum Vitae

DR TSUI KAI CHONG, 56
CHAIRMAN AND INDEPENDENT NON-EXECUTIVE DIRECTOR

Dr 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 serves on the editorial board of the *Financial Analysts Journal* and is also a member of the Board of Governors, The Intellectual Property Academy, Singapore.

Dr Tsui received his PhD in Finance from New York University in 1988 and his Chartered Financial Analyst qualification in 1993.

MR KEVIN WONG KINGCHEUNG, 56
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, 45
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. She is also a Director on the Board of the National Art Gallery, Singapore.

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, 54
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 committee. Dr Chin is concurrently 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 PhD in Public Policy.

MRS LEE AI MING, 57
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, Risk and Safety committees 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-Vetinerary 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.

MR TAN CHIN HWEE, 40
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. Mr Tan has a Masters degree from Yale University and completed a postgraduate course at Havard Kennedy School. He is a Chartered Financial Analyst (CFA) and is both an Australian and Singapore-registered Certified Public Accountant (CPA). He is also a non-executive Director of CFA Singapore.

Mr Tan was honoured as a World Economic Forum Young Global Leader 2010 and was also voted by the *Hedge Fund Journal* as among the emerging top 40 absolute return investors globally. He was also named as Best Asia Credit Hedge Fund by Hong Kong-based publication, *The Asset*. He is also a director of Lien Aid Limited (Singapore).

MR TAN SWEE YIOW, 51
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 investment and development operations in the Singapore commercial market, as well as investment and development activities in several regional countries.

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

Mr Tan is the Chairman of Keppel Thai Properties Public Company, which is listed on The Stock Exchange of Thailand. He is a Director of a number of subsidiary and associated companies of the Keppel Land Group, including Asia No.1 Property Fund Ltd, 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, the Workplace Safety Health Council (Construction and Landscape Committee) and the Malaysia-Singapore Business Council.

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 Degree in Accountancy from the Nanyang Technological University.

PRESENT AND PAST DIRECTORSHIPS

DIRECTORS

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

DR TSUI KAI CHONG

PRESENT DIRECTORSHIPS

Keppel Land Limited

PAST DIRECTORSHIPS

Keppel Capital Holdings Ltd; Keppel TatLee Bank Ltd; Fullerton Fund Management Company 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; Singapore Hotel Association; Singapore International Chamber of Commerce

MS NG HSUEH LING

PRESENT DIRECTORSHIPS/OTHER MAJOR APPOINTMENTS

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;
The National Art Gallery, Singapore;
Mirvac 8 Chifley Pty Limited;
K-REIT Fin. Company Pte Ltd;
Ocean Properties LLP (Manager)

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-Vetinerary Authority

PAST DIRECTORSHIPS

Nil

MR TAN CHIN HWEE

PRESENT DIRECTORSHIPS/OTHER MAJOR APPOINTMENTS

Apollo Management Singapore Pte Ltd (Singapore); AOI Investments 1 (Cayman); Apollo Asia Opportunity (Alpha) Mauritius Ltd (Mauritius); Apollo Asia Opportunity (Gamma) Mauritius Ltd (Mauritius); Lighthouse (Mauritius) Ltd; CFA Singapore (formerly known as Singapore Society of Financial Analysts – SSFA); Lien Aid Limited; KK Hospital (Member of Board of Trustees)

PAST DIRECTORSHIPS

Nil

MR TAN SWEE YIOW

PRESENT DIRECTORSHIPS

Keppel Thai Properties Public Company Limited, Asia No. 1 Property Fund Limited and 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

K-REIT Asia MTN Pte Ltd;
K-REIT Asia (Australia) Pte Ltd;
K-REIT Asia (Bermuda) Ltd;
Mirvac 8 Chifley Pty Limited;
K-REIT Fin. Company Pte. Ltd.

PAST DIRECTORSHIPS

Nil

TOH WAH SAN

PRESENT DIRECTORSHIPS

TLB Realty Sdn Bhd

PAST DIRECTORSHIPS

Remarkable Investment Pte. Ltd; Victoria Square Pte. Ltd; Simple Hope Sdn Bhd and various subsidiaries and associated companies under GIC Real Estate Pte. Ltd

CHUA HSIEN YANG

PRESENT DIRECTORSHIPS

Mirvac 8 Chifley Pty Limited

PAST DIRECTORSHIPS

K-REIT Asia (Bermuda) Limited

IVAN LIM

PRESENT DIRECTORSHIPS

Nil

PAST DIRECTORSHIPS

Nil

THE MANAGER

1. **MS SERENE HOO**
   MANAGER, ASSET MANAGEMENT
2. **MS CHOW CHING SIAN**
   MANAGER, FINANCE
3. **MS ANTHEA LEE**
   VICE PRESIDENT, INVESTMENT
4. **MR LIONEL CHUA**
   FINANCIAL CONTROLLER
5. **MS CYNTHIA WONG**
   DEPUTY CHIEF EXECUTIVE OFFICER, RAFFLES QUAY ASSET MANAGEMENT
6. **MR CHUA HSIEN YANG**
   SENIOR VICE PRESIDENT, INVESTMENT
7. **MS CASIOPIA LOW**
   MANAGER, INVESTOR RELATIONS AND RESEARCH

8. **MS NG HSUEH LING**
   CHIEF EXECUTIVE OFFICER
9. **MS EVE CHAN**
   CHIEF FINANCIAL OFFICER
10. **MS PHOEBE PUA**
    MANAGER, COMPLIANCE
11. **MR TOH WAH SAN**
    SENIOR VICE PRESIDENT, ASSET MANAGEMENT
12. **MR IVAN LIM**
    VICE PRESIDENT, CAPITAL MARKETS
13. **MS BETTY LIM**
    MANAGER, ASSET MANAGEMENT
14. **MS LOH KAR YEN**
    MANAGER, ASSET MANAGEMENT
15. **MR LEE WEI REN**
    ASSISTANT VICE PRESIDENT, FINANCE

1. **MR SYDNEY WU**
   ANALYST, INVESTMENT
2. **MS LIEW MEI LING**
   SENIOR ACCOUNTANT
3. **MS EMILY SOH**
   SENIOR ACCOUNTANT
4. **MR CEN ZHUO XIANG**
   FINANCIAL ANALYST

5. **MS DAWN LEE**
   ASSISTANT MANAGER, FINANCE
6. **MS TAN XIN MIN**
   PORTFOLIO ANALYST
7. **MR LEROY LEE**
   EXECUTIVE, ASSET MANAGEMENT
8. **MS SUSAN SUDRAJAT**
   ACCOUNTANT
9. **MR NICHOLAS BOEY**
   ANALYST, INVESTMENT

The Manager
K-REIT ASIA MANAGEMENT LIMITED

NG HSUEH LING
CHIEF EXECUTIVE OFFICER
refer to description under the Board of Directors section on page 18.

Finance

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

EVE CHAN
CHIEF FINANCIAL OFFICER
Ms Chan has more than 20 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 the Middle East regions. She has also been involved in numerous corporate exercises such as mergers, acquisitions and divestments, 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 Nanyang Technological University (NTU) of Singapore and a Master of Business Administration (MBA) Degree from the University of Hull. She is a Certified Public Accountant (CPA) with the Institute of Certified Public Accountants of Singapore as well as a member of the Certified Public Accountants of Australia (CPA Australia).

IVAN LIM
VICE PRESIDENT, CAPITAL MARKETS
Mr Lim has more than 11 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 and Japan, as well as the Corporate Finance Manager for Mapletree Logistics Trust Management Limited.

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 (UK).

LIONEL CHUA
FINANCIAL CONTROLLER
Mr Chua has more than 15 years of experience in financial and management accounting in listed companies including CapitaLand Limited, Singapore Airlines Limited and The Ascott Group Limited. Prior to joining the Manager, he was the Chief Financial Officer of Mary Chia Holdings Limited. Mr Chua holds a Bachelor of Accountancy Degree from NTU. He is a member of the Institute of Certified Public Accountants of Singapore.

LEE WEI REN
ASSISTANT VICE PRESIDENT
Mr Lee has more than seven years of experience in financial planning and analysis, management reporting, financial accounting and controls, tax, corporate finance 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 member of CPA Australia.

CHOW CHING SIAN
MANAGER
Ms Chow has more than 11 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.

DAWN LEE
ASSISTANT MANAGER
Ms Lee has over 10 years of experience in finance, accounting, taxation and treasury fields. She was previously a senior accountant with Keppel Land Limited. Prior to joining Keppel Land, she had worked in Michelin Warrior Pte Ltd in Shanghai. Ms Lee holds a professional qualification from the Association of Chartered Certified Accountants, UK and she is a member of the Institute of Certified Public Accountants of Singapore.

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 achieve optimal leasing terms that are in the best interests of the REIT, and ensures that the portfolio maintains a healthy lease expiry and rent review profile.

The team works closely with the property managers to optimise the performance of each asset without compromising the quality and marketability of the commercial space. It also analyses the performance of each asset and implements asset enhancement initiatives to improve the building's quality and aesthetics.

TOH WAH SAN
SENIOR VICE PRESIDENT
Mr Toh has over 27 years of experience in the construction and real estate industry, with particular expertise in real estate development and asset management.

Prior to joining the Manager, Mr Toh held senior appointments with MC Asia Management, GIC Real Estate, ING Real Estate and Rodamco Asia where he was responsible for regional real estate investments and asset management across Asian countries including Korea and Japan.

Mr Toh holds a Bachelor of Science Degree (Building) and an MBA, both from NUS.

LOH KAR YEN
MANAGER
Ms Loh has more than 14 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 11 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 Swinburne University of Technology. She is a member of the CPA Australia.

SERENE HOO
MANAGER
Ms Hoo has more than 10 years of real estate experience in asset management, development, investment, township planning and research and consultancy. Prior to joining the Manager, she was an Asset Manager with LaSalle Investment Management. Ms Hoo holds a Bachelor of Science Degree (Honours) in Real Estate from NUS.

Investment

The investment team is responsible for identifying and evaluating potential acquisitions. Besides structuring potential acquisition transactions, the team identifies possible divestment opportunities for 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
SENIOR VICE PRESIDENT
Mr Chua has more than 10 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 MBA from University of Western Australia.

ANTHEA LEE
VICE PRESIDENT
Ms Lee has more than 14 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 Master of Science Degree (International Construction Management) from NTU.

Compliance

The compliance team develops work plans, policies and practicable guidelines that adhere to 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 and board members on the latest developments in corporate governance and compliance.

PHOEBE PUA
MANAGER
Ms Pua has more than seven 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 Master of Science 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 and research community. It engages both institutional and retail Unitholders on a regular basis through statutory financial performance reporting, performance briefings, one-on-one meetings, roadshows and conferences.

The team facilitates continuous two-way communication with investors and research analysts by providing timely and accurate responses to queries. To enable the Manager to make better informed decisions, the team also analyses trends in the Singapore REIT sector and office markets where K-REIT Asia operates.

CASIOPIA LOW
MANAGER
Ms Low has more than seven years of 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 MBA, both from Singapore Management University.

Raffles Quay Asset Management Pte Ltd

CYNTHIA WONG
DEPUTY CHIEF EXECUTIVE OFFICER, RAFFLES QUAY ASSET MANAGEMENT
Ms Wong is seconded to Raffles Quay Asset Management and oversees the asset management of One Raffles Quay and Marina Bay Financial Centre Phase One.

She has more than 20 years of experience in real estate investment strategy, marketing and research, as well as asset management of properties across the office, retail and residential sectors. She has also set up real estate research platforms covering key cities in Asia and was involved in deal origination and structuring real estate investments in the region.

Prior to this appointment, Ms Wong held key positions in several real estate and fund management companies including the CapitaLand Group, ARA Asset Management Group and Jones Lang LaSalle Property Consultants. She holds a Bachelor of Science Degree in Estate Management (Honours) from NUS.

CORPORATE GOVERNANCE

Regular engagements with key stakeholders forms part of the Manager's commitment towards good corporate governance.

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

The Manager uses the Code of Corporate Governance 2005[1] (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

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

policy and prevailing investment strategy of K-REIT Asia;
3. Supervise and oversee the management of K-REIT Asia's properties (including lease audit, systems control, data management and business plan implementation);
4. Undertake regular individual asset performance analysis and market research analysis;
5. Manage the finances of K-REIT Asia, including accounts preparation, capital management, co-ordination of the budget process, forecast modelling, performance analysis and reporting, corporate treasury functions and ongoing financial market analysis;
6. Ensure compliance with the applicable provisions of the Companies Act, the Securities and Futures Act of Singapore and all other relevant legislation of Singapore, the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX"), the Code on Collective Investment Schemes (including the Property Funds 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 and the Nominating and Remuneration Committee have been constituted with clear written terms of reference. The Committees are actively engaged and play an important role in ensuring good corporate governance. The terms of reference of the respective Board committees are disclosed in the Appendix to this report.

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

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

Table 1

Director	Board Meetings	Audit Committee Meetings	Nominating and Remuneration Committee Meetings
Dr Tsui Kai Chong	4	4	–
Mr Kevin Wong Kingcheung	4	–	2
Ms Ng Hsueh Ling	4	–	–
Dr Chin Wei-Li, Audrey Marie	4	4	2
Mrs Lee Ai Ming	4	–	2
Mr Tan Chin Hwee	4	4	2
Mr Tan Swee Yiow (alternate director to Mr Kevin Wong)	4	–	–
Number of meetings held in FY2011	**4**	**4**	**2**

The number of Board and Board committee meetings held in FY2011, 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 Dr 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. There is nonetheless an ongoing exercise by the NRC and the Board to source for suitable potential board members who are able to further strengthen the Board and Board committees.

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 law, funds management and the property industries; 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 immediate family members and 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 of 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) may be used to source for potential candidates if need be. Directors and management may also make suggestions;
c. NRC meets with the short-listed candidates to assess suitability and to ensure that the candidate(s) are aware of the expectations and the level of commitment required; and
d. NRC makes recommendations to the Board for approval.

CRITERIA FOR APPOINTMENT OF NEW DIRECTORS

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

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

The NRC is also charged with determining the "independence" status of the Directors annually. Please refer to page 32 for 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 107: Unitholding in K-REIT Asia as at 21 January 2012.

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 review, discussions and 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.

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 (i.e. for the Board as a whole) 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 5 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 and/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 ongoing basis.

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

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

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

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

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

REMUNERATION MATTERS

Principle 7:

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

Principle 8:

Remuneration of directors should be adequate but not excessive

Principle 9:

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

The composition of the NRC has been set out under Principle 4 above. The NRC comprises entirely of non-executive Directors, a majority of whom are independent Directors.

The NRC is responsible for ensuring a formal and transparent procedure for developing policy on executive remuneration and for determining the remuneration packages of individual Directors and senior management of the Manager. 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. The NRC recommends to the Board for endorsement a framework of remuneration (which covers all aspects of remuneration including Directors' fees, salaries, allowances, bonuses, options and benefits in kind) and the specific remuneration packages for each Director (including the CEO). The NRC also reviews the remuneration of the senior management of the Manager.

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

ANNUAL REMUNERATION REPORT

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

POLICY IN RESPECT OF DIRECTORS' REMUNERATION

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

The framework in FY2011 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. 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,

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

Director's Remuneration

Remuneration Band and Names of Directors	Base/ Fixed Salary	Variable or Performance-Related Income/ Bonuses	Directors' Fees	Benefits-in-Kind	Contingent Award of Units[1]
Between $750,000 to $1,000,000					
Ms Ng Hsueh Ling	54%	46%	0%	n.m.[2]	(i) 0 or 84,665 units in K-REIT Asia pursuant to the Restricted Unit Plan of the Manager. (ii) 0 to 195,384 units in K-REIT Asia pursuant to the Performance Unit Plan of the Manager.
Below $250,000					
Dr 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[3] (alternate director to Mr Kevin Wong)	–	–	–	–	–

Table 4

Key Executives' Remuneration

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[1]
Above $250,000 to $500,000					
Ms Chan Bee Leng, Eve	66%	34%	–	n.m.[2]	0 to 13,025 units in K-REIT Asia pursuant to the Performance Unit Plan of the Manager.
Mr Chua Hsien Yang	55%	45%	–	n.m.[2]	0 or 22,794 units in K-REIT Asia pursuant to the Restricted Unit Plan of the Manager.
Below $250,000					
Mr Chua Lionel[4]	48%	52%	–	n.m.[2]	
Ms Lee Meng Hoon, Anthea	53%	47%	–	n.m.[2]	0 or 11,397 units in K-REIT Asia pursuant to the Restricted Unit Plan of the Manager.
Mr Lim Meng Rean, Ivan	52%	48%	–	n.m.[2]	

1 Units awarded under the Manager's Performance Unit Plan (PUP) and Restricted Unit Plan (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. The number of units which are the subject of the contingent awards have been adjusted due to the Rights Issue undertaken by K-REIT Asia in 2011 and the capital distribution of 0.07 cents per unit (as announced in K-REIT Asia's Notice of Books Closure and Distribution Payment Date announcement on 17 January 2012). As at 30 June 2011 (being the grant date), the estimated fair value of each unit granted in respect of the contingent awards under the RUP and PUP were $1.28 and $0.78 respectively.

2 n.m. - Not meaningful

3 As alternate director to Mr Kevin Wong, Mr Tan Swee Yiow did not receive any director's fee for FY2011.

4 Mr Chua Lionel joined the Manager on 28 April 2011.

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. The RUP and the PUP are the Manager's long-term incentive schemes implemented by the Manager in 2010.

LEVEL AND MIX OF REMUNERATION OF DIRECTORS AND TOP FIVE KEY EXECUTIVES (WHO ARE NOT ALSO DIRECTORS) FOR THE YEAR ENDED 31 DECEMBER 2011

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 2011 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 S$150,000 during FY2011. "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 K-REIT Asia's performance, position and prospects on a regular 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 Dr 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, with at least one of the meetings conducted 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.

For FY2011, an aggregate amount in audit fees of $786,000, comprising non-audit service fees of $440,000 and audit service fees of $346,000 was paid/payable to K-REIT Asia's external auditor.

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.

K-REIT Asia has complied with Rule 712 and Rule 715, read with Rule 716 of the SGX Listing Manual in relation to its auditing firms.

The AC 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. 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 2011 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 89 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. This year, an external assessment of Group Internal Audit was conducted and the results re-affirmed that the internal audit activity conforms to the International Standards.

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

COMMUNICATION WITH UNITHOLDERS

Principle 14:

Regular, effective and fair communication with Unitholders

Principle 15:

Greater Unitholder participation at Annual General Meetings

In addition to the matters mentioned above in relation to "Access to Information/Accountability", the Manager regularly communicates with Unitholders and receives and attends to their queries and concerns. More details on the Manager's investor relations activities and efforts are found on pages 90 and 91.

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

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

At Unitholders' meetings, each distinct issue is proposed as a separation resolution. The chairman of each Board committee is required to be present to address questions at general meetings. External auditors are also present at such meetings to assist the Directors to address Unitholders' queries, if necessary.

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

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

SECURITIES TRANSACTIONS

INSIDER TRADING POLICY

The Manager has a formal Insider Trading Policy on dealings in the securities of K-REIT Asia, which sets out the implications of insider trading and guidance on such dealings. The policy has been distributed to the Manager's directors and officers. It has also adopted the best practices on securities dealings issued by the SGX. In 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.
4. At least one-third of the Board shall comprise independent Directors.
5. All matters relating to Interested Party transactions will follow the procedures set out in the section "Interested Party Transactions" herein.
6. In respect of matters in which Keppel Land Limited ("Keppel Land") and/or Keppel Corporation Limited ("KCL") and/or its/their subsidiaries have an interest, direct or indirect, any nominees appointed by Keppel Land and/or KCL and/or its/their subsidiaries to the Board to represent its/their interests shall abstain from voting. In such matters, the quorum shall comprise a majority of the independent Directors of the Manager and shall exclude such nominee directors of Keppel Land and/or KCL and/or its/their subsidiaries.

It is also provided in the Trust Deed that if the Manager is required to decide whether 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, Dr Tsui Kai Chong and Mrs Lee Ai Ming) are independent directors of Keppel Land. Where there is 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, Dr Tsui Kai Chong and/or Mrs Lee Ai Ming shall abstain from voting in such situations where they find themselves in a position in which they are unable to exercise independent judgment in the best interests of K-REIT Asia.

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

INTERESTED PARTY TRANSACTIONS

THE MANAGER'S INTERNAL CONTROL SYSTEM

The Manager has established an internal control system to ensure that all future Interested Party transactions will be undertaken on normal commercial terms and will not be prejudicial to the interests of K-REIT Asia and the Unitholders.

As a general rule, the Manager must demonstrate to the Audit Committee ("AC") that such transactions satisfy the foregoing criteria, which may entail obtaining (where practicable) quotations from parties unrelated to the Manager, or obtaining one or more valuations from independent professional valuers (in accordance with the Property Funds 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 S$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 are reviewed by the internal auditors and all findings are 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 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
Dr Tsui Kai Chong	Chairman and Independent Non-executive Director	Member	–
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	–	Chairman
Mr Tan Chin Hwee	Independent Non-executive Director	Member	Member

Code of Corporate Governance 2005
Specific Principles and Guidelines for Disclosure

Relevant Guideline or Principle	Page Reference in Corporate Governance Report
Guideline 1.3 Delegation of authority, by the Board to any Board committee, to make decisions on certain board matters	Page 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	Page 34
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	Pages 35 to 37
Guideline 11.8 Composition of audit committee and details of the committee's activities	Pages 37 to 41
Guideline 12.2 Adequacy of internal controls, including financial, operational and compliance controls, and risk management systems	Pages 38, 39 and 41

OFFICE MARKET REVIEW

The office markets in Singapore and Australia are expected to remain resilient, supported by robust economic fundamentals and positive growth rates.

1


SINGAPORE'S RESILIENT ECONOMIC PERFORMANCE
Singapore's economy remained resilient despite the uncertainties in the global outlook on the back of the Europe debt crisis and languishing growth in the US. Singapore achieved positive GDP growth rate of 4.9% in 2011, in line with the Ministry of Trade and Industry's (MTI) forecast of 5.0%. The growth was driven mainly by the manufacturing and services sectors, which grew 7.6% and 4.4% respectively from the previous year.

Singapore maintained its competitiveness in 2011 and was ranked the world's easiest place to do business by the World Bank. Despite the series of credit rating downgrades on sovereign debt, rating agencies Moody's and Standard & Poors reaffirmed their AAA ratings and stable outlook for Singapore, making it the only Southeast Asian nation with an AAA rating.

OFFICE OCCUPANCY AND RENTAL RATES
According to CB Richard Ellis (CBRE), average Grade A office rental in Singapore climbed to $11.00 psf per month in 4Q 2011, translating to a year-on-year growth of 11.1% from $9.90 psf per month in 4Q 2010. As at end-2011, the average Grade A office rental was 37.5% higher than the $8.00 psf per month recorded during the trough of March 2010. It remained 41.5% below the $18.80 psf per month recorded in 2007 and 2008. Singapore's average Grade A office rental was also 45% lower than that of Hong Kong's.

As a result of more office developments being completed in 2011, average office occupancy in the core CBD dipped to 91.2% as at end-2011 compared with 95.3% a year ago. Approximately 1.4 million sf of new office supply is expected to be completed in 2012, the majority of which is from Marina Bay Financial Centre Tower 3 (approximately 1.2 million sf NLA). Given the expected increase in office supply, some property consultants estimate average office occupancy to decline to 88% in 2012. Even though there is a sizeable amount of office space coming onsteam, capital values of premium Grade A office buildings have remained stable as at end-2011.

In the short- to medium-term, a flight-to-quality trend will dominate the leasing market as occupants look to sign on new leases at better quality and well-located buildings at lower rents. Larger corporations located at multiple locations will want to capitalise on the adjusted rents to consolidate their operations to one location to improve operational efficiency. Building owners may face increased competition for creditable tenants and become more receptive to offering flexible lease terms, as well as financial incentives such as extended rent-free fitting-out periods.

2


1. Singapore maintained its competitiveness in 2011 and was ranked the world's easiest place to do business by the World Bank.

2, 3. Average Grade A office rental in Singapore climbed 11.1% from $9.90 psf per month in 4Q 2010 to $11.00 psf per month in 4Q 2011.

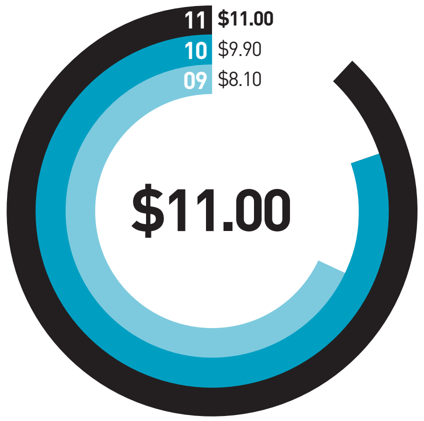
Singapore Office Market Statistics

	2011	2010	Change %
Demand (million sf)	**2.30**	1.65	39.4
Supply (million sf)	**1.88**	1.93	(2.6)
Average island-wide occupancy rate (%)	**88.7**	87.9	0.9
Average Core CBD office occupancy rate (%)	**91.2**	95.3	(4.3)
Average Grade A rental rate ($ psf/month)	**11.00**	9.90	11.1

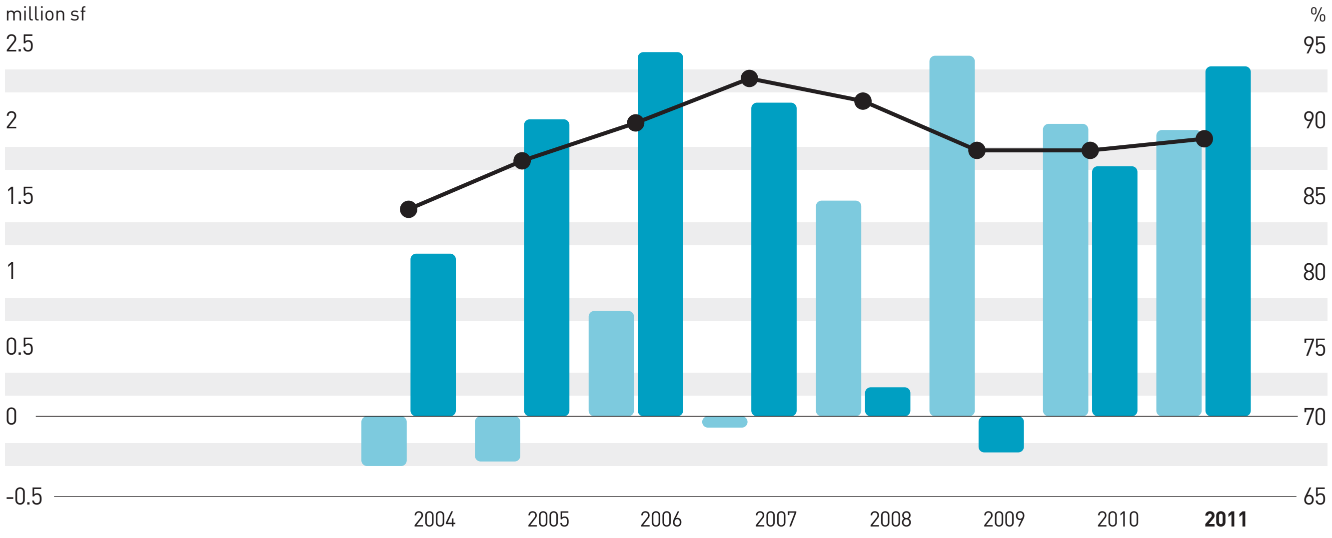
Source: URA and CB Richard Ellis

3


Singapore Average Grade A Office Rental (psf per month)

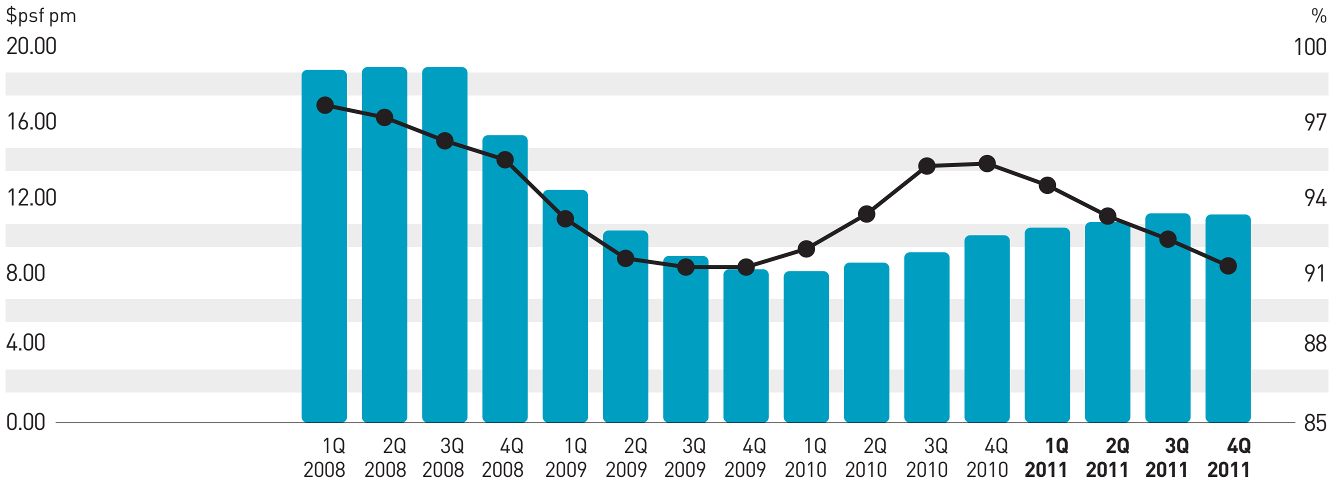


Singapore Office Demand, Supply and Occupancy



	2004	2005	2006	2007	2008	2009	2010	**2011**
Annual supply (million sf)	(0.33)	(0.30)	0.69	(0.05)	1.42	2.38	1.93	**1.88**
Annual demand (million sf)	1.07	1.96	2.40	2.07	0.19	(0.24)	1.65	**2.30**
Islandwide occupancy rate (%)	84.0	87.2	89.7	92.7	91.2	87.9	87.9	**88.7**

Singapore Grade A Office Market Rentals and Core CBD Occupancy



	1Q 2008	2Q 2008	3Q 2008	4Q 2008	1Q 2009	2Q 2009	3Q 2009	4Q 2009	1Q 2010	2Q 2010	3Q 2010	4Q 2010	**1Q 2011**	**2Q 2011**	**3Q 2011**	**4Q 2011**
Average Grade A rental ($psf pm)	18.65	18.80	18.80	15.00	12.30	10.15	8.80	8.10	8.00	8.45	9.00	9.90	**10.30**	**10.60**	**11.06**	**11.00**
Core CBD occupancy (%)	97.6	97.1	96.2	95.4	93.1	91.5	91.2	91.2	91.9	93.3	95.2	95.3	**94.4**	**93.1**	**92.3**	**91.2**

Developments such as Ocean Financial Centre play an important part in the Singapore government's sustainable blueprint.

GOVERNMENT LAND SALES
In 2011, the government released the third white site at Marina View and a commercial site at Robinson Road/Cecil Street. The total gross floor area (GFA) of these two commercial sites is approximately 1.1 million sf. The Urban Redevelopment Authority emphasised that the release of land parcels will be timed to allow a seamless expansion of the CBD and ensure that there is an adequate supply of office space to meet the growing needs of businesses and financial institutions.

In addition, construction on two land parcels in the Marina South and Ophir Road/Rochor Road areas owned by the Temasek- and Khazanah-controlled consortium M+S Pte Ltd, will begin in 2013 and is expected to be completed over the next six years.

SUSTAINABLE DEVELOPMENT
The Singapore government has been actively encouraging developers to build energy-efficient buildings with policies and incentives put in place to promote sustainable development. A sustainable blueprint has been developed with the aim of having 80% of Singapore's buildings achieve at least a Green Mark Certification rating by the Building and Construction Authority (BCA) by 2030.

For new buildings located within key commercial districts such as Marina View, the government has also stipulated as a condition that successful bidders must achieve a higher rating of either the Green Mark Gold^{PLUS} or Platinum Award by the BCA.

The URA has also introduced the lighting and arts incentive schemes to encourage owners of buildings in the CBD area to incorporate art pieces and lighting in the design of their properties. Ocean Financial Centre is one of the newest and largest energy-efficient buildings in Singapore. It received the highest Platinum Green Mark Award by the BCA and was given additional GFA for its lighting and art installations.

OPTIMISTIC OUTLOOK ON SINGAPORE'S OFFICE MARKET
Looking forward, the MTI estimates that Singapore will achieve positive growth of between 1.0% and 3.0% in 2012. Supported by positive albeit moderated growth forecast and robust economic fundamentals, property consultants

maintain an optimistic outlook on the Singapore office market.

Although economic uncertainties may affect office take-up in the near term, CBRE forecasts that the net office take-up for Grade A office space at Raffles Place/Marina Bay will remain in the positive territory in 2012 due to new entrants coming into Singapore to set up businesses.

These businesses are mainly from sectors such as energy and natural resources, as well as legal services. The adjustment in average office rentals as a result of new supply is expected to be limited in the medium term, as most of the new premises have already been pre-committed.

AUSTRALIA'S STRONG ECONOMIC FUNDAMENTALS

The Reserve Bank of Australia (RBA) estimated Australia's GDP growth at 2.75% in 2011 and forecasts GDP growth of between 3.0% and 3.5% in 2012. Moody's and Standard & Poors have both issued an AAA rating for Australia due mainly to the country's strong economic fundamentals, abundant natural resources and thriving agricultural sector.

As at end-2011, the RBA had reduced the benchmark interest rate to 4.25% amidst the Eurozone's uncertain debt conditions and Australia's rising inflation. It had also indicated its willingness to cut the interest rate further should the need arise. However, in February 2012, the RBA unexpectedly kept the benchmark rate unchanged in view of the European Union making progress in addressing the region's debt problem and improving market sentiments.

SYDNEY AND BRISBANE OFFICE MARKETS

Office buildings in Sydney enjoy the highest tenant enquiries among key cities in Australia. According to the Property Council of Australia (PCA), Sydney's office occupancy as at end-2011 was approximately 92%. Nonetheless, with almost no new office supply over the next 18 months and no major office

1


2


development completing in 2012, the PCA is confident that vacant offices in Sydney's CBD will fill up quickly once tenant demand resumes.

Brisbane's average office occupancy in the CBD stood at 93.8% as at end-2011. According to the PCA, employment growth in the mining and government sectors will likely drive net positive absorption of office space and increase occupancy rates in Brisbane's CBD. However, growth in occupancy and rental rates in Brisbane will be moderated, given the new supply of office space coming onstream in 2012. Nevertheless, the PCA expects Brisbane's office market to continue to outperform in 2012 given the increased demand for office space by companies in the resource sector.

THE NATIONAL AUSTRALIAN BUILT ENVIRONMENT RATING SYSTEM (NABERS)

The PCA raised the bar for new office buildings with guidelines that support more sustainable and resource-efficient office buildings.

The guidelines, which were revised in December 2011, identified the 5-Star Green Star and NABERS energy ratings as the benchmark for new premium grade buildings. At the same time, NABERS was extended from a maximum 5-Star to 6-Star rating.

A 5-Star rating is read as "excellent", while a 6-Star rating is regarded as "market-leading". The rating scale was extended to reflect that an operating building has reached optimal performance in terms of zero carbon emissions or potable water consumption.

The New South Wales (NSW) government also expects 50% of commercial buildings in the state to achieve 4-Star NABERS water and energy ratings by 2020. As at September 2011, approximately 24% of the commercial buildings in NSW were given a rating of at least a 4-Star NABERS.

IMPLEMENTATION OF CARBON TAX

From 1 July 2012, the Australian government will implement a new carbon tax which encourages construction companies to use less greenhouse intensive materials in the development of new buildings and improve the operation of existing buildings to achieve higher energy savings. It is envisaged that the mining and construction industries will be impacted most by this new tax.

The majority of property developers and landlords do not expect the carbon tax to impact the value of their buildings, as the amount taxed can be recovered through net rent structures. Industry watchers expect the impact of the tax to be negligible and range between 0.1% and 0.6% of the gross face rent. Although energy-efficient buildings could result in higher rentals, tenants will benefit from lower operating expenses in the longer term.

WELL-POISED FOR GROWTH

Looking ahead, the office market in Australia is well-poised to continue on a growth trajectory when the global economy stabilises and investors' confidence returns.

The move towards higher standards of sustainable buildings will benefit landlords of well-rated commercial buildings. Research by the Investment Property Databank, Australia has shown that office buildings with high NABERS ratings are more sought after by tenants.

1. Robust economic fundamentals bode well for the Singapore office market.
2. Offices in Sydney enjoy the highest tenant enquiries among key cities in Australia.

SINGAPORE REIT INDUSTRY

Rating agency Moody's issued a stable outlook for S-REITs in 2012 given their strengthened financial positions, as well as more established funding and operating track records.

In 2011, the Singapore real estate investment trust (S-REIT) sector returned an estimated distribution yield of about 7.0%, 535 basis points higher than the 10-year Singapore Government Bond. The FTSE REIT Index returned 7.0% in dividend yield as compared to the FTSE Real Estate Index and Straits Times Index, which returned 4.8% and 4.1% in dividend yield respectively.

Two more REITs, namely Perennial Retail China Trust and Mapletree Commercial Trust, were listed during the year, bringing the total number of REITs and Real Estate Business Trusts listed on the Singapore Exchange to 27. Among the 27 REITs and Real Estate Business Trusts, three are in the office sector, seven in the retail sector, nine in the industrial sector, five in the hospitality and healthcare sector, and three diversified (office, industrial and retail) REITs.

Equity values of S-REITs lost some shine in 2011 due to the Eurozone debt crisis and economic uncertainties that affected equity markets around the world. The market capitalisation of the S-REIT sector stood at $37.1 billion as at end-December 2011 compared to $41.9 billion a year ago.

FUND RAISING ACTIVITIES

Despite the lacklustre performance of the equity markets, S-REITs remained active in terms of fund raising and deployment of funds to enhance their portfolio via acquisitions and asset enhancement works.

Credit markets remained liquid as central banks around the world kept borrowing costs low to stimulate growth and mitigate inflationary pressures.

In Singapore, the five- and 10-year government bond rates stood at 0.60% and 1.63% respectively at end-2011 compared with 1.40% and 2.71% respectively as at end-2010. The sustained low interest rate environment benefited S-REITs, which were able to refinance more expensive debt for less and obtain new debt to fund new acquisitions.

Excluding the new listings, which raised a combined $1.7 billion, S-REITs raised new equity of approximately $2.4 billion in 2011, slightly more than the $2.1 billion in 2010. Of the $2.4 billion, approximately $1.5 billion was raised on a pro rata basis via rights issue and one preferential allotment. The remaining $883 million was raised via private placements. The equity raised was used mainly to fund the acquisition of assets and asset enhancement works.

S-REITs refinanced and raised borrowings of about $3.7 billion in 2011. On a deal basis, equity financing appeared to be the preferred funding method despite the competitive cost of debt financing.

1. S-REITs continued to expand their asset size in 2011, driven by positive yields and low borrowing costs.

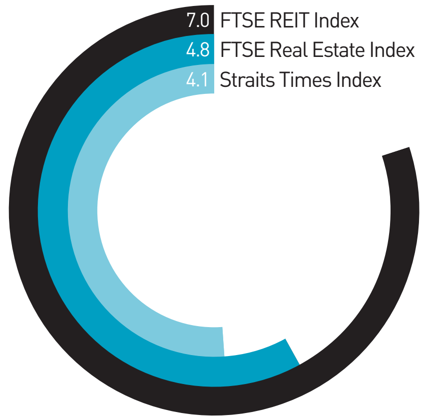
2, 3. K-REIT Asia is one of Singapore's largest REITs with a focus on the office sector.

S-REIT Outperformed Market and Real Estate Sector (%)

	Capital Gains	Dividend Yield	Total Returns
FTSE REIT Index	(16.04)	6.98	(9.06)
Straits Times Index	(17.04)	4.12	(12.92)
FTSE Real Estate Index	(27.23)	4.82	(22.41)

Source: Bloomberg

S-REIT Outperformed Market and Real Estate Sector (%)



The preference for equity funding may be due to the fact that it enables S-REITs to simultaneously capitalise on potential growth opportunities, while strengthening their balance sheets, maintaining healthy aggregate leverage levels and improving the level of trading liquidity of the units.

KEY ACQUISITIONS AND DIVESTMENTS
S-REITs continued to expand their asset size in 2011, driven by positive yields and low borrowing costs. These include K-REIT Asia's approximate 87.5% interest in Ocean Financial Centre, Ascendas REIT's assets in the Biopolis, Fusionopolis and International Business Park, as well as Lippo Malls Indonesia Retail Trust's two retail malls.

A few S-REITs also rationalised their portfolio by divesting some of their assets. One of the largest divestments in 2011 was by Suntec REIT, which announced the divestment of Chijmes in October 2011 for $177 million or $2,218 psf NLA.

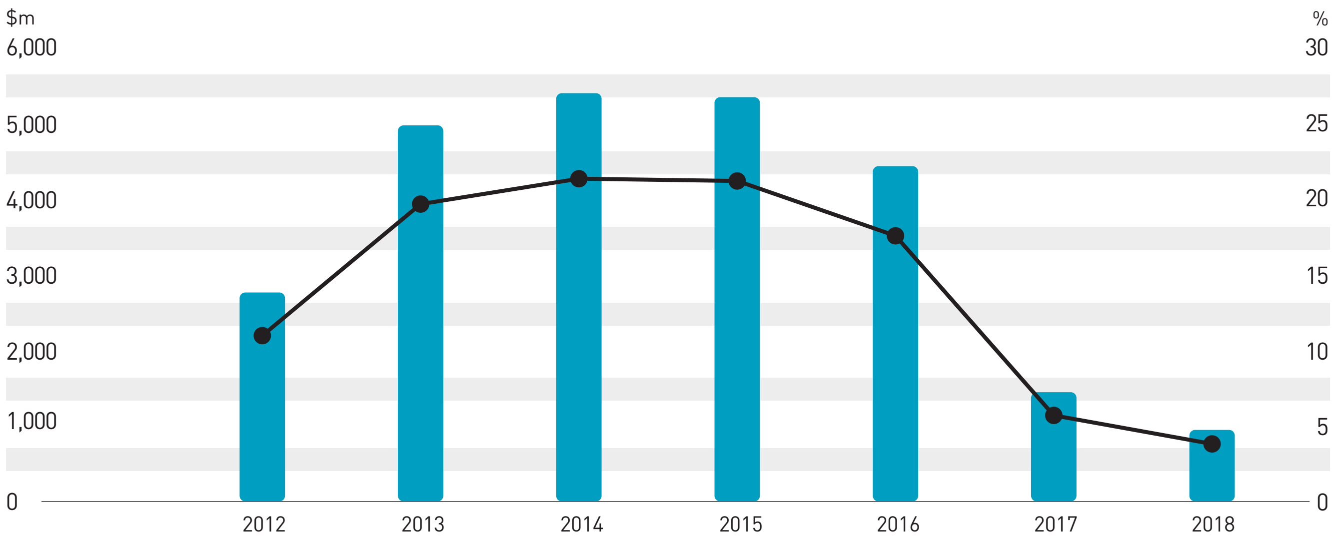
HEALTHY FINANCIAL POSITIONS
The refinancing outlook for the sector looks positive as S-REITs have recapitalised their equity base and strengthened their balance sheets since the financial crisis in 2008.

The Code on Collective Investment Schemes – Property Fund Appendix, issued by the Monetary Authority of Singapore stipulates an aggregate leverage limit of 60% for S-REITs with a published credit rating. As at end-2011, all S-REITs had aggregate leverage levels of below 43%, which is below the 60% threshold limit and pre-financial crisis.

The S-REIT sector carried a total debt of approximately $25.3 billion as at end-2011. Approximately $2.8 billion and $5.0 billion or approximately 10.9% and 19.7% of the total debt is due for refinancing in 2012 and 2013 respectively.

Singapore remains an attractive investment destination for institutional and retail investors.

S-REIT Sector Debt Maturity Profile



	2012	2013	2014	2015	2016	2017	2018
Value amount ($m)	2,758	4,981	5,412	5,366	4,446	1,430	927
Total amount (%)	10.9	19.7	21.4	21.2	17.5	5.6	3.7

Source: Bloomberg and company data

The bulk of S-REITs' borrowings are also on, or have been hedged to fixed rates. In addition, the majority of the borrowings of the larger S-REITs are secured against stable income-producing assets. The average interest coverage ratio for S-REITs was 4.9 times as at end-2011, well above the typical bank requirement of about 1.5 to 2.0 times.

LOOKING AHEAD
Despite the uncertain economic landscape in 2012, Moody's issued a stable outlook for S-REITs due to their strengthened financial position, as well as more established funding and operating track records, which put them in good stead to weather economic uncertainties.

The well-staggered lease expiry profiles of majority of S-REITs will also reduce the sector's risks in the event of a potential market down cycle. Even though a weaker global economy may dampen property valuations, the downside risks to the sector's credit and financial profiles are likely to be limited as property valuations are less inflated than before the 2008 crisis.

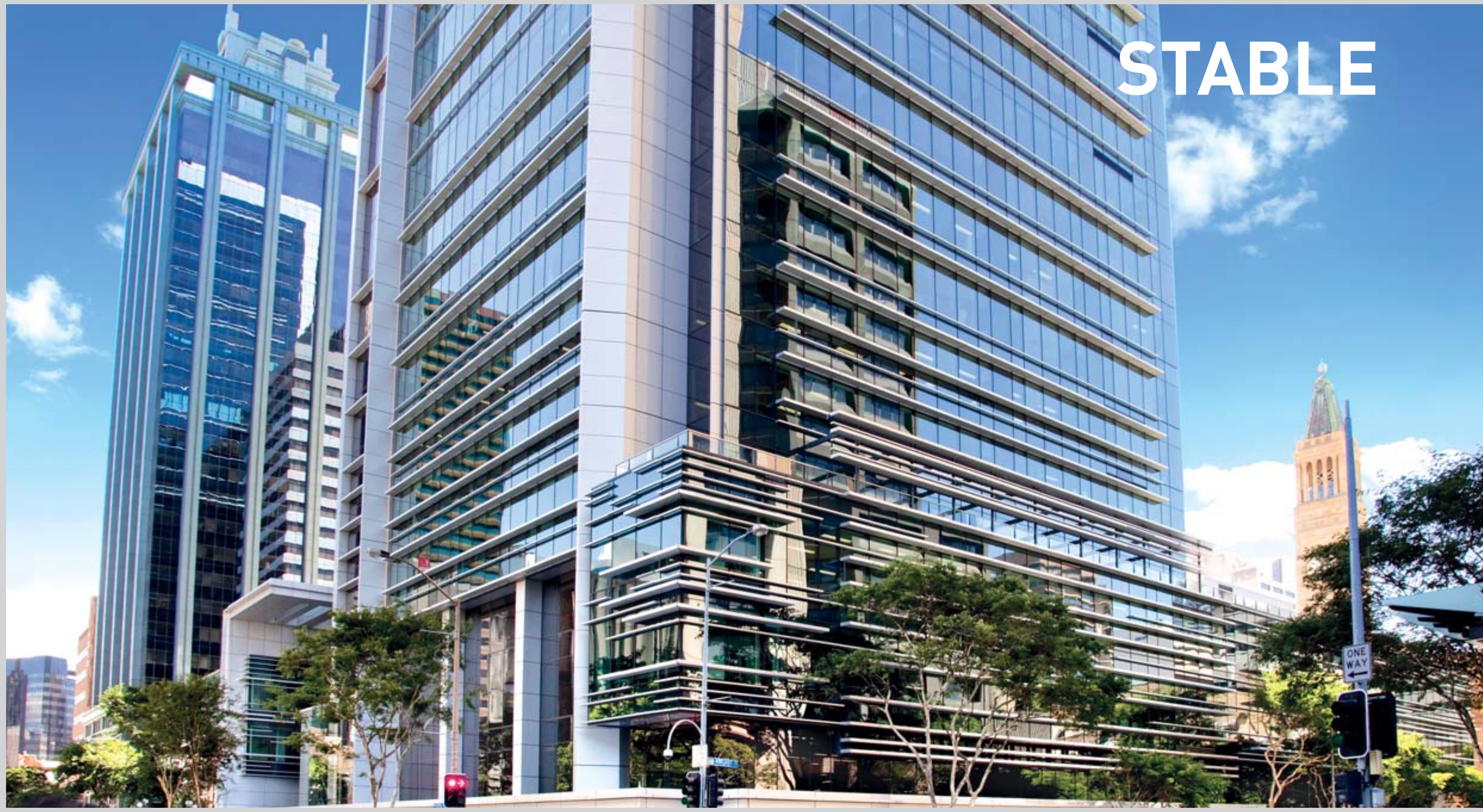
Following the financial crisis, S-REIT managers have exercised greater caution in managing their tenant base. They choose to diversify their tenant mix across various business sectors and prefer tenants that have established operating track records with sound credit standing, so as to minimise risks of rental defaults and tenants downsizing the premises leased.

Looking ahead, most S-REITs are likely to focus on optimising the performance of their properties through operational costs savings and asset enhancement works.

With a forecast distribution yield of 7.0% for FY2012, S-REITs are expected to remain attractive to investors in the year ahead. Analysts also expect S-REITs to perform better in the second half of 2012 on the back of the anticipated stronger economic growth.

The Ministry of Trade and Industry estimates the economy to grow modestly by 1.0% to 3.0% in 2012. Singapore has shown resilience during the last few economic downturns and the government is confident of the country's sound economic fundamentals. Singapore remains an attractive investment destination with real estate being a preferred asset class for institutional and retail investors alike.

DEFINITIVELY KEPPEL



PROPERTY PORTFOLIO: With a portfolio size of $6 billion as at end-2011, K-REIT Asia ranks among Singapore's largest REITs in terms of asset size.

STERLING PORTFOLIO
K-REIT Asia's property portfolio was valued at $6.0 billion as at end-December 2011. Its quality property portfolio comprises eight premium Grade A commercial buildings in Singapore and Australia.

During the year, K-REIT Asia acquired three income-accretive assets, namely an additional four levels of strata office space in Prudential Tower and an approximate 87.5% interest in Ocean Financial Centre, both in Singapore, as well as a 50% interest in 8 Chifley Square in Sydney. These acquisitions significantly strengthened K-REIT Asia's fundamentals and placed it among Singapore's largest REITs in terms of asset size.

Ocean Financial Centre is a premium grade 43-storey office tower strategically located atop the Raffles Place MRT interchange station. Completed in April 2011, Ocean Financial Centre boasts large column-free floor plates and environmentally sustainable features. It was 79.6% leased when K-REIT Asia first announced the acquisition in October 2011. Since then, the Manager has leased an additional 57,000 sf or approximately 5.0% of the building's NLA, which raised the building's committed occupancy to nearly 85% as at end-2011.

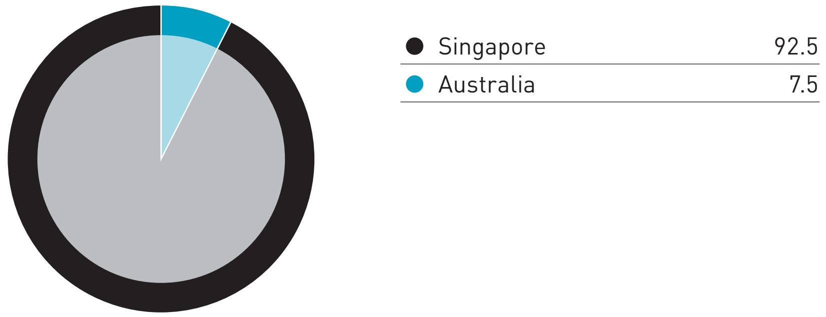
8 Chifley Square is a 30-storey premium quality office tower located in the heart of Sydney's CBD. The building will have an estimated 205,700 sf of NLA when completed in the third quarter of 2013. 8 Chifley Square is approximately 40% pre-committed ahead of its completion. Its first anchor tenant, Corrs Chambers Westgarth, a leading Australian law firm has pre-leased approximately 87,000 sf of the building's NLA.

GEOGRAPHICAL ASSET DISTRIBUTION
K-REIT Asia's overall portfolio spans 2.6 million sf. In Singapore, K-REIT Asia owns approximately 2.3 million sf of NLA across five buildings, accounting for 85.9% of its portfolio by NLA. The remaining 370,000 sf of attributable NLA is located across two buildings in Australia. Nearly $5.6 billion or 92.5% of K-REIT Asia's assets under management are based in Singapore and the remaining $0.4 billion or 7.5% in Australia.

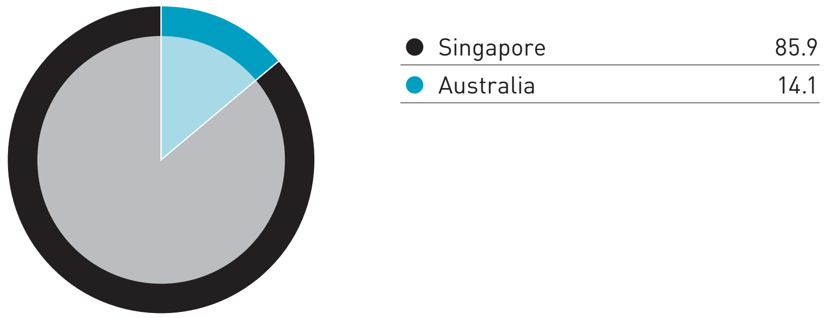
COMMITTED OCCUPANCY
K-REIT Asia's overall portfolio occupancy stood at 94.1% as at end-2011.

Bugis Junction Towers, One Raffles Quay and 275 George Street enjoyed full occupancy. K-REIT Asia's average Singapore office occupancy of 93.9% was higher than the 91.2% average office occupancy in the core CBD.

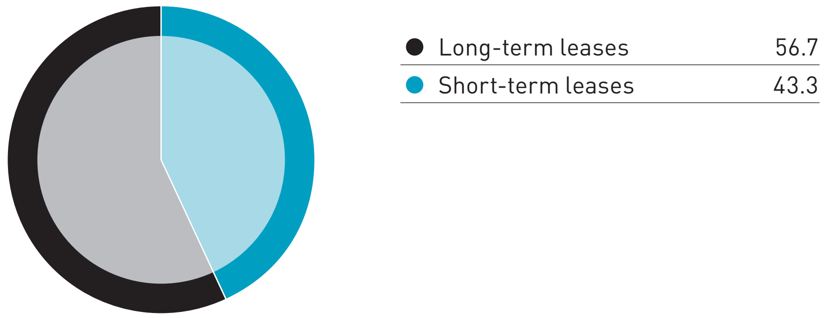
Asset Distribution by Asset Size as at 31 December 2011 (%)



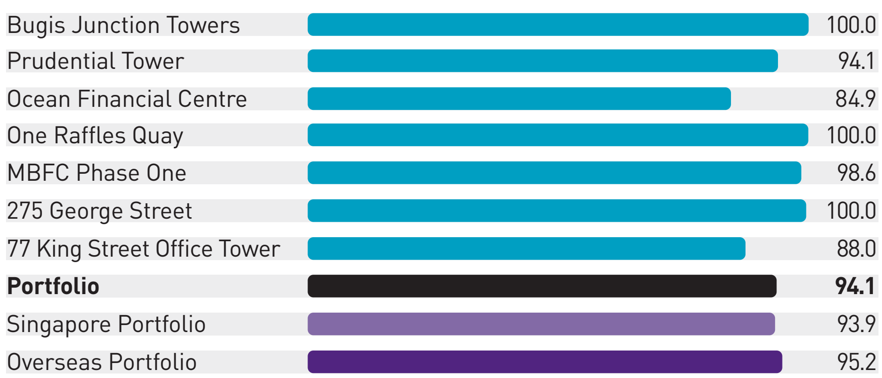
Asset Distribution by Net Lettable Area (NLA) as at 31 December 2011 (%)



Portfolio Committed NLA by Lease Term as at 31 December 2011 (%)



Committed Occupancy as at 31 December 2011 (%)
Leased and Committed Occupancy Rate



K-REIT Asia's Australia portfolio occupancy, excluding 8 Chifley Square which is currently under construction, stood at 95.2%.

LEASE EXPIRY PROFILE

K-REIT Asia continues to maintain a well-staggered lease expiry profile, with the total amount of leases due for renewal and rent review in each year not exceeding 21% of the total portfolio's committed NLA and gross rental income.

As at end-2011, approximately 0.6%, 10.7% and 5.8% of leases based on committed gross rental income are due for renewal in 2012, 2013 and 2014 respectively.

In terms of committed NLA, approximately 0.6%, 10.1% and 4.4% of leases are due for renewal in 2012, 2013 and 2014 respectively.

RENT REVIEW PROFILE

The Manager factors in rent reviews for long leases with terms of between five to 15 years. Upon review, usually between two to six years into the lease term, these rental rates will be adjusted to the prevailing market rate.

As at end-2011, approximately 1.7%, 7.5% and 9.4% of leases based on committed gross rental income are due for review in 2012, 2013 and 2014 respectively.

In terms of committed NLA, approximately 1.6%, 7.4% and 8.9% of leases are due for review in 2012, 2013 and 2014 respectively.

Portfolio Lease Expiry Profile by Committed Monthly Gross Rent
as at 31 December 2011 (%)

2012	0.6
2013	10.7
2014	5.8
2015	7.7
2016	15.3
2017 and beyond	59.9

Portfolio Lease Expiry Profile by Committed NLA
as at 31 December 2011 (%)

2012	0.6
2013	10.1
2014	4.4
2015	7.7
2016	15.4
2017 and beyond	55.9

Portfolio Rent Review Profile by Committed Monthly Gross Rent
as at 31 December 2011 (%)

2012	1.7
2013	7.5
2014	9.4
2015	12.0
2016	8.4
2017 and beyond	17.9

Portfolio Rent Review Profile by Committed NLA
as at 31 December 2011 (%)

2012	1.6
2013	7.4
2014	8.9
2015	9.8
2016	5.6
2017 and beyond	18.0

WEIGHTED AVERAGE LEASE EXPIRY

The weighted average lease term to expiry (WALE) for the entire portfolio, as well as top 10 tenants, stood at 6.7 years and 8.2 years respectively.

Approximately 56.7% of K-REIT Asia's portfolio of leases are on long lease terms of five years or more.

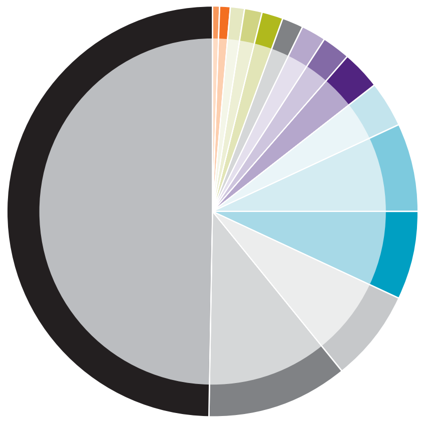
The long WALE provides K-REIT Asia with a stable stream of rental income.

TENANT PROFILE

The tenants in K-REIT Asia's portfolio increased from 159 as at end-2010 to 200 as at end-2011.

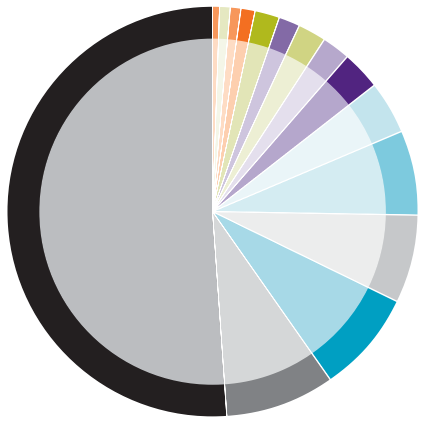
The increase is attributed mainly to tenants from the newly acquired interest in Ocean Financial Centre. The tenants come from various business sectors, with the majority in the banking, insurance and financial services sectors due to the locale of K-REIT Asia's property portfolio in the CBD.

Tenant Business Sector Analysis by Committed Monthly Gross Rent
as at 31 December 2011 (%)



Banking, insurance & financial services	50.0
Energy & natural resources	11.1
Real estate & property services	7.2
Telecommunications & multimedia	7.1
Legal	6.8
Services	3.6
Government agency	3.2
Accounting & consultancy services	2.0
Others	2.0
IT services & consultancy	1.8
Hospitality & leisure	1.7
F&B	1.3
Retail (exclude F&B and Services)	1.1
Conglomerates	0.8
Shipping & marine services	0.3
Total	100.0

Tenant Business Sector Analysis by Committed NLA
as at 31 December 2011 (%)



Banking, insurance & financial services	51.5
Energy & natural resources	8.5
Telecommunications & multimedia	8.2
Real estate & property services	6.8
Legal	6.8
Services	4.2
Government agency	3.0
Others	2.3
Hospitality & leisure	2.0
Accounting & consultancy services	1.9
IT services & consultancy	1.8
Retail (exclude F&B and Services)	1.0
Conglomerates	0.9
F&B	0.8
Shipping & marine services	0.3
Total	100.0

TOP TEN TENANTS

K-REIT Asia's top 10 tenants accounted for 44.5% of its monthly gross rental income and occupied 44.5% of the total committed NLA.

They are well-diversified across five of K-REIT Asia's buildings in business sectors such as banking, insurance and financial services; telecommunications and multimedia; energy and natural resources; legal services; as well as energy and natural resources.

The top three tenants in terms of monthly gross rent and total committed NLA as at end-2011 were Standard Chartered Bank at Marina Bay Financial Centre Tower 1, Australia and New Zealand Banking Group at Ocean Financial Centre, and Telstra Corporation Limited at 275 George Street, Brisbane.

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	6.8	7.0
2	OFC	Australia and New Zealand Banking Group Ltd	Banking, insurance & financial services	6.3	7.4
3	275GS	Telstra Corporation Limited	Telecommunications & multimedia	5.2	6.2
4	MBFC 1	Barclays Capital Service Limited Singapore Branch	Banking, insurance & financial services	5.0	4.8
5	MBFC 1	BHP Billiton Marketing Asia Pte Ltd	Energy & natural resources	4.9	3.1
6	OFC	BNP Paribas	Banking, insurance & financial services	3.8	3.4
7	ORQ & OFC	Royal Bank of Scotland (RBS) (previously ABN AMRO Asia Pacific Pte Ltd)	Banking, insurance & financial services	3.6	3.3
8	BJT	International Enterprise Singapore	Government agency	3.2	3.0
9	OFC	Drew & Napier LLC	Legal	3.1	3.4
10	BJT	Keppel Land International Limited	Real estate & property services	2.6	2.9
		Total		**44.5**	**44.5**

1 Based on committed monthly gross rent income and committed NLA as at 31 December 2011.
2 BJT: Bugis Junction Towers, ORQ: One Raffles Quay, OFC: Ocean Financial Centre, MBFC 1: Marina Bay Financial Centre Phase One, 275GS: 275 George Street.
3 Information on ORQ and MBFC 1 are computed based on K-REIT Asia's one-third interest. Information on OFC is computed based on K-REIT Asia's approximate 87.5% interest. Information on 275GS is computed based on K-REIT Asia's 50% interest.

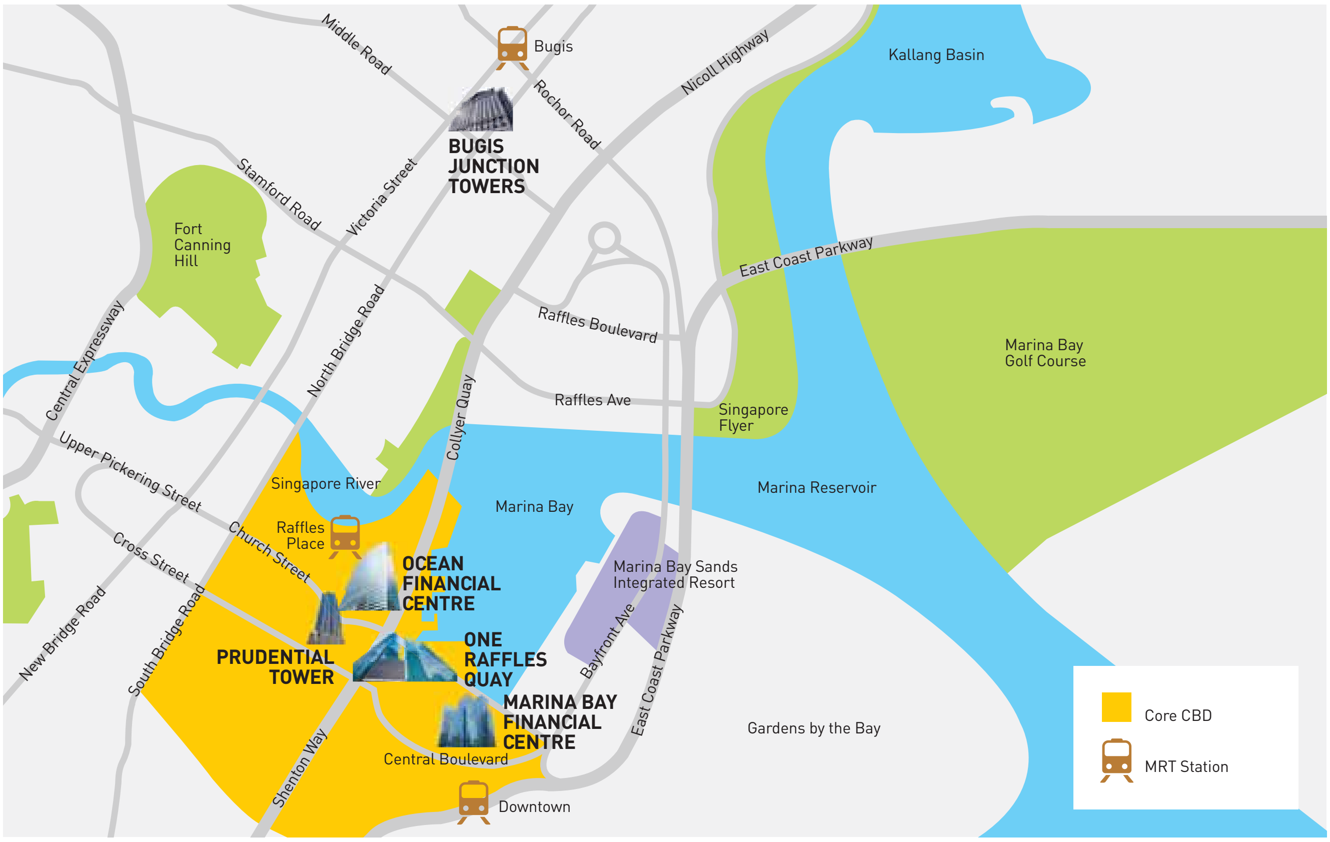
PORTFOLIO AT A GLANCE: K-REIT Asia's overall committed portfolio occupancy was 94.1% as at end-2011, with tenants from 200 leading companies across diversified business sectors.

Property Portfolio Statistics

	As at 31 December 2011	As at 31 December 2010
Net Lettable Area (NLA)[1]	**245,700 sm** **2,644,696 sf**	169,196 sm 1,821,219 sf
Valuation	**$6,004.4 million[2]**	$3,487.6 million
Number of Tenants[3]	**200**	159
Number of Carpark Lots	**1,875**	1,653
Committed Occupancy	**94.1%**	97.0%
Weighted Average Lease Expiry	**6.7 years**	7.6 years

1 NLA excludes 8 Chifley Square which is currently under construction.
2 Includes valuation of K-REIT Asia's 50% interest in 8 Chifley Square on an "as-is" basis.
3 Tenants located in more than one property are accounted for as one tenant when computing the total number of tenants.

Strategic Location of Singapore Properties






Property	Bugis Junction Towers	MBFC Phase One[3]	Ocean Financial Centre[3]	One Raffles Quay[3]
Location	230 Victoria Street, Singapore 188024	8, 8A and 10 Marina Boulevard, Singapore 018981/ 018984/018983	10 Collyer Quay, Singapore 049315	1 Raffles Quay, Singapore 048583
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 13 December 2110	Leasehold estate of 99 years expiring 12 June 2100
Ownership Interest	100%	33.3%	Approximately 87.5%	33.3%
Acquisition Date	26 April 2006	15 December 2010	14 December 2011	10 December 2007
Purchase Price (on acquisition)	$159.5 million	$1,426.8 million	$2,013.1 million	$941.5 million
Valuation	$410.5 million[2] $1,667 psf	$1,513.0 million[2] $2,601 psf	$2,054.0 million[4] $2,648 psf	$1,099.0 million[2] $2,469 psf
Net Lettable Area	22,876 sm 246,238 sf	54,037 sm 581,653 sf	72,068 sm 775,734 sf	41,353 sm 445,120 sf
Committed Occupancy	100.0%	98.6%	84.9%	100.0%
FY2011 Property Income	$21.3 million	–	$2.9 million	–
FY2011 Net Property Income	$16.5 million	–	$2.0 million	–
FY2011 Income Contribution	$16.5 million	$52.8 million[11]	$10.6 million[12]	$36.0 million[11]
Number of Tenants	12	81	25	29
Principal Tenants	International Enterprise Singapore, Keppel Land, InterContinental Hotels Group	Standard Chartered Bank, Barclays Capital Service, BHP Billiton	Australia and New Zealand Banking Group, BNP Paribas, Drew & Napier	Royal Bank of Scotland, Deutsche Bank, Ernst & Young
Number of Carpark Lots[1]	–	684	222	713

[1] Excludes carpark lots owned and managed by the respective management corporations.
[2] Valuation as at 1 October 2011.
[3] Refers to K-REIT Asia's respective interest in the development and not as a whole unless otherwise stated.
[4] Valuation as at 15 September 2011.
[5] 44.4% of the strata area of the building was acquired on 26 April 2006, 29.0% of the strata area of the building was acquired on 2 November 2009 and 19.4% of the strata area of the building was acquired on 3 May 2011.
[6] Based on a purchase price of $117.7 million as at 26 April 2006, $106.3 million as at 2 November 2009 and $125.1 million as at 3 May 2011.




Property	Prudential Tower[3]	275 George Street[3]	77 King Street Office Tower	8 Chifley Square[3, 9]
Location	30 Cecil Street, Singapore 049712	275 George Street, Brisbane, Queensland 4000, Australia	77 King Street, Sydney, New South Wales 2000, Australia	8 Chifley Square, Sydney, New South Wales 2000, Australia
Title	Leasehold estate of 99 years expiring 14 January 2095	Freehold[7]	Freehold[7]	Leasehold estate of 99 years expiring 5 April 2105
Ownership Interest	92.8% of the strata area	50%	100%	50%
Acquisition Date	26 April 2006[5] 2 November 2009[5] 3 May 2011[5]	1 March 2010	21 December 2010	28 July 2011
Purchase Price (on acquisition)	$349.1 million[6]	$209.4 million	$147.2 million	Between approximately $203.0 million and $223.3 million
Valuation	$477.4 million[2] $2,138 psf	$236.0 million[2, 8] $1,050 psf	$154.7 million[2, 8] $1,045 psf	$203.2 million[8, 10] $1,976 psf
Net Lettable Area	20,744 sm 223,286 sf	20,874 sm 224,686 sf	13,748 sm 147,979 sf	9,555 sm 102,850 sf
Committed Occupancy	94.1%	100.0%	88.0%	Approximately 40%
FY2011 Property Income	$19.2 million	$22.3 million	$12.3 million	–
FY2011 Net Property Income	$14.8 million	$18.8 million	$9.5 million	–
FY2011 Income Contribution	$14.8 million	$18.8 million	$9.5 million	$0.9 million[13]
Number of Tenants	35	9	16	–
Principal Tenants	The Executive Centre, McGraw-Hill, UniCredit Bank	Telstra Corporation, Queensland Gas Company	Rebel Sport, Capgemini Australia, Drake Australia	Corrs Chambers Westgarth
Number of Carpark Lots[1]	–	244	12	36

[7] Also known as estate in fee simple.
[8] Based on the exchange rate of A$1 = S$1.311.
[9] 8 Chifley Square is currently under construction and is expected to be completed in the third quarter of 2013.
[10] Valuation as at 1 December 2011 based on a completed basis.
[11] Includes rental support, interest income and dividend income from K-REIT Asia's respective one-third interest in ORQPL and BFCDPL.
[12] Includes rental support.
[13] Relates to the coupon interest income arising from K-REIT Asia's 50% interest in 8 Chifley Square.

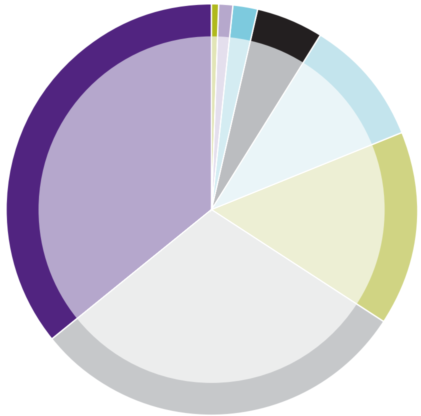
BUGIS JUNCTION TOWERS

Key Statistics
as at 31 December 2011

Location	230 Victoria Street, Singapore 188024
Ownership Interest	100.0%
Net Lettable Area (NLA)	22,876 sm | 246,238 sf
Title	Leasehold estate of 99 years expiring 9 September 2089
Committed Occupancy	100.0%
Acquisition Date	26 April 2006
Valuation	$410.5 million[1]
Number of Tenants	12
Number of Carpark Lots[2]	–
FY2011 Property Income	$21.3 million
FY2011 Net Property Income	$16.5 million
FY2011 Income Contribution	$16.5 million

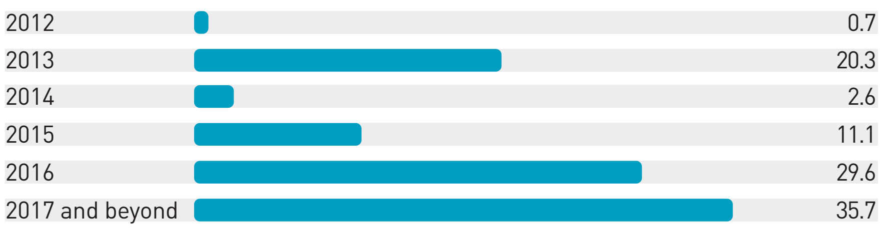
[1] Valuation as at 1 October 2011 based on K-REIT Asia's interest in the property.
[2] Exclude carpark lots owned and managed by the management corporation.

Tenant Business Sector Analysis by Committed Monthly Gross Rent
as at 31 December 2011 (%)



	%
Government agency	35.7
Real estate & property services	30.0
Hospitality & leisure	15.4
Services	10.0
Banking, insurance & financial services	5.1
Legal	2.0
Others	1.1
IT services & consultancy	0.7
Total	100.0

Lease Expiry Profile by Committed Monthly Gross Rent
as at 31 December 2011 (%)



Top Five Tenants
as at 31 December 2011

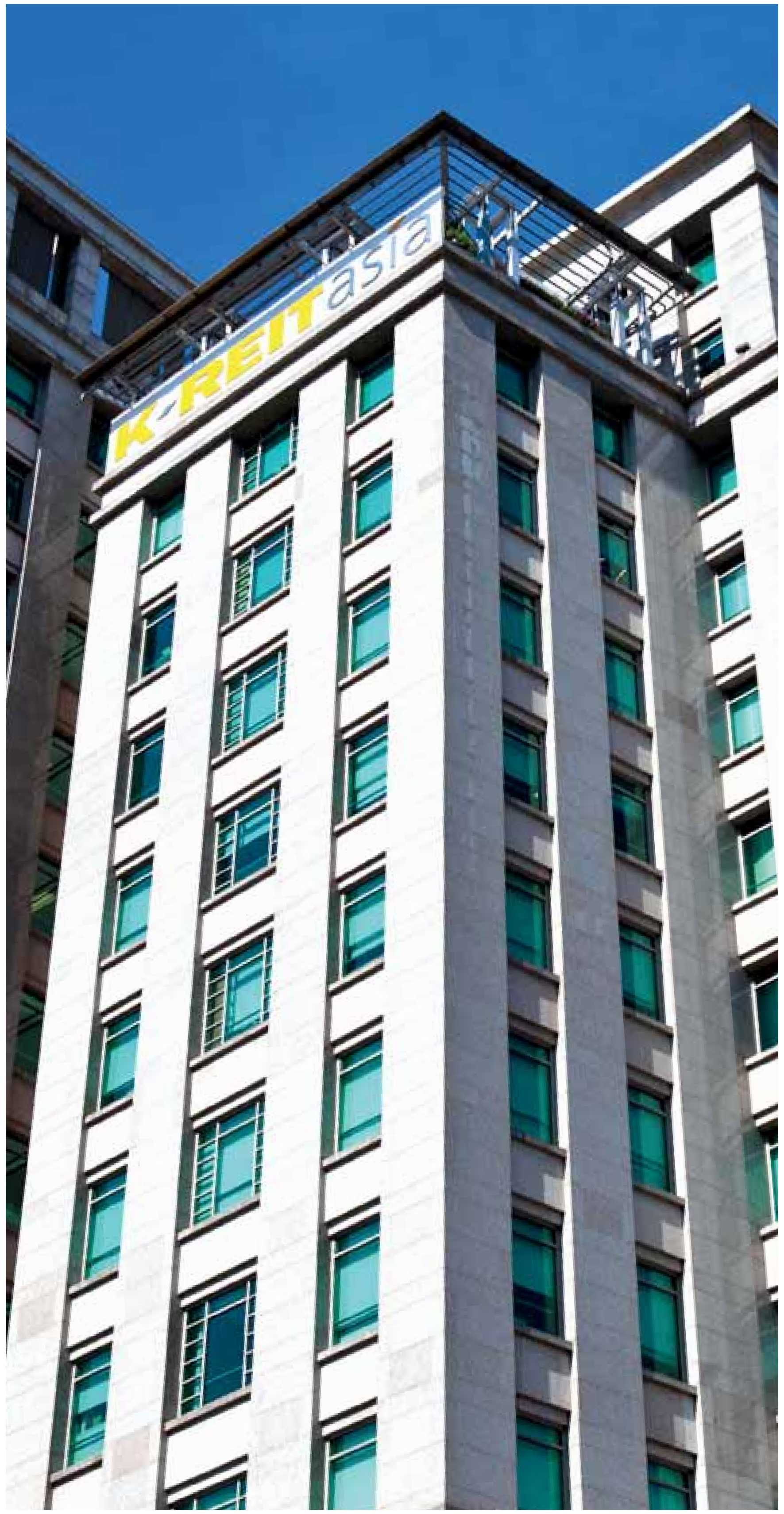
Ranking	Tenant	% of Total Committed Monthly Gross Rent
1	International Enterprise Singapore	35.7
2	Keppel Land International Limited	29.6
3	InterContinental Hotels Group (Asia Pacific) Pte Ltd	12.8
4	JV Fitness Pte Ltd	9.0
5	AXA Life Insurance Pte Ltd	5.1

Bugis Junction Towers is located along Victoria Street and sits atop Bugis MRT station, which is slated to become an interchange station as part of the Downtown MRT line in 2013.

The 15-storey office tower is part of the integrated mixed-use development, Bugis Junction, which comprises a retail mall and the five-star InterContinental Singapore Hotel. The development has 648 carpark lots across two basement levels.

As at end-December 2011, Bugis Junction Towers has a NLA of 246,238 sf and enjoys full occupancy. Its key tenants are International Enterprise Singapore, Keppel Land and InterContinental Hotels Group.

Bugis Junction Towers has won several awards, including the Green Mark Gold Award by the Building and Construction Authority (BCA) of Singapore in 2011, Water Efficient Building Award by Public Utilities Board (PUB) in 2009, 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 in 1995. It was also one of the finalists for the prestigious FIABCI Prix d'Excellence Award in 2001.



Bugis Junction Towers, located atop Bugis MRT station, is fully let.

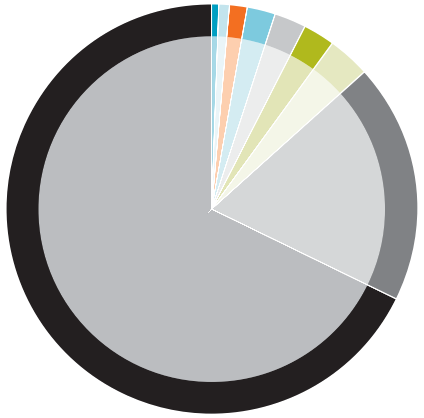
MARINA BAY FINANCIAL CENTRE PHASE ONE

Key Statistics
as at 31 December 2011

Location	8, 8A and 10 Marina Boulevard, Singapore 018981/018984/018983
Ownership Interest	33.3%
Net Lettable Area (NLA)	54,037 sm | 581,653 sf[1]
Title	Leasehold estate of 99 years expiring 10 October 2104
Committed Occupancy	98.6%
Acquisition Date	15 December 2010
Valuation	$1,513.0 million[2]
Number of Tenants	81
Number of Carpark Lots	684
FY2011 Income Contribution	$52.8 million[3]

1 Based on 33.3% interest.
2 Valuation as at 1 October 2011 based on K-REIT Asia's interest in the property.
3 Includes rental support, interest income and dividend income from K-REIT Asia's one-third interest in BFCDPL.

Tenant Business Sector Analysis by Committed Monthly Gross Rent
as at 31 December 2011 (%)



	%
Banking, insurance & financial services	68.5
Energy & natural resources	18.9
F&B	3.3
IT services & consultancy	2.5
Real estate & property services	2.5
Legal	2.3
Retail (exclude F&B and Services)	1.3
Services	0.6
Telecommunications & multimedia	0.1
Total	100.0

Lease Expiry Profile by Committed Monthly Gross Rent
as at 31 December 2011 (%)

2012	0.0
2013	4.1
2014	2.2
2015	1.0
2016	6.9
2017 and beyond	85.8

Top Five Tenants
as at 31 December 2011

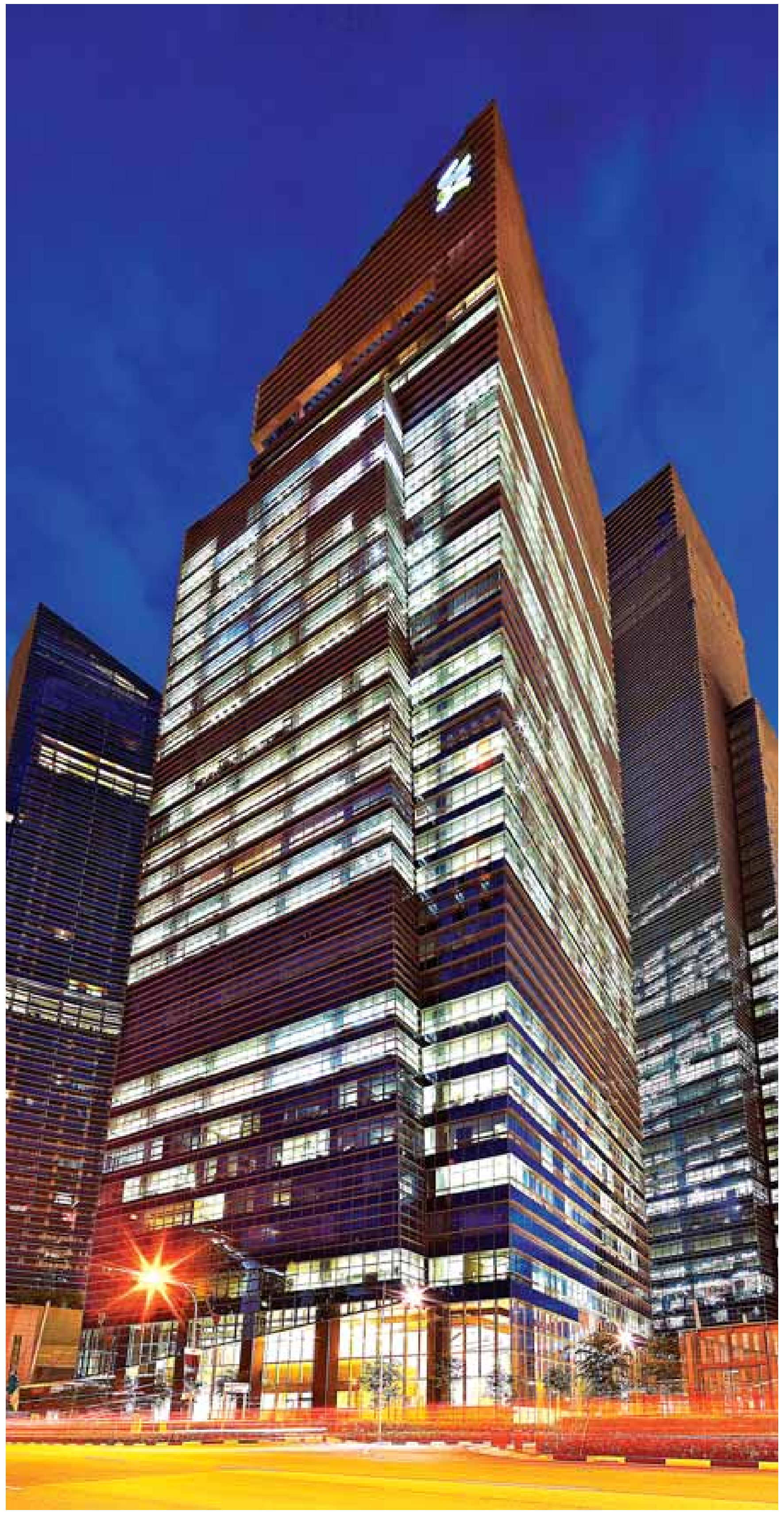
Ranking	Tenant	% of Total Committed Monthly Gross Rent
1	Standard Chartered Bank	24.9
2	Barclays Capital Service Limited Singapore Branch	18.4
3	BHP Billiton Marketing Asia Pte Ltd	17.9
4	Macquarie Capital Securities (Singapore) Pte Ltd	6.3
5	Nomura Singapore Ltd	6.0

K-REIT Asia owns a one-third interest in BFC Development Pte Ltd, which owns Marina Bay Financial Centre (MBFC) Towers 1 & 2 and Marina Bay Link Mall, collectively known as MBFC Phase One. MBFC Phase One is part of the integrated development, MBFC, located in Singapore's new Marina Bay financial district.

MBFC comprises three office towers, two residential towers – Marina Bay Residences and Marina Bay Suites – as well as the subterranean Marina Bay Link Mall (MBLM).

At 33 and 50 storeys high respectively, MBFC Towers 1 & 2 are premium Grade A office buildings located in close proximity to the Marina Bay Sands integrated resort, Singapore Flyer, The Esplanade – Theatres on the Bay and other lifestyle amenities. MBLM provides seamless connections to 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. Come 2013, the mall will be connected to the Downtown MRT Line, which will provide easier access to the Marina Bay area.

In 2011, MBFC Phase One won the MIPIM Asia Award (Mixed-use Building Category) for successfully maximising the potential of its prime waterfront location by presenting an integrated offering of world-class offices, luxury apartments together with lifestyle amenities, as well as the FIABCI Prix d'Excellence Award (Office Category) for excellence in design and contribution to the built environment amongst other factors. The development was also conferred the Green Mark Gold Award by BCA in 2008.



MBFC is the preferred business address for international banking and financial institutions.

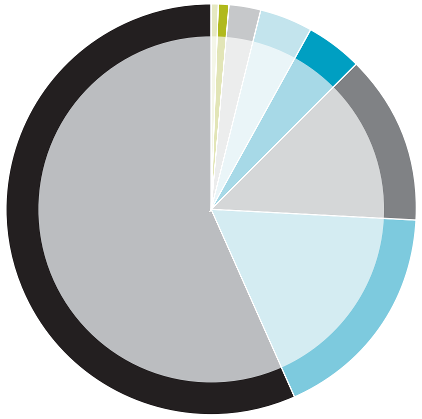
OCEAN FINANCIAL CENTRE

Key Statistics
as at 31 December 2011

Location	10 Collyer Quay, Singapore 049315
Ownership Interest	Approximately 87.5%
Net Lettable Area (NLA)	72,068 sm | 775,734 sf[1]
Title	Leasehold estate of 99 years expiring 13 December 2110
Committed Occupancy	84.9%
Acquisition Date	14 December 2011
Valuation	$2,054.0 million[2]
Number of Tenants	25
Number of Carpark Lots	222
FY2011 Property Income	$2.9 million
FY2011 Net Property Income	$2.0 million
FY2011 Income Contribution	$10.6 million[3]

1 Based on an approximate 87.5% interest.
2 Valuation as at 15 September 2011 based on K-REIT Asia's interest in the property.
3 Includes rental support.

Tenant Business Sector Analysis by Committed Monthly Gross Rent
as at 31 December 2011 (%)



	%
Banking, insurance & financial services	56.7
Legal	17.5
Energy & natural resources	13.4
Telecommunications & multimedia	4.3
Services	4.2
Real estate & property services	2.7
IT services & consultancy	0.7
F&B	0.5
Total	100.0

Lease Expiry Profile by Committed Monthly Gross Rent
as at 31 December 2011 (%)

2012	0
2013	0
2014	9.8
2015	8.4
2016	30.7
2017 and beyond	51.1

Top Five Tenants
as at 31 December 2011

Ranking	Tenant	% of Total Committed Monthly Gross Rent
1	Australia and New Zealand Banking Group Ltd	23.3
2	BNP Paribas	14.1
3	Drew & Napier LLC	11.4
4	Trafigura Pte Ltd	8.2
5	BNP Paribas Wealth Management	7.8

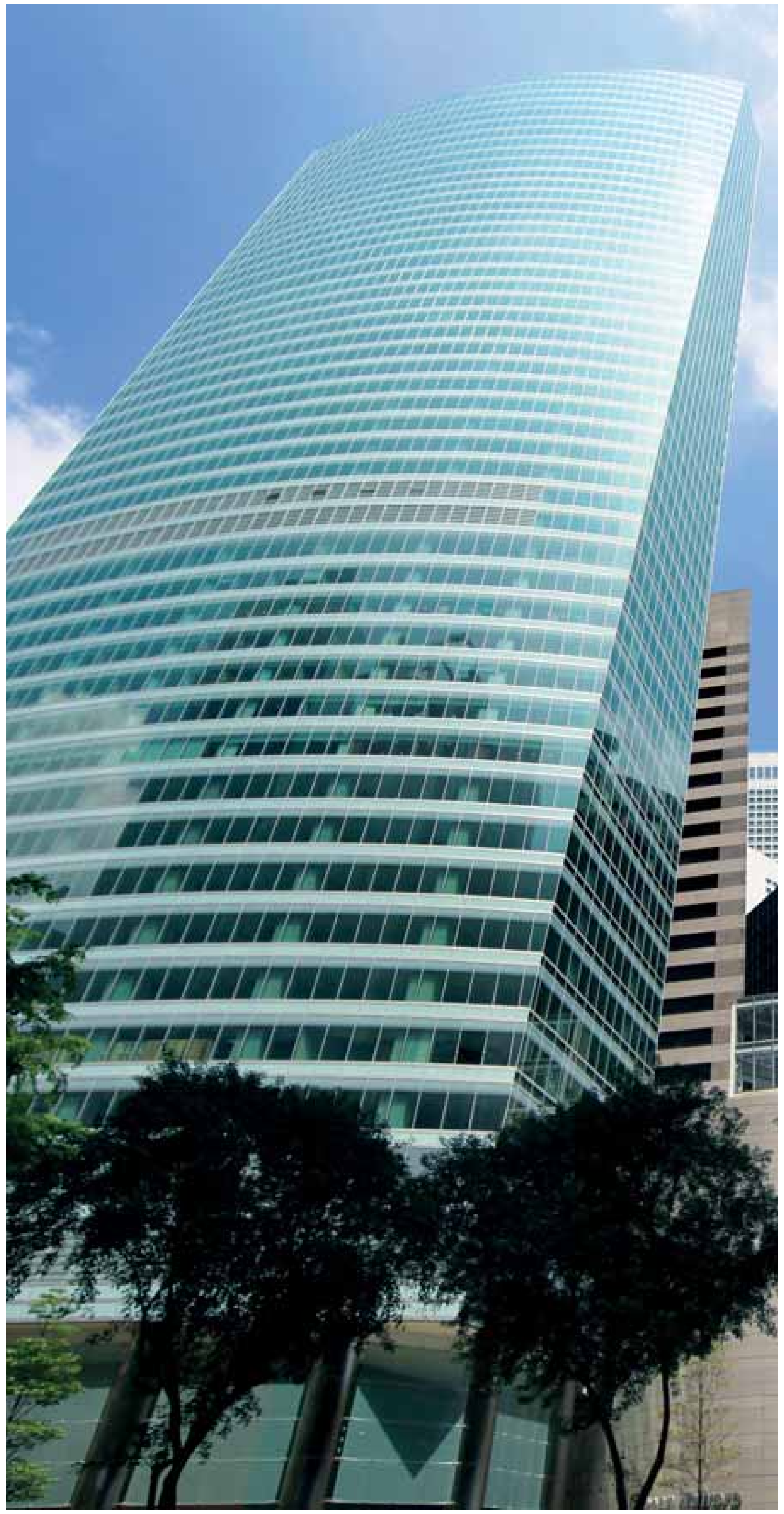
In December 2011, K-REIT Asia acquired an approximate 87.5% interest in Ocean Properties Pte. Limited, which owns Ocean Financial Centre. The holding structure was converted to that of a limited liability partnership to enable K-REIT Asia to obtain tax transparency for its share of profits from Ocean Financial Centre.

The committed occupancy of the office tower stood at 79.6% when K-REIT Asia announced the acquisition in October 2011. As at end-2011, the Manager has leased out an additional 57,000 sf or approximately 5.0% of the building's NLA, which raised the building's occupancy to nearly 85%.

One of the largest office buildings in Singapore's CBD, Ocean Financial Centre is a landmark 43-storey premium Grade A office development located at the Raffles Place and Marina Bay precincts.

The development comprises an office tower with a carpark and retail podium. The carpark and retail podium are currently under construction and scheduled for completion in end-2012. The podium will comprise 222 carpark lots and approximately 7,717 sf of retail space on the ground and basement levels. There will also be an underground air-conditioned pedestrian link connecting Ocean Financial Centre to the Raffles Place MRT interchange station.

The development provides tenants with expansive views of Singapore's CBD skyline including the Marina Bay area, and is in close proximity to the Marina Bay Sands integrated resort, One Fullerton and The Esplanade – Theatres on the Bay, among other lifestyle amenities in the downtown area.



Ocean Financial Centre is the first high-rise office building in Southeast Asia to achieve the Platinum Award under the Leadership in Energy and Environment Design (LEED) Green Building Rating System.

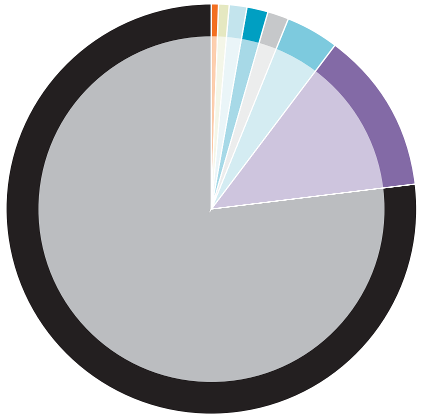
ONE RAFFLES QUAY

Key Statistics
as at 31 December 2011

Location	1 Raffles Quay, Singapore 048583
Ownership Interest	33.3%
Net Lettable Area (NLA)	41,353 sm | 445,120 sf[1]
Title	Leasehold estate of 99 years expiring 12 June 2100
Committed Occupancy	100.0%
Acquisition Date	10 December 2007
Valuation	$1,099.0 million[2]
Number of Tenants	29
Number of Carpark Lots	713
FY2011 Income Contribution	$36.0 million[3]

1 Based on 33.3% interest.
2 Valuation as at 1 October 2011 based on K-REIT Asia's interest in the property.
3 Includes rental support, interest income and dividend income from K-REIT Asia's one-third interest in ORQPL.

Tenant Business Sector Analysis by Committed Monthly Gross Rent
as at 31 December 2011 (%)



	%
Banking, insurance & financial services	77.8
Accounting & consultancy services	12.8
Legal	4.2
Real estate & property services	1.8
Telecommunications & multimedia	1.6
Services	1.3
F&B	0.4
Retail (exclude F&B and Services)	0.1
Total	100.0

Lease Expiry Profile by Committed Monthly Gross Rent
as at 31 December 2011 (%)

2012	0.3
2013	9.8
2014	5.1
2015	16.2
2016	8.8
2017 and beyond	59.8

Top Five Tenants
as at 31 December 2011

Ranking	Tenant	% of Total Committed Monthly Gross Rent
1	Royal Bank of Scotland	17.2
2	Deutsche Bank Aktiengesellschaft	16.6
3	Ernst & Young Services Pte Ltd	12.8
4	UBS AG	12.2
5	Credit Suisse	8.8

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

There are two Grade A office towers – the 50-storey North Tower and 29-storey South Tower – both of which are connected by a podium plaza.

ORQ also features retail shops and dining outlets in the underground pedestrian walkway that connects the development to the Raffles Place MRT station and MBFC.

ORQ was awarded the Green Mark Gold Award by the BCA and Water Efficient Building Award by the PUB in 2009. In 2008, it clinched the FIABCI Prix d'Excellence in the Office Category, the Design and Engineering Safety Excellence Award by the BCA, as well as Honourable Nominee for Best Tall Building Award by the Council on Tall Buildings and Urban Habitat.

Stylishly designed and energy-efficient, One Raffles Quay is a landmark commercial development located in Marina Bay.

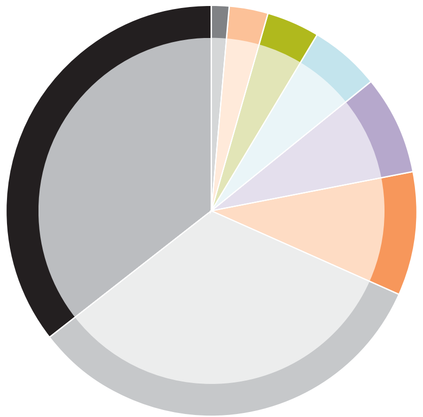
PRUDENTIAL TOWER

Key Statistics
as at 31 December 2011

Location	30 Cecil Street, Singapore 049712
Ownership Interest	92.8% of the strata area of the building
Net Lettable Area (NLA)	20,744 sm | 223,286 sf[1]
Title	Leasehold estate of 99 years expiring 14 January 2095
Committed Occupancy	94.1%
Acquisition Date	26 April 2006, 2 November 2009, 3 May 2011[2]
Valuation	$477.4 million[3]
Number of Tenants	35
Number of Carpark Lots[4]	–
FY2011 Property Income	$19.2 million
FY2011 Net Property Income	$14.8 million
FY2011 Income Contribution	$14.8 million

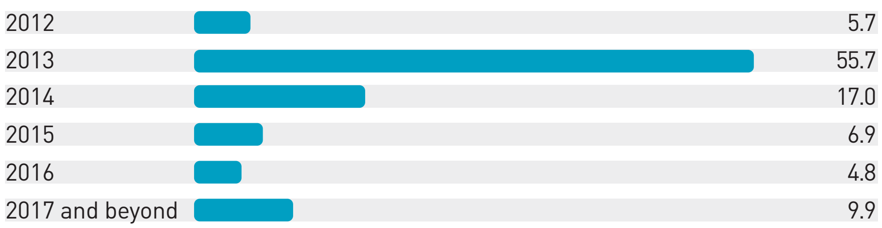
1 Based on 92.8% interest of the building's strata area.
2 44.4% of the strata area of the building was acquired on 26 April 2006, 29.0% of the strata area of the building was acquired on 2 November 2009 and 19.4% of the strata area of the building was acquired on 3 May 2011.
3 Valuation as at 1 October 2011 based on K-REIT Asia's interest in the property.
4 Excludes carpark lots owned and managed by the management corporation.

Tenant Business Sector Analysis by Committed Monthly Gross Rent
as at 31 December 2011 (%)



	%
Banking, insurance & financial services	35.5
Real estate & property services	32.9
Conglomerates	9.6
Others	7.7
Services	5.6
IT services & consultancy	4.0
Shipping & marine services	3.3
Energy & natural resources	1.4
Total	100.0

Lease Expiry Profile by Committed Monthly Gross Rent
as at 31 December 2011 (%)



Top Five Tenants
as at 31 December 2011

Ranking	Tenant	% of Total Committed Monthly Gross Rent
1	The Executive Centre Singapore Pte Ltd	19.0
2	McGraw-Hill Asian Holdings (Singapore) Pte Ltd	9.6
3	UniCredit Bank AG	8.9
4	Kumon Asia & Oceania Pte Ltd	5.8
5	Compass Offices S'pore Phase 3 Pte Ltd	4.7

Prudential Tower is a Grade A office development strategically located at the junction of Church Street and Cecil Street in Singapore's CBD.

A five-minute walk from Raffles Place MRT station, it has 181 carpark lots on the second to ninth storey, which are owned and managed by the management corporation of Prudential Tower.

In May 2011, K-REIT Asia acquired an additional four strata office floors over levels 26 to 29 of the 30-storey office tower. This additional 19.4% of the strata area of the building increased K-REIT Asia's interest in the building to 92.8%. Prior to the acquisition, K-REIT Asia owned approximately 73.4% of the strata area over levels 1, and 10 to 25 of Prudential Tower.

Prudential Tower won the Green Mark Gold Award by the BCA in 2010, the Water Efficient Building Award by PUB in 2009 and the FIABCI Prix d'Excellence Award (Office Category) in 2003.

Prudential Tower is a 30-storey Grade A office located in Singapore's CBD.

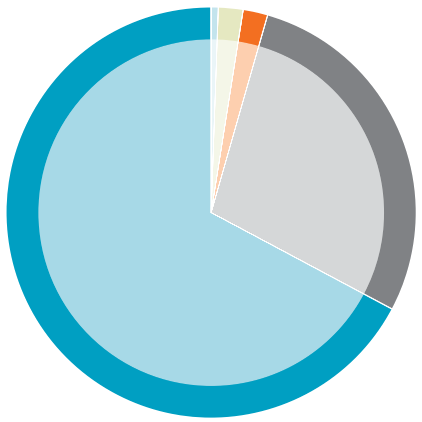
275 GEORGE STREET

Key Statistics
as at 31 December 2011

Location	275 George Street, Brisbane, Queensland 4000, Australia
Ownership Interest	50.0%
Net Lettable Area (NLA)	20,874 sm | 224,686 sf[1]
Title	Freehold[2]
Committed Occupancy	100.0%
Acquisition Date	1 March 2010
Valuation	$236.0 million[3, 4]
Number of Tenants	9
Number of Carpark Lots	244
FY2011 Property Income	$22.3 million
FY2011 Net Property Income	$18.8 million
FY2011 Income Contribution	$18.8 million

1 Based on 50.0% interest.
2 Also known as estate in fee simple.
3 Valuation as at 1 October 2011 based on K-REIT Asia's interest in the property.
4 Based on the exchange rate of A$1 = S$1.311.

Tenant Business Sector Analysis by Committed Monthly Gross Rent
as at 31 December 2011 (%)



	%
Telecommunications & multimedia	67.0
Energy & natural resources	28.3
Retail (exclude F&B and Services)	2.2
F&B	1.7
Services	0.8
Total	100.0

Lease Expiry Profile by Committed Monthly Gross Rent
as at 31 December 2011 (%)

2012	0.0
2013	0.0
2014	0.0
2015	1.5
2016	1.7
2017 and beyond	96.8

Top Five Tenants
as at 31 December 2011

Ranking	Tenant	% of Total Committed Monthly Gross Rent
1	Telstra Corporation Limited	66.6
2	Queensland Gas Company Limited	28.3
3	Savilo Pty Ltd	1.7
4	DUT 275 Pty Ltd	1.0
5	ASN Retail Developments Pty Limited & Kooringa Enterprises Pty Limited	0.6

K-REIT Asia owns a 50% interest as tenant-in-common in 275 George Street.

The freehold 30-storey Grade A commercial building enjoys prime location straddling the core retail and revitalised George Street precincts of Brisbane's CBD in Queensland, Australia.

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

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 rating.

275 George Street is a freehold 30-storey Grade A commercial building located in Brisbane's CBD.

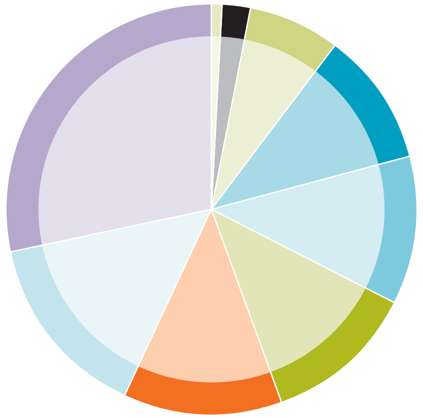
77 KING STREET OFFICE TOWER

Key Statistics
as at 31 December 2011

Location	77 King Street, Sydney, New South Wales 2000, Australia
Ownership Interest	100.0%
Net Lettable Area (NLA)	13,748 sm | 147,979 sf
Title	Freehold[1]
Committed Occupancy	88.0%
Acquisition Date	21 December 2010
Valuation	$154.7 million[2, 3]
Number of Tenants	16
Number of Carpark Lots	12
FY2011 Property Income	$12.3 million
FY2011 Net Property Income	$9.5 million
FY2011 Income Contribution	$9.5 million

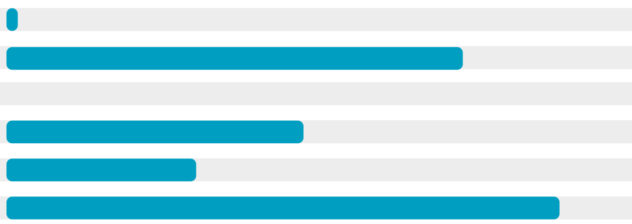
1 Also known as estate in fee simple.
2 Valuation as at 1 October 2011 based on K-REIT Asia's interest in the property.
3 Based on the exchange rate of A$1 = S$1.311.

Tenant Business Sector Analysis by Committed Monthly Gross Rent
as at 31 December 2011 (%)



	%
Others	28.1
Services	14.8
Retail (exclude F&B and Services)	12.4
IT services & consultancy	12.2
Legal	11.5
Telecommunications & multimedia	10.7
Hospitality & leisure	7.1
Banking, insurance & financial services	2.3
F&B	0.9
Total	100.0

Lease Expiry Profile by Committed Monthly Gross Rent
as at 31 December 2011 (%)



2012	0.6
2013	30.3
2014	0.0
2015	19.8
2016	12.6
2017 and beyond	36.7

Top Five Tenants
as at 31 December 2011

Ranking	Tenant	% of Total Committed Monthly Gross Rent
1	Rebel Sport Limited	12.4
2	Capgemini Australia Pty Limited	12.2
3	Drake Australia Pty Limited	11.7
4	Herbert Geer Commercial Pty Limited	11.5
5	CEB International Holdings Inc	11.0

77 King Street is a freehold 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 underwent a full refurbishment in 2008 and clinched the Master Builders Associations award for its efforts. The revamped building boasts a modern façade designed by Burley Katon Halliday, and incorporates energy-efficient fittings and fixtures such as chilled beam air-conditioning technology that minimises utility expenses while cooling the interiors.

77 King Street is located in the heart of Sydney's CBD and close to major CityRail stations.

8 CHIFLEY SQUARE

Key Statistics
as at 31 December 2011

Location	8 Chifley Square, Sydney, New South Wales 2000, Australia
Ownership Interest	50.0%
Net Lettable Area (NLA)	9,555 sm | 102,850 sf[1]
Title	Leasehold estate of 99 years expiring 5 April 2105
Committed Occupancy	Approximately 40.0%
Acquisition Date	28 July 2011
Valuation	$203.2 million[2, 3]
Number of Tenants	–
Number of Carpark Lots	–
FY2011 Income Contribution	$0.9 million[4]

1 Based on 50.0% interest.
2 Valuation as at 1 December 2011 based on K-REIT Asia's interest in the property on a completed basis.
3 Based on the exchange rate of A$1 = S$1.311.
4 Relates to the coupon interest income arising from K-REIT Asia's 50% interest in 8 Chifley Square.

K-REIT Asia acquired a 50% interest in 8 Chifley Square in July 2011.

8 Chifley Square is located in the heart of Sydney's CBD, at the junction of Hunter Street and Elizabeth Street. Currently under construction, the 30-storey office tower is targeted for completion in the third quarter of 2013.

Upon completion, the development will have approximately 205,700 sf of NLA, 36 carpark lots and 156 bicycle lots across two basement levels.

The development is targeted to achieve a 6-Star Green Star rating by the Green Building Council Australia and a 5-Star NABERS rating. Through the application of state-of-the-art green technologies and effective water reduction, reduced emissions of greenhouse gases, as well as the use of sustainably-sourced materials, 8 Chifley Square is expected to have a lower carbon footprint as compared to a typical Sydney CBD office building.

In December 2011, 8 Chifley Square signed its first anchor tenant, Corrs Chambers Westgarth, approximately 20 months ahead of the building's completion. The company has pre-committed approximately 87,000 sf of premium office space or approximately 40% of the total NLA of the building.

1. 8 Chifley Square will feature a "village" concept where tenants can lease one to three floors of interconnected and contiguous office space.

2. The first tenant at 8 Chifley Square has pre-leased approximately 40% of the building's total NLA ahead of completion in the third quarter of 2013.

K-REIT Asia grew its distributable income by nearly 32% to approximately $113.0 million in 2011.

1. K-REIT Asia's portfolio comprises eight quality commercial properties, of which five are located in Singapore's business and financial district.

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

ENLARGED PROPERTY PORTFOLIO

K-REIT Asia increased its interest in Prudential Tower to 92.8% with the acquisition of an additional 19.4% stake in the property on 3 May 2011. K-REIT Asia now owns contiguous floors of strata office space over levels 1 and 10 to 29 of the 30-storey Grade A building. Carpark lots and building services are located over levels 2 to 9.

K-REIT Asia also enlarged its presence in Australia with the acquisition of a 50% interest in 8 Chifley Square, a property under development in Sydney, on 28 July 2011. The premium grade office building is scheduled to be completed in the third quarter of 2013.

On 14 December 2011, K-REIT Asia acquired an approximate 87.5% equity interest in Ocean Properties Pte. Limited (OPPL), which owns Ocean Financial Centre (the OFC Interest). The agreed value for the OFC Interest for a period of 99 years from the date of legal completion, which includes a $170 million rental support for up to five years, was $2,013.1 million. Excluding the proportionate debt and net liabilities of $433.8 million carried at OPPL, the amount paid to the vendor was approximately $1,579.3 million.

K-REIT Asia funded the OFC Interest through a mix of equity and debt. It raised $985.7 million gross proceeds from the issuance of 1,159,694,000 units through a 17-for-20 Rights Issue completed on 13 December 2011 and new debt of approximately $604.0 million.

K-REIT Asia successfully obtained a tax ruling from the Inland Revenue Authority of Singapore to convert OPPL to a limited liability partnership, Ocean Properties LLP (OPLLP). This conversion enables K-REIT Asia to enjoy tax transparency on its share of profits from Ocean Financial Centre.

2

As at 31 December 2011, K-REIT Asia had an asset size of $6.0 billion, comprising eight quality commercial properties.

In Singapore, K-REIT Asia owns Bugis Junction Towers; a one-third interest in MBFC Phase One and One Raffles Quay through its respective one-third shareholding interest in BFC Development Pte Ltd (BFCDPL) and One Raffles Quay Pte Ltd (ORQPL); the OFC Interest; as well as 92.8% of the strata area of Prudential Tower (Prudential Tower Property).

In Australia, K-REIT Asia owns a 50% interest in 275 George Street in Brisbane (275 George Street Interest), as well as the 77 King Street Office Tower and a 50% interest in 8 Chifley Square (8 Chifley Square Interest), both in Sydney.

The contribution from K-REIT Asia's direct investment properties, comprising Bugis Junction Towers,

Overview

	FY2011 $'000	FY2010 $'000	Change %
Property income	**77,968**	84,559	(7.8)
Property expenses	**(16,314)**	(17,254)	(5.4)
Net property income	**61,654**	67,305	(8.4)
Share of results of associates	**37,393**	9,695	285.7
Interest income and rental support[1]	**68,681**	38,418	78.8
Other operating expenses	**(93,996)**	(60,718)	54.8
Net income	**73,732**	54,700	34.8
Divestment gain	**–**	26,439	nm[2]
Net change in fair value of investment properties	**228,735**	31,591	>500.0
Income tax expense	**(6,321)**	(3,494)	80.9
Total return after tax	**296,146**	109,236	171.1
Attributable to:			
- Unitholders	**290,072**	109,236	165.5
- Non-controlling interest	**6,074**	–	nm[2]
Income available for distribution	**112,965**	85,631	31.9
Distribution income	**112,965**	85,631	31.9

1 Rental support in 2011 comprised rental support from vendors of the respective 19.4% and 29% interests in Prudential Tower, the 275 George Street Interest, 77 King Street Office Tower, respective one-third interests in ORQPL, BFCDPL, and the OFC Interest. Rental support in 2010 comprised rental support from vendors of the 29% interest in Prudential Tower, the 275 George Street Interest, 77 King Street Office Tower and respective one-third interests in ORQPL and BFCDPL.

2 nm means not meaningful.

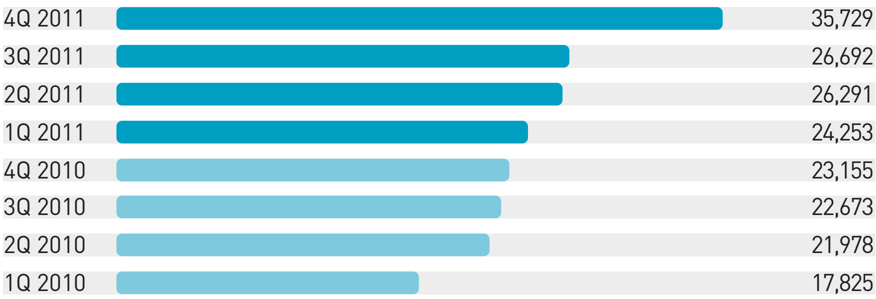
the Prudential Tower Property, the OFC Interest, the 275 George Street Interest and 77 King Street Office Tower, are accounted as property income and net property income.

The contribution from K-REIT Asia's respective one-third interests in ORQPL and BFCDPL are accounted as share of results of associates. The income arising from K-REIT Asia's interest in 8 Chifley Square is accounted as interest income.

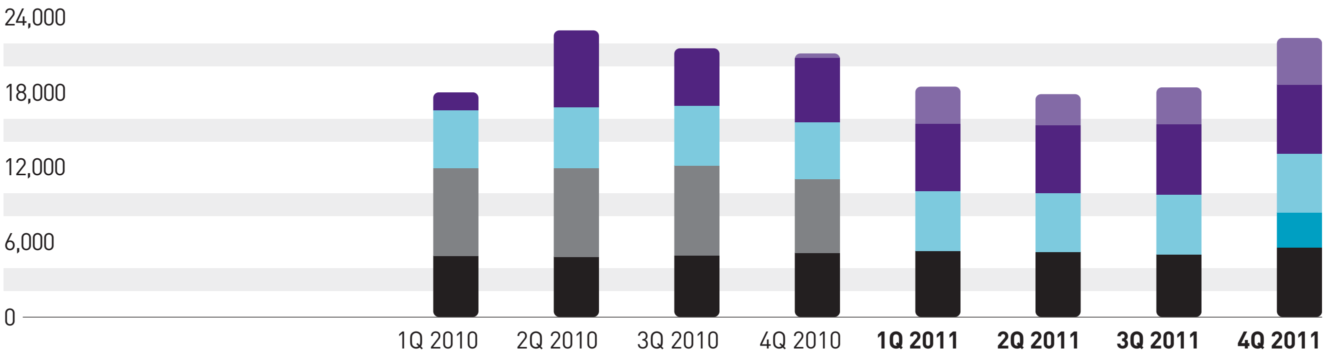
DISTRIBUTABLE INCOME

K-REIT Asia achieved 31.9% higher distributable income for the financial year ended 31 December 2011 (FY2011) as compared to the financial year ended 31 December 2010 (FY2010). Distributable income increased by $27.3 million to

Distribution Income by Quarter
($'000)



Property Income by Asset by Quarter ($'000)

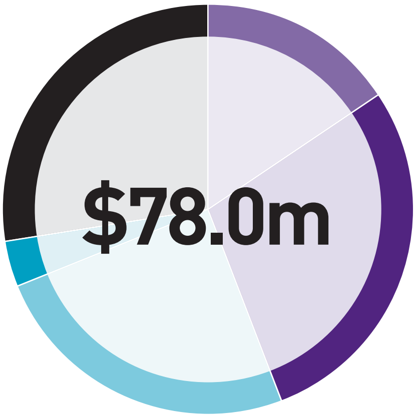


	1Q 2010	2Q 2010	3Q 2010	4Q 2010	1Q 2011	2Q 2011	3Q 2011	4Q 2011
Bugis Junction Towers	4,965	4,883	4,983	5,190	**5,358**	**5,277**	**5,085**	**5,606**
Keppel Towers and GE Tower[1]	7,095	7,180	7,291	5,994	**–**	**–**	**–**	**–**
OFC Interest[2]	–	–	–	–	**–**	**–**	**–**	**2,866**
Prudential Tower Property[3]	4,723	4,932	4,831	4,611	**4,847**	**4,763**	**4,830**	**4,748**
275 George Street Interest[4]	1,427	6,235	4,654	5,231	**5,446**	**5,492**	**5,709**	**5,627**
77 King Street Office Tower[5]	–	–	–	334	**3,021**	**2,530**	**2,990**	**3,773**
Total	18,210	23,230	21,759	21,360	**18,672**	**18,062**	**18,614**	**22,620**

1 The divestment of Keppel Towers and GE Tower was completed on 15 December 2010.
2 The acquisition of the OFC Interest was completed on 14 December 2011.
3 The interest in Prudential Tower Property increased from 73.4% to 92.8% on 3 May 2011.
4 The acquisition of the 275 George Street Interest was completed on 1 March 2010.
5 The acquisition of the 77 King Street Office Tower was completed on 21 December 2010.

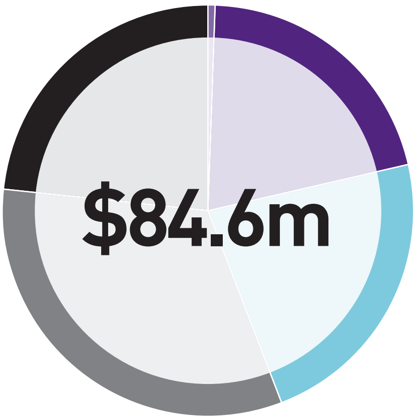
K-REIT Asia owns a one-third stake in One Raffles Quay.

FY2011 Property Income by Asset (%)



Bugis Junction Towers	27.3
Keppel Towers and GE Tower[1]	–
OFC Interest[2]	3.7
Prudential Tower Property[3]	24.6
275 George Street Interest[4]	28.6
77 King Street Office Tower[5]	15.8
Total	100.0

FY2010 Property Income by Asset (%)



Bugis Junction Towers	23.7
Keppel Towers and GE Tower[1]	32.5
OFC Interest[2]	–
Prudential Tower Property[3]	22.6
275 George Street Interest[4]	20.8
77 King Street Office Tower[5]	0.4
Total	100.0

$113.0 million in FY2011 from $85.6 million in FY2010.

The increase in distributable income was due to higher contributions from associates, higher interest income and rental support, partly offset by the divestment of Keppel Towers and GE Tower (KTGE) in December 2010, higher amortisation expenses, borrowing costs and management fees.

The increase in borrowing costs was due mainly to the increased borrowings taken to fund acquisitions in 2011.

PROPERTY INCOME

Property income for FY2011 stood at $78.0 million compared with $84.6 million for FY2010. The change was due mainly to the divestment of KTGE in December 2010, partly offset by property income from the OFC Interest and higher property income from Bugis Junction Towers, the 275 George Street Interest and 77 King Street Office Tower.

NET PROPERTY INCOME

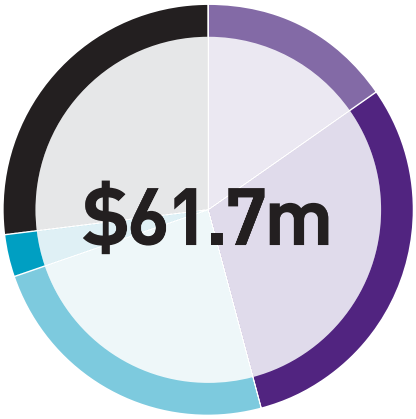
Net property income in FY2011 stood at $61.7 million as compared with $67.3 million in FY2010. The change was due to the divestment of KTGE, partly offset by the net property income contributed by the OFC Interest and higher net property income from Bugis Junction Towers, the 275 George Street Interest and 77 King Street Office Tower. Property expenses declined by $0.9 million or 5.4% to $16.3 million as a result of the changes in the property portfolio.

INCOME CONTRIBUTION

Income contribution comprises net property income from the investment properties directly held by K-REIT Asia, rental support for the OFC Interest, coupon interest income from 8 Chifley Square and contributions from its respective one-third interests in ORQPL and BFCDPL.

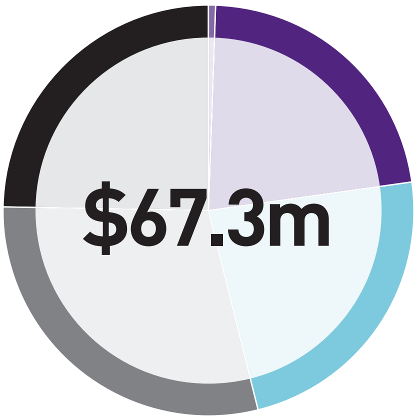
K-REIT Asia's income contribution for FY2011 was $160.0 million, a significant increase of $47.5 million or 42.2% over $112.5 million for FY2010. This was due mainly to increased property income contributions from K-REIT Asia's one-third interest in BFCDPL, the 275 George Street Interest, 77 King Street Office Tower, as well as the OFC Interest.

FY2011 Net Property Income by Asset (%)



Bugis Junction Towers	26.8
Keppel Towers and GE Tower[1]	–
OFC Interest[2]	3.2
Prudential Tower Property[3]	24.0
275 George Street Interest[4]	30.5
77 King Street Office Tower[5]	15.5
Total	100.0

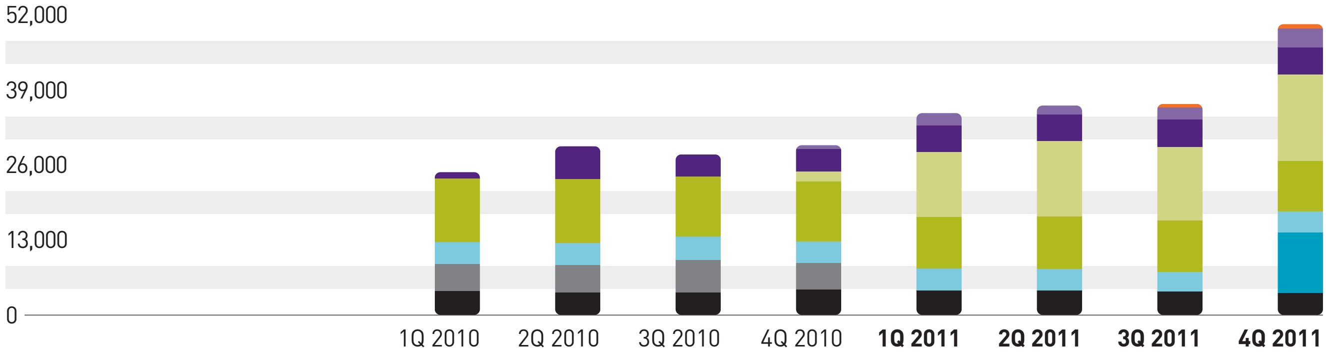
FY2010 Net Property Income by Asset (%)



Bugis Junction Towers	24.5
Keppel Towers and GE Tower[1]	29.6
OFC Interest[2]	–
Prudential Tower Property[3]	23.3
275 George Street Interest[4]	22.2
77 King Street Office Tower[5]	0.4
Total	100.0

1 The divestment of Keppel Towers and GE Tower was completed on 15 December 2010.
2 The acquisition of the OFC Interest was completed on 14 December 2011.
3 The interest in Prudential Tower Property increased from 73.4% to 92.8% on 3 May 2011.
4 The acquisition of the 275 George Street Interest was completed on 1 March 2010.
5 The acquisition of the 77 King Street Office Tower was completed on 21 December 2010.

Income Contribution by Asset by Quarter ($'000)



	1Q 2010	2Q 2010	3Q 2010	4Q 2010	1Q 2011	2Q 2011	3Q 2011	4Q 2011
● Bugis Junction Towers	4,207	3,920	3,916	4,433	**4,327**	**4,290**	**4,122**	**3,804**
● Keppel Towers and GE Tower[1]	4,723	4,811	5,765	4,642	**–**	**–**	**–**	**–**
● OFC Interest[2, 3]	–	–	–	–	**–**	**–**	**–**	**10,657**
● Prudential Tower Property[4]	3,855	3,916	4,041	3,838	**3,827**	**3,788**	**3,429**	**3,709**
● One-third interest in ORQPL[5]	11,147	11,167	10,613	10,481	**9,044**	**9,212**	**8,985**	**8,743**
● One-third interest in BFCDPL[1, 5]	–	–	–	1,782	**11,392**	**13,171**	**12,966**	**15,311**
● 275 George Street Interest[6]	1,103	5,746	3,797	4,331	**4,612**	**4,716**	**4,720**	**4,752**
● 77 King Street Office Tower[7]	–	–	–	261	**2,173**	**1,509**	**2,386**	**3,444**
● 8 Chifley Square Interest[8, 9]	–	–	–	–	**–**	**–**	**376**	**533**
Total	25,035	29,560	28,132	29,768	**35,375**	**36,686**	**36,984**	**50,953**

1 The acquisition of the one-third interest in BFCDPL and divestment of Keppel Towers and GE Tower were completed on 15 December 2010.
2 The acquisition of the OFC Interest was completed on 14 December 2011.
3 Comprised net property income and rental support.
4 The interest in Prudential Tower Property increased from 73.4% to 92.8% on 3 May 2011.
5 Comprised rental support, interest income and dividend income.
6 The acquisition of the 275 George Street Interest was completed on 1 March 2010.
7 The acquisition of the 77 King Street Office Tower was completed on 21 December 2010.
8 The acquisition of the 8 Chifley Square Interest was completed on 28 July 2011.
9 Comprised coupon interest income.

ASSETS UNDER MANAGEMENT (AUM)
K-REIT Asia's total AUM as at 31 December 2011 stood at $6,004.4 million compared with $3,487.6 million a year ago.

The 72.2% or $2,516.8 million increase in AUM is attributed to the acquisition of an additional 19.4% interest in Prudential Tower, the 8 Chifley Square Interest, the OFC Interest, as well as an increase in the valuation of existing properties.

NET ASSET VALUE (NAV)
As at 31 December 2011, K-REIT Asia's NAV was $1.28 per unit. Excluding the distributable income payable for second half of FY2011, K-REIT Asia's NAV stood at $1.26 per unit.

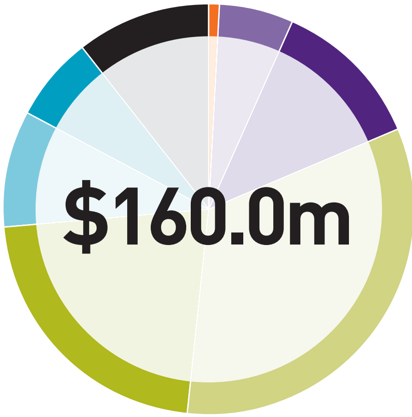
CAPITAL MANAGEMENT
CASH MANAGEMENT
The Manager adopts a prudent approach towards capital management. It regularly assesses the REIT's expense requirements and anticipates potential funding needs. It monitors closely the REIT's cash flow position and working capital to ensure that there are adequate liquid reserves in terms of cash and credit facilities to meet short- to medium-term obligations.

FUNDING AND BORROWINGS
During the financial year, K-REIT Asia took additional borrowings of $766.9 million from various financial institutions and Kephinance to fund the acquisitions of the additional 19.4% interest in Prudential Tower, the 8 Chifley Square Interest and partially fund the OFC Interest. As at 31 December 2011, K-REIT Asia had total gross borrowings of $2,495.5 million, with an aggregate leverage ratio of 41.6%.

K-REIT Asia has mortgaged Bugis Junction Towers, as well as Ocean Financial Centre and its 73.4% interest in Prudential Tower for certain loan facilities. In addition, K-REIT Asia also granted in favour of the lenders the following:

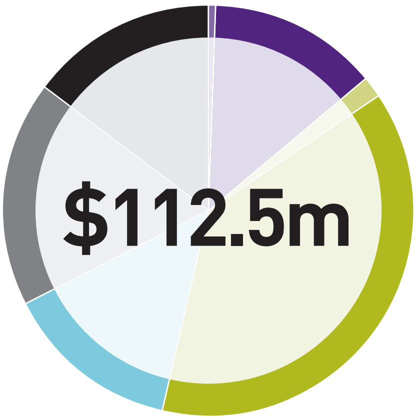
i. an assignment of the rights, title and interest of K-REIT Asia

FY2011 Income Contribution by Asset (%)



Bugis Junction Towers	10.3
Keppel Towers & GE Tower[1]	–
OFC Interest[2, 3]	6.7
Prudential Tower Property[4]	9.2
One-third interest in ORQPL[5]	22.5
One-third interest in BFCDPL[1, 5]	33.0
275 George Street Interest[6]	11.8
77 King Street Office Tower[7]	5.9
8 Chifley Square Interest[8, 9]	0.6
Total	100.0

FY2010 Income Contribution by Asset (%)



Bugis Junction Towers	14.7
Keppel Towers & GE Tower[1]	17.7
OFC Interest[2, 3]	–
Prudential Tower Property[4]	13.9
One-third interest in ORQPL[5]	38.6
One-third interest in BFCDPL[1, 5]	1.6
275 George Street Interest[6]	13.3
77 King Street Office Tower[7]	0.2
8 Chifley Square Interest[8, 9]	–
Total	100.0

1 The acquisition of the one-third interest in BFCDPL and divestment of Keppel Towers and GE Tower were completed on 15 December 2010.
2 The acquisition of the OFC Interest was completed on 14 December 2011.
3 Comprised net property income and rental support.
4 The interest in Prudential Tower Property increased from 73.4% to 92.8% on 3 May 2011.
5 Comprised rental support, interest income and dividend income.
6 The acquisition of the 275 George Street Interest was completed on 1 March 2010.
7 The acquisition of the 77 King Street Office Tower was completed on 21 December 2010.
8 The acquisition of the 8 Chifley Square Interest was completed on 28 July 2011.
9 Comprised coupon interest income.

Valuation of Properties

	FY2011 Valuation $ million	FY2010[10] Valuation $ million	Change %
Bugis Junction Towers	**410.5[7]**	320.1	28.2
OFC Interest[1]	**2,054.0[8]**	–	nm
Prudential Tower Property[2]	**477.4[7]**	342.6	39.3
One-third interest in ORQPL	**1,099.0[7]**	1,015.0	8.3
One-third interest in BFCDPL[3]	**1,513.0[7]**	1,447.0	4.6
275 George Street Interest[4]	**236.0[7]**	215.7	9.4
77 King Street Office Tower[5]	**154.7[7]**	147.2	5.1
8 Chifley Square Interest[6]	**59.8[9]**	–	nm
Total	**6,004.4**	3,487.6	72.2

nm – not meaningful
1 The acquisition of the OFC Interest was completed on 14 December 2011.
2 The interest in Prudential Tower Property increased from 73.4% to 92.8% on 3 May 2011.
3 The acquisition of one-third interest in BFCDPL was completed on 15 December 2010.
4 The acquisition of the 275 George Street Interest was completed on 1 March 2010.
5 The acquisition of the 77 King Street Office Tower was completed on 21 December 2010.
6 The acquisition of the 8 Chifley Square Interest was completed on 28 July 2011.
7 Valuation as at 1 October 2011.
8 Valuation as at 15 September 2011.
9 Valuation as at 1 December 2011 based on an "as-is" basis.
10 Valuation as at 31 December 2010.

Debt Maturity Profile[1] (%)

Borrowings maturing in 2012	21.4
Borrowings maturing in 2013	4.0
Borrowings maturing in 2014	25.5
Borrowings maturing in 2015	33.1
Borrowings maturing in 2016	16.0

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

Key Statistics

	As at 31 Dec 2011	As at 31 Dec 2010
Aggregate leverage[1]	**41.6%**	37.0%
Gross borrowings[2]	**$2,495.5 million[3]**	$1,289.9 million
Value of deposited properties	**$6,004.4 million**	$3,487.6 million
Interest coverage ratio[4]	**4.79 times**	5.59 times
EBITDA[5]	**$138.7 million**	$94.0 million
Interest expense	**$28.9 million**	$16.8 million
All-in interest rate[6]	**2.53%**	3.37%
Weighted average term to expiry	**3.1 years**	4.2 years
Corporate rating	**BBB**	Baa3

1 Aggregate leverage: Ratio of gross borrowings to value of deposited properties.
2 Includes K-REIT Asia's respective share of borrowings carried at ORQPL.
3 Including deferred payments in relation to the development of Ocean Financial Centre's carpark and retail podium.
4 Interest coverage ratio: Ratio of profit before interest, tax, depreciation and amortisation to interest expense.
5 EBITDA refers to earnings before interest, tax, depreciation and amortisation.
6 All-in interest rate includes amortisation of upfront debt arrangement expenses.

and the insurances effected over Bugis Junction Towers;

ii. an assignment of all the rights benefits, title and interest of K-REIT Asia in and to the property sale agreement and tenancy agreements relating to Bugis Junction Towers;
iii. debenture creating fixed and floating charges over all assets of the Trust relating to Bugis Junction Towers;
iv. an assignment of construction contracts and construction guarantees, shareholders undertaking, subordination deed, trust deed relating to Ocean Financial Centre; and
v. an assignment of rental and insurance proceeds derived from Ocean Financial Centre.

As at 31 December 2011, K-REIT Asia had utilised $2,170.7 million and had unutilised credit facilities of $435.3 million available to meet its future obligations.

The average cost of borrowings for FY2011 was 2.53% per annum compared with 3.37% per annum for FY2010.

The Interest Coverage Ratio for the financial year was 4.79 times.

CASH FLOWS AND LIQUIDITY

As at 31 December 2011, K-REIT Asia's cash and cash equivalents stood at $85.7 million, an increase of $35.9 million or 72.0% as compared with $49.9 million as at 31 December 2010. The increase was due mainly to higher dividend received from associates, rental support and interest income received during FY2011.

Net cash from operating activities for FY2011 was $37.7 million. This was an increase of $2.3 million over the operating cash flow of $35.4 million in the preceding financial year.

Net cash used in investing activities for FY2011 was $1,621.8 million. This comprised mainly $1,728.6 million used for the acquisitions of the additional 19.4% interest in Prudential Tower,

Change in Rental Income ($'000)	
Resulting from:	
1% increase in occupancy[1]	2,507
1% decrease in occupancy[1]	(2,507)
10% increase in current average rent rates[2]	501
10% decrease in current average rent rates[2]	(501)

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	(7,124)
75-basis-point decrease in interest rate	7,124
5% appreciation of Australian dollar against Singapore dollar	275
5% depreciation of Australian dollar against Singapore dollar	(275)

the OFC Interest, and the 8 Chifley Square Interest.

This is partly offset by $40.1 million of dividend income received from associates, $22.1 million of interest income and $44.6 million of rental support received in FY2011.

Net cash generated from financing activities was $1,619.9 million. This included $985.7 million gross proceeds raised from the Rights Issue in December 2011 and drawdown of loans amounting to $766.9 million, offset by issuance expenses of $5.4 million, distribution payment of $96.5 million to Unitholders, payment of interest expense of $27.1 million, loan to an associate of $1.9 million and payment of $1.9 million upfront fees in relation to the loans drawndown.

USE OF PROCEEDS FROM RIGHTS ISSUE

K-REIT Asia raised approximately $985.7 million from the issuance of 1,159,694,000 units through a 17-for-20 Rights Issue in December 2011. The proceeds from the Rights Issue had been utilised in the following manner:

i. $978.4 million to partially fund the acquisition of the OFC Interest for a period of 99 years;
ii. $5.4 million to pay the underwriting, professional fees and other fees and expenses in relation to the Rights Issue; and
iii. $1.9 million to pay the upfront fees incurred in relation to the loans drawndown.

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 seven properties in operation is sensitive to changes in the properties' occupancies and the rental rates achieved for lease renewals and rent reviews.

Assuming that current average rental rate is maintained, the impact on rental income for every 10% increase or decrease in current average rental rates for a financial year would be approximately $0.5 million.

K-REIT Asia is also subjected to interest rate fluctuations, which affect its interest-earning financial assets and interest-bearing financial liabilities. It is also subjected to foreign exchange fluctuations, which affect the income generated from its Australian dollar-denominated assets.

In respect to interest rate applicable to interest-earning financial assets and interest-bearing financial liabilities, a 75-basis-point increase or decrease in the interest rates will cause a corresponding decrease or increase of $7.1 million in K-REIT Asia's total return before tax.

K-REIT Asia's total return before tax will increase or decrease by $275,000 if the Australian dollar appreciates or depreciates by 5% against the Singapore dollar.

RISK MANAGEMENT

The Manager has identified key risks to K-REIT Asia, which pertain to 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 covers all key activities in evaluating investment opportunities, planning and control, reporting and monitoring, and information management. The risk management framework and policies are also 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 when necessary, to review K-REIT Asia's financial performance; assess its current and future operating, financial and investment risks; as well as respond to feedback from the compliance manager and auditor.

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 a 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 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 implemented and up-to-date.

The Manager works closely with the Property Manager and other co-owners of assets in which K-REIT Asia does not have a majority control to ensure that the performance of these assets is 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.

FINANCING RISK

Prudent capital management and strong internal controls are fundamental to the management of 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, tenure 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 for K-REIT Asia's interest-bearing financial liabilities and applies the appropriate financial instruments to limit the extent to which net interest expense can be affected by adverse volatility in interest rates.

FOREIGN EXCHANGE RISK

K-REIT Asia's foreign currency risk relates mainly to the distributable income it receives from and progressive payments it makes in its Australian Dollar denominated investments. The Manager monitors the foreign currency exposure and manages the exposure to adverse volatility in foreign currency exchange rates through appropriate financial instruments.

Currently, the Manager adopts a policy of hedging close to 90% of the expected income from the Australian assets in the current year. For the investment in 8 Chifley Square, all of the committed progressive payments have been hedged and thus its exposure to the foreign currency fluctuation is limited.

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 also strives to expand its network of creditworthy tenants to complement K-REIT Asia's portfolio of quality commercial assets.

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 analysis of key financial projections, assumptions and impact on K-REIT Asia.

INVESTOR RELATIONS

1. The Manager engages the media and analysts during the half- and full-year briefings.
2. Clear and accurate information are shared with stakeholders in a timely manner.
3. The EGM in November 2011 provided a platform for Unitholders to better understand the benefits of the acquisition of an approximate 87.5% interest in Ocean Financial Centre.

K-REIT Asia is committed to maintaining high standards of corporate governance and disclosure. The Manager recognises the importance of disseminating clear and accurate information in a timely manner to its key stakeholders including Unitholders, buy- and sell-side analysts, fund managers, potential investors, the media as well as general public.

INVESTOR RELATIONS AND RESEARCH TEAM

The Manager has a dedicated team who communicates with investors frequently.

The team provides regular updates on K-REIT Asia's operating and financial performance and business outlook, and is focused on establishing and maintaining good relations with the investment and research communities.

The team engages both institutional and retail Unitholders regularly through statutory financial performance reporting and briefing sessions, one-on-one meetings, conference calls, as well as road shows and investor conferences. It also facilitates two-way communication with investors and research analysts by providing prompt and accurate responses to queries.

In 2011, the Manager participated in six conferences in Singapore and the region. It also organised two analysts and media briefing sessions to announce K-REIT Asia's half- and full-year financial results.

Through regular interaction with investors, analysts and stakeholders, the Manager ensures that all stakeholders have a good understanding of K-REIT Asia and its operations. These sessions enable the Manager to share about K-REIT Asia's growth and acquisition strategies, Singapore REIT sector trends, as well as the markets in which the REIT operates. In addition, they provide valuable platforms through which the Manager fosters stronger relations with existing investors and attracts potential investors.

CORPORATE WEBSITE

K-REIT Asia reports its quarterly financial results within one month after the end of each quarter. The materials are disclosed to SGX and uploaded on K-REIT Asia's corporate website at www.kreitasia.com on the same day of release so that all stakeholders can access timely and consistent updates on K-REIT Asia.

Unitholders and members of the public can also access the corporate website for up-to-date information on K-REIT Asia's operational and financial performance, as well as business outlook.

All financial announcements, investor presentations, annual reports, distribution history, and other relevant information pertaining to K-REIT Asia's portfolio of properties as well as the management team and board of directors are also available on the website. They can also contact the investor relations team or post queries online via the corporate website.

ONGOING COMMUNICATION

K-REIT Asia encourages Unitholders to participate in all meetings. In 2011, both the Annual General Meeting and Extraordinary General Meeting (EGM) were held at locations easily accessible via public transport.

Going forward, the notices for all Unitholder meetings will have postage-paid proxy forms that enable registered Unitholders to appoint proxies to attend and vote at the meeting on their behalf, should they be unable to participate in person.

At the meetings, the CEO presented the REIT's performance and rationale for the resolutions at hand. The meetings were well-attended by Unitholders whose queries and concerns were addressed by the Chairman, Directors and management team.

In the run-up to the EGM in November 2011 to seek minority Unitholders' approval on the acquisition of an approximate 87.5% interest in Ocean Financial Centre and the fully renounceable underwritten Rights Issue, the senior management team went on a series of roadshows in Hong Kong, Europe, United States and Singapore to communicate the rationale for the acquisition, funding structure, its benefits and contribution to K-REIT Asia's growth prospects, as well as the REIT's overall operations and strategy.

During the EGM, an overwhelming number of Unitholders voted in favour of the transactions that would increase distributable income and significantly upgrade K-REIT Asia's property portfolio.

LOOKING AHEAD

K-REIT Asia's expanded portfolio and increased efforts to improve investor outreach have seen the number of research houses covering K-REIT Asia increase from 12 houses a year ago to 15 as at end-2011.

Looking ahead, the investor relations and research team strives to maintain high standards in corporate disclosure and proactively engage all its stakeholders through regular and timely communication, as well as various outreach platforms.

FINANCIAL CALENDAR

FINANCIAL CALENDAR

APRIL 2012
– Announcement of first-quarter financial results

JULY 2012
– Announcement of half-year financial results

AUGUST 2012
– First half-year distribution payout to Unitholders

OCTOBER 2012
– Announcement of third-quarter financial results

JANUARY 2013
– Announcement of full-year financial results

FEBRUARY 2013
– Second half-year distribution payout to Unitholders

2011 INVESTOR RELATIONS CALENDAR HIGHLIGHTS

1ST QUARTER 2011
– Press and analysts' briefing on FY2010 results
– CLSA ASEAN Forum 2011 (Bangkok)

2ND QUARTER 2011
– Announcement of 1Q 2011 results
– AGM
– Citi Asia Pacific Property Conference 2011
– Nomura Asia Equity Forum 2011

3RD QUARTER 2011
– Press and analysts' briefing on 1H 2011 results
– BNP Paribas ASEAN Conference
– SGX-UBS Global Markets Conference (Hong Kong)
– Macquarie ASEAN Conference 2011
– Real Estate Investment World Conference

4TH QUARTER 2011
– Announcement of 3Q 2011 results
– Press and analysts' briefing for the proposed acquisition of an approximate 87.5% interest in Ocean Financial Centre and proposed underwritten renounceable Rights Issue
– Roadshows in Singapore, Hong Kong, Europe and the US
– EGM to seek minority Unitholders' approval for the acquisition of an approximate 87.5% interest in Ocean Financial Centre and proposed underwritten renounceable Rights Issue

UNIT PRICE PERFORMANCE

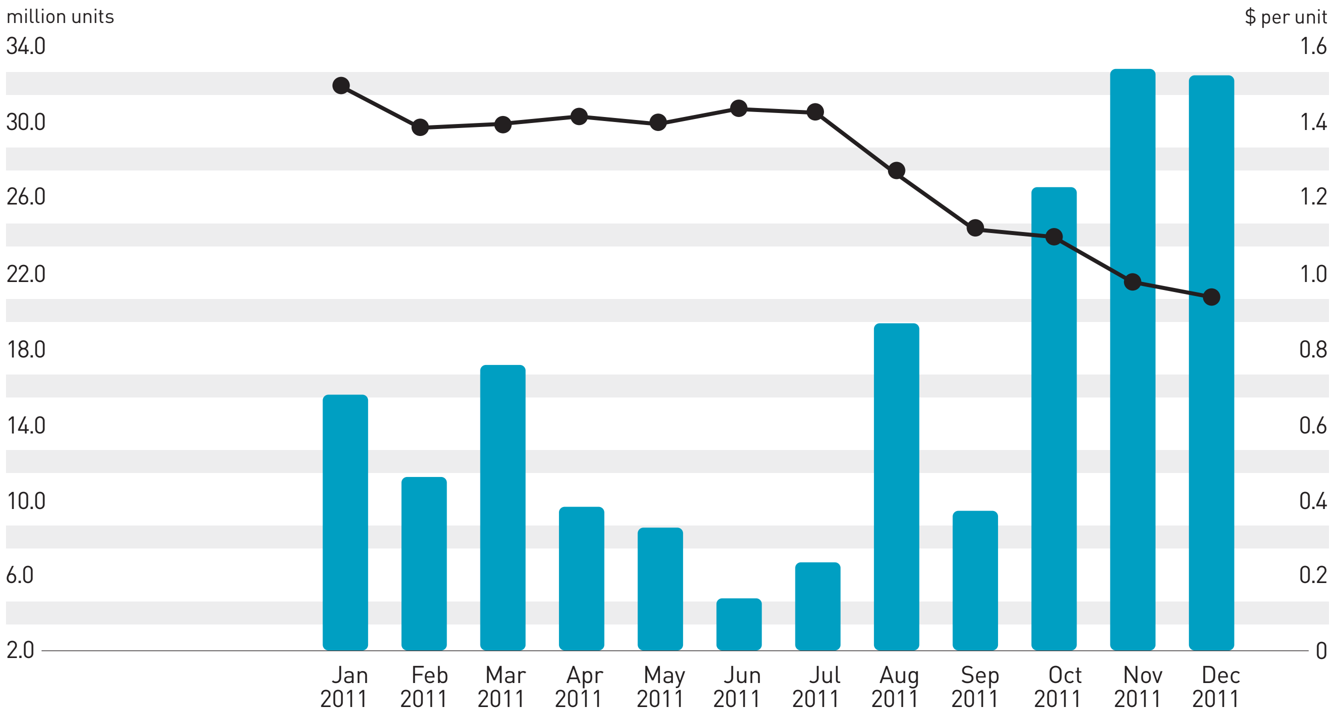
The Singapore equity market held steady for most of 2011, with the Straits Times Index (STI) trading above the 3,000 mark for the first seven months of the year before dipping to 2,885 points at end-August and ending the year at 2,646 points. Both the FTSE ST REIT Index (FTSE ST REIT) and the FTSE ST Real Estate Index (FTSE ST RE) traded down during the year as well. The FTSE ST REIT lost 110 points to end the year at 574 points, while the FTSE ST RE lost 199 points to close at 531 points on 30 December 2011.

The declines were due mainly to slower than expected economic growth and uncertainties in the global debt and equity markets. Earlier in the year, the Ministry of Trade and Industry (MTI) forecasted Singapore's GDP growth to be between 5% and 7% for 2011. However, the GDP growth came in near the lower end of the forecast at 4.9%. In tandem with market fluctuations, K-REIT Asia's unit price traded down to $1.00 per unit at end-September 2011.

K-REIT Asia's unit trading volume increased significantly with the announcement of the acquisition of an approximate 87.5% interest in Ocean Financial Centre and an underwritten fully renounceable Rights Issue to partially fund the acquisition. The average daily trading volume went up from 0.5 million units daily before the announcement to about 1.7 million units post-announcement.

In 2011, K-REIT Asia generated an estimated DPU yield of 8.5%, 155 basis points and 690 basis points higher than the FTSE ST REIT and 10-year Singapore Government bond respectively.

Unit Price Performance in 2011



	Jan 2011	Feb 2011	Mar 2011	Apr 2011	May 2011	Jun 2011	Jul 2011	Aug 2011	Sep 2011	Oct 2011	Nov 2011	Dec 2011
Monthly trading volume (million units)	15.65	11.15	17.09	9.61	8.51	4.72	6.62	19.30	9.36	26.50	32.76	32.42
Month-end closing unit price ($ per unit)	1.39	1.28	1.29	1.31	1.29	1.33	1.32	1.16	1.01	0.99	0.87	0.83

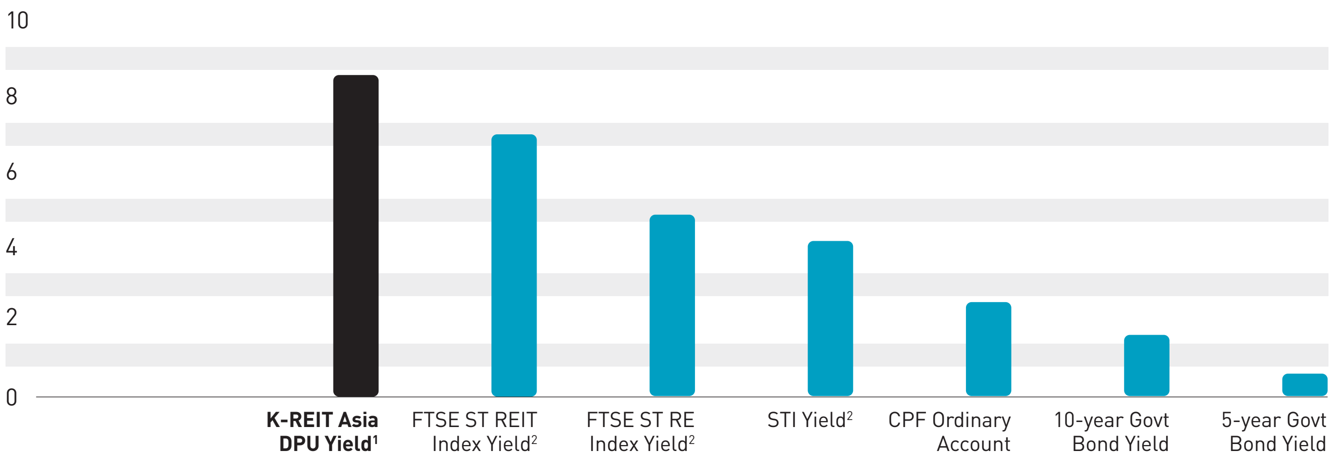
Unit Price Performance

	2011	2010
Highest closing price	**$1.45**	$1.43
Lowest closing price	**$0.81**	$1.05
Average closing price	**$1.20**	$1.20
Last done on 31 December	**$0.83**	$1.41
Trading volume (million units)	**193.7**	187.4

Comparative Price Trends

		K-REIT Asia		FTSE ST REIT INDEX		FTSE ST RE INDEX		STI	
		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	2010	1.41	100.00	683.28	100.00	729.58	100.00	3,190.04	100.00
Jan	**2011**	**1.39**	**98.58**	**682.06**	**99.82**	**713.26**	**97.76**	**3,179.72**	**99.68**
Feb	**2011**	**1.28**	**90.78**	**654.13**	**95.73**	**673.72**	**92.34**	**3,010.51**	**94.37**
Mar	**2011**	**1.29**	**91.49**	**663.05**	**97.04**	**692.26**	**94.88**	**3,105.85**	**97.36**
Apr	**2011**	**1.31**	**92.91**	**666.87**	**97.60**	**705.09**	**96.64**	**3,179.86**	**99.68**
May	**2011**	**1.29**	**91.49**	**681.07**	**99.68**	**698.12**	**95.69**	**3,159.93**	**99.06**
Jun	**2011**	**1.33**	**94.33**	**673.21**	**98.53**	**674.09**	**92.39**	**3,120.44**	**97.82**
Jul	**2011**	**1.32**	**93.62**	**679.65**	**99.47**	**669.00**	**91.70**	**3,189.26**	**99.98**
Aug	**2011**	**1.16**	**81.91**	**643.23**	**94.14**	**607.39**	**83.25**	**2,885.26**	**90.45**
Sep	**2011**	**1.01**	**71.28**	**595.85**	**87.20**	**553.48**	**75.86**	**2,675.16**	**83.86**
Oct	**2011**	**0.99**	**69.86**	**617.69**	**90.40**	**598.07**	**81.97**	**2,855.77**	**89.52**
Nov	**2011**	**0.87**	**61.35**	**587.08**	**85.92**	**555.53**	**76.14**	**2,702.46**	**84.72**
Dec	**2011**	**0.83**	**58.87**	**573.68**	**83.96**	**530.90**	**72.77**	**2,646.35**	**82.96**

Comparative Yields
as at 30 December 2011 (%)



K-REIT Asia DPU Yield[1]	FTSE ST REIT Index Yield[2]	FTSE ST RE Index Yield[2]	STI Yield[2]	CPF Ordinary Account	10-year Govt Bond Yield	5-year Govt Bond Yield
8.50	6.98	4.82	4.12	2.5	1.63	0.60

1 Based on K-REIT Asia's 7.08 cents DPU for FY2011 and market closing price pf $0.83 per unit as at 30 December 2011.
2 Based on 12-month gross dividend of stocks in the STI, FTSE REIT Index and FTSE RE Index as at 30 December 2011.

K-REIT Asia's Total Returns[1] (%)	
Since listing on 28 April 2006[2] to 31 December 2011	21.4%
From 31 December 2010 to 30 December 2011[3]	(32.6%)

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 $1.41 on 31 December 2010 and $0.83 on 30 December 2011.

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 wherever 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.

Environmental Responsibility

The Manager recognises that operational excellence as well as the cultivation of a green mindset among our people and tenants will contribute towards a sustainable future.

A Platinum Green Mark Award winner, Ocean Financial Centre features the largest photovoltaic cell system for a commercial building in the Singapore CBD.

As environmental issues continue to dominate global agendas, eco-consciousness will become increasingly widespread. Recognising that businesses play a critical role in strategically influencing and implementing sustainable practices, K-REIT Asia adopts a holistic approach towards the reduction of its ecological footprint. In addition to implementing environmentally sustainable initiatives where feasible, the Manager proactively engages and educates its employees and tenants on how they can green their operations and adopt more environmentally friendly lifestyles.

SUSTAINABLE DEVELOPMENT

K-REIT Asia shares the same philosophy as its sponsor, Keppel Land, that its properties should harmonise with and improve the environment, as well as enhance the quality of life of the respective communities.

In an increasingly urbanised and built-up environment, the resource-efficiency and sustainability of our buildings play a critical role towards conserving our environment without any compromise to our operations.

All of K-REIT Asia's assets in Singapore are certified a minimum Green Mark Gold by the Building and Construction Authority (BCA). Ocean Financial Centre is the first office building in Singapore's CBD to achieve the highest Platinum Green Mark rating.

In Australia, 275 George Street in Brisbane has achieved the 5-Star Green Star and 4.5-Star NABERS ratings. 8 Chifley Square in Sydney is targeting to achieve the 6-Star Green Star and 5-Star NABERS ratings.

Green buildings mean more than just a label. They translate into real cost savings from more efficient use of resources. In addition, environmentally-responsible buildings complement tenants' green credentials, as well as provide a healthier workplace through enhancing the productivity and well-being of their occupants.

ECO-OFFICE

The Manager's concerted conservation efforts were affirmed by the re-certification of the Eco-Office programme by the Singapore Environment Council at its corporate head office at Bugis Junction Towers for 2011–2013.

Ongoing initiatives across K-REIT Asia's head office and buildings under its management include recycling paper and printer toner cartridges, switching off lights and office equipment when not in use, as well as installing water-saving devices in washrooms and pantry faucets.

Staff and tenants are also encouraged to do their part to preserve the environment and minimise resource wastage.

RAISING ECO-CONSCIOUSNESS

The Manager recognises that there is a need for collective effort by companies to reduce energy, water and materials consumption. Tenants are encouraged to reduce, reuse and recycle by utilising recycling bins which are placed at prominent locations across its properties.

The Manager also provides tenants with tips on how they can reduce their carbon footprint, as well as reduce operational costs by adopting good habits and installing energy- or water-saving devices.

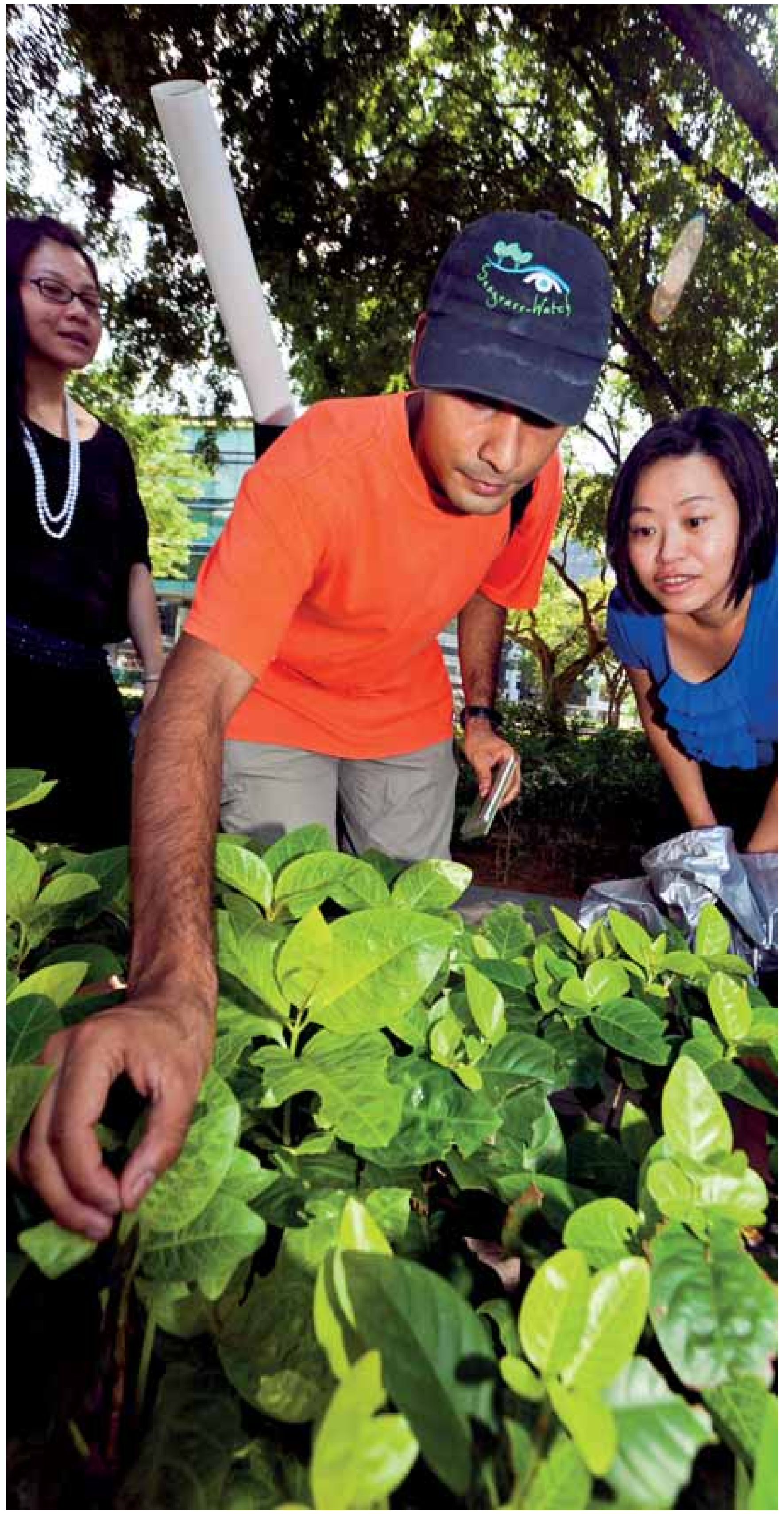
Together with Keppel's business units in Singapore and abroad, the Manager supported Earth Hour, an initiative by the World Wildlife Fund (WWF), on 26 March 2011. The facade lights and non-essential lights at areas such as lift lobbies and corridors of its properties were switched off for one hour as part of its efforts to conserve energy.

Earth Hour notices were also prominently displayed at the lift lobbies and along the exteriors of its buildings to encourage tenants and the public to join in the efforts.

Roadshows were organised at K-REIT Asia's buildings to raise awareness on climate change and recycling among office tenants. A series of activities were organised in conjunction with World Environment Day in June 2011 to educate employees and tenants on the need to go green.

The Manager also encourages its employees to share the environmental message with families and friends. To mark World Environment Day, staff and families enjoyed a two-kilometre butterfly trail walk organised by Keppel Land's Corporate Social Responsibility Committee. Led by the Nature Society of Singapore, participants learnt about the abundant and often unnoticed vibrant biodiversity in Singapore's vast urban sprawl.

A lunch talk on environmental issues with invited speakers from WWF, The Climate Project and Levi-Strauss, as well as a mini eco-bazaar, which included eco-lifestyle products and recycled items, were also organised at Ocean Financial Centre for over 100 staff, tenants and associates on 3 June 2011.



Employees share the environmental message with families and friends through educational activities such as the butterfly trail walk.

Safety and Health

K-REIT Asia is committed to foster a culture of safety and health consciousness among its employees and tenants.

The Manager is committed to create a safe and healthy environment through ongoing programmes and initiatives.

INCULCATING A SAFETY CULTURE
As a member of the Keppel Group, K-REIT Asia pledged its commitment to the Keppel Workplace Safety and Health (WSH) 2018 initiative at the fifth Keppel Group Safety Convention on 4 November 2011.

The initiative aims to significantly reduce incident rates by implementing uniform safeguards across the Group, increasing accountability and promoting ownership through four key thrusts:

- Establish an integrated WSH framework across businesses worldwide
- Implement an effective safety management system
- Enhance safety ownership
- Strengthen safety partnerships

The Keppel Group has also embarked on a comprehensive three-year programme to continually review and update its safety measures, which will be benchmarked against that of DuPont's Singapore operations. This exercise comprises a safety survey, site assessments and safety road map for individual business units, including K-REIT Asia.

STAYING PREPARED
The Manager identifies and evaluates regularly the possible operational safety and health risks that may impact its tenants, as well as visitors and the public.

To evaluate such risks as well as workplace safety and health compliance, independent safety audits were conducted at all K-REIT Asia's office buildings during the year. Findings were reviewed and suggestions for improvement were implemented where possible.

Keeping close vigil ensures early detection of potential safety and health risks that may impact its building occupants, as well as visitors and members of the public.

Evacuation drills were also conducted twice a year at all buildings. Fire wardens were briefed and trained on the buildings' emergency procedures and received kits that included essential items, such as a torchlight and first-aid kit.

To reinforce the message, exhibitions highlighting possible accidents and dangers, as well as the methods of prevention, were also displayed at buildings' lobbies.

On 31 October 2011, Marina Bay Financial Centre took part in an emergency preparedness exercise in collaboration with the police, civil defence and civilian security officers. The drill enabled security officers and staff to familiarise themselves with the response protocol in an emergency and improved their preparedness for threats.

Flu pandemic drills were also carried out at Prudential Tower and Bugis Junction Towers on 20 August 2011 and 17 September 2011 respectively. Such drills ensure that staff and tenants are prepared and ready to respond in the event of pandemic outbreak.

COMMITMENT TO STAKEHOLDERS
Looking ahead, K-REIT Asia is focused on creating a safer and healthier work environment in all its buildings, and will continue to educate and train employees, tenants and all stakeholders on the importance of safety management and incident prevention.

The Manager will set meaningful and measurable targets to control and manage safety and health risks through regular reviews and audits, as well as communicate safety and health information and procedures with employees and tenants.

The Manager seeks to instill a sense of responsibility and accountability in its employees and contractors to observe all safety and health rules, practices and laws that apply to their jobs, and to take precaution in protecting themselves, their co-workers, visitors and the public from harm.

To this effect, a circular on the extension of the WSH Act was disseminated to tenants following its launch in September 2011. Employees are encouraged to take practicable measures to ensure safety at their workplace.

All contractors are also required to comply with the WSH Act and submit risk asessments prior to commencing any work.

Recognising that safety is a lifelong journey, the Manager will continue to improve its safety and health processes and systems by reviewing its risk assessment methods and controls, in addition to measuring progress and ensuring compliance with the relevant legislative requirements.

Procedures are in place to ensure that the Manager is able to react promptly to operational risks.

People Development

Attracting, retaining and grooming employees with the right skills and attitude ensure that there is a strong talent pool to support and drive further growth for K-REIT Asia.

Recognising that people are its core asset, the Manager has put in place a robust talent management programme to attract, retain and groom employees with the right skills and attitudes.

TALENT ATTRACTION, DEVELOPMENT AND MANAGEMENT
Adopting a holistic approach towards its human resource strategy, the Manager provides ample training and learning opportunities for its employees to prepare them for the next level of growth.

The Manager conducted its third organisational climate survey, which provides employees a platform to give feedback and suggestions on a wide range of areas such as their well-being, work-life balance and personal development. Findings from the survey enabled the Manager to fine-tune its policies and programmes to reinforce its position as an employer of choice.

The Manager leverages efforts by Keppel College, which consolidates the Group's leadership and executive development programmes, to enhance talent development and succession planning.

Through Keppel College, employees are involved in a series of management and leadership development programmes, ongoing dialogues and exchanges with senior management, as well as mentoring and sharing sessions amongst peers.

High-potential employees are part of the Keppel Young Leaders programme, which serves as a central platform to cultivate a global mindset, innovation and entrepreneurship amongst them. Beyond their regular job functions, members of the programme have the opportunity to champion and participate in high-impact projects and cross-border assignments, as well as learn from fellow employees from across the Keppel Group.

1


2


K-REIT Asia Management's CEO also contributed to the development and growth of the group's young leaders by sharing her 21 years of experience at The Leadership Series. The event provides senior management from various business units the opportunity to share insights and knowledge with Keppel Young Leaders.

To better assimilate new hires into the company's environment and culture, the Manager has also introduced the mentoring programme, which sees the mentors guide and impart invaluable knowledge and values to new employees.

On 7 March 2011, the Manager held its annual strategic review and team-building session at Marina at Keppel Bay. Led by the CEO, the management team reviewed its performance in the past year and mapped out its targets for the year ahead. Discussions were centred on overcoming issues and challenges, as well as seeking new opportunities to continue growing the REIT. The team also forged stronger bonds over lunch and recreational activities.

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

These values guide the Manager in its day-to-day operations, long-term strategies as well as communication with all stakeholders. They also serve as a source of competitive advantage which the Manager leverages to shape its work environment and culture.

To instill and strengthen these shared values, employees participate in a variety of quarterly activities including team outings, networking dinners and community outreach programmes.

PROMOTING EMPLOYEE WELLNESS
To encourage work-life balance, the Manager organised a series of wellness programmes and initiatives for its employees throughout the year.

On 6 December 2011, employees bonded over an educational tour to a *kelong* (a floating fish farm in the Malay language) where they learnt about aquaculture and fished to their hearts' content. Other recreational activities included the annual Dinner & Dance on 11 April 2011 and Keppel Group's WALK-n-FUN Day on 15 October 2011 at West Coast Park where staff bonded with family and friends.

To boost the level of eco-consciousness amongst employees, the Manager participated in activities to commemorate World Environment Day and Earth Hour.

Regular activities such as the mass breakfast-cum-exercise sessions organised quarterly on a roof garden enabled staff to develop deeper bonds and a sense of belonging.

1, 2. Events such as the annual Dinner & Dance and outings to a *kelong* (a floating fish farm in the Malay language) give employees an opportunity to bond and forge strong camaraderie.


The Manager bonded with children from less privileged families during a visit to Bollywood Veggies.

Community Relations

K-REIT Asia is committed to making a difference in the communities where it operates and develop meaningful relationships with its tenants.

Fostering and maintaining good tenant relations are an integral part of K-REIT Asia's strategy. The Manager constantly seeks to reinforce, as well as create a strong sense of belonging among its tenants. The Manager believes in giving back to society and making a difference in the lives of the less privileged.

STRENGTHENING TENANT TIES

To celebrate another year of excellent business relations with tenants and business partners, the 36th Ocean Financial Centre and 6th K-REIT Asia Combined Golf Tournament 2011, held jointly with Keppel Towers, GE Tower and Equity Plaza, took place at Sentosa on 19 August 2011.

Over 100 tenants and business associates teed off to a great start, with many networking on the greens. Such events provide platforms for the Manager to reinforce and forge strong relations with tenants in a relaxed environment.

The Manager also organises annual events such as eco-bazaars, lunch time talks on environmental sustainability and supports the Earth Hour initiative, through which tenants are encouraged to adopt a green lifestyle, as well as do their bit for the environment and less fortunate.

GIVING BACK TO SOCIETY

The Manager continues to give back to society through contributions and volunteerism efforts.

For the second year running, K-REIT Asia partnered with MINDSVILLE@Napiri, a multi-service centre under the Movement for the Intellectually Disabled of Singapore (MINDS), which educates and provides care for children with learning difficulties and special needs.

K-REIT Asia brought a group of underprivileged children from MINDSVILLE@Napiri to Bollywood Veggies in Kranji during the school holidays in June.

The team treated the children to a dance performance and played ice-breaker games to get to know them better. While at the farm, the children tasted locally-produced organic plants and fruits, tried their hand at making their own pizzas and enjoyed a birthday celebration over lunch.

As part of its community outreach efforts, K-REIT Asia also participated in a walkathon organised by the Children's Charities Association (CCA) on 26 November 2011 to raise funds for beneficiaries from the Association for Persons with Special Needs (APSN), Keppel Group's adopted charity.

The annual event, which comprises a 1.5-km walk along Orchard Road and fun fair, raised funds for more than 75,000 less fortunate children under the care of the CCA's six member charities.

Tenants of Bugis Junction Towers participated at a bazaar which aimed to raise awareness of socially marginalised groups such as disadvantaged mothers, as well as the elderly and disabled. Besides buying items such as beautifully handmade trinkets, stuffed toys and stationery, tenants walked away with a deeper understanding of the challenges faced by these groups, as well as an appreciation for the different groups in society.

The Manager is also actively involved in lending a helping hand to 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 the activities organised by Keppel Volunteers.

The Manager encourages employees to participate in the Keppel Volunteers' monthly activities, through which volunteers encourage the students of APSN to express themselves creatively. This in turn helps to nurture the students' talents and encourages social interaction.

Organised for the third consecutive year by Keppel Volunteers, the Keppel Group Blood Donation Drive successfully collected a record 485 packets of blood over four days in December 2011 with more employees stepping up to support the cause.

For its effort in helping to meet the nation's blood bank needs, Keppel Volunteers was conferred the Blood Mobile Organiser Award (Merit) on World Blood Donor Day on 11 June 2011.

The Manager continued to participate in meaningful outreach activities and programmes focused on the environment, education and care for the less privileged organised by Keppel Volunteers throughout the year.

K-REIT Asia believes in giving back to society by making a difference in the lives of the less fortunate.

STATISTICS OF UNITHOLDINGS

as at 27 February 2012

ISSUED AND FULLY PAID UNITS

2,552,296,967 Units (Voting rights: 1 vote per Unit)
There is only one class of Units in K-REIT Asia.
Market capitalisation of $2,348,113,209.64 based on market closing price of $0.92 on 27 February 2012.

Distribution of Unitholdings

Size of Holdings	No. of Unitholders	%	No. of Units	%
1–999	1,689	16.51	430,747	0.02
1,000–10,000	5,024	49.11	23,071,087	0.90
10,001–1,000,000	3,481	34.03	197,278,298	7.73
1,000,001 and above	36	0.35	2,331,516,835	91.35
Total	**10,230**	**100.00**	**2,552,296,967**	**100.00**

Twenty Largest Unitholders

No.	Name	No. of Units	%
1	K-REIT Asia Investment Pte Ltd	1,173,935,722	46.00
2	Keppel Real Estate Investment Pte Ltd	766,653,728	30.04
3	DBS Nominees Pte Ltd	74,074,833	2.90
4	HSBC (Singapore) Nominees Pte Ltd	69,828,065	2.74
5	DBSN Services Pte Ltd	54,510,469	2.14
6	Citibank Nominees Singapore Pte Ltd	48,352,361	1.89
7	K-REIT Asia Management Limited	28,256,017	1.11
8	United Overseas Bank Nominees Pte Ltd	18,435,152	0.72
9	Raffles Nominees (Pte) Ltd	14,952,286	0.59
10	Bank of Singapore Nominees Pte Ltd	9,284,640	0.36
11	UOB Kay Hian Pte Ltd	7,488,683	0.29
12	OCBC Securities Private Ltd	6,467,194	0.25
13	Phillip Securities Pte Ltd	6,171,463	0.24
14	DBS Vickers Securities (S) Pte Ltd	5,235,641	0.21
15	Khai Huat Trading (1975) Pte Ltd	5,000,000	0.20
16	BNP Paribas Nominees Singapore Pte Ltd	3,669,550	0.14
17	Lim & Tan Securities Pte Ltd	2,989,060	0.12
18	OCBC Nominees Singapore Pte Ltd	2,945,863	0.12
19	Mak Seng Fook	2,926,000	0.11
20	Oscar Oliveiro Joseph, Othman Bin Haron Eusofe & Lim Boon Heng	2,920,000	0.11
	Total	**2,304,096,727**	**90.28**

THE MANAGER'S DIRECTORS' UNITHOLDINGS

Based on the Register of Directors' Unitholdings maintained by the Manager, as at 21 January 2012, the direct and deemed interests of each Director of K-REIT Asia Management Limited in the Units[1] in K-REIT Asia are as follows:

Name of Director	No. of Units
Tsui Kai Chong	370,000 (Deemed)
Kevin Wong Kingcheung	3,000,000 (Direct)
Ng Hsueh Ling	33,300 (Direct)
Chin Wei-Li, Audrey Marie	370,000 (Direct) and 1,017,500 (Deemed)
Lee Ai Ming	851,000 (Direct)
Tan Chin Hwee	370,000 (Deemed)
Tan Swee Yiow	870,000 (Direct)

1 As at 21 January 2012, other than the contingent awards granted under the Manager's Performance Unit Plan and Restricted Unit Plan, there are no convertible securities in K-REIT Asia.

SUBSTANTIAL UNITHOLDERS

Based on the Register of Substantial Unitholders' Unitholdings maintained by the Manager, as at 27 February 2012, 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	1,998,217,577 (Deemed)[1]	78.29
Keppel Corporation Limited	1,968,845,467 (Deemed)[2]	77.14
Keppel Land Limited	1,202,191,739 (Deemed)[3]	47.10
K-REIT Asia Investment Pte Ltd	1,173,935,722 (Direct)	46.00
Keppel Real Estate Investment Pte Ltd	766,653,728 (Direct)	30.04

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 27 February 2012, approximately 21.44% 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 27 February 2012, there are no treasury units held by K-REIT Asia or the Manager.

CORPORATE INFORMATION

K-REIT Asia

Registered Address
RBC DEXIA TRUST SERVICES SINGAPORE LIMITED
20 Cecil Street
#28-01 Equity Plaza
Singapore 049705
Phone: +65 6823 5000
Fax: +65 6536 7566
Website: www.kreitasia.com

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 Tham Chee Soon)
(with effect from financial year ended 31 December 2011)

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
230 Victoria Street
#15-03 Bugis Junction Towers
Singapore 188024

For general enquiries on K-REIT Asia, please contact:
Investor Relations and Research
Ms Casiopia Low
Manager
Phone: +65 6433 7622
Fax: +65 6835 7747
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 9691
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

MR KELVIN CHUA

Directors of The Manager

DR 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

MR TAN SWEE YIOW
Alternate Director to
Mr Kevin Wong Kingcheung

Audit Committee

DR CHIN WEI-LI, AUDREY MARIE
Chairman

DR TSUI KAI CHONG

MR TAN CHIN HWEE

Nominating and Remuneration Committee

MRS LEE AI MING
Chairman

MR KEVIN WONG KINGCHEUNG

DR CHIN WEI-LI, AUDREY MARIE

MR TAN CHIN HWEE

Financial Statements

CONTENTS

Report of the Trustee

For the financial year ended 31 December 2011

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 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.

To the best knowledge of the Trustee, the Manager has, in all material respects, managed K-REIT Asia and its subsidiaries, during the period covered by these financial statements, set out on pages 113 to 169 comprising the Balance Sheets, Statement of Total Return, Distribution Statement, Portfolio Statement, Statements 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
Managing Director

Singapore, 17 February 2012

Statement by the Manager

For the financial year ended 31 December 2011

In the opinion of the directors of K-REIT Asia Management Limited (the "Manager"), the accompanying financial statements set out on pages 113 to 169 comprising the Balance Sheets, Statement of Total Return, Distribution Statement, Portfolio Statement, Statements 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 positions of the Group and the Trust as at 31 December 2011, the total return, distributable income, movements in Unitholders' funds and cash flows of the Group and the movements in Unitholders' funds of the Trust 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 the Group and the Trust will be able to meet their 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, 17 February 2012

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

For the financial year ended 31 December 2011

To the Unitholders of K-REIT Asia

We have audited the accompanying financial statements of K-REIT Asia (the "Trust") and its subsidiaries (collectively, the "Group") set out on pages 113 to 169, which comprise the Balance Sheets of the Group and the Trust and Portfolio Statement of the Group as at 31 December 2011, the Statements of Movements in Unitholders' Funds of the Group and the Trust, the Statement of Total Return, Distribution Statement and Statement of Cash Flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Manager's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial positions of the Group and the Trust as at 31 December 2011, the total return, distributable income, movements in Unitholders' funds and cash flows of the Group and the movements in Unitholders' funds of the Trust for the year ended on that date in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Certified Public Accountants of Singapore.

Ernst & Young LLP

ERNST & YOUNG LLP
Public Accountants and
Certified Public Accountants

Singapore, 17 February 2012

Balance Sheets

As at 31 December 2011

	Note	Group 2011 $'000	Group 2010 $'000	Trust 2011 $'000	Trust 2010 $'000
Non-current assets					
Investment properties	3	**3,472,069**	1,025,634	**881,870**	662,700
Investment in subsidiaries	4	**-**	-	**1,611,166**	3,862
Investment in associates	5	**1,469,708**	1,376,697	**1,373,591**	1,374,545
Investment in joint ventures	6	**37,011**	-	**-**	-
Amount owing by subsidiary	7	**-**	-	**430,314**	381,227
Advances to associates	8	**606,222**	604,348	**606,222**	604,348
Other non-current receivables		**6,734**	-	**-**	-
Fixed assets	9	**53**	-	**-**	-
Intangible asset	10	**137,945**	37,242	**10,893**	32,485
Derivative financial instruments	14	**5,264**	-	**5,264**	-
		5,735,006	3,043,921	**4,919,320**	3,059,167
Current assets					
Trade and other receivables	11	**30,582**	21,144	**21,069**	11,902
Prepaid expenses		**723**	998	**544**	605
Cash and cash equivalents	12	**85,741**	49,860	**59,386**	49,634
Derivative financial instruments	14	**4,835**	-	**4,835**	-
		121,881	72,002	**85,834**	62,141
Total assets		**5,856,887**	3,115,923	**5,005,154**	3,121,308
Current liabilities					
Trade and other payables	13	**141,355**	44,000	**45,645**	42,224
Income received in advance	15	**2,352**	5,225	**105**	74
Short term borrowings	16	**510,127**	-	**-**	-
Current portion of security deposits		**1,213**	2,400	**1,213**	2,400
Derivative financial instruments	14	**267**	452	**267**	452
Provision for taxation		**5,402**	3,261	**5,056**	3,261
		660,716	55,338	**52,286**	48,411
Non-current liabilities					
Income received in advance	15	**15,179**	4,310	**9,102**	4,310
Long term borrowings	16	**1,655,833**	989,932	**1,755,715**	989,932
Derivative financial instruments	14	**22,974**	4,606	**22,974**	4,606
Non-current portion of security deposits		**26,720**	6,186	**8,118**	6,186
		1,720,706	1,005,034	**1,795,909**	1,005,034
Total liabilities		**2,381,422**	1,060,372	**1,848,195**	1,053,445
Net assets		**3,475,465**	2,055,551	**3,156,959**	2,067,863
Represented by:					
Unitholders' funds		**3,262,632**	2,055,551	**3,156,959**	2,067,863
Non-controlling interest		**212,833**	-	**-**	-
		3,475,465	2,055,551	**3,156,959**	2,067,863
Units in issue ('000)	17	**2,547,575**	1,355,904	**2,547,575**	1,355,904
Net asset value per Unit ($)		**1.28**	1.52	**1.24**	1.53

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

Statement of Total Return

For the financial year ended 31 December 2011

	Note	Group 2011 $'000	Group 2010 $'000
Property income	18	**77,968**	84,559
Property expenses	19	**(16,314)**	(17,254)
Net property income		**61,654**	67,305
Rental support	20	**45,633**	26,366
Share of results of associates	5	**37,393**	9,695
Share of results of joint ventures		**(33)**	-
Interest income		**23,048**	12,052
Amortisation expense	10	**(36,035)**	(22,502)
Trust expenses	21	**(28,209)**	(20,943)
Borrowing costs	22	**(28,932)**	(16,821)
Change in fair value of derivative financial instruments		**(787)**	(452)
Net income before net change in fair value of investment properties and divestment gain		**73,732**	54,700
Net change in fair value of investment properties	23	**228,735**	31,591
Divestment gain on disposal of investment property		**-**	26,439
Total return before tax		**302,467**	112,730
Income tax expense	24	**(6,321)**	(3,494)
Total return for the year		**296,146**	109,236
Attributable to:			
Unitholders		**290,072**	109,236
Non-controlling interest		**6,074**	-
		296,146	109,236
Basic and diluted earnings per Unit (cents) based on total return for the year	25	**20.42**	7.49
Basic and diluted earnings per Unit (cents) based on total return for the year and excluding net change in fair value of investment properties and divestment gain on disposal of investment property	25	**4.73**	3.51

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

Distribution Statement

For the financial year ended 31 December 2011

	Group 2011 $'000	Group 2010 $'000
Income available for distribution to Unitholders at beginning of the year	**45,823**	37,019
Net income before net change in fair value of investment properties and divestment gain on disposal of investment property	**73,732**	54,700
Net income attributable to non-controlling interest	**(235)**	-
Net tax adjustments (Note A)	**45,789**	34,425
Income tax expense	**(6,321)**	(3,494)
	112,965	85,631
Income available for distribution to Unitholders	**158,788**	122,650
Distributions to Unitholders:		
Distribution of 3.38 cents (2010: 2.77 cents) per Unit for the period from 1/7/2010 to 31/12/2010 (2009: 1/7/2009 to 31/12/2009)	**(45,879)**	(37,008)
Distribution of 3.72 cents (2010: 2.97 cents) per Unit for the period from 1/1/2011 to 30/6/2011 (2010: 1/1/2010 to 30/6/2010)	**(50,572)**	(39,819)
Income available for distribution to Unitholders at end of the year	**62,337**	45,823
Note A - Net tax adjustments comprise:		
Non-tax deductible/(chargeable) items:		
- Manager's management fees paid and payable in Units	**12,222**	7,537
- Trustee's fees	**564**	353
- Amortisation of intangible asset and capitalised transaction costs	**36,822**	24,683
- Share of results of associates	**(37,393)**	(9,695)
- Share of results of joint ventures	**33**	-
- Change in fair value of derivative financial instruments	**-**	452
- Effect of recognising rental income on a straight-line basis over the lease terms	**(3,133)**	(2,550)
- Other non-tax (chargeable)/deductible items	**(596)**	4,413
	8,519	25,193
Dividend income from associates	**37,270**	9,232
Net tax adjustments	**45,789**	34,425

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

Portfolio Statement

As at 31 December 2011

Group

Description of Property	Tenure of land	Term of lease	Remaining term of lease	Location	Existing use	Carrying value 2011 $'000	Carrying value 2010 $'000	Percentage of net assets 2011 %	Percentage of net assets 2010 %
Investment properties in Singapore									
Prudential Tower[1]	Leasehold	99 years	83.0 years	30 Cecil Street	Commercial	**471,370**	342,600	**13.6**	16.7
Bugis Junction Towers	Leasehold	99 years	77.7 years	230 Victoria Street	Commercial	**410,500**	320,100	**11.8**	15.6
Ocean Financial Centre[2]	Leasehold	99 years	98.9 years	10 Collyer Quay	Commercial	**2,199,522**	-	**63.3**	-
Investment properties in Australia									
275 George Street[3]	Estate in fee simple	NA	NA	Brisbane	Commercial	**235,980**	215,730	**6.8**	10.5
77 King Street office tower	Estate in fee simple	NA	NA	Sydney	Commercial	**154,697**	147,204	**4.5**	7.1
Investment properties, at valuation (Note 3)						**3,472,069**	1,025,634	**100.0**	49.9
Investments in associates and joint ventures, advances to associates (Notes 5, 6 and 8) and intangible asset (Note 10)						**2,250,886**	2,018,287	**64.7**	98.2
Property held by a joint venture:									
8 Chifley Square[4]	Leasehold	99 years	93.3 years	Sydney	Under development				
Properties held by associates:									
One Raffles Quay	Leasehold	99 years	88.4 years	1 Raffles Quay	Commercial				
Marina Bay Financial Centre Towers 1 & 2 and Marina Bay Link Mall	Leasehold	99 years	92.8 years	Nos. 8, 10 and 8A Marina Boulevard	Commercial				
Other assets and liabilities (net)						**(2,247,490)**	(988,370)	**(64.7)**	(48.1)
Net assets						**3,475,465**	2,055,551	**100.0**	100.0

1 Comprises approximately 92.8% (2010: 73.4%) of the strata area in Prudential Tower.
2 Carrying value is based on 100.0% of Ocean Financial Centre. K-REIT Asia owns approximately 87.51% (2010: Nil) interest in Ocean Financial Centre.
3 Comprises 50.0% (2010: 50.0%) interest in 275 George Street.
4 Comprises 50.0% (2010: Nil) interest in 8 Chifley Square.

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

The carrying amounts of the Group's assets under management as at 31 December 2011 and 31 December 2010 were based on independent valuations undertaken by various independent valuers. 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, discounted cash flow analysis and direct comparison method.

FY2011

Property	Independent valuer	Date of valuation	Valuation $'000
Prudential Tower	Savills Valuation and Professional Services	1 October 2011	**477,400**[2]
Bugis Junction Towers	Cushmann & Wakefield	1 October 2011	**410,500**
Ocean Financial Centre	Savills Valuation and Professional Services	15 September 2011	**2,054,000**[3]
275 George Street	Knight Frank Valuations Queensland	1 October 2011	**235,980**
77 King Street office tower	m3 Property Strategists	1 October 2011	**154,697**
One Raffles Quay[1]	Knight Frank Pte Ltd	1 October 2011	**1,099,000**
Marina Bay Financial Centre Towers 1 & 2 and Marina Bay Link Mall[1]	Knight Frank Pte Ltd	1 October 2011	**1,513,000**
8 Chifley Square	m3 Property Strategists	1 December 2011	**59,848**
			6,004,425

FY2010

Property	Independent valuer	Date of valuation	Valuation $'000
Prudential Tower	Colliers International	31 December 2010	342,600
Bugis Junction Towers	Colliers International	31 December 2010	320,100
275 George Street	Savills (Qld) Pty Limited	31 December 2010	215,730
77 King Street office tower	m3 Property Strategists	31 December 2010	147,204
One Raffles Quay[1]	Colliers International	31 December 2010	1,015,000
Marina Bay Financial Centre Towers 1 & 2 and Marina Bay Link Mall[1]	Knight Frank Pte Ltd	31 December 2010	1,447,000
			3,487,634

1 The valuations for One Raffles Quay and Marina Bay Financial Centre Towers 1 & 2 and Marina Bay Link Mall are based on the Group's one-third interest in the properties and include the rental support top-up payments.

2 The carrying value of Prudential Tower, excluding rental support top-up payment, is $471,370,000.

3 The carrying value based on 100.0% interest in Ocean Financial Centre, excluding rental support top-up payment, is $2,199,522,000.

The net change in fair value of the investment properties has been taken to the Statement of Total Return.

The investment properties comprised commercial properties that are mainly leased to third party tenants. Generally, these leases contain an initial non-cancellable period of between 2 and 20 years. Subsequent renewals are negotiated with individual lessee.

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

Statements of Movements in Unitholders' Funds

For the financial year ended 31 December 2011

Group	Units in issue $'000	Foreign currency translation reserve $'000	Hedging reserve $'000	Accumulated profits $'000	Unitholders' funds $'000	Non-controlling interest $'000	Total $'000
	Attributable to Unitholders						
At 1 January 2011	**1,672,063**	**(1,310)**	**(4,606)**	**389,404**	**2,055,551**	**-**	**2,055,551**
Operations							
Total return for the year	**-**	**-**	**-**	**290,072**	**290,072**	**6,074**	**296,146**
Net increase in assets resulting from operations	**-**	**-**	**-**	**290,072**	**290,072**	**6,074**	**296,146**
Unitholders' transactions							
Creation of Units							
- payment of management fees in Units	**10,467**	**-**	**-**	**-**	**10,467**	**-**	**10,467**
- payment of acquisition fee in Units	**20,131**	**-**	**-**	**-**	**20,131**	**-**	**20,131**
- rights issue	**985,740**	**-**	**-**	**-**	**985,740**	**-**	**985,740**
Issue expenses	**(5,405)**	**-**	**-**	**-**	**(5,405)**	**-**	**(5,405)**
Distributions to Unitholders	**-**	**-**	**-**	**(96,451)**	**(96,451)**	**-**	**(96,451)**
Net increase/(decrease) in net assets resulting from Unitholders' transactions	**1,010,933**	**-**	**-**	**(96,451)**	**914,482**	**-**	**914,482**
Acquisition of a subsidiary (Note 4)	**-**	**-**	**-**	**-**	**-**	**206,759**	**206,759**
Net movement in foreign currency translation reserve	**-**	**12,666**	**-**	**-**	**12,666**	**-**	**12,666**
Net change in fair value of cash flow hedges	**-**	**-**	**(8,536)**	**-**	**(8,536)**	**-**	**(8,536)**
Share of net change in fair value of cash flow hedges of an associate	**-**	**-**	**(1,603)**	**-**	**(1,603)**	**-**	**(1,603)**
At 31 December 2011	**2,682,996**	**11,356**	**(14,745)**	**583,025**	**3,262,632**	**212,833**	**3,475,465**

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

	Attributable to Unitholders						
	Units in issue $'000	Foreign currency translation reserve $'000	Hedging reserve $'000	Accumulated profits $'000	Unitholders' funds $'000	Non-controlling interest $'000	Total $'000
At 1 January 2010	**1,645,657**	**-**	**-**	**356,995**	**2,002,652**	**-**	**2,002,652**
Operations							
Total return for the year	-	-	-	109,236	109,236	-	109,236
Net increase in assets resulting from operations	-	-	-	109,236	109,236	-	109,236
Unitholders' transactions							
Creation of Units							
- payment of management fees in Units	8,803	-	-	-	8,803	-	8,803
- payment of acquisition and divestment fees in Units	17,133	-	-	-	17,133	-	17,133
Issue expense adjustment	470	-	-	-	470	-	470
Distributions to Unitholders	-	-	-	(76,827)	(76,827)	-	(76,827)
Net increase/(decrease) in net assets resulting from Unitholders' transactions	26,406	-	-	(76,827)	(50,421)	-	(50,421)
Net movement in foreign currency translation reserve	-	(1,310)	-	-	(1,310)	-	(1,310)
Net change in fair value of cash flow hedges	-	-	(4,606)	-	(4,606)	-	(4,606)
At 31 December 2010	**1,672,063**	**(1,310)**	**(4,606)**	**389,404**	**2,055,551**	**-**	**2,055,551**

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

	Trust			
	Units in issue $'000	Hedging reserve $'000	Accumulated profits $'000	Total $'000
At 1 January 2011	**1,672,063**	**(4,606)**	**400,406**	**2,067,863**
Operations				
Total return for the year	**-**	**-**	**183,150**	**183,150**
Net increase in assets resulting from operations	**-**	**-**	**183,150**	**183,150**
Unitholders' transactions				
Creation of Units				
- payment of management fees in Units	**10,467**	**-**	**-**	**10,467**
- rights issue	**985,740**	**-**	**-**	**985,740**
- payment of acquisition fee in Units	**20,131**	**-**	**-**	**20,131**
Issue expenses	**(5,405)**	**-**	**-**	**(5,405)**
Distributions to Unitholders	**-**	**-**	**(96,451)**	**(96,451)**
Net increase/(decrease) in net assets resulting from Unitholders' transactions	**1,010,933**	**-**	**(96,451)**	**914,482**
Net change in fair value of cash flow hedges	**-**	**(8,536)**	**-**	**(8,536)**
At 31 December 2011	**2,682,996**	**(13,142)**	**487,105**	**3,156,959**

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

	Trust			
	Units in issue $'000	Hedging reserve $'000	Accumulated profits $'000	Total $'000
At 1 January 2010	**1,645,657**	**-**	**356,995**	**2,002,652**
Operations				
Total return for the year	-	-	120,238	120,238
Net increase in assets resulting from operations	-	-	120,238	120,238
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 expense adjustment	470	-	-	470
Distributions to Unitholders	-	-	(76,827)	(76,827)
Net increase/(decrease) in net assets resulting from Unitholders' transactions	26,406	-	(76,827)	(50,421)
Net change in fair value of cash flow hedges	-	(4,606)	-	(4,606)
At 31 December 2010	**1,672,063**	**(4,606)**	**400,406**	**2,067,863**

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 2011

	Group	
	2011 **$'000**	2010 $'000
Operating activities		
Total return before tax	**302,467**	112,730
Adjustments for:		
Interest income	**(23,048)**	(12,052)
Amortisation expense	**36,035**	22,502
Share of results of associates	**(37,393)**	(9,695)
Share of results of joint ventures	**33**	-
Borrowing costs	**28,932**	16,821
Management fees paid and payable in Units	**12,222**	7,537
Net change in fair value of investment properties	**(228,735)**	(31,591)
Gain on divestment of investment property	**-**	(26,439)
Change in fair value of unrealised derivative financial instruments	**-**	452
Translation differences	**356**	(3,321)
Operating cash flows before changes in working capital	**90,869**	76,944
Increase in receivables	**(48,960)**	(35,995)
(Decrease)/Increase in payables	**(19,332)**	7,422
Increase/(Decrease) in security deposits	**19,347**	(7,852)
Cash flows from operations	**41,924**	40,519
Income taxes paid	**(4,184)**	(5,087)
Net cash flows generated from operating activities	**37,740**	35,432
Investing activities		
Purchase of investment properties	**(119,195)**	(377,373)
Proceeds from sale of investment property	**-**	570,501
Improvements in investment properties	**(1,267)**	(546)
Interest received	**22,102**	12,266
Rental support received	**44,592**	24,392
Dividend income received from associates	**40,090**	9,911
Net cash outflow on acquisition of a subsidiary (Note A)	**(1,563,684)**	-
Net cash outflow on investment in an associate (Note B)	**-**	(1,380,152)
Investment in a joint venture	**(37,092)**	-
Increase in intangible asset	**(7,351)**	(27,151)
Net cash flows used in investing activities	**(1,621,805)**	(1,168,152)
Financing activities		
Proceeds from rights issue	**985,740**	-
Issue expenses	**(5,405)**	-
Loans drawdown	**766,944**	993,490
Repayment of loans	**-**	(581,085)
Loan to an associate	**(1,874)**	-
Repayment of loan from an associate	**-**	300,000
Payment of upfront debt arrangement costs	**(1,925)**	(3,593)
Distributions to Unitholders	**(96,451)**	(76,827)
Interest paid	**(27,083)**	(24,954)
Net cash flows generated from financing activities	**1,619,946**	607,031

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

	Group 2011 $'000	Group 2010 $'000
Net increase/(decrease) in cash and cash equivalents	**35,881**	(525,689)
Cash and cash equivalents at beginning of the year	**49,860**	575,549
Cash and cash equivalents at end of the year (Note 12)	**85,741**	49,860

Note A – Net cash outflow on acquisition of a subsidiary	**2011 $'000**
Fair value of subsidiary's net assets acquired	**1,579,265**
Add:	
Acquisition costs	**27,720**
Total consideration	**1,606,985**
Less:	
Acquisition fee paid in Units	**(20,131)**
Accrued acquisition costs	**(3,542)**
	(23,673)
Consideration settled in cash	**1,583,312**
Less: Cash and cash equivalents of subsidiary acquired	**(19,628)**
Net cash outflow on acquisition of a subsidiary	**1,563,684**

Note B – Net cash outflow on investment in an associate	2010 $'000
Unquoted shares, at cost	865,143
Advances to associate	559,380
	1,424,523
Less:	
Acquisition fee paid in Units	(14,268)
Accrued purchase consideration	(27,676)
Accrued acquisition costs	(2,427)
Net cash outflow on investment in an associate	1,380,152

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

Note C - Significant non-cash transactions

The following were the significant non-cash transactions:

(i) 8,442,733 (2010: 7,766,746) Units were issued as payment of management fees to the Manager, amounting to $10,467,000 (2010: $8,803,000);

(ii) 23,534,019 Units were issued during the financial year as payment of acquisition fee to the Manager, amounting to $20,131,000, in relation to the acquisition of the approximate 87.51% interest in Ocean Properties Pte Limited (Note 4); and

(iii) 12,114,120 Units were issued during financial year ended 31 December 2010 as payment of acquisition and divestment fees 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.

These notes form an integral part of the financial statements.

The financial statements of K-REIT Asia (the “Trust”) and its subsidiaries (collectively, the “Group”) for the financial year ended 31 December 2011 were authorised for issue by the Manager on 17 February 2012.

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 and its subsidiaries 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 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 principal activities of its subsidiaries are set out in Note 4.

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.

1. General (cont'd)

(b) Manager's management fees (cont'd)

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 acquisition price and a divestment fee of 0.5% of sale price on all acquisitions or disposals of properties.

(c) Trustee's fees

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

2. Summary of significant accounting policies

(a) Basis of preparation

The financial statements of the Group have been prepared in accordance with the recommendations of 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 requirements 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 under the Singapore Financial Reporting Standards ("FRS").

The financial statements, which are expressed in Singapore dollars (SGD) and rounded to the nearest thousand ($'000), unless otherwise stated, are prepared on the historical cost basis, except as disclosed in the accounting policies below.

(b) Basis of consolidation and business combinations

(i) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Trust and its subsidiaries as of the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date and using consistent accounting policies as the Trust.

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

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.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

(ii) Business combinations

The Group determines whether a transaction or an event is a business combination, in which case the assets acquired and liabilities assumed are required to constitute a business. If the assets acquired are not a business, the Group accounts for the transaction or event as an asset acquisition. Such a transaction or event does not give rise to goodwill.

Business combinations from 1 January 2010

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, will be recognised in accordance with FRS 39 either in the Statement of Total Return or as a change to Unitholders' funds. If the contingent consideration is classified as equity, it will not be remeasured until it is finally settled within equity.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in the Statement of Total Return.

The Group elects, for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in the Statement of Total Return on the acquisition date.

Business combinations prior to 1 January 2010

In comparison to the above mentioned requirements, the following differences applied:

Business combinations are accounted for by applying the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity. Any additional acquired share of interest did not affect previously recognised goodwill.

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

(b) Basis of consolidation and business combinations (cont'd)

(ii) Business combinations (cont'd)

Business combinations prior to 1 January 2010 (cont'd)

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

(c) Transactions with non-controlling interest

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to Unitholders of the Trust, and are presented separately in the Statement of Total Return and within equity in the consolidated Balance Sheet, separately from equity attributable to the Unitholders of the Trust.

(d) Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards and Interpretations of FRS ("INT FRS") that are effective for annual periods beginning on 1 January 2011. The adoption of these standards and interpretations did not have any effect on the financial performance or positions of the Group and the Trust.

(e) Standards issued but not yet effective

The Group has not adopted the following standards that have been issued but not yet effective:

Reference	Description	Effective date (Annual periods beginning on or after)
Amendments to FRS 107	Disclosures – Transfers of Financial Assets	1 July 2011
Amendments to FRS 12	Deferred Tax: Recovery of Underlying Assets	1 January 2012
Revised FRS 27	Separate Financial Statements	1 January 2013
Revised FRS 28	Investments in Associates and Joint Ventures	1 January 2013
FRS 110	Consolidated Financial Statements	1 January 2013
FRS 111	Joint Arrangements	1 January 2013
FRS 112	Disclosure of Interest in Other Entities	1 January 2013
FRS 113	Fair Value Measurements	1 January 2013

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

(f) Significant accounting judgments and estimates

The preparation of the financial statements in conformity with RAP 7 requires the Manager to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income, expenses and disclosures made. The estimates and associated assumptions are based on historical experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

Estimates and underlying assumptions are reviewed on an ongoing basis. Financial impact arising from revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are as follow:

Valuation of investment properties

Investment properties are stated at fair value, with changes in fair values being recognised in the Statement of Total Return. The Group engaged independent professional valuers to determine fair value as at 31 December 2011.

The fair value of investment properties is determined by independent valuers using recognised valuation techniques. In determining the fair value, the valuers have used valuation methods which involve estimates and discount rates applicable to those assets. The Manager is satisfied that the valuation methods and estimates are reflective of 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 deferred taxation arising from the net change in fair value of investment properties. Based on 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(y) Taxation). Where the terms or conditions are changed or have not been met, it will impact deferred tax provision in those periods.

(g) 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. The Group's financial statements are presented in Singapore dollars.

(ii) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Trust and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. 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. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

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

(g) Functional and foreign currency (cont'd)

(ii) Foreign currency transactions (cont'd)

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in the Statement of Total Return except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised under foreign currency translation reserve in Unitholders' funds. The foreign currency translation reserve is reclassified from Unitholders' funds to Statement of Total Return on disposal of the foreign operation.

(iii) Consolidated financial statements

For consolidation purpose, the assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised under foreign currency translation reserve in Unitholders' funds. On disposal of a foreign operation, the foreign currency translation reserve relating to that particular foreign operation is recognised in the Statement of Total Return.

(h) 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 the 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 are met.

Subsequent to initial recognition, investment properties are measured at fair value which reflects market conditions at the end of the reporting period. Gains or losses arising from changes in the fair values of investment properties are included in the Statement of Total Return 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 in the year of retirement or disposal.

(i) Fixed assets

Fixed assets are initially recorded at cost and subsequently measured at cost less accumulated depreciation and any accumulated impairment losses.

All fixed assets are depreciated on a straight-line basis over their estimated useful lives as follows:

Computer	3 years
Machinery and equipment	3 – 7 years

The estimated useful lives, residual values and depreciation method are reviewed at each financial year end, and adjusted prospectively, if appropriate.

(j) Subsidiaries

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Trust's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

(k) Associates

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. An 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 associates are accounted for using the equity method. Under the equity method, the investment in associates is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to associates is included in the carrying amount of the investment and is neither amortised nor tested individually for impairment.

The profit or loss reflects the share of the results of operations of the associates. Where there has been a change recognised in other comprehensive income by the associates, the Group recognises its share of such changes in Unitholders' funds. Unrealised gains and losses resulting from transactions between the Group and the associates are eliminated to the extent of the interest in the associates.

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 the end of each reporting period 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.

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

(l) Joint ventures

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, where the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control. The Group recognises its interest in joint ventures using the equity method from the date the Group obtains joint control until the date the Group ceases to have joint control over the joint ventures.

Adjustments are made in the Group's consolidated financial statements to eliminate the Group's share of intragroup balances, income and expenses and unrealised gains and losses on such transactions between the Group and jointly controlled entities.

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

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

(m) Intangible asset

Intangible asset, which relates to rental support top-up payments, is measured initially at cost, being the fair value as at the date of acquisition. Following initial recognition, intangible assets are measured at cost less any accumulated amortisation and any 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 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 useful lives is recognised in the Statement of Total Return 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 when the asset is derecognised.

(n) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Total Return.

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. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. 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.

(o) Financial assets

Financial assets are recognised 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 profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

The subsequent measurement of financial assets depends on their classification as follows:

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

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group.

The Group has not designated any financial assets upon initial recognition at fair value through profit or loss.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in the Statement of Total Return.

(ii) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in the Statement of Total Return when the loans and receivables are derecognised or impaired, and through the amortisation process.

(iii) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the investment to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in the Statement of Total Return when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in Unitholders' funds is recognised in the Statement of Total Return.

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

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

(p) Impairment of financial assets

The Group assesses at each end of the reporting period whether there is any objective evidence that a financial asset is impaired.

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has 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 discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in the Statement of Total Return.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

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 to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in the Statement of Total Return.

(q) Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand, and demand deposits.

(r) Financial liabilities

Financial liabilities are recognised 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.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

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 through profit or loss. Financial liabilities are classified as held for 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.

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 the Statement of Total Return.

(ii) Other financial liabilities
After initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the Statement of Total Return when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Total Return.

(s) Security deposits
Security deposits relate to rental deposits received from tenants at the Group's investment properties. The accounting policy for security deposits as a financial liability is set out in Note 2(r).

(t) Unit capital and issuance expenses
Proceeds from issuance of Units are recognised as units in issue in Unitholders' funds. Incremental costs directly attributable to the issuance of Units are deducted against Unitholders' funds.

(u) 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 embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period 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 finance cost.

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

(v) Leases – as lessor

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of INT FRS 104.

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(w)(i).

(w) 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, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group has concluded that it is acting as a principal in all its revenue arrangements. 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 using the effective interest method.

(iii) Rental support and dividend income
Rental support and dividend income are recognised when the Group's right to receive payment is established.

(x) Expenses

(i) Trust expenses
Trust expenses are recognised on accrual basis.

(ii) Property expenses
Property expenses are recognised on accrual basis. Included in property expenses is property management fees which is based on the applicable formula stipulated in Note 1(a).

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

(iv) Borrowing costs
Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds, and are recognised in the period they occur.

(y) Taxation

(i) Current income tax

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

(ii) Deferred tax

Deferred income tax is provided, using the liability method, on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability on a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are measured at the tax rates expected to apply in the year in which those assets and liabilities are expected to be realised or settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

The carrying amount of deferred tax assets is reviewed at each reporting date 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 reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be utilised.

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

(y) Taxation (cont'd)

(iii) Tax transparency

The Inland Revenue Authority of Singapore ("IRAS") has issued a tax ruling on the income tax treatment of the Trust. Subject to meeting the terms and conditions of the tax ruling which includes a distribution of at least 90% of the taxable income of the Trust, the Group will not be assessed to tax on the portion of its taxable income that is distributed to Unitholders. 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.

The distributions made by the Trust out of its taxable income are subject to tax in the hands of Unitholders, unless they are exempt from tax on the Trust's distributions (the "tax transparency ruling"). The Trust is required to withhold tax at the prevailing corporate tax rate on the distributions made by the Trust except:

a) where the beneficial owners are individuals or Qualifying Unitholders, the Trust will make the distributions to such Unitholders without withholding any income tax; and

b) where the beneficial owners are foreign non-individual investors or where the Units are held by nominee Unitholders who can demonstrate that the Units are held for beneficial owners who are foreign non-individual investors, the Trust will withhold tax at a reduced rate of 10% from the distributions.

A Qualifying Unitholder is a Unitholder who is:

a. A tax resident Singapore-incorporated company;

b. A non-corporate Singapore constituted or registered entity (e.g. registered charities, town councils, statutory boards, registered co-operative societies and registered trade unions);

c. A Singapore branch of a foreign company which has presented a letter of approval from the IRAS granting a specific waiver from tax deducted at source in respect of distributions from the Trust;

d. An agent bank or a Supplementary Retirement Scheme ("SRS") operator who act as nominee for individuals who have purchased Units in the Trust under the CPF Investment Scheme or the SRS respectively; or

e. A nominee who can demonstrate that the Units are held for beneficial owners who are individuals and who fall within the classes of Unitholders listed in a. to c. above.

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

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

(iv) Sales tax
Revenue, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables on the Balance Sheets.

(z) Portfolio reporting
For management purposes, the Group is organised into operating segments based on individual investment properties within the Group's portfolio, and prepares financial information on a property by property basis. The properties are independently managed by 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 each property and to assess the property's performance.

(aa) 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 hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value 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.

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

(aa) Hedge accounting (cont'd)

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 in hedging reserve in Unitholders' funds, while any ineffective portion is recognised immediately in the Statement of Total Return.

Amounts recognised in hedging reserve in Unitholders' funds are transferred to the Statement of Total Return when the hedge transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognised in hedging reserve in Unitholders' funds is transferred to the Statement of Total Return. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in hedging reserve in Unitholders' funds remains in Unitholders' funds until the forecast transaction or firm commitment affects profit or loss.

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 14.

The Group uses forward currency contracts to hedge foreign currency risk arising from the cash flows of its foreign investment properties in Australia and firm commitments in relation to the progressive payments for the subscription of units and convertible notes in a joint venture in Australia. Details of the forward currency contracts are disclosed in Note 14.

(ab) Related parties

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and the Trust if that person:
   (i) Has control or joint control over the Trust;
   (ii) Has significant influence over the Trust; or
   (iii) Is a member of the key management personnel of the Trust's Manager or of a parent of the Trust.

(b) An entity is related to the Group and the Trust if any of the following conditions applies:
   (i) The entity and the Trust are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
   (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
   (iii) Both entities are joint ventures of the same third party.
   (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
   (v) The entity is a post-employment benefit plan for the benefit of employees of an entity related to the Trust. If the Trust is itself such a plan, the sponsoring employers are also related to the Trust;
   (vi) The entity is controlled or jointly controlled by a person identified in (a);
   (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

3. Investment properties

	Group		Trust	
	2011 $'000	2010 $'000	**2011 $'000**	2010 $'000
At 1 January	**1,025,634**	1,162,800	**662,700**	1,162,800
Translation differences	**12,180**	2,021	**-**	-
Purchase of investment properties	**119,214**	377,373	**119,214**	-
Acquisition of subsidiary (Note 4)	**2,180,503**	-	**-**	-
Sale of investment properties	**-**	(541,197)	**-**	(541,197)
Capital expenditure capitalised	**1,248**	546	**23**	546
Capital expenditure written off	**-**	(79)	**-**	(79)
Net gain in fair value recognised in Statement of Total Return	**133,290**	24,170	**99,933**	40,630
At 31 December	**3,472,069**	1,025,634	**881,870**	662,700

Investment properties are stated at fair value based on valuations performed by independent valuers. In determining the fair value, the valuers have used direct comparison method, investment method and discounted cash flows analysis which makes reference to estimated market rental values and equivalent yields. The key assumptions used to determine the fair value of investment properties include market-corroborated capitalisation yields, terminal yields and discount rates.

Certain investment properties amounting to $2,977,022,000 (2010: $662,700,000) have been mortgaged as security for credit facilities granted to the Group (Note 16).

4. Investment in subsidiaries

	Trust	
	2011 **$'000**	2010 $'000
Unquoted equity, at cost	**1,611,166**	3,862

Name	Country of incorporation/ constitution	Principal activities	Effective equity interest 2011 %	Effective equity interest 2010 %
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**	100.00
K-REIT Fin. Company Pte. Ltd.[(2)]	Singapore	Provision of treasury services	**100.00**	-
Ocean Properties LLP[(2)]	Singapore	Property investment	**~87.51**	-
Held through K-REIT Asia (Australia) Pte. Ltd.				
K-REIT Asia (Bermuda) Limited[(3)]	Bermuda	Investment holding	**100.00**	100.00
K-REIT Asia (Australia) Trust[(4)]	Australia	Investment in real estate properties	**100.00**	100.00
K-REIT (Australia) Sub-Trust 1[(4)]	Australia	Investment in real estate properties	**100.00**	100.00
K-REIT (Australia) Sub-Trust 2[(4)]	Australia	Investment in real estate properties	**100.00**	-

(1) K-REIT Asia MTN Pte Ltd ("KRMTN") was incorporated to provide treasury services which include funding of the Trust using proceeds from the issuance of notes under an unsecured multicurrency medium term programme. There was no drawdown made on the medium term notes facility held by KRMTN during the financial year as 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 LLP, Australia.

Acquisition of a subsidiary

On 14 December 2011, the Trust acquired an approximate 87.51% equity interest in Ocean Properties Pte. Limited ("OPPL"), which owns Ocean Financial Centre, for a period of 99 years from Straits Property Investments Pte Ltd ("SPIPL"). SPIPL is a wholly-owned subsidiary of Keppel Land Limited. The remaining approximate 12.49% equity interest in OPPL is held by a third party (the "non-controlling interest").

On the acquisition date, the Trust granted a call option under an option deed to SPIPL for the right to acquire the approximate 87.51% equity interest in OPPL for $1 at the expiry of the 99-year period after the acquisition date. Under the option deed, the Trust shall not dispose of its legal or beneficial interest in OPPL to any person unless SPIPL's right of first refusal has lapsed. In addition, if any of certain specified events occurs anytime during the 99 years after the acquisition date, SPIPL has the right to procure OPPL to take the necessary steps to carve out and transfer a leasehold title of the remaining tenure to a special purpose vehicle owned by SPIPL and the non-controlling interest.

On 15 December 2011, OPPL applied to the Accounting and Corporate Regulatory Authority of Singapore to convert itself to a limited liability partnership ("LLP") pursuant to the Limited Liability Partnership Act, Chapter 163A of Singapore, with the name Ocean Properties LLP ("OPLLP"). A limited liability partnership agreement was entered into between the Trust and the non-controlling interest to govern their relationship in the LLP.

5. Investment in associates

	Group		Trust	
	2011 $'000	2010 $'000	**2011 $'000**	2010 $'000
Shares, at cost	**1,373,591**	1,374,545	**1,373,591**	1,374,545
Share of post-acquisition reserves	**96,117**	2,152	**-**	-
	1,469,708	1,376,697	**1,373,591**	1,374,545

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

	Group		Trust	
	2011 $'000	2010 $'000	**2011 $'000**	2010 $'000
Balance as at 1 January	**2,152**	(5,732)	**-**	-
Share of results of associates				
- Profit excluding net change in fair value of investment properties	**37,393**	9,695	**-**	-
- Net change in fair value of investment properties held by associates (Note 23)	**95,445**	7,421	**-**	-
	132,838	17,116	**-**	-
- Share of cash flow hedge reserve	**(1,603)**	-	**-**	-
Dividend paid	**(37,270)**	(9,232)	**-**	-
Balance as at 31 December	**96,117**	2,152	**-**	-

Details of the associates are as follows:

Name	Country of incorporation	Principal activities	Effective equity interest	
			2011 %	2010 %
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**	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.

5. Investment in associates (cont'd)

The Group does not equity account for the results of Marina Bay Residences Pte. Ltd. ("MBRPL"), a wholly-owned subsidiary of BFCDPL as the acquisition of the one-third interest in BFCDPL 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 the Trust, whereby the Trust 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 BFCDPL and MBRPL in accordance with the written instructions of the vendor on all matters arising from, relating to, or otherwise connected with MBRPL and/or BFCDPL's ownership of MBRPL".

The summarised financial information of the associates, excluding BFCDPL's interest in MBRPL, not adjusted for the proportion of ownership interest held by the Group, is as follows:

	2011 $'000	2010 $'000
Total assets	**7,427,473**	7,068,652
Total liabilities	**3,135,530**	3,044,872
Revenue	**297,997**	98,712
Profit	**398,516**	51,349
Property held for sale (included in total assets)	**590,217**	591,884

The revenue and profit comprise full year results for ORQPL and BFCDPL.

6. Investment in joint ventures

Name	Country of incorporation	Principal activities	Effective equity interest 2011 %	2010 %
Held through K-REIT Asia (Bermuda) Limited				
Mirvac 8 Chifley Pty Limited[1]	Australia	Fund administration	**50.00**	-
Held through K-REIT (Australia) Sub-Trust 2				
Mirvac 8 Chifley Trust[2]	Australia	Investment in real estate properties	**50.00**	-

[1] This company is unaudited as there is no statutory requirement for a dormant company to be audited.
[2] Audited by PricewaterhouseCoopers LLP, Australia.

On 28 July 2011, the Group completed the acquisition of a 50% interest in Mirvac 8 Chifley Trust ("M8CT"), which owns a property under development situated at 8 Chifley Square in the central business district of Sydney, Australia.

Under the sale agreement, the Group acquired 50% of the following:

(a) the existing 14.7 million units in M8CT;

(b) the 34.3 million convertible notes issued by M8CT; and

(c) the ordinary shares in the capital of Mirvac 8 Chifley Pty Limited, the trustee of M8CT.

The Group paid a consideration of AUD 24,500,857 for the existing units, convertible notes in M8CT and shares in Mirvac 8 Chifley Pty Limited. The convertible notes pay an interest of 9.5% per annum on a quarterly basis to noteholders.

The Group and the other unitholder, which holds the remaining 50.0% interest in M8CT, also entered into a subscription agreement with M8CT pursuant to which each of them will subscribe for further issuances of eight separate tranches of units and convertible notes by M8CT. The first seven subscriptions to be made by the Group will amount to AUD 16,347,166 per issuance, commencing on 1 January 2012. The subscriptions will continue on a quarterly basis until 1 July 2013. The final subscription will be made within one month to twelve months after the property has obtained its certificate of practical completion, at which point all the convertible notes issued by M8CT will be converted to units in M8CT. The aggregate consideration amount to be paid by the Group for its stake in M8CT is capped at AUD 169,804,575.

6. Investment in joint ventures (cont'd)

The aggregate amounts of each of the current assets, non-current assets, current liabilities, non-current liabilities, income and expenses related to the Group's interests in the joint ventures are as follows:

	Group	
	2011 $'000	2010 $'000
Assets and liabilities		
Current assets	**4,100**	-
Non-current assets	**107,109**	-
Total assets	**111,209**	-
Current liabilities	**47,033**	-
Non-current liabilities	**44,969**	-
Total liabilities	**92,002**	-
Income and expenses		
Income	**-**	-
Expenses	**66**	-
	66	-

7. Amount owing by subsidiary (non-trade)

Amount owing by subsidiary is unsecured, interest-free, to be settled in cash and has no fixed repayment terms. The amount is not expected to be repaid within the next 12 months.

8. Advances to associates (non-trade)

Advances to associates are unsecured and not expected to be repaid within the next 12 months. They bear interest ranging from 3.16% to 3.58% (2010: 1.18% to 3.63%) per annum which is repriced every quarter at a margin above the 3-month S$ SWAP – offer rate.

9. Fixed assets

	Computers $'000	Machinery & equipment $'000	Total $'000
Group			
Cost:			
At 1 January 2011	**-**	**-**	**-**
Acquisition of subsidiary (Note 4)	**98**	**44**	**142**
At 31 December 2011	**98**	**44**	**142**
Accumulated depreciation:			
At 1 January 2011	**-**	**-**	**-**
Acquisition of subsidiary (Note 4)	**83**	**5**	**88**
Depreciation	**1**	**-**	**1**
At 31 December 2011	**84**	**5**	**89**
Net carrying amount:			
At 31 December 2011	**14**	**39**	**53**

10. Intangible asset

	Group		Trust	
	2011 $'000	2010 $'000	**2011 $'000**	2010 $'000
Cost:				
At 1 January	**114,774**	87,623	**109,698**	87,623
Addition	**136,598**	27,075	**7,351**	22,075
Translation differences	**168**	76	**-**	-
At 31 December	**251,540**	114,774	**117,049**	109,698
Accumulated amortisation:				
At 1 January	**77,532**	55,025	**77,213**	55,025
Amortisation expense	**36,035**	22,502	**28,943**	22,188
Translation differences	**28**	5	**-**	-
At 31 December	**113,595**	77,532	**106,156**	77,213
Net carrying amount:				
At 31 December	**137,945**	37,242	**10,893**	32,485

Intangible asset represents the unamortised aggregate rental support top-up payments receivable by the Group for its one-third interest in ORQPL and BFCDPL, additional 19.4% interest in Prudential Tower, 100% interest in 77 King Street office tower, and approximately 87.51% interest in OPLLP. The remaining rental support periods range from 2 to 5 years (2010: 1 to 6 years).

11. Trade and other receivables

	Group 2011 $'000	Group 2010 $'000	Trust 2011 $'000	Trust 2010 $'000
Trade receivables	**6,180**	3,044	**2**	967
Amounts due from subsidiary (non-trade)	**-**	-	**1,672**	267
Amounts due from related companies (trade)	**15,446**	7,142	**15,446**	7,142
Amounts due from associates (non-trade)	**-**	2,820	**-**	2,820
Amounts due from joint venture (non-trade)	**919**	-	**-**	-
Deposits	**62**	191	**-**	191
Interest receivable	**5**	3	**5**	3
Unbilled receivables	**2,777**	2,590	**-**	-
Other receivables	**5,193**	5,354	**3,944**	512
	30,582	21,144	**21,069**	11,902

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

Included in other receivables as at 31 December 2011 were rental support receivable and GST recoverable of $1,872,000 and $2,217,000 respectively. As at 31 December 2010, rental and incentive support of $4,841,000 was receivable from the vendor of 77 King Street office tower and included in other receivables.

12. Cash and cash equivalents

	Group 2011 $'000	Group 2010 $'000	Trust 2011 $'000	Trust 2010 $'000
Cash at banks and on hand	**60,403**	45,534	**50,248**	45,308
Fixed deposits	**25,338**	4,326	**9,138**	4,326
	85,741	49,860	**59,386**	49,634

Cash at banks earn interest at floating rates based on daily bank deposit rates ranging from 0% to 4.45% (2010: 0% to 4.47%) per annum. Short-term deposits are made for varying periods of between 7 days and 91 days (2010: 1 day and 92 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 0.50% (2010: 0.05% to 4.35%) per annum.

13. Trade and other payables

	Group		Trust	
	2011 $'000	2010 $'000	**2011 $'000**	2010 $'000
Trade payables	**2,015**	2,423	**747**	1,233
Accrued expenses	**8,072**	2,660	**2,549**	2,074
Other payables	**107,293**	27,676	**27,676**	27,676
Accrued acquisition costs	**4,990**	2,428	**4,376**	2,428
Amounts due to related companies				
- trade	**7,765**	7,152	**7,765**	7,152
- non-trade	**961**	299	**1,447**	299
Other deposits	**8,665**	374	**24**	374
Interest payable	**1,594**	988	**1,061**	988
	141,355	44,000	**45,645**	42,224

Other payables relate to (i) estimated development costs of $79,617,000 (2010: Nil) to complete Phase 2 of Ocean Financial Centre of which the Group's proportionate share was withheld from the purchase consideration paid to SPIPL for the approximate 87.51% equity interest in OPPL and (ii) estimated construction costs of $27,676,000 (2010: $27,676,000) withheld from the purchase consideration paid for the acquisition of one-third interest in BFCDPL.

Included in the trade amounts due to related companies are amounts due to the Property Manager of $732,000 (2010: $205,000) and the Manager of $7,033,000 (2010: $6,947,000).

Amounts due to related companies are unsecured, interest-free and repayable on demand. These amounts are to be settled in cash with the exception of management fees payable to the Manager which will be paid in the form of cash and/or Units (Note 1(b)).

Included in other deposits is an amount of $8,214,000 (2010: Nil) which relates to retention monies for the construction of Ocean Financial Centre.

14. Derivatives financial instruments

		Group and Trust			
		2011 $'000		2010 $'000	
	Maturity	**Contract/ Nominal Amount**	**Assets/ (Liabilities)**	Contract/ Nominal Amount	Assets/ (Liabilities)
Forward currency contracts	2012 - 2013	**168,115**	**9,832**	6,274	(452)
Interest rate swaps	2013 - 2015	**635,000**	**(22,974)**	635,000	(4,606)
		803,115	**(13,142)**	641,274	(5,058)
Percentage of derivatives to the Group's net asset value			**0.38**		0.25
Percentage of derivatives to the Trust's net asset value			**0.42**		0.24

Forward currency contracts

Forward currency contracts are used to hedge foreign currency risk arising from the cash flow of its foreign investment properties in Australia. The Group also entered into forward currency contracts to hedge its firm commitment for the progressive payments to be made for the subscription of units and convertible notes in M8CT (Note 6).

The Group designates these forward currency contracts as cash flow hedges which were assessed to be highly effective. A net unrealised gain of $9,832,000 (2010: Nil) was included in hedging reserve in Unitholders' funds in respect of these contracts.

Interest rate swaps

The interest rate swaps are being used to hedge the interest rate risk arising from the underlying floating interest rates of respective bank loans. Under the interest rate swaps, the Group 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% (2010: 1.43% to 2.15%) per annum.

The Group designates these interest rate swaps as cash flow hedges which were assessed to be highly effective. An unrealised loss of $22,974,000 (2010: $4,606,000) was included in hedging reserve in Unitholders' funds in respect of these contracts.

15. Income received in advance

Income received in advance comprises mainly rental and incentive supports received in advance from third party vendors for certain of the Group's investment properties.

16. Borrowings

	Maturity	Group 2011 $'000	Group 2010 $'000	Trust 2011 $'000	Trust 2010 $'000
Current:					
Bank loans (secured)	2012	**410,222**	-	**-**	-
Bank loans (unsecured)	2012	**99,905**	-	**-**	-
		510,127	-	**-**	-
Non-current:					
Bank loans (secured)	2015	**422,815**	422,263	**422,815**	422,263
Bank loans (unsecured)	2013 – 2015	**757,584**	359,179	**359,391**	359,179
Term loan (unsecured)	2014	**127,000**	-	**127,000**	-
Revolving loan facility (unsecured)	2014	**348,434**	208,490	**348,434**	208,490
Borrowings from a subsidiary (unsecured)		**-**	-	**498,075**	-
		1,655,833	989,932	**1,755,715**	989,932
Percentage of total borrowings to net asset value		**62.3**	48.2	**55.6**	47.9

Bank loans (secured)
These loans are secured by mortgage over certain investment properties (Note 3) of the Group. The interest rates range from 0.385% + SOR to 0.87% + SOR (2010: 0.75% + SOR to 0.87% + SOR) per annum. The loans are repayable upon maturity. The Group has entered into interest rate swaps (Note 14) to hedge the floating interest rates of the non-current bank loans.

Bank loans (unsecured)
Bank loans amounting to $499,006,000 (2010: $149,758,000) are on fixed interest rates ranging from 1.87% to 2.98% (2010: 1.87% to 2.98%) per annum and repayable upon maturity. The remaining $358,483,000 (2010: $209,421,000) bank loans are on floating interest rates ranging from 0.55% + SOR to 1.22% + SOR (2010: 1.05% + SOR to 1.22% + SOR) per annum and repayable upon maturity. The Group has entered into interest rate swaps (Note 14) to hedge $209,568,000 (2010: $209,421,000) bank loans that are on floating interest rates.

Term loan (unsecured)
The Trust took up $127,000,000 term loan with Kephinance in May 2011 for a period of 3 years. The loan is on floating interest rates ranging from 1.14% to 1.43% (2010: Nil) per annum and is repriced every rollover period.

Revolving loan facility (unsecured)
In September 2010, the Trust put in place a revolving loan facility of $350,000,000 from Kephinance for a period of 24 months. During the current financial year, a supplemental agreement was drawn up to extend the maturity date of the facility to end 2014. The loans drawn down are on floating interest rates ranging from 1.20% to 1.83% (2010: 1.83% to 1.85%) per annum and are repriced every rollover period.

Borrowings from a subsidiary (unsecured)
Borrowings from a subsidiary bear interest ranging from 0.86% to 2.44% (2010: Nil) per annum and are not expected to be repaid within the next 12 months.

The weighted average all-in funding cost of the Group, including margin charged on the loans and amortised upfront costs, is 2.53% (2010: 3.37%) per annum.

17. Units in issue

	Group and Trust			
	2011		2010	
	'000	**$'000**	'000	$'000
At 1 January	**1,355,904**	**1,672,063**	1,336,023	1,645,657
Issue of Units:				
- payment of management fees in Units	**8,443**	**10,467**	7,767	8,803
- rights issue	**1,159,694**	**985,740**	-	-
- payment of acquisition and divestment fees in Units	**23,534**	**20,131**	12,114	17,133
(Issue expenses)/Issue expense adjustment	**-**	**(5,405)**	-	470
At 31 December	**2,547,575**	**2,682,996**	1,355,904	1,672,063

During the year, the following Units were issued:

- 8,442,733 (2010: 7,766,746) Units were issued at unit prices ranging between $1.0552 - $1.4182 (2010: $1.0796 - $1.3046) as payment of management fees;

- 23,534,019 Units were issued at unit price of $0.8554 per unit as payment of acquisition fee pursuant to the acquisition of the approximate 87.51% equity interest in OPPL; and

- 1,159,694,000 Units were issued at unit price of $0.85 per unit for the rights issue.

In 2010, 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 BFCDPL and divestment of Keppel Towers and GE Tower.

Each Unit 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 transfer to it 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.

18. Property Income

	Group	
	2011 **$'000**	2010 $'000
Gross rent	**76,070**	82,413
Car park income	**1,154**	1,713
Others	**744**	433
	77,968	84,559

19. Property expenses

	Group	
	2011 **$'000**	2010 $'000
Property tax	**4,265**	4,155
Property management fee	**1,582**	2,187
Property management salary reimbursements	**381**	1,076
Marketing expenses	**1,452**	1,564
Utilities	**2,258**	2,171
Maintenance	**5,913**	5,943
Other property expenses	**463**	158
	16,314	17,254

20. Rental support

Rental support relates to top-up payments from vendors for shortfall of guaranteed income amounts from the Group's interest in ORQPL, BFCDPL, Prudential Tower, 275 George Street, 77 King Street office tower and OPLLP.

21. Trust expenses

	Group	
	2011 **$'000**	2010 $'000
Manager's management fee	**23,699**	15,074
Trustee's fees	**761**	471
Auditors' remuneration	**346**	147
Professional fees	**2,607**	689
Acquisition fees written off	**5**	3,721
Other trust expenses	**791**	841
	28,209	20,943

The Manager has elected to receive in Units 100% of management fees earned in respect of the approximate 87.51% interest in OPLLP, and 50% of management fees earned for the remaining properties during the financial year. The Manager had elected to receive 50% of management fees in Units for the financial year ended 31 December 2010.

22. Borrowing costs

	Group	
	2011 $'000	2010 $'000
Interest expense		
- bank loans	**23,376**	1,016
- term loans	**-**	6,567
- term loan from a related company	**656**	-
- revolving loan from a related company	**4,113**	7,057
Amortisation of capitalised transaction costs	**787**	2,181
	28,932	16,821

23. Net change in fair value of investment properties

	Group	
	2011 $'000	2010 $'000
Investment properties held directly by the Group	**133,290**	24,170
Investment properties held by associates (Note 5)	**95,445**	7,421
	228,735	31,591

24. Income tax expense

	Group	
	2011 $'000	2010 $'000
Current tax:		
- current year	**4,979**	3,184
Withholding tax:		
- current year	**1,342**	310
Total	**6,321**	3,494
Reconciliation of effective tax:		
Total return before tax	**302,467**	112,730
Income tax using Singapore tax rate of 17% (2010: 17%)	**51,419**	19,164
Non-tax deductible items	**11,525**	5,931
Net change in fair value of investment properties	**(38,885)**	(5,370)
Divestment gain from disposal of investment property	**-**	(4,495)
Share of results of associates	**(6,357)**	(1,648)
Withholding tax	**1,342**	310
Tax transparency	**(12,723)**	(10,398)
Income tax expense recognised in Statement of Total Return	**6,321**	3,494

The corporate income tax rate applicable to Singapore companies of the Group was 17% (2010: 17%).

25. Earnings per unit

The basic earnings per Unit is calculated by dividing total return after tax attributable to Unitholders against weighted average number of Units outstanding during the financial year.

	Group	
	2011 **$'000**	2010 $'000
Total return after tax attributable to Unitholders	**290,072**	109,236
Total return after tax and excluding net change in fair value of investment properties and divestment gain	**67,176**	51,206
	'000	'000
Weighted average number of Units in issue during the financial year	**1,420,583**	1,458,969
Basic earnings per Unit based on:		
Total return after tax attributable to Unitholders	**20.42 cents**	7.49 cents
Total return after tax excluding net change in fair value of investment properties and divestment gain	**4.73 cents**	3.51 cents

The basic earnings per Unit for financial year ended 31 December 2010 has been adjusted to account for the effect of the rights issue as mentioned in Note 17.

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.

26. Significant related party transactions

During the financial year, other than those disclosed elsewhere in the financial statements, these were the following significant related party transactions which took place at terms agreed between the parties:

	Group	
	2011 $'000	2010 $'000
Manager's management fees paid/payable to the Manager	**23,699**	15,074
Acquisition fee paid to the Manager	**23,437**	17,935
Divestment fee paid to the Manager	**-**	2,865
Trustee's fees paid/payable to the Trustee	**564**	353
Property management fees and reimbursable paid/payable to a related company	**1,692**	3,054
Leasing commissions paid/payable to a related company	**1,230**	1,134
Rental income and other related income from related companies	**4,724**	3,666
Interest on revolving loan paid to a related company	**4,113**	7,057
Interest on term loan paid to a related company	**656**	-
Interest income received/receivable from associates of the Trust	**21,120**	11,291
Interest income received/receivable from a related company	**-**	80
Rental support received from related companies	**38,922**	24,688
Dividend income received/receivable from associates	**37,270**	9,232
Payments to a related company on acquisition of the approximate 87.51% equity interest in a subsidiary	**1,579,265**	-
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 associate	**-**	1,399,221
Loans from a related company	**266,944**	208,490
Repayment of revolving loan to a related company	**-**	391,000
Loan to an associate	**1,874**	-
Coupon interest receivable from joint venture	**909**	-

27. 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 constantly reviews risks faced by the Group 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 prospective tenants are carried out. This is usually done by way of evaluating information from corporate searches. Security deposits are collected from tenants, and the Group's tenant trade sector mix in its property portfolio is 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 fulfils its obligations.

<u>Exposure to credit risk</u>
At the reporting 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 Sheets.

<u>Credit risk concentration profile</u>
At the reporting date, approximately 53.5% (2010: 47.0%) of the Group's trade and other receivables were due from related companies, associates and joint venture. 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.

<u>Financial assets that are neither past due nor impaired</u>
Trade and other receivables and advances to associates (non-trade) that are neither past due nor impaired relate to creditworthy debtors and counterparties with good payment record. Cash and cash equivalents are placed and derivative financial instruments are entered into with financial institutions with good credit ratings.

(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 interest-earning financial assets and interest-bearing financial liabilities are disclosed in Notes 6, 8, 12, 14 and 16 respectively.

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

(b) Interest rate risk (cont'd)

Sensitivity analysis

At the reporting date, if Singapore Dollar interest rates had been 75 (2010: 75) basis points lower/higher with all other variables constant, the Group's total return before tax would have been $7,124,000 (2010: $1,190,000) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate borrowings that are not hedged and higher/lower interest income from short-term deposits with financial institutions.

(c) Liquidity risk

The Group'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 expense 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 reporting date.

Group	2011				2010			
	1 year or less $'000	**2 to 5 years $'000**	**> 5 years $'000**	**Total $'000**	1 year or less $'000	2 to 5 years $'000	> 5 years $'000	Total $'000
Trade and other payables	**141,355**	**-**	**-**	**141,355**	44,000	-	-	44,000
Derivative financial instruments	**267**	**22,974**	**-**	**23,241**	452	4,606	-	5,058
Security deposits	**1,213**	**18,589**	**8,131**	**27,933**	2,400	6,186	-	8,586
Borrowings	**542,525**	**1,684,004**	**-**	**2,226,529**	16,672	1,040,329	-	1,057,001
	685,360	**1,725,567**	**8,131**	**2,419,058**	63,524	1,051,121	-	1,114,645

Trust	2011				2010			
	1 year or less $'000	**2 to 5 years $'000**	**> 5 years $'000**	**Total $'000**	1 year or less $'000	2 to 5 years $'000	> 5 years $'000	Total $'000
Trade and other payables	**45,645**	**-**	**-**	**45,645**	42,224	-	-	42,224
Derivative financial instruments	**267**	**22,974**	**-**	**23,241**	452	4,606	-	5,058
Security deposits	**1,213**	**8,118**	**-**	**9,331**	2,400	6,186	-	8,586
Borrowings	**19,389**	**1,248,753**	**-**	**1,268,142**	16,672	1,040,329	-	1,057,001
	66,514	**1,279,845**	**-**	**1,346,359**	61,748	1,051,121	-	1,112,869

(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 impact the Group's total return for the year.

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

The Group has outstanding forward currency contracts with notional amounts totalling $168,115,000 (2010: $6,274,000) (Note 14). As at the reporting date, financial derivative assets of $9,832,000 (2010: liabilities of $452,000) were recorded on the Balance Sheets based on the net fair value of these forward exchange contracts.

Sensitivity analysis

At the reporting date, if the Australian Dollar changes against Singapore Dollar by 5% (2010: 5%) with all other variables constant, the Group's total return before tax would have been $275,000 (2010: $37,000) higher/lower due to exchange differences arising from appreciation/depreciation of Australian Dollar against Singapore Dollar.

28. 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 Group's deposited property. The aggregate leverage may exceed 35.0% of the Group'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 and corporate rating of "BBB" on 20 October 2011 by Standard & Poor's. The Group has complied with this requirement for the financial years ended 31 December 2011 and 2010.

The Group's capital is represented by its Unitholders' funds as disclosed in the Balance Sheets. 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 (including deferred payments for the construction of Phase 2 of Ocean Finance Centre) totalling $2,495,479,000 (2010: $1,289,932,000) and an aggregate leverage of 41.6% (2010: 37.0%).

29. Financial instruments

(a) Fair value of financial instruments

The fair value 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 transaction other than in a forced or liquidation sale.

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has 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 based on Level 2 of the fair value hierarchy.

	Group	
	2011 $'000	2010 $'000
Financial assets/(liabilities)		
Derivative financial instruments (Note 14)		
- Forward currency contracts	**9,832**	(452)
- Interest rate swaps	**(22,974)**	(4,606)
As at 31 December	**(13,142)**	(5,058)

There have been no transfers between the respective levels during the financial years ended 2011 and 2010.

Forward currency contracts and interest rate swap contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, interest rate curves and forward rate curves.

The Manager has determined that the carrying amounts of cash and short term deposits, trade and other receivables, trade and other payables and short-term borrowings reasonably approximate fair values due to their short-term nature. The carrying amount of advances to associates reasonably approximate fair value because they are floating rate instruments that are repriced to market interest rates on or near the end of the reporting period.

The fair values of long term borrowings and security deposits as at 31 December 2011 are as stated below. They are estimated using discounted cash flow analysis based on current rates for similar types of borrowing arrangements.

Group	**2011** Carrying value $'000	**2011** Fair value $'000	2010 Carrying value $'000	2010 Fair value $'000
Financial liabilities				
Long-term borrowings (secured)	**422,815**	**408,266**	422,263	388,829
Long-term borrowings (unsecured)	**1,233,018**	**1,235,956**	567,669	570,358
Security deposits (non-current)	**26,720**	**24,018**	6,186	5,257

Trust	**2011** Carrying value $'000	**2011** Fair value $'000	2010 Carrying value $'000	2010 Fair value $'000
Financial liabilities				
Long-term borrowings (secured)	**422,815**	**408,266**	422,263	388,829
Long-term borrowings (unsecured)	**1,332,900**	**1,335,861**	567,669	570,358
Security deposits (non-current)	**8,118**	**7,605**	6,186	5,257

Fair value information has not been disclosed for the Trust's amount owing by subsidiary that is carried at cost because fair value cannot be measured reliably as the amount has no fixed repayment terms.

29. **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
2011			
Assets			
Advances to associates	**-**	**606,222**	**-**
Trade and other receivables	**-**	**37,316**	**-**
Cash and cash equivalents	**-**	**85,741**	**-**
Total	**-**	**729,279**	**-**
Liabilities			
Trade and other payables	**-**	**-**	**141,355**
Borrowings	**-**	**-**	**2,165,960**
Security deposits	**-**	**-**	**27,933**
Total	**-**	**-**	**2,335,248**
2010			
Assets			
Advances to associates	-	604,348	-
Trade and other receivables	-	21,144	-
Cash and cash equivalents	-	49,860	-
Total	-	675,352	-
Liabilities			
Trade and other payables	-	-	44,000
Borrowings	-	-	989,932
Security deposits	-	-	8,586
Derivative financial instruments	452	-	-
Total	452	-	1,042,518

Trust	Fair value through profit or loss $'000	Loans and receivables $'000	Liabilities at amortised cost $'000
2011			
Assets			
Advances to associates	**-**	**606,222**	**-**
Amount owing from subsidiary	**-**	**430,314**	**-**
Trade and other receivables	**-**	**21,069**	**-**
Cash and cash equivalents	**-**	**59,386**	**-**
Total	**-**	**1,116,991**	**-**
Liabilities			
Trade and other payables	**-**	**-**	**45,645**
Borrowings	**-**	**-**	**1,755,715**
Security deposits	**-**	**-**	**9,331**
Total	**-**	**-**	**1,810,691**
2010			
Assets			
Advances to associates	-	604,348	-
Amount owing from subsidiary	-	381,227	-
Trade and other receivables	-	11,902	-
Cash and cash equivalents	-	49,634	-
Total	-	1,047,111	-
Liabilities			
Trade and other payables	-	-	42,224
Borrowings	-	-	989,932
Security deposits	-	-	8,586
Derivative financial instruments	452	-	-
Total	452	-	1,040,742

30. Portfolio reporting

The Group's business is investing in real estate and real estate-related assets which are predominantly used for commercial purposes. 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 one-third interest in ORQPL and BFCDPL and the information provided is those in relation to the properties.

By property

	Group	
Property income	**2011 $'000**	2010 $'000
Prudential Tower[1]	**19,188**	19,097
Keppel Towers and GE Tower	**-**	27,560
Bugis Junction Towers	**21,326**	20,021
275 George Street[2]	**22,274**	17,547
77 King Street office tower	**12,314**	334
Ocean Financial Centre[3]	**2,866**	-
Total property income	**77,968**	84,559

Income contribution	Group 2011 $'000	 2010 $'000
Prudential Tower[1]	**14,753**	15,650
Keppel Towers and GE Tower	**-**	19,941
Bugis Junction Towers	**16,543**	16,476
275 George Street[2]	**18,800**	14,977
77 King Street office tower	**9,512**	261
Ocean Financial Centre[3]	**2,046**	-
Total net property income	**61,654**	67,305
One-third interest in ORQPL:		
- Rental support	**18,788**	23,206
- Interest income	**1,446**	10,970
- Dividend income	**15,731**	9,232
Total income from one-third interest in ORQPL	**35,965**	43,408
One-third interest in BFCDPL:		
- Rental support	**11,523**	1,482
- Interest income	**19,674**	300
- Dividend income	**21,539**	-
Total income from one-third interest in BFCDPL	**52,736**	1,782
8 Chifley Square[4]		
- Interest income	**909**	-
Total income contribution[5]	**151,264**	112,495

[1] Comprises approximately 92.8% (2010: 73.4%) of the strata area in Prudential Tower.
[2] Comprises 50.0% interest (2010: 50.0%) in 275 George Street.
[3] Comprises approximately 87.51% (2010: Nil) interest in Ocean Financial Centre through OPLLP.
[4] Comprises 50.0% interest (2010: Nil) in 8 Chifley Square.
[5] Reconciliation to net income before net change in fair value of investment properties and divestment gain per Statement of Total Return:-

	Group 2011 $'000	 2010 $'000
Total income contribution	**151,264**	112,495
Less: Dividend income	**(37,270)**	(9,232)
Add: Rental support for directly held investment properties	**15,322**	1,678
Add: Interest income earned from deposits placed with financial institutions	**1,019**	782
Add: Share of results of associates	**37,393**	9,695
Less: Share of results of joint ventures	**(33)**	-
Less: Other unallocated expenses	**(93,963)**	(60,718)
Net income before net change in fair value of investment properties and divestment gain	**73,732**	54,700

30. Portfolio reporting (cont'd)

Interest in associates	Group 2011 $'000	Group 2010 $'000
One-third interest in ORQPL:		
Investment in associate	**543,392**	510,759
Advances to associate	**44,946**	44,946
Intangible asset	**-**	11,635
	588,338	567,340
One-third interest in BFCDPL:		
Investment in associate	**926,316**	865,938
Advances to associate	**561,276**	559,402
Intangible asset	**6,282**	20,850
	1,493,874	1,446,190

Interest in joint venture	Group 2011 $'000	Group 2010 $'000
50.0% interest in M8CT:		
Investment in joint venture	**14,526**	-
Advances to joint venture	**22,485**	-
	37,011	-

By geographical area

	Group	
	2011 $'000	2010 $'000
Property income		
- Singapore	**43,380**	66,678
- Australia	**34,588**	17,881
Total property income	**77,968**	84,559
Net property income		
- Singapore	**33,342**	52,067
- Australia	**28,312**	15,238
Total net property income	**61,654**	67,305
Income contribution		
- Singapore	**122,043**	97,257
- Australia	**29,221**	15,238
Total income contribution	**151,264**	112,495
Investment in properties, at valuation		
- Singapore	**3,081,392**	662,700
- Australia	**390,677**	362,934
Total value of deposited properties	**3,472,069**	1,025,634

31. Commitments and contingencies

(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	
	2011 $'000	2010 $'000
Within 1 year	**140,635**	60,410
Between 2 and 5 years	**450,956**	130,181
After 5 years	**125,555**	88,239
	717,146	278,830

(b) Capital commitments

Capital expenditure contracted for as at the end of the reporting period but not recognised in the financial statements is as follows:

	Group		Trust	
	2011 $'000	2010 $'000	**2011 $'000**	2010 $'000
Capital commitment in respect of investment properties	**-**	297	**-**	297
Committed progressive payments for investment in a joint venture (Note 6)	**190,493**	-	**-**	-

The committed progressive payments for investment in a joint venture are based on the maximum consideration payable by the Group for its 50% stake in M8CT.

(c) Guarantee

The Trust has provided a corporate guarantee to banks for loans taken by a subsidiary which amount to $500,000,000 (2010: Nil).

32. Financial ratios

	2011 %	2010 %
Expenses to weighted average net assets[1]		
- including performance component of Manager's management fees	**1.32**	1.05
- excluding performance component of Manager's management fees	**1.09**	0.89
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.

33. Subsequent events

(a) On 17 January 2012, the Manager declared a distribution of 2.45 cents per Unit for the period from 1 July 2011 to 31 December 2011.

(b) On 30 January 2012, the Trust issued 4,721,998 new Units as payment of management fees for the period from 1 October 2011 to 31 December 2011. 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 30 December 2011.

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	23,699
- Acquisition fee	23,437
- Property management fees and reimbursable	1,692
- Leasing commissions	1,230
- Rental support	38,922
- Acquisition of approximately 87.51% interest in Ocean Properties Pte Limited	1,579,265
- Rental and service charge income [1]	32,898
Keppel Corporation Limited and its subsidiaries or associates	
- Interest on term loan [1]	8,192
RBC Dexia Trust Services Singapore Limited	
- Trustee's fees	564

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

SGX-ST has granted a waiver to K-REIT Asia from Rules 905 and 906 of the SGX-ST's Listing Manual in relation to payments for Manager's management fees, payments of property management fees, reimbursements and leasing commissions to the Property Manager in respect of payroll and related expenses as well as payments of the Trustee's fees. Such payments are not to be included in the aggregate value of total interested person transactions as governed by Rules 905 and 906 of the Listing Manual. In addition, certain other interested person transactions as outlined in the Introductory Document dated 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 26 in the financial statements.

Subscription of K-REIT Asia Units

During the financial year ended 31 December 2011, K-REIT Asia issued 8,442,733 new Units as payment of management fees and 23,534,019 new Units as payment of acquisition fee pursuant to the acquisition of approximately 87.51% interest in Ocean Properties Pte Limited.

Notice of Annual General Meeting

K-REITasía

(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 17 April 2012 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 2011 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's reserve accounts or any sum standing to the credit of the profit and loss account or otherwise available for distribution; and/or

(ii) make or grant offers, agreements or options that might or would require Units to be issued, including but not limited to the creation and issue of (as well as adjustments to) securities, warrants, options, debentures or other instruments convertible into Units (collectively, "**Instruments**"),

at any time and upon such terms and conditions and for such purposes and to such persons as the Manager may in its absolute discretion deem fit; and

(b) issue Units in pursuance of any Instrument made or granted by the Manager while this Resolution was in force (notwithstanding that the authority conferred by this Resolution may have ceased to be in force), provided that:

(1) the aggregate number of Units to be issued pursuant to this Resolution (including Units to be issued in pursuance of Instruments made or granted pursuant to this Resolution and any adjustment effected under any relevant Instrument) 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 ("**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 **Kelvin Chua**
Joint Company Secretaries
Singapore

26 March 2012

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 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. The Chairman of this AGM will be exercising his right under paragraph 12 of the Schedule of the Trust Deed to demand a poll in respect of each of the resolutions to be put to the vote of Unitholders at the AGM and at any adjournment thereof. Accordingly, each resolution at the AGM will be voted on by way of a poll.
2. 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.
3. 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.
4. 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 15 April 2012 at 10.30 a.m., being 48 hours before the time fixed for the AGM.

Proxy Form

K-REITasía

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

Annual General Meeting

IMPORTANT:

1. 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.
2. 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.
3. 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 Nominee may register, within the specified timeframe, with K-REIT Asia's Unit Registrar. CPF Approved Nominees, please refer to Note No. 13 on the reverse side of this Proxy Form for further details.
4. CPF investors who wish to vote must submit their voting instructions to their CPF Approved Nominees to enable them to vote on their behalf.
5. **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 17 April 2012 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 2011 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 ___________________ 2012

____

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.

Fold and glue along dotted line

Notes to 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 appointer 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)

K-REIT asia

Postage will be paid by addressee. For posting in Singapore only.

BUSINESS REPLY SERVICE
PERMIT NO. 08556

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 of attorney 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 Register 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 15 April 2012 at 10.30 a.m., being 48 hours before the time fixed for the AGM.

This report is printed on Meridien Silk, Eco-Frontier and Exel Satin. These papers are certified by the Forest Stewardship Council (FSC). Eco-Frontier and Exel Satin are also endorsed under the Singapore Green Labelling Scheme, which is administered by the Singapore Environment Council.

These papers are produced with a minimum content of 51% recycled paper and a minimum of 10% post-consumer waste.

For more information on FSC, please visit www.fsc.org.

K-REIT ASIA MANAGEMENT LIMITED
1 HarbourFront Avenue
#18-01 Keppel Bay Tower
Singapore 098632

Tel: (65) 6835 7477
Fax: (65) 6835 7747
Email: investor.relations@kreitasia.com
www.kreitasia.com

Co Reg No: 200411357K