

PRESS RELEASE

K-REIT Asia Unaudited Results for the Half Year Ended 30 June 2008

28 July 2008

The Directors of K-REIT Asia Management Limited, as manager of K-REIT Asia, announce the unaudited results of K-REIT Asia for the half year ended 30 June 2008.

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**K-REIT ASIA
SECOND QUARTER 2008 FINANCIAL STATEMENT ANNOUNCEMENT****UNAUDITED RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2008****TABLE OF CONTENTS**

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**SUMMARY OF K-REIT ASIA RESULTS
FOR THE HALF YEAR ENDED 30 JUNE 2008**

	Actual 1H2008 \$'000	Forecast ¹ 1H2008 \$'000	+ / (-) %	Actual 1H2007 \$'000	+ / (-) %
Property Income	24,495	24,258	1.0	18,718	30.9
Net Property Income	18,315	18,573	(1.4)	13,745	33.2
Net Profit Before Tax	6,691	4,195	59.5	7,607	(12.0)
Income Available for Distribution to Unitholders	25,581	22,490	13.7	9,481	169.8
Distributable Income to Unitholders ²	25,581	22,490	13.7	9,481	169.8
Distribution Per Unit ("DPU")(cents) For the Period	3.94	3.48	13.2	3.91	0.8
Annualised	7.90 ³	6.98	13.2	7.88	0.3
Distribution Yield ⁴	5.68%	5.02%	13.1	5.67%	0.2

Notes:

- (1) The forecast for 1H2008 is derived from the forecast shown in K-REIT Asia's circular dated 9 April 2008 for the renounceable rights issue.
- (2) The distributable income to Unitholders is based on 100% of the taxable income available for distribution to Unitholders.
- (3) The annualised 1H2008 DPU based on the weighted average number of units in issue would be 11.10 cents.
- (4) The yield is based on the market closing price per unit of \$1.39 as at the last trading day, 30 June 2008.

DISTRIBUTION AND BOOKS CLOSURE DATE

Distribution	For 8 May 2008 to 30 June 2008
Distribution Type	(a) Taxable income (b) Tax-exempt income
Distribution Rate	(a) Taxable income distribution – 0.67 cents per unit (b) Tax-exempt income distribution – 0.72 cents per unit
Books Closure Date	5 August 2008
Payment Date	28 August 2008

INTRODUCTION

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

In 2006, K-REIT Asia acquired four buildings from Keppel Land Limited for \$630.7 million in part by cash of approximately \$190.6 million and in part by the issue of 240.5 million units in K-REIT Asia. Keppel Land Limited in turn distributed approximately 60% of the units in specie to its shareholders and retained the remaining 40% stake. K-REIT Asia was listed on the Singapore Exchange Securities Trading Limited on 28 April 2006.

K-REIT Asia's objective is to generate steady and sustainable returns for its Unitholders by owning and investing in a portfolio of quality income-producing commercial real estate and real estate-related assets. The initial properties comprise Prudential Tower Property (approximately 44% of the strata area of the building), Keppel Towers and GE Tower, and Bugis Junction Towers.

In December 2007, K-REIT Asia completed a significant maiden acquisition of a one-third interest in One Raffles Quay for \$951.4 million from its sponsor, Keppel Land Limited, bringing the number of assets in its portfolio to five. K-REIT Asia's portfolio size was \$2.1 billion as at 30 June 2008.

K-REIT Asia completed its rights issue exercise and issued 396.9 million rights units on 8 May 2008, bringing the total number of units in issue to 647.2 million.

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

1 UNAUDITED RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2008

The Directors of K-REIT Asia Management Limited, as manager of K-REIT Asia, announce the following unaudited results of K-REIT Asia for the half year ended 30 June 2008:

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

	Note	2Q2008 \$'000	2Q2007 \$'000	+/(-) %	1H2008 \$'000	1H2007 \$'000	+/(-) %
Gross rent		12,730	9,608	32.5	23,974	18,247	31.4
Car park income		243	228	6.6	493	442	11.5
Other income		16	16	-	28	29	(3.4)
Property income		12,989	9,852	31.8	24,495	18,718	30.9
Property tax		(1,076)	(796)	35.2	(1,506)	(1,458)	3.3
Other property expenses	1	(1,939)	(1,043)	85.9	(3,116)	(2,084)	49.5
Property management fee		(388)	(296)	31.1	(734)	(562)	30.6
Maintenance and sinking fund contributions		(412)	(434)	(5.1)	(824)	(869)	(5.2)
Property expenses		(3,815)	(2,569)	48.5	(6,180)	(4,973)	24.3
Net property income		9,174	7,283	26.0	18,315	13,745	33.2
Income support	2	6,099	-	Nm	12,244	-	Nm
Interest income	3	1,985	88	Nm	4,881	204	Nm
Share of results of associated company	4	2,779	-	Nm	4,747	-	Nm
Amortisation expense	5	(6,785)	-	Nm	(13,617)	-	Nm
Borrowing costs	6	(5,296)	(1,922)	175.5	(12,865)	(3,824)	236.4
Manager's management fees	7	(3,222)	(1,063)	203.1	(6,394)	(2,091)	205.8
Trust expenses		(352)	(227)	55.1	(620)	(427)	45.2
Net profit before tax		4,382	4,159	5.4	6,691	7,607	(12.0)
Income tax expense	8	(462)	-	Nm	(1,474)	-	Nm
Net profit after tax		3,920	4,159	(5.7)	5,217	7,607	(31.4)
Total return		3,920	4,159	(5.7)	5,217	7,607	(31.4)
<u>Distribution Statement</u>							
Net profit before tax		4,382	4,159	5.4	6,691	7,607	(12.0)
Net tax adjustments	9	10,256	1,033	Nm	20,364	1,874	Nm
Income tax expense		(462)	-	Nm	(1,474)	-	Nm
Income available for distribution to Unitholders		14,176	5,192	173.0	25,581	9,481	169.8
Distributable income to Unitholders	10	14,176	5,192	173.0	25,581	9,481	169.8
Distribution per unit (cents)							
For the period		2.18	2.14		3.94	3.91	
Annualised		8.74	8.58		7.90	7.88	

Notes:

Nm – Not meaningful

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

	2Q2008	2Q2007	1H2008	1H2007
	\$'000	\$'000	\$'000	\$'000
Amortisation	-	66	-	101

(2) This is the income support top-up payment received by K-REIT Asia from Boulevard Development Pte Ltd for the quarterly shortfall in accordance with the terms set out in the Deed of Income Support.

(3) Interest income comprises the following:

	2Q2008	2Q2007	1H2008	1H2007
	\$'000	\$'000	\$'000	\$'000
Interest income from fixed deposits and current account	105	88	156	204
Interest income from shareholder's loan to ORQPL	1,880	-	4,725	-
	<u>1,985</u>	<u>88</u>	<u>4,881</u>	<u>204</u>

(4) Share of results of associated company relates to K-REIT Asia's one-third stake of One Raffles Quay Pte Ltd's ("ORQPL") net profit after tax which is represented by the proportionate share of gross revenue less property expenses, interest expense and income tax, if any.

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

(6) Borrowing costs comprise the following:

	2Q2008	2Q2007	1H2008	1H2007
	\$'000	\$'000	\$'000	\$'000
Interest expense:				
- on term loans	1,862	1,862	3,724	3,704
- on bridge loan	3,374	-	9,021	-
Amortisation of transaction costs capitalised	60	60	120	120
	<u>5,296</u>	<u>1,922</u>	<u>12,865</u>	<u>3,824</u>

(7) The Manager's management fees are paid in units.

(8) Income tax expense comprises tax of 18% on the income support received by K-REIT Asia, net of deductible interest expense.

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

	2Q2008	2Q2007	1H2008	1H2007
	\$'000	\$'000	\$'000	\$'000
Management fees payable in units	3,222	1,063	6,394	2,091
Trustee's fees	78	25	157	50
Amortisation of transaction costs	6,845	126	13,737	221
Non-tax deductible expenses	111	54	146	87
Certain expenses claimed on an incurred basis	-	(235)	-	(575)
Share of results of associated company	(2,779)	-	(4,747)	-
Dividend income received	2,779	-	4,677	-
Net tax adjustments	<u>10,256</u>	<u>1,033</u>	<u>20,364</u>	<u>1,874</u>

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

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

	Note	30/6/08 \$'000	31/12/07 \$'000	+/(-) %
Non-current assets				
Investment properties	1	1,110,000	1,110,000	-
Investment in associated company	2	865,551	865,481	Nm
Intangible asset	3	72,665	86,282	(15.8)
Total non-current assets		2,048,216	2,061,763	(0.7)
Current assets				
Cash and cash equivalents		15,015	22,927	(34.5)
Trade and other receivables	4	11,590	3,394	241.5
Total current assets		26,605	26,321	1.1
Total assets		2,074,821	2,088,084	(0.6)
Current liabilities				
Trade and other payables		13,692	12,478	9.7
Current portion of security deposits		2,370	1,237	91.6
Short-term borrowings (unsecured)	5	391,274	942,000	(58.5)
Provision for taxation		1,637	163	Nm
Total current liabilities		408,973	955,878	(57.2)
Non-current liabilities				
Long-term borrowings (secured)		189,403	189,283	0.1
Non-current portion of security deposits		10,430	9,156	13.9
Total non-current liabilities		199,833	198,439	0.7
Total liabilities		608,806	1,154,317	(47.3)
Net assets		1,466,015	933,767	57.0
Represented by:				
Unitholders' funds		1,466,015	933,767	57.0
Net asset value per unit (\$)		2.26	3.78	
Borrowings / Value of deposited property (%)	6	27.7	53.9	

Notes:

- (1) Investment properties are stated at valuation performed by an independent professional valuer as at 10 December 2007.
- (2) This relates to the one-third equity interest in associated company, ORQPL acquired on 10 December 2007.
- (3) This relates to the probable future income support amount which might be received by K-REIT Asia. Under the Deed of Income Support, Boulevard Development Pte Ltd ("Boulevard") has undertaken to make income support top-up payments for the quarterly shortfall (one-third of the difference between ORQPL's net property income and the guaranteed income amount for each quarter) in accordance with the terms set out. The intangible asset will be amortised over the period from 10 December 2007 to 31 December 2011.

- (4) *Included in the balances are receivables for income support from Boulevard, dividend and interest income from ORQPL as at 30 June 2008 of \$10.8 million (31/12/2007: \$2.9 million).*
- (5) *The decrease in short-term borrowings is due to the partial repayment of the bridging loan from the proceeds of the rights issue.*
- (6) *This is based on the principal amount of borrowings as stated in paragraph 1(b)(ii) and valuation of \$2.1 billion for the deposited properties (held directly and indirectly by K-REIT Asia) performed by an independent valuer as at 10 December 2007.*

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

	As at 30/6/08 \$'000	As at 31/12/07 \$'000
Secured borrowing		
Amount repayable in one year or less, or on demand	-	-
Amount repayable after one year	190,085	190,085
Unsecured borrowing		
Amount repayable in one year or less, or on demand	391,274	942,000
Amount repayable after one year	-	-
Total borrowings	581,359	1,132,085

Details of borrowings and collaterals

K-REIT Asia has in place secured facilities comprising (i) a five-year fixed rate term loan facility totalling \$190.1 million, which is funded by the proceeds of commercial mortgage-backed securities notes issued by a special purpose company; and (ii) a short-term credit facility of \$26 million from a financial institution. As at 30 June 2008, the term loans are fully drawn down and bear interest at a blended rate of 3.9% per annum. There is no drawdown under the short-term credit facility as at 30 June 2008.

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

- (i) a mortgage over each of the investment properties;
- (ii) an assignment and charge of the rental proceeds and tenancy agreements of units in the investment properties;
- (iii) an assignment of the insurance policies relating to the investment properties;
- (iv) an assignment of the agreements relating to the management of the investment properties; and
- (v) a charge creating a fixed and floating charge over certain assets of K-REIT Asia relating to the investment properties.

In addition, K-REIT Asia has put in place a revolving loan facility of up to \$960.0 million from Kephinance Investment Pte Ltd for an initial period of nine months commencing from the drawdown date, and thereafter renewable on terms, including new maturity date, to be agreed between the parties. As at 30 June 2008, the amount outstanding was \$391.3 million after partial repayment in May 2008.

1(c) Statement of cash flows

	Note	2Q2008 \$'000	2Q2007 \$'000	1H2008 \$'000	1H2007 \$'000
Cash flow from operating activities					
Net profit before tax		4,382	4,159	6,691	7,607
Adjustments for:					
Interest income		(1,985)	(88)	(4,881)	(204)
Amortisation expense		6,785	-	13,617	-
Share of results of associated company		(2,779)	-	(4,747)	-
Borrowing costs		5,296	1,922	12,865	3,824
Management fees payable in units		3,222	1,063	6,394	2,091
Operating cash flows before reinvestment in working capital		14,921	7,056	29,939	13,318
Increase in receivables		(4,917)	(137)	(12,975)	(215)
Increase/ (decrease) in payables		955	(54)	(288)	(855)
Security deposits		2,296	623	2,407	1,056
Net cash generated from operating activities		13,255	7,488	19,083	13,304
Cash flow from investing activities					
Interest received		2,954	85	3,708	204
Income support received		6,651	-	7,731	-
Dividend income received from associated company		1,898	-	2,898	-
Improvements in investment properties		-	(36)	-	(36)
Net cash generated from investing activities		11,503	49	14,337	168
Cash flow from financing activities					
Distribution to Unitholders	1	(16,465)	-	(28,844)	(8,384)
Repayment of short term borrowings (unsecured)		(550,726)	-	(550,726)	-
Proceeds from rights issue		551,726	-	551,726	-
Establishment and issue expenses		(1,000)	-	(1,000)	-
Interest paid		(6,548)	(1,883)	(12,488)	(3,725)
Net cash generated used in financing activities		(23,013)	(1,883)	(41,332)	(12,109)
Net increase in cash and cash equivalents		1,745	5,654	(7,912)	1,363
Cash and cash equivalents at the beginning of period		13,270	12,523	22,927	16,814
Cash and cash equivalents at the end of period		15,015	18,177	15,015	18,177

Note:

- (1) Distribution for 2Q2008 is for the period from 1 January 2008 to 7 May 2008 paid on 18 June 2008.
 Distribution for 1H2008 is for the period 1 July 2007 to 31 December 2007 paid on 29 February 2008 and 1 January 2008 to 7 May 2008 paid on 18 June 2008.
 Distribution for 1H2007 is for the period 1 July 2006 to 31 December 2006 paid on 28 February 2007.

1(d)(i) Statement of movements in Unitholders' funds
Statement of movements in Unitholders' funds for the half year ended 30 June 2008

	Note	Issued Equity \$'000	Accumulated Profits \$'000	Total \$'000
Net assets at 1 January 2008		454,258	479,509	933,767
Operations				
Net profit after tax		-	1,297	1,297
Net increase in net assets resulting from operations		454,258	480,806	935,064
Unitholders' transactions				
Creation of units				
- Payment of management fees in units	1	1,958	-	1,958
Distribution to Unitholders	2	-	(12,379)	(12,379)
Net increase/(decrease) in net assets resulting from Unitholders' transactions		1,958	(12,379)	(10,421)
Net assets at 31 March 2008		456,216	468,427	924,643
Operations				
Net profit after tax		-	3,920	3,920
Net increase in net assets resulting from operations		456,216	472,347	928,563
Unitholders' transactions				
Creation of units				
- Payment of management fees in units	3	3,191	-	3,191
- Rights issue	4	551,726	-	551,726
Distribution to Unitholders	5	-	(16,465)	(16,465)
Establishment and issue expenses	6	(1,000)	-	(1,000)
Net increase/(decrease) in net assets resulting from Unitholders' transactions		553,917	(16,465)	537,452
Net assets at 30 June 2008		1,010,133	455,882	1,466,015

Notes:

- (1) This represents 894,717 units issued as satisfaction of management fees payable in units.
- (2) This relates to the distributable income of \$12.4 million for the period of 1 July 2007 to 31 December 2007 which was paid on 29 February 2008.
- (3) This represents 2,153,649 units issued as satisfaction of management fees payable in units.
- (4) This relates to the gross proceeds raised from the renounceable rights issue for 396.9 million units at the issue price of \$1.39.
- (5) This relates to the distributable income of \$16.5 million for the period of 1 January 2008 to 7 May 2008 which was paid on 18 June 2008.
- (6) This relates to the issuance expenses in relation to the renounceable rights issue.

1(d)(i) Statement of movements in Unitholders' funds (cont'd)
Statement of movements in Unitholders' funds for the half year ended 30 June 2007

	Note	Issued Equity \$'000	Asset Revaluation Reserve \$'000	Accumulated Profits \$'000	Total \$'000
Net assets at 1 January 2007		440,519	46,300	5,578	492,397
Adoption of FRS40		-	(46,300)	46,300	-
Restated balance at 1 January 2007		440,519	-	51,878	492,397
Operations					
Net profit after tax		-	-	3,448	3,448
Net increase in net assets resulting from operations		-	-	3,448	3,448
Unitholders' transactions					
Creation of units					
- Payment of management fees in units	1	981	-	-	981
Distribution to Unitholders	2	-	-	(8,384)	(8,384)
Net increase/(decrease) in net assets resulting from Unitholders' transactions		981	-	(8,384)	(7,403)
Net assets at 31 March 2007		441,500	-	46,942	488,442
Operations					
Net profit after tax		-	-	4,159	4,159
Net increase in net assets resulting from operations		-	-	4,159	4,159
Unitholders' transactions					
Creation of units					
- Payment of management fees in units	3	1,029	-	-	1,029
Net increase in net assets resulting from Unitholders' transactions		1,029	-	-	1,029
Net assets at 30 June 2007		442,529	-	51,101	493,630

Notes:

- (1) This represents 387,271 units issued as satisfaction of management fees payable in units.
- (2) This relates to the distributable income of \$8.4 million for the period of 1 July 2006 to 31 December 2006 which was paid on 28 February 2007.
- (3) This represents 334,949 units issued as satisfaction of management fees payable in units.

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

	No. of Units	
	2008	2007
Issued units as at 1 January	247,183,528	241,610,366
Issue of new units		
- Payment of management fees in units	894,717	387,271
Issued units as at 31 March	248,078,245	241,997,637
Issue of new units		
- Payment of management fees in units	2,153,649	334,949
- Rights issue	396,925,192	-
Issued units as at 30 June	647,157,086	242,332,586
New units to be issued		
- Payment of management fees in units ¹	2,295,219	-
Total issued and issuable units as at 30 June	649,452,305	242,332,586

Note:

(1) These are the management fees for 2Q2008 which will be issued in July 2008.

2. AUDIT

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

3. AUDITORS' REPORT

Not applicable.

4. ACCOUNTING POLICIES

The accounting policies and methods of computation in the financial statements for the current financial period are consistent with those for the audited financial statements for the year ended 31 December 2007.

5. CHANGES IN ACCOUNTING POLICIES

There are no changes in the accounting policies and methods of computation.

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

	2Q2008	2Q2007	1H2008	1H2007
Earnings per unit (based on weighted average number of units in issue for the period)	0.80cents	1.65 cents ¹	1.39cents	3.02 cents ¹
Weighted average number of units for the period	487,343,990	251,914,878 ¹	375,040,398	251,727,885 ¹
Distribution per unit (based on the number of units as at end of period)	2.18 cents ²	2.14 cents	3.94 cents ²	3.91 cents
Number of units in issue at end of period	649,452,305	242,332,586	649,452,305	242,332,586

Note:

- (1) The comparative figures for earnings per unit and weighted average number of ordinary shares in issue have been adjusted to account for the effect of the rights issue as mentioned in paragraph 1(d)(ii) above.
- (2) The computation of DPU for 2Q2008 and 1H2008 is based on the number of units entitled to the distribution:
- (i) The number of units in issue as at 30 June 2008 of 647,157,086; and
 - (ii) The units issuable to the Manager by 30 July 2008 as satisfaction of management fee for 2Q2008 of 2,295,219.

7. NET ASSET VALUE (“NAV”)

	30/6/08 ⁽¹⁾	31/12/07
NAV per unit based on issued units at the end of the period (\$)	2.26	3.78
Adjusted NAV per unit based on issued units at the end of the period (excluding the distributable income) (\$)	2.22	3.73

Note:

- (1) The number of units used for computation of actual NAV per unit is 649,452,305 and this comprises:
- (i) The number of units in issue as at 30 June 2008 of 647,157,086; and
 - (ii) The units issuable to the Manager by 30 July 2008 as satisfaction of management fee for 2Q2008 of 2,295,219.

8. REVIEW OF PERFORMANCE
8(i) Property income contribution of the properties

Property	2Q2008 \$'000	2Q2007 \$'000	+/(-) %	1H2008 \$'000	1H2007 \$'000	+/(-) %
Prudential Tower Property	2,753	1,654	66.4	4,815	3,286	46.5
Keppel Towers and GE Tower	6,259	4,930	27.0	12,214	8,976	36.1
Bugis Junction Towers	3,977	3,268	21.7	7,466	6,456	15.6
Total property income	12,989	9,852	31.8	24,495	18,718	30.9

8(ii) Income contribution of the properties

Property	2Q2008 \$'000	2Q2007 \$'000	+/(-) %	1H2008 \$'000	1H2007 \$'000	+/(-) %
Prudential Tower Property	1,795	1,167	53.8	3,627	2,450	48.0
Keppel Towers and GE Tower	4,847	3,645	33.0	9,525	6,508	46.4
Bugis Junction Towers	2,532	2,471	2.5	5,163	4,787	7.9
Total net property income	9,174	7,283	26.0	18,315	13,745	33.2
One-third interest in ORQPL:						
- Income support	6,099	-	Nm	12,244	-	Nm
- Interest income	1,880	-	Nm	4,725	-	Nm
- Dividend income	2,779	-	Nm	4,677	-	Nm
Total income from one-third interest in ORQPL¹	10,758	-	Nm	21,646	-	Nm
Total income contribution	19,932	7,283	173.7	39,961	13,745	190.7

Note:

Nm : Not meaningful

(1) The acquisition of one-third interest in ORQPL was completed on 10 December 2007. Thus, there was no income contribution for the 1H2007.

8. REVIEW OF PERFORMANCE (cont'd)**Review of performance for 2Q 2008 vs 2Q 2007**

Turnover for 2Q 2008 was \$13.0 million, 31.8% higher than \$9.9 million for the corresponding quarter in 2007. The increase was due mainly to higher rental income as a result of higher rental rates achieved for new and renewed leases as well as improved occupancies. The portfolio attained 100.0% committed occupancy as at end-June 2008. Average gross rental rates for the investment properties held directly by K-REIT Asia rose to \$5.66 psf in June 2008 as compared with \$4.28 psf for the same period in 2007.

Property expenses amounted to \$3.8 million, 48.5% higher than 2Q 2007 due mainly to higher property tax of \$0.3 million on the account of higher annual value assessed, higher marketing expenses of \$0.7 million, and higher utilities and maintenance expenses of \$0.2 million.

Net property income increased by 26.0% in 2Q 2008 to \$9.2 million on the account of higher rental income. Manager's management fee increased by \$2.2 million due mainly to the acquisition of one-third interest in ORQPL which was absent in 2Q 2007, a higher appraisal value for the investment properties and higher property income. On account of additional loan drawn down to finance the acquisition of one-third interest in ORQPL in December 2007, borrowing costs increased by \$3.4 million to \$5.3 million as compared with 2Q 2007. These were partly offset by higher interest income of \$1.9 million from ORQPL and share of results of ORQPL of \$2.8 million.

Net profit before tax for 2Q 2008 was \$4.4 million, 5.4% higher than that for 2Q 2007. Distributable income to Unitholders for 2Q 2008 increased by \$9.0 million to \$14.2 million as compared with \$5.2 million for the same period in 2007, due mainly to the income contribution from ORQPL which was absent in previous corresponding period.

For the quarter, the all-in interest rate was 2.64% and the aggregate leverage stood at 27.7% as at 30 June 2008.

Review of the performance for 1H 2008 vs 1H 2007

Turnover for 1H 2008 was \$24.5 million compared with \$18.7 million for 1H 2007. The increase in 30.9% was due mainly to higher rental income of \$5.7 million as a result of higher rental rates achieved for new and renewed leases and higher occupancies. Average gross rental rates for the investment held directly by K-REIT Asia reached \$5.66 psf in June 2008 from \$4.28 psf for the same period in 2007.

Property expenses were \$6.2 million, 24.3% higher than that previous year, due mainly to higher marketing expenses of \$0.8 million, higher utilities and maintenance expenses of \$0.2 million, and higher property management fee of \$0.2 million.

Net property income rose 33.2% to \$18.3 million as a result of higher rental income. Manager's management fee increased by \$4.3 million due to the acquisition of one-third interest in ORQPL which was absent in 1H 2007, a higher appraisal value for the investment properties and higher property income. On account of additional loan drawn down to finance the acquisition of one-third interest in ORQPL in December 2007, borrowing costs increased by \$9.0 million to \$12.9 million as compared with that for 1H 2007. These were partly offset by higher interest income of \$4.7 million from ORQPL and share of results of ORQPL of \$4.7 million.

Net profit before tax for 1H 2008 was \$6.7 million and distributable income to Unitholders for 1H 2008 increased by 169.8% to \$25.6 million.

9. VARIANCE FROM PROSPECTS STATEMENT
Statement of total return (actual vs forecast ¹)

	Actual 2Q2008 \$'000	Forecast ¹ 2Q2008 \$'000	+ / (-) %	Actual 1H2008 \$'000	Forecast ¹ 1H2008 \$'000	+ / (-) %
Gross rent	12,730	12,540	1.5	23,974	23,780	0.8
Car park income	243	225	8.0	493	460	7.2
Other income	16	9	77.8	28	18	55.6
Property income	12,989	12,774	1.7	24,495	24,258	1.0
Property tax	(1,076)	(1,016)	5.9	(1,506)	(1,503)	0.2
Other property expenses	(1,939)	(1,387)	39.8	(3,116)	(2,630)	18.5
Property management fee	(388)	(383)	1.3	(734)	(728)	0.8
Maintenance and sinking fund contributions	(412)	(412)	-	(824)	(824)	-
Property expenses	(3,815)	(3,198)	19.3	(6,180)	(5,685)	8.7
Net property income	9,174	9,576	(4.2)	18,315	18,573	(1.4)
Income support	6,099	6,599	(7.6)	12,244	13,201	(7.2)
Interest income	1,985	2,987	(33.5)	4,881	5,883	(17.0)
Share of results of associated company	2,779	1,459	90.5	4,747	2,984	59.1
Amortisation expense	(6,785)	(6,785)	-	(13,617)	(13,617)	-
Borrowing costs	(5,296)	(8,178)	(35.2)	(12,865)	(15,748)	(18.3)
Manager's management fees	(3,222)	(3,205)	0.5	(6,394)	(6,392)	Nm
Trust expenses	(352)	(391)	(10.0)	(620)	(689)	(10.0)
Net profit before tax	4,382	2,062	112.5	6,691	4,195	59.5
Income tax expense	(462)	(1,083)	(57.3)	(1,474)	(2,177)	(32.3)
Net profit after tax	3,920	979	300.4	5,217	2,018	158.5
Total return	3,920	979	300.4	5,217	2,018	158.5

Distribution statement

Net profit before tax	4,382	2,062	112.5	6,691	4,195	59.5
Net tax adjustments	10,256	10,241	0.1	20,364	20,472	(0.5)
Income tax expense	(462)	(1,083)	(57.3)	(1,474)	(2,177)	(32.3)
Income available for Distribution to Unitholders	14,176	11,220	26.3	25,581	22,490	13.7
Distributable income to Unitholders	14,176	11,220	26.3	25,581	22,490	13.7

Distribution per unit (cents)

For the period	2.18	1.73	3.94	3.48
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Note:

(1) The forecasts for 2Q2008 and 1H2008 are derived from the forecast shown in K-REIT Asia's circular dated 9 April 2008 for the renounceable rights issue.

9. VARIANCE FROM PROSPECTS STATEMENT (cont'd)**Review of performance for 2Q 2008 (actual vs forecast ¹)**

The turnover of \$13.0 million was marginally higher compared with the forecast for 2Q 2007. The average gross rental rate for the investment properties held directly by K-REIT Asia of \$5.66 psf in June 2008 was higher than that forecast.

Property expenses were \$3.8 million, 19.3% higher than the forecast, due mainly to the higher marketing expenses of \$0.7 million and partly offset by lower maintenance expenses of \$0.1 million.

Net property income of \$9.2 million was 4.2% lower than the forecast as a result of higher property expenses. Income support and interest income in relation to ORQPL fell by \$0.5 million and \$1.0 million respectively but this was offset by higher share of results of ORQPL of \$1.3 million. Borrowing costs was \$2.9 million lower than the forecast due to a more favourable interest rate committed on the rollover of loan in 2Q 2008.

Net profit after tax for 2Q 2008 of \$3.9 million exceeded the forecast by 300.4% due mainly to lower borrowing costs. Distributable income to Unitholders was 26.3% higher than the forecast for 2Q 2008 at \$14.2 million.

Review of performance for 1H 2008 (actual vs forecast ¹)

The turnover of \$24.5 million was marginally higher compared with the forecast for 1H 2008. The average gross rental rate for the investment properties held directly by K-REIT Asia of \$5.66 psf in June 2008 was higher than that forecasted.

Property expenses were \$6.2 million, 8.7% higher than the forecast, due mainly to the higher marketing expenses of \$0.7 million and partly offset by lower maintenance expenses of \$0.2 million.

Net property income of \$18.3 million was 1.4% lower than the forecast as a result of higher property expenses. Both income support and interest income in relation to ORQPL each fell by \$1.0 million but this was offset by higher share of results of ORQPL of \$1.8 million. Borrowing costs was \$2.9 million lower than the forecast due to a more favourable interest rate committed on the rollover of loan in 2Q 2008.

Net profit after tax for 1H 2008 of \$5.2 million exceeded the forecast by 158.5% mainly due to lower borrowing costs. Distributable income to Unitholders was 13.7% higher than the forecast for 1H 2008 at \$25.6 million.

Note:

(1) The forecasts for 2Q2008 and 1H2008 are derived from the forecast shown in K-REIT Asia's circular dated 9 April 2008 for the renounceable rights issue.

10. PROSPECTS

Based on advance estimates by the Ministry of Trade and Industry, real GDP rose by 1.9%, moderating from 6.9% in 1Q 2008, due mainly to a contraction in biomedical manufacturing output. The services producing industries, led by financial services and business services sectors, grew by about 6.9% in 2Q 2008, compared with 7.6% in the previous quarter. Nonetheless, the government has maintained its full-year growth forecast for the economy at 4 – 6%.

Despite the weaker external environment, Singapore's office rents rose slightly in 2Q 2008 reflecting the tight supply of office space. According to CB Richard Ellis ("CBRE"), average prime rents rose 0.6% to \$16.10 psf while average Grade A rents rose 0.8% to \$18.80 psf from the previous quarter. In the same period, core CBD vacancy rate remained low at 2.9%.

Although some corporate occupiers have relocated to business parks from prime CBD area to contain costs, CBRE expects supply of office space to remain tight within the next two years and take-up levels to stay healthy. Office rents will be supported by continued demand for prime office space as Singapore transforms itself into a global city and with spin-off multiplier effects from the two integrated resorts currently under construction. CBRE has projected prime and Grade A rents to rise to \$17 psf and \$19 psf per month respectively by end-2008. Compared with Tokyo and Hong Kong, office rents in Singapore are still relatively competitive.

K-REIT Asia is well-positioned to benefit from positive rental reversions, given that its average portfolio rental of \$7.37 psf per month is lower than average market rents. Some 51.5% and 29.2% of its portfolio's net lettable area will be due for lease expiry and rent review respectively between 3Q 2008 and 2011.

On 8 May 2008, K-REIT Asia completed its rights issue exercise and issued 396.9 million rights units, bringing the total number of units in issue to 647.2 million. The net proceeds of \$550.7 million raised by the rights issue have been used to partially repay the bridging loan of \$942 million which was drawn down for the acquisition of the one-third interest in One Raffles Quay Pte Ltd.

K-REIT Asia's aggregate leverage has been lowered from 53.9% to 27.7% with interest coverage of 1.52 times¹. Based on 60% aggregate leverage limit, this provides K-REIT Asia with additional debt headroom of \$680 million to fund future property acquisitions and working capital requirements. K-REIT Asia has secured a new loan of \$391.0 million from Kepfinance Investment Pte Ltd to re-finance the remaining bridging loan which was to have matured in September 2008. Based on the existing portfolio, there will be no debt re-financing requirement till 2011. For the longer term, the Manager is establishing a medium-term note programme to enable K-REIT Asia to swiftly tap the debt capital market going forward.

Outlook for 2008

Barring unforeseen circumstances, the Manager of K-REIT Asia expects to achieve its forecast distribution of 7.53 cents per unit or 10.09 cents per unit (based on weighted average number of units) for the financial year ending 31 December 2008, as shown in the circular dated 9 April 2008.

¹The interest coverage is based on the YTD profit before interest & tax over interest expense.

11. RISK FACTORS AND RISK MANAGEMENT

K-REIT Asia ascribes great importance to risk management and constantly takes initiatives to systemically review the risks it faces and mitigates them. Some of the key risks that the Manager has identified are as follows:

Interest rate risk

Interest rate exposures are generally managed through appropriate term facilities and floating positions. The Manager also monitors the interest rate environment to potentially refinance higher cost debt where and when appropriate.

Liquidity risk

The Manager monitors and maintains K-REIT Asia's cash flow position and working capital to ensure that there are adequate liquid reserves in terms of cash and credit facilities to meet short term obligations. Steps have been taken to plan early for funding/expenses so as to better gauge cash position at any point of time.

Credit risk

Credit risk assessments of tenants are carried out by way of credit agencies and corporate searches prior to signing of lease agreements. Tenants are required to pay a security deposit as a multiple of monthly rent and maintain sufficient deposits in their accounts. In addition, the Manager also monitors the property portfolio's tenant trade sector mix to assess exposure to any one potentially volatile trade sector.

Currency risk

Presently, K-REIT Asia has no currency risks as all borrowings are in Singapore dollars. Going forward, as K-REIT starts to acquire assets overseas, it is the intention that any debt financing for such acquisitions will be made in the same currency in which the assets are denominated, whenever possible, so as to serve as a natural currency hedge. The Manager will also adopt appropriate hedging strategies when deemed necessary.

Operational risk

Measures have been put in place to promote sustainability of net property income. Some of these measures include steps taken to negotiate for favourable terms/covenants, manage expenses and maximise property value. In addition, the Manager also continuously reviews disaster and pandemic business continuity plans and modifies them, when necessary.

12. DISTRIBUTIONS

(a) Current financial period reported on

Name of Distribution	Distribution for 8 May 2008 to 30 June 2008
Distribution type	(a) Taxable income (b) Tax-exempt income
Distribution rate	(a) Taxable income distribution – 0.67 cents per unit (b) Tax-exempt income distribution – 0.72 cents per unit
Tax rate	<p><u>Taxable income distribution</u> Individuals who receive such distribution as investment income will be exempted from tax.</p> <p>Qualifying Unitholders will receive pre-tax distributions and pay tax on the distributions at their own marginal rates subsequently.</p> <p>Investors using CPF funds and SRS funds will also receive pre-tax distributions. These distributions are tax exempt.</p> <p>Subject to meeting certain conditions, foreign non-individual unitholders will receive their distributions after deduction of tax at the rate of 10%.</p> <p>All other investors will receive their distributions after deduction of tax at the rate of 18%.</p> <p><u>Tax-exempt income distribution</u> Tax-exempt income distribution is exempt from tax in the hands of all Unitholders. Tax-exempt income relates to net taxed income and one-tier dividend income received by K-REIT Asia.</p>

Name of Distribution	Distribution for 1 January 2008 to 7 May 2008
Distribution type	(a) Taxable income (b) Tax-exempt income
Distribution rate	(a) Taxable income distribution – 4.27 cents per unit (b) Tax-exempt income distribution – 2.31 cents per unit

Name of Distribution	Distribution for 1 January 2008 to 7 May 2008 (cont'd)
Tax rate	<p><u>Taxable income distribution</u> Individuals who receive such distribution as investment income will be exempted from tax.</p> <p>Qualifying Unitholders will receive pre-tax distributions and pay tax on the distributions at their own marginal rates subsequently.</p> <p>Investors using CPF funds and SRS funds will also receive pre-tax distributions. These distributions are tax exempt.</p> <p>Subject to meeting certain conditions, foreign non-individual unitholders will receive their distributions after deduction of tax at the rate of 10%.</p> <p>All other investors will receive their distributions after deduction of tax at the rate of 18%.</p> <p><u>Tax-exempt income distribution</u> Tax-exempt income distribution is exempt from tax in the hands of all Unitholders. Tax-exempt income relates to net taxed income and one-tier dividend income received by K-REIT Asia.</p>

(b) Corresponding period of the immediately preceding financial year

Name of Distribution	Distribution for 1 January 2007 to 30 June 2007
Distribution type	Taxable income
Distribution rate	Taxable income distribution - 3.91 cents per unit
Tax rate	<p><u>Taxable income distribution</u> Individuals who receive such distribution as investment income will be exempted from tax.</p> <p>Qualifying Unitholders will receive pre-tax distributions and pay tax on the distributions at their own marginal rates subsequently.</p> <p>Investors using CPF funds and SRS funds will also receive pre-tax distributions. These distributions are tax exempt.</p> <p>Subject to meeting certain conditions, foreign non-individual unitholders will receive their distributions after deduction of tax at the rate of 10%.</p> <p>All other investors will receive their distributions after deduction of tax at the rate of 18%.</p>

(c) DATE PAYABLE

28 August 2008

(d) BOOKS CLOSURE DATE

5 August 2008

13. DISTRIBUTION STATEMENT

Other than as disclosed in paragraph 12(a), no distribution has been declared/ recommended.

14. INTERESTED PERSON TRANSACTIONS

Aggregate value of all interested person transactions during the financial period under review (excluding transactions of less than \$100,000)

Name of interested person	2Q2008 \$'000	2Q2007 \$'000
Keppel Corporation and its subsidiaries or associates		
- Manager's management fees	6,395	1,062
- Property management fees and reimbursables	1,253	530
- Leasing commissions	860	248
- Rental and service charge income ¹	1,411	518
RBC Dexia Trust Services Singapore Limited		
- Trustee's fee	78	25

Note:

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

Appendix
K-REIT ASIA'S SEGMENTAL RESULTS – QUARTERLY BREAKDOWN
Income contribution by asset (\$'000)

	FY06 ¹	1Q07	2Q07	1H07	3Q07	4Q07	FY07	1Q08	2Q08
Property									
Prudential Tower Property	4,395	1,283	1,167	2,450	1,206	1,381	5,037	1,832	1,795
Keppel Towers and GE Tower	10,598	2,863	3,645	6,508	3,801	3,432	13,741	4,678	4,847
Bugis Junction Towers	8,632	2,316	2,471	4,787	2,486	2,211	9,484	2,631	2,532
Total net property income	23,625	6,462	7,283	13,745	7,493	7,024	28,262	9,141	9,174
One-third interest in ORQPL ² :									
- Income support	-	-	-	-	-	1,080	1,080	6,145	6,099
- Interest income	-	-	-	-	-	690	690	2,845	1,880
- Dividend income	-	-	-	-	-	1,000	1,000	1,898	2,779
Total income from one-third interest in ORQPL	-	-	-	-	-	2,770	2,770	10,888	10,758
Total income contribution	23,625	6,462	7,283	13,745	7,493	9,794	31,032	20,029	19,932

Notes:

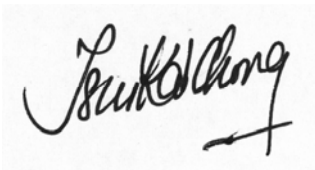
- (1) K-REIT Asia was established on 28 November 2005 and the acquisition of the initial properties was completed on 26 April 2006. As K-REIT Asia has no income and expenses for period prior to 26 April 2006, the comparative figures have been compiled based on (i) the unaudited financial statements of Mansfield Realty Limited, Keppel Land (Tower D) Pte Ltd and BCH Office Investment Pte Ltd for the period of 1 January 2006 to 25 April 2006 after making certain assumptions and adjustments; and (ii) the actual results of K-REIT Asia from 26 April 2006 to 31 December 2006.
- (2) The acquisition of one-third interest in ORQPL was completed on 10 December 2007. Thus, there was no income contribution from the one-third interest in ORQPL for 2006 and 1Q2007 to 3Q2007.

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

CHOO CHIN TECK / JACQUELINE NG
 Joint Company Secretaries
 28 July 2008

CONFIRMATION BY THE BOARD

We, TSUI KAI CHONG and TAN SWEE YIOW being two Directors of K-REIT Asia Management Limited (the "Company"), as manager of K-REIT Asia, do hereby confirm on behalf of the Directors of the Company that, to the best of their knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the 2008 second quarter's financial statements of K-REIT Asia to be false or misleading in any material aspect.

On Behalf of the Board of Directors

TSUI KAI CHONG
Chairman



TAN SWEE YIOW
Director

Singapore, 28 July 2008