

PRESS RELEASE

Unaudited Results for the period from 28 November 2005 to 30 June 2006

20 July 2006

The Directors of K-REIT Asia Management Limited, as manager of K-REIT Asia, announce the unaudited results of K-REIT Asia for the period from 28 November 2005 (date of constitution) to 30 June 2006.

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This press release is also available on www.kepcorp.com , www.kepland.com.sg and www.kreitasia.com

**K-REIT ASIA
SECOND QUARTER 2006 FINANCIAL STATEMENT ANNOUNCEMENT****UNAUDITED RESULTS FOR THE PERIOD FROM 28 NOVEMBER 2005 TO 30 JUNE 2006****TABLE OF CONTENTS**

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The financial advisor for the introduction of the units of K-REIT Asia to the Main Board of the SGX-ST is Deloitte & Touche Corporate Finance Pte Ltd.

INTRODUCTION

K-REIT Asia is a real estate investment trust constituted by the Trust Deed entered into on 28 November 2005 between K-REIT Asia Management Limited as manager of K-REIT Asia and RBC Dexia Trust Services Singapore Limited as trustee of K-REIT Asia. K-REIT Asia was listed on the Singapore Exchange Securities Trading Limited by way of an Introduction on 28 April 2006.

K-REIT Asia has a initial portfolio of four buildings, namely Prudential Tower Property (approximately 44% of the strata area of the building), Keppel Towers and GE Tower, and Bugis Junction Towers. On 26 April 2006, K-REIT Asia completed the acquisition of the buildings for \$630.7 million in a combination of cash and the payment of units in K-REIT Asia (the "Units") pursuant to a distribution in specie by Keppel Land Limited ("Keppel Land"). Keppel Land distributed approximately 60% of the Units in specie to its shareholders.

K-REIT Asia's first financial period is from 28 November 2005 to 31 December 2006 and the prior period comparatives are based on pro-rated pro forma financial information as stated in the K-REIT Asia's Introductory Document dated 20 March 2006.

1 UNAUDITED RESULTS FOR THE PERIOD FROM 28 NOVEMBER 2005 TO 30 JUNE 2006

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 period from 28 November 2005 (date of constitution) to 30 June 2006:

1 (a) Profit and loss account, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Note	Actual 28/11/05 to 30/6/06 Note (1) \$'000	Pro forma 26/4/05 to 30/6/05 Note (2) \$'000	+/(-) %
Gross rent		5,828	4,744	22.8
Car park income		158	125	26.4
Other income		4	12	(66.7)
Property income		5,990	4,881	22.7
Property tax		(437)	(392)	11.5
Other property expenses	3	(721)	(1,036)	(30.4)
Property management fee		(180)	(147)	22.4
Maintenance and sinking fund contributions		(314)	(315)	(0.3)
Property expenses		(1,652)	(1,890)	(12.6)
Net property income		4,338	2,991	45.0
Interest income		21	-	Nm
Manager's management fees		(701)	(661)	6.1
Trust expenses		(239)	(217)	10.1
Borrowing costs		(1,365)	(1,368)	(0.2)
Net profit before tax		2,054	745	175.7
Income tax		-	-	-
Net profit after tax		2,054	745	175.7
<u>Distribution Statement</u>				
Net profit before tax		2,054	745	175.7
Net tax adjustments	4	743	725	2.5
Taxable income available for distribution to unitholders		2,797	1,470	90.3
Distributable income to unitholders	5	2,797	1,470	90.3

Notes:

Nm – Not meaningful

(1) K-REIT Asia was established on 28 November 2005, but the acquisition of the properties was completed on 26 April 2006. Hence, the income and expenses related only to the period from 26 April 2006 to 30 June 2006. K-REIT Asia has no income and expenses from 28 November 2005 to 25 April 2006.

(2) This is the first interim financial period of K-REIT Asia and the comparative figures for 2005 are extracted from the pro forma financial information which was stated in the Introductory Document and pro-rated equally for 66 days to correspond with the period from 26 April 2005 to 30 June 2005.

(3) Included as part of the other property expenses are the following:

	Actual	Pro forma
	28/11/05 to	26/4/05 to
	30/6/06	30/6/05
	\$'000	\$'000
Depreciation and amortisation	-	16

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

	Actual	Pro forma
	28/11/05 to	26/4/05 to
	30/6/06	30/6/05
	\$'000	\$'000
Management fees payable in units	701	661
Trustee's fees	17	17
Amortisation of transaction costs	44	47
Temporary differences and other adjustments	(19)	-
Net tax adjustments	743	725

(5) The distributable income to unitholders is based on 100% of the taxable 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

	<i>Note</i>	Actual 30/6/06	Pro forma 30/9/05
		\$'000	\$'000
Current assets			
Cash and cash equivalents		9,366	4,457
Trade and other receivables		1,348	-
Total current assets		10,714	4,457
Non-current assets			
Plant and equipment		-	3
Investment properties		630,700	630,700
Total non-current assets		630,700	630,703
Total assets		641,414	635,160
Current liabilities			
Trade and other payables	2	3,132	499
Amounts due to related parties		856	-
Total current liabilities		3,988	499
Non-current liabilities			
Security deposits		7,953	6,771
Interest-bearing loans (secured)	3	188,829	189,300
Total non-current liabilities		196,782	196,071
Total liabilities		200,770	196,570
Net assets		440,644	438,590
Represented by:			
Unitholders' funds	4	440,644	438,590
Net asset value per unit (\$)		1.83	1.82
Borrowings / total assets (%)	5	29.6	30.0

Notes:

- (1) *There was no comparative balance sheet as at the preceding financial year-end since K-REIT Asia was formed on 28 November 2005 (date of constitution). The first financial period is from 28 November 2005 to 31 December 2006. As such, the pro forma balance sheet as at 30 September 2005 which was disclosed in the Introductory Document has been presented for information only.*
- (2) *These are mainly trade payables, accrued operating expenses, accrued establishment and issue expenses and accrued transaction costs.*
- (3) *Interest-bearing loans are stated net of amortised cost.*
- (4) *Please refer to statement of movements in unitholders' funds for details.*
- (5) *This is based on principal amount of borrowings as stated in paragraph 1(b)(ii) on page 6.*

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

	Actual 30/6/06	Pro forma 30/9/05 Note (1)
	\$'000	\$'000
Secured borrowings		
Amount repayable in one year or less, or on demand	-	-
Amount repayable after one year	190,085	190,600

Notes:

(1) This is the first financial period of K-REIT Asia and the comparative figures for 2005 are extracted from the pro forma financial information as at 30 September 2005 which was stated in the Introductory Document.

K-REIT Asia has in place secured facilities comprising (i) a five-year fixed rate term loan facility for \$190.1 million, which is funded by commercial mortgage-backed securities notes issued by a special purpose company; and (ii) a revolving credit facility ("RCF") for \$30 million. As at 30 June 2006, the term loans are fully drawn down and bear interest at a blended rate of 3.9% per annum. The RCF has not been utilised as at 30 June 2006.

Details of collaterals

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

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

1(c) Cash flow statement

	<i>Note</i>	Actual 28/11/05 to 30/6/06 Note (1) \$'000
Cash flow from operating activities		
Net profit before tax		2,054
Adjustments for:		
Interest income		(21)
Borrowing costs		1,365
Management fees payable in units		701
Operating income before reinvestment in working capital		4,099
Increase in receivables		(1,343)
Increase in payables		1,661
Security deposits		7,953
Net cash generated from operating activities		12,370
Cash flow from investing activities		
Interest received		16
Purchase of investment properties	2	(190,570)
Net cash used in investing activities		(190,554)
Cash flow from financing activities		
Net loan drawdown		189,254
Establishment and issue expenses		(669)
Interest paid		(1,035)
Net cash generated from financing activities		187,550
Net increase in cash and cash equivalents		9,366
Cash and cash equivalents at the beginning of period		-
Cash and cash equivalents at the end of period		9,366

Notes:

(1) *There was no comparative cash flow statement as at 30 June 2006 because K-REIT Asia was formed on 28 November 2005 (date of constitution). The first financial period is from 28 November 2005 to 31 December 2006.*

(2) *The details on net cash outflow on purchase of investment properties are as follows:*

	\$'000
<i>Investment properties</i>	630,700
<i>Less: Consideration units issued to vendors</i>	(440,130)
<i>Net cash outflow</i>	190,570

1(d)(i) Statement of movements in unitholders' funds

	Note	Actual 28/11/05 to 30/6/06 Note (1) \$'000
Balance at the beginning of period		-
Operations		
Net profit after tax		2,054
Net increase in net assets resulting from operations		2,054
Unitholders' transactions		
Creation of units		
- partial satisfaction of purchase consideration for investment properties acquired	2	440,130
Establishment and issue expenses	3	(1,540)
Net increase in net assets resulting from unitholders' transactions		438,590
Balance at the end of period		440,644

Notes:

- (1) There was no comparative statement of movements of unitholders' funds as at 30 June 2006 because K-REIT Asia was formed on 28 November 2005 (date of constitution). The first financial period is from 28 November 2005 to 31 December 2006.
- (2) This represents 240,508,000 units issued as partial satisfaction of the purchase consideration for the initial portfolio of properties.
- (3) Establishment and issue expenses comprise professional and other fees, listing and perusal fees and other miscellaneous incurred for the establishment of K-REIT Asia.

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

	Actual 28/11/05 to 30/6/06 Note (1) Units
Balance as at the beginning of period	-
Issue of new units - part settlement for the purchase of investment properties	240,508,000
Balance as at the end of period	240,508,000

Notes:

(1) There was no comparative information as K-REIT Asia was formed on 28 November 2005 (date of constitution). The first financial period is from 28 November 2005 to 31 December 2006.

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 stated in the Introductory Document.

5. CHANGES IN THE ACCOUNTING POLICIES

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

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

	Actual 28/11/05 to 30/6/06
Earnings per unit (based on the weighted average number of units as at the end of period)	0.85 cents
- Weighted average number of units as at the end of period	240,508,000
Distribution per unit (based on the number of units as at the end of period)	1.16 cents
- Number of units on issue at end of period	240,508,000

7. NET ASSET VALUE

	Actual 30/6/06	Actual 30/9/05
Net asset value per unit based on issued units at the end of the period (\$)	1.83	1.82

8. REVIEW OF PERFORMANCE
Review of the performance for the period from 26 April 2006 to 30 June 2006 (actual) vs 26 April 2005 to 30 June 2005 (pro forma)

Turnover for the period was \$6.0 million, 22.7% higher than that for the same period in 2005. The increase is due mainly to higher rental income of \$1.1 million as a result of improved occupancies and higher rental rates achieved for new and renewed leases. Car park income from Keppel Towers and GE Tower also increased by 26.4%.

Property expenses of \$1.7 million were lower than the amount for the same period in 2005 by \$0.2 million or 12.6% on account of lower marketing expenses and lower maintenance expenses. This is partly offset by higher property tax due to the absence of vacancy claim refund received for the period as compared to that for the same period in 2005 as well as higher utilities expenses on account of increased tariff rates and higher property management fees due to the higher property income achieved.

Manager’s management fees increased by 6.1% as a result of the higher net property income. Trust expenses were higher by 10.1% due to fixed costs incurred in the current period while the comparative figures for the same period in 2005 are pro-rated on a straight line basis.

9. VARIANCE FROM PROSPECTS STATEMENT
9(i) Profit and Loss Statement for the period from 26 April 2006 to 30 June 2006

	Actual 28/11/05 to 30/6/06 \$'000	Forecast 26/4/06 to 30/6/06 Note (1) \$'000	+ / (-) %
Gross rent	5,828	5,569	4.7
Car park income	158	136	16.2
Other income	4	5	(20.0)
Property income	5,990	5,710	4.9
Property tax	(437)	(459)	(4.8)
Other property expenses	(721)	(778)	(7.3)
Property management fee	(180)	(170)	5.9
Maintenance and sinking fund contributions	(314)	(314)	-
Property expenses	(1,652)	(1,721)	(4.0)
Net property income	4,338	3,989	8.7
Interest income	21	-	Nm
Manager's management fees	(701)	(690)	1.6
Trust expenses	(239)	(215)	11.2
Borrowing costs	(1,365)	(1,365)	-
Net profit before tax	2,054	1,719	19.5
Income tax	-	-	-
Net profit after tax	2,054	1,719	19.5
<u>Distribution Statement</u>			
Net profit before tax	2,054	1,719	19.5
Net tax adjustments	743	662	12.2
Taxable income available for distribution to unitholders	2,797	2,381	17.5
Distributable income to unitholders	2,797	2,381	17.5

Notes:

Nm – Not meaningful

(1) The forecast is extracted from the Introductory Document and is based on the assumptions set out in the Introductory Document. The forecast figures are derived by prorating the forecast figures for 2006 disclosed in the Introductory Document for the period from 26 April 2006 to 30 June 2006. Although K-REIT Asia was constituted on 28 November 2005, the acquisition of the properties was completed on 26 April 2006.

9(ii) Property Income Contribution of the Properties

Property	Actual	Forecast	+ / (-) %
	28/11/05 to 30/6/06	26/4/06 to 30/6/06	
		Note (1)	
	\$'000	\$'000	
Prudential Tower Property	995	885	12.4
Keppel Towers and GE Tower	2,822	2,658	6.2
Bugis Junction Towers	2,173	2,167	0.3
Total Property Income	5,990	5,710	4.9

Notes:

(1) The forecast is extracted from the Introductory Document. The forecast figures are derived by prorating the forecast figures for 2006 disclosed in the Introductory Document for the period from 26 April 2006 to 30 June 2006. Although K-REIT Asia was constituted on 28 November 2005, the acquisition of the properties was completed on 26 April 2006.

9(iii) Net Property Income Contribution of the Properties

Property	Actual	Forecast	+ / (-) %
	28/11/05 to 30/6/06	26/4/06 to 30/6/06	
		Note (1)	
	\$'000	\$'000	
Prudential Tower Property	743	619	20.0
Keppel Towers and GE Tower	1,958	1,793	9.2
Bugis Junction Towers	1,637	1,577	3.8
Total Net Property Income	4,338	3,989	8.7

Notes:

(1) The forecast is extracted from the Introductory Document. The forecast figures are derived by prorating the forecast figures for 2006 disclosed in the Introductory Document for the period from 26 April 2006 to 30 June 2006. Although K-REIT Asia was constituted on 28 November 2005, the acquisition of the properties was completed on 26 April 2006.

Review of the performance for the period from 26 April 2006 to 30 June 2006 (actual vs forecast)

Turnover of \$6.0 million was 4.9% higher than the forecast of \$5.7 million. This is due mainly to higher rental income of \$0.3 million resulting from earlier commencement of new leases and higher rental rates achieved for new and renewed leases. The car park at Keppel Towers and GE Tower also contributed to an increase of 16.2% as compared with the forecast.

Total property expenses of \$1.7 million were broadly in line as compared with the forecast. Lower maintenance expenses were partly offset by higher utilities expenses due to increased building occupancies and higher property management fees on account of higher property income.

Manager's management fees increased marginally by 1.6% as a result of the higher net property income. Trust expenses were higher by 11.2% due to fixed costs incurred in the current period while the forecast figures are pro-rated on a straight line basis.

10. PROSPECTS

Advanced estimates showed that the Singapore economy continues to expand by 7.5% in the second quarter of 2006, after a 10.6% growth in the first quarter of this year. This brings the first-half GDP growth to 9.1%, putting the economy on track to achieve official growth forecast of 5 - 7% for 2006.

Underpinned by the strong economic growth and the lack of new office supply in the pipeline, office occupancy and rental rates have continued their upward trend. According to CB Richard Ellis (CBRE), average occupancy in the CBD area reached 92.9% as at end-June 2006, up from 90.5% in the previous quarter. Prime office space in Singapore remains globally competitive with the city state being ranked 43rd in CBRE's Global Market Rents survey of 173 markets. Average prime rents have increased from \$5.60 psf to \$6.00 psf, representing a 7.1% increase from 1Q2006. Despite the increase, average prime rents are still 40% from its peak in 1996.

Based on CBRE's forecast, the new supply of office space from 2006 to 2010 will average 0.7 million sf per annum. According to CBRE, office take-up is projected to be above 2 million sf for 2006. Demand expected to remain strong with higher rentals expected across the board for all office grades.

The manager of K-REIT Asia expects continued growth in office rents and demand for the remaining of 2006. As K-REIT Asia's portfolio comprises quality office buildings, it is expected to benefit from the growth in the office market. For the first half of 2006, 7,922 sm has been renewed, achieving a high retention rate of 99%. For 2007 and 2008, a total of 37.4% of its total lettable area will be up for renewal. For 2009, the space up for renewal would be 23.6%. From 2010 to 2012, a total of 33.9% of the space will be up for renewal.

K-REIT Asia is targeting to grow its current portfolio size of \$630.7 million to about \$2 billion within the next few years. It will identify and pursue selective acquisitions of potential prime commercial properties in Singapore and other promising cities in the region. It will also leverage Keppel Land's extensive network in Asia, and pipeline of quality commercial properties both in Singapore and the region.

Outlook for the financial period ending 31 December 2006

Barring unforeseen circumstance, the manager of K-REIT Asia expects to deliver a forecast distribution per unit consistent with that achieved in the current period.

11. DISTRIBUTIONS**(a) Current financial period reported on**

Name of Distribution	Distribution for 26 April 2006 to 30 June 2006
Dividend type	Income
Dividend rate	1.16 cents per unit
Par value of units	Not meaningful
Tax rate	<p>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>All other investors will receive their distributions after deduction of tax at the rate of 20%.</p>

(b) Corresponding period of the immediately preceding financial year

Not applicable.

(c) DATE PAYABLE

28 August 2006

(d) BOOKS CLOSURE DATE

31 July 2006

12. DIVIDEND STATEMENT

(if no dividend has been declared / recommended)

Other than as disclosed in paragraph 11(a), no distribution has been declared/ recommended.

**By Order of the Board
K-REIT Asia Management Limited
As Manager of K-REIT Asia**

CHOO CHIN TECK/ JACQUELINE NG
Joint Company Secretaries
20 July 2006

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 2006 second quarter's financial results of K-REIT Asia to be false or misleading.

On Behalf of the Board of Directors

TSUI KAI CHONG
Chairman

TAN SWEE YIOW
Director

Singapore, 20 July 2006