

**K-REIT ASIA  
SECOND QUARTER 2007 FINANCIAL STATEMENT ANNOUNCEMENT****UNAUDITED RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2007****TABLE OF CONTENTS**

	Page
- SUMMARY OF K-REIT ASIA RESULTS	2
- INTRODUCTION	3
1(a) STATEMENT OF TOTAL RETURN	4
1(b)(i) BALANCE SHEET	6
1(b)(ii) AGGREGATE AMOUNT OF BORROWINGS AND DEBT SECURITIES	7
1(c) STATEMENT OF CASH FLOWS	8
1(d)(i) STATEMENT OF MOVEMENTS IN UNITHOLDERS' FUNDS	9
1(d)(ii) DETAILS OF CHANGES IN THE UNITS	11
2 AUDIT	11
3 AUDITORS' REPORT	11
4 ACCOUNTING POLICIES	11
5 CHANGES IN ACCOUNTING POLICIES	11
6 EARNINGS PER UNIT AND DISTRIBUTION PER UNIT	12
7 NET ASSET VALUE	12
8 REVIEW OF PERFORMANCE	13
9 VARIANCE FROM PROSPECTS STATEMENT	15
10 PROSPECTS	15
11 DISTRIBUTIONS	16
12 DIVIDEND STATEMENT	17
- CONFIRMATION BY THE BOARD	18

**SUMMARY OF K-REIT ASIA RESULTS  
FOR THE HALF YEAR ENDED 30 JUNE 2007**

**ACTUAL VS PRO FORMA**

	Actual	Actual	Pro forma <sup>1</sup>	+ / (-)
	2Q 2007	1H 2007	1H 2006	
	\$'000	\$'000	\$'000	%
Property Income	9,852	18,718	15,907	17.7
Property Expenses	(2,569)	(4,973)	(4,758)	4.5
Net Property Income	7,283	13,745	11,149	23.3
Other Property Operating Expenses	(3,124)	(6,138)	(6,266)	(2.0)
Net Profit Before Tax	4,159	7,607	4,883	55.8
Net Tax Adjustments	1,033	1,874	2,047	(8.5)
Taxable Income Available for Distribution to Unitholders	5,192	9,481	6,930	36.8
Distributable Income to Unitholders <sup>2</sup>	5,192	9,481	6,930	36.8
Distribution Per Unit (cents) For the Period Annualised	2.14 8.58	3.91 7.88	n.a. <sup>3</sup> n.a. <sup>3</sup>	n.a. n.a.

**Notes:**

- (1) K-REIT Asia was established on 28 November 2005 and the acquisition of the 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 30 June 2006. K-REIT Asia was established on 28 November 2005 and the acquisition of the properties was completed on 26 April 2006.
- (2) The distributable income to unitholders is based on 100% of the taxable income available for distribution to unitholders.
- (3) K-REIT Asia's actual DPU for the period of 26 April 2006 to 30 June 2006 was 1.16 cents per unit, equivalent to an annualised 6.42 cents per unit.

Refer to Paragraphs 1 and 8 for details.

**DISTRIBUTION & BOOK CLOSURE DATE**

Name of Distribution	1 January 2007 to 30 June 2007
Distribution Type	Income
Distribution Rate	3.91 cents per unit payable on 28 August 2007
Books Closure Date	27 July 2007
Date Payable	28 August 2007

## 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's objective is to generate stable returns to Unitholders by owning and investing in a portfolio of quality income-producing commercial real estate and real estate-related assets. The initial portfolio comprises 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 from Keppel Land Limited for \$630.7 million in part by cash of approximately \$190.6 million and 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. The appraised value of the portfolio was \$677 million as at 31 December 2006.

Although K-REIT Asia's current portfolio of assets are in Singapore, it has a pan-Asian mandate that enables it to invest in quality commercial properties in other Asian growth cities. The Manager of K-REIT Asia aims to achieve stable dividend income and long-term growth in net asset value for Unitholders. To achieve this, the Manager plans to further expand the portfolio by selective acquisitions of quality real estate, raise occupancy and/or rental rates by active asset management of its portfolio and by employing debt and equity financing strategies that are appropriate for the K-REIT Asia portfolio.

K-REIT Asia was established on 28 November 2005 and the acquisition of the properties was completed on 26 April 2006. Consequently, it has no income and expenses for period prior to 26 April 2006. The comparative prior period financial results are 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; and (ii) the actual results of K-REIT Asia from 26 April 2006 to 30 June 2006.

**1 UNAUDITED RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2007**

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 2007:

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

	Actual Second Quarter Ended 30/6/07	Pro forma Second Quarter Ended 30/6/06	+ / (-) %	Actual Half Year Ended 30/6/07	Pro forma Half Year Ended 30/6/06	+ / (-) %
Note	\$'000	\$'000		\$'000	\$'000	
Gross rent	9,608	7,804	23.1	18,247	15,464	18.0
Car park income	228	224	1.8	442	420	5.2
Other income	16	11	45.5	29	23	26.1
<b>Property income</b>	<b>9,852</b>	<b>8,039</b>	<b>22.6</b>	<b>18,718</b>	<b>15,907</b>	<b>17.7</b>
Property tax	(796)	(547)	45.5	(1,458)	(978)	49.1
Other property expenses	(1,043)	(1,232)	(15.3)	(2,084)	(2,432)	(14.3)
Property management fee	(296)	(242)	22.3	(562)	(478)	17.6
Maintenance and sinking fund contributions	(434)	(435)	(0.2)	(869)	(870)	(0.1)
<b>Property expenses</b>	<b>(2,569)</b>	<b>(2,456)</b>	<b>4.6</b>	<b>(4,973)</b>	<b>(4,758)</b>	<b>4.5</b>
<b>Net property income</b>	<b>7,283</b>	<b>5,583</b>	<b>30.4</b>	<b>13,745</b>	<b>11,149</b>	<b>23.3</b>
Interest income	88	21	319.0	204	21	871.4
Manager's management fees	(1,063)	(954)	11.4	(2,091)	(1,899)	10.1
Trust expenses	(227)	(316)	(28.2)	(427)	(594)	(28.1)
Borrowing costs	(1,922)	(1,893)	1.5	(3,824)	(3,794)	0.8
<b>Net profit before tax</b>	<b>4,159</b>	<b>2,441</b>	<b>70.4</b>	<b>7,607</b>	<b>4,883</b>	<b>55.8</b>
Income tax	-	-	-	-	-	-
<b>Net profit after tax</b>	<b>4,159</b>	<b>2,441</b>	<b>70.4</b>	<b>7,607</b>	<b>4,883</b>	<b>55.8</b>
<b><u>Distribution Statement</u></b>						
<b>Net profit before tax</b>	<b>4,159</b>	<b>2,441</b>	<b>70.4</b>	<b>7,607</b>	<b>4,883</b>	<b>55.8</b>
Net tax adjustments	1,033	1,019	1.4	1,874	2,047	(8.5)
<b>Taxable income available for distribution to unitholders</b>	<b>5,192</b>	<b>3,460</b>	<b>50.1</b>	<b>9,481</b>	<b>6,930</b>	<b>36.8</b>
<b>Distributable income to unitholders</b>	<b>5,192</b>	<b>3,460</b>	<b>50.1</b>	<b>9,481</b>	<b>6,930</b>	<b>36.8</b>

**Notes:**

(1) K-REIT Asia was established on 28 November 2005 and the acquisition of the 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 30 June 2006.

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

	Actual Second Quarter Ended 30/6/07	Pro forma Second Quarter Ended 30/6/06	Actual Half Year Ended 30/6/07	Pro forma Half Year Ended 30/6/06
	\$'000	\$'000	\$'000	\$'000
Depreciation and amortisation	66	-	101	-

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

	Actual Second Quarter Ended 30/6/07	Pro forma Second Quarter Ended 30/6/06	Actual Half Year Ended 30/6/07	Pro forma Half Year Ended 30/6/06
	\$'000	\$'000	\$'000	\$'000
Management fees payable in units	1,063	954	2,091	1,899
Trustee's fees	25	23	50	46
Amortisation of transaction costs	126	61	221	121
Non-tax deductible expenses	54	34	87	34
Certain expenses claimed on an incurred basis	(235)	(53)	(575)	(53)
Net tax adjustments	1,033	1,019	1,874	2,047

(4) 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**

	Note	30/6/07 \$'000	31/12/06 \$'000
<b>Non-current assets</b>			
Investment properties	1	677,036	677,000
<b>Total non-current assets</b>		677,036	677,000
<b>Current assets</b>			
Cash and cash equivalents		18,177	16,814
Trade and other receivables		1,260	1,045
<b>Total current assets</b>		19,437	17,859
<b>Total assets</b>		696,473	694,859
<b>Current liabilities</b>			
Trade and other payables		4,008	4,804
Current portion of security deposits		1,308	2,280
<b>Total current liabilities</b>		5,316	7,084
<b>Non-current liabilities</b>			
Interest-bearing liabilities (secured)		189,163	189,042
Non-current portion of security deposits	2	8,364	6,336
<b>Total non-current liabilities</b>		197,527	195,378
<b>Total liabilities</b>		202,843	202,462
<b>Net assets</b>		493,630	492,397
Represented by:			
<b>Unitholders' funds</b>	3	493,630	492,397
Net asset value per unit (\$)		2.04	2.04
Borrowings / total assets (%)	4	27.3	27.4

**Notes:**

(1) Please refer to the accounting policy for investment properties as stated in paragraph 5 on page 11.

(2) Interest-bearing loans are stated net of amortised cost.

(3) Please refer to statement of movements in unitholders' funds for details.

(4) This is based on principal amount of borrowings as stated in paragraph 1(b)(ii) on page 7.

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

	<b>As at 30/6/07 \$'000</b>	<b>As at 31/12/06 \$'000</b>
<b>Secured borrowings</b>		
Amount repayable in one year or less, or on demand	-	-
Amount repayable after one year	190,085	190,085

**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 2007, 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 2007.

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) Statement of cash flows**

	Second Quarter Ended 30/6/07	Second Quarter Ended 30/6/06 <i>Note (1)</i>	Half Year Ended 30/6/07	Half Year Ended 30/6/06 <i>Note (1)</i>
<i>Note</i>	\$'000	\$'000	\$'000	\$'000
<b>Cash flow from operating activities</b>				
Net profit before tax	4,159	2,054	7,607	2,054
Adjustments for:				
Interest income	(88)	(21)	(204)	(21)
Borrowing costs	1,922	1,365	3,824	1,365
Management fees payable in units	1,063	701	2,091	701
<b>Operating cashflows before reinvestment in working capital</b>	<b>7,056</b>	<b>4,099</b>	<b>13,318</b>	<b>4,099</b>
Increase in receivables	(137)	(1,343)	(215)	(1,343)
Increase/ (decrease) in payables	(54)	1,661	(855)	1,661
Security deposits	623	7,953	1,056	7,953
<b>Net cash generated from operating activities</b>	<b>7,488</b>	<b>12,370</b>	<b>13,304</b>	<b>12,370</b>
<b>Cash flow from investing activities</b>				
Interest received	85	16	204	16
Purchase of investment properties	-	(190,570)	-	(190,570)
Improvements in investment properties	(36)	-	(36)	-
<b>Net cash generated from/ (used in) investing activities</b>	<b>49</b>	<b>(190,554)</b>	<b>168</b>	<b>(190,554)</b>
<b>Cash flow from financing activities</b>				
Net loan drawdown	-	189,254	-	189,254
Establishment and issue expenses	-	(669)	-	(669)
Distribution to unitholders	-	-	(8,384)	-
Interest paid	(1,883)	(1,035)	(3,725)	(1,035)
<b>Net cash generated from/ (used in) financing activities</b>	<b>(1,883)</b>	<b>187,550</b>	<b>(12,109)</b>	<b>187,550</b>
<b>Net increase in cash and cash equivalents</b>	<b>5,654</b>	<b>9,366</b>	<b>1,363</b>	<b>9,366</b>
Cash and cash equivalents at the beginning of period	12,523	-	16,814	-
Cash and cash equivalents at the end of period	<b>18,177</b>	<b>9,366</b>	<b>18,177</b>	<b>9,366</b>

**Notes:**

- (1) K-REIT Asia was established on 28 November 2005 and the acquisition of the properties was completed on 26 April 2006. Consequently, the comparative cash flow statements are for the period of 26 April 2006 to 30 June 2006 as K-REIT Asia has no income and expenses from 28 November 2005 to 25 April 2006.
- (2) The distributable income of \$8.4 million for the period of 1 July 2006 to 31 December 2006 was 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 2007**

	Note	Issued Equity \$'000	Asset Revaluation Reserve \$'000	Accumulated Profits \$'000	Total \$'000
<b>Balance at 1 January 2007</b>		<b>440,519</b>	<b>46,300</b>	<b>5,578</b>	<b>492,397</b>
Adoption of FRS 40		-	(46,300)	46,300	-
<b>Restated balance at 1 January 2007</b>		<b>440,519</b>	<b>-</b>	<b>51,878</b>	<b>492,397</b>
<b>Operations</b>					
Net profit for the period		-	-	3,448	3,448
<b>Net increase in net assets resulting from operations</b>		<b>-</b>	<b>-</b>	<b>3,448</b>	<b>3,448</b>
<b>Unitholders' transactions</b>					
Creation of units - payment of management fees in units	1	981	-	-	981
Distribution to unitholders	2	-	-	(8,384)	(8,384)
<b>Net increase in net assets resulting from unitholders' transactions</b>		<b>981</b>	<b>-</b>	<b>(8,384)</b>	<b>(7,403)</b>
<b>Balance at 31 March 2007</b>		<b>441,500</b>	<b>-</b>	<b>46,942</b>	<b>488,442</b>
<b>Operations</b>					
Net profit for the period		-	-	4,159	4,159
<b>Net increase in net assets resulting from operations</b>		<b>-</b>	<b>-</b>	<b>4,159</b>	<b>4,159</b>
<b>Unitholders' transactions</b>					
Creation of units - payment of management fees in units	3	1,029	-	-	1,029
<b>Net increase in net assets resulting from unitholders' transactions</b>		<b>1,029</b>	<b>-</b>	<b>-</b>	<b>1,029</b>
<b>Balance at 30 June 2007</b>		<b>442,529</b>	<b>-</b>	<b>51,101</b>	<b>493,630</b>

**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.

## Statement of movements in unitholders' funds for the half year ended 30 June 2006 <sup>1</sup>

	Note	Issued Equity \$'000	Asset Revaluation Reserve \$'000	Accumulated Profits \$'000	Total \$'000
<b>Balance at 28 November 2005</b>		-	-	-	-
<b>Operations</b>					
Net profit for the period		-	-	2,054	2,054
<b>Net increase in net assets resulting from operations</b>		-	-	<b>2,054</b>	<b>2,054</b>
<b>Unitholders' transactions</b>					
Creation of units - partial satisfaction of purchase consideration for investment properties acquired	2	440,130	-	-	440,130
Establishment and issue expenses	3	(1,540)	-	-	(1,540)
<b>Net increase in net assets resulting from unitholders' transactions</b>		<b>438,590</b>	-	-	<b>438,590</b>
<b>Balance at 30 June 2006</b>		<b>438,590</b>	-	<b>2,054</b>	<b>440,644</b>

**Notes:**

- (1) K-REIT Asia was established on 28 November 2005 and the acquisition of the properties was completed on 26 April 2006. Consequently, the comparative statement of movements of unitholders' funds was for the period of 26 April 2006 to 30 June 2006 as K-REIT Asia has no income and expenses from 28 November 2005 to 25 April 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 changes in the units**

	Units
<b>Balance at 1 January 2007</b>	<b>241,610,366</b>
Issue of new units	
- payment of management fees in units	387,271
<b>Balance at 31 March 2007</b>	<b>241,997,637</b>
Issue of new units	
- payment of management fees in units	334,949
<b>Balance at 30 June 2007</b>	<b>242,332,586</b>

**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 period ended 31 December 2006 except for that disclosed in paragraph 5 below.

**5. CHANGES IN ACCOUNTING POLICIES**

There are no significant changes in the accounting policies and methods of computation except for the adoption of FRS 40 – Investment property with effect from 1 January 2007.

Under FRS 40, changes in fair values of investment properties are required to be included in the profit and loss account in the year in which they arise. K-REIT Asia's policy is to revalue its properties annually at year-end. On transition to FRS 40 on 1 January 2007, the amount accumulated in the asset revaluation reserve at 31 December 2006 of \$46,300,000 has been adjusted against the opening accumulated profits as at 1 January 2007.

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

	<b>Half Year Ended 30/6/07</b>	<b>Half Year Ended 30/6/06 <i>Note (1)</i></b>
<b>Earnings per unit</b> (based on the weighted average number of units for the period)	3.14 cents	0.85 cents
- Weighted average number of units for the period	242,046,043	240,508,000
<b>Distribution per unit</b> (based on the number of units as at the end of period)	3.91 cents	1.16 cents
- Number of units on issue at end of period	242,332,586	240,508,000

The diluted EPU is the same as the basic EPU as there are no dilutive instruments in issue during the period.

**Note:**

(1) K-REIT Asia was established on 28 November 2005 and the acquisition of the properties was completed on 26 April 2006. Consequently, the comparative figures are for the period of 26 April 2006 to 30 June 2006.

**7. NET ASSET VALUE (“NAV”)**

	<b>Actual 30/6/07</b>	<b>Actual 31/12/06</b>
NAV per unit based on issued units at the end of the period (\$)	2.04	2.04
Adjusted NAV per unit based on issued units at the end of the period (excluding the distributable income) (\$)	2.00	2.00

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

Property	Actual Second Quarter Ended 30/6/07 \$'000	Pro forma Second Quarter Ended 30/6/06 Note (1) \$'000	+ / (-) %	Actual Half Year Ended 30/6/07 \$'000	Pro forma Half Year Ended 30/6/06 Note (1) \$'000	+ / (-) %
Prudential Tower Property	1,654	1,370	20.7	3,286	2,663	23.4
Keppel Towers and GE Tower	4,930	3,675	34.1	8,976	7,309	22.8
Bugis Junction Towers	3,268	2,994	9.2	6,456	5,935	8.8
<b>Total property income</b>	<b>9,852</b>	<b>8,039</b>	<b>22.6</b>	<b>18,718</b>	<b>15,907</b>	<b>17.7</b>

**8(ii) Net property income contribution of the properties**

Property	Actual Second Quarter Ended 30/6/07 \$'000	Pro forma Second Quarter Ended 30/6/06 Note (1) \$'000	+ / (-) %	Actual Half Year Ended 30/6/07 \$'000	Pro forma Half Year Ended 30/6/06 Note (1) \$'000	+ / (-) %
Prudential Tower Property	1,167	979	19.2	2,450	1,972	24.2
Keppel Towers and GE Tower	3,645	2,392	52.4	6,508	4,732	37.5
Bugis Junction Towers	2,471	2,212	11.7	4,787	4,445	7.7
<b>Total net property income</b>	<b>7,283</b>	<b>5,583</b>	<b>30.4</b>	<b>13,745</b>	<b>11,149</b>	<b>23.3</b>

**Note:**

- (1) K-REIT Asia was established on 28 November 2005 and the acquisition of the 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 30 June 2006.

**8. REVIEW OF PERFORMANCE****Review of performance for 2Q 2007 (actual) vs 2Q 2006 (pro forma)<sup>1</sup>**

Turnover for the quarter is \$9.9 million compared with \$8.0 million for the corresponding quarter in 2006. The increase is due mainly to higher rental income of \$1.8 million as a result of improved occupancies and higher rental rates achieved for new and renewed leases. The portfolio attained 99.6% committed occupancy as at end-June 2007 as a result of strong underlying demand for office space. Average gross rental rates rose to \$4.28 psf in June 2007 from \$3.65 psf for the same period in 2006. Car park income from Keppel Towers and GE Tower remained stable at \$0.2 million.

Property expenses amounted to \$2.6 million, 4.6% higher than 2Q 2006, due mainly to higher property tax of \$0.2 million on account of improvements in occupancies and higher annual values assessed, higher repair and maintenance expenses of \$0.1 million; and higher property management fees due to the higher property income achieved. This is partly offset by lower marketing expenses of \$0.2 million.

Net property income rose 30.4% in 2Q 2007 to \$7.3 million on account of higher rental income. As a result of higher net property income, the manager's management fees also increased by 11.4%. Trust expenses are \$0.2 million as compared with \$0.3 million for the same quarter in 2006. Borrowing cost remained relatively stable at \$1.9 million as compared with that for 2Q 2006.

Net profit for the quarter is up 70.4% to \$4.2 million. As a result, taxable income available for distribution and distributable income to unitholders has outperformed by 50.1% to \$5.2 million from 2Q 2006.

**Review of the performance for 1H 2007 (actual) vs 1H 2006 (pro forma)<sup>1</sup>**

Turnover for the 1H 2007 is \$18.7 million, reflecting a 17.7% increase from the same period in 2006. This is due mainly to higher rental income of \$2.8 million as a result of improved occupancies and higher rental rates achieved for new and renewed leases. Average gross rental rates reached \$4.28 psf in June 2007 from \$3.65 psf for the same period in 2006. Contribution from car park at Keppel Towers and GE Tower was \$0.4 million, 5.2% higher than that achieved in 1H 2006.

Property expenses were \$5.0 million, 4.5% higher than the amount for the same period in 2006, due mainly to higher property tax of \$0.5 million on account of improvement in occupancies and higher annual value assessed and higher property management fees of \$0.1 million as a result of higher property income achieved. This is partly offset by lower marketing expenses of \$0.4 million.

Net property income improved by 23.3% to \$13.7 million in 1H 2007 as a result of higher rental income and improved car park income. Manager's management fees increased by \$0.2 million or 10.1% as a result of the higher net property income achieved. Trust expenses were \$0.4 million, 28.1% lower than those for the same period in 2006 as the higher comparative figures in 2006 were derived through extrapolation of the actual fixed costs incurred. Borrowing cost remained relatively stable at \$3.8 million as compared with that for the same period in 2006.

Net profit increased by 55.8% to \$7.6 million for 1H 2007. Taxable income available for distribution and distributable income to unitholders increased by 36.8% to \$9.5 million.

**Note:**

- (1) K-REIT Asia was established on 28 November 2005 and the acquisition of the properties was completed on 26 April 2006. As K-REIT Asia has no income and expenses for the period of 1 January 2006 to 25 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 30 June 2006.

**9. VARIANCE FROM PROSPECTS STATEMENT**

No prospects statement for 2Q 2007 was previously provided.

**10. PROSPECTS**

Advance estimates by the Ministry of Trade and Industry indicate that the Singapore economy expanded 8.2% in 2Q2007, exceeding economists' expectations. The Singapore government's current GDP forecast of 5% – 7% for 2007 is expected to be revised upward. Growth was largely supported by business expansions across various sectors, particularly construction, manufacturing and financial services. Coupled with limited new supply in the Central Business District (CBD) over the next few years, rents and capital values are expected to rise further.

According to CB Richard Ellis (CBRE), occupancy rates for Core and Fringe CBD office space rose further to 97.3% and 96.2% respectively in 2Q 2007. As a result, prime office rents rose to \$10.50 psf in 2Q 2007 from \$8.60 psf in the previous quarter and \$6.00 psf a year ago.

The valuation of K-REIT Asia's existing portfolio of strategically located quality office buildings will benefit from the current rising rental environment. With 70% of the existing portfolio's net lettable area due for renewal between 2007 and 2010, K-REIT Asia is in a good position to capitalise on the market upswing.

To achieve its target portfolio size of \$2 billion over the next few years, K-REIT Asia is actively seeking acquisitions of prime commercial properties in Singapore and other Asian growth cities. K-REIT Asia is also reviewing possible asset enhancement initiatives to add value to the existing portfolio.

**Outlook for the financial year ending 31 December 2007**

Barring unforeseen circumstances, the manager of K-REIT Asia is confident that it will achieve a performance consistent with that reported for the current period.

## 11. DISTRIBUTIONS

### (a) Current financial period reported on

Name of Distribution	Distribution for 1 January 2007 to 30 June 2007
Distribution type	Income
Distribution rate	3.91 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 18%.</p>

### (b) Corresponding period of the immediately preceding financial year

Name of Distribution	Distribution for 26 April 2006 to 30 June 2006
Distribution type	Income
Distribution 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>



**(c) DATE PAYABLE**

28 August 2007

**(d) BOOKS CLOSURE DATE**

27 July 2007

**12. DIVIDEND STATEMENT**

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

**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  
18 July 2007

**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 2007 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, 18 July 2007