

PRESS RELEASE

K-REIT Asia Unaudited Results for the Half Year Ended 30 June 2009

20 July 2009

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 2009.

The press release and presentation materials are also available on *www.kepcorp.com*, *www.kepland.com.sg* and *www.kreitasia.com*

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**K-REIT ASIA
SECOND QUARTER 2009 FINANCIAL STATEMENT ANNOUNCEMENT****UNAUDITED RESULTS FOR THE SECOND QUARTER AND HALF YEAR ENDED 30 JUNE
2009****TABLE OF CONTENTS**

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**SUMMARY OF K-REIT ASIA RESULTS
FOR THE SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 2009**

	2Q2009 \$'000	1H2009 \$'000	1H2008 \$'000	+/- %
Property Income	15,357	30,142	24,495	23.1
Net Property Income	12,316	23,136	18,315	26.3
Total Return before Tax	7,591	13,308	6,691	98.9
Income Available for Distribution to Unitholders	17,496	33,154	25,581	29.6
Distributable Income to Unitholders ¹	17,496	33,154	25,581	29.6
Distribution per Unit ("DPU") (cents)				
For the Period	2.64	5.00	3.94	26.9
Annualised	10.59	10.08	7.90	27.6
Distribution Yield	10.9% ²	10.3% ²	5.7% ³	80.7

Notes:

- (1) The distributable income to Unitholders is based on 100% of the income available for distribution to Unitholders.
- (2) The yield is based on the market closing price per unit of \$0.975 as at the last trading day, 30 June 2009.
- (3) 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	1 January 2009 to 30 June 2009
Distribution Type	(a) Taxable income (b) Tax-exempt income
Distribution Rate	(a) Taxable income distribution – 3.83 cents per unit (b) Tax-exempt income distribution – 1.16 cents per unit
Books Closure Date	29 July 2009
Payment Date	27 August 2009

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.

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.

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.

In 2006, K-REIT Asia acquired four office 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.

The initial four properties comprise Prudential Tower Property (approximately 44% of the strata area of the building), Keppel Towers, GE Tower, and Bugis Junction Towers.

On 10 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. As at 30 June 2009, K-REIT Asia's portfolio size was \$2.1 billion.

K-REIT Asia strives to maintain a strong balance sheet and to steadily grow its portfolio. On 8 May 2008, K-REIT Asia completed its rights issue and issued 396.9 million rights units to raise gross proceeds of about \$551.7 million.

On 19 January 2009, K-REIT Asia established a \$1 billion medium-term note programme via a wholly-owned subsidiary, K-REIT Asia MTN Pte. Ltd. K-REIT Asia's total number of units in issue was 663.3 million as at end-June 2009.

1 UNAUDITED RESULTS FOR THE SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 2009

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 second quarter and half year ended 30 June 2009:

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

Statement of Total Return and Comprehensive Income

		<u>Group and Trust</u>					
	<i>Note</i>	2Q2009	2Q2008	+/(-) %	1H2009	1H2008	+/(-) %
		\$'000	\$'000		\$'000	\$'000	
Gross rent		15,126	12,730	18.8	29,673	23,974	23.8
Car park income		218	243	(10.3)	441	493	(10.5)
Other income		13	16	(18.8)	28	28	-
Property income		15,357	12,989	18.2	30,142	24,495	23.1
Property tax		(974)	(1,076)	(9.5)	(2,631)	(1,506)	74.7
Other property expenses	1	(1,203)	(1,939)	(38.0)	(2,663)	(3,116)	(14.5)
Property management fee		(461)	(388)	18.8	(905)	(734)	23.3
Maintenance and sinking fund contributions		(403)	(412)	(2.2)	(807)	(824)	(2.1)
Property expenses		(3,041)	(3,815)	(20.3)	(7,006)	(6,180)	13.4
Net property income		12,316	9,174	34.2	23,136	18,315	26.3
Income support	2	6,188	6,099	1.5	12,339	12,244	0.8
Interest income	3	4,355	1,985	119.4	6,294	4,881	28.9
Share of results of associated company	4	933	2,779	(66.4)	4,106	4,747	(13.5)
Amortisation expense	5	(6,681)	(6,785)	(1.5)	(13,407)	(13,617)	(1.5)
Borrowing costs	6	(6,162)	(5,296)	16.4	(12,261)	(12,865)	(4.7)
Manager's management fees	7	(3,319)	(3,222)	3.0	(6,552)	(6,394)	2.5
Trust expenses		(39)	(352)	(88.9)	(347)	(620)	(44.0)
Total return before tax		7,591	4,382	73.2	13,308	6,691	98.9
Income tax expense	8	(517)	(462)	11.9	(1,145)	(1,474)	(22.3)
Total return after tax		7,074	3,920	80.5	12,163	5,217	133.1
Total comprehensive income		7,074	3,920	80.5	12,163	5,217	133.1
 <u>Distribution Statement</u>							
Total return before tax		7,591	4,382	73.2	13,308	6,691	98.9
Net tax adjustments	9	10,422	10,256	1.6	20,991	20,364	3.1
Income tax expense		(517)	(462)	11.9	(1,145)	(1,474)	(22.3)
Income available for distribution to Unitholders		17,496	14,176	23.4	33,154	25,581	29.6
Distributable income to Unitholders	10	17,496	14,176	23.4	33,154	25,581	29.6
 Distribution per unit (cents)							
For the period		2.64	2.18	21.1	5.00	3.94	26.9
Annualised		10.59	8.74	21.2	10.08	7.90	27.6

Notes:

Nm – Not meaningful

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

	<u>Group and Trust</u>			
	2Q2009	2Q2008	1H2009	1H2008
	\$'000	\$'000	\$'000	\$'000
Marketing expenses	180	748	462	859
Utilities	332	464	805	892
Repair and maintenance	425	442	868	809
Property management reimbursements	260	258	513	517
Other property expenses	6	27	15	39
	1,203	1,939	2,663	3,116

- (2) This is the income support top-up payment received by K-REIT Asia from Boulevard Development Pte Ltd, the vendor of the one-third interest in One Raffles Quay Pte Ltd ("ORQPL") for the quarterly shortfall in accordance with the terms set out in the Deed of Income Support.

- (3) Interest income comprises the following:

	<u>Group and Trust</u>			
	2Q2009	2Q2008	1H2009	1H2008
	\$'000	\$'000	\$'000	\$'000
Interest income from fixed deposit and current accounts	10	105	57	156
Interest income from shareholder's loan to ORQPL	4,345	1,880	6,237	4,725
	4,355	1,985	6,294	4,881

- (4) Share of results of associated company relates to K-REIT Asia's one-third interest in ORQPL's net profit after tax which is represented by the proportionate share of gross revenue less property expenses, interest expense, income tax, if any and the net appreciation on revaluation of ORQ.

- (5) Please refer to paragraph 1(b)(i) note 4.

- (6) Borrowing costs comprise the following:

	<u>Group and Trust</u>			
	2Q2009	2Q2008	1H2009	1H2008
	\$'000	\$'000	\$'000	\$'000
Interest expense on term loans	1,862	1,862	3,703	3,724
Interest expense on bridge/revolving loan	3,849	3,374	7,656	9,021
Amortisation of transaction costs capitalised	451	60	902	120
	6,162	5,296	12,261	12,865

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

- (8) Income tax expense comprises tax of 17% (2008: 18%) on the income support received by K-REIT Asia, net of deductible of interest expense.

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

	<u>Group and Trust</u>			
	2Q2009	2Q2008	1H2009	1H2008
	\$'000	\$'000	\$'000	\$'000
Management fees payable in units	3,319	3,222	6,552	6,394
Trustee's fees	78	78	156	157
Amortisation of transaction costs	7,132	6,845	14,309	13,737
Non-tax deductible expenses	(103)	111	35	146
Share of results of associated company	(933)	(2,779)	(4,106)	(4,747)
Dividend income received	929	2,779	4,045	4,677
Net tax adjustments	10,422	10,256	20,991	20,364

- (10) The distributable income to Unitholders is based on 100% of the income available for distribution to Unitholders. K-REIT Asia's distribution policy is to distribute at least 90% of its 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

<u>Group and Trust</u>				
	Note	30/6/09 \$'000	31/12/08 \$'000	+/- %
Non-current assets				
Investment properties	1	1,117,000	1,117,000	-
Investment in subsidiary company	2	-	-	-
Investment in associated company	3	858,530	862,469	(0.5)
Intangible asset	4	45,825	59,232	(22.6)
Total non-current assets		2,021,355	2,038,701	(0.9)
Current assets				
Cash and cash equivalents		49,049	43,968	11.6
Trade and other receivables	5	9,697	9,653	0.5
Total current assets		58,746	53,621	9.6
Total assets		2,080,101	2,092,322	(0.6)
Current liabilities				
Trade and other payables		11,991	12,759	(6.0)
Current portion of security deposits		4,683	3,602	30.0
Provision for taxation		4,218	3,073	37.3
Total current liabilities		20,892	19,434	7.5
Non-current liabilities				
Long-term borrowings		578,037	577,135	0.2
Non-current portion of security deposits		9,868	10,082	(2.1)
Total non-current liabilities		587,905	587,217	0.1
Total liabilities		608,797	606,651	0.4
Net assets		1,471,304	1,485,671	(1.0)
Represented by:				
Unitholders' funds		1,471,304	1,485,671	(1.0)
Net asset value per unit (\$)		2.22	2.28	(2.6)
Borrowings / Value of deposited properties (%)	6	27.6	27.6	-

Notes:

(1) The investment properties were revalued by Knight Frank Pte Ltd on 31 December 2008 as follows:-

<u>Property</u>	<u>Tenure</u>	<u>Date of Valuation</u>	<u>Valuation</u> (\$'000)
Prudential Tower	99 years from 15 January 1996	31 December 2008	224,000
Keppel Towers and GE Tower	Estate in fee simple	31 December 2008	580,000
Bugis Junction Towers	99 years from 10 September 1990	31 December 2008	313,000
			1,117,000

- (2) This relates to the 100% investment in K-REIT Asia MTN Pte. Ltd. ("KRMTN") of \$1. K-REIT Asia Group results include KRMTN. As there is no activity in KRMTN since its incorporation, the accounts of the Group are the same as those of the Trust.
- (3) This relates to the one-third equity interest in associated company, One Raffles Quay Pte Ltd ("ORQPL").
- (4) 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 the ORQPL's net property income and the guaranteed income amount for each quarter) in accordance with the terms set out therein. The intangible asset will be amortised over the period from 10 December 2007 to 31 December 2011.
- (5) Included in the balances are receivables for income support from Boulevard and dividend income from ORQPL as at 30 June 2009 of \$7.1 million (31 December 2008: \$9.1 million).
- (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 independent valuers as at 31 December 2008.

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

	Group and Trust	
	As at 30/6/09 \$'000	As at 31/12/08 \$'000
Secured borrowing		
Amount repayable in one year or less, or on demand	-	-
Amount repayable after one year	190,085	190,085
Less: Unamortised portion of fees	(441)	(561)
	189,644	189,524
Unsecured borrowing		
Amount repayable in one year or less, or on demand	-	-
Amount repayable after one year	391,000	391,000
Less: Unamortised portion of fees	(2,607)	(3,389)
	388,393	387,611
Total borrowings	578,037	577,135

Details of borrowings and collaterals

K-REIT Asia has in place a secured 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. As at 30 June 2009, the term loans are fully drawn down and bear interest at a blended rate of 3.9% per annum.

As security for the term loan facility, 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 over the rental collection account relating to 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 fixed and floating charge over certain assets of K-REIT Asia relating to the investment properties.

On 10 September 2008, K-REIT Asia put in place a revolving loan facility of \$391.0 million from Kephinace Investment Pte Ltd for a period of thirty months commencing from 10 September 2008 and thereafter renewable on terms, including a new maturity date to be agreed between the parties. As at 30 June 2009, the amount outstanding was \$388.4 million.

1(c) **Statement of cash flows**

		<u>Group and Trust</u>			
	Note	2Q2009 \$'000	2Q2008 \$'000	1H2009 \$'000	1H2008 \$'000
Cash flow from operating activities					
Total return before tax		7,591	4,382	13,308	6,691
Adjustments for:					
Interest income		(4,355)	(1,985)	(6,294)	(4,881)
Amortisation expense		6,681	6,785	13,407	13,617
Share of results of associated company		(933)	(2,779)	(4,106)	(4,747)
Borrowing costs		6,162	5,296	12,261	12,865
Management fees payable in units		3,319	3,222	6,552	6,394
Operating cash flows before reinvestment in working capital		18,465	14,921	35,128	29,939
Increase in receivables		(7,708)	(4,917)	(14,388)	(12,975)
(Decrease)/Increase in payables		(461)	955	(735)	(288)
Security deposits		38	2,296	867	2,407
Net cash generated from operating activities		10,334	13,255	20,872	19,083
Cash flow from investing activities					
Interest received		4,355	2,954	6,348	3,708
Income support received		6,152	6,651	12,474	7,731
Dividend income received from associated company		3,100	1,898	5,860	2,898
Repayment of loan from associated company		-	-	4,000	-
Net cash generated from investing activities		13,607	11,503	28,682	14,337
Cash flow from financing activities					
Distribution to Unitholders	1	-	(16,465)	(33,093)	(28,844)
Repayment of short term borrowing (unsecured)		-	(550,726)	-	(550,726)
Proceeds from rights issue		-	551,726	-	551,726
Establishment and issue expenses		-	(1,000)	-	(1,000)
Interest paid		(9,539)	(6,548)	(11,380)	(12,488)
Net cash used in financing activities		(9,539)	(23,013)	(44,473)	(41,332)
Net increase in cash and cash equivalents		14,402	1,745	5,081	(7,912)
Cash and cash equivalents at the beginning of period		34,647	13,270	43,968	22,927
Cash and cash equivalents at the end of period		49,049	15,015	49,049	15,015

Note:

- (1) Distribution for 2Q2008 is for the period of 1 January 2008 to 7 May 2008 paid on 18 June 2008.
 Distribution for 1H2009 is for the period of 1 July 2008 to 31 December 2008 paid on 23 February 2009.
 Distribution for 1H2008 is for the period of 1 July 2007 to 31 December 2007 paid on 29 February 2008.

1(d)(i) **Statement of movements in Unitholders' funds**

Statement of movements in Unitholders' funds for second quarter and half year ended 30 June 2009

<u>Group and Trust</u>				
	<i>Note</i>	Issued Equity \$'000	Accumulat ed Profit \$'000	Total \$'000
Net assets at 1 January 2009		1,016,566	469,105	1,485,671
<u>Operations</u>				
Total comprehensive income		-	5,089	5,089
Net increase in net assets resulting from operations		-	5,089	5,089
<u>Unitholders' transactions</u>				
Creation of units				
- Payment of management fees in units	1	3,331	-	3,331
Distribution to Unitholders	2	-	(33,093)	(33,093)
Net increase/(decrease) in net assets resulting from Unitholders' transactions		3,331	(33,093)	(29,762)
Net assets at 31 March 2009		1,019,897	441,101	1,460,998
<u>Operations</u>				
Total comprehensive income		-	7,074	7,074
Net increase in net assets resulting from operations		-	7,074	7,074
<u>Unitholders' transactions</u>				
Creation of units				
- Payment of management fees in units	3	3,232	-	3,232
Net increase in net assets resulting from Unitholders' transactions		3,232	-	3,232
Net assets at 30 June 2009		1,023,129	448,175	1,471,304

Notes:

- (1) This represents 4,819,121 units issued as satisfaction of management fees payable in units.
- (2) This relates to the distributable income \$33.1million for the period of 1 July 2008 to 31 December 2008 which was paid on 23 February 2009.
- (3) This represents 5,739,867 units issued as satisfaction of management fees payable in units.

Statement of movements in Unitholders' funds for second quarter and half year ended 30 June 2008

<u>Group and Trust</u>				
	Note	Issued Equity \$'000	Accumulated Profit \$'000	Total \$'000
Net assets at 1 January 2008		454,258	479,509	933,767
<u>Operations</u>				
Total comprehensive income		-	1,297	1,297
Net increase in net assets resulting from operations		-	1,297	1,297
<u>Unitholders' transactions</u>				
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
<u>Operations</u>				
Total comprehensive income		-	3,920	3,920
Net increase in net assets resulting from operations		-	3,920	3,920
<u>Unitholders' transactions</u>				
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)(ii) Details of changes in the units

	<u>Group and Trust</u>	
	2009	2008
	Units	Units
Issued units as at 1 January	652,724,165	247,183,528
Issue of new units		
- Payment of management fees in units	4,819,121	894,717
Issued units as at 31 March	657,543,286	248,078,245
Issue of new units		
- Payment of management fees in units	5,739,867	2,153,649
- Rights issue	-	396,925,192
Issued units as at 30 June	663,283,153	647,157,086
New units to be issued		
- Payment of management fees in units ¹	-	2,295,219
Total issued and issuable units as at 30 June	663,283,153	649,452,305

Note:

(1) This is the management fees for 2Q2008 which have been issued in July 2008.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period, and as at the end of the immediately preceding year.

There were no treasury units since the date of listing of K-REIT Asia on 28 April 2006. The total number of issued units as at the end of the current and preceding financial periods are disclosed in 1(d)(ii).

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable.

2. AUDIT

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

3. AUDITORS' REPORT

Not applicable.

4. ACCOUNTING POLICIES

Except as disclosed in paragraph 5 below, the Trust has applied the same accounting policies and methods of computation in the financial statements for the current financial period compared with those of the audited financial statements as at 31 December 2008.

5. CHANGES IN ACCOUNTING POLICIES

In the current period, the Trust adopted the new/revised Financial Reporting Standards (“FRS”) and Interpretations of FRS (“INT FRS”) that are effective for annual periods beginning on or after 1 January 2009. Changes to the Trust’s accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The following are the new or amended FRSs that are relevant to the Trust:

FRS 1 (Revised)	Presentation of Financial Statements
Amendments to FRS 23	Borrowing Costs
FRS 108	Operating Segments

The adoption of the above FRS did not result in any substantial change to the Trust’s accounting policies or any significant impact on the financial statements.

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

	<u>Group and Trust</u>			
	2Q2009	2Q2008	1H2009	1H2008
Earnings per unit (based on the weighted average number of units as at the end of period)	1.07 cents	0.80 cents ¹	1.85 cents	1.39 cents ¹
- Weighted average number of units as at the end of period	661,453,965	487,343,990 ¹	658,737,304	375,040,398 ¹
Distribution per unit (based on the number of units as at the end of period)	2.64 cents	2.18 cents ²	5.00 cents	3.94 cents ²
- Number of units in issue at end of period	663,283,153	649,452,305	663,283,153	649,452,305

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

Notes:

- (1) The comparative figures for earnings per unit and weighted average number of units in issue have been adjusted to account for the effect of the rights issue completed in May 2008.
- (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 fees for 2Q2008 of 2,295,219.

7. NET ASSET VALUE (“NAV”)

	<u>Group and Trust</u>	
	As at 30/06/09	As at 31/12/08
NAV per unit based on issued units at the end of the period (\$)	2.22	2.28
Adjusted NAV per unit based on issued units at the end of the period (excluding the distributable income) (\$)	2.17	2.19

8. REVIEW OF PERFORMANCE

8(i) Property income contribution of the properties

Property	<u>Group and Trust</u>					
	2Q2009 \$'000	2Q2008 \$'000	+/(-) %	1H2009 \$'000	1H2008 \$'000	+/(-) %
Prudential Tower Property	3,103	2,753	12.7	5,789	4,815	20.2
Keppel Towers and GE Tower	7,337	6,259	17.2	14,533	12,214	19.0
Bugis Junction Towers	4,917	3,977	23.6	9,820	7,466	31.5
Total property income	15,357	12,989	18.2	30,142	24,495	23.1

8(ii) Income contribution of the properties

Property	<u>Group and Trust</u>					
	2Q2009 \$'000	2Q2008 \$'000	+/(-) %	1H2009 \$'000	1H2008 \$'000	+/(-) %
Prudential Tower Property	2,638	1,795	47.0	4,620	3,627	27.4
Keppel Towers and GE Tower	5,601	4,847	15.6	10,848	9,525	13.9
Bugis Junction Towers	4,077	2,532	61.0	7,668	5,163	48.5
Total net property income	12,316	9,174	34.2	23,136	18,315	26.3
One-third interest in ORQPL:						
- Income support	6,188	6,099	1.5	12,339	12,244	0.8
- Interest income	4,345	1,880	131.1	6,237	4,725	32.0
- Dividend income	929	2,779	(66.6)	4,045	4,677	(13.5)
Total income from one-third interest in ORQPL	11,462	10,758	6.5	22,621	21,646	4.5
Total income contribution	23,778	19,932	19.3	45,757	39,961	14.5

8. REVIEW OF PERFORMANCE**Review of performance for 2Q2009 vs 2Q2008**

Turnover for 2Q2009 increased by 18.2% over 2Q2008 to \$15.4 million. This improvement was mainly the result of higher rental rates for new and renewed leases.

The portfolio attained 94.9% committed occupancy as at end-June 2009. Average gross rental rate for the four investment properties held directly by K-REIT Asia was \$7.11 psf in June 2009 as compared with \$5.66 psf in June 2008. Including K-REIT Asia's one-third interest in ORQPL, the portfolio's average gross rental rate was \$8.13 psf in June 2009 as compared with \$7.37psf in June 2008.

Property expenses of \$3.0 million were lower than 2Q2008 by \$0.8 million or 20.3% due mainly to lower marketing and property tax expenses.

Total return before tax was \$7.6 million, an increase of \$3.2 million, over the \$4.4 million in 2Q2008. The increase was due mainly to higher net property income and higher contribution from the one-third interest in ORQPL, partly offset by higher borrowing cost. The increase in borrowing cost by \$0.9 million to \$6.2 million in 2Q2009 was due to higher interest incurred for the revolving loan.

Distributable income to Unitholders for 2Q2009 increased to \$17.5 million from \$14.2 million in 2Q2008.

For the quarter, the all-in interest rate was 4.25% as compared with 2.64% for 2Q2008. The aggregate leverage stood at 27.6% as at 30 June 2009. The weighted average term to expiry of debt was 1.8 years.

Review of performance for 2Q2009 vs 1Q2009

Turnover for 2Q2009 increased by 3.9% over 1Q2009 to \$15.4 million. This improvement was mainly the result of higher rental rates for new and renewed leases.

The portfolio attained 94.9% committed occupancy as at end-June 2009 as compared with 95.8% as at end-March 2009. Average gross rental rate for the four investment properties held directly by K-REIT Asia was \$7.11 psf in June 2009 as compared with \$6.71 psf in March 2009. Including K-REIT Asia's one-third interest in ORQPL, the portfolio's average gross rental rate was \$8.13 psf in June 2009 against \$8.06 psf in March 2009.

Property expenses of \$3.0 million were lower than 1Q2009 by \$0.9 million or 23.3%, attributed to the lower property tax on the account of lower assessed annual value, and reduction in marketing costs and utilities costs.

Total return before tax was \$7.6 million, an increase of \$1.9 million or 32.8% over the \$5.7 million in 1Q2009 due to higher net property income, higher contribution from the one-third interest in ORQPL and lower trust expenses.

Distributable income to Unitholders was \$17.5 million, an increase of \$1.8 million or 11.7% against 1Q2009.

For the quarter to quarter comparison, the all-in interest rate was 4.25% in 2Q2009 against 4.26% in 1Q2009. The aggregate leverage remained the same at 27.6% as at 30 June 2009 and 31 March 2009, and the weighted average term to expiry of debt was reduced from 2.0 years in March 2009 to 1.8 years in June 2009.

Review of performance for 1H2009 vs 1H2008

Turnover for 1H2009 increased by 23.1% over 1H2008 to \$30.1 million. This improvement was mainly the result of higher rental rates for new and renewed leases.

The portfolio attained 94.9% committed occupancy as at end-June 2009 as compared with 100.0% as at end-June 2008. Average gross rental rate for the four investment properties held directly by K-REIT Asia was \$7.11 psf in June 2009 as compared with \$5.66 psf in June 2008. Including K-REIT Asia's one-third interest in ORQPL, the portfolio's average gross rental rate was \$8.13 psf in June 2009 against \$7.37 psf in June 2008.

Property expenses for 1H2009 were \$7.0 million, an increase of \$0.8 million or 13.4% over 1H2008 due mainly to higher property tax and repair and maintenance and lower marketing expense.

Total return before tax was \$13.3 million, an increase of \$6.6 million or 98.9% over 1H2008 due to higher net property income and contribution from the one-third interest in ORQPL and lower borrowing cost and trust expenses.

Distributable income to Unitholders increased to \$33.2 million for 1H2009 from \$25.6 million in 1H2008.

9. VARIANCE FROM PROSPECTS STATEMENT

K-REIT Asia has not disclosed any forecast to the market.

10. PROSPECTS

According to advance estimates by the Ministry of Trade and Industry (MTI), real GDP contracted by 3.7% year-on-year in 2Q2009, compared to a 9.6% decline in 1Q2009, indicating some signs of stabilisation. Given the improved performance, the MTI has revised upwards its full-year 2009 GDP forecast to -6% to -4% from -9% to -6%.

As sentiments have improved with the economy stabilising, the office leasing market is more active and the pace of decline for office rents has eased in 2Q2009. Average prime monthly rents fell by 18.1% quarter-on-quarter to \$8.60 psf in 2Q2009, compared with a 18.6% quarter-on-quarter decline in 1Q2009. Grade A monthly rents averaged \$10.15 psf, reflecting a decline of 17.5% quarter-on-quarter, compared with an 18.0% quarter-on-quarter fall in 1Q2009. Occupancy rates for core Central Business District (CBD) office space moderated to 91.5% in 2Q2009 from 93.1% in 1Q2009. (Source: CB Richard Ellis).

Office space demand is likely to be subdued in 2009. Notwithstanding this, K-REIT Asia is well-positioned with its high-quality asset portfolio, strong tenancy profile and diverse tenant business mix. Based on committed leases as at end-June 2009, K-REIT Asia's gross rental income for FY2009 already exceeds that for FY2008. The weighted average lease term to expiry for K-REIT Asia's portfolio is 5.4 years while that of its top 10 tenants is 7.1 years. This provides stability for K-REIT Asia's rental income.

Going forward, the Manager will continue to place emphasis on tenant retention and seek to improve operational and cost efficiencies. K-REIT Asia will also make selective asset acquisitions should opportunities arise.

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 managed through appropriate term facilities and floating positions. The Manager also monitors the interest rate environment closely to optimise the refinancing 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 and expenses so as to manage the cash position at any point of time.

Credit risk

Credit risk assessments of tenants are carried out by way of evaluation of information from corporate searches prior to signing of lease agreements. Tenants are required to pay a security deposit as a multiple of monthly rents 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 Asia 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, actively monitor rental payments from tenants, continuously evaluate our counter-parties 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 1 January 2009 to 30 June 2009
Distribution type	(a) Taxable income (b) Tax-exempt income
Distribution rate	(a) Taxable income distribution - 3.83 cents per unit (b) Tax-exempt income distribution - 1.16 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 17%.</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 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. 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
Tax rate	<p><u>Taxable income distribution</u> Individuals who receive such distribution as investment income will be exempted from tax. 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>

(c) Date payable

27 August 2009

(d) Books closure date

29 July 2009

13. DISTRIBUTION STATEMENT

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

14. INTERESTED PERSON TRANSACTIONS

Name of interested person	Aggregate value of all interested person transactions during the financial period under review (excluding transactions of less than \$100,000)	
	2Q2009 \$'000	2Q2008 \$'000
Keppel Corporation and its subsidiaries or associates		
- Manager's management fees	3,319	3,222
- Property management fees and reimbursable	720	648
- Leasing commissions	176	744
- Rental and service charge income ¹	-	1,411
RBC Dexia Trust Services Singapore Limited		
- Trustee's fees	78	78

Note:

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

QUARTERLY BREAKDOWN

Property contribution by asset (\$'000)

	FY07	1Q08	2Q08	3Q08	4Q08	FY08	1Q09	2Q09
<u>Property</u>								
Prudential Tower Property	6,880	2,062	2,753	2,870	2,790	10,475	2,686	3,103
Keppel Towers and GE Tower	20,008	5,955	6,259	6,492	6,960	25,666	7,196	7,337
Bugis Junction Towers	13,181	3,489	3,977	4,500	4,539	16,505	4,903	4,917
Total property income	40,069	11,506	12,989	13,862	14,289	52,646	14,785	15,357

Income contribution by asset (\$'000)

	FY07	1Q08	2Q08	3Q08	4Q08	FY08	1Q09	2Q09
<u>Property</u>								
Prudential Tower Property	5,037	1,832	1,795	2,099	2,544	8,270	1,982	2,638
Keppel Towers and GE Tower	13,741	4,678	4,847	4,018	5,399	18,942	5,247	5,601
Bugis Junction Towers	9,484	2,631	2,532	3,414	3,870	12,447	3,591	4,077
Net property income	28,262	9,141	9,174	9,531	11,813	39,659	10,820	12,316
One-third interest in ORQPL ¹ :								
- Income support	1,080	6,145	6,099	6,233	6,322	24,799	6,151	6,188
- Interest income	690	2,845	1,880	1,710	2,364	8,799	1,892	4,345
- Dividend income	1,000	1,898	2,779	3,331	2,760	10,768	3,116	929
Total income from one-third interest in ORQPL	2,770	10,888	10,758	11,274	11,446	44,366	11,159	11,462
Total income contribution	31,032	20,029	19,932	20,805	23,259	84,025	21,979	23,778

Note:

(1) The acquisition of one-third interest in ORQPL was completed on 10 December 2007.

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
 20 July 2009

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 2Q2009 financial statements of K-REIT Asia to be false or misleading in any material respect.

On behalf of the Board

TSUI KAI CHONG
Chairman



TAN SWEE YIOW
Director

20 July 2009