

**K-REIT ASIA
SECOND QUARTER 2010 FINANCIAL STATEMENT ANNOUNCEMENT****UNAUDITED RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2010****TABLE OF CONTENTS**

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**SUMMARY OF K-REIT ASIA RESULTS
FOR THE HALF YEAR ENDED 30 JUNE 2010**

	GROUP			
	2Q2010 \$'000	1H2010 \$'000	1H2009 \$'000	+/- %
Property Income	23,230	41,440	30,142	37.5
Net Property Income	18,393	32,281	23,136	39.5
Total Return before Tax	13,590	24,532	13,308	84.3
Income Available for Distribution	21,978	39,803	33,154	20.1
Distribution to Unitholders ¹	21,965	39,790	33,154	20.0
Distribution per Unit ("DPU") (cents)				
For the Period	1.64	2.97	2.49²	19.3
Annualised	6.58	5.99	5.02²	19.3
Distribution Yield	5.8% ⁴	5.3% ⁴	5.1% ³	3.9

Notes:

- (1) K-REIT Asia is committed to distributing 100% of its income available for distribution to Unitholders. For 2Q2010 and 1H2010, the distribution to Unitholders is based on 100% of the income available for distribution to Unitholders, net of foreign-sourced income that is received after 30 June 2010.
- (2) The DPU for 1H2009 has been restated to take into account the effects of the rights issue completed in November 2009.
- (3) The yield is based on the market closing price per unit of \$0.975 as at the last trading day, 30 June 2009.
- (4) The yield is based on the market closing price per unit of \$1.14 as at the last trading day, 30 June 2010.

DISTRIBUTION AND BOOKS CLOSURE DATE

Distribution	1 January 2010 to 30 June 2010
Distribution Type	(a) Taxable income (b) Tax-exempt income
Distribution Rate	(a) Taxable income distribution – 1.87 cents per unit (b) Tax-exempt income distribution – 1.10 cents per unit
Books Closure Date	28 July 2010
Payment Date	26 August 2010

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. K-REIT Asia has a pan-Asian mandate that enables it to invest in quality commercial properties in Singapore and other Asian growth cities.

K-REIT Asia was listed on the Singapore Exchange Securities Trading Limited on 28 April 2006 with an initial property portfolio comprising Bugis Junction Towers, Keppel Towers, GE Tower, and Prudential Tower Property (approximately 44.4% of the strata area of the building) from its sponsor Keppel Land Limited.

In December 2007, K-REIT Asia completed its maiden acquisition of a one-third interest in One Raffles Quay. This was followed by the acquisition of additional six strata floors of Prudential Tower which increased K-REIT Asia's ownership in Prudential Tower to 73.4% of the total strata area of the building in November 2009. In March 2010, K-REIT Asia successfully acquired its first overseas asset, a 50.0% stake in 275 George Street, in Brisbane, Australia.

K-REIT Asia entered into a sale and purchase agreement to acquire the office tower of 77 King Street in Sydney, Australia in July 2010. The acquisition of this Grade A commercial building in Sydney is expected to be completed in the fourth quarter of 2010. This acquisition is in line with K-REIT Asia's strategy to invest in quality commercial properties in Asia.

K-REIT Asia aims to maintain a strong balance sheet and steadily grow its portfolio. In late 2009, K-REIT Asia completed a rights issue and raised gross proceeds of approximately \$620.0 million, bringing the total number of units in issue to approximately 1.3 billion units. Some \$555.1 million of the rights proceeds have been used to repay a bridging loan facility for the purpose of financing the acquisition of the six strata floors of Prudential Tower, finance the acquisition of the 50.0% stake in 275 George Street as well as partly repay the revolving loan from Kephinace Investment Pte Ltd.

K-REIT Asia has a portfolio size of \$2.3 billion as at 30 June 2010.

1 UNAUDITED RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2010

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 2010:

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

Statement of Total Return

	Note	<u>Group</u>					
		2Q2010 \$'000	2Q2009 \$'000	+ / (-) %	1HQ2010 \$'000	1H2009 \$'000	+ / (-) %
Gross rent		22,710	15,126	50.1	40,605	29,673	36.8
Car park income		472	218	116.5	768	441	74.1
Other income		48	13	269.2	67	28	139.3
Property income		23,230	15,357	51.3	41,440	30,142	37.5
Property tax		(1,329)	(974)	36.4	(2,494)	(2,631)	(5.2)
Other property expenses	1	(2,420)	(1,203)	101.2	(4,528)	(2,663)	70.0
Property management fee		(558)	(461)	21.0	(1,077)	(905)	19.0
Maintenance and sinking fund contributions		(530)	(403)	31.5	(1,060)	(807)	31.4
Property expenses		(4,837)	(3,041)	59.1	(9,159)	(7,006)	30.7
Net property income		18,393	12,316	49.3	32,281	23,136	39.5
Income support	2	5,877	6,188	(5.0)	12,352	12,339	0.1
Interest income	3	3,135	4,355	(28.0)	6,612	6,294	5.1
Share of results of associated company	4	2,378	933	154.9	4,470	4,106	8.9
Amortisation expense	5	(5,259)	(6,681)	(21.3)	(10,553)	(13,407)	(21.3)
Borrowing costs	6	(4,337)	(6,162)	(29.6)	(10,436)	(12,261)	(14.9)
Manager's management fees	7	(3,709)	(3,319)	11.8	(7,142)	(6,552)	9.0
Trust expenses		(2,645)	(39)	Nm	(3,015)	(347)	Nm
Changes in fair value of derivative financial instruments	8	(243)	-	Nm	(37)	-	Nm
Total return before tax		13,590	7,591	79.0	24,532	13,308	84.3
Income tax expense	9	(764)	(517)	47.8	(1,504)	(1,145)	31.4
Total return after tax		12,826	7,074	81.3	23,028	12,163	89.3
<u>Distribution Statement</u>							
Total return before tax		13,590	7,591	79.0	24,532	13,308	84.3
Net tax adjustments	10	9,152	10,422	(12.2)	16,775	20,991	(20.1)
Income tax expense		(764)	(517)	47.8	(1,504)	(1,145)	31.4
Income available for distribution		21,978	17,496	25.6	39,803	33,154	20.1
Distribution to Unitholders	11	21,965	17,496	25.5	39,790	33,154	20.0
Distribution per unit (cents)							
For the period	12	1.64	1.32	24.2	2.97	2.49	19.3
Annualised	12	6.58	5.29	24.4	5.99	5.02	19.3

Notes:

Nm – Not meaningful

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

	2Q2010	2Q2009	1H2010	1H2009
	\$'000	\$'000	\$'000	\$'000
Marketing expenses	238	180	969	462
Utilities	454	332	930	805
Repair and maintenance	1,374	425	1,950	868
Property management reimbursements	315	260	615	513
Other property expenses	39	6	64	15
	2,420	1,203	4,528	2,663

- (2) This is the income support top-up payment received or receivable by K-REIT Asia for its one-third interest in One Raffles Quay Pte Ltd ("ORQPL"), the additional six strata floors of Prudential Tower and the 50% interest in 275 George Street, Brisbane.

- (3) Interest income comprises the following:

	2Q2010	2Q2009	1H2010	1H2009
	\$'000	\$'000	\$'000	\$'000
Interest income from fixed deposit and current accounts	162	10	552	57
Interest income from shareholder's loan to ORQPL	2,973	4,345	6,060	6,237
	3,135	4,355	6,612	6,294

- (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 and income tax and excluding the net change in fair value of its investment property.

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

- (6) Borrowing costs comprise the following:

	2Q2010	2Q2009	1H2010	1H2009
	\$'000	\$'000	\$'000	\$'000
Interest expense on term loans	1,862	1,862	3,703	3,703
Interest expense on revolving loan	1,410	3,849	5,217	7,656
Amortisation of transaction costs capitalised	1,065	451	1,516	902
	4,337	6,162	10,436	12,261

- (7) For 2010, the Manager has elected to receive 50% of its management fees in units of K-REIT Asia as compared with 100% in units for 2009.

- (8) This represents the change in fair value of foreign currency forward contracts which were entered into to protect the Group's foreign currency exposure on the net income from its 50% interest in 275 George Street, Brisbane.

- (9) Income tax expense comprises (i) tax of 17% (2009: 17%) on the income support received by K-REIT Asia for its interest in ORQPL, net of deductible interest expense and (ii) withholding tax paid/accrued in relation to the Group's investment in 275 George Street, Brisbane.

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

	Group			
	2Q2010	2Q2009	1H2010	1H2009
	\$'000	\$'000	\$'000	\$'000
Management fees payable in units	1,855	3,319	3,571	6,552
Trustee's fees	87	78	167	156
Amortisation of transaction costs	6,324	7,132	12,069	14,309
Non-tax deductible expenses	2,278	(103)	2,566	35
Share of results of associated company	(2,378)	(933)	(4,470)	(4,106)
Dividend income received	2,378	929	4,470	4,045
Change in fair value of derivative instrument	243	-	37	-
Effect of recognising accounting income on a straight line basis over the lease terms	(1,635)	-	(1,635)	-
	9,152	10,422	16,775	20,991

(11) K-REIT Asia is committed to distributing 100% of its income available for distribution to Unitholders. For 2Q2010 and 1H2010, the distribution to Unitholders is based on 100% of the income available for distribution to Unitholders, net of foreign-sourced income that is received after 30 June 2010.

(12) The DPUs for 2Q2009 and 1H2009 have been restated to take into account the effects of the rights issue completed in November 2009.

1(a)(ii) **Statement of comprehensive income together with a comparative statement for the corresponding period of the immediately preceding financial year**

Statement of Comprehensive Income

	Group					
	2Q2010	2Q2009	+ / (-)	1H2010	1H2009	+ / (-)
	\$'000	\$'000	%	\$'000	\$'000	%
Total return after tax	12,826	7,074	81.3	23,028	12,163	89.3
Other comprehensive income:						
Translation difference from financial statements of foreign entity	(277)	-	Nm	(229)	-	Nm
Exchange differences on monetary items forming part of the net investment in foreign operations	(14,030)	-	Nm	(10,759)	-	Nm
Other comprehensive income for the period, net of tax	(14,307)	-	Nm	(10,988)	-	Nm
Total comprehensive income for the period	(1,481)	7,074	(74.0)	12,040	12,163	(1.0)

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

	<i>Note</i>	<u>Group</u>			<u>Trust</u>		
		30/06/10	31/12/09	+/-	30/06/10	31/12/09	+/-
		\$'000	\$'000	%	\$'000	\$'000	%
Non-current assets							
Investment properties	1	1,374,776	1,162,800	18.2	1,162,800	1,162,800	-
Investment in subsidiary companies		-	-	-	2,232	-	Nm
Investment in associated company	2	848,616	849,239	(0.1)	848,616	849,239	(0.1)
Amount owing by subsidiary company		-	-	-	210,248	-	Nm
Intangible asset	3	22,045	32,598	(32.4)	22,045	32,598	(32.4)
Total non-current assets		2,245,437	2,044,637	9.8	2,245,941	2,044,637	9.8
Current assets							
Trade and other receivables	4	12,738	11,453	11.2	11,839	11,453	3.4
Cash and cash equivalents	5	115,096	575,549	(80.0)	110,511	575,549	(80.8)
Total current assets		127,834	587,002	(78.2)	122,350	587,002	(79.2)
Total assets		2,373,271	2,631,639	(9.8)	2,368,291	2,631,639	(10.0)
Current liabilities							
Trade and other payables		17,879	28,761	(37.8)	14,286	28,761	(50.3)
Derivative financial instruments	6	37	-	Nm	37	-	Nm
Current portion of security deposits		4,297	4,603	(6.6)	4,297	4,603	(6.6)
Provision for taxation		6,241	4,849	28.7	6,209	4,849	28.0
Borrowings	7	350,455	-	Nm	350,455	-	Nm
Total current liabilities		378,909	38,213	Nm	375,284	38,213	Nm
Non-current liabilities							
Long-term borrowings	7	-	578,939	Nm	-	578,939	Nm
Non-current portion of security deposits		11,603	11,835	(2.0)	11,603	11,835	(2.0)
Total non-current liabilities		11,603	590,774	(98.0)	11,603	590,774	(98.0)
Total liabilities		390,512	628,987	(37.9)	386,887	628,987	(38.5)
Net assets		1,982,759	2,002,652	(1.0)	1,981,404	2,002,652	(1.1)
Represented by:							
Unitholders' funds		1,982,759	2,002,652	(1.0)	1,981,404	2,002,652	(1.1)
Net asset value per unit (\$)		1.48	1.50		1.48	1.50	
Borrowings / Value of deposited properties (%)	8	15.2	27.7				

Notes:

Nm – Not meaningful

- (1) *The increase in investment properties is due to the acquisition of a 50% interest in 275 George Street, Brisbane in March 2010.*
- (2) *This relates to the one-third equity interest in associated company ORQPL.*
- (3) *This relates to the probable future income support amount which may 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.*
- (4) *Included in the balances are receivables for income support and dividend income as at 30 June 2010 of \$8.2 million (31 December 2009: \$8.8 million).*
- (5) *The decrease in cash and cash equivalents is due to the utilisation of the rights issue proceeds to fund the acquisition of the 50% interest in 275 George Street, Brisbane in March 2010 and part repayment of the revolving loan in April 2010.*
- (6) *Derivative financial instruments relate to the foreign currency forward contracts taken out in relation to the Group's investment in 275 George Street, Brisbane.*
- (7) *The increase in short-term borrowings is due to the reclassification of the revolving loan and term loan maturing in March and May 2011 respectively from long-term borrowings.*
- (8) *This is based on the principal amount of borrowings as stated in paragraph 1(b)(ii) and valuation of \$2.3 billion for the deposited properties (held directly and indirectly by K-REIT Asia) as at 30 June 2010.*

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

	Group and Trust	
	As at 30/06/10	As at 31/12/09
	\$'000	\$'000
Secured borrowing		
Amount repayable in one year or less, or on demand	190,085	-
Less: Unamortised portion of fees	(201)	-
	189,884	-
Amount repayable after one year	-	190,085
Less: Unamortised portion of fees	-	(321)
	-	189,764
Unsecured borrowing		
Amount repayable in one year or less, or on demand	161,000	-
Less: Unamortised portion of fees	(429)	-
	160,571	-
Amount repayable after one year	-	391,000
Less: Unamortised portion of fees	-	(1,825)
	-	389,175
Total borrowings	350,455	578,939

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 2010, 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 Prudential Tower Property (44.4% of total strata area), Keppel Towers, GE Tower and Bugis Junction Towers ("Initial Investment Properties");
- (ii) an assignment and charge over the rental collection account relating to the Initial Investment Properties;
- (iii) an assignment of the insurance policies relating to the Initial Investment Properties;
- (iv) an assignment of the agreements relating to the management of the Initial Investment Properties; and a fixed and floating charge over certain assets of K-REIT Asia relating to the Initial Investment Properties.

K-REIT Asia has in place a revolving loan facility of \$391.0 million from Kephinance Investment Pte Ltd for a period of thirty months commencing from 10 September 2008 to 10 March 2011 and thereafter renewable on terms, including a new maturity date to be agreed between the parties. In April 2010, K-REIT Asia repaid \$230.0 million of the revolving loan and the gross amount outstanding was \$161.0 million as at 30 June 2010.

The weighted average interest rate for all borrowings as at 30 June 2010 stood at 3.54% per annum. This excludes the amortisation of the upfront fee for the early repayment of \$230.0 million of the revolving loan in April 2010.

1(c) Consolidated statement of cash flows

	Note	Group			
		2Q2010	2Q2009	1H2010	1H2009
		\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities					
Total return before tax		13,590	7,591	24,532	13,308
Adjustments for:					
Interest income		(3,135)	(4,355)	(6,612)	(6,294)
Amortisation expense		5,259	6,681	10,553	13,407
Share of results of associated company		(2,378)	(933)	(4,470)	(4,106)
Borrowing costs		4,337	6,162	10,436	12,261
Management fees payable in units		1,855	3,319	3,571	6,552
Acquisition expenses		2,197	-	-	-
Changes in fair value of unrealised derivative financial instruments		243	-	37	-
Translation of foreign subsidiary		119	-	(141)	-
Operating cash flows before changes in working capital		22,087	18,465	37,906	35,128
Increase in receivables		(6,156)	(7,708)	(13,590)	(14,388)
(Decrease)/Increase in payables		(4,060)	(461)	1,848	(735)
Increase/(Decrease) in security deposits		299	38	(538)	867
Cash flows from operations		12,170	10,334	25,626	(20,872)
Income taxes paid		(112)	-	(112)	-
Net cash flows from operating activities		12,058	10,334	25,514	20,872
Investing activities					
Purchase of investment property		-	-	(222,823)	-
Interest received		3,139	4,355	6,842	6,348
Income support received		6,032	6,152	11,576	12,474
Dividend income received from associated company		2,093	3,100	5,592	5,860
Repayment of loan from associated company		-	-	-	4,000
Net cash flows from/(used in) investing activities		11,264	13,607	(198,813)	28,682
Financing activities					
Repayment of revolving loan		(230,000)	-	(230,000)	-
Distribution to Unitholders	1	-	-	(37,008)	(33,093)
Interest paid		(18,305)	(9,539)	(20,146)	(11,380)
Net cash flows used in financing activities		(224,983)	(9,539)	(287,154)	(44,473)
Net (decrease)/increase in cash and cash equivalents		(225,239)	14,402	(460,453)	5,081
Cash and cash equivalents at the beginning of period		340,335	34,647	575,549	43,968
Effects of exchange rate changes on cash and cash equivalents		(256)	-	-	-
Cash and cash equivalents at the end of period		115,096	49,049	115,096	49,049

Note:

- (1) Distribution for 1H2010 is for the period 1 July 2009 to 31 December 2009, paid on 25 February 2010.
Distribution for 1H2009 is for the period 1 July 2008 to 31 December 2008, paid on 23 February 2009.

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

<u>Group</u>	<i>Note</i>	<u>Issued Equity</u> \$'000	<u>Accumulated Profit</u> \$'000	<u>Foreign Exchange Translation Reserve</u> \$'000	<u>Total</u> \$'000
Net assets at 1 January 2010		1,645,657	356,995	-	2,002,652
Total comprehensive income	1	-	10,202	3,319	13,521
Issue of units for payment of management fees	2	3,356	-	-	3,356
Distribution to Unitholders		-	(37,008)	-	(37,008)
Net assets at 31 March 2010		1,649,013	330,189	3,319	1,982,521
Total comprehensive income	1	-	12,826	(14,307)	(1,481)
Issue of units for payment of management fees	2	1,719	-	-	1,719
Net assets at 30 June 2010		1,650,732	343,015	(10,988)	1,982,759
Net assets at 1 January 2009		1,016,566	469,105	-	1,485,671
Total comprehensive income		-	5,089	-	5,089
Issue of units for payment of management fees	3	3,331	-	-	3,331
Distribution to Unitholders		-	(33,093)	-	(33,093)
Net assets at 30 March 2009		1,019,897	441,101	-	1,460,998
Total comprehensive income		-	7,074	-	7,074
Issue of units for payment of management fees	3	3,232	-	-	3,232
Net assets at 30 June 2009		1,023,129	448,175	-	1,471,304

Notes:

- (1) The movement in foreign currency translation reserve relates to the exchange differences arising on the translation of foreign entities and intercompany loans that form part of the Group's net investment in the foreign entities.
- (2) This represents 3,108,946 and 1,567,983 units issued in 1Q2010 and 2Q2010 respectively as satisfaction of management fees payable in units.
- (3) This represents 4,819,121 and 5,739,867 units issued in 1Q2009 and 2Q2009 respectively as satisfaction of management fees payable in units.

Statement of movements in Unitholders' funds

<u>Trust</u>	<i>Note</i>	<u>Issued Equity</u> \$'000	<u>Accumulated Profit</u> \$'000	<u>Total</u> \$'000
Net assets at 1 January 2010		1,645,657	356,995	2,002,652
Total comprehensive income		-	12,342	12,342
Issue of units for payment of management fees	1	3,356	-	3,356
Distribution to Unitholders		-	(37,008)	(37,008)
Net assets at 31 March 2010		1,649,013	332,329	1,981,342
Total comprehensive income		-	(1,657)	(1,657)
Issue of units for payment of management fees	1	1,719	-	1,719
Net assets at 30 June 2010		1,650,732	330,672	1,981,404
Net assets at 1 January 2009		1,016,566	469,105	1,485,671
Total comprehensive income		-	5,089	5,089
Issue of units for payment of management fees	2	3,331	-	3,331
Distribution to Unitholders		-	(33,093)	(33,093)
Net assets at 31 March 2009		1,019,897	441,101	1,460,998
Total comprehensive income		-	7,074	7,074
Issue of units for payment of management fees	2	3,232	-	3,232
Net assets at 30 June 2009		1,023,129	448,175	1,471,304

Notes:

(1) This represents 3,108,946 and 1,567,983 units issued in 1Q2010 and 2Q2010 respectively as satisfaction of management fees payable in units.

(2) This represents 4,819,121 and 5,739,867 units issued in 1Q2009 and 2Q2009 respectively as satisfaction of management fees payable in units.

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

	<u>Group and Trust</u>	
	2010 Units	2009 Units
Issued units as at 1 January	1,336,023,351	652,724,165
Issue of new units		
- Payment of management fees in units	3,108,946	4,819,121
Issued units as at 31 March	1,339,132,297	657,543,286
Issue of new units		
- Payment of management fees in units	1,567,983	5,739,867
Issued units as at 30 June	1,340,700,280	663,283,153

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.

K-REIT Asia did not hold any treasury units as at 30 June 2010 and 31 December 2009. The total number of issued units in K-REIT Asia as at the 30 June 2010 and 31 December 2009 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 Group 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 2009.

5. CHANGES IN ACCOUNTING POLICIES

In the current financial period, the Group 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 2010. Changes to the Group'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 Group:

-	Improvements to FRSs issued in 2009
FRS 27	Consolidated and Separate Financial Statements (Revised)
FRS 103	Business Combinations (Revised)

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

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

	<u>Group</u>			
	2Q2010	2Q2009	1H2010	1H2009
Earnings per unit (based on the weighted average number of units as at the end of the period)	0.96 cents	0.96 cents ¹ 1.07 cents ²	1.72 cents	1.65 cents ¹ 1.85 cents ²
- Weighted average number of units as at the end of period	1,340,200,593	739,637,823 ¹ 661,453,965 ²	1,339,188,454	736,600,053 ¹ 658,737,304 ²
Distribution per unit (based on the number of units as at the end of period)	1.64 cents	1.32 cents ¹ 2.64 cents ²	2.97 cents	2.49 cents ¹ 5.00 cents ²
- Number of units in issue at end of period	1,340,700,280	1,329,987,118 ³ 663,283,153 ²	1,340,700,280	1,329,987,118 ³ 663,283,153 ²

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 have been restated for the effect of the rights issue completed in November 2009.*
- (2) *As previously reported.*
- (3) *Computed based on the issued units at the end of the period aggregated with the 666,703,965 rights issue units issued in the rights issue completed in November 2009.*

7. NET ASSET VALUE (“NAV”)

	<u>Group</u>		<u>Trust</u>	
	As at 30/06/10	As at 31/12/09	As at 30/06/10	As at 31/12/09
NAV per unit based on issued units at the end of the period (\$)	1.48	1.50	1.48	1.50
Adjusted NAV per unit based on issued units at the end of the period (excluding the distributable income) (\$)	1.45	1.47	1.45	1.47

8. REVIEW OF PERFORMANCE

8(i) Property income contribution of the properties

Property	2Q2010 \$'000	2Q2009 \$'000	Group		1H2009 \$'000	+/(-) %
			+/(-) %	1H2010 \$'000		
Prudential Tower Property	4,932	3,103	58.9	9,655	5,789	66.8
Keppel Towers and GE Tower	7,180	7,337	(2.1)	14,275	14,533	(1.8)
Bugis Junction Towers	4,883	4,917	(0.7)	9,848	9,820	(0.3)
275 George Street	6,235	-	Nm	7,662	-	Nm
Total property income	23,230	15,357	51.3	41,440	30,142	37.5

8(ii) Income contribution of the properties

Property	2Q2010 \$'000	2Q2009 \$'000	Group		1H2009 \$'000	+/(-) %
			+/(-) %	1H2010 \$'000		
Prudential Tower Property	3,916	2,638	48.4	7,771	4,620	68.2
Keppel Towers and GE Tower	4,811	5,601	(14.1)	9,534	10,848	(12.1)
Bugis Junction Towers	3,920	4,077	(3.9)	8,127	7,668	6.0
275 George Street	5,746	-	Nm	6,849	-	Nm
Total net property income	18,393	12,316	49.3	32,281	23,136	39.5
One-third interest in ORQPL:						
- Income support	5,816	6,188	(6.0)	11,784	12,339	(4.5)
- Interest income	2,973	4,345	(31.6)	6,060	6,237	(2.8)
- Dividend income	2,378	929	156.0	4,470	4,045	10.5
Total income from one-third interest in ORQPL	11,167	11,462	(2.6)	22,314	22,621	(1.4)
Total income contribution	29,560	23,778	24.3	54,595	45,757	19.3

8. REVIEW OF PERFORMANCE (CONT'D)**Review of performance for 2Q2010 vs 2Q2009**

Turnover for 2Q2010 was \$23.2 million, a significant increase of \$7.9 million or 51.3% over that for 2Q2009. This improvement was due mainly to contributions from the additional six strata floors of Prudential Tower acquired in November 2009 as well as the 50.0% stake in 275 George Street, Brisbane acquired in March 2010.

The portfolio attained 97.9% committed occupancy as at end-June 2010 as compared with 94.9% as at end-June 2009. Average gross rental rate for Singapore portfolio was \$8.19 psf in June 2010 as compared with \$8.13 psf in June 2009.

Property expenses of \$4.8 million were \$1.8 million or 59.1% higher than the amount in 2Q2009. The increase was due to higher operating expenses on the account of higher repair and maintenance costs of \$1.0 million and higher property tax expenses of \$0.4 million.

Net property income increased 49.3% to \$18.4 million in 2Q2010 from \$12.3 million in 2Q2009. This was due mainly to higher property income. Total return before tax reported an increase of \$6.0 million to \$13.6 million in 2Q2010 from \$7.6 million in 2Q2009 due to higher net property income and lower borrowing costs from the part repayment of a revolving loan, reduced by the higher trust expenses on the account of an acquisition expense of \$2.2 million incurred for 275 George Street.

Distribution to Unitholders increased by \$4.5 million to \$22.0 million in 2Q2010 from \$17.5 million in 2Q2009.

For the quarter, the all-in interest rate was 3.54% per annum in 2Q2010 excluding the one-time amortisation of upfront fee for the early repayment of \$230 million of the revolving loan and 4.25% per annum in 2Q2009. The aggregate leverage stood at 15.2% as at 30 June 2010. The weighted average term to expiry of debt is 0.8 year.

Review of performance for 2Q2010 vs 1Q2010

Turnover for 2Q2010 was \$23.2 million, an increase of \$5.0 million or 27.6% over that for 1Q2010. This improvement was due mainly to contribution from the 50.0% stake in 275 George Street, Brisbane acquired in March 2010.

The portfolio attained 97.9% committed occupancy as at end-June 2010 as compared with 96.0% as at end-March 2010. Average gross rental rate for Singapore portfolio was \$8.19 psf in June 2010 against \$8.30 psf in March 2010.

Property expenses of \$4.8 million were higher than the amount in 1Q2010 by \$0.5 million or 11.9%, due mainly to higher repair and maintenance costs, and property tax. This was mitigated by lower marketing costs incurred in the current quarter.

Net property income increased by 32.4% to \$18.4 million in 2Q2010 on the account of higher property income of \$5.0 million offsetting higher property expenses of \$0.5 million. Total return before tax increased by \$2.6 million or 24.2% in 2Q2010 due mainly to a higher net property income, lower borrowing costs offset by higher trust expenses on the account of an acquisition expense of \$2.2 million incurred for 275 George Street.

Distribution to Unitholders for 2Q2010 increased to \$22.0 million from \$17.8 million in 1Q2010. The increase was due mainly to the higher net property income in 2Q2010 and lower borrowing costs.

Excluding the one-time amortisation of the upfront fee for the early repayment of \$230 million of the revolving loan, the interest rate for 2Q2010 was 3.54% per annum as compared with 4.26% per annum for 1Q2010. The aggregate leverage stood at 15.2% as at 30 June 2010 against 25.2% as at 31 March 2010, and the weighted average term to expiry of debt was reduced from 1.0 year in March 2010 to 0.8 year in June 2010.

Review of performance for 1H2010 vs 1H2009

Turnover for 1H2010 was \$41.4 million, an increase of \$11.3 million or 37.5% over that for 1H2009. This improvement was due mainly to contributions from the additional six strata floors of Prudential Tower acquired in November 2009 as well as the 50.0% stake in 275 George Street, Brisbane acquired in March 2010.

The portfolio attained 97.9% committed occupancy as at end-June 2010 as compared with 94.9% as at end-June 2009. Average gross rental rate for Singapore portfolio was \$8.19 psf in June 2010 against \$8.13 psf in June 2009.

Property expenses of \$9.2 million were higher than the amount in 1H2009 by \$2.2 million or 30.7%, due mainly to the higher operating expenses on the account of higher repair and maintenance costs, marketing costs, and maintenance and sinking fund contributions.

Net property income increased by 39.5% to \$32.3 million in 1H2010 on the account of higher property income of \$11.3 million offset by higher property expenses of \$2.2 million. Total return before tax increased by \$11.2 million or 84.3% in 1H2010 due to a higher net property income, lower amortisation of income support, lower borrowing costs offset by higher trust expenses on the account of an acquisition expense of \$2.2 million incurred for 275 George Street.

Distribution to Unitholders for 1H2010 increased to \$39.8 million from \$33.2 million in 1HQ2009. The increase was due mainly to higher net property income and lower borrowing expenses in 1H2010 partly offset by the payment of 50% of the management fees in cash as compared with 100% in units in 1H2009.

9. VARIANCE FROM PROSPECTS STATEMENT

K-REIT Asia has not disclosed any prospect statement.

10. PROSPECTS

Emerging markets in Asia have posted strong growth post the financial crisis despite uncertain credit markets in some parts of the Western world. According to the Ministry of Trade and Industry ("MTI"), the Singapore economy registered a strong year on year GDP growth of 18.1% in the first half of 2010. The economy expanded by 16.9% in 1Q2010, and according to advance estimates, 19.3% in 2Q2010. As such, the MTI upgraded its full year GDP growth forecast to 13.0% to 15.0% from the previous 7.0% to 9.0%.

Key industries driving the expansion include manufacturing, exports, construction and financial services sectors. Growth in the financial services sector is boosted by the increase in foreign exchange trading and domestic bank lending activities. The improved business sentiments have resulted in greater jobs creation in addition to replacement hires. Some companies reinstated earlier pay cuts while others raised salaries in line with earnings growth.

Boosted by the strong economic growth in 1H2010, the office sector turned positive in 2Q2010 as occupancy in the core central business district rose to 93.3% in 2Q2010 from 91.9% in 1Q2010. According to CB Richard Ellis ("CBRE"), Grade A and prime office rentals climbed 5.6% and 3% to \$8.45psf and \$6.90psf respectively in 2Q2010, up from \$8.00psf and \$6.70psf respectively in 1Q2010. CBRE estimates that the market will absorb new office space at an average of 1.5 million sf per annum if the current business climate holds, and demand will exceed the known supply of office space that is coming online from now to 2015.

K-REIT Asia with its portfolio of well-located quality assets and diversified stable of blue-chip tenants is well-positioned to benefit from the upturn in the office sector and broad-based economic recovery. K-REIT Asia remains focused on active asset management, retaining existing good tenants and attracting new creditworthy corporations, improving operational and capital efficiencies, and selectively pursuing opportunities for strategic acquisitions in order to deliver stable and growing returns to Unitholders.

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 of 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

The Group's foreign currency risk relates mainly to its Australian Dollar denominated investment and distribution income from its foreign subsidiaries. The Manager monitors the Group's foreign currency exposure on an on-going basis and will manage its exposure to adverse movements in foreign currency exchange rates through financial instruments or other suitable financial products.

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 the Group's 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 2010 to 30 June 2010
Distribution type	(a) Taxable income (b) Tax-exempt income
Distribution rate	(a) Taxable income distribution – 1.87 cents per unit (b) Tax-exempt income distribution – 1.10 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 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>

(c) DATE PAYABLE

26 August 2010

(d) BOOKS CLOSURE DATE

28 July 2010

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)	
	2Q2010 \$'000	2Q2009 \$'000
Keppel Land Limited and its subsidiaries or associates		
- Manager's management fees	3,709	3,319
- Property management fees and reimbursable	807	720
- Leasing commissions	(74)	176
- Rental and service charge income ¹	905	-
- Income support	5,816	6,188
RBC Dexia Trust Services Singapore Limited		
- Trustee's fees	87	78

Note:

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

Appendix

QUARTERLY BREAKDOWN

Property contribution by asset (\$'000)

	FY08	1Q09	2Q09	3Q09	4Q09	FY09	1Q10	2Q10
<u>Property</u>								
Prudential Tower Property ¹	10,475	2,686	3,103	3,126	4,514	13,429	4,723	4,932
Keppel Towers and GE Tower	25,666	7,196	7,337	7,528	7,445	29,506	7,095	7,180
Bugis Junction Towers	16,505	4,903	4,917	5,000	5,056	19,876	4,965	4,883
275 George Street ²	-	-	-	-	-	-	1,427	6,235
Total property income	52,646	14,785	15,357	15,654	17,015	62,811	18,210	23,230

Income contribution by asset (\$'000)

	FY08	1Q09	2Q09	3Q09	4Q09	FY09	1Q10	2Q10
<u>Property</u>								
Prudential Tower Property ¹	8,270	1,982	2,638	2,584	3,809	11,013	3,855	3,916
Keppel Towers and GE Tower	18,942	5,247	5,601	5,739	5,490	22,077	4,723	4,811
Bugis Junction Towers	12,447	3,591	4,077	3,980	4,142	15,790	4,207	3,920
275 George Street ²	-	-	-	-	-	-	1,103	5,746
Net property income	39,659	10,820	12,316	12,303	13,441	48,880	13,888	18,393
One-third interest in ORQPL:								
- Income support	24,799	6,151	6,188	5,177	5,495	23,011	5,968	5,816
- Interest income	8,799	1,892	4,345	3,214	3,051	12,502	3,087	2,973
- Dividend income	10,768	3,116	929	3,645	3,499	11,189	2,092	2,378
Total income from one-third interest in ORQPL	44,366	11,159	11,462	12,036	12,045	46,702	11,147	11,167
Total income contribution	84,025	21,979	23,778	24,339	25,486	95,582	25,035	29,560

Notes:

- (1) The interest in Prudential Tower Property was increased from 44.4% to 73.4% on 2 November 2009.
(2) The acquisition of the 50% interest in 275 George Street, Brisbane was completed on 1 March 2010.

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
19 July 2010

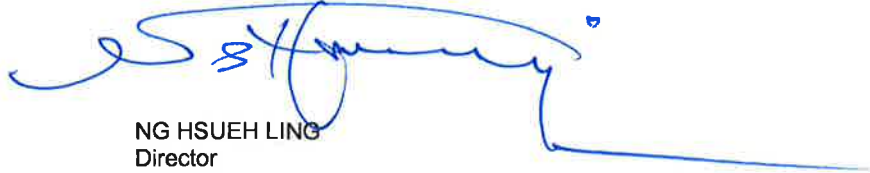
CONFIRMATION BY THE BOARD

We, TSUI KAI CHONG and NG HSUEH LING, 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 2Q2010 financial statements of K-REIT Asia to be false or misleading in any material respect.

On Behalf of the Board



TSUI KAI CHONG
Chairman



NG HSUEH LING
Director

19 July 2010