

**K-REIT ASIA
SECOND QUARTER 2012 FINANCIAL STATEMENTS ANNOUNCEMENT****UNAUDITED RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2012****TABLE OF CONTENTS**

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SUMMARY OF K-REIT ASIA RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2012

	GROUP			
	2Q2012 \$'000	1H2012 \$'000	1H2011 \$'000	+/(-) %
Property Income	39,285	75,873	36,734	106.5
Net Property Income	31,269	59,778	29,242	104.4
Share of Results of Associates	10,862	22,092	14,486	52.5
Total Return before Tax	32,490	66,622	33,693	97.7
Income Available for Distribution	49,811	98,355	50,544	94.6
Distributable Income to Unitholders ¹	49,811	98,355	50,544	94.6
Distribution per Unit ("DPU") (cents)				
For the Period	1.94	3.84	3.72	3.2
Annualised	7.80	7.72	7.50	2.9
Distribution Yield	7.3% ²	7.3% ²	5.6% ³	
Adjusted for Rights Issue				
DPU (cents)				
For the Period	1.94	3.84	2.00 ⁴	92.0
Annualised	7.80	7.72	4.03 ⁴	91.6

Notes:

- (1) The distributable income to Unitholders is based on 100% of the income available for distribution.
- (2) The yield is based on the market closing price per unit of \$1.065 as at the last trading day, 29 June 2012.
- (3) The yield is based on the market closing price per unit of \$1.33 as at the last trading day, 30 June 2011.
- (4) Restated to take into account the effect of the fully underwritten, renounceable 17-for-20 rights issue of 1,159,694,000 units at an issue price of \$0.85 per rights unit and computed based on the issued units at end of the period aggregated with 1,159,694,000 units which were issued on 13 December 2011.

Distribution	1 January 2012 to 30 June 2012
Distribution Type	(a) Taxable income (b) Tax-exempt income (c) Capital distribution
Distribution Rate	<u>Main K-REIT Units</u> (a) Taxable income distribution - 1.41 cents per unit (b) Tax-exempt income distribution - 2.31 cents per unit (c) Capital distribution - 0.12 cents per unit <u>K-REIT A Units¹</u> (a) Taxable income distribution - 0.02 cents per unit (b) Tax-exempt income distribution - 0.02 cents per unit
Books Closure Date	24 July 2012
Payment Date	27 August 2012

Note:

- (1) This relates to the 60,000,000 units issued on 29 June 2012.

INTRODUCTION

K-REIT Asia is one of the largest real estate investment trusts ("REITs") listed on the Singapore Exchange Securities Trading Limited ("SGX-ST"), with an asset size of \$6.3 billion, as at 30 June 2012.

Listed by way of an introduction on 28 April 2006, K-REIT Asia's objective is to generate stable income and long-term growth for Unitholders by owning and investing in a portfolio of quality income-producing commercial real estate and real estate-related assets in Singapore and across Asia.

K-REIT Asia's quality portfolio comprises eight premium commercial assets strategically located in the central business districts of Singapore, and key cities of Sydney and Brisbane in Australia.

In Singapore, K-REIT Asia owns Bugis Junction Towers, a one-third interest in Marina Bay Financial Centre Towers 1 & 2 and Marina Bay Link Mall ("MBFC Phase I"), a 99.9% interest in Ocean Financial Centre, a one-third interest in One Raffles Quay, and a 92.8% interest in Prudential Tower.

In Australia, K-REIT Asia owns the 77 King Street Office Tower and a 50% interest in 8 Chifley Square, both in Sydney as well as a 50% interest in 275 George Street in Brisbane.

On 15 June 2012, K-REIT Asia announced the successful conversion of BFC Development Pte. Ltd. ("BFCDPL"), which holds MBFC Phase I, to BFC Development Limited Liability Partnership ("BFCDLLP"). This conversion to a Limited Liability Partnership will allow Unitholders of K-REIT Asia to enjoy tax transparency on K-REIT Asia's share of income from MBFC Phase I.

On 25 June 2012, K-REIT Asia acquired an additional 12.39% interest in Ocean Financial Centre. The income accretive acquisition increased K-REIT Asia's interest in OFC to 99.9%. The acquisition was funded by bank borrowings and proceeds from a placement of 60 million new K-REIT Asia units at an issue price of \$1.17 per unit. The issue price represented an approximate 15% premium to the volume weighted average price on 25 June 2012.

K-REIT Asia is sponsored by Keppel Land Limited (Keppel Land), one of Asia's leading property developers, and managed by K-REIT Asia Management Limited, a wholly-owned subsidiary of Keppel Land.

1 UNAUDITED RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2012

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 2012:

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>					+/(-) %
		2Q2012 \$'000	2Q2011 \$'000	+/(-) %	1H2012 \$'000	1H2011 \$'000	
Gross rent		38,561	17,780	116.9	74,409	36,100	106.1
Car park income		333	281	18.5	672	562	19.6
Other income		391	1	>500	792	72	>500
Property income		39,285	18,062	117.5	75,873	36,734	106.5
Property tax		(2,808)	(1,002)	180.2	(5,485)	(1,846)	197.1
Other property expenses	1	(3,590)	(1,712)	109.7	(7,425)	(3,681)	101.7
Property management fee		(969)	(454)	113.4	(1,888)	(840)	124.8
Maintenance and sinking fund contributions		(649)	(591)	9.8	(1,297)	(1,125)	15.3
Property expenses		(8,016)	(3,759)	113.2	(16,095)	(7,492)	114.8
Net property income		31,269	14,303	118.6	59,778	29,242	104.4
Rental support	2	21,348	10,907	95.7	46,244	20,500	125.6
Interest income	3	6,954	5,512	26.2	13,897	11,201	24.1
Share of results of associates	4	10,862	8,335	30.3	22,092	14,486	52.5
Share of results of joint ventures	5	(2)	-	Nm	(2)	-	Nm
Amortisation expense	6	(15,572)	(7,887)	97.4	(31,240)	(14,881)	109.9
Borrowing costs	7	(11,149)	(7,014)	59.0	(22,261)	(13,766)	61.7
Manager's management fees	8	(9,529)	(5,614)	69.7	(19,044)	(10,987)	73.3
Trust expenses		(1,691)	(622)	171.9	(2,842)	(1,777)	59.9
Changes in fair value of derivative financial instruments	9	-	(254)	Nm	-	(325)	Nm
Total return before tax		32,490	17,666	83.9	66,622	33,693	97.7
Income tax expense	10	(3,574)	(1,296)	175.8	(7,736)	(2,272)	240.5
Total return after tax		28,916	16,370	76.6	58,886	31,421	87.4
Attributable to:							
Unitholders		27,180	16,370	66.0	55,682	31,421	77.2
Non-controlling interest		1,736	-	Nm	3,204	-	Nm
		28,916	16,370	76.6	58,886	31,421	87.4
Distribution Statement							
Total return for the period attributable to Unitholders		27,180	16,370	66.0	55,682	31,421	77.2
Net tax adjustments	11	22,631	9,921	128.1	42,673	19,123	123.2
Income available for distribution		49,811	26,291	89.5	98,355	50,544	94.6
Distribution to Unitholders	12	49,811	26,291	89.5	98,355	50,544	94.6
Distribution per unit (cents)							
For the period	13	1.94	1.04	86.5	3.84	2.00	92.0
Annualised	13	7.80	4.17	87.1	7.72	4.03	91.6

Notes:

Nm – Not meaningful

(1) Included in other property expenses are the following:

	<u>Group</u>			
	2Q2012	2Q2011	1H2012	1H2011
	\$'000	\$'000	\$'000	\$'000
Marketing expenses	192	66	286	395
Utilities	1,432	588	2,672	990
Repair and maintenance	1,487	974	3,165	1,982
Property management reimbursements	479	75	869	153
Other property expenses	-	9	433	161
	<u>3,590</u>	<u>1,712</u>	<u>7,425</u>	<u>3,681</u>

(2) This relates to the rental support top-up payments received by K-REIT Asia for its one-third interest in One Raffles Quay Pte Ltd ("ORQPL"), the additional 29% and 19.4% interests of Prudential Tower acquired on 2 November 2009 and 3 May 2011 respectively, the 50% interest in 275 George Street, Brisbane, the one-third interest in BFCDLLP which holds Marina Bay Financial Centre Towers 1 & 2 and Marina Bay Link Mall ("MBFC"), the office tower at 77 King Street, Sydney, and the approximate 99.9% interest in Ocean Properties LLP ("OPLLP") which holds Ocean Financial Centre.

(3) Interest income comprises the following:

	<u>Group</u>			
	2Q2012	2Q2011	1H2012	1H2011
	\$'000	\$'000	\$'000	\$'000
Interest income from fixed deposits and current accounts	261	221	531	606
Interest income from shareholder's loans to ORQPL and BFCDLLP	5,500	5,291	11,290	10,595
Interest income from convertible notes in Mirvac 8 Chifley Trust	1,193	-	2,076	-
	<u>6,954</u>	<u>5,512</u>	<u>13,897</u>	<u>11,201</u>

(4) Share of results of associates relates to K-REIT Asia's one-third interests in (i) ORQPL's net profit after tax which is represented by the proportionate share of gross revenue less property expenses, interest expense, and income tax, (ii) BFCDLLP's net profit after tax which is represented by the proportionate share of gross revenue less property expenses, interest expense, and income tax for the period from 1 January 2012 till 14 June 2012, and (iii) BFCDLLP's partnership profits for the period from 15 June 2012 till 30 June 2012.

(5) Share of results of joint ventures relates to K-REIT Asia's 50% interest in Mirvac 8 Chifley Trust's net profit after tax which is represented by the proportionate share of gross revenue less property expenses, interest expenses, and income tax.

(6) Please refer to paragraph 1(b)(i), note 4.

(7) Borrowing costs comprise the following:

	<u>Group</u>			
	2Q2012	2Q2011	1H2012	1H2011
	\$'000	\$'000	\$'000	\$'000
Interest expense on term loans	9,545	5,950	19,096	11,562
Interest expense on revolving loans	1,297	873	2,550	1,822
Amortisation of capitalised transaction costs	307	191	615	382
	<u>11,149</u>	<u>7,014</u>	<u>22,261</u>	<u>13,766</u>

(8) The Manager has elected to receive 100% of its management fees earned in respect of the approximate 87.5% interest in OPLLP and 50% of its management fee earned for the approximate 12.4% interest in OPLLP and the rest of the properties in units of K-REIT Asia for 2012 and 2011.

(9) This represents the change in fair value of foreign currency forward contracts which were entered into to hedge the Group's foreign currency exposure in the net income from its Australian properties.

(10) Income tax expense comprises (i) tax of 17% (2011: 17%) on the rental support top-up payments received by K-REIT Asia for its interests in ORQPL, BFCDLLP and OPLLP, net of deductible interest expense, and (ii) withholding tax accrued in relation to the income from the Group's investments in 275 George Street, Brisbane, the office tower at 77 King Street and 8 Chifley Square, both in Sydney.

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

	<u>Group</u>			
	2Q2012	2Q2011	1H2012	1H2011
	\$'000	\$'000	\$'000	\$'000
Management fees payable in units	6,444	2,807	12,887	5,493
Trustee's fees	228	134	452	263
Amortisation of intangible asset and capitalised transaction costs	15,879	8,078	31,855	15,263
Temporary differences and other tax adjustments	80	(1,098)	(2,521)	(1,896)
	22,631	9,921	42,673	19,123

Included in temporary differences and other tax adjustments are share of results of associates, dividend income, changes in fair value of derivative financial instruments, effect of recognising rental income on a straight line basis over the lease terms, non-taxable income and non-deductible expenses.

- (12) K-REIT Asia has been committed to distributing 100% of its income available for distribution to Unitholders. The distributable income to Unitholders is based on 100% of the income available for distribution to Unitholders.
- (13) DPU for 2Q2011 and 1H2011 has been restated to take into account the effect of the fully underwritten, renounceable 17-for-20 rights issue of 1,159,694,000 units at an issue price of \$0.85 per rights unit and computed based on the issued units at end of the period aggregated with 1,159,694,000 units which were issued on 13 December 2011.

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

	<u>Group</u>					
	2Q2012	2Q2011	+/(-) %	1H2012	1H2011	+/(-) %
	\$'000	\$'000	%	\$'000	\$'000	%
Total return after tax	28,916	16,370	76.6	58,886	31,421	87.4
Other comprehensive income:						
Foreign currency translation	(16,401)	9,772	Nm	(12,159)	12,966	Nm
<u>Cashflow hedges:</u>						
Net change in fair value of cash flow hedges	(13,060)	(4,245)	207.7	(15,700)	(11,248)	39.6
Share of net change in fair value of cash flow hedges of an associate	(314)	-	Nm	(1,610)	-	Nm
Other comprehensive income for the period, net of tax	(29,775)	5,527	Nm	(29,469)	1,718	Nm
Total comprehensive income for the period	(859)	21,897	Nm	29,417	33,139	(11.2)

Nm – Not meaningful

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

Balance Sheets

Note	Group				Trust		
	30/06/2012	31/12/2011 (restated)	31/12/2010 (restated)	+/(-) %	30/06/2012	31/12/2011	+/(-) %
	\$'000	\$'000	\$'000		\$'000	\$'000	
Non-current assets							
Investment properties	1 3,465,329	3,472,069	1,025,634	(0.2)	883,916	881,870	0.2
Investment in subsidiaries	-	-	-	-	1,839,514	1,611,166	14.2
Investment in associates	2 2,088,356	2,092,711	1,978,276	(0.2)	1,979,813	1,979,813	-
Investment in joint ventures	3 94,711	37,011	-	155.9	-	-	-
Amount owing by subsidiary	-	-	-	-	480,373	430,314	11.6
Other non-current receivables	9,648	6,734	-	43.3	494	-	Nm
Fixed assets	45	53	-	(15.1)	-	-	-
Intangible asset	4 126,107	137,945	37,242	(8.6)	8,055	10,893	(26.1)
Derivative financial instruments	5 1,138	5,264	-	(78.4)	1,138	5,264	(78.4)
Total non-current assets	5,785,334	5,751,787	3,041,152	0.6	5,193,303	4,919,320	5.6
Current assets							
Trade and other receivables	6 35,971	30,582	21,144	17.6	51,722	21,069	145.5
Prepaid expenses	1,049	723	998	45.1	683	544	25.6
Cash and cash equivalents	148,539	85,741	49,860	73.2	97,234	59,386	63.7
Derivative financial instruments	5 4,514	4,835	-	(6.6)	4,514	4,835	(6.6)
Total current assets	190,073	121,881	72,002	55.9	154,153	85,834	79.6
Total assets	5,975,407	5,873,668	3,113,154	1.7	5,347,456	5,005,154	6.8
Current liabilities							
Trade and other payables	134,641	141,355	44,000	(4.7)	50,624	45,645	10.9
Income received in advance	12,071	2,352	5,225	413.2	9,459	105	>500
Short term borrowings	7 573,467	510,127	-	12.4	-	-	-
Current portion of security deposits	2,957	1,213	2,400	143.8	2,957	1,213	143.8
Derivative financial instruments	5 268	267	452	0.4	268	267	0.4
Provision for taxation	10,922	5,402	3,261	102.2	10,214	5,056	102.0
Total current liabilities	734,326	660,716	55,338	11.1	73,522	52,286	40.6
Non-current liabilities							
Income received in advance	25,743	15,179	4,310	69.6	22,138	9,102	143.2
Long term borrowings	7 1,823,356	1,655,833	989,932	10.1	1,977,956	1,755,715	12.7
Derivative financial instruments	8 34,225	22,974	4,606	49.0	34,225	22,974	49.0
Non-current portion of security deposits	27,753	26,720	6,186	3.9	6,801	8,118	(16.2)
Total non-current liabilities	1,911,077	1,720,706	1,005,034	11.1	2,041,120	1,795,909	13.7
Total liabilities	2,645,403	2,381,422	1,060,372	11.1	2,114,642	1,848,195	14.4
Net assets	3,330,004	3,492,246	2,052,782	(4.6)	3,232,814	3,156,959	2.4
Represented by:							
Unitholders' funds	3,326,607	3,279,413	2,052,782	1.4	3,232,814	3,156,959	2.4
Non-controlling interest	3,397	212,833	-	(98.4)	-	-	-
	3,330,004	3,492,246	2,052,782	(4.6)	3,232,814	3,156,959	2.4
Net asset value per unit (\$)	1.27	1.29	1.51		1.23	1.24	
Gross borrowings / Value of deposited properties (%)	9 43.9	41.6	37.0				

Notes:

Nm – Not meaningful

- (1) *The decrease in investment properties is due mainly to translation exchange differences arising from the Australian properties partly offset by capital expenditure for Prudential Tower.*
- (2) *This relates to the one-third equity interests in ORQPL and BFCDLLP, the advances to these associates and the Group's share of post-acquisition results of these associates.*
- (3) *This relates to the 50% interest in Mirvac 8 Chifley Trust ("M8CT") and Mirvac 8 Chifley Pty Limited, which was acquired on 28 July 2011, advances to this joint venture and convertible notes held which were issued by this joint venture. M8CT owns 8 Chifley Square, Sydney, a property currently under development.*
- (4) *This relates to the unamortised aggregate rental support top-up payments receivable by the Group for its one-third interest in BFCDLLP, 100% interest in the office tower at 77 King Street, Sydney, the additional 19.4% interest in Prudential Tower, and the approximate 99.9% interest in OPLLP. The intangible asset will be amortised over the remaining rental support periods for the respective properties.*
- (5) *This relates to the fair value of the foreign currency forward contracts entered into in relation to the net income from the Australian properties and investment in 8 Chifley Square.*
- (6) *Included in the balances are receivables for rental support top-up payments and dividend income of \$31.1 million as at 30 June 2012 (31 December 2011: \$17.3 million).*
- (7) *This relates mainly to bank borrowings taken up to finance the acquisition of one-third equity interest in associate, BFCDLLP, the additional 19.4% interest in Prudential Tower, the 50% interest in 8 Chifley Square and the acquisition of the approximate 99.9% interest in OPLLP. The balance also includes the bank borrowings recorded in OPLLP.*
- (8) *This relates to the fair value of the interest rate swaps entered into by the Trust.*
- (9) *This is based on the total amount of gross borrowings and valuation of deposited properties (held directly and indirectly) of \$6.3 billion as at 30 June 2012 (31 December 2011: \$6.0 billion).*

1(b)(ii) Aggregate Amount of Borrowings and Debt Securities

	<u>Group</u>	
	As at 30/06/12 \$'000	As at 31/12/11 \$'000
Secured borrowings		
Amount repayable within one year	418,512	410,222
Amount repayable after one year	425,000	425,000
Less: Unamortised portion of fees	(1,908)	(2,185)
	841,604	833,037
Unsecured borrowings		
Amount repayable within one year	155,000	100,000
Amount repayable after one year	1,402,492	1,235,434
Less: Unamortised portion of fees	(2,273)	(2,511)
	1,555,219	1,332,923
Total borrowings	2,396,823	2,165,960

Details of Collaterals

As a security for the 5-year term loan facilities of \$425 million, the Group mortgaged its Bugis Junction Towers and a 73.4% interest in Prudential Tower. In addition, K-REIT Asia granted in favour of the lender the following:

- (i) an assignment of the rights, title and interest of the Trust and the insurances effected over Bugis Junction Towers;
- (ii) an assignment of all the rights, benefits, title and interest of the Trust in and to the property sale agreement and tenancy agreements relating to Bugis Junction Towers; and
- (iii) a debenture creating fixed and floating charges over all assets of the Trust relating to Bugis Junction Towers.

As a security for the 4-year term loan facility of \$760 million, the Group mortgaged its Ocean Financial Centre and granted in favour of the lender the following:

- (i) an assignment of construction contracts and construction guarantees, shareholders undertaking, subordination deed, trust deed; and
- (ii) an assignment of rental and insurance proceeds derived from the property.

As at 30 June 2012, the Group had utilised approximately \$2,401.0 million and had an unutilised \$386.0 million of facilities available to meet its future obligations.

The weighted average interest rate for all borrowings for 2Q2012 stood at 2.00% per annum as compared with 2.03% per annum for 1Q2012. The weighted average term to expiry of debt was 2.5 years as at 30 June 2012 as compared to 3.1 years as at 31 December 2011.

1(c) Consolidated Statement of Cash Flows

		<u>Group</u>			
	Note	2Q2012 \$'000	2Q2011 \$'000	1H2012 \$'000	1H2011 \$'000
Operating activities					
Total return before tax		32,490	17,666	66,622	33,693
Adjustments for:					
Interest income		(6,954)	(5,512)	(13,897)	(11,201)
Amortisation expense		15,572	7,887	31,240	14,881
Share of results of associates		(10,862)	(8,335)	(22,092)	(14,486)
Share of results of joint ventures		2	-	2	-
Borrowing costs		11,149	7,014	22,261	13,766
Management fees payable in units		6,444	2,807	12,887	5,493
Changes in fair value of unrealised derivative financial instruments		-	254	-	325
Depreciation		3	-	8	-
Rental support income		(21,348)	(10,907)	(46,244)	(20,500)
Translation differences		158	(27)	214	(55)
Operating cash flows before changes in working capital		26,654	10,847	51,001	21,916
Decrease/(Increase) in receivables		7,486	(208)	5,248	4,115
Decrease in payables		(10,497)	(115)	(17,381)	(2,851)
Increase in security deposits		1,518	817	2,777	979
Cash flows from operations		25,161	11,341	41,645	24,159
Income taxes paid		(2,262)	(1,730)	(2,621)	(1,730)
Net cash flows generated from operating activities		22,899	9,611	39,024	22,429
Investing activities					
Purchase of investment property		-	(106,684)	-	(119,195)
Increase in intangible assets		-	(7,351)	-	(7,351)
Improvement in investment properties		(617)	(958)	(2,899)	(981)
Interest received		6,638	5,505	13,646	11,196
Rental support received		24,012	16,208	44,637	28,478
Investment in a joint venture		(39,664)	-	(60,013)	-
Dividend income received from associates		12,642	6,151	12,642	8,971
Net cash flows generated from/(used in) investing activities		3,011	(87,129)	8,013	(78,882)
Financing activities					
Distribution to Unitholders	1	-	-	(62,416)	(45,879)
Loans drawdown		197,696	125,700	230,349	125,700
Repayment of loan drawdown		-	(12,512)	-	-
Upfront debt arrangement costs		(100)	-	(100)	-
Acquisition of non-controlling interest		(129,786)	-	(129,786)	-
Interest paid		(16,439)	(12,284)	(21,988)	(13,458)
Net cash flows generated from financing activities		51,371	100,904	16,059	66,363
Net increase in cash and cash equivalents		77,281	23,386	63,096	9,910
Cash and cash equivalents at the beginning of period		71,623	36,384	85,741	49,860
Effect of exchange rate changes on cash and cash equivalents		(365)	-	(298)	-
Cash and cash equivalents at the end of period		148,539	59,770	148,539	59,770

Notes:

(1) Distribution for 1H2012 is for the period 1 July 2011 to 31 December 2011, paid on 24 February 2012.
Distribution for 1H2011 is for the period 1 July 2010 to 31 December 2010, paid on 25 February 2011.

1(d)(i) Statements of Movements in Unitholders' Funds

Group	Units in Issue \$'000	Accumulated Profits \$'000	Foreign Currency Translation Reserve \$'000	Hedging Reserve \$'000	Discount on Acquisition of Non-Controlling Interest \$'000	Non- Controlling Interest \$'000	Total \$'000
At 1 January 2012	2,682,996	583,025	11,356	(14,745)	-	212,833	3,475,465
Change in accounting policy	-	16,781	-	-	-	-	16,781
As restated	2,682,996	599,806	11,356	(14,745)	-	212,833	3,492,246
Return for the period	-	28,502	-	-	-	1,468	29,970
Other comprehensive income, net of tax	-	-	4,242	(3,936)	-	-	306
Total comprehensive income	-	28,502	4,242	(3,936)	-	1,468	30,276
Issue of units for payment of management fees	3,860	-	-	-	-	-	3,860
Issue expenses adjustment	352	-	-	-	-	-	352
Distribution to Unitholders	(1,783)	(60,633)	-	-	-	-	(62,416)
At 31 March 2012	2,685,425	567,675	15,598	(18,681)	-	214,301	3,484,318
Return for the period	-	27,180	-	-	-	1,736	28,916
Other comprehensive income, net of tax	-	-	(16,401)	(13,374)	-	-	(29,775)
Total comprehensive income	-	27,180	(16,401)	(13,374)	-	1,736	(859)
Issue of units for payment of management fees	6,440	-	-	-	-	-	6,440
Issue of placement units	70,200	-	-	-	-	-	70,200
Issue expenses adjustment	292	-	-	-	-	-	292
Non-controlling interest's share of partnership profits	-	-	-	-	-	(1,468)	(1,468)
Acquisition of non-controlling interest	-	-	-	-	2,253	(211,172)	(208,919)
At 30 June 2012	2,762,357	594,855	(803)	(32,055)	2,253	3,397	3,330,004
At 1 January 2011	1,672,063	389,404	(1,310)	(4,606)	-	-	2,055,551
Change in accounting policy	-	(2,769)	-	-	-	-	(2,769)
As restated	1,672,063	386,635	(1,310)	(4,606)	-	-	2,052,782
Return for the period	-	15,051	-	-	-	-	15,051
Other comprehensive income, net of tax	-	-	3,194	(7,003)	-	-	(3,809)
Total comprehensive income	-	15,051	3,194	(7,003)	-	-	11,242
Issue of units for payment of management fees	2,090	-	-	-	-	-	2,090
Distribution to Unitholders	-	(45,879)	-	-	-	-	(45,879)
At 31 March 2011	1,674,153	355,807	1,884	(11,609)	-	-	2,020,235
Return for the period	-	16,370	-	-	-	-	16,370
Other comprehensive income, net of tax	-	-	9,772	(4,245)	-	-	5,527
Total comprehensive income	-	16,370	9,772	(4,245)	-	-	21,897
Issue of units for payment of management fees	2,682	-	-	-	-	-	2,682
At 30 June 2011	1,676,835	372,177	11,656	(15,854)	-	-	2,044,814

1(d)(i) Statements of Movements in Unitholders' Funds (cont'd)
Notes:

- (1) Please refer to paragraph 5: Changes in Accounting Policies, on page 14.
- (2) Other comprehensive income relates to the movement in foreign exchange translation reserve arising from the translation of foreign entities, intercompany loans that form part of the Group's net investment in foreign entities, fair value change of the cash flow hedges as a result of interest rate swaps and foreign currency forward contracts entered into by the Trust and share of fair value change of hedging reserves of an associate.
- (3) This represents 4,721,998 and 6,873,459 units issued in 1Q2012 and 2Q2012 respectively as satisfaction of management fees payable in units.
- (4) This relates to gross proceeds raised from the placement of 60,000,000 units at an issue price of \$1.17 per unit.
- (5) This relates to issue expense adjustments in relation to previous years' rights issue.
- (6) This represents 1,473,527 and 2,084,872 units issued in 1Q2011 and 2Q2011 respectively as satisfaction of management fees payable in units.

Trust	Note	<u>Units in Issue</u> \$'000	<u>Accumulated Profits</u> \$'000	<u>Hedging Reserve</u> \$'000	<u>Total</u> \$'000
At 1 January 2012		2,682,996	487,105	(13,142)	3,156,959
Return for the period		-	47,447	-	47,447
Other comprehensive income, net of tax	1	-	-	(2,640)	(2,640)
Total comprehensive income		-	47,447	(2,640)	44,807
Issue of units for payment of management fees	2	3,860	-	-	3,860
Issue expenses adjustments	4	352	-	-	352
Distribution to Unitholders		(1,783)	(60,633)	-	(62,416)
At 31 March 2012		2,685,425	473,919	(15,782)	3,143,562
Return for the period		-	25,380	-	25,380
Other comprehensive income, net of tax	1	-	-	(13,060)	(13,060)
Total comprehensive income		-	25,380	(13,060)	12,320
Issue of units for payment of management fees	2	6,440	-	-	6,440
Issue of placement units	3	70,200	-	-	70,200
Issue expenses adjustments	4	292	-	-	292
At 30 June 2012		2,762,357	499,299	(28,842)	3,232,814
At 1 January 2011		1,672,063	400,406	(4,606)	2,067,863
Return for the period		-	5,900	-	5,900
Other comprehensive income, net of tax	1	-	-	(7,003)	(7,003)
Total comprehensive income		-	5,900	(7,003)	(1,103)
Issue of units for payment of management fees	5	2,090	-	-	2,090
Distribution to Unitholders		-	(45,879)	-	(45,879)
At 31 March 2011		1,674,153	360,427	(11,609)	2,022,971
Return for the period		-	17,343	-	17,343
Other comprehensive income, net of tax	1	-	-	(4,245)	(4,245)
Total comprehensive income		-	17,343	(4,245)	13,098
Issue of units for payment of management fees	5	2,682	-	-	2,682
At 30 June 2011		1,676,835	377,770	(15,854)	2,038,751

1(d)(i) Statements of Movements in Unitholders' Funds (cont'd)

Notes:

- (1) This relates to fair value change of the cash flow hedges as a result of interest rate swaps and foreign currency forward contracts entered into by the Trust.
- (2) This represents 4,721,998 and 6,873,459 units issued in 1Q2012 and 2Q2012 respectively as satisfaction of management fees payable in units.
- (3) This relates to gross proceeds raised from the placement of 60,000,000 units at an issue price of \$1.17 per unit.
- (4) This relates to issue expense adjustments in relation to previous years' rights issue.
- (5) This represents 1,473,527 and 2,084,872 units issued in 1Q2011 and 2Q2011 respectively as satisfaction of management fees payable in units.

1(d)(ii) Details of Changes in the Units

	Group and Trust	
	2012	2011
	Units	Units
Issued units as at 1 January	2,547,574,969	1,355,904,217
Issue of new units:		
- Payment of management fees	4,721,998	1,473,527
Issued units as at 31 March	2,552,296,967	1,357,377,744
Issue of new units:		
- Payment of management fees	6,873,459	2,084,872
- Placement units	60,000,000	-
Issued units as at 30 June	2,619,170,426	1,359,462,616

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 2012 and 31 December 2011.

Total number of issued units in K-REIT Asia as at 30 June 2012 and 31 December 2011 were 2,619,170,426 and 2,547,574,969 respectively.

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

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards and Interpretations of FRS ("INT FRS") that are effective for annual periods beginning on 1 January 2012.

Except as disclosed in paragraph 5 below, the adoption of these standards and interpretations did not have any effect on the financial performance or positions of the Group and the Trust.

5. CHANGES IN ACCOUNTING POLICIES

The Amendments to FRS 12 Deferred Tax: Recovery of Underlying Assets are effective for annual periods beginning on or after 1 January 2012. On 1 January 2012, the Group adopted the Amendments to FRS 12.

The Amendments to FRS 12 apply to the measurement of deferred tax liabilities and assets arising from investment properties measured using the fair value model under FRS 40 Investment Property, including investment property acquired in a business combination and subsequently measured using the fair value model. For purposes of measuring deferred tax, the Amendments to FRS 12 introduce a rebuttable presumption that the carrying amount of an investment property measured at fair value will be recovered entirely through sale. The presumption can be rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits over time, rather than through sale.

The change in accounting policy has been applied retrospectively. The effects of the adoption of the Amendments to FRS 12 are as follows:

	30/06/2012	Group 31/12/2011 (restated)	31/12/2010 (restated)
	\$'000	\$'000	\$'000
Increase/ (Decrease) in:			
<u>Consolidated Balance Sheets</u>			
Investment in associates	-	16,781	(2,769)
Retained earnings	-	16,781	(2,769)
	FY 2012	FY 2011	
	\$'000	(restated) \$'000	
<u>Statement of Total Return</u>			
Net change in fair value of investment properties	-	19,550	
Total return for the year	-	19,550	
Basic and diluted earnings per Unit (cents) based on total return for the year	-	1.38	

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

	2Q2012	Group		1H2011 (restated)
		2Q2011 (restated)	1H2012	
Earnings per unit (based on weighted average number of units as at the end of the period)	1.06 cents	1.11 cents ¹	2.18 cents	2.13 cents ¹
- Weighted average number of units as at the end of the period	2,558,298,664	1,477,915,259 ¹	2,554,545,409	1,476,895,584 ¹
Distribution per unit (adjusted for rights issue) (based on the number of units as at the end of the period including rights units)	1.94 cents	1.04 cents ²	3.84 cents	2.00 cents ²
- Number of units in issue as at the end of the period	2,619,170,426	2,519,156,616 ²	2,619,170,426	2,519,156,616 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 for earnings per unit and weighted average number of units in issue have been adjusted to account for the effect of the fully underwritten, renounceable 17-for-20 rights issue of 1,159,694,000 units which were issued on 13 December 2011.
- (2) Restated to take into account the effect of the fully underwritten, renounceable 17-for-20 rights issue of 1,159,694,000 units at an issue price of \$0.85 per rights unit and computed based on the issued units at end of the period aggregated with 1,159,694,000 units which were issued on 13 December 2011.

7. NET ASSET VALUE (“NAV”)

	Group		Trust	
	As at 30/06/12	As at 31/12/11 (restated)	As at 30/06/12	As at 31/12/11
NAV ¹ per unit (\$) based on issued units at the end of the period	1.27	1.29	1.23	1.24
Adjusted NAV ¹ per unit (\$) based on issued units at the end of the period (excluding the distributable income)	1.23	1.26	1.20	1.21

Notes:

- (1) Excludes non-controlling interest's share of net asset value.

8. REVIEW OF PERFORMANCE
8(i) Property Income Contribution of the Properties

Property	2Q2012	2Q2011	Group		1H2011	+/(-) %
	\$'000	\$'000	+/(-) %	1H2012 \$'000		
Prudential Tower ¹	5,321	4,763	11.7	10,552	9,610	9.8
Bugis Junction Towers	5,095	5,277	(3.4)	10,133	10,635	(4.7)
Ocean Financial Centre ²	19,696	-	Nm	36,992	-	Nm
275 George Street	5,914	5,492	7.7	11,955	10,938	9.3
77 King Street	3,259	2,530	28.8	6,241	5,551	12.4
Total property income	39,285	18,062	117.5	75,873	36,734	106.5

8(ii) Income Contribution of the Properties

Property	2Q2012	2Q2011	Group		1H2011	+/(-) %
	\$'000	\$'000	+/(-) %	1H2012 \$'000		
Prudential Tower ¹	4,252	3,788	12.2	8,664	7,615	13.8
Bugis Junction Towers	4,311	4,290	0.5	8,466	8,617	(1.8)
Ocean Financial Centre ²	15,369	-	Nm	28,013	-	Nm
275 George Street	4,695	4,716	(0.4)	9,759	9,328	4.6
77 King Street	2,642	1,509	75.1	4,876	3,682	32.4
Total net property income	31,269	14,303	118.6	59,778	29,242	104.4
One-third interest in ORQPL:						
- Rental support	2,586	4,495	(42.5)	6,008	9,091	(33.9)
- Interest income	377	362	4.1	775	726	6.7
- Dividend income	6,906	4,355	58.6	12,958	8,439	53.5
Total income from one-third interest in ORQPL	9,869	9,212	7.1	19,741	18,256	8.1
One-third interest in BFCDLLP:						
- Rental support	1,238	4,305	(71.2)	2,725	8,690	(68.6)
- Interest income	5,123	4,929	3.9	10,515	9,869	6.5
- Dividend income ³	5,291	3,937	34.4	11,881	6,004	97.9
Total income from one-third interest in BFCDLLP	11,652	13,171	(11.5)	25,121	24,563	2.3
Ocean Financial Centre ²						
- Rental support	16,454	-	Nm	35,403	-	Nm
8 Chifley Square ⁴						
- Interest income	1,193	-	Nm	2,076	-	Nm
Total income contribution	70,437	36,686	92.0	142,119	72,061	97.2

Notes:

Nm – Not meaningful

- (1) This comprises the additional 19.4% interest of Prudential Tower acquired on 3 May 2011.
- (2) The acquisitions of the approximate 87.5% and 12.4% interests in OPLLP which owns Ocean Financial Centre were completed on 14 December 2011 and 25 June 2012 respectively.
- (3) This comprises dividend income from BFCDDL prior to its conversion to a limited liability partnership on 15 June 2012 and the distributions from BFCDLLP subsequent to its conversion.
- (4) The acquisition of the 50% interest in 8 Chifley Square was legally completed on 28 July 2011. The property is currently under development and is scheduled for completion in 3Q2013.

Review of Performance for 2Q2012 vs 2Q2011

The Group's 2Q2012 results included contributions from the additional 19.4% interest in Prudential Tower, 50% interest in 8 Chifley Square, the approximate 87.5% and 12.4% interests in Ocean Financial Centre ("OFC"), which were acquired on 3 May 2011, 28 July 2011, 14 December 2011 and 25 June 2012 respectively.

Property income for 2Q2012 was \$39.3 million, more than doubled the property income of \$18.1 million in 2Q2011. The increase was due mainly to property income from OFC of \$19.7 million and higher property income from Prudential Tower, 275 George Street and 77 King Street.

Net property income increased by 118.6% from \$14.3 million in 2Q2011 to \$31.3 million in 2Q2012, due mainly to the acquisition of OFC in December 2011.

The Group's total return before tax for 2Q2012 was \$32.5 million, a significant increase of 83.9% over 2Q2011 as a result of higher contributions from the associates, higher interest income and rental support, partly offset by higher amortisation expense, borrowing costs and management fees resulting from the increased assets under management.

Distribution to Unitholders increased by 89.5% from \$26.3 million in 2Q2011 to \$49.8 million in 2Q2012.

The weighted average interest rate was 2.00% per annum in 2Q2012 compared with 2.61% per annum in 2Q2011. The aggregate leverage stood at 43.9% as at 30 June 2012. The weighted average term to expiry of debt was 2.5 years as at 30 June 2012.

The portfolio attained 97.0% committed occupancy as at 30 June 2012.

Review of Performance for 2Q2012 vs 1Q2012

Property income for 2Q2012 was \$39.3 million, an increase of \$2.7 million or 7.4% from \$36.6 million in 1Q2012. This was contributed mainly by higher property income from OFC.

Net property income increased from \$28.5 million in 1Q2012 to \$31.3 million in 2Q2012, attributed mainly to higher property income.

Distribution to Unitholders in 2Q2012 was \$49.8 million, an increase of \$1.3 million over \$48.5 million in 1Q2012.

The weighted average interest rate for 2Q2012 was 2.00% per annum compared with 2.03% per annum for 1Q2012.

Review of Performance for 1H2012 vs 1H2011

Property income for 1H2012 was \$75.9 million, a significant increase of \$39.1 million or 106.5% over that for 1H2011. The increase was due mainly to property income from OFC of \$37.0 million and higher property income from Prudential Tower, 275 George Street and 77 King Street.

Net property income more than doubled to \$59.8 million in 1H2012 as compared to \$29.2 million in 1H2011, primarily as a result of the acquisition of OFC in December last year.

The Group's total return before tax for 1H2012 was \$66.6 million, a significant increase of 97.7% over 1H2011 as a result of higher net property income, higher contributions from the associates, higher interest income and rental support, partly offset by higher amortisation expense, borrowing costs and management fees expense.

Distribution to Unitholders increased by 94.6% to \$98.4 million in 1H2012 from \$50.5 million in 1H2011.

1H2012 DPU rose by 92.0% to 3.84 cents from 2.00 cents in 1H2011.

9. VARIANCE FROM FORECAST STATEMENT

Statement of Total Return (Actual vs Forecast)

	Actual	Forecast ¹		Actual	Forecast ¹	
	2Q2012	2Q2012	+ / (-)	1H2012	1H2012	+ / (-)
	\$'000	\$'000	%	\$'000	\$'000	%
Gross rent	38,561	37,842	1.9	74,409	73,972	0.6
Car park income	333	277	20.2	672	552	21.7
Other income	391	299	30.8	792	598	32.4
Property income	39,285	38,418	2.3	75,873	75,122	1.0
Property tax	(2,808)	(2,914)	(3.6)	(5,485)	(5,688)	(3.6)
Other property expenses	(3,590)	(4,634)	(22.5)	(7,425)	(9,841)	(24.6)
Property management fee	(969)	(990)	(2.1)	(1,888)	(1,936)	(2.5)
Maintenance and sinking fund contributions	(649)	(678)	(4.3)	(1,297)	(1,356)	(4.4)
Property expenses	(8,016)	(9,216)	(13.0)	(16,095)	(18,821)	(14.5)
Net property income	31,269	29,202	7.1	59,778	56,301	6.2
Rental support	21,348	19,518	9.4	46,244	40,559	14.0
Interest income	6,954	6,728	3.4	13,897	13,456	3.3
Share of results of associates	10,862	10,972	(1.0)	22,092	21,225	4.1
Share of results of joint ventures	(2)	-	Nm	(2)	-	Nm
Amortisation expense	(15,572)	(15,577)	-	(31,240)	(31,234)	-
Borrowing costs	(11,149)	(12,845)	(13.2)	(22,261)	(25,546)	(12.9)
Manager's management fees	(9,529)	(9,341)	2.0	(19,044)	(18,609)	2.3
Trust expenses	(1,691)	(945)	78.9	(2,842)	(1,887)	50.6
Total return before tax	32,490	27,712	17.2	66,622	54,265	22.8
Income tax expense	(3,574)	(3,331)	7.3	(7,736)	(6,868)	12.6
Total return after tax	28,916	24,381	18.6	58,886	47,397	24.2
Attributable to:						
Unitholders	27,180	22,871	18.8	55,682	44,524	25.1
Non-controlling interest	1,736	1,510	15.0	3,204	2,873	11.5
	28,916	24,381	18.6	58,886	47,397	24.2
Distribution Statement						
Total return for the period attributable to Unitholders	27,180	22,871	18.8	55,682	44,524	25.1
Net tax adjustments	22,631	23,197	(2.4)	42,673	47,054	(9.3)
Income available for distribution	49,811	46,068	8.1	98,355	91,578	7.4
Distribution to Unitholders	49,811	46,068	8.1	98,355	91,578	7.4
Distribution per unit (cents)						
For the period	1.94	1.80	7.8	3.84	3.59	7.0
Annualised	7.80	7.24	7.7	7.72	7.22	6.9

Notes:

(1) The Forecast for 2Q2012 and 1H2012 is derived from the Forecast shown in K-REIT Asia's Circular dated 19 October 2011 for the acquisition of the approximate 87.5% interest in Ocean Financial Centre.

VARIANCE FROM FORECAST STATEMENT (CONT'D)**Review of Performance for 2Q2012 (Actual) vs 2Q2012 (Forecast)**

The Group's net property income for 2Q2012 was \$31.3 million, which is an increase of \$2.1 million or 7.1% over the Forecast of \$29.2 million. This was due mainly to an increase in property income of \$0.9 million and lower property expenses incurred.

Total return before tax for 2Q2012 was \$32.5 million, an increase of \$4.8 million or 17.2% over the Forecast of \$27.7 million. This was due mainly to higher net property income, rental support and lower borrowing costs, partly offset by higher trust expenses.

Distributable income to Unitholders of \$49.8 million exceeded the Forecast of \$46.1 million by 8.1%.

2Q2012 DPU of 1.94 cents exceeded the Forecast of 1.80 cents by 7.8%.

Review of Performance for 1H2012 (Actual) vs 1H2012 (Forecast)

Net property income for 1H2012 of \$59.8 million was an increase of \$3.5 million or 6.2% over the Forecast. The increase was due mainly to lower property expenses incurred as compared with Forecast.

Total return before tax for 1H2012 increased by \$12.4 million or 22.8% to \$66.6 million, as compared with \$54.3 million for Forecast. This was due mainly to lower borrowing costs and higher rental support, partly offset by higher trust expenses.

Distributable income to Unitholders increased by \$6.8 million or 7.4% to \$98.4 million as compared with Forecast of \$91.6 million.

The annualised DPU of 7.72 cents for 1H2012 surpassed the Forecast DPU of 7.16 cents as shown in K-REIT Asia's Circular dated 19 October 2011 for the acquisition of the approximate 87.5% interest in Ocean Financial Centre.

10. PROSPECTS

The Singapore economy proved to be relatively resilient in 2Q2012, expanding 1.9% on a year-on-year basis after growing 1.4% in 1Q2012. Barring unforeseen downside risks, the Ministry of Trade and Industry expects Singapore to achieve full year GDP growth of between 1.0% and 3.0%.

According to CBRE, average Grade A office rents dipped slightly from \$10.60 psf per month as at 1Q2012 to \$10.10 psf per month as at 2Q2012. This was due mainly to the completion of new Grade A office space in 1H2012. However, the pressure on Grade A office rents is expected to ease going forward as there are no new developments until 2H2013.

The average occupancy in the core CBD increased from 90.7% in 1Q2012 to 91.6% in 2Q2012 with leasing activity being concentrated in the new buildings. Demand for new Grade A office space from the legal sector increased on the back of regulatory liberalisation and appears to have cushioned the impact of waning office demand from the financial services sector.

The Australian economy remains fairly resilient. The Reserve Bank of Australia ("RBA") maintained the benchmark interest rate of 3.5% at its policy meeting on 3 July 2012, indicating its confidence that the economy is robust enough to weather impact from Europe's debt crisis and China's economic slowdown.

Although uncertain global economic conditions may affect business confidence in Sydney, prime gross rents in Sydney's CBD grew in 2Q2012. This was due partly to positive demand from the growing mining sector and the shortage of premium contiguous space. Average prime office rents in Sydney stood at A\$812 psm p.a. in 2Q2012. In Brisbane, demand for office space grew on the back of increasing white collar employment, driving prime office rentals up to A\$649 psm p.a. in 2Q2012.

Despite the supply of new office space in Singapore, the Manager has continued to attract new tenants to its properties and raised the committed occupancies at OFC, Marina Bay Financial Centre Phase I and Prudential Tower. The Manager believes that K-REIT Asia's properties will continue to appeal to corporate tenants that value strategic location and quality building specifications.

Going forward, the Manager will strive to maintain strong occupancy for its portfolio of properties by attracting new tenants, retaining existing tenants and managing K-REIT Asia's lease profile. It will actively seek to refinance maturing loans at competitive terms and extend the debt maturity profile. It will also continue to undertake prudent interest rate and foreign exchange hedging so as to manage financial risks. The Manager will selectively pursue opportunities for strategic acquisitions so as to deliver long-term growth to Unitholders.

11. RISK FACTORS AND RISK MANAGEMENT

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

Interest rate risk

The Manager constantly monitors its exposure to changes in interest rates for its interest-bearing financial liabilities. Interest rate risk is managed on an on-going basis with the primary objective of limiting the extent to which net interest expense can be affected by adverse movements in interest rates through financial instruments or other suitable financial products.

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 requirements 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 conducted prior to the 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 and manage exposure to any one potentially volatile trade sector.

Currency risk

The Group's foreign currency risk relates mainly to its distributable income from and progressive payments in its Australian Dollar denominated investments. 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 2012 to 30 June 2012
Distribution Type	(a) Taxable income (b) Tax-exempt income (c) Capital distribution
Distribution rate	<u>Main KREIT Units</u> (a) Taxable income distribution - 1.41 cents per unit (b) Tax-exempt income distribution - 2.31 cents per unit (c) Capital distribution - 0.12 cents per unit <u>K-REIT A Units</u> (a) Taxable income distribution - 0.02 cents per unit (b) Tax-exempt income distribution - 0.02 cents per unit
Tax rate	<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. Investors using CPF funds and SRS funds will also receive pre-tax distributions. These distributions are tax-exempt. Subject to meeting certain conditions, foreign non-individual unitholders will receive their distributions after deduction of tax at the rate of 10%. All other investors will receive their distributions after deduction of tax at the rate of 17%. <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. <u>Capital distribution</u> Capital distribution represents a return of capital to Unitholders for Singapore income tax purposes and is therefore not subject to income tax. For Unitholders who are liable to Singapore income tax on profits from sale of K-REIT Asia units, the amount of capital distribution will be applied to reduce the cost base of their K-REIT Asia units for Singapore income tax purposes.

12. DISTRIBUTIONS (CONT'D)

(b) Corresponding Period of the Immediately Preceding Financial Year

Name of Distribution	Distribution for 1 January 2011 to 30 June 2011
Distribution Type	(a) Taxable income (b) Tax-exempt income
Distribution rate	(a) Taxable income distribution - 1.64 cents per unit (b) Tax-exempt income distribution - 2.08 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 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

27 August 2012

(d) Books Closure Date

24 July 2012

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)	
	2Q2012 \$'000	2Q2011 \$'000
<u>Keppel Corporation Limited and its subsidiaries or associates</u>		
- Manager's management fees	9,529	5,614
- Acquisition fee	2,857	1,251
- Property management fees and reimbursable	1,451	376
- Leasing commissions	478	58
- Rental support	20,174	8,800
- Interest on term loan ¹	3,336	8,192
<u>RBC Dexia Trust Services Singapore Limited</u>		
- Trustee's fees	228	134

No IPT mandate has been obtained by K-REIT Asia for the financial period under review.

Notes:

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

QUARTERLY BREAKDOWN

Property Contribution by Asset (\$'000)

	1Q11	2Q11	3Q11	4Q11	FY11	1Q12	2Q12
Property							
Prudential Tower ¹	4,847	4,763	4,830	4,748	19,188	5,231	5,321
Bugis Junction Towers	5,358	5,277	5,085	5,606	21,326	5,038	5,095
Ocean Financial Centre ²	-	-	-	2,866	2,866	17,296	19,696
275 George Street	5,446	5,492	5,709	5,627	22,274	6,041	5,914
77 King Street	3,021	2,530	2,990	3,773	12,314	2,982	3,259
Total property income	18,672	18,062	18,614	22,620	77,968	36,588	39,285

Income Contribution by Asset (\$'000)

	1Q11	2Q11	3Q11	4Q11	FY11	1Q12	2Q12
Property							
Prudential Tower ¹	3,827	3,788	3,429	3,709	14,753	4,412	4,252
Bugis Junction Towers	4,327	4,290	4,122	3,804	16,543	4,155	4,311
Ocean Financial Centre ²	-	-	-	2,046	2,046	12,644	15,369
275 George Street	4,612	4,716	4,720	4,752	18,800	5,064	4,695
77 King Street	2,173	1,509	2,386	3,444	9,512	2,234	2,642
Net property income	14,939	14,303	14,657	17,755	61,654	28,509	31,269
One-third interest in ORQPL:							
- Rental support	4,596	4,495	4,636	5,061	18,788	3,422	2,586
- Interest income	364	362	361	359	1,446	398	377
- Dividend income	4,084	4,355	3,988	3,304	15,731	6,052	6,906
Total income from one-third interest in ORQPL	9,044	9,212	8,985	8,724	35,965	9,872	9,869
One-third interest in BFCDLLP:							
- Rental support	4,385	4,305	1,103	1,730	11,523	1,487	1,238
- Interest income	4,940	4,929	4,922	4,883	19,674	5,392	5,123
- Dividend income ³	2,067	3,937	6,941	8,594	21,539	6,590	5,291
Total income from one-third interest in BFCDLLP	11,392	13,171	12,966	15,207	52,736	13,469	11,652
Ocean Financial Centre ²							
- Rental support	-	-	-	8,611	8,611	18,949	16,454
8 Chifley Square ⁴							
- Interest income	-	-	376	533	909	883	1,193
Total income contribution	35,375	36,686	36,984	50,830	159,875	71,682	70,437

Notes:

- (1) This comprises the additional 19.4% interest of Prudential Tower acquired on 3 May 2011.
- (2) The acquisitions of the approximate 87.5% and 12.4% interests in OPLLP which owns Ocean Financial Centre were completed on 14 December 2011 and 25 June 2012.
- (3) This comprises dividend income from BFCDDL prior to its conversion to a limited liability partnership on 15 June 2012 and the distributions from BFCDLLP subsequent to its conversion.
- (4) The acquisition of the 50% interest in 8 Chifley Square, Sydney was legally completed on 28 July 2011. The property is currently under development and is scheduled for completion in 3Q2013.

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

CHOO CHIN TECK / KELVIN CHUA HUA YEOW
 Joint Company Secretaries
 16 July 2012

CONFIRMATION BY THE BOARD

We, CHIN WEI-LI AUDREY MARIE 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 Second Quarter 2012 financial statements of K-REIT Asia to be false or misleading in any material respect.

On Behalf of the Board

CHIN WEI-LI AUDREY MARIE
Chairman

NG HSUEH LING
Director

16 July 2012