

**Macquarie Prime Real Estate Investment Trust  
(formerly known as Macquarie MEAG Prime Real Estate Investment Trust)  
Financial Statements Announcement  
For the Second Quarter Ended 30 June 2008**

These financial statements for the period from 1 April 2008 to 30 June 2008 have not been audited or reviewed by our auditors.

Macquarie Prime Real Estate Investment Trust (“MP REIT” or “Trust”), is a real estate investment trust constituted by the Trust Deed entered into on 8 August 2005 (last amended and restated on 10 December 2007) between Macquarie Pacific Star Prime REIT Management Limited as the Manager of MP REIT and HSBC Institutional Trust Services (Singapore) Limited as the Trustee of MP REIT. MP REIT was listed on the mainboard of the Singapore Exchange Securities Trading Limited on 20 September 2005.

The principal activities of MP REIT and its subsidiaries (the “Group”) are those relating to investment in a diverse portfolio of real estate and real estate assets with the prime objective of delivering regular and stable distributions and net asset value per unit.

MP REIT owns 331 strata lots representing 74.23% of the total share value of the strata lots in Wisma Atria and 4 strata lots representing 27.23% of the total share value of the strata lots in Ngee Ann City (the “Singapore Properties”), 100% interest in seven properties in Tokyo, Japan (the “Japanese Properties”) and 100% interest in Renhe Spring Zongbei Department Store in Chengdu, China (the “Renhe Spring Zongbei Property”).

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**SUMMARY OF THE GROUP'S RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2008**

	Group 01/01/08 to 30/06/08	Group 01/01/07 to 30/06/07	Increase / (Decrease)
	S\$'000	S\$'000	%
Gross revenue	60,619	47,011	28.9%
Net property income	46,264	35,193	31.5%
Net income available for distribution	34,169	28,260	20.9%
	Cents per Unit		
<b>Distribution per Unit ("DPU")</b>			
For the quarter from 1 April to 30 June	1.78	1.50	18.7%
For the six months from 1 January to 30 June	3.54	2.97	19.2%
Annualised (based on the three months ended 30 June 2008)	7.16	6.02	18.9%

**DISTRIBUTION DETAILS**

Distribution period	1 April to 30 June 2008
Distribution amount	1.78 cents per unit
Books closure date	7 August 2008
Payment date	29 August 2008

## Financial Statements Announcement For The Second Quarter Ended 30 June 2008

### 1(a) Income statement together with a comparative statement for the corresponding period of the immediately preceding financial period

#### Statement of Total Return (2Q 2008 vs 2Q 2007)

		Group 01/04/08 to 30/06/08	Group 01/04/07 to 30/06/07	Increase / (Decrease)	Trust 01/04/08 to 30/06/08	Trust 01/04/07 to 30/06/07	Increase / (Decrease)
Notes	S\$'000	S\$'000	%	S\$'000	S\$'000	%	
	<b>Gross revenue</b>	<b>30,201</b>	<b>23,633</b>	<b>27.8%</b>	<b>25,539</b>	<b>23,171</b>	<b>10.2%</b>
	Maintenance and sinking fund contributions	(1,385)	(1,352)	2.4%	(1,337)	(1,337)	0.0%
	Property management fees	(972)	(714)	36.1%	(766)	(695)	10.2%
	Property tax	(2,569)	(2,116)	21.4%	(2,533)	(2,094)	21.0%
	Other property expenses	(2,100)	(1,508)	39.3%	(1,360)	(1,478)	(8.0%)
	<b>Property expenses</b>	<b>(7,026)</b>	<b>(5,690)</b>	<b>23.5%</b>	<b>(5,996)</b>	<b>(5,604)</b>	<b>7.0%</b>
	<b>Net property income</b>	<b>23,175</b>	<b>17,943</b>	<b>29.2%</b>	<b>19,543</b>	<b>17,567</b>	<b>11.2%</b>
	Finance income	17	61	(72.1%)	16	61	(73.8%)
	Dividend income from subsidiary	-	-	-	2,068	-	NM
	Fair value adjustment on security deposit and retention sum	(24)	60	(140.0%)	-	(169)	(100.0%)
	Tenancy relief	-	-	-	-	-	-
	Management fees	(2,838)	(2,056)	38.0%	(2,791)	(2,046)	36.4%
	Performance fees	-	-	-	-	-	-
	Trust expenses	(853)	(273)	212.5%	(814)	(255)	219.2%
	Finance expenses	(5,308)	(3,683)	44.1%	(4,077)	(3,337)	22.2%
	<b>Non property expenses</b>	<b>(9,006)</b>	<b>(5,891)</b>	<b>52.9%</b>	<b>(5,598)</b>	<b>(5,746)</b>	<b>(2.6%)</b>
	<b>Net income before tax</b>	<b>14,169</b>	<b>12,052</b>	<b>17.6%</b>	<b>13,945</b>	<b>11,821</b>	<b>18.0%</b>
	Change in fair value of unrealised derivative instruments	19,605	1,290	NM	19,304	13	NM
	Unrealised foreign exchange losses	-	-	-	(10,955)	-	NM
	Change in fair value of investment properties	-	110,000	NM	-	110,000	NM
	<b>Total return for the period before tax and distribution</b>	<b>33,774</b>	<b>123,342</b>	<b>(72.6%)</b>	<b>22,294</b>	<b>121,834</b>	<b>(81.7%)</b>
	Income tax expense	(484)	(40)	NM	-	-	-
	<b>Total return for the period after tax, before distribution</b>	<b>33,290</b>	<b>123,302</b>	<b>(73.0%)</b>	<b>22,294</b>	<b>121,834</b>	<b>(81.7%)</b>

Footnotes:

- (a) Gross revenue comprises gross rent and other revenue earned from investment properties, including turnover rent. The increase in gross revenue for the Group is mainly attributed to higher rental rates achieved for renewals and new committed leases, as well as higher revenue on its overseas properties which accounted for approximately 15.4% of total gross revenue for the three months ended 30 June 2008 (approximately 2.0% of total gross revenue for three months ended 30 June 2007) .
- (b) Property management fees comprise 3% per annum and 2% to 5% per annum of the gross revenue from the Singapore Properties and Japanese Properties respectively, and 0.8% per annum of turnover rent of the Renhe Spring Zongbei Property in China. The increase is due to property management fees payable in respect of the Japanese and China properties.

## Financial Statements Announcement For The Second Quarter Ended 30 June 2008

- (c) Other property expenses for the period are higher mainly due to increase in other property expenses from its overseas properties.
- (d) Represents dividend income from its wholly-owned subsidiary, Top Sure Investment Limited, during the three months ended 30 June 2008.
- (e) Being adjustment of the initial fair value of security deposit and retention sum stated at amortised cost in accordance with Financial Reporting Standard ("FRS") 39.
- (f) There were no tenancy relief payments made to tenants for the three months ended 30 June 2008.
- (g) Management fees consist of the base fee, which is calculated based on 0.5% per annum of the value of the Trust Property. The higher fee is due to the increase in the value of the Trust Property.
- (h) The higher trust expenses are due to non-recurring strategic review costs and higher professional fees incurred by the Trust for the three months ended 30 June 2008.
- (i) Finance expenses are higher due to debt financing of the overseas properties acquisitions as well as refinancing costs, and include interest receivable and payable under the interest rate swaps and cross currency swap contracts.
- (j) Represented mainly the change in fair value of interest rate swaps, interest rate caps and cross currency swaps which were entered into in relation to the acquisition of the Japanese Properties. The unrealised gain on the cross currency swaps was offset by a decrease in value of the Japanese Properties due to a fall in foreign currency exchange rates during the three months ended 30 June 2008.
- (k) The Singapore Properties were revalued to S\$1,608.0 million by Cushman & Wakefield (S) Pte Ltd as at 30 June 2007, resulting in a revaluation increment of S\$110.0 million. No independent valuation was carried out during this quarter.
- (l) Income tax expense includes withholding tax and deferred tax accrued in relation to the overseas properties.

NM – Not Meaningful

### Distribution Statement (2Q 2008 vs 2Q 2007)

	Notes	Group 01/04/08 to 30/06/08 S\$'000	Group 01/04/07 to 30/06/07 S\$'000	Increase / (Decrease) %	Trust 01/04/08 to 30/06/08 S\$'000	Trust 01/04/07 to 30/06/07 S\$'000	Increase / (Decrease) %
<b>Total return after tax, before distribution</b>		<b>33,290</b>	<b>123,302</b>	<b>(73.0%)</b>	<b>22,294</b>	<b>121,834</b>	<b>(81.7%)</b>
Non-tax deductible / (chargeable) items:							
Management fees paid / payable in units		1,466	1,233	18.9%	1,466	1,233	18.9%
Finance costs		823	188	337.8%	868	188	361.7%
Sinking fund contribution		292	292	0.0%	292	292	0.0%
Tenancy relief		-	-	-	-	-	-
Depreciation		421	387	8.8%	421	387	8.8%
Change in fair value of unrealised derivative instruments		(19,605)	(1,290)	NM	(19,304)	(13)	NM
Change in fair value of investment properties		-	(110,000)	NM	-	(110,000)	NM
Deferred income tax		72	-	-	-	-	-
Unrealised foreign exchange losses		-	-	-	10,955	-	NM
Other items	(m)	399	160	149.4%	441	337	30.9%
Net overseas income not distributed to the Trust, net of amount received		-	-	-	(275)	14	NM
<b>Income available for distribution</b>		<b>17,158</b>	<b>14,272</b>	<b>20.2%</b>	<b>17,158</b>	<b>14,272</b>	<b>20.2%</b>

Footnotes:

- (m) Other items include mainly trustee's fee and non-tax deductible costs relating to the strategic review.

NM – Not Meaningful

## Financial Statements Announcement For The Second Quarter Ended 30 June 2008

### Statement of Total Return (YTD June 2008 vs YTD June 2007)

		Group 01/01/08 to 30/06/08	Group 01/01/07 to 30/06/07	Increase / (Decrease)	Trust 01/01/08 to 30/06/08	Trust 01/01/07 to 30/06/07	Increase / (Decrease)
Notes	S\$'000	S\$'000	%	S\$'000	S\$'000	%	
	<b>Gross revenue</b>	<b>60,619</b>	<b>47,011</b>	<b>28.9%</b>	<b>50,331</b>	<b>46,549</b>	<b>8.1%</b>
	Maintenance and sinking fund contributions	(2,772)	(2,689)	3.1%	(2,674)	(2,674)	0.0%
	Property management fees	(2,001)	(1,415)	41.4%	(1,510)	(1,396)	8.2%
	Property tax	(5,069)	(4,292)	18.1%	(4,998)	(4,269)	17.1%
	Other property expenses	(4,513)	(3,422)	31.9%	(2,908)	(3,393)	(14.3%)
	<b>Property expenses</b>	<b>(14,355)</b>	<b>(11,818)</b>	<b>21.5%</b>	<b>(12,090)</b>	<b>(11,732)</b>	<b>3.1%</b>
	<b>Net property income</b>	<b>46,264</b>	<b>35,193</b>	<b>31.5%</b>	<b>38,241</b>	<b>34,817</b>	<b>9.8%</b>
	Finance income	60	136	(55.9%)	44	136	(67.6%)
	Dividend income from subsidiary	-	-	-	2,068	-	NM
	Fair value adjustment on security deposit and retention sum	(70)	(53)	32.1%	(37)	(282)	(86.9%)
	Tenancy relief	-	(750)	(100.0%)	-	(750)	(100.0%)
	Management fees	(5,660)	(3,936)	43.8%	(5,569)	(3,926)	41.8%
	Performance fees	-	-	-	-	-	-
	Trust expenses	(1,916)	(568)	237.3%	(1,773)	(550)	222.4%
	Finance expenses	(10,013)	(7,035)	42.3%	(7,475)	(6,689)	11.8%
	<b>Non property expenses</b>	<b>(17,599)</b>	<b>(12,206)</b>	<b>44.2%</b>	<b>(12,742)</b>	<b>(12,061)</b>	<b>5.6%</b>
	<b>Net income before tax</b>	<b>28,665</b>	<b>22,987</b>	<b>24.7%</b>	<b>25,499</b>	<b>22,756</b>	<b>12.1%</b>
	Change in fair value of unrealised derivative instruments	6,245	1,290	NM	6,145	13	NM
	Unrealised foreign exchange gain	-	-	-	963	-	-
	Change in fair value of investment properties	-	110,000	NM	-	110,000	NM
	<b>Total return for the period before tax and distribution</b>	<b>34,910</b>	<b>134,277</b>	<b>(74.0%)</b>	<b>32,607</b>	<b>132,769</b>	<b>(75.4%)</b>
	Income tax expense	(1,109)	(40)	NM	-	-	-
	<b>Total return for the period after tax, before distribution</b>	<b>33,801</b>	<b>134,237</b>	<b>(74.8%)</b>	<b>32,607</b>	<b>132,769</b>	<b>(75.4%)</b>

#### Footnotes:

- (n) Gross revenue comprises gross rent and other revenue earned from investment properties, including turnover rent. The increase in gross revenue for the Group is mainly attributed to higher rental rates achieved for renewals and new committed leases, as well as higher revenue on its overseas properties which accounted for approximately 17.0% of total gross revenue for the six months ended 30 June 2008 (approximately 1.0% of total gross revenue for six months ended 30 June 2007) .
- (o) Property management fees comprise 3% per annum and 2% to 5% per annum of the gross revenue from the Singapore Properties and Japanese Properties respectively, and 0.8% per annum of turnover rent of the Renhe Spring Zongbei Property in China. The increase is due to property management fees payable in respect of the Japanese and China properties.
- (p) Other property expenses for the period are higher mainly due to increase in other property expenses from its overseas properties.

## Financial Statements Announcement For The Second Quarter Ended 30 June 2008

- (q) Represents dividend income from its wholly-owned subsidiary, Top Sure Investment Limited, during the six months ended 30 June 2008.
- (r) Being adjustment of the initial fair value of security deposit and retention sum stated at amortised cost in accordance with Financial Reporting Standard ("FRS") 39.
- (s) There were no tenancy relief payments made to tenants for the six months ended 30 June 2008.
- (t) Management fees consist of the base fee, which is calculated based on 0.5% per annum of the value of the Trust Property. The higher fee is due to the increase in the value of the Trust Property.
- (u) The higher trust expenses are due to non-recurring strategic review costs and higher professional fees incurred by the Trust for the six months ended 30 June 2008.
- (v) Finance expenses are higher due to debt financing of the overseas properties acquisitions as well as refinancing costs, and include interest receivable and payable under the interest rate swaps and cross currency swap contracts.
- (w) Represented mainly the change in fair value of interest rate swaps, interest rate caps and cross currency swaps which were entered into in relation to the acquisition of the Japanese Properties. The unrealised gain on the cross currency swaps was offset by a decrease in value of the Japanese Properties due to a fall in foreign currency exchange rates during the six months ended 30 June 2008.
- (x) The Singapore Properties were revalued to S\$1,608.0 million by Cushman & Wakefield (S) Pte Ltd as at 30 June 2007, resulting in a revaluation increment of S\$110.0 million. No independent valuation was carried out during the six months ended 30 June 2008.
- (y) Income tax expense includes withholding tax and deferred tax accrued in relation to the overseas properties.

NM – Not Meaningful

### Distribution Statement (YTD June 2008 vs YTD June 2007)

	Notes	Group 01/01/08 to 30/06/08 S\$'000	Group 01/01/07 to 30/06/07 S\$'000	Increase / (Decrease) %	Trust 01/01/08 to 30/06/08 S\$'000	Trust 01/01/07 to 30/06/07 S\$'000	Increase / (Decrease) %
<b>Total return after tax, before distribution</b>		<b>33,801</b>	<b>134,237</b>	<b>(74.8%)</b>	<b>32,607</b>	<b>132,769</b>	<b>(75.4%)</b>
Non-tax deductible / (chargeable) items:							
Management fees paid / payable in units		2,915	2,362	23.4%	2,915	2,362	23.4%
Finance costs		1,119	376	197.6%	1,316	427	208.2%
Sinking fund contribution		583	583	0.0%	583	583	0.0%
Tenancy relief		-	750	(100.0%)	-	750	(100.0%)
Depreciation		842	764	10.2%	842	764	10.2%
Change in fair value of unrealised derivative instruments		(6,245)	(1,290)	NM	(6,145)	(13)	NM
Change in fair value of investment properties		-	(110,000)	NM	-	(110,000)	NM
Deferred income tax		148	-	-	-	-	-
Unrealised foreign exchange gain		-	-	-	(963)	-	NM
Other items	(z)	1,006	478	110.5%	769	604	27.3%
Net overseas income not distributed to the Trust, net of amount received		-	-	-	2,245	14	NM
<b>Income available for distribution</b>		<b>34,169</b>	<b>28,260</b>	<b>20.9%</b>	<b>34,169</b>	<b>28,260</b>	<b>20.9%</b>

Footnotes:

- (z) Other items include mainly trustee's fee and non-tax deductible costs relating to the strategic review.

NM – Not Meaningful

## Financial Statements Announcement For The Second Quarter Ended 30 June 2008

### 1(b) (i) Balance sheet, together with comparatives as at the end of the immediately preceding financial period

#### Balance Sheet as at 30 June 2008

	Notes	Group 30/06/08 S\$'000	Group 31/12/07 S\$'000	Trust 30/06/08 S\$'000	Trust 31/12/07 S\$'000
<b>Assets</b>					
Investment properties	(a)	2,211,537	2,208,574	1,933,202	1,932,350
Interests in subsidiaries		-	-	222,266	226,399
Plant and equipment		1,408	2,259	1,312	2,155
Intangible asset	(b)	12,613	12,613	-	-
Derivative financial instruments	(c)	9,375	1,920	8,880	1,447
Trade and other receivables		8,724	9,499	5,506	5,281
Cash and cash equivalents		36,986	42,686	16,850	19,057
<b>Total assets</b>		<b>2,280,643</b>	<b>2,277,551</b>	<b>2,188,016</b>	<b>2,186,689</b>
<b>Liabilities</b>					
Trade and other payables	(d)	(56,051)	(57,563)	(45,262)	(44,590)
Derivative financial instruments	(c)	(9,015)	(8,036)	(9,015)	(8,036)
Income tax payable		(429)	(656)	-	-
Deferred tax liabilities	(e)	(16,866)	(16,598)	-	-
Borrowings	(f)	(655,117)	(657,531)	(609,686)	(612,741)
<b>Total liabilities</b>		<b>(737,478)</b>	<b>(740,384)</b>	<b>(663,963)</b>	<b>(665,367)</b>
<b>Net assets attributable to unitholders</b>		<b>1,543,165</b>	<b>1,537,167</b>	<b>1,524,053</b>	<b>1,521,322</b>

#### Footnotes:

- Investment properties have increased largely due to an improvement in foreign currency exchange rates and additional expenditure of S\$0.9 million during the six months ended 30 June 2008. The Singapore Properties, Japanese Properties and the Renhe Spring Zongbei Property were independently revalued to an aggregate amount of approximately S\$2,208.6 million as at 31 December 2007, by CB Richard Ellis (Pte) Ltd, Tokyo Asset Research Co. Ltd and Savills Valuation and Professional Services Limited respectively.
- Intangible asset represents goodwill on acquisition of Top Sure Investment Limited in August 2007. The company owns, through its wholly owned subsidiary, the Renhe Spring Zongbei Property.
- Derivative financial instruments include the fair value of the interest rate swaps, interest rate caps, cross currency swaps and foreign currency contracts taken out in relation to the acquisition of the Group's overseas properties.
- The increase at June 2008 is mainly due to repayment of trade payables in relation to the overseas properties. Payables include an amount of S\$13.0 million, which forms part of the consideration for the investment properties retained under the sale & purchase agreement in respect of Wisma Atria.
- Deferred tax liabilities are mainly in respect of the Renhe Spring Zongbei Property and has been estimated on the basis of an asset sale at the current book value. The amount will not be payable if the investment property was sold through a sale of shares in Top Sure Investment Limited.
- Borrowings include a S\$380 million term loan, a S\$160 million bridging loan, S\$72 million drawdown from existing revolving credit facilities ("RCF"), a Yen 3.1 billion (S\$40.0 million) Japanese bond and a RMB32.1 million (S\$6.4 million) loan payable to a third party property vendor in China.

## Financial Statements Announcement For The Second Quarter Ended 30 June 2008

### 1(b) (ii) Aggregate amount of borrowings

	Notes	Group 30/06/08 S\$'000	Group 31/12/07 S\$'000	Trust 30/06/08 S\$'000	Trust 31/12/07 S\$'000
<b>Secured borrowings</b>					
	(a)				
Amount repayable within one year		-	-	-	-
Amount repayable after one year		380,000	380,000	380,000	380,000
		<b>380,000</b>	<b>380,000</b>	<b>380,000</b>	<b>380,000</b>
<b>Unsecured borrowings</b>					
	(b)				
Amount repayable within one year		233,057	235,833	232,000	235,000
Amount repayable after one year		45,354	45,067	-	-
		<b>658,411</b>	<b>660,900</b>	<b>612,000</b>	<b>615,000</b>
Less: Unamortised loan acquisition expenses		(3,294)	(3,369)	(2,314)	(2,259)
<b>Total borrowings (net of transaction costs)</b>		<b>655,117</b>	<b>657,531</b>	<b>609,686</b>	<b>612,741</b>

Footnotes:

(a) Secured

The Group has secured facilities of S\$380 million term loan facility with a tenor of 5 years (repayable on 20 September 2010).

The facilities are secured on the following:

- (i) A first legal mortgage on the Singapore Properties;
- (ii) A first fixed charge over the Trust's rental collection, current and fixed deposit accounts;
- (iii) An assignment of the Trust's rights, title and interest in the property management agreement, tenancy documents and proceeds and insurance policies in relation to the Singapore Properties; and
- (iv) A fixed and floating charge over the assets of the Trust in relation to the Singapore Properties, agreements and collateral, as required by the financial institution granting the facilities.

(b) Unsecured

The Group has a bridging loan of S\$160 million repayable on or before 30 September 2008, and RCF of up to S\$95 million for a remaining tenor of less than one year. Currently, S\$72 million is outstanding under the RCF, out of which S\$60 million is repayable on 30 September 2008 and the remaining S\$12 million is repayable on 31 March 2009.

In addition, the Group has a five-year bond facility of Yen 3.1 billion (S\$40.0 million) maturing in May 2012, which was used to part finance the acquisition of the Japanese Properties. Whilst no security has been pledged, the bondholders have a statutory preferred right, under Japanese Asset Liquidation Law, to receive payment of all obligations under the bonds prior to other creditors out of the assets of the issuer.

The Group also has a seven-year loan of RMB40 million (S\$7.9 million) from a third party property vendor, which was assumed as part of the acquisition of the Renhe Spring Zongbei Property. The carrying amount of S\$6.4 million represents the discounted value of the RMB40 million loan, which is interest-free and repayable over seven years in equal, annual instalments, ending in August 2014.

## Financial Statements Announcement For The Second Quarter Ended 30 June 2008

### 1(c) Consolidated cash flow statement (2Q 2008 vs 2Q 2007) and (YTD June 2008 vs YTD June 2007)

	Group 01/04/08 to 30/06/08	Group 01/04/07 to 30/06/07	Group 01/01/08 to 30/06/08	Group 01/01/07 to 30/06/07
Notes	S\$'000	S\$'000	S\$'000	S\$'000
<b>Operating activities</b>				
Total return for the period before tax and distribution	33,774	123,342	34,910	134,277
<b>Adjustments for</b>				
Finance income	(17)	(61)	(60)	(136)
Fair value adjustment on security deposits and retention sum	24	(60)	70	53
Depreciation	427	387	855	764
Management fees paid / payable in units	1,466	1,233	2,915	2,362
Finance expense	5,308	3,683	10,013	7,035
Change in fair value of unrealised derivative instruments	(19,605)	(1,290)	(6,245)	(1,290)
Change in fair value of investment properties	-	(110,000)	-	(110,000)
Operating income before working capital changes	21,377	17,234	42,458	33,065
Changes in working capital:				
Trade and other receivables	1,809	(1,793)	771	(1,047)
Trade and other payables	(3,048)	3,291	(1,345)	6,147
Income tax paid	(85)	-	(1,089)	-
<b>Cash generated from operating activities</b>	<b>20,053</b>	<b>18,732</b>	<b>40,795</b>	<b>38,165</b>
<b>Investing activities</b>				
Net cash outflow on purchase of investment properties	(a) -	(109,008)	-	(109,008)
Purchase of plant and equipment	-	(465)	(4)	(508)
Capital expenditure on investment properties	(780)	-	(853)	-
Interest received on deposits	27	12	64	92
<b>Cash flows from investing activities</b>	<b>(753)</b>	<b>(109,461)</b>	<b>(793)</b>	<b>(109,424)</b>
<b>Financing activities</b>				
Borrowing costs paid	(4,483)	(5,388)	(10,118)	(8,553)
Proceeds from borrowings	16,573	128,060	31,689	142,060
Repayment of borrowings	(19,573)	(6,000)	(34,689)	(22,000)
Distributions paid to unitholders	(16,787)	(13,954)	(32,791)	(27,895)
<b>Cash flows from financing activities</b>	<b>(24,270)</b>	<b>102,718</b>	<b>(45,909)</b>	<b>83,612</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(4,970)</b>	<b>11,989</b>	<b>(5,907)</b>	<b>12,353</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>42,944</b>	<b>20,486</b>	<b>42,686</b>	<b>20,122</b>
Effects of exchange rate differences on cash	(988)	(121)	207	(121)
<b>Cash and cash equivalents at the end of the period</b>	<b>36,986</b>	<b>32,354</b>	<b>36,986</b>	<b>32,354</b>

## Financial Statements Announcement For The Second Quarter Ended 30 June 2008

Footnotes:

(a) Net cash outflow on purchase of investment properties (including acquisition costs) is set out below:

	Group 01/04/08 to 30/06/08	Group 01/04/07 to 30/06/07	Group 01/01/08 to 30/06/08	Group 01/01/07 to 30/06/07
	S\$'000	S\$'000	S\$'000	S\$'000
Investment properties	-	109,959	-	109,959
Cash and cash equivalents	-	1,629	-	1,629
Trade and other payables	-	(1,629)	-	(1,629)
Cash consideration paid	-	109,959	-	109,959
Cash (acquired)	-	(1,629)	-	(1,629)
Acquisition costs paid	-	678	-	678
<b>Net cash outflow on purchase of investment properties</b>	<b>-</b>	<b>109,008</b>	<b>-</b>	<b>109,008</b>

### 1(d) (i) Statement of movements in net assets attributable to Unitholders (2Q 2008 vs 2Q 2007)

	Group 01/04/08 to 30/06/08	Group 01/04/07 to 30/06/07	Trust 01/04/08 to 30/06/08	Trust 01/04/07 to 30/06/07
	S\$'000	S\$'000	S\$'000	S\$'000
<b>Net assets attributable to unitholders at the beginning of the period</b>	1,537,387	1,096,583	1,517,080	1,096,583
<b>Operations</b>				
Change in net assets attributable to unitholders resulting from operations, before distributions	(a) 33,290	123,302	22,294	121,834
<b>Increase in net assets resulting from operations</b>	<b>33,290</b>	<b>123,302</b>	<b>22,294</b>	<b>121,834</b>
<b>Foreign currency translation reserve</b>				
Translation differences from financial statements of foreign entities	(1,236)	(1,194)	-	-
Exchange differences on monetary items forming part of net investment in foreign operations	(10,955)	-	-	-
<b>Net gain (loss) recognised directly in net assets attributable to unitholders</b>	<b>(12,191)</b>	<b>(1,194)</b>	<b>-</b>	<b>-</b>
<b>Unitholders' transactions</b>				
Creation of units:				
- Management fees paid in units	-	-	-	-
- Management fees payable in units	(c) 1,466	1,233	1,466	1,233
Distribution to unitholders	(16,787)	(13,954)	(16,787)	(13,954)
<b>Decrease in net assets resulting from unitholders' transactions</b>	<b>(15,321)</b>	<b>(12,721)</b>	<b>(15,321)</b>	<b>(12,721)</b>
<b>Net assets attributable to unitholders at the end of the period</b>	<b>1,543,165</b>	<b>1,205,970</b>	<b>1,524,053</b>	<b>1,205,696</b>

## Financial Statements Announcement For The Second Quarter Ended 30 June 2008

Footnotes:

- (a) Change in net assets attributable to unitholders resulting from operations for the three months ended 30 June 2008, includes the gain in fair value of unrealised derivative instruments of S\$19.6 million.
- (b) The movement in foreign currency translation reserve relates to the exchange differences arising on the translation of foreign controlled entities and intercompany loans that form part of the Group's net investment in the foreign entities.
- (c) There are an estimated 1,374,438 units to be issued to the Manager by 31 July 2008 as partial satisfaction of the base fee element of the management fee incurred for the three months ended 30 June 2008.

### 1(d) (i) Statement of movements in net assets attributable to Unitholders (YTD June 2008 vs YTD June 2007)

	Notes	Group 01/01/08 to 30/06/08 S\$'000	Group 01/01/07 to 30/06/07 S\$'000	Trust 01/01/08 to 30/06/08 S\$'000	Trust 01/01/07 to 30/06/07 S\$'000
<b>Net assets attributable to unitholders at the beginning of the period</b>		1,537,167	1,098,461	1,521,322	1,098,461
<b>Operations</b>					
Change in net assets attributable to unitholders resulting from operations, before distributions	(a)	33,801	134,237	32,607	132,769
<b>Increase in net assets resulting from operations</b>		<b>33,801</b>	<b>134,237</b>	<b>32,607</b>	<b>132,769</b>
<b>Foreign currency translation reserve</b>					
Translation differences from financial statements of foreign entities		1,110	(1,194)	-	-
Exchange differences on monetary items forming part of net investment in foreign operations		963	-	-	-
<b>Net gain (loss) recognised directly in net assets attributable to unitholders</b>	(b)	<b>2,073</b>	<b>(1,194)</b>	<b>-</b>	<b>-</b>
<b>Unitholders' transactions</b>					
Creation of units:					
- Management fees paid in units		1,449	1,128	1,449	1,128
- Management fees payable in units	(c)	1,466	1,233	1,466	1,233
Distribution to unitholders		(32,791)	(27,895)	(32,791)	(27,895)
<b>Decrease in net assets resulting from unitholders' transactions</b>		<b>(29,876)</b>	<b>(25,534)</b>	<b>(29,876)</b>	<b>(25,534)</b>
<b>Net assets attributable to unitholders at the end of the period</b>		<b>1,543,165</b>	<b>1,205,970</b>	<b>1,524,053</b>	<b>1,205,696</b>

Footnotes:

- (a) Change in net assets attributable to unitholders resulting from operations for the six months ended 30 June 2008, includes the gain in fair value of unrealised derivative instruments of S\$6.2 million.
- (b) The movement in foreign currency translation reserve relates to the exchange differences arising on the translation of foreign controlled entities and intercompany loans that form part of the Group's net investment in the foreign entities.
- (c) There are an estimated 1,374,438 units to be issued to the Manager by 31 July 2008 as partial satisfaction of the base fee element of the management fee incurred for the three months ended 30 June 2008.

## Financial Statements Announcement For The Second Quarter Ended 30 June 2008

### 1(d)(ii) Details of any change in the units since the end of the previous period reported on

	Group and Trust 01/04/08 to 30/06/08	Group and Trust 01/04/07 to 30/06/07	Group and Trust 01/01/08 to 30/06/08	Group and Trust 01/01/07 to 30/06/07
Notes	Units	Units	Units	Units
<b>Issued units at the beginning of the period</b>	952,642,538	948,375,699	951,328,908	947,375,680
Management fees issued in units (base fee)	1,169,093	907,893	2,482,723	1,826,951
Management fees issued in units (performance fee)	-	-	-	80,961
Issued units at the end of the period	953,811,631	949,283,592	953,811,631	949,283,592
Management fees payable in units to be issued (base fee) (a)	1,374,438	994,837	1,374,438	994,837
Management fees payable in units (performance fee) (b)	-	-	-	-
<b>Total issued and issuable units at the end of the period</b>	<b>955,186,069</b>	<b>950,278,429</b>	<b>955,186,069</b>	<b>950,278,429</b>

Footnotes:

- (a) There are an estimated 1,374,438 units to be issued to the Manager by 31 July 2008 as partial satisfaction of the base fee element of the management fee incurred for the three months ended 30 June 2008.
- (b) Performance fees are calculated for each six-month period ending 30 June and 31 December.

## Financial Statements Announcement For The Second Quarter Ended 30 June 2008

**2 Whether the figures have been audited, or reviewed and in accordance with which auditing standard or practice**

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

**3 Where the figures have been audited, or reviewed, the auditors' report (including any qualifications or emphasis of matter)**

Not applicable.

**4 Whether the same accounting policies and methods of computation as in the issuer's most recently audited financial statements have been applied**

Yes.

**5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change**

Not applicable.

**6 Consolidated earnings per unit ('EPU') and distribution per unit ('DPU') for the financial period**

	Notes	Group 01/04/08 to 30/06/08	Group 01/04/07 to 30/06/07
Weighted average number of units	(a)	953,454,167	949,055,080
Earnings per unit for the period based on the weighted average number of units in issue (cents)		3.49	12.99
Number of units issued and issuable at end of period		955,186,069	950,278,429
Distribution per unit for the period based on the total number of units entitled to distribution (cents)	(b)	1.78	1.50
Distribution per unit for the period based on the total number of units entitled to distribution including performance fee units (cents)		1.78	1.50

Footnotes:

- (a) The actual weighted average number of units used for computation of EPU for the three months ended 30 June 2008 is 953,454,167 and has been calculated on a time-weighted basis. This number comprises:
- (i) Weighted average number of units in issue of 953,439,063; and
  - (ii) Weighted average number of units issuable to the Manager of 15,104.
- (b) The computation of DPU is based on number of units entitled to distributions comprising:
- (i) The number of units in issue as at 30 June 2008 of 953,811,631;
  - (ii) The estimated number of units issuable to the Manager as partial satisfaction of management fee incurred for the three months ended 30 June 2008 of 1,374,438.

## Financial Statements Announcement For The Second Quarter Ended 30 June 2008

### 7 Net asset value per unit based on units issued at the end of the period

	Notes	Group 30/06/08	Group 31/12/07	Trust 30/06/08	Trust 31/12/07
Net asset value per unit (S\$)	(a)	1.62	1.61	1.60	1.60

Footnotes:

- (a) The number of units used for computation of NAV per unit is 955,186,069. This comprises:
- (i) The number of units in issue as at 30 June 2008 of 953,811,631;
  - (ii) The estimated number of units issuable to the Manager as partial satisfaction of management fee (base fee) incurred for the three months ended 30 June 2008 of 1,374,438.

### 8 Review of the performance Consolidated Statement of Total Return and Distribution (2Q 2008 vs 2Q 2007) and (YTD June 2008 vs YTD June 2007)

	Group 01/04/08 to 30/06/08	Group 01/04/07 to 30/06/07	Increase / (Decrease)	Group 01/01/08 to 30/06/08	Group 01/01/07 to 30/06/07	Increase / (Decrease)
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
<b>Gross revenue</b>	<b>30,201</b>	<b>23,633</b>	<b>27.8%</b>	<b>60,619</b>	<b>47,011</b>	<b>28.9%</b>
Property expenses	(7,026)	(5,690)	23.5%	(14,355)	(11,818)	21.5%
<b>Net property income</b>	<b>23,175</b>	<b>17,943</b>	<b>29.2%</b>	<b>46,264</b>	<b>35,193</b>	<b>31.5%</b>
Non property expenses	(9,006)	(5,891)	52.9%	(17,599)	(12,206)	44.2%
<b>Net income before tax</b>	<b>14,169</b>	<b>12,052</b>	<b>17.6%</b>	<b>28,665</b>	<b>22,987</b>	<b>24.7%</b>
Change in fair value of unrealised derivative instruments	19,605	1,290	NM	6,245	1,290	NM
Change in fair value of investment properties	-	110,000	NM	-	110,000	NM
<b>Total return for the period before tax and distribution</b>	<b>33,774</b>	<b>123,342</b>	<b>(72.6%)</b>	<b>34,910</b>	<b>134,277</b>	<b>(74.0%)</b>
Income tax expense	(484)	(40)	NM	(1,109)	(40)	NM
<b>Total return for the period after tax, before distribution</b>	<b>33,290</b>	<b>123,302</b>	<b>(73.0%)</b>	<b>33,801</b>	<b>134,237</b>	<b>(74.8%)</b>
Non tax deductible/(chargeable) items and other adjustments	(16,132)	(109,030)	(85.2%)	368	(105,977)	(100.3%)
<b>Net income available for distribution</b>	<b>17,158</b>	<b>14,272</b>	<b>20.2%</b>	<b>34,169</b>	<b>28,260</b>	<b>20.9%</b>

Gross revenue was higher mainly due to higher rental rates achieved for renewals, new committed leases and higher revenue from the Group's overseas properties, which accounted for approximately 15.4% of total gross revenue for three months ended 30 June 2008. Property expenses were also higher mainly due to increase in other property expenses and property management fees from its overseas properties.

The unrealised gain on the derivative instruments for three months ended 30 June 2008 of S\$19.6 million represented the change in fair value of interest rate swaps, interest rate caps and cross currency swaps which were entered into in relation to the overseas properties.

## Financial Statements Announcement For The Second Quarter Ended 30 June 2008

The unrealised gain on the cross currency swaps was offset by an decrease in value of the overseas properties due to a fall in foreign currency exchange rates during the period.

Net income available for distribution for the three months ended 30 June 2008 was S\$17.2 million, 20.2% above the previous comparative period. This increase is largely contributed from stronger performance of the Singapore Properties and the Group's overseas properties acquired between May and September 2007.

### 9 Variance between forecast and the actual results

The Trust has not disclosed any forecast to the market.

### 10 Commentary on the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the Group in the next reporting period and the next 12 months

#### Singapore <sup>(1)</sup>

According to a report by CB Richard Ellis ("CBRE"), the Singapore property investment sales market was quieter in 2Q 2008 compared to 1Q 2008. The office sector accounted for the majority of transactions in the second quarter making up 48.8% of total investment sales or \$1.98 billion. Multinational corporations (MNCs) continued to be attracted to Singapore for its long-term prospects as a financial hub and popular business destination.

Office rents may be peaking as the rate of office rental increase in 1H 2008 slowed noticeably compared to 1H 2007. Prime rents rose ten cents in 2Q 2008 to average \$16.10 psf/month. In all, prime rents increased 7.3% in 1H 2008 compared with 92.3% for the full-year 2007. Prime Grade A office rents averaged \$18.80 psf/month in 2Q 2008, up from \$18.65 psf pm last quarter. Prime Grade A office vacancy also remained very tight at 0.6%. No new development will be completed before 2H 2009.

DTZ reported that the retail property market remained stable in 2Q 2008 buoyed by positive consumer sentiment and the Great Singapore Sale. While turnover rents in 2Q 2008 rose, there was limited growth for fixed gross rents. First-storey monthly fixed gross rents remained largely unchanged quarter on quarter, hovering at an average of \$42.40 psf for prime areas such as Orchard/Scotts Road, \$33.70 psf in suburban areas and \$27.10 psf in other city areas. DTZ expects the retail market to remain stable despite additional supply that will come on stream over the next few years. About 5.4 million sq ft of retail space is expected to be added to retail stock between 2H 2008 and 2012. Marina Bay Sands will account for the biggest chunk of that space, with 15 per cent or 800,000 sq ft, closely followed ION Orchard at 663,000 sq ft.

Singapore's retail sales for April - excluding vehicles - rose 7.7 per cent year on year. But total retail sales value dipped about 4 per cent to \$2.77 billion, from March's \$2.89 billion, with almost all sectors reporting less activity in April.

#### Japan <sup>(2)</sup>

The Bank of Japan's quarterly tankan survey of business sentiment for 2Q 2008 indicated that business sentiment in Japan sank to a five-year low in June 2008. The survey findings are not as gloomy as feared as analysts had predicted an even steeper fall. Despite the worsening results in the quarterly survey, economists generally agree the central bank will not raise its benchmark interest rate anytime soon as they appear to be balancing concerns of economic slowdown and inflation.

## Financial Statements Announcement For The Second Quarter Ended 30 June 2008

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Japan's wholesale inflation rate rose to a 27-year high in June as companies raised prices to counter record oil and commodity costs. Costs are gaining faster than firms can raise prices, prompting businesses to predict the first profit decline in seven years. A growing view, however, is that Japan's economy is slowing but not at as rapid a pace as expected given the greater underlying strength of corporate Japan and the financial system. This has added weight to recent data suggesting that Japan is proving more resilient to a downturn and less vulnerable to financial system shocks than other leading economies.

According to a report released by Ministry of Land, Infrastructure and Transportation, Tokyo's office vacancies rose in June 2008 to the highest in two years in Japan as companies cut spending. The vacancy rates have been increasing since February 2008 and in June 2008 it increased to 3.49 percent from 3.29 percent in May. At the same time average office rents in the capital's five main business districts of Chiyoda, Chuo, Minato, Shinjuku and Shibuya rose to 22,868 yen per tsubo (\$64.88 per square meter) in June, from 22,826 yen a month earlier showing a marginal increase of 0.2%.

In Tokyo 23 wards, the commercial land price continued to rise, albeit at a slower pace compared with six months ago. The land price index for six major cities (Tokyo, Yokohama, Nagoya, Kyoto, Osaka and Kobe) was up 1.7% HoH, but the rate of increase has slowed from plus 5.6% recorded six months earlier. In Tokyo 23 wards, price for commercial property was up 1.4% HoH, still rising, albeit at a slower pace compared to an 8.3% HoH rise recorded six months earlier. According to JREI, this is underlined by a cap rate survey also released in May, which showed that the cap rates for office properties in Tokyo remained the same as six months ago apart from less competitive areas such as Kanda, Konan and Ueno, which saw cap rates increase by 10-20bps.

### **Chengdu, China** <sup>(3)</sup>

Chengdu area constitutes one of the largest economies in inland China and its rapid economic development has, in turn, made it one of the most popular foreign investment destinations in China. In 2007, Chengdu's economic output came to 332.4 billion yuan (S\$66.23 billion), 15.3% higher than in 2006, and three percentage points higher than the national average. And in 2007, Chengdu's utilized foreign direct investment (FDI) reached US\$1.14 billion, 50% higher than the year before and 3.7 times the national average.

An earthquake of 8.0 magnitude struck the Sichuan province on 12 May 2008. The infrastructure of Chengdu city was relatively unaffected. Presently, except for reduced tourism, most shopping areas remain bustling and there have been minimal signs of disruption. While some tenants in high-end department stores witnessed zero sales during the first week following the earthquake, by the third week following the earthquake, local customers made a comeback across most of the retail sectors. A quick market survey conducted three week after the quake revealed that market activity was at least 70% of the norm. Prime retail has not been affected because the target customers of this market segment are financially more capable of withstanding such disasters. Office and retail rents are not expected to be affected in the long term as a result.

Chengdu is still viewed as a desirable place for investment as highlighted by announcements made soon after the earthquake by multinational companies, including IBM, Motorola and SK, who indicated that they would continue to expand operations in Chengdu.

### **Outlook for the next 12 months**

The Singapore credit market remains tight, given the unprecedented amount of S\$ property loans being raised and international banks' reduced lending capacity as a result of the subprime crisis. This has resulted in increased debt costs for borrowers in the Singapore property market.

## Financial Statements Announcement For The Second Quarter Ended 30 June 2008

The Manager expects the Group to continue to benefit from proactive strategies in the management of its assets, the continued strong demand for office space in Singapore and the recovery in sales at our Chengdu property following the disruption in operations caused by the Sichuan earthquake. To the extent that there is a significant slowdown in the regional economies, these buoyant markets may be adversely impacted.

### Sources

- (1) CBRE Research Report - "Market View Singapore Second Quarter 2008" (June 2008);  
JLL Research Report - "Property Market Monitor Singapore June 2008" (June 2008)
- (2) Japan Times Online - "Sentiment tanks in latest 'tankan'" (2 July 2008);  
Macquarie Research Economics - "Japan -Tankan shows cost pressure" (1 July 2008);  
Macquarie Research - "JREI Land Price Survey" (21 May 2008)
- (3) CBRE Research Report "Restoring Hope in the Wake of Calamity" (10 June 2008);  
Business Times report "Post-quake problems a challenge for Chengdu" (20 June 2008)

## 11 Distributions

### (a) Current financial period

Any distributions declared for the current financial period: Yes

Name of distribution: Second quarter distribution for the period from 1 April 2008 to 30 June 2008.

Distribution rate: 1.78 cents per unit

Distribution type:

Type	Cents
Taxable income component	1.67
Tax-exempt income component	0.11
<b>Total</b>	<b>1.78</b>

Par value of units: NA

Tax rate: Taxable income component

Taxable income distributions are made out of the Trust's taxable income. Unitholders receiving such distributions will be assessable to Singapore income tax on the distributions received except for individuals where these distributions are exempt from tax (unless they hold their units through partnership or as trading assets).

Tax-exempt income component

Tax-exempt income component is exempt from tax in the hands of all Unitholders.

## Financial Statements Announcement For The Second Quarter Ended 30 June 2008

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

Any distributions declared for the previous corresponding financial period:

Yes

Name of distribution: Second quarter distribution for the period from 1 April 2007 to 30 June 2007.

Distribution rate: 1.50 cents per unit

Distribution type: Taxable income

Par value of units: NA

Tax rate: These distributions are made out of the Trust's taxable income.

Unitholders receiving such distributions will be assessable to Singapore income tax on the distributions received except for individuals where these distributions are exempt from tax (unless they hold their units through partnership or as trading assets).

Footnotes:

NA – Not applicable

**(c) Date payable:** 29 August 2008

**(d) Books Closure Date:** 7 August 2008

### 12 If no distribution has been declared/(recommended), a statement to that effect

Not applicable

### 13 Directors' confirmation

To the best of our knowledge, nothing has come to the attention of the Board of Directors which may render the unaudited interim financial results of the Group and Trust as at 30 June 2008 (comprising the balance sheets as at 30 June 2008 and the statements of total return & distribution statements, cash flow statement and statements of movements in net assets attributable to unitholders for the three months ended on that date, together with their accompanying notes) to be false or misleading in any material respect.

On behalf of the Board

Stephen Girdis  
Chairman

Franklin Heng  
Chief Executive Officer/Director

<p>This release may contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from similar developments, shifts in expected levels of property rental income, changes in operating expenses, including employee wages, benefits and training, property expenses and governmental</p>
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## **Financial Statements Announcement For The Second Quarter Ended 30 June 2008**

and public policy changes and the continued availability of financing in the amounts and the terms necessary to support future business. You are cautioned not to place undue reliance on these forward looking statements, which are based on current view of management on future events.

Any discrepancies in the tables included in this announcement between the listed amounts and total thereof are due to rounding.

**BY ORDER OF THE BOARD  
MACQUARIE PACIFIC STAR PRIME REIT MANAGEMENT LIMITED  
AS MANAGER OF MACQUARIE PRIME REAL ESTATE INVESTMENT TRUST**

Patricia Ong  
Joint Company Secretary  
30 July 2008