



Saizen Real Estate Investment Trust

(A real estate investment trust constituted on 27 September 2007 under the laws of the Republic of Singapore (as amended))

Announcement In Relation To The Unaudited Financial Statements For The Second Quarter Ended 31 December 2010

TABLE OF CONTENTS

Item no.	Description	Page no.
	Introduction	
-	Summary of results	2 – 3
-	Background of Saizen REIT	3
	Information Required for Announcements	
1(a)	Statement of total return	4 – 6
1(b)(i)	Balance sheet	7 – 8
1(b)(ii)	Aggregate amount of the Group's borrowings and debt securities	8
1(c)	Cash flow statement	9 – 11
1(d)(i)	Statement of changes in Unitholders' funds	11
1(d)(ii)	Details of changes in the Units and warrants	12
2 & 3	Audit statement	12
4 & 5	Changes in accounting policies	12
6	Earnings per Unit for the financial period (Group)	12 – 13
7	Net Asset Value per Unit based on issued Units at the end of 31 December 2010 and 30 June 2010	13
8	Review of performance	14 – 17
9	Outlook and prospects	17 – 18
10 & 11	Distributions	18 – 19
12	Interested person transactions	19
13	Update on utilisation of warrant proceeds	19
14	Confirmation by Directors pursuant to Clause 705(4) of the Listing Manual of SGX-ST	20

INTRODUCTION

Declaration of distribution. Saizen Real Estate Investment Trust (“**Saizen REIT**”) has declared a distribution of 0.52 Singapore cents (“**cents**”) per Unit for the six-month financial period ended 31 December 2010 (“**YTD Dec 2010**”). Saizen REIT’s previous distribution had been 0.26 cents per Unit for the financial year ended 30 June 2010.

The distribution for YTD Dec 2010 has been computed using a larger number of Units in issue following warrant exercises, and has also taken into account higher loan amortisation. While loan amortisation reduces cash available for distribution, its benefits accrue to Unitholders.

While property operations remained stable, revenue and income decreased year-on-year and quarter-on-quarter for the second quarter ended 31 December 2010 (“**2Q FY2011**”), due mainly to the sale of a total of 12 properties between September 2010 and November 2010.

The average occupancy rate was 90.8% in 2Q FY2011, as compared to 91.0% in the second quarter ended 31 December 2009 (“**2Q FY2010**”) and 90.9% in the previous quarter ended 30 September 2010 (“**1Q FY2011**”). Overall rental reversion of new contracts entered into in 2Q FY2011 was marginally lower by about 3.2% (2Q FY2010 and 1Q FY2011: lower by about 4.4% and 3.2% respectively) from previous contracted rates.

YK Shintoku’s loan issue continues to be addressed. YK Shintoku divested seven properties in 2Q FY2011, at a weighted average discount of about 4% to valuation. In aggregate, these seven properties contributed a gross revenue of JPY 6.3 million (S\$0.1 million¹), or 0.6% of the Group’s total revenue, in 2Q FY2011. Loan repayment using sale proceeds from these divestments as well as principal repayments made from YK Shintoku’s operations cash flow in 2Q FY2011 had reduced the loan balance of YK Shintoku to JPY 5.5 billion (S\$87.0 million) as at the end of December 2010. Refinancing efforts are on-going.

The financial year-end of Saizen REIT is 30 June.

Summary of results

Net asset value increased from JPY 23.9 billion as at 30 June 2010 to JPY25.7 billion as at 31 December 2010, attributable mainly to the total return of the Group and the exercise of warrants in 1Q FY2011. Following the issue of new Units in 2Q FY2011 pursuant to the exercise of warrants, the number of issued Units increased from 953,203,055 as at 30 June 2010 to 1,122,925,619 as at 31 December 2010. This had dilutive effects on the net asset value per Unit, which decreased from S\$0.40 per Unit as at 30 June 2010 to S\$0.36 per Unit as at 31 December 2010, as the exercise price of the warrants is lower than the prevailing net asset value per Unit of the Group.

The following is a summary of Saizen REIT’s operating performance for 2Q FY2011, 1Q FY2011, 2Q FY2010, YTD Dec 2010 and the six-month financial period ended 31 December 2009 (“**YTD Dec 2009**”).

	2Q FY2011 ²	1Q FY2011 ³	2Q FY2010 ⁴
Gross revenue			
(S\$’000)	15,310 ⁵	16,274 ⁶	15,937 ⁷
(JPY’000)	970,659	1,030,129	1,026,319
Net property income			
(S\$’000)	10,484 ⁵	11,389 ⁶	11,108 ⁷
(JPY’000)	664,717	720,928	715,384
Net income from operations			
(S\$’000)	5,031 ⁵	6,012 ⁶	5,652 ⁷
(JPY’000)	318,995	380,537	364,000

	YTD Dec 2010 ⁸	YTD Dec 2009 ⁹
Distributable income (S\$'000) (JPY'000)	6,055¹⁰ 383,858	NA¹¹
Distribution (S\$'000) (JPY'000)	5,853¹ 369,922	NA¹¹
Distribution per Unit (cents)	0.52¹²	NA¹¹

Notes:

1. Based on S\$ / JPY exchange rate of 63.2 as at 31 December 2010, which is applied throughout this announcement unless stated otherwise.
2. There were 156 properties at the start of 2Q FY2011 and 149 properties at the end of 2Q FY2011.
3. There were 161 properties at the start of 1Q FY2011 and 156 properties at the end of 1Q FY2011.
4. There were 162 properties at the start of 2Q FY2010 and 161 properties at the end of 2Q FY2010.
5. Based on S\$ / JPY average exchange rate of 63.4 between 1 October 2010 and 31 December 2010.
6. Based on S\$ / JPY average exchange rate of 63.3 between 1 July 2010 and 30 September 2010.
7. Based on S\$ / JPY average exchange rate of 64.4 between 1 October 2009 and 31 December 2009.
8. There were 161 properties at the start of YTD Dec 2010 and 149 properties at the end of YTD Dec 2010.
9. There were 166 properties at the start of YTD Dec 2009 and 161 properties at the end of YTD Dec 2009.
10. Based on S\$ / JPY average exchange rate of 63.4 between 1 July 2010 and 31 December 2010.
11. NA denotes not applicable.
12. Estimated based on 1,125,615,406 Units in issue as at 10 February 2011, being the market day immediately preceding the date of this announcement.

Background of Saizen REIT

Saizen REIT, listed on the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on 9 November 2007 (the “**Listing**”), is the first REIT listed in Singapore offering access to purely Japanese residential real estate.

The principal investment objective of Saizen REIT is to invest in a diversified portfolio of income-producing real estate located in Japan, which is used primarily for residential and residential-related purposes, and real estate-related assets in connection with the foregoing.

At the time of the Listing, Saizen REIT's portfolio comprised 147 properties located in 12 regional cities in Japan. As at 31 December 2010, Saizen REIT's portfolio comprised 149 properties, with a total appraised value of JPY 38.7 billion (S\$612.3 million) located in 13 regional cities in Japan.

Saizen REIT invests in the properties in Japan via partnership agreements (“**TK agreements**”) with local property holding companies known as *tokumei kumiai* operators (“**TK operators**”). As at the date hereof, Saizen REIT has entered into TK agreements with nine TK operators, being YK JOF, YK Kokkei, YK Keizan, YK Shintoku, YK Shingen, YK Shinzan, GK Chosei, GK Choan and GK Chogen.

The manager of Saizen REIT is Japan Residential Assets Manager Limited (the “**Manager**”) and the asset manager of the TK operators is KK Tenyu Asset Management (the “**Asset Manager**”) (together, the “**Management Team**”).

Saizen REIT conducted a 10-for-11 rights issue in May 2009 (the “**Rights Issue**”). 497,185,362 rights Units were issued at an issue price of S\$0.09 each, together with 497,185,362 detachable warrants. The Rights Issue was concluded in June 2009. Each warrant carries the right to subscribe for one new Unit at an exercise price of S\$0.09. The warrants may be exercised at any time up to 5.00 p.m. on 2 June 2012.

INFORMATION REQUIRED FOR ANNOUNCEMENTS**1(a) Statement of total return (for the Group) (2Q FY2011 vs 2Q FY2010)**

	2Q FY2011 (JPY'000)	2Q FY2010 (JPY'000)	Increase / (Decrease) %
Gross revenue	970,659	1,026,319	(5.4)
Property operating expenses	(305,942)	(310,935)	(1.6)
Net property income	664,717	715,384	(7.1)
Interest income	4	62	(93.5)
Other administrative expenses	(40,568)	(37,360)	8.6
Manager's management fees	(49,064)	(53,023)	(7.5)
Asset management fees	(6,379)	(6,448)	(1.1)
Trustee's fee	(2,225)	(2,463)	(9.7)
Other trust expenses	(24,306)	(17,374)	39.9
Finance costs ¹	(223,184)	(234,778)	(4.9)
Net income from operations	318,995	364,000	(12.4)
Loss on divestment of properties	(125,778)	(10,080)	>100.0
Net fair value loss on financial derivatives			
- fair value through profit or loss ²	(195,418)	(401,741)	(51.4)
Net fair value losses on investment properties	(400)	-	NM ⁴
Total loss for the period before income tax ³	(2,601)	(47,821)	(94.6)
Income tax	(46,767)	(45,784)	2.1
Total loss for the period	(49,368)	(93,605)	(47.3)
Attributable to:			
Unitholders	(51,684)	(94,326)	(45.2)
Non-controlling interests	2,316	721	>100.0
	(49,368)	(93,605)	(47.3)

Notes:

1. Finance costs comprise the following:

	2Q FY2011 (JPY'000)	2Q FY2010 (JPY'000)	Increase / (Decrease) %
(i) interest expenses	(182,067)	(201,776)	(9.8)
(ii) amortisation of loan commission	(28,646)	(33,465)	(14.4)
(iii) guarantor fee to asset manager	(1,967)	(1,250)	57.4
(iv) exchange difference	(10,504)	1,713	NM ⁴

2. Fair value loss on financial derivatives comprises the following:

	2Q FY2011 (JPY'000)	2Q FY2010 (JPY'000)	Increase / (Decrease) %
(i) realised loss (payment) on interest rate swap	(8,817)	(11,572)	(23.8)
(ii) unrealised fair value gain/(loss) on interest rate swap	15,689	(1,153)	NM ⁴
(iii) unrealised fair value loss on interest rate cap	-	(11)	(100.0)
(iv) fair value loss on warrants	(202,290)	(389,005)	(48.0)

3. The Group's total loss before income tax is arrived at after charging the following:

	2Q FY2011 (JPY'000)	2Q FY2010 (JPY'000)	Increase / (Decrease) %
(i) write back of account receivable	255	3,529	(92.8)

4. NM denotes not meaningful.

Statement of total return (for the Group) (YTD Dec 2010 vs YTD Dec 2009)

	YTD Dec 2010 (JPY'000)	YTD Dec 2009 (JPY'000)	Increase / (Decrease) %
Gross revenue	2,000,788	2,077,668	(3.7)
Property operating expenses	(615,143)	(626,624)	(1.8)
Net property income	1,385,645	1,451,044	(4.5)
Interest income	624	878	(28.9)
Other administrative expenses	(79,558)	(70,731)	12.5
Manager's management fees	(99,942)	(106,722)	(6.4)
Asset management fees	(12,913)	(12,784)	1.0
Trustee's fee	(4,822)	(6,344)	(24.0)
Other trust expenses	(40,519)	(56,411)	(28.2)
Finance costs ¹	(448,983)	(448,974)	0.0
Issue expenses	-	(4,110)	(100.0)
Net income from operations	699,532	745,846	(6.2)
Loss on divestment of properties	(182,910)	(57,699)	>100.0
Net fair value loss on financial derivatives - fair value through profit or loss ²	(89,914)	(510,132)	(82.4)
Net fair value losses on investment properties	(400)	-	NM ⁴
Total return for the period before income tax ³	426,308	178,015	>100.0
Income tax	(92,926)	(107,051)	(13.2)
Total return for the period after income tax before distribution	333,382	70,964	>100.0
Less: Distribution	(179,139)	-	NM ⁴
Total return for the period	154,243	70,964	>100.0
Attributable to:			
Unitholders	147,566	69,534	>100.0
Non-controlling interests	6,677	1,430	>100.0
	154,243	70,964	>100.0

Notes:

1. Finance costs comprise the following:

	YTD Dec 2010 (JPY'000)	YTD Dec 2009 (JPY'000)	Increase / (Decrease) %
(i) interest expenses	(389,333)	(373,453)	4.3
(ii) amortisation of loan commission	(56,384)	(74,241)	(24.1)
(iii) guarantor fee to asset manager	(3,977)	(1,250)	>100.0
(iv) exchange difference	711	(30)	NM ⁴

2. Fair value loss on financial derivatives comprises the following:

	YTD Dec 2010 (JPY'000)	YTD Dec 2009 (JPY'000)	Increase / (Decrease) %
(i) realised loss (payment) on interest rate swap	(17,388)	(20,761)	(16.2)
(ii) unrealised fair value gain/(loss) on interest rate swap	8,722	(3,242)	NM ⁴
(iii) unrealised fair value loss on interest rate cap	-	(28)	(100.0)
(iv) fair value loss on warrants	(81,248)	(486,101)	(83.3)

3. The Group's total return before income tax is arrived at after charging the following:

	YTD Dec 2010 (JPY'000)	YTD Dec 2009 (JPY'000)	Increase / (Decrease) %
(i) write back of account receivable	1,238	2,327	(46.8)

4. NM denotes not meaningful.

Statement of distributable income from operations

		YTD Dec 2010
Total return for the period after income tax	(JPY'000)	333,382
Adjustments ¹	(JPY'000)	300,687
Adjusted return for the period	(JPY'000)	634,069
Income available for distribution to Unitholders at the beginning of the period	(JPY'000)	176,058
Deployed for loan principal repayment	(JPY'000)	(215,108) ²
Deployed for one-off refinancing costs	(JPY'000)	(32,022) ³
Distribution to Unitholders for FY2010	(JPY'000)	(179,139)
Distributable income from operations at the end of the period	(JPY'000)	383,858
Distribution to Unitholders	(JPY'000)	369,922 ⁴
Distribution per Unit	(cents)	0.52

Notes:

1. Adjustments comprised non-cash items, namely fair value loss on warrants, unrealised fair value gain on interest rate swap, amortisation of loan commission, loss on divestment of properties and unrealised exchange differences.
2. The amount deployed for loan principal repayment comprised mainly amortisation payments on the loan principals of YK Shinzan, YK JOF, GK Choan, GK Chosei and GK Chogen. While loan amortisation reduces cash available for distribution, it results in savings on interest expenses going forward. Solely for illustration purposes only, had the aforesaid amount been distributable, it would have amounted to an additional distribution of approximately 0.26 cents per Unit (based on 1,122,925,619 Units in issue as at 31 December 2010).
3. The amount deployed for one-off refinancing costs comprised one-off costs incurred in respect of the refinancing of the loan of GK Choan and YK Shingen.
4. Estimated based on 1,125,615,406 Units in issue as at 10 February 2011, being the market day immediately preceding the date of this announcement.

Income available for distribution to Unitholders is affected by factors including, inter alia, the repayment and the amortisation of loans. Saizen REIT's distribution policy is to distribute at least 90% of its income available for distribution to Unitholders.

In respect of this distribution for YTD Dec 2010, the income available for distribution to Unitholders was mainly affected by (i) cash from operations used for partial loan repayments made by YK Shintoku and GK Chosei, (ii) cash from operations used for amortisation payments on the loan principals of YK Shinzan, YK JOF and GK Choan, and (iii) interest expenses incurred following the maturity default of the loan of YK Shintoku. Amortisation payments on existing loans amount to an aggregate of about JPY 390 million per annum. While loan amortisation reduces cash available for distribution, it results in savings on interest expenses going forward.

1(b)(i) Balance sheet

	The Group	
	As at 31 Dec 2010 (JPY'000)	As at 30 Jun 2010 (JPY'000)
Current assets		
Cash and cash equivalents	3,432,260	2,368,910
Deposits with cash management agents ¹	1,145,425	1,247,262
Trade and other receivables	30,916	37,721
Other current assets	60,041	45,222
	<u>4,668,642</u>	<u>3,699,115</u>
Non-current assets		
Investment properties ²	38,716,633	40,381,700
	<u>38,716,633</u>	<u>40,381,700</u>
Total assets	<u>43,385,275</u>	<u>44,080,815</u>
Current liabilities		
Rental deposits	549,870	602,947
Rental received in advance	242,555	256,888
Borrowings	6,226,605	7,827,162
Other current liabilities	301,659	394,464
Current tax liabilities	405,607	356,545
Derivative financial instruments ³	1,532,841	2,189,316
	<u>9,259,137</u>	<u>11,627,322</u>
Non-current liabilities		
Rental deposits	22,685	23,594
Borrowings	8,288,395	8,453,768
Derivative financial instruments ⁴	76,095	84,817
	<u>8,387,175</u>	<u>8,562,179</u>
Total liabilities	<u>17,646,312</u>	<u>20,189,501</u>
Total net assets	<u>25,738,963</u>	<u>23,891,314</u>
Represented by:		
Unitholders	25,723,895	23,882,923
Non-controlling Interests	15,068	8,391
	<u>25,738,963</u>	<u>23,891,314</u>
Number of Units in issue ('000) ⁵	<u>1,122,926</u>	<u>953,203</u>
Net asset value per unit attributable to Unitholders (JPY)	<u>22.91</u>	<u>25.06</u>

Notes:

1. The cash management agents are professional service providers appointed by lenders to administer cash movements of the TK operators.
2. The decrease in investment properties by JPY 1.7 billion from JPY 40.4 billion as at 30 June 2010 to JPY 38.7 billion as at 31 December 2010 was mainly due to the divestment of five properties in 1Q FY2011 and seven properties in 2Q FY2011.
3. The derivative financial instruments (current liabilities) comprised warrants that are outstanding. The decrease in the derivative financial instruments (current liabilities) was mainly due to the decrease in the number of warrants that are outstanding as at balance sheet date.
4. The derivative financial instruments (non-current liabilities) comprised an interest rate swap used to hedge against fluctuations in interest rates in respect of the loan obtained by GK Choan.
5. The number of Units in issue increased from 953,203,055 Units as at 30 June 2010 to 1,122,925,619 Units as at 31 December 2010 due to the issue of 169,722,564 new Units pursuant to the exercise of warrants.

Saizen REIT		
	As at 31 Dec 2010 (JPY'000)	As at 30 Jun 2010 (JPY'000)
Current assets		
Cash and cash equivalents	897,928	290,216
Distribution receivables	1,942,047	1,555,225
Other receivables	918	821
Other assets	2,525	1,746
	<u>2,843,418</u>	<u>1,848,008</u>
Non-current assets		
Investment in subsidiaries	23,716,250	24,355,372
	<u>23,716,250</u>	<u>24,355,372</u>
Total assets	<u>26,559,668</u>	<u>26,203,380</u>
Current liabilities		
Other current liabilities	52,557	85,598
Current tax liabilities	390,480	302,223
Derivative financial instruments ¹	1,532,841	2,189,316
	<u>1,975,878</u>	<u>2,577,137</u>
Total liabilities	<u>1,975,878</u>	<u>2,577,137</u>
Total net assets	<u>24,583,790</u>	<u>23,626,243</u>
Represented by:		
Unitholders	<u>24,583,790</u>	<u>23,626,243</u>
Number of Units in issue ('000)	<u>1,122,926</u>	<u>953,203</u>
Net asset value per unit attributable to Unitholders (JPY)	<u>21.89</u>	<u>24.79</u>

Note:

1. The derivative financial instruments (current liabilities) comprised warrants that are outstanding.

1(b)(ii) Aggregate amount of the Group's borrowings and debt securities

	As at 31 Dec 2010 (JPY'000)	As at 30 Jun 2010 (JPY'000)
Secured borrowings		
Amount repayable in one year or less		
- Bank loans	728,407	716,171
- Commercial mortgage-backed securities loans	5,498,198	7,110,991
	<u>6,226,605</u>	<u>7,827,162</u>
Amount repayable after one year		
- Bank loans	8,288,395	8,453,768
	<u>14,515,000</u>	<u>16,280,930</u>

As at 31 December 2010, the above borrowings are secured over the investment properties of Saizen REIT with aggregate value amounting to JPY 26.7 billion.

The decrease in borrowings from JPY 16.3 billion as at 30 June 2010 to JPY 14.5 billion as at 31 December 2010 was mainly due to the partial repayment of the loan of YK Shintoku, which amounted to JPY 1.6 billion.

1(c) Cash flow statement (for the Group) (2Q FY2011 vs 2Q FY2010)

	2Q FY2011 (JPY'000)	2Q FY2010 (JPY'000)
Operating activities		
Total loss for the period after income tax before distribution	(49,368)	(93,605)
Adjustments for:		
Income tax	46,767	45,784
Interest income	(4)	(62)
Interest expenses	210,713	236,491
Net fair value loss on financial derivatives	195,418	401,741
Loss on divestment of properties	125,778	10,080
Net fair value losses on investment properties	400	-
Operating profit before working capital changes	529,704	600,429
Changes in working capital		
Deposit with cash management agents	87,222	1,085,578 ¹
Trade and other receivables	4,436	5,009
Other current assets	(6,046)	(8,411)
Other current liabilities	54,350	32,719
Rental received in advance	(3,645)	1,827
Rental deposits	(31,267)	(25,084)
Cash generated from operations	634,754	1,692,067
Income tax paid	(1,886)	-
Withholding tax paid	(2,782)	-
Cash flows provided by operating activities	630,086	1,692,067
Investing activities		
Capital expenditure	(32,605)	(10,685)
Proceeds from sale of investment properties	1,009,122	62,920
Cash flows provided by investing activities	976,517	52,235
Financing activities		
Repayment of bank borrowings	(1,240,656) ¹	(6,532,730) ²
Interest received	4	62
Interest paid	(140,800)	(174,197)
Payment of interest rate swap	(8,817)	(11,572)
Proceeds from exercise of warrants	67,767	69
Bank deposits pledged for bank borrowings	2,342	(202,620)
Cash flows used in financing activities	(1,320,160)	(6,920,988)
Net increase/(decrease) in cash and cash equivalents	286,443	(5,176,686)
Cash and cash equivalent at beginning of the period	2,945,368	6,288,743
Cash and cash equivalent at end of the period ³	3,231,811	1,112,057

Notes:

1. The change in deposit with cash management agent in 2Q FY2010 was mainly due to the utilization of reserves previously held by loan servicer for loan repayment by YK Kokkei and YK Shingen as well as the payment of sale proceeds from the divestment of properties of YK Shintoku that was retained by the loan servicer in 1Q FY2010.

Following the maturity default of the loan of YK Shintoku in November 2009, sale proceeds from the sale of YK Shintoku's properties are typically applied towards loan repayment shortly after the completion of each property divestment instead of being retained by the loan servicer. As such, the repayment of bank borrowings in 2Q FY2011 included the application of sale proceeds towards the partial repayment of the loan of YK Shintoku.

2. Repayment of borrowings comprised (i) the full repayment of the loans of YK Kokkei and YK Shingen, (ii) the full repayment of a short-term bridging loan by YK JOF, and (iii) the partial repayment of the loan of YK Shintoku.

3. For the purpose of presenting the consolidated cash flow statement, the consolidated cash and cash equivalents comprise the following:

	2Q FY2011 (JPY'000)	2Q FY2010 (JPY'000)
Cash and bank balances (per balance sheet)	3,432,260	1,314,677
Less: Bank deposits pledged	(200,449)	(202,620)
	<u>3,231,811</u>	<u>1,112,057</u>

Bank deposits pledged relate to minimum bank balances which have to be maintained by YK JOF and YK Shintoku under the terms of their respective loans.

1 (c) Cash flow statement (for the Group) (YTD Dec 2010 vs YTD Dec 2009)

	YTD Dec 2010 (JPY'000)	YTD Dec 2009 (JPY'000)
Operating activities		
Total return for the period after income tax before distribution	333,382	70,964
Adjustments for:		
Income tax	92,926	107,051
Interest income	(624)	(878)
Interest expenses	445,717	448,944
Net fair value loss on financial derivatives	89,914	510,132
Loss on divestment of properties	182,910	57,699
Net fair value losses on investment properties	400	-
Operating profit before working capital changes	<u>1,144,625</u>	<u>1,193,912</u>
Changes in working capital		
Deposit with cash management agents	101,837	555,066
Trade and other receivables	6,797	8,093
Other current assets	(17,037)	(4,422)
Other current liabilities	(52,820)	(55,347)
Rental received in advance	(14,333)	(7,782)
Rental deposits	(53,986)	(56,946)
Cash generated from operations	<u>1,115,083</u>	<u>1,632,574</u>
Income tax paid	(2,599)	(59,553)
Withholding tax paid	(41,265)	-
Cash flows provided by operating activities	<u>1,071,219</u>	<u>1,573,021</u>
Investing activities		
Capital expenditure	(34,333)	(14,232)
Proceeds from sale of investment properties	1,516,090	625,300
Cash flows provided by investing activities	<u>1,481,757</u>	<u>611,068</u>
Financing activities		
Bank borrowings obtained	-	1,000,000
Repayment of bank borrowings	(1,807,337)	(6,560,757)
Distribution to Unitholders	(179,139)	-
Interest received	632	878
Interest paid	(442,074)	(379,854)
Payment of interest rate swap	(17,388)	(20,761)
Proceeds from exercise of warrants	955,680	20,781
Bank deposits pledged for bank borrowings	2,068	(202,620)
Cash flows used in financing activities	<u>(1,487,558)</u>	<u>(6,142,333)</u>
Net increase/(decrease) in cash and cash equivalents	1,065,418	(3,958,244)
Cash and cash equivalent at beginning of the period	2,166,393	5,070,301
Cash and cash equivalent at end of the period ¹	<u>3,231,811</u>	<u>1,112,057</u>

Note:

1. For the purpose of presenting the consolidated cash flow statement, the consolidated cash and cash equivalents comprise the following:

	YTD Dec 2010 (JPY'000)	YTD Dec 2009 (JPY'000)
Cash and bank balances (per balance sheet)	3,432,260	1,314,677
Less: Bank deposits pledged	(200,449)	(202,620)
	<u>3,231,811</u>	<u>1,112,057</u>

Bank deposits pledged relate to minimum bank balances which have to be maintained by YK JOF and YK Shintoku under the terms of their respective loans.

1(d)(i) Statement of changes in Unitholders' funds**The Group**

	YTD Dec 2010 (JPY'000)	YTD Dec 2009 (JPY'000)
OPERATION		
Balance as at beginning of the period	(11,505,071)	(10,621,193)
Total return for the period	326,705	69,534
Distribution to Unitholders	(179,139)	-
Balance as at end of period	<u>(11,357,505)</u>	<u>(10,551,659)</u>
UNITHOLDERS CONTRIBUTION		
Balance as at beginning of the period	35,387,994	35,347,707
Issue of new units from exercise of warrants	1,693,406	35,820
Balance as at end of period	<u>37,081,400</u>	<u>35,383,527</u>
TOTAL ATTRIBUTABLE TO UNITHOLDERS	<u>25,723,895</u>	<u>24,831,868</u>
NON-CONTROLLING INTERESTS		
Balance as at beginning of the period	8,391	-
Total return for the period	6,677	1,430
Balance as at end of period	<u>15,068</u>	<u>1,430</u>
TOTAL	<u>25,738,963</u>	<u>24,833,298</u>

Saizen REIT

	YTD Dec 2010 (JPY'000)	YTD Dec 2009 (JPY'000)
OPERATION		
Balance as at beginning of the period	(13,016,678)	(12,090,811)
Total loss for the period	(556,720)	(565,645)
Distribution to Unitholders	(179,139)	-
Balance as at end of period	<u>(13,752,537)</u>	<u>(12,656,456)</u>
UNITHOLDERS CONTRIBUTION		
Balance as at beginning of the period	36,642,921	36,602,634
Issue of new units from exercise of warrants	1,693,406	35,820
Balance as at end of period	<u>38,336,327</u>	<u>36,638,454</u>
TOTAL ATTRIBUTABLE TO UNITHOLDERS	<u>24,583,790</u>	<u>23,981,998</u>

1(d)(ii) Details of changes in the Units and warrants

	2Q FY2011 (Units)	2Q FY2010 (Units)
Issued Units as at beginning of period	1,111,002,712	952,770,055
Issue of new Units from exercise of warrants	11,922,907	12,000
Issued Units as at end of period	1,122,925,619	952,782,055

	2Q FY2011 (Warrants)	2Q FY2010 (Warrants)
Number of warrants outstanding as at beginning of period	335,354,705	493,587,362
Exercise of warrants	(11,922,907)	(12,000)
Number of warrants outstanding as at end of period	323,431,798	493,575,362

Saizen REIT issued 497,185,362 warrants in June 2009. Each warrant entitles the warrant holder to subscribe for one new Unit in Saizen REIT at an exercise price of S\$0.09.

After 31 December 2010 and following the exercise of an aggregate of 2,689,787 warrants in January 2011 and February 2011, the number of Units in issue and warrants outstanding as at 10 February 2011, being the market day immediately preceding the date of this announcement, are 1,125,615,406 and 320,742,011 respectively.

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

These figures have neither been audited nor reviewed by our auditors.

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

Not applicable.

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

For the current reporting period, the Group has applied the same accounting policies and methods of computation as those applied in its audited financial statements for the financial year ended 30 June 2010.

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. Earnings per Unit for the financial period (Group)

Earnings per Unit ("EPU") of the Group for the current financial period reported on, and the corresponding period of the immediately preceding financial year:-

(a) Basic EPU

Basic EPU amounts are calculated by dividing the profit attributable to the Unitholders of the Group by the weighted average number of units in issue during the financial period.

(b) Diluted EPU

Diluted EPU amounts are calculated by dividing the profit attributable to the Unitholders of the Group by the weighted average number of Units outstanding during the period plus the weighted average number of Units that would be issued on the exercise of all warrants into potential Units.

		2Q FY2011	2Q FY2010	YTD Dec 2010	YTD Dec 2009
Total (loss)/ return for the period attributable to Unitholders for basic and diluted EPU (JPY'000)		(51,684)	(94,326)	326,705	69,534
Basic EPU	(JPY)	(0.05)	(0.10)	0.31	0.07
	(cents)	(0.08) ¹	(0.16) ²	0.49 ³	0.11 ⁴
Diluted EPU	(JPY)	(0.05)	(0.10)	0.27	0.06
	(cents)	(0.08) ¹	(0.16) ²	0.43 ³	0.09 ⁴
Weighted average number of Units		1,118,491,103	952,774,272	1,058,023,380	951,116,300
Weighted average number of Units plus dilutive effect		1,261,172,944	1,139,625,755	1,227,036,853	1,141,375,755

Notes:

1. Based on S\$/JPY average exchange rate of 63.4 between 1 October 2010 and 31 December 2010.
2. Based on S\$/JPY average exchange rate of 64.4 between 1 October 2009 and 31 December 2009.
3. Based on S\$/JPY average exchange rate of 63.4 between 1 July 2010 and 31 December 2010.
4. Based on S\$/JPY average exchange rate of 64.8 between 1 July 2009 and 31 December 2009.

7. Net asset value ("NAV") per Unit based on issued Units at the end of 31 December 2010 and 30 June 2010

The Group

		As at 31 Dec 2010	As at 30 Jun 2010
NAV per Unit based on issued Units at the end of financial period	(JPY)	22.91	25.06
	(S\$)	0.36 ¹	0.40 ²
Number of Units ³		1,122,925,619	953,203,055

Saizen REIT

		As at 31 Dec 2010	As at 30 Jun 2010
NAV per Unit based on issued Units at the end of financial period	(JPY)	21.89	24.79
	(S\$)	0.35 ¹	0.39 ²
Number of Units ³		1,122,925,619	953,203,055

Notes:

1. Based on S\$/JPY exchange rate of 63.2 as at 31 December 2010.
2. Based on S\$/JPY exchange rate of 63.4 as at 30 June 2010.
3. The number of Units in issue increased from 953,203,055 Units as at 30 June 2010 to 1,122,925,619 Units as at 31 December 2010 due to the issue of 169,722,564 new Units pursuant to the exercise of warrants.

8. Review of performance

Income statement: 2Q FY2011 vs 2Q FY2010

	2Q FY2011 ¹ (JPY'000)	2Q FY2010 ² (JPY'000)	Increase/ (Decrease) %
Gross revenue	970,659	1,026,319	(5.4)
Property operating expenses ³	(305,942)	(310,935)	(1.6)
Net property income	664,717	715,384	(7.1)
Other property-level expenses ⁴			
- Other administrative expenses	(29,561)	(31,951)	(7.5)
- Asset management fees	(6,379)	(6,448)	(1.1)
- Interest expenses ⁵	(190,884)	(213,348)	(10.5)
- Guarantor fee to asset manager	(1,967)	(1,250)	57.4
Net income from property operations	435,926	462,387	(5.7)
Interest income	4	62	(93.5)
Other operating expenses ⁶	(125,752)	(110,021)	14.3
Adjustment ⁷	8,817	11,572	(23.8)
Net income from operations	318,995	364,000	(12.4)

Notes:

1. There were 156 properties at the start of 2Q FY2011 and 149 properties at the end of 2Q FY2011.

2. There were 162 properties at the start of 2Q FY2010 and 161 properties at the end of 2Q FY2010.

3. Property operating expenses comprised the following:

	2Q FY2011 (JPY'000)	2Q FY2010 (JPY'000)	Increase / (Decrease) %
Property tax	74,126	76,546	(3.2)
Property manager's fees	38,615	40,657	(5.0)
Operation and maintenance expenses	45,276	51,017	(11.3)
Repairs and renovations	59,365	48,889	21.4
Leasing and marketing expenses	28,498	27,959	1.9
Utilities charges	39,244	41,694	(5.9)
Insurance expenses	10,428	13,451	(22.5)
Write back of account receivables	(255)	(3,529)	(92.8)
Bad debt written-off	1,047	4,711	(77.8)
Consumption tax arising from operation	9,598	9,540	0.6

4. Income and expense items at Saizen REIT level have been excluded.

5. Interest expenses include the realised loss (payment) on interest rate swap.

6. Other operating expenses comprised Manager's management fees, Trustee's fee, other trust expenses, finance costs (excluding interest expenses and realised loss (payment) on interest rate swap) and REIT-level other administrative expenses.

7. The adjustment relates to the realised loss (payment) on interest rate swap which is included as an interest expense in this section 8. The realised loss (payment) on interest rate swap is recognised under "Fair value gain/(loss) on financial derivatives – fair value through profit and loss" in the Statement of Total Return of the Group in section 1(a) of this announcement.

Property-level operations

Gross revenue decreased by 5.4%, due mainly to the divestment of 12 properties in YTD Dec 2010 as well as slight decreases in occupancy rates and rental rates of new contracts entered into after 2Q FY2010. These 12 divested properties had contributed an average gross revenue of approximately JPY 48.4 million per quarter in the financial year ended 30 June 2010.

Average occupancy rates in 2Q FY2011 was 90.8% as compared to 91.0% in 2Q FY2010, while overall rental reversion of new contracts entered into in 2Q FY2011 was marginally lower by about 3.2% (2Q FY2010: lower by about 4.4%) from previous contracted rates.

Property operating expenses remained relatively stable at JPY 0.3 billion in both 2Q FY2011 and 2Q FY2010, while net income from property operations decreased by 5.7%.

Repairs and renovations expenses increases 21.4% in 2Q FY2011 as compared to 2Q FY2010, due mainly to an increase in the amount of renovations and upgrading works, such as waterproofing and wall repairs on certain properties. During the quarter, major works had been conducted on Dominion Yamanote and Taisei Building III.

Other administrative expenses decreased by 7.5%, in line with the overall decrease in the number of properties. The decrease in interest expenses of 10.5% in 2Q FY2011 as compared to 2Q FY2010 was mainly due to the full repayment of the loans of YK Kokkei, YK Keizan and YK Shingen in between November 2009 to April 2010 and the partial repayment of the loan of YK Shintoku. This was partially offset by the new loan of YK Shinzan which was secured in March 2010 as well as the increase in annual interest rates of the loan of GK Choan from 2.66% to 3.8275% after its refinancing in June 2010.

Guarantor fees of JPY 2.0 million were paid to the Asset Manager in respect of the loans of YK JOF and YK Shinzan.

Group-level operations

Net income from operations decreased by 12.4% in 2Q FY2011 as compared to 2Q FY2010, due mainly to a decrease in net income from property operations (as explained above) and an increase in other operating expenses.

Other operating expenses increased by 14.3% in 2Q FY2011 as compared to 2Q FY2010. In particular, the increase was due to higher other trust expenses of JPY 24.3 million in 2Q FY2011 as compared to JPY 17.4 million in 2Q FY2010. This was mainly due to the increase in audit fee expenses of JPY 7.7 million and partially offset by the decrease in valuation fee expenses of JPY 1.3 million.

The increase in audit fee expenses was mainly due to a write back of JPY 8.1 million in 2Q FY2010 for over-accruals in the previous financial year. Based on the actual valuation fees charged in FY2010, accruals for valuation fees in each quarter of the current financial year is reduced by JPY 1.3 million to an amount of JPY11.5 million per quarter.

Other Group-level non-operating items

The sale of seven properties resulted in a loss incurred on the divestment of properties of JPY 125.8 million in 2Q FY2011. The net fair value loss of on investment properties JPY 0.4 million was due to the write-down in the value of a single property following a desktop valuation performed on this property as at 30 December 2010 in connection with its divestment in January 2011.

The fair value loss on financial derivatives of JPY 195.4 million incurred in 2Q FY2011 arose mainly due to the increase in market-traded price of the warrants, which resulted in fair value loss on warrants of JPY 202.3 million.

Income statement: 2Q FY2011 vs 1Q FY2011

	2Q FY2011 ¹ (JPY'000)	1Q FY2011 ² (JPY'000)	Increase/ (Decrease) %
Gross revenue	970,659	1,030,129	(5.8)
Property operating expenses ³	(305,942)	(309,201)	(1.1)
Net property income	664,717	720,928	(7.8)
Other property-level expenses ⁴			
- Other administrative expenses	(29,561)	(33,201)	(11.0)
- Asset management fees	(6,379)	(6,534)	(2.4)
- Interest expenses ⁵	(190,884)	(215,837)	(11.6)
- Guarantor fee to asset manager	(1,967)	(2,010)	(2.1)
Net income from property operations	435,926	463,346	(5.9)
Interest income	4	620	(99.4)
Other operating expenses ⁶	(125,752)	(92,000)	36.7
Adjustment ⁷	8,817	8,571	2.9
Net income from operations	318,995	380,537	(16.2)

Notes:

1. There were 156 properties at the start of 2Q FY2011 and 149 properties at the end of 2Q FY2011.

2. There were 161 properties at the start of 1Q FY2011 and 156 properties at the end of 1Q FY2011.

3. Property operating expenses comprised the following:

	2Q FY2011 (JPY'000)	1Q FY2011 (JPY'000)	Increase / (Decrease) %
Property tax	74,126	77,151	(3.9)
Property manager's fees	38,615	40,265	(4.1)
Operation and maintenance expenses	45,276	51,796	(12.6)
Repairs and renovations	59,365	53,002	12.0
Leasing and marketing expenses	28,498	24,395	16.8
Utilities charges	39,244	40,972	(4.2)
Insurance expenses	10,428	10,984	(5.1)
Write back of account receivables	(255)	(983)	(74.1)
Bad debt written-off	1,047	1,734	(39.6)
Consumption tax arising from operation	9,598	9,885	(2.9)

4. Income and expense items at Saizen REIT level have been excluded.

5. Interest expenses include the realised loss (payment) on interest rate swap.

6. Other operating expenses comprised Manager's management fees, Trustee's fee, other trust expenses, finance costs (excluding interest expenses and realised loss (payment) on interest rate swap) and REIT-level other administrative expenses.

7. The adjustment relates to the realised loss (payment) on interest rate swap which is included as an interest expense in this section 8. The realised loss (payment) on interest rate swap is recognised under "Fair value gain/(loss) on financial derivatives – fair value through profit and loss" in the Statement of Total Return of the Group in section 1(a) of this announcement.

Property-level operations

Gross revenue decreased by 5.8%, due mainly to the divestment of 12 properties between September 2010 and November 2010 and a slight decrease in rental rates of new contracts entered into in 2Q FY2011. Property operating expenses remained stable at JPY 0.3 billion in both 2Q FY2011 and 1Q FY2011, while net income from property operations decreased by 5.9%.

The decrease in interest expenses of 11.6% in 2Q FY2011 as compared to 1Q FY2011 was mainly due to the decrease in interest expenses attributable to the loan of YK Shintoku following the partial repayment of this loan.

Group-level operations

Net income from operations decreased by 16.2% in 2Q FY2011, due mainly to the decrease in net income from property operations and an increase in other operating expenses. Other operating expenses increased mainly due to foreign exchange losses recognised in 2Q FY2011 as well as an increase in other trust expenses.

Saizen REIT maintains S\$-denominated bank balances. The foreign exchange losses of JPY 10.5 million comprised mainly unrealised losses arising from the translation of these S\$-denominated bank balances to JPY for the preparation of the Group's financial statements. Comparatively, a foreign exchange gain of JPY 11.2 million had been recognised in 1Q FY2011.

Other trust expenses increased by JPY 8.1 million from JPY 16.2 million in 1Q FY2011 to JPY 24.3 million in 2Q FY2011, due mainly to an increase in audit fee expenses of JPY 3.5 million and an increase in valuation fee expenses of JPY 4.0 million.

The increase in audit fee expenses was mainly due to a write back of JPY 3.1 million in 1Q FY2011 for over-accruals in the previous financial year.

Accruals for valuation fees in each quarter of the current financial year amount to JPY11.5 million per quarter. Valuation fee expenses in 1Q FY2011 were lower than those in 2Q FY2011 due to a net reversal of JPY 4.0 million in 1Q FY2011 relating to over-accruals in the previous financial year.

Other Group-level non-operating items

The sale of seven properties resulted in a loss incurred on the divestment of properties of JPY 125.8 million in 2Q FY2011 as compared to the loss of JPY 57.1 million incurred on the divestment of five properties in 1Q FY2011. The net fair value loss of on investment properties JPY 0.4 million was due to the write-down in the value of a single property following a desktop valuation performed on this property as at 30 December 2010.

The fair value loss on financial derivatives of JPY 195.4 million incurred in 2Q FY2011 arose mainly due to the increase in market-traded price of the warrants, which resulted in fair value loss on warrants of JPY 202.3 million.

9. Outlook and prospectsLoans

To-date, YK Shintoku has divested a total of 18 properties (5 properties in FY2010, 5 properties in 1Q FY2011, 7 properties in 2Q FY2011 and 1 property in January 2011) as part of an on-going deleveraging plan to reduce the absolute amount of the loan of YK Shintoku and the leverage of the corresponding property portfolio, so as to facilitate refinancing efforts.

Efforts are still being made to form a syndication for a loan which will potentially enable the loan of YK Shintoku to be refinanced. The Asset Manager will continue to work closely with the loan servicer of YK Shintoku's loan pending any successful refinancing efforts.

The loan of YK Shintoku has been reduced from JPY 7.1 billion (S\$112.3 million) as at 30 June 2010 to about JPY 5.5 billion (S\$87.0 million) as at the date hereof. Taking into account applicable cash reserves of JPY 0.5 billion (S\$7.9 million) maintained by YK Shintoku under the loan agreement, the net outstanding loan of YK Shintoku amounts to approximately JPY 5.0 billion (S\$79.1 million).

The amount of S\$15.9 million, or approximately JPY 1.0 billion, of warrant proceeds received as at 10 February 2011, have yet to be deployed. Saizen REIT has 320,742,011 warrants which are outstanding and could potentially result in S\$28.9 million, or approximately JPY 1.8 billion, of further warrant proceeds being raised¹. These warrant proceeds may be applied towards the refinancing of the loan of YK Shintoku (if such refinancing is possible).

Saizen REIT also has an aggregate of approximately JPY 12.0 billion (S\$189.9 million) of unencumbered properties which may either be pledged as collateral for new loans or be made available for sale (at favourable prices). Proceeds from such new loans or property divestments will enhance the financial liquidity and flexibility of Saizen REIT, and can potentially be used in the resolution of the YK Shintoku loan issue if a complete solution can be found.

The loan of GK Chosei, amounting to approximately JPY 0.4 billion (S\$6.3 million) will mature in May 2011. This loan will be repaid in full using internal cash resources if it cannot be refinanced.

Property operations and distributions

Property operations are expected to remain stable, generating steady cash flow to enable Saizen REIT to continue paying out semi-annual distributions in accordance with its distribution policy.

Note:

1. This is based on the assumption that all 320,742,011 warrants outstanding as at 10 February 2011 are exercised (at an exercise price of S\$0.09 per warrant). **Please be reminded that this assumption is purely for illustration purposes only and actual outcomes may differ materially from this assumption.**

10. Distributions

10(a) Current financial period

Any distributions declared for the current financial period?	Yes
Distribution name	Distribution for the six-month financial period ended 31 December 2010
Distribution type	Tax-exempt income
Distribution rate	0.52 cents per Unit
Tax rate	<p>(a) Tax-exempt income distribution</p> <p>Tax-exempt income includes rental and other related income derived from Japanese real estate properties received in Singapore by Saizen REIT in the form of profit allocation (TK distributions) from Japan under a TK agreement. Such income received from Japan will be exempt from tax for Saizen REIT.</p> <p>Tax-exempt income distributed by Saizen REIT will not be subject to any further Singapore tax in the hands of all Unitholders.</p> <p>(b) Other income distribution</p> <p>Other income derived by Saizen REIT (including interest earned from fixed deposits) will be taxable in Singapore at the corporate tax rate. There is no distribution in respect of such income for YTD Dec 2010.</p> <p>(c) Any subsequent distributions made by Saizen REIT out of income which has been taxed at the REIT level will be exempt from Singapore tax for all Unitholders. There is no distribution in respect of such income for YTD Dec 2010.</p>

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

None.

10(c) Date payable

8 March 2011

10(d) Books closure date

21 February 2011, 5 p.m.

11. If no distribution has been declared/ recommended, a statement to that effect.

Not applicable.

12. Interested person transactions

Divestment fees amounting to an aggregate of JPY 3.3 million (S\$0.05 million) were paid to the Manager in respect of the sale of Villa Kaigancho, Kamei Five, Otemachi Y Building, Higashi Hakushima Y Building, Kinyacho Y Building, Jewel Town Suehiro and Reef Suite in 2Q FY2011.

Guarantor fees amounting to an aggregate of JPY 2.0 million (S\$0.03 million) were paid to the Asset Manager in 2Q FY2011 in respect of the loans of YK JOF and YK Shinzan.

13. Update on utilisation of warrant proceeds

Since the Rights Issue in 2009, 176,443,351 warrants have been exercised as at 10 February 2011, being the market day immediately preceding the date of this announcement. Such warrant exercises have raised proceeds of approximately S\$15.9 million, of which approximately S\$0.3 million has been used for working capital purposes.

The remaining warrant proceeds of approximately S\$15.6 million have not been deployed.

14. Confirmation by Directors pursuant to Clause 705(4) of the Listing Manual of SGX-ST

The Board of Directors of the Manager has confirmed that, to the best of their knowledge, nothing has come to their attention which may render the financial results for the quarter ended 31 December 2010 to be false or misleading in any material respect.

This release may contain forward-looking statements that involve risks and uncertainties. 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 other companies, shifts in tenant demands, changes in operating expenses, governmental 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 the current view of Management Team on future events.

BY ORDER OF THE BOARD

Chang Sean Pey
Co-Chief Executive Officer
Japan Residential Assets Manager Limited
(Company Registration No. 200712125H)
As Manager of Saizen Real Estate Investment Trust

11 February 2011