

Reemerge. Restructure. **Rebirth**

SaizenREIT) 最善

Annual Report 2010



The deleveraging efforts and resumption of distribution in FY2010 are reflections of Saizen REIT’s commitment to our Unitholders.



Gross revenue

¥4.13b
(S\$63.48m)



Net property income

¥2.78b
(S\$42.74m)



Net asset value per Unit

¥25.06
(S\$0.40)

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Corporate Profile

With 5,512 occupied residential and commercial units, Saizen REIT’s portfolio is well diversified, ensuring stable operating cashflow with low default rate.

Saizen REIT invests in properties by entering into Japanese tokumei kumiai arrangements as a tokumei kumiai investor.

Corporate Structure



Listed on the Singapore Stock Exchange on 9 November 2007, Saizen Real Estate Investment Trust (“Saizen REIT”) is the first REIT listed in Singapore to offer access to exclusively Japanese real estate and, in particular, residential properties. Its investment objective 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.

As at 22 September 2010, being the latest practicable date for printing of this report (“LPD”), Saizen REIT’s portfolio consists of 161 residential properties located over 13 regional cities in Japan. The properties are generally located in close proximity to business districts and transportation hubs and/or in residential neighbourhoods, targeting mass market tenants such as small families, working couples without children, working singles and students. This is consistent with the continuing strong demand expected for rental housing across Japan, as the home ownership rate in Japan is relatively low at around 60.0%⁽¹⁾. With 5,512 occupied residential and commercial units, Saizen REIT’s portfolio is well diversified, ensuring stable cashflow with low default rate.

Saizen REIT has a corporate family rating of Caa1 from Moody’s Investors Service, Inc.

As at LPD, Saizen REIT had 1,111,002,712 issued units.

As at LPD, there were 335,354,705 outstanding Warrants, each Warrant carrying 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 5.00p.m. on 2 June 2012.

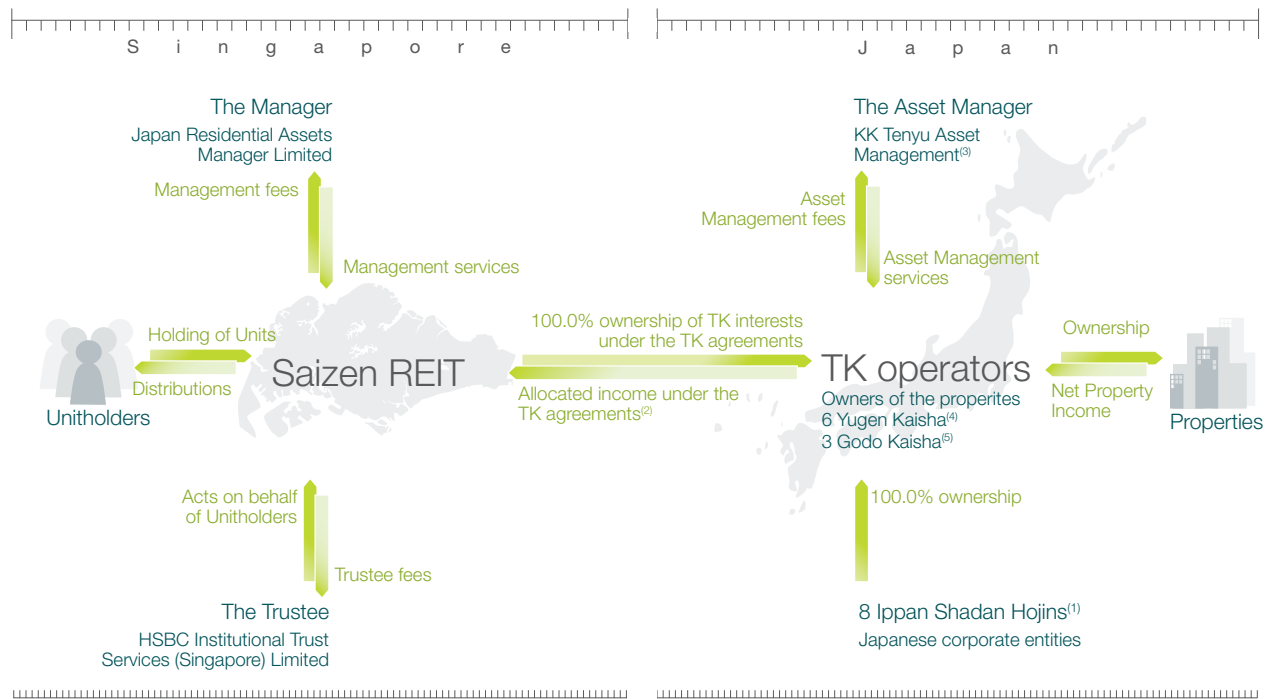


1 Based on the 2008 Housing and Land Survey from the Ministry of Internal Affairs and Communications, Japan.

Saizen REIT invests in properties by entering into Japanese tokumei kumiai arrangements (“TK arrangements”) as a tokumei kumiai investor (“TK investor”) with Japanese limited liability companies known as tokumei kumiai operators (“TK operators”). Such TK arrangements are a common method of investing and holding real estate in Japan. The relationship between the TK operators and the TK investors is governed by tokumei kumiai agreements (“TK agreements”), whereby the TK investors provide funds to the TK operators in return for income derived from the investments in real estate held by the TK operators. The TK investor can enter into TK arrangements with TK operators either through the acquisition from existing TK investors of all rights and obligations (“TK interests”) under their respective TK agreements

with TK operators, or by entering into new TK agreements with TK operators.

The following diagram illustrates the relationship between Saizen REIT, Japan Residential Assets Manager Limited (the “Manager”), HSBC Institutional Trust Services (Singapore) Limited, in its capacity as the trustee of Saizen REIT (the “Trustee”), the TK operators, the ippan shadan hojins⁽¹⁾, KK Tenyu Asset Management, the asset manager of Saizen REIT (the “Asset Manager”) and the holders of units of Saizen REIT (“Units”, and the holders of Units, the “Unitholders”).



1. Ippan shadan hojins are bankruptcy remote entities established solely to act as the holding company of the TK operators, and have no potential income, loss or net worth.
2. Under the terms of the existing TK agreements, Saizen REIT is entitled to 97.0% of the profits generated and is required to bear 97.0% of the losses incurred by the TK operators.
3. Certain daily operations of managing the properties are delegated to third party property managers appointed by the Asset Manager.
4. A Yugen Kaisha (“YK”) is a Japanese company established under Japanese law before May 2006. Its corporate structure is similar to that of a private limited company, with directors managing the company on behalf of the shareholders who own the company.
5. A Godo Kaisha (“GK”) is a Japanese company established under Japanese law from May 2006. Its corporate sturcture is similar to that of a limited liability company, with the members of the GK both owning and managing the GK.

Chairman’s Statement

Saizen REIT ended the financial year with unencumbered assets of JPY 12.0 billion and successful extension of a loan to mid 2013.

CEO’s Statement

The year ended 30 June 2010 has been one of recovery for Saizen REIT.

We experienced great uncertainty throughout the calendar year 2008 and most of 2009. Severe stress in the Japanese real estate sector was accompanied by bankruptcies and restructuring of a large number of property concerns, both large and small. For Saizen REIT, the closure of the credit markets and the uncertain prospects of loan refinancing required the drastic measures of suspending distribution payments and a rights issue.

During the course of the financial year ended 30 June 2010 (“FY2010”), Saizen REIT has been able to deal with these difficulties one by one. 3 out of the 4 loans maturing in FY2010 have been fully repaid. Significantly, 2 further lending relationships have been established in the year, following 3 in the previous year. Saizen REIT ended the financial year with unencumbered assets of JPY 12.0 billion and successful extension of a loan to mid 2013.

A blemish on this record is that we were unable to avoid maturity default of the loan of YK Shintoku, one of our 9 property holding vehicles. Its loan went into maturity default in November 2009, and YK Shintoku is consequently exposed to the possibility of foreclosure. Since then, we have been working closely with the loan servicer to maintain active management of the portfolio, and no foreclosure action has been taken. The surplus cash generated from the portfolio has been utilised for repayment of outstanding principal. We are adopting a 2-pronged approach: an orderly disposal of the assets, coupled with the continuous effort on seeking refinancing of the remaining portfolio. We expect to complete some disposals within the next few months. The proceeds will be used to reduce the outstanding loan balance. At the same time, we are continuing discussions with potential lenders. Whilst there remains some uncertainty on this matter, we are pleased to say that the rest of Saizen’s operations are entirely unaffected, due to the non-recourse nature of the loan.

We are pleased to have resumed distribution. Now that Saizen REIT is back on a sound financial footing, a distribution of 0.26 Singapore cents per unit has been declared. This comprises the cash flow for the 2 months prior to the year end. Barring any unforeseen circumstances, we will continue the distribution of surplus cash, in accordance with our stated distribution policy.

The market has clearly turned the corner and is emerging from the financial crisis. There are differences in the degree of recovery, depending on locations and whether we are looking at the residential or commercial sector. There is increasing liquidity as banks have returned to the market, albeit cautiously. Whilst there are a number of assets for sale, there are fewer instances of fire-sales. Also, both liquidity and prices of smaller residential assets have become stronger than those of the larger ones.

Over the past year, the Manager and the Asset Manager (the “Management Team”) have put in great efforts and delivered effective results. Continuous monitoring of cash flows has been critical in successfully completing the refinancing exercises during the year. Our Asset Manager has been most effective in establishing 2 new banking relationships. Further, it has started building an invaluable network in the growing niche of leasing to tenants requiring living or welfare assistance, such as the aged. We will increasingly benefit from such efforts in the coming years, in the form of a stable and strong leasing performance in a competitive leasing environment.

We believe there are some opportunities for arbitrage. In particular, we will look out for opportunities that allow us to trade in some of our smaller assets at good prices and acquire cheaper assets, with a view to improving the overall quality of the portfolio. We will also include opportunities in the Tokyo residential sector under review.

Finally, I would like to welcome Mr Chan Kin, Ms Li Yick Yee, Angie, who joined our Board as Non-Executive Directors, and Mr Koh Kia Meng, Linus, who joined us as Co-Chief Executive Officer in September 2010. Their experiences will complement effectively to the management of Saizen REIT.

On behalf of the Board of Directors of Japan Residential Asset Manager Limited, I would like to extend our thanks to all our colleagues on the Management Team for their untiring efforts and loyalty.



Mr Arnold IP Tin Chee
Chairman

Foreword

We are pleased to present to you the report of Saizen REIT for FY2010.

The past 12 months have been eventful for Saizen REIT. Principally using cash raised from the rights issue in May 2009 and accumulated cash from operations, Saizen REIT has repaid an aggregate of JPY 7.0 billion of its borrowings. The Management Team was also successful in further expanding Saizen REIT’s banking relationships, securing loans from two new banks and extending the maturity of a major loan.

The only remaining commercial mortgage-backed securities loan (“CMBS Loan”) of Saizen REIT relates to the portfolio of YK Shintoku (the “YK Shintoku Loan”), which went into maturity default in November 2009. The Asset Manager has been working with the loan servicer on the progressive and partial divestment of certain properties to reduce the YK Shintoku Loan principal. Meanwhile, discussions with a financial institution on the terms and timing of a loan, which will potentially enable the refinancing of the YK Shintoku Loan has commenced.

Importantly, the above YK Shintoku Loan is non-recourse in nature and is not cross-collateralised with other portfolios of Saizen REIT. As a result, the remaining portfolios which constitute 78.7% of Saizen REIT’s total property assets and 91.4% of its net asset value, have not been affected. Consequently, Saizen REIT has announced the resumption of distributions to unitholders based on cashflow generated from the property portfolios other than YK Shintoku. Such distributions are expected to continue regardless of the outcome of the YK Shintoku Loan. Future distributions are expected to be underpinned by the stability of Saizen REIT’s property operations.

The Property Portfolio

During the year ended 30 June 2010, five properties from the property portfolio of YK Shintoku were sold as part of a deleveraging plan to reduce the absolute amount of the YK Shintoku Loan so as to facilitate refinancing efforts. The status of the YK Shintoku Loan is further discussed below.

These aforesaid divestments relate to U.I. Building in August 2009, Crestage Tayacho, Legions Yunokawa and River City Kimachi in September 2009 and Urban KN2 Kumamoto in October 2009.

As at 30 June 2010, the portfolio of Saizen REIT consisted of 161 residential properties located in 13 Japanese cities. Basic details of the portfolio are summarised below:

- Residential (units)		5,896
- Commercial and retail (units)		113
- Car parking spaces		1,877
Total lettable floor area (square meters)		219,009
Portfolio value ⁽¹⁾	(JPY million)	40,381.7
	(S\$ million)	636.9 ⁽²⁾
Value per square meter of lettable floor area	(S\$)	2,908
Value per square foot of lettable floor area	(S\$)	270
Portfolio annual rental revenue ⁽³⁾	(JPY million)	3,890.0
	(S\$ million)	59.8 ⁽⁴⁾
Portfolio gross income return ⁽⁵⁾		9.6%

- 1 Based on independent valuations performed as at 30 June 2010.
- 2 Computed based on an exchange rate of JPY 63.4 : S\$1.00 as at 30 June 2010.
- 3 The annual rental income represents the annualised rental income of each property in June 2010. Rental income comprises base rental income, common area management fees and car parking rental income only.
- 4 Computed based on an exchange rate of JPY 65.1 : S\$1.00 between 1 July 2009 and 30 June 2010.
- 5 Computed based on Portfolio annual rental revenue divided by Portfolio value.

Saizen REIT has full ownership of each entire building block and full title of the freehold land.

Market Overview

The latest preliminary estimates show that Japan’s GDP grew an annualised 1.5% quarter-on-quarter in the second quarter of calendar year 2010. This is three times higher than the initial preliminary estimate of 0.4% by the Cabinet Office of Japan. According to a report of the Bank of Japan in July 2010, regional economies across Japan have been seeing moderate recovery over the past year. Specifically, housing investments, which have been declining in all regional areas, are seeing signs of bottoming out. The employment situation, although remaining severe in regional areas, is also seeing some recovery.

In tandem with this recovery, the decline in the real estate market is also moderating. According to the Japan Real Estate Institute (“JREI”) bi-yearly report, there has been no change in residential real estate capitalisation rates between October 2009 and the recent survey date of April 2010. In addition, rental rates have remained stable. According to a JREI Apartment Index survey, nationwide rentals have fallen only marginally by 1.5% since 2007. The number

CEO's Statement



of distressed deals in the market has also declined, indicating a slow recovery of credit availability.

The trend of stabilisation is also observed in the valuation of Saizen REIT's portfolio. Based on the annual valuations performed by independent valuers, the aggregate value of Saizen REIT's properties amounted to JPY 40,381.7 million as at 30 June 2010. This represents a decrease of about 4% to the aggregate value of JPY 42,051.1 million of these 161 properties based on the valuation performed as at 30 June 2009. Comparatively, the valuation of Saizen REIT's property portfolio declined by about 13% during the year from 30 June 2008 to 30 June 2009.

The fair value of Saizen REIT's properties decreased because the independent valuers had adopted slightly higher capitalisation rates. It is their view that while the property and credit markets have stabilised, property buyers and lenders still tend to adopt a cautious approach. The slight decrease in rental rates of new contracts entered into in FY2010 for Saizen REIT's properties also contributed to the decrease in valuations.

Operations Overview

The Management Team is pleased to report that property operations have remained stable. Overall, average occupancy rate of Saizen REIT's portfolio remained at around 91.7% in FY2010. Of the cities where Saizen REIT has larger exposures, occupancy rates were higher in Kumamoto (95.7%) and Hiroshima (93.7%); while lower occupancy rates were recorded in Kitakyushu (87.4%) and Sapporo (90.2%). It has been observed that the economy of Kitakyushu, which is a major industrial city with car and steel manufacturing activities, has been relatively more affected by the global economic slowdown. Consequently, certain properties targeting manufacturing workers still face difficulties finding new tenants. Comparatively, the age of Saizen REIT's portfolio in Sapporo (value weighted average of 19.4 years) and Kitakyushu (17.2 years) are also older compared to the overall portfolio of 13.6 years. In this respect, we have been embarking on major upgrading programs for some of our older properties in the past year. These include remodeling of the apartment with contemporary designs and replacement of electrical and bathroom items. Upgrading also include improvements to common areas, drainage and electrical systems.

Compared to 22% last year, turnover rate for FY2010 improved to 20%. We have observed that tenants were more hesitant to move and corporations have reduced the shifting of personnel among cities as the overall economy remains weak. Such lower turnover bodes well for Saizen REIT's operations as it reduces the amount

of refurbishment costs to renovate the apartment units to leasable state, and also leasing expenses to find replacement new tenants.

Overall rental reversions of contracts entered into during FY2010 were at rental rates which were marginally lower by 4.3% compared with previous contracted rates. The Management Team expects rental rates to remain stable, and will focus its efforts on enhancing operational efficiency and cost cutting measures.

Financing

CMBS Loans

During FY2010, Saizen REIT has repaid the CMBS Loans of YK Kokkei, YK Shingen and YK Keizan which in aggregate amounted to JPY 7.0 billion. Following these repayments, there is only one remaining CMBS Loan, being the YK Shintoku Loan.

The YK Shintoku Loan went into maturity default in November 2009. Since then, the Asset Manager has been working closely with the loan servicer, and the portfolio has continued to be managed by the Asset Manager. They are looking into the progressive and partial divestment of certain properties to reduce the loan amount, and there is currently no indication of foreclosure actions.

The YK Shintoku Loan is not cross-collateralised and there is also no cross-default in respect of other loans of Saizen REIT. The maturity default will therefore not affect Saizen REIT's ability to operate as a going concern; and will not impair the ability to obtain further financing. This is evidenced by the fact that a new loan for YK Shinzan was obtained in March 2010 and the loan of GK Choan was successfully extended to June 2013.

The main impact of the maturity default of the YK Shintoku Loan is the increase in its interest rate from 3.07% to 7.07%. The operational cashflow from YK Shintoku's portfolio has been able to fully service the higher interest rate and also pay down a small amount of loan principal. Consequently, cashflow of Saizen REIT's other portfolios has not been affected in any way by the default of YK Shintoku Loan.

New banking relationships

While repaying its CMBS Loans, Saizen REIT has also been successful in building new banking relationships. It secured a loan of JPY 1.0 billion from Mizuho Bank, Ltd in October 2009 and a loan of JPY 2.0 billion from Tokyo Star Bank in March 2010. In June 2010, Saizen REIT also successfully refinanced the JPY 5.9 billion loan from Societe Generale. The current loan schedule of Saizen REIT is summarised in the section "Financial Review" of this report.

Other than the YK Shintoku Loan, Saizen REIT only has a relatively small loan of GK Chosei of JPY 442 million maturing within the next 12 months, in May 2011. The Management Team intends to discuss the refinancing of this loan with the lender, or to fully repay using existing internal cash resources. As shown above, Saizen REIT also has two property portfolios under YK Shingen and YK Keizan which are unencumbered. The aggregate value of these two portfolios was JPY 12.0 billion as at 30 June 2010.

The Management Team's objective is to refinance the YK Shintoku Loan. It will also continue to work on expanding Saizen REIT's borrowing sources by building banking relationships with new lenders.

Utilisation of proceeds from Rights Issue and exercise of warrants

All proceeds from the Rights Issue were deployed for loan repayments during the financial year.

Since the issuance of 497,185,362 warrants in conjunction with the Rights Issue, 161,830,657 warrants have been exercised as at LPD. More than 157,000,000 warrants were exercised since Saizen REIT announced its financial results and distribution on 26 August 2010. Such warrant exercises have raised proceeds of approximately S\$14.6 million for Saizen REIT. Save for approximately S\$0.3 million for working capital purposes, proceeds from the warrant exercises have yet to be deployed.

Outlook for Financial Year Ending 30 June 2011

The distributions to unitholders are expected to continue, based on operational cashflow generated from Saizen REIT's portfolio (other than that from YK Shintoku). The Management Team expects distributions to be underpinned by stable property operations.

In respect of the YK Shintoku Loan which is in maturity default, the Asset Manager and the loan servicer are looking into the progressive and partial divestment of the properties of YK Shintoku to reduce its loan principal amount. Meanwhile, discussions with a financial institution on the terms and timing of a loan, which will potentially enable the refinancing of the YK Shintoku Loan, have commenced. Saizen REIT's two unencumbered portfolios which can be used as collateral for these new loans will provide flexibility to the refinancing plan.

The Management Team also intends to explore opportunities for Saizen REIT to trade and rebalance its property portfolio with a view to enhancing its quality and growth potential. This may involve the divestment of existing properties and new acquisitions, especially in the Tokyo region.


Overall, while working towards resolving the remaining refinancing issue, the Management Team will not compromise on the efforts of continuing to improve Saizen REIT's portfolio and operations. The Management Team believes that Saizen REIT has turned the corner and remains confident that it will emerge stronger from the recent past.

Distribution

The Management Team would like to express our appreciation to Unitholders for bearing with the suspension of distributions in the past two financial years. As we committed previously, operational cashflow generated from Saizen REIT's portfolio (other than that from YK Shintoku) will be distributed to Unitholders after repayment of their CMBS loans, regardless of the outcome of the remaining YK Shintoku Loan.

To this end, the Board of Directors has declared a distribution of 0.26 Singapore cents per Unit for FY2010. The amount is relatively nominal as it relates to distributable cash accumulated over just two months (May 2010 and June 2010), after the repayment of the loan of YK Keizan in April 2010. The income available for this distribution was affected by (i) cash from operations used for loan repayments by YK Kokkei, YK Shingen, YK Keizan and YK JOF, (ii) cash from operations used for partial loan repayments made by YK Shintoku, GK Chosei and GK Choan, (iii) cash from operations used for amortisation payments on the loan principals of YK Shinzan, YK JOF and GK Choan, and (iv) increase in 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.

Going forward, the management expects future distributions to reflect the higher full year income contribution.


Chang Sean Pey
Co-Chief Executive Officer
30 September 2010


Linus Koh Kia Meng
Co-Chief Executive Officer
30 September 2010

Reemerge

The Management Team believes that Saizen REIT has turned the corner and remains confident that it will emerge stronger from the recent past.



Saizen REIT's capital structure has strengthened with the repayment of all but one CMBS loan, the establishment of new banking relationships, as well as the refinancing of a major loan.

Restructure



Financial Highlights



Key financial information of Saizen REIT

		FY2010
NAV per Unit:	as at 30 June 2009	JPY 26.05 (S\$0.40) ⁽¹⁾
	as at 30 June 2010	JPY 25.06 (S\$0.40) ⁽²⁾
Distribution per Unit for FY2010		0.26 cents
Closing market price per Unit on LPD		S\$0.155
Closing market price per Warrant on LPD		S\$0.065
4Q FY2010 annualised net property income yield		6.7%
Impairment of account receivable as % of gross revenue		0.038%
Gearing (aggregate leverage ratio) ⁽³⁾		36.9%
Net gearing ⁽⁴⁾		34.7%
4Q FY2010 interest cover ratio		3.4 times
Deposited property:	as at 1 July 2009	JPY 50.2 billion
	as at 30 June 2010	JPY 44.1 billion
Net cash	as at 30 June 2010	JPY 2.3 billion
Borrowings due within next 12 months		JPY 7.8 billion
Value of investment properties	as at 30 June 2010	JPY 40.4 billion
Net depreciation in the value of investment properties in FY2010		JPY 1.7 billion
Occupancy rate (by revenue)	as at 30 June 2010	91.3%

- 1 Based on 949,194,055 Units in Issue as at 30 June 2009 and S\$/JPY exchange rate of 65.7 as at 30 June 2009.
- 2 Based on 953,203,055 Units in Issue as at 30 June 2010 and S\$/JPY exchange rate of 63.4 as at 30 June 2010.
- 3 Gearing is equal to the sum of total borrowings divided by the total value of the assets of Saizen REIT.
- 4 Net gearing is equal to the sum of net borrowings divided by the total value of investment properties. Net borrowings being total borrowings less net cash (i.e. cash at bank plus deposit with cash management agents less current rental deposits, other current liabilities and current tax liabilities).

Summary of statement of total return for FY2010

	FY2010 (JPY '000)
Gross Revenue	4,132,792
Net property income	2,782,609
Net income from operations	1,410,138
Total loss for the year after tax before distribution	(875,487)

Unit Price Performance

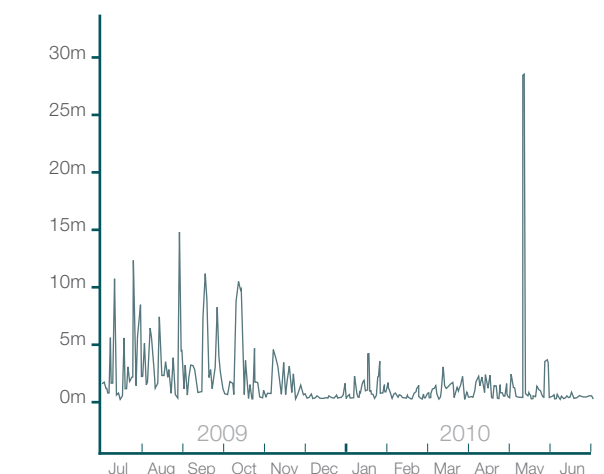
	1 July 2009 to 30 June 2010
Closing price on first day closing (1 July 2009)	S\$0.130
Closing price on last day closing (30 June 2010)	S\$0.160
Highest price (per Unit) ⁽¹⁾	S\$0.180
Lowest price (per Unit) ⁽¹⁾	S\$0.125
Volume weighted average price per Unit ⁽¹⁾	S\$0.1522
Trading volume (million Units)	413.446

1 Based on daily closing prices

Unit price performance



Unit daily trading volume

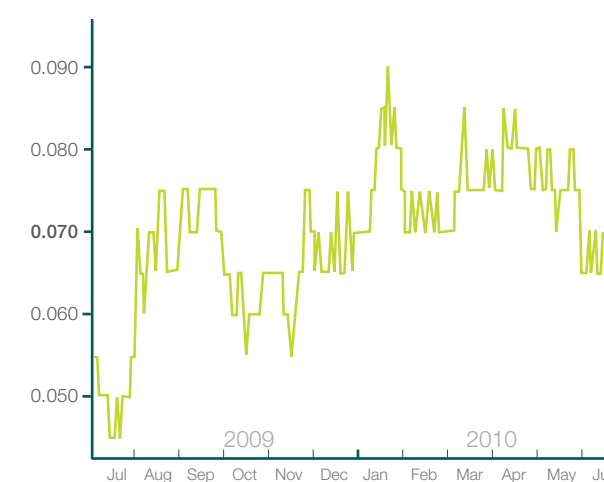


Warrant Price Performance

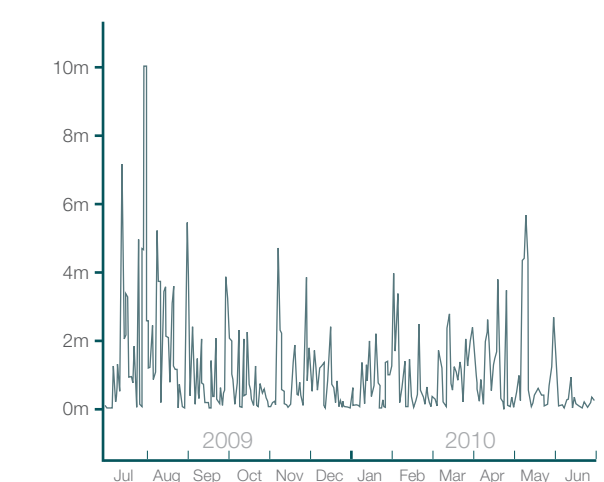
	1 July 2009 to 30 June 2010
Exercise price (per Warrant)	S\$0.090
Closing price on first day closing (1 July 2009)	S\$0.055
Closing price on last day closing (30 June 2010)	S\$0.070
Highest price (per Warrant) ⁽¹⁾	S\$0.090
Lowest price (per Warrant) ⁽¹⁾	S\$0.045
Volume weighted average price per Warrant	S\$0.06889
Trading volume (million Warrants)	228.383

1 Based on daily closing prices

Warrant price performance



Warrant daily trading volume



Financial Review



Review of performance

	FY 2010 (JPY'000)	FY 2009 (JPY'000)	Increase / (Decrease)%
Gross revenue	4,132,792	4,268,751	(3.2)
Net income from operations	1,410,138	992,442	42.1
Total loss for the year before income tax	(812,090)	(4,827,379)	(83.2)
Total loss for the year after income tax	(875,487)	(4,806,386)	(81.8)

Total loss for the year after income tax decreased by JPY 3.9 billion or 81.8%, from JPY 4.8 billion in FY2009 to JPY 0.9 billion in FY2010, due mainly to (i) a decrease in net fair value loss on investment properties of JPY 4.7 billion and (ii) an increase in net income from operations of JPY 0.4 billion.

This was partially offset by net fair value loss on financial derivatives of JPY 0.5 billion in FY2010 as compared to a net fair value gain of JPY 0.6 billion in FY2009. Five properties from the property portfolio of YK Shintoku were also sold in the first half of FY2010, resulting in a loss on divestment of properties of JPY 57.7 million (FY2009: nil).

The fair value loss on financial derivatives of JPY 0.5 billion incurred in FY2010 comprised mainly fair value losses on warrants of JPY 0.4 billion, which arose due to the increase in market-traded price of the warrants.

Property level

	FY 2010 ⁽¹⁾ (JPY'000)	FY 2009 ⁽²⁾ (JPY'000)	Increase / (Decrease)%
Gross revenue – Group level	4,132,792	4,268,751	(3.2)
Gross revenue – REIT level	-	(261)	(100.0)
Gross revenue – Property level	4,132,792	4,268,490	(3.2)
Property operating expenses ⁽³⁾	(1,350,183)	(1,355,067)	(0.4)
Net property income	2,782,609	2,913,423	(4.5)
Other administrative expenses	(117,308)	(125,301)	(6.4)
Asset management fees	(26,691)	(22,454)	18.9
Interest expenses ⁽⁴⁾	(784,926)	(764,616)	2.7
Guarantor fee to asset manager	(4,490)	-	NM ⁽⁵⁾
Net income from property operations	1,849,194	2,001,052	(7.6)

- There were 166 and 161 properties respectively at the start and end of FY 2010.
- There were 166 properties at the start and end of FY 2009.
- Property operating expenses comprised the following:

	FY 2010 (JPY'000)	FY 2009 (JPY'000)	Increase / (Decrease)%
Property tax	309,374	317,000	(2.4)
Property manager's fees	162,345	166,611	(2.6)
Operation and maintenance expenses	209,403	212,992	(1.7)
Repairs and renovations	237,147	197,030	20.4
Leasing and marketing expenses	150,629	174,845	(13.8)
Utilities charges	177,471	183,449	(3.3)
Insurance expenses	52,747	55,480	(4.9)
Impairment on account receivables	1,553	2,190	(29.1)
Bad debt written-off	6,395	798	>100.0
Consumption tax arising from operation	43,119	44,672	(3.5)

- Interest expenses include the realised loss (payment) on interest rate swap. In FY2009, interest expenses excluded a REIT-level expense of JPY 0.04 million.
- NM denotes not meaningful.

For the performance review of property operations, income and expense items at Saizen REIT level were excluded.

Property operations of Saizen REIT had remained stable in FY2010. Overall occupancy rates as at 30 June 2010 was 91.3%, while overall rental reversion of new contracts entered into in FY2010 was marginally lower by about 4.3% from previous contracted rates.

Property level gross revenue decreased by 3.2% due mainly to the divestment of five properties in the first half of FY2010 as well as a slight decrease in rental rates of new contracts entered into in FY2010. The increase in repair and renovation expenses by 20.4% was mainly due to major upgrades conducted on properties (such as common area, drainage system and electrical systems improvements and upgrades) as well as more renovations being carried out for the leasing season in FY2010. This was partially offset by the decrease in leasing and marketing expenses by 13.8%, due mainly to a lower average turnover rate of 20% in FY2010 as compared to 22% in FY2009. In FY2009, more intensive leasing initiatives were also implemented in response to the then deteriorating economic conditions and heightened leasing competition experienced at that time.

Financial Review



Exposure to derivatives

The fair value loss on financial derivatives recognised in the Statement of Total Return of the Group for FY2010 comprised the aggregate of the following:

- (i) realised loss (payment) on interest rate swap;
- (ii) unrealised fair value loss on interest rate swap;
- (iii) unrealised fair value loss on interest rate cap; and
- (iv) fair value loss on warrants

Interest rate swap

The TK operator GK Choan uses interest rate swaps to hedge against fluctuations in interest rates in respect of its loan of JPY 5.8 billion (the “**GK Choan Loan**”). The GK Choan Loan is subject to a variable interest rate of 3.0% per annum plus 3-month JPY LIBOR (“**Current Swap Arrangement**”). In order to fix the interest rate of the GK Choan Loan throughout its term of up to June 2013, GK Choan has entered into interest rate swap arrangements whereby GK Choan agreed to pay its counterparty payments of 0.8275% per annum, in exchange for a variable payment for 3-month JPY LIBOR. The interest rate swap arrangement enables GK Choan to fix the effective interest rate on the GK Choan Loan at 3.8275% (being 3.0% + 0.8275%) per annum.

The above-mentioned swap arrangement was entered into by GK Choan in June 2010. Prior to this, GK Choan had used a swap arrangement (“**Previous Swap Arrangement**”) to hedge against fluctuations in interest rate in respect of its previous loan of JPY 5.9 billion. The realised loss (payment) on interest rate swap in FY2010 comprised the settlement of the difference between a fixed interest rate of 1.11% per annum and the then prevailing 3-month JPY LIBOR pursuant to the Previous Swap Arrangement. There was no realised loss (payment) on interest rate swap under the Current Swap Arrangement in FY2010. The realised loss (payment) on interest rate swap is included in the computation of the cost of borrowing of the Group.

This interest rate swap is classified as a derivative financial instrument and recognised as a non-current liability on the Group's balance sheet as at 30 June 2010. Under FRS 39, the interest rate swap is recognised at fair value at balance sheet date and any gain or loss arising from a change in its fair value is recognised as an unrealised fair value gain or loss on interest rate swap in the Statement of Total Return of the Group if no hedge accounting is practised. The recognition of unrealised gain or loss on interest rate swap does not affect the amount available for distribution and does not have any impact on cash flow.

	As at 30 June 2010	As at 30 June 2009
Fair value of interest rate swap (JPY'000)	84,817	72,999
Group net assets attributable to Unitholders (JPY'000)	23,882,923	24,726,514
Percentage of fair value of interest rate swap to Group net asset value	0.36%	0.30%
Percentage of notional amount of interest rate swap to total Group borrowings	35.4%	27.04%

Interest rate cap

The TK operator GK Chosei uses an interest rate cap to hedge against fluctuations in interest rates in respect of its loan of JPY 0.4 billion (the “**GK Chosei Loan**”). The GK Chosei Loan is subject to a variable interest rate of 3.0% per annum plus 3-month JPY LIBOR. GK Chosei has purchased an interest rate cap which caps the 3-month JPY LIBOR rate at an upper limit of 2.5%.

This interest rate cap is classified as a derivative financial instrument and recognised as a non-current asset on the Group's balance sheet. Under FRS 39, the interest rate cap is recognised at fair value at balance sheet date and any gain or loss arising from a change in its fair value is recognised as an unrealised fair value gain or loss on interest rate cap in the Statement of Total Return if no hedge accounting is practised. The recognition of unrealised gain or loss on interest rate cap does not affect the amount available for distribution and does not have any impact on cash flow.

	As at 30 June 2010	As at 30 June 2009
Fair value of interest rate cap (JPY'000)	-	36
Group net assets attributable to Unitholders (JPY'000)	23,882,923	24,726,514
Percentage of fair value of interest rate cap to Group net asset value	-	0.0001%
Percentage of notional amount of interest rate cap to total Group borrowings	-	2.18%

Warrants

Warrants that are outstanding are classified as derivative financial instruments and recognised as current liabilities on the Group's balance sheet. Any gain or loss arising from changes in the fair value of the warrants is recognised as a fair value gain or loss on warrants in the Statement of Total Return of the Group. The fair value gain or loss on warrants does not have any impact on cash flow. The exercise price of the warrants is fixed at S\$0.09 each.

	As at 30 June 2010	As at 30 June 2009
Fair value of warrants (JPY'000)	2,189,316	1,797,050
Group net assets attributable to Unitholders (JPY'000)	23,882,923	24,726,514
Percentage of fair value of warrants to total Group net asset value	9.17%	7.27%

Borrowings

As at 30 June 2010, the Group had six outstanding loans which were borrowed through separate TK operators of Saizen REIT. With the exception of the loan of GK Choan, where the property portfolios of GK Choan and YK Kokkei are used as security for the loan, each of the other loans is not cross-collateralised against any other TK operators and properties under each TK operator's portfolio are used as security for the respective loans. All the TK operators' loans have no recourse towards Saizen REIT.

Financial Review



Other than the loan of YK Shintoku, the other five loans have varying amounts of amortisation over their respective tenors. Amortisation payments on existing loans amount to an aggregate of about JPY 390 million per annum. The following table sets out the loans obtained by the TK operators of Saizen REIT:

Company	Property Valuation (JPY'000)	Loan Amount (JPY'000)	Lender	Maturity Date	Interest Rate	Type
YK Shintoku	8,587,000	7,110,991	CSC Series 1 Godo Kaisha ⁽¹⁾	Maturity default	7.07% ⁽²⁾	CMBS (non-amortising)
GK Chogen	629,000	307,633	The Higo Bank, Ltd	25 Mar 2023	1.10% + short-term prime rate ⁽³⁾	Term Loan (amortising)
GK Chosei	540,000	442,400	Orix Corporation	20 May 2011	3.0% + 3-month JPY LIBOR ⁽⁴⁾	Term Loan (amortising)
GK Choan ⁽⁵⁾	10,439,100	5,759,496	Societe Generale	25 Jun 2013	3.8275% ⁽⁶⁾	Term Loan (amortising)
YK Shinzan	4,570,600	1,975,000	Tokyo Star Bank Ltd	18 Mar 2015	3.75625%	Term Loan (amortising)
YK JOF	2,198,000	924,940	Mizuho Bank Ltd	30 Sep 2019	1.025% + LTFR ⁽⁷⁾	Term Loan (amortising)
Total	26,963,700	16,520,460				
Unemcumbered Porfolios						
YK Shingen	9,424,400					
YK Keizan	2,616,600					
Total	12,041,000					

1 The original lender of this loan was Credit Suisse Principal Investments Ltd (Tokyo Branch)
2 The default interest rate is 7.07% per annum (previous annual interest rate was 3.07%).
3 The prevailing short-term prime rate is 1.975%.
4 GK Chosei has purchased an interest cap which caps the 3-month JPY LIBOR rate at an upper limit of 2.5%.
5 The property portfolios of GK Choan and YK Kokkei are used as security for the loan.
6 GK Choan uses interst rate swap arrangements to hedge against interest rate fluctuations in respect of its loan. The interest rate swap arrangements enable the effective interest rate on the loan of GK Choan to be fixed at 3.8275%.
7 LTFR: Mizuho Bank Ltd’s long term floating rate corresponding to short term prime rate. The prevailing LTFR is 1.975%.

Property valuation

The aggregate value of Saizen REIT's investment properties decreased from JPY 42.7 billion as at 30 June 2009 to JPY 40.4 billion as at 30 June 2010 due to (i) the decrease in the value of the 161 properties held by Saizen REIT’s TK operators at the end of FY2010 by JPY 1.7 billion, and (ii) the divestment of five properties in FY2010.

The fair value of Saizen REIT’s properties decreased because the independent valuers had generally adopted slightly higher capitalisation rates in view that, while the property and credit markets have stabilised, property buyers and lenders still tend to adopt a cautious approach. The slight decrease in rental rates of new contracts entered into in FY2010 for Saizen REIT’s properties also contributed to the decrease in valuations.

As at 30 June 2010, Saizen REIT has a portfolio of 161 properties in 13 cities in Japan. Each property's value and rental income is not material in the context of the whole portfolio, and there is no reliance on any single tenant. Only 24 of the 161 properties in the portfolio have valuations that individually amount to more than 1% of the total portfolio value, with no single property accounting for more than 3% of the total portfolio value as at 30 June 2010. No single property accounted for more than 3% of Saizen REIT’s total rental income in June 2010. The properties in Saizen REIT’s portfolio possess similar characteristics in that they comprise predominantly residential units that are rented to mass market tenants. On this basis, we are of the view that analysis of the changes in fair value of each of the 161 properties in the portfolio will not be meaningful.

Property transactions

Five properties from the property portfolio of YK Shintoku were sold in the first half of FY2010 as part a deleverging plan implemented 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. Details of the properties sold are summarised below:

Property	Date of Completion of Sale	Sale Price (JPY million)	Valuation ⁽¹⁾ (JPY million)	Premium/ (Discount) of Sale Price over Valuation
U.I. Building	27 August 2009	274.7	257.0	7%
Crestage Tayacho	9 September 2009	93.4	98.0	(5%)
Legions Yunokawa	29 September 2009	108.1	119.0	(9%)
River City Kimachi	30 September 2009	123.7	136.0	(9%)
Urban KN2 Kumamoto	28 October 2009	67.0	73.0	(8%)
Total		666.9	683.0	

1 Based on valuations as at 30 June 2009.

Rebirth

Saizen REIT has resumed distributions for FY2010 and distribution is expected to continue.



Board of Directors of the Manager



Mr Arnold IP Tin Chee Chairman

Mr Arnold Ip Tin Chee is the Chairman of Japan Residential Assets Manager Limited, the Manager. Mr Ip is concurrently the director of KK Tenyu Asset Management, the Asset Manager and is involved in the acquisition and disposal functions of the Asset Manager and oversees the overall property management, leasing and renovation and financing functions.

Mr Ip is a founding member of the management team of several funds which subsequently formed Saizen REIT. Mr Ip has been investing in Japanese regional real estate since 2000 and has extensive experience in real estate investment management and has experience in the evaluation and management of private equity investments including real estate and related companies. Prior to that, Mr Ip was a director of Yuanta Securities (Hong Kong) Company Limited between 1997 and 2001.

From 1989 to 1997, Mr Ip worked for Standard Chartered Asia Limited, a corporate finance advisory company focusing on the mid-cap segment of the Hong Kong/China market, where his last position there was as a director. During 1984 to 1988, Mr Ip worked for Arthur Andersen & Co in London, specialising in taxation.

Mr Ip holds a BA in Economics from Trinity College, Cambridge University and has been qualified as a chartered accountant since 1988. Mr Ip is a member of the Corporate Announcement Committee.

Mr CHANG Sean Pey Co-Chief Executive Officer

Mr Chang Sean Pey is the Co-Chief Executive Officer. Mr Chang works closely with Mr Linus Koh Kia Meng on the development and review of investment

and divestment strategies, the day-to-day operations of Saizen REIT and working with the Manager's Executive Officers in meeting the strategic, financial, investment, operational and investor relations objectives of Saizen REIT.

Mr Chang is a founding member of the management team of several funds which subsequently formed Saizen REIT. Mr Chang has been managing investments in Japanese regional real estate since 2000. Prior to this, Mr Chang worked for the corporate finance services division of DBS Group in Singapore between 1996 and 2000, specialising in fund raising activities in the equity capital markets.

Mr Chang holds a Bachelor of Engineering (Hons) degree from the National University of Singapore. Mr Chang is a member of the Corporate Announcement Committee.

Mr Raymond WONG Kin Jeon Executive Director

Mr Raymond Wong Kin Jeon is a member of the Corporate Announcement Committee. He oversees the investor relations function of Saizen REIT and formulates strategic plans focusing primarily on the creation of value for the Unitholders, and promoting and marketing Saizen REIT to the Unitholders, analysts and prospective investors together with the Board and the Co-Chief Executive Officers.

Mr Wong is the managing director and responsible officer of Cheetah Investment Management Limited, an investment advisory firm licensed by the Securities and Futures Commission in Hong Kong, and is a director of Cheetah Korea Value Fund. Mr Wong is also the founder and director of Cheetah Group Holdings Limited, a substantial shareholder of the Sponsor, the holding company of the Manager.

Through its group companies, Cheetah Group Holdings Limited has launched funds since 2002 that invest in various alternative investment strategies around Asia. Mr Wong manages and supervises the fund raising, compliance and investor relations for these funds. Mr Wong has 17 years of experience managing both hedge fund portfolios and family office investments, and has extensive entrepreneurial experience in Canada and Hong Kong. He has more than 20 years of experience in real estate investment management. He is a member of the executive committee of the Hong Kong/China Chapter of Alternative Investment Management Association (AIMA).

Mr Wong holds a BA in Engineering from Cambridge University and an MASc. in Systems Control from the University of Toronto. He is also a Chartered Financial Analyst.

Mr SOH Yew Hock Lead Independent Non-executive Director

Mr Soh is the Lead Independent Director and the Chairman of the Audit Committee. He is also the lead independent director of Kencana Agri Limited and chairman of its remuneration and audit committees. Mr Soh has wide experience in commerce and industry. He was chief executive officer and managing director of Wearnes International (1994) Limited from 1993 to 2006, an executive director of WBL Corporation Ltd from 1993 to 2007 and several of its joint ventures and subsidiaries in Asia, People's Republic of China, Australia and the United States of America, a director of MFS Technology Ltd and deputy chairman of O'Connor's Corporation Berhad (now known as OCB Berhad). Mr Soh was also a past president of the Singapore Division of CPA (Australia).

Mr Soh holds a Bachelor of Accountancy degree from the University of Singapore and is a graduate of the Chartered Institute of Marketing (UK) and an AMP alumnus of Harvard Business

School. He is a fellow of CPA (Singapore), CPA (Australia), Association of Chartered Certified Accountants (UK) and the Chartered Institute of Marketing (UK).

Mr Dennis LAM Siu Sun Independent Non-executive Director

Mr Lam is a member of the Audit Committee. He is a practising solicitor in Hong Kong and the senior partner of a Hong Kong law firm Messrs Li, Wong & Lam & W.I. Cheung. Mr Lam specialises in corporate, financial and property work, and is experienced in working with Japanese clients, having previously worked at the Japan Desk of Messrs. Baker & McKenzie from 1989 to 1992 and was involved in several mergers of Japanese banks.

Mr Lam holds a Bachelor of Laws degree from the University of Warwick, England, and a Postgraduate Certificate in Laws from The University of Hong Kong. He is also admitted as a solicitor in England & Wales.

Mr Harold SUN Dai Hoe Independent Non-executive Director

Mr Sun is a member of the Audit Committee. He is the executive director of Sun International (S) Pte Ltd and Sun Sung Trading (S) Pte Ltd, with long experience in import, export and distribution of consumer products from Japan and other Asian countries. Mr Sun also has real estate investment experience in China, Hong Kong, Singapore, Malaysia and Canada through his family investments. He has worked for the Corporate Banking Real Estate Division in Citibank, Hong Kong from 1987 to 1990.

Mr Sun holds a MBA degree from University of British Columbia, Canada and a Bachelor degree in Business Administration from Georgetown University in the United States.

Mr Kin CHAN Non-Executive Director

Mr Chan is the founding shareholder of Argyle Street Management Limited ("ASM"). Prior to setting up ASM, Mr Chan was the Chief Executive and Managing Director of Lazard Asia Limited from 2000 to 2001. From 1992 to 1999, Mr Chan was an Executive Director at Goldman Sachs where he worked in Hong Kong, New York and Singapore.

Mr Chan earned an AB from Princeton University and an MBA from Wharton School of the University of Pennsylvania where he was a Palmer Scholar. Mr Chan has a number of academic distinctions including Rotary Scholarship, United World College Scholarship, "Princeton University Class of 1941" Scholarship and Ford Motor Company Fellowship. He has published academic articles on the real estate market in Hong Kong and on the relationship between US auto-assemblers and their suppliers.

Ms Angie LI Yick Yee Non-Executive Director

Ms Li has been an investment manager of Argyle Street Management Limited ("ASM") since 2002 and became a director of ASM in 2003. She is also a director of Transpac Industrial Holdings Limited, a company listed in Singapore.

Prior to joining ASM, Ms Li worked with the San Francisco office of Lazard & Co and the Hong Kong office of Lazard Asia Limited.

She completed her BA and BS degrees at University of California at Berkeley with the Sir Edward Youde Memorial Fund Scholarship for Overseas Studies awarded by the Hong Kong Government. She then obtained her MA degree in economics from

Columbia University, where she was a fellow of the Graduate School of Art and Social Science and President Fellow.

Ms Li is a CFA charterholder.

Executive Officers of the Manager



Mr CHANG Sean Pey Co-Chief Executive Officer

Details of the role, experience and expertise of Mr Chang are set out under the “Board of Directors of the Manager” section.

Mr Linus KOH Kia Meng Co-Chief Executive Officer

Mr Linus Koh Kia Meng is the Co-Chief Executive Officer. Mr Koh works closely with Mr Chang Sean Pey on the development and review of investment and divestment strategies, the day-to-day operations of Saizen REIT and working with the Manager’s Executive Officers in meeting the strategic, financial, investment, operational and investor relations objectives of Saizen REIT.

Mr Koh was President and Chief Operating Officer of the Singapore Mercantile Exchange from 2008 to 2009. He has also served in the Singapore Exchange, as EVP and Head of Products and Services (2004 to 2006) and as Chief Financial Officer (2006 to 2007). Prior to this, Mr Koh was an Executive Director and Chief Operating Officer of G K Goh Holdings Limited. He has also held various senior appointments in Deutsche Bank from 1995 to 2000.

Mr Koh holds a Bachelor of Arts (Honours) degree in Economics from Sheffield University and a Master of Science degree in Management from the Massachusetts Institute of Technology. He is also a graduate of the Advanced Management Program at Harvard Business School.

Ms NG Bee Ting Chief Investment and Operations Officer

Ms Ng works closely with the Board in the evaluations of potential investment and divestment opportunities with a view to enhancing Saizen REIT’s portfolio. Ms Ng recommends and analyses potential asset enhancement initiatives. In order to support these various initiatives, Ms Ng and the investment operation team has developed financial models to test the financial impact of different courses of action. These findings are research-driven to help develop and implement the proposed initiatives.

Ms Ng also oversees the database management team of the Manager which is responsible for the setting up and ongoing maintenance of the database of property operating information to ensure the Manager maintains the most up-to-date information of each underlying assets in the portfolio and provides periodical and ad-hoc reports for management review. Ms Ng analyses this information and reports on property portfolio performance to the management.

Ms Ng has been involved in managing Japanese regional real estate since 2002. Prior to that, she was an equity analyst with more than 6 years of extensive research experience in Malaysia specialising in various industries, including real estate. Her previous experience included being an investment analyst in Omega Securities Sdn Bhd (1996 to 1997), vice president of research at CIMB Securities Sdn Bhd (1997 to 2002) and senior vice president of investment in Opus Capital Sdn Bhd (2002 to 2007). She graduated with a Bachelor of Commerce from the University of Western Australia and is a Chartered Financial Analyst.

Mr Joey GOH Corporate Finance and Compliance Manager

Mr Goh works closely with the Board and the Co-Chief Executive Officers to ensure compliance with organizational and regulatory rules and obligations, which includes evaluating processes and procedures for compliance, alerting management to current regulatory issues and maintaining compliance manual. He co-ordinates corporate actions and corporate finance activities with external advisers and professionals and reviews these activities and their related documentation for compliance with the relevant regulations.

Mr Goh assists in facilitating and maintaining continuous disclosure, which includes statutory reporting of quarterly and annual financial results as well as reporting to the SGX-ST with regard to compliance with the Listing Manual. He reviews documents prior to public dissemination, such as announcements on the SGXNet as well as presentation materials, to ensure compliance with relevant rules and regulations. Mr Goh ensures that effective communication is maintained with the Trustee as well as regulatory authorities such as the MAS and SGX-ST.

Mr Goh has four years of corporate finance experience and has participated in a number of initial public offerings and other corporate finance advisory activities for companies listed on the SGX-ST. Prior to his involvement in corporate finance, he was an auditor in Ernst & Young and an accountant in Singapore Technologies Kinetics Ltd. He is a Certified Public Accountant of the Institute of Certified Public Accounts of Singapore and holds a Bachelor of Accountancy degree from the

Nanyang Technological University. Mr Goh holds a Masters of Business Administration from the Imperial College Business School, United Kingdom.

Ms Ivy CHAN Ka Lam Finance Manager

Ms Chan is a member of the Hong Kong Institute of CPAs and The Association of Chartered Certified Accountants, and is an associate of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators.

Ms Chan graduated with a Bachelor of Sociology (Hons) from Hong Kong Baptist University and a Bachelor of Applied Accounting (Hons) from Oxford Brookes University. As Finance Manager, Ms Chan is in charge of the finance and accounting team of the Manager, which is responsible for the keeping and reporting of Saizen REIT’s financial and accounting conditions as well as the development of a comprehensive system of business score cards and key performance indicators to facilitate the effective management of Saizen REIT’s assets.

Ms Chan is also responsible for the preparation of statutory accounts, co-ordination with external auditors, management of tax affairs, as well as the preparation of Saizen REIT’s performance reports for the Unitholders and investors. Prior to this, Ms Chan was an accountant with Fung Kiu Manufacturing Limited from 1999 to 2003 and an audit assistant with Poon & Company, CPA from 2003 to 2004.

Ms Sally LAW Yin Nee Finance Manager

Ms Law is a qualified member of Hong Kong Institute of CPAs and The Association of Chartered Certified Accountants. Ms Law graduated with a Bachelor of Accountancy (Hons) from Hong Kong Baptist University. Ms Law has over seven years of experience in accounting including experience in the accounting and audit department of Chan, Li Law & Co., and over six years of accounting and auditing experience in a number of industries such as commodities trading, insurance brokerage and global wholesale.

As a Finance Manager, Ms Law, together with Ms Ivy Chan, are in charge of the finance and accounting team of the Manager, which is responsible for the keeping and reporting of Saizen REIT’s financial and accounting conditions as well as the development of a comprehensive system of business score cards and key performance indicators to facilitate the effective management of Saizen REIT’s assets.

Ms Law is also responsible for the preparation of statutory accounts, co-ordination with external auditors management of tax affairs as well as the preparation of Saizen REIT’s performance reports for the Unitholders and investors.

Asset Manager



Executive Officers of the Asset Manager

Mr Yutaka MATSUNAGA President

Mr Matsunaga, the Representative Director and President of KK Tenyu Asset Management, the Asset Manager, works closely with Mr Arnold Ip Tin Chee and Mr Richard Lo for the acquisition and disposal functions of the Asset Manager and is responsible for the overall management, operation and monitoring of the Asset Manager in its role as the asset manager for the TK Operators in order to enhance the performance of the TK Operators and other asset holding entities and Saizen REIT as an investor in those entities.

Mr Matsunaga is based in Tokyo, Japan, and has been managing Japanese real estate since 1999. He has more than ten years of experience in real estate investment, and has established an extensive network in the property market in Japan. From 1999 to 2001, Mr Matsunaga was the chief executive officer and director of JAIC International (HK) Co., Ltd, a wholly-owned subsidiary of Japan Asia Investment Co., Ltd, one of the largest specialist private equity investment managers listed on TSE Main Board.

Mr Matsunaga holds a bachelor's degree in commerce from Meiji University and is a licensed person under the Hong Kong Securities and Futures Ordinance.

Mr Arnold IP Tin Chee Director

Mr Ip is involved in the acquisition and disposal functions of the Asset Manager and oversees the overall property management, leasing and renovation and financing functions. Details of Mr Ip's experience and expertise are set out under the **"Board of Directors of the Manager"** section.

Mr Richard LO Director

Mr Lo has previously lived in Japan and has over 30 years of business experience in Japan, including engaging in distributorships of computer and related products for major Japanese corporations in China and South East Asia. Mr Lo has over 10 years of experience in real estate investment management and has invested in real estate in Japan since 1999.

Mr Lo has established a wide network of contacts in both the property and corporate sectors in Japan. Mr Lo is a founder and director of a computer and related-products distribution group of companies, but he is no longer involved in the daily operations of these companies and will dedicate substantially all his time to the Asset Manager. Mr Lo is also a director of Altus Capital Limited, a company under the Altus Group.

Mr Lo holds a Master of Business Administration from the University of California, Los Angeles (UCLA).

Ms Aki KURAMITSU Supervisor - Legal and Finance

Ms Kuramitsu oversees the financing and administration function of the Asset Manager and TK Operators. She oversees the preparation of statutory accounts, co-ordinates with external auditors, manages tax affairs, and liaises with lenders and loan servicers, gathering and providing them with all necessary information to proceed with the nonrecourse loan applications.

She is also responsible for the due diligence of property acquisitions and disposal. Ms Kuramitsu works closely with appraisal companies and engineering companies to evaluate suitable investment targets, and coordinates the valuation reports and engineering reports to be produced in a timely and an appropriate manner.

Ms Ikuko SHIMOYASHIKI Supervisor - Leasing and Operations

Ms Shimoyashiki, based in Sapporo, Japan, oversees the property management, leasing and renovation functions of the Asset Manager. She supervises Tenyu leasing team working directly and closely with property managers and property agents in each of the relevant cities with the objectives of keeping market information updated and enhancing or maintaining occupancy rates at satisfactory levels.

Ms Shimoyashiki will also liaise with property managers on a regular basis and seek quotations from various service providers and suppliers with the objectives of lower operating costs (for example, renovation, cleaning, elevator maintenance etc.) and, in the long-run, increasing property management efficiency.

She also assists the board and other executive officers to establish plans in property management, capital expenditure and renovation budgets.

Asset Management

KK Tenyu currently manages 205 properties which are located in 15 cities in Japan, of which 161 properties are held by Saizen REIT.

KK Tenyu Profile

KK Tenyu Asset Management ("KK Tenyu") is the asset manager of Saizen REIT. It was incorporated in Japan on 27 June 2007 and is headed by its President, Mr Yutaka Matsunaga, and directors Mr Arnold Ip and Mr Richard Lo.

In 1999, YK Tenyu Holdings was established for the purpose of managing the property investments of individual investors. These properties include those which are in the Saizen REIT portfolio. After KK Tenyu was incorporated, all the operations of YK Tenyu Holdings were transferred to KK Tenyu.

KK Tenyu has offices in three cities, namely Tokyo, Sapporo and Fukuoka, and has a total of 11 employees. KK Tenyu currently manages 205 properties which are located in 15 cities in Japan, of which 161 properties are held by Saizen REIT.

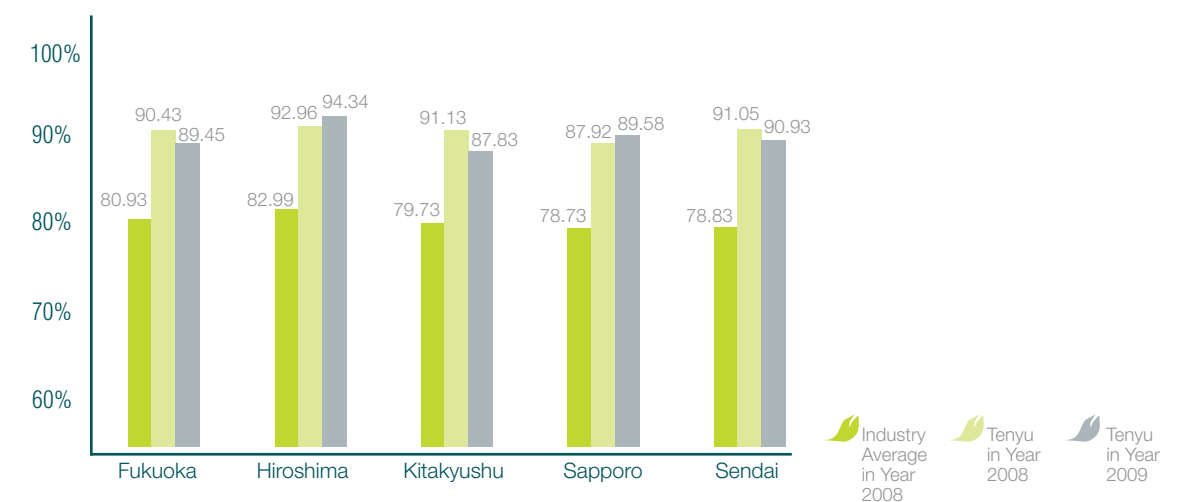
Key services provided by KK Tenyu include, *inter alia*, the following:

- (a) advising on the selection of property managers and monitoring the daily management managers and service providers;
- (b) developing leasing strategies and engaging in leasing activities together with property managers and local agents;

- (c) reviewing renovation plans and quotations;
- (d) establishing operating budgets and annual plans for the operation, management, marketing and maintenance of properties; and
- (e) providing administrative services in relation to financing arrangements as well as the acquisition and disposal of properties.

KK Tenyu adopts a hands-on approach in the management of the properties, rather than leaving it solely to the 24 property managers that it currently engages. KK Tenyu is regularly in direct contact with the tenants as well as local leasing agents. Such direct involvement in property management, coupled with more than 10 years of experience and in-depth knowledge on the local markets, facilitates timely decision making and effective implementation of ideas and strategies.

Industry Average vs Tenyu Occupancy Rates



The source of average rental properties occupancy rates is the 平成20年度土地・建物統計調査報告書 issued by Bureau of Statistics in 2009



From left to right: Yutaka Matsunaga (President of KK Tenyu) and Eiko Kidani



From left to right: Chiyo Koga, Aki Kuramitsu and Erika Sera



From left to right: Aya Okamoto, Shota Kon (seconded from property manager), Ikuko Shimoyashiki

Property
Feature

KK Tenyu Profile



Casa Motomachi (“CM”)

4 minutes walk to Motomachi Station, Toho subway line

Motomachi is a newly established area with easy access to commercial facilities such as a shopping mall.

CM is located very near to a subway station and is a quiet residential area popular amongst singles and couples with mid or high income.

Statistics of Property

Year Built	2007
Latest Valuation (JPY million)	292
No. of Residential Units	32
No. of Commercial Units	1
No. of Car Parking Units	14
Net Lettable Area (sqm) (“NLA”) (Residential + Commercial)	1,364
Occupancy rate by NLA (Residential and Commercial as at 30 June 2010)	91%

“It has a good security system and nice layout. The rent is reasonable and the subway station is nearby too.” N.A. (a tenant)

“Building security and cleanliness as well as ventilation are factors I considered when renting a unit in Casa Motomachi. The unit and the exterior of the building are well maintained.” C.I. (a tenant)

Art Side Terrace (“AST”)

4 minute walk to Nishi 18 Chome Station, Tozai subway line

Nishi 18 Chome Station is only 2 stations away from the city center. AST is located in a rather high end residential area filled with fashion boutiques and restaurants.

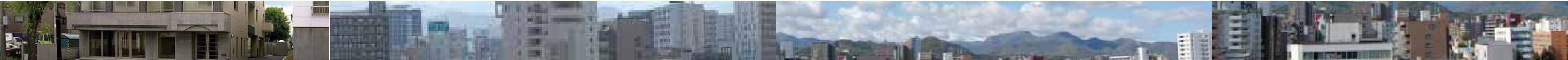
AST is also located next to an art museum.

Statistics of Property

Year Built	1986
Latest Valuation (JPY million)	444
No. of Residential Units	61
No. of Commercial Units	2
No. of Car Parking Units	22
Net Lettable Area (sqm) (“NLA”) (Residential + Commercial)	3,265
Occupancy rate by NLA (Residential and Commercial as at 30 June 2010)	96%

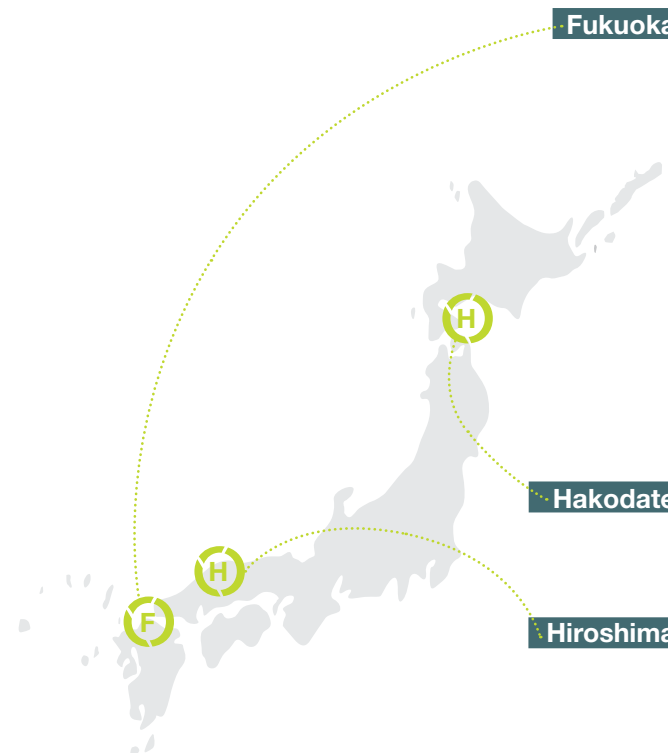


“It has a nice view and a big storage area. The location is good and the rent is reasonable.” N.H. (a tenant)



Portfolio Summary

As at 30 June 2010



Fukuoka

No.	Property Name	Year Built	Purchase Consideration (JPY million)	Latest Year Valuation ⁽¹⁾ (JPY million)	No. of Residential Units	No. of Commercial Units	No. of Car Parking Units	Gross Floor Area (sqm)	Net Lettable Area (sqm) (Residential+Commercial)	Occupancy Rate by NLA (Residential+Commercial) as at 30 June 2010	Annual Rental Income ⁽²⁾ (JPY)	% of Total Rental Income for June 2010
1	Arati Hakata South	1991	472.0	315.0	62	0	15	1,406	1,376	92%	32,640,576	0.8%
2	Central Court Tenjin Higashi	1991	203.0	122.0	27	0	0	579	546	96%	14,052,000	0.4%
3	Chic Takaramachi	1985	243.0	204.0	30	0	17	2,102	1,949	90%	21,132,000	0.5%
4	Gold Mansion Nakao	1988	179.0	128.0	28	0	0	739	739	100%	13,668,000	0.4%
5	Johanan Building III	1983	452.0	316.0	24	6	21	2,108	1,759	100%	35,701,644	0.9%
6	La Finesse Hakataeki Minami	2006	550.0	424.0	50	0	7	1,319	1,228	98%	37,544,352	1.0%
7	Le Pied Hirao	2000	288.0	244.0	32	0	10	1,004	794	97%	21,100,800	0.5%
8	Orion Heim	1996	268.0	202.0	29	0	6	963	815	85%	16,506,000	0.4%
9	Patios Ohashi	1995	140.0	82.0	23	0	7	475	442	65%	7,264,800	0.2%
10	Relief Ohorinishi	1989	132.0	108.0	17	0	0	519	450	100%	10,152,000	0.3%
11	Saumur Meinohama II	1991	76.0	53.0	14	0	0	290	290	79%	4,768,800	0.1%
12	Wealth Meinohama	1988	79.1	59.1	12	0	1	298	283	100%	6,114,000	0.2%
13	Wing Befu	1992	206.0	115.0	29	0	3	768	751	86%	12,378,696	0.3%
Subtotal			3,288.1	2,372.1	377	6	87	12,569	11,422		233,023,668	6.0%

Hakodate

14	Jewel Town Suehiro	1991	203.0	143.0	30	0	8	1,594	1,382	100%	19,327,440	0.5%
15	Matsukaze Building	1990	382.0	238.0	32	4	30	3,101	2,447	91%	29,607,936	0.8%
16	Villa Kaigancho	1990	383.0	261.0	50	1	24	4,275	3,907	98%	40,365,600	1.0%
Subtotal			968.0	642.0	112	5	62	8,970	7,737		89,300,976	2.3%

Hiroshima

17	Aistage Ushita Minami	2006	359.0	270.0	32	0	7	1,000	920	100%	25,884,000	0.7%
18	Alpha Shinonome	1984	118.0	81.7	27	0	0	579	512	78%	8,316,000	0.2%
19	Estate 18 Shinonome	1990	253.3	259.0	68	0	0	1,133	1,142	96%	25,392,000	0.7%
20	Fujimicho Building	2007	513.0	346.0	32	1	4	1,047	960	94%	29,904,000	0.8%
21	Funairi Honmachi 54	1992	227.0	164.0	28	1	3	830	769	92%	16,668,000	0.4%
22	Global Matsukawa Building	1985	301.0	215.0	32	2	5	1,369	1,105	87%	22,440,000	0.6%
23	Grand Polestone Fujimi	2005	228.4	174.0	19	0	1	598	548	90%	14,220,000	0.4%
24	Grand Polestone Higashi Hiratsuka	2007	505.0	406.0	39	1	6	1,414	1,312	98%	34,932,000	0.9%
25	Grand Polestone Kinya	2005	178.0	154.0	16	0	2	531	416	94%	11,256,000	0.3%
26	Grand Polestone Otemachi	2007	655.0	441.0	38	0	8	1,812	1,529	94%	39,300,000	1.0%
27	Grand Polestone Otemachi II	2007	470.0	369.0	30	0	6	1,271	1,197	92%	29,568,000	0.8%
28	Grand Polestone Takeya	2006	641.0	552.0	52	1	3	1,897	1,575	94%	40,752,000	1.0%
29	Grand Polestone Tsurumi	2006	465.0	362.0	36	0	5	1,216	1,060	97%	29,148,000	0.7%
30	Higashi Hakushima Y Building	2003	210.0	156.0	19	0	4	561	536	79%	12,465,720	0.3%
31	Kamei Five	1989	139.0	74.9	22	2	2	522	449	92%	9,925,800	0.3%
32	Kinyacho Grande	2004	573.0	420.0	50	0	8	1,438	1,360	98%	39,379,392	1.0%
33	Kinyacho Y Building	2002	244.0	188.0	24	0	2	718	621	100%	17,866,860	0.5%
34	Kusatsu Higashi Heights	1988	197.0	202.0	60	0	5	1,183	1,183	87%	21,270,000	0.5%
35	Matoba Meijibashi II	1996	324.0	288.0	42	0	0	916	820	98%	24,564,000	0.6%
36	Matoba Y Building	1999	229.0	173.0	23	1	2	753	663	86%	15,874,860	0.4%
37	Otemachi Y Building	2001	244.0	180.0	24	0	2	651	577	92%	16,090,860	0.4%
38	Quest Tower Noboricho	2008	680.0	540.0	60	0	5	1,736	1,665	100%	51,673,200	1.3%
39	Residence II Yasuda	1985	120.0	90.0	21	0	2	580	445	87%	9,024,000	0.2%
40	Royal Shinonome	1990	320.0	325.0	80	0	16	1,373	1,358	93%	31,692,000	0.8%
41	Shinonome Heights	1988	175.0	170.0	48	0	0	778	778	88%	16,404,000	0.4%
42	Sun Park Yokokawa	1988	81.7	55.1	21	0	0	402	322	92%	6,720,000	0.2%

Notes:

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Portfolio Summary

As at 30 June 2010



No.	Property Name	Year Built	Purchase Consideration (JPY million)	Latest Year Valuation ⁽¹⁾ (JPY million)	No. of Residential Units	No. of Commercial Units	No. of Car Parking Units	Gross Floor Area (sqm)	Net Lettable Area (sqm) (Residential+Commercial)	Occupancy Rate by NLA (Residential+Commercial) as at 30 June 2010	Annual Rental Income ⁽²⁾ (JPY)	% of Total Rental Income for June 2010
43	Villa Kaita	1992	300.0	312.0	80	0	3	1,408	1,335	87%	29,904,000	0.8%
44	VOGA Minami Kannon	1993	230.0	193.0	39	0	0	890	659	100%	17,952,000	0.5%
45	Wing Nakahirodori	2007	838.0	704.0	72	2	13	2,239	2,161	88%	50,542,800	1.3%
Subtotal			9,818.4	7,864.7	1,134	11	114	30,844	27,974		699,129,492	18.0%
46	Abitare Korimoto	1990	338.0	261.0	58	0	3	1,279	1,277	92%	24,720,000	0.6%
47	Abitare Shimoarata I	1989	342.0	282.0	60	0	0	1,252	1,235	93%	24,960,000	0.6%
48	Abitare Shinyashiki	1989	316.0	252.0	54	0	0	1,409	1,292	89%	23,154,000	0.6%
49	Yamamoto Mansion	2004	765.0	565.0	99	1	8	2,762	2,672	99%	57,705,840	1.5%
Subtotal			1,761.0	1,360.0	271	1	11	6,703	6,476		130,539,840	3.4%
50	Alte Heim Kokura	1992	113.0	75.0	21	0	2	624	465	95%	8,532,000	0.2%
51	Alte Heim Kokura II	1995	586.0	400.0	87	1	9	1,833	1,799	93%	37,980,000	1.0%
52	Alte Heim Kokura IV	1989	124.0	95.0	17	0	2	818	733	93%	10,376,400	0.3%
53	Alte Heim Mojekimae	1992	211.0	157.0	31	0	8	774	699	97%	16,068,000	0.4%
54	Alte Heim Orio	1996	405.0	272.0	60	0	12	1,424	1,329	90%	26,772,000	0.7%
55	Chalet Aoyama	1989	325.0	224.0	40	0	24	2,098	2,098	88%	24,801,600	0.6%
56	Chalet Einomaru II	1991	147.0	108.0	20	0	9	937	937	81%	9,879,600	0.3%
57	Chalet Harunomachi	1991	478.6	347.0	50	0	20	3,089	2,750	98%	39,156,000	1.0%
58	Chalet Kanda II	1992	341.0	250.0	38	0	25	2,094	2,094	82%	22,500,000	0.6%
59	Chalet Kishinoura	1991	384.0	290.0	41	0	23	1,754	1,727	95%	27,208,800	0.7%
60	Chalet Matsuo II	1991	78.8	59.6	12	0	1	411	411	75%	4,812,000	0.1%
61	Chalet Numahon Machi II	1991	246.0	144.0	20	3	14	1,344	1,313	74%	14,165,868	0.4%
62	Chalet Shiragane	1990	285.0	213.0	21	1	5	1,337	1,316	96%	22,044,000	0.6%
63	Chalet Suwamachi	1996	387.0	280.0	28	0	23	2,317	2,221	93%	28,016,280	0.7%
64	Chalet Tsudashin Machi	1990	193.0	137.0	23	2	0	1,276	1,227	82%	13,308,000	0.3%
65	City Room Nakai III	1998	193.0	152.0	30	0	5	855	855	90%	14,083,656	0.4%
66	Club House Kikugaoka	1991	330.0	234.0	25	0	26	1,928	1,867	88%	23,691,600	0.6%
67	Katano Residential Building	1990	515.0	356.0	34	2	36	3,721	2,315	95%	34,098,876	0.9%
68	KN 21 Shiragane	2000	302.0	229.0	32	0	41	2,194	2,122	94%	31,788,000	0.8%
69	KN 7 Kirigaoka	1996	452.0	317.0	31	1	27	1,472	1,390	89%	22,115,376	0.6%
70	Shinko Kokura Kogane Sky Mansion	1990	267.0	213.0	54	1	4	1,209	1,161	92%	21,116,880	0.5%
Subtotal			6,363.4	4,552.6	715	11	316	33,507	30,828		452,514,936	11.6%
71	Arioso Phrase	2006	475.0	444.0	45	0	43	1,949	1,882	100%	42,365,688	1.1%
72	Leggiero Viola	2004	375.0	282.0	33	0	37	1,656	1,414	94%	27,174,216	0.7%
73	Maestoso Figur	2000	456.0	365.0	45	0	45	1,710	1,662	92%	32,114,352	0.8%
Subtotal			1,306.0	1,091.0	123	0	125	5,316	4,957		101,654,256	2.6%
74	EMYU Heisei Keyakidori Mansion	2007	956.0	666.0	90	0	53	4,281	3,699	93%	63,435,000	1.6%
75	EMYU Honjo	2006	1,100.0	826.0	99	0	30	4,160	3,458	95%	74,193,000	1.9%
76	EMYU Shinmachi	2006	761.0	571.0	81	0	22	2,932	2,517	98%	54,225,600	1.4%
77	EMYU Suizenji	2006	1,305.0	1,030.0	119	0	57	4,503	4,257	98%	89,256,000	2.3%
78	KC Heights	1980	155.0	92.1	20	0	21	1,283	1,152	100%	12,542,400	0.3%
79	Mon Palais Toroku	1994	362.0	227.0	72	0	10	1,740	1,494	89%	23,763,600	0.6%
80	Rise Fujisaki Dai	2006	331.0	292.0	36	0	8	1,405	1,338	100%	26,676,000	0.7%
81	Rise Gofuku	2006	336.0	248.0	34	1	2	1,583	1,358	94%	24,348,000	0.6%
82	Rise Heiseiekimae	2007	225.0	191.0	18	2	7	863	852	94%	16,925,724	0.4%
83	Rise Kojo Horibata	2004	111.0	69.9	12	0	6	442	345	100%	6,940,800	0.2%

Notes:

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Kagoshima

Kitakyushu

Koriyama

Kumamoto

Portfolio Summary

As at 30 June 2010



No.	Property Name	Year Built	Purchase Consideration (JPY million)	Latest Year Valuation ⁽¹⁾ (JPY million)	No. of Residential Units	No. of Commercial Units	No. of Car Parking Units	Gross Floor Area (sqm)	Net Lettable Area (sqm) (Residential+Commercial)	Occupancy Rate by NLA (Residential+Commercial) as at 30 June 2010	Annual Rental Income ⁽²⁾ (JPY)	% of Total Rental Income for June 2010
84	Rise Kuhonji II	2005	484.0	353.0	45	3	4	1,973	1,884	100%	31,666,440	0.8%
85	Rise Kumadai Hospital II	2007	622.0	536.0	54	0	18	2,789	2,419	93%	45,420,948	1.2%
86	Rise Kumamoto Station South	2006	211.0	153.0	20	0	7	980	940	89%	13,788,000	0.4%
87	Rise Oe	1998	306.0	240.0	36	1	0	1,204	1,163	88%	21,384,000	0.5%
88	Rise Shimodori	2005	389.0	265.0	36	0	13	1,398	1,265	100%	24,176,160	0.6%
89	Romaug Kamidori Namikizaka	2007	750.0	629.0	56	13	6	3,048	2,796	89%	55,801,020	1.4%
Subtotal			8,404.0	6,389.0	828	20	264	34,587	30,939		584,542,692	15.0%
90	Gardenia Kurashiki	1994	148.0	123.0	19	0	10	869	846	84%	12,754,008	0.3%
Subtotal			148.0	123.0	19	0	10	869	846		12,754,008	0.3%
91	K1 Mansion Morioka	1995	79.0	60.0	6	0	6	496	434	100%	6,900,000	0.2%
92	K2 Mansion Morioka	1997	380.0	291.0	42	0	44	1,880	1,870	98%	30,612,000	0.8%
93	Senboku Heim I	1991	204.0	160.0	24	0	26	1,325	1,230	96%	17,712,000	0.5%
94	Senboku Heim II	1995	125.0	78.2	12	0	8	786	713	100%	9,048,000	0.2%
Subtotal			788.0	589.2	84	0	84	4,487	4,247		64,272,000	1.7%
95	Geo Kamiokawamaedori 3	2005	450.2	371.0	54	0	6	1605	1,351	100%	33,360,000	0.9%
96	Hills Kawabata	2006	315.0	274.0	40	0	0	1320	1,067	100%	24,000,000	0.6%
97	Hills Nogizaka	2006	404.9	312.0	32	3	0	1402	1,302	78%	25,698,000	0.7%
Subtotal			1,170.1	957.0	126	3	6	4,327	3,720		85,602,000	2.2%
98	Taisei Building III	1979	373.0	266.0	45	8	8	3,315	2,827	92%	35,469,000	0.9%
Subtotal			373.0	266.0	45	8	8	3,315	2,827		35,469,000	0.9%
99	Art Side Terrace	1986	687.0	444.0	61	2	22	4,122	3,265	96%	51,649,716	1.3%
100	Aster Yamahana	1987	193.0	136.0	20	0	10	1,015	986	90%	14,340,000	0.4%
101	Casa Motomachi	2007	341.0	292.0	32	1	14	1,616	1,364	91%	27,509,280	0.7%
102	Chateau 24	1994	649.0	453.0	84	2	45	2,580	2,105	90%	42,282,936	1.1%
103	Chateau Nakanoshima	1989	298.0	204.0	49	0	17	1,775	1,379	78%	19,488,000	0.5%
104	Dear Misono	1996	61.0	39.9	9	1	2	361	314	90%	4,668,000	0.1%
105	Dominion Yamanote	1988	179.0	135.0	33	0	5	964	800	97%	15,336,000	0.4%
106	Ebisu Building III	1985	91.0	68.1	16	0	0	459	403	94%	6,720,000	0.2%
107	Escort South 11	1992	64.0	48.0	10	0	0	554	495	100%	6,324,000	0.2%
108	Estella 24-ken A	2006	109.0	68.8	12	0	1	468	372	75%	5,700,000	0.1%
109	Estolle S12	2002	269.0	158.0	18	0	12	1,186	919	78%	13,704,000	0.4%
110	First Kotake Building	1984	1,147.0	847.0	28	8	16	4,379	3,169	88%	64,272,000	1.7%
111	Glance Nishimachi	1993	466.0	381.0	40	0	37	3,192	2,668	95%	37,836,000	1.0%
112	Heart Inn Hongou	1989	103.0	66.5	20	0	4	503	458	95%	8,028,000	0.2%
113	Infinity Higashi Sapporo	1991	244.0	156.0	22	2	10	1,732	1,398	65%	12,441,144	0.3%
114	Jeunes 23	1988	376.0	236.0	34	1	14	1,700	1,502	88%	23,332,860	0.6%
115	Kohatsu 88	1990	68.1	47.9	8	1	0	533	453	79%	4,728,000	0.1%
116	Kotoni 1-6 Mansion	1990	351.0	253.0	42	2	6	1,923	1,662	91%	27,456,000	0.7%
117	Les Chambres	1986	89.7	65.6	20	0	3	546	469	85%	6,732,000	0.2%
118	Lumiere et vent	1998	75.1	45.0	9	0	6	545	337	67%	3,672,000	0.1%
119	Luna Heights	1988	316.0	236.0	50	0	2	1,575	1,304	88%	22,536,000	0.6%
120	Maison Towa	1988	210.0	166.0	25	2	7	1,502	1,149	87%	17,576,004	0.5%
121	Matsui 38	1987	188.0	129.0	20	2	2	1,100	847	81%	13,308,000	0.3%
122	Matsui 53	1988	243.0	165.0	36	0	4	1,233	1,074	86%	17,172,000	0.4%

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Portfolio Summary

As at 30 June 2010



No. Property Name	Year Built	Purchase Consideration (JPY million)	Latest Year Valuation ⁽¹⁾ (JPY million)	No. of Residential Units	No. of Commercial Units	No. of Car Parking Units	Gross Floor Area (sqm)	Net Lettable Area (sqm) (Residential+Commercial)	Occupancy Rate by NLA (Residential+Commercial) as at 30 June 2010	Annual Rental Income ⁽²⁾ (JPY)	% of Total Rental Income for June 2010
123 Matsui 82	1989	452.0	328.0	48	2	4	2,970	2,483	82%	33,408,000	0.9%
124 Misono	1991	339.0	280.0	26	8	16	1,837	1,598	89%	27,005,796	0.7%
125 Park Crystal	1990	317.0	236.0	56	0	5	1,575	1,286	89%	21,787,200	0.6%
126 Plaza Nakajima Park	1990	370.0	285.0	37	0	14	2,465	2,189	82%	27,906,000	0.7%
127 Reef Suite	2005	210.0	132.0	18	0	15	1,260	894	84%	13,188,000	0.3%
128 Residence Shiroishi ABCD 1988 ^(A,B) 1989 ^(C,D)		525.0	487.0	124	0	25	3,927	3,492	83%	49,812,000	1.3%
129 S. Heim	1987	136.0	104.0	26	0	8	794	636	86%	10,518,852	0.3%
130 Sec' As Blue II	2004	440.0	331.0	48	0	11	2,159	1,643	94%	30,615,420	0.8%
131 Studio City	1985	314.0	194.0	51	1	12	1,963	1,435	89%	22,694,976	0.6%
132 Suien	2004	131.0	92.3	15	0	0	681	577	80%	8,100,000	0.2%
133 Sun City	1988	404.0	280.0	50	0	18	4,316	2,833	90%	37,221,696	1.0%
134 Three Tower	1992	1,071.0	855.0	57	3	103	6,258	5,569	97%	92,413,596	2.4%
135 TOA Mansion	1988	823.0	588.0	70	1	28	5,335	4,406	94%	61,458,012	1.6%
136 Towa Kita 7 Jo	1989	350.0	333.0	33	0	23	2,781	2,509	97%	35,763,144	0.9%
137 Towa Kotoni	1989	330.0	294.0	29	0	18	2,330	2,084	94%	29,802,000	0.8%
138 Treasure 15	1990	187.0	145.0	36	0	0	886	879	92%	14,520,000	0.4%
139 Urban Yamahana	1990	136.0	107.0	18	0	11	829	752	62%	8,136,000	0.2%
Subtotal		13,352.9	9,912.1	1,440	39	550	77,930	64,155		991,162,632	25.5%
140 Aisho Plaza Hachiman	1991	240.0	184.0	27	0	0	643	607	100%	17,268,000	0.4%
141 Castle Kano	1989	256.0	185.0	30	0	1	1,091	1,038	88%	17,585,676	0.5%
142 Clio Court	1988	244.0	187.0	20	0	13	1,178	1,097	100%	20,275,428	0.5%
143 Core Life	1990	541.0	432.0	46	3	43	4,780	3,849	79%	43,632,600	1.1%
144 Etoile Higashi Sendai	1987	123.0	99.0	15	0	7	652	652	93%	9,690,600	0.2%
145 Exceed Tsuchitai	1998	119.0	86.0	14	0	2	378	314	85%	7,792,572	0.2%
146 Fantage Yaotome	1998	285.0	210.0	24	0	19	1,430	1,363	93%	22,292,628	0.6%
147 Florecer Miyagino	1999	239.2	244.0	39	0	30	1,082	1,021	98%	27,488,640	0.7%
148 High Grace II	1998	413.0	307.0	50	1	10	1,206	1,125	80%	24,743,400	0.6%
149 Liesse Wakabayashi	1995	179.0	131.0	32	0	9	781	671	84%	13,415,964	0.3%
150 Lively Kamisugi	1991	91.8	64.0	12	0	3	294	277	92%	6,342,288	0.2%
151 Maison d'Etoile II	1984	122.0	82.0	28	0	0	661	598	96%	12,552,000	0.3%
152 Mansion Lilac	1990	64.0	42.0	6	0	0	294	270	67%	3,336,000	0.1%
153 Niken Chaya Grand Heights	1979	479.0	365.0	40	0	18	2,713	2,287	87%	33,828,000	0.9%
154 Royal Hills Katagiri	1994	197.0	157.0	27	0	10	937	732	100%	15,994,200	0.4%
155 Royal Hills Komatsushima	1990	174.0	129.0	26	0	5	691	678	94%	13,848,000	0.4%
156 Sun Hills Asahigaoka	1987	70.2	52.0	15	0	0	335	334	93%	5,676,000	0.1%
157 Sun Port 6	1986	189.0	153.0	35	0	13	887	883	92%	15,230,892	0.4%
158 Sun Rise Kashiwagi	1997	249.0	178.0	31	0	4	680	666	94%	16,518,288	0.4%
159 Sun Vario Shinden Eki Mae	2006	494.0	419.0	47	0	26	1,715	1,527	100%	36,195,552	0.9%
160 Urban Hills Dainohara	1991	164.0	132.0	33	0	0	757	677	88%	12,408,000	0.3%
161 YSK Co-op Saiwaicho	1993	513.0	425.0	25	5	27	2,810	2,218	87%	36,496,524	0.9%
Subtotal		5,446.2	4,263.0	622	9	240	25,993	22,883		412,611,252	10.6%
Grand Total		53,187.1	40,381.7	5,896	113	1,877	249,415	219,009		3,890,032,752	100%

Notes:

1 The valuations were determined using income approach, which includes the direct capitalisation method and discounted cash flow method

2 The annual rental income represents the annualised rental income of each property in June 2010. Rental income comprises base rental income, common area management fees and car parking rental income only

Sendai

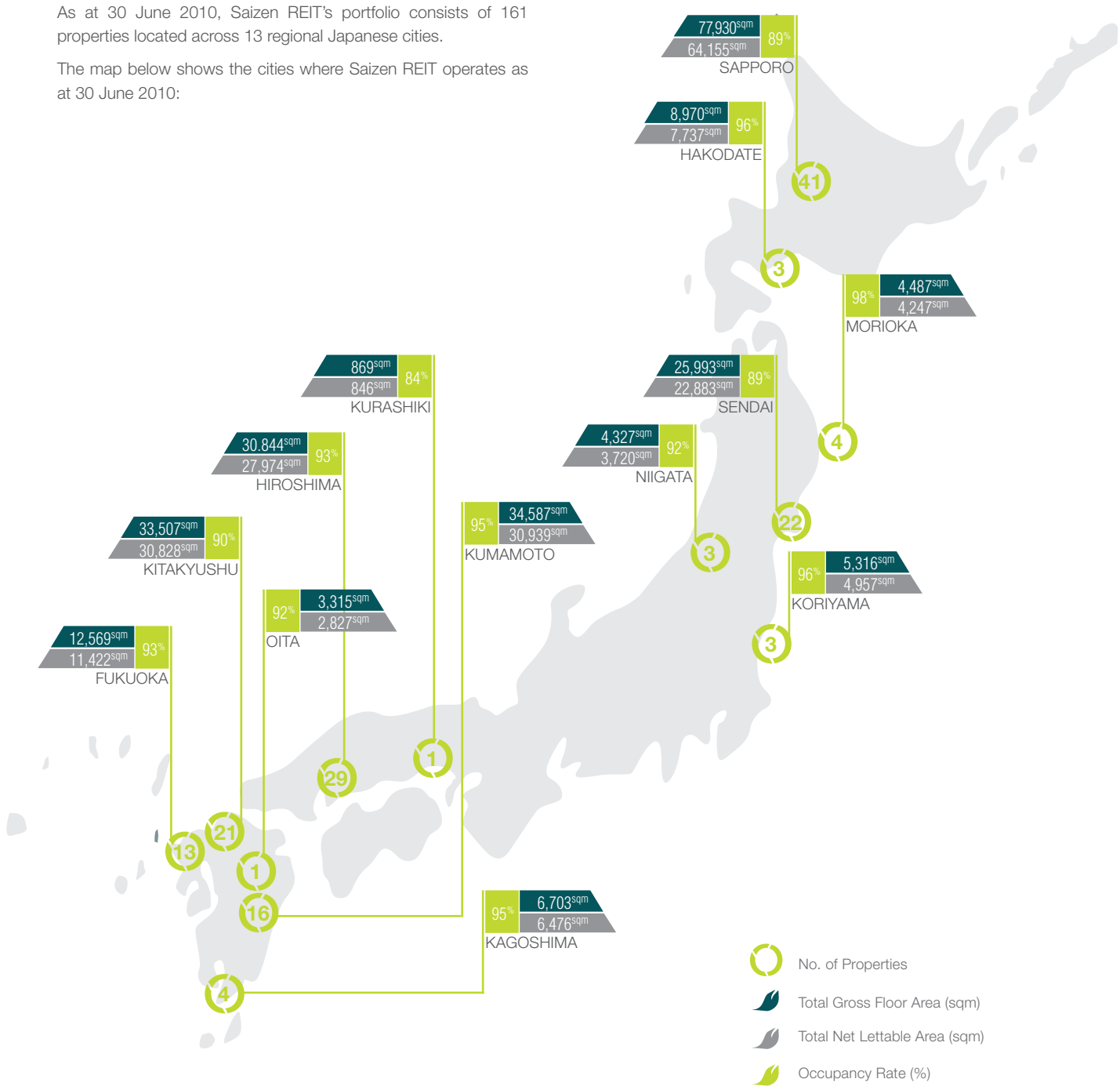
Portfolio Overview

As at 30 June 2010

Geographical distribution

As at 30 June 2010, Saizen REIT's portfolio consists of 161 properties located across 13 regional Japanese cities.

The map below shows the cities where Saizen REIT operates as at 30 June 2010:



Lease terms and tenant profile

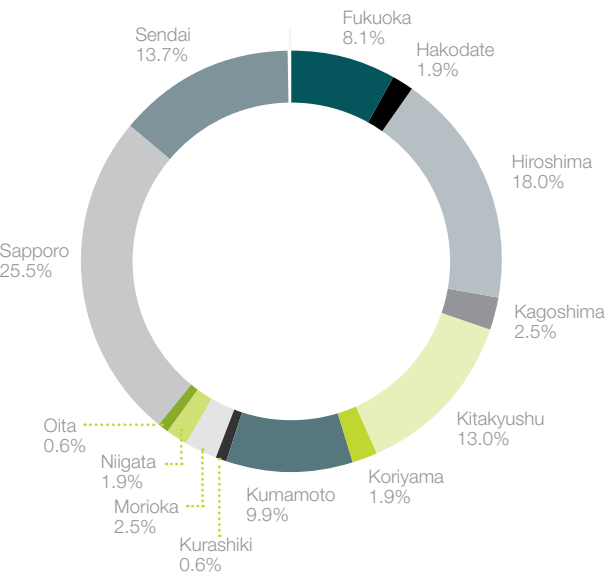
As at 30 June 2010, the property portfolio of Saizen REIT comprises 5,896 residential units and 113 commercial units, of which 5,423 residential units and 89 commercial units were occupied. About 98% of our units are for residential use where the tenants are principally working singles, students and families. In view of the fact that the tenant mix of Saizen REIT's residential units is principally individuals and families and the trade sectors of such tenants cannot be clearly defined, we believe the disclosure of the trade sector mix of tenants as required by the Code on Collective Investment Schemes will not be meaningful. As only about 2% of the property portfolio of Saizen REIT comprises commercial units, we are also of the view that the disclosure of the trade sector mix of tenants in such commercial units will not be meaningful.

In line with the general practice of the Japan residential property market, the majority of the leases for our properties are standard leases for periods of two years. Notwithstanding, under their terms, such leases may generally be terminated by tenants upon giving one to two months' notice. During FY2010, tenant turnover rates (i.e. rate of termination of leases by tenants) of Saizen REIT's property portfolio were 21% for the small type units, 20% for the medium type units and 14% for family type units. Given that the lease tenures of two years are relatively short, we are of the view that an analysis on lease maturity will not be meaningful. Saizen REIT's property portfolio has 5,512 occupied residential and commercial units as at 30 June 2010. Given the broad tenant base, we believe the risk of lease maturity is well diversified.

Due to the diversification mentioned above, the aggregate revenue attributable to the top 10 residential unit tenants only accounted for about 0.4% of the gross monthly rental revenue of Saizen REIT in June 2010. For commercial units, the aggregate revenue attributable by the top 10 tenants only accounted for about 2% of the gross monthly rental revenue of Saizen REIT in June 2010. On this basis, we are of the view that analysis of the top 10 tenants will not be meaningful.

Portfolio Distribution (in terms of number of properties) by Location (%)

As at 30 June 2010



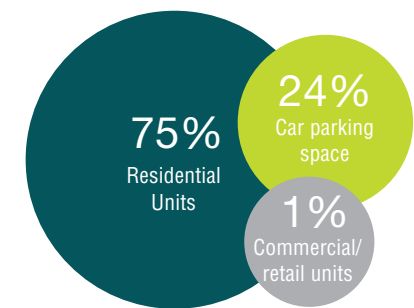
Portfolio Overview

As at 30 June 2010

Unit Type

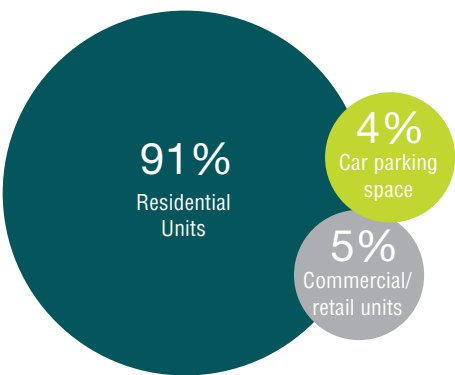
Saizen REIT's portfolio consists predominantly of residential units, with some commercial elements in the form of office and retail units located in the property's lower floors. The portfolio also has a number of car parking spaces, including tower parking facilities. The charts below show the composition of the portfolio in terms of the type of units and their revenue contribution.

Portfolio Distribution by Unit Type (%) *
As at 30 June 2010



* As a percentage of the total number of units in Saizen REIT's portfolio

Revenue Contribution by Unit Type (%) *
As at 30 June 2010

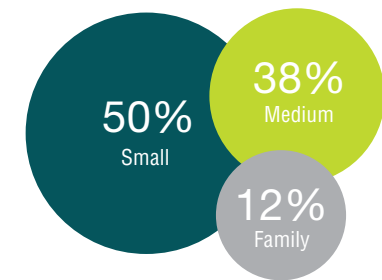


* As a percentage of total gross revenue attributable to Saizen REIT's portfolio for June 2010

Residential Units

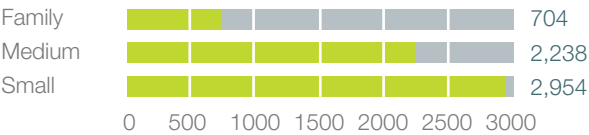
Residential units in the portfolio are divided into three categories in terms of their size, comprising small, medium and family units. Each property may have a combination of unit types, but a majority of the portfolio properties consist of small and medium units.

Residential Units Distribution by Size (%) *
As at 30 June 2010

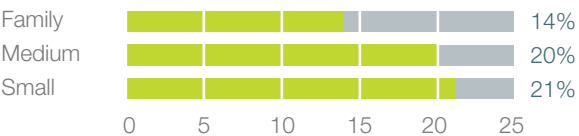


* As a percentage of the total number of residential units in Saizen REIT's portfolio

Portfolio Distribution by Residential Unit Size (Number)
As at 30 June 2010



Average Lease Turnover Rate by Residential Unit Size (%)
As at 30 June 2010



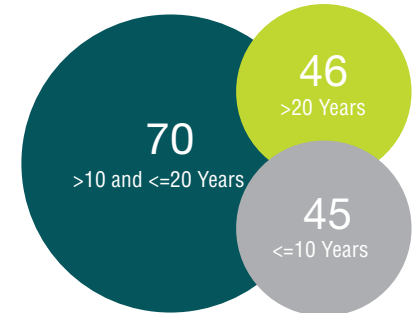
Below are descriptions of the general characteristics of a typical residential unit type:

Type	Layout and Size	Tenant Profile	Location
Small	Layout Type Studio (1R) Studio plus kitchen (1K) Average Size 20sqm - 35sqm	Young working singles, students	Downtown, around major business and entertainment areas.
Medium	Layout Type 1 Bedroom plus dining and kitchen (1DK) 2 Bedrooms plus dining and kitchen (2DK) 2 Bedrooms plus living dining and kitchen (2LDK) Average Size 35sqm - 50sqm	Young Professionals, working singles, working couples without children	Towns along major transportation networks linking major business and commercial centres ("Bed Towns") Close to educational institutions
Family	Layout Type 3 Bedrooms plus living, dining and kitchen (3LDK) Average Size 50sqm and above	Families	Suburbs, residential areas Bed Towns near transportation networks and basic amenities (e.g. schools, hospitals, supermarkets)

Portfolio Distribution by Age of Properties

About 28% of Saizen REIT's 161 properties are less than 10 years old, while about 43% of Saizen REIT's properties are between 10 and 20 years old. The remaining 29% of Saizen REIT's properties were built more than 20 years ago. The weighted average age of Saizen REIT's properties is 13.6 years.

As at 30 June 2010

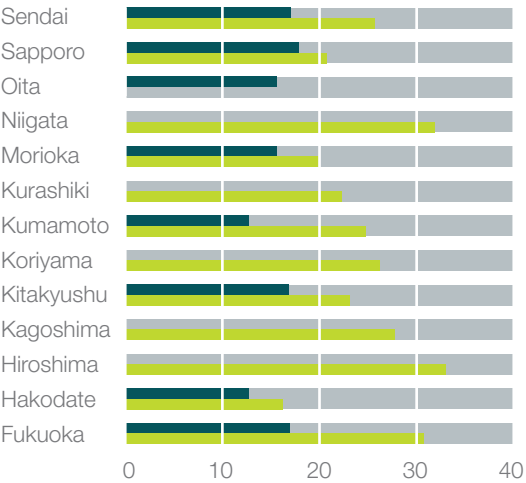


Portfolio Overview

As at 30 June 2010

Rental Rates

Average S\$/sqm * Rental Rates by Unit Type
As at 30 June 2010

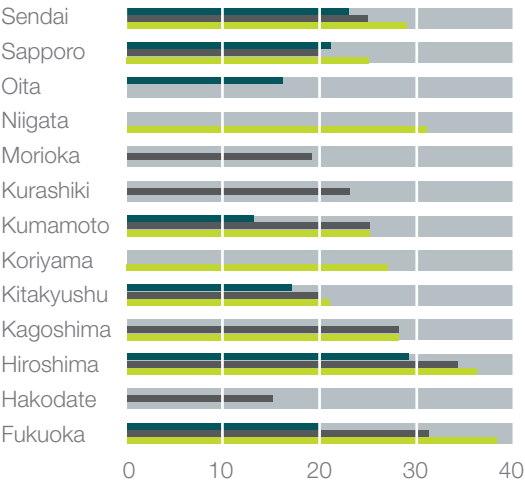


- Family
- Small / Medium

* Computed based on an exchange rate of JPY63.4: S\$1.00

The table below shows the average rental per square meter by property age for each city in which Saizen REIT operates:

Average S\$/sqm * Rental Rates by Property Age
As at 30 June 2010

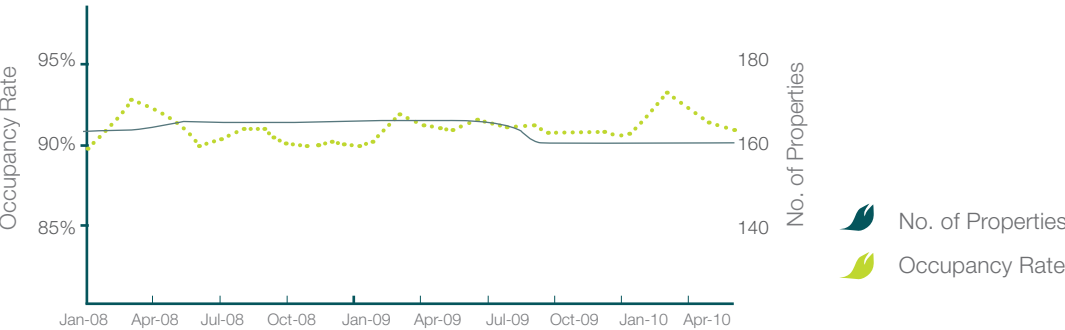


- >20
- >10 and <=20
- <=10

* Computed based on an exchange rate of JPY63.4: S\$1.00

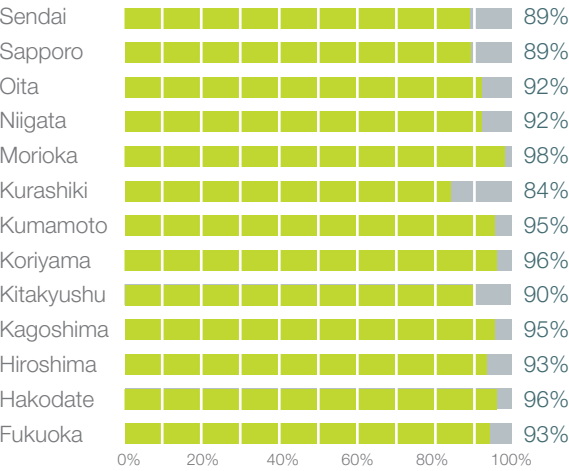
Occupancy Rates

Saizen REIT's portfolio has maintained stable occupancy. The diversification in terms of number of units (5,896 residential, 113 commercial and 1,877 car parking spaces), geographical distribution (13 cities) and a large tenant base further enhances stability.

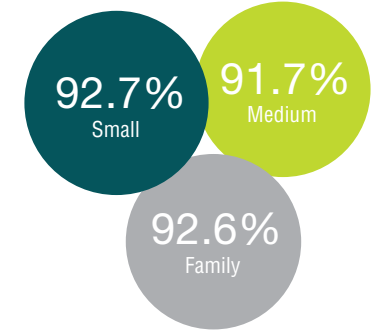


- No. of Properties
- Occupancy Rate

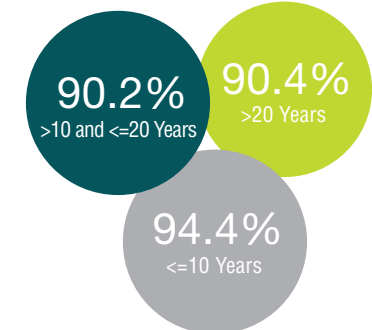
Occupancy Rate by Geographical Distribution (%)
As at 30 June 2010



Occupancy Rate by Residential Unit Size (%)
As at 30 June 2010



Occupancy Rate by Property Age (%)
As at 30 June 2010



Corporate Governance

Corporate Governance

CORPORATE GOVERNANCE

As the manager of Saizen REIT, Japan Residential Assets Manager Limited (the “**Manager**”) is committed to high corporate governance standards to ensure clear internal control systems, policies, procedures, communication and reporting lines are in place so as to protect the interests of Unitholders.

The Manager also ensures that applicable laws and regulations within the Listing Manual of the Singapore Exchange Securities Trading Limited, the Code on Collective Investment Schemes (including the Property Funds Guidelines) issued by the Monetary Authority of Singapore (“**MAS**”), and the Securities and Futures Act, are complied with, and that the Manager’s obligations under the tax rulings dated 28 June 2007 and 10 July 2007 respectively issued by the Inland Revenue Authority of Singapore in relation to the taxation of Saizen REIT and its Unitholders, the trust deed dated 27 September 2007 (as supplemented from time to time) entered into between the HSBC Institutional Trust Services (Singapore) Limited (the “**Trustee**”), as trustee of Saizen REIT, and the Manager (the “**Trust Deed**”) and the warrant deed poll dated 12 May 2009 are properly carried out.

The Manager uses the Code of Corporate Governance 2005, which took effect on 1 January 2007, as a benchmark for its corporate governance policies and practices. The following sets out the Manager’s main corporate governance policies and practices for the year ended 30 June 2010:

The Manager

Japan Residential Assets Manager Limited was appointed as the manager of Saizen REIT in accordance with the Trust Deed. The Manager has general powers of management over the investment activities of Saizen REIT, for the benefits of the Unitholders. Pursuant to the Trust Deed, the Manager has the power to retire in favour of a corporation approved by the Trustee to act as the manager of Saizen REIT. Also, the Manager may be removed by way of an ordinary resolution passed by a simple majority of Unitholders present and voting at a meeting of Unitholders duly convened and held in accordance with provisions in the Trust Deed.

The principal responsibilities of the Manager include:

- setting the strategic directions of Saizen REIT and giving recommendations to the Trustee on the establishment of new TK arrangements, divestments, or propose other investment methods and strategies that are beneficial to Unitholders;
- making recommendations to the Trustee on investment opportunities identified by the Asset Manager;
- reviewing reports prepared by the Asset Manager on a regular basis, which may contain information and forecasts on net income, capital expenditure, sales and valuations, explanations of major variances to previous forecasts, written commentary on key issues and any relevant assumptions;
- preparing reports to Unitholders such as annual reports, quarterly and annual financial results as well as circulars and public announcements, when necessary;
- implementing suitable hedging strategies to minimise any foreign exchange rate risk;
- ensuring compliance with applicable rules and regulations; and
- attending to all regular communication with Unitholders.



BOARD MATTERS

Principle 1: The Board's Conduct of its Affairs

Every company should be headed by an effective board to lead and control the company. The board is collectively responsible for the success of the company. The board works with management to achieve this and the management remains accountable to the board.

The Board is responsible for the overall management and corporate governance of the Manager including establishing goals for management and monitoring the achievement of these goals. All Board members participate in matters relating to corporate governance, business operations and risks, compliance monitoring, financial performance and the nomination and review of directors. The Board has established a framework for the management of the Manager and Saizen REIT, including a system of internal control and business risk management process.

Members of the Board are:

- Mr Arnold Ip Tin Chee (Chairman)
- Mr Chang Sean Pey (Co-Chief Executive Officer)
- Mr Raymond Wong Kin Jeon (Executive Director)
- Mr Soh Yew Hock (Lead Independent Director and Independent Non-executive Director)
- Mr Dennis Lam Siu Sun (Independent Non-executive Director)
- Mr Harold Sun Dai Hoe (Independent Non-executive Director)
- Mr Chan Kin (Non-Executive Director, appointed on 1 September 2010)
- Ms Li Yick Yee Angie (Non-Executive Director, appointed on 1 September 2010)

Newly-appointed directors of the Manager will be given a briefing session by the management of the Manager to ensure each director understands his roles and duties as well as the business model and operations of Saizen REIT.

The Board meets regularly, at least once every quarter, to review key activities, objectives and business strategies of the Manager. These include any significant investments and divestments, the budgets, the financial performance of Saizen REIT and approval for the release of the quarterly and annual results. The Board also reviews the risks relating to the assets of Saizen REIT, examines debt management and refinancing status, and acts upon any comments from the auditors of Saizen REIT (“Quarterly Review Board Meetings”).

To assist and facilitate the execution of its responsibilities, the Board has established the Audit Committee, Corporate Announcement Committee and Risk Management Committee. Further information on the Audit Committee can be found in the sub-section entitled “Accountability and Audit”, while information on the Corporate Announcement Committee and Risk Management Committee can be found in the sub-section entitled “Communication with Unitholders” below.

During the financial year ended 30 June 2010, the Manager has held 10 Board meetings and four Audit Committee meetings respectively. Of the 10 Board meetings held, four of them were Quarterly Review Board Meetings and six of them were Administrative Board Meetings. The attendance at the meetings is as follows:

Name of members of the Board / Audit Committee	Quarterly Review Board Meetings	Administrative Board Meetings	Audit Committee Meetings
No. of meetings held:	4	6	4
Mr Arnold Ip Tin Chee	4	5	4
Mr Chang Sean Pey	4	6	4
Mr Raymond Wong Kin Jeon	4	6	4
Mr Soh Yew Hock ¹	4	6	4
Mr Dennis Lam Siu Sun ¹	4	6	4
Mr Harold Sun Dai Hoe ¹	4	6	4
Mr Chan Kin ²	-	-	-
Ms Li Yick Yee Angie ²	-	-	-

Notes:

- ^{1.} members of Audit Committee
- ^{2.} Mr Chan Kin and Ms Li Yick Yee Angie were not involved in any Board of Directors Meetings and Audit Committee Meetings in FY2010 as they were only appointed as Non-Executive Directors on 1 September 2010.

Principle 2: The Board's Composition and Guidance

There should be a strong and independent element on the board, which is able to exercise objective judgement on corporate affairs independently, in particular, from management. No individual or small group of individuals should be allowed to dominate the board’s decision making.

As at 22 September 2010, the Board consisted of eight members, three of whom are independent non-executive directors. None of the directors has entered into any service contract with Saizen REIT.

The composition of the Board, including the selection of candidates for new appointments to the Board as part of the renewal process, is determined using the following principles:

- there should be a clear separation of the roles of the Chairman and the Co-Chief Executive Officers;
- the Board should comprise directors with a broad range of commercial experience including expertise in fund management and the real estate industry; and
- at least one-third of the Board should comprise independent directors.

The members of the Board possess extensive experience in various areas such as real estate investment management, fund management, corporate finance, investment advisory, laws and accounting. This enables the Manager to benefit from their external and objective views on issues brought before the Board.

The composition will be reviewed regularly to ensure that the Board has the appropriate mix of expertise and experience.

Principle 3: Chairman and Chief Executive Officer

There should be a clear division of responsibilities at the top of the company - the working of the board and the executive responsibility of the company's business - which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.

The positions of Chairman and Co-Chief Executive Officers are held by separate individuals to ensure clear and effective segregation of duties. The Chairman ensures that the members of the Board work together with management in a constructive manner to address strategy, business operations and enterprise issues. The Co-Chief Executive Officers have full executive responsibilities over the development and review of investment and divestment strategies, the day-to-day operations of Saizen REIT and works closely with the management team to ensure the strategic, financial, investment, operational and investor relations objectives of Saizen REIT are met.

Mr Soh Yew Hock, being the lead independent non-executive director of the Manager, provides an independent channel to the Unitholders where they have concerns which contact through the normal channels of the Chairman and/or the Co-Chief Executive Officers has failed to resolve or for which such contact is inappropriate.

Mr Koh Kia Meng Linus was appointed as a Co-Chief Executive Officer (“Co-CEO”) of the Manager on 1 September 2010. Mr Koh will work together with Mr Chang Sean Pey, with both holding the appointments of Co-CEO, on the day-to-day operations of Saizen REIT, including the development and review of investment and divestment strategies of Saizen REIT as well as compliance with the relevant laws and regulations.

Principle 4: Board Membership

There should be a formal and transparent process for the appointment of new directors to the board.

Principle 5: Board Performance

There should be a formal assessment of the effectiveness of the board as a whole and the contribution by each director to the effectiveness of the board.

The Manager does not consider it necessary for the Board to establish a nominating committee. The Board performs functions that a typical nominating committee would perform, namely, reviewing the credentials and experience of existing or new directors, the overall composition of the Board and the independence of Board members.

A director with multiple board representations is expected to ensure that sufficient time and attention is given to the affairs of the Manager and Saizen REIT. Directors of the Manager are not subject to periodic retirement by rotation.

The performance of the Board is ultimately reflected in the performance of the Manager, including the ability of the Board to effectively guide management through challenging situations faced by Saizen REIT.

Principle 6: Access to Information

In order to fulfill their responsibilities, board members should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis.

The Board is provided with complete, adequate and timely information prior to Board meetings. The Board has separate and independent access to the Manager’s senior management and the Company Secretary at all times.

The Board, has the right to seek independent professional advice on matters relating to the management of Saizen REIT where it deems necessary for proper and efficient discharge of its duties and responsibilities. Such costs shall be borne by Saizen REIT.

REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies

There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

Principle 8: Level and Mix of Remuneration

The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the company successfully but companies should avoid paying more than is necessary for this purpose. A significant proportion of executive directors’ remuneration should be structured so as to link rewards to corporate and individual performance.

Principle 9: Disclosure on Remuneration

Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration in the company’s annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key executives, and performance.

Saizen REIT is externally managed by the Manager and has no personnel of its own. The Manager appoints experienced and qualified management personnel to handle its day-to-day operations. All directors and employees of the Manager are remunerated by the Manager, and not Saizen REIT.

ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

The Board should present a balanced and understandable assessment of the company’s performance, position and prospects.

The Board is responsible for providing a balanced and understandable assessment of Saizen REIT’s performance, position and prospects in interim and other price sensitive public reports, and in reports to regulators (if required).

Principle 11: Audit Committee

The board should establish an audit committee with written terms of reference which clearly set out its authority and duties.

The Audit Committee is appointed by the Board from among the directors of the Manager and operates under the delegated authority of the Board. The Audit Committee currently consists of three members, all of whom are independent non-executive directors.

The members of the Audit Committee are:

- Mr Soh Yew Hock (Chairman of Audit Committee)
- Mr Dennis Lam Siu Sun
- Mr Harold Sun Dai Hoe

The role of the Audit Committee is to monitor and evaluate the effectiveness of the Manager’s internal controls and is responsible for the nomination of external auditors and review of adequacy of existing audits in respect of cost, scope and performance, including the quality and reliability of information prepared for inclusion in financial reports.

The Audit Committee’s responsibilities also include:

- reviewing external audit reports to ensure that where deficiencies in internal controls have been identified, appropriate and prompt remedial action is taken by management;
- reviewing internal audit reports at least once a year to ensure guidelines and procedures established have been complied with;
- ensuring that the internal audit function is adequately resourced and has appropriate standing within Saizen REIT;
- reviewing the nature and extent of non-audit services performed by external auditors;
- reviewing, on an annual basis, the independence and objectivity of the external auditors;
- meeting with external and internal auditors, without the presence of the executive officers of the Manager, at least on an annual basis;
- monitoring the procedures in place to ensure compliance with applicable legislation, the Listing Manual and the Property Funds Guidelines, including procedures established to regulate Related Party Transactions (as defined below);
- examining the effectiveness of financial, operating and compliance controls;
- reviewing the financial statements and significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of Saizen REIT and any formal announcements relating to Saizen REIT’s financial performance;
- investigating any matters within the Audit Committee’s terms of reference, whenever it deems necessary;
- reporting to the Board on material matters, findings and recommendations;
- reviewing the Whistle-Blowing Policy and Press Policy of the Manager; and
- reviewing the Manager’s determination of the fair market price of a Unit in relation to the issue of Units, and the determination of the number of Units that the Manager is entitled to receive as its management fee.

The Audit Committee has full access to and co-operation from management and enjoys full discretion to invite any director and executive officer of the Manager to attend its meetings. The Audit Committee has full access to reasonable resources to enable it to discharge its functions properly.

The Audit Committee has reviewed the Internal Systems Control Manual, Whistle-Blowing Policy and Press Policy and is of the view that:

- (i) the extent of disclosure and transparency of the Internal Systems Control Manual has provided further clarity about Saizen REIT's operations, which could help its members to form constructive opinions and advices to the Manager;
- (ii) appropriate arrangements are in place for employees of the Manager to raise concerns about possible improprieties in Saizen REIT's operations or other matters; and
- (iii) appropriate arrangements are in place for employees and directors of the Manager to handle media and general queries to ensure proper disclosures to stakeholders and compliance with the Listing Manual and the relevant rules and regulations.

The Audit Committee has also conducted a review of all non-audit services provided by the external auditors and is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors.

Audit Committee meetings are generally held after the end of each quarter of every financial year. During the year ended 30 June 2010, four Audit Committee meetings have been held. Details of the members' participation in the Audit Committee meetings are set out in the sub-section "Board Matters" of this report.

Principle 12: Internal Control

The board should ensure that the management maintains a sound system of internal controls to safeguard the shareholders' investments and the company's assets.

Principle 13: Internal Audit

The board should establish an internal audit function that is independent of the activities it audits.

The Board has adopted a set of internal controls which sets out approval limits for capital expenditure, investments and divestments, bank borrowings and cheque signatories, amongst others. Approvals of matters not exceeding specified sub-limits are also delegated to various management levels to facilitate operational efficiency.

Changes to regulations, policies and accounting standards are monitored closely. Where the changes have an important bearing on the Manager's or directors' obligations, the directors will be briefed either during Board meetings, at specially-convened sessions or via circulation of Board papers. Furthermore, in order to ensure high corporate governance standards, the Manager has put in place a system of internal controls of procedures and processes to safeguard the assets of and Unitholders' interests in Saizen REIT.

The Audit Committee has appointed Yoshioka, Certified Public Accountant Office to provide internal audit services on such procedures and processes. Yoshioka, Certified Public Accountant Office's scope is to provide risk assessment services and compliance audits in order to ensure internal controls are aligned to business objectives and related risks. Key operational activities are selected to be regularly and objectively evaluated to maintain and improve the efficiency and effectiveness of internal controls and corporate governance.

The Board is satisfied that the Manager's internal controls are adequate based on the reports of Yoshioka, Certified Public Accountant Office and the external auditors.

COMMUNICATION WITH SHAREHOLDERS

Principle 14: Companies should engage in regular, effective and fair communication with shareholders.

Principle 15: Companies should engage greater shareholder participation at AGMs, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

The Board has established relevant policies and procedures which are regularly reviewed, to ensure requirements of the Listing Manual of the SGX-ST is complied with. The Listing Manual requires a listed entity to disclose to the market matters that could or might be expected to have a material effect on the price of the entity's securities.

Where appropriate, Board meetings are also convened for administrative matters such as approving public announcements ("Administrative Board Meetings"). The Manager has formed the Corporate Announcement Committee to simplify the approval process for standard announcements. The Corporate Announcement Committee operates under the delegated authority of the Board.

The members of the Corporate Announcement Committee are:

- Mr Arnold Ip Tin Chee (Chairman of the Corporate Announcement Committee)
- Mr Chang Sean Pey
- Mr Raymond Wong Kin Jeon

The principal role and responsibilities of the Corporate Announcement Committee include:

- reviewing and approving general corporate disclosure issues and announcements to be made to the SGX-ST and the public;
- ensuring that disclosure of any price-sensitive information is made in a timely manner to prevent the creation of a false market in dealings of the Units; and
- ensuring all disclosures are in compliance with applicable rules and regulations.

The Board aims to ensure that the Unitholders and the investment community are informed of all information and major developments affecting Saizen REIT's state of affairs on a timely basis. Communication to the Unitholders and/or the investment community include the following:

- a. quarterly and annual results announcements containing financial information and review of operations of Saizen REIT during the relevant financial period;
- b. annual report containing information on the operations of Saizen REIT during the financial year, changes in the state of affairs of Saizen REIT and details of future developments;
- c. notice of meetings of Unitholders, where applicable;
- d. distribution notices with information including the components which make up the distributions;
- e. announcements and press releases in relation to the latest affairs of Saizen REIT; and
- f. regular briefings for analysts, media representatives and investment community, which will generally coincide with the release of Saizen REIT's results announcement.

Items (a) to (e) above will be made available on the SGXNet website and Saizen REIT's corporate website at www.saizenreit.com.sg.

The first annual general meeting ("AGM") of Saizen REIT will be held on 19 October 2010. Unitholders are encouraged to attend the AGM. Members of the Board and Audit Committee, as well as the external auditors will be in attendance at the AGM to answer questions from Unitholders.

Dealing in Units

The Manager has undertaken that it will not deal in the Units:

- during the period commencing one month before the public announcement of Saizen REIT’s annual results and (where applicable) property valuations and two weeks before the public announcement of Saizen REIT’s quarterly results, and ending on the date of announcement of the relevant results, or as the case may be, property valuation; and
- at any time while in possession of price sensitive information.

The Manager has also undertaken to the MAS that it will announce to the SGX-ST the particulars of its holdings in the Units and any changes thereto within two business days after the date on which it acquires or disposes of any Units, as the case may be.

In general, the directors and employees of the Manager are encouraged, as a matter of internal policy, to hold Units. They are prohibited from dealing in the Units at the above time period and the Directors and employees are advised not to deal in the Units on short-term considerations.

Management of Business Risk

The Risk Management Committee was formed on 10 November 2009.

The members of the Risk Management Committee are:

- Mr Dennis Lam Siu Sun (Chairman of the Risk Management Committee)
- Mr Arnold Ip Tin Chee
- Mr Chang Sean Pey

The Risk Management Committee oversees the processes for identification and assessment of the general risks and submits a risk management assessment report on a quarterly basis for the Board’s review during the Quarterly Review Board Meeting, or more often if necessary .

Effective risk management is a fundamental part of Saizen REIT’s business strategy. Recognising and managing risk is central to the business and to protecting Unitholders’ interests and value of the Units. Saizen REIT operates within overall guidelines and specific parameters set by the Board. Each transaction is comprehensively analysed to understand the risk involved. Responsibility for managing risk lies initially with the business unit concerned, working within the overall strategy outlined by the Board. In assessing business risk, the Board considers the economic environment and risks relevant to the real estate industry.

The Manager has determined that significant risk for Saizen REIT will most likely arise when making property investment and financing decisions. Accordingly, when making such decisions, the Manager has set out procedures to be followed prior to the completion of an investment in properties and the relevant financing. The Manager ensures comprehensive due diligence is carried out in relation to the proposed investment and a suitable determination is made as to whether the anticipated return on investment is appropriate having regard to the level of risk.

Conflicts of Interest

The Manager has instituted the following procedures to deal with potential conflicts of interest issues:

- The Manager will be a dedicated manager to Saizen REIT and will not manage any other real estate investment trust (excluding other investment vehicles such as closed-end funds) with the same investment strategies as Saizen REIT.
- All executive officers will be employed by the Manager.
- All resolutions in writing of the directors in relation to matters concerning Saizen REIT must be approved by all directors.
- At least one-third of the Board shall comprise independent non-executive directors.
- Prior to Japan Regional Assets Manager Limited (being the sponsor of Saizen REIT (the “Sponsor”)), entering into any transaction which places it in a conflict of interest situation with Saizen REIT, the Sponsor shall resolve such conflict with Saizen REIT, for so long as (a) the Manager remains the manager of Saizen REIT, and (b) the Sponsor and/or any of its related corporations, alone or in aggregate, remains a controlling shareholder of the Manager.

- In respect of matters in which the Sponsor and/or its subsidiaries have an interest, direct or indirect, any nominees appointed by the Sponsor and/or its subsidiaries to the Board to represent its/their interests shall abstain from voting. In such matters, the quorum must comprise a majority of the independent directors of the Manager and must exclude nominee directors of the Sponsor and/or its subsidiaries (save for the Manager).
- In respect of matters in which a director has an interest, direct or indirect, such interested director shall abstain from voting. In such matters, the quorum must comprise a majority of the directors and must exclude such interested director.

It is also provided in the Trust Deed that if the Manager is required to decide whether or not to take any action against any person in relation to any breach of any agreement entered into by the Trustee or any person for and on behalf of Saizen REIT with a related party of the Manager (as defined below), the Manager shall be obliged to consult with a reputable law firm (acceptable to the Trustee or such person) which shall provide legal advice on the matter. If the said law firm is of the opinion that the Trustee or such person, on behalf of Saizen REIT, has a prima facie case against the party allegedly in breach under such agreement, the Manager shall be obliged to take appropriate action in relation to such agreement. The directors will have a duty to ensure that the Manager so complies.

Notwithstanding the foregoing, the Manager shall inform the Trustee as soon as it becomes aware of any breach of any agreement entered into by the Trustee or any person for and on behalf of Saizen REIT with a related party of the Manager and the Trustee may take such action as it deems necessary to protect the rights of the Unitholders and/or which is in the interests of the Unitholders. Any decision by the Manager not to take action against a related party of the Manager shall not constitute a waiver of the Trustee’s right to take such action as it deems fit against such related party.

Related Party Transactions

The Manager has established internal control procedures to ensure that all future transactions involving the Trustee and a related party (either an “interested party” pursuant to the Property Funds Guidelines or an “interested person” pursuant to the Listing Manual) of the Manager (“Related Party Transactions”) are undertaken on an arm’s length basis and on normal commercial terms, which are generally no more favourable than those extended to unrelated third parties. In respect of such transactions, the Manager would have to demonstrate to the Audit Committee that the transactions would be undertaken on normal commercial terms, which may include obtaining (where practicable) quotations from parties unrelated to the Manager, or obtaining one or more valuation reports from independent valuers (in accordance with the Property Funds Guidelines). The Audit Committee shall also periodically review the Manager’s internal control system and with the relevant provisions of the Listing Manual as well as the Property Funds Guidelines. The review will include the examination of the nature of the transaction and its supporting documents or such other data deemed necessary by the Audit Committee.

Further, the following procedures will be undertaken:

- transactions (either individually or as part of a series or if aggregated with other transactions involving the same related party during the same financial year) equal to or exceeding S\$100,000 in value but below 3.0% of the value of Saizen REIT’s net tangible assets will be subject to review by the Audit Committee at regular intervals;
- transactions (either individually or as part of a series or if aggregated with other transactions involving the same related party during the same financial year) equal to or exceeding 3.0% but below 5.0% of the value of Saizen REIT’s net tangible assets will be subject to the review and prior approval of the Audit Committee. Such approval shall only be given if the transactions are on normal commercial terms and are consistent with similar types of transactions made by the Trustee with third parties which are unrelated to the Manager; and
- transactions (either individually or as part of a series or if aggregated with other transactions involving the same related party during the same financial year) equal to or exceeding 5.0% of the value of Saizen REIT’s net tangible assets will be reviewed and approved prior to such transactions being entered into, on the basis described in the preceding paragraph, by the Audit Committee which may, as it deems fit, request advice on the transaction from independent sources or advisers, including obtaining valuations from independent professional valuers. Further, under the Listing Manual and the Property Funds Guidelines, such transactions would have to be approved by the Unitholders at a meeting of the Unitholders.

Where the Audit Committee’s approval is required for a Related Party Transaction, such approval will have to be granted by a majority of the Audit Committee. If a member of the Audit Committee has an interest in a transaction, he or she is to abstain from participating in the review and approval process of that transaction. In addition, the Trustee has the right to review the audit reports to ascertain that the Property Funds Guidelines have been complied with.

The aggregate value of all Related Party Transactions which are subject to Rules 905 and 906 of the Listing Manual during the relevant financial year will be disclosed in Saizen REIT’s annual report, if applicable.

Financial Statements

For the financial year
ended 30 June 2010

Report of the Trustee

HSBC Institutional Trust Services (Singapore) Limited (the "Trustee") is under a duty to take into custody and hold the assets of Saizen Real Estate Investment Trust ("Saizen REIT") held by it or through its subsidiaries ("Group", which shall mean Saizen REIT and its subsidiaries) in trust for the Unitholders of units in the Trust (the "Units"). In accordance with, inter alia, the Securities and Futures Act, Chapter 289 of Singapore, its subsidiary legislation and the Code on Collective Investment Schemes and the Listing Manual (collectively referred to as the "laws and regulations"), the Trustee shall monitor the activities of Japan Residential Assets Manager Limited (the "Manager") for compliance with the limitations imposed on the investment and borrowing powers as set out in the Trust Deed, First, Second, Third and Fourth Supplemental Deeds dated 27 September 2007, 3 October 2007, 29 October 2007, 5 May 2009 and 20 September 2010 respectively (as amended) (the "Trust Deed") between the Trustee and the Manager in each annual accounting period and report thereon to Unitholders in an annual report.

To the best knowledge of the Trustee, the Manager has, in all material respects, managed the Trust during the period covered by these financial statements in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed.

For and on behalf of the Trustee,
HSBC Institutional Trust Services (Singapore) Limited



John van Verre
Director

Singapore
22 September 2010

Statement by the Manager

For the financial year
ended 30 June 2010

In the opinion of the directors of Japan Residential Assets Manager Limited, the accompanying financial statements of Saizen Real Estate Investment Trust ("Saizen REIT") and its subsidiaries (the "Group") as set out on pages 59 to 97, comprising the Balance Sheets for Saizen REIT and the Group and Portfolio Statement for the Group as at 30 June 2010, the Statements of Total Return, Distribution Statements, Statements of Movements in Unitholders' Funds for Saizen REIT and the Group, the Consolidated Statement of Cash Flows for the Group and Notes to the Financial Statements for the period then ended, are drawn up so as to present fairly, in all material respects, the financial position of Saizen REIT and of the Group as at 30 June 2010, the total return, amount distributable, movements of unitholders' funds of Saizen REIT and of the Group and consolidated cash flows of the Group for the financial period then ended, in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Certified Public Accountants of Singapore. At the date of this statement, with the exception of the borrowings of its subsidiary Yugen Kaisha Shintoku ("YK Shintoku") which amount to JPY7.1 billion and have been in maturity default since November 2009, there are reasonable grounds to believe that Saizen REIT will be able to meet its financial obligations as and when they materialise.

Without qualifying our opinion, we draw attention to Note 1 of the financial statements which indicates that the Group has interest-bearing borrowings of JPY7.8 billion, which are due for repayment within 12 months from the balance sheet date, of which the Group expects to repay JPY0.7 billion with cash generated from operating activities. The Group is currently in negotiations with financial institutions to refinance the JPY7.1 billion borrowings of YK Shintoku as stated in the paragraph above. The Group has also implemented a plan to divest some properties of YK Shintoku to reduce the borrowing amount with approval from the lender.

YK Shintoku's ability to continue as a going concern is dependent on the successful outcome of these refinancing negotiations with financial institutions and support from the lender by not seeking foreclosure of its assets within 12 months from the balance sheet date. These conditions indicate the existence of a material uncertainty, which may cast significant doubt on YK Shintoku's ability to continue as a going concern. If YK Shintoku is unable to continue in operational existence for the foreseeable future, adjustments would have to be made to reflect the situation that its assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts stated in the balance sheet. In addition, YK Shintoku may have to provide for further liabilities which may arise. The Group's financial statements do not include the adjustments that would result if YK Shintoku was unable to continue as a going concern.

For and on behalf of the Manager,
Japan Residential Assets Manager Limited



Chang Sean Pey
Director

Singapore
22 September 2010

For the financial year
ended 30 June 2010

Independent Auditor's Report

We have audited the accompanying financial statements of Saizen Real Estate Investment Trust ("Saizen REIT") and its subsidiaries (the "Group") as set out on pages 59 to 97, which comprise the Balance Sheets of Saizen REIT and of the Group and Portfolio Statement of the Group as at 30 June 2010, the Statements of Total Return, Distribution Statements, Statements of Movements in Unitholders' Funds of Saizen REIT and of the Group, the Consolidated Statement of Cash Flows of the Group for the financial year then ended 30 June 2010, and a summary of significant accounting policies and other explanatory notes.

Manager's Responsibility for the Financial Statements

The Manager of Saizen REIT is responsible for the preparation and fair presentation of these financial statements in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Certified Public Accountants of Singapore. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Manager of Saizen REIT, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Saizen REIT and of the Group as at 30 June 2010, the total return, amount distributable, movements of unitholders' funds of Saizen REIT and the Group and consolidated cash flows of the Group for the financial year ended 30 June 2010 in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Certified Public Accountants of Singapore.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 of the financial statements. As at 30 June 2010, the Group has interest-bearing borrowings of JPY7.8 billion, which are due for repayment within 12 months from the balance sheet date, of which the Group expects to repay JPY0.7 billion with cash generated from operating activities. The Group is currently in negotiations with financial institutions to refinance JPY 7.1 billion of these borrowings, which are held by a subsidiary Yugen Kaisha Shintoku ("YK Shintoku") and have been in default since November 2009. The Group has also implemented a plan to divest some properties of YK Shintoku to reduce the borrowing amount with approval from the lender.

Independent Auditor's Report

For the financial year ended 30 June 2010

For the financial year ended 30 June 2010

Statements of Total Return

In accordance with the loan agreement of YK Shintoku, the lender has the right to take control of YK Shintoku in the event of default. As at 30 June 2010, the net asset value of YK Shintoku amounts to JPY 2.0 billion, which approximates 8.6% of the net assets of the Group.

The subsidiary's ability to continue as a going concern is dependent on the successful outcome of these refinancing negotiations with financial institutions and the support from the lender by not seeking foreclosure of the assets of the subsidiary within 12 months from the balance sheet date. These conditions indicate the existence of a material uncertainty, which may cast significant doubt on the subsidiary's ability to continue as a going concern. If the subsidiary is unable to continue in operational existence for the foreseeable future, adjustments would have to be made to reflect the situation that its assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts stated in the balance sheet. In addition, the subsidiary may have to provide for further liabilities which may arise. The Group's financial statements do not include the adjustments that would result if the subsidiary was unable to continue as a going concern.



PricewaterhouseCoopers LLP
Public Accountants and Certified Public Accountants

Singapore
22 September 2010

		Group		Saizen REIT	
	Note	2010 JPY'000	2009 JPY'000	2010 JPY'000	2009 JPY'000
Gross revenue	4	4,132,792	4,268,751	940,249	801,096
Property operating expenses	5	(1,350,183)	(1,355,067)	-	-
Net property income/distribution income		2,782,609	2,913,684	940,249	801,096
Interest income		1,962	12,730	7	3,744
Other administrative expenses		(141,302)	(156,376)	(23,994)	(31,075)
Manager's management fees		(210,646)	(234,747)	(210,646)	(234,747)
Asset management fees		(26,691)	(22,454)	-	-
Trustee's fees		(10,180)	(9,136)	(10,180)	(9,136)
Other trust expenses	6	(114,016)	(94,766)	(87,667)	(72,548)
Finance costs	7	(867,488)	(1,171,767)	(4,748)	(1,056)
Issue expenses		(4,110)	(244,726)	(4,110)	(244,726)
Net income from operations		1,410,138	992,442	598,911	211,552
Loss on divestment of properties		(57,699)	-	-	-
Net fair value (loss)/gain on financial derivatives - fair value through profit or loss		(466,184)	625,270	(409,298)	715,762
Net fair value losses on investment properties	16	(1,698,345)	(6,445,091)	-	-
Impairment loss on investment in subsidiaries		-	-	(909,076)	(8,572,278)
Total loss for the year before income tax		(812,090)	(4,827,379)	(719,463)	(7,644,964)
Income tax	8	(63,397)	20,993	(206,404)	(160,219)
Total loss for the year after income tax		(875,487)	(4,806,386)	(925,867)	(7,805,183)
Attributable to:					
Unitholders		(883,878)	(4,775,751)	(925,867)	(7,805,183)
Non-controlling interests		8,391	(30,635)	-	-
		(875,487)	(4,806,386)	(925,867)	(7,805,183)
Loss per unit (JPY)					
- Basic and diluted	9	(0.93)	(7.49)		

The accompanying notes form an integral part of these financial statements.

Balance Sheets

As at 30 June 2010

For the financial year
ended 30 June 2010

Distribution Statements

	Note	Group		Saizen REIT	
		2010	2009	2010	2009
		JPY'000	JPY'000	JPY'000	JPY'000
ASSETS					
Current assets					
Cash and cash equivalents	11	2,368,910	5,070,301	290,216	492,040
Deposits with cash management agent	10	1,247,262	2,300,322	-	-
Trade and other receivables	12	37,721	46,391	1,556,046	1,240,713
Other current assets	13	45,222	37,000	1,746	1,679
		<u>3,699,115</u>	<u>7,454,014</u>	<u>1,848,008</u>	<u>1,734,432</u>
Non-current assets					
Derivative financial instruments	14	-	36	-	-
Investments in subsidiaries	15	-	-	24,355,372	24,911,233
Investment properties	16	40,381,700	42,734,100	-	-
		<u>40,381,700</u>	<u>42,734,136</u>	<u>24,355,372</u>	<u>24,911,233</u>
Total assets					
		<u>44,080,815</u>	<u>50,188,150</u>	<u>26,203,380</u>	<u>26,645,665</u>
LIABILITIES					
Current liabilities					
Rental deposits		602,947	683,341	-	-
Rental received in advance		256,888	264,419	-	-
Borrowings	17	7,827,162	14,890,781	-	-
Other current liabilities	18	394,464	358,714	85,598	88,220
Current tax liabilities		356,545	289,062	302,223	248,572
Derivative financial instruments	14	2,189,316	1,797,050	2,189,316	1,797,050
		<u>11,627,322</u>	<u>18,283,367</u>	<u>2,577,137</u>	<u>2,133,842</u>
Non-current liabilities					
Rental deposits		23,594	29,475	-	-
Borrowings	17	8,453,768	6,932,075	-	-
Derivative financial instruments	14	84,817	72,999	-	-
Deferred tax liabilities	19	-	143,720	-	-
		<u>8,562,179</u>	<u>7,178,269</u>	<u>-</u>	<u>-</u>
Total liabilities					
		<u>20,189,501</u>	<u>25,461,636</u>	<u>2,577,137</u>	<u>2,133,842</u>
Net assets					
		<u>23,891,314</u>	<u>24,726,514</u>	<u>23,626,243</u>	<u>24,511,823</u>
Represented by:					
Unitholders		23,882,923	24,726,514	23,626,243	24,511,823
Non-controlling interests		8,391	-	-	-
		<u>23,891,314</u>	<u>24,726,514</u>	<u>23,626,243</u>	<u>24,511,823</u>
Number of units in issue ('000)					
	20	<u>953,203</u>	<u>949,194</u>	<u>953,203</u>	<u>949,194</u>
Net asset value per unit attributable to Unitholders (JPY)					
		<u>25.06</u>	<u>26.05</u>	<u>24.79</u>	<u>25.82</u>

	Group		Saizen REIT	
	2010	2009	2010	2009
	JPY'000	JPY'000	JPY'000	JPY'000
Total loss for the year after income tax before distribution	(875,487)	(4,806,386)	(925,867)	(7,805,183)
Distribution adjustments (Note a)	<u>2,242,434</u>	<u>6,404,378</u>	<u>2,292,814</u>	<u>9,403,175</u>
Income available for distribution to Unitholders	1,366,947	1,597,992	1,366,947	1,597,992
Income available for distribution to Unitholders at beginning of the year	1,434,628	59,644	1,434,628	59,644
Cash deployed for loan repayment and borrowing costs	<u>(2,625,517)</u>	<u>(223,008)</u>	<u>(2,625,517)</u>	<u>(223,008)</u>
Income available for distribution to Unitholders at end of the year	<u>176,058</u>	<u>1,434,628</u>	<u>176,058</u>	<u>1,434,628</u>
Distribution to Unitholders ²				
	<u>161,912</u>	<u>-</u>	<u>161,912</u>	<u>-</u>
Distribution per Unit ¹ (\$\$ cents)				
	<u>0.26</u>	<u>-</u>	<u>0.26</u>	<u>-</u>
Note a – Distribution adjustments				
Distribution adjustments items:				
- Loss on divestment of properties	55,699	-	-	-
- Change in fair value of investment properties	1,698,345	6,445,091	-	-
- Change in fair value of financial derivatives				
- unrealised	11,854	73,521	-	-
- Change in fair value of rights issue				
- unrealised	-	(387,712)	-	(387,712)
- Change in fair value of warrants				
- unrealised	409,298	(328,050)	409,298	(328,050)
- Impairment loss on investment in subsidiaries	-	-	909,076	8,572,278
- Amortisation of transaction cost for borrowings	117,098	213,586	-	-
- Deferred tax	(143,720)	(181,869)	-	-
- Foreign exchange gain arising from conversion of proceeds from rights issue	-	(25,617)	-	(25,617)
- Unrealised exchange loss	364	76,450	364	76,450
- Issue expense	4,110	244,726	4,110	244,726
- Working capital funded by proceeds from initial public offering	89,386	274,252	89,386	274,252
- Overseas income not distributed to the Trust	-	-	880,580	976,848
	<u>2,242,434</u>	<u>6,404,378</u>	<u>2,292,814</u>	<u>9,403,175</u>

¹ A tax-exempt distribution of 0.26 Singapore cents per unit was proposed on 25 August 2010 to the Board of Directors of the Manager. These financial statements do not reflect this distribution, which will be accounted for in unitholders' funds as an appropriation of revenue reserves in the financial year ending 30 June 2011. No distribution was declared for financial year 2009.

² The distribution presented in JPY is subject to the prevailing SGD/JPY exchange rate on actual payment date and exercise of warrants before books closure date.

The accompanying notes form an integral part of these financial statements.

The accompanying notes form an integral part of these financial statements.

Statements of Movements in Unitholders' Funds

For the financial year ended 30 June 2010

For the financial year ended 30 June 2010

Consolidated Statement of Cash Flows

		Group		Saizen REIT	
	Note	2010	2009	2010	2009
		JPY'000	JPY'000	JPY'000	JPY'000
<u>OPERATIONS</u>					
Balance at beginning of the year		(10,621,193)	(2,515,175)	(12,090,811)	(955,360)
Total loss for the year		(883,878)	(4,775,751)	(925,867)	(7,805,184)
Deemed distribution from rights issue	14(iii)	-	(3,330,267)	-	(3,330,267)
Balance at end of the year		(11,505,071)	(10,621,193)	(13,016,678)	(12,090,811)
<u>UNITHOLDERS' CONTRIBUTION</u>					
Balance at beginning of the year		35,347,707	33,177,613	36,602,634	34,432,540
Creation of new units					
- Exercise of rights		-	3,759,932	-	3,759,932
- Exercise of warrants		40,287	210	40,287	210
- Acquisition fee and Manager's management fee		-	47,472	-	47,472
Distribution to Unitholders		-	(1,637,520)	-	(1,637,520)
Balance at end of the year		35,387,994	35,347,707	36,642,921	36,602,634
TOTAL ATTRIBUTABLE TO UNITHOLDERS		23,882,923	24,726,514	23,626,243	24,511,823
<u>NON-CONTROLLING INTERESTS</u>					
Balance at beginning of the year		-	30,635	-	-
Total return/(loss) for the year		8,391	(30,635)	-	-
Balance at end of the year		8,391	-	-	-
TOTAL		23,891,314	24,726,514	23,626,243	24,511,823

	Note	Group	
		2010 JPY'000	2009 JPY'000
Operating activities			
Total loss for the year after income tax before distribution		(875,487)	(4,806,386)
Adjustments for:			
Income tax		63,397	(20,993)
Interest income		(1,962)	(12,730)
Interest expense	7	858,250	1,152,441
Loss on divestment of properties		57,699	-
Net fair value loss/(gain) on financial derivatives		466,184	(625,270)
Net fair value losses on investment properties		1,698,345	6,445,091
Operating profit before working capital changes		2,266,426	2,132,153
Changes in working capital			
Deposits with cash management agent		1,053,060	339,450
Trade and other receivables		8,678	45,716
Other current assets		(5,714)	9,914
Other current liabilities		6,144	(22,410)
Rental received in advance		(7,531)	(85)
Rental deposits		(86,275)	(51,470)
Cash flows generated from operations		3,234,788	2,453,268
Income tax paid		(711)	(597)
Withholding tax paid		(138,922)	(40,462)
Cash flows provided by operating activities		3,095,155	2,412,209
Investing activities			
Capital expenditure		(28,945)	(116,891)
Sale of investment properties		625,300	-
Cash flows provided by/(used in) investing activities		596,355	(116,891)
Financing activities			
Bank borrowings obtained		3,000,000	6,300,000
Repayment of bank borrowings		(8,485,312)	(9,272,059)
Distribution to Unitholders		-	(1,637,520)
Interest received		1,954	21,167
Interest paid		(887,767)	(1,171,438)
Payment of interest rate swap		(45,032)	(16,971)
Proceeds from rights issue		-	2,942,555
Proceeds from exercise of warrants		23,256	131
Bank deposits pledged for bank borrowings		(202,517)	-
Cash flows used in financing activities		(6,595,418)	(2,834,135)
Net decrease in cash and cash equivalents		(2,903,908)	(538,817)
Cash and cash equivalents at beginning of the year	11	5,070,301	5,609,118
Cash and cash equivalents at end of the year	11	2,166,393	5,070,301

The accompanying notes form an integral part of these financial statements.

The accompanying notes form an integral part of these financial statements.

Portfolio Statement

As at 30 June 2010

Portfolio Statement

As at 30 June 2010

Description of properties	Location	Latest Valuation Date	Valuation				Percentage of net assets attributable to Unitholders	
			30 June 2010		30 June 2009		30 June 2010	30 June 2009
			JPY'000		JPY'000		%	%
YUGEN KAISHA ("YK") JOF								
Three Tower	Sapporo	30 June 2010	855,000	(e)	844,000	(e)	3.6	3.4
Luna Heights	Sapporo	30 June 2010	236,000	(e)	243,000	(e)	1.0	1.0
Matsui 53	Sapporo	30 June 2010	165,000	(e)	172,000	(e)	0.7	0.7
Plaza Nakajima Park	Sapporo	30 June 2010	285,000	(e)	303,000	(e)	1.2	1.2
Chateau Nakanoshima	Sapporo	30 June 2010	204,000	(e)	223,000	(e)	0.9	0.9
Chateau 24	Sapporo	30 June 2010	453,000	(e)	483,000	(e)	1.9	2.0
YK KOKKEI								
Glance Nishimachi	Sapporo	30 June 2010	381,000	(e)	378,000	(e)	1.6	1.5
Matsui 82	Sapporo	30 June 2010	328,000	(i)	358,000	(h)	1.4	1.4
Urban Yamahana	Sapporo	30 June 2010	107,000	(i)	118,000	(h)	0.4	0.5
Misono	Sapporo	30 June 2010	280,000	(i)	271,000	(h)	1.2	1.1
Maison Towa	Sapporo	30 June 2010	166,000	(i)	173,000	(h)	0.7	0.7
Wing Befu	Fukuoka	30 June 2010	115,000	(d)	129,000	(d)	0.5	0.5
YK KEIZAN								
Chic Takaramachi	Fukuoka	30 June 2010	204,000	(d)	198,000	(d)	0.9	0.8
Matsui 38	Sapporo	30 June 2010	129,000	(e)	137,000	(e)	0.5	0.6
Sun City	Sapporo	30 June 2010	280,000	(e)	302,000	(e)	1.2	1.2
S.Heim	Sapporo	30 June 2010	104,000	(e)	105,000	(e)	0.4	0.4
Les Chambres	Sapporo	30 June 2010	65,600	(e)	68,500	(e)	0.3	0.3
Dominion Yamanote	Sapporo	30 June 2010	135,000	(e)	142,000	(e)	0.6	0.6
Treasure 15	Sapporo	30 June 2010	145,000	(e)	146,000	(e)	0.6	0.6
Infinity Higashi Sapporo	Sapporo	30 June 2010	156,000	(e)	187,000	(e)	0.7	0.8
Arati Hakata South	Fukuoka	30 June 2010	315,000	(d)	333,000	(d)	1.3	1.3
First Kotake Building	Sapporo	30 June 2010	847,000	(e)	892,000	(e)	3.5	3.6
Park Crystal	Sapporo	30 June 2010	236,000	(e)	244,000	(e)	1.0	1.0
YK SHINTOKU								
KN 21 Shiragane	Kitakyushu	30 June 2010	229,000	(a)	236,000	(a)	1.0	1.0
Urban KN 2 Kumamoto	Kitakyushu	30 June 2010	-	-	73,000	(a)	-	0.3
KN 7 Kirigaoka	Kitakyushu	30 June 2010	317,000	(a)	318,000	(a)	1.3	1.3
Chalet Aoyama	Kitakyushu	30 June 2010	224,000	(a)	228,000	(a)	0.9	0.9
City Room Nakai III	Kitakyushu	30 June 2010	152,000	(d)	155,000	(c)	0.6	0.6
Matsukaze Building	Hakodate	30 June 2010	238,000	(i)	261,000	(i)	1.0	1.1
Johnan Building III	Fukuoka	30 June 2010	316,000	(d)	318,000	(d)	1.3	1.3
Gold Mansion Nakao	Fukuoka	30 June 2010	128,000	(a)	134,000	(a)	0.5	0.5
Lumiere et vent	Sapporo	30 June 2010	45,000	(e)	54,200	(e)	0.2	0.2
Kohatsu 88	Sapporo	30 June 2010	47,900	(e)	48,800	(e)	0.2	0.2
Central Court Tenjin Higashi	Fukuoka	30 June 2010	122,000	(a)	134,000	(a)	0.5	0.5

Description of properties	Location	Latest Valuation Date	Valuation				Percentage of net assets attributable to Unitholders	
			30 June 2010		30 June 2009		30 June 2010	30 June 2009
			JPY'000		JPY'000		%	%
YK SHINTOKU (continued)								
Legions Yunokawa	Hakodate	30 June 2010	-	-	119,000	(i)	-	0.5
Estaille S12	Sapporo	30 June 2010	158,000	(e)	175,000	(e)	0.7	0.7
Villa Kaiganchō	Hakodate	30 June 2010	261,000	(i)	270,000	(i)	1.1	1.1
Escort South 11	Sapporo	30 June 2010	48,000	(e)	49,900	(e)	0.2	0.2
Ebisu Building III	Sapporo	30 June 2010	68,100	(e)	68,800	(e)	0.3	0.3
Crestage Tayacho	Hakodate	30 June 2010	-	-	98,000	(i)	-	0.4
Heart Inn Hongou	Sapporo	30 June 2010	66,500	(e)	68,900	(e)	0.3	0.3
Reef Suite	Sapporo	30 June 2010	132,000	(e)	139,000	(e)	0.6	0.6
Alpha Shinonome	Hiroshima	30 June 2010	81,700	(k)	91,000	(h)	0.3	0.4
Saumur Meinohama II	Fukuoka	30 June 2010	53,000	(f)	54,700	(d)	0.2	0.2
Urban Hills Dainohara	Sendai	30 June 2010	132,000	(a)	144,000	(a)	0.6	0.6
Residence II Yasuda	Hiroshima	30 June 2010	90,000	(k)	98,000	(h)	0.4	0.4
Sun Park Yokokawa	Hiroshima	30 June 2010	55,100	(k)	56,100	(h)	0.2	0.2
Funairi Honmachi 54	Hiroshima	30 June 2010	164,000	(k)	178,000	(h)	0.7	0.7
Global Matsukawa Building	Hiroshima	30 June 2010	215,000	(k)	243,000	(h)	0.9	1.0
Sun Port 6	Sendai	30 June 2010	153,000	(a)	152,000	(a)	0.6	0.6
Exceed Tsuchitōi	Sendai	30 June 2010	86,000	(a)	88,000	(a)	0.4	0.4
Sun Hills Asahigaoka	Sendai	30 June 2010	52,000	(a)	56,000	(a)	0.2	0.2
Aisho Plaza Hachiman	Sendai	30 June 2010	184,000	(a)	197,000	(a)	0.8	0.8
Sun Rise Kashiwagi	Sendai	30 June 2010	178,000	(a)	188,000	(a)	0.7	0.8
Lively Kamisugi	Sendai	30 June 2010	64,000	(a)	67,000	(a)	0.3	0.3
Etoile Higashi Sendai	Sendai	30 June 2010	99,000	(g)	101,000	(g)	0.4	0.4
Mansion Lilac	Sendai	30 June 2010	42,000	(a)	45,000	(a)	0.2	0.2
U.I. Building	Hiroshima	30 June 2010	-	-	257,000	(h)	-	1.0
Matoba Y Building	Hiroshima	30 June 2010	173,000	(b)	175,000	(h)	0.7	0.7
Otemachi Y Building	Hiroshima	30 June 2010	180,000	(b)	181,000	(h)	0.8	0.7
Higashi Hakushima Y Building	Hiroshima	30 June 2010	156,000	(k)	164,000	(h)	0.7	0.7
Kinyacho Y Building	Hiroshima	30 June 2010	188,000	(b)	187,000	(h)	0.8	0.8
Kinyacho Grande	Hiroshima	30 June 2010	420,000	(k)	449,000	(h)	1.8	1.8
Kamei Five	Hiroshima	30 June 2010	74,900	(k)	93,000	(h)	0.3	0.4
Shinko Kokura Kogane Sky Mansion	Kitakyushu	30 June 2010	213,000	(d)	215,000	(f)	0.9	0.9
Katano Residential Building	Kitakyushu	30 June 2010	356,000	(d)	411,000	(f)	1.5	1.7
High Grace II	Sendai	30 June 2010	307,000	(a)	313,000	(a)	1.3	1.3
Art Side Terrace	Sapporo	30 June 2010	444,000	(e)	459,000	(e)	1.9	1.9
Jewel Town Suehiro	Hakodate	30 June 2010	143,000	(i)	148,000	(i)	0.6	0.6
Estella 24-ken A	Sapporo	30 June 2010	68,800	(e)	77,000	(e)	0.3	0.3
Niken Chaya Grand Heights	Sendai	30 June 2010	365,000	(a)	382,000	(a)	1.5	1.5

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Portfolio Statement

As at 30 June 2010

Description of properties	Location	Latest Valuation Date	Valuation				Percentage of net assets attributable to Unitholders	
			30 June		30 June		30 June	30 June
			2010		2009		2010	2009
			JPY'000		JPY'000		%	%
YK SHINTOKU (continued)								
River City Kimachi	Sendai	30 June 2010	-	-	136,000	(a)	-	0.6
Kotoni 1-6 Mansion	Sapporo	30 June 2010	253,000	(e)	279,000	(e)	1.1	1.1
Aster Yamahana	Sapporo	30 June 2010	136,000	(e)	138,000	(e)	0.6	0.6
Patios Ohashi	Fukuoka	30 June 2010	82,000	(f)	102,000	(f)	0.3	0.4
K1 Mansion Morioka	Morioka	30 June 2010	60,000	(i)	68,700	(g)	0.3	0.3
K2 Mansion Morioka	Morioka	30 June 2010	291,000	(i)	314,000	(g)	1.2	1.3
Mon Palais Toroku	Kumamoto	30 June 2010	227,000	(a)	245,000	(a)	1.0	1.0
Rise Gofuku	Kumamoto	30 June 2010	248,000	(a)	256,000	(a)	1.0	1.0
YK SHINZAN								
Chalet Kishinoura	Kitakyushu	30 June 2010	290,000	(c)	318,000	(c)	1.2	1.3
Chalet Shiragane	Kitakyushu	30 June 2010	213,000	(d)	225,000	(d)	0.9	0.9
Chalet Suwamachi	Kitakyushu	30 June 2010	280,000	(c)	277,000	(d)	1.2	1.1
Chalet Numahon Machi II	Kitakyushu	30 June 2010	144,000	(c)	168,000	(c)	0.6	0.7
Chalet Matsuo II	Kitakyushu	30 June 2010	59,600	(d)	64,800	(d)	0.2	0.3
Chalet Tsudashin Machi	Kitakyushu	30 June 2010	137,000	(c)	154,000	(d)	0.6	0.6
Chalet Harunomachi	Kitakyushu	30 June 2010	347,000	(d)	362,000	(d)	1.5	1.5
Chalet Kanda II	Kitakyushu	30 June 2010	250,000	(d)	260,000	(d)	1.0	1.1
Chalet Einomaru II	Kitakyushu	30 June 2010	108,000	(c)	112,000	(d)	0.5	0.5
EMYU Honjo	Kumamoto	30 June 2010	826,000	(c)	850,000	(c)	3.5	3.4
EMYU Shinmachi	Kumamoto	30 June 2010	571,000	(c)	601,000	(c)	2.4	2.4
Yamamoto Mansion	Kagoshima	30 June 2010	565,000	(i)	565,000	(h)	2.4	2.3
Rise Kojo Horibata	Kumamoto	30 June 2010	69,900	(c)	81,000	(c)	0.3	0.3
KC Heights	Kumamoto	30 June 2010	92,100	(c)	111,000	(c)	0.4	0.4
Rise Shimodori	Kumamoto	30 June 2010	265,000	(c)	273,000	(c)	1.1	1.1
Rise Kuhonji II	Kumamoto	30 June 2010	353,000	(c)	375,000	(c)	1.5	1.5
YK SHINGEN								
Alte Heim Kokura	Kitakyushu	30 June 2010	75,000	(f)	82,500	(f)	0.3	0.3
Alte Heim Kokura II	Kitakyushu	30 June 2010	400,000	(f)	420,000	(f)	1.7	1.7
Alte Heim Kokura IV	Kitakyushu	30 June 2010	95,000	(f)	102,000	(f)	0.4	0.4
Alte Heim Mojekimae	Kitakyushu	30 June 2010	157,000	(f)	158,000	(f)	0.7	0.6
Alte Heim Orio	Kitakyushu	30 June 2010	272,000	(f)	294,000	(f)	1.1	1.2
Castle Kano	Sendai	30 June 2010	185,000	(a)	185,000	(a)	0.8	0.7
Clio Court	Sendai	30 June 2010	187,000	(a)	197,000	(a)	0.8	0.8
Club House Kikugaoka	Kitakyushu	30 June 2010	234,000	(b)	249,000	(c)	1.0	1.0
Core Life	Sendai	30 June 2010	432,000	(a)	435,000	(a)	1.8	1.8
Taisei Building III	Oita	30 June 2010	266,000	(f)	270,000	(f)	1.1	1.1
EMYU Heisei Keyakidori Mansion	Kumamoto	30 June 2010	666,000	(c)	709,000	(c)	2.8	2.9

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Portfolio Statement

As at 30 June 2010

Description of properties	Location	Latest Valuation Date	Valuation				Percentage of net assets attributable to Unitholders	
			30 June		30 June		30 June	30 June
			2010		2009		2010	2009
			JPY'000		JPY'000		%	%
YK SHINGEN (continued)								
EMYU Suizenji	Kumamoto	30 June 2010	1,030,000	(c)	1,050,000	(c)	4.3	4.2
Gardenia Kurashiki	Kurashiki	30 June 2010	123,000	(b)	124,000	(h)	0.5	0.5
Aistage Ushita Minami	Hiroshima	30 June 2010	270,000	(k)	275,000	(h)	1.1	1.1
Jeunes 23	Sapporo	30 June 2010	236,000	(e)	242,000	(e)	1.0	1.0
Matoba Meijibashi II	Hiroshima	30 June 2010	288,000	(a)	296,000	(a)	1.2	1.2
Rise Fujisaki Dai	Kumamoto	30 June 2010	292,000	(c)	292,000	(c)	1.2	1.2
Rise Kumadai Hospital II	Kumamoto	30 June 2010	536,000	(c)	548,000	(c)	2.2	2.2
Rise Kumamoto Station South	Kumamoto	30 June 2010	153,000	(c)	156,000	(c)	0.6	0.6
Rise Oe	Kumamoto	30 June 2010	240,000	(c)	248,000	(c)	1.0	1.0
Royal Hills Katagiri	Sendai	30 June 2010	157,000	(g)	165,000	(a)	0.7	0.7
Studio City	Sapporo	30 June 2010	194,000	(e)	200,000	(e)	0.8	0.8
Suien	Sapporo	30 June 2010	92,300	(e)	96,000	(e)	0.4	0.4
Sun Vario Shinden Eki Mae	Sendai	30 June 2010	419,000	(a)	435,000	(a)	1.8	1.8
TOA Mansion	Sapporo	30 June 2010	588,000	(e)	612,000	(e)	2.5	2.5
Wealth Meinohama	Fukuoka	30 June 2010	59,100	(b)	60,000	(d)	0.2	0.2
YSK Co-op Saiwaicho	Sendai	30 June 2010	425,000	(a)	470,000	(a)	1.8	1.9
Grand Polestone Takeya	Hiroshima	30 June 2010	552,000	(a)	573,000	(a)	2.3	2.3
Grand Polestone Kinya	Hiroshima	30 June 2010	154,000	(a)	157,000	(a)	0.6	0.6
Maestoso Figur	Koriyama	30 June 2010	365,000	(g)	367,000	(g)	1.5	1.5
Leggiero Viola	Koriyama	30 June 2010	282,000	(g)	289,000	(g)	1.2	1.2
GODO KAISHA ("GK") CHOAN								
Sec' As Blue II	Sapporo	30 June 2010	331,000	(e)	338,000	(e)	1.4	1.4
Wing Nakahirodori	Hiroshima	30 June 2010	704,000	(b)	726,000	(i)	2.9	2.9
Abitare Shimoarata I	Kagoshima	30 June 2010	282,000	(i)	274,000	(h)	1.2	1.1
Abitare Shinyashiki	Kagoshima	30 June 2010	252,000	(i)	246,000	(h)	1.1	1.0
Royal Hills Komatsushima	Sendai	30 June 2010	129,000	(g)	132,000	(e)	0.5	0.5
Senboku Heim I	Morioka	30 June 2010	160,000	(g)	162,000	(h)	0.7	0.7
Senboku Heim II	Morioka	30 June 2010	78,200	(g)	79,500	(h)	0.3	0.3
Liesse Wakabayashi	Sendai	30 June 2010	131,000	(g)	132,000	(a)	0.5	0.5
Dear Misono	Sapporo	30 June 2010	39,900	(b)	43,900	(h)	0.2	0.2
Casa Motomachi	Sapporo	30 June 2010	292,000	(e)	295,000	(e)	1.2	1.2
Grand Polestone Tsurumi	Hiroshima	30 June 2010	362,000	(b)	384,000	(a)	1.5	1.6
La Finesse Hakataeki Minami	Fukuoka	30 June 2010	424,000	(d)	439,000	(d)	1.8	1.8
Rise Heiseiekimae	Kumamoto	30 June 2010	191,000	(c)	198,000	(c)	0.8	0.8
Maison d'Etoile II	Sendai	30 June 2010	82,000	(f)	85,700	(f)	0.3	0.3
Abitare Korimoto	Kagoshima	30 June 2010	261,000	(f)	268,000	(f)	1.1	1.1
Orion Heim	Fukuoka	30 June 2010	202,000	(d)	213,000	(a)	0.8	0.9
Fujimicho Building	Hiroshima	30 June 2010	346,000	(b)	341,000	(i)	1.4	1.4
Grand Polestone Fujimi	Hiroshima	30 June 2010	174,000	(b)	175,000	(i)	0.7	0.7

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Portfolio Statement

As at 30 June 2010

Portfolio Statement

As at 30 June 2010

Description of properties	Location	Latest Valuation Date	Valuation				Percentage of net assets attributable to Unitholders	
			30 June		30 June		30 June	30 June
			2010		2009		2010	2009
			JPY'000		JPY'000		%	%
GK CHOAN (continued)								
Grand Polestone Otemachi	Hiroshima	30 June 2010	441,000	(k)	505,000	(h)	1.8	2.0
Kusatsu Higashi Heights	Hiroshima	30 June 2010	202,000	(a)	207,000	(a)	0.8	0.8
VOGA Minami Kannon	Hiroshima	30 June 2010	193,000	(a)	199,000	(a)	0.8	0.8
Le Pied Hirao	Fukuoka	30 June 2010	244,000	(a)	260,000	(a)	1.0	1.1
Residence Shiroishi ABCD	Sapporo	30 June 2010	487,000	(b)	534,000	(i)	2.0	2.2
GEO Kamiokawamaedori 3	Niigata	30 June 2010	371,000	(b)	380,000	(h)	1.6	1.5
Hills Kawabata	Niigata	30 June 2010	274,000	(b)	278,000	(h)	1.1	1.1
Hills Nogizaka	Niigata	30 June 2010	312,000	(b)	318,000	(h)	1.3	1.3
Grand Polestone Otemachi II	Hiroshima	30 June 2010	369,000	(b)	371,000	(h)	1.5	1.5
Grand Polestone Higashi Hiratsuka	Hiroshima	30 June 2010	406,000	(b)	409,000	(h)	1.7	1.7
Florecer Miyagino	Sendai	30 June 2010	244,000	(f)	258,000	(f)	1.0	1.0
Shinonome Heights	Hiroshima	30 June 2010	170,000	(a)	174,000	(a)	0.7	0.7
Estate 18 Shinonome	Hiroshima	30 June 2010	259,000	(a)	263,000	(a)	1.1	1.1
Royal Shinonome	Hiroshima	30 June 2010	325,000	(a)	334,000	(a)	1.4	1.4
Villa Kaita	Hiroshima	30 June 2010	312,000	(a)	320,000	(a)	1.3	1.3
Arioso Phrase	Koriyama	30 June 2010	444,000	(a)	465,000	(a)	1.9	1.9
Fantage Yaotome	Sendai	30 June 2010	210,000	(f)	213,000	(f)	0.9	0.9
Towa Kita 7 Jo	Sapporo	30 June 2010	333,000	(b)	334,000	(i)	1.4	1.4
Towa Kotoni	Sapporo	30 June 2010	294,000	(b)	293,000	(i)	1.2	1.2
Relief Ohorinishi	Fukuoka	30 June 2010	108,000	(b)	119,000	(i)	0.5	0.5
GK CHOGEN								
Romauge Kamidori Namikizaka	Kumamoto	30 June 2010	629,000	(d)	656,000	(d)	2.6	2.7
GK CHOSEI								
Quest Tower Noboricho	Hiroshima	30 June 2010	540,000	(i)	552,100	(j)	2.3	2.2
Investment properties			40,381,700		42,734,100		169.0	172.8
Other assets and liabilities (net)			(16,490,386)		(18,007,586)		(69.0)	(72.8)
Net assets			23,891,314		24,726,514		100.0	100.0
Net assets attributable to non-controlling interests			(8,391)		-		*-	-
Net assets attributable to Unitholders			23,882,923		24,726,514		100.0	100.0

* Less than 1%

The properties above comprise of freehold land and freehold buildings, and are used primarily for residential and residential-related purposes.

The carrying amounts of the properties were based on independent full valuations undertaken by:

- (a) Rich Appraisal Institute Co., Ltd,
- (b) Advance Appraisers Co., Ltd,
- (c) KK Sakura Business Partners,
- (d) KK Soken,
- (e) Real Value Inc.,
- (f) Prime Appraisal Institute Co., Ltd,
- (g) Real Estate Appraisal Aota Jimusho,
- (h) Tokyo Asset Research Inc.,
- (i) KK Asset Research,
- (j) Chuo Real Estate Appraisal Co., Ltd, and
- (k) KK Success Solution

The Manager believes that the independent valuers have appropriate professional qualifications and recent experience in the location and category of the properties being valued. The valuations were based on the Income Approach, which includes the direct capitalisation method and discounted cash flow method.

Notes to the
Financial Statements

For the financial year
ended 30 June 2010

For the financial year
ended 30 June 2010

Notes to the
Financial Statements

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General information

Saizen Real Estate Investment Trust (“Saizen REIT”) is a Singapore domiciled unit trust constituted pursuant to the Trust Deed dated 27 September 2007 between Japan Residential Assets Manager Limited (the “Manager”) and HSBC Institutional Trust Services (Singapore) Limited (the “Trustee”). The Trust Deed is governed by the laws of the Republic of Singapore. The Trustee is under a duty to take into custody and hold the assets of Saizen REIT in trust for the holders (“Unitholders”) of units in Saizen REIT (the “Units”).

Saizen REIT was formally admitted to the Official List of the Singapore Exchange Securities Trading Limited (“SGX-ST”) on 9 November 2007 (the “Listing”) and was included in the Central Provident Fund (“CPF”) Investment Scheme on 9 November 2007.

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.

Saizen REIT invests in the properties by entering into Japanese tokumei kumiai arrangements (“TK arrangements”) as a tokumei kumiai investor (“TK investor”) with Japanese limited liability companies known as tokumei kumiai operators (“TK operators”), which are the property holding companies. Such TK arrangement is a common method of investing and holding real estate in Japan. The relationship between the TK operators and the TK investors is governed by tokumei kumiai agreements (“TK agreements”), whereby the TK investors provide funds to the TK operators in return for income derived from the investments in properties held by the TK operators (the “TK business”). The TK investor can enter into TK arrangements with TK operators either through the acquisition from existing TK investors of all rights and obligations under their respective TK agreements with TK operators, or by entering into new TK agreements with TK operators.

During the financial year, Saizen REIT has entered into fifteen TK agreements and memorandums with existing Japanese TK operators, being Godo Kaisha (“GK”) Choan, GK Chosei, GK Chogen, Yugen Kaisha (“YK”) Shingen, YK Keizan, YK Shintoku and YK Shinzan for increase or return investment in these TK operators. As at 30 June 2009, Saizen REIT had entered into TK agreements with nine Japanese TK operators, being YK JOF, YK Kokkei, YK Keizan, YK Shintoku, YK Shingen, YK Shinzan, GK Chosei, GK Choan and GK Chogen. Under the TK agreements, the net income of the TK business, comprising principally the income generated from the property holding business, will be passed up to Saizen REIT. Saizen REIT is entitled to 97.0% of the profits and losses of such business while the shareholder of the TK operators is entitled to the remaining 3.0% of the allocated profits and losses. Saizen REIT is, therefore, exposed to the majority of risks and rewards from its agreements with the TK operators and the underlying property holding business.

The Manager has assessed the economic reality of Saizen REIT and its investment activities through the TK operators, and concluded that as Saizen REIT primarily bears the risks and enjoys the benefits under the TK agreements, the TK operators are considered as special purpose entities. The consolidated financial statements of Saizen REIT are presented on a group basis by consolidating Saizen REIT and the TK operators as special purpose entities (together referred to as the “Group”).

Refinancing plan

During the financial year, the Group has fully repaid interest-bearing borrowings amounting to JPY 7.0 billion that are due for repayment between 2 November 2009 and 25 April 2010 except for borrowings of YK Shintoku which have been in default since November 2009, amounting to JPY 7.1 billion as at 30 June 2010. The Group is currently in negotiations with financial institutions to refinance the borrowings of YK Shintoku. The Group has also implemented a plan to divest some properties of YK Shintoku to reduce the borrowing amount with approval from the lender.

In accordance with the loan agreement of YK Shintoku, in the event of default, the lender has the right to take control of YK Shintoku (including its property portfolio). In the worst case scenario, the lender will take control of the assets and corresponding liabilities of YK Shintoku, which amounts to JPY 2.0 billion as at 30 June 2010 and approximates 8.6% of the net asset value of the Group as at 30 June 2010. In the event that the foreclosure action by the lender results in proceeds in excess of the outstanding loan amount and reasonable costs for foreclosure action of YK Shintoku, Saizen REIT will then be able to recoup an amount equivalent to this excess.

The above condition indicates the existence of a material uncertainty, which may cast significant doubt on the subsidiary’s ability to continue as a going concern. If the subsidiary is unable to continue in operational existence for the foreseeable future, adjustments would have to be made to reflect the situation that its assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts stated in the balance sheet. In addition, the subsidiary may have to provide for further liabilities which may arise. The Group’s financial statements do not include the adjustments that would result if the subsidiary was unable to continue as a going concern.

1. General information (continued)

Service agreements

Saizen REIT has entered into several service agreements in relation to the management of Saizen REIT and its property operations. The fee structures for these services are as follows:

(a) Trustee’s fees

The Trustee’s fee shall not exceed 0.03% per annum of the value of the Deposited Property (being all the assets of Saizen REIT as stipulated in the Trust Deed), subject to an aggregate minimum fee of S\$10,000 per month, or such higher percentage as may be fixed by an extraordinary resolution of a meeting of Unitholders.

The Trustee’s fee is payable out of the Deposited Property of Saizen REIT on a monthly basis, in arrears. The Trustee is also entitled to the reimbursement of all reasonable out-of-pocket expenses (including a one-time inception fee of S\$25,000) incurred by it in the performance of its duties under the Trust Deed.

(b) Manager’s Management fees

The Manager is entitled to receive 0.5% per annum of the monthly weighted average value of all property assets of Saizen REIT (or proportional share) for the time being held or deemed to be held upon the trusts under the Trust Deed from time to time (the “Property Assets”). For the avoidance of doubt, cash does not form part of the Property Assets.

The management fee payable to the Manager will be paid in the form of cash and/or Units (as it may in its sole discretion determine). Where the management fees are paid in cash, the amounts are paid monthly in arrears. Where the management fees are paid in the form of Units, the amounts are paid quarterly in arrears.

(c) Acquisition and Divestment fees

The above condition is also entitled to receive an acquisition fee of 1.0% of the acquisition price and a divestment fee of 0.3% of the sale price on all future acquisitions or disposals of properties.

The acquisition and disposal fee will be paid in the form of cash and/or Units and is payable as soon as practicable after completion of the acquisition and disposal respectively.

(d) Asset Manager’s asset management fees

The Asset Manager is entitled to receive 3.0% of the net profits of the property-holding business (before deducting the asset management fee and any expense of such business payable to Saizen REIT), calculated in accordance with accounting standards applicable to the property holding vehicles (the “Property Business Profits”).

In the case of a TK arrangement, JPY150,000 per annum for overhead incurred by each TK operator will be deducted from the Property Business Profits.

The asset management fee is payable out of the Deposited Property of property holding vehicles, on a monthly basis, in advance.

2. Significant accounting policies

2.1 Basis of preparation

The financial statements have been prepared in accordance with the Statement of Recommended Accounting Practice 7 “Reporting Framework for Unit Trusts” (“RAP 7”) issued by the Institute of Certified Public Accountants of Singapore and the applicable requirements of the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore (“MAS”) and the provisions of the Trust Deed.

The financial statements, which are expressed in Japanese Yen (“JPY”), the functional currency of Saizen REIT and rounded to the nearest thousand, have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with RAP 7 requires the Manager to make judgement, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in Note 3.

Notes to the Financial Statements

For the financial year ended 30 June 2010

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

Interpretations and amendments to published standards effective in FY2010

On 1 July 2009, the Group adopted the new or amended Singapore Financial Reporting Standards ("FRS") and Interpretations to FRS ("INT FRS") that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the relevant transitional provisions in the respective FRS and INT FRS.

The following are the new or amended FRS that are relevant to the Group:

Amendment to FRS 107 Improving disclosures about financial statements (effective from 1 January 2009). The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy (see Note 24). The adoption of the amendment results in additional disclosures but does not have an impact on the accounting policies and measurement bases adopted by the Group.

FRS 27 (revised) Consolidated and Separate Financial Statements (effective from 1 July 2009). The revision requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. In addition, under FRS 27 (revised) profit or loss is attributed to the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1 July 2009, losses that create a deficit non-controlling interests are allocated against the majority interest, except to the extent that the non-controlling interests have binding obligations and are able to make additional investment to cover the losses. The Group applies FRS 27 (revised) prospectively to transactions with non-controlling interests and accounting of non-controlling interests from 1 July 2009. The adoption of the revision does not have a significant impact on the financial statements.

2.2 Revenue recognition

(a) Rental income and rental-related income

Rental income from operating leases on investment properties is recognised on a straight-line basis over the lease term.

Rental-related income includes non-refundable deposits from tenants which are amortised over the lease terms. The amortisation is taken to the Statements of Total Return.

(b) Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

2.3 Expenses

(a) Property expenses

Property expenses are recognised on an accrual basis.

(b) Trustee's fees, manager's management fees, acquisition and divestment fees and asset management fees

These expenses are recognised on an accrual basis using the applicable formula stipulated in Note 1(a) - (d).

(c) Borrowing costs

Interest expense and similar charges are recognised on a time proportion basis in the period in which they are incurred using the effective interest method.

2.4 Group accounting

(a) Subsidiaries

Subsidiaries are entities (including special purpose entities) over which the Group has power to govern the financial and operating policies so as to obtain benefits from its activities.

The Group identified the TK operators established in Japan as special purpose entities as defined in Interpretations of Financial Reporting Standards 12 Consolidation - Special Purpose Entities ("INT FRS 12"). The TK operators are principally engaged in

For the financial year ended 30 June 2010

Notes to the Financial Statements

2. Significant accounting policies (continued)

2.4 Group accounting (continued)

(a) Subsidiaries (continued)

the investment holding business. Under the TK agreements, the Group primarily bears the risks and enjoys the benefits of the investments held by TK operators and, accordingly, consolidates their financial statements for reporting purpose.

The TK operators are consolidated from the date on which the relationship of special purpose entities defined under INT FRS 12 is established between the Group and the TK operators. They are de-consolidated from the date that such relationship ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of special purpose entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

Please refer to Note 2.7 for Saizen REIT's accounting policy on investments in subsidiaries in separate financial statements of Saizen REIT.

(b) Non-controlling interests

Non-controlling interests represent the interests in the operating results and net assets of special purpose entities attributable to the shareholder of the TK operators, in accordance with the TK agreements.

2.5 Currency translation

(a) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Japanese Yen, which is Saizen REIT's functional currency.

(b) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in the Statement of Total Return.

2.6 Investment properties

Property that is held for long-term rental yield or for capital appreciation or both, and that is not occupied by the entities in the Group, is classified as investment property. Investment property comprises freehold land and freehold buildings.

Investment properties are initially recognised at cost, including related transaction costs.

After initial recognition, investment properties are carried at fair value. Fair values are determined in accordance with the Trust Deed, which requires the investment properties to be valued by independent professional valuers at least once a year, in accordance with the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore.

Changes in fair values are recognised in the Statement of Total Return as a net appreciation or depreciation in the value of the investment properties.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

Subsequent expenditure is charged to the assets' carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the Statement of Total Return during the financial period in which they are incurred.

On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is recognised in the Statement of Total Return.

Notes to the Financial Statements

For the financial year ended 30 June 2010

For the financial year ended 30 June 2010

Notes to the Financial Statements

2. Significant accounting policies (continued)

2.7 Investments in subsidiaries

Investments in subsidiaries are stated at cost less accumulated impairment losses (Note 2.16) in Saizen REIT's balance sheet. On disposal of investments in subsidiaries, the difference between net disposal proceeds and the carrying amount of the investment is recognised in the Statement of Total Return.

2.8 Cash and cash equivalents

For the purpose of presentation in the consolidated cash flow statement, cash and cash equivalents include cash on hand and deposits with financial institutions.

2.9 Financial assets

(a) Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition. The designation of financial assets at fair value through profit or loss is irrevocable.

(i) Financial assets, at fair value through profit or loss

A financial asset is classified as held for trading if it is acquired principally for the purpose of selling in the short term. Derivatives are categorised as held for trading unless they are designated as hedges. Assets in this category are presented as current assets if they are either held for trading or are expected to be realised within 12 months after the balance sheet date.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those maturing later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables are presented as "cash and cash equivalents", "deposits with cash management agent" and "trade and other receivables" on the balance sheet.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in the Statement of Total Return.

(c) Initial measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit and loss are recognised immediately in the Statement of Total Return.

(d) Subsequent measurement

Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of financial assets at fair value through profit or loss including the effects of currency translation, interest and dividends, are recognised in the Statement of Total Return when the changes arise.

(e) Impairment

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists. The amount of allowance for impairment is recognised in the Statement of Total Return.

2. Significant accounting policies (continued)

2.9 Financial assets (continued)

(e) Impairment (continued)

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or delay in payments are objective evidence that the receivable is impaired. The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in the Statement of Total Return.

The allowance for impairment loss account is reduced through the Statement of Total Return in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost, had no impairment been recognised in prior periods.

2.10 Trade payables

Trade payables are initially measured at fair value, and subsequently at amortised cost, using the effective interest method.

2.11 Borrowings

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of Total Return over the period of the borrowings using the effective interest method.

2.12 Leases

The Group leases investment properties to third parties.

(a) Finance leases

Leases where the Group has transferred substantially all risks and rewards incidental to ownership of the leased assets to the lessees, are classified as finance leases.

The leased asset is derecognised and the present value of the lease receivable (net of initial direct costs for negotiating and arranging the lease) is recognised on the balance sheet and included in "trade and other receivables". The difference between the gross receivable and the present value of the lease receivable is recognised as unearned finance income.

Each lease payment is applied against the gross investment in the finance lease receivable to reduce both the principal and the unearned finance income. The finance income is recognised in the Statement of Total Return on a basis that reflects a constant periodic rate of interest on the net investment in the finance lease receivable.

Initial direct costs incurred by the Group in negotiating and arranging finance leases are added to finance lease receivables and recognised as an expense in the Statement of Total Return over the lease term on the same basis as the lease income.

(b) Operating leases

Leases of investment properties where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in the Statement of Total Return on a straight-line basis over the lease term.

Initial direct costs incurred by the Group in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense in the Statement of Total Return over the lease term on the same basis as the lease income.

Contingent rents are recognised as income in the Statement of Total Return when earned.

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2. Significant accounting policies (continued)

2.13 Income tax

Current income tax for current and prior periods is recognised at the amounts expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantially enacted by the balance sheet date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, associated companies and joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and
- (ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in the Statement of Total Return, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

2.14 Provisions

Provisions for liabilities and charges are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised in the Statement of Total Return as finance expense.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in the Statement of Total Return when the changes arise.

2.15 Segment reporting

A business segment is a distinguishable component of the Group engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is a distinguishable component of the Group engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

2.16 Impairment of non-financial assets

Investments in subsidiaries and investment properties are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating-unit ("CGU") to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. The difference between the carrying amount and recoverable amount is recognised as an impairment loss in the Statement of Total Return.

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised

2. Significant accounting policies (continued)

2.16 Impairment of non-financial assets (continued)

recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in the Statement of Total Return.

2.17 Derivative financial instruments

A derivative financial instrument is initially recognised at its fair value on the date the contract is entered into and is subsequently carried at its fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The carrying amount of a derivative designated as a hedge is presented as a non-current asset or liability if the remaining expected life of the hedged item is more than 12 months, and as a current asset or liability if the remaining expected life of the hedged item is less than 12 months.

Fair value changes on derivatives that are not designated or do not qualify for hedge accounting are recognised in the Statement of Total Return when the changes arise.

2.18 Fair value estimation of financial assets and liabilities

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Where appropriate, quoted market prices or dealer quotes for similar instruments are used. Valuation techniques, such as discounted cash flow analyses, are also used to determine the fair values of the financial instruments.

The fair value of interest rate caps and interest rate swaps are determined based on brokers' quote. The fair value of warrants are determined based on quoted market prices at the balance sheet date.

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

2.19 Issue expenses

Issue expenses relate to expenses incurred in the issuance of units in Saizen REIT. Issue expenses directly attributable to the issue of new units are deductible from net assets attributable to the Unitholders. Other issue expenses are recognised in the Statement of Total Return in the period in which they are incurred.

2.20 Distribution policy

The distribution of Saizen REIT is based on the cash flow it receives from the TK operators pursuant to its TK interests under the TK agreements entered into with the TK operators. Due to the difference between cash flow and accounting profits of the TK operators as further discussed below, the cash flow received by Saizen REIT may comprise profits from the TK operators' operations and return of capital from the TK interests.

Under the TK agreements, Saizen REIT will be entitled to 97.0% of the profits of the TK business and such profits are subject to a withholding tax at a rate of 20.0% when distributed to Saizen REIT. Return of capital from the TK interests is not taxable. After deducting expenses at the Saizen REIT level such as the Manager's fee, the Trustee's fee, other trust expenses and hedging costs (if any), the residual cash flow is available for distribution to Unitholders as distributable income (the "Distributable Income").

Saizen REIT's distribution policy is to distribute at least 90.0% of its Distributable Income in each financial year. For the avoidance of doubt, Distributable Income excludes cash from realisation of investments pursuant to sale of the underlying real properties by the TK operators.

Saizen REIT's distribution to Unitholders is not affected by non-cash expense items and unrealised gains or losses.

The actual proportion of Saizen REIT's distributable income distributed to the Unitholders may be greater than 90.0%, to the extent that the Manager believes it to be appropriate, having regard to Saizen REIT's funding requirements, other capital management considerations and the overall stability of distributions. Distributions, when made, will be in Singapore dollars.

Due to repayment and refinancing of the loans which fell due by end 2009 and early 2010, the Board of the Manager ("Board") believed that it was prudent for Saizen REIT to conserve cash and therefore did not declare any distribution for FY2009.

After repayment of loan of YK Kezian in April 2010, Saizen REIT has resumed distribution and declared a distribution of 0.26 Singapore cents per Unit for the financial year ended 30 June 2010. This distribution relates to distributable cash accumulated over two months (May and June 2010).

Notes to the Financial Statements

For the financial year ended 30 June 2010

3. Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Valuation of investment properties

Investment properties are stated at fair value based on valuations performed by independent professional valuers. In determining the fair value, the valuers have used valuation methods which involve certain estimates.

The fair values are determined using the Income Approach, which includes the direct capitalisation method and discounted cash flow method. This approach involves the estimation of income and expenses, taking into account expected future changes in economic and social conditions, which may affect the value of the properties.

The Manager is of the view that the valuation methods and estimates are reflective of the current market condition. The carrying amount of investment properties is disclosed in Note 16.

(b) Income tax

The profit of the TK business which is distributed to Saizen REIT is subject to only withholding income tax in Japan. This profit distributed to Saizen REIT is exempt from Japan national and local corporate income taxes, subject to the TK arrangement meeting certain organisational and operational requirements. The Group calculated the tax expense on the basis that the requirements have been adhered to. In the event that the requirements are not met, the final tax outcome will be different from the amounts that were initially recorded. Such differences will impact the income tax in the period which such determination is made. The income tax expense is disclosed in Note 8.

4. Gross Revenue

	Group		Saizen REIT	
	2010	2009	2010	2009
	JPY'000	JPY'000	JPY'000	JPY'000
Distribution income	-	-	940,429	801,096
Rental income	4,010,692	4,127,354	-	-
Rental-related income	122,100	141,397	-	-
	4,132,792	4,268,751	940,249	801,096

5. Property operating expenses

	Group		Saizen REIT	
	2010	2009	2010	2009
	JPY'000	JPY'000	JPY'000	JPY'000
Property related taxes	309,374	317,000	-	-
Property management fees	162,345	166,611	-	-
Operation and maintenance	209,403	212,992	-	-
Renovations	237,147	197,030	-	-
Marketing and leasing commission	150,629	174,845	-	-
Utilities	177,471	183,449	-	-
Insurance	52,747	55,480	-	-
Allowance for impairment on trade receivables	1,553	2,190	-	-
Trade receivables written off	6,395	798	-	-
Net consumption tax expense for operations	43,119	44,672	-	-
	1,350,183	1,355,067	-	-

For the financial year ended 30 June 2010

Notes to the Financial Statements

5. Property operating expenses (continued)

Property-related taxes comprise property tax of 1.4% (2009: 1.4%) and city planning tax of 0.3% (2009: 0.3%) on the municipal government's assessed value of the land and building.

6. Other trust expenses

Included in other trust expenses are:

	Group		Saizen REIT	
	2010	2009	2010	2009
	JPY'000	JPY'000	JPY'000	JPY'000
Auditors' remuneration ¹	36,532	35,560	8,183	13,342
Property valuation fees	62,048	46,508	62,048	46,508
Goods and services tax	15,436	12,698	15,436	12,698
Divestment fee ²	-	-	2,000	-
	114,016	94,766	87,667	72,548

¹ Fees for non-audit services paid to auditors of Saizen REIT amounted to JPY1,213,000 (2009: JPY670,000) for the financial year ended 30 June 2010.

² Divestment fee relating to disposal of properties held by YK Shintoku computed based on 0.3% of the sale price was included in other trust expenses at Saizen REIT level and was accounted for as part of loss on divestment of properties at the Group level.

7. Finance costs

	Group		Saizen REIT	
	2010	2009	2010	2009
	JPY'000	JPY'000	JPY'000	JPY'000
Interest expense:				
- Bank borrowings	858,250	1,152,403	-	-
- Other	-	38	-	38
Guarantee fee to asset manager	4,490	-	-	-
Exchange loss	4,748	19,326	4,748	1,018
	867,488	1,171,767	4,748	1,056

Included in interest expense from bank borrowings are amortisation of loan commission, amounting to JPY117,098,000 (2009: JPY213,586,000).

Notes to the Financial Statements

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8. Income tax

	Group		Saizen REIT	
	2010	2009	2010	2009
	JPY'000	JPY'000	JPY'000	JPY'000
Tax expense/(credit) attributable to loss is made up of:				
Current income tax				
- Singapore	2,071	-	2,071	-
- Foreign	205,046	160,876	204,333	160,219
Deferred income tax (Note 19)	(143,720)	(181,869)	-	-
	63,397	(20,993)	206,404	160,219

The income tax expense on the results for the financial year differs from the amount that would arise using the Singapore standard rate of income tax due to the following:

	Group		Saizen REIT	
	2010	2009	2010	2009
	JPY'000	JPY'000	JPY'000	JPY'000
Total loss for the year before income tax	(812,090)	(4,827,379)	(719,464)	(7,644,965)
Tax calculated at tax rate of 17% (2009: 17%)	(138,055)	(820,654)	(122,309)	(1,299,644)
Effects of:				
- Different tax rates in other countries	8,249	(147,543)	28,207	24,033
- Partial tax exemption	-	(637)	-	(637)
- Expenses not deductible for tax purposes	174,342	1,042,230	282,153	1,558,146
- Income not subject to tax	-	(121,679)	-	(121,679)
- Other	18,861	27,290	18,353	-
Tax charge/(credit)	63,397	(20,993)	206,404	160,219

The Ministry of Finance has issued a tax ruling on the taxation of Saizen REIT for the income earned after its listing on the SGX-ST. Subject to meeting the terms and conditions of the tax ruling, Saizen REIT will not be taxed on TK distribution receivable from the TK operators in Japan.

The above tax ruling does not apply to gains derived from the sale of real properties or TK interests by Saizen REIT. Such gains, if they are considered as trading gains, are assessable to tax on Saizen REIT. Where the gains are capital gains, Saizen REIT will not be assessed to tax.

For the financial year ended 30 June 2010

Notes to the Financial Statements

9. Earnings per Unit

Earnings per Unit of the Group for the current financial year reported on and the corresponding period of the immediately preceding financial year:

(a) Basic EPU

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

(b) Diluted EPU

Diluted EPU amounts are calculated by dividing the loss attributable to the Unitholders of the Group by the weighted average number of Units outstanding during the year plus the weighted average number of Units that would be issued on the exercise of all warrants into potential Units. Diluted and basic earnings per Unit are similar as there are no dilutive potential Units during the year.

EPU	FY2010	FY2009
Total loss for the year attributable to Unitholders for basic and diluted EPU (JPY'000)	(883,878)	(4,775,751)
Basic and diluted EPU - per Unit (JPY)	(0.93)	(7.49)
- per Unit (S\$ cents)	(1.43)¹	(11.10) ²
Units	FY2010	FY2009
Weighted average number of Units applicable to basic and diluted EPU ('000)	952,710	637,421

Basic earnings per unit calculation for the financial years ended 30 June 2010 and 2009 is based on the weighted average number of units of 952,710,118 and 637,420,581 (after adjustments for the effects of the rights issue completed in June 2009) outstanding during the respective financial years.

Notes:

¹. Based on S\$ / JPY average exchange rate of 65.1 between 1 July 2009 and 30 June 2010

². Based on S\$ / JPY average exchange rate of 67.5 between 1 July 2008 and 30 June 2009

10. Deposits with cash management agent

The balance relates to deposits placed with cash management agent as required by the bank borrowing agreements. The deposits are restricted for use and are required to be maintained for payments of certain operating expenses and capital expenditure of the properties, and a minimum amount of deposits placed with the cash management agent should be maintained. The calculation of minimum amount of deposits required is based on the estimated future capital expenditure for each investment property acquired.

As at 30 June 2010, the minimum amount of deposits required is JPY 1,063,517,000 (2009: JPY1,989,325,000).

Deposits with cash management agent also include cash amounting to JPY 76,550,334 (2009: Nil) withheld by the lender arising from the default of loan drawn down by YK Shintoku (Note 17).

Notes to the Financial Statements

For the financial year ended 30 June 2010

11. Cash and cash equivalents

	Group		Saizen REIT	
	2010	2009	2010	2009
	JPY'000	JPY'000	JPY'000	JPY'000
Cash at bank and on hand	2,206,245	5,070,301	127,551	492,040
Money market fund	162,665	-	162,665	-
	2,368,910	5,070,301	290,216	492,040

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

	Group	
	2010	2009
	JPY'000	JPY'000
Cash and bank balances (as above)	2,368,910	5,070,301
Less: Bank deposits pledged	(202,517)	-
Cash and cash equivalents per consolidated cash flow statement	2,166,393	5,070,301

12. Trade and other receivables

	Group		Saizen REIT	
	2010	2009	2010	2009
	JPY'000	JPY'000	JPY'000	JPY'000
Trade receivables	17,098	15,488	-	-
Less: Allowance for impairment	(8,401)	(6,848)	-	-
Trade receivables – net	8,697	8,640	-	-
Interest receivable	8	-	8	-
Deferred rent receivable	28,203	32,361	-	-
Distribution receivable from subsidiaries	-	-	1,493,225	1,235,323
Other receivable from subsidiaries	-	-	62,000	-
Goods and services tax receivable	813	5,390	813	5,390
	37,721	46,391	1,556,046	1,240,713

Deferred rent receivable relates to rental incentives (rent free period) granted to tenants which will be amortised over the remaining lease term.

For the financial year ended 30 June 2010

Notes to the Financial Statements

13. Other current assets

	Group		Saizen REIT	
	2010	2009	2010	2009
	JPY'000	JPY'000	JPY'000	JPY'000
Prepayments	28,113	29,862	1,746	1,679
Deposits	10,539	512	-	-
Prepaid interest	2,509	-	-	-
Prepaid asset management fees	4,061	6,626	-	-
	45,222	37,000	1,746	1,679

14. Derivative financial instruments

	Group		Group	
	Contract/notional amount		Fair value assets/(liabilities)	
	2010	2009	2010	2009
	JPY'000	JPY'000	JPY'000	JPY'000
Interest rate swap	5,759,496	5,900,000	(84,817)	(72,999)
Interest rate cap	480,000	480,000	-	36
Warrants	2,814,835	2,940,626	(2,189,316)	(1,797,050)

	Saizen REIT		Saizen REIT	
	Contract/notional amount		Fair value liabilities	
	2010	2009	2010	2009
	JPY'000	JPY'000	JPY'000	JPY'000

Warrants	2,814,835	2,940,626	(2,189,316)	(1,797,050)
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(i) Interest rate swap

The TK operator GK Choan uses interest rate swaps to hedge against fluctuations in interest rates in respect of its loan of JPY 5.8 billion (the "GK Choan Loan"). The GK Choan Loan is subject to a variable interest rate of 3% per annum plus 3-month JPY LIBOR. In order to fix the interest rate of the GK Choan Loan throughout its term of up to June 2013, GK Choan has entered into interest rate swap arrangements whereby GK Choan agreed to pay its counterparty payments of 0.8275% per annum, in exchange for a variable payment for 3-month JPY LIBOR ("Current Swap Arrangement"). The interest rate swap arrangement enables GK Choan to fix the effective interest rate on the GK Choan Loan at 3.8275% (being 3% + 0.8275%) per annum.

The above-mentioned swap arrangement was entered into by GK Choan in June 2010. Prior to this, GK Choan had used a swap arrangement ("Previous Swap Arrangement") to hedge against fluctuations in interest rates in respect of its previous loan of JPY 5.9 billion. The realised loss (payment) on interest rate swap in FY2010 comprised the settlement of the difference between a fixed interest rate of 1.11% per annum and the then prevailing 3-month JPY LIBOR pursuant to the Previous Swap Arrangement. There was no realised loss (payment) on interest rate swap under the Current Swap Arrangement in FY2010. Consequently, when computing the interest expense of the Group, the realised loss (payment) on interest rate swap is included.

Notes to the Financial Statements

For the financial year ended 30 June 2010

14. Derivative financial instruments (continued)

(i) Interest rate swap (continued)

This interest rate swap is classified as a derivative financial instrument and recognised as a non-current liability on the Group's balance sheet as at 30 June 2010. Under FRS 39, the interest rate swap is recognised at fair value at balance sheet date and any gain or loss arising from a change in its fair value is recognised as an unrealised fair value gain or loss on interest rate swap in the Statement of Total Return of the Group if no hedge accounting is practised. The recognition of unrealised gain or loss on interest rate swap does not affect the amount available for distribution and does not have any impact on cash flow.

(ii) Interest rate cap

The TK operator GK Chosei uses an interest rate cap to hedge against fluctuations in interest rates in respect of its loan of JPY 0.4 billion (the "GK Chosei Loan"). The GK Chosei Loan is subject to a variable interest rate of 3.0% per annum plus 3-month JPY LIBOR. GK Chosei has purchased an interest rate cap which caps the 3-month JPY LIBOR rate at an upper limit of 2.5%.

This interest rate cap is classified as a derivative financial instrument and has a nil fair value as at 30 June 2010. Under FRS 39, the interest rate cap is recognised at fair value at balance sheet date and any gain or loss arising from a change in its fair value is recognised as an unrealised fair value gain or loss on interest rate cap in the Statement of Total Return if no hedge accounting is practised. The recognition of unrealised gain or loss on interest rate cap does not affect the amount available for distribution and does not have any impact on cash flow.

(iii) Rights and warrants

Rights and warrants issued by Saizen REIT during the financial year ended 30 June 2009 are denominated in Singapore Dollar, which is not the functional currency of Saizen REIT. The details of the issue of rights and warrants are disclosed in Note 20 of the financial statements. Accordingly, under the requirements of FRS 32 paragraph 16(b)(ii), it was not an issue of a fixed number of shares for a fixed amount of cash, and therefore the rights and warrants do not meet the definitions of equity instruments. The issue of rights and warrants have been accounted for as derivative financial liabilities at the end of the financial year and are measured in accordance with the accounting policy for derivative financial instruments set out in Note 2.17.

Under FRS 39, these derivative financial liabilities are measured at their fair value. The fair value of rights at inception is recognised in the Statements of Movements in Unitholders' fund as a deemed distribution to Unitholders. Subsequently, the rights issue is re-measured at fair value with movements in fair value recognised in the Statement of Total Return until the exercise of the rights which was on 25 May 2009.

Warrants that are outstanding are classified as derivative financial instruments and recognised as derivative liabilities on the Group's balance sheet. Any gain or loss arising from changes in the fair value of the warrants is recognised as a fair value gain or loss on warrants in the Statement of Total Return. The fair value gain or loss on warrants does not have any impact on cash flow. The exercise price of the warrants is fixed at S\$0.09 each.

15. Investments in subsidiaries

	Saizen REIT	
	2010 JPY'000	2009 JPY'000
Balance at beginning of the financial year	24,911,233	31,156,661
- Additional investments in TK operators (Note a)	1,712,000	2,385,000
- Return on investments in TK operators	(1,358,785)	(58,150)
- Impairment losses	(909,076)	(8,572,278)
Balance at end of the financial year	24,355,372	24,911,233

Details of the subsidiaries are included in Note 27.

For the financial year ended 30 June 2010

Notes to the Financial Statements

15. Investments in subsidiaries (continued)

(a) During the year, Saizen REIT has made additional investments in the following TK operators:

Name of entities	Saizen REIT	
	2010 JPY'000	2009 JPY'000
YK JOF	-	1,220,000
YK Keizan	167,000	-
YK Shingen	1,351,000	-
YK Shinzan	150,000	1,140,000
GK Chogen	14,000	25,000
GK Chosei	30,000	-
	1,712,000	2,385,000

16. Investment properties

	Group	
	2010 JPY'000	2009 JPY'000
Balance at beginning of the financial year	42,734,100	49,062,300
Divestment of investment properties	(683,000)	-
Capital expenditure	28,945	116,891
Net fair value losses recognised in the Statement of Total Return	(1,698,345)	(6,445,091)
Balance at end of the financial year	40,381,700	42,734,100

Investment properties amounting to JPY 28.3 billion (2009: JPY37.9 billion) are pledged as security for bank facilities granted to the TK operators.

The carrying amount of the Group's interests in investment properties as at 30 June 2010 and 30 June 2009 are based on independent valuations undertaken by independent professional valuers. Details of the properties are disclosed in the Portfolio Statement.

17. Borrowings

	Group	
	2010 JPY'000	2009 JPY'000
<i>Current</i>		
Bank loans	716,171	16,819
Commercial mortgage-backed securities loans	7,110,991	14,873,962
	7,827,162	14,890,781
<i>Non-current</i>		
Bank loans	8,453,768	6,932,075
	16,280,930	21,822,856

Borrowings are secured over some of the Group's investment properties (Note 16) and bank deposits (Note 11).

Notes to the Financial Statements

For the financial year ended 30 June 2010

17. Borrowings (continued)

(i) Maturity of non-current borrowings

	Group	
	2010	2009
	JPY'000	JPY'000
Between one to two years	336,750	879,975
Between two to five years	7,507,474	5,829,106
Over five years	609,544	222,994
	8,453,768	6,932,075

(ii) Interest rate risks

The weighted average effective interest rate of total borrowings at the balance sheet date was 4.94% (2009: 3.06%).

(iii) Carrying amounts and fair values

The carrying amounts of borrowings approximated their fair values. The fair values were determined from cash flow analyses, discounted at the borrowing rates which the directors expected to be available to the Group at the balance sheet date.

(iv) Default of loan

The Group's commercial mortgage-backed securities ("CMBS") loans with an initial amount of JPY 7.9 billion defaulted on maturity on 2 November 2009 (the "Loan"). The Loan was originally provided to YK Shintoku in 2005 by Credit Suisse Principal Investments Limited (Tokyo Branch). It was subsequently securitised and transferred to an issuer of CMBS.

The Manager and Asset Manager had commenced the refinancing process of the YK Shintoku Loan since 2008, including appointing a financial adviser to arrange for syndicated loan financing and initiating direct discussions with the holders of the CMBS for possible loan restructuring and extension of loan maturity. Having reviewed all alternatives, there was no commercially viable solution available before the maturity of the YK Shintoku Loan.

The main impact of this maturity default is an increase in the average interest rate from 3.07% to an average default rate of 7.07% per annum. Cash of YK Shintoku amounting to JPY 76,550,334 is also withheld by the lender as at 30 June 2010 arising from the default. The cash which has been included in the deposits with cash management agent in Note 10 will be deployed to repay the loan subsequent to the financial year.

The Manager has been, in conjunction with the asset manager of Saizen REIT, KK Tenyu Asset Management (the "Asset Manager"), working closely together and with the loan servicer of the YK Shintoku Loan to develop a course of action following this maturity default. The Group is currently in negotiations with financial institutions to refinance the YK Shintoku Loan.

During the year, the Asset Manager implemented a divestment program of the YK Shintoku Properties and five YK Shintoku Properties had been divested. Following the partial repayments as a result of partial asset divestments of YK Shintoku, the outstanding loan amount of YK Shintoku Loan as at the balance sheet date is JPY 7.1 billion.

18. Other current liabilities

	Group		Saizen REIT	
	2010	2009	2010	2009
	JPY'000	JPY'000	JPY'000	JPY'000
Accrued interest payable on borrowings	95,200	65,595	-	-
Accrued operating expenses	274,925	282,477	85,598	88,220
Net consumption tax payable	24,339	10,642	-	-
	394,464	358,714	85,598	88,220

For the financial year ended 30 June 2010

Notes to the Financial Statements

19. Deferred income taxes

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown on the balance sheet as follows:

	Group	
	2010	2009
	JPY'000	JPY'000
Deferred income tax liabilities		
- to be settled after one year	-	143,720

Movement in deferred income tax account is as follows:

	Group	
	2010	2009
	JPY'000	JPY'000
Balance at beginning of the financial year	143,720	325,589
Tax credited to - Statement of Total Return (Note 8)	(143,720)	(181,869)
Balance at end of the financial year	-	143,720

The movement in deferred income tax assets and liabilities (prior to offsetting of balances within the same jurisdiction) is as follows:

Deferred income tax liabilities

	Fair value gain on investment properties	Other	Total
	JPY'000	JPY'000	JPY'000
2010			
Balance at beginning of the financial year	57,825	85,895	143,720
Tax credited to - Statement of Total Return	(57,825)	(85,895)	(143,720)
Balance at end of the financial year	-	-	-
2009			
Balance at beginning of the financial year	148,471	177,118	325,589
Tax credited to - Statement of Total Return	(90,646)	(91,223)	(181,869)
Balance at end of the financial year	57,825	85,895	143,720

Notes to the Financial Statements

For the financial year ended 30 June 2010

For the financial year ended 30 June 2010

Notes to the Financial Statements

20. Units in issue

	Saizen REIT No. of units	
	2010	2009
	'000	'000
Units at beginning of the financial year	949,194	451,149
Units created at rights issue	-	497,185
Units created at exercise of warrants	4,009	22
Units created, as settlement of acquisition fee and management fee	-	838
Units at end of the financial year	953,203	949,194

On 4 May 2009, Saizen REIT undertook a renounceable non-underwritten rights issue (the “Rights Units”) in the capital of the Saizen REIT with 497,185,362 free detachable and transferable warrants (“Warrants”), at an issue price of S\$0.09 for each Rights Units with Warrant, on the basis of eleven Rights Units with eleven Warrants for every ten existing units in the capital of the Saizen REIT held by entitled Unitholders as at 6 May 2009, being the books closure date determined by the Saizen REIT for the purposes of determining the entitlements of shareholders to the Rights Units with Warrant.

Pursuant to the Rights Units which closed on 25 May 2009, 497,185,362 Rights Units and 497,185,362 Warrants were allotted and issued on 3 June 2009. Following this and the units issued from exercise of warrants by Unitholders, the total number of issued units of the Saizen REIT has increased to 953,203,055 units (2009: 949,194,055 units) as at 30 June 2010.

Each Warrant carries the right to subscribe for one new unit in the capital of the Saizen REIT (“New Unit”) at an exercise price of S\$0.09 for each New Unit, such warrant to expire on the date immediately preceding the third anniversary of 3 June 2009. The total number of Warrants outstanding as at 30 June 2010 is 493,154,352 (2009: 497,163,362). The maximum number of New Units that may be issued pursuant to the exercise of the Warrants as at year end is 493,154,352 (2009: 497,163,362).

The Rights Units and New Units rank *pari passu* in all respects with the previously issued units, save for any dividends, rights, allotments or other distributions, the record date for which falls before the date of issue of the Rights Units and the relevant exercise date of the Warrants.

Each unit in Saizen REIT represents an undivided interest in Saizen REIT. The rights and interests of Unitholders are contained in the Trust Deed and include the right to:

- receive income and other distributions attributable to the units held;
- participate in the termination of Saizen REIT by receiving a share of all net cash proceeds derived from the realisation of the assets of Saizen REIT less any liabilities, in accordance with their proportionate interests in Saizen REIT. However, a Unitholder does not have the right to require that any assets (or part thereof) of Saizen REIT be transferred to him; and
- attend all Unitholders’ meetings. The Trustee of the Manager may (and the Manager shall at the request in writing of not less than 50 Unitholders or one-tenth in the number of Unitholders, whichever is lesser) at any time convene a meeting of Unitholders in accordance with the provisions of the Trust Deed.

The restrictions of a Unitholder include the following:

- a Unitholder's right is limited to the right to require due administration of Saizen REIT in accordance with the provisions of the Trust Deed; and
- a Unitholder has no right to request to redeem their units while the units are listed on SGX-ST.

A Unitholder's liability is limited to the amount paid or payable for any units in Saizen REIT. The provisions of the Trust Deed provide that no Unitholders will be personally liable to indemnify the Trustee or any creditor of the Trustee in the event that the liabilities of Saizen REIT exceed its assets.

21. Related party transactions

For the purpose of these financial statements, parties are considered to be related to Saizen REIT when Saizen REIT has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where Saizen REIT and the party are subject to common significant influence. Related parties may be individuals or other entities.

In addition to related party transactions disclosed elsewhere in the financial statements, the following transactions took place at terms agreed between the parties as follows:

	Group		Saizen REIT	
	2010	2009	2010	2009
	JPY'000	JPY'000	JPY'000	JPY'000
Manager's management fees paid/payable to the Manager	210,646	234,747	210,646	234,747
Divestment fees paid/payable to the Manager in relation to the disposal of properties by the subsidiaries	2,000	-	2,000	-
Asset management fees	26,691	22,454	-	-
Guarantee fee to asset manager	4,490	-	-	-
Reimbursement of non-deal road show expenses paid on behalf by a related party	260	-	260	-
Trustee's fees	10,180	9,136	10,180	9,136
Commitment fees paid/payable to Directors of the Manager in relation to Rights Issue	-	10,955	-	10,955
	254,267	277,292	223,086	254,838

22. Segment information

The Group's investment properties are primarily used for residential and residential-related purposes and are located in Japan. Therefore, the Manager considers that the Group operates within a single business segment and within a single geographical segment in Japan.

23. Commitments

Operating lease commitments

The operating lease commitments are generally cancellable in nature. In line with the general practice in the Japan residential property market, the majority of the leases for the investment properties are standard two-year leases which the tenants may terminate upon giving one to two months’ notice.

24. Financial risk management

Financial risk factors

The Group's activities expose it to market risk (including currency risk and interest rate risk), credit risk and liquidity risk in the normal course of its business. The Group's overall risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on the Group's financial performance.

The Board of Directors (“BOD”) of the Manager is responsible for setting the objectives and underlying principles of financial risk management for the Group. This is supported by comprehensive internal processes and procedures which are formalised in the Manager's organisational and reporting structure, operating manuals and delegation of authority guidelines, approved by the BOD.

Notes to the Financial Statements

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24. Financial risk management (continued)

(a) Market risk

(i) Currency risk

Currency risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Group's business is not exposed to significant currency risk and its portfolio of properties held by the TK operators is located in Japan and the cash flows from the operations of the properties are denominated in Japanese Yen.

However, Saizen REIT will receive distributions from the TK operators where cash flows at the TK level are denominated in Japanese Yen, before flowing through to Saizen REIT level where cash flows are denominated in Singapore dollars. This exposes the Group to fluctuations in the cross currency rates of the Japanese Yen and Singapore Dollar ("SGD"). Where appropriate, based on the prevailing market conditions, the Group may adopt suitable hedging strategies to minimise any foreign exchange risk.

The Group's and Saizen REIT's main currency exposure based on the information provided to key management is as follows:

	Group			
	SGD	JPY	Others	Total
	JPY'000	JPY'000	JPY'000	JPY'000
<u>At 30 June 2010</u>				
Financial Assets				
Cash and cash equivalents	169,559	2,199,040	311	2,368,910
Deposits with cash management agent	-	1,247,262	-	1,247,262
Trade and other receivables	821	36,900	-	37,721
	170,380	3,483,202	311	3,653,893
Financial Liabilities				
Rental deposits	-	(626,541)	-	(626,541)
Other current liabilities	(10,321)	(380,951)	(3,192)	(394,464)
Derivative financial instruments	(2,189,316)	(84,817)	-	(2,274,133)
Borrowings	-	(16,280,930)	-	(16,280,930)
	(2,199,637)	(17,373,239)	(3,192)	(19,576,068)
Net financial liabilities	(2,029,257)	(13,890,037)	(2,881)	(15,922,175)
Less: Net financial liabilities denominated in the respective entities' functional currencies	-	(13,890,037)	-	(13,890,037)
Currency exposure	(2,029,257)	-	(2,881)	(2,032,138)

For the financial year ended 30 June 2010

Notes to the Financial Statements

24. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

	Group			
	SGD	JPY	Others	Total
	JPY'000	JPY'000	JPY'000	JPY'000
<u>At 30 June 2009</u>				
Financial Assets				
Cash and cash equivalents	84,828	4,985,049	424	5,070,301
Deposits with cash management agent	-	2,300,322	-	2,300,322
Derivative financial instruments	-	36	-	36
Trade and other receivables	5,390	41,001	-	46,391
	90,218	7,326,408	424	7,417,050
Financial Liabilities				
Rental deposits	-	(712,816)	-	(712,816)
Other current liabilities	(18,694)	(333,222)	(6,798)	(358,714)
Derivative financial instruments	(1,797,050)	(72,999)	-	(1,870,049)
Borrowings	-	(21,822,856)	-	(21,822,856)
	(1,815,744)	(22,941,893)	(6,798)	(24,764,435)
Net financial liabilities	(1,725,526)	(15,615,485)	(6,374)	(17,347,385)
Less: Net financial liabilities denominated in the respective entities' functional currencies	-	(15,615,485)	-	(15,615,485)
Currency exposure	(1,725,526)	-	(6,374)	(1,731,900)

The REIT's main currency exposure based on the information provided to key management is as follows:

	Saizen REIT			
	SGD	JPY	Others	Total
	JPY'000	JPY'000	JPY'000	JPY'000
<u>At 30 June 2010</u>				
Financial Assets				
Cash and cash equivalents	169,559	120,346	311	290,216
Trade and other receivables	821	1,555,225	-	1,556,046
	170,380	1,675,571	311	1,846,262
Financial Liabilities				
Derivative liabilities warrants	(2,189,316)	-	-	(2,189,316)
Other current liabilities	(10,321)	(72,085)	(3,192)	(85,598)
	(2,199,637)	(72,085)	(3,192)	(2,274,914)
Net financial (liabilities)/assets	(2,029,257)	1,603,486	(2,881)	(428,652)
Less: Net financial assets denominated in the respective entities' functional currencies	-	(1,603,486)	-	(1,603,486)
Currency exposure	(2,029,257)	-	(2,881)	(2,032,138)

Notes to the Financial Statements

For the financial year ended 30 June 2010

24. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

	Saizen REIT			
	SGD	JPY	Others	Total
	JPY'000	JPY'000	JPY'000	JPY'000
<u>At 30 June 2009</u>				
Financial Assets				
Cash and cash equivalents	84,828	406,788	424	492,040
Trade and other receivables	5,390	1,235,323	-	1,240,713
	90,218	1,642,111	424	1,732,753
Financial Liabilities				
Derivative liabilities warrants	(1,797,050)	-	-	(1,797,050)
Other current liabilities	(18,694)	(62,728)	(6,798)	(88,220)
	(1,815,744)	(62,728)	(6,798)	(1,885,270)
Net financial (liabilities)/assets	(1,725,526)	1,579,383	(6,374)	(152,517)
Less: Net financial assets denominated in the respective entities' functional currencies	-	(1,579,383)	-	(1,579,383)
Currency exposure	(1,725,526)	-	(6,374)	(1,731,900)

If the SGD changes against the JPY by 2% (2009: 2%) with all other variables including tax rate being held constant, the effects arising from the net financial liability/asset position will be as follows:

	Increase/(Decrease)	
	2010	2009
	Statement of Total Return	Statement of Total Return
	JPY'000	JPY'000
<u>Group</u>		
SGD against JPY		
- strengthened	(40,585)	(34,511)
- weakened	40,585	34,511
<u>Saizen REIT</u>		
SGD against JPY		
- strengthened	(40,585)	(34,511)
- weakened	40,585	34,511

For the financial year ended 30 June 2010

Notes to the Financial Statements

24. Financial risk management (continued)

(a) Market risk (continued)

(ii) Cash flow and fair value interest rate risks

Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

The Group has significant interest-bearing borrowings.

The Group's policy is to maintain over 90.0% of its borrowings in fixed rate instruments. The Group's exposure to cash flow interest rate risks arises mainly from floating rate borrowings obtained in the current year. The Group manages the material cash flow interest rate risks using interest rate cap and interest rate swap.

The Group's floating rate borrowings as at 30 June 2010 amounted to JPY 6.5 billion (2009: JPY 6.7 million), of which JPY 442 million (2009: JPY 480 million) and JPY 5.8 billion (2009: JPY5.9 billion) have been hedged by an interest rate cap and interest rate swap respectively (see Note 14). If the interest rates increase/decrease by 0.5% (2009: 0.5%) with all other variables including tax rate being held constant, the total return for the year after income tax will be lower/higher by JPY 33 million (2009: JPY 32 million) as a result of higher/lower interest expenses on these borrowings.

(b) Credit risk

Credit risk is the potential financial loss resulting from the failure of a customer or counterparty to settle its financial and contractual obligations to the Group, as and when they fall due.

The Group does not have significant concentration of credit risk. Trade receivables from tenants are monitored on an ongoing basis. Cash are placed with financial institutions which are regulated.

The credit risk for trade receivables and other receivables based on the information provided to key management is presented in note (ii) below. Other receivables of Saizen REIT are mainly distribution receivable from subsidiaries.

(i) Financial assets that are neither past due nor impaired

Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit ratings assigned by international credit-rating agencies. Trade receivables and other receivables of the Group that are neither past due nor impaired are mainly tenants which rental deposits have been collected from. None of Saizen REIT's financial assets are past due nor impaired. Other receivables of Saizen REIT that are neither past due nor impaired are mainly distribution receivable from the subsidiaries.

(ii) Financial assets that are past due and/or impaired

There is no other class of financial assets that is past due and/or impaired except for trade receivables.

The age analysis of trade receivables past due but not impaired is as follows:

	Group	
	2010	2009
	JPY'000	JPY'000
Past due less than 1 month	6,825	6,785
Past due 1 to 2 months	1,872	1,855
	8,697	8,640

Notes to the Financial Statements

For the financial year ended 30 June 2010

24. Financial risk management (continued)

(b) Credit risk (continued)

(ii) Financial assets that are past due and/or impaired (continued)

The carrying amount of trade receivables individually determined to be impaired and the movement in the related allowance for impairment are as follows:

	Group	
	2010 JPY'000	2009 JPY'000
Gross amount	8,401	6,848
Less: Allowance for impairment	(8,401)	(6,848)
	-	-
Beginning of financial year	6,848	4,658
Allowance made	1,553	2,190
End of financial year	8,401	6,848

Allowance for impairment of receivables is recognised when there is objective evidence that the Group will not be able to collect the amounts due according to original terms of the receivables.

Under the accounting policy, impairment on account receivables is made for rental in arrears for over 60 days.

(c) Liquidity risk

With recurring interest payment obligations and operating expenses, the Group is exposed to liquidity risk. The Group manages this risk by:

- (a) maintaining sufficient cash reserves for interest, tax, insurance, capital expenditure, leasing commissions, and other major operations-related disbursements; and
- (b) preparing budgets and cash flow forecasts, and regular monitoring and matching of assets to liabilities as they become due.

The table below analyses the maturity profile of the Group's and Saizen REIT's financial liabilities based on contractual undiscounted cash flows.

	Less than 1 year JPY'000	Between 1 and 2 years JPY'000	Between 2 and 5 years JPY'000	Over 5 years JPY'000
Group				
At 30 June 2010				
Net-settled interest rate swaps	33,765	33,765	33,765	-
Rental deposits	602,947	-	-	-
Other current liabilities	394,464	-	-	-
Borrowings	8,743,470	664,678	7,991,255	677,829
	9,774,646	698,443	8,025,020	677,829

For the financial year ended 30 June 2010

Notes to the Financial Statements

24. Financial risk management (continued)

(c) Liquidity risk (continued)

	Less than 1 year JPY'000	Between 1 and 2 years JPY'000	Between 2 and 5 years JPY'000	Over 5 years JPY'000
Group				
At 30 June 2009				
Net-settled interest rate swaps	29,072	29,072	7,268	-
Rental deposits	683,341	-	-	-
Other current liabilities	358,714	-	-	-
Borrowings	15,387,900	1,176,512	5,997,760	256,004
	16,459,027	1,205,584	6,005,028	256,004

Saizen REIT

At 30 June 2010

Other current liabilities	85,598	-	-	-
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At 30 June 2009

Other current liabilities	88,220	-	-	-
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(d) Capital risk

The Manager's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise Unitholder value.

Management monitors capital based on aggregate leverage limit. Under the Property Fund Guidelines (issued by the Monetary Authority of Singapore), all Singapore-listed real estate investment trusts ("S-REITs") are given an aggregate leverage limit of 60.0% of its deposited property if a S-REIT has obtained a credit rating from a major credit rating agency.

The aggregate leverage ratio is calculated as total borrowings divided by total assets.

	2010 JPY'000	2009 JPY'000
Total borrowings	16,280,930	21,822,856
Total assets	44,080,815	50,188,150
Aggregate leverage ratio	36.9%	43.5%

Saizen REIT is in compliance with the borrowing limit requirement imposed by the Property Fund Guidelines for the financial year ended 30 June 2010 and 2009.

(e) Fair value measurements

Effective 1 July 2009, the Group adopted the amendment to FRS 107 which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- i) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- ii) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (is as prices) or indirectly (ie derived from prices) (Level 2); and
- iii) inputs for the asset or liability that are not based on observable market (unobservable inputs) (Level 3).

Notes to the Financial Statements

For the financial year ended 30 June 2010

24. Financial risk management (continued)

(e) Fair value measurements (continued)

The following table presents the assets and liabilities measured at fair value at 30 June 2010:

	Level 1 JPY'000	Level 2 JPY'000	Level 3 JPY'000	Total JPY'000
<u>Group</u>				
Liabilities				
Derivative financial liabilities	2,189,316	84,817	-	2,274,133
	<u>2,189,316</u>	<u>84,817</u>	<u>-</u>	<u>2,274,133</u>
<u>Saizen REIT</u>				
Liabilities				
Derivative financial liabilities	2,189,316	-	-	2,189,316
	<u>2,189,316</u>	<u>-</u>	<u>-</u>	<u>2,189,316</u>

25. Financial ratios

	2010	2009
Ratio of expenses to weighted average net assets ¹		
- including performance component of asset management fees	2.04%	1.92%
- excluding performance component of asset management fees	1.93%	1.83%
Portfolio turnover rate ²	<u>-</u>	<u>-</u>

¹ The annualised ratios are computed in accordance with the guidelines of Investment Management Association of Singapore.

The expenses used in the computation relate to expenses of the Group, excluding property expenses, issue expenses, borrowing costs, net foreign exchange differences and income tax expense.

² The annualised ratio is computed based on the lesser of purchases or sales of underlying investment properties of Saizen REIT expressed as a percentage of daily average net asset value in accordance with the formulae stated in the Code on Collective Investment Schemes.

26. Events occurring after balance sheet date

On 21 September 2010, the Manager announced that YK Shintoku has, on 21 September 2010, entered into a conditional sale and purchase agreement for the disposal of Patios Ohashi to an independent private investor for a cash consideration of JPY 79,352,200.

For the financial year ended 30 June 2010

Notes to the Financial Statements

27. List of subsidiaries – TK operators

<u>Name of entities</u>	<u>Principal activities</u>	<u>Country of business/ incorporation</u>	<u>Effective interest</u>	
			2010 %	2009 %
Yugen Kaisha Shingen ^(a)	Special purpose entity –Investment in real estate	Japan	97	97
Yugen Kaisha Shintoku ^(a)	Special purpose entity –Investment in real estate	Japan	97	97
Yugen Kaisha Shinzan ^(a)	Special purpose entity –Investment in real estate	Japan	97	97
Yugen Kaisha JOF ^(a)	Special purpose entity –Investment in real estate	Japan	97	97
Yugen Kaisha Kokkei ^(a)	Special purpose entity –Investment in real estate	Japan	97	97
Yugen Kaisha Keizan ^(a)	Special purpose entity –Investment in real estate	Japan	97	97
Godo Kaisha Choan ^(a)	Special purpose entity –Investment in real estate	Japan	97	97
Godo Kaisha Chosei ^(a)	Special purpose entity –Investment in real estate	Japan	97	97
Godo Kaisha Chogen ^(a)	Special purpose entity –Investment in real estate	Japan	97	97

(a) Audited by PricewaterhouseCoopers, Hong Kong.

These special purpose entities have been consolidated in the financial statements in accordance with Interpretations of Financial Reporting Standards 12: Consolidation – Special Purpose Entities, as the Group primarily bears the risks and enjoys the benefits of the investments held by these special purpose entities.

28. New or revised accounting standards and interpretations

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 July 2011 or later periods and which the Group has not early adopted:

- Amendments to FRS 24 – Related party disclosures (effective for annual periods beginning on or after 1 January 2011)
- INT FRS 119 – Extinguishing financial liabilities with equity instruments (effective for annual periods commencing on or after 1 July 2010)
- Amendments to FRS 32 – Financial Instruments: Presentation – Classification of rights issues (effective for annual periods beginning on or after 1 February 2010)

The management anticipates that the adoption of the above FRSs, INT FRSs and amendments to FRS in the future periods will not have a material impact on the financial statements of the Group in the period of their initial adoption.

29. Authorisation of financial statements

These financial statements were authorised for issue by the Manager and the Trustee on 22 September 2010.

Statistics of Unitholdings and Warrant-holdings

as at 14 September 2010

UNITHOLDINGS

As at 14 September 2010, Saizen REIT had 1,109,474,364 Units in issue.

Distribution of Unitholdings

Size of Unitholdings	No. of Unitholders	%	No. of Units	%
1 – 999	22	0.36	2,770	0.00
1,000 – 10,000	4,188	68.21	20,626,641	1.86
10,001 – 1,000,000	1,886	30.72	113,250,739	10.21
Above 1,000,000	44	0.71	975,594,214	87.93
TOTAL:	6,140	100.00	1,109,474,364	100.00

Based on the information available to the Manager as at 14 September 2010, approximately 78.1% of the number of Units in issue was held by the public. Hence, the Manager has complied with Rule 723 of the Listing Manual which requires at least 10% of the total number of issued Units to be at all times held by the public.

20 Largest Unitholders

No.	Name	No. of Units	%
1.	HSBC (Singapore) Nominees Pte Ltd	434,187,679	39.13
2.	Citibank Nominees Singapore Pte Ltd	91,928,768	8.29
3.	Raffles Nominees Pte Ltd	76,919,314	6.93
4.	UOB Kay Hian Pte Ltd	55,733,693	5.02
5.	DBS Nominees Pte Ltd	55,709,520	5.02
6.	Bank of Singapore Nominees Pte Ltd	43,222,700	3.90
7.	Morgan Stanley Asia (Singapore) Securities Pte Ltd	36,828,100	3.32
8.	BNP Paribas Nominees Singapore Pte Ltd	28,062,317	2.53
9.	Phillip Securities Pte Ltd	21,948,340	1.98
10.	Kim Eng Securities Pte Ltd	16,897,871	1.52
11.	DBS Vickers Securities (S) Pte Ltd	15,782,167	1.42
12.	DBSN Services Pte Ltd	15,507,093	1.40
13.	Wong Yip Chong (Pte) Ltd	7,870,000	0.71
14.	United Overseas Bank Nominees Pte Ltd	6,087,244	0.55
15.	Merrill Lynch (Singapore) Pte Ltd	5,084,165	0.46
16.	WYGIL Holdings Pte Ltd	4,994,000	0.45
17.	HL Bank Nominees (S) Pte Ltd	4,100,000	0.37
18.	OCBC Securities Private Ltd	4,082,000	0.37
19.	Lee Li-Lian Gillian (Li Lilian Gillian)	4,000,000	0.36
20.	Koh Yau Hwee Alvin (Gao Yaohui Alvin)	3,722,000	0.34
Total		932,666,971	84.07

Statistics of Unitholdings and Warrant-holdings

as at 14 September 2010

List of Substantial Unitholders

Name	No. of Units (Deemed Interest)	%
ASM Hudson River Fund (“ASMHRF”) ⁽¹⁾	44,472,387 ⁽²⁾	4.01
ASM Asia Recovery (Master) Fund (“ASMARMF”) ⁽¹⁾	130,576,525 ⁽³⁾	11.77
ASM Asia Recovery Fund (“ASMARF”) ⁽¹⁾	130,576,525 ⁽⁴⁾	11.77
Argyle Street Management Ltd (“ASML”) ⁽¹⁾	175,048,912 ⁽⁵⁾	15.78
Argyle Street Management Holdings Ltd (“ASMHL”) ⁽¹⁾	175,048,912 ⁽⁶⁾	15.78
Mr Yeh V-Nee	209,572,352 ⁽⁷⁾	18.89
Mr Chan Kin	177,469,217 ⁽⁸⁾	16.00

Notes:

- ASMHRF, ASMARMF, ASMARF, ASML and ASMHL, collectively, is defined as the “ASM Group”.
- ASMHRF is deemed to be interested in the 44,472,387 Units held by a nominee for ASMHRF.
- ASMARMF is deemed to be interested in the 130,576,525 Units held by a nominee for ASMARMF.
- ASMARF is the beneficial holder of more than 50% of the issued share capital of ASMARMF. Pursuant to the Companies Act, ASMARF is deemed to be interested in the underlying Units held directly or indirectly by ASMARMF.
- ASML is the beneficial holder of more than 20% of the voting shares of ASMHRF and ASMARF. ASMARF is the beneficial holder of more than 50% of the issued share capital of ASMARMF. Accordingly, pursuant to the Companies Act, ASML is deemed to be interested in the underlying Units held directly or indirectly by ASMHRF, ASMARF and ASMARMF.
- ASMHL is the beneficial holder of more than 50% of the voting shares of ASML. Pursuant to the Companies Act, ASMHL is deemed to be interested in the 175,048,912 Units which ASML is deemed to be interested in. See note 5 above.
- Mr Yeh V-Nee is the beneficial holder of more than 20% of the issued share capital of ASMHL. Pursuant to the Companies Act, Mr Yeh is deemed to be interested in the 175,048,912 Units which ASMHL is deemed to be interested in. See note 6 above. Mr Yeh is also deemed to be interested in 18,222,496 Units held by a company in which Mr Yeh is considered to be the beneficial holder of more than 20% of its issued share capital and 16,300,944 Units held by a nominee for Mr Yeh.
- Mr Chan Kin is the beneficial holder of more than 20% of the issued share capital of ASMHL. Pursuant to the Companies Act, Mr Chan is deemed to be interested in the 175,048,912 Units which ASMHL is deemed to be interested in. See note 6 above. Mr Chan is also deemed to be interested in 2,420,305 Units held by his wife Ms Seow Shu Ping, Jo-Ann.

Statistics of Unitholdings and Warrant-holdings

as at 14 September 2010

Interests of directors of the Manager in Units (as at 21 July 2010)

Name	No. of Units (Direct interest)	No. of Units (Deemed interest)	%
Arnold Ip Tin Chee	-	6,574,549 ⁽¹⁾	0.69
Chang Sean Pey	1,358,000	-	0.14
Raymond Wong Kin Jeon	-	13,144,415	1.38
Soh Yew Hock	-	-	-
Dennis Lam Siu Sun	-	394,800	0.04
Harold Sun Dai Hoe	-	-	-

Notes:

^{1.} Among the 6,574,549 Units, Mr Ip is deemed to be interested in the 3,788,855 Units held by the Manager as he is indirectly entitled to control the exercise of not less than 20% of the voting shares in the Manager.

^{2.} Mr Chan Kin and Ms Li Yick Yee Angie were only appointed as Non-Executive Directors on 1 September 2010, and therefore, their interests in Units were not reflected in the table above.

WARRANT-HOLDINGS

As at 14 September 2010, Saizen REIT had 336,883,053 Warrants outstanding.

Distribution of Warrant-holdings

Size of Warrant-holdings	No. of Warrant holders	%	No. of Warrants	%
1 – 999	47	1.62	19,427	0.01
1,000 – 10,000	2,108	72.59	9,720,708	2.88
10,001 – 1,000,000	725	24.97	49,958,311	14.83
Above 1,000,000	24	0.83	277,184,607	82.28
TOTAL:	2,904	100.00⁽¹⁾	336,883,053	100.00

Notes:

^{1.} The figure does not add up to 100% due to rounding.

Based on the information available to the Manager as at 14 September 2010, there are 2,904 Warrant holders. Hence, the Manager has complied with Rule 826 of the Listing Manual which requires at least 100 Warrant holders.

Statistics of Unitholdings and Warrant-holdings

as at 14 September 2010

20 Largest Warrant holders

No.	Name	No. of Warrants	%
1.	HSBC (Singapore) Nominees Pte Ltd	79,750,835	23.67
2.	Citibank Nominees Singapore Pte Ltd	43,118,116	12.80
3.	Raffles Nominees Pte Ltd	28,003,437	8.31
4.	DBS Nominees Pte Ltd	18,330,755	5.44
5.	Morgan Stanley Asia (Singapore) Securities Pte Ltd	18,108,293	5.38
6.	UOB Kay Hian Pte Ltd	15,031,299	4.46
7.	BNP Paribas Nominees Singapore Pte Ltd	12,210,236	3.62
8.	Phillip Securities Pte Ltd	8,271,961	2.46
9.	DBSN Services Pte Ltd	7,843,826	2.33
10.	DBS Vickers Securities (S) Pte Ltd	7,076,554	2.10
11.	Kim Eng Securities Pte Ltd	6,687,000	1.98
12.	Lim & Tan Securities Pte Ltd	6,000,000	1.78
13.	Wong Yip Chong (Pte) Ltd	5,562,000	1.65
14.	WYGIL Holdings Pte Ltd	2,700,000	0.80
15.	Seah Sok Hong	2,600,000	0.77
16.	Cobin Ng Yong Ting	2,539,000	0.75
17.	Tan Yung Tjien	2,450,000	0.73
18.	Lee Puay Koon	2,100,000	0.62
19.	OCBC Securities Private Ltd	2,087,000	0.62
20.	Chan Wang Kin	1,549,000	0.46
Total		272,019,312	80.73

List of Substantial Warrant holders

There are no Substantial Warrant holders.

Interests of directors of the Manager (as at 21 July 2010)

Name	No. of Warrants (Deemed interest)	%
Arnold Ip Tin Chee	5,770,390	0.61
Chang Sean Pey	842,000	0.09
Raymond Wong Kin Jeon	6,228,975	0.65
Soh Yew Hock	-	-
Dennis Lam Siu Sun	206,800	0.02
Harold Sun Dai Hoe	-	-

Notes:

Mr Chan Kin and Ms Li Yick Yee Angie were only appointed as Non-Executive Directors on 1 September 2010, and therefore, their interests in Warrants were not reflected in the table above.

Additional Information

Notice of Annual General Meeting

Related Party Transactions

Transactions entered into with related parties during the financial year ended 30 June 2010 pursuant to the Listing Manual of the SGX-ST and the Code of CIS are listed below:

Name of related parties	Aggregate value of all related party transactions (excluding transactions less than S\$100,000)	
Japan Residential Assets Manager Limited - Management fee paid	(JPY'000)	210,646
	(S\$'000) ¹	3,236
HSBC Institutional Trust Services (Singapore) Limited - Trustee fees	(JPY'000)	10,180
	(S\$'000) ¹	156
KK Tenyu Asset Management - Asset management fee	(JPY'000)	26,691
	(S\$'000) ¹	410

Please also refer to note 21 "Related party transactions" in the "Notes to the Financial Statements" section of this report.

Save as disclosed above, there was no additional related party transactions (excluding transactions of less than S\$100,000).

Non-deal roadshow expenses of S\$3,988¹ (JPY 259,646) were incurred during FY2010.

Note:

¹ Based on S\$/JPY average exchange rate of 65.1 between 1 July 2009 and 30 June 2010.

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("AGM") of the unitholders of Saizen Real Estate Investment Trust ("Saizen REIT") will be held at InterContinental Singapore, Level 2, Ballroom 1, 80 Middle Road, Singapore 188966 on 19 October 2010 at 10.30a.m. to transact the following business:

(A) AS ORDINARY BUSINESS

1. To receive and adopt the Report of HSBC Institutional Trust Services (Singapore) Limited, as trustee of Saizen REIT (the "Trustee"), the Statement by Japan Residential Assets Manager Limited, as manager of Saizen REIT (the "Manager"), and the Audited Financial Statements of Saizen REIT for the financial year ended 30 June 2010 and the Independent Auditors' Report thereon.

(Ordinary Resolution 1)

2. To re-appoint Messrs PricewaterhouseCoopers LLP as the Independent Auditors of Saizen REIT and to hold office until the conclusion of the next AGM of Saizen REIT, and to authorise the Manager, to fix their remuneration.

(Ordinary Resolution 2)

(B) AS SPECIAL BUSINESS

To consider and, if thought fit, to pass with or without any modifications, the following resolutions as Ordinary Resolutions:

3. That authority be and is hereby given to the Manager, to:
 - (a) (i) issue units in Saizen REIT ("Units") whether by way of rights, bonus or otherwise; and/or
 - (ii) make or grant offers, agreements or options that might or would require Units to be issued, including but not limited to the creation and issue of (as well as adjustments to) securities, warrants, options, debentures or other instruments convertible into Units (collectively, "Instruments"),

at any time and upon such terms and conditions and for such purposes and to such persons as the Manager may in its absolute discretion deem fit; and

- (b) issue Units in pursuance of any Instrument made or granted by the Manager while this Resolution was in force (notwithstanding that the authority conferred by this Resolution may have ceased to be in force at the time such Units are issued),

provided that:

- (1) the aggregate number of Units to be issued pursuant to this Resolution (including Units to be issued in pursuance of Instruments made or granted pursuant to this Resolution and any adjustment effected under any relevant Instrument):
 - (a) (until 31 December 2010 or such later date as may be determined by Singapore Exchange Securities Trading Limited (the "SGX-ST")) by way of renounceable rights issues on a pro rata basis to holders of Units ("Unitholders") (such renounceable rights issues as authorised by this sub-paragraph (1)(a), "100% Renounceable Rights Issues") shall not exceed one hundred per cent. (100%) of the total number of issued Units (excluding treasury Units, if any) (as calculated in accordance with sub-paragraph (3) below); and
 - (b) by way of unit issues other than 100% Renounceable Rights Issues ("Other Unit Issues") shall not exceed fifty per cent. (50%) of the total number of issued Units (excluding treasury Units, if any) (as calculated in accordance with sub-paragraph (3) below), of which the aggregate number of Units to be issued other than on a pro rata basis to Unitholders shall not exceed twenty per cent. (20%) of the total number of issued Units (excluding treasury Units, if any) (as calculated in accordance with sub-paragraph (3) below);
- (2) the Units to be issued under the 100% Renounceable Rights Issues and Other Unit Issues shall not, in aggregate, exceed one hundred per cent. (100%) of the total number of issued Units (excluding treasury Units, if any) (as calculated in accordance with sub-paragraph (3) below);
- (3) subject to such manner of calculation as may be prescribed by the SGX-ST for the purpose of determining the aggregate number of Units that may be issued under sub-paragraphs (1) and (2) above, the total number of issued Units (excluding treasury Units, if any) shall be based on the number of issued Units (excluding treasury Units, if any) at the time this Resolution is passed, after adjusting for:
 - (a) any new Units arising from the conversion or exercise of any Instruments which are outstanding or subsisting at the time this Resolution is passed; and
 - (b) any subsequent bonus issue, consolidation or subdivision of Units;

Notice of Annual General Meeting

(B) AS SPECIAL BUSINESS (continued)

- (4) in exercising the authority conferred by this Resolution, the Manager shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the trust deed constituting Saizen REIT (as amended, varied or supplemented from time to time) (the “Trust Deed”) for the time being in force (unless otherwise exempted or waived by the Monetary Authority of Singapore);
- (5) unless revoked or varied by the Unitholders in a general meeting, the authority conferred by this Resolution shall continue in force until (i) the conclusion of the next AGM of Saizen REIT or (ii) the date by which the next AGM of Saizen REIT is required by the applicable laws or regulations to be held, whichever is earlier;
- (6) where the terms of the issue of the Instruments provide for adjustment to the number of Instruments or Units into which the Instruments may be converted, in the event of rights, bonus or other capitalisation issues or any other events, the Manager is authorised to issue additional Instruments or Units pursuant to such adjustment notwithstanding that the authority conferred by this Resolution may have ceased to be in force at the time the Instruments or Units are issued; and
- (7) the Manager and the Trustee be and are hereby severally authorised to complete and do all such acts and things (including without limitation, executing all such documents as may be required) as the Manager or, as the case may be, the Trustee may consider necessary, expedient, incidental or in the interest of Saizen REIT to give effect to the authority conferred by this Resolution as well as the transactions contemplated and/or authorised by this Resolution.

(Please see Explanatory Notes)

(Ordinary Resolution 3)

- 4. That, contingent on the passing of Resolution 3 above, authority be and is hereby given to the Manager to fix the issue price for new Units that may be issued by way of placement pursuant to the twenty per cent. (20%) sub-limit for Other Unit Issues on a non pro rata basis referred to in Resolution 3 above, at a discount exceeding ten per cent. (10%) but not more than twenty per cent. (20%) of the issue price as determined in accordance with the Listing Manual of the SGX-ST, until 31 December 2010 or such later date as may be determined by the SGX-ST.

(Please see Explanatory Notes)

(Ordinary Resolution 4)

(C) AS OTHER BUSINESS

- 5. To transact such other business as may be transacted at an AGM.

By Order of the Board

Japan Residential Assets Manager Limited

(Company Registration No. 200712125H)

As manager of Saizen Real Estate Investment Trust



Chang Sean Pey (Mr.)

Co-Chief Executive Officer

30 September 2010

Notice of Annual General Meeting

Explanatory notes:

1. Ordinary Resolution 3

The Ordinary Resolution 3 above, if passed, will empower the Manager from the date of the AGM until (i) the conclusion of the next AGM of Saizen REIT or (ii) the date by which the next AGM of Saizen REIT is required by the applicable laws or regulations to be held, whichever is earlier, to issue Units and to make or grant Instruments up to a number not exceeding (a) 100% of the total number of issued Units (excluding treasury Units, if any) for 100% Renounceable Rights Issues and (b) 50% of the total number of issued Units (excluding treasury Units, if any) for Other Unit Issues of which up to 20% may be issued other than on a pro rata basis to Unitholders, provided that the total number of Units which may be issued pursuant to (a) and (b) shall not exceed 100% of the total number of issued Units (excluding treasury Units, if any).

The Ordinary Resolution 3 above, if passed, will empower the Manager from the date of this AGM until (i) the date of the next AGM of Saizen REIT or (ii) the date by which the next AGM of Saizen REIT is required by the applicable laws or regulations to be held, whichever is earlier, to issue Units as either full or partial payment of fees which the Manager is entitled to receive for its own account pursuant to the Trust Deed.

For determining the aggregate number of Units that may be issued, the percentage of issued Units will be calculated based on the total number of issued Units at the time the Ordinary Resolution 3 above is passed, after adjusting for new Units arising from the conversion or exercise of any Instruments which are outstanding or subsisting at the time this Resolution is passed and any subsequent bonus issue, consolidation or subdivision of Units.

The authority for the issue of up to 100% of the total number of issued Units (excluding treasury Units, if any) under a 100% Renounceable Rights Issue is sought pursuant to the SGX news release of 19 February 2009 which introduced certain measures to accelerate and facilitate listed issuers’ fund raising efforts (the “SGX News Release”), which permits the authority for 100% Renounceable Rights Issue to be effective until 31 December 2010. The effectiveness of this measure will be reviewed by the SGX-ST at the end of the period.

Fund raising by issuance of new Units may be required in instances of property acquisitions or debt repayments. In any event, if the approval of Unitholders is required under the Listing Manual of the SGX-ST, the Trust Deed or any applicable laws and regulations in such instances, the Manager will then obtain the approval of Unitholders accordingly.

2. Ordinary Resolution 4

The Ordinary Resolution 4 above, if passed, will authorise the Manager to fix the issue price for new Units that may be issued by way of placement pursuant to the 20% sub-limit for Other Unit Issues on a non pro rata basis referred to in Ordinary Resolution 3 above at a discount exceeding 10% but not more than 20% of the issue price as determined in accordance with the Listing Manual of the SGX-ST (the “Reference Price”), being the weighted average price for trades done on the SGX-ST for the full SGX-ST market day on which the placement or subscription agreement is signed. If trading in the Units is not available for a full SGX-ST market day, the weighted average price must be based on the trades done on the preceding SGX-ST market day up to the time the placement or subscription agreement is signed. The authority for this Resolution is sought pursuant to the SGX News Release, which permits this authority to be effective until 31 December 2010. The effectiveness of this measure will be reviewed by the SGX-ST at the end of the period.

Without Ordinary Resolution 4, under the Listing Manual of the SGX-ST, the Manager may only fix the issue price for Units that are issued by way of placement on a non pro rata basis pursuant to Other Unit Issues referred to in Ordinary Resolution 3 above at a discount not exceeding 10% of the Reference Price.

Notes:

- ¹ A Unitholder entitled to attend and vote at the AGM is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a Unitholder. A body corporate which is a Unitholder may also appoint by resolution of its directors or other governing body, such person as it thinks fit to act as its authorised representative in accordance with its articles of association and section 179 of the Companies Act, Chapter 50 of Singapore.
- ² Where a Unitholder appoints more than one proxy, the appointments shall be invalid unless he/she specifies the proportion of his/her unitholding (expressed as a percentage of the whole) to be represented by each proxy.
- ³ The instrument appointing a proxy must be lodged at the Manager’s registered office at 3 Anson Road, #34-01 Springleaf Tower, Singapore 079909 not later than 17 October 2010 at 10.30a.m., being 48 hours before the time fixed for the AGM.

SAIZEN REAL ESTATE INVESTMENT TRUST

(a real estate investment trust constituted under the laws of the Republic of Singapore pursuant to a trust deed dated 27 September 2007 (as amended))

PROXY FORM

ANNUAL GENERAL MEETING

*I/We of _____ of
(Name and identification number)

(Address)

being a unitholder/unitholders of Saizen Real Estate Investment Trust (“Saizen REIT”) hereby appoint(s):

Name	Address	NRIC/ Passport Number	Proportion of Unitholding (%)	
			No. of Units	%

and/or (delete as appropriate)

Name	Address	NRIC/ Passport Number	Proportion of Unitholding (%)	
			No. of Units	%

or, both of whom failing, the Chairman of the Annual General Meeting of Saizen REIT (“Annual General Meeting”) as *my/our proxy/proxies to vote for *me/us on *my/our behalf and, if necessary, to demand a poll at the Annual General Meeting to be convened on 19 October 2010 at 10.30a.m. at InterContinental Singapore, Level 2, Ballroom 1, 80 Middle Road, Singapore 188966 and at any adjournment thereof. *I/We direct *my/our proxy/ proxies to vote for or against the resolutions to be proposed at the Annual General Meeting as indicated hereunder. If no specific direction as to voting is given, the *proxy/proxies will vote or abstain from voting at *his/her/their discretion, as *he/she/they will on any other matter arising at the Annual General Meeting.

No.	Ordinary Resolutions	To be used on a show of hands		To be used in the event of a poll	
		For **	Against **	No. of votes for ***	No. of votes against ***
Ordinary business					
1.	To receive and adopt the Report of the Trustee, the Statement by the Manager, and the Audited Financial Statements of Saizen REIT for the year ended 30 June 2010 and the Independent Auditors' Report thereon				
2.	To re-appoint PricewaterhouseCoopers LLP as Independent Auditors and authorise the Manager to fix the Independent Auditors' remuneration				
Special business					
3.	To authorise the Manager to issue Units and to make or grant convertible instruments				
4.	To authorise the Manager to fix the issue price per Unit that may be issued by way of a placement at a discount exceeding 10% but not more than 20%.				
Other business					
5.	To transact such other business as may be transacted at an annual general meeting				

* Delete where inapplicable
** Please indicate your vote “For” or “Against” with a tick (√) within the box provided.
*** If you wish to exercise all your votes “For” or “Against”, please tick (√) within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this _____ day of _____ 2010

Signature(s) of Unitholder(s) / and, Common Seal of Corporate Unitholder

IMPORTANT

1.

For investors who have used their CPF money to buy Units in Saizen Real Estate Investment Trust, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.

2.

This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

3.

CPF investors who wish to attend the Annual General Meeting as observers must submit their requests through their CPF Approved Nominees in accordance with their instructions within the timeframe specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

4.

PLEASE READ THE NOTES TO THE PROXY FORM.

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IMPORTANT: PLEASE READ NOTES TO PROXY FORM BELOW

Notes to Proxy Form:

1. A Unitholder entitled to attend and vote at a meeting of Saizen REIT is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a Unitholder.
2. Where a Unitholder appoints two proxies, he/she should specify the proportion of his/her Unitholding (expressed as a percentage of the whole) to be represented by each proxy and if no percentage is specified, the first named proxy shall be treated as representing 100% of the Unitholding and the second named proxy shall be deemed to be an alternate to the first named.
3. Please insert the total number of Units you hold. If you have Units entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Units. If you have Units registered in your name in the Register of Unitholders, you should insert that number of Units. If you have Units entered against your name in the Depository Register and Units registered in your name in the register of Unitholders, you should insert the aggregate number of Units entered against your name in the Depository Register and registered in your name in the Register of Unitholders. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Units in Saizen REIT held by you.
4. The instrument appointing a proxy or proxies must be lodged at the Manager's office at 3 Anson Road, #34-01 Springleaf Tower, Singapore 079909, not less than 48 hours before the time set for the Annual General Meeting.
5. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
6. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the power of attorney or a duly certified copy thereof must (failing previous registration with the Manager) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
7. The Manager shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Units entered in the Depository Register, the Manager may reject any instrument appointing a proxy or proxies lodged if the Unitholder, being the appointor, is not shown to have Units entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Manager.
8. All Unitholders will be bound by the outcome of the Annual General Meeting regardless of whether they have attended or voted at the Annual General Meeting.
9. At any meeting, a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded by the Chairman or by five or more Unitholders present in person or by proxy, or holding or representing one-tenth in value of the Units represented at the meeting. Unless a poll is so demanded, a declaration by the Chairman that such a resolution has been carried or carried unanimously or by a particular majority or lost shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.
10. On a show of hands, every Unitholder who (being an individual) is present in person or by proxy or (being a corporation) is present by one of its officers as its proxy shall have one vote. On a poll, every Unitholder who is present in person or by proxy shall have one vote for every Unit of which he/she is the Unitholder. A person entitled to more than one vote need not use all his/her votes or cast them the same way.

Corporate Information

Saizen REIT

Website: www.saizenreit.com.sg
Email: info@saizenreit.com.sg

Manager

Japan Residential Assets Manager Limited
3 Anson Road #34-01
Springleaf Tower
Singapore 079909
Tel: +65 6327-8163
Fax: +65 6327-8092

Trustee

HSBC Institutional Trust Services
(Singapore) Limited
21 Collyer Quay #14-01
HSBC Building
Singapore 049320
Tel: +65 6534-1900
Fax: +65 6534-5526

Unit Registrar and Unit Transfer Office

Boardroom Corporate & Advisory Services
Pte. Ltd
50 Raffles Place #32-01
Singapore Land Tower
Singapore 048623

Independent Auditor

PricewaterhouseCoopers
Certified Public Accountants
8 Cross Street #17-00
PWC Building
Singapore 048424

Audit Partner-in-charge:
Mr Choo Eng Beng
Date of appointment: Since the financial
period ended 30 June 2008

Independent Tax Advisers

Japan
KPMG Tax Corporation
Izumi Garden Tower
1-6-1, Roppongi, Minato-ku
Tokyo 106-6012, Japan

Board of Directors

Mr Arnold Ip Tin Chee (Chairman)
Mr Chang Sean Pey (Co-CEO)
Mr Raymond Wong Kin Jeon
Mr Soh Yew Hock
Mr Dennis Lam Siu Sun
Mr Harold Sun Dai Hoe
Mr Chan Kin
Ms Li Yick Yee Angie

Audit Committee

Mr Soh Yew Hock (Chairman)
Mr Dennis Lam Siu Sun
Mr Harold Sun Dai Hoe

Corporate Announcement Committee

Mr Arnold Ip Tin Chee (Chairman)
Mr Chang Sean Pey
Mr Raymond Wong Kin Jeon

**Joint Company Secretaries
of The Manager**

Ms Wee Bee Suat Joyce
Mr Desmond Lee Heng Choong

Independent Valuers

Advance Appraisers Co., Ltd
Pearl Forest., 2F, 3-18-3,
Taishido, Setagaya-ku, Tokyo
154-0004 Japan

KK Asset Research
601, Kinoshita Building, 17-3
Shibuya 1-chome, Shibuya-ku,
Tokyo Japan

KK Sakura Business Partners
Shinnihon Bldg., 5F, 2-4-22,
Chuo-ku, Daimyou, Chuo-ku
Fukuoka 810-0041, Japan

KK Soken
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1-13-2, Tenjin, Chuo-ku,
Fukuoka,
810-0001, Japan

Prime Appraisal Institute Co, Ltd
7F Nisitetsu Akasaka Building,
2-4-30, Daimyo, Chuo-ku, Fukuoka-shi,
810-0041, Japan

Real Estate Appraisal Aota Jimusho
7F Sendai Bank Building,
2-1-1 Ichibancho, Aoba-ku,
Sendai, Miyagi, Japan

Real Value Inc.
21-16 Kamitoda 1-chome,
Toda-city, Saitama,
335-0022 Japan

Rich Appraisal Institute Co., Ltd
7F Homest Kibako Ginza Building,
1-19-14 Ginza, Chuo-ku,
Tokyo, 104-0061, Japan

Success Solution Inc
Okano Bldg., 2F, 5-45-5,
Higashi-Ikebukuro, Toshima-ku,
Tokyo 170-0013 Japan

Manager of



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