

## Saizen Real Estate Investment Trust

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

### Announcement in relation to the Unaudited Quarterly and Full Year Financial Statements for the Period and Year Ended 30 June 2009

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In relation to the initial public offering of Saizen REIT ("IPO"), the financial adviser and issue manager is Morgan Stanley Asia (Singapore) Pte.. The joint bookrunners and underwriters are Morgan Stanley Asia (Singapore) Pte., Morgan Stanley & Co. International plc and Credit Suisse (Singapore) Limited.

## **INTRODUCTION**

The financial year-end of Saizen Real Estate Investment Trust (“**Saizen REIT**”) is 30 June.

### **Key financial information**

	<b>FY2009</b>	<b>FY2008</b>
<b>Net asset value per Unit as at 30 June 2009 / 2008 (JPY)</b>	<b>26.05<sup>1</sup></b>	<b>67.97<sup>2</sup></b>
<b>(S\$)</b>	<b>0.40<sup>1</sup></b>	<b>0.87<sup>2</sup></b>
<b>Distribution per Unit (S\$)</b>	<b>NA<sup>3</sup></b>	<b>0.0467</b>
<b>Closing market price per Unit on 26 August 2009 (S\$)</b>	<b>0.17</b>	<b>0.505</b>
<b>Distribution yield based on closing market price of Unit</b>	<b>NA<sup>3</sup></b>	<b>9.2%</b>
<b>Discount of closing market price to net asset value per Unit</b>	<b>57.5%</b>	<b>42.0%</b>
<b>Annualised net property income yield<sup>4</sup></b>	<b>6.6%</b>	<b>6.0%</b>
<b>Interest cover ratio<sup>5</sup></b>	<b>4.1 times</b>	<b>3.7 times</b>
<b>Impairment of account receivable as % of gross revenue</b>	<b>0.051%</b>	<b>0.045%</b>
<b>Gearing – net borrowings<sup>6</sup>/value of investment properties</b>	<b>41.1%</b>	<b>36.5%</b>
<b>Gearing – total borrowings / total assets</b>	<b>43.5%</b>	<b>43.1%</b>
<b>Net cash as at 30 June</b>	<b>JPY 4.2 billion</b>	<b>JPY 6.9 billion</b>
<b>Borrowings due within next 12 months from date hereof</b>	<b>JPY 14.9 billion</b>	<b>JPY 5.3 billion</b>
<b>Value of investment properties as at 30 June</b>	<b>JPY 42.7 billion</b>	<b>JPY 49.1 billion</b>
<b>Net depreciation in the value of investment properties</b>	<b>JPY 6.4 billion</b>	<b>JPY 4.7 billion</b>
<b>Occupancy rate (by revenue) as at 30 June</b>	<b>91.6%</b>	<b>91.4%<sup>7</sup></b>

#### **Notes:**

1. Based on 949,194,055 Units in issue as at 30 June 2009. Net asset value per Unit is diluted following the Rights Issue where 497,185,362 rights Units were issued at S\$0.09 per Unit. Based on S\$ / JPY exchange rate of 65.7 as at 30 June 2009, which is applied throughout this announcement unless stated otherwise
2. Based on 451,149,067 Units in issue as at 30 June 2008 and S\$ / JPY exchange rate of 77.9 as at 30 June 2008
3. NA denotes not applicable
4. Net property income of 4Q divide by value of investment properties as at 30 June
5. Net property income of 4Q divide by sum of interest expenses and realised loss on interest rate swap of 4Q
6. Net borrowings being total borrowings less Net Cash (cash at bank plus deposit with cash management agent less rental deposits and other current liabilities)
7. Excluding Quest Tower Noboricho which was brand new and vacant when acquired on 31 May 2008 and was being leased up.

## Summary of results

The following is a summary of Saizen REIT's operating performance for the fourth quarters ended 30 June 2009 ("4Q FY2009") and 30 June 2008 ("4Q FY2008"), and for the financial year ended 30 June 2009 ("FY2009") and 30 June 2008 ("FY2008").

### Returns and distributions

	4Q FY2009 <sup>1</sup>	4Q FY2008 <sup>2</sup>	FY2009 <sup>3</sup>	FY2008 <sup>4</sup>	Increase/ (Decrease) %
<b>Gross revenue</b> (JPY'000) (S\$'000)	1,067,298 16,122 <sup>5</sup>	1,053,230 13,768 <sup>6</sup>	4,268,751 63,241 <sup>7</sup>	3,578,346 46,654 <sup>8</sup>	19.3
<b>Net property income</b> (JPY'000) (S\$'000)	708,602 10,704 <sup>5</sup>	732,244 9,572 <sup>6</sup>	2,913,684 43,166 <sup>7</sup>	2,486,708 32,421 <sup>8</sup>	17.2
<b>Net income from operations</b> (JPY'000) (S\$'000)	164,861 2,490 <sup>5</sup>	683,735 8,938 <sup>6</sup>	992,442 14,703 <sup>7</sup>	62,256 812 <sup>8</sup>	>100.0
<b>Total return after income tax</b> (JPY'000) (S\$'000)	(183,160) (2,767) <sup>5</sup>	(4,388,416) (57,365) <sup>6</sup>	(4,806,386) (71,206) <sup>7</sup>	(3,733,813) (48,681) <sup>8</sup>	28.7
<b>Distributable income</b> (JPY'000) (S\$'000)	NA <sup>11</sup>	NA <sup>11</sup>	1,374,984 20,370 <sup>7</sup>	1,697,165 22,127 <sup>8</sup>	(19.0)
<b>Distribution</b> (JPY'000) (S\$'000)	NA <sup>11</sup>	NA <sup>11</sup>	NA <sup>11</sup>	1,611,790 21,108 <sup>9</sup>	NM <sup>10</sup>
<b>Distribution per Unit</b> S\$ (cents)	NA <sup>11</sup>	NA <sup>11</sup>	NA <sup>11</sup>	4.67	NM <sup>10</sup>

#### Notes:

1. There were 166 properties at the start and end of 4Q FY2009
2. There were 164 and 166 properties respectively at the start and end of 4Q FY2008
3. There were 166 properties at the start and end of FY2009
4. There were 101 and 166 properties respectively at the start and end of FY2008
5. Based on S\$/JPY average exchange rate of 66.2 between 1 April 2009 and 30 June 2009
6. Based on S\$/JPY average exchange rate of 76.5 between 1 April 2008 and 30 June 2008
7. Based on S\$/JPY average exchange rate of 67.5 between 1 July 2008 and 30 June 2009
8. Based on S\$/JPY average exchange rate of 76.7 between 1 July 2007 and 30 June 2008
9. Based on S\$/JPY exchange rate of 76.36 hedged in respect of this distribution
10. NM denotes not meaningful
11. NA denotes not applicable

## Background of Saizen REIT

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

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

At the time of Listing, Saizen REIT’s portfolio comprised 147 properties located in 12 regional cities in Japan. As at 30 June 2009, Saizen REIT’s portfolio comprised 166 properties, with a total appraised value of JPY 42.73 billion (approximately S\$650.38 million) located in 13 regional cities in Japan.

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**”).

As at the date hereof, Saizen REIT has entered into TK agreements with nine Japanese TK operators, being Yugen Kaisha (“**YK**”) JOF, YK Kokkei, YK Keizan, YK Shintoku, YK Shingen, YK Shinzan, Godo Kaisha (“**GK**”) Chosei, GK Choan and GK Chogen.

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

## Rights Issue

A rights cum warrants issue was conducted in May 2009 to raise funds to repay loans that were due to mature at the end of 2009 and the beginning of 2010 (the “**Rights Issue**”). Pursuant to the Rights Issue, 497,185,362 rights Units were issued at an issue price of S\$0.09 each, together with 497,185,362 detachable warrants, 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 5.00 p.m. on 2 June 2012. The Rights Issue was concluded in June 2009.

## Significant accounting policies

Saizen REIT consolidates the financial statements of the TK operators for reporting purpose.

Upon the initial formation of Saizen REIT, as part of the acquisition of its interest in the properties, Saizen REIT has entered into agreements with vendors of the properties, being Central-Top Properties Ltd, a wholly-owned subsidiary of Japan Opportunities Fund (“**JOF**”), Japan High Yield Property Fund (“**JHYP**”) and Japan High Yield Property Fund II (“**JHYP II**”) (together the “**Vendors**”) to acquire from them all rights and obligation (the “**TK interest**”) under the TK agreements, which were entered into among the Vendors and the respective TK operators (the “**Acquisition**”).

For the purpose of preparation of the financial statements, the Acquisition has been accounted for as a reverse acquisition. The three TK operators of JHYP, as a combining entity, have been identified as the acquirer for accounting purposes (the “**Accounting Acquirer**”), and are treated as having acquired the TK operators of JOF and JHYP II as well as Saizen REIT (the “**Accounting Acquirees**”).

Under this accounting policy adopted, the financial statements have been prepared as a reverse acquisition and:

- (a) represent a continuation of the financial statements of the Accounting Acquirer. Hence, the assets and liabilities of the Accounting Acquirer are recognised and measured in the financial statements at their pre-combination carrying amounts; and
- (b) reflect the fair values of the assets, liabilities and contingent liabilities of the Accounting Acquirees. Therefore, the cost of the business combination or the Acquisition is allocated to the

identifiable assets, liabilities and contingent liabilities of the Accounting Acquirees that satisfy the recognition criteria at their fair values as at 9 November 2007 (being the completion date of the Acquisition which is also the date of the Listing).

With the adoption of the above accounting policy, the implications on the Statement of Total Return and the definition of the “**Group**” include, inter alia, the following:

- (a) in respect of 4Q FY2009, 4Q FY2008 and the financial year ended 30 June 2009, it comprises those of all the TK operators under Saizen REIT (i.e. those TK operators previously under the Vendors prior to the Acquisition and two new TK operators) with income and expense items at both the TK operators’ level and Saizen REIT level throughout the period/ year.
- (b) in respect of the financial year ended 30 June 2008, it comprises (i) those of the three TK operators of JHYP from 1 July 2007 (as the case may be) up to 8 November 2007 with income and expense items at the TK operators’ level only; and (ii) thereafter from 9 November 2007 (being the completion date of the Acquisition which is also the date of Listing) to 30 June 2008, those of all the TK operators under Saizen REIT (i.e. those TK operators previously under the Vendors prior to the Acquisition and two new TK operators) with income and expense items at both the TK operators’ and Saizen REIT level.

In respect of the Balance Sheet and the definition of the “**Group**”, as at 30 June 2009 and 30 June 2008, it comprised those of all the TK operators under Saizen REIT (i.e. those TK operators previously under the Vendors prior to the Acquisition and two new TK operators) as well as Saizen REIT.

The financial statements in this announcement are prepared assuming completion date of the Acquisition is the date of Listing. They are therefore on a different basis from the financial statements prepared for inclusion in the prospectus of Saizen REIT dated 29 October 2007 (“**Prospectus**”), which are on a proforma basis.

**INFORMATION REQUIRED FOR ANNOUNCEMENTS****1(a) Statement of total return (for the Group) (4Q FY2009 vs 4Q FY2008)**

	4Q FY2009 (JPY'000)	4Q FY2008 (JPY'000)	Increase / (Decrease) %
<b>Gross revenue</b>	1,067,298	1,053,230	1.3
<b>Property operating expenses</b>	(358,696)	(320,986)	11.7
<b>Net property income</b>	708,602	732,244	(3.2)
Other administrative expenses	(46,548)	(43,217)	7.7
Interest income	408	6,994	(94.2)
Manager's management fee	(54,457)	(65,796)	(17.2)
Asset Manager's asset management fee	(2,980)	(7,151)	(58.3)
Trustee's fee	(2,788)	(4,285)	(34.9)
Other trust expenses	(24,934)	(63,602)	(60.8)
Finance costs <sup>2</sup>	(167,716)	(70,326)	>100.0
Issuing costs	(244,726)	198,874	NM <sup>1</sup>
<b>Net income from operations</b>	164,861	683,735	(75.9)
Fair value gain on derivatives <sup>3</sup>	698,883	559	>100.0
Net fair value losses on investment properties	(1,046,812)	(5,993,501)	(82.5)
<b>Total loss for the period before income tax<sup>4</sup></b>	(183,068)	(5,309,207)	(96.6)
Income tax	(92)	920,791	NM <sup>1</sup>
<b>Total loss for the period after income tax before distribution</b>	(183,160)	(4,388,416)	(95.8)
Less: Distribution	-	-	NM <sup>1</sup>
<b>Total loss for the period</b>	(183,160)	(4,388,416)	(95.8)
<b>Attributable to:</b>			
Unitholders	(183,160)	(4,228,378)	(95.7)
Minority Interests	-	(160,038)	NM <sup>1</sup>
	(183,160)	(4,388,416)	(95.8)

**Notes:**

1. NM denotes not meaningful.
2. Finance costs comprise the following:

	4Q FY2009 (JPY'000)	4Q FY2008 (JPY'000)	Increase / (Decrease) %
(i) interest expenses	(165,340)	(198,538)	(16.7)
(ii) amortisation of loan commission	(40,126)	(36,101)	11.1
(iii) exchange difference	37,750	164,313	(77.0)

Exchange difference mainly arises due to the difference between the S\$/JPY rate booked based on day of Rights Issue/ and (a) the actual rates where the S\$ proceeds were converted into JPY, or (b) the prevailing rate at period-end.

3. Fair value gain on financial derivatives comprises the following:

	4Q FY2009 (JPY'000)	4Q FY2008 (JPY'000)	Increase / (Decrease) %
(i) realised loss (payment) on interest rate swap	(7,201)	-	NM <sup>1</sup>
(ii) unrealised fair value (loss) on interest rate swap	(9,653)	-	NM <sup>1</sup>
(iii) unrealised fair value (loss)/ gain on interest rate cap	(25)	559	NM <sup>1</sup>
(iv) fair value gain on nil-paid rights	387,712	-	NM <sup>1</sup>
(v) fair value gain on warrants	328,050	-	NM <sup>1</sup>

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

	4Q FY2009 (JPY'000)	4Q FY2008 (JPY'000)	Increase / (Decrease) %
(i) (impairment)/ write back on account receivable	(158)	124	NM <sup>1</sup>

## 1(a) Statement of total return (for the Group) (FY2009 vs FY2008)

	FY2009 (JPY'000)	FY2008 (JPY'000)	Increase / (Decrease) %
<b>Gross revenue</b>	4,268,751	3,578,346	19.3
<b>Property operating expenses</b>	(1,355,067)	(1,091,638)	24.1
<b>Net property income</b>	2,913,684	2,486,708	17.2
Other administrative expenses	(156,376)	(138,526)	12.9
Interest income	12,730	27,559	(53.8)
Manager's management fee	(234,747)	(169,609)	38.4
Asset Manager's asset management fee	(22,454)	(26,080)	(13.9)
Trustee's fee	(9,136)	(11,612)	(21.3)
Other trust expenses	(94,766)	(76,585)	23.7
Finance cost <sup>2</sup>	(1,171,767)	(1,222,111)	(4.1)
Issuing costs	(244,726)	(807,488)	(69.7)
<b>Net income from operations</b>	992,442	62,256	>100.0
Fair value gain on financial derivatives <sup>3</sup>	625,270	559	>100.0
Net fair value losses on investment properties	(6,445,091)	(4,663,766)	38.2
<b>Total loss for the year before income tax<sup>4</sup></b>	(4,827,379)	(4,600,951)	4.9
Negative goodwill	-	350,047	NM <sup>1</sup>
Income tax	20,993	517,091	(95.9)
<b>Total loss for the year after income tax before distribution</b>	(4,806,386)	(3,733,813)	28.7
Less: Distribution	-	(223,929) <sup>5</sup>	NM <sup>1</sup>
<b>Total loss for the year</b>	(4,806,386)	(3,957,742)	21.4
<b>Attributable to:</b>			
Unitholders	(4,775,751)	(3,870,121)	23.4
Minority Interests	(30,635)	(87,621)	(65.0)
	(4,806,386)	(3,957,742)	21.4

**Notes:**

1. NM denotes not meaningful.

2. Finance costs comprise the following:

	FY2009 (JPY'000)	FY2008 (JPY'000)	Increase / (Decrease) %
(i) interest expenses	(747,683)	(734,871)	1.7
(ii) amortisation of loan commission	(213,586)	(163,463)	30.7
(iii) cost of refinancing	(191,172)	-	NM <sup>1</sup>
(iv) exchange difference	(19,326)	(323,777)	(94.0)

Exchange difference mainly arises due to the difference between the S\$/JPY rate booked based on day of Rights Issue/ Listing and (a) the actual rates where the S\$ proceeds were converted into JPY, or (b) the prevailing rate at year-end.

3. Fair value gain on financial derivatives comprise the following:

	FY2009 (JPY'000)	FY2008 (JPY'000)	Increase / (Decrease) %
(i) realised loss (payment) on interest rate swap	(16,971)	-	NM <sup>1</sup>
(ii) unrealised fair value (loss) on interest rate swap	(72,999)	-	NM <sup>1</sup>
(iii) unrealised fair value (loss)/ gain on interest rate cap	(522)	559	NM <sup>1</sup>
(iv) fair value gain on nil-paid rights	387,712	-	NM <sup>1</sup>
(v) fair value gain on warrants	328,050	-	NM <sup>1</sup>

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

	FY2009 (JPY'000)	FY2008 (JPY'000)	Increase / (Decrease) %
(i) impairment on account receivable	(2,190)	(1,618)	35.4

5. Distribution relates to the allocation of profit to previous TK investor (i.e. JHYP) for the periods prior to Listing

**Distribution Statement**

	<b>FY2009</b> <b>JPY'000</b>	<b>FY2008</b> <b>JPY'000</b>
<b>Total loss for the year after income tax before distribution</b>	(4,806,386)	(3,733,813)
Adjustments	6,181,370	5,430,978
Distributable Income <sup>1</sup>	1,374,984	1,697,165
Distribution to Unitholders	NA	1,611,790
Distribution per Unit (S\$ cents)	NA	4.67

**Note:**

1. The decrease in distributable income in FY2009 was mainly due to the payment of one-off refinancing costs of JPY 191.2 million and the repayment of borrowings of JPY 223.0 million using free cash flows from operations.

**1(b)(i) Balance sheet**

	<b>The Group</b>	
	<b>As at</b> <b>30 June 2009</b> <b>(JPY'000)</b>	<b>As at</b> <b>30 June 2008</b> <b>(JPY'000)</b>
<b>Current assets</b>		
Cash at bank	5,070,301	5,609,118
Deposit with cash management agents <sup>1</sup>	2,300,322	2,639,772
Trade and other receivables	46,391	92,107
Other assets	37,000	55,351
	<u>7,454,014</u>	<u>8,396,348</u>
<b>Non-current assets</b>		
Derivative financial instruments <sup>2</sup>	36	559
Investment properties	42,734,100	49,062,300
	<u>42,734,136</u>	<u>49,062,859</u>
<b>Total assets</b>	<u>50,188,150</u>	<u>57,459,207</u>
<b>Current liabilities</b>		
Rental deposits	683,341	741,997
Rental received in advance	264,419	264,504
Borrowings	14,890,781	5,314,479
Other current liabilities	358,714	455,415
Current tax liabilities	289,062	169,244
Derivative financial instruments <sup>3</sup>	1,797,050	-
	<u>18,283,367</u>	<u>6,945,639</u>
<b>Non-current liabilities</b>		
Rental deposits	29,475	22,289
Borrowings	6,932,075	19,472,617
Derivative financial instruments <sup>4</sup>	72,999	-
Deferred tax liabilities	143,720	325,589
	<u>7,178,269</u>	<u>19,820,495</u>
<b>Total liabilities</b>	<u>25,461,636</u>	<u>26,766,134</u>
<b>Total net assets</b>	<u>24,726,514</u>	<u>30,693,073</u>
<b>Represented by:</b>		
Unitholders	24,726,514	30,662,438
Minority Interests	-	30,635
	<u>24,726,514</u>	<u>30,693,073</u>
<b>Number of Units in issue ('000)</b>	<u>949,194</u>	<u>451,149</u>
<b>Net asset value per Unit (JPY)</b>	<u>26.05</u>	<u>67.97</u>

**Notes:**

1. The cash management agents are professional service providers appointed by the TK Operators' lenders to administer the cash movements of the TK operators.
2. The derivative financial instruments (non-current assets) comprised an interest rate cap used to hedge against fluctuations in interest rates in respect of the loan obtained by GK Chosei. Please refer to Section 8 for further details.
3. The derivative financial instruments (current liabilities) comprised warrants that are outstanding. Please refer to Section 8 for further details.
4. The derivative financial instruments (non-current liabilities) comprised an interest rate swap used to hedge against fluctuations in interest rates in respect of the loan obtained by GK Choan. Please refer to Section 8 for further details.

	<b>Saizen REIT</b>	
	<b>As at 30 June 2009 (JPY'000)</b>	<b>As at 30 June 2008 (JPY'000)</b>
<b>Current assets</b>		
Cash at bank	492,040	1,877,045
Distribution receivables	1,235,323	636,539
Other receivables	5,390	73,490
Other assets	1,679	1,991
	<u>1,734,432</u>	<u>2,589,065</u>
<b>Non-current assets</b>		
Investment in subsidiaries	24,911,233	31,156,661
	<u>24,911,233</u>	<u>31,156,661</u>
<b>Total assets</b>	<u>26,645,665</u>	<u>33,745,726</u>
<b>Current liabilities</b>		
Other current liabilities	88,220	139,731
Current tax liabilities	248,572	128,815
Derivative financial instruments <sup>1</sup>	1,797,050	-
	<u>2,133,842</u>	<u>268,546</u>
<b>Total liabilities</b>	<u>2,133,842</u>	<u>268,546</u>
<b>Total net assets</b>	<u>24,511,823</u>	<u>33,477,180</u>
<b>Represented by:</b>		
Unitholders	24,511,823	33,477,180
	<u>24,511,823</u>	<u>33,477,180</u>
<b>Number of Units in issue ('000)</b>	<u>949,194</u>	<u>451,149</u>
<b>Net asset value per Unit (JPY)</b>	<u>25.82</u>	<u>74.20</u>

**Note:**

1. The derivative financial instruments (current liabilities) comprised warrants that are outstanding. Please refer to Section 8 for further details.

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

	As at 30 June 2009 (JPY'000)	As at 30 June 2008 (JPY'000)
<b>Secured borrowings</b>		
Amount repayable in one year or less		
- Bank loans	16,819	19,130
- Commercial mortgage-backed securities loans	14,873,962	5,295,349
	<u>14,890,781</u>	<u>5,314,479</u>
Amount repayable after one year		
- Bank loans	6,932,075	4,690,054
- Commercial mortgage-backed securities loans	-	14,782,563
	<u>6,932,075</u>	<u>19,472,617</u>
	<u>21,822,856</u>	<u>24,787,096</u>

As at 30 June 2009, the above borrowings are secured against investment properties of Saizen REIT with aggregate value amounting to JPY37.9 billion.

## 1(c) Cash flow statement (for the Group) (4Q FY2009 vs 4Q FY2008)

	4Q FY2009 (JPY'000)	4Q FY2008 (JPY'000)
<b>Operating activities</b>		
Loss for the period after tax	(183,160)	(4,388,416)
Adjustments for:		
Tax expenses	92	(920,791)
Interest income	(408)	(6,994)
Interest expenses	205,466	234,639
Fair value gain on financial derivatives	(698,883)	(559)
Net fair value losses on investment properties	1,046,812	5,993,501
Issuing costs	244,726	-
Operating profit before working capital changes	614,645	911,380
<b>Changes in working capital</b>		
Deposit with cash management agents	156,199	37,549
Trade and other receivables	(10,085)	10,502
Other current assets	2,771	105,429
Other current liabilities	4,317	101,757
Rental received in advance	4,398	3,245
Rental deposits	(33,816)	(15,746)
Cash flows generated from operation	738,429	1,154,116
Income tax received	54	-
Withholding tax paid	(12,500)	-
<b>Cash flows provided by operating activities</b>	725,983	1,154,116
<b>Investing activities</b>		
Purchase of/ additions to investment properties	(12,912)	(1,561,770)
Net cash effect on acquisition of subsidiaries	-	162
<b>Cash flows used in investing activities</b>	(12,912)	(1,561,608)
<b>Financing activities</b>		
Issuing costs	(235,863)	(196,532)
Bank borrowings obtained	400,000	830,000
Repayment of bank borrowings	(1,340,573)	(23,712)
Interest received	413	2,172
Interest paid	(176,258)	(207,907)
Payment of interest rate swap interest	(7,201)	-
Purchase of interest rate cap	-	(1,536)
Proceeds from rights issue	2,942,555	-
Proceeds from exercise of warrants	131	-
<b>Cash flows provided by financing activities</b>	1,583,204	402,485
Net increase/ (decrease) in cash and cash equivalents	2,296,275	(5,007)
Cash balance at the beginning of the period	2,774,026	5,614,125
<b>Cash at bank at end of the period</b>	5,070,301	5,609,118

## 1(c) Cash flow statement (for the Group) (FY2009 vs. FY2008)

	FY2009 (JPY'000)	FY2008 (JPY'000)
<b>Operating activities</b>		
Loss for the year after tax	(4,806,386)	(3,733,813)
Adjustments for:		
Tax expenses	(20,993)	(517,091)
Negative goodwill	-	(350,047)
Interest income	(12,730)	(27,559)
Interest expenses	1,152,441	886,333
Fair value gain on financial derivatives	(625,270)	(559)
Net fair value losses on investment properties	6,445,091	4,663,766
Issuing costs	244,726	-
Operating profit before working capital changes	2,376,879	921,030
<b>Changes in working capital</b>		
Deposit with cash management agents	339,450	(62,775)
Trade and other receivables	45,716	(22,910)
Other current assets	9,914	188,349
Other current liabilities	(22,410)	270,367
Rental received in advance	(85)	50,947
Rental deposits	(51,470)	80,853
Cash flows generated from operation	2,697,994	1,425,861
Income tax paid	(597)	(250)
Withholding tax paid	(40,462)	-
<b>Cash flows provided by operating activities</b>	2,656,935	1,425,611
<b>Investing activities</b>		
Purchase of/ additions to investment properties	(116,891)	(8,613,295)
Net cash effect on acquisition of subsidiaries	-	203,225
<b>Cash flows used in investing activities</b>	(116,891)	(8,410,070)
<b>Financing activities</b>		
Issue of new Units to Unitholders	-	15,400,394
Issuing costs	(244,726)	(862,027)
Bank borrowings obtained	6,300,000	1,340,000
Repayment of bank borrowings	(9,272,059)	(3,049,223)
Distribution to Unitholders	(1,637,520)	(223,929)
Return of capital	-	(18,335)
Interest received	21,167	19,121
Interest paid	(1,171,438)	(765,653)
Payment of interest rate swap interest	(16,971)	-
Purchase of interest rate cap	-	(1,536)
Proceeds from rights issue	2,942,555	-
Proceeds from exercise of warrants	131	-
<b>Cash flows (used in)/ provided by financing activities</b>	(3,078,861)	11,838,812
Net (decrease)/ increase in cash and cash equivalents	(538,817)	4,854,353
Cash balance at beginning of the period	5,609,118	754,765
<b>Cash at bank at end of the period</b>	5,070,301	5,609,118

## 1(d)(i) Statement of changes in Unitholders' funds

The Group

	FY2009 (JPY'000)	FY2008 (JPY'000)
<b>OPERATION</b>		
<b>Balance as at 1 July</b>	(2,515,175)	1,354,946
Total (loss) for the year	(4,775,751)	(3,646,192)
Distributions	-	(223,929) <sup>1</sup>
Deemed distribution from rights issue	(3,330,267)	-
<b>Balance as at 30 June</b>	<b>(10,621,193)</b>	<b>(2,515,175)</b>
<b>UNITHOLDERS CONTRIBUTION</b>		
<b>Balance as at 1 July</b>	33,177,613	11,293,956
Issue of new Units to Manager	47,472 <sup>3</sup>	69,512 <sup>2</sup>
Issue of new Units to Unitholders	-	15,400,394
Distribution to Unitholders	(1,637,520)	-
Return of capital to previous TK investors	-	(18,335)
Issuing costs	-	(862,027)
Cost of acquisition	-	7,294,113
Issue of new units arising from exercise of rights	3,759,932	-
Issue of new units arising from exercise of warrants	210	-
<b>Balance as at 30 June</b>	<b>35,347,707</b>	<b>33,177,613</b>
<b>TOTAL ATTRIBUTABLE TO UNITHOLDERS</b>	<b>24,726,514</b>	<b>30,662,438</b>
<b>MINORITY INTERESTS</b>		
<b>Balance as at 1 July</b>	30,635	40,828
Effect on acquisition	-	77,428
Total loss for the year	(30,635)	(87,621)
<b>Balance at 30 June</b>	<b>-</b>	<b>30,635</b>
<b>TOTAL</b>	<b>24,726,514</b>	<b>30,693,073</b>

Saizen REIT

	FY2009 (JPY'000)	From 27 September 2007 to 30 June 2008 (JPY '000)
<b>OPERATION</b>		
<b>Balance as at 1 July 2008/ 27 September 2007</b>	(955,360)	-
Total loss for the period	(7,805,184)	(955,360)
Deemed distribution from rights issue	(3,330,267)	-
<b>Balance as at 30 June 2009/ 30 June 2008</b>	<b>(12,090,811)</b>	<b>(955,360)</b>
<b>UNITHOLDERS CONTRIBUTION</b>		
<b>Balance as at 1 July 2008/ 27 September 2007</b>	34,432,540	-
Issue of new Units	-	35,225,054
Issue of new Units arising from exercise of rights	3,759,932	-
Issue of new Units arising from exercise of warrants	210	-
Issuing costs	-	(862,026)
Issue of new Units to Manager	47,472 <sup>3</sup>	69,512 <sup>2</sup>
Distribution to Unitholders	(1,637,520)	-
<b>Balance as at 30 June 2009/ 30 June 2008</b>	<b>36,602,634</b>	<b>34,432,540</b>
<b>TOTAL ATTRIBUTABLE TO UNITHOLDERS</b>	<b>24,511,823</b>	<b>33,477,180</b>

**Notes:**

1. Distribution relates to the allocation of profit to previous TK investor (i.e. JHYP) for the periods prior to Listing.
2. Saizen REIT issued 944,094 new Units as payment of acquisition fee and 204,973 new Units as payment of management fee to the Manager.
3. Saizen REIT issued 261,402 new Units as payment of acquisition fee and 576,224 new Units as payment of management fee to the Manager. The Units were issued in respect of FY2008 fees.

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

	<b>4Q FY2009 (Units)</b>	<b>4Q FY2008 (Units)</b>
Issued Units as at beginning of period	451,986,693	450,944,094
Issue of new Units from exercise of rights	497,185,362	-
Issue of new Units from exercise of warrants	22,000	-
Issue of new Units to Manager	-	204,973
Issued Units as at end of period	<u>949,194,055</u>	<u>451,149,067</u>

	<b>4Q FY2009 (Warrants)</b>	<b>4Q FY2008 (Warrants)</b>
Number of warrants outstanding as at beginning of period	-	-
Issue of warrants	497,185,362	-
Exercise of warrants	(22,000)	-
Number of warrants outstanding as at end of period	<u>497,163,362</u>	<u>-</u>

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

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

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

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

Not applicable.

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

For the current reporting period, the Group has applied the same accounting policies and methods of computation as those applied in its audited financial statements for the financial year ended 30 June 2008.

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

Not applicable.

**6. Earnings per Unit for the financial period (for the Group)**

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

**(a) Basic EPU**

Basic EPU amounts are calculated by dividing the loss attributable to the Unitholders of the Group by the weighted average number of units in issue during the financial period/ 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 period/ year plus the weighted average number of Units that would be issued on the exercise of all warrants into potential Units.

<b>EPU</b>	<b>4Q FY2009</b>	<b>4Q FY2008</b>	<b>FY2009</b>	<b>FY2008</b>
Total loss for the period/ year attributable to Unitholders for basic and diluted EPU (JPY'000)	(183,160)	(4,228,378)	(4,775,751)	(3,646,192)
(a) Basic EPU - per Unit (JPY)	(0.26)	(6.93)	(7.49)	(7.77)
- per Unit (S\$ cents)	(0.39) <sup>1</sup>	(9.06) <sup>2</sup>	(11.10) <sup>3</sup>	(10.13) <sup>4</sup>
(b) Diluted EPU - per Unit (JPY)	(0.24)	(6.93)	(7.36)	(7.77)
- per Unit (S\$ cents)	(0.36) <sup>1</sup>	(9.06) <sup>2</sup>	(10.90) <sup>3</sup>	(10.13) <sup>4</sup>
<b>Units</b>	<b>4Q FY2009</b>	<b>4Q FY2008 (Restated)</b>	<b>FY2009</b>	<b>FY2008 (Restated)</b>
Weighted average number of Units	715,427,486	610,337,641	637,420,581	469,327,069
Weighted average number of Units plus dilutive effect	762,441,922	610,337,641	649,141,989	469,327,069

**Notes:**

1. Based on S\$ / JPY average exchange rate of 66.2 between 1 April 2009 and 30 June 2009
2. Based on S\$ / JPY average exchange rate of 76.5 between 1 April 2008 and 30 June 2008
3. Based on S\$ / JPY average exchange rate of 67.5 between 1 July 2008 and 30 June 2009
4. Based on S\$ / JPY average exchange rate of 76.7 between 1 July 2007 and 30 June 2008

## 7. Net asset value (“NAV”) per Unit based on issued Units at the end of 30 June 2009 and 30 June 2008

**The Group**

	<b>As at 30 June 2009</b>	<b>As at 30 June 2008</b>
NAV per Unit based on issued Units at the end of financial period (JPY)	26.05	67.97
(S\$)	0.40 <sup>1</sup>	0.87 <sup>2</sup>

**Saizen REIT**

	<b>As at 30 June 2009</b>	<b>As at 30 June 2008</b>
NAV per Unit based on issued Units at the end of financial period (JPY)	25.82	74.20
(S\$)	0.39 <sup>1</sup>	0.95 <sup>2</sup>

**Notes:**

1. Based on S\$ / JPY exchange rate of 65.7 as at 30 June 2009.
2. Based on S\$ / JPY exchange rate of 77.9 as at 30 June 2008.

## 8. Review of performance

**Income statement: FY2009 vs FY2008***Property level*

Due to the adoption of the reverse acquisition accounting policy, the composition of the income statement for FY2008 is as per described in the section "Significant accounting policies" on pages 4 and 5. To make a like-with-like comparison of income from property operations, income and expense items at Saizen REIT level are excluded.

	FY2009 <sup>1</sup> (JPY'000)	FY2008 <sup>2</sup> (JPY'000)	Increase / (Decrease) %
Gross revenue	4,268,490	3,578,345	19.3
Property operating expenses <sup>3</sup>	(1,355,067)	(1,091,638)	24.1
<b>Net property income</b>	<b>2,913,423</b>	<b>2,486,707</b>	17.2
Other administrative expenses	(125,301)	(122,211)	2.5
Asset Manager's asset management fees	(22,454)	(26,080)	(13.9)
Interest expenses <sup>4</sup>	(764,616)	(720,918)	6.1
<b>Net income from operations</b>	<b>2,001,052</b>	<b>1,617,498</b>	23.7

**Notes:**

1. There were 166 properties respectively at the start and end of FY2009.
2. There were 101 and 166 properties respectively at the start and end of FY2008.
3. Property operating expenses comprised the following:

	FY2009 (JPY'000)	FY2008 (JPY'000)	Increase / (Decrease) %
Property tax	317,000	266,572	18.9
Property manager's fees	166,611	143,305	16.3
Operation and maintenance expenses	212,992	175,368	21.5
Repairs and renovations	197,030	175,885	12.0
Leasing and marketing expenses	174,845	118,274	47.8
Utilities charges	183,449	144,934	26.6
Insurance expenses	55,480	47,041	17.9
Impairment on account receivables	2,190	1,618	35.4
Bad debt written-off	798	762	4.7
Consumption tax arising from operation	44,672	17,879	>100.0

4. Interest expenses include the realised loss payment on interest rate swap for the reasons explained on page 17.

Compared with FY2008, gross revenue in FY2009 increased by 19.3% due to the increase in number of properties as well as full year contribution from these properties. Accordingly, property operating expenses increased by 24.1%. The rate of increase in property operating expenses was higher due mainly to increase in leasing and marketing expenses in response to leasing competition in certain cities as a result of the deteriorating economic conditions in Japan. These include setting up of model rooms and the increase in leasing agent incentives. Overall, these initiatives have enabled us to maintain an occupancy rate of over 90% despite the adverse economic conditions experienced in FY2009. Net property income increased in tandem with the movements in gross revenue and property operating expenses.

Other administrative expenses increased by 2.5% in FY2009 when compared with FY2008, due mainly to an increase in legal and professional fees, which included expenses incurred in the establishment of new Chukan Hojins to facilitate the refinancing of bank borrowings. The increase in interest expenses in FY2009 when compared with FY2008 was mainly due to the increase in the number of properties, which in turn resulted in an increase in bank borrowings.

*Group level*

At the Group level, the increase in Manager's management fee by 38.4% and the increase in other trust expenses by 23.7% in FY2009 were mainly due to the increase in the number of properties compared with FY2008. Under finance costs, there is a one-off cost of refinancing of JPY 191.2 million relating to the refinancing of GK Choan. This is offset by a decrease in exchange losses. Issuing costs in FY2009 comprised costs incurred in connection with the Rights Issue, which include professional fees and commitment fees. The issuing costs in FY2008 comprised costs incurred in connection with the initial public offering of Saizen REIT in November 2007.

Fair value gain in derivatives 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 gain/(loss) on interest rate cap;
- (iv) fair value gain on nil-paid rights; and
- (v) fair value gain on warrants

*(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 5.9 billion (the "**GK Choan Loan**"). The GK Choan Loan is subject to a variable interest rate of 1.55% 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 2011, GK Choan has entered into interest rate swap arrangements whereby GK Choan agreed to pay its counterparty payments of 1.11% 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 2.66% (being 1.55% + 1.11%) per annum.

The realised loss (payment) on interest rate swap refers to the settlement of the difference between an interest rate of 1.11% per annum and the then prevailing 3-month JPY LIBOR. Consequently when computing the cost of borrowing of the Group, the realised loss payment on interest rate swap is included.

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 2009. 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 0.5 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.

*(iii) Nil-paid rights*

Fair value gain on nil-paid rights arose due to the difference between the fair value of the nil-paid rights on the date on which Saizen REIT was obligated to issue the rights units (being the ex-rights date) and the fair value of the nil-paid rights on the day of exercise of such rights (being the last date of acceptance of the right issue). The fair value gain on nil-paid rights is one-off and does not have any impact on cash flow.

*(iv) 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.

**Income statement: 4Q FY2009 vs. 3Q FY2009***Property level*

To make a comparison of income from property operations, we have excluded income and expense items at Saizen REIT level as well as a one-off refund of loan-related costs received in the previous quarter.

	<b>4Q FY2009<sup>1</sup></b>	<b>3Q FY2009<sup>1</sup></b>	Increase /
	<b>(JPY'000)</b>	<b>(JPY'000)</b>	(Decrease)
			%
Gross revenue	1,067,298	1,056,437	1.0
Property operating expenses <sup>2</sup>	(358,696)	(364,141)	(1.5)
<b>Net property income</b>	<b>708,602</b>	<b>692,296</b>	2.4
Other administrative expenses	(38,496)	(24,022)	60.3
Asset Manager's asset management fees	(2,980)	(7,743)	(61.5)
Interest expenses <sup>3</sup>	(172,541)	(182,714)	(5.6)
<b>Net income from operations</b>	<b>494,585</b>	<b>477,817</b>	3.5

**Notes:**

1. There were 166 properties respectively at the start and end of both 4Q FY2009 and 3Q FY2009.

2. Property operating expenses comprised the following:

	<b>4Q FY2009</b>	<b>3Q FY2009</b>	Increase /
	<b>(JPY'000)</b>	<b>(JPY'000)</b>	(Decrease)
			%
Property tax	77,513	79,926	(3.0)
Property manager's fees	41,499	41,059	1.1
Operation and maintenance expenses	53,720	56,552	(5.0)
Repairs and renovations	62,426	47,447	31.6
Leasing and marketing expenses	50,782	61,683	(17.7)
Utilities charges	45,970	51,093	(10.0)
Insurance expenses	13,861	13,859	0.0
Impairment on account receivables	158	510	(69.0)
Bad debt written-off	289	128	>100.0
Consumption tax arising from operation	12,477	11,884	5.0

3. Interest expenses include the realised loss (payment) on interest rate swap for the reasons explained on page 17.

4Q FY2009 vs 3Q FY2009

Gross revenue and net property income remained relatively stable in 4Q FY2009 compared with 3Q FY2009. The average month-end occupancy rate in 4Q FY2009 was 91.4% compared with 3Q FY2009 of 90.8%. Property operating expenses have declined by 1.5% overall, including substantial decline in leasing and marketing expenses as leasing activities have slowed after the leasing season. Repairs and renovations increased as units were refurbished for in coming tenants contracted during the leasing season.

Other administrative expenses increased by 60.3% in 4Q FY2009, due mainly to an increase in legal and professional fees, which included expenses incurred in the establishment of new Chukan Hojins to facilitate the refinancing of bank borrowings. Interest expenses decreased by 5.6% in 4Q FY2009 compared with 3Q FY2009, due mainly to repayment of the YK JOF loan of JPY 1.34 billion in April 2009.

## 9. Variance between forecast or prospectus statement (if disclosed previously) and the actual results

### (i) Statement of total return (Actual vs. Forecast)

	Actual FY2009 (JPY'000)	Forecast FY2009 (JPY'000)	Increase / (Decrease) %
<b>Gross revenue</b>	4,268,751	4,340,922	(1.7)
<b>Property operating expenses</b>	(1,355,067)	(1,245,932)	8.8
<b>Net property income</b>	2,913,684	3,094,990	(5.9)
Other administrative expenses	(156,376)	(54,993)	>100.0
Interest income	12,730	-	NM <sup>1</sup>
Manager's management fee	(234,747)	(265,427)	(11.6)
Asset Manager's asset management fee	(22,454)	(43,000)	(47.8)
Trustee's fee	(9,136)	(13,808)	(33.8)
Other trust expenses	(94,766)	(50,000)	89.5
Finance cost <sup>2</sup>	(1,171,767)	(703,798)	66.5
Issuing costs	(244,726)	-	NM <sup>1</sup>
<b>Net income from operations</b>	992,442	1,963,964	(49.5)
Fair value gain on financial derivatives <sup>3</sup>	625,270	-	NM <sup>1</sup>
Net fair value losses on investment properties	(6,445,091)	-	NM <sup>1</sup>
<b>Total (loss)/ return for the year before income tax</b>	(4,827,379)	1,963,964	NM <sup>1</sup>
Income tax	20,993	(392,192)	NM <sup>1</sup>
<b>Total (loss)/ return for the year after income tax before Distribution</b>	(4,806,386)	1,571,772	NM <sup>1</sup>
<b>Attributable to:</b>			
Unitholders	(4,775,751)	1,552,812	NM <sup>1</sup>
Minority Interests	(30,635)	18,960	NM <sup>1</sup>
	(4,806,386)	1,571,772	NM <sup>1</sup>

**Notes:**

1. NM denotes not meaningful.
2. Finance costs comprise the following:

	<b>Actual</b> <b>FY2009</b> <b>(JPY'000)</b>	<b>Forecast</b> <b>FY2009</b> <b>(JPY'000)</b>	Increase / (Decrease) %
(i) interest expenses	(747,683)	(618,730)	20.8
(ii) amortisation of loan commission	(213,586)	(85,068)	>100.0
(iii) cost of refinancing	(191,172)	-	NM <sup>1</sup>
(iv) exchange difference	(19,326)	-	NM <sup>1</sup>

Exchange difference arises due to the difference between the S\$ / JPY rate booked on day of Rights Issue and the actual rates where the S\$ proceeds were converted into JPY, or (b) the prevailing rate at year-end.

3. Fair value gain on financial derivatives comprise the following:

	<b>Actual</b> <b>FY2009</b> <b>(JPY'000)</b>	<b>Forecast</b> <b>FY2009</b> <b>(JPY'000)</b>	Increase / (Decrease) %
(i) realised loss (payment) on interest rate swap	(16,971)	-	NM <sup>1</sup>
(ii) unrealised fair value (loss) on interest rate swap	(72,999)	-	NM <sup>1</sup>
(iii) unrealised fair value (loss)/ gain on interest rate cap	(522)	-	NM <sup>1</sup>
(iv) fair value gain on nil-paid rights	387,712	-	NM <sup>1</sup>
(v) fair value gain on warrants	328,050	-	NM <sup>1</sup>

**Forecast vs Actual FY2009**

Since the Listing, the occurrence of certain events has affected the Forecast adversely. The original refinancing exercise to lower borrowing costs which was aborted in December 2007 resulted in higher borrowing costs. Other administrative expenses and other trust expenses were higher due to legal and professional fees relating to ongoing loan restructuring and valuation exercises. In addition, the weakness of the Japanese real estate market results in net fair value losses being recognised on Saizen REIT's investment properties.

***Gross revenue***

The Actual gross revenue achieved is 1.7% lower than the Forecast gross revenue. A relatively large Additional Property (as defined in the Prospectus) was not eventually acquired as assumed in the Forecast. The loss of expected income is however offset by contribution of several properties not taken into account at the time of Listing.

***Property operating expenses ("POE")***

The increase in Actual POE of 8.8% in FY2009 compared to the Forecast POE was mainly due to higher leasing and marketing expenses of JPY 86.2 million.

Leasing and marketing expenses was higher due to the implementation of various initiatives aimed at tackling the increased leasing competition in certain cities as a result of deteriorating economic conditions. Overall, these initiatives have enabled us to maintain an occupancy rate of over 90% despite the adverse environment.

***Interest income***

Interest income was derived from bank deposits placed with financial institutions. No interest income was forecasted for FY2009.

***Other administrative expenses and other trust expenses***

Other administrative expenses increased significantly due to an increase in legal and professional fees, which included expenses incurred in the establishment of new Chukan Hojins to facilitate the refinancing of bank borrowings.

*Finance cost*

Actual interest expenses (including payments in respect of interest rate swap) were JPY 764.7 million or 23.6% higher than the Forecast interest expenses as the refinancing exercise originally intended to lower borrowing costs was aborted. The one-off refinancing cost incurred in respect of GK Choan was also not anticipated during preparation of the Forecast.

*Issuing costs*

Issuing costs of JPY 244.7 million were incurred in FY2009 in connection with the rights-cum-warrants issue in May 2009. Such costs have not been anticipated in the Forecast.

*Fair value gain on financial derivatives*

Fair value gain in derivatives comprised mainly fair value gains on the nil-paid rights and warrants recognised in connection with the rights-cum-warrants issue in FY2009. Such fair value gains were offset by realised losses as well as unrealised fair value losses on interest rate swap. Please refer to Section 8 for further details. No forecast was made for these fair value gains and losses.

*Net fair value losses on investment properties*

For the Forecast, it was assumed that the values of properties will remain at the amounts at which they were historically valued. Saizen REIT nevertheless recorded an actual net fair value loss on investment properties of JPY 6.45 billion based on valuations performed by independent valuers.

**10. Outlook and prospects**Distribution

Since the beginning of FY2009, the Board has recommended the extraordinary measure of a suspension of distribution in order to conserve cash. The Board truly believes regular cash distribution is the innate feature of any real estate investment trust and the above measure is proposed after careful considerations and detailed analysis of the credit situation in the exceptional times we have experienced in FY2009. The Board endeavours to resume distribution as soon as the financial position of Saizen REIT allows.

As previously discussed, the operational cashflow is being conserved, together with proceeds from the Rights Issue and short term bridging facilities, for the repayment of loans of YK Kokkei, YK Shingen and YK Keizan which are falling due in November 2009, December 2009 and January 2010 respectively. Thereafter, operational cashflow will be used to repay the short term bridging loans as soon as practicable given its high interest costs. Upon repayment of the aforesaid bridging loans, cashflow from operations will be used for the purpose of distribution to Unitholders.

Based on the above, the Board expects Saizen REIT will start accumulating cash for distribution from the last quarter of FY2010 or first quarter of FY2011.

Market overview

After contracting for several consecutive quarters since early 2008, Japan's economic conditions appear to have stopped worsening, where quarter-to-quarter growth in gross domestic product of 0.9% was recorded in the second quarter of 2009.

Nevertheless, there remains uncertainty in the economy as reported by the Bank of Japan, private consumption continued to be weak and housing investment has decreased amidst worsening employment and income situation.

While the Bank of Japan noted that financial conditions which remained generally tight, have continued to show signs of improvement; the Management Team's observation has been that the

availability of financing continues to be limited. The general refinancing difficulties faced by borrowers, in turn, have resulted in an increase in loan defaults and this is evidenced by the increasing defaults of loans under commercial mortgage-back securities (“**CMBS**”) in Japan. For example, in a report released in April 2009 by Fitch Ratings, it is stated that underlying loan default rate on Fitch-rated CMBS transactions more than doubled in the three months to end-March 2009. As of March 2009, such loans totalling JPY 55.9 billion were in default as compared to loans totalling JPY 23.8 billion at the end of 2008.

More specifically in respect of the regional mass market residential market which Saizen REIT operates in, the Management Team has observed that property operations have not been adversely affected by the deteriorating economic conditions. While increased leasing competition has been observed in certain cities, occupancy rate and rental reversions is expected to be stable with adequate proactive management. Real estate transactions however present a different picture as the lack of financing has adversely affected transaction liquidity. Coupled with the distressed state of certain sellers, prices have been declined substantially.

Overall, while the real estate transaction market is expected to remain difficult, the Management Team expects property operations to be stable in the coming financial year.

#### Prospects and outlook for financial year ending 30 June 2010 (“FY2010”)

##### *Refinancing*

The main focus of Saizen REIT in FY2010 will be the refinancing of its loans. It has an aggregate of JPY 14.90 billion (S\$226.9 million) loans, all of which are funded by CMBS, coming due as set out below.

TK operator	Maturity date	Loan amount	
		(JPY million)	(S\$ million)
YK Kokkei	November 2009	794.3	12.1
YK Shingen	December 2009	4,620.0	70.3
YK Keizan	January 2010	1,536.3	23.4
		<b>6,950.6</b>	<b>105.8</b>
YK Shintoku	November 2009	7,953.0	121.1
		<b>14,903.6</b>	<b>226.9</b>

It is expected that with the current cash balance, proceeds of the Rights Issue, short-term bridging loans and operational cash flow conserved, the loans of YK Kokkei, YK Shingen and YK Keizan can be fully repaid when they come due. Plans in respect of the loan of YK Shintoku is further discussed below.

For the purpose above, a short-term bridging loan of JPY 400.0 million has been drawdown and subject to the cash balance at the time of the aforesaid repayments, further similar amounts may be drawn. It is intended that these bridging loans will be repaid as soon as practicable using operational cashflow due to its high interest rate of 15% per annum.

##### *YK Shintoku Loan*

In respect of the refinancing of the loan of YK Shintoku (the “**YK Shintoku Loan**”), the following efforts are currently being made: (i) the arrangement of syndicated loan financing with the assistance of financial adviser, Société Générale; and (ii) the negotiations with holders of the CMBS for possible extension of loan maturity. To date, these efforts have yet to yield any definite results and it remains uncertain whether a solution to the refinancing of YK Shintoku Loan can be found by its maturity in November 2009. However, we wish to point out that given the non-recourse nature of this loan, Saizen REIT’s ability to operate as a going concern will not be impacted.

In view of the above uncertainty, the Management Team has put in place a divestment program as part of a deleveraging plan which is being conducted to facilitate refinancing efforts of the YK Shintoku Loan. The successful divestment of any of the properties under the YK Shintoku portfolio for loan repayment will reduce the absolute amount of YK Shintoku Loan and the

leverage of the YK Shintoku portfolio. This will in turn make the extension or refinancing of the YK Shintoku Loan more acceptable to current and potential lenders. To this end, Saizen REIT has announced the proposed divestment of U.I. Building on 4 August 2009.

The Management Team recognises that it is not ideal to divest properties in the current subdued market environment. This divestment program is therefore specifically for the portfolio of YK Shintoku only, due to its refinancing issues. The divestment program also serves to recover equity value (if any) of YK Shintoku in the worst case scenario where the YK Shintoku Loan has to be defaulted and YK Shintoku has to be given up. The following summarises the financial impact on the Group in this worst case scenario.

The valuation of the YK Shintoku property portfolio was JPY 9.76 billion (S\$148.5 million) as at 30 June 2009 or approximately 23% of the Group's portfolio of JPY 42.73 billion (S\$650.4 million). The gross revenue of YK Shintoku in FY2009 was JPY 1.01 billion (S\$15.4 million), which was approximately 24% of the Group's gross revenue in FY2009. The net property income of YK Shintoku in FY2009 was JPY 670.09 million (S\$10.2 million), which was approximately 23% of the Group's net property income in FY2009. The interests expenses of YK Shintoku in FY2009 was JPY 247.6 million (S\$3.8 million), which amounted to 32% of the Group's interests expenses.

The NAV of the Group as at 30 June 2009 was JPY 24.73 billion (S\$376.4 million). In this worst case scenario, the assets and corresponding liabilities of YK Shintoku (adjusted for dues to Saizen REIT), amounting to approximately JPY 10.75 billion (S\$163.6 million) and JPY 8.27 billion (S\$125.9 million) respectively as at 30 June 2009, may have to be given up. The net results is that the NAV of the Group will be reduced by JPY 2.48 billion (S\$37.7 million) or approximately 10.0%.

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

Pending the repayment and refinancing of the loans which are falling due by end 2009 and early 2010, the Board believes it will be prudent for Saizen REIT to conserve cash at this juncture. The Board therefore does not propose to declare any distribution for FY2009.

**12. Segmental Results**

Segment information has not been presented as all the Group's investment properties are used primarily for rental purposes and are located in Japan.

**13. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments**

Not applicable.

**14. A breakdown of sales as follows:-**

	Group		Increase/ (Decrease) %
	FY2009	FY2008	
	JPY'000	JPY'000	
(a) Gross revenue reported for first half year	2,125,015	1,470,593	44.5
(b) Total return before deducting minority interests reported for first half year	329,548	324,998	1.4
(c) Gross revenue reported for second half year	2,143,736	2,107,753	1.7
(d) Total loss before deducting minority interests reported for second half year	(5,135,934)	(4,282,740)	19.9

**15. A breakdown of the total annual distribution for the current period and its previous period:-**

	<u>Group</u>		Increase/ (Decrease) %
	<u>FY2009</u>	<u>FY2008</u>	
	<u>JPY'000</u>	<u>JPY'000</u>	
Distribution relates to allocation of profit to previous TK investor	-	223,929	<i>NM</i> <sup>1</sup>
Distribution to Unitholders	-	1,611,790	<i>NM</i> <sup>1</sup>

**Note:**

1. *NM denotes not meaningful.*

**16. Interested person transactions**

Commitment fees were paid to the following directors pursuant to the Rights Issue:

<u>Director</u>	<u>Commitment Fee (S\$)</u>
Arnold Ip Tin Chee	19,242
Chang Sean Pey	909
Raymond Wong Kin Jeon	142,143

Save for the above-mentioned commitment fees paid, no other interested person transactions were entered into during the financial year ended 30 June 2009.

**17. Update on utilization of IPO and Rights Issue proceeds**

As at the date hereof, all proceeds from the IPO have been fully deployed.

Except for issuing costs incurred, the Rights Issue proceeds designated for the repayment of the YK Shingen and YK Keizan loans in December 2009 and January 2010 respectively have yet to be deployed.

This release may contain forward-looking statements that involve risks and uncertainties. Future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from other companies, shifts in tenant demands, changes in operating expenses, governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support future business. You are cautioned not to place undue reliance on these forward looking statements, which are based on the current view of Management Team on future events.

**BY ORDER OF THE BOARD**

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

27 August 2009