

Saizen Real Estate Investment Trust

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

Announcement In Relation To The Unaudited Financial Statements For The Second Quarter Ended 31 December 2007

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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

Summary of results

The financial year-end of Saizen Real Estate Investment Trust (“**Saizen REIT**” or the “**Company**”) is 30 June. The following is a summary of Saizen REIT’s operating performance for the second quarter ended 31 December (“**2Q**”) 2007 and 2006.

	2Q 2007¹	2Q 2006²
Gross revenue (JPY’000)	851,042	460,074
(S\$’000)	10,925³	6,086⁴
Net property income (JPY’000)	602,439	338,782
(S\$’000)	7,733³	4,481⁴

	As at 31 Dec 2007
Net asset value per Unit (JPY)	78.07
(S\$)	1.00⁵

Notes:

1. *There were 103 and 164 properties respectively at the start and end of 2Q 2007*
2. *There were 73 and 84 properties respectively at the start and end of 2Q 2006*
3. *Based on the S\$/JPY average exchange rate of 77.9 between 1 October 2007 and 31 December 2007*
4. *Based on S\$/JPY average exchange rate of 75.6 between 1 October 2006 and 31 December 2006*
5. *Based on S\$/JPY exchange rate of 77.7 as at 31 December 2007, which is applied throughout this announcement unless stated otherwise*

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, with a total appraised value of JPY46.87 billion (approximately S\$603.2 million) located in 12 regional cities in Japan. As at 31 December 2007, Saizen REIT’s portfolio comprised 164 properties, with a total appraised value of JPY52.69 billion (approximately S\$678.1 million) located 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**”).

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

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 2Q 2006 and YTD Dec 2006, it comprises those of the three TK operators of JHYP only with income and expense items at the TK operators’ level only;
- (b) in respect of 2Q 2007 and YTD Dec 2007, it comprises (i) those of the three TK operators of JHYP from 1 October 2007 or 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 31 December 2007, those of all the TK operators under Saizen REIT (i.e. those TK operators previously under the Vendors prior to the Acquisition) with income and expense items at both the TK operators’ level and Saizen REIT level.

The implications on the Balance Sheet and the definition of the “**Group**” include, inter alia, the following:

- (a) as at 31 December 2006, it comprises those of the three TK operators of JHYP only;
- (b) as at 31 December 2007, it comprises those of all the TK operators under Saizen REIT (i.e. those TK operators previously under the Vendors prior to the Acquisition) as well as Saizen REIT.

The financial statements in this announcement are prepared assuming completion date of the Acquisition is on the date of the 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 OF QUARTERLY RESULTS**1(a) Statement of total return (for the Group) (2Q 2007 vs 2Q 2006)**

	2Q 2007 (JPY'000)	2Q 2006 (JPY'000)	Increase / (Decrease) %
Gross revenue	851,042	460,074	85.0
Property operating expenses	(248,603)	(121,292)	>100.0
Net property income	602,439	338,782	77.8
Other administrative expenses	(47,909)	(14,174)	>100.0
Interest income	6,672	62	>100.0
Manager's management fee	(37,265)	-	NM ¹
Asset Manager's asset management fee	(5,512)	(3,705)	48.8
Trustee's fee	(2,699)	-	NM ¹
Other trust expenses	(7,881)	-	NM ¹
Finance costs ²	(564,828)	(112,486)	>100.0
IPO expenses	(993,600)	-	NM ¹
Net income from operations	(1,050,583)	208,479	NM ¹
Net appreciation/ (depreciation) in the value of investment properties	381,016	(75,185)	NM ¹
Total return for the period before income tax	(669,567)	133,294	NM ¹
Excess of Acquirer's interest in the net fair value of Acquiree's identifiable assets, liabilities and contingent liabilities over cost	350,047	-	NM ¹
Income tax	(110,968)	(8,241)	>100.0
Total return for the period after income tax before distribution	(430,488)	125,053	NM ¹
Less: Distribution ⁴	(88,451)	(190,611)	(53.6)
Total return for the period	(518,939)	(65,558)	>100.0
Attributable to:			
Unitholders	(565,189)	(65,318)	>100.0
Minority Interests	46,250	(240)	NM ¹
	(518,939)	(65,558)	>100.0

Notes:

1. *NM denotes not meaningful*

2. *Finance costs comprise the following:*

	2Q 2007 (JPY'000)	2Q 2006 (JPY'000)	Increase / (Decrease) %
(i) <i>interest expenses</i>	(188,775)	(101,665)	85.7
(ii) <i>amortisation of loan commission/ swap breakage</i>	(62,400)	(10,821)	>100.0
(iii) <i>exchange difference</i>	(313,653)	-	NM ¹

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

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

	2Q 2007 (JPY'000)	2Q 2006 (JPY'000)	Increase / (Decrease) %
(i) <i>impairment on account receivable</i>	572	564	1.4

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

1(a) Statement of total return (for the Group) (year-to-date (“YTD”) Dec 2007 vs YTD Dec 2006)

	YTD Dec 2007 (JPY'000)	YTD Dec 2006 (JPY'000)	Increase / (Decrease) %
Gross revenue	1,470,593	825,970	78.0
Property operating expenses	(427,637)	(222,475)	92.2
Net property income	1,042,956	603,495	72.8
Other administrative expenses	(56,330)	(24,086)	>100.0
Interest income	8,636	207	>100.0
Manager's management fee	(37,265)	-	NM ¹
Asset Manager's asset management fee	(10,965)	(6,848)	60.1
Trustee's fee	(2,699)	-	NM ¹
Other trust expenses	(7,881)	-	NM ¹
Finance cost ²	(747,831)	(203,514)	>100.0
IPO expenses	(993,600)	-	NM ¹
Net income from operations	(804,979)	369,254	NM ¹
Net appreciation/ (depreciation) in the value of investment properties	1,329,735	(309,898)	NM ¹
Total return for the period before income tax	524,756	59,356	>100.0
Excess of Acquirer's interest in the net fair value of Acquiree's identifiable assets, liabilities and contingent liabilities over cost	350,047	-	NM ¹
Income tax	(325,876)	(8,241)	>100.0
Total return for the period after income tax before distribution	548,927	51,115	>100.0
Less: Distribution ⁴	(223,929)	(296,375)	(24.4)
Total return for the period	324,998	(245,260)	NM ¹
Attributable to:			
Unitholders	257,667	(239,601)	NM ¹
Minority Interests	67,331	(5,659)	NM ¹
	324,998	(245,260)	NM ¹

Notes:

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

	YTD Dec 2007 (JPY'000)	YTD Dec 2006 (JPY'000)	Increase / (Decrease) %
(i) interest expenses	(342,812)	(179,445)	91.0
(ii) amortisation of loan commission/ swap breakage	(91,366)	(24,069)	>100.0
(iii) exchange difference	(313,653)	-	NM ¹

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

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

	YTD Dec 2007 (JPY'000)	YTD Dec 2006 (JPY'000)	Increase / (Decrease) %
(i) impairment on account receivable	423	1,712	(75.3)

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

1(b)(i) Balance sheet

	The Group		The Company ²
	As at 31 Dec 2007 (JPY'000)	As at 31 Dec 2006 (JPY'000)	As at 31 Dec 2007 (JPY' 000)
Current assets			
Cash at bank	5,718,906	2,410,662	2,893,129
Deposit with cash management agents ¹	2,608,413	1,426,147	-
Trade and other receivables	91,480	29,220	57,966
Other assets	145,661	143,135	26,138
	<u>8,564,460</u>	<u>4,009,164</u>	<u>2,977,233</u>
Non-current assets			
Investment in subsidiaries	-	-	30,534,804
Investment properties	53,404,741	21,453,500	-
Other assets	9,000	-	-
	<u>53,413,741</u>	<u>21,453,500</u>	<u>30,534,804</u>
Total assets	<u>61,978,201</u>	<u>25,462,664</u>	<u>33,512,037</u>
Current liabilities			
Rental deposits	748,917	341,722	-
Rental received in advance	250,996	115,238	-
Borrowings	76,791	-	-
Other current liabilities	645,781	119,219	305,997
	<u>1,722,485</u>	<u>576,179</u>	<u>305,997</u>
Non-current liabilities			
Rental deposits	14,187	9,372	-
Borrowings	23,863,539	13,811,894	-
Deferred tax liabilities	1,246,989	8,252	-
	<u>25,124,715</u>	<u>13,829,518</u>	<u>-</u>
Total liabilities	<u>26,847,200</u>	<u>14,405,697</u>	<u>305,997</u>
Total net assets	<u>35,131,001</u>	<u>11,056,967</u>	<u>33,206,040</u>
Represented by:			
Unitholders	34,915,962	11,056,888	33,206,040
Minority Interests	215,039	79	-
	<u>35,131,001</u>	<u>11,056,967</u>	<u>33,206,040</u>
Number of Units in issue ('000)	<u>450,000</u>	<u>160,838</u>	<u>450,000</u>
Net asset value per Unit (JPY)	<u>78.07</u>	<u>68.75</u>	<u>73.79</u>

Notes:

1. The cash management agents are professional service providers appointed by the lenders to the TK operators to administer the cash movements of the TK operators
2. There is no prior period comparative figure for the Company as Saizen Reit was set up on 27 September 2007

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

	As at 31 Dec 2007 (JPY'000)	As at 31 Dec 2006 (JPY'000)
Secured borrowings		
Amount repayable in one year or less, on demand	76,791	-
Amount repayable after one year	23,863,539	13,811,894
	<u>23,940,330</u>	<u>13,811,894</u>

As at 31 December 2007, the above borrowings are secured over certain investment properties.

1(c) Cash flow statement (for the Group) (2Q 2007 vs 2Q 2006)

	2Q 2007 (JPY'000)	2Q 2006 (JPY'000)
Operating activities		
Returns for the period after tax	(430,488)	125,053
Adjustments for:		
Tax expenses	110,968	8,241
Excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost	(350,047)	-
Interest income	(6,672)	(62)
Interest expenses	239,175	112,486
Net (depreciation)/ appreciation in the value of investment properties	(381,016)	75,185
Operating (loss)/profit before working capital changes	<u>(818,080)</u>	<u>320,903</u>
Changes in working capital		
Deposit with cash management agent ¹	(62,488)	(158,248)
Free rent	(700)	(244)
Rent receivable	3,857	409
Consumption tax receivable	28,989	46,194
Other current assets	13,720	32,137
Other current liabilities	338,767	10,694
Rental received in advance	39,462	19,259
Tenants deposits	71,788	56,366
Cash flows (used in)/ generated from operation	<u>(384,685)</u>	<u>327,470</u>
Income tax paid	-	(93)
Cash flows (used in)/ provided by operating activities	<u>(384,685)</u>	<u>327,377</u>
Investing activities		
Purchase of investment properties	(6,142,755)	(3,594,385)
Net cash effect on acquisition	203,063	-
Net cash used in investing activities	<u>(5,939,692)</u>	<u>(3,594,385)</u>

Financing activities

Proceeds from Issue of Units	15,400,394	-
Expenses of issue of Units	(666,780)	-
Bank borrowings obtained	-	2,100,000
Repayment of bank borrowings	(3,006,588)	-
Distribution to Unitholders	(88,451)	(190,611)
Contributions from Unitholders	88,451	2,338,626
Interest received	1,209	62
Interest paid	(194,760)	(111,743)
Cash flows from financing activities	11,533,475	4,136,334
Net increase in Cash at bank	5,209,098	869,326
Cash balance at the beginning of the period	509,808	1,541,336
Cash at bank at end of the period	5,718,906	2,410,662

Note:

1. The negative cash flow shown was primarily due to reserves set aside for the working capital requirements of the rental business, such as reserves to meet quarterly rates, insurance, etc., in accordance with the loan requirements

1(c) Cash flow statement (for the Group) (YTD Dec 2007 vs YTD Dec 2006)

	<u>YTD Dec 2007</u> <u>(JPY'000)</u>	<u>YTD Dec 2006</u> <u>(JPY'000)</u>
Operating activities		
Returns for the period after tax	548,927	51,115
Adjustments for:		
Tax expenses	325,876	8,241
Excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost	(350,047)	-
Interest income	(8,636)	(207)
Interest expenses	422,178	203,514
Net (depreciation)/ appreciation in the value of investment properties	(1,329,735)	309,898
Operating (loss)/profit before working capital changes	(391,437)	572,561
Changes in working capital		
Deposit with cash management agent ¹	(31,415)	(415,257)
Free rent	(903)	(511)
Rent receivable	5,056	(517)
Consumption tax receivable	26,721	37,323
Other current assets	28,099	(61,509)
Other current liabilities	265,984	13,200
Rental received in advance	37,439	30,717
Tenants deposits	79,672	105,862
Cash flows generated from operation	19,216	281,869
Income tax paid	-	(145)
Cash flows provided by operating activities	19,216	281,724

Investing activities		
Purchase of investment properties	(6,962,236)	(6,275,198)
Net cash effect on acquisition of subsidiaries	203,063	-
Cash flows used in investing activities	(6,759,173)	(6,275,198)
Financing activities		
Issue of new Units	15,400,394	-
Expenses of issue of new Units	(666,780)	-
Bank borrowings obtained	510,000	4,930,000
Repayment of bank borrowings	(3,006,588)	-
Distribution to Unitholders	(223,929)	(296,375)
Return of capital	(18,335)	-
Contributions from Unitholders	-	3,586,814
Interest received	3,174	207
Interest paid	(293,838)	(235,994)
Cash flows from financing activities	11,704,098	7,984,652
Net increase in Cash at bank	4,964,141	1,991,178
Cash balance at beginning of the period	754,765	419,484
Cash at bank at end of the period	5,718,906	2,410,662

Note:

- The negative cash flow shown was primarily due to reserves set aside for the working capital requirements of the rental business, such as reserves to meet quarterly rates, insurance, etc., in accordance with the loan requirements

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

	YTD Dec 2007 (JPY'000)	YTD Dec 2006 (JPY'000)
OPERATION		
Balance as at beginning of the period	1,354,946	(92,591)
Total return for the period	481,596	56,774
Distributions	(223,929)	(296,375)
Balance as at end of period	1,612,613	(332,192)
UNITHOLDERS CONTRIBUTION		
Balance as at beginning of period	11,293,957	7,802,266
Issue of new Units	15,400,394	-
Contributions from Unitholders	-	3,586,814
Return of capital	(18,335)	-
Expenses of issue of Units	(666,780)	-
Cost of acquisition	7,294,113	-
Balance at end of period	33,303,349	11,389,080
TOTAL (Attributable to Unitholders)	34,915,962	11,056,888
MINORITY INTERESTS		
Balance as at beginning of period	40,828	5,738
Effect on acquisition	106,880	-
Total return for the period	67,331	(5,659)
Balance at end of period	215,039	79
TOTAL EQUITY	35,131,001	11,056,967

The Company

	From 27 Sep 2007 to 31 Dec 2007 (JPY '000)
OPERATION	
Balance as at 27 September 2007	-
Total return for the period	(1,352,235)
Balance as at 31 December 2007	<u>(1,352,235)</u>
UNITHOLDERS CONTRIBUTION	
Balance as at 27 September 2007	-
Issue of new Units	35,225,055
Expenses of issue of Units	(666,780)
Balance as at 31 December 2007	<u>34,558,275</u>
TOTAL EQUITY	<u><u>33,206,040</u></u>

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

The Manager made an offering of 196,740,000 units ("**Offering**") representing undivided interests in Saizen REIT ("**Units**") for subscription at an offering price of S\$1.00 per Unit on 9 November 2007.

Concurrently, but separate from the Offering, Central-Top Properties Ltd., a wholly-owned subsidiary of JOF, JHYP and JHYP II received 53,191,511 Units, 160,838,440 Units and 39,230,049 Units respectively in full satisfaction of the purchase consideration for the Acquisition.

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 in those disclosed in the Prospectus.

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.

There are no significant changes in the accounting policies and methods of computation.

6. Earnings per Units for the financial period (Group)

	<u>2Q 2007</u>	<u>2Q 2006</u>
Total return for the period after income tax (JPY'000)	(430,488)	125,053
Basic (loss)/earnings per Unit (JPY)	(1.31)	0.78
(S\$ cents)	(1.68) ¹	1.03 ²

Notes:

1. Based on the S\$/ JPY average exchange rate of 77.9 between 1 October 2007 and 31 December 2007

2. Based on S\$/ JPY average exchange rate of 75.6 between 1 October 2006 and 31 December 2006

The basic (loss)/earnings per Unit is calculated based on total return for the period after income tax divided by the weighted average Units during the period of 327,420,643 Units (2006: 160,838,440 Units). There is no difference between the basic and diluted earnings per Unit as there is no dilutive instruments in issue during the financial period.

	<u>YTD Dec 2007</u>	<u>YTD Dec 2006</u>
Total return for the period after income tax (JPY'000)	548,927	51,115
Basic earnings per Unit (JPY)	2.25	0.32
(S\$ cents)	2.89 ¹	0.43 ²

Notes:

1. Based on the S\$/ JPY average exchange rate of 77.8 between 1 July 2007 and 31 December 2007

2. Based on S\$/ JPY average exchange rate of 74.6 between 1 July 2006 and 31 December 2006

The basic earnings per Unit is calculated based on total return for the period after income tax divided by the weighted average Units during the period of 244,129,542 Units (2006: 160,838,440 Units). There is no difference between the basic and diluted earnings per Unit as there is no dilutive instruments in issue during the financial period.

7. Net asset value ("NAV") per Unit based on issued Units at the end of 2Q 2007 and 2Q 2006**The Group**

	<u>2Q 2007</u>	<u>2Q 2006</u>
NAV per Unit based on issued Units at the end of financial period (JPY)	78.07	68.75
(S\$)	1.00 ¹	0.88 ²

The Company

	<u>2Q 2007</u>
NAV per Unit based on issued Units at the end of financial period (JPY)	73.79
(S\$)	0.95 ¹

Notes:

1. Based on S\$/ JPY exchange rate of 77.7 as at 31 December 2007

2. Based on S\$/ JPY exchange rate of 77.7 as at 31 December 2006

8. Review of performance

Income statement

	2Q 2007 ¹ (JPY'000)	2Q 2006 ² (JPY'000)	Increase / (Decrease) %
Gross revenue	851,042	460,074	85.0
Property operating expenses	(248,603)	(121,292)	>100.0
Net property income	602,439	338,782	77.8
Other administrative expenses	(47,909)	(14,174)	>100.0
Asset Manager's asset management fees	(5,512)	(3,705)	48.8
Interest expenses	(188,775)	(101,665)	85.7
Net income from operations	360,243	219,238	60.7

Notes:

1. There were 103 and 164 properties respectively at the start and end of 2Q 2007
2. There were 73 and 84 properties respectively at the start and end of 2Q 2006

2Q 2007 vs 2Q 2006

Due to the adoption of the reverse acquisition accounting policy, the income statement for 2Q 2006 comprises only those of the three TK operators of JHYP. Meanwhile, in respect of the income statement for 2Q 2007, it comprises those of the three TK operators from 1 October 2007 up to 8 November 2007 and thereafter, all the TK operators under Saizen REIT, including income and expense items at the level of Saizen REIT. To make a like-with-like comparison of income from operations, income and expense items at Saizen REIT level were excluded.

Compared with 2Q 2006, gross revenue in 2Q 2007 increased by 85% due to the increase in number of properties over these periods. Other administrative expenses increased significantly due partly to write-offs of due diligence costs in respect several properties which investments were aborted, and higher audit fees. Interest expenses increased as more borrowings were incurred to fund the expanded property portfolio.

Acquisitions since Listing

The Prospectus stated that there are 15 Additional Properties (as defined in the Prospectus) which Saizen REIT intends to invest in within five months after the Listing. Of these 15 Additional Properties, Saizen REIT has completed investment in 14 at total consideration (excluding transaction costs) of about JPY 4.85 billion (S\$62.4 million). On top of these, Saizen REIT has invested in a further 3 properties at total consideration (excluding transaction costs) of about JPY 0.97 billion (S\$12.5 million).

9. Forecast distribution

Based on financial performance of Saizen REIT up to the quarter ended 31 December 2007, the Manager is confident that the distribution of Saizen REIT will be in line with its forecast distribution for the Forecast Period 2008 and Projection Year 2009 (as defined in the Prospectus) as disclosed in the Prospectus.

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

During 2Q 2007, leasing activities and operations of Saizen REIT's portfolio properties have remained stable. Barring unforeseen circumstances, the Manager expects this situation to remain for the rest of the financial year.

It has nevertheless been observed that the uncertainties in the global credit markets have affected the availability of financing or, where available, financing terms have not been favourable to borrowers. This has also been reflected in the market for financing of residential properties such as those in which Saizen REIT invests.

In light of the above, the Manager has postponed Saizen REIT's voluntary refinancing plans, originally intended to be completed in December 2007. While the Manager reassesses the credit markets in light of recent developments, it has slowed down Saizen REIT's investment pace.

The management team of the Manager and the Asset Manager ("**Management Team**") is continuing discussions and negotiations with potential lenders. Meanwhile, it continues to see a strong level of investment deal flows and the Management Team believes Saizen REIT's low gearing, its strong financial and liquidity positions will allow Saizen REIT to take advantage of these opportunities, and any improvement in investment terms under current market conditions.

11. Distributions

Not applicable.

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

The Board does not propose to declare any distribution for 2Q 2007.

As stated in the Prospectus, Saizen REIT's first distribution after the Listing will be for the period from the date of Listing to 30 June 2008. Such distribution is expected to be paid on or before 30 September 2008.

13. Interested person transactions

No interested person transactions were entered into since the Listing.

14. Update on utilization of IPO Proceeds

Saizen REIT raised gross proceeds of S\$196.7 million at the Listing. As at the date hereof, the amount of proceeds designated for payment of issue costs has been substantially deployed. Of the S\$151.9 million designated for repayment and refinancing of existing loans, S\$40 million has been deployed thus far.

Since Listing, Saizen REIT has invested in 17 properties which amounted to approximately S\$81 million, and have fully utilised the S\$15.3 million set aside from the proceeds to partially fund these investments. The balance of the investments is to be funded in the long-term by a new loan. In the interim, to ensure efficient use of Saizen REIT's internal resources, the aforesaid balance is funded by working capital and cash reserves, as well as proceeds designated for repayment and refinancing of existing loans mentioned above. Negotiations with potential lenders on the financing of these 17 properties as well as the aforesaid refinancing plans are currently ongoing.

As at the date hereof, approximately S\$47 million of the proceeds from the Listing have yet to be deployed.

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

The Board of Directors of the Manager has confirmed that, to the best of their knowledge, nothing has come to their attention which may render these interim financial results to be false or misleading in any material respect.

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

BY ORDER OF THE BOARD

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

12 February 2008