

**OPPORTUNITIES  
FOR GROWTH**



**SaizenREIT**) 最善

Annual Report 2011

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With the successful resolution of refinancing issues, Saizen REIT is well-positioned to grow its portfolio while fulfilling its duty to pay out a reliable stream of distributions to Unitholders.

Net property income  
**¥2.54b**  
 (S\$39.50m)

Net asset value per Unit  
**¥20.97**  
 (S\$0.32)

Gross revenue  
**¥3.87b**  
 (S\$60.25m)

## Corporate Profile

**Saizen REIT's market segment comprises mass market residential properties targeted at small families, working couples without children, working singles and students.**



Listed on the Singapore Exchange Securities Trading Limited on 9 November 2007, Saizen Real Estate Investment Trust ("Saizen REIT") is the first REIT listed in Singapore to offer access exclusively to Japanese real estate, 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, as well as real estate-related assets.

As at 22 September 2011, being the latest practicable date for printing of this report ("LPD"), Saizen REIT's portfolio consists of 130 residential properties located in 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 expected continuing

strong demand for rental housing across Japan, as the home ownership rate in Japan is relatively low at around 60.0%<sup>(1)</sup>. With 5,098 residential and commercial units, Saizen REIT's portfolio is well diversified and generate stable cashflow with a low default rate.

Saizen REIT has a corporate family rating of B1 from Moody's Investors Service, Inc.

As at LPD, Saizen REIT had 1,228,649,481 issued units.

As at LPD, there were 217,707,936 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 5.00 p.m. on 2 June 2012.

Note:

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

## Corporate Structure

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, as the trustee of Saizen REIT (the "Trustee"), the TK operators, the ippan shadan hojins<sup>(1)</sup>, 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").



Notes:

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 structure is similar to that of a limited liability company, with the members of the GK both owning and managing the GK.

## Chairman's Statement

We are pleased to report that the financial year ended 30 June 2011 ("FY2011") saw the final and satisfactory completion of Saizen REIT's loan refinancing exercise. In line with our plans, a combination of asset refinancing and property disposals enabled Saizen REIT to fully repay its outstanding loan in YK Shintoku, one of our 11 property holding companies, which went into maturity default in November 2009.

First and foremost, on behalf of the Board of Directors of Japan Residential Asset Manager Limited, I would like to extend our thanks to our colleagues at the Manager and the Asset Manager (the "Management Team") for their outstanding work in this regard.

In particular, they have worked diligently in the difficult but successful negotiations with creditors, whilst at the same time managing the affected assets to maintain a strong rental performance, as well as navigating complex regulatory rules associated with asset disposals, throughout the entire period up to the full and final repayment of the loan in May 2011.

Further, we thank them for their quick and level headed response in the wake of the earthquake in March. They have untiringly updated all, whilst at the same time working on the ground in the affected areas with professionalism and compassion.

### Progress in financing

The real estate downturn which commenced in 2008 saw a large number of bankruptcies among property investors and developers. Saizen REIT has not only survived, but we are pleased to have been able to diversify our sources of funding. In the past few months, the team has negotiated 2 new lending relationships in Kumamoto and Hiroshima. Both loans are fully amortising, over the course of 20 and 30 years respectively. The initial loan sizes are small, but their significance cannot be overlooked, given the importance of having a broad network of banking contacts.

The availability of financing for real estate has continued to improve. Altogether, we have established 7 new lending relationships since Saizen REIT's listing in November 2007. We will continue to broaden our network, our financing capability, and to secure refinancing of maturing loans. Our objective is to ensure that Saizen REIT is one of the first institutional long term investors to benefit from this gradual easing and normalization of the credit market.

### The case for Japan

Much has been written and said about Japan's economy. More often than not they do not present Japan in a favorable light.

It is often said that Japan is an advanced and developed economy which has lost momentum. It has problems such as growing national debt, slow growth, and declining population. Worse still, these are compounded by the recent tragic events, caused by the earthquake in March and the subsequent fallout.

However, this is likely to be a biased view, for there are some surprising differences between such an impression and reality.

For example, we hear about the lack of growth in Japan, but when we look at market earnings-per-share ("EPS") growth in the past decade, the Japanese market has significantly outperformed other developed markets, as well as many emerging markets. Over the 10 year period to December 2010, consolidated EPS growth of Japanese corporates as measured by TOPIX (Tokyo Stock Price Index) amounted to 10.7% compounded per annum (source: Bloomberg). Over the same period, US corporates' EPS growth as measured by S&P 500 Index amounted to less than half of that, at 4.5% per annum (source: Bloomberg). Bearing in mind that these rates are measured in local currencies, and that over the same period, the Japanese Yen has strengthened significantly against the US dollar ("USD"), the difference in growth rates is even more pronounced. By any standard, this is an impressive record.

Japan is one of the last major economies still holding on to a hard money policy, despite having deflationary pressures. In spite of the continuing rise of the Japanese Yen, which has appreciated more than 60% and 57% over the USD and Euro respectively since mid 2007, Japan is nevertheless running a large current account surplus. Goods and products which

Japanese manufacturers excel in producing have continued to remain market leaders throughout the world, with consistently high quality and reliability.

Japan's unemployment rate stands at 4.6% in June 2011, a relatively low level compared to 9.2%, 6.1% and 7.9% for the US, Germany and United Kingdom respectively (source: Statistics Bureau, Japan).

Even Japan's national debt has turned out not to be such a critical case after all, judging from the recent experience of both the US and some European countries. The reason is simple, almost all its national debt are owed to domestic institutions, and not foreign creditors.

Having spent many years doing business in Japan, I have also noticed many qualitative elements. The strife for excellence, whether in product design, quality, or in the service industries, all reflect a continuing dynamism in its economy.

We hold the view that Japan is a market that is overlooked and much underrated. In this current volatile global economic environment, there are indeed good opportunities in Japan.

### Opportunities in the real estate market

Residential assets have been a steady asset class throughout the past 10 years. In addition to a strong and recurring yield, we have seen capital appreciation of 50% to 60% or more since the early 2000's to the market peak in 2007. The global liquidity crunch in 2008 and 2009 led to a temporary reversal of that trend. In our case, we saw valuations dropping by 20% or so, until early 2011. Since then, the market has stabilized and gradually improved.

With a recovering credit market, we are seeing active interests from both REITs and private funds looking for acquisition opportunities. The earthquake of 11th March, and its aftermath, had caused a temporary slowdown in transactions, which has by now recovered. Investors have continued signing deals, and particularly Japanese REITs have continued with acquisitions. Investors appear to have seen the situation as an opportunity to get deals done.

Rental trend has been steady. Indeed, with increasing number of small households, and population inflow from rural areas into the cities, we expect urban residential demand to be steady.

### Looking ahead

As at the end of FY2011, Saizen REIT held unencumbered assets of JPY 13.3 billion, cash of JPY 3.0 billion, and had a relatively low average loan to value ratio of 27%. With improving liquidity and availability of credit, we are optimistic about the prospects of securing further refinancing on our assets, both from existing lenders and from potential new relationships. This will enable us to take advantage of acquisition opportunities currently available. We will also seek opportunities to realize some of our assets at good prices and to acquire new assets, with a view to improving the overall quality of the portfolio. In addition to the regional cities, we will look for opportunities in Tokyo, where values have come down to an attractive level.

In relation to distributions, we expect to follow our stated dividend policy, distributing most of our recurring cash flow from rental operations. In addition, in the event we raise further debt finance, we may consider partially offsetting regular debt amortisation with some new financing, thereby effectively making available more cash generated from operations for distributions.

Overall, we look forward to a year of expansion of Saizen REIT's portfolio, through acquisitions and cautious re-leveraging, taking advantage of attractive investment opportunities currently available.



Arnold IP Tin Chee  
Chairman

## CEO's Statement

### Foreword

We are pleased to present to you the report of Saizen REIT for FY2011.

Despite a year marked by continued uncertainty in the financial markets, exacerbated by the impact of the earthquake in March 2011 ("March 2011 Earthquake"), subsequent tsunami, and nuclear fallout, we believe Saizen REIT has made significant progress. In May 2011, the commercial mortgage-backed securities loan relating to the portfolio of YK Shintoku (the "YK Shintoku Loan"), which had been in default, was fully repaid. This put an end to Saizen REIT's refinancing issues which had overshadowed its stable property operations in the past years.

The repayment significantly strengthened the capital structure of Saizen REIT, with gearing lowered to 24.5% as at 30 June 2011, and opened the door to new financing opportunities. The Manager and the Asset Manager (together, the "Management Team") continued to make progress in its efforts to expand banking relationships, and managed to secure loans from two new financial institutions.

Saizen REIT had also resumed a full-year of distribution of S\$0.102 per Unit, which is expected to be underpinned by the continued stability of Saizen REIT's property operations.

### The Property Portfolio

During FY2011, 31 properties from the property portfolios of YK Shintoku, YK Shingen and YK Keizan were divested as part of a deleveraging plan to repay the YK Shintoku Loan. Such divestment activities were completed by May 2011.

As at 30 June 2011, the portfolio of Saizen REIT consisted of 130 residential properties located in 13 Japanese cities. Basic details of the portfolio are summarised below:

Residential (units)		5,005
Commercial and retail (units)		93
Car parking spaces		1,579
Total lettable floor area (square meters)		183,849
Portfolio value <sup>(1)</sup>	(JPY million)	32,995.4
	(S\$ million)	503.7 <sup>(2)</sup>
Value per square meter of lettable floor area	(S\$)	2,740
Value per square foot of lettable floor area	(S\$)	255
Portfolio annual rental revenue <sup>(3)</sup>	(JPY million)	3,233.3
	(S\$ million)	50.4 <sup>(4)</sup>
Portfolio gross income return <sup>(5)</sup>		9.8%

#### Notes:

1. Based on independent valuations performed as at 30 June 2011.
2. Computed based on an exchange rate of JPY 65.5: S\$1.00 as at 30 June 2011.
3. The annual rental income represents the annualised rental income of each property in June 2011. 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 64.2: S\$1.00 between 1 July 2010 and 30 June 2011.
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

#### Pre-March 2011 Earthquake

Since early 2010, the Japanese economy was in recovery. Signs of improvement could be seen especially in the first quarter of 2010 where GDP grew by 2.3%. Unemployment rate also fell to below 5% level. Retail sales grew by 4.2% from a year earlier, beating expectations. Although GDP declined at the end of 2010, it was viewed as a temporary contraction due to the ending of government stimulus programs, and the rebounding China and United States of America economies were to drive an export-buoyed recovery in Japan.

#### Post-March 2011 Earthquake

The March 2011 Earthquake and the ensuing nuclear fallout caused uncertainties to the overall Japanese economy. In the second quarter of 2011, the Japan Cabinet Office reported a 0.5% decline in GDP as companies continue to hold back on capital expenditure on concerns about a rising JPY and an unstable global outlook, although these were partially offset by government consumption and investment which contributed positively to GDP, due to spending on temporary housing and other relief in tsunami-hit areas.

As situations begin to stabilise, economists expect stronger figures in July-September 2011, and predict a resumption of growth and the ending of three consecutive quarters of contraction. According to Economics minister Motoshi Furukawa, supply chains have recovered from July 2011, and the government believes the economy is improving.

#### The real estate market

Despite the negative impact of the March 2011 Earthquake, the real estate market in Japan appears not to have experienced significant valuation deterioration and distress as a result. According to the Japan Real Estate Institute bi-yearly report, there has been little change in residential real estate capitalisation rates between October 2010 and the recent survey date of April 2011. In particular, the expected capitalisation rates in Sendai which is located in the area most affected by the March 2011 Earthquake increased just marginally from 7.8% previously to 8.0%.

Liquidity of property transactions in Saizen REIT's asset class remains reasonable as evidenced by Saizen REIT's divestment activities in the months of April and May 2011. Several transactions where negotiations commenced before the March 2011 Earthquake proceeded on time while Saizen REIT continued to receive reasonable offers thereafter where all these divestments have been conducted at price levels around the latest desktop valuations of the properties.

In terms of valuation of Saizen REIT's portfolio as at 30 June 2011, the aggregate value amounted to JPY 32,995.4 million based on valuations performed. This represents a decrease of about 4.1% from the aggregate value of JPY 34,406.9 million of these 130 properties as at 30 June 2010. As observed, the independent valuers had generally adopted a more cautious approach that reflected the general sentiment after the March 2011 Earthquake. This was more evident for properties in

## CEO's Statement

the affected cities of Sendai and Koriyama, where valuations decreased by an average of 5.2%.

The slight decrease in rental rates of new contracts entered into in FY2011 for Saizen REIT's properties also contributed to the decrease in valuations. Properties located in Sapporo, which had experienced a weaker rental market with overall negative rental reversions, suffered the largest decrease in valuations of 6.5%, due mainly to downward rental reversions as well as a fall in average occupancy rate from 89.1% in FY2010 to 87.9% in FY2011.

### Operations Overview

The Management Team is pleased to report that property operations have remained stable despite the overall negative sentiment due to the March 2011 Earthquake. Overall, occupancy rate of Saizen REIT's portfolio has been maintained at around 90.9% in FY2011, slightly lower compared to 91.7% in FY2010. Of the cities where Saizen REIT has larger exposures, higher occupancy rates were seen in Kumamoto (95.7%) and Hiroshima (92.6%); while low occupancy rates were recorded in Sapporo (87.9%) and Kitakyushu (88.7%). Overall rental reversions of contracts entered into during FY2011 were at rental rates which were marginally lower by 4.1% compared with previous contracted rates. Of the cities where Saizen REIT has larger exposures, Sapporo in Northern Japan recorded higher rate of negative reversions of 6.8% while cities in the southern Kyushu area generally recorded lower negative reversions of 1% to 3%.

Due to slowdown of construction activities since 2008, the reduction in new supplies of rental apartments augurs well for the occupancy of Saizen REIT's properties. These effects have been more pronounced in Southern Japan cities which for example, Kumamoto and Kagoshima recorded average occupancy of 95.7% and 94.3% in FY2011 respectively. It has been observed that the leasing markets in Sapporo were comparatively more challenging in the past year as its economy remain relatively weaker than other parts of Japan. Occupancy and rental rates in Sapporo were, to a certain extent, hampered by the higher age of Saizen REIT's portfolio in Sapporo (weighted average age of 20.5 years) compared to the overall portfolio of 14.4 years. Major upgrading programs, which include remodeling of units with contemporary designs and replacement of electrical and bathroom items, for some of our older properties had continuously been conducted in the past year. The positive effects however may take time to be recognised while upgrading works may also hamper leasing activities at the relevant properties during the short term.

In respect of Sendai, the earthquake and tsunami appears to have a slight positive impact on occupancy rates, which improved to 93% currently compared to 89% levels prior to March 2011. There has been heightened demand for housing in and around the respective city centres as people seek to move into safer buildings which have withstood the earthquake. It appears that more people have been moving from the coastal areas into the city centre of Sendai.

Turnover rate for FY2011 was 21%, largely stable compared with 20% in FY2010. 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.

### Repairs relating to March 2011 Earthquake

None of Saizen REIT's properties experienced any structural damage as a result of the March 2011 Earthquake. Repairs on superficial damage to affected properties are on-going. Based on current estimates, repair expenses on these properties are expected to amount to no more than JPY 120 million, of which about JPY 78 million had been incurred in FY2011. As at LPD, a total of approximately JPY 100 million has been spent.

Out of 28 affected properties, 3 properties did not require any repairs. The more urgent repairs have been completed for all the other affected properties, while repair-work on 14 properties has been fully completed. It is expected that all other remaining repairs will be substantially completed by the end of this calendar year.

### Financing

As at LPD, Saizen REIT had loans amounting to an aggregate of JPY 9.1 billion from five lenders. Saizen REIT continued to make progress in its effort of expanding its banking relationships where during FY2011, it secured a loan of JPY 500.0 million from Kumamoto Dai-ichi Shinkin Bank in April 2011. Since then up to LPD, it further secured a loan of JPY 76.0 million from the Hiroshimashi Credit Cooperative. With the repayment of the YK Shintoku Loan in May 2011, Saizen REIT no longer has any borrowings in the form of commercial mortgage-backed securities loan. The loan schedule of Saizen REIT as at LPD is summarised in the section "Financial Review" of this report.

Saizen REIT does not have any loan maturing in FY2012 with the next maturity in June 2013. To maintain flexibility in its financing structure and continued discussions with potential lenders, there are four property portfolios under YK Shintoku, YK Shingen, YK Keizan and GK Chosei which are unencumbered as at LPD. The aggregate value of these four portfolios was JPY 13.3 billion as at 30 June 2011.

As at LPD, the weighted-average interest rate of Saizen REIT's loans is about 3.66%. JPY 8.3 billion of its loans has fixed interests rates during its tenure while JPY 0.8 billion carries variable rates.

### Utilisation of proceeds from exercise of warrants

Since the issuance of 497,185,362 warrants in conjunction with the Rights Issue, 279,477,426 warrants have been exercised as at LPD. Such warrant exercises have raised proceeds of approximately S\$25.2 million for Saizen REIT of which S\$20.1 million has been deployed principally for loan repayments. The remaining S\$5.1 million have yet to be deployed.

The warrants will expire on 2 June 2012. The 217,707,936 warrants which are outstanding as at LPD could potentially raise proceeds of S\$19.6 million, or approximately JPY 1.3 billion.

### Outlook for Financial Year Ending 30 June 2012

Saizen REIT has resumed a normalised state of operations without the burden of default interest charges and pressure to sell its properties. Operational cashflow from YK Shintoku, which had previously been used for default interest payments and loan principal repayments, will now be available for distributions.

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

With the recent upgrade in Saizen REIT's corporate family rating to B1 from Caa1, the Management Team is cautiously optimistic that Saizen REIT will be able to continue to secure additional financing and expand its banking relationships.

With potential funds from new financing, the Management Team intends to explore property acquisitions (especially in Tokyo) in the financial year ending 30 June 2012. Saizen REIT has not invested in properties in Tokyo in the past because the yields were unattractive relative to funding costs. In the last few years however, the prices and rents of properties in Tokyo had generally fallen due to the global credit crisis. While yields of properties in Tokyo remain lower than those in regional cities, the Management Team believes such yields have risen to more attractive levels.

Acquisition of properties in Tokyo is expected to bring about several benefits to Saizen REIT. Firstly, it enables Saizen REIT to further diversify its portfolio geographically, into the capital city of Japan. Secondly, having a mix of Tokyo properties in Saizen REIT's portfolio could facilitate the establishment of new banking relationships as well as aid future financing efforts as, based on discussions with financial institutions, they appear to have more appetite to finance portfolios with certain exposure to Tokyo. Thirdly, there appears to be opportunities to acquire Tokyo properties which offer attractive potential for capital gains and rental appreciation in the medium term.

Having said that, the Management Team expects the Japanese regional cities will remain the focus of Saizen REIT in the coming year.

### Distribution

The Board of directors has declared total distribution of 1.02 Singapore cents per Unit for FY2011. The income available for this distribution was affected by (i) absence of contribution from the YK Shintoku portfolio and higher default interest expenses incurred before repayment of the YK Shintoku Loan in May 2011;

and (ii) cash from operations used for amortisation payments on the loan principals. Amortisation payments on loans as at LPD to an aggregate of about JPY 410 million per annum.

In the coming financial year, the factors below may have an impact on Saizen REIT's distribution per Unit:

- while YK Shintoku will fully contribute to distribution, its ongoing level of income will be lower than the last financial year following property divestments;
- while the default interest is no longer payable, Saizen REIT's interest expenses might increase if new loans are secured. How and when such potential loan proceeds can be deployed to generate income to cover interest expenses may affect distributable income; and
- there are 217,707,936 warrants outstanding as at LPD. Progressive warrant exercises will increase the number of Units in issue which in turn will dilute the distribution per Unit.

We would like to convey our appreciation to our tenants, business partners, unitholders, colleagues and Board of directors for their support and perseverance during the past year without which, Saizen REIT would not have emerged stronger to our current position.



Linus Koh Kia Meng  
Co-Chief Executive Officer  
30 September 2011



Chang Sean Pey  
Co-Chief Executive Officer  
30 September 2011





# DRIVEN

*- Promoting a culture of vision and long term growth*

## Financial Highlights

### Key financial information of Saizen REIT

		FY2011
NAV per Unit:	as at 30 June 2010	JPY 25.06 (S\$0.40) <sup>(1)</sup>
	as at 30 June 2011	JPY 20.97 (S\$0.32) <sup>(2)</sup>
Distribution per Unit:	1 July 2010 to 31 December 2010	0.52 cents
	1 January 2011 to 30 June 2011	0.50 cents
Closing market price per Unit on LPD		S\$0.151
Closing market price per Warrant on LPD		S\$0.061
4Q FY2011 annualised net property income yield		6.2% <sup>(3)</sup>
Impairment of account receivable as % of gross revenue		(0.017%)
Gearing (aggregate leverage ratio) <sup>(4)</sup>		24.5%
Net gearing <sup>(5)</sup>		21.1%
4Q FY2011 interest cover ratio		4.6 times
Deposited property:	as at 1 July 2010	JPY 44.1 billion
	as at 30 June 2011	JPY 36.5 billion
Net cash as at 30 June 2011		JPY 2.0 billion
Borrowings due within next 12 months		JPY 0.4 billion
Value of investment properties as at 30 June 2011		JPY 33.0 billion
Net depreciation in the value of investment properties in FY2011		JPY 1.6 billion

#### Notes:

- 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.
- Based on 1,182,249,611 Units in issue as at 30 June 2011 and S\$/JPY exchange rate of 65.5 as at 30 June 2011.
- The annualised net property income yield of 6.2% for FY2011 was affected by repair and renovation expenses of about JPY 78 million which were incurred in connection the earthquake in March 2011. Excluding such repair and renovation expenses, the annualised net property income yield for FY2011 was about 7.1%.
- Gearing is equal to the sum of total borrowings divided by the total value of the assets of Saizen REIT.
- 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 FY2011

	FY2011 (JPY '000)
Gross Revenue	3,868,026
Net property income	2,536,184
Net income from operations	1,285,943
Total loss after tax before distribution	(885,320) <sup>(1)</sup>

#### Note:

- The total loss for the year was mainly due to a net fair value loss on investment properties of JPY 1.6 billion and losses on divestment of properties of JPY 0.6 billion.

### Unit Price Performance

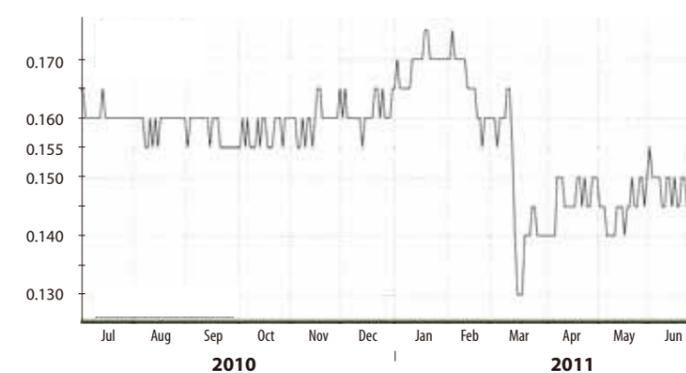
1 July 2010 to 30 June 2011

Closing price on first day (1 July 2010)	S\$0.165
Closing price on last day (30 June 2011)	S\$0.155
Highest price (per Unit) <sup>(1)</sup>	S\$0.175
Lowest price (per Unit) <sup>(1)</sup>	S\$0.130
Volume weighted average price per Unit <sup>(1)</sup>	S\$0.1558
Trading volume (million Units)	394.957

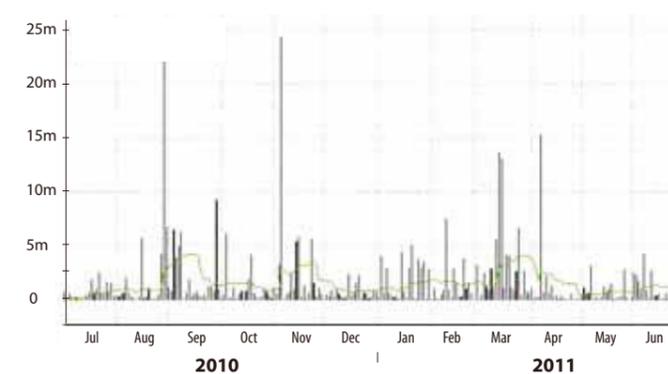
#### Note:

- Based on daily closing prices.

### Unit price performance



### Unit daily trading volume



## Financial Highlights

### Warrant Price Performance

1 July 2010 to 30 June 2011

Exercise price (per Warrant)	S\$0.090
Closing price on first day (1 July 2010)	S\$0.070
Closing price on last day (30 June 2011)	S\$0.060
Highest price (per Warrant) <sup>(1)</sup>	S\$0.085
Lowest price (per Warrant) <sup>(1)</sup>	S\$0.040
Volume weighted average price per Warrant	S\$0.0632
Trading volume (million Warrants)	89.375

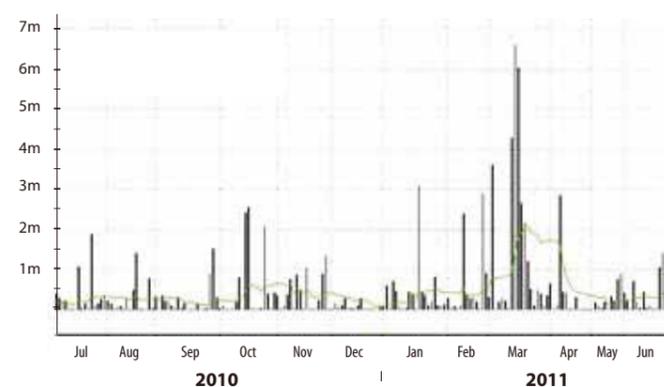
Note:

1. Based on daily closing prices.

### Warrant price performance



### Warrant daily trading volume



## Financial Review

### Review of performance

Group level	FY2011 (JPY'000)	FY2010 (JPY'000)	Increase/ (Decrease) %
Gross revenue	3,868,026	4,132,792	(6.4)
Net income from operations	1,285,943	1,410,138	(8.8)
Total loss for the year before income tax	(745,073)	(812,090)	(8.3)
Total loss for the year after income tax	(885,320)	(875,487)	1.1

Total loss for the year before income tax decreased by 8.3%, due mainly to (i) a lower net fair value loss on investment properties and (ii) a net fair value gain recognised on financial derivatives. This was partially offset by (i) the decrease in net income from operations of 8.8% and (ii) an increase in losses on divestment of properties.

The sale of 31 properties in FY2011 resulted in a loss incurred on the divestment of properties of JPY 581.1 million as compared to a loss of JPY 57.7 million incurred in FY2010 on the divestment of 5 properties.

The net fair value loss on investment properties was JPY 1,569.1 million in FY2011 as compared to JPY 1,698.3 million in FY2010.

A fair value gain on financial derivatives of JPY 119.2 million recognised in FY2011 arose mainly due to the decrease in market-traded price of the warrants. Comparatively, a net fair value loss on financial derivatives of JPY 466.2 million was recognised in FY2010. Please refer to the subsections "Exposure to derivatives", "Interest rate swap" and "Warrants" below for more information on financial derivatives used.

Property level	FY2011 <sup>(1)</sup> (JPY'000)	FY2010 <sup>(2)</sup> (JPY'000)	Increase/ (Decrease) %
Gross revenue	3,868,026	4,132,792	(6.4)
Property operating expenses <sup>(3)</sup>	(1,331,842)	(1,350,183)	(1.4)
<b>Net property income</b>	<b>2,536,184</b>	<b>2,782,609</b>	(8.9)
Asset management fees	(33,131)	(26,691)	24.1
Interest expenses <sup>(4)</sup>	(695,887)	(784,926)	(11.3)
Guarantor fee to asset manager	(7,757)	(4,490)	72.8
Other administrative expenses	(147,557)	(117,308)	25.8
<b>Net income from property operations</b>	<b>1,651,852</b>	<b>1,849,194</b>	(10.7)

Notes:

1. There were 161 properties at the start of FY2011 and 130 properties at the end of FY2011.

2. There were 166 properties at the start of FY2010 and 161 properties at the end of FY2010.

## Financial Review

### 3. Property operating expenses comprised the following:

	FY2011 (JPY'000)	FY2010 (JPY'000)	Increase/ (Decrease) %
Property tax	288,859	309,374	(6.6)
Property manager's fees	151,298	162,345	(6.8)
Operation and maintenance expenses	190,779	209,403	(8.9)
Repairs and renovations	325,273	237,147	37.2
Leasing and marketing expenses	123,323	150,629	(18.1)
Utilities charges	164,170	177,471	(7.5)
Insurance expenses	41,446	52,747	(21.4)
Impairment on account receivables	(673)	1,553	NM <sup>5)</sup>
Bad debt written-off	5,386	6,395	(15.8)
Consumption tax arising from operation	41,981	43,119	(2.6)

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

5. NM denotes not meaningful.

Property operations of Saizen REIT had remained stable in FY2011. Average occupancy rates in FY2011 was 90.9% as compared to 91.5% in FY2010, while overall rental reversion of new contracts entered into in FY2011 was marginally lower by about 4.1% (FY2010: lower by about 4.3%) from previous contracted rates. The average turnover rate was 21% in FY2011, as compared to 20% in FY2010.

Gross revenue decreased by 6.4% in FY2011, due mainly to the divestment of 31 properties between September 2010 and June 2011 as well as slight decreases in the average occupancy rate and rental rates of new contracts entered into in FY2011.

Property operating expenses decreased slightly by 1.4%, from JPY 1,350.2 million in FY2010 to JPY 1,331.8 million in FY2011. While most property operating expenses decreased following the divestment of properties in FY2011, repair and renovation expenses increased by 37.2% due mainly to rectification work, amounting to about JPY 78 million, performed on properties affected by the March 2011 Earthquake as well as an increase in the amount of upgrading works carried out during FY2011 such as waterproofing and wall repairs. Further earthquake-related repair and renovation expenses of up to approximately JPY 40 million are expected to be incurred in the current financial year.

Leasing and marketing expenses decreased by 18.1% in FY2011 as compared to FY2010, due partly to restrictions over incurring such costs by the loan servicer of YK Shintoku. This has contributed to the slight decrease in average occupancy rates in FY2011 as compared to FY2010.

Other administrative expenses increased by 25.8% in FY2011, due mainly to legal and professional expenses incurred in respect of financing-related issues as well as expenses related to the inspection of properties affected by the March 2011 Earthquake.

The decrease in interest expenses of 11.3% in FY2011 as compared to FY2010 was mainly due to the full repayment of four loans in FY2010 and the loan of YK Shintoku in May 2011. This was partially offset by the new loans of YK Shinzan and GK Gyokou which were secured in March 2010 and April 2011 respectively as well as the increase in annual interest rate on the loan of GK Choan after its refinancing in June 2010.

### Exposure to derivatives

The net fair value gain on financial derivatives recognised in the Statement of Total Return of the Group for FY2011 comprised the aggregate of the following:

- (i) realised loss (payment) on interest rate swap;
- (ii) unrealised fair value gain on interest rate swap; and
- (iii) fair value gain 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. 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 realised loss (payment) on interest rate swap in FY2011 comprised the settlement of the difference between a fixed interest rate of 0.8275% per annum and the then prevailing 3-month JPY LIBOR. 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 2011. 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 2011	As at 30 June 2010
Fair value of interest rate swap (JPY'000)	64,085	84,817
Group net assets attributable to Unitholders (JPY'000)	24,788,797	23,882,923
Percentage of fair value of interest rate swap to Group net asset value	0.26%	0.36%
Percentage of notional amount of interest rate swap to total Group borrowings	64.4%	35.4%

### 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 2011	As at 30 June 2010
Fair value of warrants (JPY'000)	1,038,614	2,189,316
Number of Warrants outstanding	264,107,806	493,154,362
Group net assets attributable to Unitholders (JPY'000)	24,788,797	23,882,923
Percentage of fair value of warrants to Group net asset value	4.2%	9.2%

### Borrowings

As at LPD, 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 security for the respective loans. All the TK operators' loans have no recourse towards Saizen REIT.

## Financial Review

The six loans have varying amounts of amortisation over their respective tenors, which amount to an aggregate of approximately JPY 410 million annually. 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
GK Choan/ YK Kokkei <sup>(1)</sup>	11,366,600	5,597,500	Societe Generale	25 Jun 2013	3.8275% <sup>(2)</sup>	Term Loan (amortising)
YK Shinzan	4,473,700	1,850,000	Tokyo Star Bank Ltd	18 Mar 2015	3.75625%	Term Loan (amortising)
YK JOF	1,927,000	824,900	Mizuho Bank Ltd	30 Sep 2019	2.69%	Term Loan (amortising)
GK Chogen	638,000	287,600	The Higo Bank, Ltd	25 Mar 2023	1.10% + short-term prime rate <sup>(3)</sup>	Term Loan (amortising)
GK Gyokou	1,128,000	491,400	Kumamoto Dai-ichi Shinkin Bank	10 Feb 2031	1.775% + short-term prime rate <sup>(4)</sup>	Term Loan (amortising)
GK Gyosei	131,000	76,000	The Hiroshimashi Credit Cooperative	19 Jul 2041	1.15% + long-term prime rate <sup>(5)</sup>	Term Loan (amortising)
<b>Total</b>	<b>19,664,300</b>	<b>9,127,400</b>				
<b>Unencumbered</b>						
GK Chosei	540,000					
YK Keizan	2,398,900					
YK Shingen	6,333,500					
YK Shintoku	4,058,720					
<b>Total</b>	<b>13,331,120</b>					

### Notes:

1. The borrower is GK Choan and the property portfolios of GK Choan and YK Kokkei are used as security for the loan.
2. GK Choan uses interest 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%.
3. The lender's prevailing short-term prime rate is 1.975%.
4. The lender's prevailing short-term prime rate is 1.725%.
5. The prevailing long-term prime rate is 1.35%.

### Property valuation

The aggregate value of Saizen REIT's investment properties decreased from JPY 40.4 billion as at 30 June 2010 to JPY 33.0 billion as at 30 June 2011 due to (i) the divestment of 31 properties in FY2011 and (ii) the decrease in the value of the 130 properties held as at 30 June 2011 by approximately JPY1.4 billion.

The fair value of Saizen REIT's properties decreased because, while the property and credit markets have stabilised, the independent valuers had generally adopted a more cautious approach that reflects the sentiment of buyers and lenders following the March 2011 Earthquake. This was more evident for properties in the affected cities of Sendai and Koriyama, where valuations decreased by an average of 5.2%. The slight decrease in rental rates of new contracts entered into in FY2011 for Saizen REIT's properties also contributed to the decrease in valuations.

As at 30 June 2011, Saizen REIT has a portfolio of 130 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 31 of the 130 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 3.2% of the total portfolio value as at 30 June 2011. No single property accounted for more than 3.0% of Saizen REIT's total rental income in June 2011. 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 130 properties in the portfolio will not be meaningful.

### Property transactions

A total of 31 properties from the property portfolios of YK Shintoku, YK Shingen and YK Keizan were sold in FY2011 as part of a deleverging plan implemented to repay the loan of YK Shintoku. Details of the properties sold are summarised below:

Property	TK Operator	Date of Completion of Sale	Sale Price (JPY million)	Valuation (JPY million)	Premium/(Discount) of Sale Price over Valuation
Funairi Honmachi 54	YK Shintoku	29 Sep 2010	154.0	164.0 <sup>(1)</sup>	(6.1%)
Matoba Y Building	YK Shintoku	29 Sep 2010	166.6	173.0 <sup>(1)</sup>	(3.7%)
Residence II Yasuda	YK Shintoku	29 Sep 2010	85.3	90.0 <sup>(1)</sup>	(5.3%)
Sun Park Yokokawa	YK Shintoku	29 Sep 2010	55.0	55.1 <sup>(1)</sup>	(0.2%)
Patios Ohashi	YK Shintoku	30 Sep 2010	79.4	82.0 <sup>(1)</sup>	(3.2%)
Villa Kaiganchō	YK Shintoku	8 Oct 2010	250.7	261.0 <sup>(1)</sup>	(3.9%)
Higashi Hakushima Y Building	YK Shintoku	13 Oct 2010	145.0	156.0 <sup>(1)</sup>	(7.1%)
Kinyacho Y Building	YK Shintoku	13 Oct 2010	180.5	188.0 <sup>(1)</sup>	(4.0%)
Otemachi Y Building	YK Shintoku	13 Oct 2010	170.2	180.0 <sup>(1)</sup>	(5.5%)
Kamei Five	YK Shintoku	28 Oct 2010	70.4	74.9 <sup>(1)</sup>	(6.0%)
Jewel Town Suehiro	YK Shintoku	9 Nov 2010	146.0	143.0 <sup>(1)</sup>	2.1%
Reef Suite	YK Shintoku	24 Nov 2010	123.2	132.0 <sup>(1)</sup>	(6.7%)
K1 Mansion Morioka	YK Shintoku	28 Jan 2011	55.6	59.6 <sup>(2)</sup>	(6.7%)
Aistage Ushita Minami	YK Shingen	25 Feb 2011	270.0	268.0 <sup>(3)</sup>	0.7%
Kinyacho Grande	YK Shintoku	8 Mar 2011	390.0	419.0 <sup>(2)</sup>	(6.9%)
Johnan Building III	YK Shintoku	23 Mar 2011	312.6	314.0 <sup>(4)</sup>	(0.5%)
Wealth Meinohama	YK Shingen	23 Mar 2011	59.5	57.7 <sup>(4)</sup>	3.1%
Club House Kikugaoka	YK Shingen	29 Mar 2011	230.0	230.0 <sup>(4)</sup>	-
Global Matsukawa Building	YK Shintoku	6 April 2011	201.0	214.0 <sup>(2)</sup>	(6.1%)
Art Side Terrace	YK Shintoku	15 Apr 2011	416.7	450.0 <sup>(2)</sup>	(7.4%)
KN 21 Shiragane	YK Shintoku	15 Apr 2011	213.2	218.0 <sup>(2)</sup>	(2.2%)
Escort South 11	YK Shintoku	19 Apr 2011	45.5	47.3 <sup>(4)</sup>	(3.8%)
Lumiere et vent	YK Shintoku	24 May 2011	39.9	42.8 <sup>(2)</sup>	(6.9%)
KN 7 Kirigaoka	YK Shintoku	25 May 2011	310.6	327.0 <sup>(2)</sup>	(5.0%)
Estoilie S12	YK Shintoku	26 May 2011	143.5	153.0 <sup>(2)</sup>	(6.2%)
Matsui 38	YK Keizan	26 May 2011	133.1	130.0 <sup>(2)</sup>	2.4%
Studio City	YK Shingen	30 May 2011	175.0	183.0 <sup>(2)</sup>	(4.4%)
Alpha Shinonome	YK Shintoku	31 May 2011	74.4	80.6 <sup>(5)</sup>	(7.7%)
Rise Gofuku	YK Shintoku	31 May 2011	234.8	248.0 <sup>(4)</sup>	(5.3%)
Alte Heim Orio	YK Shingen	14 Jun 2011	272.0	260.0 <sup>(4)</sup>	4.6%
Rise Kumadai Hospital II	YK Shingen	20 Jun 2011	533.0	534.0 <sup>(4)</sup>	(0.2%)
<b>Total</b>			<b>5,736.7</b>	<b>5,935.0</b>	<b>(3.3%)</b>

### Notes:

1. Based on annual valuation as at 30 June 2010.
2. Based on desktop valuation as at 31 December 2010.
3. Based on desktop valuation as at 10 January 2011.
4. Based on desktop valuation as at 31 January 2011.
5. Based on desktop valuation as at 1 March 2011.



# GROWTH

*- Nurturing  
our commitment  
to success*

## Board of Directors of the Manager

### Mr Arnold IP Tin Chee *Chairman*

Mr Ip 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 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 Wong 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, CK Absolute Return Master Fund, CK Absolute Strategic Fund and CK Absolute Return Fund. Mr Wong is also a 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 18 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, an executive director of WBL Corporation Ltd 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 experiences in China, Hong Kong, Singapore, Malaysia and Canada through his family holdings. 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 CHAN Kin *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 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 in the “Board of Directors of the Manager” section.

### **Mr Linus KOH Kia Meng**

#### ***Co-Chief Executive Officer***

Mr Koh 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 is Managing Director of Nutmeg Solutions Pte Ltd, focused on private equity investments and providing strategy and financial consultancy. From 2008 to 2009 he was President and Chief Operating Officer of the Singapore Mercantile Exchange. Mr Koh 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 in London and Singapore.

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.

### **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 organisational and regulatory rules and obligations, which includes evaluating processes and procedures for compliance, alerting management to current regulatory issues and maintaining the 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 and 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

### 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 in 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).

## Executive Officers of the Asset Manager

### Ms Aki KURAMITSU

#### Supervisor-Legal and Finance

Ms Kuramitsu oversees the financing and administration function of the Asset Manager and the 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 performed for property acquisitions and disposal. Ms Kuramitsu works closely with appraisal companies and engineering companies to evaluate suitable investment targets, and ensures that property valuation reports and engineering reports are produced in a timely and an appropriate manner.

### Ms Ikuko SHIMOYASHIKI

#### Supervisor-Leasing and Operations

Ms Shimoyashiki is based in Sapporo, Japan, and she oversees the property management, leasing and renovation functions of the Asset Manager. Under her supervision, the leasing team works directly and closely with property managers and property agents in each of the relevant cities in order to obtain up-to-date market information and to enhance or maintain occupancy rates at satisfactory levels.

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

She is also involved in the preparation of property management plans as well as capital expenditure and renovation budgets.

## March 2011 Earthquake

An earthquake with magnitude of 9.0 on the Richter scale had struck north-eastern Japan on 11 March 2011. Major aftershocks also occurred on 7 April 2011 and 11 April 2011. Saizen REIT has 28 properties in the affected regions of Sendai, Morioka and Koriyama.

Properties	TK operator	Extent of damage		
		(Note 1)	(Note 2)	(Note 3)
<b>Sendai</b>				
1 Aisho Plaza Hachiman	YK Shintoku	√		
2 Castle Kano	YK Shingen		√	
3 Clio Court	YK Shingen	√		
4 Core Life	YK Shingen			√
5 Etoile Higashi Sendai	YK Shintoku	√		√
6 Exceed Tsuchitoui	YK Shintoku	√		
7 Fantage Yaotome	GK Choan	√		
8 Floreecer Miyagino	GK Choan	√		
9 High Grace II	YK Shintoku	√	√	√
10 Liesse Wakabayashi	GK Choan			√
11 Lively Kamisugi	YK Shintoku	√		
12 Maison d'Etoile II	GK Choan		√	
13 Mansion Lilac	YK Shintoku	√		
14 Niken Chaya Grand Heights	YK Shintoku			√
15 Royal Hills Katagiri	YK Shingen			√
16 Royal Hills Komatsushima	GK Choan	√	√	√
17 Sun Hills Asahigaoka	YK Shintoku	√		
18 Sun Port 6	YK Shintoku	√	√	
19 Sun Rise Kashiwagi	YK Shintoku	√		
20 Sun Vario Shinden Eki Mae	YK Shingen	√		
21 Urban Hills Dainohara	YK Shintoku	√		√
22 YSK Co-op Saiwaicho	YK Shingen	√		
<b>Morioka</b>				
23 K2 Mansion Morioka	YK Shintoku	√		
24 Senboku Heim I	GK Choan	√		
25 Senboku Heim II	GK Choan	√		
<b>Koriyama</b>				
26 Arioso Phrase	GK Choan	√		
27 Leggiero Viola	YK Shingen	√		
28 Maestoso Figur	YK Shingen	√		

Notes:

1. No damage or minor damage to tiles and walls
2. Some sinkage of road and damage to pavement along the perimeter of property
3. Damage to furniture and fittings such as water heaters, pipes and entrance displays

### Impact on operations

Property operations remained stable after the March 2011 Earthquake. Average occupancy rates of the 28 properties have in fact experienced a slight improvement to 92% in the fourth quarter ended 30 June 2011 from 91% in the third quarter ended 31 March 2011, due to heightened demand for housing in and around the respective city centres as people sought to move into safer buildings which have withstood the earthquake. There has also been no material adverse impact on rental collection so far.

### Status of repair work

Out of 28 properties, 3 properties did not require any repairs. The more urgent repairs have been completed for all the other properties, while repair-work on 14 properties have been fully completed. It is expected all other remaining repairs will be substantially completed by end of the year.

Based on current estimates, repair expenses are expected to amount to no more than JPY 120 million.

As at 30 June 2011, rectification work amounting to approximately JPY 78 million has been performed.

### Nuclear risk

None of Saizen REIT's properties are within the current evacuation zone surrounding the nuclear power plant at risk. The Japanese authorities have been evacuating residents within 20 km of the affected power plant in Fukushima and have advised residents within 20 km to 30 km to remain indoors. Our properties closest to the affected nuclear plant are the 3 properties located in Koriyama, and they are more than 50 km away.

### Visit to Sendai

In the beginning of May 2011, 2 directors of the Manager, Mr Arnold Ip and Mr Raymond Wong, went to Sendai to see first-hand the conditions of Saizen REIT's properties as well as the overall state of Sendai city. The following is an extract of an article published in the June edition of the monthly newsletter of KK Tenyu Asset Management, the asset manager of Saizen REIT. This newsletter, named 'Kakehashi', can be downloaded from Saizen's website <http://www.saizenreit.com.sg>.

Extract from Kakehashi's June 2011 issue:

#### SENDAI IS FINE — By Raymond Wong

This is something you are not going to read about in newspapers. Sendai is almost perfectly fine — despite the fact that it being the single sizable Japanese city closest to 9-scale earthquake that struck on 3/11.

**How is that so?** Arnold and I spent 7 hours driving non-stop around the city one day in May, zig-zagging around the city to reach our 22 properties located there. Not only that the properties are all fine, the whole city, as seen through the 80 kilometers of ground coverage, through streets, roads, lanes and back streets, is also fine. In our path, we saw no collapsed buildings, no derelict or abandoned areas, no apparent signs of physical destruction. If you looked proactively to seek out those signs, yes, there are occasional cracks on the pavement, occasional boarded up buildings, occasional fallen objects. But they are few and far in between.

**Well, that is except for** one area close to where one of our buildings is located. This building is the only one of our 22 properties that was touched by the Tsunami-related flooding due to its proximity to the Sendai harbor.

Yet, this building is, surprisingly, perfectly fine. We could not even find the high water mark after walking around it for quite a while. No observable damages either. We drove away from this building deliberately towards the harbor for about 5 minutes, on the way we started to see some piled up and turned over cars, strewn around on the side of a road. This was the only clear sign of disaster seen on our entire 7-hour tour of the city. Still, some shops in this area have already re-opened, while others are under repair and renovation.

**Of course**, there are damages at our properties. Most common are a few fallen tiles, and some soil erosion around the perimeter of the buildings. This was seen at about 7 of our 22 properties. About two-thirds of our buildings can be described as "perfectly intact". We are affected by the earthquake for sure, but not in any devastating manner.

To be fair, what you saw on TV of coastal towns decimated by the Tsunami are real, horrible and sad. And that clearly wasn't a conspiracy. Arnold and I considered driving to one of these now-famous towns only to find that the closest one is around 3-hour drive away. Moreover, we were told by staff at the car rental company that these are not places we want to go, nor allowed to take their car to.

**Sendai is a city of over a million population.** The areas where most of these people live and work look fine to us. Our observation is not scientific nor statistically backed up in any manner, but projecting the Tsunami-stricken image of the rural coastal towns to Sendai city or to the entire Tohoku region is not accurate either. Our take is that the damage to the industrial and commercial infrastructure for this vast region is quite limited, and we expect recovery to be both soon and fast.

Typical examples of minor damages suffered.



## Property Feature



### La Finesse Hakata Eki Minami Fukuoka

La Finesse Hakata Eki Minami offers fully-furnished rooms and is about 7 minutes' walk to Hakata station, along the JR line.

Hakata station has expanded its operation in March 2011 after major renovations and is the biggest station in the Kyushu region in southern Japan. Hakata is well known for being a major business district, and with the expansion of the Hakata station, many retail shops have sprung up in the area.

**“It has a good security system and the vicinity is usually quiet in the evenings and weekends. The main station is nearby, within a few minutes’ walk”.** – a tenant

STATISTICS OF PROPERTY	
Year Built	2006
Latest Valuation (JPY million)	428.0
No. of Residential Units	50
No. of Car Parking Units	7
Net Lettable Area (sqm) (“NLA”)	1,228
Occupancy rate by NLA (as at 30 June 2011)	96%

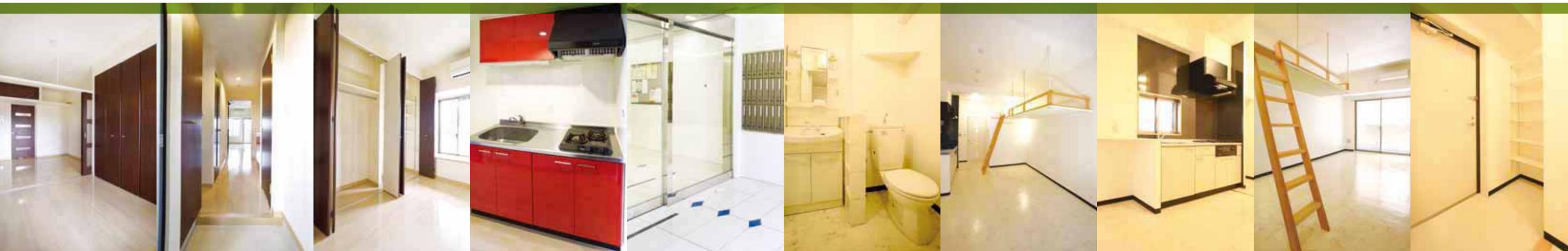
### Grand Polestone Otemachi Hiroshima

Grand Polestone Otemachi is located in the city center and is only a minute’s walk to City Hall station, along the Hiroshima city line. It is a few blocks away from the business and commercial district.

Grand Polestone Otemachi offers large units with full facilities and is popular with senior level single employees.

**“It has the perfect location with a short walking distance to city center, but yet is within a quiet residential area as it is located one street behind from the main street”.** – a tenant

STATISTICS OF PROPERTY	
Year Built	2007
Latest Valuation (JPY million)	441.0
No. of Residential Units	38
No. of Car Parking Units	8
Net Lettable Area (sqm) (“NLA”)	1,529
Occupancy rate by NLA (as at 30 June 2011)	98%



## Portfolio Summary

No.	Property Name	Year Built	Purchase Consideration (JPY million)	Latest Valuation <sup>(1)</sup> (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 and Commercial) as at 30 June 2011	Annual Rental Income <sup>(2)</sup> (JPY)	% of Total Rental Income for June 2011
<b>Fukuoka</b>												
1	Arati Hakata South	1991	472.0	309.0	62	0	15	1,406	1,376	91%	32,059,776	1.0%
2	Central Court Tenjin Higashi	1991	203.0	120.0	27	0	0	579	546	85%	12,204,000	0.4%
3	Chic Takaramachi	1985	243.0	201.0	30	0	17	2,102	1,949	90%	21,132,000	0.7%
4	Gold Mansion Nakao	1988	179.0	123.0	28	0	0	739	739	82%	11,034,000	0.3%
5	La Finess Hakata Eki Minami	2006	550.0	428.0	50	0	7	1,319	1,228	96%	38,366,352	1.2%
6	Le Pied Hirao	2000	288.0	231.0	32	0	10	1,004	794	97%	20,907,420	0.6%
7	Orion Heim	1996	268.0	202.0	29	0	6	963	815	97%	18,495,600	0.6%
8	Relief Ohorinishi	1989	132.0	108.0	17	0	0	519	450	100%	10,116,000	0.3%
9	Saumur Meinohama II	1991	76.0	51.0	14	0	0	290	290	86%	5,133,000	0.2%
10	Wing Befu	1992	206.0	100.0	29	0	3	768	751	83%	11,431,896	0.4%
	<b>Subtotal</b>		<b>2,617.0</b>	<b>1,873.0</b>	<b>318</b>	<b>0</b>	<b>58</b>	<b>9,689</b>	<b>8,938</b>		<b>180,880,044</b>	<b>5.6%</b>
<b>Hakodate</b>												
11	Matsukaze Building	1990	382.0	227.0	32	4	30	3,101	2,447	91%	29,199,936	0.9%
	<b>Subtotal</b>		<b>382.0</b>	<b>227.0</b>	<b>32</b>	<b>4</b>	<b>30</b>	<b>3,101</b>	<b>2,447</b>		<b>29,199,936</b>	<b>0.9%</b>
<b>Hiroshima</b>												
12	Estate 18 Shinonome	1990	253.3	251.0	68	0	0	1,133	1,142	90%	23,568,000	0.7%
13	Fujimicho Building	2007	513.0	340.0	32	1	4	1,047	960	92%	29,064,000	0.9%
14	Grand Polestone Fujimi	2005	228.4	160.0	19	0	1	598	548	79%	12,348,000	0.4%
15	Grand Polestone Higashi Hiratsuka	2007	505.0	384.0	39	1	3	1,414	1,312	93%	34,044,000	1.1%
16	Grand Polestone Kinya	2005	178.0	131.0	16	0	2	531	416	81%	9,780,000	0.3%
17	Grand Polestone Otemachi	2007	655.0	441.0	38	0	8	1,812	1,529	98%	40,188,000	1.2%
18	Grand Polestone Otemachi II	2007	470.0	358.0	30	0	6	1,271	1,197	100%	32,016,000	1.0%
19	Grand Polestone Takeya	2006	641.0	491.0	52	1	3	1,897	1,575	93%	39,672,000	1.2%
20	Grand Polestone Tsurumi	2006	465.0	339.0	36	0	5	1,216	1,060	86%	25,884,000	0.8%
21	Kusatsu Higashi Heights	1988	197.0	200.0	60	0	5	1,183	1,183	91%	21,630,000	0.7%
22	Matoba Meijibashi II	1996	324.0	276.0	42	0	5	916	820	91%	22,848,000	0.7%
23	Quest Tower Noboricho	2008	680.0	540.0	60	0	4	1,736	1,665	100%	51,285,600	1.6%
24	Royal Shinonome	1990	320.0	314.0	80	0	16	1,373	1,358	99%	32,526,000	1.0%
25	Shinonome Heights	1988	175.0	169.0	48	0	0	778	778	87%	16,032,000	0.5%
26	Villa Kaita	1992	300.0	308.0	80	0	3	1,408	1,335	87%	28,752,000	0.9%
27	VOGA Minami Kannon	1993	230.0	184.0	39	0	0	890	659	100%	17,568,000	0.5%
28	Wing Nakahirodori	2007	838.0	670.0	72	2	13	2,239	2,161	95%	54,835,896	1.7%
	<b>Subtotal</b>		<b>6,972.7</b>	<b>5,556.0</b>	<b>811</b>	<b>5</b>	<b>78</b>	<b>21,440</b>	<b>19,696</b>		<b>492,041,496</b>	<b>15.2%</b>
<b>Kagoshima</b>												
29	Abitare Korimoto	1990	338.0	245.0	58	0	3	1,279	1,277	95%	25,350,000	0.8%
30	Abitare Shimoarata I	1989	342.0	255.0	60	0	0	1,252	1,235	88%	23,490,000	0.7%
31	Abitare Shinyashiki	1989	316.0	239.0	54	0	0	1,409	1,292	100%	25,632,000	0.8%
32	Yamamoto Mansion	2004	765.0	537.0	99	1	8	2,762	2,672	95%	55,353,840	1.7%
	<b>Subtotal</b>		<b>1,761.0</b>	<b>1,276.0</b>	<b>271</b>	<b>1</b>	<b>11</b>	<b>6,703</b>	<b>6,476</b>		<b>129,825,840</b>	<b>4.0%</b>



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 2011. Rental income comprises base rental income, common area management fees and car parking rental income only

## Portfolio Summary

No.	Property Name	Year Built	Purchase Consideration (JPY million)	Latest Valuation <sup>(1)</sup> (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 and Commercial) as at 30 June 2011	Annual Rental Income <sup>(2)</sup> (JPY)	% of Total Rental Income for June 2011
<b>Kitakyushu</b>												
33	Alte Heim Kokura	1992	113.0	68.6	21	0	2	624	465	81%	7,152,000	0.2%
34	Alte Heim Kokura II	1995	586.0	375.0	87	1	9	1,833	1,799	84%	34,200,000	1.1%
35	Alte Heim Kokura IV	1989	124.0	86.9	17	0	2	818	733	87%	9,788,400	0.3%
36	Alte Heim Mojekimae	1992	211.0	155.0	31	0	8	774	699	94%	15,612,000	0.5%
37	Chalet Aoyama	1989	325.0	228.0	40	0	24	2,098	2,098	89%	24,934,800	0.8%
38	Chalet Einomaru II	1991	147.0	102.0	20	0	9	937	937	88%	11,067,600	0.3%
39	Chalet Harunomachi	1991	478.6	340.0	50	0	20	3,089	2,750	80%	31,908,000	1.0%
40	Chalet Kanda II	1992	341.0	241.0	38	0	25	2,094	2,094	95%	25,788,000	0.8%
41	Chalet Kishinoura	1991	384.0	269.0	41	0	23	1,754	1,727	88%	25,240,800	0.8%
42	Chalet Matsuo II	1991	78.8	51.3	12	0	1	411	411	80%	5,196,000	0.2%
43	Chalet Numahon Machi II	1991	246.0	137.0	20	3	14	1,344	1,313	72%	13,286,568	0.4%
44	Chalet Shiragane	1990	285.0	205.0	21	1	5	1,337	1,316	92%	21,384,000	0.7%
45	Chalet Suwamachi	1996	387.0	260.0	28	0	23	2,317	2,221	82%	24,162,000	0.7%
46	Chalet Tsudashin Machi	1990	193.0	126.0	23	2	0	1,276	1,227	74%	11,844,000	0.4%
47	City Room Nakai III	1998	193.0	147.0	30	0	5	855	855	100%	15,660,228	0.5%
48	Katano Residential Building	1990	515.0	325.0	34	2	36	3,721	2,315	92%	33,529,152	1.0%
49	Shinko Kokura Kogane Sky Mansion	1990	267.0	197.0	54	1	4	1,209	1,161	90%	20,804,880	0.6%
	<b>Subtotal</b>		<b>4,874.4</b>	<b>3,313.8</b>	<b>567</b>	<b>10</b>	<b>210</b>	<b>26,489</b>	<b>24,121</b>		<b>331,558,428</b>	<b>10.3%</b>
<b>Koriyama</b>												
50	Arioso Phrase	2006	475.0	431.0	45	0	43	1,949	1,882	90%	38,227,404	1.2%
51	Leggiero Viola	2004	375.0	263.0	33	0	37	1,656	1,414	87%	24,822,252	0.8%
52	Maestoso Figur	2000	456.0	340.0	45	0	45	1,710	1,662	90%	31,456,200	1.0%
	<b>Subtotal</b>		<b>1,306.0</b>	<b>1,034.0</b>	<b>123</b>	<b>0</b>	<b>125</b>	<b>5,316</b>	<b>4,957</b>		<b>94,505,856</b>	<b>2.9%</b>
<b>Kumamoto</b>												
53	EMYU Heisei Keyakidori Mansion	2007	956.0	679.0	90	0	53	4,281	3,699	90%	60,866,400	1.9%
54	EMYU Honjo	2006	1,100.0	847.0	99	0	30	4,160	3,458	97%	76,065,000	2.4%
55	EMYU Shinmachi	2006	761.0	580.0	81	0	22	2,932	2,517	98%	54,271,200	1.7%
56	EMYU Suizenji	2006	1,305.0	1,033.0	119	0	57	4,503	4,257	98%	89,287,200	2.8%
57	KC Heights	1980	155.0	97.4	20	0	21	1,283	1,152	100%	12,542,400	0.4%
58	Mon Palais Toroku	1994	362.0	210.0	72	0	10	1,740	1,494	87%	21,795,600	0.7%
59	Rise Fujisaki Dai	2006	331.0	299.0	36	0	8	1,405	1,338	100%	26,832,000	0.8%
60	Rise Heiseiekimae	2007	225.0	189.0	18	2	7	863	852	96%	17,069,724	0.5%
61	Rise Kojo Horibata	2004	111.0	69.0	12	0	6	442	345	100%	6,940,800	0.2%
62	Rise Kuhonji II	2005	484.0	344.0	45	3	4	1,973	1,884	100%	31,666,440	1.0%
63	Rise Kumamoto Station South	2006	211.0	150.0	20	0	7	980	940	88%	13,428,000	0.4%
64	Rise Oe	1998	306.0	237.0	36	1	0	1,204	1,163	94%	23,004,000	0.7%
65	Rise Shimodori	2005	389.0	268.0	36	0	13	1,398	1,265	100%	24,176,160	0.7%
66	Romaug Kamidori Namikizaka	2007	750.0	638.0	56	13	6	3,048	2,796	93%	57,580,440	1.8%
	<b>Subtotal</b>		<b>7,446.0</b>	<b>5,640.4</b>	<b>740</b>	<b>19</b>	<b>244</b>	<b>30,214</b>	<b>27,161</b>		<b>515,525,364</b>	<b>15.9%</b>



### Notes:

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## Portfolio Summary

	No.	Property Name	Year Built	Purchase Consideration (JPY million)	Latest Valuation <sup>(1)</sup> (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 and Commercial) as at 30 June 2011	Annual Rental Income <sup>(2)</sup> (JPY)	% of Total Rental Income for June 2011
<b>Kurashiki</b>	67	Gardenia Kurashiki	1994	148.0	120.0	19	0	10	869	846	95%	13,903,152	0.4%
		<b>Subtotal</b>		<b>148.0</b>	<b>120.0</b>	<b>19</b>	<b>0</b>	<b>10</b>	<b>869</b>	<b>846</b>		<b>13,903,152</b>	<b>0.4%</b>
<b>Morioka</b>	68	K2 Mansion Morioka	1997	380.0	289.0	42	0	44	1,880	1,870	87%	27,432,000	0.8%
	69	Senboku Heim I	1991	204.0	158.0	24	0	26	1,325	1,230	100%	18,468,000	0.6%
	70	Senboku Heim II	1995	125.0	76.6	12	0	8	786	713	100%	8,916,000	0.3%
		<b>Subtotal</b>		<b>709.0</b>	<b>523.6</b>	<b>78</b>	<b>0</b>	<b>78</b>	<b>3,991</b>	<b>3,813</b>		<b>54,816,000</b>	<b>1.7%</b>
<b>Niigata</b>	71	Geo Kamiokawamaedori 3	2005	450.2	366.0	54	0	6	1,605	1,351	100%	33,360,000	1.0%
	72	Hills Kawabata	2006	315.0	269.0	40	0	0	1,320	1,067	100%	24,000,000	0.7%
	73	Hills Nogizaka	2006	404.9	302.0	32	3	0	1,402	1,302	83%	27,720,000	0.9%
		<b>Subtotal</b>		<b>1,170.1</b>	<b>937.0</b>	<b>126</b>	<b>3</b>	<b>6</b>	<b>4,327</b>	<b>3,720</b>		<b>85,080,000</b>	<b>2.6%</b>
<b>Oita</b>	74	Taisei Building III	1979	373.0	263.0	45	8	8	3,315	2,827	89%	34,677,000	1.1%
		<b>Subtotal</b>		<b>373.0</b>	<b>263.0</b>	<b>45</b>	<b>8</b>	<b>8</b>	<b>3,315</b>	<b>2,827</b>		<b>34,677,000</b>	<b>1.1%</b>
<b>Sapporo</b>	75	Aster Yamahana	1987	193.0	128.0	20	0	10	1,015	986	95%	14,556,000	0.5%
	76	Casa Motomachi	2007	341.0	291.0	32	1	14	1,616	1,364	94%	28,209,840	0.9%
	77	Chateau 24	1994	649.0	394.0	84	2	45	2,580	2,105	88%	39,600,936	1.2%
	78	Chateau Nakanoshima	1989	298.0	194.0	49	0	17	1,775	1,379	79%	19,464,000	0.6%
	79	Dear Misono	1996	61.0	37.0	9	1	2	361	314	72%	3,756,000	0.1%
	80	Dominion Yamanote	1988	179.0	134.0	33	0	5	964	800	91%	14,700,000	0.5%
	81	Ebisu Building III	1985	91.0	65.0	16	0	0	459	403	94%	6,720,000	0.2%
	82	Estella 24-ken A	2006	109.0	66.0	12	0	1	468	372	92%	6,852,000	0.2%
	83	First Kotake Building	1984	1,147.0	824.0	28	8	16	4,379	3,169	85%	63,297,720	2.0%
	84	Glance Nishimachi	1993	466.0	323.0	40	0	37	3,192	2,668	100%	39,456,000	1.2%
	85	Heart Inn Hongou	1989	103.0	69.6	20	0	4	503	458	70%	6,000,000	0.2%
	86	Infinity Higashi Sapporo	1991	244.0	149.0	22	2	10	1,732	1,398	84%	15,996,000	0.5%
	87	Jeunes 23	1988	376.0	226.0	34	1	14	1,700	1,502	93%	24,610,572	0.8%
	88	Kohatsu 88	1990	68.1	44.0	8	1	0	533	453	100%	5,892,000	0.2%
	89	Kotoni 1-6 Mansion	1990	351.0	249.0	42	2	6	1,923	1,662	89%	26,197,440	0.8%
	90	Les Chambres	1986	89.7	61.0	20	0	3	546	469	80%	6,252,000	0.2%
	91	Luna Heights	1988	316.0	220.0	50	0	2	1,575	1,304	96%	23,928,000	0.7%
	92	Maison Towa	1988	210.0	150.0	25	2	7	1,502	1,149	93%	18,300,000	0.6%
	93	Matsui 53	1988	243.0	150.0	36	0	4	1,233	1,074	89%	17,472,000	0.5%
	94	Matsui 82	1989	452.0	315.0	48	2	4	2,970	2,483	86%	33,636,000	1.0%
	95	Misono	1991	339.0	274.0	26	8	16	1,837	1,598	94%	28,361,796	0.9%
	96	Park Crystal	1990	317.0	218.0	56	0	5	1,575	1,286	89%	21,775,200	0.7%
	97	Plaza Nakajima Park	1990	370.0	249.0	37	0	14	2,465	2,189	77%	24,684,000	0.8%
	98	Residence Shiroishi ABCD	1988(A,B) 1989(C,D)	525.0	456.0	124	0	25	3,927	3,492	78%	45,060,000	1.4%



### 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 2011. Rental income comprises base rental income, common area management fees and car parking rental income only

## Portfolio Summary

No.	Property Name	Year Built	Purchase Consideration (JPY million)	Latest Valuation <sup>(1)</sup> (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 and Commercial) as at 30 June 2011	Annual Rental Income <sup>(2)</sup> (JPY)	% of Total Rental Income for June 2011
<b>Sapporo</b>												
99	S. Heim	1987	136.0	93.9	26	0	8	794	636	96%	11,423,424	0.4%
100	Sec' As Blue II	2004	440.0	299.0	48	0	11	2,159	1,643	100%	33,261,420	1.0%
101	Suien	2004	131.0	88.0	15	0	0	681	577	87%	8,796,000	0.3%
102	Sun City	1988	404.0	275.0	50	0	18	4,316	2,833	95%	38,395,128	1.2%
103	Three Tower	1992	1,071.0	720.0	57	3	103	6,258	5,569	84%	80,623,596	2.5%
104	TOA Mansion	1988	823.0	570.0	70	1	28	5,335	4,406	90%	58,038,012	1.8%
105	Towa Kita 7 Jo	1989	350.0	339.0	33	0	23	2,781	2,509	100%	37,306,344	1.2%
106	Towa Kotoni	1989	330.0	282.0	29	0	18	2,330	2,084	91%	29,286,000	0.9%
107	Treasure 15	1990	187.0	134.0	36	0	0	886	879	78%	11,964,000	0.4%
108	Urban Yamahana	1990	136.0	104.0	18	0	11	829	752	78%	10,212,000	0.3%
<b>Subtotal</b>			<b>11,545.8</b>	<b>8,191.5</b>	<b>1,253</b>	<b>34</b>	<b>481</b>	<b>67,199</b>	<b>55,964</b>		<b>854,083,428</b>	<b>26.4%</b>
<b>Sendai</b>												
109	Aisho Plaza Hachiman	1991	240.0	175.9	27	0	0	643	607	94%	16,176,000	0.5%
110	Castle Kano	1989	256.0	179.0	30	0	1	1,091	1,038	98%	18,832,200	0.6%
111	Clio Court	1988	244.0	182.0	20	0	13	1,178	1,097	100%	20,275,428	0.6%
112	Core Life	1990	541.0	424.0	46	3	43	4,780	3,849	94%	49,759,260	1.5%
113	Etoile Higashi Sendai	1987	123.0	90.6	15	0	7	652	652	100%	10,218,012	0.3%
114	Exceed Tsuchitai	1998	119.0	73.4	14	0	2	378	314	86%	7,795,200	0.2%
115	Fantage Yaotome	1998	285.0	203.0	24	0	19	1,430	1,363	100%	23,301,960	0.7%
116	Floreceer Miyagino	1999	239.2	242.0	39	0	30	1,082	1,021	88%	25,184,640	0.8%
117	High Grace II	1998	413.0	265.1	50	1	10	1,206	1,125	79%	24,023,400	0.7%
118	Liesse Wakabayashi	1995	179.0	128.0	32	0	9	781	671	94%	14,946,228	0.5%
119	Lively Kamisugi	1991	91.8	63.9	12	0	3	294	277	100%	6,744,000	0.2%
120	Maison d'Etoile II	1984	122.0	79.0	28	0	0	661	598	100%	12,834,000	0.4%
121	Mansion Lilac	1990	64.0	38.0	6	0	0	294	270	67%	3,336,000	0.1%
122	Niken Chaya Grand Heights	1979	479.0	338.9	40	0	18	2,713	2,287	95%	36,636,000	1.1%
123	Royal Hills Katagiri	1994	197.0	153.0	27	0	10	937	732	93%	14,436,000	0.4%
124	Royal Hills Komatsushima	1990	174.0	127.0	26	0	5	691	678	89%	13,056,000	0.4%
125	Sun Hills Asahigaoka	1987	70.2	49.7	15	0	0	335	334	94%	5,592,000	0.2%
126	Sun Port 6	1986	189.0	141.8	35	0	13	887	883	78%	12,566,880	0.4%
127	Sun Rise Kashiwagi	1997	249.0	162.6	31	0	4	680	666	96%	16,356,000	0.5%
128	Sun Vario Shinden Eki Mae	2006	494.0	389.0	47	0	26	1,715	1,527	98%	35,711,544	1.1%
129	Urban Hills Dainohara	1991	164.0	120.4	33	0	0	757	677	85%	11,724,000	0.4%
130	YSK Co-op Saiwaicho	1993	513.0	414.0	25	5	27	2,810	2,218	93%	37,689,324	1.2%
<b>Subtotal</b>			<b>5,446.2</b>	<b>4,040.1</b>	<b>622</b>	<b>9</b>	<b>240</b>	<b>25,993</b>	<b>22,883</b>		<b>417,194,076</b>	<b>12.9%</b>
<b>Grand Total</b>			<b>44,751.2</b>	<b>32,995.4</b>	<b>5,005</b>	<b>93</b>	<b>1,579</b>	<b>208,644</b>	<b>183,849</b>		<b>3,233,290,620</b>	<b>100%</b>



### Notes:

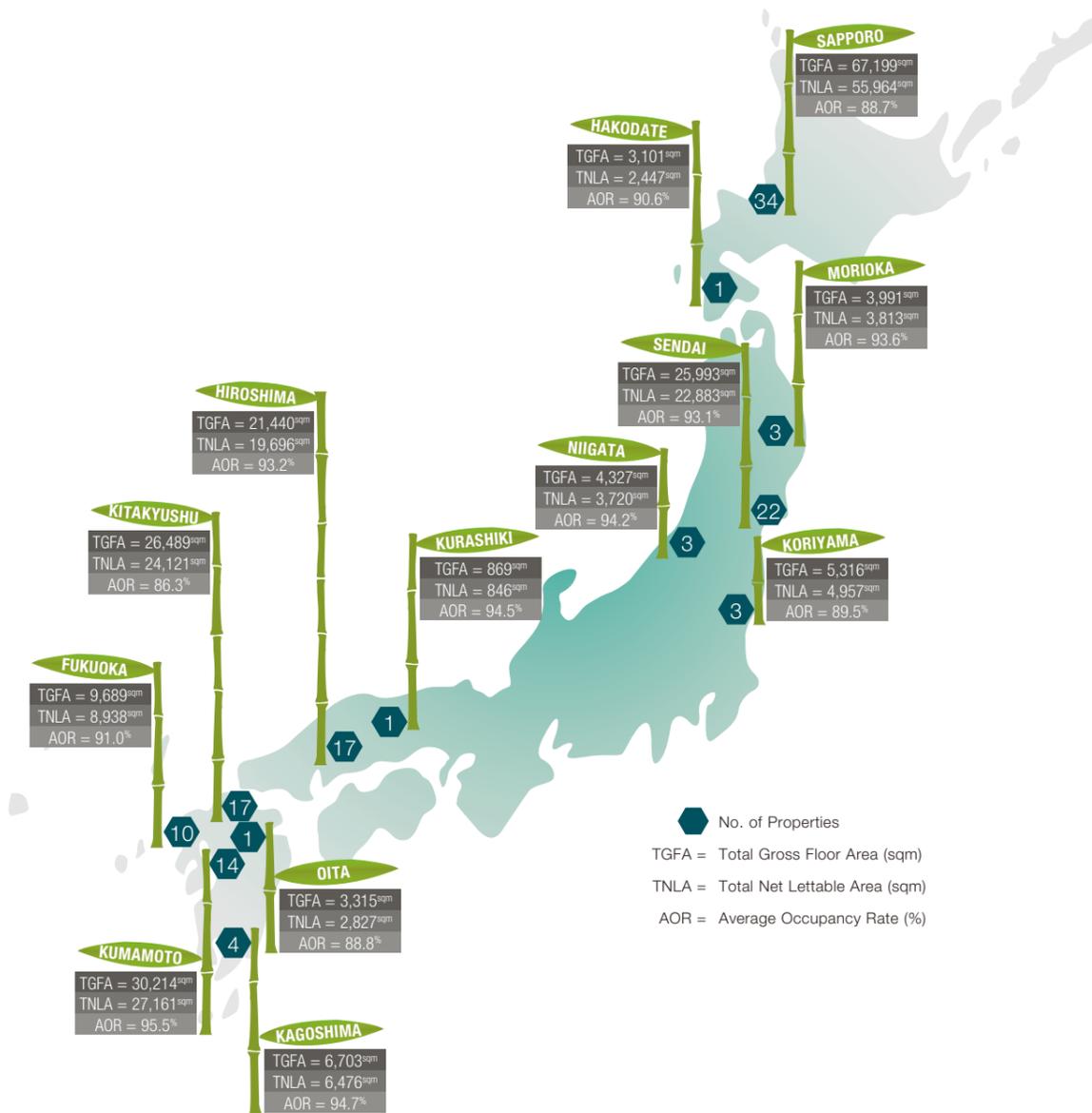
1. The valuations were determined using income approach, which includes the direct capitalisation method and discounted cash flow method
2. The annual rental income represents the annualised rental income of each property in June 2011. Rental income comprises base rental income, common area management fees and car parking rental income only

# Portfolio Overview

## Geographical distribution

As at 30 June 2011, Saizen REIT's portfolio consists of 130 properties located across 13 regional Japanese cities.

The map below shows the cities where Saizen REIT operates as at 30 June 2011:



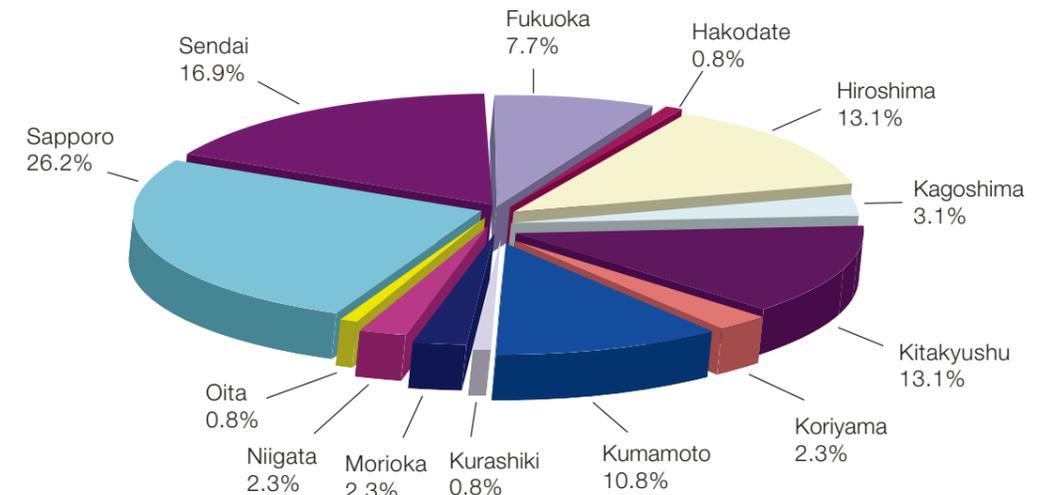
## Lease terms and tenant profile

As at 30 June 2011, the property portfolio of Saizen REIT comprises 5,005 residential units and 93 commercial units, of which 4,580 residential units and 72 commercial units were occupied. Over 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 less than 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 FY2011, tenant turnover rates (i.e. rate of termination of leases by tenants) of Saizen REIT's property portfolio were 23% for the small type units, 20% for the medium type units and 15% 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 4,652 occupied residential and commercial units as at 30 June 2011. Given the broad tenant base, we believe the risk associated with 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 0.5% of the gross monthly rental revenue of Saizen REIT in June 2011. 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 2011. 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 (%)

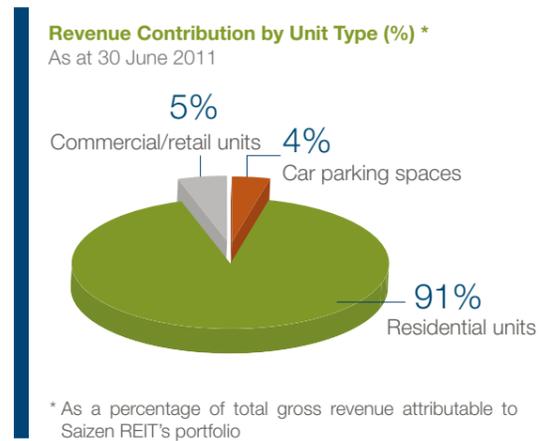
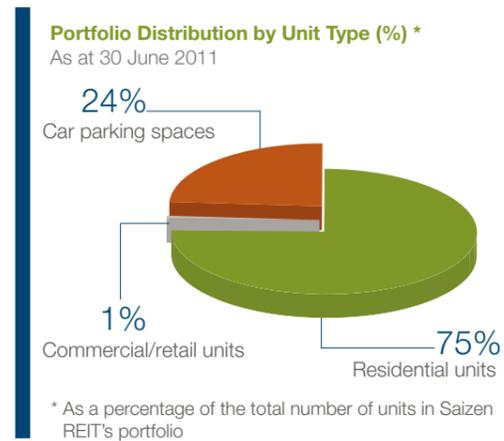
As at 30 June 2011

Note: This figure does not add up to 100% due to rounding

## Portfolio Overview

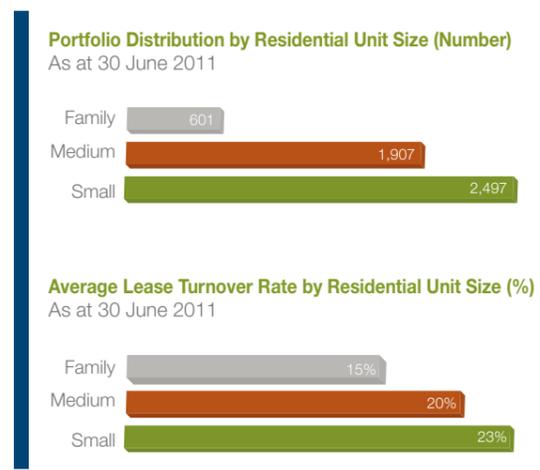
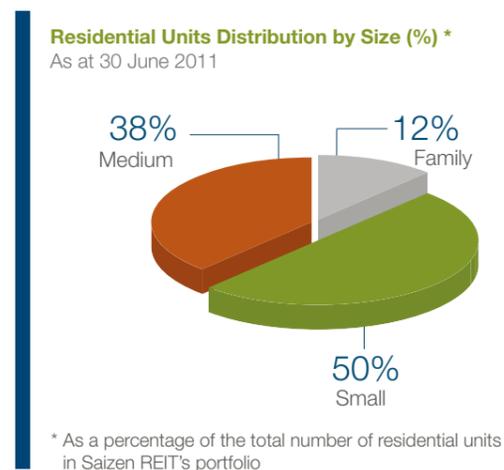
### Unit Type

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.



### 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.

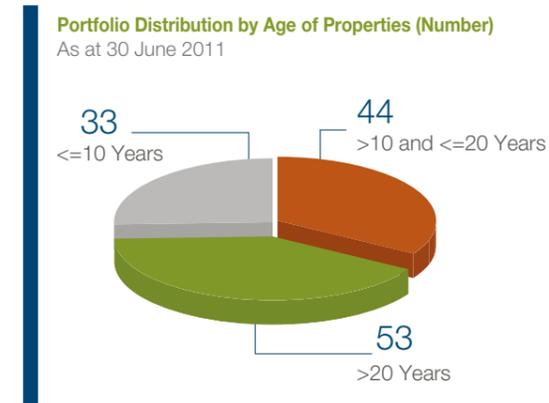


Below are descriptions of the general characteristics of a typical residential unit type:

Type	Layout and Size	Tenant Profile	Location
Small	<b>Layout Type</b> Studio (1R) Studio plus kitchen (1K) <b>Average Size</b> 20sqm – 35sqm	Young working singles, students	– Downtown, around major business and entertainment areas. – Towns along major transportation networks linking major business and commercial centres (“Bed Towns”) – Close to educational institutions
Medium	<b>Layout Type</b> 1 Bedroom plus dining and kitchen (1DK) 2 Bedrooms plus dining and kitchen (2DK) 2 Bedrooms plus living, dining and kitchen (2LDK) <b>Average Size</b> 35sqm – 50sqm	Young professionals, working singles, working couples	– Suburbs, residential areas – Bed Towns near transportation networks and basic amenities (e.g. schools, hospitals, supermarkets)
Family	<b>Layout Type</b> 3 Bedrooms plus living, dining and kitchen (3LDK) <b>Average Size</b> 50sqm and above	Families	

### Portfolio Distribution by Age of Properties

About 25% of Saizen REIT's 130 properties are less than 10 years old, while about 34% of Saizen REIT's properties are between 10 and 20 years old. The remaining 41% of Saizen REIT's properties were built more than 20 years ago. The weighted average age of Saizen REIT's properties is 14.4 years.

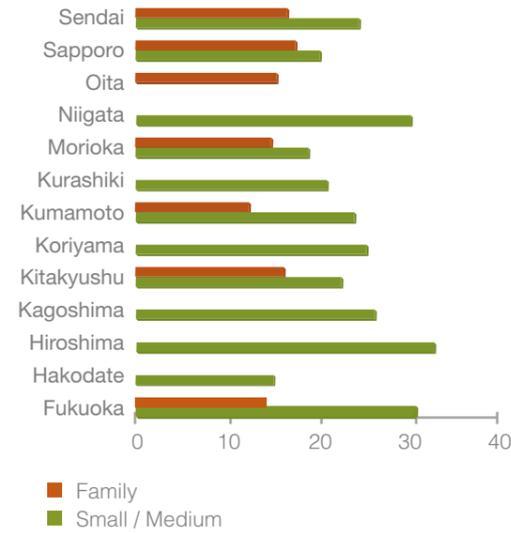


# Portfolio Overview

## Rental Rates

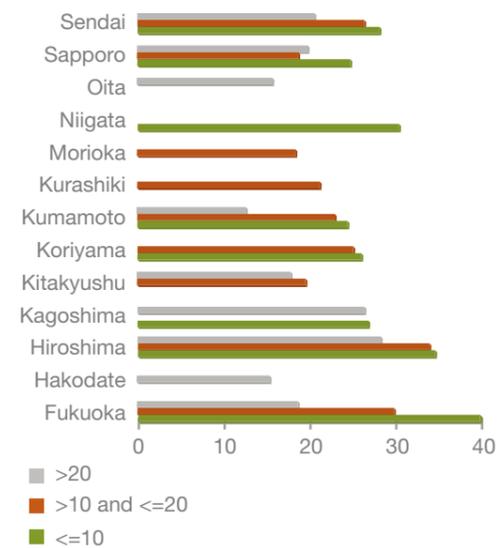
The table below shows the average rental per square meter by property age for each city in which Saizen REIT operates:

**Average S\$/sqm Rental Rates by Unit Type**  
As at 30 June 2011



\* Computed based on an exchange rate of JPY65.5 : S\$1.00

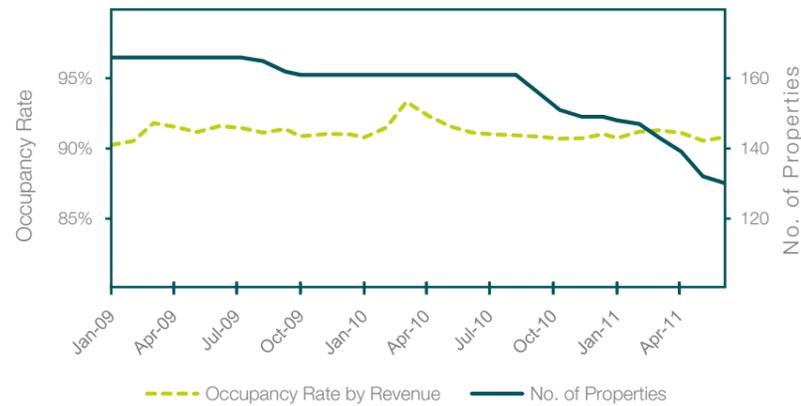
**Average S\$/sqm\* Rental Rates by Property Age**  
As at 30 June 2011



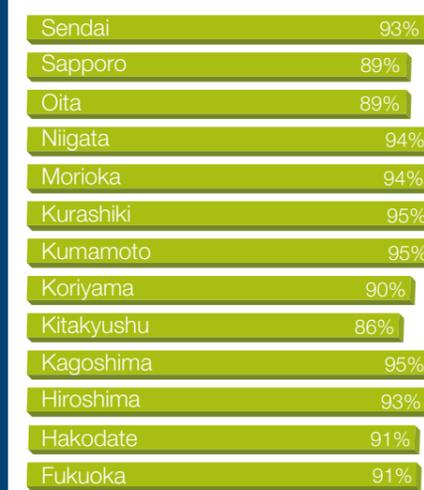
\* Computed based on an exchange rate of JPY65.5 : S\$1.00

## Occupancy Rates

Saizen REIT's portfolio has maintained stable occupancy. The diversification in terms of number of units (5,005 residential, 93 commercial and 1,579 car parking spaces), geographical distribution (13 cities) and a large tenant base further enhances stability.



**Occupancy Rates by Geographical Distribution (%)**  
As at 30 June 2011



**Occupancy Rates by Property Age (%)\***  
As at 30 June 2011



\* Occupancy rate of residential and commercial units in Saizen REIT's portfolio

**Occupancy Rates by Residential Unit Size (%)**  
As at 30 June 2011





# 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 (“**SGX-ST**”), 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 financial year ended 30 June 2011:

### 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.

# CORPORATE GOVERNANCE

## 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 long-term success of the company. The board works with management to achieve this objective 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 controls and business risk management process.

The Board also considers sustainability issues as part of its strategy formulation process. Please see the sub-section entitled "Sustainability Matters" below for further information.

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 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)
- Ms Li Yick Yee Angie (Non-Executive Director)

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. Changes to regulations, policies and accounting standards are monitored closely. Where the changes have an important bearing on Saizen REIT's, 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. Where appropriate, further training conducted by external experts or internal staff will be arranged for directors.

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-sections entitled "Communications with Shareholders" and "Management of Business Risk" below respectively.

In addition to the above-mentioned responsibilities of the Board and those of its various sub-committees, other matters which have to be presented to the Board for consideration and approval include, *inter alia*:

- the appointment and resignation of directors and senior management staff such as the chief executive officer;
- the opening of bank accounts and derivative trading accounts by Saizen REIT;
- financing-related issues such as obtaining new loans and refinancing existing loans;
- corporate actions to be carried out by Saizen REIT (eg. rights issues);
- business continuity plans; and
- expenditures of Saizen REIT which amount to more than S\$1 million.

During the financial year ended 30 June 2011, the Manager has held 8 Board meetings and 4 Audit Committee meetings respectively. Of the 8 Board meetings held, 4 of them were Quarterly Review Board Meetings and 4 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
<b>No. of meetings held:</b>	4	4	4
Mr Arnold Ip Tin Chee	4	4	4
Mr Chang Sean Pey	4	4	4
Mr Raymond Wong Kin Jeon	3	4	4
Mr Soh Yew Hock <sup>1</sup>	4	4	4
Mr Dennis Lam Siu Sun <sup>1</sup>	4	4	4
Mr Harold Sun Dai Hoe <sup>1</sup>	4	4	4
Mr Chan Kin <sup>2</sup>	-	-	-
Ms Li Yick Yee Angie <sup>2</sup>	1	1	1

Notes:

1. Members of Audit Committee
2. Mr Chan Kin and Ms Li Yick Yee Angie were 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 LPD, 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.

## CORPORATE GOVERNANCE

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 work 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 and for 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 works together with Mr Chang Sean Pey, with both holding the appointment 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 other price sensitive public reports, and in reports to regulators (if required).

## CORPORATE GOVERNANCE

### 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;
- approving the hiring, removal, evaluation and compensation of the head of the internal audit function, or accounting/auditing firm if the internal audit function is outsourced;
- 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 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 control system 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. The total fees paid to the external auditors for the financial year ended 30 June 2011 was JPY 35.2 million, comprising fees of JPY 34.2 million and JPY 1.0 million for audit and non-audit services respectively.

Saizen REIT complies with Rules 712 and 715 of the Listing Manual in relation to its auditing firm.

Audit Committee meetings are generally held after the end of each quarter of every financial year. During the year ended 30 June 2011, 4 Audit Committee meetings have been held. Details of the members' participation in the Audit Committee meetings are set out in the sub-section entitled "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 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 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. The Manager's internal control system manual is reviewed and updated at least semi-annually.

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, including financial, operational and compliance 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 are 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.

## CORPORATE GOVERNANCE

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 principle 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 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 Unitholders and/or the investment community includes 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](http://www.saizenreit.com.sg).

The annual general meeting (“**AGM**”) of Saizen REIT will be held on 25 October 2011. 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.

### DISTRIBUTION POLICY

Saizen REIT’s distribution policy is to distribute at least 90% of its income available for distribution to Unitholders on a semi-annual basis.

### 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 is appointed by the Board from among the directors of the Manager and operates under the delegated authority of the Board.

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, 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;

## CORPORATE GOVERNANCE

- 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); and
- 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) 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.

### SUSTAINABILITY MATTERS

The Board considers sustainability issues as part of its strategy formulation process to ensure that Saizen REIT’s rental business is conducted responsibly within the cities where it operates, particularly from the environmental and social aspects.

By looking beyond economic, strategic and operational factors to include social and environmental considerations, sustainability reviews allow the Manager to consider emerging risk areas and develop appropriate responses that help protect corporate reputation and improve shareholder value.

#### Environmental impact

In 1981, the seismic design building code of Japan was revised to introduce new standards for earthquake design. All but three (Taisei Building III, Niken Chaya Grand Heights and KC Heights) of Saizen REIT’s properties were built after 1981 and hence were constructed in accordance with these new standards. Separate inspections had been commissioned for Taisei Building III, Niken Chaya Grand Heights and KC Heights, and these three buildings were certified to be in compliance with the earthquake requirements.

An earthquake with magnitude of 9.0 on the Richter scale and a tsunami had struck north-eastern Japan on 11 March 2011. Major aftershocks also occurred on 7 April 2011 and 11 April 2011. Saizen REIT has 28 properties in the affected regions of Sendai, Morioka and Koriyama. Inspections on all affected properties revealed only minor damage. This was a testament to the construction and engineering standards of Saizen REIT’s properties.

Saizen REIT is also committed in ensuring that its properties comply with pollution regulations. A property’s compliance with pollution regulations is assessed and included in engineering reports which are prepared for sale- or financing-related transactions.

#### Social impact

Saizen REIT’s business is to provide rental housing to the mass market segment of the Japanese housing market. The Asset Manager and property managers have carried out various initiatives to assist people who face problems renting basic accommodations due to budgetary constraints or the lack of a guarantor.

Following the earthquake in March 2011, vacant rooms in Saizen REIT’s properties in Sendai were offered to earthquake victims who required urgent temporary accommodation. Priority was placed on carrying out urgent repairs on areas such as the supply of water and electricity to ensure that basic amenities were available to tenants.

Saizen REIT ensures that it works with certified service providers such as property managers, contractors, valuers and real estate agents and that it pays fees which are competitive and at market rates.

The Manager and the Asset Manager do not practise any gender discrimination in their employment policies, with males and females making up about 40% and 60% respectively of their total staff and directors.

## REPORT OF THE TRUSTEE

For the financial year ended 30 June 2011

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 (the "Trust") and its subsidiaries (the "Group") in trust for the unitholders. In accordance with the Securities and Futures Act, Chapter 289 of Singapore, its subsidiary legislation and the Code on Collective Investment Schemes, 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 Group during the period covered by these financial statements, set out on pages 59 to 109 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



Antony Wade Lewis  
Director

Singapore  
22 September 2011

## STATEMENT BY THE MANAGER

For the financial year ended 30 June 2011

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 109, comprising the Balance Sheets for Saizen REIT and the Group and Portfolio Statement for the Group as at 30 June 2011, 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 year 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 2011, 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 year 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, there are reasonable grounds to believe that Saizen REIT will be able to meet its financial obligations as and when they materialise.

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



Chang Sean Pey  
Director  
Singapore  
22 September 2011

## INDEPENDENT AUDITOR'S REPORT

(Constituted under a Trust Deed in the Republic of Singapore)

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 109, which comprise the Balance Sheets of Saizen REIT and of the Group and Portfolio Statement of the Group as at 30 June 2011, 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 2011, and a summary of significant accounting policies and other explanatory information.

### 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 and for such internal control as the Manager of the Trust determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### 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 2011, 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 2011 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.



PricewaterhouseCoopers LLP  
Public Accountants and Certified Public Accountants

Singapore,  
22 September 2011

## STATEMENTS OF TOTAL RETURN

For the financial year ended 30 June 2011

	Note	Group		Saizen REIT	
		2011 JPY'000	2010 JPY'000	2011 JPY'000	2010 JPY'000
Gross revenue	4	3,868,026	4,132,792	695,811	940,249
Property operating expenses	5	(1,331,842)	(1,350,183)	-	-
<b>Net property income/distribution income</b>		<b>2,536,184</b>	2,782,609	<b>695,811</b>	940,249
Interest income		1,035	1,962	78	7
Manager's management fees		(191,994)	(210,646)	(191,994)	(210,646)
Asset management fees		(33,131)	(26,691)	-	-
Trustee's fees		(9,405)	(10,180)	(9,405)	(10,180)
Other trust expenses	6	(92,494)	(114,016)	(81,397)	(87,667)
Finance costs, net	7	(749,966)	(867,488)	31,599	(4,748)
Issue expenses		-	(4,110)	-	(4,110)
Other administrative expenses		(174,286)	(141,302)	(26,731)	(23,994)
<b>Net income from operations</b>		<b>1,285,943</b>	1,410,138	<b>417,961</b>	598,911
Loss on divestment of investment properties		(581,063)	(57,699)	-	-
Net fair value gain/(loss) on financial derivatives					
- fair value through profit or loss		119,150	(466,184)	133,413	(409,298)
Net fair value loss on investment properties	15	(1,569,103)	(1,698,345)	-	-
Impairment loss on investment in subsidiaries		-	-	(1,309,104)	(909,076)
<b>Total loss for the year before income tax</b>		<b>(745,073)</b>	(812,090)	<b>(757,730)</b>	(719,463)
Income tax	8	(140,247)	(63,397)	(139,502)	(206,404)
<b>Total loss for the year after income tax before distribution</b>		<b>(885,320)</b>	(875,487)	<b>(897,232)</b>	(925,867)
Less: Distribution		(573,944)	-	(573,944)	-
<b>Total loss for the year after income tax and distribution</b>		<b>(1,459,264)</b>	(875,487)	<b>(1,471,176)</b>	(925,867)
<b>Total loss for the year after income tax before distribution attributable to:</b>					
Unitholders		(841,543)	(883,878)	(897,232)	(925,867)
Non-controlling interests		(43,777)	8,391	-	-
		<b>(885,320)</b>	(875,487)	<b>(897,232)</b>	(925,867)
<b>Loss per unit (JPY)</b>					
- Basic and diluted	9	(0.76)	(0.93)		

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

## BALANCE SHEETS

As at 30 June 2011

	Note	Group		Saizen REIT	
		2011 JPY'000	2010 JPY'000	2011 JPY'000	2010 JPY'000
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents	10	3,032,810	2,368,910	173,356	290,216
Deposits with cash management agent	11	423,927	1,247,262	-	-
Trade and other receivables	12	28,036	37,721	2,009,360	1,556,046
Other current assets	13	33,844	45,222	1,023	1,746
		3,518,617	3,699,115	2,183,739	1,848,008
<b>Non-current assets</b>					
Investments in subsidiaries	14	-	-	23,810,325	24,355,372
Investment properties	15	32,995,420	40,381,700	-	-
		32,995,420	40,381,700	23,810,325	24,355,372
<b>Total assets</b>		<b>36,514,037</b>	<b>44,080,815</b>	<b>25,994,064</b>	<b>26,203,380</b>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Rental deposits		463,390	602,947	-	-
Rental received in advance		208,857	256,888	-	-
Borrowings	16	357,187	7,827,162	-	-
Other current liabilities	17	603,594	394,464	75,289	85,598
Current tax liabilities		419,604	356,545	403,733	302,223
Derivative financial instruments	18	1,038,614	2,189,316	1,038,614	2,189,316
		3,091,246	11,627,322	1,517,636	2,577,137
<b>Non-current liabilities</b>					
Rental deposits		25,589	23,594	-	-
Borrowings	16	8,579,696	8,453,768	-	-
Derivative financial instruments	18	64,085	84,817	-	-
		8,669,370	8,562,179	-	-
<b>Total liabilities</b>		<b>11,760,616</b>	<b>20,189,501</b>	<b>1,517,636</b>	<b>2,577,137</b>
<b>Net assets</b>		<b>24,753,421</b>	<b>23,891,314</b>	<b>24,476,428</b>	<b>23,626,243</b>
<b>Represented by:</b>					
Unitholders		24,788,797	23,882,923	24,476,428	23,626,243
Non-controlling interests		(35,376)	8,391	-	-
		24,753,421	23,891,314	24,476,428	23,626,243
<b>Number of units in issue ('000)</b>	20	<b>1,182,250</b>	<b>953,203</b>	<b>1,182,250</b>	<b>953,203</b>
<b>Net asset value per unit attributable to Unitholders (JPY)</b>		<b>20.97</b>	<b>25.06</b>	<b>20.70</b>	<b>24.79</b>

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

## DISTRIBUTION STATEMENTS

For the financial year ended 30 June 2011

	Group		Saizen REIT	
	2011 JPY'000	2010 JPY'000	2011 JPY'000	2010 JPY'000
Total loss for the year after income tax before distribution attributable to Unitholders	(841,543)	(883,878)	(897,232)	(925,867)
Distribution adjustments (Note a)	2,074,770	2,250,825	2,130,459	2,292,814
Income available for distribution to Unitholders	1,233,227	1,366,947	1,233,227	1,366,947
Income available for distribution to Unitholders at beginning of the year	176,058	1,434,628	176,058	1,434,628
Cash deployed for loan repayment and borrowing costs	(433,368)	(2,625,517)	(433,368)	(2,625,517)
Income available for distribution to Unitholders	975,917	176,058	975,917	176,058
Distribution to Unitholders during the year:				
- Distribution of 0.26 cents per Unit for the period from 1 May 2010 to 30 June 2010	(179,139)	-	(179,139)	-
- Distribution of 0.52 cents per Unit for the period from 1 July 2010 to 31 December 2010	(394,805)	-	(394,805)	-
Total distribution to Unitholders during the year	(573,944)	-	(573,944)	-
Income available for distribution to Unitholders at end of the year	401,973	176,058	401,973	176,058
<b>Distribution to Unitholders<sup>2</sup></b>	<b>380,418</b>	<b>161,912</b>	<b>380,418</b>	<b>161,912</b>
<b>Distribution per Unit<sup>1</sup> (S\$ cents)</b>	<b>0.50</b>	<b>0.26</b>	<b>0.50</b>	<b>0.26</b>
<b>Note a - Distribution adjustments</b>				
Distribution adjustments items:				
- Loss on divestment of investment properties	555,281	55,699	-	-
- Change in fair value of investment properties	1,569,103	1,698,345	-	-
- Change in fair value of financial derivatives				
- unrealised	(20,732)	11,854	-	-
- Change in fair value of warrants - unrealised	(133,413)	409,298	(133,413)	409,298
- Impairment loss on investment in subsidiaries	-	-	1,309,104	909,076
- Amortisation of transaction costs for borrowings	112,915	117,098	-	-
- Deferred tax	-	(143,720)	-	-
- Unrealised exchange (gain)/loss	(39,114)	364	(39,114)	364
- Issue expense	-	4,110	-	4,110
- Working capital funded by proceeds from initial public offering	-	89,386	-	89,386
- Earthquake renovation cost funded by proceeds from initial public offering	77,875	-	-	-
- Reserves required to be kept under loan agreements	(3,368)	-	-	-
- Non-controlling interests' share of adjustments	(43,777)	8,391	-	-
- Overseas income not distributed to the Trust	-	-	993,882	880,580
	2,074,770	2,250,825	2,130,459	2,292,814

1 A final tax-exempt distribution of 0.50 Singapore cents per unit was proposed on 23 August 2011 to the Board of Directors of the Manager. These financial statements do not reflect this distribution, which will be accounted for as an appropriation of Unitholders' funds in the financial year ending 30 June 2012.

A tax-exempt distribution of 0.52 Singapore cents per unit was resolved on 10 February 2011 in the Board of Directors' Meeting and paid on 8 March 2011.

For the financial year ended 30 June 2010, a tax-exempt distribution of 0.26 Singapore cents per unit was resolved on 25 August 2010 in the Board of Directors' Meeting and paid on 29 September 2010.

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.

## STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS

For the financial year ended 30 June 2011

	Group		Saizen REIT	
	2011 JPY'000	2010 JPY'000	2011 JPY'000	2010 JPY'000
<b>OPERATIONS</b>				
<b>Balance at beginning of the year</b>	<b>(11,505,071)</b>	(10,621,193)	<b>(13,016,678)</b>	(12,090,811)
Total loss for the year	<b>(841,543)</b>	(883,878)	<b>(897,232)</b>	(925,867)
Distribution to Unitholders	<b>(573,944)</b>	-	<b>(573,944)</b>	-
<b>Balance at end of the year</b>	<b>(12,920,558)</b>	(11,505,071)	<b>(14,487,854)</b>	(13,016,678)
<b>UNITHOLDERS' CONTRIBUTION</b>				
<b>Balance at beginning of the year</b>	<b>35,387,994</b>	35,347,707	<b>36,642,921</b>	36,602,634
Creation of new units at exercise of warrants	<b>2,321,361</b>	40,287	<b>2,321,361</b>	40,287
<b>Balance at end of the year</b>	<b>37,709,355</b>	35,387,994	<b>38,964,282</b>	36,642,921
<b>TOTAL ATTRIBUTABLE TO UNITHOLDERS</b>	<b>24,788,797</b>	23,882,923	<b>24,476,428</b>	23,626,243
<b>NON-CONTROLLING INTERESTS</b>				
<b>Balance at beginning of the year</b>	<b>8,391</b>	-	-	-
Effect on investment in new TK operator	<b>10</b>	-	-	-
Total (loss)/return for the year	<b>(43,777)</b>	8,391	-	-
<b>Balance at end of the year</b>	<b>(35,376)</b>	8,391	-	-
<b>TOTAL</b>	<b>24,753,421</b>	23,891,314	<b>24,476,428</b>	23,626,243

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

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 30 June 2011

	Note	Group	
		2011 JPY'000	2010 JPY'000
<b>Operating activities</b>			
Total loss for the year after income tax and before distribution		<b>(885,320)</b>	(875,487)
Adjustments for:			
- Income tax		<b>140,247</b>	63,397
- Interest income		<b>(1,035)</b>	(1,962)
- Interest expense	7	<b>773,808</b>	858,250
- Loss on divestment of investment properties		<b>581,063</b>	57,699
- Net fair value (gain)/loss on financial derivatives		<b>(119,150)</b>	466,184
- Net fair value loss on investment properties		<b>1,569,103</b>	1,698,345
Operating profit before working capital changes		<b>2,058,716</b>	2,266,426
<b>Changes in working capital</b>			
- Deposits with cash management agent		<b>823,335</b>	1,053,060
- Trade and other receivables		<b>9,676</b>	8,678
- Other current assets		<b>11,563</b>	(5,714)
- Other current liabilities		<b>290,452</b>	6,144
- Rental received in advance		<b>(48,031)</b>	(7,531)
- Rental deposits		<b>(137,562)</b>	(86,275)
Cash flows generated from operations		<b>3,008,149</b>	3,234,788
Income tax paid		<b>(2,599)</b>	(711)
Withholding tax paid		<b>(74,589)</b>	(138,922)
<b>Cash flows provided by operating activities</b>		<b>2,930,961</b>	3,095,155
<b>Investing activities</b>			
Contribution from non-controlling interests		<b>10</b>	-
Capital expenditure on investment properties		<b>(75,062)</b>	(28,945)
Sale of investment properties		<b>5,311,177</b>	625,300
<b>Cash flows provided by investing activities</b>		<b>5,236,125</b>	596,355
<b>Financing activities</b>			
Proceeds from bank borrowings		<b>500,000</b>	3,000,000
Repayment of bank borrowings		<b>(7,939,913)</b>	(8,485,312)
Distribution to Unitholders		<b>(573,944)</b>	-
Interest received		<b>1,042</b>	1,954
Interest paid		<b>(759,447)</b>	(887,767)
Payment of interest rate swap		<b>(34,995)</b>	(45,032)
Proceeds from exercise of warrants		<b>1,304,071</b>	23,256
Bank deposits pledged for bank borrowings		<b>2,517</b>	(202,517)
<b>Cash flows used in financing activities</b>		<b>(7,500,669)</b>	(6,595,418)
Net increase/(decrease) in cash and cash equivalents		<b>666,417</b>	(2,903,908)
Cash and cash equivalents at beginning of the year	10	<b>2,166,393</b>	5,070,301
<b>Cash and cash equivalents at end of the year</b>	10	<b>2,832,810</b>	2,166,393

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

## PORTFOLIO STATEMENT

As at 30 June 2011

Description of properties	Location	Latest valuation date	Valuation		Percentage of net assets attributable to Unitholders	
			30 June 2011 JPY'000	30 June 2010 JPY'000	30 June 2011 %	30 June 2010 %
<b>YUGEN KAISHA ("YK") JOF</b>						
Three Tower	Sapporo	30 June 2011	720,000	(f) 855,000 (g)	2.9	3.6
Luna Heights	Sapporo	30 June 2011	220,000	(f) 236,000 (g)	0.9	1.0
Matsui 53	Sapporo	30 June 2011	150,000	(f) 165,000 (g)	0.6	0.7
Plaza Nakajima Park	Sapporo	30 June 2011	249,000	(f) 285,000 (g)	1.0	1.2
Chateau Nakanoshima	Sapporo	30 June 2011	194,000	(f) 204,000 (g)	0.8	0.9
Chateau 24	Sapporo	30 June 2011	394,000	(f) 453,000 (g)	1.6	1.9
<b>YK KOKKEI</b>						
Glance Nishimachi	Sapporo	30 June 2011	323,000	(f) 381,000 (g)	1.3	1.6
Matsui 82	Sapporo	30 June 2011	315,000	(d) 328,000 (c)	1.3	1.4
Urban Yamahana	Sapporo	30 June 2011	104,000	(d) 107,000 (c)	0.4	0.4
Misono	Sapporo	30 June 2011	274,000	(d) 280,000 (c)	1.1	1.2
Maison Towa	Sapporo	30 June 2011	150,000	(d) 166,000 (c)	0.6	0.7
Wing Befu	Fukuoka	30 June 2011	100,000	(e) 115,000 (i)	0.4	0.5
<b>YK KEIZAN</b>						
Chic Takaramachi	Fukuoka	30 June 2011	201,000	(e) 204,000 (i)	0.8	0.9
Matsui 38	Sapporo	30 June 2011	–	– 129,000 (g)	–	0.5
Sun City	Sapporo	30 June 2011	275,000	(f) 280,000 (g)	1.1	1.2
S.Heim	Sapporo	30 June 2011	93,900	(d) 104,000 (g)	0.4	0.4
Les Chambres	Sapporo	30 June 2011	61,000	(f) 65,600 (g)	0.2	0.3
Dominion Yamanote	Sapporo	30 June 2011	134,000	(f) 135,000 (g)	0.5	0.6
Treasure 15	Sapporo	30 June 2011	134,000	(f) 145,000 (g)	0.5	0.6
Infinity Higashi Sapporo	Sapporo	30 June 2011	149,000	(d) 156,000 (g)	0.6	0.7
Arati Hakata South	Fukuoka	30 June 2011	309,000	(e) 315,000 (i)	1.2	1.3
First Kotake Building	Sapporo	30 June 2011	824,000	(d) 847,000 (g)	3.3	3.5
Park Crystal	Sapporo	30 June 2011	218,000	(f) 236,000 (g)	0.9	1.0
<b>YK SHINTOKU</b>						
KN 21 Shiragane	Kitakyushu	30 June 2011	–	– 229,000 (f)	–	1.0
KN 7 Kirigaoka	Kitakyushu	30 June 2011	–	– 317,000 (f)	–	1.3
Chalet Aoyama	Kitakyushu	30 June 2011	228,000	(i) 224,000 (f)	0.9	0.9
City Room Nakai III	Kitakyushu	30 June 2011	147,000	(i) 152,000 (i)	0.6	0.6
Matsukaze Building	Hakodate	30 June 2011	227,000	(b) 238,000 (c)	0.9	1.0
Johnan Building III	Fukuoka	30 June 2011	–	– 316,000 (i)	–	1.3
Gold Mansion Nakao	Fukuoka	30 June 2011	123,000	(e) 128,000 (f)	0.5	0.5
Lumiere et vent	Sapporo	30 June 2011	–	– 45,000 (g)	–	0.2
Kohatsu 88	Sapporo	30 June 2011	44,000	(f) 47,900 (g)	0.2	0.2
Central Court Tenjin Higashi	Fukuoka	30 June 2011	120,000	(h) 122,000 (f)	0.5	0.5

Description of properties	Location	Latest valuation date	Valuation		Percentage of net assets attributable to Unitholders	
			30 June 2011 JPY'000	30 June 2010 JPY'000	30 June 2011 %	30 June 2010 %
<b>YK SHINTOKU (continued)</b>						
Estolle S12	Sapporo	30 June 2011	–	– 158,000 (g)	–	0.7
Villa Kaigancho	Hakodate	30 June 2011	–	– 261,000 (c)	–	1.1
Escort South 11	Sapporo	30 June 2011	–	– 48,000 (g)	–	0.2
Ebisu Building III	Sapporo	30 June 2011	65,000	(d) 68,100 (g)	0.3	0.3
Heart Inn Hongou	Sapporo	30 June 2011	69,600	(d) 66,500 (g)	0.3	0.3
Reef Suite	Sapporo	30 June 2011	–	– 132,000 (g)	–	0.6
Alpha Shinonome	Hiroshima	30 June 2011	–	– 81,700 (j)	–	0.3
Saumur Meinohama II	Fukuoka	30 June 2011	51,000	(e) 53,000 (e)	0.2	0.2
Urban Hills Dainohara	Sendai	30 June 2011	120,350	(g) 132,000 (f)	0.5	0.6
Residence II Yasuda	Hiroshima	30 June 2011	–	– 90,000 (j)	–	0.4
Sun Park Yokokawa	Hiroshima	30 June 2011	–	– 55,100 (j)	–	0.2
Funairi Honmachi 54	Hiroshima	30 June 2011	–	– 164,000 (j)	–	0.7
Global Matsukawa Building	Hiroshima	30 June 2011	–	– 215,000 (j)	–	0.9
Sun Port 6	Sendai	30 June 2011	141,800	(g) 153,000 (f)	0.6	0.6
Exceed Tsuchitai	Sendai	30 June 2011	73,400	(g) 86,000 (f)	0.3	0.4
Sun Hills Asahigaoka	Sendai	30 June 2011	49,670	(g) 52,000 (f)	0.2	0.2
Aisho Plaza Hachiman	Sendai	30 June 2011	175,900	(g) 184,000 (f)	0.7	0.8
Sun Rise Kashiwagi	Sendai	30 June 2011	162,600	(g) 178,000 (f)	0.7	0.7
Lively Kamisugi	Sendai	30 June 2011	63,900	(g) 64,000 (f)	0.3	0.3
Etoile Higashi Sendai	Sendai	30 June 2011	90,600	(g) 99,000 (b)	0.4	0.4
Mansion Lilac	Sendai	30 June 2011	38,000	(g) 42,000 (f)	0.2	0.2
Matoba Y Building	Hiroshima	30 June 2011	–	– 173,000 (a)	–	0.7
Otemachi Y Building	Hiroshima	30 June 2011	–	– 180,000 (a)	–	0.8
Higashi Hakushima Y Building	Hiroshima	30 June 2011	–	– 156,000 (j)	–	0.7
Kinyacho Y Building	Hiroshima	30 June 2011	–	– 188,000 (a)	–	0.8
Kinyacho Grande	Hiroshima	30 June 2011	–	– 420,000 (j)	–	1.8
Kamei Five	Hiroshima	30 June 2011	–	– 74,900 (j)	–	0.3
Shinko Kokura Kogane Sky Mansion	Kitakyushu	30 June 2011	197,000	(i) 213,000 (i)	0.8	0.9
Katano Residential Building	Kitakyushu	30 June 2011	325,000	(h) 356,000 (i)	1.3	1.5
High Grace II	Sendai	30 June 2011	265,050	(g) 307,000 (f)	1.1	1.3
Art Side Terrace	Sapporo	30 June 2011	–	– 444,000 (g)	–	1.9
Jewel Town Suehiro	Hakodate	30 June 2011	–	– 143,000 (c)	–	0.6
Estella 24-ken A	Sapporo	30 June 2011	66,000	(f) 68,800 (g)	0.3	0.3
Niken Chaya Grand Heights	Sendai	30 June 2011	338,850	(g) 365,000 (f)	1.4	1.5

## PORTFOLIO STATEMENT

As at 30 June 2011

Description of properties	Location	Latest valuation date	Valuation		Percentage of net assets attributable to Unitholders	
			30 June 2011 JPY'000	30 June 2010 JPY'000	30 June 2011 %	30 June 2010 %
<b>YK SHINTOKU</b> (continued)						
Kotoni 1-6 Mansion	Sapporo	30 June 2011	249,000	(f) 253,000	(g) 1.0	1.1
Aster Yamahana	Sapporo	30 June 2011	128,000	(f) 136,000	(g) 0.5	0.6
Patios Ohashi	Fukuoka	30 June 2011	-	- 82,000	(e) -	0.3
K1 Mansion Morioka	Morioka	30 June 2011	-	- 60,000	(c) -	0.3
K2 Mansion Morioka	Morioka	30 June 2011	289,000	(b) 291,000	(c) 1.2	1.2
Mon Palais Toroku	Kumamoto	30 June 2011	210,000	(g) 227,000	(f) 0.8	1.0
Rise Gofuku	Kumamoto	30 June 2011	-	(g) 248,000	(f) -	1.0
<b>YK SHINZAN</b>						
Chalet Kishinoura	Kitakyushu	30 June 2011	269,000	(i) 290,000	(h) 1.1	1.2
Chalet Shiragane	Kitakyushu	30 June 2011	205,000	(h) 213,000	(i) 0.8	0.9
Chalet Suwamachi	Kitakyushu	30 June 2011	260,000	(h) 280,000	(h) 1.0	1.2
Chalet Numahon Machi II	Kitakyushu	30 June 2011	137,000	(i) 144,000	(h) 0.6	0.6
Chalet Matsuo II	Kitakyushu	30 June 2011	51,300	(h) 59,600	(i) 0.2	0.2
Chalet Tsudashin Machi	Kitakyushu	30 June 2011	126,000	(h) 137,000	(h) 0.5	0.6
Chalet Harunomachi	Kitakyushu	30 June 2011	340,000	(h) 347,000	(i) 1.4	1.5
Chalet Kanda II	Kitakyushu	30 June 2011	241,000	(h) 250,000	(i) 1.0	1.0
Chalet Einomaru II	Kitakyushu	30 June 2011	102,000	(h) 108,000	(h) 0.4	0.5
EMYU Honjo	Kumamoto	30 June 2011	847,000	(g) 826,000	(h) 3.4	3.5
EMYU Shinmachi	Kumamoto	30 June 2011	580,000	(g) 571,000	(h) 2.3	2.4
Yamamoto Mansion	Kagoshima	30 June 2011	537,000	(i) 565,000	(c) 2.2	2.4
Rise Kojo Horibata	Kumamoto	30 June 2011	69,000	(g) 69,900	(h) 0.3	0.3
KC Heights	Kumamoto	30 June 2011	97,400	(g) 92,100	(h) 0.4	0.4
Rise Shimodori	Kumamoto	30 June 2011	268,000	(g) 265,000	(h) 1.1	1.1
Rise Kuhonji II	Kumamoto	30 June 2011	344,000	(g) 353,000	(h) 1.4	1.5
<b>YK SHINGEN</b>						
Alte Heim Kokura	Kitakyushu	30 June 2011	68,600	(h) 75,000	(e) 0.3	0.3
Alte Heim Kokura II	Kitakyushu	30 June 2011	375,000	(h) 400,000	(e) 1.5	1.7
Alte Heim Kokura IV	Kitakyushu	30 June 2011	86,900	(h) 95,000	(e) 0.4	0.4
Alte Heim Mojekimae	Kitakyushu	30 June 2011	155,000	(h) 157,000	(e) 0.6	0.7
Alte Heim Orio	Kitakyushu	30 June 2011	-	- 272,000	(e) -	1.1
Castle Kano	Sendai	30 June 2011	179,000	(b) 185,000	(f) 0.7	0.8
Clio Court	Sendai	30 June 2011	182,000	(b) 187,000	(f) 0.7	0.8
Club House Kikugaoka	Kitakyushu	30 June 2011	-	- 234,000	(a) -	1.0
Core Life	Sendai	30 June 2011	424,000	(b) 432,000	(f) 1.7	1.8
Taisei Building III	Oita	30 June 2011	263,000	(h) 266,000	(e) 1.1	1.1
EMYU Heisei Keyakidori Mansion	Kumamoto	30 June 2011	-	- 666,000	(h) -	2.8

Description of properties	Location	Latest valuation date	Valuation		Percentage of net assets attributable to Unitholders	
			30 June 2011 JPY'000	30 June 2010 JPY'000	30 June 2011 %	30 June 2010 %
<b>YK SHINGEN</b> (continued)						
EMYU Suizenji	Kumamoto	30 June 2011	1,033,000	(g) 1,030,000	(h) 4.2	4.3
Gardenia Kurashiki	Kurashiki	30 June 2011	120,000	(j) 123,000	(a) 0.5	0.5
Aistage Ushita Minami	Hiroshima	30 June 2011	-	- 270,000	(j) -	1.1
Jeunes 23	Sapporo	30 June 2011	226,000	(f) 236,000	(g) 0.9	1.0
Matoba Meijibashi II	Hiroshima	30 June 2011	276,000	(j) 288,000	(f) 1.1	1.2
Rise Fujisaki Dai	Kumamoto	30 June 2011	-	- 292,000	(h) -	1.2
Rise Kumadai Hospital II	Kumamoto	30 June 2011	-	- 536,000	(h) -	2.2
Rise Kumamoto Station South	Kumamoto	30 June 2011	-	- 153,000	(h) -	0.6
Rise Oe	Kumamoto	30 June 2011	237,000	(e) 240,000	(h) 1.0	1.0
Royal Hills Katagiri	Sendai	30 June 2011	153,000	(b) 157,000	(b) 0.6	0.7
Studio City	Sapporo	30 June 2011	-	- 194,000	(g) -	0.8
Suien	Sapporo	30 June 2011	88,000	(f) 92,300	(g) 0.4	0.4
Sun Vario Shinden Eki Mae	Sendai	30 June 2011	389,000	(b) 419,000	(f) 1.6	1.8
TOA Mansion	Sapporo	30 June 2011	570,000	(d) 588,000	(g) 2.3	2.5
Wealth Meinohama	Fukuoka	30 June 2011	-	- 59,100	(a) -	0.2
YSK Co-op Saiwaicho	Sendai	30 June 2011	414,000	(b) 425,000	(f) 1.7	1.8
Grand Polestone Takeya	Hiroshima	30 June 2011	491,000	(j) 552,000	(f) 2.0	2.3
Grand Polestone Kinya	Hiroshima	30 June 2011	131,000	(j) 154,000	(f) 0.5	0.6
Maestoso Figur	Koriyama	30 June 2011	340,000	(g) 365,000	(b) 1.4	1.5
Leggiero Viola	Koriyama	30 June 2011	263,000	(g) 282,000	(b) 1.1	1.2
<b>GODO KAISHA ("GK") CHOAN</b>						
Sec' As Blue II	Sapporo	30 June 2011	299,000	(f) 331,000	(g) 1.2	1.4
Wing Nakahirodori	Hiroshima	30 June 2011	670,000	(j) 704,000	(a) 2.7	2.9
Abitare Shimoarata I	Kagoshima	30 June 2011	255,000	(i) 282,000	(c) 1.0	1.2
Abitare Shinyashiki	Kagoshima	30 June 2011	239,000	(i) 252,000	(c) 1.0	1.1
Royal Hills Komatsushima	Sendai	30 June 2011	127,000	(b) 129,000	(b) 0.5	0.5
Senboku Heim I	Morioka	30 June 2011	158,000	(b) 160,000	(b) 0.6	0.7
Senboku Heim II	Morioka	30 June 2011	76,600	(b) 78,200	(b) 0.3	0.3
Liesse Wakabayashi	Sendai	30 June 2011	128,000	(b) 131,000	(b) 0.5	0.5
Dear Misono	Sapporo	30 June 2011	37,000	(f) 39,900	(a) 0.1	0.2
Casa Motomachi	Sapporo	30 June 2011	291,000	(d) 292,000	(g) 1.2	1.2
Grand Polestone Tsurumi	Hiroshima	30 June 2011	339,000	(j) 362,000	(a) 1.4	1.5
La Finesse Hakataeki Minami	Fukuoka	30 June 2011	428,000	(e) 424,000	(i) 1.7	1.8
Rise Heiseiekimae	Kumamoto	30 June 2011	189,000	(e) 191,000	(h) 0.8	0.8
Maison d'Etoile II	Sendai	30 June 2011	79,000	(b) 82,000	(e) 0.3	0.3
Abitare Korimoto	Kagoshima	30 June 2011	245,000	(i) 261,000	(e) 1.0	1.1
Orion Heim	Fukuoka	30 June 2011	202,000	(e) 202,000	(i) 0.8	0.8
Fujimicho Building	Hiroshima	30 June 2011	340,000	(j) 346,000	(a) 1.4	1.4
Grand Polestone Fujimi	Hiroshima	30 June 2011	160,000	(j) 174,000	(a) 0.6	0.7

## PORTFOLIO STATEMENT

As at 30 June 2011

Description of properties	Location	Latest valuation date	Valuation		Percentage of net assets attributable to Unitholders	
			30 June 2011 JPY'000	30 June 2010 JPY'000	30 June 2011 %	30 June 2010 %
<b>GK CHOAN</b> (continued)						
Grand Polestone Otemachi	Hiroshima	30 June 2011	441,000	(j) 441,000	(j) 1.8	1.8
Kusatsu Higashi Heights	Hiroshima	30 June 2011	200,000	(j) 202,000	(f) 0.8	0.8
VOGA Minami Kannon	Hiroshima	30 June 2011	184,000	(j) 193,000	(f) 0.7	0.8
Le Pied Hirao	Fukuoka	30 June 2011	231,000	(e) 244,000	(f) 0.9	1.0
Residence Shiroishi ABCD	Sapporo	30 June 2011	456,000	(f) 487,000	(a) 1.8	2.0
GEO Kamiokawamaedori 3	Niigata	30 June 2011	366,000	(b) 371,000	(a) 1.5	1.6
Hills Kawabata	Niigata	30 June 2011	269,000	(b) 274,000	(a) 1.1	1.1
Hills Nogizaka	Niigata	30 June 2011	302,000	(b) 312,000	(a) 1.2	1.3
Grand Polestone Otemachi II	Hiroshima	30 June 2011	358,000	(j) 369,000	(a) 1.4	1.5
Grand Polestone Higashi Hiratsuka	Hiroshima	30 June 2011	384,000	(j) 406,000	(a) 1.5	1.7
Floreceer Miyagino	Sendai	30 June 2011	242,000	(b) 244,000	(e) 1.0	1.0
Shinonome Heights	Hiroshima	30 June 2011	169,000	(j) 170,000	(f) 0.7	0.7
Estate 18 Shinonome	Hiroshima	30 June 2011	251,000	(j) 259,000	(f) 1.0	1.1
Royal Shinonome	Hiroshima	30 June 2011	314,000	(j) 325,000	(f) 1.3	1.4
Villa Kaita	Hiroshima	30 June 2011	308,000	(j) 312,000	(f) 1.2	1.3
Arioso Phraise	Koriyama	30 June 2011	431,000	(g) 444,000	(f) 1.7	1.9
Fantage Yaotome	Sendai	30 June 2011	203,000	(b) 210,000	(e) 0.8	0.9
Towa Kita 7 Jo	Sapporo	30 June 2011	339,000	(d) 333,000	(a) 1.4	1.4
Towa Kotoni	Sapporo	30 June 2011	282,000	(d) 294,000	(a) 1.1	1.2
Relief Ohorinishi	Fukuoka	30 June 2011	108,000	(e) 108,000	(a) 0.4	0.5
<b>GK CHOGEN</b>						
Romaage Kamidori Namikizaka	Kumamoto	30 June 2011	638,000	(g) 629,000	(i) 2.6	2.6
<b>GK CHOSEI</b>						
Quest Tower Noboricho	Hiroshima	30 June 2011	540,000	(j) 540,000	(c) 2.2	2.3
<b>GK GYOKOU</b>						
Rise Fujisaki Dai	Kumamoto	30 June 2011	299,000 <sup>2</sup>	(i) –	1.2	–
Rise Kumamoto Station South	Kumamoto	30 June 2011	150,000 <sup>2</sup>	(i) –	0.6	–
EMYU Heisei Keyakidori Mansion	Kumamoto	30 June 2011	679,000 <sup>2</sup>	(i) –	2.7	–
Investment properties			32,995,420	40,381,700	133.2	169.0
Other assets and liabilities (net)			(8,241,999)	(16,490,386)	(33.2)	(69.0)
Net assets			24,753,421	23,891,314	100.0	100.0
Net liabilities/(assets) attributable to non-controlling interests			35,376	(8,391)	NM <sup>1</sup>	NM <sup>1</sup>
Net assets attributable to Unitholders			24,788,797	23,882,923	100.0	100.0

Note 1: NM denotes not meaningful.

Note 2: These properties were transferred from the portfolio of YK Shingen to GK Gyokou in the current financial year.

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

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 2011

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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2011

## 1. General information (continued)

During the financial year, Saizen REIT has entered into 3 TK agreements and memorandums with existing Japanese TK operators, being Yugen Kaisha ("YK") Shinzan and YK Keizan and a new Japanese TK operator, being Godo Kaisha ("GK") Gyokou for additional investments in these TK operators. As at 30 June 2011, Saizen REIT had entered into TK agreements with 10 Japanese TK operators, being YK JOF, YK Kokkei, YK Keizan, YK Shintoku, YK Shingen, YK Shinzan, GK Chosei, GK Choan, GK Chogen and GK Gyokou. 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").

### 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.

## 1. General information (continued)

### Service agreements (continued)

#### (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 Manager 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2011

## 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.

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.

#### **Interpretations and amendments to published standards effective in FY 2011**

On 1 July 2010, 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 adoption of these new or amended FRS and INT FRS did not result in substantial changes to the Group's and Saizen REIT's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

## 2. Significant accounting policies (continued)

### 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 Statement 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2011

## 2. Significant accounting policies (continued)

### 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 the investment holding business. Under the TK agreements, the Group primarily bears the risks and enjoys the benefits of the investments held by the 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 the separate financial statements of Saizen REIT.

#### (b) Non-controlling interests

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

## 2. Significant accounting policies (continued)

### 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 properties comprise 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 an 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2011

## 2. Significant accounting policies (continued)

### 2.6 Investment properties (continued)

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 year 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.

### 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 statement of cash flows, 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.

## 2. Significant accounting policies (continued)

### 2.9 Financial assets (continued)

#### (a) Classification (continued)

#### (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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2011

## 2. Significant accounting policies (continued)

### 2.9 Financial assets (continued)

#### (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.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or delay in payments are objective evidence that the financial asset 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 carried 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. Significant accounting policies (continued)

### 2.12 Leases

The Group leases investment properties to third parties.

#### 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.

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

### 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 substantively 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2011

## 2. Significant accounting policies (continued)

### 2.13 Income tax (continued)

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

Operating segments are reported in a manner consistent with the internal reporting provided to the Manager who is responsible for allocating resources and assessing performance of the operating segments.

## 2. Significant accounting policies (continued)

### 2.16 Impairment of non-financial assets

Investments in subsidiaries 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 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. The fair value of a trading derivative is presented as a current asset or liability.

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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2011

## 2. Significant accounting policies (continued)

### 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").

## 2. Significant accounting policies (continued)

### 2.20 Distribution policy (continued)

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.

Saizen REIT has resumed a normalised state of operation without the burden of default interest charges and pressures to sell its investment properties after the full repayment of the YK Shintoku loan in May 2011. Hence, distribution to Unitholders has resumed in the current financial year. The distribution to Unitholders for the prior year relates to distributable cash accumulated over 2 months (May and 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 15.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2011

### 3. Critical accounting estimates, assumptions and judgements (continued)

#### (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	
	2011 JPY'000	2010 JPY'000	2011 JPY'000	2010 JPY'000
Distribution income	–	–	695,811	940,249
Rental income	3,727,604	4,010,692	–	–
Rental-related income	140,422	122,100	–	–
	<b>3,868,026</b>	4,132,792	<b>695,811</b>	940,249

### 5. Property operating expenses

	Group		Saizen REIT	
	2011 JPY'000	2010 JPY'000	2011 JPY'000	2010 JPY'000
Property related taxes	288,859	309,374	–	–
Property management fees	151,298	162,345	–	–
Operation and maintenance	190,779	209,403	–	–
Renovations	325,273	237,147	–	–
Marketing and leasing commission	123,323	150,629	–	–
Utilities	164,170	177,471	–	–
Insurance	41,446	52,747	–	–
(Write back)/allowance for impairment				
on trade receivables	(673)	1,553	–	–
Trade receivables written off	5,386	6,395	–	–
Net consumption tax expense for operations	41,981	43,119	–	–
	<b>1,331,842</b>	1,350,183	–	–

Property related taxes comprise property tax of 1.4% (2010: 1.4%) and city planning tax of 0.3% (2010: 0.3%) on the municipal government's assessed value of the land and building.

All of the Group's investment properties generate rental income and the above expenses are direct operating expenses arising from its investment properties.

### 6. Other trust expenses

Included in other trust expenses are:

	Group		Saizen REIT	
	2011 JPY'000	2010 JPY'000	2011 JPY'000	2010 JPY'000
Auditors' remuneration <sup>1</sup>	34,190	36,532	5,883	8,183
Property valuation fees	44,753	62,048	44,753	62,048
Goods and services tax	13,551	15,436	13,551	15,436
Divestment fee <sup>2</sup>	–	–	17,210	2,000
	<b>92,494</b>	114,016	<b>81,397</b>	87,667

1. Fees for non-audit services paid to auditors of Saizen REIT amounted to JPY1.0 million (2010: JPY1.2 million) for the financial year ended 30 June 2011.

2. Divestment fee relating to disposal of properties held by YK Shintoku, YK Shingen and YK Keizan 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 investment properties at the Group level.

### 7. Finance costs, net

	Group		Saizen REIT	
	2011 JPY'000	2010 JPY'000	2011 JPY'000	2010 JPY'000
Interest expense on bank borrowings	773,808	858,250	–	–
Guarantee fee to asset manager	7,757	4,490	–	–
Exchange (gain)/loss	(31,599)	4,748	(31,599)	4,748
	<b>749,966</b>	867,488	<b>(31,599)</b>	4,748

Included in interest expense from bank borrowings is amortisation of loan commission, amounting to JPY112.9 million (2010: JPY117.1 million).

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2011

### 8. Income tax

	Group		Saizen REIT	
	2011 JPY'000	2010 JPY'000	2011 JPY'000	2010 JPY'000
Tax expense/(credit) attributable to loss is made up of:				
Current income tax				
– Singapore	1,847	2,071	1,847	2,071
– Foreign withholding tax	138,400	205,046	137,655	204,333
Deferred income tax (Note 19)	–	(143,720)	–	–
	<b>140,247</b>	63,397	<b>139,502</b>	206,404

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	
	2011 JPY'000	2010 JPY'000	2011 JPY'000	2010 JPY'000
Net loss for the year before income tax	(745,073)	(812,090)	(757,730)	(719,463)
Tax calculated at tax rate of 17% (2010: 17%)	(126,662)	(138,055)	(128,814)	(122,309)
Effects of:				
– Different tax rates in other countries	40,484	8,249	20,874	28,207
– Expenses not deductible for tax purposes	52,620	127,609	275,167	282,153
– Income not subject to tax	(28,052)	–	(28,052)	–
– Temporary differences not recognised due to initial recognition	(134,178)	(5,694)	–	–
– Deferred income tax asset not recognised on tax losses	327,131	52,427	–	–
– Other	8,904	18,861	327	18,353
Tax charge	<b>140,247</b>	63,397	<b>139,502</b>	206,404

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.

### 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 are as follows:

#### (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 the warrants are anti-dilutive in nature and there are no dilutive potential Units during the year.

EPU	FY2011	FY2010
Total loss for the year attributable to Unitholders for basic and diluted EPU (JPY'000)	(841,543)	(883,878)
Basic and diluted EPU – per Unit (JPY)	(0.76)	(0.93)
– per Unit (S\$ cents)	(1.18) <sup>1</sup>	(1.43) <sup>2</sup>
<b>Units</b>	<b>FY2011</b>	<b>FY2010</b>
Weighted average number of Units applicable to basic and diluted EPU ('000)	1,110,447	952,710

Basic earnings per unit calculation for the financial years ended 30 June 2011 and 2010 is based on the weighted average number of units of 1,110,446,774 and 952,710,118 outstanding during the respective financial years.

Notes:

- Based on SGD/JPY average exchange rate of 64.2 between 1 July 2010 and 30 June 2011
- Based on SGD/JPY average exchange rate of 65.1 between 1 July 2009 and 30 June 2010

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2011

## 10. Cash and cash equivalents

	Group		Saizen REIT	
	2011 JPY'000	2010 JPY'000	2011 JPY'000	2010 JPY'000
Cash at bank and on hand	3,032,810	2,206,245	173,356	127,551
Money market fund	-	162,665	-	162,665
	<b>3,032,810</b>	2,368,910	<b>173,356</b>	290,216

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

	Group	
	2011 JPY'000	2010 JPY'000
Cash and bank balances (as above)	3,032,810	2,368,910
Less: Bank deposits pledged	(200,000)	(202,517)
Cash and cash equivalents per consolidated statement of cash flows	<b>2,832,810</b>	2,166,393

## 11. 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 on the investment 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 2011, the minimum amount of deposits required is JPY422.9 million (2010: JPY1.1 billion).

Deposits with cash management agent also include cash amounting to JPYNil (2010: JPY76.6 million) withheld by the lender arising from the default of loan drawn down by YK Shintoku (Note 16).

## 12. Trade and other receivables

	Group		Saizen REIT	
	2011 JPY'000	2010 JPY'000	2011 JPY'000	2010 JPY'000
Trade receivables	16,099	17,098	-	-
Less: Allowance for impairment	(7,728)	(8,401)	-	-
Trade receivables – net	8,371	8,697	-	-
Interest receivable	-	8	-	8
Deferred rent receivable	18,810	28,203	-	-
Distribution receivable from subsidiaries	-	-	2,008,505	1,493,225
Other receivable from subsidiaries	-	-	-	62,000
Goods and services tax receivable	855	813	855	813
	<b>28,036</b>	37,721	<b>2,009,360</b>	1,556,046

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

## 13. Other current assets

	Group		Saizen REIT	
	2011 JPY'000	2010 JPY'000	2011 JPY'000	2010 JPY'000
Prepayments	18,792	28,113	1,023	1,746
Deposits	11,047	10,539	-	-
Prepaid interest	2,692	2,509	-	-
Prepaid asset management fees	1,313	4,061	-	-
	<b>33,844</b>	45,222	<b>1,023</b>	1,746

## 14. Investments in subsidiaries

	Saizen REIT	
	2011 JPY'000	2010 JPY'000
Balance at beginning of the financial year	24,355,372	24,911,233
Additional investments in TK operators (Note a)	1,360,000	1,712,000
Return on investments in TK operators	(595,943)	(1,358,785)
Impairment losses (Note b)	(1,309,104)	(909,076)
Balance at end of the financial year	<b>23,810,325</b>	24,355,372

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2011

### 14. Investments in subsidiaries (continued)

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

Name of entities	Group	
	2011 JPY'000	2010 JPY'000
YK Keizan	578,000	167,000
YK Shingen	-	1,351,000
YK Shinzan	62,000	150,000
GK Chogen	-	14,000
GK Chosei	-	30,000
GK Gyokou	720,000	-
	<b>1,360,000</b>	1,712,000

(b) The impairment loss recognised was made to write down the carrying amount of investments in subsidiaries to its recoverable amount following a decrease in fair values of the underlying assets held by the subsidiaries.

Details of the subsidiaries are included in Note 27.

### 15. Investment properties

	Group	
	2011 JPY'000	2010 JPY'000
Balance at beginning of the financial year	40,381,700	42,734,100
Divestment of investment properties	(5,892,239)	(683,000)
Capital expenditure on investment properties	75,062	28,945
Net fair value loss recognised in the Statement of Total Return	(1,569,103)	(1,698,345)
Balance at end of the financial year	<b>32,995,420</b>	40,381,700

Investment properties amounting to JPY19.5 billion (2010: JPY28.3 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 2011 and 2010 are based on independent valuations undertaken by independent professional valuers. Details of the properties are disclosed in the Portfolio Statement.

On 11 March 2011, an earthquake struck Japan resulting in a tsunami which caused widespread destruction across eastern Japan. Saizen REIT has 28 properties located in the areas affected by the earthquake and tsunami. Inspections on all affected properties revealed only minor damage and repairs are on-going. Based on current estimation, repair expenses on affected properties are expected to amount to no more than JPY120.0 million. Repair expenses amounting to JPY77.9 million has been recognised in the Statement of Total Return for the current financial year and these expenses did not have an impact on the income available for distribution to Unitholders as at the end of the financial year. There has also been no material adverse impact on rental income and collection.

### 16. Borrowings

	Group	
	2011 JPY'000	2010 JPY'000
<i>Current</i>		
Bank loans	357,187	716,171
Commercial mortgage-backed securities loans	-	7,110,991
	<b>357,187</b>	7,827,162
<i>Non-current</i>		
Bank loans	8,579,696	8,453,768
Total borrowings	<b>8,936,883</b>	16,280,930

Borrowings are secured over some of the Group's investment properties (Note 15) and bank deposits (Note 10).

#### (i) Maturity of non-current borrowings

	Group	
	2011 JPY'000	2010 JPY'000
Between 1 to 2 years	5,639,797	336,750
Between 2 to 5 years	2,085,393	7,507,474
Over 5 years	854,506	609,544
	<b>8,579,696</b>	8,453,768

#### (ii) Interest rate risks

The weighted average effective interest rate of total borrowings at the balance sheet date was 3.31% (2010: 4.94%).

#### (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) Resolution of loan default

The loan of YK Shintoku which had been in maturity default since November 2009 (the "Loan"), was fully repaid on 31 May 2011 with proceeds from the exercise of warrants and divestment of investment properties.

The outstanding amount of the Loan as at 30 June 2010 was JPY7.1 billion.

The main impact of the maturity default was 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 JPY76.6 million was also withheld by the lender as at 30 June 2010 arising from the default. The cash which had been included in the deposits with cash management agent in Note 11 was deployed to repay the Loan during the current financial year.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2011

### 17. Other current liabilities

	Group		Saizen REIT	
	2011 JPY'000	2010 JPY'000	2011 JPY'000	2010 JPY'000
Accrued interest payable on borrowings	13,878	95,200	-	-
Accrued operating expenses	385,103	274,925	75,289	85,598
Net consumption tax payable	204,613	24,339	-	-
	<b>603,594</b>	394,464	<b>75,289</b>	85,598

### 18. Derivative financial instruments

	Group		Group	
	Contract/notional amount		Fair value liabilities	
	2011 JPY'000	2010 JPY'000	2011 JPY'000	2010 JPY'000
Interest rate swap	5,759,496	5,759,496	64,085	84,817
Interest rate cap	-	480,000	-	-
Warrants	1,557,921	2,814,835	1,038,614	2,189,316

	Saizen REIT		Saizen REIT	
	Contract/notional amount		Fair value liabilities	
	2011 JPY'000	2010 JPY'000	2011 JPY'000	2010 JPY'000
Warrants	1,557,921	2,814,835	1,038,614	2,189,316

#### (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 JPY5.8 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.

### 18. Derivative financial instruments (continued)

#### (i) Interest rate swap (continued)

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 JPY5.9 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. The realised loss (payment) on interest rate swap under the Current Swap Arrangement in FY2011 comprised the settlement of the difference between a fixed interest rate of 0.8275% per annum and the then prevailing 3-month JPY LIBOR pursuant to the Current Swap Arrangement and there was no realised loss (payment) under the Current Swap Arrangement in FY2010.

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 2011. Under FRS 39 – Financial Instruments: Recognition and Measurement ("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 used 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") which has been fully repaid in May 2011. The GK Chosei Loan was subject to a variable interest rate of 3.0% per annum plus 3-month JPY LIBOR. GK Chosei had purchased an interest rate cap which caps the 3-month JPY LIBOR rate at an upper limit of 2.5%. The interest rate cap was contracted in May 2008 and matured in May 2011.

This interest rate cap was classified as a derivative financial instrument and had a nil fair value as at 30 June 2010. Under FRS 39, the interest rate cap was recognised at fair value at balance sheet date and any gain or loss arising from a change in its fair value was 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 did not affect the amount available for distribution and did not have any impact on cash flow.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2011

### 18. Derivative financial instruments (continued)

#### (iii) 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. Accordingly, the warrants are accounted for as liabilities in accordance with Amendments to FRS 32 – Financial Instruments: Presentation – Classification of rights issues as they are long-dated and hence not considered transactions with owners in their capacity as owners.

Warrants that are outstanding are classified as derivative financial instruments and recognised as derivative liabilities at their fair values on the Group's balance sheet, in accordance with the accounting policy for derivative financial instruments set out in Note 2.17. 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.

The details of the issue of rights and warrants are disclosed in Note 20 of 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 as follows:

	Group	
	2011 JPY'000	2010 JPY'000
Deferred income tax liabilities		
– to be settled after one year	–	–

Movement in deferred income tax account is as follows:

	Group	
	2011 JPY'000	2010 JPY'000
Balance at beginning of the financial year	–	143,720
Tax credited to – Statement of Total Return (Note 8)	–	(143,720)
Balance at end of the financial year	–	–

### 19. Deferred income taxes (continued)

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
<b>2011</b>			
Balance at beginning of the financial year	–	–	–
Tax credited to – Statement of Total Return	–	–	–
Balance at end of the financial year	–	–	–
<b>2010</b>			
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	–	–	–

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group has unrecognised tax losses of JPY2.2 billion (2010: JPY0.3 billion) at the balance sheet date which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by the Japanese TK operators with unrecognised tax losses in Japan. The tax losses have no expiry date.

### 20. Units in issue

	Saizen REIT No. of units	
	2011 '000	2010 '000
Units at beginning of the financial year	953,203	949,194
Units created at exercise of warrants	229,047	4,009
Units at end of the financial year	1,182,250	953,203

On 4 May 2009, Saizen REIT undertook a renounceable non-underwritten rights issue (the "Rights Units") in the capital of 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 11 Rights Units with 11 Warrants for every 10 existing units in the capital of Saizen REIT held by entitled Unitholders as at 6 May 2009, being the books closure date determined by Saizen REIT for the purposes of determining the entitlements of shareholders to the Rights Units with Warrant.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2011

### 20. Units in issue (continued)

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 Saizen REIT has increased to 1,182,249,611 units (2010: 953,203,055 units) as at 30 June 2011.

Each Warrant carries the right to subscribe for 1 new unit in the capital of 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 2011 is 264,107,806 (2010: 493,154,362). The maximum number of New Units that may be issued pursuant to the exercise of the Warrants as at year end is 264,107,806 (2010: 493,154,362).

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 of the number of Unitholders, whichever is lesser) at any time convene a meeting of Unitholders in accordance with the provisions of the Trust Deed.

### 20. Units in issue (continued)

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	
	2011 JPY'000	2010 JPY'000	2011 JPY'000	2010 JPY'000
Manager's management fees paid/payable to the Manager	191,994	210,646	191,994	210,646
Divestment fees paid/payable to the Manager in relation to the disposal of investment properties by the subsidiaries	17,210	2,000	17,210	2,000
Asset management fees	33,131	26,691	-	-
Divestment fees paid/payable to the Asset Manager in relation to the disposal of investment properties by the subsidiaries	8,571	-	-	-
Guarantee fee to asset manager	7,757	4,490	-	-
Reimbursement of non-deal road show expenses paid on behalf by a related party	743	260	743	260
Trustee's fees	9,405	10,180	9,405	10,180
	268,811	254,267	219,352	223,086

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2011

## 22. Segment information

The Group's investment properties are primarily used for residential and residential-related purposes and are located in Japan. The revenues from the Group are derived from individual tenants and there is no single major customer. 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 2-year leases which the tenants may terminate upon giving 1 to 2 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.

### (a) Market risk

#### (i) Currency risk

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

## 24. Financial risk management (continued)

### (a) Market risk (continued)

#### (i) Currency risk

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			Total
	SGD	JPY	Others	
	JPY'000	JPY'000	JPY'000	JPY'000
<b>At 30 June 2011</b>				
<b>Financial Assets</b>				
Cash and cash equivalents	62,554	2,970,049	207	3,032,810
Deposits with cash management agent	-	423,927	-	423,927
Trade and other receivables	855	27,181	-	28,036
	63,409	3,421,157	207	3,484,773
<b>Financial Liabilities</b>				
Rental deposits	-	(488,979)	-	(488,979)
Other current liabilities	(11,107)	(592,487)	-	(603,594)
Derivative financial instruments	(1,038,614)	(64,085)	-	(1,102,699)
Borrowings	-	(8,936,883)	-	(8,936,883)
	(1,049,721)	(10,082,434)	-	(11,132,155)
Net financial (liabilities)/assets	(986,312)	(6,661,277)	207	(7,647,382)
Less: Net financial liabilities denominated in the respective entities' functional currencies	-	6,661,277	-	6,661,277
<b>Currency exposure</b>	<b>(986,312)</b>	<b>-</b>	<b>207</b>	<b>(986,105)</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2011

## 24. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

	Group			Total JPY'000
	SGD JPY'000	JPY JPY'000	Others JPY'000	
At 30 June 2010				
<b>Financial Assets</b>				
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
<b>Financial Liabilities</b>				
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
<b>Currency exposure</b>	<b>(2,029,257)</b>	<b>–</b>	<b>(2,881)</b>	<b>(2,032,138)</b>

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

	Saizen REIT			Total JPY'000
	SGD JPY'000	JPY JPY'000	Others JPY'000	
At 30 June 2011				
<b>Financial Assets</b>				
Cash and cash equivalents	62,554	110,595	207	173,356
Trade and other receivables	855	2,008,505	–	2,009,360
	63,409	2,119,100	207	2,182,716
<b>Financial Liabilities</b>				
Other current liabilities	(11,107)	(64,182)	–	(75,289)
Derivative financial instruments	(1,038,614)	–	–	(1,038,614)
	(1,049,721)	(64,182)	–	(1,113,903)
Net financial (liabilities)/assets	(986,312)	2,054,918	207	1,068,813
Less: Net financial assets denominated in the respective entities' functional currencies	–	(2,054,918)	–	(2,054,918)
<b>Currency exposure</b>	<b>(986,312)</b>	<b>–</b>	<b>207</b>	<b>(986,105)</b>

## 24. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

	Saizen REIT			Total JPY'000
	SGD JPY'000	JPY JPY'000	Others JPY'000	
At 30 June 2010				
<b>Financial Assets</b>				
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
<b>Financial Liabilities</b>				
Other current liabilities	(10,321)	(72,085)	(3,192)	(85,598)
Derivative financial instruments	(2,189,316)	–	–	(2,189,316)
	(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)
<b>Currency exposure</b>	<b>(2,029,257)</b>	<b>–</b>	<b>(2,881)</b>	<b>(2,032,138)</b>

If the SGD changes against the JPY by 2.0% (2010: 2.0%) 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)	
	2011 Statement of Total Return JPY'000	2010 Statement of Total Return JPY'000
Group and Saizen REIT		
SGD against JPY		
– strengthened	(19,726)	(40,585)
– weakened	19,726	40,585

(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.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2011

### 24. Financial risk management (continued)

(a) Market risk (continued)

(ii) *Cash flow and fair value interest rate risks (continued)*

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 an interest rate cap and interest rate swap.

The Group's floating rate borrowings as at 30 June 2011 amounted to JPY6.4 billion (2010: JPY6.5 billion), of which JPYNil (2010: JPY0.4 billion) and JPY5.6 billion (2010: JPY5.8 billion) have been hedged by an interest rate cap and interest rate swap respectively (Note 18). If the interest rates increase/decrease by 0.5% (2010: 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 JPY4.0 million (2010: JPY1.5 million) as a result of higher/lower interest expenses on the unhedged floating rate 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 concentrations 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. Saizen REIT's receivables are mainly distribution receivable from subsidiaries.

### 24. Financial risk management (continued)

(b) Credit risk (continued)

(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 from tenants from whom rental deposits have been collected.

None of Saizen REIT's financial assets are past due nor impaired. Saizen REIT's receivables that are neither past due nor impaired are mainly distribution receivable from 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:

	<b>Group</b>	
	<b>2011</b>	2010
	<b>JPY'000</b>	JPY'000
Past due less than 1 month	<b>6,403</b>	6,825
Past due 1 to 2 months	<b>1,968</b>	1,872
	<b>8,371</b>	8,697

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2011

### 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	
	2011 JPY'000	2010 JPY'000
Gross amount	7,728	8,401
Less: Allowance for impairment	(7,728)	(8,401)
	-	-
Beginning of financial year	8,401	6,848
(Write back)/allowance made for impairment on trade receivables	(673)	1,553
End of financial year	7,728	8,401

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

(c) Liquidity risk

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

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

### 24. Financial risk management (continued)

(c) Liquidity risk (continued)

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
<b>Group</b>				
<b>At 30 June 2011</b>				
Net-settled interest rate swaps	35,349	35,349	-	-
Rental deposits	463,390	25,589	-	-
Other current liabilities	603,594	-	-	-
Borrowings	704,308	5,957,005	2,324,588	998,270
	<b>1,806,641</b>	<b>6,017,943</b>	<b>2,324,588</b>	<b>998,270</b>
<b>At 30 June 2010</b>				
Net-settled interest rate swaps	33,765	33,765	33,765	-
Rental deposits	602,947	23,594	-	-
Other current liabilities	394,464	-	-	-
Borrowings	8,743,470	664,678	7,991,255	677,829
	9,774,646	722,037	8,025,020	677,829
<b>Saizen REIT</b>				
<b>At 30 June 2011</b>				
Other current liabilities	75,289	-	-	-
<b>At 30 June 2010</b>				
Other current liabilities	85,598	-	-	-

(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.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2011

### 24. Financial risk management (continued)

#### (d) Capital risk (continued)

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

	2011 JPY'000	2010 JPY'000
Total borrowings	8,936,883	16,280,930
Total assets	36,514,037	44,080,815
<b>Aggregate leverage ratio</b>	<b>24.5%</b>	36.9%

In addition, certain subsidiaries within the Group have to comply with financial debt covenants relating to their borrowings. These covenants include debt service cover and loan to value ratio.

The Group is in compliance with the borrowing limit requirement imposed by the Property Fund Guidelines and all other externally imposed capital requirements for the financial years ended 30 June 2011 and 2010.

#### (e) Fair value measurements

The following table presents liabilities measured at fair value and classified 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 (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
- (iii) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

	Level 1 JPY'000	Level 2 JPY'000	Level 3 JPY'000	Total JPY'000
<u>Group</u>				
2011				
<b>Liabilities</b>				
Derivative financial liabilities	1,038,614	64,085	-	1,102,699
2010				
<b>Liabilities</b>				
Derivative financial liabilities	2,189,316	84,817	-	2,274,133
<u>Saizen REIT</u>				
2011				
<b>Liabilities</b>				
Derivative financial liabilities	1,038,614	-	-	1,038,614
2010				
<b>Liabilities</b>				
Derivative financial liabilities	2,189,316	-	-	2,189,316

### 24. Financial risk management (continued)

#### (f) Financial instruments by category

The following table presents the carrying amount of the different categories of financial instruments.

	Group		Saizen REIT	
	2011 JPY'000	2010 JPY'000	2011 JPY'000	2010 JPY'000
Financial derivatives at fair value through profit or loss	1,102,699	2,274,133	1,038,614	2,189,316
Loans and receivables	3,484,773	3,653,893	2,182,716	1,846,262
Financial liabilities at amortised cost	10,029,456	17,301,935	75,289	85,598

### 25. Financial ratios

	2011	2010
Ratio of expenses to weighted average net assets <sup>1</sup>		
– including performance component of asset management fees	1.96%	2.04%
– excluding performance component of asset management fees	1.83%	1.93%
Portfolio turnover rate <sup>2</sup>	-	-

- 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.
- 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 15 August 2011, Saizen REIT entered into a TK agreement with GK Gyosei, a new Japanese TK operator.

On 19 August 2011, GK Gyosei entered into an agreement with a Japanese financial institution, Hiroshimashi Credit Cooperative, for a JPY76.0 million loan. The loan is secured by an existing investment property, Grand Polestone Kinya which is valued at JPY131.0 million as at 30 June 2011.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2011

### 27. List of subsidiaries – TK operators

Name of entities	Principal activities	Country of business/ incorporation	Effective interest	
			2011 %	2010 %
Yugen Kaisha Shingen <sup>(a)</sup>	Special purpose entity – Investment in real estate	Japan	97	97
Yugen Kaisha Shintoku <sup>(a)</sup>	Special purpose entity – Investment in real estate	Japan	97	97
Yugen Kaisha Shinzan <sup>(a)</sup>	Special purpose entity – Investment in real estate	Japan	97	97
Yugen Kaisha JOF <sup>(a)</sup>	Special purpose entity – Investment in real estate	Japan	97	97
Yugen Kaisha Kokkei <sup>(a)</sup>	Special purpose entity – Investment in real estate	Japan	97	97
Yugen Kaisha Keizan <sup>(a)</sup>	Special purpose entity – Investment in real estate	Japan	97	97
Godo Kaisha Choan <sup>(a)</sup>	Special purpose entity – Investment in real estate	Japan	97	97
Godo Kaisha Chosei <sup>(a)</sup>	Special purpose entity – Investment in real estate	Japan	97	97
Godo Kaisha Chogen <sup>(a)</sup>	Special purpose entity – Investment in real estate	Japan	97	97
Godo Kaisha Gyokou <sup>(a)</sup>	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)
- Amendments to FRS 12 – Income taxes (effective for annual periods commencing on or after 1 January 2012)

### 28. New or revised accounting Standards and Interpretations (continued)

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 2011.

## STATISTICS OF UNITHOLDINGS AND WARRANT-HOLDINGS

As at 14 September 2011

### UNITHOLDINGS

As at 14 September 2011, Saizen REIT had 1,228,415,481 Units in issue.

#### Distribution of Unitholdings

Size of Unitholdings	No. of Unitholders	%	No. of Units	%
1 – 999	31	0.54	8,703	0.00
1,000 – 10,000	3,949	68.80	19,254,938	1.57
10,001 – 1,000,000	1,719	29.95	112,650,139	9.17
Above 1,000,000	41	0.71	1,096,501,701	89.26
<b>TOTAL:</b>	<b>5,740</b>	<b>100.00</b>	<b>1,228,415,481</b>	<b>100.00</b>

Based on the information available to the Manager as at 14 September 2011, approximately 79.5% 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	485,316,476	39.51
2.	Citibank Nominees Singapore Pte Ltd	167,979,227	13.67
3.	DBS Nominees Pte Ltd	70,036,007	5.70
4.	UOB Kay Hian Pte Ltd	60,597,593	4.93
5.	Bank of Singapore Nominees Pte Ltd	55,905,700	4.55
6.	Morgan Stanley Asia (Singapore) Securities Pte Ltd	43,265,600	3.52
7.	BNP Paribas Nominees Singapore Pte Ltd	28,859,686	2.35
8.	Raffles Nominees Pte Ltd	26,911,142	2.19
9.	Phillip Securities Pte Ltd	21,590,450	1.76
10.	DBS Vickers Securities (S) Pte Ltd	17,451,756	1.42
11.	United Overseas Bank Nominees Pte Ltd	13,308,444	1.08
12.	DBSN Services Pte Ltd	12,665,937	1.03
13.	See Beng Lian Janice	9,414,000	0.77
14.	Kim Eng Securities Pte Ltd	9,190,588	0.75
15.	Merrill Lynch (Singapore) Pte Ltd	8,761,087	0.71
16.	AmFraser Securities Pte Ltd	7,000,000	0.57
17.	Seah Sok Hong	5,409,000	0.44
18.	OCBC Securities Private Ltd	4,858,038	0.40
19.	Zeng Jue	3,602,000	0.29
20.	Hoon Mou Woon @ Ong Mou Woon	3,450,000	0.28
	<b>Total</b>	<b>1,055,572,731</b>	<b>85.92</b>

### List of Substantial Unitholders

Name	No. of Units (Deemed Interest)	%
ASM Hudson River Fund (“ASMHRF”)	45,632,387 <sup>(1)</sup>	3.715
ASM Asia Recovery (Master) Fund (“ASMARMF”)	135,502,525 <sup>(2)</sup>	11.031
ASM Asia Recovery Fund (“ASMARF”)	135,502,525 <sup>(3)</sup>	11.031
Argyle Street Management Ltd (“ASML”)	181,134,912 <sup>(4)</sup>	14.745
ASM Co-Investment Opportunity Trust I LP (“ASMCOPT”)	956,000 <sup>(5)</sup>	0.078
ASM General Partner I Limited (“ASMGP”)	956,000 <sup>(6)</sup>	0.078
Argyle Street Management Holdings Ltd (“ASMHL”)	182,090,912 <sup>(7)</sup>	14.823
Mr Yeh V-Nee	216,614,352 <sup>(8)</sup>	17.634
Mr Kin Chan	184,511,217 <sup>(9)</sup>	15.020

Notes:

- ASMHRF is deemed to be interested in the 45,632,387 Units held by a nominee for ASMHRF.
- ASMARMF is deemed to be interested in the 135,502,525 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.
- ASMCOPT is deemed to be interested in the 956,000 Units held by a nominee for ASMCOPT.
- ASMGP is the general partner of ASMCOPT, manages, controls the operation and determines the policy with respect to ASMCOPT. Pursuant to the Companies Act, ASMGP is deemed to be interested in the underlying Units held directly or indirectly by ASMCOPT.
- ASMHL is the beneficial holder of more than either 50% of the voting shares of ASML and ASMGP. Pursuant to the Companies Act, ASMHL is deemed to be interested in the 181,134,912 Units which ASML is deemed to be interested in. See note 4 above. ASMHL is also deemed to be interested in the 956,000 Units which ASMGP is deemed to be interested in. See note 6 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 182,090,912 Units which ASMHL is deemed to be interested in. See note 7 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 Kin Chan 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 182,090,912 Units which ASMHL is deemed to be interested in. See note 7 above. Mr Chan is also deemed to be interested in 2,420,305 Units held by his wife Ms Seow Shu Ping, Jo-Ann.

#### Interests of directors of the Manager in Units (as at 21 July 2011)

Name	No. of Units (Direct interest)	No. of Units (Deemed interest)	% <sup>(1)</sup>
Arnold Ip Tin Chee	–	6,574,549 <sup>(2)</sup>	0.55
Chang Sean Pey	3,000,000	–	0.25
Raymond Wong Kin Jeon	–	22,747,390	1.92
Soh Yew Hock	–	–	–
Dennis Lam Siu Sun	–	601,600	0.05
Harold Sun Dai Hoe	–	–	–
Chan Kin	–	184,511,217	15.58
Li Yick Yee Angie	–	320,953	0.03

Notes:

- Computed based on 1,184,638,611 Units in issue as at 21 July 2011.
- 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.

## STATISTICS OF UNITHOLDINGS AND WARRANT-HOLDINGS

As at 14 September 2011

### WARRANT-HOLDINGS

As at 14 September 2011, Saizen REIT had 217,941,936 Warrants outstanding.

#### Distribution of Warrant-holdings

Size of Warrant-holdings	No. of Warrant holders	%	No. of Warrants	%
1 – 999	47	1.95	18,846	0.01
1,000 – 10,000	1,827	75.71	8,398,585	3.85
10,001 – 1,000,000	523	21.67	30,936,051	14.20
Above 1,000,000	16	0.66	178,588,454	81.94
<b>TOTAL:</b>	<b>2,413</b>	<b>100.00</b>	<b>217,941,936</b>	<b>100.00</b>

Based on the information available to the Manager as at 14 September 2011, there are 2,413 Warrant holders. Hence, the Manager has complied with Rule 826 of the Listing Manual which requires at least 100 Warrant holders.

#### 20 Largest Warrant holders

No.	Name	No. of Warrants	%
1.	HSBC (Singapore) Nominees Pte Ltd	43,630,069	20.02
2.	Citibank Nominees Singapore Pte Ltd	39,839,710	18.28
3.	Raffles Nominees Pte Ltd	23,225,437	10.66
4.	Morgan Stanley Asia (Singapore) Securities Pte Ltd	16,240,400	7.45
5.	UOB Kay Hian Pte Ltd	11,508,399	5.28
6.	DBS Nominees Pte Ltd	9,243,406	4.24
7.	BNP Paribas Nominees Singapore Pte Ltd	8,872,836	4.07
8.	Kim Eng Securities Pte Ltd	6,174,000	2.83
9.	DBS Vickers Securities (S) Pte Ltd	4,401,800	2.02
10.	OCBC Securities Private Ltd	4,341,000	1.99
11.	Merrill Lynch (Singapore) Pte Ltd	2,703,370	1.24
12.	Tan Yung Tjien	2,450,000	1.12
13.	Yip-Ow Siew Wah	2,304,000	1.06
14.	Chan Wang Kin	1,549,000	0.71
15.	Bank of East Asia Nominees Pte Ltd	1,080,248	0.50
16.	DBSN Services Pte Ltd	1,024,779	0.47
17.	Low Chin Yee	980,629	0.45
18.	Denny Jong	950,000	0.44
19.	See Yen Tarn	867,000	0.40
20.	Phillip Securities Pte Ltd	862,811	0.40
	<b>Total</b>	<b>182,248,894</b>	<b>83.63</b>

### List of Substantial Warrant holders

There are no Substantial Warrant holders.

### Interests of directors of the Manager in Warrants (as at 21 July 2011)

Name	No. of Warrants (Deemed interest)	% <sup>(1)</sup>
Arnold Ip Tin Chee	6,770,390	2.59
Chang Sean Pey	–	–
Raymond Wong Kin Jeon	130,000	0.05
Soh Yew Hock	–	–
Dennis Lam Siu Sun	–	–
Harold Sun Dai Hoe	–	–
Chan Kin	–	–
Li Yick Yee Angie	168,118	0.06

Note:

1. Computed based on 261,718,806 Warrants outstanding as at 21 July 2011.

## ADDITIONAL INFORMATION

### RELATED PARTY TRANSACTIONS

Transactions entered into with related parties during the financial year ended 30 June 2011 pursuant to the Listing Manual of the SGX-ST and the Code on Collective Investment Schemes are listed below:

Name of related parties		Aggregate value of all related party transactions (excluding transactions less than S\$100,000)
<b>Japan Residential Assets Manager Limited</b>		
- Management fee	(JPY'000)	191,994
	(S\$'000) <sup>1</sup>	2,991
- Divestment fee	(JPY'000)	17,210
	(S\$'000) <sup>1</sup>	268
<b>HSBC Institutional Trust Services (Singapore) Limited</b>		
- Trustee fees	(JPY'000)	9,405
	(S\$'000) <sup>1</sup>	146
<b>KK Tenyu Asset Management</b>		
- Asset management fee	(JPY'000)	33,131
	(S\$'000) <sup>1</sup>	516
- Services relating to divestments	(JPY'000)	8,571
	(S\$'000) <sup>1</sup>	134
- Guarantor fee	(JPY'000)	7,757
	(S\$'000) <sup>1</sup>	121

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\$11,571<sup>1</sup> (JPY742,869) were incurred during the year ended 30 June 2011.

Note:

1. Based on S\$/JPY average exchange rate of 64.2 between 1 July 2010 and 30 June 2011.

## NOTICE OF ANNUAL GENERAL MEETING

**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 Tuesday, 25 October 2011 at 10.00 a.m. to transact the following business:

### (A) AS ORDINARY BUSINESS

- 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 2011 and the Independent Auditors' Report thereon.
 

**(Ordinary Resolution 1)**
- 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 resolution as an Ordinary Resolution:

- That authority be and is hereby given to the Manager, to:
  - issue units in Saizen REIT ("Units") whether by way of rights, bonus or otherwise; and/or
  - 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
  - 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:

- 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 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 (2) 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 (2) below);
- subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited ("SGX-ST") for the purpose of determining the aggregate number of Units that may be issued under sub-paragraph (1) 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) as at the time this Resolution is passed, after adjusting for:
  - 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
  - any subsequent bonus issue, consolidation or subdivision of Units;
- 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);
- 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 to be held, whichever is earlier;

# NOTICE OF ANNUAL GENERAL MEETING

- (5) 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
- (6) the Manager and the Trustee be and are hereby severally authorised to complete and do all such acts and things (including executing all such documents as may be required) as the Manager or, as the case may be, the Trustee may consider necessary, expedient, 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 Note)

**(Ordinary Resolution 3)**

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 2011

**Explanatory note:**

**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 to be held, whichever is earlier, to issue Units and to make or grant Instruments up to a number not exceeding 50% of the total number of issued Units (excluding treasury Units, if any) of which up to 20% may be issued other than on a *pro rata* basis.

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 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.

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 obtain the approval of Unitholders accordingly.

**Notes:**

- 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.
- 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.
- The instrument appointing a proxy or proxies must be lodged at the Manager's registered office at 3 Anson Road, #34-01 Springleaf Tower, Singapore 079909 not later than **23 October 2011 at 10.00 a.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))

**IMPORTANT**

- 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.
- 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.
- 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.
- PLEASE READ THE NOTES TO THE PROXY FORM.**

**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 held at InterContinental Singapore, Level 2, Ballroom 1, 80 Middle Road, Singapore 188966 on Tuesday, 25 October 2011 at 10.00 a.m. 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***
<b>Ordinary business</b>					
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 2011 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				
<b>Special business</b>					
3.	To authorise the Manager to issue Units and to make or grant convertible instruments				

\* Delete where applicable.

\*\* 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 \_\_\_\_\_ 2011

<b>Total number of Units held</b>

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

## 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. 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 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 registered 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](http://www.saizenreit.com.sg)

Email: [info@saizenreit.com.sg](mailto: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 6658-0392

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 LLP

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

### RISK MANAGEMENT COMMITTEE

Mr Dennis Lam Siu Sun (Chairman)

Mr Arnold Ip Tin Chee

Mr Chang Sean Pey

### JOINT COMPANY SECRETARIES OF THE MANAGER

Mr Desmond Lee Heng Choong

Ms Goh Lee Tao

### INDEPENDENT VALUERS

#### Le Futur Corporation

B314, 21-12, Sakuragaokacho, Shibuya

Tokyo 150-0031, Japan

#### KK Sakura Business Partners

Shin Nihon Building, 2-4-22

Daimyo Chuo-ku

Fukuoka 810-0041, Japan

#### KK Soken

Kyogin Building

1-13-2, Tenjin, Chuo-ku

Fukuoka 810-0001, Japan

#### Prime Appraisal Institute Co, Ltd

2-4-30, 7F Nishitetsu Building

Daimyo, Chuo-ku

Fukuoka 810-0041, Japan

#### Real Estate Appraisal Aota Jimusho

2-1-1, 7F Sendai Bank Building

Ichibancho, Aoba-ku

Sendai 980-0811, Japan

#### Real Value Inc.

1-21-16 Kamitoda Toda-shi

Saitama 335-0022

Japan

#### Rich Appraisal Institute Co., Ltd

7F Homest Kibako Building

1-19-14 Ginza, Chuo-ku

Tokyo 104-0061, Japan

#### Success Solution Inc

Okano Building, 2F, 5-45-5

Higashi-Ikebukuro, Toshima-ku

Tokyo 170-0013, Japan



Manager of  
**SaizenREIT**) 最善

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Singapore 079909  
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Fax: +65 6327-8092