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**DIVESTMENT OF 3 PROPERTIES**

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The Board of Directors of Japan Residential Assets Manager Limited, the manager (“**Manager**”) of Saizen Real Estate Investment Trust (“**Saizen REIT**”), wishes to announce the divestment of Higashi Hakushima Y Building, Otemachi Y Building and Kinyacho Y Building (each a “**Current Divestment**” or collectively, the “**Current Divestments**”) from the property portfolio of Yugen Kaisha (“**YK**”) Shintoku.

**Background***Higashi Hakushima Y Building*

YK Shintoku has, on 13 October 2010, entered into a sale and purchase agreement for the divestment of Higashi Hakushima Y Building (“**HH**”) to an independent private investor (the “**HH Buyer**”) for a cash consideration of JPY 145,000,000 (S\$2.3 million<sup>1</sup>) (the “**HH Sale Price**”). The divestment of HH was completed on the same day upon the payment of the full amount of the HH Sale Price by the HH Buyer.

HH, located in Hiroshima, was built in March 2003 and comprises 19 residential units and 4 car parking units. It contributed about 0.4% (or approximately JPY 15.1 million) of Saizen REIT’s annual revenue in the financial year ended 30 June 2010 (“**FY2010**”).

*Otemachi Y Building*

YK Shintoku has, on 13 October 2010, entered into a sale and purchase agreement for the divestment of Otemachi Y Building (“**OY**”) to an independent private investor (the “**OY Buyer**”) for a cash consideration of JPY 170,170,000 (S\$2.7 million) (the “**OY Sale Price**”). The divestment of OY was completed on the same day upon the payment of the full amount of the OY Sale Price by the OY Buyer.

OY, located in Hiroshima, was built in March 2001 and comprises 24 residential units and 2 car parking units. It contributed about 0.4% (or approximately JPY 17.0 million) of Saizen REIT’s annual revenue in the financial year ended 30 June 2010 (“**FY2010**”).

*Kinyacho Y Building*

YK Shintoku has, on 13 October 2010, entered into a sale and purchase agreement for the divestment of Kinyacho Y Building (“**KY**”) to an independent private investor (the “**KY Buyer**”) for a cash consideration of JPY 180,542,826 (S\$2.9 million) (the “**KY Sale Price**”). The divestment of KY was completed on the same day upon the payment of the full amount of the KY Sale Price by the KY Buyer.

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<sup>1</sup> Based on an exchange rate of S\$1.00 to JPY62.8 as at 12 October 2010, which is applied throughout this announcement unless stated otherwise.

KY, located in Hiroshima, was built in February 2002 and comprises 24 residential units and 2 car parking units. It contributed about 0.4% (or approximately JPY 18.3 million) of Saizen REIT's annual revenue in the financial year ended 30 June 2010 ("**FY2010**").

Given the small sizes of HH, OY and KY relative to the entire portfolio of Saizen REIT, the Current Divestments are not expected to have any material impact on the financial position of Saizen REIT.

### **Consideration**

The HH Sale Price, OY Sale Price and KY Sale Price, amounting to an aggregate of JPY 495,712,826 (S\$7.9 million), were fully paid up by their respective buyers on 13 October 2010. The entire proceeds from the Current Divestments will be used for partial repayment of the YK Shintoku Loan.

The HH Sale Price, OY Sale Price and KY Sale Price were arrived at on an arm's length basis, taking into account, inter alia, their respective valuations (as defined below) and the prevailing market conditions.

### **Property value and financial results**

Based on the valuation of HH prepared by Success Solution Inc, an independent valuer commissioned by the Manager, HH was valued at JPY 156.0 million (S\$2.5 million) (the "**HH Valuation**") as at 30 June 2010. The HH Sale Price therefore represents a discount of approximately 7.1% to the HH Valuation.

Based on the valuations of OY and KY prepared by Advance Appraisers Co., Ltd, an independent valuer commissioned by the Manager, OY and KY were valued at JPY 180.0 million (S\$2.9 million) (the "**OY Valuation**") and JPY 188.0 million (S\$3.0 million) (the "**KY Valuation**") as at 30 June 2010 respectively.

The OY Sale Price represents a discount of approximately 5.5% to the OY Valuation, while the KY Sale Price represents a discount of approximately 4.0% to the KY Valuation.

In the past 12 months, YK Shintoku had completed the divestment of the following properties:

- (a) Urban KN2 Kumamoto (announcements dated 26 October 2009 and 28 October 2009) (the "**FY2010 Divestment**"); and
- (b) Patios Ohashi (announcements dated 21 September 2010 and 30 September 2010), Sun Park Yokokawa (announcement dated 29 September 2010), Funairi Honmachi 54 (announcement dated 29 September 2010), Residence II Yasuda (announcement dated 29 September 2010), Matoba Y Building (announcement dated 29 September 2010) and Villa Kaigancho (announcement dated 8 October 2010) (collectively, the "**FY2011 Divestments**").

A summary of the net book value, sale price and resultant loss on disposal in respect of the Current Divestments, the FY2010 Divestment and the FY2011 Divestments is as follows:

	HH	OY	KY	FY2010 Divestment and FY2011 Divestments
Net book value <sup>2</sup>	JPY 156.0 mil (S\$2.5 mil)	JPY 180.0 mil (S\$2.9 mil)	JPY 188.0 mil (S\$3.0 mil)	JPY 898.1 mil (S\$14.3 mil)
Sale price	JPY 145.0 mil (S\$2.3 mil)	JPY 170.2 mil (S\$2.7 mil)	JPY 180.5 mil (S\$2.9 mil)	JPY 857.8 mil (S\$13.7 mil)
Excess/(deficit) of sale price over the book value	(JPY 11.0 mil) ((S\$0.2 mil))	(JPY 9.8 mil) ((S\$0.2 mil))	(JPY 7.5 mil) ((S\$0.1 mil))	(JPY 40.3 mil) ((S\$0.6 mil))
Profit/(loss) on disposal <sup>3</sup>	(JPY 20.0 mil) ((S\$0.3 mil))	(JPY 20.6 mil) ((S\$0.3 mil))	(JPY 18.3 mil) ((S\$0.3 mil))	(JPY 93.7 mil) ((S\$1.5 mil))

The net profit/(loss) attributable to the properties in respect of the Current Divestments, the FY2010 Divestment and the FY2011 Divestments in FY2010 is as follows:

	HH	OY	KY	FY2010 Divestment <sup>4</sup> and FY2011 Divestments
Net profit/(loss) attributable to property <sup>5</sup>	(JPY 5.1 mil) ((S\$0.1 mil))	JPY 1.9 mil (S\$0.03 mil)	JPY 4.6 mil (S\$0.1 mil)	(JPY 41.0 mil) ((S\$0.7 mil))

## **Financial effects**

### **Net asset value per Unit attributable to Unitholders (“NAV per Unit”)**

Based on the audited financial statements of the Saizen REIT Group for FY2010<sup>6</sup> and assuming that the Current Divestments and the FY2011 Divestments had been completed on 30 June 2010, the estimated aggregate pro forma financial effects which the Current Divestments and the FY2011 Divestments would have on the NAV per Unit as at 30 June 2010 are as follows:

<sup>2</sup> The net book value is equal to the full valuations conducted on 30 June 2010 by independent valuers commissioned by the Manager.

<sup>3</sup> The differences between the profit/(loss) on disposal and the excess/(deficit) of sale price over book value are due to transaction costs, namely agent fees and consumption taxes.

<sup>4</sup> This is the financial results of the property prior to its divestment in FY2010. The contribution is calculated from 1 July 2009 to the date of divestment, and do not represent a full-year contribution of net profit/(loss).

<sup>5</sup> This represents the impact attributable to the properties to the net loss of Saizen REIT and its subsidiaries (the “**Saizen REIT Group**”) in FY2010. The net loss attributable to HH in FY2010 was mainly due to a write-down in property value of JPY 8.0 million. The net loss attributable to the FY2010 Divestment and FY2011 Divestments in FY2010 were mainly due to write-downs in property values amounting to an aggregate of JPY 55.3 million in FY2010.

<sup>6</sup> The financial effects of the FY2010 Divestment have been recognised in the audited financial results of FY2010.

	<b>Audited (as at 30 June 2010)</b>	<b>Pro forma financial effects of the Current Divestments and the FY2011 Divestments</b>
Net asset value attributable to Unitholders (JPY' 000)	23,882,923	23,742,482
Number of Units <sup>7</sup> ('000)	953,203	953,203
NAV per Unit <sup>8</sup> (JPY)	25.06	24.91
(S\$)	0.40 <sup>9</sup>	0.40

### Earnings per Unit ("EPU")

Assuming the Current Divestments and the FY2011 Divestments had been completed on 1 July 2009 and based on the audited financial statements of the Saizen REIT Group for FY2010<sup>10</sup>, the estimated aggregate pro forma financial effects which the Current Divestments and the FY2011 Divestments would have on the EPU of FY2010 are as follows:

	<b>Audited (FY2010)</b>	<b>Pro forma financial effects of the Current Divestments and the FY2011 Divestments</b>
Loss for the year attributable to Unitholders (JPY' 000)	(883,878)	(983,965)
Weighted average number of Units <sup>11</sup> ('000)	952,710	952,710
Basic EPU <sup>8</sup> (JPY)	(0.93)	(1.03)
(cents)	(1.43) <sup>12</sup>	(1.64)

### Rationale

Since the loan of YK Shintoku (the "YK Shintoku Loan") went into maturity default in November 2009, the asset manager of Saizen REIT has been working closely with the loan servicer on a suitable course of action. To this end, the loan servicer has proposed the progressive and partial sale of YK Shintoku's properties to reduce the absolute amount of the YK Shintoku Loan. Such reduction in absolute amount of the loan will likely make its refinancing more acceptable to potential lenders.

### Interest of Directors and Controlling Unitholders

A divestment fee of 0.3% of the above-mentioned sale prices of HH, OY and KY as well as the FY2010 Divestment and each of the FY2011 Divestments as previously announced (collectively, the "Divestment Fees") is payable to the Manager. The Divestment Fees will be

<sup>7</sup> Based on 953,203,055 Units in issue as at 30 June 2010.

<sup>8</sup> It is assumed that there is no exercise of warrants and therefore, there is no dilutive effect on the NAV per Unit and EPU.

<sup>9</sup> Based on an exchange rate of S\$1.00 to JPY63.4 as at 30 June 2010.

<sup>10</sup> The financial effects of the FY2010 Divestment have been recognised in the audited financial results of FY2010.

<sup>11</sup> Based on a weighted average number of Units of 952,710,118 Units.

<sup>12</sup> Based on an average exchange rate of S\$1.00 to JPY65.1 between 1 July 2009 and 30 June 2010.

payable in the form of cash or units or a combination of both (as the Manager may in its sole discretion determine).

Save for the above Divestment Fees, none of the Directors or controlling shareholders of the Manager, or the Manager, the Trustee or controlling unitholder of Saizen REIT, as the case may be, has any interest, direct or indirect, in the Current Divestments.

### **Relative Figures Computed pursuant to Rule 1006 of the Listing Manual**

The relative figures for the Current Divestments, the FY2010 Divestment and the FY2011 Divestments taken in aggregate and computed on the bases pursuant to Rule 1006(a) to 1006(d) of the SGX-ST Listing Manual (based on the recently announced audited financial statements of the Saizen REIT Group for FY2010) are as follows:

Rule 1006(a)	Net asset value of the assets to be disposed of, compared with the group's net asset value.	5.95% <sup>13</sup>
Rule 1006(b)	The net profits attributable to the assets disposed of, compared with the group's net profits.	3.49% <sup>14</sup>
Rule 1006(c)	The aggregate value of the consideration received, compared with the issuer's market capitalisation based on the total number of issued shares excluding treasury shares.	12.23% <sup>15</sup>
Rule 1006(d)	The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not applicable

The aggregate figures of the Current Divestments, the FY2010 Divestment and the FY2011 Divestments under Rule 1006 (b) do not exceed 5%.

The aggregate figure of the Current Divestments, the FY2010 Divestment and the FY2011 Divestments under Rules 1006(a) and (c) exceeds 5%, but not 50%. Accordingly, the Current Divestments, the FY2010 Divestment and the FY2011 Divestments, in aggregate, constitute a discloseable transaction as defined in Chapter 10 of the SGX-ST Listing Manual.

<sup>13</sup> The net asset value of the Saizen REIT Group as at 30 June 2010 was JPY 23.891 million.

<sup>14</sup> Based on the aggregate net property income of the Current Divestments, the FY2010 Divestment and the FY2011 Divestments in FY2010 of approximately JPY 97.0 million and Saizen REIT Group's net property income of JPY 2,782.6 million in FY2010. A comparison of net loss for FY2010 (contributed mainly by the write-down in the value of the property portfolio of Saizen REIT) is not meaningful.

<sup>15</sup> Saizen REIT's market capitalisation is computed based on the weighted average Unit price of S\$0.1586 and 1,111,002,712 Units in issue on 12 October 2010, being the market day immediately preceding the date of the sale and purchase agreements.

**Documents for inspection**

Copies of the sale and purchase agreement and valuation report in respect of the Current Divestments are available for inspection during normal business hours at the registered office of the Manager at 3 Anson Road, #34-01 Springleaf Tower, Singapore 079909 for three months commencing from the date of this announcement.

BY ORDER OF THE BOARD OF DIRECTORS

Linus Koh (Mr.)  
Co-Chief Executive Officer

Japan Residential Assets Manager Limited  
(Company Registration No. 200712125H)  
As Manager of Saizen Real Estate Investment Trust

14 October 2010

**Important Notice**

The value of Units and the income derived from them, if any, may fall or rise. Units are not obligations of, deposits in, or guaranteed by, the Manager, or any of its affiliates. An investment in Units is subject to investment risks, including the possible loss of the principal amount invested.

Investors should note that they have no right to request the Manager to redeem their Units while the Units are listed. It is intended that Unitholders may only deal in their Units through trading on the SGX-ST. Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units.

This publication is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for the Units. The past performance of Saizen is not necessarily indicative of the future performance of Saizen REIT.