

## PROSPECTUS DATED 29 OCTOBER 2007

This document is important. If you are in any doubt as to the action you should take, you should consult your legal, financial, tax or other professional adviser.



### SAIZEN REAL ESTATE INVESTMENT TRUST

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



#### OFFER FOR SUBSCRIPTION BY JAPAN RESIDENTIAL ASSETS MANAGER LIMITED 196,740,000 Units (subject to the Over-allotment Option) Offering Price: S\$1.00 per Unit

Japan Residential Assets Manager Limited, as manager (the "Manager") of Saizen Real Estate Investment Trust ("Saizen REIT"), is making an offering (the "Offering") of 196,740,000 units representing undivided interests in Saizen REIT (the "Units") for subscription at the Offering Price (as defined herein). The Offering consists of (i) an international placement of 178,203,000 Units to investors, including institutional and other investors in Singapore (the "Placement"), and (ii) an offering of 18,537,000 Units to the public in Singapore (the "Public Offer") (subject to reallocation) of which 8,700,000 Units will be reserved for subscription by the directors, management, employees and business associates of Japan Residential Assets Manager Limited (the "Sponsor") and its subsidiaries (the "Reserved Units"). The issue price of each Unit under the Offering (the "Offering Price") is S\$1.00 per Unit.

The Offering will be fully underwritten at the Offering Price by Morgan Stanley Asia (Singapore) Pte. ("Morgan Stanley Singapore"), Morgan Stanley & Co. International plc ("Morgan Stanley International") and Credit Suisse (Singapore) Limited ("Credit Suisse"), and together with Morgan Stanley International and Morgan Stanley Singapore, the "Underwriters".

Concurrently, but separate from the Offering, Central-Top Properties Ltd. ("Central-Top"), a wholly-owned subsidiary of Japan Opportunities Fund Limited ("JOF"), Japan High Yield Property Fund Limited ("JHYP", and Japan High Yield Property Fund (II) Limited ("JHYP II" and together with, Central-Top and JHYP, the "Vendors"), managed by the Management Team (as defined herein), will receive 53,191,511, 160,838,440 and 39,230,049 Units respectively (collectively, the "Consideration Units") in full satisfaction of the purchase consideration for the Vendor TK Interests (as defined herein).

Prior to the Offering, there has been no market for the Units. The offer of Units under this Prospectus will be by way of an initial public offering in Singapore. Application has been made to Singapore Exchange Securities Trading Limited (the "SGX-ST") for permission to list on the Main Board of the SGX-ST all the Units comprised in the Offering, all the Consideration Units, and all the Units which will be issued to the Manager from time to time in full or part payment of fees. Such permission will be granted when Saizen REIT has been admitted to the Official List of the SGX-ST (the "Listing Date"). Acceptance of applications for Units in the Offering will be conditional upon issue of the Units and upon permission being granted to list the Units. In the event that such permission is not granted, application monies will be returned in full, at each investor's own risk, without interest or any share of revenue or other benefit arising therefrom, and without any right or claim against the Sponsor, Saizen REIT, the Manager, the Underwriters or HSBC Institutional Trust Services (Singapore) Limited, as trustee of Saizen REIT (the "Trustee").

Saizen REIT has received a letter of eligibility from the SGX-ST for the listing and quotation of the Units on the Main Board of the SGX-ST. Saizen REIT's eligibility to list on the Main Board of the SGX-ST is not an indication of the merits of the Offering, Saizen REIT, the Manager or the Units. The SGX-ST assumes no responsibility for the correctness of any statements or opinions made or reports contained in this Prospectus. Admission to the Official List of the SGX-ST is not to be taken as an indication of the merits of the Offering, Saizen REIT, the Manager or the Units.

Investors who are members of the Central Provident Fund ("CPF") in Singapore may use their CPF Ordinary Account savings to subscribe for Units as an investment included under the CPF Investment Scheme—Ordinary Account. CPF members are allowed to invest up to 35.0% of the Investible Savings (as defined herein) in their CPF Ordinary Accounts to subscribe for Units.

The collective investment scheme offered in this Prospectus is an authorised scheme under the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"). A copy of this Prospectus has been lodged with,

and registered by, the Monetary Authority of Singapore (the "MAS") on 5 October 2007 and 29 October 2007 respectively. The MAS assumes no responsibility for the contents of this Prospectus. Lodgement with, or registration by, the MAS of this Prospectus does not imply that the SFA or any other legal or regulatory requirements have been complied with. The MAS has not, in any way, considered the investment merits of the collective investment scheme. This Prospectus will expire on 28 October 2008 (12 months after the date of the registration).

See "Risk Factors" commencing on page 34 of this Prospectus for a discussion of certain factors to be considered in connection with an investment in the Units. None of the Vendors, the Sponsor, the Manager, the Underwriters or the Trustee guarantees the performance of Saizen REIT, the repayment of capital or the payment of a particular return on the Units.

Investors applying for Units by way of Application Forms or Electronic Applications (both as defined herein) in the Public Offer will pay S\$1.00 per Unit on application, subject to a refund of the full amount or, as the case may be, the balance of the application monies (in each case without interest or any share of revenue or other benefit arising therefrom), where (i) an application is rejected or accepted in part only, or (ii) if the Offering does not proceed for any reason.

In connection with the Offering, the Underwriters have been granted an over-allotment Option (the "Over-allotment Option") by the Vendors, exercisable in full or in part on more than one occasion by Morgan Stanley International (the "Stabilising Manager"), from the date of commencement of trading of the Units on the SGX-ST until the earliest of (i) the date falling 30 days from the commencement of trading in the Units on the SGX-ST or (ii) the date when the over-allotment of the Units which are the subject of the Over-allotment Option has been fully covered (through the purchase of Units on the SGX-ST and/or the exercise of the Over-allotment Option by the Stabilising Manager) to purchase up to an aggregate of 29,511,000 Units at the Offering Price from the Vendors solely to cover the over-allotment of Units (if any). The total number of Units in issue immediately after the completion of the Offering will be 450,000,000 Units. The exercise of the Over-allotment Option will not increase the total number of Units in issue.

The Units are being offered and sold outside the United States in reliance on Regulation S under the U.S. Securities Act of 1933 (the "Securities Act"). The Units have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States.

Financial Adviser, Joint Bookrunner,  
Underwriter and Issue Manager

Joint Bookrunner and Underwriter

Morgan Stanley CREDIT SUISSE

Sub-underwriter

Co-ordinator of the Public Offer

NOMURA

UOB ASIA LIMITED



## SAIZEN REIT

Saizen REIT is a Singapore-based real estate investment trust (“REIT”) established with the principal investment objective of investing 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.

Japan Residential Assets Manager Limited, as manager of Saizen REIT (the “**Manager**”), envisages investments in assets with attractive cash flow growth and capital gains prospects, and the potential to achieve attractive returns. The Manager’s key financial objective is to provide Unitholders with a competitive rate of return on their investment while ensuring regular and stable distributions to Unitholders and achieving long-term growth in distributions and NAV per Unit.



## THE SPONSOR


Japan Regional Assets Manager Limited (the “**Sponsor**”) is an investment management company that specialises in the investment management of real estate assets in regional cities across Japan. The Sponsor has established itself as one of the largest operators in the Japanese regional residential property markets. The property portfolio managed by its key personnel has grown from 25 as at 30 June 2004 to 202 as at the Latest Practicable Date.



## THE MANAGER

The Manager, a wholly-owned subsidiary of the Sponsor, is responsible for Saizen REIT’s investment and financing strategies, asset acquisition and divestment policies, and the overall management of Saizen REIT’s real estate and real estate-related assets.

The management team of the Manager and the Asset Manager (together, the “**Management Team**”) possesses extensive experience and expertise in managing investments in the Japanese regional residential property markets and has established a strong track record and network for investing in Japanese real estate.





This overview section is qualified in its entirety by, and should be read in conjunction with, the full text of the Prospectus. Words and expressions not defined herein have the same meaning as in the main body of the Prospectus unless the context requires otherwise. Meanings of capitalised terms may be found in the Glossary of the Prospectus.

## ANNUALISED DISTRIBUTION YIELD FOR FORECAST PERIOD 2008<sup>1</sup>

# 6.5%<sup>2</sup>

### KEY INVESTMENT HIGHLIGHTS

#### Unique opportunity to access the Japanese regional residential property market

- Singapore's first REIT offering with purely Japanese regional residential properties
  - Portfolio includes only Japanese regional residential properties which generate a higher yield than similar properties in Tokyo and Osaka
- Steady and reliable income stream due to stable Japanese residential property rental market
  - Stable growth at an average rate of 1.0% annually even through severe economic downturns during the 15-year period from 1991 to 2006
  - Stability is expected to persist, driven by continuing strong demand for rental housing across Japan
  - Stability will contribute to Saizen REIT's ability to provide steady distribution yield to Unitholders despite possible fluctuations in macro-economic conditions
- Steady and reliable income stream due to consistently high occupancy and low defaults
  - Focus on acquiring properties with high occupancy rates, or potential strong growth in occupancy rates
  - Ability to modify leasing strategy to accommodate changing market conditions and seasonal variations
  - Consistently low default rate with monitoring procedures for overdue rent
- Returns driven by large positive spread between forecast net operating income yield and cost of debt
  - Forecast net operating income yield of approximately 6.0% and benefits from average financing cost of between 2.0% and 3.0%

#### Quality portfolio of regional residential properties

- Well maintained properties generally located in residential neighbourhoods and/or in close proximity to business districts and transportation hubs
- Geographically diversified across 12 regional cities in Japan
- Diversified tenant base with over 4,500 tenants as at 31 August 2007

#### Strong growth potential of Saizen REIT

- Exposure to the world's second largest economy and an improving residential property market
- Large size of Japanese regional cities, economies and property markets will continue to offer Saizen REIT numerous acquisition opportunities
- The Manager intends to pursue acquisition opportunities with attractive cash flow growth and yield profile, as well as the potential to achieve an attractive rate of return on invested capital

#### Strengths of the Management Team

- One of the largest operators in the Japanese regional residential property markets with a portfolio of 202 properties as at the Latest Practicable Date
- Strong track record and network for investing in Japanese real estate
- Extensive expertise and experience in managing investments in the Japanese regional residential property markets
- Commitment to Saizen REIT and alignment of interest with Unitholders

<sup>1</sup> The period from 5 November 2007 to 30 June 2008.

<sup>2</sup> Based on the Offering Price of S\$1.00 per Unit and the assumptions set out in this Prospectus, including a property portfolio comprising only the Initial Properties and the Additional Properties. Takes into account a one-off special dividend of 1.21 cents per Unit comprising the cash generated and accumulated in the Initial TK Operators prior to the Listing Date.

## STRATEGY

The Manager intends to hold the Properties for long-term investment purposes, with strong emphasis on regular maintenance, periodic renovation and capital improvement, as deemed necessary to maintain the attractiveness and marketability of the Properties.

### Capitalising on acquisition growth opportunities

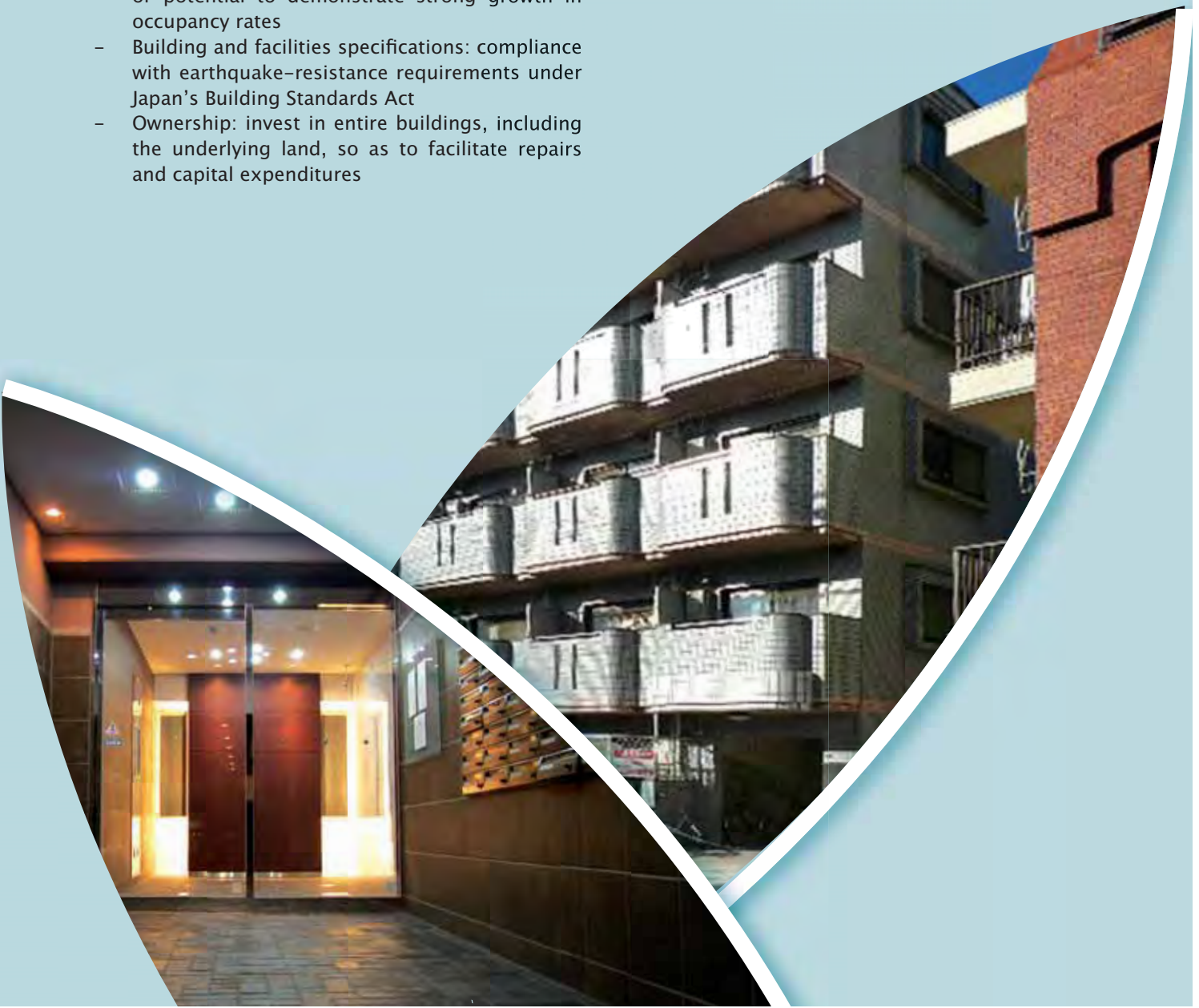
- Potential acquisition of 15 Additional Properties with a total indicative purchase consideration (excluding transaction costs) of approximately ¥5.4 billion (approximately S\$71.4 million). Also considering the acquisition of over 40 properties worth approximately ¥20 billion (approximately S\$263.0 million)
- Focus on the following investment criteria for evaluating investment opportunities:
  - Location: ease of access and connectivity to major transportation hubs, access to basic amenities, and immediate presence and concentration of competing residential properties
  - Tenant profile: residential units that cater to a broad market of tenants to maintain a diversified tenant base
  - Occupancy characteristics: high occupancy rates or potential to demonstrate strong growth in occupancy rates
  - Building and facilities specifications: compliance with earthquake-resistance requirements under Japan's Building Standards Act
  - Ownership: invest in entire buildings, including the underlying land, so as to facilitate repairs and capital expenditures

### Leveraging complementary local partnerships and local industry knowledge of experienced Japanese staff

- Benefit from the Asset Manager's established presence in Japan and strong relationships with leading local real estate professionals
- Benefit from the Asset Manager's local real estate industry knowledge, acquisition and management expertise

### Implementing capital management strategies

- Optimise Saizen REIT's capital structure and apply appropriate risk management and financing strategies to maximise the risk-adjusted returns to Unitholders
- Capitalise on Saizen REIT's portfolio size, scale of operations and improved credit position following the listing to negotiate for improved terms for refinancing the Properties and financing future investments
- Adopt suitable hedging strategies to minimise foreign exchange rate risk



## THE INITIAL PROPERTIES

Saizen REIT's portfolio comprises 148 Initial Properties located in 12 regional cities throughout Japan with a total appraised value of ¥47.7 billion (approximately S\$626.8 million). As at 31 August 2007, the Initial Properties have a total Gross Floor Area of 226,250 sq m, a total Net Lettable Area of 197,743 sq m and an occupancy rate of approximately 91.2%<sup>1</sup>. Occupancy rates shown below are as at 31 August 2007.

The Initial Properties consist mainly of small units catering to young working singles and students and medium units targeting small families and working singles.

### Sapporo

No. of Properties	: 38
Total Gross Floor Area (sq m)	: 68,836
Total Net Lettable Area (sq m)	: 56,069
Occupancy Rate (%)	: 92.2

### Hakodate

No. of Properties	: 5
Total Gross Floor Area (sq m)	: 11,905
Total Net Lettable Area (sq m)	: 10,250
Occupancy Rate (%)	: 88.0

### Morioka

No. of Properties	: 4
Total Gross Floor Area (sq m)	: 4,487
Total Net Lettable Area (sq m)	: 4,247
Occupancy Rate (%)	: 92.2

### Sendai

No. of Properties	: 21
Total Gross Floor Area (sq m)	: 24,235
Total Net Lettable Area (sq m)	: 21,135
Occupancy Rate (%)	: 88.3

### Hiroshima

No. of Properties	: 24
Total Gross Floor Area (sq m)	: 25,528
Total Net Lettable Area (sq m)	: 22,872
Occupancy Rate (%)	: 91.7

### Kitakyushu

No. of Properties	: 22
Total Gross Floor Area (sq m)	: 34,421
Total Net Lettable Area (sq m)	: 31,627
Occupancy Rate (%)	: 85.8

### Koriyama

No. of Properties	: 2
Total Gross Floor Area (sq m)	: 3,367
Total Net Lettable Area (sq m)	: 3,076
Occupancy Rate (%)	: 97.4

### Kurashiki

No. of Properties	: 1
Total Gross Floor Area (sq m)	: 869
Total Net Lettable Area (sq m)	: 846
Occupancy Rate (%)	: 84.4

### Kumamoto

No. of Properties	: 15
Total Gross Floor Area (sq m)	: 31,538
Total Net Lettable Area (sq m)	: 28,142
Occupancy Rate (%)	: 93.7

### Oita

No. of Properties	: 1
Total Gross Floor Area (sq m)	: 3,315
Total Net Lettable Area (sq m)	: 2,827
Occupancy Rate (%)	: 83.0

### Fukuoka

No. of Properties	: 11
Total Gross Floor Area (sq m)	: 11,046
Total Net Lettable Area (sq m)	: 10,176
Occupancy Rate (%)	: 89.3

### Kagoshima

No. of Properties	: 4
Total Gross Floor Area (sq m)	: 6,703
Total Net Lettable Area (sq m)	: 6,476
Occupancy Rate (%)	: 97.2

<sup>1</sup> Excluding Kaminobori-cho Mansion, which is currently under construction and is expected to be completed in or around the second quarter of 2008.



Demographic trends in Japan show that students and young people are moving from suburban areas to major regional cities for education and employment opportunities. The trend of late and low marriage rates and low birth rates also corresponds with expectations of demand for small and medium residential units.

	Type	Characteristics		
		Layout and Average Size	Tenant Profile	Location
	Small	Layout Type:  Studio  Studio plus kitchen  Average Size: Generally 20 sq m to 35 sq m	Young working singles, students	Typically downtown around major business and entertainment areas, or towns along major transportation networks linking major business and commercial centres ("Bed Towns") or close to educational institutions
	Medium	Layout Type:  1 bedroom plus dining and kitchen  2 bedrooms plus dining and kitchen  2 bedrooms plus living, dining and kitchen  Average Size: Generally 35 sq m to 50 sq m	Young professionals, working singles, working couples without children	Typically downtown around major business and entertainment areas or close to educational institutions and Bed Towns near transportation networks
	Family	Layout Type:  3 bedrooms plus living, dining, kitchen and above  Average Size: Generally 50 sq m and above	Families	Suburbs, residential areas, and Bed Towns near transportation networks and basic amenities (e.g. schools, hospitals, supermarkets)



## NOTICE TO INVESTORS

No person is authorised to give any information or to make any representation not contained in this Prospectus and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Sponsor, Saizen REIT, the Manager, the Underwriters or the Trustee. Neither the delivery of this Prospectus nor any offer, subscription, sale or transfer made hereunder shall under any circumstances imply that the information herein is correct as of any date subsequent to the date hereof or constitute a representation that there has been no change or development reasonably likely to involve a material adverse change in the affairs, conditions and prospects of Saizen REIT, the Manager or the Units since the date hereof. Where such changes occur and are material or required to be disclosed by law, the SGX-ST and/or any other regulatory or supervisory body or agency, the Manager will make an announcement of the same via SGXNET and, if required, issue and lodge a supplementary document or replacement document pursuant to Section 298 of the SFA and take immediate steps to comply with the said Section 298. Investors should take notice of such announcements and documents and upon release of such announcements and documents shall be deemed to have notice of such changes. No representation, warranty or covenant, express or implied, is made by any of the Sponsor, Saizen REIT, the Manager, the Underwriters or the Trustee or any of their respective affiliates, directors, officers, employees, agents, representatives or advisers as to the accuracy or completeness of the information contained herein, and nothing contained in this Prospectus is, or shall be relied upon as, a promise, representation or covenant by any of the Sponsor, Saizen REIT, the Manager, the Underwriters or the Trustee or their respective affiliates, directors, officers, employees, agents, representatives or advisers.

None of the Sponsor, Saizen REIT, the Manager, the Underwriters, the Trustee or any of their respective affiliates, directors, officers, employees, agents, representatives or advisers is making any representation or undertaking to any subscriber of Units regarding the legality of an investment by such subscriber under appropriate legal, investment or similar laws. In addition, this Prospectus is issued solely for the purpose of the Offering and investors in the Units should not construe the contents of this Prospectus as legal, business, financial or tax advice. Investors should be aware that they may be required to bear the financial risks of an investment in the Units for an indefinite period of time. Investors should consult their own professional advisers as to the legal, tax, business, financial and related aspects of an investment in the Units.

Copies of this Prospectus and the Application Forms may be obtained on request, subject to availability, from:

**Morgan Stanley Asia (Singapore) Pte.**  
23 Church Street  
#16-01 Capital Square  
Singapore 049481

**Credit Suisse (Singapore) Limited**  
One Raffles Link  
#03-01/#04-01  
Singapore 039393

and from members of the Association of Banks in Singapore, members of the SGX-ST and merchant banks in Singapore. A copy of this Prospectus is also available on the SGX-ST website: <http://www.sgx.com>.

The distribution of this Prospectus and the offering, subscription, purchase, sale or transfer of the Units in certain jurisdictions may be restricted by law. The Sponsor, Saizen REIT, the Manager, the Underwriters and the Trustee require persons into whose possession this Prospectus comes to, to inform themselves about and to observe any such restrictions at their own expense and without liability to the Sponsor, Saizen REIT, the Manager, the Underwriters or the Trustee. This Prospectus does not constitute an offer of, or an invitation to subscribe for or purchase, any of the Units in any jurisdiction in which such offer or invitation would be unlawful. Persons to whom a copy of this Prospectus has been issued shall not circulate to any other person, reproduce or otherwise distribute this Prospectus or any information herein for any purpose whatsoever nor permit or cause the same to occur.

In connection with the Offering, the Stabilising Manager (or any person acting on its behalf) may over-allot or effect transactions with a view to stabilising or maintaining the market price of the Units at levels which might not otherwise prevail in the open market. Such transactions may be effected on the SGX-ST and in other jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulations, including the SFA and any regulations thereunder. However, there is no assurance that the Stabilising Manager (or any person acting on its behalf) will undertake stabilising action. Such transactions may commence on or after the date of commencement of trading of the Units on the SGX-ST if commenced, and may be discontinued at any time and shall not be effected after the earliest of (i) the date falling 30 days from the date of commencement of trading of the Units on the SGX-ST or (ii) the date when the over-allotment of the Units which are the subject of the Over-allotment Option has been fully covered (through the purchase of Units on the SGX-ST and/or the exercise of the Over-allotment Option by the Stabilising Manager).

## **FORWARD-LOOKING STATEMENTS**

Certain statements in this Prospectus constitute “forward-looking statements”. This Prospectus also contains forward-looking financial information in “Profit Forecast and Profit Projection”. Such forward-looking statements and financial information involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Saizen REIT or the Manager, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements and financial information. Such forward-looking statements and financial information are based on numerous assumptions regarding the Manager’s present and future business strategies and the environment in which Saizen REIT or the Manager will operate in the future. As these statements and financial information reflect the Manager’s current views concerning future events, these statements and financial information necessarily involve risks, uncertainties and assumptions. Actual future performance could differ materially from these forward-looking statements and financial information.

Among the important factors that could cause Saizen REIT’s or the Manager’s actual results, performance or achievements to differ materially from those in the forward-looking statements and financial information are the conditions of, and changes in, the domestic, regional or global economy that result in reduced occupancy or rental rates for Saizen REIT’s properties, changes in government laws and regulations affecting Saizen REIT, competition in the Japan property market, interest rates, currency exchange rates, relations with service providers, relations with lenders, quality of tenants and other matters not yet known to the Manager or not currently considered material by the Manager. Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under “Risk Factors”, “Profit Forecast and Profit Projection” and “Business and Properties”. These forward-looking statements and financial information speak only as at the date of this Prospectus. The Manager expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement or financial information contained herein to reflect any change in the Manager’s expectations with regard thereto or any change in events, conditions or circumstances on which any such statement or information is based, subject to compliance with all applicable laws and regulations and/or the rules of the SGX-ST and/or any other regulatory or supervisory body or agency.



## **CERTAIN DEFINED TERMS AND CONVENTIONS**

Saizen REIT will publish its financial statements in Japanese Yen. In this Prospectus, references to “¥” or “Yen” are to the lawful currency of Japan and references to “S\$”, “Singapore dollars” or “cents” are to the lawful currency of the Republic of Singapore.

For the reader’s convenience, except where the exchange rate is expressly stated otherwise, certain currencies in this Prospectus have been translated based on the currency conversion rate of S\$1.00 = ¥76.06 based on the average exchange rate in September 2007. However, such conversion rate should not be construed as a representation that the relevant dollar amounts have been, could have been or could be converted into the relevant dollar amounts at that or any other rate. (See “Exchange Rates”.)

Capitalised terms used in this Prospectus shall have the meanings set out in the Glossary.

The forecast and projected yields and yield growth are calculated based on the Offering Price of S\$1.00. Such yields and yield growth will vary accordingly for investors who purchase Units in the secondary market at a market price different from the Offering Price.

Any discrepancies in the tables, graphs and charts included in this Prospectus between the listed amounts and totals thereof are due to rounding. Where applicable, percentages are rounded to one decimal place and all figures expressed in ‘000 are rounded to the nearest thousand. Measurements in square metres (“**sq m**”) are converted to square feet (“**sq ft**”) and vice versa based on the conversion rate of 1 sq m = 10.7639 sq ft. References to “Appendices” are to the appendices set out in this Prospectus. All references in this Prospectus to dates and times shall mean Singapore dates and times unless otherwise specified.

## **MARKET AND INDUSTRY INFORMATION**

This Prospectus includes market and industry data and forecasts that have been obtained from internal surveys, reports and studies, where appropriate, as well as market research, publicly available information and industry publications. Industry publications, surveys and forecasts generally state that the information they contain has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of such included information. While the Manager has taken reasonable steps to ensure that the information is extracted accurately and in its proper context, the Manager has not independently verified any of the data from third party sources or ascertained the underlying economic assumptions relied upon therein.

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## SUMMARY

*The following summary is qualified in its entirety by, and is subject to, the more detailed information contained or referred to elsewhere in this Prospectus. Investing in the Units involves risks. Investors should read this Prospectus in its entirety and, in particular, the sections from which the information in this summary is extracted and “Risk Factors”. The meanings of terms not defined in this summary can be found in the Glossary or in the Trust Deed. A copy of the Trust Deed can be inspected at the registered office of the Manager, which is located at 72A Duxton Road, Singapore 089531.*

*Statements contained in this summary that are not historical facts may be forward-looking statements. Such statements are based on certain assumptions and are subject to certain risks, uncertainties and assumptions which could cause actual results to differ materially from those forecast or projected. (See “Forward-Looking Statements”.) Under no circumstances should the inclusion of such information herein be regarded as a representation, warranty or prediction with respect to the accuracy of the underlying assumptions by the Manager, the Trustee, the Underwriters, the Sponsor or any other person or that these results will be achieved or are likely to be achieved.*

### Overview of Saizen REIT

Saizen REIT is a Singapore-based real estate investment trust (“REIT”) established with the principal investment objective of investing 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.

### The Initial Properties

The Vendors comprise Central-Top, a wholly-owned subsidiary of JOF, JHYP and JHYP II. JOF, JHYP and JHYP II are funds structured as companies constituted in the Cayman Islands while Central-Top is a company incorporated in the British Virgin Islands. The Vendors have previously entered into the Vendor TK Agreements (as defined herein) with the Initial TK Operators (as defined herein) in order to invest in 148 residential properties (the “Initial Properties” and each an “Initial Property”) owned by the Initial TK Operators<sup>1</sup>. The Initial Properties have a total appraised value of approximately ¥47.7 billion (approximately S\$626.8 million) and are located in 12 regional cities across Japan, namely Sapporo, Fukuoka, Sendai, Kitakyushu, Hiroshima, Kumamoto, Hakodate, Kagoshima, Kurashiki, Morioka, Koriyama and Oita. On the Listing Date, Saizen REIT will invest in the Initial Properties by issuing 223,749,000 Consideration Units (assuming the Over-allotment Option is exercised in full) as full consideration for the acquisition of the Vendor TK Interests from the Vendors. The aggregate net asset value (“NAV”) of the Initial TK Operators attributable to the Vendor TK Interests is approximately ¥20.9 billion (approximately S\$275.3 million) as at 31 August 2007. At the Offering Price, the Consideration Units will be valued at S\$253.3 million which represents a discount of 8.0% to such NAV.

As at 31 August 2007, the Initial Properties have an aggregate Gross Floor Area (as defined herein) of 226,250 sq m, a Net Lettable Area (as defined herein) of 197,743 sq m, and an occupancy rate of approximately 91.2%<sup>2</sup>.

### The Additional Properties

The Additional TK Operator (as defined herein) has entered into various conditional sale and purchase agreements with independent third party vendors for the acquisition of 15 additional residential properties (the “Additional Properties” and each an “Additional Property”). The Additional Properties have a total indicative purchase consideration (excluding transaction costs) of approximately ¥5.4 billion (approximately S\$71.4 million) and are located in six regional cities across Japan, namely Fukuoka, Sapporo, Sendai, Hiroshima, Niigata and Koriyama. Subject to obtaining satisfactory financing and results of due diligence, the Additional TK Operator expects to complete the acquisition of 14 Additional Properties within two months from the Listing Date and the remaining Additional Property within five months from the Listing Date. Saizen REIT has been granted a right of first refusal dated 4 October 2007 by the Additional TK Operator to invest in the Additional TK Operator in relation to the Additional Properties (the “Right of First Refusal to Invest”). (See “Certain Agreements Relating to Saizen REIT and the Properties”.)

<sup>1</sup> One of the Initial Properties in Hiroshima, Kaminobori-cho Mansion, is currently under construction and is expected to be completed in or around the second quarter of 2008. The relevant Initial TK Operator has entered into a conditional sale and purchase agreement with an independent third party vendor for Kaminobori-cho Mansion and will only acquire it upon its completion.

<sup>2</sup> Excluding Kaminobori-cho Mansion, which is currently under construction and is expected to be completed in or around the second quarter of 2008.



The Trustee, on behalf of Saizen REIT, expects to enter into one or more Additional TK Agreements (as defined herein) with the Additional TK Operator concurrently with the Additional TK Operator's completion of the sale and purchase agreements with an independent third party vendor for the Additional Properties. Subsequent investment contributions to the Additional TK Operator will be made in phases, in order for the Additional TK Operator to complete each subsequent acquisition under the respective sale and purchase agreements. Saizen REIT's investment in the Additional Properties will be fully paid for in cash.

As at 31 August 2007, the Additional Properties have an aggregate Gross Floor Area of 23,133 sq m and a Net Lettable Area of 19,780 sq m.

Saizen REIT's investment in the Additional Properties will bring the total portfolio to 163 Properties across 13 regional cities. The total appraised value of the Initial Properties and the indicative purchase consideration of the Additional Properties amount to an aggregate of approximately ¥53.1 billion (approximately S\$698.2 million).

## **Key Investment Highlights**

### ***Unique opportunity to access the Japanese regional residential property market***

#### ***First REIT offering with purely Japanese regional residential properties***

Saizen REIT is the first REIT listed in Singapore to offer access to exclusively Japanese real estate. Unlike other property funds listed in Japan which focus on residential properties located in Tokyo or Osaka, or property funds listed in Australia which focus on non-residential Japanese assets, Saizen REIT's portfolio includes only Japanese regional residential properties, which generate a higher yield than similar properties located in Tokyo and Osaka. According to a market survey conducted by Japan Real Estate Institute (JREI) ("JREI" or the "**Independent Japanese Property Consultant**"), as of 1 April 2007, the average net operating income yield<sup>1</sup> spread between regional cities such as Sapporo, Sendai and Hiroshima compared to Tokyo was approximately 1.0% to 1.5%.

#### ***Steady and reliable income stream due to the stable Japanese residential property rental market***

The residential property rental market in Japan has historically been stable and growing. As shown in the chart below, the residential rental market in Japan grew at an average annual rate of 1.0% even through severe economic downturns during the 15-year period from 1991 to 2006. The Manager expects this stability to persist, driven by continuing strong demand for rental housing across Japan, as owner-occupancy currently account for approximately 60.0%<sup>2</sup> of overall Japanese residential occupancy, compared to approximately 91.0%<sup>3</sup> in Singapore, approximately 76.0%<sup>4</sup> in Hong Kong and approximately 69.0%<sup>5</sup> in the United States.

1 Net operating income yield is net operating income divided by property value.

2 Source: 2003 Housing and Land Survey, from the Ministry of Internal Affairs and Communications, Japan. The Ministry of Internal Affairs and Communications has not provided its consent, for the purposes of Section 249 (read with Section 302) of the SFA, to the inclusion of the information and is therefore not liable for such information under Section 253 and 254 (read with Section 302) of the SFA. While the Manager has taken reasonable action to ensure that the information has been reproduced in its proper form and context, and that it has been extracted fairly and accurately, neither the Manager nor any other party has conducted an independent review of, nor verified the accuracy of, such information.

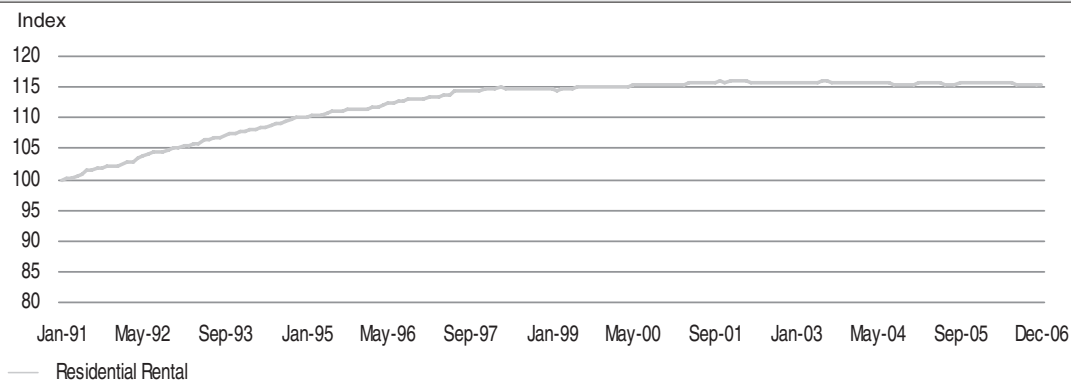
3 Source: Singapore Department of Statistics, accessible at <http://www.singstat.gov.sg/stats/keyind.html#socind>. Singapore Department of Statistics has not provided its consent, for the purposes of Section 249 (read with Section 302) of the SFA, to the inclusion of the information and is therefore not liable for such information under Sections 253 and 254 (read with Section 302) of the SFA. While the Manager has taken reasonable action to ensure that the information has been reproduced in its proper form and context, and that it has been extracted accurately and fairly, neither the Manager nor any other party has conducted an independent review of, nor verified the accuracy of, such information.

4 Source: Hong Kong Housing Authority, accessible at <http://www.housingauthority.gov.hk/en/aboutus/resources/figure/0,,3-0-15375-2006,00.html>. Hong Kong Housing Authority has not provided its consent, for the purposes of Section 249 (read with Section 302) of the SFA, to the inclusion of the information and is therefore not liable for such information under Sections 253 and 254 (read with Section 302) of the SFA. While the Manager has taken reasonable action to ensure that the information has been reproduced in its proper form and context, and that it has been extracted accurately and fairly, neither the Manager nor any other party has conducted an independent review of, nor verified the accuracy of, such information.

5 Source: Housing Vacancy Survey, Census Bureau, US Department of Commerce. US Department of Commerce has not provided its consent, for the purposes of Section 249 (read with Section 302) of the SFA, to the inclusion of the information and is therefore not liable for such information under Sections 253 and 254 (read with Section 302) of the SFA. While the Manager has taken reasonable action to ensure that the information has been reproduced in its proper form and context, and that it has been extracted accurately and fairly, neither the Manager nor any other party has conducted an independent review of, nor verified the accuracy of, such information.

The Manager believes that such stability will contribute to the ability of Saizen REIT to provide a steady distribution yield to Unitholders despite possible fluctuations in macro-economic conditions.

#### Japanese Residential Rental Market<sup>(1)</sup>



Note:

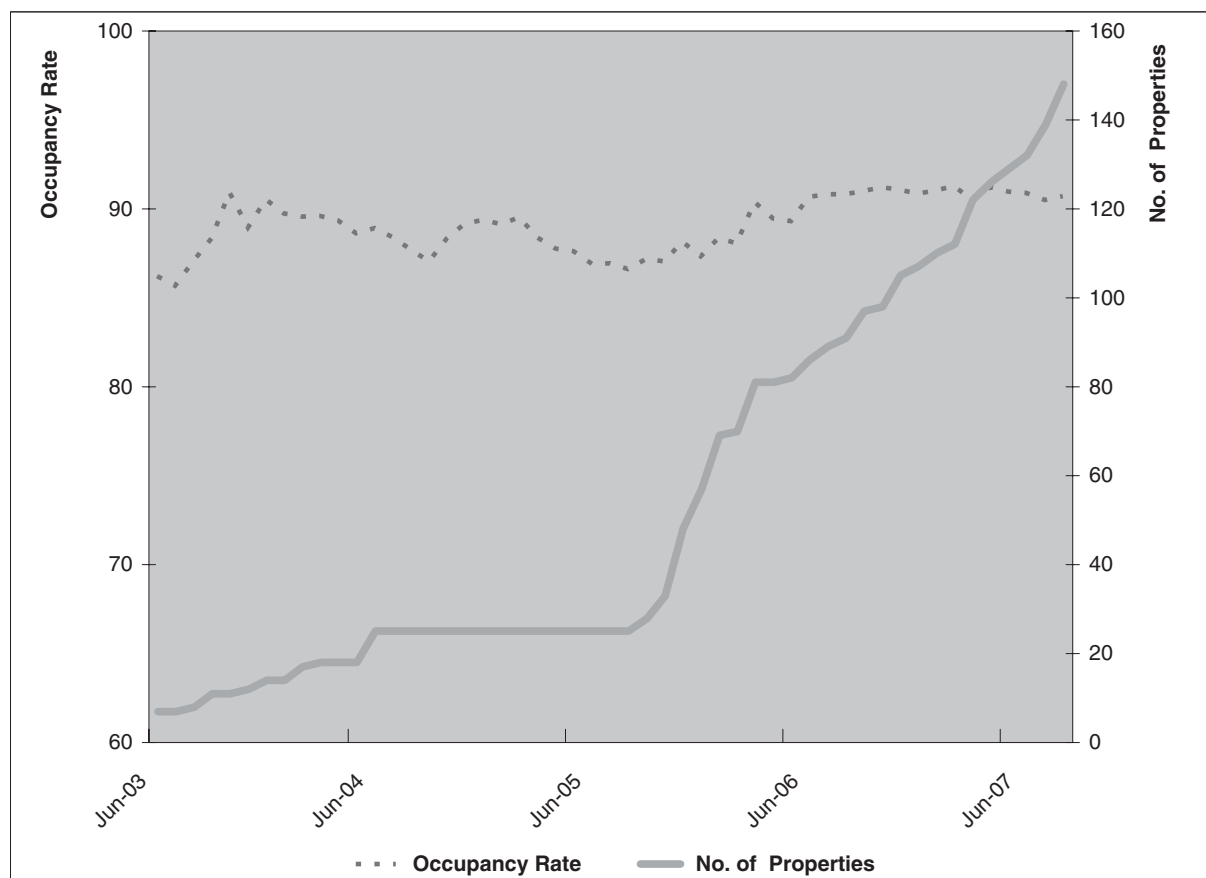
- (1) Source: Consumer Price Index from Bank of Japan and Data Stream. Bank of Japan and Data Stream have not provided their consent, for the purposes of Section 249 (read with Section 302) of the SFA, to the inclusion of the information and are therefore not liable for such information under Sections 253 and 254 (read with Section 302) of the SFA. While the Manager has taken reasonable action to ensure that the information has been reproduced in its proper form and context, and that it has been extracted accurately and fairly, neither the Manager nor any other party has conducted an independent review of, nor verified the accuracy of, such information.

#### *Steady and reliable income stream due to consistently high occupancy and low defaults*

The management team of the Manager and the Asset Manager (together, the “**Management Team**”) have grown the portfolio of Initial Properties while maintaining overall occupancy rates at around 90.0%. Such consistent occupancy is achieved due to the Management Team’s focus on acquiring properties with high occupancy rates, or potential strong growth in occupancy rates and its ability to modify its leasing strategy to accommodate changing market conditions and seasonal variations.

The portfolio of Initial Properties also enjoys a consistently low default rate. Bad debt provisions were 0.17%, 0.13% and 0.23% for FY2004, FY2005 and FY2006, respectively. The Management Team has devised monitoring procedures for overdue rent, and applies policies such as requiring security deposits, guarantors and rental insurance for tenants as necessary to minimize the rate of default.

The graph below shows the progressive growth of the portfolio of Initial Properties from the beginning of the Relevant Period (as defined herein) through August 2007. As the number of Initial Properties increased significantly in 2006, occupancy rates became more stable, bearing testimony to the benefits of diversification.



*Returns driven by large positive spread between forecast net operating income yield and cost of debt*

Saizen REIT's portfolio has a forecast net operating income yield of approximately 6.0% and benefits from borrowing in Japan at an average financing cost of between 2.0% and 3.0%.

#### ***Quality portfolio of regional residential properties***

*Well maintained properties in carefully-selected locations*

Saizen REIT's portfolio consists of properties generally located in residential neighbourhoods and/or in close proximity to business districts and transportation hubs. The Initial Properties have been selected, managed and maintained by the Management Team prior to investment by Saizen REIT. Renovations, refurbishment and maintenance have been continuously carried out and necessary reserves for future capital expenditure have been made.

#### ***Geographical, property and tenant diversification***

Saizen REIT's portfolio has a diversified geographical base targeted at the mass market, with the Initial Properties spread across 12 regional cities in Japan. Aside from Sapporo, which constituted 27.5%<sup>1</sup> of the portfolio's aggregate rental income, no city accounted for more than 16.0%<sup>1</sup> of the portfolio's aggregate rental income. The portfolio is also well-diversified by property. No single Initial Property accounted for more than 3.0%<sup>1</sup> of the aggregate rental income of the Initial Properties. In addition, the portfolio enjoys a diversified tenant base with more than 4,500 tenants<sup>2</sup>, due to its focus on mass market tenants such as small families, working couples without children, working singles and students.

<sup>1</sup> As at 31 August 2007, excluding Kaminobori-cho Mansion, which is currently under construction and is expected to be completed in or around the second quarter of 2008.

<sup>2</sup> As at 31 August 2007.

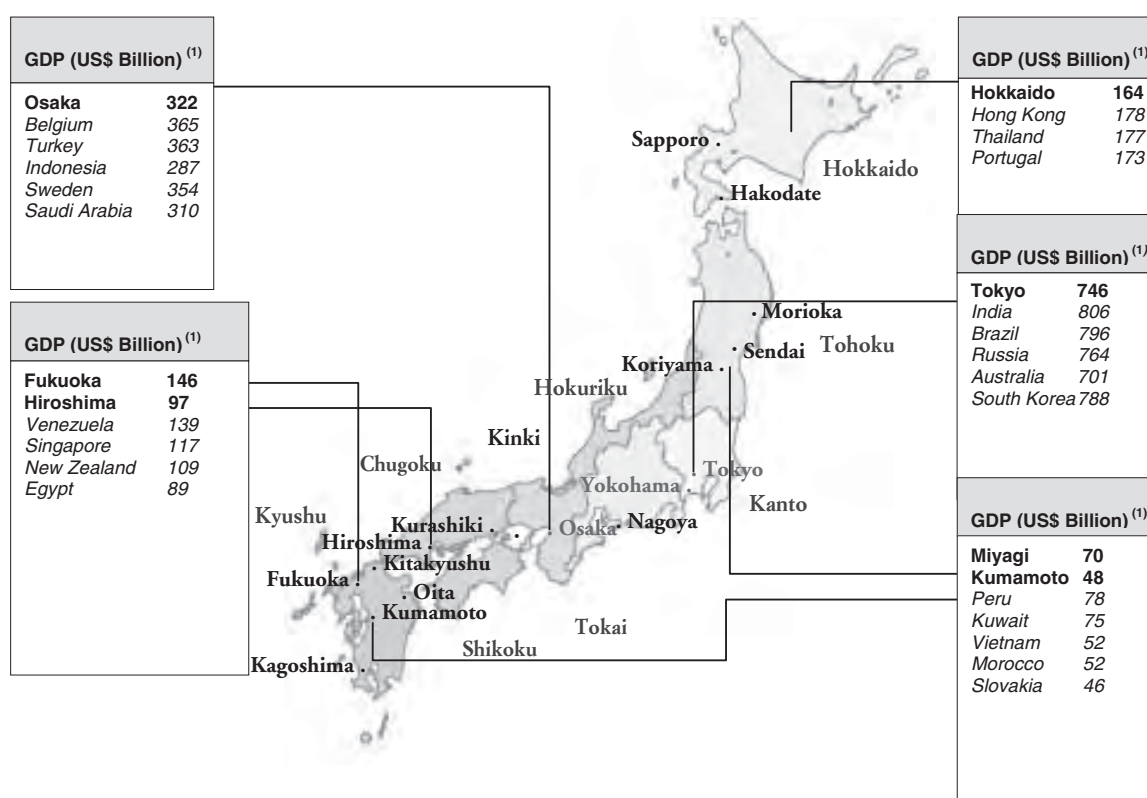


The diversification of Saizen REIT's portfolio in terms of geography, property and tenant base minimises the impact of any localised adverse conditions or individual lease expirations on Saizen REIT's income stream.

### ***Strong growth potential***

*Exposure to the world's second largest economy and an improving residential property market*

Japan's gross domestic product ("GDP") is estimated to be approximately US\$4.7 trillion (approximately S\$7.1 trillion)<sup>(1)</sup> for FY2006, making it the largest in Asia and the second largest in the world, ranking only behind the United States. After a prolonged period of economic downturn, Japan's GDP grew 2.2%<sup>(1)</sup> in 2006 and 1.3%<sup>(1)</sup> in the first half of 2007. Moreover, the GDP of many Japanese prefectures, including the regions in which the Properties are located, is comparable to the GDP of entire countries. For example, the GDP of Hokkaido is approximately US\$164 billion (approximately S\$247.8 billion), comparable to Hong Kong, Thailand or Portugal. The GDP of Fukuoka is approximately US\$146 billion (approximately S\$220.6 billion), comparable to Venezuela or Singapore. The map below sets out the GDP of selected Japanese prefectures as compared to the GDP of certain countries:



Note:

- (1) Sources: World Development Indicators Database, 1 July 2007, from the World Bank (for GDP of countries other than the Japanese prefectures) and the report titled "Prefectoral Economic Accounting" from the Cabinet Office, Government of Japan (for GDP of the Japanese prefectures). The World Bank and the Government of Japan have not provided their consent, for the purposes of Section 249 (read with Section 302) of the SFA, to the inclusion of the information and are therefore not liable for such information under Sections 253 and 254 (read with Section 302) of the SFA. While the Manager has taken reasonable action to ensure that the information has been reproduced in its proper form and context, and that it has been extracted accurately and fairly, neither the Manager nor any other party has conducted an independent review of, nor verified the accuracy of, such information.

From 1991 to 2006, average residential land values across Japan declined by 41.0%<sup>(1)</sup>, and residential land values in the major cities of Tokyo, Yokohama, Nagoya, Kyoto, Osaka and Kobe declined by 65.0%<sup>(1)</sup>. However, in 2006, average residential land values in the major cities of Japan rose by 1.4%<sup>(1)</sup>.

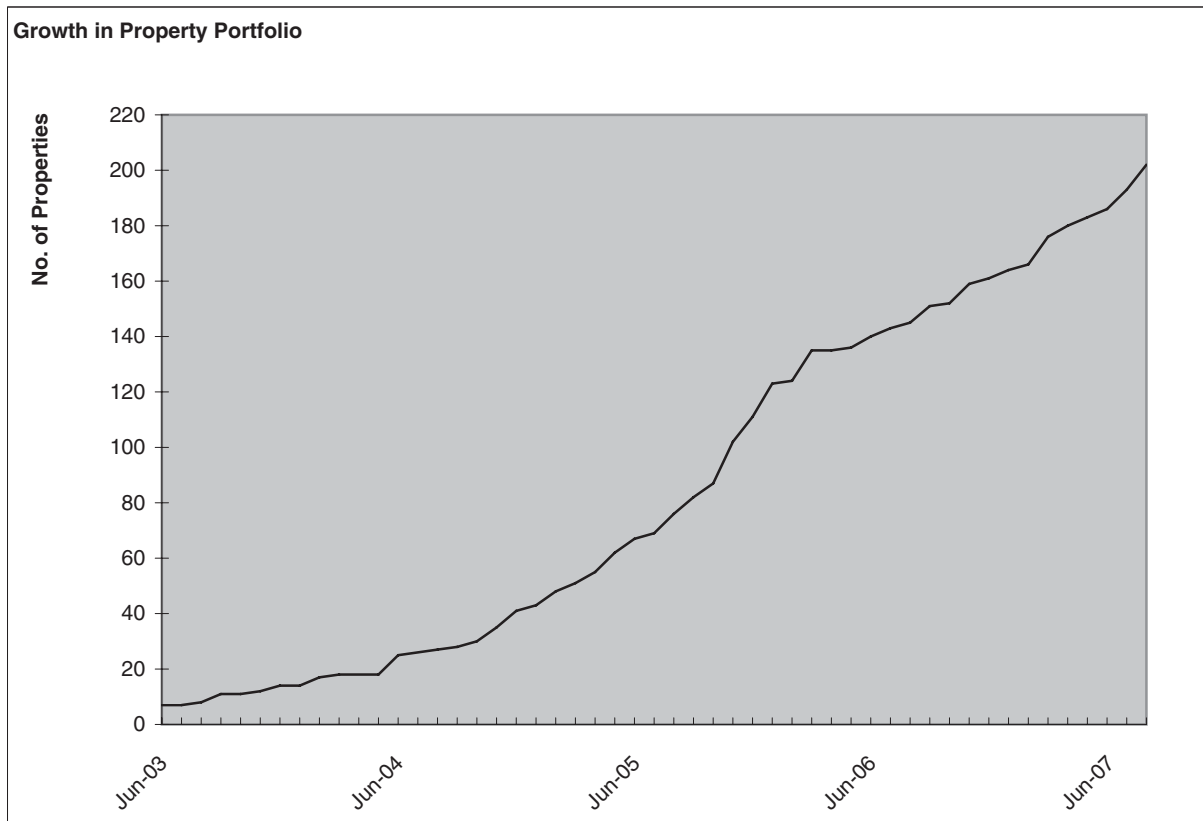
The Manager believes that increased lending by regional banks in the regional markets, along with the recovering macro economy, property market and land values, creates the potential for capital gains.

*Robust acquisition growth potential supported by the strong acquisition track record of the Management Team*

Acquisition growth is the key strategy of Saizen REIT. The Manager intends to identify, evaluate and pursue acquisition opportunities with attractive cash flow growth and yield profile as well as the potential to achieve an attractive rate of return on invested capital.

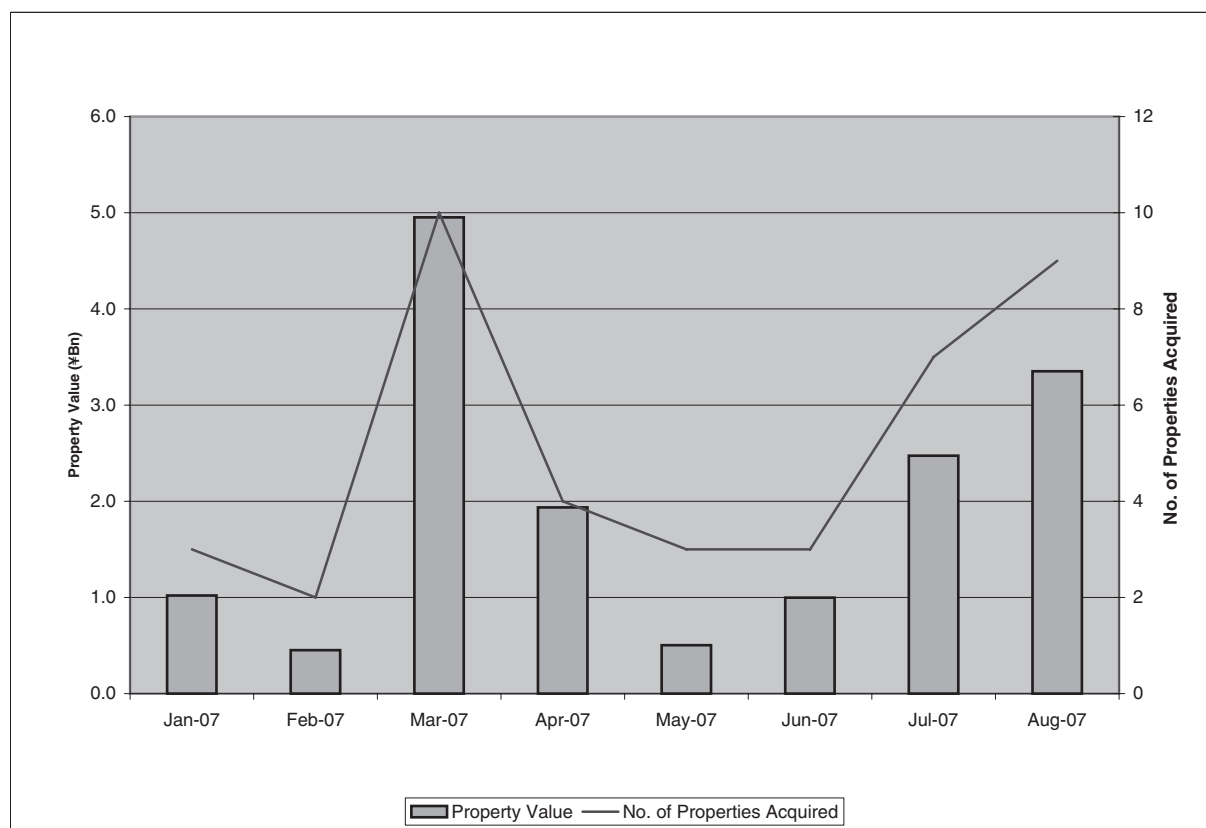
This robust potential for acquisition growth is supported by the strong acquisition track record of the Management Team. As shown in the graph below, the number of properties managed by the Management Team has grown from 25 as at 30 June 2004, to 67 as at 30 June 2005, to 140 as at 30 June 2006 and 202 as at the Latest Practicable Date. The total value of the properties under the management of the Management Team reached approximately ¥59.1 billion (approximately S\$777.0 million) as at the Latest Practicable Date, and sale and purchase agreements have been signed to acquire further properties with a total value of approximately ¥5.4 billion (approximately S\$71.4 million). Apart from the Additional Properties, the Management Team is currently considering the acquisition of over 40 properties worth approximately ¥20 billion (approximately S\$263.0 million). The Manager believes that the large size of Japanese regional cities, economies and property markets will continue to offer Saizen REIT numerous acquisition opportunities.

The table below sets out the growth in the property portfolio managed by the Management Team from the beginning of the Relevant Period (as defined herein) through to August 2007:



(1) Source: Report in the Japan Statistical Yearbook 2007, from JREI. JREI has not provided its consent, for the purposes of Section 249 (read with Section 302) of the SFA, to the inclusion of the information and is therefore not liable for such information under Section 253 and 254 (read with Section 302) of the SFA. While the Manager has taken reasonable action to ensure that the information has been reproduced in its proper form and context, and that it has been extracted fairly and accurately, neither the Manager nor any other party has conducted an independent review of, nor verified the accuracy of, such information.

From January 2007 to August 2007, the Management Team acquired 41 properties worth approximately ¥15.7 billion (approximately S\$206.4 million), as shown in the table below:



### ***Strengths of the Management Team***

*International and local expertise and established track record of operating effectively in the opaque and fragmented Japanese regional residential property markets*

Since 1999, the Management Team has established itself as one of the largest operators in the Japanese regional residential property markets and currently manages a portfolio of 202 properties, including the Initial Properties. Through its operations, the Management Team has developed extensive experience and expertise in managing investments in the Japanese regional residential property markets and established a strong track record and network for investing in Japanese real estate.

Mr Richard Lo and Mr Yutaka Matsunaga started investing in residential real estate in Japanese regional cities in 1999. They were joined by Mr Arnold Ip Tin Chee and Mr Chang Sean Pey in 2000 and started institutionalising the investment management of Japanese regional residential real estate with the formation of the investment funds, JOF in 2002, and JOF II in 2004. In 2005, together with Mr Yeh V-Nee and Mr Raymond Wong Kin Jeon, they founded the Sponsor, which is the investment manager of JHYP and JHYP II. Japan's real estate markets are characterised by a lack of readily available public information regarding selling prices and its regional residential property markets are highly fragmented, with numerous buyers and sellers and few brokers offering multi-region capabilities. Moreover, although in the past year institutional investors have increased their presence, in general few property owners own more than a small number of properties. In these opaque and fragmented markets, the Manager believes that Unitholders will benefit from the Management Team's experience and expertise.

*Established strategic lending relationships with leading financial institutions*

The Manager believes that the Management Team was an early mover in institutionalising the financing of Japanese regional residential assets. The Management Team has established strategic lending relationships with leading financial institutions and the Manager believes that Saizen REIT can leverage these relationships with these financial institutions to gain continued access to credit lines at increasingly favourable rates, thus permitting it to respond when investment opportunities arise.



#### *Highly localised and scalable acquisition platform and acquisition methodology*

The Management Team has established an extensive network of local brokers, agents and property managers across Japan, and has created a scalable methodology and platform for evaluating and acquiring properties using information gathered over years of operating in Japan. It constantly adapts this methodology to current market conditions and seasonal variations, and leverages its network of relationships with local real estate professionals to identify opportunities. Moreover, the Management Team has established itself as a credible counterpart to local brokers, agents and vendors through its strong track record in completing acquisitions and is considered a preferred buyer by its local agents in certain cities in which it operates. The Manager believes that the Management Team's acquisition platform and methodology will generate strong acquisition growth for Saizen REIT.

#### *Highly localised and scalable property management system for regional residential assets*

The Management Team has devised various strategies for leasing, refurbishment, asset enhancement and cost-cutting, and oversees the implementation of these strategies by 24 property managers as at the Latest Practicable Date. Its long-standing presence in regional residential markets has enabled it to gain access to investment opportunities and partnerships with quality local professionals and thereby achieve synergies and economies of scale in its operations. Its operations in multiple markets throughout Japan permit it to test new property management methods or optimisations and apply successful methods across its portfolio. In this way, it can use the experience gained in one location to benefit its other operations. The Manager believes this results in greater operating efficiency compared to local market participants that generally rely on traditional property management methods and lack scale or presence in multiple markets. This in turn will enhance Saizen REIT's ability to make distributions to Unitholders.

#### *Commitment to Saizen REIT and alignment of interest with Unitholders*

The Management Team is committed to applying its experience and expertise to the continued growth and success of Saizen REIT. While the Management Team manages both the Vendors and JOF II, the Management Team will dedicate its efforts to the growth of Saizen REIT's portfolio. On the Listing Date, the Vendors divest the Initial Properties to Saizen REIT in return for Consideration Units, and will neither hold any interest in properties nor undertake any further investment activities. JOF II is a fully-invested closed-end fund with a portfolio size of approximately ¥11.4 billion (approximately S\$149.9 million), as compared to Saizen REIT's portfolio size of approximately ¥53.1 billion (approximately S\$698.2 million). JOF II will not acquire any new properties in the future and its income from rental receipts as well as proceeds from any divestment of its existing portfolio will be distributed to shareholders rather than reinvested. Therefore, JOF II will not compete with Saizen REIT for property investment opportunities.

Moreover, as the Manager is entitled to receive an annual management fee based on the value of Saizen REIT's Property Assets, and under the Asset Management Agreements, the Asset Manager is entitled to receive an annual asset management fee based on the profit of the TK business (as defined herein), the Manager and the Asset Manager are incentivised to continue to grow Saizen REIT's portfolio and maximise its operating income.

#### *Distribution payout of at least 90.0% of Saizen REIT's distributable income*

Saizen REIT will distribute at least 90.0% of its Distributable Income (as defined herein) in each financial year. The actual distribution to the Unitholders may be greater than 90.0% of its Distributable Income to the extent that the Manager believes it to be appropriate having regard to various considerations. For the period from 5 November 2007 to 30 June 2008 ("**Forecast Period 2008**") and the period from 1 July 2008 to 30 June 2009 ("**Projection Year 2009**"), Saizen REIT will, to the extent possible, distribute in excess of 90.0% of its Distributable Income in order to meet the Manager's forecast and projection set out in "Profit Forecast and Profit Projection".

Distributions will be paid on a semi-annual basis for the six-month periods ending 31 December and 30 June of each year. However, Saizen REIT's first distribution after the Listing Date will be for the period from the Listing Date to 30 June 2008 and will be paid by the Manager on or before 28 September 2008. Subsequent distributions will take place on a semi-annual basis. (See "Distributions".)

Based on the Offering Price, the Manager forecasts the distribution per unit (“DPU”) to be approximately 4.67 cents per Unit in respect of Forecast Period 2008 and approximately 5.65 cents per Unit in respect of Projection Year 2009. Based on such DPU, the distribution yields at the Offering Price are as follows:

	<u>Distribution Yield</u> <u>Based on Offering Price</u> (%)
Forecast Period 2008 .....	6.51 <sup>(1)</sup>
Projection Year 2009 .....	5.65

The DPU figures stated above are derived from the forecast and projected consolidated statements of total return set out in “Profit Forecast and Profit Projection”, which have been prepared by the Manager based on certain assumptions, including an assumption that Saizen REIT’s portfolio of properties, comprising the Initial Properties and Additional Properties, remains unchanged throughout the relevant periods. There is no guarantee that Saizen REIT will invest in all or any of the Additional Properties. Notwithstanding the contemplated investment in the Additional Properties, the Management Team’s track record in making acquisitions and the Manager’s strategy of capitalising on acquisition growth opportunities, the forecast and projection in this Prospectus represents a base case that does not take into account any financial effect from anticipated further acquisition activities. (See “Risk Factors—Risks relating to Saizen REIT’s Operations”).

Note:

(1) Annualised distribution yield excluding the Special Dividend (as defined herein) plus the non-annualised distribution yield from the Special Dividend.

## Valuations

Each of the Initial Properties has been valued by two Independent Valuers appointed by the Manager and the Trustee respectively. 10 Independent Valuers have been appointed in total, namely Rich Appraisal Institute Co., Ltd (“RH”), Real Value Inc. (“RV”), Asset Research Corporation (“AR”), KK A And S (“A&S”), Arays Co., Ltd (“ARAYS”), All Real Estate Appraisers Network (AREAN) (“AREAN”), Tokyo Asset Research Inc. (“TKYAR”), Japan Real Estate Investment Co., Ltd (“JREIC”), Total Asset Research (TAR) (“TAR”) and JREI.

The valuations were generally conducted using the income approach (which includes the direct capitalisation and discounted cash flow methods of valuation). The Manager has selected the higher of the two valuations as the appraised value of the Initial Properties.

## Key information regarding the Properties

The Properties comprise residential apartment blocks with some commercial and/or retail space, typically on the ground floor or first/second floor.

The table below summarises the key information of the Initial Properties and the Additional Properties.

	<u>No. of Properties</u>	<u>Appraised Value / Indicative Purchase Consideration</u> (S\$ million)	<u>Total Land Area</u> (sq m)	<u>Total Gross Floor Area</u> (sq m)	<u>Total Net Lettable Area</u> (sq m)
Initial Properties .....	148	626.8	93,940	226,250	197,743
Additional Properties .....	15	71.4 <sup>(1)</sup>	7,695	23,133	19,780
<b>Total</b> .....	<u>163</u>	<u>698.2</u>	<u>101,635</u>	<u>249,383</u>	<u>217,523</u>

Note:

(1) The indicative purchase consideration is based on sale and purchase agreements entered.

The table below provides a categorisation of the Initial Properties by their locations.

Cities	No. of Properties / Percentage of total number of Initial Properties		Appraised Value	Total Land Area / Percentage of total number of Initial Properties		Total Gross Floor Area / Percentage of total number of Initial Properties		Total Net Lettable Area / Percentage of total number of Initial Properties	
		(%)		(sq m)	(%)	(sq m)	(%)	(sq m)	(%)
Sapporo	38	25.7	159.7	22,807	24.3	68,836	30.4	56,069	28.4
Hiroshima	24	16.2	108.6	7,047	7.5	25,528	11.3	22,872	11.6
Kitakyushu	22	14.9	85.1	16,419	17.5	34,421	15.2	31,627	16.0
Sendai	21	14.2	66.9	14,448	15.4	24,235	10.7	21,135	10.7
Kumamoto	15	10.0	100.6	12,252	13.0	31,538	13.9	28,142	14.2
Fukuoka	11	7.4	37.7	5,363	5.7	11,046	4.9	10,176	5.1
Hakodate	5	3.4	16.9	4,051	4.3	11,905	5.2	10,250	5.2
Kagoshima	4	2.7	23.2	2,610	2.8	6,703	3.0	6,476	3.3
Morioka	4	2.7	10.4	5,081	5.4	4,487	2.0	4,247	2.1
Koriyama	2	1.4	10.9	2,290	2.4	3,367	1.5	3,076	1.6
Kurashiki	1	0.7	1.9	705	0.8	869	0.4	846	0.4
Oita	1	0.7	4.9	867	0.9	3,315	1.5	2,827	1.4
<b>Total</b>	<b>148</b>	<b>100.0</b>	<b>626.8</b>	<b>93,940</b>	<b>100.0</b>	<b>226,250</b>	<b>100.0</b>	<b>197,743</b>	<b>100.0</b>

### Strategy

The Manager's principal investment objective is to invest in a diversified portfolio of income-producing real estate mainly located in Japanese regional cities, used primarily for residential and residential-related purposes, as well as real estate-related assets in connection with the foregoing. It envisages investments in assets with attractive cash flow growth and capital gains prospects, and the potential to achieve attractive returns.

The Manager intends to hold the Properties for long-term investment purposes and will place strong emphasis on regular maintenance, periodic renovation and capital improvement, as deemed necessary to maintain the attractiveness and marketability of the Properties.

The Manager's key financial objective is to provide Unitholders with a competitive rate of return on their investment while ensuring regular and stable distributions to Unitholders and achieving long-term growth in distributions and NAV per Unit. The Manager plans to achieve its key objectives through the following:

### *Capitalising on acquisition growth opportunities*

Acquisition growth is the key strategy of Saizen REIT. The Additional TK Operator has entered into conditional sale and purchase agreements with independent third party vendors to acquire the Additional Properties within five months from the Listing Date. Subject to obtaining satisfactory financing and results of due diligence, the Additional TK Operator expects to complete the acquisition of 14 Additional Properties within two months from the Listing Date and the remaining Additional Property within five months from the Listing Date. Saizen REIT has been granted the Right of First Refusal to Invest. Saizen REIT's investment in the Additional Properties would bring the total portfolio to 163 Properties across 13 regional cities. The total appraised value of the Initial Properties and the indicative purchase consideration of the Additional Properties amount to an aggregate of approximately ¥53.1 billion (approximately S\$698.2 million).

Apart from the Additional Properties, the Management Team is currently considering the acquisition of over 40 properties worth approximately ¥20 billion (approximately S\$263.0 million). The Manager believes that the large size of Japanese regional cities, economies and property markets will continue to offer Saizen REIT numerous acquisition opportunities.

Saizen REIT also intends to negotiate conditional forward contracts with developers to invest, through TK arrangements, in properties under development, with rental guarantee arrangements in place, where appropriate, to reduce leasing risks. Such rental guarantee arrangements typically involve the vendor guaranteeing a specified amount of rent payments until the expiry of a specified period or the occupancy rate of the property exceeds an agreed level, whichever occurs first. A total of two Initial Properties (EMYU Heisei Keyakidori Mansion and Kaminobori-cho Mansion) and three Additional Properties (Grand Polestone Otemachi II, Grand Polestone Higashi Hiratsuka and Kyobashicho Building) are subject to the rental guarantee arrangements.



The following table sets out the key terms of the rental guarantee arrangements:

<u>Property name</u>	<u>Occupancy rate guarantee</u>	<u>Duration of guarantee<sup>(1)</sup></u>	<u>Portfolio</u>	<u>Comments</u>
EMYU Heisei Keyakidori Mansion . . . .	85%	Ends when 85% reached	Initial Property	Currently 79% occupied
Kaminobori-cho Mansion . . . . .	100%	Ends when 100% reached	Initial Property	Under construction
Grand Polestone Otemachi II . . . . .	100%	Ends when 100% reached	Additional Property	Under construction
Grand Polestone Higashi Hiratsuka . . . .	100%	Ends when 100% reached	Additional Property	Under construction
Kyobashicho Building . . . . .	100%	Ends when 100% reached	Additional Property	Under construction

Note:

(1) Measured by reference to the point when the said percentage of units within the property have been initially leased out, even though such units may subsequently become vacant.

In evaluating Saizen REIT's investment opportunities, the Management Team will focus on the following investment criteria with respect to an underlying property or portfolio of properties under consideration:

#### *Location*

The Management Team will evaluate a range of location-related criteria including demand for residential apartments, ease of access, connectivity to major transportation hubs such as major highways and roads, subway lines, Japan Rail lines and other public transportation networks, access to basic amenities such as supermarkets, banks, post offices, laundrettes and eateries, and the immediate presence and concentration of competing residential properties.

#### *Tenant profile*

The Management Team will seek to invest in single-type, medium-type and family-type residential units catering to a broad market of tenants such as working singles, students, working couples without children and small families, so as to maintain a diversified tenant base.

#### *Occupancy characteristics*

The Management Team will seek to reduce the operating and leasing risks of properties by maintaining a high portfolio occupancy rate and a diversified portfolio which is not dependent on a small group of tenants. In keeping with that objective, the Management Team will target properties with high, or with the potential to demonstrate strong growth in, occupancy rates and will seek to diversify the tenant base.

#### *Building and facilities specifications*

The Management Team will seek to invest only in properties constructed using materials like steel, reinforced concrete or steel-reinforced concrete, and which are in compliance with earthquake-resistance requirements as stipulated in the Building Standards Act, Act No. 201 of 1950 (as revised in 1981) (the "**Building Standards Act**"). The Management Team will also take into account the Probable Maximum Loss ("**PML**") of the target property, which is the amount to be incurred in repairing the damage as a percentage of the replacement cost of the property in the event of the occurrence of a hypothetical major earthquake that has the possibility of occurring once in every 475 years. In the event that the PML is higher than 20.0%, measures such as earthquake insurance will be considered.

The Management Team will also seek to conduct thorough property due diligence, including the inspection of title to the properties, and adhere strictly to the relevant quality specifications, with due consideration given to the size and age of the buildings. It will also ensure that the properties are in compliance with local legal requirements such as the Building Standards Act and various environmental laws and zoning regulations. The properties will be assessed by independent experts relating to repairs, maintenance and capital expenditure requirements in the short and medium-term.

The Management Team will also take into account the adequacy of the facilities available at the target properties and their ability to cater to the tenants' needs, such as ensuring the sufficiency of car parks within target properties comprising family-type units.

#### *Ownership*

The Management Team intends to invest in entire buildings, including the underlying land, so as to facilitate repairs and capital expenditures.

The Management Team intends to invest in the Properties on a long-term basis. However, it is possible that a property or portfolio of properties may be recommended to be sold, in whole or in part, as circumstances warrant. For example, the Management Team may recommend that certain properties be sold if it considers that they no longer offer attractive growth prospects for Saizen REIT. Under these circumstances, the Management Team may recommend selling such properties and utilising the proceeds for alternative investments in properties that meet its investment criteria.

***Leveraging complementary local partnerships and local industry knowledge of experienced Japanese staff***

Saizen REIT will benefit from the Asset Manager's established presence in Japan and its strong relationships with leading local real estate professionals. The Manager firmly believes this will enhance Saizen REIT's future growth prospects and ability to efficiently manage its Properties.

In addition, the Manager has access to the Asset Manager's Japan residential management platform, which is supported by a management team in Japan of eight professionals (as at the Latest Practicable Date). This platform will provide Saizen REIT with the benefit of the local real estate industry knowledge, as well as the acquisition and management expertise of the Asset Manager. The Manager believes that these factors will assist in the evaluation of potential investments.

***Implementing capital management strategies***

The Manager will endeavour to optimise Saizen REIT's capital structure and apply appropriate risk management and financing strategies to maximise the risk-adjusted returns to Unitholders.

The Manager intends to achieve this by adopting the following measures:

***Optimise mix of debt and equity***

The Manager will seek to optimise the mix of debt and equity used to finance investments in future properties within the borrowing limits set out in the Property Fund Guidelines. Upon the partial repayment of outstanding loans out of the net proceeds raised from the Offering, and without taking into account the acquisition of the Additional Properties, Saizen REIT's leverage is expected to be approximately 30%. Upon Saizen REIT's investment in the Additional Properties, the aggregate leverage is expected to be approximately 35%. Saizen REIT has obtained a provisional credit rating of Baa3 from Moody's Investors Service, Inc ("Moody's")<sup>1</sup> which is conditional upon completion of the Offering and Saizen REIT raising gross proceeds of at least US\$130.0 million. Based on the Offering Price, Saizen REIT will raise gross proceeds of S\$196.7 million or US\$130.2 million<sup>2</sup>. Saizen REIT intends to maintain its leverage at approximately 45% on a stabilised basis.

***Leverage Saizen REIT's enhanced scale and improved credit position***

The Manager will seek to capitalise on Saizen REIT's portfolio size, scale of operations and credit position following the listing to negotiate for more favourable terms for refinancing the Properties and financing future investments.

***Manage exposure to foreign currency***

Saizen REIT will receive distributions from the Saizen TK Operators, whose cash flows are denominated in Yen. As Saizen REIT's cash flows are denominated in Singapore dollars, this exposes Saizen REIT to fluctuations in the cross currency rates of Yen and Singapore dollars. Where appropriate, based on the prevailing market conditions, the Manager may adopt suitable hedging strategies to minimise any foreign exchange rate risk. For example, the Manager currently intends to hedge the Yen exposure of Saizen REIT's Distributable Income by entering into hedging instruments for the amount of the estimated future Distributable Income, during Forecast Period 2008 and Projection Year 2009.

<sup>1</sup> Moody's has not provided its consent, for the purposes of Section 249 (read with Section 302) of the SFA, to the inclusion of the information and is therefore not liable for such information under Sections 253 and 254 (read with Section 302) of the SFA. While the Manager has taken reasonable action to ensure that the information has been reproduced in its proper form and context, and that it has been extracted fairly and accurately, neither the Manager nor any other party has conducted an independent review of, nor verified the accuracy of, such information. The credit rating obtained from Moody's is current. The rating is not a recommendation to invest in any securities, and is subject to revision or withdrawal at any time. Issuer ratings express Moody's opinion of an entity's creditworthiness and ability to meet its senior financial obligations. Moody's defines 'Baa' ratings as investment grade ratings which are assigned to issuers that offer adequate financial security.

<sup>2</sup> Based on an exchange rate of S\$1.00 = US\$ 0.6619, being the average exchange rate for September 2007 obtained from the Datastream Database from Thompson Research. Thompson Research has not provided its consent, for the purposes of Section 249 (read with Section 302) of the SFA, to the inclusion of the information and is therefore not liable for such information under Sections 253 and 254 (read with Section 302) of the SFA. While the Manager has taken reasonable action to ensure that the information has been reproduced in its proper form and context, and that it has been extracted fairly and accurately, neither the Manager nor any other party has conducted an independent review of, nor verified the accuracy of, such information.

## PRO FORMA FINANCIAL STATEMENTS OF THE GROUP

*The following table should be read together with, the pro forma financial statements disclosed in “Pro Forma Financial Statements of the Group” and the report set out in Appendix A, “Reporting Auditors’ Report on Examination of the Pro Forma Financial Statements of the Group and the Pro Forma Financial Statements of the Group”.*

The pro forma financial statements have been prepared for illustrative purposes only and are based on certain assumptions after making certain adjustments to illustrate:

- (i) The total return of the Group for FY2004, FY2005, FY2006 and the nine-month period ended 31 March 2006 (“**FP2006**”) and 31 March 2007 (“**FP2007**”) respectively, assuming Saizen REIT had acquired the Vendor TK Interests on 1 July 2003 or on the date when the Vendor TK Agreements were entered into by the Vendors, whichever is later;
- (ii) The financial position of the Group as at 30 June 2006 and 31 March 2007, assuming Saizen REIT had acquired the Vendor TK Interests on 30 June 2006 and 31 March 2007 respectively or on the date when the Vendor TK Agreements were entered into by the Vendors, whichever is later; and
- (iii) The cash flows of the Group for FY2006 and the FP2007, assuming Saizen REIT had acquired the Vendor TK Interests on 1 July 2005 or on the date when the Vendor TK Agreements were entered into by the Vendors, whichever is later.

The objective of the pro forma financial statements of the Group is to show the total return, financial position and cash flows had the Group existed at an earlier date. However, the pro forma financial statements of the Group are not necessarily indicative of the total return, financial position or cash flows of the operations that would have been attained had the Group actually existed earlier. The pro forma financial statements of the Group have been prepared for illustrative purposes only and, because of their nature, may not give a true picture of the actual total return, financial position or cash flows of the Group.

The SGX-ST has granted Saizen REIT a waiver from compliance with Rule 409(3) of the Listing Manual in respect of the requirement for inclusion of the annual accounts of Saizen REIT for the past five years. The SGX-ST has also granted a waiver to Saizen REIT from compliance with Rule 606(7)(j) of the Listing Manual in respect of the requirement to include the unaudited financial statements for a period of not more than three months prior to the date on which the Prospectus is lodged with the MAS, should the latest audited accounts have been made up to a date more than six months before such date.

**PRO FORMA CONSOLIDATED STATEMENTS OF TOTAL RETURN**

	<b>Year ended</b>			<b>9 month period ended</b>	
	<b>30 June 2004</b>	<b>30 June 2005</b>	<b>30 June 2006</b>	<b>31 March 2006</b>	<b>31 March 2007</b>
	<b>¥'000</b>	<b>¥'000</b>	<b>¥'000</b>	<b>¥'000</b>	<b>¥'000</b>
<b>Gross revenue</b> .....	515,230	815,294	1,321,663	842,520	1,861,806
<b>Property operating expenses</b> .....	(196,666)	(286,750)	(463,814)	(305,940)	(591,258)
<b>Net property income</b> .....	318,564	528,544	857,849	536,580	1,270,548
Other administrative expenses .....	(25,664)	(16,040)	(50,146)	(33,699)	(50,400)
Interest income .....	21	62	127	91	1,775
Manager's management fee .....	(23,324)	(33,018)	(80,070)	(52,094)	(114,507)
Asset Manager's asset management fee .....	(3,090)	(5,516)	(9,187)	(4,893)	(17,831)
Trustee's fee .....	(7,602)	(7,881)	(8,674)	(6,562)	(7,845)
Other trust expenses .....	(24,210)	(24,769)	(55,896)	(40,751)	(50,489)
Finance costs .....	(95,562)	(161,928)	(294,306)	(178,816)	(453,184)
<b>Net income from operations</b> .....	139,133	279,454	359,697	219,856	578,067
Net (depreciation)/ appreciation in the value of investment properties .....	(149,112)	830,635	208,920	145,037	1,924,446
Profit on sale of properties .....	—	—	228	228	8,234
<b>Total return for the year/period before income tax</b> .....	(9,979)	1,110,089	568,845	365,121	2,510,747
Income tax .....	(31,830)	(205,812)	(191,715)	(159,404)	(545,657)
<b>Total return for the year/period after income tax before distribution</b> .....	(41,809)	904,277	377,130	205,717	1,965,090
Less : Distribution .....	—	(122,951)	(110,070)	(48,574)	(316,077)
<b>Total return for the year/period</b> .....	<u>(41,809)</u>	<u>781,326</u>	<u>267,060</u>	<u>157,143</u>	<u>1,649,013</u>
<b>Attributable to:</b>					
Unitholders .....	(39,806)	761,733	257,214	150,830	1,606,284
Minority Interests .....	(2,003)	19,593	9,846	6,313	42,729
	<u>(41,809)</u>	<u>781,326</u>	<u>267,060</u>	<u>157,143</u>	<u>1,649,013</u>



# PRO FORMA CONSOLIDATED BALANCE SHEETS

	30 June 2006 ¥'000	31 March 2007 ¥'000
<b>Current assets</b>		
Cash at bank .....	472,187	646,066
Deposit with cash management agent .....	1,504,522	2,266,756
Trade and other receivables .....	61,503	59,067
Other assets .....	79,685	130,482
	2,117,897	3,102,371
<b>Non-current asset</b>		
Investment properties .....	23,017,600	36,872,500
Other assets .....	18,000	9,000
	23,035,600	36,881,500
<b>Total assets</b> .....	<u>25,153,497</u>	<u>39,983,871</u>
<b>Current liabilities</b>		
Rental deposits .....	393,311	569,657
Rental received in advance .....	126,344	169,905
Borrowings .....	73,226	75,032
Other current liabilities .....	200,662	295,502
	793,543	1,110,096
<b>Non-current liabilities</b>		
Rental deposits .....	4,562	12,252
Borrowings .....	12,775,590	21,600,316
Deferred tax liabilities .....	283,929	707,140
	13,064,081	22,319,708
<b>Total liabilities</b> .....	<u>13,857,624</u>	<u>23,429,804</u>
<b>Total net assets</b> .....	<u>11,295,873</u>	<u>16,554,067</u>
<b>Represented by:</b>		
Unitholders .....	11,247,505	16,463,110
Minority Interests .....	48,368	90,957
	<u>11,295,873</u>	<u>16,554,067</u>
<b>Number of Units in issue ('000)</b> .....	<u>154,435</u>	<u>211,771</u>
<b>Net asset value per Unit (¥)</b> .....	<u>72.83</u>	<u>77.74</u>

## PRO FORMA CONSOLIDATED CASH FLOW STATEMENTS

	Year ended 30 June 2006 ¥'000	9 month period ended 31 March 2007 ¥'000
<b>Operating activities</b>		
Returns for the year/period after income tax	377,130	1,965,090
Adjustments for:		
Tax expense	191,715	545,657
Profit on sale of properties	(228)	(8,234)
Net appreciation in the value of investment properties	(208,920)	(1,924,446)
Interest income	(127)	(1,775)
Interest expenses	294,306	453,184
Operating profit before working capital changes	653,876	1,029,476
Changes in working capital		
Deposit with cash management agent <sup>(1)</sup>	(1,055,851)	(762,234)
Trade and other receivables	(59,668)	2,436
Other assets	(69,086)	(41,937)
Rental deposits	240,665	184,037
Rental received in advance	81,776	43,561
Other current liabilities	58,207	165,811
Cash (used in)/generated from operation	(150,081)	621,150
Tax paid	(29,091)	(105,834)
<b>Cash flows (used in)/provided by operating activities</b>	(179,172)	515,316
<b>Investing activities</b>		
Net effect on acquisition of subsidiaries	37,603	—
Purchase of investment properties	(15,640,288)	(11,960,156)
Disposal of investment properties	209,229	151,234
<b>Cash flows used in investing activities</b>	(15,393,456)	(11,808,922)
<b>Financing activities</b>		
Distribution to Unitholders	(110,070)	(316,077)
Contribution from Vendors	7,549,763	3,338,512
Proceeds from borrowings	8,914,869	8,917,064
Repayment of borrowings	(212,143)	(142,005)
Interest paid	(208,748)	(462,394)
Interest received	127	1,775
<b>Cash flows from financing activities</b>	15,933,798	11,336,875
Net increase in cash at bank	361,170	43,269
Proforma adjustments	111,017	241,627
Cash at bank at beginning of the year/period	—	361,170
<b>Cash at bank at end of the year/period</b>	472,187	646,066

Note:

- (1) The cash management agents are professional service providers appointed by the lenders to the Saizen TK Operators to administer the cash movements of the Saizen TK Operators. The negative cash flow shown under "Cash flows (used in)/provided by operating activities" for FY2006 was primarily due to reserves set aside for the working capital requirements of the rental business, such as reserves to meet quarterly rates, insurance, etc., in accordance with the loan documents.

## PROFIT FORECAST AND PROFIT PROJECTION

*Statements in this extract that are not historical facts may be forward-looking statements. Such statements are based on the assumptions as described above and are subject to certain risks and uncertainties which could cause actual results to differ materially from those forecast and projected. Under no circumstances should the inclusion of such information herein be regarded as a representation, warranty or prediction with respect to the accuracy of the underlying assumptions by Saizen REIT, the Manager, the Underwriters, the Sponsor, the Trustee or any other person, or that these results will be achieved or are likely to be achieved. (See “Forward-Looking Statements” and “Risk Factors”.) Investors in the Units are cautioned not to place undue reliance on these forward-looking statements which are valid only as at the date of this Prospectus.*

*None of Saizen REIT, the Manager, the Underwriters, the Sponsor, the Unit Lenders or the Trustee guarantees the performance of Saizen REIT, the repayment of capital or the payment of any distributions, or any particular return on the Units. The forecast and projected yields stated in the following table are calculated based on (i) the Offering Price and (ii) the assumption that the Listing Date is 5 November 2007. Such yields will vary accordingly if the Listing Date is after 5 November 2007 and in relation to investors who purchase Units in the secondary market at a market price that differs from the Offering Price.*

The following table sets forth Saizen REIT’s forecast and projected consolidated statements of total return for Forecast Period 2008 (as defined below) and Projection Year 2009, as well as Saizen REIT’s forecast and projected distributions for Forecast Period 2008 and Projection Year 2009. The forecast and projection have been prepared by the Manager based on certain assumptions, including an assumption that Saizen REIT’s portfolio of properties, comprising the Initial Properties and Additional Properties, will remain unchanged throughout the relevant periods. Completion of investment in the Additional Properties is subject to, among other things, satisfactory results of due diligence, and there is no guarantee that Saizen REIT will invest in all or any of the Additional Properties. (See “Risk Factors—Risks relating to Saizen REIT’s Operations”.)

The financial year end of Saizen REIT is 30 June. Saizen REIT’s first accounting period is for the period from 27 September 2007 (the date of its constitution) to 30 June 2008. The profit forecast and profit projection is based on, and should be read together with, the assumptions and the sensitivity analysis set out in “Profit Forecast and Profit Projection” on pages 70 to 78, as well as the report set out in Appendix B, “Reporting Auditors’ Report on the Profit Forecast and Profit Projection”.

## FORECAST AND PROJECTED CONSOLIDATED STATEMENTS OF TOTAL RETURN

	Forecast Period 2008 (5 November 2007 to 30 June 2008)	Projection Year 2009 (1 July 2008 to 30 June 2009)
	¥'000	¥'000
<b>Gross revenue</b> .....	2,746,543	4,340,922
<b>Property operating expenses</b> .....	(786,805)	(1,245,932)
<b>Net property income</b> .....	1,959,738	3,094,990
Interest income <sup>(1)</sup> .....	9,784	—
Other administrative expenses .....	(35,865)	(54,993)
Manager's management fee .....	(178,495)	(265,427)
Asset Manager's asset management fee .....	(26,348)	(43,000)
Trustee's fees .....	(9,434)	(13,808)
Other trust expenses .....	(32,609)	(50,000)
Finance costs <sup>(1)</sup> .....	(667,494)	(703,798)
IPO expenses .....	(864,384)	—
<b>Net income from operations</b> .....	154,893	1,963,964
Net depreciation in the value of investment properties <sup>(2)</sup> .....	(426,057)	—
Excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost <sup>(3)</sup> ...	406,782	—
<b>Total return for the year before income tax</b> .....	135,618	1,963,964
Income tax .....	(201,257)	(392,192)
<b>Total return for the period /year after income tax before distribution</b> .....	(65,639)	1,571,772
Represented by:		
Unitholders .....	(65,937)	1,552,812
Minority interests .....	298	18,960

Notes:

- (1) The interest income and finance costs for Forecast Period 2008 and Projection Year 2009 will vary according to the Offering Price and the proceeds raised, and is computed based on the Offering Price of S\$1.00.
- (2) The Manager has assumed that there is no change in the fair value of the Properties during Forecast Period 2008 and Projection Year 2009. The net depreciation in the value of investment properties represents the changes in carrying amount of the relevant Properties as a result of transaction costs.
- (3) This represents the excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost which arises from the acquisition as at the assured listing date. The Offering Price of S\$1.00 is used in the computation.



## FORECAST AND PROJECTED DISTRIBUTIONS

	Forecast Period 2008 (5 November 2007 to 30 June 2008)	Projection Year 2009 (1 July 2008 to 30 June 2009)
	¥'000	¥'000
<b>Total return for the period/year after income tax before distribution</b> .....	(65,937)	1,552,812
Add back:		
Adjustment for non-cash items <sup>(1)</sup> .....	280,645	223,490
IPO expenses .....	864,384	—
Claims from reserves set aside (net) <sup>(2)</sup> .....	106,553	161,200
Special Dividend <sup>(3)</sup> .....	415,165	—
Total distribution to Unitholders .....	<u>1,600,810<sup>(4),(8)</sup></u>	<u>1,937,502<sup>(7)</sup></u>
Exchange rate of S\$1.00 .....	76.06	76.06
	S\$'000	S\$'000
Total distribution to Unitholders <sup>(5)</sup> .....	21,047 <sup>(4),(8)</sup>	25,473 <sup>(7)</sup>
Issue price (Singapore dollars) .....	1.00	1.00
Units on Issue <sup>(9)</sup> ('000) .....	450,817	450,817
Total distribution per Unit (Singapore cents) .....	4.67 <sup>(4),(8)</sup>	5.65 <sup>(7)</sup>
Annualised distribution yield excluding Special Dividend <sup>(6)</sup> .....	5.30%	5.65%
Non-annualised distribution yield from Special Dividend <sup>(3),(7)</sup> .....	1.21%	—
Total annualised distribution yield with distribution yield from Special Dividend not annualised <sup>(6)</sup> .....	6.51%	—

Notes:

- (1) Non-cash items mainly include net depreciation in the value of investment properties, excess of acquirer's interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over cost, and amortization expenses.
- (2) This represents the net cash released from the cash reserves set aside as required under loan covenants.
- (3) The special dividend ("Special Dividend") is derived from cash generated and accumulated in the Initial TK Operators prior to the Listing Date.
- (4) Distribution from 5 November 2007 (the assumed Listing Date) to 30 June 2008 attributable to the Initial Properties and Additional Properties and the Special Dividend.
- (5) Assuming distribution of 100.0% of Distributable Income.
- (6) Annualisation based on number of months of the distribution received from 5 November 2007 (the assumed Listing Date) to 30 June 2008 attributable to the Initial Properties and the Additional Properties. Annualisation does not include the Special Dividend.
- (7) The distribution yield from the Special Dividend would amount to 1.86% had it been annualised, and total distribution yield after annualising distribution yield from the Special Dividend would amount to 7.16%.
- (8) Interest income, trustee's fee and finance costs for Forecast Period 2008 and Projection Year 2009 will vary according to Offering Price and proceeds raised, and is computed based on the Offering Price of S\$1.00.
- (9) Adjusted for Acquisition fees relating to Additional Properties paid in Units.

## THE OFFERING

<b>Saizen REIT</b> .....	Saizen REIT is a REIT established in the Republic of Singapore and constituted by the Trust Deed.
<b>The Manager</b> .....	Japan Residential Assets Manager Limited.
<b>The Vendors</b> .....	Central-Top Properties Ltd., a wholly-owned subsidiary of Japan Opportunities Fund Limited, Japan High Yield Property Fund Limited and Japan High Yield Property Fund (II) Limited.
<b>The Sponsor</b> .....	Japan Regional Assets Manager Limited.
<b>The Trustee</b> .....	HSBC Institutional Trust Services (Singapore) Limited.
<b>The Offering</b> .....	196,740,000 Units offered under the Placement and the Public Offer.
<b>The Placement</b> .....	178,203,000 Units offered by way of a placement to institutional and other investors outside Singapore as well as in Singapore. The Units have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States.
<b>The Public Offer</b> .....	18,537,000 Units offered by way of a public offer in Singapore, including the Reserved Units.
<b>Reserved Units</b> .....	8,700,000 Units reserved for subscription by the directors, management, employees and business associates of the Sponsor and its subsidiaries. (See “Ownership of Units”.)  In the event that any of the Reserved Units are not subscribed for, they will be made available to satisfy excess applications (if any) under the Placement and/or the Public Offer (other than the Reserved Tranche).
<b>Clawback and Reallocation</b> .....	The Units may be re-allocated between the Placement and the Public Offer, at the discretion of the Underwriters (in consultation with the Manager), such as in the event of an excess of applications in one and a deficit of applications in the other, subject to any applicable law.
<b>Offering Price</b> .....	S\$1.00 per Unit.
<b>Subscription of Units in the Public Offer</b> .....	Investors applying for Units by way of Application Forms or Electronic Applications (both as referred to in Appendix G, “Terms, Conditions and Procedures for Application for and Acceptance of the Units in Singapore”) in the Public Offer will pay the Offering Price per Unit on application, subject to a refund of the full amount or, as the case may be, the balance of the application monies (in each case, without interest or any share of revenue or other benefit arising therefrom) where (i) an application is rejected or accepted in part only, or (ii) the Offering does not proceed for any reason. For the purpose of illustration, an investor who applies for 1,000 Units by way of an Application Form or an Electronic Application under the Public Offer will have to pay S\$1,000, which is subject to a refund of the full amount or the balance thereof (without interest or any share of revenue or other benefit arising therefrom), as the case may be, upon the occurrence of any of the foregoing events.  Investors who are members of the CPF in Singapore may use their Ordinary Account savings to subscribe for Units.

**Over-allotment Option** ..... In connection with the Offering, the Stabilising Manager has been granted the Over-allotment Option by the Unit Lenders. The Over-allotment Option is exercisable by the Stabilising Manager (on behalf of the Underwriters), in full or in part, on more than one occasion, within 30 days from the date of commencement of trading of the Units on the SGX-ST, to purchase from the Unit Lenders up to an aggregate of 29,511,000 Units at the Offering Price, solely to cover over-allotment of Units (if any) subject to any applicable laws and regulations. The total number of Units in issue immediately after the completion of the Offering, including the Consideration Units will be 450,000,000 Units. The exercise of the Over-allotment Option will not increase this total number of Units outstanding. The total number of Units subject to the Over-allotment Option will constitute up to 15.0% of the total number of Units under the Offering.

**Lock-ups** ..... The Manager has undertaken not to offer, issue or contract to issue any Units, or to make any announcements in connection with any of the foregoing transactions, for a period of 180 days from and including the Listing Date without the prior written consent of the Underwriters.

The Vendors have agreed to the Lock-up Restrictions (as defined herein) commencing from the Listing Date in respect of all of the Consideration Units (including the Over-allotment Units to the extent that any are returned to the Vendors), until (i) the release (the “**First Release**”) of one-third of the Consideration Units on the day immediately following the date on which the announcement of the financial statements for the full financial year ending 30 June 2008 of Saizen REIT and its subsidiaries (collectively, the “**Group**”) is made pursuant to Rule 705 of the Listing Manual (the “**First Publication Date**”), (ii) the release (the “**Second Release**”) of half of the remaining Consideration Units on the day immediately following the date on which the announcement of the financial statements of the Group for the quarter immediately following the First Release is made pursuant to Rule 705 of the Listing Manual (the “**Second Release**”), and (iii) the release (the “**Third Release**”) of the remaining Consideration Units on the day immediately following the date on which the announcement of the financial statements of the Group for the quarter immediately following the Second Release is made pursuant to Rule 705 of the Listing Manual (the “**Third Publication Date**”).

The First Release, Second Release and Third Release are subject to the satisfactory fulfilment of various conditions, failing which the Consideration Units not released at the relevant time will continue to be subject to the Lock-up Restrictions until such time that the conditions are satisfied.

(See “Plan of Distribution—Lock-up Arrangements”.)

**Use of Proceeds** ..... The Manager intends to apply the total proceeds from the Offering towards (i) the repayment of existing borrowings by the Initial TK Operators, (ii) issue costs of the Offering and the Consideration Units, (iii) to fund partially the acquisition of the Additional Properties, and (iv) the remainder to be used as working capital and cash reserves.

**Listing and Trading** ..... Prior to the Offering, there has been no market for the Units. The offer of Units under this Prospectus will be by way of an initial public offering in Singapore. Application has been made to the SGX-ST for

permission to list on the Main Board of the SGX-ST all the Units in issue as at the date of this Prospectus and all the Units which will be issued to the Manager from time to time in full or part payment of the Manager's fee. (See "The Manager, The Asset Manager and Corporate Governance—Manager's Fee".) Such permission will be granted when Saizen REIT is admitted to the Official List of the SGX-ST.

The Units will be listed and quoted on the SGX-ST, and will be traded in Singapore dollars under the book-entry (scripless) settlement system of The Central Depository (Pte) Limited ("CDP"). The Units will be traded on the SGX-ST in board lot sizes of 1,000 Units.

**Stabilisation** ..... In connection with the Offering, the Stabilising Manager (or any person acting on its behalf) may over-allot or effect transactions with a view to stabilising or maintaining the market price of the Units at levels which might not otherwise prevail in the open market. Such transactions may be effected on the SGX-ST and in other jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulations, including the SFA, and any regulations thereunder. However, there is no assurance that the Stabilising Manager (or any person acting on its behalf) will undertake stabilisation action. Such transactions may commence on or after the date of commencement of trading of the Units on the SGX-ST and, if commenced, may be discontinued at any time and shall not be effected after the earliest of (i) the date falling 30 days from the date of commencement of trading of the Units on the SGX-ST, or (ii) the date when the over-allotment of the Units which are the subject of the Over-allotment Option has been fully covered (through the purchase of Units on the SGX-ST and/or the exercise of the Over-allotment Option by the Stabilising Manager. (See "Plan of Distribution—Over-allotment and Stabilisation".)

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

**Unitholders' Meetings** ..... The Trustee or the Manager may at any time (and the Manager shall at the request in writing of not less than 50 participants or participants representing not less than 10.0% of the total issued units of Saizen REIT) convene a meeting of the Unitholders in accordance with the provisions of the Trust Deed.

**Distribution Policy** ..... Saizen REIT's distribution policy is to distribute at least 90.0% of its Distributable Income in each financial year. The actual distribution to Unitholders may be greater than 90.0% of Saizen REIT's Distributable Income, to the extent that the Manager believes it to be appropriate.

Distributions will be paid on a semi-annual basis for the six-month periods ending 31 December and 30 June of each year. The first distribution will however be for the period from the Listing Date to 30 June 2008 and will be paid on or before 28 September 2008.



(See “Distributions”).)

**Underwriting, Selling and  
Management Commission  
payable by Saizen REIT to the**

**Underwriters** ..... The Manager, on behalf of Saizen REIT, has agreed to pay the Underwriters for their services in connection with the offering of Units under the Offering, an underwriting, selling and management commission (the “**Underwriting, Selling and Management Commission**”). (See “Plan of Distribution—Issue Expenses”).)

**Risk Factors** ..... **Prospective investors should carefully consider the risks connected with an investment in the Units, as discussed in “Risk Factors”.**

## INDICATIVE TIMETABLE

An indicative timetable for the Offering is set out below for the reference of applicants for the Units:

<u>Date and time</u>	<u>Event</u>
30 October 2007, 12.00 noon .....	Opening date and time for the Offering.
5 November 2007, 8.00 a.m. ....	Closing date and time for the Offering.
5 November 2007 .....	Balloting of applications, if necessary. Commence returning or refunding of application monies to unsuccessful or partially successful applicants, after completion of balloting.
9 November 2007, at or before 2.00 p.m. ....	Completion of the acquisition of the Vendor TK Interests.
9 November 2007, 2.00 p.m. ....	Commence trading on a “ready” basis.
14 November 2007 .....	Settlement date for all trades done on a “ready” basis.

The above timetable is indicative only and is subject to change. It assumes that (i) the closing date of the application list for the Public Offer (the “**Application List**”) is 5 November 2007, (ii) the Listing Date is 9 November 2007, (iii) compliance with the SGX-ST’s unitholding spread requirement and (iv) the Units will be fully paid up prior to 2.00 p.m. on 9 November 2007. All dates and times referred to above are Singapore dates and times.

Trading in the Units through the SGX-ST on a “ready” basis is expected to commence at 2.00 p.m. on 9 November 2007 (subject to the SGX-ST being satisfied that all conditions necessary for the commencement of trading in the Units through the SGX-ST on a “ready” basis have been fulfilled), as the completion of the investment in the Initial Properties is expected to take place at or before 2.00 p.m. on 9 November 2007. (See “Certain Agreements Relating to Saizen REIT and the Properties—TK Interest Transfer Agreements”.) If Saizen REIT is terminated by the Manager under the circumstances specified in the Trust Deed prior to, or the investment in the Initial Properties is not completed by 2.00 p.m. on 9 November 2007 (being the time and date of commencement of trading in the Units through the SGX-ST), the Offering will not proceed and the application monies will be returned in full (without interest or any share of revenue or other benefit arising therefrom and at each applicant’s own risk and without any right or claim against the Sponsor, Saizen REIT, the Manager, the Underwriters, the Unit Lenders or the Trustee).

In the event of any early or extended closure of the Application List or the shortening or extension of the time period during which the Offering is open, the Manager will publicly announce the same:

- via SGXNET, with the announcement to be posted on the internet at the SGX-ST website: <http://www.sgx.com>; and
- in one or more major Singapore newspapers, such as *The Straits Times*, *The Business Times* and *Lianhe Zaobao*.

For the date on which trading on a “ready” basis will commence, investors should monitor SGXNET, the newspapers, or check with their agents.

The Manager will provide details and results of the Public Offer via SGXNET and in one or more major Singapore newspapers, such as *The Straits Times*, *The Business Times* and *Lianhe Zaobao*.

The Manager reserves the right to reject or accept, in whole or in part, or to scale down or ballot any application for Units, without assigning any reason therefor, and no enquiry and/or correspondence on the decision of the Manager will be entertained. In deciding the basis of allocation, due consideration will be given to the desirability of allotting the Units to a reasonable number of applicants with a view to establishing an adequate market for the Units.

Where an application is accepted or rejected in part only, or if the Offering does not proceed for any reason, the full amount or the balance of the application monies, as the case may be, will be refunded (without interest or any share of revenue or other benefit arising therefrom) to the applicant, at his own risk, and without any right or claim against the Sponsor, Saizen REIT, the Manager, the Asset Manager, the Underwriters, the Coordinator of the Public Offer, the Unit Lenders or the Trustee.

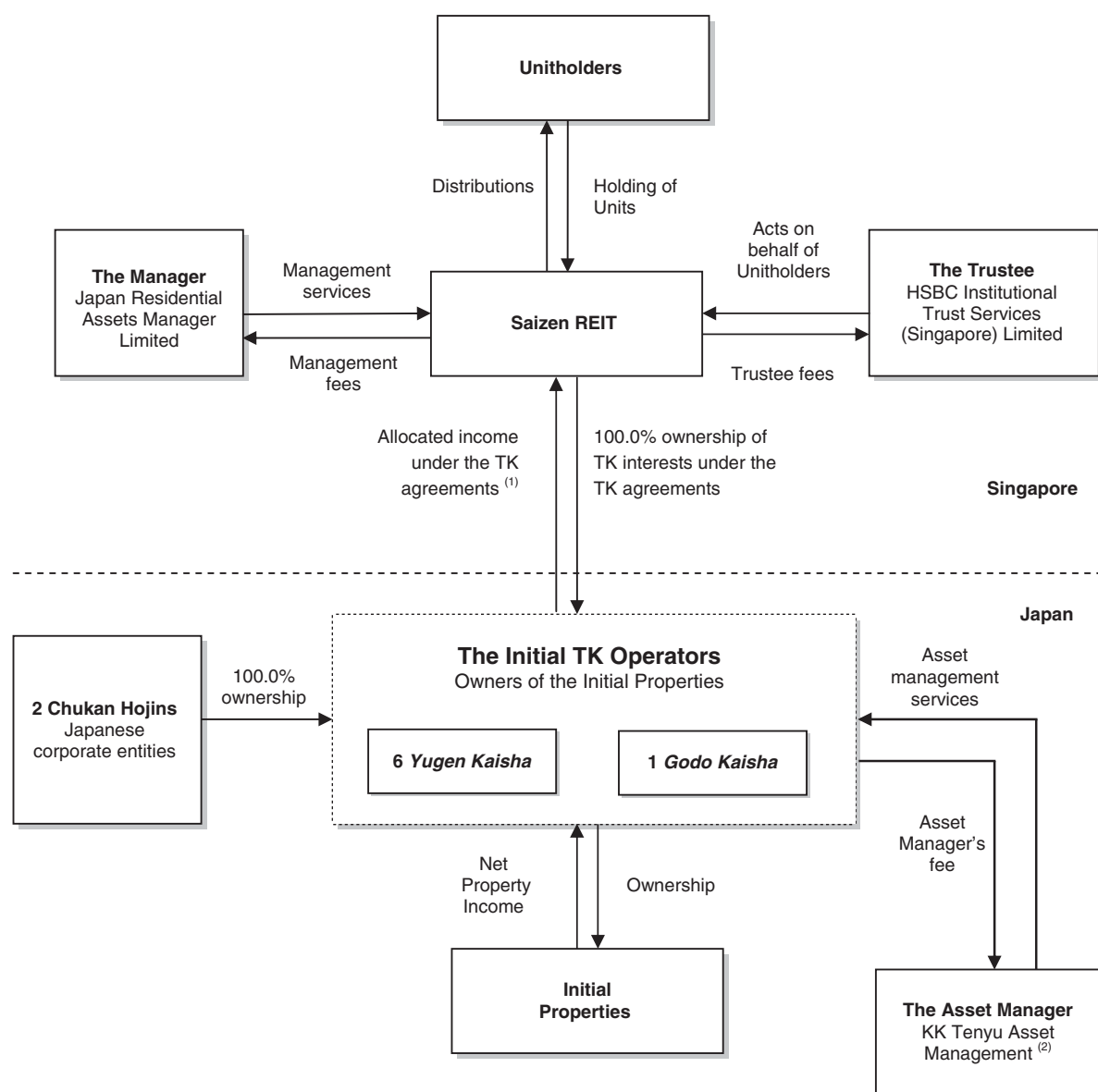
Where an application is unsuccessful, the refund of the full amount of the application monies (without interest or any share of revenue or other benefit arising therefrom) to the applicant, at his own risk, is expected to be completed within 24 hours after balloting (provided that such refunds in relation to applications in Singapore are made in accordance with the procedures set out in Appendix G, “Terms, Conditions and Procedures for Application for and Acceptance of the Units in Singapore”).

Where an application is accepted in full or in part only, any balance of the application monies will be refunded (without interest or any share of revenue or other benefit arising therefrom) to the applicant, at his own risk, within 14 Market Days after the completion of the Offering (provided that such refunds in relation to applications in Singapore are made in accordance with the procedures set out in Appendix G, “Terms, Conditions and Procedures for Application for and Acceptance of the Units in Singapore”).

Where the Offering does not proceed for any reason, the full amount of application monies (without interest or any share of revenue or other benefit arising therefrom) will, within three Market Days after the Offering is discontinued, be returned to the applicants at their own risk (provided that such refunds in relation to applications in Singapore are made in accordance with the procedures set out in Appendix G, “Terms, Conditions and Procedures for Application for and Acceptance of the Units in Singapore”).

## STRUCTURE OF SAIZEN REIT

The following diagram illustrates the relationship between Saizen REIT, the Manager, the Trustee, the Initial TK Operators, the Chukan Hojins, the Asset Manager and the Unitholders.



Notes:

- (1) Under the terms of the Saizen 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 Saizen TK Operators.
- (2) Certain daily operations of managing the Properties are delegated to third party property managers appointed by the Asset Manager. (See “The Manager, the Asset Manager and Corporate Governance—The Asset Manager: KK Tenyu Asset Management” for details.)

## The TK Arrangements

Saizen REIT will invest 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**”). 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 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 (the “**TK interests**”) under their respective TK agreements with TK operators, or by entering into new TK agreements with TK operators.

(See “Certain Agreements Relating to Saizen REIT and the Properties” for details of the TK agreements and the restrictions imposed on the TK operators, as well as “Overview of Relevant Laws and Regulations in Japan”.)

### *TK arrangements relating to the Initial Properties*

The Vendors are existing TK investors who have previously invested in the Initial Properties by entering into TK agreements (the “**Vendor TK Agreements**”) with seven TK operators, namely YK JOF, YK Keizan, YK Kokkei, YK Shingen, YK Shintoku, YK Shinzan and GK Choan (the “**Initial TK Operators**”). To invest in the Initial Properties, the Trustee, on behalf of Saizen REIT, has entered into agreements with the Vendors and the Initial TK Operators (the “**TK Interest Transfer Agreements**”) to acquire from the Vendors the TK interests (the “**Vendor TK Interests**”) under the Vendor TK Agreements, as well as enter into amended Vendor TK Agreements (the “**Initial TK Agreements**”) with the relevant Initial TK Operators in order to comply with the Property Funds Guidelines. On the Listing Date, Saizen REIT will issue 223,749,000 Consideration Units (assuming the Over-allotment Option is exercised in full) as full consideration for the acquisition of the Vendor TK Interests from the Vendors.

### *TK arrangements relating to the Additional Properties*

One TK operator, namely GK Chosei (the “**Additional TK Operator**”, and together with the Initial TK Operators, the “**Saizen TK Operators**”), has entered into various conditional sale and purchase agreements with independent third party vendors for the acquisition of the Additional Properties. Subject to obtaining satisfactory financing and results of due diligence, the Additional TK Operator expects to complete the acquisition of 14 Additional Properties within two months from the Listing Date and the remaining Additional Property within five months from the Listing Date. Saizen REIT has been granted the Right of First Refusal to Invest by the Additional TK Operator to invest in the Additional TK Operator in relation to the Additional Properties. The Trustee, on behalf of Saizen REIT, expects to enter into one or more TK agreements (the “**Additional TK Agreements**”, and together with the Initial TK Agreements, the “**Saizen TK Agreements**”) with the Additional TK Operator concurrently with the Additional TK Operator’s completion of the sale and purchase agreements with independent third party vendors. Subsequent investment contributions to the Additional TK Operator will be made in phases, in order for the Additional TK Operator to complete each subsequent acquisition under the respective sale and purchase agreements. Saizen REIT’s investment in the Additional Properties will be fully paid for in cash.

(See “Certain Agreements Relating to Saizen REIT and the Properties” and “Risk Factors”.)

For its future investments in Japanese properties, Saizen REIT may:

- (i) enter, whether directly or indirectly through special purpose vehicles (“**SPVs**”), into further TK arrangements, by either acquiring the TK interests from existing TK investors or entering into new TK agreements with new or existing TK operators);
- (ii) adopt, with the approval of the Trustee and subject to applicable Japanese and Singapore laws and regulations, any other method of investment in real estate which the Manager deems fit; or
- (iii) acquire the properties directly or indirectly through SPVs.

## The Sponsor: Japan Regional Assets Manager Limited

The Sponsor of Saizen REIT is an investment management company that specialises in the investment management of real estate assets in regional cities across Japan. Altus Investments Limited, Cheetah Group Holdings Limited, Mr Richard Lo and Mr Yutaka Matsunaga collectively hold the entire issued capital of the Sponsor.



### **The Manager: Japan Residential Assets Manager Limited**

Japan Residential Assets Manager Limited, the manager of Saizen REIT, was incorporated in Singapore under the Companies Act, Chapter 50 of Singapore (the “**Companies Act**”) on 5 July 2007. It has an issued and paid-up share capital of S\$1,000,000 and its registered office is located at 72A Duxton Road, Singapore 089531. It is a wholly-owned subsidiary of the Sponsor.

The Manager is responsible for Saizen REIT’s investment and financing strategies, asset acquisition and divestment policies, and the overall management of Saizen REIT’s real estate and real estate-related assets.

The Management Team possesses extensive experience and expertise in managing investments in the Japanese regional residential property markets and was a pioneer in the use of non-recourse debt in real estate investments in Japanese regional cities, as well as the institutionalisation of regional residential real estate investment management in Japan.

The scale of the Management Team’s operations has enabled it to develop effective management systems and achieve economies of scale. It has also established an extensive network of real estate professionals across Japan.

The board of directors of the Manager (the “**Board**”) comprises individuals with a broad range of experience, including property investment, development and management. The Board comprises Mr Arnold Ip Tin Chee, Mr Chang Sean Pey, Mr Raymond Wong Kin Jeon, Mr Yeh V-Nee, Mr Soh Yew Hock and Mr Dennis Lam Siu Sun.

### **The Asset Manager: KK Tenyu Asset Management**

KK Tenyu Asset Management is the asset manager of the Properties (the “**Asset Manager**”), and was incorporated in Japan on 27 June 2007. Altus Investments Limited, Cheetah Group Holdings Limited, Mr Richard Lo and Mr Yutaka Matsunaga collectively hold the entire issued and paid-up share capital of the Asset Manager.

The Asset Manager has entered into asset management agreements (the “**Asset Management Agreements**”) with the Initial TK Operators, and will be entering into similar agreements with the Additional TK Operators, in respect of the provision of asset management services in relation to the Properties. Under the Asset Management Agreements with the Saizen TK Operators, the Asset Manager will, among other services:

- identify investment and divestment opportunities in real estate for the Saizen TK Operators, conduct due diligence in respect of these investments and prepare the relevant documentation;
- provide advice and assistance in connection with the relevant Saizen TK Operators’ daily operations including:
  - (a) establishing operating budgets and annual plans for the operation, management, marketing and maintenance of the Properties;
  - (b) advising on the selection of property managers and managing their performance;
  - (c) providing administrative services for the Saizen TK Operators including financing arrangements; and
  - (d) performing any other functions delegated to it by the Saizen TK Operators.

The Asset Manager has engaged third party local property managers to perform certain daily functions in respect of the Properties. The performance of these property managers is closely monitored by the Asset Manager. The property managers are responsible for providing:

- lease management services, for example introducing the Properties to potential lessees and conducting tenant screening, in line with the applicable leasing policy of the Saizen TK Operators;
- contract management services, for example rent collection, communication between the Saizen TK Operators and the tenants, responding to complaints by tenants, and filing of applications with the relevant government offices; and
- building management services, for example co-ordinating services relating to the upkeep and maintenance of the properties and their facilities, and general administration of the Properties.

### **The Trustee: HSBC Institutional Trust Services (Singapore) Limited**

The Trustee, HSBC Institutional Trust Services (Singapore) Limited, is a company incorporated in Singapore and holds a trust business licence under the Trust Companies Act, Chapter 336 of Singapore. The Trustee has a place of business in Singapore located at 21 Collyer Quay, #14-01 HSBC Building, Singapore 049320. The Trustee's powers and duties include:

- acting as trustee of Saizen REIT;
- holding the assets of Saizen REIT in trust for the benefit of the Unitholders in accordance with the Trust Deed; and
- exercising all the powers of a trustee and the powers accompanying ownership of the Vendor TK Interests, any other future TK interests, or any properties acquired by the Trustee, on behalf of Saizen REIT.

(See "The Formation and Structure of Saizen REIT—The Trustee".)

### **The Saizen TK Operators: *Yugen Kaisha* and *Godo Kaisha***

Under the Saizen TK Agreements, the Saizen TK Operators are responsible for holding the Properties and managing the day-to-day operations of the Properties. Saizen REIT, as the TK investor, will receive income derived from the Properties. There are currently two different types of Japanese entities functioning as Saizen TK Operators:

#### ***Yugen Kaisha***

A *Yugen Kaisha* ("YK") is a Japanese company established under Japanese law before May 2006. A YK's 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. The Trustee, on behalf of Saizen REIT, has entered into the TK Interest Transfer Agreements with the Vendors and six YKs, which together hold and manage a total of 126 Initial Properties.

#### ***Godo Kaisha***

A *Godo Kaisha* ("GK") is a Japanese company established under Japanese law from May 2006. A GK's corporate structure is similar to that of a limited liability company, with the members of the GK both owning and managing the GK. The Trustee, on behalf of Saizen REIT, has acquired the Vendor TK Interest under the Vendor TK Agreements entered into between the relevant Vendor and one GK, which holds and manages a total of 22 Initial Properties. Subject to obtaining satisfactory financing and results of due diligence, the Trustee, on behalf of Saizen REIT, expects to enter into one or more Additional TK Agreements with another GK, which is expected to hold a total of 15 Additional Properties upon completion of all the acquisitions within five months from the Listing Date.

TK operators incorporated prior to 2006 were mostly structured as YKs. On 1 May 2006, the new Japanese Company Law took effect and abolished the concept of YKs. Existing YKs were however, permitted to continue to carry on their business under essentially the same rules as before but are now legally referred to as "*Tokurei Yugen Kaisha*", or "special limited companies". These *Tokurei YKs* follow the new rules governing stock companies. The concept of GKs was also introduced on 1 May 2006.

For Saizen REIT, YKs were used as Saizen TK Operators for TK arrangements entered into before 1 May 2006, and GKs have been used as Saizen TK Operators for TK arrangements entered into since 1 May 2006.

### **The *Chukan Hojins***

The *Chukan Hojins* are bankruptcy remote entities established solely to act as the holding companies of the Saizen TK Operators, and have no potential income, loss or net worth. The members, directors and auditor of the *Chukan Hojins* are independent from the Sponsor, and have waived their respective rights to commence any form of insolvency proceedings in relation to the *Chukan Hojins*.

Legal ownership of the Saizen TK Operators will be transferred to the *Chukan Hojins* when Saizen REIT enters into TK agreements with TK operators.

## Certain Fees and Charges

The following is a summary of the amounts of certain fees and charges payable by Unitholders in connection with the subscription for or purchase of the Units (so long as the Units are listed):

Payable by the Unitholders directly	Amount payable
(a) Subscription fee or preliminary charge	N.A. <sup>(1)</sup>
(b) Realisation fee	N.A. <sup>(1)</sup>
(c) Switching fee	N.A. <sup>(1)</sup>
(d) Any other fee	Prevailing agent fees (if applicable) and clearing fee for trading of Units on the SGX-ST at the rate of 0.04% of the transaction value, subject to a maximum of S\$600.00 per transaction, and Goods and Services Tax (“GST”) chargeable thereon.

Note:

- (1) As the Units will be listed and traded on the SGX-ST and the Unitholders will have no right to request the Manager to redeem their Units while the Units are listed, no subscription fee or preliminary charge, realisation fee or switching fee is payable in respect of the Units.

The following is a summary of certain fees and charges payable by Saizen REIT in connection with the establishment and on-going management and operation of Saizen REIT:

Payable by Saizen REIT	Amount payable
(a) Manager’s management fee	<p>0.5% per annum of the monthly weighted average value of the Property Assets. For the avoidance of doubt, cash does not form part of the Property Assets.</p> <p>When Saizen REIT acquires a property, the management fee will be charged on an accrued basis beginning from the month in which the property is acquired.</p> <p>The Manager may elect to receive the management fee in cash or Units or a combination of both (as it may in its sole discretion determine) having regard to the distribution yields to Unitholders and the cash flow of Saizen REIT.</p> <p>If the Manager is removed by Ordinary Resolution passed by Unitholders pursuant to the Trust Deed during the period of five years commencing from the Listing Date, the Manager shall be entitled to an early termination fee to be paid in cash calculated at 0.5% per annum of the latest value of the Property Assets in relation to the remainder of the five year term (the “<b>Early Termination Fee</b>”).</p> <p>(See “The Manager, The Asset Manager and Corporate Governance—Manager’s Fee”.)</p>
(b) Trustee’s fee	<p>The actual fee payable will be agreed in writing between the Manager and the Trustee from time to time. The Trustee’s fee is presently charged on a scaled basis up to a maximum of 0.03% per annum of the value of the Deposited Property, subject to an aggregate minimum fee of S\$10,000 per month excluding out-of-pocket expenses and GST.</p> <p>Saizen REIT will also pay the Trustee a one-time inception fee of S\$25,000.</p>
(c) Asset Manager’s asset management fee	<p>3.0% of the net profits of the property-holding business (before deducting the asset management fee and any expenses of such business payable to Saizen REIT), calculated in accordance with accounting standards applicable to the property holding vehicles (the “<b>Property Business Profits</b>”).</p> <p>In the case of TK arrangements, ¥150,000 (S\$1,972.1) per annum for overhead incurred by each Saizen TK Operator will be deducted from the Property Business Profits. This overhead</p>

Payable by Saizen REIT	Amount payable
(d) Any other substantial fee or charge (i.e. 0.1% or more of Saizen REIT's asset value)	<p>comprises mainly the prefectural and municipal per capita tax which amounts to approximately ¥70,000 per annum. The balance relates to professional fees for making annual filings and miscellaneous expenses.</p>
(i) Acquisition fee (payable to the Manager)	<p>1.0% of each of the following as is applicable (subject to there being no double-counting):</p> <ul style="list-style-type: none"> <li>(a) the acquisition price of any real estate acquired by Saizen REIT or a TK operator pursuant to a TK arrangement with Saizen REIT, whether directly or indirectly through one or more SPVs, plus any other payments in addition to the acquisition price made by Saizen REIT, any of its SPVs or the relevant TK operator to the vendor in connection with the acquisition of the real estate (pro rated if applicable to the proportion of the interest of Saizen REIT or the TK operator, as the case may be);</li> <li>(b) the underlying value of any real estate which is taken into account when computing the acquisition price payable for the acquisition from the vendor of the equity interests of any vehicle holding directly or indirectly the real estate acquired by Saizen REIT or a TK operator pursuant to a TK arrangement with Saizen REIT, whether directly or indirectly through one or more SPVs, plus any additional payments made by Saizen REIT, any of its SPVs or the relevant TK operator to the vendors in connection with the acquisition of such equity interests (pro rated if applicable to the proportion of the interest of Saizen REIT or the TK operator, as the case may be);</li> <li>(c) the underlying value of any real estate which is taken into account when computing the acquisition price payable for the acquisition of the TK interest under any TK agreement entered into with any TK operator by Saizen REIT, whether directly or indirectly through one or more SPVs, plus any additional payments made by Saizen REIT or any of its SPVs to the vendors in connection with the purchase of such TK interest (pro rated if applicable to the proportion of the interest of Saizen REIT or the TK operator, as the case may be); or</li> <li>(d) the acquisition price of any investment by Saizen REIT, whether directly or indirectly through one or more SPVs, in any debt securities of any property corporation or other SPV owning or acquiring real estate.</li> </ul> <p>For the purpose of this acquisition fee, equity interests include all classes and types of equity securities (including preferred or preference shares) relating to real estate which shall, for the avoidance of doubt, exclude any investment in debt securities of any property corporation or other SPV owning or acquiring real estate.</p> <p>No acquisition fee is payable for the acquisition of the Vendor TK Interests, but in the event that Saizen REIT invests in the Additional Properties, an acquisition fee is payable for the acquisition of the TK interests in relation to the Additional Properties.</p>

Payable by Saizen REIT	Amount payable
(ii) Divestment fee (payable to the Manager)	<p data-bbox="683 203 1410 360">The Manager has opted to receive, for Forecast Period 2008 and Projection Year 2009, 100.0% of the acquisition fee in Units including such fee in respect of the acquisition of the Additional Properties (if completed). (See “Risk Factors—Risks relating to Saizen REIT’s Operations.”)</p> <p data-bbox="683 380 1410 600">The acquisition fee payable to the Manager after Projection Year 2009 may be in the form of cash or Units or a combination of both (as the Manager may in its sole discretion determine) provided that in respect of any acquisition of real estate assets from interested parties, such a fee should be in the form of Units issued by Saizen REIT at the prevailing market price. Such Units should not be sold within one year from the date of their issuance.</p> <p data-bbox="683 620 1410 777">Any payment to third party real estate agents or brokers in connection with the acquisition of any real estate by Saizen REIT or a TK operator, or the acquisition of any TK interest by Saizen REIT, shall be paid to such persons in addition to the acquisition fee paid to the Manager.</p> <p data-bbox="683 797 1410 857">0.3% of each of the following as is applicable (subject to there being no double-counting):</p> <ul style="list-style-type: none"> <li data-bbox="683 878 1410 1160">(a) the sale price of any real estate divested by Saizen REIT or a TK operator pursuant to a TK arrangement with Saizen REIT, whether directly or indirectly through one or more SPVs, plus any other payments in addition to the sale price received by Saizen REIT, any of its SPVs or the relevant TK operator from the purchaser in connection with the sale or divestment of the real estate (pro rated if applicable to the proportion of the interest of Saizen REIT or the TK operator, as the case may be);</li> <li data-bbox="683 1180 1410 1525">(b) the underlying value of any real estate which is taken into account when computing the sale price payable for the equity interest of any vehicle holding directly or indirectly the real estate sold by Saizen REIT or a TK operator pursuant to a TK arrangement with Saizen REIT, whether directly or indirectly through one or more SPVs, plus any additional payments received by Saizen REIT, any of its SPVs or the relevant TK operator from the purchaser in connection with the sale or divestment of such equity interests (pro rated if applicable to the proportion of the interest of Saizen REIT or the TK operator, as the case may be);</li> <li data-bbox="683 1545 1410 1861">(c) the underlying value of any real estate which is taken into account when computing the sale price payable for the divestment of the TK interest under any TK agreement entered into with any TK operator by Saizen REIT, whether directly or indirectly through one or more SPVs, plus any additional payments received by Saizen REIT or any of its SPVs from the purchaser in connection with the sale or divestment of such TK interest (pro rated if applicable to the proportion of the interest of Saizen REIT or the TK operator, as the case may be); or</li> <li data-bbox="683 1881 1410 2002">(d) the sale price of any investment by Saizen REIT, whether directly or indirectly through one or more SPVs, in any debt securities of any property corporation or other SPV owning or acquiring real estate.</li> </ul>



**Payable by Saizen REIT****Amount payable**

For the purpose of this divestment fee, equity interests include all classes and types of equity securities (including preferred or preference shares) relating to real estate which shall, for the avoidance of doubt, exclude any investment in debt securities of any property corporation or other SPV owning or acquiring real estate.

The divestment fee is payable to the Manager in the form of cash or Units or a combination of both (as the Manager may in its sole discretion determine) provided that in respect of any sale or divestment of real estate assets from interested parties, provided that in respect of any sale or divestment of real estate assets to interested parties, such a fee should be in the form of Units issued by Saizen REIT at the prevailing market price. Such Units should not be sold within one year from the date of their issuance.

Any payment to third party agents or agents in connection with the sale or divestment of any real estate by Saizen REIT or a TK operator, or the divestment of any TK interest by Saizen REIT, shall be paid to such persons in addition to the divestment fee paid to the Manager.

## RISK FACTORS

*Prospective investors should consider carefully, together with all other information contained in this Prospectus, the factors described in this section before deciding to invest in the Units.*

*This Prospectus also contains forward-looking statements (including a profit forecast and profit projection) that involve risks, uncertainties and assumptions. The actual results of Saizen REIT could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by Saizen REIT as described below and elsewhere in this Prospectus.*

*As an investment in a REIT is meant to produce returns over the long-term, investors should not expect to obtain short-term gains.*

*Investors should be aware that the price of units in a REIT, and the income from them, may fall or rise. Investors should note that they may not get back their original investment.*

*Before deciding to invest in the Units, prospective investors should seek professional advice from the relevant advisers about their particular circumstances.*

### **Risks relating to Saizen REIT's operations**

***Saizen REIT's ability to make distributions to Unitholders depends on the financial position of the Saizen TK Operators.***

In order to meet its payment obligations and to make distributions to Unitholders, Saizen REIT will rely on the direct receipt of distributions from the Saizen TK Operators. There can be no assurance that the Saizen TK Operators will have sufficient distributable or realised profits or surplus in any future period to pay dividends, make distributions, pay interest, or make advances. The level of profit or surplus of the Saizen TK Operators available to pay dividends, interest or other distributions may be affected by a number of factors including, among other things:

- their business and financial position;
- the level of cash flows received by the Saizen TK Operators from the Properties;
- applicable laws and regulations restricting the payment of distributions;
- operating losses incurred in any financial quarter;
- changes in accounting standards (including standards in respect of depreciation policies relating to real estate investment properties), taxation laws and regulations, laws and regulations in respect of foreign exchange and repatriation of funds, corporation laws and regulations in Japan and/or Singapore;
- trapped cash in the Saizen TK Operators (as a result of cash reserves which may be required under loan covenants) which cannot be effectively utilised; and
- the terms of agreements to which they are, or may become, a party to.

The occurrence of these or other factors that affect the ability of the Saizen TK Operators to pay distributions to Saizen REIT would adversely affect Saizen REIT's ability to pay distributions to Unitholders. (See "Distributions".)

***An early termination payment, payable if the Manager is removed by a vote of the Unitholders, may affect the financial condition, cash flow and indebtedness of Saizen REIT.***

If the Manager is removed as manager of Saizen REIT by Ordinary Resolution passed by Unitholders pursuant to the Trust Deed during the period of five years commencing from the Listing Date, Saizen REIT will be required to pay out of its assets, the Early Termination Fee calculated at 0.5% per annum of the latest value of the Property Assets for the remainder of the five year term. This may have a material adverse effect on the financial condition, cash flow and indebtedness of Saizen REIT and may affect its ability to make distributions to Unitholders.

***Saizen REIT does not have full control over the management and divestment of the Properties, but is required to bear the net operating losses incurred by the TK Operators to the extent of its outstanding TK interest.***

Under the Saizen TK Agreements, the Saizen TK Operators are responsible for the management and divestment of the Properties. Certain key areas of the Saizen TK Operators' management and operations are

restricted, including, among others, the making of amendments to the distribution policy, the incurrence of additional borrowings, the creation of additional security over the Properties, the cessation or change of the Saizen TK Operators' business and the winding up or dissolution of the Saizen TK Operators. However, Saizen REIT, as a TK investor, does not have full control over the management and divestment of the Properties but is required to bear the net operating losses incurred by the Saizen TK Operators in the management and divestment of the Properties, to the extent of its outstanding TK interests under the relevant Saizen TK Agreement. Should the Saizen TK Operators not manage the Properties in a proper and profitable manner, this will adversely affect the financial condition of Saizen REIT and affect its distributions to Unitholders.

***The TK arrangements entered into by Saizen REIT may be affected by future uncertainty in the interpretation of the Real Estate Specified Joint Venture Law (Fudousan-tokkutei-kyoudou-jigyō-hō).***

Under the Real Estate Specified Joint Venture Law, a TK operator is required to obtain regulatory approval in order to enter into TK agreements and receive capital contributions from a TK investor, acquire real estate and allocate profits to the TK investors under the TK agreements in Japan. Such regulatory approval is not required by TK operators which enter into a TK agreement with a foreign investor outside of Japan, as laid down in an ordinance issued by the Japanese regulatory authorities. Should the Japanese regulatory authorities change the interpretation of the aforementioned ordinance and deem the Real Estate Specified Joint Venture Law as requiring TK operators entering into TK agreements with a foreign investor outside of Japan to obtain regulatory approval, Saizen REIT faces the risk that the Saizen TK Operators may be in breach of the Real Estate Specified Joint Venture Law. Saizen REIT may face penalties for the breach of the Real Estate Specified Joint Venture Law, and may be required to terminate or restructure the TK arrangements.

***The property market in Japan may be volatile.***

Saizen REIT is subject to property market conditions in Japan generally. Many social, economic, political and other factors may affect the development of the property market.

The Japanese property market may sometimes be volatile and may experience oversupply and property price fluctuations. The Japanese government may take steps to prevent and curtail any overheating of the Japanese economy and property market. Such policies may result in changes in market conditions, including price instability and imbalance of supply and demand, which may materially and adversely affect the business and financial conditions and the results of operations of Saizen REIT. There is also no assurance that there will not be any over-development in the property sector in the areas where the Properties are located and other parts of Japan in the future. Any future over-development in the property sector in the areas where the Properties are located and other parts of Japan may result in an oversupply of properties, including residential properties, and a fall in property prices as well as rental rates, which could adversely affect the business and financial conditions and the results of operations of Saizen REIT.

***Saizen REIT faces risks associated with debt financing.***

As at the Latest Practicable Date, Saizen REIT has incurred, through borrowings by the Saizen TK Operators, aggregate external borrowings of approximately ¥27,209 million (approximately S\$357.7 million). Upon the partial repayment of outstanding loans out of the net proceeds raised from the Offering and without taking into account the acquisition of the Additional Properties, Saizen REIT's aggregate leverage is expected to be approximately 30%. Saizen REIT may, from time to time, require additional debt financing to implement the Manager's investment strategies.

Under the Saizen TK Agreements, Saizen REIT will be entitled to 97.0% of the profits of Saizen TK Operators 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, Trustee's fee, other trust expenses and hedging costs (if any), the balance is available for distribution to Unitholders as distributable income (the "**Distributable Income**"). Saizen TK Operators will distribute at least 30.0% of their net profits on a semi-annual basis for the six-month periods ending 30 June and 31 December of each year. As a result of this distribution policy, Saizen REIT and/or the Saizen TK Operators may not be able to meet all of their obligations to repay the principal amount on their debt obligations through their cash flow from operations. As such, Saizen REIT and/or the Saizen TK Operators may be required to repay maturing debt with funds from additional debt or equity financing or both. There can be no assurance that such financing will be available on acceptable terms or at all.

If Saizen REIT and/or the Saizen TK Operators are unable to make repayments due under their respective loan facilities, the lenders may be able to declare an event of default and initiate enforcement proceedings in

respect of any security provided in respect of such borrowings and/or call upon the guarantees provided. As the Initial TK Operators have created charges over the Properties to secure their payment of indebtedness, such charges could be enforced by the lender or the lender could require a judicial sale of the charged Properties in the event that the Initial TK Operators are unable to meet their interest or principal repayments with a consequent loss of income and asset value to Saizen REIT. Furthermore, Saizen REIT has entered into agreements to act as the sponsor of the debts of the Initial TK Operators, and may be responsible for, among other things, repaying all outstanding amounts under the Initial TK Operators' loans and indemnifying the lender against the breach of certain representations and warranties provided by the Initial TK Operators.

In addition, Saizen REIT and the Initial TK Operators may be subject to certain covenants in connection with any future borrowings that may limit or otherwise adversely affect the operations of the Initial TK Operators, and correspondingly the ability of Saizen REIT to make distributions to Unitholders. Such covenants may restrict Saizen REIT's ability to invest in properties or to undertake capital expenditures, or may require Saizen REIT or the Initial TK Operators to set aside funds for maintenance or repayment of security deposits. In particular, Saizen REIT has agreed to subordinate its claims against the Initial TK Operators to the claims of the lender, such that Saizen REIT's claims are payable only after the Initial TK Operators' liabilities to the lenders under the loan agreements have been met. This may affect the Initial TK Operators' repayment of the investment amount to Saizen REIT.

If the principal amounts due for repayment at maturity cannot be refinanced, extended or paid with proceeds of other capital transactions, such as new equity capital, Saizen REIT will not be able to pay distributions at expected levels or to repay all maturing debt. Further, if prevailing interest rates or other factors at the time of refinancing (such as the possible reluctance of lenders to make commercial property loans) result in higher interest rates upon refinancing, the interest expense relating to such refinanced indebtedness would increase, thereby adversely affecting Saizen REIT's cash flow and the amount of funds available for distribution to Unitholders.

***The amount Saizen REIT may borrow is limited, which may affect the operations of Saizen REIT.***

Under the Property Funds Guidelines, Saizen REIT is generally permitted to borrow only up to 35.0% of the value of its Deposited Property at the time the borrowing is incurred. The Property Funds Guidelines also provide that the total borrowings and deferred payments (together the "**aggregate leverage**") of a REIT may exceed 35.0% of the value of its Deposited Property (up to a maximum of 60.0%) only if a credit rating from Fitch Inc., Moody's or Standard and Poor's is obtained, disclosed to the public and maintained for so long as its aggregate leverage exceeds 35.0%. Saizen REIT has obtained a provisional credit rating of Baa3 from Moody's<sup>1</sup> which is conditional upon completion of the Offering and Saizen REIT raising gross proceeds of at least US\$130.0 million. Based on the Offering Price, Saizen REIT will raise gross proceeds of S\$196.7 million or US\$130.2 million<sup>2</sup>. Saizen REIT intends to maintain aggregate leverage of approximately 45.0% on a stabilised basis. The Saizen REIT may, from time to time, require further debt financing to achieve its investment strategies as well as make distributions to the Unitholders. A decline in the value of the Deposited Property, an inability to obtain a credit rating within a reasonable time or the inability to maintain such credit rating may affect Saizen REIT's ability to make further borrowings as discussed above.

Adverse business consequences of this limitation on borrowings may include:

- an inability to fund capital expenditure requirements for Saizen REIT's existing portfolio or the investment by Saizen REIT in additional properties to expand its portfolio; and
- cash flow shortages (including with respect to making distributions) which Saizen REIT might otherwise be able to resolve by borrowing funds.

<sup>1</sup> Moody's has not provided its consent, for the purposes of Section 249 (read with Section 302) of the SFA, to the inclusion of the information and is therefore not liable for such information under Sections 253 and 254 (read with Section 302) of the SFA. While the Manager has taken reasonable action to ensure that the information has been reproduced in its proper form and context, and that it has been extracted accurately and fairly, neither the Manager nor any other party has conducted an independent review of, nor verified the accuracy of, such information. The credit rating obtained from Moody's is current. The rating is not a recommendation to invest in any securities, and is subject to revision or withdrawal at any time. Issuer ratings express Moody's opinion of an entity's creditworthiness and ability to meet its senior financial obligations. Moody's defines 'Baa' ratings as investment grade ratings which are assigned to issuers that offer adequate financial security.

<sup>2</sup> Based on an exchange rate of S\$1.00 = US\$ 0.6619, being the average exchange rate for September 2007 obtained from the Datastream Database from Thompson Research. Thompson Research has not provided its consent, for the purposes of Section 249 (read with Section 302) of the SFA, to the inclusion of the information and is therefore not liable for such information under Sections 253 and 254 (read with Section 302) of the SFA. While the Manager has taken reasonable action to ensure that the information has been reproduced in its proper form and context, and that it has been extracted fairly and accurately, neither the Manager nor any other party has conducted an independent review of, nor verified the accuracy of, such information.

***Saizen REIT may have a higher level of leverage than certain other types of unit trusts.***

The Initial TK Operators have put in place debt facilities comprising mortgage loans secured over the Initial Properties. (See “Capitalisation and Indebtedness—Indebtedness”.) Further, Saizen REIT may, from time to time, require additional debt financing to implement the Manager’s investment strategies.

Saizen REIT’s current borrowings, as incurred by the Initial TK Operators, represents a higher level of leverage compared to certain other types of unit trusts, such as non-specialised collective investment schemes which invest in equities and/or fixed income instruments. Investment risk is known to increase with higher leverage. An increase in leverage will subject Saizen REIT to the risk of changing economic climates. For example, in a climate of rising interest rates, the costs of financing of Saizen REIT’s investments (including incurring future borrowings) will increase and this will adversely affect Saizen REIT’s ability to make distributions to the Unitholders as well as the Manager’s ability to effectively carry out its strategies.

***Saizen REIT’s strategy of investing primarily in residential assets may entail a higher level of risk compared to unit trusts with a different investment strategy.***

Saizen REIT’s principal strategy is to invest in a diversified portfolio of income-producing real estate located in Japan, used primarily for residential and residential-related purposes, as well as real estate-related assets in connection with the foregoing.

As such, Saizen REIT will be subject to risks inherent in concentrating on investments in a single industry as well as a single type of asset. The level of risk could be higher compared to unit trusts with a different investment strategy.

A concentration of investments in a portfolio of such specific real estate assets in Japan exposes Saizen REIT to both a downturn in the real estate market or the economy in Japan. Any economic slowdown in Japan could negatively affect the performance of the residential market. A lagging economy could lead to retrenchments and job losses, which in turn, would lead to a change in the trend of demand for residential properties. The renewal of leases in Saizen REIT’s operating residential properties will depend, in part, upon the financial stability of the tenants. Any decline in the financial stability of tenants may cause higher levels of non-renewals of leases or vacancies as a result of defaults by tenants or the market pressures exerted by an increase in available residential space. There can be no assurance that the existing tenants of Saizen REIT’s operating residential properties will renew their leases or that the terms of the renewed leases will be as favourable as the existing leases. In the event that a lease is not renewed, a replacement tenant or tenants would need to be identified, which could subject Saizen REIT’s operating residential properties to periods of vacancy, during which periods Saizen REIT could experience a reduction in rental income.

Such downturns may have an adverse impact on distributions to the Unitholders and/or on the results of operations and the financial condition of Saizen REIT.

***Both Saizen REIT and the Manager, as newly established entities, do not have established operating histories.***

The Manager was incorporated on 5 July 2007 and Saizen REIT was constituted on 27 September 2007. Accordingly, while the Sponsor previously managed the Initial Properties, neither Saizen REIT (as a REIT) nor the Manager (as the manager of a REIT) has long operating histories by which their past performance may be judged. This will make it more difficult for investors to assess their future performance. There can be no assurance that Saizen REIT will be able to generate sufficient revenue from operations to make distributions to the Unitholders or that such distributions will be in line with those set out in “Profit Forecast and Profit Projection”.

***The Manager may not be able to implement its investment strategy.***

The Manager’s investment strategy includes investment 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, in order to provide stable distributions to the Unitholders. There can be no assurance that the Manager will be able to implement its investment strategy successfully or that it will be able to expand Saizen REIT’s portfolio at any specified rate, to any specified size or at all. The Manager may also be unable to ensure investments or acquisitions on favourable terms in a desired time frame.

Saizen REIT will rely on external sources of funding to expand its portfolio, which may not be available on favourable terms or at all. Even if Saizen REIT were able to complete additional property investments successfully, there can be no assurance that Saizen REIT will achieve its intended return on such investments.



Since the amount of debt Saizen REIT can incur to finance investments is limited (see “Risk Factors—Risks Relating to an Investment in the Units”), such investments will be dependent on Saizen REIT’s ability to raise equity capital, which may result in a dilution of the Unitholders’ holdings. Potential vendors may also view the necessity of raising equity capital to fund any such purchase negatively and may prefer other potential purchasers.

Furthermore, there may be significant competition for attractive investment opportunities from other property investors, including commercial property development companies and private investment funds. There can be no assurance that Saizen REIT will be able to compete effectively against such entities.

***Saizen REIT depends on certain key personnel and the loss of any key personnel may adversely affect its business and financial conditions and results of operations.***

Saizen REIT’s success depends, in part, upon the continued service and performance of the members of the Manager’s and/or Asset Manager’s senior management teams and certain key senior personnel. These persons may leave the Manager or the Asset Manager in the future or compete with it and Saizen REIT. The loss of any of these individuals could have a material adverse effect on Saizen REIT’s business and financial conditions and results of operations.

***Saizen REIT is exposed to various types of taxes in Japan and Singapore.***

The income and gains derived by Saizen REIT, directly or indirectly, from its investments in real estate in Japan are exposed to various types of taxes in Japan and Singapore. These include income tax, withholding tax, capital gains tax and other taxes specifically imposed for the ownership of such assets. (See “Taxation”, Appendix E, “Independent Singapore Taxation Report” and Appendix F, “Independent Japan Taxation Report”.) While the Manager intends to manage the taxation in each of these countries efficiently, there can be no assurance that the desired tax outcome will necessarily be achieved. In addition, the level of taxation in each of these countries is subject to changes in laws and regulations and such changes, if any, may lead to an increase in tax rates or the introduction of new taxes. All these factors could adversely affect and erode the returns from Saizen REIT’s investments and hence the amount of distributions to the Unitholders.

***Occurrences such as acts of God, war and terrorist attacks may adversely and materially affect the business and operations of the Properties.***

Acts of God, such as natural disasters, are beyond the control of Saizen REIT, the Manager and the Asset Manager and may materially and adversely affect the economy, infrastructure and livelihood of the local population in cities where Saizen REIT owns assets. Saizen REIT’s business and income available for distribution may be materially and adversely affected should such acts of God occur. Moreover, there can be no assurance that any war, terrorist attack or other hostilities in any part of the world, potential, threatened or otherwise, will not, directly or indirectly, have a material and adverse effect on the business and operations of the Properties and correspondingly have a material and adverse effect on Saizen REIT’s income available for distribution.

***The Manager may change Saizen REIT’s investment strategy.***

Saizen REIT’s policies with respect to certain activities, including investments and acquisitions, will be determined by the Manager. While the Manager has stated its intention 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, and such strategy may not be changed for a period of three years commencing from the Listing Date (as the Listing Manual prohibits a departure from the Manager’s stated investment strategy for Saizen REIT for the said period unless otherwise approved by an Extraordinary Resolution of the Unitholders), the Trust Deed gives the Manager wide powers to invest in other types of assets, including any real estate, real estate-related assets as well as listed and unlisted securities in Japan. There are risks and uncertainties with respect to the selection of investments and with respect to the investments themselves.

***Saizen REIT may engage in hedging transactions, which can limit gains and increase exposure to losses.***

Saizen REIT may enter into hedging transactions to mitigate the effects of interest rate and currency exchange fluctuations on floating rate debt and also to protect its portfolio from interest rate and prepayment fluctuations. Hedging transactions may include entering into interest rate hedging instruments, purchasing or selling futures contracts, purchasing put and call options or entering into forward agreements. Hedging activities

may not have the desired beneficial impact on the results of operations or financial condition of Saizen REIT and may not completely insulate Saizen REIT from the risks associated with changes in interest rates and exchange rates. Moreover, interest rate hedging could fail to protect Saizen REIT or even affect it adversely because, among other factors:

- available interest rate hedging may not completely address the interest rate risks which Saizen REIT is exposed to;
- the hedge counterparty may default on its obligation to pay;
- the credit quality of the hedge counterparty may be downgraded to such an extent that the value of the hedge is adversely affected, impairing Saizen REIT's ability to sell or assign its side of the hedging transaction, requiring Saizen REIT to enter into additional hedging transactions; and
- the value of the derivatives used for hedging may be adjusted from time to time in accordance with accounting rules to reflect changes in fair value. Downward adjustments would reduce the NAV of Saizen REIT.

Hedging involves risks and typically involves costs, including transaction costs, which may reduce overall returns. These costs increase as the period covered by the hedging increases and during periods of rising and volatile interest rates. These costs will also limit the amount of cash available for distributions to the Unitholders. The Manager will regularly monitor the feasibility and value of engaging in hedging transactions, taking into account the costs involved.

***Saizen REIT may be affected by the introduction of new or revised legislation, regulations, guidelines or directions affecting REITs.***

Saizen REIT may be affected by the introduction of new or revised legislation, regulations, guidelines or directions affecting REITs. There is no assurance that the MAS or any other relevant authority will not introduce new legislation, regulations, guidelines or directions which would adversely affect REITs generally, or Saizen REIT specifically.

***There is no guarantee that Saizen REIT will invest in Kaminobori-cho Mansion.***

One of the Initial Properties, Kaminobori-cho Mansion is currently under development, and is expected to be completed in or around the second quarter of 2008. Kaminobori-cho Mansion has an NLA of 1,682 sq m and an appraised value of ¥800.0 million (\$\$10.5 million). Under the TK Interest Transfer Agreements, Saizen REIT has acquired the Vendor TK Interest under the Vendor TK Agreement entered into between the relevant Vendor and the relevant Initial TK Operator, which has entered into a conditional sale and purchase agreement with an independent third party vendor for the acquisition of Kaminobori-cho Mansion. There is no guarantee that Kaminobori-cho Mansion will be completed as scheduled, or at all. Should Kaminobori-cho Mansion's completion be delayed, income derived by the relevant TK Operator from Kaminobori-cho Mansion would be adversely affected. Furthermore, if Kaminobori-cho Mansion is not completed at all, the relevant Initial TK Operator will rescind the sale and purchase agreement, and will return Saizen REIT's capital contribution in respect of Kaminobori-cho Mansion. In such a situation, Saizen REIT's portfolio will comprise only 147 Initial Properties.

The non-inclusion of Kaminobori-cho Mansion in Saizen REIT's portfolio would affect the amount of income received at the TK operator level, and this would correspondingly affect Saizen REIT's distributions to Unitholders.

***The profit forecast and profit projection for Forecast Period 2008 and Projection Year 2009 respectively may differ from the actual results of Saizen REIT, as they are based on a number of assumptions, including the assumption that the Additional TK Operator will complete the acquisition of all 15 Additional Properties within five months from the Listing Date, and there is no guarantee that all or any of these assumptions will be realised.***

This Prospectus contains forward-looking statements regarding, among other things, forecast and projected distribution levels for Forecast Period 2008 and Projection Year 2009. These forward-looking statements are based on a number of assumptions which are subject to significant uncertainties and contingencies, many of which are outside of Saizen REIT's control. (See "Profit Forecast and Profit Projection".) No assurance can be given that the assumptions will be realised and the actual distributions will be as forecasted and projected.

In particular, the forecast and projection are based on the assumption that the Additional TK Operator will complete the acquisition of all 15 Additional Properties within five months from the Listing Date. The Additional TK Operator has entered into conditional sale and purchase agreements to acquire the Additional Properties from

independent third party vendors, and expects to complete the acquisition of all 15 Additional Properties within five months from the Listing Date. However, the Additional TK Operator's completion of the acquisition of each Additional Property is subject to obtaining satisfactory financing and results of due diligence. In the event that the results of the valuations or due diligence investigations for all or any of the Additional Properties are unsatisfactory, the Additional TK Operator may not complete the acquisition for all or any of the Additional Properties. There is no guarantee that the Additional TK Operator will complete the acquisition of all or any of the Additional Properties and no guarantee that Saizen REIT will invest in all or any of the Additional Properties. Therefore, the actual results of Saizen REIT may differ from the Forecast and the Projection.

Moreover, Saizen REIT's revenue is dependent on a number of factors, including the receipt of distributions, directly or indirectly, from the Saizen TK Operators, and the Saizen TK Operators' receipt of rent from the Properties. Such rent and distributions may decrease for a number of reasons, including the lowering of occupancy and rental rates, insolvency or delay in rent payment by tenants, which may adversely affect Saizen REIT's ability to achieve the forecast and projected distributions as some or all events and circumstances assumed may not occur as expected, or events and circumstances may arise which are not currently anticipated.

***As the Manager intends to distribute to Unitholders a one-time Special Dividend in Forecast Period 2008, the forecast distribution yield for Forecast Period 2008 is higher than the natural distribution yield for Forecast Period 2008 derived from the Properties, and may not reflect the recurring distribution yield derived from the Properties in the future.***

The Manager intends to distribute to Unitholders a one-time Special Dividend derived from cash generated and accumulated in the Initial TK Operators prior to the Listing Date, notwithstanding that such income would have accrued prior to the listing of Saizen REIT on the Main Board of the SGX-ST. Assuming the distribution of this Special Dividend, the forecast distribution yield of Saizen REIT for Forecast Period 2008 is higher than the natural distribution yield for Forecast Period 2008 derived from the Properties, and may not reflect the recurring distribution yield derived from the Properties in the future. (See "Profit Forecast and Profit Projection—Forecast and Projected Distributions" for the effect of the Special Dividend on the distribution yield of Saizen REIT for Forecast Period 2008.)

### **Risks relating to the Properties**

***Saizen REIT faces risks arising from the use of Japanese standard lease agreements.***

In line with the general practice in the Japan residential property market, the majority of the leases for the Properties are standard two-year leases which the tenants may terminate upon giving one to two months' notice. As a result, the Properties may experience continuous lease expiries and lease terminations each year. This exposes Saizen REIT to certain risks, including the risk that vacancies following the non-renewal of leases may lead to reduced occupancy rates, which will in turn have an adverse impact on the results of operations of Saizen REIT and its ability to make distributions.

In addition, the leases are statutorily extended automatically on the same terms and conditions upon expiry, and the Saizen TK Operators are required to obtain the tenants' consent before terminating the leases. Under the Land and Building Lease Law, the Saizen TK Operators may only unilaterally terminate the leases if such termination can be justified. The existence of "justifiable grounds" is determined by considering a combination of factors relating to the specific characteristics of each lease and its history, on a case-by-case basis. As a result, in the event that the tenant does not agree to an increase in rent or other revisions in the terms and conditions of the lease, the Saizen TK Operator is unable to terminate the lease unilaterally and the lease will have to continue based on the existing terms and conditions unless the Saizen TK Operator has justifiable grounds for terminating the lease. In the event that the amount of rent becomes unreasonable in view of the surrounding circumstances, the Saizen TK Operators or the tenants may request the Japanese courts to adjust the rent. This adjustment of rent does not provide a right to terminate the lease. Such an arrangement restricts the ability of the Saizen TK Operator to amend the terms of the lease or terminate the lease in the event an agreement is not reached. The additional costs would affect the amount of income available to Saizen REIT for distribution to Unitholders.

***The market values of the Properties may differ from the appraised values determined by the Independent Valuers.***

The valuations were generally conducted using the income approach (which includes the direct capitalisation method of valuation and discounted cash flow method of valuation). Property valuations may include a subjective determination of certain factors relating to the relevant properties, such as their relative market positions, their financial and competitive strengths and their physical conditions. The market values of the Properties may therefore differ from the values of the Properties as determined by the Independent Valuers.

The values of the Properties (as determined by the Independent Valuers) are not an indication of, and do not guarantee, a sale price at that value at present or in the future. The price at which Saizen REIT may sell a property may be lower than its value as determined by the Independent Valuers.

***Certain conversions and expansions of parts of some of the Properties have not received necessary approvals by Japanese authorities.***

Certain conversions and expansions of parts of some of the Properties have not received necessary approvals by Japanese authorities. Under the Building Standards Law, such unauthorised conversion or expansion of parts of the relevant Properties constitutes a breach which may require rectification by the relevant Saizen TK Operator or subject the relevant Saizen TK Operator to a fine. While the Japanese authorities have not taken any action against the Saizen TK Operators for any breaches, there can be no assurance that action will not be taken against them in the future.

***The inspections carried out during valuation of the buildings and equipment as well as the due diligence carried out by the Manager, may not have identified all material defects, breaches of laws and regulations and other deficiencies.***

The Independent Valuers conducted standard site inspections on the Properties as part of the valuation exercise. Independent engineers were also commissioned to conduct structural inspections of the Properties.

The Manager's due diligence investigations have revealed the existence of certain breaches of Japanese building regulations, which have been disclosed in this Prospectus. While the Manager believes that it has conducted reasonable due diligence investigations with respect to the Properties prior to making an investment in them, there can be no assurance that the Properties will not have defects or deficiencies requiring repair or maintenance, thereby incurring significant capital expenditures, payments or other obligations to third parties, other than those disclosed in this Prospectus. In particular, there can be no assurance as to the absence of (i) latent or undiscovered defects or deficiencies, or (ii) inaccuracies and deficiencies, such as certain building defects or deficiencies inherent in the scope of the inspections, the technologies or techniques used and other factors. Moreover, some of the Properties may be in breach of laws and regulations, which the Manager's due diligence investigations did not uncover.

Under the Civil Code of Japan, in the absence of negligence by the tenants in possession of the Properties, the Saizen TK Operators, as owners of the Properties, are strictly liable should defects in the Properties result in the death of or bodily injury to a person, or property damage. As a result, the Saizen TK Operators may incur additional financial or other obligations in relation to such defects or deficiencies, which will affect the income distributable to Saizen REIT. The representations, warranties and indemnities made in favour of the Saizen TK Operator by the vendors of the Properties are subject to limitations as to their scope and as to the amount and timing of claims which can be made thereunder. (See "Certain Agreements Relating to Saizen REIT and the Properties".) There can be no assurance that the Saizen TK Operators will be entitled to be reimbursed under such representations, warranties and indemnities for all losses or liabilities suffered or incurred by it as a result of its acquisition of the Properties.

***Due to difficulties faced when obtaining boundary confirmations for Japanese properties, boundary confirmations have not been obtained from all neighbours in relation to certain Properties.***

Due to the difficulties faced when obtaining boundary confirmations for Japanese properties, a certain number of the Properties have been, and future properties may be, acquired by Saizen REIT without obtaining boundary confirmations from title holders of adjoining land, or without physically inspecting boundaries. Boundary disputes may cause difficulties in future dispositions of the land or unexpected costs or losses including, but not limited to, the loss of part of the area of the land or liability for damages arising in relation to such Properties or future acquisitions. If there is an encroachment on land, such encroachment may restrict the use of the land or lead to claims from neighbours and may adversely affect rental income and cause additional expense in the removal of the encroachment. These risks may have an adverse effect on Saizen REIT's distributions to Unitholders.

***Saizen REIT's ability to make distributions to the Unitholders may be adversely affected by increases in direct expenses and other operating expenses.***

Saizen REIT's ability to make distributions to the Unitholders could be adversely affected if direct expenses and other operating expenses increase without a corresponding increase in revenue.

Factors which could increase direct expenses and other operating expenses include any:

- increase in property tax assessments and other statutory charges;
- change in statutory laws, regulations or government policies which increase the cost of compliance with such laws, regulations or policies;
- increase in sub-contracted service costs;
- increase in labour costs;
- increase in repair and maintenance costs;
- increase in the rate of inflation;
- increase in insurance premiums; and
- increase in cost of utilities.

***The Properties may face increased competition from future residential developments in Japan.***

The residential property industry is competitive and may become increasingly so. Each of the Properties is located in an area that has other competing residential properties and may also compete with residential properties in Japan that may be developed in the future. (See “Business and Properties—Competition”.) The income from, and market value of, the Properties will be largely dependent on the ability of the Properties to compete against other residential properties in Japan in attracting and retaining tenants. An increase in the number of competitive residential properties in Japan, particularly in the areas where the Properties are located, could have a material adverse effect on the revenue of the Properties, as such increased competition may result in decreased occupancy rates and reduced rental rates for the Properties.

***Amenities and transportation infrastructure near the Properties may be closed or relocated.***

The Properties are located in close proximity to amenities and transportation infrastructure such as train stations, bus interchanges and shuttle services, which provide convenient access to the Properties. This has increased the demand for the Properties, their market value and their ability to attract high rental rates. There is no assurance that the amenities, transportation infrastructure and shuttle services will not be closed, relocated or terminated in the future. Such closure, relocation or termination may adversely affect the accessibility of the Properties which will reduce the demand for the Properties and decrease their market value and ability to attract high rental rates. This adverse effect on the demand, market value and the rental rates for the Properties may adversely affect Saizen REIT’s distributions to Unitholders.

***Renovation works or physical damage to the Properties may disrupt the operations of the Properties and collection of rental income or otherwise result in an adverse impact on the financial condition of Saizen REIT.***

The quality and design of the Properties have a direct influence over the demand for, and the rental rates of, the Properties, as well as their ability to continue attracting high rental rates. The Properties may need to undergo renovation works from time to time to retain their attractiveness to tenants and may also require unforeseen ad hoc maintenance or repairs in respect of faults or problems that may develop over structural defects or other parts of buildings or because of new planning laws or regulations. The costs of maintaining a residential property and the risk of unforeseen maintenance or repair requirements tend to increase over time as the building ages. The operations of the Properties may suffer some disruption and it may not be possible to collect the full rate of, or, as the case may be, any rental income on any residential space affected by such renovation works.

In addition, physical damage to the Properties resulting from fire or other causes may lead to a significant disruption to the operations of the Properties and, together with the foregoing, may result in an adverse impact on the financial condition and results of operations of Saizen REIT and its ability to make distributions.

***The tenants of the Properties are granted a right under the Land and Building Lease Law (Shakuchi-shakuya-hou) and the Building Lease Law (Shakuya-hou) to unilaterally reduce the rent.***

Under the Land and Building Lease Law and the Building Lease Law, the tenants are granted a statutory right to require the Saizen TK Operator to reduce the rent payable, as long as they are able to justify the exercise of their right on the grounds of unreasonable rental rates, whether (i) resulting from a change in the applicable tax rates, costs, the value of the building or land, or economic conditions, or (ii) in comparison with rental rates in other comparable buildings in the vicinity. This would affect the income of the Saizen TK Operator available for distribution to Saizen REIT, and correspondingly affect Saizen REIT’s distributions to Unitholders.



***The Properties, the underlying land, or parts thereof may be acquired compulsorily by the Japanese government.***

The Japanese government has the power to compulsorily acquire any land in Japan for public interest pursuant to the provisions of applicable legislation. In the event that any property or the underlying land is compulsorily acquired in Japan, the amount of compensation to be awarded is assessed on the basis prescribed in the relevant laws and regulations. If any of the Properties, the underlying land, or parts thereof were acquired compulsorily by the Japanese government, the level of compensation paid to the Saizen TK Operators pursuant to this basis of calculation may be less than the amount which Saizen REIT has invested for such Properties.

***The Properties are subject to Japanese environmental regulations, which may result in the Saizen TK Operators incurring various costs and liabilities.***

The Properties are subject to various Japanese environmental laws, including those relating to health and hygiene, air pollution control, water pollution control, waste disposal, noise pollution control, soil contamination and the storage of dangerous goods. Under these laws, an owner or operator of real property may be subject to liability, including a fine or imprisonment, for violations of any of the above environmental concerns. In addition, the Saizen TK Operators may be required to make capital expenditures to comply with these environmental laws. The presence of contamination, air pollution, noise pollution or dangerous goods without a valid licence, or the failure to remediate contamination, air pollution, noise pollution or dangerous goods may expose the Saizen TK Operators to liability or materially adversely affect the ability of the Saizen TK Operators to sell or lease the real property or to borrow using the real property as collateral.

***The Properties may be affected by the introduction of new laws and changes in the laws and regulations in Japan.***

Properties that have been in compliance with applicable laws and regulations at the time of their completion might no longer comply with such laws and regulations should these laws and regulations be amended. Such Properties are often protected under Japanese grandfathering rules (*kison futekikaku*), subject to the Properties fulfilling certain conditions imposed under such grandfathering rules, for example, the maintenance of the existing building-to-land ratio, floor space, building height and installations of the building. Such restrictions would affect the Properties' ability to undergo renovation or redevelopment. Also, should the Properties fail to comply with the conditions imposed by the grandfathering rules, additional costs might need to be incurred in order to renovate or reconstruct the building in compliance with the amended laws and regulations.

***The lands on which some of the Properties are situated are jointly owned by the Saizen TK Operators and their neighbours.***

As the land on which some of the Properties are situated is jointly owned by the Saizen TK Operators and their neighbours, the Saizen TK Operators may be required to obtain the consent of the neighbours before they are able to carry out improvements to the land or any form of material development. This may affect the Saizen TK Operators' ability to carry out asset enhancements on the Properties.

***The Properties may be affected by the discovery of cultural artifacts on the land where the Properties are situated.***

Under Japanese law, should cultural artifacts be discovered on the land where the Properties are situated, the relevant authorities are empowered to order a halt on all ongoing development activities in order to analyse and remove the artifacts, or cease the development altogether. This may cause delays and affect development work undertaken by the Saizen TK Operators.

#### **Risks relating to investing in real estate**

***The Gross Revenue earned from, and the value of, the Properties may be adversely affected by a number of factors.***

The Gross Revenue earned from, and the value of, the Properties may be adversely affected by a number of factors, including:

- a deterioration in the quality of the Properties or their locations may affect demand for the Properties, leading to reduced occupancy and rental rates;
- the property manager's ability to collect rent from tenants on a timely basis or at all;

- tenants seeking the protection of bankruptcy laws which could result in delays in receiving rent payments, inability to collect rent at all, delays in the termination of the tenant's lease, or hinderance or delay in the sale of a Property or the re-letting of the Property in question;
- the amount of rent payable by tenants and the terms on which lease renewals and new leases are agreed are less favourable than current leases;
- a general downturn of the economy affecting occupancy and rental rates;
- the national and international property market conditions (such as oversupply of, or reduced demand for, residential space, the release of land for residential development, changes in market rental rates and changes in operating expenses for the Properties);
- the Asset Manager's ability to procure adequate management and maintenance or purchase adequate insurance; and
- competition for tenants from other similar properties which may affect rental levels or occupancy levels at the Properties.

***The Manager may be adversely affected by the illiquidity of property investments.***

Saizen REIT invests primarily in real property, which entails a higher level of risk than a portfolio which has a diverse range of investments. Property investments in which Saizen REIT intends to invest through Saizen TK Agreements are generally relatively illiquid. Such illiquidity may affect Saizen REIT's ability to vary its investment portfolio or liquidate part of its assets in response to changes in economic, property market or other conditions. This could have an adverse effect on Saizen REIT's business and financial conditions and results of operations, with a consequential adverse effect on Saizen REIT's ability to make expected distributions to the Unitholders.

***The Manager may suffer material losses in excess of insurance proceeds.***

The Properties could suffer physical damage caused by fire, earthquakes or other causes and the Trustee may suffer public liability claims, resulting in losses (including loss of rent) which may not be fully compensated by insurance proceeds. In addition, certain types of risks (such as war risk, risks of acts of terrorism, risk of nuclear contamination and risks of earthquakes) may be uninsurable or the cost of insurance may be prohibitive when compared to the risk. Consistent with industry practice in Japan for residential investment properties, earthquake insurance will not generally be maintained on the Properties. Even if obtained, earthquake insurance in Japan in many cases does not cover the whole damage incurred.

Should an uninsured loss or a loss in excess of insured limits occur, the Saizen TK Operators could be required to pay compensation and/or lose the capital invested in the affected Property as well as anticipated future Gross Revenue from the Property. Nonetheless, the Saizen TK Operators would remain liable for any debt or other financial obligation, such as committed capital expenditure, relating to that Property. It is also possible that third-party insurance carriers will not be able to maintain reinsurance sufficient to cover any losses that may be incurred. Any material uninsured loss could materially adversely affect Saizen REIT's business, financial condition and results of operations.

In respect of insured losses, the Saizen TK Operators will have to renew the policies from time to time and negotiate acceptable terms for coverage, exposing them to the volatility of the insurance markets, including the possibility of rate increases. The Manager will regularly monitor the state of the insurance market, but it cannot anticipate what coverage will be available on commercially reasonable terms in future policy years. Any material increase in insurance rates or decrease in available coverage in the future could adversely affect Saizen REIT's business, financial condition and results of operations.

**Risks relating to Japan**

***The Properties are all located in Japan, which exposes Saizen REIT to economic and property market conditions (including increased competition in the residential property market) in Japan as a whole, as well as to any economic measures which might be implemented by the Japanese government to prevent overheating of the Japan property market.***

The Properties are all situated in Japan, which exposes Saizen REIT to the risk of a downturn in economic and property market conditions in Japan as a whole. The value of the Properties may be adversely affected by local property market conditions, such as oversupply, the performance of other competing residential properties or reduced demand for residential space. As a result, Saizen REIT's Gross Revenue and results of operations depend, to a large extent, on the performance of Japan's economy. An economic downturn in Japan could

adversely affect Saizen REIT's business and financial conditions, results of operations and future growth. Conversely, any measures which might be introduced by the Japanese government to prevent overheating of the Japanese property market could also significantly depress the property market and consequently, affect Saizen REIT in the manner aforesaid.

There are also residential properties in Japan that may compete with the Properties in attracting tenants and cause downward pressure on rental rates. (See "Business and Properties—Competition".) If after the Offering, competing properties of a similar type are built in the areas where the Properties are located or similar properties in their vicinities are substantially upgraded and refurbished, the Rental Income from the Properties could be reduced, thereby adversely affecting Saizen REIT's cash flow and the amount of funds available for distribution to the Unitholders.

***The Properties may violate earthquake resistance building codes, requiring expenditure by Saizen REIT to rectify the non-compliance or repair extensive damage caused during an earthquake.***

In November 2005, a Japanese architect admitted to falsifying structural strength calculations when checking the architectural plans of buildings for compliance with earthquake resistance building codes. More recently, in January 2007, it was discovered that two hotels did not comply with the earthquake resistance building codes as a Japanese architect had falsified structural strength calculations.

There can be no assurance that any of the Properties will not subsequently be discovered to have also been built in violation of earthquake resistance building codes. The Saizen TK Operators may be required to spend large sums of money and dedicate significant resources to strengthen the affected Properties. Furthermore, these non-compliant Properties may collapse or suffer extensive damage even in a minor earthquake. Should any of the Properties be heavily damaged or endanger lives during an earthquake, the Saizen TK Operators may be required to compensate victims, incur huge costs to repair the Property, and suffer a loss of rental revenues. These losses and expenditures may exceed any indemnity, damages awarded or insurance proceeds paid to Saizen REIT. This could adversely affect Saizen REIT's financial condition and ability to make distributions.

***Saizen REIT faces risks associated with the insolvency of vendors of properties.***

Property acquisitions by the Saizen TK Operators are subject to insolvency laws in Japan, and are thus subject to the risk of insolvency of the vendors of these properties. Where a vendor is insolvent when the transaction is entered into or becomes insolvent as a result of the sale of the property to the Saizen TK Operators, the transaction may be declared void and the property returned to the vendor. Expenses may be incurred as a result of the rescission, and the Saizen TK Operators may encounter difficulties in recovering the purchase consideration from insolvent vendors. The losses and expenses incurred by the TK Operators will adversely affect the profits allocated by the Saizen TK Operators to Saizen REIT.

***Japan has experienced a number of major natural catastrophes over the years, most notably earthquakes which, were they to recur, may materially disrupt and adversely affect the business and operations of the Properties.***

Severe weather conditions and natural disasters such as earthquakes may affect the operations of the Properties. These events may cause substantial structural and physical damage to the Properties, resulting in the incurrence of expenses in order to repair the damage caused.

Furthermore, such environmental conditions may result in a decreased demand for the Properties, in particular those Properties located in regions prone to such environmental conditions. This affects the market value of those Properties, as well as their ability to attract high rental rates.

The environmental conditions may also cause disruptions, affect investments and result in various other adverse effects on the Japanese economy in general. This may lead to a decreased demand for the Properties, and the market value and ability of the Properties to attract high rental rates may also be adversely and materially affected. This could materially and adversely affect the business and financial conditions and the results of operations of Saizen REIT.

***Decreases in the value of the Yen could adversely affect the value of distributions paid in respect of the Units in Singapore dollars.***

Any significant fluctuation in the exchange rates between the Yen and the Singapore dollar may have an adverse impact on Saizen REIT's results of operations and may adversely affect the value of Saizen REIT's turnover and net income, when translated or converted into Singapore dollars.

***Epidemic diseases in Asia and elsewhere may adversely affect Saizen REIT's operations.***

Several countries in Asia have suffered from outbreaks of communicable diseases like severe acute respiratory syndrome (“SARS”) and avian flu. A new and prolonged outbreak of such diseases may have a material adverse effect on Saizen REIT’s business and financial conditions and results of operations. Although the long-term effect of such diseases cannot currently be predicted, previous occurrences of SARS and avian flu had an adverse effect on the economies of those countries in which they were most prevalent.

An outbreak of a communicable disease like SARS in Japan or in the particular region in which a residential property of Saizen REIT is located may affect Saizen REIT in a number of ways, including, but not limited to a reduced demand for the Properties in the affected regions, lower rental rates, and increased costs of cleaning and maintaining the lifts, corridors and other facilities in the Properties. The impact of these factors on the operations of the Properties could materially and adversely affect the business and financial conditions and the results of operations of Saizen REIT.

***Delay by Japan tax authorities in assessing taxes could affect the amount of distributions.***

In the event Saizen REIT is unable to obtain a tax audit clearance by the Japan tax authorities in a timely manner, Saizen REIT’s ability to make distributions to the Unitholders will be adversely affected and Saizen REIT may be required to use loan facilities to satisfy the payment of distributions to the Unitholders. If Saizen REIT is unable to obtain financing on terms that are acceptable or Saizen REIT has reached its aggregate leverage limit imposed by the Property Funds Guidelines, the amount of distributions could be adversely affected.

***Risks relating to an investment in the Units***

***The market price of the Units may be adversely affected by the sale or possible sale of a substantial number of Consideration Units by the Vendors or their shareholders in the public market, or by a secondary offering of the Units.***

The Units will be traded on the Main Board of the SGX-ST. Upon completion of the Offering and the issue of the Consideration Units, the Vendors will hold an aggregate of 223,749,000 Units in total, which will amount to 49.7% of the Units in issue (assuming that the Over-allotment Option is exercised in full). (See “Ownership of Units”.) The Vendors have each agreed to the Lock-up Restrictions during the Lock-up Periods in respect of the Consideration Units. (See “Plan of Distribution—Lock-up Arrangements”.)

Following the release of the Consideration Units pursuant to each of the First, Second and Third Lock-up Releases, the Vendors may sell, or may be perceived to be intending to sell, a substantial number of Consideration Units in the public market. The Vendors may also distribute the Consideration Units to their respective shareholders, who may in turn sell, or may be perceived to be intending to sell, a substantial number of Consideration Units in the public market. The sale or perceived sale of a substantial number of Consideration Units by the Vendors or their shareholders may adversely affect the market price of the Units.

In addition, if a secondary offering of the Units is undertaken, the market price for the Units could also be adversely affected.

***Distribution of at least 90.0% of its Distributable Income may cause Saizen REIT to face liquidity constraints.***

The Manager and the Trustee will distribute at least 90.0% of Saizen REIT’s Distributable Income in each financial year. If Saizen REIT’s cash flow from operations cannot be repatriated back to Singapore to meet its distribution obligations, it may have to borrow in order to distribute at least 90.0% of its Distributable Income, since it may not have any reserves to draw on. Saizen REIT’s ability to borrow is, however, limited by the Property Funds Guidelines.

***Saizen REIT may be unable to comply with the conditions for the Tax Rulings, or the Tax Rulings may be revoked or amended.***

On 28 June 2007, Saizen REIT obtained an approval (the “First Tax Ruling”) from the Inland Revenue Authority of Singapore (“IRAS”) that the *tokumei kumiai* distributions (“TK distributions”) received by Saizen REIT from the Saizen TK Operators that are paid out of the underlying rental income derived from the Properties will be exempted from tax under Section 13(12) of the Income Tax Act, Chapter 134 of Singapore (“Income Tax Act”).

Additionally, on 10 July 2007, Saizen REIT received an advance ruling from the IRAS confirming that the distributions made by the Trustee out of the above tax exempt income will not be taxable in the hands of Unitholders (the “**Advance Tax Ruling**”, and together with the First Tax Ruling, the “**Tax Rulings**”).

The Tax Rulings are subject to Saizen REIT satisfying the stipulated conditions. (See Appendix E, “Independent Singapore Taxation Report”.) Where these conditions are not satisfied, or are no longer satisfied by Saizen REIT due to a review and amendment of the conditions stipulated by the IRAS, the Tax Rulings may no longer apply.

The Tax Rulings were granted based on the facts presented to the IRAS, as well as the IRAS’s current interpretation of the existing tax laws. Where there is a subsequent change in the tax laws, or a change in the interpretation by the IRAS of the tax laws that affect the Tax Rulings, the Tax Rulings may no longer apply.

The Tax Rulings may also be amended to the extent that it may no longer apply to Saizen REIT, or may be revoked by the IRAS at any time.

***Property yield on real estate held or to be held by Saizen REIT is not equivalent to yield on the Units.***

Generally speaking, property yield on any real estate held or to be held by Saizen REIT depends on the amount of Net Property Income and is calculated as the amount of revenue generated by the properties concerned, less the expenses incurred in owning, operating, managing and leasing the properties compared against the current value of the properties. Yield on the Units, however, depends on the distributions payable on the Units as compared with the subscription price of the Units. While there may be some correlation between these two yields, they are not the same and will vary accordingly for investors who purchase Units in the secondary market at a market price that differs from the Offering Price.

***Accounting standards in Singapore and Japan are subject to change.***

The financial statements of Saizen REIT may be affected by the introduction of new accounting standards in Singapore and Japan. The extent and timing of any changes in accounting standards are currently unknown and cannot be predicted. The Manager is unable to quantify the effects of such possible changes and there can be no assurance that any such changes will not have a significant impact on the presentation of Saizen REIT’s financial statements or on Saizen REIT’s financial condition and results of operations. In addition, any such changes may adversely affect the ability of Saizen REIT to make distributions to Unitholders.

***Market and economic conditions may affect the market price and demand for the Units.***

Movements in the Singapore and international capital markets, economic conditions, foreign exchange rates and interest rates may affect the market price and demand for the Units. In particular, an increase in market interest rates may have an adverse impact on the market price of the Units if the annual yield on the price paid for the Units offers investors a lower return than other similar investments.

***Foreign Unitholders may not be permitted to participate in future rights issues by Saizen REIT.***

The Trust Deed provides that, in relation to any rights issue, the Manager may, in its absolute discretion, elect not to extend an offer of Units under a rights issue to those Unitholders whose addresses, as registered with CDP, are outside Singapore. The rights or entitlements to the Units which such Unitholders would otherwise have been entitled to may be offered for sale and sold in such manner, at such price and on such other terms and conditions as are approved by the Trustee under the Trust Deed. The proceeds of any such sale (if successful) will be paid to the Unitholders whose rights or entitlements have been so sold.

***The Manager is not obliged to redeem Units.***

The Manager has no obligation to redeem the Units at the request of the Unitholders while the Units are listed on the SGX-ST. It is intended that the Unitholders may only deal in their listed Units through trading on the SGX-ST.

***The Units have never been publicly traded and the Offering may not result in an active or liquid market for the Units.***

Prior to the Offering, there has been no public market for the Units and an active public market for the Units may not develop or be sustained after the Offering. The Manager has received in-principle approval from the



SGX-ST to have the Units listed and quoted on the SGX-ST. Listing and quotation does not, however, guarantee that a trading market for the Units will develop or, if a market does develop, the liquidity of the Units. Prospective Unitholders must be prepared to view the Units as illiquid and must also be prepared to hold their Units for an indefinite length of time. It is also unknown whether an active market for REITs which invest in Japanese regional residential assets will develop in Singapore.

Although it is currently intended that the Units will remain listed on the SGX-ST, there is no guarantee of the continued listing of the Units. Saizen REIT may not continue to satisfy the SGX-ST's listing requirements for REITs.

***Exchange rate fluctuations may adversely affect the value of the Units and any distributions payable to the Unitholders.***

The Units will be quoted in Singapore dollars on the SGX-ST and distributions in respect of the Units will be paid in Singapore dollars. The value of the distributions received by a Unitholder may be adversely affected by fluctuations in the exchange rates between the Yen and the Singapore dollar. Fluctuations in the exchange rates between the Yen and the Singapore dollar will also, among others, affect the foreign currency value of the proceeds which a Unitholder would receive upon sale of the Units in Singapore. (See "Distributions" and "Exchange Rates".)

***The NAV of the Units may be diluted if further issues are priced below the current NAV.***

The Trust Deed contemplates that new issues of Units may occur and the subscription price for these Units may be above, at or below the then prevailing NAV of Saizen REIT. Where new Units, including Units issued to the Manager in part payment of its management fee, are issued at less than the NAV per Unit, the NAV of each existing Unit may be diluted.

***Certain provisions of the Singapore Code on Take-overs and Mergers could have the effect of discouraging, delaying or preventing a merger or acquisition, which could adversely affect the market price of the Units.***

The MAS announced on 8 June 2007 the decision of the Securities Industry Council to extend the ambit of the Singapore Code on Take-overs and Mergers (the "**Take-over Code**") to REITs. While the MAS will amend the SFA and the Take-over Code, where necessary, to give effect to the extension of the Take-over Code to REITs in due course, the Securities Industry Council has recommended that parties engaged in take-over or merger transactions involving REITs comply with the Take-over Code prior to such amendments.

The Take-over Code contains provisions that may delay, deter or prevent a future take-over or change in control of Saizen REIT. Under the Take-over Code, any person acquiring an interest, either individually or with parties acting in concert, in 30.0% or more of the Units (being voting units in Saizen REIT) may be required to extend a take-over offer for the remaining Units in accordance with the Take-over Code. A take-over offer is also required to be made if a person holding between 30.0% and 50.0% inclusive of the Units, either individually or in concert, acquires an additional 1.0% of the Units in any six-month period under the Take-over Code. While the application of the Take-over Code is intended to ensure equality of treatment among Unitholders, its provisions may discourage or prevent certain types of transactions involving an actual or threatened change of control of Saizen REIT and, as a result, may adversely affect the market price of the Units and the ability to realise any potential change of control premium.

***The price of the Units may decline after the Offering.***

The Offering Price of the Units has been determined by agreement between the Manager and the Underwriters via a book-building process, and may not be indicative of the market price for the Units after the completion of the Offering. The price of the Units after the Offering may trade at prices significantly below the Offering Price. The price of the Units will depend on many factors, including:

- the perceived prospects of Saizen REIT's business and investments and the Japan residential property market;
- differences between Saizen REIT's actual financial and operating results and those expected by investors and analysts;
- changes in analysts' recommendations or projections;
- changes in general economic or market conditions;

- the market value of Saizen REIT's assets;
- the perceived attractiveness of the Units compared to other securities, including those not relating to the property sector;
- the ratio of buyers and sellers of the Units;
- the future size and liquidity of the Singapore REIT market;
- any future changes to the regulatory system, including the tax system, both generally and specifically in relation to Singapore REITs;
- any inability on Saizen REIT's part to implement successfully its investment and growth strategies;
- foreign exchange rates; and
- broad market fluctuations, including weakness of the equity market and increases in interest rates.

For these reasons, among others, Units may trade at prices that are higher or lower than the NAV per Unit. To the extent that Saizen REIT retains operating cash flow for investment purposes, working capital reserves or other purposes, these retained funds, while increasing the value of its underlying assets, may not correspondingly increase the market price of the Units. Any failure on Saizen REIT's part to meet market expectations with regard to future earnings and cash distributions may adversely affect the market price for the Units.

In addition, the Units are not capital-safe products and there is no guarantee that Unitholders can regain the amount invested. If Saizen REIT is terminated or liquidated, it is possible that investors may lose all or a part of their investment in the Units.

***Corporate disclosure, accounting and governance standards in Singapore may differ from those in other countries.***

There may be less publicly available information about Singapore REITs and public companies, such as Saizen REIT and the Manager, respectively, than is regularly made available by REITs or public companies in other jurisdictions. In addition, Saizen REIT's financial information reported in the future will be prepared in accordance with the Statement of Recommended Accounting Practice 7 "*Reporting Framework for Unit Trust*" issued by the Institute of Certified Public Accountants of Singapore, which differs in certain respects from generally accepted accounting principles in other jurisdictions. Also, corporate governance standards in Singapore may differ from those in other jurisdictions which investors outside Singapore may be familiar with.

***Unitholders may bear the effects of tax adjustments on income distributed in prior periods.***

Distributions out of tax-exempt income will be based on the amount of tax-exempt income that Saizen REIT expects to receive from the Saizen TK Operators. In the event that the actual amount of tax-exempt income received by Saizen REIT is lower than the amount that it has expected to receive, the difference will be deducted from the amount of tax-exempt income available for subsequent distribution to the Unitholders. Similarly, if Saizen REIT distributes gains realised from the divestment of any TK interests and such gains are subsequently assessed to tax as trading gains by the IRAS, the Unitholders in subsequent distribution periods will bear the incidence of such taxes. (See "Distributions".)

Distributions out of taxable income will be based on Saizen REIT's taxable income as computed by the Manager. The actual taxable income distributed may, however, vary from the taxable income as computed by the Manager, due to adjustments by the IRAS. In the event that the actual taxable income is lower than the taxable income as computed by the Manager, the difference will be subtracted from subsequent distributions of taxable income to the Unitholders.

If Saizen REIT distributes gains realised from the divestment of properties or TK interests, and if such gains are subsequently assessed to tax by the IRAS, the taxes will be borne by Unitholders in subsequent distribution periods. The Trustee and the Manager will make distributions out of such gains only after the taxability or otherwise of such gains has been agreed upon with the IRAS.

## USE OF PROCEEDS

The Manager intends to raise an aggregate of S\$196.7 million from the Offering.

The Manager intends to apply the total proceeds from the Offering towards the following:

- (i) repayment of existing borrowings by the Initial TK Operators;
- (ii) issue costs of the Offering and the Consideration Units;
- (iii) partially fund the acquisition of the Additional Properties; and
- (iv) the remainder to be used as working capital and cash reserves.

The following tables, included for the purpose of illustration, sets out the intended source and application of the total proceeds from the Offering.

Based on the Offering Price:

<u>Source</u>	<u>(S\$'000)</u>	<u>Application</u>	<u>(S\$'000)</u>
Units under the Offering . . . . .	196,740	Repayment of existing borrowings by the Initial TK Operators . . . . .	151,985 <sup>(1)</sup>
		Issue costs . . . . .	19,496
		Partially fund the acquisition of the Additional Properties . . . . .	15,259
		Working capital and cash reserves . . . . .	10,000
<b>Total . . . . .</b>	<b><u>196,740</u></b>	<b>Total . . . . .</b>	<b><u>196,740</u></b>

Note:

(1) Based on the exchange rate of S\$1.00 = ¥76.06.

## OWNERSHIP OF UNITS

### Principal Unitholders of Saizen REIT and their Unitholdings

The following table sets out the principal Unitholders of Saizen REIT and their unitholdings immediately after the Offering and the issuance of the Consideration Units:

	Units owned after Offering (assuming that the Over- allotment Option is not exercised)		Units owned after Offering (assuming that the Over- allotment Option is exercised in full)	
	('000)	(%)	('000)	(%)
<b>The Vendors</b>				
Central-Top <sup>(1)</sup>	53,192	11.8	46,993	10.4
JHYP	160,838	35.8	142,097	31.6
JHYP II <sup>(2)</sup>	39,230	8.7	34,659	7.7
<b>Total for the Vendors</b>	<b>253,260</b>	<b>56.3</b>	<b>223,749</b>	<b>49.7</b>
<b>Public and institutional investors</b>	<b>196,740</b>	<b>43.7</b>	<b>226,251</b>	<b>50.3</b>
<b>Total</b>	<b>450,000</b>	<b>100.0</b>	<b>450,000</b>	<b>100.0</b>

Notes:

- (1) Central-Top is a company incorporated in the British Virgin Islands and is a wholly-owned subsidiary of JOF. Both ASM Asia Recovery (Master) Fund ("ASM") and ASM Hudson River Fund are the beneficial holders of more than 20.0% of the issued share capital of JOF. Accordingly, Both ASM and ASM Hudson River Fund are deemed under Section 4 of the SFA to have an interest in the Units held by Central-Top. Mr Yeh V-Nee has a controlling interest in the fund manager of both ASM and ASM Hudson River Fund.
- (2) Berggruen Holdings Ltd ("BHL") is the beneficial holder of more than 20.0% of the issued share capital of JHYP II. Accordingly, BHL is deemed under Section 4 of the SFA to have an interest in the Units held by JHYP II.

On the Listing Date, the Vendors (also the Unit Lenders) will receive, as full payment of the consideration for the transfer of the Vendor TK Interests, an aggregate of 223,749,000 Consideration Units (assuming the Over-allotment Option is exercised in full), constituting approximately 49.7% of the Units expected to be in issue on the Listing Date, of which up to 29,511,000 Units, which constitute approximately 15.0% of the Units under the Offering, will be lent to the Stabilising Manager to cover the over-allotment of Units (if any).

The Vendors (to the extent that any of the Over-allotment Units are returned to them) have agreed to the Lock-Up Restrictions in respect of the Consideration Units as at the Listing Date. (See "Plan of Distribution—Lock-up Arrangements".)

### Reserved Units

8,700,000 Units have been reserved under the Public Offer for purchase by the directors, management, employees and business associates of the Sponsor and its subsidiaries. (See "Plan of Distribution".)

### Subscription by the Directors

The Directors may subscribe for Units under the Public Offer and/or the Placement. Save for the Manager's internal policy which prohibits the Directors from dealing in the Units at certain times (see "The Manager, The Asset Manager and Corporate Governance"), there is no restriction on the Directors disposing of or transferring all or any part of their unitholdings.

## DISTRIBUTIONS

### Distribution Model

#### *Saizen REIT to Unitholders*

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

Under the Saizen 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.

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 the realisation of investments pursuant to the 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.

#### *Saizen TK Operators to Saizen REIT*

The amount of cash flow distributable to Saizen REIT in relation to a distribution period depends on the following:

- (i) net profit of the Saizen TK Operators based on Japanese Generally Accepted Accounting Principles;
- (ii) adjustments for non-cash items such as provision for bad debts, depreciation expenses and amortisation of deferred expenses;
- (iii) adjustments for net reserves set aside, such as capital expenditure, renovation and seasonal expense reserves; and
- (iv) any loan principal repayments.

The non-cash items such as depreciation expenses and amortisation of deferred expenses may be higher or lower than the net reserves set aside and loan principal repayments. In such instances, the cash flow generated from operations of Saizen TK Operators which is available for distribution to Saizen REIT will be higher or lower than the Saizen TK Operators' accounting profits.

### Distribution Policy

Saizen REIT's distribution policy is to distribute at least 90.0% of Saizen REIT's Distributable Income in each financial year. 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. For Forecast Period 2008 and Projection Year 2009, Saizen REIT will, to the extent possible, distribute such level of Distributable Income in excess of 90.0% in order to meet the Manager's forecast and projection set out in "Profit Forecast and Profit Projection". Distributions, when made, will be in Singapore dollars.

A Special Dividend derived from cash generated and accumulated in the Initial TK Operators prior to the Listing Date will be distributed to Unitholders notwithstanding that such income would have accrued prior to the listing of Saizen REIT on the Main Board of the SGX-ST.

After Saizen REIT is admitted to the Main Board of the SGX-ST, Saizen REIT will make distributions to the Unitholders on a semi-annual basis for the six-month periods ending 31 December and 30 June of each year.



However, Saizen REIT's first distribution after the Listing Date will be for the period from the Listing Date to 30 June 2008 and will be paid by the Manager on or before 28 September 2008. Subsequent distributions will take place on a semi-annual basis. Under the Trust Deed, the Manager is required to pay distributions within 90 days after each of the said dates. Distributions payable to a Unitholder which remain unclaimed after a period of 12 months shall be accumulated in a special account from which the Trustee may, from time to time, make payments to such Unitholder claiming any such distributions which he is entitled to. Such unclaimed distributions shall remain in the special account for five years from the date such moneys were placed into the special account. Interest earned from this special account will be paid into court, in accordance with the provisions of the Trust Deed.

In the event that there are gains arising from any divestment of real properties either directly or indirectly through the divestment of the TK interests held by Saizen REIT, and only if such gains are surplus to the business requirements and needs of Saizen REIT and their taxability or otherwise confirmed by the IRAS in the case where the gains arise from the divestment of TK interests, the Manager may, at its discretion, direct the Trustee to distribute such gains. Such gains, if not distributed, will form part of the Deposited Property.

Distributions made by Saizen REIT out of its tax-exempt income (i.e. distributions received or receivable from the Saizen TK Operators) will be exempt from Singapore income tax in the hands of all Unitholders. No tax will be deducted at source from such distributions.

In the event that Saizen REIT divests the Properties (through the Saizen TK Operators) or any future properties which it may hold directly, the gains on divestment (if any) may or may not be taxable to Saizen REIT depending on whether the gains are regarded as trading gains derived in Singapore or not. In either case, if the Manager exercises its discretion to distribute such gains, the distributions will be tax exempt in the hands of all Unitholders.

Similarly, if Saizen REIT divests its TK interests (instead of the underlying properties), the gains on divestment (if any) may or may not be taxable to Saizen REIT depending on whether the gains are regarded as trading gains derived in Singapore or not. In either case, if the Manager exercises its discretion to distribute such gains, the distributions will be tax exempt in the hands of all Unitholders.

(See Appendix E, "Independent Singapore Taxation Report".)

### ***Solvency Certification***

Under the Property Funds Guidelines, if the Manager declares a distribution that is in excess of profits, the Manager should certify, in consultation with the Trustee, that it is satisfied on reasonable grounds that, immediately after making the distribution, Saizen REIT will be able to fulfil, from the Deposited Property, the liabilities of Saizen REIT as they fall due. The certification by the Manager should include a description of the distribution policy and the measures and assumptions for deriving the amount available to be distributed from the Deposited Property. The certification should be made at the time the distribution is declared.

## EXCHANGE RATES

The table below sets forth, for the period from 2002 until September 2007, information concerning the exchange rates between ¥ and Singapore dollars (in ¥ per Singapore dollar terms). The exchange rates were based on the average between the bid and offer rates of the currency as obtained from Mitsubishi UFJ Financial Group<sup>(1)</sup>. No representation is made that the ¥ amounts actually represent such Singapore dollar amounts or could have been or could be converted into Singapore dollars at the rates indicated, at any other rate, or at all.

<u>Year/Month</u>	<u>¥ per S\$</u>		
	<u>Average</u>	<u>High</u>	<u>Low</u>
2002 .....	69.94	73.36	66.74
2003 .....	66.55	69.16	61.98
2004 .....	64.02	66.38	62.16
2005 .....	66.20	71.81	62.42
2006 .....	73.26	77.61	69.73
January 2007 .....	78.30	79.25	77.28
February 2007 .....	78.63	79.25	77.49
March 2007 .....	76.98	77.91	75.76
April 2007 .....	78.51	79.05	77.56
May 2007 .....	79.29	79.70	78.69
June 2007 .....	79.83	80.63	78.91
July 2007 .....	80.27	81.27	78.27
August 2007 .....	76.75	79.27	74.12
September 2007 .....	76.06	76.46	73.84

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1 Source: Mitsubishi UFJ Financial Group. Mitsubishi UFJ Financial Group has not provided its consent, for the purposes of Section 249 (read with Section 302) of the SFA, to the inclusion of the information and is therefore not liable for such information under Sections 253 and 254 (read with Section 302) of the SFA. While the Manager has taken reasonable action to ensure that the information has been reproduced in its proper form and context, and that it has been extracted accurately and fairly, neither the Manager nor any other party has conducted an independent review of, nor verified the accuracy of, such information.

## CAPITALISATION AND INDEBTEDNESS

The following table sets forth the consolidated pro forma capitalisation and indebtedness of Saizen REIT as at 31 August 2007, and after the issuance of Consideration Units, the Offering and after application of the proceeds, for the partial repayment of borrowings, based on the Offering Price. The consolidated pro forma capitalisation and indebtedness as at 31 August 2007 have been prepared assuming Saizen REIT had acquired the Vendor TK Interests on 31 August 2007. The information in the table below should be read in conjunction with “Use of Proceeds”.

	Pro forma as at 31 August 2007	After adjustments for the Offering and the issuance of Consideration Units	After adjustments for the Offering, the issuance of Consideration Units and the application of proceeds for the partial repayment of borrowings
	(¥ million)	(¥ million)	(¥ million)
Net assets attributable to Unitholders . . . . .	20,937.0 (S\$ 275.3 million)	35,901.0 (S\$472.0 million)	35,901.0 (S\$472.0 million)
Borrowings . . . . .	27,209.2 (S\$357.7 million)	27,209.2 (S\$357.7 million)	15,649.2 (S\$205.7 million)
<b>Total Capitalisation and Indebtedness . . . . .</b>	<b>48,146.2</b> <b>(S\$633.0 million)</b>	<b>63,110.2</b> <b>(S\$829.7 million)</b>	<b>51,550.2</b> <b>(S\$677.7 million)</b>

The NAV per Unit on 31 August 2007 after adjustments for the Offering, the issuance of Consideration Units and the application of the proceeds will be ¥79.78 (S\$1.05) based on the Offering Price, calculated by dividing the net assets attributable to Unitholders by 450,000,000 Units.

### Indebtedness

Saizen REIT will not incur any new debt on the Listing Date. As at the Latest Practicable Date, the Initial TK Operators have put in place the following debt facilities comprising mortgage loans secured over the Initial Properties. In addition, the lenders have taken pledges over the buildings as well as over the shares in the Initial TK Operators. In aggregate, the debt facilities amount to approximately ¥27.2 billion (approximately S\$357.7 million) the details of which are as follows:

No.	Lender	Outstanding amount as at Latest Practicable Date	Maturity date	Interest rate per annum	Type
		(¥ million)			
1	Melody Funding Limited Japan <sup>(1)</sup> . . . . .	1,402	25 April 2009	3.040%	Amortising
2	Rex Funding Three Limited <sup>(1)</sup> . . .	842	25 November 2009	3.590%	Amortising
3	Deutsche Trust Bank <sup>(1)</sup> . . . . .	1,536	25 April 2010	3.630%	Non-amortising
4	CSC Series 1 Godo Kaisha <sup>(2)</sup> . . . .	7,953	2 November 2009	3.073%	Non-amortising
5	Norin Chukin Trust Bank <sup>(1)</sup> . . . . .	3,916	25 January 2009	3.474%	Non-amortising
6	Morgan Stanley Japan Securities Co., Ltd . . . . .	7,620	25 December 2009	2.928%	Non-amortising
7	Morgan Stanley Japan Securities Co., Ltd . . . . .	3,940	25 June 2010	3.020%	Non-amortising
	<b>Total . . . . .</b>	<b>27,209</b>			

Notes:

(1) The original lender of these loans was Morgan Stanley Japan Securities Co., Ltd.

(2) The original lender of this loan was Credit Suisse First Boston Principal Investments Ltd., Tokyo Branch.

Out of the net proceeds raised from the Offering, approximately ¥11.6 billion (approximately S\$152.0 million) has been designated for partial repayment of the above loans (6) and (7) by the end of 2007. Upon this partial repayment, assuming Saizen REIT does not incur new debt after listing and without taking into account the acquisition of the Additional Properties, the outstanding mortgage loans would be reduced to approximately ¥15.6 billion (approximately S\$205.7 million), translating into leverage of approximately 30%. Upon Saizen REIT's investment in the Additional Properties, the aggregate leverage is expected to be 35%. Saizen REIT has obtained a provisional credit rating of Baa3 from Moody's<sup>1</sup> which is conditional upon completion of the Offering and Saizen REIT raising gross proceeds of at least US\$130.0 million. Based on the Offering Price, Saizen REIT will raise gross proceeds of S\$196.7 million or US\$130.2 million<sup>2</sup>. Saizen REIT intends to maintain leverage of approximately 45% on a stabilised basis. Based on the Manager's intended gearing for Saizen REIT, Saizen REIT has additional funding capacity.

Under the covenants of current borrowings, each Initial TK Operator has to continually set aside reserves to meet the future anticipated capital expenditure required for the Properties. Net cash from operations of the Properties will be the main source of liquidity for servicing borrowings, payment of Non-operating Property Expenses and making distributions to Saizen REIT. Taking into account the net proceeds from the Offering designated for working capital purposes of S\$10.0 million, the Manager is of the view that Saizen REIT has sufficient working capital for its present requirements.

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<sup>1</sup> Moody's has not provided its consent, for the purposes of Section 249 (read with Section 302) of the SFA, to the inclusion of the information and is therefore not liable for such information under Sections 253 and 254 (read with Section 302) of the SFA. While the Manager has taken reasonable action to ensure that the information has been reproduced in its proper form and context, and that it has been extracted accurately and fairly, neither the Manager nor any other party has conducted an independent review of, nor verified the accuracy of, such information. The credit rating obtained from Moody's is current. The rating is not a recommendation to invest in any securities, and is subject to revision or withdrawal at any time. Issuer ratings express Moody's opinion of an entity's creditworthiness and ability to meet its senior financial obligations. Moody's defines 'Baa' ratings as investment grade ratings which are assigned to issuers that offer adequate financial security.

<sup>2</sup> Based on an exchange rate of S\$1.00 = US\$ 0.6619, being the average exchange rate for September 2007 obtained from the Datastream Database from Thompson Research. Thompson Research has not provided its consent, for the purposes of Section 249 (read with Section 302) of the SFA, to the inclusion of the information and is therefore not liable for such information under Sections 253 and 254 (read with Section 302) of the SFA. While the Manager has taken reasonable action to ensure that the information has been reproduced in its proper form and context, and that it has been extracted fairly and accurately, neither the Manager nor any other party has conducted an independent review of, nor verified the accuracy of, such information.

## PRO FORMA FINANCIAL STATEMENTS OF THE GROUP

The following tables present the pro forma consolidated statements of total return for the Group for FY2004, FY2005, FY2006, FP2006 and FP2007, the pro forma consolidated balance sheets for the Group as at 30 June 2006 and 31 March 2007 and the pro forma consolidated cash flow statements for the Group for FY2006 and FP2007. Such pro forma financial information should be read in conjunction with the pro forma financial statements included in Appendix A, “Reporting Auditors’ Report on Examination of the Pro Forma Financial Statements of the Group and the Pro Forma Financial Statements of the Group”. The pro forma financial statements have been prepared on the basis of assumptions and the accounting policies disclosed in the notes to the pro forma financial statements, as set out in Appendix A, “Reporting Auditors’ Report on Examination of the Pro Forma Financial Statements of the Group and the Pro Forma Financial Statements of the Group”. The pro forma financial statements should be read together with these assumptions and accounting policies.

The pro forma financial statements have been prepared for illustrative purposes only and are based on certain assumptions after making certain adjustments to illustrate:

- (i) The total return of the Group for FY2004, FY2005, FY2006, FP2006 and FP2007, assuming Saizen REIT had acquired the Vendor TK Interests on 1 July 2003 or on the date when the Vendor TK Agreements were entered into by the Vendors, whichever is later;
- (ii) The financial position of the Group as at 30 June 2006 and 31 March 2007, assuming Saizen REIT had acquired the Vendor TK Interests on 30 June 2006 and 31 March 2007 respectively or on the date when the Vendor TK Agreements were entered into by the Vendors, whichever is later; and
- (iii) The cash flows of the Group for FY2006 and FP2007, assuming Saizen REIT had acquired the Vendor TK Interests on 1 July 2005 or on the date when the Vendor TK Agreements were entered into by the Vendors, whichever is later.

The objective of the pro forma financial statements of the Group is to show what the total return, financial position and cash flows might have been had the Group existed at an earlier date. However, the pro forma financial statements of the Group are not necessarily indicative of the total return, financial position or cash flows of the operations that would have been attained had the Group actually existed earlier. The pro forma financial statements of the Group have been prepared for illustrative purposes only and, because of their nature, may not give a true picture of the actual total return, financial position or cash flows of the Group.

The SGX-ST has granted Saizen REIT a waiver from compliance with Rule 409(3) of the Listing Manual in respect of the requirement for inclusion of the annual accounts of Saizen REIT for the past five years. The SGX-ST has also granted a waiver to Saizen REIT from compliance with Rule 606(7)(j) of the Listing Manual in respect of the requirement to include the unaudited financial statements for a period of not more than three months prior to the date on which the Prospectus is lodged with the MAS, should the latest audited accounts have been made up to a date more than six months before such date.



**PRO FORMA CONSOLIDATED STATEMENTS OF TOTAL RETURN**

	<b>Year ended</b>			<b>9 month period ended</b>	
	<b>30 June 2004</b>	<b>30 June 2005</b>	<b>30 June 2006</b>	<b>31 March 2006</b>	<b>31 March 2007</b>
	<b>¥'000</b>	<b>¥'000</b>	<b>¥'000</b>	<b>¥'000</b>	<b>¥'000</b>
<b>Gross revenue</b> .....	515,230	815,294	1,321,663	842,520	1,861,806
<b>Property operating expenses</b> .....	(196,666)	(286,750)	(463,814)	(305,940)	(591,258)
<b>Net property income</b> .....	318,564	528,544	857,849	536,580	1,270,548
Other administrative expenses .....	(25,664)	(16,040)	(50,146)	(33,699)	(50,400)
Interest income .....	21	62	127	91	1,775
Manager's management fee .....	(23,324)	(33,018)	(80,070)	(52,094)	(114,507)
Asset Manager's asset management fee .....	(3,090)	(5,516)	(9,187)	(4,893)	(17,831)
Trustee's fee .....	(7,602)	(7,881)	(8,674)	(6,562)	(7,845)
Other trust expenses .....	(24,210)	(24,769)	(55,896)	(40,751)	(50,489)
Finance costs .....	(95,562)	(161,928)	(294,306)	(178,816)	(453,184)
<b>Net income from operations</b> .....	139,133	279,454	359,697	219,856	578,067
Net (depreciation)/ appreciation in the value of investment properties .....	(149,112)	830,635	208,920	145,037	1,924,446
Profit on sale of properties .....	—	—	228	228	8,234
<b>Total return for the year/period before income tax</b> .....	(9,979)	1,110,089	568,845	365,121	2,510,747
Income tax .....	(31,830)	(205,812)	(191,715)	(159,404)	(545,657)
<b>Total return for the year/period after income tax before distribution</b> .....	(41,809)	904,277	377,130	205,717	1,965,090
Less : Distribution .....	—	(122,951)	(110,070)	(48,574)	(316,077)
<b>Total return for the year/period</b> .....	<u>(41,809)</u>	<u>781,326</u>	<u>267,060</u>	<u>157,143</u>	<u>1,649,013</u>
<b>Attributable to:</b>					
Unitholders .....	(39,806)	761,733	257,214	150,830	1,606,284
Minority Interests. ....	(2,003)	19,593	9,846	6,313	42,729
	<u>(41,809)</u>	<u>781,326</u>	<u>267,060</u>	<u>157,143</u>	<u>1,649,013</u>

# PRO FORMA CONSOLIDATED BALANCE SHEETS

	30 June 2006 ¥'000	31 March 2007 ¥'000
<b>Current assets</b>		
Cash at bank .....	472,187	646,066
Deposit with cash management agent .....	1,504,522	2,266,756
Trade and other receivables .....	61,503	59,067
Other assets .....	79,685	130,482
	2,117,897	3,102,371
<b>Non-current assets</b>		
Investment properties .....	23,017,600	36,872,500
Other assets .....	18,000	9,000
	23,035,600	36,881,500
<b>Total assets</b> .....	<u>25,153,497</u>	<u>39,983,871</u>
<b>Current liabilities</b>		
Rental deposits .....	393,311	569,657
Rental received in advance .....	126,344	169,905
Borrowings .....	73,226	75,032
Other current liabilities .....	200,662	295,502
	793,543	1,110,096
<b>Non-current liabilities</b>		
Rental deposits .....	4,562	12,252
Borrowings .....	12,775,590	21,600,316
Deferred tax liabilities .....	283,929	707,140
	13,064,081	22,319,708
<b>Total liabilities</b> .....	<u>13,857,624</u>	<u>23,429,804</u>
<b>Total net assets</b> .....	<u>11,295,873</u>	<u>16,554,067</u>
<b>Represented by:</b>		
Unitholders .....	11,247,505	16,463,110
Minority Interests .....	48,368	90,957
	<u>11,295,873</u>	<u>16,554,067</u>
<b>Number of Units in issue ('000)</b> .....	<u>154,435</u>	<u>211,771</u>
<b>Net asset value per Unit (¥)</b> .....	<u>72.83</u>	<u>77.74</u>

## PRO FORMA CONSOLIDATED CASH FLOW STATEMENTS

	Year ended 30 June 2006 ¥'000	9 month period ended 31 March 2007 ¥'000
<b>Operating activities</b>		
Returns for the year/period after income tax	377,130	1,965,090
Adjustments for:		
Tax expense	191,715	545,657
Profit on sale of property	(228)	(8,234)
Net appreciation in the value of investment properties	(208,920)	(1,924,446)
Interest income	(127)	(1,775)
Interest expenses	294,306	453,184
Operating profit before working capital changes	653,876	1,029,476
Changes in working capital		
Deposit with cash management agent <sup>(1)</sup>	(1,055,851)	(762,234)
Trade and other receivables	(59,668)	2,436
Other assets	(69,086)	(41,937)
Rental deposits	240,665	184,037
Rental received in advance	81,776	43,561
Other current liabilities	58,207	165,811
Cash (used in)/generated from operation	(150,081)	621,150
Tax paid	(29,091)	(105,834)
<b>Cash flows (used in)/provided by operating activities</b>	<b>(179,172)</b>	<b>515,316</b>
<b>Investing activities</b>		
Net effect on acquisition of subsidiaries	37,603	—
Purchase of investment properties	(15,640,288)	(11,960,156)
Disposal of investment properties	209,229	151,234
<b>Cash flows used in investing activities</b>	<b>(15,393,456)</b>	<b>(11,808,922)</b>
<b>Financing activities</b>		
Distribution to Unitholders	(110,070)	(316,077)
Contribution from Vendors	7,549,763	3,338,512
Proceeds from borrowings	8,914,869	8,917,064
Repayment of borrowings	(212,143)	(142,005)
Interest paid	(208,748)	(462,394)
Interest received	127	1,775
<b>Cash flows from financing activities</b>	<b>15,933,798</b>	<b>11,336,875</b>
Net increase in cash at bank	361,170	43,269
Proforma adjustments	111,017	241,627
Cash at bank at beginning of the year/period	—	361,170
<b>Cash at bank at end of the year/period</b>	<b>472,187</b>	<b>646,066</b>

Note:

- (1) The cash management agents are professional service providers appointed by the lenders to the Saizen TK Operators to administer the cash movements of the Saizen TK Operators. The negative cash flow shown under "Cash flows (used in)/provided by operating activities" for FY2006 was primarily due to reserves set aside for the working capital requirements of the rental business, such as reserves to meet quarterly rates, insurance, etc., in accordance with the loan documents.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following discussion should be read in conjunction with the Pro Forma Financial Statements of the Group and notes thereto included elsewhere in this Prospectus. Statements contained in this "Management's Discussion and Analysis of Financial Condition and Results of Operations" which are not historical facts may be forward-looking statements. Such statements are subject to certain risks, uncertainties and assumptions which could cause actual results to differ materially from those forecast and projected. Under no circumstances should the inclusion of such information herein be regarded as a representation, warranty or prediction with respect to the accuracy of the underlying assumptions by the Manager, the Underwriters, the Sponsor, the Trustee or any other person, nor that these results will be achieved or are likely to be achieved. (See "Forward-Looking Statements" and "Risk Factors".) Recipients of this Prospectus and all prospective investors in the Units are cautioned not to place undue reliance on these forward-looking statements that speak only as of the date of this Prospectus.*

### General Background

Saizen REIT is a Singapore-based REIT. As Saizen REIT was only constituted on 27 September 2007 and will only invest in the Initial Properties on the Listing Date and the Additional Properties within five months from the Listing Date, Saizen REIT has no historical operating results and financial information which would enable recipients of this Prospectus and all prospective investors in the Units to evaluate its past performance. Saizen REIT's first accounting period will be from the date of its establishment to 30 June 2008.

Saizen REIT was established with the investment objective of owning and investing 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.

The Manager aims to produce regular and stable distributions to Unitholders and to achieve long-term growth in the NAV per Unit, while also aiming to maximise total returns to Unitholders by, among other things:

- actively managing Saizen REIT's property portfolio to maximise returns from the Properties;
- selectively acquiring properties that meet the Manager's investment criteria;
- capitalising on the Management Team's network of local partnerships and residential management platform; and
- employing appropriate debt and equity financing policies and strategies.

### The Properties

Upon completion of the Offering and the issue of the Consideration Units, Saizen REIT's property portfolio will comprise Initial Properties with a total appraised value of approximately ¥47.7 billion (approximately S\$626.8 million). The Initial Properties are located in 12 regional cities across Japan, namely Sapporo, Fukuoka, Sendai, Kitakyushu, Hiroshima, Kumamoto, Hakodate, Kagoshima, Kurashiki, Morioka, Koriyama and Oita.

As at 31 August 2007, the Initial Properties have an aggregate Gross Floor Area of 226,250 sq m, a Net Lettable Area of 197,743 sq m, and occupancy rate of approximately 91.2%<sup>1</sup>.

Subject to obtaining satisfactory financing and results of due diligence, Saizen REIT expects to invest in the Additional Properties with a total indicative purchase consideration (excluding transaction costs) of approximately ¥5.4 billion (approximately S\$71.4 million). The Additional Properties are located in six regional cities across Japan, namely Fukuoka, Sapporo, Sendai, Hiroshima, Niigata and Koriyama.

Saizen REIT's investment in the Additional Properties will bring the total portfolio to 163 Properties across 13 regional cities. The total appraised value of the Initial Properties and indicative purchase consideration of the Additional Properties amounts to approximately ¥53.1 billion (approximately S\$698.2 million).

As at 31 August 2007, the Additional Properties have an aggregate Gross Floor Area of 23,133 sq m and a Net Lettable Area of 19,780 sq m.

<sup>1</sup> Excluding Kaminobori-cho Mansion, which is currently under construction and is expected to be completed in or around the second quarter of 2008.

## Investment in the Properties

The Vendors have previously entered into the Vendor TK Agreements with the Initial TK Operators in order to invest in the Initial Properties owned and held by the Initial TK Operators<sup>1</sup>. The Trustee, on behalf of Saizen REIT, has entered into the TK Interest Transfer Agreements with the Vendors and the Initial TK Operators for the acquisition of the Vendor TK Interests. The consideration for the transfer of the Vendor TK Interests will be paid in Consideration Units on the Listing Date. (See “Certain Agreements Relating to Saizen REIT and the Properties—TK Interest Transfer Agreements”.)

The Additional TK Operator has entered into various conditional sale and purchase agreements with independent third party vendors for the acquisition of the Additional Properties. Subject to obtaining satisfactory financing and results of due diligence, the Additional TK Operator expects to complete the acquisition of 14 Additional Properties within two months from the Listing Date and the remaining Additional Property within five months from the Listing Date. Saizen REIT has been granted the Right of First Refusal to Invest by the Additional TK Operator. The Trustee, on behalf of Saizen REIT, expects to enter into one or more Additional TK Agreements with the Additional TK Operator concurrently with the Additional TK Operator’s completion of the sale and purchase agreements with independent third party vendors for the Additional Properties. Subsequent investment contributions to the Additional TK Operator will be made in phases, in order for the Additional TK Operator to complete each subsequent acquisition under the respective sale and purchase agreements. Saizen REIT’s investment in the Additional Properties will be fully paid for in cash.

## Acquisition-related transaction costs

The transaction costs relating to acquisitions comprise the following:

- **Real property acquisition tax and registration tax**

These are taxes and fees payable to the Japanese government pursuant to the acquisition of real estate. Further details of these taxes can be found in the section “Taxation—Japan Taxation”.

As Saizen REIT is acquiring the Vendor TK Interests from the Vendors instead of acquiring the Initial Properties directly, real property acquisition taxes and registration tax are not levied.

- **Agent fees**

Agent fees are payable to the real estate agents who acted as agents in the acquisitions. Agent fees generally range between 1.0% and 3.0% of the cost of the real estate transacted.

- **Legal fees**

These include fees relating to the drafting and review of sale and purchase agreements and other contracts incidental to an acquisition. They also include property-related legal advice on property titles and registrations.

- **Due diligence costs**

Due diligence relating to an acquisition includes property valuation reports, engineering and environmental reports and boundary survey reports.

- **Borrowing-related costs**

These relate to costs ancillary to borrowings including lenders’ legal costs, upfront fees payable to lenders and stamp duties on the mortgage and its registration expenses.

- **Acquisition fee**

This fee is payable to the Manager under the Trust Deed when Saizen REIT makes investments in properties. Details of the acquisition fee is set out in “Summary—Certain Fees and Charges”.

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<sup>1</sup> One of the Initial Properties in Hiroshima, Kaminobori-cho Mansion, is currently under construction and is expected to be completed in or around the second quarter of 2008. The relevant Initial TK Operator has entered into a conditional sale and purchase agreement with an independent third party vendor for Kaminobori-cho Mansion and will only acquire it upon its completion.



## Sale-related transaction costs

- **Agent fees**

Agent fees are payable to the real estate agents who acted as agents in the sales. Agent fees generally range between 1.0% and 3.0% of the cost of the real estate transacted.

- **Legal fees**

These include fees relating to drafting and review of sale and purchase agreements and other contracts incidental to the sale. They also include property-related legal advice on transfer of titles.

- **Divestment fees**

This fee is payable to the Manager under the Trust Deed when Saizen REIT divests properties. Details of the divestment fee are set out in “—Manager’s Fee”.

## Factors affecting Saizen REIT’s results of operations

The performance of Saizen REIT is affected by the demand for, and supply of, residential properties in Japan, especially in the regional cities which are the focus of Saizen REIT’s investment objective.

### Gross Revenue

Gross Revenue consists of (i) Rental Income, comprising base rental income, common area management fees, car parking rental income and utilities charges for electricity, water or gas, where applicable, and (ii) Other Operating Income, comprising revenue derived from vending machines, rental of billboard space, rental of telecommunication antenna space and forfeiture of tenant deposits. The Saizen TK Operator’s Gross Revenue is derived mainly from Rental Income of the Initial Properties.

The principal factors which affect the Gross Revenue include rental rates, occupancy rates and tenant turnover.

#### Rental rate

The rental rate chargeable to tenants in respect of each Initial Property differs depending on, among other things, the city it is situated in, its location, its size as well as its age and condition.

The lease contracts of the Initial Properties are generally standard leases which contain no restrictions as to the lease term although it is typical that lease contracts provide for a two-year term with a tenant right of automatic renewal. The landlord may not terminate a standard lease or refuse to renew it without a justifiable reason. Typically, a tenant may terminate a standard lease by giving one to two months’ notice to the landlord and if the lease is terminated within the first or second year of the lease, the deposit paid by the tenant may be forfeited.

In general, a deposit amounting to between one and four months’ rent, is payable by the tenant upon signing of the lease contract. Such deposits may consist of a combination of refundable and non-refundable deposits.

#### Occupancy rate

The Initial Properties consist of 5,127 residential units, 95 commercial / office / retail units and 1,736 car parking spaces. The occupancy rate of the Initial Properties in terms of Net Lettable Area as at 31 August 2007 was approximately 91.2%<sup>1</sup>.

As the Initial Properties were acquired progressively through the years, historical occupancy information is only partially available. Historical occupancy rate of the portfolio which comprised some of the Initial Properties is as follows:

<u>Date</u>	<u>Number of Initial Properties already acquired</u>	<u>Occupancy Rates (in terms of Net Lettable Area)</u>
As at 30 June 2004 .....	25	88.9%
As at 30 June 2005 .....	25	86.9%
As at 30 June 2006 .....	86	90.7%
As at 31 August 2007 .....	147	91.2%

<sup>1</sup> Excluding Kaminobori-cho Mansion, which is currently under construction and is expected to be completed in or around the second quarter of 2008.

### *Tenant turnover*

Tenant turnover is generally higher for smaller residential units which target single workers or students. The turnover rate for the small-type units (being the 1K and 1R-type units) typically ranges between 20.0% and 25.0% while for the medium and family-type units (being 1DK, 2DK, 2LDK and 3LDK), turnover rate is between 15.0% and 20.0%. (See “Business and Properties—Information regarding the Initial Properties—Characteristics of the various types of residential units” for a description of the types of units.)

A high turnover rate will result in an increase in administrative costs such as leasing and marketing expenses for procuring new tenants as well as the costs of refurbishing a unit to a rentable state each time a tenant moves out. However, the smaller units generally command a higher per sq m rent than the larger units.

### ***Property Operating Expenses***

Property Operating Expenses consist primarily of (i) property taxes, (ii) property managers’ fees, (iii) operation and maintenance expenses, (iv) repairs and renovations, (v) leasing and marketing expenses, (vi) utilities charges, (vii) insurance expenses, (viii) impairment of accounts receivable, and (ix) consumption tax arising from operations.

#### *Property taxes*

For each Initial Property, property taxes are payable on an annual basis. Further details of these taxes can be found in the section “Taxation—Japan Taxation”.

#### *Property managers’ fees*

The property managers’ fees are charged as a percentage of Rental Income and generally range from 3.0% to 5.0% of the Rental Income. They are payable to third party local property managers responsible for certain day-to-day operations at each Initial Property. The functions of a property manager are to provide:

- lease management services, for example introducing the properties that are owned by the Saizen TK Operators to potential lessees and conducting tenant screening, in line with the applicable leasing policy of the Saizen TK Operators;
- contract management services, for example rent collection, communication between the Saizen TK Operators and the tenants, responding to complaints by tenants, and filing applications with the relevant government offices; and
- building management services, for example co-ordinating the cleaning and maintenance of the properties and their facilities.

As at the Latest Practicable Date, 24 property managers have been appointed to manage the Initial Properties.

The Asset Manager works closely with each property manager to understand the merits of and problems with each Initial Property and will devise appropriate strategies to deal with them. The Asset Manager also monitors the performance of each property manager and will institute changes of property managers where necessary.

#### *Operation and maintenance expenses*

Operation and maintenance expenses include fees for cleaning services, elevator maintenance, water tanks, pumps and plumbing equipment maintenance, security camera and system maintenance and mats replacements. Where applicable, such expenses also include maintenance costs relating to tower parking machines, snow clearing and road heating device maintenance. They also include a number of mandatory inspections such as annual inspections of fire equipment and facilities, inspection of elevators and inspection of building facilities. Other miscellaneous expenses include replacement of pipes, lighting equipment and garbage collection charges.

At selected larger Initial Properties, on-site management personnel may be employed and the salary of such personnel is classified as maintenance expenses.

### *Repairs and renovations*

Repairs relate to works for the upkeep of the common areas of the Properties such as painting of exterior walls, water-proofing works, repairs or replacement of water tanks, pumps and air conditioning and other minor repairs. Renovation expenses relate to refurbishments conducted on individual units in order to restore the unit into a rentable state.

The property manager will inspect the unit's condition at the time it is being vacated, and will negotiate with the vacating tenant on the amount of refurbishment to be borne by that tenant.

### *Leasing and marketing expenses*

Leasing and marketing expenses include expenses incurred in promoting the Properties and leasing commissions payable to third party agents for referring tenants. Leasing commissions typically range between one and three months of the rental of the unit.

### *Utilities charges*

Utilities payable by the owners of the Initial Properties include electricity and gas charges for the common areas of the Initial Properties as well as water consumption charges that are not charged directly to the tenants. Owners of Initial Properties typically charge tenants a fixed fee for water consumption while electricity and gas consumption at individual units are normally charged directly to the tenants.

Certain Initial Properties provide broadband internet connection services to tenants, and fees payable to such service providers are classified under utilities.

### *Insurance expenses*

Insurance premiums are payable for coverage which includes (i) fire accident, (ii) property damage, (iii) business interruption, and (iv) public liability (including personal injury).

The amount of insurance premium payable typically depends on the floor area of the Initial Property, the type of materials it is constructed with and its location. Insurance expenses are also generally higher in the Initial Properties which have commercial or retail units.

### *Impairment of account receivables*

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

Under the accounting policy, impairment on account receivables is made for rental in arrears for over 90 days. The table below summarises the allowance for impairment made during the Relevant Period:

	<u>FY2004</u>	<u>FY2005</u>	<u>FY2006</u>	<u>FP2006</u>	<u>FP2007</u>
	(¥ million)	(¥ million)	(¥ million)	(¥ million)	(¥ million)
Impairment on account receivables . . . . .	0.9	1.1	3.1	3.0	(0.5)
As a percentage of Gross Revenue . . . . .	0.17%	0.13%	0.23%	0.36%	(0.03%)

### *Consumption tax arising from operations*

Consumption tax expenses are payable on fees paid to service providers such as property managers and facilities maintenance companies.

### Net Property Income

The Net Property Income is derived from the Gross Revenue and by deducting the corresponding Property Operating Expenses. Net Property Income shows the results of operations of the Initial Properties.

The table below sets out details of Saizen REIT's pro forma Net Property Income for FY2004, FY2005, FY2006, FP2006 and FP2007 (collectively, the "Relevant Period"):

	<u>FY2004</u> (¥ million)	<u>FY2005</u> (¥ million)	<u>FY2006</u> (¥ million)	<u>FP2006</u> (¥ million)	<u>FP2007</u> (¥ million)
<b>Number of Initial Properties<sup>(1)</sup></b> .....	25	25	86	82	122
<b>Gross Revenue</b>					
Rental Income .....	507.9	799.8	1,297.1	829.4	1,807.9
Other Operating Income .....	7.3	15.5	24.5	13.1	53.9
	<b>515.2</b>	<b>815.3</b>	<b>1,321.6</b>	<b>842.5</b>	<b>1,861.8</b>
<b>Property Operating Expenses</b>					
Property taxes .....	(44.6)	(65.0)	(107.5)	(69.5)	(140.8)
Property managers' fees .....	(22.3)	(32.7)	(54.8)	(34.9)	(75.4)
Operation and maintenance expenses .....	(26.3)	(43.7)	(67.5)	(45.0)	(96.3)
Repairs and renovations .....	(30.1)	(38.0)	(70.8)	(39.3)	(94.6)
Leasing and marketing expenses .....	(18.7)	(23.0)	(40.8)	(29.2)	(46.8)
Utilities charges .....	(40.1)	(69.6)	(81.1)	(58.6)	(86.9)
Insurance expenses .....	(8.2)	(12.2)	(21.5)	(14.3)	(27.0)
Impairment on account receivables .....	(0.9)	(1.1)	(3.1)	(3.0)	0.5
Consumption tax arising from operation .....	(5.5)	(1.5)	(16.7)	(12.1)	(24.0)
	<b>(196.7)</b>	<b>(286.8)</b>	<b>(463.8)</b>	<b>(305.9)</b>	<b>(591.3)</b>
<b>Net Property Income</b> .....	<b>318.5</b>	<b>528.5</b>	<b>857.8</b>	<b>536.6</b>	<b>1,270.5</b>
Operating ratio .....	38%	35%	35%	36%	32%

Note:

(1) Refers to the number of Initial Properties as at the end of the year/period.

### Analysis of composition of Property Operating Expenses

The table below sets out an analysis of the composition of the Property Operating Expenses for the Relevant Period:

	<u>FY2004</u>	<u>FY2005</u>	<u>FY2006</u>	<u>FP2006</u>	<u>FP2007</u>
Property taxes .....	23%	23%	23%	23%	24%
Property managers' fees .....	11%	12%	12%	11%	13%
Operation and maintenance expenses .....	13%	15%	14%	15%	16%
Repairs and renovations .....	15%	13%	15%	13%	15%
Leasing and marketing expenses .....	10%	8%	9%	9%	8%
Utilities charges .....	20%	24%	17%	19%	15%
Insurance expenses .....	4%	4%	5%	5%	5%
Impairment on account receivables .....	negligible.	negligible.	1%	1%	negligible.
Consumption tax arising from operation .....	4%	1%	4%	4%	4%
<b>Total Property Operating Expenses</b> .....	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

### FY2005 compared with FY2004

During the course of FY2005, no Initial Property was acquired. There were 25 Initial Properties as at the end of FY2004 and FY2005. Due to a full year of revenue contribution of the 25 Initial Properties acquired in FY2004, Gross Revenue increased by 58% from ¥515.2 million in FY2004 to ¥815.3 million in FY2005. The average occupancy rate of the Initial Properties during FY2005 is 88.0%.

Property Operating Expenses increased by a lesser extent of 46.0% from ¥196.7 million in FY 2004 to ¥286.8 million in FY2005. Property taxes increased due to full year charges. Property managers' fees as well as operation and maintenance expenses increased, in line with the increase in Gross Revenue. High leasing and

marketing expenses are normally incurred when a property is first purchased in order to procure tenants and improve occupancies. As occupancy at most Initial Properties in the portfolio have stabilised during FY2005 and no Initial Property was acquired during that year, leasing and marketing expenses were comparatively lower in FY2005, increasing by 23.0%. Stability of occupancy also resulted in lower renovations relating to refurbishments and hence, repairs and renovations increased by a lower 26.0% from FY2004 to FY2005. Due to lower leasing and marketing expenses as well as lower renovation costs, operating ratio (defined as Property Operating Expenses over Gross Revenue) decreased to 35% in FY2005 from 38.0% in FY2004.

Consequently, Net Property Income increased by 66.0%, in line with the increase in Gross Revenue and lower operating ratio.

#### ***FY2006 compared with FY2005***

The number of Initial Properties in the portfolio as at the end of FY2006 increased significantly to 86 compared with 25 at the end of FY2005. Consequently, Gross Revenue increased by 62.0% from ¥815.3 million in FY2005 to ¥1,321.6 million in FY2006. The average occupancy rate of the Initial Properties during FY2006 is 88.0%.

Property Operating Expenses increased by 62.0% from FY2005 to FY2006 with property tax expenses and property managers' fees each increasing in line with the growth in Gross Revenue. Operation and maintenance expenses grew at a lesser rate of 54.5% due partly to operating efficiencies.

Leasing and marketing expenses increased by 77.0% due to the increase in amount spent to market and promote the Initial Properties acquired during FY2006. Similarly, repairs and renovations increased at a high rate of 86.0% as capital expenditure and repairs were typically conducted for newly acquired Initial Properties to improve their competitiveness and marketability. Compared with the 25 Initial Properties acquired prior to FY2006, some of the additional Initial Properties acquired during FY2006 have a utilities payment arrangement such that the service providers charge the tenants directly. Consequently, the rate of increase in utilities charges was relatively low.

Operating ratio in FY2006 remained at 35.0% compared with 35.0% in FY2005 as increases in leasing and marketing expenses and repair expenses were offset by lower operation and maintenance costs. The Net Property Income recorded in FY2006 was ¥857.8 million, representing an increase of 62.0%.

#### ***FP2007 compared with FP2006***

The number of Initial Properties in the portfolio as at 31 March 2007 is 122 compared with 82 as at the end of 31 March 2006. Together with the effect of a full period of revenue contribution of Initial Properties acquired in FY2006, Gross Revenue increased by more than 120.0% from ¥842.5 million in FP2006 to ¥1,861.8 million in FP2007.

Property Operating Expenses increased in tandem with the higher Gross Revenue. Operating ratio during FP2007 improved to 32.0% compared to 36.0% during FP2006.

Consequently, Net Property Income in FP2007 was ¥1,270.5 million, representing an increase of 137.0% over the Net Property Income in FP2006.

#### ***Non-Property Expenses***

In addition, to Property Operating Expenses, Saizen REIT will also bear other Non-Property Expenses, which can broadly be categorised into the following:

##### ***Other administrative expenses***

Administrative costs will include property-related accounting and legal fees, bank charges and miscellaneous administrative expenses. The table below summarises the administrative costs during the Relevant Period:

	<b>FY2004</b>	<b>FY2005</b>	<b>FY2006</b>	<b>FP 2006</b>	<b>FP 2007</b>
	<b>(¥ million)</b>	<b>(¥ million)</b>	<b>(¥ million)</b>	<b>(¥ million)</b>	<b>(¥ million)</b>
Other administrative expenses . . . . .	25.7	16.0	50.1	33.7	50.4



### *Manager's management fee and Asset Manager's asset management fee*

Under the Trust Deed, the Manager is entitled to a management fee at the rate of 0.5% per annum of the value of the Property Assets. For the TK arrangements entered into between Saizen REIT and the Saizen TK Operators, under the Asset Management Agreements, the Asset Manager is entitled to an annual asset management fee equivalent to 3.0% of the Property Business Profit less ¥150,000 (S\$1,972.1) per annum for overhead incurred by each Saizen TK Operator. This overhead comprises mainly the prefectural and municipal per capita tax which amounts to approximately ¥70,000 per annum. The balance relates to professional fees for making annual filings and miscellaneous expenses.

The table below summarises the Manager's management fee and the Asset Manager's asset management fee during the Relevant Period:

	<u>FY2004</u>	<u>FY2005</u>	<u>FY2006</u>	<u>FP2006</u>	<u>FP2007</u>
	<u>(¥ million)</u>	<u>(¥ million)</u>	<u>(¥ million)</u>	<u>(¥ million)</u>	<u>(¥ million)</u>
Manager's management fee .....	23.3	33.0	80.1	52.1	114.5
Asset Manager's asset management fee .....	3.1	5.5	9.2	4.9	17.8

Saizen REIT's management fee is calculated based on asset size and has increased during the Relevant Period, in line with the increase in number of Initial Properties. Meanwhile, the Asset Manager's asset management fee is calculated with reference to the profit of the TK business and this fee has increased with the growth in profitability with the expansion of the portfolio of Initial Properties.

### *Trustee's fee*

The Trustee's fee is charged based on a percentage of the value of the Deposited Property. Details of the calculation method of the Trustee's fee can be found in "The Formation and Structure of Saizen REIT—Trustee's fee". The Trustee's fee has increased from ¥7.7 million in FY2004 to ¥8.7 million in FY2006. In FP2007, the Trustee's fee amounted to ¥7.8 million, in line with the growth in number of Initial Properties.

### *Other trust expenses*

Other trust expenses include audit and legal fees, valuation fees and expenses relating to investor communication such as preparation and distribution of reports and shareholder meetings.

### *Finance costs*

Finance costs include interest expense and amortisation of ancillary costs incurred in connection with the borrowings. The table below summarises the finance costs during the Relevant Period:

	<u>FY2004</u>	<u>FY2005</u>	<u>FY2006</u>	<u>FP2006</u>	<u>FP2007</u>
	<u>(¥ million)</u>	<u>(¥ million)</u>	<u>(¥ million)</u>	<u>(¥ million)</u>	<u>(¥ million)</u>
Finance costs .....	95.6	161.9	294.3	178.8	453.2

Finance costs increased from ¥95.6 million in FY2004 to ¥161.9 million in FY2005 due to the full year effects of the borrowings incurred in FY2004. Finance costs further increased to ¥294.3 million in FY2006 and ¥453.2 million in FP2007, in line with the increase in borrowings to fund the acquisitions of additional Initial Properties.

All of the borrowings of Saizen REIT have fixed interest rates during their term. Details of the borrowings are set out in "Capitalisation and Indebtedness—Indebtedness".

### *Net appreciation/(depreciation) in the value of investment properties*

Net appreciation or depreciation in the value of investment properties represents the increase or reduction in the carrying amount of the Initial Properties arising from fair valuation of the Initial Properties. The initial carrying amount of the Initial Properties includes transaction costs relating to acquisitions such as real property acquisition tax and registration tax, agent fees, legal fees and acquisition fees as defined under "Summary—Certain fees and Charges". Accordingly, where there is depreciation in value of the Properties subsequently, the net appreciation or depreciation in value recognised in the Consolidated Statement of Total Return will include the transaction costs of the relevant Initial Properties.

### ***Income tax***

Income tax consists of the imputed 20% withholding tax payable upon appropriation of profit to Saizen REIT from the Saizen TK Operators.

### ***Profit on Sale of Properties***

Profit from sale of properties sold during FY2006 and FP2007, net of disposal fees paid to the Manager.

### ***Total return attributable to shareholders of the Saizen TK Operators***

This relates to the Saizen TK Operators' entitlement to the TK business under the terms of the Saizen TK Agreements.

## **Year-on-year comparisons of Saizen REIT's consolidated results of operations**

### ***FY2005 compared with FY2004***

As discussed in the section "Net Property Income" above, the Net Property Income increased from ¥318.5 million in FY2004 to ¥528.5 million in FY2005. Other administrative expenses, some of which are related to acquisition activities, decreased as no acquisitions were made in FY2005. The Manager's management fee and the Trustee's fee increased in line with a full year of contribution from the Initial Properties acquired in FY2004. The Asset Manager's asset management fee, which is payable out of the Initial TK Operators' allocation of profits under the TK business amounted to ¥5.5 million in FY2005, representing an increase of 78.5% from ¥3.1 million in FY2004.

At the end of FY2005, as a result of an overall increase in value of the Initial Properties acquired during FY2004, there was a net appreciation in value of the Initial Properties of ¥830.6 million.

Consequently, total returns before and after income tax increased to ¥1,110.0 million and ¥904.3 million respectively in FY2005 compared to losses before and after income tax of ¥ 10.0 million and ¥ 41.8 million in FY2004.

### ***FY2006 compared with FY2005***

Net Property Income increased from ¥528.5 million in FY2005 to ¥857.8 million in FY2006 as a result of continued acquisition of the Initial Properties, resulting in a higher contribution to Gross Revenue. Other administrative expenses increased by more than two times to ¥50.1 million as the number of Saizen TK Operators engaged by Saizen REIT for the purposes of investments in the Initial Properties increased. Certain of these expenses were also related to acquisition activities which have increased substantially in FY2006. The Manager's management fee and the Trustee's fee increased in line with the expansion of the portfolio of Initial Properties which increased from 25 as at the end of FY2005 to 86 as at the end of FY2006. The Asset Manager's fee increased in line with the expansion of the portfolio of Initial Properties acquired during the year, increasing from ¥5.5 million in FY2005 to ¥9.2 million in FY2006 as this fee is based on the operating results of the Initial Properties.

A property was disposed of during FY2006 giving rise to a marginal gain. At the end of FY2006, there was an overall increase in value of the Initial Properties resulting in a net appreciation in the value of the Initial Properties of ¥208.9 million. Total returns after income tax decreased from ¥904.3 million in FY2005 to ¥377.1 million in FY2006 due primarily to lower net appreciation in the value of the Initial Properties.

### ***FP2007 compared with FP2006***

Net Property Income increased from ¥536.6 million in FP2006 to ¥1,270.5 million in FP2007 due to an increase in the number of Initial Properties in the portfolio during FP2007.

The larger portfolio resulted in an increase in the Manager's management fee and the Trustee's fee. The Asset Manager's asset management fee also increased in line with Net Property Income from ¥4.9 million in FP2006 to ¥17.8 million in FP2007. Finance costs increased substantially to ¥453.2 million, in line with the increase in borrowings to finance further acquisitions of Initial Properties during the year. The disposal of an Initial Property during the year resulted in profit of ¥8.2 million, net of divestment fees.

Due to the buoyant property market during the relevant period, there was a substantial increase in net appreciation in the value of the Initial Properties of ¥1,924.4 million which resulted in total returns after income tax increasing to ¥1,965.0 million.

## PROFIT FORECAST AND PROFIT PROJECTION

*Statements contained in this section that are not historical facts may be forward-looking statements. Such statements are based on the assumptions set forth in this section and are subject to certain risks and uncertainties which could cause actual results to differ materially from those forecast and projected. Under no circumstances should the inclusion of such information herein be regarded as a representation, warranty or prediction with respect to the accuracy of the underlying assumptions by the Sponsor, Saizen REIT, the Manager, the Underwriters or the Trustee or any other person, or that these results will be achieved or are likely to be achieved. (See “Forward-Looking Statements” and “Risk Factors”.) Investors in the Units are cautioned not to place undue reliance on these forward-looking statements that are valid only as of the date of this Prospectus.*

*None of the Sponsor, Saizen REIT, the Manager, the Underwriters, the Unit Lenders or the Trustee guarantees the performance of Saizen REIT, the repayment of capital or the payment of any distributions, or any particular return on the Units. The forecast and projected yields stated in the following table are calculated based on (i) the Offering Price and (ii) the assumption that the Listing Date is 5 November 2007. Such yields will vary accordingly if the Listing Date is after 5 November 2007 and in relation to investors who purchase Units in the secondary market at a market price that differs from the Offering Price.*

The following table sets forth Saizen REIT’s forecast and projected consolidated statements of total return for Forecast Period 2008 and Projection Year 2009, as well as Saizen REIT’s forecast and projected distributions for Forecast Period 2008 and Projection Year 2009. The forecast and projection have been prepared by the Manager based on certain assumptions, including an assumption that Saizen REIT’s portfolio of properties, comprising the Initial Properties and Additional Properties, will remain unchanged throughout the relevant periods. Completion of investment in the Additional Properties is subject to, among other things, satisfactory results of due diligence, and there is no guarantee that Saizen REIT will invest in all or any of the Additional Properties. (See “Risk Factors—Risks relating to Saizen REIT’s Operations”.)

The financial year end of Saizen REIT is 30 June. Saizen REIT’s first accounting period is for the period from 27 September 2007 (the date of its constitution) to 30 June 2008. The profit forecast and profit projection is based on the assumptions set out in this section of the Prospectus, and should be read together with the assumptions and the sensitivity analysis set out in this section of the Prospectus, as well as the report set out in Appendix B, “Reporting Auditors’ Report on the Profit Forecast and Profit Projection”.

Investors in the Units should read the whole of this “Profit Forecast and Profit Projection” section together with the report set out in Appendix B, “Reporting Auditors’ Report on the Profit Forecast and Profit Projection”.

## FORECAST AND PROJECTED CONSOLIDATED STATEMENTS OF TOTAL RETURN

	Forecast Period 2008 (5 November 2007 to 30 June 2008)	Projection Year 2009 (1 July 2008 to 30 June 2009)
	¥'000	¥'000
<b>Gross revenue</b> . . . . .	2,746,543	4,340,922
<b>Property operating expenses</b> . . . . .	(786,805)	(1,245,932)
<b>Net property income</b> . . . . .	1,959,738	3,094,990
Interest income <sup>(1)</sup> . . . . .	9,784	—
Other administrative expenses . . . . .	(35,865)	(54,993)
Manager's management fee . . . . .	(178,495)	(265,427)
Asset Manager's asset management fee . . . . .	(26,348)	(43,000)
Trustee's fees . . . . .	(9,434)	(13,808)
Other trust expenses . . . . .	(32,609)	(50,000)
Finance costs <sup>(1)</sup> . . . . .	(667,494)	(703,798)
IPO expenses . . . . .	(864,384)	—
<b>Net income from operations</b> . . . . .	154,893	1,963,964
Net depreciation in the value of investment properties <sup>(2)</sup> . . . . .	(426,057)	—
Excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost <sup>(3)</sup> . . .	406,782	—
<b>Total return for the year before income tax</b> . . . . .	135,618	1,963,964
Income tax . . . . .	(201,257)	(392,192)
<b>Total return for the period /year after income tax before distribution</b> . . . . .	(65,639)	1,571,772
Represented by:		
Unitholders . . . . .	(65,937)	1,552,812
Minority interests . . . . .	298	18,960

Notes:

- (1) The interest income and finance costs for Forecast Period 2008 and Projection Year 2009 will vary according to the Offering Price and the proceeds raised, and is computed based on the Offering Price of S\$1.00.
- (2) The Manager has assumed that there is no change in the fair value of the Properties during Forecast Period 2008 and Projection Year 2009. The net depreciation in the value of investment properties represents the changes in carrying amount of the relevant Properties as a result of transaction costs.
- (3) This represents the excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost which arises from the acquisition as at the assured listing date. The Offering Price of S\$1.00 is used in the computation.

## FORECAST AND PROJECTED DISTRIBUTIONS

	Forecast Period 2008 (5 November 2007 to 30 June 2008)	Projection Year 2009 (1 July 2008 to 30 June 2009)
	¥'000	¥'000
<b>Total return for the period/year after income tax before distribution</b> .....	(65,937)	1,552,812
Add back:		
Adjustment for non-cash items <sup>(1)</sup> .....	280,645	223,490
IPO expenses .....	864,384	—
Claims from reserves set aside (net) <sup>(2)</sup> .....	106,553	161,200
Special Dividend <sup>(3)</sup> .....	415,165	—
Total distribution to Unitholders .....	<u>1,600,810<sup>(4),(8)</sup></u>	<u>1,937,502<sup>(7)</sup></u>
Exchange rate of S\$1.00 .....	76.06	76.06
	<b>S\$'000</b>	<b>S\$'000</b>
Total distribution to Unitholders <sup>(5)</sup> .....	21,047 <sup>(4),(8)</sup>	25,473 <sup>(7)</sup>
Issue price (Singapore dollars) .....	1.00	1.00
Units on Issue <sup>(9)</sup> ('000) .....	450,817	450,817
Total distribution per Unit (Singapore cents) .....	4.67 <sup>(4),(8)</sup>	5.65 <sup>(7)</sup>
Annualised distribution yield excluding Special Dividend <sup>(6)</sup> .....	5.30%	5.65%
Non-annualised distribution yield from Special Dividend <sup>(3),(7)</sup> .....	1.21%	—
Total annualised distribution yield with distribution yield from Special Dividend not annualised <sup>(6)</sup> .....	6.51%	—

### Notes:

- (1) Non-cash items mainly include net depreciation in the value of investment properties, excess of acquirer's interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over cost, and amortization expenses.
- (2) This represents the net cash released from the cash reserves set aside as required under loan covenants.
- (3) The Special Dividend is derived from cash generated and accumulated in the Initial TK Operators prior to the Listing Date.
- (4) Distribution from 5 November 2007 (the assumed Listing Date) to 30 June 2008 attributable to the Initial Properties and Additional Properties and the Special Dividend.
- (5) Assuming distribution of 100.0% of Distributable Income.
- (6) Annualisation based on number of months of the distribution received from 5 November 2007 (the assumed Listing Date) to 30 June 2008 attributable to the Initial Properties and the Additional Properties. Annualisation does not include the Special Dividend.
- (7) The distribution yield from the Special Dividend would amount to 1.86% had it been annualised; and total distribution yield after annualising distribution yield from the Special Dividend would amount to 7.16%.
- (8) Interest income, trustee's fee and finance costs for Forecast Period 2008 and Projection Year 2009 will vary according to Offering Price and proceeds raised, and is computed based on the Offering Price of S\$1.00.
- (9) Adjusted for Acquisition fees relating to Additional Properties paid in Units.

## Assumptions

The Manager has prepared the consolidated profit forecast for Forecast Period 2008 and the consolidated profit projection for Projection Year 2009 based on the assumptions listed below. The Manager considers these assumptions to be appropriate and reasonable as at the date of this Prospectus. However, investors should consider these assumptions as well as the consolidated profit forecast and consolidated profit projection and make their own assessment of the future performance of Saizen REIT.

### *Initial Properties and Additional Properties*

For the Initial Properties, save for Kaminobori-cho Mansion, the Manager has assumed they generate revenue and incur expenses from 5 November 2007. For Kaminobori-cho Mansion, which is currently under construction and is expected to be acquired in or around the second quarter of 2008, the Manager has assumed it generates revenue and incurs expenses from 1 May 2008. Saizen REIT's investment in Kaminobori-cho Mansion is subject to its completion and satisfactory due diligence.

For the Additional Properties, the Manager has assumed that they will be acquired based on the schedule below, which has been estimated by the Manager based on the current progress of due diligence and legal documentation for their acquisitions.

<u>Property</u>	<u>Estimated month of acquisition</u>
Le pied Hirao .....	November 2007
Relief Ohorinishi .....	November 2007
Grand Polestone Higashi Hiratsuka .....	November 2007
Grand Polestone Otemachi II .....	November 2007
Estate 18 Shinonome .....	November 2007
Royal Shinonome .....	November 2007
Shinonome Heights .....	November 2007
Villa Kaita .....	November 2007
Residence Shiroishi A, B, C and D .....	November 2007
Arioso Phrase .....	November 2007
GEO Kami Ohkawa .....	December 2007
Hills Kawabata .....	December 2007
Hills Nogizaka .....	December 2007
Floreceer Miyagino .....	December 2007
Kyobashicho Building .....	March 2008

The Manager has assumed that the Additional Properties will generate revenue and incur expenses commencing from the month subsequent to their acquisitions.

## Revenue

Revenue of Saizen REIT comprises revenue contribution from the Initial Properties and the Additional Properties only. When estimating the revenue contribution from the Initial Properties and Additional Properties, the Manager has taken into account the level of rental income, other operating income, occupancy rates, tenant turnover rates and void periods.

Revenue of Saizen REIT is affected by the number of properties it has invested in and the factors discussed in the section "Management's Discussion and Analysis of Financial Condition and Results of Operation". The increase in revenue from Forecast Period 2008 to Projection Year 2009 is mainly due to full-year contribution from the Initial Properties and the Additional Properties. The table below is a comparison of the number of Properties and revenue recorded in the various periods:

	<u>FP2007</u>	<u>FY2007 (Annualised)</u>	<u>Forecast Period 2008</u>	<u>Projection Year 2009</u>
Number of Properties as at period/year-end .....	117	117	163	163
Revenue (¥ million) .....	1,861.8	2,482.4	2,746.5	4,340.9

### *Gross Revenue*

Gross Revenue comprises (i) Rental Income which includes, base rental income, common area management fees, car parking rental income, and utilities charges for electricity, water or gas, where applicable, and (ii) Other Operating Income which includes revenue derived from vending machines, rental of billboard space, rental of telecommunication antenna space and forfeiture of tenant deposits.



### *Base rental income and common area management fees*

For Forecast Period 2008 and Projection Year 2009, the Manager has forecast and projected that base rental income will be ¥2,585.8 million and ¥4,006.1 million, respectively.

The Manager has assumed that the maximum level of base rental income and common area management fees when the Property is fully occupied will remain stable during Forecast Period 2008 and Projection Year 2009. The Manager has also assumed a tenant turnover rate and void period for each Property based on historical trends and characteristics.

### *Maximum level of base rental income*

The maximum level of base rental income of each Property is derived based on the following:

- (i) for the Initial Properties (excluding Kaminobori-cho Mansion), the lease contracts on hand for each leased unit as at 31 July 2007 and the asking rent of the vacant units as at 31 July 2007; and
- (ii) for the Additional Properties, the latest available lease contracts provided by the sellers and the latest asking rents indicated by the sellers;

### *Tenant turnover rates*

Tenant turnover rates refer to the percentage of units in a Property where tenants will move out. The Manager has assumed tenant turnover rates of 20.0% for Properties with mainly small-type units and 19.0% for Properties with mainly medium-type units and 15.0% for Properties with mainly family-type units for Forecast Period 2008 and Projection Year 2009. Classification of the type of units which make up a Property is based on the type of units constituting 50.0% or more of the total units in that Property. For example, if a Property consists of 30.0% of small-type units and 70.0% of medium-type units, this Property will be classified as a Property with mainly medium-type units and hence, turnover rate of 19.0% is assumed for this Property.

In arriving at the assumptions of the tenant turnover rates for each type of property, the Manager has taken into consideration trends relating to each type of property based on historical information, where available.

### *Void period*

Void period refers to the amount of time that a unit will remain vacant after the tenants have moved out. The Manager has estimated the void period of each Property based on its historical information, where available. For the Properties with limited historical information, the Manager has estimated their void period based on their occupancy rates and their assumed turnover rates. Typically the void period for small-type and medium-type units is shorter than that of family-type units.

### *Occupancy rate*

Based on the aforesaid assumptions, the forecast and projected average occupancy rate for the Properties for Forecast Period 2008 and Projection Year 2009 is approximately 91.0%. The relationship between occupancy rate, tenant turnover rate and void periods on an annual basis is as follows:

$$\text{Annual vacancy rate} = \frac{\text{Number of units in the Property} \times \text{tenant turnover rate} \times \text{void periods}}{\text{Number of units in the Property} \times 12 \text{ months}}$$

$$\text{Occupancy rate} = 1 - \text{vacancy rate}$$

### *Other Operating Income*

Other Operating Income includes revenue derived from vending machines, rental of billboard space, rental of telecommunication antenna space and forfeiture of tenant deposits. Contributions from other revenue is not significant and is forecast and projected to contribute less than 5.0% of revenue for Forecast Period 2008 and Projection Year 2009.

The Manager has assumed the Other Operating Income for Forecast Period 2008 and Projection Year 2009 based on historical information of the Properties, where available.

### ***Property Operating Expenses***

Property Operating Expenses comprise property tax, property managers' fees, operation and maintenance expenses, repairs and renovations, leasing and marketing expenses, utility charges, insurance expenses and impairment on account receivables.

#### ***Property tax***

Property tax of each Property is computed based on current assessments by the relevant authorities and the Manager has assumed the assessed property taxes will remain the same in Forecast Period 2008 and Projection Year 2009. These taxes are estimated, taking into account the date of acquisition, to be ¥210.2 million and ¥331.2 million respectively in Forecast Period 2008 and Projection Year 2009.

#### ***Property managers' fees***

Property managers' fees are computed based on a percentage of specified cash receipts in accordance with the property management agreements and generally range between 3.0% and 5.0%. As regards four of the Initial Properties, the Initial TK Operators entered into fixed term house lease (*teiki shakuya*) agreements with the relevant property manager, who then in turn made a sub-lease agreement with each end-tenant. Similar arrangements are expected for two of the Additional Properties. In these cases, no separate remuneration is set forth in the property management agreement. Property managers' fees are estimated to be ¥116.6 million and ¥182.8 million respectively in Forecast Period 2008 and Projection Year 2009, based on the property management agreements entered or expected to be entered into.

#### ***Operation and maintenance expenses***

Operation and maintenance expenses relate to property upkeep and maintenance services such as cleaning services, elevator maintenance, water tank, pumps and plumbing equipment maintenance, security camera and system maintenance and mats replacements. Where applicable, such expenses also include maintenance costs relating to tower parking machines, snow clearing and road heating device maintenance. They also include a number of mandatory inspections such as annual inspections of fire equipment and facilities, inspection of elevators and inspection of building facilities. Other miscellaneous expenses include replacement of pipes, lighting equipment and garbage collection charges. At selected larger Properties, on-site management personnel may be employed and the salary of such personnel is classified as operation and maintenance expenses. The above expenses are estimated based on existing contracts with each of the service provider.

#### ***Repairs and renovations***

Repairs relate to works for the upkeep of the common areas of the Properties such as painting of exterior walls, water-proofing works, repairs or replacement of water tanks, pumps and air conditioning and other minor repairs. Repairs are estimated based on the conditions of each Property taking into account historical spending. Renovations relate to refurbishments conducted on individual units in order to restore the unit into rentable state. They are estimated at each Property, based on the assumed tenant turnover rate and the amount to be spent on each vacated unit. The estimated amount to be spent per vacant unit is based on historical information, where available, taking into consideration the size of the unit. These expenses are estimated to be ¥120.1 million and ¥187.3 million respectively in Forecast Period 2008 and Projection Year 2009.

#### ***Leasing and marketing expenses***

The leasing and marketing expenses are estimated with reference to the assumed tenant turnover rates as discussed above, and assuming a leasing commission, equivalent to one to three months' rent, payable to third party agents for referring new tenants. Leasing expenses are amortised over the lease term. Leasing and marketing expenses are estimated to be ¥56.4 million and ¥88.6 million respectively in Forecast Period 2008 and Projection Year 2009.

#### ***Utilities charges***

Utilities charges are estimated based on historical usage, where available, and are assumed to be ¥106.0 million and ¥163.7 million respectively in Forecast Period 2008 and Projection Year 2009.

#### ***Insurance expenses***

Insurance expenses of each Property are estimated based on current assessed insurance premiums and are assumed to remain the same during Forecast Period 2008 and Projection Year 2009. Insurance expenses are assumed to be ¥34.6 million and ¥54.0 million respectively in Forecast Period 2008 and Projection Year 2009.

### *Interest income*

Interest income is generated from the IPO proceeds which will be deposited with financial institutions prior to the repayment of existing borrowings and the acquisition of the Additional Properties. The Manager has assumed a total of S\$169.1 million of IPO proceeds, to be deposited with the financial institutions for two months prior to the repayment of existing borrowings and the acquisition of the Additional Properties. The Manager has assumed an interest rate of approximately 0.5% per annum.

### *Consumption tax*

Non-refundable consumption tax, which is incurred on fees and expenses paid to service providers after netting off the consumption tax collected from tenants of commercial buildings and other income arising in Japan, is charged to the consolidated statement of total return.

The Manager has assumed the non-refundable consumption tax based on the forecast and projection income and expenses after applying the historical non-refundable consumption tax ratio. Non-refundable consumption tax are estimated to be ¥17.9 million and ¥27.4 million respectively in Forecast Period 2008 and Projection Year 2009.

Consumption tax is also imposed on the purchase of properties by Saizen REIT. Non-refundable consumption tax paid on purchase of properties is capitalised as part of property cost.

### ***Non-Property Expenses***

#### *Other administrative expenses*

Other administrative expenses include property-related accounting and legal fees, bank charges and miscellaneous administrative expenses. These expenses have been determined with reference to historical charges.

#### *Manager's management fee and Asset Manager's asset management fee*

Under the Trust Deed, the Manager is entitled to a management fee of 0.5% per annum of the value of the Property Assets. It is assumed that the Manager will receive the management fee in cash in Forecast Period 2008 and Projection Year 2009, which is estimated to be ¥178.5 million and ¥265.4 million respectively during those periods.

#### *Trustee's fee*

The Trustee's fee is calculated based on a percentage of the value of the Deposited Property.

Based on the fee scale in "The Formation and Structure of Saizen REIT—Trustee's fee", the Trustee's fee is estimated to be ¥9.4 million and ¥13.8 million in Forecast Period 2008 and Projection Year 2009 respectively.

#### *Other trust expenses*

Other trust expenses consist of Saizen REIT's expenses such as audit and legal fees, valuation fees, listing and related fees, as well as expenses relating to investor communication such as preparation and distribution of reports to Unitholders and shareholder meetings. Other trust expenses are estimated to be ¥32.6 million and ¥50.0 million in Forecast Period 2008 and Projection Year 2009 respectively.

### *Finance costs*

As at the Listing Date, Saizen REIT has total borrowings amounting to approximately ¥27.2 billion. A total of ¥11.6 billion of proceeds from the Offering will be applied towards partial repayment of the aforesaid borrowings on or around 31 December 2007. Upon partial repayment, total borrowings would reduce to approximately ¥15.6 billion. The weighted average interest rate of the remaining borrowings will be 3.25% per annum and is fixed for the remaining tenure of the borrowings. Additional borrowings will be incurred for the acquisition of the Additional Properties.

Based on the above plus amortisation of loan commissions of ¥233.5 million and ¥85.1 million respectively in Forecast Period 2008 and Projection Year 2009, finance costs are estimated to be ¥667.5 million and ¥703.8 million respectively in Forecast Period 2008 and Projection Year 2009.

### ***Net depreciation in the value of investment properties***

The Properties will be revalued annually at 30 June of each year, and the next valuation will be conducted in respect of the financial year end 30 June 2008. The Manager has assumed that the values of the Properties will remain at the amounts at which they were valued during Forecast Period 2008 and Projection Year 2009. As a result of this, a net depreciation in the value of investment properties equivalent to the transaction costs for the acquisition of the Additional Properties will be recorded in Forecast Period 2008. Such transaction costs include the acquisition fee of 1.0% of the total value of the Additional Properties, which amounts to approximately ¥62.1 million, which is payable in the event that the Additional Properties are acquired. This fee will be paid in the form of Units in respect of the Additional Properties in Forecast Period 2008.

### ***Income tax***

It has been assumed that the withholding tax on appropriation of profit to Saizen REIT from the Saizen TK Operators will remain at 20.0%.

### ***IPO expenses***

Saizen REIT will bear the costs associated with the issuance of the Units under the Offering and the cost in relation to the transfer of TK interests. Unit issue expenses are deducted from equity to the extent that they are incremental costs directly attributable to the transaction that otherwise would have been avoided. Expenses that are not deductible from equity are charged to the consolidated statements of total return. Such amounts which will be attributable to Saizen REIT are based on the best estimate of the Manager and subject to agreement with the Vendors. These expenses are estimated to be ¥864.4 million for Forecast Period 2008.

### ***Profits attributable to Saizen TK Operators***

Profits attributable to Saizen TK Operators consist of profits attributable to the Saizen TK Operators under the Saizen TK Agreements. The Asset Manager's fee is paid by the Saizen TK Operators out of such profits.

### ***Exchange Rate***

The Manager has assumed an exchange rate of ¥76.06 to S\$1.00 and has also assumed that this rate will remain the same throughout Forecast Period 2008 and Projection Year 2009 and hence there will be no foreign exchange gains or losses.

### ***Accounting standards***

The Manager has assumed that there will be no change in the applicable accounting standards or other financial reporting requirements in both Singapore and Japan in Forecast Period 2008 and Projection Year 2009 which will have a material impact on the financial results of Saizen REIT and its subsidiaries during those periods.

### ***Other assumptions***

When preparing the profit forecast for Forecast Period 2008 and the profit projection for Projection Year 2009, the Manager has also made the following assumptions:

- The property portfolio of Initial Properties and Additional Properties remains unchanged throughout the periods. The impact of any future acquisitions is discussed below under "Certain impact of future acquisitions on consolidated statement of total return".
- No further capital is raised.
- No change to the Tax Rulings.
- No change in taxation and other applicable legislations in the jurisdictions which the Group's entities operate in.
- 100.0% of the Distributable Income will be distributed.
- No change in interest rate and inflation rate.
- The Over-allotment Option is not exercised.

### ***Certain impact of future acquisitions on consolidated statement of total return***

The consolidated profit forecast for Forecast Period 2008 and the consolidated profit projection for Projection Year 2009 have been compiled on the basis of revenue contribution from the Initial Properties and Additional Properties only. There is no guarantee that Saizen REIT will invest in all or any of the Additional Properties or Kaminobori-cho Mansion. Notwithstanding the Management Team's track record in making

acquisitions and the Manager's strategy of capitalising on acquisition growth opportunities, the forecast and projection herein represents a base case that has yet to take into account any financial effect from anticipated further acquisition activities. (See "Risk Factors—Risks relating to Saizen REIT's Operations".)

Under the International Financial Reporting Standards, acquisition-related costs are included in the initial carrying value of the Properties. Such expenses may be substantial in the event that Saizen REIT has many acquisition activities. This may result in a negative impact on its consolidated statement of total return as such costs are accounted for as depreciation in the value of the Properties.

### **Sensitivity Analysis**

The forecast and projected distributions included in this Prospectus are based on a number of assumptions that have been outlined above. The forecast and projected distributions are also subject to a number of risks as outlined in "Risk Factors".

All prospective investors in the Units should be aware that future events cannot be predicted with any certainty and deviations from the figures forecast or projected in this Prospectus are to be expected. To assist all prospective investors in the Units in assessing the impact of these assumptions on the consolidated profit forecast and consolidated profit projection, a series of tables demonstrating the sensitivity of the DPU to changes in the principal assumptions are set out below.

The sensitivity analysis is intended to provide guidance only and variations in actual performance could exceed the ranges shown. Movement in other variables may offset or compound the effect of a change in any variable beyond the extent shown.

### **Gross Revenue**

Changes in Gross Revenue will impact the income of Saizen REIT and, consequently, the distribution yield. The assumptions for revenue have been set out earlier in this section and the effect of variations in the revenue on the distribution yield (based on the Offering Price) is set out below:

	<b>Distribution yield</b>	
	<b>Forecast Period 2008</b>	<b>Projection Year 2009</b>
	(%)	(%)
2.5% above base case .....	6.77	5.86
Base case .....	6.51	5.65
2.5% below base case .....	6.26	5.44

### **Property Operating Expenses**

Changes in Property Operating Expenses will impact the income of Saizen REIT and, consequently, the distribution yield. The assumptions for Property Operating Expenses have been set out earlier in this section and the effect of variations in the revenue on the distribution yield (based on the Offering Price) is set out below:

	<b>Distribution yield</b>	
	<b>Forecast Period 2008</b>	<b>Projection Year 2009</b>
	(%)	(%)
2.5% below base case .....	6.60	5.74
Base case .....	6.51	5.65
2.5% above base case .....	6.43	5.56

### **Currency exposure**

Saizen REIT receives all of its income from the Properties in Yen. Upon listing, Saizen REIT currently intends to adopt suitable hedging strategies with respect to the cash flow it expects to receive for the Forecast Year 2008 and Projection Year 2009. Notwithstanding the aforesaid, the following table illustrates the hypothetical impact of exchange rate fluctuations without currency hedging (based on the Offering Price):

<b>Exchange rate Yen/SGD</b>	<b>Distribution yield</b>	
	<b>Forecast Period 2008</b>	<b>Projection Year 2009</b>
	(%)	(%)
SGD weakens 2.5% against Yen .....	6.66	5.77
Base case .....	6.51	5.65
SGD strengthens 2.5% against Yen .....	6.37	5.53

## STRATEGY

The Manager's principal investment strategy is to invest in a diversified portfolio of income-producing real estate mainly located in Japanese regional cities, used primarily for residential and residential-related purposes, as well as real estate-related assets in connection with the foregoing. It envisages investments in assets with steady and reliable income, attractive cash flow growth and capital gains prospects, and the potential to achieve attractive returns. Saizen REIT's current investment portfolio consists of the Initial Properties with a total appraised value of approximately ¥47.7 billion (approximately S\$626.8 million). The Initial Properties are located in 12 regional cities of Japan, namely Sapporo, Fukuoka, Sendai, Kitakyushu, Hiroshima, Kumamoto, Hakodate, Kagoshima, Kurashiki, Morioka, Koriyama and Oita. In addition, subject to obtaining satisfactory financing and results of due diligence, Saizen REIT expects to invest in 15 Additional Properties with a total indicative purchase consideration (excluding transaction costs) of approximately ¥5.4 billion (approximately S\$71.4 million).

In accordance with the requirements of the Listing Manual, the Manager's principal investment strategy for Saizen REIT will be adhered to for at least three years following the Listing Date, unless otherwise agreed by Unitholders by Extraordinary Resolution in a meeting of Unitholders duly convened and held in accordance with the provisions of the Trust Deed. After the expiry of the three-year period, the Manager may from time to time change the principal investment strategy of Saizen REIT so long as the Manager has given not less than 30 days' prior notice of the change to the Trustee and the Unitholders by way of an announcement via SGXNET.

The Manager intends to hold the Properties for long-term investment purposes and will place strong emphasis on regular maintenance, periodic renovation and capital improvement as deemed necessary to maintain the attractiveness and marketability of the Properties.

The Manager's key financial objective is to provide Unitholders with a competitive rate of return on their investment while ensuring regular and stable distributions to Unitholders and achieving long-term growth in distributions and NAV per Unit. The Manager plans to achieve its key objectives through the following:

### **Capitalising on acquisition growth opportunities**

Acquisition growth is the key strategy of Saizen REIT.

The Additional TK Operator has entered into conditional sale and purchase agreements with independent third party vendors to acquire the Additional Properties. Subject to obtaining satisfactory financing and results of due diligence, the Additional TK Operator expects to complete the acquisition of 14 Additional Properties within two months from the Listing Date and the remaining Additional Property within five months from the Listing Date. Saizen REIT has been granted the Right of First Refusal to Invest by the Additional TK Operator to invest in the Additional TK Operator in relation to the Additional Properties. Saizen REIT's investment in the Additional Properties would bring the total portfolio to 163 Properties across 13 regional cities, with a total portfolio value of approximately ¥53.1 billion (approximately S\$698.2 million).

Apart from the Additional Properties, the Management Team is currently considering the acquisition of over 40 properties worth approximately ¥20 billion (approximately S\$263.0 million). The Manager believes that the large size of Japanese regional cities, economies and property markets will continue to offer Saizen REIT numerous acquisition opportunities.

Saizen REIT also intends to negotiate conditional forward contracts with developers to invest, through TK arrangements, in properties under development, with rental guarantee arrangements in place, where appropriate, to reduce leasing risks. Such rental guarantee arrangements typically involve the vendor guaranteeing a specified amount of rent payments until the expiry of a specified period or when the occupancy rate of the property exceeds an agreed level, whichever occurs first. A total of two Initial Properties (EMYU Heisei Keyakidori Mansion and Kaminobori-cho Mansion) and three Additional Properties (Grand Polestone Otemachi II, Grand Polestone Higashi Hiratsuka and Kyobashicho Building) are subject to the rental guarantee arrangements.



The following table sets out the key terms of the rental guarantee arrangements:

<b>Property name</b>	<b>Occupancy rate guarantee</b>	<b>Duration of guarantee<sup>(1)</sup></b>	<b>Portfolio</b>	<b>Comments</b>
EMYU Heisei Keyakidori Mansion . . . .	85%	Ends when 85% reached	Initial Property	Currently 79% occupied
Kaminobori-cho Mansion . . . . .	100%	Ends when 100% reached	Initial Property	Under construction
Grand Polestone Otemachi II . . . . .	100%	Ends when 100% reached	Additional Property	Under construction
Grand Polestone Higashi Hiratsuka . . . .	100%	Ends when 100% reached	Additional Property	Under construction
Kyobashicho Building . . . . .	100%	Ends when 100% reached	Additional Property	Under construction

Note:

(1) Measured by reference to the point when the said percentage of units within the property have been initially leased out, even though such units may subsequently become vacant.

In evaluating Saizen REIT's investment opportunities, the Management Team will focus on the following investment criteria with respect to an underlying property or portfolio of properties under consideration:

#### ***Location***

The Management Team will evaluate a range of location-related criteria including demand for residential apartments, ease of access, connectivity to major transportation hubs such as major highways and roads, subway lines, Japan Rail lines and other public transportation networks, access to basic amenities such as supermarkets, banks, post offices, laundries and eateries, and the immediate presence and concentration of competing residential properties.

#### ***Tenant profile***

The Management Team will seek to invest in single-type, medium-type and family-type residential units catering to a broad market of tenants such as working singles and students, working couples without children and small families, so as to maintain a diversified tenant base.

#### ***Occupancy characteristics***

The Management Team will seek to reduce its operating and leasing risks by maintaining a high portfolio occupancy rate and a diversified portfolio which is not dependent on a small group of tenants. In keeping with that objective, the Management Team will target properties with high, or with the potential to demonstrate strong growth in, occupancy rates and will seek to diversify the tenant base.

#### ***Building and facilities specifications***

The Management Team will seek to invest only in properties constructed using materials like steel, reinforced concrete or steel-reinforced concrete, and which are in compliance with earthquake-resistance requirements as stipulated in the Building Standards Act. The Management Team will also take into account the PML of the target property which is the amount to be incurred in repairing the damage as a percentage of the replacement cost of the property in the event of the occurrence of a hypothetical major earthquake that has the possibility of occurring once in every 475 years. In the event that the PML is higher than 20.0%, measures such as earthquake insurance will be considered.

The Management Team will also seek to conduct thorough property due diligence, including the inspection of the title to the properties, and adhere strictly to the relevant quality specifications, with due consideration given to the size and age of the buildings. It will also ensure that the properties are in compliance with local legal requirements such as the Building Standards Act and various environmental laws and zoning regulations. The properties will be assessed by independent experts relating to repairs, maintenance and capital expenditure requirements in the short and medium-term.

The Management Team will also take into account the adequacy of the facilities available at the target properties and their ability to cater to the tenants' needs, such as ensuring the sufficiency of car parks within target properties comprising family-type units.

#### ***Ownership***

The Management Team intends to invest in entire buildings, including the underlying land, so as to facilitate repairs and capital expenditures.

The Management Team intends to invest in the Properties on a long-term basis. However, it is possible that a property or portfolio of properties may be recommended to be sold, in whole or in part, as circumstances warrant. For example, the Management Team may recommend that certain properties be sold if it considers that

such property or portfolio of properties no longer offer attractive growth prospects for Saizen REIT. Under these circumstances, the Management Team may recommend selling the property or portfolio of properties and utilising the proceeds for alternative investments in properties that meet its investment criteria. The Management Team intends to utilise its network of relationships, including that with the Sponsor's partners, its ability to identify under-performing assets and its ready access to capital to achieve favourable returns on invested capital and growth in cash flow.

#### **Leveraging complementary local partnerships and local industry knowledge of experienced Japanese staff**

The Manager believes Saizen REIT will benefit from the Asset Manager's established presence in Japan, and its strong relationships with leading local real estate professionals which will enhance Saizen REIT's future growth prospects and efficient management of its Properties.

In addition, the Manager has access to the Asset Manager's Japan residential management platform, which is supported by a management team in Japan of eight professionals. The platform provides Saizen REIT with the benefit of the local real estate industry knowledge, as well as the acquisition and management expertise of the Asset Manager. The Manager believes that these factors will assist in the evaluation and recommendation of potential investments.

#### **Implementing capital management strategies**

The Manager endeavours to optimise Saizen REIT's capital structure and apply appropriate risk management and finance strategies to maximise the risk-adjusted returns to Unitholders.

The Manager intends to achieve this by adopting the following measures:

##### ***Optimise mix of debt and equity***

The Manager will seek to optimise the mix of debt and equity used to finance investments in future properties within the borrowing limits set out in the Property Fund Guidelines. Upon the partial repayment of outstanding loans out of the net proceeds raised from the Offering, assuming that no additional debt is raised after listing and without taking into account the acquisition of the Additional Properties, Saizen REIT's leverage is expected to be approximately 30.0%. Saizen REIT has obtained a provisional credit rating of Baa3 from Moody's<sup>1</sup> which is conditional upon completion of the Offering and Saizen REIT raising gross proceeds of at least US\$130.0 million. Based on the Offering Price, Saizen REIT will raise gross proceeds of S\$196.7 million or US\$130.2 million<sup>2</sup>. Saizen REIT intends to maintain its leverage at approximately 45.0% on a stabilised basis.

##### ***Leverage Saizen REIT's operating scale and improved credit position***

The Manager will seek to capitalise on Saizen REIT's portfolio size, scale of operations and improved credit position following the listing to negotiate for improved terms for refinancing the Properties and financing future investments.

##### ***Manage exposure to foreign currency***

Saizen REIT will receive distributions from the Saizen TK Operators, whose cash flows are denominated in Yen. As Saizen REIT's cash flows are denominated in Singapore dollars, this exposes Saizen REIT to fluctuations in the cross currency rates of Yen and Singapore dollars. Where appropriate, based on the prevailing market conditions, the Manager may adopt suitable hedging strategies to minimise any foreign exchange rate risk. In this respect, the Manager currently intends to hedge the Yen exposure of Saizen REIT's Distributable Income by entering into hedging instruments for the amount of the estimated future Distributable Income including Forecast Period 2008 and Projection Year 2009.

<sup>1</sup> Moody's has not provided its consent, for the purposes of Section 249 (read with Section 302) of the SFA, to the inclusion of the information and is therefore not liable for such information under Sections 253 and 254 (read with Section 302) of the SFA. While the Manager has taken reasonable action to ensure that the information has been reproduced in its proper form and context, and that it has been extracted accurately and fairly, neither the Manager nor any other party has conducted an independent review of, nor verified the accuracy of, such information. The credit rating obtained from Moody's is current. The rating is not a recommendation to invest in any securities, and is subject to revision or withdrawal at any time. Issuer ratings express Moody's opinion of an entity's creditworthiness and ability to meet its senior financial obligations. Moody's defines 'Baa' ratings as investment grade ratings which are assigned to issuers that offer adequate financial security.

<sup>2</sup> Based on an exchange rate of S\$1.00 = US\$ 0.6619, being the average exchange rate for September 2007 obtained from the Datastream Database from Thompson Research. Thompson Research has not provided its consent, for the purposes of Section 249 (read with Section 302) of the SFA, to the inclusion of the information and is therefore not liable for such information under Sections 253 and 254 (read with Section 302) of the SFA. While the Manager has taken reasonable action to ensure that the information has been reproduced in its proper form and context, and that it has been extracted fairly and accurately, neither the Manager nor any other party has conducted an independent review of, nor verified the accuracy of, such information.

## BUSINESS AND PROPERTIES

### Overview

Saizen REIT is a Singapore-based REIT established with the principal investment objective of investing 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.

### *The Initial Properties*

The Vendors have previously entered into the Vendor TK Agreements with the Initial TK Operators in order to invest in the Initial Properties owned and held by the Initial TK Operators<sup>1</sup>. The Initial Properties have a total appraised value of approximately ¥47.7 billion (approximately S\$626.8 million) and are located in 12 regional cities across Japan, namely Sapporo, Fukuoka, Sendai, Kitakyushu, Hiroshima, Kumamoto, Hakodate, Kagoshima, Kurashiki, Morioka, Koriyama and Oita. On the Listing Date, Saizen REIT will invest in the Initial Properties by issuing 223,749,000 Consideration Units (assuming that the Over-allotment Option is exercised in full) as full consideration for the acquisition of the Vendor TK Interests from the Vendors. The aggregate NAV of the Initial TK Operators is ¥20.9 billion (approximately S\$275.3 million). At the Offering Price, the Consideration Units will be valued at S\$253.3 million, which represents a discount of 8.0% to such NAV.

As at 31 August 2007, the Initial Properties have an aggregate Gross Floor Area of 226,250 sq m, a Net Lettable Area of 197,743 sq m, and occupancy rate of approximately 91.2%<sup>2</sup>.

### *The Additional Properties*

The Additional TK Operator has entered into various conditional sale and purchase agreements with independent third party vendors for the acquisition of the Additional Properties. The Additional Properties have a total indicative purchase consideration (excluding transaction costs) of approximately ¥5.4 billion (approximately S\$71.4 million) and are located in six regional cities across Japan, namely Fukuoka, Sapporo, Sendai, Hiroshima, Niigata and Koriyama. Subject to obtaining satisfactory financing and results of due diligence, the Additional TK Operator expects to complete the acquisition of 14 Additional Properties within two months from the Listing Date and the remaining Additional Property within five months from the Listing Date. Saizen REIT has been granted the Right of First Refusal to Invest by the Additional TK Operator. The Trustee, on behalf of Saizen REIT, expects to enter into one or more Additional TK Agreements with the Additional TK Operator concurrently with the Additional TK Operator's completion of the first sale and purchase agreement with independent third party vendors for the Additional Properties. Subsequent investment contributions to the Additional TK Operator will be made in phases, in order for the Additional TK Operator to complete each subsequent acquisition under the respective sale and purchase agreements. Saizen REIT's investment in the Additional Properties will be fully paid for in cash.

Saizen REIT's investment in the Additional Properties will bring the total portfolio to 163 Properties across 13 regional cities. The total appraised value of the Initial Properties and indicative purchase consideration of the Additional Properties amounts to approximately ¥53.1 billion (approximately S\$698.2 million).

As at 31 August 2007, the Additional Properties have an aggregate Gross Floor Area of 23,133 sq m, and a Net Lettable Area of 19,780 sq m.

<sup>1</sup> One of the Initial Properties in Hiroshima, Kaminobori-cho Mansion, is currently under construction and is expected to be completed in or around the second quarter of 2008. The relevant Initial TK Operator has entered into a conditional sale and purchase agreement with an independent third party vendor for Kaminobori-cho Mansion and will only acquire it upon its completion.

<sup>2</sup> Excluding Kaminobori-cho Mansion, which is currently under construction and is expected to be completed in or around the second quarter of 2008.

## Information regarding the YKs and GKs

The table below sets out information regarding the YKs and GKs with which the Vendors invest:

<u>Vendor</u>	<u>YK / GK</u>	<u>Number of properties owned by each YK / GK</u>
<b>Initial TK Operators</b>		
Central-Top .....	YK JOF	6
	YK Keizan	11
	YK Kokkei	6
JHYP .....	YK Shingen	31
	YK Shintoku	56
	YK Shinzan	16
JHYP II .....	GK Choan	22
<b>Total</b> .....		<b>148</b>
<b>Additional TK Operator</b>		
Independent third party vendors <sup>(1)</sup> .....	GK Chosei	15
<b>Grand Total</b> .....		<b>163</b>

Note:

(1) GK Chosei has entered into conditional sale and purchase agreements with nine independent third party vendors to acquire the Additional Properties. (See “—Overview of the Additional Properties” for details of the Additional Properties”.)

## Marketing and Leasing Activities

The Properties will be actively marketed jointly by the Asset Manager in conjunction with the property managers to prospective tenants in desired target groups through poster and flyer advertisements, advertisements on Internet websites and liaising with local property agents. The agents are also regularly updated with the information on the available units for rental at each of the Properties. The agents will also undertake property tours of the premises with prospective tenants on a regular basis to market the vacant units.

The Manager believes that such a proactive leasing approach and strategy will assist Saizen REIT to maintain the high occupancy rates of the Properties.

## Lease Agreements and Lease Management

The lease agreements entered into for the Properties contain terms and conditions, including those relating to the duration of the lease, provision of security deposit, as well as the alteration and improvement works, generally found in most residential lease agreements in Japan. The Manager believes that the terms are in line with generally accepted market practice and procedures.

When a prospective tenant has committed to a lease, a security deposit in the form of cash or banker’s guarantee equal to between two to four months’ gross rent is typically payable. The tenant will take possession of the premises after it has made the requisite payments and has formally executed the lease agreement. Rent and service charges are payable monthly.

As tenant retention is critical to minimising the turnover of leases, the Asset Manager, in conjunction with the property managers, will maintain close communication and a good working relationship with the existing tenants. Dialogues and meetings for lease renewal will be held with tenants whose leases are due to expire. Arrears management procedures will also be enforced to ensure timely payment of rent. The Manager believes that these proactive steps to retain tenants and reduce rental in arrears will help maintain a stable income stream for Saizen REIT.

## Insurance

The Properties are insured in a manner which the Manager believes is consistent with industry practice in Japan. Their coverage includes fire accident, property damage, business interruption and public liability (including personal injury). There are no significant or unusual excess or deductible amounts required under such policies. There are, however, certain types of risks that are not covered by such insurance policies, including acts of war and acts of terrorism. (See “Risk Factors—Risks Relating to Investing in Real Estate”.)

When considering whether to take up earthquake insurance, the Manager will consider, among other things, the PML of the Properties, the insurability of the Properties and the costs of such insurance. The PML of the Initial Properties ranges between 0.02% and 16.6%, with a simple average of 3.3%.

### **Legal Proceedings**

None of Saizen REIT, the Manager and the Asset Manager is currently involved in any material litigation nor, to the best of the Manager's knowledge, is any material litigation currently contemplated or threatened against Saizen REIT, the Manager or the Asset Manager.

### **Encumbrances**

The Properties are subject to the encumbrances as set out in "Capitalisation and Indebtedness—Indebtedness".

### **Competition**

The residential real estate markets in Japanese regional cities are highly fragmented and characterised by a lack of readily available public information about selling prices. The Manager has observed that, in line with the general economic recovery in Japan, there have been increasing development activities for residential real estate, both for sale and for lease, in the past few years. Such activities are expected to continue in the next few years. The Properties under Saizen REIT's portfolio will compete with such new properties available for sale in that existing tenants of the Properties may opt to purchase their own apartments instead of leasing, resulting in tenants moving out. New residential apartments for lease may also be more attractive to tenants. The principal factors on which the Properties will compete on with the aforesaid properties include location, competitiveness of rent levels, the quality of the residential units and level of services.

According to the Manager, the current competitors to Saizen REIT (in terms of acquisition activities in the Japanese regional cities) are mainly local Japanese small and medium-size corporations as well as high net worth families and individuals. Few of these competitors own more than a small number of properties. In the past year, the Manager has observed an increasing presence of institutional investors such as real estate funds, REITs and large property development companies bidding for properties in the Japanese regional cities. These may compete with the future acquisition activities of Saizen REIT.

## Overview of the Initial Properties

The table below summarises key information with regards to the Initial Properties. The Properties are categorised according to their geographical location:

No. <sup>(1)</sup>	Name of Property	Year completed	Appraised values of the Initial Properties					Occupancy rate of residential units as at 31 August 2007	Percentage of Revenue <sup>(3)</sup> (%)						
			Value 1		Value 2		Average Gross Floor Area <sup>(2)</sup> (sq m)								
			Name of Valuer	Valuation (¥ '000)	Name of Valuer	Valuation (¥ '000)									
FUKUOKA															
12	Wing Befu .....	1992	—	3	AR	206,000	RH	184,000	417	768	154	751	97%	1,306,000	0.4%
16	Arati Hakata South .....	1991	—	15	AR	472,000	RH	450,000	711	1,406	201	1,376	92%	2,981,000	1.0%
19	Chic Takaramachi .....	1985	—	17	AR	243,000	RH	232,000	1,128	2,102	420	1,949	73%	1,455,380	0.5%
79	Johnan Building III .....	1983	6	21	AREAN	452,000	RH	430,000	1,076	2,108	264	1,759	100%	3,089,756	1.1%
80	Gold Mansion Nakao .....	1988	—	—	TKYAR	179,000	RH	156,000	473	739	185	739	82%	980,000	0.3%
85	Central Court Tenjin Higashi .....	1991	—	—	TKYAR	203,000	RH	172,000	256	579	83	546	100%	1,185,000	0.4%
124	Saumur Meinohama II .....	1991	—	—	RH	76,000	AREAN	72,000	195	290	108	290	100%	536,000	0.2%
147	Patios Ohashi .....	1995	—	7	RH	140,000	JREI	138,000	298	475	79	442	96%	1,000,400	0.3%
166	Wealth Meinohama .....	1988	—	1	AREAN	79,100	AR	73,000	198	298	99	283	83%	458,643	0.2%
192	La Finesse Hakataeki Minami .....	2006	—	7	AREAN	550,000	RH	538,000	322	1,319	94	1,228	88%	3,034,300	1.0%
196	Orion Heim .....	1996	—	6	AREAN	268,000	AR	241,000	289	963	107	812	90%	1,550,400	0.5%
Sub-total:						2,868,100	2,686,000		17,576,879						
HAKODATE															
78	Matsukaze Building .....	1990	4	30	JREI	382,000	RH	348,000	562	3,101	310	2,447	94%	3,146,300	1.1%
86	Legions Yunokawa .....	1989	—	13	TAR	185,000	RH	166,000	933	1,763	353	1,486	75%	1,203,550	0.4%
101	Villa Kaigancho .....	1990	1	24	ARAYS	383,000	RH	382,000	1,427	4,275	473	3,907	88%	3,323,200	1.1%
107	Crestage Tayacho .....	1991	—	18	TAR	129,000	RH	120,000	726	1,172	293	1,027	89%	1,020,500	0.4%
142	Jewel Town Suehiro .....	1991	—	8	TAR	203,000	RH	193,000	404	1,594	230	1,382	93%	1,600,144	0.5%
Sub-total:						1,282,000	1,209,000		10,293,694						
HIROSHIMA															
83	Residence II Yasuda .....	1985	—	2	JREI	120,000	RH	115,000	170	580	116	445	95%	858,000	0.3%
84	Sun Park Yokokawa .....	1988	—	—	ARAYS	81,700	JREI	78,600	116	402	80	322	100%	619,000	0.2%
93	Funairi Honmachi 54 .....	1992	1	3	RH	227,000	ARAYS	215,000	256	830	92	769	100%	1,631,600	0.6%
104	Alpha Shinonome .....	1984	—	—	JREI	118,000	RH	114,000	301	579	145	512	100%	903,000	0.3%
105	Global Matsukawa Building .....	1985	2	5	ARAYS	301,000	RH	288,000	205	1,369	124	1,105	100%	1,947,000	0.7%
110	Higashi Hakushima Y Building .....	2003	—	4	RH	210,000	JREI	196,000	138	561	68	536	95%	1,279,000	0.4%
111	Kamei Five .....	1989	2	2	ARAYS	139,000	RH	129,000	247	522	115	449	100%	960,150	0.3%
112	Kinyacho Grande .....	2004	—	8	ARAYS	573,000	RH	569,000	209	1,438	131	1,360	100%	3,412,000	1.2%
113	Kinyacho Y Building .....	2002	—	2	RH	244,000	JREI	230,000	157	718	76	621	96%	1,438,000	0.5%

Notes:

- (1) Property number is for the Manager's internal reference only.
- (2) Calculated by dividing the Gross Floor Area by the number of floors.
- (3) Revenue comprises base rental income, common area management fees and car parking rental income only.



No. <sup>(1)</sup>	Name of Property	Year completed	Appraised values of the Initial Properties				Occupancy rate of residential units as at 31 August 2007				Percentage of Revenue <sup>(3)</sup> (%)	
			Valuer 1		Valuer 2		Average Gross Floor Area <sup>(2)</sup> (sq m)	Net Lettable Area (sq m)	Revenue for August 2007 <sup>(3)</sup> (¥)			
			Name of Valuer	Valuation (¥ '000)	Name of Valuer	Valuation (¥ '000)						
HIROSHIMA												
114	Matoba Y Building	1999	RH	229,000	JREI	221,000	167	753	73	663	1,393,000	0.5%
115	Otemachi Y Building	2001	ARAYS	244,000	RH	234,000	134	651	62	577	1,388,000	0.5%
116	U.I. Building	1993	RH	342,000	JREI	337,000	1,099	2,061	360	2,002	2,326,000	0.8%
154	Aistage Ushita Minami	2006	RV	359,000	RH	357,000	353	1,000	136	920	2,175,000	0.7%
167	Matoba Meijibashi II	1996	JREI	324,000	A&S	311,000	235	916	114	820	2,034,000	0.7%
178	Wing Nakahirodori	2007	ARAYS	838,000	A&S	820,000	551	2,239	224	2,161	4,626,176	1.6%
185	Grand Polestone Takeya	2006	RV	641,000	A&S	605,000	268	1,897	1,577	1,575	3,616,000	1.2%
186	Grand Polestone Kinya	2005	RV	178,000	A&S	175,000	134	531	416	416	1,008,000	0.3%
191	Grand Polestone Tsurumi	2006	RV	465,000	A&S	434,000	243	1,216	94	1,060	2,495,000	0.9%
197	Fujimicho Building	2007	RH	513,000	A&S	456,500	175	1,047	105	960	1,803,000	0.6%
198	Grand Polestone Fujimi	2005	RV	228,400	A&S	208,000	118	598	60	548	1,283,200	0.4%
199	Grand Polestone Otemachi	2007	RV	655,000	RH	621,000	328	1,812	139	1,529	3,138,000	1.1%
200	Kusatsu Higashi Heights	1988	RH	197,000	TKYAR	186,000	740	1,183	296	1,183	1,126,000	0.4%
201	VOGA Minami Kannon	1993	RH	230,000	TKYAR	199,000	414	890	222	659	1,526,000	0.5%
202	Kaminobori-cho Mansion	2008 <sup>(4)</sup>	RH	800,000	AR	795,000	289	1,736	158	1,682	N/A	N/A
Sub-total:						8,257,100	7,894,100		42,985,126			14.7%
KAGOSHIMA												
135	Yamamoto Mansion	2004	ARAYS	765,000	RH	760,000	694	2,762	274	2,672	4,920,820	1.7%
179	Abitare Shinoarata I	1989	AREAN	342,000	AR	331,000	633	1,252	250	1,235	2,249,500	0.8%
180	Abitare Shinyashiki	1989	AREAN	316,000	AR	307,000	480	1,409	282	1,292	2,193,000	0.8%
195	Abitare Koyrimoto	1990	AREAN	338,000	AR	326,000	802	1,279	256	1,277	2,341,000	0.8%
Sub-total:						1,761,000	1,724,000		11,704,320			4.1%
KITAKYUSHU												
94	Chalet Kishinoura	1991	AR	384,000	TKYAR	382,000	1,161	1,754	251	1,727	2,106,000	0.7%
95	Chalet Numahon Machi II	1991	TKYAR	246,000	AR	235,000	752	1,344	288	1,313	1,299,775	0.4%
96	Chalet Suwamachi	1996	AR	387,000	TKYAR	378,000	750	2,317	335	2,221	1,703,000	0.6%
97	Chalet Tsudashin Machi	1990	AR	193,000	TKYAR	189,000	776	1,276	306	1,227	1,131,100	0.4%
100	Chalet Einomaru II	1991	TKYAR	147,000	AR	145,000	687	937	245	937	830,300	0.3%
102	Chalet Kanda II	1992	AR	341,000	TKYAR	336,000	1,402	2,094	299	2,094	2,227,000	0.8%
103	Chalet Matsuo II	1991	TKYAR	78,800	AR	78,000	277	411	117	411	547,000	0.2%
117	Chalet Harunomachi	1991	AR	478,600	TKYAR	477,000	730	3,089	292	2,750	3,188,000	1.1%
118	Chalet Shiragane	1990	TKYAR	285,000	AR	284,700	439	1,337	183	1,316	1,813,000	0.6%
119	KN 7 Kirigaoka	1996	AR	452,000	JREI	421,000	1,328	2,194	282	2,122	2,594,000	0.9%
120	KN 21 Shiragane	2000	AR	302,000	JREI	290,000	969	1,472	281	1,390	1,500,500	0.5%
121	Urban KN 2 Kumamoto	1984	AR	113,000	JREI	106,000	690	914	311	799	843,900	0.3%

Notes:

- (1) Property number is for the Manager's internal reference only.
- (2) Calculated by dividing the Gross Floor Area by the number of floors.
- (3) Revenue comprises base rental income, common area management fees and car parking rental income only.
- (4) Kaminobori-cho Mansion is under construction and its completion is expected to be in or around the second quarter of 2008.

No. <sup>(1)</sup>	Name of Property	Year completed	Appraised values of the Initial Properties					Occupancy rate of residential units as at 31 August 2007	Percentage of Revenue <sup>(3)</sup> (%)				
			Valuer 1		Valuer 2		Average Gross Floor Area <sup>(2)</sup> (sq m)			Net Lettable Area (sq m)	Revenue for August 2007 <sup>(3)</sup> (¥)		
			Name of Valuer	Valuation (¥ '000)	Name of Valuer	Valuation (¥ '000)							
KITAKYUSHU													
123	Shinko Kokura Kogane Sky Mansion	1990	AR	267,000	JREI	260,000	401	1,209	133	1,161	93%	1,912,240	0.7%
127	Chalet Aoyama	1989	AREAN	325,000	AR	314,000	1,350	2,098	465	2,098	85%	2,033,500	0.7%
128	City Room Nakai III	1998	TKYAR	193,000	AR	192,000	439	855	171	855	87%	1,199,000	0.4%
139	Katano Residential Building	1990	AR	515,000	JREI	474,000	781	3,721	336	2,315	85%	2,771,935	0.9%
162	Club House Kikugaoka	1991	AR	330,000	JREI	320,000	992	1,928	336	1,867	92%	2,157,800	0.7%
168	Alte Heim Kokura	1992	JREI	113,000	AR	110,000	150	624	78	465	100%	887,429	0.3%
169	Alte Heim Kokura II	1995	AR	586,000	AREAN	569,000	541	1,833	183	1,799	78%	2,994,000	1.0%
170	Alte Heim Kokura IV	1989	AR	124,000	AREAN	117,000	256	818	117	733	88%	867,700	0.3%
171	Alte Heim Mojiekimae	1992	AR	211,000	JREI	209,000	380	774	97	699	90%	1,357,000	0.5%
172	Alte Heim Orio	1996	AR	405,000	AREAN	376,000	1,166	1,424	203	1,329	98%	2,581,000	0.9%
			Sub-total:		6,476,400		6,262,700					38,545,179	13.2%
KORIYAMA													
187	Maestoso Figur	2000	RH	456,000	RV	441,000	1,196	1,710	1,662	1,662	96%	2,801,463	1.0%
188	Leggiero Viola	2004	RH	375,000	RV	349,000	1,094	1,656	1,385	1,414	100%	2,476,270	0.8%
			Sub-total:		831,000		790,000					5,277,733	1.8%
KUMAMOTO													
129	EMYU Honjo	2006	AR	1,100,000	JREI	1,050,000	1,053	4,160	359	3,458	99%	6,437,000	2.2%
130	EMYU Shimmachi	2006	AR	761,000	JREI	736,000	698	2,932	266	2,517	98%	4,533,800	1.5%
131	KC Heights	1980	AR	155,000	JREI	135,000	1,311	1,283	267	1,152	100%	1,136,450	0.4%
132	Rise Kojo Horibata	2004	AR	111,000	JREI	103,000	160	442	142	345	100%	612,850	0.2%
133	Rise Kuhonji II	2005	AR	484,000	JREI	480,000	570	1,973	196	1,884	100%	2,421,700	0.8%
134	Rise Shimodori	2005	JREI	389,000	AR	380,000	366	1,398	132	1,265	100%	2,048,500	0.7%
149	Mon Palais Toroku	1994	AR	362,000	JREI	356,000	1,244	1,740	580	1,494	97%	2,552,800	0.9%
150	Rise Gofuku	2006	AR	336,000	JREI	318,000	368	1,583	156	1,358	94%	2,076,500	0.7%
156	Rise Fujisaki Dai	2006	AR	331,000	JREI	331,000	365	1,405	1,494	1,338	100%	2,233,650	0.8%
157	Rise Kumamoto Station South	2006	AR	211,000	JREI	196,000	488	980	2,168	940	85%	1,132,300	0.4%
173	EMYU Heisei Keyakidori Mansion	2007	AR	956,000	JREI	877,000	1,872	4,281	612	3,699	66%	3,854,650	1.3%
174	EMYU Suizenji	2006	AR	1,305,000	JREI	1,200,000	2,190	4,503	563	4,257	98%	7,430,900	2.5%
175	Rise Kumadai Hospital II	2007	AR	622,000	JREI	604,000	753	2,789	254	2,419	100%	4,016,429	1.4%
176	Rise Oe	1998	AR	306,000	JREI	295,000	329	1,204	120	1,163	92%	1,968,850	0.7%
193	Rise Heiseitekimae	2007	AR	225,000	AREAN	214,000	487	863	173	852	94%	1,440,762	0.5%
			Sub-total:		7,654,000		7,275,000					43,897,141	15.1%

Notes:

- (1) Property number is for the Manager's internal reference only.
- (2) Calculated by dividing the Gross Floor Area by the number of floors.
- (3) Revenue comprises base rental income, common area management fees and car parking rental income only.

No. <sup>(1)</sup>	Name of Property	Year completed	Appraised values of the Initial Properties					Occupancy rate of residential units as at 31 August 2007				Percentage of Revenue <sup>(3)</sup> (%)																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																										
			Valuer 1		Valuer 2			Average Gross Floor Area <sup>(2)</sup> (sq m)	Net Lettable Area (sq m)	Revenue for August 2007 <sup>(3)</sup> (¥)																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																												
			Name of Valuer	Valuation (¥ '000)	Name of Valuer	Valuation (¥ '000)	Land Area (sq m)				Gross Floor Area (sq m)																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																											
160	Gardenia Kurashiki .....	1994	19	—	10	—	KURASHIKI	JREI	148,000	RH	146,000	705	869	2,118	846	84%	1,058,596	0.4%																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																				

No. <sup>(1)</sup>	Name of Property	Year completed	Appraised values of the Initial Properties					Occupancy rate of residential units as at 31 August 2007			Revenue for August 2007 <sup>(3)</sup> (¥)	Percentage of Revenue <sup>(3)</sup> (%)		
			Valuer 1		Valuer 2		Average Gross Floor Area <sup>(2)</sup> (sq m)	Net Lettable Area (sq m)	(%)					
			Name of Valuer	Valuation	Name of Valuer	Valuation								
			(¥ '000)	(¥ '000)	(¥ '000)	(¥ '000)								
SAPPORO														
91	Estaille S12 .....	2002	RH	269,000	JREIC	242,000	483	1,186	169	919	94%	1,484,000	0.5%	
98	Ebisu Building III .....	1985	RH	91,000	JREIC	83,900	231	403	101	403	94%	566,500	0.2%	
99	Escort South I1 .....	1992	RH	64,000	JREIC	59,500	268	554	111	495	90%	475,000	0.2%	
106	Heart Inn Hongou .....	1989	JREI	103,000	RH	93,400	254	503	126	458	80%	586,000	0.2%	
125	Reef Suite .....	2005	JREI	210,000	RH	204,000	594	1,260	235	894	100%	1,397,000	0.5%	
136	Art Side Terrace .....	1986	RH	687,000	AR	591,000	944	4,122	399	3,265	92%	4,330,524	1.5%	
143	Estrella 24-ken A .....	2006	RH	109,000	JREI	98,500	198	468	93	372	100%	651,000	0.2%	
144	Kotomi 1-6 Mansion .....	1990	RH	351,000	JREIC	350,000	529	1,923	244	1,662	93%	2,376,500	0.8%	
146	Aster Yamahana .....	1987	RH	193,000	JREI	165,000	512	1,015	204	986	100%	1,369,000	0.5%	
152	TOA Mansion .....	1988	RH	823,000	AR	813,000	1,161	5,335	140	4,406	89%	5,251,524	1.8%	
155	Suten .....	2004	RH	131,000	AR	123,000	179	681	1465	577	100%	872,000	0.3%	
163	Jeunes 23 .....	1988	JREI	376,000	RH	343,000	582	1,700	173	1,502	94%	2,194,501	0.7%	
164	Studio City .....	1985	JREI	314,000	JREIC	288,000	687	1,963	218	1,435	100%	2,346,125	0.8%	
177	Sec' As Blue II .....	2004	JREIC	440,000	TAR	383,000	423	2,159	240	1,643	100%	2,820,570	1.0%	
189	Dear Misono .....	1996	JREIC	61,000	TAR	46,900	182	361	314	314	89%	449,000	0.2%	
190	Casa Motomachi .....	2007	JREIC	341,000	TAR	312,000	473	1,616	180	1,364	75%	1,762,000	0.6%	
Sub-total:							12,147,900		11,451,200		80,268,297			27.5%
SENDAI														
87	Aisho Plaza Hachiman .....	1991	JREI	240,000	RV	237,000	345	643	169	607	100%	1,526,000	0.5%	
88	Exceed Tsuchitai .....	1998	ARAYS	119,000	RV	113,000	126	378	92	314	79%	614,381	0.2%	
89	Sun Hills Asahigaoka .....	1987	RV	70,200	TAR	68,000	238	335	112	334	100%	530,000	0.2%	
90	Sun Port 6 .....	1986	RV	189,000	JREI	176,000	438	887	177	883	89%	1,332,812	0.4%	
92	Sun Rise Kashiwagi .....	1997	JREI	249,000	RV	241,000	633	680	73	666	97%	1,524,667	0.5%	
108	Lively Kamisugi .....	1991	RV	91,800	JREI	91,300	235	294	90	277	75%	472,000	0.2%	
109	Mansion Lilac .....	1990	TAR	64,000	RV	59,000	275	294	98	270	100%	450,000	0.2%	
122	Etoile Higashi Sendai .....	1987	JREI	123,000	RV	121,000	621	652	245	652	93%	771,716	0.3%	
126	Urban Hills Dainohara .....	1991	RV	164,000	JREI	161,000	566	757	200	677	100%	1,218,300	0.4%	
137	High Grace II .....	1998	JREI	413,000	RV	387,000	1,013	1,206	189	1,125	86%	2,439,950	0.8%	
138	Sun Vario Shinden Eki Mae .....	2006	RV	494,000	JREI	486,000	866	1,715	201	1,527	100%	3,009,848	1.0%	
141	Niken Chaya Grand Heights .....	1979	RV	479,000	JREI	475,000	1,028	2,713	439	2,287	93%	3,031,500	1.0%	
145	River City Kimachi .....	1988	RV	164,000	JREI	164,000	543	754	267	636	88%	1,035,400	0.4%	
151	Royal Hills Katagiri .....	1994	RV	197,000	JREI	192,000	522	937	70	732	93%	1,263,200	0.4%	
153	Castle Kano .....	1989	RV	256,000	JREI	241,000	599	1,091	66	1,038	80%	1,387,900	0.5%	
158	Clio Court .....	1988	JREI	244,000	RV	238,000	936	1,178	295	1,097	90%	1,712,665	0.6%	
159	Core Life .....	1990	RV	541,000	TAR	534,000	2,653	4,780	504	3,849	93%	4,006,350	1.4%	
161	YSK Co-op Saiwaicho .....	1993	RV	513,000	JREI	512,000	1,559	2,810	466	2,218	92%	3,339,850	1.1%	

Notes:

- (1) Property number is for the Manager's internal reference only.
- (2) Calculated by dividing the Gross Floor Area by the number of floors.
- (3) Revenue comprises base rental income, common area management fees and car parking rental income only.

No. <sup>(1)</sup>	Name of Property	Year completed	Residential units	Commercial units	Parking units	Appraised values of the Initial Properties				Average Gross Floor Area <sup>(2)</sup> (sq m)	Net Lettable Area (sq m)	Occupancy rate of residential units as at 31 August 2007 (%)	Revenue of August 2007 <sup>(3)</sup> (¥)	Percentage of Revenue <sup>(3)</sup> (%)	
						Valuer 1		Valuer 2							
						Name of Valuer	Valuation (¥ '000)	Name of Valuer	Valuation (¥ '000)						
SENDAI															
181	Royal Hills Komatsushima . . . . .	1990	26	—	5	TAR	174,000	RH	165,000	691	173	678	901,500	0.3%	
184	Liesse Wakabayashi . . . . .	1995	32	—	9	RV	179,000	TAR	175,000	781	130	671	1,190,233	0.4%	
194	Maison d'Etoile II . . . . .	1984	28	—	—	TAR	122,000	RH	110,000	661	165	598	825,500	0.3%	
Sub-total:								5,086,000	4,946,300						
GRAND TOTAL:								47,672,500	45,484,300						
													32,583,772	11.1 %	
													292,244,887	100.0 %	

Notes:

- (1) Property number is for the Manager's internal reference only.
- (2) Calculated by dividing the Gross Floor Area by the number of floors.
- (3) Revenue comprises base rental income, common area management fees and car parking rental income only.

## Information regarding the Initial Properties

### *Geographical distribution of the Initial Properties*

The table below sets out the geographical distribution of the Initial Properties:

<u>City</u>	<u>Number of Properties</u>	<u>Percentage of total number of Initial Properties</u>
Sapporo .....	38	25.7%
Hiroshima .....	24	16.2%
Kitakyushu .....	22	14.9%
Sendai .....	21	14.2%
Kumamoto .....	15	10.0%
Fukuoka .....	11	7.4%
Hakodate .....	5	3.4%
Kagoshima .....	4	2.7%
Morioka .....	4	2.7%
Koriyama .....	2	1.4%
Oita .....	1	0.7%
Kurashiki .....	1	0.7%
<b>Total</b> .....	<b>148</b>	<b>100.0%</b>

There are a total of 148<sup>1</sup> Initial Properties which are spread over 12 regional cities in Japan. Among the Initial Properties, 43 are located in the northern part of Japan in the cities of Sapporo and Hakodate, 52 are located in the central part of Japan in the cities of Sendai, Koriyama, Morioka, Hiroshima and Kurashiki, and 53 are located in the southern part of Japan in the cities of Kumamoto, Kitakyushu, Fukuoka, Kagoshima, and Oita. Sapporo, which has the highest concentration of the Initial Properties, accounts for approximately 25.7% of Saizen REIT's initial portfolio.

### *Utilisation of the units in the Initial Properties*

The table below sets out details of the utilisation of the units in the Initial Properties:

<u>Utilisation</u>	<u>Number of units</u>	<u>Percentage of total number of units</u>	<u>Percentage contribution to Rental Income<sup>(1)</sup></u>
Residential units .....	5,127	73.7%	89.3%
Commercial/ retail units .....	95	1.4%	6.1%
Car parking spaces .....	1,736	24.9%	4.6%
<b>Total</b> .....	<b>6,958</b>	<b>100.0%</b>	<b>100.0%</b>

Note:

<sup>(1)</sup> Rental income does not include the expected rental income of Kaminobori-cho Mansion after its completion.

The Initial Properties comprise residential buildings, some of which have commercial offices or retail outlets at the ground and lower floors. Some of these properties have car parking spaces, of which some are machine-operated tower parking facilities.

The Initial Properties include 5,127 residential units, 95 commercial units and 1,736 car parking spaces. Residential units are the main contributors to rental revenue, representing approximately 89.3% of total revenue while commercial units and car parking spaces contribute 6.1% and 4.6% of total revenue respectively.

<sup>1</sup> One of the Initial Properties in Hiroshima, Kaminobori-cho Mansion, is currently under construction and is expected to be completed in or around the second quarter of 2008. The relevant Initial TK Operator has entered into a conditional sale and purchase agreement with an independent third party vendor for Kaminobori-cho Mansion and will only acquire it upon its completion.



### *Characteristics of the various types of residential units*

The residential units in the Initial Properties can be categorised into three types, being small, medium and family. The characteristics of each type of unit are as follows:

<u>Type</u>	<u>Characteristics</u>		
	<u>Layout and Average Size</u>	<u>Tenant Profile</u>	<u>Location</u>
Small . . . . .	<b>Layout Type:</b> Studio (1R) Studio plus kitchen (1K)  <b>Average Size:</b> Generally 20 sq m to 35 sq m	Young working singles, students	Typically downtown, around major business and entertainment areas, or towns along major transportation networks linking major business and commercial centres (“ <b>Bed Towns</b> ”) or 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> Generally 35 sq m - 50 sq m	Young professionals, working singles, working couples without children	Typically downtown, around major business and entertainment areas or close to educational institutions and Bed Towns near transportation networks
Family . . . . .	<b>Layout Type:</b> 3 bedrooms plus living, dining, kitchen (3LDK) and above  <b>Average Size:</b> Generally 50 sq m and above	Families	Suburbs, residential areas and Bed Towns near transportation networks and basic amenities (e.g. schools, hospitals, supermarkets)

The table below summarises the distribution of the residential units by type:

<u>Type of residential units</u>	<u>No of units</u>
Small . . . . .	2,453
Medium . . . . .	1,985
Family . . . . .	689
<b>Total</b> . . . . .	<b><u>5,127</u></b>

The Initial Properties consist mainly of small units catering to young working singles and students and medium units targeting small families and working singles. This corresponds with the Manager’s view on the demographic trends in Japan where students and young people are moving from suburban areas to major regional cities for education and employment opportunities. The trend of late and low marriage rates and low birth rates are in line with the Manager’s expectation of demand for small and medium units.

### *Distribution of the Initial Properties by age*

The table below sets out details of the distribution of the Initial Properties according to their ages:

Age	Number of Properties	Percentage of total number of Initial Properties	First set of valuations		Second set of valuations	
		(%)	Percentage of total value of Initial Properties		as at Percentage of total value of Initial Properties	
			(¥ million) / (%)		(¥ million) / (%)	
Less than or equal to 10 years . . . . .	45	30.4	19,185.5	40.2	18,313.0	40.3
			(S\$252.2 million)		(S\$240.8 million)	
More than 10 years but less than or equal to 20 years . . . . .	87	58.8	23,493.3	49.3	22,522.9	49.5
			(S\$308.9 million)		(S\$296.1 million)	
More than 20 years . . . . .	16	10.8	4,993.7	10.5	4,648.4	10.2
			(S\$65.7 million)		(S\$61.1 million)	
<b>Total . . . . .</b>	<b>148</b>	<b>100.0</b>	<b>47,672.5</b>	<b>100.0</b>	<b>45,484.3</b>	<b>100.0</b>
			<b>(S\$626.8 million)</b>		<b>(S\$598.0 million)</b>	

The average age of the Initial Properties weighted by their valuation is approximately 13 years. Approximately 10.8% of the Initial Properties are 20 years or older while approximately 30.4% are 10 years old or less. In general, based on their valuations, newer Properties have lower gross rental yields compared to older ones. Nevertheless, such lower yields are offset by lower capital expenditure requirements.

### *Average Rental rates*

The following table sets out the details of the average rental rates of the Initial Properties according to their geographical locations and unit types as at 31 August 2007<sup>1</sup>:

	Initial Properties with mainly small and medium units		Initial Properties with mainly family units	
	Average rental rate per sq m	Number of Properties	Average rental rate per sq m	Number of Properties
	(¥)		(¥)	
Fukuoka . . . . .	2,140.0	9	1,151.5	2
	(S\$28.1)		(S\$15.1)	
Hakodate . . . . .	1,114.0	3	933.5	2
	(S\$14.6)		(S\$12.3)	
Hiroshima . . . . .	2,239.1	22	1,089.3	1
	(S\$29.4)		(S\$14.3)	
Kagoshima . . . . .	1,836.9	4	—	—
	(S\$24.2)			
Kitakyushu . . . . .	1,593.4	12	1,146.0	10
	(S\$20.9)		(S\$15.1)	
Koriyama . . . . .	1,650.8	2	—	—
	(S\$21.7)			
Kumamoto . . . . .	1,597.4	14	871.7	1
	(S\$21.0)		(S\$11.5)	
Kurashiki . . . . .	1,415.2	1	—	—
	(S\$18.6)			
Morioka . . . . .	1,285.4	3	1,258.2	1
	(S\$16.9)		(S\$16.5)	
Oita . . . . .	—	—	1,016.8	1
			(S\$13.4)	
Sapporo . . . . .	1,422.6	36	1,180.2	2
	(S\$18.7)		(S\$15.5)	
Sendai . . . . .	1,741.8	20	1,159.4	1
	(S\$22.9)		(S\$15.2)	

<sup>1</sup> Excluding Kaminobori-cho Mansion, which is currently under construction and is expected to be completed in or around the second quarter of 2008.

The following table sets out the details of the average rental rates of the Initial Properties according to their ages as at 31 August 2007<sup>1</sup>:

	Less than or equal to 10 years		More than 10 years but less than or equal to 20 years		More than 20 years	
	Average rental rate per sq m	Number of Properties	Average rental rate per sq m	Number of Properties	Average rental rate per sq m	Number of Properties
	(¥)		(¥)		(¥)	
Fukuoka .....	2,718.1	1	2,010.4	8	1,151.5	2
	(S\$35.7)		(S\$26.4)		(S\$15.1)	
Hakodate .....	—	—	1,021.1	5		
			(S\$13.4)			
Hiroshima .....	2,315.2	13	1,780.1	7	1,880.2	3
	(S\$30.4)		(S\$23.4)		(S\$24.7)	
Kagoshima .....	1,850.0	1	1,828.1	3	—	—
	(S\$24.3)		(S\$24.0)			
Kitakyushu .....	1,482.3	2	1,321.1	19	1,040.6	1
	(S\$19.5)		(S\$17.4)		(S\$13.7)	
Koriyama .....	1,650.8	2	—	—	—	—
	(S\$21.7)					
Kumamoto .....	1,589.5	13	1,724.2	1	871.7	1
	(S\$20.9)		(S\$22.7)		(S\$11.5)	
Kurashiki .....	—	—	1,415.2	1	—	—
			(S\$18.6)			
Morioka .....	1,333.6	1	1,240.7	3	—	—
	(S\$17.5)		(S\$16.3)			
Oita .....	—	—	—	—	1,016.8	1
					(S\$13.4)	
Sapporo .....	1,597.2	7	1,376.7	26	1,370.6	5
	(S\$21.0)		(S\$18.1)		(S\$18.0)	
Sendai .....	2,123.0	4	1,545.8	14	1,492.5	3
	(S\$27.9)		(S\$20.3)		(S\$19.6)	

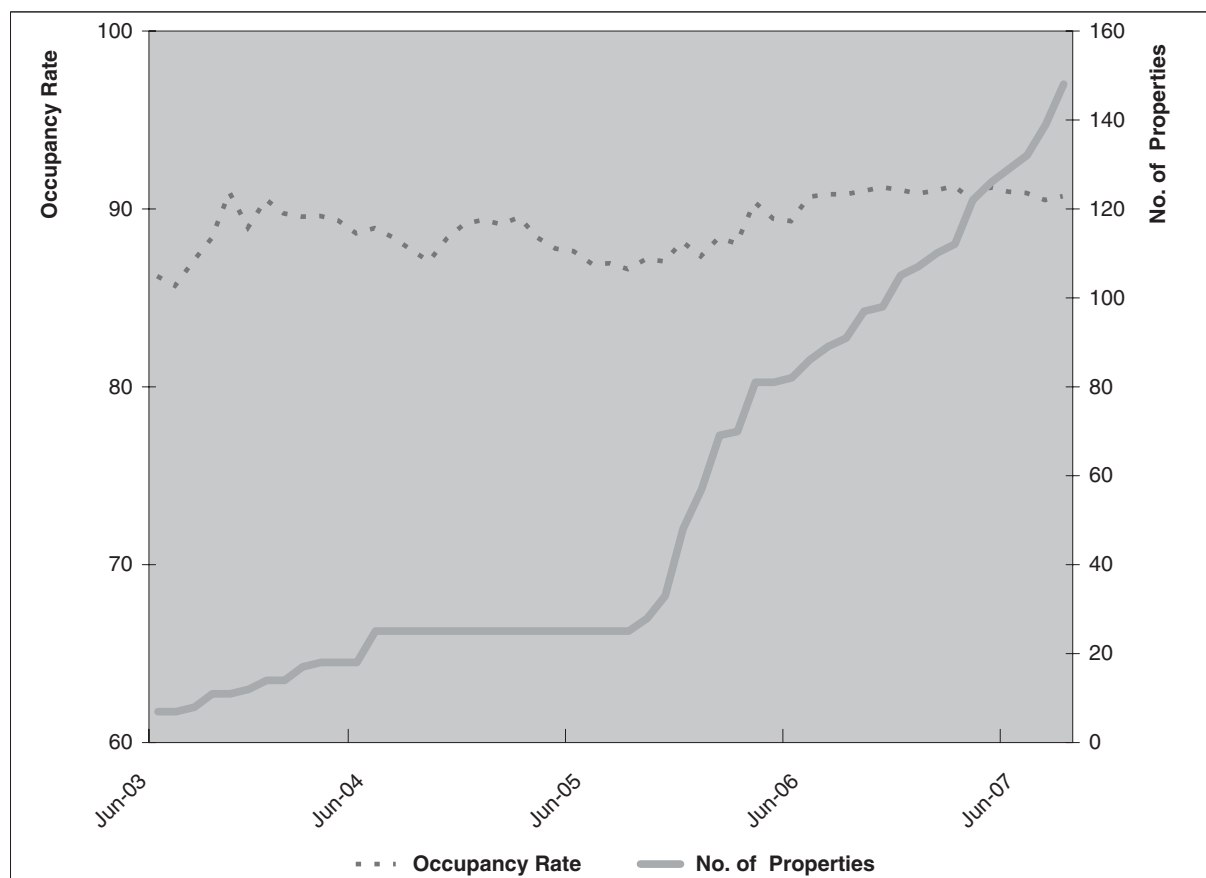
Rents per sq m among the Initial Properties, in each of the cities which they are located, are around the same levels. Newer properties typically command higher rent per sq m compared with older properties and generally the rent per sq m of the larger family units is lower than the rent per sq m of small and medium units.

<sup>1</sup> Excluding Kaminobori-cho Mansion, which is currently under construction and is expected to be completed in or around the second quarter of 2008.

## Occupancy Rates

### Overall Occupancy Rates<sup>1</sup>

The graph below shows the progressive growth of the portfolio comprising the Initial Properties from the beginning of the Relevant Period through August 2007. As the number of Initial Properties increased significantly in 2006, occupancy rates became more stable, bearing testimony to the benefits of diversification.



The table below sets out details of the occupancy rates of the Initial Properties as at 31 August 2007 according to the major regional cities:

City	Occupancy Rates as at 31 August 2007 <sup>(1)</sup> (%)	Number of Initial Properties <sup>(1)</sup>
Sapporo .....	92.2	38
Hiroshima .....	91.7	23
Kitakyushu .....	85.8	22
Sendai .....	88.3	21
Kumamoto .....	93.7	15
Fukuoka .....	89.3	11
Hakodate .....	88.0	5
Kagoshima .....	97.2	4
Morioka .....	92.2	4
Koriyama .....	97.4	2
Kurashiki .....	84.4	1
Oita .....	83.0	1

Note:

<sup>(1)</sup> Excluding Kaminobori-cho Mansion, which is currently under construction and is expected to be completed in or around the second quarter of 2008.

The following table sets out details of the occupancy rates of the Initial Properties as at 31 August 2007 by unit type:

<u>Unit type</u>	<u>Occupancy Rates as at 31 August 2007<sup>(1)</sup></u>
	(%)
Small . . . . .	92.7
Medium . . . . .	91.2
Family . . . . .	87.9

Note:

- <sup>(1)</sup> Excluding Kaminobori-cho Mansion, which is currently under construction and is expected to be completed in or around the second quarter of 2008.

The following table sets out details of the occupancy rates of the Initial Properties as at 31 August 2007 by their ages:

<u>Age</u>	<u>Occupancy Rates as at 31 August 2007<sup>(1)</sup></u>
	(%)
Less than 10 years . . . . .	92.7
More than 10 years but less than 20 years . . . . .	89.6
More than 20 years . . . . .	90.5

Note:

- <sup>(1)</sup> Excluding Kaminobori-cho Mansion, which is currently under construction and is expected to be completed in or around the second quarter of 2008.

Small residential units recorded a higher occupancy rate compared with medium and family units and the newer Initial Properties of less than 10 years of age showed marginally higher overall occupancy rates.

Overview of the Additional Properties

The table below summarises the key information with regards to the Additional Properties. The Additional Properties are categorised according to their geographical location:

Property name	Year Completed	Residential Units	Commercial Units	Parking Units	Indicative Purchase Consideration (¥'000)	Land Area (sq m)	Gross Floor Area (sq m)	Average Gross Floor Area <sup>(1)</sup> (sq m)	Net Lettable Area (sq m)
<b>FUKUOKA</b>									
Le Pied Hirao	2000	32	—	10	288,000	447	1,066	213	794
Relief Ohorimishi	1989	17	—	—	132,000	294	519	457	457
				Sub-total:	420,000				
<b>HIROSHIMA</b>									
Estate 18 Shinonome	1990	68	—	—	257,500	573	1,142	286	1,133
Grand Polestone Higashi Hiratsuka	2007	40	—	—	505,000	220	1,497	125	1,276
Grand Polestone Otemachi II	2007	28	—	6	470,000	257	1,328	121	1,147
Kyobashicho Building	2008	48	—	5	575,000	278	1,606	124	1,388
Royal Shinonome	1990	80	—	16	320,000	701	1,671	278	1,358
Shinonome Heights	1988	48	—	—	175,000	427	824	206	778
Villa Kaita	1992	80	—	3	300,000	917	1,801	450	1,335
				Sub-total:	2,602,500				
<b>KORIYAMA</b>									
Arioso Phrase	2006	45	—	45	475,000	1,052	2,031	226	1,882
				Sub-total:	475,000				
<b>NIIGATA</b>									
GEO Kami Ohkawa	2005	54	—	6	450,185	488	1,692	169	1,350
Hills Kawabata	2006	40	—	—	315,015	305	1,425	204	1,067
Hills Nogizaka	2006	32	3	—	404,910	306	1,526	153	1,302
				Sub-total:	1,170,110				
<b>SAPPORO</b>									
Residence Shiraishi A, B, C and D	1988	124	—	25	525,000	623	3,927	982	3,492
				Sub-total:	525,000				
<b>SENDAI</b>									
Floreer Miyagino	1999	39	—	12	239,200	807	1,078	135	1,021
				Sub-total:	239,200				
				Grand total:	5,431,810				

Note:

(1) Calculated by dividing the Gross Floor Area by the number of floors.



## Information regarding the Additional Properties

### *Geographical distribution of the Additional Properties*

The table below sets out the details of the geographical distribution of the Additional Properties:

<u>City</u>	<u>Number of Additional Properties</u>	<u>Percentage of total number of Additional Properties in portfolio</u>
Hiroshima .....	7	46.6%
Niigata .....	3	20.0%
Fukuoka .....	2	13.3%
Koriyama .....	1	6.7%
Sapporo .....	1	6.7%
Sendai .....	1	6.7%
<b>Total</b> .....	<b>15</b>	<b>100.0%</b>

There are a total of 15 Additional Properties, located in six regional cities in Japan. Subject to the satisfactory financing obtained and due diligence investigations carried out in relation to the relevant Additional Property, the Additional TK Operator expects to complete the acquisition of 14 Additional Properties within two months from the Listing Date and the remaining Additional Property within five months from the Listing Date. Saizen REIT has been granted the Right of First Refusal to Invest by the Additional TK Operator to invest in the Additional TK Operator in relation to the Additional Properties.

### *Utilisation of the units in the Additional Properties*

The table below sets out details of the utilisation of the units in the Additional Properties:

<u>Utilisation</u>	<u>Number of units</u>	<u>Percentage of total number of units</u>
Residential units .....	775	85.5%
Commercial/retail units .....	3	0.3%
Car parking spaces .....	128	14.2%
<b>Total</b> .....	<b>906</b>	<b>100.0%</b>

Similar to the Initial Properties, the Additional Properties are comprised of residential buildings, some of which have commercial offices or retail outlets at the ground and lower floors. Some of these properties have car parking spaces. All residential units can be categorised into three types, namely small, medium and family, which are same as the Initial Properties. Details of the types of residential units are set out under the paragraph headed “Overview of the Initial Properties—Characteristics of the various types of residential units”.

The Additional Properties include 775 residential units, 3 commercial units and 128 car parking spaces.

### *Distribution of the Additional Properties by age*

The table below sets out details of the distribution of the Additional Properties according to their ages:

<u>Age</u>	<u>Number of Additional Properties</u>	<u>Percentage of total number of Additional Properties</u>	<u>Indicative Purchase Consideration as at the Latest Practicable Date</u>	<u>Percentage of total value of Additional Properties</u>
		(%)	(¥ million)	(%)
Equal to or less than 10 years .....	9	60.0	3,722.3 (S\$48.9 million)	68.5
More than 10 years but less than or equal to 20 years .....	6	40.0	1,709.5 (S\$22.5 million)	31.5
<b>Total</b> .....	<b>15</b>	<b>100.0</b>	<b>5,431.8</b> <b>(S\$71.4 million)</b>	<b>100.0</b>

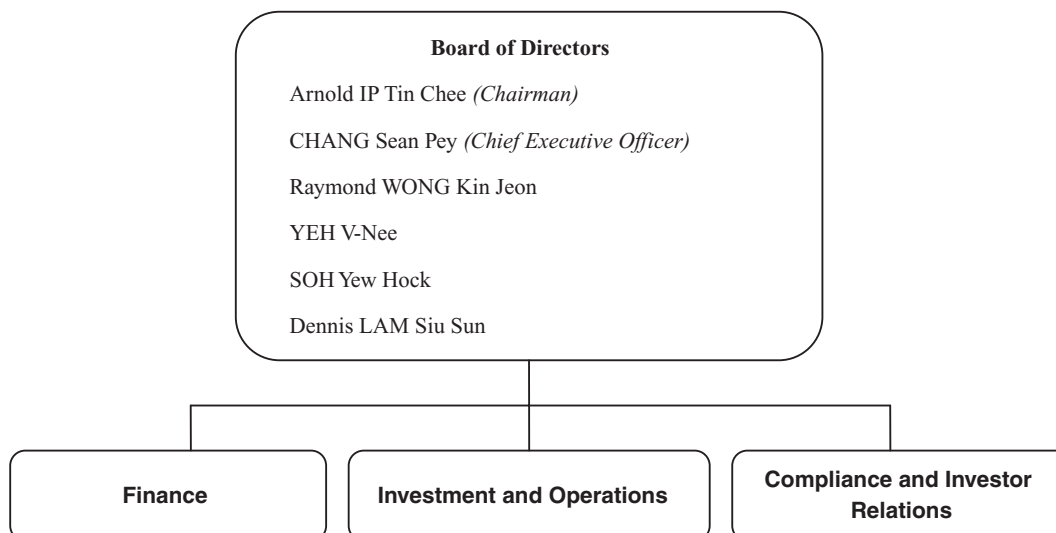
The average age of the Additional Properties weighted by their valuation is 8.5 years.

## THE MANAGER, THE ASSET MANAGER AND CORPORATE GOVERNANCE

### The Manager

The Manager, Japan Residential Assets Manager Limited, was incorporated in Singapore under the Companies Act on 5 July 2007. It has an issued and paid-up capital of S\$1,000,000, a registered office at 72A Duxton Road, Singapore 089531, and its telephone and facsimile numbers are (65) 6327 8163 and (65) 6327 8092 respectively. It is a wholly-owned subsidiary of the Sponsor.

### Management Reporting Structure of the Manager



### Directors of the Manager

The Board is entrusted with the responsibility for the overall management of the Manager. The following table sets forth information regarding the Directors:

<u>Name</u>	<u>Age</u>	<u>Address</u>	<u>Position</u>
Mr Arnold IP Tin Chee <sup>(1)</sup> . . . . .	45	A1, Brewin Court, 5-7 Brewin Path, Hong Kong	Chairman and Non-executive Director
Mr CHANG Sean Pey <sup>(1)</sup> . . . . .	36	Block 267, Bishan Street 24, #08-164, Singapore 570267.	Chief Executive Officer and Executive Director
Mr Raymond WONG Kin Jeon <sup>(2)</sup> . . . . .	41	A2-21/F Villa Monte Rosa, 41A Stubbs Road, Hong Kong	Executive Director
Mr YEH V-Nee <sup>(2)</sup> . . . . .	48	24/F Hong Villa, 12 Bowen Road, Mid-Levels, Hong Kong	Non-executive Director
Mr SOH Yew Hock . . . . .	63	100 Arthur Road, Singapore 439831	Independent Non-executive Director
Mr Dennis LAM Siu Sun . . . . .	46	Flat B, 3/F, The Somerset, 67 Repulse Bay Road, Hong Kong.	Independent Non-executive Director

Notes:

(1) Mr Arnold Ip Tin Chee and Mr Chang Sean Pey are also directors of Altus Investments Limited, which, as a shareholder of the Sponsor, indirectly wholly-owns the Manager.

(2) Mr Raymond Wong Kin Jeon and Mr Yeh V-Nee are also directors of Cheetah Group Holdings Limited, which, as a shareholder of the Sponsor, indirectly wholly-owns the Manager.

Save as disclosed above, none of the Directors are related to one another, any substantial shareholder of the Manager or any Substantial Unitholder. The Manager will appoint an additional Singapore-resident Independent Director within three months from the Listing Date.

## **Roles, Experience and Expertise of the Board of Directors of the Manager**

Information regarding the roles, as well as the business and working experience, of the Directors is set out below:

### ***Mr Arnold IP Tin Chee: Non-executive Director and Chairman***

Mr Arnold Ip Tin Chee, a Non-executive Director and Chairman of the Board, has been investing in Japanese regional real estate since 2000 and is a founding member of the management team of JOF, JOF II, JHYP and JHYP II. Prior to that, Mr Ip was a director of Yuanta Securities (Hong Kong) Company Limited between 1997 and 2001. Mr Ip has more than seven years of experience in real estate investment management and has experience in the evaluation and management of private equity investments including real estate and related companies. 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 is a director of JOF and also a director and responsible officer of Altus Capital Limited and Altus Investments Limited.

Mr Ip holds a BA in Economics from Trinity College, Cambridge University and has been qualified as a chartered accountant since 1988.

### ***Mr CHANG Sean Pey: Executive Director and Chief Executive Officer***

Mr Chang Sean Pey, an Executive Director and Chief Executive Officer based in Singapore, is responsible for 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 also a director and responsible officer of Altus Capital Limited and Altus Investments Limited (both being licensed corporations under the Hong Kong Securities and Futures Ordinance), a director of the Sponsor, which wholly-owns the entire issued and paid-up capital of the Manager, and a director of Japre Investment Ltd, a wholly-owned subsidiary of JOF II. Within six months from the Listing Date, Mr Chang will progressively reduce his executive roles in the above companies, other than those responsibilities and duties relating to the management of Saizen REIT and JOF II.

Mr Chang is a founding member of the management team of JOF, JOF II, JHYP and JHYP II and has been managing investments in Japanese regional real estate since 2000. He has more than seven years of 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 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 Raymond WONG Kin Jeon: Executive Director***

Mr Raymond Wong Kin Jeon, an Executive Director, oversees the investor relations function of Saizen REIT. Mr Wong will work with the Board, the Chief Executive Officer and Executive Officers in facilitating and co-ordinating the formulation of strategic plans focusing primarily on the creation of value for the Unitholders, and promoting and marketing Saizen REIT to the Unitholders, prospective investors and media.

Mr Wong is a founder, 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 The Cheetah Fund Limited and Cheetah Korea Value Fund. Mr Wong is also a founder and director of Cheetah Group Holdings Limited, a shareholder of the Sponsor. Through its group companies, Cheetah Group Holdings Limited has launched seven funds and two managed accounts since 2002 that invest in various alternative investment strategies around Asia with total assets under management of over US\$700 million. Mr Wong manages and supervises the fund raising, compliance and investor relations for these funds and managed accounts. Mr Wong has 15 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).

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

***Mr YEH V-Nee: Non-executive Director***

Mr Yeh, a Non-executive Director, is a founder and director of Value Partners Limited, a fund management firm specialising in Asia (ex-Japan) equities with a focus on Greater China. Mr Yeh is also the Non-executive Chairman of Argyle Street Management Limited, a boutique distressed asset management firm and is the Chairman and responsible officer of Cheetah Investment Management Limited, an investment advisory firm. He is also a director of Cheetah Korea Value Fund, JHYP, Steel China Access Capital Partners Limited, the general partner of Steel Partners China Access I.L.P., and Pedder Street Asia Absolute Return Fund Limited. Mr Yeh has extensive experience in corporate finance and has worked at the Lazard group in London, Hong Kong and New York. He has more than 20 years of experience in real estate investment management. Mr Yeh currently sits on the Takeovers & Mergers Panel, the Takeovers Appeal Committee and SFC Dual Filing Advisory Group of the Securities and Futures Commission of Hong Kong and MPF Schemes Advisory Committee of Mandatory Provident Fund Schemes Authority of Hong Kong. He was a member of China's CSRC Listing Committee from 1999 to 2003 and a member of the Listing Committee of The Stock Exchange of Hong Kong Limited from 1996 to 2006.

Mr Yeh holds a JD from Columbia Law School, New York, and a BA from Williams College, Massachusetts. Mr Yeh was admitted as a member of the California Bar Association in 1984.

***Mr SOH Yew Hock: Independent Non-executive Director***

Mr Soh, an Independent Non-executive Director, is currently an independent director of Asia Dekor Holdings and chairman of its remuneration committee and member of its nominating and audit committees. Mr Soh has wide experience in commerce and industry and had previously served as head of finance and corporate affairs of Guthrie Berhad and WBL Corporation Limited respectively. He was chief executive officer/managing director of Wearnes International (1994) Limited from 1993 to 2006, an executive director of WBL Corporation Ltd from 1993 to 2007 and several of its joint ventures and subsidiaries in Asia, People's Republic of China, Australia and the United States of America, a director of MFS Technology Ltd and deputy chairman of O'Connor's Corporation Berhad. Mr Soh was also the immediate 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 the Advanced Management Program 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, an Independent Non-executive Director, is a practising solicitor in Hong Kong and the senior partner of a Hong Kong law firm Messrs. Li, Wong & Lam. 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.

**Directorships**

A list of the present and past directorships of each Director of the Manager over the last five years preceding the Latest Practicable Date is set out in Appendix H, "List of Present and Past Principal Directorships of Directors and Executive Officers".

**Ownership in the Vendors**

Mr Arnold Ip Tin Chee is a beneficiary of a family trust which has a deemed interest in approximately 1.2% in JOF. Mr Raymond Wong and Mr Yeh V-Nee have a deemed interest in approximately 1.0% and 2.9% of JHYP respectively. Mr Raymond Wong and Mr Yeh V-Nee have a deemed interest in approximately 0.7% and 2.0% of JHYP II respectively.

## **Roles, Experience and Expertise of the Executive Officers of the Manager**

Information regarding the roles, as well as the business and working experience, of the Directors is set out below:

### ***Mr CHANG Sean Pey: Chief Executive Officer***

Details of the roles, experience and expertise of Mr Chang are set out under “Roles, Experience and Expertise of the Board of Directors of the Manager—Mr CHANG Sean Pey: Executive Director and Chief Executive Officer” above.

### ***Ms YIP Yuen Man, Letitia: Compliance and Investor Relations Manager***

Ms Yip, the Compliance and Investor Relations Manager, will work closely with the Board and the Chief Executive Officer to ensure compliance with organizational and regulatory rules and regulations, which includes evaluating processes and procedures for compliance, alerting management to current regulatory issues and maintaining a compliance database.

Ms Yip will also work closely with the Board in facilitating communications and liaising with the Unitholders. This includes regular statutory reporting, such as producing annual reports to the Unitholders, and reporting to the SGX-ST in compliance with the Listing Manual. The principal objective of the Compliance and Investor Relations Manager is to maintain continuous disclosure and transparent communications with the Unitholders and the market. Ms Yip will assist in facilitating and coordinating the execution of strategic plans in promoting and marketing Saizen REIT to the Unitholders, prospective investors and the media through regular communications, roadshows, events and the internet.

Ms Yip has over five years of corporate finance experience including as a corporate finance executive in Kingston Corporate Finance Limited (2002 to 2005) and has participated in a number of initial public offerings, mergers and acquisitions, and other corporate finance advisory transactions for companies listed on The Stock Exchange of Hong Kong Limited in Hong Kong. Ms Yip holds a Bachelor Degree of Arts in Business Administration from the University of Washington, United States of America.

### ***Ms NG Bee Ting: Investment and Operations Manager***

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

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

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

### ***Ms Ivy CHAN Ka Lam: Finance Manager***

Ms Chan, a Finance Manager, 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 a 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, a Finance Manager, 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 Chan (see above), 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. Ms Law will support the Singapore operations from overseas.

**The Key Functions of the Board**

The Board of Directors of the Manager is responsible for the overall management of Saizen REIT including the determination of its strategic direction with the aim of increasing Unitholders' returns through the performance of Saizen REIT.

Key functions of the Board include:

- establishing strategic direction and deciding overall business strategies and objectives for Saizen REIT;
- monitoring the operational and financial position and performance of Saizen REIT;
- identifying the principal risks faced by Saizen REIT and monitoring the effectiveness of systems designed to provide reasonable assurance that these risks are being managed;
- monitoring compliance by the Manager and Saizen REIT with legal and regulatory requirements;
- assessing whether internal control systems applicable to the Manager and Saizen REIT are adequate; and
- ensuring that Unitholders and the market are fully informed of all material developments; and overseeing and evaluating the performance of the Chief Executive Officer and the Executive Officers in the context of Saizen REIT's strategies and objectives.

The Board meets periodically to review the key activities, objectives and business strategies of the Manager. The Board intends to meet at least once every quarter to deliberate on the strategic policies of Saizen REIT, including acquisitions and divestments, approval of the annual budget and review of the performance of Saizen REIT.

Each Director has been appointed on the basis of professional experience and potential to contribute to the proper guidance of Saizen REIT. The Directors will contribute in different ways, including using personal contacts to further the interest of Saizen REIT.

Each of Mr Ip, Mr Yeh and Mr Soh has experience in being a director of public listed companies. (See "The Manager, the Asset Manager and Corporate Governance—Roles, Experience and Expertise of the Board of Directors of the Manager".) They therefore have the appropriate experience to act as directors of the Manager and are familiar with the rules and responsibilities of directors of public listed companies. Each of the Directors will also undergo relevant training to prepare them for the roles and responsibilities of a director of the manager of a Singapore public listed REIT.



The Board has approved a set of internal controls which sets out approval limits for capital expenditure, investments and divestments and bank borrowings of Saizen REIT, as well as arrangements in relation to cheque signatories. In addition, sub-limits are also delegated to various management levels to facilitate operational efficiency.

Changes to regulations and accounting standards are monitored closely by the members of the Audit Committee. To keep pace with regulatory changes, where these changes have an important bearing on the Manager's or Directors' disclosure obligations, the Directors will be briefed either during Board meetings or at specially convened sessions involving the relevant professionals. Management will also provide the Board with complete and adequate information in a timely manner through regular updates on financial results, market trends and business developments.

The Board of Directors comprises four non-executive and/or independent Directors. This enables the management to benefit from their external, diverse and objective perspective on issues that are brought before the Board. It will also enable the Board to interact and work with management through a robust exchange of ideas and views to help shape the strategic process. This, together with a clear separation of the roles of the Chairman and the Chief Executive Officer, provides a healthy professional relationship between the Board and management, with clarity of roles and robust oversight as they deliberate on the business activities of the Manager.

The Board has separate and independent access to senior management and the company secretary at all times. The company secretary attends to corporate secretarial administration matters and attends all Board meetings. The Board also has access to independent professional advice where appropriate.

### **Roles and Responsibilities of the Manager**

The Manager has general powers of management over the investment activities of Saizen REIT, for the benefit of the Unitholders. The Manager will set the strategic direction of Saizen REIT and give recommendations to the Trustee on the establishment of new TK arrangements, divestment of existing TK interests held by Saizen REIT, or propose such other investment methods or strategies which it deems to be in the interests of Unitholders. The Manager will make recommendations to the Trustee on investment opportunities identified by the Asset Manager in accordance with its stated investment strategy.

The Manager will review reports prepared by the Asset Manager on a regular basis, which may contain property plans at the fund level on a regular basis, proposals 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. The purpose of these plans is to explain the performance of Saizen REIT's investments.

The Manager may require the Trustee to lend, borrow or raise money on behalf of Saizen REIT (upon such terms and conditions as the Manager deems fit, including the charging or mortgaging of all or any part of the Deposited Property when borrowing or raising money) whenever the Manager considers, among other things, that it is necessary or desirable that such moneys be lent, borrowed or raised in order to enable Saizen REIT to meet any liabilities or to finance the investment in any property. However, the Manager must not direct the Trustee to incur a liability if to do so would mean that Saizen REIT's aggregate leverage exceeds the limit as stipulated by the MAS from time to time based on the value of its Deposited Property immediately prior to the time the liability is incurred.

Where appropriate, based on the prevailing market conditions, the Manager may adopt suitable hedging strategies to minimise any foreign exchange rate risk. In this respect, the Manager intends to hedge the Yen exposure of Saizen REIT's Distributable Income by entering into hedging instruments for the amount of the estimated future Distributable Income including Forecast Period 2008 and Projection Year 2009.

The Manager will also be responsible for ensuring compliance with the applicable provisions of the SFA and all other relevant legislation, the Listing Manual, the CIS Code (including the Property Funds Guidelines), the Trust Deed, the Tax Rulings and all relevant contracts. The Manager will be responsible for all regular communication with the Unitholders.

### **Liabilities of the Manager**

The Manager has covenanted in the Trust Deed to use its best endeavours to carry on and conduct its business in a proper and efficient manner, and also to ensure that the business of Saizen REIT is carried on and conducted in a proper and efficient manner and to conduct all transactions with or for Saizen REIT at arm's length.

In the absence of fraud, gross negligence, wilful default or breach of the Trust Deed by the Manager, it shall not incur any liability by reason of any error of law or any matter or thing done or suffered to be done or omitted to be done by it in good faith under the Trust Deed. In addition, the Manager shall be entitled, for the purpose of indemnity against any actions, costs, claims, damages, expenses or demands to which it may be put as Manager, to have recourse to the Deposited Property or any part thereof save where such action, cost, claim, damage, expense or demand is occasioned by the fraud, gross negligence, wilful default or breach of the Trust Deed by the Manager. The Manager may, in managing Saizen REIT and in carrying out and performing its duties and obligations under the Trust Deed, with the written consent of the Trustee, appoint such person to exercise any or all of its powers and discretions and to perform all or any of its obligations under the Trust Deed, provided always that the Manager shall be liable for all acts and omissions of such persons as if such acts and omissions were its own.

### **Manager's Fee**

The Manager is entitled under the Trust Deed to a management fee at the rate of 0.5% per annum of the monthly weighted average value of the Property Assets. For the avoidance of doubt, cash does not form part of the Property Assets.

When Saizen REIT acquires a property, the management fee will be charged on an accrued basis beginning from the month in which the property is acquired.

The Manager may elect to receive its management fee in cash or Units or a combination of both (as it may in its sole discretion determine), having regard to the distribution yields to Unitholders and the cash flow of Saizen REIT.

The portion of the management fee payable in the form of Units (as it may be determined after Projection Year 2009) shall be payable quarterly in arrears and the portion of management fee payable in cash shall be payable monthly in arrears. When the management fee is payable to the Manager in the form of Units, the Manager shall be entitled to receive such number of Units as may be purchased with the relevant amount of the management fee attributable to the relevant period at an issue price equal to the "market price", being the volume weighted average price per Unit for all trades on the SGX-ST, in the ordinary course of trading, for the last 10 Business Days of the relevant period in which the management fee accrues or, where the Manager believes that such market price is not a fair reflection of the market price of a Unit, such amount as determined by the Manager and the Trustee (after consultation with a stockbroker approved by the Trustee) and approved by the Audit Committee of the Manager and the Trustee, as being the fair market price of a Unit. Units issued to the Manager in payment of the Manager's management fee are equally entitled to receive distributions as with all other Units. Subject to the Manager's undertaking to the MAS not to deal with the Units during certain specified periods, the Manager may, at its option, sell any such Units issued and is entitled to keep any gains made on such sale for its own account.

Any increase in the rate or any change in the structure of the Manager's management fee must be approved by an Extraordinary Resolution passed at a Unitholders' meeting duly convened and held in accordance with the provisions of the Trust Deed.

If the Manager is removed by Ordinary Resolution passed by Unitholders pursuant to the Trust Deed during the period of five years commencing from the Listing Date, the Manager shall be entitled to the Early Termination Fee to be paid in cash, calculated at 0.5% per annum of the latest value of the Property Assets for the remainder of the five year term as compensation for the costs which the Manager has incurred in establishing Saizen REIT and making the acquisitions of the Vendor TK Interests.

For example, if the Manager is removed by Ordinary Resolution passed by Unitholders pursuant to the Trust Deed during the last day of its third year as manager of Saizen REIT, and the latest value of the Property Assets at that point in time is S\$800 million, the Early Termination Fee shall be  $2 \times 0.5/100 \times \text{S\$}800 \text{ million} = \text{S\$}8 \text{ million}$ .

The Manager shall not be entitled to the Early Termination Fee if the Manager is removed on other grounds (see "The Manager, the Asset Manager and Corporate Governance—Retirement or Removal of the Manager" for further details), for example (a) the Trustee, for good and sufficient reason, is of the opinion, and so states in writing, that a change of the Manager is desirable in the interests of the Unitholders or (b) the Manager fails or neglects after reasonable notice from the Trustee to carry out or satisfy any material obligation imposed on the Manager by the Trust Deed.

The Manager is also entitled to:

- an acquisition fee comprising 1.0% of each of the following as is applicable (subject to there being no double-counting):
  - (i) the acquisition price of any real estate acquired by Saizen REIT or a TK operator pursuant to a TK arrangement with Saizen REIT, whether directly or indirectly through one or more SPVs, plus any other payments in addition to the acquisition price made by Saizen REIT, any of its SPVs or the relevant TK operator to the vendor in connection with the acquisition of the real estate (pro rated if applicable to the proportion of the interest of Saizen REIT or the TK operator, as the case may be);
  - (ii) the underlying value of any real estate which is taken into account when computing the acquisition price payable for the acquisition of the equity interests of any vehicle holding directly or indirectly the real estate acquired by Saizen REIT or a TK operator pursuant to a TK arrangement with Saizen REIT, whether directly or indirectly through one or more SPVs, plus any additional payments made by Saizen REIT, any of its SPVs or the relevant TK operator to the vendors in connection with the purchase of such equity interests (pro rated if applicable to the proportion of the interest of Saizen REIT or the TK operator, as the case may be);
  - (iii) the underlying value of any real estate which is taken into account when computing the acquisition price payable for the acquisition from the vendor of the TK interest under any TK agreement entered into with any TK operator by Saizen REIT, whether directly or indirectly through one or more SPVs, plus any additional payments made by Saizen REIT or any of its SPVs to the vendors in connection with the purchase of such TK interest (pro rated if applicable to the proportion of Saizen REIT's interest); or
  - (iv) the acquisition price of any investment by Saizen REIT, whether directly or indirectly through one or more SPVs, in any debt securities of any property corporation or other SPV owning or acquiring real estate.
- a divestment fee comprising 0.3% of each of the following as is applicable (subject to there being no double-counting):
  - (i) the sale price of any real estate divested by Saizen REIT or a TK operator pursuant to a TK arrangement with Saizen REIT, whether directly or indirectly through one or more SPVs, plus any other payments in addition to the sale price received by Saizen REIT, any of its SPVs or the relevant TK operator from the purchaser in connection with the sale or divestment of the real estate (pro rated if applicable to the proportion of the interest of Saizen REIT or the TK operator, as the case may be);
  - (ii) the underlying value of any real estate which is taken into account when computing the sale price payable for the equity interest of any vehicle holding directly or indirectly the real estate sold by Saizen REIT or a TK operator pursuant to a TK arrangement with Saizen REIT, whether directly or indirectly through one or more SPVs, plus any additional payments received by Saizen REIT, any of its SPVs or the relevant TK operator from the purchaser in connection with the sale or divestment of such equity interests (pro rated if applicable to the proportion of the interest of Saizen REIT or the TK operator, as the case may be);
  - (iii) the underlying value of any real estate which is taken into account when computing the sale price payable for the divestment of the TK interest under any TK agreement entered into with any TK operator by Saizen REIT, whether directly or indirectly through one or more SPVs, plus any additional payments received by Saizen REIT or any of its SPVs from the purchaser in connection with the sale or divestment of such TK interest (pro rated if applicable to the proportion of Saizen REIT's interest); or
  - (iv) the sale price of any investment by Saizen REIT, whether directly or indirectly through one or more SPVs, in any debt securities of any property corporation or other SPV owning or acquiring real estate.

For the purpose of this acquisition fee and divestment fee, equity interests include all classes and types of equity securities (including preferred or preference shares) relating to real estate which shall, for the avoidance of doubt, exclude any investment in debt securities of any property corporation or other SPV owning or acquiring real estate.

No acquisition fee is payable for the acquisition of the Vendor TK Interests, but in the event that Saizen REIT invests in the Additional Properties, an acquisition fee is payable for the acquisition of the TK interests in relation to the Additional Properties (if completed).

The Manager has opted to receive, for Forecast Period 2008 and Projection Year 2009, 100.0% of the acquisition fee in Units, including such fee in respect of the acquisition of the Additional Properties (if completed). (See “Risk Factors—Risks relating to Saizen REIT’s Operations.”) The acquisition fee payable to the Manager after Projection Year 2009 may be in the form of cash or Units or a combination of both (as the Manager may in its sole discretion determine) provided that in respect of any acquisition of real estate assets from interested parties, such a fee should be in the form of Units issued by Saizen REIT at the prevailing market price. Such Units should not be sold within one year from the date of their issuance.

The divestment fee payable to the Manager may be in the form of cash or Units or a combination of both (as the Manager may in its sole discretion determine) provided that in respect of any sale or divestment of real estate assets to interested parties, such a fee should be in the form of Units issued by Saizen REIT at the prevailing market price. Such Units should not be sold within one year from the date of their issuance.

Any payment to third party agents or agents in connection with the acquisition or divestment of any real estate by Saizen REIT or the TK operator, or the acquisition or divestment of any TK interest by Saizen REIT, shall be paid to such persons in addition to the acquisition fee or the divestment fee paid to the Manager.

Any increase in the maximum permitted level of the Manager’s acquisition fee or divestment fee must be approved by an Extraordinary Resolution passed at a Unitholders’ meeting duly convened and held in accordance with the provisions of the Trust Deed.

## **Annual Reports**

An annual report will be issued by the Manager (based on information provided by the Asset Manager) to the Unitholders within three months from the end of each accounting period of Saizen REIT, containing, among other things, the following key items:

- (i) details of all real estate transactions entered into during the accounting period;
- (ii) details of the real estate assets that Saizen REIT has invested in directly or indirectly;
- (iii) if applicable, with respect to investments other than real estate property:
  - (a) a brief description of the business;
  - (b) proportion of share capital owned;
  - (c) cost;
  - (d) (if relevant) Directors’ valuation and in the case of listed investments, market value;
  - (e) dividends received during the year (indicating any interim dividends);
  - (f) dividend cover or underlying earnings; and
  - (g) net assets attributable to investments;
- (iv) cost of each property held directly or indirectly by Saizen REIT;
- (v) annual valuation of each property held directly or indirectly by Saizen REIT;
- (vi) analysis of changes in fair value of each property held directly or indirectly by Saizen REIT;
- (vii) annual rental income for each property of Saizen REIT;
- (viii) occupancy rates for each property held directly or indirectly by Saizen REIT;
- (ix) remaining term for each of the leasehold properties held directly or indirectly by Saizen REIT;
- (x) amount of distributable income held pending distribution;
- (xi) details of assets other than real estate;
- (xii) details of Saizen REIT’s exposure to derivatives;
- (xiii) details of Saizen REIT’s investments in other property funds;
- (xiv) details of borrowings by the Trustee and other financial accommodation to the Trustee in relation to Saizen REIT;
- (xv) value of the Deposited Property and the NAV of Saizen REIT at the beginning and end of the financial year under review;
- (xvi) the prices at which the Units were quoted at the beginning and end of the accounting period, and the highest and lowest prices at which the Units were traded on the SGX-ST during the accounting period;

- (xvii) volume of trade in the Units during the accounting period;
- (xviii) the aggregate value of all transactions entered into by the Trustee (for and on behalf of Saizen REIT) with an “interested party” (as defined in the Property Funds Guidelines) or with an “interested person” (as defined in the Listing Manual) during the financial year under review;
- (xix) total operating expenses of Saizen REIT in respect of the accounting period, including expenses paid to the Manager and interested parties (if any) and the Trustee, and taxation incurred in relation to properties held directly or indirectly by Saizen REIT;
- (xx) historical performance of Saizen REIT, including rental income obtained and occupancy rates for each property in respect of the accounting period and other various periods of time (for example, one-year, three-year, five-year or 10-year) and any distributions made;
- (xxi) total amount of fees paid to the Trustee;
- (xxii) name of the Manager, together with an indication of the terms and duration of its appointment and the basis of its remuneration;
- (xxiii) total amount of fees paid to the Manager and the price(s) at which they were issued in part payment thereof;
- (xxiv) total amount of fees paid to the Asset Manager;
- (xxv) an analysis of realised and unrealised surpluses or losses, stating separately profits and losses of listed and unlisted investments, if applicable; and
- (xxvi) any extraordinary items.

The first annual report will cover the period from 27 September 2007, being the date of constitution of Saizen REIT, to 30 June 2008.

Additionally, Saizen REIT will announce its NAV on a quarterly basis. Such announcements will be based on the latest available valuation of the real estate and real estate-related assets held directly or indirectly by Saizen REIT, which will be conducted at least once a year (as required under the Property Funds Guidelines).

### **Retirement or Removal of the Manager**

The Manager shall have 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 notice given in writing by the Trustee if:

- the Manager goes into liquidation (except a voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously approved in writing by the Trustee) or a receiver is appointed over its assets or a judicial manager is appointed in respect of the Manager;
- the Manager ceases to carry on business;
- the Manager fails or neglects after reasonable notice from the Trustee to carry out or satisfy any material obligation imposed on the Manager by the Trust Deed;
- the Unitholders, by passing an Ordinary Resolution, shall so decide (without any Unitholder being disenfranchised);
- the Trustee, for good and sufficient reason, is of the opinion, and so states in writing, that a change of the Manager is desirable in the interests of the Unitholders; or
- the MAS directs the Trustee to remove the Manager.

Where the Manager is removed on the basis that a change of the Manager is desirable in the interests of the Unitholders, the Manager has a right under the Trust Deed to refer the matter to arbitration. Any decision made pursuant to such arbitration proceedings is binding upon the Manager, the Trustee and all the Unitholders.

### **Corporate Governance of The Manager**

The following outlines the main corporate governance practices of the Manager.

#### ***Board of Directors of the Manager***

The Board is responsible for the overall corporate governance of the Manager including establishing goals for management and monitoring the achievement of these goals. The Manager is also responsible for the strategic



business direction and risk management of Saizen REIT. All Board members participate in matters relating to corporate governance, business operations and risks, 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 a business risk management process. The Board consists of six members, two of whom are Independent Directors. None of the Directors has entered into any service contract with Saizen REIT.

The composition of the Board is determined using the following principles:

- the Chairman of the Board should be a Non-executive Director;
- there should be a clear separation of the roles of the Chairman and the Chief Executive Officer;
- the Board should comprise Directors with a broad range of commercial experience including expertise in funds management and the property industry; and
- at least one-third of the Board should comprise Independent Directors.

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

#### ***Audit Committee***

The Audit Committee is appointed by the Board from among the Directors and comprises three members, a majority of whom (including the Chairman of the Audit Committee) are required to be Independent Directors. As at the date of this Prospectus, the members of the Audit Committee are Mr Yeh V-Nee, Mr Soh Yew Hock and Mr Dennis Lam Siu Sun, two of whom are Independent Directors. Mr Soh Yew Hock has been appointed as the Chairman of the Audit Committee. The role of the Audit Committee is to monitor and evaluate the effectiveness of the Manager's internal controls. The Audit Committee also reviews the quality and reliability of information prepared for inclusion in financial reports, and is responsible for the nomination of external auditors and review of the adequacy of external audits in respect of cost, scope and performance.

The Audit Committee's responsibilities also include:

- monitoring the procedures established to regulate Related Party Transactions, including ensuring compliance with the provisions of the Listing Manual relating to "interested person transactions" (as defined therein) and the provisions of the Property Funds Guidelines relating to "interested party transactions" (as defined therein) (both such types of transactions constituting "**Related Party Transactions**");
- reviewing external audit reports to ensure that where deficiencies in internal controls have been identified, appropriate and prompt remedial action is taken by the management;
- reviewing internal audit reports at least twice a year to ascertain that the guidelines and procedures established to monitor Related Party Transactions have been complied with;
- ensuring that the internal audit function is adequately resourced and has appropriate standing within Saizen REIT;
- monitoring the procedures in place to ensure compliance with applicable legislation, the Listing Manual and the Property Funds Guidelines;
- reviewing the nature and extent of non-audit services performed by external auditors;
- reviewing, on an annual basis, the independence and objectivity of the external auditors;
- meeting with external and internal auditors, without the presence of the executive officers of the Manager, at least on an annual basis;
- examining the effectiveness of financial, operating and compliance controls;
- reviewing the financial statements and the internal audit report;
- 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 arrangements by which employees of Saizen REIT may, in confidence, raise concerns about possible improprieties in financial reporting or other matters and ensuring that arrangements are in place for independent investigation of such matters and for appropriate follow-up action;



- reviewing the 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; and
- reviewing Saizen REIT'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

### ***Dealings in Units***

The Trust Deed requires each Director to give notice to the Manager of his acquisition of Units or of changes in the number of Units which he holds or in which he has an interest, within two Business Days after such acquisition or the occurrence of the event giving rise to changes in the number of Units which he holds or in which he has an interest. (See "The Formation and Structure of Saizen REIT—Directors' Declaration of Unitholdings".)

The Directors and employees of the Manager are encouraged, as a matter of internal policy, to hold Units but are prohibited from dealing in the Units:

- in the period commencing one month before the public announcement of Saizen REIT's annual and semi-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 valuations; and
- at any time while in possession of price sensitive information.

In addition, the Manager has given an undertaking to the MAS that it will announce via SGXNET 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. The Manager has also undertaken that it will not deal in the Units in the period commencing one month before the public announcement of Saizen REIT's annual and semi-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 valuations.

### ***Management of Business Risk***

The Board will meet quarterly, or more often if necessary, and will review the financial performance of the Manager and Saizen REIT against a previously approved budget. The Board will also review the business risks of Saizen REIT, examine liability management and act upon any comments from the auditors of Saizen REIT.

The Manager has appointed experienced and well-qualified management personnel to handle the day-to-day operations of the Manager in relation to Saizen REIT. In assessing business risk, the Board will consider the economic environment and risks relevant to the property industry. It reviews management reports and feasibility studies on individual development projects prior to approving major transactions. The management meets regularly to review the operations of the Manager in relation to Saizen REIT and discuss any disclosure issues.

### ***Conflict of Interests***

The Manager has instituted the following procedures to deal with conflict of interests issues:

- The Manager will not manage any other REIT (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 a majority of the Directors, which must include at least one Independent Director.
- At least one-third of the Board shall comprise Independent Directors.
- Prior to 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

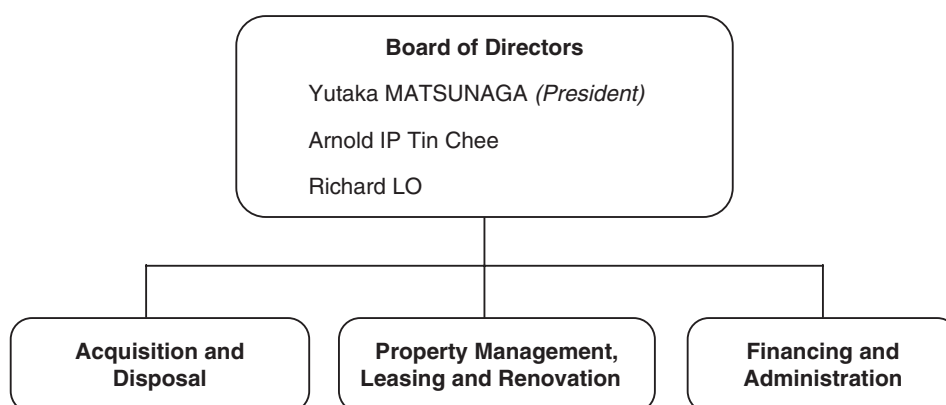
interests will abstain from voting. In such matters, the quorum must comprise a majority of the Independent Directors and must exclude nominee Directors of the Sponsor and/or its subsidiaries.

- In respect of matters in which a Director has an interest, direct or indirect, such interested Director will abstain from voting. In such matters, the quorum must comprise a majority of the Directors and must exclude such interested Directors.
- 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 for and on behalf of Saizen REIT with a related party of the Manager, the Manager shall be obliged to consult with a reputable law firm (acceptable to the Trustee) which shall provide legal advice on the matter. If the said law firm is of the opinion that the Trustee, 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 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.

### The Asset Manager

The Asset Manager, KK Tenyu Asset Management, was incorporated in Japan on 27 June 2007. Altus Investments Limited, Cheetah Group Holdings Limited, Mr Richard Lo and Mr Yutaka Matsunaga collectively hold the entire issued and paid-up share capital of the Asset Manager. The Asset Manager and the Sponsor are considered to be related corporations under the Companies Act.

### Management Reporting Structure of the Asset Manager



### Roles, Experience and Expertise of the Board of Directors of the Asset Manager

Information regarding the roles, experience and expertise of the board of directors of the Asset Manager is set out below:

#### ***Mr Yutaka MATSUNAGA: President***

Mr Matsunaga, the representative director and President of the Asset Manager, will work closely with Mr Arnold Ip Tin Chee and Mr Richard Lo for the acquisition and disposal functions of the Asset Manager and will be responsible for the overall management, operation and monitoring of the Asset Manager in its role as the asset manager for the Saizen TK Operators (and other investment entities as may be used from time to time) in order to enhance the performance of the Saizen 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 seven years of experience in real estate investment management, 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 JASDAQ.

In addition, Mr. Matsunaga is also the President of YK Tenyu Holdings, which is the asset manager for the properties which JOF II invests in. Save for the above, Mr. Matsunaga does not have other business activities, and fully dedicates his time to the businesses of KK Tenyu Asset Management and YK Tenyu Holdings.

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

***Mr Arnold IP Tin Chee: Director***

Mr Ip is a director of the Asset Manager and will be actively involved in the acquisition and disposal functions of the Asset Manager and oversees the overall property management, leasing and renovation and financing functions in order to enhance the performance of the Saizen TK Operators and other asset holding entities and Saizen REIT as an investor in those entities.

Details of Mr Ip's experience and expertise are set out in "—Roles, Experience and Expertise of the Board of Directors of the Manager".

***Mr Richard LO: Director***

Mr Lo, a director of the Asset Manager, will work closely with other members of the board for the acquisition and disposal functions of the Asset Manager and oversees the overall property management, leasing and renovation and financing functions in order to enhance the performance of the Saizen TK Operators and other asset holding entities and Saizen REIT as an investor in those entities.

Mr Lo is a Hong Kong resident but divides his time between Japan and Hong Kong. Mr Lo has previously lived in Japan and has over 25 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 invested in real estate in Japan since 1999, and has extensive property investment, evaluation and management experience in Japan, with more than 10 years of experience in real estate investment management. Mr Lo has also 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 KK Tenyu Asset Management. 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).

Mr Richard Lo has an indirect interest of approximately 2.0% in JOF.

**Roles, Experience and Expertise of the Executive Officers of the Asset Manager**

Information regarding the roles, as well as the experience and expertise of the Executive Officers of the Asset Manager is set out below:

***Mrs Chitose NAGAMINE: Financing and Administration Manager***

Mrs Nagamine, the Financing and Administration Manager, oversees the financing and administration function of the Asset Manager and the Saizen TK Operators. She oversees the preparation of statutory accounts, co-ordinates with external auditors, manages tax affairs, and liaises with various lenders and loan servicers for non-recourse loans of the Saizen TK Operators.

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

Prior to joining the Group, Mrs Nagamine worked for the private equity division of Fortis Group (primary listing on Euronext Amsterdam and Euronext Brussels) in Japan, and also worked for Japan Asia Investment Company Limited. She graduated with a Bachelor of Foreign Studies/International Politics from Sophia University in Tokyo, Japan.

***Ms Aki KURAMITSU: Property Operations Manager***

Ms Kuramitsu, a Property Operations Manager, oversees the property management, leasing and renovation functions of the Asset Manager. Ms Kuramitsu graduated from Shoin Junior College, Japan, majoring in Commerce and studied Chinese at the Chinese University of Hong Kong.

Together with Ms Kidani and Ms Shimoyashiki, Ms Kuramitsu will work directly and closely with property managers and property agents in each of the relevant cities with the objectives of keeping market information updated and enhancing or maintaining occupancy rates at satisfactory levels. Ms Kuramitsu will also work closely with the board and other executive officers to establish plans in property management, capital expenditure and renovation budgets.

Ms Kuramitsu will also liaise with property managers on a regular basis and 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.

Ms Kuramitsu will also assist the Financing and Administration Manager and the board in the financing and acquisition functions of the Asset Manager. Ms Kuramitsu will liaise with loan servicers and gather and provide them with all necessary information to proceed with the non-recourse loan applications. Ms Kuramitsu will also work closely with the board and property agents in identifying potential opportunities.

***Ms Eiko KIDANI: Property Operations Manager***

Ms Kidani, a Property Operations Manager, oversees the property management, leasing and renovation functions of the Asset Manager. Ms Kidani holds a Diploma from the Computer Graphics College in Australia.

Together with Ms Kuramitsu and Ms Shimoyashiki, Ms Kidani will work directly and closely with property managers and property agents in each of the relevant cities with the objectives of keeping market information updated and enhancing or maintaining occupancy rates at satisfactory levels. Ms Kidani will also work closely with the board and other executive officers to establish plans in property management, capital expenditure and renovation budgets.

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

***Ms Ikuko SHIMOYASHIKI: Property Operations Manager***

Ms Shimoyashiki, a Property Operations Manager, is based in Sapporo, Japan, and oversees the property management, leasing and renovation functions of the Asset Manager. Ms Shimoyashiki graduated with a Bachelor of Arts in English from the Sapporo University, Japan.

Together with Ms Kuramitsu and Ms Kidani, Ms Shimoyashiki will work directly and closely with property managers and property agents in each of the relevant cities with the objectives of keeping market information updated and enhancing or maintaining occupancy rates at satisfactory levels. Ms Shimoyashiki will also work closely with the board and other executive officers to establish plans in property management, capital expenditure and renovation budgets.

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

**Roles and Responsibilities of the Asset Manager**

The Asset Manager has entered into an Asset Management Agreement with each Saizen TK Operator in respect of the provision of asset management services in relation to the Properties. Under the Asset Management Agreement with the Saizen TK Operators, the Asset Manager will, among other services:

- (i) identify investment and divestment opportunities in real estate properties for the Saizen TK Operators, conduct due diligence in respect of these investments and prepare the relevant documentation; and
- (ii) provide consultation and assistance in connection with the relevant Saizen TK Operators' daily operations including:
  - establishing operating budgets and annual plans for the operation, management, marketing and maintenance of the Properties;

- advising on the selection of property managers and monitoring their performance;
- providing administrative services for the Saizen TK Operators including financing arrangements; and
- performing any other functions delegated to it by the Saizen TK Operators.

In particular, prior to the completion of an acquisition of a property by the Saizen TK Operators, the Asset Manager will be responsible for carrying out due diligence on the relevant property for the following aspects:

(i) location and market due diligence:

- supply and demand trends, for e.g. the number of competing rental apartments in the vicinity and the tendency of switching from renting to owning;
- rental and occupancy trends, such as the rental levels of similar residential units in the vicinity;
- urban planning policies, such as the movements of major educational institutions or corporations in or out of the vicinity; and
- future availability of transportation networks and development projects;

(ii) investment return due diligence and analysis:

- income, including an analysis of the reasonableness of the rental level and occupancy rate;
- operating expenses, to explore the reasonableness and possibility of reducing operating expenses; and
- future capital expenditures, repair requirements and opportunities for value-added enhancement through refurbishment;

(iii) lease and tenant due diligence:

- types of lease and rental levels;
- purpose of use of units;
- rental deposit policies;
- credit information and payment records of tenants; and
- tenant profile, including household types and occupations, to avoid undesirable tenants;

(iv) building and engineering due diligence:

- reputation of developer, architect and sub-contractors;
- general condition of exterior and interior of building;
- conditions of individual units;
- possible presence of illegal structures;
- possible unauthorised conversion of use;
- conditions of building facilities including elevators, air conditioning system, sanitary and piping system, water tank system and water proofing works;
- estimation of immediate repair requirements; and
- estimation of long term capital expenditure requirements;

(v) environmental issue due diligence:

- history of land use;
- possible soil contamination; and
- use of unauthorised construction materials such as asbestos;

(vi) legal due diligence:

- ownership and mortgage documents;
- lease contracts;
- boundaries confirmations on adjoining plots of land; and
- compliance with relevant applicable laws and regulations;

(vii) valuations of the property by an independent valuer.

The Asset Manager has engaged third party local property managers to perform certain daily functions in respect of the Properties. The performance of these property managers is closely monitored by the Asset Manager. The property managers are responsible for providing:

- lease management services, for example introducing the Properties that are owned by the Saizen TK Operators to potential lessees and conducting tenant screening, in line with the applicable leasing policy of the Saizen TK Operators;
- contract management services, for example rent collection, communication between the Saizen TK Operators and the tenants, responding to complaints by tenants, and filing applications with the relevant government offices; and
- building management services, for example co-ordinating services relating to the upkeep and maintenance of the Properties and their facilities, and general administration of the Properties.

#### **Asset Manager's fee**

The Asset Manager's asset management fee shall comprise 3.0% of the Property Business Profits.

In the case of TK Arrangements, ¥150,000 (S\$1,972.1) per annum will be deducted from the Property Business Profits in payment of overhead incurred by each Saizen TK Operator. This overhead comprises mainly the prefectural and municipal per capita tax which amounts to approximately ¥70,000 per annum. The balance relates to professional fees for making annual filings and miscellaneous expenses.

#### **Retirement or Removal of the Asset Manager**

The shareholders of the Asset Manager have given an undertaking to the Trustee that they will procure the resignation of the Asset Manager upon the retirement or removal of the Manager (the "**Shareholders' Letter of Undertaking**").

#### **Related Party Transactions**

##### ***The Manager's Internal Control System***

The Manager has established an internal control system to ensure that all future Related Party Transactions will be undertaken on normal commercial terms and will not be prejudicial to the interests of Saizen REIT and the Unitholders. As a general rule, the Manager must demonstrate to its Audit Committee that such transactions satisfy the foregoing criteria, which may entail obtaining (where practicable) quotations from parties unrelated to the Manager, or obtaining one or more valuations or appraisal reports from independent professional valuers (in accordance with the Property Funds Guidelines).

The Manager will maintain a register to record all Related Party Transactions which are entered into by Saizen REIT and the bases, including any quotations from unrelated parties and independent valuations obtained to support such bases, on which they are entered into. The Manager will also incorporate into its internal audit plan a review of all Related Party Transactions entered into by Saizen REIT. The Audit Committee shall review the internal audit reports at least twice a year to ascertain that the guidelines and procedures established to monitor Related Party Transactions have been complied with. In addition, the Trustee will also have the right to review such audit reports to ascertain that the Property Funds Guidelines have been complied with. Further, the following procedures will be undertaken:

- transactions (either individually or as part of a series or if aggregated with other transactions involving the same related party during the same financial year) equal to or exceeding S\$100,000 in value but below 3.0% of the value of Saizen REIT's net tangible assets will be subject to review by the Audit Committee at regular intervals;
- transactions (either individually or as part of a series or if aggregated with other transactions involving the same related party during the same financial year) equal to or exceeding 3.0% but below 5.0% of the value of Saizen REIT's net tangible assets will be subject to the review and prior approval of the Audit Committee. Such approval shall only be given if the transactions are on normal commercial terms and are consistent with similar types of transactions made by the Trustee with third parties which are unrelated to the Manager; and



- transactions (either individually or as part of a series or if aggregated with other transactions involving the same related party during the same financial year) equal to or exceeding 5.0% of the value of Saizen REIT's net tangible assets will be reviewed and approved prior to such transactions being entered into, on the basis described in the preceding paragraph, by the Audit Committee which may, as it deems fit, request advice on the transaction from independent sources or advisers, including the obtaining of 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 matters concerning Saizen REIT relate to transactions entered into or to be entered into by the Trustee for and on behalf of Saizen REIT with a related party of the Manager (which would include relevant Associates thereof) or Saizen REIT, the Trustee is required to consider the terms of such transactions to satisfy itself that such transactions are conducted in accordance with all applicable requirements of the Property Funds Guidelines and/or the Listing Manual relating to the transaction in question. Under the Property Funds Guidelines, the Trustee should exercise reasonable care in ensuring that material contracts entered into on behalf of Saizen REIT are legal, valid, binding and enforceable by or on behalf of Saizen REIT in accordance with its terms. Material contracts include contracts which constitute 5.0% or more of the revenue of Saizen REIT or which are not entered into in the ordinary course of business of Saizen REIT.

Further, the Trustee has the ultimate discretion under the Trust Deed to decide whether or not to enter into a transaction involving a related party of the Manager or Saizen REIT. If the Trustee is to sign any contract with a related party of the Manager or Saizen REIT, the Trustee will review the contract to ensure that it complies with the requirements relating to interested party transactions in the Property Funds Guidelines (as may be amended from time to time) and the provisions of the Listing Manual relating to interested person transactions (as may be amended from time to time) as well as such other guidelines as may from time to time be prescribed by the MAS and the SGX-ST to apply to REITs.

Save for the transactions described under “—Related Party Transactions in Connection with the Setting Up of Saizen REIT” and “—Exempted Agreements”, Saizen REIT will, in compliance with Rule 905 of the Listing Manual, announce any interested person transaction in accordance with the Listing Manual if such transaction, by itself or when aggregated with other interested person transactions entered into with the same interested person during the same financial year, is 3.0% or more of Saizen REIT's latest audited net tangible assets.

The aggregate value of all Related Party Transactions which are subject to Rules 905 and 906 of the Listing Manual in a particular financial year will be disclosed in Saizen REIT's annual report for the relevant financial year.

#### ***Role of the Audit Committee for Related Party Transactions***

The Audit Committee will periodically review all Related Party Transactions to ensure compliance with 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 to the Audit Committee.

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 in relation to that transaction.

#### ***Related Party Transactions in Connection with the Setting Up of Saizen REIT***

Saizen REIT and the Asset Manager have entered into a number of transactions with the Manager and certain related parties of the Manager in connection with the setting up of Saizen REIT. These Related Party Transactions are as follows:

- The Trustee, on behalf of Saizen REIT, has entered into the trust deed dated 27 September 2007, the first supplemental deed dated 3 October 2007 and the second supplemental deed dated 29 October 2007 with the Manager, the terms of which are generally described in “The Formation and Structure of Saizen REIT”.
- The Trustee, on behalf of Saizen REIT, has entered into the TK Interest Transfer Agreements with the respective Vendors and the Initial TK Operators in respect of the acquisition of the Vendor TK Interests. (See “Certain Agreements Relating to Saizen REIT and the Properties—TK Interest Transfer Agreements”).

- The Asset Manager has entered into the Asset Management Agreements with the Saizen TK Operators for the provision of asset management services in relation to the Properties. (See “Certain Agreements Relating to Saizen REIT and the Properties—Asset Management Agreements”.)
- The Asset Manager has entered into a rental agreement dated 3 March 2007 with YK Kokkei, an Initial TK Operator, for the leasing of a residential unit at Maison Towa. The rental for this unit amounts to ¥732,000 (S\$9,624.0) per annum and is used by the Asset Manager as staff quarters. The aforesaid rental rate is in line with the rental rates of other units at the property. The Manager believes that the rental agreement has been made on normal commercial terms and is not prejudicial to the interest of Saizen REIT and its Unitholders.

Save as disclosed in this Prospectus, the Trustee has not entered into any other transactions with the Manager or any related party of the Manager in connection with the setting up of Saizen REIT.

### ***Exempted Agreements***

The fees and charges payable by Saizen REIT to the Manager under the Trust Deed, the Consideration Units payable to the Vendors under the TK Interest Transfer Agreements, the asset management fee payable under the Asset Management Agreements and the rent payable between the Asset Manager and a TK Operator under the rental agreement for the leasing of a residential unit at Maison Towa (collectively, the “**Exempted Agreements**”), which constitute Related Party Transactions, are deemed to have been specifically approved by Unitholders upon subscription of the Units and are therefore not subject to Rules 905 and 906 of the Listing Manual to the extent that there is no subsequent change to the rates and/or bases of the fees charged thereunder which will adversely affect Saizen REIT. However, the renewal of such agreements will be subject to Rules 905 and 906 of the Listing Manual.

Separately, the capital contributions by Saizen REIT to the Additional TK Operator under the Additional TK Agreement for the purposes of investing in the Additional Properties are also deemed to have been specifically approved by Unitholders upon subscription of the Units.

### **Future Related Party Transactions**

Saizen REIT is regulated by the Property Funds Guidelines and the Listing Manual. The Property Funds Guidelines regulate, among other things, transactions entered into by the Trustee (for and on behalf of Saizen REIT) with an interested party relating to Saizen REIT’s acquisition of assets from or sale of assets to an interested party, Saizen REIT’s investment in securities of or issued by an interested party and the engagement of an interested party as property management agent or marketing agent for Saizen REIT’s properties. Depending on the materiality of transactions entered into by Saizen REIT for the acquisition of assets from, the sale of assets to or the investment in securities of or issued by, an interested party, the Property Funds Guidelines may require that an immediate announcement via SGXNET be made, and may also require that the approval of the Unitholders be obtained.

The Listing Manual regulates all interested person transactions, including transactions already governed by the Property Funds Guidelines. Depending on the materiality of the transaction, Saizen REIT may be required to make a public announcement of the transaction (Rule 905 of the Listing Manual), or to make a public announcement of and to obtain the Unitholders’ prior approval for the transaction (Rule 906 of the Listing Manual). The Trust Deed requires the Trustee and the Manager to comply with the provisions of the Listing Manual relating to interested person transactions as well as such other guidelines relating to interested person transactions as may be prescribed by the SGX-ST to apply to REITs.

The Manager may at any time in the future seek a general annual mandate from the Unitholders pursuant to Rule 920(1) of the Listing Manual for recurrent transactions of a revenue or trading nature or those necessary for its day-to-day operations, including a general mandate in relation to leases and/or licence agreements to be entered into with interested persons, and all transactions conducted under such general mandate for the relevant financial year will not be subject to the requirements under Rules 905 and 906 of the Listing Manual. In seeking such a general annual mandate, the Trustee will appoint an independent financial adviser (without being required to consult the Manager) pursuant to Rule 920(1)(b)(v) of the Listing Manual to render an opinion as to whether the methods or procedures for determining the transaction prices of the transactions contemplated under the annual general mandate are sufficient to ensure that such transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of Saizen REIT and the Unitholders.

Both the Property Funds Guidelines and the Listing Manual requirements would have to be complied with in respect of a proposed transaction which is *prima facie* governed by both sets of rules. Where matters

concerning Saizen REIT relate to transactions entered or to be entered into by the Trustee for and on behalf of Saizen REIT with a related party (either an “interested party” under the Property Funds Guidelines or an “interested person” under the Listing Manual) of the Manager or Saizen REIT, the Trustee is required to ensure that such transactions are conducted in accordance with applicable requirements of the Property Funds Guidelines and/or the Listing Manual relating to the transaction in question.

The Manager is not prohibited by either the Property Funds Guidelines or the Listing Manual from contracting or entering into any financial, banking or any other type of transaction with the Trustee (when acting other than in its capacity as trustee of Saizen REIT) or from being interested in any such contract or transaction, provided that any such transaction shall be on normal commercial terms and is not prejudicial to the interests of Saizen REIT and the Unitholders. The Manager shall not be liable to account to the Trustee or to Unitholders for any profits or benefits or other commissions made or derived from or in connection with any such transaction. The Trustee shall not be liable to account to the Manager or to the Unitholders for any profits or benefits or other commission made or derived from or in connection with any such transaction.

Generally, under the Listing Manual, the Manager and its associates (as defined in the Listing Manual) are prohibited from voting their own respective Units at, or being part of a quorum for, any meeting to approve any matter in which it has a material interest in the business to be conducted.

## THE SPONSOR

### Overview

The Sponsor of Saizen REIT is Japan Regional Assets Manager Limited, an investment management company specialising in real estate assets in regional cities across Japan. The Sponsor is an independent investment management company which is unaffiliated to any property developer or real estate company. This provides flexibility for it to work with various property developers or real estate companies independently.

The Sponsor possesses extensive experience and expertise in managing investments in the Japanese regional residential property markets. Since 1999, its management team has established a strong track record and network for real estate investment in these markets. The Manager believes that the Management Team was an early mover in the use of non-recourse debt in real estate investments in Japanese regional cities, as well as in the institutionalisation of regional residential real estate investment management and financing in Japan, and has established strategic lending relationships with leading financial institutions.

### Shareholders and directors

Altus Investments Limited, Cheetah Group Holdings Limited, Mr Richard Lo and Mr Yutaka Matsunaga together own the entire issued share capital of the Sponsor. The directors of the Sponsor are Mr Yeh V-Nee, Mr Arnold Ip Tin Chee, Mr Raymond Wong Kin Jeon, Mr Richard Lo and Mr Chang Sean Pey.

Mr Arnold Ip Tin Chee and Mr Chang Sean Pey are also directors of Altus Investments Limited, which, as a shareholder of the Sponsor, indirectly wholly-owns the Manager. Mr Raymond Wong Kin Jeon and Mr Yeh V-Nee are also directors of Cheetah Group Holdings Limited, which, as a shareholder of the Sponsor, indirectly wholly-owns the Manager.

Details of the business and working experience of Mr Arnold Ip Tin Chee, Mr Chang Sean Pey, Mr Raymond Wong Kin Jeon and Mr Yeh V-Nee are set out in “The Manager, The Asset Manager and Corporate Governance—Roles, Experience and Expertise of the Board of Directors of the Manager”. Details of the business and working experience of Mr Richard Lo are set out in “The Manager, The Asset Manager and Corporate Governance—Roles, Experience and Expertise of the Board of Directors of the Asset Manager”.

### History

Mr Richard Lo and Mr Yutaka Matsunaga started investing in residential real estate in Japanese regional cities in 1999. They were joined by Mr Arnold Ip Tin Chee and Mr Chang Sean Pey in 2000 and started institutionalising the investment management of regional residential real estate with the formation of the investment funds, JOF in 2002, and JOF II in 2004. In 2005, together with Mr Yeh V-Nee and Mr Raymond Wong Kin Jeon, they founded the Sponsor, which is the investment manager of JHYP and JHYP II.

### Track record

The Sponsor has established itself as one of the largest operators in the Japanese regional residential property markets. The ability of the Sponsor to expand its property portfolio is evidenced by the expansion of properties under the management of the key personnel of the Sponsor from 25 as at 30 June 2004, to 67 as at 30 June 2005, to 140 as at 30 June 2006 and 202 as at the Latest Practicable Date.

The Vendors, which are managed by the Sponsor and the Management Team, have previously invested in the Initial Properties owned and held by the Initial TK Operators<sup>1</sup>. The Initial Properties have a total appraised value of approximately ¥47.7 billion (approximately S\$626.8 million). The investments in the Initial Properties were transferred from the Vendors to the Trustee, on behalf of Saizen REIT, via a transfer of the Vendor TK Interests pursuant to the TK Interest Transfer Agreements. In addition, as arranged by the Sponsor, subject to obtaining satisfactory financing and results of due diligence, Saizen REIT expects to invest in the Additional Properties. The Trustee, on behalf of Saizen REIT, is expected to enter into the Additional TK Agreement with the Additional TK Operator, which has signed conditional sale and purchase agreements with independent third party vendors to acquire the Additional Properties. The Additional Properties have a total indicative purchase consideration (excluding transaction costs) of approximately ¥5.4 billion (approximately S\$71.4 million).

<sup>1</sup> One of the Initial Properties in Hiroshima, Kaminobori-cho Mansion, is currently under construction and is expected to be completed in or around the second quarter of 2008. The relevant Initial TK Operator has entered into a conditional sale and purchase agreement with an independent third party vendor for Kaminobori-cho Mansion and will only acquire it upon its completion.

## **Scale of operations**

The Sponsor has also established an extensive network of local brokers, agents and property managers across Japan. This network is integral to its operations in the Japanese regional residential property markets as a strong presence in these markets enhances the Sponsor's access to investment opportunities, ability to build partnerships with quality local professionals and ability to achieve synergies and economies of scale in its operations.

The Sponsor has developed a management system to manage the property portfolio effectively. The presence of the Sponsor's management team in multiple markets throughout Japan permits it to test new property management methods or optimisations in smaller markets before applying the successful ones throughout its portfolio and to rapidly use experience gained in one location to benefit its other operations. This affords the Sponsor more efficiency in its operations compared to local market participants that generally rely on traditional property management methods and do not have the benefit of scalability. As the existing property managers will continue to manage the Properties, Saizen REIT is able to benefit from the management team's continued refinement of the property management process utilised in managing the Properties.

The information gathered over the years has been developed into an extensive database, which the Management Team has combined with its experience and expertise in operating in Japanese regional residential markets to devise a scalable methodology for evaluating potential investment opportunities and improving the effectiveness and efficiency of property management. The Management Team constantly adapts this methodology to current market conditions and leverages its network of relationships with local property managers to identify investment opportunities to which its methodology can be applied. The Manager believes that Saizen REIT can leverage the management team's acquisition platform and methodology to efficiently expand its portfolio.

The Sponsor's strong track record in executing and completing acquisitions and its established credibility in regional residential property markets affords it investment opportunities which would not otherwise be available. For example, local agents sometimes prefer the Sponsor as a counterparty for acquisitions due to its credibility as a buyer in the regional residential property markets.

## THE FORMATION AND STRUCTURE OF SAIZEN REIT

*The Trust Deed is a complex document. The following is a summary only and is qualified in its entirety by, and is subject to, the contents of the Trust Deed. Investors should read the Trust Deed itself to confirm specific information and obtain a detailed understanding of Saizen REIT. The Trust Deed is available for inspection at the registered office of the Manager at 72A Duxton Road, Singapore 089531.*

### The Trust Deed

Saizen REIT is a REIT constituted by the Trust Deed and is principally regulated by the SFA and the CIS Code (including the Property Funds Guidelines).

The terms and conditions of the Trust Deed shall be binding on each Unitholder (and persons claiming through such Unitholder) as if such Unitholder had been a party to the Trust Deed and as if the Trust Deed contains covenants by such Unitholder to observe and be bound by the provisions of the Trust Deed and an authorisation by each Unitholder to do all such acts and things as the Trust Deed may require the Manager and/or the Trustee to do.

### Operational Structure

Saizen REIT is a Singapore-based REIT established with the principal investment objective of investing 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.

#### *The Initial Properties*

The Vendors have previously entered into the Vendor TK Agreements with the Initial TK Operators in order to invest in the Initial Properties owned by the Initial TK Operators<sup>1</sup>. The Initial Properties have a total appraised value of approximately ¥47.7 billion (approximately S\$626.8 million) and are located in 12 regional cities across Japan, namely Sapporo, Fukuoka, Sendai, Kitakyushu, Hiroshima, Kumamoto, Hakodate, Kagoshima, Kurashiki, Morioka, Koriyama and Oita. On the Listing Date, Saizen REIT will invest in the Initial Properties by issuing 223,749,000 Consideration Units (assuming that the Over-allotment Option is exercised in full) as full consideration for the acquisition of the Vendor TK Interests from the Vendors. The aggregate NAV of the Initial TK Operators is ¥20.9 billion (approximately S\$275.3 million as at 31 August 2007). At the Offering Price, the Consideration Units will be valued at S\$253.3 billion, which represents a discount of 8.0% to such NAV.

As at 31 August 2007, the Initial Properties have an aggregate Gross Floor Area of 226,250 sq m, a Net Lettable Area of 197,743 sq m, and an occupancy rate of approximately 91.2%<sup>2</sup>.

#### *The Additional Properties*

The Additional TK Operator has entered into various conditional sale and purchase agreements with independent third party vendors for the acquisition of the Additional Properties. The Additional Properties have a total indicative purchase consideration (excluding transaction costs) of approximately ¥5.4 billion (approximately S\$71.4 million) and are located in six regional cities across Japan, namely Fukuoka, Sapporo, Sendai, Hiroshima, Niigata and Koriyama. Subject to obtaining satisfactory financing and results of due diligence, the Additional TK Operator expects to complete the acquisition of 14 Additional Properties within two months from the Listing Date and the remaining Additional Property within five months from the Listing Date. Saizen REIT has been granted the Right of First Refusal to Invest by the Additional TK Operator. The Trustee, on behalf of Saizen REIT, expects to enter into one or more Additional TK Agreements with the Additional TK Operator concurrently with the Additional TK Operator's completion of the sale and purchase agreements with independent third party vendors for the Additional Properties. Subsequent investment contributions to the Additional TK Operator will be made in phases, in order for the Additional TK Operator to complete each subsequent acquisition under the respective sale and purchase agreements. Saizen REIT's investment in the Additional Properties will be fully paid for in cash.

<sup>1</sup> One of the Initial Properties in Hiroshima, Kaminobori-cho Mansion, is currently under construction and is expected to be completed in or around the second quarter of 2008. The relevant Initial TK Operator has entered into a conditional sale and purchase agreement with an independent third party vendor for Kaminobori-cho Mansion and will only acquire it upon its completion.

<sup>2</sup> Excluding Kaminobori-cho Mansion, which is currently under construction and is expected to be completed in or around second quarter of 2008.



Saizen REIT's investment in the Additional Properties will bring the total portfolio to 163 Properties across 13 regional cities. The total appraised value of the Initial Properties and indicative purchase consideration of the Additional Properties amounts to approximately ¥53.1 billion (approximately S\$698.2 million).

As at 31 August 2007, the Additional Properties have an aggregate Gross Floor Area of 23,133 sq m and a Net Lettable Area of 19,780 sq m.

Saizen REIT aims to generate returns for its Unitholders by buying, owning and actively managing such properties in line with its investment strategy, including the divestment of any property that is deemed appropriate by the Manager at any time, having taken into account factors such as the said property's scope for growth and offer price for the property.

Subject to the restrictions and requirements in the Property Funds Guidelines, the Listing Manual and the Tax Rulings, the Manager is also authorised under the Trust Deed to invest in investments which need not be real estate. The Manager may use certain financial derivative instruments for hedging purposes or efficient portfolio management, provided that such financial derivative instruments are not used to gear Saizen REIT's overall investment portfolio or are intended to be borrowings of Saizen REIT. Saizen REIT presently does not have any intention to invest in options, warrants, commodities, futures contracts, unlisted securities and precious metals.

For further details of the investment objectives and policies of the Manager, see Clause 10 of the Trust Deed.

### **The Units and the Unitholders**

The rights and interests of the Unitholders are contained in the Trust Deed. Under the Trust Deed, these rights and interests are safeguarded by the Trustee.

Each Unit represents an undivided interest in Saizen REIT. A Unitholder has no equitable or proprietary interest in the underlying assets of Saizen REIT and is not entitled to the transfer to it of any asset (or any part thereof) or of any real estate, any interest in any asset and real estate-related assets (or any part thereof) of Saizen REIT. 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, including, without limitation, by suit against the Trustee or the Manager.

Under the Trust Deed, each Unitholder acknowledges and agrees that it will not commence or pursue any action against the Trustee or the Manager seeking an order for specific performance or for injunctive relief in respect of the assets of Saizen REIT (or any part thereof), including all its Authorised Investments (as defined herein), and waives any right it may otherwise have to such relief. If the Trustee or the Manager breaches or threatens to breach its duties or obligations to the Unitholder under the Trust Deed, the Unitholder's recourse against the Trustee or the Manager is limited to a right to recover damages or compensation from the Trustee or the Manager in a court of competent jurisdiction, and the Unitholder acknowledges and agrees that damages or compensation is an adequate remedy for such breach or threatened breach.

Further, unless otherwise expressly provided in the Trust Deed, a Unitholder may not interfere or seek to interfere with the rights, powers, authority or discretion of the Manager or the Trustee, exercise any right in respect of the assets of Saizen REIT or any part thereof or lodge any caveat or other notice affecting the real estate assets and real estate-related assets of Saizen REIT (or any part thereof), or require that any Authorised Investments forming part of the assets of Saizen REIT be transferred to such Unitholder.

No certificate shall be issued to the Unitholders by either the Manager or the Trustee in respect of Units issued to the Unitholders. For so long as Saizen REIT is listed on the SGX-ST and/or any other Recognised Stock Exchange and the Units have not been suspended from such listing, quotation and trading for more than 60 consecutive calendar days or de-listed permanently, the Manager shall pursuant to the Depository Services Agreement appoint CDP as the Unit depository for Saizen REIT, and all Units issued will be represented by entries in the register of the Unitholders kept by the Trustee or the agent appointed by the Trustee in the name of, and deposited with, CDP as the registered Unitholder of such Units. The Manager or the agent appointed by the Manager shall issue to CDP, not more than 10 Business Days after the issue of Units, a confirmation note confirming the date of issue and the number of Units so issued and, if applicable, also stating that the Units are issued under a moratorium and the expiry date of such moratorium and for the purposes of the Trust Deed, such confirmation note shall be deemed to be a certificate evidencing title to the Units issued.

The MAS announced on 8 June 2007 the decision of the Securities Industry Council to extend the ambit of the Take-over Code to REITs. While the MAS will amend the SFA and the Take-over Code, where necessary, to

give effect to the extension of the Take-over Code to REITs in due course, the Securities Industry Council has recommended that parties engaged in take-over or merger transactions involving REITs comply with the Take-over Code prior to such amendments.

Under the Take-over Code, any person acquiring an interest, either individually or with parties acting in concert, in 30.0% or more of the Units (being voting units in Saizen REIT) may be required to extend a take-over offer for the remaining Units in accordance with the Take-over Code. A take-over offer is also required to be made if a person holding between 30.0% and 50.0% inclusive of the Units, either individually or in concert, acquires an additional 1.0% of the Units in any six-month period under the Take-over Code.

### Issue of Units

The following is a summary of the provisions of the Trust Deed relating to the issue of Units in Saizen REIT.

The Manager has the exclusive right to issue Units. Subject to the following sub-paragraphs (1), (2) and (3) below and to such laws, rules and regulations as may be applicable (including the provisions of the Listing Manual and the Trust Deed), for so long as Saizen REIT is listed on the SGX-ST or any other Recognised Stock Exchange, the Manager may issue Units on any Business Day at an issue price per Unit (“**Issue Price**”) equal to the “market price”, without the prior approval of the Unitholders in a Unitholders’ meeting duly convened and held in accordance with the provisions of the Trust Deed. For this purpose, “market price” shall mean (i) the volume weighted average price for a Unit (if applicable, of the same class) for all trades on the SGX-ST, or such other Recognised Stock Exchange on which Saizen REIT is listed, in the ordinary course of trading on the SGX-ST or, as the case may be, such other Recognised Stock Exchange, for the period of 10 Business Days (or such other period as may be prescribed by the SGX-ST or relevant Recognised Stock Exchange) immediately preceding the relevant Business Day, or (ii) if the Manager believes that the calculation in (i) above does not provide a fair reflection of the market price of a Unit, an amount as determined by the Manager and the Trustee (after consultation with a stockbroker approved by the Trustee) and approved by the Audit Committee of the Manager and the Trustee, as being the fair market price of a Unit.

- (1) The Manager shall comply with the rules in the Listing Manual in determining the Issue Price, including the Issue Price for a rights issue on a *pro-rata* basis to all existing Unitholders, the Issue Price of a Unit issued other than by way of a rights issue offered on a pro-rata basis to all existing Unitholders and the Issue Price for any reinvestment of distribution arrangement.
- (2) Where Units are issued as full or partial consideration for the investment or acquisition of an Authorised Investment by Saizen REIT in conjunction with an issue of Units to raise cash for the balance of the consideration for the said Authorised Investment (or part thereof) or to invest in or acquire other Authorised Investments in conjunction with the said Authorised Investment, the Manager shall have the discretion to determine that the Issue Price of a Unit so issued as full or partial consideration shall be the same as the Issue Price for the Units issued in conjunction with an issue of Units to raise cash for the aforesaid purposes.
- (3) In accordance with Rule 887 of the Listing Manual, the Manager may issue new Units without the prior approval of Unitholders in a general meeting if the issue (together with any other issue of Units in the same financial year) would not exceed 10.0% of the Units in issue. The scope of the general mandate to be given in a general meeting of the Unitholders is limited to the issue of an aggregate number of additional Units which must not exceed 50.0% of the total number of Units in issue, of which the aggregate number of additional Units to be issued other than on a pro rata basis to the existing Unitholders must not exceed 20.0% of the total number of Units in issue (the “**Unit Issue Mandate**”).

By subscribing for the Units under the Offering, investors are deemed to have approved and given the Manager the Unit Issue Mandate and for the Unit Issue Mandate to be automatically renewed on an annual basis, with the effective date of renewal being the start of Saizen REIT’s financial year, subject to revocation or variation by ordinary resolution of Unitholders in general meeting pursuant to Rule 887(3)(b) of the Listing Manual.

If in connection with an issue of a Unit, any requisite payment of the Issue Price for such Unit has not been received by the Trustee before the seventh Business Day after the Unit was agreed to be issued (or such other date as the Manager and the Trustee may agree), the Manager may cancel its agreement to issue such Unit and upon notice being given to the Trustee, such Unit will be deemed never to have been issued or agreed to be issued. In such an event, the Manager may, at its discretion, charge the investor (and retain the same for its own

account) (i) a cancellation fee of such amount as the Manager may from time to time determine to represent the administrative costs involved in processing the application for such Unit, and (ii) an amount (if any) by which the Issue Price of such Unit exceeds the repurchase price applying if such Unit was requested to have been repurchased or redeemed on the same day.

### **Suspension of Issue of Units**

The Manager or the Trustee may, with the prior written approval of the other and subject to the Listing Manual or the listing rules of any other relevant Recognised Stock Exchange, suspend the issue of Units during:

- any period when the SGX-ST or any other relevant Recognised Stock Exchange is closed (otherwise than for public holidays) or during which dealings are restricted or suspended;
- the existence of any state of affairs which, in the opinion of the Manager or the Trustee (as the case may be), might seriously prejudice the interests of the Unitholders as a whole or the Deposited Property;
- any breakdown in the means of communication normally employed in determining the price of any assets of Saizen REIT or the current price thereof on the SGX-ST or any other relevant Recognised Stock Exchange, or when for any reason the prices of any assets of Saizen REIT cannot be promptly and accurately ascertained;
- any period when remittance of money which will or may be involved in the realisation of any asset of Saizen REIT or in the payment for such asset of Saizen REIT cannot, in the opinion of the Manager, be carried out at normal rates of exchange;
- any period where the issuance of Units is suspended pursuant to any order or direction issued by the MAS;
- in relation to any general meeting of the Unitholders, any 48-hour period before such general meeting of the Unitholders, or any adjournment thereof; or
- any period when the business operations of the Manager or the Trustee in relation to Saizen REIT are substantially interrupted or closed as a result of, or arising from, pestilence, war, acts of terrorism, insurrection, revolution, civil unrest, riots, strikes or acts of God.

Such suspension shall take effect forthwith upon the declaration in writing thereof by the Manager or the Trustee (as the case may be) and shall terminate on the day following the first Business Day on which the condition giving rise to the suspension ceases to exist and no other conditions under which suspension is authorised (as set out above) exists, upon the declaration in writing thereof by the Manager or the Trustee (as the case may be).

In the event of any suspension while Saizen REIT is listed on the SGX-ST and/or any other Recognised Stock Exchange(s), the Manager shall ensure that immediate announcement of such suspension is made through SGX-ST or the relevant Recognised Stock Exchange.

### **Redemption of Units**

The Trust Deed provides that any redemption of Units will be carried out in accordance with the Property Funds Guidelines, the rules of the Listing Manual (if applicable) and all other applicable laws and regulations. With respect to any terms which are necessary to carry out such redemption but are not prescribed by the Property Funds Guidelines, the rules in the Listing Manual and any laws and regulations, these terms shall be determined by mutual agreement between the Manager and the Trustee.

However, for so long as the Units are listed on the SGX-ST and/or any other Recognised Stock Exchange, the Unitholders have no right to request the Manager to repurchase or redeem their Units. It is intended that the Unitholders may only deal in their listed Units through trading on the SGX-ST.

### **Rights and Liabilities of the Unitholders**

The key rights of the Unitholders include rights to:

- receive income and other distributions attributable to the Units held;
- receive audited accounts and the annual reports of Saizen REIT; and

- 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.

No Unitholder has the right to require that any Authorised Investment be transferred to him.

Further, the Unitholders cannot give any directions to the Trustee or the Manager (whether at a meeting of the Unitholders or otherwise) if it would require the Trustee or the Manager to do or omit from doing anything which may result in:

- Saizen REIT ceasing to comply with applicable laws and regulations; or
- the exercise of any discretion expressly conferred on the Trustee or the Manager by the Trust Deed or the determination of any matter which, under the Trust Deed, requires the agreement of either or both of the Trustee and the Manager.

The Trust Deed contains provisions that are designed to limit the liability of a Unitholder to the amount paid or payable for any Unit. The provisions seek to ensure that if the Issue Price of the Units held by a Unitholder has been fully paid, no such Unitholder, by reason alone of being a Unitholder, will be personally liable to indemnify the Trustee or any creditor of Saizen REIT in the event that the liabilities of Saizen REIT exceed its assets.

Under the Trust Deed, every Unit carries the same voting rights.

### **Amendments of the Trust Deed**

Subject to the third paragraph below, after Saizen REIT is listed, save where an amendment to the Trust Deed has been approved by an Extraordinary Resolution passed at a meeting of the Unitholders duly convened and held in accordance with the provisions of the Trust Deed, no amendment may be made to the provisions of the Trust Deed unless the Trustee certifies, in its opinion, that such amendment:

- does not materially prejudice the interests of the Unitholders and does not operate to release, to any material extent, the Trustee or the Manager from any responsibility to the Unitholders;
- is necessary in order to comply with applicable fiscal, statutory or official requirements (whether or not having the force of law), including, without limitation, requirements under the SFA, the CIS Code, the Property Funds Guidelines, the Listing Rules and any other applicable rules at any other relevant Recognised Stock Exchange on which Saizen REIT may be listed; or
- is made to remove obsolete provisions or to correct a manifest error.

No such amendment shall impose upon any Unitholder any obligation to make any further payments in respect of his Units or to accept any liability in respect thereof.

Notwithstanding any of the above, the Manager and the Trustee may, with the written approval of the competent authorities, alter certain provisions in Clause 10 of the Trust Deed relating to the use of derivatives.

### **Meeting of the Unitholders**

Under applicable law and the provisions of the Trust Deed, Saizen REIT will not hold any meetings for the Unitholders unless the Trustee or the Manager convenes a meeting or unless not less than 50 Unitholders or Unitholders representing not less than 10.0% of the total Units issued request a meeting to be convened.

A meeting of the Unitholders when convened may:

- by Extraordinary Resolution and in accordance with the Trust Deed, sanction any modification, alteration or addition to the Trust Deed which shall be agreed by the Trustee and the Manager as provided in the Trust Deed;
- by Extraordinary Resolution and in accordance with the Trust Deed, sanction a supplemental deed increasing the maximum permitted limit or any change in the structure of the Manager's management fee, acquisition fee, divestment fee, Early Termination Fee and the Trustee's fee;
- by Extraordinary Resolution and in accordance with the Trust Deed, remove the auditors;
- by Extraordinary Resolution and in accordance with the Trust Deed, remove the Trustee;
- by Extraordinary Resolution and in accordance with the Trust Deed, direct the Trustee to take any action pursuant to Section 295 of the SFA; and

- by Extraordinary Resolution and in accordance with the Trust Deed, delist Saizen REIT after it has been listed.

Any decision to be made by resolution of the Unitholders other than the above shall be made by Ordinary Resolution, unless an Extraordinary Resolution is required by the SFA, the CIS Code or the Listing Manual.

Except as otherwise provided for in the Trust Deed, 14 days' notice at the least (not inclusive of the day on which the notice is served or deemed to be served and of the day for which the notice is given) of every meeting shall be given to the Unitholders in the manner provided in the Trust Deed. The quorum at a meeting shall not be less than two Unitholders present in person or by proxy, holding or representing one-tenth in value of all the Units for the time being in issue. Each notice shall specify the place, day and hour of the meeting, and the terms of the resolutions to be proposed, and each such notice may, in general, be given by advertisement in the daily press and in writing to each stock exchange on which Saizen REIT is listed. Any notice of a meeting called to consider special business shall be accompanied by a statement regarding the effect of any proposed resolutions in respect of such special business.

Voting at a meeting shall be by a show of hands unless a poll is demanded by the chairman of the meeting, or by five or more Unitholders present in person or by proxy, holding or representing one tenth in value of all the Units represented at the meeting. Unitholders do not have different voting rights on account of the number of votes held by a particular Unitholder. On a show of hands, every Unitholder has one vote. On a poll, every Unitholder has one vote for each Unit of which it is the Unitholder. The Trust Deed does not contain any limitation on non-Singapore resident or foreign Unitholders holding Units or exercising the voting rights with respect to their unitholdings.

Neither the Manager nor any of its Associates shall be entitled to vote or be counted as part of a quorum at a meeting convened to consider a matter in respect of which the Manager or any of its Associates has a material interest save for an ordinary resolution duly proposed to remove the Manager, in which case, no Unitholder shall be disenfranchised.

For so long as the Manager is the manager of Saizen REIT, the controlling shareholders (as defined in the Listing Manual) of the Manager and of any of its Associates are prohibited from voting or being counted as part of a quorum for any meeting of the Unitholders convened to consider a matter in respect of which the relevant controlling shareholders of the Manager and/or of any of its Associates have a material interest.

### **Substantial Holdings**

Under Section 137B of the SFA, Substantial Unitholders will be required to notify the Trustee of their deemed and direct holdings and any subsequent change in the percentage level of such holdings (rounded down to the next whole number) or their ceasing to hold 5.0% or more of the total number of Units within two Business Days of acquiring such holdings or of such changes or such cessation.

Under Section 137A of the SFA, Substantial Unitholders must also, within the same time limit, submit such notifications to the SGX-ST.

Failure to comply with either Section 137A or Section 137B of the SFA constitutes an offence and will render a Substantial Unitholder liable to a fine on conviction.

### **Directors' Declaration of Unitholdings**

Under the Trust Deed, the Directors are required to give notice to the Manager of their acquisition of Units or of changes to the number of Units which they hold or in which they have an interest, within two Business Days after such acquisition or the occurrence of the event giving rise to changes in the number of Units which they hold or in which they have an interest, as applicable. Upon such notification, the Manager will promptly announce such interests or changes via SGXNET.

A Director is deemed to have an interest in Units in the following circumstances:

- Where the Director is the beneficial owner of a Unit (whether directly through a direct Securities Account (as defined herein) or indirectly through a depository agent or otherwise), he is deemed to have an interest in that Unit.



- Where a body corporate is the beneficial owner of a Unit and the Director is entitled to exercise or control the exercise of not less than 20.0% of the votes attached to the voting shares in the body corporate, he is deemed to have interest in that Unit.
- Where the Director's spouse or infant child (including step-child and adopted child) has any interest in a Unit, he is deemed to have an interest in that Unit.
- Where the Director, his spouse or infant child (including step-child and adopted child):
  - has entered into a contract to subscribe for a Unit;
  - has a right to have a Unit transferred to any of them or to their order, whether the right is exercisable presently or in the future and whether on the fulfilment of a condition or not;
  - has the right to acquire a Unit under an option, whether the right is exercisable presently or in the future and whether on the fulfilment of a condition or not; or
  - is entitled (otherwise than by reason of any of them having been appointed a proxy or representative to vote at a meeting of the Unitholders) to exercise or control the exercise of a right attached to a Unit, not being a Unit which any of them holds, he is deemed to have an interest in that Unit.
- Where the property subject to a trust consists of or includes a Unit and the Director knows or has reasonable grounds for believing that he has an interest under a trust and the property subject to the trust consists of or includes such Unit, he is deemed to have an interest in that Unit.

### **The Trustee**

The trustee of Saizen REIT is HSBC Institutional Trust Services (Singapore) Limited. The Trustee is a company incorporated in Singapore and holds a trust business licence under the Trust Companies Act, Chapter 336 of Singapore. It is approved to act as a trustee for authorised collective investment schemes under the SFA. The Trustee has a paid-up capital of S\$5,150,000.00 and has a place of business in Singapore at 21 Collyer Quay, #14-01 HSBC Building Singapore 049320. The Trustee is independent of the Manager.

### **Powers, Duties and Obligations of the Trustee**

The Trustee's powers, duties and obligations are set out in the Trust Deed. The powers and duties of the Trustee include:

- acting as trustee of Saizen REIT and, in such capacity, safeguarding the rights and interests of the Unitholders, for example, by satisfying itself that the transactions it enters into for and on behalf of Saizen REIT with a related party of the Manager or Saizen REIT are conducted on normal commercial terms, are not prejudicial to the interests of Saizen REIT and the Unitholders, and in accordance with all applicable requirements under the Property Funds Guidelines and/or the Listing Manual or the rules of other relevant Recognised Stock Exchange(s) relating to the transaction in question;
- holding the assets of Saizen REIT on trust for the benefit of the Unitholders in accordance with the Trust Deed; and
- exercising all the powers of a trustee and the powers that are incidental to the ownership of the assets of Saizen REIT.

The Trustee has covenanted in the Trust Deed that it will exercise all due care, diligence and vigilance in carrying out its functions and duties, and in safeguarding the rights and interests of the Unitholders.

In the exercise of its powers, the Trustee may (on the recommendation of the Manager) and subject to the provisions of the Trust Deed, invest in, acquire or dispose of any property, borrow and encumber any asset.

The Trustee may, subject to the provisions of the Trust Deed, appoint and engage:

- a person or entity to exercise any of its powers or perform its obligations; and
- any real estate agents or managers or service providers, including a related party of the Manager, in relation to the project management, development, redevelopment, leasing, lease management, marketing, property management and purchase or sale of any assets of Saizen REIT.

Subject to the Trust Deed and the Property Funds Guidelines, the Manager may direct the Trustee to borrow or raise money or obtain other financial accommodation for the purposes of Saizen REIT, both on a secured and unsecured basis.



The Trustee must carry out its functions and duties and comply with all the obligations imposed on it and set out in the Trust Deed, the Listing Manual, the SFA, the CIS Code (including the Property Funds Guidelines), the Tax Rulings and all other relevant laws. It must retain Saizen REIT's assets, or cause Saizen REIT's assets to be retained, in safe custody and cause Saizen REIT's accounts to be audited. It can appoint valuers to value the real estate assets and real estate-related assets of Saizen REIT.

The Trustee is not personally liable to a Unitholder in connection with the office of the Trustee except in respect of its own fraud, gross negligence, wilful default, breach of duty or breach of trust. Any liability incurred and any indemnity to be given by the Trustee shall be limited to the assets of Saizen REIT over which the Trustee has recourse, provided that the Trustee has acted without fraud, gross negligence, wilful default, breach of trust or breach of the Trust Deed. The Trust Deed contains certain indemnities in favour of the Trustee under which it will be indemnified out of the assets of Saizen REIT for liability arising in connection with certain acts or omissions. These indemnities are subject to any applicable laws.

### **Retirement and Replacement of the Trustee**

The Trustee may retire or be replaced under the following circumstances:

- (i) The Trustee shall not be entitled to retire voluntarily except upon the appointment of a new trustee (such appointment to be made in accordance with the provisions of the Trust Deed).
- (ii) The Trustee may be removed by notice in writing to the Trustee by the Manager:
  - if the Trustee goes into liquidation (except a voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously approved in writing by the Manager) or if a receiver is appointed over any of its assets or if a judicial manager is appointed in respect of the Trustee;
  - if the Trustee ceases to carry on business;
  - if the Trustee fails or neglects after reasonable notice from the Manager to carry out or satisfy any material obligation imposed on the Trustee by the Trust Deed;
  - if the Unitholders by Extraordinary Resolution duly passed at a meeting of the Unitholders held in accordance with the provisions of the Trust Deed, and of which not less than 21 days' notice has been given to the Trustee and the Manager, shall so decide; or
  - if the MAS directs that the Trustee be removed.

### **Trustee's Fee**

Under the Trust Deed, the Trustee's fee is charged on a scaled basis of up to 0.03% per annum of the value of the Deposited Property, subject to an aggregate minimum fee of S\$10,000 per month, excluding out-of-pocket expenses and GST.

Saizen REIT will also pay the Trustee a one-time inception fee of S\$25,000.

Any increase in the maximum permitted amount or any change in the structure of the Trustee's fee must be passed by an Extraordinary Resolution of the Unitholders at a Unitholders' meeting convened and held in accordance with the provisions of the Trust Deed.

### **Termination of The Manager**

Under the provisions of the Trust Deed, the duration of Saizen REIT shall end on the earliest of:

- the date on which Saizen REIT is terminated by the Manager in such circumstances as set out under the provisions of the Trust Deed, as described below; or
- the date on which Saizen REIT is terminated by the Trustee in such circumstances as set out under the provisions of the Trust Deed, as described below.

The Manager may in its absolute discretion terminate Saizen REIT by giving notice in writing to all Unitholders and the Trustee not less than three months in advance and to the MAS not less than seven days before the termination in any of the following circumstances:

- if any law shall be passed which renders it illegal or in the opinion of the Manager impracticable or inadvisable to continue Saizen REIT;

- if the NAV of the Deposited Property shall be less than S\$50 million after the end of the first anniversary of the date of the Trust Deed or any time thereafter; and
- if at any time Saizen REIT becomes unlisted after it has been listed.

Subject to the SFA and any other applicable law or regulation, Saizen REIT may be terminated by the Trustee by notice in writing in any of the following circumstances, namely:

- if the Manager shall go into liquidation (except a voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously approved in writing by the Trustee) or if a receiver is appointed over any of its assets or if a judicial manager is appointed in respect of the Manager or if any encumbrancer shall take possession of any of its assets or if it shall cease business and the Trustee fails to appoint a successor manager in accordance with the provisions of the Trust Deed;
- if any law shall be passed which renders it illegal or in the opinion of the Trustee impracticable or inadvisable to continue Saizen REIT; or
- if within the period of three months from the date of the Trustee expressing in writing to the Manager the desire to retire, Saizen REIT shall have failed to appoint a new trustee in accordance with the provisions of the Trust Deed.

The decision of the Trustee in any of the events specified above shall be final and binding upon all the parties concerned but the Trustee shall be under no liability on account of any failure to terminate Saizen REIT pursuant to the paragraph above or otherwise. The Manager shall accept the decision of the Trustee and relieve the Trustee of any liability to it therefore and hold it harmless from any claims whatsoever on its part for damages or for any other relief.

Generally, upon the termination of Saizen REIT, the Trustee shall, subject to any authorisations or directions given to it by the Manager or the Unitholders pursuant to the Trust Deed, sell the Deposited Property and repay any borrowings incurred on behalf of Saizen REIT in accordance with the Trust Deed (together with any interest accrued but remaining unpaid) as well as all other debts and liabilities in respect of Saizen REIT before distributing the balance of the Deposited Property to the Unitholders in accordance with their proportionate interests in Saizen REIT.

## **CERTAIN AGREEMENTS RELATING TO SAIZEN REIT AND THE PROPERTIES**

*The agreements discussed in this section are complex documents and the following is a summary only. Investors should refer to the agreements themselves to confirm specific information or for a detailed understanding of Saizen REIT. The agreements are available for inspection at the registered office of the Manager at 72A Duxton Road, Singapore 089531, for a period of six months from the date of this Prospectus.*

### **TK Agreements**

A TK arrangement is governed by the TK agreement entered into between a TK operator and one or more TK investors. The Trustee will enter into seven Initial TK Agreements with the respective Initial TK Operators on the Listing Date. Further, the Trustee will enter into additional TK Agreements with the Additional TK Operator as and when the Additional TK Operator completes the acquisition of any of the Additional Properties from independent third party vendors.

With regards to the Initial Properties, the Vendors have previously entered into the Vendor TK Agreements with the Initial TK Operators. Under the TK Interest Transfer Agreements dated 28 September 2007 (see “—TK Interest Transfer Agreements” for a summary of the key terms of the TK Interest Transfer Agreements), each of the Vendors, the Initial TK Operator and the Trustee, as trustee of Saizen REIT, agree that the relevant Vendor TK Agreement will be amended and replaced with the relevant Initial TK Agreement, which the relevant Initial TK Operator and the Trustee, as trustee of Saizen REIT, will enter into on the Listing Date.

With regards to the Additional Properties, subject to obtaining satisfactory financing and results of due diligence, the Additional TK Operator expects to complete the acquisition of 14 Additional Properties within two months from the Listing Date and the remaining Additional Property within five months from the Listing Date. Saizen REIT has been granted the Right of First Refusal to Invest by the Additional TK Operator. The Trustee, on behalf of Saizen REIT, expects to enter into one or more Additional TK Agreements with the Additional TK Operator.

The Initial TK Agreements, the Additional TK Agreements and future TK agreements entered into by Saizen REIT will in principle take the same form and the key terms are summarized below:

### **TK investment**

The Trustee, as trustee of Saizen REIT, when it enters into a TK agreement as a TK investor, will undertake that it shall make an investment in the relevant TK operator for it to conduct the TK business, and the TK operator will undertake that it shall distribute profits generated from the TK business, pursuant to the terms and conditions of the TK agreement.

Under the Initial TK Agreements, the Initial TK Operator is responsible for the acquisition, holding and management of the properties stipulated under the relevant TK agreement. Under each of the TK agreements, the Trustee, as trustee of Saizen REIT, will invest a sum stipulated in the TK agreement and is not obliged to make any further investments. The maximum liability of the Trustee, as trustee of Saizen REIT, shall be limited to the sum it has committed to invest. The investment amount shall not be returned so long as the Initial TK Operator continues the TK business, unless:

- (i) the Initial TK Agreements are terminated automatically;
- (ii) Saizen REIT and the relevant Initial TK Operator mutually agree to terminate the relevant Initial TK Agreement;
- (iii) the Initial TK Operator fails to, within a reasonable time and with due care, procure a new asset manager to provide asset management services in accordance with market standards following the termination of the Asset Management Agreement with the Asset Manager; or
- (iv) capital is returned to Saizen REIT as the TK investor pursuant to a cash distribution which is made in accordance with the terms of the Initial TK Agreement.

The Initial TK Operator does not warrant that there will be any return of the investment amount or the amount to be returned (if any).

### **Operating the TK business**

The Initial TK Operators may at all times hold and manage the properties at their own discretion, subject to the terms stipulated in the Initial TK Agreements. The investment amount, assets and rights obtained by the Initial TK Operator, as well as the debts and obligations incurred by the Initial TK Operator in relation to the TK

business shall all be borne by the Initial TK Operator. As the TK investor, the Trustee, as trustee of Saizen REIT, shall have no rights and obligations in relation to the aforesaid unless specifically provided in the Initial TK Agreement.

The Initial TK Operator is required to:

- (i) manage the properties with the care of a good property operator;
- (ii) prepare and submit regular reports to the TK investor, including business reports, balance sheets and profit and loss statements of the TK business;
- (iii) in case of termination of the Asset Management Agreement, select with due and reasonable care, and engage at all times the services of a competent asset manager for the provision of asset management services in accordance with market standards; and
- (iv) arrange for adequate insurance coverage.

The Initial TK Operator is prohibited from:

- (i) amending its articles of association and any other of their constitutive documents;
- (ii) ceasing or changing the TK business;
- (iii) winding up or dissolving itself or terminating unilaterally the Initial TK Agreements save as provided for in the Initial TK Agreements;
- (iv) changing the distribution policy stipulated in the Initial TK Agreements;
- (v) increasing or reducing its share capital, or otherwise changing its equity capital structure, including the TK investment structure;
- (vi) issuing any bonds, share warrants or any other securities;
- (vii) accepting any other TK investments from any investor other than the TK investor;
- (viii) incurring borrowings other than under those loans specifically related to the TK investments under the respective Initial TK Agreements;
- (ix) creating security over any of its assets other than those specifically related to the loans taken over to acquire the respective properties;
- (x) transferring or disposing any assets;
- (xi) amending the terms of the asset management agreement which the Initial TK Operator enters into with the asset manager for the provision of asset management services in respect of the properties held by the Initial TK Operator;
- (xii) approving any asset enhancement and capital expenditure plan for its assets other than provided for under the respective Initial TK Agreements; and
- (xiii) entering into any interested party transactions (as defined under the Property Funds Guidelines).

As the TK investor, the Trustee, as trustee of Saizen REIT, may submit proposals to the Initial TK Operator at any time regarding the TK business including proposing a candidate as the new asset manager upon termination of the existing asset management agreement and the Initial TK Operator failing to procure a suitable replacement asset manager. However, the Initial TK Operator shall not be obliged to accept any proposal from the Trustee in relation to the TK business.

The TK business may be commenced, continued, terminated or otherwise conducted by the Initial TK Operator at its own discretion and the Trustee, as trustee of Saizen REIT, shall not be involved in the conduct of the TK business in any way, save as otherwise allowed under the Initial TK Agreement or by law (but only when such involvement will not prejudice the nature of the agreement as a TK agreement).

#### ***Amendment of the Initial TK Agreement***

To amend the terms of the Initial TK Agreement, prior written agreement between the Trustee, as trustee of Saizen REIT, and the relevant Initial TK Operator is required, together with the written approval of the lender under the relevant debt facility secured over the relevant property.

### ***Allocation of the profits and losses of the TK business***

Under the terms of each of the Initial TK Agreement, any profits generated or losses incurred by the relevant Initial TK Operator from the business during the relevant distribution period shall be shared proportionally by the relevant TK Trustee, as trustee of Saizen REIT, at 97.0% and the Initial TK Operator at the remaining 3.0%. During each fiscal period, each of the Initial TK Operators is obliged to make cash distributions to the Trustee, as trustee of Saizen REIT, of an amount not less than 30.0% of its profit. Where there is a sum of distributable cash remaining after the profits have been distributed, the Initial TK Operator will deliver such sum to the Trustee, as trustee of Saizen REIT, as a partial refund of the investment amount.

### ***Termination***

The Trustee, as trustee of Saizen REIT, may terminate an Initial TK agreement by way of written notice to the relevant Initial TK Operator in the event that the TK operator has failed to perform its duty with due and reasonable care, or the TK operator has failed to, within a reasonable time, procure a new asset manager to provide asset management services in accordance with market standards following the termination of the existing asset management agreement with the existing asset manager. The Initial TK Operator and the Trustee, as trustee of Saizen REIT, may also mutually agree to terminate the Initial TK Agreement.

The Initial TK Agreement shall terminate automatically upon the occurrence of the following events:

- (i) expiration of the Initial TK Agreement;
- (ii) the occurrence of a petition against the relevant Initial TK Operator for the commencement of bankruptcy proceedings, civil rehabilitation proceedings or other similar insolvency proceedings;
- (iii) the initiation of bankruptcy proceedings against Saizen REIT;
- (iv) the sale and purchase agreement relating to the subject property under the Initial TK Agreement becoming ineffective;
- (v) it becomes impossible to continue with the TK business; or
- (vi) the subject property has been disposed of.

### ***Exclusivity***

The Initial TK Operator shall not enter into any other similar Initial TK Agreements with any other third party for the conduct of the TK business.

### ***TK Interest Transfer Agreements***

In order to invest in the Initial Properties, the Trustee, as trustee of Saizen REIT, has entered into seven TK Interest Transfer Agreements each dated 28 September 2007 with the respective Vendors and the respective Initial TK Operators to acquire the respective Vendor TK Interests. The key terms of the TK Interest Transfer Agreements are summarised below:

### ***Transfer of the Vendor TK Interests***

Subject to permission to list and trade the Units of Saizen REIT on SGX-ST being obtained from SGX-ST within 90 days from the date of the TK Interest Transfer Agreement, the Vendors agree to, on the Listing Date, transfer the Vendor TK Interests (which comprise all their rights and obligations under the Vendor TK Agreements, including the right to receive profits and the obligation to bear losses under the Vendor TK Agreements) to the Trustee, as trustee of Saizen REIT.

### ***Amendment and replacement of the Vendor TK Agreement***

The Trustee, as trustee of Saizen REIT, the relevant Vendor and the relevant Initial TK Operator agree to, upon the transfer of the Vendor TK Interests to the Trustee on the Listing Date, amend and replace the Vendor TK Agreement with the Initial TK Agreement, which is in compliance with the requirements under the Property Funds Guidelines. The Trustee, as trustee of Saizen REIT, thus succeeds the relevant Vendor as the TK investor under the Initial TK Agreement, and will enter into the Initial TK Agreement with the relevant Initial TK Operator. (See “—TK Agreements” for details of the key terms of the Initial TK Agreement.)

### ***Consideration***

The value of the Vendor TK Interests to be transferred under the TK Interest Transfer Agreement is the NAV as of 31 August 2007. In consideration for the transfer of the Vendor TK Interests, the Trustee, as trustee of Saizen REIT, shall procure the issue to the relevant Vendors of their portions of the Consideration Units in Saizen REIT on the Listing Date.

### ***Lenders' approvals***

All written approvals of the lenders under the debt facilities secured over the properties have been obtained.

### ***Allocation of Profits and Losses***

All profits and losses arising from the TK business until 31 July 2007 shall be allocated to the Vendor. Thereafter, all such profits and losses shall be allocated to the Trustee, as trustee of Saizen REIT. Cash distributions for the period commencing after 31 July 2007 under the Vendor TK Agreement and the Initial TK Agreement respectively will only be made to the Trustee, as trustee of Saizen REIT.

### ***Representations and Warranties***

The TK Interest Transfer Agreements contain various representations and warranties given by the relevant Vendor in favour of the Trustee, as trustee of Saizen REIT, in respect of, among others, the proper legal and good marketable title of the relevant Initial Properties, the physical condition of the Initial Properties and the absence of legal encumbrances.

### ***Asset Management Agreements***

The Asset Manager has entered into the Asset Management Agreements, each dated 28 September 2007, with the Initial TK Operators for the provision of asset management services in relation to the Properties. The key terms of each of the Asset Management Agreement are summarised below:

#### ***Asset Management Services***

The services provided by the Asset Manager to the Saizen TK Operators are as follows:

- (i) preparing documents for the acquisition of the Properties;
- (ii) providing consultation or assistance in connection with the Saizen TK Operators' daily operations;
- (iii) providing advisory or consultation services and execution of due diligence in connection with the Saizen TK Operators' real estate investment business;
- (iv) providing advice and proposals regarding the management, operation, disposal and sale of the Properties acquired by the Saizen TK Operators; and
- (v) providing advice regarding the selection of property management companies to manage the Properties and monitoring the business of the property management companies.

The Asset Manager has the duty to report to the Saizen TK Operators in relation to the performance of the asset management services upon the Saizen TK Operators' request.

#### ***Term of the Asset Management Agreement***

The initial term of each Asset Management Agreement shall be for 10 years, with automatic renewal and extension for a period of one year after expiration of the term unless either party notifies the other party of its intention not to renew the Asset Management Agreement in writing one month prior to expiry.

#### ***Termination***

If either the Asset Manager or the Saizen TK Operator fails to perform its duties under the Asset Management Agreement in a proper manner, the other party may demand that the defaulting party perform its



duties within a period of time to be decided by the former. If the defaulting party fails to perform its duties during such period, the other party may terminate the Asset Management Agreement. Notwithstanding the foregoing, either the Asset Manager or the Saizen TK Operator may terminate the Asset Management Agreement immediately when the relationship of mutual trust is significantly damaged, for example by a diversion of funds or other acts.

Either party may also terminate the Asset Management Agreement in the event that:

- (i) the other party fails to report the truth or makes false reports in respect of material terms of the Asset Management Agreement, either intentionally or by gross negligence;
- (ii) the other party engages in significantly improper conduct in respect of real estate transactions;
- (iii) promissory notes issued by the other party are dishonoured, or bankruptcy procedures, civil rehabilitation procedures or corporate reorganisation procedures in respect of the other party has commenced or has been commenced by any other third parties, or any writ or notice of attachment, temporary attachment, or attachment for security has been made;
- (iv) that party is reasonably in need of protection of its claims against the other party;
- (v) the other party issues a resolution to dissolve or is ordered to dissolve; or
- (vi) three month's written notice is provided to the other party.

### ***Asset Management Fee***

The Asset Manager is entitled to an annual asset management fee equivalent to 3.0% of the Property Business Profits less ¥150,000 (\$\$1,972.1) per annum for overhead incurred by each Saizen TK Operator. This overhead comprises mainly the prefectural and municipal per capita tax which amounts to approximately ¥70,000 per annum. The balance relates to professional fees for making annual filings and miscellaneous expenses.

### **Right of First Refusal to Invest**

The Additional TK Operator has entered into various conditional sale and purchase agreements with nine independent third party vendors to acquire the Additional Properties.

On 4 October 2007, an agreement was entered into between the Trustee, as trustee of Saizen REIT, and the Additional TK Operator, pursuant to which the Additional TK Operator granted to the Trustee, as trustee of Saizen REIT, a right of first refusal to invest in the Additional TK Operator in relation to the Additional Properties, from the date of 4 October 2007 and ending on the date the Additional TK Operator completes the acquisition of all the Additional Properties (both dates inclusive).

In the event that:

- (i) the Trustee does not enter into a TK agreement with the Additional TK Operator for the investment in the Additional Property within 90 days (or such longer period as may be mutually agreed) from the date of the Trustee's receipt of the written notice of the Additional TK Operator to complete the acquisition of any Additional Property together with the relevant completion documents;
- (ii) (where a TK agreement exists between the Trustee and the Additional TK Operator) the Trustee does not agree to the amendment of the TK agreement to include the Additional Property into the list of properties which are subject to the Trustee's investment under the existing TK agreement;
- (iii) the Trustee indicates in writing to the Additional TK Operator that it shall not be investing in the Additional Property; or
- (iv) the proposed investment in the Additional Property is aborted by the Trustee,

the Additional TK Operator shall be entitled to invite a third party to invest in the Additional Property by entering into a TK agreement on terms and conditions no more favorable to the third party than those offered by the Additional TK Operator to the Trustee.

## OVERVIEW OF RELEVANT LAWS AND REGULATIONS IN JAPAN

### The land system

The Civil Code of Japan governs real property rights. Japanese law recognises a number of interests in land. In particular, Japanese law allows for separate ownership (*Shoyuiken*) of a piece of land and the building thereon. The *Chijou-ken* (*Superficial*) is an interest in land that permits the holder to use the surface of another person's land to build structures, underground installations, or plant trees. In general, the *Chinshaku-ken* (*Leasehold*) is a contractual interest that permits the holder to use the leased asset in return for payment of rent. A leasehold interest that qualifies for mandatory statutory protection under the Land and Building Lease Law, however, gains legal rights that are similar to *in rem* interests. The *Chieki-ken* (*Easement*) is an *in rem* interest that permits the holder of the land to use another person's land for the benefit of the holder, such as a right to access the land.

### Documents of title

Title to real estate in Japan, whether it is a title to the land, a building, or a unit interest in a condominium unit, is evidenced by registration with the real estate register maintained by the regional Legal Affairs Bureau, subordinate to the Ministry of Justice. The register is publicly available for inspection, and includes the aforementioned interests in land. Registration is not conclusive evidence of title, nor is it compulsory to possess and occupy the land, but registration is required to perfect title to the real estate against third parties.

For each parcel of real estate, the public register sets out a description of the property and its ownership, including the name of the owner, the date acquired, cause of acquisition, and information on previous owners. If any attachment or injunction has been issued regarding a parcel of real estate, such information is also recorded.

### Transfer of ownership in properties

Transfer of ownership in real estate becomes legally binding upon the valid acceptance of an offer for sale. Unless otherwise agreed, the sale is legally binding upon execution of the sale contract. While registration is not a condition to transfer of title, registration is required to perfect the transfer unless otherwise agreed by the parties.

### Mortgage of properties

A mortgage on a property or building is governed by the Civil Code of Japan, and a mortgagor may execute a mortgage if a debtor defaults on his repayment of the loan. Mortgage registration operates in a manner similar to other real estate interests in that the mortgage must be reflected on the real estate register maintained by the local Legal Affairs Bureau as a registered mortgage in order for the security interest to be asserted against third parties.

### Leasing and management of properties

Japanese rental housing is governed in general by the Civil Code of Japan. Furthermore, the Land and Building Lease Law provides certain rules to protect lessees. There are two types of leases under these rules:

#### *Futsu Shakuya (Standard Building Lease)*

The standard building lease contains no restriction as to the lease term, but any lease term of less than one year is deemed to have been entered into for an indefinite term. The most important aspect of a standard building lease is that it is automatically renewed, or deemed renewed on continuous use following expiry automatically, unless the landlord objects in a timely manner and is able to show "justifiable reason" for non-renewal, a standard difficult to satisfy.

#### *Teiki Shakuya (Fixed-term Building lease)*

A fixed-term lease is a relatively new type of lease (enacted in 2000) that is distinct in that automatic renewal will not apply if all the following factors are met (i) the lease is in writing, (ii) the lease provides for a definite term, (iii) the lease provides that there is no renewal, and (iv) the tenant has received written explanation of non-renewal before executing the lease. The lease subsequently terminates upon notice of termination given at least six months before but no more than one year before the expiry date. If notice is given following such notice period, the lease terminates on the lapse of six months from such notice.

Lease agreements usually prohibit the tenant from assigning the lease or sub-leasing without the consent of the landlord. However, lease agreements usually do not prohibit the change of control of the tenant.

### **Tokumei kumiai**

The *tokumei-kumiai* (or TK arrangement) under the Commercial Code of Japan (Law No. 48 of 1899) forms a contractual relationship between a TK operator and a TK investor, governed by an investment agreement known as a TK agreement. The TK arrangement is not a body corporate or separate legal entity. As a result, a TK arrangement itself does not have any constitutional document other than the TK agreement.

A TK investor makes capital contributions to a TK operator for the purpose of the business of the TK operator under a TK agreement and will have a contractual right to receive distribution of profits from such business and return of its capital contribution under the TK agreement. The assets contributed by the TK investor to the TK operator are legally owned by the TK operator. No TK investor would be involved in any part of the management and operation of the TK operator or have any authority to act for the TK operator.

Further, unless otherwise agreed to the extent allowed by law, a TK investor shall not have any rights (such as voting rights at the shareholders meeting) in a TK arrangement except for its contractual rights under the TK agreement, and a TK operator may manage or operate the TK arrangement at its sole discretion to the extent allowed by the TK agreement.

### **Company law**

Under the laws of Japan there have formerly been two types of corporations commonly used, the stock corporation (*Kabushiki Kaisha* or KK), and the limited liability corporation (*Yugen Kaisha* or YK).

On 1 May 2006 the new Japanese Company Law took effect. Under the new law, the YK has been abolished in principle. However, all existing YKs can continue to carry on their business under mainly the same rules as before, being legally referred to as “Tokurei YK”. They are entitled to continue the use of the suffix YK in their name. The minimum registered share capital of a YK was ¥3,000,000 (\$39,443). Liability of the members of a YK is limited to their contribution. The structure of a YK is much simpler than that of a KK. For example a YK does not need to have a board of directors or a statutory auditor, it is sufficient to have one director.

The Company Law also established a new kind of legal entity, the limited liability company (*godo kaisha* or GK), categorized as a type of membership company (*mochibun kaisha*) under the Company Law. It provides a high level of flexibility with regards to its internal structure, while limiting the liability of all partners to their contribution. A GK is managed and represented by all its members, unless otherwise stipulated in the Articles of Incorporation of the GK. Corporate managing members of a GK have to appoint a natural person as the managing person taking over their responsibilities.

### **Chukan hojin**

Chukan hojins are entities established to act as holding companies of, for example, TK operators. The funds of a chukan hojin are derived from one or more fund contributor(s) (*Kikinkyoshutsusha*), whereas actual control is exercised by one or more members (*Shain*). Furthermore, a chukan hojin has one or more directors (*Riji*) who run the daily business and represent the chukan hojin, and auditors (*Kanji*) that supervise the directors.

### **Regulatory Issues**

Under the Real Estate Specified Joint Venture Law, a TK operator is required to obtain regulatory approval to allow it to enter into TK agreements and receive capital contributions from a TK investor, acquire real estate and allocate profits to the TK investors under TK agreements in Japan. However, according to an ordinance by the Japanese regulatory authorities, the requirement for regulatory approval does not apply to TK operators which enter into a TK agreement with a foreign investor outside of Japan.

## **TAXATION**

*The following summary of certain Singapore and Japan income tax consequences of the subscription, ownership and divestment of the Units is based upon laws, regulations, rulings and decisions now in effect, all of which are subject to change (possibly with retroactive effect). The summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to subscribe, own or dispose of the Units and does not purport to apply to all categories of investors, some of which may be subject to special rules. Investors should consult their own tax advisers concerning the application of Singapore tax laws to their particular situations as well as any consequences of the subscription, ownership and divestment of the Units arising under the laws of any other tax jurisdictions.*

### **Singapore Taxation**

Saizen REIT has obtained Tax Rulings from the IRAS dated 28 June 2007 and 10 July 2007, confirming the Singapore tax consequences of Saizen REIT, and that of Unitholders, in relation to TK distributions receivable by Saizen REIT from Japan.

In accordance with the Tax Rulings, the Singapore taxation of Saizen REIT and that of Unitholders are described below.

#### ***Singapore Taxation of Saizen REIT***

##### ***TK Distributions***

The rental and other related income derived from the Japanese real estate properties will be received in Singapore by Saizen REIT in the form of profit allocation (i.e. TK distributions) from the TK operators in Japan under a TK agreement.

The TK distributions receivable from Japan will be exempt from Singapore tax in the hands of Saizen REIT under Section 13(12) of the Income Tax Act.

##### ***Gains on Sale of Real Properties***

Any gains arising from the sale of real properties, if considered to be trading gains derived from a trade or business carried on by Saizen REIT in Singapore, will be taxable in Singapore at the corporate tax rate.

On the other hand, if the gains from the sale of real properties are regarded as capital gains, such gains will not be taxable as there is no capital gains tax in Singapore.

##### ***Gains on Sale of TK Interest***

Any gains arising from the sale of the TK interest that are considered to be trading in nature, derived from a trade or business carried on by Saizen REIT in Singapore, will be taxable in Singapore at the corporate rate.

On the other hand, if the gains from the sale of TK interest are regarded as capital gains, such gains will not be taxable as there is no capital gains tax in Singapore.

#### ***Singapore Taxation of Unitholders***

##### ***Saizen REIT Distributions Made Out of TK Distributions***

Unitholders receiving distributions made by Saizen REIT out of TK distributions exempted under Section 13(12) of the Income Tax Act will not be assessable to Singapore income tax on the distributions received.

##### ***Saizen REIT Distributions Made Out of Gains on Sale of Real Properties***

Regardless of whether the gains (if any) on the sale of real properties are taxable for Saizen REIT or not, any subsequent distributions made by Saizen REIT out of these gains will not be taxable in the hands of Unitholders.

##### ***Saizen REIT Distributions Made Out of Gains on the Sale of TK Interest***

Regardless of whether the gains (if any) on the sale of TK Interest are taxable for Saizen REIT or not, any subsequent distributions made by Saizen REIT out of these gains will not be taxable in the hands of Unitholders.

### *Gains on Sale of Units*

Gains derived by Unitholders from the sale of their Units will not be subject to tax so long as they are capital in nature and not derived from carrying on a trade or business in Singapore.

### ***Terms and Conditions of the Tax Rulings***

There are certain terms and conditions attached to the Tax Rulings granted by the IRAS. The Tax Rulings are also granted based on representations made to the IRAS. Should the facts turn out to be different from what was previously represented, the approval will be invalid unless it is reaffirmed by the IRAS.

## **Japan Taxation**

### ***Japanese tax implication for TK Operator***

#### *Corporate Income Tax*

The Saizen TK Operators are Japanese corporations (YK or GK) and as such are subject to Japanese national corporation tax and local enterprise and inhabitants taxes on their income. The Saizen TK Operators will recognise the income or loss derived from the business conducted pursuant to the Saizen TK Agreements (i.e. the TK business) on its accounting books. Allocation to the TK investor (in this case Saizen REIT) of the income or losses derived from the TK business will reduce the net income or losses of the Saizen TK Operators at the pre-tax level, respectively. Please note that this profit/loss allocation will be made on the books of accounts based on the annual accounting report irrespective of actual cash distributions to the TK investor.

Income or gains (including capital gains) derived from the TK business by the Saizen TK Operator after allocating the TK distribution of profit (or losses) to the TK investor and deducting legitimate expenses associated with the TK business, such as the interest payments on any loans, will be subject to corporate income taxes at the effective tax rate of approximately 42.0%. The nominal rate is 46.29%, which consists of 30.0% of national corporation tax, approximately 6.21% ( $30.0\% \times 20.7\%$ ) of local inhabitants tax and 10.08% of local enterprise tax. The effective tax rate is lower than the nominal rate because the enterprise tax is deductible from taxable income when paid. Apart from the income tax, per capita tax (a part of local inhabitants tax) is imposed dependent on the Saizen TK Operator's amount of paid-in capital and number of employees. Even though size-based taxation (*gaikei hyoujun kazei*) for corporations is being introduced, these rules would only apply to corporations that have a capital of more than ¥100 million (approximately S\$1.3 million). Since the Saizen TK Operator's capitalisation would not reach this level, there should be no impact on the Saizen TK Operator's nominal rate of 46.29%. Capital gains, if any, after deducting allocations to the TK investor are also subject to Japanese corporate income taxes at the same rates as above.

In addition, the capital gain on the sale of land (not including the building portion), before taking into account any allocations to the TK investor, is generally subject to land surtax depending on the holding period of the land sold. However, under the 1998 Tax Reform (and subsequent legislation to extend the provision) land surtax was suspended for land sold during the period from 1 January 1998 through 31 December 2008.

Tax losses can be carried forward for seven years if the Saizen TK Operator continuously files blue tax returns on a timely basis. However, only that portion of the losses that are not allocated to the TK investor pursuant to the Saizen TK Agreement will remain with the Saizen TK Operator to be carried forward and offset against the Saizen TK Operator's own taxable income.

#### *Indirect Taxes*

##### *(i) Consumption Tax*

Consumption tax is imposed at the rate of 5.0% on the transfer or lease of assets or the provision of the services in Japan. However, the sales of land and rental income for residential purpose are exempted from consumption tax, whilst the sales of buildings are taxable.

The taxpayer for consumption tax purposes who is required to file the consumption tax return is an individual or a corporation whose taxable sales in a Base Year is more than ¥10,000,000 (approximately S\$131,475). "Base Year" for a corporation is two years prior to the current fiscal year. Where there is no Base Year (i.e. the company has not been formed long enough to have a Base Year), a corporation will be required to file a consumption tax return where its paid in capital at the beginning of the relevant fiscal year is more than or equal to ¥10,000,000 (approximately S\$131,475).



Also, a corporation should be treated as a “taxpayer” for consumption tax purposes by filing the application form for becoming a taxpayer even if the taxable sales in Base Year or its paid in capital is less than ¥10,000,000 (approximately S\$131,475).

Where the Saizen TK Operator is a taxpayer for consumption tax purposes, the Saizen TK Operator is requested to file the consumption tax return for the entire TK business.

In relation to the acquisition of the real estate properties, the Saizen TK Operator will pay consumption tax at a rate of 5.0% on the transfer price of the building portion of the Properties. The transfer of land does not attract consumption tax. The Saizen TK Operator will also pay consumption tax on certain other expenses such as legal and advisory fees. Further, under the lease agreements, the tenants occupying the building portion for commercial use will be charged consumption tax on rent payable, which will form part of taxable sales of the Saizen TK Operator in the year in which it has the right to receive the rental income.

Where the Saizen TK Operator is a “taxpayer” for consumption tax purposes, in the case that the total consumption tax received in a taxable period exceeds the total of consumption tax paid in the same taxable period, the balance will be refunded consumption tax due which the Saizen TK Operator has to pay to the tax office with tax return. And, in the case that the total consumption tax paid in a taxable period exceeds the total of consumption tax received in the same taxable period, the balance will ordinarily be refunded to the taxpayer. However, this will be applied only when the taxable sales ratio (the total taxable sales divided by the total sales), for the relevant taxable period is 95.0% or more.

Where the taxable sales ratio is less than 95.0%, not all of the consumption tax paid will be deducted for the purposes of determining whether there should be a refund of consumption tax, especially when consumption tax is paid for purchasing residential property or expenditure related to residential property. In this case as the assets being purchased by the TK Operators are residential assets it is likely that the taxable sales ratio could be significantly less than 95.0%, in which case most of the consumption tax paid will not be refundable.

#### *(ii) Fixed Assets Tax*

Fixed assets tax is imposed on the registered owner of the real property as of 1 January each year by cities, towns and villages where each property is located. The standard rate of fixed assets tax is 1.4% of the tax basis. Municipalities may impose tax at a higher rate than 1.4%, but if the rate is increased above 1.7%, the increase should be implemented by the municipalities only after receiving input from the taxpayers.

The tax base for fixed assets tax is a value of property as determined by the local municipality based on predetermined guidelines. In practice, land or buildings are taxed on the basis of their value assessed by the municipality.

#### *(iii) City Planning Tax*

City planning tax is imposed on land and buildings located in an urban development area as additional tax to fixed assets tax. The tax base for land and building is the same as the tax base for fixed assets tax. The tax rate varies depending on the municipality that imposes tax. However, the maximum rate may not exceed 0.3%. The maximum rate of 0.3% is generally used in large cities such as Tokyo, Osaka, Nagoya, Hiroshima, Sendai and Sapporo.

#### *(iv) Real Property Acquisition Tax*

In general, a purchaser of real property in Japan is subject to real property acquisition tax. The tax is generally imposed at the rate of 4.0% (3.0% for land and residential buildings until 31 March 2009, and 3.5% for buildings for non-residential buildings until 31 March 2008) on the Fixed Assets Tax Assessment Value. Moreover, the taxable base will be reduced to one-half of the original taxable base with respect to the land for site of building acquired until 31 March 2009.

#### *(v) Registration Tax*

The rate of registration tax for title registration of real property upon purchase is generally 2.0% (1.0% for land until 31, March 2008) of the Fixed Assets Tax Assessment Value.

#### ***Japanese tax implication for Saizen REIT (TK investor)***

If the TK investor is a foreign corporation (such as Saizen REIT), the TK profit will be classified as domestic source income under Corporation Tax Law Article 138(11) and Income Tax Law (“ITL”) Article 161(12) and be subject to withholding tax at the rate of 20.0% under ITL Article 161(12), Article 178 and Article 179, provided the TK investor does not have a permanent establishment in Japan.



## PLAN OF DISTRIBUTION

The Manager is offering 196,740,000 Units (representing approximately 43.7% of the total number of Units in issue after the Offering) for subscription at the Offering Price under the Placement and the Public Offer. Morgan Stanley Singapore and Credit Suisse are acting as Underwriters in relation to the Public Offer and Morgan Stanley International and Credit Suisse are acting as Underwriters in relation to the Placement. Units may be re-allocated between the Placement and the Public Offer in the event of excess applications in one and a deficit of applications in the other, in consultation with and having due regard to the view of the Manager.

The Public Offer is open to members of the public in Singapore. Under the Placement, the Manager intends to offer the Units by way of an international placement through the Underwriters to investors, including institutional and other investors in Singapore.

Subject to the terms and conditions set forth in the Underwriting Agreement, the Manager is expected to effect for the account of Saizen REIT the issue of, and the Underwriters are expected to severally, and not jointly, subscribe, or procure subscribers, for 196,740,000 Units in the amounts set forth opposite their respective names below:

<u>Underwriters</u>	<u>Number of Units in the Public Offer</u>	<u>Number of Units in the Placement</u>
Morgan Stanley Singapore .....	14,351,226	Nil
Morgan Stanley International .....	Nil	137,963,613
Credit Suisse .....	<u>4,185,774</u>	<u>40,239,387</u>
<b>Total</b> .....	<b><u>18,537,000</u></b>	<b><u>178,203,000</u></b>

The Units will be offered at the Offering Price. The Offering Price per Unit in the Placement and the Public Offer will be identical. The Underwriters have agreed to subscribe, and pay for, or procure subscription and payment for 196,740,000 Units at the Offering Price, less the Underwriting, Selling and Management Commission to be borne by Saizen REIT. Saizen REIT will bear the Underwriting, Selling and Management Commission in respect of those Units that are subsequently sold pursuant to the exercise of the Over-allotment Option.

The Offering Price of S\$1.00 has been determined, following a book-building process, by agreement between the Underwriters and the Manager. Among the factors that have been considered in determining the Offering Price are the level of investor demand for the Units and the prevailing market conditions in the securities markets.

The Underwriters will enter into a sub-underwriting agreement with Nomura Singapore Limited.

The Manager, the Sponsor and the Vendors have agreed in the Underwriting Agreement to indemnify the Underwriters against certain liabilities.

The Underwriting Agreement also provides that the obligation of the Underwriters to subscribe and pay for or procure the subscription or payment for the Units in the Offering is subject to certain conditions contained in the Underwriting Agreement.

The Underwriting Agreement may be terminated by the Underwriters at any time prior to payment being made for the Units, upon the occurrence of certain events including, among other things, any change or development in, national or international monetary, financial, political, or economic conditions (including any disruption to trading generally, on any stock exchange or in any over-the-counter market), or currency exchange rates or foreign exchange controls in any jurisdiction or such other events or series of events in the nature of force majeure, any suspension, moratorium or limitation on trading in shares or securities generally on certain stock exchanges or any banking moratorium or disruption in commercial banking activities, securities settlement or clearing services or foreign exchange affecting certain countries or there has occurred any outbreak or escalation of hostilities (including any act of terrorism) or calamity or crisis or emergency, and in each case the effect of which is such as to, in the opinion of the Underwriters, make it impracticable to market the Units or is likely to prejudice materially the ability of the Underwriters to market the Offering, to enforce contracts for the subscription and distribution of the Units or dealings in the Units, or dealings in the secondary market.

Subscribers of the Units may be required to pay agent fees (and if so required, such agent fees will be up to 1.0% of the Offering Price) and applicable stamp duties, taxes and other similar charges (if any) in accordance with the laws and practices of the country of subscription, in addition to the Offering Price.

The Underwriters and their associates may engage in transactions with, and perform services for, the Trustee, the Manager, the Sponsor and Saizen REIT in the ordinary course of business and have engaged, and may in the future engage, in commercial banking and/or investment banking transactions with the Trustee, Saizen REIT, the Sponsor and Saizen REIT, for which they have received, or may in the future receive customary compensation.

### **Over-allotment and Stabilisation**

The Unit Lenders have granted the Over-allotment Option to the Stabilising Manager for the purchase of up to 29,511,000 Units at the Offering Price for each Unit. The number of Units subject to the Over-allotment Option will not be more than 15.0% of the total number of Units under the Offering. The Stabilising Manager may exercise the Over-allotment Option (on behalf of the Underwriters), in full or in part, on more than one occasion, within 30 days from the date of commencement of trading of the Units on the SGX-ST, to purchase from the Unit Lenders the Over-allotment Units at the Offering Price for each Unit, solely to cover over-allotment of Units (if any) in connection with the Offering subject to any applicable laws and regulations. The total number of Units outstanding immediately after the completion of the Offering will be 450,000,000 Units. The exercise of the Over-allotment Option will not increase this total number of Units outstanding.

In connection with the Over-allotment Option, the Stabilising Manager and the Unit Lenders have entered into a unit lending agreement (the “**Unit Lending Agreement**”) dated 29 October 2007 pursuant to which the Stabilising Manager may borrow up to an aggregate of 29,511,000 Units from the Unit Lenders for the purpose of effecting over-allotment or stabilisation activities in connection with the Offering. The Stabilising Manager will re-deliver to the Unit Lenders, such number of Units which have not been purchased pursuant to the exercise of the Over-allotment Option no later than the date of expiry of the Over-allotment Option (or such earlier time as may be agreed between the parties).

In connection with the Offering, the Stabilising Manager (or any person acting on its behalf) may over-allot or effect transactions which stabilise or maintain the market price of the Units at levels which might not otherwise prevail in the open market. Such transactions may be effected on the SGX-ST and in other jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulations, including the SFA and any regulations thereunder. However, there is no assurance that the Stabilising Manager (or any person acting on its behalf) will undertake stabilisation action. Such transactions may commence on or after the date of commencement of trading of the Units on the SGX-ST and, if commenced, may be discontinued at any time and shall not be effected after the earliest of (i) the date falling 30 days from the date of commencement of trading of the Units on the SGX-ST, or (ii) the date when the over-allotment of the Units which are the subject of the Over-allotment Option has been fully covered (through the purchase of Units on the SGX-ST and/or the exercise of the Over-allotment Option by the Stabilising Manager). Any profit after expenses derived, or any loss sustained, as a consequence of the Over-allotment Option or stabilising activities shall be for the account of the Underwriters.

None of Saizen REIT, the Manager, the Unit Lenders, the Sponsor, the Underwriters or the Stabilising Manager makes any representation or prediction as to the magnitude of any effect that the transactions described above may have on the price of the Units. In addition, none of Saizen REIT, the Manager, the Unit Lenders, the Sponsor, the Underwriters or the Stabilising Manager makes any representation that the Stabilising Manager will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice (unless such notice is required by law). The Stabilising Manager will be required to make a public announcement via SGXNET in relation to the total number of Units purchased by the Stabilising Manager, not later than 12.00 noon on the next trading day of the SGX-ST after the transactions are effected. The Stabilising Manager will also be required to make a public announcement via SGXNET in relation to the cessation of stabilising action and the number of Units in respect of which of the Over-allotment Option has been exercised not later than 8.30 a.m. on the next trading day of the SGX-ST immediately following the day of cessation of stabilising action.

### **Lock-up Arrangements**

#### ***The Vendors***

Upon completion of the Offering and the issue of the Consideration Units, the Vendors will hold 223,749,000 Consideration Units in total, which will be 49.7% of the Units in issue (assuming that the Over-allotment Option is exercised in full). (See “Ownership of Units”.) Each of the Vendors has agreed with the Underwriters that, commencing from the Listing Date, it shall not offer, pledge, lend, sell or contract to sell, grant any option over, charge or otherwise grant security over, create any encumbrance over or otherwise transfer, sell or dispose of, (or enter into any swap, hedge, derivatives or other transaction or arrangement which

is designed to, or might reasonably be expected to, result in such transfer, sale or disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise)), directly or indirectly, conditionally or unconditionally, any of the Consideration Units (including the Over-allotment Units to the extent that any are returned to the Vendors) (or any interest therein or in respect thereof) or any other securities convertible into or exchangeable for Consideration Units or which carry rights to subscribe or purchase Consideration Units or agree to do, or announce any intention to do, any of the foregoing or deposit any Consideration Units (or any securities convertible into or exchangeable for Consideration Units or which carry rights to subscribe or purchase Consideration Units) in any depository receipt facilities (collectively, the “**Lock-up Restrictions**”) until:

- (i) the First Release of one-third of the Consideration Units;
- (ii) the Second Release in respect of half of the remaining Consideration Units; and
- (iii) the Third Release in respect of the remaining Consideration Units,

subject to certain conditions.

### ***The Manager***

Subject to the exceptions described below, the Manager has agreed with the Underwriters that it will not (and will not cause or permit Saizen REIT to), without prior written consent of the Underwriters offer, issue, sell or contract to issue, to sell or otherwise dispose of (or enter into any transaction which is designed to, or might reasonably be expected to, result in the issuance, sale or disposition (whether by actual issuance, sale or disposition or effective economic issuance, sale or disposition due to cash settlement or otherwise)), directly or indirectly, any Units in addition to the Units to be issued under the Offering and the Consideration Units, nor make any announcement with respect to any of the foregoing transactions, for a period of 180 days from and including the Listing Date.

The restrictions described in the preceding paragraph do not apply to Units to be issued to the Manager in payment of any fees payable to the Manager under the Trust Deed.

### **SGX-ST Listing**

Saizen REIT received a letter of eligibility from the SGX-ST for the listing and quotation of the Units on the Main Board of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any statements or opinions made or reports contained in this Prospectus. Admission to the Official List of the SGX-ST is not to be taken as an indication of the merits of the Offering, Saizen REIT, the Manager or the Units. It is expected that the Units will commence trading on the SGX-ST on a “ready” basis on or about 9 November 2007.

Prior to this Offering, there has been no trading market for the Units. There can be no assurance that an active trading market will develop for the Units, or that the Units will trade in the public market subsequent to this Offering at or above the Offering Price.

### **Issue Expenses**

The estimated amount of the expenses in relation to the Offering and issuance of the Consideration Units, based on the Offering Price of S\$1.00 per Unit and assuming that the Over-allotment Option is exercised in full, is as follows:

	<u>(S\$ '000)<sup>(1)</sup></u>
Professional and other fees <sup>(2)</sup> .....	8,105
Underwriting, Selling and Management Commission <sup>(3)</sup> .....	8,767
Miscellaneous Offering expenses <sup>(4)</sup> .....	<u>3,767</u>
<b>Total estimated expenses of the Offering</b> .....	<b><u>20,639</u></b>

Notes:

(1) Amounts exclude GST, where applicable.

- (2) Includes the legal advisers' fees and fees for the Reporting Auditors, the Independent Singapore Tax Adviser, the Independent Japan Tax Adviser, the Independent Valuers and other professionals' fees.
- (3) Assuming that the Over-allotment Option is exercised in full and based on the Offering Price of S\$1.00 per Unit. Such commission represents 3.875% of the total proceeds of the Offering and 3.875% on a per Unit basis.
- (4) Includes cost of prospectus production, road show expenses, listing and processing fees payable to the SGX-ST, and all other expenses incurred or to be incurred in connection with the Offering.

## **Distribution and Selling Restrictions**

No action has been or will be taken in any jurisdiction that would permit a public offering of the Units or the possession, circulation or distribution of this Prospectus or any other offering or publicity material relating to Saizen REIT or the Units in any country or jurisdiction (other than Singapore, where action for the purpose is required). Accordingly, the Units may not be offered or sold, directly or indirectly, and neither this Prospectus nor any other offering material, circular, form of application or advertisement in connection with the Units may be distributed or published, in or from any country or jurisdiction except under circumstances that will result in compliance with all applicable laws and regulations of any such country or jurisdiction.

Applicants for Units are recommended to consult their professional advisers if they are in any doubt as to the regulatory implications of subscribing for, holding, disposing of or otherwise dealing in the Units.

### ***United States of America***

The Units have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States. The Units are being offered and sold outside of the United States in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering of the Units, an offer or sale of the Units within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the Securities Act.

### ***United Kingdom***

This Prospectus is not available for general distribution in, from or into the United Kingdom because Saizen REIT is an unregulated collective investment scheme whose promotion is restricted by sections 238 and 240 of the Financial Services and Markets Act 2000. When distributed in, from or into the United Kingdom this Prospectus is only intended for investment professionals having professional experience of investing in unregulated schemes, high net worth companies, partnerships, associations or trusts and investment personnel of any of the foregoing having professional experience of investing in unregulated schemes (each within the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 and the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order 2001), persons outside the European Economic Area receiving it electronically, persons outside the United Kingdom receiving it non-electronically and any other persons to whom it may be communicated lawfully. No other person should act or rely on it. Persons distributing this Prospectus in, from or into the United Kingdom must satisfy themselves that it is lawful to do so.

### ***European Economic Area***

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive (with the exception of The Netherlands) (each, a “**Relevant Member State**”), the Underwriters have represented, warranted and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”), it has not made and will not make an offer of Units to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Units which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Units to the public in that Relevant Member State at any time:

- (a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

- (b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year, (2) a total balance sheet of more than €43,000,000, and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
- (c) to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive); or
- (d) in any other circumstances which do not require the publication by the Manager of a prospectus pursuant to Article 3 and 4 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of the Units to the public” in relation to any Units in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Units to be offered so as to enable an investor to decide to purchase or subscribe the Units, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression “Prospectus Directive” means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

As the application of the Prospectus Directive to the issuer of this Prospectus and consequential implications in offering Units may vary in different Member States, investors should therefore also note any additional country specific restrictions.

### ***Hong Kong***

Investors are advised to exercise caution in relation to the Offering. If any investor has any doubt about any of the contents of this Prospectus, it should obtain independent professional advice.

This Prospectus and its contents have not been reviewed by any regulatory authority in Hong Kong. Accordingly, no person may issue, or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Units which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Units which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors”, as defined in the Securities and Futures Ordinance (Chapter 571) of Hong Kong and any rules made under that Ordinance.

### ***Switzerland***

This Prospectus does not constitute an issue prospectus pursuant to Articles 652a or 1156 of the Swiss Code of Obligations. The Units will not be listed on the SWX Swiss Exchange and, therefore, this Prospectus may not comply with the disclosure standards set out in the Listing Rules of the SWX Swiss Exchange. The Units being offered pursuant to this Prospectus have not been and will not be authorized, and may not be able to be authorized, by the Swiss Federal Banking Commission under the Swiss Collective Investment Schemes Act. Therefore, investors do not benefit from protection under the Swiss Collective Investment Schemes Act or supervision by the Swiss Federal Banking Commission.

Accordingly, the Units may not be offered, directly or indirectly, to the public in or from Switzerland, and this Prospectus may not be publicly distributed or otherwise made publicly available in or from Switzerland. The Units will be distributed and offered in Switzerland, and this Prospectus will be distributed or otherwise made available in Switzerland, by the Trust and/or the Underwriters solely on a private placement basis to a limited number of individually selected and approached qualified investors within the meaning of the Swiss Collective Investment Schemes Act, who do not subscribe the Units with a view to distribution, without any public distribution, offering or marketing in or from Switzerland.

This Prospectus is personal to each offeree and does not constitute an offer to any person. It may only be used by those persons to whom it has been delivered in connection with the offering described therein and may neither be copied nor directly or indirectly distributed or made available to other persons without the express consent of the Trusts and/or the Underwriters. Any person to whom this Prospectus has been delivered may not on-sell or offer the Units to any other person, except that banks, securities dealers, and asset managers who are subject to anti-money laundering supervision and to the rules of conduct of a recognised professional association in Switzerland may acquire the Units for the account of their clients based on, and in execution of, a written asset management agreement which complies with the Portfolio Management Guidelines of the Swiss Bankers' Association or equivalent standards.



### ***United Arab Emirates***

The Underwriters have represented and agreed that the Units have not been and will not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates or the Dubai International Financial Centre other than in compliance with laws applicable in the United Arab Emirates or the Dubai International Financial Centre, as the case may be, governing the issue, offering and sale of securities.

### ***The Netherlands***

The Units described herein may not, directly or indirectly, be offered or acquired in The Netherlands, and this Prospectus may not be circulated in The Netherlands as part of initial distribution or at any time thereafter, except

- (a) to qualified investors within the meaning of Section 1:1 of the Financial Markets Supervision Act (*Wet op het financieel toezicht*, as amended from time to time, the “FMSA”)
- (b) to a maximum of 99 persons who are not qualified investors within the meaning of Section 1:1 of the FMSA; and/or
- (c) to investors who acquire Units against a minimum consideration EUR 50,000 or the equivalent thereof in another currency, for each separate offer.

Saizen REIT has not been registered for public offer or distribution in The Netherlands and neither Saizen REIT nor the Manager is licensed under the FMSA. Consequently, neither Saizen REIT nor the Manager is subject to the prudential and conduct of business supervision of the Dutch Central Bank (*De Nederlandsche Bank N.V.*) and the Dutch Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*).

### ***Germany***

The Units have not been notified to, registered with or approved by the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht—BaFin*) for public offer or public distribution under German law. Accordingly, the Units may not be distributed/offered to or within Germany by way of a public distribution/offer within the meaning of applicable German laws, public advertisement or in any similar manner. This Prospectus and any other document relating to the offer of the Units, as well as any information contained therein, may not be supplied to the public in Germany or used in connection with any offer for subscription of the Units to the public in Germany or any other means of public marketing. This Prospectus and any other document relating to the offer of the Units are strictly confidential and may not be distributed to any person or entity other than the recipient hereof to whom this Prospectus is personally addressed.

### ***Australia***

This Prospectus has not been lodged with the Australian Securities and Investments Commission (the “ASIC”), and is not a disclosure document or product disclosure statement for the purposes of Australian law.

The provision of this Prospectus to any person in Australia does not constitute an offer of the Units to that person or an invitation to that person to subscribe for the Units unless the recipient is a person to whom an offer of the Units may be made in Australia without the need for a product disclosure statement under Chapter 7.9 of the Corporations Act 2001 (Cth). This Prospectus is not, and under no circumstances is to be construed as, an advertisement or a public offering of the Units in Australia. The Trust is not a registered scheme in Australia. Neither ASIC nor any other similar authority in Australia has reviewed or in any way approved this document or the merits of investing in the Units. The Units may not be resold in Australia within a period of 12 months after the date of issue of the Units unless a product disclosure statement is not required for the sale in accordance with sections 1012D or 1012DA of the Corporations Act 2001 (Cth).

### ***Japan***

The Units offered outside of Japan have not been and will not be registered under the Financial Products and Exchange Law of Japan (the “FEL”) and the Investment Trust and Investment Company Law of Japan (the “ITICL”). Accordingly, the Units will not, directly or indirectly, be offered or sold in Japan or to, or for the benefit of any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the SEL and the ITICL and other relevant laws and regulations of Japan.



## **CLEARANCE AND SETTLEMENT**

### **Introduction**

A letter of eligibility has been obtained from the SGX-ST for the listing and quotation of the Units. For the purpose of trading on the SGX-ST, a board lot for the Units will comprise 1,000 Units.

Upon listing and quotation on the SGX-ST, the Units will be traded under the electronic book-entry clearance and settlement system of CDP. All dealings in and transactions of the Units through the SGX-ST will be effected in accordance with the terms and conditions for the operation of Securities Accounts, as amended from time to time.

CDP, a wholly-owned subsidiary of Singapore Exchange Limited, is incorporated under the laws of Singapore and acts as a depository and clearing organisation. CDP holds securities for its accountholders and facilitates the clearance and settlement of securities transactions between accountholders through electronic book-entry changes in the Securities Accounts maintained by such accountholders with CDP.

It is expected that the Units will be credited into the Securities Accounts of applicants for the Units within four Market Days after the closing date for applications for the Units.

### **Clearance and Settlement under the Depository System**

The Units will be registered in the name of CDP or its nominee and held by CDP for and on behalf of persons who maintain, either directly or through depository agents, Securities Accounts with CDP. Persons named as direct Securities Account holders and depository agents in the depository register maintained by CDP will be treated as Unitholders in respect of the number of Units credited to their respective Securities Accounts.

Transactions in the Units under the book-entry settlement system will be reflected by the seller's Securities Account being debited with the number of Units sold and the buyer's Securities Account being credited with the number of Units acquired and no transfer stamp duty is currently payable for the transfer of Units that are settled on a book-entry basis.

Units credited to a Securities Account may be traded on the SGX-ST on the basis of a price between a willing buyer and a willing seller. Units credited into a Securities Account may be transferred to any other Securities Account with CDP, subject to the terms and conditions for the operation of Securities Accounts and a S\$10.00 transfer fee payable to CDP. All persons trading in the Units through the SGX-ST should ensure that the relevant Units have been credited into their Securities Account, prior to trading in such Units, since no assurance can be given that the Units can be credited into the Securities Account in time for settlement following a dealing. If the Units have not been credited into the Securities Account by the due date for the settlement of the trade, the buy-in procedures of the SGX-ST will be implemented.

### **Clearing Fees**

A clearing fee for the trading of Units on the SGX-ST is payable at the rate of 0.04% of the transaction value, subject to a maximum of S\$600.00 per transaction. The clearing fee and transfer fee may be subject to GST (7.0% with effect from 1 July 2007).

Dealings in the Units will be carried out in Singapore dollars and will be effected for settlement in CDP on a scripless basis. Settlement of trades on a normal "ready" basis on the SGX-ST generally takes place on the third Market Day following the transaction date. CDP holds securities on behalf of investors in Securities Accounts. An investor may open a direct account with CDP or a sub-account with any CDP depository agent. A CDP depository agent may be a member company of the SGX-ST, bank, merchant bank or trust company.

## **EXPERTS**

### **Property valuers, property consultant and tax advisers**

A&S, ARAYS, AREAN, AR, JREI, JREIC, RH, RV, TAR and TKYAR, the Independent Valuers, were responsible for preparing the “Independent Property Valuation Summary Report” found in Appendix C of this Prospectus.

JREI, the Independent Japanese Property Consultant, was responsible for preparing the section of this Prospectus entitled “Independent Overview Report on the Japan Residential Property Market” found in Appendix D of this Prospectus.

PricewaterhouseCoopers Services Pte. Ltd., the Independent Singapore Tax Adviser, was responsible for preparing the “Independent Singapore Taxation Report” found in Appendix E of this Prospectus.

KPMG Tax Corporation, the Independent Japan Tax Adviser, was responsible for preparing the “Independent Japan Taxation Report” found in Appendix F of this Prospectus.

The Independent Valuers, the Independent Japan Residential Property Consultant, the Independent Singapore Tax Adviser and the Independent Japan Tax Adviser have each given and have not withdrawn their consents to the issue of this Prospectus with the inclusion herein of their names and their respective write-ups and reports (as described above) and all references thereof in the form and context in which they respectively appear in this Prospectus, and to act in such capacity in relation to this Prospectus.

### **Legal Advisers**

None of Allen & Gledhill LLP, Linklaters Allen & Gledhill, WongPartnership, Hayabusa Asuka Law Offices and Stamford Law Corporation makes, or purports to make, any statement in this Prospectus and none of them is aware of any statement in this Prospectus which purports to be based on a statement made by it and none of them makes any representation, express or implied, regarding, and each of them takes no responsibility for, any statement in or omission from this Prospectus.

## REPORTING AUDITORS

PricewaterhouseCoopers, Certified Public Accountants, Saizen REIT's Reporting Auditors, was responsible for preparing the "Reporting Auditors' Report on Examination of the Pro Forma Financial Statements of the Group" and the "Reporting Auditors' Report on the Profit Forecast and Profit Projection" found in Appendix A, "Reporting Auditors' Report on Examination of the Pro Forma Financial Statements of the Group and the Pro Forma Financial Statements of the Group" and Appendix B, "Reporting Auditors' Report on the Profit Forecast and Profit Projection" respectively.

The Reporting Auditors have given and have not withdrawn their consent to the issuer of this Prospectus for the inclusion herein of:

- their name;
- the Reporting Auditor's Report on Examination of the Pro Forma Financial Statements of the Group; and
- the Reporting Auditor's Report on the Profit Forecast and Profit Projection,

in the form and context in which they appear in this Prospectus, and references to their name and such reports in the form and context in which they appear in this Prospectus, and to act in such capacity in relation to this Prospectus.

## GENERAL INFORMATION

- (1) The profit forecast and profit projection contained in “Profit Forecast and Profit Projection” have been stated by the Directors after due and careful enquiry.

### Material background information

- (2) There are no legal or arbitration proceedings pending or, so far as the Directors are aware, threatened against the Manager the outcome of which, in the opinion of the Directors, may have or have had during the 12 months prior to the date of this Prospectus, a material adverse effect on the financial position of the Manager.
- (3) There are no legal or arbitration proceedings pending or, so far as the Directors are aware, threatened against Saizen REIT the outcome of which, in the opinion of the Directors, may have or have had during the 12 months prior to the date of this Prospectus, a material adverse effect on the financial position (on a pro forma consolidated basis) of Saizen REIT.
- (4) The name, age and address of each of the Directors are set out in “The Manager, the Asset Manager and Corporate Governance — Directors of the Manager”. A list of the present and past directorships of each Director and executive officer of the Manager over the last five years preceding the Latest Practicable Date is set out in Appendix H, “List of Present and Past Principal Directorships of Directors and Executive Officers”.
- (5) There is no family relationship among the Directors and executive officers of the Manager.
- (6) Save as disclosed below, none of the Directors or executive officers of the Manager is or was involved in any of the following events:
  - at any time during the last 10 years, an application or a petition under any bankruptcy laws of any jurisdiction filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within two years from the date he ceased to be a partner;
  - at any time during the last 10 years, an application or a petition under any law of any jurisdiction filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within two years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency;
  - any unsatisfied judgment against him;
  - a conviction of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose;
  - a conviction of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach;
  - at any time during the last 10 years, judgment had been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part;
  - a conviction in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust;
  - disqualification from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust;
  - any order, judgment or ruling of any court, tribunal or governmental body permanently or temporarily enjoining him from engaging in any type of business practice or activity;

- to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:
  - (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere;
  - (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere;
  - (iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or
  - (iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,
 in connection with any matter occurring or arising during the period when he was so concerned with the entity or business trust; or
- the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the MAS or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere.

#### **Directorships in companies which were the subject of winding up petitions**

- (i) Mr Arnold Ip Tin Chee was a non-executive director of Li Chung Shing Tong (Holdings) Limited (“**LCST**”), which is under the Po Chai group (the “**Po Chai Group**”). Mr Ip is an employee and director of a company which is one of the investment advisers of several funds (the “**Funds**”) which have invested in certain convertible securities issued by the Po Chai Group. Mr Ip’s appointment as director of LCST was by virtue of his being a representative of the Funds.

Mr Ip resigned as a director of LCST in November 2003. In early 2004, Po Chai Group defaulted on certain payments in respect of the convertible securities. The Funds appointed receivers who instituted legal actions against LCST. However, settlement was reached and concluded in March 2006 and all legal actions were withdrawn.

- (ii) Mr Soh Yew Hock was appointed as a non-executive director of Effort Holdings Pte Ltd (“**EH**”), a company incorporated in Singapore on 23 August 1994 and resigned on 1 April 1999. EH was wound up pursuant to a creditor’s petition under a court order on 1 December 2000.

Mr Soh Yew Hock was the representative of Wearnes International (1994) Ltd (“**WIL**”) on the board of EH. WIL had a minority stake of 12.85% equity interest in EH.

- (iii) Mr Chang Sean Pey was a non-executive director of each of Po Chai Herbal Technology Limited (“**PCHT**”), Li Chung Shing Tong (Holdings) Limited (“**LCST**”), Quinwood Limited (“**QW**”) and Infomatic System Limited, which are under the Po Chai group (the “**Po Chai Group**”). Mr Chang Sean Pey is an employee of a company which is one of the investment advisers of several funds (the “**Funds**”) which have invested in certain convertible securities issued by the Po Chai Group. Mr Chang Sean Pey’s appointment as director of PCHT, LCST and QW was by virtue of his being a representative of the Funds.

Mr Chang Sean Pey resigned as a director of PCHT, LCST and QW in November 2003. In early 2004, the Po Chai Group defaulted on certain payments in respect of the convertible securities. The Funds appointed receivers who instituted legal actions against PCHT, LCST and QW. However, settlement was reached and concluded in March 2006 and all legal actions were withdrawn.

- (iv) Mr Yeh V-Nee was a non-executive director and member of the audit committee of Ocean Grand Chemicals Holdings Limited (“**OGC**”), a company incorporated in Bermuda with limited liability and which is currently listed on The Stock Exchange of Hong Kong Limited (“**HKSE**”). In July 2006, OGC’s auditors, PricewaterhouseCoopers, alerted the OGC audit committee of potential accounting irregularities. The OGC audit committee then instructed Deloitte & Touche Forensic Services Limited (“**DTFS**”) to enquire into certain accounting issues relating to certain of its subsidiaries. In the course of its investigations, DTFS found material discrepancies in the actual cash and bank balances of one of OGC’s subsidiaries as compared to the management accounts of that subsidiary previously provided by that subsidiary to OGC. DTFS also noted that a substantial amount of money was transferred out from the bank accounts of one of OGC’s subsidiaries on 17 July 2006 to payees that were not companies within the OGC group of companies. Trading of OGC shares on the HKSE was suspended on 17 July 2006 and remains

suspended as at the Latest Practicable Date. The OGC board of directors sought to apply to the Hong Kong and Bermuda courts for the appointment of provisional liquidators in order to protect the assets of OGC and safeguard the interests of the creditors and shareholders of OGC.

Pursuant to an order of The High Court of the Hong Kong Special Administrative Region Court of the First Instance dated 24 July 2006, Messrs Lai Kar Yan and Joseph Kin Ching Lo of Messrs Deloitte Touche Tohmatsu, have been appointed jointly and severally as the provisional liquidators of OGC. Taking into account the appointment of the provisional liquidators to protect the interests of OGC, Mr Yeh V-Nee, together with all independent non-executive directors of OGC, resigned from the OGC board of directors on 26 July 2006. An enquiry was commenced by the Securities and Futures Commission of Hong Kong into the affairs of OGC and Ocean Grand Holdings Limited (the parent company of OGC and which is also listed on the HKSE). As far as Mr Yeh V-Nee is aware as at the Latest Practicable Date, the investigations by DTFS and SFC on the aforesaid matters were still ongoing.

According to the latest announcement of OGC dated 27 December 2006 (as at the Latest Practicable Date, neither OGC nor HKSE has released a further announcement), the hearing of the petitions to wind up OGC was adjourned to 16 April 2007 and the provisional liquidators' investigations into OGC are continuing. The chairman of OGC was arrested by the Police Commercial Crime Bureau of Hong Kong on 18 September 2007<sup>1</sup>.

- (v) Mr. Yeh V-Nee is a director of Anber Limited (“**Anber**”), a company incorporated in Hong Kong with limited liability whose principal activity was investment holding. It was put into members' voluntary liquidation on 10 April 2007. The final general meeting of Anber convened by the liquidator was held on 24 September 2007.

#### **Miscellaneous**

- (7) The financial year end of Saizen REIT is 30 June. The annual audited financial statements of Saizen REIT will be prepared and sent to the Unitholders within three months of the financial year end.
- (8) A full valuation of each of the real estate assets held by Saizen REIT will be carried out at least once a year in accordance with the Property Funds Guidelines. Generally, where the Manager proposes to issue new Units or to redeem existing Units, a valuation of the real estate properties held by Saizen REIT must be carried out in accordance with the Property Funds Guidelines. The Manager or the Trustee may at any other time arrange for the valuation of any of the real estate properties held by Saizen REIT if it is of the opinion that it is in the best interests of the Unitholders to do so.
- (9) While Saizen REIT is listed on the SGX-ST, investors may check the SGX-ST website [http:// www.sgx.com](http://www.sgx.com) for the price at which the Units are being traded on the SGX-ST. Investors may also check one or more major Singapore newspapers which publishes such information such as *The Straits Times*, *The Business Times* and *Lianhe Zaobao*, for the price range within which Units were traded on the SGX-ST on the preceding day.
- (10) The Manager does not intend to receive soft dollars (as defined in the CIS Code) in respect of Saizen REIT. Save as disclosed in this Prospectus, unless otherwise permitted under the Listing Manual, neither the Manager nor any of its Associates will be entitled to receive any part of any agent fees charged to Saizen REIT, or any part of any fees, allowances or benefits received on purchases charged to Saizen REIT.

#### **Waivers obtained from SGX-ST**

- (11) SGX-ST has granted waivers to Saizen REIT in respect of the following Listing Manual Rules:
  - (a) Rule 404(5) which requires the management company to be reputable and have an established track record in managing investments;
  - (b) Rule 407(4) which requires the submission of the financial track record of the investment manager and investment adviser and persons employed by them in the listing application;

<sup>1</sup> Source: Sing Tao Daily published on 19 September 2007, Hong Kong. Sing Tao Daily has not provided its consent, for the purposes of Section 249 (read with Section 302) of the SFA, to the inclusion of the information and is therefore not liable for such information under Sections 253 and 254 (read with Section 302) of the SFA. While the Manager has taken reasonable action to ensure that the information has been reproduced in its proper form and context, and that it has been extracted fairly and accurately, neither the Manager nor any other party has conducted an independent review of, nor verified the accuracy of, such information.



- (c) Rule 409(3) which requires the submission of annual accounts for the past five financial years;
- (d) Rule 748(1) which requires an investment fund to announce via SGXNET its net tangible assets per unit at the end of each week;
- (e) Rule 748(3) which requires disclosure of additional information in the annual report for the more significant investments; and
- (f) Rule 606(7)(j) of the Listing Manual which requires disclosure of unaudited financial statements for a period of not more than three months prior to the date on which the Prospectus is lodged with the MAS, should the latest audited accounts have been made up to a date more than six months before such date.

#### **Material contracts**

- (12) The dates of, parties to, and general nature of every material contract which the Trustee, on behalf of Saizen REIT, has entered into within the two years preceding the date of this Prospectus (not being contracts entered into in the ordinary course of the business of Saizen REIT) are as follows:
  - (a) the trust deed dated 27 September 2007 constituting Saizen REIT, the first supplemental deed dated 3 October 2007 and the second supplemental deed dated 29 October 2007;
  - (b) the seven TK Interest Transfer Agreements each dated 28 September 2007; and
  - (c) the right of first refusal to invest agreement dated 4 October 2007, as described in “Certain Agreements Relating to Saizen REIT and the Properties—Right of First Refusal to Invest”;

#### **Documents for inspection**

- (13) Copies of the following documents are available for inspection at the registered office of the Manager at 72A Duxton Road, Singapore 089531, for a period of six months from the date of this Prospectus:
  - (a) the material contracts referred to in paragraph 12 above, save for the Trust Deed (which will be available for inspection for so long as Saizen REIT is in existence);
  - (b) the Underwriting Agreement;
  - (c) the Unit Lending Agreement;
  - (d) the Reporting Auditors’ Report on Examination of the Pro Forma Financial Statements of the Group and the Pro Forma Financial Statements of the Group as set out in Appendix A;
  - (e) the Reporting Auditors’ Report on the Profit Forecast and Profit Projection as set out in Appendix B;
  - (f) the Independent Property Valuation Summary Reports as set out in Appendix C as well as the full valuation reports for each of the Properties;
  - (g) the Independent Overview Report on the Japan Residential Property Market as set out in Appendix D;
  - (h) the Independent Singapore Taxation Report as set out in Appendix E;
  - (i) the Independent Japan Taxation Report as set out in Appendix F;
  - (j) the written consents of the Reporting Auditors, the Independent Valuers, the Independent Japan Residential Property Consultant and the Independent Japan Tax Adviser, as described in “Experts”;
  - (k) the undertaking of the Manager to the MAS covenanting, among other things, not to deal in the Units during certain stipulated periods as described in “The Manager, the Asset Manager and Corporate Governance—Dealings in Units”; and
  - (l) the Depository Services Agreement.

#### **Consent of the Underwriters**

- (14) Morgan Stanley Singapore, Morgan Stanley International and Credit Suisse have given and have not withdrawn their written consent to the issue of this Prospectus with the inclusion herein of, and all references to, their names and all references thereto in the form and context in which they appear in this Prospectus, and to act in such capacity in relation to this Prospectus.

## GLOSSARY

<b>%</b> .....	Per centum or percentage
<b>¥ or Yen</b> .....	Yen, the lawful currency of Japan
<b>A&amp;S</b> .....	KK A And S
<b>Additional Properties</b> .....	The 15 properties, as set out in “Business and Properties—Overview of the Additional Properties”, which Saizen REIT expects to, within five months from the Listing Date and subject to obtaining satisfactory financing and results of due diligence, invest in by entering into the Additional TK Agreement with the Additional TK Operator, which has entered into conditional sale and purchase agreements with independent third party vendors for their acquisition
<b>Additional TK Agreements</b> .....	The TK agreements which Saizen REIT expects to, within five months from the Listing Date and subject to obtaining satisfactory financing and results of due diligence, enter into with the Additional TK Operator for the investment in the Additional Properties
<b>Additional TK Operator</b> .....	The TK operator, namely GK Chosei, which has entered into conditional sale and purchase agreements with independent third party vendors for the acquisition of the Additional Properties
<b>Advance Tax Ruling</b> .....	The tax ruling dated 10 July 2007 issued by the IRAS in relation to the taxation of Saizen REIT and its Unitholders
<b>aggregate leverage</b> .....	The ratio of Saizen REIT’s borrowings and deferred payments (including deferred payments for assets whether to be settled in cash or Units) to the value of its Deposited Property, adjusted for the distribution of any accrued Distribution
<b>Application Forms</b> .....	The printed application forms to be used for the purpose of the Offering and which form part of this Prospectus
<b>Application List</b> .....	The list of applicants subscribing for Units which are the subject of the Public Offer
<b>AR</b> .....	Asset Research Corporation
<b>ARAYS</b> .....	Arays Co., Ltd
<b>AREAN</b> .....	All Real Estate Appraisers Network (AREAN)
<b>ASM</b> .....	ASM Asia Recovery (Master) Fund
<b>Asset Management Agreement</b> .....	The asset management agreements dated 28 September 2007 entered into between the Asset Manager and the Saizen TK Operators, under which the Asset Manager will provide asset management services in relation to the Properties
<b>Asset Manager</b> .....	KK Tenyu Asset Management
<b>Associate</b> .....	Has the meaning ascribed to it in the Listing Manual
<b>ATMs</b> .....	Automated teller machines

<b>Authorised Investments</b> .....	Refers to, in general (i) real estate, whether freehold or leasehold, wherever situated in Japan or elsewhere, held singly or jointly, and/or by way of direct ownership or by a shareholding in an SPV, (ii) any improvement or extension of or addition to or reconstruction, refurbishment, retrofitting or renovation or other development of any real estate or any building thereon, (iii) real estate-related assets, wherever the issuers, assets or securities are incorporated, located, issued or traded, (iv) listed or unlisted debt securities and listed shares or stock and (if permitted by the Authority) unlisted shares or stock of or issued by local or foreign non-property companies or corporations, (v) government securities (issued on behalf of the Singapore Government or governments of other countries) and securities issued by a supra-national agency or a Singapore statutory board, (vi) cash and cash equivalent items, (vii) financial derivatives only for the purposes of (a) hedging existing positions in the portfolio of Saizen REIT where there is a strong correlation to the underlying investments or (b) efficient portfolio management, provided that such derivatives are not used to gear the overall portfolio of Saizen REIT or intended to be borrowings of Saizen REIT, and (viii) other investment not covered by sub-paragraph (i) to (vii) of this definition but specified as a permissible investment in the Property Funds Guidelines and selected by Saizen REIT for investment by Saizen REIT and approved by the Trustee in writing (see the Trust Deed for details)
<b>Bed Towns</b> .....	Towns along major transportation networks linking major business and commercial centres
<b>BHL</b> .....	Berggruen Holdings Ltd
<b>Board</b> .....	The board of Directors of the Manager
<b>Business Day</b> .....	Any day (other than a Saturday, Sunday or gazetted public holiday) on which commercial banks are open for business in Singapore and the SGX-ST is open for trading
<b>CDP</b> .....	The Central Depository (Pte) Limited
<b>Central-Top</b> .....	Central-Top Properties Ltd.
<b>Chukan Hojin</b> .....	Entities established solely to act as the holding companies of the TK Operators, and which have no potential income, loss or net worth
<b>CIS Code</b> .....	The Code on Collective Investment Schemes issued by the MAS
<b>Companies Act</b> .....	Companies Act, Chapter 50 of Singapore
<b>Company Law</b> .....	Japanese Company Law
<b>Consideration Units</b> .....	The aggregate of 223,749,000 Units to be issued to the Vendors at the Offering Price (assuming that the Over-allotment Option is exercised in full) in full satisfaction of the consideration for the transfer of the Vendor TK Interests pursuant to the TK Interest Transfer Agreements
<b>Consolidated Net Profit from Operations</b> .....	Saizen REIT's consolidated net profit from its operations
<b>CPF</b> .....	Central Provident Fund
<b>CPFIS</b> .....	CPF Investment Scheme
<b>Credit Suisse</b> .....	Credit Suisse (Singapore) Limited

<b>Deposited Property</b> .....	All the assets of Saizen REIT (or proportional share if Saizen REIT owns less than 100.0% of an SPV), including the Properties and all the authorised investments of Saizen REIT for the time being held or deemed to be held upon the trusts under the Trust Deed
<b>Depository Services Agreement</b> .....	The depository services agreement dated 5 October 2007 entered into between CDP, the Manager and the Trustee relating to the deposit of the Units in CDP
<b>Director</b> .....	Director of the Manager
<b>Distributable Income</b> .....	The residual cash flow available for distribution to Unitholders 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)
<b>DPU</b> .....	Distribution per Unit
<b>Early Termination Fee</b> .....	The early termination fee payable to the Manager in the event that the Manager is removed by an Ordinary Resolution passed by Unitholders pursuant to the Trust Deed during the period of five years commencing from the Listing Date, calculated at 0.5% per annum of the latest value of the Property Assets in relation to the remainder of the five year term
<b>Exempted Agreements</b> .....	The agreements as set out in "The Manager, the Asset Manager and Corporate Governance—Exempted Agreements" which transactions constitute Related Party Transactions deemed to have been specifically approved by Unitholders upon subscription of the Units.
<b>Extraordinary Resolution</b> .....	A resolution proposed and passed as such by a majority consisting of 75.0% or more of the total number of votes cast for and against such resolution at a meeting of Unitholders duly convened and held in accordance with the provisions of the Trust Deed
<b>First Publication Date</b> .....	The date on which the announcement of the financial statements for the full financial year ending 30 June 2008 of the Group is made pursuant to Rule 705 of the Listing Manual
<b>First Release</b> .....	The release of one-third of the Consideration Units on the day immediately following the First Publication Date, subject to conditions
<b>First Tax Ruling</b> .....	The tax ruling dated 28 June 2007 issued by the IRAS in relation to the taxation of Saizen REIT and its Unitholders.
<b>Forecast Period 2008</b> .....	The period from 5 November 2007 to 30 June 2008
<b>FP</b> .....	Financial period ending 31 March
<b>FY</b> .....	Financial year ended or, as the case may be, ending 30 June
<b>GDP</b> .....	Gross domestic product
<b>GK</b> .....	<i>Godo Kaisha</i> , a Japanese limited liability company structured similarly to that of a limited liability partnership
<b>Gross Floor Area</b> .....	In relation to an entire Property, the sum of the areas specified in the building ownership certificate for the Property
<b>Gross Revenue</b> .....	Consists of Rental Income and Other Income

<b>Group</b> .....	Saizen REIT and its subsidiaries
<b>GST</b> .....	Goods and Services Tax
<b>Income Tax Act</b> .....	Income Tax Act, Chapter 134 of Singapore
<b>Independent Japanese Property Consultant</b> .....	JREI
<b>Independent Japan Tax Adviser</b> .....	KPMG Tax Corporation
<b>Independent Singapore Tax Adviser</b> .....	PricewaterhouseCoopers Services Pte Ltd
<b>Independent Valuers</b> .....	A&S, ARAYS, AREAN, AR, JREI, JREIC, RH, RV, TAR and TKYAR
<b>Initial Properties</b> .....	The 148 properties, as set out in “Business and Properties—Overview of the Initial Properties” in which Saizen REIT will invest upon completion of the Offering and the issue of the Consideration Units (except that Kaminobori-cho Mansion will only be acquired upon its completion)
<b>Initial TK Agreements</b> .....	The amended Vendor TK Agreements entered into between the Trustee, on behalf of Saizen REIT, and the Initial TK Operators
<b>Initial TK Operators</b> .....	The seven TK Operators, namely YK JOF, YK Keizan, YK Kokkei, YK Shingen, YK Shintoku, YK Shinzan and GK Choan, which hold and own the Initial Properties (except that Kaminobori-cho Mansion will only be acquired upon its completion)
<b>interested party</b> .....	Has the meaning ascribed to it in the Property Funds Guidelines
<b>interested party transaction</b> .....	Has the meaning ascribed to it in the Property Funds Guidelines
<b>interested person</b> .....	Has the meaning ascribed to it in the Listing Manual
<b>interested person transaction</b> .....	Has the meaning ascribed to it in the Listing Manual
<b>International Placement</b> .....	The placement of Units to institutional and other investors outside Singapore
<b>Investible Savings</b> .....	The balance in a CPF Ordinary Account plus the net amounts (if any) withdrawn for education and investment
<b>IRAS</b> .....	Inland Revenue Authority of Singapore
<b>Issue Price</b> .....	Issue price of each Unit
<b>ITL</b> .....	Income Tax Law
<b>JHYP</b> .....	Japan High Yield Property Fund Limited
<b>JHYP II</b> .....	Japan High Yield Property Fund (II) Limited
<b>JOF</b> .....	Japan Opportunities Fund Limited
<b>JOF II</b> .....	Japan Opportunities Fund II Limited
<b>JREI</b> .....	Japan Real Estate Institute (JREI)

<b>JREIC</b> .....	Japan Real Estate Investment Co., Ltd
<b>Latest Practicable Date</b> .....	28 September 2007, being the latest practicable date prior to the lodgement of this Prospectus with the MAS
<b>Listing Date</b> .....	The date of admission of Saizen REIT to the Official List of the SGX-ST
<b>Listing Manual</b> .....	The Listing Manual issued by the SGX-ST
<b>Lock-up Restrictions</b> .....	The restrictions described in “Plan of Distributions—Lock-up arrangements—The Vendors”
<b>Management Team</b> .....	The management team of the Manager and Asset Manager
<b>Manager</b> .....	Japan Residential Assets Manager Limited
<b>Market Day</b> .....	A day on which the SGX-ST is open for trading in securities
<b>Market Price</b> .....	The volume weighted average traded price for a Unit for all trades done on the SGX-ST in the ordinary course of trading on the SGX-ST for the period of 10 Business Days preceding the relevant Business Day or, if the Manager believes that the foregoing calculation does not provide a fair reflection of the Market Price of a Unit, an amount as determined by the Manager (after consultation with a stockbroker approved by the Trustee) and approved by the Audit Committee of the Manager and the Trustee, as being the market price of a Unit
<b>MAS</b> .....	Monetary Authority of Singapore
<b>Moody’s</b> .....	Moody’s Investors Service, Inc
<b>Morgan Stanley International</b> .....	Morgan Stanley & Co. International plc
<b>Morgan Stanley Singapore</b> .....	Morgan Stanley Asia (Singapore) Pte.
<b>NAV</b> .....	Net asset value
<b>Net Income</b> .....	Tax-exempt distributions from the TK Operators
<b>Net Lettable Area</b> .....	Area in a building that is to be leased, excluding common areas such as common corridors, lift shafts, and is usually the area in respect of which rent is payable
<b>Net Property Income</b> .....	Consists of Gross Revenue less Property Operating Expenses
<b>Non-Property Expenses</b> .....	Has the meaning ascribed to it in “Management’s Discussion and Analysis of Financial Condition and Results of Operations”
<b>Offering</b> .....	The offering of 196,740,000 Units by the Manager for subscription at the Offering Price under the Placement and the Public Offer, subject to the Over-allotment Option
<b>Offering Price</b> .....	The subscription price of S\$1.00 for each Unit under the Offering
<b>Ordinary Resolution</b> .....	A resolution proposed and passed as such by a majority being more than 50.0% of the total number of votes cast for and against such resolution by the Unitholders present and voting at a meeting of the Unitholders duly convened and held in accordance with the provisions of the Trust Deed



<b>Other Operating Income</b> .....	Includes revenue derived from vending machines, rental of billboard space, rental of telecommunication antenna space and forfeiture of tenant deposits
<b>Over-allotment Option</b> .....	An option granted by the Unit Lenders to the Stabilising Manager to purchase from the Unit Lenders up to an aggregate of 29,511,000 Units at the Offering Price, solely to cover the over-allotment of Units (if any)
<b>Over-allotment Units</b> .....	29,511,000 Units which will be lent by the Unit Lenders to the Stabilising Manager, to cover the over-allotment of Units (if any)
<b>Participating Banks</b> .....	United Overseas Bank Limited and its subsidiary, Far Eastern Bank Limited (the “ <b>UOB Group</b> ”), DBS Bank Ltd (including POSB) (“ <b>DBS</b> ”) and Oversea-Chinese Banking Corporation Limited (“ <b>OCBC</b> ”)
<b>Placement</b> .....	The International Placement and the Singapore Placement, pursuant to the Offering
<b>PML</b> .....	Probable Maximum Loss, being the amount to be incurred in repairing the damage as a percentage of the replacement cost of the property, in the event of the occurrence of a hypothetical major earthquake that has the possibility of occurring once in every 475 years
<b>Pro Forma Financial Statements of the Group</b> .....	Pro forma financial statements of the Group for FY2004, FY2005, FY2006 and FP2007
<b>Projection Year 2009</b> .....	The period from 1 July 2008 to 30 June 2009
<b>Properties</b> .....	The Initial Properties and the Additional Properties, and “ <b>Property</b> ” means any one of them
<b>Property Assets</b> .....	All property assets of Saizen REIT (or proportional share if Saizen REIT owns less than 100.0% of such property) for the time being held or deemed to be held upon the trusts under the Trust Deed from time to time
<b>Property Business Profits</b> .....	The net profits of the property holding business (before deducting the asset management fee and any expenses of such business payable to Saizen REIT), calculated in accordance with accounting standards used by the property holding vehicles
<b>Property Funds Guidelines</b> .....	The guidelines for REITs issued by the MAS as Appendix 2 to the CIS Code
<b>Property Operating Expenses</b> .....	Has the meaning ascribed to it in “Management’s Discussion and Analysis of Financial Condition and Results of Operations”
<b>Public Offer</b> .....	The offering of Units to the public in Singapore, including the Reserved Units, pursuant to the Offering
<b>Recognised Stock Exchange</b> .....	Any stock exchange of repute in any part of the world
<b>Regulation S</b> .....	Regulation S under the Securities Act
<b>REIT</b> .....	Real estate investment trust

<b>related party</b> .....	Refers to an interested person and/or, as the case may be, an interested party
<b>Related Party Transactions</b> .....	Refers to an interested person transaction and/or, as the case may be, an interested party transaction
<b>Relevant Period</b> .....	The period comprising FY2004, FY2005, FY2006, FP2006 and FP2007
<b>Rental Income</b> .....	Comprises base rental income, common area management fees, car parking rental income and utilities charges for electricity, water or gas, where applicable
<b>Reporting Auditors</b> .....	PricewaterhouseCoopers Certified Public Accountants
<b>Reserved Tranche</b> .....	The portion of the Units under the Public Offer which are Reserved Units
<b>Reserved Units</b> .....	8,700,000 Units reserved for subscription by the directors, management, employees and business associates of the Sponsor and its subsidiaries
<b>RH</b> .....	Rich Appraisal Institute Co., Ltd
<b>Right of First Refusal to Invest</b> .....	The right of first refusal to invest dated 4 October 2007 granted by the Additional TK Operator to the Trustee, as trustee of Saizen REIT, to invest in the Additional TK Operator in relation to the Additional Properties.
<b>RV</b> .....	Real Value Inc.
<b>S\$ or Singapore dollars</b> .....	Singapore dollars, the lawful currency of the Republic of Singapore
<b>Saizen REIT</b> .....	Saizen Real Estate Investment Trust, being a REIT constituted by the Trust Deed, and references to Saizen REIT shall be construed as including reference to the Trustee acting as trustee of Saizen REIT and the Manager acting as manager of Saizen REIT (as appropriate)
<b>Saizen TK Agreements</b> .....	The Initial TK Agreements and the Additional TK Agreement
<b>Saizen TK Operators</b> .....	The Initial TK Operators and the Additional TK Operator
<b>Second Publication Date</b> .....	The date on which the announcement of the financial statements of the Group for the quarter immediately following the First Release is made pursuant to Rule 705 of the Listing Manual
<b>Second Release</b> .....	The release of half of the remaining Consideration Units on the day falling immediately after the Second Publication Date, subject to conditions
<b>Securities Account</b> .....	Securities account or sub-account maintained by a Depositor (as defined in Section 130A of the Companies Act) with CDP
<b>Securities Act</b> .....	U.S. Securities Act of 1933, as amended
<b>Settlement Date</b> .....	The date on which the Units are issued as settlement under the Offering
<b>SFA</b> .....	Securities and Futures Act, Chapter 289 of Singapore

<b>SGXNET</b> .....	Refers to the SGX-ST's internet-based corporate announcement submission system
<b>SGX-ST</b> .....	Singapore Exchange Securities Trading Limited
<b>Shareholders' Letter of Undertaking</b> .....	The letter of undertaking given by the shareholders of the Asset Manager to procure the resignation of the Asset Manager upon the retirement or removal of the Manager
<b>Special Dividend</b> .....	A one-time special dividend distributed to Unitholders in Forecast Period 2008, derived from cash generated and accumulated in the Initial TK Operators prior to the Listing Date
<b>Sponsor</b> .....	Japan Regional Assets Manager Limited
<b>SPV</b> .....	An unlisted entity whether incorporated or otherwise constituted in Singapore or elsewhere, whose primary purpose is to hold or own, or invest through TK arrangements in, residential properties located in Japan or to hold or own the shares in such unlisted entity whose primary purpose is to hold or own, or invest through TK arrangements in, residential properties located in Japan
<b>sq ft</b> .....	Square feet
<b>sq km</b> .....	Square kilometres
<b>sq m</b> .....	Square metres
<b>Stabilising Manager</b> .....	Morgan Stanley International
<b>Substantial Unitholder</b> .....	Any Unitholder with an interest in one or more Units constituting not less than 5.0% of all Units in issue
<b>Take-over Code</b> .....	The Singapore Code on Take-overs and Mergers issued by the MAS
<b>TAR</b> .....	Total Asset Research (TAR)
<b>Third Publication Date</b> .....	The date on which the announcement of the financial statements of the Group for the quarter immediately following the Second Release is made pursuant to Rule 705 of the Listing Manual
<b>Tax Rulings</b> .....	The First Tax Ruling and the Advance Tax Ruling
<b>Third Release</b> .....	The release of the remaining Consideration Units on the day falling immediately after the Third Publication Date, subject to conditions
<b>TK agreement</b> .....	An agreement entered into between a TK operator and a TK investor pursuant to a TK arrangement
<b>TK arrangement</b> .....	A Japanese <i>tokumei kumiai</i> arrangement entered into between a TK investor and a TK operator, whereby the TK investor will provide funds to the TK operator in return for income derived from the management and operational activities of the TK operator
<b>TK business</b> .....	The business of holding and investing in properties for returns pursuant to a TK agreement
<b>TK distribution</b> .....	The cash distributions allocated by a TK operator to a TK investor pursuant to the obligation under the TK agreement on both parties to share the profits of the TK business
<b>TK interest</b> .....	All rights and obligations under a TK agreement entered into between a TK operator and a TK investor

<b>TK Interest Transfer Agreements</b> . . . .	The agreements entered into between the Trustee, on behalf of Saizen REIT, the Vendors and the Initial TK Operators under which the Vendors will transfer the Initial Vendor TK Interest under the Vendor TK Agreements with the TK Operators to the Trustee, on behalf of Saizen REIT, and pursuant to which the Trustee, on behalf of Saizen REIT, will enter into the Initial TK Agreements with the Initial TK Operators
<b>TK investor</b> . . . . .	The entity entering into a TK agreement with a TK operator pursuant to a TK arrangement
<b>TK operator</b> . . . . .	A Japanese limited liability company which holds or owns real estate, and which enter into a TK agreement with a TK investor
<b>TKYAR</b> . . . . .	Tokyo Asset Research Inc.
<b>Trust Deed</b> . . . . .	The trust deed dated 27 September 2007 entered into between the Trustee and the Manager constituting Saizen REIT, as supplemented by the first supplemental deed dated 3 October 2007 and the second supplemental deed dated 29 October 2007
<b>Trustee</b> . . . . .	HSBC Institutional Trust Services (Singapore) Limited, as trustee of Saizen REIT
<b>Underwriters</b> . . . . .	The Financial Advisers, Joint Bookrunners and Underwriters and the Joint Bookrunner and Underwriter
<b>Underwriting Agreement</b> . . . . .	The underwriting agreement dated 29 October 2007 entered into between the Sponsor, the Manager, the Vendors and each of the Underwriters
<b>Underwriting, Selling and Management Commission</b> . . . . .	The underwriting, selling and management commission payable to each Underwriter for its services in connection with the Offering
<b>Unit Issue Mandate</b> . . . . .	The general mandate to be given in a general meeting of the Unitholders pursuant to Rule 887 of the Listing Manual in relation to the issue of Units
<b>Unit Lenders</b> . . . . .	The Vendors
<b>Unit Lending Agreement</b> . . . . .	An agreement dated 29 October 2007 made between the Stabilising Manager and the Unit Lenders pursuant to which the Stabilising Manager may borrow up to an aggregate of 29,511,000 Units from the Unit Lenders for the purpose of facilitating settlement of the over-allotment of Units in connection with the Offering
<b>Unit(s)</b> . . . . .	An undivided interest in Saizen REIT as provided for in the Trust Deed
<b>Unitholder(s)</b> . . . . .	The registered holder for the time being of a Unit including persons so registered as joint holders, except that where the registered holder is CDP, the term “ <b>Unitholder</b> ” shall, in relation to Units registered in the name of CDP, mean, where the context requires, the depositor whose Securities Account with CDP is credited with Units
<b>US\$</b> . . . . .	U.S. dollars, the lawful currency of the United States of America
<b>Vendor TK Agreements</b> . . . . .	The TK agreements entered into between the Vendors and the Initial TK Operators
<b>Vendor TK Interests</b> . . . . .	All rights and obligations under the Vendor TK Agreement
<b>Vendors</b> . . . . .	Central-Top, JHYP and JHYP II

**YK** ..... Yugen Kaisha, a Japanese limited liability company established under Japanese law before May 2006 and recognised as Tokurei Yugen Kaisha under new Japanese company legislation enacted since May 2006

Words importing the singular shall, where applicable, include the plural and *vice versa*. Words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall include corporations.

Any reference in this Prospectus to any enactment is a reference to that enactment for the time being amended or re-enacted.

Any reference to a time of day and dates in this Prospectus is made by reference to Singapore time and dates unless otherwise stated.

**REPORTING AUDITORS' REPORT ON EXAMINATION OF  
THE PRO FORMA FINANCIAL STATEMENTS OF  
THE GROUP AND THE PRO FORMA FINANCIAL STATEMENTS OF THE GROUP**

**REPORT ON EXAMINATION OF THE PRO FORMA  
FINANCIAL STATEMENTS OF THE GROUP**

The Board of Directors  
Japan Residential Assets Manager Limited  
(as Manager of Saizen Real Estate Investment Trust)  
72A Duxton Road  
Singapore 089531

HSBC Institutional Trust Services (Singapore) Limited  
(as Trustee of Saizen Real Estate Investment Trust)  
21 Collyer Quay  
#14-01 HSBC Building  
Singapore 049320

29 October 2007

Dear Sirs

**SAIZEN REAL ESTATE INVESTMENT TRUST ("Saizen REIT")**

This Report has been prepared for inclusion in the prospectus dated 29 October 2007 (the "Prospectus") to be lodged with in relation to the listing of Saizen REIT on the Singapore Exchange Securities Trading Limited.

We report on the Pro Forma Financial Statements of Saizen REIT and its subsidiaries (collectively, "the Group") set out on pages A-3 to A-33 of the Prospectus, which have been prepared for illustrative purposes only and based on certain assumptions after making certain adjustments to show what:

- (a) the total returns for the years ended 30 June 2004, 2005 and 2006 and for the nine-month period ended 31 March 2007 would have been if the acquisition of the TK interest (as described in note 2 to the Pro Forma Financial Statements) had occurred on 1 July 2003 or on the date when the TK Agreements were entered into by the Vendors, whichever is later;
- (b) the financial position of the Group as at 30 June 2006 and 31 March 2007 would have been if the acquisition of the TK interest had occurred on 30 June 2006 and 31 March 2007 respectively or on the date when the TK Agreements were entered into by the Vendors, whichever is later;
- (c) The cash flows of the Group for the financial year ended 30 June 2006 and the nine-month period ended 31 March 2007 would have been if the acquisition of the TK interest had occurred on 1 July 2005 or the date when the TK Agreements were entered into by the Vendors, whichever is later.

The Pro Forma Financial Statements of the Group, because of their nature, may not give a true picture of the actual total returns, financial position and cash flows of the Group.

The Pro Forma Financial Statements are the responsibility of the directors of Japan Residential Assets Manager Limited (the "Directors"). Our responsibility is to express an opinion on the Pro Forma Financial Statements based on our work.

We carried out our procedures in accordance with Singapore Statement of Auditing Practice SAP 24: "Auditors and Public Offering Documents". Our work, which involved no independent examination of the underlying financial statements, consisted primarily of comparing the Pro Forma Financial Statements to the consolidated financial statements of the Vendors (or where information is not available in the consolidated financial statements of the Vendors to the underlying accounting records) considering the evidence supporting the pro forma adjustments and discussing the Pro Forma Financial Statements with the Directors.



In our opinion:

- (a) the Pro Forma Financial Statements have been properly prepared on the basis set out in Note 3 to the Pro Forma Financial Statements of the Group;
- (b) the Pro Forma Financial Statements have been properly prepared in a manner consistent with both the format of the financial statements and the accounting policies of the Group; and
- (c) each material adjustment made to the information used in the preparation of the Pro Forma Financial Statements is appropriate for the purpose of preparing such financial statements.

Yours faithfully,

PricewaterhouseCoopers  
Certified Public Accountants  
Singapore

Partner-in-charge: Choo Eng Beng

**SAIZEN REAL ESTATE INVESTMENT TRUST AND ITS SUBSIDIARIES**  
**PRO FORMA CONSOLIDATED STATEMENTS OF TOTAL RETURN**

	Note	Year ended			9 month period ended	
		30 June 2004	30 June 2005	30 June 2006	31 March 2006	31 March 2007
		JPY'000	JPY'000	JPY'000	JPY'000	JPY'000
<b>Gross revenue</b> .....	7	515,230	815,294	1,321,663	842,520	1,861,806
<b>Property operating expenses</b> .....	8	(196,666)	(286,750)	(463,814)	(305,940)	(591,258)
<b>Net property income</b> .....		318,564	528,544	857,849	536,580	1,270,548
Other administrative expenses .....		(25,664)	(16,040)	(50,146)	(33,699)	(50,400)
Interest income .....		21	62	127	91	1,775
Manager's management fees .....		(23,324)	(33,018)	(80,070)	(52,094)	(114,507)
Asset management fees .....		(3,090)	(5,516)	(9,187)	(4,893)	(17,831)
Trustee's fees .....		(7,602)	(7,881)	(8,674)	(6,562)	(7,845)
Other trust expenses .....	9	(24,210)	(24,769)	(55,896)	(40,751)	(50,489)
Finance costs .....	10	(95,562)	(161,928)	(294,306)	(178,816)	(453,184)
<b>Net income from operations</b> .....		139,133	279,454	359,697	219,856	578,067
Net (depreciation)/appreciation in the value of investment properties .....		(149,112)	830,635	208,920	145,037	1,924,446
Profit on sale of properties .....		—	—	228	228	8,234
<b>Total return for the year/period before income tax</b> .....		(9,979)	1,110,089	568,845	365,121	2,510,747
Income tax .....	11	(31,830)	(205,812)	(191,715)	(159,404)	(545,657)
<b>Total return for the year/period after income tax before distribution</b> .....		(41,809)	904,277	377,130	205,717	1,965,090
Less : Distribution .....		—	(122,951)	(110,070)	(48,574)	(316,077)
<b>Total return for the year/period</b> .....		<u>(41,809)</u>	<u>781,326</u>	<u>267,060</u>	<u>157,143</u>	<u>1,649,013</u>
<b>Attributable to:</b>						
Unitholders .....		(39,806)	761,733	257,214	150,830	1,606,284
Minority Interests .....		(2,003)	19,593	9,846	6,313	42,729
		<u>(41,809)</u>	<u>781,326</u>	<u>267,060</u>	<u>157,143</u>	<u>1,649,013</u>

**SAIZEN REAL ESTATE INVESTMENT TRUST AND ITS SUBSIDIARIES**  
**PRO FORMA CONSOLIDATED BALANCE SHEET**

	Notes	30 June 2006 JPY'000	31 March 2007 JPY'000
<b>Current assets</b>			
Cash at bank .....		472,187	646,066
Deposit with cash management agent .....	12	1,504,522	2,266,756
Trade and other receivables .....	13	61,503	59,067
Other assets .....	14	79,685	130,482
		2,117,897	3,102,371
<b>Non-current assets</b>			
Investment properties .....	15	23,017,600	36,872,500
Other assets .....		18,000	9,000
		23,035,600	36,881,500
<b>Total assets</b> .....		<b><u>25,153,497</u></b>	<b><u>39,983,871</u></b>
<b>Current liabilities</b>			
Rental deposits .....		393,311	569,657
Rental received in advance .....		126,344	169,905
Borrowings .....	16	73,226	75,032
Other current liabilities .....	17	200,662	295,502
		793,543	1,110,096
<b>Non-current liabilities</b>			
Rental deposits .....		4,562	12,252
Borrowings .....	16	12,775,590	21,600,316
Deferred tax liabilities .....	18	283,929	707,140
		13,064,081	22,319,708
<b>Total liabilities</b> .....		<b><u>13,857,624</u></b>	<b><u>23,429,804</u></b>
<b>Total net assets</b> .....		<b><u>11,295,873</u></b>	<b><u>16,554,067</u></b>
<b>Represented by:</b>			
Unitholders .....		11,247,505	16,463,110
Minority Interests .....		48,368	90,957
		<b><u>11,295,873</u></b>	<b><u>16,554,067</u></b>
<b>Number of Units in issue ('000)</b> .....	<b>20</b>	<b><u>154,435</u></b>	<b><u>211,771</u></b>
<b>Net asset value per Unit (JPY)</b> .....	<b>20</b>	<b><u>72.83</u></b>	<b><u>77.74</u></b>

**SAIZEN REAL ESTATE INVESTMENT TRUST AND ITS SUBSIDIARIES**  
**PRO FORMA CONSOLIDATED STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUND**

	<b>Unitholders' contribution</b>	<b>Minority Interests</b>	<b>Total</b>
	<b>JPY'000</b>	<b>JPY'000</b>	<b>JPY'000</b>
<b>30 June 2006</b>			
Contributions from Vendor .....	7,549,763	9,000	7,558,763
Cost of acquisition .....	3,156,533	—	3,156,533
Acquisition of subsidiaries .....	—	29,522	29,522
Issuance of new units in satisfaction of acquisition fee .....	150,792	—	150,792
Total return for the financial year .....	367,284	9,846	377,130
Distribution .....	(110,070)	—	(110,070)
Pro forma adjustments* .....	133,203	—	133,203
<b>End of financial year .....</b>	<b><u>11,247,505</u></b>	<b><u>48,368</u></b>	<b><u>11,295,873</u></b>
<b>31 March 2007</b>			
Beginning of financial period .....	11,247,505	48,368	11,295,873
Contribution from Vendors .....	3,338,512	—	3,338,512
Issuance of new units in satisfaction of acquisition fee .....	113,298	—	113,298
Total return for the financial period .....	1,922,361	42,729	1,965,090
Distribution .....	(316,077)	—	(316,077)
Pro forma adjustments* .....	157,511	(140)	157,371
<b>End of financial period .....</b>	<b><u>16,463,110</u></b>	<b><u>90,957</u></b>	<b><u>16,554,067</u></b>

\* Being the pro forma effect arising from the basis of preparation of pro forma consolidated balance sheet and statements of movements in Unitholders' Fund.

**SAIZEN REAL ESTATE INVESTMENT TRUST AND ITS SUBSIDIARIES**  
**PRO FORMA CONSOLIDATED CASH FLOW STATEMENTS**

	Year ended 30 June 2006 <u>JPY'000</u>	9 month period ended 31 March 2007 <u>JPY'000</u>
<b>Operating activities</b>		
Returns for the year/period after income tax .....	377,130	1,965,090
Adjustments for:		
Tax expense .....	191,715	545,657
Profit on sale of properties .....	(228)	(8,234)
Net appreciation in the value of investment properties .....	(208,920)	(1,924,446)
Interest income .....	(127)	(1,775)
Interest expenses .....	294,306	453,184
Operating profit before working capital changes .....	653,876	1,029,476
Changes in working capital		
Deposit with cash management agent .....	(1,055,851)	(762,234)
Trade and other receivables .....	(59,668)	2,436
Other assets .....	(69,086)	(41,937)
Rental deposits .....	240,665	184,037
Rental received in advance .....	81,776	43,561
Other current liabilities .....	58,207	165,811
Cash (used in)/generated from operation .....	(150,081)	621,150
Tax paid .....	(29,091)	(105,834)
<b>Cash flows (used in)/provided by operating activities .....</b>	<b>(179,172)</b>	<b>515,316</b>
<b>Investing activities</b>		
Net effect on acquisition of subsidiaries (Note 19) .....	37,603	—
Purchase of investment properties .....	(15,640,288)	(11,960,156)
Disposal of investment properties .....	209,229	151,234
<b>Cash flows used in investing activities .....</b>	<b>(15,393,456)</b>	<b>(11,808,922)</b>
<b>Financing activities</b>		
Distribution to Unitholders .....	(110,070)	(316,077)
Contribution from Vendors .....	7,549,763	3,338,512
Proceeds from borrowings .....	8,914,869	8,917,064
Repayment of borrowings .....	(212,143)	(142,005)
Interest paid .....	(208,748)	(462,394)
Interest received .....	127	1,775
<b>Cash flows from financing activities .....</b>	<b>15,933,798</b>	<b>11,336,875</b>
Net increase in cash at bank .....	361,170	43,269
Pro forma adjustments .....	111,017	241,627
Cash at bank at beginning of the year/period .....	—	361,170
<b>Cash at bank at end of the year/period .....</b>	<b>472,187</b>	<b>646,066</b>

**SAIZEN REAL ESTATE INVESTMENT TRUST AND ITS SUBSIDIARIES**

**PORTFOLIO STATEMENTS**

Description of properties	Location	Valuation		Percentage of net assets	
		30 June 2006	31 March 2007	30 June 2006	31 March 2007
		JPY'000	JPY'000		
<b><i>YK JOF</i></b>					
Three Tower . . . . .	Sapporo	1,006,000	1,113,000	9%	7%
Luna Heights . . . . .	Sapporo	253,000	265,000	2%	2%
Matsui 53 . . . . .	Sapporo	202,000	213,000	2%	1%
Plaza Nakajima Park . . . . .	Sapporo	341,000	344,000	3%	2%
Chateau Nakanoshima . . . . .	Sapporo	302,000	298,000	3%	2%
Chateau 24 . . . . .	Sapporo	595,000	611,000	5%	4%
<b><i>YK KOKKEI</i></b>					
Glance Nishimachi . . . . .	Sapporo	372,000	401,000	3%	2%
Matsui 82 . . . . .	Sapporo	433,000	438,000	4%	3%
Urban Yamahana . . . . .	Sapporo	142,000	139,000	1%	1%
Misono . . . . .	Sapporo	277,000	298,000	2%	2%
Maison Towa . . . . .	Sapporo	194,000	196,000	2%	1%
Wing Befu . . . . .	Fukuoka	170,000	198,000	2%	1%
<b><i>YK KEIZAN</i></b>					
Chic Takaramachi . . . . .	Fukuoka	228,000	235,000	2%	1%
Matsui 38 . . . . .	Sapporo	187,000	185,000	2%	1%
Sun City . . . . .	Sapporo	384,000	377,000	3%	2%
S.Heim . . . . .	Sapporo	126,000	127,000	1%	1%
Wave23 . . . . .	Sapporo	143,000	—	1%	—
Les Chambres . . . . .	Sapporo	83,400	91,800	1%	1%
Dominion Yamanote . . . . .	Sapporo	165,000	170,000	1%	1%
Treasure 15 . . . . .	Sapporo	165,000	174,000	1%	1%
Infinity Higashi Sapporo . . . . .	Sapporo	237,000	222,000	2%	1%
Arati Hakata South . . . . .	Fukuoka	373,000	447,000	3%	3%
First Kotake Building . . . . .	Sapporo	892,000	948,000	8%	6%
Park Crystal . . . . .	Sapporo	259,000	296,000	2%	2%
<b><i>YK SHINTOKU</i></b>					
KN 21 Shiragane . . . . .	Kitakyushu	262,000	302,000	2%	2%
Urban KN 2 Kumamoto . . . . .	Kitakyushu	82,800	93,000	1%	1%
KN 7 Kirigaoka . . . . .	Kitakyushu	397,000	444,000	4%	3%
Chalet Aoyama . . . . .	Kitakyushu	300,000	308,000	3%	2%
City Room Nakai III . . . . .	Kitakyushu	189,000	191,000	2%	1%
Matsukaze Building . . . . .	Hakodate	409,000	381,000	4%	2%
Johnan Building III . . . . .	Fukuoka	424,000	430,000	4%	3%
Gold Mansion Nakao . . . . .	Fukuoka	156,000	156,000	1%	1%
Lumiere et vent . . . . .	Sapporo	74,800	75,100	1%	*
Kohatsu 88 . . . . .	Sapporo	66,300	65,500	*	*
Central Court Tenjin Higashi . . . . .	Fukuoka	192,000	172,000	2%	1%
Legions Yunokawa . . . . .	Hakodate	185,000	163,000	2%	1%
Etoile S12 . . . . .	Sapporo	211,000	269,000	2%	2%
Villa Kaigancho . . . . .	Hakodate	342,000	382,000	3%	2%
Escort South 11 . . . . .	Sapporo	57,700	64,000	*	*
Ebisu Building III . . . . .	Sapporo	69,400	91,000	1%	*
Crestage Tayacho . . . . .	Hakodate	120,000	120,000	1%	1%
Heart Inn Hongou . . . . .	Sapporo	83,600	93,400	1%	1%
Reef Suite . . . . .	Sapporo	213,000	204,000	2%	1%
Alpha Shinonome . . . . .	Hiroshima	111,700	114,000	1%	1%
Saumur Meinohama II . . . . .	Fukuoka	67,000	76,000	1%	*
Urban Hills Dainohara . . . . .	Sendai	133,300	162,000	1%	1%
Residence II Yasuda . . . . .	Hiroshima	107,000	115,000	1%	1%
Sun Park Yokokawa . . . . .	Hiroshima	78,400	77,000	1%	*



**SAIZEN REAL ESTATE INVESTMENT TRUST AND ITS SUBSIDIARIES**

**PORTFOLIO STATEMENTS—(Continued)**

Description of properties	Location	Valuation		Percentage of net assets	
		30 June 2006	31 March 2007	30 June 2006	31 March 2007
		JPY'000	JPY'000		
Funari Honmachi 54 .....	Hiroshima	211,000	227,000	2%	1%
Global Matsukawa Building .....	Hiroshima	288,000	283,000	3%	2%
Sun Port 6 .....	Sendai	124,000	181,000	1%	1%
Exceed Tsuchitai .....	Sendai	114,000	114,000	1%	1%
Sun Hills Asahigaoka .....	Sendai	62,200	69,300	*	*
Aisho Plaza Hachiman .....	Sendai	240,000	237,000	2%	1%
Sun Rise Kashiwagi .....	Sendai	237,000	239,000	2%	1%
Lively Kamisugi .....	Sendai	79,900	88,000	1%	1%
Etoile Higashi Sendai .....	Sendai	120,000	120,000	1%	1%
Mansion Lilac .....	Sendai	64,100	59,400	*	*
U.I. Building .....	Hiroshima	315,000	342,000	3%	2%
Matoba Y Building .....	Hiroshima	221,000	229,000	2%	1%
Otemachi Y Building .....	Hiroshima	226,000	234,000	2%	1%
Higashi Hakushima Y Building .....	Hiroshima	192,000	210,000	2%	1%
Kinyacho Y Building .....	Hiroshima	216,000	244,000	2%	1%
Kinyacho Grande .....	Hiroshima	521,000	569,000	5%	3%
Kamei Five .....	Hiroshima	135,000	129,000	1%	1%
Shinko Kokura Kogane Sky Mansion .....	Kitakyushu	251,000	265,000	2%	2%
Katano Residential Building .....	Kitakyushu	443,000	511,000	4%	3%
High Grace II .....	Sendai	408,900	395,000	4%	2%
Art Side Terrace .....	Sapporo	534,800	687,000	5%	4%
Jewel Town Suehiro .....	Hakodate	—	193,000	—	1%
Estella 24-ken A .....	Sapporo	—	109,000	—	1%
Niken Chaya Grand Heights .....	Sendai	—	474,000	—	3%
River City Kimachi .....	Sendai	—	163,000	—	1%
Kotoni 1-6 Mansion .....	Sapporo	—	351,000	—	2%
Aster Yamahana .....	Sapporo	—	193,000	—	1%
Patios Ohashi .....	Fukuoka	—	140,000	—	1%
K1 Mansion Morioka .....	Morioka	—	79,000	—	1%
K2 Mansion Morioka .....	Morioka	—	380,000	—	2%
Mon Palais Toroku .....	Kumamoto	—	351,000	—	2%
Rise Gofuku .....	Kumamoto	—	331,000	—	2%
<b>YK SHINZAN</b>					
Chalet Kishinoura .....	Kitakyushu	361,000	380,000	3%	2%
Chalet Shiragane .....	Kitakyushu	265,700	279,700	2%	2%
Chalet Suwamachi .....	Kitakyushu	372,000	385,000	3%	2%
Chalet Numahon Machi II .....	Kitakyushu	231,000	235,000	2%	1%
Chalet Matsuo II .....	Kitakyushu	72,400	78,000	1%	*
Chalet Tsudashin Machi .....	Kitakyushu	182,000	191,000	2%	1%
Chalet Harunomachi .....	Kitakyushu	442,600	474,600	4%	3%
Chalet Kanda II .....	Kitakyushu	312,000	338,000	3%	2%
Chalet Einomaru II .....	Kitakyushu	139,000	144,000	1%	1%
EMYU Honjo .....	Kumamoto	981,000	1,040,000	9%	6%
EMYU Shinmachi .....	Kumamoto	692,000	750,000	6%	5%
Yamamoto Mansion .....	Kagoshima	758,000	760,000	7%	5%
Rise Kojo Horibata .....	Kumamoto	83,100	100,000	1%	1%
KC Heights .....	Kumamoto	109,000	116,000	1%	1%
Rise Shimodori .....	Kumamoto	299,000	329,000	3%	2%
Rise Kuhonji II .....	Kumamoto	384,000	459,000	3%	3%

SAIZEN REAL ESTATE INVESTMENT TRUST AND ITS SUBSIDIARIES

PORTFOLIO STATEMENTS—(Continued)

Description of properties	Location	Valuation		Percentage of net assets	
		30 June 2006	31 March 2007	30 June 2006	31 March 2007
		JPY'000	JPY'000		
<b><i>YK SHINGEN</i></b>					
Alte Heim Kokura . . . . .	Kitakyushu	—	96,000	—	1%
Alte Heim Kokura II . . . . .	Kitakyushu	—	596,000	—	4%
Alte Heim Kokura IV . . . . .	Kitakyushu	—	120,000	—	1%
Alte Heim Mojiekimae . . . . .	Kitakyushu	—	195,000	—	1%
Alte Heim Orio . . . . .	Kitakyushu	—	389,000	—	2%
Castle Kano . . . . .	Sendai	—	255,000	—	2%
Clio Court . . . . .	Sendai	—	238,000	—	1%
Club House Kikugaoka . . . . .	Kitakyushu	—	323,000	—	2%
Core Life . . . . .	Sendai	—	541,000	—	3%
Taisei Building III . . . . .	Oita	—	313,000	—	2%
EMYU Heisei Keyakidori Mansion . . . . .	Kumamoto	—	946,000	—	6%
EMYU Suizenji . . . . .	Kumamoto	—	1,211,000	—	7%
Gardenia Kurashiki . . . . .	Kurashiki	—	146,000	—	1%
Aistage Ushita Minami . . . . .	Hiroshima	—	357,000	—	2%
Jeunes 23 . . . . .	Sapporo	—	343,000	—	2%
Matoba Meijibashi II . . . . .	Hiroshima	—	294,700	—	2%
Rise Fujisaki Dai . . . . .	Kumamoto	—	326,000	—	2%
Rise Kumadai Hospital II . . . . .	Kumamoto	—	617,000	—	4%
Rise Kumamoto Station South . . . . .	Kumamoto	—	210,000	—	1%
Rise Oe . . . . .	Kumamoto	—	295,000	—	2%
Royal Hills Katagiri . . . . .	Sendai	—	196,000	—	1%
Studio City . . . . .	Sapporo	—	245,000	—	1%
Suien . . . . .	Sapporo	—	131,000	—	1%
Sun Vario Shinden Eki Mae . . . . .	Sendai	468,500	493,000	4%	3%
TOA Mansion . . . . .	Sapporo	—	823,000	—	5%
Wealth Meinohama . . . . .	Fukuoka	—	70,000	—	*
YSK Co-op Saiwaicho . . . . .	Sendai	—	512,000	—	3%
Investment properties . . . . .		23,017,600	36,872,500	204%	223%
Other assets and liabilities (net) . . . . .		(11,721,727)	(20,318,433)	(104%)	(123%)
Net assets . . . . .		11,295,873	16,554,067	100%	100%

\* Individually lower than 1%

## SAIZEN REAL ESTATE INVESTMENT TRUST AND ITS SUBSIDIARIES

### NOTES TO PRO FORMA FINANCIAL STATEMENTS

*For the year ended 30 June 2004, 2005 and 2006 and the nine-month period ended 31 March 2007*

#### 1. Introduction

The Pro Forma Financial Statements of Saizen Real Estate Investment Trust (“Saizen REIT”) and its subsidiaries (collectively, the “Group”) have been prepared for inclusion in the Prospectus to be issued in relation to the listing of Saizen REIT on the Singapore Exchange Securities Trading Limited.

#### 2. Saizen Real Estate Investment Trust

***2.1 Saizen REIT was established under a Trust Deed dated 27 September 2007 made between Japan Residential Assets Manager Limited (the “Manager”) and HSBC Institutional Trust Services (Singapore) Limited (the Trustee”).***

No financial statements of Saizen REIT have been prepared for the preceding three financial years as Saizen REIT was established on 27 September 2007.

Saizen REIT is a Singapore-based real estate investment trust (“REIT”) established with the principal investment objective of investing in a diversified portfolio of income-producing real estate located in Japan which is used primarily for residential and residential-related purpose, and real estate-related assets.

In order to invest in the properties which are owned by various TK Operators (as defined herein) (the “Properties”), Saizen REIT will enter into arrangements (“Tokumei Kumiai” or “TK”) with Japanese limited liability companies known as Yugen Kaisha (“YKs”) or Godo Kaisha (“GK”, and together with YKs, the TK Operators), to acquire the interest in the Properties. The relationship between Saizen REIT and the TK operators will be governed by agreements known as the TK Agreements. Saizen REIT, as the investor, will provide funds to the TK Operators in return for profit or loss derived from the operation of the YKs.

#### 2.2 The Acquisition

As part of the acquisition of the interest in the Properties, Saizen REIT has, as at 28 September 2007, entered into agreements with Central-Top Properties Ltd, a wholly-owned subsidiary of Japan Opportunities Fund (“JOF”) and Japan High Yield Property Fund (“JHYP”) and Japan High Yield Property Fund II (“JHYP II”) (together the “Vendors” or the “Funds”) to acquire from the Vendors all rights and obligation (the “TK interest”) under existing TK Agreements with their respective TK Operators as follows (the “Acquisition”):

- (i) To acquire the JOF’s TK interest under the TK Agreements signed during the period from 23 May 2003 to 11 March 2005, between its subsidiary with YK JOF, YK Kokkei and YK Keizan, being the TK Operators of JOF. The consideration on acquisition of these TK interests will be satisfied by way of issuance of 53,191,511 units in Saizen REIT to Central-Top Properties Ltd amounting to S\$53,191,511, computed based on the Offering Price of S\$1.00.
- (ii) To acquire the JHYP’s TK interest under the TK Agreements signed during the period from 12 July 2005 to 12 March 2007 with YK Shintoku, YK Shinzan and YK Shingen, being the TK Operators of JHYP. The consideration on acquisition of these TK interests will be satisfied by way of issuance of 160,838,440 units in Saizen REIT to JHYP amounting to S\$160,838,440, computed based on the Offering Price of S\$1.00.
- (iii) To acquire the JHYP II’s TK interest under the TK Agreements signed during the period from 19 April 2007 to 24 August 2007 with GK Choan, being the TK Operators of JHYP II. The consideration on acquisition of these TK interests will be satisfied by way of issuance of 39,230,049 units in Saizen REIT to JHYP amounting to S\$39,230,049, computed based on the Offering Price of S\$1.00.

#### 3. Basis of presentation and compilation of the Pro Forma Financial Statements of the Group

##### ***3.1 The objective of the Pro Forma Financial Statements of the Group is to show what:-***

- (a) The total return of the Group for the financial years ended 30 June 2004, 30 June 2005 and 30 June 2006 and the nine-month period ended 31 March 2007 (the “Track Record Period”) would have been if the Acquisition had occurred on 1 July 2003 or on the date when the TK Agreements were entered into by the Vendors or its subsidiary, whichever is the later;

## SAIZEN REAL ESTATE INVESTMENT TRUST AND ITS SUBSIDIARIES

### NOTES TO PRO FORMA FINANCIAL STATEMENTS—(Continued)

*For the year ended 30 June 2004, 2005 and 2006 and the nine-month period ended 31 March 2007*

- (b) The financial position of the Group as at 30 June 2006 and 31 March 2007 would have been if the Acquisition had occurred on 30 June 2006 and 31 March 2007 respectively or on the date when the TK Agreements were entered into by the Vendors or its subsidiary, whichever is the later;
- (c) The cash flows of the Group for the financial year ended 30 June 2006 and the nine-month period ended 31 March 2007 would have been if the Acquisition had occurred on 1 July 2005 or on the date when the TK Agreements were entered into by the Vendors or its subsidiary, whichever is the later.

Accordingly, the Pro Forma Financial Statements do not include the financial information of those properties which were acquired by the TK Operators subsequent to the Track Record Period and do not include the proceeds receivable from the initial public offering of Saizen REIT.

The Pro Forma Financial Statements are not necessarily indicative of the total returns, financial position, movements of Unitholders' fund and cash flows of the Group that would have been attained had the Group existed earlier. The Pro Forma Financial Statements are for illustrative purpose only and because of their nature, may not give a true picture of the Group's actual total returns, financial positions, movements of Unitholders' fund and cash flows.

#### ***3.2 The Pro Forma Financial Statements for the financial years ended 30 June 2004, 30 June 2005 and 30 June 2006 and the nine-month period ended 31 March 2006 and 31 March 2007 are compiled based on the following:***

- (a) The audited consolidated financial statements of JOF for the financial years ended 30 June 2004, 2005 and 2006 and the nine-month period ended 31 March 2007 which were prepared in accordance with International Financial Reporting Standards and audited by PricewaterhouseCoopers, Hong Kong, in accordance with International Standards on Auditing;
- (b) The audited consolidated financial statements of JHYP for the period from 18 April 2005 (date of incorporation) to 30 June 2006 and the nine-month period ended 31 March 2007 which were prepared in accordance with International Financial Reporting Standards and audited by PricewaterhouseCoopers, Hong Kong, in accordance with International Standards on Auditing;
- (c) The unaudited management accounts of JHYP II for the period from 24 January 2007 (date of incorporation) to 31 March 2007.

The auditors' reports on the underlying financial statements of the Group used in the compilation of the Pro Forma Financial Statements for the periods presented were not subject to any material qualification.

For the purpose of the Pro Forma Financial Statements, the above underlying financial statements have been reclassified and adjusted (where appropriate), in accordance with Recommended Accounting Practice ("RAP") 7 "Reporting Framework for Unit Trusts".

#### ***3.3 Pro Forma Consolidated Statements of Total Return***

The key pro forma adjustments made to the audited consolidated financial statements of the Funds for the financial years ended 30 June 2004, 2005 and 2006 and the nine-month period ended 31 March 2007 in the preparation of the Pro Forma Consolidated Statements of Total Return, are summarised as below:

- Adjustments to reverse income and expenses (including those income and expenses and fair value changes of the financial instruments of the Funds) that are not in-line with the Group's structure and replace them with similar income and expenses based on the Group's structure, and include manager's management fees, other trust expenses (comprising recurring operating expenses such as the annual listing fee, registry fee, costs associated with the preparation and distribution of reports to unitholders, investor communication cost and other miscellaneous expenses relating to the Group's structure)

In addition, the following key assumptions were made for each of the financial years/periods presented:

- Saizen REIT Manager's management fees are based on formula set out in the Saizen REIT management agreement;

## **SAIZEN REAL ESTATE INVESTMENT TRUST AND ITS SUBSIDIARIES**

### **NOTES TO PRO FORMA FINANCIAL STATEMENTS—(Continued)**

*For the year ended 30 June 2004, 2005 and 2006 and the nine-month period ended 31 March 2007*

- Saizen REIT Trustee's fee is based on the formula set out in the Trust Deed;
- Other trust expenses comprise annual listing fee, registry fee, audit and tax advisory fees, valuation fees, cost associated with the preparation and distribution of reports to unit holders, investor communication and miscellaneous expenses and are based on estimates provided by the Trustee;
- 100% of the distributable income available for distribution to the holders of the Saizen REIT Units is distributed;
- Distribution to the holders of the Saizen REIT units is computed based on the historical distribution of the TK Operators adjusted for expenses at the REIT's level.
- Distribution received from TK Operators are exempted from tax and Saizen REIT has no taxable income.

#### **3.4 Pro Forma Consolidated Balance Sheets**

The key pro forma adjustments made to the audited consolidated financial statements of the Funds for the financial year ended 30 June 2006 and the nine-month period ended 31 March 2007, in the preparation of the Pro Forma Consolidated Balance Sheets as at 30 June 2006 and 31 March 2007 are summarised as below:

- Adjustments to reverse assets and liabilities of the Funds, which are not acquired by Saizen REIT.
- Adjustments to reverse the existing equity structure of the Funds and replace them with Saizen REIT's unit fund structure.

In addition, the following assumption was made:

- Saizen REIT acquires the TK Interests as at 30 June 2006 and 31 March 2007 at an aggregated purchase price of JPY11,247 million and JPY16,463 million respectively, satisfied by the issue of 154,435,000 units and 211,771,000 units at the Offering Price of S\$1.00 per unit. The purchase consideration is determined based on the net asset value of the TK Operators at the respective dates, adjusted for the fair value of the Property and the amounts due to/from the vendors and is computed based on the exchange rate of S\$1.00: JPY 72.83 and S\$1.00: JPY 77.74, being the exchange rates as at 30 June 2006 and 31 March 2007 respectively.

#### **3.5 Pro Forma Consolidated Cash Flow Statements**

The Pro Forma Consolidated Cash Flow Statements for the year ended 30 June 2006 and the nine-month period ended 31 March 2007 have been prepared on the following key assumptions:

- Management fees and trustee fees payable to the Saizen REIT Manager and the Trustee respectively are paid in cash on a quarterly basis;
- 100% of the taxable income available for distribution to the holders of the Saizen REIT Units is distributed for each of the period presented. Distribution to holders of the Saizen REIT Units are paid on a half yearly basis;
- Distribution to the holders of Saizen REIT Units is computed based on historical distribution of the TK Operators adjusted for expenses at the REIT's level; and
- Distribution received from TK Operators are exempted from tax and Saizen REIT has no taxable income.

#### **4. Trustee fees, Management fees, Acquisition and Divestment fee**

##### **(a) Trustee's fees**

Trustee's fee is charged on a scaled-up basis up to a maximum of 0.03% per annum of the value of the Deposited Property, subject to an aggregate minimum fee of S\$10,000 per month excluding out-of-pocket expenses and goods and services tax.

##### **(b) Manager's Management fees**

The Manager is entitled to receive a base fee of 0.5% per annum of the monthly weighted average value of the Property Assets.

**SAIZEN REAL ESTATE INVESTMENT TRUST AND ITS SUBSIDIARIES**

**NOTES TO PRO FORMA FINANCIAL STATEMENTS—(Continued)**

*For the year ended 30 June 2004, 2005 and 2006 and the nine-month period ended 31 March 2007*

The Manager may elect to receive the management fees in cash or Units or a combination of cash and Units (as it may in its sole discretion determine). The management fees are paid quarterly in arrears.

For Pro Forma Financial Statements purposes, manager's management fees are assumed to be paid in cash.

**(c) Asset manager's asset management fee**

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 expenses of such business payable to Saizen REIT), calculated in accordance with accounting standards applicable to the property holding vehicles.

For Pro Forma Financial Statements purposes, asset management fees are assumed to be paid in cash.

**(d) Acquisition and Divestment fees**

The Manager is entitled to receive the following acquisition fees:

1.0% of each of the following as is applicable:

- (i) the acquisition price of any real estate purchased by the Group, plus any other payments in addition to the acquisition price made by the Group to the Vendor in connection with the purchase of the real estate (pro rated if applicable to the proportion of the Group's interest); or
- (ii) the underlying value of any real estate which is taken into account when computing the acquisition price payable for the acquisition from the vendor of the equity interest in any vehicle holding directly or indirectly the real estate purchased by the Group, plus any additional payments made by the Group to the vendors in connection with the purchase of such equity interests (pro rated if applicable to the proportion of the Group's interest); or
- (iii) the underlying value of any real estate which is taken into account when computing the acquisition price payable for the acquisition from the vendor of the TK interest under any TK agreement entered into with any TK Operator holding directly or indirectly the real estate purchased by the Group, plus any additional payments made by the Group to the vendors in connection with the purchase of such TK interest (pro rated if applicable to the proportion of Group's interest); or
- (iv) the acquisition price of any investment by the Group, whether directly or indirectly in any debt securities of any property corporation or other SPV owning or acquiring real estate.

The Manager is entitled to receive the following divestment fees:

0.3% of each of the following as is applicable:

- (i) the sale price of any real estate sold by the Group, plus any other payments in addition to the sale price received by the Group from the purchaser in connection with the sale of the real estate (pro rated if applicable to the proportion of the Group's interest); or
- (ii) the underlying value of any real estate which is taken into account when computing the sale price payable for the sale of the equity interest in any vehicle holding directly or indirectly the real estate sold by the Group, plus any additional payments received by the Group in connection with the sale of such equity interests (pro rated if applicable to the proportion of the Group's interest); or
- (iii) the underlying value of any real estate which is taken into account when computing the sale price payable for the sale of the TK interest under any TK agreement entered into with any TK Operator holding directly or indirectly the real estate sold by the Group, plus any additional payments received by the Group from the purchasers in connection with the sale of such TK interest (pro rated if applicable to the proportion of the Group's interest); or
- (iv) the sale price of any investment by the Group, whether directly or indirectly in any debt securities of any property corporation or other SPV owning or acquiring real estate.



**SAIZEN REAL ESTATE INVESTMENT TRUST AND ITS SUBSIDIARIES**

**NOTES TO PRO FORMA FINANCIAL STATEMENTS—(Continued)**

*For the year ended 30 June 2004, 2005 and 2006 and the nine-month period ended 31 March 2007*

The acquisition and divestment fees are payable to the Manager in the form of cash and/or Units (as the Manager may elect) provided that in respect of any acquisition and divestment of real estate assets from related parties, such fees should be in the form of Units issued by the Group at the prevailing market price. Such units should not be sold within one year from the date of their issuance.

For Pro Forma Financial Statements purposes, acquisition and divestment fees are assumed to be paid in units and cash respectively.

**5. Statement of adjustments**

**(a) Pro Forma Consolidated Statements of Total Return**

The following adjustments have been made in arriving at the Pro Forma Consolidated Statements of Total Return for the financial year ended 30 June 2004:

	<b>Aggregation of the audited financial statements of the Funds</b>	<b>Pro forma adjustments</b>		<b>Per Saizen REIT</b>
	<b>JPY'000</b>	<b>JPY'000 Note a</b>	<b>JPY'000 Note b</b>	<b>JPY'000</b>
<b>Gross revenue</b> .....	515,230	—	—	515,230
<b>Property operating expenses</b> .....	(202,031)	5,365	—	(196,666)
<b>Net property income</b> .....	313,199	5,365	—	318,564
Other administrative expenses .....	(35,048)	9,384	—	(25,664)
Interest income .....	1,266	(1,245)	—	21
Manager's management fees .....	(40,275)	40,275	(23,324)	(23,324)
Asset Management fees .....	—	—	(3,090)	(3,090)
Trustee's fees .....	(8,008)	8,008	(7,602)	(7,602)
Other trust expenses .....	(12,932)	3,982	(15,260)	(24,210)
Finance costs .....	(193,121)	97,559	—	(95,562)
<b>Net income from operations</b> .....	25,081	163,328	(49,276)	139,133
Net depreciation in the value of investment properties .....	(110,920)	—	(38,192)	(149,112)
<b>Total return for the year before income tax</b> .....	(85,839)	163,328	(87,468)	(9,979)
Income tax .....	(31,830)	—	—	(31,830)
<b>Total return for the year after income tax before distribution</b> .....	<u>(117,669)</u>	<u>163,328</u>	<u>(87,468)</u>	<u>(41,809)</u>

Notes:

- (a) Being adjustments to reverse income and expenses (including those income and expenses and fair value changes of the financial instruments of the Funds) that are not in-line with the Group's structure.
- (b) Being adjustments to include the manager's management fees, asset management fees, acquisition fees and trustee fees, in accordance with the term as described in Notes 3 and 4 to the Pro Forma Financial Statements, and other trust expenses.

**SAIZEN REAL ESTATE INVESTMENT TRUST AND ITS SUBSIDIARIES**

**NOTES TO PRO FORMA FINANCIAL STATEMENTS—(Continued)**

*For the year ended 30 June 2004, 2005 and 2006 and the nine-month period ended 31 March 2007*

The following adjustments have been made in arriving at the Pro Forma Consolidated Statements of Total Return for the financial year ended 30 June 2005:

	<b>Aggregation of the audited financial statements of the Funds</b>	<b>Pro forma adjustments</b>		<b>Per Saizen REIT</b>
	<b>JPY'000</b>	<b>JPY'000 Note a</b>	<b>JPY'000 Note b</b>	<b>JPY'000</b>
<b>Gross revenue</b> .....	815,294	—	—	815,294
<b>Property operating expenses</b> .....	(291,458)	4,471	237	(286,750)
<b>Net property income</b> .....	523,836	4,471	237	528,544
Other administrative expenses .....	(30,994)	10,222	4,732	(16,040)
Interest income .....	593	(531)	—	62
Manager's management fees .....	(54,825)	54,825	(33,018)	(33,018)
Asset Management fees .....	—	—	(5,516)	(5,516)
Trustee's fees .....	(9,365)	9,365	(7,881)	(7,881)
Other trust expenses .....	(8,138)	1,388	(18,019)	(24,769)
Finance costs .....	(182,985)	21,057	—	(161,928)
<b>Net income from operations</b> .....	238,122	100,797	(59,465)	279,454
Net appreciation in the value of investment properties .....	830,635	—	—	830,635
<b>Total return for the year before income tax</b> .....	1,068,757	100,797	(59,465)	1,110,089
Income tax .....	(205,812)	—	—	(205,812)
<b>Total return for the year after income tax before distribution</b> .....	<u>862,945</u>	<u>100,797</u>	<u>(59,465)</u>	<u>904,277</u>

Notes:

- (a) Being adjustments to reverse income and expenses (including those income and expenses and fair value changes of the financial instruments of the Funds) that are not in-line with the Group's structure.
- (b) Being adjustments to include the manager's management fees, asset management fees, and trustee fees, in accordance with the term as described in Notes 3 and 4 to the Pro Forma Financial Statements, and other trust expenses.

**SAIZEN REAL ESTATE INVESTMENT TRUST AND ITS SUBSIDIARIES**

**NOTES TO PRO FORMA FINANCIAL STATEMENTS—(Continued)**

*For the year ended 30 June 2004, 2005 and 2006 and the nine-month period ended 31 March 2007*

The following adjustments have been made in arriving at the Pro Forma Consolidated Statements of Total Return for the financial year ended 30 June 2006:

	Aggregation of the audited financial statements of the Funds	Pro forma adjustments		Per Saizen REIT
	JPY'000	JPY'000 Note a	JPY'000 Note b	JPY'000
<b>Gross revenue</b> .....	1,321,663	—	—	1,321,663
<b>Property operating expenses</b> .....	(467,212)	2,917	481	(463,814)
<b>Net property income</b> .....	854,451	2,917	481	857,849
Other administrative expenses .....	(83,047)	23,268	9,633	(50,146)
Interest income .....	477	(350)	—	127
Manager's management fees .....	(214,296)	214,296	(80,070)	(80,070)
Asset Management fees .....	—	—	(9,187)	(9,187)
Trustee's fees .....	(30,126)	30,126	(8,674)	(8,674)
Other trust expenses .....	(18,495)	6,745	(44,146)	(55,896)
Finance costs .....	(273,714)	(20,592)	—	(294,306)
<b>Net income from operations</b> .....	235,250	256,410	(131,963)	359,697
Net appreciation in the value of investment properties .....	359,712	—	(150,792)	208,920
Profit on sale of property .....	1,328	—	(1,100)	228
<b>Total return for the year before income tax</b> .....	596,290	256,410	(283,855)	568,845
Income tax .....	(191,715)	—	—	(191,715)
<b>Total return for the year after income tax before distribution</b> .....	<u>404,575</u>	<u>256,410</u>	<u>(283,855)</u>	<u>377,130</u>

Notes:

- (a) Being adjustments to reverse income and expenses (including those income and expenses and fair value changes of the financial instruments of the Funds) that are not in-line with the Group's structure.
- (b) Being adjustments to include the manager's management fees, asset management fees, acquisition fees, divestment fees and trustee fees, in accordance with the term as described in Notes 3 and 4 to the Pro Forma Financial Statements, and other trust expenses.

**SAIZEN REAL ESTATE INVESTMENT TRUST AND ITS SUBSIDIARIES**

**NOTES TO PRO FORMA FINANCIAL STATEMENTS—(Continued)**

*For the year ended 30 June 2004, 2005 and 2006 and the nine-month period ended 31 March 2007*

The following adjustments have been made in arriving at the Pro Forma Consolidated Statements of Total Return for the nine-month period ended 31 March 2006:

	Aggregation of the unaudited financial statements of the Funds	Pro forma adjustments		Per Saizen REIT
	JPY'000	JPY'000 Note a	JPY'000 Note b	JPY'000
<b>Gross revenue</b> .....	842,520	—	—	842,520
<b>Property operating expenses</b> .....	(308,248)	2,063	245	(305,940)
<b>Net property income</b> .....	534,272	2,063	245	536,580
Other administrative expenses .....	(55,639)	17,031	4,909	(33,699)
Interest income .....	305	(214)	—	91
Manager's management fees .....	(157,790)	157,790	(52,094)	(52,094)
Asset Management fees .....	—	—	(4,893)	(4,893)
Trustee's fees .....	(22,119)	22,119	(6,562)	(6,562)
Other trust expenses .....	(13,748)	5,873	(32,876)	(40,751)
Finance costs .....	(133,225)	(45,591)	—	(178,816)
<b>Net income from operations</b> .....	152,056	159,071	(91,271)	219,856
Net appreciation in the value of investment properties .....	274,670	—	(129,633)	145,037
Profit on sale of properties .....	1,328	—	(1,100)	228
<b>Total return for the year before income tax</b> .....	428,054	159,071	(222,004)	365,121
Income tax .....	(159,404)	—	—	(159,404)
<b>Total return for the year after income tax before distribution</b> .....	<u>268,650</u>	<u>159,071</u>	<u>(222,004)</u>	<u>205,717</u>

Notes:

- (a) Being adjustments to reverse income and expenses (including those income and expenses and fair value changes of the financial instruments of the Funds) that are not in-line with the Group's structure.
- (b) Being adjustments to include the manager's management fees, asset management fees, acquisition fees, divestment fees and trustee fees, in accordance with the term as described in Notes 3 and 4 to the Pro Forma Financial Statements and other trust expenses.

**SAIZEN REAL ESTATE INVESTMENT TRUST AND ITS SUBSIDIARIES**

**NOTES TO PRO FORMA FINANCIAL STATEMENTS—(Continued)**

*For the year ended 30 June 2004, 2005 and 2006 and the nine-month period ended 31 March 2007*

The following adjustments have been made in arriving at the Pro Forma Consolidated Statements of Total Return for the nine-month period ended 31 March 2007:

	Aggregation of the audited financial statements of the Funds	Pro forma adjustments		Per Saizen REIT
	JPY'000	JPY'000 Note a	JPY'000 Note b	JPY'000
<b>Gross revenue</b> .....	1,861,806	—	—	1,861,806
<b>Property operating expenses</b> .....	(595,227)	3,079	890	(591,258)
<b>Net property income</b> .....	1,266,579	3,079	890	1,270,548
Other administrative expenses .....	(99,641)	31,447	17,794	(50,400)
Interest income .....	2,360	(585)	—	1,775
Manager's management fees .....	(172,020)	172,020	(114,507)	(114,507)
Asset Management fees .....	—	—	(17,831)	(17,831)
Trustee's fees .....	(23,922)	23,922	(7,845)	(7,845)
Other trust expenses .....	(19,933)	7,151	(37,707)	(50,489)
Finance costs .....	(430,424)	(22,760)	—	(453,184)
<b>Net income from operations</b> .....	522,999	214,274	(159,206)	578,067
Net appreciation in the value of investment properties ....	2,037,744	—	(113,298)	1,924,446
Profit on sale of properties .....	9,044	—	(810)	8,234
<b>Total return for the year before income tax</b> .....	2,569,787	214,274	(273,314)	2,510,747
Income tax .....	(545,657)	—	—	(545,657)
<b>Total return for the year after income tax before distribution</b> .....	<u>2,024,130</u>	<u>214,274</u>	<u>(273,314)</u>	<u>1,965,090</u>

Notes:

- Being adjustments to reverse income and expenses (including those income and expenses and fair value changes of the financial instruments of the Funds) that are not in-line with the Group's structure.
- Being adjustments to include the manager's management fees, asset management fees, acquisition fees, divestment fees and trustee fees, in accordance with the term as described in Notes 3 and 4 to the Pro Forma Financial Statements, and other trust expenses.

**SAIZEN REAL ESTATE INVESTMENT TRUST AND ITS SUBSIDIARIES**

**NOTES TO PRO FORMA FINANCIAL STATEMENTS—(Continued)**

*For the year ended 30 June 2004, 2005 and 2006 and the nine-month period ended 31 March 2007*

**(e) Pro Forma Balance Sheet**

The following adjustments have been made in arriving at the Pro Forma Consolidated Balance Sheet as at 30 June 2006:

	Aggregation of the audited financial statements of the Funds	Pro forma adjustments		Per Saizen REIT
	JPY'000	JPY'000 Note a	JPY'000 Note b	JPY'000
<b>Current assets</b>				
Cash at bank . . . . .	1,888,882	(1,416,695)		472,187
Deposit with cash management agent . . . . .	1,504,522			1,504,522
Trade and other receivables . . . . .	61,503			61,503
Other assets . . . . .	83,041	(3,496)	140	79,685
	<u>3,537,948</u>			<u>2,117,897</u>
<b>Non-current assets</b>				
Investment properties . . . . .	23,017,600			23,017,600
Other assets . . . . .	71,214	(53,214)		18,000
	<u>23,088,814</u>			<u>23,035,600</u>
<b>Total assets</b> . . . . .	<u>26,626,762</u>			<u>25,153,497</u>
<b>Current liabilities</b>				
Rental deposits . . . . .	393,311			393,311
Rental received in advance . . . . .	126,344			126,344
Borrowings . . . . .	73,226			73,226
Other current liabilities . . . . .	292,615	(91,953)		200,662
	<u>885,496</u>			<u>793,543</u>
<b>Non-current liabilities</b>				
Rental deposits . . . . .	4,562			4,562
Borrowings . . . . .	12,775,590			12,775,590
Deferred tax liabilities . . . . .	283,929			283,929
	<u>13,064,081</u>			<u>13,064,081</u>
<b>Total liabilities</b> . . . . .	<u>13,949,577</u>			<u>13,857,624</u>
<b>Total net assets</b> . . . . .	<u>12,677,185</u>	(1,381,452)	140	<u>11,295,873</u>

Notes:

- (a) Being adjustments to reverse assets and liabilities of the Funds which are not acquired by Saizen REIT.
- (b) Being adjustments for asset management fees computed in accordance with the terms stated in Notes 3 and 4 to the Pro Forma Financial Statements.



**SAIZEN REAL ESTATE INVESTMENT TRUST AND ITS SUBSIDIARIES**

**NOTES TO PRO FORMA FINANCIAL STATEMENTS—(Continued)**

*For the year ended 30 June 2004, 2005 and 2006 and the nine-month period ended 31 March 2007*

The following adjustments have been made in arriving at the Pro Forma Consolidated Balance Sheet of the Group as at 31 March 2007:

	Aggregation of the audited financial statements of the Funds	Pro forma adjustments		Per Saizen REIT
	JPY'000	JPY'000 Note a	JPY'000 Note b	JPY'000
<b>Current assets</b>				
Cash at bank . . . . .	753,117	(107,051)		646,066
Deposit with cash management agent . . . . .	2,266,756			2,266,756
Trade and other receivables . . . . .	59,067			59,067
Other assets . . . . .	143,848	(13,366)		130,482
	<u>3,222,788</u>			<u>3,102,371</u>
<b>Non-current assets</b>				
Investment properties . . . . .	36,872,500			36,872,500
Other assets . . . . .	72,110	(63,110)		9,000
	<u>36,944,610</u>			<u>36,881,500</u>
<b>Total assets</b> . . . . .	<u>40,167,398</u>			<u>39,983,871</u>
<b>Current liabilities</b>				
Rental deposits . . . . .	569,657			569,657
Rental received in advance . . . . .	169,905			169,905
Borrowings . . . . .	75,032			75,032
Other current liabilities . . . . .	337,520	(44,525)	2,507	295,502
	<u>1,152,114</u>			<u>1,110,096</u>
<b>Non-current liabilities</b>				
Rental deposits . . . . .	12,252			12,252
Borrowings . . . . .	21,600,316			21,600,316
Deferred tax liabilities . . . . .	707,140			707,140
	<u>22,319,708</u>			<u>22,319,708</u>
<b>Total liabilities</b> . . . . .	<u>23,471,822</u>			<u>23,429,804</u>
<b>Total net assets</b> . . . . .	<u>16,695,576</u>	(139,002)	(2,507)	<u>16,554,067</u>

Notes:

- (a) Being adjustments to reverse assets and liabilities of the Funds which are not acquired by Saizen REIT.
- (b) Being adjustments for asset management fees computed in accordance with the terms stated in Notes 3 and 4 to the Pro Forma Financial Statements.

**6. Significant accounting policies**

The significant accounting policies adopted by the Group, which have been consistently applied in preparing the Pro Forma Financial Statements set out in this report, are as follows:

**6.1 Basis of preparation**

The Pro Forma Financial Statements presented in Japanese Yen and rounded to the nearest thousand, are prepared in accordance with the basis set out in Note 3. The Pro Forma Financial Statements is presented in accordance with the relevant presentation principles of 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.

## SAIZEN REAL ESTATE INVESTMENT TRUST AND ITS SUBSIDIARIES

### NOTES TO PRO FORMA FINANCIAL STATEMENTS—(Continued)

*For the year ended 30 June 2004, 2005 and 2006 and the nine-month period ended 31 March 2007*

#### **6.2 Group accounting**

##### *Subsidiaries*

Subsidiaries are entities (including special purpose entities) over which the Group has power to govern the financial and operating policies.

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 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.

##### *Minority interests*

Minority interests represent the interests in the operating results and net assets of special purpose entities attributable to the shareholder of the TK Operators, in accordance with the TK Agreements.

##### *Reverse acquisition accounting*

The Acquisition has been accounted for as a reverse acquisition. For the purpose of reverse acquisition accounting, the acquirer is the entity whose equity interests have been acquired. For the Pro Forma Financial Statements purposes, the acquirer for accounting purposes (the “Accounting Acquirer”) is identified as follows:

- (a) assuming the Acquisition occurred on 1 July 2003, the TK Operators of JOF as a combining entity, is considered as Accounting Acquirer as at 1 July 2003.
- (b) upon the incorporation of JHYF and the set up of its TK Operators during the financial year ended 30 June 2006, the TK Operators of JHYF as a combining entity, is considered as Accounting Acquirer acquiring the TK Operators of JOF and Saizen REIT.

The Pro Forma Financial Statements prepared following a reverse acquisition:

- (a) represent a continuation of the financial statements of the Accounting Acquirer. Hence, the assets and liabilities of the Accounting Acquirer are recognised and measured in the Pro Forma Consolidated Financial Statements at their pre-combination carrying amounts.
- (b) reflect the fair values of the assets, liabilities and contingent liabilities of the Accounting Acquirees. Therefore, the cost of the business combination for the acquisition is allocated to the identifiable assets, liabilities and contingent liabilities of the Accounting Acquirees that satisfy the recognition criteria at their fair values as at 30 June 2006 and 31 March 2007 (the acquisition date for Pro Forma Consolidated Balance Sheet purposes).

#### **6.3 Foreign Currency Translation**

##### *Functional and presentation currency*

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”).

## SAIZEN REAL ESTATE INVESTMENT TRUST AND ITS SUBSIDIARIES

### NOTES TO PRO FORMA FINANCIAL STATEMENTS—(Continued)

*For the year ended 30 June 2004, 2005 and 2006 and the nine-month period ended 31 March 2007*

The consolidated financial statements are presented in Japanese Yen, which is the Saizen REIT's functional and presentation currency.

#### *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of total return.

#### **6.4 Cash**

Cash is carried in the balance sheet at amortised cost.

#### **6.5 Financial assets**

##### (a) Classification

The Group classifies its financial assets as 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 included in current assets, except those maturing later than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are classified within "trade and other receivables", "other assets" and "cash at bank" and "deposit with cash management agent" on the balance sheet.

##### (b) Recognition and derecognition

Financial assets are derecognised when the right 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.

##### (c) Measurement

Financial assets are initially recognised at fair value plus transaction costs.

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

##### (d) 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. An allowance for impairment of loans and receivables including trade and other receivables, is recognised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of allowance for impairment is recognised in the statement of total return.

#### **6.6 Accounts payable**

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

#### **6.7 Investment property**

Investment property is measured initially at its cost, including related transaction costs.

## SAIZEN REAL ESTATE INVESTMENT TRUST AND ITS SUBSIDIARIES

### NOTES TO PRO FORMA FINANCIAL STATEMENTS—(Continued)

*For the year ended 30 June 2004, 2005 and 2006 and the nine-month period ended 31 March 2007*

After initial recognition, investment property is carried at fair value. Fair value is determined based on Direct Capitalisation Approach. These valuations are reviewed annually by external valuers.

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

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land classified as investment property; others, including contingent rent payments, are not recognised in the financial statements.

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

Changes in fair values are recorded in the statement of total return.

#### **6.8 Leases**

The Group leased out investment properties to third parties.

##### *Finance leases*

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

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

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

Contingent rents are recognised as income in the statement of total return in the financial year in which they are earned.

##### *Operating leases*

Assets leased out under operating leases are included in investment properties.

Rental income from operating leases (net of any incentives given to lessees) is recognised in the statement of total return on a straight-line basis over the lease term.

## SAIZEN REAL ESTATE INVESTMENT TRUST AND ITS SUBSIDIARIES

### NOTES TO PRO FORMA FINANCIAL STATEMENTS—(Continued)

*For the year ended 30 June 2004, 2005 and 2006 and the nine-month period ended 31 March 2007*

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

Contingent rents are recognised as income in the statement of total return in the financial year in which they are earned.

#### **6.9 Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of total return over the period of the borrowings using the effective interest method.

#### **6.10 Income tax**

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

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and law) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax is provided on temporary differences arising on investments in TK Operators, except where the timing difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

#### **6.11 Provisions**

Provisions for other liabilities and charges are recognised when the Company 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.

#### **6.12 Revenue recognition**

Revenue includes rental income from properties.

Rental income from operating leases is recognised as income 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.

Interest income is recognised on a time proportion basis.

#### **6.13 Expenses**

##### **(i) Property expenses**

Property expenses are recognised on an accrual basis.

**SAIZEN REAL ESTATE INVESTMENT TRUST AND ITS SUBSIDIARIES**

**NOTES TO PRO FORMA FINANCIAL STATEMENTS—(Continued)**

*For the year ended 30 June 2004, 2005 and 2006 and the nine-month period ended 31 March 2007*

(ii) Manager's management fees, asset management fees, acquisition and divestment fees and trustee's fees

These expenses are recognised on an accrual basis based on the applicable formula stipulated in Note 4.

(iii) Borrowing costs

Borrowing costs are recognised on a time proportion basis in the statement of total return using the effective interest method.

**6.14 Segment reporting**

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

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

**7. Gross revenue**

	<b>Year ended</b>			<b>9 month period ended</b>	
	<b>30 June 2004</b>	<b>30 June 2005</b>	<b>30 June 2006</b>	<b>31 March 2006</b>	<b>31 March 2007</b>
	<b>JPY'000</b>	<b>JPY'000</b>	<b>JPY'000</b>	<b>JPY'000</b>	<b>JPY'000</b>
Rental income .....	507,895	799,768	1,297,153	829,376	1,807,868
Rental related income .....	7,335	15,526	24,510	13,144	53,938
	<u>515,230</u>	<u>815,294</u>	<u>1,321,663</u>	<u>842,520</u>	<u>1,861,806</u>

**8. Property operating expenses**

	<b>Year ended</b>			<b>9 month period ended</b>	
	<b>30 June 2004</b>	<b>30 June 2005</b>	<b>30 June 2006</b>	<b>31 March 2006</b>	<b>31 March 2007</b>
	<b>JPY'000</b>	<b>JPY'000</b>	<b>JPY'000</b>	<b>JPY'000</b>	<b>JPY'000</b>
Property related taxes .....	44,559	65,023	107,467	69,593	140,678
Property management fees .....	22,334	32,665	54,822	34,858	75,370
Operation and maintenance .....	26,322	43,678	67,506	44,960	96,335
Renovations .....	30,081	38,007	70,832	39,284	94,606
Marketing and leasing commission .....	18,740	22,953	40,769	29,233	46,803
Utilities .....	40,090	69,602	81,065	58,536	86,934
Insurance .....	8,190	12,185	21,498	14,347	27,028
Allowance/(writeback) of allowance on impairment on accounts receivables .....	841	1,085	3,127	3,035	(541)
Consumption tax for operations .....	5,509	1,552	16,728	12,094	24,045
	<u>196,666</u>	<u>286,750</u>	<u>463,814</u>	<u>305,940</u>	<u>591,258</u>

Property related taxes comprised property tax of 1.4% and city planning tax of 0.3% on the municipal government's assessed value of the land and building.



**SAIZEN REAL ESTATE INVESTMENT TRUST AND ITS SUBSIDIARIES**

**NOTES TO PRO FORMA FINANCIAL STATEMENTS—(Continued)**

*For the year ended 30 June 2004, 2005 and 2006 and the nine-month period ended 31 March 2007*

**9. Other trust expenses**

Other trust expenses comprised mainly property valuation fees and auditors' remuneration.

The details of the auditor's remuneration are as follows:

	Year ended			9 month period ended	
	30 June 2004	30 June 2005	30 June 2006	31 March 2006	31 March 2007
	JPY'000	JPY'000	JPY'000	JPY'000	JPY'000
Auditors' remuneration .....	15,000	15,000	30,000	22,500	22,500

**10. Finance cost**

	Year ended			9 month period ended	
	30 June 2004	30 June 2005	30 June 2006	31 March 2006	31 March 2007
	JPY'000	JPY'000	JPY'000	JPY'000	JPY'000
Interest expense on bank loans .....	93,889	161,928	294,306	178,816	453,184
Exchange loss .....	1,673	—	—	—	—
	<u>95,562</u>	<u>161,928</u>	<u>294,306</u>	<u>178,816</u>	<u>453,184</u>

**11. Income tax**

	Year ended			9 month period ended	
	30 June 2004	30 June 2005	30 June 2006	31 March 2006	31 March 2007
	JPY'000	JPY'000	JPY'000	JPY'000	JPY'000
Tax expense attributable to return is made up of:					
Current income tax					
—Foreign .....	31,795	48,774	64,859	37,883	122,446
Deferred income tax .....	35	157,038	126,856	121,521	423,211
	<u>31,830</u>	<u>205,812</u>	<u>191,715</u>	<u>159,404</u>	<u>545,657</u>
	Year ended			9 month period ended	
	30 June 2004	30 June 2005	30 June 2006	31 March 2006	31 March 2007
	JPY'000	JPY'000	JPY'000	JPY'000	JPY'000
Total return for the year/period before income tax .....	(9,979)	1,110,089	568,845	365,121	2,510,747
Tax calculated at a tax rate of 20% (2004, 2005, 2006: 20%) .....	(1,996)	222,018	113,769	73,024	502,149
Effects of:					
—Expenses not deductible for tax purposes .....	16,876	11,626	56,799	44,296	54,162
—Deferred tax asset not recognised .....	16,950	—	21,147	42,084	—
—Other .....	—	(27,832)	—	—	(10,654)
Tax charge .....	<u>31,830</u>	<u>205,812</u>	<u>191,715</u>	<u>159,404</u>	<u>545,657</u>

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, the Trustee will not be taxed on TK Distributions 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 the Trustee. Where the gains are capital gains, the Trustee will not be assessed to tax.

**SAIZEN REAL ESTATE INVESTMENT TRUST AND ITS SUBSIDIARIES**

**NOTES TO PRO FORMA FINANCIAL STATEMENTS—(Continued)**

*For the year ended 30 June 2004, 2005 and 2006 and the nine-month period ended 31 March 2007*

**12. Deposits with cash management agent**

The balance related to deposits placed with cash management agent as required by the bank borrowing agreements. The deposits are restricted for use and are required to be maintained for payments of certain operating expenses and capital expenditure of the properties, and a minimum amount of deposits placed with the cash management agent should be maintained.

The deposits are denominated in Japanese Yen.

**13. Trade and other receivables**

	<b>30 June 2006</b>	<b>31 March 2007</b>
	<b>JPY'000</b>	<b>JPY'000</b>
Trade receivables	13,115	12,637
Less: Allowance for impairment of receivables	(5,177)	(4,545)
Trade receivables—net	7,938	8,092
Deferred rent receivables	1,356	6,637
Net consumption tax receivable	52,209	44,338
	<u>61,503</u>	<u>59,067</u>

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

Trade and other receivables are predominantly denominated in Japanese Yen.

**14. Other assets—current**

	<b>30 June 2006</b>	<b>31 March 2007</b>
	<b>JPY'000</b>	<b>JPY'000</b>
Prepayments	17,060	25,094
Deposits	48	272
Deposits for acquisition of investment properties	33,263	70,000
Prepaid property related costs	28,822	35,116
Prepaid asset management fee	140	—
Others	352	—
	<u>79,685</u>	<u>130,482</u>

**15. Investment properties**

	<b>30 June 2006</b>	<b>31 March 2007</b>
	<b>JPY'000</b>	<b>JPY'000</b>
Investment properties, at valuation	<u>23,017,600</u>	<u>36,872,500</u>

The investment properties are pledged as security for banks facilities granted to the TK Operators.

Details of the properties are disclosed in the Portfolio Statements.

The carrying amount of the Group's interests in investment properties as at 30 June 2006 and 31 March 2007 are based on independent valuations undertaken by independent professional valuers, including Asset Research Corporation, Real Value Inc. Kokudu Kantei Research Institute Co., Ltd and Rich Appraisal Institute Co. Ltd. The valuations are mainly based on Direct Capitalisation Approach.

**SAIZEN REAL ESTATE INVESTMENT TRUST AND ITS SUBSIDIARIES**

**NOTES TO PRO FORMA FINANCIAL STATEMENTS—(Continued)**

*For the year ended 30 June 2004, 2005 and 2006 and the nine-month period ended 31 March 2007*

**16. Borrowings**

	<u>30 June 2006</u>	<u>31 March 2007</u>
	<u>JPY'000</u>	<u>JPY'000</u>
<b>Current</b>		
Bank loans . . . . .	73,226	75,032
<b>Non-current</b>		
Bank loans . . . . .	12,775,590	21,600,316
	<u>12,848,816</u>	<u>21,675,348</u>

The borrowings were denominated in Japanese Yen. Borrowings are secured over the Group's investment properties (Note 15).

(i) Maturity of borrowings

The non-current borrowings had the following maturity:

	<u>30 June 2006</u>	<u>31 March 2007</u>
	<u>JPY'000</u>	<u>JPY'000</u>
Between two to five years . . . . .	<u>12,775,590</u>	<u>21,600,316</u>

(ii) Interest rate risks

The weighted average effective interest rates of total borrowings at the balance sheet date were 3.28 % (31 March 2007: 3.13%).

(iii) Carrying amount 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.

**17. Other current liabilities**

	<u>30 June 2006</u>	<u>31 March 2007</u>
	<u>JPY'000</u>	<u>JPY'000</u>
Withholding tax payable . . . . .	49,332	65,944
Accrued operating expenses . . . . .	69,850	206,255
Interest payable . . . . .	81,480	20,796
Asset management fee payable . . . . .	—	2,507
	<u>200,662</u>	<u>295,502</u>

Other current liabilities are predominantly denominated in Japanese Yen.

**SAIZEN REAL ESTATE INVESTMENT TRUST AND ITS SUBSIDIARIES**

**NOTES TO PRO FORMA FINANCIAL STATEMENTS—(Continued)**

*For the year ended 30 June 2004, 2005 and 2006 and the nine-month period ended 31 March 2007*

**18. Deferred income tax**

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

	<b>30 June 2006</b>	<b>31 March 2007</b>
	<b>JPY'000</b>	<b>JPY'000</b>
Deferred income tax liabilities:		
—to be settled after one year . . . . .	283,929	707,140

The movement in the deferred income tax account is as follows:

	<b>30 June 2006</b>	<b>31 March 2007</b>
	<b>JPY'000</b>	<b>JPY'000</b>
Balance at the beginning of the financial year/period . . . . .	—	283,929
Acquisition of subsidiaries . . . . .	157,073	—
Tax charged to statement of total return . . . . .	126,856	423,211
Balance at the end of the financial year/period . . . . .	283,929	707,140

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

*Deferred income tax liabilities*

	<b>Appreciation in the value of investment properties</b>	<b>Other</b>	<b>Total</b>
<b>30 June 2006</b>	<b>JPY'000</b>	<b>JPY'000</b>	<b>JPY'000</b>
Balance at the beginning of the financial year . . . . .	—	—	—
Acquisition of subsidiaries . . . . .	161,148	(4,075)	157,073
Tax charged to statement of total return . . . . .	91,504	35,352	126,856
Balance at the end of the financial year . . . . .	252,652	31,277	283,929

	<b>Appreciation in the value of investment properties</b>	<b>Other</b>	<b>Total</b>
<b>31 March 2007</b>	<b>JPY'000</b>	<b>JPY'000</b>	<b>JPY'000</b>
Balance at the beginning of the financial period . . . . .	252,652	31,277	283,929
Tax charged/(credited) to statement of total return . . . . .	449,254	(26,043)	423,211
Balance at the end of the financial period . . . . .	701,906	5,234	707,140

**SAIZEN REAL ESTATE INVESTMENT TRUST AND ITS SUBSIDIARIES**

**NOTES TO PRO FORMA FINANCIAL STATEMENTS—(Continued)**

*For the year ended 30 June 2004, 2005 and 2006 and the nine-month period ended 31 March 2007*

**19. Acquisition of subsidiaries**

Details of identifiable net assets at the date of acquisition as at 30 June 2006 and the effects of acquisition on the cash flow of the Group were as follows:

	Carrying amounts in acquiree's books and fair values 30 June 2006
	<u>JPY'000</u>
<i>Identifiable assets and liabilities</i>	
Cash at bank .....	52,703
Deposit with cash management agent .....	493,632
Trade and other receivables .....	20,043
Investment properties .....	7,529,400
Total assets .....	<u>8,095,778</u>
Rental deposits .....	(152,642)
Rental received in advance .....	(44,636)
Borrowings .....	(3,922,583)
Other payables .....	(62,345)
Taxation .....	(303,494)
Total liabilities .....	<u>(4,485,700)</u>
Identifiable net assets .....	3,610,078
Less: Minority interests .....	<u>(43,355)</u>
Identifiable net assets acquired/cost of acquisition .....	<u>3,566,723</u>
Cash acquired .....	52,703
Pro forma effects arising from the basis of preparation of the Pro Forma Consolidated Balance Sheet and Consolidated Cash Flow Statement .....	<u>(15,100)</u>
Net cash inflow from acquisition of subsidiaries per Pro Forma Consolidated Cash Flow Statement .....	<u>37,603</u>

The acquisition has been accounted for in the Pro Forma Financial Statements as a reverse acquisition as set out in Note 6.2 to the Pro Forma Financial Statements. For the purpose of the reverse acquisition accounting, the cost of acquisition is deemed to have been incurred by the Accounting Acquirer in the form of equity issued to the owner of the Accounting Acquiree.

**20. Net asset value per Saizen REIT unit**

The net asset value per Saizen REIT is calculated based on the net asset value attributable to Unitholders divided by the number of Saizen REIT units in issue. The number of units used for the calculation of the net asset value per unit is derived based on the aggregate net assets of the entities in the Group as at the Proforma balance sheet date, divided by the Offering Price of S\$1.00 per unit and is computed based on the exchange rate of S\$1.00: JPY 72.83 and S\$1.00: JPY 77.74, being the exchange rate as at 30 June 2006 and 31 March 2007 respectively.

**21. Related party transactions**

Parties are considered to be related to the Group when the Group 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 the Group and the party are subject to common significant influence. Related parties may be individual or other entities.

**SAIZEN REAL ESTATE INVESTMENT TRUST AND ITS SUBSIDIARIES**

**NOTES TO PRO FORMA FINANCIAL STATEMENTS—(Continued)**

*For the year ended 30 June 2004, 2005 and 2006 and the nine-month period ended 31 March 2007*

In addition to related party transactions disclosed elsewhere in the Pro Forma Financial Statements of the Group, transactions with related parties are as follows:

	Year ended			9 month period ended	
	30 June 2004	30 June 2005	30 June 2006	31 March 2006	31 March 2007
	JPY'000	JPY'000	JPY'000	JPY'000	JPY'000
Manager's management fees .....	(23,324)	(33,018)	(80,070)	(52,094)	(114,507)
Acquisition fee (Note a) .....	(38,192)	—	(150,792)	(129,633)	(113,298)
Divestment fee (Note b) .....	—	—	(1,100)	(1,100)	(810)
Trustee's fees .....	<u>(7,602)</u>	<u>(7,881)</u>	<u>(8,674)</u>	<u>(6,562)</u>	<u>(7,845)</u>

Note a

Acquisition fee is included as part of investment properties upon initial measurement.

Note b

Divestment fee is recognised in consolidated statement of total return as an amount offsetting the profit on sale of property.

## **22. 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 Properties are standard two-year leases which the tenants may terminate upon giving one to two months' notice.

## **23. Financial risk management**

Exposure to currency, credit, interest rates and liquidity risks arises in the normal course of Saizen REIT's business.

### **(a) Currency risk**

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

The Group's business is not exposed to significant currency risk as 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 level where cash flows are denominated in Singapore dollars. This exposes the Group to fluctuations in the cross currency rates of Japanese Yen and Singapore Dollar. Where appropriate based on the prevailing market conditions, the Group may adopt suitable hedging strategies to minimise any foreign exchange risk.

### **(b) Credit risk**

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

### **(c) Cash flow and fair value interest rate risks**

Cash flow interest 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 value of a financial instrument will fluctuate due to changes in market interest rates.



**SAIZEN REAL ESTATE INVESTMENT TRUST AND ITS SUBSIDIARIES**

**NOTES TO PRO FORMA FINANCIAL STATEMENTS—(Continued)**

*For the year ended 30 June 2004, 2005 and 2006 and the nine-month period ended 31 March 2007*

The Group has significant interest-bearing borrowings.

The Group is not exposed to significant cash flow interest rate risk as it maintains its borrowings mainly in fixed rate instruments.

The Group is exposed to fair value interest rate risk primarily arising from its fixed rate borrowings. The Manager monitors the terms and the rates of the borrowings to ensure that cost of borrowings remain competitive.

**(d) Liquidity risk**

The Group's investments are mostly financed by bank borrowings. With recurring interest payment obligations and operating expenses, the Group is also exposed to liquidity risk. The Group addresses this risk by:

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

**24. Fair value**

The carrying amounts of the following financial assets and financial liabilities approximate to their fair values: cash, trade and other receivables, other assets, other liabilities and bank borrowings.

**25. Events occurring after 31 March 2007**

**(a) Acquisition of additional properties**

Subsequent to the balance sheet date of 31 March 2007, the TK Operators have acquired or entered into agreements to acquire additional properties, consisting of 25 residential properties located in 9 regional cities across Japan, and with a total value of approximately JPY 8,339,625,000.

The details of the acquisitions are as follows:

<u>TK operators</u>	<u>Value of investment properties acquired after 31 March 2007</u>	<u>No. of properties</u>
	<u>JPY '000</u>	
YK Shingen .....	1,503,301	4
GK Choan .....	6,836,324	22
	<u>8,339,625</u>	

The acquisitions of investment properties are financed by bank borrowings of JPY 4,972,000,000.

**(b) Agreement with additional TK Operator**

Subsequent to the balance sheet date of 31 March 2007, Saizen REIT expects to enter into an additional TK agreement with an additional TK Operator, GK Chosei. GK Chosei has entered into various conditional sale and purchase agreements with third parties vendors for the acquisition of 15 additional properties, which would be completed subject to satisfactory valuations and due diligence investigations. Pursuant to the right of first refusal dated 4 October 2007, granted by GK Chosei to Saizen REIT over the additional properties, Saizen REIT expects to invest in the 15 additional properties located in 6 regional cities across Japan, and with a total value of approximately JPY 5,431,810,000.

**SAIZEN REAL ESTATE INVESTMENT TRUST AND ITS SUBSIDIARIES**

**NOTES TO PRO FORMA FINANCIAL STATEMENTS—(Continued)**

*For the year ended 30 June 2004, 2005 and 2006 and the nine-month period ended 31 March 2007*

**26. List of special purpose entities—TK Operators**

<u>Name of entities</u>	<u>Principal activities</u>	<u>Country of business/ incorporation</u>	<u>Effective interest</u>	
			<u>30 June 2006</u>	<u>31 March 2007</u>
Yugen Kaisha Shingen . . . . .	Investment in real estate	Japan	97%	97%
Yugen Kaisha Shintoku . . . . .	Investment in real estate	Japan	97%	97%
Yugen Kaisha Shinzan . . . . .	Investment in real estate	Japan	97%	97%
Yugen Kaisha JOF . . . . .	Investment in real estate	Japan	97%	97%
Yugen Kaisha Kokkei . . . . .	Investment in real estate	Japan	97%	97%
Yugen Kaisha Keizan . . . . .	Investment in real estate	Japan	97%	97%

The special purpose entities have been consolidated in the Pro Forma Financial Statements in accordance with accounting policy set out in Note 3.

**27. Authorisation of Pro Forma Financial Statements**

These Pro Forma Financial Statements were authorised for issue by the Manager and the Trustee on 29 October 2007.

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**REPORTING AUDITORS' REPORT ON THE PROFIT FORECAST  
AND PROFIT PROJECTION**

The Board of Directors  
Japan Residential Assets Manager Limited  
(as Manager of Saizen Real Estate Investment Trust)  
72A Duxton Road  
Singapore 089531

HSBC Institutional Trust Services (Singapore) Limited  
(as Trustee of Saizen Real Estate Investment Trust)  
21 Collyer Quay  
#14-01 HSBC Building  
Singapore 049320

29 October 2007

Dear Sirs

**Letter from the Reporting Auditors on the Profit Forecast for the period from 5 November 2007 to 30 June 2008 and the Profit Projection for the period from 1 July 2008 to 30 June 2009**

This Report has been prepared for inclusion in the prospectus dated 29 October 2007 (the "Prospectus") to be issued in relation to the listing of Saizen Real Estate Investment Trust ("Saizen REIT") on the Singapore Exchange Securities Trading Limited.

The directors of Japan Residential Assets Manager Limited (the "Directors") are responsible for the preparation and presentation of the forecast Consolidated Statement of Total Return for the period from 5 November 2007 to 30 June 2008 (the "Profit Forecast") and the projected Consolidated Statement of Total Return for the period from 1 July 2008 to 30 June 2009 (the "Profit Projection"), as set out on page 71 of the Prospectus, which have been prepared on the basis of the assumptions as set out on pages 73 to 78 of the Prospectus.

We have examined the Profit Forecast and Profit Projection as set out on page 71 of the Prospectus in accordance with Singapore Standard on Assurance Engagements applicable to the examination of prospective financial information. The Directors are solely responsible for the Profit Forecast and Profit Projection including the assumptions set out on pages 73 to 78 of the Prospectus on which they are based.

*Profit Forecast*

Based on our examination of the evidence supporting the assumptions, nothing has come to our attention which causes us to believe that these assumptions do not provide a reasonable basis for the Profit Forecast. Further, in our opinion, the Profit Forecast is properly prepared on the basis of the assumptions, is consistent with the accounting policies set out in Appendix A "Reporting Auditors' Report on Examination of the Pro Forma Financial Statements of the Group and the Pro Forma Financial Statements of the Group" of the Prospectus, and is presented in accordance with the relevant presentation principles of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" (but not all the required disclosures) issued by the Institute of Certified Public Accountants of Singapore ("ICPAS"), which is the framework to be adopted by Saizen REIT in the preparation of their financial statements.

*Profit Projection*

The Profit Projection is intended to show a possible outcome based on the stated assumptions. As the length of the period covered by the Profit Projection extends beyond the period covered by the Profit Forecast, the assumptions used in the Profit Projection (which included hypothetical assumptions about future events which may not necessarily occur) are more subjective than would be appropriate for the profit forecast. The Profit Projection do not therefore constitute profit forecast.

Based on our examination of the evidence supporting the assumptions, nothing has come to our attention which causes us to believe that these assumptions do not provide a reasonable basis for the Profit Projection. Further, in our opinion, the Profit Projection is properly prepared on the basis of the assumptions, is consistent with the accounting policies set out in Appendix A “Reporting Auditors’ Report on Examination of the Pro Forma Financial Statements of the Group and the Pro Forma Financial Statements of the Group” of the Prospectus, and is presented in accordance with the relevant presentation principles of Recommended Accounting Practice 7 “*Reporting Framework for Unit Trusts*” (but not all the required disclosures) issued by the Institute of Certified Public Accountants of Singapore (“ICPAS”), which is the framework to be adopted by Saizen REIT in the preparation of their financial statements.

We draw attention to the accounting policies set out in Appendix A “Reporting Auditor’s Report on Examination of the Pro Forma Financial Statements of the Group and the Pro Forma Financial Statements of the Group” of the Prospectus which state that any adjustment on revaluation of the investment property would need to be reflected in the Consolidate Statement of Total Return. Hence, any movements on the revaluation of the investment properties would have the effect of increasing or reducing the Consolidated Statement of Total Return for the period from 5 November 2007 to 30 June 2008 and for the period from 1 July 2008 to 30 June 2009 by the amount of such surplus or deficit. We note that the Manager has stated in the assumptions set out on pages 73 to 77 of the Prospectus that in preparing the Profit Forecast and Profit Projection, the valuation of the investment properties remains unchanged for the forecast period from 5 November 2007 to 30 June 2008 and the projection year from 1 July 2008 to 30 June 2009.

Events and circumstances frequently do not occur as expected. Even if the events anticipated under the hypothetical assumptions described above occur, actual results are still likely to be different from the Profit Forecast and Profit Projection since other anticipated events frequently do not occur as expected and the variation may be material. The actual results may therefore differ materially from those forecast and projected. For these reasons, we do not express any opinion as to the possibility of achievement of the Profit Forecast and Profit Projection.

Attention is drawn, in particular, to the risk factors set out on pages 34 to 49 of the Prospectus which describe the principal risks associated with the listing, to which the Profit Forecast and Profit Projection relate, the sensitivity analysis of the Profit Forecast and Profit Projection as set out on page 78 of the Prospectus.

Yours faithfully

PricewaterhouseCoopers  
Certified Public Accountants  
Singapore

Partner in charge: Choo Eng Beng

## INDEPENDENT PROPERTY VALUATION SUMMARY REPORTS

**A . R . E . A . N**  
All Real Estate Appraisers Network

**Independent Real Estate Valuation Summary Report**

07/26/2007

Prepared for:

**HSBC Institutional Trust Services (S) Limited/  
Japan Residential Assets Manager Limited**

Prepared by:

**All Real Estate Appraisers Network (AREAN)**  
Togin Building 5F,  
1-4-2, Marunouchi, Chiyoda-ku  
Tokyo, 100-0005, JAPAN

Dear Sirs:

**1.0 INTRODUCTION****1.1 Client Brief**

We have appraised the properties as listed below (the “Subject Properties”) and provided comprehensive formal valuation reports prepared in the Japanese language (the “Japanese Full Reports”) in accordance with the requirements in the agreement of instruction from the Trustee or Manager, for whom our valuations were conducted.

**1.2 Purpose of Valuation**

This summary report (the “Summary Report”) has been prepared for the purpose of inclusion in the prospectus to be issued in relation to the offering of units in the Singapore REIT. We have been instructed to appraise the Market Value (as defined in paragraph 2.2 below) of each Subject Property based on its existing use and lease.

**2.0 BASIS OF VALUATION****2.1 Scope of Subject Properties**

The Subject Properties have been appraised as fully operational entities based on both their historical financial results and our opinion as to the future performance and level of turnover likely to occur. The valuation figures include all the improvements as well as equipment and other building contents employed in their operation.

**2.2 Concept of Market Value**

The appraised values reflect the Market Value of the Subject Properties as at the effective date of value. Market Value means the probable value that would be formed for marketable real estate in a market that satisfies conditions associated with a rational market under actual social and economic circumstances, in this connection, the market above refers to a market that satisfies the conditions listed below:

- 2.2.1 market participants with typical information, knowledge and management skills are acting on their own free will, and are able to enter or leave the market as they wish;
- 2.2.2 there are no special restrictions on transactions that restrict market participants nor any extraordinary incentives that induce participants to sell or buy the Subject Property; and
- 2.2.3 the Subject Properties are made available for sale in the market for an appropriate period of time.



## **2.3 Valuation Procedure**

### **2.3.1 Inspection and investigations**

We confirm that we have inspected the Subject Properties and conducted appropriate investigations as we considered necessary for the purpose of providing you with our opinion of the Market Values of the Subject Properties.

### **2.3.2 Data reliability**

The data as to ownership title, land and building areas, and other legal descriptions were obtained from searches conducted at the appropriate local government departments and real estate registry offices. We have also relied on the data and information provided by the client such as lettable/gross floor area, tenancy details, leasing contracts, and so on. All data and information provided by the client was treated as correct and we accept no responsibility for subsequent changes in data and reserve the right to change our opinion of value if any data provided were to materially change. Thus, we take no responsibility for inaccurate data provided by the client and subsequent conclusions derived from such data.

### **2.3.3 Appraisal methods employed**

The methods used in the valuation process are both the Cost Approach and Income Approach. We have placed emphasis on the Income Approach by virtue of the nature of the properties valued. The Income Approach is in turn categorized into the Direct Capitalization Approach and Discounted Cash Flow Approach, both of which are based on assumptions as to income and expenses, considering future changes in the economic and social conditions, which affect the values of the Subject Properties. The resultant market value is, in our opinion, the best estimate, but it is not to be construed as any guarantee or prediction and it fully depends on the accuracy of the valuation assumptions made and data provided.

## **3.0 DISCLAIMER**

- 3.1 The Japanese Full Reports have been prepared by our licensed real estate appraiser(s) based on professional knowledge and expertise. We duly comply with the Real Estate Appraisal Act of 1963 (Bill No. 152). A translation of the Japanese Full Reports is also available (the “English Reports”, and together with the Japanese Full Reports, the “Full Reports”).
- 3.2 Should there be any discrepancies between the Japanese Full Reports, the English Full Reports, and this Summary Report, the Japanese Full Reports shall prevail.
- 3.3 This Summary Report summarizes our Full Reports and does not contain all the necessary data and assumptions therein. Investors are suggested to refer to the Full Reports. Below are the principal assumptions and conditions our valuations are based on:
  - 3.3.1 Title or ownership of each of the Subject Properties is referenced to the public registration record with the real estate register maintained by the regional Legal Affairs Bureau or to the materials provided by the client. We assume that such evidence of title or ownership of each of the Subject Properties is true and is free from and clear of all liens, encumbrances, easements, and restrictions, unless noted otherwise.
  - 3.3.2 We assume no responsibility to any matter involving title or legal in character.
  - 3.3.3 We conducted our valuations principally based on visual inspection. Unless stated otherwise, we have carried out our valuations based on the assumption that there were no defects relating to the sites of Subject Properties or their improvements. We accept no responsibility for any subsequent discovery of or materials hazardous to human bodies or defects in the improvements, if any.

- 3.3.4 With regards to environmental risks, in the course of our work, we have, based on information and the engineering reports provided by the client, inspected the existence of hazardous materials or conditions to the Subject Properties, such as asbestos, polychlorinated biphenyl (PCB), and soil contamination. However, as appraisers, we do not have expertise relating to the defection of environmental risks. We accept no responsibility for any possible value deviation from the appraised value caused by environmental risks, which have not been identified in the course of our work, or which may emerge for the Subject Properties in the future.
- 3.3.5 As appraisers, we do not have expertise relating to mechanical, electrical, structural and other engineering matters. In the course of our work, we have checked the legal compliance of the subject improvements based on information and the engineering reports provided by the client. We accept no responsibility for any possible value deviation from the appraised value caused by any non-compliance with building or other legal regulations which have not been identified in the course of our work, or which may emerge for the Subject Properties in the future.
- 3.3.6 The appraised values reflect the Market Value of the Subject Properties as at the effective date of the appraisal. It is not a forecast or guaranteed sale price of the Subject Properties some time in the future. In other words, each of the Subject Properties is assumed to have been offered on the market for a reasonable time period prior to the hypothetical consummation of a sale on the effective date of the appraisal.
- 3.4 We have prepared this Summary Report in the Prospectus and specifically disclaim liability to any person in the event of any omission from, or false or misleading statement(s) included in the Prospectus, other than in respect of the information provided within the Full Reports and this Summary Report. We do not make any warranty or representation as to the accuracy of the information in any part of the Prospectus other than as expressly made or given in this Summary Report.
- 3.5 We have no present nor prospective interest in the Subject Properties and are not a related corporation of nor do we have a relationship with the Trustee or Manager. Our compensation is not contingent upon the reporting of any predetermined value or direction in value, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.

#### **4.0 PROPERTIES TO BE VALUED AND SUMMARY OF CONCLUSION**

A summary of the valuation report for each Subject Property is given in the following pages. The valuation certificates of the individual subject properties appear after this summary.

Sincerely,

**All Real Estate Appraisers Network (AREAN)**



Kazuaki Morishita  
Director

Class. No.	Name of Property	Region/City	Site Area (sq. m.)	Net Lettable Area (sq. m.)	Market Value (Japanese Yen)	Direct Cap Rate	Target Discount Rate (10 yrs)	Terminal Cap Rate
79	Johann Building III	Kyushu/Fukuoka	1,075.51	2,108.36	452,000,000	5.6%	5.4%	5.9%
124	Saumur Meinohama II	Kyushu/Fukuoka	195.22	290.46	72,000,000	5.8%	5.6%	6.1%
127	Chalet Aoyama	Kyushu/Kitakyushu	1,350.26	2,097.50	325,000,000	5.7%	5.5%	6.0%
166	Wealth Meinohama III	Kyushu/Fukuoka	198.34	297.60	79,100,000	5.8%	5.6%	6.1%
169	Alte Heim Kokura II	Kyushu/Kitakyushu	541.21	1,832.99	569,000,000	5.7%	5.5%	6.0%
170	Alte Heim Kokura IV	Kyushu/Kitakyushu	256.19	817.74	117,000,000	5.7%	5.5%	6.0%
172	Alte Heim Orio	Kyushu/Kitakyushu	1,166.98	1,423.62	376,000,000	5.7%	5.5%	6.0%
179	Abitare Shimoarata I	Kyushu/Kagoshima	633.24	1,252.25	342,000,000	5.8%	5.6%	6.1%
180	Abitare Shinyashiki	Kyushu/Kagoshima	480.16	1,409.01	316,000,000	5.8%	5.6%	6.1%
192	La Finesse Hakataeki Minami	Kyushu/Fukuoka	322.21	1,319.11	550,000,000	5.2%	5.1%	5.4%
193	Rise Heiseiekimae	Kyushu/Kumamoto	486.73	863.30	214,000,000	5.6%	5.5%	5.8%
195	Abitare Kohrimoto	Kyushu/Kagoshima	642.29	1,107.65	338,000,000	5.8%	5.6%	6.1%
196	Orion Heim	Kyushu/Fukuoka	277.08	963.94	268,000,000	5.6%	5.4%	5.9%

## **Independent Real Estate Valuation Summary Report**

July 26, 2007

Prepared for:

**HSBC Institutional Trust Services (S) Limited/  
Japan Residential Assets Manager Limited**

Prepared by:

**Arays Co., Ltd.**

Kyokuyo Building  
3-4-9, Hiranomachi, Cyuo-ku,  
Osaka 541-0046, JAPAN

**Dear Sirs:**

### **1.0 INTRODUCTION**

#### **1.1 Client Brief**

We have appraised the properties as listed below (the “Subject Properties”) and provided comprehensive formal valuation reports prepared in the Japanese language (the “Japanese Full Reports”) in accordance with the requirements in the agreement of instruction from the Trustee or Manager for whom our valuations were conducted.

#### **1.2 Purpose of Valuation**

This summary report (the “Summary Report”) has been prepared for the purpose of inclusion in the prospectus to be issued in relation to the offering of units in the Singapore REIT. We have been instructed to appraise the Market Value (as defined in paragraph 2.2 below) of each Subject Property as at May 31, 2007 based on its existing use and lease.

### **2.0 BASIS OF VALUATION**

#### **2.1 Scope of Subject Properties**

The Subject Properties have been appraised as fully operational entities based on both their historical financial results and our opinion as to the future performance and level of turnover likely to occur. The valuation figures include all the improvements as well as equipment and other building contents employed in their operation.

#### **2.2 Concept of Market Value**

The appraised values reflect the Market Value of the Subject Properties as at the effective date of value. Market Value means the probable value that would be formed for marketable real estate in a market that satisfies conditions associated with a rational market under actual social and economic circumstances. In this connection, the market above refers to a market that satisfies the conditions listed below:

- 2.2.1 market participants with typical information, knowledge and management skills are acting on their own free will, and are able to enter or leave the market as they wish;
- 2.2.2 there are no special restrictions on transactions that restrict market participants nor any extraordinary incentives that induce participants to sell or buy the Subject Property; and
- 2.2.3 the Subject Properties are made available for sale in the market for an appropriate period of time.

## **2.3 Valuation Procedure**

### **2.3.1 Inspection and investigations**

We confirm that we have inspected the Subject Properties and conducted appropriate investigations as we considered necessary for the purpose of providing you with our opinion of the Market Values of the Subject Properties.

### **2.3.2 Data reliability**

The data as to ownership title, land and building areas, and other legal descriptions were obtained from searches conducted at the appropriate local government departments and real estate registry offices. We have also relied on the data and information provided by the client such as lettable/gross floor area, tenancy details, leasing contracts, and so on. All data and information provided by the client was treated as correct and we accept no responsibility for subsequent changes in data and reserve the right to change our opinion of value if any data provided were to materially change. Thus, we take no responsibility for inaccurate data provided by the client and subsequent conclusions derived from such data.

### **2.3.3 Appraisal methods employed**

The methods used in the valuation process are both the Cost Approach and Income Approach. We have placed emphasis on the Income Approach by virtue of the nature of the properties valued. The Income Approach is in turn categorized into the Direct Capitalization Approach and Discounted Cash Flow Approach, both of which are based on assumptions as to income and expenses, considering future changes in the economic and social conditions, which affect the values of the Subject Properties. The resultant market value is, in our opinion, the best estimate, but it is not to be construed as any guarantee or prediction and it fully depends on the accuracy of the valuation assumptions made and data provided.

## **3.0 DISCLAIMER**

3.1 The Japanese Full Reports have been prepared by our licensed real estate appraiser(s) based on professional knowledge and expertise. We duly comply with the Real Estate Appraisal Act of 1963 (Bill No. 152). A translation of the Japanese Full Reports is also available (the “English Reports”, and together with the Japanese Full Reports, the “Full Reports”).

3.2 Should there be any discrepancies between the Japanese Full Reports, the English Full Reports, and this Summary Report, the Japanese Full Reports shall prevail.

3.3 This Summary Report summarizes our Full Reports and does not contain all the necessary data and assumptions therein. Investors are suggested to refer to the Full Reports. Below are the principal assumptions and conditions our valuations are based on;

3.3.1 Title or ownership of each of the Subject Properties is referenced to the public registration record with the real estate register maintained by the regional Legal Affairs Bureau or to the materials provided by the client. We assume that such evidence of title or ownership of each of the Subject Properties is true and is free from and clear of all liens, encumbrances, easements, and restrictions, unless noted otherwise.

3.3.2 We assume no responsibility to any matter involving title or legal in character.

3.3.3 We conducted our valuations principally based on visual inspection. Unless stated otherwise, we have carried out our valuations based on the assumption that there were no defects relating to the sites of Subject Properties or their improvements. We accept no responsibility for any subsequent discovery of or materials hazardous to human bodies or defects in the improvements, if any.

3.3.4 With regards to environmental risks, in the course of our work, we have, based on information and the engineering reports provided by the client, inspected the existence of hazardous materials or conditions to the Subject Properties, such as asbestos, polychlorinated biphenyl (PCB), and soil contamination. However, as appraisers, we do not have expertise relating to the detection of environmental risks. We accept no responsibility for any possible value deviation from the appraised value caused by environmental risks, which have not been identified in the course of our work, or which may emerge for the Subject Properties in the future.

3.3.5 As appraisers, we do not have expertise relating to mechanical, electrical, structural and other engineering matters. In the course of our work, we have checked the legal compliance of the subject improvements based on information and the engineering reports provided by the client. We accept no responsibility for any possible value deviation from the appraised value caused by any non-compliance with building or other legal regulations which have not been identified in the course of our work, or which may emerge for the Subject Properties in the future.

3.3.6 The appraised values reflect the Market Value of the Subject Properties as at the effective date of the appraisal. It is not a forecast or guaranteed sale price of the Subject Properties some time in the future. In other words, each of the Subject Properties is assumed to have been offered on the market for a reasonable time period prior to the hypothetical consummation of a sale on the effective date of the appraisal.

3.4 We have prepared this Summary Report in the Prospectus and specifically disclaim liability to any person in the event of any omission from, or false or misleading statement(s) included in the Prospectus, other than in respect of the information provided within the Full Reports and this Summary Report. We do not make any warranty or representation as to the accuracy of the information in any part of the Prospectus other than as expressly made or given in this Summary Report.


3.5 We have no present nor prospective interest in the Subject Properties and are not a related corporation of nor do we have a relationship with the Trustee or Manager. Our compensation is not contingent upon the reporting of any predetermined value or direction in value, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.

#### **4.0 PROPERTIES TO BE VALUED AND SUMMARY OF CONCLUSION**

A summary of the valuation report for each Subject Property is given in the following pages. The valuation certificates of the individual subject properties appear after this summary.

Sincerely,

**Arays Co., Ltd.**



Shintaro Chiba  
Director



Class.No	Name of Property	Region / City	Site Area (sq. m.)	Net Lettable Area (sq. m.)	Market Value (Japanese Yen)	Direct Cap. Rate	Target discount Rate (10 yrs)	Terminal Cap. Rate
84	Sun Park Yokogawa	Chugoku / Hiroshima	115.50	266.24	81,700,000	6.00%	6.00%	6.20%
88	Exceed Tsuchitai	Tohoku / Sendai	126.49	313.57	119,000,000	5.25%	5.25%	5.45%
93	54 Funairi- Hommachi Building	Chugoku / Hiroshima	256.40	769.17	215,000,000	6.00%	6.00%	6.20%
101	Vila Kaiganchō	Hokkaido / Hakodate	1,426.81	3,907.46	383,000,000	6.00%	6.00%	6.20%
105	Global Matsukawa Building	Chugoku / Hiroshima	204.69	1,104.65	301,000,000	5.45%	5.45%	5.65%
111	Kamei Five	Chugoku / Hiroshima	202.47	448.80	139,000,000	5.90%	5.90%	6.10%
112	Kinyachō Grande	Chugoku / Hiroshima	209.22	1,360.20	573,000,000	5.50%	5.50%	5.70%
115	Otemachi Y Building	Chugoku / Hiroshima	134.04	577.13	244,000,000	5.15%	5.15%	5.35%
135	Komatsubara Yamamoto Mansion	Kyushu / Kagoshima	693.99	2,671.99	765,000,000	5.60%	5.60%	5.80%
178	Wing Nakahiro-dori	Chugoku / Hiroshima	550.82	2,161.04	838,000,000	5.50%	5.50%	5.70%

## **Independent Real Estate Valuation Summary Report**

July 26, 2007

Prepared for:

**HSBC Institutional Trust Services (S) Limited/  
Japan Residential Assets Manager Limited**

Prepared by:

**Asset Research Corporation**  
601 Kinoshita Bldg., 1-17-3, Shibuya,  
Shibuya-ku, Tokyo 150-0002, JAPAN

**Dear Sirs:**

### **1.0 INTRODUCTION**

#### **1.1 Client Brief**

We have appraised the properties as listed below (the “Subject Properties”) and provided comprehensive formal valuation reports prepared in the Japanese language (the “Japanese Full Reports”) in accordance with the requirements in the agreement of instruction from the Trustee or Manager, for whom our valuations were conducted.

#### **1.2 Purpose of Valuation**

This summary report (the “Summary Report”) has been prepared for the purpose of inclusion in the prospectus to be issued in relation to the offering of units in the Singapore REIT. We have been instructed to appraise the Market Value (as defined in paragraph 2.2 below) of each Subject Property as at May 31, 2007 based on its existing use and lease.

### **2.0 BASIS OF VALUATION**

#### **2.1 Scope of Subject Properties**

The Subject Properties have been appraised as fully operational entities based on both their historical financial results and our opinion as to the future performance and level of turnover likely to occur. The valuation figures include all the improvements as well as equipment and other building contents employed in their operation.

#### **2.2 Concept of Market Value**

The appraised values reflect the Market Value of the Subject Properties as at the effective date of value. Market Value means the probable value that would be formed for marketable real estate in a market that satisfies conditions associated with a rational market under actual social and economic circumstances. In this connection, the market above refers to a market that satisfies the conditions listed below:

- 2.2.1 market participants with typical information, knowledge and management skills are acting on their own free will, and are able to enter or leave the market as they wish;
- 2.2.2 there are no special restrictions on transactions that restrict market participants nor any extraordinary incentives that induce participants to sell or buy the Subject Property; and
- 2.2.3 the Subject Properties are made available for sale in the market for an appropriate period of time.

## **2.3 Valuation Procedure**

### **2.3.1 Inspection and investigations**

We confirm that we have inspected the Subject Properties and conducted appropriate investigations as we considered necessary for the purpose of providing you with our opinion of the Market Values of the Subject Properties.

### **2.3.2 Data reliability**

The data as to ownership title, land and building areas, and other legal descriptions were obtained from searches conducted at the appropriate local government departments and real estate registry offices. We have also relied on the data and information provided by the client such as lettable/gross floor area, tenancy details, leasing contracts, and so on. All data and information provided by the client was treated as correct and we accept no responsibility for subsequent changes in data and reserve the right to change our opinion of value if any data provided were to materially change. Thus, we take no responsibility for inaccurate data provided by the client and subsequent conclusions derived from such data.

### **2.3.3 Appraisal methods employed**

The methods used in the valuation process are both the Cost Approach and Income Approach. We have placed emphasis on the Income Approach by virtue of the nature of the properties valued. The Income Approach is in turn categorized into the Direct Capitalization Approach and Discounted Cash Flow Approach, both of which are based on assumptions as to income and expenses, considering future changes in the economic and social conditions, which affect the values of the Subject Properties. The resultant market value is, in our opinion, the best estimate, but it is not to be construed as any guarantee or prediction and it fully depends on the accuracy of the valuation assumptions made and data provided.

## **3.0 DISCLAIMER**

- 3.1 The Japanese Full Reports have been prepared by our licensed real estate appraiser(s) based on professional knowledge and expertise. We duly comply with the Real Estate Appraisal Act of 1963 (Bill No. 152). A translation of the Japanese Full Reports is also available (the “English Reports”, and together with the Japanese Full Reports, the “Full Reports”).
- 3.2 Should there be any discrepancies between the Japanese Full Reports, the English Full Reports, and this Summary Report, the Japanese Full Reports shall prevail.
- 3.3 This Summary Report summarizes our Full Reports and does not contain all the necessary data and assumptions therein. Investors are suggested to refer to the Full Reports. Below are the principal assumptions and conditions our valuations are based on:
  - 3.3.1 Title or ownership of each of the Subject Properties is referenced to the public registration record with the real estate register maintained by the regional Legal Affairs Bureau or to the materials provided by the client. We assume that such evidence of title or ownership of each of the Subject Properties is true and is free from and clear of all liens, encumbrances, easements, and restrictions, unless noted otherwise.
  - 3.3.2 We assume no responsibility to any matter involving title or legal in character.
  - 3.3.3 We conducted our valuations principally based on visual inspection. Unless stated otherwise, we have carried out our valuations based on the assumption that there were no defects relating to the sites of Subject Properties or their improvements. We accept no responsibility for any subsequent discovery of or materials hazardous to human bodies or defects in the improvements, if any.

- 3.3.4 With regards to environmental risks, in the course of our work, we have, based on information and the engineering reports provided by the client, inspected the existence of hazardous materials or conditions to the Subject Properties, such as asbestos, polychlorinated biphenyl (PCB), and soil contamination. However, as appraisers, we do not have expertise relating to the deflection of environmental risks. We accept no responsibility for any possible value deviation from the appraised value caused by environmental risks, which have not been identified in the course of our work, or which may emerge for the Subject Properties in the future.
- 3.3.5 As appraisers, we do not have expertise relating to mechanical, electrical, structural and other engineering matters. In the course of our work, we have checked the legal compliance of the subject improvements based on information and the engineering reports provided by the client. We accept no responsibility for any possible value deviation from the appraised value caused by any non-compliance with building or other legal regulations which have not been identified in the course of our work, or which may emerge for the Subject Properties in the future.
- 3.3.6 The appraised values reflect the Market Value of the Subject Properties as at the effective date of the appraisal. It is not a forecast or guaranteed sale price of the Subject Properties some time in the future. In other words, each of the Subject Properties is assumed to have been offered on the market for a reasonable time period prior to the hypothetical consummation of a sale on the effective date of the appraisal.
- 3.4 We have prepared this Summary Report in the Prospectus and specifically disclaim liability to any person in the event of any omission from, or false or misleading statement(s) included in the Prospectus, other than in respect of the information provided within the Full Reports and this Summary Report. We do not make any warranty or representation as to the accuracy of the information in any part of the Prospectus other than as expressly made or given in this Summary Report.
- 3.5 We have no present nor prospective interest in the Subject Properties and are not a related corporation of nor do we have a relationship with the Trustee or Manager. Our compensation is not contingent upon the reporting of any predetermined value or direction in value, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.

#### 4.0 PROPERTIES TO BE VALUED AND SUMMARY OF CONCLUSION

A summary of the valuation report for each Subject Property is given in the following pages. The valuation certificates of the individual subject properties appear after this summary.

Sincerely,

Asset Research Corporation

小川 智達

Tomotatsu Ogawa

Name: Tomotatsu Ogawa

Designation: Director

Property Number	Property Name	Market Value (Japanese Yen)	Direct Cap Rate	Target Discount Rate (7 yrs)	Terminal Cap Rate
12	Wing Befu	206,000,000	5.20%	4.45%	5.30%
16	Arati Hakata South	472,000,000	5.30%	4.55%	5.40%
19	Chic Takaramachi	243,000,000	5.70%	4.95%	5.80%
82	Lumiere et vent	75,000,000	5.50%	4.75%	5.60%
94	Chalet Kishinoura	384,000,000	5.50%	4.75%	5.60%
95	Chalet Numahon Machi II	235,000,000	5.50%	4.75%	5.60%
96	Chalet Suwamachi	387,000,000	5.50%	4.75%	5.60%
97	Chalet Tsudashin Machi	193,000,000	5.50%	4.75%	5.60%
100	Chalet Einomaru II	145,000,000	5.50%	4.75%	5.60%
102	Chalet Kanda II	341,000,000	5.50%	4.75%	5.60%
103	Chalet Matsuo II	78,000,000	5.70%	4.95%	5.80%
117	Chalet Harunomachi	478,600,000	5.60%	4.85%	5.70%
118	Chalet Shiragane	284,700,000	5.50%	4.75%	5.60%
119	KN 7 Kirigaoka	452,000,000	5.50%	4.75%	5.60%
120	KN21 Shirogane	302,000,000	5.70%	4.95%	5.80%
121	Urban KN 2 Kumamoto	113,000,000	5.80%	5.05%	5.90%
123	Shinko Kokura Kogane Sky Mans	267,000,000	5.70%	4.95%	5.80%
127	Chatelet Aoyama	314,000,000	5.70%	4.95%	5.80%
128	City Room Nakai III	192,000,000	5.70%	4.95%	5.80%
129	EMYU Honjo	1,100,000,000	5.35%	4.60%	5.45%
130	EMYU Shinmachi	761,000,000	5.35%	4.60%	5.45%
131	KC Heights	155,000,000	5.90%	5.15%	6.00%
132	Rise Kojo Horibata	111,000,000	5.45%	4.70%	5.55%
133	Rise Kuhonji II	484,000,000	5.25%	4.50%	5.35%
134	Rise Shimodori	380,000,000	5.35%	4.60%	5.45%
136	Art Side Terrace	591,000,000	5.30%	4.55%	5.40%
139	Katano Residential Building	515,000,000	5.50%	4.75%	5.60%
149	Mon Palais Toroku	362,000,000	5.95%	5.20%	6.05%
150	Rise Gofuku	336,000,000	5.55%	4.80%	5.65%
152	TOA Mansion	813,000,000	5.30%	4.55%	5.40%
155	Suien	123,000,000	5.40%	4.65%	5.50%
156	Rise Fujisaki Dai	331,000,000	5.65%	4.90%	5.75%
157	Rise Kumamoto Station South	211,000,000	5.55%	4.80%	5.65%
162	Club House Kikugaoka	330,000,000	5.50%	4.75%	5.60%
165	Taisei Building III	353,000,000	5.70%	4.95%	5.80%
166	Wealth Meinohama	73,000,000	5.90%	5.15%	6.00%
168	Alte Heim Kokura	110,000,000	5.70%	4.95%	5.80%
169	Alte Heim Kokura II	586,000,000	5.50%	4.75%	5.60%
170	Alte Heim Kokura IV	124,000,000	5.60%	4.85%	5.70%
171	Alte Heim Mojiekimae	211,000,000	5.70%	4.95%	5.80%
172	Alte Heim Orio	405,000,000	5.40%	4.65%	5.50%
173	EMYU Heisei Keyakidori Mansion	956,000,000	4.70%	3.95%	4.80%
174	EMYU Suizenji	1,305,000,000	5.10%	4.35%	5.20%
175	Rise Kumadai Hospital II	622,000,000	5.10%	4.35%	5.20%
176	Rise Oe	306,000,000	5.30%	4.55%	5.40%
179	Abitare Shimoarata I	331,000,000	5.50%	4.75%	5.60%
180	Abitare Shinyashiki	307,000,000	5.50%	4.75%	5.60%
193	Rise Heiseiekimae	225,000,000	5.45%	4.70%	5.55%
195	Abitare Kohrimoto	326,000,000	5.50%	4.75%	5.60%
196	Orion Heim	241,000,000	5.20%	4.45%	5.30%

## **Independent Real Estate Valuation Summary Period**

July 26, 2007

Prepared for:

HSBC Institutional Trust Services (S) Limited/  
Japan Residential Assets Manager Limited

Prepared by:

**Japan Real Estate Institute (JREI)**  
Kangin-Fujiya Bldg., 1-3-2, Toranomon,  
Minato-ku, Tokyo 105-8485, JAPAN

Dear Sirs,

### **1.0 INTRODUCTION**

#### **1.1 Client Brief**

We have appraised the properties as listed below on page 5 (the “Subject Properties”) and provided comprehensive formal valuation reports prepared in the Japanese language (the “Japanese Full Reports”) in accordance with the requirements in the agreement of instruction from the Trustee or Manager, for whom our valuations were conducted.

#### **1.2 Purpose of Valuation**

This summary report (the “Summary Report”) has been prepared for the purpose of inclusion in the prospectus to be issued in relation to the offering of units in the Singapore REIT. We have been instructed to appraise the Market Value (as defined in paragraph 2.2 below) of each Subject Property as at May 31, 2007 based on its existing use and lease.

### **2.0 BASIS OF VALUATION**

#### **2.1 Scope of Subject Properties**

The Subject Properties have been appraised as fully operational entities based on both their historical financial results and our opinion as to the future performance and level of turnover likely to occur. The valuation figures include all the improvements as well as equipment and other building contents employed in their operation.

#### **2.2 Concept of Market Value**

The appraised values reflect the Market Value of the Subject Properties as at the effective date of value. Market Value means the probable value that would be formed for marketable real estate in a market that satisfies conditions associated with a rational market under actual social and economic circumstances. In this connection, the market above refers to a market that satisfies the conditions listed below:

- 2.2.1 market participants with typical information, knowledge and management skills are acting on their own free will, and are able to enter or leave the market as they wish;
- 2.2.2 there are no special restrictions on transactions that restrict market participants nor any extraordinary incentives that induce participants to sell or buy the Subject Property; and
- 2.2.3 the Subject Properties are made available for sale in the market for an appropriate period of time.

#### **2.3 Valuation Procedure**

##### **2.3.1 Inspection and investigations**

We conform that we have inspected the Subject Properties and conducted appropriate investigations as we considered necessary for the purpose of providing you with our opinion of the Market Value of the Subject Properties.



### 2.3.2 Data reliability

The data as to ownership title, land and building areas, and other legal descriptions were obtained from searches conducted at the appropriate local government departments and real estate registry offices. We have also relied on the data and information provided by the client such as lettable/gross floor area, tenancy details, leasing contracts, and so on. All data and information provided by the client was treated as correct and we accept no responsibility for subsequent changes in data and reserve the right to change our opinion of value if any data provided were to materially change. Thus, we take no responsibility for inaccurate data provided by the client and subsequent conclusions delivered from such data.

### 2.3.3 Appraisal methods employed

The methods used in the valuation process are both the Cost Approach and Income Approach. We have placed emphasis on the Income Approach by virtue of the nature of the properties valued. The Income Approach is in turn categorized into the Direct Capitalization Approach and Discounted Cash Flow Approach, both of which are based on assumptions as to income and expenses, considering future changes in the economic and social conditions, which affect the values of the Subject Properties. The resultant market value is, in our opinion, the best estimate, but it is not to be construed as any guarantee or prediction and it fully depends on the accuracy of the valuation assumptions made and data provided.

## 3.0 DISCLAIMER

- 3.1 The Japanese Full Reports have been prepared by our licensed real estate appraiser(s) based on professional knowledge and expertise. We duly comply with the Real Estate Appraisal Act of 1963 (Bill No. 152). A translation of the Japanese Full Reports is also available (the “English Reports”, and together with the Japanese Full Reports, the “Full Reports”).
- 3.2 Should there be any discrepancies between the Japanese Full Reports, the English Reports, and this Summary Report, the Japanese Full Reports shall prevail.
- 3.3 This Summary Report summarizes our Full Reports and does not contain all the necessary data and assumptions therein. Investors are suggested to refer to the Full Reports. Below are the principal assumptions and conditions our valuations are based on:
  - 3.3.1 Title or ownership of each of the Subject Properties is referenced to the public registration record with the real estate register maintained by the regional Legal Affairs Bureau or to the materials provided by the client. We assume that such evidence of title or ownership of each of the Subject Properties is true and is free from and clear of all liens, encumbrances, easements, and restrictions, unless noted otherwise.
  - 3.3.2 We assume no responsibility to any matter involving title or legal in character.
  - 3.3.3 We conducted our valuations principally based on visual inspection. Unless stated otherwise, we have carried out our valuations based on the assumption that there were no defects relating to the sites of Subject Properties or their improvements. We accept no responsibility for any subsequent discovery or materials hazardous to human bodies or defects in the improvements, if any.
  - 3.3.4 With regards to environmental risks, in the course of our work, we have, based on information and the engineering reports provided by the client, inspected the existence of hazardous materials or conditions to the Subject Properties, such as asbestos, polychlorinated biphenyl (PCB), and soil contamination. However, as appraisers, we do not have expertise relating to the defection of environmental risks. We accept no responsibility for any possible value deviation from the appraised value caused by environmental risks, which have not been identified in the course of our work, or which may emerge for the Subject Properties in the future.


- 3.3.5 As appraisers, we do not have expertise relating to mechanical, electrical, structural and other engineering matters. In the course of our work, we have checked the legal compliance of the subject improvements based on information and the engineering reports provided by the client. We accept no responsibility for any possible value deviation from the appraised value cause by any non-compliance with building or other legal regulations which have not been identified in the course of our work, or which may emerge for the Subject Properties in the future.
- 3.3.6 The appraised values reflect the Market Value of the Subject Properties as at the effective date of value. It is not a forecast or guaranteed sale price of the Subject Properties some time in the future. In other words, each of the Subject Properties are assumed to have been offered on the market for a reasonable time period prior to the hypothetical consummation of a sale on the effective date of value.
- 3.4 We have prepared this Summary Report in the Prospectus and specifically disclaim liability to any person in the event of any omission from, or false or misleading statement(s) included in the Prospectus, other than in respect of the information provided within the Full Reports and this Summary Report. We do not make any warranty or representation as to the accuracy of the information in any part of the Prospectus other than as expressly made or given in this Summary Report.
- 3.5 We have no present nor prospective interest in the Subject Properties and are not a related corporation of nor do we have a relationship with the Trustee or Manager. Our compensation is not contingent upon the reporting of any predetermined value or direction in value, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.

#### **4.0 PROPERTIES TO BE VALUED AND SUMMARY OF CONCLUSION**

A summary of the valuation report for each Subject Property is given in the following pages. The valuation certificates of the Individual Subject Properties appear after this summary.

Sincerely,

**Japan Real Estate Institute (JREI)**



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Katsuhiro Tairadate  
Executive Director

Class. No.	Name of Property	Region / City	Site Area (sq. m.)	Net Lettable Area (sq. m.)	Market Value (Japanese Yen)	Direct Cap. Rate	Target Discount Rate (10 yrs)	Terminal Cap. Rate
78	Matsukaze Building	Hokkaido / Hakodate	561.54	2,447.34	382,000,000	6.00%	5.80%	6.20%
83	Residence II Yasuda	Chugoku / Hiroshima	170.44	444.88	120,000,000	5.80%	5.60%	6.00%
84	Sun Park Yokokawa	Chugoku / Hiroshima	115.50	321.98	78,600,000	5.70%	5.50%	5.90%
87	Aisho Plaza Hachiman	Tohoku / Sendai	345.45	606.75	240,000,000	5.60%	5.40%	5.80%
90	Sun Port 6	Tohoku / Sendai	437.89	895.00	176,000,000	6.50%	6.30%	6.70%
92	Sun Rise Kashiwagi	Tohoku / Sendai	632.61	725.60	249,000,000	5.50%	5.30%	5.70%
104	Alpha Shinonome	Chugoku / Hiroshima	301.21	511.73	118,000,000	5.90%	5.70%	6.10%
106	Heart Inn Hongou	Hokkaido / Sapporo	253.54	457.76	103,000,000	5.70%	5.50%	5.90%
108	Lively Kamisugi	Tohoku / Sendai	234.57	277.08	91,300,000	5.80%	5.60%	6.00%
110	Higashi Hakushima Y Building	Chugoku / Hiroshima	138.21	535.72	196,000,000	5.60%	5.40%	5.80%
113	Kinyacho Y Building	Chugoku / Hiroshima	157.32	620.51	230,000,000	5.60%	5.40%	5.80%
114	Matoba Y Building	Chugoku / Hiroshima	167.27	662.62	221,000,000	5.60%	5.40%	5.80%
116	U.I. Building	Chugoku / Hiroshima	1,099.39	2,002.05	337,000,000	6.00%	5.80%	6.20%
119	KN 7 Kirigaoka	Kyushu / Kitakyushu	1,328.32	2,121.67	421,000,000	5.90%	5.70%	6.10%
120	KN21 Shiragane	Kyushu / Kitakyushu	968.98	1,389.93	290,000,000	5.90%	5.70%	6.10%
121	Urban KN 2 Kumamoto	Kyushu / Kitakyushu	690.24	799.14	106,000,000	6.10%	5.90%	6.30%
122	Etoile Hitgashi Sendai	Tohoku / Sendai	620.84	651.96	123,000,000	5.80%	5.60%	6.00%
123	Shinko Kokura Kogane Sky Mansion	Kyushu / Kitakyushu	401.18	1,160.58	260,000,000	5.90%	5.70%	6.10%
125	Reef Suite	Hokkaido / Sapporo	594.04	893.64	210,000,000	5.50%	5.30%	5.70%
126	Urban Hills Dainohara	Tohoku / Sendai	565.64	676.83	161,000,000	5.80%	5.60%	6.00%
129	EMYU Honjo	Kyushu / Kumamoto	1,052.90	3,458.07	1,050,000,000	5.90%	5.80%	6.20%
130	EMYU Shinmachi	Kyushu / Kumamoto	698.17	2,527.38	736,000,000	5.80%	5.70%	6.10%
131	KC Heights	Kyushu / Kumamoto	1,311.25	1,152.00	135,000,000	6.40%	6.20%	6.60%
132	Rise Kojo Horibata	Kyushu / Kumamoto	159.64	345.29	103,000,000	6.00%	5.80%	6.20%
133	Rise Kuhonji II	Kyushu / Kumamoto	569.78	1,883.76	480,000,000	5.90%	5.80%	6.20%
134	Rise Shimodori	Kyushu / Kumamoto	366.11	1,265.22	389,000,000	5.70%	5.50%	5.90%
137	High Grace II	Tohoku / Sendai	1,013.44	1,194.57	413,000,000	5.60%	5.40%	5.80%
138	Sun Vario Shinden Eki Mae	Tohoku / Sendai	866.23	1,527.17	486,000,000	5.50%	5.40%	5.80%
139	Katano Residential Building	Kyushu / Kitakyushu	781.40	2,315.23	474,000,000	5.90%	5.70%	6.10%
140	K2 Mansion Morioka	Tohoku / Morioka	2,428.01	1,869.60	373,000,000	6.20%	6.00%	6.40%
141	Niken Chaya Grand Heights	Tohoku / Sendai	1,028.44	2,287.16	475,000,000	5.80%	5.60%	6.00%
143	Estella 24-ken A	Hokkaido / Sapporo	198.35	371.72	98,500,000	5.60%	5.50%	5.90%
145	River City Kimachi	Tohoku / Sendai	542.79	636.26	164,000,000	5.70%	5.50%	5.90%
146	Aster Yamahana	Hokkaido / Sapporo	512.39	985.70	165,000,000	6.00%	5.80%	6.20%
147	Patios Ohashi	Kyushu / Fukuoka	297.75	442.29	138,000,000	5.70%	5.50%	5.90%
148	K1 Mansion Morioka	Tohoku / Morioka	419.28	434.04	76,000,000	6.40%	6.20%	6.60%
149	Mon Palais Toroku	Kyushu / Kumamoto	1,243.77	1,494.18	356,000,000	6.20%	6.00%	6.40%
150	Rise Gofuku	Kyushu / Kumamoto	367.50	1,358.28	318,000,000	5.70%	5.60%	6.00%
151	Royal Hills Katagiri	Tohoku / Sendai	521.83	732.06	192,000,000	5.80%	5.60%	6.00%
153	Castle Kano	Tohoku / Sendai	599.33	1,037.94	241,000,000	5.70%	5.50%	5.90%
156	Rise Fujisaki Dai	Kyushu / Kumamoto	365.08	1,338.12	331,000,000	5.80%	5.70%	6.10%
157	Rise Kumamoto Station South	Kyushu / Kumamoto	488.12	939.77	196,000,000	6.00%	5.90%	6.30%
158	Clio Court	Tohoku / Sendai	936.25	1,097.48	244,000,000	5.70%	5.50%	5.90%
160	Gardenia Kurashiki	Chugoku / Kurashiki	705.00	846.08	148,000,000	6.20%	6.00%	6.40%
161	YSK Co-op Saiwaicho	Tohoku / Sendai	1,559.27	2,217.86	512,000,000	5.70%	5.50%	5.90%
162	Club House Kikugaoka	Kyushu / Kitakyushu	991.70	1,866.99	320,000,000	6.00%	5.80%	6.20%
163	Jeunes 23	Hokkaido / Sapporo	581.66	1,501.51	376,000,000	5.60%	5.40%	5.80%
164	Studio City	Hokkaido / Sapporo	687.09	1,435.03	314,000,000	5.90%	5.70%	6.10%
165	Taisei Building III	Kyushu / Oita	866.44	2,826.75	373,000,000	6.20%	6.00%	6.40%
167	Matoba Meijibashi II	Chugoku / Hiroshima	234.64	811.30	324,000,000	5.80%	5.60%	6.00%
168	Alte Heim Kokura	Kyushu / Kitakyushu	150.27	464.80	113,000,000	6.10%	5.90%	6.30%
171	Alte Heim Mojikimae	Kyushu / Kitakyushu	380.20	699.36	209,000,000	6.00%	5.80%	6.20%
173	EMYU Heisei Keyakidori Mansion	Kyushu / Kumamoto	1,871.73	3,699.42	877,000,000	5.90%	5.80%	6.20%
174	EMYU Suizenji	Kyushu / Kumamoto	2,189.58	4,256.91	1,200,000,000	5.80%	5.70%	6.10%
175	Rise Kumadai Hospital II	Kyushu / Kumamoto	753.10	2,419.12	604,000,000	5.80%	5.70%	6.10%
176	Rise Oe	Kyushu / Kumamoto	328.91	1,158.42	295,000,000	6.00%	5.80%	6.20%

## Independent Real Estate Valuation Summary Report

July 26, 2007

Prepared for:

**HSBC Institutional Trust Services (S) Limited /  
Japan Residential Assets Manager Limited**

Prepared by:

**Japan Real Estate Investment Co., Ltd**  
4<sup>th</sup> Floor, Toranomon Center Building, 1-16-17, Toranomon,  
Minato-ku, Tokyo 105-0001, Japan

**Dear Sirs:**

### **1.0 INTRODUCTION**

#### **1.1 Client Brief**

We have appraised the properties as listed below (the “Subject Properties”) and provided comprehensive formal valuation reports prepared in the Japanese language (the “Japanese Full Reports”) in accordance with the requirements in the agreement of instruction from the Trustee or Manager, for whom our valuations were conducted.

#### **1.2 Purpose of Valuation**

This summary report (the “Summary Report”) has been prepared for the purpose of inclusion in the prospectus to be issued in relation to the offering of units in the Singapore REIT. We have been instructed to appraise the Market Value (as defined in paragraph 2.2 below) of each Subject Property as at May 31, 2007 based on its existing use and lease.

### **2.0 BASIS OF VALUATION**

#### **2.1 Scope of Subject Properties**

The Subject Properties have been appraised as fully operational entities based on both their historical financial results and our opinion as to the future performance and level of turnover likely to occur. The valuation figures include all the improvements as well as equipment and other building contents employed in their operation.

#### **2.2 Concept of Market Value**

The appraised values reflect the Market Value of the Subject Properties as at the effective date of value. Market Value means the probable value that would be formed for marketable real estate in a market that satisfies conditions associated with a rational market under actual social and economic circumstances. In this connection, the market above refers to a market that satisfies the conditions listed below:

- 2.2.1 market participants with typical information, knowledge and management skills are acting on their own free will, and are able to enter or leave the market as they wish;
- 2.2.2 there are no special restrictions on transactions that restrict market participants nor any extraordinary incentives that induce participants to sell or buy the Subject Property; and
- 2.2.3 the Subject Properties are made available for sale in the market for an appropriate period of time.

## **2.3 Valuation Procedure**

### **2.3.1 Inspection and investigations**

We confirm that we have inspected the Subject Properties and conducted appropriate investigations as we considered necessary for the purpose of providing you with our opinion of the Market Values of the Subject Properties.

### **2.3.2 Data reliability**

The data as to ownership title, land and building areas, and other legal descriptions were obtained from searches conducted at the appropriate local government departments and real estate registry offices. We have also relied on the data and information provided by the client such as lettable/gross floor area, tenancy details, leasing contracts, and so on. All data and information provided by the client was treated as correct and we accept no responsibility for subsequent changes in data and reserve the right to change our opinion of value if any data provided were to materially change. Thus, we take no responsibility for inaccurate data provided by the client and subsequent conclusions derived from such data.

### **2.3.3 Appraisal methods employed**

The methods used in the valuation process are both the Cost Approach and Income Approach. We have placed emphasis on the Income Approach by virtue of the nature of the properties valued. The Income Approach is in turn categorized into the Direct Capitalization Approach and Discounted Cash Flow Approach, both of which are based on assumptions as to income and expenses, considering future changes in the economic and social conditions, which affect the values of the Subject Properties. The resultant market value is, in our opinion, the best estimate, but it is not to be construed as any guarantee or prediction and it fully depends on the accuracy of the valuation assumptions made and data provided.

## **3.0 DISCLAIMER**

3.1 The Japanese Full Reports have been prepared by our licensed real estate appraiser(s) based on professional knowledge and expertise. We duly comply with the Real Estate Appraisal Act of 1963 (Bill No. 152). A translation of the Japanese Full Reports is also available (the “English Reports”, and together with the Japanese Full Reports, the “Full Reports”).

3.2 Should there be any discrepancies between the Japanese Full Reports, the English Full Reports, and this Summary Report, the Japanese Full Reports shall prevail.

3.3 This Summary Report summarizes our Full Reports and does not contain all the necessary data and assumptions therein. Investors are suggested to refer to the Full Reports. Below are the principal assumptions and conditions our valuations are based on:

3.3.1 Title or ownership of each of the Subject Properties is referenced to the public registration record with the real estate register maintained by the regional Legal Affairs Bureau or to the materials provided by the client. We assume that such evidence of title or ownership of each of the Subject Properties is true and is free from and clear of all liens, encumbrances, easements, and restrictions, unless noted otherwise.

3.3.2 We assume no responsibility to any matter involving title or legal in character.

3.3.3 We conducted our valuations principally based on visual inspection. Unless stated otherwise, we have carried out our valuations based on the assumption that there were no defects relating to the sites of Subject Properties or their improvements. We accept no responsibility for any subsequent discovery of or materials hazardous to human bodies or defects in the improvements, if any.

- 3.3.4 With regards to environmental risks, in the course of our work, we have, based on information and the engineering reports provided by the client, inspected the existence of hazardous materials or conditions to the Subject Properties, such as asbestos, polychlorinated biphenyl (PCB), and soil contamination. However, as appraisers, we do not have expertise relating to the deflection of environmental risks. We accept no responsibility for any possible value deviation from the appraised value caused by environmental risks, which have not been identified in the course of our work, or which may emerge for the Subject Properties in the future.
- 3.3.5 As appraisers, we do not have expertise relating to mechanical, electrical, structural and other engineering matters. In the course of our work, we have checked the legal compliance of the subject improvements based on information and the engineering reports provided by the client. We accept no responsibility for any possible value deviation from the appraised value caused by any non-compliance with building or other legal regulations which have not been identified in the course of our work, or which may emerge for the Subject Properties in the future.
- 3.3.6 The appraised values reflect the Market Value of the Subject Properties as at the effective date of the appraisal. It is not a forecast or guaranteed sale price of the Subject Properties some time in the future. In other words, each of the Subject Properties is assumed to have been offered on the market for a reasonable time period prior to the hypothetical consummation of a sale on the effective date of the appraisal.
- 3.4 We have prepared this Summary Report in the Prospectus and specifically disclaim liability to any person in the event of any omission from, or false or misleading statement(s) included in the Prospectus, other than in respect of the information provided within the Full Reports and this Summary Report. We do not make any warranty or representation as to the accuracy of the information in any part of the Prospectus other than as expressly made or given in this Summary Report.
- 3.5 We have no present or prospective interest in the Subject Properties and are not a related corporation or nor do we have a relationship with the Trustee or Manager. Our compensation is not contingent upon the reporting of any predetermined value or direction in value, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.

#### 4.0 PROPERTIES TO BE VALUED AND SUMMARY OF CONCLUSION

A summary of the valuation report for each Subject Property is given in the following pages. The valuation certificates of the individual subject properties appear after this summary.

Sincerely,

**Japan Real Estate Investment Co., Ltd.**



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Hiroyuki Sasaki  
Director



Class. No.	Name of Property	Region/City	Site Area (sq. m.)	Net Lettable Area (sq. m.)	Market Value (Japanese Yen)	Direct Cap. Rate	Target Discount Rate(10yrs)	Terminal Cap. Rate
081	Kohatsu 88 Building	Hokkaido/Sapporo	158.68	452.87	68,100,000	6.00%	5.75%	6.10%
091	Estoille South12	Hokkaido/Sapporo	483.17	918.54	242,000,000	5.50%	5.25%	5.60%
098	No.3 Ebisu Building	Hokkaido/Sapporo	231.40	403.20	83,900,000	5.75%	5.50%	5.85%
099	S Court South11	Hokkaido/Sapporo	267.76	494.60	59,500,000	5.75%	5.50%	5.85%
144	Kotoni 16 Mansion	Hokkaido/Sapporo	528.91	1,661.62	350,000,000	5.75%	5.50%	5.85%
164	Studio City	Hokkaido/Sapporo	687.09	1,435.03	288,000,000	5.75%	5.50%	5.85%
177	Sec' As Blue 2	Hokkaido/Sapporo	423.20	1,643.20	440,000,000	5.40%	5.15%	5.50%
189	Dear Misono	Hokkaido/Sapporo	181.81	307.71	61,000,000	6.25%	6.00%	6.35%
190	Casa Motomachi	Hokkaido/Sapporo	472.86	1,363.89	341,000,000	6.00%	5.75%	6.10%

## **Independent Real Estate Valuation Summary Report**

September 20, 2007

Prepared for:

HSBC Institutional Trust Services (S) Limited/  
Japan Residential Assets Manager Limited

Prepared by:

**KK A And S**  
Samariya-Bldg., 1-6-5, Koenjiminami,  
Suginami-ku, Tokyo 166-0003, JAPAN

**Dear Sirs:**

### **1.0 INTRODUCTION**

#### **1.1 Client Brief**

We have appraised the properties as listed below (the “Subject Properties”) and provided comprehensive formal valuation reports prepared in the Japanese language (the “Japanese Full Reports”) in accordance with the requirements in the agreement of instruction from the Trustee or Manager, for whom our valuations were conducted.

#### **1.2 Purpose of Valuation**

This summary report (the “Summary Report”) has been prepared for the purpose of inclusion in the prospectus to be issued in relation to the offering of units in the Singapore REIT. We have been instructed to appraise the Market Value (as defined in paragraph 2.2 below) of each Subject Property based on its existing use and lease.

### **2.0 BASIS OF VALUATION**

#### **2.1 Scope of Subject Properties**

The Subject Properties have been appraised as fully operational entities based on both their historical financial results and our opinion as to the future performance and level of turnover likely to occur. The valuation figures include all the improvements as well as equipment and other building contents employed in their operation.

#### **2.2 Concept of Market Value**

The appraised values reflect the Market Value of the Subject Properties as at the effective date of value. Market Value means the probable value that would be formed for marketable real estate in a market that satisfies conditions associated with a rational market under actual social and economic circumstances. In this connection, the market above refers to a market that satisfies the conditions listed below:

- 2.2.1 market participants with typical information, knowledge and management skills are acting on their own free will, and are able to enter or leave the market as they wish;
- 2.2.2 there are no special restrictions on transactions that restrict market participants nor any extraordinary incentives that induce participants to sell or buy the Subject Property; and
- 2.2.3 the Subject Properties are made available for sale in the market for an appropriate period of time.

## 2.3 Valuation Procedure

### 2.3.1 Inspection and investigations

We confirm that we have inspected the Subject Properties and conducted appropriate investigations as we considered necessary for the purpose of providing you with our opinion of the Market Values of the Subject Properties.

### 2.3.2 Data reliability

The data as to ownership title, land and building areas, and other legal descriptions were obtained from searches conducted at the appropriate local government departments and real estate registry offices. We have also relied on the data and information provided by the client such as lettable/gross floor area, tenancy details, leasing contracts, and so on. All data and information provided by the client was treated as correct and we accept no responsibility for subsequent changes in data and reserve the right to change our opinion of value if any data provided were to materially change. Thus, we take no responsibility for inaccurate data provided by the client and subsequent conclusions derived from such data.

### 2.3.3 Appraisal methods employed

The methods used in the valuation process are both the Cost Approach and Income Approach. We have placed emphasis on the Income Approach by virtue of the nature of the properties valued. The Income Approach is in turn categorized into the Direct Capitalization Approach and Discounted Cash Flow Approach, both of which are based on assumptions as to income and expenses, considering future changes in the economic and social conditions, which affect the values of the Subject Properties. The resultant market value is, in our opinion, the best estimate, but it is not to be construed as any guarantee or prediction and it fully depends on the accuracy of the valuation assumptions made and data provided.

## 3.0 DISCLAIMER

3.1 The Japanese Full Reports have been prepared by our licensed real estate appraiser(s) based on professional knowledge and expertise. We duly comply with the Real Estate Appraisal Act of 1963 (Bill No. 152). A translation of the Japanese Full Reports has also available (the “English Reports”, and together with the Japanese Full Reports, the “Full Reports”).

3.2 Should there be any discrepancies between the Japanese Full Reports, the English Full Reports, and this Summary Report, the Japanese Full Reports shall prevail.

3.3 This Summary Report summarizes our Full Reports and does not contain all the necessary data and assumptions therein. Investors are suggested to refer to the Full Reports. Below are the principal assumptions and conditions our valuations are based on:

3.3.1 Title or ownership of each of the Subject Properties is referenced to the public registration record with the real estate register maintained by the regional Legal Affairs Bureau or to the materials provided by the client. We assume that such evidence of title or ownership of each of the Subject Properties is true and is free from and clear of all liens, encumbrances, easements, and restrictions, unless noted otherwise.

3.3.2 We assume no responsibility to any matter involving title or legal in character.

3.3.3 We conducted our valuations principally based on visual inspection. Unless stated otherwise, we have carried out our valuations based on the assumption that there were no defects relating to the sites of Subject Properties or their improvements. We accept no responsibility for any subsequent discovery of or materials hazardous to human bodies or defects in the improvements, if any.

3.3.4 With regards to environmental risks, in the course of our work, we have, based on information and the engineering reports provided by the client, inspected the existence of hazardous materials or conditions to the Subject Properties, such as asbestos, polychlorinated biphenyl (PCB), and soil contamination. However, as appraisers, we do not have expertise relating to the defection of environmental risks. We accept no responsibility for any possible value deviation from the appraised value caused by environmental risks, which have not been identified in the course of our work, or which may emerge for the Subject Properties in the future.

- 3.3.5 As appraisers, we do not have expertise relating to mechanical, electrical, structural and other engineering matters. In the course of our work, we have checked the legal compliance of the subject improvements based on information and the engineering reports provided by the client. We accept no responsibility for any possible value deviation from the appraised value caused by any non-compliance with building or other legal regulations which have not been identified in the course of our work, or which may emerge for the Subject Properties in the future.
- 3.3.6 The appraised values reflect the Market Value of the Subject Properties as at the effective date of the appraisal. It is not a forecast or guaranteed sale price of the Subject Properties some time in the future. In other words, each of the Subject Properties is assumed to have been offered on the market for a reasonable time period prior to the hypothetical consummation of a sale on the effective date of the appraisal.
- 3.4 We have prepared this Summary Report in the Prospectus and specifically disclaim liability to any person in the event of any omission from, or false or misleading statement(s) included in the Prospectus, other than in respect of the information provided within the Full Reports and this Summary Report. We do not make any warranty or representation as to the accuracy of the information in any part of the Prospectus other than as expressly made or given in this Summary Report.
- 3.5 We have no present nor prospective interest in the Subject Properties and are not a related corporation of nor do we have a relationship with the Trustee or Manager. Our compensation is not contingent upon the reporting of any predetermined value or direction in value, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.

#### **4.0 PROPERTIES TO BE VALUED AND SUMMARY OF CONCLUSION**

A summary of the valuation report for each Subject Property is given in the following pages. The valuation certificates of the individual subject properties appear after this summary.

Sincerely,

**KK A And S**



---

Shigeru Saito  
Director  
September 20, 2007

Class.No	Name of Property	Region / City	Site Area (sq. m.)	Net Lettable Area (sq. m.)	Market Value (Japanese Yen)	Direct Cap. Rate	Target Discount Rate (10 yrs)	Terminal Cap Rate
167	Matoba Meijibashi II	Chugoku / Hiroshima	234.64	811.30	311,000,000	5.80%	5.60%	6.00%
178	Wing Nakahirodori	Chugoku / Hiroshima	550.82	2,239.33	820,000,000	5.60%	5.40%	5.80%
185	Grand Polestone Takeya	Chugoku / Hiroshima	267.61	1,551.75	605,000,000	5.30%	5.10%	5.50%
186	Grand Polestone Kinya	Chugoku / Hiroshima	134.28	398.39	175,000,000	5.30%	5.10%	5.50%
191	Grand Polestone Tsurumi	Chugoku / Hiroshima	242.97	1,038.70	434,000,000	5.30%	5.10%	5.50%
197	Fujimicho Building	Chugoku / Hiroshima	174.47	961.77	456,500,000	5.30%	5.10%	5.50%
198	Grand Polestone Fujimi	Chugoku / Hiroshima	115.04	494.00	208,000,000	5.30%	5.10%	5.50%

## **Independent Real Estate Valuation Summary Report**

Prepared for:

September 21, 2007

**HSBC Institutional Trust Services (S) Limited /  
Japan Residential Assets Manager Limited**

Prepared by:

**REAL VALUE Inc.**  
21-16, Kamitoda 1-chome,  
Toda-shi, Saitama,  
335-0022, Japan

**Dear Sirs:**

### **1.0 INTRODUCTION**

#### **1.1 Client Brief**

We have appraised the properties as listed below (the “Subject Properties”) and provided comprehensive formal valuation reports prepared in the Japanese language (the “Japanese Full Reports”) in accordance with the requirements in the agreement of instruction from the Trustee or Manager, for whom our valuations were conducted.

#### **1.2 Purpose of Valuation**

This summary report (the “Summary Report”) has been prepared for the purpose of inclusion in the prospectus to be issued in relation to the offering of units in the Singapore REIT. We have been instructed to appraise the Market Value (as defined in paragraph 2.2 below) of each Subject Property based on its existing use and lease.

### **2.0 BASIS OF VALUATION**

#### **2.1 Scope of Subject Properties**

The Subject Properties have been appraised as fully operational entities based on both their historical financial results and our opinion as to the future performance and level of turnover likely to occur. The valuation figures include all the improvements as well as equipment and other building contents employed in their operation.

#### **2.2 Concept of Market Value**

The appraised values reflect the Market Value of the Subject Properties as at the effective date of value. Market Value means the probable value that would be formed for marketable real estate in a market that satisfies conditions associated with a rational market under actual social and economic circumstances. In this connection, the market above refers to a market that satisfies the conditions listed below:

- 2.2.1 market participants with typical information, knowledge and management skills are acting on their own free will, and are able to enter or leave the market as they wish;
- 2.2.2 there are no special restrictions on transactions that restrict market participants nor any extraordinary incentives that induce participants to sell or buy the Subject Property; and
- 2.2.3 the Subject Properties are made available for sale in the market for an appropriate period of time.



## **2.3 Valuation Procedure**

### **2.3.1 Inspection and investigations**

We confirm that we have inspected the Subject Properties and conducted appropriate investigations as we considered necessary for the purpose of providing you with our opinion of the Market Values of the Subject Properties.

### **2.3.2 Data reliability**

The data as to ownership title, land and building areas, and other legal descriptions were obtained from searches conducted at the appropriate local government departments and real estate registry offices. We have also relied on the data and information provided by the client such as lettable/gross floor area, tenancy details, leasing contracts, and so on. All data and information provided by the client was treated as correct and we accept no responsibility for subsequent changes in data and reserve the right to change our opinion of value if any data provided were to materially change. Thus, we take no responsibility for inaccurate data provided by the client and subsequent conclusions derived from such data.

### **2.3.3 Appraisal methods employed**

The methods used in the valuation process are both the Cost Approach and Income Approach. We have placed emphasis on the Income Approach by virtue of the nature of the properties valued. The Income Approach is in turn categorized into the Direct Capitalization Approach and Discounted Cash Flow Approach, both of which are based on assumptions as to income and expenses, considering future changes in the economic and social conditions, which affect the values of the Subject Properties. The resultant market value is, in our opinion, the best estimate, but it is not to be construed as any guarantee or prediction and it fully depends on the accuracy of the valuation assumptions made and data provided.

## **3.0 DISCLAIMER**

3.1 The Japanese Full Reports have been prepared by our licensed real estate appraiser(s) based on professional knowledge and expertise. We duly comply with the Real Estate Appraisal Act of 1963 (Bill No. 152). A translation of the Japanese Full Reports is also available (the “English Reports”, and together with the Japanese Full Reports, the “Full Reports”).

3.2 Should there be any discrepancies between the Japanese Full Reports, the English Full Reports, and this Summary Report, the Japanese Full Reports shall prevail.

3.3 This Summary Report summarizes our Full Reports and does not contain all the necessary data and assumptions therein. Investors are suggested to refer to the Full Reports. Below are the principal assumptions and conditions our valuations are based on:

3.3.1 Title or ownership of each of the Subject Properties is referenced to the public registration record with the real estate register maintained by the regional Legal Affairs Bureau or to the materials provided by the client. We assume that such evidence of title or ownership of each of the Subject Properties is true and is free from and clear of all liens, encumbrances, easements, and restrictions, unless noted otherwise.

3.3.2 We assume no responsibility to any matter involving title or legal in character.

3.3.3 We conducted our valuations principally based on visual inspection. Unless stated otherwise, we have carried out our valuations based on the assumption that there were no defects relating to the sites of Subject Properties or their improvements. We accept no responsibility for any subsequent discovery of or materials hazardous to human bodies or defects in the improvements, if any.

# ***REAL VALUE***

- 3.3.4 With regards to environmental risks, in the course of our work, we have, based on information and the engineering reports provided by the client, inspected the existence of hazardous materials or conditions to the Subject Properties, such as asbestos, polychlorinated biphenyl (PCB), and soil contamination. However, as appraisers, we do not have expertise relating to the defection of environmental risks. We accept no responsibility for any possible value deviation from the appraised value caused by environmental risks, which have not been identified in the course of our work, or which may emerge for the Subject Properties in the future.
- 3.3.5 As appraisers, we do not have expertise relating to mechanical, electrical, structural and other engineering matters. In the course of our work, we have checked the legal compliance of the subject improvements based on information and the engineering reports provided by the client. We accept no responsibility for any possible value deviation from the appraised value caused by any non-compliance with building or other legal regulations which have not been identified in the course of our work, or which may emerge for the Subject Properties in the future.
- 3.3.6 The appraised values reflect the Market Value of the Subject Properties as at the effective date of the appraisal. It is not a forecast or guaranteed sale price of the Subject Properties some time in the future. In other words, each of the Subject Properties is assumed to have been offered on the market for a reasonable time period prior to the hypothetical consummation of a sale on the effective date of the appraisal.
- 3.4 We have prepared this Summary Report in the Prospectus and specifically disclaim liability to any person in the event of any omission from, or false or misleading statement(s) included in the Prospectus, other than in respect of the information provided within the Full Reports and this Summary Report. We do not make any warranty or representation as to the accuracy of the information in any part of the Prospectus other than as expressly made or given in this Summary Report.
- 3.5 We have no present nor prospective interest in the Subject Properties and are not a related corporation of nor do we have a relationship with the Trustee or Manager. Our compensation is not contingent upon the reporting of any predetermined value or direction in value, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.

## **4.0 PROPERTIES TO BE VALUED AND SUMMARY OF CONCLUSION**

A summary of the valuation report for each Subject Property is given in the following pages. The valuation certificates of the individual subject properties appear after this summary.

Sincerely,

Real Value Inc.

A handwritten signature in black ink, reading '浦野 一郎' (Urano Ichiro) in Japanese characters.

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Ichiro Urano  
Director

# REAL VALUE

Class.No.	Name of Property	Region / City	Site Area (sq.m.)	Net Lettable Area (sq.m.)	Market Value (Japanese Yen)	Direct Cap Rate	Target Discount Rate (10 yrs)	Terminal Cap Rate
1	Three Tower	Hokkaido / Sapporo	2,116.78	5,569.47	1,071,000,000	5.5%	5.3%	5.7%
2	Luna Heights	Hokkaido / Sapporo	544.72	1,303.50	314,000,000	5.8%	5.6%	6.0%
3	Matsui 53	Hokkaido / Sapporo	416.52	1,073.70	217,000,000	5.8%	5.6%	6.0%
4	Plaza Nakajima Park	Hokkaido / Sapporo	638.70	2,188.58	363,000,000	5.7%	5.5%	5.9%
5	Chateau 24	Hokkaido / Sapporo	924.27	2,105.43	649,000,000	5.6%	5.4%	5.8%
6	Chateau Nakanoshima	Hokkaido / Sapporo	839.33	1,378.50	298,000,000	5.7%	5.5%	5.9%
7	Glance Nishimachi	Hokkaido / Sapporo	1,667.05	2,668.00	466,000,000	5.8%	5.6%	6.0%
8	Matsui 82	Hokkaido / Sapporo	762.99	2,483.33	438,000,000	5.6%	5.4%	5.8%
9	Urban Yamahana	Hokkaido / Sapporo	426.93	752.46	125,000,000	5.8%	5.6%	6.0%
10	Maison Towa	Hokkaido / Sapporo	387.34	1,149.48	196,000,000	5.8%	5.6%	6.0%
11	Misono	Hokkaido / Sapporo	621.19	1,597.52	339,000,000	5.8%	5.6%	6.0%
13	Dominion Yamanote	Hokkaido / Sapporo	483.05	800.07	171,000,000	5.8%	5.6%	6.0%
14	Treasure 15	Hokkaido / Sapporo	557.95	878.64	187,000,000	5.8%	5.6%	6.0%
15	Infinity Higashi Sapporo	Hokkaido / Sapporo	434.74	1,396.43	221,000,000	5.8%	5.6%	6.0%
17	First Kotake Building	Hokkaido / Sapporo	991.73	3,194.58	1,147,000,000	5.8%	5.6%	6.0%
18	Park Crystal	Hokkaido / Sapporo	787.37	1,286.00	316,000,000	5.8%	5.6%	6.0%
20	Matsui 38	Hokkaido / Sapporo	309.44	847.46	182,000,000	5.7%	5.5%	5.9%
21	Sun City	Hokkaido / Sapporo	986.84	2,848.28	370,000,000	5.7%	5.5%	5.9%
22	Les Chambres	Hokkaido / Sapporo	270.34	469.40	89,500,000	5.8%	5.6%	6.0%
23	S. Heim	Hokkaido / Sapporo	421.68	635.60	129,000,000	5.7%	5.5%	5.9%
87	Aisho Plaza Hachiman	Tohoku / Sendai	345.45	606.75	237,000,000	5.8%	5.6%	6.0%
88	Exceed Tsuchitai	Tohoku / Sendai	126.49	324.64	113,000,000	5.5%	5.3%	5.7%
89	Sun Hills Asahigaoka	Tohoku / Sendai	238.01	333.99	70,200,000	5.9%	5.7%	6.1%
90	Sun Port 6	Tohoku / Sendai	437.89	882.60	189,000,000	6.1%	5.9%	6.3%
92	Sun Rise Kashiwagi	Tohoku / Sendai	632.61	666.37	241,000,000	5.7%	5.5%	5.9%
108	Lively Kamisugi	Tohoku / Sendai	234.57	269.28	91,800,000	5.8%	5.6%	6.0%
109	Mansion Lilac	Tohoku / Sendai	274.94	265.32	59,000,000	5.8%	5.6%	6.0%
122	Etoile Higashi Sendai	Tohoku / Sendai	620.84	651.96	121,000,000	5.9%	5.7%	6.1%
126	Urban Hills Dainohara	Tohoku / Sendai	565.64	676.83	164,000,000	5.9%	5.7%	6.1%
137	High Grace II	Tohoku / Sendai	1,013.44	1,124.52	387,000,000	5.7%	5.5%	5.9%
138	Sun Vario Shinden Eki Mae	Tohoku / Sendai	866.23	1,527.17	494,000,000	5.5%	5.3%	5.7%
141	Niken Chaya Grand Heights	Tohoku / Sendai	1,028.44	2,287.16	479,000,000	5.8%	5.6%	6.0%
145	River City Kimachi	Tohoku / Sendai	542.79	633.08	164,000,000	5.8%	5.6%	6.0%
151	Royal Hills Katagiri	Tohoku / Sendai	521.83	732.06	197,000,000	5.8%	5.6%	6.0%
153	Castle Kano	Tohoku / Sendai	599.33	1,038.90	256,000,000	5.7%	5.5%	5.9%
154	Aistage Ushita Minami	Chugoku / Hiroshima	353.30	920.32	359,000,000	5.5%	5.3%	5.7%
158	Clio Court	Tohoku / Sendai	936.25	1,097.48	238,000,000	5.8%	5.6%	6.0%
159	Core Life	Tohoku / Sendai	2,845.34	3,848.54	541,000,000	5.9%	5.7%	6.1%
161	YSK Co-op Saiwaicho	Tohoku / Sendai	1,559.27	2,219.86	513,000,000	5.7%	5.5%	5.9%
184	Liesse Wakabayashi	Tohoku / Sendai	437.57	693.92	179,000,000	5.8%	5.6%	6.0%
185	Grand Polestone Takeya	Chugoku / Hiroshima	267.61	1,574.61	641,000,000	5.4%	5.2%	5.6%
186	Grand Polestone Kinya	Chugoku / Hiroshima	134.28	416.04	178,000,000	5.5%	5.3%	5.7%
187	Maestoso Figur	Tohoku / Koriyama	1,196.48	1,661.66	441,000,000	6.0%	5.8%	6.2%
188	Leggiero Viola	Tohoku / Koriyama	1,093.71	1,385.52	349,000,000	6.0%	5.8%	6.2%
191	Grand Polestone Tsurumi	Chugoku / Hiroshima	242.97	1,059.60	465,000,000	5.4%	5.2%	5.6%
198	Grand Polestone Fujimi	Chugoku / Hiroshima	115.04	548.18	228,400,000	5.3%	5.1%	5.5%
199	Grand Polestone Otemachi	Chugoku / Hiroshima	327.70	1,549.40	655,000,000	5.3%	5.1%	5.5%

## Independent Real Estate Valuation Summary Report

8/29/2007

Prepared for:

### **HSBC Institutional Trust Services (S) Limited**

21 Collyer Quay #10-01

HSBC Building

Singapore 049320

Prepared by:

**Rich Appraisal Institute Co., Ltd**

7F Homest Kibako Ginza Building

1-19-14 Ginza, Chuo-ku

Tokyo 104-0061, Japan



**Dear Sirs:**

## **1.0 INTRODUCTION**

### **1.1 Client Brief**

We have appraised the properties as listed below (the “Subject Properties”) and provided comprehensive formal valuation reports prepared in the Japanese language (the “Japanese Full Reports”) in accordance with the requirements in the agreement of instruction from the Trustee, for whom our valuations were conducted.

### **1.2 Purpose of Valuation**

This summary report (the “Summary Report”) has been prepared for the purpose of inclusion in the prospectus to be issued in relation to the offering of units in the Singapore REIT. We have been instructed to appraise the Market Value (as defined in paragraph 2.2 below) of each Subject Property based on its existing use and lease.

## **2.0 BASIS OF VALUATION**

### **2.1 Scope of Subject Properties**

The Subject Properties have been appraised as fully operational entities based on both their historical financial results and our opinion as to the future performance and level of turnover likely to occur. The valuation figures include all the improvements as well as equipment and other building contents employed in their operation.

### **2.2 Concept of Market Value**

The appraised values reflect the Market Value of the Subject Properties as at the effective date of value. Market Value means the probable value that would be formed for marketable real estate in a market that satisfies conditions associated with a rational market under actual social and economic circumstances. In this connection, the market above refers to a market that satisfies the conditions listed below:

- 2.2.1 market participants with typical information, knowledge and management skills are acting on their own free will, and are able to enter or leave the market as they wish;
- 2.2.2 there are no special restrictions on transactions that restrict market participants nor any extraordinary incentives that induce participants to sell or buy the Subject Property; and
- 2.2.3 the Subject Properties are made available for sale in the market for an appropriate period of time.

## **2.3 Valuation Procedure**

### **2.3.1 Inspection and investigations**

We confirm that we have inspected the Subject Properties and conducted appropriate investigations as we considered necessary for the purpose of providing you with our opinion of the Market Values of the Subject Properties.

### **2.3.2 Data reliability**

The data as to ownership title, land and building areas, and other legal descriptions were obtained from searches conducted at the appropriate local government departments and real estate registry offices. We have also relied on the data and information provided by the client such as lettable/gross floor area, tenancy details, leasing contracts, and so on. All data and information provided by the client was treated as correct and we accept no responsibility for subsequent changes in data and reserve the right to change our opinion of value if any data provided were to materially change. Thus, we take no responsibility for inaccurate data provided by the client and subsequent conclusions derived from such data.

### **2.3.3 Appraisal methods employed**

The methods used in the valuation process are both the Cost Approach and Income Approach. We have placed emphasis on the Income Approach by virtue of the nature of the properties valued. The Income Approach is in turn categorized into the Direct Capitalization Approach and Discounted Cash Flow Approach, both of which are based on assumptions as to income and expenses, considering future changes in the economic and social conditions, which affect the values of the Subject Properties. The resultant market value is, in our opinion, the best estimate, but it is not to be construed as any guarantee or prediction and it fully depends on the accuracy of the valuation assumptions made and data provided.

## **3.0 DISCLAIMER**

- 3.1 The Japanese Full Reports have been prepared by our licensed real estate appraiser(s) based on professional knowledge and expertise. We duly comply with the Real Estate Appraisal Act of 1963 (Bill No. 152). A translation of the Japanese Full Reports is also available (the “English Reports”, and together with the Japanese Full Reports, the “Full Reports”).
- 3.2 Should there be any discrepancies between the Japanese Full Reports, the English Full Reports, and this Summary Report, the Japanese Full Reports shall prevail.
- 3.3 This Summary Report summarizes our Full Reports and does not contain all the necessary data and assumptions therein. Investors are suggested to refer to the Full Reports. Below are the principal assumptions and conditions our valuations are based on:
  - 3.3.1 Title or ownership of each of the Subject Properties is referenced to the public registration record with the real estate register maintained by the regional Legal Affairs Bureau or to the materials provided by the client. We assume that such evidence of title or ownership of each of the Subject Properties is true and is free from and clear of all liens, encumbrances, easements, and restrictions, unless noted otherwise.
  - 3.3.2 We assume no responsibility to any matter involving title or legal in character.
  - 3.3.3 We conducted our valuations principally based on visual inspection. Unless stated otherwise, we have carried out our valuations based on the assumption that there were no defects relating to the sites of Subject Properties or their improvements. We accept no responsibility for any subsequent discovery of or materials hazardous to human bodies or defects in the improvements, if any.

- 3.3.4 With regards to environmental risks, in the course of our work, we have, based on information and the engineering reports provided by the client, inspected the existence of hazardous materials or conditions to the Subject Properties, such as asbestos, polychlorinated biphenyl (PCB), and soil contamination. However, as appraisers, we do not have expertise relating to the defection of environmental risks. We accept no responsibility for any possible value deviation from the appraised value caused by environmental risks, which have not been identified in the course of our work, or which may emerge for the Subject Properties in the future.
- 3.3.5 As appraisers, we do not have expertise relating to mechanical, electrical, structural and other engineering matters. In the course of our work, we have checked the legal compliance of the subject improvements based on information and the engineering reports provided by the client. We accept no responsibility for any possible value deviation from the appraised value cause by any non-compliance with building or other legal regulations which have not been identified in the course of our work, or which may emerge for the Subject Properties in the future.
- 3.3.6 The appraised values reflect the Market Value of the Subject Properties as at the effective date of the appraisal. It is not a forecast or guaranteed sale price of the Subject Properties some time in the future. In other words, each of the Subject Properties is assumed to have been offered on the market for a reasonable time period prior to the hypothetical consummation of a sale on the effective date of the appraisal.
- 3.4 We have prepared this Summary Report in the Prospectus and specifically disclaim liability to any person in the event of any omission from, or false or misleading statement(s) included in the Prospectus, other than in respect of the information provided within the Full Reports and this Summary Report. We do not make any warranty or representation as to the accuracy of the information in any part of the Prospectus other than as expressly made or given in this Summary Report.
- 3.5 We have no present nor prospective interest in the Subject Properties and are not a related corporation of nor do we have a relationship with the Trustee. Our compensation is not contingent upon the reporting of any predetermined value or direction in value, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.

#### **4.0 PROPERTIES TO BE VALUED AND SUMMARY OF CONCLUSION**

A summary of the valuation report for each Subject Property is given in the following pages. The valuation certificates of the individual subject properties appear after this summary.

Sincerely,

**Rich Appraisal Institute Co., Ltd**



Masayuki Takeda  
Managing Director



Class. No.	Name of Property	Region / City	Site Area (sq. m.)	Net Lettable Area (sq. m.)	Market Value (Japanese Yen)	Direct Cap. Rate	Target Discount Rate (10 yrs)	Terminal Cap. Rate
1	Three Towers	Hokkaido/Sapporo	2,116.78	5,569.47	1,060,000,000	5.40%	5.30%	5.60%
2	Luna Heights	Hokkaido/Sapporo	544.72	1,303.50	316,000,000	5.90%	5.80%	6.10%
3	53rd Matsui	Hokkaido/Sapporo	416.52	1,073.70	243,000,000	5.60%	5.50%	5.80%
4	Plaza Nakajima	Hokkaido/Sapporo	638.70	2,188.58	370,000,000	5.70%	5.60%	5.90%
5	Chateau 242	Hokkaido/Sapporo	924.27	2,105.43	633,000,000	5.70%	5.60%	5.90%
6	Chateau Nakanoshima	Hokkaido/Sapporo	839.33	1,378.50	297,000,000	5.70%	5.60%	5.90%
7	Glance Nishimachi	Hokkaido/Sapporo	1,667.05	2,668.00	430,000,000	5.90%	5.80%	6.10%
8	82nd Matsui	Hokkaido/Sapporo	762.99	2,483.33	452,000,000	5.50%	5.40%	5.70%
9	Urban Yamahana	Hokkaido/Sapporo	426.93	752.46	136,000,000	5.70%	5.60%	5.90%
10	Maison Towa	Hokkaido/Sapporo	387.34	1,149.48	210,000,000	5.70%	5.60%	5.90%
11	Misono Heighs	Hokkaido/Sapporo	621.19	1,597.52	327,000,000	5.70%	5.60%	5.90%
12	Wing Befu	Kyushu/Fukuoka	416.52	751.10	184,000,000	5.50%	5.40%	5.70%
13	Dominion Yamanote	Hokkaido/Sapporo	483.05	800.07	179,000,000	5.90%	5.80%	6.10%
14	Treasure 15	Hokkaido/Sapporo	656.49	878.64	174,000,000	6.00%	5.90%	6.20%
15	Infinit Higashi Sapporo	Hokkaido/Sapporo	434.74	1,398.33	244,000,000	5.70%	5.60%	5.90%
16	Arati Hakata South	Kyushu/Fukuoka	711.14	1,376.23	450,000,000	5.50%	5.40%	5.70%
17	First Kotake	Hokkaido/Sapporo	991.73	3,233.14	1,062,000,000	5.80%	5.70%	6.00%
18	Park Crystal	Hokkaido/Sapporo	787.37	1,286.00	317,000,000	5.90%	5.80%	6.10%
19	Chic Takaramachi	Kyushu/Kasuga	1,128.20	1,949.25	232,000,000	5.80%	5.70%	6.00%
20	38th Matsui	Hokkaido/Sapporo	309.44	847.46	188,000,000	5.70%	5.60%	5.90%
21	Sun City	Hokkaido/Sapporo	986.84	2,832.62	404,000,000	5.50%	5.40%	5.70%
22	Les Chambres	Hokkaido/Sapporo	270.34	469.40	89,700,000	5.90%	5.80%	6.10%
23	S.Heim	Hokkaido/Sapporo	421.68	635.60	136,000,000	5.80%	5.70%	6.00%
78	Matsukaze Building	Hokkaido/Hakodate	561.54	2,447.34	348,000,000	5.80%	5.70%	6.00%
79	Johann Building III	Kyushu/Fukuoka	1,075.51	1,758.66	430,000,000	5.50%	5.40%	5.70%
80	Gold Mansion Nakao	Kyushu/Fukuoka	473.23	739.20	156,000,000	5.70%	5.60%	5.90%
81	Kohatsu 88 Building	Hokkaido/Sapporo	158.68	452.87	65,500,000	5.90%	5.80%	6.10%
82	Lumiere Evans	Hokkaido/Sapporo	260.42	337.02	75,100,000	5.80%	5.70%	6.00%
83	Residence II Yasuda	Chugoku/Hiroshima	170.44	444.88	115,000,000	6.00%	5.90%	6.20%
85	Central Court Tenjin Higashi	Kyushu/Fukuoka	255.98	545.67	172,000,000	5.40%	5.30%	5.60%
86	Legions Yunokawa	Hokkaido/Hakodate	932.77	1,486.06	166,000,000	5.80%	5.70%	6.00%
91	Estoilie S12	Hokkaido/Sapporo	483.17	918.54	269,000,000	5.40%	5.30%	5.60%
93	Funairi Honmachi 54	Chugoku/Hiroshima	214.53	769.17	227,000,000	5.80%	5.70%	6.00%
98	Ebisu Building III	Hokkaido/Sapporo	231.40	403.20	91,000,000	5.40%	5.30%	5.60%
99	Escort South 1 I	Hokkaido/Sapporo	392.99	494.60	64,000,000	5.70%	5.60%	5.90%
101	Villa kaigancho	Hokkaido/Hakodate	1,426.81	3,907.46	382,000,000	5.90%	5.80%	6.10%
104	Alpha Shinonome	Chugoku/Hiroshima	301.21	511.73	114,000,000	6.00%	5.90%	6.20%
105	Global Matsukawa Building	Chugoku/Hiroshima	204.69	1,104.65	288,000,000	5.70%	5.60%	5.90%
106	Heart Inn Hongou	Hokkaido/Sapporo	418.76	457.76	93,400,000	5.90%	5.80%	6.10%
107	Crestage Tayacho	Hokkaido/Hakodate	725.69	1,027.08	120,000,000	6.20%	6.10%	6.40%
110	Higashi Hakushirna Y Building	Chugoku/Hiroshima	138.21	535.72	210,000,000	5.50%	5.40%	5.60%
111	Kamei Five	Chugoku/Hiroshima	247.10	448.80	129,000,000	6.10%	6.00%	6.30%
112	Kinyacho Grande	Chugoku/Hiroshima	209.22	1,360.20	569,000,000	5.30%	5.20%	5.40%
113	Kinyacho Y Building	Chugoku/Hiroshima	157.32	620.51	244,000,000	5.50%	5.40%	5.60%
114	Matoba Y Building	Chugoku/Hiroshima	167.27	662.62	229,000,000	5.50%	5.40%	5.60%
115	Otemachi Y Building	Chugoku/Hiroshima	134.04	577.13	234,000,000	5.80%	5.70%	5.90%
116	U.I. Building	Chugoku/Hiroshima	1,099.39	2,002.05	342,000,000	5.80%	5.70%	6.00%
124	Saumur Meinohama II	Kyushu/Fukuoka	195.22	290.46	76,000,000	5.60%	5.50%	5.80%
125	Reef Suite	Hokkaido/Sapporo	594.04	893.64	204,000,000	5.50%	5.40%	5.70%
135	Yamamoto Mansion	Kyushu/Kagoshima	693.99	2,671.99	760,000,000	5.60%	5.50%	5.80%
136	Art Side Terrace	Hokkaido/Sapporo	944.30	3,264.74	687,000,000	5.10%	5.00%	5.30%
140	K2 Mansion Morioka	Tohoku/Morioka	2,428.01	1,869.60	380,000,000	6.10%	6.00%	6.30%
142	Jewel Town Suehiro	Hokkaido/Hakodate	604.92	1,381.74	193,000,000	6.30%	6.20%	6.50%
143	Estella 24ken A	Hokkaido/Sapporo	198.35	371.72	109,000,000	5.40%	5.30%	5.60%
144	Kotoni 1-6 Mansion	Hokkaido/Sapporo	528.91	1,661.62	351,000,000	5.90%	5.80%	6.10%
146	Aster Yamahana	Hokkaido/Sapporo	512.39	985.70	193,000,000	5.70%	5.60%	5.90%
147	Patios Ohashi	Kyushu/ Fukuoka	297.75	442.29	140,000,000	5.50%	5.40%	5.70%

Class. No.	Name of Property	Region / City	Site Area (sq. m.)	Net Lettable Area (sq. m.)	Market Value (Japanese Yen)	Direct Cap. Rate	Target Discount Rate (10 yrs)	Terminal Cap. Rate
148	K1 Mansion Morioka	Tohoku/Morioka	419.28	434.04	79,000,000	5.90%	5.80%	6.10%
152	Toa Mansion	Hokkaido/Sapporo	1,160.66	4,406.16	823,000,000	5.70%	5.60%	5.90%
154	Aistage Ushita Minami	Chugoku/Hiroshima	353.30	920.32	357,000,000	5.40%	5.30%	5.50%
155	Suien	Hokkaido/Sapporo	179.40	576.90	131,000,000	5.50%	5.40%	5.70%
160	Gardenia Kurashiki	Chugoku/ Kurashiki	770.50	846.08	146,000,000	6.00%	5.90%	6.20%
163	Jeunes 23	Hokkaido/Sapporo	581.66	1,501.51	343,000,000	5.70%	5.60%	5.90%
181	Royal Hills Komatsushima	Tohoku/Miyagi	462.80	679.56	165,000,000	6.40%	6.30%	6.60%
182	Senboku haimu Bakushukaku	Tohoku/Iwate	1,601.42	1,230.12	204,000,000	6.30%	6.20%	6.50%
183	Senboku haimu Dai2 Bakushu	Tohoku/Iwate	649.08	712.80	125,000,000	6.30%	6.20%	6.50%
187	Maestoso Figure	Tohoku/Hukushima	1,196.48	1,618.50	456,000,000	6.00%	5.80%	6.10%
188	Leggiero Viola	Tohoku/Hukushima	1,093.71	1,385.52	375,000,000	6.10%	5.90%	6.20%
192	La Finesse Hakataeki Minami	Kyusyu/Fukuoka	322.21	1,228.02	538,000,000	5.00%	4.90%	5.20%
194	Maison d'Etoile II	Tohoku/Miyagi	350.51	597.80	110,000,000	6.00%	5.90%	6.20%
197	Fujimicho Building	Chugoku/Hiroshima	174.47	961.77	513,000,000	5.10%	5.00%	5.20%
199	Grand Plestone Otemachi	Cyugoku/Hiroshima	327.70	1,549.40	621,000,000	5.20%	5.10%	5.30%
200	Kusatsu Higashi Heights	Cyugoku/Hiroshima	740.28	1,182.60	197,000,000	6.10%	6.00%	6.30%
201	VOGA Minami Kannon	Cyugoku/Hiroshima	413.90	736.08	230,000,000	5.90%	5.80%	6.10%

# **Independent Real Estate Valuation Summary Report**

August 28, 2007

Prepared for:

**HSBC Institutional Trust Services(S) Limited/  
Japan Residential Assets Manager Limited**

Prepared by:

**Tokyo Asset Research Inc.**  
4F Chouyu Randic Bldg., 3-1-11, Shinbashi,  
Minato-ku, Tokyo 105-0004, JAPAN

**Dear Sirs:**

## **1.0 INTRODUCTION**

### **1.1 Client Brief**

We have appraised the properties as listed below (the “Subject Properties”) and provided comprehensive formal valuation reports prepared in the Japanese language (the “Japanese Full Reports”) in accordance with the requirements in the agreement of instruction from the Trustee or Manager for whom our valuations were conducted.

### **1.2 Purpose of Valuation**

This summary report (the “Summary Report”) has been prepared for the purpose of inclusion in the prospectus to be issued in relation to the offering of units in the Singapore REIT. We have been instructed to appraise the Market Value (as defined in paragraph 2.2 below) of each Subject Property based on its existing use and lease.

## **2.0 BASIS OF VALUATION**

### **2.1 Scope of Subject Properties**

The Subject Properties have been appraised as fully operational entities based on both their historical financial results and our opinion as to the future performance and level of turnover likely to occur. The valuation figures include all the improvements as well as equipment and other building contents employed in their operation.

### **2.2 Concept of Market Value**

The appraised values reflect the Market Value of the Subject Properties as at the effective date of value. Market Value means the probable value that would be formed for marketable real estate in a market that satisfies conditions associated with a rational market under actual social and economic circumstances. In this connection, the market above refers to a market that satisfies the conditions listed below:

- 2.2.1 market participants with typical information, knowledge and management skills are acting on their own free will, and are able to enter or leave the market as they wish;
- 2.2.2 there are no special restrictions on transactions that restrict market participants nor any extraordinary incentives that induce participants to sell or buy the Subject Property; and
- 2.2.3 the Subject Properties are made available for sale in the market for an appropriate period of time.

## **2.3 Valuation Procedure**

### **2.3.1 Inspection and investigations**

We confirm that we have inspected the Subject Properties and conducted appropriate investigations as we considered necessary for the purpose of providing you with our opinion of the Market Values of the Subject Properties.

### **2.3.2 Data reliability**

The data as to ownership title, land and building areas, and other legal descriptions were obtained from searches conducted at the appropriate local government departments and real estate registry offices. We have also relied on the data and information provided by the client such as lettable/gross floor area, tenancy details, leasing contracts, and so on. All data and information provided by the client was treated as correct and we accept no responsibility for subsequent changes in data and reserve the right to change our opinion of value if any data provided were to materially change. Thus, we take no responsibility for inaccurate data provided by the client and subsequent conclusions derived from such data.

### **2.3.3 Appraisal methods employed**

The methods used in the valuation process are both the Cost Approach and Income Approach. We have placed emphasis on the Income Approach by virtue of the nature of the properties valued. The Income Approach is in turn categorized into the Direct Capitalization Approach and Discounted Cash Flow Approach, both of which are based on assumptions as to income and expenses, considering future changes in the economic and social conditions, which affect the values of the Subject Properties. The resultant market value is, in our opinion, the best estimate, but it is not to be construed as any guarantee or prediction and it fully depends on the accuracy of the valuation assumptions made and data provided.

## **3.0 DISCLAIMER**

- 3.1 The Japanese Full Reports have been prepared by our licensed real estate appraiser(s) based on professional knowledge and expertise. We duly comply with the Real Estate Appraisal Act of 1963 (Bill No. 152). A translation of the Japanese Full Reports is also available (the “English Reports”, and together with the Japanese Full Reports, the “Full Reports”).
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- 3.3 This Summary Report summarizes our Full Reports and does not contain all the necessary data and assumptions therein. Investors are suggested to refer to the Full Reports. Below are the principal assumptions and conditions our valuations are based on:
  - 3.3.1 Title or ownership of each of the Subject Properties is referenced to the public registration record with the real estate register maintained by the regional Legal Affairs Bureau or to the materials provided by the client. We assume that such evidence of title or ownership of each of the Subject Properties is true and is free from and clear of all liens, encumbrances, easements, and restrictions, unless noted otherwise.
  - 3.3.2 We assume no responsibility to any matter involving title or legal in character.
  - 3.3.3 We conducted our valuations principally based on visual inspection. Unless stated otherwise, we have carried out our valuations based on the assumption that there were no defects relating to the sites of Subject Properties or their improvements. We accept no responsibility for any subsequent discovery of or materials hazardous to human bodies or defects in the improvements, if any.
  - 3.3.4 With regards to environmental risks, in the course of our work, we have, based on information and the engineering reports provided by the client, inspected the existence of hazardous materials or conditions to the Subject Properties, such as asbestos, polychlorinated biphenyl (PCB), and soil

contamination. However, as appraisers, we do not have expertise relating to the defection of environmental risks. We accept no responsibility for any possible value deviation from the appraised value caused by environmental risks, which have not been identified in the course of our work, or which may emerge for the Subject Properties in the future.

3.3.5 As appraisers, we do not have expertise relating to mechanical, electrical, structural and other engineering matters. In the course of our work, we have checked the legal compliance of the subject improvements based on information and the engineering reports provided by the client. We accept no responsibility for any possible value deviation from the appraised value caused by any non-compliance with building or other legal regulations which have not been identified in the course of our work, or which may emerge for the Subject Properties in the future.

3.3.6 The appraised values reflect the Market Value of the Subject Properties as at the effective date of the appraisal. It is not a forecast or guaranteed sale price of the Subject Properties some time in the future. In other words, each of the Subject Properties is assumed to have been offered on the market for a reasonable time period prior to the hypothetical consummation of a sale on the effective date of the appraisal.

3.4 We have prepared this Summary Report in the Prospectus and specifically disclaim liability to any person in the event of any omission from, or false or misleading statement(s) included in the Prospectus, other than in respect of the information provided within the Full Reports and this Summary Report. We do not make any warranty or representation as to the accuracy of the information in any part of the Prospectus other than as expressly made or given in this Summary Report.

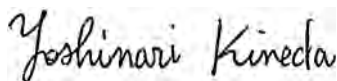
3.5 We have no present nor prospective interest in the Subject Properties and are not a related corporation of nor do we have a relationship with the Manager. Our compensation is not contingent upon the reporting of any predetermined value or direction in value, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.

#### **4.0 PROPERTIES TO BE VALUED AND SUMMARY OF CONCLUSION**

A summary of the valuation report for each Subject Property is given in the following pages. The valuation certificates of the individual subject properties appear after this summary.

Sincerely,

**Tokyo Asset Research Inc.**



Yoshinari Kideda  
Licensed Real Estate Appraiser  
Director (President)

Property Number	Property Name	Region/City	Site Area (sq. m.)	Net Lettable Area (sq. m.)	Market Value (Japanese Yen)	Direct Cap Rate	Target Discount Rate (10 yrs)	Terminal Cap Rate
80	Gold Manshon Nakao	Kyushu/Fukuoka	473.23	739.20	179,000,000	5.3%	5.0%	5.5%
85	Centralcort Tenjin-East	Kyushu/Fukuoka	255.98	545.67	203,000,000	5.0%	4.7%	5.4%
94	Chalet Kishinoura	Kyushu/Kitakyusyu	1,160.98	1,726.92	382,000,000	5.5%	5.1%	5.7%
95	Chalet Numahonmachi II	Kyushu/Kitakyusyu	751.65	1,312.80	246,000,000	5.5%	5.1%	5.7%
96	Chalet Suwamachi	Kyushu/Kitakyuayu	750.31	2,220.57	378,000,000	5.5%	5.1%	5.7%
97	Chalet Tsudashinmachi	Kyushu/Kitakyusyu	775.74	1,227.36	189,000,000	5.5%	5.1%	5.7%
100	Chalet Einomaru II	Kyushu/Kitakyusyu	687.20	937.44	147,000,000	5.5%	5.1%	5.7%
102	Chalet Kanda II	Kyushu/Kitakyusyu	1,402.19	2,093.63	336,000,000	5.6%	5.2%	5.8%
103	Chalet Matsuo II	Kyushu/Kitakyusyu	276.75	411.36	78,800,000	5.5%	5.1%	5.7%
117	Chalet Harunomachi	Kyushu/Kitakyusyu	729.81	2,750.00	477,000,000	5.5%	5.1%	5.7%
118	Chalet Shiragane	Kyushu/Kitakyusyu	439.13	1,316.04	285,000,000	5.5%	5.1%	5.7%
128	City Room Nakai III	Kyushu/Kitakyusyu	438.80	855.00	193,000,000	5.5%	5.1%	5.7%
200	Kusatsuhigashi Heights	Hiroshima	739.65	1,182.60	186,000,000	6.6%	6.5%	6.9%
201	VOGA Minamikanon	Hiroshima	420.47	659.28	199,000,000	6.3%	6.2%	6.5%



**Independent Real Estate Valuation Summary Report**

07/26/2007

Prepared for:

**HSBC Institutional Trust Services (S) Limited/  
Japan Residential Assets Manager Limited**

Prepared by:

**Total Asset Research (TAR)**  
310 Laurel-Nagatacho,  
2-17-5, Nagatacho, Chiyoda-ku,  
Tokyo 100-0014, JAPAN

**Dear Sirs:**

**1.0 INTRODUCTION**

**1.1 Client Brief**

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**1.2 Purpose of Valuation**

This summary report (the “Summary Report”) has been prepared for the purpose of inclusion in the prospectus to be issued in relation to the offering of units in the Singapore REIT. We have been instructed to appraise the Market Value (as defined in paragraph 2.2 below) of each Subject Property as at May 31, 2007 based on its existing use and lease.

**2.0 BASIS OF VALUATION**

**2.1 Scope of Subject Properties**

The Subject Properties have been appraised as fully operational entities based on both their historical financial results and our opinion as to the future performance and level of turnover likely to occur. The valuation figures include all the improvements as well as equipment and other building contents employed in their operation.

**2.2 Concept of Market Value**

The appraised values reflect the Market Value of the Subject Properties as at the effective date of value. Market Value means the probable value that would be formed for marketable real estate in a market that satisfies conditions associated with a rational market under actual social and economic circumstances. In this connection, the market above refers to a market that satisfies the conditions listed below:

- 2.2.1 market participants with typical information, knowledge and management skills are acting on their own free will, and are able to enter or leave the market as they wish;
- 2.2.2 there are no special restrictions on transactions that restrict market participants nor any extraordinary incentives that induce participants to sell or buy the Subject Property; and
- 2.2.3 the Subject Properties are made available for sale in the market for an appropriate period of time.

## **2.3 Valuation Procedure**

### **2.3.1 Inspection and investigations**

We confirm that we have inspected the Subject Properties and conducted appropriate investigations as we considered necessary for the purpose of providing you with our opinion of the Market Values of the Subject Properties.

### **2.3.2 Data reliability**

The data as to ownership title, land and building areas, and other legal descriptions were obtained from searches conducted at the appropriate local government departments and real estate registry offices. We have also relied on the data and information provided by the client such as lettable/gross floor area, tenancy details, leasing contracts, and so on. All data and information provided by the client was treated as correct and we accept no responsibility for subsequent changes in data and reserve the right to change our opinion of value if any data provided were to materially change. Thus, we take no responsibility for inaccurate data provided by the client and subsequent conclusions derived from such data.

### **2.3.3 Appraisal methods employed**

The methods used in the valuation process are both the Cost Approach and Income Approach. We have placed emphasis on the Income Approach by virtue of the nature of the properties valued. The Income Approach is in turn categorized into the Direct Capitalization Approach and Discounted Cash Flow Approach, both of which are based on assumptions as to income and expenses, considering future changes in the economic and social conditions, which affect the values of the Subject Properties. The resultant market value is, in our opinion, the best estimate, but it is not to be construed as any guarantee or prediction and it fully depends on the accuracy of the valuation assumptions made and data provided.

## **3.0 DISCLAIMER**

- 3.1 The Japanese Full Reports have been prepared by our licensed real estate appraiser(s) based on professional knowledge and expertise. We duly comply with the Real Estate Appraisal Act of 1963 (Bill No. 152). A translation of the Japanese Full Reports is also available (the “English Reports”, and together with the Japanese Full Reports, the “Full Reports”).
- 3.2 Should there be any discrepancies between the Japanese Full Reports, the English Full Reports, and this Summary Report, the Japanese Full Reports shall prevail.
- 3.3 This Summary Report summarizes our Full Reports and does not contain all the necessary data and assumptions therein. Investors are suggested to refer to the Full Reports. Below are the principal assumptions and conditions our valuations are based on:
  - 3.3.1 Title or ownership of each of the Subject Properties is referenced to the public registration record with the real estate register maintained by the regional Legal Affairs Bureau or to the materials provided by the client. We assume that such evidence of title or ownership of each of the Subject Properties is true and is free from and clear of all liens, encumbrances, easements, and restrictions, unless noted otherwise.
  - 3.3.2 We assume no responsibility to any matter involving title or legal in character.
  - 3.3.3 We conducted our valuations principally based on visual inspection. Unless stated otherwise, we have carried out our valuations based on the assumption that there were no defects relating to the sites of Subject Properties or their improvements. We accept no responsibility for any subsequent discovery of or materials hazardous to human bodies or defects in the improvements, if any.

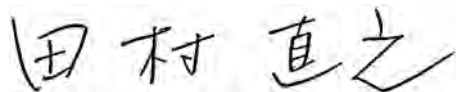
- 3.3.4 With regards to environmental risks, in the course of our work, we have, based on information and the engineering reports provided by the client, inspected the existence of hazardous materials or conditions to the Subject Properties, such as asbestos, polychlorinated biphenyl (PCB), and soil contamination. However, as appraisers, we do not have expertise relating to the deflection of environmental risks. We accept no responsibility for any possible value deviation from the appraised value caused by environmental risks, which have not been identified in the course of our work, or which may emerge for the Subject Properties in the future.
- 3.3.5 As appraisers, we do not have expertise relating to mechanical, electrical, structural and other engineering matters. In the course of our work, we have checked the legal compliance of the subject improvements based on information and the engineering reports provided by the client. We accept no responsibility for any possible value deviation from the appraised value caused by any non-compliance with building or other legal regulations which have not been identified in the course of our work, or which may emerge for the Subject Properties in the future.
- 3.3.6 The appraised values reflect the Market Value of the Subject Properties as at the effective date of the appraisal. It is not a forecast or guaranteed sale price of the Subject Properties some time in the future. In other words, each of the Subject Properties is assumed to have been offered on the market for a reasonable time period prior to the hypothetical consummation of a sale on the effective date of the appraisal.
- 3.4 We have prepared this Summary Report in the Prospectus and specifically disclaim liability to any person in the event of any omission from, or false or misleading statement(s) included in the Prospectus, other than in respect of the information provided within the Full Reports and this Summary Report. We do not make any warranty or representation as to the accuracy of the information in any part of the Prospectus other than as expressly made or given in this Summary Report.
- 3.5 We have no present nor prospective interest in the Subject Properties and are not a related corporation of nor do we have a relationship with the Trustee or Manager. Our compensation is not contingent upon the reporting of any predetermined value or direction in value, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.

#### **4.0 PROPERTIES TO BE VALUED AND SUMMARY OF CONCLUSION**

A summary of the valuation report for each Subject Property is given in the following pages. The valuation certificates of the individual subject properties appear after this summary.

Sincerely,

**Total Asset Research (TAR)**



Name: Naoyuki Tamura

Designation: Director (President), Licensed Real Estate Appraiser

Class. No.	Name of Property	Region./City	Site Area (sq. m.)	Net Lettable Area (sq. m.)	Market Value (Japanese Yen)	Direct Cap. Rate	Target Discount Rate (10yrs)	Terminal Cap. Rate
86	Legions Yunokawa	Hakodate	932.77	1,486.06	185,000,000	6.0%	5.8%	6.3%
89	Sun Hills Asahigaoka	Sendai	238.01	333.96	68,000,000	6.0%	5.7%	6.2%
107	Crestage Tayacho	Hakodate	725.69	1,027.08	129,000,000	6.5%	6.0%	6.8%
109	Mansion Lilac	Sendai	274.94	270.00	64,000,000	5.7%	5.5%	6.0%
142	Jewel Town Suehiro	Hakodate	404.41	1,381.74	203,000,000	6.5%	6.0%	6.8%
159	Core Life	Sendai	2,653.34	3,848.54	534,000,000	5.8%	5.5%	6.0%
177	Sec' As Blue	Sapporo	423.20	1,643.20	383,000,000	6.0%	5.5%	6.0%
181	Royal Hills Komatsujima	Sendai	462.80	679.56	174,000,000	6.5%	6.0%	6.8%
182	Senboku Heim Bakushukaku	Morioka	1,584.53	1,230.12	183,000,000	6.5%	6.0%	6.8%
183	Senboku Heim Bakushukaku II	Morioka	649.08	712.80	115,000,000	6.5%	6.0%	6.8%
184	Liesse Wakabayashi	Sendai	442.27	674.21	175,000,000	6.0%	5.8%	6.3%
189	Dear Misono	Sapporo	181.81	309.95	46,900,000	7.0%	6.4%	7.5%
190	CASA Motomachi	Sapporo	472.86	1,363.89	312,000,000	6.0%	5.5%	6.0%
194	Mansion d'Etoile II	Sendai	350.51	597.78	122,000,000	5.8%	5.5%	6.0%

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**INDEPENDENT OVERVIEW REPORT  
ON THE JAPAN RESIDENTIAL PROPERTY MARKET**

**JREI-Consulting / No. 03109**

Research of Residential Market  
Located in 11 Cities, Japan

October 29, 2007

*Prepared for:*

**HSBC Institutional Trust Services (S) Limited  
Japan Residential Assets Manager Limited**

*Prepared by:*

**Japan Real Estate Institute**



October 29, 2007

HSBC Institutional Trust Services (S) Limited  
Japan Residential Assets Manager Limited

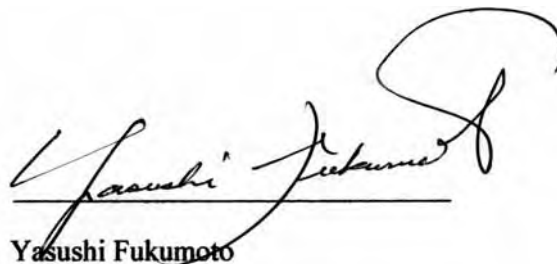
Dear Sir/Madam:

Re: Research of Residential Market Located in 11 Cities, Japan

As you requested, we have investigated the above residential market for the purpose of estimating the value of the ownership in the tenanted properties located in the 11 cities of Japan.

If you need any additional information or further clarification, please do not hesitate to contact us.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Yasushi Fukumoto', is written over a horizontal line. The signature is fluid and cursive, with a large, stylized 'S' at the end.

**Yasushi Fukumoto**

**Director**

**Consulting Department**

**Japan Real Estate Institute**

**Research of Residential Market  
Located in 11 Cities, Japan**

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Nationwide



## I. Economic Overview of Japan

### (I) Gross Domestic Product (Expenditure approach)

[Table 1] Trend of Gross Domestic Product (Expenditure approach)

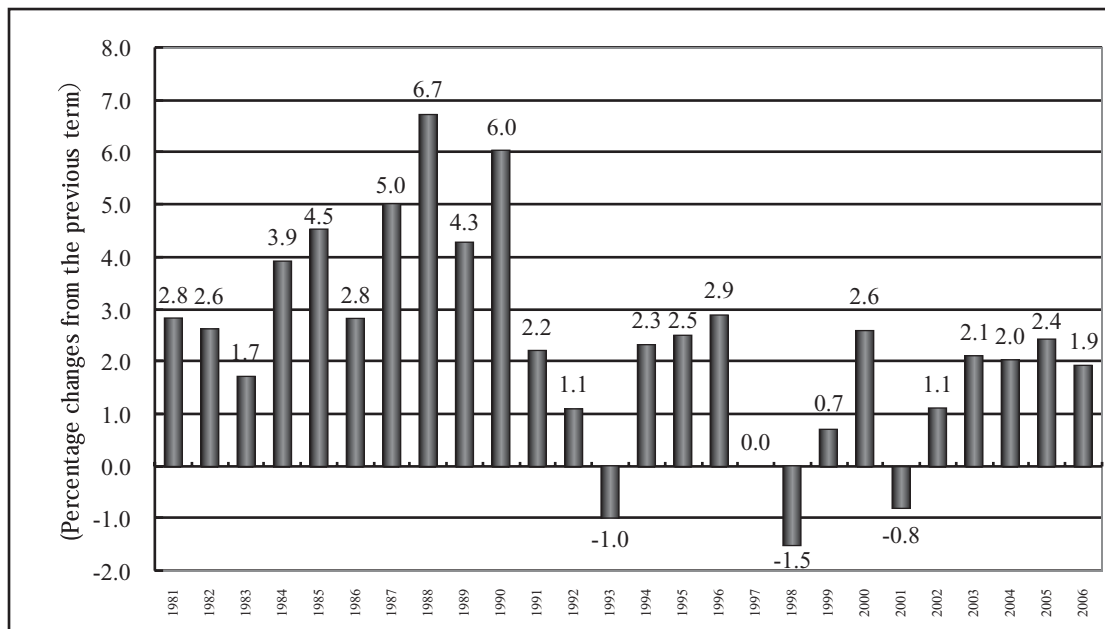
Period (Fiscal Year)	Nominal amount <sup>(*1)</sup>	(*)2	Real amount <sup>(*1)</sup>	(*)2	Period (Fiscal Year)	Nominal amount <sup>(*1)</sup>	(*)2	Real amount <sup>(*1)</sup>	(*)2
	(Billion Yen)		(Billion Yen)			(Billion Yen)		(Billion Yen)	
1981 .....	261,914.3	6.4	324,078.0	2.8	1994	487,017.5	2.2	470,887.9	2.3
1982 .....	274,572.2	4.8	332,655.1	2.6	1995	496,457.3	1.9	482,749.5	2.5
1983 .....	286,278.2	4.3	338,397.4	1.7	1996	508,432.8	2.4	496,903.8	2.9
1984 .....	306,809.3	7.2	351,661.5	3.9	1997	513,306.4	1.0	496,877.2	0.0
1985 .....	327,433.2	6.7	367,658.0	4.5	1998	503,304.4	-1.9	489,438.1	-1.5
1986 .....	341,920.5	4.4	378,071.3	2.8	1999	499,544.2	-0.7	493,048.7	0.7
1987 .....	359,508.9	5.1	396,958.4	5.0	2000	504,118.8	0.9	505,621.9	2.6
1988 .....	386,736.1	7.6	423,383.9	6.7	2001	493,644.7	-2.1	501,617.5	-0.8
1989 .....	414,742.9	7.2	441,613.2	4.3	2002	489,875.2	-0.8	507,014.9	1.1
1990 .....	449,997.1	8.5	467,913.2	6.0	2003	493,747.5	0.8	517,714.4	2.1
1991 .....	472,261.4	4.9	478,034.9	2.2	2004	498,275.4	0.9	527,826.7	2.0
1992 .....	483,837.5	2.5	483,182.4	1.1	2005	503,316.5	1.0	540,429.7	2.4
1993 .....	480,661.5	-0.7	478,346.5	-1.0	2006	509,810.1	1.3	550,892.5	1.9

(Source) Cabinet Office

(\*1) The figures FY 1981-1993 are based on Fixed-Based Methods and those FY 1994-2006 are based on Chain-Linking Methods.

(\*)2 Percentage changes from the previous term. The figures FY 1981-1994 are based on Fixed-Based Methods and those FY 1995-2006 are based on Chain-Linking Methods.

[Figure 1] Development of Real Gross Domestic Product (Fiscal year)



## (II) Corporate Bankruptcies

[Table 2] Trend of Corporate Bankruptcies

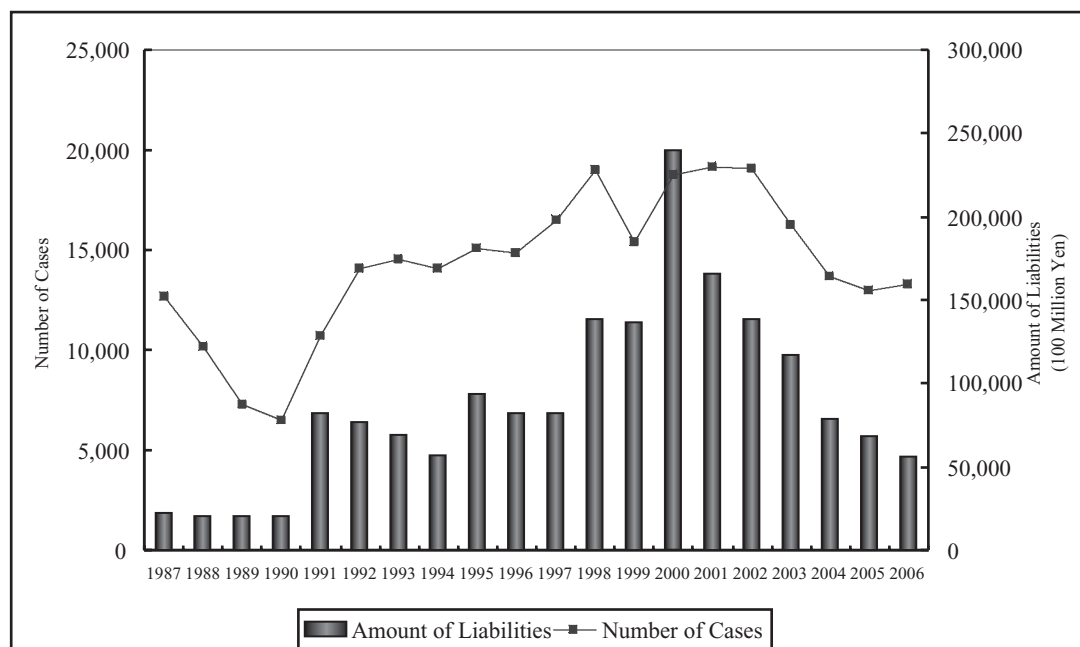
Period	Number of Cases <sup>(*1)</sup>	( <sup>(*2)</sup> )	Amount of Liabilities <sup>(*1)</sup> (100 Million Yen)	( <sup>(*2)</sup> )
1987	12,655	-27.6	21,223	-44.6
1988	10,122	-20.0	20,009	-5.7
1989	7,234	-28.5	12,322	-38.4
1990	6,468	-10.6	19,958	62.0
1991	10,723	65.8	81,487	308.3
1992	14,069	31.2	76,014	-6.7
1993	14,564	3.5	68,476	-9.9
1994	14,061	-3.5	56,294	-17.8
1995	15,108	7.4	92,411	64.2
1996	14,834	-1.8	81,228	-12.1
1997	16,464	11.0	140,446	72.9
1998	18,988	15.3	137,483	-2.1
1999	15,352	-19.1	136,214	-0.9
2000	18,769	22.3	238,850	75.3
2001	19,164	2.1	165,196	-30.8
2002	19,087	-0.4	137,824	-16.6
2003	16,255	-14.8	115,818	-16.0
2004	13,679	-15.8	78,176	-32.5
2005	12,998	-5.0	67,034	-14.3
2006	13,245	1.9	55,005	-17.9

(Source) Tokyo Shoko Research Ltd.

(\*1) Figures are aggregates of bankruptcies with total liabilities of over 10 million yen.

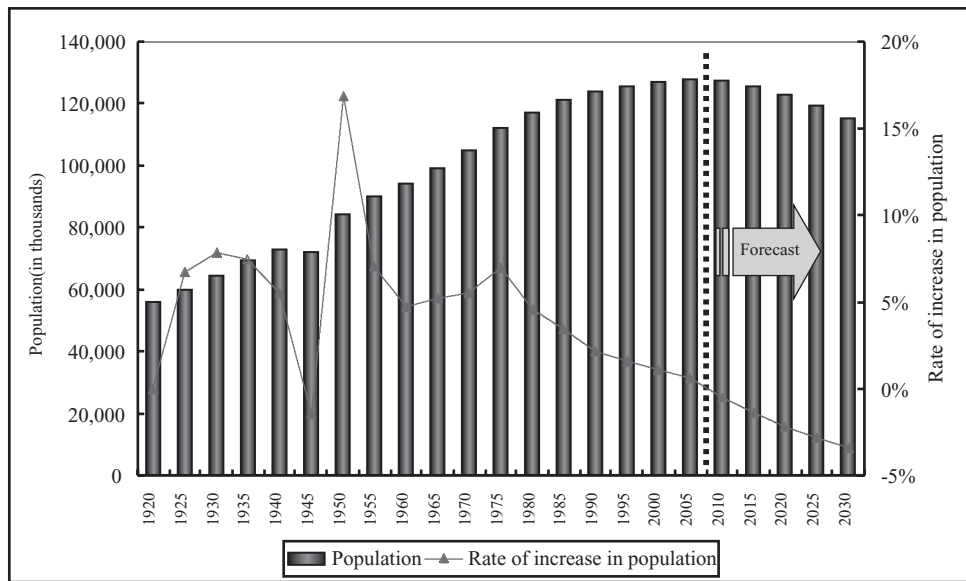
(\*2) Percentage change from the previous year

[Figure 2] Trend of Corporate Bankruptcies



## II. Population

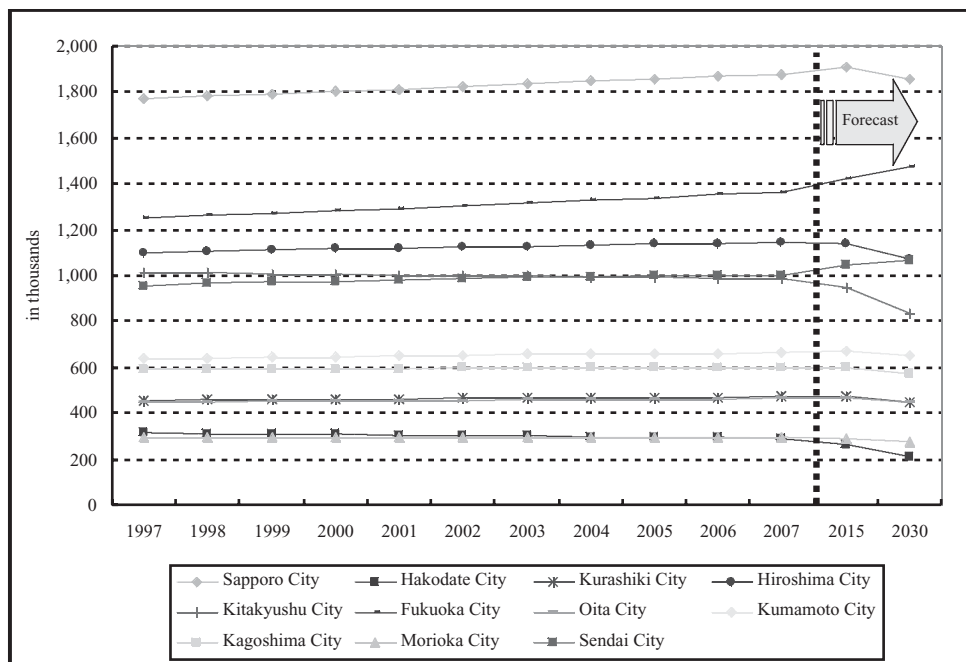
[Figure 3] Trend and Forecast of Population of Japan



(Source) Ministry of Internal Affairs and Communications

(Source) The National Institute of Population and Social Security Research, "Population Forecast"

[Figure 4] Trend and Forecast of Population of 11 Cities



(Source) The websites of the prefecture and municipality

(Source) The National Institute of Population and Social Security Research, "Population Forecast"

Sapporo City, Hokkaido Prefecture





## I. Overview of Hokkaido Prefecture and Sapporo City

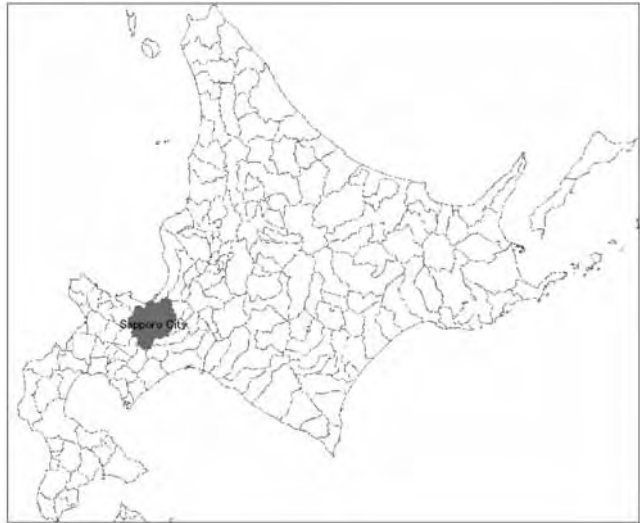
### (I) Location and Land Area

- *Hokkaido Prefecture* is the northernmost major island of Japan. The total land area amounts to 83,456.20 square kilometers, with a length of approximately 467 kilometers from north to south (from Latitude 41° 21" to 45° 33" North) and approximately 773 kilometers from east to west (from Longitude 139° 20" to 148° 53" East). The size of Hokkaido ranks the largest among 47 prefectures in Japan. Its prefectural seat is Sapporo City.
- *Sapporo City* is located in the western part of Hokkaido Prefecture. Its land area is 1,121.12 square kilometers. The city serves as the political and economic center of Hokkaido.

[Figure 1] Location of Hokkaido Prefecture



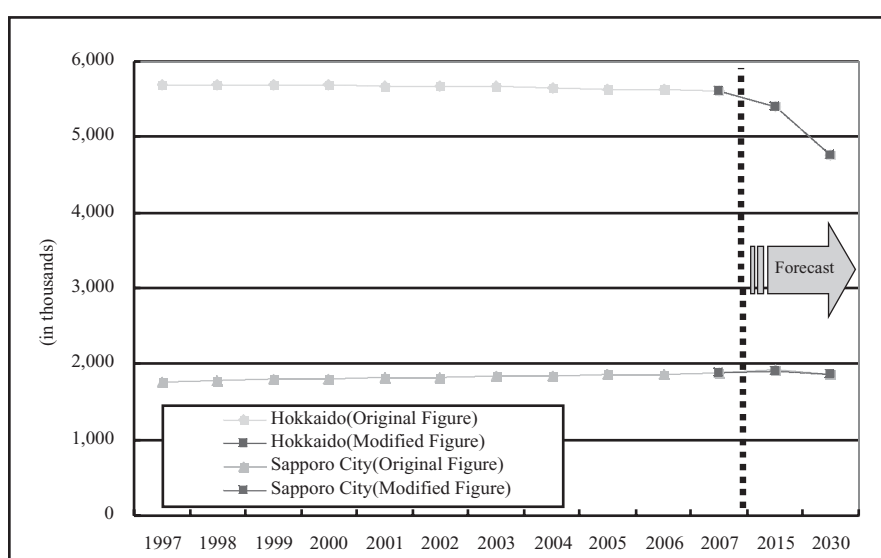
[Figure 2] Location of Sapporo City



## (II) Population and Number of Households

- *Hokkaido Prefecture* The population and number of households of Hokkaido Prefecture totaled 5,600,672 and 2,600,469, respectively, as of the end of March 2007. The population declined annually by 0 percent to 0.5 percent, while the household number grew annually by approximately 1 percent between 1997 and 2007.
- *Sapporo City* The population and number of households of Sapporo City totaled 1,874,410 and 920,537, respectively, as of the end of March 2007. The population and household number grew annually by approximately 0.5 and 2 percent, respectively, between 1997 and 2007.
- According to “Population Forecast” by the National Institute of Population and Social Security Research, *Hokkaido Prefecture’s population* will decline by approximately 3.5 percent in 2015 and by approximately 15 percent in 2030 compared to its population in 2007. *Sapporo City’s population*, on the other hand, was forecasted to remain almost unchanged until 2030 from the level in 2007.

[Figure 3] Population Trend and Forecast



## II. Multifamily Market

### (I) Supply and Demand of Apartment Units

#### 1. Housing Starts

- *Sapporo City* Rental housing starts in Sapporo City in FY 2005 were reported at 19,572 units and 1,080,593 square meters of total floor areas. Both statistics increased by approximately 1.3 times from the level in the previous year.

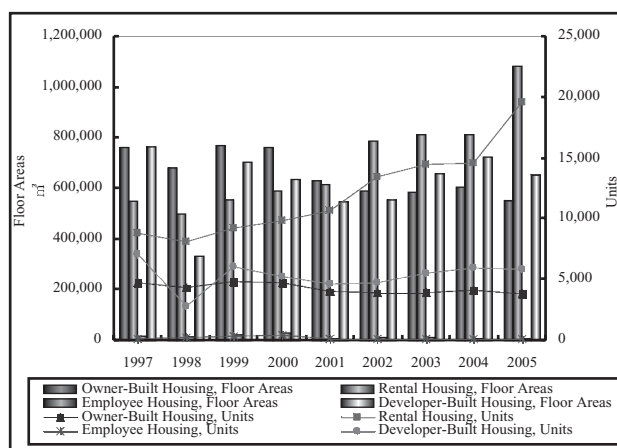
(Note) Owner-Built Housing: housing built by owners for their occupancy

Rental Housing: housing built for renting

Employee Housing: housing built by corporations and institutions for their employees

Developer-Built Housing: housing built by developers for sale

[Figure 4] Housing Starts in Sapporo City by Builder/Use



[Table 1] Housing Starts in Sapporo City by Builder/Use

		1997	1998	1999	2000	2001	2002	2003	2004	2005
		(m², units)								
Owner-Built Housing . . . . .	Floor Areas	760,694	680,677	768,534	761,166	630,131	588,841	583,964	606,084	553,163
	Units	4,689	4,262	4,862	4,724	3,998	3,863	3,874	4,060	3,764
Rental Housing . . . . .	Floor Areas	545,303	494,995	544,009	590,627	616,987	787,956	813,772	813,933	1,080,593
	Units	8,842	8,115	9,238	9,859	10,658	13,382	14,433	14,565	19,572
Employee Housing . . . . .	Floor Areas	12,598	11,664	22,069	29,339	6,579	8,927	7,701	6,581	5,498
	Units	135	203	291	399	81	106	93	87	60
Developer-Built Housing . .	Floor Areas	760,999	331,301	702,051	632,154	545,929	557,504	658,563	721,403	655,785
	Units	7,045	2,779	6,028	5,177	4,586	4,693	5,572	5,948	5,889

(Source) Ministry of Land, Infrastructure and Transport, "Construction Statistical Yearbook"

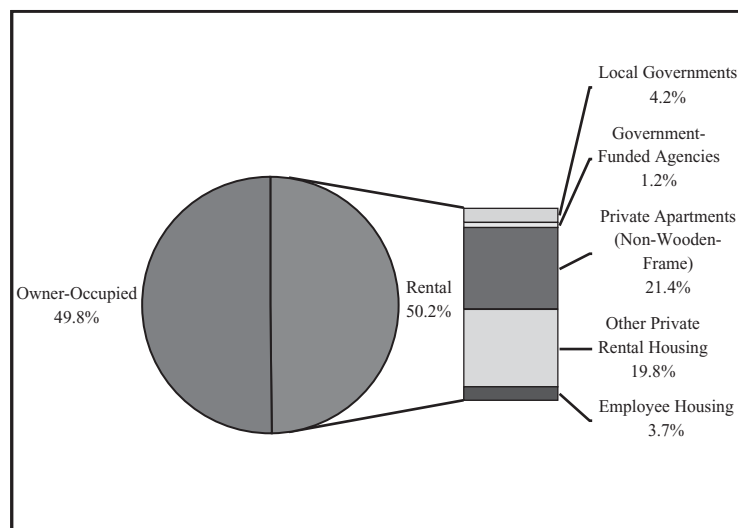
(Note) Figures for each fiscal year

## 2. Share of Owner-Occupied and Rental Housing

- *Sapporo City* The shares of owner-occupied and rental housing stood at 49.8 percent and 50.2 percent, respectively, in Sapporo City. The proportion of private rental housing was reported at 41.2 percent of the total housing stock in the city.

(Notes) Owner-Occupied Housing	:	Houses occupied by their owners or co-owners.
Public Housing Provided by Local Governments	:	Rental housing owned or operated by prefectural or municipal governments, excluding employee housing. Commonly called as “Prefectural Public Housing” or “Municipal Public Housing.”
Public Housing Provided by Government-Funded Agencies	:	Rental housing owned or operated by government-funded agencies, excluding employee housing. These agencies include Urban Renaissance Agency and prefectural and municipal housing development agencies. Commonly called as “Agency Public Housing.”
Private Rental Housing	:	Privately-owned or operated rental housing, excluding employee housing.
Employee Housing	:	Housing exclusively rented to employees of corporations and institutions, including governments. Housing could be either owned or leased by employers. Some occupants stay for free as a perk of their jobs.

**[Figure 5] Share of Owner-Occupied and Rental Housing in Sapporo City**







(Source) Ministry of Internal Affairs and Communications, “2003 Housing and Land Statistical Survey”

### 3. Trend of Multifamily Market

- *Sapporo City* The multifamily market in Sapporo City is expected to be in equilibrium in 2007.

**[Figure 6] Supply/Demand Situation in Sapporo City**

	2006	2007 Forecast
Change in Demand for New Apartments from Previous Year	 No Change	 No Change
Change in New Apartment Supply	 More	 More
Supply/Demand Situation of New Apartments	Equilibrium	Equilibrium

(Source) JREI, "Nationwide Office and Apartment Rent Index"

## (II) Characteristics of Residential Leases

- According to the breakdown of 1,288 lease contracts, which were closed after January 2006 in Sapporo City for renting non-wooden-frame apartments, the typical amount of deposits can be summarized as follows: *refundable deposits* → one month (73.0 percent); *non-refundable deposits* → none (80.0 percent); and *combination* → one-month refundable and no non-refundable deposits (61.3 percent).
- A fee is not generally required at the time of renewing a contract.
- Out of the 1,288 leases, no contracts were categorized as *teiki shakuya* with a fixed lease period with no renewal options. *Teiki shakuya* leases are seldom used.
- As for the terms of lease contracts, a lease could be renewed automatically if it was not *teiki shakuya*. Among all the leases that we analyzed, 98.8 percent stipulated a two-year lease term.

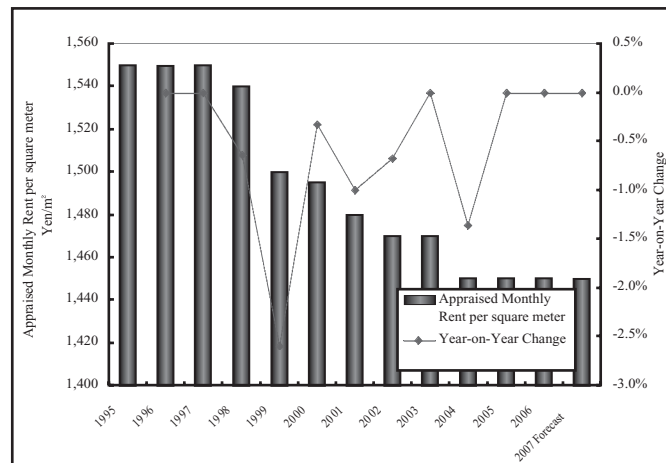
### (III) Rent Level and Vacancy Rate

#### 1. Trend of Rent Level

- On [Figure 7], we plotted the trends of Sapporo City's apartment rents based on JREI's survey. The level of apartment rents remained unchanged since 2004. According to the survey, apartment rents will stay at the same level in 2007.
- During the period from 1995 to 2006, the rent level of apartments fell by approximately 6 percent.

(Note) Our staff members survey apartment rents in Japanese major cities as of the end of September every year. More specifically, an appraised rent is estimated for a hypothetical apartment in a typical neighborhood with higher rents in each major city. The appraised rent includes both rent payable every month and accruing interests on deposits. Our hypothetical apartment building for Sapporo City has features such as reinforced-concrete frame construction and a size of approximately 60 square meters, more or less.

[Figure 7] Trend of Apartment Rent Level



#### 2. Vacancy Rate

- The Ministry of Internal Affairs and Communications' "2003 Housing and Land Statistical Survey" reported the residential vacancy rates of 16.11 percent for Sapporo City.

(Note) Vacant units are defined as all unoccupied rental units, including newly-built and existing; wooden-frame and non-wooden-frame; and single-family and multifamily housing.

[Table 2] Residential Vacancy Rate

	Nationwide	Hokkaido Prefecture	Sapporo City
Rented Units . . . . .	17,166,000	938,400	373,800
Vacant Units . . . . .	3,674,900	180,000	71,800
Total Rental Units . . . . .	20,840,900	1,118,400	445,600
Vacancy Rate . . . . .	17.63%	16.09%	16.11%

(Source) Ministry of Internal Affairs and Communications, "2003 Housing and Land Statistical Survey"

Hakodate City, Hokkaido Prefecture





## I. Overview of Hokkaido Prefecture and Hakodate City

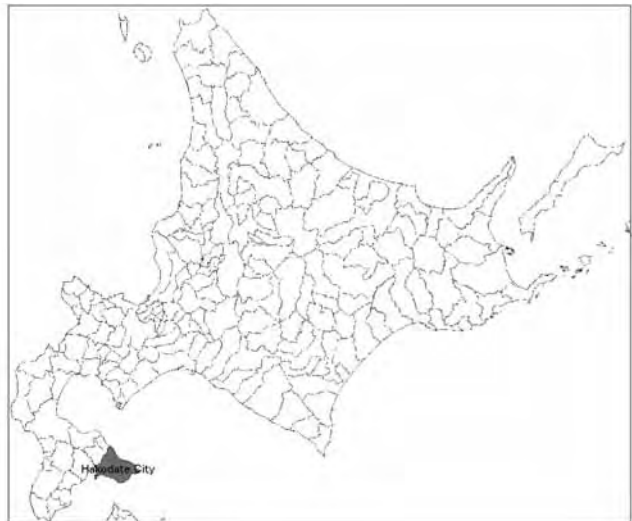
### (I) Location and Land Area

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- *Hakodate City* is located at the southern end of Hokkaido Prefecture. It faces on the Pacific Ocean and the Strait of Tsugaru on the east, south, and north. Its land area is 677.89 square kilometers.

[Figure 1] Location of Hokkaido Prefecture



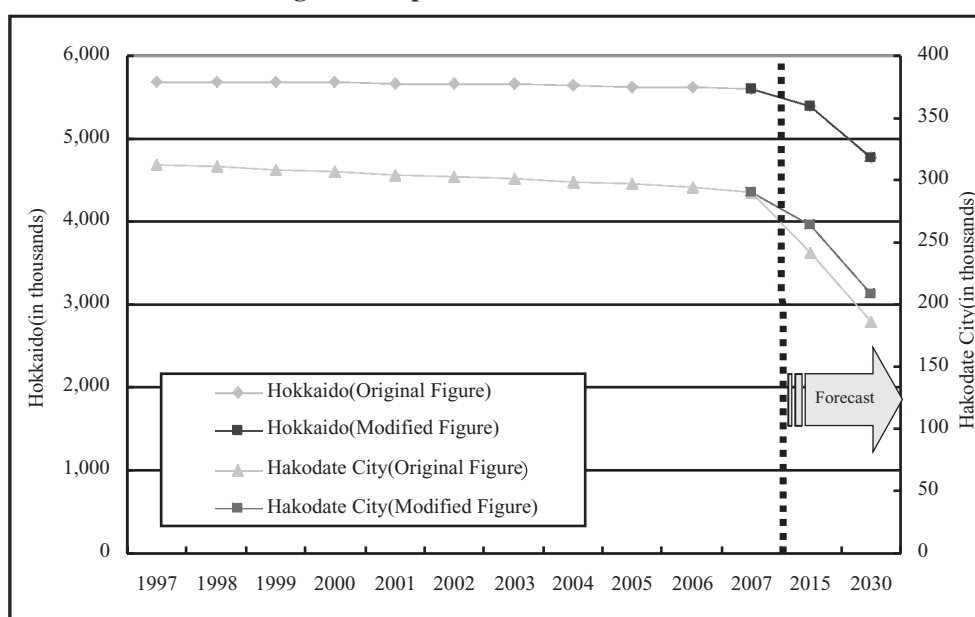
[Figure 2] Location of Hakodate City



## (II) Population and Number of Households

- *Hokkaido Prefecture* The population and number of households of Hokkaido Prefecture totaled 5,600,672 and 2,600,469, respectively, as of the end of March 2007. The population declined annually by approximately 0 percent to 0.5 percent, while the household number grew annually by approximately 1 percent between 1997 and 2007.
- *Hakodate City* The population and number of households of Hakodate City totaled 290,873 and 140,077, respectively, as of the end of March 2007. The population declined annually by approximately 0.5 percent to 1.3 percent, while the household number grew annually by approximately 1 percent between 1997 and 2007.
- According to “Population Forecast” by the National Institute of Population and Social Security Research, *Hokkaido Prefecture’s population* will decline by approximately 3.5 percent in 2015 and by approximately 15 percent in 2030 compared to its population in 2007. *Hakodate City’s population*, on the other hand, was forecasted to fall by approximately 9 percent in 2015 and by approximately 30 percent in 2030.

[Figure 3] Population Trend and Forecast



## II. Multifamily Market

### (I) Supply and Demand of Apartment Units

#### 1. Housing Starts

- *Hakodate City* Rental housing starts in Hakodate City in FY 2005 were reported at 892 units and 52,988 square meters of total floor areas. Both statistics increased by approximately 1.5 times from the level in the previous year.

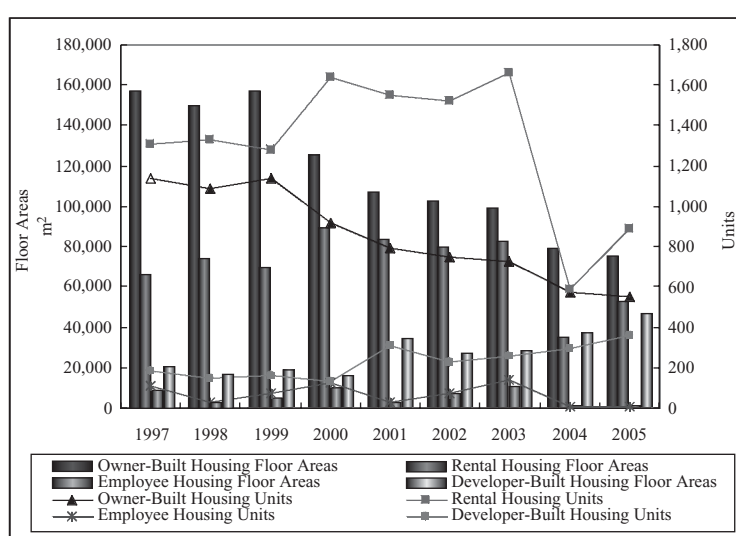
(Note) Owner-Built Housing: housing built by owners for their occupancy

Rental Housing: housing built for renting

Employee Housing: housing built by corporations and institutions for their employees

Developer-Built Housing: housing built by developers for sale

[Figure 4] Housing Starts in Hakodate City by Builder/Use



[Table 1] Housing Starts in Hakodate City by Builder/Use

		1997	1998	1999	2000	2001	2002	2003	2004	2005
		(m², units)								
Owner-Built Housing . . . . .	Floor Areas	157,578	150,032	157,353	125,668	107,304	102,761	98,977	78,985	75,313
	Units	1,138	1,089	1,142	919	791	746	731	573	552
Rental Housing . . . . .	Floor Areas	66,390	73,913	69,498	89,327	83,812	79,772	82,849	35,058	52,988
	Units	1,308	1,331	1,280	1,635	1,551	1,521	1,662	589	892
Employee Housing . . . . .	Floor Areas	8,604	3,250	5,508	10,076	3,060	7,153	10,924	1,634	1,740
	Units	107	29	72	125	29	74	136	8	11
Developer-Built Housing . . . . .	Floor Areas	20,579	16,956	19,404	15,998	34,483	26,835	28,962	37,445	46,809
	Units	182	144	158	134	310	231	254	297	360

(Source) Ministry of Land, Infrastructure and Transport, "Construction Statistical Yearbook"

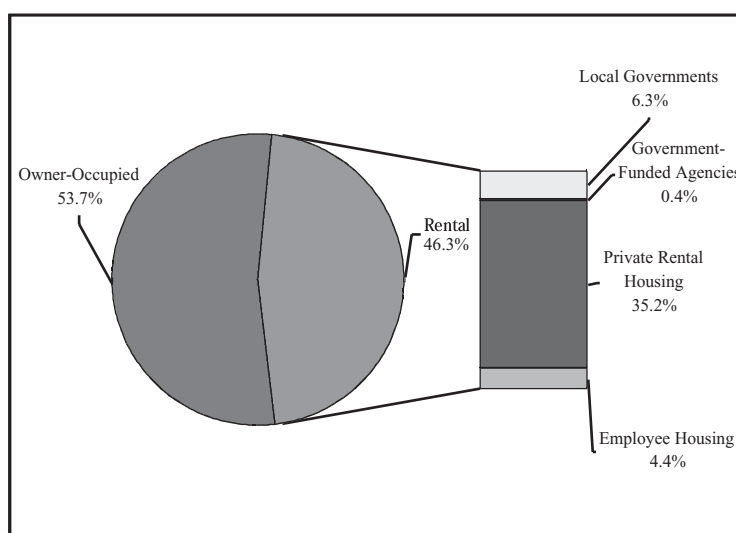
(Note) Figures for each fiscal year

## 2. Share of Owner-Occupied and Rental Housing

- *Hakodate City* The shares of owner-occupied and rental housing stood at 53.7 percent and 46.3 percent, respectively, in Hakodate City. The proportion of private rental housing was reported at 35.2 percent of the total housing stock in the city.

(Notes) Owner-Occupied Housing	: Houses occupied by their owners or co-owners.
Public Housing Provided by Local Governments	: Rental housing owned or operated by prefectural or municipal governments, excluding employee housing. Commonly called as “Prefectural Public Housing” or “Municipal Public Housing.”
Public Housing Provided by Government-Funded Agencies	: Rental housing owned or operated by government-funded agencies, excluding employee housing. These agencies include Urban Renaissance Agency and prefectural and municipal housing development agencies. Commonly called as “Agency Public Housing.”
Private Rental Housing	: Privately-owned or operated rental housing, excluding employee housing.
Employee Housing	: Housing exclusively rented to employees of corporations and institutions, including governments. Housing could be either owned or leased by employers. Some occupants stay for free as a perk of their jobs.

**[Figure 5] Share of Owner-Occupied and Rental Housing in Hakodate City**







(Source) Ministry of Internal Affairs and Communications, “2003 Housing and Land Statistical Survey”

### 3. Trend of Multifamily Market

- *Hakodate City* The multifamily market in Hakodate City is expected to be in equilibrium in 2007.

[Figure 6] Supply/Demand Situation in Hakodate City

	2006	2007 Forecast
Change in Demand for New Apartments from Previous Year	 No Change	 No Change
Change in New Apartment Supply	 More	 No Change
Supply/Demand Situation of New Apartments	Equilibrium	Equilibrium

(Source) JREI, "Nationwide Office and Apartment Rent Index"

## (II) Characteristics of Residential Leases

- Our research identified only several lease contracts, which were closed after January 2006 in Hakodate City for renting non-wooden-frame apartments.
- We believe that the following characteristics are considered to be typical for Hakodate City:
  - one-month rent as refundable deposits;
  - one-month rent as non-refundable deposits required;
  - no renewal fees required;
  - very few *teiki shakuya* lease contracts used; and
  - two-year lease term with automatic renewal.

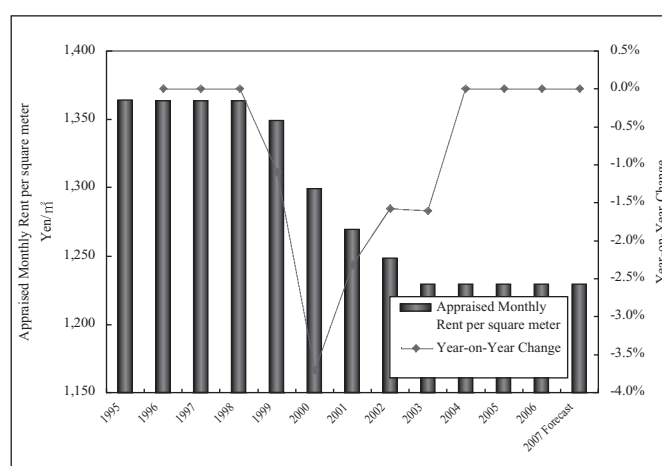
### (III) Rent Level and Vacancy Rate

#### 1. Trend of Rent Level

- On [Figure 7], we plotted the trends of Hakodate City's apartment rents based on JREI's survey. The level of apartment rents remained unchanged since 2003. According to the survey, apartment rents will stay at the same level in 2007.
- During the period from 1995 to 2006, the rent level of apartments fell by approximately 10 percent.

(Note) Our staff members survey apartment rents in Japanese major cities as of the end of September every year. More specifically, an appraised rent is estimated for a hypothetical apartment in a typical neighborhood with higher rents in each major city. The appraised rent includes both rent payable every month and accruing interests on deposits. Our hypothetical apartment building for Hakodate City has features such as reinforced-concrete frame construction and a size of approximately 60 square meters, more or less.

[Figure 7] Trend of Apartment Rent Level



#### 2. Vacancy Rate

- The Ministry of Internal Affairs and Communications' "2003 Housing and Land Statistical Survey" reported the residential vacancy rates of 18.84 percent for Hakodate City.

(Note) Vacant units are defined as all unoccupied rental units, including newly-built and existing; wooden-frame and non-wooden-frame; and single-family and multifamily housing.

[Table 2] Residential Vacancy Rate

	Nationwide	Hokkaido Prefecture	Hakodate City
Rented Units . . . . .	17,166,000	938,400	48,990
Vacant Units . . . . .	3,674,900	180,000	11,370
Total Rental Units . . . . .	20,840,900	1,118,400	60,360
Vacancy Rate . . . . .	17.63%	16.09%	18.84%

(Source) Ministry of Internal Affairs and Communications, "2003 Housing and Land Statistical Survey"

## Morioka City, Iwate Prefecture



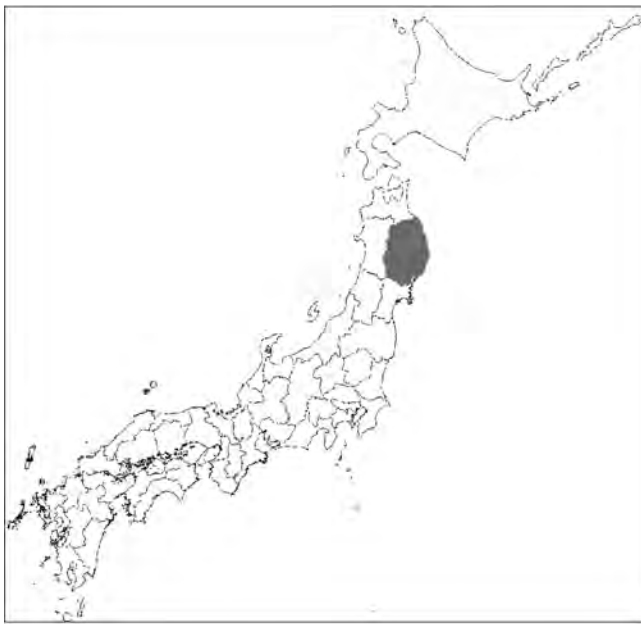


## I. Overview of Iwate Prefecture and Morioka City

### (I) Location and Land Area

- *Iwate Prefecture* is situated on the east coast of the northern part of Honshu, the largest island in Japan. The total land area amounts to 15,278.77 square kilometers, with a length of approximately 189 kilometers from north to south (from Latitude 38° 44" to 40° 27" North) and approximately 122 kilometers from east to west (from Longitude 140° 39" to 142° 4" East). The size of Iwate ranks the second largest among 47 prefectures in Japan. Its prefectural seat is Morioka City.
- *Morioka City* is located almost at the center of Iwate Prefecture. In terms of its land area, which is 886.47 square kilometers, Morioka City is the fifth biggest after Ichinoseki City, Ohshu City, Iwaizumi Town (Shimohei County), and Hanamaki City in the prefecture.

[Figure 1] Location of Iwate Prefecture



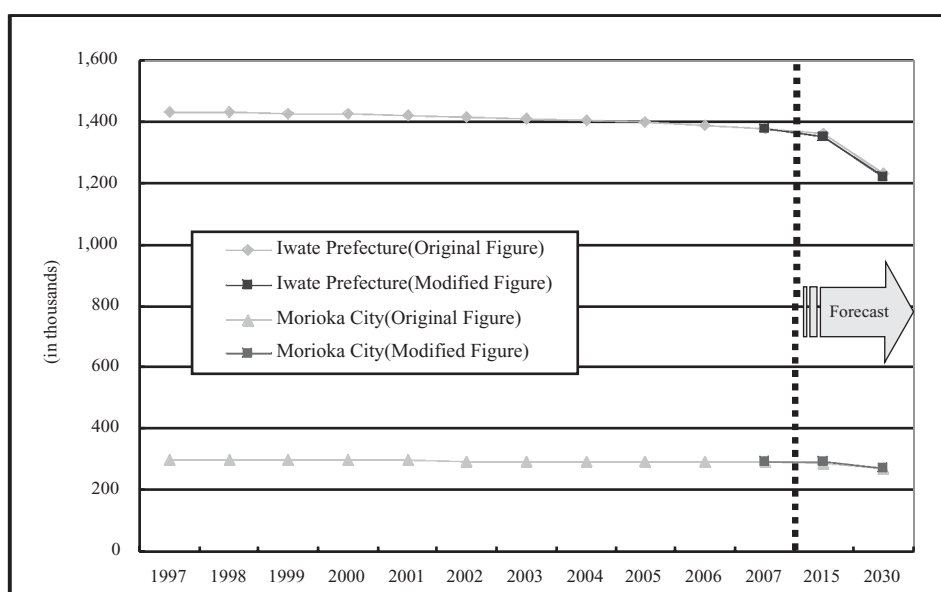
[Figure 2] Location of Morioka City



## (II) Population and Number of Households

- *Iwate Prefecture* The population and number of households of Iwate Prefecture totaled 1,377,666 and 497,023, respectively, as of March 31, 2007. The population declined annually by 0.5 percent, while the household number grew annually by 0.5 percent to 1 percent between 1997 and 2007.
- *Morioka City* The population and number of households of Morioka City totaled 293,537 and 121,871, respectively, as of March 31, 2007. The population declined annually by 0 percent to 0.3 percent, while the household number grew annually by approximately 1 percent between 1997 and 2007.
- According to “Population Forecast” by the National Institute of Population and Social Security Research, *Iwate Prefecture’s population* will decline by approximately 2 percent in 2015 and by approximately 11 percent in 2030 compared to its population in 2007. *Morioka City’s population*, on the other hand, was forecasted to remain almost unchanged in 2015 and to decrease by approximately 7 percent in 2030 from the level in 2007.

[Figure 3] Population Trend and Forecast



## II. Multifamily Market

### (I) Supply and Demand of Apartment Units

#### 1. Housing Starts

- *Morioka City* Rental housing starts in Morioka City in FY 2005 were reported at 1,444 units and 71,631 square meters of total floor areas. The starts of rental housing grew by approximately 13 percent in units and by 7 percent in square meters, whereas those of owner-built housing and developer-built housing all declined.

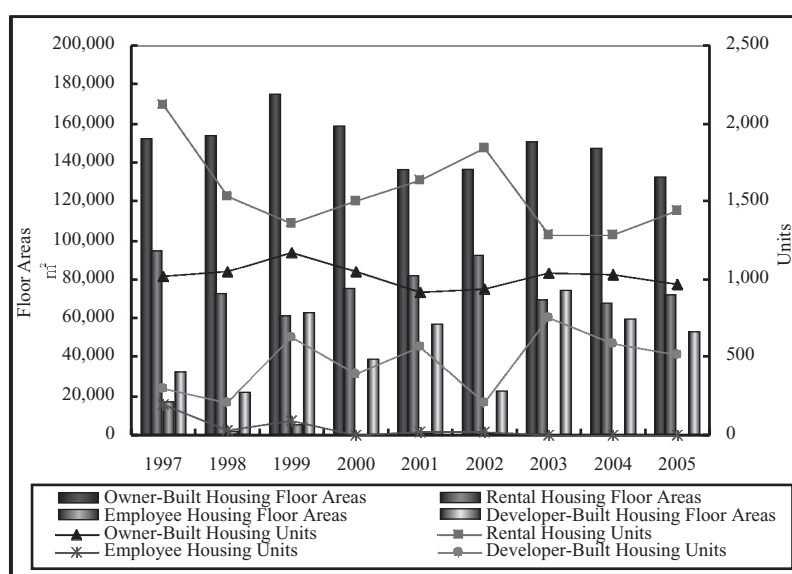
(Note) Owner-Built Housing: housing built by owners for their occupancy

Rental Housing: housing built for renting

Employee Housing: housing built by corporations and institutions for their employees

Developer-Built Housing: housing built by developers for sale

[Figure 4] Housing Starts in Morioka City by Builder/Use



[Table 1] Housing Starts in Morioka City by Builder/Use

		1997	1998	1999	2000	2001	2002	2003	2004	2005
		(m², units)								
Owner-Built Housing . . . . .	Floor Areas	152,151	153,546	174,975	158,782	136,780	136,719	150,782	147,225	132,309
	Units	1,014	1,050	1,171	1,045	915	941	1,043	1,030	972
Rental Housing . . . . .	Floor Areas	94,685	72,325	60,838	74,797	81,582	92,336	68,758	67,239	71,631
	Units	2,119	1,536	1,360	1,499	1,634	1,845	1,283	1,283	1,444
Employee Housing . . . . .	Floor Areas	16,318	1,657	4,653	131	1,433	1,474	948	0	303
	Units	198	28	89	2	20	17	3	0	5
Developer-Built Housing . . . .	Floor Areas	31,877	21,458	62,883	39,078	56,904	22,104	73,996	59,101	52,437
	Units	300	210	628	388	565	201	756	583	513

(Source) Ministry of Land, Infrastructure and Transport, "Construction Statistical Yearbook"

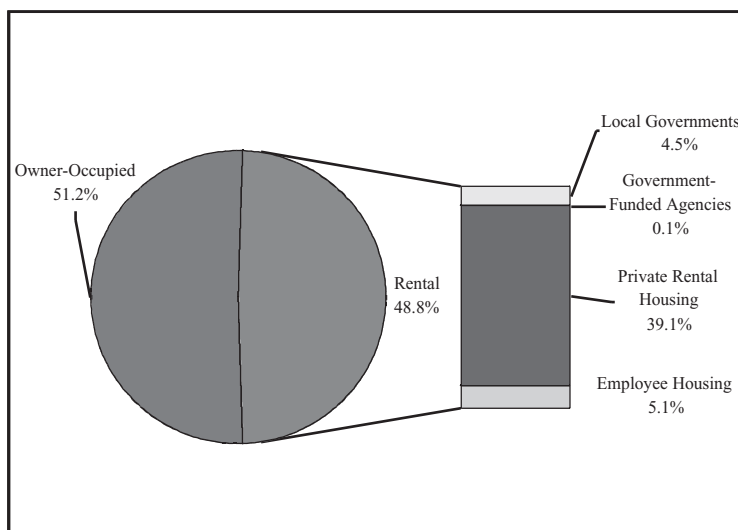
(Note) Figures for each fiscal year

## 2. Share of Owner-Occupied and Rental Housing

- *Morioka City* The shares of owner-occupied and rental housing were almost fifty-fifty in Morioka City. The proportion of private rental housing was reported at 39.1 percent of the total housing stock in the city.

(Notes) Owner-Occupied Housing	: Houses occupied by their owners or co-owners.
Public Housing Provided by Local Governments	: Rental housing owned or operated by prefectural or municipal governments, excluding employee housing. Commonly called as “Prefectural Public Housing” or “Municipal Public Housing.”
Public Housing Provided by Government-Funded Agencies	: Rental housing owned or operated by government-funded agencies, excluding employee housing. These agencies include Urban Renaissance Agency and prefectural and municipal housing development agencies. Commonly called as “Agency Public Housing.”
Private Rental Housing	: Privately-owned or operated rental housing, excluding employee housing.
Employee Housing	: Housing exclusively rented to employees of corporations and institutions, including governments. Housing could be either owned or leased by employers. Some occupants stay for free as a perk of their jobs.

[Figure 5] Share of Owner-Occupied and Rental Housing in Morioka City







(Source) Ministry of Internal Affairs and Communications, “2003 Housing and Land Statistical Survey”

### 3. Trend of Multifamily Market

- *Morioka City* The multifamily market in Morioka City is considered to be oversupplied because of declining demand and increasing supply in 2006 and 2007.

**[Figure 6] Supply/Demand Situation in Morioka City**

	2006	2007 Forecast
Change in Demand for New Apartments from Previous Year	 Lower	 Lower
Change in New Apartment Supply	 More	 More
Supply/Demand Situation of New Apartments	Oversupply	Oversupply

(Source) JREI, "Nationwide Office and Apartment Rent Index"

## (II) Characteristics of Residential Leases

- According to the breakdown of 228 lease contracts, which were closed after January 2006 in Morioka City for renting non-wooden-frame apartments, the typical amount of deposits can be summarized as follows: *refundable deposits* —> two months (74.6 percent), one month (16.7 percent); and *non-refundable deposits* —> one month (74.1 percent).
- A fee is not generally required at the time of renewing a contract.
- Out of the 228 leases, no contracts were categorized as *teiki shakuya* with a fixed lease period with no renewal options. *Teiki shakuya* leases are seldom used.
- As for the terms of lease contracts, a lease could be renewed automatically if it was not *teiki shakuya*. Among all the leases that we analyzed, 91.1 percent stipulated a two-year lease term.

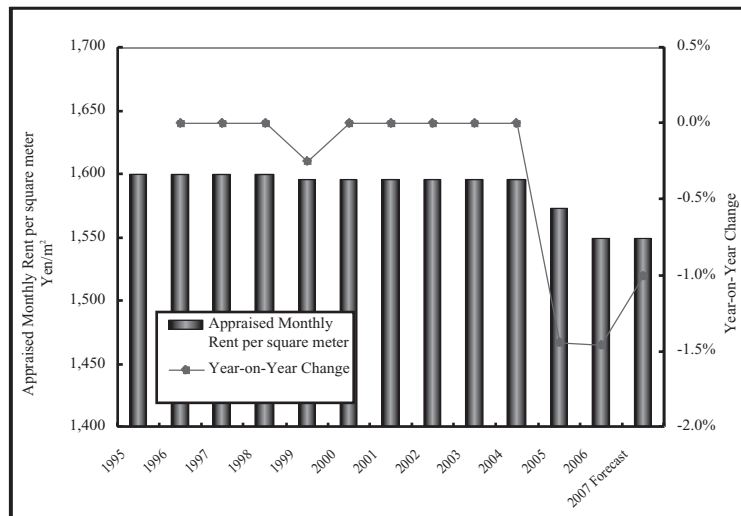
### (III) Rent Level and Vacancy Rate

#### 1. Trend of Rent Level

- On [Figure 7], we plotted the trends of Morioka City's apartment rents based on JREI's survey. The level of apartment rents continued to decline since 2005. According to the survey, apartment rents will fall again in 2007 at the same rate as in 2006.
- During the period from 1995 to 2006, the rent of apartments fell by approximately 3 percent.

(Note) Our staff members survey apartment rents in Japanese major cities as of the end of September every year. More specifically, an appraised rent is estimated for a hypothetical apartment in a typical neighborhood with higher rents in each major city. The appraised rent includes both rent payable every month and accruing interests on deposits. Our hypothetical apartment building for Morioka City has features such as reinforced-concrete frame construction and a size of approximately 60 square meters, more or less.

[Figure 7] Trend of Apartment Rent Level



#### 2. Vacancy Rate

- The Ministry of Internal Affairs and Communications' "2003 Housing and Land Statistical Survey" reported the residential vacancy rates of 17.46 percent for Morioka City.

(Note) Vacant units are defined as all unoccupied rental units, including newly-built and existing; wooden-frame and non-wooden-frame; and single-family and multifamily housing.

[Table 2] Residential Vacancy Rate

	Nationwide	Iwate Prefecture	Morioka City
Rented Units . . . . .	17,166,000	135,800	52,320
Vacant Units . . . . .	3,674,900	30,700	11,070
Total Rental Units . . . . .	20,840,900	166,500	63,390
Vacancy Rate . . . . .	17.63%	18.44%	17.46%

(Source) Ministry of Internal Affairs and Communications, "2003 Housing and Land Statistical Survey"

Sendai City, Miyagi Prefecture





## I. Overview of Miyagi Prefecture and Sendai City

### (I) Location and Land Area

- *Miyagi Prefecture* is situated on the east coast of the northern part of Honshu, the largest island in Japan. It faces onto the Pacific Ocean on the east. The total land amounts to 7,285.73 square kilometers, with a length of approximately 136 kilometers from north to south (from Latitude 37° 46" to 39° 0" North) and approximately 122 kilometers from east to west (from Longitude 140° 16" to 141° 40" East). The size of Miyagi ranks the 16th largest among 47 prefectures in Japan. Its prefectural seat is Sendai City.
- *Sendai City* is located almost at the center of Miyagi Prefecture. In terms of its land area, which is 783.54 square kilometers, Sendai City is the third biggest after Kurihara and Ohsaki Cities in the prefecture. It consists of the five wards of Aoba, Miyagino, Wakabayashi, Taihaku, and Izumi.

[Figure 1] Location of Miyagi Prefecture



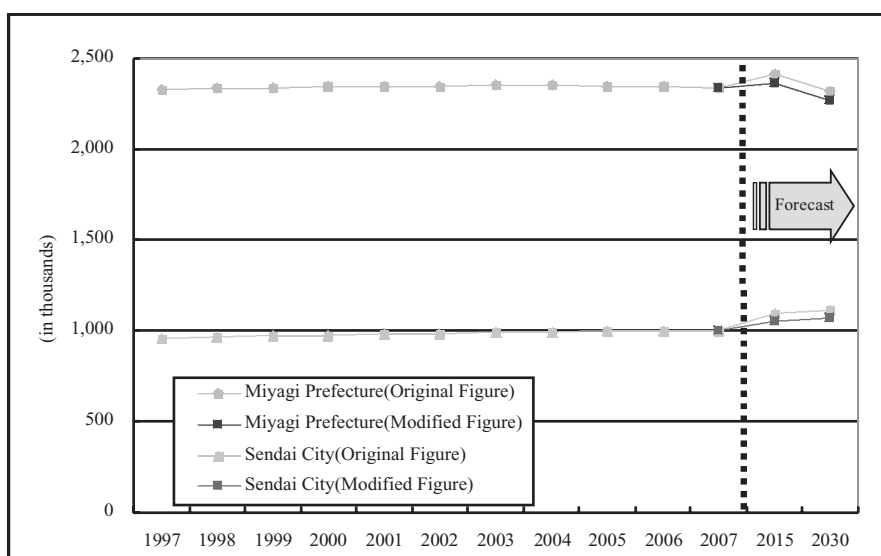
[Figure 2] Location of Sendai City



## (II) Population and Number of Households

- *Miyagi Prefecture* The population and number of households of Miyagi Prefecture totaled 2,340,485 and 883,414, respectively, as of March 31, 2007. Between 1997 and 2007, the population stayed almost unchanged, while the household number grew annually by approximately 1 percent.
- *Sendai City* The population and number of households of Sendai City totaled 1,001,387 and 437,040, respectively, as of March 31, 2007. The population and household number grew annually by approximately 0.5 percent and 1 percent, respectively, since 1997.
- According to “Population Forecast” by the National Institute of Population and Social Security Research, *Miyagi Prefecture’s population* will stay almost unchanged in 2015 and will decline by approximately 3 percent in 2030 compared to its population in 2007. *Sendai City’s population*, on the other hand, was forecasted to increase by approximately 6 percent in 2030 from the level in 2007.

[Figure 3] Population Trend and Forecast



## II. Multifamily Market

### (I) Supply and Demand of Apartment Units

#### 1. Housing Starts

- *Sendai City* Rental housing starts in Sendai City in FY 2005 were reported at 8,125 units (up 39 percent) and 375,282 square meters of total floor areas (up 30 percent). Both units and total floor areas rose for two consecutive years.

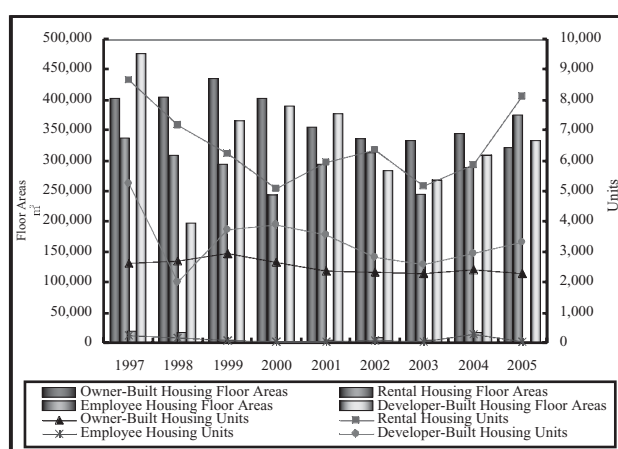
(Note) Owner-Built Housing: housing built by owners for their occupancy

Rental Housing: housing built for renting

Employee Housing: housing built by corporations and institutions for their employees

Developer-Built Housing: housing built by developers for sale

[Figure 4] Housing Starts in Sendai City by Builder/Use



[Table 1] Housing Starts in Sendai City by Builder/Use

		1997	1998	1999	2000	2001	2002	2003	2004	2005
		(m², units)								
Owner-Built Housing . . . .	Floor Areas	400,881	403,463	434,240	400,721	353,972	336,734	332,515	344,155	321,032
	Units	2,628	2,721	2,955	2,670	2,385	2,317	2,303	2,414	2,301
Rental Housing . . . . .	Floor Areas	337,265	310,076	292,172	243,776	294,497	313,345	243,109	289,757	375,282
	Units	8,641	7,184	6,226	5,086	5,930	6,366	5,161	5,862	8,125
Employee Housing . . . . .	Floor Areas	18,561	16,016	3,150	2,264	4,540	7,676	4,178	15,399	1,903
	Units	234	165	66	41	50	68	44	286	26
Developer-Built Housing . .	Floor Areas	474,433	196,647	364,657	389,219	377,635	283,811	268,677	310,109	332,686
	Units	5,228	2,000	3,717	3,889	3,547	2,811	2,598	2,968	3,326

(Source) Ministry of Land, Infrastructure and Transport, "Construction Statistical Yearbook"

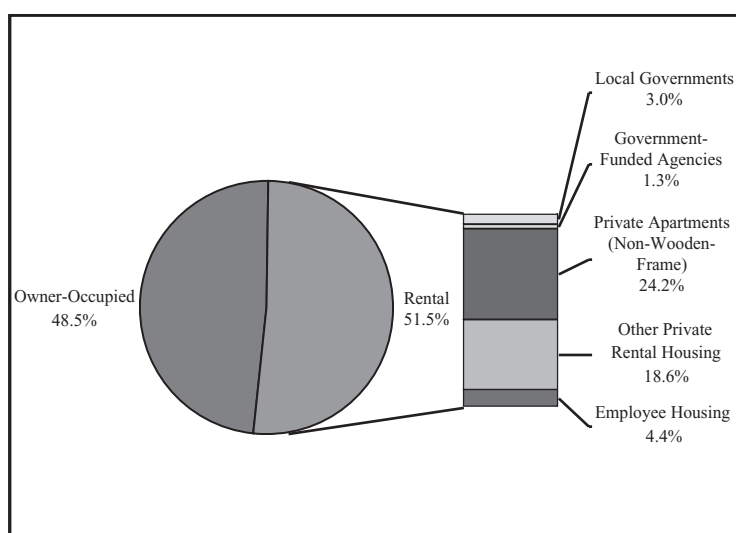
(Note) Figures for each fiscal year

## 2. Share of Owner-Occupied and Rental Housing

- *Sendai City* The shares of owner-occupied and rental housing stood at 48.5 percent and 51.5 percent, respectively, in Sendai City. The proportion of private rental housing was reported at 42.8 percent of the total housing stock in the city.

(Notes) Owner-Occupied Housing	: Houses occupied by their owners or co-owners.
Public Housing Provided by Local Governments	: Rental housing owned or operated by prefectural or municipal governments, excluding employee housing. Commonly called as “Prefectural Public Housing” or “Municipal Public Housing.”
Public Housing Provided by Government-Funded Agencies	: Rental housing owned or operated by government-funded agencies, excluding employee housing. These agencies include Urban Renaissance Agency and prefectural and municipal housing development agencies. Commonly called as “Agency Public Housing.”
Private Rental Housing	: Privately-owned or operated rental housing, excluding employee housing.
Employee Housing	: Housing exclusively rented to employees of corporations and institutions, including governments. Housing could be either owned or leased by employers. Some occupants stay for free as a perk of their jobs.

**[Figure 5] Share of Owner-Occupied and Rental Housing in Sendai City**







(Source) Ministry of Internal Affairs and Communications, “2003 Housing and Land Statistical Survey”

### 3. Trend of Multifamily Market

- *Sendai City* The multifamily market in Sendai City is expected to be in equilibrium in 2007.

**[Figure 6] Supply/Demand Situation in Sendai City**

	2006	2007 Forecast
Change in Demand for New Apartments from Previous Year	 No Change	 No Change
Change in New Apartment Supply	 No Change	 No Change
Supply/Demand Situation of New Apartments	Equilibrium	Equilibrium

(Source) JREI, "Nationwide Office and Apartment Rent Index"

## (II) Characteristics of Residential Leases

- According to the breakdown of 948 lease contracts, which were closed after January 2006 in Sendai City for renting non-wooden-frame apartments, the typical amount of deposits can be summarized as follows: *refundable deposits* → two months (61.4 percent), three months (20.1 percent); *non-refundable deposits* → one month (61.0 percent), none (38.1 percent); and *combination* → two-month refundable and one-month non-refundable (50.6 percent).
- A fee is not generally required at the time of renewing a contract.
- Out of the 948 leases, six contracts were categorized as *teiki shakuya* with a fixed lease period with no renewal options. *Teiki shakuya* leases are seldom used.
- As for the terms of lease contracts, a lease could be renewed automatically if it was not *teiki shakuya*. Among all the leases that we analyzed, 98.9 percent stipulated a two-year lease term.

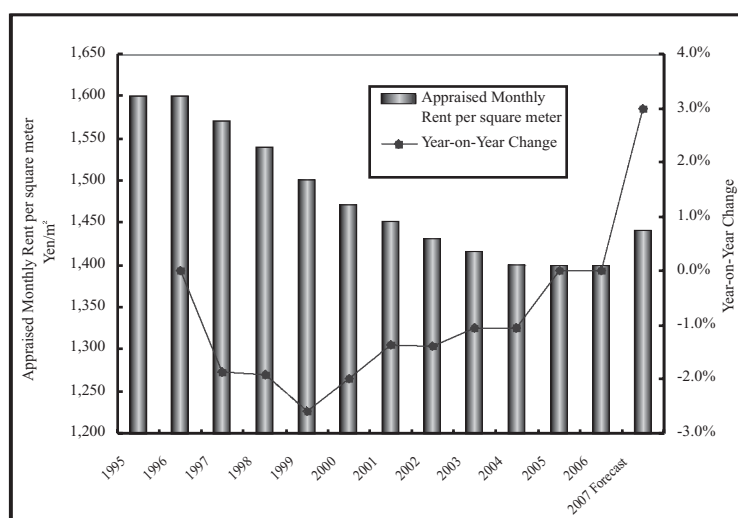
### (III) Rent Level and Vacancy Rate

#### 1. Trend of Rent Level

- On [Figure 7], we plotted the trends of Sendai City's apartment rents based on JREI's survey. The level of apartment rents remained unchanged since 2004. According to the survey, apartment rents will increase in 2007 from the level in the previous year.
- During the period from 1995 to 2006, the rent level of apartments fell by approximately 13 percent.

(Note) Our staff members survey apartment rents in Japanese major cities as of the end of September every year. More specifically, an appraised rent is estimated for a hypothetical apartment in a typical neighborhood with higher rents in each major city. The appraised rent includes both rent payable every month and accruing interests on deposits. Our hypothetical apartment building for Sendai City has features such as reinforced-concrete frame construction and a size of approximately 60 square meters, more or less.

[Figure 7] Trend of Apartment Rent Level



#### 2. Vacancy Rate

- The Ministry of Internal Affairs and Communications' "2003 Housing and Land Statistical Survey" reported the residential vacancy rates of 19.53 percent for Sendai City.

(Note) Vacant units are defined as all unoccupied rental units, including newly-built and existing; wooden-frame and non-wooden-frame; and single-family and multifamily housing.

[Table 2] Residential Vacancy Rate

	Nationwide	Miyagi Prefecture	Sendai City
Rented Units . . . . .	17,166,000	309,900	211,400
Vacant Units . . . . .	3,674,900	71,500	51,300
Total Rental Units . . . . .	20,840,900	381,400	262,700
Vacancy Rate . . . . .	17.63%	18.75%	19.53%

(Source) Ministry of Internal Affairs and Communications, "2003 Housing and Land Statistical Survey"

Kurashiki City, Okayama Prefecture



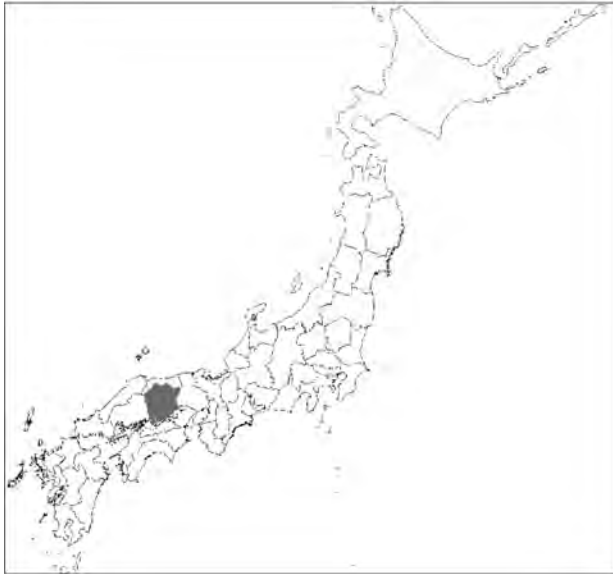


## I. OVERVIEW OF OKAYAMA PREFECTURE AND KURASHIKI CITY

### (I) Location and Land Area

- *Okayama Prefecture* is situated in the Chugoku region, which is the most western part on Honshu, the largest island in Japan. The prefecture faces on the Setonaikai Inlet. The total land area amounts to 7,113.00 square kilometers, with a length of approximately 117 kilometers from north to south (from Latitude 34° 17" to 35° 21" North) and approximately 105 kilometers from east to west (from Longitude 133° 16" to 134° 24" East). The size of Okayama ranks the 17th largest among 47 prefectures in Japan. Its prefectural seat is Okayama City.
- *Kurashiki City* is located in the southern part of Okayama Prefecture. In terms of its land area, which is 354.52 square kilometers, Kurashiki City is the eighth biggest after Maniwa, Niimi, Okayama and other cities in the prefecture.

[Figure 1] Location of Okayama Prefecture



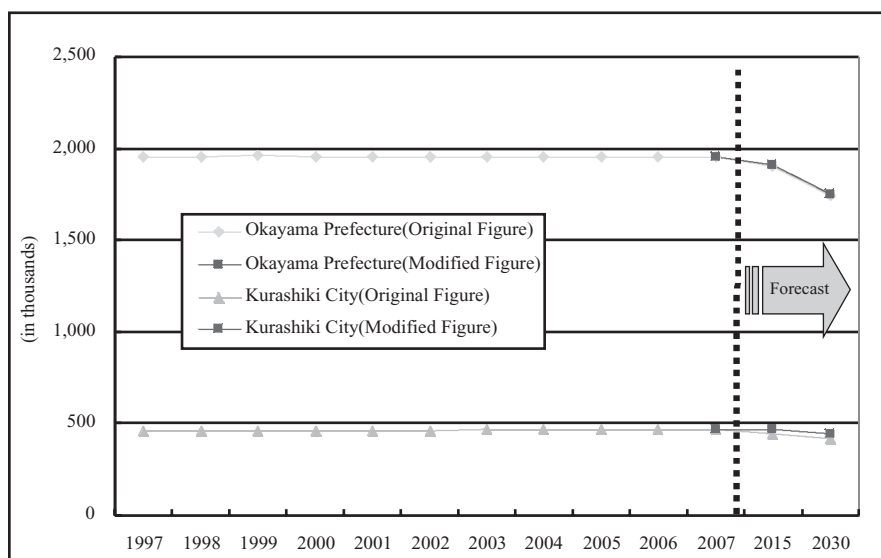
[Figure 2] Location of Kurashiki City



## (II) Population and Number of Households

- *Okayama Prefecture* The population and number of households of Okayama Prefecture totaled 1,951,420 and 758,762, respectively, as of the end of March 2007. Between 1997 and 2007, the population stayed almost unchanged, while the household number grew annually by approximately 1 percent.
- *Kurashiki City* The population and number of households of Kurashiki City totaled 471,401 and 182,250, respectively, as of the end of March 2007. The population grew annually by approximately 0.3 percent since 1997. The number of households rose annually by 1 percent to 2 percent during the same period.
- According to “Population Forecast” by the National Institute of Population and Social Security Research, *Okayama Prefecture’s population* will decline by approximately 2 percent in 2015 and by approximately 10 percent in 2030 compared to its population in 2007. *Kurashiki City’s population*, on the other hand, was forecasted to stay unchanged and to decrease by approximately 5 percent in 2030 from the level in 2007.

[Figure 3] Population Trend and Forecast



## II. Multifamily Market

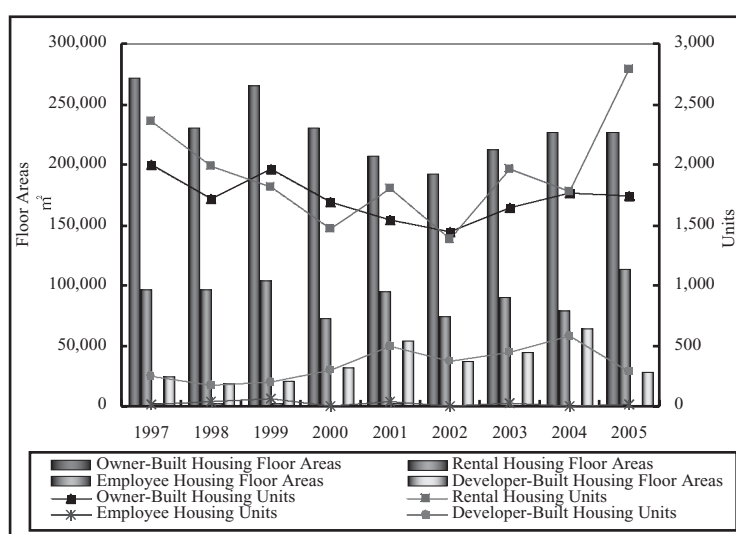
### (I) Supply and Demand of Apartment Units

#### 1. Housing Starts

- *Kurashiki City* Rental housing starts in Kurashiki City in FY 2005 were reported at 2,790 units and 114,161 square meters of total floor areas. Both statistics increased by approximately 1.5 times from the level in the previous year.

(Note) Owner-Built Housing: housing built by owners for their occupancy  
 Rental Housing: housing built for renting  
 Employee Housing: housing built by corporations and institutions for their employees  
 Developer-Built Housing: housing built by developers for sale

[Figure 4] Housing Starts in Kurashiki City by Builder/Use



[Table 1] Housing Starts in Kurashiki City by Builder/Use

		1997	1998	1999	2000	2001	2002	2003	2004	2005
		(m², units)								
Owner-Built Housing . . . . .	Floor Areas	271,849	230,297	265,244	231,244	207,547	193,010	211,847	226,887	226,708
	Units	2,003	1,719	1,968	1,689	1,540	1,444	1,647	1,761	1,742
Rental Housing . . . . .	Floor Areas	96,173	96,447	104,195	73,438	95,158	73,690	90,613	78,502	114,161
	Units	2,355	1,986	1,819	1,471	1,800	1,384	1,961	1,783	2,790
Employee Housing . . . . .	Floor Areas	2,284	2,021	2,837	427	2,030	148	973	191	692
	Units	13	31	58	4	39	2	26	2	14
Developer-Built Housing . . . .	Floor Areas	24,404	18,594	21,115	31,560	54,483	37,213	44,387	64,688	28,656
	Units	245	179	196	296	488	369	443	585	285

(Source) Ministry of Land, Infrastructure and Transport, "Construction Statistical Yearbook"

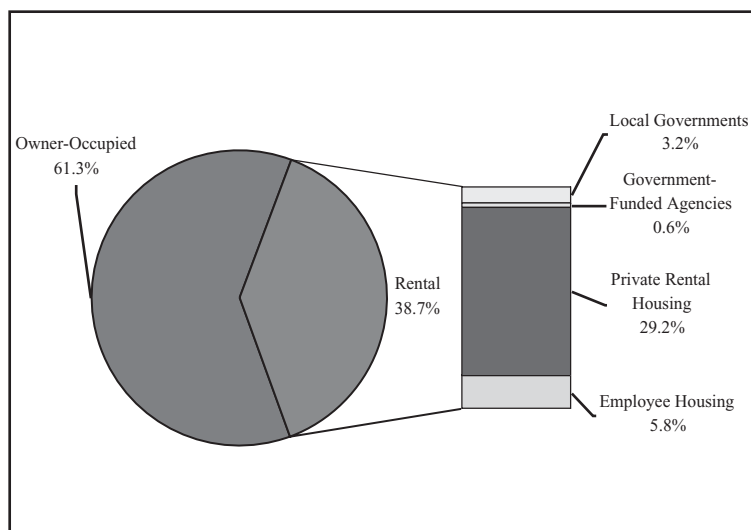
(Note) Figures for each fiscal year

## 2. Share of Owner-Occupied and Rental Housing

- *Kurashiki City* The shares of owner-occupied and rental housing stood at 61.3 percent and 38.7 percent, respectively, in Kurashiki City. The proportion of private rental housing was reported at 29.2 percent of the total housing stock in the city.

(Notes) Owner-Occupied Housing	: Houses occupied by their owners or co-owners.
Public Housing Provided by Local Governments	: Rental housing owned or operated by prefectural or municipal governments, excluding employee housing. Commonly called as “Prefectural Public Housing” or “Municipal Public Housing.”
Public Housing Provided by Government-Funded Agencies	: Rental housing owned or operated by government-funded agencies, excluding employee housing. These agencies include Urban Renaissance Agency and prefectural and municipal housing development agencies. Commonly called as “Agency Public Housing.”
Private Rental Housing	: Privately-owned or operated rental housing, excluding employee housing.
Employee Housing	: Housing exclusively rented to employees of corporations and institutions, including governments. Housing could be either owned or leased by employers. Some occupants stay for free as a perk of their jobs.

**[Figure 5] Share of Owner-Occupied and Rental Housing in Kurashiki City**







(Source) Ministry of Internal Affairs and Communications, “2003 Housing and Land Statistical Survey”

### 3. Trend of Multifamily Market

- *Kurashiki City* There is no supply/demand survey available for Kurashiki City in “Nationwide Office and Apartment Rent Index.” The multifamily market in Okayama City is expected to be in equilibrium in 2007.

[Figure 6] Supply/Demand Situation in Okayama City

	2006	2007 Forecast
Change in Demand for New Apartments from Previous Year	 No Change	 No Change
Change in New Apartment Supply	 No Change	 No Change
Supply/Demand Situation of New Apartments	Equilibrium	Equilibrium

(Source) JREI, “Nationwide Office and Apartment Rent Index”

## (II) Characteristics of Residential Leases

- According to the breakdown of 57 lease contracts, which were closed after January 2006 in Kurashiki City for renting non-wooden-frame apartments, the typical amount of deposits can be summarized as follows: *refundable deposits* → three months (68.4 percent), two months (15.8 percent); *non-refundable deposits* → one month (84.2 percent); and *combination* → three-month refundable and one month non-refundable (61.4 percent).
- A fee is not generally required at the time of renewing a contract.
- Out of the 57 leases, no contracts were categorized as *teiki shakuya* with a fixed lease period with no renewal options. *Teiki shakuya* leases are seldom used.
- As for the terms of lease contracts, a lease could be renewed automatically if it was not *teiki shakuya*. Among all the leases that we analyzed, 100 percent stipulated a two-year lease term.

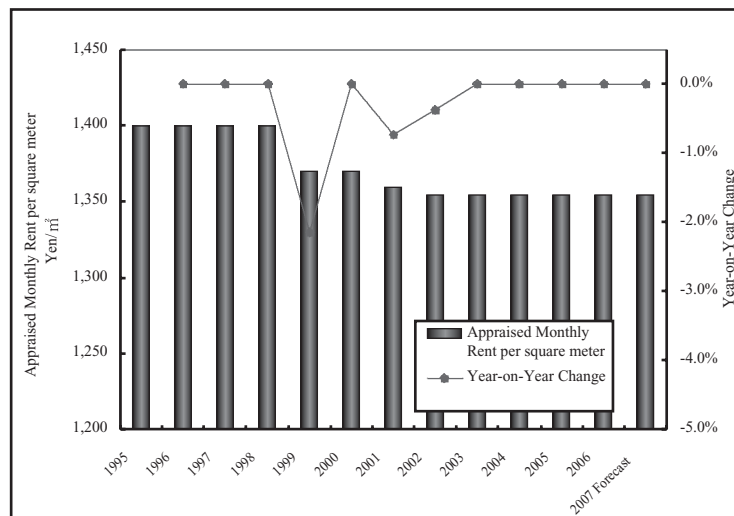
### (III) Rent Level and Vacancy Rate

#### 1. Trend of Rent Level

- On [Figure 7], we plotted the trends of Okayama City's apartment rents based on JREI's survey. There are no JREI surveys available for Kurashiki City's rental level.
- The level of apartment rents remained unchanged since 2002. According to the survey, apartment rents will stay at the same level in 2007.
- During the period from 1995 to 2006, the rent level of apartments fell by approximately 3 percent.

(Note) Our staff members survey apartment rents in Japanese major cities as of the end of September every year. More specifically, an appraised rent is estimated for a hypothetical apartment in a typical neighborhood with higher rents in each major city. The appraised rent includes both rent payable every month and accruing interests on deposits. Our hypothetical apartment building for Okayama City has features such as reinforced-concrete frame construction and a size of approximately 60 square meters, more or less.

[Figure 7] Trend of Apartment Rent Level



#### 2. Vacancy Rate

- The Ministry of Internal Affairs and Communications' "2003 Housing and Land Statistical Survey" reported the residential vacancy rates of 19.99 percent for Kurashiki City.

(Note) Vacant units are defined as all unoccupied rental units, including newly-built and existing; wooden-frame and non-wooden-frame; and single-family and multifamily housing.

[Table 2] Residential Vacancy Rate

	Nationwide	Okayama Prefecture	Kurashiki City
Rented Units . . . . .	17,166,000	222,700	56,740
Vacant Units . . . . .	3,674,900	50,400	14,180
Total Rental Units . . . . .	20,840,900	273,100	70,920
Vacancy Rate . . . . .	17.63%	18.45%	19.99%

(Source) Ministry of Internal Affairs and Communications, "2003 Housing and Land Statistical Survey"

Hiroshima City, Hiroshima Prefecture





## I. Overview of Hiroshima Prefecture and Hiroshima City

### (I) Location and Land Area

- *Hiroshima Prefecture* is situated in the Chugoku region, which is the most western part on Honshu, the largest island in Japan. The prefecture faces on the Setonaikai Inlet. The total land area amounts to 8,478.52 square kilometers, with a length of approximately 119 kilometers from north to south (from Latitude 34° 2" to 35° 6" North) and approximately 132 kilometers from east to west (from Longitude 132° 2" to 133° 28" East). The size of Hiroshima ranks the 11th largest among 47 prefectures in Japan. Its prefectural seat is Hiroshima City.
- *Hiroshima City* is located in the western part of Hiroshima Prefecture. In terms of its land area, which is 905.08 square kilometers, Hiroshima City is the second biggest after Shobara City in the prefecture.

[Figure 1] Location of Hiroshima Prefecture



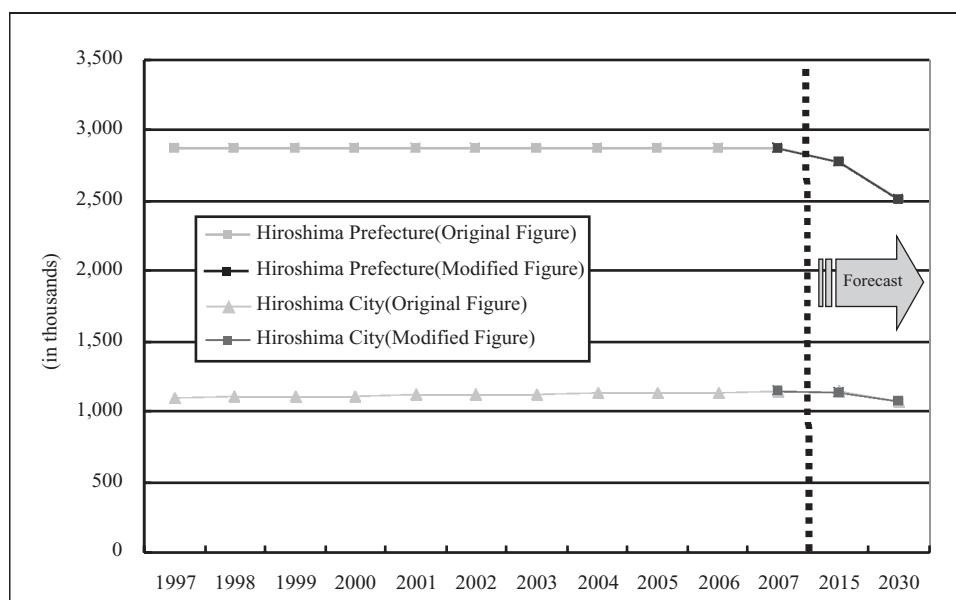
[Figure 2] Location of Hiroshima City



## (II) Population and Number of Households

- *Hiroshima Prefecture* The population and number of households of Hiroshima Prefecture totaled 2,867,423 and 1,198,083, respectively, as of March 31, 2007. The population remained almost unchanged and the household number grew annually by approximately 1 percent between 1997 and 2007.
- *Hiroshima City* The population and number of households of Hiroshima City totaled 1,142,134 and 498,491, respectively, as of March 31, 2007. The population and household number grew annually by approximately 0.4 and 1 percent, respectively, between 1997 and 2007.
- According to “Population Forecast” by the National Institute of Population and Social Security Research, *Hiroshima Prefecture’s population* will fall by approximately 3 percent in 2015 and by approximately 12 percent in 2030 compared to its population in 2007. *Hiroshima City’s population*, on the other hand, was forecasted to remain flat in 2015 and to decline by approximately 6 percent in 2030 from the level in 2007.

[Figure 3] Population Trend and Forecast



## II. Multifamily Market

### (I) Supply and Demand of Apartment Units

#### 1. Housing Starts

- Hiroshima City Rental housing starts in Hiroshima City in FY 2005 were reported at 4,200 units and 213,952 square meters of total floor areas. Both units and square footage declined in FY 2005 from the previous year.

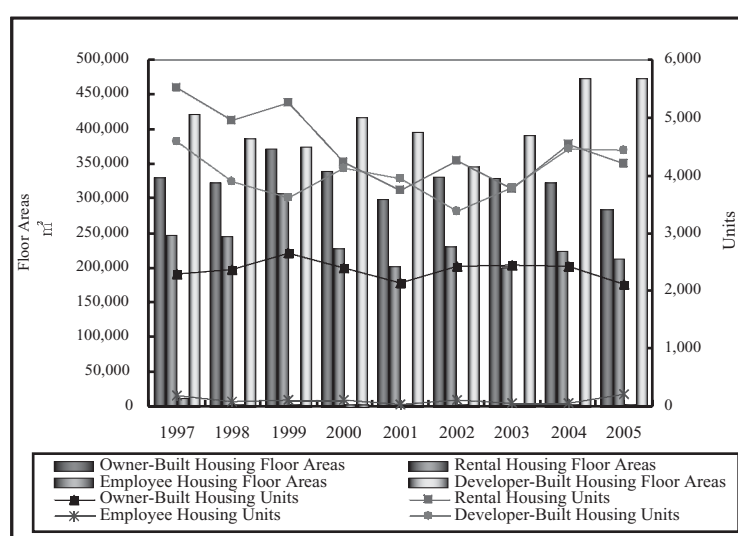
(Note) Owner-Built Housing: housing built by owners for their occupancy

Rental Housing: housing built for renting

Employee Housing: housing built by corporations and institutions for their employees

Developer-Built Housing: housing built by developers for sale

[Figure 4] Housing Starts in Hiroshima City by Builder/Use



[Table 1] Housing Starts in Hiroshima City by Builder/Use

		1997	1998	1999	2000	2001	2002	2003	2004	2005
		(m², units)								
Owner-Built Housing . . . . .	Floor Areas	329,591	324,341	373,297	340,256	300,408	332,955	329,843	323,957	285,062
	Units	2,302	2,367	2,641	2,390	2,143	2,417	2,459	2,422	2,100
Rental Housing . . . . .	Floor Areas	249,687	247,471	308,095	230,020	204,140	230,974	200,977	225,195	213,952
	Units	5,513	4,943	5,255	4,219	3,739	4,253	3,767	4,524	4,200
Employee Housing . . . . .	Floor Areas	13,534	5,214	10,140	3,966	3,235	5,328	6,220	3,684	9,398
	Units	179	84	109	96	27	96	58	44	216
Developer-Built Housing . . . .	Floor Areas	423,237	388,562	374,684	418,924	397,336	347,659	392,675	474,984	473,983
	Units	4,578	3,882	3,615	4,115	3,950	3,383	3,792	4,454	4,438

(Source) Ministry of Land, Infrastructure and Transport, "Construction Statistical Yearbook"

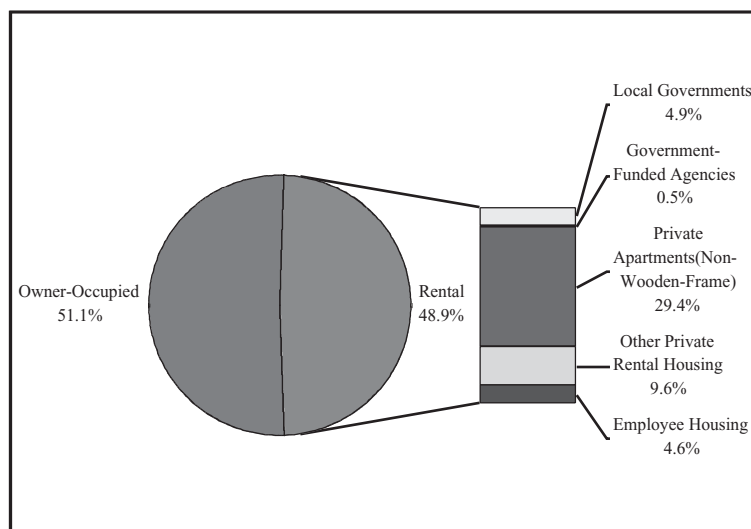
(Note) Figures for each fiscal year

## 2. Share of Owner-Occupied and Rental Housing

- *Hiroshima City* The shares of owner-occupied and rental housing stood at 51.1 percent and 48.9 percent, respectively, in Hiroshima City. The proportion of private rental housing was reported at 39.0 percent of the total housing stock in the city.

(Notes) Owner-Occupied Housing	: Houses occupied by their owners or co-owners.
Public Housing Provided by Local Governments	: Rental housing owned or operated by prefectural or municipal governments, excluding employee housing. Commonly called as “Prefectural Public Housing” or “Municipal Public Housing.”
Public Housing Provided by Government-Funded Agencies	: Rental housing owned or operated by government-funded agencies, excluding employee housing. These agencies include Urban Renaissance Agency and prefectural and municipal housing development agencies. Commonly called as “Agency Public Housing.”
Private Rental Housing	: Privately-owned or operated rental housing, excluding employee housing.
Employee Housing	: Housing exclusively rented to employees of corporations and institutions, including governments. Housing could be either owned or leased by employers. Some occupants stay for free as a perk of their jobs.

[Figure 5] Share of Owner-Occupied and Rental Housing in Hiroshima City







(Source) Ministry of Internal Affairs and Communications, “2003 Housing and Land Statistical Survey”

### 3. Trend of Multifamily Market

- *Hiroshima City* The multifamily market in Hiroshima City is expected to be in equilibrium in 2007.

[Figure 6] Supply/Demand Situation in Hiroshima City

	2006	2007 Forecast
Change in Demand for New Apartments from Previous Year	 Lower	 Lower
Change in New Apartment Supply	 More	 More
Supply/Demand Situation of New Apartments	Equilibrium	Equilibrium

(Source) JREI, "Nationwide Office and Apartment Rent Index"

## (II) Characteristics of Residential Leases

- According to the breakdown of 623 lease contracts, which were closed after January 2006 in Hiroshima City for renting non-wooden-frame apartments, the typical amount of deposits can be summarized as follows: *refundable deposits* → three months (85.2 percent); *non-refundable deposits* → none (67.7 percent), one month (30.8 percent); and *combination* → three-month refundable and no non-refundable (57.8 percent).
- A fee is not generally required at the time of renewing a contract.
- Out of the 623 leases, four contracts were categorized as *teiki shakuya* with a fixed lease period with no renewal options. *Teiki shakuya* leases are seldom used.
- As for the terms of lease contracts, a lease could be renewed automatically if it was not *teiki shakuya*. Among all the leases that we analyzed, 95.5 percent stipulated a two-year lease term.

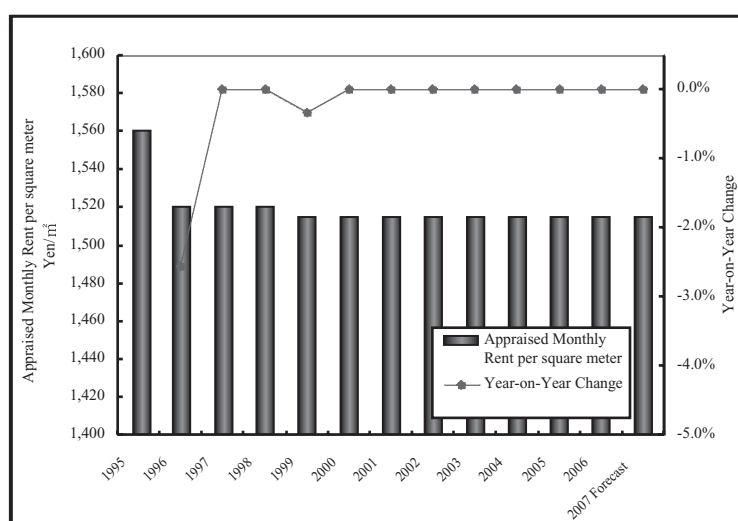
### (III) Rent Level and Vacancy Rate

#### 1. Trend of Rent Level

- On [Figure 7], we plotted the trends of Hiroshima City's apartment rents based on JREI's survey. The level of apartment rents remained unchanged since 1999. According to the survey, apartment rents will stay at the same level in 2007.
- During the period from 1995 to 2006, the rent level of apartments fell by approximately 3 percent.

(Note) Our staff members survey apartment rents in Japanese major cities as of the end of September every year. More specifically, an appraised rent is estimated for a hypothetical apartment in a typical neighborhood with higher rents in each major city. The appraised rent includes both rent payable every month and accruing interests on deposits. Our hypothetical apartment building for Hiroshima City has features such as reinforced-concrete frame construction and a size of approximately 60 square meters, more or less.

[Figure 7] Trend of Apartment Rent Level



#### 2. Vacancy Rate

- The Ministry of Internal Affairs and Communications' "Housing and Land Statistical Survey" reported the residential vacancy rates of 18.48 percent for Hiroshima City.

(Note) Vacant units are defined as all unoccupied rental units, including newly-built and existing; wooden-frame and non-wooden-frame; and single-family and multifamily housing.

[Table 2] Residential Vacancy Rate

	Nationwide	Hiroshima Prefecture	Hiroshima City
Rented Units . . . . .	17,166,000	415,300	220,500
Vacant Units . . . . .	3,674,900	90,500	50,000
Total Rental Units . . . . .	20,840,900	505,800	270,500
Vacancy Rate . . . . .	17.63%	17.89%	18.48%

(Source) Ministry of Internal Affairs and Communications, "2003 Housing and Land Statistical Survey"

Kitakyushu City, Fukuoka Prefecture





## I. Overview of Fukuoka Prefecture and Kitakyushu City

### (I) Location and Land Area

- *Fukuoka Prefecture* is situated at the northeastern end of Kyushu, one of the four largest islands in Japan. The total land area amounts to 4,976.17 square kilometers, with a length of approximately 139 kilometers from north to south (from Latitude 33° 0" to 34° 15" North) and approximately 112 kilometers from east to west (from Longitude 129° 58" to 131° 11" East). The size of Fukuoka ranks the 29th largest among 47 prefectures in Japan. Its prefectural seat is Fukuoka City.
- *Kitakyushu City* is located at the northeastern corner of Fukuoka Prefecture. In terms of its land area, which is 487.69 square kilometers, Kitakyushu City is the biggest municipality in the prefecture. The city faces onto the Sea of Japan on the north and Setonaikai Inlet on the east. The Strait of Kanmon lies between Kitakyushu City and Shimonoseki City. The latter is the westernmost city on Honshu, the largest island of Japan.

[Figure 1] Location of Fukuoka Prefecture



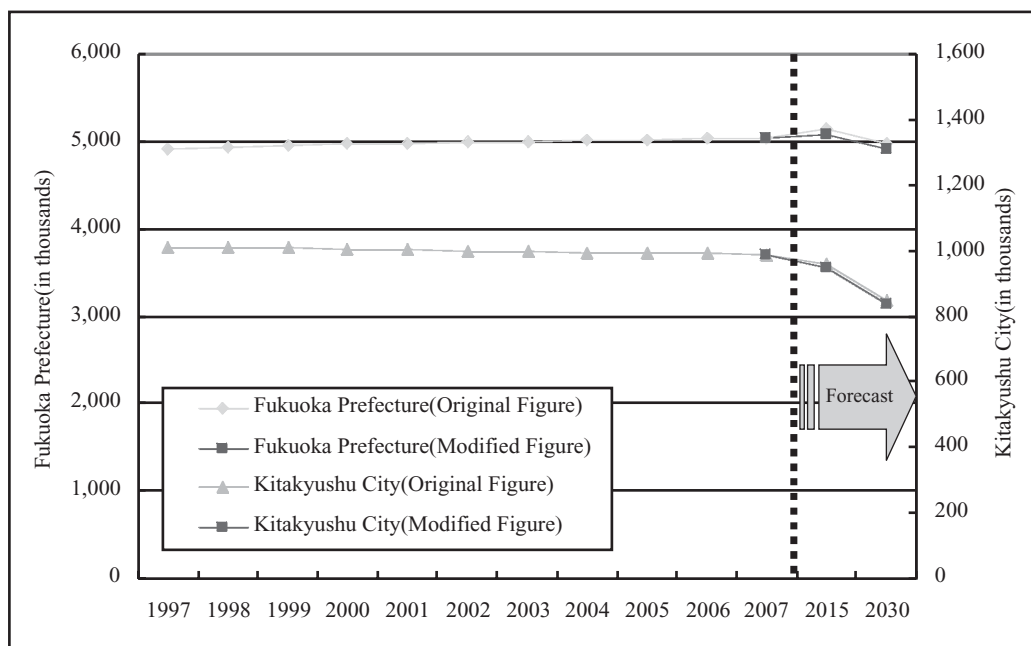
[Figure 2] Location of Kitakyushu City



## (II) Population and Number of Households

- *Fukuoka Prefecture* The population and number of households of Fukuoka Prefecture totaled 5,030,311 and 2,104,652, respectively, as of March 31, 2007. The population and household number grew annually by approximately 0.1 percent and 1 percent, respectively, between 1997 and 2007.
- *Kitakyushu City* The population and number of households of Kitakyushu City totaled 986,755 and 445,070, respectively, as of March 31, 2007. The population declined annually by approximately 0.3 percent. On the other hand, the household number grew annually by approximately 1 percent.
- According to “Population Forecast” by the National Institute of Population and Social Security Research, *Fukuoka Prefecture’s population* will stay almost unchanged until 2015 and will decline by approximately 2.5 percent in 2030 compared to its population in 2007. *Kitakyushu City’s population*, on the other hand, was forecasted to decrease by approximately 4 percent in 2015 and by 15 percent in 2030 from the level in 2007.

[Figure 3] Population Trend and Forecast



## II. Multifamily Market

### (I) Supply and Demand of Apartment Units

#### 1. Housing Starts

- *Kitakyushu City* Rental housing starts in Kitakyushu City in FY 2005 were reported at 5,136 units and 259,978 square meters of total floor areas. Rental housing construction is generally trending upward.

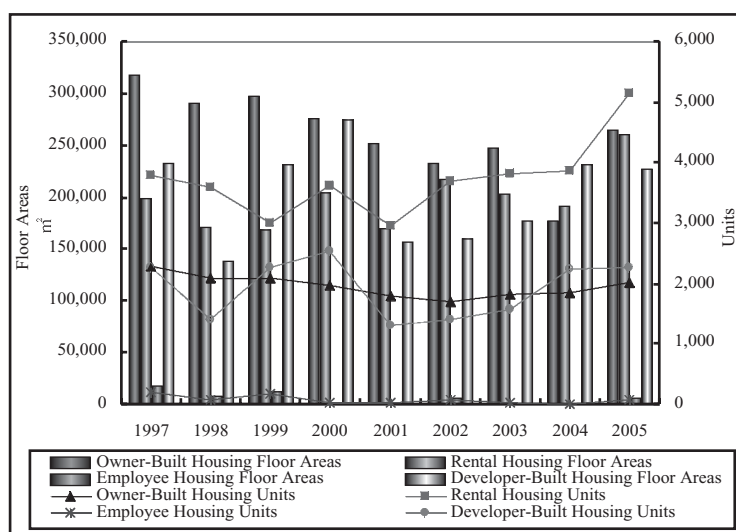
(Note) Owner-Built Housing: housing built by owners for their occupancy

Rental Housing: housing built for renting

Employee Housing: housing built by corporations and institutions for their employees

Developer-Built Housing: housing built by developers for sale

[Figure 4] Housing Starts in Kitakyushu City by Builder/Use



[Table 1] Housing Starts in Kitakyushu City by Builder/Use

		1997	1998	1999	2000	2001	2002	2003	2004	2005
		(m², units)								
Owner-Built Housing . . . . .	Floor Areas	317,684	290,238	297,078	275,889	250,899	232,985	246,831	249,851	263,522
	Units	2,298	2,093	2,089	1,978	1,796	1,687	1,809	1,843	2,011
Rental Housing . . . . .	Floor Areas	198,416	170,606	167,915	203,302	168,972	217,060	202,238	191,031	259,978
	Units	3,798	3,585	3,003	3,617	2,946	3,697	3,808	3,851	5,136
Employee Housing . . . . .	Floor Areas	16,913	6,922	11,106	1,318	2,821	6,147	1,235	1,574	5,219
	Units	207	85	180	13	32	75	14	11	67
Developer-Built Housing . . . .	Floor Areas	232,701	138,172	230,573	274,533	155,995	158,578	176,817	231,129	226,679
	Units	2,257	1,405	2,258	2,523	1,307	1,410	1,573	2,241	2,255

(Source) Ministry of Land, Infrastructure and Transport, "Construction Statistical Yearbook"

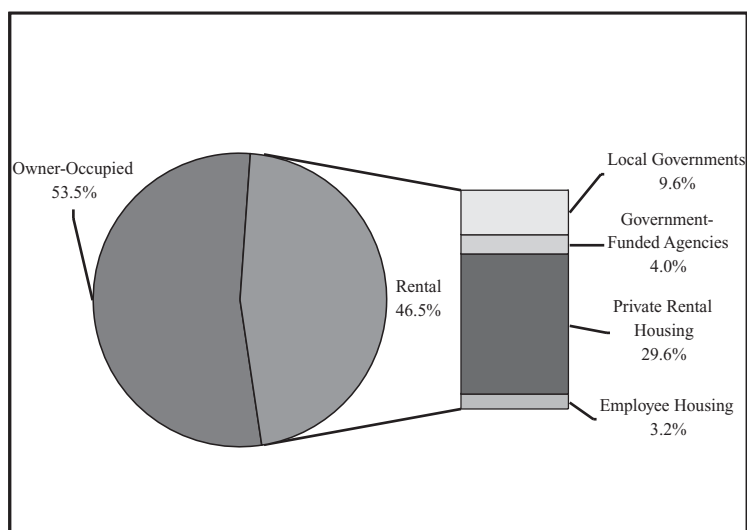
(Note) Figures for each fiscal year

## 2. Share of Owner-Occupied and Rental Housing

- *Kitakyushu City* The shares of owner-occupied and rental housing stood at 53.5 percent and 46.5 percent, respectively, in Kitakyushu City. The proportion of private rental housing was reported at 29.6 percent of the total housing stock in the city.

(Notes) Owner-Occupied Housing	:	Houses occupied by their owners or co-owners.
Public Housing Provided by Local Governments	:	Rental housing owned or operated by prefectural or municipal governments, excluding employee housing. Commonly called as "Prefectural Public Housing" or "Municipal Public Housing."
Public Housing Provided by Government-Funded Agencies	:	Rental housing owned or operated by government-funded agencies, excluding employee housing. These agencies include Urban Renaissance Agency and prefectural and municipal housing development agencies. Commonly called as "Agency Public Housing."
Private Rental Housing	:	Privately-owned or operated rental housing, excluding employee housing.
Employee Housing	:	Housing exclusively rented to employees of corporations and institutions, including governments. Housing could be either owned or leased by employers. Some occupants stay for free as a perk of their jobs.

[Figure 5] Share of Owner-Occupied and Rental Housing in Kitakyushu City







(Source) Ministry of Internal Affairs and Communications, "2003 Housing and Land Statistical Survey"

### 3. Trend of Multifamily Market

- *Kitakyushu City* The multifamily market in Kitakyushu City is expected to be in equilibrium in 2007.

[Figure 6] Supply/Demand Situation in Kitakyushu City

	2006	2007 Forecast
Change in Demand for New Apartments from Previous Year	 No Change	 No Change
Change in New Apartment Supply	 More	 More
Supply/Demand Situation of New Apartments	Equilibrium	Equilibrium

(Source) JREI, "Nationwide Office and Apartment Rent Index"

### (II) Characteristics of Residential Leases

- According to the breakdown of 448 lease contracts, which were closed after January 2006 in Kitakyushu City for renting non-wooden-frame apartments, in terms of the amount of deposits, the most common market practice required a total of four-month rents as *shikikin* deposits (three months non-refundable) and accounted for 25.0 percent of all the leases that we analyzed. There are very few cases in which non-refundable *reikin* deposits were charged.
- A fee is not generally required at the time of renewing a contract.
- Out of the 448 leases, two contracts were categorized as *teiki shakuya* with a fixed lease period with no renewal options. *Teiki shakuya* leases are rarely used.
- As for the terms of lease contracts, a lease could be renewed automatically if it was not *teiki shakuya*. Among all the leases that we analyzed, 95.3 percent stipulated a two-year lease term.

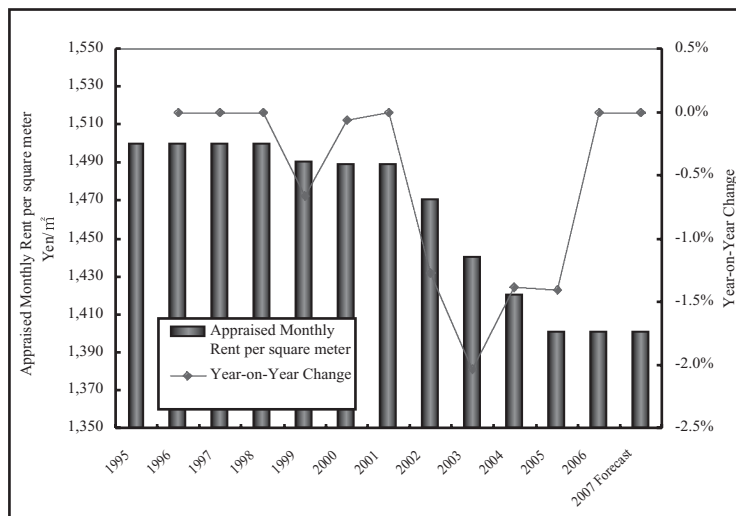
### (III) Rent Level and Vacancy Rate

#### 1. Trend of Rent Level

- On [Figure 7], we plotted the trends of Kitakyushu City's apartment rents based on JREI's survey. The level of apartment rents remained flat since 2005. According to the survey, apartment rents will stay at the same level in 2007.
- During the period from 1995 to 2006, the rent level of apartments fell by approximately 7 percent.

(Note) Our staff members survey apartment rents in Japanese major cities as of the end of September every year. More specifically, an appraised rent is estimated for a hypothetical apartment in a typical neighborhood with higher rents in each major city. The appraised rent includes both rent payable every month and accruing interests on deposits. Our hypothetical apartment building for Kitakyushu City has features such as reinforced-concrete frame construction and a size of approximately 60 square meters, more or less.

[Figure 7] Trend of Apartment Rent Level



#### 2. Vacancy Rate

- The Ministry of Internal Affairs and Communications' "2003 Housing and Land Statistical Survey" reported the residential vacancy rates of 16.74 percent for Kitakyushu City.

(Note) Vacant units are defined as all unoccupied rental units, including newly-built and existing; wooden-frame and non-wooden-frame; and single-family and multifamily housing.

[Table 2] Residential Vacancy Rate

Nationwide	Fukuoka Prefecture	Kitakyushu City
17,166,000	850,600	182,600
3,674,900	144,000	36,700
20,840,900	994,600	219,300
17.63%	14.48%	16.74%

(Source) Ministry of Internal Affairs and Communications, "2003 Housing and Land Statistical Survey"

Fukuoka City, Fukuoka Prefecture





## I. Overview of Fukuoka Prefecture and Fukuoka City

### (I) Location and Land Area

- *Fukuoka Prefecture* is situated at the northeastern end of Kyushu, one of the four largest islands in Japan. The total land area amounts to 4,976.17 square kilometers, with a length of approximately 139 kilometers from north to south (from Latitude 33° 0" to 34° 15" North) and approximately 112 kilometers from east to west (from Longitude 129° 58" to 131° 11" East). The size of Fukuoka ranks the 29th largest among 47 prefectures in Japan. Its prefectural seat is Fukuoka City.
- *Fukuoka City* is located in the western part of Fukuoka Prefecture. In terms of its land area, which is 340.60 square kilometers, Fukuoka City is the second biggest after Kitakyushu City in the prefecture.

[Figure 1] Location of Fukuoka Prefecture



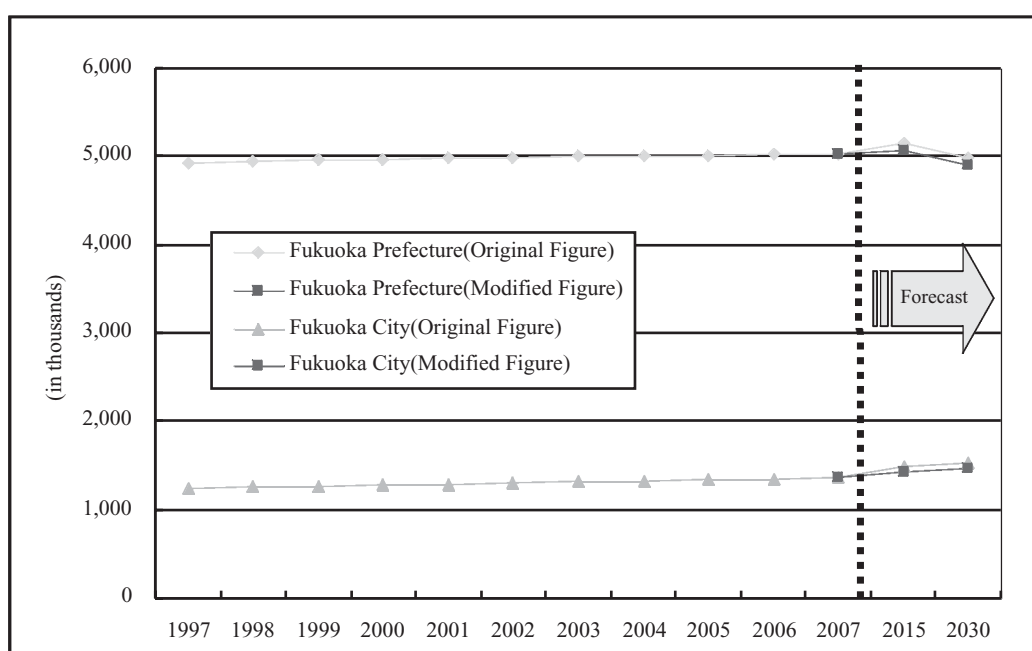
[Figure 2] Location of Fukuoka City



## (II) Population and Number of Households

- *Fukuoka Prefecture* The population and number of households of Fukuoka Prefecture totaled 5,030,311 and 2,104,652, respectively, as of March 31, 2007. The population and household number grew annually by approximately 0.1 percent and 1 percent, respectively, between 1997 and 2007.
- *Fukuoka City* The population and number of households of Fukuoka City totaled 1,363,841 and 634,597, respectively, as of March 31, 2007. The population and household number grew annually by approximately 1 percent and 1 to 2 percent, respectively, between 1997 and 2007.
- According to “Population Forecast” by the National Institute of Population and Social Security Research, *Fukuoka Prefecture’s population* will stay almost unchanged until 2015 and will decline by approximately 2.5 percent in 2030 compared to its population in 2007. *Fukuoka City’s population*, on the other hand, was forecasted to increase by approximately 4 percent in 2015 and by 8 percent in 2030 from the level in 2007.

[Figure 3] Population Trend and Forecast



## II. Multifamily Market

### (I) Supply and Demand of Apartment Units

#### 1. Housing Starts

- *Fukuoka City* Rental housing starts in Fukuoka City in FY 2005 were reported at 15,059 units and 650,914 square meters of total floor areas. Although the statistics showed a decline from the previous year in terms of both units and square meters, an increasing trend continued in the recent past.

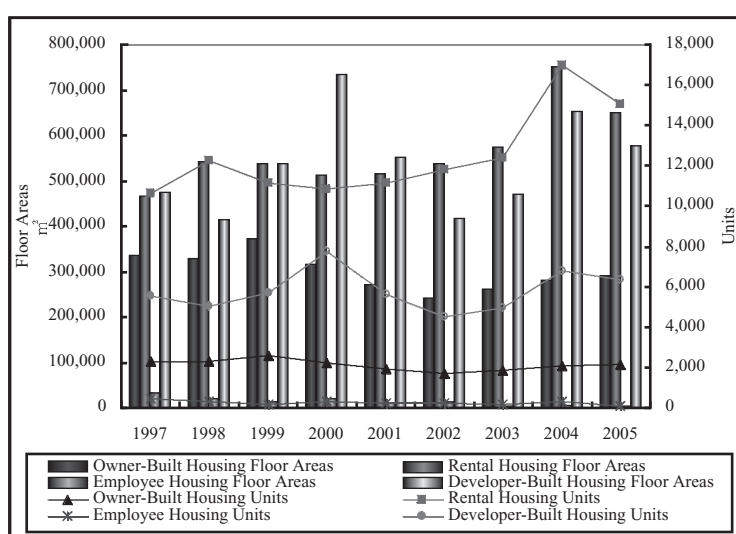
(Note) Owner-Built Housing: housing built by owners for their occupancy

Rental Housing: housing built for renting

Employee Housing: housing built by corporations and institutions for their employees

Developer-Built Housing: housing built by developers for sale

[Figure 4] Housing Starts in Fukuoka City by Builder/Use



[Table 1] Housing Starts in Fukuoka City by Builder/Use

		1997	1998	1999	2000	2001	2002	2003	2004	2005
		(m², units)								
Owner-Built Housing . . . . .	Floor Areas	338,704	330,104	372,525	319,633	270,627	243,888	262,205	283,203	292,413
	Units	2,295	2,280	2,572	2,191	1,898	1,725	1,860	2,096	2,125
Rental Housing . . . . .	Floor Areas	468,279	542,631	540,556	514,780	517,804	542,566	576,713	754,454	650,914
	Units	10,642	12,270	11,152	10,864	11,124	11,786	12,427	16,942	15,059
Employee Housing . . . . .	Floor Areas	32,379	19,718	11,616	18,571	10,240	13,389	7,525	10,644	7,788
	Units	445	315	134	260	199	185	181	262	97
Developer-Built Housing . . . .	Floor Areas	474,133	415,707	541,663	739,196	555,524	419,254	471,645	657,103	579,426
	Units	5,567	5,015	5,676	7,776	5,638	4,516	4,927	6,753	6,344

(Source) Ministry of Land, Infrastructure and Transport, "Construction Statistical Yearbook"

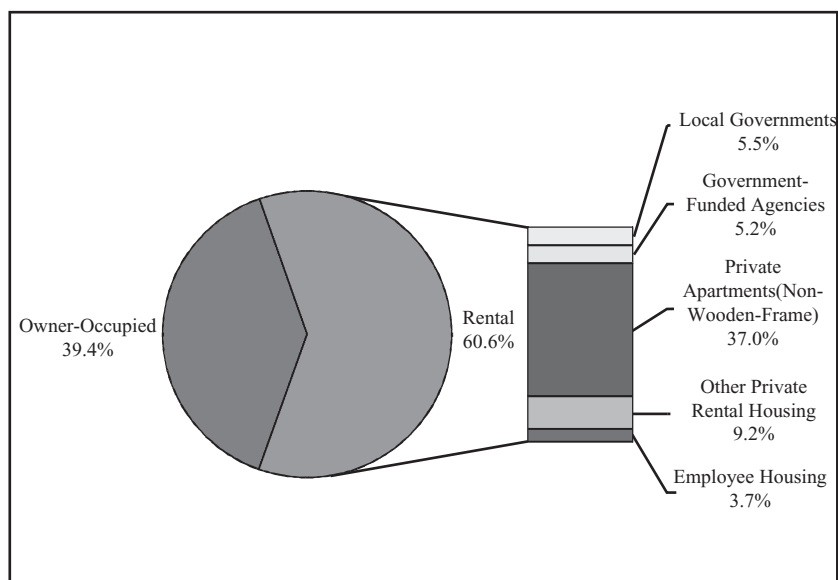
(Note) Figures for each fiscal year

## 2. Share of Owner-Occupied and Rental Housing

- *Fukuoka City* The shares of owner-occupied and rental housing stood at 39.4 percent and 60.6 percent, respectively, in Fukuoka City. The proportion of private rental housing was reported at 46.2 percent of the total housing stock in the city.

(Notes) Owner-Occupied Housing	: Houses occupied by their owners or co-owners.
Public Housing Provided by Local Governments	: Rental housing owned or operated by prefectural or municipal governments, excluding employee housing. Commonly called as “Prefectural Public Housing” or “Municipal Public Housing.”
Public Housing Provided by Government-Funded Agencies	: Rental housing owned or operated by government-funded agencies, excluding employee housing. These agencies include Urban Renaissance Agency and prefectural and municipal housing development agencies. Commonly called as “Agency Public Housing.”
Private Rental Housing	: Privately-owned or operated rental housing, excluding employee housing.
Employee Housing	: Housing exclusively rented to employees of corporations and institutions, including governments. Housing could be either owned or leased by employers. Some occupants stay for free as a perk of their jobs.

**[Figure 5] Share of Owner-Occupied and Rental Housing in Fukuoka City**







(Source) Ministry of Internal Affairs and Communications, “2003 Housing and Land Statistical Survey”

### 3. Trend of Multifamily Market

- *Fukuoka City* The multifamily market in Fukuoka City is expected to be in equilibrium in 2007.

**[Figure 6] Supply/Demand Situation in Fukuoka City**

	2006	2007 Forecast
Change in Demand for New Apartments from Previous Year	 No Change	 No Change
Change in New Apartment Supply	 More	 More
Supply/Demand Situation of New Apartments	Equilibrium	Equilibrium

(Source) JREI, "Nationwide Office and Apartment Rent Index"

## (II) Characteristics of Residential Leases

- According to the breakdown of 1,386 lease contracts, which were closed after January 2007 in Fukuoka City for renting non-wooden-frame apartments, in terms of the amount of deposits, the most common market practice required a total of four-month rents as *shikikin* deposits (three months non-refundable) and accounted for 17.4 percent of all the leases that we analyzed. There are very few cases in which non-refundable *reikin* deposits were charged.
- A fee is not generally required at the time of renewing a contract.
- Out of the 1,386 leases, 66 contracts were categorized as *teiki shakuya* with a fixed lease period with no renewal options.
- As for the terms of lease contracts, a lease could be renewed automatically if it was not *teiki shakuya*. Among all the leases that we analyzed, 66.1 percent stipulated a one-year lease term and 33.4 percent with a two-year term.

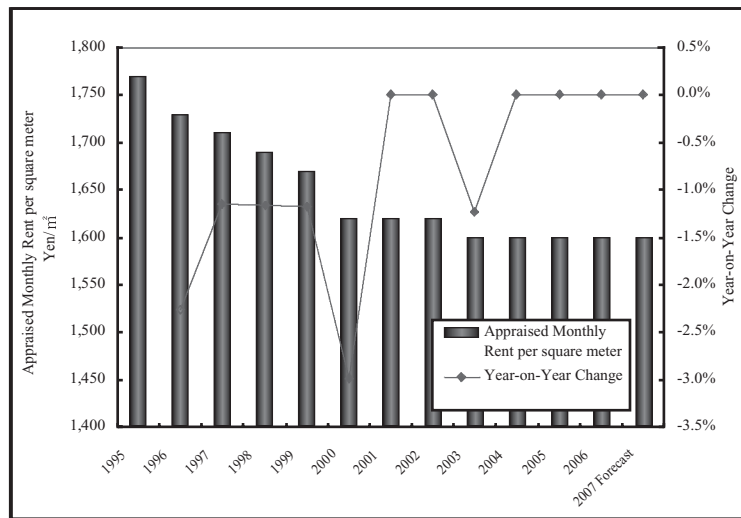
### (III) Rent Level and Vacancy Rate

#### 1. Trend of Rent Level

- On [Figure 7], we plotted the trends of Fukuoka City's apartment rents based on JREI's survey. The level of apartment rents remained flat since 2003. According to the survey, apartment rents will stay at the same level in 2007.
- During the period from 1995 to 2006, the rent level of apartments fell by approximately 10 percent

(Note) Our staff members survey apartment rents in Japanese major cities as of the end of September every year. More specifically, an appraised rent is estimated for a hypothetical apartment in a typical neighborhood with higher rents in each major city. The appraised rent includes both rent payable every month and accruing interests on deposits. Our hypothetical apartment building for Fukuoka City has features such as reinforced-concrete frame construction and a size of approximately 60 square meters, more or less.

[Figure 7] Trend of Apartment Rent Level



#### 2. Vacancy Rate

- The Ministry of Internal Affairs and Communications' "2003 Housing and Land Statistical Survey" reported the residential vacancy rates of 13.04 percent for Fukuoka City.

(Note) Vacant units are defined as all unoccupied rental units, including newly-built and existing; wooden-frame and non-wooden-frame; and single-family and multifamily housing.

[Table 2] Residential Vacancy Rate

	Nationwide	Fukuoka Prefecture	Fukuoka City
Rented Units .....	17,166,000	850,600	363,500
Vacant Units .....	3,674,900	144,000	54,500
Total Rental Units .....	20,840,900	994,600	418,000
Vacancy Rate .....	17.63%	14.48%	13.04%

(Source) Ministry of Internal Affairs and Communications, "2003 Housing and Land Statistical Survey"

Oita City, Oita Prefecture





## I. Overview of Oita Prefecture and Oita City

### (I) Location and Land Area

- *Oita Prefecture* is situated in the eastern part of Kyushu, one of the four largest islands in Japan. The total land area amounts to 6,339.33 square kilometers, with a length of approximately 114 kilometers from north to south (from Latitude 32° 42" to 33° 44" North) and approximately 126 kilometers from east to west (from Longitude 130° 49" to 132° 10" East). The size of Oita ranks the 22nd largest among 47 prefectures in Japan. Its prefectural seat is Oita City.
- *Oita City* is located in the middle of eastern Oita Prefecture. In terms of its land area, which is 501.25 square kilometers, Oita City is the fourth biggest after Saiki, Bungo Ohno, and Hita Cities in the prefecture.

[Figure 1] Location of Oita Prefecture



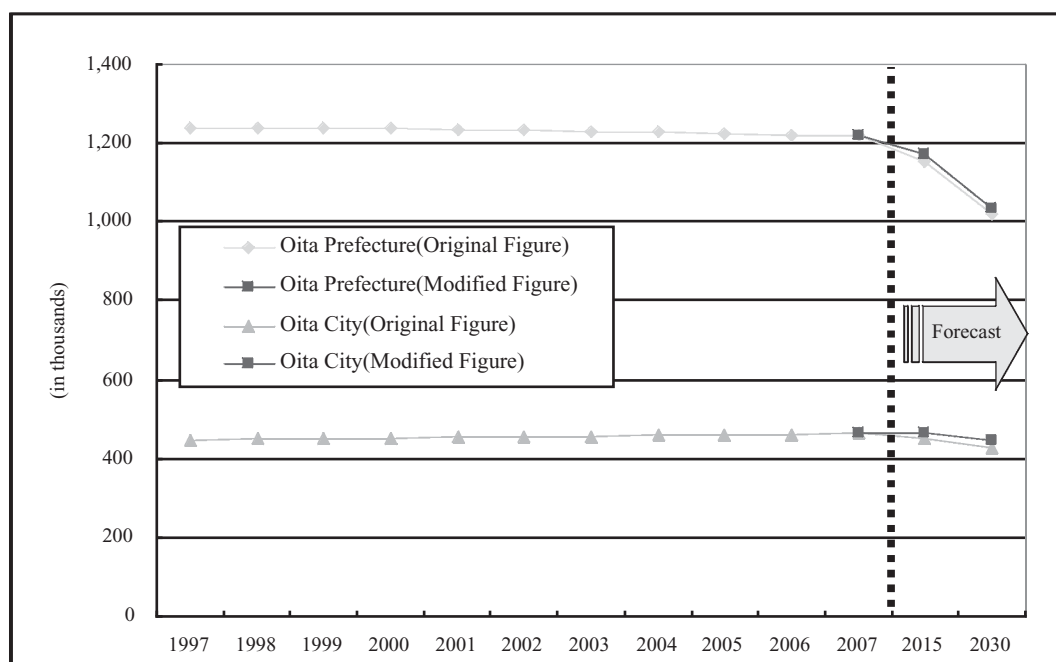
[Figure 2] Location of Oita City



## (II) Population and Number of Households

- *Oita Prefecture* The population and number of households of Oita Prefecture totaled 1,218,066 and 495,120, respectively, as of March 31, 2007. The population declined annually by 0.1 percent to 0.3 percent between 1997 and 2007. On the other hand, the household number grew annually by approximately 1 percent between 1997 and 2007.
- *Oita City* The population and number of households of Oita City totaled 464,018 and 190,056, respectively, as of March 31, 2007. The population grew annually by approximately 0.4 percent between 1997 and 2007. The number of households rose annually by approximately 1.5 percent during the same period.
- According to “Population Forecast” by the National Institute of Population and Social Security Research, *Oita Prefecture’s population* will decline by approximately 4 percent in 2015 and by approximately 15 percent in 2030 compared to its population in 2007. *Oita City’s population*, on the other hand, was forecasted to remain almost unchanged in 2015 and to decrease by approximately 4 percent in 2030 from the level in 2007.

[Figure 3] Population Trend and Forecast



## II. Multifamily Market

### (I) Supply and Demand of Apartment Units

#### 1. Housing Starts

- *Oita City* Rental housing starts in Oita City in FY 2005 were reported at 2,331 units and 113,852 square meters of total floor areas. The city saw an increasing trend of rental housing construction since FY 2002.

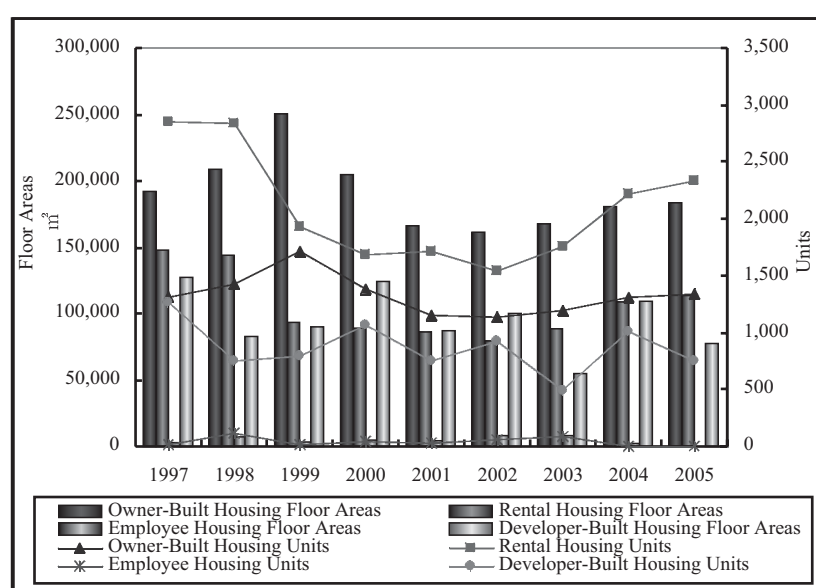
(Note) Owner-Built Housing: housing built by owners for their occupancy

Rental Housing: housing built for renting

Employee Housing: housing built by corporations and institutions for their employees

Developer-Built Housing: housing built by developers for sale

[Figure 4] Housing Starts in Oita City by Builder/Use



[Table 1] Housing Starts in Oita City by Builder/Use

		1997	1998	1999	2000	2001	2002	2003	2004	2005
		(m², units)								
Owner-Built Housing . . . . .	Floor Areas	191,488	209,136	248,998	204,570	165,018	160,963	166,590	180,204	183,043
	Units	1,314	1,427	1,709	1,386	1,149	1,144	1,190	1,313	1,335
Rental Housing . . . . .	Floor Areas	147,192	143,284	93,152	89,235	84,954	79,004	87,318	108,338	113,852
	Units	2,858	2,836	1,926	1,681	1,713	1,541	1,763	2,222	2,331
Employee Housing . . . . .	Floor Areas	2,275	6,659	2,267	3,297	3,449	7,678	7,846	800	206
	Units	16	110	18	41	35	62	85	6	1
Developer-Built Housing . . . .	Floor Areas	127,589	82,037	89,364	123,610	86,861	100,382	54,420	109,174	77,148
	Units	1,267	755	792	1,073	748	926	492	1,010	743

(Source) Ministry of Land, Infrastructure and Transport, "Construction Statistical Yearbook"

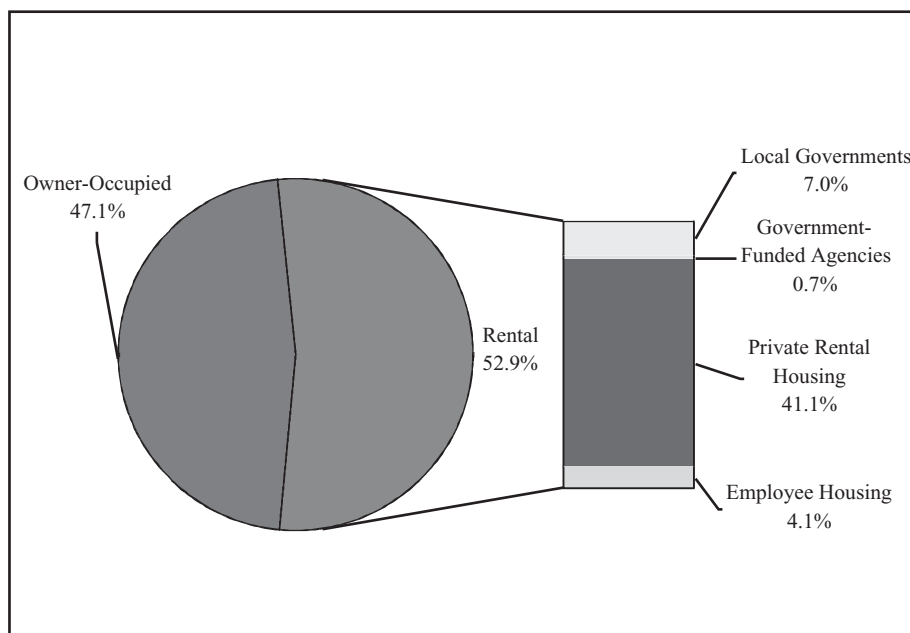
(Note) Figures for each fiscal year

## 2. Share of Owner-Occupied and Rental Housing

- *Oita City* The shares of owner-occupied and rental housing stood at 52.9 percent and 47.1 percent, respectively, in Oita City. The proportion of private rental housing was reported at 35.5 percent of the total housing stock in the city.

(Notes) Owner-Occupied Housing	:	Houses occupied by their owners or co-owners.
Public Housing Provided by Local Governments	:	Rental housing owned or operated by prefectural or municipal governments, excluding employee housing. Commonly called as “Prefectural Public Housing” or “Municipal Public Housing.”
Public Housing Provided by Government-Funded Agencies	:	Rental housing owned or operated by government-funded agencies, excluding employee housing. These agencies include Urban Renaissance Agency and prefectural and municipal housing development agencies. Commonly called as “Agency Public Housing.”
Private Rental Housing	:	Privately-owned or operated rental housing, excluding employee housing.
Employee Housing	:	Housing exclusively rented to employees of corporations and institutions, including governments. Housing could be either owned or leased by employers. Some occupants stay for free as a perk of their jobs.

**[Figure 5] Share of Owner-Occupied and Rental Housing in Oita City**







(Source) Ministry of Internal Affairs and Communications, “2003 Housing and Land Statistical Survey”

### 3. Trend of Multifamily Market

- *Oita City* The multifamily market in Oita City is considered to be in equilibrium because both supply and demand stayed and are expected to remain stable in 2006 and 2007.

[Figure 6] Supply/Demand Situation in Oita City

	2006	2007 Forecast
Change in Demand for New Apartments from Previous Year	 No Change	 No Change
Change in New Apartment Supply	 No Change	 No Change
Supply/Demand Situation of New Apartments	Equilibrium	Equilibrium

(Source) JREI, "Nationwide Office and Apartment Rent Index"

## (II) Characteristics of Residential Leases

- According to the breakdown of 413 lease contracts, which were closed after January 2006 in Oita City for renting non-wooden-frame apartments, in terms of the amount of deposits, the most common market practice required a total of three-month rents as *shikikin* deposits (all refundable) and accounted for 47.5 percent of all the leases that we analyzed. There are very few cases in which non-refundable *reikin* deposits were charged.
- A fee is not generally required at the time of renewing a contract.
- Out of the 413 leases, 3 contracts were categorized as *teiki shakuya* with a fixed lease period with no renewal options. *Teiki shakuya* leases are rarely used.
- As for the terms of lease contracts, a lease could be renewed automatically if it was not *teiki shakuya*. Among all the leases that we analyzed, 61.8 percent stipulated a one-year lease term.

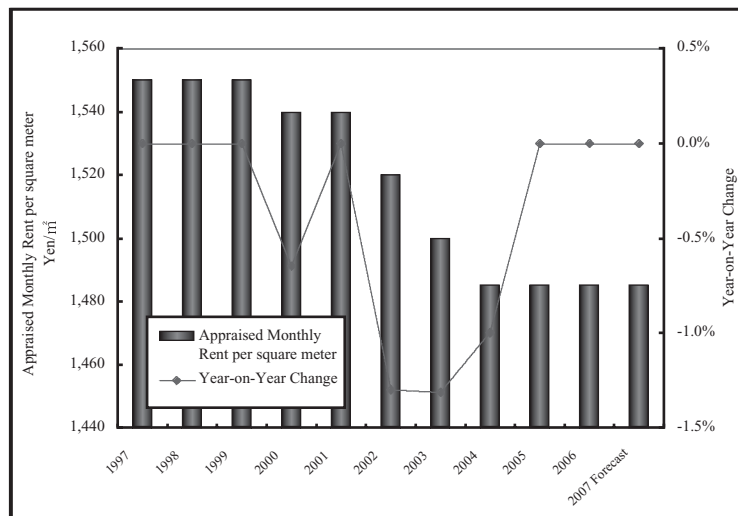
### (III) Rent Level and Vacancy Rate

#### 1. Trend of Rent Level

- On [Figure 7], we plotted the trends of Oita City's apartment rents based on JREI's survey. The level of apartment rents remained flat since 2004. According to the survey, apartment rents will stay at the same level in 2007.
- During the period from 1997 to 2006, the rent level of apartments fell by approximately 4 percent.

(Note) Our staff members survey apartment rents in Japanese major cities as of the end of September every year. More specifically, an appraised rent is estimated for a hypothetical apartment in a typical neighborhood with higher rents in each major city. The appraised rent includes both rent payable every month and accruing interests on deposits. Our hypothetical apartment building for Oita City has features such as reinforced-concrete frame construction and a size of approximately 60 square meters, more or less.

[Figure 7] Trend of Apartment Rent Level



#### 2. Vacancy Rate

- The Ministry of Internal Affairs and Communications' "2003 Housing and Land Statistical Survey" reported the residential vacancy rates of 17.18 percent for Oita City.

(Note) Vacant units are defined as all unoccupied rental units, including newly-built and existing; wooden-frame and non-wooden-frame; and single-family and multifamily housing.

[Table 2] Residential Vacancy Rate

	Nationwide	Oita Prefecture	Oita City
Rented Units . . . . .	17,166,000	161,000	77,220
Vacant Units . . . . .	3,674,900	32,800	16,020
Total Rental Units . . . . .	20,840,900	193,800	93,240
Vacancy Rate . . . . .	17.63%	16.92%	17.18%

(Source) Ministry of Internal Affairs and Communications, "2003 Housing and Land Statistical Survey"

Kumamoto City, Kumamoto Prefecture





## I. Overview of Kumamoto Prefecture and Kumamoto City

### (I) Location and Land Area

- *Kumamoto Prefecture* is situated at almost the center of Kyushu Island, one of the largest four islands in Japan. The total land area amounts to 7,405.21 square kilometers, with a length of approximately 122 kilometers from north to south (from Latitude 32° 5" to 33° 11" North) and approximately 130 kilometers from east to west (from Longitude 129° 56" to 131° 19" East). The size of Kumamoto ranks the 15th largest among 47 prefectures in Japan. Its prefectural seat is Kumamoto City.
- *Kumamoto City* is located in the northwestern part of Kumamoto Prefecture. In terms of its land area, which is 267.22 square kilometers, Kumamoto City is the seventh biggest after Amakusa, Yatsushiro, Aso, and other cities in the prefecture.

[Figure 1] Location of Kumamoto Prefecture



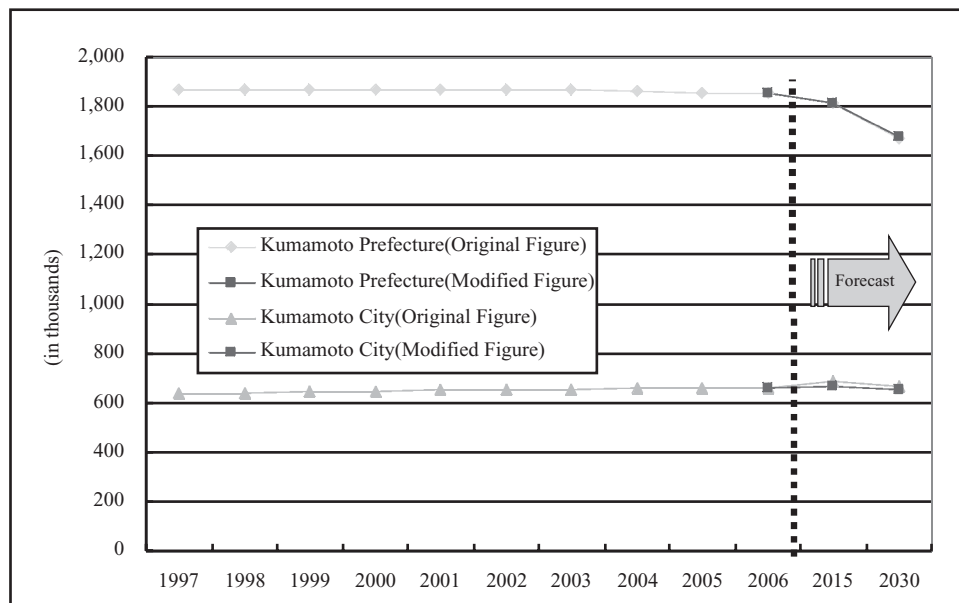
[Figure 2] Location of Kumamoto City



## (II) Population and Number of Households

- *Kumamoto Prefecture* The population and number of households of Kumamoto Prefecture totaled 1,858,522 and 706,000, respectively, as of March 31, 2006. The population is almost moving flat between 1997 and 2006. The number of households grew by approximately 1 percent between 1997 and 2006.
- *Kumamoto City* The population and number of households of Kumamoto City totaled 660,502 and 279,290, respectively, as of March 31, 2006. The population of the city grew annually by approximately 0.1 percent to 0.5 percent. The number of households grew by approximately 1 percent between 1997 and 2006.
- According to “Population Forecast” by the National Institute of Population and Social Security Research, *Kumamoto Prefecture’s population* will decline by less than 2 percent in 2015 by approximately 10 percent in 2030 compared to its population in 2006. *Kumamoto City’s population*, on the other hand, was forecasted to decrease by approximately 1.5 percent in 2030 from the level in 2006.

[Figure 3] Population Trend and Forecast



## II. Multifamily Market

### (I) Supply and Demand of Apartment Units

#### 1. Housing Starts

- Kumamoto City Rental housing starts in Kumamoto City in FY 2005 were reported at 4,622 units (up 29 percent from FY 2004) and 233,566 square meters of total floor areas (up 22 percent).

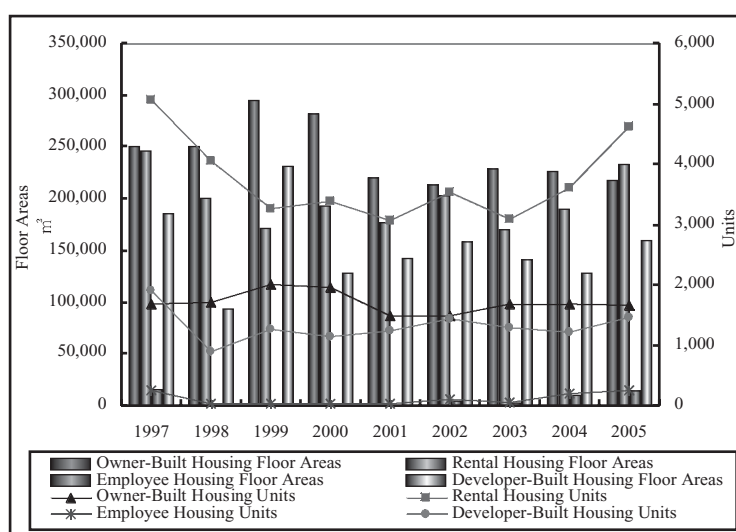
(Note) Owner-Built Housing: housing built by owners for their occupancy

Rental Housing: housing built for renting

Employee Housing: housing built by corporations and institutions for their employees

Developer-Built Housing: housing built by developers for sale

[Figure 4] Housing Starts in Kumamoto City by Builder/Use



[Table 1] Housing Starts in Kumamoto City by Builder/Use

		1997	1998	1999	2000	2001	2002	2003	2004	2005
		(m², units)								
Owner-Built Housing . . . . .	Floor Areas	251,038	250,910	295,780	282,398	219,840	213,169	228,727	226,535	217,747
	Units	1,686	1,697	1,992	1,954	1,484	1,486	1,680	1,677	1,646
Rental Housing . . . . .	Floor Areas	246,910	200,211	171,294	193,575	176,481	202,750	169,607	190,756	233,566
	Units	5,073	4,038	3,270	3,385	3,055	3,537	3,091	3,595	4,622
Employee Housing . . . . .	Floor Areas	15,984	1,123	1,778	1,358	2,135	4,916	3,454	10,558	14,128
	Units	256	17	34	18	30	97	53	202	254
Developer-Built Housing . . . .	Floor Areas	185,124	93,753	131,423	128,830	143,114	157,856	141,840	127,480	159,415
	Units	1,895	884	1,264	1,144	1,226	1,442	1,284	1,199	1,469

(Source) Ministry of Land, Infrastructure and Transport, "Construction Statistical Yearbook"

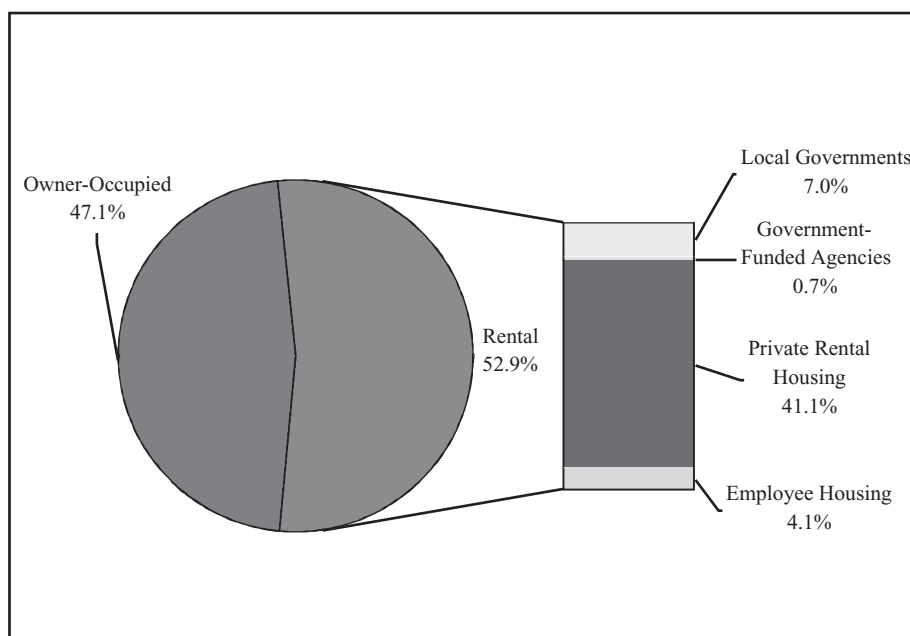
(Note) Figures for each fiscal year

## 2. Share of Owner-Occupied and Rental Housing

- *Kumamoto City* The shares of owner-occupied and rental housing stood at 47.1 percent and 52.9 percent, respectively, in Kumamoto City. The proportion of private rental housing was reported at 41.1 percent of the total housing stock in the city.

(Notes) Owner-Occupied Housing	: Houses occupied by their owners or co-owners.
Public Housing Provided by Local Governments	: Rental housing owned or operated by prefectural or municipal governments, excluding employee housing. Commonly called as “Prefectural Public Housing” or “Municipal Public Housing.”
Public Housing Provided by Government-Funded Agencies	: Rental housing owned or operated by government-funded agencies, excluding employee housing. These agencies include Urban Renaissance Agency and prefectural and municipal housing development agencies. Commonly called as “Agency Public Housing.”
Private Rental Housing	: Privately-owned or operated rental housing, excluding employee housing.
Employee Housing	: Housing exclusively rented to employees of corporations and institutions, including governments. Housing could be either owned or leased by employers. Some occupants stay for free as a perk of their jobs.

**[Figure 5] Share of Owner-Occupied and Rental Housing in Kumamoto City**







(Source) Ministry of Internal Affairs and Communications, “2003 Housing and Land Statistical Survey”

### 3. Trend of Multifamily Market

- *Kumamoto City* The multifamily market in Kumamoto City is considered to be oversupplied because of declining demand and unchanged supply in 2006 and 2007.

[Figure 6] Supply/Demand Situation in Kumamoto City

	2006	2007 Forecast
Change in Demand for New Apartments from Previous Year	 Lower	 Lower
Change in New Apartment Supply	 No Change	 No Change
Supply/Demand Situation of New Apartments	Oversupply	Oversupply

(Source) JREI, "Nationwide Office and Apartment Rent Index"

## (II) Characteristics of Residential Leases

- According to the breakdown of 174 lease contracts, which were closed after January 2006 in Kumamoto City for renting non-wooden-frame apartments, in terms of the amount of deposits, the most common market practice required a total of three-month rents as *shikikin* deposits (all refundable) and accounted for 43.7 percent of all the leases that we analyzed. There are very few cases in which non-refundable *reikin* deposits were charged.
- A fee is not generally required at the time of renewing a contract.
- Out of the 174 leases, 1 contract was categorized as *teiki shakuya* with a fixed lease period with no renewal options. *Teiki shakuya* leases are rarely used in the market.
- As for terms of lease contracts, a lease could be renewed automatically if it was not *teiki shakuya*. Among all the leases that we analyzed, 63.4 percent stipulated a two-year lease term.

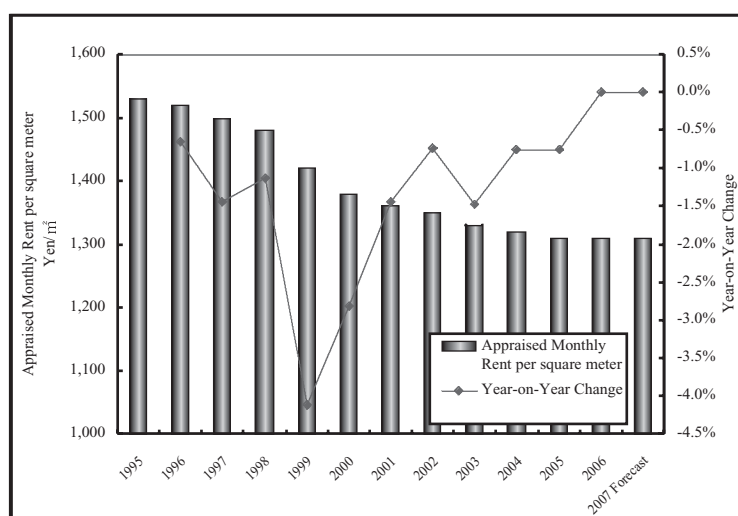
### (III) Rent Level and Vacancy Rate

#### 1. Trend of Rent Level

- On [Figure 7], we plotted the trends of Kumamoto City's apartment rents based on JREI's survey. The level of apartment rents continued to decline until 2005 and became flat in 2006. According to the survey, apartment rents will stay at the same level in 2007.
- During the period from 1995 to 2006, the rent level of apartments fell by approximately 14 percent.

(Note) Our staff members survey apartment rents in Japanese major cities as of the end of September every year. More specifically, an appraised rent is estimated for a hypothetical apartment in a typical neighborhood with higher rents in each major city. The appraised rent includes both rent payable every month and accruing interests on deposits. Our hypothetical apartment building for Kumamoto City has features such as reinforced-concrete frame construction and a size of approximately 60 square meters, more or less.

[Figure 7] Trend of Apartment Rent Level



#### 2. Vacancy Rate

- The Ministry of Internal Affairs and Communications' "Housing and Land Statistical Survey" reported the residential vacancy rates of 15.60 percent for Kumamoto City.

(Note) Vacant units are defined as all unoccupied rental units, including newly-built and existing; wooden-frame and non-wooden-frame; and single-family and multifamily housing.

[Table 2] Residential Vacancy Rate

	Nationwide	Kumamoto Prefecture	Kumamoto City
Rented Units . . . . .	17,166,000	225,300	133,000
Vacant Units . . . . .	3,674,900	38,600	24,580
Total Rental Units . . . . .	20,840,900	263,900	157,580
Vacancy Rate . . . . .	17.63%	14.63%	15.60%

(Source) Ministry of Internal Affairs and Communications, "2003 Housing and Land Statistical Survey"

Kagoshima City, Kagoshima Prefecture





## I. Overview of Kagoshima Prefecture and Kagoshima City

### (I) Location and Land Area

- *Kagoshima Prefecture* is situated at the southern end of the four largest islands in Japan. The total land area amounts to 9,187.80 square kilometers, with a length of approximately 595 kilometers from north to south (from Latitude 27° 1" to 32° 18" North) and approximately 268 kilometers from east to west (from Longitude 128° 23" to 131° 12" East). The size of Kagoshima ranks the 10th largest among 47 prefectures in Japan. Its prefectural seat is Kagoshima City.
- *Kagoshima City* is located almost at the center of the prefecture's mainland portion. The total land area amounts to 546.96 square kilometers and covers from Latitude 31° 17" to 31° 45" North and from Longitude 130° 23" to 130° 43" East.

[Figure 1] Location of Kagoshima Prefecture



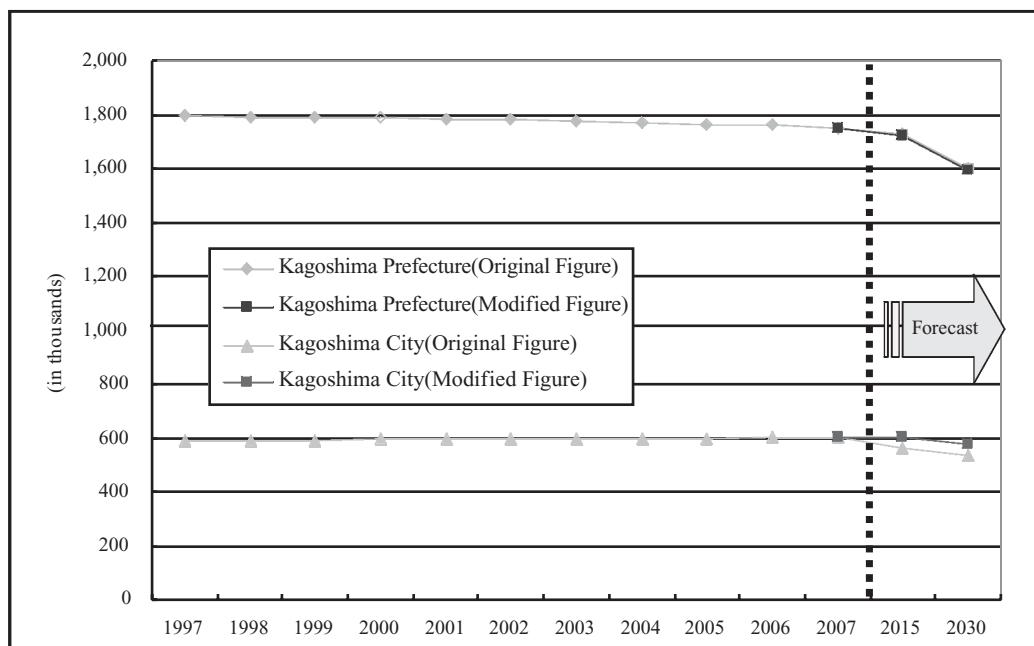
[Figure 2] Location of Kagoshima City



## (II) Population and Number of Households

- *Kagoshima Prefecture* The population and number of households of Kagoshima Prefecture totaled 1,751,510 and 775,541, respectively, as of March 31, 2007. The population declined annually by 0.5 percent, while the household number grew annually by slightly less than 1 percent between 1997 and 2007.
- *Kagoshima City* The population and number of households of Kagoshima City totaled 601,122 and 270,122, respectively, as of March 31, 2007. The population grew slightly between 1997 and 2006. The number of households rose annually by 1 percent during the same period.
- According to “Population Forecast” by the National Institute of Population and Social Security Research, *Kagoshima Prefecture’s population* will decline by approximately 2 percent in 2015 and by approximately 10 percent in 2030 compared to its population in 2007. *Kagoshima City’s population*, on the other hand, was forecasted to remain almost unchanged in 2015 and to decrease by approximately 4 percent in 2030 from the level in 2007.

[Figure 3] Population Trend and Forecast



## II. Multifamily Market

### (I) Supply and Demand of Apartment Units

#### 1. Housing Starts

- *Kagoshima City* Rental housing starts in Kagoshima City in FY 2005 were reported at 3,786 units and 171,907 square meters of total floor areas. The starts of rental housing grew by approximately 32 percent in terms of both units and square meters, whereas those of owner-built housing, employee housing, and developer-built housing all declined.

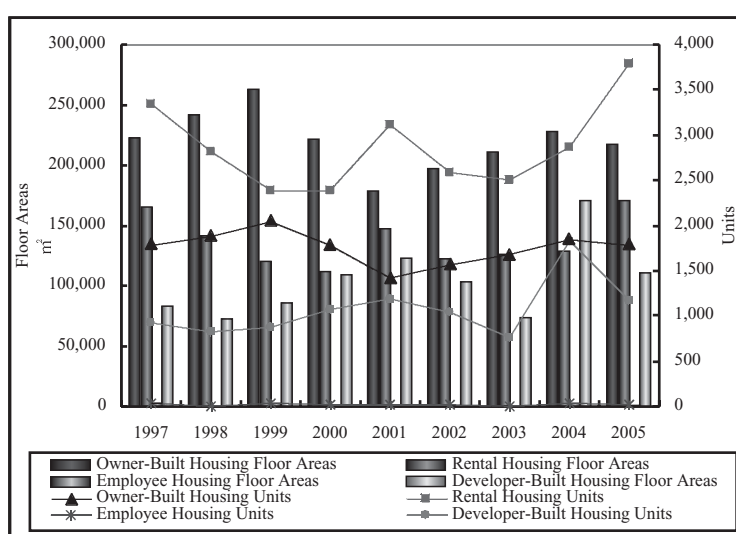
(Note) Owner-Built Housing: housing built by owners for their occupancy

Rental Housing: housing built for renting

Employee Housing: housing built by corporations and institutions for their employees

Developer-Built Housing: housing built by developers for sale

[Figure 4] Housing Starts in Kagoshima City by Builder/Use



[Table 1] Housing Starts in Kagoshima City by Builder/Use

		1997	1998	1999	2000	2001	2002	2003	2004	2005
		(m², units)								
Owner-Built Housing . . . . .	Floor Areas	223,921	241,976	262,981	222,223	179,242	197,025	210,587	228,130	217,789
	Units	1,771	1,875	2,035	1,785	1,414	1,557	1,684	1,840	1,772
Rental Housing . . . . .	Floor Areas	164,909	141,628	121,506	112,229	148,688	122,954	127,217	129,961	171,907
	Units	3,339	2,813	2,394	2,391	3,108	2,587	2,503	2,858	3,786
Employee Housing . . . . .	Floor Areas	2,211	228	2,705	1,690	1,498	1,565	462	2,409	985
	Units	28	3	34	16	12	22	7	38	13
Developer-Built Housing . . . .	Floor Areas	83,594	72,470	86,375	109,991	123,592	103,846	73,617	171,960	110,928
	Units	920	826	876	1,076	1,188	1,034	763	1,828	1,172

(Source) Ministry of Land, Infrastructure and Transport, "Construction Statistical Yearbook"

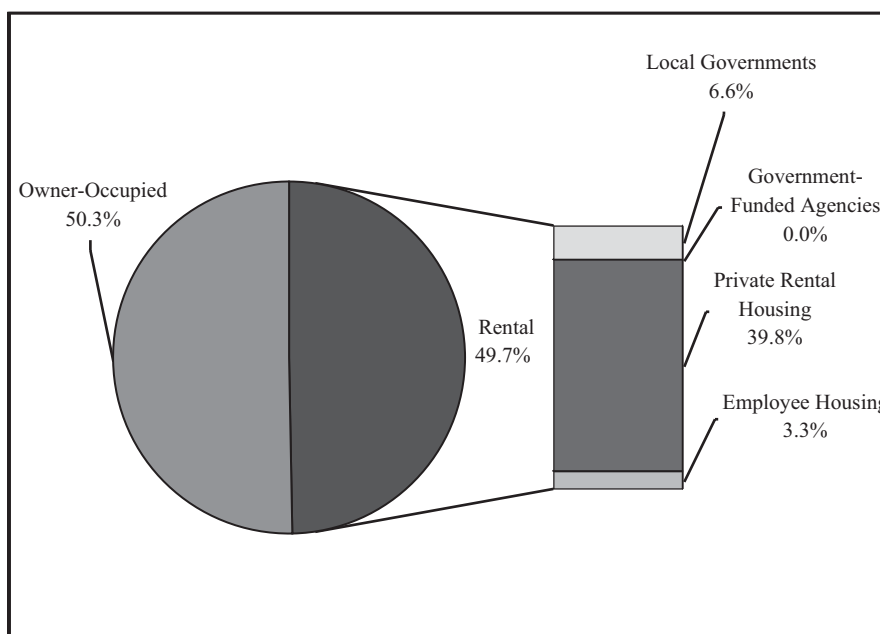
(Note) Figures for each fiscal year

## 2. Share of Owner-Occupied and Rental Housing

- *Kagoshima City* The shares of owner-occupied and rental housing were almost fifty-fifty in Kagoshima City. The proportion of private rental housing was reported at 39.8 percent of the total housing stock in the city.

(Notes) Owner-Occupied Housing	: Houses occupied by their owners or co-owners.
Public Housing Provided by Local Governments	: Rental housing owned or operated by prefectural or municipal governments, excluding employee housing. Commonly called as “Prefectural Public Housing” or “Municipal Public Housing.”
Public Housing Provided by Government-Funded Agencies	: Rental housing owned or operated by government-funded agencies, excluding employee housing. These agencies include Urban Renaissance Agency and prefectural and municipal housing development agencies. Commonly called as “Agency Public Housing.”
Private Rental Housing	: Privately-owned or operated rental housing, excluding employee housing.
Employee Housing	: Housing exclusively rented to employees of corporations and institutions, including governments. Housing could be either owned or leased by employers. Some occupants stay for free as a perk of their jobs.

[Figure 5] Share of Owner-Occupied and Rental Housing in Kagoshima City







(Source) Ministry of Internal Affairs and Communications, “2003 Housing and Land Statistical Survey”

### 3. Trend of Multifamily Market

- *Kagoshima City* The multifamily market in Kagoshima City is considered to be in equilibrium because both supply and demand stayed and are expected to remain stable in 2006 and 2007.

[Figure 6] Supply/Demand Situation in Kagoshima City

	2006	2007 Forecast
Change in Demand for New Apartments from Previous Year	 No Change	 No Change
Change in New Apartment Supply	 No Change	 No Change
Supply/Demand Situation of New Apartments	Equilibrium	Equilibrium

(Source) JREI, "Nationwide Office and Apartment Rent Index"

## (II) Characteristics of Residential Leases

- According to the breakdown of 760 lease contracts, which were closed after January 2006 in Kagoshima City for renting non-wooden-frame apartments, in terms of the amount of deposits, the most common market practice required a total of three-month rents as *shikikin* deposits (all refundable) and accounted for 68.6 percent of all the leases that we analyzed. There are very few cases in which non-refundable *reikin* deposits were charged.
- A fee is not generally required at the time of renewing a contract.
- Out of the 760 leases, 2 contracts were categorized as *teiki shakuya* with a fixed lease period with no renewal options. *Teiki shakuya* leases are rarely used in the market.
- As for the terms of lease contracts, a lease could be renewed automatically if it was not *teiki shakuya*. Among all the leases that we analyzed, 56.3 percent stipulated a two-year lease term.

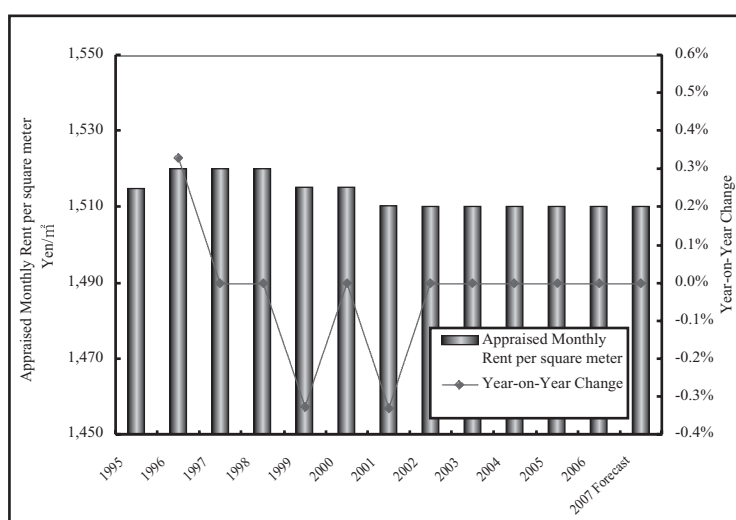
### (III) Rent Level and Vacancy Rate

#### 1. Trend of Rent Level

- On [Figure 7], we plotted the trends of Kagoshima City's apartment rents based on JREI's survey. The level of apartment rents remained flat since 2001. According to the survey, apartment rents will stay at the same level in 2007.
- During the period from 1995 to 2006, the rent level of apartments stayed at almost the same level.

(Note) Our staff members survey apartment rents in Japanese major cities as of the end of September every year. More specifically, an appraised rent is estimated for a hypothetical apartment in a typical neighborhood with higher rents in each major city. The appraised rent includes both rent payable every month and accruing interests on deposits. Our hypothetical apartment building for Kagoshima City has features such as reinforced-concrete frame construction and a size of approximately 60 square meters, more or less.

[Figure 7] Trend of Apartment Rent Level



#### 2. Vacancy Rate

- The Ministry of Internal Affairs and Communications' "2003 Housing and Land Statistical Survey" reported the residential vacancy rates of 13.06 percent for Kagoshima City.

(Note) Vacant units are defined as all unoccupied rental units, including newly-built and existing; wooden-frame and non-wooden-frame; and single-family and multifamily housing.

[Table 2] Residential Vacancy Rate

	Nationwide	Kagoshima Prefecture	Kagoshima City
Rented Units . . . . .	17,166,000	223,900	106,920
Vacant Units . . . . .	3,674,900	34,200	16,060
Total Rental Units . . . . .	20,840,900	258,100	122,980
Vacancy Rate . . . . .	17.63%	13.25%	13.06%

(Source) Ministry of Internal Affairs and Communications, "2003 Housing and Land Statistical Survey"

**INDEPENDENT SINGAPORE TAXATION REPORT**

The Board of Directors  
Japan Residential Assets Manager Limited  
as Manager of Saizen Real Estate Investment Trust  
72A Duxton Road  
Singapore 089531

HSBC Institutional Trust Services (Singapore) Limited  
as Trustee of Saizen Real Estate Investment Trust  
21 Collyer Quay  
#14-01 HSBC Building  
Singapore 049320

5 October 2007

Our Ref: DS/WEE/ANG (02523093-T150)

Dear Sirs

**SINGAPORE TAXATION REPORT**

This letter has been prepared at the request of Japan Residential Assets Manager Limited (the “Manager”) for inclusion in the Prospectus to be issued in relation to the initial public offering of units (“Units”) in Saizen Real Estate Investment Trust (“Saizen REIT”) on Singapore Exchange Securities Trading Limited.

The purpose of this letter is to provide prospective purchasers of the Units with an overview of the Singapore income tax consequences of the acquisition, ownership and disposal of the Units. This letter addresses principally purchasers who hold the Units as investment assets. Purchasers who acquire the Units for dealing purposes should consult their own tax advisors concerning the tax consequences of their particular situations.

This letter is not a tax advice and does not attempt to describe comprehensively all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Units. Prospective purchasers of the Units should consult their own tax advisors to take into account the tax law applicable to their particular situations. In particular, prospective purchasers who are not Singapore tax residents are advised to consult their own tax advisors to take into account the tax laws in their respective country of tax residence and the existence of any tax treaty which their country of residence may have with Singapore.

This letter is based on Singapore income tax laws and relevant interpretations thereof current as at the date of this letter, all of which are subject to change, possibly with retroactive effect.

Words and expressions defined in the Prospectus have the same meaning in this letter. In addition, unless the context requires otherwise, words in the singular include the plural and the other way round and words of one gender include the other gender.

**General Principles of Taxation of a Trust in Singapore**

In general, the income of a trust derived from Singapore or derived outside Singapore and received or deemed received in Singapore will be chargeable to Singapore income tax, unless otherwise exempted.

Singapore does not impose tax on capital gains. In other words, only receipts of a revenue nature (i.e. income) are chargeable. However, gains from the sale of investments (including real properties) may be construed as trading income chargeable to tax if such gains are derived from a trade or business of dealing in investments (including real properties).

The taxable income of a trust is ascertained in accordance with the provisions of the Singapore income tax law, after allowing for deduction of all expenses and any other allowances permitted under the law. This taxable income is assessed to tax on, and collected from, the Trustee at the prevailing corporate tax rate (18% for income earned in 2007).



Distributions made out of such income which have been subjected to tax at the Trustee level will be exempt and therefore will not be subject to any further Singapore tax in the hands of the beneficiaries. Certain types of trust however (including Saizen REIT) enjoy different tax treatment. This is discussed below.

## **Taxation of Saizen REIT**

### *Tokumei Kumiai (“TK”) Distributions*

The rental and other related income derived from the Japanese real estate properties will be received in Singapore by Saizen REIT in the form of profit allocation (i.e. TK distributions) from Japan under a TK agreement.

The foreign income (TK distributions) receivable by Saizen REIT from Japan will *prima facie* be liable to Singapore tax if remitted or deemed remitted into Singapore. In such a case, Saizen REIT (which is regarded as a Singapore tax resident) should be entitled to claim foreign tax credit on the Japanese withholding tax suffered of 20% on the TK distributions. Overall, given that the prevailing corporate tax rate in Singapore is 18%, there should not be any incremental tax liability arising for Saizen REIT on the TK distributions received from Japan.

It is relevant to note that there are tax exemptions available for certain categories of foreign income received in Singapore. With effect from 1 June 2003, foreign income in the form of dividends, branch profits and service fee income derived from tax jurisdictions with a headline tax rate of at least 15% and which has been subjected to tax in those jurisdictions will be exempted from tax under Section 13(8) of the Income Tax Act (“ITA”). However, in this case, the TK distributions receivable by Saizen REIT from Japan do not fall squarely under the above categories of foreign income which are tax exempt under Section 13(8) of the ITA.

Notwithstanding the above, to encourage the development of the REIT market in Singapore, the Inland Revenue Authority of Singapore (IRAS) issued a Circular on 30 November 2006 to provide guidance on the qualifying conditions and specified scenarios under which REITs can apply for tax exemption under Section 13(12) of the ITA in respect of foreign sourced dividends, foreign sourced interest income and distributions by foreign trusts. The qualifying conditions are as follows:-

- the foreign entity from which the income originates holds overseas properties, or engages in property related activities or in such other activities which conform with the regulatory requirements imposed on Singapore REITs, in a foreign tax jurisdiction with headline tax rate of at least 15%;
- dividend/trust distributions must originate from an entity constituted to hold or own property and the entity derives the following:
  - rental income from underlying overseas properties; or
  - capital gains from the disposal of overseas properties or from the disposal of special purpose vehicles that hold overseas properties; or
  - income derived from property related activities or such other activities which conform with the regulatory requirements imposed on Singapore REITs.
- In respect of property rental income, tax must have been paid in the foreign tax jurisdictions in which the property is situated.
- Funds channelled out of Singapore to finance the above-mentioned entity must originate from the following sources:-
  - Funds received by the REIT from an issue of units;
  - Permissible borrowings under the Property Trust Fund guidelines;
  - Security deposits from tenants or properties owned by the REIT; or
  - Undistributed income of the REIT.
- There should be no “round tripping” of locally sourced income via the overseas investment and no setting up of an artificial structure (e.g. incorporation of a shell company in Singapore) to avoid Singapore tax.

In this case, although the TK distributions do not fall squarely within the types of income that qualify for tax exemption as mentioned above, Saizen REIT has obtained a Tax Ruling from the IRAS dated 28 June 2007 confirming that the TK distributions receivable from Japan will be exempt from Singapore tax under Section 13(12) of the ITA.

The above Tax Ruling was granted on the basis that all the above qualifying conditions have been met where applicable, and it was within the spirit of law (i.e. to promote the development of the REIT market in Singapore) for the tax exemption to be granted.

#### *Gains on Sale of Real Properties*

Any gains arising from the sale of real properties, if considered to be trading gains derived from a trade or business carried on by Saizen REIT in Singapore, will be taxable in Singapore at the corporate tax rate. If the gains have been previously subjected to tax in Japan, Saizen REIT should be able to claim foreign tax credit for the Japanese tax suffered. Based on our understanding that any such gains distributed by the TK Operator will be subject to Japanese withholding tax at 20%, Saizen REIT should not suffer any incremental tax in Singapore on the gains.

On the other hand, if the gains from the sale of real properties are regarded as capital gains, such gains will not be taxable as there is no capital gains tax in Singapore.

The question of whether the gains are trading gains derived from Singapore is one of fact to be determined based on the circumstances of the case.

#### *Gains on Sale of TK Interest*

Any gains arising from the sale of the interest in the TK Agreement (“TK Interest”) that are considered to be trading in nature, derived from a trade or business carried on by Saizen REIT in Singapore, will be taxable in Singapore at the corporate tax rate.

On the other hand, if the gains from the sale of TK Interest are regarded as capital gains, such gains will not be taxable as there is no capital gains tax in Singapore.

The question of whether the gains are trading gains derived from Singapore is one of fact to be determined based on the circumstances of the case.

### **Taxation of Unitholders**

#### *Saizen REIT TK Distributions*

Given that the TK distributions are exempted from tax under Section 13(12) of the ITA, the IRAS has confirmed in its approval letter dated 10 July 2007 that subsequent distributions made by Saizen REIT out of these exempt TK distributions will be tax exempt in the hands of all Unitholders.

#### *Saizen REIT Distributions Made Out of Gains on Sale of Real Properties*

Regardless of whether the gains (if any) on sale of real properties are taxable for Saizen REIT or not, any subsequent distributions made by Saizen REIT out of these gains will not be taxable in the hands of Unitholders.

#### *Saizen REIT Distributions Made Out of Gains on the Sale of TK Interest*

Regardless of whether the gains (if any) on the sale of TK Interest are taxable for Saizen REIT or not, any subsequent distributions made by Saizen REIT out of these gains will not be taxable in the hands of Unitholders.

#### *Gains on Sale of Units*

Gains derived by Unitholders from the sale of their Units will not be subject to tax so long as they are capital in nature and not derived from the carrying on of a trade or business in Singapore.

For Unitholders who hold the Units as investment assets, any gains derived from the disposal of the Units should be regarded as capital and hence tax exempt.

Where the Units are held for the purpose and with the intent of trading in Singapore, the Unitholders will be taxable on the gains derived upon disposal of the Units as trading income, if the gains are sourced in Singapore.

The question of whether the gains are derived from trading in Singapore is one of fact to be determined based on the circumstances of each case. Therefore, Unitholders are advised to consult their tax advisors to ascertain their own respective Singapore tax positions.

**Terms and Conditions of the Tax Ruling**

There are certain terms and conditions attached to the Tax Ruling granted by the IRAS. The Tax Ruling is also granted based on the representations made to the IRAS. Should the facts turn out to be different from what was previously represented, the approval will be invalid unless it is reaffirmed by the IRAS.

Yours faithfully

David Sandison  
Director  
PricewaterhouseCoopers Services Pte Ltd

## INDEPENDENT JAPAN TAXATION REPORT



**KPMG Tax Corporation**  
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 Tokyo 106-6012, Japan

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 Internet [www.kpmg.or.jp](http://www.kpmg.or.jp)

The Board of Directors  
 Japan Residential Assets Manager Limited  
 as Manager of Saizen Real Estate Investment Trust  
 72A Duxton Road  
 Singapore 089531

HSBC Institutional Trust Services (Singapore) Limited  
 as Trustee of Saizen Real Estate Investment Trust  
 21 Collyer Quay  
 #14-01 HSBC Building  
 Singapore 049320

3 October 2007

Dear Sirs

**Re: Japanese Tax Treatment of Real Property Acquisition**

Gentlemen:

You have requested our opinion on the Japanese tax treatment of Saizen REIT, a real estate investment trust constituted under the laws of the Republic of Singapore ("Singapore"), which will be investing in a *Yugen Kaisha* ("YK") or *Godo Kaisha* ("GK") through *tokumei kumiai* ("TK") or silent partnership investments for the acquisition of a real property in Japan.

Our opinion, subject to the facts and assumptions set forth below, is based upon our analysis of Japanese tax statutes, case law, circulars, and other authorities, as we have found necessary in the circumstances. Our opinion relates only to the application of the Japanese tax law to the transaction described herein and is limited to the matters expressly set forth herein. Non-Japanese tax implications have not been addressed. Further, we have not discussed the tax implications for entities apart from the TK Operator.

Tax laws are subject to a broad range of interpretation and although we believe that the conclusions in this opinion are correct, based on the research and analysis set forth herein, we cannot in any way warrant or guarantee that the relevant tax authorities will ultimately come to the same conclusions regarding the tax consequences of the transaction discussed below. Moreover, please note that this opinion is based on the tax laws, as they exist as at the above date. We do not accept the responsibility to update or amend this letter for any subsequent changes in tax laws or interpretations.

Our opinion is specifically limited to our understanding of the transaction described below based on the particular circumstances of the parties involved. Similar structures involving other parties may or may not be treated the same for Japanese tax purposes.

Our opinion is specifically limited to and based on the transaction and facts as described below. Should the facts and circumstances be different from our understanding, our opinion may not be valid. It should be noted that any changes in applicable laws or the interpretation of such laws by the relevant authorities might affect the continuing validity of the opinions set forth herein. Further, any inaccuracy in any of the statements, representations or assumptions on which we have relied may also affect the validity of the opinion.

**Our understanding of the facts**

We understand the following facts and have based our opinion on these facts. If they are incorrect or have changed, please inform us immediately as this may impact upon the conclusions we have reached.

KPMG Tax Corporation, a tax corporation incorporated under the Japanese CPTA Law, is the Japan member firm of KPMG International, a Swiss cooperative



We have assumed the following for the proposed transaction:

- The TK would be respected as a valid TK under the Japanese Commercial Code.
- The TK Investor will have no day-to-day involvement with regard to the TK Business being conducted by the TK Operator.
- The TK Operator will act and make all decisions in its own independent capacity and follow the appropriate corporate governance procedures for undertaking the TK Business.
- The Asset Manager's scope of work is as set out in the Prospectus of Saizen REIT ("prospectus").
- The Manager's scope of work is also as set out in the Prospectus.
- Saizen REIT will be a publicly traded REIT in Singapore.
- The shareholders and directors of the Manager and Asset Manager may hold an interest in Saizen REIT, however, any such interest will not be substantial.
- Certain actions of the TK Operator that could potentially have a significant impact on the TK Business are prohibited under the TK Agreement.
- The Manager and Saizen REIT do not have a permanent establishment in Japan under either the Japanese tax rules or under the Agreement between the Government of Japan and the Government of the Republic of Singapore for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income.

## Discussion

### TK Arrangements

A TK is a contractual arrangement whereby an investor as a silent partner agrees to provide cash or assets for use in a defined portion of an operator's business. In turn, the TK Investor is entitled to participate in the financial results (profits or losses) of the operations. The TK Investor must be silent, and cannot participate in making decisions with respect to the TK Business.

Below is a discussion of the Japanese corporate income tax implications for the TK Operator.

### Japanese Tax Consequences

#### Taxation of TK Operator

TK Operator is a Japanese YK (or GK) and as such is subject to national corporation tax and local enterprise and inhabitants taxes on its worldwide income. The TK Operator will recognize the entire income or loss derived from the TK Business in its books. Allocation to the TK Investor of the TK income or losses in accordance with the TK Agreement will reduce the net income or losses of TK Operator at the pre-tax level, respectively. Please note that this profit/loss allocation will be made on the books of accounts based on the annual accounting report and in accordance with the TK Agreement irrespective of actual cash distributions to the TK Investor. Please also note that a TK is a contractual arrangement and is not a separate legal entity from the TK Operator. A TK is not taxed as a separate legal entity for Japanese tax purposes.

Income or gains, after allocating TK profit (or losses) to the TK Investor, will be subject to corporate income taxes at the effective tax rate of approximately 42.1%.

#### Taxation of Saizen REIT

If the TK investor is a foreign corporation (such as Saizen REIT), the TK income will be classified as domestic source income and be subject to withholding tax at the rate of 20% provided the TK investor did not have a permanent establishment in Japan. This should be the final tax.

The CTL and ITL provisions referred to above apply to foreign corporations. Saizen REIT is a Singapore-based real estate investment trust listed on Singapore Exchange Securities Trading Limited, there are reasons to believe that a foreign TK Investor should be treated as a foreign corporation (*gaikoku houjin*) for Japanese tax law purposes. Therefore, these CTL and ITL provisions should apply to Saizen REIT.

If a foreign TK Investor has a permanent establishment in Japan, and the TK investment is attributable to such permanent establishment, then the foreign TK Investor will be subject to national and local taxes at a



combined effective tax rate of approximately 42%. Based on the scope of work of the Manager and Asset Manager as set out in the Prospectus, we believe Saizen REIT's TK investment does not, of itself, cause them to have a permanent establishment in Japan.

Whether Saizen REIT has a permanent establishment in Japan would depend on the activities undertaken in Japan by persons acting for or on behalf of The Manager. Accordingly, the scope of future activities in Japan of any person associated with The Manager should be carefully monitored.

#### Indirect Taxes

Following is a summary of the major indirect taxes relevant to real estate investment in Japan.

##### (i) Consumption tax

Under Japanese consumption tax law there are numerous items that are not taxable. However, the most significant item to note is that the sale of land and rental income for residential purpose is not taxable, whilst the sales of buildings are taxable.

In relation to the acquisition of the real estate properties, the TK Operator will pay consumption tax at a rate of 5% on the transfer price of the building portion of the Properties. The transfer of land does not attract consumption tax. The TK Operator will also pay consumption tax on certain other expenses such as legal and advisory fees. Further, under the lease agreements, the tenants occupying the building portion of the Properties for commercial use will be charged consumption tax on rent payable, which will form part of taxable sales of the TK Operator in the year in which it has the right to receive the rental income.

##### (ii) Fixed Assets Tax

Fixed assets tax is imposed on the registered owner of the real property as of January 1 each year by cities, towns and villages where each property is located. The standard rate of fixed assets tax is 1.4% of the tax basis. Municipalities may impose tax at a higher rate than 1.4%, but if the rate is increased above 1.7%, the increase should be implemented by the municipalities only after receiving input from the taxpayers.

The tax base for fixed assets tax is a fair market value of property. In practice, land or building are taxed on the basis of their value assessed by the municipality (Fixed Assets Tax Assessment Value).

##### (iii) City Planning Tax

City planning tax is imposed on land and buildings located in an urban development area as additional tax to fixed assets tax. The tax base for land and building is the same as the tax base for fixed assets tax. The tax rate varies depending on the municipality that imposes tax. However, the maximum rate may not exceed 0.3%.

##### (iv) Real Property Acquisition Tax

In general, a purchaser of real property in Japan is subject to real property acquisition tax. The tax is generally imposed at the rate of 4% (3% for land and residential buildings until March 31, 2009, and 3.5% for buildings for non-residential buildings until March 31, 2008) on the Fixed Assets Tax Assessment Value. Moreover, the taxable base will be reduced to one-half of the original taxable base with respect to the land for site of building acquired until March 31, 2009.

##### (v) Registration Tax

The rate of registration tax for title registration of real property upon purchase is generally 2% (1% for land until March 31, 2008) of the Fixed Assets Tax Assessment Value.

#### **Tax Exposures**

##### Recharacterization as Nin-i Kumiai

There are two forms of partnerships in Japan—TK and a *Nin-i Kumiai* (“NK”).

If the assets used for the TK Business are owned by the TK Operator, and the TK Investor does not participate in the operation of the TK Business, we believe the arrangement should be treated as a valid TK for Japanese tax purposes. However, if the TK Investor does participate in management or decision making of the TK Business, then there is a clear concern that the Japanese tax authorities could maintain that TK Operator's status is that of a NK partner rather than a TK partner.



The principal implications if the TK Operator and the TK Investor (Saizen REIT) are deemed to be NK partners are as follows:

- The TK Investor would be deemed to have a permanent establishment in Japan as a result of its interest (deemed or actual) in a fixed place of business in Japan. As a result, the TK Investor would be subject to full national and local taxes increasing the applicable rate of tax from 20% to approximately 42%.
- Any gain from the sale by the TK Investor of its TK interest will be treated as a gain from the sale of an asset that is connected to a permanent establishment that the TK Investor has in Japan and will therefore be subject to national and local corporate income taxes at the rate of 42%.

#### Permanent Establishment

A second possible tax risk is the creation of an agency permanent establishment (“PE”).

Should a foreign corporation be deemed to have a PE in Japan, the foreign corporation would be subject to Japanese taxation in a manner identical to an NK investor. As such, it is extremely important to make it clear that the TK Operator carries on the business independently and the TK Investor merely participates in the profit or losses arising from the TK Business, and that the TK Operator or its affiliates are not acting as an agent for the TK Investor.

#### **Conclusions**

Based on the above and subject to our comments above, the following are our conclusions:

1. The TK profit distributions should be deductible to the TK Operator when allocated in accordance with the TK Agreements.
2. The TK Operator would have an obligation to withhold tax on the TK distributions of profit made to The Manager and remit the tax withheld to the appropriate tax office in the manner indicated above.
3. In the case of the Saizen REIT, provided the TK Operator (or the Asset Manager on behalf of the TK Operator) conducts the TK Business in accordance with the TK Agreement and the TK Investor does not participate in the TK Business as set out in the Prospectus, the TK Agreement should not cause an NK or a PE risk as mentioned in the above section on Tax Exposure.

\* \* \* \* \*

Yours sincerely,

KPMG Tax Corporation

By

David B. Lewis  
Partner



## TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION FOR AND ACCEPTANCE OF THE UNITS IN SINGAPORE

*Applications are invited for the subscription of the Units at the Offering Price of S\$1.00 per Unit (the “Offering Price”) on the terms and conditions set out below and in the Application Form or, as the case may be, the Electronic Applications (as defined below).*

*Investors applying for the Units in the Public Offer by way of Application Forms or Electronic Applications are required to pay the Offering Price, subject to a refund of the full amount or, as the case may be, the balance of the applications monies (in each case without interest or any share of revenue or other benefit arising therefrom) where (i) an application is rejected or accepted in part only, or (ii) if the Offering does not proceed for any reason.*

*Investors applying in the Placement for the Units or the Reserved Units are required to pay, in Singapore dollars for each Unit applied for, the Offering Price subject to a refund of the full amount or, as the case may be, the balance of the application monies (in each case without interest or any share of revenue or other benefit arising therefrom) where (i) an application is rejected or accepted in part only, or (ii) if the Offering does not proceed for any reason.*

- (1) **Your application must be made in lots of 1,000 Units or integral multiples thereof. Your application for any other number of Units will be rejected.**
- (2) You may apply for the Units under the Public Offer only during the period commencing at 12.00 noon on 30 October 2007 and expiring at 8.00 a.m. on 5 November 2007. The Offering period may be extended or shortened to such date and/or time as the Manager may agree with the Underwriters, subject to all applicable laws and regulations and the rules of the SGX-ST.
- (3) (a) Your application for the Offer Units, other than Reserved Units, may be made by way of the printed **WHITE** Offer Units Application Forms or by way of Automated Teller Machines (“ATMs”) belonging to the Participating Banks (“**ATM Electronic Applications**”) or the Internet Banking (“**IB**”) website of the Participating Banks (“**Internet Electronic Applications**”, which together with ATM Electronic Applications, shall be referred to as “**Electronic Applications**”).
- (b) Your application for the Units offered in the Placement (the “**Placement Units**”) may be made by way of the printed **BLUE** Placement Units Application Forms (or in such other manner as the Underwriters may in their absolute discretion deem appropriate).
- (c) Your application for Reserved Units may only be made by way of the printed **PINK** Reserved Units Application Forms.
- (4) **You may use up to 35.0% of your CPF Investible Savings (“CPF Funds”) to apply for the Units.** Approval has been obtained from the Central Provident Fund Board (“**CPF Board**”) for the use of such CPF Funds pursuant to the Central Provident Fund (Investment Schemes) Regulations, as may be amended from time to time, for the subscription or purchase of the Units. You may also use up to 35.0% of your CPF Funds for the purchase of the units in the secondary market.
- (5) If you are using CPF Funds to apply for the Units, you must have a CPF Investment Account maintained with the relevant Participating Banks. You do not need to instruct the CPF Board to transfer CPF Funds from your CPF Ordinary Account to your CPF Investment Account.

The use of CPF Funds to apply for the Units is further subject to the terms and conditions set out in the section on “Terms and Conditions for Use of CPF Funds”.

- (6) **Only one application may be made for the benefit of one person for the Offer Units (other than Reserved Units) in his own name. Multiple applications for the Offer Units (other than Reserved Units) will be rejected, except in the case of applications by approved nominee companies where each application is made on behalf of a different beneficiary.**

**You may not submit multiple applications for the Offer Units (other than Reserved Units) via the Offer Units Application Form, ATM Electronic Applications or Internet Electronic Applications. A person who is submitting an application for the Offer Units (other than Reserved Units) by way of the Offer Units Application Form may not submit another application for the Offer Units (other than Reserved Units) by way of an ATM Electronic Application or Internet Electronic Application and vice versa.**

**A person, other than an approved nominee company, who is submitting an application for the Offer Units (other than Reserved Units) in his own name should not submit any other applications for the Offer Units (other than Reserved Units), whether on a printed Application Form or through an ATM Electronic Application or Internet Electronic Application, for any other person. Such separate applications will be deemed to be multiple applications and shall be rejected.**

**Joint or multiple applications for the Offer Units (other than Reserved Units) shall be rejected. Persons submitting or procuring submissions of multiple applications for the Offer Units (other than Reserved Units) may be deemed to have committed an offence under the Penal Code, Chapter 224 of Singapore and the Securities and Futures Act, and such applications may be referred to the relevant authorities for investigation. Multiple applications or those appearing to be or suspected of being multiple applications (other than as provided herein) will be liable to be rejected at the discretion of the Manager.**

- (7) Applications from any person under the age of 21 years, undischarged bankrupts, sole proprietorships, partnerships, chops or non-corporate bodies, joint Securities Account holders of CDP will be rejected.
- (8) Applications from any person whose addresses (furnished in their printed Application Forms or, in the case of ATM Electronic Applications and Internet Electronic Applications, contained in the records of the relevant Participating Banks, as the case may be) bear post office box numbers will be rejected. No person acting or purporting to act on behalf of a deceased person is allowed to apply under the Securities Account with CDP in the deceased's name at the time of the application.
- (9) The existence of a trust will not be recognised. Any application by a trustee or trustees must be made in his/her or their own name(s) and without qualification or, where the application is made by way of a printed Application Form by a nominee, in the name(s) of an approved nominee company or approved nominee companies after complying with paragraph 10 below.
- (10) **Nominee applications may only be made by approved nominee companies.** Approved nominee companies are defined as banks, merchant banks, finance companies, insurance companies, licensed securities dealers in Singapore and nominee companies controlled by them. Applications made by nominees other than approved nominee companies will be rejected.
- (11) **If you are not an approved nominee company, you must maintain a Securities Account with CDP in your own name at the time of your application. If you do not have an existing Securities Account with the CDP in your own name at the time of application, your application will be rejected (if you apply by way of an Application Form) or you will not be able to complete your application (if you apply by way of an Electronic Application). If you have an existing Securities Account with CDP but fail to provide your CDP Securities Account number or provide an incorrect CDP Securities Account number in your Application Form or in your Electronic Application, as the case may be, your application is liable to be rejected.**
- (12) Subject to paragraph 16 below, your application is liable to be rejected if your particulars such as name, National Registration Identity Card ("NRIC") or passport number or company registration number, nationality and permanent residence status, and CDP Securities Account number provided in your Application Form, or in the case of an Electronic Application, contained in the records of the relevant Participating Banks at the time of your Electronic Application, as the case may be, differ from those particulars in your Securities Account as maintained by CDP. If you have more than one individual direct Securities Account with the CDP, your application shall be rejected.
- (13) **If your address as stated in the Application Form or, in the case of an Electronic Application, contained in the records of the relevant Participating Banks, as the case may be, is different from the address registered with CDP, you must inform CDP of your updated address promptly, failing which the notification letter on successful allocation from CDP will be sent to your address last registered with CDP.**
- (14) This Prospectus and its accompanying Application Forms have not been registered in any jurisdiction other than in Singapore. The distribution of this Prospectus and its Application Forms may be prohibited or restricted (either absolutely or unless various securities requirements, whether legal or administrative, are complied with) in certain jurisdictions under the relevant securities laws of those jurisdictions. Without limiting the generality of the foregoing, neither this Prospectus (including its Application Forms) nor any copy thereof may be published or distributed, directly or indirectly, in whole or in part, in or into the United States and they do not constitute an offer of securities for sale into the United States or any jurisdiction in which such offer is not authorised or to any person to whom it is unlawful to make such an offer. The Units have not been and will not

be registered under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”) and accordingly, may not be offered or sold within the United States except in certain transactions exempt from the registration requirements of the Securities Act. The Units are being offered and sold in offshore transactions (as defined in Regulation S under the Securities Act (“**Regulation S**”)) outside the United States to non-U.S. persons in reliance on Regulation S. There will be no public offer of the Units in the United States. Any failure to comply with this restriction may constitute a violation of United States securities laws.

**The Manager reserves the right to reject any applications for Units where the Manager believes or has reason to believe that such applications may violate the securities laws or any applicable legal or regulatory requirements of any jurisdiction.**

No person in any jurisdiction outside Singapore receiving the Prospectus or its accompanying Application Forms may treat the same as an offer or invitation to subscribe for or purchase any Units unless such an offer or invitation could lawfully be made without compliance with any regulatory or legal requirements in those jurisdictions.

- (15) The Manager reserves the right to reject any application which does not conform strictly to the instructions set out in the Prospectus (including the instructions set out in the Application Forms), in the ATM and IB websites of the Participating Banks, or with the terms and conditions of the Prospectus or, in the case of an application by way of an Application Form, which is illegible, incomplete, incorrectly completed or which is accompanied by an improperly drawn up or improper form of remittance.
- (16) The Manager further reserves the right to treat as valid any applications not completed or submitted or effected in all respects in accordance with the instructions set out in the Prospectus (including the instructions set out in the Application Forms) and in the ATMs and IB websites of the Participating Banks, and also to present for payment or other processes all remittances at any time after receipt and to have full access to all information relating to, or deriving from, such remittances or the processing thereof.

Without prejudice to the rights of the Manager, the Underwriters, as agents of the Manager, have been authorised to accept, for and on behalf of the Manager, such other forms of application as the Underwriters may, in consultation with the Manager, deem appropriate.

- (17) The Manager reserves the right to reject or to accept, in whole or in part, or to scale down or to ballot, any application, without assigning any reason therefor, and none of the Manager, the Trustee, the Underwriters and UOB Asia Limited (the “**Co-ordinator of the Public Offer**”) will entertain any enquiry and/or correspondence on the decision of the Manager. This right applies to applications made by way of Application Forms and by way of Electronic Applications and by such other forms of application, as the Underwriters may, in consultation with the Manager, deem appropriate. In deciding the basis of allocation, the Manager will give due consideration to the desirability of allocating the Units to a reasonable number of applicants with a view to establishing an adequate market for the Units.
- (18) In the event that the Manager lodges a supplementary or replacement prospectus (the “**Relevant Document**”) pursuant to the Securities and Futures Act or any applicable legislation in force from time to time prior to the close of the Offering, and the Units have not been issued, the Manager will (as required by law) either:
  - (a) within two days (excluding any Saturday, Sunday or public holiday) from the date of the lodgement of the Relevant Document, give you notice in writing of how to obtain, or arrange to receive, a copy of the same and provide you with an option to withdraw your application and take all reasonable steps to make available within a reasonable period the Relevant Document to you if you have indicated that you wish to obtain, or have arranged to receive, a copy of the Relevant Document; or
  - (b) within seven days of the lodgement of the Relevant Document give you a copy of the Relevant Document and provide you with an option to withdraw your application; or
  - (c) deem your application as withdrawn and cancelled and refund your application monies (without interest or any share of revenue or other benefit arising therefrom) to you within seven days from the lodgement of the Relevant Document.

Any applicant who wishes to exercise his option under paragraphs 18(a) and (b) above to withdraw his application shall, within 14 days from the date of lodgement of the Relevant Document, notify the Manager whereupon the Manager shall, within seven days from the receipt of such notification, return all monies in respect of such application (without interest or any share of revenue or other benefit arising therefrom) to you and at your own risk.

In the event that the Units have already been issued at the time of the lodgement of the Relevant Document but trading has not commenced, the Manager will (as required by law) either:

- (i) within two days (excluding Saturday, Sunday or public holiday) from the date of the lodgement of the Relevant Document, give you notice in writing of how to obtain, or arrange to receive, a copy of the same and provide you with an option to return to the Manager the Units which you do not wish to retain title in and take all reasonable steps to make available within a reasonable period the Relevant Document to you if you have indicated that you wish to obtain, or have arranged to receive, a copy of the Relevant Document; or
- (ii) within seven days from the lodgement of the Relevant Document give you a copy of the Relevant Document and provide you with an option to return the Units which you do not wish to retain title in; or
- (iii) deem the issue as void and refund your payment for the Units (without interest or any share of revenue or other benefit arising therefrom) within seven days from the lodgement of the Relevant Document.

Any applicant who wishes to exercise his option under paragraphs 18(i) and (ii) above to return the Units issued to him shall, within 14 days from the date of lodgement of the Relevant Document, notify the Manager of this and return all documents, if any, purporting to be evidence of title of those Units, whereupon the Manager shall, within seven days from the receipt of such notification and documents, pay to him all monies paid by him for the Units without interest or any share of revenue or other benefit arising therefrom and at his own risk, and the Units issued to him shall be deemed to be void.

Additional terms and instructions applicable upon the lodgement of the Relevant Document, including instructions on how you can exercise the option to withdraw, may be found in such Relevant Document.

- (19) The Units may be reallocated between the Placement and the Public Offer for any reason at the discretion of the Underwriters in consultation with the Manager, including in the event of excess applications in one and a deficit of applications in the other.
- (20) It is expected that CDP will send to you, at your own risk, within 15 Market Days after the close of the Offering, and subject to the submission of valid applications and payment for the Units and the Offering Price being agreed upon between the Underwriters and the Manager, a statement of account stating that your Securities Account has been credited with the number of Units allocated to you. This will be the only acknowledgement of application monies received and is not an acknowledgement by the Manager. You irrevocably authorise CDP to complete and sign on your behalf as transferee or renounee any instrument of transfer and/or other documents required for the issue or transfer of the Units allocated to you. This authorisation applies to applications made both by way of Application Forms and by way of Electronic Applications.
- (21) You irrevocably authorise CDP to disclose the outcome of your application, including the number of Units allocated to you pursuant to your application, to the Manager, the Underwriters, the Coordinator of the Public Offer and any other parties so authorised by the Manager and/or the Underwriters.
- (22) Any reference to “you” or the “Applicant” in this section shall include a person, a corporation, an approved nominee company and trustee applying for the Units by way of an Application Form or by way of Electronic Application.
- (23) By completing and delivering an Application Form and, in the case of an ATM Electronic Application, by pressing the “Enter” or “OK” or “Confirm” or “Yes” key or any other relevant key on the ATM or, in the case of an Internet Electronic Application, by clicking “Submit” or “Continue” or “Yes” or “Confirm” or any other button on the IB website screen in accordance with the provisions herein, you:
  - (a) irrevocably agree and undertake to subscribe for the number of Units specified in your application (or such smaller number for which the application is accepted) at the Offering Price for each Unit and agree that you will accept such number of Units as may be allocated to you, in each case on the terms of, and subject to the conditions set out in, the Prospectus and its accompanying Application Forms and the Trust Deed;
  - (b) agree that, in the event of any inconsistency between the terms and conditions for application set out in the Prospectus and its Application Forms, or the IB websites or ATMs of the Participating Banks, the terms and conditions set out in the Prospectus and its accompanying Application Forms shall prevail;
  - (c) in the case of an application by way of an Offer Units Application Form, an ATM Electronic Application or Internet Electronic Application, agree that the aggregate Offering Price for the Units applied for is due and payable to the Manager upon application;

- (d) in the case of an application by way of a Placement Units Application Form or Reserved Units Application Form or such other forms of application as the Underwriters may, in consultation with the Manager, deem appropriate, using cash, agree that the aggregate Offering Price for the Units is due and payable to the Manager;
  - (e) warrant the truth and accuracy of the information contained, and representations and declarations made, in your application, and acknowledge and agree that such information, representations and declarations will be relied on by the Manager in determining whether to accept your application and/or whether to allot any Units to you; and
  - (f) agree and warrant that, if the laws of any jurisdictions outside Singapore are applicable to your application, you have complied with all such laws and neither the Manager, the Underwriters nor the Coordinator of the Public Offer will infringe any such laws as a result of the acceptance of your application.
- (24) Acceptance of applications will be conditional upon, *inter alia*, the Manager being satisfied that:
- (a) permission has been granted by the SGX-ST to deal in and for the quotation of all the Units on the Main Board of the SGX-ST, including those to be issued pursuant to the Offering as Consideration Units, as Cornerstone Units and as Units issued to the Manager from time to time in full or part payment of fees payable to the Manager;
  - (b) the Underwriting Agreement, has become unconditional and has not been terminated; and
  - (c) the Authority has not served a stop order which directs that no or no further Units to which the Prospectus relates be allotted or issued (“**Stop Order**”).
- (25) In the event that a Stop Order in respect of the Units is served by the Authority or other competent authority, and:
- (a) the Units have not been issued, all applications shall (as required by law) be deemed to be withdrawn and cancelled and the Manager shall refund the application monies (without interest or any share of revenue or other benefit arising therefrom) to you within 14 days of the date of the Stop Order; or
  - (b) if the Units have already been issued but trading has not commenced, the issue will (as required by law) be deemed void and the Manager shall refund your payment for the Units (without interest or any share of revenue or other benefit arising therefrom) to you within 14 days from the date of the Stop Order.
- This shall not apply where only an interim Stop Order has been served.
- (26) In the event that an interim Stop Order in respect of the Units is served by the Authority or other competent authority, no Units shall be issued to you until the Authority revokes the interim Stop Order.
- (27) Additional terms and conditions for applications by way of Application Forms are set out in the section titled “Additional Terms and Conditions for Applications using Printed Application Forms” on pages G-5 to G-9 of this Prospectus.
- (28) Additional terms and conditions for applications by way of Electronic Applications are set out in the section entitled “Additional Terms and Conditions for Electronic Applications” on pages G-9 to G-13 of this Prospectus.
- (29) Terms and conditions governing the use of CPF Funds are set out in the section entitled “Terms and Conditions for Use of CPF Funds on page G-17 of this Prospectus”.
- (30) No application will be held in reserve.
- (31) The Prospectus is dated 29 October 2007. No Units will be allotted on the basis of the Prospectus later than six months after the date of the Prospectus.

#### **Additional Terms and Conditions for Applications using Printed Application Forms**

Applications by way of an Application Form shall be made on, and subject to the terms and conditions of the Prospectus, including but not limited to the terms and conditions set out below, as well as those set out under the section on “Terms, Conditions and Procedures for Application for and Acceptance of the Units in Singapore” on pages G-1 to G-17 of this Prospectus and the Trust Deed.

- (1) Applications for the Offer Units (other than Reserved Units) must be made using the printed **WHITE** Offer Units Application Forms and printed **WHITE** official envelopes “A” and “B”, accompanying and forming part of the Prospectus.

Applications for the Placement Units must be made using the printed **BLUE** Placement Units Application forms, accompanying and forming part of this Prospectus (or in such other manner as the Underwriters may in their absolute discretion deem appropriate).



Applications for Reserved Units must be made using the printed **PINK** Reserved Units Application forms, accompanying and forming part of this Prospectus.

Without prejudice to the rights of the Manager, the Underwriters, as agents of the Manager, have been authorised to accept, for and on behalf of the Manager, such other forms of application, as the Underwriters may (in consultation with the Manager) deem appropriate.

Your attention is drawn to the detailed instructions contained in the respective Application Forms and this Prospectus for the completion of the Application Forms, which must be carefully followed. **The Manager reserves the right to reject applications which do not conform strictly to the instructions set out in the Application Forms and this Prospectus or which are illegible, incomplete, incorrectly completed or which are accompanied by improperly drawn remittances or improper form of remittances.**

- (2) You must complete your Application Forms in English. Please type or write clearly in ink using **BLOCK LETTERS**.
- (3) You must complete all spaces in your Application Forms except those under the heading **“FOR OFFICIAL USE ONLY”** and you must write the words **“NOT APPLICABLE”** or **“N.A.”** in any space that is not applicable.
- (4) Individuals, corporations, approved nominee companies and trustees must give their names in full. If you are an individual, you must make your application using your full name as it appears on your NRIC (if you have such an identification document) or in your passport and, in the case of a corporation, in your full name as registered with a competent authority. If you are not an individual, you must complete the Application Form under the hand of an official who must state the name and capacity in which he signs the Application Form. If you are a corporation completing the Application Form, you are required to affix your Common Seal (if any) in accordance with your Memorandum and Articles of Association or equivalent constitutive documents of the corporation. If you are a corporate applicant and your application is successful, a copy of your Memorandum and Articles of Association or equivalent constitutive documents must be lodged with the Registrar of Saizen REIT. The Manager reserves the right to require you to produce documentary proof of identification for verification purposes.
- (5)
  - (a) You must complete Sections A and B and sign page 1 of the Application Form.
  - (b) You are required to delete either paragraphs 6(c) or 6(d) on page 1 of the Application Form. Where paragraph 6(c) is deleted, you must also complete Section C of the Application Form with particulars of the beneficial owner(s).
  - (c) If you fail to make the required declaration in paragraph 6(c) or 6(d), as the case may be, on page 1 of the Application Form, your application is liable to be rejected.
- (6) You (whether an individual or corporate applicant, whether incorporated or unincorporated and wherever incorporated or constituted) will be required to declare whether you are a citizen or permanent resident of Singapore or a corporation in which citizens or permanent residents of Singapore or any body corporate constituted under any statute of Singapore have an interest in the aggregate of more than 50 per cent. of the issued share capital of or interests in such corporation. If you are an approved nominee company, you are required to declare whether the beneficial owner of the Units is a citizen or permanent resident of Singapore or a corporation, whether incorporated or unincorporated and wherever incorporated or constituted, in which citizens or permanent residents of Singapore or any body corporate incorporated or constituted under any statute of Singapore have an interest in the aggregate of more than 50 per cent. of the issued share capital of or interests in such corporation.
- (7) You may apply and make payment for your application for the Units in the Singapore currency in the following manner:
  - (a) **Cash only**—you may apply for the Units using only cash. Each application must be accompanied by a cash remittance in Singapore currency for the full amount payable at the Offering Price of S\$1.00 for each Unit, in respect of the number of Units applied for. The remittance must be in the form of a **BANKER’S DRAFT** or **CASHIER’S ORDER** drawn on a bank in Singapore, made out in favour of **“SAIZEN REIT UNIT ISSUE ACCOUNT”** (or in the case of Placement Unit applications only, such other bank account as the Underwriters may in their absolute discretion deem appropriate) crossed **“A/ C PAYEE ONLY”** with your name, CDP Securities Account number and address of the applicant written clearly on the reverse side. Applications not accompanied by any payment or accompanied by any other form of payment will not be accepted. No combined Banker’s Draft or Cashier’s Order for different CDP Securities Accounts shall be accepted. Remittances bearing **“Not Transferable”** or **“Non-Transferable”** crossings will be rejected.

- (b) **CPF Funds only**—You may apply for the Units using only CPF Funds. Each application must be accompanied by a remittance in Singapore currency for the full amount payable at the Offering Price of S\$1.00 for each Offer Unit, in respect of the number of Units applied for. The remittance must be in the form of a **CPF CASHIER’S ORDER** (available for purchase at the CPF approved bank with which the applicant maintains his CPF Investment Account), made out in favour of “**SAIZEN REIT UNIT ISSUE ACCOUNT**” (or in the case of Placement Unit applications only, such other bank account as the Underwriters may in their absolute discretion deem appropriate) with your name, CDP Securities Account number and address of the applicant written clearly on the reverse side. Applications not accompanied by any payment or accompanied by any other form of payment will not be accepted. For additional terms and conditions governing the use of CPF Funds, please refer to page G-17 of this Prospectus.
- (c) **Cash and CPF Funds**—you may apply for the Units using a combination of cash and CPF Funds, PROVIDED THAT the number of Units applied for under each payment method is in lots of 1,000 Units or integral multiples thereof. Such applications must comply with the requirements for applications by cash and by CPF Funds as set out in the preceding paragraphs. In the event that applications for Offer Units are accepted in part only, the cash portion of the application monies will be used in respect of such applications before the CPF Funds are used. In the case of applications for Placement Units that are accepted in part only, the CPF Funds portion of the application monies will be used in respect of such applications before the cash portion is used.

**An applicant applying for 1,000 Units must use either cash only or CPF Funds only.** No acknowledgement of receipt will be issued for applications and application monies received.

- (8) Monies paid in respect of unsuccessful applications are expected to be returned (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post within 24 hours of the balloting (or such shorter period as the SGX-ST may require), at your own risk. Where your application is accepted in full or in part only, the balance of the application monies will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post at your own risk within 14 Market Days after the close of the Offering, PROVIDED THAT the remittance accompanying such application which has been presented for payment or other processes has been honoured and the application monies received in the designated unit issue account. If the Offering does not proceed for any reason, the full amount of application monies (without interest or any share of revenue or other benefit arising therefrom) will be returned to you within three Market Days after the Offering is discontinued.
- (9) Capitalised terms used in the Application Forms and defined in the Prospectus shall bear the meanings assigned to them in the Prospectus.
- (10) By completing and delivering the Application Forms, you agree that:
- (a) in consideration of the Manager having distributed the Application Form to you and by completing and delivering the Application Form before the close of the Offering:
    - (i) your application is irrevocable;
    - (ii) your remittance will be honoured on first presentation and that any monies returnable may be held pending clearance of your payment without interest or any share of revenue or other benefit arising therefrom; and
    - (iii) you represent and agree that you are not a U.S. person (within the meaning of Regulation S);
  - (b) all applications, acceptances or contracts resulting therefrom under the Offering shall be governed by and construed in accordance with the laws of Singapore and that you irrevocably submit to the non-exclusive jurisdiction of the Singapore courts;
  - (c) in respect of the Units for which your application has been received and not rejected, acceptance of your application shall be constituted by written notification by or on behalf of the Manager and not otherwise, notwithstanding any remittance being presented for payment by or on behalf of the Manager;
  - (d) the Manager may return (without interest of any share of revenue or other benefit arising therefrom) to you by ordinary post, at your own risk:
    - (i) where your application is unsuccessful, the monies paid within 24 hours (or such shorter period as the SGX-ST may require) after the close of the balloting;
    - (ii) where your application is accepted in full or in part only, the balance of the application monies within 14 Market Days after the close of the Offering; and



- (iii) where the Offering does not proceed for any reason, the monies paid within three Market Days after the Offering is discontinued

PROVIDED THAT the remittance accompanying such application which has been presented for payment or other processes has been honoured and the application monies received in the designated unit issue account;

- (e) you will not be entitled to exercise any remedy of rescission for misrepresentation at any time after acceptance of your application;
- (f) reliance is placed solely on information contained in this Prospectus and none of the Manager, the Trustee, the Underwriters, the Sponsor, the Coordinator of the Public Offer or any other person involved in the Offering shall have any liability for any information not contained therein;
- (g) you consent to the disclosure of your name, NRIC/passport number or company registration number, address, nationality, permanent resident status, Securities Account number, CPF Investment Account Number and Unit application amount to our Registrar, CDP, CPF Board, Securities Clearing Computer Services (Pte) Ltd (“SCCS”), SGX-ST, the Manager, the Underwriters and the Coordinator of the Public Offer (collectively the “**Relevant Parties**”); and
- (h) you irrevocably agree and undertake to subscribe for the number of Units applied for as stated in the Application Form or any smaller number of such Units that may be allocated to you in respect of your application. In the event that the Manager decides to allocate any smaller number of Units or not to allocate any Units to you, you agree to accept such decision as final.

**Procedures Relating to Applications for the Offer Units (other than Reserved Units) by Way of Printed Application Forms**

- (1) Your application for the Offer Units (other than Reserved Units) by way of printed Application Forms must be made using the **WHITE** Offer Units Application Forms and **WHITE** official envelopes “**A**” and “**B**”.
- (2) You must:
- (a) enclose the **WHITE** Offer Units Application Form, duly completed and signed, together with correct remittance for the full amount payable at the Offering Price in Singapore currency in accordance with the terms and conditions of the Prospectus and its accompanying documents (including these Instructions), in the **WHITE** official envelope “**A**” provided;
- (b) in appropriate spaces on the **WHITE** official envelope “**A**”:
- (i) write your name and address;
- (ii) state the number of Offer Units (other than Reserved Units) applied for; and
- (iii) tick the box to indicate form of payment;
- (c) **SEAL THE WHITE OFFICIAL ENVELOPE “A”**;
- (d) write, in the special box provided on the larger **WHITE** official envelope “**B**” addressed to UOB Asia Limited, 1 Raffles Place, #13-01 OUB Centre, Singapore 048616, the number of Offer Units (other than Reserved Units) you have applied for;
- (e) insert the **WHITE** official envelope “**A**” into the **WHITE** official envelope “**B**” and seal the **WHITE OFFICIAL ENVELOPE “B”**; and
- (f) affix adequate Singapore postage on the **White** official envelope “**B**” (if dispatching by ordinary post) and thereafter **DESPATCH BY ORDINARY POST OR DELIVER BY HAND** the documents at your own risk to UOB Asia Limited, 1 Raffles Place, #13-01 OUB Centre, Singapore 048616, so as to arrive by 8.00 a.m. on 5 November 2007 or such other date(s) and time(s) as the Manager may agree with the Underwriters. **Courier services or Registered Post must NOT be used.**
- (3) Applications that are illegible, incomplete or incorrectly completed or accompanied by improperly drawn remittances or which are not honoured upon their first presentation are liable to be rejected.
- (4) **ONLY ONE APPLICATION** should be enclosed in each envelope. No acknowledgement of receipt will be issued for any application or remittance received.

**Procedures Relating to Applications for the Placement Units (other than Reserved Units) by Way of Printed Application Forms**

- (1) Your application for the Placement Units by way of printed Application Forms must be made using the **BLUE** Offer Units Application Forms (or in such other manner as the Underwriters may in their absolute discretion deem appropriate).

- (2) The completed and signed **BLUE** Placement Units Application form and your remittance, in accordance with the terms and conditions of this Prospectus, for the full amount payable at the Offering Price, for each Unit in respect of the number of Placement Units applied for, with your name, CDP Securities Account number and address written clearly on the reverse side, must be enclosed and sealed in an envelop to be provided by you. Your application for Placement Units must be delivered to Morgan Stanley Asia (Singapore) Pte., 25 Church Street, #16-01 Capital Square, Singapore 049481, to arrive by 8.00 a.m. on 5 November 2007 or such other date(s) and time(s) as the Manager may agree with the Underwriters.
- (3) Applications that are illegible, incomplete or incorrectly completed or accompanied by improperly drawn remittances or which are not honoured upon their first presentation are liable to be rejected.
- (4) **ONLY ONE APPLICATION** should be enclosed in each envelope. No acknowledgement of receipt will be issued for any application or remittance received.

#### **Procedures Relating to Applications for Reserved Units by Way of Printed Application Forms**

- (1) Your application for Reserved Units by way of printed Application Forms must be made using the **PINK** Reserved Units Application Forms.
- (2) The completed and signed **PINK** Reserved Units Application form and your remittance, in accordance with the terms and conditions of this Prospectus, in Singapore Dollars currency for the full amount payable at the Offering Price for each Unit in respect of the number of Reserved Units applied for, with your name, CDP Securities Account number and address written clearly on the reverse side, must be enclosed and sealed in an envelop to be provided by you. Your application for Placement Units must be delivered to Boardroom Corporate & Advisory Services Pte. Ltd, (formerly known as Lim Associates (Pte) Ltd), 3 Church Street, #08-01 Samsung Hub, Singapore 049483, to arrive by 8.00 a.m. on 5 November 2007 or such other date(s) and time(s) as the Manager may agree with the Underwriters.
- (3) **ONLY ONE APPLICATION** should be enclosed in each envelope. No acknowledgement of receipt will be issued for any application or remittance received.

#### **Additional Terms and Conditions for Electronic Applications**

Electronic Applications shall be made on and subject to the terms and conditions of this Prospectus, including but not limited to the terms and conditions set out below and those under the section “Terms, Conditions and Procedures for Application for and Acceptance for the Units in Singapore” as well as the Trust Deed.

- (1) The procedures for Electronic Applications are set out on the ATM screens of the Participating Banks (in the case of ATM Electronic Applications) and the IB website screens of the Participating Banks (in the case of Internet Electronic Applications).
- (2) For illustration purposes, the procedures for Electronic Applications through ATMs and the IB website of the UOB Group (together, the “**Steps**”) are set out in pages G-14 to G-17 of this Prospectus. The Steps set out the actions that you must take at ATMs or the IB website of the UOB Group to complete an Electronic Application. The actions that you must take at the ATMs or the IB websites of the Participating Banks are set out on the ATM screens or the IB website screens of the Participating Banks.

Please read carefully the terms and conditions of the Prospectus, the Steps and the terms and conditions for Electronic Applications set out below before making an Electronic Application.

- (3) Any reference to “you” or the “Applicant” in these Additional Terms and Conditions for Electronic Applications and the Steps shall refer to you making an application for the Units through an ATM of one of the Participating Banks or the IB website of a relevant Participating Banks.
- (4) If you are making an ATM Electronic Application:
  - (a) You must have an existing bank account with and be an ATM cardholder of the Participating Banks. An ATM card issued by one Participating Bank cannot be used to apply for Units at an ATM belonging to another Participating Bank.
  - (b) You must ensure that you enter your own Securities Account number when using the ATM card issued to you in your own name. If you fail to use your own ATM card or do not key in your own Securities Account number, your application will be rejected. If you operate a joint bank account with the Participating Banks, you must ensure that you enter your own Securities Account number when using the ATM card issued to you in your own name. Using your own Securities Account number with an ATM card which is not issued to you in your own name will render your Electronic Application liable to be rejected.

- (c) Upon the completion of your ATM Electronic Application, you will receive an ATM transaction slip (“**Transaction Record**”), confirming the details of your ATM Electronic Application. The Transaction Record is for your retention and should not be submitted with any printed Application Form.
- (5) If you are making an Internet Electronic Application:
  - (a) You must have an existing bank account with, and a User Identification (“**User ID**”) as well as a Personal Identification Number (“**PIN**”) given by, the relevant Participating Banks.
  - (b) You must ensure that the mailing address of your account selected for the application is in Singapore and you must declare that the application is being made in Singapore. Otherwise, your application is liable to be rejected. In connection with this, you will be asked to declare that you are in Singapore at the time you make the application.
  - (c) Upon the completion of your Internet Electronic Application through the IB website of the relevant Participating Banks, there will be an on-screen confirmation (“**Confirmation Screen**”) of the application which can be printed out by you for your record. This printed record of the Confirmation Screen is for your retention and should not be submitted with any printed Application Form.
- (6) In connection with your Electronic Application, you are required to confirm statements to the following effect in the course of activating the Electronic Application:
  - (a) that you have received a copy of this Prospectus (in the case of ATM Electronic Applications) and have read, understood and agreed to all the terms and conditions of application for the Units and this Prospectus prior to effecting the Electronic Application and agree to be bound by the same;
  - (b) that you consent to the disclosure of your name, NRIC/passport number, address, nationality, permanent resident status, CDP Securities Account number, CPF Investment Account number (if applicable) and Unit application amount (the “**Relevant Particulars**”) from your account with the relevant Participating Banks to the Relevant Parties; and
  - (c) where you are applying for the Offer Units (other than Reserved Units), that this is your only application for the Offer Units (other than Reserved Units) and it is made in your name and at your own risk.

Your application will not be successfully completed and cannot be recorded as a completed transaction unless you press the “Enter” or “OK” or “Confirm” or “Yes” or any other relevant key in the ATM or click “Confirm” or “OK” or “Submit” or “Continue” or “Yes” or any other relevant button on the website screen. By doing so, you shall be treated as signifying your confirmation of each of the three statements above. In respect of statement 6(b) above, your confirmation, by pressing the “Enter” or “OK” or “Confirm” or “Yes” or any other relevant key in the ATM or click “Confirm” or “OK” or “Submit” or “Continue” or “Yes” or any other relevant button, shall signify and shall be treated as your written permission, given in accordance with the relevant laws of Singapore, including Section 47(2) of the Banking Act, Chapter 19 of Singapore, to the disclosure by that Participating Banks of the Relevant Particulars of your account(s) with that Participating Banks to the Relevant Parties.

- (7) By making an ATM Electronic Application or Internet Electronic Application, you confirm that you are not applying for the Offer Units as a nominee of any other person and that any ATM Electronic Application or Internet Electronic Application that you make is the only application made by you as the beneficial owner. You shall make only one Electronic Application and may not make any other application for the Offer Units whether at the ATMs or IB website of the Participating Banks or an Offer Units Application Form. Where you have made an application for Offer Units on an Offer Units Application Form, you shall not make an Electronic Application for the Offer Units and vice versa.
- (8) You must have sufficient funds in your bank account with your Participating Banks at the time you make your ATM Electronic Application or Internet Electronic Application, failing which such Electronic Application will not be completed. Any ATM Electronic Application or Internet Electronic Application which does not conform strictly to the instructions set out in the Prospectus or on the screens of the ATMs or on the IB website of the relevant Participating Banks, as the case may be, through which your ATM Electronic Application or Internet Electronic Application is being made shall be rejected.
- (9) You may apply and make payment for your application for the Offer Units in Singapore currency in the following manner:
  - (a) **Cash only**—You may apply for the Offer Units through any ATM or IB website (as the case may be) of your Participating Banks using only cash by authorising your Participating Banks to deduct the full amount payable from your bank account(s) with such Participating Banks.

- (b) **CPF Funds only**—You may apply for the Offer Units through any ATM or IB website (as the case may be) of your Participating Banks using only CPF Funds by authorizing your Participating Banks to deduct the full amount payable from your CPF Investment Account with the Participating Banks. For additional terms and conditions governing the use of CPF Funds, please refer to page G-17 of this Prospectus.
- (c) **Cash and CPF Funds**—You may apply for the Offer Units through any ATM or IB website (as the case may be) of your Participating Banks using a combination of cash and CPF Funds, PROVIDED THAT the number of Offer Units applied for under each payment method is in lots of 1,000 Units or integral multiples thereof. Such applications must comply with the requirements for applications by cash and by CPF Funds as set out in the preceding paragraphs. In the event that applications for Offer Units are accepted in part only, the cash portion of the application monies will be used in respect of such applications before the CPF Funds are used.

**An applicant applying for 1,000 Offer Units must use either cash only or CPF Funds only.**

- (10) You irrevocably agree and undertake to subscribe for and to accept the number of Offer Units applied for as stated on the Transaction Record or the Confirmation Screen or any lesser number of such Offer Units that may be allocated to you in respect of your Electronic Application. In the event that the Manager decides to allocate any lesser number of such Offer Units or not to allocate any Offer Units to you, you agree to accept such decision as final. If your Electronic Application is successful, your confirmation (by your action of pressing the “Enter” or “OK” or “Confirm” or “Yes” or any other relevant key in the ATM or click “Confirm” or “OK” or “Submit” or “Continue” or “Yes” or any other relevant button on the Internet screen) of the number of Offer Units applied for shall signify and shall be treated as your acceptance of the number of Offer Units that may be allocated to you and your agreement to be bound by the Trust Deed.
- (11) The Manager will not keep any application in reserve. Where your Electronic Application is unsuccessful, the full amount of the application monies will be returned (without interest or any share of revenue or other benefit arising therefrom) to you by being automatically credited to your account with your Participating Banks, within 24 hours of the balloting (or such shorter period as the SGX-ST may require) provided that the remittance in respect of such application which has been presented for payment or other processes has been honoured and the application monies received in the designated unit issue account.

Where your Electronic Application is accepted or rejected in full or in part only, the balance of the application monies will be returned (without interest or any share of revenue or other benefit arising therefrom) to you by being automatically credited to your account with your Participating Banks, within 14 Market Days after the close of the Offering provided that the remittance in respect of such application which has been presented for payment or other processes has been honoured and the application monies received in the designated unit issue account.

If the Offering does not proceed for any reason, the full amount of application monies (without interest or any share of revenue or other benefit arising therefrom) will be returned to you within three Market Days after the Offering is discontinued.

Responsibility for timely refund of application monies (whether from unsuccessful or partially successful Electronic Applications or otherwise) lies solely with the Participating Banks. Therefore, you are strongly advised to consult your Participating Banks as to the status of your Electronic Application and/or the refund of any money to you from an unsuccessful or partially successful Electronic Application, to determine the exact number of Offer Units, if any, allocated to you before trading the Units on the SGX-ST. None of the SGX-ST, CDP, SCCS, the Participating Banks, the Manager, the Trustee, the Underwriters and the Coordinator of the Public Offer assumes any responsibility for any loss that may be incurred as a result of you having to cover any net sell positions or from buy-in procedures activated by the SGX-ST.

- (12) If your Electronic Application or Internet Electronic Application is unsuccessful, no notification will be sent by the relevant Participating Banks.

Applicants who make Electronic Applications through the ATMs or IB website of the Participating Banks may check the provisional results of their Electronic Applications as follows:

Bank	Telephone	Other Channels	Operating Hours	Service Expected from
UOB Group	1800-222 2121	ATM (Other Transactions—"IPO Enquiry") <a href="http://www.uobgroup.com">www.uobgroup.com</a> <sup>(1)(2)</sup>	Phone Banking / ATM—24 hours a day Internet Banking—24 hours a day	Evening of the balloting day
DBS	1800-339 6666 (for POSB account holders)  1800-111 1111 (for DBS account holders)	Internet Banking <a href="http://www.dbs.com">http://www.dbs.com</a> <sup>(2)</sup>	24 hours a day	Evening of the balloting day
OCBC Bank	1800-363 3333	ATM / Phone Banking / Internet Banking <a href="http://www.ocbc.com">http://www.ocbc.com</a> <sup>(3)</sup>	24 hours a day	Evening of the balloting day

**Notes:**

- (1) If you have made an Electronic Application through the ATMs or the IB website of UOB Group, you may want to check the results of your Electronic Application through the UOB Personal Internet Banking, UOB Group's ATMs or UOB Phone Banking Services.
  - (2) If you have made an Electronic Application through the IB website of the UOB Group or DBS, you may check the results of your application through the same channels listed in the table above in relation to ATM Electronic Application made at the ATMs of UOB Group or DBS.
  - (3) If you have made an Electronic Application through the ATMs of OCBC Bank, you may check the results of your Electronic Application through OCBC Personal Internet Banking, OCBC ATMs or OCBC Phone Banking services.
- (13) ATM Electronic Applications shall close at 8.00 a.m. on 5 November 2007 or such other date(s) and time(s) as the Manager may agree with the Underwriters. All Internet Electronic Applications must be received by 8.00 a.m. on 5 November 2007, or such other date(s) and time(s) as the Manager may agree with the Underwriters. Internet Electronic Applications are deemed to be received when they enter the designated information system of the Participating Banks, as the case may be.
- (14) You are deemed to have irrevocably requested and authorised the Trustee or the Manager to:
- (a) register the Offer Units, allocated to you in the name of CDP for deposit into your Securities Account;
  - (b) return or refund (without interest or any share of revenue earned or other benefit arising therefrom) the application monies, should your Electronic Application be rejected or if the Offering does not proceed for any reason, by automatically crediting your bank account with your Participating Banks, with the relevant amount within 24 hours after balloting, or within three Market Days if the Offering does not proceed for any reason, after the close or discontinuation (as the case may be) of the Offering, PROVIDED THAT the remittance in respect of such application which has been presented for payment or such other processes has been honoured and application monies received in the designated unit issue account; and
  - (c) return or refund (without interest or any share of revenue or other benefit arising therefrom) the balance of the application monies should your Electronic Application be rejected or accepted in part only, by automatically crediting your bank account with your Participating Banks, at your risk, with the relevant amount within 14 Market Days after the close of the Offering, PROVIDED THAT the remittance in respect of such application which has been presented for payment or such other processes has been honoured and application monies received in the designated unit issue account.
- (15) You irrevocably agree and acknowledge that your Electronic Application is subject to risks of electrical, electronic, technical and computer-related faults and breakdown, fires, acts of God and other events beyond the control of the Participating Banks, the Manager, the Trustee, the Underwriters, the Coordinator of the Public Offer and the CPF Board, and if, in any such event the Manager, the Trustee, the Underwriters, the Coordinator of the Public Offer and/or the Participating Banks do not receive your Electronic Application, or any data relating to your Electronic Application or the tape or any other devices containing such data is lost, corrupted or not otherwise accessible, whether wholly or partially for whatever reason, you shall be deemed not to have made an Electronic Application and you shall have no claim whatsoever against the Manager, the Trustee, the Underwriters, the Coordinator of the Public Offer, the CPF Board and/or the relevant Participating Banks for any Offer Units applied for or for any compensation, loss or damage.



- (16) The existence of a trust will not be recognised. Any Electronic Application by a trustee must be made in his own name and without qualification. The Manager shall reject any application by any person acting as nominee (other than approved nominee companies).
- (17) All your particulars in the records of your Participating Banks at the time you make your Electronic Application shall be deemed to be true and correct and your Participating Banks and the Relevant Parties shall be entitled to rely on the accuracy thereof. If there has been any change in your particulars after making your Electronic Application, you must promptly notify your Participating Banks.
- (18) You should ensure that your personal particulars as recorded by both CDP and the relevant Participating Banks are correct and identical, otherwise, your Electronic Application is liable to be rejected. You should promptly inform CDP of any change in address, failing which the notification letter on successful allocation will be sent to your address last registered with CDP.
- (19) By making and completing an Electronic Application, you are deemed to have agreed that:
- (a) in consideration of the Manager making available the Electronic Application facility, through the Participating Banks acting as agent of the Manager, at the ATMs and IB websites of the Participating Banks:
    - (i) your Electronic Application is irrevocable;
    - (ii) your Electronic Application, the acceptance by the Manager and the contract resulting therefrom under the Offering shall be governed by and construed in accordance with the laws of Singapore and you irrevocably submit to the non-exclusive jurisdiction of the Singapore courts; and
    - (iii) you represent and agree that you are not a U.S. person (within the meaning of Regulations S);
  - (b) none of CDP, CPF Board, the Manager, the Trustee, the Underwriters, the Participating Banks and the Coordinator of the Public Offer shall be liable for any delays, failures or inaccuracies in the recording, storage or in the transmission or delivery of data relating to your Electronic Application to the Manager, or CDP due to breakdowns or failure of transmission, delivery or communication facilities or any risks referred to in paragraph 15 above or to any cause beyond their respective controls;
  - (c) in respect of the Offer Units for which your Electronic Application has been successfully completed and not rejected, acceptance of your Electronic Application shall be constituted by written notification by or on behalf of the Manager and not otherwise, notwithstanding any payment received by or on behalf of the Manager;
  - (d) you will not be entitled to exercise any remedy for rescission for misrepresentation at any time after acceptance of your application; and
  - (e) reliance is placed solely on information contained in the Prospectus and that none of the Manager, the Trustee, the Underwriters and the Coordinator of the Public Offer and any other person involved in the Offering shall have any liability for any information not contained therein.

### Steps for Electronic Applications through ATMs and the IB website of the UOB Group

The instructions for Electronic Applications will appear on the ATM screens and the IB website screens of the Participating Banks. For illustrative purposes, the steps for making an Electronic Application through the ATMs or IB website of the UOB Group are shown below. Instructions for Electronic Applications appearing on the ATM screens and IB websites of the other Participating Banks may differ from that represented below.

Owing to space constraints on the UOB Group's ATM screens, the following terms will appear in abbreviated form:

"&"	: AND
"A/C" and "A/CS"	: ACCOUNT AND ACCOUNTS, respectively
"ADDR"	: ADDRESS
"AMT"	: AMOUNT
"APPLN"	: APPLICATION
"CDP"	: THE CENTRAL DEPOSITORY (PTE) LIMITED
"CPF"	: CENTRAL PROVIDENT FUND BOARD
"CPFINVT A/C"	: CPF INVESTMENT ACCOUNT
"ESA"	: ELECTRONIC SHARE APPLICATION
"IC/PSSPT"	: NRIC or PASSPORT NUMBER
"NO" or "NO."	: NUMBER
"PERSONAL NO"	: PERSONAL IDENTIFICATION NUMBER
"REGISTRARS"	: SHARE REGISTRARS
"SCCS"	: SECURITIES CLEARING & COMPUTER SERVICES (PTE) LTD
"YR"	: YOUR

### Steps for Electronic Applications through ATMs of the UOB Group

- Step 1: Insert your personal Unicard, Unipus card or UOB VISA/MASTER card and key in your personal identification number.
- 2: Select "CASHCARD/OTHER TRANSACTIONS".
- 3: Select "SECURITIES APPLICATION".
- 4: Select "ESA-FIXED".
- 5: Select the share counter which you wish to apply for.
- 6: Read and understand the following statements which will appear on the screen:
- **THIS OFFER OF SECURITIES (OR UNITS OF SECURITIES) WILL BE MADE IN, OR ACCOMPANIED BY, A COPY OF THE PROSPECTUS/DOCUMENT OR SUPPLEMENTARY DOCUMENTS. ANYONE WISHING TO ACQUIRE THESE SECURITIES (OR UNITS OF SECURITIES) WILL NEED TO MAKE AN APPLICATION IN THE MANNER SET OUT IN THE PROSPECTUS/DOCUMENT OR SUPPLEMENTARY DOCUMENT**  
(Press "ENTER" key to continue)
  - **PLEASE CALL 1800-22-22-121 IF YOU WOULD LIKE TO FIND OUT WHERE YOU CAN OBTAIN A COPY OF THE PROSPECTUS/DOCUMENT OR SUPPLEMENTARY DOCUMENT**
  - **WHERE APPLICABLE, A COPY OF THE PROSPECTUS/DOCUMENT OR SUPPLEMENTARY DOCUMENT HAS BEEN LODGED WITH AND REGISTERED BY THE MONETARY AUTHORITY OF SINGAPORE WHO ASSUMES NO RESPONSIBILITY FOR THE CONTENTS OF THE PROSPECTUS/DOCUMENT OR SUPPLEMENTARY DOCUMENT**  
(Press "ENTER" key to confirm that you have read and understood the above statements)



- 7: Read and understand the following terms which will appear on the screen:
- **YOU HAVE READ, UNDERSTOOD & AGREED TO ALL TERMS OF THE PROSPECTUS/DOCUMENT/SUPPLEMENTARY DOCUMENT & THIS ELECTRONIC APPLICATION**  
(Press “ENTER” key to continue)
  - **YOU CONSENT TO DISCLOSE YR NAME, IC/PSSPT, NATIONALITY, ADDR, APPLN AMT, CPFINVT A/C NO & CDP A/C NO FROM YR A/CS TO CDP, CPF, SCCS, REGISTRARS, SGX-ST & ISSUER/VENDOR(S)**
  - **THIS IS YR ONLY FIXED PRICE APPLN & IS IN YR NAME & AT YR RISK**  
(Press “ENTER” key to continue)
- 8: Screen will display:
- NRIC/PASSPORT NO. XXXXXXXXXXXXX**
- IF YOUR NRIC NO / PASSPORT NO IS INCORRECT, PLEASE CANCEL THE TRANSACTION AND NOTIFY THE BRANCH PERSONALLY.**  
(Press “CANCEL” or “CONFIRM”)
- 9: Select mode of payment i.e. “CASH ONLY”. You will be prompted to select Cash Account type to debit (i.e., “CURRENT ACCOUNT / I- ACCOUNT”, “CAMPUS” OR “SAVINGS ACCOUNT / TX ACCOUNT”). Should you have a few accounts linked to your ATM card, a list of linked account numbers will be displayed for you to select
- 10: After you have selected the account, your CDP Securities Account number will be displayed for you to confirm or change (This screen with your CDP Securities Account number will be shown if your CDP Securities Account number is already stored in the ATM system of UOB Group). If this is the first time you are using UOB Group’s ATM to apply for Shares, your CDP Securities Account number will not be stored in the ATM system of UOB Group, and the following screen will be displayed for your input of your CDP Securities Account number
- 11: Read and understand the following terms which will appear on the screen:
1. **YOU ARE REQUIRED TO ENTER YOUR CDP A/C NO. FOR YOUR FIRST IPO APPLICATION. THIS A/C NO. WILL BE DISPLAYED FOR FUTURE APPLICATIONS**
  2. **DO NOT APPLY FOR JOINT A/C HOLDER OR THIRD PARTIES**
  3. **PLEASE USE YOUR OWN CDP A/C NO. (12 DIGITS) 1681-XXXX-XXXX**
  4. **PRESS ENTER KEY**  
(If you wish to terminate the transaction, please press “CANCEL”)
- 12: Key in your CDP Securities Account number (12 digits) and press the “ENTER” key
- 13: Select your nationality status
- 14: Key in the number of Shares you wish to apply for and press the “ENTER” key
- 15: Check the details of your Electronic Application on the screen and press “ENTER” key to confirm your Electronic Application
- 16: Select “NO” if you do not wish to make any further transactions and remove the Transaction Record. You should keep the Transaction Record for your own reference only

Owing to space constraints on UOB Group's IB website screens, the following terms will appear in abbreviated form:

"CDP"	: The Central Depository (Pte) Limited
"CPF"	: The Central Provident Fund
"NRIC" or "I/C"	: National Registration Identity Card
"PR"	: Permanent Resident
"SGD" or "\$"	: Singapore Dollars
"SCCS"	: Securities Clearing & Computer Services (Pte) Ltd
"SGX"	: Singapore Exchange Securities Trading Limited

### Steps for Internet Electronic Applications through the IB website of UOB Group

- Step 1: Connect to UOB website at <http://www.uobgroup.com>
- 2: Locate the Login icon on the left hand side next to "Internet Banking"
- 3: Click on Login and at drop list select "UOB Personal Internet Banking"
- 4: Enter your Username and Password and click "Submit"
- 5: Select "Investment Services" ("IPO" should be the default transaction that appears, select "Application")
- 6: Read the IMPORTANT notice and complete the declarations found on the bottom of the page by answering Yes/No to the questions
- 7: Click "Continue"
- 8: Select your country of residence (you must be residing in Singapore to apply), and click "Continue"
- 9: Select the IPO counter from the drop list (if there are concurrent IPOs) and click "Continue"
- 10: Check the share counter, select the mode of payment and account number to debit and click on "Continue"
- 11: Read the important instructions and click on "Continue" to confirm that:
- (1) **You have read, understood and agreed to all terms and conditions of the application and Prospectus/Document or Supplementary Document.**
  - (2) **You consent to disclose your name, I/C or passport number, address, nationality, CDP Securities Account number, CPF Investment Account number (if applicable), and application details to the share registrars, SGX, SCCS, CDP, CPF Board and issuer/vendor(s).**
  - (3) **This application is made in your own name and at your own risk.**
  - (4) **For FIXED/MAX price shares application, this is your only application. For TENDER price shares application, this is your only application at the selected tender price.**
  - (5) **For FOREIGN CURRENCY securities, subject to the terms of the issue, please note the following: The application monies will be debited from your bank account in S\$, based on the Bank's prevailing board rates at the time of application. The different prevailing board rates at the time of the application and at the time of refund of applications monies may result in either a foreign exchange profit or loss, or application monies may be debited and refunds credited in S\$ at the same exchange rate.**
  - (6) **For 1<sup>ST</sup>-COME-1<sup>ST</sup> SERVE securities, the number of securities applied for may be reduced, subject to the availability at the point of application.**
- 12: (a) Check your personal details, details of the share counter you wish to apply for and account to debit;
- (b) Select your "Nationality";
- (c) Enter: (i) your CDP securities account number; and
- (ii) the number of shares applied for.

- 13: Click “Submit”, “Clear” or “Cancel”
- 14: Print the Confirmation Screen (optional) for your own reference and retention.

#### **Terms and Conditions for Use of CPF Funds**

- (1) If you are using CPF Funds to subscribe for the Units, you must have a CPF Investment Account maintained with a relevant Participating Banks at the time of your application. If you are applying for the Units through an ATM Electronic Application, you must have an ATM card with that Participating Banks at the time of your application before you can use the ATMs of that Participating Banks to apply for the Units. For an Internet Electronic Application, you must have an existing bank account with, and a User Identification (“**User ID**”) as well as a Personal Identification Number (“**PIN**”) given by, the relevant Participating Banks. Upon the completion of your Internet Electronic Application through the IB website of the relevant Participating Banks, there will be a Transaction Completed Screen of the application which can be printed out by you for your record. This printed record of the Transaction Completed Screen is for your retention and should not be submitted with any printed Application Form. The CPF Investment Account is governed by the Central Provident Fund (Investment Schemes) Regulations, as amended.
- (2) CPF Funds may only be withdrawn for applications for the Units in lots of 1,000 Units or integral multiples thereof.
- (3) If you are applying for the Units using a printed Application Form and you are using CPF Funds to apply for the Units, you must submit a CPF Cashier’s Order for the total amount payable for the number of Units applied for using CPF Funds.
- (4) Before you apply for the Units using your CPF Funds, you must first make sure that you have sufficient funds in your CPF Investment Account to pay for the Units. You need not instruct the CPF Board to transfer your CPF Funds from your CPF Ordinary Account to your CPF Investment Account. If the balance in your CPF Investment Account is insufficient and you have sufficient investible CPF Funds in your CPF Ordinary Account, the Participating Banks with which you maintain your CPF Investment Account will automatically transfer the balance of the required amount from your CPF Ordinary Account to your CPF Investment Account immediately for you to use these funds to buy a CPF Cashier’s Order from your Participating Banks in the case of an application by way of a printed Application Form or submit your application in the case of an application by way of an Electronic Application. The automatic transfer facility is available until the close of the Public Offer, and the operating hours of the facility are between 8.00 a.m. and 10.00 p.m. from Mondays to Saturdays, and between 8.00 a.m. and 5.00 p.m. on Sundays and public holidays.
- (5) The special CPF securities sub-account of the nominee company of the Participating Banks (with whom you maintain a CPF Investment Account) maintained with CDP will be credited with the principal amount of the Units you subscribed for with CPF Funds.
- (6) Where you are using CPF Funds, you cannot apply for the Units as nominee for any other person.
- (7) All instructions or authorisations given by you in a printed Application Form or through an Electronic Application are irrevocable.
- (8) CPF Investment Accounts may be opened with any branch of the Participating Banks.
- (9) All information furnished by the CPF Board and the Participating Banks on your authorisation will be relied on as being true and correct.

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**LIST OF PRESENT AND PAST PRINCIPAL DIRECTORSHIPS  
OF DIRECTORS AND EXECUTIVE OFFICERS**

**Directors of the Manager**

**Mr Arnold Ip Tin Chee**

**Present Directorships**

Altus Asset Management Limited  
 Altus Capital Limited  
 Altus Investments Limited  
 Crown Vantage Investment Limited  
 Greenery Limited  
 Henry Holdings Ltd  
 Highfund Company Limited  
 Hillview Investment Limited  
 I Corporation  
 Japan Opportunities Fund Limited  
 Japan Regional Assets Manager (Hong Kong) Limited  
 Japan Regional Assets Manager Limited  
 Japan Special Situation Investment Limited  
 Japre Investment Limited  
 Kinley BVI Limited  
 Long Term Portfolio Management Limited  
 Merit Hill International Limited  
 Nicewell Enterprises Ltd  
 Pak Fah Yeow International Limited  
 Pan Asia Capital Manager Limited  
 Pioneer Global Group Ltd  
 Sakura Management Limited  
 Starich Resources Limited  
 Teddy & I Limited

**Mr Chang Sean Pey**

**Present Directorships**

Altus Asset Management Limited  
 Altus Capital Limited  
 Altus Investments Limited  
 Greenery Limited  
 Japre Investment Limited  
 Japan Regional Assets Manager (Hong Kong) Limited  
 Japan Regional Assets Manager Limited

**Past Directorships**

Elm Vale Ltd  
 Fidelis Global Limited  
 Fidelis International Limited  
 Healthline Ltd  
 Inbox Limited  
 Li Chung Shing Tong (Holdings) Limited  
 Max-Bond Limited  
 Opus Capital Limited  
 Oriens Investment and Advisory Limited  
 Private Source Ltd  
 Prudent Asia (BVI) Limited  
 Prudent Asia Investment Limited  
 Vanda Systems and Communications Holdings Limited

**Past Directorships**

Infomatic System Limited  
 Japan Opportunities Fund II Limited  
 Li Chung Shing Tong (Holdings) Limited  
 Po Chai Herbal Technology Limited  
 Quinwood Limited

**Mr Raymond Wong Kin Jeon****Present Directorships**

Absolute Clever Assets Limited  
 Arrow Heart Sdn Bhd  
 Asia Garden Sdn Bhd  
 Beagle Capital Limited  
 Beagle Group Limited  
 Champerley Development Sdn Bhd  
 Cheetah Group Holdings Limited  
 Cheetah Investment Management (BVI) Limited  
 Cheetah Investment Management Limited  
 Cheetah Korea Value Fund  
 CIM Advisors Limited  
 Courses & Seminars Limited  
 Dart Power Sdn Bhd  
 Ferania Company Limited  
 Gate Windfalls Sdn Bhd  
 Japan Regional Assets Manager Limited  
 Pedder Street Holdings Limited  
 Ready-Go Sdn Bhd  
 Stars Event Management Sdn Bhd  
 Steel China Advisors Limited  
 The Cheetah Fund Limited

**Mr Yeh V-Nee****Present Directorships**

AFI Master Fund, Ltd.  
 Anber Limited (in member's voluntary liquidation)  
 Arnhold Holdings Limited  
 Argyle Street Management Holdings Limited  
 Argyle Street Management Limited  
 Azure Fund Managers Limited  
 Azure Fixed Income Fund, Ltd.  
 Azure India Real Estate Fund, Ltd.  
 Azure Non-U.S. Real Estate Fund, Ltd.  
  
 Cheetah Investment Management Limited  
  
 Cheetah Group Holdings Limited  
 Cheetah Korea Value Fund  
 China Law International Limited  
  
 Cogent Spring Limited

**Past Directorships**

Nil

**Past Directorships**

ASM Asia Recovery Fund  
 ASM Asia Recovery Fund (Holdings)  
 ASM Asia Recovery (Master) Fund  
 ASM Hudson River Fund  
 Bioneering Limited  
  
 Budi Ikhtiar Sdn. Bhd.  
 CIM Advisors Limited  
 China Travel International Investment Hong Kong Limited  
 Compass Technology Holdings Limited  
 Cyberstreet Developments Limited  
 Easeway Engineering Limited  
 Glenwell Orient Limited  
 Globpac Development Limited  
 HC Capital Limited  
 HC Capital (BVI) Limited  
 HCG Insurance Services Limited

Compass Capital Preservation Fund, Ltd.	Hebei Yu-Lun Hsin Chong Construction Company Limited
Compass Fund Managers Limited	Host Leader International Limited
Compass Global Equity Fund, Ltd.	Hsin Chong Development (China) Limited
Compass Global Fixed Income Fund, Ltd.	Hsin Chong Johnson Controls IFM Limited
Cotteen Investments Limited	Insight One Investments Limited
Deventer Limited	Mandarin IT Fund I
Firmwin Peak Limited	Mandarin IT Fund II
Focal Point Investments Limited	Mandarin VP (BVI) Limited
G and H Enterprises (Liberia) Ltd.	Mandarin VP (HK) Limited
G & H Acquisitions I, Inc.	Mandarin Venture Partners Ltd.
G & H Acquisitions II, Inc.	Ocean Grand Chemicals Holdings Limited
G & H Acquisitions III, Inc.	Rocheland Company Limited
G & H Real Estate LLC	Sucasa Sdn. Bhd.
GHY Company Limited	Transpac Industrial Holdings Limited
GO-CDMA Limited	Value Partners Hong Kong Limited
Goldian Limited	Value Partners Private Equity Limited
Harrots Limited	Yu Ming Investments Limited
HC Liberia Ltd.	
HCV Pacific Partners LLC	
Hsin Chong Construction (BVI) Ltd.	
Hsin Chong Construction Group Ltd.	
Hsin Chong Development (Vietnam) Limited	
Hsin Chong Holdings (BVI) Limited	
Hsin Chong Holdings (H.K.) Limited	
Hsin Chong International Holdings Limited	
Hysan Development Company Limited	
Japan High Yield Property Fund Limited	
Japan Regional Assets Manager Limited	
Key Finance Limited	
Kingway Brewery Holdings Limited	
KSDC Limited	
Mariscal Limited	
Mensa Management Limited	
Next Media Limited	
Orient Partners Inc.	



Orient Realty Inc.  
 Pedder Street Asia Absolute Return Fund Limited  
 Pedder Street Asia Absolute Return Master Fund Limited  
 Pacventure Developments, Inc.  
 Rife Yard Limited  
 Shun Kin Enterprises Limited  
 Shun Tak Holdings Limited  
 Steel China Access Capital Partners Limited  
 Summit Insurance (Asia) Limited  
 Target Asia Fund Limited  
 Topway Investments Limited  
 Uni-Asia Finance Corporation  
 Value Partners Limited  
 VP Special Situations I Limited  
 Webswin Limited  
 Wellhurst Company Limited  
 Wrights Point Limited  
 Yeh-Lloyds Partners Ltd.

**Mr Soh Yew Hock**

**Present Directorships**

Asia Dekor Holdings Ltd

**Past Directorships**

Associated Motor Industries (Private) Limited  
 Central China International Leasing Co Ltd  
 EPD Pureionics Pte Ltd  
 EPD Wearnes (USA) Inc  
 Far East Motors Malaysia Sendirian Berhad  
 Gentron (Pte) Ltd  
 Gentron Trading Sdn Bhd  
 Jaguar Cars (Thailand) Company Limited  
 Johan Kekal Sdn Bhd  
 Kumpulan O'Connor's (Malaysia) Sdn Bhd  
 MedicineNet, Inc  
 MFS Technology Ltd  
 OCM Communications Pte Ltd  
 O'Connor's (B) Sdn Bhd  
 O'Connor's Engineering Sdn Bhd  
 O'Connor's Enterprise Sdn Bhd  
 O'Connor's Holding Pte Ltd

O'Connor's Singapore Pte Ltd  
O'Connor's Trading Sdn Bhd  
Pacific Silica Pty Ltd  
Permata Alasan Sdn Bhd  
Polytek Catering Equipment Pty Ltd  
Polytek Industrial Equipment Pty Ltd  
Polytek Wearnes Pty Limited  
Rank-Maju Sdn Bhd  
Rank P T O'Connor's Co Ltd  
Renown Heritage Sdn Bhd  
SM Motors Private Limited  
Starsauto Pte Ltd  
Sukatan Garisan Sdn Bhd  
Suzhou Future Agriworld Co Ltd  
Suzhou Wearnes Environmental & Technology Co  
Ltd  
WBL Corporation Limited  
Wealco Malaysia Sendirian Berhad  
Wearnes Automotive & Equipment Pty Ltd  
Wearnes Biotech & Medicals (1998) Pty Ltd  
Wearne Brothers (1983) Sdn Bhd  
Wearne Brothers Services (Private) Limited  
Wearne Brothers Services Malaysia Sdn Bhd  
Wearnes Construction (2001) Pty Ltd  
Wearnes Development (Private) Limited  
Wearnes Equipment & Machinery Pty Ltd  
Wearnes Environmental Pty Ltd  
Wearnes Far East Pty Ltd  
Wearnes Gas (Private) Limited  
Wearnes Gas Sdn Bhd  
Wearnes International (1994) Limited  
Wearnes Investment Pty Ltd  
Wearnes Motors (HK) Limited  
Wearnes Technology Sdn Bhd  
Welmate Pty Ltd  
Wilmington Sdn Bhd

**Mr Dennis Lam Siu Sun****Present Directorships**

Bremen Nominees Limited  
Corporate & Secretarial Service Limited  
Corporate Consultancy Services Limited  
Great Wise Nominees Limited  
Malvern Trading Limited

**Past Directorships**

Nil

**Ms Letitia Yip Yuen Man****Present Directorships**

Nil

**Past Directorships**

Nil

**Ms Ng Bee Ting****Present Directorships**

Nil

**Past Directorships**

Nil

**Ms Ivy Chan Ka Lam****Present Directorships**

Nil

**Past Directorships**

Nil

**Ms Sally Law Yin Nee****Present Directorships**

Nil

**Past Directorships**

Nil

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Singapore 039393

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Singapore 048624

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(formerly known as Lim Associates (Pte) Ltd)

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Singapore 049483

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21 Collyer Quay #14-01  
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**Linklaters Allen & Gledhill**

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**Stamford Law Corporation**

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Singapore 048424

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Tokyo 106-6012, Japan

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**Japan Real Estate Institute (JREI)**  
Kangin-Fujiya Building  
1-3-2 Toranomom, Minato-ku  
Tokyo 105-8485, Japan

### **INDEPENDENT VALUERS**

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

**Real Value Inc.**  
21-16 Kamitoda,  
1-Chome, Toda-shi,  
Saitama 335-0022, Japan

**Asset Research Corporation**  
601 Kinoshita Building  
1-17-3, Shibuya, Shibuya-ku  
Tokyo 150-0002, Japan

**KK A And S**  
Samariya-Building  
1-6-5, Koenjiminami,  
Suginami-ku,  
Tokyo 166-0003, Japan

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Osaka 514-0046, Japan

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Tokyo 100-0005, Japan

**Tokyo Asset Research Inc.**  
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Tokyo 105-0004, Japan

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