

Saizen Real Estate Investment Trust

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

DIVESTMENT OF RIVER CITY KIMACHI

The Board of Directors of Japan Residential Assets Manager Limited, the manager ("**Manager**") of Saizen Real Estate Investment Trust ("**Saizen REIT**"), wishes to announce the divestment of River City Kimachi (the "**Divestment**") as part of an on-going deleveraging plan which is being conducted to facilitate refinancing efforts in respect of the loan of YK Shintoku (the "**YK Shintoku Loan**"), which will mature on 2 November 2009. The YK Shintoku Loan was originally provided to YK Shintoku in 2005 by Credit Suisse Principal Investments Limited (Tokyo Branch). The YK Shintoku Loan was subsequently securitised and transferred to an issuer of commercial mortgage backed securities.

The above-mentioned deleveraging plan also includes the completed divestments of U.I. Building (announced on 4 August 2009 and 27 August 2009), Crestage Tayacho (announced on 31 August 2009 and 9 September 2009), as well as Legions Yunokawa (announced on 31 August 2009 and 29 September 2009) (collectively, the "**Previous Divestments**").

Background

Further to the Previous Divestments, YK Shintoku has, on 30 September 2009, entered into a sale and purchase agreement for the divestment of River City Kimachi to an independent private investor (the "**Buyer**") for a cash consideration of JPY 123,749,000 (S\$1.95 million⁽¹⁾) (the "**Sale Price**"). The divestment of River City Kimachi was completed on the same day upon the payment of the full amount of the Sale Price by the Buyer.

River City Kimachi, located in Sendai, was built in June 1988 and comprises 16 residential units and 1 commercial unit. It contributes about 0.3% (or approximately JPY 13.85 million) of Saizen REIT's annual revenue.

Given the small size of River City Kimachi relative to the entire portfolio of Saizen REIT, the Divestment is not expected to have any material impact on the financial position of Saizen REIT.

Consideration

The Sale Price of JPY 123,749,000 (S\$1.95 million⁽¹⁾) was fully paid up by the Buyer on 30 September 2009. The entire proceeds from the Divestment will be used for partial repayment of the YK Shintoku Loan.

The Sale Price was arrived at on an arm's length basis, taking into account, *inter alia*, the Valuation (as defined below) and the prevailing market conditions.

¹ Based on exchange rate of S\$1.00 to JPY63.5 as at 30 September 2009, which is applied throughout this announcement.

Property value and financial results

Based on a full valuation as at 30 June 2009 prepared by Rich Appraisal Institute Co., Ltd, an independent valuer commissioned by the Manager, River City Kimachi was valued at JPY 136.00 million (S\$2.14 million⁽¹⁾) (the “**Valuation**”). The Sale Price therefore represents a discount of approximately 9% to the Valuation. A summary of the net book value, sale price and resultant loss on disposal in respect of the Divestment and each of the Previous Divestments is as follows:

	River City Kimachi	U.I. Building	Crestage Tayacho	Legions Yunokawa
Net book value as at 30 June 09 ⁽²⁾	JPY 136.00 mil (S\$2.14 mil)	JPY 257.00 mil (S\$4.05 mil)	JPY 98.00 mil (S\$1.54 mil)	JPY 119.00 mil (S\$1.87 mil)
Sale price	JPY 123.75 mil (S\$1.95 mil)	JPY 274.68 mil (S\$4.33 mil)	JPY 93.42 mil (S\$1.47 mil)	JPY 108.13 mil (S\$1.70 mil)
Excess/(deficit) of sale price over the book value	(JPY 12.25 mil) ((S\$ 0.19 mil))	JPY 17.68 mil (S\$0.28 mil)	(JPY4.58 mil) ((S\$0.07 mil))	(JPY 10.87 mil) ((S\$0.17 mil))
Profit/(loss) on disposal ⁽³⁾	(JPY 18.57 mil) ((S\$0.29 mil))	JPY 1.94 mil (S\$0.03 mil)	(JPY 10.69 mil) ((S\$0.17 mil))	(JPY 17.78 mil) ((S\$0.28 mil))

A summary of the financial results of River City Kimachi, U.I. Building, Crestage Tayacho and Legions Yunokawa for the financial year ended 30 June 2009 (“**FY2009**”) is as follows:

	River City Kimachi	U.I. Building	Crestage Tayacho	Legions Yunokawa
Rental income	JPY 12.99 mil (S\$0.20 mil)	JPY 26.66 mil (S\$0.42 mil)	JPY 12.98 mil (S\$0.20 mil)	JPY15.58 mil (S\$0.25 mil)
Net profit/(loss) attributable to property ⁽⁴⁾	(JPY 14.27 mil) ((S\$0.22 mil))	(JPY 55.26 mi) ((S\$0.87 mil))	(JPY 7.76 mil) ((S\$0.12 mil))	(JPY 28.73 mil) ((S\$0.45 mil))

Financial effects

Net asset value (“NAV”) per Unit

Based on the audited financial statements of the Saizen REIT Group for FY2009 and assuming that the Divestment and the Previous Divestments had been completed on this date, the estimated aggregate proforma financial effects which the Divestment and the Previous Divestments would have on the NAV per Unit are as follows:

² The net book value as at 30 June 2009 is equal to the full valuations conducted on 30 June 2009 on these properties by independent valuers commissioned by the Manager. River City Kimachi was valued by Rich Appraisal Institute Co., Ltd, while U.I. Building was valued by Tokyo Asset Research Inc.. Crestage Tayacho and Legions Yunokawa were valued by KK Asset Research.

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

⁴ The net losses attributable to the properties for FY2009 were mainly due to write-downs in the property values of River City Kimachi, U.I. Building, Crestage Tayacho and Legions Yunokawa of JPY 18.00 million, JPY 67.00 million, JPY 13.00 million and JPY31.09 million respectively. These represent the net loss of Saizen REIT and its subsidiaries (the “**Saizen REIT Group**”) for FY2009 attributable to each of the respective properties.

	Before the Divestment and Previous Divestments	After the Divestment and Previous Divestments
NAV (JPY' 000)	24,726,514	24,680,533
Number of Units ⁽⁵⁾ ('000)	949,194	949,194
NAV per Unit ⁽⁶⁾ (JPY)	26.05	26.00
(S\$) ⁽¹⁾	0.41	0.41

Earnings per Unit ("EPU")

Assuming the Divestment and the Previous Divestments had been completed on the 1 July 2008 and based on the audited financial statements of the Saizen REIT Group for FY2009, the estimated aggregate proforma financial effects which the Divestment and the Previous Divestments would have on the EPU are as follows:

	Before the Divestment and Previous Divestments	After the Divestment and Previous Divestments
Loss for the year attributable to Unitholders (JPY' 000)	(4,775,751)	(4,667,771)
Weighted average number of Units ⁽⁷⁾ ('000)	637,421	637,421
Basic EPU per Unit ⁽⁶⁾ (JPY)	(7.49)	(7.32)
(S\$) ⁽¹⁾	(0.12)	(0.12)

Rationale

The YK Shintoku Loan will mature on 2 November 2009 and to-date, its refinancing plan remains uncertain. In view of this, the asset manager of Saizen REIT, KK Tenyu Asset Management (the "**Asset Manager**"), is currently seeking buyers for the properties under the YK Shintoku portfolio (the "**YK Shintoku Properties**") through a network of real estate agents. The successful divestment of any of the YK Shintoku Properties for loan repayment to reduce the absolute amount of the YK Shintoku Loan and the leverage of the YK Shintoku portfolio is likely to make the extension or refinancing of the YK Shintoku Loan more acceptable to current and potential lenders.

The Divestment and the Previous Divestments are part of the above-mentioned deleveraging plan.

⁵ Based on 949,194,055 Units in issue as at 30 June 2009.

⁶ It is assumed that there is no exercise of warrants and therefore, there is no dilutive effect on the NAV per Unit and EPU per Unit.

⁷ Based on a weighted average number of Units of 637,420,581 Units.

Interest of Directors and Controlling Unitholders

A divestment fee of 0.3% of the above-mentioned sale price of River City Kimachi, as well as each of the Previous Divestments as previously announced (collectively, the “**Divestment Fees**”) is payable to the Manager. The Divestment Fees will be payable in the form of cash or units or a combination of both (as the Manager may in its sole discretion determine).

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

Relative Figures Computed pursuant to Rule 1006 of the Listing Manual

The relative unaudited figures for the Divestment and the Previous Divestments taken in aggregate and computed on the bases pursuant to Rule 1006(a) to 1006(d) of the SGX-ST Listing Manual (based on the recently announced audited financial statements of the Saizen REIT Group for FY2009) are as follows:

Rule 1006(a)	Net asset value of the assets to be disposed of, compared with the group's net asset value.	2.47% ⁽⁸⁾
Rule 1006(b)	The net profits attributable to the assets disposed of, compared with the group's net profits.	1.49% ⁽⁹⁾
Rule 1006(c)	The aggregate value of the consideration received, compared with the issuer's market capitalisation based on the total number of issued shares excluding treasury shares.	6.61% ^{(1) (10)}
Rule 1006(d)	The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not applicable

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

⁸ The net asset value of the Saizen REIT Group as at 30 June 2009 was JPY 24,726.5 million.

⁹ Based on the aggregate annual net property operating income of River City Kimachi, U.I. Building, Crestage Tayacho and Legions Yunokawa of approximately JPY 43.50 million and Saizen REIT Group's net property income of JPY 2,913.7 million. A comparison of net loss for FY2009 (contributed mainly by the write-down in the value of the property portfolio of Saizen REIT) is not meaningful.

¹⁰ Saizen REIT's market capitalisation is computed based on the weighted average Unit price of S\$0.150 and 952,770,055 Units in issue on 29 September 2009, being the market day immediately preceding the date of the sale and purchase agreement.

Documents for inspection

Copies of the sale and purchase agreements of the Divestment and the Previous Divestments, as well as the Valuation reports are available for inspection during normal business hours at the registered office of the Manager at 72A Duxton Road, Singapore 089531 for three months commencing from the date of this announcement.

BY ORDER OF THE BOARD OF DIRECTORS

Chang Sean Pey (Mr.)
Chief Executive Officer

Japan Residential Assets Manager Limited
(Company Registration No. 200712125H)
As Manager of Saizen Real Estate Investment Trust
5 October 2009

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

Important Notice

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

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

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