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## DIVESTMENT OF REEF SUITE

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The Board of Directors of Japan Residential Assets Manager Limited, the manager (“**Manager**”) of Saizen Real Estate Investment Trust (“**Saizen REIT**”), wishes to announce the divestment of Reef Suite (the “**Current Divestment**”) from the property portfolio of Yugen Kaisha (“**YK**”) Shintoku.

### Background

YK Shintoku has, on 15 November 2010, entered into a conditional sale and purchase agreement for the divestment of Reef Suite (“**RS**”) to an independent private investor (the “**RS Buyer**”) for a cash consideration of JPY 123,184,249 (S\$1.9 million<sup>1</sup>) (the “**RS Sale Price**”).

RS, located in Sapporo, was built in September 2005 and comprises 18 residential units and 15 parking units. It contributed about 0.3% (or approximately JPY 13.5 million) of Saizen REIT’s annual revenue in the financial year ended 30 June 2010 (“**FY2010**”).

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

### Consideration

The RS Buyer has paid a deposit of JPY 5,940,000 (S\$0.1 million) on 15 November 2010 with the remainder of the RS Sale Price to be paid on the completion date, which is expected to be on or around 24 November 2010. The entire proceeds from the Current Divestment will be used for partial repayment of the YK Shintoku Loan.

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

### Property value and financial results

Based on the valuation of RS prepared by Real Value Inc., an independent valuer commissioned by the Manager, RS was valued at JPY 132.0 million (S\$2.1 million) (the “**RS Valuation**”) as at 30 June 2010. The RS Sale Price therefore represents a discount of approximately 6.7% to the RS Valuation.

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<sup>1</sup> Based on an exchange rate of S\$1.00 to JPY63.9 as at 12 November 2010, which is applied throughout this announcement unless stated otherwise.

In the past 12 months, YK Shintoku had completed the divestment of 11 properties, namely Patios Ohashi (announcements dated 21 September 2010 and 30 September 2010), Sun Park Yokokawa (announcement dated 29 September 2010), Funairi Honmachi 54 (announcement dated 29 September 2010), Residence II Yasuda (announcement dated 29 September 2010), Matoba Y Building (announcement dated 29 September 2010), Villa Kaigancho (announcement dated 8 October 2010), Higashi Hakushima Y Building (announcement dated 14 October 2010), Otemachi Y Building (announcement dated 14 October 2010), Kinyacho Y Building (announcement dated 14 October 2010), Kamei Five (announcements dated 21 October 2010 and 28 October 2010) and Jewel Town Suehiro (announcement dated 9 November 2010) (collectively, the “FY2011 Divestments”).

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

	RS	FY2011 Divestments
Net book value <sup>2</sup>	JPY 132.0 mil (S\$2.1 mil)	JPY 1,567.0 mil (S\$24.5 mil)
Sale price	JPY 123.2 mil (S\$1.9 mil)	JPY 1,503.0 mil (S\$23.5 mil)
Excess/(deficit) of sale price over the book value	(JPY 8.8 mil) ((S\$0.1 mil))	(JPY 64.0 mil) ((S\$1.0 mil))
Profit/(loss) on disposal <sup>3</sup>	(JPY 17.0 mil) ((S\$0.3 mil))	(JPY 159.0 mil) ((S\$2.5 mil))

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

	RS	FY2011 Divestments
Net profit/(loss) attributable to property <sup>4</sup>	(JPY 5.8 mil) ((S\$0.1 mil))	(JPY 57.7 mil) ((S\$0.9 mil))

## **Financial effects**

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

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

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

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

<sup>4</sup> This represents the impact attributable to the properties to the net loss of Saizen REIT and its subsidiaries (the “Saizen REIT Group”) in FY2010. The net loss attributable to RS in FY2010 was mainly due to write-down in property value of JPY 7.0 million. The net loss attributable to the FY2011 Divestments in FY2010 was mainly due to net write-downs in property values amounting to an aggregate of JPY 86.4 million in FY2010.

	<b>Audited (as at 30 June 2010)</b>	<b>Pro forma financial effects of the Current Divestment and the FY2011 Divestments</b>
Net asset value attributable to Unitholders (JPY' 000)	23,882,923	23,709,882
Number of Units <sup>5</sup> ('000)	953,203	953,203
NAV per Unit <sup>6</sup> (JPY)	25.06	24.87
(S\$)	0.40 <sup>7</sup>	0.39

### Earnings per Unit ("EPU")

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

	<b>Audited (FY2010)</b>	<b>Pro forma financial effects of the Current Divestment and the FY2011 Divestments</b>
Loss for the year attributable to Unitholders (JPY' 000)	(883,878)	(995,266)
Weighted average number of Units <sup>8</sup> ('000)	952,710	952,710
Basic EPU <sup>6</sup> (JPY)	(0.93)	(1.04)
(cents)	(1.43) <sup>9</sup>	(1.63)

### Rationale

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

### Remaining loan balance

The original balance of the YK Shintoku Loan was JPY 7.953 billion (S\$124.5 million). The application of (i) net sale proceeds totaling JPY 2.1 billion (S\$32.9 million) from the divestments of 16 properties of YK Shintoku and (ii) operational cash flow of YK Shintoku of JPY 0.3 billion (S\$4.7 million) towards loan repayment had reduced the balance of the YK Shintoku Loan to

<sup>5</sup> Based on 953,203,055 Units in issue as at 30 June 2010.

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

<sup>7</sup> Based on an exchange rate of S\$1.00 to JPY63.4 as at 30 June 2010.

<sup>8</sup> Based on a weighted average number of Units of 952,710,118 Units.

<sup>9</sup> Based on an average exchange rate of S\$1.00 to JPY65.1 between 1 July 2009 and 30 June 2010.

JPY 5.6 billion (S\$87.6 million) as at the date hereof. Following loan repayment from sale proceeds of the Current Divestment, the remaining balance of the YK Shintoku Loan is estimated to be approximately JPY 5.5 billion (S\$86.1 million).

Taking into account applicable cash reserves of JPY 0.6 billion (S\$9.4 million) maintained by YK Shintoku under the loan agreement, the net outstanding loan of YK Shintoku amounts to approximately JPY 4.9 billion (S\$76.7 million).

### **Interest of Directors and Controlling Unitholders**

A divestment fee of 0.3% of the RS Sale Price as well as each of the FY2011 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 Current Divestment.

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

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

Rule 1006(a)	Net asset value of the assets to be disposed of, compared with the group's net asset value.	7.11% <sup>10</sup>
Rule 1006(b)	The net profits attributable to the assets disposed of, compared with the group's net profits.	4.39% <sup>11</sup>
Rule 1006(c)	The aggregate value of the consideration received, compared with the issuer's market capitalisation based on the total number of issued shares excluding treasury shares.	14.23% <sup>12</sup>
Rule 1006(d)	The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not applicable

<sup>10</sup> The net asset value of the Saizen REIT Group as at 30 June 2010 was JPY 23.891 million.

<sup>11</sup> Based on the aggregate net property income of the Current Divestment and the FY2011 Divestments in FY2010 of approximately JPY 122.2 million and Saizen REIT Group's net property income of JPY 2,782.6 million in FY2010. A comparison of net loss for FY2010 (contributed mainly by the write-down in the value of the property portfolio of Saizen REIT) is not meaningful.

<sup>12</sup> Saizen REIT's market capitalisation is computed based on the weighted average Unit price of S\$0.1598 and 1,119,352,395 Units in issue on 12 November 2010, being the market day immediately preceding the date of the sale and purchase agreement.

The aggregate figure of the Current Divestment and the FY2011 Divestments under Rule 1006(b) does not exceed 5%.

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

### **Documents for inspection**

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

BY ORDER OF THE BOARD OF DIRECTORS

Linus Koh (Mr.)  
Co-Chief Executive Officer

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

15 November 2010

### **Important Notice**

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

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

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