
DIVESTMENT OF STUDIO CITY

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 Studio City (the “**Current Divestment**”) from the property portfolio of Yugen Kaisha (“**YK**”) Shingen.

Background

YK Shingen has, on 10 May 2011, entered into a conditional sale and purchase agreement for the divestment of Studio City (“**SC**”) to an independent private investor (the “**SC Buyer**”) for a cash consideration of JPY 175,000,000 (S\$2.7 million¹) (the “**SC Sale Price**”).

SC, located in Sapporo, was built in March 1985 and comprises 51 residential units, 1 commercial unit and 12 car parking units. It contributed about 0.6% (or approximately JPY 26.8 million) of Saizen REIT’s annual revenue in the financial year ended 30 June 2010 (“**FY2010**”).

Given the small size of SC 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 SC Buyer has paid a deposit of JPY 1,000,000 (S\$0.02 million) on 10 May 2011 with the remainder of the SC Sale Price to be paid on the completion date, which is expected to be on or around 30 May 2011. The proceeds from the Current Divestment are expected to be used for partial repayment of the loan of YK Shintoku.

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

Property value and financial results

Based on a desktop valuation of SC prepared by Rich Appraisal Institute Co., Ltd, an independent valuer commissioned by the Manager, SC was valued at JPY 183.0 million (S\$2.8 million) (the “**SC Valuation**”) as at 31 December 2010. The SC Sale Price therefore represents a discount of approximately 4.4% to the SC Valuation.

¹ Based on an exchange rate of S\$1.00 to JPY 65.1 as at 9 May 2011, which is applied throughout this announcement unless stated otherwise.

In the past 12 months, YK Shingen and YK Shintoku, another TK operator of Saizen REIT, had completed the divestment of 22 properties (see table below) (collectively, the “**FY2011 Divestments**”):

	Name of Properties (FY2011 Divestments)	Date of Announcement(s)
1	Patios Ohashi	21 September 2010 and 30 September 2010
2	Sun Park Yokokawa	29 September 2010
3	Funairi Honmachi 54	29 September 2010
4	Residence II Yasuda	29 September 2010
5	Matoba Y Building	29 September 2010
6	Villa Kaigancho	8 October 2010
7	Higashi Hakushima Y Building	14 October 2010
8	Otemachi Y Building	14 October 2010
9	Kinyacho Y Building	14 October 2010
10	Kamei Five	21 October 2010 and 28 October 2010
11	Jewel Town Suehiro	9 November 2010
12	Reef Suite	15 November 2010 and 24 November 2010
13	K1 Mansion Morioka	24 January 2011 and 28 January 2011
14	Aistage Ushita Minami	25 February 2011
15	Kinyacho Grande	8 March 2011
16	Wealth Meinohama	14 March 2011 and 23 March 2011
17	Johnan Building III	23 March 2011
18	Club House Kikugaoka	29 March 2011
19	Global Matsukawa Building	30 March 2011 and 6 April 2011
20	Escort South 11	11 April 2011 and 19 April 2011
21	Art Side Terrace	15 April 2011
22	KN 21 Shiragane	15 April 2011

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:

	SC	FY2011 Divestments
Net book value ²	JPY 183.0 mil (S\$2.8 mil)	JPY3,976.6 mil (S\$61.1 mil)
Sale price	JPY 175.0 mil (S\$2.7 mil)	JPY 3,820.4 mil (S\$58.7 mil)
Excess/(deficit) of sale price over the book value	(JPY 8.0 mil) ((S\$0.1 mil))	(JPY 156.3 mil) ((S\$2.4 mil))

² The net book value of SC and the FY2011 Divestments are equal to the latest desktop valuation or full valuation conducted on the applicable properties. These valuations are conducted by independent valuers commissioned by the Manager.

	SC	FY2011 Divestments
Profit/(loss) on disposal ³	(JPY 18.8 mil) ((S\$0.3 mil))	(JPY 389.0 mil) ((S\$6.0 mil))

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

	SC	FY2011 Divestments
Net profit/(loss) attributable to property ⁴	JPY 6.8 mil (S\$0.1 mil)	(JPY 109.5 mil) ((S\$1.7 mil))

Financial effects

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

Based on the audited financial statements of the Saizen REIT Group for FY2010 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:

	Audited (as at 30 June 2010)	Pro forma financial effects of the Current Divestment and the FY2011 Divestments
Net asset value attributable to Unitholders (JPY '000)	23,882,923	23,491,813
Number of Units ⁵ ('000)	953,203	953,203
NAV per Unit ⁶ (JPY)	25.06	24.65
(S\$)	0.40 ⁷	0.38

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 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 the FY2011 Divestments in FY2010 was mainly due to net write-downs in property values amounting to an aggregate of JPY 205.9 million in FY2010. The net profit attributable to the Current Divestment in FY2010 had included a write-down in property value of JPY 6.0 million.

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

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.

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

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:

	Audited (FY2010)	Pro forma financial effects of the Current Divestment and the FY2011 Divestments
Loss for the year attributable to Unitholders (JPY' 000)	(883,878)	(1,170,155)
Weighted average number of Units ⁸ ('000)	952,710	952,710
Basic EPU ⁶ (JPY) (cents)	(0.93) (1.43) ⁹	(1.23) (1.89)

Rationale

On 6 April 2011, the Manager announced a schedule for the full repayment of the YK Shintoku Loan (the “**Repayment Plan**”). The Current Divestment was conducted as part of the Repayment Plan and sale proceeds will be applied towards the reduction of the outstanding balance of the YK Shintoku Loan by the end of May 2011.

Remaining loan balance

The current balance of the YK Shintoku Loan is JPY 1.4 billion (S\$21.5 million). After repayment using sale proceeds from the Current Divestment of JPY 0.1 billion (S\$1.5 million) and taking into account the cash reserves of YK Shintoku of JPY 0.7 billion (S\$10.8 million), the net outstanding loan of YK Shintoku is estimated to be JPY 0.6 billion (S\$9.2 million).

Interest of Directors and Controlling Unitholders

A divestment fee of 0.3% of the SC 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.

⁸ Based on a weighted average number of Units of 952,710,118 Units.

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

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.	17.53% ¹⁰
Rule 1006(b)	The net profits attributable to the assets disposed of, compared with the group's net profits.	10.97% ¹¹
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.	36.00% ¹²
Rule 1006(d)	The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not applicable

The aggregate figures of the Current Divestment and the FY2011 Divestments under Rules 1006(a), (b) 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 Kia Meng (Mr.)
Co-Chief Executive Officer
Japan Residential Assets Manager Limited
(Company Registration No. 200712125H)
As Manager of Saizen Real Estate Investment Trust

10 May 2011

¹⁰ The net asset value of the Saizen REIT Group as at 30 June 2010 was JPY 23,891.3 million.

¹¹ Based on the aggregate net property income of the Current Divestment and the FY2011 Divestments in FY2010 of approximately JPY 305.3 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.

¹² Saizen REIT's market capitalisation is computed based on the weighted average Unit price of S\$0.1450 and 1,175,602,611 Units in issue on 9 May 2011, being the market day immediately preceding the date of the sale and purchase agreement.

Important Notice

The value of units in Saizen REIT (“**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 Singapore Exchange Securities Trading Limited (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 REIT is not necessarily indicative of the future performance of Saizen REIT.