

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))

IMPLEMENTATION AGREEMENT IN CONNECTION WITH THE PROPOSED ACQUISITION BY SAIZEN REIT OF INDUSTRIAL PROPERTIES IN AUSTRALIA AND THE REVERSE TAKEOVER OF SAIZEN REIT BY SIME DARBY PROPERTY SINGAPORE LIMITED

*Unless otherwise defined, all capitalised terms used in this Announcement shall bear the same meaning as ascribed thereto in the announcement dated 15 August 2016 and titled "Framework Agreement for the Proposed Acquisition by Saizen REIT of Industrial Properties in Australia" (the "**Framework Agreement Announcement**").*

SUMMARY

Japan Residential Assets Manager Limited, in its capacity as manager of Saizen Real Estate Investment Trust ("**Saizen REIT**", and as manager of Saizen REIT, the "**Manager**"), wishes to announce that Saizen REIT (through the Manager) has, on 10 October 2016, entered into an Implementation Agreement (as defined herein) in relation to the proposed acquisition by Saizen REIT of industrial properties in Australia and the reverse takeover of Saizen REIT by Sime Darby Property Singapore Limited ("**SDPSL**"), an indirect wholly-owned subsidiary of Sime Darby Berhad (the "**Sponsor**").

The purchase consideration for the Properties Acquisition (as defined herein) is A\$355,800,000 (S\$369,747,360)¹, of which (i) A\$282,576,360 (S\$293,653,353) will be satisfied from the receivables from the issuance and allotment of New Saizen REIT Units (as defined herein) at an issue price of **S\$0.03604 per Unit**² and (ii) A\$73,223,640 (S\$76,094,007) will be satisfied through cash proceeds from external bank financing. Further details are set out in paragraph 5.1 of this Announcement. Prior to the issuance of the New Saizen REIT Units, the Remaining Proceeds Distributions (as defined herein) of up to **S\$0.0237 per Unit** shall be distributed to existing Unitholders. Following the completion of the Properties Acquisition, it is envisaged that SDPSL or its nominee(s) will hold no less than 25.0% of the enlarged Saizen REIT's total Units in issue.

The Properties (as defined herein) will be master leased to Hastings Deering Property Services Pty. Ltd. (a wholly-owned subsidiary of Hastings Deering (Australia) Limited ("**HDAL**")). Under the terms of the leases over the Properties (the "**Leases**"), the weighted average lease expiry ("**WALE**") of the Properties is approximately 16.7 years (based on gross rental income), and all of the Leases will include annual rental escalations of 1.50% in the first three years and 2.75% thereafter. The Leases will also be backed by a corporate guarantee from Sime Darby Eastern Limited (the "**Sponsor Guarantor**") and a letter of support from Sime Darby Industrial Holdings Sdn Bhd. Further details are set out in paragraphs 4 and 6 of this Announcement.

Information on forecast distribution yields are not available in this Announcement and will be provided in the Circular to be issued to Unitholders. In the absence of such information, Unitholders and potential investors are advised to exercise caution in the trading of their Units.

The Properties Acquisition is conditional upon, among others, satisfactory due diligence, regulatory approvals and approval from Unitholders at an extraordinary general meeting of Saizen REIT to be convened.

¹ All conversions of Australian dollar (A\$) amounts into Singapore dollars (S\$) in this Announcement shall be based on an exchange rate of A\$1.00 to S\$1.0392 as at 7 October 2016, unless otherwise stated.

² This is an increase from the S\$0.03484 as was agreed in the Framework Agreement and announced in the Framework Agreement Announcement, following negotiations with SDPSL.

1. INTRODUCTION

- 1.1. The board of directors of the Manager (the "**Board**"), refers to the Framework Agreement Announcement dated 15 August 2016 in relation to the Framework Agreement entered into between Saizen REIT, SDPSL and HDAL in relation to the proposed acquisition by Saizen REIT of industrial properties in Australia.
- 1.2. The Board is pleased to announce that Saizen REIT (through the Manager) has, on 10 October 2016, entered into an implementation agreement (the "**Implementation Agreement**") with SDPSL, Sime Darby Eastern Investments Private Limited ("**Vendor HoldCo**") and Perpetual Corporate Trust Limited (as the trustee of the HAUT (as defined herein)) (collectively, the "**Parties**") in respect of the acquisition by Saizen REIT of the industrial properties in Australia as listed in **Appendix B** to this Announcement (collectively, the "**Properties**" and each, a "**Property**") from HDAL and Austchrome Pty Ltd (the "**Vendors**") (the "**Properties Acquisition**").
- 1.3. The Properties Acquisition, if it proceeds to completion ("**Completion**"), will constitute a "Very Substantial Acquisition" or a "Reverse Takeover" as defined under Chapter 10 of the Listing Manual (the "**Listing Manual**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") and will be subject to, *inter alia*, the approval of Unitholders at the extraordinary general meeting to be convened (the "**EGM**") in connection with the Properties Acquisition and the reverse takeover of Saizen REIT by SDPSL (the "**RTO**").

2. INFORMATION ON THE PROPERTIES AND THE VENDORS

2.1. The Properties

The Properties comprise 20 industrial properties located in Australia, with 18 Properties in Queensland and two Properties in the Northern Territory, with total land area of approximately one million square meters.

The Properties are strategically located in established industrial precincts and suburbs close to major cities and towns in the key mining areas of Queensland and the Northern Territory, including Brisbane, Darwin, Mackay, Townsville, Cairns, Toowoomba, Rockhampton and Mt Isa. Please refer to paragraphs 4.1 and 4.2 below for further details of the Properties.

2.2. The Vendors

The Vendors are indirect wholly-owned subsidiaries of Sime Darby Berhad. HDAL is principally involved in the sale, rental and servicing for Caterpillar products, hard chroming and hydraulic repair, and is a market leader, selling and renting both new and used Caterpillar equipment as well as providing after-sales services across the Asia Pacific region. Austchrome Pty Ltd is a wholly-owned subsidiary of HDAL.

3. STRUCTURE OF THE PROPERTIES ACQUISITION

Saizen REIT intends to hold the Properties through a sub-trust of Sime REIT Australia, a wholly-owned head Australian trust (the "**HAUT**") which is intended to qualify as a managed investment trust in Australia (the "**Australian Trust Structure**").

In connection thereto, the following steps are contemplated:

- (a) SDPSL has incorporated a company in Singapore ("**Sing HoldCo**") to establish the HAUT, and SDPSL (together with Sing HoldCo) will collectively hold 100.0% of the units in the HAUT ("**HAUT Units**"). Perpetual Corporate Trust Limited, a professional trustee service provider, has been appointed as the trustee of the HAUT (the "**HAUT Trustee**") pursuant to the trust deed constituting the HAUT ("**HAUT Trust Deed**"), and a related body corporate of Perpetual Corporate Trust Limited has been appointed as the manager of the HAUT (the "**HAUT Manager**") pursuant to a management agreement entered into between the HAUT Trustee and itself (the "**HAUT Management Agreement**"). Following the completion of the JRAM Sale (further details of which are set out in the Framework Agreement Announcement) and at a date to be determined by the Manager, the HAUT Manager will retire from office and a subsidiary of the Manager will be the manager of the HAUT;
- (b) the HAUT has established a wholly-owned special purpose trust in Australia (the "**Property Sub-Trust**") to acquire and hold the Properties. Perpetual Trustee Company Ltd has, pursuant to the trust deed constituting the Property Sub-Trust (the "**Property Sub-Trust Trust Deed**"), been appointed as the trustee of the Property Sub-Trust (the "**Property Sub-Trust Trustee**");
- (c) following and subject to the approval of Unitholders at the EGM of all the resolutions proposed in connection with the RTO, the trustee of Saizen REIT (the "**Saizen REIT Trustee**") shall enter into a purchase agreement with SDPSL (the "**HAUT Purchase Agreement**") to acquire from SDPSL (i) all the issued shares of the Sing HoldCo ("**Sing HoldCo Shares**") and (ii) the remaining HAUT Units not held by the Sing HoldCo (the "**Relevant HAUT Units**") in consideration for A\$100;
- (d) following:
 - (i) completion of the HAUT Purchase Agreement;
 - (ii) the issuance of the New Saizen REIT Units;
 - (iii) the recording of the transfer of the Relevant HAUT Units on the register of unitholders of the HAUT by the HAUT Trustee; and
 - (iv) the lodgement of the transfer of the Sing HoldCo Shares in the electronic register of members of the Sing HoldCo,the Manager will cause the Saizen REIT Trustee and the Sing HoldCo to subscribe for new HAUT Units, and will cause the HAUT Trustee to (A) issue and allot the new HAUT Units to the Saizen REIT Trustee and the Sing HoldCo and the recording of the allotment of the new HAUT Units on the register of unitholders of the HAUT by the HAUT Trustee, (B) apply for new units in Property Sub-Trust and procure the Property Sub-Trust Trustee to issue the new units applied for in Property Sub-Trust to HAUT Trustee, and (C) complete the drawdown of the Properties Acquisition Loan (as defined herein) by the HAUT;
- (e) following completion of the issue of the new HAUT Units and the financing drawdown of the Properties Acquisition Loan, the Manager will cause the HAUT Trustee to procure the Property Sub-Trust Trustee to enter into purchase agreements to acquire the Properties from the Vendors (the "**Properties Sale and Purchase Agreements**"); and

- (f) prior to Completion, the Vendors will enter into the Leases with Hastings Deering Property Services Pty. Ltd. (a wholly-owned subsidiary of HDAL) (the "**Master Lessee**") over the Properties. As such, the Properties will, on Completion and pursuant to the Properties Sale and Purchase Agreements, be sold to the Property Sub-Trust Trustee subject to the Leases (the "**Master Leasing Arrangement**").

4. RATIONALE FOR THE PROPERTIES ACQUISITION AND THE MASTER LEASING ARRANGEMENT

Following the completion of the disposal of Saizen REIT's entire portfolio of real estate assets in Japan in March 2016 (the "**Disposal**"), Saizen REIT ceased to have any operating business and currently exists as a cash trust. Most of the proceeds from the Disposal were paid out to Unitholders via a special distribution of S\$1.056 per Unit in March 2016.

Under the proposed RTO, existing Unitholders (the "**Existing Unitholders**") will retain their existing Units and, as previously mentioned in the Framework Agreement Announcement, can expect to receive distributions of up to S\$0.0987 per Unit, representing the estimated total cash of Saizen REIT at liquidation in a liquidation scenario, prior to the issuance of the New Saizen REIT Units. Since then, Saizen REIT has declared and paid a capital distribution of S\$0.0750 per Unit on 23 September 2016, and details of any further distribution payment(s) out of the Remaining Proceeds Distributions (as defined herein) of up to S\$0.0237 per Unit shall be announced when appropriate.

The Properties Acquisition would result in a change of investment strategy for Saizen REIT, and has been contemplated to realise the value of Saizen REIT as a listing vehicle, following the completion of the Disposal. The Board believes that the proposed Properties Acquisition will provide an opportunity for Saizen REIT to venture into a new business area under the stewardship of an established sponsor. This is expected to create value for and enhance the long term interests of Saizen REIT and its Unitholders, after having realised value from the Disposal.

Following Completion, the market capitalisation of Saizen REIT is expected to be equal to or more than S\$300 million (computed based on the issue price of the New Saizen REIT Units and the total number of Units in issue after the completion of the RTO).

Further elaboration on the rationale for the Properties Acquisition and the Master Leasing Arrangement is set out in paragraphs 4.1 to 4.6 below.

4.1. Long WALE

The Properties will all have 100% occupancy and predominantly long term leases with the Master Lessee, a wholly-owned subsidiary of HDAL. Most of the Properties have master leases with initial terms of 20 years with three extension terms of 10 years. The indicative WALE of the Properties (based on gross rental income) is approximately 16.7 years. 18 of the Properties are freehold, while two of the Properties have land leases in perpetuity.

4.2. Quality Australian Industrial Properties in Strategic Locations

The Properties Acquisition will offer Unitholders exposure to the industrial real estate segment in Australia and Queensland in particular.

The Properties are strategically located in established industrial precincts and suburbs close to major cities and towns in the key mining areas of Queensland and the Northern Territory, including Brisbane, Darwin, Mackay, Townsville, Cairns, Toowoomba, Rockhampton and Mt Isa, with good access to transport routes linking to major highways and airports. Most of the

Properties are also surrounded by other established industrial facilities used for, among others, engineering works and heavy machinery sales and repair facilities.

The Properties have flexible planning characteristics, such as high clearance facilities that would suit various mining based industrial users, workshops that have the benefit of high capacity gantry cranes, level gravel or concrete hardstand and full drive-around access.

4.3. Triple-Net Lease with Rental Escalation

The Leases have a triple-net lease structure, with annual rent reviews, which guarantees future net property income growth. The triple-net lease will cover all costs and expenses, including capital expenditure, costs relating to regular and routine repair and maintenance, costs of services (e.g. electricity, gas and telecommunications) provided to the Properties, and costs of removing waste from the Properties. The terms of the Leases will include annual rental escalation of 1.50% in the first three years and 2.75% thereafter. Saizen REIT will also enjoy acquisition growth potential from pipeline properties from Sime Darby Berhad, the Sponsor, which will provide the Saizen REIT Trustee with a right of first refusal over any of the Sponsor's assets which falls within the investment mandate of the enlarged Saizen REIT (the "**Enlarged Group**"). Please refer to paragraph 4.6 for more details.

4.4. Backed by Strong and Committed Sponsor and Established Dealership Business

The Sponsor is a Malaysia-based diversified government-linked corporation with operations in 26 countries and four territories and which has a total workforce of more than 120,000 employees as of 30 June 2016. It is involved in five core sectors, namely Plantation, Industrial, Motors, Property and Logistics.

The Master Lessee is a wholly-owned subsidiary of HDAL, one of the largest Caterpillar dealers in the world and a core business of Sime Darby Berhad.

In addition to a 12-month security deposit in the form of a banker's guarantee, the Sponsor Guarantor will provide a corporate guarantee to guarantee the Master Lessee's obligations for the initial term of each Lease. This provides additional income certainty to investors for the initial term of the Leases.

Further, Sime Darby Industrial Holdings Sdn Bhd will provide a letter of support³ to Saizen REIT and the Property Sub-Trust Trustee, stating, *inter alia*, that for so long as there are any obligations and liabilities of the Sponsor Guarantor owed to the Property Sub-Trust Trustee under each of the Leases outstanding from the Sponsor Guarantor pursuant to the Leases:

- (a) Sime Darby Industrial Holdings Sdn Bhd intends to maintain its equity interest in the Sponsor Guarantor; and
- (b) it is the policy of Sime Darby Industrial Holdings Sdn Bhd to ensure that its subsidiaries, either majority or wholly-owned, meet their financial and contractual obligations when due and payable.

4.5. Experienced Management Team

The new management team of the Manager will comprise experienced professionals with a deep knowledge of real estate development and management. Further information on the credentials of the new management team will be set out in the Circular.

³ For the avoidance of doubt, the letter of support of Sime Darby Industrial Holdings Sdn Bhd is not intended or to be read or construed as creating any contract between the Property Sub-Trust Trustee or impose any legal obligations on Sime Darby Industrial Holdings Sdn Bhd's part in relation to the subject matter therein, or act as a guarantee or indemnity of the obligations of the Sponsor Guarantor or otherwise.

4.6. Sponsor Right of First Refusal

In connection with the RTO, the Sponsor will grant to the Saizen REIT Trustee a right of first refusal (the "**Sponsor Right of First Refusal**") over any completed income-producing industrial properties in Australia and Singapore which (i) is owned (in whole or in part) by the Sponsor or any of its existing or future subsidiaries (which shall exclude any subsidiaries listed on any recognised stock exchange) or existing or future private funds managed by the Sponsor (each, a "**Relevant Entity**"), (ii) falls within the investment mandate of the Enlarged Group, and (iii) a Relevant Entity offers to divest in the future (the "**Sponsor ROFR Properties**"). The Sponsor will be obliged to offer to sell the Sponsor ROFR Properties to the Enlarged Group should any Relevant Entity decide to divest its interest in such properties, subject to any prior overriding obligations which the Sponsor may have in relation to the Sponsor ROFR Properties.

Further details on the Sponsor Right of First Refusal will be included in the Circular.

5. KEY TERMS OF THE PROPERTIES ACQUISITION

5.1. Consideration and Valuation

- (a) Saizen REIT will acquire the Properties at a total consideration of A\$355,800,000 (S\$369,747,360) (the "**Consideration Amount**"), which was agreed upon between Saizen REIT and the Vendors after arm's length negotiation and arrived at on a willing buyer-willing seller basis, taking into consideration, *inter alia*, the valuations conducted on the Properties by two independent valuers, namely, Savills Valuation and Professional Services (S) Pte Ltd ("**Savills**") and Jones Lang LaSalle Advisory Services Pty Ltd ("**JLL**"), commissioned by the Manager and HSBC Institutional Trust Services (Singapore) Limited (as the current trustee of Saizen REIT) ("**HSBCTSL**") respectively (the "**Valuers**"). The Properties are independently valued at A\$355,800,000 (S\$369,747,360) (based on the higher of the two independent valuations by the Valuers for each Property as at 30 September 2016). The consideration and valuation for each of the Properties are as set out in **Appendix B** and **Appendix C** to this Announcement respectively.
- (b) Each of the Properties within the portfolio has been assessed utilising the capitalisation approach, discounted cash flow analysis and/or direct comparison approaches. The capitalisation of income approach involves the assessment of the current annual market rental of the property. A discounted cash flow analysis is prepared taking into account the ability of the property to generate income over a 10-year period based on certain assumptions. Provision is made for leasing up periods upon the expiry of the various leases throughout the 10-year time horizon. The direct comparison approach to valuation compares the Property to sales of similar properties within the surrounding locality and analyses these on a rate per square metre of gross lettable area or rate per square metre of land area.
- (c) Notwithstanding anything to the contrary in the Implementation Agreement, the Vendor HoldCo shall, subject to the consent of the relevant Vendor, have the sole discretion to reduce the Consideration Amount in respect of any Property as set out in **Appendix B**. Any increase in the purchase consideration of any Property shall require the agreement of the Vendor HoldCo, the Manager and the HAUT Trustee. The Parties agree that any such increase or decrease (as the case may be) in the purchase consideration of any Property shall be adjusted for in the Loan Satisfaction Amount (as defined herein).

- (d) The Consideration Amount shall be satisfied on Completion in the following manner:
- (i) the sum of A\$282,576,360 (subject to any adjustments pursuant to paragraph 5.1(d)(iii)) shall be satisfied on Completion with:
- (A) promissory notes with an aggregate value equal to the Promissory Notes Amount (the "**Promissory Notes**") to be issued by SDPSL or its nominee(s) (the "**SD Unitholding Co**") as consideration for the New Saizen REIT Units to be issued to the SD Unitholding Co. The Manager agrees and undertakes to issue New Saizen REIT Units worth the Promissory Notes Amount to the SD Unitholding Co at the Unit Price (as defined herein), the consideration of which is to be satisfied by the issue of the Promissory Notes (which shall be non-interest bearing and freely negotiable by the holder), and the Vendor HoldCo agrees to procure an undertaking from the Vendors in favour of the Manager and the Saizen REIT Trustee to accept the Promissory Notes as part payment for the Consideration Amount (such undertaking to be provided to the Manager and the Saizen REIT Trustee prior to the issuance of the Circular); and
- (B) where a placement agreement is entered into with the Underwriters (as defined herein) to underwrite the Compliance Placement (as defined herein), the cash proceeds (if any) received from the Underwriters (as directed by SDPSL) and/or investors as consideration for New Saizen REIT Units to be issued at the Unit Price to such Underwriters and/or investors in accordance with the Compliance Placement (the "**Compliance Placement Proceeds**").

The aggregate number of New Saizen REIT Units to be issued at the Unit Price shall be derived in the following manner:

No. of New Saizen REIT Units = $Y \div \text{Unit Price}$

Provided that where the number derived is not a board lot, the number of New Saizen REIT Units issued under paragraph 5.1 shall be rounded downwards to the nearest board lot.

Where:

"**Unit Price**" means S\$0.03604 per New Saizen REIT Unit, after deducting the Remaining Proceeds Distributions (on the basis that these would have been paid to the Existing Unitholders before the issuance of the New Saizen REIT Units in accordance with paragraph 5.1(d)(i));

"**Y**" means the aggregate of the monies (in S\$) relating to the issuance of New Saizen REIT Units pursuant to paragraph 5.1(d)(i);

"**Promissory Notes Amount**" means A\$282,576,360 (subject to any adjustments pursuant to paragraph 5.1(d)(iii)) less the Compliance Placement Proceeds;

"**Underwriters**" means the underwriters to be appointed by SDPSL in connection with the Compliance Placement to underwrite the Compliance Placement;

- (ii) the amount of A\$73,223,640 (subject to (A) any adjustments to the Consideration Amount pursuant to paragraph 5.1(c), and (B) any adjustments pursuant to paragraph 5.1(d)(iii)) (the "**Loan Satisfaction Amount**") shall be satisfied by cash proceeds from the Properties Acquisition Loan. For the avoidance of doubt, SDPSL or its nominee(s) shall be solely responsible for arranging the procurement of the Properties Acquisition Loan, and where necessary SDPSL shall procure that its nominee(s) fulfils such obligations; and
- (iii) in the event that due to movement in the cross-rate of the Singapore Dollar and the Australian Dollar on (A) the AUD/SGD Bloomberg Fix (being the Australian Dollar/Singapore Dollar spot rate expressed as the amount of Singapore Dollar per one Australian Dollar for settlement in two (2) Business Days as calculated by Bloomberg which appears on Bloomberg Screen BFIX Page under the caption "MID" at 11 a.m. (Singapore time) on the date of issue of the New Saizen REIT Units) or (B) in the event that the Parties agree to fix the reference exchange rate to be used to convert the Singapore Dollar to Australian Dollar to settle the Purchase Consideration, then such date and time as agreed by the Parties, which results in:
 - (1) the Australian Dollar depreciating against the Singapore Dollar below S\$1.0392/A\$, then the amount raised via the issuance of the New Saizen REIT Units would be higher in A\$-terms, and the Loan Satisfaction Amount would be reduced accordingly by an equal amount; or
 - (2) the Australian Dollar appreciating against the Singapore Dollar above S\$1.0392/A\$, then the Promissory Notes Amount, the Compliance Placement Proceeds and/or the Loan Satisfaction Amount shall be adjusted accordingly in such proportion as determined by SDPSL to cover the shortfall, such that the Consideration Amount shall be fully satisfied.
- (e) Upon issuance and allotment of the New Saizen REIT Units, the New Saizen REIT Units will be listed on the Main Board of the SGX-ST and rank pari passu in all respects with the existing units in Saizen REIT in issue just prior to issuance of the New Saizen REIT Units ("**Existing Units**"). The Parties agree that a consolidation of Units would take place following the issuance of the New Saizen REIT Units.

5.2. Conditions Precedent

Completion is subject to and conditional upon the following conditions precedent in the Implementation Agreement (the "**Conditions Precedent**", and each a "**Condition Precedent**"):

- (a) **Mutual Due Diligence.** Completion of satisfactory due diligence by (i) Vendor HoldCo and SDPSL into the financial, legal, tax and business affairs of Saizen REIT and the Manager and (ii) the Manager, the HAUT Trustee and the HAUT Manager into the financial, legal, tax and business affairs of the Properties and the holding structure of the Properties.
- (b) **Regulatory Approvals.** All consents and approvals or other acts from any governmental agency (being any foreign or Singaporean government or governmental, semi-governmental, administrative, regulatory, fiscal or judicial agency, authority, body, commission, department, exchange, tribunal or entity) ("**Governmental Agency**") (as required by any Party, or which the Parties may agree

are necessary or desirable, to implement and complete the Properties Acquisition) being obtained and not revoked or withdrawn and ongoing compliance with all requirements of the SGX-ST and the regulations of the Monetary Authority of Singapore ("**MAS**"), including but not limited to:

- (i) the approvals, confirmations and waivers sought from the MAS in connection with the Properties Acquisition and for the RTO (including the approval from the MAS in relation to the capital markets services licence for the new board of directors of the Manager);
 - (ii) the approvals, confirmations and waivers sought from the Securities Industry Council (the "**SIC**") in connection with the Properties Acquisition (including any waiver of the independent Saizen REIT Unitholders of their rights to receive a takeover offer from SDPSL and the concert parties of SDPSL (as the case may be) in relation to the Properties Acquisition and the RTO);
 - (iii) the approval from the SGX-ST for the RTO (including the clearance of the circular to be issued by Saizen REIT to Unitholders in connection with the Properties Acquisition and other matters related to the RTO (the "**Circular**"), and the approval-in-principle for the issuance of the New Saizen REIT Units);
 - (iv) a statement from the Treasurer of the Commonwealth of Australia (or his delegate) advising of a decision by the Treasurer that the Commonwealth Government has no objections to the RTO, including (i) transactions required prior to the Properties Acquisition (including the establishment of subsidiaries and acquisition of entities required for the Properties Acquisition), the Properties Acquisition and the Leases (ii) the JRAM Sale (including the call option granted to SDPSL pursuant to the share purchase agreement dated 15 August 2016 entered into between Japan Regional Assets Manager Limited ("**JRAM Shareholder**") and SDPSL in relation to the JRAM Sale) as a result of the Manager acquiring and holding 100.0% of the issued shares of the HAUT Manager and (iii) the underwriting of the Compliance Placement by the Underwriters (if required);
 - (v) in relation to the Properties located at 111 Connors Road in Mackay and 101-107 Kenny Street in Portsmith, Queensland Ministerial consent to the grant of the Leases (including the terms of those Leases) and transfer of the State leasehold interest in each of those Properties (being conditions precedent to Completion in respect of those two particular Properties) if not already satisfied prior to entry into the Properties Sale and Purchase Agreements for those Properties); and
 - (vi) confirmation from Inland Revenue Authority of Singapore that the tax exemption under Section 13(12) of the Income Tax Act (Chapter 134 of Singapore) will apply to taxable income distributions and/or interest income that Saizen REIT will receive.
- (c) **Approval from Unitholders.** Approval of the Unitholders being obtained by 31 December 2016 for the Properties Acquisition, the issuance of the New Saizen REIT Units, any amendments to the trust deed constituting Saizen REIT dated 27 September 2007 (as supplemented from time to time) (the "**Saizen REIT Trust Deed**") and any other resolutions required to give effect to the Properties Acquisition and the RTO.
- (d) **Issuance of HAUT Units and units in the Property Sub-Trust.** The funding by Saizen REIT for the issuance and allotment of the new HAUT Units, and the issuance

and allotment of the new HAUT Units and units in the Property Sub-Trust for the purposes of flowing the funds to the Property Sub-Trust to complete the Properties Acquisition.

- (e) **Drawdown of the Properties Acquisition Loan.** The completion of the drawdown of external bank financing by Saizen REIT or its subsidiaries to part finance, *inter alia*, the Properties Acquisition (the "**Properties Acquisition Loan**").
- (f) **The distribution of up to S\$0.0237 per unit to Unitholders.** Completion of the distribution of up to S\$0.0237 per unit to the Existing Unitholders prior to Completion and prior to the issuance of the New Saizen REIT Units (the "**Remaining Proceeds Distributions**"). The timing and manner of such distribution payment(s) shall be announced when appropriate, provided that the Remaining Proceeds Distributions shall be completed before the issuance of the New Saizen REIT Units in accordance with paragraph 5.1(d)(i).
- (g) **Retirement and Appointment of Trustee.** In the event that HSBCTSL retires as trustee of Saizen REIT in accordance with Clause 23.2 of the Saizen REIT Trust Deed, the appointment of another trustee (as recommended by SDPSL and as agreed by the Manager, such agreement not to be unreasonably withheld) to act as the trustee of Saizen REIT, such retirement and appointment to take place after the annual general meeting of Saizen REIT but prior to the EGM.
- (h) **Appointment of a Forfeiture Trustee.** The appointment of a trustee by the Saizen REIT Trustee (on the recommendation of the Manager) to perform the function of a Forfeiture Trustee, such appointment to take effect on Completion. For the purposes of this paragraph 5.2(h), the Forfeiture Trustee refers to a trustee which shall hold the Units in excess of the restriction imposed under the Australian Taxation Act, which prohibits Foreign Resident Individuals (as defined therein) from directly or indirectly owning in excess of 9.9% of outstanding Units, or such other applicable limits on unitholdings under the Australian Taxation Act which would be necessary for the HAUT to qualify as a "managed investment trust".
- (i) **Issuance of the New Saizen REIT Units.** The issuance and allotment of the New Saizen REIT Units in accordance with paragraph 5.1(d)(i).
- (j) **Compliance Placement.** SDPSL or its nominee(s) entering into the placement agreement with the Underwriters for the purposes of underwriting the Compliance Placement on terms satisfactory to SDPSL, which shall be entered into prior to the issuance of the Circular.
- (k) **Completion of the HAUT Purchase Agreement.** The completion of the HAUT Purchase Agreement.
- (l) **No Prescribed Occurrence.** Between the date of the Implementation Agreement and the Completion Date (as defined herein), no Prescribed Occurrence in relation to Saizen REIT has occurred. A list of Prescribed Occurrences for the purpose of this Condition Precedent is set out in **Appendix D** to this Announcement.
- (m) **Representations, Warranties and Covenants.**
 - (i) The representations and warranties of the Parties as set out in the Implementation Agreement to be true, accurate, complete and correct in all material respects and not misleading or deceptive in any material respect in each case as of the date of the Implementation Agreement and as of the Completion Date as though made on and as of that date except to the extent

any such representation or warranty expressly relates to an earlier date (in which case as of such earlier date); and

- (ii) The Parties to have, as of the Completion Date, performed and complied in all material respects with all covenants and agreements contained in the Implementation Agreement which are required to be performed or complied with by them on or prior to the Completion Date.

(n) **No Material Adverse Change.**

Between the date of the Implementation Agreement and the Completion Date, there being no event which has or will have a material adverse change:

- (i) in relation to Saizen REIT or the Manager (financial or otherwise), including management, assets, earnings, results of operations, business or prospect of Saizen REIT (other than in respect of the completion of the Remaining Proceeds Distributions); and
- (ii) in relation to the Properties or the terms of the Leases, including any material diminution in value to the Properties and/or the Leases.

(o) **Consents, Approvals and Waivers.**

SDPSL and the Vendor HoldCo having obtained all other necessary consents, approvals and written waivers (including for change of control and approval of the lenders of the Vendors in relation to the sale of the Properties and the entry into of the Leases, where applicable) in such form and on terms (if any) reasonably satisfactory to the Manager from all relevant third parties for the Properties Acquisition, and such consents, approvals and written waivers not having been amended or revoked and remaining in full force and effect up to and including the Completion Date, and if such approval is subject to any condition or restriction, such condition and/or restriction being reasonably acceptable to the Manager.

(p) **Promissory Notes.**

The issuance of the Promissory Notes by SDPSL or its nominee(s) in accordance with paragraph 5.1(d)(i)(A).

(q) **Undertaking from Vendors.**

Receipt by the Manager and the Saizen REIT Trustee of an undertaking by the Vendors in favour of the Manager and the Saizen REIT Trustee to accept the Promissory Notes as part payment of the Consideration Amount, such undertaking to be provided prior to the issuance of the Circular.

(r) **MIT Requirements.**

SDPSL and the HAUT Trustee not receiving any reports, notifications, advice or opinion from any tax advisers or any authorities that indicates that the HAUT would not satisfy the requirements to be a withholding MIT within the meaning of the Australian Taxation Act.

5.3. Long-Stop Date

If any of the Conditions Precedent is not satisfied (or, where applicable, has not been waived by Vendor HoldCo and SDPSL, or the Manager or the HAUT Trustee (as the case may be)) by 31 January 2017 (or such other date as may be agreed in writing between the Parties) (the "**Long-Stop Date**"), the Implementation Agreement shall terminate, save for certain surviving clauses which relate to, *inter alia*, confidentiality.

5.4. Completion

Completion shall take place no later than one (1) Business Day after all the conditions set out in paragraph 5.2 have been fulfilled or waived (where applicable), or at such other date as the Parties may mutually agree in writing ("**Completion Date**"). For the purposes of this Announcement, "**Business Days**" means a day (other than Saturday, Sunday or a public holiday) on which commercial banks are open for business in Singapore.

The Properties Acquisition and the JRAM Sale shall occur simultaneously, and no Party shall be obliged to complete the Properties Acquisition unless the JRAM Sale is also completed and vice versa.

5.5. Irrevocable Undertakings

As mentioned in the Framework Agreement Announcement, the Board has been informed that the JRAM Shareholder, as vendor in relation to the JRAM Sale, has agreed to procure the Manager and each person who has an interest in the shares of the Manager and who holds or controls the voting rights of the issued Units (each, an "**Undertaking Unitholder**") to provide HDAL and SDPSL with an irrevocable undertaking:

- (a) not to sell, transfer or dispose or encumber of its/his interests in the Units prior to Completion; and
- (b) to vote in favour of all the resolutions put forth to the Unitholders for consideration,

provided that in the event, among others, the law or the Listing Manual does not permit any of the Undertaking Unitholders to vote in favour of any or all of the resolutions put forth to the Unitholders, then such Undertaking Unitholder shall abstain for the vote on such resolutions.

5.6. Moratorium

The Properties Acquisition, being within the ambit of Rule 1015 of Listing Manual, is subject to the moratorium requirements specified in Rules 227, 228 and 229 of the Listing Manual. In that connection, each of the SD Unitholding Co and SDPSL will be providing an undertaking to, among other things, observe a moratorium on the transfer or disposal of their Units or, as the case may be, the New Saizen REIT Units and where, relevant, their effective interest in the Units or, as the case may be, the New Saizen REIT Units (the "**Moratorium**"), for a period of six (6) months from Completion and at least 50.0% of their original unitholdings in Saizen REIT ("**Unitholdings**") for the six (6) months after. The Moratorium is given in accordance with Rule 1015(3) of the Listing Manual.

5.7. No-Shop Obligation

During the period from and including the date of the Implementation Agreement to the earlier of (i) the termination of the Implementation Agreement in accordance with its terms and (ii) the Long-Stop Date, but subject to any applicable fiduciary duties, the Manager:

- (a) shall not, and shall not authorise or cause any of its employees, officers, agents and advisers or other representatives or associates to, on behalf of Saizen REIT or the Manager or otherwise, whether directly or indirectly, (a) solicit any approach, expression of interest, offer or proposal from, (b) enter into any discussions or negotiations with, (c) enter into any agreement, arrangement or understanding with, or (d) announce or communicate any intention to do any of the foregoing to or with, any other person in connection with any initial, further or continuing approach, expression of interest, offer or proposal to or by or on behalf of such other person involving a transaction taking place with the intention to do any of the things as follows: (i) preclude or restrict or delay or prejudice the Properties Acquisition or the RTO; (ii) acquire or become the holder of, or otherwise have an economic or other interest in all or any part of Saizen REIT or any part of the securityholdings or share capital (as the case may be) of Saizen REIT; (iii) acquire control of Saizen REIT; or (iv) otherwise acquire or merge with Saizen REIT; and
- (b) shall not without the prior written consent of Vendor HoldCo and SDPSL: (i) solicit, initiate or permit any person other than Vendor HoldCo, SDPSL, the HAUT Trustee and the HAUT Manager to undertake due diligence or other investigations on Saizen REIT, in relation to any expression of interest, offer or proposal of the kind referred to in paragraph 5.7(a); or (ii) make available to any other person or permit any other person to receive any non-public information relating to Saizen REIT in relation to any expression of interest, offer or proposal of the kind referred to in paragraph 5.7(a), provided that nothing in the foregoing prevents the Manager from providing information to the SGX-ST, rating agencies, any Governmental Agency or the auditors of Saizen REIT and the Manager and advisers acting in that capacity, in the ordinary course.

5.8. Compliance Placement

Upon Completion, the percentage of the Units that are held in public hands may fall below the minimum free float requirements under the rules of the Listing Manual. In such an event, in order for Saizen REIT to comply with the unitholding spread and distribution requirements under the Listing Manual, SDPSL shall be responsible for carrying out the Compliance Placement.

For the purposes of this Announcement, "**Compliance Placement**" means the placement to be carried out by SDPSL or its nominee(s), of such number of New Saizen REIT Units which, together with the Existing Units, would comprise up to 75.0% of the Enlarged Group's total Units in issue for the purpose of complying with the public float requirements under the Listing Manual. SDPSL or its nominee(s) intends to enter into underwriting and/or placement agreement(s) with the Underwriters to be appointed in relation to the Compliance Placement.

5.9. Whitewash Waiver

Following the completion of the Properties Acquisition, it is envisaged that the SD Unitholding Co will hold no less than 25.0% of the Enlarged Group's total Units in issue.

Depending on the number of New Saizen REIT Units issued under the Compliance Placement, SD Unitholding Co may hold more than 30.0% of the Enlarged Group's total Units in issue. In such event, SD Unitholding Co will be required, under Rule 14 of the Singapore Code on Take-overs and Mergers (the "**Code**"), to make a general offer for the remaining Units not already owned, controlled or agreed to be acquired by the SD Unitholding Co and/or its concert parties except where the SIC grants them a waiver of their obligation to make a mandatory general offer under Rule 14 of the Code ("**Whitewash Waiver**"). SD Unitholding Co intends to make an application to the SIC for the Whitewash Waiver.

Unitholders will have to approve a resolution for a waiver of their right to receive a mandatory general offer under Rule 14 of the Code from the Vendor and its concert parties at the EGM ("**Whitewash Resolution**").

6. KEY TERMS OF THE LEASES

6.1. Lease Tenure

12 of the Properties will have Leases with initial terms of 20 years each with three extension terms of 10 years each, seven of the Properties will have Leases with initial terms of five years each with three extension terms of five years each, and one of the Properties (which comprises mainly vacant hardstand pavement used for storage purposes) will have a Lease with a term of two years and an extension term of one year. Each extension term is exercisable at the option of the Master Lessee, provided that the Sponsor Guarantor grants a new corporate guarantee for the extension term. If the Master Lessee proposes to exercise the extension option without the Sponsor Guarantor granting a new corporate guarantee for the extension term, then the extension option can only be exercised with the agreement of the lessor. Under the terms of the Leases, the indicative WALE of the Properties (based on gross rental income) is approximately 16.7 years.

6.2. Rental Escalation

All Leases will include annual rental escalation of 1.50% in the first three years and 2.75% thereafter.

6.3. Corporate Guarantee from Sponsor Guarantor

In connection with the Leases, the Sponsor Guarantor will provide a corporate guarantee to guarantee the Master Lessee's obligations for the initial term of each Lease. Please refer to paragraph 7.3 below for further details of the Sponsor Guarantor.

6.4. Security Deposit

Under the terms of the Leases, a security deposit of 12 months for each Property will be provided by the Sponsor Guarantor in the form of a banker's guarantee.

6.5. Rights of Refusal over the Properties

Under the terms of the Leases, certain rights of refusal in a proposed sale of the Properties will be provided to the Master Lessee. Further details on the rights of refusal under the Leases will be included in the Circular.

7. INFORMATION ON SDPSL, SIME DARBY PROPERTY BERHAD, THE SPONSOR, MASTER LESSEE AND SPONSOR GUARANTOR

7.1. SDPSL, Sime Darby Property Berhad and the Sponsor

SDPSL is an indirect wholly-owned subsidiary of Sime Darby Property Berhad, which is a multiple award winning integrated township developer in Malaysia with a global reach that encompasses operations and also assets in Australia, Singapore, Vietnam and the United

Kingdom. Sime Darby Property Berhad has a 40-year track record and has built 21 townships/developments.

Sime Darby Property Berhad is the property arm of the Sponsor, Sime Darby Berhad. Sime Darby Berhad is a Malaysia-based diversified government-linked corporation with operations in 26 countries and four territories and which has a total workforce of more than 120,000 employees as of 30 June 2016. It is involved in five core sectors, namely Plantation, Industrial, Motors, Property and Logistics.

Sime Darby Berhad is one of the largest companies listed on Bursa Malaysia and has a market capitalisation of RM50.0 billion as at 7 October 2016.

7.2. Master Lessee

The Master Lessee is a wholly-owned subsidiary of HDAL. Please refer to paragraph 2.2 above for further details of HDAL.

7.3. Sponsor Guarantor

The Sponsor Guarantor is an investment holding company incorporated in Singapore and is a wholly-owned subsidiary of Sime Darby Industrial Holdings Sdn Bhd, which is a direct subsidiary of Sime Darby Berhad. Other than the Master Lessee, HDAL and Austchrome Pty Ltd, the Sponsor Guarantor also holds other material businesses involved in the sale and servicing of Caterpillar equipment in Singapore, Maldives, Christmas Island, Solomon Islands, Papua New Guinea and New Caledonia.

8. INDUSTRY OVERVIEW

An industry overview of the industrial property markets in Queensland and the Northern Territory, Australia, based on a report by Savills, can be found in **Appendix E** to this Announcement.

9. VERY SUBSTANTIAL ACQUISITION OR REVERSE TAKEOVER

9.1. Relative Figures

For the purposes of Chapter 10 of the Listing Manual, the relative figures of the Properties Acquisition computed on the bases set out in Rule 1006(a) to (e) of the Listing Manual are as follows:

Listing Rule	Bases	Properties	Saizen REIT	Relative Figures
1006(a)	The net asset value of the assets to be disposed of, compared with Saizen REIT's net asset value	Not applicable to an acquisition of assets.		

Listing Rule	Bases	Properties	Saizen REIT	Relative Figures
1006(b)	The net profits attributable to the Properties, compared with Saizen REIT's net profits	Not applicable ⁽¹⁾ .		
1006(c)	The Consideration Amount, compared with Saizen REIT's market capitalisation	S\$369,747,360 ⁽²⁾	S\$13,059,100 ⁽³⁾	2,831%
1006(d)	The number of New Saizen REIT Units to be issued by Saizen REIT as consideration for the Properties Acquisition, compared with the number of units of Saizen REIT previously in issue	8,147,984,276 ⁽⁴⁾	287,024,902 ⁽⁵⁾	2,839%
1006(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of Saizen REIT's proved and probable reserves	Not applicable as the Properties Acquisition does not pertain to a disposal of mineral, oil or gas assets by a mineral, oil and gas company.		

Notes:

- (1) Not applicable as the net profits attributable to the Properties cannot be prepared given the inability to segregate the income and expenses relating to the Properties from the other assets of the Vendors. Please refer to paragraph 10 below for further details.
- (2) Based on the total consideration of A\$355,800,000 and converted into S\$ based on the exchange rate of A\$1.00 to S\$1.0392 as at 7 October 2016.
- (3) Based on the total number of shares outstanding of 287,024,902 and one day volume-weighted average price of Saizen REIT of S\$0.0455 on 7 October 2016, being the last market day preceding the date of the Announcement. (Source: Bloomberg).
- (4) Based on an issue price for each New Saizen REIT Unit of S\$0.03604.
- (5) Based on the total number of 287,024,902 Units being in issue as at 7 October 2016, being the last market day preceding the date of the Implementation Agreement.

As the relative figures under Rules 1006(c) and (d) of the Listing Manual exceed 100%, the Properties Acquisition is considered a "Very Substantial Acquisition" or "Reverse Takeover" under Rule 1015 of the Listing Manual.

10. FINANCIAL INFORMATION ON THE PROPERTIES

10.1. Requirement under Chapter 10 of the Listing Manual

Under Rule 1015(1)(a)(ii) of the Listing Manual ("**Rule 1015(1)(a)(ii)**"), the Manager is required to disclose the latest three years of pro forma financial information of the assets to be acquired.

Rules 1010(7) and 1010(9) of the Listing Manual ("**Rule 1010(7)**" and "**Rule 1010(9)**", respectively) also require disclosure of the net profits attributable to the assets being acquired and the proforma financial effect of the transaction on the distributions per Unit ("**DPU**") for the most recently completed financial year, assuming that the transaction had been effected at the beginning of that financial year, respectively.

In addition, Rule 1006(b) of the Listing Manual ("**Rule 1006(b)**") requires computation of a transaction based on the net profits attributable to the assets acquired, compared with Saizen REIT's net profits.

10.2. The application for waiver

An application for a waiver from compliance with Rule 1015(1)(a)(ii) to include the historical proforma financial information of the Enlarged Group in this Announcement, as well as under Rule 1010(7) and Rule 1010(9) to include the net profits attributable to the assets being acquired and the proforma financial effects on DPU in this Announcement was submitted to and received by the SGX-ST on 15 September 2016. In addition, confirmation was also sought from the SGX-ST on 5 October 2016 that Rule 1006(b) will not be applicable in this Announcement.

The SGX-ST had on 7 October 2016 issued a letter stating that it had no objection to granting Saizen REIT a waiver from compliance with Rule 1006(b), Rule 1010(7), Rule 1010(9) and Rule 1015(1)(a)(ii) (the "**Waiver**"), subject to the following conditions:

- (a) the Manager announcing the waivers granted, stating the reasons for seeking the waivers as required under Rule 107 of the Listing Manual, and that the Manager and/or the Board are not aware of any other material information in respect of Saizen REIT and the Properties Acquisition which was not formerly disclosed to investors;
- (b) the disclosure of the waivers granted and bases for seeking the waivers in the Circular; and
- (c) submission of a written confirmation from the Manager that the waivers do not contravene any laws and regulations governing Saizen REIT and the Saizen REIT Trust Deed.

This Announcement is for compliance with item (a) above. The Circular will contain the disclosures requested in item (b) above. The Manager has submitted the written confirmation to the SGX-ST in item (c) above on 10 October 2016.

10.3. Reasons for seeking the Waiver

- (a) *Inability to identify property income and expenses relating to the Properties*

The Properties are currently held by the Vendors for their own industrial business and operations. Accordingly, the Properties have been held in conjunction and commingled with other assets and income-generating operations belonging to the Vendors which will not be acquired by Saizen REIT. The Manager will not be able to

segregate expenses of the Vendors in relation to the Properties from the expenses incurred by the Vendors in connection with their overall business operations as such expenses are not separated in the Vendors' respective financial accounts.

In relation to the property income from the Properties, the Vendors own other assets and income-generating operations which are commingled with the Properties and these include their assets and operations as a dealer of Caterpillar heavy equipment and associated equipment, parts, service support and technology solutions in the mining, construction, forestry, agricultural, materials handling and government sectors. Moreover, there will be no rental income generated by the Properties reflected in the respective financial accounts of the Vendors as all of the Properties are owner-occupied and there are no sub-leases to underlying tenants in respect of any part of the Properties. The Vendors' revenue is wholly made up of revenue from the sales and rental of new and used heavy equipment and equipment management services as well as product support revenue.

In order for the reporting auditors of the Enlarged Group (the "**Reporting Auditors**") to provide a report on the historical proforma financial information as required, the accuracy of the underlying historical financials and operating data needs to be warranted by the Vendors. However in light of the inability to segregate the income and expenses relating to the Properties from the other assets of the Vendors, the Vendors are unable to provide the relevant representations and warranties to the Reporting Auditors and SSAE 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" cannot be complied with, as it requires for pro forma adjustments to be factually supportable. Therefore, historical proforma financial information for the Properties cannot be prepared.

Similarly, the historical net profits attributable to the Properties and the proforma financial effects on DPU also cannot be prepared given the inability to segregate the income and expenses relating to the Properties from the other assets of the Vendors.

(b) *Basis for comparison would have changed substantially*

Saizen REIT will be acquiring the Properties to be held through the Australian Trust Structure while each of the Vendors currently hold their respective assets directly. As such, the ownership structure of the Properties and the capital structure of their holding entities would have changed substantially with the sale of the Properties by the Vendors to Saizen REIT. Furthermore, even if the expenses of the Properties could be identified, the Leases will be triple-net leases with the expenses borne by the Master Lessee. The capital expenditure and operating and financing expenses to be incurred by the Enlarged Group will therefore differ substantially from those incurred by the Vendors historically and the profit and loss accounts and cash flow statements prepared based on historical financial information may not be reflective of what the proforma historical total returns and cash flows of the Enlarged Group might have been.

(c) *All of the Properties will be master leased*

All of the Properties will be leased to the Master Lessee prior to completion of the Properties Acquisition and will constitute 100% of the forecast net property income of the Enlarged Group for the forecast period. If the historical proforma financial information, the proforma financial effects on DPU and the net profits attributable to the Properties are prepared based on the terms of the Master Leases to be granted to the Master Lessee, such information will not reflect the historical financial results and position of the Enlarged Group with respect to the Properties. Assumptions and

bases which are prospective in nature would need to be made if Saizen REIT is to assume that such arrangements were in place throughout the period covered by the historical proforma financial information, the proforma financial effects on DPU and the net profits attributable to the Properties. As such, the Sponsor believes that such historical proforma financial information, proforma financial effects on DPU and net profits attributable to the Properties will be of little value to investors.

10.4. Confirmation from the Manager

The Manager is not aware of any other material information in respect of Saizen REIT and the Properties Acquisition which was not formerly disclosed to investors.

11. INTERESTED PERSON TRANSACTIONS

11.1. Interested Person Transactions

Under Chapter 9 of the Listing Manual, where Saizen REIT proposes to enter into a transaction with an interested person and the value of the transaction (either in itself or when aggregated with the value of other transactions, each of a value equal to or greater than S\$100,000, with the same interested person during the same financial year) is equal to or exceeds 5.0% of Saizen REIT's latest audited net tangible asset ("**NTA**"), Unitholders' approval is required in respect of the transaction. Based on the audited financial statements of Saizen REIT for the financial year ended 30 June 2016, the NTA of Saizen REIT was S\$31.8 million⁴ as at 30 June 2016.

Accordingly, if the value of a transaction which is proposed to be entered into in the current financial year by Saizen REIT with an interested person is, either in itself or in aggregation with all other transactions (each of a value equal to or greater than S\$100,000) entered into with the same interested person during the current financial year, equal to, or in excess of S\$1.6 million (the "**5% Threshold**"), such a transaction would be subject to Unitholders' approval at the EGM.

(a) *The Properties Acquisition*

As at the date of this Announcement and pursuant to the JRAM Sale, Sime Darby Berhad and SDPSL are deemed interested in 800,000 shares (representing 80.0% of the issued share capital) in the Manager, and is each therefore regarded as a "controlling shareholder" of the Manager under the Listing Manual.

As the Vendors are indirect wholly-owned subsidiaries of Sime Darby Berhad, each of them (being a wholly-owned subsidiary of a "controlling shareholder" of the Manager) is, for the purposes of Chapter 9 of the Listing Manual and Appendix 6 of the Code on Collective Investment Schemes issued by the MAS (the "**Property Funds Appendix**"), an "interested person" of Saizen REIT.

Given the foregoing and that the Consideration Amount exceeds the 5% Threshold, the Properties Acquisition will constitute an "interested person transaction" under Chapter 9 of the Listing Manual.

(b) *The Master Leasing Arrangement*

As the Properties Acquisition is subject to the Leases, the Property Sub-Trust Trustee will be the master lessor to the Leases with the Master Lessee as the counterparty to

⁴ Based on an exchange rate of S\$1.00 = JPY76.3 as at 30 June 2016.

the Leases. As at the date of this Announcement, the Master Lessee is an indirect wholly-owned subsidiary of Sime Darby Berhad, and it (being a wholly-owned subsidiary of a "controlling shareholder" of the Manager) is, for the purposes of Chapter 9 of the Listing Manual and the Property Funds Appendix, an "interested person" of Saizen REIT.

Given the foregoing and that the total gross rental payable for the duration of the initial periods of the Leases (as set out in **Appendix B**) exceeds the 5% Threshold, the Master Leasing Arrangement will constitute an "interested person transaction" under Chapter 9 of the Listing Manual.

- (c) *HAUT Purchase Agreement, the HAUT Management Agreement and the adoption of the HAUT Trust Deed and the Property Sub-Trust Trust Deed*

As SDPSL is regarded as a "controlling shareholder" of the Manager and each of the HAUT Manager, the HAUT Trustee and Property Sub-Trust Trustee is regarded as an "associate" of Perpetual (Asia) Limited, they are, for the purposes of Chapter 9 of the Listing Manual and Property Funds Appendix, "interested persons" of Saizen REIT.

Accordingly, the (i) entry into the HAUT Purchase Agreement and the HAUT Management Agreement and (ii) adoption of the HAUT Trust Deed and Property Sub-Trust Trust Deed (collectively, the "**Australian Trust Structure IPTs**") will constitute "interested person transactions" under Chapter 9 of the Listing Manual.

Further details of the terms of the Australian Trust Structure IPTs will be set out in the Circular.

- (d) *Amendments to the Saizen REIT Trust Deed*

It is currently intended that Perpetual (Asia) Limited would, following the retirement of HSBCTSL as trustee of Saizen REIT (as referred to in paragraph 5.2(g) above), be appointed as the trustee of Saizen REIT. As such, corresponding amendments are proposed to be made to the Saizen REIT Trust Deed in relation to, *inter alia* (i) the payment of fees to Perpetual (Asia) Limited and (ii) the implementation of the Australian Trust Structure (together, the "**Saizen REIT Trust Deed Amendments**").

Following the appointment of Perpetual (Asia) Limited as the trustee of Saizen REIT, the Saizen REIT Trust Deed Amendments would constitute an "interested person transaction" under Chapter 9 of the Listing Manual.

Further details of the Saizen REIT Trust Deed Amendments will be set out in the Circular.

11.2. Unitholders' Approval in relation to the Properties Acquisition

The Circular will be issued to Unitholders in due course, together with a notice of the EGM, for the purpose of seeking Unitholders' approval for, among others, the Properties Acquisition.

If Unitholders approve the Properties Acquisition at the EGM, under Chapter 9 of the Listing Manual, such approval will be deemed to include the Master Leasing Arrangement, the Australian Trust Structure IPTs and the Saizen REIT Trust Deed Amendments as they form an integral part of the Properties Acquisition.

11.3. Audit Committee's Statement

The audit committee of the Manager (comprising Mr Soh Yew Hock, Mr Dennis Lam Siu Sun and Mr Harold Sun Dai Hoe) (the "**Audit Committee**") will be obtaining an opinion from an independent financial adviser to be appointed before forming its views as to whether the Properties Acquisition, the Master Leasing Arrangement, the Australian Trust Structure IPTs and the Saizen REIT Trust Deed Amendments (collectively, the "**Proposed IPT Transactions**") are on normal commercial terms and are not prejudicial to the interests of Saizen REIT and its minority Unitholders. The Audit Committee's views on the Proposed IPT Transactions will be set out in the Circular.

11.4. Other Interested Person Transactions

As at the date of this Announcement, based on the information available to the Manager and save as disclosed in this Announcement, Saizen REIT has not entered into any interested person transactions with any of SDPSL or Perpetual (Asia) Limited or any of their subsidiaries and their associates during the course of the current financial year.

12. INTEREST OF DIRECTORS AND CONTROLLING UNITHOLDERS

As at the date of this Announcement, certain directors of the Manager ("**Directors**") collectively hold an aggregate, direct and/or deemed, interest in 2,181,011 Units. The details of the Unitholdings of the Directors are as follows:

Name of Director	Number of Units		Total Interest	% of total issued Units
	Direct Interest	Deemed Interest		
Mr Arnold Ip Tin Chee ⁽¹⁾	-	2,046,047	2,046,047	0.71
Mr Goh Hwee Leng Joey	10,300	-	10,300	0.004
Mr Soh Yew Hock	-	-	-	-
Mr Dennis Lam Siu Sun ⁽²⁾	-	124,664	124,664	0.04
Mr Harold Sun Dai Hoe	-	-	-	-

Notes:

- (1) Mr Arnold Ip Tin Chee is deemed to be interested in (i) 785,131 Units held by the Manager, (ii) 622,991 Units held by UOB Kay Hian Pte Ltd ("**UOBKH**") for Altus Investments Limited ("**AIL**"), (iii) 208,025 Units and 429,000 Units held by UOBKH and Kim Eng Securities Pte Ltd respectively, for Starich Resources Limited ("**SRL**"), AIL and SRL are 80.0% indirectly owned by a trust being The General Trust Company S.A., of which Mr Ip is one of the beneficiaries.
- (2) Mr Dennis Lam Siu Sun is deemed to be interested in 124,664 Units held by Somerset Holdings Limited ("**SHL**"). Oriental Star Investments Limited ("**OSIL**") holds a controlling interest in SHL. In turn, Mr Lam is the beneficial holder of more than 20.0% of the voting shares of OSIL. Accordingly, pursuant to the Companies Act (Chapter 50 of Singapore), Mr Lam is deemed to be interested in the 124,664 Units held by SHL.

It is intended that a change in control in respect of the ownership of the Manager shall take place in connection with the Properties Acquisition. Mr Arnold Ip, who is a Director of the Manager, is deemed interested in 40.0% of the Manager through his shareholding interest in Altus Investments Limited.

Based on the information available to the Manager as at the date of this Announcement, and save as disclosed in this Announcement, none of the Directors of the Manager have any interest, direct or indirect, in relation to the proposed Properties Acquisition. Saizen REIT does not have any controlling Unitholders.

13. UNITHOLDING EFFECTS

It is envisaged that immediately after Completion and the Compliance Placement, the unitholding structure of Saizen REIT shall be as follows:

Unitholder	Percentage Unitholding Interest in the Units (Direct and Deemed Interest)	
	Currently Held ⁽¹⁾	Immediately after Completion and Compliance Placement ⁽²⁾
Existing Unitholders	100.0%	3.4%
SD Unitholding Co ⁽³⁾	–	25.0% ⁽⁴⁾
Investors under the Compliance Placement	–	71.6%

Notes:

- (1) Based on a total number of 287,024,902 issued Units.
- (2) Based on a total number of 8,435,009,178 issued Units, assuming (i) the Consideration Amount is S\$369,747,360 and (ii) 8,147,984,276 New Saizen REIT Units are issued as part of the Consideration for the Properties Acquisition.
- (3) SDPSL is a wholly-owned subsidiary of Sime Darby Property Berhad which is in turn a wholly-owned subsidiary of Sime Darby Berhad. Accordingly, Sime Darby Property Berhad and Sime Darby Berhad are deemed to have an interest in the units held by SDPSL. Based on the Record of Depositors of Sime Darby Berhad as at 30 September 2016, AmanahRaya Trustees Berhad – Amanah Saham Bumiputera ("**ASB**") holds 42.55% of the equity interest in Sime Darby Berhad. Accordingly, ASB is deemed interested in the Units held by SDPSL.
- (4) Assuming the number of New Saizen REIT Units issued under the Compliance Placement comprises 71.6% of total Units in issue immediately after Completion.

14. FINANCIAL ADVISER

The Manager has appointed HL Bank as its financial adviser in relation to the Properties Acquisition.

15. INDEPENDENT FINANCIAL ADVISER

An independent financial adviser will be appointed to advise the independent Directors of the Manager and the Audit Committee (as the case may be) in respect of the Whitewash Resolution and the Proposed IPT Transactions in due course.

16. DIRECTOR'S SERVICE CONTRACT

In connection with the JRAM Sale and the RTO, it is intended that there will be a replacement of the Board and management team of the Manager following the receipt of Unitholders' approval of the resolutions relating to the RTO at the EGM. Subject to the requisite approvals being obtained, new Directors nominated by SDPSL will be appointed to the Board. The details of such appointments and service contracts (if any) will be set out in the Circular.

17. CIRCULAR

The Circular containing, *inter alia*, the notice of the EGM in relation to the Properties Acquisition will be despatched to Unitholders in due course.

18. DOCUMENTS FOR INSPECTION

Copies of the Implementation Agreement and the valuation certificates of the Valuers in respect of the Properties are available for inspection during normal business hours at the Manager's registered office at 3 Anson Road #34-01, Springleaf Tower, Singapore 079909 for a period of three (3) months from the date of this Announcement.

19. CAUTION

Unitholders and potential investors are advised to exercise caution in the trading of their Units. Completion of the Properties Acquisition is subject to, *inter alia*, the fulfilment of the Conditions Precedent. There is no certainty and assurance as at the date of this Announcement that the Properties Acquisition will be completed or that no changes will be made to the terms thereof.

Saizen REIT will make the necessary announcements when there are further developments on the Properties Acquisition and other matters contemplated by this Announcement. Unitholders and potential investors should consult their stock brokers, bank managers, solicitors or other professional advisers if they have any doubt about the actions they should take.

10 October 2016

By Order of the Board

Mr Joey Goh
Executive Director and Chief Executive Officer

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

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. The 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.

This Announcement may contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from similar developments, shifts in expected levels of property rental income and occupancy, changes in operating expenses, including employee wages, benefits and training, property expenses and governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support future business. You are cautioned not to place undue reliance on these forward looking statements, which are based on the Manager's current view of future events.

APPENDIX A

FINANCIAL EFFECTS OF THE PROPERTIES ACQUISITION

1. The pro forma financial effects of the Properties Acquisition on the NTA per Unit presented below are strictly for illustrative purposes and were prepared based on the audited financial statements of Saizen REIT for the financial year ended 30 June 2016 as well as the following assumptions and bases:
 - (a) the Properties Acquisition is funded by a combination of the Properties Acquisition Loan and the issuance of 8,147,984,276 New Saizen REIT Units by the Saizen REIT Trustee;
 - (b) transaction costs are funded by the Properties Acquisition Loan; and
 - (c) investment properties include the purchase consideration for the Properties Acquisition (as defined herein) of A\$355,800,000 (S\$369,747,360) and applicable stamp duties.

2. Pro Forma NTA

The pro forma financial effects of the Properties Acquisition on the NTA per unit as at 30 June 2016 as if the Proposed Acquisition were completed on 30 June 2016 are as follows:

	Effects of the Properties Acquisition		
	As at 30 June 2016	Before the Properties Acquisition	After the Properties Acquisition
NTA per Unit (S\$)	0.1106 ⁽¹⁾	0.0119 ⁽²⁾	0.0338 ⁽³⁾

Notes:

- (1) Based on an exchange rate of S\$1.00 = JPY76.3 and 287,024,902 units outstanding as at 30 June 2016.
- (2) Based on 287,024,902 Units outstanding as at 30 June 2016 and assuming that the distribution of S\$0.0987 per Unit (representing the estimated total cash of Saizen REIT at liquidation in a liquidation scenario as at 30 June 2016) (the "**Distribution**") had been completed as at 30 June 2016.
- (3) Based on 8,435,009,178 Units outstanding after the Properties Acquisition and assuming that the Distribution had been completed as at 30 June 2016.

APPENDIX B

INFORMATION ON THE PROPERTIES

No.	Property Address	Property Type	Tenure	Purchase Consideration (A\$)	Annual Rental (A\$)	Term of Lease (years)	Renewal
1	98 Kerry Road, Archerfield QLD 4108	Head Office	Freehold	68,000,000	4,374,825	20	10+10+10
2	1123 Beaudesert Road, Acacia Ridge QLD 4110	Brisbane Branch	Freehold	30,500,000	2,027,025	20	10+10+10
3	1141 Beaudesert Road, Acacia Ridge QLD 4110	Brisbane Rental Facility	Freehold	7,100,000	464,100	20	10+10+10
4	182 Bowhill Road, Willawong QLD 4110	Brisbane Willawong	Freehold	36,500,000	2,600,000	2	1
5	146 Kerry Road, Archerfield QLD 4108	Brisbane Corporate Office (Ex Toll)	Freehold	20,000,000	1,218,473	20	10+10+10
6	60 Bellrick Street, Acacia Ridge QLD 4110	Brisbane Training Facility	Freehold	8,200,000	593,329	5	5+5+5
7	83 Kimberley Street, Richlands QLD 4077 (also known as 454 Boundary Rd, Richlands)	Brisbane Truck Shop	Freehold	4,300,000	313,430	5	5+5+5

No.	Property Address	Property Type	Tenure	Purchase Consideration (A\$)	Annual Rental (A\$)	Term of Lease (years)	Renewal
8	14 Commercial Avenue, Paget QLD 4740	Mackay Expanded Mining Product Service Facility	Freehold	22,300,000	1,653,750	20	10+10+10
9	111 Connors Road, Paget QLD 4740	Mackay Component Rebuild Facility	State Leasehold – Perpetual	12,600,000	1,149,750	20	10+10+10
10	40-42 Caterpillar Drive, Paget QLD 4740	Mackay Branch	Freehold	51,000,000	3,701,250	20	10+10+10
11	37-41 Commercial Avenue, Mackay QLD 4741	Mackay Austchrome	Freehold	9,750,000	656,250	20	10+10+10
12	150 Port Curtis Road, Port Curtis QLD 4700	Rockhampton Branch	Freehold	37,500,000	3,437,049	20	10+10+10
13	15-17 Carrington Road, Torrington QLD 4350	Toowoomba Branch	Freehold	18,300,000	1,365,000	20	10+10+10
14	8 Watson Court, Torrington QLD 4350	Toowoomba Truck Shop	Freehold	2,200,000	131,250	20	10+10+10
15	467 Woolcock Street, Garbutt QLD 4814	Townsville Branch	Freehold	6,700,000	568,764	5	5+5+5
16	101-107 Kenny Street, Portsmith QLD 4870	Cairns Branch	State Leasehold – Perpetual	3,650,000	502,703	5	5+5+5

No.	Property Address	Property Type	Tenure	Purchase Consideration (A\$)	Annual Rental (A\$)	Term of Lease (years)	Renewal
17	41-55 Fearnley Street, Portsmith QLD 4870 (also known as Comport Street, Portsmith)	Cairns Storage Facility	Freehold	1,175,000	94,500	5	5+5+5
18	5-11 Kolongo Crescent, Kalkadoon QLD 4825	Mt Isa Branch	Freehold	8,500,000	693,000	20	10+10+10
19	13-15 Brown Street, Ciccone NT 0870	Alice Springs Branch	Freehold	1,025,000	95,000	5	5+5+5
20	25 Wishart Road, Wishart NT 0822	Darwin Branch	Freehold	6,500,000	550,000	5	5+5+5

APPENDIX C

VALUATION OF THE PROPERTIES

The table below sets out the valuations of each of the Properties as at 30 September 2016:

No.	Property Address	Property Type	Tenure	JLL Valuation (A\$)	Savills Valuation (A\$)	Higher Valuation (A\$)
1	98 Kerry Road, Archerfield QLD 4108	Head Office	Freehold	68,000,000	67,000,000	68,000,000
2	1123 Beaudesert Road, Acacia Ridge QLD 4110	Brisbane Branch	Freehold	30,500,000	30,100,000	30,500,000
3	1141 Beaudesert Road, Acacia Ridge QLD 4110	Brisbane Rental Facility	Freehold	7,100,000	6,900,000	7,100,000
4	182 Bowhill Road, Willawong QLD 4110	Brisbane Willawong	Freehold	34,800,000	36,500,000	36,500,000
5	146 Kerry Road, Archerfield QLD 4108	Brisbane Corporate Office (Ex Toll)	Freehold	17,800,000	20,000,000	20,000,000
6	60 Bellrick Street, Acacia Ridge QLD 4110	Brisbane Training Facility	Freehold	8,200,000	7,600,000	8,200,000
7	83 Kimberley Street, Richlands QLD 4077 (also known as 454 Boundary Rd, Richlands)	Brisbane Truck Shop	Freehold	4,300,000	4,000,000	4,300,000
8	14 Commercial Avenue, Paget QLD 4740	Mackay Expanded Mining Product Service Facility	Freehold	21,400,000	22,300,000	22,300,000
9	111 Connors Road, Paget QLD 4740	Mackay Component Rebuild Facility	State Leasehold – Perpetual	12,100,000	12,600,000	12,600,000

No.	Property Address	Property Type	Tenure	JLL Valuation (A\$)	Savills Valuation (A\$)	Higher Valuation (A\$)
10	40-42 Caterpillar Drive, Paget QLD 4740	Mackay Branch	Freehold	50,400,000	51,000,000	51,000,000
11	37-41 Commercial Avenue, Mackay QLD 4741	Mackay Austchrome	Freehold	9,000,000	9,750,000	9,750,000
12	150 Port Curtis Road, Port Curtis QLD 4700	Rockhampton Branch	Freehold	37,300,000	37,500,000	37,500,000
13	15-17 Carrington Road, Torrington QLD 4350	Toowoomba Branch	Freehold	18,300,000	18,100,000	18,300,000
14	8 Watson Court, Torrington QLD 4350	Toowoomba Truck Shop	Freehold	2,200,000	2,000,000	2,200,000
15	467 Woolcock Street, Garbutt QLD 4814	Townsville Branch	Freehold	6,700,000	6,450,000	6,700,000
16	101-107 Kenny Street, Portsmith QLD 4870	Cairns Branch	State Leasehold – Perpetual	2,950,000	3,650,000	3,650,000
17	41-55 Fearnley Street, Portsmith QLD 4870 (also known as Comport Street, Portsmith)	Cairns Storage Facility	Freehold	1,100,000	1,175,000	1,175,000
18	5-11 Kolongo Crescent, Kalkadoon QLD 4825	Mt Isa Branch	Freehold	8,500,000	8,450,000	8,500,000
19	13-15 Brown Street, Ciccone NT 0870	Alice Springs Branch	Freehold	1,025,000	1,000,000	1,025,000
20	25 Wishart Road, Wishart NT 0822	Darwin Branch	Freehold	6,500,000	6,500,000	6,500,000
Total				348,175,000	352,575,000	355,800,000

APPENDIX D

PRESCRIBED OCCURENCES

For the purpose of the Implementation Agreement, "**Prescribed Occurrence**", in relation to Saizen REIT, means any of the following:

- (1) **Securities Buy-back:** Saizen REIT entering into a securities buy-back agreement or resolving to approve the terms of a securities buy-back agreement under the relevant securities legislation;
- (2) **Issuance of Units:** Saizen REIT issuing, or granting an option to subscribe for, any Units or securities convertible into Units or agreeing to issue or to grant such an option or convertible security (other than in connection with the Properties Acquisition and the RTO);
- (3) **Issuance of Debt Securities:** Saizen REIT issuing, or agreeing to issue, convertible notes or other debt securities;
- (4) **Distributions:** other than the Remaining Proceeds Distributions, declaring, authorising, making or paying any distribution to Saizen REIT Unitholders;
- (5) **Injunctions:** an injunction or other order issued by any court of competent jurisdiction or other legal restraint or prohibition preventing the consummation of the Properties Acquisition or any part thereof;
- (6) **Resolution for Winding Up:** resolving that Saizen REIT be wound up;
- (7) **Appointment of Liquidator and Judicial Manager:** the appointment of a liquidator, provisional liquidator, judicial manager and/or provisional judicial manager of Saizen REIT;
- (8) **Order of Court for Winding Up:** the making of an order by a court of competent jurisdiction for the winding up of Saizen REIT;
- (9) **Composition:** entering into any arrangement or general assignment or composition for the benefit of the creditors generally of Saizen REIT;
- (10) **Appointment of Receiver:** the appointment of a receiver or a receiver and manager, in relation to the property or assets of Saizen REIT;
- (11) **Insolvency:** Saizen REIT becoming or being deemed by law or a court of competent jurisdiction to be insolvent, or stops or suspends or defaults on or threatens to stop or suspend or default on, payment of its debts;
- (12) **Investigations and Proceedings:** if Saizen REIT or the directors or key executives of the Manager is or will be the subject of any governmental, quasi-governmental, criminal, regulatory or stock exchange investigation and/or proceeding;
- (13) **Analogous Event:** the occurrence of any event which, under the laws of any jurisdiction, has an analogous or equivalent effect to any of the foregoing events; or
- (14) **Certain Steps or Actions by Saizen REIT:** Saizen REIT authorising, committing or agreeing to take any of the steps or actions in any of paragraphs (1) to (13) inclusive.

APPENDIX E

INDUSTRY OVERVIEW⁵

Brisbane Industrial Property Market

Brisbane's metropolitan industrial market is driven mainly by distribution (transport and logistics), construction and service industries. While manufacturing has historically made up a small proportion of the market, the sector is starting to record an increase in leasing activity. Access to major arterial roads is typically a key contributor to industrial demand for both leasing and sales volumes. Investment yields for prime industrial property range from 6.50% to 7.50% in Brisbane.

Queensland Regional Industrial Property Markets

Darling Downs (Toowoomba): The industrial property market within Toowoomba has remained relatively stable over the past 12 months with limited changes in both capital and rental values. During 2012-2014, the average net investment yield was 9.00% to 10.00%, however as a result of the ongoing low interest rate environment, demand has strengthened. Prime properties subject to a secure, long-term lease covenant (10-15 years) are now achieving around 7%.

Central Queensland (Rockhampton & Mackay): The industrial property market within Rockhampton has remained relatively stable over the past 12 months, being somewhat more diversified compared to other Central Queensland cities and as such is less sensitive to the resources sector. Demand from owner-occupiers has increased, albeit for smaller properties in close proximity to the CBD. Investor demand has also strengthened, however the interest is limited to good quality assets subject to a long-term, secure lease covenant. The outlook for the industrial market over the next 12 month is stable, however given the lack of good quality investment stock, yield compression is expected.

The resources sector is the primary driver of the Mackay industrial property market. As such the market enjoyed unprecedented high levels of growth in both capital and rental values in line with the mining boom from 2006-2013/14. The slowdown of the sector has obviously had an immediate impact on the market with vacancies resulting in downward pressure on rentals.

There is a mixed outlook for the Mackay industrial market over the next 12 months. On one hand both the sales and rental market for strata units and warehouses are expected to fall further until a cyclical trough is reached; albeit there may be some relief should the Stanmore Coking Project prove to be sustainable. On the other hand further yield compression resulting in an uplift of capital values is anticipated for good quality investment properties subject to long-term leases, particularly given the severe lack of suitable product.

North Queensland (Townsville, Cairns & Mt Isa): The Townsville industrial property market remains static, albeit activity has picked up over the past 6 months. The turnaround has been towards quality property offering strong yields coupled with secure, long term leases to national tenants. The level of demand depends on the strength of the lease profile. Vacant or short-term let properties are attracting limited interest.

The Cairns industrial property market is beginning to show signs of recovery, however both capital and rental values are still far off the 2007 peak. There is also limited supply, particularly of warehouses, which has contributed to the uplift in prices. Investor demand has also strengthened, albeit transaction volumes remain low given the lack of properties available with a long term lease and secure covenant.

⁵ Source: "Independent Research Report Queensland & Northern Territory Industrial Property Markets", Savills Valuation & Professional Services (S) Pte Ltd. Inclusion in this Announcement of extracts of this report is subject to the disclaimers set out by Savills in the report to be included in the Circular. While the Manager has taken reasonable steps to ensure the information is extracted accurately and in its proper context, the Manager has not independently verified any of the data or ascertained the underlying economic assumptions relied upon therein. Consequently, none of Saizen REIT or the Manager makes any representation as to the accuracy or completeness of such information, and each of them shall not be held responsible in respect of any such information and shall not be obliged to provide any updates on the same.

The outlook in Cairns for the next 12 months remains positive, and both rentals and capital values are expected to remain stable, however appreciation of prices for well leased investment properties is anticipated.

In Mt. Isa, the industrial property market has softened in line with the resources sector, with limited transactions occurring over the past 12 months. The industrial property market is expected to remain subdued over the next 12 months, however more stability of pricing is anticipated for investment properties subject to a long-term secure lease covenant.

Northern Territory Industrial Property Market

Activity within the Darwin industrial property market remains weak, with the majority of local agents reporting limited enquiry for either sales or leasing. Transaction volumes will be modest, although prime yields which are currently 7.5% to 8.5% depending on the remaining lease term, are not expected to soften as a consequence. Future leasing risk means investors will continue to focus on properties with a long term, secure covenant while anything with short to medium term lease expiries will be discounted.

Alice Springs comprises a very small industrial market which is highly dependent upon the resources sector. As with the majority of regional towns across Queensland & Northern Territory, the higher yields are attractive to investors particularly during the current ongoing period of low interest rates.